



# Rural Development Bank

## *Annual Report* 2011





# Table of Contents

<b>Background, Vision, Mission, Products and Service</b>	<b>1</b>
<b>Interest Rate, Source of Funds, RDB's Partners</b>	<b>2</b>
<b>Chairman &amp; CEO's Statement</b>	<b>3</b>
<b>Financial Highlight</b>	<b>5</b>
<b>Organization Chart</b>	<b>6</b>
<b>Coperate Governance</b>	<b>7</b>
<b>Board of Director</b>	<b>8</b>
<b>Management Team</b>	<b>11</b>
<b>Recruitment Policy and Career Development</b>	<b>13</b>
<b>Code of Conduct</b>	<b>14</b>
<b>Implementing Projects</b>	<b>14</b>
<b>Partners</b>	<b>18</b>
<b>Directors' Report to H.E. THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE</b>	<b>21</b>
<b>Statement of Director's Responsibility</b>	<b>24</b>
<b>Report of Independent Auditor</b>	<b>25</b>
<b>Balance Sheet</b>	<b>28</b>
<b>Statement of Income Retained Earnings</b>	<b>29</b>
<b>Statement of Change Inquiry</b>	<b>30</b>
<b>Statement of Cash Flows</b>	<b>31</b>
<b>Notes to the Financial Statement</b>	<b>32</b>
<b>Supplementary Financial Information and other disclosures</b>	<b>67</b>



## **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 Canadia 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*



In 2011, the same as previous years, Rural Development Bank (RDB) has been continuously supporting in term of financial and promoting the rural agriculture development and general economy through Microfinance Institutions, Commercial Banks, Specialize Banks, Associations, Communities, Micro-enterprises, and SME.

Following to the Royal Government of Cambodia's (RGC) policy on paddy production promoting and rice exporting, besides financial support to microfinance sector, Family rubber plantation projects, Farmer Communities, Agriculture Development Associations, and tourism along the borders, RDB as a RGC's policy follower is strongly making an effort to implement the Royal Government of Cambodia's special project through Agriculture Development and Support Fund (ASDF) to support Rice Mill Associations, Paddy/Rice Processing Companies, with both working capital to collect paddy from farmers to store and process for local consumption and export and investment capital to expand and modernize the dryer and processing machines. With the support from Ministry of Economy and Finance and the highest recommendation of **Samdech Akak Moha Sena Padei Decho Hun Sen** Prime Minister of the Kingdom of Cambodia, RDB has vitally implemented in finding markets for farmers' products especially cassava by financing to cassava collecting and processing company to purchase from farmers.

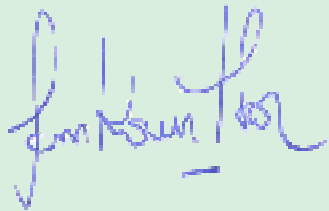
As at 2011, RDB has provided loan amounts up to USD 53.5 million increasing 11.26% comparing to 2010 in which 23% supporting Microfinance, farmer community and agriculture development association, 72% for SME such as member of Chamber of Professional and Micro Enterprises of Cambodia (CPMEC) and Cambodia One Village One Product (OVOP), 4% for Family Rubber Plantation in Kompong Cham province and 1% for others. RDB has granted loan to 6 Licensing MFIs, 10 credit operators, 13 Rice Mill Associations with their members around 110 rice mills, 8 rice markets, 14 SME, 4 Communities, and 594 households under Family Rubber Plantation Project in Kompong Cham province. RDB's loan outstanding was around USD 34 million, total assets was USD 51.54 million increasing 27.90% comparing to 2010. Total Revenue was more than USD 2 million and Profit before tax was about USD 1 million. These results showed that RDB has implemented grace financing policy which focuses on Rural Economic Development rather than commercial oriented.

Based on the successful performance since 2005 on financial supporting to paddy/rice sector, in 2011, China Development Bank financed USD 8 million to RDB as the first step for the period of 8 years to on-lend to paddy/rice

processing companies for expanding milling machine capacity and working capital for paddy/rice collecting and processing to achieve rice export policy.

With strongly support from the Ministry of Economy and Finance and understanding from National Bank of Cambodia as parents and under the management of Board of Director, 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 RCG's policy to get success on the paddy/rice production promoting and rice exporting.

Yours sincerely



**SON Koun Thor**  
Chairman and CEO



## Financial Highlights

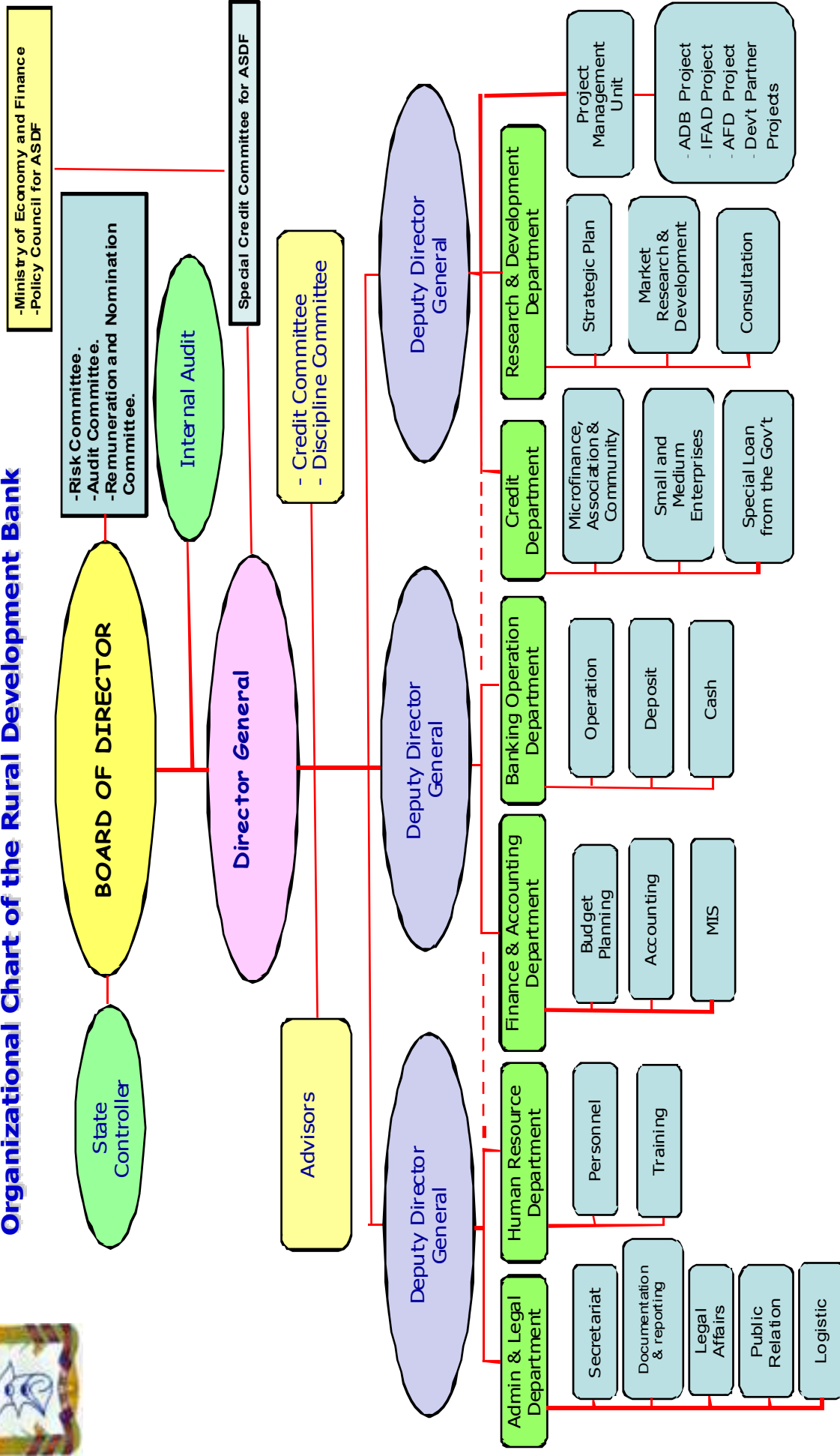
The following indicators are the financial highlights for the position ending December 31, 2011 presented in USD:

	2011	2010	2009
<b>Profitability :</b>			
Total income	2,195,896	2,074,471	1,896,118
Operating incomes before provision impairment	1,107,521	1,023,252	805,249
Profit Before Tax	984,171	721,854	737,858
Profit After Tax	769,950	556,462	576,752
<b>Key Balance Sheet Items:</b>			
Total Assets	51,539,264	40,295,551	35,272,452
Shareholder's fund	25,056,944	16,983,030	16,502,106
Loans and advances	34,038,438	29,845,561	28,513,395
Deposits from non bank customers	1,316,589	1,263,019	1,050,502
<b>Financial Ratios:</b>			
Return on Equity	3.04%	3.28%	3.50%
Return on Assets	1.49%	1.38%	1.64%
Total expenses to income ratio	64.94%	73.18%	69.58%
Non performing loans to total loans	5.68%	3.72%	0.62%
Solvency Ratio (NBC)	71.88%	51.03%	56.60%
Quick Ratio	655.61%	503.41%	374.06%





## 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 Director of Operation Department 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><b>H.E. Mr. SON Koun Thor</b> CEO</p> <p>-Date of birth : June 05, 1950 -Appointed as Chairman &amp; 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 &amp; Sciences Economics.</p>	<ul style="list-style-type: none"> <li>- Advisor to Samdech Techo HUN Sen, Prime Minister (Senior Minister Status )</li> <li>- Advisor to the Royal Government of Cambodia ( Minister Status )</li> <li>- Vice Chairman of the Supreme National Economic Council (Prime Minister's Office)</li> <li>- President of Chamber of Professional and Micro Enterprises of Cambodia</li> <li>- Secretary General of the Cambodia One Village One Product National Committee</li> <li>- FAO Representative in Cambodia</li> <li>- FAO Financial Expert (Africa)</li> <li>- Credit Mutual (France)</li> <li>- Officer (National Bank of Cambodia)</li> </ul>
 <p><b>Mr. LY Vonry</b> Deputy Director General in charge of Finance &amp; Accounting and Operation.</p> <p>-Date of birth : July 19, 1946 -Joining RDB since May 01, 1998</p>	<p>PhD Economics Sciences University Nice France,</p> <p>D.E.C.S (Professional Accounting diploma) Paris-France.</p> <p>Bachelor of Business in Phnom Penh University.</p>	<ul style="list-style-type: none"> <li>- Accounting Director of RDB</li> <li>- Accounting Manager, British – American Tobacco (BAT) in Phnom Penh</li> <li>- Rhone-Poulenc Pharmacy Company (France), responsible for Accounting Department</li> </ul>
 <p><b>Mr. MAK Sopha</b> Advisor to CEO &amp; Credit Director</p> <p>-Date of birth : June 07, 1964 -Joining RDB since Jan 20, 1999</p>	<p>Bachelor in Banking, Banking College, Ho Chi Minh City Viet Nam</p>	<ul style="list-style-type: none"> <li>- Section Chief of analysis &amp; Regulation Section of Bank Supervision Department (NBC)</li> <li>- Instructor at Banking Study Center</li> <li>- Worked in On-off site examination Supervision, NBC</li> <li>- Internship Banking College Ho Chi Minh City, Viet Nam</li> <li>- Internal Audit Committee of NBC</li> </ul>
 <p><b>Mr. UCH Chantha</b> Deputy Director General in charge of Admin. &amp; 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"> <li>- Vice Secretary General, Cambodian One Village One Product National Committee.</li> <li>- Secretary General Official of the Supreme National Economic Council.</li> <li>- Member of the secretary General of Economics, Social and Cultural Observation Unit (ESCOB) of the Office of the Council of Ministers</li> <li>- Assistant to Economic Advisor of Royal Government</li> </ul>



**Mr. PECH Sany**  
Deputy Director General  
in charge of Credit and  
Research & Dev't

-Date of Birth : October 1, 1964  
-Joining RDB since Jan 01, 2001

Master of Business  
Administration at NIB

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

- Deputy Director 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. CHAN Seyha**  
Banking Operation Director

-Date of Birth : August 07, 1965  
-Joining RDB since Jan 20, 1999

Master of Finance at  
National University of  
Management

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

- Deputy Chief of Accounts Management Division, Banking Department (NBC)
- Chief of Section, Clearing House Division, Banking Department of NBC.
- Accounting Staff at NBC



**Mr. Nong Thearith**

Internal Audit Director

-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**

Human Resource Director

-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)

- Deputy Director 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**

Director 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

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



**Mr. SOKRET Than Issara**

Director of Research and Dev't

-Date of Birth : July 25, 1982

-Joining RDB since Apr 04, 2001

Master of Finance at  
Panhasastra University

Bachelor of Finance and  
Banking at National  
University of Management

- Deputy Director of Research and Development, RDB
- Deputy Bureau Chief of Research & Development, RDB
- Credit Officer, RDB

## **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 in implementation for more than four years. 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**



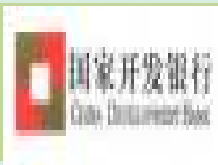
**Kristhan Pisith Akphiwat Sethakech Co.,LTD**



**CANADIA Bank Plc.**



**Foreign Trade Bank of Cambodia**



**China Development Bank**

# **RURAL DEVELOPMENT BANK**

(Incorporated in the Kingdom of Cambodia)

## **FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

## **DIRECTORS' REPORT TO H.E. THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE**

The directors hereby submit their report along with the audited financial statements of Rural Development Bank ("the Bank") for the year ended 31 December 2011.

### **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 Minister 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 2011 are set out in the statement of income and retained earnings on page 9.

### **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
Louk Chum Teav Tan Phally	Non-executive director	Member (appointed 03 June 2011)
Mr. Ou Sophanarith	Non-executive director	Member (appointed 03 June 2011)
Mr. Ly Savuth	Non-executive director	Member
Mr. Chan Seyha	Executive director	Member
Mr. Hel Chamroeun	Non-executive director	Member (appointed 25 October 2010)

**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 state of affairs of the Bank and of the results of its operations 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:

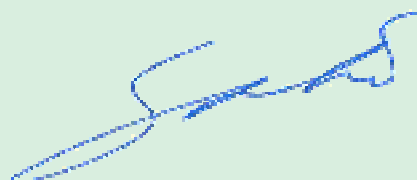
- i) the results of the operations of the Bank for the year ended 31 December 2011 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the year and the date of 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 state of affairs of the Bank as at 31 December 2011 and of the results of its operations 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: 30 March 2012



Mr. Chan Seyha  
BOD member and Operation Head

Date: 30 March 2012

## **REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF RURAL DEVELOPMENT BANK**

We have audited the accompanying balance sheet of Rural Development Bank (the “Bank” or “RDB”) as at 31 December 2011, and the related statements of income and retained earnings, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Responsibility of the Board of directors**

The Board of directors is responsible for the preparation and fair presentation of these financial statements in accordance with the National Bank of Cambodia’s guidelines and Cambodian Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors’ responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. Except for the matters described in the ‘Basis for qualified opinion’ paragraph, we conducted our audit in accordance with Cambodian International Standards on Auditing (“CISA”) and the requirements of the National Bank of Cambodia (“NBC”). Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of directors, as well as evaluating the overall presentation of the financial statements.

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

**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF RURAL DEVELOPMENT BANK (continued)****Basis for qualified opinion**

- (1) Notes 8 (j) to the financial statements - Family Rubber Plantations: in the previous years, 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 was available to enable us to perform alternative audit procedures. As a results of these matters and in the absence of independent audit report that we could rely on for the purposes of our audit, we were unable to satisfy ourselves as to whether the outstanding balance of the credit component of USD 990,868 (2010: USD 1,151,545) and the accrued interest income of approximately of USD 267,525 (2010: USD 328,063) as at 31 December 2011 are fairly stated, and whether any adjustments would be required in respect of recorded or unrecorded financial figures and other related elements making up the financial statements during the reporting period ended 31 December 2011.
- (2) Note 8 - Loans and advances to customers: the total gross loans less loans to Provincial Rice Millers Federation Associations and Family Rubber Plantations included loans totaling to USD 11,179,840 (2010: USD 14,361,510) 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, banks are 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 has provided a general provision of 1% on the total gross loan outstanding amounting to USD 111,798 that are not classified as non-performing for the year ended 31 December 2011. As a result of this matter, we were unable to satisfy ourselves as to the valuation and classification of these loans for the year ended 31 December 2011 as required by the NBC's *Prakas* B-7-09-074.
- (3) Note 19 - interest income under ASDF fund: RDB recognised interest income from loans provided to rice miller associations under ASDF fund as net-off against the interest expense paid to ASDF. The treatment and presentation of borrowing from ASDF as long term liability and of loans to rice miller associations as current assets are in accordance with the terms and conditions of agreements between RDB and ASDF and between RDB and the rice miller associations, which defined RDB as a principal. Therefore, the recognition of net interest income directs the accounting treatments to inconsistency, which on the other hand, gross interest incomes and interest expenses shall be presented separately in the financial statements. Current accounting practice of RDB results in understatement of interest incomes and expenses by USD 227,463 and the prepayment of 1% profit tax would also be understated. As a result of these matters, any adjustments found to be necessary would affect the financial position of the Bank as at 31 December 2011 and its results and cash flows for the year then ended.

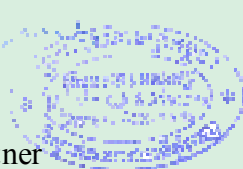
**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF RURAL DEVELOPMENT BANK (continued)****Qualified opinion**

In our opinion, except for the possible effects of the matters described in the ‘Basis for qualified opinion’ paragraphs above, the financial statements give a true and fair view of the state of affairs of the Bank as at 31 December 2011 and of the results of its operations and cash flows for the year then ended, in accordance with the NBC’s guidelines and Cambodian Accounting Standards.

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.

On behalf of Morison Kak & Associés

Saksom Meas  
Managing Partner



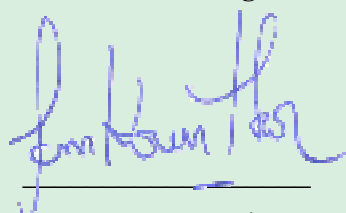
**Morison Kak & Associés**  
Certified Public Accountants  
Registered Auditors

Date: 30 March 2012

**BALANCE SHEET****AS AT 31 DECEMBER 2011**

		<b>2011</b>		<b>2010</b>
	<b>Notes</b>	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
<b>ASSETS</b>				Restated
Cash in hand	4	805,870	3,254,909	422,811
Balances with banks and OFIs	5	1,154,816	4,664,302	3,269,644
Balances with central bank	6	14,356,420	57,985,580	5,841,839
Statutory deposits with central bank	7	1,130,365	4,565,544	758,627
Loans and advances to customers	8	33,520,635	135,389,845	29,343,525
Capital investment	9	12,500	50,488	-
Other assets	10	12,146	49,058	21,093
Property and equipment	11	512,555	2,074,210	548,747
Intangible assets-banking software	12	33,957	137,152	4,265
<b>TOTAL ASSETS</b>		<b>51,539,264</b>	<b>208,167,088</b>	<b>40,210,551</b>
<b>LIABILITIES AND CAPITAL</b>				
<b>LIABILITIES</b>				
Deposits from non-bank customers	13	1,322,881	5,343,116	1,267,464
Deposits and placements by banks and MFIs		47,178	190,552	35,953
Other liabilities	14	924,741	3,735,029	444,349
Provision for income tax	15	194,047	783,756	146,198
Long term borrowings	16	23,993,473	96,909,637	21,333,557
<b>TOTAL LIABILITIES</b>		<b>26,482,320</b>	<b>106,962,090</b>	<b>23,227,521</b>
<b>CAPITAL</b>				
Share capital	17	20,372,269	82,283,594	12,937,847
Subordinated debts	18	1,565,916	6,324,735	1,696,374
Retained earnings		3,118,759	12,596,669	2,348,809
<b>TOTAL CAPITAL</b>		<b>25,056,944</b>	<b>101,204,998</b>	<b>16,983,030</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>51,539,264</b>	<b>208,167,088</b>	<b>40,210,551</b>

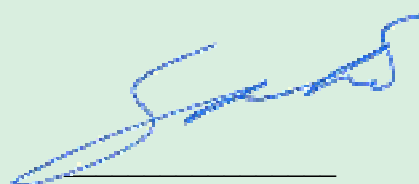
Signed and authorised for release on behalf of the Board of the Bank



H.E. Son Koun Thor

Chairman and C.E.O

Date: 30 March 2012



Mr. Chan Seyha

BOD member and Operation Head

Date: 30 March 2012

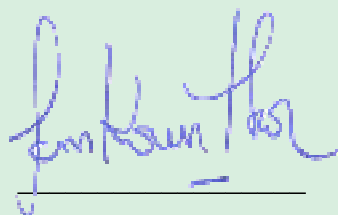
*The accompanying notes form an integral part of these financial statements.*



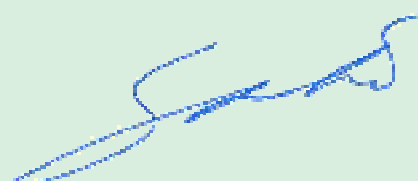
**STATEMENT OF INCOME AND RETAINED EARNINGS****FOR THE YEAR ENDED 31 DECEMBER 2011**

<b>STATEMENT OF INCOME</b>	<b>Notes</b>	<b>2011</b>		<b>2010</b>
		<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Interest income	19	2,081,696	8,407,971	1,870,766
Interest expense	20	(57,748)	(233,244)	(96,831)
<b>Net interest income</b>		<b>2,023,948</b>	<b>8,174,727</b>	<b>1,773,935</b>
Non-interest income	21	114,200	461,254	203,705
Directors' remuneration		(44,044)	(177,894)	(43,706)
Payroll and other staff cost	22	(559,647)	(2,260,413)	(484,886)
Depreciation expense		(81,810)	(330,431)	(73,637)
Other operating expenses	23	(345,126)	(1,393,964)	(352,159)
<b>Operating profit</b>		<b>1,107,521</b>	<b>4,473,279</b>	<b>1,203,252</b>
Provision for impairment losses		(123,352)	(498,219)	(301,398)
<b>Profit before income tax</b>		<b>984,171</b>	<b>3,975,060</b>	<b>721,854</b>
Income tax expense	24	(214,219)	(865,231)	(165,392)
<b>Net income for the year</b>		<b>769,950</b>	<b>3,109,829</b>	<b>556,462</b>
<b>STATEMENT OF RETAINED EARNINGS</b>				
		<b>2011</b>		<b>2010</b>
		<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Unappropriated profits at beginning of year		2,348,809	9,486,840	1,792,347
Net profit for the year		769,950	3,109,829	556,462
<b>Unappropriated profits at end of year</b>		<b>3,118,759</b>	<b>12,596,669</b>	<b>2,348,809</b>

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



H.E. Son Koun Thor

Chairman and C.E.O  
HeadDate: 30 March 2012


Mr Chan Seyha

BOD member and Operation  
Date: 30 March 2012*The accompanying notes form an integral part of these financial statements.*

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital USD	Subordinated debts USD	Retained earnings USD	Total USD
Balance as at 1 January 2010	12,882,927	1,826,832	1,792,347	16,502,106
Repayment to IFAD	-	(130,458)	-	(130,458)
Exchange difference	54,920	-	-	54,920
Net profit for the year	-	-	556,462	556,462
<b>Balance as at 31 December 2010</b>	<b>12,937,847</b>	<b>1,696,374</b>	<b>2,348,809</b>	<b>16,983,030</b>
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
<b>Balance as at 31 December 2011</b>	<b>20,372,269</b>	<b>1,565,916</b>	<b>3,118,759</b>	<b>25,056,944</b>
<i>Balance as at 31 December 2011</i>				
<i>(KHR'000 equivalents)</i>	<i>82,283,594</i>	<i>6,324,735</i>	<i>12,596,669</i>	<i>101,204,998</i>

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
<b>Cash flows from operating activities</b>			
<b>Net cash used in operating activities (Note 25)</b>	<b>(3,093,258)</b>	<b>(12,493,667)</b>	<b>(94,938)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment (Note 11)	(25,845)	(104,388)	(75,619)
Purchases of banking software (Note 12)	(49,465)	(199,789)	-
Equity investment - purchasing share of credit bureau	(12,500)	(50,488)	-
Proceeds from sales of property and equipment	-	-	4,600
<b>Net cash used in investing activities</b>	<b>(87,810)</b>	<b>(354,665)</b>	<b>(71,019)</b>
<b>Cash flows from financing activities</b>			
Proceeds from paid up capital	7,427,581	30,000,000	-
Repayments of subordinated debts	(130,458)	(526,920)	(130,458)
Proceeds from long-term borrowings (Note 16)	15,500,000	62,604,500	4,151,871
Repayment of long-term borrowings (Note 16)	(12,842,223)	(51,869,739)	-
<b>Net cash generated from financing activities</b>	<b>9,954,900</b>	<b>40,207,841</b>	<b>4,021,413</b>
<b>Exchange difference on capital paid in Khmer Riel</b>	<b>8,980</b>	<b>36,269</b>	<b>54,921</b>
<b>Net changes in cash and cash equivalents</b>	<b>6,782,812</b>	<b>27,395,778</b>	<b>3,910,377</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,534,294</b>	<b>38,509,013</b>	<b>5,623,917</b>
<b>Cash and cash equivalents, end of year</b>	<b>16,317,106</b>	<b>65,904,791</b>	<b>9,534,294</b>
<b><i>Represented by:</i></b>			
Cash in hand	805,870	3,254,909	422,811
Balances with banks inside Cambodia	1,154,816	4,664,302	3,269,644
Deposits and placements with NBC	14,356,420	57,985,580	5,841,839
	<b>16,317,106</b>	<b>65,904,791</b>	<b>9,534,294</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

### **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 Minister 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 2011, the Bank had 61 employees (2010: 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.

On 28 August 2009, the National Accounting Council 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.

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

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 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.

## **2. Summary of significant accounting policies (continued)**

### **2.2 Foreign currencies translation (continued)**

#### *(a) Functional and presentation currency (continued)*

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 = 4,039 KHR (2010: KHR 4,053). 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.

#### *(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, except transactions in KHR which are translated into USD at the rate of exchange quoted by the NBC at the date of the balance sheet. Exchange differences arising from conversion are reported on a net basis in the statement of comprehensive income.

### **2.3 Segment information**

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

### **2.4 Cash and cash equivalents**

Cash and cash equivalents comprise balances with original maturity of less than three months from the date of acquisition, including cash on hand, non-restricted balances with the Central Bank and balances with other banks.

### **2.5 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.

### **2.6 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 substandard, doubtful or bad.



## 2. Summary of significant accounting policies (continued)

### 2.7 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	More than ninety days	Specific provision	20%
Doubtful	More than six months	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.

### 2.8 Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitment 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.

### 2.9 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)

### 2.10 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 income statement 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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 income statement.

### 2.11 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. Summary of significant accounting policies (continued)**

### **2.12 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 income statement in the period in which it arises. Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

### **2.13 Financial liabilities**

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

### **2.14 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.

### **2.15 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.

### **2.16 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 income statement on a straight-line basis over the period of the lease.

## **2. Summary of significant accounting policies (continued)**

### **2.17 Other provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

### **2.18 Current and deferred income taxes**

Income tax expense for the period comprises current and deferred tax. Tax is recognised as expenses for the reporting period. 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 in full, 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.

### **2.19 Related parties**

Parties are considered to be related if one party has the ability 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.

### **2.20 Derecognition of financial assets and financial liabilities**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risk and rewards or ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

### Critical accounting estimates and judgements

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 and cash equivalents

	2011		2010
	USD	KHR'000	USD
Cash on hand – KHR	13,232	53,444	7,485
Cash on hand – USD	<u>792,638</u>	<u>3,201,465</u>	<u>415,326</u>
	<u>805,870</u>	<u>3,254,909</u>	<u>422,811</u>

**Balances with banks and other financial institutions**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Demand deposit with ACLEDA KC KHR	67,544	272,810	39,974
Demand deposit with ACLEDA KC USD	279,905	1,130,536	135,234
Demand deposit with CAMPU Bank Phnom Penh	692,272	2,796,087	2,722,144
Demand deposit with CAMPU BTB USD	104,419	421,748	361,601
Demand deposit with Canadia Bank USD	5,823	23,519	833
Demand deposit with FTB USD	4,853	19,601	9,858
	<u>1,154,816</u>	<u>4,664,301</u>	<u>3,269,644</u>

Demand deposits are non interest bearing accounts.

**6 Balances with central bank**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Demand deposits with NBC	10,356,420	41,829,580	5,841,839
One month fixed deposit with NBC	<u>4,000,000</u>	<u>16,156,000</u>	<u>-</u>
	<u>14,356,420</u>	<u>57,985,580</u>	<u>5,841,839</u>

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

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
a) By currency:			
Khmer riels	7,043,009	28,446,713	3,887
US Dollar	<u>7,313,411</u>	<u>29,538,867</u>	<u>5,837,952</u>
	<u>14,356,420</u>	<u>57,985,580</u>	<u>5,841,839</u>

**7 Statutory deposits with central bank**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Statutory capital deposit	1,020,413	4,121,448	648,692
Reserve requirements on customer deposits	<u>109,952</u>	<u>444,096</u>	<u>109,935</u>
	<u>1,130,365</u>	<u>4,565,544</u>	<u>758,627</u>



## 7. Statutory deposits with central bank (continued)

### (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  $\frac{1}{2}$  of the refinancing rate set by the NBC for deposit in Khmer Riel and  $\frac{3}{8}$  of six-month SIBOR rate for deposit in US Dollar.

### (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.

## 8. Loans and advances to customers

	2011		2010
	USD	KHR'000	USD
			Restated
Short term loans	12,614,000	50,947,946	12,704,000
Long term loans	21,358,021	86,265,047	16,992,168
Staff loans	66,417	268,258	64,393
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>
Accrued interests receivable	376,067	1,518,935	353,389
Provisions for impairment losses - Specific (*)	(550,726)	(2,224,382)	(466,546)
Provisions for impairment losses - General (**)	(311,235)	(1,257,078)	(272,000)
Interest in suspense (***)	<u>(31,909)</u>	<u>(128,880)</u>	<u>(31,879)</u>
	<u><u>33,520,635</u></u>	<u><u>135,389,845</u></u>	<u><u>29,343,525</u></u>

Included in total gross loans of USD 34,038,438 are loans totaling USD 11,179,840 (2010: USD 14,361,510) 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 111,798 that are not classified as non-performing for the year ended 31 December 2011.

**8. Loans and advances to customers (continued)**

Movements on provisions for impairment are as follows:

(\*) Specific provisions:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
At beginning of year	466,546	1,884,379	212,868
Addition during the year	84,117	339,749	300,862
Recovery during the year	-	-	(47,500)
Unrealised exchange difference	63	254	316
At end of year	<u>550,726</u>	<u>2,224,382</u>	<u>466,546</u>

(\*\*) General provisions:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
At beginning of year	272,000	1,098,608	271,247
Movement during the year	39,235	158,470	535
Unrealised exchange difference	-	-	218
At end of year	<u>311,235</u>	<u>1,257,078</u>	<u>272,000</u>

(\*\*\*) Movements on interest in suspense are as follows:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
At beginning of year	31,880	128,763	36,937
Movement during the year	(29)	(117)	(5,058)
At end of year	<u>31,909</u>	<u>128,646</u>	<u>31,879</u>

**8. Loans and advances to customers (continued)**

Further classification is as follows:

(a) By performance:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
Standard loans:			
Secured	18,904,403	76,354,884	22,049,460
Unsecured	12,204,165	49,292,622	5,065,554
Special mention:			
Secured	990,870	4,002,124	1,151,547
Unsecured	-	-	-
Substandard loans:			
Secured	1,625,000	6,563,375	1,265,000
Unsecured	85,000	343,315	-
Doubtful loans:			
Secured	100,000	403,900	100,000
Unsecured	-	-	-
Loss loans:			
Secured	129,000	521,031	129,000
Unsecured	-	-	-
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

(b) By maturity period:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
Later than one month to three months	1,910,000	7,714,490	1,265,000
Later than three months to six months	100,000	403,900	100,000
Later than six months to one year	12,285,000	49,619,115	12,490,000
Later than one year to three years	6,319,560	25,524,703	5,242,507
Later than three years to five years	7,150,000	28,878,850	3,787,500
Over five years	6,273,878	25,340,193	6,875,554
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

**8. Loans and advances to customers (continued)**

(c) By security:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
Secured (*)	21,749,273	87,845,314	24,695,007
Unsecured (**)	<u>12,289,165</u>	<u>49,635,937</u>	<u>5,065,554</u>
	<u><u>34,038,438</u></u>	<u><u>137,481,251</u></u>	<u><u>29,760,561</u></u>

(\*) Secured loans represent loans and advances to customer 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.

(d) By currency denomination:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
US Dollar	33,516,991	135,375,127	29,138,059
Khmer Riel	<u>521,447</u>	<u>2,106,124</u>	<u>622,502</u>
	<u><u>34,038,438</u></u>	<u><u>137,481,251</u></u>	<u><u>29,760,561</u></u>

(e) By status of residence:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
Residents	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

(f) By relationship:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
Related parties	-	-	11,964
Non related parties	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,748,597</u>
	<u><u>34,038,438</u></u>	<u><u>137,481,251</u></u>	<u><u>29,760,561</u></u>

**8. Loans and advances to customers (continued)**

(g) By types of customers:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
Corporate	6,112,007	24,686,396	15,726,556
Individuals and soles traders	27,860,014	112,526,597	13,969,612
Other	66,417	268,258	64,393
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

(h) By annual interest rates:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
Up to 10%	33,980,961	137,249,101	29,721,449
Over 10% to 12%	57,477	232,150	39,112
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

(i) By collaterals:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
Real estate	26,246,431	106,009,335	16,220,005
Personal guarantee	5,685,000	22,961,715	8,475,000
Unsecured	2,107,007	8,510,201	5,065,556
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

The amounts shown in table 8 (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:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
RDB	14,830,419	59,900,062	14,050,895
MoEF (ASDF loans) (*)	17,871,667	72,183,663	13,025,000
IFAD	338,007	1,365,210	419,009
AFD (**)	990,868	4,002,116	1,151,545
Canada and FTB refinancing loans	-	-	1,100,000
Gret Kosan	7,477	30,200	14,112
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

## 8. Loans and advances to customers (continued)

(\*) 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 990,868 (2010: USD 1,151,545) and the accrued interest income approximately of USD 267,525 as at 31 December 2011 (2010: USD 328,063).

(k) By economic sectors:

	2011		2010
	USD	KHR’000	USD
			Restated
LFIs	2,033,167	8,211,961	3,022,556
Registered MFIs	3,324,838	13,429,021	3,116,453
Registered NGOs	599,000	2,419,361	479,000
Associations	950,000	3,837,050	425,000
Private	26,074,143	105,313,464	21,501,612
Rubber	990,871	4,002,128	1,151,545
Staff loans	66,419	268,266	64,395
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

(l) By large exposures:

	2011		2010
	USD	KHR’000	USD
			Restated
Large exposures (*)	12,600,000	50,891,400	9,400,000
Non-large exposures	21,438,438	86,589,851	20,360,561
	<u>34,038,438</u>	<u>137,481,251</u>	<u>29,760,561</u>

(\*) The Bank has three single large exposure loans as at 31 December 2011 which exceeded 10% limit of net worth. However, none of these loans exceeds the ceiling limit of 20% as per the provisions of NBC’s *Prakas* No. B7-06-226 dated 3 November 2006.

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.

9.



### Capital investment

On 20 September 2011, the Bank decided to invest 0.5% of share capital in Credit Bureau (Cambodia) Co., Ltd. with the amount of 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 in the process of incorporation and registration with the capital of USD 2,500,000. This capital investment carries no interest.

### 10. Other assets

	2011		2010
	USD	KHR'000	USD
Interest receivable on fixed deposit with NBC	91	368	-
Guarantee deposit	135	545	1,806
Prepaid rent	8,395	33,907	14,693
Prepaid insurance	246	994	318
Other debtors	3,279	13,244	4,276
	<u>12,146</u>	<u>49,058</u>	<u>21,093</u>

**11. Property and equipment**

<b>Cost</b>	<b>Land USD</b>	<b>Building USD</b>	<b>Renovations USD</b>	<b>Motor Vehicles USD</b>	<b>IT equipment &amp; software USD Restated</b>	<b>Office equipment &amp; furniture USD</b>	<b>Work in progress USD</b>	<b>Total USD</b>
At 1 January 2011	241,500	150,653	12,308	354,069	121,062	106,102	24,732	1,010,426
Addition	-	-	-	36,900	11,780	1,897	24,733	75,310
Reclassification	-	-	-	-	-	-	(49,465)	(49,465)
At 31 December 2011	241,500	150,653	12,308	390,969	132,842	107,999	-	1,036,271
<b>Accumulated depreciation</b>								
At 1 January 2011	-	52,297	11,074	230,564	97,120	70,624	-	461,679
Charge for the year	-	7,513	490	29,474	34,716	9,617	-	81,810
Reclassification	-	-	-	-	(19,773)	-	-	(19,773)
At 31 December 2011	-	59,810	11,564	260,038	112,063	80,241	-	523,716
<b>Net carrying amount</b>								
At 31 December 2011	241,500	90,843	744	130,931	20,779	27,758	-	512,555
At 31 December 2010	241,500	98,356	1,234	123,505	23,942	35,478	24,732	548,747
Depreciation charge 2010	-	7,534	497	31,502	15,701	10,604	-	65,838

## 11. Property and equipment (continued)

<b>Cost</b>	<b>Land KHR'000</b>	<b>Building KHR'000</b>	<b>Renovations KHR'000</b>	<b>Motor Vehicles KHR'000</b>	<b>IT equipment &amp; software KHR'000</b>	<b>Office equipment &amp; furniture KHR'000</b>	<b>Work in progress KHR'000</b>	<b>Total KHR'000</b>
At 1 January 2011	975,419	608,487	49,712	1,430,085	488,969	428,546	99,893	4,081,111
Additions	-	-	-	149,039	47,579	7,662	99,897	304,177
Reclassification	-	-	-	-	-	-	(199,790)	(199,790)
At 31 December 2011	975,419	608,487	49,712	1,579,124	536,548	436,208	-	4,185,498
<b>Accumulated depreciation</b>								
At 1 January 2011	-	211,228	44,728	931,248	392,268	285,250	-	1,864,722
Charge for the year	-	30,345	1,980	119,045	140,218	38,843	-	330,431
Reclassification	-	-	-	-	(79,863)	-	-	(79,863)
At 31 December 2011	-	241,573	46,708	1,050,293	452,623	324,093	-	2,115,290
<b>Net carrying amount</b>								
At 31 December 2011	975,419	366,914	3,004	528,831	83,925	112,115	-	2,070,208
At 31 December 2010	975,419	397,259	4,984	498,837	96,701	143,296	99,893	2,216,389
Depreciation charge for 2010	-	30,430	2,007	127,237	63,416	42,830	-	265,920

**12. Intangible assets - banking software**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
<b>Cost</b>			
Balance brought forward	52,945	213,845	52,945
Reclassification	49,465	199,789	-
Balance carried forward	<u>102,410</u>	<u>413,634</u>	<u>52,945</u>
<b>Less: Accumulated amortisation</b>			
Balance brought forward	48,680	196,619	40,877
Charge for the year	19,773	79,863	7,803
Balance carried forward	<u>68,453</u>	<u>276,482</u>	<u>48,680</u>
<b>Net book value</b>	<u><b>33,957</b></u>	<u><b>137,152</b></u>	<u><b>4,265</b></u>

**13. Deposits from non-bank customers**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Demand deposits	747,322	3,018,434	744,697
Saving accounts	212,404	857,900	224,087
Fixed deposits	356,863	1,441,370	294,235
	<u>1,316,589</u>	<u>5,317,704</u>	<u>1,263,019</u>
Accrued interest payable	6,292	25,413	4,445
	<u><u>1,322,881</u></u>	<u><u>5,343,117</u></u>	<u><u>1,267,464</u></u>

a) Further analysis is as follows:

(i) By maturity period:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Within one month:			
Current deposits	747,323	3,018,438	744,697
Saving deposits	212,403	857,896	224,087
Fixed deposits	98,039	395,980	-
One to three months	67,200	271,421	179,998
Four to six months	61,190	247,146	15,433
Over six months	130,434	526,823	98,804
	<u><u>1,316,589</u></u>	<u><u>5,317,704</u></u>	<u><u>1,263,019</u></u>

**13. Deposits from non-bank customers (continued)**

(ii) By type of customers:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Domestic corporations (private sector)	742,091	2,997,306	736,058
Non-government organisations (MFI, OFI)	-	-	3,608
Individuals	574,406	2,320,026	523,256
Non-residents	92	372	97
	<u>1,316,589</u>	<u>5,317,704</u>	<u>1,263,019</u>

(iii) By status of residence:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Residents	1,316,497	5,317,332	1,262,922
Non-Residents	92	372	97
	<u>1,316,589</u>	<u>5,317,704</u>	<u>1,263,019</u>

(iv) By currency denomination:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
US Dollar	1,287,250	5,199,204	1,238,868
Khmer Riel	29,339	118,500	24,151
	<u>1,316,589</u>	<u>5,317,704</u>	<u>1,263,019</u>

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

	<b>2011</b>	<b>2010</b>
	<b>% p.a.</b>	<b>% p.a.</b>
Saving deposits	1.00 - 1.50	1.00 - 1.50
Fixed deposits	3.00 - 6.00	3.00 - 6.00

**14.**

**Other liabilities**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Accrued interests payable (*)	18,238	73,663	19,367
Unearned income	29,802	120,370	75,788
Tax liabilities	2,783	11,241	2,249
Amount due to ASDF	720,622	2,910,592	220,350
Amount due to AFD	6,419	25,926	9,065
Employment security fund	142,202	574,354	113,406
Others	4,675	18,883	4,124
	<u>924,741</u>	<u>3,735,029</u>	<u>444,349</u>

(\*) Accrued interests payable consist of:

AIP on loan from ADB	9,966	40,252	10,213
AIP on loan from IFAD	8,272	33,411	9,154
	<u>18,238</u>	<u>73,663</u>	<u>19,367</u>

Movements of accrued interest payable:

Beginning balance	19,367	78,322	38,603
Interest charged during the year	38,342	154,864	42,897
Interest paid during the year	(39,496)	(159,523)	(62,499)
Exchange difference	25	-	366
Balance at end of year	<u>18,238</u>	<u>73,663</u>	<u>19,367</u>

Movement of accrued interest payable on ADB fund is as follows:

Beginning balance	10,213	41,349	27,589
Interest charged during the year	20,634	83,342	22,253
Interest paid during the year	(20,906)	(84,439)	(39,995)
Exchange difference	25	-	366
Balance at end of year	<u>9,966</u>	<u>40,252</u>	<u>10,213</u>

**15. Provision for income tax**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Balance at beginning of year	146,198	590,494	143,191
Charge during the year	214,219	865,231	165,392
Taxation paid during the year	<u>(166,370)</u>	<u>(671,969)</u>	<u>(162,385)</u>
Balance at end of year	<u>194,047</u>	<u>783,756</u>	<u>146,198</u>

**16. Long term borrowings**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
(a) - MoEF (ASDF)	22,015,000	88,918,585	19,165,000
(b) - Suspense account from AFD	248,461	1,003,534	248,461
(c) - ADB subsidiary loan	1,730,012	6,987,518	1,920,096
	<u>23,993,473</u>	<u>96,909,637</u>	<u>21,333,557</u>

Further analysis on long term borrowings is provided below.

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

	<b>Interest bearing</b>	<b>Non-interest bearing</b>	<b>Interest rate (p.a.) %</b>
MoEF (ASDF)	22,015,000	-	3% - 4%
Suspense account from AFD	-	248,461	
ADB subsidiary loan	1,730,012	-	0.75 - 2.75%
	<u>23,745,012</u>	<u>248,461</u>	

(ii) By maturity period:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
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	-	-	-
Over three years but within five years	-	-	-
Over five years	23,993,473	96,909,637	21,333,557
	<u>23,993,473</u>	<u>96,909,637</u>	<u>21,333,557</u>



**16. Borrowings (continued)****(iii) Movement of loan from MoEF (ASDF)**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
			Restated
At the beginning of the year	19,165,000	77,407,435	14,840,000
Additional loan during the year	15,500,000	62,604,500	16,105,000
Repayment during the year	<u>(12,650,000)</u>	<u>(51,093,350)</u>	<u>(11,780,000)</u>
At the end of the year	<u><u>22,015,000</u></u>	<u><u>140,011,935</u></u>	<u><u>19,165,000</u></u>

**(iv) Movement of ADB subsidiary loan**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
At the beginning of the year	1,920,096	7,763,906	2,093,225
Repayment during the year	(192,223)	(776,389)	(192,009)
Exchange difference	<u>2,139</u>	<u>-</u>	<u>18,880</u>
At the end of the year	<u><u>1,730,012</u></u>	<u><u>6,987,517</u></u>	<u><u>1,920,096</u></u>

- (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.

## 16. Borrowings (continued)

- (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.

- (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.

**17. Share capital**

Issued and fully paid:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
At beginning of year	12,937,847	52,283,594	12,882,927
Addition during the year	7,427,581	30,000,000	-
Exchange difference on translation	6,841	-	54,920
At end of year	<u>20,372,269</u>	<u>82,283,594</u>	<u>12,937,847</u>

Analysis by currency:

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Paid up capital in USD	10,964,000	44,283,594	10,964,000
Paid up capital in KHR	9,408,269	38,000,000	1,973,847
	<u>20,372,269</u>	<u>82,283,594</u>	<u>12,937,847</u>

**18. Subordinated debts**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Transfer from AFD	1,044,084	4,217,056	1,044,084
Transfer from IFAD (*)	521,832	2,107,679	652,290
	<u>1,565,916</u>	<u>6,324,735</u>	<u>1,696,374</u>

(\*) Movement of subordinated debts under IFAD

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
At beginning of year	652,290	2,634,599	782,748
Repayment during the year	(130,458)	(526,920)	(130,458)
At end of year	<u>521,832</u>	<u>2,107,679</u>	<u>652,290</u>

**19.**

**Interest income**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Interest income is earned from:			
Deposits with the NBC	5,433	21,944	6,020
Long term loans (*)	1,373,610	5,548,011	1,238,431
Short term loans (*)	698,204	2,820,046	621,220
Staff loans	4,449	17,970	5,095
	<u>2,081,696</u>	<u>8,407,971</u>	<u>1,870,766</u>

(\*) Included in interest income from both long term and short term loans to customers are interest income from ASDF amounting to USD 845,472 which was netted off with interest expense paid to MoEF (ASDF) amounting to USD 227,463. Since the terms and conditions of the agreements between RDB and ASDF and between RDB and the rice miller associations defined RDB as a principal, gross interest incomes and interest expenses shall be presented separately in the financial statements.

**20. Interest expenses**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Interest expense is incurred on:			
Saving accounts	2,482	10,025	3,039
Fixed deposits	14,933	60,314	11,587
Medium to long term borrowings	40,333	162,905	82,205
	<u>57,748</u>	<u>233,244</u>	<u>96,831</u>

**21. Non interest income**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Commission income	103,247	417,015	141,121
Loan recovery	-	-	47,500
Others	10,953	44,239	15,084
	<u>114,200</u>	<u>461,254</u>	<u>203,705</u>

**22.**

**Payroll and other staff cost**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Salary and wages	371,216	1,499,341	336,986
Bonuses	90,248	364,512	68,953
Employment benefits	80,729	326,064	62,258
Uniform	17,089	69,022	16,659
Overtime	365	1,474	30
	<u>559,647</u>	<u>2,260,413</u>	<u>484,886</u>

**23. Other operating expenses**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Mission, travelling and accommodation expenses	68,998	278,683	84,861
Water and electricity	44,016	177,781	44,302
Other consumable and office supplies	23,650	95,522	30,473
Social welfare	31,933	128,977	29,891
Gasoline and motor vehicles operating expenses	23,171	93,588	21,672
Donation and gifts	36,767	148,502	17,677
Telecommunication and postage expenses	18,847	76,123	16,043
Seminar and meeting expenses	-	-	12,389
Public relations expenses	11,663	47,107	11,104
Repair and maintenance	23,571	95,203	10,541
Professional fee	9,350	37,765	8,250
Membership fee	8,260	33,362	6,200
Reception charges	8,589	34,691	4,289
Advertising expenses	1,237	4,996	3,532
License fee	5,481	22,138	2,748
Tax on transportation vehicles	2,010	8,118	2,499
Fire and hazard insurance expenses	2,364	9,548	2,391
Training charges	1,851	7,476	2,065
Court and other legal fees	11,800	47,660	2,000
Clearing house and other fees	2,549	10,295	1,833
Publication and subscription expenses	1,289	5,206	1,490
Fine expenses	-	-	1,213
Foreign exchange loss/(gain) - realised	5,443	21,984	34,694
Other miscellaneous expenses	2,287	9,239	2
	<u>345,126</u>	<u>1,393,964</u>	<u>352,159</u>

**24.**

**Income tax expense**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Profit before income tax	984,169	3,975,059	721,854
Income tax @ 20%	196,834	795,013	144,371
Expenses not deductible for tax purposes	<u>17,385</u>	<u>70,218</u>	<u>21,021</u>
Income tax expenses	<u><u>214,219</u></u>	<u><u>865,231</u></u>	<u><u>165,392</u></u>

Under the Cambodian Law on Taxation (“LoT”), the Bank has the obligation to pay corporation income tax of either the profit tax at 20% of taxable profit or minimum tax at 1% of total revenue, whichever is higher. Income tax expense for the years 2011 and 2010 represents profit tax at 20% of the current reporting period profit before tax after adjusting for permanent differences relating to items not allowed as deductions for tax purposes.

**25. Cash flows from operating activities**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Profit before income tax	984,169	3,975,060	721,854
<i>Adjustments for:</i>			
Depreciation and amortization	81,810	330,431	73,637
Loan loss recovery	-	-	(47,500)
Provision for impairment losses	123,352	498,219	301,398
(Gain)/loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>(4,597)</u>
Operating profit before changes in working capital	1,189,331	4,803,710	1,044,792
Increase/(decrease) in cash attributable to changes in working assets and liabilities:			
Statutory deposits with central bank	(371,738)	(1,501,450)	(4,083)
Loans and advances to customers	(4,300,462)	(17,369,566)	(1,347,507)
Other assets	8,947	36,137	(13,052)
Deposits from non-bank customers	55,417	223,829	214,321
Deposits and placements by banks and OFIs	11,225	45,338	7,945
Other liabilities	<u>480,392</u>	<u>1,940,303</u>	<u>165,031</u>
Cash generated from/(used in) operations	(2,926,888)	(11,821,699)	67,447
Income tax paid	<u>(166,370)</u>	<u>(671,968)</u>	<u>(162,385)</u>
<b>Net cash used in operating activities</b>	<u><b>(3,093,258)</b></u>	<u><b>(12,493,667)</b></u>	<u><b>(94,938)</b></u>

## 26. 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.

## 27. 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.

### 27.1 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.

### 27.2 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.



**27.2 Interest rate risk (continued)****As at 31 December 2011****ASSETS**

	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 %
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)	-
- Interests receivable	-	-	-	-	-	-	376,067	376,067	-
- Interests in suspense	-	-	-	-	-	-	(31,909)	(31,909)	-
Other assets	-	-	-	-	-	-	12,146	12,146	-
Property and equipment	-	-	-	-	-	-	512,555	512,555	-
Capital investment	-	-	-	-	-	-	12,500	12,500	-
Intangible assets	-	-	-	-	-	-	33,957	33,957	-
<b>TOTAL ASSETS</b>	<b>4,000,000</b>	<b>1,910,000</b>	<b>100,000</b>	<b>12,285,000</b>	<b>13,469,560</b>	<b>7,294,291</b>	<b>12,480,413</b>	<b>51,539,264</b>	

**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	782,539	924,741	-
Accrued interest payable	-	-	-	-	-	-	6,292	6,292	-
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**

<b>1,104,943</b>	<b>67,200</b>	<b>61,190</b>	<b>130,434</b>	<b>-</b>	<b>-</b>	<b>23887,214</b>	<b>1,231,339</b>	<b>26,482,320</b>
------------------	---------------	---------------	----------------	----------	----------	------------------	------------------	-------------------

**Interest sensitivity gap 2011 (USD)**

<b>2,895,057</b>	<b>1,842,800</b>	<b>38,810</b>	<b>12,154,566</b>	<b>13,469,560</b>	<b>(16,592,923)</b>	<b>11,249,074</b>	<b>25,056,994</b>
------------------	------------------	---------------	-------------------	-------------------	---------------------	-------------------	-------------------

**27.2 Interest rate risk (continued)**

## As at 31 December 2010

	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 %
<b>ASSETS</b>									
Cash in hand	-	-	-	-	-	-	422,811	422,811	-
Balances with banks and OFIs	-	-	-	-	-	-	3,269,644	3,269,644	-
Balances with central bank	-	-	-	-	-	-	5,841,839	5,841,839	0.35-0.81
Statutory deposits with central bank	-	-	-	-	-	648,692	109,935	758,672	2.01-2.02
Loans and advances to customers:									
- Performing	-	-	-	12,704,000	8,872,007	8,140,554	-	29,716,561	7.00-19.00
- Non-performing	-	-	-	-	-	129,000	-	129,000	13.50
- Specific provisions	-	-	-	-	-	-	(466,546)	(466,546)	-
- General provisions	-	-	-	-	-	-	(272,000)	(272,000)	-
- Interests receivable	-	-	-	-	-	-	353,389	353,389	-
- Interests in suspense	-	-	-	-	-	-	(31,879)	(31,879)	-
Other assets	-	-	-	-	-	-	21,093	21,093	-
Property and equipment	-	-	-	-	-	-	553,012	553,012	-
<b>TOTAL ASSETS</b>	-	-	-	<b>12,704,000</b>	<b>8,872,007</b>	<b>8,918,246</b>	<b>9,801,298</b>	<b>40,295,551</b>	
<b>LIABILITIES</b>									
Deposits from non-bank customers	968,784	179,998	15,433	98,804	-	-	-	1,263,019	1.00-6.00
Deposits and placements by banks and MFIs	35,953	-	-	-	-	-	-	35,953	1.00-6.00
Other liabilities	-	-	-	-	-	-	444,349	444,349	-
Accrued interest payable	-	-	-	-	-	-	4,445	4,445	-
Provision for income tax	-	-	-	-	-	-	146,198	146,198	-
Long-term borrowings	-	-	-	-	-	2,005,096	19,413,461	21,418,557	2.59-4.59
<b>TOTAL LIABILITIES</b>	<b>1,004,737</b>	<b>179,998</b>	<b>15,433</b>	<b>98,804</b>	-	<b>2,005,096</b>	<b>20,008,453</b>	<b>23,312,521</b>	
<b>Interest sensitivity gap 2010 (USD)</b>	<b>(1,004,737)</b>	<b>(179,998)</b>	<b>(15,433)</b>	<b>12,605,196</b>	<b>8,872,007</b>	<b>6,913,150</b>	<b>(10,207,155)</b>	<b>16,983,030</b>	

### 27.3 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 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
<b>ASSETS</b>								
Cash in hand	805,870	-	-	-	-	-	-	805,870
Balances with banks and OFIs	1,154,816	-	-	-	-	-	-	1,154,816
Balances with central bank	14,356,420	-	-	-	-	-	-	14,356,420
Statutory deposits with central bank	-	-	-	-	-	-	1,130,365	1,130,365
Loans and advances to customers:								
- Performing	-	-	-	12,285,000	13,340,560	6,273,878	-	31,899,438
- Non-performing	-	1,910,000	100,000	-	129,000	-	-	2,139,000
- Specific provisions	-	-	-	-	-	-	(550,726)	(550,726)
- General provisions	-	-	-	-	-	-	(311,235)	(311,235)
- Interests receivable	344,158	-	-	-	-	-	31,909	376,067
- Interests in suspense	-	-	-	-	-	-	(31,909)	(31,909)
Other assets	3,616	8,395	-	-	-	-	135	12,146
Property and equipment	-	-	-	-	512,555	-	-	512,555
Equity investment	-	-	-	-	-	-	12,500	12,500
Intangible asset-banking software	-	-	-	-	-	33,957	-	33,957
<b>TOTAL ASSETS</b>	<b>16,664,880</b>	<b>1,918,395</b>	<b>100,000</b>	<b>12,285,000</b>	<b>13,982,115</b>	<b>6,307,385</b>	<b>281,039</b>	<b>51,539,264</b>

**27.3 Liquidity risk (continued)**

<b>As at 31 December 2011</b>	<b>Up to 1 month USD</b>	<b>1-3 months USD</b>	<b>4-6 months USD</b>	<b>7-12 months USD</b>	<b>1 to 5 years USD</b>	<b>Over 5 years USD</b>	<b>No fixed maturity date USD</b>	<b>Total USD</b>
<b>LIABILITIES</b>								
Deposits from non-bank customers	1,057,765	67,200	61,190	130,434	-	-	-	1,316,589
Deposits and placements by banks and MFIs	47,178	-	-	-	-	-	-	47,178
Other liabilities	37,260	720,622	-	18,238	-	148,621	-	924,741
Accrued interest payable	6,292	-	-	-	-	-	-	6,292
Provision for income tax	-	194,047	-	-	-	-	-	194,047
Long-term borrowings	-	-	-	-	-	23,993,473	-	23,993,473
<b>TOTAL LIABILITIES</b>	<b>1,148,495</b>	<b>981,869</b>	<b>61,190</b>	<b>148,672</b>	<b>-</b>	<b>24,142,094</b>	<b>-</b>	<b>26,482,320</b>
<b>Net position 2011 - USD</b>	<b>15,516,385</b>	<b>936,526</b>	<b>38,810</b>	<b>12,136,328</b>	<b>13,982,115</b>	<b>(17,834,259)</b>	<b>281,039</b>	<b>25,056,944</b>
<b>As at 31 December 2010</b>								
<b>Total assets</b>	9,892,277	14,693	-	12,704,000	9,245,019	8,269,554	(9,992)	40,295,551
<b>Total liabilities</b>	1,599,729	179,998	15,433	98,804	-	21,418,557	-	23,312,521
<b>Net position 2010 – USD</b>	<b>8,292,548</b>	<b>(165,305)</b>	<b>(15,433)</b>	<b>12,605,196</b>	<b>9,425,019</b>	<b>(13,149,003)</b>	<b>(9,992)</b>	<b>16,983,030</b>

## **27. Financial risk management (continued)**

### **27.4 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.

### **27.5 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.

## **28. Commitments and contingencies**

### **28.1 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.

### **28.2 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.

**28. Commitments and contingencies (continued)****28.3 Lease commitments**

As at 31 December 2011, the Bank has a lease commitment of USD 35,000 in respect of a non-cancellable rental agreement with a house owner which will expire on 16 March 2013.

**29. 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.

**30. Significant related party transactions**

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

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
Loan and advances:			
Related party loans	-	-	11,964
Deposits:			
Board members	46,148	186,392	98,071
Operating expenses:			
Director's remuneration	44,044	177,894	43,706
Management salaries and 13th month	279,968	1,130,791	143,153
House rental for management	30,000	121,170	28,500

**FOR THE NATIONAL BANK OF CAMBODIA USE ONLY**

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

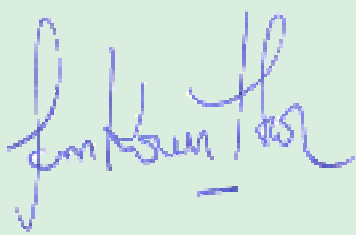
**Ratio and information contained in this section have been extracted from data contained in the audited financial statements for the year ended 31 December 2011.**



**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 are properly drawn up so as to reflect fairly the required financial information of the Bank as at 31 December 2011. Information and data contained herein is the responsibility of the Bank's management.

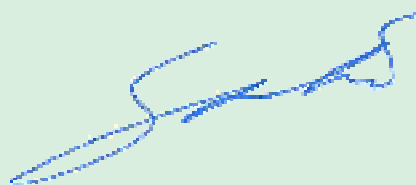
Signed on behalf of the Board by:



H.E. Son Koun Thor

Chairman and C.E.O

Date: 30 March 2012



Mr Chan Seyha

BOD member and Operation Head

Date: 30 March 2012

## NET WORTH AS AT 31 DECEMBER 2011

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 2011 was calculated as follows:

TIER 1: CORE CAPITAL	2011		2010
	USD	KHR'000	USD
<b>CATEGORY A ITEMS</b>			
Paid up capital	20,372,269	82,283,594	12,937,847
Reserves other than re-evaluation reserves	-	-	-
Current year earnings	769,950	3,109,829	556,462
Retained earnings	2,348,809	9,486,840	1,792,347
Other items approved by NBC	-	-	-
<b>SUB-TOTAL A</b>	<b>23,491,028</b>	<b>94,880,263</b>	<b>15,286,656</b>
<b><u>Limit check on retained earnings</u></b>	<b>10.00%</b>	<b>10.00%</b>	<b>11.72%</b>
<i>(max. 20% of Sub-total A)</i>			
<b>CATEGORY B ITEMS</b>			
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	33,957	137,152	-
Due from shareholders, directors, related parties	-	-	11,964
Loss determined on dates other than year-end	-	-	-
<b>SUB-TOTAL B</b>	<b>33,957</b>	<b>137,152</b>	<b>11,964</b>
<b>C. TOTAL TIER 1 (Core capital) (A-B)</b>	<b>23,457,071</b>	<b>94,743,111</b>	<b>15,274,692</b>
<b>TIER 2: COMPLEMENTARY CAPITAL</b>			
<b>CATEGORY C ITEMS</b>			
Revaluation reserves	-	-	-
Provisions for general banking risks	-	-	-
1% general provision	311,235	1,275,078	272,000
Subordinated debts	1,565,916	6,324,735	1,696,374
Other items approved by the NBC	-	-	-
<b>SUB-TOTAL C</b>	<b>1,877,151</b>	<b>7,581,813</b>	<b>1,968,374</b>
<b>Limit check on subordinated debts</b>	<b>6.68%</b>	<b>6.68%</b>	<b>11.11%</b>
<i>(Max. 50% of Tier 1 capital)</i>			

(Continued)

**NET WORTH (continued)  
AS AT 31 DECEMBER 2011**

	<b>2011</b>		<b>2010</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
<b>CATEGORY D ITEMS</b>			
Equity participation in banking or OFIs	-	-	-
Other items	-	-	-
	<hr/>	<hr/>	<hr/>
<b>SUB-TOTAL D</b>	-	-	-
<b>TOTAL TIER 2 (Complementary capital) (C)-(D)</b>	<b>1,877,151</b>	<b>7581,813</b>	<b>1,968,374</b>
<b>Limit check on Tier 2 capital</b>	<b>8.00%</b>	<b>8.00%</b>	<b>12.89%</b>
<i>(Tier 2 = max. 100% of tier 1)</i>			
<b>E. TOTAL NET WORTH (A-B+C-D)</b>	<b><u>25,334,222</u></b>	<b><u>102,324,924</u></b>	<b><u>17,243,066</u></b>

## LIQUIDITY RATIO

### AS AT 31 DECEMBER 2011

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.

	USD	2011 KHR'000	2010 USD
<b>A. NUMERATOR</b>			
<i>Debit items:</i>			
Cash and gold	805,870	3,254,909	422,811
Deposits with the NBC excluding statutory deposits	14,356,420	57,985,580	5,841,839
Deposits with banks	1,154,816	4,664,302	3,269,644
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	-	-	-
<b>Total debit items</b>	<b>16,317,106</b>	<b>65,904,791</b>	<b>9,534,294</b>
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	47,178	190,552	35,953
Borrowing from NBC and banks less than one month to run	-	-	-
<b>Total credit items</b>	<b>47,178</b>	<b>190,552</b>	<b>35,953</b>
<b>TOTAL A. Lender / (Borrower) position</b>	<b>16,269,928</b>	<b>65,714,239</b>	<b>9,498,341</b>
<b>B. DENOMINATOR</b>			
Fixed deposits less than one month at 80%	78,431	316,783	-
Fixed deposits more than one month at 50%	129,412	522,695	147,118
Saving deposits at 50%	106,202	428,950	130,020
Demand deposits at 60%	448,394	1,811,063	446,818
<b>TOTAL B</b>	<b>762,439</b>	<b>3,079,491</b>	<b>723,956</b>
<b>Liquidity ratio (A/B)</b>	<b>2,134%</b>		<b>1,312%</b>

# **SOLVENCY RATIO** **AS AT 31 DECEMBER 2011**

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.

		2011		2010
	Weighting	USD	KHR'000	USD
<b>NUMERATOR</b>				
<b>A. Net worth as at 31 December</b>		<b><u>25,334,222</u></b>	<b><u>102,324,924</u></b>	<b><u>17,243,066</u></b>
<b>DENOMINATOR</b>				
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%	35,246,609	142,361,054	33,272,274
Off-balance sheet items:				
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	-	-	-
<b>B. Total risk-weighted assets</b>		<b><u>35,264,609</u></b>	<b><u>142,361,054</u></b>	<b><u>33,272,274</u></b>
<b>SOLVENCY RATIO (A/B)</b>		<b><u>72%</u></b>		<b><u>52%</u></b>

**LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS  
AS AT 31 DECEMBER 2011**

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 2011 are as follows:

	<b>Principal Loans USD</b>	<b>% of Provision %</b>	<b>NBC's Standard USD</b>	<b>Bank's Provision USD</b>	<b>Difference USD</b>
<b>As at 31 December 2011</b>					
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	-
	<b>34,038,438</b>		<b>861,812</b>	<b>861,961</b>	<b>149</b>

<b>Equivalent in</b>	<b>KHR'000</b>	<b>%</b>	<b>KHR'000</b>	<b>KHR'000</b>	<b>KHR'000</b>
Standard	125,647,506	1	1,256,476	1,257,078	602
Special mention	4,002,124	3	120,063	120,063	-
Substandard	6,906,690	20	1,381,338	1,381,338	-
Doubtful	403,900	50	201,950	201,950	-
Loss	521,031	100	521,031	521,031	-
	<b>137,481,251</b>		<b>3,480,858</b>	<b>3,481,460</b>	<b>602</b>

	<b>Principal Loans USD</b>	<b>% of Provision %</b>	<b>NBC's Standard USD</b>	<b>Bank's Provision USD</b>	<b>Difference USD</b>
<b>As at 31 December 2010</b>					
Standard	27,115,014	1	271,150	272,000	(850)
Special mention	1,151,547	3	34,546	34,546	-
Substandard	1,265,000	20	253,000	253,000	-
Doubtful	100,000	50	50,000	50,000	-
Loss	129,000	100	129,000	129,000	-
	<b>29,760,561</b>		<b>737,696</b>	<b>738,546</b>	<b>(850)</b>

***FOREIGN CURRENCY TRANSACTIONS*****AS AT 31 DECEMBER 2011**

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:

		<b>2011</b>		<b>2010</b>
		<b>USD</b>	<b>KHR'000</b>	<b>Restated</b>
		<b>or equivalents</b>	<b>or equivalents</b>	<b>USD</b>
				<b>or equivalents</b>
<b>Assets:</b>				
	US Dollar	43,306,104	174,913,354	39,309,214
	Khmer Riel	8,233,160	33,253,734	901,337
		<u><b>51,539,264</b></u>	<u><b>208,167,088</b></u>	<u><b>40,210,551</b></u>
<b>Liabilities:</b>				
	US Dollar	25,693,226	103,774,940	22,433,025
	Khmer Riel	789,094	3,187,150	794,496
		<u><b>26,482,320</b></u>	<u><b>106,962,090</b></u>	<u><b>23,227,521</b></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 2011**

- **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 20.372 million (equivalent to approximately KHR 82.284 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)

The Bank's property and equipment at the balance sheet date is below the ceiling limit of 30% of its net worth calculated elsewhere in this report.

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

As at 31 December 2011, the amount of USD 11,964 outstanding loan provided to its Chairman during the previous period was paid off.

- **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.

At the balance sheet date, the Bank has three large exposure loans granted to three entities engaged in the rice business whose approved limits and outstanding balances are exceeding ten percent of its net worth.

Particulars	Approved limits (USD)	Outstanding Balances (USD)	Bank's net worth (USD)	% of approved limit or outstanding to net worth
Item No.1	5,000,000	5,000,000	25,334,222	19.74%
Item No.2	4,600,000	4,600,000	25,334,222	16.18%
Item No.3	3,000,000	3,000,000	25,334,222	11.84%

	2011 USD or %	2010 USD or %
<b>I - CAPITAL</b>		
		Restated
<b>1. Equity to total Assets (A/B)</b>	<b>48.62%</b>	<b>42.24%</b>
A - Equity	25,056,944	16,983,030
B - Total assets	51,539,264	40,210,551
<b>2. Capital tier I to total assets (A/B)</b>	<b>45.51%</b>	<b>42.24%</b>
		Restated
A - Capital tier I	23,457,071	16,983,030
B - Total assets	51,539,264	40,210,551
<b>3. Capital tier I to risk-weighted assets (A/B)</b>	<b>66.55%</b>	<b>51.02%</b>
A - Capital tier I	23,457,071	16,983,030
B - Risk weighted assets	35,246,609	33,285,774
<b>4. Capital tier I + tier II to risk-weighted assets (A/B)</b>	<b>71.09%</b>	<b>51.02%</b>
A - Capital tier I + tier II	25,056,944	16,983,030
B - Risk-weighted assets	35,246,609	33,285,774
<b>5. Net worth to total assets (A/B)</b>	<b>49.16%</b>	<b>42.24%</b>
		Restated
A - Net worth	25,334,222	16,983,030
B - Total assets	51,539,264	40,210,551
<b>6. Solvency ratio (A/B)</b>	<b>71.88%</b>	<b>51.02%</b>
A - Net worth	25,334,222	16,983,030
B - Risk-weighted assets	35,246,609	33,285,774
<b>7. Debt to total assets (A/B)</b>	<b>51.38%</b>	<b>57.98%</b>
		Restated
A - Total liabilities	26,482,320	23,312,521
B - Total assets	51,539,264	40,210,551

	2011 USD or %	2010 USD or %
<b>8. Debt to equity (A/B)</b>	<b>105.69%</b>	<b>136.77%</b>
		Restated
A - Total liabilities	26,482,320	23,227,521
B - Equity	25,056,944	16,983,030
<b>9. Dividend to net profit (A/B)</b>	<b>0.00%</b>	<b>0.00%</b>
A - Dividend	-	-
B - Net profit/(loss)	769,950	556,462
<b>II - ASSET QUALITY</b>		
<b>10. Banking reserves to total loans (A/B)</b>	<b>0.00%</b>	<b>0.00%</b>
		Restated
A - Banking reserves	-	-
B - Total loans (gross)	34,038,438	29,760,561
<b>11. Banking reserves to total assets (A/B)</b>	<b>0.00%</b>	<b>0.00%</b>
		Restated
A - Banking reserves	-	-
B - Total assets	51,539,264	40,210,551
<b>12. Non-performing loans to total loans (A/B)</b>	<b>8.61%</b>	<b>5.02%</b>
		Restated
A - Non-performing loans	2,929,870	1,494,000
B - Total loans (gross)	34,038,438	29,760,561
<b>13. Non-performing loans to total assets (A/B)</b>	<b>5.68%</b>	<b>3.72%</b>
		Restated
A - Non-performing loans	2,929,870	1,494,000
B - Total assets	51,539,264	40,210,551
<b>14. Classified assets to total loans (A/B)</b>	<b>8.61%</b>	<b>5.02%</b>
		Restated
A - Classified assets	2,929,870	1,494,000
B - Total loans (gross)	34,038,438	29,760,561

	2011 USD or %	2010 USD or %
<b>15. Classified assets to total assets (A/B)</b>	<b>5.68%</b>	<b>3.72%</b>
		Restated
A - Classified assets	2,929,870	1,494,000
B - Total assets	51,539,264	40,210,551
<b>16. Classified assets to equity (A/B)</b>	<b>11.69%</b>	<b>8.80%</b>
		Restated
A - Classified assets	2,929,870	1,494,000
B - Equity	25,056,944	16,983,030
<b>17. Loan to related parties to total loans (A/B)</b>	<b>0.00%</b>	<b>0.04%</b>
		Restated
A - Loan to related parties	-	11,964
B - Total loans (gross)	34,038,438	29,760,561
<b>18. Large exposure to total loans (A/B)</b>	<b>37.02%</b>	<b>31.59%</b>
		Restated
A - Large exposure	12,600,000	9,400,000
B - Total loans (gross)	34,038,438	29,760,561
<b>19. Loan to related party to net worth (A/B)</b>	<b>0.00%</b>	<b>0.07%</b>
A - Loan to related parties	-	11,964
B - Net worth	25,334,222	17,243,066
<b>20. Large exposure to net worth (A/B)</b>	<b>49.74%</b>	<b>54.51%</b>
A - Large exposure	12,600,000	9,400,000
B - Net worth	25,334,222	17,243,066
<b>21. General provisions to total loans (A/B)</b>	<b>0.91%</b>	<b>0.91%</b>
		Restated
A - General provisions	311,235	272,000
B - Total loans (gross)	34,038,438	29,760,561
<b>22. Specific provisions to total loans (A/B)</b>	<b>1.62%</b>	<b>1.57%</b>
		Restated
A - Specific provisions	550,726	466,546
B - Total loans (gross)	34,038,438	29,760,561

	2011	2010
	USD or %	USD or %
<b>23. Specific provisions to non-performing loans (A/B)</b>	<b>18.80%</b>	<b>31.23%</b>
		Restated
A - Specific provisions	550,726	466,546
B - Non-performing loans	2,929,870	1,494,000
<b>24. All allowances to total assets (A/B)</b>	<b>1.73%</b>	<b>1.14%</b>
		Restated
A - Total all allowances	893,870	459,061
B - Total assets	51,539,264	40,210,551
<b>25. Loans to deposits (A/B)</b>	<b>2573.05%</b>	<b>2356.30%</b>
		Restated
A - Total loans to non-bank customers (gross)	34,038,438	29,760,561
B - Customer's deposits (non-bank customers)	1,322,881	1,263,019
<b>III - EARNINGS</b>		
<b>26. Return on assets (A/B)</b>	<b>1.49%</b>	<b>1.38%</b>
		Restated
A - Net profit after tax	769,950	556,462
B - Total assets	51,539,264	40,210,551
<b>27. Return on equity (A/B)</b>	<b>3.04%</b>	<b>3.28%</b>
A - Net profit after tax	769,950	556,462
B - Equity	25,334,222	16,983,030
<b>28. Gross yield (A/B)</b>	<b>4.04%</b>	<b>4.65%</b>
		Restated
A - Interest income	2,081,696	1,870,766
B - Total assets	51,539,264	40,210,551
<b>29. Net interest margin [(A-B)/C]</b>	<b>3.93%</b>	<b>4.41%</b>
		Restated
A - Interest income	2,081,696	1,870,766
B - Interest expense	57,748	96,831
C - Total assets	51,539,264	40,210,551

	2011	2010
	USD or %	USD or %
<b>30. Other income (A/B)</b>	<b>0.22%</b>	<b>0.51%</b>
		Restated
A - Other income	114,200	203,705
B - Total assets	51,539,264	40,210,551
<b>31. Provisions to total assets (A/B)</b>	<b>1.73%</b>	<b>1.84%</b>
		Restated
A - Provisions	893,870	738,546
B - Total assets	51,539,264	40,210,551
<b>32. Overhead (A/B)</b>	<b>2.00%</b>	<b>2.37%</b>
		Restated
A - Non-interest expense	1,030,627	954,388
B - Total assets	51,539,264	40,210,551
<b>33. Net income before tax (A/B)</b>	<b>1.91%</b>	<b>1.80%</b>
		Restated
A - Net profit before tax	984,169	721,854
B - Total assets	51,539,264	40,210,551
<b>34. Tax to total assets (A/B)</b>	<b>0.41%</b>	<b>0.41%</b>
		Restated
A - Tax (all categories)	212,209	165,392
B - Total assets	51,539,264	40,210,551
<b>35. Interest margin to gross income [(A-B)/C]</b>	<b>94.66%</b>	<b>89.70%</b>
A - Interest income	2,081,696	1,870,766
B - Interest expense	57,748	96,831
C - Gross income	2,138,148	1,977,640
<b>36. Non-interest income to gross income (A/B)</b>	<b>5.34%</b>	<b>10.30%</b>
A - Non-interest income	114,200	203,705
B - Gross income	2,138,148	1,977,640

	2011 USD or %	2010 USD or %
<b>37. Non-interest expense to gross income (A/B)</b>	<b>48.20%</b>	<b>48.26%</b>
A - Non-interest expense	1,030,627	954,388
B - Gross income	2,138,148	1,977,640
<b>38. Times interest earned [(A-B)/C]</b>	<b>16.04</b>	<b>6.45</b>
A - Net profit before tax	984,169	721,854
B - Interest expense	57,748	96,831
C - Interest expense	57,748	96,831
<b>IV - LIQUIDITY</b>		
<b>39. Liquid asset (A/B)</b>	<b>31.66%</b>	<b>23.71%</b>
		Restated
A - Liquid asset	16,317,106	9,534,294
B - Total assets	51,539,264	40,210,551
<b>40. Short-term liabilities (A/B)</b>	<b>4.54%</b>	<b>4.71%</b>
		Restated
A - Short-term liabilities (less than one year)	2,340,226	1,893,964
B - Total assets	51,539,264	40,210,551
<b>41. Net liquid assets [(A-B)/C]</b>	<b>57.28%</b>	<b>34.04%</b>
		Restated
A - Liquid assets	16,317,106	9,534,294
B - Short-term liabilities (less than one month)	1,148,495	1,599,729
C - Total liabilities	26,482,320	23,312,521
<b>42. Quick ratio (A/B)</b>	<b>655.61%</b>	<b>503.40%</b>
A - Quick assets	16,317,106	9,534,294
B - Current liabilities	2,488,847	1,893,964
	2011	2010
	USD or %	USD or %
<b>43. Deposits to total loans (A/B)</b>	<b>3.89%</b>	<b>4.24%</b>
		Restated
A - Total customers' deposits (non-bank customers)	1,322,881	1,263,019
B - Total loans to non-bank customers (gross)	34,038,438	29,760,561



	2011	2010
	USD or %	USD or %
<b>44. Property and equipment to net worth (A/B)</b>	<b>2.02%</b>	<b>3.18%</b>
A. Property and equipment	512,555	548,747
B. Net worth	25,334,222	17,243,066

**RDB Head Office**

No 9-13, Street 7,  
Sangkat Chaktomuk  
P.O Box 1410  
Phnom Penh, Cambodia  
Phone: 855 23 220 810 / 811  
Fax : 855 23 224 628  
E-mail: [admin@rdb.com.kh](mailto:admin@rdb.com.kh)  
Website: [www.rdb.com.kh](http://www.rdb.com.kh)