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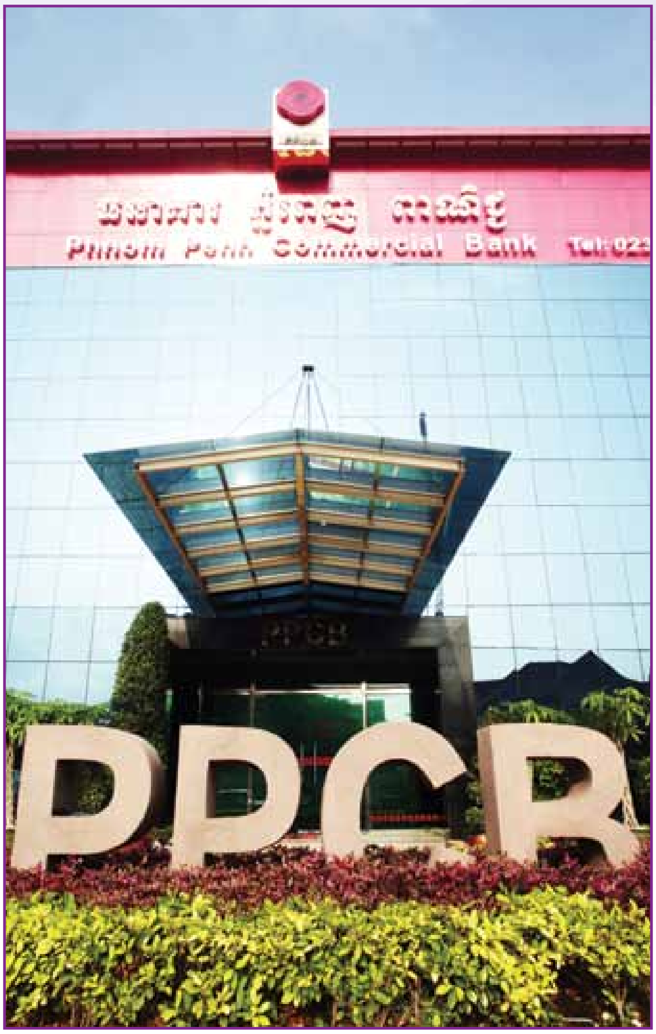
Phnom Penh Commercial Bank

ANNUAL REPORT 2011

THE BANK FOR CREATING A BRIGHT FUTURE FOR CAMBODIA



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

HEAD OFFICE: Nº. 767-769, Monivong Blvd., Beoung Trabek, Chamkarmon, Phnom Penh, Cambodia.
Tel: (855) 23 999 500, Fax: (855) 23 999 540

Phsar Deum Kor Branch: Nº. 78, Monireth Blvd., Toul Svay Prey II, Chamkarmon, Phnom Penh, Cambodia.
Tel: (855) 23 999 700, Fax: (855) 23 999 701

Tuol Kork Branch: Nº. 24, Street 273, Tuol Sangke, Tuol Kork, Phnom Penh, Cambodia.
Tel: (855) 23 999 050, Fax: (855) 23 999 151

Siem Reap Branch: Nº. 423, Wat Bo Village, Sala Kamreuk Commune, Siem Reap Province, Cambodia.
Tel: (855) 63 967 500, Fax: (855) 63 967 600

E-mail: service@ppcb.com.kh
Web site: www.ppcb.com.kh
SWIFT: PPCBKHPP

Chairman and CEO's Message

You are the most welcome to
Phnom Penh Commercial Bank (PPCB)

'PPCB always with Neighbors'

In 2011, Cambodian's Economy has shown a positive result with a good stable macro economy in spite of some parts of the country being affected by flood. But under the proper management conditions and the implementation of tax and currency policies, Cambodia's real GDP could grow by 6.9 percent in 2011 supporting by the increases in agriculture, 1.4 percent; industry, 14.1 percent; garments, 21 percent; and services, 5 percent.

Meanwhile, the banking sector under the careful supervision of the NBC has remained healthy and stable, as a result of which confidence in banking sector continued to improve significantly in 2011, in terms of the size of the operation, the amount of deposits with commercial banks increased by 20.4 percent and loans to the private sector increased by 33.5 percent compared to the same period in 2010.

Achievement

2011 was an unforgettable milestone with many significant events and successes for PPCB. Another positive outcome has been earning USD1.3 million for our shareholders a 130% increase over 2010. This result reflects our achievements in increasing our income while carefully minimizing our expenses. As of December 31, 2011, the total assets of PPCB grew to USD102 million, a 75% increase over 2010, total income was USD 5.5 million, a 52% increase over 2010, total deposits were USD 60.3 million, a 43% increase over 2010, while total loans were USD43.2 million, a 75% increase over 2010.

Vision for Cambodia Future

We strongly believe that in 2012 there must also be continuous growth of around 6.5 percent in Cambodia's economy. This good opportunity will provide more advantages to our customers and the PPCB as well.

PPCB will continue to grow as one of the Leading Commercial Banks in Cambodia. Based on its management principles, PPCB always with neighbors, PPCB has made every effort to be a bank that is indispensable bank to its neighbors and communities, with its differentiated management strategies. To that end we have set up a remarkable business world in the most competitive financial sector. Through such an official recognition with regard to our growing potentiality and increasing confidence customers, we are continuing to grow into one of the leaders of the financial industry based on sound ethical management, human resources, active business activities, and high levels of customers' satisfaction. In addition, PPCB operates a diversity of financial services and products that have been creating ways to generate high revenues through unidirectional financial enterprise.

Acknowledgement

On behalf of the Board of Directors, the management team and staff of PPCB, I would like to express my sincere appreciation to all shareholders, valuable customers and business associations for their ongoing support, confidence and trust towards PPCB growth and achievement.

I would also, in the name of the Board of Directors, like to thank the NBC and all related authorities for their support and advice.

Finally, I firmly believe that with continued commitment and hard work, PPCB will continue to grow, and I am looking forward to a profitable 2012 with further achievements of goals.

Kim Yang Jin
President and Chief Executive Officer

PPCB Vision & Core Goal, and Motto

Vision

The bank that create 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 customers satisfaction
2. Improve brand value
3. Maximize efficiency

Contents

Consolidated Financial Summary

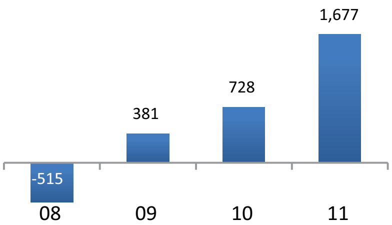
A. Financial Highlight

YEAR ENDED 31 DECEMBER

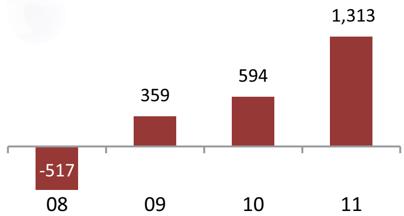
	2011	2010	2009	2008
OPERATING RESULTS (USD'000)				
Profit before tax expense	1,677	728	381	(515)
Profit after tax expense	1,313	594	359	(517)
KEY BALANCE SHEET DATA (USD'000)				
Total Assets	102,051	58,351	34,045	19,210
Loans and advances	42,862	24,499	12,660	5,288
Total Liabilities	61,302	42,914	19,203	4,727
Deposit from Customers	60,326	42,108	19,123	4,696
Paid-up Capital	39,000	15,000	15,000	15,000
Shareholders' Equity	40,749	15,437	14,842	14,483
FINANCIAL RATIOS (%)				
Return on Asset	2.00	1.02	1.06	(2.69)
Return on Equity	6.15	3.85	2.42	(3.57)
Liquidity Ratio	146.87	140.33	185.10	442.82
Solvency Ratio	47.66	30.04	48.37	96.81

B. Simplified Financial Result

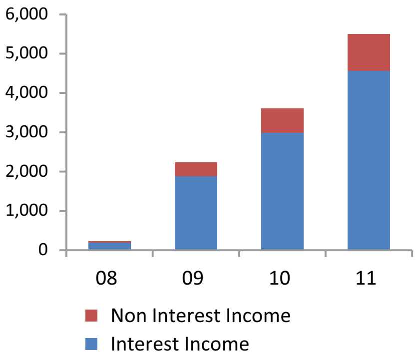
PROFIT BEFORE TAX
(USD'000)



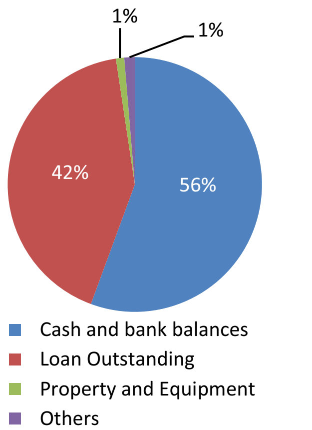
PROFIT AFTER TAX
(USD'000)



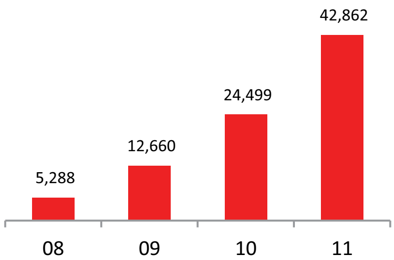
GROSS INCOME
USD'000



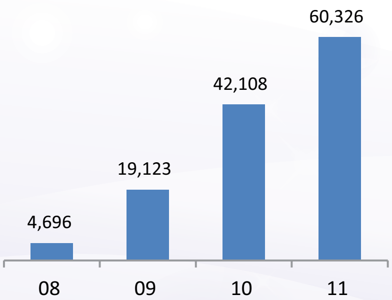
PIPELINE OF TOTAL ASSETS 2011
US$102 Million



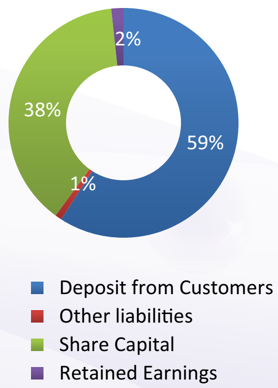
LOAN OUTSTANDING
US$43 Million. USD'000



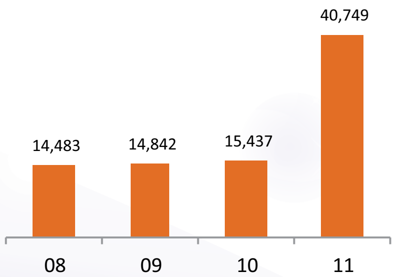
DEPOSITS FROM CUSTOMERS
USD'000



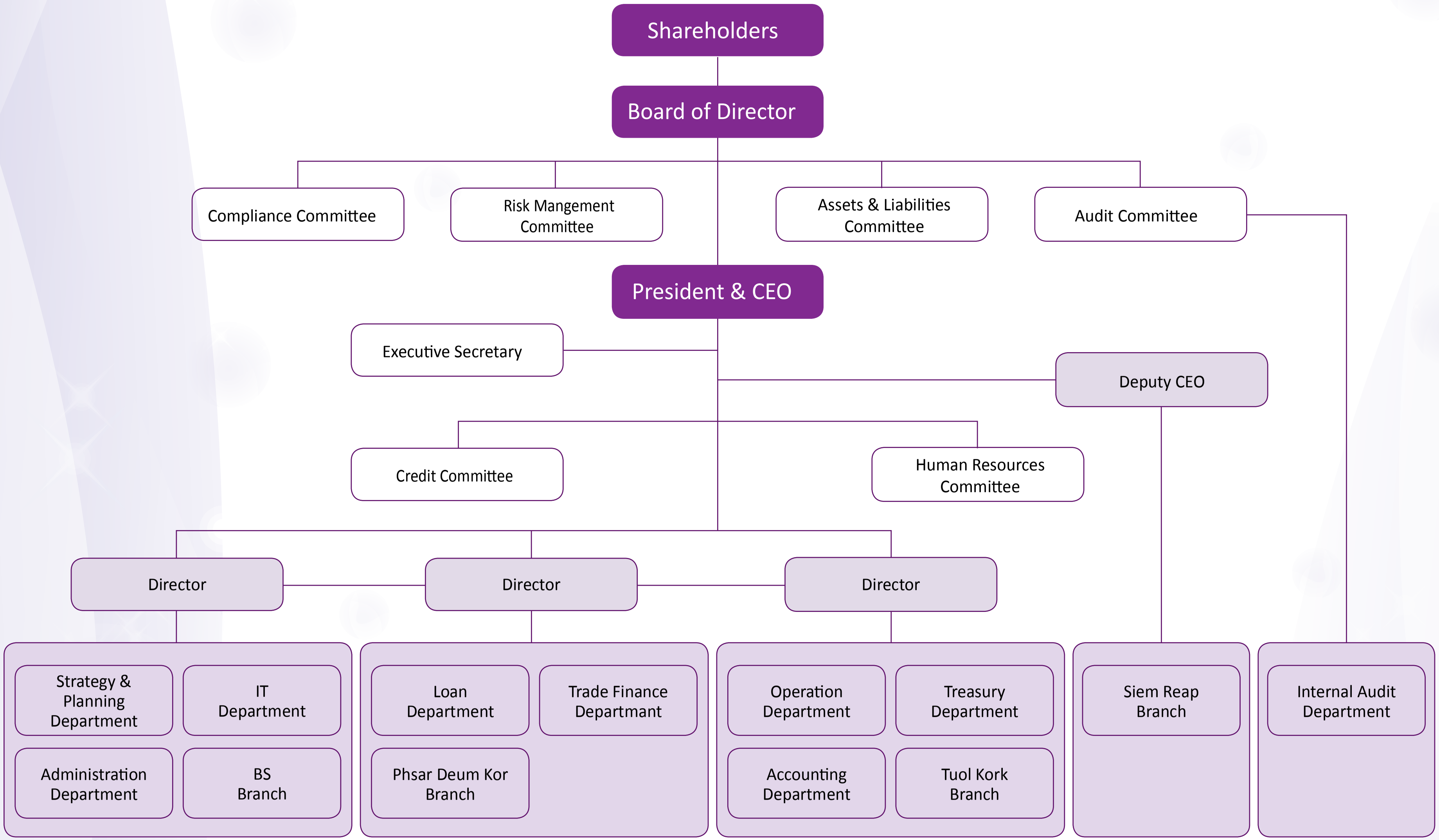
PIPELINE TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY 2011



SHAREHOLDERS' EQUITY
USD'000



Organizational Chart (2011)



Note: Established in 2011

Board of Directors (2011)

Chairman and CEO
Mr. Kim Yang Jin

Director
Mr. Eiichiro So

Director
Mr. Nhak Kimsroy

The directors are appointed by the shareholders to act on their behalf, the Board shall consist of three directors, Mr. Kim Yang Jin, Chairman; Mr. Eiichiro So, Director; and Mr. Nhak Kimsroy, Director.

The Board of Directors is responsible for determining the strategy of the Bank and for conducting and supervising its operations and all members shall act in the best interests of the Bank. The Board of Directors assumes responsibilities for corporate governance and for promoting the success of the bank by directing and supervising the bank's business operation and affairs.

It shall be noted that membership is not confined only to members of the board but includes management as well.

Board of Directors' Profile

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 and USA

- 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

Mr. Nhak Kimsroy
Director, Cambodian
(Appointed on December 2011)

Education

- Master Degree of Financial and Banking, Build Bright University, Phnom Penh, Cambodia.
- BA, Economic Science, Royal University of Law and Economic, Phnom Penh, Cambodia.

Working Experience

ACLEDA Bank for 10 years

- Assistant Senior Vice President & Head of Credit Division
- Assistant Vice President & Manager of Credit Analysis Unit
- Branch Manager

Corporate Information

Brief Corporate Profile

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

Hyundai Swiss Financial Group (HSFG) was established in 1971 and is one of the largest saving banks in Korea. Hyundai Swiss Savings Bank (HSB) along with HSBII, HSBIII and HSBIV currently operate several sale branches in Seoul and provinces.

SBI Group has offered the lowest cost and most convenient services since its establishment in 1999, by fully leveraging its internet and financial expertise and adherence to its "Customer-Centric Principle." In Just 10 years, the Group has rapidly grown into a diversified financial conglomerate with a full range of financial services and products, including venture capital, securities, banking and insurance. SBI Group has more than 70 groups of 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.

Corporate Data

COMPANY OUTLINE

(As of December 31, 2011)

Bank Name	Phnom Penh Commercial Bank
Date of Establishment	1st September 2008
Registration Nº	Co. 4898E / 2008
Head office	767-769, Monivong Blvd., Beoung Trabek, Chamkarmon, Phnom Penh, Cambodia. Tel: (855) 23 999 522 Fax: (855) 23 999 540

Paid-up Capital	US$39 Million
Number of Employee	67

(As of December 31, 2011)

	Name	No. of Shares Held (Shares)	Percentage of Total Outstanding Shares (%)
Principal Shareholders	SBI Holdings, Inc.	15,600	40.00 %
	Hidy Investment Co., Ltd	15,435	39.57 %
	Hyundai Swiss I Savings Bank	1,485	3.81 %
	Hyundai Swiss II Savings Bank	1,485	3.81 %
	Kyung Ki Growth & Development Co., Ltd	1,485	3.81 %
	Mr. Kim Kwang Jin	1,485	3.81 %
	Mr. Kim Jong Min	1,125	2.88 %
	Mirae Credit Information Service Corp	900	2.31 %

Related Party	SBI Royal Securities
Auditor	PricewaterhouseCoopers (PWC)

PPCB Staff

With PPCB, Human Resources are our heart and soul and are one of the key factors leading to success in our banking business and goal achievement. We strongly believe that achieving success and reaching our goal requires strong human resources inside. Likewise PPCB continues to maintain and develop our staff in terms of both their mental and physical abilities as well as their professional skills; meanwhile we also recruit potential human resources from outside too.

PPCB is continually strengthening its stance and creates the competitive working environment to support our staff who are performing well in their jobs, and encouraging them to progress with us. PPCB rewards those who have dedicated their hard work and loyalty to the bank's business and operations, and who encourage others to learn by their good example and model.

Achievement in 2011

Through the training and capabilities building, cross-corporate working culture, and encourage our staff to work competitively; we want our staff to realize that they have reached their goal and feel closely with their real job. The movement of change from traditional marketing and sale to ethical marketing through discussion resulted in more support and higher value in return from our customers.






PPCB's strategic goals for the period 2011 - 2014

A Strong Foundation

- Customers Satisfaction and
- Ethical Management

Localization and Enhance the Brand Value

- Customer-center philosophy
- Secure outstanding local human resource
- Inspire loyalty of staff
- Marketing, advertisement,
- Increase branch network.

Risk management and Performance System

- Management of action program
- Transparency of human resources management
- Vitalization of communication
- Present clear vision
- Quick decision making

2011

2014

Top 5

To Become one of the Top 5 Banks in Cambodia

Achieving an annual growth rate of two times

Achieving an annual growth rate of two times of the average growth rate of the banking market

Products and Services

Phnom Penh Commercial Bank (PPCB) offers a full range of retail commercial banking products and services, including current and saving accounts, fixed and installment deposits, business loans, home loans, personal loans (Weeding Loan), car loans, motor loan, remittance, and as well as trade financing facilities.

PPCB is equipped its branches with 24/7 Automated Teller Machine (ATM) and more off-site ATM to offer full facilities to our customers.

Loan
- Personal
- Corporate
- Mortgage

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

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

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

IB
- Project Financing
- Loan + Profit sharing
- Direct Investment


Phnom Penh Commercial Bank
Your beautiful life with PPCB
Head Office
GREEN LOAN

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Phnom Penh Commercial Bank

Introduction to HSFG

Overview

Hyundai Swiss Financial Group (HSFG) has been able to endow dignity as a financial group comprising Hyundai Swiss Savings Bank, Hyundai Swiss II Savings Bank, Hyundai Swiss III Savings Bank, Hyundai Swiss Asset Management and Phnom Penh Commercial Bank (PPCB) of Cambodia. Hyundai Swiss Savings Bank (HSB), the matrix of HSFG, is Korea's first savings bank to induce foreign investment from Switzerland's Merce International, listed in NASDAQ, in July 2000, and Japan's SoftBank Corporation in May 2002. Thus, HSFG has been able to prove its sound management and growth potentials.

By performing carefully conceived preparations to advance into international markets such as Vietnam and Cambodia, HSFG lunched its Overseas Business Department in 2007 and promoted investment in the real estate markets and capital markets of new foreign markets. As a result, HSFG successfully established Phnom Penh Commercial Bank in Cambodia (PPCB) in September 2008, and has been able to secure foreign resources and superior assets.

Money Science, a delegate paradigm that has vaulted over the traditional financial paradigm, is the basis financial know-how behind the Hyundai Swiss Financial Group. From Banking to the various revenue models of asset management, the subsidiary companies of Hyundai Swiss Financial Group enlarge their clients' assets with stability and efficiency on the basis of "Money Science"

Introduction to SBI Holdings, Inc.

Company Outline

(As of Oct 1, 2011)

Corporate Name	SBI Holdings, Inc.
Head Office	19F Izumi Garden Tower 1-6-1, Roppongi, Minato-ku, Tokyo 106-6019 Japan
Principal Business	Control and management of SBI Group through share ownership
Date of Establishment	July 8, 1999
Paid-In Capital	81,663 million yen
Common Stock	22,376,234 shares
Number of Employees	3,267 (Consolidated)

The SBI Group's Corporate Mission and Fundamental Business Building Concepts

The SBI Group's Management Philosophy

Sound Ethical Values:

We shall undertake judgments on actions based not only on whether they conform to the law or profit the company, but also whether they are socially equitable.

Financial Innovator:

We will transcend traditional methods and bring financial innovations to the forefront of the financial industry, utilizing opportunities provided by the powerful price-cutting forces of the Internet and developing financial services that further enhance benefits for customers.

New Industry Creator:

We will work to become the leader in creating and cultivating the core industries of the 21st century.

Self-Evolution:

We will continue to be a company that evolves of its own volition by forming an organization that flexibly adapts to changes in the operating environment and incorporates corporate "Ingenuity" and "Self-transformation" as part of its organizational DNA.

Social Responsibility:

We will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society, while fulfilling the demands of its stakeholders, contributing to the betterment of society.

The SBI Group's Fundamental Business Building Concepts

① Adherence to the " Customer-centric Principle"

We will continue to endeavor to increase customer value, as well as to maximize our corporate value through the utilization of synergies between customer value, shareholder value and human capital value, while always staying true to our tenet of the customer-centric principle

② Structural Defferentiation

We differentiate ourselves from competitors through various structural differences that are built into our organization, as well as through price, quality and the variety of our products and services. This strategic approach to organizational structure allows us to successfully compete and to maintain our perennial growth.

③ The Creation of a Network Value

We will continue to pursue the maximization of synergies, and the mutual growth of our Group companies within our "business ecosystem" of various business domains, tather than as a disconnected collection of separate businesses that are partitioned by sector.

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Phnom Penh Commercial Bank

Financial Report
Audit Report (2011)

PHNOM PENH COMMERCIAL BANK

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

PHNOM PENH COMMERCIAL BANK

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

*** The Appendix does not form part of the audited financial statements.**

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("the Directors") hereby submits their report and the audited financial statements of Phnom Penh Commercial Bank ("the Bank") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATIONS AND DIVIDENDS

The results of operations for the year ended 31 December 2011 are set out in the income statement on page 29.

No dividend was declared nor paid to shareholders during the year (2010: Nil).

STATUTORY CAPITAL

The Bank's statutory capital was increased from US$15,000,000 to US$39,000,000 during the year.

BAD AND DOUBTFUL LOANS AND ADVANCES TO CUSTOMERS

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances to customers or making of provisions for bad and doubtful loans and advances to customers, and satisfied themselves that all known bad loans and advances to customers had been written off and that adequate provisions has been made for bad and doubtful loans and advances to customers.

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 to customers or the amount of the provision for bad and doubtful loans and advances to customers in the financial statements of the Bank inadequate to any material extent.

ASSETS

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ensure that any assets, other than debts which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank, have 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 assets in the financial statements of the Bank misleading in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

(a) no 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, and

(b) no contingent liability in respect of the Bank that has arisen since the end of the 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 12 months after the end of the year which, in the opinion of the Directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become 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 in any material respect.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Bank for the year were not, in the opinion of the Directors, materially affected by any items, transactions or events 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 items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Bank for the year in which this report is made.

THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The members of the Board of Directors and Executive Management holding office during the year and as at the date of this report are:

BOARD OF DIRECTORS

Mr. Kim Yang Jin	Chairman
Mr. Eiichiro So	Director
Mr. Nhak Kimsroy	Member (appointed on 28 December 2011 by board meeting)

EXECUTIVE MANAGEMENT

Mr. Kim Yang Jin	President and CEO
Mr. Kim Bok Rae	Deputy President/CEO
Mr. Nhak Kimsroy	Director
Mr. Ryu Jae kyung	Director
Mr. Samnom Saruth	Head of Internal Audit
Mr. Yun Chang Ho	Head of Strategy and Planning
Mr. Sen Chettana	Accounting Manager

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements existed, to which the Bank was a party, with the object of enabling 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.

No Directors of the Bank have received or become entitled to receive any benefit by reason of a contract made by the Bank with the Directors or with a firm of which the Directors are members, or with a company which the Directors have a substantial financial interest other than those disclosed in the financial statements.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Bank as at 31 December 2011 and its financial performance and 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 the disclosure requirements and the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards or, if there have been any departures in the interest of fair presentation, 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) effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Bank as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards, were approved by the Board of Directors.

Signed in accordance with a resolution of the Board of Directors

PHNOM PENH COMMERCIAL BANK

Mr. Kim Yang Jin
President/Chief Executive Officer
Date: 27 MAR 2012

Independent auditor’s report

To the Shareholders of Phnom Penh Commercial Bank

We have audited the accompanying financial statements of Phnom Penh Commercial Bank (“the Bank”) which comprise the balance sheet as of 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards, 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.

Auditor’s 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 whether the financial statements are free from material misstatement.

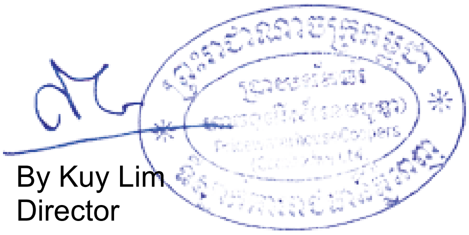
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Ltd.



By Kuy Lim
Director

Phnom Penh, Kingdom of Cambodia
Date: 27 March 2012

PHNOM PENH COMMERCIAL BANK

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US$	2010 US$	2011 Riel '000	2010 Riel '000
				(Unaudited)	*(Unaudited)*
Interest income	4	4,560,868	2,992,801	18,421,345	12,129,822
Interest expense	5	(1,325,685)	(1,074,666)	(5,354,442)	(4,355,621)
Net interest income		3,235,183	1,918,135	13,066,903	7,774,201
Fee and commission income	6	939,486	622,440	3,794,584	2,522,749
General and administrative expenses	7	(2,311,991)	(1,701,906)	(9,338,133)	(6,897,826)
Allowance for bad and doubtful loans and advances to customers	11(a)	(185,483)	(110,495)	(749,166)	(447,836)
Profit before income tax		1,677,195	728,174	6,774,188	2,951,288
Income tax expense	8	(364,429)	(133,994)	(1,471,929)	(543,078)
Net profit for the year		**1,312,766**	**594,180**	**5,302,259**	**2,408,210**

The accompanying notes on pages 10 to 47 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 US$	2010 US$	2011 Riel '000 (Unaudited)	2010 Riel '000 (Unaudited)
ASSETS					
Cash on hand		4,257,228	2,235,836	17,194,944	9,061,843
Balances with the Central Bank	9	11,645,769	5,364,237	47,037,261	21,741,253
Deposits and placements with banks and financial institutions	10	40,853,535	24,835,588	165,007,428	100,658,639
Loans and advances to customers	11	42,862,181	24,499,495	173,120,350	99,296,454
Other assets	12	1,356,110	625,629	5,477,328	2,535,674
Property and equipment	13	844,290	546,414	3,410,087	2,214,617
Intangible assets	14	232,308	243,594	938,293	987,286
TOTAL ASSETS		**102,051,421**	**58,350,793**	**412,185,691**	**236,495,766**
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks	15	30,638,002	22,690,322	123,746,890	91,963,875
Deposits from customers	16	29,688,266	19,463,984	119,910,907	78,887,527
Accruals and other liabilities	17	663,730	658,374	2,680,807	2,668,392
Current income tax liability	8	311,992	101,448	1,260,135	411,169
TOTAL LIABILITIES		**61,301,990**	**42,914,128**	**247,598,739**	**173,930,963**
SHAREHOLDERS' EQUITY					
Share capital	18	39,000,000	15,000,000	157,521,000	60,795,000
Retained earnings		1,749,431	436,665	7,065,952	1,769,803
TOTAL SHAREHOLDERS' EQUITY		**40,749,431**	**15,436,665**	**164,586,952**	**62,564,803**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**102,051,421**	**58,350,793**	**412,185,691**	**236,495,766**

The accompanying notes on pages 10 to 47 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital US$	Retained earnings US$	Total US$
Balance as at 1 January 2010	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**
Riel'000 equivalent (*Unaudited*)	**60,795,000**	**1,769,803**	**62,564,803**
Balance as at 1 January 2011	15,000,000	436,665	15,436,665
Capital injection during the year	24,000,000	-	24,000,000
Net profit for the year	-	1,312,766	1,312,766
Balance as at 31 December 2011	**39,000,000**	**1,749,431**	**40,749,431**
Riel'000 equivalent (*Unaudited*)	**157,521,000**	**7,065,952**	**164,586,952**

The accompanying notes on pages 10 to 47 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011 US$	2010 US$	2011 Riel '000 *(Unaudited)*	2010 Riel '000 *(Unaudited)*
Net cash flows generated from operating activities	21	1,021,039	12,517,122	4,123,977	50,731,894
Cash flows from investing activities					
Statutory capital deposits with the Central Bank		(2,400,000)	-	(9,693,600)	-
Deposits and placements with banks		(14,580,000)	(9,500,000)	(58,888,620)	(38,503,500)
Reserve deposits with the Central Bank		(1,115,000)	(610,000)	(4,503,485)	(2,472,330)
Purchases of property and equipment	13	(625,256)	(112,883)	(2,525,409)	(457,515)
Proceeds from disposals of property and equipment		3,496	-	14,120	-
Purchases of intangible assets	14	(78,408)	(7,765)	(316,690)	(31,472)
Net cash outflow from investing Activities		(18,795,168)	(10,230,648)	(75,913,684)	(41,464,817)
Cash flows from financing activities					
Increase in paid up capital		24,000,000	-	96,936,000	-
Net cash inflow from financing activities		24,000,000	-	96,936,000	-
Net increase in cash and cash equivalents		6,225,871	2,286,474	25,146,293	9,267,077
Cash and cash equivalents at the beginning of the year		17,598,661	15,312,187	71,327,374	63,836,508
Currency revaluation at balance sheet date		-	-	(246,382)	(1,776,211)
Cash and cash equivalents at the end of the year	20	**23,824,532**	**17,598,661**	**96,227,285**	**71,327,374**

The accompanying notes on pages 33 to 70 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. BACKGROUND INFORMATION

Phnom Penh Commercial Bank ("the Bank") was registered with the Ministry of Commerce as a public limited liability company under registration number Co-4898E/2008 on 20 May 2008 and obtained a licence from the National Bank of Cambodia to carry out banking operations with effect from 27 August 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 2011, the Bank has one head office and three branches in Phnom Penh and one branch at Siem Reap.

The registered office of the Bank is located at No. 767-769, Pheah Monivong Blvd., Sangkat Boeung Trabek, Khan Chamkarmorn, Phnom Penh, Cambodia.

The financial statements were authorised for issue by the Board of Directors on 29 March 2012. The Board of Directors has the power to amend and reissue the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards ("CAS"). In applying CAS, the Bank also applies CFRS 7: Financial Instruments: Disclosures. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodia accounting principles, procedures and practices.

The financial statements are prepared using the historical cost convention.

The preparation of financial statements in accordance with the guidelines issued by the National Bank of Cambodia ("the Central Bank") and CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

For the sole regulatory purpose of complying with the Prakas No. B7-07-164 dated 13 December 2007 of the National Bank of Cambodia, a translation to Khmer Riel ("KHR") is provided for the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements as of and for the year ended 31 December 2011 using the average official rate of exchange regulated by the National Bank of Cambodia as at the reporting date, which was US$1 equal to KHR 4,039 (31 December 2010: US$1 equal to KHR 4,053). Such translation amounts are unaudited and should not be construed as representations that the US$ amounts represent, or have been or could be, converted into KHR at that or any other rate.

2.2 New accounting standards and interpretations

(a) New standards, amendments to existing standards and interpretations effective in the year 2011.

There were no standards, amendments to existing standards and interpretations which became effective in the financial year ended 31 December 2011.

(b) Standards and amendments to existing standards issued but not yet effective

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS") which are based on all standards published by International Accounting Standard Board including other interpretation and amendment that may occur in any circumstances to each standard by adding "Cambodian". Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

The following Cambodian International Accounting Standards ("CIAS") or CIFRS and amendments to existing standards, which have been published are relevant and mandatory for the Bank for accounting periods beginning on or after 1 January 2012, but have not been early adopted by the Bank:

- CIAS 1 (Amendment), 'Financial statement presentation' regarding other comprehensive Income.

  The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This is not expected to have a material impact on the Bank's financial statements.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations (continued)

- CIAS 16 (Amendment), 'Property, Plant and Equipment' (and consequential amendment to CIAS 7, 'Statement of Cash Flows')

  The amended standard requires entities, whose ordinary activities comprise renting and subsequently selling assets, to present proceeds from sale of those assets as revenue and to transfer the carrying amount of the assets to inventories when the assets becomes held for sale. A consequential amendment to CIAS 7 requires cash flows arising from purchase, rental and sale of those assets to be classified as cash flows from operating activities. This is not expected to have a material impact on the Bank's financial statements.

- CIAS 19, 'Employee Benefits'

  The objective of this standard is to prescribe the accounting and disclosure requirements for employee benefits. The Standard requires an entity to recognise: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

  Subsequent amendments to the standard is to eliminate the corridor approach and calculate finance costs on a net funding basis. This is not expected to have a material impact on the Bank's financial statements.

- CIAS 24 (Revised), 'Related Party Disclosures'

  CIAS 24 was revised by (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition; and (b) providing a partial exemption from the disclosure requirements for government-related entities. This is not expected to have a material impact on the Bank's financial statements.

- CIAS 32, 'Financial Instruments: Presentation'

  The objective of this standard is to establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments as well as classification of the related interest, dividends, losses and gains. This is not expected to have a material impact on the Bank's financial statements.

- CIAS 36 (Amendment), 'Impairment of Assets'

  The amended standard states that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This is not expected to have a material impact on the Bank's financial statements.

PHNOM PENH COMMERCIAL BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations (continued)

(b) Standards and amendments to existing standards issued but not yet effective (continued)

- CIAS 39, 'Financial Instruments: Recognition and Measurement'

The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Adoption of CIAS 39 will result in the following revisions to the accounting policies on financial instruments:

Loans and advances to customers

Loans and advances to customers are currently stated in the balance sheet at outstanding principal and interest, less any amounts written off, interest-in-suspense and provision for loan losses. Under CIAS 39, loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

The Bank currently follows the mandatory credit classification and provisioning as required by Prakas No. B7-09-074 dated 25 February 2009 issued by the Central Bank, as disclosed in note 2.7 to the financial statements. CIAS 39 requires the Bank to assess at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired, either on an individual or collective assessment basis. Impairment loss is measured as the difference between an asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. For the purposes of collective impairment assessment, assets are grouped on the basis of similar credit risk characteristics.

Deposits from banks, other financial institutions and customers

The Bank currently measures deposits from banks, other financial institutions and customers at the deposit amount. CIAS 39 requires that financial liabilities (which include deposits from banks, other financial institutions and customers) to be measured at amortised cost.

Interest income and interest expense

The Bank currently recognises interest income and expense on an accrual basis at contractual rates, except where serious doubt exists as to the collectability, interest is suspended until it is realised on a cash basis. CIAS 39 requires interest income and expense for all interest-bearing financial instruments to be recognised using the effective interest rate method. In respect of a financial asset or a group of similar financial assets which are impaired, interest income is to be recognised at interest rate used in discounting future cash flows for purpose of measuring the impairment loss.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations (continued)

(b) Standards and amendments to existing standards issued but not yet effective (continued)

- CIFRS 7 (Amendment), 'Financial instruments - Disclosures'

  The revised standard requires enhanced disclosures in respect of fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair values by fair value measurement hierarchy as follows:

  Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
  Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly; and
  Level 3 - Inputs for an asset or liability that are not based on observable market data.

  Subsequent amendments to the standard requires an entity to provide qualitative disclosures in the context of quantitative disclosures on the nature and extent of risks arising from financial instruments. This is not expected to have a material impact on the Bank's financial statements.

- CIFRS 9, 'Financial instruments'

  CIFRS 9 is the first standard issued as part of a wider project to replace CIAS 39. CIFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in CIAS 39 on impairment of financial assets and hedge accounting continues to apply. The Bank is yet to assess CIFRS9's full impact on financial statements.

- CIFRS 13, 'Fair value measurement'

  CIFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across CIFRSs. The requirements, which are largely aligned between CIFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This is not expected to have a material impact on the Bank's financial statements.

Other than the improvements and amendments to existing standards as set out above, the other published standards, amendments and interpretations to existing standards, which are applicable for accounting periods beginning on or after 1 January 2012, are not relevant to the Bank's operations.

(c) Early adoption of standards

In the year 2011, the Bank did not early-adopt any new or amended standards.

PHNOM PENH COMMERCIAL BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in United States dollars ("US$"), which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than US$ are translated into US$ at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in currencies other than US$, are recognised in the income statement.

2.4 Interest income and expense

Interest income on loans and advances to customers, balances with the Central Bank and deposits and placements with banks are recognised on an accrual basis, except where serious doubt exists as to the collectabilities of loans and advances to customers, in which case, no interest income is recognised. The policy on suspension of interest is in conformity with the Central Bank's Guidelines on the suspension of interest on non-performing loans and provision for losses on loans and advances.

Interest expense on deposits from other banks and non-bank customers are recognised on an accrual basis.

2.5 Fee and commission income

Fee and commission income comprises income received from inward and outward bank transfers, loan arrangement fees and commissions, commitment fees and guarantee fees, service charges and processing fees and others.

Loan processing fees are recognised as income in the income statement when loans are disbursed.

Fees from inward and outward bank transfers, commitment fees and guarantee fees on varieties of services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended.

2.6 Loans and advances to customers

Loans and advances to customers are stated in the balance sheet at outstanding principal less any amounts written off and provision for losses on loans and advances to customers.

Loans are written off when there is no realistic prospect of recovery. Recovery of loans and advances to customers previously written off or provided for is recognised in the income statement.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Allowance for bad and doubtful loans and advances to customers

The Bank is required to follow the mandatory credit classification and provisioning as required by Prakas No. B7-09-074 dated 25 February 2009 issued by the Central Bank. The Prakas requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of specific provisioning is provided, depending on the classification concerned and regardless of the assets (except cash) pledged as collateral as follows:

	Rate of provision
General provision	
Normal	1%
Specific provision	
Special mention	3%
Substandard	20%
Doubtful	50%
Loss	100%

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

Any impairment loss is charged to the income statement in the year in which it arises. Reversal of any impairment loss is recognised in the income statement to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

2.9 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure relating to an item of property and equipment are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property and equipment (continued)

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%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.10 Intangible assets

Computer and swift software

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 estimated useful lives of the individual assets at the following rates:

Computer (Moneta) software	20%
Swift software	50%

2.11 Current and deferred income tax

The current income tax charge is calculated based on the tax laws enacted or substantively enacted in Cambodia as at the balance sheet date where the Bank operates and generates taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.12 Leases

Leases in which a significant portion of risks and rewards of ownership of assets are retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Provision

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, non-restricted balances with the Central Bank, and balances with other banks with original maturity of three months or less from the date of acquisition.

2.15 Related party transactions

In accordance with the Law on Banking and Financial Institutions, related parties are defined as parties who hold, directly or indirectly, at least 10% of the capital or voting rights and include any individual who participates in the administration, direction, management or internal control of the Bank.

2.16 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.17 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand KHR for US$ and KHR amounts, respectively.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Bank makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

a) Impairment losses on loans and advances to customers

The Bank follows the mandatory credit classification and provisioning as required by Prakas No. B7-09-074 dated 25 February 2009 on asset classification and provisioning in the banking and financial institutions issued by the Central Bank. The Central Bank requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and regardless of the assets pledged as collateral. For the purpose of loan classification, the Bank takes into account all relevant factors which may affect the counterparties' repayment abilities.

b) Income tax

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by the General Department of Taxation.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the year in which such determination is made.

4. INTEREST INCOME

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Loans and advances to customers	3,893,394	2,286,589	15,725,418	9,267,545
Balances with the Central Bank	2,647	2,650	10,691	10,740
Deposits and placements with banks and financial institutions	664,827	703,562	2,685,236	2,851,537
	4,560,868	2,992,801	18,421,345	12,129,822

5. INTEREST EXPENSE

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Saving deposits	98,048	74,873	396,016	303,460
Fixed deposits	1,219,468	996,511	4,925,431	4,038,859
Installment deposits	8,169	3,282	32,995	13,302
	1,325,685	1,074,666	5,354,442	4,355,621

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

6. FEE AND COMMISSION INCOME

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Loan processing fees	447,109	259,047	1,805,873	1,049,917
Loan special fees	190,000	193,000	767,410	782,229
Penalty fees	102,824	77,996	415,306	316,118
Outward/inward remittance fees	85,770	40,360	346,425	163,579
Performance guarantee fees	18,327	9,570	74,023	38,787
Commitment fees	8,556	3,870	34,558	15,685
Others	86,900	38,597	350,989	156,434
	939,486	622,440	3,794,584	2,522,749

7. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Personnel and related costs	856,098	580,665	3,457,780	2,353,435
Depreciation (note 13)	324,376	310,043	1,310,155	1,256,604
Amortisation (note 14)	89,694	99,392	362,274	402,836
Rental expenses	203,340	114,808	821,290	465,317
Business meal/entertainment	90,778	53,885	366,652	218,396
Professional fees	70,912	69,109	286,414	280,099
Repairs and maintenance	67,427	57,617	272,338	233,522
Utility expenses	58,827	46,693	237,602	189,247
Marketing and advertising	57,734	33,485	233,188	135,715
Transportations	53,219	43,022	214,952	174,368
Office supplies	52,868	42,348	213,534	171,636
Building security costs	46,101	27,390	186,202	111,012
Bank license fees	44,987	30,495	181,702	123,596
Telephone and communication	37,396	32,442	151,042	131,487
Conventions and conference	36,893	14,283	149,011	57,889
Bank charges	27,050	7,218	109,255	29,255
Loan loss written off	18,796	30,000	75,917	121,590
Insurance costs	10,255	9,102	41,420	36,890
Other tax expenses	98,686	61,314	398,593	248,506
Others	66,554	38,595	268,812	156,426
	2,311,991	1,701,906	9,338,133	6,897,826

PHNOM PENH COMMERCIAL BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

8. INCOME TAX EXPENSE

(a) Income tax expense

	2011 US$	2010 US$	2011 KHR '000 (Unaudited)	2010 KHR '000 (Unaudited)
Current income tax expense	364,429	133,994	1,471,929	543,078
	364,429	133,994	1,471,929	543,078

(b) Movement of income tax liabilities

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Balance at beginning of year	101,448	2,544	409,748	10,311
Income tax expense	364,429	133,994	1,471,929	543,078
Income tax paid	(153,885)	(35,090)	(621,542)	(142,220)
Balance at end of year	311,992	101,448	1,260,135	411,169

(c) Corporate tax (on profit) is reconciled to accounting as follows:

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Profit before tax	1,677,195	728,174	6,774,188	2,951,288
Tax at 20%	335,439	145,635	1,354,838	590,258
Non-deductible expenses at 20%				
Effect of non-deductible expenses	28,990	(11,641)	117,091	(47,180)
Income tax expense	364,429	133,994	1,471,929	543,078

PHNOM PENH COMMERCIAL BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

8. INCOME TAX EXPENSE (continued)

(d) Minimum Tax

Tax on profit of the Bank is computed based on minimum tax. Minimum tax is calculated at the rate of 1% of the annual turnover inclusive of all the taxes. Taxes are paid either:

- at 20% of taxable profit, or
- the Minimum Tax rate of 1% of total revenue inclusive of value added tax, whichever is higher.

(e) Other tax matter

The Bank's tax returns are subject to periodic examination by the General Department of Taxation. Because the application of tax laws and regulations too many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the General Department of Taxation.

9. BALANCES WITH THE CENTRAL BANK

	2011 US$	2010 US$	2,011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Statutory capital (i)	3,900,000	1,500,000	15,752,100	6,079,500
Reserve deposits (ii)	2,452,000	1,337,000	9,903,628	5,418,861
Current accounts (iii)	5,293,769	2,527,237	21,381,533	10,242,892
	11,645,769	5,364,237	47,037,261	21,741,253

(i) In compliance with Prakas No. B701-136 dated 15 October 2001, the Bank maintains a statutory capital deposit with the Central Bank equivalent to US$3,900,000 and which represents 10% of its registered capital. This deposit earns interest at rate from 0.10% to 0.11% per annum. This deposit is refundable should the Bank cease its operations in Cambodia and it is not available for use in the Bank's day-to-day operations.

(ii) Reserve deposits represent the minimum reserve requirement which is calculated at 8% and 12% of the total deposits from customers and settlement accounts of other banks dominated in Khmer Riel and other foreign currencies, respectively. The 4% reserve requirement on customers' deposits in currencies other than Khmer Riel earns interest at rate from 0.09% to 0.14% per annum while the remaining 8% and the reserve requirement on customers' deposits in Khmer Riel bears no interest.

(iii) This represents current accounts which earned no interest.

PHNOM PENH COMMERCIAL BANK

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FOR THE YEAR ENDED 31 DECEMBER 2011

10. DEPOSITS AND PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

	2011 US$	2010 US$	2011 KHR'000	2010 KHR'000
			(Unaudited)	*(Unaudited)*
Local banks				
Current accounts	14,975	15,635	60,484	63,369
Saving accounts	1,418,813	1,772,503	5,730,586	7,183,955
Fixed deposits	37,080,000	20,000,000	149,766,120	81,060,000
Overseas banks				
Current accounts	2,339,747	3,047,450	9,450,238	12,351,315
	40,853,535	24,835,588	165,007,428	100,658,639

Current accounts with both local and overseas banks earned no interest.

Fixed deposits and saving accounts earned interest at a rate from 1.00% to 5.10% (2010: 1.00% to 6.00%) and 0.75% (2010: 0.75%) per annum respectively. Maturities of the fixed deposits are analysed below:

	2011 US$	2010 US$	2011 KHR'000	2010 KHR'000
			(Unaudited)	*(Unaudited)*
Between 1 to 3 months	10,500,000	8,000,000	42,409,500	32,424,000
Between 4 to 12 months	26,580,000	12,000,000	107,356,620	48,636,000
	37,080,000	20,000,000	149,766,120	81,060,000

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

11. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of loans

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Overdrafts	4,116,758	1,885,996	16,627,586	7,643,942
Loans and advances to customers				
Long term loans	18,394,603	7,881,068	74,295,802	31,941,969
Short term loans	20,783,772	14,979,900	83,945,655	60,713,535
	43,295,133	24,746,964	174,869,043	100,299,446
Allowance for bad and doubtful loans and advances to customers				
Specific provision	-	-	-	-
General provision	(432,952)	(247,469)	(1,748,693)	(1,002,992)
	42,862,181	24,499,495	173,120,350	99,296,454

The movements in the allowance for bad and doubtful loans and advances to customers are as follows:

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
At beginning of year	247,469	136,974	1,002,992	571,045
Additional allowance made for the year				
Specific provision	-	-	-	-
General provision	185,483	110,495	749,166	447,836
Currency translation differences	-	-	(3,465)	(15,889)
	432,952	247,469	1,748,693	1,002,992

PHNOM PENH COMMERCIAL BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Analysis by security on performing and non-performing loans

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Standard loans				
Secured	43,295,133	24,746,964	174,869,043	100,299,446
Unsecured	-	-	-	-
Special mention loans				
Secured	-	-	-	-
Unsecured	-	-	-	-
	43,295,133	24,746,964	174,869,043	100,299,446

(c) Analysis by maturity

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Within 1 month	1,612,094	577,590	6,511,248	2,340,972
2 to 3 months	5,414,543	1,887,584	21,869,339	7,650,378
4 to 12 months	19,957,308	14,176,294	80,607,567	57,456,520
1 to 5 years	15,777,989	8,105,496	63,727,298	32,851,576
more than 5 years	533,199	-	2,153,591	-
	43,295,133	24,746,964	174,869,043	100,299,446

(d) Analysis by type of business and under taking

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Financial institutions	1,494,868	1,046,017	6,037,772	4,239,507
Wholesale and retailers	14,730,916	6,735,728	59,498,170	27,299,906
Real estate and developers	12,106,609	6,507,884	48,898,594	26,376,454
Services	8,689,832	7,760,518	35,098,231	31,453,379
Manufacturing	4,649,985	1,266,000	18,781,289	5,131,098
Other industries	1,622,923	1,430,817	6,554,987	5,799,102
	43,295,133	24,746,964	174,869,043	100,299,446

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

(e) Analysis by large and non large exposures:

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Large exposures	-	1,897,738	-	7,691,532
Non large exposures	43,295,133	22,849,226	174,869,043	92,607,914
	43,295,133	24,746,964	174,869,043	100,299,446

Large exposure is defined by the Central Bank as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

(f) Interest rates

These loans and advances to customers earned interest at annual rates ranging from:

	2011	2010
Overdrafts	8.00% - 14.00%	12.00% - 14.00%
Term loans	7% - 20.00%	10.00% - 20.00%

12. OTHER ASSETS

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Interest receivable from loans and advances to customers	262,529	155,876	1,060,355	631,765
Interest receivable from deposits and placement with banks and financial institutions	338,396	156,786	1,366,781	635,454
Deposits on office rental and billboard	441,389	143,664	1,782,770	582,270
Prepaid expenses	209,602	146,627	846,582	594,279
Prepayments on maintenance services	14,485	18,879	58,505	76,517
Others	89,709	3,797	362,335	15,389
	1,356,110	625,629	5,477,328	2,535,674

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY AND EQUIPMENT

	Leasehold Improvements US$	Furniture, fittings and equipment US$	Computer equipment US$	Motor vehicles US$	Total US$
As at 1 January 2010					
Opening net book value	412,112	159,686	105,951	65,825	743,574
Additions	22,106	37,216	50,521	3,040	112,883
Reclassification	(26,678)	26,678	-	-	-
Depreciation charge	(101,316)	(67,091)	(116,896)	(24,740)	(310,043)
Net book value as at 31 December 2010	306,224	156,489	39,576	44,125	546,414
Year ended 31 December 2010					
Cost	518,386	289,720	320,698	100,479	1,229,283
Accumulated depreciation	(212,162)	(133,231)	(281,122)	(56,354)	(682,869)
Net book value	306,224	156,489	39,576	44,125	546,414
In Riel'000 equivalents (Unaudited)	1,241,126	634,250	160,402	178,839	2,214,617

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY AND EQUIPMENT (continued)

	Leasehold Improvements US$	Furniture, fittings and equipment US$	Computer equipment US$	Motor vehicles US$	Total US$
As at 1 January 2011					
Opening net book value	306,224	156,489	39,576	44,125	546,414
Additions	271,705	122,611	191,940	39,000	625,256
Disposal-net	-	-	-	(3,004)	(3,004)
Depreciation charge	(143,253)	(86,869)	(64,654)	(29,600)	(324,376)
Net book value as at 31 December 2011	434,676	192,231	166,862	50,521	844,290
Year ended 31 December 2011					
Cost	790,091	412,331	512,638	125,060	1,840,120
Accumulated depreciation	(355,415)	(220,100)	(345,776)	(74,539)	(995,830)
Net book value	434,676	192,231	166,862	50,521	844,290
In Riel'000 equivalents (Unaudited)	1,755,656	776,421	673,956	204,054	3,410,087

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

14. INTANGIBLE ASSETS

	Computer (Moneta) software US$	Swift software US$	Total
	US$	US$	US$
As at 1 January 2010			
Opening net book value	322,945	12,276	335,221
Additions	7,765	-	7,765
Amortisation charge	(87,116)	(12,276)	(99,392)
Net book value as at 31 December 2010	243,594	-	243,594
At 31 December 2010			
Cost	435,890	33,875	469,765
Accumulated amortisation	(192,296)	(33,875)	(226,171)
Net book value	243,594	-	243,594
In Riel'000 equivalents (Unaudited)	987,286	-	987,286
As at 1 January 2011			
Opening net book value	243,594	-	243,594
Additions	18,408	60,000	78,408
Amortisation charge	(89,194)	(500)	(89,694)
Net book value as at 31 December 2011	172,808	59,500	232,308
At 31 December 2011			
Cost	454,298	93,875	548,173
Accumulated amortisation	(281,490)	(34,375)	(315,865)
Net book value	172,808	59,500	232,308
In Riel'000 equivalents (Unaudited)	697,972	240,321	938,293

PHNOM PENH COMMERCIAL BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

15. DEPOSITS FROM BANKS

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Current accounts	1,027	2,931	4,148	11,879
Saving accounts	174,920	87,391	706,502	354,196
Fixed deposits	30,462,055	22,600,000	123,036,240	91,597,800
	30,638,002	22,690,322	123,746,890	91,963,875

All deposits are matured within one year.

Annual interest rates for deposits from banks are as follows:

	2011	2010
Current accounts	-	-
Saving deposits	1.00% - 1.20%	1.00% - 1.20%
Fixed deposits	1.10% - 3.00%	0.80% - 6.50%

16. DEPOSITS FROM CUSTOMERS

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Current accounts	882,365	359,791	3,563,872	1,458,233
Saving deposits	11,892,577	7,786,515	48,034,119	31,558,745
Fixed deposits	16,559,071	11,199,888	66,882,088	45,393,146
Installment deposits	354,253	117,790	1,430,828	477,403
	29,688,266	19,463,984	119,910,907	78,887,527

Annual interest rates for deposits from customers are as follows:

	2011	2010
Current accounts	-	-
Saving deposits	0.20% - 0.40%	1.20%
Fixed deposits	2.20% - 6.70%	2.00% - 8.00%
Installment deposit	3.00% - 7.00%	3.00% - 7.00%

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

16. DEPOSITS FROM CUSTOMERS (continued)

The deposits from customers are analysed and matured as follows:

	2011 US$	2010 US$	2011 KHR'000	2010 KHR'000
Within one year	29,469,021	19,463,984	119,025,376	78,887,527
One to five years	219,245	-	885,531	-
	29,688,266	19,463,984	119,910,907	78,887,527

17. ACCRUALS AND OTHER LIABILITIES

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
Interest payable	616,294	623,132	2,489,211	2,525,554
Accruals and others	47,436	35,242	191,596	142,838
	663,730	658,374	2,680,807	2,668,392

All accruals and other liabilities are expected to be settled within one year.

18. SHARE CAPITAL

	2011 US$	2010 US$	2011 KHR'000 (Unaudited)	2010 KHR'000 (Unaudited)
As at 1 January 2011	15,000,000	15,000,000	60,795,000	62,535,000
Capital injection during the year	24,000,000	-	96,936,000	-
Currency translation difference	-	-	(210,000)	(1,740,000)
As at 31 December 2011	39,000,000	15,000,000	157,521,000	60,795,000

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
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18. SHARE CAPITAL (continued)

The total authorised number of share of the Bank as at 31 December 2011 was 39,000 (2010: 15,000) with a par value of US$1,000 per share (2010: US$1,000 per share).

Shareholders	2011			2010		
	shares	%	US$	shares	%	US$
SBI Holdings, Inc.	15,600	40.00%	15,600,000	6,000	40.00%	6,000,000
Hidy Investment Co., Ltd.	15,435	39.58%	15,435,000	1,485	9.90%	1,485,000
Hyundai Swiss I Savings Bank	1,485	3.81%	1,485,000	1,485	9.90%	1,485,000
Hyundai Swiss II Savings Bank	1,485	3.81%	1,485,000	1,485	9.90%	1,485,000
Kyung Ki Growth and Development Co., Ltd	1,485	3.81%	1,485,000	1,485	9.90%	1,485,000
Kim Kwang Jin	1,485	3.81%	1,485,000	1,485	9.90%	1,485,000
Kim Jong Min	1,125	2.88%	1,125,000	1,125	7.50%	1,125,000
Mirae Credit Information Service Corp	900	2.31%	900,000	450	3.00%	450,000
	39,000	100%	39,000,000	15,000	100%	15,000,000

19. CONTINGENT LIABILITIES AND COMMITMENTS

a) Loan commitments, guarantee and other financial facilities

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Loans approved and offered to customers but not yet disbursed	1,153,500	-	4,658,987	-
Unutilised portion of overdrafts	1,041,243	1,492,004	4,205,580	6,047,092
Bank guarantees	3,268,631	1,213,961	13,202,001	4,920,184
	5,463,374	2,705,965	22,066,568	10,967,276

The commitments above are expected to be settled within one year.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

19. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

b) Operating lease commitments

As at 31 December 2011, the Bank had non-cancellable lease commitments as follows:

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Within one year	301,572	189,600	1,218,049	768,449
Between 2 to 5 years	746,946	517,750	3,016,915	2,098,441
More than 5 years	522,760	336,000	2,111,428	1,361,808
	1,571,278	1,043,350	6,346,392	4,228,698

20. CASH AND CASH EQUIVALENTS

	2011 US$	2010 US$	2011 KHR'000 *(Unaudited)*	2010 KHR'000 *(Unaudited)*
Cash on hand	4,257,228	2,235,836	17,194,944	9,061,843
Deposits and placements with banks and financial institutions				
Current accounts	2,354,722	3,063,085	9,510,722	12,414,684
Saving accounts	1,418,813	1,772,503	5,730,586	7,183,955
Fixed deposits (less than 3 months)	10,500,000	8,000,000	42,409,500	32,424,000
Balances with the Central Bank				
Current accounts	5,293,769	2,527,237	21,381,533	10,242,892
	23,824,532	17,598,661	96,227,285	71,327,374

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

21. NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

	2011 US$	2010 US$	2011 Riel '000 (Unaudited)	2010 Riel '000 (Unaudited)
OPERATING ACTIVITIES				
Profit before tax	1,677,195	728,174	6,774,188	2,951,288
Adjustments for non-cash items:				
Allowance for bad and doubtful loans and advances to customers (note 11(a))	185,483	110,495	749,166	447,836
Depreciation (note 13)	324,376	310,043	1,310,155	1,256,604
Amortisation (note 14)	89,694	99,392	362,274	402,836
Gain on disposals of property and equipment	(494)	-	(1,995)	-
Net interest income	(3,235,183)	(1,918,135)	(13,066,903)	(7,774,201)
	(958,929)	(670,031)	(3,873,115)	(2,715,637)
Increase in loans and advances to customers	(18,548,169)	(11,949,572)	(74,916,055)	(48,431,615)
Increase in other assets	(442,217)	(193,412)	(1,786,114)	(783,899)
Increase in deposits from banks	7,947,680	8,545,410	32,100,680	34,634,547
Increase in deposits from customers	10,224,282	14,485,690	41,295,875	58,710,502
Increase in accruals and other liabilities	12,196	12,251	49,260	49,653
Interest received	4,272,604	2,827,342	17,257,048	11,459,217
Interest paid	(1,332,523)	(505,466)	(5,382,060)	(2,048,654)
Income taxes paid	(153,885)	(35,090)	(621,542)	(142,220)
Net cash flow generated from operating activities	**1,021,039**	**12,517,122**	**4,123,977**	**50,731,894**

22. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions, outstanding balance at the year end and relating expenses and income for the year are as follows:

a) Loans and advances to customers

	2011 US$	2010 US$	2011 Riel'000 (Unaudited)	2010 Riel'000 (Unaudited)
Loans and advances to customers - staff	110,849	-	447,719	-
Interest income	2,592	-	10,469	-

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Deposits from directors and other key management personnel

	2011 US$	2010 US$	2011 Riel'000 *(Unaudited)*	2010 Riel'000 *(Unaudited)*
Deposits from staff	22,863	23,585	92,344	95,590
Interest expense on deposits	317	126	1,280	511

c) Key management compensations

	2011 US$	2010 US$	2011 Riel'000 *(Unaudited)*	2010 Riel'000 *(Unaudited)*
Salaries and other short term benefits (key management)	502,432	327,470	2,029,323	1,327,236

23. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposure.

23.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans and advances to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Bank's credit committee.

(a) Credit risk measurement

Exposure to credit is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees. Management performs credit assessment on a yearly basis after loans and advances have been disbursed to analyse the financial conditions and performance of the borrowers.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(b) Risk limit control and mitigation policies

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the Central Bank as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, under the conditions of Prakas No. B7-06-226 of the Central Bank, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any individual beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans and advances to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Cash in the form of margin deposits, if any.

(c) Impairment and provisioning policies

The Bank follows the mandatory loan classification and provisioning as required by a Prakas, B7-09-074, dated on 25 February 2009, on loans classification and provisioning for banks and financial institutions. It applies for loans and advances or other assets with similar nature. The Prakas replaces existing Prakas B7-00-51 and B702-145 from 25 February 2009. The minimum mandatory loan loss provision is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral, unless other information is available to indicate worsening.

The table below shows loan classifications and minimum provisioning requirements:

Classifications	Minimum Provisioning Requirements
Standard	1%
Special mention	3%
Sub-standards	20%
Doubtful	50%
Loss	100%

Both past due and qualitative factors shall be taken into account for loan classification and provisioning.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	2011 US$	2010 US$	2011 Riel'000 (Unaudited)	2010 Riel'000 (Unaudited)
Credit risk exposures relating to on-balance sheet assets:				
Deposits and placements with banks and financial institutions	40,853,535	24,835,588	165,007,428	100,658,639
Loans and advances to customers	43,295,133	24,746,964	174,869,043	100,299,446
Allowance for bad and doubtful loans and advances to customers	(432,952)	(247,469)	(1,748,693)	(1,002,992)
Net loans and advances to customers	42,862,181	24,499,495	173,120,350	99,296,454
Other assets	620,925	312,662	2,507,916	1,267,219
	84,336,641	49,647,745	340,635,694	201,222,312
Credit risk exposures relating to off-balance sheet items:				
Loans approved and offered to customers but not yet disbursed	1,153,500	-	4,658,987	-
Unutilised portion of overdrafts	1,041,243	1,492,004	4,205,580	6,047,092
Bank guarantees	3,268,631	1,213,961	13,202,001	4,920,184
	5,463,374	2,705,965	22,066,568	10,967,276
	89,800,015	52,353,710	362,702,262	212,189,588

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2011 and 2010, without taking account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposures set out above are based on net carrying amounts.

As shown above, 48% of total maximum exposure is derived from loans and advances to customers (2010: 47%); 46% represents balances with banks and financial institutions (2010: 47%).

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(d) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from its loans and advances and balances with banks and financial institutions on the following:

- 100%of loans are recovered by collateral and credit limits given less are than the value of collateral held (2010: 100%).
- All loans and advances to customers are considered to be neither past due nor impaired (2010: 100%).
- The deposits and placements with banks and financial institutions were held with local and overseas banks and management has done a proper risk assessment and believe there will be no material loss from these balances.

(e) Loans and advances to customers

Loans and advances to customers are summarised as follows:

	2011 US$	2010 US$	2011 Riel'000 *(Unaudited)*	2010 Riel'000 *(Unaudited)*
Loans and advances to customers neither past due nor impaired (i)	43,295,133	24,746,964	174,869,043	100,299,446
Loans and advances to customers past due but not impaired (ii)	-	-	-	-
Loans and advances to customers individually impaired (iii)	-	-	-	-
	43,295,133	24,746,964	174,869,043	100,299,446
Allowance for bad and doubtful loans and advances to customers	(432,952)	(247,469)	(1,748,693)	(1,002,992)
	42,862,181	24,499,495	173,120,350	99,296,454

For the purpose of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration in accordance with the Central Bank's requirement.

(i) Loans and advances neither past due nor impaired

Loans and advances not past due are not considered impaired, unless other information is available to indicate the contrary.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(e) Loans and advances to customers (continued)

ii) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

iii) Loans and advances individually impaired

In accordance with Prakas No. B7-09-074, dated on 25 February 2009 on Asset Classification and Provisioning in Banking and Financial Institutions, loans and advances to customers past due more than 30 days are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

The value of collateral is based on the valuation assessed by external valuers. As the current property price volatile, value of collateral assessed when the loan was approved might be different from current value. Under the Central Bank's regulation, the value of collateral is not taken into account when determining the impairment of loans and advances to customers.

(f) Repossessed collateral

During the year ended 31 December 2011, the Bank obtained assets by taking possession of collateral held as security as follows:

Nature of assets	Carrying amount US$
Land	92,000

Repossessed properties were sold during the year with a loss of US$18,796.

PHNOM PENH COMMERCIAL BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(g) Concentration of financial assets with credit risk exposure

(i) Geographical sector

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as at 31 December 2011. For this table, the Bank has allocated exposure to countries based on the country of domicile of our counterparties.

	Cambodia US$	Korea US$	USA US$	Belgium US$	Total US$
31 December 2011					
Deposits and placements with banks and financial institutions	38,513,788	271,039	1,500,126	568,582	40,853,535
Loans and advances to customers	42,862,181	-	-	-	42,862,181
Other assets	620,925	-	-	-	620,925
As at 31 December 2011	81,996,894	271,039	1,500,126	568,582	84,336,641
In Riel'000 equivalents (Unaudited)	331,185,455	1,094,727	6,059,009	2,296,503	340,635,694
31 December 2010					
Deposits and placements with banks and financial institutions	21,788,138	2,569,358	-	478,092	24,835,588
Loans and advances to customers	24,499,495	-	-	-	24,499,495
Other assets	312,662	-	-	-	312,662
As at 31 December 2010	46,600,295	2,569,358	-	478,092	49,647,745
In Riel'000 equivalents (Unaudited)	188,870,996	10,413,608	-	1,937,707	201,222,311

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(g) Concentration of financial assets with credit risk exposure (continued)

(ii) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

	Financial institutions US$	Real estate and developers US$	Wholesales and Retailers US$	Services US$	Manufacturing US$	Others US$	Total US$
31 December 2011							
Deposits and placements with banks and financial institutions	40,853,535	-	-	-	-	-	40,853,535
Loans and advances to customers	1,479,919	11,985,543	14,583,607	8,602,934	4,603,485	1,606,693	42,862,181
Other assets	338,396	-	-	-	-	282,529	620,925
As at 31 December 2011	42,671,850	11,985,543	14,583,607	8,602,934	4,603,485	1,889,222	84,336,641
In Riel'000 equivalents (Unaudited)	172,351,602	48,409,608	58,903,189	34,747,250	18,593,476	7,630,568	340,635,693
31 December 2010							
Deposits and placements with banks and financial institutions	24,835,588	-	-	-	-	-	24,835,588
Loans and advances to customers	1,035,557	6,442,805	6,668,371	7,682,913	1,253,340	1,416,509	24,499,495
Other assets	156,786	-	-	-	-	155,876	312,662
As at 31 December 2010	26,027,931	6,442,805	6,668,371	7,682,913	1,253,340	1,572,385	49,647,745
In Riel'000 equivalents (Unaudited)	105,491,204	26,112,689	27,026,908	31,138,846	5,079,787	6,372,876	201,222,310

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

23. FINANCIAL RISK MANAGEMENT (continued)

23.2 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i) Foreign exchange risk

The Bank operates in Cambodia and transacts mainly in US$ which is functional and presentation currency and does not have significant exposure to currency risks.

(ii) Price risk

The Bank is not exposed to securities price risk because it does not hold any investment held and classified on the balance sheet either as available for sale or at fair value through profit or loss. The Bank currently does not have a policy to manage its price risk.

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate reprising that may be undertaken; however, the management regularly monitors the mismatch.

The table in note 24 summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

23.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) Liquidity risk management process

The Bank's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and project for the next day, week and month respectively, as these are key periods for liquidity management. The management monitors the movement of the main depositors and projection of their withdrawals.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

23. FINANCIAL RISK MANAGEMENT (continued)

23.3 Liquidity risk (continued)

(b) Funding approach

The Bank's main sources of liquidities arise from shareholder's paid-up capital and customers' deposits. The sources of liquidity are regularly reviewed daily through management's review of maturity of term deposits and key depositors.

(c) Non-derivative cash flows

The table in note 25 presents the cash flows payable by the Bank under non-derivative financial liabilities based on remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash in flows.

23.4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The Bank did not have financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

The fair values of financial assets and liabilities carried on the statement of financial position are approximately equal to their carrying values as at 31 December 2011 and 31 December 2010.

i. Balances with the Central Bank

Balances with the Central Bank include the statutory capital, reserve deposits in accordance with the requirement from the Central Bank and the current accounts. The fair value of the balances with the Central Bank approximates their carrying value.

ii. Deposits and placements with banks and financial institutions

Deposits and placements with banks and financial institutions include current accounts which are non-interest bearing, savings deposits and short-term deposits. The fair value of balances with other banks approximates the carrying amount; these balances will be mature within one year.

iii. Loans and advances to customers

Loans and advances are net of allowance for loan losses and its carrying value approximates fair value. The allowance for bad and doubtful loans and advances to customers is made under the requirements of the Central Bank's Prakas.

PHNOM PENH COMMERCIAL BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

23.4 Fair value of financial assets and liabilities (continued)

(b) Financial instruments not measured at fair value (continued)

iv. Deposits from banks and customers

The fair value of amounts due to other banks and customers approximates the carrying amount. The fair value of due to other banks and customers with no stated maturities which include non-interest bearing is the amount repayable on demand.

The fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rate of the debts. These deposits will be mature within one year.

23.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheet, are:

- To comply with the capital requirement set by the Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of business.

The Central Bank requires all commercial banks to i) hold minimum capital requirement, ii) maintain the Bank's net worth at least equal to minimum capital and iii) comply with solvency, liquidity and other prudential ratios.

The table below summarises the composition of regulatory capital:

	2011 US$	2010 US$	2011 Riel'000	2010 Riel'000
			(Unaudited)	*(Unaudited)*
Tier 1 Capital				
Share capital	39,000,000	15,000,000	157,521,000	60,795,000
Retained earnings	1,749,431	436,665	7,065,952	1,769,803
Less: intangible assets	(232,308)	(243,594)	(938,293)	(987,286)
	40,517,123	15,193,071	163,648,659	61,577,517
Tier 2 Capital				
General provision	432,952	247,469	1,748,693	1,002,992
Regulatory capital/net worth	**40,950,075**	**15,440,540**	**165,397,352**	**62,580,509**

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

24. INTEREST RATE RISK

	1 month US$	2 to 3 months US$	4 to 12 month US$	1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
As at 31 December 2011							
Assets							
Cash on hand	-	-	-	-	-	4,257,228	4,257,228
Balances with the Central Bank	-	-	-	-	6,352,000	5,293,769	11,645,769
Deposits and placements with banks and financial institutions	11,273,535	3,000,000	26,580,000	-	-	-	40,853,535
Loan and advances to customers	1,595,973	5,360,397	19,757,735	15,620,209	527,867	-	42,862,181
Other assets	620,925	-	-	-	-	-	620,925
Total financial assets	13,490,433	8,360,397	46,337,735	15,620,209	6,879,867	9,550,997	100,239,638
Liabilities							
Deposits from banks	11,475,947	6,662,055	12,500,000	-	-	-	30,638,002
Deposits from customers	18,691,633	6,840,431	3,936,957	219,245	-	-	29,688,266
Accruals and other liabilities	235,269	155,349	225,572	104	-	-	616,294
Total financial liabilities	30,402,849	13,657,835	16,662,529	219,349	-	-	60,942,562
Total interest repricing gap	(16,912,416)	(5,297,438)	29,675,206	15,400,860	6,879,867	9,550,997	39,297,076
In Riel'000 equivalent (Unaudited)	(68,309,248)	(21,396,352)	119,858,157	62,204,074	27,787,783	38,576,477	158,720,891
As at 31 December 2010							
Total financial assets	2,350,093	9,887,584	26,176,294	8,105,496	2,837,000	5,655,515	55,011,982
Total financial liabilities	17,276,708	19,532,267	5,992,598	190,110	-	-	42,991,683
Total interest repricing gap	(14,926,615)	(9,644,683)	20,183,696	7,915,386	2,837,000	5,655,515	12,020,299
In Riel'000 equivalent (Unaudited)	(60,497,571)	(39,089,900)	81,804,520	32,081,059	11,498,361	22,921,802	48,718,271

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

25. LIQUIDITY ANALYSIS

	Up to 1 month US$	2-3 months US$	4-12 months US$	1 to 5 years US$	Over 5 years US$	No fixed US$	Total US$
At 31 December 2011							
Liabilities							
Deposits from banks	11,529,921	6,735,061	12,561,938	-	-	-	30,826,920
Deposits from customers	18,740,047	6,905,126	4,024,614	219,245	-	-	29,889,032
Accruals and other liabilities	365,895	178,716	71,683	-	-	-	616,294
Total financial liabilities (contractual dates)	30,635,863	13,818,903	16,658,235	219,245	-	-	61,332,246
In Riel'000 equivalent(Unaudited)	123,738,251	55,814,549	67,282,611	885,531	-	-	247,720,942
Assets held for managing liquidity risk (contractual maturity dates)	27,444,214	8,939,101	46,184,607	16,820,714	464,332	6,352,000	106,204,968
In Riel'000 equivalent(Unaudited)	110,847,180	36,105,029	186,539,628	67,938,864	1,875,437	25,655,728	428,961,866
At 31 December 2010							
Liabilities							
Deposits from banks	7,645,007	11,055,694	4,112,504	-	-	-	22,813,205
Deposits from customers	9,488,120	8,069,141	1,808,073	190,012	-	-	19,555,346
Accruals and other liabilities	143,581	407,432	72,021	98	-	-	623,132
Total financial liabilities (contractual dates)	17,276,708	19,532,267	5,992,598	190,110	-	-	42,991,683
In Riel'000 equivalent(Unaudited)	70,022,498	79,164,278	24,288,000	770,516	-	-	174,245,292
Assets held for managing liquidity risk (contractual maturity dates)	15,006,205	12,875,473	21,136,806	8,645,938	-	2,837,000	60,501,422
In Riel'000 equivalent(Unaudited)	60,820,149	52,184,292	85,667,475	35,041,987	-	11,498,361	45,212,264

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

26. ASSETS HELD FOR MANAGING LIQUIDITY RISK

The Bank holds a diversified portfolio of cash and high quality highly liquid financial assets to support payment obligations. The Bank's assets held for managing liquidity risk comprise:

- Cash, balances with the Central Bank and balances with banks and financial institutions;
- Loans and advances to customers; and
- Other assets

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2011

This Appendix does not form part of the financial statements.

1. LIQUIDITY RATIO, Prakas No. B7-04-207

The Bank was in compliance with this Prakas requiring a Liquidity Ratio of at least 50%. As at 31 December 2011, the Bank's Liquidity Ratio was **146.87%**

The Liquidity Ratio calculation is detailed in Schedule 1.

2. MINIMUM CAPITAL REQUIREMENT, Prakas No. B7-08-193

The Central Bank's Prakas No. B7-08-193 on new capital requirement and criteria for licensing approval of banks requires that commercial banks locally incorporated as companies which have at least one influential shareholder as a bank of financial institution with a rating of "investment grade", extended by a reputable rating agency must have minimum capital equal to at least KHR 50 billion (or US$13 million) and commercial banks having shareholders as individuals or companies must have minimum capital of at least KHR 150 billion (or US$37.5 million).

During the year, the Bank increased its statutory share capital from US$15,000,000 to US$39,000,000 (equivalent to KHR 157,521,000,000). The increase in share capital of the Bank is for the purpose of meeting the minimum capital as required by the Central Bank.

As at 31 December 2011, the Bank was in compliance with this Prakas.

3. CAPITAL GUARANTEE, Prakas No. B7-01-136

The Central Bank's Prakas No. B7-01-136 on banks' capital guarantee requires that all banks permanently deposit 10% of minimum capital with the Central Bank.

As at 31 December 2011, the Bank was in compliance with this Prakas.

4. NET WORTH, Prakas No. B7-00-47

The Bank's net worth as at 31 December 2011 amounted to US$40,950,075 as computed in Schedule 2.

Banks must maintain their net worth at least equal to the minimum capital. As at 31 December 2011, the Bank's net worth is higher than minimum capital.

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2011

5. SOLVENCY RATIO, Prakas No. B7-00-46

The Bank was in compliance with this Prakas which requires a Solvency Ratio of at least 15%. As at 31 December 2011, the Bank maintained a Solvency Ratio of 47.66% representing the Bank's net worth as a percentage of its risk weighted assets and off balance sheet items.

The Solvency Ratio calculation is detailed in Schedule 3.

6. FOREIGN CURRENCY TRANSACTIONS, Prakas No. B7-00-50

The Bank transacts its business primarily in United States Dollars (US$) and maintains its books of accounts in US$. Accordingly, all currencies other than US$ are considered as foreign currencies.

Balance sheet items

As at 31 December 2011, in accordance with Prakas No. B7-00-50, all assets and liabilities of the Bank that were denominated in foreign currencies were revalued using the average official exchange rate regulated by the central bank as at the reporting date.

Off balance sheet items

The Bank is required to record in off-balance sheet items the capital commitments arising from the purchase and sale of foreign currencies relating to spot transactions (with a completion period of two days) and forward foreign exchange transactions.

The Bank has no open foreign exchange contracts for either spot or forward transactions as at 31 December 2011. Accordingly, no capital commitments for open foreign exchange contracts were disclosed as off balance sheet items.

7. NET OPEN POSITION IN FOREIGN CURRENCY, Prakas No. B7-07-134

Net open position in foreign currencies in either any foreign currency or overall net open position in all foreign currencies, whether long or short, shall not exceed 20% of Bank's net worth.

As at 31 December 2011, the Bank was in compliance with the Prakas.

8. CLASSIFICATION OF AND PROVISIONING FOR LOSSES ON LOANS AND ADVANCES, Prakas No. B7-00-51 AND ITS AMENDMENT PER Prakas B7-02-145

The Bank is in compliance with the Central Bank's requirement, with respect to the minimum level of specific provisioning to be applied on the respective classification of loans, as defined by this Prakas. The amount of the allowance for bad and doubtful debts determined as at 31 December 2011 is in compliance with the requirements of this Prakas.

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2011

9. LARGE CREDIT EXPOSURES, Prakas No. B7-00-52 and B7-06-226

Banks are required, under the conditions of this Prakas, to maintain at all times a maximum ratio of 20% between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

As at 31 December 2011, the Bank was in compliance with this Prakas.

10. LOANS TO RELATED PARTIES, Prakas No. B7-02-146

The Parkas requires that total weighted outstanding of loans to related parties be not more than 10% of the Bank's net worth.

As at 31 December 2011, the Bank had no loans outstanding to related parties exposure to a single beneficiary where such exposure exceeded 10% of the net worth.

11. FIXED ASSETS, Prakas No. B7-01-186

Fixed assets (tangible and intangible assets) acquired by banks for operational purposes shall be less than 30% of total bank's net worth as defined in Prakas B7-00-47. Fixed assets with no direct link to operating the Bank shall be sold not later than one year after the date they became property of the Bank.

As at 31 December 2011, the Bank's fixed assets amounted to US$1,076,598 which is equivalent to 2.63**%** of the Bank's net worth.

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

SCHEDULE 1
LIQUIDITY AS AT 30 DECEMBER 2011

LIQUIDITY RATIO	2011 US$
NUMERATOR	
1. Treasury balance	
- Debit items	
- Cash and gold	4,257,228
- Deposits with the Central Bank (excluding statutory deposits + reserve)	5,293,769
- Deposits and placement with banks and financial institutions	40,853,535
- Portion of lending to banks and FI with not more than one month to run	-
	50,404,532
Less:	
- Credit items	
- Credit balances on sight accounts maintained with the Central Bank, banks or financial institutions	-
- Borrowings from the Central Bank and banks with not more than one month to run	-
Net balance – Lender position	50,404,532
2. Lending with not more than one month to run (exclude loans with no maturity)	1,612,094
3. Treasury bills with not more than one month to run	-
TOTAL NUMERATOR (A)	52,016,626
DENOMINATOR	
1. 80% of Fixed Deposits and Certificate of Deposits having not more than one month to run	13,773,353
2. 50% of Fixed Deposits and Certificate of Deposits having more than one month to run	15,079,344
3. 50% of savings deposits	6,033,749
4. 60% of demand deposits	530,035
TOTAL DENOMINATOR (B)	35,416,481
LIQUIDITY RATIO	146.87%

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

SCHEDULE 2
NET WORTH AS AT 30 DECEMBER 2011

	2011 US$
NET WORTH	
Tier (Core Capital)	
I. Subtotal - A	
Paid-up capital	39,000,000
Reserves (other than revaluation: translation reserve, general reserve and capital reserve)	-
Audited net income for the last financial period	1,312,766
Retained earnings brought forward	436,665
Other Item (NBC approved)	-
Premiums related to capital	-
Other items approved by the Central Bank	-
Total (A)	40,749,431
Limited check on retained earnings: Max 20% of Total A	1%
II. Subtotal - B	
Own shares held (at Book Value)	-
Accumulated losses	-
Intangible assets to be deducted	232,308
Shareholders, directors, related parties (deduct)	
1. Unpaid portion(s) of capital (a)	-
2. Loans, overdrafts and other advances (b)	-
3. Debt instruments held bearing signature of shareholders, directors,	-
related parties (c)	-
Other losses	-
Total (B)	232,308
Total Tier 1 (Core Capital) (A) - (B)	40,517,123
Tier (Complementary Capital)	
III. Sub-Total C	
Revaluation reserves approved by the Central Bank	-
Provisions for general banking risks	-
1% General provision (Prakas on Asset Class.)	432,952
Subordinated debts approved by the Central Bank	-
Other items approved by the Central Bank	-
Total (C)	432,952
Limit check on Subordinated Debt (max. 50 % of Tier 1 Capital)	0%
IV. Sub-Total D (Tier 2, Deductions)	
Equity participation banking & Fin. Institution	-
Other items to be deducted (def. charge…)	-
Total (D)	-
Total Tier 2 (Complementary Capital) (C) - (D)	432,952
Limit check on Tier 2 capital (Tier 2 = max. 100 % of Tier 1)	1.07%
Regulatory Net Worth (A)- (B) + (C) - (D)	40,950,075

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

SCHEDULE 3
SOLVENCY RATIO AS AT 30 DECEMBER 2011

SOLVENCY RATIO			2011 US$
Numerator			
Net Worth as computed above (N)			40,950,075
Denominator	**Assets**	**Weighting**	
Total gross assets			
- Cash, gold and claims on the Central Bank	15,902,997	0%	-
- Assets collaterised by deposits	-	0%	-
- Claims on sovereign rated AAA to AA-	-	0%	-
- Claims on sovereign rated A+ to A-	-	0%	-
- Claims on banks rated AAA to AA-	-	0%	-
- Claims on sovereign rated BBB+ to BBB-	-	100%	-
- Claims on banks rated A+ to A-	-	100%	-
- Other assets	85,916,116	100%	85,916,116
Total assets as reported in the balance sheet	101,819,113		85,916,116
Off balance sheet items			
- Full risk	-	100%	-
- Medium risk	-	50%	-
- Moderate risk	-	20%	-
- Low risk	5,378,94	0%	-
	5,378,943		-
Denominator(D1)			85,916,116
SOLVENCY RATIO: (S = N / D1)			47.66%

PHNOM PENH COMMERCIAL BANK (UNAUDITED)

COMPUTATION OF OTHER RATIOS AS AT 31 DECEMBER 2011

		2011
1	**Equity to total assets (A/B)**	40%
	A – Equity	40,749,431
	B – Total assets	102,051,421
2	**Capital Tier I to total assets (A/B)**	40%
	A – Capital Tier 1	40,517,123
	B – Total assets	102,051,421
3	**Capital Tier I to risk weighted assets (A/B)**	47%
	A – Capital Tier 1	40,517,123
	B – Risk weighted assets	86,148,424
4	**Capital Tier I +Tier II to risk weighted assets (A/B)**	47%
	A – Capital Tier I + Tier II	40,517,123
	B – Risk Weighted assets	86,148,424
5	**Net worth to assets (A/B)**	40%
	A – Net worth	40,950,075
	B – Total assets	102,051,421
6	**Solvency ratio (A/B)**	48%
	A – Net worth	40,950,075
	B – Risk weighted assets	86,148,424
7	**Debt to total assets (A/B)**	60%
	A – Total liabilities	61,301,990
	B – Total assets	102,051,421
8	**Debt-equity ratio (A/B)**	150%
	A – Total liabilities	61,301,990
	B – Equity	40,749,431
9	**Dividend to net profit (A/B)**	0%
	A – Dividend	-
	B – Net profit	1,312,766

ASSETS QUALITY

10	**Banking reserve to total loans (A/B)**	6%
	A – Banking reserves	2,452,000
	B – Total loans (gross)	43,295,133

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

COMPUTATION OF OTHER RATIOS
AS AT 31 DECEMBER 2011

		2011
11	**Banking reserve to total assets (A/B)**	2%
	A – Banking reserves	2,452,000
	B – Total assets	102,051,421
12	**Non-performing loans to total loans (A/B)**	0%
	A – Non-performing loans	-
	B – Total loans (gross)	43,295,133
13	**Non-performing loans to total assets (A/B)**	0%
	A – Non-performing loans	-
	B – Total assets	102,051,421
14	**Classified assets to total loans (A/B)**	0%
	A – Classified assets	-
	B – Total loans (gross)	43,295,133
15	**Classified assets to total assets (A/B)**	0%
	A – Classified assets	-
	B – Total assets	102,051,421
16	**Classified assets to total equity (A/B)**	0%
	A – Classified assets	-
	B – Total equity	40,749,431
17	**Loans to related parties to total loans (A/B)**	0%
	A – Loans to related parties	110,849
	B – Total loans (gross)	43,295,133
18	**Large exposure to total loans (A/B)**	0%
	A – Large exposure	-
	B – Total loans (gross)	43,295,133
19	**Loans to related parties to net worth (A/B)**	0%
	A – Loans to related parties	110,849
	B – Net worth	40,950,075
20	**Large exposure to net worth (A/B)**	0%
	A – Large exposure	-
	B – Net worth	40,950,075

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

COMPUTATION OF OTHER RATIOS
AS AT 31 DECEMBER 2011

		2011
21	**General provision to net worth**	1%
	A – General provision	432,952
	B – Total loans (gross)	43,295,133
22	**Specific provision to total loans (A/B)**	0%
	A – Specific provision	-
	B – Total loans (gross)	43,295,133
23	**Specific provision to Non performing loans (A/B)**	0%
	A – Specific provision	-
	B – Non performing loans	-
24	**All allowances to total assets (A/B)**	0%
	A – Total all allowances	432,952
	B – Total assets	102,051,421
25	**Loans to deposits (A/B)**	146%
	A – Total loans to non bank customers (gross)	43,295,133
	B – Customer's deposits	29,688,266
EARNINGS		
26	**Return on assets (A/B)**	2%
	A – Net profit	1,312,766
	B – Total assets (average)	75,368,092
27	**Return on equity (A/B)**	6%
	A – Net profit	1,312,766
	B – Equity (average)	21,348,578
28	**Gross Yield (A/B)**	4%
	A – Interest income	4,560,868
	B – Total assets	102,051,421
29	**Net interest margin (NIM) to total assets ((A-B)/C)**	3%
	A – Interest income	4,560,868
	B – Interest expense	1,325,685
	C- Total assets	102,051,421

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

COMPUTATION OF OTHER RATIOS
AS AT 31 DECEMBER 2011

		2011
30	**Other income (OTNC) = (A/B)**	1%
	A – Other incomes	939,486
	B – Total assets	102,051,421
31	**Provision to total assets (A/B)**	0%
	A – Provision	185,483
	B – Total assets	102,051,421
32	**Overhead (OHEAD) = (A/B)**	2%
	A – Non-interest expense	2,497,474
	B – Total assets	102,051,421
33	**Net income before tax (NIBT) = (A/B)**	2%
	A – Net income before tax	1,677,195
	B – Total assets	102,051,421
34	**Tax to total assets (A/B)**	0%
	A – Tax	364,429
	B – Total assets	102,051,421
35	**Interest margin to gross income ((A-B)/C)**	59%
	A – Interest income	4,560,868
	B – Interest expense	1,325,685
	C – Gross income	5,500,354
36	**Non-interest income to gross income (A/B)**	17%
	A – Non-interest income	939,486
	B – Gross income	5,500,354
37	**Non-interest expense to gross income (A/B)**	45%
	A – Non-interest expense	2,497,474
	B – Gross income	5,500,354
38	**Times interest earned ((A+B)/C)**	227%
	A – Income before tax	1,677,195
	B – Interest expense	1,325,685
	C – Interest expense	1,325,685

PHNOM PENH COMMERCIAL BANK
(UNAUDITED)

COMPUTATION OF OTHER RATIOS
AS AT 31 DECEMBER 2011

LIQUIDITY		2011
39	**Liquid assets (A/B)**	49%
	A – Liquid assets	50,404,532
	B – Total assets	102,051,421
40	**Short-term liabilities (A/B)**	72%
	A – Short-term liabilities (less than one year)	73,236,218
	B – Total assets	102,051,421
41	**Net Liquid assets ((A-B)/C)**	-37%
	A – Liquid assets	50,404,532
	B – Short-term liabilities (less than one year)	73,236,218
	C – Total liabilities	61,301,990
42	**Quick ratio (A/B)**	69%
	A – Quick assets	50,404,532
	B – Current liabilities	73,236,218
43	**Deposit to total loans (A/B)**	69%
	A – Total customers' deposits	29,688,266
	B – Total loans to non-bank customers (gross)	43,295,133

PPCB

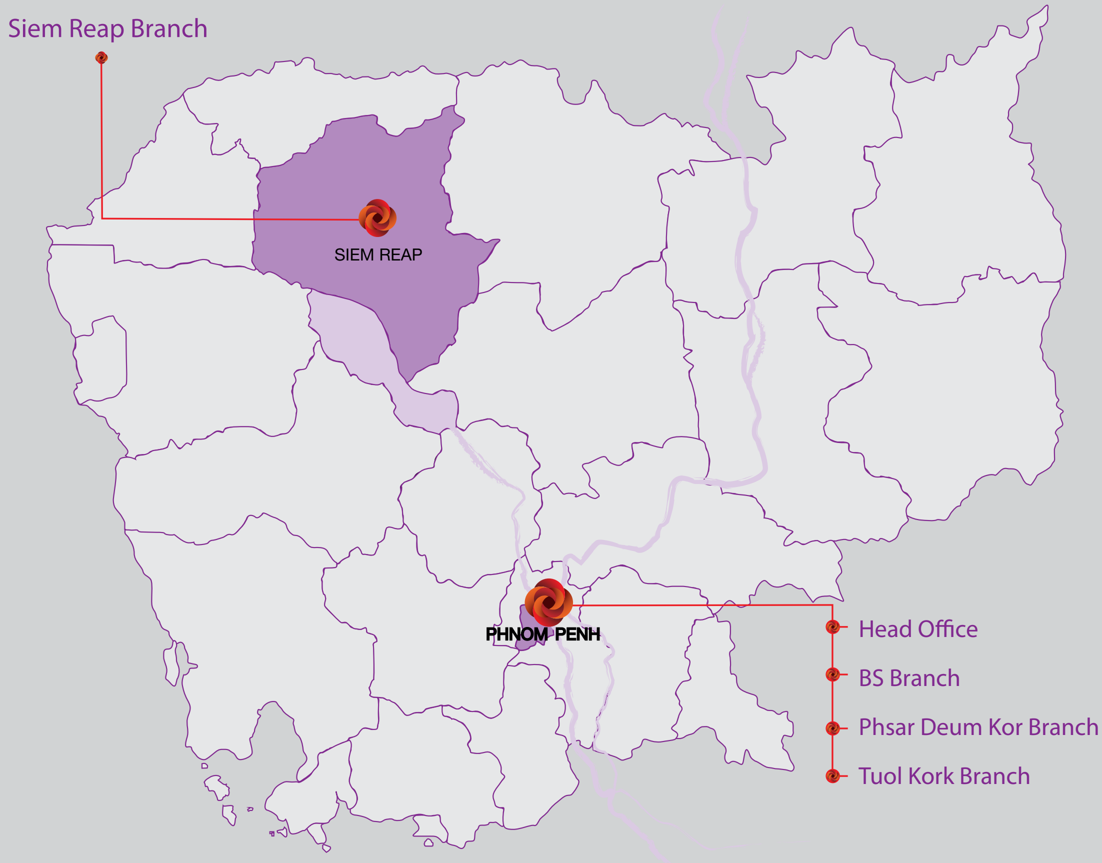
Phnom Penh Commercial Bank

PPCB CORRESPONDENT BANK

43 correspondent banks in 23 countries

(As of February 17, 2012)

Country (No. of Correspondents)	Bank Name	City
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 (3)	ACLEDA BANK PLC	PHNOM PENH
	NATIONAL BANK OF CAMBODIA	PHNOM PENH
	VATTANAC BANK	PHNOM PENH
CANADA (1)	KOREA EXCHANGE BANK OF CANADA	TORONTO
CHINA (7)	CHINA CONSTRUCTION BANK CORPORATION	BEIJING
	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
	ZHEJIANG PINGHU RURAL COOPERATIVE BANK	PINGHU
FRANCE (1)	KOREA EXCHANGE BANK	PARIS
GERMANY (1)	KOREA EXCHANGE BANK (DEUTSCHLAND) AG	FRANKFURT AM MAIN
HONG KONG (2)	INDUSTRIAL BANK OF KOREA, HONG KONG BRANCH	HONG KONG
	KOREA EXCHANGE BANK	HONG KONG
INDIA (2)	DEUTSCHE BANK AG	MUMBAI
	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, REPUBLIC OF (6)	BUSAN BANK	BUSAN
	INDUSTRIAL BANK OF KOREA	SEOUL
	KOOKMIN BANK	SEOUL
	KOREA EXCHANGE BANK	SEOUL
	KWANGJU BANK LTD	SEOUL
	WOORI BANK, SEOUL	SEOUL
MALAYSIA (1)	MALAYAN BANKING BERHAD (MAYBANK)	KUALA LUMPUR
NETHERLANDS (1)	KOREA EXCHANGE BANK	AMSTERDAM
PANAMA (1)	KOREA EXCHANGE BANK	PANAMA
PHILIPPINES (1)	KOREA EXCHANGE BANK	MANILA
SINGAPORE (2)	ING BANK N.V	SINGAPORE
	KOREA EXCHANGE BANK	SINGAPORE
UKRAINE (1)	CREDIT DNEPR BANK, UKRAINE	DNIPROPETROVSK
UNITED KINGDOM (2)	KOREA EXCHANGE BANK	LONDON
	WOORI BANK, LONDON	LONDON
UNITED STATES (3)	BANK OF TOKYO-MITSUBISHIUFJ TRUST COMPANY	NEW YORK,NY
	DEUTSCHE BANK TRUST COMPANY AMERICAS	NEW YORK,NY
	WOORI BANK, NEW YORK	NEW YORK,NY
VIETNAM (1)	KOREA EXCHANGE BANK	HANOI



BRANCH NETWORK

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

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Phnom Penh Commercial Bank

BS BRANCH

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

TUOL KORK BRANCH

Nº. 24, Street 273, Tuol Sangke,
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Cambodia.
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Fax: (855) 23 999 151

PHSAR DEUM KOR BRANCH

Nº. 78, Monireth Blvd.,
Toul Svay Prey II, Chamkarmon,
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Tel: (855) 23 999 700
Fax: (855) 23 999 701

SIEM REAP BRANCH

Nº. 423, Wat Bo Village,
Sala Kamreuk Commune,
Siem Reap Province, Cambodia.
Tel: (855) 63 967 500
Fax: (855) 63 967 600

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THE BANK FOR CREATING A BRIGHT FUTURE FOR CAMBODIA