



ធនាគារ ភ្នំពេញ ពាណិជ្ជ

Phnom Penh Commercial Bank

ANNUAL REPORT

2012



THE BANK FOR CREATING A BRIGHT FUTURE FOR CAMBODIA



HEAD OFFICE: №. 767-769, Monivong Blvd., Beoung Trabek, Chamkarmon, Phnom Penh, Cambodia.
Tel: (855) 23 999 500, **Fax:** (855) 23 999 540 / **E-mail:** service@ppcb.com.kh / **Web site:** www.ppcb.com.kh / **SWIFT:** PPCBKHPP



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



PHSAR DEUM KOR BRANCH: №. 78, Monireth Blvd.,
 Toul Svay Prey II, Chamkarmon, Phnom Penh, Cambodia.
 Tel: (855) 23 999 700, Fax: (855) 23 999 701



TUOL KORK BRANCH: №. 24, Street 273, Tuol Sangke,
 Russey Keo, Phnom Penh, Cambodia.
 Tel: (855) 23 999 050, Fax: (855) 23 999 151



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



TUEK THLA BRANCH: #B9-B11, St. Norbridge School,
 Sangkat Tuek Thla, Khan Sen Sok, Phnom Penh
 Tel: (855) 23 999 650, Fax: (855) 23 999 65



BATTAMBANG BRANCH: (Open in January, 2013)
 #C031-C033, Street 1, Prekmohatep Village,
 Sangkat Svaypor, Battambang Municipality,
 Battambang Province

Chairman and CEO's Message



You are the most welcome to
Phnom Penh Commercial Bank (PPCB)
'PPCB always with Neighbors'

THE CAMBODIAN ECONOMY IN 2012

Despite the global slowdown, Cambodia's economy has been holding up, driven by resilient exports and tourism and a strong recovery in real estate. Although moderating, exports continued to achieve double digit growth during the first three quarters of the year, in part thanks to the improved access of garment exports to the European Union. Cambodia's real GDP was able to grow by 6.9 percent in 2012 supporting by the increase of agriculture, 34.7 percent; industry, 24.3 percent; garment, 21 percent; and services, 41 percent.

In the meantime, the banking sector under the careful supervision of NBC remains healthy and stable, and as a result confidence in the banking sector continued to improve significantly in 2012. In terms of the scope of operations, deposits with commercial banks increased by 24 percent and loans to the private sector increased by 30 percent compared to the same period in 2011.

OUR ACHIEVEMENT

I am pleased to once again report that PPCB remains a healthy commercial bank with resilient core franchise positions that allowed it to successfully navigate through the gradual growth of the Cambodian economy. PPCB closed a challenging 2012 with the best profitability levels in our financial market, good asset quality, and strong capital levels.

As the result in 2012, PPCB has been earning USD 2.6 million for our shareholders a 100% increase over 2011. This result has reflected our expenses. As of December 31, 2012, the total assets of PPCB grew to USD 123 million, a 21% increase over 2011, total income was USD 7.2 million, a 31% increase over 2011, total deposits were USD 78 million, a 29% increase over 2011, while total outstanding loans were USD 69 million, a 60% increase over 2011.

OUTLOOK FOR 2013

Cambodia has seen positive GDP growth in 2012, driven largely by exports. This has had a positive impact on the economy, and outlook for 2013 and beyond is positive, with 7 percent growth predicted for 2013. This good opportunity will provide further advantages to our customers and the PPCB as well.

For 2013 and beyond, PPCB's management has three main strategic priorities to focus. The first priority is generating sustainable and profitable growth. I believe that PPCB possesses excellent "Battle-Tested" systems to emphasize business with superior long-term returns and efficient use of our capital and resources. We will continue to optimize our balance sheet, while remaining vigilant about our portfolio quality. We will put a greater emphasis on achieving operational leverage.

Second is enhancing PPCB's competitiveness and differentiation. We plan to intensify our markets in 2013, focusing on high-quality new customers and cross-sell initiatives. We plan to develop additional unique products that capitalize on PPCB's expertise.

Third is improving our operations, ensuring that they are compliant and controlled. One of the Bank's key assets is the quality of our people and we will endeavor to enhance their capabilities and to continue to provide the highest-quality services to our customers.

ACKNOWLEDGEMENTS

We are grateful to the continuous support of our shareholders, business associations and customers, and we look forward to meeting the challenges of the new environments to get PPCB the most competitive bank in the markets where we participate.

I would also, in the name of the Board of Directors, like to thank National Bank of Cambodia and all related authorities for their supports and advice.

Finally, I firmly believe that with the continuous commitments and hard work of our staff, PPCB is well-positioned to take advantage of opportunities as the economy has continued to grow. Along with the strong supports and encouragements from our shareholders, we will endeavor to build PPCB into one of the best banks in Cambodia and I am looking forward to the profitability in 2013 with further achievements of the 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

CORE GOAL

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



The Bank for Creating a Bright Future for Cambodia





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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, Rose Dream Installment and Rose Dream Loan, business loan, home loan, car loan, 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

- Motor Loan
- Green Loan (Small Business Loan)
- Medium Business Loan
- Large Loan
- Personal Loan (Rose Dream)
- Overdraft
- Revolving Loan
- Housing Loan

Deposit

- Saving Account
- Current Account
- Fixed deposit
- Installment deposit
- Rose Dream

Corporate Banking

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

Trade Finance

- Documentary Credit (L/C)
- Bank Guarantee

Fee Based Business

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

IB

- Project Financing
- Loan + Profit sharing
- Direct Investment





Consolidated Financial Summary

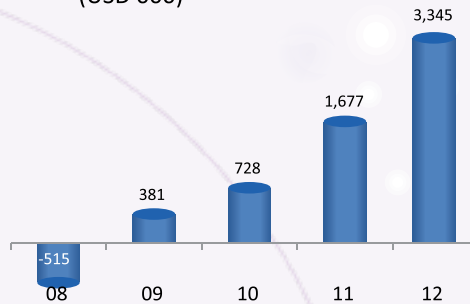
A. Financial Highlight

YEAR ENDED 31 DECEMBER

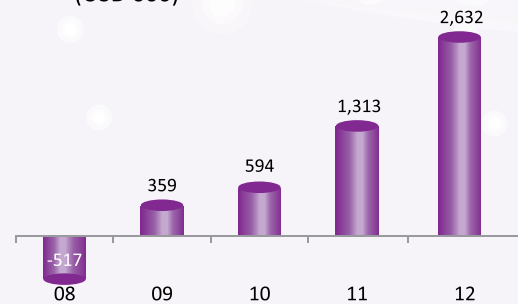
	2012	2011	2010	2009	2008
OPERATING RESULTS (USD'000)					
Profit before tax expense	3,345	1,677	728	381	(515)
Profit after tax expense	2,632	1,313	594	359	(517)
KEY BALANCE SHEET DATA (USD'000)					
Total Assets	123,245	102,051	58,351	34,045	19,210
Loans and advances	69,147	42,862	24,499	12,660	5,288
Total Liabilities	79,864	61,302	42,914	19,203	4,727
Deposit from Customers	78,257	60,326	42,108	19,123	4,696
Paid-up Capital	39,000	39,000	15,000	15,000	15,000
Shareholders' Equity	43,382	40,749	15,437	14,842	14,483
FINANCIAL RATIOS (%)					
Return on Asset	2.34	2.00	1.02	1.06	(2.69)
Return on Equity	6.26	6.15	3.85	2.42	(3.57)
Liquidity Ratio	101.00	146.87	140.33	185.10	442.82
Solvency Ratio	40.65	47.66	30.04	48.37	96.81

B. SIMPLIFIED FINANCIAL RESULT

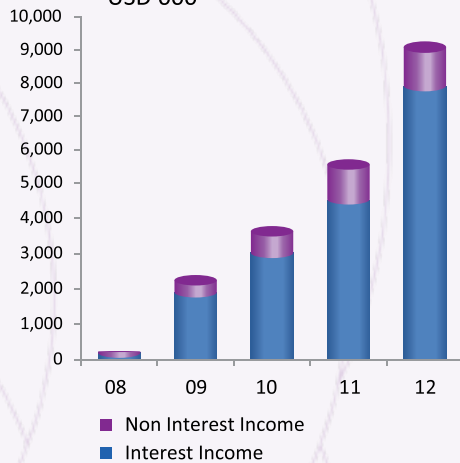
PROFIT BEFORE TAX
(USD'000)



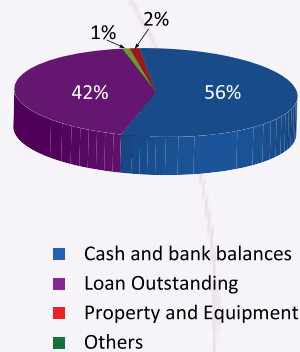
PROFIT AFTER TAX
(USD'000)



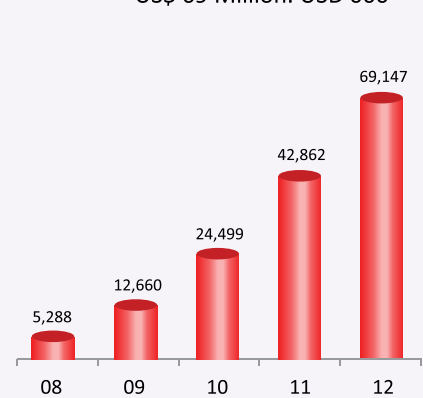
GROSS INCOME
USD'000



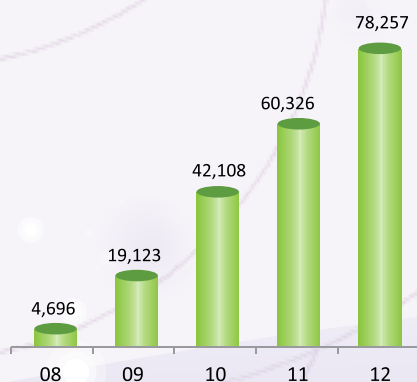
PIPELINE OF TOTAL ASSETS 2012
US\$ 123 Million



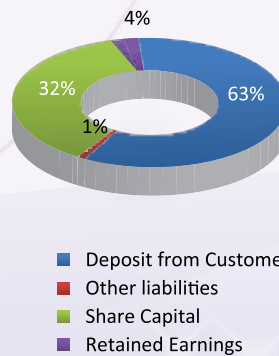
LOAN OUTSTANDING
US\$ 69 Million. USD'000



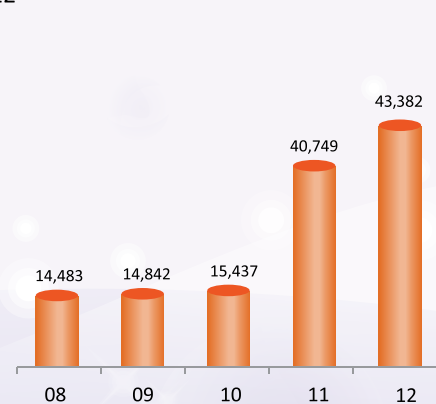
DEPOSITS FROM CUSTOMERS
USD'000



PIPELINE TOTAL LIABILITIES AND
SHAREHOLDERS' EQUITY 2012



SHAREHOLDERS' EQUITY
USD'000





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Phnom Penh Commercial Bank





Board of Directors



The directors are appointed by the shareholders to act on their behalf, the Board shall consist of four directors, Mr. Kim Yang Jin, Chairman; Mr. Eiichiro So, Director; Mr. Nhak Kimsroy, Director; and Mr. Na Jin Ho, 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 the membership is not only confined to members of the board of director but also included management as well.

Board of Directors' Profile



Mr. Kim Yang Jin
Chairman



Mr. Eiichiro So
Director

Education

- MBA, Hitotsubashi University, Tokyo, Japan
- BA, Accounting, Chuo University, Japan

Working Experience

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



Mr. Nhak Kimsroy
Director



EDUCATION

- Master's Degree of Science in Real Estate, Konkuk University, Seoul, Korea.
- Bachelor's Degree of Animal Bioscience and Technology, 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

Education

- Master's 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

Banking experience for more than 10 years

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



Mr. Na Jin Ho
Director

Education

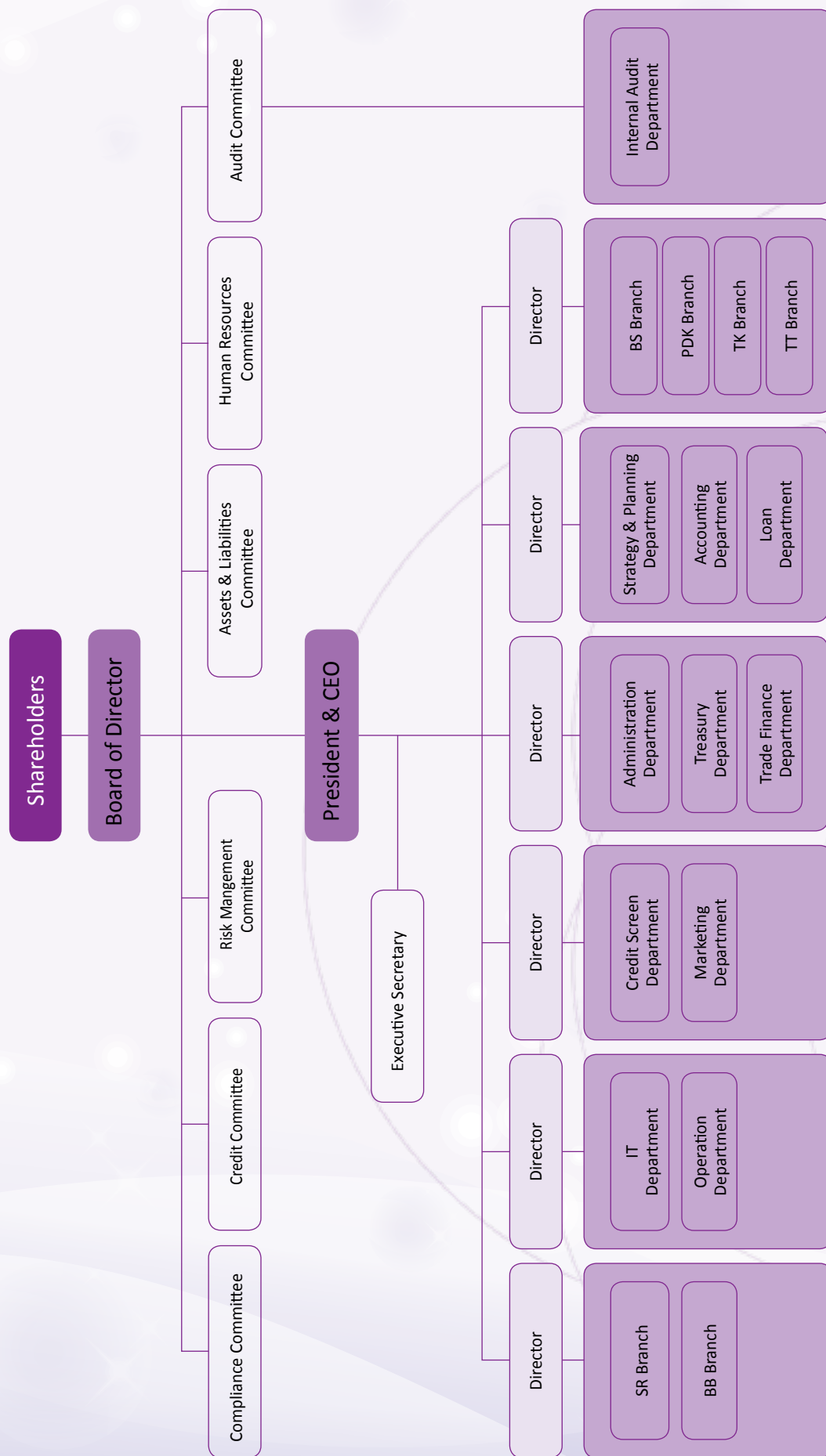
- BA, Special Education, Dan Kook University, Seoul, Korea

Working Experience

Kookmin Bank for 28 years in Korea

- Audit Department, Headquarter, Department Head
- Gwangsan RM Branch, General Manager
- Sangmu Branch, General Manager
- Yeosu Branch, General Manager
- Honam Regional Headquarter, General Manager
- Honam Regional Headquarter, Deputy Head

Organizational Chart








Note: Established in 2012



Corporate Information

HISTORY

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 percent), and SBI Holdings, Inc., (40 percent) based in Japan.

	2012	Established one more branch in the vicinity of Teuk Thlar, Sen Sok, Phnom Penh.
	2011	Established two more branches; one in the vicinity of Toul Kork, Phnom Penh and another in located in Sala Komreuk, Siem Reap Province.
	2010	Established an additional branch in the vicinity of Phsar Doem Kor Market, Building N° 78, Monireth Blvd., Toul Svay Prey II, Chamkarmon, Phnom Penh.
	2009	Established a branch in the vicinity of BS Building, Monivong Blvd., Monorom, 7 Makara, Phnom Penh.
	2008	Phnom Penh Commercial Bank (PPCB) officially opened on 1 st September, 2008, and is fully licensed as a commercial bank.



Corporate Data

COMPANY OUTLINE

Bank Name	Phnom Penh Commercial Bank
Date of Establishment	1st September 2008
Registration N ^o	Co. 4898E / 2008
Head office	767-769, Monivong Blvd., Beoung Trabek, Chamkarmon, Phnom Penh, Cambodia. Tel: (855) 23 999 500 Fax: (855) 23 999 540

(As of December 31, 2012)

Paid-up Capital	US\$39 Million
Number of Employee	81

(As of December 31, 2012)

Principal Shareholders	Name	No. of Shares Held (Shares)	Percentage of Total Outstanding Shares (%)
	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 %

Note:

- 1- SBI Holdings Inc. has 89% of total shares of Hyundai Swiss I Savings Bank.
- 2- SBI Holdings Inc. has 70% of total shares of Hyundai Swiss II Savings Bank.

Related Party	SBI Royal Securities
Auditor	PricewaterhouseCoopers (PWC)



Introduction to SBI Holdings, Inc.



Mr. Yoshitaka Kitao

Representative Director, President & CEO

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 through 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.

Company Outline

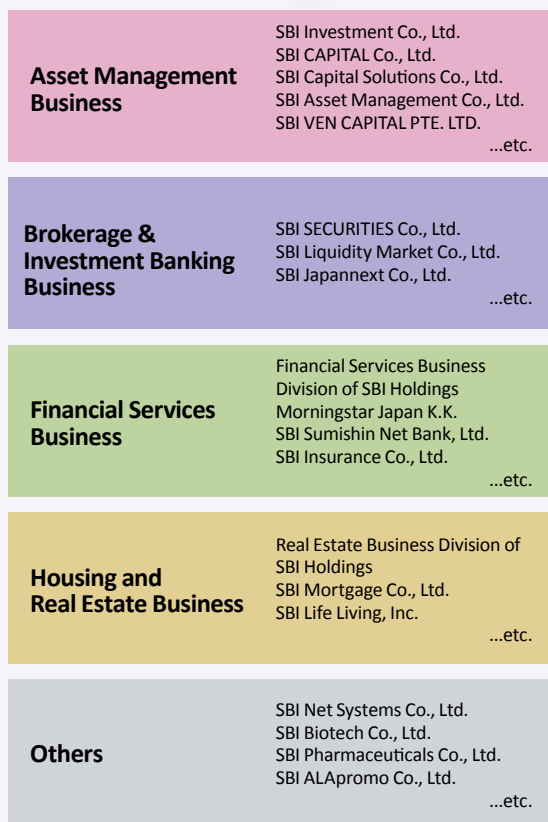
		(As of March 31, 2012)	
Corporate Name	SBI Holdings, Inc.	Number of Employees	3,149 (consolidated)
Date of Establishment	July 8, 1999	Paid-in Capital	¥81,664 million
Principal Business	Izumi Garden Tower 19F 1-6-1 Roppongi, Minato-ku Tokyo 106-6019 Japan Tel: +81 (3) 6229 0100 Fax: +81 (3) 3224 1970	Fiscal Year	April 1 to March 31

Stock Information

Listings	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange Main Board of the Hong Kong Stock Exchange
Code	8473 (Tokyo Stock Exchange) 6488 (Hong Kong Stock Exchange)
Shares Authorized	34,169,000 shares
Shares Outstanding	22,451,303 shares
Shareholder Register	Mizuho Trust & Banking Co., Ltd.
Hong Kong Depositary Receipt (HDR) Custody Trust Institution	JPMorgan Chase Bank, N.A.

Change in Business Structure

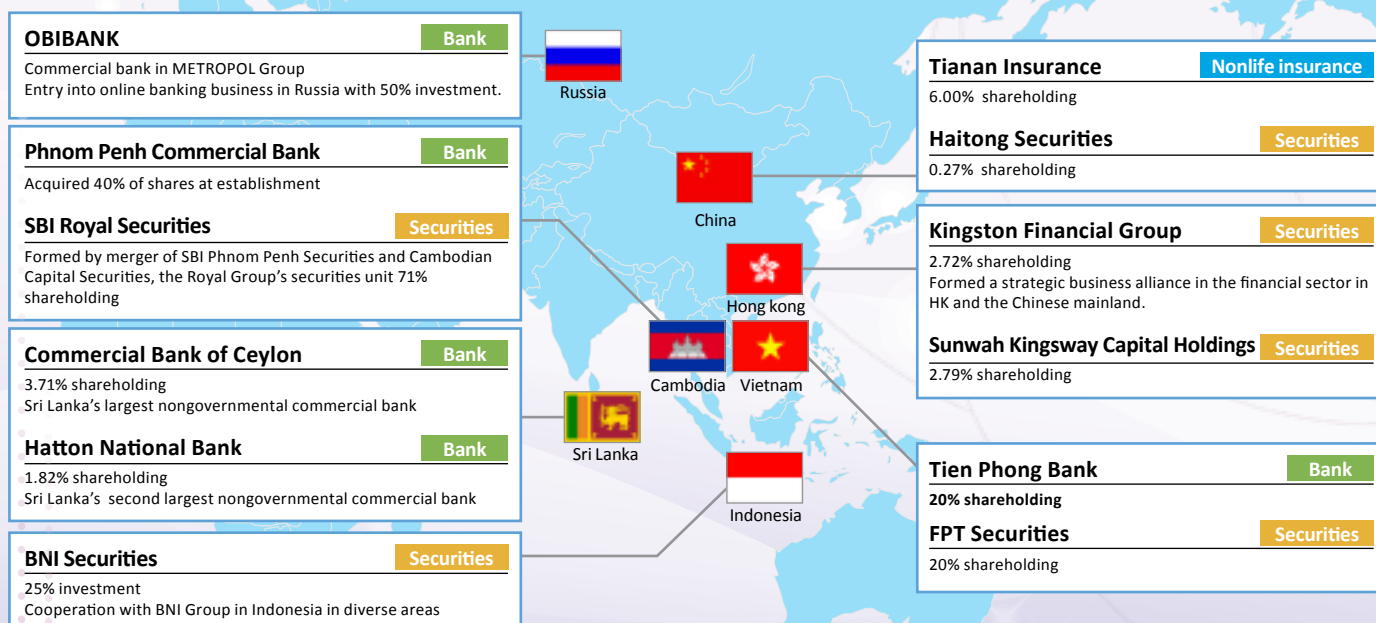
Former Segments



New Segments



Capital Investment in Overseas Financial Institutions Centered on Asian Region (as of June 30, 2012)





Management Principle

We, PPCB, have an excellent, transparent management team with comprehensive banking business and management experience as well as clear practice of management principles as follows:

- Ethical Management
- Customer Oriented
- Respect for Human Life
- Value Creation

1- Ethical Management

PPCB expanded enterprise-wide compliance with laws and regulations and practiced the right business climate through the establishment of a law-abiding spirit evolving from and accomplished a variety of community service activities, such as corporate social responsibility as a citizen, always good customers and society from corporate, is working hard to be recognized as a trusted and reliable bank.

2- Customer Service

PPCB has installed operating practices, customer satisfaction, customer value and increased customer empowerment through the key to customer satisfaction, and recognized the ideas of the process of innovative strategy and management competition through the transition, always thought of the customer first and are committed to provide the best value to our customers.

3- Respect for Human Life

PPCB employee has been trained for creative ideas and autonomy practices. Through ongoing self-development and enhanced crisis management skills in a magnetic field, PPCB has now become one of the most recognized and respected financial experts to grow along with the bank's growth and personal development of our employees to achieve management practices and respect for human life.

4- Value Creation

PPCB provided reliable financial products and services to customer not only for short-term profit but also for long-term sustainable growth, creating value by focusing on domestic consumer financial market and the company's development of simultaneous implementation and development of advanced settlements of a credit society.



Corporate Working Culture

(Workshop and Training, Business Travel, Social Responsibility and Sports)

Through trainings and capabilities building and a cross-corporate working culture, we encourage our staff to work competitively because we want them to realize that they have reached their goals and feel closely with their real jobs. Hence the movement of change from traditional marketing and sales to ethical marketing through discussion has resulted in more supports and higher value returns from our customers.

Workshop and Training



Business Travel



Social Responsibility

Corporate Social Responsibility is one of major strategic pillars of PPCB. It constitutes an integrated framework of policies and practices ensuring the active contribution of the bank to the coherence, sustainable developments and welfare of the societies in which it operates.



Sports





PPCB Staff

With PPCB, Human Resources are our heart and soul and one of the key factors leading to success in our banking business and goal achievements. We strongly believe that achievements and successes of our goals require strong internal human resources. Likewise PPCB continues to maintain and develop our staff both mental and physical abilities as well as their professional skills; meanwhile we also recruit external potential human resources too.

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



Customer Service Practice



Staff Incentive and Award





Customer Satisfaction

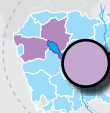
Customer Satisfaction

(Smile, Smart, Speed, Sincerity and Satisfaction)



Strategy Goal by 2015

A Leader
in Cambodia



CAMBODIA

1

2012 - 2013

2

2013 - 2014

ENTRY

1. 8 Branches Network
(6 in Phnom Penh,
2 in the Provinces)
2. Launching Western Union
and VISA Card
3. IT System Advancement

TAKE-OFF

1. 9 Branches Network
(6 in Phnom Penh,
3 in the Provinces)
2. 30 Off - site ATM
3. Preparations of Listing to
Stock Market

3 2014 - 2015

Top 5 Banks

STABILITY

1. 11 Branches Network
(7 in Phnom Penh,
4 in the Provinces)
2. Plan to build Head Office
3. Completion of Listing on
Stock Market



PPCB

Phnom Penh Commercial Bank



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Phnom Penh Commercial Bank

**Independent Audit's Report
For the year ended 31 December 2012**





PHNOM PENH COMMERCIAL BANK

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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*** The Appendix does not form part of the 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 2012.

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 2012 are set out in the income statement on page 36.

No dividend was declared nor paid to shareholders during the year (2011: Nil).

STATUTORY CAPITAL

There was no increase in paid up or changing share holding structure of share capital 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 item, transaction or event 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, executive
Mr. Eiichiro So	Director, non-executive
Mr. Nhak Kimsroy	Director, executive
Mr. Na Jin Ho	Director, non-executive (appointed on 24 May 2012)

EXECUTIVE MANAGEMENT

Mr. Kim Yang Jin	President and CEO
Mr. Nhak Kimsroy	Director
Mr. Samnom Saruth	Director
Mr. Yun Chang Ho	Director
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 2012 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 2012, 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



 Mr. Kim Yang Jin
 President/Chief Executive Officer
 27 MAR 2013

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 2012 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.

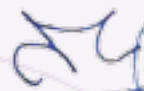
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.




Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2012, 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
Partner



Phnom Penh, Kingdom of Cambodia
Date: 27 March 2013

PHNOM PENH COMMERCIAL BANK

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011	2012	2011
	Note	US\$	US\$	Riel '000	Riel '000
Interest income	4	7,952,664	4,560,868	31,770,893	18,421,345
Interest expense	5	(2,152,680)	(1,325,685)	(8,599,956)	(5,354,442)
Net interest income		5,799,984	3,235,183	23,170,937	13,066,903
Fee and commission income	6	1,351,703	939,486	5,400,053	3,794,584
General and administrative expenses	7	(3,548,140)	(2,311,991)	(14,174,819)	(9,338,133)
Allowance for bad and doubtful loans and advances to customers	11(a)	(258,518)	(185,483)	(1,032,779)	(749,166)
Profit before income tax		3,345,029	1,677,195	13,363,392	6,774,188
Income tax expense	8	(712,811)	(364,429)	(2,847,680)	(1,471,929)
Profit for the year		2,632,218	1,312,766	10,515,712	5,302,259

The accompanying notes on pages 40 to 71 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

BALANCE SHEET
AS AT 31 DECEMBER 2012

		2012	2011	2012	2011
	Note	US\$	US\$	Riel '000	Riel '000
ASSETS					
Cash on hand		4,088,925	4,257,228	16,335,255	17,194,944
Balances with the Central Bank	9	10,010,224	11,645,769	39,990,845	47,037,261
Deposits and placements with banks and financial institutions	10	37,456,074	40,853,535	149,637,016	165,007,428
Loans and advances to customers	11	68,455,525	42,862,181	273,479,823	173,120,350
Other assets	12	1,338,732	1,356,110	5,348,233	5,477,328
Property and equipment	13	1,752,227	844,290	7,000,147	3,410,087
Intangible assets	14	143,634	232,308	573,818	938,293
TOTAL ASSETS		123,245,341	102,051,421	492,365,137	412,185,691
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks	15	30,437,264	30,638,002	121,596,870	123,746,890
Deposits from customers	16	47,819,505	29,688,266	191,038,923	119,910,907
Accruals and other liabilities	17	992,334	663,730	3,964,373	2,680,807
Current income tax liability		614,589	311,992	2,455,283	1,260,135
TOTAL LIABILITIES		79,863,692	61,301,990	319,055,449	247,598,739
SHAREHOLDERS' EQUITY					
Share capital	18	39,000,000	39,000,000	155,805,000	157,521,000
Retained earnings		4,381,649	1,749,431	17,504,688	7,065,952
TOTAL SHAREHOLDERS' EQUITY		43,381,649	40,749,431	173,309,688	164,586,952
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		123,245,341	102,051,421	492,365,137	412,185,691

The accompanying notes on pages 40 to 71 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital US\$	Retained earnings US\$	Total US\$
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
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	157,521,000	7,065,952	164,586,952
Balance as at 1 January 2012	39,000,000	1,749,431	40,749,431
Profit for the year	-	2,632,218	2,632,218
Balance as at 31 December 2012	39,000,000	4,381,649	43,381,649
Riel'000 equivalent	155,805,000	17,504,688	173,309,688

The accompanying notes on pages 40 to 71 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011	2012	2011
	Note	US\$	US\$	Riel '000	Riel '000
Net cash flows (used in)/generated from operating activities	21	(3,796,491)	1,021,039	(15,166,981)	4,123,977
Cash flows from investing activities					
Statutory capital deposits with the Central Bank		-	(2,400,000)	-	(9,693,600)
Deposits and placements with banks and financial institutions		(6,320,000)	(14,580,000)	(25,248,400)	(58,888,620)
Reserve deposits with the Central Bank		(2,712,000)	(1,115,000)	(10,834,440)	(4,503,485)
Purchases of property and equipment	13	(1,403,974)	(625,256)	(5,608,876)	(2,525,409)
Proceeds from disposals of property and equipment		8,812	3,496	-	14,120
Purchases of intangible assets	14	(9,656)	(78,408)	(38,576)	(316,690)
Net cash flows used in investing Activities		(10,436,818)	(18,795,168)	(41,730,292)	(75,913,684)
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 (decrease)/increase in cash and cash equivalents		(14,233,309)	6,225,871	(56,897,273)	25,146,293
Cash and cash equivalents at the beginning of the year		23,824,532	17,598,661	96,227,285	71,327,374
Currency revaluation at balance sheet date		-	-	(1,013,076)	(246,382)
Cash and cash equivalents at the end of the year	20	<u>9,591,223</u>	<u>23,824,532</u>	<u>38,316,936</u>	<u>96,227,285</u>

The accompanying notes on pages 40 to 71 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 dated 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 2012, the Bank has one head office and four branches in Phnom Penh, one branch in Siem Reap and one branch in Batambong.

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 27 March 2013. 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 CIFRS 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 2012

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 3,995 (31 December 2011: US\$1 equal to KHR 4,039). 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 financial reporting framework

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 National Accounting Council of the Ministry of Economy and Finance through Circular No. 086 MoEF.NAC dated 30 July 2012 approves banks and financial institutions to delay adoption of CIFRS until the periods beginning on or after 1 January 2016.

The first financial statement of the Bank which will be prepared under CIFRS is the year ending 31 December 2016. CAS, the current accounting standard used, is different to CIFRS in many areas. Hence, the adoption of CIFRS will have significant impact on the financial statements of the Bank.

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 rates of monetary assets and liabilities denominated in currencies other than US\$, are recognised in the income statement.

PHNOM PENH COMMERCIAL BANK**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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 and financial institutions 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 2012**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
<i>General provision</i>	
Normal	1%
<i>Specific provision</i>	
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 2012

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 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:

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same tax authority.



PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and financial institutions 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.

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 2012

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 tax authority.

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

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Loans and advances to customers	6,825,231	3,893,394	27,266,798	15,725,418
Balances with the Central Bank	9,239	2,647	36,910	10,691
Deposits and placements with other banks and financial institutions	1,118,194	664,827	4,467,185	2,685,236
	<u>7,952,664</u>	<u>4,560,868</u>	<u>31,770,893</u>	<u>18,421,345</u>

5. INTEREST EXPENSE

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Fixed deposits	1,946,383	1,219,468	7,775,800	4,925,431
Savings deposits	153,311	98,048	612,477	396,016
Installments deposits	52,986	8,169	211,679	32,995
	<u>2,152,680</u>	<u>1,325,685</u>	<u>8,599,956</u>	<u>5,354,442</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

6. FEE AND COMMISSION INCOME

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Loan processing fees	742,591	447,109	2,966,651	1,805,873
Penalty fees	256,914	102,824	1,026,371	415,306
Outward/inward remittance fees	133,039	85,770	531,491	346,425
Performance guarantee fees	38,064	18,327	152,066	74,023
Commitment fees	20,129	8,556	80,415	34,558
Loan special fees	-	190,000	-	767,410
Others	160,966	86,900	643,059	350,989
	<u>1,351,703</u>	<u>939,486</u>	<u>5,400,053</u>	<u>3,794,584</u>

7. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Personnel and related costs	1,454,597	856,098	5,811,115	3,457,780
Depreciation (note 13)	494,332	324,376	1,974,856	1,310,155
Amortisation (note 14)	98,330	89,694	392,828	362,274
Rental expenses	363,179	203,340	1,450,900	821,290
Business meal/entertainment	123,420	90,778	493,063	366,652
Utility expenses	99,461	58,827	397,347	237,602
Office supplies	92,226	52,868	368,443	213,534
Transportations	91,729	53,219	366,457	214,952
Marketing and advertising	91,013	57,734	363,597	233,188
Repairs and maintenance	87,144	67,427	348,140	272,338
Bank license fees	75,862	44,987	303,069	181,702
Building security costs	74,240	46,101	296,589	186,202
Telephone and communication	67,524	37,396	269,758	151,042
Professional fees	53,616	70,912	214,196	286,414
Bank charges	38,850	27,050	155,206	109,255
Conventions and conference	18,623	36,893	74,399	149,011
Insurance costs	12,121	10,255	48,423	41,420
Loan loss written off	951	18,796	3,799	75,917
Other tax expenses	146,477	98,686	585,176	398,593
Others	64,445	66,554	257,458	268,812
	<u>3,548,140</u>	<u>2,311,991</u>	<u>14,174,819</u>	<u>9,338,133</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

8. INCOME TAX EXPENSE

(a) *Income tax expense*

	2012	2011	2012	2011
	US\$	US\$	KHR '000	KHR '000
Current income tax	712,811	364,429	2,847,680	1,471,929
	<u>712,811</u>	<u>364,429</u>	<u>2,847,680</u>	<u>1,471,929</u>

In accordance with Law on Taxation, the Bank has an obligation to pay corporate income tax on the higher of either the tax on profit at the rate of 20% of taxable profit or minimum tax at 1% of turnover inclusive of all taxes except Value Added Tax.

(b) *Movement of income tax liabilities*

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Balance at beginning of year	311,992	101,448	1,260,135	411,169
Income tax expense	712,811	364,429	2,847,680	1,471,929
Income tax paid	(410,214)	(153,885)	(1,638,805)	(621,542)
Currency translation differences	-	-	(13,727)	(1,421)
Balance at end of year	<u>614,589</u>	<u>311,992</u>	<u>2,455,283</u>	<u>1,260,135</u>

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

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Profit before tax	<u>3,345,029</u>	<u>1,677,195</u>	<u>13,363,392</u>	<u>6,774,188</u>
Tax at 20%	669,006	335,439	2,672,678	1,354,838
<i>Non-deductible expenses at 20%</i>				
Effect of non-deductible expenses	<u>43,805</u>	<u>28,990</u>	<u>175,002</u>	<u>117,091</u>
Income tax expense	<u>712,811</u>	<u>364,429</u>	<u>2,847,680</u>	<u>1,471,929</u>

(d) *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.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

9. BALANCES WITH THE CENTRAL BANK

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Statutory capital deposit (i)	3,900,000	3,900,000	15,580,500	15,752,100
Reserve deposits (ii)	5,164,000	2,452,000	20,630,180	9,903,628
Current accounts (iii)	946,224	5,293,769	3,780,165	21,381,533
	<u>10,010,224</u>	<u>11,645,769</u>	<u>39,990,845</u>	<u>47,037,261</u>

(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 requirements against deposits and borrowings at a daily average balance equal to 8% in Riels and 12.5% in foreign currencies with the Central Bank.

The 8% reserve requirement will earn no interest. 32% (4%/12.5%) of total reserve requirement in foreign currencies will earn interest at rate $\frac{1}{2}$ SIBOR calculated on monthly basis.

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

10. DEPOSITS AND PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Local banks				
Current accounts	4,617	14,975	18,445	60,484
Savings accounts	637,959	1,418,813	2,548,646	5,730,586
Fixed deposits	34,900,000	37,080,000	139,425,500	149,766,120
Overseas banks				
Current accounts	1,913,498	2,339,747	7,644,425	9,450,238
	<u>37,456,074</u>	<u>40,853,535</u>	<u>149,637,016</u>	<u>165,007,428</u>

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

Fixed deposits and savings accounts earned interest at a rate from 1.85% to 6.80% (2011: 1.00% to 5.10%) and 0.75% (2011: 0.75%) per annum respectively. Fixed deposits are matured within one year.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

11. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of loans

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Overdrafts	5,146,032	4,116,758	20,558,398	16,627,586
Loans and advances to customers				
Long term loans	30,027,097	18,394,603	119,958,253	74,295,802
Short term loans	33,973,866	20,783,772	135,725,595	83,945,655
	69,146,995	43,295,133	276,242,246	174,869,043
Allowance for bad and doubtful loans and advances to customers				
General provision	(691,470)	(432,952)	(2,762,423)	(1,748,693)
	68,455,525	42,862,181	273,479,823	173,120,350

(b) Analysis of allowance for bad and doubtful loans and advances to customers

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

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
At beginning of year	432,952	247,469	1,748,693	1,002,992
Add: General provision	258,518	185,483	1,032,779	749,166
Currency translation differences	-	-	(19,049)	(3,465)
	691,470	432,952	2,762,423	1,748,693

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

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Standard loans				
Secured	65,469,288	42,591,026	261,549,807	172,025,155
Unsecured	3,677,707	704,107	14,692,439	2,843,888
	69,146,995	43,295,133	276,242,246	174,869,043

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

(d) Analysis by large and non large exposures:

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Non large exposures	69,146,995	43,295,133	276,242,246	174,869,043

(e) Interest rates

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

	2012	2011
Overdrafts	8.0%-14.00%	8.00% - 14.00%
Term loans	7.00%-20.00%	7% - 20.00%

12. OTHER ASSETS

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Interest receivable from loans and advances to customers	455,721	262,529	1,820,605	1,060,355
Interest receivable from deposits and placement with banks and financial institutions	423,304	338,396	1,691,099	1,366,781
Deposits on office rental and billboard	47,770	441,389	190,841	1,782,770
Prepaid expenses	305,740	209,602	1,221,431	846,582
Prepayments on maintenance services	14,964	14,485	59,781	58,505
Others	91,233	89,709	364,476	362,335
	1,338,732	1,356,110	5,348,233	5,477,328

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

13. PROPERTY AND EQUIPMENT

	Leasehold Improvements US\$	Furniture, fittings and equipment US\$	Computer equipment US\$	Motor vehicles US\$	Work in progress 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	<u>434,676</u>	<u>192,231</u>	<u>166,862</u>	<u>50,521</u>	<u>-</u>	<u>844,290</u>
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	<u>434,676</u>	<u>192,231</u>	<u>166,862</u>	<u>50,521</u>	<u>-</u>	<u>844,290</u>
<i>In Riel'000 equivalents</i>	<u>1,755,656</u>	<u>776,421</u>	<u>673,956</u>	<u>204,054</u>	<u>-</u>	<u>3,410,087</u>
As at 1 January 2012						
Opening net book value	434,676	192,231	166,862	50,521	-	844,290
Additions	519,751	172,559	79,537	152,290	479,837	1,403,974
Disposal-net	-	(11)	-	(1,694)	-	(1,705)
Depreciation charge	(243,069)	(112,025)	(113,399)	(25,839)	-	(494,332)
Net book value as at 31 December 2012	<u>711,358</u>	<u>252,754</u>	<u>133,000</u>	<u>175,278</u>	<u>479,837</u>	<u>1,752,227</u>
Year ended 31 December 2012						
Cost	1,309,842	584,879	592,175	256,830	479,837	3,223,563
Accumulated depreciation	(598,484)	(332,125)	(459,175)	(81,552)	-	(1,471,336)
Net book value	<u>711,358</u>	<u>252,754</u>	<u>133,000</u>	<u>175,278</u>	<u>479,837</u>	<u>1,752,227</u>
<i>In Riel'000 equivalents</i>	<u>2,841,875</u>	<u>1,009,752</u>	<u>531,335</u>	<u>700,236</u>	<u>1,916,949</u>	<u>7,000,147</u>



PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

14. INTANGIBLE ASSETS

	Moneta software US\$ US\$	Swift software US\$ US\$	Total US\$
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	<u>172,808</u>	<u>59,500</u>	<u>232,308</u>
At 31 December 2011			
Cost	454,298	93,875	548,173
Accumulated amortisation	<u>(281,490)</u>	<u>(34,375)</u>	<u>(315,865)</u>
Net book value	<u>172,808</u>	<u>59,500</u>	<u>232,308</u>
<i>In Riel'000 equivalents</i>	<u>697,972</u>	<u>240,321</u>	<u>938,293</u>
As at 1 January 2012			
Opening net book value	172,808	59,500	232,308
Additions	9,656	-	9,656
Amortisation charge	<u>(92,330)</u>	<u>(6,000)</u>	<u>(98,330)</u>
Net book value as at 31 December 2012	<u>90,134</u>	<u>53,500</u>	<u>143,634</u>
At 31 December 2012			
Cost	463,954	93,875	557,829
Accumulated amortisation	<u>(373,820)</u>	<u>(40,375)</u>	<u>(414,195)</u>
Net book value	<u>90,134</u>	<u>53,500</u>	<u>143,634</u>
<i>In Riel'000 equivalents</i>	<u>360,085</u>	<u>213,733</u>	<u>573,818</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

15. DEPOSITS FROM BANKS

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Current accounts	169,614	1,027	677,608	4,148
Savings accounts	5,159,435	174,920	20,611,943	706,502
Fixed deposits	25,108,215	30,462,055	100,307,319	123,036,240
	<u>30,437,264</u>	<u>30,638,002</u>	<u>121,596,870</u>	<u>123,746,890</u>

All deposits are matured within one year. All deposits from banks are fixed-interest deposits.

16. DEPOSITS FROM CUSTOMERS

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Current accounts	1,928,893	882,365	7,705,928	3,563,872
Savings deposits	13,860,433	11,892,577	55,372,430	48,034,119
Fixed deposits	29,752,761	16,559,071	118,862,280	66,882,088
Instalment deposits	2,106,964	310,765	8,417,321	1,255,180
Margin deposits	170,454	43,488	680,964	175,648
	<u>47,819,505</u>	<u>29,688,266</u>	<u>191,038,923</u>	<u>119,910,907</u>

The deposits from customers are analysed and matured as follows:

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Less than one year	47,099,290	29,469,021	188,161,663	119,025,376
One to five years	720,215	219,245	2,877,260	885,531
	<u>47,819,505</u>	<u>29,688,266</u>	<u>191,038,923</u>	<u>119,910,907</u>

17. ACCRUALS AND OTHER LIABILITIES

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Interest payable	809,265	616,294	3,233,014	2,489,211
Accruals and others	183,069	47,436	731,359	191,596
	<u>992,334</u>	<u>663,730</u>	<u>3,964,373</u>	<u>2,680,807</u>

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

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

18. SHARE CAPITAL

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
As at 1 January	39,000,000	15,000,000	157,521,000	60,795,000
Capital injection during the year	-	24,000,000	-	96,936,000
Currency translation differences	-	-	(1,716,000)	(210,000)
As at 31 December	<u>39,000,000</u>	<u>39,000,000</u>	<u>155,805,000</u>	<u>157,521,000</u>

The total authorised number of share of the Bank as at 31 December 2012 was 39,000 (2011: 39,000) with a par value of US\$1,000 per share (2011: US\$1,000 per share).

Shareholders

	2012			2011		
	shares	%	US\$	shares	%	US\$
SBI Holdings, Inc.	15,600	40.00%	15,600,000	15,600	40.00%	15,600,000
Hidy Investment Co., Ltd.	15,435	39.58%	15,435,000	15,435	39.58%	15,435,000
Hyundai Swiss I Savings Bank	1,485	3.81%	1,485,000	1,485	3.81%	1,485,000
Hyundai Swiss II Savings Bank	1,485	3.81%	1,485,000	1,485	3.81%	1,485,000
Kyung Ki Growth and Development Co., Ltd	1,485	3.81%	1,485,000	1,485	3.81%	1,485,000
Kim Kwang Jin	1,485	3.81%	1,485,000	1,485	3.81%	1,485,000
Kim Jong Min	1,125	2.88%	1,125,000	1,125	2.88%	1,125,000
Mirae Credit Information Service Corp	900	2.31%	900,000	900	2.31%	900,000
	<u>39,000</u>	<u>100%</u>	<u>39,000,000</u>	<u>39,000</u>	<u>100%</u>	<u>39,000,000</u>

19. CONTINGENT LIABILITIES AND COMMITMENTS

a) Loan commitments, guarantee and other financial facilities

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Loans approved and offered to customers but not yet disbursed	2,000,000	1,153,500	7,990,000	4,658,987
Unutilised portion of overdrafts	2,278,624	1,041,243	9,103,103	4,205,580
Bank guarantees	6,272,428	3,268,631	25,058,350	13,202,001
	<u>10,551,052</u>	<u>5,463,374</u>	<u>42,151,453</u>	<u>22,066,568</u>

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 2012

19. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

b) Operating lease commitments

As at 31 December 2012, the Bank had non-cancellable lease commitments as follows:

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Within one year	360,696	301,572	1,440,981	1,218,049
Between two to five years	881,244	746,946	3,520,570	3,016,915
More than 5 years	519,360	522,760	2,074,843	2,111,428
	<u>1,761,300</u>	<u>1,571,278</u>	<u>7,036,394</u>	<u>6,346,392</u>

20. CASH AND CASH EQUIVALENTS

	2012 US\$	2011 US\$	2012 KHR'000	2011 KHR'000
Cash on hand	4,088,925	4,257,228	16,335,255	17,194,944
Deposits and placements with banks and financial institutions				
Current accounts	1,918,115	2,354,722	7,662,870	9,510,722
Savings accounts	637,959	1,418,813	2,548,646	5,730,586
Fixed deposits (less than 3 months)	2,000,000	10,500,000	7,990,000	42,409,500
Balances with the Central Bank				
Current accounts	946,224	5,293,769	3,780,165	21,381,533
	<u>9,591,223</u>	<u>23,824,532</u>	<u>38,316,936</u>	<u>96,227,285</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

21. NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

	2012 US\$	2011 US\$	2012 Riel '000	2011 Riel '000
OPERATING ACTIVITIES				
Profit before income tax	3,345,029	1,677,195	13,363,392	6,774,188
<i>Adjustments for:</i>				
Allowance for bad and doubtful loans and advances to customers (note 11(a))	258,518	185,483	1,032,779	749,166
Depreciation (note 13)	494,332	324,376	1,974,856	1,310,155
Amortisation (note 14)	98,330	89,694	392,828	362,274
Gain on disposals of property and equipment	(7,107)	(494)	(28,392)	(1,995)
Net interest income	(5,799,984)	(3,235,183)	(23,170,937)	(13,066,903)
	(1,610,882)	(958,929)	(6,435,474)	(3,873,115)
Changing in working capital				
Loans and advances to customers	(25,851,862)	(18,548,169)	(103,278,189)	(74,916,055)
Other assets	295,478	(442,217)	1,180,435	(1,786,114)
Deposits from banks	(200,738)	7,947,680	(801,948)	32,100,680
Deposits from customers	18,131,239	10,224,282	72,434,300	41,295,875
Accruals and other liabilities	135,633	12,196	541,854	49,260
Interest received	7,674,564	4,272,604	30,659,883	17,257,048
Interest paid	(1,959,709)	(1,332,523)	(7,829,037)	(5,382,060)
Income taxes paid	(410,214)	(153,885)	(1,638,805)	(621,542)
Net cash flows (used in)/ generated from operating activities	(3,796,491)	1,021,039	(15,166,981)	4,123,977

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

22. RELATED PARTY TRANSACTIONS AND BALANCES

The majority shareholders of the Bank are SBI Holding, Inc. and Hidy Investment Co., Ltd, they hold 40.00% and 39.50% of the Bank's share respectively.

a) Balances and transactions with SBI Royal Securities Plc.

SBI Holding, Inc. is the majority shareholder to SBI Royal Securities Plc. As at 31 December 2012, the Bank has the following balance with SBI Royal Securities Plc.

	2012	2011	2012	2011
	US\$	US\$	KHR'000	KHR'000
Fixed deposits	3,000,000	4,000,000	11,985,000	16,156,000
Savings account	2,846,638	3,639,230	11,372,319	14,698,850
	<u>5,846,638</u>	<u>7,639,230</u>	<u>23,357,319</u>	<u>30,854,850</u>
Interest expense	<u>2,457</u>	<u>8,793</u>	<u>9,816</u>	<u>35,515</u>

b) Benefits to management

	2012	2011	2012	2011
	US\$	US\$	Riel'000	Riel'000
Salaries and short term benefits (key management)	<u>629,367</u>	<u>502,432</u>	<u>2,514,321</u>	<u>2,029,323</u>



PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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, unused overdraft and bank guarantee. The credit risk management is carried out by the Bank's credit committee.

(a) Credit risk measurement

Exposure to credit is managed on a monthly basis by credit committee and head of credit department and through analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. The analysis mainly focuses on history of repayment, past due, industry sectors and other related information. Exposure to credit risk is also managed in part by obtaining collateral. 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

(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.

PHNOM PENH COMMERCIAL BANK**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****23. FINANCIAL RISK MANAGEMENT (continued)****23.1 Credit risk (continued)****(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 2012

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

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

	2012 US\$	2011 US\$	2012 Riel'000	2011 Riel'000
<i>Credit risk exposures relating to on-balance sheet assets:</i>				
Deposits and placements with banks and financial institutions	37,456,074	40,853,535	149,637,016	165,007,428
Loans and advances to customers	69,146,995	43,295,133	276,242,246	174,869,043
Allowance for bad and doubtful loans and advances to customers	(691,470)	(432,952)	(2,762,423)	(1,748,693)
Net loans and advances to customers	68,455,525	42,862,181	273,479,823	173,120,350
Other assets	899,025	620,925	3,591,605	2,507,916
	106,810,624	84,336,641	426,708,444	340,635,694
<i>Credit risk exposures relating to off-balance sheet items:</i>				
Loans approved and offered to customers but not yet disbursed	2,000,000	1,153,500	4,658,987	4,658,987
Unutilised portion of overdrafts	2,278,624	1,041,243	4,205,580	4,205,580
Bank guarantees	6,272,428	3,268,631	13,202,001	13,202,001
	10,551,052	5,463,374	22,066,568	22,066,568
	117,361,676	89,800,015	448,775,012	362,702,262

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2012 and 2011, 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, 59% of total maximum exposure is derived from loans and advances to customers (2011: 48%); 32% represents balances with banks and financial institutions (2011: 45%).

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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:

- Most of loans are recovered by collateral and credit limits given less than the value of collateral held.
- Most of loans and advances to customers are considered to be neither past due nor impaired.
- 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:

	2012 US\$	2011 US\$	2012 Riel'000	2011 Riel'000
Loans and advances to customers neither past due nor impaired (i)	69,146,995	43,295,133	276,242,246	174,869,043
Loans and advances to customers past due but not impaired (ii)	-	-	-	-
Loans and advances to customers individually impaired (iii)	-	-	-	-
	<u>69,146,995</u>	<u>43,295,133</u>	<u>276,242,246</u>	<u>174,869,043</u>
Allowance for bad and doubtful loans and advances to customers	<u>(691,470)</u>	<u>(432,952)</u>	<u>(2,762,423)</u>	<u>(1,748,693)</u>
	<u>68,455,525</u>	<u>42,862,181</u>	<u>273,479,823</u>	<u>173,120,350</u>

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 2012

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 90 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.

(f) Repossessed collateral

During the year ended 31 December 2012, the Bank took no any repossession of collateral held as security.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012. 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 2012					
Deposits and placements with banks and financial institutions	35,542,576	478,410	1,146,782	288,306	37,456,074
Loans and advances to customers	68,455,525	-	-	-	68,455,525
Other assets	899,025	-	-	-	899,025
As at 31 December 2012	<u>104,897,126</u>	<u>478,410</u>	<u>1,146,782</u>	<u>288,306</u>	<u>106,810,624</u>
<i>In Riel'000 equivalents</i>	<u>419,064,018</u>	<u>1,911,248</u>	<u>4,581,394</u>	<u>1,151,782</u>	<u>426,708,442</u>
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	<u>81,996,894</u>	<u>271,039</u>	<u>1,500,126</u>	<u>568,582</u>	<u>84,336,641</u>
<i>In Riel'000 equivalents</i>	<u>331,185,455</u>	<u>1,094,727</u>	<u>6,059,009</u>	<u>2,296,503</u>	<u>340,635,694</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

31 December 2012

Deposits and placements with banks and financial institutions
Loans and advances to customers
Other assets

As at 31 December 2012

In Riel'000 equivalents

31 December 2011

Deposits and placements with banks and financial institutions
Loans and advances to customers
Other assets

As at 31 December 2011

In Riel'000 equivalents

	Financial institutions US\$	Real estate and developers US\$	Wholesales and Retailers US\$	Services US\$	Manufacturing US\$	Others US\$	Total US\$
37,456,074	-	-	-	-	-	-	37,456,074
1,162,402	14,176,991	17,621,305	10,169,564	5,062,213	20,263,050	-	68,455,525
423,304	-	-	-	-	475,721	-	899,025
39,041,780	14,176,991	17,621,305	10,169,564	5,062,213	20,738,771	-	106,810,624
155,971,911	56,637,079	70,397,113	40,627,408	20,223,541	82,851,390	-	426,708,442
40,853,535	-	-	-	-	-	-	40,853,535
1,479,919	11,985,543	14,583,607	8,602,934	4,603,485	1,606,693	-	42,862,181
338,396	-	-	-	-	282,529	-	620,925
42,671,850	11,985,543	14,583,607	8,602,934	4,603,485	1,889,222	-	84,336,641
172,351,602	48,409,608	58,903,189	34,747,250	18,593,476	7,630,568	-	340,635,693

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012

23. FINANCIAL RISK MANAGEMENT (continued)

23.3 Liquidity risk (continued)

(b) Funding approach

The Bank's main sources of liquidities arise from shareholders' 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 inflows.

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 2012 and 31 December 2011.

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 2012

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:

	2012 US\$	2011 US\$	2012 Riel'000	2011 Riel'000
Tier 1 Capital				
Share capital	39,000,000	39,000,000	155,805,000	157,521,000
Retained earnings	4,381,649	1,749,431	17,504,688	7,065,952
Less: intangible assets	(143,634)	(232,308)	(573,818)	(938,293)
	<u>43,238,015</u>	<u>40,517,123</u>	<u>172,735,870</u>	<u>163,648,659</u>
Tier 2 Capital				
General provision	691,470	432,952	2,762,423	1,748,693
Regulatory capital/net worth	<u>43,929,485</u>	<u>40,950,075</u>	<u>175,498,293</u>	<u>165,397,352</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

24. INTEREST RATE RISK

As at 31 December 2012

Assets

	1 month US\$	1 to 3 months US\$	3 to 12 month US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
Cash on hand	-	-	-	-	-	4,088,925	4,088,925
Balances with the Central Bank	5,552,480	-	-	-	-	4,457,744	10,010,224
Deposits and placements with banks and financial institutions	2,556,074	2,000,000	32,900,000	-	-	-	37,456,074
Loan and advances to customers	-	1,120,281	37,782,253	28,200,227	1,352,764	-	68,455,525
Other assets	-	-	-	-	-	899,025	899,025
Total financial assets	8,108,554	3,120,281	70,682,253	28,200,227	1,352,764	9,445,694	120,909,773

Liabilities

Deposits from banks	5,829,049	7,700,000	16,908,215	-	-	-	30,437,264
Deposits from customers	18,153,491	8,294,892	20,840,199	530,923	-	-	47,819,505
Accruals and other liabilities	-	-	-	-	-	809,265	809,265
Total financial liabilities	23,982,540	15,994,892	37,748,414	530,923	-	809,265	79,066,034

Total interest repricing gap

<i>In Riel'000 equivalent</i>	(15,873,986)	(12,874,611)	32,933,839	27,669,304	1,352,764	8,636,429	41,843,739
	(63,416,574)	(51,434,071)	131,570,687	110,538,869	5,404,292	34,502,534	167,165,737

As at 31 December 2011

Total financial assets	13,490,433	8,360,397	46,337,735	15,620,209	6,879,867	9,550,997	100,239,638
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
<i>In Riel'000 equivalent</i>	(68,309,248)	(21,396,352)	119,858,157	62,204,074	27,787,783	38,576,477	158,720,891

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

25. LIQUIDITY ANALYSIS

At 31 December 2012

Liabilities

Deposits from banks	16,018,506	6,984,800	7,616,415	-	-	-	30,619,721
Deposits from customers	21,971,830	11,835,594	13,942,668	757,565	-	-	48,507,657
Accruals and other liabilities	295,014	291,673	210,530	12,048	-	-	809,265
Total financial liabilities (contractual dates)	38,285,350	19,112,067	21,769,613	769,613	-	-	79,936,643
<i>In Riel'000 equivalent</i>	152,949,973	76,352,708	86,969,604	3,074,604	-	-	319,346,889

Assets held for managing liquidity risk
(contractual maturity dates)

<i>In Riel'000 equivalent</i>	16,644,058	19,365,962	60,058,531	22,211,767	2,133,903	9,084,000	129,498,221
	66,493,012	77,367,018	239,933,831	88,736,009	8,524,942	36,290,580	517,345,392

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
<i>In Riel'000 equivalent</i>	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
<i>In Riel'000 equivalent</i>	110,847,180	36,105,029	186,539,628	67,938,864	1,875,437	25,655,728	428,961,866



PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012**

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 2012, the Bank's Liquidity Ratio was 101%.

The Liquidity Ratio calculation is detailed in Schedule 1.

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

The Central Bank's Prakas No. B7-08-139 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).

As at 31 December 2012, the Bank's paid up capital was US\$39 million and 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 2012, 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 2012 amounted to US\$43,560,148 as computed in Schedule 2.

Banks must maintain their net worth at least equal to the minimum capital. As at 31 December 2012, the Bank's net worth is higher than minimum capital.

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 2012, the Bank maintained a Solvency Ratio of 40.28% 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.

PHNOM PENH COMMERCIAL BANK**(UNAUDITED)****APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2012****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 2012, 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 2012. 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 2012, the Bank was in compliance with this Prakas. The Net Open Position calculation is detailed in Schedule 4.

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 loans and advances to customers determined as at 31 December 2012 is in compliance with the requirements of this Prakas. The loan classification calculation is detailed in Schedule 5.

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 2012, the Bank was in compliance with this Prakas.

**PHNOM PENH COMMERCIAL BANK****(UNAUDITED)****APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2012****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 2012, 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 2012, the Bank's fixed assets amounted to US\$1,272,390 which is equivalent to 3% of the Bank's net worth.

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 1
LIQUIDITY AS AT 31 DECEMBER 2012

LIQUIDITY RATIO

2012
US\$

NUMERATOR

1. Treasury balance	
- Debit items	
- Cash and gold	4,088,925
- Deposits with the Central Bank (excluding statutory deposits + reserve)	946,224
- Deposits and placement with banks and financial institutions	37,456,074
- Portion of lending to banks and FIs with not more than one month to run	-
	<u>42,491,223</u>

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 42,491,223

2. Lending with not more than one month to run (exclude loans with no maturity)	2,435,550
3. Treasury bills with not more than one month to run	<u>-</u>

TOTAL NUMERATOR (A) 44,926,773

DENOMINATOR

1. 80% of Fixed Deposits and Certificate of Deposits having not more than one month to run	13,363,868
2. 50% of Fixed Deposits and Certificate of Deposits having more than one month to run	20,216,780
3. 50% of savings deposits	9,509,934
4. 60% of demand deposits	<u>1,259,104</u>

TOTAL DENOMINATOR (B) 44,349,686

LIQUIDITY RATIO 101%

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 2
NET WORTH AS AT 31 DECEMBER 20122012
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	2,632,218
Retained earnings brought forward	1,749,431
Other Item (NBC approved)	-
Premiums related to capital	-
Other items approved by the Central Bank	-
Total (A)	43,381,649

Limited check on retained earnings: Max 20% of Total A **4%**

II. Subtotal - B

Own shares held (at Book Value)	-
Accumulated losses	-
Intangible assets to be deducted	143,634
Shareholders, directors, related parties (deduct)	-
1. Unpaid portion(s) of capital (a)	-
2. Loans, overdrafts and other advances (b)	369,337
3. Debt instruments held bearing signature of shareholders, directors, related parties (c)	-
Other losses	-
Total (B)	512,971

Total Tier 1 (Core Capital) (A) - (B) **42,868,678**

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.)	691,470
Subordinated debts approved by the Central Bank	-
Other items approved by the Central Bank	-
Total (C)	691,470
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) **691,470**

Limit check on Tier 2 capital (Tier 2 = max. 100 % of Tier 1) **1.61%**

Regulatory Net Worth (A)- (B) + (C) - (D) **43,560,148**

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 3
SOLVENCY RATIO AS AT 31 DECEMBER 2012

SOLVENCY RATIO

2012
US\$

Numerator

Net Worth as computed above (N)

43,560,148

Denominator

Total gross assets

	Assets	Weighting	
- Cash, gold and claims on the Central Bank	14,099,149	0%	-
- Assets collateralised 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	109,146,192	100%	109,146,192
Total assets as reported in the balance sheet	<u>123,245,341</u>		<u>109,146,192</u>

Off balance sheet items

- Full risk	-	100%	-
- Medium risk	2,000,000	50%	1,000,000
- Moderate risk	-	20%	-
- Low risk	8,551,052	0%	-
	<u>10,551,052</u>		<u>1,000,000</u>

Denominator(D1)

108,146,192

SOLVENCY RATIO: (S = N / D1)

40.28%



(UNAUDITED)

PHNOM PENH COMMERCIAL BANK

SCHEDULE 4
CLASSIFICATION OF AND PROVISIONING FOR BAD AND DOUBTFUL LOANS
AS AT 31 DECEMBER 2012

	Loan Amount US\$	The Central Bank required Rate %	Provision US\$	Provision recorded by the Bank US\$	Estimated collateral value US\$	Over/(Under) provision amount US\$
Loans and advances	69,146,995	General provision	691,470	691,470	-	-
Loans and advances	-	Special mention	-	-	-	-
Loans and advances	-	Substandard	-	-	-	-
Loans and advances	-	Doubtful	-	-	-	-
Loans and advances	-	Loss	-	-	-	-
	69,146,995		691,470	691,470	-	-

Grand Total

PHNOM PENH COMMERCIAL BANK

SCHEDULE 5
NET OPEN POSITION
AS AT 31 DECEMBER 2012

(UNAUDITED)

Currency	Elements after deduction of affected provision				Net Open Position	Net Open Position/ Net Worth (%)	Limit (%)	Excess
	1	2	3	4	5			
	Assets	Liabilities and Capital	Currencies Receivable Off Balance Sheet +	Currencies Payable Off Balance Sheet -	+(Long) or - (Short)			
	+	-			(1+2+3+4)			
USD	121,886,831	122,253,841			(367,010)	-0.84%	20%	
KHR	54,442				54,442	0.12%	20%	
EUR	312,568				312,568	0.72%	20%	
Grand Total	122,253,841	122,253,841	-	-	-	0.00%		

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 6
OTHER RATIO COMPUTATIONS
FOR THE YEAR ENDED 31 DECEMBER 2012

		2012
1	Equity to total assets (A/B)	35%
	A – Equity	43,381,649
	B – Total assets	123,245,341
2	Capital Tier I to total assets (A/B)	35%
	A – Capital Tier 1	42,868,678
	B – Total assets	123,245,341
3	Capital Tier I to risk weighted assets (A/B)	39%
	A – Capital Tier 1	42,868,678
	B – Risk weighted assets	109,146,192
4	Capital Tier I +Tier II to risk weighted assets (A/B)	40%
	A – Capital Tier I + Tier II	43,560,148
	B – Risk Weighted assets	109,146,192
5	Net worth to assets (A/B)	35%
	A – Net worth	43,560,148
	B – Total assets	123,245,341
6	Solvency ratio (A/B)	40%
	A – Net worth	43,560,148
	B – Risk weighted assets	109,146,192
7	Debt to total assets (A/B)	65%
	A – Total liabilities	79,863,692
	B – Total assets	123,245,341
8	Debt-equity ratio (A/B)	184%
	A – Total liabilities	79,863,692
	B – Equity	43,381,649
9	Dividend to net profit (A/B)	0%
	A – Dividend	0
	B – Net profit	2,632,218
ASSETS QUALITY		
10	Banking reserve to total loans (A/B)	7%
	A – Banking reserves	5,164,000
	B – Total loans (gross)	69,146,995
11	Banking reserve to total assets (A/B)	4%
	A – Banking reserves	5,164,000
	B – Total assets	123,245,341
12	Non-performing loans to total loans (A/B)	0%
	A – Non-performing loans	0
	B – Total loans (gross)	69,146,995
13	Non-performing loans to total assets (A/B)	0%
	A – Non-performing loans	0
	B – Total assets	123,245,341
14	Classified assets to total loans (A/B)	0%
	A – Classified assets	0
	B – Total loans (gross)	69,146,995
15	Classified assets to total assets (A/B)	0%
	A – Classified assets	0
	B – Total assets	123,245,341

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

**SCHEDULE 6
OTHER RATIO COMPUTATIONS
FOR THE YEAR ENDED 31 DECEMBER 2012**

2012

16	Classified assets to total equity (A/B)	0%
	A – Classified assets	0
	B – Total equity	43,381,649
17	Loans to related parties to total loans (A/B)	0%
	A – Loans to related parties	0
	B – Total loans (gross)	69,146,995
18	Large exposure to total loans (A/B)	0%
	A – Large exposure	0
	B – Total loans (gross)	69,146,995
19	Loans to related parties to net worth (A/B)	0%
	A – Loans to related parties	0
	B – Net worth	43,560,148
20	Large exposure to net worth (A/B)	0%
	A – Large exposure	0
	B – Net worth	43,560,148
21	General provision to net worth	1%
	A – General provision	691,470
	B – Total loans (gross)	69,146,995
22	Specific provision to total loans (A/B)	0%
	A – Specific provision	0
	B – Total loans (gross)	69,146,995
23	Specific provision to Non performing loans (A/B)	0%
	A – Specific provision	0
	B – Non performing loans	0
24	All allowances to total assets (A/B)	1%
	A – Total all allowances	691,470
	B – Total assets	123,245,341
25	Loans to deposits (A/B)	145%
	A – Total loans to non bank customers (gross)	69,146,995
	B – Customer's deposits	47,819,505

EARNINGS

26	Return on assets (A/B)	2%
	A – Net profit	2,632,218
	B – Total assets (average)	112,648,381
27	Return on equity (A/B)	6%
	A – Net profit	2,632,218
	B – Equity (average)	42,065,540
28	Gross Yield (A/B)	6%
	A – Interest income	7,952,664
	B – Total assets	123,245,341
29	Net interest margin (NIM) to total assets ((A-B)/C)	5%
	A – Interest income	7,952,664
	B – Interest expense	2,152,680
	C- Total assets	123,245,341
30	Other income (OTNC) = (A/B)	1%
	A – Other incomes	1,351,703
	B – Total assets	123,245,341

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 6
OTHER RATIO COMPUTATIONS
FOR THE YEAR ENDED 31 DECEMBER 2012

2012

31	Provision to total assets (A/B)	0%
	A – Provision	258,518
	B – Total assets	123,245,341
32	Overhead (OHEAD) = (A/B)	3%
	A – Non-interest expense	3,806,658
	B – Total assets	123,245,341
33	Net income before tax (NIBT) = (A/B)	3%
	A – Net income before tax	3,345,029
	B – Total assets	123,245,341
34	Tax to total assets (A/B)	1%
	A – Tax	712,811
	B – Total assets	123,245,341
35	Interest margin to gross income ((A-B)/C)	62%
	A – Interest income	7,952,664
	B – Interest expense	2,152,680
	C – Gross income	9,304,367
36	Non-interest income to gross income (A/B)	15%
	A – Non-interest income	1,351,703
	B – Gross income	9,304,367
37	Non-interest expense to gross income (A/B)	41%
	A – Non-interest expense	3,806,658
	B – Gross income	9,304,367
38	Times interest earned ((A+B)/C)	255%
	A – Income before tax	3,345,029
	B – Interest expense	2,152,680
	C – Interest expense	2,152,680

LIQUIDITY

39	Liquid assets (A/ B)	34%
	A – Liquid assets	42,491,223
	B – Total assets	123,245,341
40	Short-term liabilities A/B()	64%
	A – Short-term liabilities (less than one year)	79,167,030
	B – Total assets	123,245,341
41	Net Liquid assets ((A-B)/C)	-46%
	A – Liquid assets	42,491,223
	B – Short-term liabilities (less than one year)	79,167,030
	C – Total liabilities	79,863,692
42	Quick ratio (A/B)	54%
	A – Quick assets	42,491,223
	B – Current liabilities	79,167,030
43	Deposit to total loans (A/B)	69%
	A – Total customers' deposits	47,819,505
	B – Total loans to non-bank customers (gross)	69,146,995

PPCB CORRESPONDENT BANKS

43 correspondent banks in 23 countries

(As of February 28, 2013)

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



ធនាគារ ភ្នំពេញ ពាណិជ្ជ

Phnom Penh Commercial Bank

HEAD OFFICE

No. 767-769, Monivong Blvd
(Opposite of Vietnam Embassy)
Tel: (855) 23 999 500

PHSAR DEUM KOR BRANCH

No. 78, Monireth Blvd
(Between Intercon and City Mall)
Tel: (855) 23 999 700

SIEM REAP BRANCH

No. 423, Corner Kohke Traffic Light
Tel: (855) 63 967 500

BATTAMBANG BRANCH

(Open in January 2013)
No. C031-C033, St.1
(Near Spearn Thmor Thmey)
Tel: (855) 53 953 420

BS BRANCH

BS Building, Monivong Blvd
(Beside Central Market)
Tel: (855) 23 999 600

TUOL KORK BRANCH

No. 24, Corner St. 273
(Between TVK Antainer and JP Bridge)
Tel: (855) 23 999 050

TEUK THLA BRANCH

No. B9-B11, St. NorthBridge
Tel: (855) 23 999 650

PHNOM PENH TOWER BRANCH

(Open in 2013)
Phnom Penh Tower Building
(2nd Floor), #445, Monivong Blvd
Tel: (855) 23 964 037



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Phnom Penh Commercial Bank

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