



# Rural Development Bank

## Annual Report 2010







In 2010, the **Rural Development Bank** obtained the 3<sup>rd</sup> International Award of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) which has 117 financial institutions and banks from 42 countries members on “ **The Local Economic Development Project on The Link between Microfinance and SME in promoting the Agricultural Products such as soybean, rubber, maize, sesame, in Ta Ong Commune, Kompong Cham Province** ”.

The 2<sup>nd</sup> International Award in 2009 on “ **The Local Economic Development Project on Supporting Paddy-Rice Community in Cambodia** ”.



The 1<sup>st</sup> International Award in 2006 on “ **Micro finance and SME Linkage in Malai District, Banteay Meanchey Province** ”.

Those projects are guided by the highest recommendation of Samdech Prime Minister **Hun Sen**.



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## BACKGROUND

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

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

## VISION

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.

## MISSION

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

## Products and Services

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

## The Interest Rate

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

## Source and Funds

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

## ***Chairman & CEO's Statement***



In 2010, Rural Development Bank (RDB) has continuously playing its vital role to provide financial support to multiple projects such as the rural microfinance, family rubber plantation, farmer communities, agriculture development associations, and SME with the main purpose to strengthening Cambodian households' economy particularly in the rural areas.

RDB is strongly making an effort to implement the Royal Government of Cambodia (RGC) Policy on the Promotion of Paddy Production and Rice Export through the Agriculture Development and Support Fund (ASDF) to rice mill associations, paddy-rice processing companies, with (a) working capital to collect paddy from farmers for storage and processing for local consumption and export and, (b) investment capital to expand, and modernize equipment such as dryers and processing machines.

As at 2010, RDB has provided loan amounts up to USD 48 million increasing 35% comparing to 2009 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 traders, 14 SME, 4 Communities, and 594 households under Family Rubber Plantation Project in Kompong Cham province. RDB's loan outstanding was around USD 30 million, total assets was USD 40.30 million increasing 14.24% comparing to 2009. Total Revenue was about USD 2 million and Profit before tax was about USD 0.72 million. This result shows that RDB focuses on Rural Economic Development rather than profit oriented.

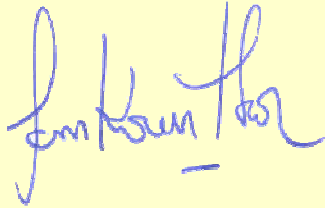
Based on the successful performance on paddy/rice sector support for the last few years, RGC decided to add up capital USD 7 million to RDB, thus RDB's total capital is USD 20 million and doubled increasingly ASDF's fund from USD 18 million to USD 36 million. Meanwhile, commercial banks such as Canadia Bank PLC., and Foreign Trade Bank (FTB) also syndicated loan with RDB to on-lend to rice mill associations.

With the strong leadership of Samdech Hun Sen, Prime Minister of the Kingdom of Cambodia and solid support from Deputy Prime Minister, Minister of the Ministry of Economy and Finance and Chairman of SNEC, RDB has implemented the Agriculture Sector Project in Preah Vihear Province as the first pilot through product promotion and microfinance services provision to rural military communities living along the development villages of Preah Vihear. Military households obtained the credit to do some agriculture activities such as rice cultivating, cassava and maize planting, animal raising, and small business starting-up for supporting their living standard.

Based on the good result and the effort of the Board of Director and employees of RDB which is a mechanism serving the RGC's policy. From next year, RDB is committed to undertake its tasks in the purpose of serving the social and enhancing the rural economic development, promoting the entrepreneurship, and alleviating the poverty.

Again, I would like to deeply thank to **Samdech Prime Minister Hun Sen**, Ministry of Economy and Finance, and National Bank of Cambodia who always provide support to the bank's operation. I strongly expect all partners to continuously cooperation in order to achieve the goal which is to improve the living standard of rural people, poverty reduction and help improving the rural economy.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'son koun thor', with a horizontal line underneath the name.

**SON Koun Thor**  
Chairman and CEO

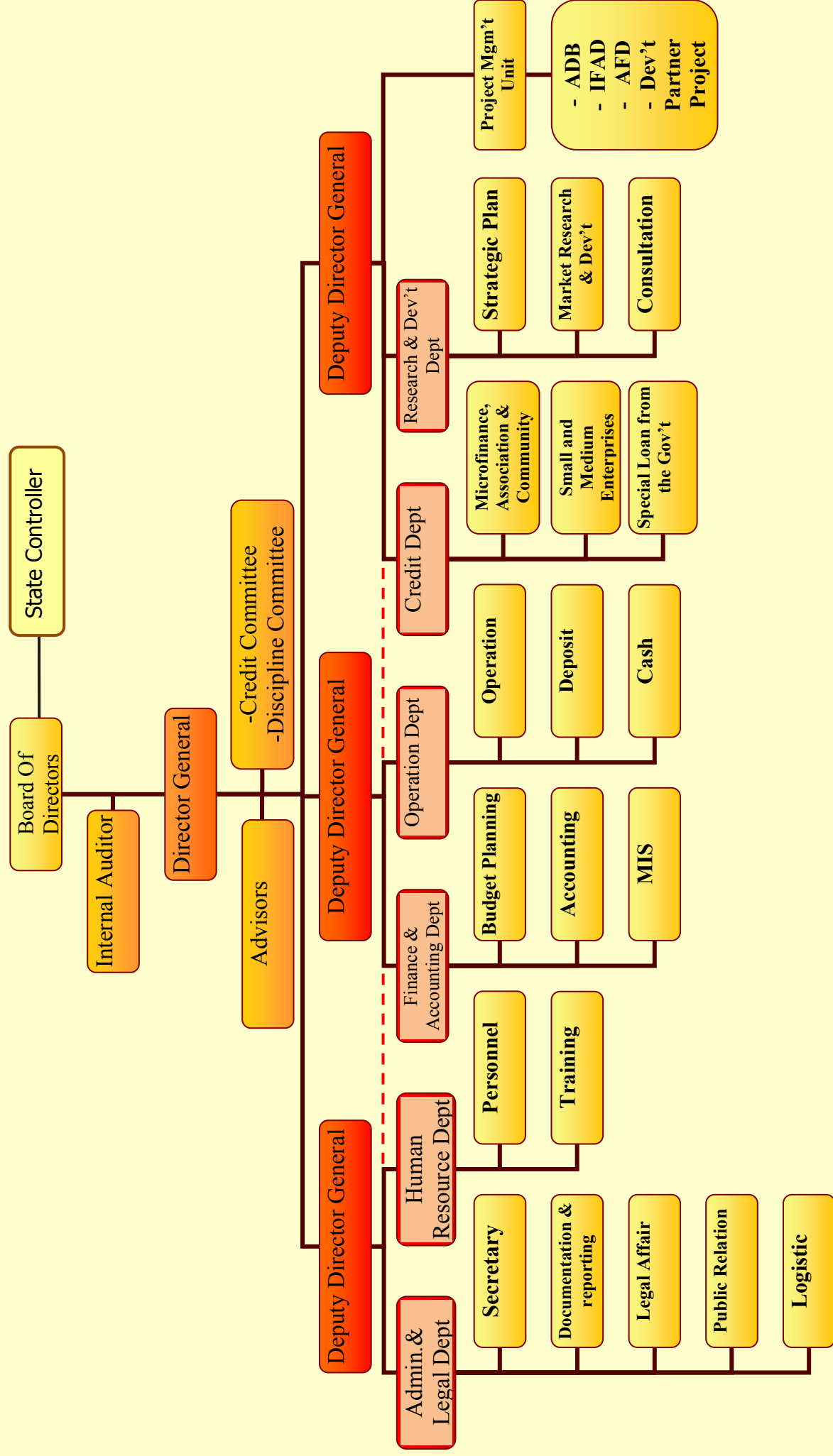
## Financial Highlights

The following indicators are the financial highlights for the position ending December 31, 2010 presented in USD:

	2010	2009	2008
<b>Profitability :</b>			
Total income	2,074,471	1,896,118	1,593,487
Operating incomes before provision impairment	1,023,252	805,249	550,958
Profit Before Tax	721,854	737,858	523,716
Profit After Tax	556,462	576,752	422,063
<b>Key Balance Sheet Items:</b>			
Total Assets	40,295,551	35,272,452	20,022,688
Shareholder's fund	16,983,030	16,502,106	16,097,189
Loans and advances	29,845,561	28,513,395	12,456,440
Deposits from non bank customers	1,263,019	1,050,502	1,025,090
<b>Financial Ratios:</b>			
Return on Equity	3.28%	3.50%	2.62%
Return on Assets	1.38%	1.64%	2.11%
Total expenses to income ratio	73.18%	69.58%	73.51%
Non performing loans to total loans	0.44%	0.62%	2.49%
Solvency Ratio (NBC)	51.03%	56.60%	123.10%
Quick Ratio	503.41%	374.06%	509.91%



# ORGANIZATION STRUCTURE OF RDB



## **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. VONGSEY Vissoth***

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



H.E. Mr. **VONGSEY Vissoth** currently is an advisor to Samdech Prime Minister HUN SEN. He is also Secretary General, Ministry of Economy and Finance.

He got Ph.D on Economic Development, Moscow Institute for International Relations, Moscow, Russia. He obtained the Master of Science in Economics with Specialization on International Relations, Moscow, Russia in 1990 and in 1984 he completed the High School Diploma, Phnom Daun Penh High School, Phnom Penh, Cambodia.

From 1995-1996 he was an Assistant to the Minister, in charge of External Finance, Ministry of Economy and Finance. He served as Manager, Trans-Air Cambodia Ltd from 1993-1994. He was also appointed as the Operations Manager, Transindo Ltd from 1992-1993.

**H.E. Mr. PUNG Kheav Se**

(Board member, representative of the Banking Business)



H.E. Mr. PUNG Kheav Se currently is an advisor to Samdech Prime Minister HUN SEN, Chairman of Canadia Bank Plc, Cambodia

H.E. Mr. Pung Kheav Se is a talented and outstanding businessman in Cambodia. He has been involved in the foundation and investment activities of the Overseas Cambodia Investment Corporation (OCIC) since 2000.

Graduated from Lycee Voltaire (Phnom Penh) in 1965, he became the General Manager of Ngoi Hung Enterprise (Phnom Penh) in 1970.

After immigrating to Canada in 1980, he founded Oriental Ship Supplies (Montreal) in 1982 before taking over the role of Vice President at Oriental Commercial Inc. (Montreal) in 1986. He returned to Cambodia in 1991 and co-founded Canadia Gold & Trust Corporation (Phnom Penh) where he acted as president. When this company obtained a full banking license in 1993, he then became President of Canadia Bank Ltd. Since year 2000, he has been CEO of Canadia Bank PLC and sitting as Chairman of the Board of the Overseas Cambodian Investment Corporation.

Besides holding a Mahasereyvat Award presented by His Majesty Norodom Sihanouk, King of Cambodia, in 2002 for his exceptional contribution to the development of the Kingdom of Cambodia, Mr. Pung is also Advisor to Prime Minister Samdech Hun Sen.

**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 he was a Director-Cambodian Investment Board (CIB), CDC. He became 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 Board of Director Member of Rural Development Bank, Cambodia, and Deputy Director General for Administration and Finance, Senior Official (CEO).

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. 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 1998 to 1999, He served as a Deputy Chief of Accounts Management Division, from 1994 to 1998 as Chief of Section in charge of Clearing House Division, Banking department, and as Accounting Officer from 1985-1986 and 1991-1994 of National Bank of Cambodia.

Besides, from 2004 to present, he is a part-time lecturer at Western University and Norton University. He was also a lecture at Center for Banking Study, NBC from 1998-2003.

## 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 Sophal</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

- Lecture at Norton University, Western University and Center for Banking Study, NBC
- Deputy Chief of Accounts Management Division, Banking Department (NBC)
- Chief of Section, Clearing House Division, Banking Department of NBC.
- Internship Banking College in Ho Chi Minh City, Viet Nam
- 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



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. SIM Thiravuth**

Deputy Director of Admin.  
and Legal

-Date of Birth : March 29, 1968

-Joining RDB since Dec 25, 1998



-Master of Finance  
at PUC  
-Master of Private Law  
at RULE  
-Bachelor of Finance and  
Banking at NUM

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

**Mr. SOKRETH Than Issara**

Director of Research and Development

-Date of Birth : July 25, 1982

-Joining RDB since Apr 04, 2001

## **RECRUITMENT POLICY AND CAREER DEVELOPMENT**

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

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

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

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

The recruitment policy is being undergone progressively, so that we can respond to the expansion of our activities, such as in developing a specific and adapted financial offer to the SME sector, the fishery communities, the agricultural communities, and the agro-industry sector, in accordance with the rural development program of the government. Nowadays, RDB employs 50 people and it seems to be sufficient at the moment.

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

## **CODE OF CONDUCT**

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

## **CORPORATE OBJECTIVE**

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

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

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

### **IMPLEMENTING PROJECTS:**

#### **1. Agriculture Support and Development Funds (ASDF)**

Following the strong and clear leadership of Samdech Akeakmohasenapadey Dacho Hun Sen Prime Minister of the Kingdom of Cambodia and supported by 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 processing, increasing value added, increasing the capacity of stock for national food security, and the rice market competition both price and quality, especially, changing from the paddy exporting to the rice exporting.

This financing has been started since 2005 with the amounts of USD 2 Million and increased to USD 4 Million in 2006, USD 6 Million in 2007, USD 16 Million in 2008, and USD 16 Million in 2009. 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 2010, 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 (a) as short term working capital in purchasing paddy storing for rice processing for domestic demand and export and, (b) as long term investment capital in strengthening, expanding and modernizing equipment such as dryers and processing machines.

## 2. Family Rubber Plantation Program



### **The Main Project Concept**

The Cambodian rubber plantation industry knew an important development before being ruined by the civil war during the last twenty years. A plan to revise this Sub Sector was the object of profound discussions between the Cambodian authorities and the Agence Française de Développement. An agreement had been reached 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 Main Project Concept**

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**



**CANADIA Bank Plc.**



**Foreign Trade Bank of Cambodia**

# **RURAL DEVELOPMENT BANK**

(Incorporated in the Kingdom of Cambodia)

## **FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2010**

**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 2010.

**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 2010 are set out in the statement of income and retained earnings on page 10.

**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. Vongsey Vissoth	Non-executive director	Member (resigned 25 October 2010)
H.E. Hing Thoraxy	Non-executive director	Member
Mr. Pung Kheav Se	Non-executive director	Member
Mr. Ly Savuth	Non-executive director	Member
Mr. Chan Seyha	Executive director	Member
Mr. Hel Chamroeum	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.

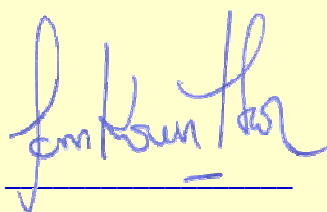
**STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

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 guidelines issued by the National Bank of Cambodia and the Ministry of Economy and Finance of the Kingdom of Cambodia, 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.

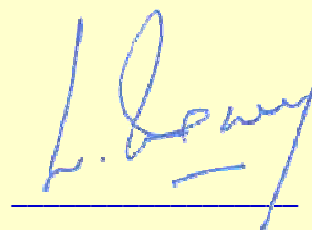
The Board of Directors confirms that the Bank has complied with the above requirements in preparing the financial statements.

Signed on behalf of the Board by:



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

Date: 25 March 2011



**Mr. Ly Vonry**  
Deputy C.E.O

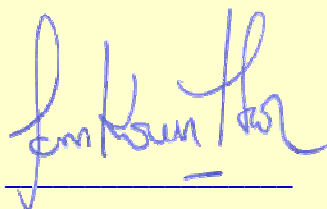
Date: 25 March 2011

**STATEMENT BY DIRECTORS**

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

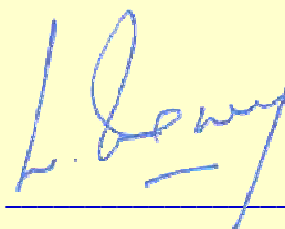
- i) the results of the operations of the Bank for the year ended 31 December 2010 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the year and the date of 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 2010 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: 25 March 2011



**Mr. Ly Vonry**  
Deputy C.E.O

Date: 25 March 2011

**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 2010, and the related statements of income, 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 Cambodian Accounting Standards and the guidelines issued by the National Bank of Cambodia. 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 and International Standards on Auditing 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.

(Continued)

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

### **Basis for qualified opinion**

- (1) Notes 8 and 14 (b) to the financial statements - Family Rubber Plantations: in the previous years, the Bank provided lending 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. In the absence of independent audit report that we could rely on for the purposes of our audit, we have not been able to satisfy ourselves as to whether the accrued interest income of USD 328,063 (31 December 2009: USD 312,335) and the outstanding balance of the credit component of USD 1,151,545 for the year ended 31 December 2010 (31 December 2009: USD 1,212,254) are fairly stated. However, a specific provision of 3% has been made in the financial statements for the year ended 31 December 2010.
- (2) Other loans: the total gross loans less loans to Provincial Rice Millers Federation Associations and Family Rubber Plantations loans include loans totalling to USD 14,361,510 (31 December 2009: USD 10,947,254) that were provided to twenty eight entities with insufficient or no financial information. During the year under review, the Bank has provided a general provision of 1% on the total gross outstanding loans that are not classified as non-performing.

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.

Any adjustments found to be necessary in relation to the above matters would affect the net assets of the Bank as at 31 December 2010 and its results and cash flows for the year then ended.

### **Qualified opinion**

Except for the possible effect on the financial statements of the matters referred to in the 'Basis for qualified opinion' paragraph, in our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Bank as at 31 December 2010 and of the results of its operations and its cash flows for the year then ended, in accordance with the NBC's guidelines and Cambodian Accounting Standards.

(Continued)

**REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF RURAL DEVELOPMENT BANK (continued)****Emphasis of matter**

Without further qualifying our opinion, we draw attention to Note 8 (i), (j), (k) and (l) to the financial statements: The Bank has provided lending to two related entities engaged in the rice business whose approved limits and outstanding balances are exceeding twenty percent of its net worth. Under the provisions of the NBC's *Prakas* No. B7-06-226 dated 3 November 2006, banks are required 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.

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

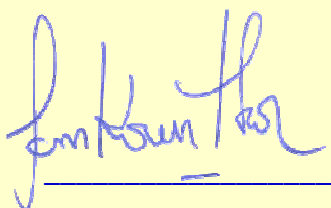
**Morison Kak & Associés**  
Certified Public Accountants  
Registered Auditors

Date: 25 March 2011

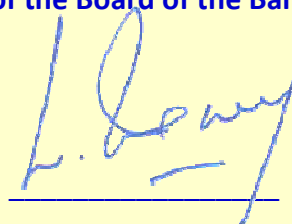
**BALANCE SHEET AS AT 31 DECEMBER 2010**

		2010		2009
	Notes	USD	KHR'000	USD
<b>ASSETS</b>				
Cash in hand	4	422,811	1,713,653	919,786
Balances with banks and OFIs	5	3,269,644	13,251,868	263,110
Balances with central bank	6	5,841,839	23,676,973	4,441,021
Statutory deposits with central bank	7	758,627	3,074,716	754,544
Loans and advances to customers	8	29,428,525	119,273,812	28,334,916
Other assets	9	21,093	85,490	8,041
Property and equipment	10	553,012	2,241,358	551,034
<b>TOTAL ASSETS</b>		<b>40,295,551</b>	<b>163,317,870</b>	<b>35,272,452</b>
<b>LIABILITIES AND CAPITAL</b>				
<b>LIABILITIES</b>				
Deposits from non-bank customers	11	1,267,464	5,137,033	1,053,143
Deposits and placements by banks and MFIs		35,953	145,717	28,008
Other liabilities	12	444,349	1,800,946	279,318
Provision for income tax	13	146,198	592,540	143,191
<b>TOTAL LIABILITIES</b>		<b>1,893,964</b>	<b>7,676,236</b>	<b>1,503,660</b>
<b>LONG TERM BORROWINGS</b>	14	<b>21,418,557</b>	<b>86,809,412</b>	<b>17,266,686</b>
<b>CAPITAL</b>				
Share capital	15	12,937,847	52,437,094	12,882,927
Subordinated debts	16	1,696,374	6,875,404	1,826,832
Retained earnings		2,348,809	9,519,724	1,792,347
<b>TOTAL CAPITAL</b>		<b>16,983,030</b>	<b>68,832,222</b>	<b>16,502,106</b>
<b>TOTAL LIABILITIES &amp; CAPITAL</b>		<b>40,295,551</b>	<b>163,317,870</b>	<b>35,272,452</b>
<b>Commitments and contingencies</b>	24.2	<b>92,233</b>	<b>373,820</b>	<b>-</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: 25 March 2011


Mr Ly Vonry  
Deputy C.E.O

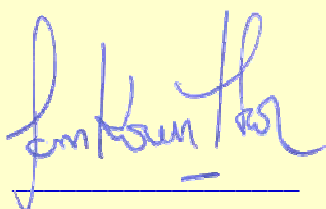
Date: 25 March 2011

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

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

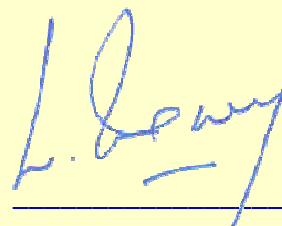
STATEMENT OF INCOME	Notes	2010		2009
		USD	KHR'000	USD
Interest income	17	1,870,766	7,582,215	1,608,590
Interest expense	18	(96,831)	(392,456)	264,419
<b>Net interest income</b>		<b>1,773,935</b>	<b>7,189,759</b>	<b>1,344,171</b>
Non interest income	19	203,705	825,616	287,528
Directors' remuneration		(43,702)	(177,123)	(32,414)
Payroll and other staff cost	20	(484,886)	(1,965,243)	(397,341)
Depreciation expense		(73,641)	(298,467)	(79,194)
Other operating expenses	21	(352,159)	(1,427,300)	(317,501)
<b>Operating profit before provision for impairment</b>		<b>1,023,252</b>	<b>4,147,242</b>	<b>805,249</b>
Provision for impairment losses		(301,398)	(1,221,566)	(67,391)
<b>Profit before income tax</b>		<b>721,854</b>	<b>2,925,676</b>	<b>737,858</b>
Income tax expense	22	(165,392)	(670,334)	(161,106)
<b>Net income for the year</b>		<b>556,462</b>	<b>2,255,342</b>	<b>576,752</b>
<b>STATEMENT OF RETAINED EARNINGS</b>				
		2010		2009
		USD	KHR'000	USD
Unappropriated profits at beginning of year		1,792,347	7,264,382	1,215,595
Net profit for the year		556,462	2,255,342	576,752
<b>Unappropriated profits at end of year</b>		<b>2,348,809</b>	<b>9,519,724</b>	<b>1,792,347</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: 25 March 2011



Mr Ly Vonry  
Deputy C.E.O

Date: 25 March 2011

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

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share capital USD	Subordinated debts USD	Retained earnings USD	Total USD
Balance as at 1 January 2009	12,924,304	1,957,290	1,215,595	16,097,189
Repayment to IFAD	-	(130,458)	-	(130,458)
Exchange difference	(41,377)	-	-	(41,377)
Net profit for the year	-	-	576,752	576,752
<b>Balance as at 31 December 2009</b>	<b>12,882,927</b>	<b>1,826,832</b>	<b>1,792,347</b>	<b>16,502,106</b>
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)
Paid up capital	-	-	-	-
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>
<b><i>Balance as at 31 December 2010</i></b>				
<b><i>(KHR'000 equivalents)</i></b>	<b>52,437,094</b>	<b>6,875,404</b>	<b>9,519,724</b>	<b>68,832,222</b>

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

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010		2009
	USD	KHR'000	USD
<b>Cash flows from operating activities</b>			
Profit before income tax	721,854	2,925,676	737,858
<i>Adjustments for:</i>			
Depreciation of property and equipment	73,641	298,467	79,193
Loan loss recovery	(47,500)	(192,518)	-
Provision for impairment losses	301,397	1,221,562	67,391
(Gain)/loss on disposal of property and equipment	(4,599)	(18,640)	9
Operating profit before changes in working capital	1,044,793	4,234,547	884,451
Increase/(decrease) in cash attributable to changes in working assets and liabilities:			
Statutory deposits with central bank	(4,083)	(16,548)	(56,529)
Loans and advances to customers	(1,347,507)	(5,461,446)	(16,129,383)
Other assets	(13,052)	(52,900)	4
Deposits from non-bank customers	214,321	868,643	27,415
Deposits and placements by banks and OFIs	7,945	32,201	24,658
Other liabilities	165,031	668,871	117,312
Cash generated from/(used in) operations	67,448	273,368	(15,132,072)
Income tax paid	(162,385)	(658,146)	(104,834)
<b>Net cash generated from/(used) in operating activities</b>	<b>(94,937)</b>	<b>(384,778)</b>	<b>(15,236,906)</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(75,619)	(306,484)	(103,191)
Proceeds from sales of property and equipment	4,600	18,644	-
<b>Net cash used in investing activities</b>	<b>(71,019)</b>	<b>(287,840)</b>	<b>(103,191)</b>

(Continued)

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)**

	2010		2009
	USD	KHR'000	USD
<b>Cash flows from financing activities</b>			
Proceeds from paid up capital	-	-	-
Repayments of subordinated debts	(130,458)	(528,746)	(130,458)
Proceeds from long-term borrowings	4,151,871	16,827,533	14,619,190
Repayment of long-term borrowings	-	-	-
<b>Net cash generated from financing activities</b>	<b>4,021,413</b>	<b>16,298,787</b>	<b>14,488,732</b>
<b>Exchange difference on capital paid in Khmer Riel</b>	<b>54,920</b>	<b>222,595</b>	<b>(41,377)</b>
<b>Net changes in cash and cash equivalents</b>	<b>3,910,377</b>	<b>15,848,764</b>	<b>(892,742)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>5,623,917</b>	<b>22,793,730</b>	<b>6,516,659</b>
<b>Cash and cash equivalents, end of year</b>	<b>9,534,294</b>	<b>38,642,494</b>	<b>5,623,917</b>
<b><i>Represented by:</i></b>			
Cash in hand	422,811	1,713,653	919,786
Balances with banks inside Cambodia	3,269,644	13,251,868	263,110
Deposits and placements with NBC	5,841,839	23,676,973	4,441,021
	<b>9,534,294</b>	<b>38,642,494</b>	<b>5,623,917</b>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

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**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 2010, the Bank had 62 employees (31 December 2009: 50 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. 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, Cambodian Accounting Standards and practices within the banking industry. Those principles require that financial instruments be carried at cost less provision for impairment. This practice differs from the International Financial Reporting Standards which require that loans and receivables be carried at amortised cost using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

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

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

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 both in USD and KHR, the Management has determined the USD to be the Bank's measurement and functional currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss statement items in foreign currencies at the end of the reporting period 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 = 4,053 KHR (31 December 2009: KHR 4,169). Such conversions 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.

## **3. Significant accounting policies**

### **3.1 Transactions in foreign currencies**

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 income.

### **3.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank balances and short-term funds which is convertible in cash within one month.

### 3. Significant accounting policies (continued)

#### 3.3 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.

#### 3.4 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 and are carried at cost, less provisions for impairment. Interest in suspense represents interest accrued on loan receivables that are substandard, doubtful or bad.

#### 3.5 Provision for loan impairment

Provision for loan impairment is based on the latest NBC guidelines and is made with regard to specific risks on loans individually reviewed and classified as substandard, doubtful or 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.

#### 3.6 Recognition of interest income

Interests earned on loans and advances to customers are recognised on the accrual basis, except where loans 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.

#### 3.7 Recognition of interest expenses

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

### 3. Significant accounting policies (continued)

#### 3.8 Recognition of fees and other income

Loan arrangement fee and commissions are recognised in the statement of income when all the conditions precedent is fulfilled.

Service charges and processing fees are recognised when received.

#### 3.9 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. 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 on 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	25%	Declining
Computers	25%	Declining
Office equipment, furniture and fittings	10% to 25%	Declining

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the statement of income.

#### 3.10 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.

### **3. Significant accounting policies (continued)**

#### **3.11 Income tax**

Income tax is calculated on the basis of taxable profit, which is calculated by adjusting the financial result for certain expense items (such as costs of representation, over/under depreciation, etc.) in accordance with Cambodian regulations. Taxes other than on income are recorded within operating expenses.

Provision is made, where material, for deferred taxation in respect of timing difference arising from the recognition of items of income and expenditure in the financial statements on bases different from that used for taxation purposes.

##### **3.11.1 Current income tax**

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

##### **3.11.2 Deferred income tax**

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable 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.

#### **3.12 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.

#### **3.13 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 LBF, 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.

#### **3.14 Operating leases**

Payments made under operating leases are charged against income in equal instalments over the period of the lease.

### **3. Significant accounting policies (continued)**

#### **3.15 Financial assets**

The Bank classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss; (ii) loans and receivables; (iii) held-to-maturity investments; and (iv) available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss:

This category includes financial assets held for trading. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading.

As at 31 December 2010 and 31 December 2009, the Bank did not purchase any financial assets at fair value through profit or loss.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and advances are recognised at cost less allowances for impairment losses.

(iii) Held-to-maturity financial assets:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

As at 31 December 2010 and 31 December 2009, the Bank did not purchase any held-to-maturity financial assets.

(iv) Financial assets available for sale:

Available-for-sale financial assets comprise equity and debt securities. These instruments are initially recognised at cost and are subsequently stated at fair value if assets are traded on an active market.

As at 31 December 2010 and 31 December 2009, the Bank did not purchase any financial assets available for sale.

#### **3.16 Financial liabilities**

The Bank classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value); (ii) financial liabilities at cost.

### 3. Significant accounting policies (continued)

#### 3.16 Financial liabilities (continued)

(i) Financial liabilities at fair value through profit or loss:

This category comprises financial liabilities classified as held for trading and financial liabilities designated as fair value through profit or loss upon initial recognition.

As at 31 December 2010 and 31 December 2009, the Bank did not have any financial liabilities at fair value through profit or loss.

(ii) Financial liabilities at cost:

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at cost. Financial liabilities measured at cost are deposits from banks or customers, convertible bonds and subordinated debts.

#### 3.17 Derivative financial instruments and hedge accounting

Derivatives are financial instruments: (i) whose value is changed in response to the change in specified interest rate, financial instrument price, foreign exchange rate, index of prices and rates, credit rates or credit index or other variable; (ii) that requires no initial net investment or an initial net investment is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; (iii) that is settled at a future date.

As at 31 December 2010 and 31 December 2009, the Bank did not purchase any derivative financial instruments and did not have hedging transactions.

#### 3.18 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.

### 4. Cash and cash equivalents

	2010		2009
	USD	KHR'000	USD
Cash on hand - KHR	7,485	30,337	31,096
Cash on hand - USD	415,326	1,683,316	888,690
	<b>422,811</b>	<b>1,713,653</b>	<b>919,786</b>

**5. Balances with banks and other financial institutions**

	2010		2009
	USD	KHR'000	USD
Demand deposit with ACLEDA KC KHR	39,974	162,015	27,368
Demand deposit with ACLEDA KC USD	135,234	548,103	29,023
Demand Deposit with CAMPU Bank Phnom Penh	2,722,144	11,032,851	45,617
Demand deposit with CAMPU BTB USD	361,601	1,465,569	161,102
Demand deposit with Canadia Bank USD	833	3,376	-
Demand deposit with FTB USD	9,858	39,954	-
	<b>3,269,644</b>	<b>13,251,868</b>	<b>263,110</b>

**6. Balances with central bank**

	2010		2009
	USD	KHR'000	USD
Demand deposits with NBC	5,841,839	23,676,973	4,441,021
One month fixed deposit with NBC	-	-	-
	<b>5,841,839</b>	<b>23,676,973</b>	<b>4,441,021</b>

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

	2010		2009
	USD	KHR'000	USD
a) By currency:			
Khmer riels	3,887	15,754	29,124
US Dollar	5,837,952	23,661,219	4,411,897
	<b>5,841,839</b>	<b>23,676,973</b>	<b>4,441,021</b>

**7. Statutory deposits with central bank**

	2010		2009
	USD	KHR'000	USD
Statutory capital deposit, interest bearing	648,692	2,629,149	645,946
Statutory customer deposit, non-interest bearing	109,935	445,567	108,598
	<b>758,627</b>	<b>3,074,716</b>	<b>754,544</b>

Under NBC's *Prakas* No. B7-00-05 dated 11 January 2000 on Licensing of Specialised Banks, and *Prakas* No. B7-06-208 dated 13 September 2006 on the amendment to Article 9 and Article 13 of *Prakas* No. B7-00-05, the Bank is required to maintain an amount equal to five percent of its registered capital in a permanent account with NBC. This statutory capital deposit bears interest at ½ of the refinancing rate set by the NBC for deposit in Khmer Riel and 3/8 of six-month SIBOR rate for deposit in US Dollar.

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

The statutory customers' reserve deposit 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 deposit.

## 8. Loans and advances to customers

	2010		2009
	USD	KHR'000	USD
Short term loans	12,704,000	51,489,312	13,571,000
Long term loans	17,077,168	69,213,762	14,873,712
Staff loans	64,393	260,985	68,683
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
Accrued interests receivable	353,389	1,432,286	342,573
Provisions for impairment losses - Specific (*)	(466,546)	(1,890,911)	(212,868)
Provisions for impairment losses - General (**)	(272,000)	(1,102,416)	(271,247)
Interest in suspense (***)	(31,879)	(129,206)	(36,937)
	<b>29,428,525</b>	<b>119,273,812</b>	<b>28,334,916</b>

Movements on provisions for impairment are as follows:

(\*) Specific provisions:

	2010		2009
	USD	KHR'000	USD
At beginning of year	212,868	862,754	310,610
Addition during the year	300,862	1,219,394	(96,420)
Recovery during the year	(47,500)	(192,518)	-
Unrealised exchange difference	316	1,281	(1,322)
At end of year	<b>466,546</b>	<b>1,890,911</b>	<b>212,868</b>

(\*\*) General provisions:

	2010		2009
	USD	KHR'000	USD
At beginning of year	271,247	1,099,364	106,114
Unrealised exchange difference	218	884	-
Movement during the year	535	2,168	165,133
At end of year	<b>272,000</b>	<b>1,102,416</b>	<b>271,247</b>

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

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

	2010		2009
	USD	KHR'000	USD
At beginning of year	36,937	149,706	39,529
Movement during the year	(5,058)	(20,500)	(2,592)
At end of year	<b>31,879</b>	<b>129,206</b>	<b>36,937</b>

	2010		2009
	USD	KHR'000	USD
Further classification is as follows:			

## Standard loans:

Secured	22,049,460	89,366,461	15,132,750
Unsecured	5,150,554	20,875,195	11,991,891

## Special mention:

Secured	1,151,547	4,667,220	1,212,254
Unsecured	-	-	-

## Substandard loans:

Secured	1,265,000	5,127,045	-
Unsecured	-	-	-

## Doubtful loans:

Secured	100,000	405,300	-
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## Loss loans:

Secured	129,000	522,838	176,500
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<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
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Further analysis is as follows:

	2010		2009
	USD	KHR'000	USD
(a) By maturity period:			
From one to three months	-	-	-
From four to six months	-	-	-
From seven to twelve months	12,704,000	51,489,312	13,442,000
Over one year but within three years	5,213,507	21,130,344	4,317,629
Over three years but within five years	3,787,500	15,350,738	3,720,000
Over five years	8,140,554	32,993,665	6,857,266
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,336,895</b>

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

	2010		2009
	USD	KHR'000	USD
(b) By security:			
Secured	24,566,007	99,566,026	16,521,504
Unsecured	5,279,554	21,398,033	11,991,891
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
(c) By currency denomination:			
US Dollar	29,223,059	118,441,058	27,889,376
Khmer Riel	622,502	2,523,001	624,019
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
(d) By status of residence:			
Residents	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
(e) By relationship:			
Related parties	11,964	48,490	25,431
Non related parties	29,833,597	120,915,569	28,487,964
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
(f) By types of customers:			
Corporate	15,726,556	63,739,732	17,074,712
Individuals and soles traders	14,054,612	56,963,342	11,370,000
Other	64,393	260,985	68,683
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
(g) By annual interest rates:			
Up to 10%	29,806,449	120,805,538	28,431,395
Over 10% to 19%	39,112	158,521	82,000
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
(h) By collaterals:			
Real estate	16,220,007	65,739,689	15,808,504
Personal guarantee	8,475,000	34,349,175	584,000
Unsecured	5,150,554	20,875,195	12,120,891
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>

The amounts shown in table 8 (h) 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.

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

	2010		2009
(i) By borrowers:	USD	KHR'000	USD
Aid Farmer Association	1,625,000	6,586,125	1,280,000
Family Rubber Plantations	1,151,545	4,667,212	1,212,254
Provincial Rice Millers Federation Associations (*)	8,475,000	34,349,175	9,340,000
Intean Poalroath Rongroeurng Ltd	875,000	3,546,375	1,250,000
Cambodia Business Integrated in Rural Development Agency (CBIRD)	515,333	2,088,645	630,612
Farmer Union Development Fund (FUDF)	1,100,000	4,458,300	1,100,000
Seilanithih	132,223	535,900	325,279
New Economic Worker (NEW)	129,000	522,837	129,000
Social Development Rural (SDR)	256,453	1,039,404	303,067
Khmer Rural Development Association (KRDA)	40,000	162,120	40,000
Staff loans	64,395	260,993	68,683
Cambodia Health Committee (CHC)	100,000	405,300	-
Maxima Ltd	300,000	1,215,900	200,000
Ta Ong Soybean Development Association	700,000	2,837,100	375,000
Pisit Akphiwat Sethakech Co., Ltd	100,000	405,300	47,500
North West Development Association	90,000	364,770	235,000
Kompong Prasat Development of Agriculture Associations (KPDAA)	25,000	101,325	12,000
Beong Beng	-	-	50,000
Sambath Utdom Association (SSBU)	100,000	405,300	100,000
Cambodia Economic Network (CEN)	20,000	81,060	35,000
BVB	-	-	2,000,000
USK	50,000	202,650	100,000
Agriculture & Tourism Development Association	370,000	1,499,610	220,000
Baitang Kampuchea Plc.	6,500,000	26,344,500	6,500,000
Angkor Kasekam Roong Roeung	2,900,000	11,753,700	2,000,000
Fang Vun Rice Miller	212,500	861,263	250,000
Pen Nareth Rice Miller	250,000	1,013,250	-
Sour Kheang rice Miller	500,000	2,026,500	-
Cambodia Sedge Mats Business Association	50,000	202,650	40,000
Peace and Development Institute	250,000	1,013,250	150,000
Mistone Rubber Import Export	1,400,000	5,674,200	450,000
Army Family Community of Brigade No.7	200,000	810,600	-
Army Family Community of Brigade No.9	200,000	810,600	-
SBBP	100,000	405,300	50,000
Tribe F	50,000	202,650	-
CPMEC, Kampong Cham	500,000	2,026,500	-
Phal Vathanak	500,000	2,026,500	-
Water supply Trey Slar	14,112	57,195	20,000
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>

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

	2010		2009
	USD	KHR'000	USD
(j) By financing projects:			
RDB	14,135,895	57,292,782	11,741,129
MoEF (ASDF loans) (*)	13,025,000	52,790,325	14,840,000
ADB	-	-	-
IFAD	419,009	1,698,243	700,012
AFD	1,151,545	4,667,212	1,212,254
Canada and FTB refinancing loans	1,100,000	4,458,300	-
Gret Kosan	14,112	57,197	20,000
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
(k) By economic sectors:			
LFIs	3,022,556	12,250,419	3,505,891
Registered MFIs	3,201,453	12,975,489	2,535,567
Registered NGOs	479,000	1,941,387	379,000
Associations	425,000	1,722,525	62,000
Private	21,501,612	87,146,033	20,750,000
Rubber	1,151,545	4,667,212	1,212,254
Staff loans	64,395	260,994	68,683
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>
(l) By large exposures:			
Large exposures	9,400,000	38,098,200	7,750,000
Non-large exposures	20,445,561	82,865,859	20,763,395
	<b>29,845,561</b>	<b>120,964,059</b>	<b>28,513,395</b>

(\*) Loan agreements with the Ministry of Economy and Finance ("MoEF") to support the Royal Government strategy whereas 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.

**9. Other assets**

	2010		2009
	USD	KHR'000	USD
Guarantee deposit	1,806	7,320	500
Prepaid rent	14,693	59,551	6,000
Prepaid insurance	318	1,289	389
Other debtors	4,276	17,330	1,152
	<b>21,093</b>	<b>85,490</b>	<b>8,041</b>

**10. Property and equipment****Cost**

	Renovations	Motor Vehicles	Work in progress	IT equipment & softwares	Office equipment & furniture	Land	Building	Total
	USD	USD	USD	USD	USD	USD	USD	USD
At 1 January 2010	12,308	364,679	-	154,141	106,840	241,500	150,653	1,030,121
Additions	-	13,510	24,732	25,915	11,462	-	-	75,619
Disposals	-	(24,120)	-	(6,049)	(12,200)	-	-	(42,369)
At 31 December 2010	12,308	354,069	24,732	174,007	106,102	241,500	150,653	1,063,371

**Accumulated depreciation**

At 1 January 2010	10,577	223,182	-	128,345	72,220	-	44,763	479,087
Charge for the year	497	31,502	-	23,504	10,604	-	7,534	73,641
Disposals	-	(24,120)	-	(6,049)	(12,200)	-	-	(42,369)
At 31 December 2010	11,074	230,564	-	145,800	70,624	-	52,297	510,359

**Net carrying amount**

At 31 December 2010	1,234	123,505	24,732	28,207	35,478	241,500	98,356	553,012
At 31 December 2009	1,732	141,497	-	25,795	34,620	241,500	105,890	551,034
Depreciation charge 2009	704	37,168	-	21,506	12,281	-	7,535	79,194

**10. Property and equipment (continued)**

<b>Cost</b>	<b>Renovations</b>	<b>Motor Vehicles</b>	<b>Work in progress</b>	<b>IT equipment &amp; softwares</b>	<b>Office equipment &amp; furniture</b>	<b>Land</b>	<b>Building</b>	<b>Total</b>
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
At 1 January 2010	49,884	1,478,044	-	624,733	433,023	978,800	610,597	4,175,081
Additions	-	54,756	100,240	105,033	46,455	-	-	306,484
Disposals	-	(97,758)	-	(24,517)	(49,447)	-	-	(171,722)
At 31 December 2010	49,884	1,435,042	100,240	705,249	430,031	978,800	610,597	4,309,843
<b>Accumulated depreciation</b>								
At 1 January 2010	42,869	904,557	-	520,182	292,708	-	181,424	1,941,740
Charge for the year	2,014	127,678	-	95,262	42,978	-	30,535	298,467
Disposals	-	(97,758)	-	(24,517)	(49,447)	-	-	(171,722)
At 31 December 2010	44,883	934,476	-	590,927	286,239	-	211,959	2,068,485
<b>Net carrying amount</b>								
At 31 December 2010	5,001	500,566	100,240	114,322	143,792	978,800	398,638	2,241,358
At 31 December 2009	7,016	573,487	-	104,551	140,315	978,800	429,172	2,233,341
Depreciation charge for 2009	2,853	150,642	-	87,164	49,775	-	30,535	320,969

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

	2010		2009
	USD	KHR'000	USD
Demand deposits	744,697	3,018,257	510,225
Saving accounts	224,087	908,225	304,520
Fixed deposits	294,235	1,192,534	235,757
	<b>1,263,019</b>	<b>5,119,016</b>	<b>1,050,502</b>
Accrued interest payable	4,445	18,017	2,641
	<b>1,267,464</b>	<b>5,137,033</b>	<b>1,053,143</b>
a) Further analysis is as follows:			
(i) By maturity period:			
Within one month:			
Current deposits	744,697	3,018,257	510,225
Saving deposits	224,087	908,225	304,520
Fixed deposits	-	-	-
One to three months	179,998	729,532	208,153
Four to six months	15,433	62,550	1,000
Over six months	98,804	400,452	26,604
	<b>1,263,019</b>	<b>5,119,016</b>	<b>1,050,502</b>
(ii) By type of customers:			
Domestic corporations (private sector)	736,058	2,983,243	501,695
Non-government organisations (MFI, OFI)	3,608	14,623	56,183
Individuals	523,256	2,120,757	492,624
Non-residents	97	393	-
	<b>1,263,019</b>	<b>5,119,016</b>	<b>1,050,502</b>
(iii) By status of residence:			
Residents	1,262,922	5,118,623	1,035,757
Non-Residents	97	393	14,745
	<b>1,263,019</b>	<b>5,119,016</b>	<b>1,050,502</b>
(iv) By currency denomination:			
US Dollar	1,238,868	5,021,132	982,314
Khmer riel	24,151	97,884	68,188
	<b>1,263,019</b>	<b>5,119,016</b>	<b>1,050,502</b>

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

	2010	2009
	% p.a.	% p.a.
Saving deposits	1.00 - 1.50	1.00 - 1.50
Fixed deposits	3.00 - 6.00	3.00 - 6.00

**12. Other liabilities**

	2010		2009
	USD	KHR'000	USD
Accrued interests payable (*)	19,367	78,494	38,602
Unearned income	75,788	307,168	88,316
Trade creditors	4,124	16,715	8,250
Tax liabilities	2,249	9,115	2,187
Amount due to ASDF	220,350	893,079	50,917
Amount due to KRDA	-	-	222
Amount due to AFD	9,065	36,740	12,453
Employment security fund	113,406	459,635	78,371
	<b>444,349</b>	<b>1,800,946</b>	<b>279,318</b>

(\*) Accrued interests payable consist of:

AIP on loan from MoEF	-	-	-
AIP on loan from ADB	10,213	41,393	27,589
AIP on loan from IFAD	9,154	37,101	11,013
	<b>19,367</b>	<b>78,494</b>	<b>38,602</b>

Movements of accrued interest payable:

Beginning balance	38,602	156,457	66,717
Interest charged during the year	42,897	173,862	93,999
Interest paid during the year	(62,499)	(253,308)	(121,651)
Exchange difference	367	1,483	(463)
Balance at end of year	<b>19,367</b>	<b>78,494</b>	<b>38,602</b>

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

Beginning balance	27,589	111,823	54,019
Interest charged during the year	22,252	90,187	69,266
Interest paid during the year	(39,995)	(162,100)	(95,233)
Exchange difference	367	1,483	(463)
Balance at end of year	<b>10,213</b>	<b>41,393</b>	<b>27,589</b>

**13. Provision for income tax**

	2010		2009
	USD	KHR'000	USD
Balance at beginning of year	143,191	580,353	86,919
Charge during the year	165,392	670,334	161,106
Taxation paid during the year	(162,385)	(658,147)	(104,834)
Balance at end of year	<b>146,198</b>	<b>592,540</b>	<b>143,191</b>

**14. Long term borrowings**

	2010		2009
	USD	KHR'000	USD
(a) - MoEF (ASDF)	19,165,000	77,675,745	14,840,000
(b) - Suspense account from AFD	248,461	1,007,012	248,461
(c) - ADB subsidiary loan	1,920,096	7,782,149	2,093,225
(d) - Canadia Bank Plc	85,000	344,506	85,000
	<b>21,418,557</b>	<b>86,809,412</b>	<b>17,266,686</b>

Further analysis on long term borrowings is provided below.

	Interest bearing	Non-interest bearing	Int. rate (p.a) %
(i) By classification between interest and non-interest bearing borrowings:			
MoEF (ASDF)	-	19,165,000	1.50
Suspense account from AFD	-	248,461	-
ADB subsidiary loan	1,920,096	-	0.46 - 2.46
Canadia Bank Plc	85,000	-	7.0 - 10.50
	<b>2,005,096</b>	<b>19,413,461</b>	

	2010		2009
	USD	KHR'000	USD
(ii) By maturity period:			
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	21,418,557	86,809,412	17,266,686
	<b>21,418,557</b>	<b>86,809,412</b>	<b>17,266,686</b>

- (a) The loan from the Ministry of Economy and Finance ("MoEF") is a special fund lending to RDB at the interest rate of 1.5% per annum to be onlent in the loan agreement to individual rice millers (in practice it was made through provincial rice millers associations) at interest rate of five percent per annum plus service fee of one percent. The business of the members of the provincial rice millers association is buying paddy and selling husky rice.

#### 14. Long term 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 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 licenced finance 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 millers 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.

**15. Share capital**

	2010		2009
	USD	KHR'000	USD
Issued and fully paid:			
At beginning of year	12,882,927	52,214,503	12,924,304
Exchange difference on translation	54,920	222,591	(41,377)
Addition during the year	-	-	-
At end of year	<b>12,937,847</b>	<b>52,437,094</b>	<b>12,882,927</b>
	USD	KHR'000	USD
Analysis by currency:			
Paid up capital in USD	10,964,000	44,437,092	10,964,000
Paid up capital in KHR	1,973,847	8,000,002	1,918,927
	<b>12,937,847</b>	<b>52,437,094</b>	<b>12,882,927</b>

**16. Subordinated debts**

	2010		2009
	USD	KHR'000	USD
Transfer from AFD	1,044,084	4,231,672	1,044,084
Transfer from IFAD	652,290	2,643,732	782,748
	<b>1,696,374</b>	<b>6,875,404</b>	<b>1,826,832</b>

**17. Interest income**

	2010		2009
	USD	KHR'000	USD
Interest income is earned from:			
Deposits with the NBC	6,020	24,399	13,237
Long term loans	1,238,431	5,019,361	964,051
Short term loans and overdrafts	621,220	2,517,805	625,905
Staff loans	5,095	20,650	5,397
	<b>1,870,766</b>	<b>7,582,215</b>	<b>1,608,590</b>

**18. Interest expenses**

	2010		2009
	USD	KHR'000	USD
Interest expense is incurred on:			
Saving accounts	3,039	12,317	2,463
Fixed deposits	11,587	46,962	7,805
Medium to long term borrowings	82,205	333,177	254,151
	<b>96,831</b>	<b>392,456</b>	<b>264,419</b>

**19. Non interest income**

	2010		2009
	USD	KHR'000	USD
Commission income	141,121	571,963	275,053
Loan recovery	47,500	192,518	-
Others	15,084	61,135	12,475
	<b>203,705</b>	<b>825,616</b>	<b>287,528</b>

**20. Payroll and other staff cost**

	2010		2009
	USD	KHR'000	USD
Salary and wages	336,986	1,365,804	272,261
Bonuses	68,953	279,467	56,507
Employment benefits	62,258	252,332	55,240
Uniform	16,659	67,519	13,095
Overtime	30	121	238
	<b>484,886</b>	<b>1,965,243</b>	<b>397,341</b>

**21. Other operating expenses**

	2010		2009
	USD	KHR'000	USD
Mission, travelling and accommodation expenses	84,861	343,942	55,022
Water and electricity	44,302	179,556	39,090
Other consumable and office supplies	30,473	123,507	35,647
Social welfare	29,891	121,148	25,381
Gasoline and motor vehicles operating expenses	21,672	87,837	20,677
Donation and gifts	17,677	71,645	16,865
Telecommunication and postage expenses	16,043	65,022	16,171
Seminar and meeting expenses	12,389	50,213	3,649
Public relations expenses	11,104	45,005	18,390
Repair and maintenance	10,541	42,723	23,082
Professional fee	8,250	33,437	8,250
Membership fee	6,200	25,129	6,200
Reception charges	4,289	17,383	6,772
Advertising expenses	3,532	14,315	4,716
License fee	2,748	11,138	2,672

(Continued)

**21. Other operating expenses (continued)**

	2010		2009
	USD	KHR'000	USD
Tax on transportation vehicles	2,499	10,128	61,640
Fire and hazard insurance expenses	2,391	9,691	2,232
Training charges	2,065	8,369	2,735
Court and other legal fees	2,000	8,106	-
Clearing house and other fees	1,833	7,429	1,294
Publication and subscription expenses	1,490	6,039	1,802
Fine expenses	1,213	4,916	3,514
Loss on disposal of property and equipment	2	8	9
Foreign exchange loss/(gain)-realised	34,694	140,614	(38,302)
	<b>352,159</b>	<b>1,427,300</b>	<b>317,501</b>

**22. Income tax expense**

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 2010 and 2009 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.

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

**23. Interest rate, liquidity, currency and credit risks****23.1 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.

**23.1 Interest rate risk (continued)****As at 31 December 2010**

<b>ASSETS</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>Non-interest bearing USD</b>	<b>Total USD</b>	<b>Interest rates %</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	-
<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>	

**23.1 Interest rate risk (continued)**

<b>As at 31 December 2009</b>	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>4 – 6 months</b>	<b>7 - 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>	<b>Interest rates</b>
<b>ASSETS</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>%</b>
Cash in hand	-	-	-	-	-	-	919,786	919,786	-
Balances with banks and OFIs	-	-	-	-	-	-	263,110	263,110	-
Balances with central bank	-	-	-	-	-	-	4,441,021	4,441,021	0.35-0.81
Statutory deposits with central bank	-	-	-	-	-	645,946	109,935	754,544	2.01-2.02
Loans and advances to customers:									
- Performing	-	-	-	13,442,000	8,037,629	6,857,266	-	28,336,895	7.00-19.00
- Non-performing	-	-	-	-	-	176,500	-	176,500	13.50
- Specific provisions	-	-	-	-	-	-	(212,868)	(212,868)	-
- General provisions	-	-	-	-	-	-	(271,247)	(271,247)	-
- Interests receivable	-	-	-	-	-	-	342,573	342,573	-
- Interests in suspense	-	-	-	-	-	-	(36,937)	(36,937)	-
Other assets	-	-	-	-	-	-	8,041	8,041	-
Property and equipment	-	-	-	-	-	-	551,034	551,034	-
<b>TOTAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,442,000</b>	<b>8,037,629</b>	<b>7,679,712</b>	<b>6,004,513</b>	<b>35,272,452</b>	
<b>LIABILITIES</b>									
Deposits from non-bank customers	304,520	208,153	1,000	26,604	-	-	512,866	1,053,143	1.00-6.00
Deposits and placements by banks and MFIs	28,008	-	-	-	-	-	-	28,008	1.00-6.00
Other liabilities	-	-	-	-	-	-	279,318	279,318	-
Provision for income tax	-	-	-	-	-	-	143,191	143,191	-
Long-term borrowings	-	-	-	-	-	16,933,225	333,461	17,266,686	1.50-7.35
<b>TOTAL LIABILITIES</b>	<b>332,528</b>	<b>208,153</b>	<b>1,000</b>	<b>26,604</b>	<b>-</b>	<b>16,933,225</b>	<b>1,268,836</b>	<b>18,770,346</b>	
<b>Interest sensitivity gap 2009 (USD)</b>	<b>(332,528)</b>	<b>(208,153)</b>	<b>(1,000)</b>	<b>13,415,396</b>	<b>8,037,629</b>	<b>(9,253,513)</b>	<b>4,735,677</b>	<b>16,502,106</b>	

## 23.2 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 2010	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	No fixed maturity date		Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
<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
Statutory deposits with central bank	-	-	-	-	-	-	758,627	-	758,627
Loans and advances to customers:									
- Performing	-	-	-	12,704,000	8,872,007	8,140,554	-	-	29,716,561
- Non-performing	-	-	-	-	-	129,000	-	-	129,000
- Specific provisions	-	-	-	-	-	-	(466,546)	-	(446,546)
- General provisions	-	-	-	-	-	-	(272,000)	-	(272,000)
- Interests receivable	353,389	-	-	-	-	-	-	-	353,389
- Interests in suspense	-	-	-	-	-	-	(31,879)	-	(31,879)
Other assets	4,594	14,693	-	-	-	-	1,806	-	21,093
Property and equipment	-	-	-	-	553,012	-	-	-	553,012
<b>TOTAL ASSETS</b>	<b>9,892,277</b>	<b>14,693</b>	<b>-</b>	<b>12,704,000</b>	<b>9,245,019</b>	<b>8,269,554</b>	<b>(9,992)</b>	<b>(9,992)</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
Deposits and placements by banks and MFIs	35,953	-	-	-	-	-	-	-	35,953
Other liabilities	444,349	-	-	-	-	-	-	-	444,349
Accrued interest payable	4,445	-	-	-	-	-	-	-	4,445
Provision for income tax	146,198	-	-	-	-	-	-	-	146,198
Long-term borrowings	-	-	-	-	-	21,418,557	-	-	21,418,557
<b>TOTAL LIABILITIES</b>	<b>1,599,729</b>	<b>179,998</b>	<b>15,433</b>	<b>98,804</b>	<b>-</b>	<b>21,418,557</b>	<b>-</b>	<b>-</b>	<b>23,312,521</b>
<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>(9,992)</b>	<b>16,983,030</b>

### 23.2 Liquidity risk (continued)

As at 31 December 2009	Up to 1	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	No fixed	Total
	month USD	USD	USD	USD	USD	USD	maturity date USD	USD
<b>Total assets</b>	5,968,031	6,000	-	13,442,000	8,765,163	6,857,266	233,992	35,272,452
<b>Total liabilities</b>	1,125,640	350,416	1,000	26,604	-	17,266,686	-	18,770,346
<b>Net position 2009 - USD</b>	<b>4,842,391</b>	<b>(344,416)</b>	<b>(1,000)</b>	<b>13,415,396</b>	<b>8,765,163</b>	<b>(10,409,420)</b>	<b>233,992</b>	<b>16,502,106</b>

### 23.3 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.

### 23.4 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.

## 24. Commitments and contingencies

### 24.1 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.

### 24.2 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.

## 25. 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.

## 26. Significant related party transactions

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

	2010		2009
	USD	KHR'000	USD
Loan and advances:			
Related party loans	11,964	48,490	25,431
Operating expenses:			
Director's remuneration	43,706	177,140	32,414
Management salaries and 13th month	143,153	580,199	196,342
House rental for management	28,500	115,511	24,000

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

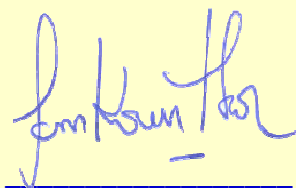
**SUPPLEMENTARY FINANCIAL INFORMATION  
AND OTHER DISCLOSURES REQUIRED  
BY THE NATIONAL BANK OF CAMBODIA**

**Ratio and information contained in this section have been extracted from data contained in  
the audited financial statements for the year ended 31 December 2010.**

**STATEMENT BY DIRECTORS**

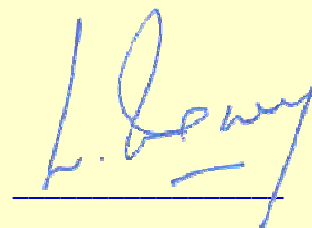
We, the undersigned, do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by *Prakas* of the National Bank of Cambodia are properly drawn up so as to reflect fairly the required financial information of the Bank as at 31 December 2010. 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: 25 March 2011



Mr Ly Vonry  
Deputy C.E.O

Date: 25 March 2011

**NET WORTH AS AT 31 DECEMBER 2010**

In accordance with the NBC's *Prakas* No. B-700-47 dated 16 February 2000; the Bank should maintain a permanent net worth value to at least its paid-up share capital. The Bank's net worth as at 31 December 2010 was calculated as follows:

	2010		2009
	USD	KHR'000	USD
<b>CATEGORY A ITEMS</b>			
Paid up capital	12,937,847	52,437,094	12,882,927
Reserves other than re-evaluation reserves	-	-	-
Share premiums	-	-	-
Provision for general banking risks	-	-	-
Current year earnings	556,462	2,255,342	576,752
Retained earnings	1,792,347	7,264,382	1,215,595
Other items approved by NBC	-	-	-
<b>SUB-TOTAL A</b>	<b>15,286,656</b>	<b>61,956,818</b>	<b>14,675,274</b>
<b>CATEGORY B ITEMS</b>			
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Loss determined on dates other than year-end	-	-	-
<b>SUB-TOTAL B</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. BASE NET WORTH (A-B)</b>	<b>15,286,656</b>	<b>61,956,818</b>	<b>14,675,274</b>
<b>CATEGORY D ITEMS</b>			
Revaluation reserves	-	-	-
Subordinated debts	1,696,374	6,875,404	1,826,832
Other items approved by the NBC	-	-	-
<b>SUB-TOTAL D</b>	<b>1,696,374</b>	<b>6,875,404</b>	<b>1,826,832</b>
<b>CATEGORY E ITEMS</b>			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
<b>SUB-TOTAL E</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F. TOTAL NET WORTH (C+D-E)</b>	<b>16,983,030</b>	<b>68,832,222</b>	<b>16,502,106</b>

**NET WORTH AS AT 31 DECEMBER 2010 (PRO FORMA CALCULATION)**

<b>TIER 1: CORE CAPITAL</b>	<b>2010</b>		<b>2009</b>
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>
<b>CATEGORY A ITEMS</b>			
Paid up capital	12,937,847	52,437,094	12,882,927
Reserves other than re-evaluation reserves	-	-	-
Current year earnings	556,462	2,255,342	576,752
Retained earnings	1,792,347	7,264,382	1,215,595
Other items approved by NBC	-	-	-
<b>SUB-TOTAL A</b>	<b>15,286,656</b>	<b>61,956,818</b>	<b>14,675,274</b>
<b>Limit check on retained earnings</b>	<b>11.72%</b>		<b>8.28%</b>
<i>(max. 20% of Sub-total A)</i>			
<b>CATEGORY B ITEMS</b>			
Holding of own shares	-	-	-
Accumulated losses	-	-	-
Intangible assets	-	-	-
Due from shareholders, directors, related parties	11,964	48,490	25,431
Loss determined on dates other than year-end	-	-	-
<b>SUB-TOTAL B</b>	<b>11,964</b>	<b>48,490</b>	<b>25,431</b>
<b>C. TOTAL TIER 1 (Core capital) (A-B)</b>	<b>15,274,692</b>	<b>61,908,328</b>	<b>14,649,843</b>
<b>TIER 2: COMPLEMENTARY CAPITAL</b>			
<b>CATEGORY C ITEMS</b>			
Revaluation reserves	-	-	-
Provisions for general banking risks	-	-	-
1% general provision	272,000	1,102,416	271,247
Subordinated debts	1,696,374	6,875,404	1,826,832
Other items approved by the NBC	-	-	-
<b>SUB-TOTAL C</b>	<b>1,968,374</b>	<b>7,977,820</b>	<b>2,098,079</b>
<b>Limit check on subordinated debts</b>	<b>11.10%</b>		<b>12.45%</b>
<i>(Max. 50% of Tier 1 capital)</i>			

(Continued)

**NET WORTH AS AT 31 DECEMBER 2010 (PRO FORMA CALCULATION)**

(Continued)

	2010		2009
	USD	KHR'000	USD
<b>CATEGORY D ITEMS</b>			
Equity participation in banking or financial institutions	-	-	-
Other items	-	-	-
<b>SUB-TOTAL D</b>	-	-	-
<b>TOTAL TIER 2 (Complementary capital) (C)-(D)</b>	<b>1,968,374</b>	<b>7,977,820</b>	<b>2,098,079</b>
<b>Limit check on Tier 2 capital</b>	<b>12.89%</b>		<b>14.32%</b>
<i>(Tier 2 = max. 100% of tier 1)</i>			
<b>E. TOTAL NET WORTH (A-B+C-D)</b>	<b><u>17,243,066</u></b>	<b><u>69,886,148</u></b>	<b><u>16,747,922</u></b>

**LIQUIDITY RATIO AS AT 31 DECEMBER 2010**

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.

	2010		209
	USD	KHR'000	USD
<b>A. NUMERATOR</b>			
<i>Debit items:</i>			
Cash and gold	422,811	1,713,653	919,786
Deposits with the NBC excluding statutory deposits	5,841,839	23,676,973	4,441,021
Deposits with banks	3,269,644	13,251,868	263,110
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>9,534,294</b>	<b>38,642,494</b>	<b>5,623,917</b>
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	-	-	-
Borrowing from NBC and banks less than one month to run	-	-	-
<b>Total credit items</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL A. Lender / (Borrower) position</b>	<b>9,534,294</b>	<b>38,642,494</b>	<b>5,623,917</b>
<b>B. DENOMINATOR</b>			
Fixed deposits less than one month at 80%	-	-	188,606
Fixed deposits more than one month at 50%	147,118	596,267	-
Saving deposits at 50%	130,020	526,971	255,112
Demand deposits at 60%	446,818	1,810,954	182,712
<b>TOTAL B</b>	<b>723,956</b>	<b>2,934,192</b>	<b>626,430</b>
<b>Liquidity ratio (A/B)</b>	<b>1,317%</b>		<b>898%</b>

**SOLVENCY RATIO AS AT 31 DECEMBER 2010**

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.

		2010		2009
	Weighting	USD	KHR'000	USD
<b>NUMERATOR</b>				
<b>A. Net worth as at 31 December</b>		<b><u>16,983,030</u></b>	<b><u>68,832,222</u></b>	<b><u>16,502,106</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%	33,272,274	134,852,527	29,157,100
Off-balance sheet items:				
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	18,447	74,764	-
<b>B. Total risk-weighted assets</b>		<b><u>33,290,721</u></b>	<b><u>134,927,291</u></b>	<b><u>29,157,100</u></b>
<b>SOLVENCY RATIO (A/B)</b>		<b><u>51%</u></b>		<b><u>57%</u></b>

## LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS

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 2010 are as follows:

	Principal Loans USD	% of Provision %	NBC's Standard USD	Bank's Provision USD	Difference USD
<b>As at 31 December 2010</b>					
Standard	27,200,014	1	272,000	272,000	-
Special mention	1,151,547	3	34,547	34,547	-
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>29,845,561</b>		<b>738,547</b>	<b>738,547</b>	<b>-</b>
Equivalent in	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	110,241,657	1	1,102,417	1,102,417	-
Special mention	4,667,220	3	140,018	140,018	-
Substandard	5,127,045	20	1,025,409	1,025,409	-
Doubtful	405,300	50	202,650	202,650	-
Loss	522,837	100	522,837	522,837	-
	<b>120,964,059</b>		<b>2,993,331</b>	<b>2,993,331</b>	<b>-</b>
	Principal Loans USD	% of Provision %	NBC's Standard USD	Bank's Provision USD	Difference USD
<b>As at 31 December 2009</b>					
Standard	27,124,641	1	271,247	271,247	-
Special mention	1,212,254	3	36,368	36,368	-
Substandard	-	20	-	-	-
Doubtful	-	50	-	-	-
Loss	176,500	100	176,500	176,500	-
	<b>28,513,395</b>		<b>484,114</b>	<b>484,114</b>	<b>-</b>

## FOREIGN CURRENCY TRANSACTIONS

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:

		2010		2009
		USD	KHR'000	USD
		or equivalents	or equivalents	or equivalents
<b>Assets:</b>				
	US Dollar	39,394,214	159,664,749	34,354,475
	Khmer Riel	901,337	3,653,119	917,977
		<b>40,295,551</b>	<b>163,317,868</b>	<b>35,272,452</b>
<b>Liabilities:</b>				
	US Dollar	22,417,755	91,265,556	18,019,943
	Khmer Riel	794,496	3,220,092	750,405
		<b>23,312,251</b>	<b>94,485,648</b>	<b>18,770,348</b>

No hedging was recognised in the above balances.

## OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY THE LAW ON BANKING AND FINANCIAL INSTITUTIONS

- **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 12.937 million (equivalent to approximately KHR 52.437 billion) which exceed 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 2010, the Bank has an amount of USD 11,964 outstanding loan provided to its Chairman (31 December 2009: USD 25,431).

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

Under the provisions 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 one large exposure loan granted to two related entities engaged in the rice business whose approved limits and outstanding balances are exceeding twenty 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	6,500,000	6,500,000	16,983,030	38.27%
Item No.2	3,000,000	2,900,000	16,983,030	17.08%

## FINANCIAL SOUNDNESS INDICATORS

### CAPITAL

#### 1. Equity to total assets

	2010 USD or %	2009 USD or %
A – Equity	16,983,030	16,502,106
B - Total assets	40,295,551	35,272,452
<b>Equity to total assets (A/B)</b>	<b>42.15%</b>	<b>46.78%</b>

#### 2. Capital tier I to total assets

	2010 USD or %	2009 USD or %
A - Capital tier I	16,983,030	14,675,274
B - Total assets	40,295,551	35,272,452
<b>Capital tier I to total assets (A/B)</b>	<b>42.15%</b>	<b>41.61%</b>

#### 3. Capital tier I to risk-weighted assets

	2010 USD or %	2009 USD or %
A - Capital tier I	16,983,030	14,675,274
B - Risk weighted assets	33,285,774	29,157,100
<b>Capital tier I to risk weighted assets (A/B)</b>	<b>51.03%</b>	<b>50.33%</b>

#### 4. Capital tier I + tier II to risk-weighted assets

	2010 USD or %	2009 USD or %
A - Capital tier I + tier II	16,983,030	16,502,106
B - Risk-weighted assets	33,285,774	29,157,100
<b>Capital tier I + tier II to risk-weighted assets (A/B)</b>	<b>51.03%</b>	<b>56.60%</b>

#### 5. Net worth to total assets

	2010 USD or %	2009 USD or %
A - Net worth	16,983,030	16,502,106
B - Total assets	40,295,551	35,272,452
<b>Net worth to total assets (A/B)</b>	<b>42.15%</b>	<b>46.78%</b>

**6. Solvency ratio**

	2010 USD or %	2009 USD or %
A - Net worth	16,983,030	16,502,106
B - Risk-weighted assets	33,285,774	29,157,100
<b>Solvency ratio (A/B)</b>	<b>51.03%</b>	<b>56.60%</b>

**7. Debt to total assets**

	2010 USD or %	2009 USD or %
A - Total liabilities	23,312,521	18,770,346
B - Total assets	40,295,551	35,272,452
<b>Debt to total assets (A/B)</b>	<b>57.86%</b>	<b>53.22%</b>

**8. Debt to equity**

	2010 USD or %	2009 USD or %
A - Total liabilities	23,312,521	18,770,346
B - Equity	16,983,030	16,502,106
<b>Debt to equity (A/B)</b>	<b>137.27%</b>	<b>113.75%</b>

**9. Dividend to net profit**

	2010 USD or %	2009 USD or %
A – Dividend	-	-
B - Net profit/(loss)	556,462	576,752
<b>Dividend to net profit (A/B)</b>	<b>N/A</b>	<b>N/A</b>

**ASSET QUALITY****10. Banking reserves to total loans**

	2010 USD or %	2009 USD or %
A - Banking reserves	-	-
B - Total loans (gross)	29,845,561	28,513,395
<b>Banking reserves to total loans (A/B)</b>	<b>N/A</b>	<b>N/A</b>

**11. Banking reserves to total assets**

	2010 USD or %	2009 USD or %
A - Banking reserves	-	-
B - Total assets	40,295,551	35,272,452
<b>Banking reserves to total assets (A/B)</b>	<b>N/A</b>	<b>N/A</b>

**12. Non-performing loans to total loans**

	2010 USD or %	2009 USD or %
A - Non-performing loans	129,000	176,500
B - Total loans (gross)	29,845,561	28,513,395
<b>NPLs to total loans (A/B)</b>	<b>0.44%</b>	<b>0.62%</b>

**13. Non-performing loans to total assets**

	2010 USD or %	2009 USD or %
A - Non-performing loans	129,000	176,500
B - Total assets	40,295,551	35,272,452
<b>NPLs to total assets (A/B)</b>	<b>0.32%</b>	<b>0.50%</b>

**14. Classified assets to total loans**

	2010 USD or %	2009 USD or %
A - Classified assets	129,000	176,500
B - Total loans (gross)	29,845,561	28,513,395
<b>Classified assets to total loans (A/B)</b>	<b>0.44%</b>	<b>0.62%</b>

**15. Classified assets to total assets**

	2010	2009
	USD or %	USD or %
A - Classified assets	129,000	176,500
B - Total assets	40,295,551	35,272,452
<b>Classified assets to total assets (A/B)</b>	<b>0.32%</b>	<b>0.50%</b>

**16. Classified assets to equity**

	2010	2009
	USD or %	USD or %
A - Classified assets	129,000	176,500
B - Equity	16,983,030	16,502,106
<b>Classified asset to equity (A/B)</b>	<b>0.76%</b>	<b>1.07%</b>

**17. Loans to related parties to total loans**

	2010	2009
	USD or %	USD or %
A - Loan to related parties	11,964	25,431
B - Total loans (gross)	29,845,561	28,513,395
<b>Loan to related party to total loans (A/B)</b>	<b>0.04%</b>	<b>0.09%</b>

**18. Large exposures to total loans**

	2010	2009
	USD or %	USD or %
A - Large exposure	9,400,000	7,750,000
B - Total loans (gross)	29,845,561	28,513,395
<b>Large exposure to total loans (A/B)</b>	<b>31.50%</b>	<b>27.18%</b>

**19. Loans to related parties to net worth**

	2010	2009
	USD or %	USD or %
A - Loan to related parties	11,964	25,431
B - Net worth	16,983,030	16,502,106
<b>Loan to related parties to net worth (A/B)</b>	<b>0.07%</b>	<b>0.15%</b>

**20. Large exposures to net worth**

	2010	2009
	USD or %	USD or %
A - Large exposure	9,400,000	7,750,000
B - Net worth	16,983,030	16,502,106
<b>Large exposure to net worth (A/B)</b>	<b>55.35%</b>	<b>46.96%</b>

**21. General provisions to total loans**

	2010	2009
	USD or %	USD or %
A - General provisions	272,000	271,247
B - Total loans (gross)	29,845,561	28,513,395
<b>General provisions to total loans (A/B)</b>	<b>0.92%</b>	<b>0.95%</b>

**22. Specific provisions to total loans**

	2010	2009
	USD or %	USD or %
A - Specific provisions	466,546	212,868
B - Total loans (gross)	29,845,561	28,513,395
<b>Specific provisions to total loans (A/B)</b>	<b>1.57%</b>	<b>0.75%</b>

**23. Specific provisions to non-performing loans**

	2010	2009
	USD or %	USD or %
A - Specific provisions	466,546	212,868
B - Non-performing loans	129,000	176,500
<b>Specific provisions to NPLs (A/B)</b>	<b>361.67%</b>	<b>120.61%</b>

**24. All allowances to total assets**

	2010	2009
	USD or %	USD or %
A - Total all allowances	459,061	484,115
B - Total assets	40,295,551	35,272,452
<b>All allowances to total assets (A/B)</b>	<b>1.14%</b>	<b>1.37%</b>

**25. Loans to deposits**

	2010 USD or %	2009 USD or %
A - Total loans to non-bank customers (gross)	29,845,561	28,513,395
B - Customer's deposits (non-bank customers)	1,263,019	1,050,502
<b>Loans to deposits (A/B)</b>	<b>2,363.04%</b>	<b>2,714.26%</b>

**EARNINGS****26. Return on assets**

	2010 USD or %	2009 USD or %
A - Net profit after tax	556,462	576,752
B - Total assets	40,295,551	35,272,452
<b>ROA (A/B)</b>	<b>1.38%</b>	<b>1.64%</b>

**27. Return on equity**

	2010 USD or %	2009 USD or %
A - Net profit after tax	556,462	576,752
B - Equity	16,983,030	16,502,106
<b>ROE (A/B)</b>	<b>3.28%</b>	<b>3.50%</b>

**28. Gross yield**

	2010 USD or %	2009 USD or %
A - Interest income	1,870,766	1,608,590
B - Total assets	40,295,551	35,272,452
<b>Gross yield (A/B)</b>	<b>4.65%</b>	<b>4.56%</b>

**29. Net interest margin**

	2010 USD or %	2009 USD or %
A - Interest income	1,870,766	1,608,590
B - Interest expense	96,831	264,419
C - Total assets	40,295,551	35,272,452
<b>Net interest margin to total asset [(A-B)/C]</b>	<b>4.41%</b>	<b>3.81%</b>

**30. Other income**

	2010	2009
	USD or %	USD or %
A - Other income	203,705	287,528
B - Total assets	40,295,551	35,272,452
<b>Other income (A/B)</b>	<b>0.51%</b>	<b>0.82%</b>

**31. Provisions to total assets**

	2010	2009
	USD or %	USD or %
A - Provisions	738,546	484,115
B - Total assets	40,295,551	35,272,452
<b>Provisions to total assets (A/B)</b>	<b>1.84%</b>	<b>1.37%</b>

**32. Overhead**

	2010	2009
	USD or %	USD or %
A - Non-interest expense	954,388	826,450
B - Total assets	40,295,551	35,272,452
<b>Overhead (A/B)</b>	<b>2.37%</b>	<b>2.34%</b>

**33. Net income before tax**

	2010	2009
	USD or %	USD or %
A - Net profit before tax	721,854	737,858
B - Total assets	40,295,551	35,272,452
<b>Net income before tax (A/B)</b>	<b>1.80%</b>	<b>2.09%</b>

**34. Tax to total assets**

	2010	2009
	USD or %	USD or %
A - Tax (all categories)	165,392	161,106
B - Total assets	40,295,551	35,272,452
<b>Tax to total assets (A/B)</b>	<b>0.41%</b>	<b>0.46%</b>

**35. Interest margin to gross income**

	2010	2009
	USD or %	USD or %
A - Interest income	1,870,766	1,608,590
B - Interest expense	96,831	264,419
C - Gross income	1,977,640	1,631,699
<b>Interest margin to gross income [(A-B)/C]</b>	<b>89.70%</b>	<b>82.38%</b>

**36. Non-interest income to gross income**

	2010	2009
	USD or %	USD or %
A - Non-interest income	203,705	287,528
B - Gross income	1,977,640	1,631,699
<b>Non-interest income to gross income (A/B)</b>	<b>10.30%</b>	<b>17.62%</b>

**37. Non-interest expense to gross income**

	2010	2009
	USD or %	USD or %
A - Non-interest expense	954,388	826,450
B - Gross income	1,977,640	1,631,699
<b>Non-interest expense to gross income (A/B)</b>	<b>48.26%</b>	<b>50.65%</b>

**38. Time interest earned**

	2010	2009
	USD or times	USD or times
A - Net profit before tax	721,854	737,858
B - Interest expense	96,831	264,419
C - Interest expense	96,831	264,419
<b>Times interest earned [(A-B)/C]</b>	<b>6.45</b>	<b>1.79</b>

**LIQUIDITY****39. Liquid assets**

	2010	2009
	USD or %	USD or %
A - Liquid asset	9,534,294	5,623,917
B - Total assets	40,295,551	35,272,452
<b>Liquid assets (A/B)</b>	<b>23.66%</b>	<b>15.94%</b>

**40. Short-term liabilities**

	2010	2009
	USD or %	USD or %
A - Short-term liabilities (less than one year)	1,893,964	1,503,660
B - Total assets	40,295,551	35,272,452
<b>Short-term liabilities (A/B)</b>	<b>4.70%</b>	<b>4.26%</b>

**41. Net liquid assets**

	2010	2009
	USD or %	USD or %
A - Liquid assets	9,534,294	5,623,917
B - Short-term liabilities (less than one month)	1,918,697	1,503,660
C - Total liabilities	23,312,521	18,770,346
<b>Net liquid assets [(A-B)/C]</b>	<b>32.67%</b>	<b>21.95%</b>

**42. Quick ratio**

	2010	2009
	USD or %	USD or %
A - Quick assets	9,534,294	5,623,917
B - Current liabilities	1,893,964	1,503,660
<b>Quick ratio (A/B)</b>	<b>503.41%</b>	<b>374%.02</b>

**43. Deposits to total loans**

	2010	2009
	USD or %	USD or %
A - Total customers' deposits (non-bank customers)	1,263,019	1,050,502
B - Total loans to non-bank customers (gross)	26,644,108	25,977,828
<b>Deposits to total loans (A/B)</b>	<b>4.74%</b>	<b>4.04%</b>

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