



ធនាគារ ភ្នំពេញ កាណាឌី
Phnom Penh Commercial Bank

ANNUAL REPORT

2013



PPCB

The Bank for Creating a bright future for Cambodia



At the heart of everything we do, we will make our vision a reality and our mission a successful one. Together we form the bedrock of our business.

A close-up, sepia-toned photograph of a hand holding a pen, poised to write on a document. The hand is in the upper right, and the pen is angled downwards towards the bottom left. The document is a light-colored, textured surface. The overall mood is professional and focused.

**THE LEADING BANK OF FINANCIAL INSTITUTION
IN CAMBODIA**



THE BANK FOR CREATING A BRIGHT FUTURE FOR CAMBODIA



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SBI CHAIRMAN'S MESSAGE

Boldly Taking Up New Challenges to Maximize Corporate Value

Representative Director,
President & CEO

Yoshitaka Kitao

Since our founding in 1999, the SBI Group has adhered to the “Customer-centric Principle” and continuously provided highly competitive products and services that take maximum advantage of the Internet. As a result, the Group’s customer base has expanded to more than 15 million, and the SBI Group is now in the process of transforming itself from “Japan’s SBI” to the “World’s SBI.” We will continue to adhere to the “Customer-centric Principle,” as we endeavor to introduce more innovative services and businesses in pursuit of the maximization of corporate value, defined as the sum total of customer value, shareholder value, and human capital value, as we continue to grow as a global company.

To Valuable Customers

The SBI Group was established in 1999 as a pioneer in Internet financial services in Japan. At a time of rapid transformation due to the development and popularization of the Internet and financial deregulation, we have achieved steady growth and established the business structure of a globally unique Internet-based financial conglomerate. Today, the SBI Group has developed a unique financial ecosystem that can provide one-stop access to various financial services, including securities, banking, insurance and housing loans, along with an asset management business that primarily involves venture capital investments. We are also expanding the business domain to biotechnology-related businesses, in order to achieve a further transformation and future growth, and are deploying this unique business model overseas primarily in Asia.

The SBI Group is proceeding with the overseas expansion of the financial services business through investments in overseas financial institutions, providing them with advanced expertise in Internet financial services, which the Group developed in Japan. The Group has invested in YAR Bank of Russia, BNI Securities, an affiliate of a major Indonesian bank, FPT Securities of Vietnam, and TP Bank of Vietnam. In addition, the Group holds SBI Royal Securities, the only Japanese-affiliated full-line securities company in Cambodia.

Phnom Penh Commercial Bank (PPCB) was established in September 2008 with a 40% investment by the SBI Group. Upon approval from the financial authorities in Cambodia, we plan to increase our current 47.6% stake in PPCB to an approximate 90% stake. The SBI Group endeavors to further develop PPCB by fully utilizing our expertise, and ultimately to contribute to Cambodia's economic development in both the banking and securities sectors.

Yoshitaka Kitao

Representative Director, President & CEO

PPCB CEO'S MESSAGE



Mr. Kim Yang Jin
President and CEO

YOU ARE THE MOST WELCOME TO PHNOM PENH COMMERCIAL BANK (PPCB)

**Becoming One of Top Five Banks in Cambodia.
Becoming Cambodia's PPCB**

- Ethical Management
- Brand Valuation
- Asset Soundness
- Risk Management
- Profit Maximization

To Valued Shareholders and Customers

ACHIEVEMENTS

PPCB closed a challenging 2013 with the best profitability levels in the financial market, good asset quality and strong capital levels. As of December 2013, PPCB has earned USD 3.8 million for our shareholders, a 142% increase over 2012. Total assets increased by 70% to USD 209 million compared with USD 123 million in 2012. Similarly, loans outstanding increased by 77% to USD 122 million from USD 69 million last year. The Bank's deposits grew by 104% to 159 million from USD 78 million in 2012. As you know, this outstanding performance has been achieved through its commitment and the contribution of all bank employees to this success. We can be sure that our operations will continue to have a very stable basis in the future.

OUR STRENGTH – CUSTOMER SATISFACTION AND EXPANSION

We work closely with customers everywhere: with businesses of all sizes and levels, and people with varying standards of living. It is because we are so closely connected with people in so many different areas and environments that we are also able to precisely gauge their needs, trusts and financial requirements. We know, for instance, that customers across the board are increasingly demanding in their financial product and service requirements. We are the ideal partner to provide these solutions, since we have the necessary existing financial products and services.

This year, our performance highlights the ways in which we are creating trust. We do this by partnering closely with our customers and developing innovative banking products and services that meet the needs of people and businesses

with different interests, from different areas and with different aims and requirements. In this special report, we would like to show you how PPCB is trusted by customers, the performance of PPCB, business targets for 2014, and the strategies to reach the targets.

Two additional branches in Phnom Penh City (Chbar Ampov and Steung Meanchey areas: new development areas of the city), one additional branch in Kampong Cham Province (the most populous province and the agricultural center of Cambodia) and a representative office in Yangon City of Myanmar (the largest city with the most industrial estates) will be launched in 2014. These will expand our reputation and provide our financial products and services to all potential areas in Cambodia and globally. This rapid expansion is a sign of enormous trust, since it entails tremendous responsibility: the reliable operation of such vital financial products and services is indispensable for Cambodia and the global region's further economic development.

OUR GOAL AND TARGET – EXCELLENCE

To help us reach these targets, PPCB 2014 will apply five levers:

- First, we want to maximize profit by improving assets portfolios, increasing non-interest income and reducing unnecessary expenses. Accordingly we are expanding the volume of small and medium loans, increasing our net interest margin, increasing the volume of our existing non-interest product, launching new products and services, and setting new strategies and campaigns for cost saving management.
- Second, we will continue to increase our asset soundness and to reinforce risk and fraud management.

- Third, we want to refine our volume of deposits and loans by following our existing and new strategies for 2014.
- Fourth, we want to continuously strengthen our human resources through staff movement enhancement, staff capacity building, welfare system enhancement, staff loyalty and motivation, and ethical management.
- Fifth, we are launching additional local and overseas branches in areas with potential to expand our Bank's reputation, to provide our financial product and services and to meet the customers' needs.

OUR CAPITAL – TRUST

The measures we have defined have been very carefully considered. We have made no secret of our Bank's weaknesses, and we have set transparent goals. To boost our competitiveness, we have assigned clear responsibilities and taken steps to ensure that PPCB 2014 will be rigorously executed.

OUTLOOK FOR 2014

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

PPCB operates a diversity of financial services and products that create ways to generate high revenues through unidirectional financial enterprises.

ACKNOWLEDGEMENTS

For my colleagues on the Management Board and myself, the trust that you have placed in our Bank is an invaluable source of support. Your commitment creates trust, and trust unites us all: our valued shareholders; our 148 employees; mature and emerging markets; the bank's partners in business, government and the banking community; and, above all, the countless people in Cambodia who use the financial services of the Phnom Penh Commercial Bank.

I would also, on behalf of the Board of Directors, like to thank the National Bank of Cambodia and all related authorities for their support and advice.

Finally, I firmly believe that with continued commitment and hard work, PPCB will continue to grow, and I am looking forward to a profitable 2014 with further achievements of goals.

Kim Yang Jin
President and Chief Executive Officer

You are the most welcome to PPCB



Vision, Mission And Core Value

VISION

To become one of the top five banks in Cambodia

MISSION

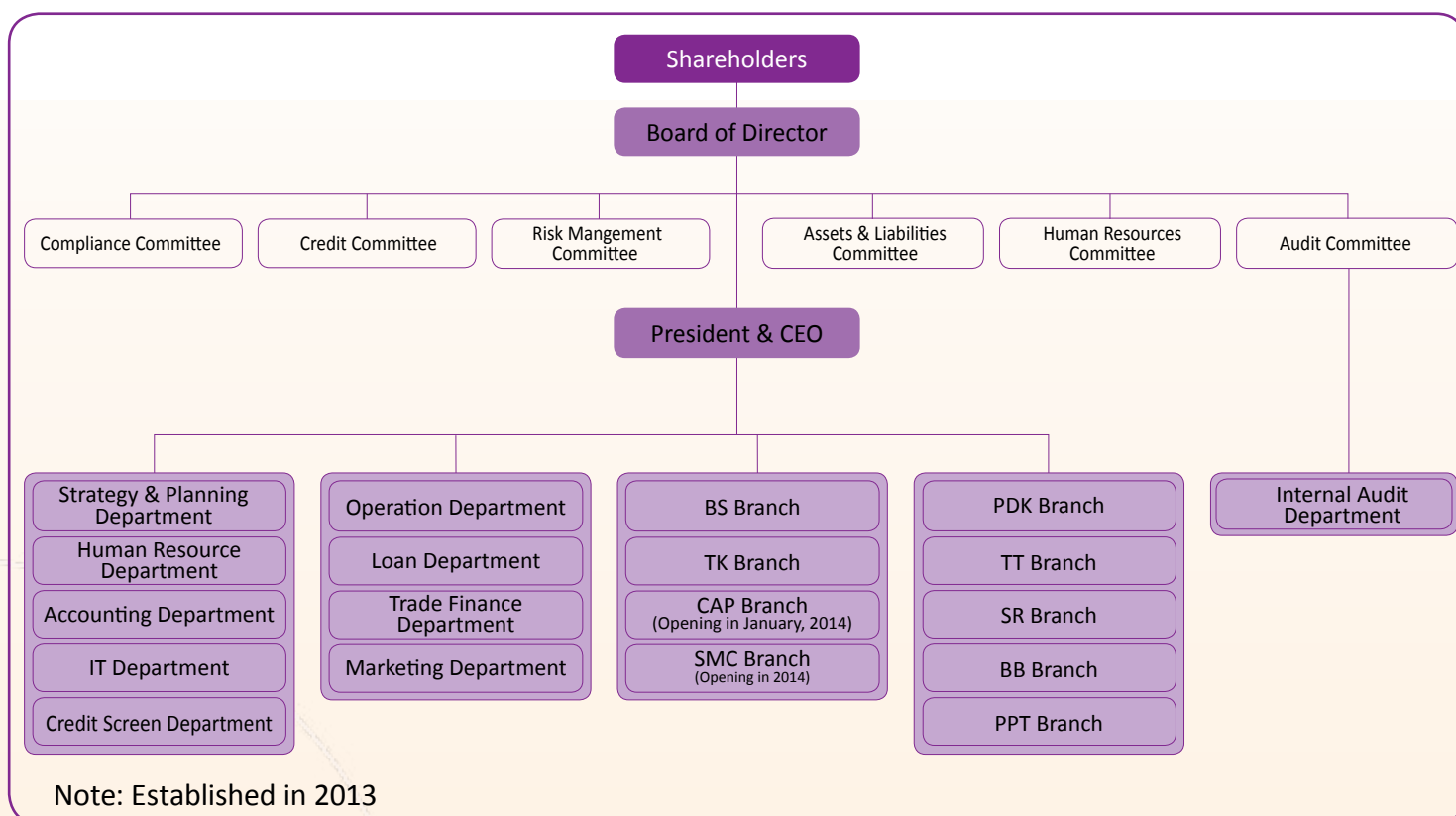
- 1- To realize the highest standards of customer satisfaction
- 2- To improve branch value
- 3- To maximize efficiency

CORE VALUE

TOPTEAM

- 1- **T**eamwork
- 2- **O**wnership
- 3- **P**ersonal Excellence
- 4- **T**rust and Respect
- 5- **E**nthusiasm
- 6- **A**daptability
- 7- **M**otivation

ORGANIZATIONAL CHART



BOARD OF DIRECTORS



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

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



Mr. Nhak Kimsroy
Director

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

CORPORATE INFORMATION

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, 2013)

Paid-up Capital	US\$39 Million
Number of Employee	148

(As of December 31, 2013)

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:

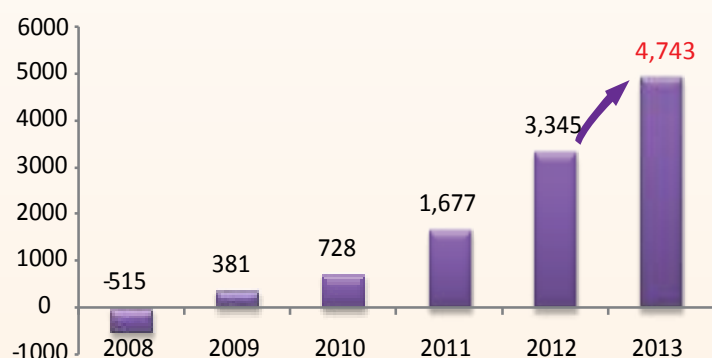
- 1- SBI Holdings Inc. has 89% of total shares of Hyundai Swiss I Savings Bank.
- 2- SBI Holdings Inc. has 70% of total shares of Hyundai Swiss II Savings Bank.

Related Party	SBI Royal Securities
Auditor	PricewaterhouseCoopers (PWC)

Simplified Financial Result

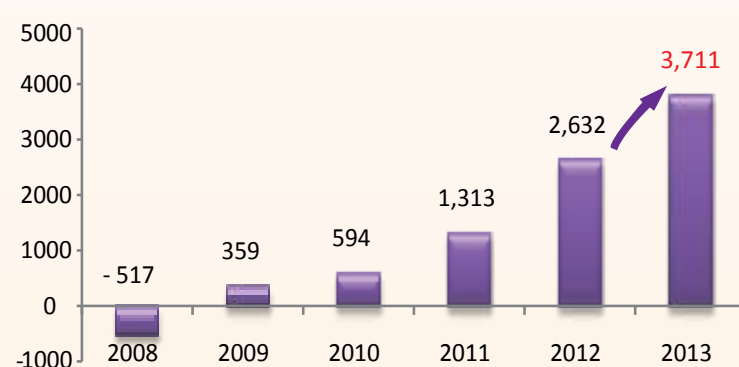
PROFIT BEFORE TAX

(US\$'000)



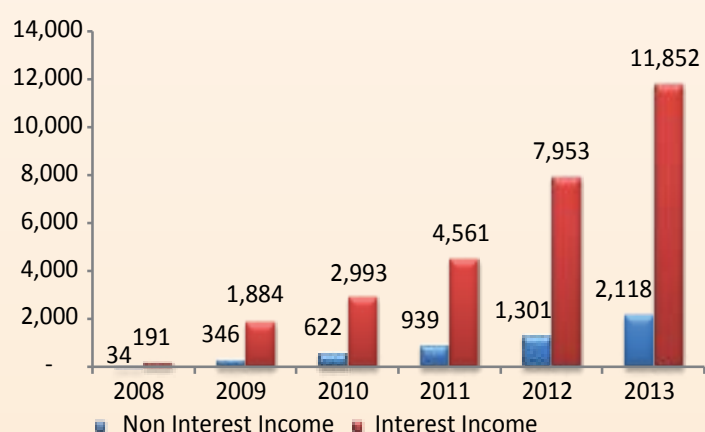
PROFIT AFTER TAX

(US\$'000)



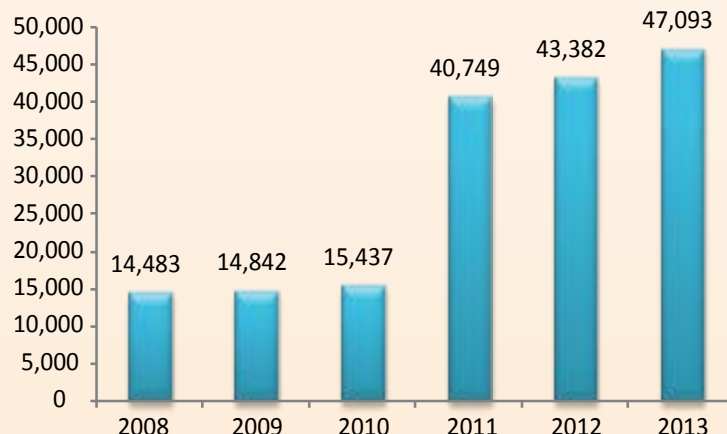
GROSS INCOME

(US\$'000)



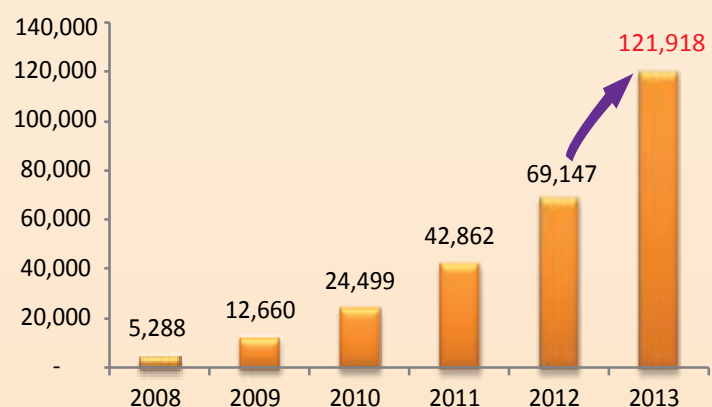
SHAREHOLDERS' EQUITY

(US\$'000)



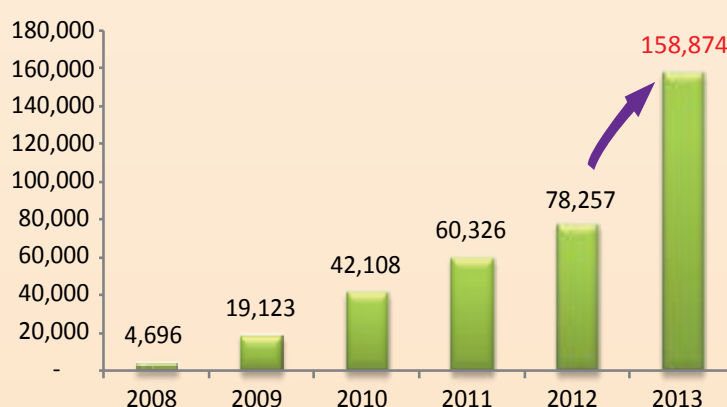
LOAN OUTSTANDING

US\$ 122 Million (US\$'000)



DEPOSIT FROM CUSTOMERS

US\$ 159 Million (US\$'000)



HISTORY OF PPCB

2008

Phnom Penh Commercial Bank (PPCB) officially opened on 1st September, 2008, and is fully licensed as a commercial bank.

2009

Established a branch in the vicinity of BS Building, Monivong Blvd., Monorom, 7 Makara, Phnom Penh.

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.



Head Office

Nº. 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

Nº. 78, Monireth Blvd., Toul
Svay Prey II, Chamkarmon,
Phnom Penh, Cambodia.

Tel: (855) 23 999 700

Fax: (855) 23 999 701



Tuol Kork Branch

Nº. 24, Street 273, Tuol Sangke,
Russey Keo, Phnom Penh,
Cambodia.

Tel: (855) 23 999 050

Fax: (855) 23 999 151

2011

Established two more branches; one in the vicinity of Toul Kork, Phnom Penh and another located in Sala Komreuk, Siem Reap Province.

2012

Established one more branch in the vicinity of Teuk Thlar, Sen Sok, Phnom Penh.

2013

Established two more branches; one in the vicinity of Svaypor, Battambang and another located in Phnom Penh Tower Building, 7 Makara, Phnom Penh.



Siem Reap Branch

Nº. 423, Wat Bo Village,
Sala Kamreuk Commune,
Siem Reap Province,
Cambodia.

Tel: (855) 63 967 500

Fax: (855) 63 967 600

Tuek Thla Branch

#B9-B11, St. Norbridge
School,
Sangkat Tuek Thla,
Khan Sen Sok,
Phnom Penh

Tel: (855) 23 999 650

Fax: (855) 23 999 651

Battambang Branch

#C031-C033, Street 1,
Prekmohatep Village,
Sangkat Svaypor,
Battambang Municipality,
Battambang Province.

Tel: (855) 53 953 420

Fax: (855) 53 953 430

Phnom Penh Tower Branch

PPT Building (2nd Floor),
#445, Monivong Blvd,
Sangkat Boeung Pralit, Khan 7
Makara, Phnom Penh.

Tel: (855) 23 964 037

Fax: (855) 23 964 439

Chbar Ampov Branch

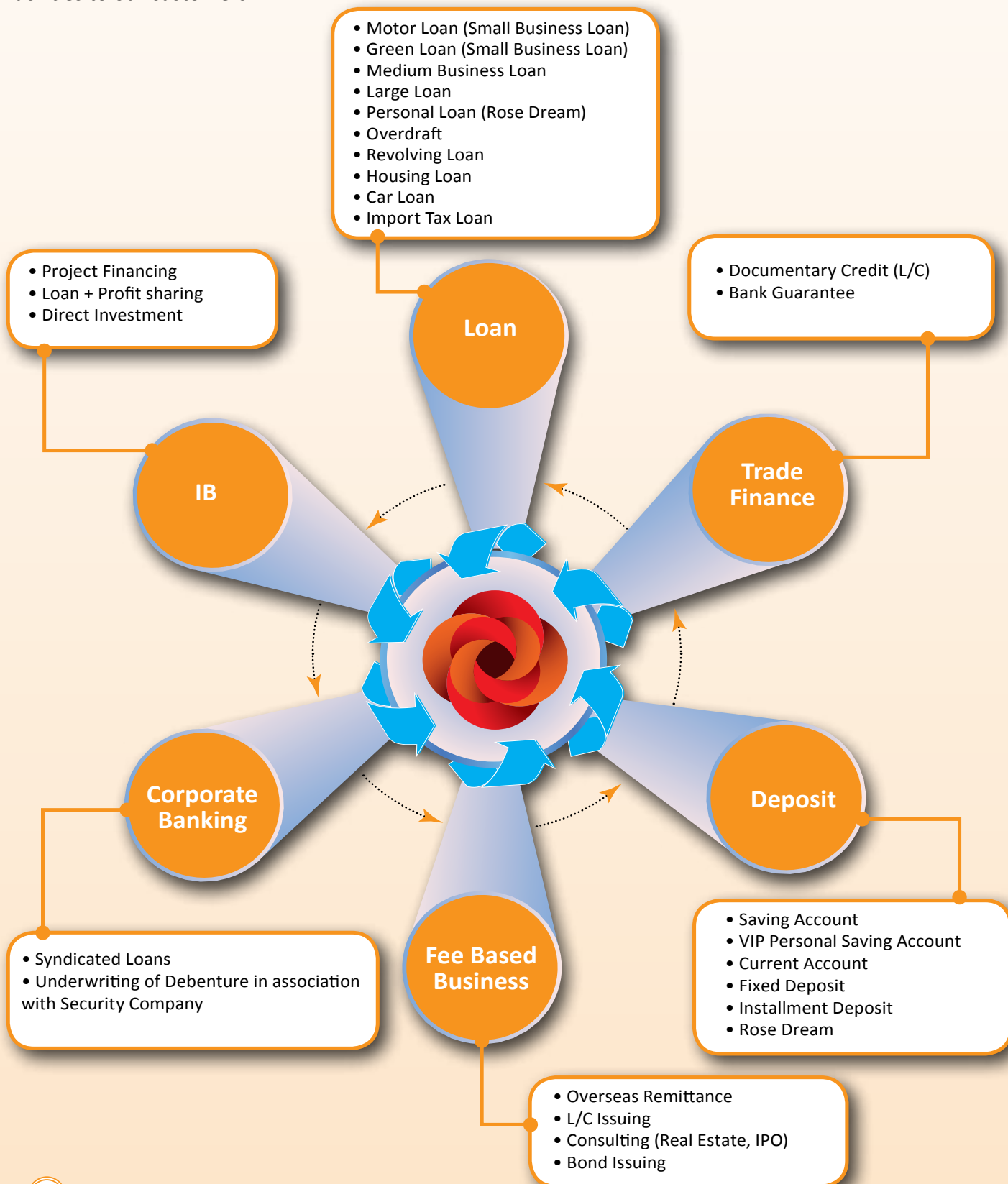
(Opening in January, 2014)
#612AB, National Road 1,
Sangkat Niroth, Khan Chbar
Ampov, Phnom Penh.

Tel: (855) 23 900 501

Fax: (855) 23 900 506

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 loans, business loans, home loans, car loans, motor loans, remittance, 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.





សុបិន្តរបស់អ្នកនឹងក្លាយជាការពិត



មជ្ឈមណ្ឌល



ការសិក្សា



តំណភ្ជាប់ជាមួយ

គណនីសន្សំ
Saving Account



សេវាគណនី
Loan Services



គណនីសន្សំមានកាលកំណត់
Fixed Deposit Account



ហិរញ្ញប្បទានពាណិជ្ជកម្ម
Trade Finance



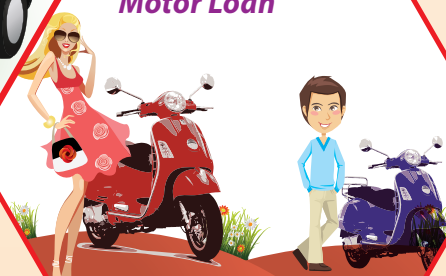
គណនីគេហដ្ឋាន
Housing Loan



គណនីរថយន្ត
Car Loan



គណនីម៉ូតូ
Motor Loan



INTRODUCTION TO SBI HOLDINGS, INC.

Company Outline (as of March 31, 2013)

Company Name	SBI Holdings, Inc.
Date of Establishment	July 8, 1999
Head Office	Izumi Garden Tower 19F, 1-6-1 Roppongi, Minato-ku, Tokyo 106-6019 Japan TEL: +81 (3) 6229 0100 FAX: +81 (3) 3224 1970
Number of Employees	5,007 (consolidated)
Paid-in Capital	¥81,668 million
Fiscal Year	April 1 to March 31

Stock Information (as of March 31, 2013)

Listings	First Section of the Tokyo Stock Exchange Main Board of the Hong Kong Stock Exchange
Code	8473 (Tokyo Stock Exchange) 6488 (Hong Kong Stock Exchange)
Shares Authorized	341,690,000 shares
Shares Outstanding	224,525,781 shares (including treasury stock)
Shareholder Register	Mizuho Trust & Banking Co., Ltd.
Hong Kong Depositary Receipt (HDR) Custody Trust Institution	JPMorgan Chase Bank, N.A.

Capital Investment in Overseas Financial Institutions Centered on Asian Region (as of June 30, 2013)



SBI Holdings, Inc.

Financial Services Business

A diversified line of financial services

① SBI FINANCIAL SERVICES Co., Ltd. Control and management of the Financial Services Business 100.0%	Financial Services Business (Business Divisions of SBI Holdings, Inc.) Operation of financial product comparison, search and estimate websites JASDAQ	① Morningstar Japan K.K. Rating information for investment trust, others 49.2%
	① SBI SECURITIES Co., Ltd. Comprehensive online securities company 100.0%	① Morningstar Asset Management Co., Ltd. Investment advisory services, others 100.0%
① SBI Benefit Systems Co., Ltd. Services for defined-benefit pension plans 87.0%	① SBI Net Systems Co., Ltd. R&D and providing information security products 100.0%	① SBI Searchina Co., Ltd. Operation of "Searchina," a Chinese information website 100.0%
① SBI MONEY PLAZA Co., Ltd. "Face-to-face" shops that provide financial products 100.0%	② SBI-LG Systems Co., Ltd. System-related business 49.0%	① SBI Fund Bank Co., Ltd. Planning services associated with investment trusts 100.0%
① SBI Liquidity Market Co., Ltd. Provision of market infrastructure to supply liquidity to FX margin trading 100.0%	② SOLXYZ Co., Ltd. Software development JASDAQ 26.3%	② Strategic Consulting Group, Inc. Financial advisory services 44.4%
① SBI FXTRADE Co., Ltd. Pure-play FX broker 100.0%	① SBI Business Solutions Co., Ltd. Back office support services 78.7%	② CSJ-SBI Financial Media Co., Ltd. Sino-Japanese economic and financial information services 43.0%
① SBI Japannext Co., Ltd. Operation of JPS (Proprietary Trading System) 52.8%	① SBI Insurance Co., Ltd. Internet-based nonlife insurance company 80.2%	① SBI Card Co., Ltd. Credit card business 100.0%
① SBI Social Lending Co., Ltd. Loan and social lending operations 100.0%	① SBI SSI Holdings Co., Ltd. Holding company of small-amount short-term insurance policy businesses 100.0%	① SBI Lease Co., Ltd. Comprehensive leasing business 100.0%
① SBI Remit Co., Ltd. International remittance business 100.0%	① IKIKI SEDAI Inc. Small-amount short-term insurance policy businesses 100.0%	① SBI Business Support Co., Ltd. Call center planning and operation, staffing 100.0%
① SBI AutoSupport Co., Ltd. Provision of financial services through used car dealers, etc. 70.0%	① SBI SSI Co., Ltd. Small-amount short-term insurance policy businesses 98.9%	① SBI Marketing Co., Ltd. Advertising agent 99.0%
① Autoc one K.K. Internet support service for purchasing automobiles 60.9%	② SBI Sumishin Net Bank, Ltd. Internet-based full service bank 50.0%	
	① SBI Mortgage Co., Ltd. Long-term, fixed-rate housing loans KOSPI 66.5%	
	① CEM Corporation Real estate secured loans 79.7%	

Asset Management Business

Fund management, investment advisory services, etc.

① SBI Capital Management Co., Ltd. Control and management of the Asset Management Business 100.0%	① SBI Investment Co., Ltd. Venture capital fund management 100.0%	① SBI ALA Hong Kong Co., Limited Management of the 5-ALA related businesses 100.0%
① SBI CAPITAL Co., Ltd. Buyout and value up fund management 100.0%	① SBI Asset Management Co., Ltd. Investment advisory services, investment trust management 100.0%	① SBI Biotech Co., Ltd. R&D of pharmaceuticals 74.2%
	① SBI Arsnova Research, Co., Ltd. Arrangement and management of alternative investments 99.0%	① Quark Pharmaceuticals, Inc. Research and development of siRNA pharmaceuticals 100.0%
	① SBI VEN CAPITAL PTE. LTD. Overseas investments administration 100.0%	① SBI Wellness Bank Co., Ltd. Healthcare services for membership 92.3%
	② SBI Investment KOREA Co., Ltd. Venture capital in Korea KOSDAQ 43.9%	
	① SBI AXES Co., Ltd. Holding company of payment providers 75.0%	
	① Hyundai Swiss Savings Bank Savings bank in Korea 89.4%	
	① SBI Royal Securities Plc. Comprehensive securities company in Cambodia 81.6%	
	② PHNOM PENH COMMERCIAL BANK Commercial banking services in Cambodia 47.6%	

Biotechnology-related Business

Development, manufacturing and sales of pharmaceuticals, cosmetics and health foods

① SBI ALA Hong Kong Co., Limited Management of the 5-ALA related businesses 100.0%	① SBI Pharmaceuticals Co., Ltd. Development, manufacturing and sales of cosmetics, health foods and pharmaceuticals using 5-ALA 73.2%	Real Estate Business Division (SBI Holdings, Inc.) Real estate investments, real estate development and operation of real estate investment funds
	① SBI ALApro Co., Ltd. Manufacturing and sales of cosmetics and health foods using 5-ALA 100.0%	TSE Mothers ① SBI Life Living Co., Ltd. Development and sale of properties and operation of lifestyle-related websites 73.8%
		① SBI Guarantee Co., Ltd. Rent guarantees for rental housing 100.0%

Others

PPCB CORPORATE CULTURE

We encourage our staff to work competitively because we want them to realize their goals and to feel closely connected to their jobs. Hence the movement of change from traditional marketing and sales to ethical marketing through discussion has resulted in more support and higher value returns from our customers.



Workshop

Succeed on purpose provides powerful workshops so that we can build staff confidence, develop our staff's corporate thinking, show our achievements and business, and share the Bank's strategies in order to reach our targets and goals.

Social Activities

Corporate Social Responsibility is one of the 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 development and welfare of the societies in which it operates.

CORE VALUE TOPTTEAM

- **Teamwork**
- **Trust and Respect**
- **Motivation**
- **Ownership**
- **Enthusiasm**
- **Personal Excellence**
- **Adaptability**



Business Trip

One of the greatest motivations to the outstanding staff of PPCB are overseas business trips. Typically, we give such opportunities to further some important bank business relationships. Being sent on business trips also reflects the growing confidence PPCB have in their abilities. PPCB sent outstanding staff two or three times a year to the overseas trip in order to build their business learning, relationships and encouragement.

CUSTOMER SATISFACTION

QUALITY IS OUR CONSISTENT PURSUIT, AND CREDIT IS ALWAYS OUR THEME

Customers are our collaborators. We are dedicated to providing excellent service to customers. Following the principles of 'many types of products and services, integrity, appreciation and good business ethics', we make the greatest efforts to bring customers long-term benefits and help customers to solve any financial service problems. Respect the customers, understand the customers, offer consistently high quality products and services beyond the customers' expectations, and work hard to develop an ongoing and loyal partnership with the customers. This is the concept we insist on and advise at all times. The 5S concept (Smile, Smart, Speed, Sincerity and Satisfaction) of our staff is our important key to achieving customer satisfaction, in order to build customer service, trust and the Bank's image with high efficiency.



SMILE

Smile from the bottom of our heart and serve with courtesy and passion.

SMART

Base on humanness and service with smartness and heart to heart.



• **S**MILE • **S**MART • **S**PEED • **S**INCERITY • **S**ATISFACTION



SPEED

Response in time and handle quickly with high efficiency.



SINCERITY

Be reliable and trustworthy and provide service with all your heart.



SATISFACTION

Commodity Satisfaction, Service Satisfaction and Corporate Image Satisfaction.

MANAGEMENT PRINCIPLE

We, PPCB, have an excellent transparent management team with a full of banking business and management experiences as well as clear practices of management principles such as: **Ethical Management, Customer Oriented, Respect for Human Life and Value Creation.**

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.

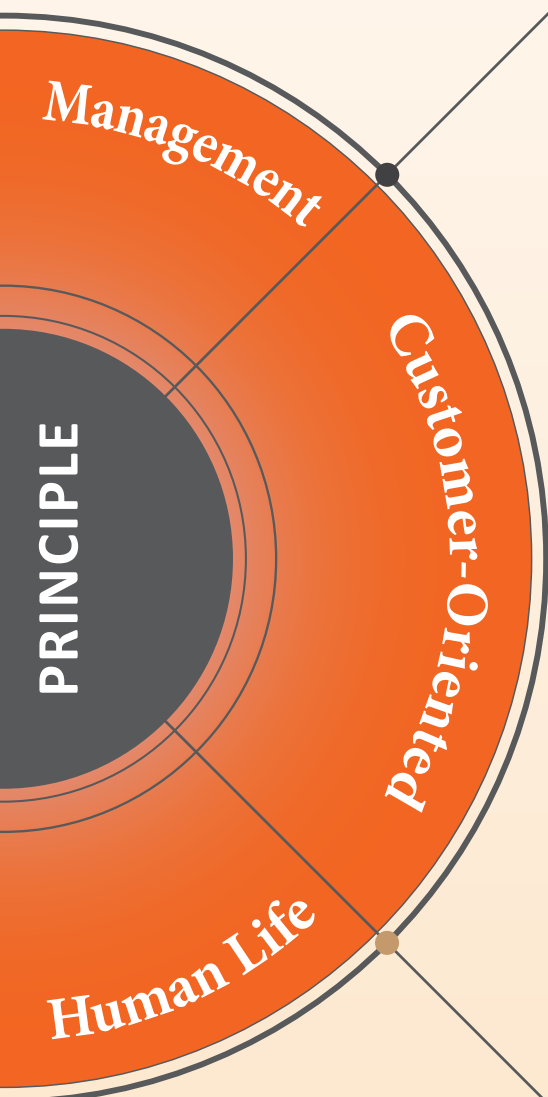
VALUE CREATION

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.



CUSTOMER-ORIENTED

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.



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.

PPCB STRATEGY GOALS BY 2016

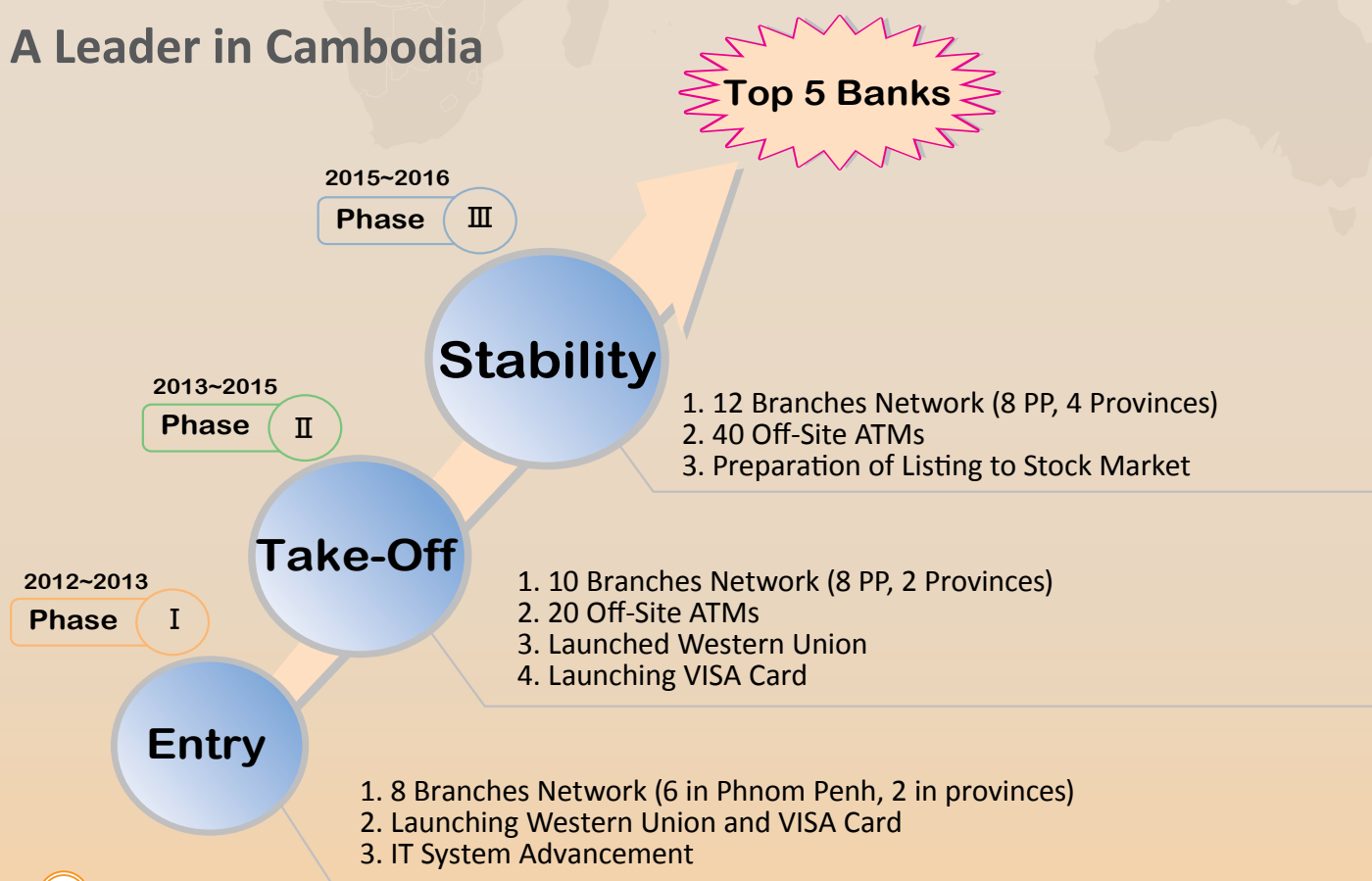
PPCB presented strategies and financial targets for the period up to 2016. At the same time, we reconfirmed our guidance for the fiscal year 2014 based on its strong business performance in 2013. Our strategies build on the foundation of our bank values and will drive PPCB's successful development in the coming years in order to achieve our long-term vision – to become one of the top five banks in Cambodia and to become Cambodia's PPCB. We will outperform our competition as a globalized company with simplified operations and a highly inspired team. This is the essence of our strategies. We will accelerate growth and increase profitability in all our business sectors. We are focusing particularly on the development of our core and growth categories and on the expansion of our businesses in emerging markets, while continuously adapting our structures and strengthening our team. PPCB's strategies build on the successful implementation of the strategic priorities defined in 2012 for the period up to 2016. The foundation of the strategy until 2016 was a detailed analysis of the major long-term market trends. The portfolios of PPCB's business sectors were reviewed against these trends to determine how they are positioned for delivering profitable growth in their respective markets

STRATEGIC PRIORITIES IN SUMMARY

Phase I – Entry (2012–2013): Branch Expansion, New Product and Service Launching and System Advancement

PPCB will leverage its full potential in core categories by actively managing its existing branches and expanding to six branches in Phnom Penh and two branches in the provinces. In value categories, two new products and services will be launched to expand brand value and reputation and to maximize profit potential. In quality and security categories, a stronger IT focus will be critical to increase the efficiency of business processes thus PPCB also plans for IT System Advancement and a Data Disaster Recovery System.

A Leader in Cambodia



Phase II – Take Off (2013–2015): Branch Expansion, ATM Network Expansion, Western Union Launched and VISA Card launching plan.

In this phase, PPCB will leverage its strengths and generate profitable growth through increased ATM Network Expansion and continued Branch Expansion and a focus on New Product Launching. PPCB will expand its existing category positions and accelerate growth in countries where the bank has already a strong presence.

Phase III – Stability (2015–2016): Local and Overseas Branch Expansion, ATM Network Expansion and Stock Market Listing.

By 2016, PPCB aims to gain additional top positions while increasing profitability. PPCB will continuously improve its operational excellence by accelerating and standardizing its processes, driving cost-efficiency and reducing administration costs. PPCB also plans to list on the stock market and will selectively enter new countries. At the beginning of 2014, PPCB announced its long-term sustainability strategy with the target to be one of the top five banks and become Cambodia's PPCB by 2016 and defined specific intermediate targets for three-year intervals.

Management Direction



PPCB BUSINESS EXPANSION

We are growing with quality, sustainability and high profitability. PPCB offers a wide range of inspiring financial products and services for everyone, and continues to expand, with new businesses in all parts of Cambodia as well as overseas. Years of success and solid growth have resulted in a strong financial position. We continue to grow in new and existing markets with a focus on quality, sustainability and continued high profitability. PPCB Business Expansion plan is to increase the number of branches in all areas of Cambodia, E-Banking Business (Internet Banking and Mobile Banking), Card Business (Debit Card, Credit Card and POS), Assets Investment (Real Estate Company and Stock Exchange Listing) and Overseas Business (Myanmar Representative Office, Myanmar Banking Business and Southeast Asian Investment).





ធនាគារ ផ្លូវពេញ ពាណិជ្ជ

Phnom Penh Commercial Bank

Independent Audit's Report For the year ended 31 December 2013



PHNOM PENH COMMERCIAL BANK

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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* The appendix does not form part of the financial statements.

DIRECTORS' REPORT

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 2013.

THE BANK

Phnom Penh Commercial Bank (“the Bank”) is 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.

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 2013 are set out in the income statement on page 37.

No dividend was declared nor paid to shareholders during the year (2012: Nil).

SHARE CAPITAL

There was no change in 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.

VALUATION METHODS

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate 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 twelve 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. Nhak Kimsroy	Director, executive
Mr. Eiichiro So	Director, non-executive
Mr. Na Jin Ho	Director, non-executive

EXECUTIVE MANAGEMENT

Mr. Kim Yang Jin	President and CEO
Mr. Nhak Kimsroy	Director
Mr. Ryu Jae Kyung	Head of Deposit
Mr. Yun Chang Ho	Head of Loan
Mr. Neang Sinaroth	Regional Head
Mr. Khom Taingsrou	Regional Head
Mr. Sok Rattana	Regional Head
Mrs. Phom Sopheap	Accounting Manager

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 2013 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 2013, 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 and CEO

Phnom Penh, Kingdom of Cambodia

Date: 28 MAR 2014

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 at 31 December 2013 and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes, comprising 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 at 31 December 2013, 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: 28 March 2014

PHNOM PENH COMMERCIAL BANK

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	2012	2013	2012
	Note	US\$	US\$	KHR'000	KHR'000
Interest income	4	11,852,390	7,952,664	47,350,298	31,770,893
Interest expense	5	<u>(3,928,562)</u>	<u>(2,152,680)</u>	<u>(15,694,605)</u>	<u>(8,599,957)</u>
Net interest income		7,923,828	5,799,984	31,655,693	23,170,936
Provision for loan losses	11 (b)	<u>(571,611)</u>	<u>(258,518)</u>	<u>(2,283,586)</u>	<u>(1,032,779)</u>
Net interest income after provision for loan losses		7,352,217	5,541,466	29,372,107	22,138,157
Fee and commission income	6	2,118,344	1,300,531	8,462,784	5,195,621
Fee and commission expense		<u>(25,208)</u>	<u>(38,815)</u>	<u>(100,706)</u>	<u>(155,066)</u>
Net fee and commission income		2,093,136	1,261,716	8,362,078	5,040,555
Other income		91,966	51,172	367,404	204,432
General and administrative expenses	7	<u>(4,794,289)</u>	<u>(3,509,325)</u>	<u>(19,153,185)</u>	<u>(14,019,753)</u>
Profit before income tax		4,743,030	3,345,029	18,948,404	13,363,391
Income tax expense	8	<u>(1,032,151)</u>	<u>(712,811)</u>	<u>(4,123,443)</u>	<u>(2,847,680)</u>
Profit for the year		<u>3,710,879</u>	<u>2,632,218</u>	<u>14,824,961</u>	<u>10,515,711</u>

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

BALANCE SHEET
AS AT 31 DECEMBER 2013

		2013	2012	2013	2012
	Note	US\$	US\$	KHR'000	KHR'000
ASSETS					
Cash on hand		4,508,918	4,088,925	18,013,127	16,335,255
Balances with the Central Bank	9	15,591,326	10,010,224	62,287,347	39,990,845
Deposits with other banks and financial institutions	10	63,373,641	37,456,074	253,177,695	149,637,016
Loans and advances to customers	11	120,698,186	68,455,525	482,189,253	273,479,823
Other assets	12	2,436,335	1,338,732	9,733,158	5,348,233
Property and equipment	13	2,261,855	1,752,227	9,036,111	7,000,147
Intangible assets	14	<u>74,182</u>	<u>143,634</u>	<u>296,357</u>	<u>573,818</u>
TOTAL ASSETS		<u>208,944,443</u>	<u>123,245,341</u>	<u>834,733,048</u>	<u>492,365,137</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks	15	66,359,509	30,437,264	265,106,238	121,596,870
Deposits from customers	16	92,513,993	47,819,505	369,593,402	191,038,923
Other liabilities	17	2,090,036	992,334	8,349,693	3,964,373
Current income tax liability		<u>888,377</u>	<u>614,589</u>	<u>3,549,066</u>	<u>2,455,283</u>
TOTAL LIABILITIES		<u>161,851,915</u>	<u>79,863,692</u>	<u>646,598,399</u>	<u>319,055,449</u>
SHAREHOLDERS' EQUITY					
Share capital	18	39,000,000	39,000,000	155,805,000	155,805,000
Retained earnings		<u>8,092,528</u>	<u>4,381,649</u>	<u>32,329,649</u>	<u>17,504,688</u>
TOTAL SHAREHOLDERS' EQUITY		<u>47,092,528</u>	<u>43,381,649</u>	<u>188,134,649</u>	<u>173,309,688</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>208,944,443</u>	<u>123,245,341</u>	<u>834,733,048</u>	<u>492,365,137</u>

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital US\$	Retained earnings US\$	Total US\$
For the year ended 31 December 2012			
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
In KHR'000 equivalent	155,805,000	17,504,688	173,309,688
For the year ended 31 December 2013			
Balance as at 1 January 2013	39,000,000	4,381,649	43,381,649
Profit for the year	-	3,710,879	3,710,879
Balance as at 31 December 2013	39,000,000	8,092,528	47,092,528
In KHR'000 equivalent	155,805,000	32,329,649	188,134,649

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	2012	2013	2012
	Note	US\$	US\$	KHR'000	KHR'000
Cash flows from operating activities					
Net cash flows generated from/(used in) operating activities	20	33,090,371	(3,796,491)	132,196,032	(15,166,981)
Cash flows from investing activities					
Deposits with other banks and financial institutions		(22,870,000)	(6,320,000)	(91,365,650)	(25,248,400)
Reserve requirement with the Central Bank		(5,324,000)	(2,712,000)	(21,269,380)	(10,834,440)
Purchases of property and equipment	13	(1,171,981)	(1,403,974)	(4,682,064)	(5,608,876)
Proceeds from disposals of property and equipment		12,400	8,812	49,539	35,204
Purchases of intangible assets	14	(12,129)	(9,656)	(48,455)	(38,576)
Net cash flows used in investing Activities		(29,365,710)	(10,436,818)	(117,316,010)	(41,695,088)
Cash flows from financing activities					
Net cash flow from financing activities		-	-	-	-
Net increase/(decrease) in cash and cash equivalents		3,724,661	(14,233,309)	14,880,022	(56,862,069)
Cash and cash equivalents at the beginning of the year		9,591,223	23,824,532	38,316,936	96,227,285
Currency translation differences		-	-	-	(1,048,280)
Cash and cash equivalents at the end of the year	19	13,315,884	9,591,223	53,196,958	38,316,936

The accompanying notes on pages 41 to 78 form an integral part of these financial statements.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. BACKGROUND INFORMATION

Phnom Penh Commercial Bank (“the Bank”) is 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 2013, the Bank has one head office and five branches in Phnom Penh, one branch in Siem Reap and one branch in Battambang.

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

As at 31 December 2013, the Bank had 148 employees (2012: 113 employees)

The financial statements were authorised for issue by the Board of Directors on 28 March 2014. 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared using the historical cost convention except otherwise disclosed and 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 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 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 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 2012: US\$1 equal to KHR 3,995). 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2.4 Interest income and expense

Interest income on loans and advances to customers, balances with the Central Bank and deposits with other banks and financial institutions are recognised on an accrual basis, except where serious doubt exists as to the collectability 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 customers are recognised on an accrual basis.

2.5 Fee and commission income

Fee and commission income is recognised on an accrual basis when the service has been performed. Fee and commission income comprise 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 loan is disbursed.

2.6 Cash and cash equivalents

For the purpose of the statement of cash flow, 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.

2.7 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.

2.8 Provision for loan losses

The Bank follows the mandatory loan classification and provisioning as required by the Central Bank's Prakas No. B7-09-074 dated 25 February 2009, on asset classification and provisioning for banks and financial institutions. It applies for loans and advances or other assets with similar nature. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2.8 Provision for loan losses (continued)

The table below shows loan classification and minimum provisioning requirements:

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

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

2.9 Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and provision methodology are similar to those for originated loans as noted above. Specific provisions are raised against other credit related commitments when losses are considered probable.

2.10 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 costs 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.

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.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Property and equipment (continued)

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.

2.11 Intangible assets

Intangible assets which comprise acquired computer software and related costs are stated at cost less accumulated amortisation and impairment losses, if any. Acquired computer software are capitalised on the basis of cost incurred to acquire the specific software and bring it to use. 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%

2.12 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.

2.13 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in country where the Bank operates and generates taxable income.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Current and deferred income tax (continued)

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

2.14 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.

2.15 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.

2.16 Related party transactions

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

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 of the Bank 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

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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.

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) Taxes

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

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Loans and advances to customers	10,174,381	6,825,231	40,646,652	27,266,798
Balances with the Central Bank	7,462	9,239	29,811	36,910
Deposits with other banks and financial institutions	<u>1,670,547</u>	<u>1,118,194</u>	<u>6,673,835</u>	<u>4,467,185</u>
	<u>11,852,390</u>	<u>7,952,664</u>	<u>47,350,298</u>	<u>31,770,893</u>

5. INTEREST EXPENSE

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Fixed deposits	3,526,691	1,946,383	14,089,131	7,775,800
Savings deposits	247,498	153,311	988,755	612,477
Installments deposits	<u>154,373</u>	<u>52,986</u>	<u>616,719</u>	<u>211,680</u>
	<u>3,928,562</u>	<u>2,152,680</u>	<u>15,694,605</u>	<u>8,599,957</u>

PHNOM PENH COMMERCIAL BANK

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FOR THE YEAR ENDED 31 DECEMBER 2013

6. FEE AND COMMISSION INCOME

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Loan processing fees	1,305,406	742,591	5,215,097	2,966,651
Penalty fees	372,375	256,914	1,487,638	1,026,371
Outward/inward remittance fees	226,559	133,039	905,103	531,491
Performance guarantee fees	41,928	38,064	167,502	152,066
Commitment fees	31,902	20,129	127,448	80,415
Others	140,174	109,794	559,996	438,627
	2,118,344	1,300,531	8,462,784	5,195,621

7. GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Personnel and related costs	1,985,257	1,454,597	7,931,102	5,811,115
Depreciation charge (Note 13)	661,942	494,332	2,644,458	1,974,856
Amortisation charge (Note 14)	81,581	98,330	325,916	392,828
Rental expenses	535,285	363,179	2,138,464	1,450,900
Business meal/entertainment	142,668	123,420	569,959	493,063
Utility expenses	130,923	99,461	523,037	397,347
Office supplies	105,403	92,226	421,085	368,443
Transportations	117,202	91,729	468,222	366,457
Marketing and advertising	158,254	91,013	632,225	363,597
Repairs and maintenance	129,403	87,144	516,965	348,140
Bank license fees	114,865	75,862	458,886	303,069
Building security costs	96,250	74,240	384,519	296,589
Telephone and communication	82,255	67,524	328,609	269,758
Professional fees	80,928	53,616	323,307	214,196
Conventions and conference	18,597	18,623	74,295	74,399
Insurance costs	12,342	12,121	49,306	48,423
Loan loss written off	7,961	951	31,804	3,799
Other tax expenses	202,875	146,477	810,486	585,176
Others	130,298	64,480	520,540	257,598
	4,794,289	3,509,325	19,153,185	14,019,753

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

8. INCOME TAX EXPENSE

(a) Current income tax liabilities

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Balance at beginning of year	614,589	311,992	2,455,283	1,260,135
Income tax expense	1,032,151	712,811	4,123,443	2,847,680
Income tax paid	(758,363)	(410,214)	(3,029,660)	(1,638,805)
Currency translation differences	-	-	-	(13,727)
Balance at end of year	888,377	614,589	3,549,066	2,455,283

(b) Income tax expense

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Current income tax	1,032,151	712,811	4,123,443	2,847,680
	1,032,151	712,811	4,123,443	2,847,680

In accordance with the 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 1% minimum tax.

(c) Reconciliation between income tax expenses and accounting profit

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Profit before income tax	4,743,030	3,345,029	18,948,405	13,363,392
Tax calculated at 20%	948,606	669,006	3,789,681	2,672,678
Tax effect of reconciling items:				
Non-deductible expenses	83,545	43,805	333,762	175,002
Income tax expense	1,032,151	712,811	4,123,443	2,847,680

(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 2013

9. BALANCES WITH THE CENTRAL BANK

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Statutory capital deposit (i)	3,900,000	3,900,000	15,580,500	15,580,500
Reserve requirement (ii)	10,488,000	5,164,000	41,899,560	20,630,180
Current accounts (iii)	1,203,326	946,224	4,807,287	3,780,165
	<u>15,591,326</u>	<u>10,010,224</u>	<u>62,287,347</u>	<u>39,990,845</u>

(i) Statutory capital deposit

Pursuant to Prakas No. B7-01-136 on Bank's capital guarantee dated 15 October 2001 issued by the Central bank; the Bank is required to maintain 10% of its paid-up capital as statutory capital deposit with the Central Bank. The deposit, which is not available for use in the Bank's day-to-day operations, is refundable should the Bank voluntarily cease its operations in Cambodia.

(ii) Reserve requirement

Reserve requirement represent the minimum reserve which is calculated at 8% and 12.50% of customers' deposits in Khmer Riel and other currencies respectively. The 4.5% reserve requirement on customers' deposits in currencies other than Khmer Riel is interest bearing while the remaining 8% and the reserve requirement on customers' deposits in Khmer Riel bear no interest.

(iii) Interest rate

The current accounts are non-interest bearing. Annual interest rates on other balances with the Central Bank are summarised as follows:

	2013	2012
Statutory capital deposit	0.11% – 0.12%	0.10% – 0.11%
Reserve requirement	0.10%	0.10%

PHNOM PENH COMMERCIAL BANK

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FOR THE YEAR ENDED 31 DECEMBER 2013

10. DEPOSITS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Local banks:				
Current accounts	7,549	4,617	30,158	18,445
Savings deposits	665,784	637,959	2,659,807	2,548,646
Fixed deposits	60,172,946	34,900,000	240,390,919	139,425,500
Overseas banks:				
Current accounts	2,527,362	1,913,498	10,096,811	7,644,425
	<u>63,373,641</u>	<u>37,456,074</u>	<u>253,177,695</u>	<u>149,637,016</u>

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

Fixed deposits and savings deposits earned interest at a rate from 2.5% to 6.80% (2012: 1.85% to 6.8%) and 0.75% (2012: 0.75%) per annum respectively. Fixed deposits are matured within one year.

11. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of loans

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Overdrafts	8,349,711	5,146,032	33,357,095	20,558,398
Loans and advances to customers				
Long term loans	52,713,114	30,027,097	210,588,891	119,958,253
Short term loans	<u>60,898,442</u>	<u>33,973,866</u>	<u>243,289,276</u>	<u>135,725,595</u>
	121,961,267	69,146,995	487,235,262	276,242,246
Provision for loan losses:				
Specific provision	(43,683)	<u>68,455,525</u>	(174,514)	-
General provision	<u>(1,219,398)</u>	<u>(691,470)</u>	<u>(4,871,495)</u>	<u>(2,762,423)</u>
	<u>120,698,186</u>	<u>68,455,525</u>	<u>482,189,253</u>	<u>273,479,823</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

11. LOANS AND ADVANCES TO CUSTOMERS

(b) Provision for loan losses

Movements of provision for loan losses are as follows:

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
At beginning of the year	691,470	432,952	2,762,423	1,748,693
Provision for the year				
Specific provision	43,683	-	174,514	-
General provision	527,928	258,518	2,109,072	1,032,779
	571,611	258,518	2,283,586	1,032,779
Currency translation differences	-	-	-	(19,049)
At end of the year	1,263,081	691,470	5,046,009	2,762,423

(c) Analysis by classification

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Normal loans				
Secured	121,756,297	65,469,288	486,416,407	261,549,807
Unsecured	-	3,677,707	-	14,692,439
Special mention				
Secured	61,637	-	246,240	-
Unsecured	-	-	-	-
Substandard loans				
Secured	100,000	-	399,500	-
Unsecured	-	-	-	-
Doubtful loans				
Secured	43,333	-	173,115	-
Unsecured	-	-	-	-
	121,961,267	69,146,995	487,235,262	276,242,246

(d) Analysis by maturity

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Not later than 1 year	79,352,641	41,429,554	317,013,801	9,730,022
Later than 1 year and not later than 3 years				
Later than 3 years and not later than 5 years	38,718,442	25,324,109	154,680,176	46,041,184
Later than 5 years				
	1,784,870	1,041,956	7,130,556	131,664,789
	2,105,314	1,351,376	8,410,729	88,806,251
	121,961,267	69,146,995	487,235,262	276,242,246

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

(e) Analysis by industry

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Financial institutions	4,284,887	1,174,143	17,118,124	4,690,701
Wholesale and retailers	24,127,040	17,799,298	96,387,525	71,108,196
Real estate and developers	21,569,936	14,320,193	86,171,894	57,209,171
Services	12,001,482	10,272,287	47,945,921	41,037,787
Manufacturing	5,204,821	5,113,346	20,793,260	20,427,817
Other industries	54,773,101	20,467,728	218,818,538	81,768,574
	<u>121,961,267</u>	<u>69,146,995</u>	<u>487,235,262</u>	<u>276,242,246</u>

(f) Analysis by exposure

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Large exposures	24,245,336	-	96,860,117	-
Non-large exposures	97,715,931	69,146,995	390,375,145	276,242,246
	<u>121,961,267</u>	<u>69,146,995</u>	<u>487,235,262</u>	<u>276,242,246</u>

A "large exposure" is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank's net worth.

(g) Analysis by relationship

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Related parties	77,372	-	309,101	-
Non-related parties	<u>121,883,895</u>	<u>69,146,995</u>	<u>486,926,161</u>	<u>276,242,246</u>
	<u>121,961,267</u>	<u>69,146,995</u>	<u>487,235,262</u>	<u>276,242,246</u>

(h) Interest rates

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

	2013	2012
Overdrafts	8.00% - 14.00%	8.00% - 14.00%
Term loans	7.00% - 20.00%	7.00% - 20.00%

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
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12. OTHER ASSETS

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Interest receivable from loans and advances to customers	669,574	455,721	2,674,948	1,820,605
Interest receivable from deposits with other banks and financial institutions	912,202	423,304	3,644,247	1,691,099
Deposits on office rental and advance to suppliers	520,202	47,770	2,078,207	190,841
Prepayments	65,246	320,704	260,658	1,281,212
Others	269,111	91,233	1,075,098	364,476
	<u>2,436,335</u>	<u>1,338,732</u>	<u>9,733,158</u>	<u>5,348,233</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

13. PROPERTY AND EQUIPMENT

	Leasehold Improve- ments US\$	Furniture, fittings and equip- ment US\$	Computer equip- ment US\$	Motor Vehicles US\$	Work in progress US\$	Total US\$
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
Disposals-net	-	(11)	-	(1,694)	-	(1,705)
Depreciation charge	(243,069)	(112,025)	(113,399)	(25,839)	-	(494,332)
Closing 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>
For the 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>
In KHR'000 equivalents	<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>
As at 1 January 2013						
Opening net book value	711,358	252,754	133,000	175,278	479,837	1,752,227
Additions	657,301	88,430	66,422	11,265	348,563	1,171,981
Reclassification	-	(411)	-	-	-	(411)
Transfer in/(out)	404,472	<u>75,365</u>	-	-	(479,837)	-
Disposals-net	-	-	-	-	-	-
Depreciation charge	(356,914)	(125,311)	(125,574)	(54,143)	-	(661,942)
Closing book value as at 31 December 2013	<u>1,416,217</u>	<u>290,827</u>	<u>73,848</u>	<u>132,400</u>	<u>348,563</u>	<u>2,261,855</u>
For the year ended 31 December 2013						
Cost	2,371,615	720,973	658,597	268,095	348,563	4,367,843
Accumulated depreciation	(955,398)	(430,146)	(584,749)	(135,695)	-	(2,105,988)
Net book value	<u>1,416,217</u>	<u>290,827</u>	<u>73,848</u>	<u>132,400</u>	<u>348,563</u>	<u>2,261,855</u>
In KHR'000 equivalents	<u>5,657,787</u>	<u>1,161,854</u>	<u>295,023</u>	<u>528,938</u>	<u>1,392,509</u>	<u>9,036,111</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

14. INTANGIBLE ASSETS

	Moneta software US\$	Swift software US\$	Total US\$
As at 1 January 2012			
Opening net book value	172,808	59,500	232,308
Additions	9,656	-	9,656
Amortisation charge	(92,330)	(6,000)	(98,330)
Closing book value as at 31 December 2012	<u>90,134</u>	<u>53,500</u>	<u>143,634</u>
At 31 December 2012			
Cost	<u>463,954</u>	<u>93,875</u>	<u>557,829</u>
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>
In KHR'000 equivalents	360,085	213,733	573,818
As at 1 January 2013			
Opening net book value	90,134	53,500	143,634
Additions	6,588	5,541	12,129
Amortisation charge	<u>(73,272)</u>	<u>(8,309)</u>	<u>(81,581)</u>
Closing book value as at 31 December 2013	23,450	50,732	74,182
At 31 December 2013			
Cost	<u>470,542</u>	<u>99,416</u>	<u>569,958</u>
Accumulated amortisation	<u>(447,092)</u>	<u>(48,684)</u>	<u>(495,776)</u>
Net book value	<u>23,450</u>	<u>50,732</u>	<u>74,182</u>
In KHR'000 equivalents	<u>93,683</u>	<u>202,674</u>	<u>296,357</u>

PHNOM PENH COMMERCIAL BANK

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15. DEPOSITS FROM BANKS

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Current accounts	18,133,248	15,972,781	72,442,326	63,811,260
Savings deposits	14,016,469	6,927,907	55,995,794	27,676,988
Fixed deposits	29,255,696	5,536,576	116,876,506	22,118,622
	<u>4,954,096</u>	<u>2,000,000</u>	<u>19,791,612</u>	<u>7,990,000</u>
	<u>66,359,509</u>	<u>30,437,264</u>	<u>265,106,238</u>	<u>121,596,870</u>

The deposits by banks are analysed as follows:

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Within 1 month	18,133,248	15,972,781	72,442,326	63,811,260
2 to 3 months	14,016,469	6,927,907	55,995,794	27,676,988
4 to 6 Months	29,255,696	5,536,576	116,876,506	22,118,622
7 to 12 months	<u>4,954,096</u>	<u>2,000,000</u>	<u>19,791,612</u>	<u>7,990,000</u>
	<u>66,359,509</u>	<u>30,437,264</u>	<u>265,106,238</u>	<u>121,596,870</u>

Annual interest rate of deposits from banks as follows:

	2013	2012
Current accounts	Nil	Nil
Savings deposits	0.40% - 1.20%	1.00% - 1.20%
Fixed deposits	1.00%- 3.50%	1.50%-5.00%

16. DEPOSITS FROM CUSTOMERS

	2013	2012	2013	2012
	US\$	US\$	KHR'000	HR'000
Current accounts	14,753,294	1,928,893	58,939,410	7,705,928
Savings deposits	24,456,633	13,860,433	97,704,249	55,372,430
Fixed deposits	47,466,478	29,752,761	189,628,580	118,862,280
Instalment deposits	3,602,676	2,106,964	14,392,690	8,417,321
Margin deposits	<u>2,234,912</u>	<u>170,454</u>	<u>8,928,473</u>	<u>680,964</u>
	<u>92,513,993</u>	<u>47,819,505</u>	<u>369,593,402</u>	<u>191,038,923</u>

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FOR THE YEAR ENDED 31 DECEMBER 2013

16. DEPOSITS FROM CUSTOMERS (continued)

The deposits from customers are analysed and matured as follows:

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Not later than 1 year	86,222,571	47,099,290	344,459,171	188,161,663
1 to 5 years	6,291,422	720,215	25,134,231	2,877,260
	<u>92,513,993</u>	<u>47,819,505</u>	<u>369,593,402</u>	<u>191,038,923</u>

Annual interest rate of deposits of customers as follows:

	2013	2012
Current accounts	Nil	Nil
Savings deposits	1.20%	1.20%
Fixed deposits	2.30%-8.00%	2.30%-7.00%
Instalment deposits	3.00%-7.50%	3.00%-7.50%
Margin deposits	Nil	Nil

17. OTHER LIABILITIES

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Interest payable	1,943,312	809,265	7,763,530	3,233,013
Tax payables	55,372	61,172	221,211	244,382
Accruals and others	<u>91,352</u>	<u>121,897</u>	<u>364,952</u>	<u>486,978</u>
	<u>2,090,036</u>	<u>992,334</u>	<u>8,349,693</u>	<u>3,964,373</u>

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

PHNOM PENH COMMERCIAL BANK

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18. SHARE CAPITAL

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
As at 1 January	39,000,000	39,000,000	155,805,000	157,521,000
Currency translation differences	-	-	-	(1,716,000)
As at 31 December	39,000,000	39,000,000	155,805,000	155,805,000

The total authorised number of share of the Bank as at 31 December 2013 was 39,000 (2012: 39,000) with a par value of US\$1,000 per share (2012: US\$1,000 per share).

Shareholders	2013			2012		
	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	1,125	2.88%	1,125,000	1,125	2.88%	1,125,000
Kim Jong Min	900	2.31%	900,000	900	2.31%	900,000
Mirae Credit Information Service Corp						
	39,000	100%	39,000,000	39,000	100%	39,000,000

19. CASH AND CASH EQUIVALENTS

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Cash on hand	4,508,918	4,088,925	18,013,127	16,335,255
Deposits with other banks and financial institutions:				
Current accounts	2,534,910	1,918,115	10,126,968	7,662,870
Savings deposits	665,784	637,959	2,659,807	2,548,646
Fixed deposits (less than 3 months maturity)	4,402,946	2,000,000	17,589,769	7,990,000
Balances with the Central Bank:				
Current accounts	1,203,326	946,224	4,807,287	3,780,165
	13,315,884	9,591,223	53,196,958	38,316,936

PHNOM PENH COMMERCIAL BANK

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20. CASH FLOWS FROM OPERATING ACTIVITIES

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Cash flows from operating activities				
Profit before income tax	4,743,030	3,345,029	18,948,404	13,363,392
Adjustments for:				
Provision for loan losses (Note 11(b))	571,611	258,518	2,283,586	1,032,779
Depreciation charge (Note 13)	661,942	494,332	2,644,458	1,974,856
Amortisation charge (Note 14)	81,581	98,330	325,916	392,828
Reclassification of property and equipment (Note 13)	411	-	1,642	-
Gain on disposals of property and Equipment	(12,400)	(7,107)	(49,538)	(28,392)
Net interest income	(7,923,828)	(5,799,984)	(31,655,693)	(23,170,937)
	(1,877,653)	(1,610,882)	(7,501,225)	(6,435,474)
Changing in working capital:	(52,814,272)	(25,851,862)	(210,993,017)	(103,278,189)
Loans and advances to customers	(394,852)	295,478	(1,577,434)	1,180,435
Other assets	35,922,245	(200,738)	143,509,369	(801,948)
Deposits from banks	44,694,488	18,131,239	178,554,480	72,434,300
Deposits from customers	(36,346)	135,633	(145,202)	541,854
Other liabilities	25,493,610	(9,101,132)	101,846,971	(36,359,022)
Cash generated/(used) in operation				
Interest received	11,149,639	7,674,564	44,542,808	30,659,883
Interest paid	(2,794,515)	(1,959,709)	(11,164,087)	(7,829,037)
Income taxes paid (Note 8)	(758,363)	(410,214)	(3,029,660)	(1,638,805)

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

21. CONTINGENT LIABILITIES AND COMMITMENTS

The Bank had the contractual amounts of the Bank's off balance sheet financial instruments that commit it to extend credit to customers, grantees and other facilities as follows:

a) Loan commitments, guarantee and other financial facilities

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Loans approved and offered to customers but not yet disbursed	-	2,000,000	-	7,990,000
Unused portion of overdrafts	4,000,331	2,278,624	15,981,322	9,103,103
Letter of credit	2,814,270	-	11,243,009	-
Bank guarantees	<u>3,522,555</u>	<u>6,272,428</u>	<u>14,072,607</u>	<u>25,058,350</u>
	<u>10,337,156</u>	<u>10,551,052</u>	<u>41,296,938</u>	<u>42,151,453</u>

No material losses are anticipated as a result of these transactions.

b) Operating lease commitments

As at 31 December 2013, the Bank had non-cancellable lease commitments for head office and branches as follows:

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Within 1 year	391,398	360,696	1,563,635	1,440,981
Between 2 to 5 years	1,201,020	881,244	4,798,075	3,520,570
More than 5 years	<u>479,884</u>	<u>519,360</u>	<u>1,917,137</u>	<u>2,074,843</u>
	<u>2,072,302</u>	<u>1,761,300</u>	<u>8,278,847</u>	<u>7,036,394</u>

PHNOM PENH COMMERCIAL BANK

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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) Loans and advances to key management

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Loans and advances to key management	77,372		309,101	
Interest income	9,227		36,862	

b) Deposits from SBI Royal Securities Plc.

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Fixed deposits	5,000,000	3,000,000	19,975,000	11,985,000
Current account	17,788	-	71,063	-
Savings deposits	595,421	2,846,638	2,378,707	11,372,319
	5,613,209	5,846,638	22,424,771	23,357,319
Interest expense	24,966	2,457	99,739	27,290

c) Deposits from key management

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Deposits from key management	90,780		362,666	
Interest expense	689		2,753	

d) Compensation to key management

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Salaries and other short term benefits	626,959	629,367	2,504,701	2,514,321

PHNOM PENH COMMERCIAL BANK

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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.

The Bank holds the following financial assets and liabilities:

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Financial assets				
Cash on hand	4,508,918	4,088,925	18,013,127	16,335,255
Balances with the Central Bank	11,691,326	6,110,224	46,706,847	24,410,345
Deposits with other banks and financial institutions	63,373,641	37,456,074	253,177,696	149,637,016
Loans and advances to customers	121,961,267	69,146,995	487,235,262	276,242,245
Other assets	1,919,716	879,025	7,669,265	3,511,705
Total financial assets	203,454,868	117,681,243	812,802,197	470,136,566
Financial liabilities				
Deposits from banks	66,359,509	30,437,264	265,106,238	121,596,870
Deposits from customers	92,513,993	47,819,505	369,593,402	191,038,922
Other liabilities	2,034,664	809,265	8,128,483	3,233,014
Total financial liabilities	160,908,166	79,066,034	642,828,123	315,868,806
Net financial assets	42,546,702	38,615,209	169,974,074	154,267,760

23.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that 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.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(b) Risk limit control and mitigation policies

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

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

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

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

(c) Impairment and provisioning policies

The Bank follows the mandatory loan classification and provisioning as required by a Prakas, B7-09-074, dated on 25 February 2009, on loans classification and provisioning for banks and financial institutions. It applies for loans and advances or other assets with similar nature. The 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
Normal	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 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

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

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Credit risk exposures relating to on-balance sheet assets:				
Deposits with other banks and financial institutions	63,373,641	37,456,074	253,177,696	149,637,016
Loans and advances to customers:				
Short term loans	61,062,825	35,173,129	243,945,986	140,516,651
Long term loans	<u>60,898,442</u>	<u>33,973,866</u>	<u>243,289,276</u>	<u>135,725,595</u>
	121,961,267	69,146,995	487,235,262	276,242,246
Provision for loan losses	<u>(1,263,081)</u>	<u>(691,470)</u>	<u>(5,046,009)</u>	<u>(2,762,423)</u>
	120,698,186	68,455,525	482,189,253	273,479,823
Other assets	<u>1,919,716</u>	<u>899,025</u>	<u>7,669,265</u>	<u>3,591,605</u>
	<u>185,991,543</u>	<u>106,810,624</u>	<u>743,036,214</u>	<u>426,708,444</u>
Credit risk exposures relating to off-balance sheet items:				
Loan approved and offered to customers but not yet disbursed	-	2,000,000	-	4,658,987
Unused portion of overdrafts	4,000,331	2,278,624	15,981,322	4,205,580
Letter of credit	2,814,270	-	11,243,009	-
Bank guarantees	<u>3,522,555</u>	<u>6,272,428</u>	<u>14,072,607</u>	<u>13,202,001</u>
	<u>10,337,156</u>	<u>10,551,052</u>	<u>41,296,938</u>	<u>22,066,568</u>
	<u>196,328,699</u>	<u>117,361,676</u>	<u>784,333,151</u>	<u>448,775,012</u>

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2013 and 2012, 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, 62% of total maximum exposure is derived from loans and advances to customers (2012: 59%); 32% represents balances with banks and financial institutions (2012: 32%).

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 with other 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) Loan and advances to customers

As at the balance sheet date, exposures of the Bank to credit risk arising from loans and advances to customers (without taking into account of any collateral held or other credit enhancements and provision for loan losses) are as follows:

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Loans and advances to customers				
Neither past due nor impaired (i)	121,756,297	69,146,995	486,416,407	276,242,246
Past due but not impaired (ii)	61,637	-	246,240	-
Individually impaired (iii)	143,333	-	572,615	-
	121,961,267	69,146,995	487,235,262	276,242,246
Provision for loan losses	(1,263,081)	(691,470)	(5,046,009)	(2,762,423)
Net loan and advances	120,698,186	68,455,525	482,189,253	273,479,823

All other financial assets held by the Bank as at balance sheet date are neither past due nor individually impaired.

(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 2013

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.

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Past due up to 30 days	-	-	-	-
Past due 30-60 days	1,911	-	7,635	-
Past due 60-90 days	59,726	-	238,605	-
	61,637	-	246,240	-

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.

	2013	2012	2013	2012
	US\$	US\$	KHR'000	KHR'000
Past due 90-180 days	100,000	-	399,500	-
Past due 180-360 days	43,333	-	173,115	-
Past due 360 days or more	-	-	-	-
	143,333	-	572,615	-

(iv) Loans to customers renegotiated

Restructured activities include extended payment arrangements, modification and deferral of payments. Following restructuring, the loan is still kept in its current classification unless there is strong evidence of improvement in the customer's financial condition.

There were no renegotiated loans to customers at 31 December 2013 (2012: nil).

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

(f) Repossessed collateral

Reposessed properties have to be sold within one year as required by the Central Bank. Repossessed property is classified in the balance sheet as foreclosed properties, if any.

During the year ended 31 December 2013, the Bank took no any repossession of collateral held as security.

(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 as at 31 December 2013. For this table, the Bank has allocated exposure to countries based on the country of domicile of our counterparties.

	Japan S\$	Cambodia US\$	Korea US\$	USA US\$	Belgium US\$	Total US\$
31 December 2013						
Deposits with						
other banks and financial institutions	289,505	60,846,279	517,437	1,299,020	421,400	63,373,641
Loans and advances to customers	-	120,698,186	-	-	-	120,698,186
Other assets	-	1,919,716	-	-	-	1,919,716
As at 31 December 2013	<u>289,505</u>	<u>183,464,181</u>	<u>517,437</u>	<u>1,299,020</u>	<u>421,400</u>	<u>185,991,543</u>
In KHR'000 equivalents	<u>1,156,572</u>	<u>732,939,403</u>	<u>2,067,161</u>	<u>5,189,585</u>	<u>1,683,493</u>	<u>743,036,214</u>
31 December 2012						
Deposits with other 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>-</u>	<u>104,897,126</u>	<u>478,410</u>	<u>1,146,782</u>	<u>288,306</u>	<u>106,810,624</u>
In KHR'000 equivalents	<u>-</u>	<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>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.1 Credit risk (continued)

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

(ii) Industry sectors

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

	Financial institutions US\$	Real estate and developers US\$	Wholesales and Retailers US\$	Services US\$	Manufacturing US\$	Others US\$	Total US\$
31 December 2013							
Deposits with other banks and financial institutions	63,373,641	-	-	-	-	-	63,373,641
Loans and advances to customers	4,242,039	21,313,910	23,885,769	11,881,467	5,152,773	54,222,228	120,698,186
Other assets	912,202	-	-	-	-	1,007,514	1,919,716
As at 31 December 2013	68,527,882	21,313,910	23,885,769	11,881,467	5,152,773	55,229,742	185,991,543
In KHR'000 equivalents	273,768,889	85,149,070	95,423,647	47,466,461	20,585,328	220,642,819	743,036,214
31 December 2012							
Deposits with other banks and financial institutions	37,456,074	-	-	-	-	-	37,456,074
Loans and advances to customers	1,162,402	14,176,991	17,621,305	10,169,564	5,062,213	20,263,050	68,455,525
Other assets	423,304	-	-	-	-	475,721	899,025
As at 31 December 2012	39,041,780	14,176,991	17,621,305	10,169,564	5,062,213	20,738,771	106,810,624
In KHR'000 equivalents	155,971,911	56,637,079	70,397,113	40,627,408	20,223,541	82,851,390	426,708,442

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 in US\$, KHR, and EUR and is exposed to currency risks, primarily with respect to KHR and EUR.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Bank's functional currency.

Management monitors its foreign exchange risk against functional currencies through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the Central Bank.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2013 and 2012. Included in the table are the Bank's financial instruments at carrying amount by currency in US\$ equivalent.

	US\$ equivalent			
	US\$	KHR '000	EUR	Total
As at 31 December 2013				
Financial assets				
Cash on hand	4,395,338	40,643	72,937	4,508,918
Balances with the Central Bank	11,683,794	7,532	-	11,691,326
Deposits with other banks and financial institutions	62,991,127	-	382,514	63,373,641
Loans to customers	120,698,186	-	-	120,698,186
Other assets	1,919,716	-	-	1,919,716
Total financial assets	201,688,161	48,175	455,451	202,191,787
Financial liabilities				
Deposits from banks	66,359,509	-	-	66,359,509
Deposits from customers	92,513,993	-	-	92,513,993
Other liabilities	2,034,664	-	-	2,034,664
Total financial liabilities	160,908,166	-	-	160,908,166
Net financial assets	40,779,995	48,175	455,451	41,283,621
In KHR'000 equivalent	162,916,080	192,459	1,819,527	164,928,066

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.2 Market risk

(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 repricing that may be undertaken; however, the management regularly monitors the mismatch.

The table below 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.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.2 Market risk (continued)

(iv) Interest rate risk (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2013							
Assets							
Cash on hand	-	-	-	-	-	4,508,918	4,508,918
Balances with the Central Bank	-	-	-	-	6,992,000	4,699,326	11,691,326
Deposits with other banks and financial institutions	2,373,143	4,000,000	55,770,000	-	-	1,230,498	63,373,641
Loan and advances to customers	-	3,354,392	65,013,805	50,009,163	2,320,826	-	120,698,186
Other assets	-	-	-	-	-	1,919,716	1,919,716
Total financial assets	2,373,143	7,354,392	120,783,805	50,009,163	9,312,826	12,358,458	202,191,787
Liabilities							
Deposits from banks	10,041,610	8,121,086	47,902,108	-	-	294,705	66,359,509
Deposits from customers	28,859,122	7,570,540	34,998,215	6,039,640	-	15,046,476	92,513,993
Other liabilities	-	-	-	-	-	2,034,664	2,034,664
Total financial liabilities	38,900,732	15,691,626	82,900,323	6,039,640	-	17,375,845	160,908,166
Total interest repricing gap	(36,527,589)	(8,337,234)	37,883,482	43,969,523	9,312,826	(5,017,387)	41,283,621
In KHR'000 equivalent	(145,927,718)	(33,307,250)	151,344,511	175,658,244	37,204,740	(20,044,461)	164,928,066
As at 31 December 2012							
Total financial assets	8,108,554	3,120,281	70,682,253	28,200,227	1,352,764	9,445,694	120,909,773
Total financial liabilities	23,982,540	15,994,892	37,748,414	530,923	-	809,265	79,066,034
Total interest repricing gap	(15,873,986)	(12,874,611)	32,933,839	27,669,304	1,352,764	8,636,429	41,843,739
In KHR'000 equivalent	(63,416,574)	(51,434,071)	131,570,687	110,538,869	5,404,292	34,502,534	167,165,737

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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.

(b) Funding approach

The Bank's main sources of liquidities arise from shareholders' paid-up capital, deposits from banks and customers. 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 below 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.

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2013						
Liabilities						
Deposits from banks	18,284,505	14,263,693	34,449,330	-	-	66,997,528
Deposits from customers	48,363,533	13,677,153	25,630,630	6,856,417	-	94,527,733
Accruals and other liabilities	414,406	441,063	1,008,577	170,618	-	2,034,664
Total financial liabilities (contractual maturity dates)	<u>67,062,444</u>	<u>28,381,909</u>	<u>61,088,537</u>	<u>7,027,035</u>	<u>-</u>	<u>163,559,925</u>
In KHR'000 equivalent	<u>267,914,464</u>	<u>113,385,726</u>	<u>244,048,705</u>	<u>28,073,005</u>	<u>-</u>	<u>653,421,900</u>
Assets held for managing liquidity risk (contractual maturity dates)	<u>17,849,544</u>	<u>26,357,740</u>	<u>112,863,812</u>	<u>46,447,693</u>	<u>4,246,433</u>	<u>207,765,222</u>
In KHR'000 equivalent	<u>71,308,928</u>	<u>105,299,171</u>	<u>450,890,929</u>	<u>185,558,534</u>	<u>16,964,500</u>	<u>830,022,062</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

At 31 December 2012		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		US\$	US\$	US\$	US\$	US\$	US\$
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 maturity dates)		38,285,350	19,112,067	21,769,613	769,613	-	79,936,643
In KHR'000 equivalent		152,949,973	76,352,708	86,969,604	3,074,604	-	319,346,889
Assets held for managing liquidity risk							
(contractual maturity dates)		16,644,058	19,365,962	60,058,531	22,211,767	2,133,903	120,414,221
In KHR'000 equivalent		66,493,012	77,367,018	239,933,831	88,736,009	8,524,942	481,054,812

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.3 Liquidity risk (continued)

d) Off-balance sheet items

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 21), are summarised in table below.

	No later than 1 year US\$	1-5 years US\$	Over 5 years US\$	Total US\$
As at 31 December 2013				
Loans approved and offered to customers but not yet disbursed	-	-	-	-
Unused portion of overdrafts	4,000,331	-	-	4,000,331
Letter of credit	2,814,270	-	-	2,814,270
Bank guarantees	<u>3,522,555</u>	<u>-</u>	<u>-</u>	<u>3,522,555</u>
Total loan commitments	<u>10,337,156</u>	<u>-</u>	<u>-</u>	<u>10,337,156</u>
As at 31 December 2012				
Loans approved and offered to customers but not yet disbursed	2,000,000	-	-	2,000,000
Unused portion of overdrafts	2,278,624	-	-	2,278,624
Bank guarantees	<u>6,272,428</u>	<u>-</u>	<u>-</u>	<u>6,272,428</u>
Total loan commitments	<u>10,551,052</u>	<u>-</u>	<u>-</u>	<u>10,551,052</u>

PHNOM PENH COMMERCIAL BANK

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

23. FINANCIAL RISK MANAGEMENT (continued)

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 table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value		Fair value	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Financial assets				
Deposits with other banks and financial institutions	63,373,641	37,456,074	63,373,641	37,456,074
Loans and advances to customers	120,698,186	68,455,525	120,698,186	68,455,525
Other assets	<u>1,919,716</u>	<u>899,025</u>	<u>1,919,716</u>	<u>899,025</u>
	185,991,543	106,810,624	185,991,543	106,810,624
Financial liabilities				
Deposits from banks	66,359,509	30,437,264	66,359,509	30,437,264
Deposits from customers	92,513,993	47,819,505	92,513,993	47,819,505
Other liabilities	<u>2,034,664</u>	<u>809,265</u>	<u>2,034,664</u>	<u>809,265</u>
	160,908,166	79,066,034	160,908,166	79,066,034
Off balance sheet financial instruments				
Loan approved and offered to customers but not yet disbursed	-	2,000,000	-	2,000,000
Unutilised portion of overdrafts	4,000,331	2,278,624	4,000,331	2,278,624
Letter of credit	2,814,270	-	2,814,270	-
Bank guarantees	<u>3,522,555</u>	<u>6,272,428</u>	<u>3,522,555</u>	<u>6,272,428</u>
	10,337,156	10,551,052	10,337,156	10,551,052

i. Deposits with other banks and financial institutions

Deposits with other 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 and financial institutions approximates the carrying amount; these balances will be mature within one year.

ii. Loans and advances to customers

Loans and advances are net of provision for loan losses and its carrying value approximates fair value. The provision for loan losses on 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 2013

23. FINANCIAL RISK MANAGEMENT (continued)

23.4 Fair value of financial assets and liabilities

iii. Deposits from banks and customers

The fair value of deposits from banks and customers approximates the carrying amount. The fair value of deposits from banks and customers with no stated maturities which include non-interest bearing current account 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.

iv. Other assets and other liabilities

The carrying amounts of other financial assets and other financial liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

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:

	2013	2012	2013	2012
	US\$	US\$	KHR '000	KHR '000
Tier 1 Capital				
Share capital	39,000,000	39,000,000	155,805,000	155,805,000
Retained earnings	8,092,528	4,381,649	32,329,649	17,504,688
Less: loans to related parties	(77,372)	-	(309,101)	-
Less: intangible assets	(74,182)	(143,634)	(296,357)	(573,818)
	46,940,974	43,238,015	187,529,191	172,735,870
Tier 2 Complementary capital				
General provision	1,219,398	691,470	4,871,495	2,762,423
Regulatory capital/net worth	48,160,372	43,929,485	192,400,686	175,498,293

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013, the Bank's Liquidity Ratio was 82.67%.

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 2013, 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 2013, the Bank was in compliance with this Prakas.

4. NET WORTH, Prakas No. B7-010-182

The Bank's net worth as at 31 December 2013 amounted to US\$48,160,372 as computed in Schedule 2.

Banks must maintain their net worth at least equal to the minimum capital. As at 31 December 2013, the Bank's net worth is higher than minimum capital of US\$37,500,000 by US\$10,660,372.

5. SOLVENCY RATIO, Prakas No. B7-04-206 and No. B7-07-135

The Bank was in compliance with this Prakas which requires a Solvency Ratio of at least 15%. As at 31 December 2013, the Bank maintained a Solvency Ratio of 25.84% 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.

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013, 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 2013. 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 2013, the Bank was in compliance with this Prakas. The Net Open Position calculation is detailed in Schedule 5.

8. CLASSIFICATION OF AND PROVISIONING FOR LOSSES ON LOANS AND ADVANCES, Prakas No. B7-09-074

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 2013 is in compliance with the requirements of this Prakas. The loan classification calculation is detailed in Schedule 4.

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 2013, the Bank had four large exposures exceeding 10% of the Bank's net worth but not exceeding 20% and 300% as aggregate of individual large credit exposure of the net worth as computed in Schedule 2.

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

APPENDIX: NOTES ON COMPLIANCE WITH THE CENTRAL BANK PRAKAS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

The large exposures are as the following table:

	Credit line	Outstanding balance 31 December 2013	% of net worth	Exceed 10% of net worth
	US\$	US\$		
Customer A	7,500,000	7,500,000	15.57%	Yes
Customer B	6,153,562	6,021,642	12.50%	Yes
Customer C	6,000,000	5,776,843	12.00%	Yes
Customer D	<u>5,450,000</u>	<u>4,946,851</u>	10.27%	Yes
	<u>25,103,562</u>	<u>24,245,336</u>		

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 2013, 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 2013, the Bank's fixed assets amounted to US\$2,336,037 which is equivalent to 4.85% of the Bank's net worth.

12. PREPAID RENTAL AND LEASE, Prakas No. B7-04-037

The Central Bank issued Prakas No. B7.04.037 on 9 March 2004 which stipulates that banks are only allowed to lease properties if these are directly related to its banking operations. Moreover, this Prakas stipulates that prepaid rental or lease should not exceed one year of the rental or lease term. In addition, rental with related parties is required to be reported as part of the loans and advances to related parties in a bank's quarterly related parties transactions and balances declaration with the Central Bank. In the event that a bank has prepaid rental or lease of more than one year, the bank should be compliance with the provisions of this Prakas within six months after 9 March 2004 and thereafter, the prepaid rental or lease of more than one year shall be deducted in calculating the bank's net worth.

As at 31 December 2013, the Bank is in compliance with this Prakas.

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 1
LIQUIDITY AS AT 31 DECEMBER 2013
LIQUIDITY RATIO
2013
US\$
NUMERATOR

1. Treasury balance	
- Debit items	
- Cash and gold	4,508,918
- Deposits with the Central Bank (excluding statutory deposits + reserve)	1,203,326
- Deposits and placement with banks and financial institutions	63,373,641
- Portion of lending to banks and FIs with not more than one month to run	-
	69,085,885
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	69,085,885
2. Lending with not more than one month to run (exclude loans with no maturity)	3,411,994
3. Treasury bills with not more than one month to run	-

TOTAL NUMERATOR (A) 72,497,879
DENOMINATOR

1. 80% of Fixed Deposits and Certificate of Deposits having not more than one month to run	17,424,498
2. 50% of Fixed Deposits and Certificate of Deposits having more than one month to run	46,155,863
3. 50% of savings deposits	13,749,122
4. 60% of demand deposits	10,369,747

TOTAL DENOMINATOR (B) 87,699,230

LIQUIDITY RATIO 82.67%

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 2

NET WORTH AS AT 31 DECEMBER 2013

NET WORTH

2013
US\$

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	3,710,879
Retained earnings brought forward	4,381,649
Other Item (NBC approved)	-
Premiums related to capital	-
Other items approved by the Central Bank	-
Total (A)	47,092,528

Limited check on retained earnings: Max 20% of Total A 9%

II. Subtotal - B

Own shares held (at Book Value)	-
Accumulated losses	-
Intangible assets to be deducted	74,182
Shareholders, directors, related parties (deduct)	-
1. Unpaid portion(s) of capital (a)	-
2. Loans, overdrafts and other advances (b)	77,372
3. Debt instruments held bearing signature of shareholders, directors, related parties (c)	-
Other losses	-
Total (B)	151,554

Total Tier 1 (Core Capital) (A) - (B) 46,940,974

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.)	1,219,398
Subordinated debts approved by the Central Bank	-
Other items approved by the Central Bank	-
Total (C)	1,219,398
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) 1,219,398

Limit check on Tier 2 capital (Tier 2 = max. 100 % of Tier 1) 2.60%

Regulatory Net Worth (A) - (B) + (C) - (D) 48,160,372

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 3

SOLVENCY RATIO AS AT 31 DECEMBER 2013

SOLVENCY RATIO

2013
US\$

Numerator

Net Worth as computed above (N) 48,160,372

Denominator	Assets	Weighting	
Total gross assets			
- Cash, gold and claims on the Central Bank	20,100,244	0%	-
- Assets collateralised by deposits	-	0%	-
- Claims on sovereign rated AAA to AA-	-	0%	-
- Claims on sovereign rated A+ to A-	-	20%	-
- Claims on banks rated AAA to AA-	-	20%	-
- Claims on sovereign rated BBB+ to BBB-	-	50%	-
- Claims on banks rated A+ to A-	-	50%	-
- Other assets	<u>188,692,645</u>	100%	<u>188,692,645</u>
Total assets as reported in the balance sheet	<u>208,792,889</u>		<u>188,692,645</u>
Off balance sheet items			
- Full risk	-	100%	-
- Medium risk	3,522,555	50%	1,761,278
- Moderate risk	2,814,270	20%	562,854
-Low risk	<u>4,000,331</u>	0%	<u>-</u>
	<u>10,337,156</u>		<u>2,324,132</u>
Denominator(D1)			<u>186,368,513</u>
SOLVENCY RATIO: (S = N / D1)			<u>25.84%</u>

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 4
CLASSIFICATION OF AND PROVISIONING FOR LOANS LOSS
AS AT 31 DECEMBER 2013

	The Central Bank required						Over/(Under) provision amount
	Loan Amount US\$	Classification	Rate %	Provision US\$	Provision recorded by the Bank US\$	Estimated collateral value US\$	
Loans and advances	121,756,298	Normal	1%	1,219,398	1,219,398	531,047,758	-
Loans and advances	61,636	Special mention	3%	2,016	2,016	451,660	-
Loans and advances	100,000	Substandard	20%	20,000	20,000	316,900	-
Loans and advances	43,333	Doubtful	50%	21,667	21,667	108,032	-
Loans and advances	-	Loss	100%	-	-	-	-
Grand Total	121,961,267	-	-	1,263,081	1,263,081	531,924,350	-

SCHEDULE 5
NET OPEN POSITION IN FOREIGN CURRENCY
AS AT 31 DECEMBER 2013

Currency	Elements after deduction of affected provision				Net Open Position	Net Open Position/ Net Worth (%)	Limit (%)	Excess
	1	2	3	4				
	Assets	Liabilities and Capital	Currencies Receivable	Currencies Payable	+(Long) or -(Short)			
	+	-	Off Balance Sheet +	Off Balance Sheet -	(1+2+3+4)			
USD	208,440,817	208,944,443	-	-	(503,626)	-1.05%	20%	No
KHR	48,175	-	-	-	48,175	0.10%	20%	No
EUR	455,451	-	-	-	455,451	0.95%	20%	No
Grand Total	208,944,443	208,944,443	-	-	-	0.00%		

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 6
OTHER RATIO COMPUTATIONS
FOR THE YEAR ENDED 31 DECEMBER 2013

2013

1	Equity to total assets (A/B)	23%
	A – Equity	47,092,528
	B – Total assets	208,944,443
2	Capital Tier I to total assets (A/B)	22%
	A – Capital Tier 1	46,940,974
	B – Total assets	208,944,443
3	Capital Tier I to risk weighted assets (A/B)	25%
	A – Capital Tier 1	46,940,974
	B – Risk weighted assets	188,692,645
4	Capital Tier I +Tier II to risk weighted assets (A/B)	26%
	A – Capital Tier I + Tier II	48,160,372
	B – Risk weighted assets	188,692,645
5	Net worth to assets (A/B)	23%
	A – Net worth	48,160,372
	B – Total assets	208,944,443
6	Solvency ratio (A/B)	26%
	A – Net worth	48,160,372
	B – Risk weighted assets	188,692,645
7	Debt to total assets (A/B)	77%
	A – Total liabilities	161,851,915
	B – Total assets	208,944,443
8	Debt-equity ratio (A/B)	344%
	A – Total liabilities	161,851,915
	B – Equity	47,092,528
9	Dividend to net profit (A/B)	0%
	A – Dividend	-
	B – Net profit	3,710,879

ASSETS QUALITY

10	Banking reserve to total loans (A/B)	0%
	A – Banking reserves	-
	B – Total loans (gross)	121,961,267
11	Banking reserve to total assets (A/B)	0%
	A – Banking reserves	-
	B – Total assets	208,944,443
12	Non-performing loans to total loans (A/B)	0%
	A – Non-performing loans	143,333
	B – Total loans (gross)	121,961,267
13	Non-performing loans to total assets (A/B)	0%
	A – Non-performing loans	143,333
	B – Total assets	208,944,443
14	Classified assets to total loans (A/B)	0%
	A – Classified assets	143,333
	B – Total loans (gross)	121,961,267
15	Classified assets to total assets (A/B)	0%
	A – Classified assets	143,333
	B – Total assets	208,944,443

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 6
OTHER RATIO COMPUTATIONS
FOR THE YEAR ENDED 31 DECEMBER 2013

		2013
16	Classified assets to total equity (A/B)	0%
	A – Classified assets	143,333
	B – Equity	47,092,528
17	Loans to related parties to total loans (A/B)	0%
	A – Loans to related parties	77,372
	B – Total loans (gross)	121,961,267
18	Large exposure to total loans (A/B)	20%
	A – Large exposure	24,245,336.00
	B – Total loans (gross)	121,961,267
19	Loans to related parties to net worth (A/B)	0%
	A – Loans to related parties	77,372
	B – Net worth	48,160,372
20	Large exposure to net worth (A/B)	50%
	A – Large exposure	24,245,336.00
	B – Net worth	48,160,372
21	General provision to total loans	1%
	A – General provision	1,219,398
	B – Total loans (gross)	121,961,267
22	Specific provision to total loans (A/B)	0%
	A – Specific provision	43,683
	B – Total loans (gross)	121,961,267
23	Specific provision to Non performing loans (A/B)	30%
	A – Specific provision	43,683
	B – Non performing loans	143,333
24	All allowances to total assets (A/B)	1%
	A – Total all allowances	1,263,081
	B – Total assets	208,944,443
25	Loans to deposits (A/B)	127%
	A – Total loans to non-bank customers (gross)	117,676,380
	B – Customer's deposits	92,513,993
EARNINGS		
26	Return on assets (A/B)	2%
	A – Net profit	3,710,879
	B – Total assets (average)	208,944,443
27	Return on equity (A/B)	8%
	A – Net profit	3,710,879
	B – Equity (average)	47,092,528
28	Gross Yield (A/B)	6%
	A – Interest income	11,852,390
	B – Total assets	208,944,443
29	Net interest margin (NIM) to total assets ((A-B)/C)	4%
	A – Interest income	11,852,390
	B – Interest expense	3,928,562
	C- Total assets	208,944,443
30	Other income (OTNC) = (A/B)	1%
	A – Other incomes	2,210,310
	B – Total assets	208,944,443

PHNOM PENH COMMERCIAL BANK

(UNAUDITED)

SCHEDULE 6
OTHER RATIO COMPUTATIONS
FOR THE YEAR ENDED 31 DECEMBER 2013

2013

31	Provision to total assets (A/B)	0%
	A – Provision	571,611
	B – Total assets	208,944,443
32	Overhead (OHEAD) = (A/B)	2%
	A – Non-interest expense	4,819,497
	B – Total assets	208,944,443
33	Net income before tax (NIBT) = (A/B)	2%
	A – Net income before tax	4,743,030
	B – Total assets	208,944,443
34	Tax to total assets (A/B)	0%
	A – Tax	1,032,151
	B – Total assets	208,944,443
35	Interest margin to gross income ((A-B)/C)	56%
	A – Interest income	11,852,390
	B – Interest expense	3,928,562
	C – Gross income	14,062,700
36	Non-interest income to gross income (A/B)	16%
	A – Non-interest income	2,210,310
	B – Gross income	14,062,700
37	Non-interest expense to gross income (A/B)	34%
	A – Non-interest expense	4,819,497
	B – Gross income	14,062,700
38	Times interest earned ((A+B)/C)	221%
	A – Income before tax	4,743,030
	B – Interest expense	3,928,562
	C – Interest expense	3,928,562

LIQUIDITY

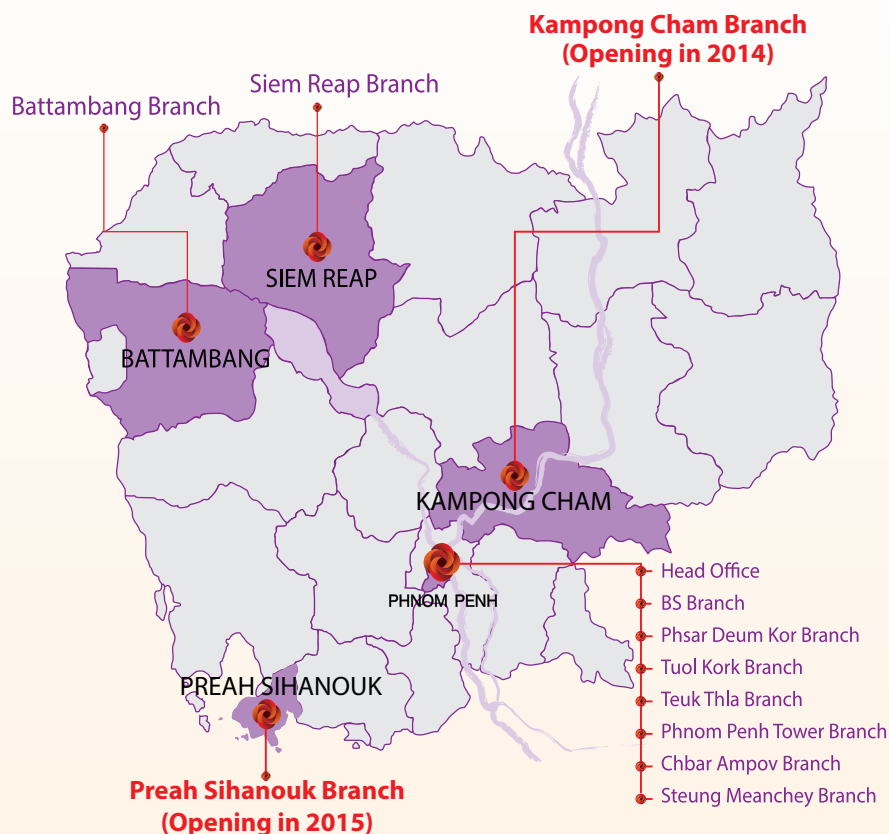
39	Liquid assets (A/B)	33%
	A – Liquid assets	69,085,885
	B – Total assets	208,944,443
40	Short-term liabilities (A/B)	75%
	A – Short-term liabilities (less than one year)	156,532,890
	B – Total assets	208,944,443
41	Net Liquid assets ((A-B)/C)	-54%
	A – Liquid assets	69,085,885
	B – Short-term liabilities (less than one year)	156,532,890
	C – Total liabilities	161,851,915
42	Quick ratio (A/B)	44%
	A – Quick assets	69,085,885
	B – Current liabilities	156,532,890
43	Deposit to total loans (A/B)	76%
	A – Total customers' deposits	92,513,993
	B – Total loans to non-bank customers (gross)	117,676,380

PPCB CORRESPONDENT BANKS

48 correspondent banks in 24 countries

(As of December 31, 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 (5)	ACLEDA BANK PLC	PHNOM PENH
	CAMKO BANK	PHNOM PENH
	NATIONAL BANK OF CAMBODIA	PHNOM PENH
	VATTANAC BANK	PHNOM PENH
	BANK OF CHINA LIMITED, PHNOM PENH BRANCH	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 (2)	KOREA EXCHANGE BANK (DEUTSCHLAND) AG	FRANKFURT AM MAIN
	DEUTSCHE BANK, 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 (7)	BUSAN BANK	BUSAN
	INDUSTRIAL BANK OF KOREA	SEOUL
	KOOKMIN BANK	SEOUL
	KOREA EXCHANGE BANK	SEOUL
	KWANGJU BANK LTD	SEOUL
	HANA BANK, SEOUL	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
THAILAND (1)	DEUTSCHE BANK AG	BANGKOK
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



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

- សាខាប៊ីអេស BS Branch**
 BS Building, Monivong Blvd
 (Beside Central Market)
 Tel: (855) 23 999 600
- សាខាតូលកោក Toul Kork Branch**
 No. 24, Corner St. 273
 (Between TVK Antainer and JP Bridge)
 Tel: (855) 23 999 050
- សាខាទឹកថ្លា Teuk Thla Branch**
 No. B9-B11, St. NorthBridge
 Tel: (855) 23 999 650
- សាខាភ្នំពេញថ្មី Phnom Penh Tower Branch**
 Phnom Penh Tower Building
 (2nd Floor), #445, Monivong Blvd
 Tel: (855) 23 964 037
- សាខាស្ទឹងមានជ័យ (បើកដំណើរការឆាប់ៗនេះក្នុងឆ្នាំ ២០១៤) Steung Meanchey Branch**
 (Opening Soon 2014)
 No. IC & 2P, Monireth Blvd, Meanchey

- សាខាផ្សារដើមគរ Phsar Deum Kor Branch**
 No. 78, Monireth Blvd
 (Between Intercon and City Mall)
 Tel: (855) 23 999 700
- សាខាសៀមរាប Siem Reap Branch**
 No. 423, Corner Kohke Traffic Light
 Tel: (855) 63 967 500
- សាខាបាត់ដំបង Battambang Branch**
 No. C031-C033, St.1
 (Near Spearn Thmor Thmey)
 Tel: (855)53 953 420
- សាខាច្បារអំពៅ (បើកដំណើរការនៅ ខែ មករា ឆ្នាំ ២០១៤) Chbar Ampov Branch**
 (Opening in January, 2014)
 #612 AB, National Road #1
 (Near Niroth Pagoda)
 Tel: (855)23 900 501
- ការិយាល័យតំណាង ប្រចាំប្រទេសមីយ៉ាន់ម៉ា PPCB Representative Office, Myanmar**
 Room 1001A, 10th Floor, TowerA, Myanwaddy,
 Bank Tower, Wartan St. ⊥ Bogkyoke St.,
 Lamadaw, Township, Yangon, Myanmar.



ធនាគារ ភ្នំពេញ ពាណិជ្ជ

Phnom Penh Commercial Bank

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