



ធនាគារអភិវឌ្ឍន៍ជនបទ
RURAL DEVELOPMENT BANK

ដើម្បីកសិករ និងអភិវឌ្ឍន៍សេដ្ឋកិច្ចសង្គម

ANNUAL REPORT

2017





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I. COMPANY PROFILE





Rural Development Bank (RDB)

The Rural Development Bank was established by sub-decree No.01, dated January 21, 1998 and amended by sub-decree No.199, dated 11 June 2014 on fulfilling the lack of demand and supply of financial services in the rural areas in order to take part in poverty alleviation and to raise the living condition of rural Cambodian people. RDB is a public enterprise, registered and licensed as banking operations. RDB is an autonomous entity which it's broadened management and decision-making with the most efficiency way, sustainable manner and for the growth. The RDB is under the technical and financial supervision of the Minister of Economy and Finance and under the National Bank of Cambodia supervision in compliance with Law of Banking Systems.

Vision

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:

- 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.
- Financing to Microfinance operators and other financial institutions, activities in supporting rural economy.
- 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.
- Implementing project or other fund management in the framework for cooperation with development partners.
- Managing programme or special project of Government or others, with approval of Ministry of Economy and Finance.
- Negotiating with development partners in order to attract grants and concessional loans for expanding RDB's activities.



II. CEO'S STATEMENT



“Dealing with problems of infrastructure in Rice Sector; Rice Dryer and Warehouse, as well as working capital to buy rice from farmers is to protect farmers’ interest by supporting the stability of rice.”

H.E. Kao Thach
Chief Executive Officer,

Rural Development Bank

“Continuing supporting finance to infrastructure in rice sector; rice dryer and warehouse, as well as financing working capital to buy rice are able to resolve rice price problems for farmers in a timely manner”

Meanwhile, rice production of Cambodia is increasing gradually, the decrease of rice price in harvest season has significant impacts to farmers.. In addressing this problem in 2017 as well in previous year, the Rural Development Bank, as state bank implementing the Government's Policy in Agricultural and Rural Economy has been continued its mission pushing ahead and expanding loans to all key stakeholders of rice value chain, making linkage between rice producer and rice buyer, which can make good improvement for price rice stability for farmers. In 2017, the Rural Development Bank has been expanded its loan portfolio

supporting rice buying center, which is the Special fund of the Royal Government of Cambodia to develop and operate a 200 000 tons rice storage warehouse facility and a rice paddy drying facility with capacity to dry 3,000 tons per day, located in Battambang Province, in which drying facility was constructed and operated since November 2017 and the warehouse will be completed for operation by end of semester 1 of 2018. In the meantime, the Rural Development Bank has also implemented 50 000 tons rice warehouse and drying facility with capacity to dry 1,500 tons per day, for another 3 locations; Kampong Thom, Prey Veng,

Takeo province, in which the construction will be finished by May 2018. As a result, these warehouse and drying facility can increase stockpiling and processing capacity for rice millers, which is able to solve rice problems happening in the past caused by inadequate rice drying facility and stockpiling in harvest season. In addition, this project does push ahead the competition in rice price determine based upon large quantity-collection capability and is able to manage rice stockpiling in rice production areas in Cambodia.

In the intervening period of time, the Rural Development Bank has also provided rice millers and rice exporters the working capital to foster rice buying in harvest season for the farmers in order to stabilize rice price.

Besides rice sector, the Rural Development Bank also focuses on sub-sectors of agriculture such as cashew, pepper, coffee, cassava, sugarcane, corn, by providing loan for production, processing, packaging, and exporting.

The Rural Development Bank continued its attention on agricultural cooperatives, as agricultural cooperatives are indispensable for positive changes of socio-rural in Cambodia.

“The series of implementation of reforms and strengthens of corporate governance have transformed the Rural Development Bank into leading agricultural development bank”

In order to be in line with its worth plan of its business scope expanding, the Rural Development Bank created 2 mobile units in Thbounng Kmom and Battambang Province, which could push could foster distribution network and provide finance service close to customer.

As well, the bank has developed its priority policies supported business, and transformed Information Technology unit into potential unit, which can support bank's reforms.



Our Future Plan

The Rural Development Bank is to continue expanding its business scopes through establishing more mobile units located in another potential provinces, to develop new product and service, to seek more source of fund from either government or development partner,

and to transform the Rural Development Bank into leading agricultural development bank, which could provide finance and banking service in efficient and sustainable goal as in line with the Government Policy in Economic Development, under the wise leadership of Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of the Kingdom of Cambodia.

Once again, I would like to take this opportunity to thank the Board of Directors for the leadership of the Rural Development Bank.

I would like to express my appreciateion and highly value employee of the Rural Development Bank as well as thank our loyal customers and development partners for for their trust and well cooperate with the Rural Development Bank, as for Agricultural sector development in Cambodia.

Particularly, I would like to express my deepest appreciation to the Royal Government of Cambodia, Ministry of Economy and Finance, and National Bank of Cambodia for their ongoing support and trust.



His Excellency KAO Thach
Chief Executive Officer,
Rural Development Bank



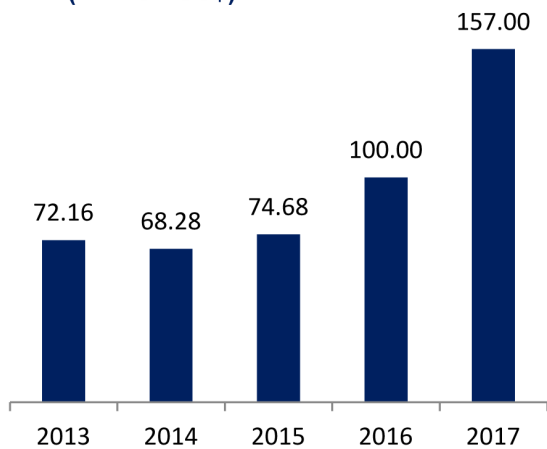
III. FINANCIAL SNAPSHOT

FINANCIAL HIGHLIGHT FOR 3 YEARS

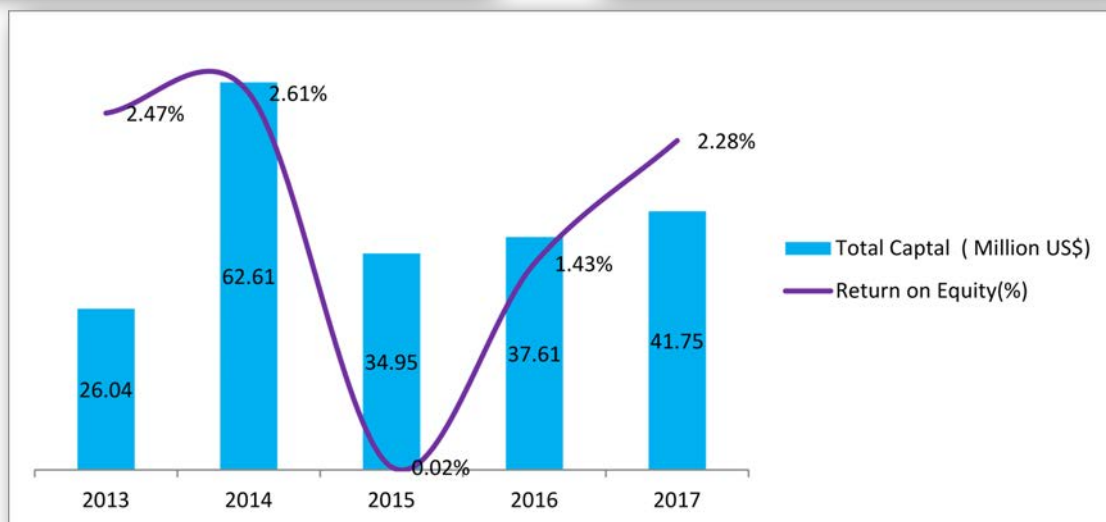
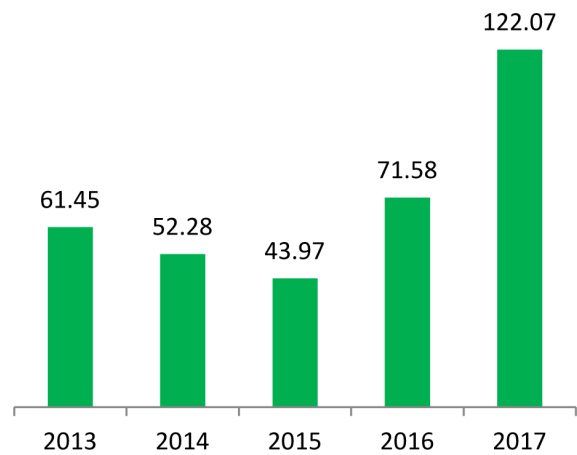
Financial Indicators	2015 (US\$)	2016 (US\$)	2017 (US\$)
Gross Revenue	3,123,233	4,088,646	6,587,783
Operating incomes before provision impairment	125,632	1,447,886	2,799,915
Net profit before tax	33,146	629,739	1,153,088
Net profit after tax	5,618	536,336	953,254
Key Balance Sheet items	2015 (US\$)	2016 (US\$)	2017 (US\$)
Total Assets	74,680,830	100,442,088	157,535,361
Total Capital	34,950,922	37,611,397	41,759,172
Total Gross Loans and Advances	43,975,491	71,583,770	122,070,986
Deposit for Customers	1,092,888	1,278,615	2,310,999
Financial Ratios	2015 (%)	2016 (%)	2017 (%)
Return on Equity	0.02	1.43	2.28
Return on Asset	0.01	0.53	0.61
Non-performing loans to total loans	5.04	6.94	3.16
Solvency Ratio	75.93	50.52	34.10

- ❖ Assets grew 57% equals to 157,535,361 US Dollars.
- ❖ Loans grew 70.53% equals to 122,070,986 US Dollars.
- ❖ Gross Revenue grew 61.12% equals to 6,587,783 US Dollars.
- ❖ The high increase of Net profit after tax around 78% comparing to 2016.

**Total Asset
(Million US\$)**



**Gross Loan & Advances
(Million US\$)**



By December 2017, RDB provided total loan and advances around 122,070,986 US dollars increase 71% compare to 2016. The total loan portfolio contributes to rice sector 61,19% , sub-sector including rubber, maize, cassava, pepper, coffee and sugar cane 14,45%, Micro-finance sector 2,56%, animal-raising and others 11,17%.



IV. SIGNIFICANT EVENTS

❖ Activities of Implementation of Investment project on Construction of Rice Buying Centers.



Battambang- 12 July 2017, after met farmers, His Excellency KAO Thach and his co-workers continued to inspect the construction site of rice drying facility and warehouse, which is the Government development project for addressing rice issues in Pursat and Banteay Meanchey province.



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SIGNIFICANT EVENTS



THE SIGNING CEREMONY FOR RICE WAREHOUSE AND DRYING FACILITY CONSTRUCTION AGREEMENT LOCATED IN KAMPONG THOM, PREYVENG AND TAKEO PROVINCE

On 20th October 2017, the Rural Development Bank organized The Signing Ceremony for Rice Warehouse and Drying facility Construction Agreement located in Kampong Thom, Prey Veng,

and Takeo province, which is the Royal Government investment project, as the Rural Development Bank been assigned to be as operator. There are agreements as followings;

1. Areas in Kampong Thom Province

- AMRU RICE CAMBODIA Co.,Ltd signed agreement with INTERNATIONAL RICE ENGINEERING Co.,Ltd as party responsible for supplying 24 hours 1500 ton rice dryer.
- AMRU RICE CAMBODIA Co.,Ltd signed agreement with Y-VAN SERVICE Co.,Ltd as party responsible for designing and constructing 50 000 tons of rice storage and 1 500 tons of rice dryer.

2. Areas in Prey Veng and Takeo Province

- KHMER FOOD GROUP Co.,Ltd signed agreement with NOYAKONG GROUP CO.,Ltd as party responsible for supplying 24 hours 1500 tons of rice dryer.
- KHMER FOOD GROUP Co.,Ltd signed agreement with Y-VAN SERVICE Co.,Ltd as party responsible for designing and constructing 50 000 tons of rice storage and 1 500 tons of rice dryer.

❖ Activities of Implementation of Special Fund of the Government



Kampong Cham- 19 October 2017, A meeting to disseminate Credit Policy for Special Fund of the Government and RDB's Credit Policy within potential areas in Kampong Cham province, presided over by His Excellency KAO Thach, CEO of RDB and His His Excellency Kuch Chamreoun, governor of Kampong Cham provincial governor board.

❖ Activities of Disseminate and strengthen Farmer Organization



BATTAMBANG- 12 July 2017, His Excellency KAO Thach, CEO of RDB and Oknha Phou Puy, Board director of Cambodia Rice Bank paid a courtesy visit and announced the establishment of Rice Cooperatives and the organization of rice buying centers during harvest season as well as the continued attention of the Royal Government to rice price, to the rice farmers in Thnol Bot village, Rohattek Commune, Mongkolborey district, Bantey Mean Chey province.



PURSAT- 19 August 2017, the Rural Development Bank organized the Workshop on Agricultural Cooperatives Building Capacity for 3 Agriculture Cooperatives; Promoy, Anlongreap, and Orsom. The workshop was presided over by His Excellency Kao Thach, CEO of RDB, H.E. Tep Kun Nal, adviser of RDB, with the participation of district council president, deputy-governor of governor of Veal Venng district governor board, the representative of director/deputy-director of Pursat provincial department of agriculture, Head of Administration of Amret Rung Roeung Group Limited, as well as more than 70 members of mentioned agricultural cooperatives.

❖ Activities of the Rural Development Bank

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SIGNIFICANT EVENTS



Lok Chumteav Nguon Sokha Presides Over the Validation Ceremony of the Board of Directors in the seventh

Rural Development Bank 7th August 2017- Validation Ceremony of the Board of Directors in the seventh mandate, presided over by Lok Chumteav Nguon Sokha, Cambodia's Secretary of State of the Ministry of Economy and Finance, senior representative of His Excellency Dr. Aun Porn Moniroth, Senior Minister and Minister of Economy and Finance.



The Rural Development Bank 30 Jun 2017, The handover Ceremony of good staff appreciation.



V. CORPORATE GOVERNANCE

V.I. RISK MANAGEMENT AND INTERNAL CONTROL

Board of Directors

The Board of Director of the Rural Development Bank is to give direction and solely supervise the management of the bank.

The composition of Board of Director is as followings;

H.E ROS Seilava	(President)
H.E SAN Visal	(Member)
H.E KAO Thach	(Member and CEO)
Mr. SAR Chetra	(Member)
Mr. TEAN Soserey	(Member)
Mr. Om Sengbora	(Member)
Mr. CHAN Seyha	(Member as staff representative)

Risk Management Committee

Risk Management Committee is directly under the Board of Director. It has full responsible for board of director in risk management, as followings:

- Review and give approval n strategy, policy, guideline, procedure and appropriate parameters for risk management for the bank and make it revise for necessary case.
- Review risk data reported by the CEO, verifying and comparing to strategy, policy, guideline, procedure and parameters determined by the bank.
- Give management and board of director any recommendation relating to problems finding in risk management in necessary case
- Ensure the appropriateness of risk management structure, infrastructure, system and other resources supporting risk management affairs.

Audit Committee

The Audit Committee is an independent committee that is directly under the Board of Directors. The Audit Committee is responsible for strengthening corporate governance and risk management, as following responsibilities:

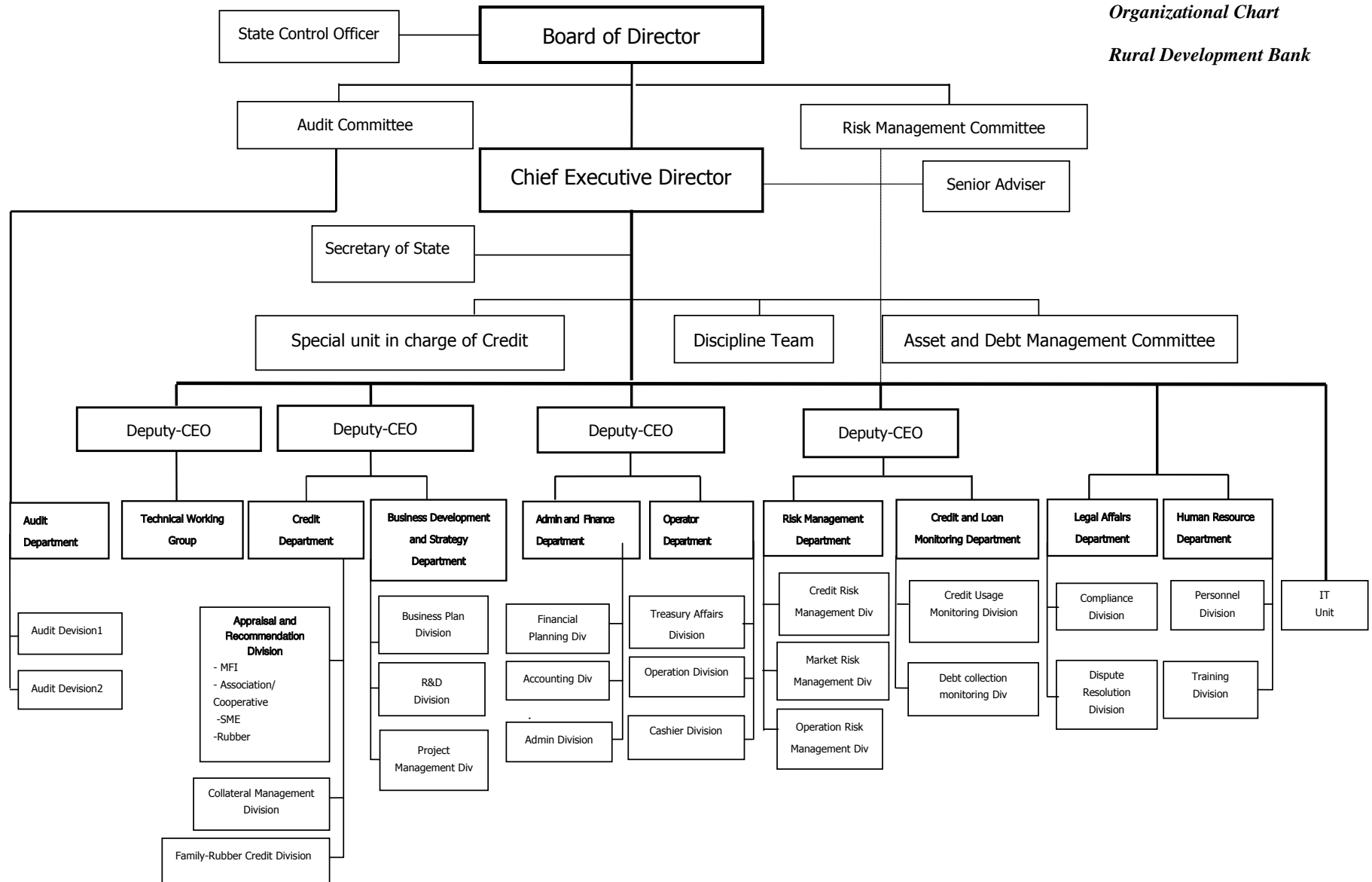
- Ensure the efficiency of financial report and audit procedure.
- Ensure the efficiency of internal audit and risk management system
- Make approval on internal audit action plan and result of internal auditing for Board of Director for review and decision.
- Ensure the accuracy of annual report.

Council Discipline

The Council discipline is the special committee, which is under the executives management 'competence. The responsibilities of council discipline are as below:

- Review and appraise the application to appoint, and promote a rank, based on the merits.
- Review the appropriateness of staff's salary rank and remuneration.
- Review and evaluate staff's incentives and bonus offering is based on the performance of the staff
- Review and evaluate punishment for staff who does not comply with terms of staff statutes
- Review and observe the misconduct of staff for all level, for taking necessary measures.

V.II. ORGANIZATION CHART OF RURAL DEVELOPMENT BANK





BOARD OF DIRECTOR

Standing from right to left:

Mr. KIM Phalla, Mr. CHAN Seyha, H.E. SAN Visal, H.E. KAO Thach, H.E. ROS Seilava,
Mr. OM Sengbora, Mr. SAR Chetra, Mr. TEAN Soserey

V.III. BOARD OF DIRECTOR'S PROFILE

H.E 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.

H.E 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

H.E KAO Thach

Member of Board of Directors

Chief Executive Director

H.E. 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.

He also is a member of Supreme National Economic Council (SNEC) with the rank to Secretary of State and used to be 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 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. SAR Chetra

Ministry of Agriculture Forestry
and Fisheries

Member of Board of Directors

Presently Mr. SAR Chetra is **Deputy Secretary General**, Ministry of Agriculture Forestry and Fisheries, serves as member of Board of Director of the Rural Development Bank.

He has various work experiences, Ministry of Agriculture Forestry and Fisheries since 2005, as following job history:

- an official of Department of Animal Health and Production from June 1995 to April 1999
- deputy-chief of animal production division, Department of Animal Health and Production
- chief of animal production division, Department of Animal Health and Production
- deputy-chief of Department of Animal Health and Production from June 2011 to March 2014
- Deputy Secretary General in charge of Department of Planning and Statistics and Department of Administration Affairs

Mr. SAR Chetra obtained Doctor of Animal Science in 2005 and that of Master degree in 2002, from Iwate University of Japan.

Mr. TEAN Soserey

Deputy Director, Department of prevention
and education, National Land Authority
“Council of Ministers”

Member of Board of Directors

Presently Mr. TEAN Soserey is Deputy Director, Department of prevention and education, National Land Authority “Council of Ministers” and is the Assistant to Cabinet of H.E. BIN CHHIN Permanent Deputy Prime Minister, Office of the Council of Ministers, serves as member of Board of Director of the Rural Development Bank.

As well, he was Chief of administration and personnel office, Administration Department from 2007 to 2009 and Chief of education and human resources development office, Department of prevention and education in 2009, of National Land Authority “Council of Ministers”.

He currently has been pursuing Master Public Administration at Royal Academy of Cambodia.

Mr. OM Sengbora

Independent Board of Directors
Member of Board of Directors

Presently Mr. OM Sengbora 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 Teuk Saat 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
Member of Board of Directors

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.

V.IV. MANAGEMENT'S PROFILE

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His Excellency KAO Thach

Chief Executive Officer

- ❖ 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.
- ❖ Is a member of Supreme National Economic Council (SNEC) with the rank to Secretary of State and used to be labor arbitrator of the Arbitration Council since 2003.
- ❖ Was Deputy Director General of the Securities and Exchange Commission of Cambodia and was the Head of Financial Market Division, Financial Industry Department, Ministry of Economy and Finance as well as a legal officer in the Ministry of Justice and also in court.
- ❖ Was one of the key persons working toward the establishment of Securities and Exchange Commission and Cambodia Securities Exchange.
- ❖ Was member of working groups responsible for establishing 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.
- ❖ Was member of working groups of ASEAN working groups in relation to capital market development such ACMF, ABMI, CMI, WG-FSL, WG-CAL



Mr. CHAN Seyha
Deputy-CEO and staff representative
RURAL DEVELOPMENT BANK

Joining RDB since 19991, 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
RURAL DEVELOPMENT BANK

Joining RDB in 1999, Mr. Uch Chantha 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. Uch Chantha holds a Bachelor degree from Phnom Penh University in 1991.



Mr. PECH Sany
Deputy-CEO
RURAL DEVELOPMENT BANK

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

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

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

The background image shows a vast industrial interior, likely a power plant or manufacturing facility. It features a high ceiling with a complex network of green-painted steel trusses and beams. Large windows on the left side allow natural light into the space. In the center and right, there are large, white, cylindrical industrial components, possibly part of a turbine or generator assembly, mounted on a dark metal framework. Yellow safety railings are visible on platforms and walkways. In the lower-left corner, a small orange forklift is partially visible. The overall scene conveys a sense of large-scale industrial operations.

VI. FINANCIAL REPORT

RURAL DEVELOPMENT BANK

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

FOR THE YEAR ENDED 31 DECEMBER 2017

RURAL DEVELOPMENT BANK

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2017

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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 XII)



ធនាគារអភិវឌ្ឍន៍ជនបទ
RURAL DEVELOPMENT BANK

ព្រះរាជាណាចក្រកម្ពុជា

KINGDOM OF CAMBODIA

ជាតិ សាសនា ព្រះមហាក្សត្រ

Nation-Religion-King

លេខ / N° : ជ.អ.ជ / RDB

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("the Directors") hereby submit their report together with the audited financial statements of Rural Development Bank ("the Bank") as at and for the year ended 31 December 2017.

RURAL DEVELOPMENT BANK

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.

PRINCIPAL ACTIVITIES

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 AND DIVIDENDS

The results of operations for the year ended 31 December 2017 are set out in the statement of income on page 9.

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

ASSETS

As at the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the assets in the financial statements of the Bank misleading in any material respect.

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 loans, 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 in any material respect.

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 in any material respect.

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 obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Bank for the financial year ended 31 December 2017 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. Ros Seilava	Non-Executive director	Chairman of the Board
H.E. San Visal	Non-executive director	Member
H.E. Kao Thach	Executive director	Member, Chief Executive Director
H.E. Khut Chandara	Non-executive director	Member (resigned on 26 July 2017)
Mr. Sar Chetra	Non-executive director	Member (appointed on 26 July 2017)
Mr. Srey Sochea	Non-executive director	Member (resigned on 26 July 2017)
Mr. Tean Soserey	Non-executive director	Member (appointed on 26 July 2017)
Mr. Om Seng Bora	Non-Executive director	Member
Mr. Kim Phalla	Non-Executive director	Member
Mr. Chan Seyha	Executive director	Member

DIRECTORS' INTERESTS

The Directors who held office at the end of the reporting date do not have interests 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 corporate body.

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 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 as at 31 December 2017, and of its financial performance and cash flows for the year ended on that date. In preparing those financial statements, the directors are required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with 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) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- iv) assess 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; 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 directors confirms that the Bank has complied with the above requirements in preparing the financial statements.



ធនាគារអភិវឌ្ឍន៍ជនបទ
RURAL DEVELOPMENT BANK

ព្រះរាជាណាចក្រកម្ពុជា

KINGDOM OF CAMBODIA

ជាតិ សាសនា ព្រះមហាក្សត្រ

Nation-Religion-King

លេខ / N° : ឆ.អ.ជ / RDB

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 2017 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 2017, 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: 09 April 2018

H.E. Kao Thach
Chief Executive Officer

Date: 09 April 2018

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 2017 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 2017, 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

As disclosed in Note 10 to the financial statements, the total interest in suspense reported was different from the amount generated by the loan system and understated by USD 153,286.

Had interest in suspense been fully reported, the total interest in suspense balance would have been increased by USD 153,286 and interest income would have been reduced by the same amount. Accordingly, profit before tax would have been reduced by USD 153,286 and income tax expenses would have been reduced by USD 30,657.

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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of Directors as set out on pages 1 to 4, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

Responsibilities of Management and those Charged with Governance 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.

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.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.





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

Auditors' Responsibilities for the Audit of Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Morison Kak & Associés
Certified Public Accountants
Independent Auditors

Saksom Meas
Managing Partner



Date: 05 April 2018



RURAL DEVELOPMENT BANK

BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017		2016
		USD	KHR'000	USD
ASSETS				
Cash on hand	4	2,181,446	8,806,498	1,374,754
Balances with other banks	5	5,015,713	20,248,433	4,662,975
Balances with the National Bank of Cambodia	6	29,570,190	119,374,857	23,473,770
Loans and advances - net	7	117,301,679	473,546,878	68,461,290
Foreclosed properties	8	1,158,384	4,676,396	1,132,065
Other assets	9	1,332,772	5,380,401	488,876
Intangible assets	10	18,785	75,836	30,170
Property and equipment	11	956,392	3,860,955	818,188
TOTAL ASSETS		157,535,361	635,970,254	100,442,088
LIABILITIES AND CAPITAL				
LIABILITIES				
Deposits from customers	12	2,310,999	9,329,503	1,278,615
Deposits from others banks	13	50,462	203,715	49,918
Borrowings	14	111,758,308	451,168,289	60,029,413
Other liabilities	15	1,518,773	6,131,287	1,431,946
Provision for income tax	23	137,647	555,681	40,799
TOTAL LIABILITIES		115,776,189	467,388,475	62,830,691
CAPITAL				
Share capital	16	22,035,837	88,958,674	20,475,890
Additional capital	16	10,700,928	43,199,646	9,319,136
Capital reserve	16	816,974	3,298,126	564,192
Subordinated debts	17	1,044,084	4,214,967	1,044,084
Retained earnings		7,161,349	28,910,366	6,208,095
TOTAL CAPITAL		41,759,172	168,581,779	37,611,397
TOTAL LIABILITIES & CAPITAL		157,535,361	635,970,254	100,442,088

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



H.E. Ros Seilava
Chairman

Date: April 2018

H.E. Kao Thach
Chief Executive Officer

Date: April 2018

The accompanying notes from page 12 to 44 form an integral part of these financial statements.

RURAL DEVELOPMENT BANK

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017		2016
		USD	KHR'000	USD
Interest income	18	5,631,458	22,734,196	3,727,656
Interest expense	19	(598,494)	(2,416,120)	(486,424)
Net interest income		5,032,964	20,318,076	3,241,232
Non-interest income	20	956,325	3,860,684	360,990
Personnel and other staff costs	21	(1,593,473)	(6,432,851)	(1,384,420)
Depreciation and amortization expenses		(178,461)	(720,444)	(152,040)
General and administrative expenses	22	(1,417,440)	(5,722,206)	(617,876)
Operating profit		2,799,915	11,303,259	1,447,886
Allowance for bad and doubtful loans	8	(1,646,827)	(6,648,241)	(818,147)
Profit before income tax		1,153,088	4,655,018	629,739
Income tax expense	23	(199,834)	(806,730)	(93,403)
Net profit for the year		953,254	3,848,288	536,336

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



H.E. Ros Seilava
Chairman

Date: 09 April 2018

H.E. Kao Thach
Chief Executive Officer

Date: 09 April 2018

The accompanying notes from page 12 to 44 form an integral part of these financial statements.

RURAL DEVELOPMENT BANK

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital USD	Additional capital USD	Capital reserve USD	Subordinated debt USD	Retained earnings USD	Total USD
Balance as at 1 January 2016	20,475,890	7,759,189	-	1,044,084	5,671,759	34,950,922
Recoveries of principal of non-performing loans previously transferred to off balance sheet (see note 16)	-	1,559,947	-	-	-	1,559,947
Recoveries of interest income of principal non-performing loans previously transferred to off balance sheet (see note 16)	-	-	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 1 January 2017	20,475,890	9,319,136	564,192	1,044,084	6,208,095	37,611,397
Transfer to share capital	1,559,947	(1,559,947)	-	-	-	-
Recoveries of principal of non-performing loans previously transferred to off balance sheet (see note 16)	-	2,941,739	-	-	-	2,941,739
Recoveries of interest income of principal non-performing loans previously transferred to off balance sheet (see note 16)	-	-	252,782	-	-	252,782
Net profit for the year	-	-	-	-	953,254	953,254
Balance as at 31 December 2017	22,035,837	10,700,928	816,974	1,044,084	7,161,349	41,759,172
<i>Balance as at 31 December 2017 (KHR'000 equivalents)</i>	<i>88,958,674</i>	<i>43,199,646</i>	<i>3,298,126</i>	<i>4,214,967</i>	<i>28,910,366</i>	<i>168,581,779</i>

The accompanying notes from page 12 to 44 form an integral part of these financial statements.

RURAL DEVELOPMENT BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

		2017		2016
	Note	USD	KHR'000	USD
Net cash used in operating activities	24	(47,833,550)	(193,104,042)	(25,862,935)
Cash flows from investing activities				
Purchases of property and equipment		(301,441)	(1,216,917)	(143,693)
Proceeds from disposal of property and equipment		2,429	9,807	19,899
Purchase of intangible assets		(4,677)	(18,881)	(3,050)
Net cash used in investing activities		(303,689)	(1,225,991)	(126,844)
Cash flows from financing activities				
Repayment of borrowings		(7,758,975)	(31,322,982)	(13,459,753)
Proceeds from borrowings		59,487,870	240,152,531	36,341,930
Recoveries of interest on principal of non-performing loans previously transferred to off balance sheet		252,782	1,020,481	564,192
Recoveries of principal non-performing loans previously transferred to off balance sheet		2,941,739	11,875,800	1,559,947
Additional capital contribution		-	-	-
Net cash generated from financing activities		54,923,416	221,725,830	25,006,316
Net changes in cash and cash equivalents		6,786,177	27,395,797	(983,463)
Cash and cash equivalents, beginning of year		28,335,898	114,392,020	29,319,361
Cash and cash equivalents, end of year		35,122,075	141,787,817	28,335,898
<i>Represented by:</i>				
Cash on hand	4	2,181,446	8,806,498	1,374,754
Balances with other banks	5	5,015,713	20,248,433	4,662,975
Deposits and placements with NBC	6	27,924,916	112,732,886	22,298,169
		35,122,075	141,787,817	28,335,898

The accompanying notes from page 12 to 44 form an integral part of these financial statements.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 a 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.

The financial statements were authorized for issued by the Board of Directors on 05 April 2018.

2. SUMMARY OF 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.

2.1 Basis of preparation

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

The presentation of financial statements in conformity with CAS as modified by NBC guidelines requires that the Bank’s Management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates have been made based on existing available information and the Management’s best knowledge of current events and actions; therefore, actual results may ultimately differ from those estimates.

The accompanying financial statements are prepared for jurisdiction of Cambodia and the National Bank of Cambodia’s guidelines. It is not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions other than Cambodia.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New accounting framework

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

However, the NAC announced on 30 July 2012 that the implementation of CIFRS is postponed until 1 January 2017 for banking and financial institutions.

On 20 October 2016, the Association of Banks in Cambodia (“ABC”), citing a lack of preparedness of a significant number of banks for adoption of CIFRS, has submitted a request to the NBC to defer the implementation of the CIFRS for another three years until the fiscal year 2019. Pursuant to this request, the NBC has on 16 November 2015 made an official request to the NAC to postpone the implementation of the CIFRS to fiscal year 2019 with early application permitted. The NAC has issued an announcement dated 25 February 2016 agreeing to postpone the implementation of the CIFRS to fiscal year 2019.

The adoption of CIFRS for its first financial statements for the year ending 31 December 2019 will have significant impact on the financial statements. The Bank will assess the full impact of the first adoption of CIFRS and the CIFRS implementation will be updated as necessary should they occur.

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 quoted by the NBC ruling at that date. Exchange differences arising on translation are recognized in the statement of income.

2.4 Translation of United States Dollar into Khmer Riel

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 2017 (31 December 2016 USD 1 to KHR 4,037). 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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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.

2.6 Segment information

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

2.7 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.

2.8 Deposits and placements with banks

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

2.9 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. Statutory deposits are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

2.10 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.

2.11 Allowance for 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.

NBC guidelines require the following loan classification and minimum level of allowances based on number of days past due:

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Allowance for loans and advances (continued)

Classification	Number of days past due	Type of provision	Allowances
Normal/Standard	<30 days	General provision	1%
Special mention	≥30 days - 89 days	Specific provision	3%
Substandard	≥90 days - 179 days	Specific provision	20%
Doubtful	≥180 days -359 days	Specific provision	50%
Loss	≥360 days	Specific provision	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 accordance with NBC guidelines, overdue loans are defined as the total outstanding principal where the principal or interest is past due.

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.

2.12 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.

2.13 Foreclose properties

Foreclosed properties consist of moveable and immoveable properties which are carried at the lower of the outstanding balance of the related loans or advances and the estimated fair market value of the 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.

2.14 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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. 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.

Depreciation is charged to the statement of income on a declining balance basis (except building and renovations which are charged on a 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.

2.16 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 2.10 and 2.11.

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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of assets (continued)

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, an asset's carrying amount is written down immediately to its estimated recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimate future cash flows 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 statement of income.

2.17 Liabilities

Deposits from customers are stated at placement values. Accrued expenses and other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

2.18 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. Customer's loan accounts are classified as non-performing where repayments are in arrears for ninety days and more.

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.

2.19 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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Income tax (continued)

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts 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.

2.20 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.

2.21 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.

2.22 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.

2.23 Rounding off amounts

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand KHR (KHR“000) for USD and KHR amounts, respectively.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. USE OF ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations with regard to future events that are believed to be reasonable under the circumstances. These estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Impairment losses on loans to customers*

The Bank follows the mandatory credit classification and provisioning as required by Prakas on asset classification and provisioning in the banking and financial institutions issued by the NBC. The NBC requires banks to classify their loans and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned. For the purpose of loan classification, the Bank takes into account all risks and relevant factors which may affect the counterparties' repayment abilities.

(ii) *Property and equipment*

Accounting for property and equipment involves the use of estimates for determining the expected useful lives of these assets. The determination of the useful lives of the assets is based on management's judgement.

4. CASH ON HAND

	2017		2016
	USD	KHR'000	USD
Cash on hand - USD	2,099,204	8,474,487	1,355,378
Cash on hand - KHR	82,242	332,011	19,376
	<u>2,181,446</u>	<u>8,806,498</u>	<u>1,374,754</u>

5. BALANCES WITH OTHER BANKS

	2017		2016
	USD	KHR'000	USD
Canadia Bank Plc.	4,029,541	16,267,257	4,012,760
Cambodian Public Bank Plc.	643,351	2,597,208	365,839
Acleda Bank Plc.	342,821	1,383,968	284,376
	<u>5,015,713</u>	<u>20,248,433</u>	<u>4,662,975</u>

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

(a) By maturity:

	2017		2016
	USD	KHR'000	USD
Within one month	<u>5,015,713</u>	<u>20,248,433</u>	<u>4,662,975</u>

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. BALANCES WITH OTHER BANKS (continued)

(b) By currency:

	2017		2016
	USD	KHR'000	USD
Khmer Riels	422,495	1,705,612	88,418
US Dollars	4,593,218	18,542,821	4,574,557
	<u>5,015,713</u>	<u>20,248,433</u>	<u>4,662,975</u>

(c) By relationship:

	2017		2016
	USD	KHR'000	USD
Non-related parties	<u>5,015,713</u>	<u>20,248,433</u>	<u>4,662,975</u>

6. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

		2017		2016
	Note	USD	USD	USD
Current accounts	(i)	6,375,374	25,737,385	5,886,106
Negotiable certificates of deposits	(ii)	<u>21,549,542</u>	<u>86,995,501</u>	<u>16,412,063</u>
		27,924,916	112,732,886	22,298,169
Statutory deposits on:				
Capital guarantee deposit	(iii)	1,486,604	6,001,420	1,020,647
Reserve requirement	(iv)	<u>158,670</u>	<u>640,551</u>	<u>154,954</u>
		1,645,274	6,641,971	1,175,601
		<u>29,570,190</u>	<u>119,374,857</u>	<u>23,473,770</u>

(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 0.24% to 1.01% for USD and at 1.43% for KHR per annum, respectively (2016: at 0.45 - 0.74% for USD and at 1.28% - 1.5% for KHR per annum, respectively).

(iii) Capital guarantee deposit:

Under Prakas No. B7-06-208 dated 13 September 2006 on the amendment to Article 9 and Article 13 of Prakas No. B7-00-05 on licensing of specialized banks, specialized 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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. BALANCES WITH THE NATIONAL BANK OF CAMBODIA (continued)

(iv) Reserve requirement:

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.

(v) The above Capital guarantee deposits and reserve requirement earn interest at the following rates per annum:

	2017	2016
Statutory capital deposits	0.32% - 0.36%	0.22% to 3.00%
5% of reserve requirements in Khmer currencies	Nil	Nil
5% of reserve requirements in foreign currencies	Nil	Nil

7. LOANS AND ADVANCES - NET

	2017		2016
	USD	KHR'000	USD
Long term loans and advances	85,917,320	346,848,221	52,712,629
Short term loans and advances	35,483,938	143,248,658	18,818,672
Staff loans	669,728	2,703,692	52,469
	122,070,986	492,800,571	71,583,770
Allowance for bad and doubtful loans	(4,769,307)	(19,253,693)	(3,122,480)
Total loans and advances - net	<u>117,301,679</u>	<u>473,546,878</u>	<u>68,461,290</u>

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

	2017		2016
	USD	KHR'000	USD
At 1 January	3,122,480	12,605,452	2,333,333
Addition during the year	1,646,827	6,648,241	818,147
Write off during the year	-	-	(29,000)
	<u>4,769,307</u>	<u>19,253,693</u>	<u>3,122,480</u>

RURAL DEVELOPMENT BANK**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****7. LOANS AND ADVANCES - NET (continued)**

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

(a) By maturity period:	2017		2016
	USD	KHR'000	USD
3 to 6 months	19,740,000	79,690,380	3,324,000
6 to 12 months	12,510,771	50,505,983	12,728,350
1 to 3 years	8,663,350	34,973,944	7,192,931
3 to 5 years	14,252,734	57,538,287	30,527,287
Over five years	66,904,131	270,091,977	17,811,202
	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>
(b) By currency denomination:			
US Dollars	118,728,831	479,308,290	71,161,863
Khmer Riels	3,342,155	13,492,281	421,907
	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>
(c) By residency status:			
Residents	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>
(d) By performance:			
Standard loans:			
Secured	80,318,575	324,246,087	57,869,901
Unsecured	35,411,000	142,954,207	2,626,931
Special mention:			
Secured	2,490,000	10,052,130	6,118,976
Unsecured	-	-	-
Substandard loans:			
Secured	143,000	577,291	729,400
Unsecured	-	-	1,885,000
Doubtful loans:			
Secured	349,400	1,410,528	915,000
Unsecured	50,000	201,850	-
Loss loans:			
Secured	3,286,073	13,265,877	894,402
Unsecured	22,938	92,601	544,160
	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>

Secured loans are loans that are collateralised by land, building and/or other immovable properties.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. LOANS AND ADVANCES - NET (continued)

(e) By relationship:	2017		2016
	USD	KHR'000	USD
Non related parties	121,401,258	490,096,879	71,531,301
Staff loans	669,728	2,703,692	52,469
	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>
(f) By type of customers:			
Corporate	121,401,259	490,096,883	25,935,000
Individuals and sole traders	669,727	2,703,688	45,648,770
	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>
(g) By financing projects:			
Ministry of Economy and Finance	27,365,000	110,472,505	28,807,500
Rural Development Bank's Fund	46,362,896	187,167,011	34,546,780
China Development Bank	-	-	4,200,000
Agence Française de Développement (AFD)	557,870	2,252,123	665,490
IFAD	-	-	40,000
Government of Cambodia-Special fund	47,785,220	192,908,932	3,324,000
	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>
(h) By economic sectors:			
Privates	116,709,247	471,155,230	66,269,801
Registered Micro Finance Institutions	3,249,370	13,117,707	3,415,009
Licensed Financial Institutions	124,771	503,700	274,771
Associates	760,000	3,068,120	906,230
Families Rubber Plantation	557,870	2,252,122	665,490
Staff loans	669,728	2,703,692	52,469
	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>
(i) By large exposures:			
Large exposures	60,051,220	242,426,776	25,742,500
Non-large exposures	62,019,766	250,373,795	45,841,270
	<u>122,070,986</u>	<u>492,800,571</u>	<u>71,583,770</u>

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

(j) By interest rates (per annum):

	2017	2016
Short term loans	5.00%-12.00%	5.00%-12.00%
Long term loans	5.00%-12.00%	5.00%-12.00%
Staff loans	6.00%	7.00%

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. 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.

	2017				2016
	Land and Building USD	Equipment USD	Total USD KHR'000		Total USD
Balance as at 01 January	1,124,400	341,720	1,466,120	5,918,726	1,589,120
Addition during the year	26,319	-	26,319	106,250	-
Less: disposals during the year	-	-	-	-	(123,000)
	1,150,719	341,720	1,492,439	6,024,976	1,466,120
Less: allowance for impairment	-	(334,055)	(334,055)	(1,348,580)	(334,055)
Balance as at 31 December	1,150,719	7,665	1,158,384	4,676,396	1,132,065

As of the date of this report, the Bank has not fully disposed these properties that were foreclosed since October 2012; and the 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:

	2017		2016
	USD	KHR'000	USD
At 1 January	334,055	1,348,580	258,000
Addition during the year	-	-	76,055
	334,055	1,348,580	334,055

9. OTHER ASSETS

	2017		2016
	USD	KHR'000	USD
Accrued interest receivables	2,402,265	9,697,944	1,125,442
Interest in suspense (*)	(1,199,214)	(4,841,227)	(788,586)
Prepaid insurance	1,297	5,236	14,200
Interest receivable	11,830	47,758	16,746
Prepaid petrol	32,015	129,245	-
Others	84,579	341,445	121,074
	1,332,772	5,380,401	488,876

(*) The total interest in suspense reported was different from the amount generated by the loan system and understated by USD 153,286.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. INTANGIBLE ASSETS

	Computer software license		
	2017		2016
	USD	KHR'000	USD
Cost			
At 1 January	164,880	665,621	161,830
Additions	<u>4,677</u>	<u>18,881</u>	<u>3,050</u>
At 31 December	169,557	684,502	164,880
Less: Accumulated amortization			
At 1 January	134,710	543,824	107,435
Amortization for the year	<u>16,062</u>	<u>64,842</u>	<u>27,275</u>
At 31 December	<u>150,772</u>	<u>608,666</u>	<u>134,710</u>
Carrying amount			
At 31 December	<u>18,785</u>	<u>75,836</u>	<u>30,170</u>

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. 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 2017	241,500	329,344	61,436	711,398	209,013	170,446	1,723,137
Additions	-	-	-	183,020	34,331	84,090	301,441
Disposals	-	-	-	-	-	(21,311)	(21,311)
At 31 December 2017	241,500	329,344	61,436	894,418	243,344	233,225	2,003,267
Accumulated depreciation							
At 1 January 2017	-	128,086	35,223	437,071	178,350	126,219	904,949
Depreciation for the year	-	16,469	5,245	95,189	25,674	19,821	162,398
Disposals	-	-	-	-	-	(20,472)	(20,472)
At 31 December 2017	-	144,555	40,468	532,260	204,024	125,568	1,046,875
Net book value							
At 31 December 2017	241,500	184,789	20,968	362,158	39,320	107,657	956,392
At 31 December 2016	241,500	201,258	26,213	274,327	30,663	44,227	818,188

RURAL DEVELOPMENT BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. 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 2017	974,936	1,329,562	248,017	2,871,914	843,785	688,091	6,956,305
Additions	-	-	-	738,852	138,594	339,471	1,216,917
Disposals	-	-	-	-	-	(86,033)	(86,033)
At 31 December 2017	974,936	1,329,562	248,017	3,610,766	982,379	941,529	8,087,189
Accumulated depreciation							
At 1 January 2017	-	517,083	142,195	1,764,456	719,999	509,546	3,653,279
Depreciation for the year	-	66,485	21,174	384,278	103,646	80,017	655,600
Disposals	-	-	-	-	-	(82,645)	(82,645)
At 31 December 2017	-	583,568	163,369	2,148,734	823,645	506,918	4,226,234
Net book value							
At 31 December 2017	974,936	745,994	84,648	1,462,032	158,734	434,611	3,860,955
At 31 December 2016	974,936	812,479	105,822	1,107,458	123,786	178,545	3,303,026

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. DEPOSITS FROM CUSTOMERS

	2017		2016
	USD	KHR'000	USD
Demand deposits	735,828	2,970,538	501,286
Saving accounts	944,611	3,813,394	184,480
Fixed deposits	630,560	2,545,571	592,849
	<u>2,310,999</u>	<u>9,329,503</u>	<u>1,278,615</u>

Deposits from customers are further analyzed as follows:

	2017		2016
	USD	KHR'000	USD
(a) By maturity period:			
Within one month			
Current deposits	735,828	2,970,538	501,286
Saving deposits	944,611	3,813,395	184,480
Fixed deposits			
1 to 3 months	313,216	1,264,453	169,183
4 to 6 months	5,590	22,567	34,831
Over 6 months	311,754	1,258,550	388,835
	<u>2,310,999</u>	<u>9,329,503</u>	<u>1,278,615</u>

(b) By type of customers:			
Domestic corporations (private sector)	1,549,691	6,256,103	488,378
Individuals	761,308	3,073,400	790,237
	<u>2,310,999</u>	<u>9,329,503</u>	<u>1,278,615</u>

(c) By status of residence:			
Residents	2,280,624	9,206,879	1,236,651
Non-residents	30,375	122,624	41,964
	<u>2,310,999</u>	<u>9,329,503</u>	<u>1,278,615</u>

(d) By currency denomination:			
US Dollar	2,302,573	9,295,487	1,006,647
Khmer Riel	8,426	34,016	271,968
	<u>2,310,999</u>	<u>9,329,503</u>	<u>1,278,615</u>

(e) By interest rates:

	2017	2016
Saving deposits	1.00% - 1.50%	1.00% - 1.50%
Fixed deposits	3.00% - 6.00%	3.00% - 6.00%

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. DEPOSITS FROM OTHER BANKS

	2017		2016
	USD	KHR'000	USD
Current accounts	2,706	10,924	2,609
Saving account	47,756	192,791	47,309
	<u>50,462</u>	<u>203,715</u>	<u>49,918</u>

Deposits from other banks are further analyzed as follows:

(a) By maturity:

	2017		2016
	USD	KHR'000	USD
Within one month	<u>50,462</u>	<u>203,715</u>	<u>49,918</u>

(b) By currency denomination:

	2017		2016
	USD	KHR'000	USD
US Dollar	49,952	201,656	49,413
Khmer Riels	<u>510</u>	<u>2,059</u>	<u>505</u>
	<u>50,462</u>	<u>203,715</u>	<u>49,918</u>

(c) By residency status:

	2017		2016
	USD	KHR'000	USD
Residents	<u>50,462</u>	<u>203,715</u>	<u>49,918</u>

(d) By annual interest rates:

	2017	2016
Current account	Nil	Nil
Saving deposits	1.00% - 1.50%	1.00% - 1.50%

14. BORROWINGS

	2017		2016
	USD	KHR'000	USD
Royal Government of Cambodia-Special Fund	73,478,078	296,631,001	20,331,930
Ministry of Economy and Finance (ASDF)	37,455,000	151,205,835	38,680,000
Asian Development Bank	576,769	2,328,416	769,022
Agence Française de Développement (AFD)	<u>248,461</u>	<u>1,003,037</u>	<u>248,461</u>
	<u>111,758,308</u>	<u>451,168,289</u>	<u>60,029,413</u>

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. BORROWINGS (continued)

The above borrowings are analyzed as follows:

(a) By maturity:

	2017		2016
	USD	KHR'000	USD
Within 1 year	12,060,000	48,686,220	15,130,000
1 to 3 years	-	-	-
3 to 5 years	25,395,000	102,519,615	23,550,000
Over 5 years	74,303,308	299,962,454	21,349,413
	<u>111,758,308</u>	<u>451,168,289</u>	<u>60,029,413</u>

(b) By interest rates:

	2017	2016
Royal Government of Cambodia - Special Fund	Nil	Nil
Ministry of Economy and Finance (ASDF)	2.00%	2.00%
Asian Development Bank	0.55%-2.556%	0.55%-2.556%
Agence Française de Développement (AFD)	Nil	Nil

15. OTHER LIABILITIES

	2017		2016
	USD	KHR'000	USD
Accrued interest payables	960,131	3,876,049	915,416
Employment security funds	359,378	1,450,809	340,438
Other tax liabilities	8,844	35,703	8,255
Others	190,420	768,726	167,837
	<u>1,518,773</u>	<u>6,131,287</u>	<u>1,431,946</u>

16. SHARE CAPITAL, ADDITIONAL CAPITAL and CAPITAL RESERVE

(a) Share capital

	2017		2016
	USD	KHR'000	USD
The Ministry of Economy and Finance	22,035,837	88,958,674	20,475,890
	<u>22,035,837</u>	<u>88,958,674</u>	<u>20,475,890</u>

The registered share capital of the Bank, stated in the updated Memorandum and Articles of Association, is USD 46,365,538 (KHR 187,177,680,000) divided into 10,000 authorized numbers of shares with par value of USD 4,636.55 per share.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. SHARE CAPITAL, ADDITIONAL CAPITAL and CAPITAL RESERVE (continued)

(b) Additional capital

	2017		2016
	USD	KHR'000	USD
Balance as at 01 January	9,319,136	37,621,352	7,759,189
Transfer to capital	(1,559,947)	(6,297,506)	-
Add: recoveries of non-performing loans principal previously transferred to off balance sheet	2,941,739	11,875,800	1,559,947
Balance as at 31 December	<u>10,700,928</u>	<u>43,199,646</u>	<u>9,319,136</u>

- (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 Samdech Akkak Moha Sena Padei Techo 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 USD 18,269,567 from the balance sheet and monitor them separately as an off-balance sheet item.
 - Recognize the non-performing loans and advances amounting to USD 18,269,567 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 USD 1,559,947, being the recoveries of principal of non-performing loans and advances transferred to off-balance sheet in the previous year to paid-up capital. The request was approved by NBC on 21 August 2017.

(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.

17. SUBORDINATED DEBTS

	2017		2016
	USD	KHR'000	USD
Agence Française de Développement (AFD)	1,044,084	4,214,967	1,044,084
	<u>1,044,084</u>	<u>4,214,967</u>	<u>1,044,084</u>

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

RURAL DEVELOPMENT BANK**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****18. INTEREST INCOMES**

	2017		2016
	USD	KHR'000	USD
Loans and advances	5,406,460	21,825,879	3,666,416
Balances with other banks	224,998	908,317	61,240
	<u>5,631,458</u>	<u>22,734,196</u>	<u>3,727,656</u>

19. INTEREST EXPENSES

	2017		2016
	USD	KHR'000	USD
Borrowings	559,762	2,259,759	447,446
Deposits from customers:			
Fixed deposits	25,398	102,532	24,263
Saving accounts	13,334	53,829	14,715
	<u>598,494</u>	<u>2,416,120</u>	<u>486,424</u>

20. NON-INTEREST INCOME

	2017		2016
	USD	KHR'000	USD
Commission income	869,401	3,509,772	322,239
Other incomes	86,924	350,912	38,751
	<u>956,325</u>	<u>3,860,684</u>	<u>360,990</u>

21. PERSONNEL AND OTHER STAFF COSTS

	2017		2016
	USD	KHR'000	USD
Salary and wages	986,232	3,981,419	881,826
Bonuses	177,591	716,935	145,516
Employment benefits	271,562	1,096,296	191,398
Directors' remuneration	158,088	638,201	165,680
	<u>1,593,473</u>	<u>6,432,851</u>	<u>1,384,420</u>

RURAL DEVELOPMENT BANK**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****22. GENERAL AND ADMINISTRATIVE EXPENSES**

	2017		2016
	USD	KHR'000	USD
Foreign exchange loss	610,895	2,466,183	14,645
Court and other legal fees	238,499	962,820	127,731
Mission, travelling and accommodation expenses	128,220	517,624	113,285
Gasoline and motor vehicles operating expenses	70,179	283,313	58,266
Public relations expenses	46,517	187,789	27,844
Advertising expenses	39,278	158,565	32,257
Water and electricity	32,190	129,951	26,433
Social welfare	38,178	154,125	20,986
Other consumables and office supplies	43,615	176,074	40,805
Donation and gifts	31,063	125,401	18,593
Repairs and maintenance	25,276	102,039	18,372
License fee	17,340	70,002	17,340
Membership fee	14,533	58,670	14,498
Professional fee	13,961	56,361	10,813
Training charges	6,081	24,549	2,312
Clearing house and other fees	7,751	31,291	29,524
Tax on transportation vehicles	3,901	15,748	3,802
Fire and hazard insurance expenses	5,046	20,371	2,211
Telecommunication and postage expenses	3,624	14,630	3,880
Publication and subscription expense	1,571	6,342	1,414
Other miscellaneous	39,722	160,358	32,865
	<u>1,417,440</u>	<u>5,722,206</u>	<u>617,876</u>

23. INCOME TAX**(a) Provision for income tax**

	2017		2016
	USD	KHR'000	USD
At 1 January	40,799	164,706	4,113
Income tax expense	199,834	806,730	93,403
Income tax paid	(102,986)	(415,754)	(56,717)
	<u>137,647</u>	<u>555,682</u>	<u>40,799</u>

On 26 February 2017, the Bank requested to the General Department of Taxation (GDT) to obtain a tax credit on the overpayment of profit tax in prior year of USD 111,821. On 05 February 2018, GDT issued a letter approving the Bank to carry forward tax credit of USD 111,821 to offset against income tax for the next year. The Bank utilized the above tax credit in the financial year 2017.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

23. INCOME TAX (continued)

(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:

	2017		2016
	USD	KHR'000	USD
Profit before income tax	1,153,088	4,655,018	629,739
Income tax rate at 20%	230,618	931,005	125,948
Non-deductible expenses for tax purposes	81,037	327,145	(32,545)
Utilized tax credit on over provision in prior year	(111,821)	(451,421)	-
	199,834	806,729	93,403

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

There is no other material deferred tax balances.

24. CASH FLOWS FROM OPERATING ACTIVITIES

	2017		2016
	USD	KHR'000	USD
Profit before income tax	1,153,088	4,655,018	629,739
Adjustments for:			
Depreciation and amortization (Note 10/11)	178,461	720,444	152,040
Allowances for bad and doubtful loans (Note 7)	1,646,827	6,648,241	818,147
Gain on disposal of property & equipment	(1,591)	(6,423)	(19,899)
Impairment of foreclosed properties	-	-	-
(Gain)/loss on disposal of foreclosed properties	-	-	(12,000)
Unrealized exchange loss/(gain)	-	-	994
Operating profit before changes in working capital	2,976,785	12,017,280	1,569,021
Increase/(decrease) in cash attributable to changes in working assets and liabilities:			
Loans and advances	(50,487,216)	(203,816,891)	(27,344,285)
Foreclosed properties (Note 8)	(26,319)	(106,250)	135,000
Statutory deposits	(469,673)	(1,896,070)	(1,527)
Other assets	(843,896)	(3,406,808)	(345,353)
Deposits from customers	1,032,384	4,167,734	185,727
Deposits from other banks	544	2,196	431
Other liabilities	86,827	350,521	(5,232)
Cash used in operations	(47,730,564)	(192,688,288)	(25,806,218)
Income tax paid (Note 23)	(102,986)	(415,754)	(168,537)
Over payment of profit tax in prior year	-	-	111,820
Net cash used in operating activities	(47,833,550)	(193,104,042)	(25,862,935)

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

25. 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:

	2017		2016
	USD	KHR'000	USD
Loan commitments	300,000	1,211,100	370,000

(b) Off balance sheet items

The following are bad and doubtful loans and advances transferred for monitoring as an off balance sheet item which was approved by the National Bank of Cambodia on 31 March 2016. A loan balance of USD 135,181 was written off based on the approved letter dated 1 December 2017 due to one customer was unable to repay the long overdue loan balance.

	2017		2016
	USD	KHR'000	USD
Long term loans	8,779,944	35,444,634	13,036,864
Short term loans	5,020,000	20,265,740	3,840,000
	13,799,944	55,710,374	16,876,864

The loans and advances are analyzed as follows:

(i) Movement:

	2017		2016
	USD	KHR'000	USD
Opening balance	16,876,864	68,131,900	18,269,567
Recovery during the year	(2,941,739)	(11,875,800)	(1,559,947)
Write off during the year	(135,181)	(545,726)	-
Capitalized during the year	-	-	167,244
Ending balance	13,799,944	55,710,374	16,876,864

	2017		2016
	USD	KHR'000	USD
(ii) By economic sectors:			
Privates	10,112,500	40,824,163	13,189,420
Registered Micro Finance Institutions	583,200	2,354,378	583,200
Licensed Finance Institutions	367,244	1,482,564	367,244
Associations	2,737,000	11,049,269	2,737,000
	13,799,944	55,710,374	16,876,864

(iii) By type of customers:

Corporate	8,087,444	32,649,011	8,837,444
Individuals and soles traders	5,712,500	23,061,363	8,039,420
	13,799,944	55,710,374	16,876,864

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

26. COMMITMENT AND CONTINGENT LIABILITIES (continued)

(c) 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

	2017		2016
	USD	KHR'000	USD
(a) Balances with related parties			
Board members			
Deposit accounts	12,336	49,800	78,458
(b) Transactions with related parties			
<i>Key management compensation</i>			
Director's remuneration	158,088	638,201	165,680
Management salaries and bonuses	460,505	1,859,059	402,894
<i>Shareholder-Ministry of Economy and Finance</i>			
Additional capital	10,700,928	43,199,646	9,319,136

28. FINANCIAL RISK MANAGEMENT

(a) introduction and overview

The Bank has exposures 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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

28. FINANCIAL RISK MANAGEMENT (continued)

(b) Operational risk (continued)

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.

(ii) Exposure to credit risk

	2017		2016
	USD	KHR'000	USD
Neither past due nor impaired	115,729,575	467,200,295	60,496,832
Past due but no impaired	2,490,000	10,052,130	6,118,976
Individually impaired	3,851,411	15,548,146	4,967,962
Total loans - gross	122,070,986	492,800,571	71,583,770
Net interest receivables			
Accrued interest receivables	2,402,265	9,697,944	1,125,442
Interest in suspense	(1,199,214)	(4,841,227)	(788,586)
	1,203,051	4,856,717	336,856
Total gross loans and net interest receivable	123,274,037	497,657,288	71,920,626
Allowance for bad and doubtful loans and advances	(4,769,307)	(19,253,693)	(3,122,480)
	<u>118,504,730</u>	<u>478,403,595</u>	<u>68,798,146</u>

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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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%.

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 2.10 and 2.11.

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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

28. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Concentration of credit risk

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

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

(d) Market risk

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

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

(i) Foreign currency exchange risk

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

(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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017

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	-	-	-	-	-	-	2,181,446	2,181,446	-
Balances with other banks	-	-	-	-	-	-	5,015,713	5,015,713	-
Balances with the NBC	-	21,549,542	-	-	-	1,645,274	6,375,374	29,570,190	0.24%-1.43%
Loans and advances – gross	-	-	32,250,771	8,663,350	14,252,734	66,904,131	-	122,070,986	5.00%-12.00%
Other assets	-	-	-	-	-	-	1,332,722	1,332,772	-
TOTAL ASSETS	-	21,549,542	32,250,771	8,663,350	14,252,734	68,549,405	14,905,255	160,171,107	
LIABILITIES									
Deposits from customers	944,611	313,216	317,344	-	-	-	735,828	2,310,999	1.00-6.00%
Deposits from other banks	47,756	-	-	-	-	-	2,706	50,462	1.00-1.50%
Borrowings	-	-	12,060,000	-	25,395,000	74,054,847	248,461	111,758,308	0.55%-5.28%
Other liabilities	-	-	-	-	-	-	1,518,773	1,518,773	
TOTAL LIABILITIES	992,367	313,216	12,377,344	-	25,395,000	74,054,847	2,505,768	115,638,542	
Interest rate sensitivity gap	(992,367)	21,236,326	19,873,427	8,663,350	(11,142,266)	(5,505,442)	12,399,537	44,532,565	
Interest rate sensitivity gap KHR'000	(4,006,186)	85,731,048	80,229,025	34,973,944	(44,981,328)	(22,225,469)	50,056,931	179,777,965	

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

28. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 2016

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 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	-	-	-	-	-	-	488,876	488,876	-
TOTAL ASSETS	14,862,522	1,549,541	3,324,000	12,728,350	37,720,218	18,830,338	11,392,064	100,407,033	
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	-	-	-	-	-	-	1,431,946	1,431,946	
TOTAL LIABILITIES	231,789	169,183	15,553,666	-	23,550,000	21,100,952	2,184,302	62,789,892	
<i>Interest rate sensitivity gap</i>	<u>14,630,733</u>	<u>1,380,358</u>	<u>(12,229,666)</u>	<u>12,728,350</u>	<u>14,170,218</u>	<u>(2,270,614)</u>	<u>9,207,762</u>	<u>37,617,141</u>	

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

28. FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

As at 31 December 2017	Up to 1 month USD	> 1-3 months USD	> 3-12 months USD	> 1-3 months USD	> 3-5 years USD	Over 5 years USD	No fixed maturity date USD	Total USD	KHR'000
Financial liabilities									
Deposits from customers	1,680,439	313,216	317,344	-	-	-	-	2,310,999	9,329,503
Deposits from other banks	50,462	-	-	-	-	-	-	50,462	203,715
Borrowings	-	-	12,060,000	-	25,395,000	74,054,847	248,461	111,758,308	451,168,289
Other liabilities	968,975	190,420	-	-	-	-	359,378	1,518,773	6,131,287
Total financial liabilities	2,699,876	503,636	12,377,344	-	25,395,000	74,054,847	607,839	115,638,542	466,832,794
Financial assets									
Cash on hand	2,181,446	-	-	-	-	-	-	2,181,446	8,806,498
Balances with other banks	5,015,713	-	-	-	-	-	-	5,015,713	20,248,433
Balances with NBC	6,375,374	21,549,542	-	-	-	-	1,645,274	29,570,190	119,374,857
Loans and advances – gross	-	-	32,250,771	8,663,350	14,252,734	66,904,131	-	122,070,986	492,800,570
Other assets	1,214,881	-	-	-	-	-	117,891	1,332,772	5,380,401
Total financial assets	14,787,414	21,549,542	32,250,771	8,663,350	14,252,734	66,904,131	1,763,165	160,171,107	646,610,759
Net liquidity gap	12,087,538	21,045,906	19,873,427	8,663,350	(11,142,266)	(7,150,716)	1,155,326	44,532,565	179,777,965
As at 31 December 2016									
Financial liabilities									
Deposits from customers	685,766	169,183	423,666	-	-	-	-	1,278,615	5,161,769
Deposits from other banks	49,918	-	-	-	-	-	-	49,918	201,519
Borrowings	-	-	15,130,000	-	23,550,000	21,100,952	248,461	60,029,413	242,338,740
Other liabilities	91,092	-	19,406	-	-	-	1,321,448	1,431,946	5,780,766
Total financial liabilities	826,776	169,183	15,573,072	-	23,550,000	21,100,952	1,569,909	62,789,892	253,482,794
Total financial assets	14,862,522	1,549,541	3,324,000	12,728,350	37,720,218	18,830,338	11,392,064	100,407,033	405,343,192
Net liquidity gap	14,035,746	1,380,358	(12,249,072)	12,728,350	14,170,218	(2,270,614)	9,822,155	37,617,141	151,860,398

RURAL DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

30. COMPARATIVE FIGURES

Certain comparative figures, where necessary, have been reclassified to conform to current year presentation of the financial statements.

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 2017.



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RURAL DEVELOPMENT BANK

ព្រះរាជាណាចក្រកម្ពុជា

KINGDOM OF CAMBODIA

ជាតិ សាសនា ព្រះមហាក្សត្រ

Nation-Religion-King

លេខ / N° : ឆ.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 2017. 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: 09 April 2018

H.E. Kao Thach
 Chief Executive Officer

Date: 09 April 2018

RURAL DEVELOPMENT BANK

NET WORTH

AS AT 31 DECEMBER 2017

In accordance with the NBC's Prakas No. B7-010-182 dated 15 October 2010; the Bank is required to calculate its Net Worth aiming at adopting the international standards related to the regulatory capital's structure, by operating a distinction between core capital ("Tier 1") and complementary capital („Tier 2"). The Bank's net worth as at 31 December 2017 was calculated as follows:

TIER 1: CORE CAPITAL

	2017		2016
	USD	KHR'000	USD
CATEGORY A ITEMS			
Paid up capital	22,035,837	88,958,674	20,475,890
Reserves other than re-evaluation reserves	816,974	3,298,124	2,124,139
Current year earnings	953,254	3,848,286	536,336
Retained earnings	6,208,095	25,062,080	5,671,759
Other items approved by NBC	10,700,928	43,199,646	7,759,189
SUB-TOTAL A	40,715,088	164,366,810	36,567,313

Limit check on retained earnings

(max. 20% of Sub-total A)

15.26% 15.26% 15.51%

CATEGORY B ITEMS

Holding of own shares	-	-	-
Intangible assets	18,785	75,836	30,170
Due from shareholders, directors, related parties	-	-	-
Loss determined on dates other than year-end	-	-	-
SUB-TOTAL B	18,785	75,836	30,170

C. TOTAL TIER 1 (Core capital) (A-B)

40,696,303 164,290,974 36,537,143

TIER 2: COMPLEMENTARY CAPITAL

CATEGORY C ITEMS

Revaluation reserves	-	-	-
Provisions for general banking risks	-	-	-
1% general provision	1,157,296	4,672,004	604,968
Subordinated debts	1,044,084	4,214,967	1,044,084
SUB-TOTAL C	2,201,380	8,886,971	1,649,052

Limit check on subordinated debts

(Max. 50% of Tier 1 capital)

2.57% 2.57% 2.86%

CATEGORY D ITEMS

Equity participation in banking or OFIs	-	-	-
Other items	-	-	-
SUB-TOTAL D	-	-	-

TOTAL TIER 2 (Complementary capital) (C)-(D)

2,201,380 8,886,971 1,649,052

Limit check on Tier 2 capital

(Tier 2 = max. 100% of tier 1)

5.41% 5.41% 4.51%

E. TOTAL NET WORTH (A-B+C-D)

42,897,683 173,177,945 38,186,195

RURAL DEVELOPMENT BANK

SOLVENCY RATIO AS AT 31 DECEMBER 2017

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	2017		2016
		USD	KHR'000	USD
NUMERATOR				
A. Net worth as at 31 December		42,897,683	173,177,945	38,186,195
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%	125,783,725	507,788,898	75,593,564
Off-balance sheet items:				
Full risk	100%	-	-	-
Medium risk	50%	-	-	-
Moderate risk	20%	-	-	-
B. Total risk-weighted assets		125,783,725	507,788,898	75,593,564
SOLVENCY RATIO (A/B)		34%		51%

RURAL DEVELOPMENT BANK

LOAN CLASSIFICATION AND PROVISION FOR BAD AND DOUBTFUL DEBTS AS AT 31 DECEMBER 2017

On 1 December 2017, the Central Bank issued a new Prakas No. B7-017-344 on new credit classification and provisioning on impairment and requires that banks and financial institutions should comply with this new Prakas with effect from 1 December 2017.

On 16 February 2018, the Central Bank issued a Circular No. B7-018-001 on implementing the new Prakas No. B7-017-344 on credit classification and provisioning on impairment, allowing banks and financial institutions, which have difficulty in implementing the new Prakas, to continue to comply with the old Prakas No. B7-09-074 for the reporting year ended 31 December 2017.

The following loan classification and allowance for bad and doubtful debts is summarized according to NBC's Prakas No. B7-09-074 dated 25 February 2009.

	Principal loans USD	% of Provision %	NBC's Standard USD	Bank's Provision USD	Difference USD
As at 31 December 2017					
Standard	115,729,575	1	1,157,296	1,157,296	-
Special mention	2,490,000	3	74,700	74,700	-
Substandard	143,000	20	28,600	28,600	-
Doubtful	399,400	50	199,700	199,700	-
Loss	3,309,011	100	3,309,011	3,309,011	-
	122,070,986		4,769,307	4,769,307	-
Equivalent in					
	KHR'000	%	KHR'000	KHR'000	KHR'000
Standard	467,200,294	1	4,672,004	4,672,004	-
Special mention	10,052,130	3	301,564	301,564	-
Substandard	577,291	20	115,458	115,458	-
Doubtful	1,612,378	50	806,189	806,189	-
Loss	13,358,478	100	13,358,478	13,358,478	-
	492,800,571		19,253,693	19,253,693	-
	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

Note: There is a loan provided to one customer in a joint agreement between the Bank and Canada Bank Plc. The Bank provides the full allowance for this loan balance as at 31 December 2017.

RURAL DEVELOPMENT BANK**FOREIGN CURRENCY TRANSACTIONS
AS AT 31 DECEMBER 2017**

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:

		2017		2016
		USD	KHR'000	USD
		or equivalents	or equivalents	or equivalents
Assets:				
	US Dollar	151,912,385	613,270,300	82,051,810
	Khmer Riel	5,622,976	22,699,954	18,390,278
		157,535,361	635,970,254	100,442,088
Liabilities:				
	US Dollar	41,955,121	169,372,823	42,163,323
	Khmer Riel	73,821,068	298,015,652	20,667,368
		115,776,189	467,388,475	62,830,691

No hedging was recognized in the above balances.

**OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY THE
LAW ON BANKING AND FINANCIAL INSTITUTIONS
AS AT 31 DECEMBER 2017**

▪ **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 2017, the Bank has a paid-up statutory capital of USD 22,035,837 (2016: 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 2017, the Bank's fixed assets at book value was amounting to USD 975,177 which is equivalent to **2.27%** 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 2017, the Bank hold repossessed property at carrying value USD 1,158,384 (2016: 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.

The Bank has not fully disposed these properties that were foreclosed since October 2012; and the request for extension to NBC to hold these foreclosed properties has not been made.

▪ **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.

**OTHER INFORMATION AND PRUDENTIAL REGULATIONS REQUIRED BY THE
LAW ON BANKING AND FINANCIAL INSTITUTIONS (continued)
AS AT 31 DECEMBER 2017**

▪ **LARGE CREDIT EXPOSURES, Prakas B7-00-52 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 2017, the Bank has large exposure individually exceeding 10% of the Bank's net worth as follows:

Particulars	Approved limit (USD)	Outstanding balances (USD)	Bank's net worth (USD)	% of outstanding balance to net worth
Item No. 1	32,576,220	25,776,220	42,897,683	60.09%
Item No. 2	10,205,000	7,405,000	42,897,683	17.26%
Item No. 3	11,400,000	6,400,000	42,897,683	14.92%
Item No. 4	6,875,000	6,145,000	42,897,683	14.32%
Item No. 5	6,000,000	5,375,000	42,897,683	12.53%
Item No. 6	4,500,000	4,500,000	42,897,683	10.49%
Item No. 7	4,500,000	4,450,000	42,897,683	10.37%

The Bank was not in compliance with NBC's Prakas as one of its large exposure to a single beneficiary exceeded 20% of the Bank Net Worth. However, the aggregate credit exposure did not exceed 300% of the Bank's Net Worth.

RURAL DEVELOPMENT BANK

SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER DISCLOSURES REQUIRED BY THE NBC

FINANCIAL SOUNDNESS INDICATORS AS AT 31 DECEMBER 2017

	2017 USD or %	2016 USD or %
I - CAPITAL		
1. Equity to total assets (A/B)	26.51%	37.45%
A - Equity	41,759,172	37,611,397
B - Total assets	157,535,361	100,442,088
2. Capital tier I to total assets (A/B)	25.83%	36.38%
A - Capital tier I	40,696,303	36,537,143
B - Total assets	157,535,361	100,442,088
3. Capital tier I to risk-weighted assets (A/B)	32.35%	48.33%
A - Capital tier I	40,696,303	36,537,143
B - Risk weighted assets	125,783,725	75,593,564
4. Capital tier I + tier II to risk-weighted assets (A/B)	34.10%	50.52%
A - Capital tier I + tier II	42,897,683	38,186,195
B - Risk-weighted assets	125,783,725	75,593,564
5. Net worth to total assets (A/B)	27.23%	38.02%
A - Net worth	42,897,683	38,186,195
B - Total assets	157,535,361	100,442,088
6. Solvency ratio (A/B)	34.10%	50.52%
A - Net worth	42,897,683	38,186,195
B - Risk-weighted assets	125,783,725	75,593,564
7. Debt to total assets (A/B)	73.49%	62.55%
A - Total liabilities	115,776,189	62,830,691
B - Total assets	157,535,361	100,442,088
8. Debt to equity (A/B)	277.25%	167.05%
A - Total liabilities	115,776,189	62,830,691
B - Equity	41,759,172	37,611,397
9. Dividends to net profit (A/B)	0.00%	0.00%
A - Dividends	-	-
B - Net profit/(loss)	953,254	536,336

RURAL DEVELOPMENT BANK**SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER DISCLOSURES
REQUIRED BY THE NBC****FINANCIAL SOUNDNESS INDICATORS
AS AT 31 DECEMBER 2017**

	2017	2016
	USD or %	USD or %
II - ASSET QUALITY		
10. Banking reserves to total loans (A/B)	0.67%	0.79%
A - Banking reserves	816,974	564,192
B - Total loans (gross)	122,070,986	71,583,770
11. Banking reserves to total assets (A/B)	0.52%	0.56%
A - Banking reserves	816,974	564,192
B - Total assets	157,535,361	100,442,088
12. Non-performing loans to total loans (A/B)	3.16%	6.94%
A - Non-performing loans	3,851,411	4,967,962
B - Total loans (gross)	122,070,986	71,583,770
13. Non-performing loans to total assets (A/B)	2.44%	4.95%
A - Non-performing loans	3,851,411	4,967,962
B - Total assets	157,535,361	100,442,088
14. Classified assets to total loans (A/B)	3.16%	6.94%
A - Classified assets	3,851,411	4,967,962
B - Total loans (gross)	122,070,986	71,583,770
15. Classified assets to total assets (A/B)	2.44%	4.95%
A - Classified assets	3,851,411	4,967,962
B - Total assets	157,535,361	100,442,088
16. Classified assets to equity (A/B)	9.22%	13.21%
A - Classified assets	3,851,411	4,967,962
B - Equity	41,759,172	37,611,397
17. Loans to related parties to total loans (A/B)	0.00%	0.00%
A - Loans to related parties	-	-
B - Total loans (gross)	122,070,986	71,583,770
18. Large exposures to total loans (A/B)	49.19%	35.96%
A - Large exposures	60,051,220	25,742,500
B - Total loans (gross)	122,070,986	71,583,770

RURAL DEVELOPMENT BANK

SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER DISCLOSURES REQUIRED BY THE NBC

FINANCIAL SOUNDNESS INDICATORS AS AT 31 DECEMBER 2017

	2017 USD or %	2016 USD or %
19. Loans to related parties to net worth (A/B)	0.00%	0.00%
A - Loans to related parties	-	-
B - Net worth	42,897,683	38,186,195
20. Large exposures to net worth (A/B)	139.99%	67.41%
A - Large exposures	60,051,220	25,742,500
B - Net worth	42,897,683	38,186,195
21. General provisions to total loans (A/B)	0.95%	0.85%
A - General provisions	1,157,296	604,968
B - Total loans (gross)	122,070,986	71,583,770
22. Specific provisions to total loans (A/B)	2.89%	3.52%
A - Specific provisions	3,527,011	2,517,512
B - Total loans (gross)	122,070,986	71,583,770
23. Specific provisions to non-performing loans (A/B)	93.78%	50.67%
A - Specific provisions	3,612,011	2,517,512
B - Non-performing loans	3,851,411	4,967,962
24. All allowances to total assets (A/B)	3.03%	3.11%
A - Total all allowances	4,769,307	3,122,480
B - Total assets	157,535,361	100,442,088
25. Loans to deposits (A/B)	5276.77%	5577.05%
A - Total loans to non-bank customers (gross)	121,946,215	71,308,999
B - Customer's deposits (non-bank customers)	2,310,999	1,278,615
III - EARNINGS		
26. Return on assets (A/B)	0.61%	0.53%
A - Net profit after tax	953,254	536,336
B - Total assets	157,535,361	100,442,088
27. Return on equity (A/B)	2.28%	1.43%
A - Net profit after tax	953,254	536,336
B - Equity	41,759,172	37,611,397

RURAL DEVELOPMENT BANK

SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER DISCLOSURES REQUIRED BY THE NBC

FINANCIAL SOUNDNESS INDICATORS AS AT 31 DECEMBER 2017

	2017 USD or %	2016 USD or %
28. Gross yield (A/B)	3.57%	3.71%
A - Interest income	5,631,458	3,727,656
B - Total assets	157,535,361	100,442,088
29. Net interest margin [(A-B)/C]	3.19%	3.23%
A - Interest income	5,631,458	3,727,656
B - Interest expense	598,494	486,424
C - Total assets	157,535,361	100,442,088
30. Other income (A/B)	0.61%	0.36%
A - Other income	956,325	360,990
B - Total assets	157,535,361	100,442,088
31. Provisions to total assets (A/B)	3.03%	3.11%
A - Provisions	4,769,307	3,122,480
B - Total assets	157,535,361	100,442,088
32. Overhead (A/B)	2.02%	2.14%
A - Non-interest expense	3,189,784	2,154,336
B - Total assets	157,535,361	100,442,088
33. Net income before tax (A/B)	0.73%	0.63%
A - Net profit before tax	1,153,088	629,739
B - Total assets	157,535,361	100,442,088
34. Tax to total assets (A/B)	0.13%	0.09%
A - Tax (all categories)	199,834	93,403
B - Total assets	157,535,361	100,442,088
35. Interest margin to gross income [(A-B)/C]	76.40%	79.27%
A - Interest income	5,631,458	3,727,656
B - Interest expense	598,494	486,424
C - Gross income	6,587,783	4,088,646
36. Non-interest income to gross income (A/B)	14.52%	8.83%
A - Non-interest income	956,325	360,990
B - Gross income	6,587,783	4,088,646

RURAL DEVELOPMENT BANK

SUPPLEMENTARY FINANCIAL INFORMATION AND OTHER DISCLOSURES REQUIRED BY THE NBC

FINANCIAL SOUNDNESS INDICATORS AS AT 31 DECEMBER 2017

	2017 USD or %	2016 USD or %
37. Non-interest expense to gross income (A/B)	48.41%	52.69%
A - Non-interest expense	3,189,374	2,154,336
B - Gross income	6,587,783	4,088,646
38. Times interest earned [(A-B)/C]	2.93	2.29
A - Net profit before tax	1,153,088	629,739
B - Interest expense	598,494	486,424
C - Interest expense	598,494	486,424
IV - LIQUIDITY		
39. Liquid assets (A/B)	8.58%	11.82%
A - Liquid assets	13,522,071	11,873,917
B - Total assets	157,535,361	100,442,088
40. Short-term liabilities (A/B)	9.89%	17.47%
A - Short-term liabilities (less than one year)	15,580,856	17,542,443
B - Total assets	157,535,361	100,442,088
41. Net liquid assets [(A-B)/C]	-1.78%	-9.02%
A - Liquid assets	13,522,071	11,873,917
B - Short-term liabilities (less than one month)	15,580,856	17,542,443
C - Total liabilities	115,776,189	62,830,691
42. Quick ratio (A/B)	337.80%	425.66%
A - Quick assets	13,572,533	11,923,835
B - Current liabilities	4,017,881	2,801,278
43. Deposits to total loans (A/B)	1.90%	1.79%
A - Total customers' deposits (non-bank customers)	2,310,999	1,278,615
B - Total loans to non-bank customers (gross)	121,946,215	71,308,999
44. Property and equipment to net worth (A/B)	2.27%	2.22%
A. Property and equipment	975,177	848,358
B. Net worth	42,897,683	38,186,195