



# **The Second Quarterly Report**

**(As of 30 June 2020)**

**Phnom Penh Commercial Bank Plc.**

**(PPCBANK)**

## Financial Highlights

Financial Situation (in KHR million)	Quarter 2 2020	2019
Total Assets	4,048,918	3,815,366
Total Liabilities	3,449,163	3,250,980
Total Equity	599,755	564,385
Financial Results (in KHR million)	Quarter 2 2020	Quarter 2 * 2019
Total income	73,793	64,372
Profit (Loss) before tax	21,863	22,173
Profit (Loss) after tax	17,020	16,524
Total comprehensive income	18,275	19,000
Financial ratio (%)	Quarter 2 2020	2019
Solvency Ratio <sup>①</sup>	18.10	19.09
Debt to Equity Ratio	575.10	576.02
Liquidity Coverage Ratio <sup>①</sup>	123.60	149.23
Non-performing Credit Ratio <sup>②</sup>	1.22	1.21
Loan to Deposit Ratio (A/B)	86.13	86.58
Profitability Ratio (%)	Quarter 2 2020	Quarter 2 * 2019
Return on assets (ROA)	1.82	2.27
Return on equity (ROE)	12.26	14.23
Interest coverage ratio	732.59	899.90
Earnings per share (for equity listed entity)	NA	NA
Dividend per share (for equity listed entity)	NA	NA
Other Important Ratios (if any)	NA	NA

Note: : \* Quarter 2 2019 is un-audited

: ① Follow NBC's regulation

: ② Non-performing loan is follow NBC's regulation provision from 20% - 100%

## Financial Summary Charts

### TOTAL ASSETS

in KHR Millions

**+6.1%**

FROM 2019



### TOTAL LIABILITIES

in KHR Millions

**+6.1%**

FROM 2019



### TOTAL EQUITIES

in KHR Millions

**+6.3%**

FROM 2019



### TOTAL COMPREHENSIVE INCOME

in KHR Millions

**-3.8%**

FROM Q2 2019



### RETURN ON ASSETS

in percentage

**-0.45**

FROM Q2 2019



### RETURN ON EQUITY

in percentage

**-1.98**

FROM Q2 2019



## Board of Directors



**YIM, Yong Taick**

Chairman



**SIM, Sang Ton**

Member



**HEO, Ryeon**

Member



**PARK, Chong Tae**

Independent Member



**LEE, Myunsang**

Independent Member

## Message from the Chairman

On behalf of the Board of Directors, it is my great pleasure to present PPCBank's performance for Q2 2020 by following the requirement from the Securities and Exchange Commission of Cambodia (SECC).

As you may be aware the new corona virus disease (COVID-19) pandemic has spread with alarming speed, infecting millions and bringing economic activity to a near-standstill as countries imposed tight restriction on movement to halt the spread of the virus. The Government of Cambodia has taken the right steps to respond to the crisis, including providing wage support for garment workers and tax and credit relief for businesses. The government has also created the fiscal space to minimize the economic impact of this crisis, especially on the most vulnerable people. Despite the Covid-19 pandemic squeezing crucial industries, Cambodia's financial and agriculture sector remains on a sustainable growth but tourism, garments and footwear have borne the brunt of the Covid-19 impact.

Despite this time of uncertainty, PPCBank officially listed its first corporate bonds on the Cambodia Securities Exchange (CSX) after obtaining the approval of the Securities and Exchange Commission of Cambodia (SECC) on its subscription and allocation results on 10<sup>th</sup> April, 2020. PPCBank successfully raised 40 billion riels (about \$10 million) during the first phase of its bond issuance process amid the COVID-19 pandemic. The first phase investors have subscribed to foreign exchange-indexed bonds with an interest of 6.5 percent per annum and a maturity of three years. A total of 400,000 bonds were issued during the first phase at a par value of 100,000 riels per bond. PPCBank plans to raise another 40 billion riels in its second phase in the next six months or so by carefully following the developments with regard to COVID-19.

In recent months, PPCBank has seen its positive business performance and continued stable growth in terms of volume and profitability and are executing planned investments such as two new branches-currently in the construction and approval process. As of Q2 2020, our growth in assets expansions equivalently to approximately 3.95% from USD 962 million to USD 1,000 million, 2.06% increase in loan outstanding from USD 678 million to USD 692 million, 4.52% rise in deposits from USD 708 million to USD 740 million, 3.52% increase in shareholder's equity from

USD 142 million to USD 147 million respectively from Q1 to Q2 2020, our achievement has been at triumphant rate amongst many financial competitors in the market.

In Q2 2020, to comply with the implementation on Prakas on the Calculation of Banks' Net Worth regarding to retained earnings which are limited to 20% of Tier 1 Capital (Core Capital), PPCBank has got approval from National Bank of Cambodia (NBC) for the conversion of Retained Earnings amount USD 12 million into Paid-in Capital that will strengthen solvency ratio as well as capital buffer of PPCBank in the full compliance with the regulatory requirement.

Also in Q2 2020, PPCBank has expanded its business by alliance with Electric du Cambodge (EDC), Phnom Penh Water Supply Authority (PPWSA) for monthly bill payment service, CSS POS acquiring service, Bakong Wallet for fund transfer/receive or payment, upgraded "smartBiz 1.5" and new version of mobile banking 2.0, other new and existing products and services are being developed by PPCBank to meet market needs.

On behalf of the Board of Directors, I would like to express my sincere thanks to our loyal shareholders, board of directors, executives of PPCBank for their guidance and leadership, our dedicated employees for their contribution and commitment, our customers for their trust in PPCBank especially National Bank of Cambodia (NBC) and Securities and Exchange Commission of Cambodia (SECC) for their advice and support.

I, Yim Yong Taick have taken gratitude to express that we have executed a successful conclusive performance during our Q2 2020 and going forward to be best achievement in Q3 2020.

August 14, 2020



**YIM, Yong Taick**

Chairman

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**PART 1 - GENERAL INFORMATION OF THE LISTED ENTITY****A. Identity of the Listed Entity**

Entity Name in Khmer	<b>ធនាគារ ភ្នំពេញ កាណិស្ត ម.ក</b>
In Latin	Phnom Penh Commercial Bank Plc.
Standard Code	KH2000111A46
Address	N° 217, Norodom Blvd (Street 41), Sangkat TonleBasak, Khan Chamkar Mon, Phnom Penh.
Phone	(+855) 23909 909/999500
Fax	(+855) 23999540
Website	<a href="http://www.ppcb.com.kh">www.ppcb.com.kh</a>
Email	<a href="mailto:info@ppcb.com.kh">info@ppcb.com.kh</a>
Registration Number	00015794dated 20th May, 2008
License Number	B23 issued by National Bank of Cambodia date 16 <sup>th</sup> December, 2019.
Disclosure Document Registration Number Issued by SECC	069/20 SECC date 02 <sup>nd</sup> April 2020
Representative of the Listed Entity	Mr. Shin Chang Moo

## B. Nature of Business

Phnom Penh Commercial Bank Plc (PPCBank) started its banking operations on 1<sup>st</sup> September 2008 at our head office located in N° 217, Preah Norodom Blvd (Street 41), Sangkat Tonle Basak, Khan Chamkar Mon, Phnom Penh and is a fully licensed commercial bank. In September 2016, PPCBank welcomed a new beginning with strong shareholders Jeonbuk Bank Co., Ltd (a subsidiary company of JB Financial Group), Apro Financial Co., Ltd (a subsidiary company of J&K Capital Co., Ltd. which is under the supervision of OK Financial Group) and JB Woori Capital Co., Ltd (a subsidiary company of JB Financial Group) based in Republic of Korea.

For twelve years PPCBank has been servicing customers to the fullest capability. As of June, 2020 our total asset increase to US\$ 1,000 million, serving more than 117,000 customers, 21 branches national wide (two new branches are under the processing and expected to officially open in August, 2020) and 54 ATMs network (other more ATMs are being considered to install at major popular location across the country). Moreover, PPCBank will continue to deliver other convenient services and support through our digital channels to make banking experience easier for customers. Recently, we have released a new version of our corporate internet banking “smartBiz 1.5” and “mobile banking 2.0” to make sure we provide the easiest and up to date features to our customers. Customers also can connect with us through live chat embedded on all PPCBank’s digital channels for 24/7. In addition, PPCBank established first SME Center that will go beyond providing SME oriented financial products and services. Small and medium size enterprises will also be served with business consultation. Also, we have already expanded services with our foreign desk (Korea, Japan and China desk), Gold Club and SME Center that will go beyond providing SME oriented financial products and services. We truly value all of our customers and we will continue to develop new products and services to best serve customers.

## C. Quarterly Key Events

In June 2020, National Bank of Cambodia (NBC) approved the conversion amount US\$ 12 million from retained earnings into paid-in capital which will increase registered capital of PPCBank from US\$ 80 million to US\$ 92 million equivalents to 92,000 shares with a par value of US\$ 1,000.

In the purpose of increasing the efficiency of providing public service to be higher quality as well as to be easier, faster and safer for the customers of PPCBank to pay their monthly electricity bill, PPCBank had proposed and successfully got alliance with Electricity du Cambodge (EDC) on 7<sup>th</sup> May, 2020 for monthly electricity bill payment collection in Phnom Penh city and Kandal province.

In the same month, PPCBank also started serving bill payment to its own customers for monthly water supply bill payment through the alliance with Phnom Penh Water Supply Authority (PPWSA).

To provide customers for more efficient banking service, PPCBank has launched Cambodia Shared Switch (CSS) POS Acquiring Service in Q2 2020 which allows CSS cardholders can make payment via PPCBank's POS terminal.

In April 2020, PPCBank successfully raised 40 billion riels (about USD10 million) during the first phase of its bond issuance process amid the COVID-19 pandemic. The first phase investors have subscribed to foreign exchange-indexed bonds with an interest of 6.5 percent per annum and a maturity of three years. A total of 400,000 bonds were issued during the first phase at a par value of 100,000 riels per bond. The bank plans to raise another 40 billion riels in its second phase in the next six months or so by carefully following the developments with regard to COVID-19.

In the 2<sup>nd</sup> quarter of 2020, PPCBank started launching Bakong Wallet which is a digital wallet owned by National Bank of Cambodia (NBC) that allow commercial banks or MFIs to join as member. The customers can top-up to their wallet at any Bakong member as well as be able to transfer/receive fund by using Bakong Wallet with free of charge and be able to pay goods or services.

In the same quarter, to deliver other convenient services and support through our digital channels, PPCBank has upgraded and released a new version of our corporate internet banking “smartBiz 1.5” and mobile banking 2.0 to make sure we provide the easiest and up to date features to our customers.

## PART 2 - INFORMATION ON BUSINESS OPERATION PERFORMANCE

### A. Business Operation Performance including business segments information

Key Achievement	Quarter 2 2020	2019
<b>Loan</b>		
Loan Accounts	6,247	5,571
Total Gross Loans <i>(in KHR million)</i>	2,820,451	2,647,819
<b>Deposit</b>		
Deposit Accounts	141,621	134,750
Total Deposits <i>(in KHR million)</i>	3,075,694	2,895,117
<b>Others</b>		
Operating Branches	21	21
Number of Staffs	488	447
ATMs	59	43
POS Terminals	236	171

### B. Revenue Structures

No	Sources of Revenue	Quarter 2 2020		Quarter 2 2019	
		Amount <i>(in KHR million)</i>	Percentage (%)	Amount <i>(in KHR million)</i>	Percentage (%)
1	Interest of Income	68,745	93.16	61,471	95.49
2	Fee and Commission Income	5,008	6.79	2,797	4.34
3	Other Income	41	0.05	104	0.16
<b>Total Income</b>		<b>73,793</b>	<b>100</b>	<b>64,372</b>	<b>100</b>

**PART 3 - FINANCIAL STATEMENT REVIEWED BY THE  
EXTERNAL AUDITOR**

(Please refer to the Annex for Interim Financial Statement Reviewed by External Auditor)

## PART 4 - MANAGEMENT'S DISCUSSION AND ANALYSIS

### (MD&A)

The following discussions and analyses focus on the operational and financial results based on interim Consolidated Financial Statement of Phnom Penh Commercial Bank (PPCBank) and its subsidiary, J&A (Cambodia) Investment Co., Ltd (the "Group") as of 30 June 2020 reviewed by Independent Auditors. The Interim Consolidated Financial Statements have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRS") and follows regulations and guidelines of National Bank of Cambodia.

#### A. Overview of Operations

##### 1. Revenue Analysis

PPCBank has three main types of income including Interest Income, Fees and Commissions Income and Other Income.

- Interest Income includes the interest income from loan to customers, deposit with banks and investment securities.
- Fee and Commission Income mainly includes loan commission, inward and outward remittance and card income.
- Other Income includes foreign exchange gains and other income.

##### 2. Revenue by Segment Analysis

No	Source of Income	Quarter 2 2020		Quarter 2 2019	
		Amount (in KHR million)	Percentage (%)	Amount (in KHR million)	Percentage (%)
1	Interest of Income	68,745	93.16	61,471	95.49
2	Fee and Commission Income	5,008	6.79	2,797	4.34
3	Other Income	41	0.05	104	0.16
<b>Total Income</b>		<b>73,793</b>	<b>100</b>	<b>64,372</b>	<b>100</b>

PPCBank earns most income from interest income representing 93% of total income in Q2 2020.

### 3. Gross Profit Margin Analysis

PPCBank prepares its Consolidated Statement of Profit or Loss and Other Comprehensive Income in which the format did not present the gross profit margin, but it presented the net interest income which resulted from the total interest income less interest expenses discussed under the next section on the Profit (Loss) before Tax Analysis.

### 4. Profit/ (Loss) Before Tax Analysis

Statement of Profit or Loss before Tax	Quarter 2 2020 (in KHR million)	Quarter 2 2019 (in KHR million)	Variance (in KHR million)	Variance (%)
Interest income	68,745	61,471	7,273	11.83
Interest expense	(28,142)	(19,822)	(8,321)	41.98
<b>Net interest income</b>	<b>40,602</b>	<b>41,650</b>	<b>(1,047)</b>	<b>(2.51)</b>
Fee and commission income	5,008	2,797	2,211	79.05
Fee and commission expense	(1,144)	(482)	(662)	137.43
<b>Net fee and commission Income</b>	<b>3,864</b>	<b>2,315</b>	<b>1,549</b>	<b>66.90</b>
Other operating income	41	104	(63)	(60.94)
Personal expenses	(7,447)	(7,250)	(198)	2.73
Other expenses	(8,776)	(7,642)	(1,133)	14.83
Depreciation and amortization	(5,318)	(5,060)	(258)	5.10
<b>Operating profit</b>	<b>22,966</b>	<b>24,116</b>	<b>(1,150)</b>	<b>(4.77)</b>
Net impairment losses on financial instruments	(1,103)	(1,943)	840	(43.25)
<b>Profit before tax</b>	<b>21,863</b>	<b>22,173</b>	<b>(310)</b>	<b>(1.40)</b>

In Q2 2020, profit before tax KHR 21,863 million (1.4% lower than Q2 2019). The decreasing of the profit is mainly from increasing of operating expense driven by depreciation (IT & New branches) and maintenance fee for the core banking system and new branches.

#### 5. Profit/ (Loss) After Tax Analysis

Statement of Profit or Loss after Tax	Quarter 2 2020 (in KHR million)	Quarter 2 2019 (in KHR million)	Variance (in KHR million)	Variance (%)
Profit before tax	21,863	22,173	(310)	(1.40)
Income tax expense	(4,843)	(5,650)	807	(14.28)
<b>Net profit for the period</b>	<b>17,020</b>	<b>16,524</b>	<b>496</b>	<b>3.00</b>

In Q2 2020, the net profit for the period was KHR17,020 million with 3% higher than Q2 2019 mainly from decreasing of income tax expense. As a result, PPCBank achieved the Return on Equity of 12.26% and the Return on Assets of 1.82% as of 30 June 2020.

#### 6. Total Comprehensive Income (loss) Analysis

Total Comprehensive Income	Quarter 2 2020 (in KHR million)	Quarter 2 2019 (in KHR million)	Variance (in KHR million)	Variance (%)
Net profit for the period	17,020	16,524	496	3.00
Other comprehensive loss	1,255	2,476	(1,222)	(49.33)
<b>Total comprehensive income</b>	<b>18,275</b>	<b>19,000</b>	<b>(725)</b>	<b>(3.82)</b>

#### 7. Factors and Trends Analysis affecting financial Conditions and Results

The novel coronavirus (COVID-19) declared as pandemic has spread into Cambodia since late January 2020. Since then, the country is facing sustained risk of further national spread causing disruption to business and economic activities. However, management considers that Group and the Bank's activities may be slow in this short period but would not lead to a going concern issue given the size of the operations, current profitability level and liquidity headroom of the Group and the Bank.

## **B. Significant Factors Affecting Profit**

### ***1. Demand and Supply Conditions Analysis***

PPCBank considers the acquiring new funding with lower cost of fund and the growth of loan products in the SME sectors are the most importance factors in term of profitability. To achieve it, The bank continuous development of the Bank's digital platform, as a result, PPCBank has upgraded and released a new version of corporate internet banking “smartBiz 1.5” and mobile banking 2.0 to make sure the bank provides the easiest and up to date features and provides to customers with innovative and modern financial products and services through the bank’s digital channels.

The Bank also significantly invested in the enhancement of its self-banking facilities by installing more ATMs, POS-terminals, and expanding its network of electronic payments.

### ***2. Fluctuations in Price of Raw Material Analysis***

PPCBank operates in the service industry; therefore, the fluctuations on raw material price are not applicable to the Bank.

### ***3. Tax Analysis***

PPCBank is under the governance of Commercial Law on Taxation; therefore, the Bank is obligated to pay taxes as determined by the General Department of Taxation.

Paying relevant taxes to the General Department of Taxation also plays a role as a contributor to Cambodian society and economic growth. For good practice on tax compliance, PPCBank was awarded "GOLD" certificate of tax compliance from GDT on 06 March 2020 with a 2-year validity period for the tax year 2020 and 2021.

### ***4. Exceptional and Extraordinary Items Analysis***

With the novel coronavirus (COVID-19) pandemic, there is a significant decline in the global economy. The management has assessed the impact of COVID-19 on the Bank and concluded that there was no material impact to the Bank's financial statements.

### **C. Material Changes in Sale and Revenue**

In Q2 2020, PPCBank recorded slightly decrease in the revenue, net interest income 40,602 million KHR, which represents 2.51% lower compared to the same period in 2019.

### **D. Impact of Foreign Exchange, Interest Rate and Commodity Prices**

PPCBank adheres to the strategy of not exposing itself to large foreign exchange positions. The foreign currency exchange open positions are monitored and managed, ensuring the sustainability of profits to the Bank.

In terms of interest rates, fixed interest rates for the bank deposits and loans had been applied. Therefore, it didn't experience significant changes in interest rates during the reporting period.

The impact of commodity prices is not applicable to the Bank.

### **E. Impact of Inflation**

In Q2 2020, there is no material impact of inflation on the Bank's operational expenses.

### **F. Economic / Fiscal / Monetary Policy of Royal Government**

In term of the COVID-19 pandemic situation which can be affected to the people health in the world and the partial withdrawal of the EU's "Everything But Arms" agreement (EBA) exposed Cambodia to certain economic challenges. Some sectors such as garment industry, service sector, tourism, and other vital sectors of the economy started experiencing difficulties in this regard.

To respond with these issues, on 17 March 2020, the National Bank of Cambodia (NBC) issued a press release on the additional measures to facilitate and urge financial institutions to have stronger liquidity. The NBC deferred the implementation of the Capital Conservation Buffer (CCB) by 50%, reduced the minimum interest rate on Liquidity-Providing Collateralized Operation (LPCO) to 0.5%, the interest rate on Negotiable Certificate of Deposits (NCD) to appropriate rate, and also the interest rate on the reserve requirement in local and foreign currencies from 8% and 12.5%, respectively, to 7% for six months starting from April 2020. In additional, on 27 March 2020, the NBC issued a circular to all financial institutions to restructure loans in order to maintain financial

stability, support economic activity, and ease the burden of borrowers who may find it difficult to repay loans during the COVID-19 pandemic.

Moreover, in order to strengthen independence in conducting monetary policy and contribute to a more efficient economic stimulus, the National Bank of Cambodia has further promoted the widespread use of the riel, focusing on spending on small transactions by replace the using of the US dollar, smaller note types can be replaced by the riel.

As a result, the management of the Bank concluded that there was a small impact to the Bank's financial results in this quarter of 2020.

**Signature of Directors of Phnom Penh Commercial Bank Plc.**

August 14, 2020

Seen and Agreed



**YIM, Yong Taick**

Chairman

