

**PRAKAS**  
**ON**  
**ANNUAL AUDIT OF FINANCIAL STATEMENT OF BANKS**  
**AND FINANCIAL INSTITUTIONS**

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**Article 1**

Bank and Financial Institutions are required to produce annual audit financial statements and submit to National Bank of Cambodia no later than 31 March of each calendar year. Authorized external auditors are required to audit and give an opinion on financial statements of Bank and Financial Institutions.

**Article 2**

Bank and Financial Institutions must produce their annual financial reports to be audited in accordance to the appendixes attached.

**Article 3**

Report and accounts stipulated as per attached guideline shall be published starting from 2005 and must be no later than June 30 of each calendar year. Published report and accounts shall be readily available to customers and the public.

**Article 4**

Bank and Financial Institutions that are not compliant with this regulation will be penalized according to article 52 of the Law on Banking and Financial Institutions.

**Article 5**

The Direction General, the Secretariat General, the Inspection General, the Cashier General, all Departments of the National Bank of Cambodia, and all Banks and Financial Institutions, and the Representative Offices of foreign banks under the National Banks of Cambodia's supervisory authority shall strictly implement this Prakas.

**Article 6**

This Prakas shall have effect from the signing date.

Phnom Penh, 29 December 2004

**The Governor**

Signed and sealed: **Chea Chanto**

## The Financial Statement

The financial statements must be prepared in accordance with Cambodian Accounting Standards (CAS) and National Bank of Cambodia (NBC) guidelines. In cases, where current CAS do not stipulate the accounting treatment and/or disclosure requirements, recourse should be made to the International Financial Reporting Standards (IFRS). However, in all situations where a conflict exists between NBC guidelines and CAS or IFRS, NBC guidelines shall take precedence.

### 1. BALANCE SHEET

1.1 Banks should disclose the following minimum information in the balance sheet or in the notes to financial statements:

#### **Assets**

- Cash
- Balances with central bank
- Balances with banks and other financial institutions
- Placements with, and loans to, banks and other financial institutions
- Royal Government treasury bills and securities
- Other Government treasury bills and securities
- Trading securities
- Bills receivable
- Loans and Advances to customers (note 1.5)
  - Provisions for Bad and Doubtful Debts
    - Specific
    - General
- Investment securities held (to analyze into equity or debt)
- Other assets (to provide a breakdown of major items) Due from holding company
- Due from subsidiary companies (to analyze into equity or debt)
- Investments in associated companies (to analyze into equity or debt securities)
- Fixed assets (note 1.4)
- Properties foreclosed (note 1.4)

#### **Liabilities**

- Deposits and balances of banks
- Deposits of non-bank customers
- Provision for taxation
- Bills and drafts payable
- Other borrowings
- Other liabilities (to provide a breakdown of major items)
- Dividend payable
- Due to holding company
- Due to subsidiary companies Debt Securities Issued (note 1.3)
- Subordinated Debts

## Capital & Reserves

Contributed Capital (Foreign Branch)

Share capital (authorized and issued and fully paid)

Subordinated Loans

Reserves (to analyze into the various types of reserves) including revaluation reserve (note 1.2)

Retained profits/ Accumulated Loss

1.2 Banks should disclose the amount of each type of reserves at the beginning and end of the financial year, and the amount of any transfers to or from each type of reserves during the year.

	Common Stock 4012	General Banking Reserve	Reserves 4052	Revaluation of LTMES	Retained earnings 4070
Opening balance					
+ Charge to reserve-write back from reserves					
Ending Balance					

1.3 For debt securities issued by the bank with an original maturity of more than one year, banks should disclose the interest rate (for fixed rate securities) or interest fixing method (for floating-rate securities) and repayment date.

1.4 Banks should disclose the market value of quoted investments, bank properties and foreclosed properties. (In accordance with the requirements of the Prakas No B7-0 1-186 Prokor on Fixed Assets of Banks)

### 1.5 Loans and advances to customers

	Opening balance	Ending balance
Loans to Government		
Royal Government of Cambodia		
Other		
Commercial Loans		
Overdrafts Short term loans		
Long term loans		
Lease Financing		
Loans to related parties*		
Other commercial loans		
Consumer Loans		
Real estate		
Overdrafts		
Other consumer loans		
Total Loans		

\* For term "Loans to Related Parties" please refer to the article 49 and 50 in chapter XVI of Law on Banking and Financial Institutions

1.6 Banks should disclose the gross aggregate amount of performing and non-performing loans (secured and unsecured loans), which is defined as loans classified as standard, sub-standard, doubtful and loss in accordance with Prakas

	Ending balance	Opening balance
Standard Loan		
-Secured		
-Unsecured		
Substandard Loans		
- Secured		
-Unsecured		
Doubtful Loans		
-Secured		
-Unsecured		
Loss Loans		
-Secured		
-Unsecured		

1.7 Banks should provide a movement schedule showing the balance of provisions at the beginning of the year, the amount charged/released to profit and loss account during the year, the amount utilized to write off bad loans during the year and the balance at the end of the year in respect of:

- Specific provisions for loan losses
- Specific provisions for diminution in value of investments and other assets, and
- General provisions for possible loan losses and other banking risks.

A similar movement schedule for interest-in-suspense should also be provided.

1.8 Assets pledged to third parties as security for liabilities, together with the aggregate amount of the related secured liabilities, should be disclosed.

## 2. PROFIT AND LOSS STATEMENT

Banks should disclose the following minimum information in the profit and loss statement or in the notes to the financial statements:

Interest income

Interest expense

Net interest income

Other operating income

- Gains (losses) from translation and trading/dealing activities (to analyze into income from trading in foreign exchange, securities and other financial instruments separately)
- Fees and commissions
- Dividends (to analyze into dividend income from subsidiaries, associated companies and other investments separately)
- Rental
- Gains (losses) on disposal of investment securities
- Others

Other operating expenses

- Staff costs (include bonuses)
- Directors' fees and remuneration
- Auditors' remuneration
- Depreciation Amortization
- Maintenance and hire of fixed assets
- Premises expenses (maintenance and insurance)
- Others

- Security expense (**insurance on money** shipping, protection of premises, customers)

Operating profit

Provisions for possible loan losses and diminution in value of other assets

- Specific provisions for loan losses
- Specific provisions for diminution in value of investments and other assets
- General provisions including provisions for possible loan losses and other banking risks
- Recoveries of provisions and write off expensed in previous period
- Amount written off

Share of profits (losses) of associated companies.

Taxation

Extraordinary items

Inappropriate profit brought forward from previous year

Dividend

- Interim
- Proposed final dividend

Transfer to general reserves

Inappropriate profit carried forward

### 3. CASH FLOW STATEMENT

Banks should prepare a cash flow statement.

### 4. OFF-BALANCE SHEET ITEMS

Banks should disclose the following off-balance sheet items under three categories:

- Contingent liabilities. Disclose the contract amount for each of the items below or for each of the items under similar classification:
  - Direct credit substitutes
  - Transaction-related contingencies
  - Trade-related contingencies
  - Other contingent liabilities
- Commitments. Disclose the committed amounts to each of the items below:
  - Undrawn credit lines and other commitments to extend credit
  - Undrawn note issuance facilities and revolving underwriting facilities
  - Forward assets purchase/sale and forward deposits placed
  - Other commitments
- Financial derivatives covering foreign exchange, interest rates, and equity, bullion and other commodities, and other related contracts. They include forward sales and purchases of currencies and securities, interest rate and currency swaps, forward rate agreements, and futures and options. Where material, banks should disclose the contract amount, the gross positive and negative mark-to-market value and the effect of legally enforceable netting arrangements for each of the items. Where material, the same information should be provided for commodity and credit derivatives. Segregate transactions on derivatives between hedging transactions and trading transactions

## 5. ACCOUNTING POLICIES

Banks should disclose significant accounting policies, which have been adopted in the preparation of and presentation of the financial statements. Disclosure of accounting policies should include, but are not limited to the following:

- Basis of recognition of each principal source of income
- Changes in accounting methods during the year; in this case, financial accounts of the previous year must be presented with the new methods.
- Basis for specific provisions for loan losses and general provisions for creditor other banking risks.
- Valuation methods of investment securities, dealing securities and financial derivatives
- Depreciation of fixed assets
- Basis of consolidation
- Translation of foreign currency assets and liabilities.

## 6. SEGMENTAL INFORMATION

6.1 Banks should analyze loans and advances by the following industry groups (concentration of funding by category):

- Agriculture
- Manufacturing
- Building and construction
- Housing
- Wholesales and retails
- Export
- Import
- Transport, storage and communication
- Services
- Professional and private individuals (except housing loans)
- Others

6.2 Banks should provide a maturity analysis for loans (bank and non-bank) and deposits (bank and non-bank) using the following maturity grouping:

- Maturing within one year
- Over one year but within three years
- Over three years but within five years
- Over five years

The analysis into the relevant maturity groupings should be based on the remaining period to the contractual maturity date on the balance sheet date.

## 7. SUPERVISORY

Banks should disclose the following information for supervision purposes and this information will not be published for public information.

### 7.1 Prudential Regulations

- Liquidity Ratio Prakas No B7-00-38 and Prakas No B7-02-187: Prakas on amendment of Prakas No B7-00-38 i. Liquidity management ii. Liquidity position
- Net Worth Prakas No B7-00-47 [*Replaced by B-7-010-182*]

- Solvency Ratio Prakas No B7-00-46
- Provision for bad and doubtful debt Prakas No B7-00-51 [*Replaced by B-7-09-074*].

## 7.2 Additional information (appendix 2)

## 7.3 Financial soundness indicators (appendix 3)

- Capital
- Assets
- Earnings
- Liquidity

## 7.4 Management letter

Comments by auditors, highlighting any weaknesses found in the course of audit, but not limited to the following areas:

- 1- All the contracts and agreements signed between bank and shareholders, directors and other related parties.
- 2- Management changes (senior staff, frequency, reasons, and potential conflict of interests, appointments to the board).
- 3- New products introduced (Selling T/C, exchange contracts).
- 4- New fiduciary agreements (New leases, agency agreements with banks).
- 5- New branches opened (reasons, objectives, staffing).
- 6- Quality of loan portfolio (concentration of credits, regions, industry, individuals).
- 7- Investments made/disposed off during the year (reasons, authorized, fully minute at board level).
- 8- Adequacy of provisions
- 9- Computer operations (security, backup, staff, efficiency, risks).
- 10- Disaster Recovery Plans
- 11- Policies for managing currency risk exposure to currency risk (Quantitative Information)
- 12- Any other weaknesses, likely to undermine public interest

Name of Bank.....

**I - BALANCE SHEET ITEMS**

- (A)-(i) Total Credit Facilities\* outstanding graded
  - Substandard
  - Doubtful
  - Bad
- Less amount estimated to be recoverable
- Amount estimated to be irrecoverable
  - (ii) Specific provision for bad and doubtful debts
    - Loans and advances
    - Bills receivable
  - (iii) General Provision for loans
- (B)- Short and long term investment securities.

**Amount**

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Description	Original Cost	Par Value	Premium Charged to Expense	Discounts Accrued as Income	Diminution in value		Net Book Value	Market Value (Ex-interest in case of debt securities)
					Provision Made	Amount Written off		
(i) Royal Government Treasury bills								
(ii) Other government Treasury bills								
(iii) Investment in Subsidiary Companies								
(iv) Investment in Associated Companies								
(v) Other Investments:								
- Equity Investment								
- Other papers								

\* Inclusive of bills discounted



<b>(C) Bank premises and other immovable property:</b>	<b>Amount</b>
(i) Original cost of property	_____
(ii) Amount written off	_____
(iii) Provision for depreciation/losses	_____
(vi) Market value/Estimated market value	_____
(Indicate date property if applicable was last valued by professional valuers )	_____

To provide list of properties, addresses and other details

<b>(D) Capital reserves:</b>	
(i) Share premium reserves	_____
(ii) Revaluation reserves	_____
(iii) Other capital reserves	_____

<b>(E) Revenue reserves</b>	
(i) Reserve Requirement	_____
(ii) Other revenue reserves	_____
(iii) Unappropriated profit or loss	_____

<b>(F) Other provision and reserves for losses or contingencies</b>	
Give breakdown of provisions and other reserves (indicating purposes) classified under the item "Other liabilities including provisions and other reserves" in the balance sheet.	_____

**(G) To provide breakdown of items listed in 'Other Accounts'** \_\_\_\_\_

<b>(H)</b> (i) Total deposits of non-bank customers	_____
(ii) Deposits and balances of bankers and agents	_____

**Where applicable, the following items should be attached:**

- (ii) List of outstanding credit facilities utilized by companies in which the bank directly or indirectly holds share capital.
- (iii) List of loans and other credit facilities granted to related parties provided in articles 48-50 of Law on Banking and Financial Institutions
- (iii) List of assets of the bank that have been mortgaged or pledged with other banks, financial institutions, etc, as securities for funds provided to the bank or any party by way of deposits, loans advances or any other means.

**II- PROFIT AND LOSS ACCOUNT**

(i) A copy of the audited Profit and loss Account showing details of the income and expenditure of the bank, and

(ii) A copy of the Profit and loss Appropriation Account are attached.

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Chief Executive Officer

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Principal Financial Officer

We confirm that the financial data stated herein are in accordance with the financial books and records of the bank from which the audited statutory accounts of the bank are prepared.

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External auditors

**Notes:**

- 2- Capital tier 1 = paid-up capital (common stock) + reserve
- 3, 4 and 6 Risk weighted assets refer to the denominator of the solvency ratio. For more detail, please refer to the Prakas on Bank's Solvency Ratio.
- 4- Capital tier 1+ tier2 = paid-up capital (common stock) + reserve + general reserves -subordinated debts +hybrid capital (preferred stock)
- 9- Dividend refers to the dividend paid during the year.
- 11- Banking reserve refers to account number 405000 in the chart of account.
- 14-16 Classified assets refer to non-performing loans and those assets for which specific provisions are made.
- 18- For definition of term "Large Exposure" please refer to the Prakas No.B7-06-226 on Controlling Bank's Large Exposures.
- 24- All allowances = allowance for loans and lease loss (account number 170000) + allowance for potential losses on investment and securities (account number 214000).
- 31- Provision indicated by account number 661000, which includes provision for bad and doubtful debts on principal and accrued interest, provision for off balance sheet loss expense, provision for doubtful and loss of securities on principal, and global and general provision
- 34- Tax = patent tax (657100) + tax on unused land (657400) + tax on transportation (658000) + income tax (659100).
- 39- Liquid assets refer to debit items mentioned in Prakas No.B700-38 on Liquidity Ratio.
- 42- Quick assets = cash + gold + deposit with NBC (excluding capital guarantee and reserve requirement) + deposit with other banks.

## FINANCIAL SOUNDNESS INDICATORS

### **CAPITAL**

- 1- Equity to Total Asset (A/B)
    - A- Equity
    - B- Total assets
  - 2- Capital Tier I to Total Asset (A/B)
    - A- Capital tier I
    - B- Total assets
  - 3- Capital Tier I to risk weighted Asset (A/B)
    - A- Capital tier I
    - B- Risk weighted assets
  - 4- Capital Tier 1 + Tier 2 to Risk Weighted Asset (AB)
    - A- Capital tier 1+ tier 2
    - B- Risk weighted assets
  - 5- Net Worth to Total Assets (A/B)
    - A- Net worth
    - B- Total assets
  - 6- Solvency Ratio (A/B) A- Net worth
    - B- Risk weighted assets
  - 7- Debt to Total Asset (A/B)
    - A- Total liabilities
    - B- Total assets
  - 8- Debt to Equity (A/B)
    - A- Total liabilities
    - B- Equity
  - 9- Dividend to Net Profit (A/B)
    - A- Dividend
    - B- Net profit
- ASSET QUALITY**
- 10- Banking Reserve to Total Loans (A/B)
    - A- Banking reserves
    - B- Total loans (gross)
  - 11- Banking Reserves to Total Assets (A/B)
    - A- Banking reserves
    - B- Total assets
  - 12- NPL to Total Loan (A/B)
    - A- NPL
    - B- Total loans (gross)
  - 13- NPL to Total Asset (A/B)
    - A- NPL
    - B- Total assets
  - 14- Classified Asset to Total Loan (A/B)
    - A- Classified assets
    - B- Total loans (gross)
  - 15- Classified Asset to Total Asset (A/B)
    - A- Classified assets
    - B- Total assets
  - 16- Classified Asset to Equity (A/B)
    - A- Classified assets
    - B- Equity
  - 17- Loan to Related Parties to Total Loan (A/B)
    - A- Loan to related parties
    - B- Total loans (gross)
  - 18- Large Exposure to Total Loan (A/B)
    - A- Large exposure
    - B- Total loans (gross)
  - 19- Loan to Related Party to Net Worth (A/B)
    - A- Loan to related parties
    - B- Net worth
  - 20- Large Exposure to Net Worth (A/B)
    - A- Large exposure
    - B- Net worth
  - 21- General Provision to Total Loan (A/B)
    - A- General provision
    - B- Total loans (gross)
  - 22- Specific Provision to Total Loan (A/B)
    - A- Specific provision
    - B- Total loans (gross)
  - 23- Specific Provision to NPL (A/B) A- Specific provision B- NPL
  - 24- All Allowances to Total Assets (A/B)
    - A- Total alt allowances
    - B- Total assets

- 25- Loans to Deposits (A/B)
  - A- Total loans to non-bank customers (gross)
  - B- Customer's deposits

### **EARNINGS**

- 26- ROA (A/B)
  - A- Net profit
  - B- Total assets
- 27- ROE (A/B)
  - A- Net profit
  - B- Equity
- 28- Gross Yield (A/B)
  - A- Interest income
  - B- Total assets
- 29- Net Interest margin (NIM) to Total Asset (A-B)/C)
  - A- Interest income
  - B- Interest expense
  - C- Total assets
- 30- Other Income (OTINC) = (A/B)
  - A- Other incomes
  - B- Total assets
- 31- Provision to Total Assets (A/B)
  - A- Provision
  - B- Total assets
- 32- Overhead (OHEAD) = (A/B)
  - A- Non-interest expenses
  - B- Total assets
- 33- Net Income Before Tax (NIBT) = (A/B)
  - A- Net income before tax
  - B- Total assets
- 34- Tax to Total Assets (A/B)
  - A- Tax
  - B- Total assets
- 35- Interest Margin to Gross Income ((A-B)/C)
  - A- Interest income
  - B- Interest expense
  - C- Gross income
- 36- Non-interest Income to Gross Income (A/B)
  - A- Non-interest income
  - B- Gross Income
- 37- Non-Interest Expense to Gross Income (A/B)
  - A- Non-Interest expense
  - B- Gross income
- 38- Times Interest earned ((A+B)/C)
  - A- Income before tax
  - B- Interest expense
  - C- Interest expense

### **LIQUIDITY**

- 39- Liquid Asset (A/B)
  - A- Liquid asset
  - B- Total assets
- 40- Short-term Liabilities (A/B)
  - A- Short-term liabilities (less than one year)
  - B- Total assets
- 41- Net Liquid Assets (A-B)/C)
  - A- Liquid assets
  - B- Short-term liabilities
  - C- Total liabilities
- 42- Quick ratio (A/B)
  - A- Quick assets
  - B- Current liabilities
- 43- Deposits to Total Loans (A/B)
  - A- Total customers' deposits
  - B- Total loans to non-bank customers (gross)

**GUIDELINES  
FOR  
BANKS AND FINANCIAL INSTITUTIONS ON ITEMS TO BE INCLUDED  
IN FINANCIAL REVIEW FOR PUBLICATION**

**Banks** should provide the following minimum information:

**1) Chairman's statement**

- Overall business environment
- Summary of the bank financial performance
- Inform briefly on new products introduced if any
  - Ability to meet NBC regulation, and actions taken
  - Steps taken to strengthen the bank position and performance
  - Board focus and commitment

**2) Board of Directors Chart**

- How duties and responsibilities are divided within the bank
- Reporting and management of work

**3) Report of the Board of Directors**

- Directors' report
- Principal activities during the year

**4) Policy and Practice Guidelines for Corporate Governance**

- Selection of directors
- Board of directors
  - Board composition
  - Board and Directors' profile
  - Board meetings
- Internal control
- Risks management
- Code of ethics
- Independency and transparency

**5) Business description**

- Principal activities of the bank
- Mission and vision
- Bank philosophy
  - Customers
  - Employers
  - Environment, Social and Community
  - Shareholders

## **6) Financial Highlights (key performance indicators)**

- Profitability
- Balance sheet summary
- Financial ratio
- Other items (dividends, capital management)

## **7) Analysis of the results (key performance indicators)**

- Detail analysis of each item of the key performance

## **8) Business Operation Target**

- Financial perspective
- Customer perspective
- Internal process perspective
- Human resource development
- Significant operation plan for the following year

## **9) Financial risk management policies**

- Operational risk
- Credit risk
  - Non-performing loans
  - Debt restructuring
  - Risk from concentration of loans (large exposures)
  - Risk from collateral impairment
- Market risk
  - Foreign currency exchange risk
  - Interest rate risk
  - Liquidity risk

## **10) Directors' declaration on the financial statements**

## **11) Independent Audit Report**

## **12) Shareholding Information (Quantitative)**

## **13) Financial statements including notes to the financial statements**

## **14) Bank representation (branches and international correspondents)**

- Branches and international correspondent

## **15) Significant changes during the year**

## **16) Three year financial summary**

- Overview