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RURAL DEVELOPMENT BANK



ANNUAL REPORT 2014



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1. CEO message



As the only state-owned bank, the Rural Development Bank (RDB) plays an important role in implementing the Royal Government of Cambodia's policy especially on agricultural sector that it plays a major part in Cambodia economic and GDP growth. In order to effectively implement government policy, RDB is now deeply reforming and improving its governance. Having had a complete new structure in management, RDB is going forward with the belief and commitment to earn the title of "Agricultural Development Bank of Cambodia".

From this year, we are committed to play a crucial role in fulfilling government's goal of exporting 1 million tons of rice per year.

To achieve this objective, we are planning to introduce a brand new project focusing on financing agricultural value chain, where we are working on providing financial supports to all related stakeholders including, farmer organizations, input suppliers, warehouse operators, Microfinance institutions (MFIs), rice millers and rice exporters.

In order to have this project started without a hitch, we need more funds to finance different key players in the chain including smallholders. With direct access of finance to smallholders and farmer communities, RDB is paying additional attention on improvement of livelihood of farmers.

Through the improvement of the bank's governance and structure, the Rural Development Bank gains more confidence from the Royal Government of Cambodia as well as the Ministry of Economy and Finance by receiving an additional funds

from government of 26 million dollars which is made up to around 100 million dollars this year, to be circulated in the market. We are still working; however, on sourcing more funds as we are also diversifying our loans to other potential sub-sectors such as pepper, sugarcane etc.

With RDB new transformation, we are reconnecting and establishing even stronger relationships with our development partners and we are extremely positive that with our improved governance, and transparency, RDB will be able to get accessed to more funds in the coming year.

While developing new projects, we are not neglecting our previous ones; but instead, we are putting a lot of effort on improving quality of our existing service and products; then introducing tailor-made products according to the majority of our customers' needs. You shall expect better products and services offered from RDB in 2015.

I would like to express my sincere gratitude to our development partners and loyal customers, whom play an exceptional role for believing in our core values and supporting RDB throughout.

Many great plans in the future are on the way and I am looking forward to changes and improvement. I would like to extend my appreciation to our customers, development partners and our staffs for whom our success is rest upon.



Kao Thach

Chief Executive Officer

2. The Rural Development Bank of Cambodia

Established in 1998 by the Royal Government of Cambodia, RDB is an autonomous public enterprise authorized to process all banking operations and loan services to support agriculture sectors, SMEs and micro-finance institutions, which play an important role in rural development in Cambodia.

Vision

RDB envisions itself as financing and providing efficient and sustainable banking services, in order to contribute to the development of rural agriculture and economy, within the framework of implementing the agenda and policies of national economic development of the government.

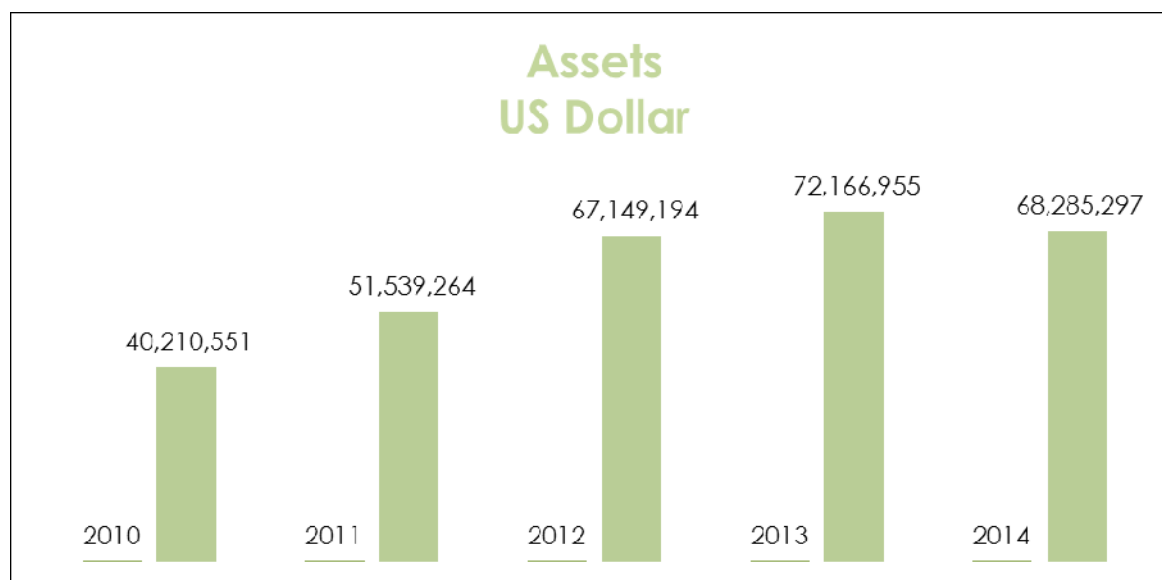
Mission

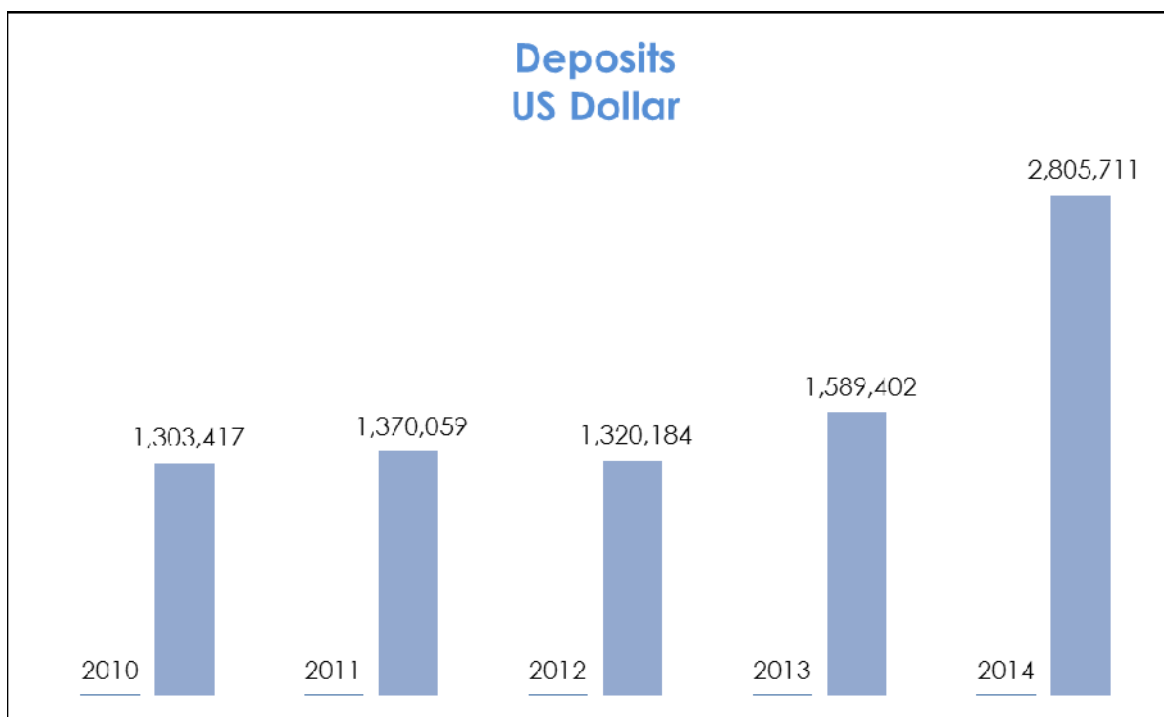
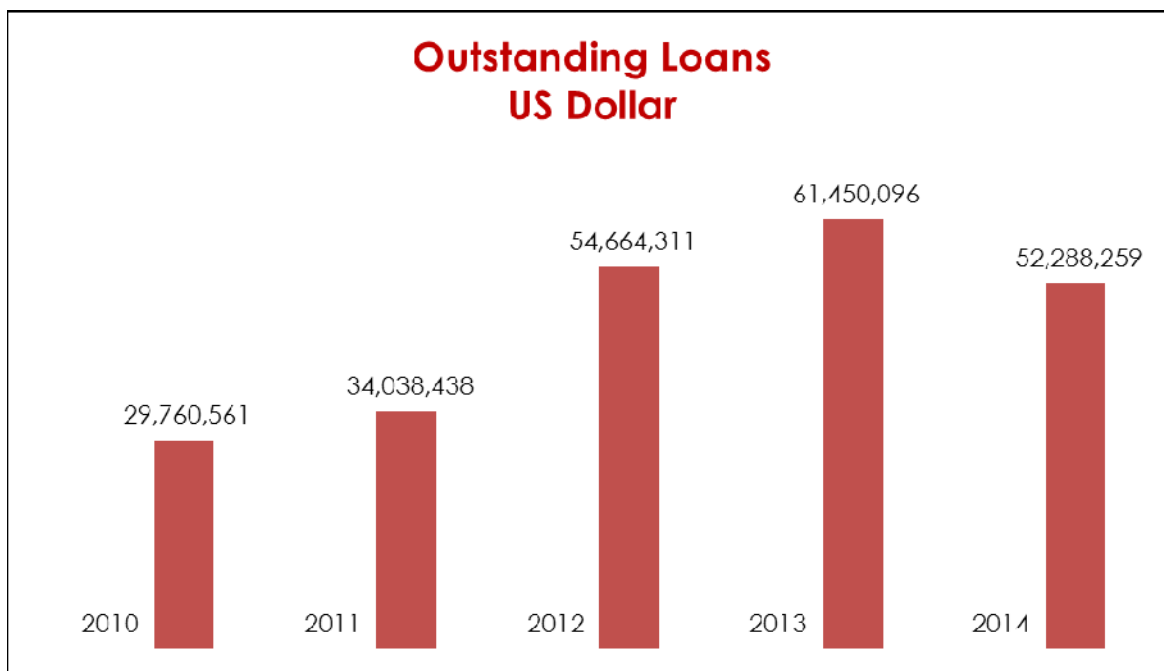
RDB is tasked to the following:

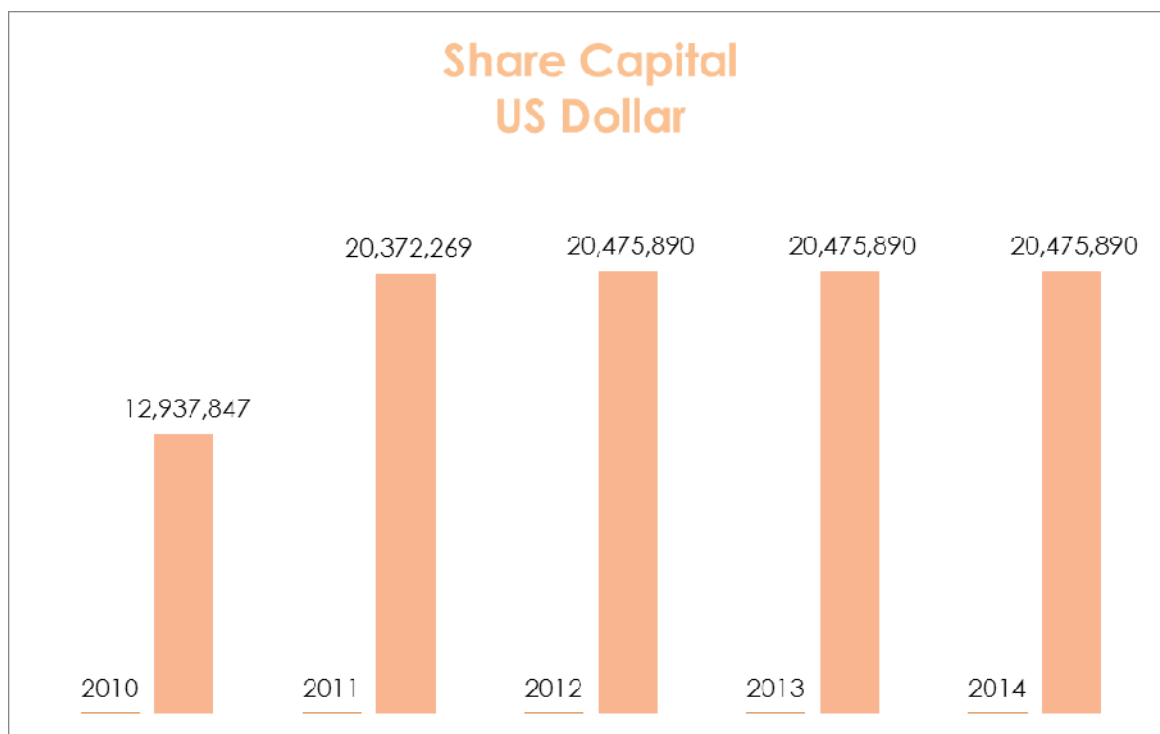
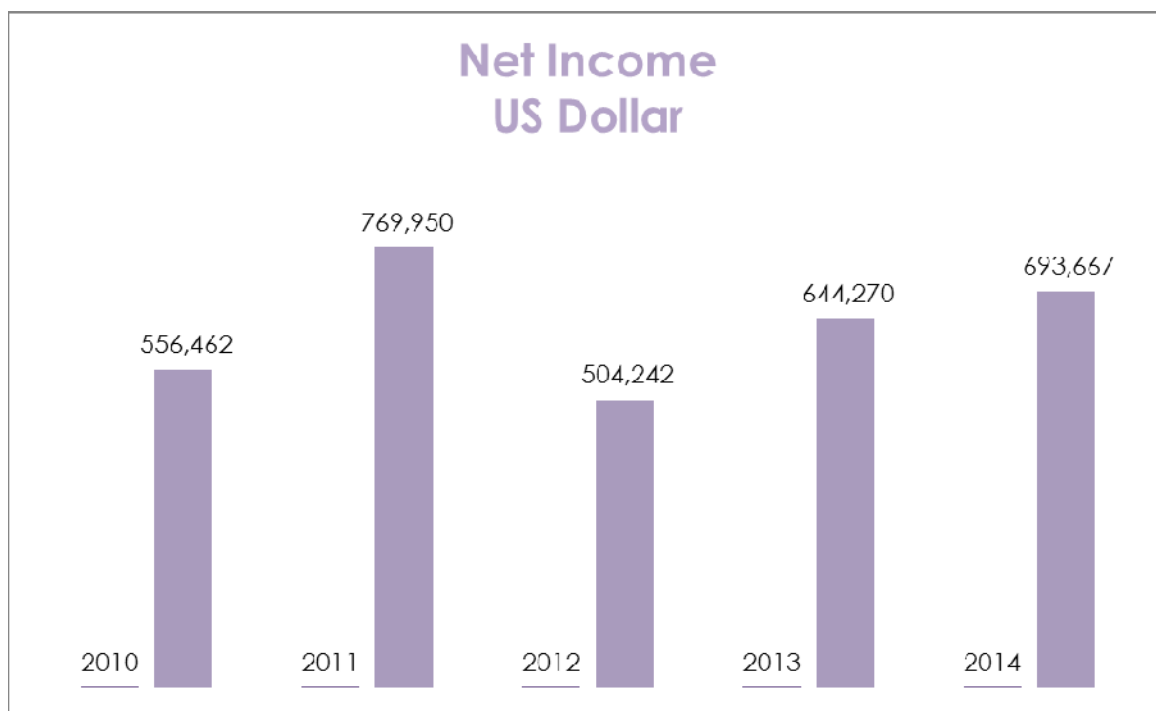
- Finance micro-financing operators and other financial institutions with activities supporting rural economy
- Finance companies, farmer organizations or agricultural as legal entities in the production chain and productions related to agriculture, namely manufacturing, stocking, processing, distributing and exporting agricultural produces, especially rice
- Collaborate and syndicate with financial institutions in providing credits in order to implement agricultural and rural development projects
- Implement credit plans or manage other funds within the framework of cooperation with development partners
- Manage particular programs or projects of the government or specific projects approved by the Ministry of Economy and Finance
- Negotiate with development partners, in order to attract grants and credit concessions for expanding RDB's activities.

3. Financial Highlights

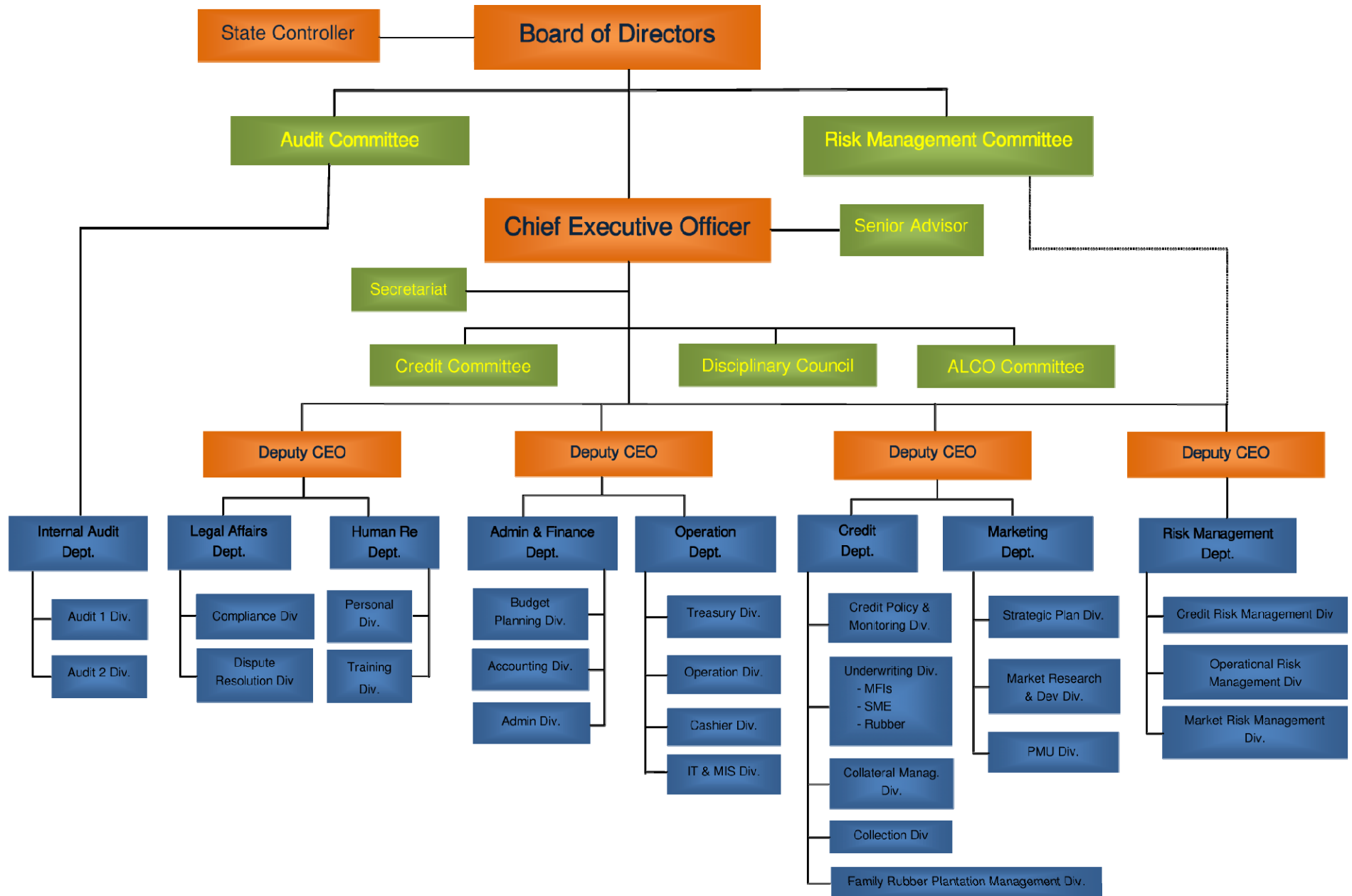
	2014	2013	2012
Profitability			
Total income	4,142,187	4,407,964	3,871,062
Operating incomes before provision impairment	1,533,121	2,075,605	1,507,104
Profit Before Tax	942,620	843,573	698,024
Profit After Tax	693,667	644,270	504,242
Key Balance Sheet Items			
Total Assets	68,285,297	72,166,955	67,149,194
Shareholder's fund	26,611,370	26,048,161	25,534,349
Loans and advances	52,288,259	61,450,096	54,664,311
Deposits from non bank customers	2,756,837	1,540,595	1,271,810
Financial Ratios			
Return on Equity	2.61%	2.47%	1.94%
Return on Assets	1.02%	0.89%	0.75%
Total expenses to income ratio	83.25%	85.38%	86.97%
Non performing loans to total loans	6.49%	5.97%	11.13%
Solvency Ratio (NBC)	49.93%	41.92%	45.63%
Quick Ratio	349.15%	294.39%	365.21%







4. Organisational Chart



5. BOARD OF DIRECTORS



The RDB is supervised by a board of directors, which consists of seven members, a representative from Ministry of Economy and Finance as a Chairman, representatives from the Office of the Council of Minister, Ministry of Agriculture, Forestry and Fishery, Rural Development Ministry, CEO of Rural development Bank and another one from RDB Staff Representative. The board members were appointed by sub-decree.

6. Management Team



Mr. ROS Seilava

**Undersecretary of State, Ministry of
Economy and Finance**

H.E ROS Seilava is presently an Undersecretary of State of the Ministry of Economy and Finance and Member of the Supreme National Economic Council. He also serves as Chairman of the Board of Directors, Rural Development Bank of Cambodia.

Previously, he worked as Mechanical Technician and Laboratory Operator at Power Plant under the Ministry of Industry, Mines and Energy from 1985-1987. In 1993, he worked as Lecturer of the Phnom Penh Institute of Technology of the Ministry of Education, Youth and Sport. Since 1994, he joined the Ministry of Economy and Finance first as Financial Controller and then as Deputy Director of Economic and Financial Policy Planning and Monitoring Unit from 2002-2005, and as Director of Department of Economy and Public Finance Policy from 2005 to 2006. Later on, he was appointed as Deputy Secretary General on his return from the World Bank where he served as an Advisor to the Executive Director during 2006-2008. Finally, he was promoted as Undersecretary of State in 2013.

He is also a writer of many RGC's key policy publications and has been involved in key research works.

H.E Ros Seilava obtained his Master of International Affairs (MIA) in Economic Policy Management in 2002 from Columbia University, New York, USA. He holds BA in Social Science from Penza's Institute of Pedagogy, the former USSR, in 1987-1992.



H.E KAO Thach

Chief Executive Officer

H.E. Mr. Thach Kao was nominated to be Chief Executive Officer of The Rural Development Bank on July 4th, 2014 and to be member of the RDB's Board on August 7th, 2014. Currently, he is a member of Supreme National Economic Council (SNEC) with the rank to Secretary of State and also labor arbitrator of the Arbitration Council since 2003. Before holding RDB's portfolio, he was Deputy Director General of the Securities and Exchange Commission of Cambodia with the rank and privilege to Undersecretary of State and the Head of Financial Market Division, Financial Industry Department, Ministry of Economy and Finance. Working in law field, he used to be a legal officer in the Ministry of Justice and also in court. He was one of the key persons working toward the establishment of Securities and Exchange Commission and Cambodia Securities Exchange. Since joining the Ministry of Economy and Finance in 2003, he has undertaken numerous assignments relating to financial sector development in Cambodia. These assignments include member of working groups responsible for drafting Law on Government Securities and Law on Issuance and Trading of Non-government Securities, and member of working group responsible for developing Financial Development Strategy 2006-2015 and 2011-2020. Besides, as a representative of the Ministry of Economy and Finance he has been involved in various ASEAN working groups in relation to capital market development such ABMI, ACMF, and Financial Services Liberalization.

He holds Master of Laws from Bond University (Australia) in 2002, with an emphasis of International Trade Law System, WTO Legal Framework, Alternative Dispute Resolution, and Dispute System Design and Bachelor of Laws at University of Laws and Science Economic in Cambodia in 1998. H.E Kao Thach has as well attended many training programs including Development of Security Market in Washington State, USA, Law on International Finance emphasised on World Bank's Laws and Regulations, International Development Fund, Trade Finances in Vienna, Austria and many other significant training programs.



Mr. CHAN Seyha

Deputy Director General
In charge of Admin, and
Finance and Operation Department

Joining RDB since 19991, Mr. Chan Seyha is now in charge of Admin, and Finance and Operation Department of Rural Development Bank of Cambodia. He has also been elected as a Staff Representative of Rural Development Bank.

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

Mr. Chan Seyhagot holds a Master degree in Finance from National University of Management in 2004 and Bachelor degree of Banking from the University of Banking, Vietnam in 1991.



Mr. PECH Sany

Deputy Director General
In charge of Credit, and
Marketing Department

With more than a decade working for Rural Development Bank of Cambodia since 2001, Mr. Pech Sany is currently a Deputy Director General in Charge of Credit and Marketing Department.

Mr. Pech Sany has more than two decades' banking experience to his name. He held various positions with NBC, RDB project and other Commercial Bank, starting from Supervision and Examination Department of NBC, Credit Officer of RDB, Chief Bureau in charge of MIS, Chief Bureau of R&D, Vice Head of Accounting and Finance Department and Head of Project Management Unit.

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



Mr. UCH Chantha

Deputy Director General
In charge of Legal affairs, and
Human resource Department

Joining RDB in 1999, Mr. Uch Chantha currently holds a position as a Deputy Director General in Charge of Legal Affairs and Human Resource Department.

His experiences in financial and economic sector including being served as Vice Secretary General , Cambodian One Village One Product National Committee, Secretary General Official of the Supreme National Economic Council, Member of the secretary General of Economics, Social and Cultural Observation Unit (ESCOB) of the Office of the Council of Ministers and Assistant to Economic Advisor of Royal Government.

Mr. Uch Chantha holds a Bachelor degree from Phnom Penh University.



Mr. SAM Vongsy

Deputy Director General
In charge of Risk
Management Department

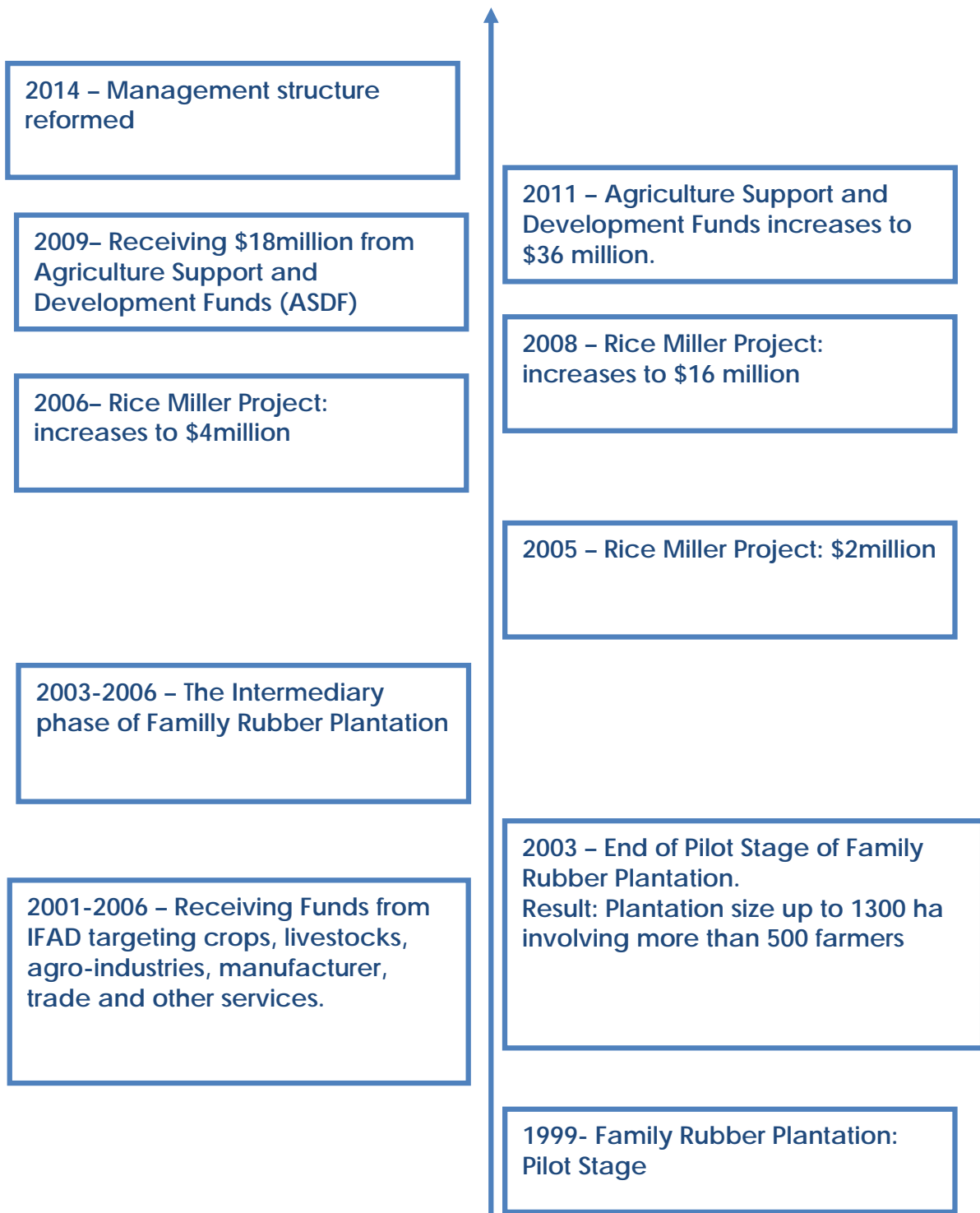
Mr. SAM Vongsy joined RDB in September 2014 as Deputy Director General responsible for the Risk Management Department.

In this role, he develops and promotes the systematic management of risk as well as creating a risk-oriented working culture across the bank.

His previous work experience includes both public and private sector work. On the public sector side, he has worked in the areas of credit guarantees, macroeconomic and fiscal policy, and concessional loan financing of public investment projects at the Ministry of Economy and Finance. On the private sector side, he has worked in the areas of equity derivative swaps, mortgage operations, and mutual fund accounting at a number of banks and finance companies in Australia.

Mr. SAM Vongsy holds a Masters in Business Administration from the University of Technology, Sydney, Australia, and a Bachelor degree in economics and finance from the University of Sydney, Australia. In addition, he also holds a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia.

7. Our Achievements



RURAL DEVELOPMENT BANK

Financial Statements for the year ended 31 December 2014 and Report of the Independent Auditors

Corporate information

Bank	Rural Development Bank	
Registration No	Co.3942 et/1998	
Registered office	No. 9 – 13, Street 7 Sangkat Chaktomuk Khan Daun Penh Phnom Penh, Kingdom of Cambodia	
Shareholder	Ministry of Economy and Finance	
Board of Directors	H.E. Ros Seilava H.E. San Visal H.E. Khut Chandara H.E. Kao Thach Mr. Srey Sothea Mr. Om Seng Bora Mr. Chan Seyha	Chairman of the Board (Appointed on 7 Aug 2014) Member (Appointed on 7 August 2014) Member (Appointed on 7 August 2014) Member (Appointed on 7 August 2014) Member (Appointed on 7 August 2014) Member (Appointed on 7 August 2014) Member
Management team	H.E. Kao Thach H.E. Son Koun Thor Mr. Chan Seyha Mr. Uch Chantha Mr. Pech Sany Mr. Sam Vongsy Mr. Mak Sophal Mr. Norng Thearith Mr. Sok Sonaro Mr. Chhoeung Sokhanara Mr. Or Somara Mr. Sokret Than Issara Mr. Net Panha Mr. Khék Piseth	Chief Executive Officer (Appointed on 4 July 2014) Senior Advisor (Assigned 7 August 2014) Deputy Chief Executive Officer Deputy Chief Executive Officer Deputy Chief Executive Officer Deputy Chief Executive Officer (Appointed on 2 September 2014) Head of Risk Management Department (Appointed on 17 October 2014) Head of Internal Audit Head of Human Resource Department Head of Operation Department Head of Finance and Administration Department Head of Marketing Department (Appointed on 17 October 2014) Head of Legal Affair and Secretariat Department (Appointed on 17 October 2014) Head of Credit Department (Appointed on 31 October 2014)
Auditors	KPMG Cambodia Ltd	

Report of the Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of Rural Development Bank ("the Bank") for the year ended 31 December 2014.

Principal activity

The Bank is principally engaged in the specialised banking business and the provision of related financial services in the Kingdom of Cambodia.

There were no significant changes to this principal activity during the financial year.

Financial results

The financial results of the Bank were as follows:

	2014 US\$	2014 KHR'000 (Note 4)	2013 US\$
Profit before income tax	942,620	3,841,176	843,573
Income tax expense	(248,953)	(1,014,483)	(199,303)
Net profit for the year	<u>693,667</u>	<u>2,826,693</u>	<u>644,270</u>

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under review.

Share capital

There were no changes in the registered and issued share capital of the Bank for the year under review.

Reserves and provisions

On 3 April 2015, the Bank obtained approval from the National Bank of Cambodia to exempt from making the general and specific provision amounting to US\$13,943,472 in relation to the overdue loans and advances as at 31 December 2014.

Bad and doubtful loans and advances

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that appropriate actions had been taken in relation to the writing off of bad loans and advances and the making of allowances for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for bad and doubtful loans and advances.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for doubtful loans and advances in the financial statements of the Bank, inadequate to any substantial extent.

Current assets

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any current assets, other than loans and advances, 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 which have arisen which 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 which 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 courses 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 substantially affect the ability of the Bank to meet its obligations 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 unusual nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially 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.

Board of Directors

The Directors who served the Bank as at the date of this report are:

H.E. Ros Seilava	Chairman
H.E. San Visal	Member
H.E. Khut Chandara	Member
H.E. Kao Thach	Member
Mr. Srey Sothea	Member
Mr. Om Seng Bora	Member
Mr. Chan Seyha	Member

Directors' interests

None of the Directors held or dealt directly in the shares of the Bank during the financial year.

Directors' benefits

During and at the end of the financial year, no arrangements existed 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 (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation 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.

Directors' responsibility in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal control;
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- (v) control and direct effectively 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 they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

I hereby approve the accompanying financial statements as set out on pages 7 to 48 which present fairly, in all material respects, the financial position of Rural Development Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Signed in accordance with a resolution of the Board of Directors,



H.E Ros Seilava
Chairman of the Board
17 April 2015

Report of the independent auditors

To the shareholder

Rural Development Bank

We have audited the accompanying financial statements of Rural Development Bank (the "Bank" or "RDB"), which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 7 to 48.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 qualified audit opinion.

Basis for qualified opinion

No allowance for bad and doubtful loans and advances had been provided by the Bank as at 31 December 2014 for the loans and advances to customers amounting to US\$1,182,000 (31 December 2013: US\$5,330,000) which were overdue for more than 360 days. This practice is not in compliance with the NBC guidelines on the Asset Classification and Provisioning in Banking and Financial Institutions.

Had the loans and advances been correctly classified and related allowance for bad and doubtful loans and advances provided for, the allowance for doubtful loans and advances as at 31 December 2014 would have been increased by US\$1,182,000, income tax expense and net profit for the year ended 31 December 2014 would have been decreased by US\$237,000 and US\$945,000, respectively and retained earnings as at 31 December 2014 would have been decreased by US\$945,000.

Our audit opinion on the financial statements for the year ended 31 December 2013 was modified on the insufficient allowances for bad and doubtful loans and advances and supporting documents. We continued to modify our opinion on the 31 December 2014 financial statements because of the effects of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified opinion

In our opinion, except for the effects on the financial statements of the matters referred to in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 8 to the financial statements which described that the Bank has obtained approval from the National Bank of Cambodia to exempt from requirements of the Praskas on the Asset Classification and Provisioning in Banking and Financial Institutions for the provision of loans and advances amounting to US\$13,973,472. Accordingly, allowance for bad and doubtful loans and advances of US\$13,973,472 was not provided as at 31 December 2014.

For KPMG Cambodia Ltd



Nge Huy
Audit Partner

Phnom Penh, Kingdom of Cambodia

17 April 2015

Balance sheet

As at 31 December 2014

	Note	2014 US\$	2014 KHR'000 (Note 4)	2013 US\$
Assets				
Cash on hand	5	1,012,996	4,127,959	1,017,594
Balances with other banks	6	2,462,168	10,033,335	1,877,977
Balances with the National Bank of Cambodia	7	7,734,826	12,868,181	52,437,838
Loans and advances - net	8	50,258,280	204,802,491	59,638,597
Investment	9	12,500	50,938	12,500
Foreclosed properties	10	855,605	3,486,590	1,113,605
Other assets	11	22,099	90,053	14,199
Intangible assets	12	10,774	43,904	8,171
Property and equipment	13	782,694	3,189,478	749,486
Total assets		68,285,297	278,262,586	72,166,955
Liabilities and shareholders' equity				
Liabilities				
Deposits from customers	14	2,756,837	11,234,111	1,540,595
Deposits from other banks	15	48,874	199,162	48,808
Borrowings	16	37,328,524	152,113,735	42,908,799
Other liabilities	17	1,328,049	5,411,800	1,487,043
Provision for income tax	25	211,643	862,445	133,549
Total liabilities		41,673,927	169,821,253	46,118,794
Shareholders' equity				
Share capital	18	20,475,890	83,439,252	20,475,890
Subordinated debts	19	1,174,542	4,786,259	1,305,000
Retained earnings		4,960,938	20,215,822	4,267,271
Total shareholders' equity		26,611,370	108,441,333	26,048,161
Total liabilities and shareholders' equity		68,285,297	278,262,586	72,166,955

The accompanying notes form part of these financial statements.

Income statement

for the year ended 31 December 2014

	Note	2014 US\$	KHR'000 (Note 4)	2013 US\$
Interest income	20	3,835,372	15,629,141	4,098,440
Interest expense	21	(1,007,056)	(4,103,753)	(1,160,394)
Net interest income		2,828,316	11,525,388	2,938,046
Non-interest income	22	306,815	1,250,271	309,524
Personnel and other staff cost	23	(860,279)	(3,505,637)	(746,404)
Depreciation and amortisation expenses		(103,648)	(422,366)	(110,699)
General and administrative expenses	24	(638,083)	(2,600,188)	(314,862)
Operating profit		1,533,121	6,247,468	2,075,605
Allowance for bad and doubtful loans and advances	8	(590,501)	(2,406,292)	(1,232,032)
Profit before income tax		942,620	3,841,176	843,573
Income tax expense	25	(248,953)	(1,014,483)	(199,303)
Net profit for the year		693,667	2,826,693	644,270

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2014

	Share capital US\$	Subordinated debts US\$	Retained earning US\$	Total US\$
At 1 January 2013	20,475,890	1,435,458	3,623,001	25,534,349
Repayment to International Fund for Agriculture and Development ("IFAD")	-	(130,458)	-	(130,458)
Net profit for the year	-	-	644,270	644,270
At 31 December 2013	<u>20,475,890</u>	<u>1,305,000</u>	<u>4,267,271</u>	<u>26,048,161</u>
At 1 January 2014	20,475,890	1,305,000	4,267,271	26,048,161
Repayment to IFAD	-	(130,458)	-	(130,458)
Net profit for the year	-	-	693,667	693,667
At 31 December 2014	<u>20,475,890</u>	<u>1,174,542</u>	<u>4,960,938</u>	<u>26,611,370</u>
At 31 December 2014 (KHR'000 equivalents – Note 4)	<u>83,439,252</u>	<u>4,786,259</u>	<u>20,215,822</u>	<u>108,441,333</u>

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2014

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	942,620	3,841,176	843,573
Adjustments for:			
Depreciation and amortisation	103,648	422,366	110,699
Allowance for bad and doubtful loans and advances	590,501	2,406,292	1,232,032
Loss on property and equipment written off	-	329	1,341
Impairment for foreclosed properties	258,000	1,051,350	-
Unrealised exchange gains	(8,599)	(35,041)	-
	<hr/> 1,886,499	<hr/> 7,687,484	<hr/> 2,186,304
Changes in:			
Loans and advances	8,789,816	35,818,500	(6,797,132)
Statutory deposit	9,435	38,448	-
Other assets	(7,900)	(32,193)	165,760
Deposit from customers	1,216,242	4,956,186	268,785
Deposit from banks	66	269	434
Other liabilities	(158,994)	(647,901)	240,315
	<hr/> 11,735,164	<hr/> 47,820,793	<hr/> (3,935,534)
Net cash generated from/(used in) operations	(170,859)	(696,250)	(226,983)
Income tax paid			

Net cash generated from/(used in) operating activities	<u>11,564,305</u>	<u>47,124,543</u>	<u>(4,162,517)</u>
Cash flows from investing activities			
Purchases of property and equipment	(130,438)	(531,535)	(242,895)
Purchases of intangible assets	(9,350)	(38,101)	-
Net cash used in investing activities	<u>(139,788)</u>	<u>(569,636)</u>	<u>(242,895)</u>
Cash flows from financing activities			
Repayments of subordinated debts	(130,458)	(531,616)	(130,458)
Repayments of borrowings	(14,756,676)	(60,133,455)	(12,742,905)
Proceeds from borrowings	9,185,000	37,428,875	16,765,000
Net cash (used in)/generated from financing activities	<u>(5,702,134)</u>	<u>(23,236,196)</u>	<u>3,891,637</u>
Net increase/(decrease) in cash and cash equivalents	<u>5,722,383</u>	<u>23,318,711</u>	<u>(513,775)</u>
Cash and cash equivalents at beginning of year	<u>9,449,797</u>	<u>38,507,924</u>	<u>9,963,572</u>
Cash and cash equivalents at end of year (Note 26)	<u><u>15,172,180</u></u>	<u><u>61,826,635</u></u>	<u><u>9,449,797</u></u>

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2014

1. Reporting entity

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 commenced operations under the registration number Co.3942 et/1998 issued by the Ministry of Commerce dated 12 May 1998. The Bank obtained a licence from the National Bank of Cambodia ("NBC") to operate as a specialized bank with the permanent validity from the NBC on 15 June 2007.

The Bank is principally engaged in the specialised banking business and the provision of related financial services in the Kingdom of Cambodia.

The Bank had 74 employees as at 31 December 2014 (31 December 2013: 67 employees).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements.

The financial statements were authorised for issue by the Board of Directors on 17 April 2015.

(b) ?

The financial statements of the Bank have been prepared on the historical cost basis.

(c) Functional and presentation currency

The Bank transacts its business and maintains its accounting records in two currencies, Khmer Riel ("KHR") and United States Dollars ("US\$"). Management has determined the US\$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

2. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Key accounting estimates and judgements applied in the preparation of the financial statements include estimates of recoverable amount for loans and advances which have a separate accounting policy stated in Notes 3(d) and 3(e).

3. Significant accounting policies

The following significant accounting policies have been adopted by the Bank in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Financial instruments

The Bank's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, borrowings, and other receivables and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

(b) Segment information

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

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

3. Significant accounting policies (continued)

(d) Loans and advances

Loans and advances are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general allowance.

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the provision include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

(e) Allowance for bad and doubtful loans and advances

In compliance with NBC Guidelines, all loans and advances are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, number of days past due is taken into account as follows:

Classification	Number of days past due	Provision
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 379 days	50%
Loss	≥ 360 days	100%

The minimum percentage of allowance for doubtful loans and advances are to be maintained according to the assigned classifications. Where reliable information suggests that losses are likely to be more than these minimum requirements, larger allowance is made.

In determining the above allowance, the value of all collateral other than cash deposits which have been pledged is disregarded, except that, in case of a loan classified as "loss", all collateral may be utilised, at market values approved by the NBC.

Recoveries on loans previously written off and reversals of previous allowances are disclosed separately together with the net movement in the allowance for bad and doubtful loans and advances in the income statement.

3. Significant accounting policies (continued)

(e) Allowance for bad and doubtful loans and advances (continued)

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgment of the management there is no prospect of recovery.

(f) Deposits and placements with banks

Deposits and placements with banks are stated at cost.

(g) Statutory deposits

Statutory deposits are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by NBC.

(h) Other assets

Other assets are carried at cost.

(i) Foreclose properties

Foreclosed properties consist of moveable and immoveable properties which are carried at the lower of the outstanding balance of the related loans or advances and the estimated fair market value of the property at the date of the foreclosure. Gains or losses on the disposal of foreclosed properties are recognised in the income statement on the date of the disposal.

(j) Intangible assets

Intangible assets are computer software that is stated at cost less accumulated amortisation and any accumulated impairment losses, if any. It is amortised on a declining method at the rate of 20% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

(k) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Significant accounting policies (continued)

Notes to the financial statements for the year ended 31 December 2014

(k) Property and equipment (continued)

- (ii) Freehold land is not depreciated. Depreciation is charged to the income statement on a declining balance basis (except building and renovations are charged on straight-line method) using the net book value of the individual assets as at the beginning of the year at the following annual rates:

	Building	5%	Straight line
	Renovations	10%	Straight line
	Motor vehicles	12.50%	Decline
balance			
	IT equipment	25%	Decline
balance			
	Office equipment and furniture	12.50%	Decline
balance			

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

(l) Impairment of assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans and advances which has a separate accounting policy stated in Notes 3(d) and 3(e).

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

3. Significant accounting policies (continued)

(l) Impairment of assets (continued)

(ii) Non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

(m) Other liabilities

Other liabilities are stated at their cost.

(n) Provisions

Provisions are recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

3. Significant accounting policies (continued)

(p) Income recognition

Interest income on performing loans and advances are recognised on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

Income from the various activities of the Bank is accrued using the following basis:

- Loan arrangement fees and commissions on services and facilities are recognised as income on a yearly basis for short term loans and on an annual basis for long term loans;
- The facilities extended to customers are recognised as income over the period in which the service and facilities are extended; and
- Service charges and processing fees are recognised when the service is provided.

(q) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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.

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 rates 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 reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Notes to the financial statements
for the year ended 31 December 2014**

3. Significant accounting policies (continued)

(s) Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Bank and the other party are subject to common control or significant influence.

Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Bank or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Bank.

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines issued by the National Bank of Cambodia relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR 4,075 published by the NBC on 31 December 2014. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Cash on hand

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
US Dollars	980,872	3,997,054	1,001,659
Khmer Riel	32,124	130,905	15,935
	<u>1,012,996</u>	<u>4,127,959</u>	<u>1,017,594</u>

**Notes to the financial statements
for the year ended 31 December 2014**

6. Balances with other banks

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Canadia Bank Plc.	1,562,413	6,366,833	1,095,936
Cambodian Public Bank Plc.	678,776	2,766,012	576,356
ACLEDA Bank Plc.	220,979	900,490	200,842
Foreign Trade Bank of Cambodia	-	-	4,843
	<u>2,462,168</u>	<u>10,033,335</u>	<u>1,877,977</u>

Balances with other banks do not earned interest are further analysed as follows:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
(a) By maturity:			
Within 1 month	<u>2,462,168</u>	<u>10,033,335</u>	<u>1,877,977</u>
(b) By currency :			
Khmer Riels	6,940	28,281	21,288
US Dollars	<u>2,455,228</u>	<u>10,005,054</u>	<u>1,856,689</u>
	<u>2,462,168</u>	<u>10,033,335</u>	<u>1,877,977</u>
(c) By relationship:			
Non-related parties	<u>2,462,168</u>	<u>10,033,335</u>	<u>1,877,977</u>

**Notes to the financial statements
for the year ended 31 December 2014**

7. Balances with the National Bank of Cambodia

	Note	2014 US\$	KHR'000 (Note 4)	2013 US\$
Fixed deposit	(a)	7,024,540	28,625,001	4,000,000
Demand deposits	(b)	4,672,476	19,040,340	2,554,226
		<u>11,697,016</u>	<u>47,665,341</u>	<u>6,554,226</u>
Statutory deposits on:				
Statutory capital deposit	(c)	1,016,258	4,141,251	1,025,594
Reserve requirement for customers' deposits	(d)	154,907	631,246	155,006
		<u>1,171,165</u>	<u>4,772,497</u>	<u>1,180,600</u>
		<u>12,868,181</u>	<u>52,437,838</u>	<u>7,734,826</u>

(a) The Fixed deposit is matured within one month and bears interest at the rates ranging from 0.07% to 1.00% (2013: 0.08% to 0.10%) per annum.

(b) The demand deposits with NBC is non-interest bearing.

(c) Statutory capital deposit:

This is a capital guarantee deposit of 5% of the registered capital under the Prakas No. B7-00-05 on licensing of specialised banks dated 11 January 2000. This capital guarantee which is placed with the National Bank of Cambodia in US\$, is not available for use in the Bank's day to day operations but is refundable when the Bank voluntarily ceases its operations in Cambodia. During the year, the interest earned at 3/8 LIBOR (six months) ranged from 0.08% to 3.00% per annum (2013: 0.11% to 0.12% per annum).

(d) Customers' deposits:

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-00-05 dated 11 January 2000 at the rate of 5% of customer's deposit. This reserve requirement does not earn interest.

**Notes to the financial statements
for the year ended 31 December 2014**

8. Loans and advances - net

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Long term loans	36,173,034	147,405,114	39,410,177
Short term loans	15,925,000	64,894,375	21,819,000
Staff loans	190,225	775,167	220,919
Total loans - gross	52,288,259	213,074,656	61,450,096
Net interest receivable			
Accrued interest receivables	1,080,386	4,402,573	619,821
Interest in suspense	(164,315)	(669,584)	(75,488)
	916,071	3,732,989	544,333
Total gross loans and net interest receivable	53,204,330	216,807,645	61,994,429
Allowance for bad and doubtful loans and advances	(2,946,050)	(12,005,154)	(2,355,832)
	50,258,280	204,802,491	59,638,597

Movements of allowances for bad and doubtful loans and advances are as follows:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
At 1 January		2,355,832	9,600,015
1,123,800			
Addition during the year	590,501	2,406,292	1,232,032
Unrealised exchange difference	(283)	(1,153)	-
At 31 December	2,946,050	12,005,154	2,355,832

**Notes to the financial statements
for the year ended 31 December 2014**

8. Loans and advances – net (continued)

The gross loans and advances are analysed as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
6 to 12 months	16,069,000	65,481,175	21,585,000
1 to 3 years	10,739,873	43,764,983	10,653,292
3 to 5 years	14,497,725	59,078,229	19,473,739
Over 5 years		10,981,661	44,750,269
	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>
(b) By performance:			
Standard loans			
Secured		32,916,844	134,136,140
43,903,356			
Unsecured	13,910,335	56,684,615	10,734,723
Special mention loans			
Secured		1,946,377	7,931,486
3,142,066			
Unsecured	120,000	489,000	-
Substandard loans			
Secured		933,703	3,804,840
1,530,951			
Unsecured	220,000	896,500	700,000
Doubtful loans			
Secured		120,000	489,000
340,000			
Unsecured	820,000	3,341,500	-
Loss loans			
Secured		751,000	3,060,325
729,000			
Unsecured	550,000	2,241,250	370,000
	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>

**Notes to the financial statements
for the year ended 31 December 2014**

8. Loans and advances – net (continued)

The loans and advances are analysed as follows (continued):

	2014 US\$	2014 KHR'000 (Note 4)	2013 US\$
(c) By currency:			
US Dollars	51,796,068	211,068,977	60,902,124
Khmer Riels	492,191	2,005,679	547,972
	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>
(d) By residency status:			
Residents	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>
(e) By relationship:			
Non-related parties	52,098,034	212,299,489	61,229,178
Staff loans	190,225	775,167	220,918
	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>
(f) By types of customers:			
Corporate	33,853,954	137,954,863	32,575,827
Individuals and soles traders	18,434,305	75,119,793	20,959,269
Other	-	-	7,915,000
	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>
(g) By financing project:			
Ministry of Economy and Finance	27,592,500	112,439,438	32,515,000
Rural Development Bank's Fund	18,414,381	75,038,603	21,942,028
China Development Bank	5,400,000	22,005,000	6,000,000
Agence Française de Développement (AFD)	786,378	3,204,490	817,066
IFAD	95,000	387,125	176,002
	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>

**Notes to the financial statements
for the year ended 31 December 2014**

8. Loans and advances – net (continued)

The loans and advances are analysed as follows (continued):

(h) By economic sectors:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Privates	44,960,000	183,212,000	53,059,366
Registered Micro Finance Institutions	1,507,037	6,141,176	2,699,232
Licensed Financial Institutions	1,902,620	7,753,177	2,683,515
Associations	1,370,000	1,692,000	6,894,900
Families Rubber Plantation	786,377	3,204,486	817,065
Registered Non-Government Organisations	1,250,000	5,093,750	600,000
Staff loans	190,225	775,167	220,918
	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>

(i) By large exposures:

Large exposures	24,425,000	99,531,875	30,340,000
Non-large exposures	27,863,259	113,542,781	31,110,096
	<u>52,288,259</u>	<u>213,074,656</u>	<u>61,450,096</u>

A “large exposure” is defined under NBC Prakas as the overall gross exposure the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank’s net worth. The gross exposure is the higher of the outstanding loans or commitments and the authorized loans or commitments.

(j) By interest rate (per annum):

	2014	2013
Short term loans	5.00% - 12.00%	5.00% - 12.00%
Long term loans	5.00% - 12.00%	5.00% - 12.00%
Staff loans	7.00%	7.00%
	<u> </u>	<u> </u>

**Notes to the financial statements
for the year ended 31 December 2014**

9. Investment

This represents the investment in Credit Bureau Holding (Cambodia) ("CBH") Ltd through the Association of Bank in Cambodia ("ABC"). CBH is one of the shareholders of Credit Bureau (Cambodia) Co., Ltd which is a company operates as the leading provider of information, analytical tools and credit reporting services for banks and micro-finance institutions and consumers in Cambodia.

10. Foreclosed properties

These represent the collaterals foreclosed from customers who are unable to repay their loans. These properties are not held for operational purpose and with the intention to be disposed of within the maximum allowed period of twelve months as per NBC's Prakas No B7-01-186.

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Land and building	596,000	2,428,700	596,000
Equipment	517,605	2,109,240	517,605
	<hr/>	<hr/>	<hr/>
	1,113,605	4,537,940	1,113,605
Allowance for impairment	(258,000)	(1,051,350)	-
	<hr/>	<hr/>	<hr/>
	855,605	3,486,590	1,113,605
	<hr/>	<hr/>	<hr/>

As of the date of this report, the Bank has not fully disposed these properties that foreclosed since October 2012 and the request for extension to hold these foreclosed properties to NBC has not been made.

11. Other assets

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Guarantee deposits	7,313	29,800	7,335
Prepaid rent		11,249	45,839
3,973			
Prepaid insurance	432	1,760	254
Interest receivable	390	1,589	248
Others	2,715	11,065	2,389
	<hr/>	<hr/>	<hr/>
	22,099	90,053	14,199
	<hr/>	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2014**

12. Intangible assets

	Computer software license		
	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Cost			
At 1 January		102,410	417,321
102,410			
Additions	9,350	38,101	-
	<hr/>	<hr/>	<hr/>
At 31 December	111,760	455,422	102,410
Less: Accumulated amortisation			
At 1 January		94,239	384,024
86,091			
Amortisation for the year	6,747	27,494	8,148
	<hr/>	<hr/>	<hr/>
At 31 December	100,986	411,518	94,239
	<hr/>	<hr/>	<hr/>
Carrying amounts			
At 31 December	10,774	43,904	8,171
	<hr/>	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2014**

13. Property and equipment

2014	Land US\$	Building US\$	Renovations US\$	Motor vehicles US\$	IT equipment US\$	Office equipment and furniture US\$	Total US\$	KHR'000 (Note 4)
Cost								
At 1 January 2014	241,500	329,344	45,917	516,869	176,258	121,202	1,431,090	5,831,692
Additions	-	-	15,519	82,000	14,612	18,307	130,438	531,535
Written off	-	-	-	(520)	(26,873)	(6,805)	(34,198)	(139,357)
At 31 December 2014	241,500	329,344	61,436	598,349	163,997	132,704	1,527,330	6,223,870
Less: Accumulated depreciation								
At 1 January 2014	-	78,638	14,317	340,384	152,053	96,212	681,604	2,777,536
Depreciation for the year	-	16,468	6,118	49,892	15,431	8,992	96,901	394,872
Written off	-	-	-	(520)	(26,873)	(6,476)	(33,869)	(138,016)
At 31 December 2014	-	95,106	20,435	389,756	140,611	98,728	744,636	3,034,392
Carrying amounts								
At 31 December 2014	241,500	234,238	41,001	208,593	23,386	33,976	782,694	3,189,478

**Notes to the financial statements
for the year ended 31 December 2014**

13. Property and equipment (continued)

2013	Land US\$	Building US\$	Renovations US\$	Motor vehicles US\$	IT equipment US\$	Office equipment & furniture US\$	Total US\$
Cost							
At 1 January 2013	241,500	150,653	12,308	516,869	155,667	111,198	1,188,195
Additions	-	178,691	33,609	-	20,591	10,004	242,895
	<u>241,500</u>	<u>329,344</u>	<u>45,917</u>	<u>516,869</u>	<u>176,258</u>	<u>121,202</u>	<u>1,431,090</u>
At 31 December 2013	241,500	329,344	45,917	516,869	176,258	121,202	1,431,090
Less: Accumulated depreciation							
At 1 January 2013	-	67,384	12,026	281,095	130,069	88,479	579,053
Depreciation for the year	-	11,254	2,291	59,289	21,984	7,733	102,551
	<u>-</u>	<u>78,638</u>	<u>14,317</u>	<u>340,384</u>	<u>152,053</u>	<u>96,212</u>	<u>681,604</u>
At 31 December 2013	-	78,638	14,317	340,384	152,053	96,212	681,604
Carrying amounts							
At 31 December 2013	241,500	250,706	31,600	176,485	24,205	24,990	749,486
	<u>241,500</u>	<u>250,706</u>	<u>31,600</u>	<u>176,485</u>	<u>24,205</u>	<u>24,990</u>	<u>749,486</u>

**Notes to the financial statements
for the year ended 31 December 2014**

14. Deposits from customers

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Demand deposits	552,847	2,252,851	889,572
Saving accounts	573,730	2,337,950	177,126
Fixed deposits	1,630,260	6,643,310	473,897
	<u>2,756,837</u>	<u>11,234,111</u>	<u>1,540,595</u>

The deposits from customers are analysed as follows:

(a) By maturity:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Within one month			
Current deposits	550,924	2,245,015	889,572
Saving deposits	576,329	2,348,541	239,279
Fixed deposits			
1 to 3 months	1,203,299	4,903,444	258,790
4 to 6 months	45,732	186,358	79,932
Over 6 months	380,553	1,550,753	73,022
	<u>2,756,837</u>	<u>11,234,111</u>	<u>1,540,595</u>

(b) By types of customer:

Business enterprises	556,221	2,266,601	939,971
Individuals	2,200,616	8,967,510	600,624
	<u>2,756,837</u>	<u>11,234,111</u>	<u>1,540,595</u>

(c) By residency status:

Residents	2,748,882	11,201,694	1,452,145
Non-residents	7,955	32,417	88,450
	<u>2,756,837</u>	<u>11,234,111</u>	<u>1,540,595</u>

**Notes to the financial statements
for the year ended 31 December 2014**

14. Deposits from customers (continued)

The deposits from customers are analysed as follows (continued):

	2014 US\$	KHR'000 (Note 4)	2013 US\$
(d) By currency:			
US Dollars	2,733,326	11,138,303	1,500,104
Khmer Riels	23,511	95,808	40,491
	<u>2,756,837</u>	<u>11,234,111</u>	<u>1,540,595</u>
(e) By interest rate (per annum):			
	2014		2013
Saving deposits	1.00% - 1.50%		1.00% - 1.50%
Fixed deposits	<u>3.00% - 6.00%</u>		<u>3.00% - 6.00%</u>

15. Deposits from other banks

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Current accounts	2,401	9,784	2,793
Saving accounts	46,473	189,378	46,015
	<u>48,874</u>	<u>199,162</u>	<u>48,808</u>

The deposits from other banks are analysed as follows:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
(a) By maturity:			
Within 1 month	<u>48,874</u>	<u>199,162</u>	<u>48,808</u>

**Notes to the financial statements
for the year ended 31 December 2014**

15. Deposits from other banks (continued)

The deposits from other banks are analysed as follows (continued):

	2014 US\$	KHR'000 (Note 4)	2013 US\$
(b) By currency:			
US Dollars	48,337	196,974	48,305
Khmer Riels	537	2,188	503
	<u>48,874</u>	<u>199,162</u>	<u>48,808</u>
(c) By residency status:			
Residents	<u>48,874</u>	<u>199,162</u>	<u>48,808</u>
(d) By interest rate (per annum):			
	2014		2013
Current accounts	Nil		Nil
Savings deposits	<u>1.00-1.50%</u>		<u>1.00% - 1.50%</u>

16. Borrowings

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Ministry of Economy and Finance (ASDF)	30,330,000	123,594,749	33,310,000
China Development Bank	5,600,000	22,820,000	8,000,000
Asian Development Bank	1,150,063	4,686,507	1,350,338
Agence Française de Développement (AFD)	248,461	1,012,479	248,461
	<u>37,328,524</u>	<u>152,113,735</u>	<u>42,908,799</u>

**Notes to the financial statements
for the year ended 31 December 2014**

16. Borrowings (continued)

The above amounts are analysed as follows:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
(a) By maturity:			
Within 1 year	17,955,000	73,166,625	192,904
1 to 3 years	-	-	578,712
3 to 5 years	-	-	578,722
Over 5 years	19,373,524	78,947,110	41,558,461
	<u>37,328,524</u>	<u>152,113,735</u>	<u>42,908,799</u>

(b) By interest rate (per annum):

	2014	2013
Ministry of Economy and Finance (ASDF)	2.00%	2.00% - 3.00%
China Development Bank	5.08% - 5.14%	5.21% - 5.45%
Asian Development Bank	0.31% - 2.32%	0.75% - 2.75%
Agence Française de Développement (AFD)	Nil	Nil

17. Other liabilities

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Accrued interest payables	995,422	4,056,345	1,161,419
Employment security funds	235,976	961,602	210,961
Unearned income	2,089	8,513	20,925
Other tax liabilities	4,887	19,915	4,338
Others	89,675	365,425	89,400
	<u>1,328,049</u>	<u>5,411,800</u>	<u>1,487,043</u>

**Notes to the financial statements
for the year ended 31 December 2014**

18. Share capital

	US\$	2014 KHR'000 (Note 4)	2013 US\$
Issued and fully paid 10,000 shares of US\$2,047.60 each	20,475,890	83,439,252	20,475,890

There were no changes in the shareholder and the shareholding of the Bank during the year.

19. Subordinated debts

	US\$	2014 KHR'000 (Note 4)	2013 US\$
Agence Française de Développement (AFD)*	1,044,084	4,254,642	1,044,084
International Fund for Agriculture and Development (IFAD) **	130,458	531,617	260,916
	1,174,542	4,786,259	1,305,000

* The amount due to AFD was unsecured, interest free and has no fixed term of repayment.

** The amount due to IFAD was unsecured, bears interest at the rate of 3% per annum and due to be fully repaid on 31 December 2015.

20. Interest income

	US\$	2014 KHR'000 (Note 4)	2013 US\$
Loans and advances	3,817,773	15,557,425	4,080,748
Balances with other banks	17,599	71,716	17,692
	3,835,372	15,629,141	4,098,440

**Notes to the financial statements
for the year ended 31 December 2014**

21. Interest expenses

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Borrowings	978,031	3,985,476	1,139,502
Deposits from customers:			
Fixed deposits	26,349	107,372	17,932
Saving accounts	2,676	10,905	2,960
	<u>1,007,056</u>	<u>4,103,753</u>	<u>1,160,394</u>

22. Non-interest income

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Commission income	279,766	1,140,046	279,478
Others income	26,999	110,021	30,046
Others	50	204	-
	<u>306,815</u>	<u>1,250,271</u>	<u>309,524</u>

23. Personnel and other staff cost

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Salary and wages	590,045	2,404,434	499,623
Bonuses	117,631	479,346	101,273
Employment benefits	73,645	300,103	72,405
Directors' remuneration	61,988	252,601	56,603
Uniform	16,970	69,153	16,500
	<u>860,279</u>	<u>3,505,637</u>	<u>746,404</u>

**Notes to the financial statements
for the year ended 31 December 2014**

24. General and administrative expenses

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Impairment for foreclosed properties	258,000	1,051,350	-
Mission, travelling and accommodation expenses	57,628	234,834	49,748
Water and electricity	51,540	210,026	46,387
Social welfare	43,439	177,014	44,835
Other consumables and office supplies	29,815	121,496	37,166
Gasoline and motor vehicles operating expenses	16,671	67,934	16,908
Donation and gifts	10,096	41,141	15,133
Telecommunication and postage expenses	12,264	49,976	12,459
Public relations expenses	5,723	23,321	13,571
Membership fee	14,260	58,109	10,900
Reception charges	6,101	24,862	10,204
Professional fee	9,350	38,101	8,800
Repairs and maintenance	10,102	41,166	5,342
Court and other legal fees	42,600	173,595	5,201
Training charges	3,701	15,082	4,178
Clearing house and other fees	6,379	25,994	3,833
Tax on transportation vehicles	2,186	8,908	2,920
License fee	17,458	71,141	2,788
Advertising expenses	1,147	4,674	2,776
Fire and hazard insurance expenses	2,408	9,813	2,086
Publication and subscription expenses	1,160	4,727	1,027
Foreign exchange (gain)/loss	24,721	100,738	(5,036)
Other miscellaneous	11,334	46,186	23,636
	<u>638,083</u>	<u>2,600,188</u>	<u>314,862</u>

25. Income tax

(a) Provision for income tax

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
At 1 January	133,549	544,212	161,229
Income tax expense	248,953	1,014,483	199,303
Income tax paid	(170,859)	(696,250)	(226,983)
At 31 December	<u>211,643</u>	<u>862,445</u>	<u>133,549</u>

**Notes to the financial statements
for the year ended 31 December 2014**

25. Income tax (continued)

(b) Income tax expense

In accordance with Cambodian Law on Taxation, the Bank bears corporate income tax of the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenue, whichever is higher.

The reconciliation of income tax computed at the statutory tax rate of 20% to the income tax expense shown in the income statement is as follows:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Profit before income tax	942,620	3,841,176	843,573
Income tax rate at 20%	188,524	768,235	168,715
Effect of non-deductible expenses	8,829	35,978	30,588
Effect of temporary difference	51,600	210,270	-
Income tax expense	248,953	1,014,483	199,303

The calculation of taxable income is subject to the review and approval of the tax authorities.

26. Cash and cash equivalents

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Cash on hand (Note 5)	1,012,996	4,127,959	1,017,594
Balances with banks (Note 6)	2,462,168	10,033,335	1,877,977
Balances with the National Bank of Cambodia (Note 7)	11,697,016	47,665,341	6,554,226
	15,172,180	61,826,635	9,449,797

**Notes to the financial statements
for the year ended 31 December 2014**

27. Commitment and contingent liabilities

(a) Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated from these transactions which consist of:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Loan commitments	4,215,000	17,176,125	8,386,903

(b) Lease commitments

The Bank has operating lease commitments in respect of the lease of an office building and a house rental as follows:

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Within one year	4,800	19,560	11,500

(c) Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Bank could be significant.

**Notes to the financial statements
for the year ended 31 December 2014**

28. Related party balances and transactions

	2014 US\$	KHR'000 (Note 4)	2013 US\$
Deposits:			
Board members	188,162	766,760	118,603
Key management compensation			
Director's remuneration	61,988	252,601	56,603
Management salaries and bonus	480,368	1,957,500	372,484
House rental for management	12,000	48,900	22,000

29. Financial risk management

(a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- operational risk
- credit risk
- market risk
- liquidity risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

**Notes to the financial statements
for the year ended 31 December 2014**

29. Financial risk management (continued)

(b) Operational risk (continued)

The Bank's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

(c) Credit risk

Credit risk is the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans and advances.

(i) Management of credit risk

The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

(ii) Exposure to credit risk

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Individually impaired	21,284,704	86,735,169	3,669,951
Past due but not impaired	12,306,377	50,148,486	3,142,066
Neither past due nor impaired	18,697,178	76,191,001	54,638,079
	<hr/>	<hr/>	<hr/>
Total loans - gross	52,288,259	213,074,656	61,450,096
Net interest receivable			
Accrued interest receivables	1,080,386	4,402,573	619,821
Interest in suspense	(164,315)	(669,584)	(75,488)
	<hr/>	<hr/>	<hr/>
	916,071	3,732,989	544,333
	<hr/>	<hr/>	<hr/>
Total gross loans and net interest receivable	53,204,330	216,807,645	61,994,429
Allowance for bad and doubtful loans and advances	(2,946,050)	(12,005,154)	(2,355,832)
	<hr/>	<hr/>	<hr/>
	50,258,280	204,802,491	59,638,597
	<hr/>	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2014**

29. Financial risk management (continued)

(c) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Loans to customers neither past due nor impaired

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

Impaired loans and advances

Individually impaired loans and advances are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In compliance with NBC Guidelines, an allowance for doubtful loans and advances is made for loans and advances with payment overdue more than 90 days. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

Impaired loans and advances

In determining the allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss" all collateral may be utilised, at market values approved by the NBC. Refer to separate accounting policy stated in Notes 3(d) and 3(e).

Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 30 days but less than 90 days, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific provision of 3% (2013: 3%).

**Notes to the financial statements
for the year ended 31 December 2014**

29. Financial risk management (continued)

(c) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Loans with renegotiated terms/restructured loans

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 3 instalment periods and within a period of not less than 3 months.

Write-off policy

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its balance sheet when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

Collateral

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. The value of collateral is based on the value assessed by the external evaluators.

An estimate value of collaterals held against loans and advances are shown below:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Against individually impaired:			
Land and buildings	7,919,861	32,273,434	10,573,618
Past due but not impaired:			
Land and buildings	2,849,977	11,613,656	8,440,928
Neither past due nor impaired:			
Land and buildings	56,735,705	231,197,998	-

**Notes to the financial statements
for the year ended 31 December 2014**

29. Financial risk management (continued)

(c) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Concentration of credit risk

The repossessed properties have to be sold within one year as required by the NBC's guidelines and are classified in the balance sheet as foreclosed properties.

The analyses of concentrations of credit risk from loans and advances at the balance date are shown in Note 8 to the financial statements.

(d) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

As of 31 December 2014, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

An analysis of the interest rate risk pertaining to the Bank's assets and liabilities is disclosed below.

**Notes to the financial statements
for the year ended 31 December 2014**

29. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

The table indicates the effective interest rates at the balance sheet date, in which the financial instruments re-price or mature, whichever is earlier.

2014	Up to 1 months US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 3 years US\$	>3 - 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted interest rate (%)
Financial assets									
Cash on hand	-	-	-	-	-	-	1,012,996	1,012,996	
Balances with other banks	-	-	-	-	-	-	2,462,168	2,462,168	
Balances with the National Bank of Cambodia	7,024,540	-	1,016,258	-	-	-	4,827,383	12,868,181	0.08-0.12%
Loans and advances - net	-	-	16,069,000	11,648,953	12,135,225	12,435,081	-	52,288,259	5.00-12.00%
Allowance for bad doubtful loans and advances	-	-	-	-	-	-	(2,946,050)	(2,946,050)	
Investment	-	-	-	-	-	-	12,500	12,500	
Other assets	-	-	-	-	-	-	22,099	22,099	
	<u>7,024,540</u>	<u>-</u>	<u>17,085,258</u>	<u>11,648,953</u>	<u>12,135,225</u>	<u>12,435,081</u>	<u>5,391,096</u>	<u>65,720,153</u>	
Financial liabilities									
Deposits from customers	576,329	1,203,299	426,285	-	-	-	550,924	2,756,837	1.00-6.00%
Deposits from other banks	46,473	-	-	-	-	-	2,401	48,874	1.00-1.50%
Borrowings	-	-	17,955,000	-	-	19,125,063	248,461	37,328,524	0.75-5.45%
Other liabilities	-	-	-	-	-	-	1,328,049	1,328,049	
	<u>622,802</u>	<u>1,203,299</u>	<u>18,381,285</u>	<u>-</u>	<u>-</u>	<u>19,125,063</u>	<u>2,129,835</u>	<u>41,462,284</u>	
Maturity gap	<u>6,401,738</u>	<u>(1,203,299)</u>	<u>(1,296,027)</u>	<u>11,648,953</u>	<u>12,135,225</u>	<u>(6,689,982)</u>	<u>3,261,261</u>	<u>24,257,869</u>	

**Notes to the financial statements
for the year ended 31 December 2014**

29. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

The table indicates the effective interest rates at the balance sheet date, in which the financial instruments re-price or mature, whichever is earlier.

2013	Up to 1 months US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 3 years US\$	>3 - 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted interest rate (%)
Financial assets									
Cash on hand	-	-	-	-	-	-	1,017,594	1,017,594	
Balances with other banks	-	-	-	-	-	-	1,877,977	1,877,977	
Balances with the National Bank of Cambodia	4,000,000	-	-	-	-	1,025,594	2,709,232	7,734,826	0.08%-0.12%
Loans and advances - net	-	-	21,585,000	10,653,292	19,473,739	9,738,065	-	61,450,096	5.00% - 12.00%
Allowance for bad doubtful loans and advances	-	-	-	-	-	-	(2,355,832)	(2,355,832)	
Investment	-	-	-	-	-	-	12,500	12,500	
Other assets	-	-	-	-	-	-	14,199	14,199	
	<u>4,000,000</u>	<u>-</u>	<u>21,585,000</u>	<u>10,653,292</u>	<u>19,473,739</u>	<u>10,763,659</u>	<u>3,275,670</u>	<u>69,751,360</u>	
Financial liabilities									
Deposits from customers	239,279	258,790	152,954	-	-	-	889,572	1,540,595	1.00% - 6.00%
Deposits from other banks	46,015	-	-	-	-	-	2,793	48,808	1.00% - 1.50%
Borrowings	-	-	192,904	578,712	578,722	41,310,000	248,461	42,908,799	0.75% - 5.45%
Other liabilities	-	-	-	-	-	-	1,487,043	1,487,043	
	<u>285,294</u>	<u>258,790</u>	<u>345,858</u>	<u>578,712</u>	<u>578,722</u>	<u>41,310,000</u>	<u>2,627,869</u>	<u>45,985,245</u>	
Maturity gap	<u>3,714,706</u>	<u>(258,790)</u>	<u>21,239,142</u>	<u>10,074,580</u>	<u>18,895,017</u>	<u>(30,546,341)</u>	<u>647,801</u>	<u>23,766,115</u>	

**Notes to the financial statements
for the year ended 31 December 2014**

29. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the year end. Therefore, a change in interest rates at the reporting date would not affect income statement.

Cash flow sensitivity analysis for variable-rate instruments

The Bank does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

(e) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

Notes to the financial statements
for the year ended 31 December 2014

29. Financial risk management (continued)

(e) Liquidity risk (continued)

2014	Up to 1 month US\$	> 1 - 3 months US\$	> 3 -12 months US\$	> 1 - 3 years US\$	> 3 - 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Financial liabilities								
Deposits from customers	1,127,253	1,203,299	426,285	-	-	-	-	2,756,837
Deposits from other banks	48,874	-	-	-	-	-	-	48,874
Borrowings	-	-	17,955,000	-	-	19,125,063	248,461	37,328,524
Other liabilities	4,886	4,675	997,511	-	-	-	320,977	1,328,049
Total financial liabilities	1,181,013	1,207,974	19,378,796	-	-	19,125,063	569,438	41,462,284
Total financial assets	7,017,227	5,391,096	17,085,258	11,648,953	12,135,225	12,435,081	7,313	65,720,153
Net liquidity gap	5,836,214	4,183,122	(2,293,538)	11,648,953	12,135,225	(6,689,982)	(562,125)	24,257,869

Notes to the financial statements
for the year ended 31 December 2014

29. Financial risk management (continued)

(e) Liquidity risk (continued)

2013	Up to 1 month US\$	> 1 - 3 months US\$	> 3 -12 months US\$	> 1 - 3 years US\$	> 3 - 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Financial liabilities								
Deposits from customers	1,128,851	258,790	152,954	-	-	-	-	1,540,595
Deposits from other banks	48,808	-	-	-	-	-	-	48,808
Borrowings	-	-	192,904	578,712	578,722	41,310,000	248,461	42,908,799
Other liabilities	4,338	4,400	1,182,344	-	-	-	295,961	1,487,043
Total financial liabilities	1,181,997	263,190	1,528,202	578,712	578,722	41,310,000	544,422	45,985,245
Total financial assets	6,909,770	-	21,585,000	10,653,292	19,473,739	10,763,659	463,200	69,848,660
Net liquidity gap	5,727,773	(263,190)	20,056,798	10,074,580	18,895,017	(30,546,341)	(81,222)	23,863,415

29. Financial risk management (continued)

(f) Capital management

(i) Regulatory capital

The Bank's lead regulator, the National Bank of Cambodia ("NBC"), sets and monitors capital requirements for the Bank as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirement throughout the year.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

30. Fair values of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.



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