



Rural Development Bank

Annual Report 2012



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BACKGROUND

The Rural Development Bank (RDB) was created by the Royal Government of Cambodia in 1998. The RDB is a public and autonomous enterprise, authorized to operate as a specialized bank.

The RDB is a key mechanism to support and strengthen micro finance and rural credit services, promote small and medium enterprises.

MISSION

RDB's vision is to promote agricultural, rural development and general economic activities in order to take part in poverty alleviation and raise the living standard of people.

MAIN DUTIES

- To provide finance to licensed financial institutions, commercial banks, specialized banks, Micro Finance Institutions, Credit Operators, Associations, Development Communities, Micro Small and Medium Enterprises (MSME), whose activities support the rural economy,
- To negotiate with development partners in order to attract grants and concessional loan funds for expanding the bank's operations,
- To cooperate with financial institutions in extending credit for implementing the project in agriculture, rural development and rural economy,
- To provide technical training to the Credit Operators,
- To implement the loan project according to the request of development partners while other Micro Finance Institutions could not implement,
- To provide loan for implementing special projects of the government or other sources with an agreement from the Ministry of Economic and Finance.

Products and Services

- **Loans** : Short term, Medium term, Long term, Overdraft
- **Deposits**: Saving Accounts, Fixed Deposit, Checking Accounts
- **Services**: Remittances, Inter-bank transactions

The Interest Rate

Interest rate can be adjusted according to market trends. For funds coming from development partners or from international financial institutions, the interest rates can be set according to the terms and conditions of the agreement between development partners or lenders and the RDB or with the Royal Government and RDB.

Source and Funds

- National budget as the RDB's capital to support rural micro finance, associations, development communities and SMEs.
- Special Funds of the Royal Government of Cambodia (Agricultural Supporting Development Fund) for supporting and developing agricultural and agro-industrial sectors.
- The agence Française de Développement (AFD), supporting Family Rubber Plantation Project in Kompong Cham Province.
- The Asian Development Bank (ADB) for Rural Credit and Saving Project.
- The International Fund for Agricultural Development (IFAD)
- Syndicated loans from commercial banks such as Canada Bank and Foreign Trade Bank of Cambodia
- Loan from China Development Bank for paddy and rice improvement in Cambodia
- Deposit

RDB's partners

RDB works in cooperation with national and international financial institutions in Cambodia and overseas such as Commercial banks, Micro-finance institutions, Bank for Investment and Development of Cambodia (BIDC) the Agence Française de Développement (AFD), the Asian Development Bank (ADB), the China Development Bank (CDB), and the International Fund for Agricultural Development (IFAD). RDB is a member of the Association of Banks in Cambodia (ABC), the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), and the Asia-Pacific Rural and Agricultural Credit Association (APRACA). RDB also has the cooperation with the Chamber of Professional and Micro Enterprises of Cambodia (CPMEC), the Cambodian One Village One Product National Committee (OVOP), and the China Development Bank.

Chairman & CEO's Statement



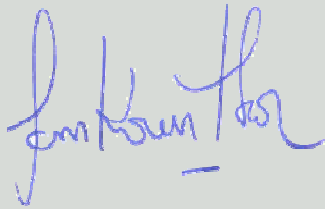
With strongly support from the Ministry of Economy and Finance and understanding from National Bank of Cambodia as parent and under the management of Board of Director, Rural Development Bank (RDB) is continuing to implement its duties to bring the country's benefit, develop rural economy, promote entrepreneurship, and reduce the poverty with stability, especially participates to push Royal Government of Cambodia's (RGC) policy to get success on the paddy/rice production promoting and rice exporting. RGC's special project through Agriculture Development and Support Fund (ASDF) and RDB's counterpart fund are providing to support Microfinance, Micro-enterprise, SME, Farmer Community, Rice Mill Associations, Paddy/Rice Processing Companies, with both working capital to collect paddy from farmers to store and process for local consumption and to compete both price and quality in market, especially rice export instead of paddy and investment capital to expand and modernize the dryer and processing machines. Through this concessional loan, Cambodia's rice export is increasing from year by year.

Agriculture is really crucial for boosting the national economic growth and reducing rural poverty. The royal government's concessional loan is a proper and necessary means to serve growing paddy, cassava and vegetables, raising animals, purchasing and processing the local people's agricultural products, supplying markets, developing markets for sustainable exchange of products, and attracting businessmen, vendors and investors to the rural areas. Thus, in response to high recommendations of Samdech Akka Moha Sena Padei Techo Hun Sen, the prime minister of the Royal Government of Cambodia, Rural Development Bank plays as the mechanism to serve the government's policies, has expanded financing of special fund to the rural and western bordering areas, and army family communities who are standing at Preah Vihear Temple. With this special fund, it is possible to ensure the army households' standard of living and long-term resettlements; particularly living with families and this is to pitch in to supply food to the army who are positioning at the Preah Vihear Temple area and the local people. Based on the successful experience that the bank gained from implementing the integration of microfinance sector on the small and medium enterprises in Malai district, Banteay Meanchey province and Komreang, Phnom Prek, Sompov Lun, Battambang province, RDB has been implementing the project at other areas and sectors following its potential.

Due to the necessary demands, RDB's loan has been increasing continuously from 2008 in which 32 million USD in 2008, 35.6 million USD in 2009, 48 million USD in 2010, 53.5 million USD in 2011 and 70.5 million USD in 2012.

Up to 2012, RDB has provided loan to 6 Licensing MFIs, 10 credit operators, 13 Rice Mill Associations with their members around 110 rice mills, 3 paddy/rice traders, 14 SMEs, 4 agricultural development Communities, and 594 households under Family Rubber Plantation Project.

After repayment from customers, RDB's outstanding loan is 54.66 million USD and total asset has increasing to 67.15 million USD approximately 30.29% comparing to 2011. Total revenue is 3.871.062 USD and profit before tax is 698.024 USD. This result shows that RDB is focusing on Rural Economic Development rather than profit orientation.



SON Koun Thor
Chairman and CEO



Financial Highlights

The following indicators are the financial highlights for the position ending December 31, 2012 presented in USD:

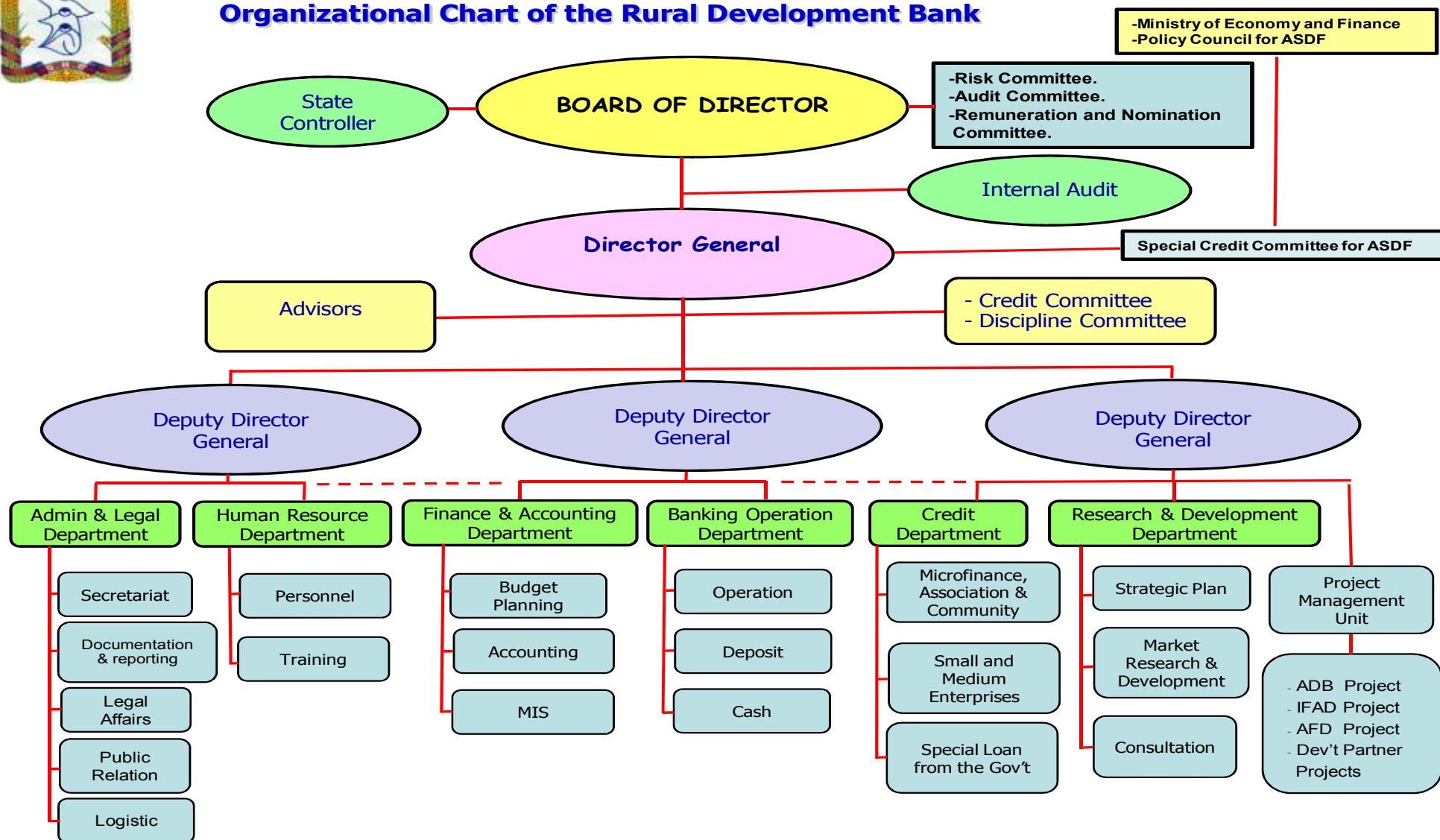
	2012	2011	2010
Profitability :			
Total income	3,871,062	2,195,896	2,074,471
Operating incomes before provision impairment	1,507,104	1,107,521	1,023,252
Profit Before Tax	698,024	984,171	721,854
Profit After Tax	504,242	769,950	556,462
Key Balance Sheet Items:			
Total Assets	67,149,194	51,539,264	40,295,551
Shareholder's fund	25,534,349	25,056,944	16,983,030
Loans and advances	54,664,311	34,038,438	29,845,561
Deposits from non bank customers	1,271,810	1,316,589	1,263,019
Financial Ratios:			
Return on Equity	1.94%	3.04%	3.28%
Return on Assets	0.75%	1.49%	1.38%
Total expenses to income ratio	86.97%	64.94%	73.18%
Solvency Ratio (NBC)	45.63%	71.88%	51.03%
Quick Ratio	365.21%	655.61%	503.41%



ORGANIZATION STRUCTURE OF RDB



Organizational Chart of the Rural Development Bank



CORPERATE GOVERNANCE

Principles

The Rural development Bank is governed on the rule of simple separation of responsibilities between a non-executive Board of Directors, with a Chairman, acting collectively and answerable to the unique shareholder, in accordance with the state controller, and an executive management team under the Chief Executive Officer who has the direct day-to-day responsibilities of controlling current businesses of the Bank.

Shareholder

RDB is a full State-owned company which operates under the financial and technical guardianship of the Ministry of Economy and Finance, and under the supervision of the National Bank of Cambodia.

Board of Directors' Roles

The Chairman and the directors were appointed by sub-decree on the proposal of the Minister of Economy and Finance, and signed by Samdech Akak Moha Sena Padei Decho Hun Sen Prime Minister of the Kingdom of Cambodia for a renewable period of 3 years. The Articles provide that Board shall consist of six appointed directors and one automatic member who is the representative of the personnel.

The Board of Directors defines general orientation and controls the operations of the RDB in accordance with the general rules and regulations that govern State enterprises. The following duties shall be achieved:

- To achieve the development project in compliance with the Royal Government goals and policies,
- To approve the annual budget and investment plan of the RDB,
- To approve the annual report of activities and other financial management reports,
- To review and approve, on request of the Director General, on the organization chart of internal rules, personnel's statutes, salaries, bonus and other rewards in accordance with the setting up rules and regulations,
- To review and approve on the RDB's contract documents in compliance with terms and conditions stipulated in rules and regulations,
- To propose the amendment to the Statute of the RDB,
- To delegate a part of its authorities to the Director General for the implementations of credit operations,
- To evaluate the achievements of the RDB regularly and to take action for improving the business performance,
- For special circumstances, the Board of Director is entitled to invite the Director General to make a report

BOARD OF DIRECTORS

H.E. Mr. SON Koun Thor (Chairman)



H.E. Mr. SON Koun Thor is also an advisor to Samdech Prime Minister HUN SEN (with Senior Minister Status), Vice-Chairman of the Supreme National Economic Council (Prime Minister's Office), President of Chamber of Professional and Micro Enterprises of Cambodia, Secretary General of the Cambodia One Village One Product National Committee (OVOP), and Vice-chairman of the Council for Agricultural and Rural Development (CARD).

He got the Bachelor degree of Law and Sciences Economics at the University of Phnom Penh, Cambodia in 1973 and completed his Doctorate (PhD) in Accounting in Paris-France in 1976.

He obtained the MBA on Management at Institut Supérieur de Sciences Economiques et Commerciales (SSEC) Paris-France in 1979 and completed Doctorate (PhD) on Banking and Finance at the University of Paris VI-France in 1984.

From 1968 to 1973, He served as a Director of Economic Studies and Documentation of National Bank of Cambodia and Deputy Chief of Finance and Accounting Department at Usitra France Services Group Paris-France from 1974 to 1979. From 1979 to 1984 he was an auditor at Credit Mutual Paris-France and was promoted to the Financial Analyst Department from 1984-1985. From 1985 to 1989 He was appointed by UNFAO at Office Special Relief Operation (OSRO) Rome-Italy as Project Coordinator and from 1989 to 1992 he was an officer of UNFAO, in charge of Agricultural Project in Ivory Coast. His Excellency SON Koun Thor was also appointed as the UNFAO Representative in Cambodia from 1992 to 1994.

H.E. Mr. HING Thoraxy

(Board member, Representative of the Office of the Council of Ministers)



H.E. Mr. **HING Thoraxy** currently is a Secretary of State of the Office of the Council of Ministers.

He got the Ph.D. in Economics, Moscow, Russia in 1991 and M.Sc. in Economics with Honors, Moscow, Russia in 1986.

In 1999-2004, before he became a Director-Cambodian Investment Board (CIB), CDC, he was a Deputy Director-Cambodian Investment Board (CIB) – Council for Development of Cambodia (CDC) from 1997-1999.

He was also Assistant Director – Credit Committee for Rural Development (CCRD) in 1995-1997. At that mean time in 1994-1997 he was a Deputy Director – Cambodian Rehabilitation and Development Board (CRDB) Council for Development of Cambodia (CDC).

In 1994-1995 he was an Assistant to Vice-Chairman of CDC – Cambodian Rehabilitation and Development Board (CRDB) of Council for Development of Cambodia (CDC). He was an Assistant to Senior Minister H.E. KEAT Chhon, Cabinet of Council of Ministers. In 1992-1993 he was a Deputy Director of Department, Cabinet of Council of Ministers. He was also an Economist in Commerce – Finance-Bank Department, Cabinet of Council of Ministers. From 1979-1980 he was an Educator, Central Committee for Information and Education.



Mr. LY Savuth

(Board member, Representative of the Ministry of Rural Development)

Mr. **LY Savuth** is currently a Deputy Director General for Administration and Finance, Senior Official.

He got the Master of Business Administration degree in 2008 and BSc (Social Science) in 1991. He completed the High School Diploma in 1974.

From 1998-2000, he occupied as a Deputy Director for Administration and Personnel. He was an Office Chief for Public Relation from 1993-1998. He was also a Deputy Chief for Informal Training from 1979-1992.



Mr. HEL Chamroeun

(Board member, Representative of the Ministry of Economy and Finance)

Mr. **HEL Chamroeun** is currently a Law Department Director of Economy and Finance Ministry and Division Chief of Study and Governance Policy analysis of General Secretariat of Supreme National Economic Council.

He got the Ph.D. in Law in 2008 and Master in Private Law in 2002, Paris 1 Panthéon Sorbonne University, France and, Bachelor degree in Law, Lumiere Lyon 2, France, in 2000.

From 2008-2010, he served for Council of Minister and Private Law Lecturer at Royal Law and Economic Science University from 2003-2010.

During 2003 and 2009, he occupied as Deputy Law Department Director of Economy and Finance Ministry, Deputy Division Chief of Study and Governance Policy analysis of General Secretariat of Supreme National Economic Council, Coordinator and Translator, assistant, and others. Besides, he wrote and published research books on **Cambodian Heritage Justice** and **Law of Job** in 2010 and 2005.



Mr. OU Sophanarith

(Board member, representative of the Banking Business)

Mr. **OU Sophanarith** is currently Financial Controller/Senior Manager of Canadia Bank Plc, Board member of Cana Securities Ltd. (a subsidiary of Canadia Bank Plc) and Board member of Khmers HIV/AIDS NGOs Alliance (KHANA).

He got Certified Public Accountant (CPA) and ACCA in 2006 and Bachelor degree of Business Administration at National University of Management in 2000.

From 2000-2006, he served as Audit Supervisor at PricewaterhouseCoopers Cambodia Ltd.



Lok Chumteav Oknha TAN Phally

(Board member, Representative of Microfinance Institution)

Lok Chumteav Oknha TAN Phally is currently Chairman and CEO of Entean Akpheavath Prachea Chun Limited. She graduated master degree of Public Administration at Chamroeun University of Poly-Technology in 2009. She has attended a large number of local and international training programs in English Language at Long Beach City College, USA in 2002, Basic Administration Course in Guiding at Thailand in 1999, Association for Overseas Technical Scholarship in Tokyo, Japan 1998, Gemmologist in 1991 at Paris, France and others.

Lok Chumteav Oknha is an outstanding performer. From 1979 to 2007, she was chairman and CEO of Sokha-Phally Dusit Group. In the same period, she occupied as the Owner of Dusit Gems & Jewelry (Cambodia & Los Angeles), Dusit Real State, Dusit commercial Import Export, Dusit Hotel & Restaurant and Dusit Travel Agency, and she also had a lot of experiences with Private sector, NGO and government as Chief of Accounting and Administration, Project Manager, Chief Commissioner, Advisor, etc. Besides, she has contributed and gotten many medals for national building.



Mr. CHAN Seyha

(Board member, representative of the personnel of RDB)

Mr. **CHAN Seyha** is currently Deputy Director General at Rural Development Bank of Cambodia.

He got Master degree in Finance from National University of Management in 2004 and Bachelor degree of Banking from the University of Banking, Vietnam in 1991.

From 1991 to 1999, He served as a Deputy Chief of Accounts Management Division, Chief of Section in charge of Clearing House Division, Banking department, and Accounting Officer of National Bank of Cambodia.

MANAGEMENT TEAM

Name and Position	Education	Working Experiences
 <p>H.E. Mr. SON Koun Thor CEO</p> <p>-Date of birth : June 05, 1950 -Appointed as Chairman & CEO of RDB since July 22, 1999</p>	<p>PhD Banking and Finance. Paris VI University.</p> <p>PhD in Accounting EHSS, Paris.</p> <p>MBA Management in ISSEC, France.</p> <p>BA in Law & Sciences Economics.</p>	<ul style="list-style-type: none"> - Advisor to Samdech Techo HUN Sen, Prime Minister (Senior Minister Status) - Advisor to the Royal Government of Cambodia (Minister Status) - Vice Chairman of the Supreme National Economic Council (Prime Minister's Office) - President of Chamber of Professional and Micro Enterprises of Cambodia - Secretary General of the Cambodia One Village One Product National Committee - FAO Representative in Cambodia - FAO Financial Expert (Africa) - Credit Mutual (France) - Officer (National Bank of Cambodia)
 <p>Mr. CHAN Seyha Deputy Director General in charge of Accounting Finance & Operation</p> <p>-Date of Birth :August 07, 1965 -Joining RDB since Jan 20, 1999</p>	<p>Master of Finance at National University of Management</p> <p>Bachelor in Banking, Banking College, Ho Chi Minh City Viet Nam</p>	<ul style="list-style-type: none"> - Head of Operation Department of RDB - Deputy Chief of Accounts Management Division, Banking Department (NBC) - Chief of Section, Clearing House Division, Banking Department of NBC. - Accounting Staff at NBC
 <p>Mr. UCH Chantha Deputy Director General in charge of Admin. & Legal and Human resource</p> <p>-Date of Birth : August 25, 1966 -Joining RDB since Sept 15, 1999</p>	<p>Bachelor Phnom Penh University</p>	<ul style="list-style-type: none"> - Vice Secretary General, Cambodian One Village One Product National Committee. - Secretary General Official of the Supreme National Economic Council. - Member of the secretary General of Economics, Social and Cultural Observation Unit (ESCOB) of the Office of the Council of Ministers - Assistant to Economic Advisor of Royal Government
 <p>Mr. PECH Sany Deputy Director General in charge of Credit and Research & Dev't</p> <p>-Date of Birth : October 1, 1964 -Joining RDB since Jan 01, 2001</p>	<p>Master of Business Administration at NIB</p> <p>Bachelor of Banking, Banking College Ho Chi Minh City Viet Nam</p>	<ul style="list-style-type: none"> - Head of Project Management Unit, RDB - Vice Head of Accounting and Finance Department, RDB - Chief Bureau of R&D, Credit Department of RDB - Chief Bureau in charge of MIS - Credit Officer of RDB - Worked for Rich Nation Bank - Worked in Supervision and Examination Department of NBC - Worked in Accounting Department of NBC



Mr. MAK Sophal

Advisor to CEO & Head of Credit

-Date of birth : June 07, 1964

-Joining RDB since Jan 20, 1999

Bachelor in Banking,
Banking College,
Ho Chi Minh City
Viet Nam

- Section Chief of analysis & Regulation
Section of Bank Supervision
Department (NBC)
- Instructor at Banking Study Center
- Worked in On-off site examination
Supervision, NBC
- Internship Banking College Ho Chi
Minh City, Viet Nam
- Internal Audit Committee of NBC



Mr. Nong Thearith

Head of Internal Audit

-Date of Birth : Jan. 30, 1963

-Joining RDB since Jan. 25, 1999

Master of Science in
Economics at:

- Economic & Financial
Institute St. Petersburg
(former Leningrad City)
Russia (1985-90)
- Kiev University, Kiev
City, Ukraine.(1984-85)

- Bureau Chief, International
Cooperation Dept. GMS Project,
Ministry of Planning
- Division Chief, Project Monitoring and
Coordination Unit (PMCU), MoP /
ADB, as Executing Agency of SRAL,
Loan No 1199-CAM(SF)
- Officer of Financial & Commercial
Department of Ministry of Planning



Mr. SOK Sorano

Head of Human Resource

-Date of Birth : May 29, 1967

-Joining RDB since Dec 20, 1998

Master of Business
Administration at NIB

High Diploma of Business
Administration in
Accounting & Finance

Bachelor of Animal
Product and Health
(1992-1996)

- Vice Head of Human Resource, RDB
- Bureau Chief of Human Resource
- Bureau Chief of Credit, RDB
- Chief Office of Environment Ministry
- Officer of Fishery Department, Ministry
of Agriculture, Forestry and Fishery



Mr. SIM Thiravuth

Head of Admin. and Legal

-Date of Birth : March 29, 1968

-Joining RDB since Dec 25, 1998

Master of Business
Administration at National
University of Management

Bachelor of Economics at
Faculty of Business

- Vice Head of Admin. and Legal, RDB
- Bureau Chief of Admin., RDB
- Operation staff, RDB
- Vice Chief of Admin. Office, Tourism
Ministry



Master of Finance at
National University of
Management

Bachelor of Accounting
at National University of
Management

- Vice Head of Accounting and Finance,
RDB
- Bureau Chief of Accounting, RDB
- Accounting Staff, RDB

Mr. OR Somara

Head of Accounting and Finance

-Date of Birth : Oct 18, 1978

-Joining RDB since Oct 16, 2003



Bachelor of Accounting
at Cambodian University
for Specialties

- Bureau Chief of Operation, RDB
- Operation staff, RDB
- Staff at Rich Nation Bank
- Staff at SBC Bank

Mr. CHHOENG Sokhanara

Vice Head of Operation

-Date of Birth : Jan 14, 1968

-Joining RDB since Apr 17, 2001

RECRUITMENT POLICY AND CAREER DEVELOPMENT

The majority of the people in the management team are professional bankers from both overseas and local banks. Most officers are graduated in accounting, business, economics, or finance. They are skillful and some of them have accomplished a very successful background in terms of experiences and professional qualifications.

RDB encourages its staff for the improvement of their skills by allowing and helping them continue their studies at various universities or institutes and participate in the training courses. From 2001 until now, 9 of them have been graduated respectively from Associate/ High Diploma to Master Degree.

Upon the recruitment policies, all officers will be required to undertake a period of general banking orientation, during which they will work for a period of time in every department/section. At the completion of the orientation period, an officer's career path will be then decided on the basis of the officer's academic qualification, in accordance with his or her own choice and RDB's opinion over the person's performance.

The bank's promotion policy is fairly and sincerely based on the merits. Few core criteria are into account for the consideration of an officer's career. We are caring about every personal result as well as his or her ability to contribute to the team's performance.

The recruitment policy is being undergone progressively, so that we can respond to the expansion of our activities, such as in developing a specific and adapted financial offer to the

SME sector, the fishery communities, the agricultural communities, and the agro-industry sector, in accordance with the rural development program of the government. Nowadays, RDB employs 50 people and it seems to be sufficient at the moment.

RDB is alert to the fact that its prime resource is its staffs. RDB will ensure that staffs are continuously upgraded and that excellence and achievement are encouraged and rewarded. RDB is increasingly conscious of the need to avoid exposure to environmental risks and to be sensitive to environmental issues.

CODE OF CONDUCT

Whilst directors' conduct is governed by our Bylaw, relevant laws and regulations of the Kingdom of Cambodia, RDB is very careful to follow the continuing evolution of the banking system and corporate ethics. We are very cautious to maintain the internal standards of corporate behavior at the highest levels. Our bank is monitoring everyday the staffs' behavior, relationships between colleagues inside the bank, and especially to insure our customers' confidentiality. Our internal rules prevent conflicts of interests; we formally forbid every acceptance of gifts; we are struggling against money laundering and 'whistle blowing'.

CORPORATE OBJECTIVE

The development of a balanced portfolio diversified by sub-sector, partners' size, geographic location, and product type is central to the conduct of RDB's business. To this effect, RDB will formulate short and medium term goals within a rolling five-year corporate plan.

RDB's main objective is to be a profitable and self-sustaining financial institution, providing financial and counsel services for the development and the expansion of enterprises in every economic sector in the rural areas of Cambodia.

The upholding of good profitability and return on investment, by increasing the liquidity of our funds, is fundamental in order to be able to support small and medium enterprises' initiatives. The RDB raised several times its equity and the bank received KHR 8,000 million and US\$ 6 million from the Royal Government of Cambodia during the year 2006 and 2008 respectively. Our institution has become a well-known bank in the Cambodian financial market, acquiring at the same time a high level of standing for its qualities in doing business. RDB has to stimulate competition between micro credit operators by providing its funds to those who are the most competitive, efficient, and profitable in delivering low cost loans to the people that are in real needs.

IMPLEMENTING PROJECTS:

1. Agriculture Support and Development Funds (ASDF)

According to the highest recommendation of Samdech Akeakmohasenapadey Dacho Hun Sen Prime Minister of the Kingdom of Cambodia and following the care from the Ministry of Economy and Finance and Supreme National Economic Council, RDB is responsible for implementation the special loan provided by the government included the counterpart fund of RDB as a working capital to the Rice Miller Associations and Rice Market in the purpose of purchasing paddy during the harvest season, preventing paddy outflow and enhancing domestic recycle, increasing value added, increasing the number of stock for national food security, and the rice market competition both price and quality, especially, transforming the paddy exporting to the rice exporting.

This financing has been started since 2005 in the amounts of USD 2 Million and increased to USD 4 Million in 2006, USD 6 Million in 2007, USD 16 Million in 2008, USD 16 Million in 2009, and USD 18 Million in 2010. As the result, this project is taking part in pushing the rice price in Cambodia to the lower rate growth comparing to the neighboring countries and world market.

In 2011, RDB has strongly been continuing to play its vital role following to the Royal Government of Cambodia's policy in promoting rice producing and exporting under the Agriculture Support and Development Funds (ASDF) financing in the amount of 18 million USD to Rice Miller Associations and Rice Processing Companies as short term working capital in purchasing paddy storing for rice processing for domestic demand and export and as long term investment capital in strengthening, expanding and modernizing of drying and processing machines. With this financing, Cambodia was possible to prevent the huge increase of rice price from dealers in the previous years.



2. Family Rubber Plantation Program

The Philosophy of the Project

The Cambodian rubber plantation industry knew an important development before being ruined by the civil war during the last twenty years. A plan of raise was the object of profound discussions between the Cambodian authorities and the Agence Française de Développement. An agreement had been intervened on its main objectives that are the privatization of the industrial rubber plantations, nationalized in 1979, and the development of the family rubber plantations.

The Objectives, Justification and Means of the Project

The pilot project, initiated in 1999 for three years, aspired to test on 1500 hectares the most suitable solutions, in terms of technical, institutional and financial plans, which will permit the development of small family plantations on a large scale.

This project essentially applies to small farmers who cultivate less than 5 hectares, but the system will be further tested in the same way for individual plantations of a bigger dimension.

The Organization of the project

The development of the family rubber plantations should be confided to a national structure, in the kind of a corporation in "mixed economy", associating various partners.

Considering the long delay of entry in production of the rubber trees, the project will facilitate the setting up of a long term credit whose conditions would be the following:

- Length of 20 years maximum differ in capital and interests of 10 years
- The refund of the credit by the farmer will only begin in the year 11

The Intermediary phase

As the experimental phase ended in June 2003 and succeeded with nearly 1,300 hectares of plantations and more than 500 farmers who had participated to the program, the AFD and the Royal Government of Cambodia decided to go forwards with a new agreement. It was introduced an intermediary phase, during which EUR 3,5 millions (partly entrusted to the RDB, under the provision of an agreement with the Government) would be invested in the development of additional 1,500 hectares of such a small family plantation over the period 2003 – 2006. The financial scheme had evolved in comparison to the experimental phase. So as to prevent the farmers from bearing the foreign exchange risk, the loans were denominated in Khmer Riels with an annually compounded interest rate, which had been raised from 7 % to 9%. The duration was scheduled for 20 years and the grace period had been reduced to 8 years from the previous 10 years, partly due to technical improvement leading to swifter tapping of rubber trees.

This phase, fell due by march 2006, was managed through a partnership with the Groupe de Recherche et d'Echanges Technologiques teams (GRET) and already showed significant results in terms of the number of farmers entitled to loan facilities (about 603 farmers), their knowledge of long term credit, and planted areas (1889 hectares as of march 2005) totaling nearly a one-million-dollars outstanding loan.

The bank and the GRET jointly invited various microfinance institutions to attend the information meeting on 28 February 2007, so as to see whether they were interested in taking over this project, in return of a subordinated debt with the Ministry of Economy and Finance. By the deadline date of 12 March 2007, none of them had expressed any interests in the acquisition. Consequently to this result, the RDB would manage the credit part of this project on its own from April 2007 onwards, upon the expiration of the agreement with the GRET.

4. IFAD Project

The Philosophy of the Project

The project is intended to provide funds from the International Fund for Agricultural Development, under technical assistances of the Rural Development Bank, to eligible Non-Government Organizations who will on-lend these funds to the IFAD' s target groups. The assessment of the expected demand for credits from the members of the IFAD' s target group

indicated that there is a requirement of USD 1.235 million of incremental funds over five years (2001-2006), based on an overall 95% repayment rate. The lending consists of:

- The seasonal loan (about USD 38 to 79) to finance farm inputs and the Agricultural Improvement Program (AIP). Technologies around USD 30,000 (25,000 in the lowlands and 5,000 in the uplands). The households targeted by the AIP borrow for an average period of six months;
- USD 11,625 short-term loan for the farm and the off-farm income generation (between USD 18-38), which are repaid within one year;
- An amount about USD 6 250 medium-term loan for the farm and the off-farm income generation repayable over two years (i.e. USD 72 for a share in a pump). The interest rates are marketed under the saving and credit program whereas 11,785 households are expected to benefit from the program.

The Targeted Activities

There are three groups of activities for which the potential borrowers from the IFAD target group might require credits: (i) crops and livestock productions; (ii) agro-industries and manufactures; (iii) and trade and other services.

The Responsibilities of the RDB

The RDB has the following duties:

1. Confirming and selecting qualified NGOs;
2. Organizing and providing specialized trainings to the NGOs' staffs;
3. Processing the on-lending of the loan from the Ministry of Economy and Finance;
4. Reviewing and consolidating the annual Action Work Plan and Budget (AWPB);
5. Processing and consolidating the eligible project expenditures and withdrawing the applications for submission to the Project Support Unit (PSU);
6. Establishing an effective monitoring and evaluation system;
7. Preparing the quarterly project progress reports for submission to the Project Support Unit.

The Duties of Participated Entities

The participated NGOs must provide savings and credit services to the households living in the communes targeted by the AIP. These NGOs can follow their own approach for the delivery of savings and credit services but shall include in their program: (i) working groups and village bank instruction; (ii) participating to the demonstration and extension of agricultural program of the IFAD's target groups.

The Outcome

The rural credit project under the IFAD loan No.513-KH is being successfully implemented since 2004. Seven RDB partners are operating in four targeted provinces: Seilanithih and NEW in Pursat; SDR, KRDA, AFA and CBIRD in Battambang; Seilanithih and AFA in Banteay Meanchey; and CEB, CBIRD and NEW in Siem Reap

Our Partners

Engaging in partnerships is one of Rural Development Bank's guiding principles. Both public and private agencies, national and international organizations are working hand in hand with RDB to ensure the best financial services in Cambodia. To this end, RDB has signed with the following partners:



Agence Française de Développement



Groupe de Recherche et d'Echanges Technologiques



International Fund for Agricultural Development



Northwest Development Association



CHC Limited (Micro Finance Institute)



Seilanithih Ltd.



Hattha Kaksekar, Ltd. (HKL)



Cambodian Entrepreneur Building



Entean Akpevath Pracheachun



Khmer Rural Development Association (KRDA)



Inatean Polroth Rong Rerng LTD



MAXIMA MIKROHERANHVATHO Co. Ltd.



Farmer Union Development Funds



Aid Farmer Association (AFA)



Cambodia Business Integrated in Rural Development Agency (CBIRD)



Social Development in Rural (SDR)



Federation of Cambodia Rice Millers Associations



Kristhan Pisith Akphiwat Sethakech Co.,LTD



CANADIA Bank Plc.



Foreign Trade Bank of Cambodia



China Development Bank

DIRECTORS' REPORT TO THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE

The Board of Directors ("the Directors") hereby submit their report along with the audited financial statements of Rural Development Bank ("the Bank") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

Rural Development Bank is a wholly state-owned entity established by *Anukret* (Sub-Decree) dated 21 January 1998 aiming to bridge the gap between the demand and supply of rural financial services in order to alleviate poverty. The Bank is operating under the financial and technical guardianship of the Ministry of Economy and Finance and under the supervision of the National Bank of Cambodia.

The principal activities of the Bank have remained unchanged during the year under review and consisted of providing financial resources to commercial and specialised banks, and MFIs involved in the provisions of credit and savings services for rural households and small businesses. In addition, the activities of the Bank have been extended by the Sub-decree dated 14 September 2007 to include implementing development projects upon request from implementing partners where such development projects may not be implemented by a micro finance operator, funding the implementation of special development projects of the Royal Government or other special development projects upon authorisation from the Ministry of Economy and Finance.

RESULTS

The results of operations for the year ended 31 December 2012 are set out in the statement of income.

DIVIDENDS

There were no dividends declared or paid during the financial year.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial year.

BAD AND DOUBTFUL DEBTS

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 debts and the making of provisions for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate provisions made for bad and doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Bank inadequate to any material amount.

CURRENT ASSETS

Before the financial statements of the Bank were drawn up, the directors took reasonable steps to ensure that any current 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 current assets in the financial statements of the Bank misleading.

VALUATION METHODS

At the date of this report, 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.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Bank that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial 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 financial year which, in the opinion of the directors, will or may have a material effect on the ability of the Bank to meet its obligation as and when they fall 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.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Bank for the financial year were not, in the opinion of the directors, materially affected by any item, transaction or event 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 affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

DIRECTORS

The Board of Directors comprises representatives of Ministries and the civil community as follows:

H.E. Son Koun Thor	Executive director	Chairman of the Board and C.E.O
H.E. Hing Thoraxy	Non-executive director	Member
Mr. Hel Chamroeun	Non-executive director	Member
Mr. Ly Savuth	Non-executive director	Member
Louk Chumteav Tan Phally	Non-executive director	Member
Mr. Ou Sophanarith	Non-executive director	Member
Mr. Chan Seyha	Executive director	Member

DIRECTORS' INTERESTS

None of the directors held or dealt in the shares of the Bank.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank is a party with the object of enabling directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank with the directors or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than as disclosed in the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible to ensure that the financial statements for each financial year are properly drawn up so as to give a true and fair view of the financial position of the Bank and of its financial performance and cash flows for the year ended on that date. In preparing those financial statements, the Board of Directors is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) comply with the disclosures requirements and the National Bank of Cambodia's guidelines and Cambodian Accounting Standards, or if there have been any departures in the interests of true and 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 a 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.

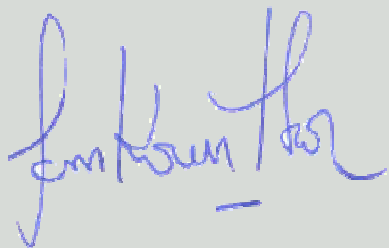
The Board of Directors confirms that the Bank has complied with the above requirements in preparing the financial statements.

STATEMENT BY DIRECTORS

We, the undersigned, do hereby state that in our opinion:

- i) the results of the operations of the Bank for the year ended 31 December 2012 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the year and the date of this report other than as disclosed in the financial statements, and
- ii) the accompanying financial statements of the Bank have been drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2012 and of its financial performance and cash flows for the year ended on that date, in compliance with the National Bank of Cambodia's guidelines and Cambodian Accounting Standards.

Signed on behalf of the Board by:



H.E. Son Koun Thor
Chairman and C.E.O

Date: 29 March 2013



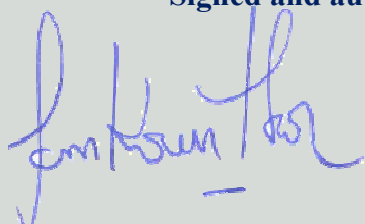
Mr Chan Seyha
BOD member and Deputy Director General

Date: 29 March 2013

**BALANCE SHEET
AS AT 31 DECEMBER 2012**

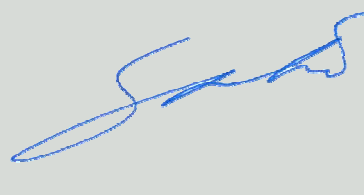
		2012		2011
	Notes	USD	KHR'000	USD
ASSETS				
Cash in hand	4	324,141	1,294,943	805,870
Balances with other banks	5	1,085,683	4,337,304	1,154,816
Balances with central bank	6	8,553,748	34,172,223	14,356,420
Loans and advances to customers	7	53,540,511	213,894,341	33,176,477
Capital investment	8	12,500	49,938	12,500
Foreclosed property	9	1,113,605	4,448,852	-
Other assets	10	712,945	2,848,215	356,304
Statutory deposits with central bank	11	1,180,600	4,716,497	1,130,365
Intangible assets-banking software	12	16,319	65,194	33,957
Property and equipment	13	609,142	2,433,522	512,555
TOTAL ASSETS		67,149,194	268,261,029	51,539,264
LIABILITIES AND CAPITAL				
LIABILITIES				
Deposits from non-bank customers	14	1,271,810	5,080,880	1,316,589
Deposits and placements by banks and MFIs		48,374	193,254	47,178
Other liabilities	15	1,246,728	4,980,677	931,033
Provision for income tax	16	161,229	644,110	194,047
Long term borrowings	17	38,886,704	155,352,383	23,993,473
TOTAL LIABILITIES		41,614,845	166,251,304	26,482,320
CAPITAL				
Share capital	18	20,475,890	81,801,181	20,372,269
Subordinated debts	19	1,435,458	5,734,655	1,565,916
Retained earnings		3,623,001	14,473,889	3,118,759
TOTAL CAPITAL		25,534,349	102,009,725	25,056,944
TOTAL LIABILITIES AND CAPITAL		67,149,194	268,261,029	51,539,264

Signed and authorised for release on behalf of the Board of the Bank



H.E. Son Koun Thor
Chairman and C.E.O

Date: 29 March 2013



Mr Chan Seyha
BOD member and Deputy Director General

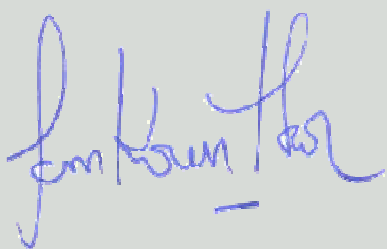
Date: 29 March 2013

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2012**

STATEMENT OF INCOME	Notes	2012		2011
		USD	KHR'000	USD
Interest income	20	3,558,862	14,217,654	2,081,696
Interest expense	21	(1,125,565)	(4,496,632)	(57,748)
Net interest income		2,433,297	9,721,022	2,023,948
Non-interest income	22	312,200	1,247,239	114,200
Directors' remuneration		(51,456)	(205,567)	(44,044)
Payroll and other staff cost	23	(647,657)	(2,587,389)	(559,647)
Depreciation and amortization		(101,075)	(403,795)	(81,810)
Other operating expenses	24	(438,205)	(1,750,629)	(345,126)
Operating profit		1,507,104	6,020,881	1,107,521
Provision for loan losses	7	(809,080)	(3,232,275)	(123,352)
Profit before income tax		698,024	2,788,606	984,169
Income tax expense	25	(193,782)	(774,159)	(214,219)
Net income for the year		504,242	2,014,447	769,950
STATEMENT OF RETAINED EARNINGS				
		2012		2011
		USD	KHR'000	USD
Unappropriated profits at beginning of year		3,118,759	12,459,442	2,348,809
Net profit for the year		504,242	2,014,447	769,950
Unappropriated profits at end of year		3,623,001	14,473,889	3,118,759

Signed and authorised for release on behalf of the Board of the Bank



H.E. Son Koun Thor
Chairman and C.E.O

Date: 29 March 2013



Mr Chan Seyha
BOD member and Deputy Director General

Date: 29 March 2013

The accompanying notes form an integral part of these financial statements.

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

	Share capital USD	Subordinated debts USD	Retained earnings USD	Total USD
Balance as at 1 January 2011	12,937,847	1,696,374	2,348,809	16,983,030
Paid up capital	7,427,581	-	-	7,427,581
Repayment to IFAD	-	(130,458)	-	(130,458)
Exchange difference	6,841	-	-	6,841
Net profit for the year	-	-	769,950	769,950
Balance as at 31 December 2011	20,372,269	1,565,916	3,118,759	25,056,944
Balance as at 1 January 2012	20,372,269	1,565,916	3,118,759	25,056,944
Repayment to IFAD	-	(130,458)	-	(130,458)
Exchange difference	103,621	-	-	103,621
Net profit for the year	-	-	504,242	504,242
Balance as at 31 December 2012	20,475,890	1,435,458	3,623,001	25,534,349
<i>Balance as at 31 December 2012 (KHR'000 equivalents)</i>	<i><u>81,801,181</u></i>	<i><u>5,734,655</u></i>	<i><u>14,473,889</u></i>	<i><u>102,009,725</u></i>

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012		2011
	USD	KHR'000	USD
Cash flows from operating activities			
Net cash used in operating activities (Note 26)	(21,044,003)	(84,070,791)	(3,093,258)
Cash flows from investing activities			
Purchases of property and equipment (Note 13)	(180,024)	(726,037)	(25,845)
Purchases of banking software (Note 12)	-	-	(49,465)
Equity investment - purchasing share of Credit Bureau	-	-	(12,500)
Proceeds from sales of property and equipment	4,099	16,376	-
Net cash used in investing activities	(175,925)	(702,820)	(87,810)
Cash flows from financing activities			
Proceeds from paid up capital	-	-	7,427,581
Repayments of subordinated debts	(130,458)	(521,180)	(130,458)
Proceeds from long-term borrowings (Note 17)	27,675,000	110,561,625	15,500,000
Repayment of long-term borrowings (Note 17)	(12,787,904)	(51,087,676)	(12,842,223)
Net cash generated from financing activities	14,756,638	58,952,769	9,954,900
Exchange difference on capital paid in Khmer Riel	109,756	438,474	8,980
Net changes in cash and cash equivalents	(6,353,534)	(25,382,368)	6,782,812
Cash and cash equivalents, beginning of year	16,317,106	65,186,838	9,534,294
Cash and cash equivalents, end of year	9,963,572	39,804,470	16,317,106
<i>Represented by:</i>			
Cash in hand (Note 4)	324,141	1,294,943	805,870
Balances with banks inside Cambodia (Note 5)	1,085,683	4,337,304	1,154,816
Deposits and placements with NBC (Note 6)	8,553,748	34,172,223	14,356,420
	9,963,572	39,804,470	16,317,106

The accompanying notes form an integral part of these financial statements.

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

1. Principal activities and operating environment

1.1 Principal activities

Rural Development Bank is a wholly state-owned entity established by *Anukret* (Sub-Decree) dated 21 January 1998 with the aim to promote agricultural and rural activities in order to alleviate poverty and to raise the standard of living of rural people. The Bank is operating under the financial and technical guardianship of the Ministry of Economy and Finance and under the supervision of the National Bank of Cambodia (“NBC”).

The Bank commenced operations on 12 May 1998 and obtained from the NBC its first license to operate for three years beginning on 22 June 1998. This license was subsequently renewed every three year term and on 15 June 2007, the Bank obtained from NBC a new banking license with permanent validity.

The principal activities of the Bank have remained unchanged during the year and consisted of providing financial resources to commercial and specialised banks, and MFIs involved in the provisions of credit and saving services for rural households and small businesses. In addition, the activities of the Bank have been extended by the Sub-decree dated 14 September 2007 to include implementing development projects upon request from implementing partners where such development projects may not be implemented by a micro finance operator, funding the implementation of special development projects of the Royal Government or other special development projects upon authorisation from the Ministry of Economy and Finance.

The head office is located in Phnom Penh at No. 9-13, Street No. 7, and as at 31 December 2012, the Bank had 68 employees (2011: 62 employees).

1.2 Operating environment

The Kingdom of Cambodia is an emerging economy. The political structure, regulatory and legal frameworks are currently under development. As such, the Bank’s financial position and results of operations are significantly influenced by the economic and social policies of the Kingdom of Cambodia.

In pursuance to its mission and objectives, the Bank has a significant level of wholesale lending operations with financial, micro-finance institutions, involved in the provisions of credit and saving services for rural households and small businesses, and provincial rice millers associations. Such wholesale loans are mostly secured by the borrowers’ own loan portfolios. The risk inherent in the Bank’s portfolio depends upon both the financial well being and creditworthiness of the borrowers and the sub-borrowers’ ability to meet payments as they become due. The ultimate recovery of all loans is susceptible to future factors beyond the Bank’s control. These factors may result in losses or recoveries differing significantly from those provided for in the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank are prepared under the historical cost convention in accordance with the guidelines issued by the NBC and Cambodian Accounting Standards (“CAS”). Those principles require that financial instruments be carried at cost less provision for impairment. This practice differs from the International Financial Reporting Standards (“IFRS”) which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

The presentation of financial statements in conformity with Cambodian Accounting Standards as modified by NBC guidelines requires that the Bank’s Management make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. The estimates have been made based on existing available information and the Management’s judgment. Due to the fact that an active market does not exist for a significant portion of the Bank’s assets and liabilities, it is possible that actual results could differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practice in other countries and those who are not informed about Cambodia’s procedures and practices.

2.2 New accounting standards and interpretations

On 28 August 2009, the National Accounting Council, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia, announced the adoption of the Cambodian International Financial Reporting Standards (“CIFRS”) which are based on full International Financial Reporting Standards. Public accountable entities shall prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

However, the National Accounting Council announced on 30 July 2012 that the implementation of CIFRS is postponed to 2016 for non-listed banks and financial institutions to allow the dissemination of the standards amongst their personnel.

The following Cambodian International Accounting Standards (“CIAS”) or CIFRS, which have been published are relevant and mandatory for the Bank’s accounting period beginning on or after 1 January 2012, but have not been adopted by the Bank:

- CIAS 1, ‘Presentation of Financial Statements’
The revised standard prohibits the presentation of items of income and expenses (i.e., ‘non-owner changes in equity’) in the statement of changes in equity. All non-owner changes in equity are to be shown in a performance statement. Entities can opt to present one performance statement (i.e. statement of comprehensive income) or two statements (i.e. statement of income and statement of comprehensive income). Entities which restate or reclassify comparative information are required to present a restated balance sheet as at the beginning comparative period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations (continued)

- **CIAS 32, 'Financial Instruments: Presentation'**
The objective of this standard is to establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments as well as classification of related interest, dividends, losses and gains.
- **CIAS 39, 'Financial Instruments: Recognition and Measurement'**
The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Adoption of CIAS 39 will result in the following revisions to the accounting policies on financial instruments:

Loans and advances to customers

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

Deposits from banks and customers

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

Impairment of financial assets

The Bank currently follows the mandatory credit classification and provisioning as required by Prakas No. B7-09-074 dated 25 February 2009 issued by the Central Bank, as disclosed in note 2.9 to the financial statements. CIAS 39 requires the Bank to assess at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired, either on an individual or collective assessment basis. Impairment loss is measured as the difference between an asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. For the purposes of collective impairment assessment, assets are grouped on the basis of similar credit risk characteristics.

Interest income and interest expense

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting standards and interpretations (continued)

- CIFRS 7, 'Financial instruments - Disclosures'
The revised standard requires enhanced disclosures in respect of fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair values by fair value measurement hierarchy as follows:
 - Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly; and
 - Level 3 - Inputs for an asset or liability that are not based on observable market data.
- CIFRS 9, 'Financial instruments'
The standard establishes principles for financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. CIFRS 9 specifies the bases for classification and measurement of financial assets, including some hybrid contracts. They require all financial assets to be: (a) classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of a financial asset; (b) initially measured at fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss; and (c) subsequently measured at amortised cost or fair value based on asset classification.

2.3 Foreign currencies translation

(a) 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 national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Bank transacts essentially in US Dollar ("USD") and maintains its books of accounts primarily in USD, the financial statements are presented in USD, which is the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

(b) Transactions and balances

Assets and liabilities expressed in currencies other than USD are translated into USD at the rate of exchange quoted by the NBC at the date of the balance sheet. Income and expenses arising in foreign currencies are converted at the rate of exchange prevailing on the transaction dates. Exchange differences arising from conversion are reported on a net basis in the statement of income.

2. Summary of significant accounting policies (continued)

2.4 Translation of United States Dollars into Khmer Riel

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the balance sheet date, of 1 USD = 3,995 KHR (2011: KHR 4,039). The purposes of such conversions are to comply with NBC’s financial statements presentation guidelines only and should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into USD at this or any other rate of exchange.

2.5 Segment information

The Bank operates within one business segment which is specialised banking, and within one geographical segment, the Kingdom of Cambodia.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with the National Bank of Cambodia and balances with other banks which are readily convertible to known amounts of cash within three months and subject to an insignificant risk of changes in value.

2.7 Statutory deposits with central bank

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions (“LBFI”) and are not available to finance the Bank day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

2.8 Loans and advances to customers

Loans originated by the Bank by providing money directly to the borrowers at draw down are categorised as loans and advances to customers and are carried at outstanding balance and interest, less allowances for loan loss and any amount written off. Interest in suspense represents interest accrued on loan receivables that are special mention, substandard, doubtful or loss.

Loans are written off when there is no realistic prospect of recovery. Recoveries on loans previously written off and reversals of previous provisions are disclosed separately together with the net movement in the provision for bad and doubtful loans and advances in the statement of income.

2. Summary of significant accounting policies (continued)

2.9 Allowance for loan losses

Allowances for loan losses are based on the latest mandatory credit classification and provisioning guidelines required by Prakas B7-09-074 dated 25 February 2009 issued by the NBC. Allowances are made with regard to specific risks on loans individually reviewed and classified into five classes as normal, special mention, substandard, doubtful and loss regardless of the assets (except cash) lodged as collateral.

NBC guidelines require the following loan classification and minimum level of allowances:

Classification	Overdue	Type of provision	Rate of allowances
Normal/Standard	Performing in accordance with contractual terms	General provision	1%
Special mention	Thirty days or more	Specific provision	3%
Substandard	Ninety days or more	Specific provision	20%
Doubtful	Hundred eighty days or more	Specific provision	50%
Loss	More than one year	Specific provision	100%

Exception on the above provision rate may be considered but this is conditional on the actual market value of the collateral having been deemed acceptable by the NBC on a case-by-case basis.

In accordance with NBC guidelines, overdue loans are defined as the total outstanding principal where the principal or interest is past due.

2.10 Other receivables

Other receivables are carried at estimated realisable value.

2.11 Foreclosed properties

Properties foreclosed are related to properties taken over from customers, who are unable to repay their loans. Under the guidelines of the NBC, properties foreclosed are to be disposed of within twelve months.

2.12 Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use. These costs are amortised using the straight-line method at the rate of 10% per annum.

Costs associated with maintaining computer software are recognised as an expense when incurred.

2. Summary of significant accounting policies (continued)

2.13 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that 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 statement of income during the financial period in which they are incurred.

Depreciation of property and equipment is calculated using the following rates and methods:

Item	Depreciation rate	Depreciation method
Building	5%	Straight-line
Renovations	10%	Straight-line
Motor vehicles	12.50%	Declining
Computers	25%	Declining
Office equipment, furniture and fittings	12.50%	Declining

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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in statement of income.

2.14 Impairment of assets

(i) *Impairment of financial assets other than loans and advances to customers*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

2. Summary of significant accounting policies (continued)

2.14 Impairment of assets (continued)

(ii) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and 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 statement of income in the period in which it arises. Reversal of impairment loss is recognised in the statement of income 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.

2.15 Financial liabilities

Financial liabilities are carried at outstanding balances less repayments and are measured at cost. Financial liabilities measured at cost include deposits from banks or customers, long term borrowings and subordinated debts.

2.16 Subordinated debts

Subordinated debts are financial liabilities of the Bank which consist of liabilities in the form of subordinated loan capital. In accordance with NBC guidelines, subordinated debts are included in Tier II in the calculation of the net worth. Subordinated debts, normally, are interest-free with no fixed terms of repayment.

2.17 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligations; and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures 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.

2.18 Other credit related commitments

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

2. Summary of significant accounting policies (continued)

2.19 Interest income and expense

Interest earned on loans and advances to customers, deposits with the Central Bank and other banks are recognised on the accrual basis, except when loans and advances to customers become doubtful of collection, in which case, no interest is recognised as income.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customer's loan accounts are classified as non-performing where repayments are in arrears for more than thirty days.

Interest expenses on the deposits and borrowings are recognised on an accrual basis.

2.20 Fee and commission income

Loan arrangement fees and commissions are recognised based on the occurrence when the service has been provided and consideration received. Commitment fees and guarantee fees on a variety of services and facilities extended to customers are recognised as income based on time apportionment.

Service charges and processing fees are recognised when received.

2.21 Operating leases

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

2.22 Income taxes

Income tax expense for the period comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Taxes other than on income are recorded within operating expenses.

Current tax is calculated on the basis of taxable profit using tax rates that have been enacted or substantially enacted at the balance sheet date in accordance with Cambodian Law on Taxation.

Deferred tax is provided using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rate enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Summary of significant accounting policies (continued)

2.23 Related parties

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.

Under the LBFI, the definition of related parties includes parties who hold, directly or indirectly, at least 10 percent of the capital or voting rights and includes any individual who participates in the administration, direction, management or internal control of the Bank.

2.24 Comparative figures

Comparative figures, where necessary, were reclassified to conform to current year presentation.

3. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations with regard to future events that are believed to be reasonable under the circumstances. The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses on loans and advances

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 NBC. The NBC requires 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 lodged as collateral. For the purpose of loan classification, the Bank takes into account all risks and relevant factors which may affect the counterparties' repayment abilities.

(b) Income tax

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

Where the final tax outcome 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 financial period in which such determination is made.

4. Cash in hand

	2012		2011
	USD	KHR'000	USD
Cash in hand – KHR	40,961	163,639	13,232
Cash in hand – USD	283,180	1,131,304	792,638
	324,141	1,294,943	805,870

5. Balances with other banks

	2012		2011
	USD	KHR'000	USD
In Cambodia:			
ACLEDA Bank – Demand deposit	171,236	1,039,339	347,449
ACLEDA Bank – Time deposit	88,924	355,251	347,449
CAMPU Bank – Demand deposit	260,840	1,042,056	796,691
CANADIA Bank – Demand deposit	559,835	2,236,541	5,823
FTB Bank – Demand deposit	4,848	19,368	4,853
	1,085,683	4,337,304	1,154,816

Further analysis is as follows:

	2012		2011
	USD	KHR'000	USD
a) By maturity:			
Within one month	996,759	3,982,053	1,154,816
One to three months	88,924	355,251	-
	1,085,683	4,337,304	1,154,816
b) By currency denomination:			
KH Riel	138,407	552,936	67,544
US Dollar	947,276	3,784,368	1,087,272
	1,085,683	4,337,304	1,154,816

Demand deposits are non-interest bearing accounts where time deposit earns interest of 2% P.A.

6. Balances with central bank

	2012		2011
	USD	KHR'000	USD
Demand deposits with NBC	1,553,748	6,207,223	10,356,420
One month fixed deposit with NBC	7,000,000	27,965,000	4,000,000
	8,553,748	34,172,223	14,356,420

Further analysis of the above amounts with NBC is as follows:

	2012		2011
	USD	KHR'000	USD
a) By currency:			
Khmer Riels	8,728	34,868	7,043,009
US Dollar	8,545,020	34,137,355	7,313,411
	8,553,748	34,172,223	14,356,420

Balance with central bank represents placements with the National Bank of Cambodia maturing within one month and bearing interest at rates ranging from 0.18% to 0.52% p.a.

7. Loans and advances to customers

	2012		2011
	USD	KHR'000	USD
Short term loans	18,614,000	74,362,930	12,614,000
Long term loans	35,847,127	143,209,272	21,358,021
Staff loans	203,184	811,720	66,417
	54,664,311	218,383,922	34,038,438
Provisions for loan losses - Specific (*)	(591,333)	(2,362,375)	(550,726)
Provisions for loan losses - General (**)	(532,467)	(2,127,206)	(311,235)
	53,540,511	213,894,341	33,176,477

- (i) Included in total gross loans of USD 54,664,311 are loans totaling USD 8,578,578 (2011: USD 11,179,840) which were provided to thirty one entities with insufficient or no financial information. Under the provisions of NBC's Prakas B-7-09-074 dated 25 February 2009, the Bank is required to classify loans without proper disclosures of financial conditions as non-performing and provide for a specific provision of 3% minimum on those loans. However, the Bank only provided a general provision of 1% on the total gross loan outstanding amounting to USD 85,786 that are not classified as non-performing for the year ended 31 December 2012.

7. Loans and advances to customers (continued)

- (ii) RDB has in its loan portfolio a group of five outstanding loans totaling to USD 4,400,000 provided to one single beneficiary which is overdue for more than six months. No provision for loan losses has been made by the Bank as it is currently taking actions to restructure those loans.

Movements on provisions for loan losses are as follows:

(*) Specific provisions:

	2012		2011
	USD	KHR'000	USD
At beginning of year	550,726	2,200,150	466,546
Addition during the year	587,848	2,348,453	84,117
Recovery during the year	(547,413)	(2,186,915)	-
Unrealised exchange difference	172	687	63
At end of year	<u>591,333</u>	<u>2,362,375</u>	<u>550,726</u>

(**) General provisions:

	2012		2011
	USD	KHR'000	USD
At beginning of year	311,235	1,243,384	272,000
Movement during the year	221,232	883,822	39,235
Unrealised exchange difference	-	-	-
At end of year	<u>532,467</u>	<u>2,127,206</u>	<u>311,235</u>

Further analysis of the above loans and advances to customers are as follow:

(a) By maturity period:

	2012		2011
	USD	KHR'000	USD
Later than one month to three months	-	-	1,910,000
Later than three months to six months	479,000	1,913,605	100,000
Later than six months to one year	24,988,622	99,829,545	12,285,000
Later than one year to three years	2,249,896	8,988,335	6,319,560
Later than three years to five years	12,884,788	51,474,728	7,150,000
Over five years	14,062,005	56,177,709	6,273,878
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

7. Loans and advances to customers (continued)**(b) By performance:**

	2012		2011
	USD	KHR'000	USD
Standard loans:			
Secured	18,818,227	75,178,817	18,904,403
Unsecured	21,464,506	85,750,701	12,204,165
Special mention:			
Secured	1,443,578	5,767,094	990,870
Unsecured	6,854,000	27,381,730	-
Substandard loans:			
Secured	70,000	279,650	1,625,000
Unsecured	-	-	85,000
Doubtful loans:			
Secured	5,500,000	21,972,500	100,000
Unsecured	-	-	-
Loss loans:			
Secured	229,000	914,855	129,000
Unsecured	285,000	1,138,575	-
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(c) By security:

	2012		2011
	USD	KHR'000	USD
Secured (*)	26,060,805	104,112,916	21,749,273
Unsecured (**)	<u>28,603,506</u>	<u>114,271,006</u>	<u>12,289,165</u>
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(*) Secured loans represent loans and advances to customers that are collateralised by hard title deeds, movable assets, and cash.

(**) Unsecured loans are collateralised by soft title deeds and third party's guarantees. Soft title deed is a non-official certificate issued by the district cadastre or a letter of land ownership transfer issued by the Commune Chiefs, rather than a proper land/hard title deed registered with the Cadastral Registry Unit under the Land Law. The validity of soft title deeds is contingent.

7. Loans and advances to customers (continued)

(d) By currency denomination:

	2012		2011
	USD	KHR'000	USD
US Dollar	54,145,424	216,310,969	33,516,991
Khmer Riel	518,887	2,072,953	521,447
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(e) By status of residence:

	2012		2011
	USD	KHR'000	USD
Residents	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(f) By relationship:

	2012		2011
	USD	KHR'000	USD
Related parties	-	-	-
Non related parties	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(g) By types of customers:

	2012		2011
	USD	KHR'000	USD
Corporate	48,834,627	195,094,332	6,112,007
Individuals and soles traders	4,872,500	19,465,635	27,860,014
Other	<u>957,184</u>	<u>3,823,955</u>	<u>66,417</u>
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(h) By annual interest rates (per annum):

	2012		2011
	USD	KHR'000	USD
Up to 10%	54,569,311	218,004,397	33,980,961
Over 10% to 12%	<u>95,000</u>	<u>379,525</u>	<u>57,477</u>
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

7. Loans and advances to customers (continued)**(i) By collaterals:**

	2012		2011
	USD	KHR'000	USD
Real estate	30,924,202	123,542,187	26,246,431
Personal guarantee	6,400,000	25,568,000	5,685,000
Unsecured	17,340,109	69,273,735	2,107,007
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

The amounts shown in table 7 (i) above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral. The Bank is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral.

(j) By financing projects:

	2012		2011
	USD	KHR'000	USD
RDB	16,983,728	67,849,993	14,830,419
MoEF (ASDF loans) (*)	28,520,000	113,937,400	17,871,667
IFAD	257,005	1,026,735	338,007
AFD (**)	903,578	3,609,794	990,868
CDB	8,000,000	31,960,000	-
Gret Kosan	-	-	7,477
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(*) Loan agreements with the Ministry of Economy and Finance ("MoEF") to support the Royal Government strategy where RDB will use fund borrowed from MoEF to provide retail lending to provincial rice millers associations. The loans are not properly secured and, according to the Bank's Articles of Association (Article 2 of section 1), any loss on lending arising from the Government's direction will be the responsibility of the Government, not the Bank.

(**) The Bank provided loans to the Family Rubber Plantations, a pilot project organised into three components and funded by an AFD grant. The credit component of this pilot project was implemented on behalf of RDB by GRET - a French NGO - therefore; credit appraisal, loan processing, follow-up and monitoring, and recovery were not made by the Bank itself. On 27 March 2007, GRET transferred the management of the credit component to RDB. However, no audit of this credit component has been made upon its handover to RDB and no adequate supporting information on the outstanding balance of the credit component of USD 903,578 (2011: USD 990,868) and the accrued interest income approximately of USD 183,836 as at 31 December 2012 (2011: USD 267,525).

7. Loans and advances to customers (continued)

(k) By economic sectors:

	2012		2011
	USD	KHR'000	USD
LFIs	2,443,821	9,763,065	2,033,167
Registered MFIs	2,138,226	8,542,213	3,324,838
Registered NGOs	729,000	2,912,355	599,000
Associations	1,024,000	4,090,880	950,000
Private	47,222,500	188,653,887	26,074,143
Rubber	903,578	3,609,794	990,871
Staff loans	203,186	811,728	66,419
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(l) By large exposures:

	2012		2011
	USD	KHR'000	USD
Large exposures (*)	24,400,000	97,478,000	12,600,000
Non-large exposures	<u>30,264,311</u>	<u>120,905,922</u>	<u>21,438,438</u>
	<u>54,664,311</u>	<u>218,383,922</u>	<u>34,038,438</u>

(*) The Bank has five single large exposure loans as at 31 December 2012 which exceeded 10% limit of net worth and two of which exceeded the ceiling limit of 20%. However, none of these loans exceeds 300% as aggregate of individual large credit exposure of the net worth as per the provisions of NBC's Prakas No. B7-06-226 dated 3 November 2006 and per interpretation of the said Prakas by NBC's official dated 22 March 2013.

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. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

8. Capital investment

On 20 September 2011, the Bank decided to invest 0.5% of share capital in Credit Bureau (Cambodia) Co., Ltd. (equivalent to USD 12,500) to establish the Private Credit Bureau in order to provide credit information among banking system in Cambodia. This investment was made based on the agreement among members of the Association of Banks in Cambodia (ABC) on 7 May 2010, deciding that each specialised Bank has to invest at least 0.5% of share capital in Credit Bureau (Cambodia) Co., Ltd. as a stakeholder.

The Credit Bureau (Cambodia) Co. Ltd is incorporated and registered with Ministry of Commerce on 07 June 2011 under registration number Co. 1310 KH/2011.

9. Foreclosed properties

During the year ended 31 December 2012, the Bank obtained assets by taking possession of collateral held as security amounting to USD 1,113,605 based on the approval letter dated 23 October 2012 from the Ministry of Economy and Finance that approved RDB to write off an overdue loan outstanding in exchange for land, property and plant with the fair value of USD 1,113,605. These represent bad loan collaterals foreclosed in the course of banking operations.

These foreclosed assets are recorded at value equal to its fair value. These assets will not be held for operational purposes and with the intention to be disposed of to recover the outstanding amount within the maximum allowable period of twelve months as per NBC's Prakas No. B7-01-186.

10. Other assets

	2012		2011
	USD	KHR'000	USD
Accrual interest receivable	565,461	2,259,017	376,067
Interest in suspense	(32,475)	(129,738)	(31,909)
Interest receivable on fixed deposit with NBC	414	1,654	91
Guarantee deposit	7,801	31,165	135
Prepaid rent	6,250	24,969	8,395
Prepaid insurance	284	1,135	246
Other debtors	165,210	660,013	3,279
	712,945	2,848,215	356,304

11. Statutory deposits with central bank

	2012		2011
	USD	KHR'000	USD
Statutory capital deposit	1,025,594	4,097,248	1,020,413
Reserve requirements on customer deposits	155,006	619,249	109,952
	1,180,600	4,716,497	1,130,365

(a) Statutory capital deposit:

Under NBC's Prakas No. B7-06-208 dated 13 September 2006, the Bank is required to maintain a statutory deposit of five percent of its registered capital in a permanent account with NBC. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia.

This statutory capital deposit bears interest at ½ of the refinancing rate set by the NBC for deposit in Khmer Riel and 3/8 of six-month SIBOR rate for deposit in US Dollar.

11. Statutory deposits with central bank (continued)**(b) Reserve requirements on customer deposits:**

The statutory customers' reserve requirements with the NBC is to comply with the NBC's Prakas No. B 7-00-05 dated 11 January 2000, on reserve requirement. This should represent a minimum of 5% of total deposits from customers and other borrowings. No interest is earned on the statutory customers' reserve requirements.

12. Intangible assets - banking software

	2012		2011
	USD	KHR'000	USD
Cost			
Balance brought forward	102,410	409,128	52,945
Reclassification	-	-	49,465
Balance carried forward	102,410	409,128	102,410
Less: Accumulated amortisation			
Balance brought forward	68,453	273,470	48,680
Charge for the year	17,638	70,464	19,773
Balance carried forward	86,091	343,934	68,453
Net book value	16,319	65,194	33,957

13. Property and equipment

	Land USD	Building USD	Renovations USD	Motor Vehicles USD	IT equipment & software USD Restated	Office equipment & furniture USD	Work in progress USD	Total USD
Cost								
At 1 January 2012	241,500	150,653	12,308	390,969	132,842	107,999	-	1,036,271
Addition	-	-	-	154,000	22,825	3,199	-	180,024
Disposal	-	-	-	(28,100)	-	-	-	(28,100)
At 31 December 2012	<u>241,500</u>	<u>150,653</u>	<u>12,308</u>	<u>516,869</u>	<u>155,667</u>	<u>111,198</u>	<u>-</u>	<u>1,188,195</u>
Accumulated depreciation								
At 1 January 2012	-	59,810	11,564	260,038	112,063	80,241	-	523,716
Charge for the year	-	7,574	462	49,157	18,006	8,238	-	83,437
Disposal	-	-	-	(28,100)	-	-	-	(28,100)
At 31 December 2012	<u>-</u>	<u>67,384</u>	<u>12,026</u>	<u>281,095</u>	<u>130,069</u>	<u>88,479</u>	<u>-</u>	<u>579,053</u>
Net carrying amount								
At 31 December 2012	<u>241,500</u>	<u>83,269</u>	<u>282</u>	<u>235,774</u>	<u>25,598</u>	<u>22,719</u>	<u>-</u>	<u>609,142</u>
At 31 December 2011	<u>241,500</u>	<u>90,843</u>	<u>744</u>	<u>130,931</u>	<u>20,779</u>	<u>27,758</u>	<u>-</u>	<u>512,555</u>
Depreciation charge 2011	-	7,513	490	29,474	34,716	9,617	-	81,810

11. Property and equipment (continued)

	Land KHR'000	Building KHR'000	Renovations KHR'000	Motor Vehicles KHR'000	IT equipment & software KHR'000	Office equipment & furniture KHR'000	Work in progress KHR'000	Total KHR'000
Cost								
At 1 January 2012	964,793	601,859	49,170	1,561,921	530,704	431,456	-	4,139,903
Additions	-	-	-	615,230	91,186	12,780	-	719,196
Disposal	-	-	-	(112,260)	-	-	-	(112,260)
At 31 December 2012	<u>964,793</u>	<u>601,859</u>	<u>49,170</u>	<u>2,064,891</u>	<u>621,890</u>	<u>444,236</u>	<u>-</u>	<u>4,746,839</u>
Accumulated depreciation								
At 1 January 2012	-	238,941	46,198	1,038,852	447,692	320,563	-	2,092,246
Charge for the year	-	30,258	1,846	196,382	71,934	32,911	-	333,331
Disposal	-	-	-	(112,260)	-	-	-	(112,260)
At 31 December 2012	<u>-</u>	<u>269,199</u>	<u>48,044</u>	<u>1,122,974</u>	<u>519,626</u>	<u>353,474</u>	<u>-</u>	<u>2,313,317</u>
Net carrying amount								
At 31 December 2012	<u>964,793</u>	<u>332,660</u>	<u>1,126</u>	<u>941,916</u>	<u>102,264</u>	<u>90,762</u>	<u>-</u>	<u>2,433,522</u>
At 31 December 2011	<u>975,419</u>	<u>366,914</u>	<u>3,004</u>	<u>528,831</u>	<u>83,925</u>	<u>112,115</u>	<u>-</u>	<u>2,070,208</u>
Depreciation charge for 2012	-	30,014	1,958	117,749	138,690	38,420	-	326,831

14. Deposits from non-bank customers

	2012		2011
	USD	KHR'000	USD
Demand deposits	441,777	1,764,899	747,322
Saving accounts	193,726	773,935	212,404
Fixed deposits	636,307	2,542,046	356,863
	1,271,810	5,080,880	1,316,589

a) Further analysis is as follows:

(i) By maturity period:

	2012		2011
	USD	KHR'000	USD
Within one month:			
Current deposits	441,777	1,764,899	747,323
Saving deposits	193,726	773,935	212,403
Fixed deposits	67,021	267,749	98,039
One to three months	268,367	1,072,126	67,200
Four to six months	12,499	49,934	61,190
Over six months	288,420	1,152,237	130,434
	1,271,810	5,080,880	1,316,589

(ii) By type of customers:

	2012		2011
	USD	KHR'000	USD
Domestic corporations (private sector)	437,811	1,749,055	742,091
Individuals	833,999	3,331,825	574,498
	1,271,810	5,080,880	1,316,589

(iii) By status of residence:

	2012		2011
	USD	KHR'000	USD
Residents	1,271,723	5,080,532	1,316,497
Non-Residents	87	348	92
	1,271,810	5,080,880	1,316,589

14. Deposits from non-bank customers (continued)

(iv) By currency denomination:

	2012		2011
	USD	KHR'000	USD
US Dollar	1,236,542	4,939,985	1,287,250
Khmer Riel	35,268	140,895	29,339
	<u>1,271,810</u>	<u>5,080,880</u>	<u>1,316,589</u>

b) The savings accounts and deposits bear interest at the following rates per annum:

	2012	2011
	% p.a.	% p.a.
Saving deposits	1.00 - 1.50	1.00 - 1.50
Fixed deposits	3.00 - 6.00	3.00 - 6.00

15. Other liabilities

	2012		2011
	USD	KHR'000	USD
Accrued interest payable on borrowing (*)	155,231	620,148	18,238
Accrued interest payable on deposits	14,803	59,138	6,292
Amount due to ASDF	883,221	3,528,468	720,622
Employment security fund	169,417	676,821	142,202
Unearned income	14,980	59,845	29,802
Tax liabilities	3,780	15,101	2,783
Amount due to AFD	71	284	6,419
Others	5,225	20,872	4,675
	<u>1,246,728</u>	<u>4,980,677</u>	<u>931,033</u>

(*) Accrued interests payable on borrowing consist of:

AIP on loan from ADB	9,984	39,886	9,966
AIP on loan from IFAD	5,437	21,721	8,272
AIP on loan from CDB	139,810	558,541	-
	<u>155,231</u>	<u>620,148</u>	<u>18,238</u>

15. Other liabilities (continued)

	2012 USD	KHR'000	2011 USD
Movements of accrued interest payable:			
Beginning balance	18,238	72,861	19,367
Interest charged during the year	380,773	1,521,188	38,342
Interest paid during the year	(244,086)	(975,123)	(39,496)
Exchange difference	306	1,222	25
Balance at end of year	<u>155,231</u>	<u>620,148</u>	<u>18,238</u>

16. Provision for income tax

	2012 USD	KHR'000	2011 USD
Balance at beginning of year	194,047	775,218	146,198
Charge during the year	193,782	774,159	214,219
Taxation paid during the year	(226,600)	(905,267)	(166,370)
Balance at end of year	<u>161,229</u>	<u>644,110</u>	<u>194,047</u>

17. Long term borrowings

	2012 USD	KHR'000	2011 USD
(a) - MoEF (ASDF)	29,095,000	116,234,525	22,015,000
(b) - Suspense account from AFD	248,461	992,602	248,461
(c) - ADB subsidiary loan	1,543,243	6,165,256	1,730,012
(d) - China Development Bank	8,000,000	31,960,000	-
	<u>38,886,704</u>	<u>155,352,383</u>	<u>23,993,473</u>

Further analysis on long term borrowings is provided below.

(i) By classification between interest and non-interest bearing borrowings:

	Interest bearing	Non-interest bearing	Interest rate (p.a.) %
MoEF (ASDF)	29,095,000	-	3% - 4%
Suspense account from AFD	-	248,461	-
ADB subsidiary loan	1,543,243	-	0.75 - 2.75%
China Development Bank	8,000,000	-	5.49%
	<u>38,638,243</u>	<u>248,461</u>	

17. Long term borrowings (continued)

(ii) By maturity period:

	2012		2011
	USD	KHR'000	USD
Within one month	-	-	-
One month to three months	-	-	-
Four months to six months	-	-	-
Seven months to twelve months	-	-	-
Over one year but within three years	600,000	2,397,000	-
Over three years but within five years	800,000	3,196,000	-
Over five years	37,286,704	149,759,383	23,993,473
	<u>38,886,704</u>	<u>155,352,383</u>	<u>23,993,473</u>

(iii) Movement of loan from MoEF (ASDF):

	2012		2011
	USD	KHR'000	USD
At the beginning of the year	22,015,000	87,949,925	19,165,000
Additional loan during the year	19,675,000	78,601,625	15,500,000
Repayment during the year	(12,595,000)	(50,317,025)	(12,650,000)
At the end of the year	<u>29,095,000</u>	<u>116,234,525</u>	<u>22,015,000</u>

(iv) Movement of ADB subsidiary loan:

	2012		2011
	USD	KHR'000	USD
At the beginning of the year	1,730,012	6,935,907	1,920,096
Repayment during the year	(192,904)	(770,651)	(192,223)
Exchange difference	6,135	-	2,139
At the end of the year	<u>1,543,243</u>	<u>6,165,256</u>	<u>1,730,012</u>

17. Long term borrowings (continued)

- (a) On 29 January 2010, Rural Development Bank (RDB) entered into an agreement with the Ministry of Economy and Finance (“MoEF”) on fund obtained from ASDF (Agricultural Support and Development Fund). Based on the agreement, the Bank has the right to request loans from MoEF to sublend to the rice miller associations (RMA) and rice markets (RM) for the purpose of improving rice cultivating capacity and managing rice prices by purchasing in and selling out.

Fund from MoEF (ASDF) is a special loan to RDB at the interest rate of 3 to 4 percent per annum to sublend, based on the loan agreement, to individual rice millers (in practice it was made through provincial rice millers associations) at interest rate of 6 to 7 percent per annum plus service fee of one percent. The business of the members of provincial rice miller associations is to buy and sell paddy rice.

Based on the Sub-decree issued by the Royal Government of Cambodia on 15 September 2009, approval on sublending to RMA and RM is to be made by a credit committee, which comprises of the BOD chairman of RDB, the director of the financial industrial department, two RDB representatives, and one expert from the financial industrial department. However, the final approval is based on the decision of MoEF.

RDB is responsible for all types of risks that may incur in relation to loan sublending.

- (b) The suspense account from the Agence Française de Développement (“AFD”) is a result of a financing agreement signed on 7 May 1999 between AFD and the Kingdom of Cambodia whereby a grant is provided by AFD to be utilised as credit fund to develop family rubber plantations. An agreement to retrocede the funds in the form of advances was further signed between the MoEF and RDB on 25 August 1999. Parts of the credit fund are intended to be converted into capital of RDB when certain conditions are fulfilled. The credit fund actually available was amounting to 831,350 Euros and was for long-term lending in a pilot project organised into three components: (i) a technical component under the authority of the General Directorate of Rubber Plantation (Ministry of Agriculture) in charge of technical matters, (ii) a credit component supervised by RDB, and (iii) GRET, a French NGO, which was contracted to manage the entire loan processes such as selecting eligible planters, maintaining loan documentation, performing credit appraisal, loan processing, follow-up and monitoring, and loan recoveries.

RDB was to provide lending on this fund for a period of one to three years renewable. At the end of this period, the fund was to be handed-over to an entity specialised in providing long-term loans to rubber plantations.

In the previous years, RDB and GRET jointly launched a request for expression of interests to transfer the AFD pilot project to experienced financial institutions in return of a subordinated debt with the MoEF. Three MFIs attended the information meeting held at RDB; however, none of them expressed interests in the takeover of the project. As a result, RDB took over the management of the credit component of this pilot project from GRET on 27 March 2007. On 29 January 2007, the Bank submitted a request to NBC to transfer the borrowing to subordinated debt. NBC approved the transfer on 22 March 2007.

17. Long term borrowings (continued)

- (c) The long-term borrowing from the Asian Development Bank (“ADB”) was signed between the Kingdom of Cambodia and the Asian Development Bank on 7 July 2000 for the purposes of providing the RDB with funds for project management support to RDB, financing licensed financial institutions with credit fund and operational support, and supervision of MFIs by the NBC. A subsidiary loan agreement between the MoEF of the Kingdom of Cambodia and RDB was further signed on 30 January 2001 to re-lend part of the loan in USD and KHR to RDB for wholesale micro-credit financing and capacity building. The interest rate charged to RDB is six-month LIBOR subject to annual review in November and shall be payable by RDB to MoEF semi-annually on 15 January and 15 July in each year. Repayment of the loan principal will be payable semi-annually on 15 January and 15 July, beginning on 15 January 2009 and ending on 15 July 2020.

In the year 2006, several missions of the ADB found that the provincial rice miller associations project and the AFD project mentioned in (a) and (b) above, are retail loan financing and thus are not in compliance with the loan covenants related to RDB being a wholesaler of fund only through licenced financial institutions. Those missions further found that RDB failed to establish the benefit monitoring and evaluation mechanism to help track progress, outcomes and impact of the ADB project.

As per instructions from the ADB, RDB requested the MoEF to liquidate and refund the unused imprest advance of the loan on 13 March 2006. The refund was received by ADB on 25 October 2006. Therefore, the used portion of advance was agreed to retain in RDB’s account for future uses.

- (d) On 31 August 2011, RDB entered into an agreement with China Development Bank (“CDB”) for a long-term borrowing amounting to USD 8,000,000 payable in 10 years. Fund was received in March 2012 in two equal instalments. Interest is based on the aggregate of 4.75% and 6-month LIBOR rate per annum as determined by CDB to be paid every six months. Principal payment will commence 24 months after utilisation on a semi-annual basis.

18. Share capital

Issued and fully paid:

	2012		2011
	USD	KHR’000	USD
At beginning of year	20,372,269	81,801,178	12,937,847
Addition during the year	-	-	7,427,581
Exchange difference on translation	103,621	-	6,841
At end of year	20,475,890	81,801,178	20,372,269

18. Share capital (continued)

Analysis by currency:

	2012		2011
	USD	KHR'000	USD
Paid up capital in USD	10,964,000	43,801,181	10,964,000
Paid up capital in KHR	9,511,890	38,000,000	1,973,847
	<u>20,475,890</u>	<u>81,801,181</u>	<u>12,937,847</u>

19. Subordinated debts

	2012		2011
	USD	KHR'000	USD
Transfer from AFD	1,044,084	4,171,116	1,044,084
Transfer from IFAD (*)	391,374	1,563,539	521,832
	<u>1,435,458</u>	<u>5,734,655</u>	<u>1,565,916</u>

(*) Movement of subordinated debts under IFAD:

	2012		2011
	USD	KHR'000	USD
At beginning of year	521,832	2,084,719	652,290
Repayment during the year	<u>(130,458)</u>	<u>(521,180)</u>	<u>(130,458)</u>
At end of year	<u>391,374</u>	<u>1,563,539</u>	<u>521,832</u>

20. Interest income

	2012		2011
	USD	KHR'000	USD
Interest income is earned from:			
Long term loans	2,455,911	9,811,365	1,373,610
Short term loans	1,069,324	4,271,949	698,204
Deposits with the NBC	23,515	93,943	5,433
Staff loans	8,354	33,374	4,449
Fixed deposits	1,758	7,023	-
	<u>3,558,862</u>	<u>14,217,654</u>	<u>2,081,696</u>

21. Interest expenses

	2012		2011
	USD	KHR'000	USD
Interest expense is incurred on:			
Saving accounts	3,164	12,640	2,482
Fixed deposits	21,199	84,690	14,933
Medium to long term borrowings	1,101,202	4,399,302	40,333
	<u>1,125,565</u>	<u>4,496,632</u>	<u>57,748</u>

22. Non interest income

	2012		2011
	USD	KHR'000	USD
Commission income	171,076	683,449	103,247
Donation in kind (*)	122,910	491,025	-
Gain on disposal of fixed assets	4,099	16,376	-
Others	14,115	56,389	10,953
	<u>312,200</u>	<u>1,247,239</u>	<u>114,200</u>

(*) Donation in kinds represents vehicles and computer equipment purchased using funds from Agricultural Support and Development Fund. Those assets were then granted to RDB.

23. Payroll and other staff cost

	2012		2011
	USD	KHR'000	USD
Salary and wages	442,444	1,767,564	371,216
Bonuses	111,240	444,404	90,248
Employment benefits	75,708	302,453	80,729
Uniform	17,923	71,602	17,089
Overtime	342	1,366	365
	<u>647,657</u>	<u>2,587,389</u>	<u>559,647</u>

24. Other operating expenses

	2012		2011
	USD	KHR'000	USD
Mission, travelling and accommodation expenses	52,139	208,295	68,998
Water and electricity	49,081	196,079	44,016
Other consumables and office supplies	24,394	97,454	23,650
Social welfare	40,394	161,374	31,933
Gasoline and motor vehicles operating expenses	17,377	69,421	23,171
Donation and gifts	24,951	99,679	36,767
Telecommunication and postage expenses	28,325	113,158	18,847
Public relations expenses	10,809	43,182	11,663
Repair and maintenance	2,743	10,958	23,571
Professional fee	10,450	41,748	9,350
Membership fee	8,260	32,999	8,260
Reception charges	6,703	26,778	8,589
Advertising expenses	4,732	18,904	1,237
License fee	2,788	11,138	5,481
Tax on transportation vehicles	2,875	11,486	2,010
Fire and hazard insurance expenses	2,490	9,948	2,364
Training charges	2,209	8,825	1,851
Court and other legal fees	15,000	59,925	11,800
Clearing house and other fees	7,434	29,699	2,549
Publication and subscription expenses	1,043	4,167	1,289
Foreign exchange loss/(gain) - realised	107,578	429,774	5,443
Other miscellaneous expenses	16,430	65,638	2,287
	438,205	1,750,629	345,126

25. Income tax expense**(a) Reconciliation of current income tax**

In accordance with the Cambodian Law on Taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profit or the minimum tax at 1% of gross revenue, whichever is higher.

	2012		2011
	USD	KHR'000	USD
Net profit before tax	698,024	2,788,606	984,169
Statutory income tax @ 20%	139,605	557,722	196,834
Expenses not deductible for tax purposes	54,177	216,437	17,385
	193,782	774,159	214,219

(b) Deferred tax

There are no unutilised tax losses or significant deferred tax balances.

26. Cash flows from operating activities

	2012		2011
	USD	KHR'000	USD
Profit before income tax	698,024	2,788,606	984,169
<i>Adjustments for:</i>			
Depreciation and amortization	101,075	403,795	81,810
Provision for impairment losses	809,080	3,232,275	123,352
(Gain)/loss on disposal of property and equipment	(4,099)	(16,376)	-
Operating profit before changes in working capital	1,604,080	6,408,300	1,189,331
Increase/(decrease) in cash attributable to changes in working assets and liabilities:			
Statutory deposits with central bank	(50,235)	(200,689)	(371,738)
Loans and advances to customers	(21,173,114)	(84,586,590)	(4,300,462)
Other assets	(356,641)	(1,424,781)	8,947
Foreclosed properties	(1,113,605)	(4,448,852)	-
Deposits from non-bank customers	(44,779)	(178,892)	55,417
Deposits and placements by banks and OFIs	1,196	4,778	11,225
Other liabilities	315,695	1,261,202	480,392
Cash used in operations	(20,817,403)	(83,165,524)	(2,926,888)
Income tax paid	(226,600)	(905,267)	(166,370)
Net cash used in operating activities	(21,044,003)	(84,070,791)	(3,093,258)

27. Syndicated loan

Relating to the comparative figure of long term borrowings, outstanding balance of USD 85,000 syndicated loan between Canadia Bank Plc and RDB was reclassified to net off with loan receivable from ATODA since evidence revealed that RDB does not receive any rewards and does not face credit risk relating to this amount. The interest income from this loan is entirely transferred to Canadia Bank Plc at the annual interest rate of 9% and if the loan to ATODA defaults, RDB does not retain any obligation to Canadia Bank Plc.

28. Financial risk management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The Bank's risk management is to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The risks arising from financial business to which the Bank's activities are exposed are operational risk, financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk), and liquidity risk. The following are policies and guidelines adopted by the Bank to manage risks related to its business activities.

28. Financial risk management (continued)**28.1 Operational risk**

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of policies and procedures to provide guidance to the key operating units on the risk governance structure and baseline internal controls necessary to identify, assess, monitor and control their operational risks. Internal control policies and measures that have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed periodically, taking into account the business objectives and strategies of the Bank as well as regulatory requirements.

28.2 Interest rate risk

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

28. Financial risk management (continued)**28.2 Interest rate risk (continued)**

As at 31 December 2012	Up to 1 month USD	1 - 3 months USD	4 - 6 months USD	7 - 12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rates %
ASSETS									
Cash in hand	-	-	-	-	-	-	324,141	324,141	-
Balances with banks and OFIs	-	88,924	-	-	-	-	996,759	1,085,683	2.00
Balances with central bank	7,000,000	-	-	-	-	-	1,553,748	8,553,748	0.09-0.13
Statutory deposits with central bank	-	-	-	-	-	1,025,594	155,006	1,180,600	0.10-3.00
Loans and advances to customers:								0	
- Performing	-	-	-	18,450,044	12,770,684	9,062,005	-	40,282,733	6.00-9.00
- Non-performing	-	-	479,000	6,538,578	2,364,000	5,000,000	-	14,381,578	6.00-9.00
- Specific provisions	-	-	-	-	-	-	(591,333)	(591,333)	-
- General provisions	-	-	-	-	-	-	(532,467)	(532,467)	-
Foreclosed property	-	-	-	-	-	-	1,113,605	1,113,605	-
Other assets	-	-	-	-	-	-	712,945	712,945	-
Capital investment	-	-	-	-	-	-	12,500	12,500	-
TOTAL ASSETS	7,000,000	88,924	479,000	24,988,622	15,134,684	15,087,599	3,744,904	66,523,733	
LIABILITIES									
Deposits from non-bank customers	702,524	268,367	12,499	288,420	-	-	-	1,271,810	1.00-6.00
Deposits and placements by banks and MFIs	48,374	-	-	-	-	-	-	48,374	1.00-6.00
Other liabilities	-	-	-	-	-	169,417	1,077,311	1,246,728	-
Provision for income tax	-	-	-	-	-	-	161,229	161,229	-
Long-term borrowings	-	-	-	-	1,400,000	37,238,243	248,461	38,886,704	0.46-5.45
TOTAL LIABILITIES	750,898	268,367	12,499	288,420	1,400,000	37,407,660	1,487,001	41,614,845	
Interest sensitivity gap 2012 (USD)	6,249,102	(179,443)	466,501	24,700,202	13,734,684	(22,320,061)	2,257,903	24,908,888	
<i>Interest sensitivity gap 2012 (KHR'000)</i>	<i>24,965,162</i>	<i>(716,875)</i>	<i>1,863,671</i>	<i>98,677,307</i>	<i>54,870,063</i>	<i>(89,168,644)</i>	<i>9,020,322</i>	<i>99,511,008</i>	

28. Financial risk management (continued)**28.2 Interest rate risk (continued)**

As at 31 December 2011	Up to 1 month USD	1 - 3 months USD	4 - 6 months USD	7 - 12 months USD	1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rates %
ASSETS									
Cash in hand	-	-	-	-	-	-	805,870	805,870	-
Balances with banks and OFIs	-	-	-	-	-	-	1,154,816	1,154,816	-
Balances with central bank	4,000,000	-	-	-	-	-	10,356,420	14,356,420	0.09-0.13
Statutory deposits with central bank	-	-	-	-	-	1,020,413	109,952	1,130,365	0.10-3.00
Loans and advances to customers:									
- Performing	-	-	-	12,285,000	13,340,560	6,273,878	-	31,899,438	6.00-9.00
- Non-performing	-	1,910,000	100,000	-	129,000	-	-	2,139,000	6.00-9.00
- Specific provisions	-	-	-	-	-	-	(550,726)	(550,726)	-
- General provisions	-	-	-	-	-	-	(311,235)	(311,235)	-
Other assets	-	-	-	-	-	-	356,304	356,304	-
Capital investment	-	-	-	-	-	-	12,500	12,500	-
TOTAL ASSETS	4,000,000	1,910,000	100,000	12,285,000	13,469,560	7,294,291	11,933,901	50,992,752	
LIABILITIES									
Deposits from non-bank customers	1,057,765	67,200	61,190	130,434	-	-	-	1,316,589	1.00-6.00
Deposits and placements by banks and MFIs	47,178	-	-	-	-	-	-	47,178	1.00-6.00
Other liabilities	-	-	-	-	-	142,202	788,831	931,033	-
Provision for income tax	-	-	-	-	-	-	194,047	194,047	-
Long-term borrowings	-	-	-	-	-	23,745,012	248,461	23,993,473	0.46-5.00
TOTAL LIABILITIES	1,104,943	67,200	61,190	130,434	-	23887,214	1,231,339	26,482,320	
Interest sensitivity gap 2011 (USD)	2,895,057	1,842,800	38,810	12,154,566	13,469,560	(16,592,923)	10,702,562	24,510,432	
<i>Interest sensitivity gap 2011 (KHR'000)</i>	<i>11,565,753</i>	<i>7,361,986</i>	<i>155,046</i>	<i>48,557,491</i>	<i>53,810,892</i>	<i>(66,288,727)</i>	<i>42,756,735</i>	<i>97,919,176</i>	

28. Financial risk management (continued)**28.3 Liquidity risk**

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

As at 31 December 2012	Up to 1 month USD	1-3 months USD	4-6 months USD	7-12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD	Total KHR'000
ASSETS									
Cash in hand	324,141	-	-	-	-	-	-	324,141	1,294,943
Balances with banks and OFIs	1,085,683	-	-	-	-	-	-	1,085,683	4,337,304
Balances with central bank	8,553,748	-	-	-	-	-	-	8,553,748	34,172,223
Statutory deposits with central bank	-	-	-	-	-	-	1,180,600	1,180,600	4,716,497
Loans and advances to customers:									
- Performing	-	-	-	18,450,044	12,770,684	9,062,005	-	40,282,733	160,929,518
- Non-performing	-	-	479,000	6,538,578	2,364,000	5,000,000	-	14,381,578	57,454,404
- Specific provisions	-	-	-	-	-	-	(591,333)	(591,333)	(2,362,375)
- General provisions	-	-	-	-	-	-	(532,467)	(532,467)	(2,127,206)
Foreclosed property	-	-	-	1,113,605	-	-	-	1,113,605	4,448,852
Other assets	698,894	6,250	-	-	-	-	7,801	712,945	2,848,215
Equity investment	-	-	-	-	-	-	12,500	12,500	49,938
TOTAL ASSETS	10,662,466	6,250	479,000	26,102,227	15,134,684	14,062,005	77,101	66,523,733	265,762,313
LIABILITIES									
Deposits from non-bank customers	702,524	268,367	12,499	288,420	-	-	-	1,271,810	5,080,881
Deposits and placements by banks and MFIs	48,374	-	-	-	-	-	-	48,374	193,254
Other liabilities	38,788	1,023,031	-	15,421	-	169,488	-	1,231,925	4,980,678
Provision for income tax	-	161,229	-	-	-	-	-	161,229	644,110
Long-term borrowings	-	-	-	-	1,400,000	37,486,704	-	38,886,704	155,352,382
TOTAL LIABILITIES	789,686	1,452,627	12,499	303,841	1,400,000	37,656,192	-	41,614,845	166,251,305
Net position 2012	9,873,346	(1,446,377)	466,501	24,684,781	14,343,826	(23,577,868)	1,190,140	25,534,349	99,511,008

28. Financial risk management (continued)**28.3 Liquidity risk (continued)**

As at 31 December 2011	Up to 1 month USD	1-3 months USD	4-6 months USD	7-12 months USD	1 to 5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD	Total KHR'000
TOTAL ASSETS	16,664,880	1,918,395	100,000	12,285,000	13,469,560	6,273,878	281,039	50,992,752	203,716,044
TOTAL LIABILITIES	1,148,495	981,869	61,190	148,672	-	24,142,094	-	26,482,320	105,796,868
Net position 2011	15,516,385	936,526	38,810	12,136,328	13,469,560	(17,868,216)	281,039	24,510,432	97,919,176

28. Financial risk management (continued)

28.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Bank has no material exposures to currency risk as it transacts essentially in US Dollar. Significant presence of US Dollar is a normal practice of banks operating in Cambodia as this is a currency widely in use in Cambodia.

28.5 Credit risk

The Bank assumes exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and the geographical and industry segments. Procedures of risk limit setting, monitoring, usage, and control are governed by internal regulations. Such risks are monitored on a regular basis.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate or personal guarantees as well as by providing for loan losses. Commitments to extend credit represent unused portions of approved loans.

29. Commitments and contingencies

29.1 Tax interpretation

The Cambodian General Department of Taxation has two separate offices that are authorised to conduct tax audits of entities undertaking activities and doing business in Cambodia. The application of tax laws and regulations on many types of transactions is susceptible to varying interpretations when reviewed by these two tax offices. The Bank's judgement of its business activities may not coincide with the interpretation of the same activities by those tax offices.

If a particular treatment was to be challenged by those tax offices, the Bank may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the General Department of Taxation for three years with a possible extension of up to ten years.

29.2 Credit related commitments

The Bank has no commitments and contingent liabilities other than financing commitments with respect to the unused portion of loans facilities granted to its customers for credit funds. In the normal course of business, a specialised bank is not in the position to provide guarantees or contingent assurances.

29. Commitments and contingencies (continued)**29.3 Lease commitments**

As at 31 December 2012, the Bank has a lease commitment of USD 30,000 in respect of a non-cancellable rental agreement with a house owner which will expire on 16 March 2014.

30. Fair value of financial assets and liabilities

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Since market prices for the major part of Bank's financial assets and liabilities are not available, the fair value of these items is based on the estimates of the Management according to the type of assets and liabilities. According to the estimation of the Management, the market value is not materially different from the book value of all categories of assets and liabilities.

31. Significant related party balance and transactions

The following related party transactions are reflected in the accounts for the year:

	2012		2011
	USD	KHR'000	USD
Deposits:			
Board members	150,774	602,342	46,148
Operating expenses:			
Director's remuneration	51,456	205,567	44,044
Management salaries and 13th month	315,301	1,259,627	279,968
House rental for management	30,000	119,850	30,000

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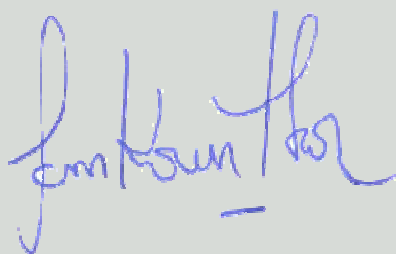
**SUPPLEMENTARY FINANCIAL INFORMATION
AND OTHER DISCLOSURES REQUIRED
BY THE NATIONAL BANK OF CAMBODIA**

Ratio and information contained in this section have been extracted from data contained in the audited financial statements for the year ended 31 December 2012.

STATEMENT BY DIRECTORS

We, the undersigned, do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by Prakas of the National Bank of Cambodia is properly drawn up so as to reflect fairly the required financial information of the Bank as at 31 December 2012. Information and data contained herein are the responsibility of the Bank's management.

Signed on behalf of the Board by:



H.E. Son Koun Thor
Chairman and C.E.O

Date: 29 March 2013



Mr Chan Seyha
BOD member and Deputy Director General

Date: 29 March 2013

NET WORTH AS AT 31 DECEMBER 2012

In accordance with the NBC's Prakas No. B7-010-182 dated 15 October 2010; the Bank is required to calculate its Net Worth according to the new methodology for all limits and ratios starting from reports issued as of 31 May 2011. The Bank's net worth using the method as at 31 December 2012 was calculated as follows:

	2012		2011
	USD	KHR'000	USD
TIER 1: CORE CAPITAL			
CATEGORY A ITEMS			
Paid up capital	20,475,890	81,801,181	20,372,269
Reserves other than re-evaluation reserves	-	-	-
Current year earnings	504,242	2,014,447	769,950
Retained earnings	3,118,759	12,459,442	2,348,809
SUB-TOTAL A	24,098,891	96,275,070	23,491,028
<u>Limit check on retained earnings</u> <i>(max. 20% of Sub-total A)</i>	12.94%		10.00%
CATEGORY B ITEMS			
Holding of own shares	-	-	-
Intangible assets	16,319	65,194	33,957
Due from shareholders, directors, related parties	-	-	-
Loss determined on dates other than year-end	-	-	-
SUB-TOTAL B	16,319	65,194	33,957
C. TOTAL TIER 1 (Core capital) (A-B)	24,082,572	96,209,876	23,457,071
TIER 2: COMPLEMENTARY CAPITAL			
CATEGORY C ITEMS			
Revaluation reserves	-	-	-
Provisions for general banking risks	-	-	-
1% general provision	532,467	2,127,206	311,235
Subordinated debts	1,435,458	5,734,655	1,565,916
SUB-TOTAL C	1,967,925	7,861,861	1,877,151
Limit check on subordinated debts <i>(Max. 50% of Tier 1 capital)</i>	5.96%	5.96%	6.68%
CATEGORY D ITEMS			
Equity participation in banking or OFIs	-	-	-
Other items	-	-	-
SUB-TOTAL D	-	-	-
TOTAL TIER 2 (Complementary capital) (C)-(D)	1,967,925	7,861,861	1,877,151
Limit check on Tier 2 capital <i>(Tier 2 = max. 100% of tier 1)</i>	8.17%	8.17%	8.00%
E. TOTAL NET WORTH (A-B+C-D)	26,050,497	104,071,737	25,334,222

LIQUIDITY RATIO AS AT 31 DECEMBER 2012

In accordance with the NBC's Prakas No. B 7-00-38 dated 9 February 2000 amended by Prakas No. B 7-02-187 dated 13 September 2002 and by Prakas No. B7-04-207 dated 29 December 2004; banks are required to calculate a liquidity ratio which should be at least 50%. Details of calculations are shown below.

	2012		2011
	USD	KHR'000	USD
A. NUMERATOR			
<i>Debit items:</i>			
Cash and gold	324,141	1,294,943	805,870
Deposits with the NBC excluding statutory deposits	8,553,748	34,172,223	14,356,420
Deposits with banks	1,085,683	4,337,304	1,154,816
Portion of lending to banks and financial institutions with maturity up to one month	-	-	-
Portion of lending to customers up to one month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
Total debit items	9,963,572	39,804,470	16,317,106
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	48,374	193,254	47,178
Borrowing from NBC and banks less than one month to run	-	-	-
Total credit items	48,374	193,254	47,178
TOTAL A. Lender / (Borrower) position	9,915,198	39,611,216	16,269,928
B. DENOMINATOR			
Fixed deposits less than one month at 80%	53,617	214,200	78,431
Fixed deposits more than one month at 50%	284,643	1,137,149	129,412
Saving deposits at 50%	96,863	386,968	106,202
Demand deposits at 60%	265,066	1,058,939	448,394
TOTAL B	700,189	2,797,256	762,439
Liquidity ratio (A/B)	1,416%		2,134%

SOLVENCY RATIO AS AT 31 DECEMBER 2012

In accordance with the NBC's Prakas No. B 7-00-46 dated 16 February 2000 amended by Prakas No. B7-04-206 dated 29 December 2004 and Prakas No. B7-07-135 dated 27 August 2007; banks shall observe a solvency ratio which is the ratio of their net worth to their aggregate credit risk exposures. The result found shall not be less than 15 per cent.

		2012		2011
	Weighting	USD	KHR'000	USD
NUMERATOR				
A. Net worth as at 31 December		<u>26,050,497</u>	<u>104,071,737</u>	<u>25,334,222</u>
DENOMINATOR				
Cash in hand	0%	-	-	-
Deposits with central bank	0%	-	-	-
Claims on Sovereigns rated AAA to AA-	0%	-	-	-
Claims on Sovereigns rated A+ to A-	20%	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-
Claims on Sovereigns rated BBB+ to BBB-	50%	-	-	-
Claim on banks rated A+ to A-	50%	-	-	-
Other assets	100%	57,090,705	228,077,366	35,246,609
Off-balance sheet items:				
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	-	-	-
B. Total risk-weighted assets		<u>57,090,705</u>	<u>228,077,366</u>	<u>35,264,609</u>
SOLVENCY RATIO (A/B)		<u>46%</u>		<u>72%</u>

LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS AS AT 31 DECEMBER 2012

In accordance with the NBC's Prakas No. B 7-09-074 dated 25 February 2009, banks shall classify their loan portfolio and their off-balance sheet commitments into five classes defined as standard, special mention, substandard, doubtful and loss, and record allowance for impairment regardless of the assets (except cash) lodged as collateral. The loan classification and provision for impairment losses as at 31 December 2012 are as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Bank's Provision USD	Difference USD
As at 31 December 2012					
Standard	40,282,733	1	402,827	532,467	129,640
Special mention	8,297,578	3	248,927	77,334	(171,593)
Substandard	70,000	20	14,000	-	(14,000)
Doubtful	5,500,000	50	2,750,000	-	(2,750,000)
Loss	514,000	100	514,000	514,000	-
	54,664,311		3,929,754	1,123,801	(2,805,953)

Equivalent in	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	160,929,518	1	1,609,294	2,127,207	517,913
Special mention	33,148,824	3	994,463	308,948	685,515
Substandard	279,650	20	55,930	-	55,930
Doubtful	21,972,500	50	10,986,250	-	10,986,250
Loss	2,053,430	100	2,053,430	2,053,430	-
	218,383,922		15,699,367	4,489,585	12,245,608

	Principal Loans USD	% of Provision %	NBC's Standard USD	Bank's Provision USD	Difference USD
As at 31 December 2011					
Standard	31,108,568	1	311,086	311,235	(149)
Special mention	990,870	3	29,726	29,726	-
Substandard	1,710,000	20	342,000	342,000	-
Doubtful	100,000	50	50,000	50,000	-
Loss	129,000	100	129,000	129,000	-
	34,038,438		861,812	861,961	(149)

FOREIGN CURRENCY TRANSACTIONS AS AT 31 DECEMBER 2012

In accordance with the NBC's Prakas B7-00-50 dated 9 February 2000, the Bank is required to disclose a summary of assets and liabilities at the balance sheet date in their sources currencies which was as follows:

		2012		2011
		USD	KHR'000	Restated
		or equivalents	or equivalents	USD
				or equivalents
Assets:				
	US Dollar	65,874,708	263,169,458	43,306,104
	Khmer Riel	1,274,486	5,091,571	8,233,160
		<u>67,149,194</u>	<u>268,261,029</u>	<u>51,539,264</u>
Liabilities:				
	US Dollar	40,908,058	163,427,692	25,693,226
	Khmer Riel	706,787	2,823,612	789,094
		<u>41,614,845</u>	<u>166,251,304</u>	<u>26,482,320</u>

No hedging was recognised in the above balances.

**OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY THE
LAW ON BANKING AND FINANCIAL INSTITUTIONS
AS AT 31 DECEMBER 2012**

- **Minimum capital** (Prakas B7-00-39 dated 9 February 2000 amended by Prakas No. B7-08-193 dated 19 September 2008)

The Bank's paid-up capital at the balance sheet date is USD 20.475 million (equivalent to approximately KHR 81.801 billion) which exceeds the minimum paid up capital requirement for a specialised bank of KHR 30 billion mentioned in the above Prakas.

- **Fixed assets** (Prakas B7-01-186 dated 8 November 2001)

Fixed assets acquired by banks for operational purposes shall be less than 30% of the Bank's total net worth as defined in Prakas B7-010-182. Fixed assets with no direct link to operations of the Bank shall be sold not later than one year after the date they became property of the Bank.

As at 31 December 2012, the Bank's fixed assets was amounting to USD 625,461 which is equivalent to **2.40%** of the Bank's net worth and this is therefore in compliance with the fixed asset ratio required by this Prakas.

During the year ended 31 December 2012, the Bank obtained assets by taking possession of collateral held as security amount to USD 1,113,605.

Repossessed properties have to be sold within one year as required by the NBC. Repossessed property is classified in the balance sheet as foreclosed properties. These foreclosed assets are recorded at fair value. These assets will not be held for operational purposes and with the intention to be disposed of to recover the outstanding amount within the maximum allowable period of twelve months as per NBC's guidelines.

- **Loans to related parties** (Prakas No. B7-01-137 dated 15 October 2001 amended by Prakas No. B7-02-146 dated 7 June 2002)

There were no related party loans at the balance sheet date.

▪ **Large exposures** (*Prakas* B7-06-226 dated 3 November 2006)

Under the provision of the *Prakas* No. B7-06-226 dated 3 November 2006; large exposure is defined as the overall gross exposure resulting from banking operations with one single beneficiary, where such exposure exceeds 10 percent of the Bank's net worth. Exposure means the higher of two items: (a) the outstanding loans or commitments, and (b) the authorized loans or commitments.

Banks are further required: (a) to maintain at all times a ratio not exceeding 20 percent between their overall exposure resulting from their operations with each individual beneficiary and their net worth, and (b) to maintain at all times a maximum ratio of 300 percent between the total of their large exposures and their net worth.

As at 31 December 2012, the Bank has five large exposure loans granted to five entities engaged in the rice business where such exposures exceeded 10% of the Bank's net worth and two of which exceeded the ceiling limit of 20% as per the provisions of NBC's *Prakas* and per interpretation of the said *Prakas* by NBC's official dated 22 March 2013 which stated that outstanding loan is defined and used to calculate exposure for all term loans and instalment loans. However, all of these loans do not exceed 300% as aggregate of individual large credit exposure of the net worth.

Particulars	Outstanding Balances (USD)	Bank's net worth (USD)	% of approved limit or outstanding to net worth
Item No.3	6,500,000	26,050,497	24.95%
Item No. 5	6,000,000	26,050,497	23.03%
Item No. 4	4,500,000	26,050,497	17.27%
Item No.1	4,400,000	26,050,497	16.89%
Item No.2	3,000,000	26,050,497	11.52%

	2012 USD or %	2011 USD or %
I - CAPITAL		
1. Equity to total assets (A/B)	38.03%	48.62%
A - Equity	25,534,349	25,056,944
B - Total assets	67,149,194	51,539,264
2. Capital tier I to total assets (A/B)	35.86%	45.51%
A - Capital tier I	24,082,572	23,457,071
B - Total assets	67,149,194	51,539,264
3. Capital tier I to risk-weighted assets (A/B)	42.18%	66.55%
A - Capital tier I	24,082,572	23,457,071
B - Risk weighted assets	57,090,705	35,246,609
4. Capital tier I + tier II to risk-weighted assets (A/B)	45.63%	71.88%
A - Capital tier I + tier II	26,050,497	25,334,222
B - Risk-weighted assets	57,090,705	35,246,609
5. Net worth to total assets (A/B)	38.79%	49.16%
A - Net worth	26,050,497	25,334,222
B - Total assets	67,149,194	51,539,264
6. Solvency ratio (A/B)	45.63%	71.88%
A - Net worth	26,050,497	25,334,222
B - Risk-weighted assets	57,090,705	35,246,609
7. Debt to total assets (A/B)	61.97%	51.38%
A - Total liabilities	41,614,845	26,482,320
B - Total assets	67,149,194	51,539,264
8. Debt to equity (A/B)	162.98%	105.69%
A - Total liabilities	41,614,845	26,482,320
B - Equity	25,534,349	25,056,944
9. Dividend to net profit (A/B)	0.00%	0.00%
A - Dividend	-	-
B - Net profit/(loss)	504,242	769,950

	2012 USD or %	2011 USD or %
II - ASSET QUALITY		
10. Baking reserves to total loans (A/B)	0.00%	0.00%
A - Banking reserves	-	-
B - Total loans (gross)	54,664,311	34,038,438
11. Banking reserves to total assets (A/B)	0.00%	0.00%
A - Banking reserves	-	-
B - Total assets	67,149,194	51,539,264
12. Non-performing loans to total loans (A/B)	11.13%	5.70%
A - Non-performing loans	6,084,000	1,939,000
B - Total loans (gross)	54,664,311	34,038,438
13. Non-performing loans to total assets (A/B)	9.06%	3.76%
A - Non-performing loans	6,084,000	1,939,000
B - Total assets	67,149,194	51,539,264
14. Classified assets to total loans (A/B)	0.00%	0.00%
A - Classified assets	-	-
B - Total loans (gross)	54,664,311	34,038,438
15. Classified assets to total assets (A/B)	0.00%	0.00%
A - Classified assets	-	-
B - Total assets	67,149,194	51,539,264
16. Classified assets to equity (A/B)	0.00%	0.00%
A - Classified assets	-	-
B - Equity	25,534,349	25,056,944
17. Loan to related parties to total loans (A/B)	0.00%	0.00%
A - Loan to related parties	-	-
B - Total loans (gross)	54,664,311	34,038,438
18. Large exposure to total loans (A/B)	44.64%	37.02%
A - Large exposure	24,400,000	12,600,000
B - Total loans (gross)	54,664,311	34,038,438

	2012	2011
	USD or %	USD or %
19. Loan to related parties to net worth (A/B)	0.00%	0.00%
A - Loan to related parties	-	-
B - Net worth	26,050,497	25,334,222
20. Large exposure to net worth (A/B)	93.66%	49.74%
A - Large exposure	24,400,000	12,600,000
B - Net worth	26,050,497	25,334,222
21. General provisions to total loans (A/B)	0.97%	0.91%
A - General provisions	532,467	311,235
B - Total loans (gross)	54,664,311	34,038,438
22. Specific provisions to total loans (A/B)	1.08%	1.62%
A - Specific provisions	591,333	550,726
B - Total loans (gross)	54,664,311	34,038,438
23. Specific provisions to non-performing loans (A/B)	9.72%	28.40%
A - Specific provisions	591,333	550,726
B - Non-performing loans	6,084,000	1,939,000
24. All allowances to total assets (A/B)	1.72%	1.73%
A - Total all allowances	1,156,275	893,870
B - Total assets	67,149,194	51,539,264
25. Loans to deposits (A/B)	4298.15%	2573.05%
A - Total loans to non-bank customers (gross)	54,664,311	34,038,438
B - Customer's deposits (non-bank customers)	1,271,810	1,322,881
III - EARNINGS		
26. Return on assets (A/B)	0.75%	1.49%
A - Net profit after tax	504,242	769,950
B - Total assets	67,149,194	51,539,264
27. Return on equity (A/B)	1.94%	3.04%
A - Net profit after tax	504,242	769,950
B - Equity	26,050,497	25,334,222

	2012 USD or %	2011 USD or %
28. Gross yield (A/B)	5.30%	4.04%
A - Interest income	3,558,862	2,081,696
B - Total assets	67,149,194	51,539,264
29. Net interest margin [(A-B)/C]	3.62%	3.93%
A - Interest income	3,558,862	2,081,696
B - Interest expense	1,125,565	57,748
C - Total assets	67,149,194	51,539,264
30. Other income (A/B)	0.46%	0.22%
A - Other income	312,200	114,200
B - Total assets	67,149,194	51,539,264
31. Provisions to total assets (A/B)	1.67%	1.67%
A - Provisions	1,123,800	861,961
B - Total assets	67,149,194	51,539,264
32. Overhead (A/B)	1.84%	2.00%
A - Non-interest expense	1,238,393	1,030,627
B - Total assets	67,149,194	51,539,264
33. Net income before tax (A/B)	1.04%	1.91%
A - Net profit before tax	698,024	984,169
B - Total assets	67,149,194	51,539,264
34. Tax to total assets (A/B)	0.51%	0.41%
A - Tax (all categories)	340,336	212,209
B - Total assets	67,149,194	51,539,264
35. Interest margin to gross income [(A-B)/C]	88.63%	94.66%
A - Interest income	3,558,862	2,081,696
B - Interest expense	1,125,565	57,748
C - Gross income	2,745,497	2,138,148
36. Non-interest income to gross income (A/B)	11.37%	5.34%
A - Non-interest income	312,200	114,200
B - Gross income	2,745,497	2,138,148

	2012 USD or %	2011 USD or %
37. Non-interest expense to gross income (A/B)	45.11%	48.20%
A - Non-interest expense	1,238,393	1,030,627
B - Gross income	2,745,497	2,138,148
38. Times interest earned [(A-B)/C]	(0.38)	16.04
A - Net profit before tax	698,024	984,169
B - Interest expense	1,125,565	57,748
C - Interest expense	1,125,565	57,748
IV - LIQUIDITY		
39. Liquid assets (A/B)	14.84%	31.66%
A - Liquid assets	9,963,572	16,317,106
B - Total assets	67,149,194	51,539,264
40. Short-term liabilities (A/B)	3.81%	4.54%
A - Short-term liabilities (less than one year)	2,558,653	2,340,226
B - Total assets	67,149,194	51,539,264
41. Net liquid assets [(A-B)/C]	22.04%	57.28%
A - Liquid assets	9,963,572	16,317,106
B - Short-term liabilities (less than one month)	789,686	1,148,495
C - Total liabilities	41,614,845	26,482,320
42. Quick ratio (A/B)	365.21%	655.61%
A - Quick assets	9,963,572	16,317,106
B - Current liabilities	2,728,141	2,488,847
43. Deposits to total loans (A/B)	2.33%	3.89%
A - Total customers' deposits (non-bank customers)	1,271,810	1,322,881
B - Total loans to non-bank customers (gross)	54,664,311	34,038,438
44. Property and equipment to net worth (A/B)	2.40%	2.16%
A. Property and equipment	625,461	546,512
B. Net worth	26,050,497	25,334,222

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