

**ធនាគារ ភ្នំពេញ ពាណិជ្ជ**

**Phnom Penh Commercial Bank**

# **របាយការណ៍ប្រចាំឆ្នាំ ២០១០**

## **ANNUAL REPORT 2010**



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## Vision, Core Goals and Motto

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### The Bank for Creating a Bright Future for Cambodia

#### Vision

The Bank that creates a bright future for Cambodia through advanced finance and reliability

#### Core Goals

To become one of the top five banks in Cambodia

#### Motto

1. Realize the highest standards of customer satisfaction
2. Improve brand value
3. Maximize efficiency

#### Philosophy

##### **Phnom Penh Commercial Bank Creating New Values**

Southeast Asian countries have shown tremendous economic and political development in recent years, making these distinguishing features and stepping-stone to a prosperous future. As such, the international finance market now expects these countries to become a new global financial resource. Cambodia lies at the heart of this rapidly developing market. The Phnom Penh Commercial Bank (PPCB), which has joined Cambodia's burgeoning financial market, is now set to become a Unique Value Creator, improving the global value of Cambodia.



# Financial Highlight

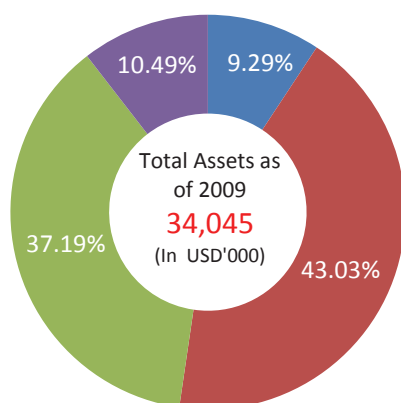
	2010	2009	2008
<b>OPERATING RESULTS (USD'000)</b>			
Profit before tax expense	728	381	(515)
profit after tax expense	594	359	(517)
<b>KEY BALANCE SHEET DATA (USD'000)</b>			
Assets	58,351	34,045	19,210
Loans and advances	24,499	12,660	5,288
Deposit from Customers	42,108	19,123	4,696
Paid-up Capital	15,000	15,000	15,000
Shareholders' Equity	15,437	14,842	14,483
<b>FINANCIAL RATIOS (%)</b>			
Return on Asset	1.02	1.06	(2.69)
Return on Equity	3.85	2.42	(3.57)
Liquidity Ratio	140.33	185.10	442.82
Solvency Ratio	30.04	48.37	96.81



## SIMPLIFIED BALANCE SHEET

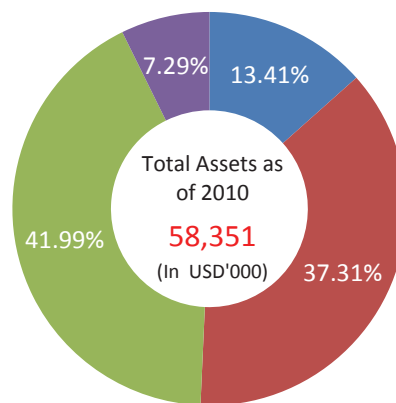
### Asset

**2009**



- Cash and bank balances
- Deposits
- Loans and advances-net
- Other assets

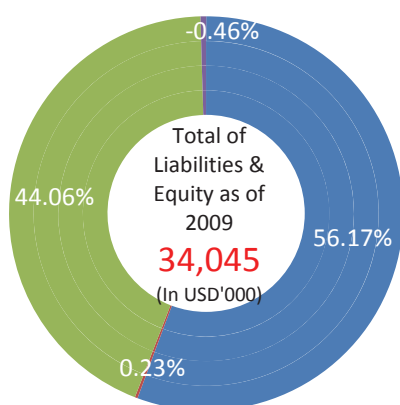
**2010**



- Cash and bank balances
- Deposits
- Loans and advances-net
- Other assets

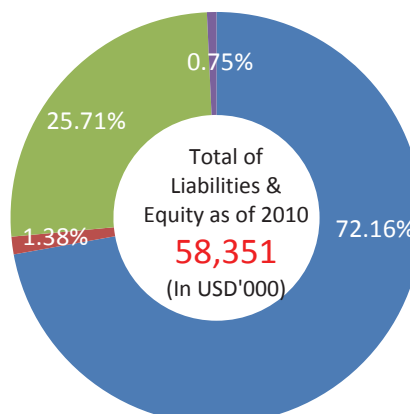
### Liabilities and Shareholders' Equity

**2009**



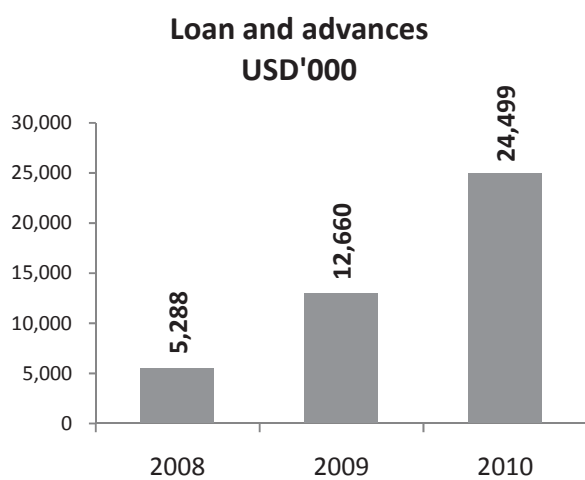
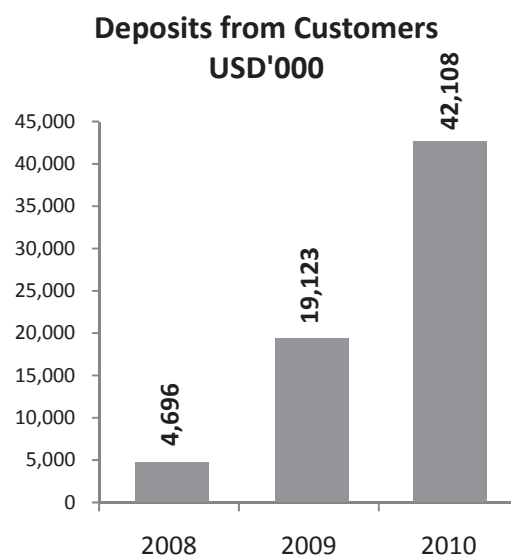
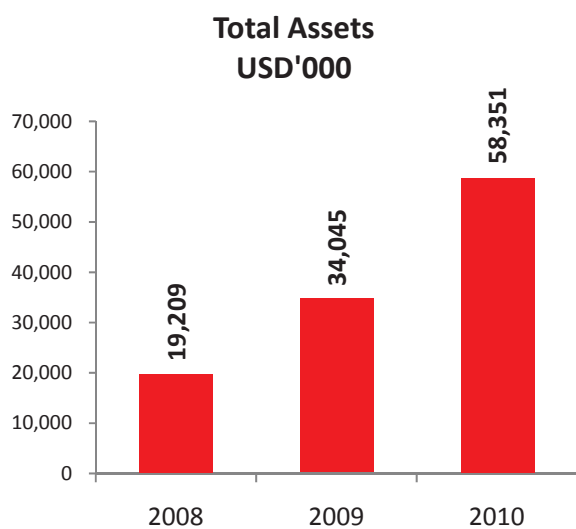
- Deposit from Customers
- Other liabilities
- Share Capital
- Retained Earnings

**2010**



- Deposit from Customers
- Other liabilities
- Share Capital
- Retained Earnings

## REVOLUTION OF THREE - YEAR GROWTH



ផ្ទាំងក្រហម  
Phnom Penh ពាណិជ្ជ  
Commercial Bank

Tel: 023 999 500

PPCB

ATM





ធនាគារ ភ្នំពេញ ពាណិជ្ជ  
Phnom Penh Commercial Bank

The Bank for Creating a Bright Future for Cambodia



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# Corporate Information

## Brief Corporate Profile

Phnom Penh Commercial Bank (PPCB) started its banking operations on 1<sup>st</sup> September 2008, and is a fully licensed commercial bank. PPCB's shares are held by Hyundai Swiss Financial Group based in Korea and its related party (60%), SBI Holdings, Inc., (40%) based in Japan, respectively.

Hyundai Swiss Financial Group was established in 1971, and is one of the largest saving banks in Korea.

SBI Group has more than 70 group companies and the flagship of the group is SBI Holdings, Inc., which is a listed company on the Tokyo Stock Exchange and has more than 80 consolidated subsidiaries around the world that are operating innovative financial businesses, such as SBI Investment Co., Ltd, the largest venture capital firm in Japan and SBI Securities Co., Ltd, a leading securities firm.

Since the beginning, PPCB has always tried to expand itself by providing more and more banking products and services to customers in the banking market. On the 1<sup>st</sup> of January 2010, PPCB's first branch began its operations. The branch called the BS Branch, is located at BS Department Store on Monivong Blvd., in Monorom Quarter, 7 Makara District. And a year later, on the 1<sup>st</sup> of March 2011, PPCB proudly established its second branch, the PDK Branch, is located at N<sup>o</sup> 78, Monireth Blvd., Toul Svayprey 2 Quarter, Chamkarmon District, Phnom Penh City.

### Information

Bank	:	Phnom Penh Commercial Bank
Date of Establishment	:	1 <sup>st</sup> September 2008
Registration N <sup>o</sup>	:	Co. 4898E / 2008
Registered office	:	767-769, Monivong Blvd., Beoung Trabek Quarter, Chamkarmon District
Shareholders	:	SBI Holdings, Inc. Japan 40% Hyundai Swiss Savings Bank 9.9% Hyundai Swiss Savings II Bank 9.9% Kyong Ki Growth & Development 9.9% Hidy Investment Co., Ltd 9.9% Mirae Credit Information Service Corp 3% Mr. Kim Kwang Jin 9.9% Mr. Kim Jong Min 7.5%
Directors	:	Mr. Kim Yang Jin Mr. Eiichiro So
Management Team	:	Mr. Kim Yang Jin, President & CEO Mr. Ryu Jae Kyung, Senior Manager Mr. Yun Chang Ho, Senior Manager Mr. Samnom Saruth, Senior Audit Manager Mr. Nhak Kimsroy, Senior Loan Manager Mr. Khin Vichet, Human Resource & Administrative Manager Mr. Sen Chettana, Accounting Manager Mr. Chao Sopheakvirak, IT Manager Mr. Ly Sambath, Trade Finance Manager Mrs. Chhor Chhunhong, BS Branch Manager Mr. Khom Taingsrou, PDK Branch Manager
Related Party	:	SBI Phnom Penh Securities
Auditor	:	KPMG Cambodia Ltd.



### **PPCB's Man Power**

At Phnom Penh Commercial Bank, we recognize that competent, loyal and high caliber employees are one of the Bank's asset and the greatest strength of our business operation. Therefore, we are committed to developing their careers through targeted methods including of general behavioral training, technical training, job transfer and promotion. Our staffs are equipped with specific skills and talent and received modeling from their professional superiors.

### **Teamwork, Our Culture**

Team work and our customer service oriented culture have been the keys to the remarkable achievements and strong performance of Phnom Penh Commercial Bank.

Team work has strongly and continuously been encouraged in the workplace. Through good cooperation across departments, the results produced have seldom fallen behind schedule.

### **Customer Satisfaction, Our Touchstone**

Customer satisfaction has always been placed as the top priority for the Bank's business. Our customers are very impressed by excellent services delivered by our dedicated staff. We have an ongoing commitment to providing a quality service through understanding our products and customers. We treat our customers with courtesy and respect. Our staff are strictly prohibited from arguing with customers at any time or any circumstances, while customer feedback is much appreciated.

### **Develop Talent for Continued Success**

Our employees are a vital asset to developing our business. Therefore, assessing the skills needed by the unit has been taken into account. Additionally, we support and foster the individual development plans of unit members to ensure that the unit has the skill necessary to serve customers and to help the Bank achieve its objectives.

### **Corporate Image**

As part of the Bank's motto, to maximize the Brand value, the Bank transformed its corporate image to create brand identity in October 2009. The new corporate image is clearly shaped to illustrate our solid foundations and the cooperation throughout the group.



## Social Responsibility

With regard to our commitment to create the bright future for Cambodia, Phnom Penh Commercial Bank has taken social responsibility into account. A part of our bank's profit will be returned to communities, societies and charitable institutions in Cambodia.

As a result of civil war, thousands of handicapped people, orphans, displaced people and widowers are in need of prompt assistance and support. In the hope that our donation will enable vulnerable people to make a good living, we have made a donation some budget to handicapped center, namely "Banteay Preap" which is located in Ang Snoul District, Kandal Province in order for them to continue to operate its center for the further development of specialist skills of disabled people there to enable them to survive by themselves in the future.

We will keep continue provide to support to communities, societies and charitable institutions in Cambodia.

### A Donation of Phnom Penh Commercial Bank to Handicapped Center

*February 20, 2010, "Banteay Preap" Ang Snoul District, Kandal Province.*



*April 7, 2011, "Banteay Preap" Ang Snoul District, Kandal Province.*



## Board of Directors' Profile

The Board of Directors is appointed by the shareholders to act on their behalf. The Board shall consist of two directors, Mr. Kim Yang Jin and Mr. Eiichiro So. The Board regularly meets mainly to review the Bank's on-going business performance and progress and matters that require the Boards' decision.

### Mr. Kim Yang Jin

Chairman, Korean

#### Education

Master Degree of  
Science in Real Estate,  
Konkuk University, Seoul, Korea.

#### Working Experience

Kookmin Bank for 30 years in Korea

- New York Branch, Deputy General Manager
- Global Business Department, Deputy General Manager
- Foreign Exchange Operation Department, General Manager
- Corporate Banking Department, General Manager
- Medium and Small Enterprise Banking Department, General Manager
- Credit Management Department, General Manager
- Head of South West Regional Corporate Banking (Head Office)
- KB Real Estate Trust Company, Deputy CEO



### Mr. Eiichiro So

Director, Japanese

#### Education

MBA, Hitotsubashi University, Tokyo, Japan  
BA, Korean Language, Yonsei University, Seoul,  
Korea  
BA, Accounting, Chuo University, Japan

#### Working Experience

SBI Ven Capital Pte. Ltd., Singapore, Senior Vice President  
SBI Holdings, Inc., Manager, Overseas Business Department  
Sumitomo Mitsui Banking Corporation, Seoul Branch, Korea,  
Senior Vice President



# Chairman/CEO's Report



Dear valued customers, shareholders and friends of Phnom Penh Commercial Bank.

The Cambodia's overall recent economic performance has been characterized by balanced contributions from agriculture, manufacturing, construction, tourism and the services industry. Despite the global downturn, the Cambodia economy has been in good shape underpinned by a continued increase in investment in agriculture, broad based development of non-agricultural sectors, political stability, active private sector participation, reform efforts, increased official development aid and sustained foreign direct investment. GDP in 2010 grew by 5%, while growth in 2011 is expected to be around 6%.

The banking and financial sector remains healthy and stable. Confidence in the banking sector continues to improve led by the National Bank of Cambodia which has issued a number of *prakas* and regulations designed to bring more order, better supervision and to strengthen the capital bases of the financial institutions. These include a mandatory increase in the minimum capital of commercial banks up to riel 150 billion (approx. US\$37.5 million). These measures are vital to maintaining the stability of the country's largely cash-based economy.

## Achievements

Phnom Penh Commercial Bank reported US\$ 3,615,241 of total income and a net profit attributable to shareholders of US\$ 594,180 in 2010, which represented 39.50% from the previous year, which we see as a good result considering the difficult global economy and total lending growth of 47.19% to US\$ 24.7 million by the end of 2010. Total assets however increased by 41.65% to US\$ 58.3 million and total deposits rose to US\$ 42 million. The trust of our clients in our bank and the resulting high liquidity will allow us to provide more funding into the Cambodian economy by following increased loan demand in recent months. The bank's solvency ratio stood at 30.04% comfortably above the minimum required level of the National Bank of Cambodia. The Bank's financial strength and capacity reflected the Bank's strong fundamentals and commitment to operating close to its customer-base, maintaining asset quality, and retaining a healthy level of liquidity in order to support the future financial needs of its clients, existing and future alike.

## Ethics Management

The Bank continues to develop its human resource capital intensive skills training on management and staff level has been developed in 2010 and will continue to be a priority during 2011 under ethics management. More than anything else, ethics and ethical behavior are critical components of healthy management. Ethics is very important factor for the provision of broad access to information and more business opportunities than in the past. Therefore, I will maintain my belief such as ethical management, passion and faithfulness for banking operation and all our loyal customers.

## Outlook

While there are still challenging times for Cambodia and the Phnom Penh Commercial Bank, we are confident that the bank's strength and resilience will prove to be an excellent partner in order to continue its steady growth rate together with our customers and the nation as a whole in a sustainable way in the coming years.

We will continue to expand our branch network and infrastructure, broaden our already strong deposit base and introduce new innovative products and services to cater for the ever expanding needs of our customer-base. Therefore, we are considering expansion of our branch network with 4-5 new branches in key provinces and Phnom Penh. We will further strengthen our risk management systems and the efficiency of operational procedures for internal control. The Bank will continue to enhance the adoption and implementation of good corporate governance as an important basis for sustainable growth.

## Acknowledgments

It is my greatest pleasure to extend my sincere gratitude to all shareholders, friends and customers, and to our professional advisors and regulating authorities who have supported us and provided direction and guidelines for the banking system through difficult times.

Finally, let me take this opportunity to thank our employees at all levels for their efforts, devotion, loyalty and hard work. I look forward with confidence to a successful year for all stakeholders and commend this report to you.



Kim Yang Jin  
President and Chief Executive Officer

## Products and Services

### Deposit

- Current account
- Savings account
- Fixed deposit
- Installment deposit

### Loan

- Personal
- Corporate
- Mortgage

### Fee Based Business

- Overseas Remittance
- L/C Issuing
- Consulting (Real Estate, IPO)
- Bond Issuing

### IB

- Project Financing
- Loan+Profit sharing
- Direct Investment

### Corporate Banking

- Syndicated Loans
- Underwriting of Debenture in association with Security Company



B.S Branch Banking Hall



PDK Branch Banking Hall





# **Phnom Penh Commercial Bank**

**Best Service    Best Safety  
Best Solution**



**Customer is a flower**

**Grand Opening of Phnom Penh Commercial Bank, B.S Branch**

*January 26, 2010*

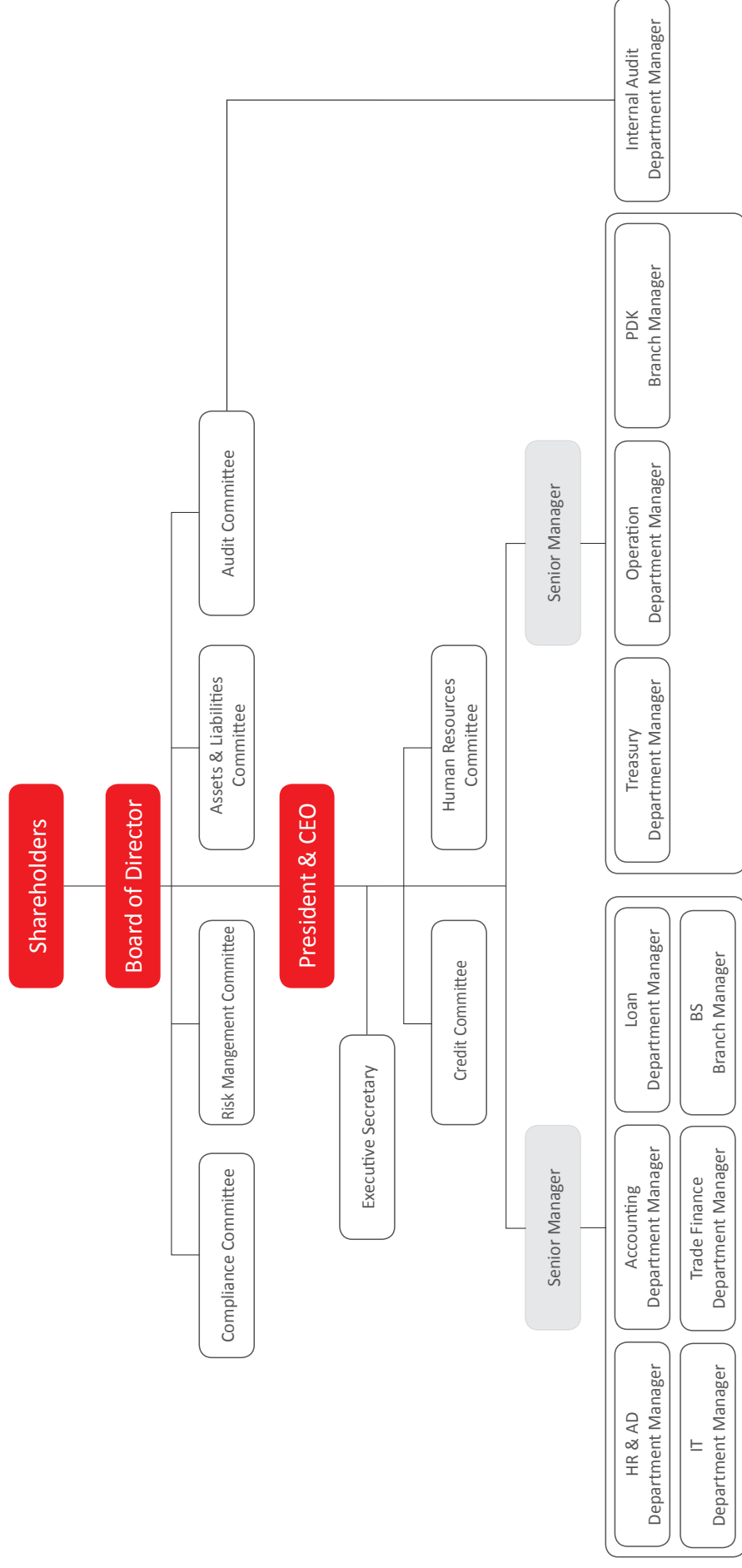


**Grand Opening of Phnom Penh Commercial Bank, PDK Branch**

*April 6, 2011*



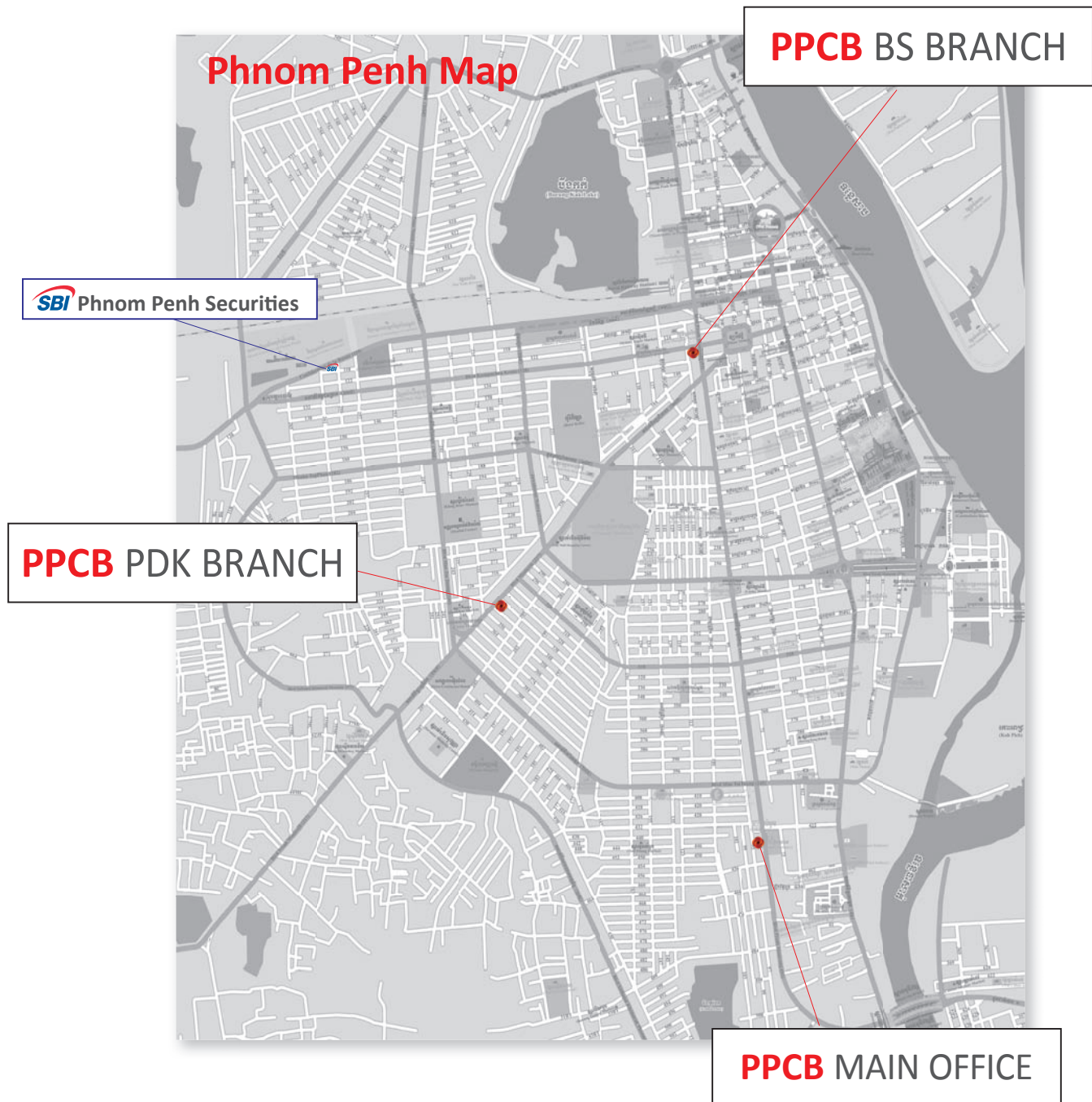
# Organizational Chart



Note: Established in 2011



## Branch Network



# Corporate Governance

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As there has been a great deal of attention given recently to the issue of corporate governance, Phnom Penh Commercial Bank recognizes the need for sound corporate governance which involves a set of relationships between the Bank's management, shareholders and stakeholders. PPCB inspires our stakeholders with sound corporate governance inclusive of:

## **Establishing strategic objectives and a set of corporate values that are communicated throughout the bank**

The board of directors ensures that senior management implements policies that prohibit (or strictly limit) activities and relationship that diminish the quality of corporate governance such as conflicts of interest and providing preferential treatment to related parties and other favoured entities.

## **Setting and enforcing clear lines of responsibility and accountability throughout the bank**

The Board of Directors clearly defines the authorities and key responsibilities for themselves as well as senior management. They also recognize that unspecified lines of accountability or confusing, multiple lines of responsibility may exacerbate a problem through slow or diluted responses. Senior Management is responsible for creating an accountability hierarchy for the staff.

## **Ensuring that board members are qualified for their positions, have a clear understanding of their role in corporate governance and are not subject to undue influence from management or outside concerns**

The board of directors is ultimately responsible for the operations and financial soundness of the Bank. Hence, the board of director periodically assesses its own performance, determine where weakness exist and, where possible, take appropriate corrective actions.

## **Ensuring that there is appropriate oversight by senior management**

PPCB's senior management is a key component of corporate governance while the board of directors provides checks and balances to senior manager.

## **Effectively utilizing the work conducted by internal and external auditors, in recognition of the important control function they provide**

The Board recognizes and acknowledges that the internal and external auditors are their critically important agents. In particular, the board is able to utilize the work of the auditors as an independent check on the information received from management on the operations and performance of the bank.

## **Ensuring that compensation approaches are consistent with the bank's ethical values, objectives, strategies and control environment.**

In order to avoid the creation of incentive for excessive risk-taking, the salary scales has been set up within the scope of our general business policy.

The board of directors approves compensation of members of senior management and other key personnel and ensures that such compensation is consistent with the bank's culture, objectives, strategy and control environment. This will ensure that senior management and others key personnel will be motivated to act in the best interest of the bank.

## **Conducting corporate governance in a transparent manner**

Phnom Penh Commercial Bank is dedicated to conducting corporate governance in a transparent manner.

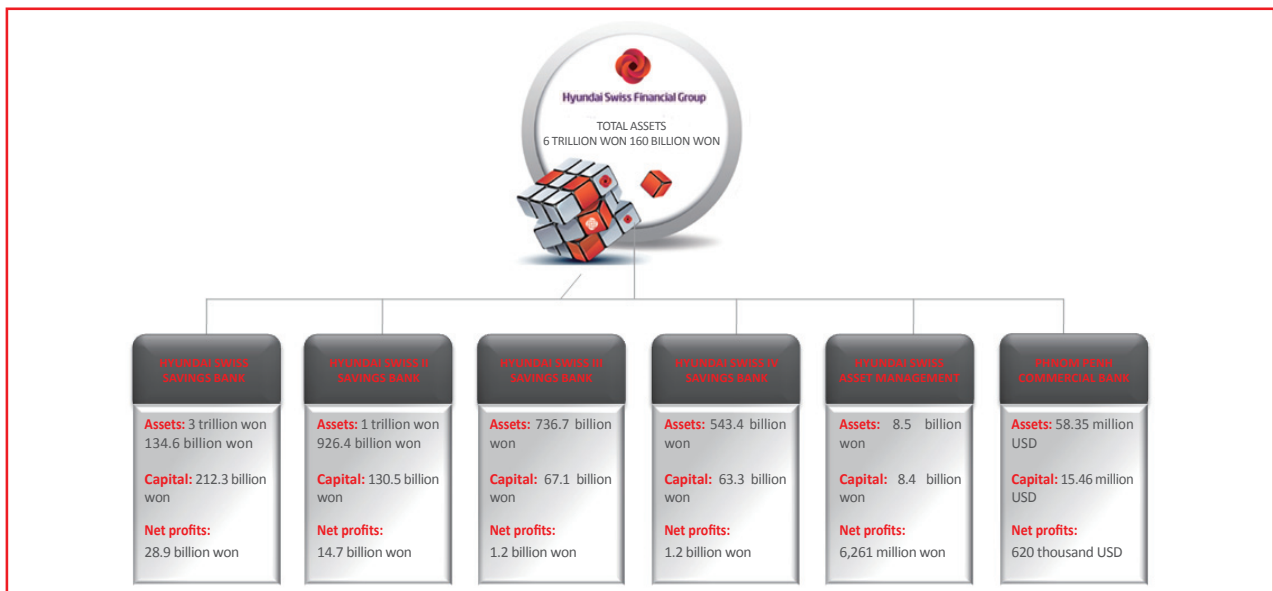
# HSFG's Introduction

**Hyundai Swiss Financial Group (HSFG)**, with its unique annual growth rate, has grown to become a leading financial institution because of its differentiated scientific investment system, which is practiced based on concrete investment data and carefully conceived strategies. HSFG demonstrates initiatives by predicting and preparing for change, and corresponding actively to the rapidly changing financial environment. It has grown into a general financial group with high profits generated from differentiated financial products.

## Information

VISION 2015 **"BEAUTIFUL FINANCE WITH NEIGHBORS"** KOREA NO.1 COMPREHENSIVE FINANCIAL GROUP

## Achievements



## Management Strategy

Hyundai Swiss Financial Group (HSFG) has an unparalleled ability to predict changes well ahead of others on the basis of our own accurate in-house statistical research analysis.

We will capitalize on its own management strategy to gain the most from the ever evolving financial environment.

### Risk Management

- To manage statistics and probability
- To control of loan-scale
- To make an optimal growth model and blueprint

### Profit Channel Expansion

- To diversify revenue sources
- To develop sustainable strategic plans
- To develop new products in new areas
- To extend business in application of IT

### Value-Oriented Management

- To aim at pursuing sure profits
- To aim at optimal value management
- To clarify the concept of profitability

### Reliable Brand

- To focus on brand differentiation
- To strengthen enhancement and support on both domestic and international confidence
- To build the best PB center



## History of HSFG

### Hyundai Swiss Savings Bank

1971.10	Established
1999.06	Kim Kwang-jin inaugurated as a chairman
1999.09	Company name changed to Hyundai Credit Union Co., Ltd.
2000.04	Acquired Gangnam Credit Union Co., Ltd.
2000.08	Company name changed to Hyundai Swiss Credit Union Co., Ltd.
2002.03	Company name changed to Hyundai Swiss Savings Bank Co., Ltd.
2006.12	Opened Gangnam station branch and Olympic branch
2007.02	Opened Myeongdong branch
2008.04	Opened Yongsan branch and Mokdong station branch

### Hyundai Swiss II Savings Bank

1972.06	Established
1985.05	Company name changed to Gangnam Mutual Credit Union
2000.04	Acquired from Hyundai Credit Union
2000.08	Name changed to Hyundai Swiss II Credit Union
2002.03	Name changed to Hyundai Swiss II Savings Bank
2006.01	Opened Isu station branch
2008.05	Opened Nowon station branch and Miasamgeori branch

### Hyundai Swiss III Savings Bank

1973.01	Established
2008.11	Acquired Jungbu Mutual Savings Bank
	Name changed to Hyundai Swiss III Savings Bank
2008.12	Opened Bundang branch
2009.01	Opened Ilsan branch
2009.02	Opened Daechi station branch

### Hyundai Swiss IV Savings Bank

2007.10	Established the Department of Planning and Finance
2009.09	Acquired Yea Hanwool Savings Bank Co., Ltd.
	Name changed to Hyundai Swiss IV Savings Bank

## Awards

### 2007 Grand Prize for Corporate Innovation Prime Minister Award

**Managed by:** The Korea Chamber of Commerce & Industry

**Sector:** Prime Minister Award

**Assessment:** Public interests and corporate innovation

**Winner:** Hyundai Swiss

### 2010 Forbes Global CEO

**Managed by:** Forbes Korea

**Sector:** Global finance management

**Assessment:** CEO's capability and contribution, global management performances

**Winner:** Hyundai Swiss, Deutsche Bank, BC Card, etc.

### 2010 Grand Prize of Korean BSC

**Managed by:** Wesley Quest/Korea Economic Daily

**Sector:** Excellent private organization implementing BSC strategies in Korea

**Assessment:** Materials, interview /survey, site inspection/ investigation

**Winner:** Hyundai Swiss, Ministry of Public Administration, World Vision, etc.

## HSFG Networks

### HYUNDAI SWISS SAVINGS BANK

**A bank always with neighbors**  
Hyundai Swiss Savings Bank continues to grow in the fast-changing financial environment.



### HYUNDAI SWISS ASSET MANAGEMENT

**Leading the new financial paradigm**  
We will take advantage of its outstanding human resources and scientific investment system.

### HYUNDAI SWISS II, III, IV SAVINGS BANK

**A reliable financial partner**  
By proactively anticipating changes and adopting advanced investment systems, we will always look after our customers.

### PHNOM PENH COMMERCIAL BANK

**The best foreign bank**  
Hyundai Swiss Savings Bank, taking a leap as a general financial group, is now going global.

## 4 headquarters and 14 branches, nationwide network only except for the Gyeongnam area

- 
- Cheongdam headquarters [Hyundai Swiss Savings Bank]  
78-6 Cheongdam-Dong, Gangnam-Gu, Seoul
  - Gangnam station branch [Hyundai Swiss Savings Bank]  
Gyeongwon B/D 2F, 831-17 Yeoksam-Dong, Gangnam-Gu, Seoul
  - Olympic branch - [Hyundai Swiss Savings Bank]  
Geumbok B/D 1F, 45-2 Bang-i-Dong, Songpa-Gu, Seoul
  - Myeongdong station branch [Hyundai Swiss Savings Bank]  
Cygnus B/D 1F, Namsan-Dong 2-ga, Chung-Gu, Seoul
  - Yongsan station branch [Hyundai Swiss Savings Bank]  
Handeok B/D 1F, Hangangno 3-ga, Yongsan-Gu, Seoul
  - Mokdong station branch [Hyundai Swiss Savings Bank]  
205-201 Hyperion 2nd, Mok-Dong, Yangcheon-Gu, Seoul
  - Bundang headquarters [Hyundai Swiss IV Savings Bank]  
Hooners B/D 1F, 22-2 Sunae-Dong, Bundang-Gu, Gyeonggi
  - Jeonju branch [Hyundai Swiss IV Savings Bank]  
Daeshin Securities B/D 1F, Seonsong-Dong, Jeonju, Jeonbuk
  - Samsung headquarters [Hyundai Swiss II Savings Bank]  
Hyundai Swiss Tower, Samseong-Dong, Gangnam-Gu, Seoul
  - Isu station branch [Hyundai Swiss II Savings Bank]  
Dongju B/D 1F, Bangbae-Dong, Seocho-Gu, Seoul
  - Nowon station branch [Hyundai Swiss II Savings Bank]  
Hyundai B/D 3F, 737 Sanggye-Dong, Nowon-Gu, Seoul
  - Miasamgeori branch [Hyundai Swiss II Savings Bank]  
2F 864-18 Gileum-Dong, Seongbuk-Gu, Seoul
  - Jincheon headquarters [Hyundai Swiss III Savings Bank]  
67 Eupdae-Ri, Jincheon-Eup, Jincheon-Gun, Chungbuk
  - Daegu branch [Hyundai Swiss IV Savings Bank]  
2F Banwol B/D, Samdeok-Dong, Chung-Gu, Daegu
  - Pohang branch [Hyundai Swiss IV Savings Bank]  
49-23 Jukdo-Dong, Buk-Gu, Pohang, Gyeongbuk
  - Bundang branch [Hyundai Swiss III Savings Bank]  
Jeongja station plaza 2F, Jeongja-Dong, Bundang-Gu, Seongnam, Gyeonggi
  - Ilsan branch [Hyundai Swiss III Savings Bank]  
Daehan Life B/D 3F, Dong-Gu, Ilsan, Goyang, Gyeonggi
  - Daechi station branch [Hyundai Swiss III Savings Bank]  
One Plus arcade 3F, 507 Daechi-Dong, Gangnam-Gu, Seoul



## HSFG Building





## Izumi Garden Tower



# SBI Holdings' Introduction

An Internet revolution has been triggered by the financial Big Bang resulting from the relaxation of regulations and rapid IT (Information Technology) innovation. The SBI Holdings is a financial business which aims to provide a One-Stop, One-Table, One-to-One service encompassing all financial services through the Internet.

## Information

Date of Establishment	:	July 8, 1999
Paid-In capital	:	¥55,214 million
Number of Staffs	:	2,492 (consolidated)
CEO	:	Yoshitaka Kitao
Main Office	:	Izumi Garden Tower 19F, 1-6-1, Roppongi, Minato-ku, Tokyo 106-6019, Japan

## SBI Holdings Vision





## SBI Holdings Business Strategy

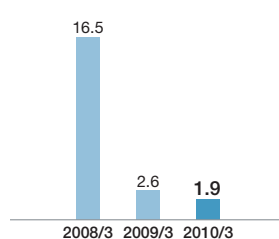
### The SBI Group at a Glance





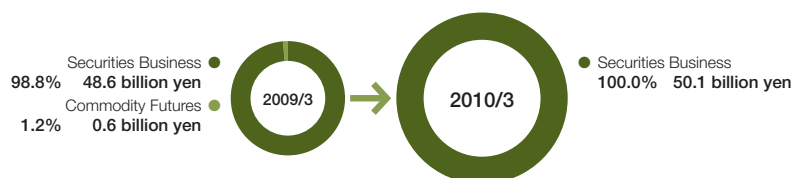
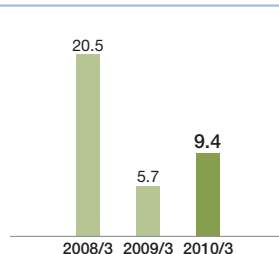
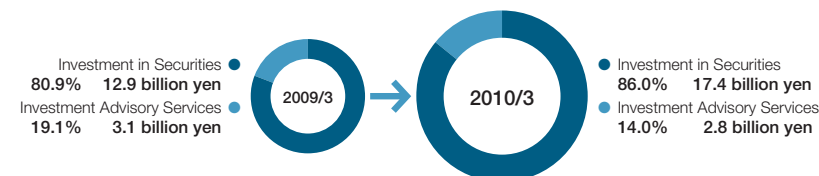
## Operating Income (Loss)

(Billions of yen)

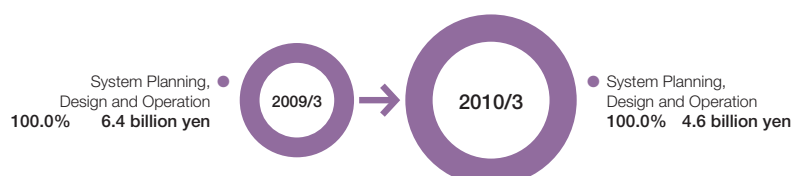
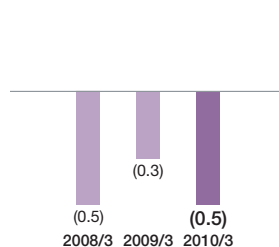
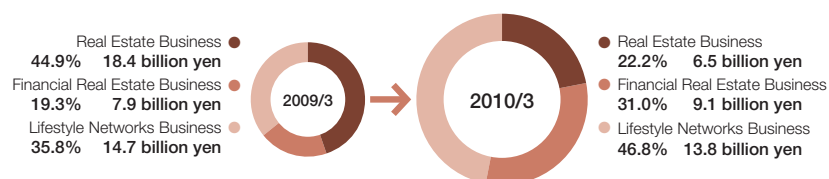
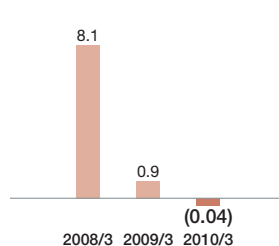
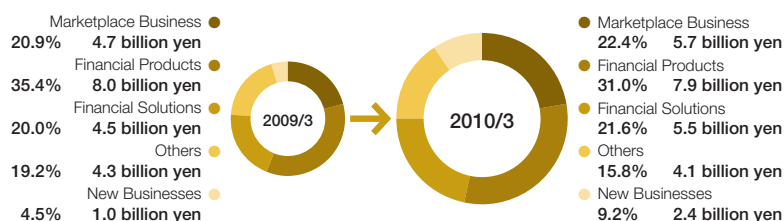
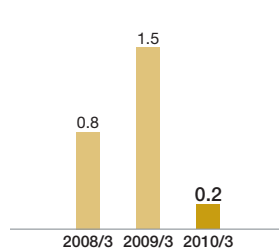


## Operating Revenues by Business Segment

(FY2008 and FY2009)



\* The "Brokerage & Investment Banking Business" is not divided into "Securities Business" and "Commodity Futures Business" from this fiscal year owing to the abolishment of commodity futures trading business at SBI Futures Co., Ltd.



# PPCB Promises a Bright Future of Cambodia

Cambodians can look forward to a bright future and take pride in being the descendants of the Angkor Empire. Phnom Penh Commercial Bank has equipped itself with professional financial knowledge and scientific systems to enlarge the valuable assets of each and every client to promote the best synergy effect. The assets that the clients entrust to Phnom Penh Commercial Bank are the foundation of Cambodia's growth, and we will exert every possible effort to reap rich fruits from this valuable foundation. We will provide our clients with differentiated financial services never experienced before, as part of our promise to pursue the improvement of the brand value of Cambodia.



**PHNOM PENH  
COMMERCIAL BANK**



**HYUNDAI SWISS  
FINANCIAL GROUP**

**SBI** *Holdings*





**ធនាគារ ភ្នំពេញ កាណាឡី**

Phnom Penh Commercial Bank

# **Financial Statements**

**For the year ended 31 December 2010**

# Financial Statements

## Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of Phnom Penh Commercial Bank (“the Bank”) for the year ended 31 December 2010.

## Principal activities

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

There were no significant changes to these principal activities during the financial year.

## Financial results

The financial results of the Bank for the year ended 31 December 2010 were as follows:

	US\$
Profit before income tax	728,174
Income tax expense	(133,994)
<b>Net profit for the year</b>	<b>594,180</b>

## Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under review.

## Share capital

There were no changes in the registered and issued share capital of the bank for the year under review.

On 7 July 2010, the National Bank of Cambodia issued a Circular F7-010-001 on New Capital Requirement and Criteria for Licensing Approval of Banks, requiring commercial banks which do not have at least one influential shareholder as a bank or financial institution with a rating “investment grade” extended by at least one of the three international rating agencies namely Moody’s Asia Pacific, Standard & Poor’s corporation and Fitch, to have a minimum capital requirement of at least KHR150 billion.

On 3 September 2010, the Bank obtained approval from the NBC for an exemption from the requirement to meet the minimum capital requirement until 31 December 2011.

On 16 November 2010, the additional capital injection plan was approved by the shareholders of the Bank. The additional capital is planned to be injected on 30 June 2011 and 31 December 2011 with the amounts of US\$6,000,000 and US\$18,000,000 respectively.

## Reserves and provisions

There were no material movements to or from reserves and provisions during the financial year other than disclosed in the financial statements.



### **Bad and doubtful loans and advances**

Before the income statement and balance sheet of the Bank were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad loans and advances and the making of allowances for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for bad and doubtful loans and advances.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for doubtful loans and advances in the financial statements of the Bank, inadequate to any substantial extent.

### **Current assets**

Before the income statement and balance sheet of the Bank were prepared, the Directors took reasonable steps to ensure that any current assets, other than loans and advances, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Bank misleading.

### **Valuation methods**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

### **Contingent and other liabilities**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

### **Change of circumstances**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, which would render any amount stated in the financial statements misleading.

### **Items of unusual nature**

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

## Directors of the Bank

The Directors who served since the date of the last report are:

Mr. Kim Yang Jin  
Mr. Eiichiro So  
Mr. Ha Hong Sik (Resigned on 15 September 2010)

## Directors' interests

None of the Directors held or dealt directly in the shares of the Bank during the financial year.

## Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

During the financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

## Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2010 and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:


- i). adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii). comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii). maintain adequate accounting records and an effective system of internal controls;
- iv). prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v). control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirm they have complied with the above requirements in preparing the financial statements of the Bank.

*Signed in accordance with a resolution of the Board of Directors,*



Mr. Kim Yang Jin  
President/Chief Executive Officer



Mr. Eiichiro So  
Director



Mr. Yun Chang Ho  
Senior Manager

30 March 2011

## Report of the Independent Auditors

To the shareholders

Phnom Penh Commercial Bank

We have audited the accompanying financial statements of Phnom Penh Commercial Bank (“the Bank”), which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 8 to 47.

### Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Phnom Penh Commercial Bank as at 31 December 2010 and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

For KPMG Cambodia Ltd



Craig McDonald  
Audit Partner  
Phnom Penh

Date: 30 March 2011



## Balance sheet

As at 31 December 2010

	Note	2010 US\$	2010 KHR'000 (Note 4)	2009 US\$
<b>Assets</b>				
Cash and bank balances	5	7,826,158	31,719,418	3,162,752
Deposits and placements with banks	6	21,772,503	88,243,955	14,649,436
Loans and advances - net	7	24,499,495	99,296,453	12,660,418
Other assets	8	625,629	2,535,675	266,758
Statutory deposits	9	2,837,000	11,498,361	2,227,000
Intangible assets	10	243,594	987,286	335,221
Property and equipment	11	546,415	2,214,620	743,574
<b>Total assets</b>		<u>58,350,794</u>	<u>236,495,768</u>	<u>34,045,159</u>
<b>Liabilities and shareholders' funds</b>				
Deposits from customers	12	19,349,496	78,423,507	4,978,294
Deposits by banks	13	22,758,654	92,240,825	14,144,912
Other liabilities	14	704,531	2,855,464	76,924
Provision for income tax	20	101,448	411,169	2,544
<b>Total liabilities</b>		<u>42,914,129</u>	<u>173,930,965</u>	<u>19,202,674</u>
<b>Shareholders' funds</b>				
Share capital	15	15,000,000	60,795,000	15,000,000
Retained earnings/(accumulated losses)		436,665	1,769,803	(157,515)
<b>Total shareholders' funds</b>		<u>15,436,665</u>	<u>62,564,803</u>	<u>14,842,485</u>
<b>Total liabilities and shareholders' funds</b>		<u>58,350,794</u>	<u>236,495,768</u>	<u>34,045,159</u>

The accompanying notes form an integral part of these financial statements.

## Income statement

For the year ended 31 December 2010

	Note	2010 US\$	KHR'000 (Note 4)	2009 US\$
Interest income	16	2,992,801	12,129,822	1,883,507
Interest expense	17	(1,074,666)	(4,355,621)	(322,192)
Net interest income		1,918,135	7,774,201	1,561,315
Fee and commission income	18	622,440	2,522,749	346,333
General and administrative expenses	19	(1,701,906)	(6,897,825)	(1,442,857)
Allowance for bad and doubtful loans and advances	7	(110,495)	(447,836)	(83,556)
Profit before income tax		728,174	2,951,289	381,235
Income tax expense	20	(133,994)	(543,078)	(21,816)
Net profit for the year		594,180	2,408,211	359,419

The accompanying notes form an integral part of these financial statements.

## Statement of changes in equity

For the year ended 31 December 2010

	Share capital US\$	(Accumulated losses)/retained earnings US\$	Total US\$
Balance as at 1 January 2009	15,000,000	(516,934)	14,483,066
Net profit for the year	-	359,419	359,419
Balance as at 31 December 2009	15,000,000	(157,515)	14,842,485
Net profit for the year		594,180	594,180
Balance as at 31 December 2010	15,000,000	436,665	15,436,665
(KHR'000 equivalents – Note 4)	60,795,000	1,769,803	62,564,803

The accompanying notes form an integral part of these financial statements.



## Statement of cash flows

For the year ended 31 December 2010

	Note	2010 US\$	2010 KHR'000 (Note 4)	2009 US\$
<b>Cash flows from operating activities</b>				
Net cash generated from operating activities	21	2,407,121	9,756,061	8,591,170
<b>Cash flows from investing activities</b>				
Purchase of property and equipment		(112,883)	(457,515)	(202,167)
Purchase of intangible assets		(7,765)	(31,471)	(750)
Net cash used in investing activities		(120,648)	(488,986)	(202,917)
<b>Net increase in cash and cash equivalents</b>		<b>2,286,473</b>	<b>9,267,075</b>	<b>8,388,253</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>15,312,188</b>	<b>62,060,298</b>	<b>6,923,935</b>
<b>Cash and cash equivalents at end of year</b>	22	<b>17,598,661</b>	<b>71,327,373</b>	<b>15,312,188</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 2010

## 1. Organisation and principal activities

Phnom Penh Commercial Bank (“the Bank”) was registered with the Ministry of Commerce as a public limited liability company under registration number Co-4898/08E on 4 June 2008 and obtained a licence from the National Bank of Cambodia to operate as a commercial bank with effect from 27 August 2008. The Bank officially commenced its operations on 1 September 2008.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in Cambodia.

As at 31 December 2010, the Bank has two branches located in Phnom Penh.

## 2. Basis of preparation

### (a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of financial statements.

The financial statements of the Bank were authorised for issue by the Board of Directors on 30 March 2011.

### (b) Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis.

### (c) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However as the Bank transacts and maintains its accounting records primarily in United States Dollars (“US\$”) management have determined the US\$ to be the Bank’s measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in foreign currencies are translated into US\$ at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

#### **(d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Key accounting estimates and judgements applied in the preparation of the financial statements include estimates of recoverable amount for loans and advances which have a separate accounting policy stated in Note 3(e).

### **3. Significant accounting policies**

The following significant accounting policies have been adopted by the Bank in the preparation of these financial statements.

#### **(a) Financial instruments**

The Bank's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

#### **(b) Segment information**

The Bank operates within one business segment, commercial banking and within one geographical segment, the Kingdom of Cambodia.

#### **(c) Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.



**(d) Loans and advances**

All loans and advances to customers are stated in the balance sheet at the amount of principal, less any amounts written off, and allowance for bad and doubtful loans and advances.

**(e) Allowance for bad and doubtful loans and advances**

In compliance with NBC Guidelines, all loans and advances are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, number of days past due is taken into account as follows:

<b>Classification</b>	<b>Number of days past due</b>
Normal/standard	<30 days
Special mention	> 30 days – 90 days
Substandard	> 90 days – 180 days
Doubtful	> 180 days – 360 days
Loss	More than 360 days

The minimum percentage of allowance for doubtful loans and advances are to be maintained according to the assigned classifications. Where reliable information suggests that losses are likely to be more than these minimum requirements, larger allowance is made.

<b>Classification</b>	<b>Minimum provision</b>
Normal/standard	1%
Special mention	3%
Substandard	20%
Doubtful	50%
Loss	100%

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as “loss,” all collateral may be utilised, at market values approved by the NBC.

Recoveries on loans previously written off and reversals of previous allowances are disclosed separately together with the net movement in the allowance for bad and doubtful loans and advances in the income statement.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgement of the management, there is no prospect of recovery.

**(f) Deposits and placements with banks**

Deposits and placements with banks are carried at cost.

**(g) Other receivables**

Other receivables are carried at estimated realisable value.

**(h) Statutory deposits**

Statutory deposits are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers’ deposits as required by NBC.

**(i) Intangible assets**

Intangible assets, comprising computer (Moneta) software and swift software, are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is recognised in the income statement on a straight-line basis over the useful lives of the individual assets at the follow rates:

Computer (Moneta) software	20%
Swift software	50%

**(j) Property and equipment**

- (i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

- (ii) Depreciation of property and equipment is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets at the following rates:

Leasehold improvements	20%
Furniture, fittings and equipment	25%
Computer equipment	50%
Motor vehicles	25%

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

- (v) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

- (vi) The carrying amounts of property and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior years is recorded where there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

## **(k) Impairment of assets**

### *(i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans and advances which has a separate accounting policy stated in Note 3(e).

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

### *(ii) Non-financial assets*

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.



**(l) Deposits from customers and banks**

Deposits from customers and banks are stated at placement value.

**(m) Other liabilities**

Other liabilities are stated at their cost.

**(n) Provisions**

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(o) Income recognition**

Interest income on performing loans and advances and deposits and placements with banks are recognised on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

Income from the various activities of the Bank is accrued using the following basis:

- (i) Loan arrangement fees and commissions on services and facilities extended to customers are recognised as income when incurred;
- (ii) Commitment fees and guarantee fees on a variety of services and facilities extended to customers are recognised as income over the period in which the service and facilities are extended; and
- (iii) Service charges and processing fees are recognised when the service is provided.

**(p) Interest expense**

Interest expense on deposits is recognised on an accruals basis.

**(q) Operating leases**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

**(r) Income tax**

- (i) Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

- (ii) Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(s) Related parties**

Parties are considered to be related if the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Cambodian Law on Banking and Financial Institutions, related parties include individuals who hold, directly or indirectly a minimum of 10% of the capital of the Bank or voting rights therefore, or who participates in the administration, direction, management, or the design and implementation of the internal controls of the Bank.

**(t) New standards and interpretations not yet adopted**

The National Accounting Council of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) effective for financial statements with periods beginning on or after 1 January 2012. The new standards will be referred to as “Cambodian International Financial Reporting Standards” (CIFRS). The management is currently in the process of evaluating the potential effect of this CIFRS adoption.

**4. Translation of United States Dollars into Khmer Riel**

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for the compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,053 published by the NBC on 31 December 2010. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

**5. Cash and bank balances**

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Cash on hand	2,235,836	9,061,843	740,617
Bank balances in Cambodia:			
National Bank of Cambodia	2,527,237	10,242,892	803,838
Advanced Bank of Asia	14,959	60,628	-
Other banks	676	2,740	9,624
Bank balances outside Cambodia:			
Korea Exchange Bank	2,529,507	10,252,092	160,004
Kookmin Bank (Korea)	39,851	161,516	-
ING Belgium NV/VA	478,092	1,937,707	-
Wachovia Bank	-	-	1,448,669
	<u>7,826,158</u>	<u>31,719,418</u>	<u>3,162,752</u>

By currency:

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
US Dollars	7,808,093	31,646,201	3,160,973
Khmer Riel	8,460	34,288	1,779
Euro	9,605	38,929	-
	<u>7,826,158</u>	<u>31,719,418</u>	<u>3,162,752</u>

The bank balances represent current account placements with other banks.

## 6. Deposits and placements with banks

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
In Cambodia:			
Canadia Bank Plc.	11,112,909	45,040,621	4,048,456
Camko Bank Limited	2,094,247	8,487,983	2,023,633
Kookmin Bank Cambodia Plc.	7	28	2,029,409
Angkor Capital Bank Plc.	1,500,000	6,079,500	4,047,938
Advanced Bank of Asia	3,065,340	12,423,823	2,500,000
Union Commercial Bank	4,000,000	16,212,000	-
	<u>21,772,503</u>	<u>88,243,955</u>	<u>14,649,436</u>

The deposits and placements with banks are analysed as follows:

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
a) By maturity:			
Within one month	1,772,503	7,183,955	4,601,498
Between 2 to 3 months	8,000,000	32,424,000	7,547,938
Between 4 to 6 months	12,000,000	48,636,000	2,500,000
	<u>21,772,503</u>	<u>88,243,955</u>	<u>14,649,436</u>
b) By currency:			
US Dollars	21,772,503	88,243,955	14,649,436



c) By interest rate (per annum):

	2010	2009
Canadia Bank Plc.	0.50% - 6.00%	1.50% - 4.50%
Camko Bank Limited	1.50% - 3.90%	1.00% - 3.90%
Kookmin Bank Cambodia Plc.	0.50%	1.00% - 4.70%
Angkor Capital Bank Plc.	4.25% - 5.25%	5.25% - 7.70%
Advanced Bank of Asia	1.00% - 4.00%	4.00% - 6.25%
Union Commercial Bank	4.00%	

## 7. Loans and advances - net

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
Overdrafts	1,885,996	7,643,942	1,591,809
Commercial loans			
Long-term loans	7,881,068	31,941,969	4,989,906
Short-term loans	14,979,900	60,713,534	6,183,733
Consumer loans			
Housing loans	-	-	31,944
	<u>24,746,964</u>	<u>100,299,445</u>	<u>12,797,392</u>
Allowance for bad and doubtful loans and advances	<u>(247,469)</u>	<u>(1,002,992)</u>	<u>(136,974)</u>
	<u><u>24,499,495</u></u>	<u><u>99,296,453</u></u>	<u><u>12,660,418</u></u>

The movement in the allowance for bad and doubtful loans and advances is as follows:

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
At beginning of year	136,974	555,156	53,418
Additional allowance made for the year			
General	110,495	447,836	74,556
Specific	-	-	9,000
	<u>247,469</u>	<u>1,002,992</u>	<u>136,974</u>

	2010 US\$	KHR'000 (Note 4)	2009 US\$
a) By maturity:			
Within 1 month	577,590	2,340,972	-
2 to 3 months	1,887,584	7,650,378	-
4 to 6 months	3,905,706	15,829,827	4,249,542
7 to 12 months	10,270,588	41,626,693	3,526,000
1 to 3 years	8,105,496	32,851,575	5,021,850
	<u>24,746,964</u>	<u>100,299,445</u>	<u>12,797,392</u>
b) By industry:			
Financial institutions	1,046,017	4,239,507	878,200
Manufacturing	1,266,000	5,131,098	450,000
Services	7,760,518	31,453,379	2,728,237
Import	718,334	2,911,408	650,000
Export	325,000	1,317,225	-
Wholesale and retail	5,692,394	23,071,273	2,132,030
Agriculture	114,300	463,258	85,000
Housing	-	-	31,944
Real estate and developers	6,507,884	26,376,454	5,841,981
Other industries	1,316,517	5,335,843	-
	<u>24,746,964</u>	<u>100,299,445</u>	<u>12,797,392</u>
c) By type of customer:			
Corporate	7,339,255	29,746,000	7,048,242
Individual	17,407,709	70,553,445	5,749,150
	<u>24,746,964</u>	<u>100,299,445</u>	<u>12,797,392</u>
d) By currency:			
US Dollars	<u>24,746,964</u>	<u>100,299,445</u>	<u>12,797,392</u>

	2010 US\$	KHR'000 (Note 4)	2009 US\$
e) By residency status:			
Residents	24,746,964	100,299,445	12,797,392
f) By relationship:			
Non related parties	24,746,964	100,299,445	12,797,392
g) By performance:			
Normal/standard loans			
Secured	24,746,964	100,299,445	12,347,392
Unsecured	-	-	-
Special mention loans			
Secured	-	-	450,000
Unsecured	-	-	-
	24,746,964	100,299,445	12,797,392
h) By exposure:			
Large exposures	1,897,738	7,691,532	1,491,938
Non large exposures	22,849,226	92,607,913	11,305,454
	24,746,964	100,299,445	12,797,392

A “large exposure” is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank’s net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

i) By interest rate (per annum):	2010	2009
Overdrafts	12.00%-14.00%	12.00%-18.00%
Loans	10.00%-20.00%	12.00%-20.00%

## 8. Other assets

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Interest receivable from loans and advances	155,875	631,761	64,256
Interest receivable from deposits and placements with banks	156,786	635,454	82,946
Deposit on office premises rental	132,900	538,644	90,900
Prepayment on billboard advertising	11,070	44,867	9,967
Prepayment on maintenance services	18,879	76,517	17,121
Others	150,119	608,432	1,568
	<u>625,629</u>	<u>2,535,675</u>	<u>266,758</u>

## 9. Statutory deposits

	2010 US\$	KHR'000	2009 US\$
Statutory deposits on:			
Registered share capital	1,500,000	6,079,500	1,500,000
Customers' deposits	1,337,000	5,418,861	727,000
	<u>2,837,000</u>	<u>11,498,361</u>	<u>2,227,000</u>

The statutory deposits are maintained with the NBC in compliance with Article 5 of NBC Prakas No. B7-01-136, the amounts of which are determined by defined percentages of the Bank's registered share capital and customers' deposits with the Bank which are 10% and 8% respectively. The above statutory deposits are analysed as follows:

### (i) Statutory deposit on minimum capital

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on the Bank's capital guarantee dated 15 October 2001. This capital guarantee which is placed with the National Bank of Cambodia in US\$, is refundable only when the Bank ceases its operations in Cambodia. During the year, the interest earned at 1/4 SIBOR (six months) ranging from 0.11% to 0.18% per annum (2009: 0.28% to 0.68% per annum).



(ii) Statutory deposit on customers' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-09-020 dated 26 January 2009 at the rates of 8% of customers' deposits in KHR and 12% in currency other than KHR. 4% of statutory deposit on customers' deposits in currency other than KHR earns interest at 1/2 SIBOR (one month) while the remaining 8% and the statutory deposit on customers' deposits in KHR do not earn interest.

## 10. Intangible assets

	Computer (Moneta) software US\$	Swift software US\$	US\$	Total KHR'000 (Note 4)
<b>Cost</b>				
At 1 January 2010	428,125	33,875	462,000	1,872,486
Additions	7,765	-	7,765	31,471
At 31 December 2010	435,890	33,875	469,765	1,903,957
<b>Less: Accumulated amortisation</b>				
At 1 January 2010	105,180	21,599	126,779	513,835
Charge for the year	87,116	12,276	99,392	402,836
At 31 December 2010	192,296	33,875	226,171	916,671
<b>Net book value</b>				
As at 31 December 2010	243,594	-	243,594	987,286
As at 31 December 2009	322,945	12,276	335,221	

## 11. Property and equipment

Cost	Leasehold Improvements US\$	Furniture, fittings and equipment US\$	Computer equipment US\$	Motor Vehicles US\$	Total US\$	KHR'000 (Note 4)
At 1 January 2010	522,958	225,826	270,177	97,439	1,116,400	4,524,769
Additions	22,106	37,216	50,521	3,040	112,883	457,515
Reclassification	(26,678)	26,678	-	-	-	-
At 31 December 2010	518,386	289,720	320,698	100,479	1,229,283	4,982,284
Less: Accumulated depreciation						
At 1 January 2010	110,846	66,140	164,226	31,614	372,826	1,511,064
Charge for the year	101,316	67,091	116,896	24,739	310,042	1,256,600
At 31 December 2010	212,162	133,231	281,122	56,353	682,868	2,767,664
Net book value						
As at 31 December 2010	306,224	156,489	39,576	44,126	546,415	2,214,620
As at 31 December 2009	412,112	159,686	105,951	65,825	743,574	

## 12. Deposits from customers

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Current accounts	355,463	1,440,691	568,531
Savings deposits	7,676,355	31,112,267	3,476,812
Fixed deposits	11,199,888	45,393,146	901,311
Instalment deposits	117,790	477,403	31,640
	<u>19,349,496</u>	<u>78,423,507</u>	<u>4,978,294</u>

The Bank's deposits from customers are analysed as follows:

	2010 US\$	KHR'000 (Note 4)	2009 US\$
a) By maturity:			
Within 1 month	5,317,300	21,551,017	-
2 to 3 months	12,335,898	49,997,394	4,365,484
4 to 6 months	1,123,965	4,555,430	135,126
7 to 12 months	572,333	2,319,666	477,684
	<u>19,349,496</u>	<u>78,423,507</u>	<u>4,978,294</u>
b) By types of customers:			
Domestic corporations	11,436,674	46,352,840	3,293,154
Individuals	4,861,372	19,703,140	1,684,840
Non-residents	3,051,450	12,367,527	300
	<u>19,349,496</u>	<u>78,423,507</u>	<u>4,978,294</u>
c) By currency:			
US Dollars	<u>19,349,496</u>	<u>78,423,507</u>	<u>4,978,294</u>
d) By relationship:			
Related parties	8,724,372	35,359,880	-
Non-related parties	10,625,124	43,063,627	4,978,294
	<u>19,349,496</u>	<u>78,423,507</u>	<u>4,978,294</u>
e) By interest rate (per annum):			
Savings deposits	1.20%		1.20%
Fixed deposits	2.00% – 8.00%		3.00%-7.50%

### 13. Deposits by banks

Deposits by other banks represent vostro accounts within Cambodia.

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Savings accounts:			
Camko Bank Limited	555	2,249	2,108,490
Kookmin Bank Cambodia Plc.	19,029	77,125	6,526
Angkor Capital Bank	8,247	33,425	-
Tomato Specialized Bank (formerly Known as Best Specialized Bank)	59,559	241,393	-
Angkor ACE Star Credits Limited	68,332	276,950	-
Current accounts:			
Hwang DBS Commercial Bank Plc.	2,732	11,073	7,397
Green Central Micro Finance Ltd.	200	810	-
Fixed deposits:			
Kookmin Bank Cambodia Plc	3,000,000	12,159,000	4,022,499
Camko Bank Limited	2,000,000	8,106,000	2,000,000
Hwang DBS Commercial Bank Plc.	6,000,000	24,318,000	4,000,000
Canadia Bank Plc.	2,000,000	8,106,000	2,000,000
Booyoung Khmer Bank	5,500,000	22,291,500	-
OSK Indochina Bank Limited	3,000,000	12,159,000	-
Tomato Specialized Bank (formerly Known as Best Specialized Bank)	900,000	3,647,700	-
Angkor ACE Star Credits Limited	200,000	810,600	-
	<u>22,758,654</u>	<u>92,240,825</u>	<u>14,144,912</u>

The deposits by banks are analysed as follows:

	2010 US\$	KHR'000 (Note 4)	2009 US\$
a) By maturity:			
Within 1 month	12,875,048	52,182,570	7,397
2 to 3 months	6,683,606	27,088,655	12,137,515
4 to 6 Months	3,200,000	12,969,600	-
7 to 12 months	-	-	2,000,000
	<u>22,758,654</u>	<u>92,240,825</u>	<u>14,144,912</u>



	2010 US\$	KHR'000 (Note 4)	2009 US\$
b) By currency:			
US Dollars	22,758,654	92,240,825	14,144,912
	2010		2009
c) By interest rate (per annum):			
Savings deposits	1.00% - 1.20%		1.00% - 1.20%
Fixed deposits	0.80% - 6.50%		3.00% - 8.00%

## 14. Other liabilities

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Interest payable	623,132	2,525,554	53,932
Other accruals	81,399	329,910	22,992
	<u>704,531</u>	<u>2,855,464</u>	<u>76,924</u>

## 15. Share capital

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Shares of US\$1,000 each:			
Registered, issued and fully paid up 15,000 shares of US\$1,000 each	15,000,000	60,795,000	15,000,000

The analysis of shareholdings are as follow:

Shareholders	31 December 2010		
	% of ownership	Number of Share	US\$
SBI Holdings, Inc.	40.00%	6,000	6,000,000
Hyundai Swiss Savings Bank	9.90%	1,485	1,485,000
Hyundai Swiss II Savings Bank	9.90%	1,485	1,485,000
Hidy Investment Co., Ltd	9.90%	1,485	1,485,000
Kyung Ki Growth and Development Co., Ltd	9.90%	1,485	1,485,000
Kim Kwang Jin	9.90%	1,485	1,485,000
Kim Jong Min	7.50%	1,125	1,125,000
Mirae Credit Information Service Corp	3.00%	450	450,000
	100.00%	15,000	15,000,000

As stipulated in Article 7 of Prakas No. B7-08-193 on New Capital Requirement and Criteria for Licensing Approval of Banks issued by the National Bank of Cambodia (“NBC”) on 19 September 2008, commercial banks locally incorporated as companies which have at least one influential shareholder as a bank or financial institution with a rating “investment grade” extended by a reputable rating agency, must have minimum capital equal to at least KHR50 billion.

On 8 April 2009, the Bank obtained approval from the NBC for an exemption from the requirement to prepare additional capital injection plan on the ground that SBI Holding Inc, an influential shareholder incorporated in Japan, met the Investment Grade rating extended by Japan Credit Rating Agency (“JCR”) and Japan Rating and Investment Informaiton (“R &I”), acceptable to NBC.

On 7 July 2010, the NBC issued a Circular F7-010-001 on New Capital Requirement and Criteria for Licensing Approval of Banks, requiring commercial banks which do not have at least one influential shareholder as a bank or financial institution with a rating “investment grade” extended by at least one of the three international rating agencies namely Moody’s Asia Pacific, Standard & Poor’s corporation and Fitch, to have a minimum capital requirement of at least KHR150 billion.

On 3 September 2010, the Bank obtained approval from the NBC for an exemption from the requirement to meet the minimum capital requirement until 31 December 2011.

On 16 November 2010, the additional capital injection plan was approved by the shareholders of the Bank. The additional capital is planned to be injected on 30 June 2011 and 31 December 2011 with the amounts of US\$6,000,000 and US\$18,000,000 respectively.

## 16. Interest income

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Loans and advances	2,286,589	9,267,545	1,407,776
Deposits and placements with			
National Bank of Cambodia	2,650	10,740	7,467
Banks in Cambodia	703,562	2,851,537	468,264
	<u>2,992,801</u>	<u>12,129,822</u>	<u>1,883,507</u>

## 17. Interest expense

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Savings deposits	74,873	303,460	39,494
Fixed and margin deposits	996,511	4,038,859	282,048
Instalment deposits	3,282	13,302	650
	<u>1,074,666</u>	<u>4,355,621</u>	<u>322,192</u>

## 18. Fee and commission income

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
Fee and commission income:			
Loan processing fees	259,047	1,049,917	137,070
Commitment fees	3,836	15,547	3,036
Performance guarantee fees	9,570	38,787	26,672
Special fees from loans	193,000	782,229	149,500
Penalty fees	77,996	316,118	18,469
Others	78,991	320,151	11,586
	<u>622,440</u>	<u>2,522,749</u>	<u>346,333</u>

## 19. General and administrative expenses

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
Personnel and related costs	580,665	2,353,435	572,827
Depreciation	310,042	1,256,600	279,639
Amortisation	99,392	402,836	102,437
Rental expenses	114,808	465,317	86,397
Marketing and advertising	33,285	134,904	57,961
Professional fees	68,706	278,465	43,866
Repairs and maintenance	57,617	233,522	34,008
Utility expenses	46,693	189,247	33,146
Conventions and conference	14,283	57,889	-
Business meal/Entertainment	53,885	218,396	32,985
Bank license fees	30,223	122,494	17,032
Other tax expenses	61,821	250,561	22,994
Telephone and communication	37,199	150,768	35,617
Building security	27,390	111,012	21,343
Insurance	9,102	36,890	4,601
Office supplies	36,798	149,141	26,871
Bank charges	7,203	29,194	3,175
Loan loss written off	30,000	121,590	-
Others	82,794	335,564	67,958
	<u>1,701,906</u>	<u>6,897,825</u>	<u>1,442,857</u>



## 20. Income tax

### (a) Provision for taxation

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Balance at beginning of year	2,544	10,311	916
Income tax expense	133,994	543,078	21,816
Income tax paid	(35,090)	(142,220)	(20,188)
Balance at end of year	<u>101,448</u>	<u>411,169</u>	<u>2,544</u>

### (b) Applicable tax rate

In accordance with Cambodian law on Taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenue, whichever is higher.

The reconciliation of income tax computed at the statutory tax rate to the income tax expense in the income statement is shown as follows:

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Profit before income tax	<u>728,174</u>	<u>2,951,289</u>	<u>381,235</u>
Income rate of 20%	145,635	590,259	76,247
Effect of non-deductible expenses	15,224	61,703	31,163
Effect of temporary difference	(26,865)	(108,884)	-
Effect of tax loss utilised	-	-	(103,042)
Others	-	-	(4,368)
Effective of minimum tax	-	-	21,816
Income tax expense	<u>133,994</u>	<u>543,078</u>	<u>21,816</u>

The calculation of taxable income is subject to the review and approval of the tax authorities.

## 21. Cash flows from operating activities

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	728,174	2,951,289	381,235
Adjustments for:			
Depreciation	310,042	1,256,600	279,639
Amortisation	99,392	402,836	102,437
Allowance for bad and doubtful loans and advances	110,495	447,836	83,556
	<u>1,248,103</u>	<u>5,058,561</u>	<u>846,867</u>
Increase in operating assets:			
Deposits and placements with banks	(9,500,000)	(38,503,500)	1,105,430
Loans and advances	(11,949,572)	(48,431,615)	(7,455,575)
Other assets	(358,871)	(1,454,504)	(112,588)
Statutory deposits	(610,000)	(2,472,330)	(247,000)
Increase in operating liabilities:			
Deposits from customers	14,371,202	58,246,482	4,278,057
Deposits by banks	8,613,742	34,911,496	10,149,347
Other liabilities	627,607	2,543,691	46,820
Net cash generated from operations	<u>2,442,211</u>	<u>9,898,281</u>	<u>8,611,358</u>
Income tax paid	<u>(35,090)</u>	<u>(142,220)</u>	<u>(20,188)</u>
Net cash generated from operating activities	<u><u>2,407,121</u></u>	<u><u>9,756,061</u></u>	<u><u>8,591,170</u></u>

## 22. Cash and cash equivalents

	2010		2009
	US\$	KHR'000 (Note 4)	US\$
Cash and bank balances	7,826,158	31,719,418	3,162,752
Deposits and placements with banks (with maturities of 3 months or less)	<u>9,772,503</u>	<u>39,607,955</u>	<u>12,149,436</u>
	<u><u>17,598,661</u></u>	<u><u>71,327,373</u></u>	<u><u>15,312,188</u></u>

## 23. Commitments and contingencies

### (a) Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions which consist of:

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Unutilised portion of overdrafts	1,492,004	6,047,092	176,191
Bank guarantees	1,213,961	4,920,184	822,125
Letters of credit	-	-	53,621
	<u>2,705,965</u>	<u>10,967,276</u>	<u>1,051,937</u>

### (b) Lease commitments

The Bank has operating lease commitments in respect of the three office buildings expiring on 15 June 2013, 15 December 2014 and 31 December 2020, as follows:

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Within one year	189,600	768,449	111,600
Between 2 to 5 years	517,750	2,098,441	221,350
More than 5 years	336,000	1,361,808	-
	<u>1,043,350</u>	<u>4,228,698</u>	<u>332,950</u>

### (c) Capital commitments

The Bank has commitments in respect of the office building renovation as follows:

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Within one year	127,147	515,327	-
Between 2 to 5 years	13,191	534,631	-
	<u>140,338</u>	<u>1,049,958</u>	<u>-</u>

### (d) Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to differing interpretations among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts create risks of additional taxes through reassessment, fines, penalties and interest charges, which are substantially more significant in Cambodia than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of current tax legislation.

## 24. Financial risk management

### (a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- operational risk
- credit risk
- market risk
- liquidity risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

## **(b) Operational risk**

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

The Bank's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

## **(c) Credit risk**

Credit risk is the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans and advances.

### **(i) Management of credit risk**

The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.



(ii) Exposure to credit

	2010 US\$	KHR'000 (Note 4)	2009 US\$
Loans and advances			
Individually impaired	-	-	-
Past due but not impaired	-	-	450,000
Neither past due nor impaired	24,746,964	100,299,445	12,347,392
	<u>24,746,964</u>	<u>100,299,445</u>	<u>12,797,392</u>
Allowance for doubtful loans and advances	(247,469)	(1,002,992)	(136,974)
	<u>24,499,495</u>	<u>99,296,453</u>	<u>12,660,418</u>

*Impaired loans and advances*

Individually impaired loans and advances are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In compliance with NBC Guidelines, an allowance for doubtful loans and advances is made for loans and advances with payment overdue more than 90 days. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(e).

*Past due but not impaired loans and advances*

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 30 days but less than 90 days, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific provision of 3%.

### *Loans with renegotiated terms/restructured loans*

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 3 installment periods and within a period of not less than 3 months.

### *Write-off policy*

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its balance sheet when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

### *Collateral*

The Bank holds collateral against loans and advances in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed on an annual basis.

An estimate of the fair value of collateral held against loans and advances is shown below:

	2010	2009
	US\$	US\$
	KHR'000	
	(Note 4)	
Past due but not impaired:		
Land and buildings	-	850,000
	<hr/>	<hr/>
	-	850,000
	<hr/>	<hr/>

There were no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances.

The repossessed properties have to be sold within one year as the required by the NBC Guidelines and are classified in the balance sheet as foreclosed property.

#### *Concentration of credit risk*

The analysis of concentrations of credit risk from loans and advances at the balance date is shown in Note 7 to the financial statements.

### **(d) Market risk**

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

#### **(i) Foreign currency exchange risk**

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

As of 31 December 2010, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

#### **(ii) Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

An analysis of the interest rate risk pertaining to the Bank's assets and liabilities is disclosed below.

The table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

<b>31 December 2010</b>		Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
<b>Assets</b>										
Cash and bank balances		-	-	-	-	-	-	7,826,158	7,826,158	
Deposits and placements with banks		1,772,503	8,000,000	12,000,000	-	-	-	-	21,772,503	2.99%
Loans and advances										
- Performing		577,590	1,887,584	3,905,706	10,270,588	8,105,496	-	-	24,746,964	13%
- Allowance for doubtful debts		-	-	-	-	-	-	(247,469)	(247,469)	
Other assets		-	-	-	-	-	-	625,629	625,629	
Statutory deposits		-	-	-	-	-	2,837,000	-	2,837,000	
Total financial assets		2,350,093	9,887,584	15,905,706	10,270,588	8,105,496	2,837,000	8,204,318	57,560,785	
<b>Liabilities</b>										
Deposits from customers		5,317,300	12,335,898	1,123,965	572,333	-	-	-	19,349,496	3.73%
Deposits by banks		12,875,048	6,683,606	3,200,000	-	-	-	-	22,758,654	2.38%
Other liabilities		-	-	-	-	-	-	704,531	704,531	
Total financial liabilities		18,192,348	19,019,504	4,323,965	572,333	-	-	704,531	42,812,681	
<b>Maturity gap</b>		(15,842,255)	(9,131,920)	11,581,741	9,698,255	8,105,496	2,837,000	7,499,787	14,748,104	

The table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments re-price or mature, whichever is earlier.

<b>31 December 2009</b>		Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 6 months US\$	> 6 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
<b>Assets</b>										
Cash and bank balances		-	-	-	-	-	-	3,162,752	3,162,752	
Deposits and placements with banks		4,601,498	7,547,938	2,500,000	-	-	-	-	14,649,436	3.20%
Loans and advances										
- Performing		-	-	4,249,542	3,526,000	5,021,850	-	-	12,797,392	14.72%
- Allowance for doubtful debts		-	-	-	-	-	-	(136,974)	(136,974)	
Other assets		-	-	-	-	-	-	266,758	266,758	
Statutory deposits		-	-	-	-	-	2,227,000	-	2,227,000	0.33%
Total financial assets		4,601,498	7,547,938	6,749,542	3,526,000	5,021,850	2,227,000	3,292,536	32,966,364	
<b>Liabilities</b>										
Deposits from customers		-	4,365,484	135,126	477,684	-	-	-	4,978,294	1.67%
Deposits by banks		7,397	12,137,515	-	2,000,000	-	-	-	14,144,912	1.69%
Other liabilities		-	-	-	-	-	-	76,924	76,924	
Total financial liabilities		7,397	16,502,999	135,126	2,477,684	-	-	76,924	19,200,130	
<b>Maturity gap</b>		4,594,101	(8,955,061)	6,614,416	1,048,316	5,021,850	2,227,000	3,215,612	13,766,234	



### *Fair value sensitivity analysis for fixed rate instruments*

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

### *Cash flow sensitivity analysis for variable-rate instruments*

The Bank does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

## **(e) Liquidity risk**

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

### **31 December 2010**

	Less than 1 month US\$	Between 1 and 3 months US\$	Between 3 months and 1 year US\$	Between 1 year and 5 years US\$	More than 5 years US\$	No fixed terms US\$	Total US\$
<b>Financial liabilities</b>							
Deposits from customers	5,317,300	12,335,898	1,696,298	-	-	-	19,349,496
Deposits by banks	12,875,048	6,683,606	3,200,000	-	-	-	22,758,654
Other liabilities	65,943	638,588	-	-	-	-	704,531
	<u>18,258,291</u>	<u>19,658,092</u>	<u>4,896,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,812,681</u>

### **31 December 2009**

<b>Financial liabilities</b>							
Deposits from customers	-	4,365,484	612,810	-	-	-	4,978,294
Deposits by banks	7,397	12,137,515	2,000,000	-	-	-	14,144,912
Other liabilities	36,893	39,675	-	356	-	-	76,924
	<u>44,290</u>	<u>16,542,674</u>	<u>2,612,810</u>	<u>356</u>	<u>-</u>	<u>-</u>	<u>19,200,130</u>

**(f) Capital management**

**(i) Regulatory capital**

The main regulatory capital requirement of the Bank is the banking operations to which the Bank's lead regulator, the National Bank of Cambodia ("NBC"), sets and monitors capital requirements for the Bank as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the year (Note 15).

**(ii) Capital allocation**

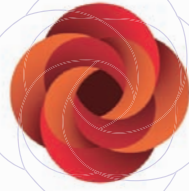
The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

## **25. Fair values of financial assets and liabilities**

The aggregate fair values of financial assets and liabilities carried on the balance sheet are approximately equal to their carrying values as at 31 December 2010.

## Correspondent Banks

COUNTRY NAME	BANK NAME	CITY NAME
AUSTRALIA (1)	KEB AUSTRALIA LIMITED	SYDNEY
BAHRAIN (1)	KOREA EXCHANGE BANK, BAHRAIN BRANCH	MANAMA
BELGIUM (1)	ING BANK	BRUSSELS
BRAZIL (1)	BANCO KEB DO BRASIL S.A.	SAO PAULO
CAMBODIA (4)	CAMKO BANK	PHNOM PENH
	NATIONAL BANK OF CAMBODIA	PHNOM PENH
	VATTANAC BANK	PHNOM PENH
	ACLEDA BANK PLC	PHNOM PENH
CANADA (1)	KOREA EXCHANGE BANK OF CANADA	TORONTO
CHINA (5)	KOREA EXCHANGE BANK, DALIAN BRANCH	DALIAN
	KOREA EXCHANGE BANK, BEIJING	BEIJING
	KOREA EXCHANGE BANK, TIANJIN	TIANJIN
	KOREA EXCHANGE BANK SHANGHAI BRANCH	SHANGHAI
	ZHEJIANG TAILONG COMMERCIAL BANK	TAIZHOU
FRANCE (1)	KOREA EXCHANGE BANK	PARIS
GERMANY (1)	KOREA EXCHANGE BANK (DEUTSCHLAND)	FRANKFURT
HONG KONG (2)	INDUSTRIAL BANK OF KOREA, HONG KONG BRANCH	HONG KONG
	KOREA EXCHANGE BANK	HONG KONG
INDIA (1)	ING VYSYA BANK LIMITED	MUMBAI
INDONESIA (1)	P.T. BANK KEB INDONESIA	JAKARTA
JAPAN (2)	BANK OF TOKYO MITSUBISHI UFJ, LTD	TOKYO
	KOREA EXCHANGE BANK	TOKYO
KOREA (6)	KOOKMIN BANK	SEOUL
	WOORI BANK, SEOUL	SEOUL
	INDUSTRIAL BANK OF KOREA	SEOUL
	KOREA EXCHANGE BANK	SEOUL
	KWANGJU BANK LTD	SEOUL
	BUSAN BANK	BUSAN
	KOREA EXCHANGE BANK	AMSTERDAM
NETHERLANDS (1)	KOREA EXCHANGE BANK	PANAMA
PANAMA (1)	KOREA EXCHANGE BANK	MANILA
PHILIPPINES (1)	KOREA EXCHANGE BANK	SINGAPORE
SINGAPORE (2)	KOREA EXCHANGE BANK	SINGAPORE
	ING BANK N.V	SINGAPORE
UNITED KINGDOM (3)	WOORI BANK, LONDON	LONDON
	KOREA EXCHANGE BANK	LONDON
	HSBC BANK	LONDON
UNITED STATES (2)	BANK OF TOKYO-MITSUBISHIUFJ TRUST COMPANY	NEW YORK, NY
	WOORI BANK, NEW YORK	NEW YORK, NY
VIETNAM (1)	KOREA EXCHANGE BANK	HANOI



**ធនាគារ ភ្នំពេញ ពាណិជ្ជ**

**Phnom Penh Commercial Bank**

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Tel:(855) 23 999 500, Fax:(855) 23 999 540, Email: service@ppcb.com.kh  
Website: www.ppcb.com.kh

**BS Branch :** BS Department Store Monivong Blvd, Monorom, 7Makara, Phnom Penh, Cambodia.  
Tel: (855) 23 999 600, Fax:(855) 23 999 400

**Phsar Deum Kor Branch:** N°.78, Monireth Blvd, Toul Svay Prey II, Chamkarmon, Phnom Penh, Cambodia.  
Tel: (855) 23 999 700, Fax:(855) 23 999 701

**ធនាគារដែលបង្កើតនូវអនាគតត្រចះត្រចង់របស់កម្ពុជា**

**The Bank for Creating a Bright Future for Cambodia**