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RURAL DEVELOPMENT BANK

ANNUAL REPORT 2016

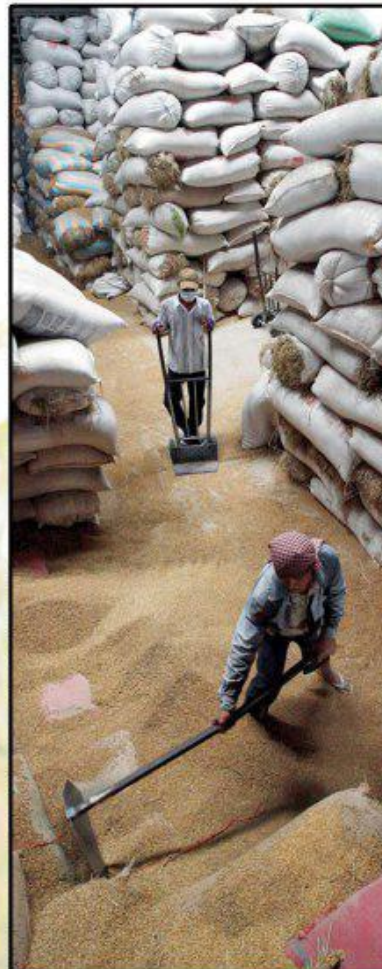


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VISION AND MISSION

VISION

Vision of Rural Development Bank is to become a leading “Agri-Bank of Cambodia”, with the status of a full commercial bank, in order to further support and implement Royal Government policy in the agricultural sector and rural economy. This will be achieved by financing to key stakeholders of agricultural value chains, contributing to the increase of poor people’s livelihood and socio-economic development.

MISSION

Mission of Rural Development bank is to finance to all key stakeholders of Agriculture Value Chain by means of:

- i. Providing loan to enterprises, Small and Medium Enterprises, farming organizations or association which is entity in Value Chain of Agriculture and Rural Economy; such as production, storage, processing, distribution, and export of agricultural products, especially rice and any others relating to infrastructural development of agriculture and rural economy.
- ii. Financing to Microfinance operators and other financial institutions, activities in supporting rural economy.
- iii. Syndicating loan with any financial institutions to provide loan to implement projects of agriculture sector, sub-sector, and infrastructural development of agriculture and rural economy.
- iv. Implementing project or other fund management in the framework for cooperation with development partners.
- v. Managing programme or special project of Government or others, with approval of Ministry of Economy and Finance.
- vi. Negotiating with development partners in order to attract grants and concessional loans for expanding RDB’s activities.

CEO MESSAGE



Chief Executive Director
Rural Development Bank of Cambodia

2016 was a good year for Rural Development Bank of Cambodia (RDB), reflected by remarkable achievements together with strong financial performances.

In 2016 RDB has been fulfilling its role in financing all related operators such as agriculture cooperatives, companies, small and medium enterprises, rice millers, rice exporters, and MFIs in order to enhance value added, processing, and supply for domestic and export market, as well as to create jobs, increase income, and foster social-economic development.

As the only state bank implementing the Royal Government's policy in Agricultural and Rural-Economic Development, RDB has been contributing fiercely in resolving the many challenges in the rice sector by seeking sources of funds for infrastructure development in order to develop and operate a 200,000 ton rice storage warehouse facility, as well as a rice paddy drying facility with capacity to dry 3,000 tons per day, located in Battambang Province.

As well, RDB has contributed in resolving the price decline issue of fragrant rice in the 2016 harvest season. **Samdech Akka Moha Sena Padei Techo HUN SEN**, Prime Minister of Royal Government of Cambodia authorized RDB to be the operator of the "**Special Programme of RGC**", with total budget of 27 million US dollars; 20 million US Dollars from the National Budget and 7 million UD dollars contributed by RDB's fund. This project was to enhance rice price stability and local purchase of rice. In doing so, RDB provided concessional loans with flexible and easy loan requirements to rice millers, traders, so that they could buy fragrant rice from farmers at a minimum set price.

This year RDB also successfully implemented Supporting Agricultural Value Chain Financing in pig raising, in which there are 3 key stakeholders; loan provider, livestock feed supplier& buyer, and producer. This project is to ensure price, quality and market.

In line with its worth plan, RDB has successfully implemented a number of reforms; namely, RDB got approval on Risk Management Policy, Policy on Anti-Money Laundering and Combating the financing of terrorism, Amendment on Credit Policy and Procedure, Policy on Social Protection and Environment, HR Policy, Professional Code of Conduct for Employees, Internal Rule, Performance Appraisal Guideline, and Guideline on Audit Implementation.

Besides, business volumes is also reflected by strong financial performance, as the increase of net profit after tax, and gross revenue increased 31%, while total loan rose 63% comparing to 2015.

It is clear that the success of the prior year was a great achievement, which could not have happened if there was no trust and support from the Royal Government of Cambodia as well as our loyal customers and development partners, especially the efforts and professionalism of our staffs.

RDB is preparing more special programs for the future and we expect that we will be able to achieve even better results.

On a final note, as always, I would like to express my sincere appreciation to the Board of Directors for their ongoing commitment and thank all of our staffs as well as our loyal customers for their support, dedication and continued efforts which enable Rural Development Bank to be a leading "Agri-bank of Cambodia". Also, I would like to take this opportunity to express our deepest appreciation to the Royal Government of Cambodia and National Bank of Cambodia for their ongoing support, trust, and recommendation throughout the year.



His Excellency KAO THACH
CEO of Rural Development Bank

BOARD OF DIRECTORS

His Excellency ROS Seilava

Undersecretary of State of the
Ministry of Finance and Economy

Chairman of Board of Directors

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.

His Excellency SAN Visal

Undersecretary of State of the
Ministry of Rural Development

Member of Board of Directors

H.E. San Visal is presently Undersecretary of State of the Ministry of Rural Development and member of Board of Directors, Rural Development Bank of Cambodia.

From 1990 to 2005 he worked as technical officer of Department of Agricultural Machinery, Department of Agronomy of Ministry of Agriculture. From 2005 to 2008 H.E. was head of Mean Chey District, Phnom Penh. He not only serves for government affairs but also private sector as well non-government; he has been as Secretary General of Student Federation of the democratic intellectuals since 1994.

H.E obtained his Master from Chamroeun University of Poly-Technology in 2005, as well as best equipped with lots of important trainings.

His Excellency KHUT Chandara

Advisor and Deputy Cabinet Director of
the Office of the Council of Ministers

Member of Board of Directors

His Excellency KHUT Chandara presently is advisor to and Deputy Cabinet Director of the Office of the Council of Ministers and serves as member of Board of Directors, Rural Development Bank.

From 2004 to 2008 he worked as assistant to Samdech Vibol Panha Sok An, former Deputy Prime Minister, Office of the Council of Ministers. From 2008 to 2009 he was senior personnel assistant, The Extraordinary Chambers in the Courts of Cambodia.

H.E. Khut Chandara obtained Master of Business Administration, specializing in International Business, Asian Institute of Technology (AIT), School of Management, Thailand, August 2004, and Master of Science, specializing in Strategic Tourism Management, CERAM Sophia Antipolis, the Centre for Tourism Management, Sophia Antipolis, France, October 2004. He also obtained Bachelor of Education (B.ed) in Teaching English as Foreign Language (TEEL), the Institute of Foreign Languages (IFL) and Bachelor of Business Administration (BBA), Royal University of Law and Economics in 2002.

His Excellency KAO Thach

Member of Board of Directors
and Chief Executive Director

H.E. KAO Thach 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 as ACME, ABMI, CMI, WG-FSL, WG-CAL.

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. H.E. Kao Thach has as well attended many training programs including Development of Security Market in Washington State, USA, Law in International Finance emphasized on World Bank's Laws and Regulations, International Development Fund, Trade Finances in Vienna, Austria and many other significant training programs.

Mr. SREYSothea

Deputy-Inspector General, Ministry of
Agriculture Forestry and Fisheries

Member of Board of Directors

Mr. SREYSothea presently is Deputy-Inspector General, Ministry of Agriculture Forestry and Fisheries and serves as member of Board of Directors, Rural Development Bank.

He worked as Deputy Secretary-General, Ministry of Agriculture Forestry and Fisheries since 2014.

In 2011, he worked as Administrative Management Officer of Department of International Cooperation, Ministry of national assembly-senate relations and inspection.

In 2013, he was deputy head department of Finance and Supply, Ministry of national assembly-senate relations and inspection, and he was appointed as Deputy Secretary-General, Ministry of Agriculture Forestry and Fisheries in 2014.

He obtained Bachelor of Business Administration and Bachelor of Economic, California States University Stanislaus, California, United States of America.

Mr. OM Seng Bora

Independent Board of Directors

Member of Board of Directors

Mr. OM Seng Bora presently is an Independent Board of Directors, serves as member, Rural Development Bank.

As well, he has currently been an independent board of directors of Phnom Penh Water Supply Authority and a member of Cambodia Chamber of Commerce.

He not only works for government affair also private sector as well non-government. From 2004 to 2009 he was Executive Director of Vision Fund Cambodia. He has been Chairman of Aplus Consulting and Aplus School for Professionals, Chairman of Cambodia Microfinance Institute since 2010, and Co-founder & Board of Director of Cambodia Investor Club and Board of Director of Start-up Business Network since 2013, and an independent Board of Director of TeukSaat 1001 and Founder & Chairman of Cambodia Empire Group since 2014.

He completed Master degree of Business Administration, Preston University in Cambodia, an affiliate of Preston University in USA in 2008, and Bachelor degree of Management, Accounting Specialization, Maharishi Vedic University (MVU), Cambodia in 1998.

Mr. CHAN Seyha

Staff Representative of
Rural Development Bank
Member

Joining RDB since 1999, Mr. Chan Seyha is now in charge of Credit and Business Development and Strategy 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 Seyha 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.

EXECUTIVE MANAGEMENT



His Excellency KAO Thach

Chief Executive Director

H.E. KAO Thach 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 ACMF, ABMI, CMI, WG-FSL, WG-CAL.

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. H.E. Kao Thach has as well attended many training programs including Development of Security Market in Washington State, USA, Law in International Finance emphasized 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 CEO and Staff Representative

Joining RDB since 1999, Mr. Chan Seyha is now in charge of Credit and Business Development and Strategy 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 Seyha 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. UCH Chantha

Deputy CEO

Joining RDB in 1999, Mr.UchChantha currently holds a position as a Deputy CEO in Charge of Technical Working Group.

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.UchChantha holds a Bachelor degree from Phnom Penh University in 1991.



Mr. PECH Sany

Deputy CEO

With more than a decade working for Rural Development Bank of Cambodia since 2001, Mr.PechSany is currently a Deputy CEO in Charge of Operation Department and Admin and Finance Department.

Mr.PechSany 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. SAM Vongsy

Deputy CEO

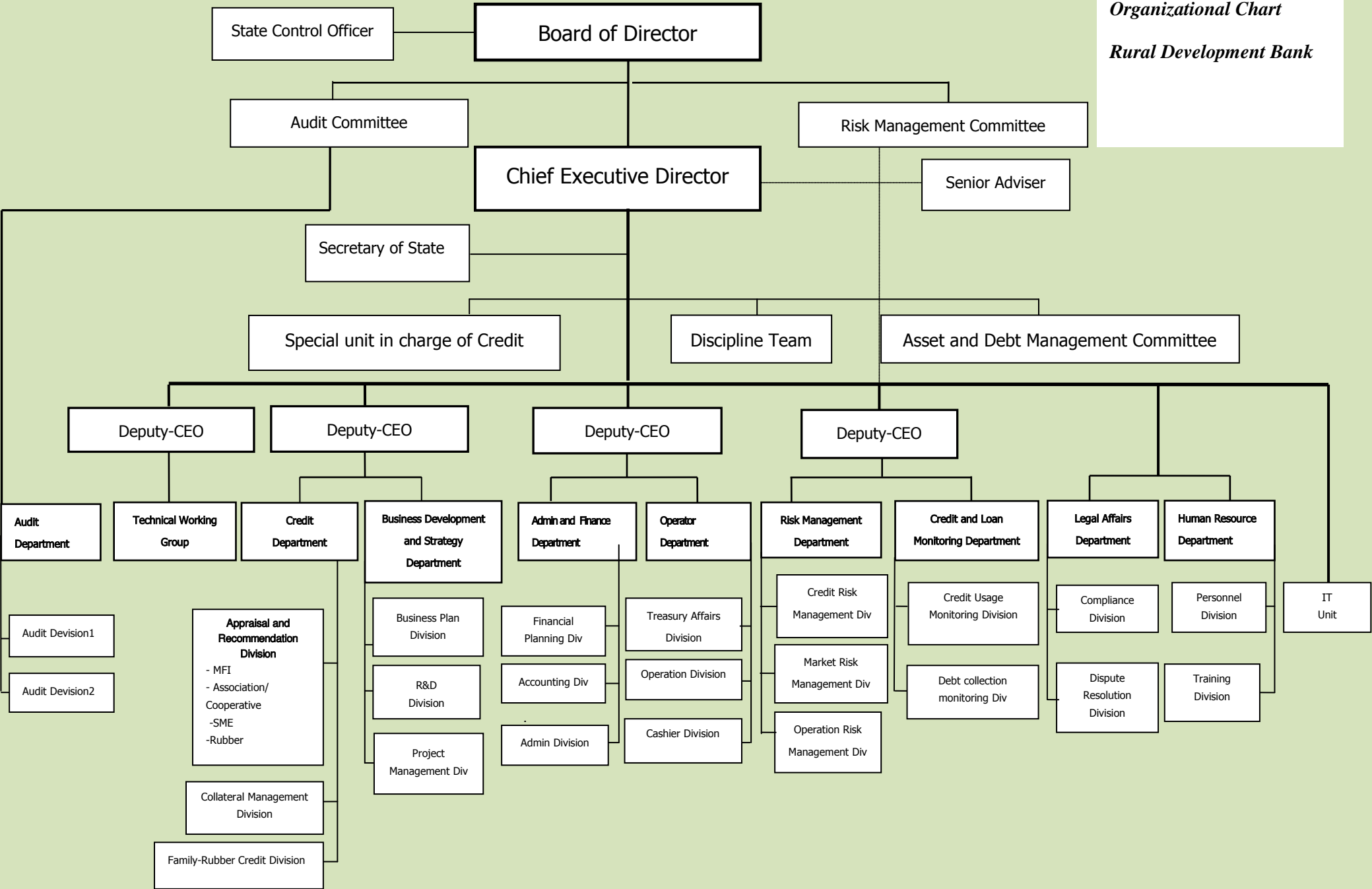
Mr. SAM Vongsy joined RDB in September 2014 as Deputy CEO in charge of Risk Management Department and Credit Usage and Monitoring Department.

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.

Organizational Chart
Rural Development Bank

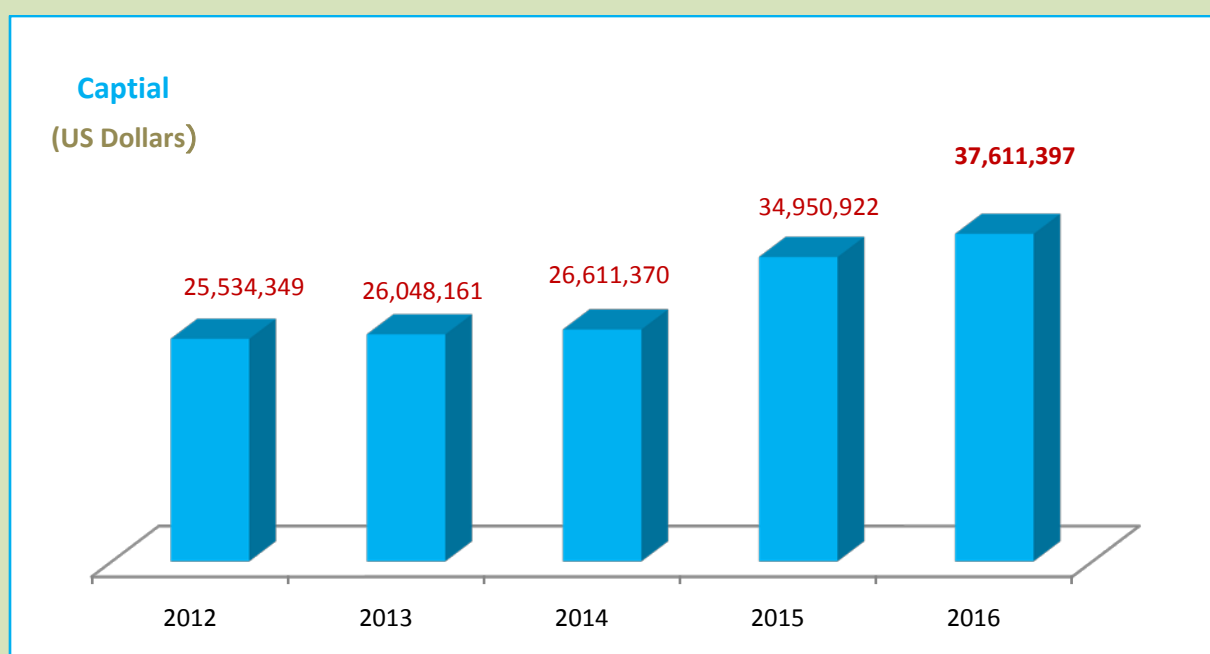
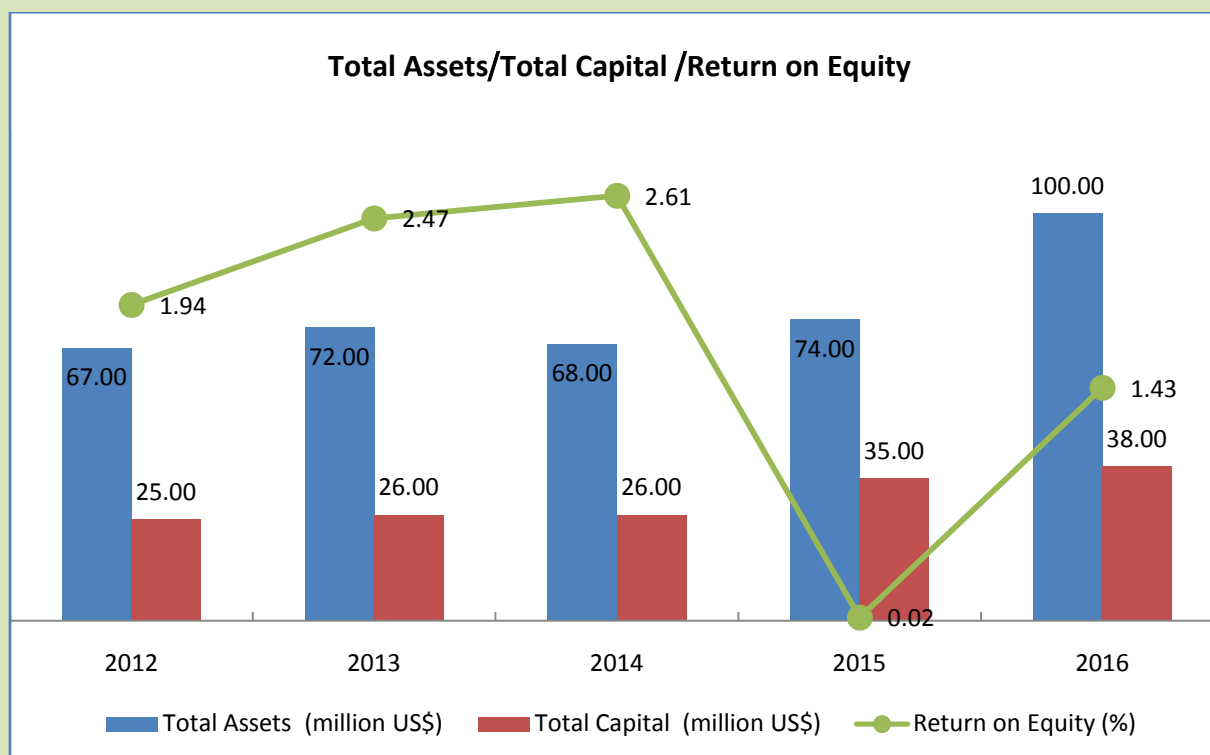


FINANCIAL HIGHLIGHT

	2015 (US Dollars)	2016 (US Dollars)
Profitability		
Gross Revenue	3,123,233	4,088,646
Operating incomes before provision impairment	125,632	1,447,886
Net profit before tax	33,146	629,739
Net profit after tax	5,618	536,336
Key Balance Sheet items		
Total Assets	74,680,830	100,442,088
Total Capital	34,950,922	37,611,397
Total Gross Loans and Advances	43,975,491	71,583,770
Deposit for Customers	1,092,888	1,278,615
Financial Ratios		
Return on Equity	0.02%	1.43%
Return on Asset	0.01%	0.53%
Total Expense to Income Ratio	99.82%	86.88%
Non-performing loans to total loans	5.04%	6.94%
Solvency Ratio	75.93%	51.00%

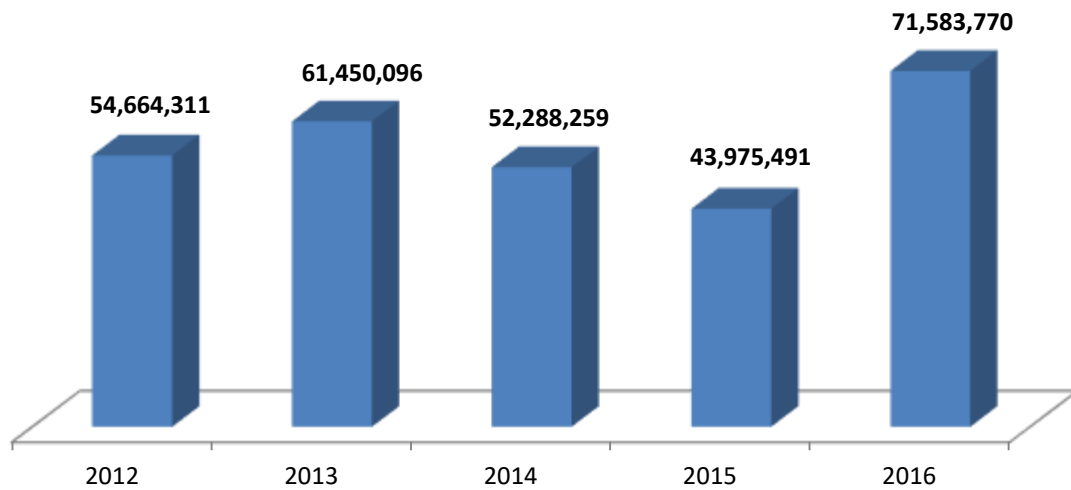
FINANCIAL RESULTS

- Assets grew 34% from 74,680,830 US Dollars to 100,442,088 US Dollars.
- Loans grew 63% from 43,975,491 US Dollars to 71,583,770 US Dollars.
- Gross Revenue grew 31% from 3,123,233 US Dollars to 4,088,646 US Dollars.
- The high increase of Net profit after tax comparing to 2015.



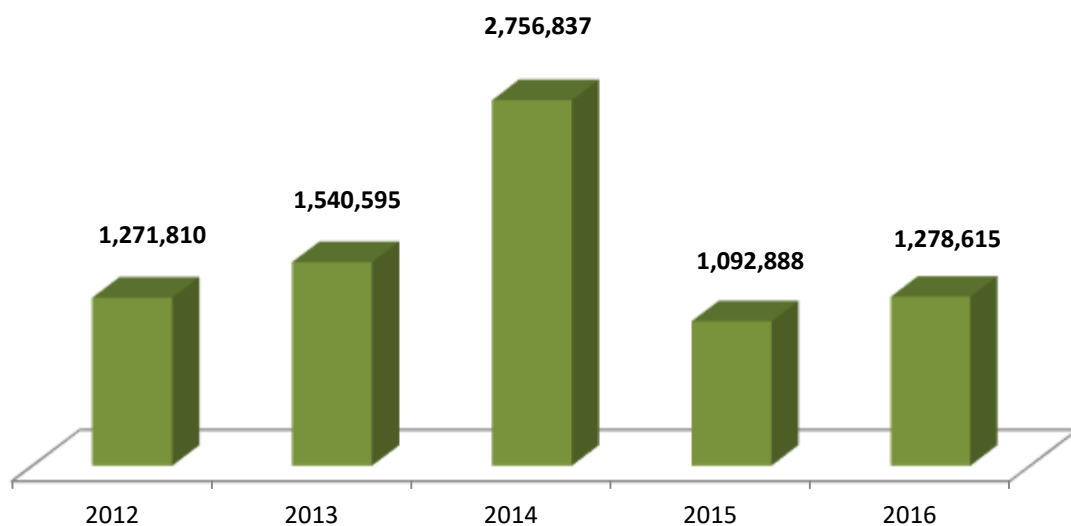
Gross Loans & Advances

(US Dollars)



Deposit from Customer

(US Dollars)



SIGNIFICANT EVENTS OF THE BANK



News conference on putting in place and implementing "Special programme of Royal Government of Cambodia to solve Rice issue", held in RDB Headquarter



CTN interviews H.E. Kao Thach, CEO of RDB, about the progress of building rice warehouse with capacity of 20,000 tons and drying facility of 3,000 tons per day



⇒ H.E. Kao Thach, CEO of RDB, on sites inspected the status of PhourKokki Rice miller, in Pursat Province



Public consultant on the issue of Rice millers, chaired by H.E. Kao Thach, CEO of RDB at RDB Head quarter



H.E. Kao Thach and senior colleagues on sites inspected mushroom and vegetable farming, in Bantey Mean Chey province.





Public Consultant on Finding the cause root of rice issues, chaired by H.E. Kao Thach , CEO of Rural Development, at Prey Veng Chamber of Commerce.





The Aggregate meeting in 2016 and Work Direction for 2017, presided over H.E. Ros Seilava, Chairman of Board of Directors and H.E. Kao Thach, CEO of RDB, all deputy-CEOs and Head of Departments of RDB



Annual Party of RDB in 2016

RURAL DEVELOPMENT BANK
(Incorporated in the Kingdom of Cambodia)

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2016

RURAL DEVELOPMENT BANK

(Incorporated in the Kingdom of Cambodia)

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THIS REPORT CONTAINS A SECTION FOR THE NATIONAL BANK OF CAMBODIA USE WHICH
DOES NOT FORM PART OF THE FINANCIAL STATEMENTS (PAGE I TO XIII)

DIRECTORS' REPORT

The Board of Directors ("the Directors") hereby submit their report along with the audited financial statements of Rural Development Bank ("the Bank") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

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

RESULTS

The results of operations for the year ended 31 December 2016 are set out in the statement of income on page 8.

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 realized

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 realize.

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. RosSeilava	Non-Executive director	Chairman of the Board
H.E. San Visal	Non-executive director	Member

H.E. KhutChandara	Non-executive director	Member
H.E. Kao Thach	Executive director	Member, Chief Executive Director
Mr.SreySochea	Non-executive director	Member
Mr. Om Seng Bora	Non-Executive director	Member
Mr. Chan Seyha	Executive director	Member

DIRECTORS' INTERESTS

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

DIRECTORS' BENEFITS

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosures requirements and the National Bank of Cambodia's guidelines and Cambodian Accounting Standards, or if there have been any departures in the interests of true and fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v) effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

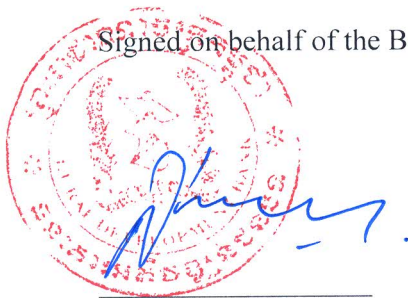
The Board of Directors confirms that the Bank has complied with the above requirements in preparing the financial statements.

STATEMENT BY DIRECTORS

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

- i) the results of the operations of the Bank for the year ended 31 December 2016 have not been materially affected by any item, transaction and event of any material and unusual nature nor has any such item, transaction and event occurred in the interval between the end of the year and the date of this report other than as disclosed in the financial statements, and
- ii) the accompanying financial statements of the Bank have been drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2016 and of its financial performance and cash flows for the year ended on that date, in compliance with the National Bank of Cambodia's guidelines and Cambodian Accounting Standards.

Signed on behalf of the Board by:



H.E. Ros Seilava
Chairman

Date: 30-March-2017



H.E. Kao Thach
Chief Executive Officer

Date: 30-March-2017

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

We have audited the financial statements of Rural Development Bank (the “Bank”), which comprise the balance sheet as at 31 December 2016 and the related statements of income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the ‘Basis for Qualified Opinion’ section of our report, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016 and of its financial performance and cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the National Bank of Cambodia’s guidelines.

Basis for Qualified Opinion

Note 8 to the financial statements: based on the number of days past due as per NBC’s loan provisioning guidelines, a loan amounting USD 1,885,000 should have been classified as ‘doubtful’ rather than classified as ‘substandard’ as per the Bank classification.

Had provision for loans classified as ‘doubtful’ been fully provided for, loans and advances to customers would have been reduced by USD 565,500. Accordingly, profit before tax would have been reduced by USD 565,500 and income tax expense would have been reduced by USD 40,798.

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Cambodian Accounting Standards and the National Bank of Cambodia’s guidelines 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.

In preparing the financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.



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

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

On behalf of Morison Kak & Associés

Saksom Meas
Managing Partner



Morison Kak & Associés
Certified Public Accountants
Independent Auditors

30 MAR 2017

RURAL DEVELOPMENT BANK

BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016		2015
		USD	KHR'000	USD
ASSETS				
Cash on hand	5	1,374,754	5,549,882	1,385,617
Balances with other banks	6	4,662,975	18,824,430	2,405,950
Balances with the National Bank of Cambodia	7	23,473,770	94,763,609	26,701,868
Loans and advances - net	8	68,798,146	277,738,115	41,935,152
Foreclosed properties	9	1,132,065	4,570,146	1,255,065
Other assets	10	152,020	613,705	143,523
Intangible assets	11	30,170	121,797	54,395
Property and equipment	12	818,188	3,303,026	799,260
TOTAL ASSETS		100,442,088	405,484,710	74,680,830
LIABILITIES AND CAPITAL				
LIABILITIES				
Deposits from customers	13	1,278,615	5,161,769	1,092,888
Deposits from others banks	14	49,918	201,519	49,487
Borrowings	15	60,029,413	242,338,740	37,146,242
Other liabilities	16	1,431,946	5,780,765	1,437,178
Provision for income tax	24	40,799	164,705	4,113
TOTAL LIABILITIES		62,830,691	253,647,498	39,729,908
CAPITAL				
Share capital	17	20,475,890	82,661,168	20,475,890
Additional capital	17	9,319,136	37,621,352	7,759,189
Capital reserve	17	564,192	2,277,645	-
Subordinated debts	18	1,044,084	4,214,967	1,044,084
Retained earnings		6,208,095	25,062,080	5,671,759
TOTAL CAPITAL		37,611,397	151,837,212	34,950,922
TOTAL LIABILITIES & CAPITAL		100,442,088	405,484,710	74,680,830

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

H.E. Ros Seilava
Chairman

Date: 30-March-2017

H.E. Kao Thach
Chief Executive Officer

Date: 30-March-2017

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

RURAL DEVELOPMENT BANK

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

		2016		2015
	Note	USD	KHR'000	USD
Interest income	19	3,727,656	15,048,547	2,789,430
Interest expense	20	(486,424)	(1,963,694)	(884,938)
Net interest income		3,241,232	13,084,853	1,904,492
Non-interest income	21	360,990	1,457,317	333,803
Personnel and other staff costs	22	(1,384,420)	(5,588,904)	(1,038,544)
Depreciation and amortization expenses		(152,040)	(613,786)	(126,086)
General and administrative expenses	23	(617,876)	(2,494,367)	(948,033)
Operating profit		1,447,886	5,845,113	125,632
Allowance for bad and doubtful loans	8	(818,147)	(3,302,859)	(92,486)
Profit before income tax		629,739	2,542,254	33,146
Income tax expense	24	(93,403)	(377,068)	(27,528)
Net profit for the year		536,336	2,165,186	5,618

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



H.E. Ros Seilava
Chairman

Date: 30-March-2017



H.E. Kao Thach
Chief Executive Officer

Date: 30-March-2017

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

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital	Additional capital	Capital reserve	Subordinated debt	Retained earnings	Total
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2015	20,475,890	-	-	1,174,542	4,960,938	26,611,370
Capital contribution	-	26,028,756	-	-	-	26,028,756
Capital reduction against non-performing loans and advances (see note 17)	-	(18,269,567)	-	-	705,203	(17,564,364)
Repayment to IFAD	-	-	-	(130,458)	-	(130,458)
Net profit for the year	-	-	-	-	5,618	5,618
Balance as at 31 December 2015	20,475,890	7,759,189	-	1,044,084	5,671,759	34,950,922
Balance as at 1 January 2016	20,475,890	7,759,189	-	1,044,084	5,671,759	34,950,922
Capital contribution	-	-	-	-	-	-
Recoveries of principal of non-performing loans previously transferred to off balance sheet (see note 17)	-	1,559,947	-	-	-	1,559,947
Recoveries of interest income of principal non-performing loans previously transferred to off balance sheet (see note 17)	-	-	564,192	-	-	564,192
Net profit for the year	-	-	-	-	536,336	536,336
Balance as at 31 December 2016	20,475,890	9,319,136	564,192	1,044,084	6,208,095	37,611,397
Balance as at 31 December 2016 (KHR'000 equivalents)	82,661,168	37,621,352	2,277,645	4,214,967	25,062,080	151,837,212

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

STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 31 DECEMBER 2016**

		2016		2015
	Note	USD	KHR'000	USD
Net cash used in operating activities	25	(25,862,935)	(104,408,669)	(11,380,289)
Cash flows from investing activities				
Purchases of property and equipment		(143,693)	(580,089)	(136,204)
Proceeds from disposal of property and equipment		19,899	80,332	-
Purchase of intangible assets		(3,050)	(12,313)	(50,070)
Net cash used in investing activities		(126,844)	(512,070)	(186,274)
Cash flows from financing activities				
Repayment of subordinated debts		-	-	(130,458)
Repayment of borrowings		(13,459,753)	(54,337,023)	(16,014,554)
Proceeds from borrowings		36,341,930	146,712,371	15,830,000
Recoveries of interest on principal of non-performing loans previously transferred to off balance sheet		564,192	2,277,645	-
Recoveries of principal non-performing loans previously transferred to off balance sheet		1,559,947	6,297,506	-
Additional capital contribution		-	-	26,028,756
Net cash generated from financing activities		25,006,316	100,950,499	25,713,744
Net changes in cash and cash equivalents		(983,463)	(3,970,240)	14,147,181
Cash and cash equivalents, beginning of year		29,319,361	118,362,260	15,172,180
Cash and cash equivalents, end of year		28,335,898	114,392,020	29,319,361
<i>Represented by:</i>				
Cash on hand	5	1,374,754	5,549,882	1,385,617
Balances with banks inside Cambodia	6	4,662,975	18,824,430	2,405,950
Deposits and placements with NBC	7	22,298,169	90,017,708	25,527,794
		28,335,898	114,392,020	29,319,361

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

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****1. General information**

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 license from the National Bank of Cambodia (“NBC”) to operate as specialized bank with permanent validity from the NBC on 15 June 2007.

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

2. Basis of preparation**2.1 Statement of compliance**

The financial statements have been prepared in accordance with Cambodian Accounting Standards and the guidelines of the NBC relating to the preparation and presentation of financial statements.

The financial statements were authorized for issued by the Board of Directors on 30 March 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The Bank transacts its business and maintains its accounting records in two currencies, Khmer Riel (“KHR”) and United States Dollars (“USD”). Management has determined USD 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 USD are translated to USD at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than USD at the balance sheet date are translated into USD at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****2.4 Use of estimates and judgments**

The preparation of financial statements requires management to make judgments, 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 recognized in the year in which the estimates are revised and in any future periods affected.

Key accounting estimates and judgments applied in the preparation of the financial statements including estimate of recoverable amounts for loans and advances which have a separate accounting policy stated in Noted 3.4 and 3.5.

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.

3.1 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.

3.2 Segment information

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

3.3 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.

3.4 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 allowances.

The adequacy of the allowances for bad and doubtful loans and advances 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.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****3. Significant accounting policies (continued)****3.5 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 conditions of the borrowers, 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	Allowances
Normal/Standard	<30 days	1%
Special mention	≥30 days - 89 days	3%
Substandard	≥90 days - 179 days	20%
Doubtful	≥180 days -359 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 collaterals other than cash deposits which have been pledged is disregarded, except that, in the case of a loan classification as "loss", all collaterals may be utilized, 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 allowances for bad and doubtful loans and advances in the statement of income.

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

3.6 Deposits and placements with banks

Deposits and placements with banks are stated at cost less allowance for uncollectible amounts, if any.

3.7 Statutory deposits

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

3.8 Other assets

Other assets are carried at cost. An estimate is made for doubtful receivable based on a review of outstanding amounts at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****3. Significant accounting policies (continued)****3.9 Foreclose properties**

Foreclosed properties consist of moveable and immovable 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 properties at the date of the foreclosure. Gain or losses on the disposal of foreclosed properties are recognized in the statement of income on the date of the disposal.

3.10 Intangible assets

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

3.11 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is measured 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.

Freehold land is not depreciated. Depreciation is charged to the statement of income on a declining balance basis (except building and renovations which 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 per annum:

Items	Depreciation rate	Depreciation method
Building	5%	Straight-line
Renovations	10%	Straight-line
Motor vehicles	12.50%	Declining
IT equipment	25%	Declining
Office equipment and furniture	12.50%	Declining

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefit, in excess of the originally assessed standard of performance of the existing assets, will flow to the Bank. All other subsequent expenditure is recognized as an expense in the year in which it is incurred.

Gain 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 recognized in the statement of income on the date of retirement or disposal.

Fully depreciated property and equipment are retained in the financial statements until disposal or write off.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****3. Significant accounting policies (continued)****3.12 Impairment of assets****a) 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 Note 3.4 and 3.5.

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

b) Non-financial assets

The carrying amount of the non-financial assets is 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 estimate future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessment 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 from other assets or group of assets (the "cash-generating unit").

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

3.13 Other liabilities

Other liabilities are measured at their cost.

3.14 Provisions

Provisions are recognized 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 assessment of the time value of money and, where appropriate, the risks specific to the liability.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****3. Significant accounting policies (continued)****3.15 Operating leases**

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

3.16 Income recognition

Interest income on performing loans and advances are recognized on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realized 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 recognized 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 recognized as income over the period in which the service and facilities are extended; and
- Service charges and processing fees are recognized when the service is provided.

3.17 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly to equity, in which case it is recognized 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 difference between the carrying amount 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****3. Significant accounting policies (continued)****3.18 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 individuals 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 percent of the capital of the Bank or voting rights, 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 Dollar in Khmer Riel

The financial statements are stated in United States Dollars. The translation of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines issued by the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of USD 1 to KHR 4,037 published by the NBC on 31 December 2016 (31 December 2015 USD 1 to KHR 4,050). These convenience translations should not be constructed as representation that the United States Dollar 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

	2016		2015
	USD	KHR'000	USD
Cash on hand-USD	1,355,378	5,471,661	1,367,745
Cash on hand-KHR	19,376	78,221	17,872
	1,374,754	5,549,882	1,385,617

6. Balances with other banks

	2016		2015
	USD	KHR'000	USD
Canadia Bank Plc.	4,012,760	16,199,512	1,403,456
Cambodian Public Bank Plc.	365,839	1,476,892	757,985
Acleda Bank Plc.	284,376	1,148,026	244,509
	4,662,975	18,824,430	2,405,950

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

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****6. Balances with other banks (continued)**

(a) By maturity:

	2016		2015
	USD	KHR'000	USD
Within one month	4,662,975	18,824,430	2,405,950

(b) By currency:

	2016		2015
	USD	KHR'000	USD
Khmer Riels	88,418	356,943	35,394
US Dollars	4,574,557	18,467,487	2,370,556
	4,662,975	18,824,430	2,405,950

(c) By relationship:

	2016		2015
	USD	KHR'000	USD
Non-related parties	4,662,975	18,824,430	2,405,950

7. Balances with the National Bank of Cambodia

	Note	2016		2015
		USD	KHR'000	USD
Current accounts	(i)	5,886,106	23,762,210	14,478,411
Negotiable certificates of deposits	(ii)	16,412,063	66,255,498	11,049,383
		22,298,169	90,017,708	25,527,794
Statutory deposits on:				
Capital guarantee deposit	(iii)	1,020,647	4,120,352	1,019,136
Reserve requirement for Customers' deposit	(iv)	154,954	625,549	154,938
		1,175,601	4,745,901	1,174,074
		23,473,770	94,763,609	26,701,868

(i) Current accounts:

The current accounts bear no interest.

(ii) Negotiable certificates of deposits ("NCD"):

The Bank pledges NCD with the NBC as a collateral for settlement clearing facility. The term of NCD is for a period of three months and earns interest at 0.45-0.74% for USD and at 1.28%-1.5% for KHR per annum, respectively.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****7. Balances with the National Bank of Cambodia (continued)****(iii) Capital guarantee deposit:**

Under the NBC Prakas No. B7-00-05 on licensing of specialised banks dated 11 January 2000; specialised banks are required to maintain a statutory deposit of 5% of its registered capital with the NBC. The deposit 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. The capital guarantee deposit earns interest at 3/8 LIBOR (six months) at rates ranging from 0.22% to 3.00% per annum (2015: 0.08% to 0.12% P.A.).

(iv) Reserve requirement for 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 NBC's Prakas No. B7-00-005 dated 11 January 2000 at the rate of 5% of customers' deposit. This reserve requirement does not earn interest.

8. Loans and advances-net

	2016		2015
	USD	KHR'000	USD
Long term loans and advances	52,712,629	212,800,883	34,754,906
Short term loans and advances	18,818,672	75,970,979	9,116,498
Staff loans	52,469	211,817	104,087
Total gross loans and advances	71,583,770	288,983,679	43,975,491
Net interests receivable			
Accrued interests receivable	1,125,442	4,543,409	419,648
Interest in suspense	(788,586)	(3,183,522)	(126,654)
	336,856	1,359,887	292,994
Total gross loans and net interests receivable	71,920,626	290,343,566	44,268,485
Allowance for bad and doubtful loans	(3,122,480)	(12,605,451)	(2,333,333)
Total loans and advances-net	68,798,146	277,738,115	41,935,152

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

	2016	2015	
	USD	KHR'000	USD
At 1 January	2,333,333	9,419,665	2,946,050
Addition during the year	818,147	3,302,859	92,486
Transfer to off-balance sheet	-	-	(705,203)
Write off during the year	(29,000)	(117,073)	-
At 31 December	3,122,480	12,605,451	2,333,333

Included in loans and advances is a loan amounting USD 1,885,000 which should have been classified as 'doubtful' rather than classified as 'substandard' as per the Bank's classification.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****8. Loans and advances-net (continued)**

Further analysis of the above gross loans and advances are as follows:

(a) By maturity period:

	2016		2015
	USD	KHR'000	USD
3 to 6 months	3,324,000	13,418,988	-
6 to 12 months	12,728,350	51,384,349	9,744,000
1 to 3 years	7,192,931	29,037,862	5,419,861
3 to 5 years	30,527,287	123,238,658	14,947,932
Over five years	17,811,202	71,903,822	13,863,698
	71,583,770	288,983,679	43,975,491

(b) By currency denomination:

	2016		2015
	USD	KHR'000	USD
US Dollars	71,161,863	287,280,440	43,427,715
Khmer Riels	421,907	1,703,239	547,776
	71,583,770	288,983,679	43,975,491

(c) By residency status:

	2016		2015
	USD	KHR'000	USD
Residents	71,583,770	288,983,679	43,975,491

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****8. Loans and advances-net (continued)**

(d) By performance:

	USD	2016 KHR'000	2015 USD
Standard loans:			
Secured	57,869,901	233,620,790	40,415,154
Unsecured	2,626,931	10,604,920	1,342,289
Special mention:			
Secured	6,118,976	24,702,306	739,538
Unsecured	-	-	-
Substandard loans:			
Secured	729,400	2,944,588	-
Unsecured	1,885,000	7,609,745	174,160
Doubtful loans:			
Secured	915,000	3,693,855	-
Unsecured	-	-	-
Loss loans:			
Secured	894,402	3,610,701	662,000
Unsecured	544,160	2,196,774	642,350
	<u>71,583,770</u>	<u>288,983,679</u>	<u>43,975,491</u>

(e) By relationship:

	USD	2016 KHR'000	2015 USD
Non related parties	71,531,301	288,771,862	43,871,404
Staff loans	52,469	211,817	104,087
	<u>71,583,770</u>	<u>288,983,679</u>	<u>43,975,491</u>

(f) By type of customers:

	USD	2016 KHR'000	2015 USD
Corporate	25,935,000	104,699,595	23,604,658
Individuals and sole traders	45,648,770	184,284,084	20,370,833
	<u>71,583,770</u>	<u>288,983,679</u>	<u>43,975,491</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****8. Loans and advances-net (continued)**

(g) By financing projects:

	2016		2015
	USD	KHR'000	USD
Ministry of Economy and Finance	28,807,500	116,295,878	18,505,000
Rural Development Bank's Fund	34,546,780	139,465,351	20,175,863
China Development Bank	4,200,000	16,955,400	4,800,000
Agence Française de Développement (AFD)	665,490	2,686,583	399,628
IFAD	40,000	161,480	95,000
	3,324,000	13,418,987	-
	71,583,770	288,983,679	43,975,491

(h) By economic sectors:

	2016		2015
	USD	KHR'000	USD
Privates	66,269,801	267,531,187	39,026,590
Registered Micro Finance Institutions	3,415,009	13,786,391	3,537,510
Licensed Financial Institutions	274,771	1,109,251	527,766
Associates	906,230	3,658,450	40,000
Families Rubber Plantation	665,490	2,686,583	739,538
Staff loans	52,469	211,817	104,087
	71,583,770	288,983,679	43,975,491

(i) By large exposures:

	2016		2015
	USD	KHR'000	USD
Large exposures	25,742,500	103,922,473	20,675,000
Non-large exposures	45,841,270	185,061,206	23,300,491
	71,583,770	288,983,679	43,975,491

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 rates (per annum):

	2016	2015
Short term loans	5.00%-12.00%	5.00%-14.00%
Long term loans	5.00%-12.00%	5.00%-12.00%
Staff loans	7.00%	7.00%

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****9. Foreclosed properties**

These represent the collaterals foreclosed from customers who are unable to repay their loans. These properties are not held for operational purposes 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.

		2016		2015	
	Land and Building USD	Equipment USD	Total USD	KHR'000	Total USD
Balance as at 01 January	1,247,400	341,720	1,589,120	6,415,277	1,113,605
Addition during the year	-	-	-	-	659,065
Less: disposals during the year	(123,000)	-	(123,000)	(496,551)	(183,550)
	1,124,400	341,720	1,466,120	5,918,726	1,589,120
Less: allowance for impairment	-	(334,055)	(334,055)	(1,348,580)	(334,055)
Balance as at 31 December	1,124,400	7,665	1,132,065	4,570,146	1,255,065

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

Movements of allowance for impairment for foreclosed properties are as follows:

	2016		2015
	USD	KHR'000	USD
At 1 January	334,055	1,348,580	258,000
Addition during the year	-	-	76,055
At 31 December	334,055	1,348,580	334,055

10. Other assets

	2016 USD	KHR'000	2015 USD
Guarantee deposits	-	-	6,804
Prepaid rent	-	-	3,908
Prepaid insurance	14,200	57,325	399
Interest receivable	16,746	67,604	-
Others	121,074	488,776	132,412
	152,020	613,705	143,523

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****11. Intangible assets**

	Computer software license		
	2016		2015
	USD	KHR'000	USD
Cost			
At 1 January	161,830	653,308	111,760
Additions	3,050	12,313	50,070
At 31 December	164,880	665,621	161,830
Less: Accumulated amortization			
At 1 January	107,435	433,715	100,986
Amortization for the year	27,275	110,109	6,449
At 31 December	134,710	543,824	107,435
Carrying amount			
At 31 December	30,170	121,797	54,395

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Property and equipment

	Land	Building	Renovations	Motor vehicles	IT equipment	Office equipment & furniture	Total
	USD	USD	USD	USD	USD	USD	USD
Cost							
At 1 January 2016	241,500	329,344	61,436	687,349	185,808	158,097	1,663,534
Additions	-	-	-	108,139	23,205	12,349	143,693
Disposals	-	-	-	(84,090)	-	-	(84,090)
At 31 December 2016	241,500	329,344	61,436	711,398	209,013	170,446	1,723,137
Accumulated depreciation							
At 1 January 2016	-	111,573	28,638	456,352	157,294	110,417	864,274
Depreciation for the year	-	16,513	6,585	64,809	21,056	15,802	124,765
Disposals	-	-	-	(84,090)	-	-	(84,090)
At 31 December 2016	-	128,086	35,223	437,071	178,350	126,219	904,949
Net book value							
At 31 December 2016	241,500	201,258	26,213	274,327	30,663	44,227	818,188
At 31 December 2015	241,500	217,771	32,798	230,997	28,514	47,680	799,260

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Property and equipment (continued)

Equivalents in KHR'000	Land	Building	Renovations	Motor vehicles	IT equipment	Office equipment & furniture	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Cost							
At 1 January 2016	974,936	1,329,562	248,017	2,774,828	750,107	638,238	6,715,688
Additions	-	-	-	436,557	93,679	49,853	580,089
Disposals	-	-	-	(339,471)	-	-	(339,471)
At 31 December 2016	974,936	1,329,562	248,017	2,871,914	843,786	688,091	6,956,306
Accumulated depreciation							
At 1 January 2016	-	450,420	115,612	1,842,293	634,996	445,753	3,489,074
Depreciation for the year	-	66,663	26,584	261,634	85,003	63,793	503,677
Disposals	-	-	-	(339,471)	-	-	(339,471)
At 31 December 2016	-	517,083	142,196	1,764,456	719,999	509,546	3,653,280
Net book value							
At 31 December 2016	974,936	812,479	105,821	1,107,458	123,787	178,545	3,303,026
At 31 December 2015	974,936	879,142	132,405	932,535	115,111	192,485	3,226,614

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****13. Deposits from customers**

	2016		2015
	USD	KHR'000	USD
Demand deposits	501,286	2,023,692	360,024
Saving accounts	184,480	744,746	166,346
Fixed deposits	592,849	2,393,331	566,518
	1,278,615	5,161,769	1,092,888

Deposits from customers are further analyzed as follows:

(a) By maturity period:

	2016		2015
	USD	KHR'000	USD
Within one month			
Current deposits	501,286	2,023,692	360,024
Saving deposits	184,480	744,746	228,030
Fixed deposits			
1 to 3 months	169,183	682,992	133,594
4 to 6 months	34,831	140,613	100,381
Over 6 months	388,835	1,569,726	270,859
	1,278,615	5,161,769	1,092,888

(b) By type of customers:

	2016		2015
	USD	KHR'000	USD
Domestic corporations (private sector)	488,378	1,971,582	403,128
Individuals	790,237	3,190,187	689,760
	1,278,615	5,161,769	1,092,888

(c) By status of residence:

	2016		2015
	USD	KHR'000	USD
Residents	1,236,651	4,992,360	1,092,647
Non-residents	41,964	169,409	241
	1,278,615	5,161,769	1,092,888

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****13. Deposits from customers (continued)**

(d) By currency denomination:

	2016		2015
	USD	KHR'000	USD
US Dollar	1,006,647	4,063,834	1,066,922
Khmer Riel	271,968	1,097,935	25,966
	<u>1,278,615</u>	<u>5,161,769</u>	<u>1,092,888</u>

(e) By interest rates:

	2016	2015
Saving deposits	1.00% - 1.50%	1.00% - 1.50%
Fixed deposits	3.00% - 6.00%	3.00% - 6.00%

14. Deposits from other banks

	2016		2015
	USD	KHR'000	USD
Current accounts	2,609	10,533	2,593
Saving account	47,309	190,986	46,894
	<u>49,918</u>	<u>201,519</u>	<u>49,487</u>

Deposits from other banks are further analyzed as follows:

(a) By maturity:

	2016		2015
	USD	KHR'000	USD
Within one month	<u>49,918</u>	<u>201,519</u>	<u>49,487</u>

(b) By currency denomination:

	2016		2015
	USD	KHR'000	USD
US Dollar	49,413	199,480	48,965
Khmer Riels	505	2,039	522
	<u>49,918</u>	<u>201,519</u>	<u>49,487</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****14. Deposits from other banks**

(c) By residency status:

	2016		2015
	USD	KHR'000	USD
Residents	49,918	201,519	49,487

(d) By interest rates:

	2016	2015
Current account	Nil	Nil
	1.00% -	1.00% -
Saving deposits	1.50%	1.50%

15. Borrowings

	2016		2015
	USD	KHR'000	USD
Royal Government of Cambodia-Special Fund	20,331,930	82,080,001	-
Ministry of Economy and Finance (ASDF)	38,680,000	156,151,160	30,737,500
China Development Bank	-	-	5,200,000
Asian Development Bank	769,022	3,104,542	960,281
Agence Française de Développement (AFD)	248,461	1,003,037	248,461
	60,029,413	242,338,740	37,146,242

The above borrowings are analyzed as follows:

(a) By maturity:

	2016		2015
	USD	KHR'000	USD
Within 1 year	15,130,000	61,079,810	11,700,000
1 to 3 years	-	-	-
3 to 5 years	23,550,000	95,071,350	19,037,500
Over 5 years	21,349,413	86,187,580	6,408,742
	60,029,413	242,338,740	37,146,242

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****15. Borrowings (continued)**

(b) By interest rate:

	2016	2015
Royal Government of Cambodia-Special Fund	Nil	Nil
Ministry of Economy and Finance (ASDF)	2.00%	2.00%
		5.08% -
China Development Bank	5.29%	5.29%
	0.55%-	0.32% -
Asian Development Bank	2.556%	2.66%
Agence Française de Développement (AFD)	Nil	Nil

16. Other liabilities

	2016		2015
	USD	KHR'000	USD
Accrued interest payables	915,416	3,695,534	889,176
Employment security funds	340,438	1,374,348	278,650
Unearned income	-	-	167,837
Other tax liabilities	8,255	33,325	6,560
Others	167,837	677,558	94,955
	1,431,946	5,780,765	1,437,178

17. Share capital, additional capital and capital reserve**(a) Share capital**

	2016		2015
	USD	KHR'000	USD
The Ministry of Economy and Finance	20,475,890	82,661,168	20,475,890
	20,475,890	82,661,168	20,475,890

In November 2016, the Bank has updated its Memorandum and Articles of Association at the Ministry of Commerce with registered share capital of USD 46,365,538 (KHR 187,177,680,000) at par value of USD 4.636.55.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****17. Share capital, additional capital and capital reserve (continued)****(b) Additional capital**

	2016		2015
	USD	KHR'000	USD
Balance as at 01 January	7,759,189	31,323,846	-
Capital contribution	-	-	26,028,756
Less: non-performing loans transferred to off balance sheet	-	-	(18,269,567)
Add: recoveries of non-performing loans principal previously transferred to off balance sheet	1,559,947	6,297,506	-
Additional capital contribution-net	9,319,136	37,621,352	7,759,189

(i) On 13 January 2015, the Ministry of Economy and Finance who is the only shareholder of the Bank has injected additional capital amounting to USD 26,028,756.

(ii) According to the letter No. 536 dated 3 February 2016 from the Ministry of Economy and Finance submitted to SamdechAkkakMohaSenaPadeiTecho Hun Sen, Prime Minister of the Kingdom of Cambodia and appended with his annotation dated 4 February 2016, RDB is granted the approval upon request to take the following actions in respect of the 2015 financial statements:

- Transfer the non-performing loans and advances amounting to USD18,269,567 from the balance sheet and monitor them separately as an off-balance sheet items.
- Recognize the non-performing loans and advances amounting to USD18,269,567 as a capital reduction.
- Recoverability of the non-performing loans and advances in the future will be recognized directly into capital accounts of the Bank.

The Bank obtained approval on the above actions from NBC on 31 March 2016.

(iii) On 10 February 2017, the Bank has requested NBC to approve the transfer of the amount of USD1,559,947, being the recoveries of principal of non-performing loans and advances transferred to off-balance sheet in the previous year to paid-up capital. However, at the date of this report, the Bank has not yet received any response from NBC.

(c) Capital reserve

This represents the recoveries of interests earned from the principal of non-performing loans and advances which were transferred to off balance sheet in 2015. Based on the Bank's management representation, this capital reserve will be transferred to paid-up capital in the future.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****18. Subordinated debts**

	2016		2015
	USD	KHR'000	USD
Agence Française de Développement (AFD)	1,044,084	4,214,967	1,044,084
	1,044,084	4,214,967	1,044,084

The amount due to AFD is unsecured, interest free with no fixed term of repayment.

19. Interest income

	2016		2015
	USD	KHR'000	USD
Loans and advances	3,666,416	14,801,321	2,755,982
Balances with other banks	61,240	247,226	33,448
	3,727,656	15,048,547	2,789,430

20. Interest expense

	2016		2015
	USD	KHR'000	USD
Borrowings	447,446	1,806,340	849,403
Deposits from customers:			
Fixed deposits	24,263	97,950	31,563
Saving accounts	14,715	59,404	3,972
	486,424	1,963,694	884,938

21. Non-interest income

	2016		2015
	USD	KHR'000	USD
Commission income	322,239	1,300,879	292,087
Other incomes	38,751	156,438	41,716
	360,990	1,457,317	333,803

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****22. Personnel and other staff costs**

	2016		2015
	USD	KHR'000	USD
Salary and wages	881,826	3,559,932	709,866
Bonuses	145,516	587,448	81,686
Employment benefits	191,398	772,674	71,786
Directors' remuneration	165,680	668,850	155,075
Uniforms	-	-	20,131
	1,384,420	5,588,904	1,038,544

23. General and administrative expenses

	2016		2015
	USD	KHR'000	USD
Mission, travelling and accommodation expenses	113,285	457,332	85,148
Loss on disposal of foreclosed properties	-	-	83,550
Impairment of foreclosed properties	-	-	76,055
Water and electricity	26,433	106,710	64,854
Social welfare	20,986	84,720	45,614
Other consumables and office supplies	40,805	164,730	41,873
Gasoline and motor vehicles operating expenses	58,266	235,220	21,761
Donation and gifts	18,593	75,060	14,021
Telecommunication and postage expenses	3,880	15,664	12,857
Public relations expenses	27,844	112,406	54,788
Membership fee	14,498	58,528	10,908
Reception charges	-	-	19,860
Professional fee	10,813	43,652	10,120
Repairs and maintenance	18,372	74,168	19,058
Court and other legal fees	127,731	515,650	93,457
Training charges	2,312	9,334	18,394
Clearing house and other fees	29,524	119,188	43,216
Tax on transportation vehicles	3,802	15,349	3,369
License fee	17,340	70,002	17,565
Advertising expenses	32,257	130,222	576
Fire and hazard insurance expenses	2,211	8,926	2,086
Publication and subscription expense	1,414	5,708	1,423
Foreign exchange(gain)/loss	14,645	59,122	(10,258)
Other miscellaneous	32,865	132,676	217,738
	617,876	2,494,367	948,033

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****24. Income tax****(a) Provision for income tax**

	2016		2015
	USD	KHR'000	USD
At 1 January	4,113	16,604	211,643
Income tax expense	93,403	377,068	27,528
Income tax paid	(56,717)	(228,967)	(235,058)
At 31 December	40,799	164,705	4,113
Overpayment of profit tax in prior year	(111,820)	(451,417)	-
	(71,021)	(286,712)	4,113

On 26 February 2017, the Bank has requested to the General Department of Taxation to obtain a tax credit on the overpayment of profit tax in prior year. However, at the date of this report, the Bank has not yet received any response from the General Department of Taxation.

(b) Income tax expense

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

	2016		2015
	USD	KHR'000	USD
Profit before income tax	629,739	2,542,254	33,146
Income tax rate at 20%	125,948	508,452	6,629
Effect of permanent differences	(32,545)	(131,384)	12,161
Effect of temporary differences	-	-	14,445
Over provision in prior year	-	-	(12,658)
Effect of minimum tax	-	-	6,951
Income tax expense	93,403	377,068	27,528

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

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****25. Cash flows from operating activities**

	2016		2015
	USD	KHR'000	USD
Profit before income tax	629,739	2,542,254	33,146
Adjustments for:			
Depreciation and amortization	152,040	613,786	126,086
Allowances for bad and doubtful loans	818,147	3,302,859	92,486
Gain on disposal of property & equipment	(19,899)	(80,332)	-
Impairment of foreclosed properties	-	-	76,055
(Gain)/loss on disposal of foreclosed properties	(12,000)	(48,444)	83,550
Unrealized exchange loss/(gain)	994	4,014	2,273
Operating profit before changes in working capital	1,569,021	6,334,137	413,596
Increase/(decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances	(27,681,141)	(111,748,766)	(9,333,722)
Foreclosed properties	135,000	544,995	(559,065)
Statutory deposits	(1,527)	(6,164)	(2,909)
Other assets	(8,497)	(34,302)	(108,924)
Deposits from customers	185,727	749,780	(1,663,949)
Deposits from other banks	431	1,740	613
Other liabilities	(5,232)	(21,122)	109,129
Cash used in operations	(25,806,218)	(104,179,702)	(11,145,231)
Income tax paid	(168,537)	(680,384)	(235,058)
Over payment of profit tax in prior year	111,820	451,417	-
Net cash used in operating activities	(25,862,935)	(104,408,669)	(11,380,289)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****26. 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:

	2016		2015
	USD	KHR'000	USD
Loan commitments	<u>370,000</u>	<u>1,493,690</u>	<u>6,000,000</u>

(b) Off balance sheet items

The following are bad and doubtful loans and advances transferred for monitoring as an off balance sheet items which were approved by the National Bank of Cambodia on 31 March 2016. The off balance sheet loans and advances was increased by USD 167,244 due to the capitalization of interest income of one customer to loans and advances principal.

	2016		2015
	USD	KHR'000	USD
Long term loans	13,036,864	52,629,820	13,269,567
Short term loans	<u>3,840,000</u>	<u>15,502,080</u>	<u>5,020,000</u>
	<u>16,876,864</u>	<u>68,131,900</u>	<u>18,289,567</u>

The loans and advances are analyzed as follows:

(i) By economic sectors:

	2016		2015
	USD	KHR'000	USD
Privates	13,189,420	53,245,689	14,159,367
Registered Micro Finance Institutions	583,200	2,354,378	1,137,000
Licensed Finance Institutions	367,244	1,482,564	1,683,200
Associations	<u>2,737,000</u>	<u>11,049,269</u>	<u>1,290,000</u>
	<u>16,876,864</u>	<u>68,131,900</u>	<u>18,269,567</u>

(ii) By type of customers:

	2016		2015
	USD	KHR'000	USD
Corporate	8,837,444	35,676,761	10,150,200
Individuals and soles traders	<u>8,039,420</u>	<u>32,455,139</u>	<u>8,119,367</u>
	<u>16,876,864</u>	<u>68,131,900</u>	<u>18,269,567</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****26. Commitment and contingent liabilities (continued)****(c) Lease commitments**

	2016		2015
	USD	KHR'000	USD
Within one year	-	-	6,000

(d) Taxation contingencies

Taxes are calculated on the basis of current interpretation of the tax regulations. However, the application of tax laws and regulations on many types of transactions is susceptible to varying interpretations when reviewed by the Tax authorities. The Bank's judgment of its business activities may not coincide with the interpretation of the same activities by the tax offices.

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

27. Related party balances and transactions

	2016		2015
	USD	KHR'000	USD
(a) Balances with related parties			
Board members			
Deposit accounts	78,458	316,735	243,256
(b) Transactions with related parties			
Key management compensation			
Director's remuneration	165,680	668,850	155,075
Management salaries and bonuses	402,894	1,626,483	344,227
Shareholder-Ministry of Economy and Finance			
Additional capital	9,319,136	37,621,352	26,028,756

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****28. 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 risks, 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 behavior.

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.

The Bank's operational risk management entails the establishment of clear organizational 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.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****28. Financial risk management (continued)****(c) Credit risk (continued)****(ii) Exposure to credit risk**

	2016		2015
	USD	KHR'000	USD
Individually impaired	4,967,962	20,055,662	1,478,510
Past due but no impaired	6,118,976	24,702,306	739,538
Neither past due nor impaired	60,496,832	244,225,711	41,757,443
Total loans-gross	71,583,770	288,983,679	43,975,491
Net interest receivables			
Accrued interest receivables	1,125,442	4,543,409	419,648
Interest in suspense	(788,586)	(3,183,522)	(126,654)
	336,856	1,359,887	292,994
Total gross loans and net interest receivable	71,920,626	290,343,566	44,268,485
Allowance for bad and doubtful loans and advances	(3,122,480)	(12,605,451)	(2,333,333)
	68,798,146	277,738,115	41,935,152

Loans and advances to customers neither past due nor impaired

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

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 utilized at market values approved by the NBC. Refer to separate accounting policy stated in Notes 3.4 and 3.5.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****28. Financial risk management (continued)****(c) Credit risk (continued)****(ii) Exposure to credit risk (continued)*****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% (2015: 3%).

Loan 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 analyzed 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 installment 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.

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.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****28. Financial risk management (continued)****(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.

(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 unfavorable 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 2016**28. Financial risk management (continued)****(d) Market risk (continued)****(ii) Interest rate risk (continued)****As at 31 December 2016**

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

ASSETS	Up to 1 month USD	> 1-3 months USD	>3-12 months USD	>1-3 years USD	>3-5 years USD	Over 5 years USD	Non- interest bearing USD	Total USD	Effective interest rate %
Cash on hand	-	-	-	-	-	-	1,374,754	1,374,754	-
Balances with other banks	-	-	-	-	-	-	4,662,975	4,662,975	-
Balances with the NBC	14,862,522	1,549,541	-	-	-	1,019,136	4,865,459	22,296,658	0.22%-3.00%
Loans and advances -gross	-	-	3,324,000	12,728,350	37,720,218	17,811,202	-	71,583,770	5.00%-12.00%
Other assets	-	-	-	-	-	-	121,074	121,074	-
TOTAL ASSETS	14,862,522	1,549,541	3,324,000	12,728,350	37,720,218	18,830,338	11,024,262	100,039,231	
LIABILITIES									
Deposits from customers	184,480	169,183	423,666	-	-	-	501,286	1,278,615	1.00-6.00%
Deposits from other banks	47,309	-	-	-	-	-	2,609	49,918	1.00-1.50%
Borrowings	-	-	15,130,000	-	23,550,000	21,100,952	248,461	60,029,413	0.55%-5.28%
Other liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	231,789	169,183	15,553,666	-	23,550,000	21,100,952	752,356	61,357,946	
Interest rate sensitivity gap	14,630,733	1,380,358	(12,229,666)	12,728,350	14,170,218	(2,270,614)	10,271,906	38,681,285	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**28. 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.

As at 31 December 2015

ASSETS	Up to 1 month USD	> 1-3 months USD	>3-12 months USD	>1-3 years USD	>3-5 years USD	Over 5 years USD	Non- interest bearing USD	Total USD	Effective interest rate %
Cash on hand	-	-	-	-	-	-	1,385,617	1,385,617	-
Balances with other banks	-	-	-	-	-	-	2,405,950	2,405,950	-
Balances with NBC	11,049,383	-	-	-	-	1,019,136	13,459,275	25,527,794	0.08-3.00%
Loans and advances-gross	-	-	9,744,000	5,419,861	14,947,932	13,863,698	-	43,975,491	5.00-12.00%
Other assets	-	-	-	-	-	-	139,216	139,216	
TOTAL ASSETS	11,049,383	-	9,744,000	5,419,861	14,947,932	14,882,834	17,390,058	73,434,068	
LIABILITIES									
Deposits from customers	228,030	133,594	371,240	-	-	-	360,024	1,092,888	1.00-6.00%
Deposits from other banks	46,894	-	-	-	-	-	2,593	49,487	1.00-1.50%
Borrowings	-	-	11,700,000	-	19,037,500	6,160,281	248,461	37,146,242	0.31-5.14%
Other liabilities	-	-	-	-	-	-	1,437,178	1,437,178	
TOTAL LIABILITIES	274,924	133,594	12,071,240	-	19,037,500	6,160,281	2,048,256	39,725,795	
Interest rate sensitivity gap	10,774,459	(133,594)	(2,327,240)	5,419,861	(4,089,568)	8,722,553	15,341,802	33,708,273	

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****28. 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 the statement of income.

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 2016**28. Financial risk management (continued)****(e) Liquidity risk (continued)**

As at 31 December 2016	Up to 1 month	> 1-3 months	> 3-12 months	> 1-3 months	> 3-5 years	Over 5 years	No fixed maturity date	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Financial liabilities								
Deposits from customers	685,766	169,183	423,666	-	-	-	-	1,278,615
Deposits from other banks	49,918	-	-	-	-	-	-	49,918
Borrowings	-	-	15,130,000	-	23,550,000	21,100,952	248,461	60,029,413
Other liabilities	91,092	-	19,406	-	-	-	1,321,448	1,431,946
Total financial liabilities	826,776	169,183	15,573,072	-	23,550,000	21,100,952	1,569,909	62,789,892
Total financial assets	14,862,522	1,549,541	3,324,000	12,728,350	37,720,218	18,830,338	11,024,262	100,039,231
Net liquidity gap	14,035,746	1,380,358	(12,249,072)	12,728,350	14,170,218	(2,270,614)	9,454,353	37,249,339

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**28. Financial risk management (continued)****(e) Liquidity risk (continued)**

As at 31 December 2015	Up to 1 month	> 1-3 months	> 3-12 months	> 1-3 months	> 3-5 years	Over 5 years	No fixed maturity date	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Financial liabilities								
Deposits from customers	588,054	133,594	371,240	-	-	-	-	1,092,888
Deposits from other banks	49,487	-	-	-	-	-	-	49,487
Borrowings	-	-	11,700,000	-	19,037,500	6,160,281	248,461	37,146,242
Other liabilities	6,358	5,503	113,204	-	-	-	1,312,113	1,437,178
Total financial liabilities	643,899	139,097	12,184,444	-	19,037,500	6,160,281	1,560,574	39,725,795
Total financial assets	11,049,383	-	9,744,000	5,419,861	14,947,932	14,882,834	16,230,799	72,274,809
Net liquidity gap	10,405,484	(139,097)	(2,440,444)	5,419,861	(4,089,568)	8,722,553	14,670,225	32,549,014

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2016****28. Financial risk management (continued)****(f) Capital management***(i) Regulatory capital*

The Bank's lead regulator, the National Bank of Cambodia 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 recognized and the Bank recognizes 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 optimization 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.

29. Fair value 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.

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 2016.



ធនាគារអភិវឌ្ឍន៍ជនបទ
RURAL DEVELOPMENT BANK

ព្រះរាជាណាចក្រកម្ពុជា

KINGDOM OF CAMBODIA

ជាតិ សាសនា ព្រះមហាក្សត្រ

Nation-Religion-King

លេខ / N° : ធី.អ.ជ / RDB

STATEMENT BY DIRECTORS

We, the undersigned, do hereby state that in our opinion, the accompanying supplementary financial information consisting in disclosures requirements set by Prakas of the National Bank of Cambodia is properly drawn up so as to reflect fairly the required financial information of the Bank as at 31 December 2016. Information and data contained herein are the responsibility of the Bank's management.

Signed on behalf of the Board by:

H.E. Ros Seilava
 Chairman

Date: 30-March-2017

H.E. Kao Thach
 Chief Executive Officer

Date: 30-March-2017

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****NET WORTH****AS AT 31 DECEMBER 2016**

In accordance with the NBC's Prakas No. B7-010-182 dated 15 October 2010; the Bank is required to calculate its Net Worth according to the new methodology for all limits and ratios starting from reports issued as of 31 May 2011. The Bank's net worth using the method as at 31 December 2016 was calculated as follows:

	2016		2015
	USD	KHR'000	USD
TIER 1: CORE CAPITAL			
CATEGORY A ITEMS			
Paid up capital	20,475,890	82,661,168	20,475,890
Reserves other than re-evaluation reserves	2,124,139	8,575,149	-
Current year earnings	536,336	2,165,186	5,618
Retained earnings	5,671,759	22,896,891	5,666,141
Other items approved by NBC	7,759,189	31,323,846	7,759,189
SUB-TOTAL A	36,567,313	147,622,242	33,906,838
<u>Limit check on retained earnings</u>	15.51%	15.51%	16.71%
<i>(max. 20% of Sub-total A)</i>			
CATEGORY B ITEMS			
Holding of own shares	-	-	-
Intangible assets	30,170	121,797	54,395
Due from shareholders, directors, related parties	-	-	-
Loss determined on dates other than year-end	-	-	-
SUB-TOTAL B	30,170	121,797	54,395
C. TOTAL TIER 1 (Core capital) (A-B)	36,537,143	147,500,445	33,852,443
TIER 2: COMPLEMENTARY CAPITAL			
CATEGORY C ITEMS			
Revaluation reserves	-	-	-
Provisions for general banking risks	-	-	-
1% general provision	604,968	2,442,257	479,618
Subordinated debts	1,044,084	4,214,967	1,044,084
SUB-TOTAL C	1,649,052	6,657,224	1,523,702
<u>Limit check on subordinated debts</u>	2.86%	2.86%	3.08%
<i>(Max. 50% of Tier 1 capital)</i>			
CATEGORY D ITEMS			
Equity participation in banking or OFIs	-	-	-
Other items	-	-	-
SUB-TOTAL D	-	-	-
TOTAL TIER 2 (Complementary capital) (C)-(D)	1,649,052	6,657,224	1,523,702
<u>Limit check on Tier 2 capital</u>	4.51%	4.51%	4.50%
<i>(Tier 2 = max. 100% of tier 1)</i>			
E. TOTAL NET WORTH (A-B+C-D)	38,186,195	154,157,669	35,376,145

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****LIQUIDITY RATIO****AS AT 31 DECEMBER 2016**

The liquidity ratio of the Bank was calculated based on Prakas B7-00-38 and B7-04-207 as follows:

	2016		2015
	USD	KHR'000	USD
A. NUMERATOR			
<i>Debit items:</i>			
Cash and gold	1,374,754	5,549,882	1,385,617
Deposits with the NBC excluding statutory deposits	5,886,106	23,762,210	14,478,411
Deposits with banks	4,662,975	18,824,430	2,405,950
Portion of lending to banks and financial institutions with maturity up to one month	-	-	-
Portion of lending to customers up to one month to run	-	-	-
Treasury bill with maturity up to one month	-	-	-
Total debit items	11,923,835	48,136,522	18,269,978
<i>Credit items:</i>			
Sight accounts with NBC, banks and financial institutions	49,918	201,519	49,487
Borrowing from NBC and banks less than one month to run -	-	-	-
Total credit items	49,918	201,519	49,487
TOTAL A. Lender / (Borrower) position	11,873,917	47,935,003	18,220,491
B. DENOMINATOR			
Fixed deposits less than one month at 80%	-	-	-
Fixed deposits more than one month at 50%	296,425	1,196,666	252,417
Saving deposits at 50%	92,240	372,373	114,015
Demand deposits at 60%	300,772	1,214,215	216,014
TOTAL B	689,436	2,783,254	582,446
Liquidity ratio (A/B)	1,722%		3,128%

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****SOLVENCY RATIO****AS AT 31 DECEMBER 2016**

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.

	Weighting	2016		2015
		USD	KHR'000	USD
NUMERATOR				
A. Net worth as at 31 December		38,186,195	154,157,669	35,376,145
DENOMINATOR				
Cash in hand	0%	-	-	-
Deposits with central bank	0%	-	-	-
Claims on Sovereigns rated AAA to AA-	0%	-	-	-
Claims on Sovereigns rated A+ to A-	20%	-	-	-
Claims on banks rated AAA to AA-	20%	-	-	-
Claims on Sovereigns rated BBB+ to BBB-	50%	-	-	-
Claim on banks rated A+ to A-	50%	-	-	-
Other assets	100%	75,593,564	305,171,218	46,593,345
Off-balance sheet items:				
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	-	-	-
B. Total risk-weighted assets		75,593,564	305,171,218	46,593,345
SOLVENCY RATIO (A/B)		51%		75.93%

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS****AS AT 31 DECEMBER 2016**

The following loan classification and allowance for bad and doubtful debts is summarized according to NBC's Prakas No. B7-00-51, B7-02-145, B7-04-01, B7-05-01 and B7-09-074.

	Principal loans USD	% of Provision %	NBC's Standard USD	Bank's Provision USD	Difference USD
As at 31 December 2016					
Standard	60,496,832	1	604,968	604,968	-
Special mention	6,118,976	3	183,570	183,570	-
Substandard	2,614,400	20	522,880	522,880	-
Doubtful	915,000	50	457,500	457,500	-
Loss	1,438,562	100	1,438,562	1,353,562	(85,000)
	71,583,770		3,207,480	3,122,480	(85,000)
Equivalent in					
	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	244,225,711	1	2,442,256	2,442,256	-
Special mention	24,702,306	3	741,072	741,072	-
Substandard	10,554,333	20	2,110,864	2,110,864	-
Doubtful	3,693,855	50	1,846,928	1,846,928	-
Loss	5,807,475	100	5,807,475	5,464,331	343,144
	288,983,680		12,948,595	12,605,451	343,144
	Principal loans USD	% of Provision %	NBC's Standard USD	Bank's Provision USD	Difference USD
As at 31 December 2015					
Standard	41,757,443	1	417,574	479,618	(62,044)
Special mention	739,538	3	22,186	223,245	(201,059)
Substandard	174,160	20	34,832	208,029	(173,197)
Doubtful	-	50	-	-	-
Loss	1,304,350	100	1,304,350	1,422,441	(118,091)
	43,975,491		1,778,942	2,333,333	(554,391)

Note: There is a loan provided to one customer in a joint agreement between the Bank and Canada Bank Plc. The Bank provides the allowance for its own loan balance only.

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****FOREIGN CURRENCY TRANSACTIONS
AS AT 31 DECEMBER 2016**

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:

	2016		2015
	USD or equivalents	KHR'000 or equivalents	USD or equivalents
Assets:			
US Dollar	82,051,810	331,243,157	73,530,542
Khmer Riel	18,390,278	74,241,553	1,150,288
	100,442,088	405,484,710	74,680,830
Liabilities:			
US Dollar	42,163,323	170,213,335	39,380,776
Khmer Riel	20,667,368	83,434,163	349,132
	62,830,691	253,647,498	39,729,908

No hedging was recognized in the above balances.

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY THE LAW ON BANKING AND FINANCIAL INSTITUTIONS****AS AT 31 DECEMBER 2016****▪ Minimum capital, Prakas B7-016-117**

The NBC's Prakas No. B7-016-117 on new capital requirement and criteria for licensing approval of banks requires that specialized banks locally incorporated as companies must have a minimum capital of at least KHR 60 billion (approximately USD15 million). This new capital requirement will be effective in two years starting from 22 March 2016. The Circular dated 22 June 2016 from the National Bank of Cambodia has proposed the capital injections to be made twice, before the end of March 2017 and before 22 March 2018.

As at 31 December 2016, the Bank has a paid-up statutory capital of USD 20,475,890 (2015: USD 20,475,890) which is in excess of the NBC new capital requirement.

▪ Fixed assets, Prakas B7-01-186

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

As at 31 December 2016, the Bank's fixed assets was amounting to USD 848,358 which is equivalent to **2.22%** of the Bank's net worth and this is therefore in compliance with the fixed asset ratio required by this Prakas.

As at 31 December 2016, the Bank hold repossessed property at carrying value USD 1,132,065.

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

▪ Loans to related parties, No. B7-02-146

The Bank's total of weighted outstanding balances of loans to related parties shall not be more than 10% of the Bank's net worth.

There were no related party loans during the year under review.

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC**

- **Large exposures, PrakasB7-00-52 and B7-06-226**

Large exposure is defined as the overall gross exposure resulting from banking operations with one single beneficiary, where such exposure exceeds 10% of the Bank's net worth.

Banks are required, under the conditions of the above Prakas, to maintain at all times a maximum ratio of 20% between their overall exposure resulting from their operations with each individual beneficiary and their net worth and the aggregate individual large credit exposure must not be more than 300% of the Bank's net worth.

As at 31 December 2016, the Bank has large exposure individually exceeding 10% of the Bank's net worth as follows:

Particulars	Outstanding balances/Approved limit (USD)	Bank's net worth (USD)	% of approved limit or outstanding to net worth
Baitang (Kampuchea) plc	6,000,000	38,186,195	15.71%
EangHeang imp/exp Co., Ltd	4,500,000	38,186,195	11.78%
EngDypoAphivath Co., Ltd	6,875,000	38,186,195	18.00%
Tea Hunny&Leang Yao	4,500,000	38,186,195	11.78%
ThaneakeaSrov (Kampuchea) plc	6,000,000	38,186,195	15.71%

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****FINANCIAL SOUNDNESS INDICATORS
AS AT 31 DECEMBER 2016**

	2016	2015
	USD or %	USD or %
I - CAPITAL		
1. Equity to total assets (A/B)	37.45%	46.80%
A - Equity	37,611,397	34,950,922
B - Total assets	100,442,088	74,680,830
2. Capital tier I to total assets (A/B)	36.38%	45.33%
A - Capital tier I	36,537,143	33,852,443
B - Total assets	100,442,088	74,680,830
3. Capital tier I to risk-weighted assets (A/B)	48.33%	72.66%
A - Capital tier I	36,537,143	33,852,443
B - Risk weighted assets	75,593,564	46,593,345
4. Capital tier I + tier II to risk-weighted assets (A/B)	50.52%	75.93%
A - Capital tier I + tier II	38,186,195	35,376,145
B - Risk-weighted assets	75,593,564	46,593,345
5. Net worth to total assets (A/B)	38.02%	47.37%
A - Net worth	38,186,195	35,376,145
B - Total assets	100,442,088	74,680,830
6. Solvency ratio (A/B)	50.52%	75.93%
A - Net worth	38,186,195	35,376,145
B - Risk-weighted assets	75,593,564	46,593,345
7. Debt to total assets (A/B)	62.55%	53.20%
A - Total liabilities	62,830,691	39,729,908
B - Total assets	100,442,088	74,680,830
8. Debt to equity (A/B)	167.05%	113.67%
A - Total liabilities	62,830,691	39,729,908
B - Equity	37,611,397	34,950,922
9. Dividends to net profit (A/B)	0.00%	0.00%
A - Dividends	-	-
B - Net profit/(loss)	536,336	5,618

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****FINANCIAL SOUNDNESS INDICATORS
AS AT 31 DECEMBER 2016**

	2016 USD or %	2015 USD or %
II - ASSET QUALITY		
10. Banking reserves to total loans (A/B)	0.79%	1.09%
A - Banking reserves	564,192	479,618
B - Total loans (gross)	71,583,770	43,975,491
11. Banking reserves to total assets (A/B)	0.56%	0.64%
A - Banking reserves	564,192	479,618
B - Total assets	100,442,088	74,680,830
12. Non-performing loans to total loans (A/B)	6.94%	5.04%
A - Non-performing loans	4,967,962	2,218,048
B - Total loans (gross)	71,583,770	43,975,491
13. Non-performing loans to total assets (A/B)	4.95%	2.97%
A - Non-performing loans	4,967,962	2,218,048
B - Total assets	100,442,088	74,680,830
14. Classified assets to total loans (A/B)	6.94%	5.04%
A - Classified assets	4,967,962	2,218,048
B - Total loans (gross)	71,583,770	43,975,491
15. Classified assets to total assets (A/B)	4.95%	2.97%
A - Classified assets	4,967,962	2,218,048
B - Total assets	100,442,088	74,680,830
16. Classified assets to equity (A/B)	13.21%	6.35%
A - Classified assets	4,967,962	2,218,048
B - Equity	37,611,397	34,950,922
17. Loans to related parties to total loans (A/B)	0.00%	0.00%
A - Loans to related parties	-	-
B - Total loans (gross)	71,583,770	43,975,491
18. Large exposures to total loans (A/B)	35.96%	47.01%
A - Large exposures	25,742,500	20,675,000
B - Total loans (gross)	71,583,770	43,975,491

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****FINANCIAL SOUNDNESS INDICATORS****AS AT 31 DECEMBER 2016**

	2016 USD or %	2015 USD or %
19. Loans to related parties to net worth (A/B)	0.00%	0.00%
A - Loans to related parties	-	-
B - Net worth	38,186,195	35,376,145
20. Large exposures to net worth (A/B)	67.41%	58.44%
A - Large exposures	25,742,500	20,675,000
B - Net worth	38,186,195	35,376,145
21. General provisions to total loans (A/B)	0.85%	1.09%
A - General provisions	604,968	479,618
B - Total loans (gross)	71,583,770	43,975,491
22. Specific provisions to total loans (A/B)	3.52%	4.22%
A - Specific provisions	2,517,512	1,853,715
B - Total loans (gross)	71,583,770	43,975,491
23. Specific provisions to non-performing loans (A/B)	50.67%	83.57%
A - Specific provisions	2,517,512	1,853,715
B - Non-performing loans	4,967,962	2,218,048
24. All allowances to total assets (A/B)	3.11%	0.00%
A - Total all allowances	3,122,480	-
B - Total assets	100,442,088	74,680,830
25. Loans to deposits (A/B)	5577.05%	4021.15%
A - Total loans to non-bank customers (gross)	71,308,999	45,936,602
B - Customer's deposits (non-bank customers)	1,278,615	1,142,375
III - EARNINGS		
26. Return on assets (A/B)	0.53%	0.01%
A - Net profit after tax	536,336	5,618
B - Total assets	100,442,088	74,680,830
27. Return on equity (A/B)	1.43%	0.02%
A - Net profit after tax	536,336	5,618
B - Equity	37,611,397	34,950,922

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****FINANCIAL SOUNDNESS INDICATORS
AS AT 31 DECEMBER 2016**

	2016 USD or %	2015 USD or %
28. Gross yield (A/B)	3.71%	3.74%
A - Interest income	3,727,656	2,789,430
B - Total assets	100,442,088	74,680,830
29. Net interest margin [(A-B)/C]	3.23%	2.55%
A - Interest income	3,727,656	2,789,430
B - Interest expense	486,424	884,938
C - Total assets	100,442,088	74,680,830
30. Other income (A/B)	0.36%	0.45%
A - Other income	360,990	333,803
B - Total assets	100,442,088	74,680,830
31. Provisions to total assets (A/B)	3.11%	3.12%
A - Provisions	3,122,480	2,333,333
B - Total assets	100,442,088	74,680,830
32. Overhead (A/B)	2.14%	2.83%
A - Non-interest expense	2,154,336	2,112,663
B - Total assets	100,442,088	74,680,830
33. Net income before tax (A/B)	0.63%	0.04%
A - Net profit before tax	629,739	33,146
B - Total assets	100,442,088	74,680,830
34. Tax to total assets (A/B)	0.09%	0.04%
A - Tax (all categories)	93,403	27,528
B - Total assets	100,442,088	74,680,830
35. Interest margin to gross income [(A-B)/C]	79.27%	60.98%
A - Interest income	3,727,656	2,789,430
B - Interest expense	486,424	884,938
C - Gross income	4,088,646	3,123,233
36. Non-interest income to gross income (A/B)	8.83%	10.69%
A - Non-interest income	360,990	333,803
B - Gross income	4,088,646	3,123,233

SUPPLEMENTARY FINANCIAL INFORMATION**AND OTHER DISCLOSURES REQUIRED BY THE NBC****FINANCIAL SOUNDNESS INDICATORS
AS AT 31 DECEMBER 2016**

	2016 USD or %	2015 USD or %
37. Non-interest expense to gross income (A/B)	52.69%	67.64%
A - Non-interest expense	2,154,336	2,112,663
B - Gross income	4,088,646	3,123,233
38. Times interest earned [(A-B)/C]	2.29	1.04
A - Net profit before tax	629,739	33,146
B - Interest expense	486,424	884,938
C - Interest expense	486,424	884,938
IV - LIQUIDITY		
39. Liquid assets (A/B)	11.82%	24.40%
A - Liquid assets	11,873,917	18,220,491
B - Total assets	100,442,088	74,680,830
40. Short-term liabilities (A/B)	17.47%	18.76%
A - Short-term liabilities (less than one year)	17,542,443	14,012,807
B - Total assets	100,442,088	74,680,830
41. Net liquid assets [(A-B)/C]	-9.02%	10.59%
A - Liquid assets	11,873,917	18,220,491
B - Short-term liabilities (less than one month)	17,542,443	14,012,807
C - Total liabilities	62,830,691	39,729,908
42. Quick ratio (A/B)	425.66%	707.13%
A - Quick assets	11,923,835	18,269,978
B - Current liabilities	2,801,278	2,583,666
43. Deposits to total loans (A/B)	1.79%	2.49%
A - Total customers' deposits (non-bank customers)	1,278,615	1,142,375
B - Total loans to non-bank customers (gross)	71,308,999	45,936,602
44. Property and equipment to net worth (A/B)	2.22%	2.41%
A. Property and equipment	848,358	853,655
B. Net worth	38,186,195	35,376,145