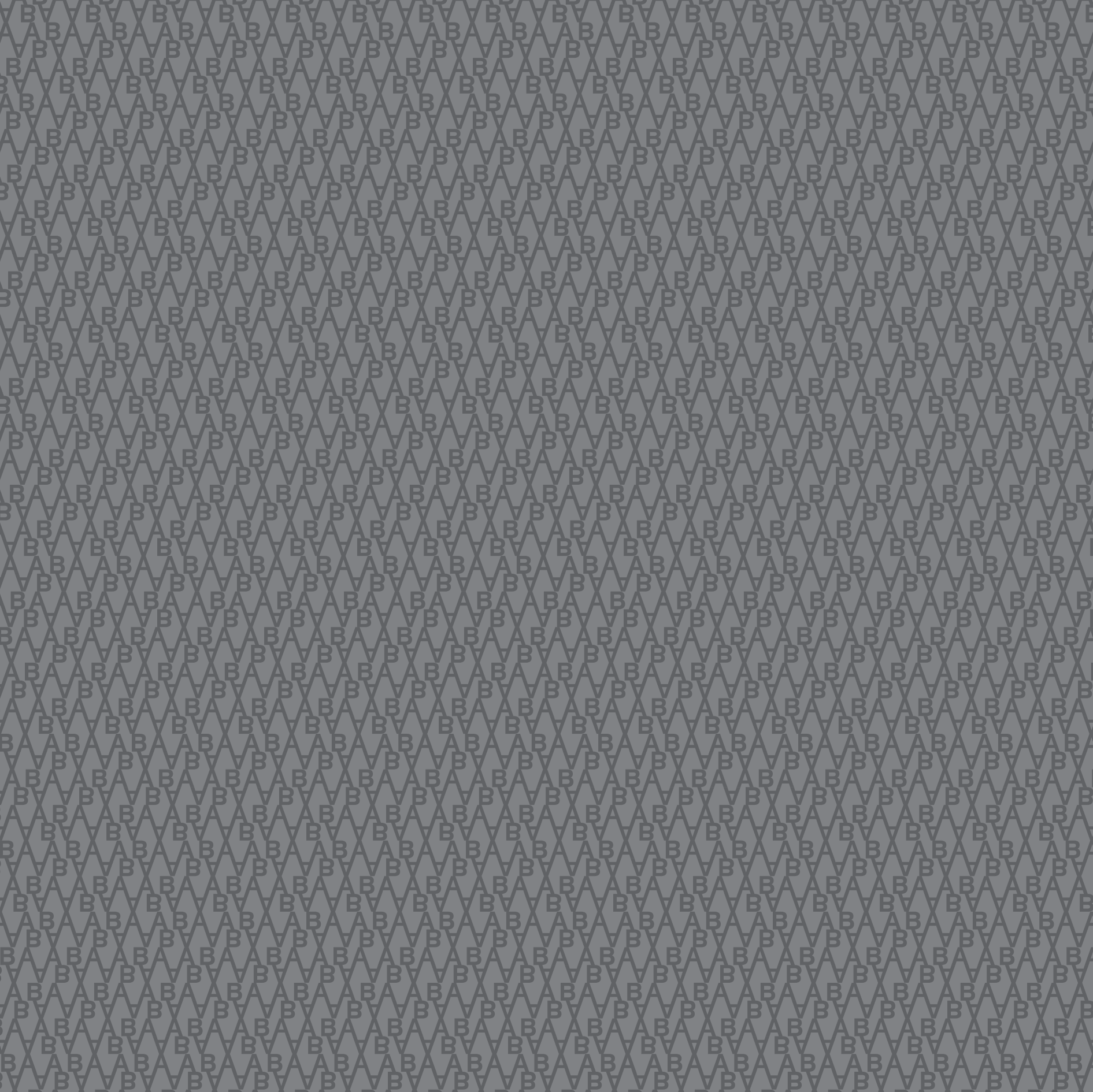


ANNUAL **REPORT**

2013





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MESSAGE FROM THE CEO



Dear clients, shareholders, investors!

Looking back at the work of ABA Bank over the past year, 2013 has clearly been a year of huge change, both for the banking sector overall and for our bank in particular.

In 2013, we continued to develop our strategy to expand the Bank’s networks, with a focus on two key areas: regions undergoing the most rapid growth and regions with the greatest potential. To this end, we opened six new high-grade, full service branches in Takeo, Takhmao, Sihanoukville, Chbar Ampov, Chom Chao and Kampong Speu.

We also upgraded seven of our branches to meet the requirements of the modern financial market and ensure the best quality service for our broad range of customers and their varying needs. At the same time, the number of our ATMs and POS-terminals has grown significantly with the aim, as always, of improving customer convenience.

In terms of market achievements, as part of our aim to cater to our customers’ varying needs, we launched a new and exclusive service for our most valued clients, ABA Priority Lounge. This service provides priority clients with a number of tailored features and unique benefits to enhance their banking experience. Our expanding client base and the growing demand for banking during non-business hours have driven the improvements we have introduced to our ATM features and the launch of a cash-in service (Cash Deposit Machines), which allow our clients to deposit their cash into

ABA accounts and pay for other services without visiting a Branch. Our ongoing efforts to provide technologically advanced e-services in Cambodia were recognized by the respected *Asian Banking & Finance Magazine*, which named us the winner of Cambodia Domestic Technology and Operations Bank of the Year.

These achievements are reflected directly in all our key performance ratios: by the end of the year the Bank’s total assets had reached 323 million, up from 265 million the previous year and our deposit portfolio had reached 277 million, compared to just 224 million in 2012. We are happy to report that micro business and SME lending remained strong and active, with our loan portfolio increasing to 179 million from 141 million a year ago. The Bank continued to attract new customers, while strengthening relationships with existing clients. Our success in these aims is evident in our year-end figures of around 42,000 depositors and 4,700 borrowers. We believe these reflect our customers’ satisfaction with and enjoyment of the benefits of our new products and services in a more competitive environment characterized by sophisticated product availability.

We are delighted that our increasing customer base has been achieved with no loss of satisfaction among our existing clients. I’m sure this is the result of implementing our core mission of contributing to the development of individuals, businesses and the real economy as a whole. And we will enthusiastically continue such support and contribution in the future.

Outlook for 2014

Remarkable opportunities lie ahead for ABA Bank in 2014, building on the impressive foundations of the previous year. As we step into a new phase of our development, there are several areas that we will focus on, some of them introduced in 2013.

These include:

- The introduction of strategies to increase total assets, total deposits and total loan amounts for US\$ 400M, 325M and 250M respectively.
- Continuing to expand our presence and reach across the country with the opening of six new branches in the provinces to become one of the top four banks in terms of Branch network.
- Launch of new self-service Service Point outlets.
- Development of new products and services.

Introducing exciting further technological advancements to enhance customers’ banking experience through the launch of a mobile banking application that will help our customers do their banking on the go using a smartphone.

In summary, I am delighted to say that ABA Bank continues to be strong, stable and well positioned for future expansion, innovation and development. It is important to acknowledge the outstanding commitment, and hard work of our staff, without whose exceptional service none of our achievements would have been possible. Even more important than this, though, is the continuing trust of our valued and loyal customers throughout the period. We look forward to continuing to provide them with the best possible products and services. Thank you, all.

It goes without saying that we still have great plans for future. Our exceptional products and services together with our team fill me with inspiration, excitement and optimism for the year to come.

Finally, as always, I would like to express my sincere appreciation to all the Bank’s loyal shareholders, valued customers and staff for their ongoing support of and commitment to our initiatives.

Wishing us all the best of luck in 2014,

Handwritten signature of Askhat Azhikhanov.

Askhat Azhikhanov,
Chief Executive Officer

WHO WE ARE

Founded in 1996 as the Advanced Bank of Asia Limited, ABA Bank is now a multi-branch network universal commercial bank offering a full range of products and services to all Cambodians.

ABA's network in 2013 expanded to 17 branches nationwide, with 10 of those located in Phnom Penh. There are also branches in Siem Reap, Battambang, Kampong Cham, Sihanoukville, Takhmao and Takeo, and the Bank is also planning to open eight further branches in 2014.

The winner of *Asian Banking & Finance Magazine's* Cambodia's Domestic Technology and Operation Bank of the Year Awarding 2012 and 2013, ABA prides itself on offering some of the most technologically advanced banking services in Cambodia.

Having serviced the corporate and retail banking sectors in Cambodia for a number of years, ABA Bank also focuses on the microbusiness sector; its aim is to provide the best service and financial terms and conditions to all Cambodian enterprises.



VISION, MISSION & VALUES

Our Vision

The vision of our Bank is to be the country's number one supplier of dependable, easy-to-use, technologically advanced and easily accessible banking services. We want to be the bank that Cambodians trust to take care of all their personal and business banking needs.

Our Mission

Our mission is to help Cambodia, Cambodian businesses and Cambodian people to build a bigger and brighter future for themselves and their country by providing highly professional, technologically-advanced banking services for all.

As a truly 'local' bank, we see ourselves as working in partnership with the Cambodian community as well as with private businesses and individuals. We are here to serve Cambodia.

Our Values

Honesty & Respect – At ABA we make it our responsibility to treat each and every customer with honesty and respect.

Trust & Partnership – At ABA we are there to offer help and assistance. We see ourselves as partners that our customers can always trust.

Service quality – At ABA we strive to find solutions to all banking needs. Our aim is to provide the most technologically advanced, reliable banking services to all of our Cambodian customers - be they personal or business account holders.

Contributing – At ABA we aim to make a positive contribution to Cambodia. We want to play a beneficial role in the lives of our customers as well as for the future of the country as a whole.

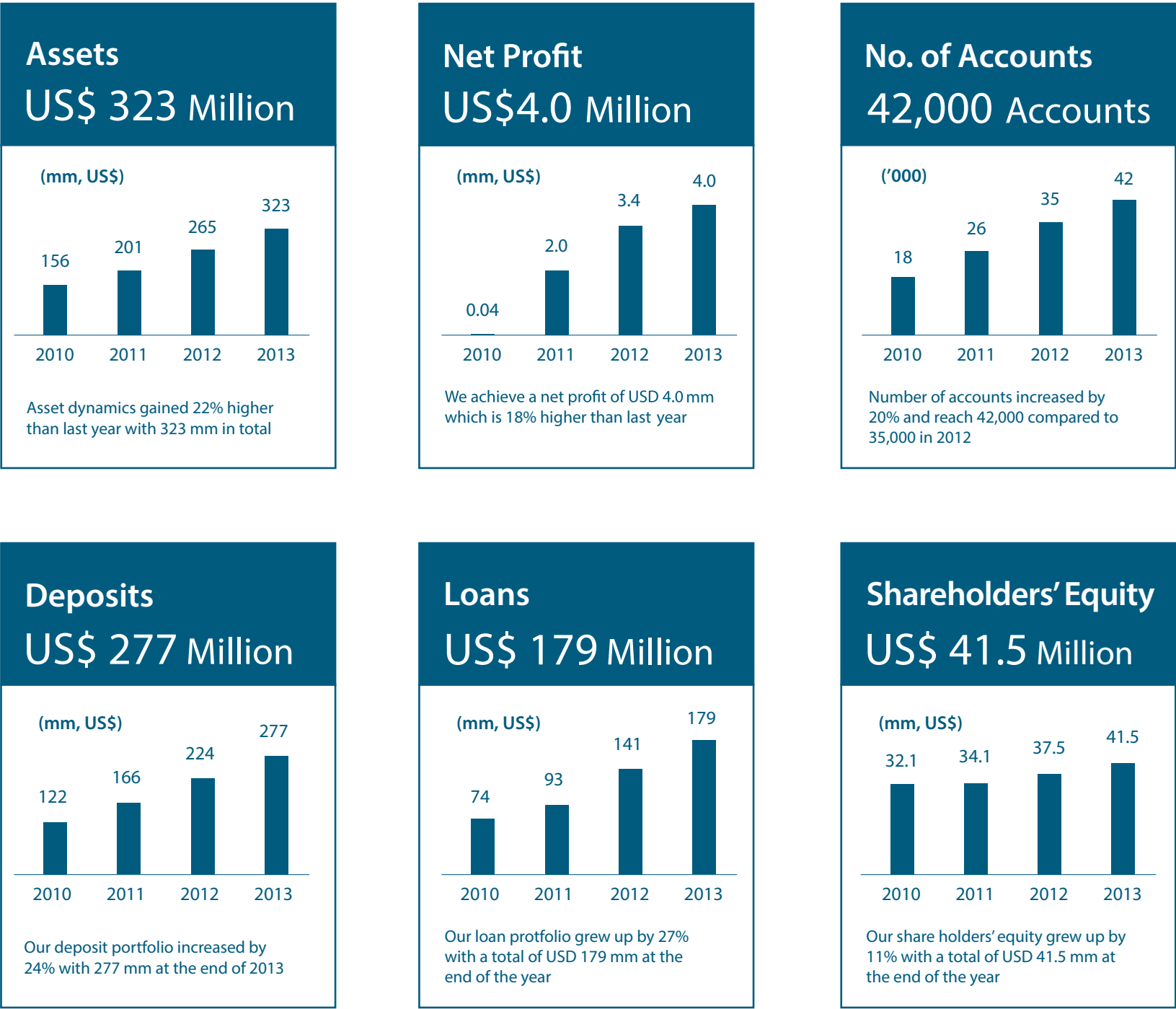
Sustainability & Growth – At ABA we are always thinking about the future of our Bank, the Cambodian people and the country. We show the same level of commitment to our staff as we do to our customers. It is with this approach that we ensure the sustainable growth of the Bank.

Ethics & Morals – At ABA we take our social responsibility seriously. We apply the highest ethical and moral standards to each and everything that we do – inside and outside the Bank. It is these homegrown principles that form the basis of every relationship, with the customers and communities we serve as well as with our staff.

FINANCIAL HIGHLIGHTS

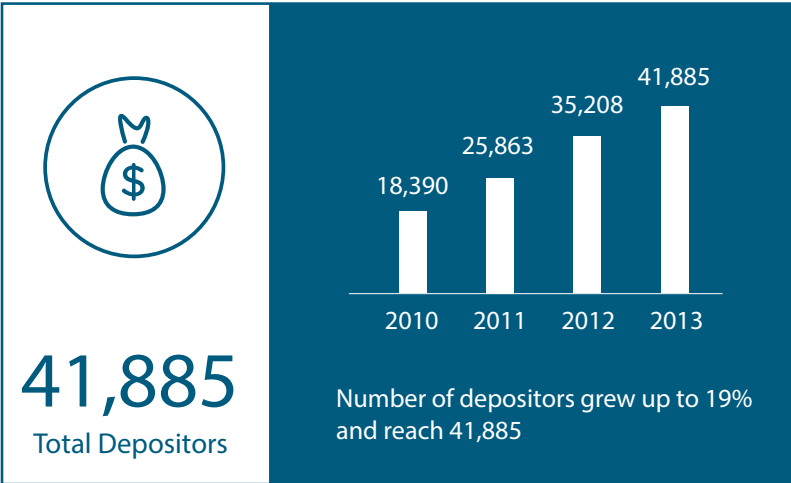
Year ended 31st of December	F.Y. 2010	F.Y. 2011	F.Y. 2012	F.Y. 2013	Incre/(Decre) %
P & L Account (US\$ million)					
Net Interest Income	3.3	6.4	8.5	11.4	34.12%
Net Fee & Commission Income	1.5	2.1	2.9	4.5	55.17%
Net Profit	0.04	2	3.4	4.0	17.65%
B/L Sheet					
Total Deposits	122.4	165.6	224.2	276.9	23.51%
Total Gross Loan	74	93.1	141.3	179.3	26.89%
Share Capital	36	36	36	36	0.00%
Total Assets	155.7	201.5	265	323	21.89%
Key Performance Indicators (KPI%)					
Profitability					
ROAE, %	0.20%	6.10%	9.50%	10.20%	7.37%
ROAA, %	0.04%	1.10%	1.50%	1.40%	-6.67%
Net Interest Margin, %	5.00%	5.50%	4.60%	4.90%	6.5%
Cost/Income, %	93.70%	67.10%	60.80%	59.00%	-2.96%
Funding and Liquidity					
Liquidity, %	52.90%	66.80%	56.30%	50.60%	-10.12%
Credit Deposit Ratio, %	60.50%	56.20%	63.00%	64.70%	2.70%
Liquid Assets/Total Assets, %	21.80%	28.00%	22.40%	20.60%	-8.04%
Capitalization					
Solvency Ratio, %	24.90%	20.00%	17.10%	16.20%	-5.26%
Equity/Total Asset, %	20.60%	16.90%	14.10%	12.80%	-9.22%
Asset Quality					
NPL/Total Loan, %	0.70%	3.40%	2.50%	3.60%	44.00%
Provision/Total Loan, %	1.40%	1.80%	1.60%	2.00%	25.00%
General Information					
Number of Branches	8	10	11	17	54.55%
No. of Staff	197	224	313	444	41.85%
Total ATM Machines	30	32	41	57	39.02%
Total POS Terminals	99	115	146	163	11.64%
Number of Deposit Customers	18,390	25,863	35,208	41,885	18.96%
Number of Borrowers	593	1,456	2,959	4,650	57.15%

SIMPLIFIED FINANCIAL RESULTS

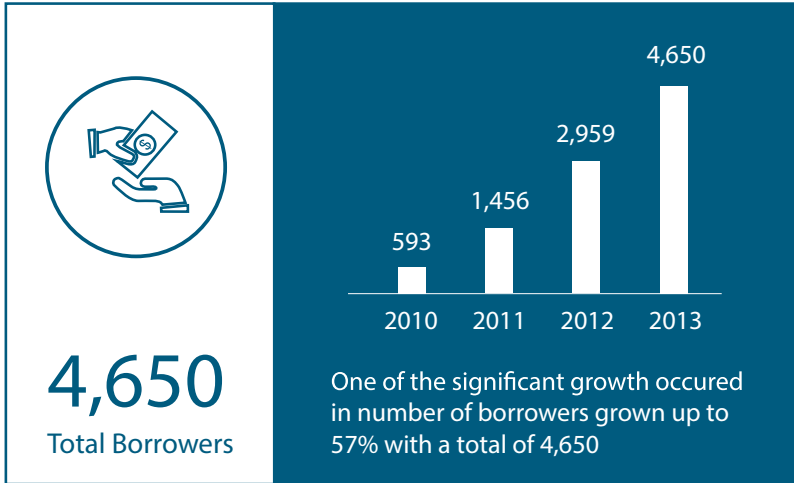


GENERAL INFORMATION

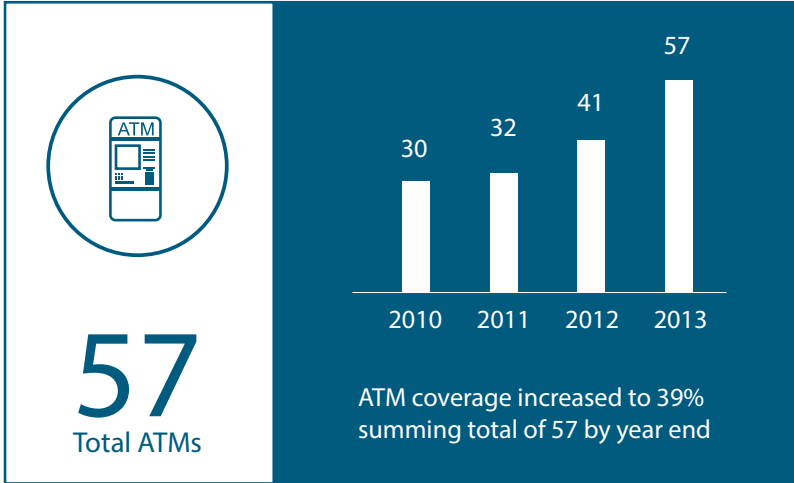
Number of Depositors



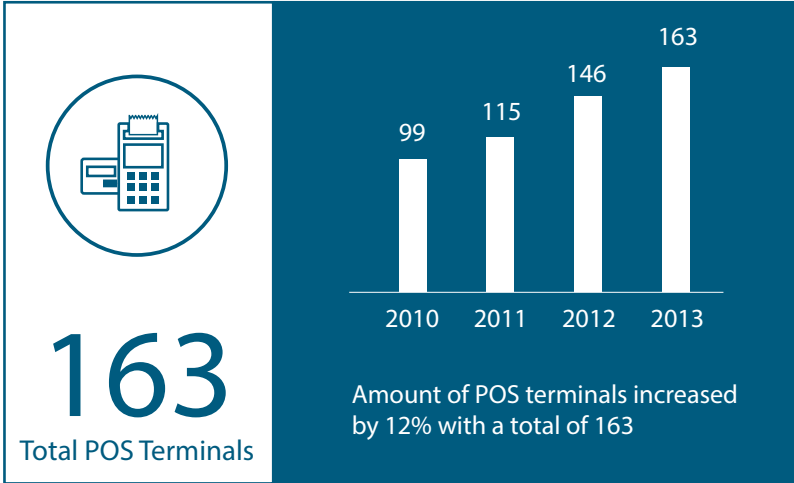
Number of Borrowers



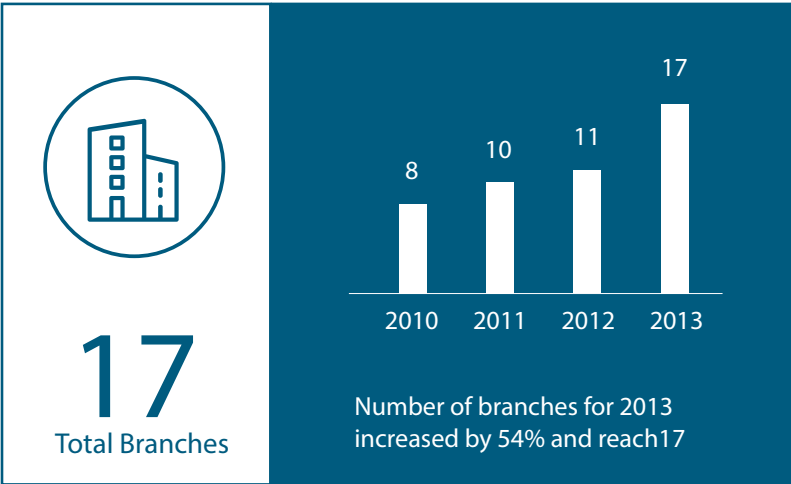
Number of ATMs



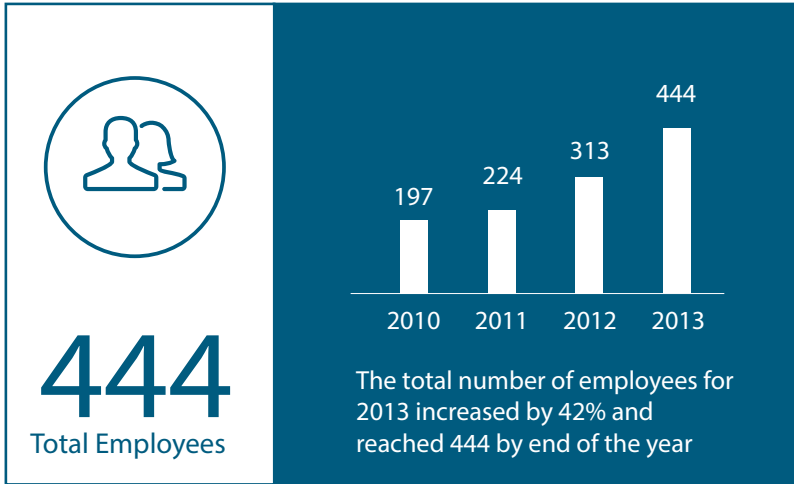
Number of POS Terminals



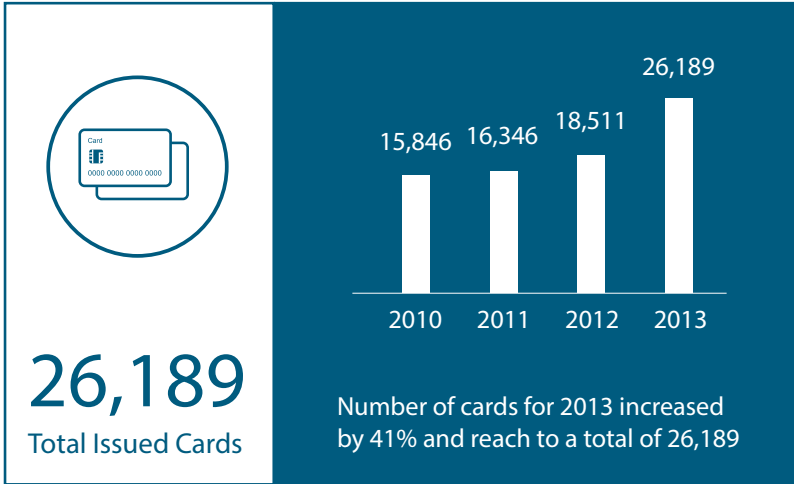
Number of Branches



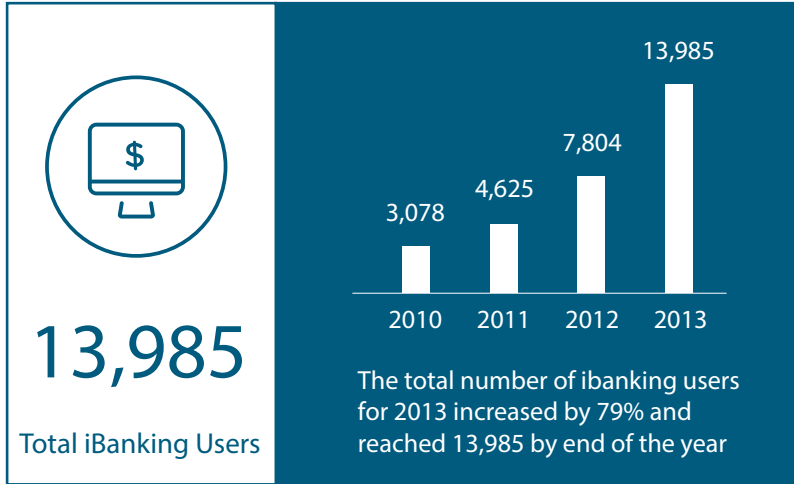
Number of Employees



Number of Issued Cards



Number of iBanking Users



ACHIEVEMENTS IN 2013



Opening of ABA Priority lounge

ABA Bank launched its new premium ABA Priority service, committed to providing an exclusive banking relationship for its high net worth customers.



Introduction of cash-in machines

New cash-in machines combining cash deposit and services payment have been introduced for the first time on the Cambodian market. The main advantage of cash-in machines is that customers are now able to deposit their cash and make other transactions on their ABA Bank accounts at any time 24/7 without having to visit the Bank's offices.



Award from ABF magazine

For the second consecutive year ABA Bank was awarded "Cambodia's Domestic Technology and Operation Bank of the Year" by *Asian Banking and Finance Magazine* (Singapore). The high profile awards ceremony takes place in Singapore with the annual event being attended by over 150 representatives of the banking and financial industry from across the Asia-Pacific region. The award for ABA was credited to the Bank's improvements and continuous work on the innovation and development of technologically improved services to provide service optimization and create customer loyalty.



Expansion of the branch network

ABA Bank announced the official opening of six full service branches in **Takhmao, Takeo, Sihanoukville, Chom Chao, Chbar Ampov and Kampong Speu**. All branches represent ABA to the highest possible standards.



Launch of the brand promotion campaign

In July, ABA launched its brand ad campaign and tagline "A partnership you can trust". The brand campaign highlights ABA's core mission and features the red cube that represents the heart of ABA bank. The airing of ABA brand advertisements shows the commitment of ABA Bank to providing a quality banking service from rural areas to major cities in Cambodia where ABA Bank is now presented. The campaign was promoted on major TV and radio channels and has been broadcast nationwide.

CONTINUOUS IMPROVEMENT

Strategic Human Resource Management

An effective staff is the core of our business. In 2013, we strengthened our focus on Human Resources (HR) management, working to improve our staff through the provision of skills and technical training to improve their core competency. Their improved ability to perform their duties both professionally and politely has had a clear impact on the ongoing improvements in our market competitiveness.

IMPROVING KNOWLEDGE

Since our business is growing and we are continually introducing new products and services to the market, it is crucial for our staff to receive comprehensive training related to appropriate client service and management as well as on how to streamline workflow to improve outputs. Our HR department has therefore paid particular attention to staff training systems, including the appointment of a dedicated business trainer, equipping training rooms, and increasing the number and breadth of training courses the staff undergo within the Bank. In 2013, the comprehensive training program comprised courses in specific skills and disciplines, such as Counterfeit Note Detection, Teller Operating Systems, Customer Service, Card Products, Trade Finance and Remittance, Anti-Money Laundering, and a number of other essential subjects, among them Effective Leadership and Building a Winning Team, and Emergency Training. The program now has a total of 13 disciplines covering all banking activities.



CAREERS

Our active expansion in the provinces has brought about the challenge of finding sufficient talented and experienced people in areas where banking services remain limited. To meet the needs of expanding services in these areas our HR staff has participated in Career Talks in several provinces of the country: Takeo, Pursat, and Kampot. Our experts targeted universities, high schools and local communities in order to promote awareness of ABA Bank and to seek the most experienced, ambitious and proactive candidates in the region. This increased awareness of ABA among young people, a number of whom began considering a career with the Bank. Job announcements spread directly through the target group, and this helped to promote good relations and create useful linkages with people in those areas.

Service Quality

At ABA Bank, we strongly believe that continuous improvements to service quality are essential for building strong relationships with our customers and partners. We are therefore constantly exploring new areas to improve our products and services, and at all times seek to streamline our clients' banking experience, assisting them with their day to day banking needs and helping them to make the right financial and investment decisions.

BRANCH UPGRADES

In response to our expanding customer base and as part of our continuous growth and new initiatives, we have upgraded five branches in Phnom Penh and the provinces. Siem Reap Branch recently moved to a new and improved larger office, conveniently located just a few meters away from its old location.

Other branches – the Head office Branch, Mao Tse Toung, Toek Thla, Stade Chas, Central Branch, Borei Keyla – have re-opened with a fresh, new design. They continue to offer a comprehensive range of services, including direct assistance with dedicated Client Managers. In the upgraded branches a range of sophisticated features are available, among them additional teller counters, convenient, comfortable and freshly decorated waiting areas, dedicated booths for financial service inquiries such as deposits or cash counting, and additional private meeting rooms.

To streamline and accelerate the provision of our services while promoting customer convenience, we have implemented a queuing system, which allows to distribute client flows evenly and analyze possible areas for service improvement. There is no longer any need to stand and queue. Customers are able to sit in comfort in the waiting area while waiting for an electronic notification to be served.



ENHANCING THE CUSTOMER SELF-SERVICE EXPERIENCE

With the aim of aligning the Bank more closely with our customers' needs, enabling them to operate their business and daily life transactions with convenience, we have launched our cash-in machines service (or Cash Deposit Machines). The principal advantage of these self-service terminals is that customers can now replenish account balances, make transactions to ABA Bank accounts at their convenience and even make repayments on loans without having to visit Bank offices. This has enabled us to solve the problem of ready access to bank services for our busiest clients who have limited opportunities to visit ABA Bank Branch offices and make transactions during business hours. Our new services allow them to easily make either cash deposits or loan repayment whenever they want, 24/7. The pilot project showed a great demand for this service, as a result of which the Bank has decided to expand the network of these devices by opening a network of **Service Points**, each of which is in effect a mini Branch. We are proud that our customers now have the ability to withdraw cash from and make deposits into their accounts at any time.

CALL-CENTER DEVELOPMENT

Another important step towards the provision of more sophisticated and comprehensive services for the significantly increased number of our customers is the reorganization of the call-center, turning it into a universal unit, which can be accessed at any time, day or night in both English and Khmer languages. After comprehensive training from different departments, our call-center specialists are now accepting a large number of calls each week on a broad range of topics, as well as feedback requests and other inquiries from our website and social online resources. Our fully trained staff are willing and able to help solve issues related to our products and services. In 2014, customers' call service experience will be further enhanced by the installation of state of the art soft-phone software in the call-center unit for our specialists, which will bring us one step closer to full-scale CRM (client relationship management) system.

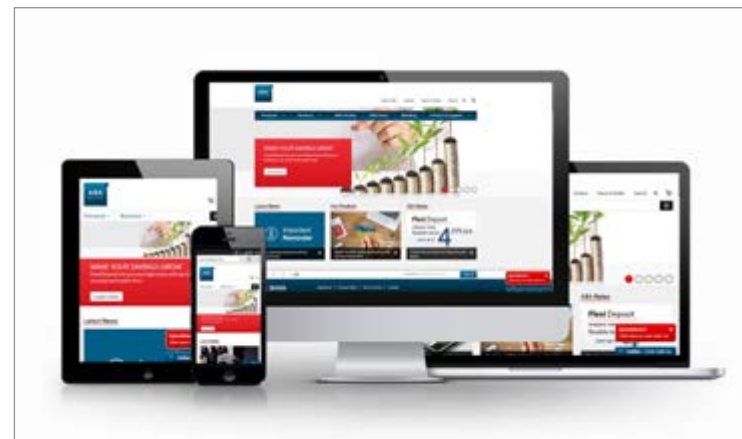


Technological Improvements

ABA Bank has always positioned itself as a sophisticated technological institution. Our experience allows us to be at the forefront of technological advances, using them to enhance our customers' banking experience. Technological innovation helps us to provide our services more efficiently and rapidly, qualities that clients in today's fast-paced world appreciate.

CORPORATE WEBSITE REDESIGN

Website design, development and evolution are at the core of effective online strategies. Our recent website redesign, launched in November last year, goes deeper than its appearance, with an emphasis placed on practical features that are designed to optimize user experience. New interactive elements designed to engage our customers include the ability to send feedback forms, and to use credit and deposit calculators. An online chat forum has also been a popular new feature, with many customers actively using it. In the month following the launch alone, our experts responded to around 600 queries from both prospective and existing clients. In the near future we are planning to publish application forms for the Bank's key products and services, providing our clients with the convenience of applying for products remotely.



CARDHOLDERS' SECURITY IMPROVEMENT

In December, ABA Bank became the first Cambodian bank to launch the **3D-SECURE** service for its VISA and MasterCard holders. The 3D-Secure system provides an extra layer of protection when making transactions online. This technology is available for both MasterCard and VISA cards when making purchases through websites protected by the 'MasterCard Secure Code' and 'Verified by VISA' security systems. ABA Bank customers, who have registered their payment card for the 3D-SECURE service, receive a One-Time Password (OTP), which provides greater protection to our clients' funds and minimizes the potential for and incidence of online fraud.



Corporate Social Responsibility

In all its activities, the Bank continues to maintain the strictest of ethical codes. This allows us to conduct our business with honesty and integrity in the banking market and to support genuine businesses that contribute to the development of Cambodia's economy. This approach is fully aligned with our Mission, Vision and core Values, which are the key guidelines for all our business activities.

SUPPORT OF CHILDREN

In 2013, we focused on young Cambodian people – the hope and future of the development of the country – who, for whatever reason, cannot be fully integrated into society. In particular, we have decided to support the fund for sick and disabled children Reaksa Koma Foundation (RKF). The mission of that organization is to provide direct financial or material support to children in need or through organizations working with children in needs or with sick and handicap children, and disadvantaged children.

In addition, our employees initiated and held several events in children's institutions in Phnom Penh (Pour Un Sourire d'Enfant school, PSE school in Stung Meanchey district) and Khean Svay school, Kandal province. Children there actively participated in drawing lessons and planting of trees, arranged by our staff.



SPORTS AND HEALTH

We continue to support a healthy lifestyle and are keen to support activities and organizations promoting sport and health in Cambodia. We sponsored several sporting initiatives in 2013. In particular, ABA Bank became the gold sponsor of the ninth prestigious equestrian competition in Phnom Penh - “Norodom Sihanouk du Cambodge”. The event was organized by the Equestrian Federation of Cambodia (CEF) and Cambodian Country Club and was visited by His Royal Majesty, King Norodom Sihamoni. This event was a real treat for lovers of this elegant and graceful sport, and was attended by representatives of all ages – from the youngest of riders to more experienced sports people.

In March 2013, Bank staff also took part in the Sihanoukville International Half Marathon event. Our staff and their families ran the three-kilometer distance along with dozens of other sports lovers. This event is held in aneco-friendly atmosphere, one of the racemottos being to “run to protect nature, and to save our planet and the future well-being of mankind”. Participants in the competition – a powerful team-building event – received certificates of participation in appreciation of their efforts.



Also in the world of sports, ABA Bank sponsored the Phnom Penh Dragons basketball team, one of the teams in the Cambodian Basketball League (CBL). Twelve teams are regular CBL participants, representing a range of business sectors in Cambodia. The Phnom Penh Dragons performed creditably, reaching the playoffs and showing a true will to win. Our support of the team will continue in the future.

It is also worth noting the Bank’s desire to help Cambodian health care providers as an important part of raising a healthy generation. In particular, ABA Bank contributed to the development of one of the greatest non-profit children’s hospitals in Siem Reap, the Angkor Hospital for Children (under the Friends Without Borders international organization). Financial assistance from the Bank was focused on the purchase of essential instruments and other items needed in routine hospital care.

The Angkor Hospital for Children (AHC) is a Pediatric Teaching Hospital, which works in cooperation with the Cambodian Government to provide free, quality care to impoverished children in Siem Reap, Cambodia. Since 1999, AHC has provided more than one million medical treatments, education to thousands of Cambodian health workers and prevention training to thousands of families. AHC offers both inpatient and outpatient care, surgical services (including heart-surgery), an emergency room, intensive care treatment and antiretroviral HIV therapy.

Risk Management

Being one of the closest business partners of our clients, it is in our interests for our partners not to take excessive risks. ABA has therefore developed robust risk strategies and frameworks, enabling it to be conscious in its exposure to credit, market, liquidity and operational risks. Risk strategies involve employing an integrated and well-balanced approach to risk and reward, facilitating the achievement of objectives through risk mitigation and optimisation of growth opportunities.

The year 2013 saw a number of achievements that will strengthen risk management at ABA. The Bank began recruiting risk staff in accordance with the Risk Department’s earlier approved organisational chart. The department’s new structure contains three separate units: the Credit Risk Unit, the Financial Risk Unit and the Operational Risk Unit. The build-up of the risk management team as per the organizational structure will enable the department to expand the scope of activities towards greater risk management.



The reporting system has been significantly improved through the introduction of more frequent and comprehensive analysis of each major risk type the Bank is exposed to, and the department will invest substantial efforts to automate the risk management processes as much as possible.

As an addition to the Balanced Scorecards System (BSC) utilized by the Bank to measure the performance of each Branch via specifically designed Key Performance and Key Risk indicators, the Bank designed and implemented a Personal Balanced Scorecards System (PBSC) with specific personal KPIs and KRIs to track the performance and control the risk of the activities of each loan and sales staff member of the Bank, which is undergoing testing and expected to be launched in 2014.

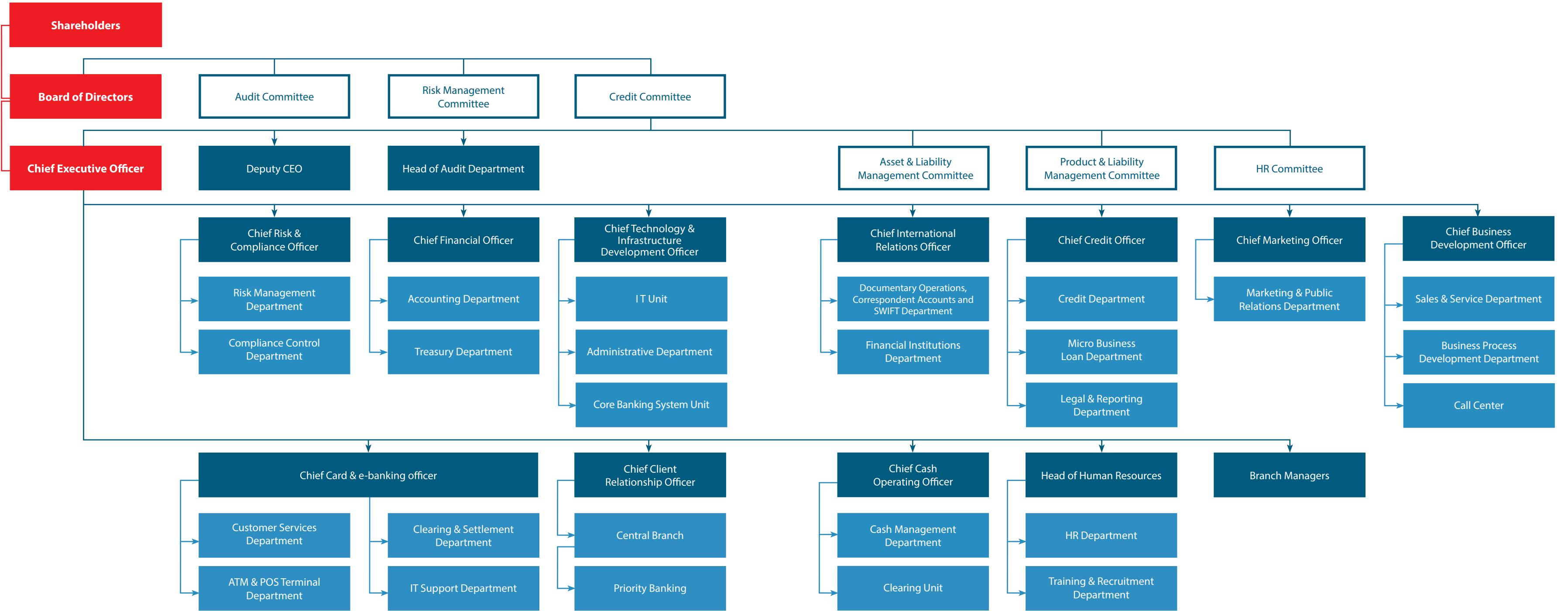
Over the course of the coming financial year, the Bank will continue to work on further strengthening risk management practices, thus enabling the ABA to assume conscious exposure to credit, market, liquidity and operational risks.

MILESTONES

ABA Bank has a long and well-established history. Founded in 1996 as the Advanced Bank of Asia limited, the Bank has passed through different stages of development on the Cambodian market. Since its incorporation, there have been considerable developments. Here is a list of the Bank’s key milestones:



ORGANIZATIONAL CHART



MANAGEMENT TEAM



Mr. Damir Karassayev came to ABA Bank with a wealth of commercial and financial experience. A former President of the Kazakhstan Stock Exchange, Damir has also held senior positions with one of Kazakhstan's largest telecommunications companies, Kar-Tel, as well as with the state gas transportation company, KazTransGas. Damir's overseas experience includes a position as CEO of Nepal's leading mobile phone operator, Spice Nepal. Damir joined ABA Cambodia in 2008.

DAMIR KARASSAYEV
CHAIRMAN OF THE BOARD OF DIRECTORS



With a PhD in Economics and an MSc in Banking and International Finance from the City University of London, Mr. Askhat Azhikhanov has played a leading role in a variety of Kazakhstan financial institutions. He started his banking career with the National Bank of Kazakhstan before moving into the private sector, culminating in a position as Head of Asset Management at Credit Suisse Kazakhstan and then as CEO of Zhetisu Asset Management in Kazhakstan. In 2009, Askhat took up a position as First Deputy Chief Executive Officer at ABA in Cambodia. In 2012, Mr. Azhikhanov was appointed as CEO of ABA Bank.

ASKHAT AZHIKHANOV
CHIEF EXECUTIVE OFFICER



MBA from Cass Business School, City University of London in 2013 and a degree in Economics from the Kazakh State Academy of Management in 1996. Started his career in 1997 in the Treasury Department of the Ministry of Finance of the Republic of Kazakhstan. Between 1998 and 2005, Madi Akmambet held management positions at the Banking Supervision Department of the National Bank of Kazakhstan, quite a few national companies and the Financial Institutions' Association of Kazakhstan. From 2006 to 2007, he worked for Tsesnabank (Astana, Kazakhstan) as Deputy Chairman and First Deputy Chairman of the Management Board. In March 2007, Mr. Madi moved to Tashkent (Uzbekistan) working for a private equity business. In March 2009, he was appointed CEO of ABA Bank in Cambodia, where he served until June 2012. Since then he has continued his work for ABA in the capacity of Executive Director of the Board of Directors.

MADI AKMAMBET
EXECUTIVE DIRECTOR | BOARD OF DIRECTORS



A native of South Korea, Mr. Lee Young Ho has more than three decades' banking experience to his name. Mr. Lee has held senior managerial positions with commercial banks in South Korea, Indonesia and the United States. He was a senior manager with top Korean-American bank WOORI America Bank before joining ABA in 2007.

LEE YOUNG HO
DEPUTY CHIEF EXECUTIVE OFFICER

OUR BRANCH NETWORK

Head Office

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P.O Box 2277
Call center 24/7: (855) 23 225 333
Fax: (855) 23 216 333
info@ababank.com
www.ababank.com
SWIFT: ABAAKHPP

Battambang Branch

No.205-207, Street 3, Village Kamakor, Commune Svay Por, District Battambang, Battambang Province
Tel: (855) 53 953 603 / (855) 98 203 839
Fax: (855) 53 730 814
battambang@ababank.com

Borei Keyla Branch

Corner Street 134 & 169, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh
Tel: (855) 23 999 995 / (855) 98203 869
Fax: (855) 23 999 995
boreikeyla@ababank.com

Central Branch

No. 443A, Preah Monivong Blvd, Sangkat Beoung Prolit, Khan 7 Makara, Phnom Penh
Tel: (855) 23 998 199 / (855) 98 203 199
Fax: (855)23 998 199
central@ababank.com

Chbar Ampov branch

No. 601, Street National Road 1, Village Deom Sleng, Sangkat Chbar Ampov 2, Khan Mean Chey, Phnom Penh
Tel: (855) 98 203 929
chbarampov@ababank.com

Chom Chao Branch

No.824, Street National Road 4, Prey Prenzhang Village, Sangkat Chom Chao, Khan Dangkor, Phnom Penh
Tel: (855) 98 203 939
chomchao@ababank.com

Kampong Cham Branch

No. 31, Preah Monivong Street, Kampong Cham City, Kampong Cham Province
Tel: (855) 42 210 575 / (855) 98 203 879
Fax: (855) 42 210 575
kampongcham@ababank.com

Kampong Speu Branch

Nº346, Street National Road 4, Village: Peanichkam, Commune/ Sangkat Rokathom, District/ Khan Chbamorn, Kampong Speu Province
Tel: 855 98 203 949
kampongspeu@ababank.com

Mao Tse Toung Branch

No. 151 E0-E1-E2, Mao Tse Toung Blvd., Sangkat Boeung Keng Kang 3, Khan Chamkarmorn Phnom Penh
Tel: (855) 23 216 135 / (855) 98 203 809
Fax: (855) 23 216 135
maotsetoung@ababank.com

Siem Reap Branch

No. 01-04, Tep Vong Street, Mondul 2 Commune, Sangkat Svay Dangkum, Siem Reap Province
Tel: (855) 98 203 829
Fax: (855) 63 965 435
siemreap@ababank.com

Sihanoukville Branch

No.131, Villageg01, Street Ekreach, Mittapheap, Sihanouk Ville
Tel: 855 98 203 899
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Stade Chas Branch

No. 26 AE0-E1-E2, Street 70, Sangkat Srah Chak, Khan Daun Penh, Phnom Penh
Tel: (855) 23 986 514 / (855) 98 203 819
Fax: (855) 23 986 514
stadechas@ababank.com

Stung Mean Chey Branch

No.20B & 21B, Monireth Blvd.(St.217), Sangkat Steung Mean Chey, Khan Mean Chey, Phnom Penh
Tel: (855) 98 203 889
stungmeanchey@ababank.com

Takeo Branch

No. 1782, National Road 2, Lo Rie Village, Roka Knong Commune, Daun Keo District, Daun Keo Town, Takeo Province
Tel: 855 98 203 901
takeo@ababank.com

Takhmao Branch

No. 530, Street 107/21, Sangkat Takhmao, Krong Takhmao, Kandal Province
Tel: 855 98 203 919/ 855 98 203 913
takhmao@ababank.com

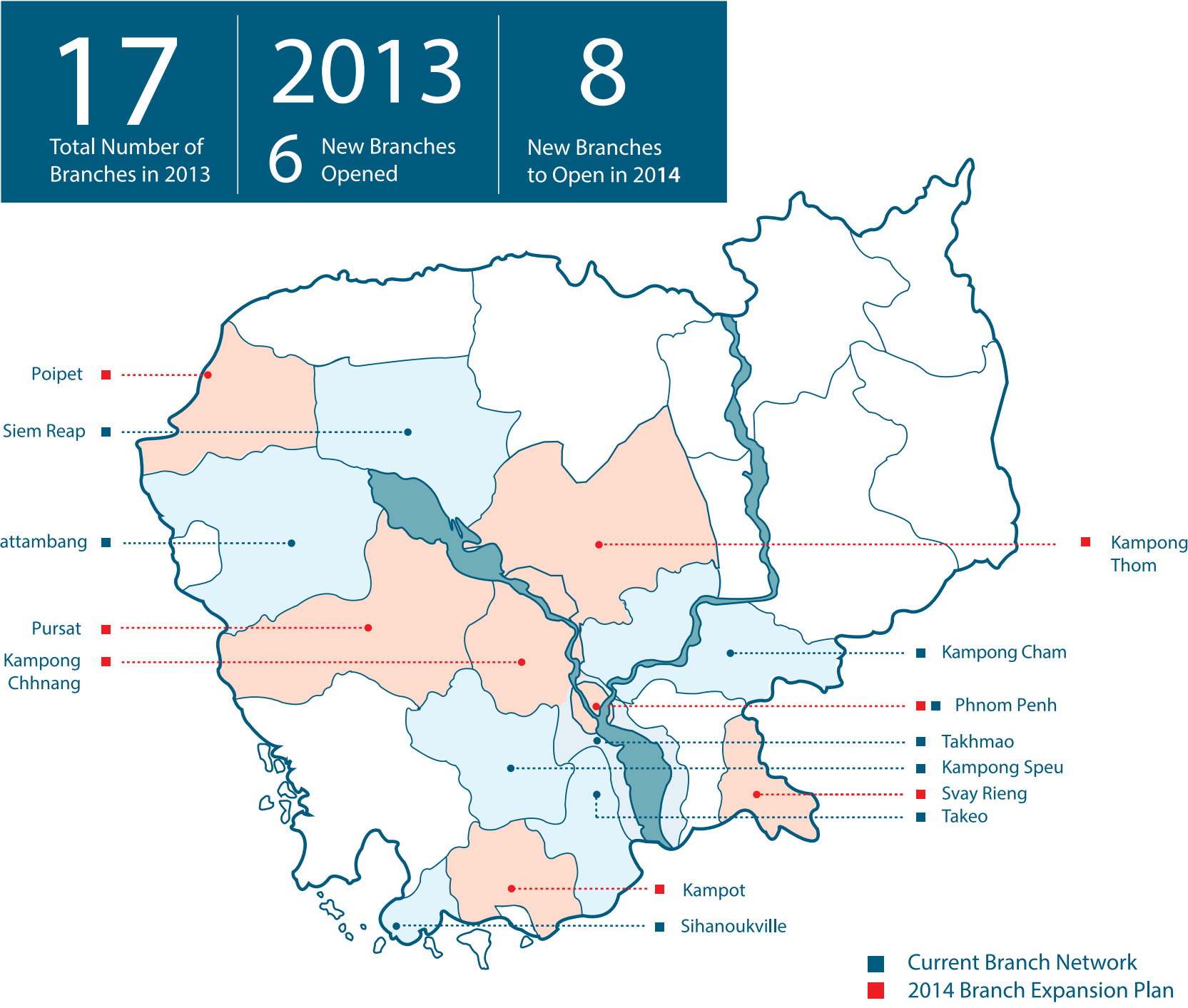
Toek Thla Branch

No. A39-A41, Street Russian Blvd., Sangkat Toek Thla, Khan Russey Keo, Phnom Penh
Tel: (855) 23 995 304 / (855) 98 203 849
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toekthla@ababank.com

Toul Kork Branch

No. 10A, Block A7E0123 and A8E0123 St. 289 Corner 516, Sangkat Boeung Kok I, Khan Toul Kork, Phnom Penh
Tel: (855) 23 883 596 / (855) 98 203 859
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toulkork@ababank.com

BRANCHES LOCATION MAP



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CORPORATE INFORMATION

BANK	Advanced Bank of Asia Limited
REGISTRATION NO	Co-322/97E
REGISTERED OFFICE	No. 148, Preah Sihanouk Blvd, Sangkat Beoung Keng Kang, Khan Chamkarmon, Phnom Penh, Cambodia.
SHAREHOLDERS	Damir Karassayev Visor Growth Fund B.V
DIRECTORS	Damir Karassayev, Chairman Nurlan Tokobayev Yermek Mazhekenov Madi Akmambet
MANAGEMENT TEAM	Askhat Azhikhanov, Chief Executive Officer Lee Young Ho, Deputy Chief Executive Officer Babu Ram Gyawali, Chief Financial Officer Bibhu Pandey, Chief Loan Officer Aldiyar Sultanbekov, Chief International Relations Officer Zokhir Rasulov, Chief Marketing Officer Galymzhan Temirov, Chief Technology and Infrastructure Development Officer Sanzhar Abdullayev, Chief of Card & E-banking Officer Long Phanith, Chief Cash Operating Officer Mey Polin, Chief Business Development Officer
AUDITORS	KPMG Cambodia Ltd

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of Advanced Bank of Asia Limited (“the Bank”) for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

There were no significant changes to these principal activities during the financial year.

FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2013 were as follows:

	2013		2012
	US\$	KHR’000	US\$
		(Note 4)	
Profit before income tax	5,157,081	20,602,540	4,033,166
Income tax expense	(1,109,165)	(4,431,114)	(644,962)
Net profit for the year	4,047,916	16,171,426	3,388,204

DIVIDENDS

No dividends were declared or paid during the financial year and the Directors do not recommend any dividend to be paid for the year.

SHARE CAPITAL

There were no changes in the registered and issued share capital of the Bank during the year.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

BAD AND DOUBTFUL LOANS AND ADVANCES

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

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

CURRENT ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- a. any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- b. any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary 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 substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank for the current period in which this report is made.

DIRECTORS

The Directors who served since the date of the last report are:

Mr. Damir Karassayev, Chairman
Mr. Nurlan Tokobayev, Independent Director
Mr. Yermek Mazhekenov, Independent Director
Mr. Madi Akmambet, Executive Director

DIRECTORS’ INTERESTS

The Directors who held office at the end of the financial year and their interests in the share of the Bank are as follows:

Shareholder	Holding	Number of share
	%	of US\$1,000 each
Mr. Damir Karassayev	80.56	29,000

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements. In preparing these financial statements, the Board of Directors oversees the preparation of these financial statements by management who is required:

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

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

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



Askhat Azhikhanov
Chief Executive Officer

Date: 27 March 2014

REPORT OF THE INDEPENDENT AUDITORS



**TO THE SHAREHOLDERS
ADVANCED BANK OF ASIA LIMITED**

We have audited the accompanying financial statements of Advanced Bank of Asia Limited (“the Bank”), which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 35 to 80.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Advanced Bank of Asia Limited as at

31 December 2013 and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Other Matter

The financial statements of the Bank as at and for the year 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 March 2013.

For KPMG Cambodia Ltd



Nge Huy
Audit Partner

Phnom Penh, Kingdom of Cambodia
27 March 2014

BALANCE SHEET

As at 31 December 2013

	2013			2012
	Note	US\$	KHR'000 (Note 4)	US\$
ASSETS				
Cash on hand	5	13,264,616	52,992,141	9,947,495
Deposits and placements with banks	6	53,232,629	212,664,353	49,417,581
Loans and advances to customers - net	7	176,649,399	705,714,348	139,829,640
Capital investment		25,588	102,224	25,588
Investment securities	8	33,401,590	133,439,352	26,810,482
Foreclosed property		481,303	1,922,805	478,934
Other assets	9	4,281,177	17,103,302	3,286,773
Statutory deposits with National Bank of Cambodia	10	37,181,489	148,540,049	32,084,884
Intangible assets	11	1,681,370	6,717,073	1,675,691
Property and equipment	12	2,526,675	10,094,067	1,414,988
TOTAL ASSETS		322,725,836	1,289,289,714	264,972,056
LIABILITIES AND SHAREHOLDERS' FUNDS				
LIABILITIES				
Deposits from customers and banks	13	276,937,867	1,106,366,778	224,232,365
Other liabilities	14	3,185,180	12,724,794	2,800,746
Provision for income tax	15(a)	789,559	3,154,288	185,591
Deferred tax liabilities	15(b)	281,232	1,123,522	269,272
TOTAL LIABILITIES		281,193,838	1,123,369,382	227,487,974
SHAREHOLDERS' FUNDS				
Share capital	16	36,000,000	143,820,000	36,000,000
Retained earnings		5,531,998	22,100,332	1,484,082
TOTAL SHAREHOLDERS' FUNDS		41,531,998	165,920,332	37,484,082
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		322,725,836	1,289,289,714	264,972,056

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

INCOME STATEMENT

for the year ended 31 December 2013

		2013		2012
	Note	US\$	KHR’000	US\$
			(Note 4)	
Interest income	17	21,635,962	86,435,668	17,426,320
Interest expense	18	(10,273,927)	(41,044,338)	(8,887,252)
NET INTEREST INCOME		11,362,035	45,391,330	8,539,068
Fee and commission income - net	19	3,895,221	15,561,408	2,903,037
Other operating income	20	647,574	2,587,058	522,908
Personnel cost	21	(3,508,651)	(14,017,060)	(2,658,317)
General and administrative expenses	22	(5,107,372)	(20,403,951)	(3,939,378)
Depreciation and amortisation		(756,783)	(3,023,348)	(673,703)
OPERATING PROFIT		6,532,024	26,095,437	4,693,615
Allowance for bad and doubtful loans and advances	7	(1,345,743)	(5,376,243)	(660,449)
PROFIT BEFORE INCOME TAX AND FINANCE COST		5,186,281	20,719,194	4,033,166
Finance cost		(29,200)	(116,654)	-
PROFIT BEFORE INCOME TAX		5,157,081	20,602,540	4,033,166
Income tax expense	15(c)	(1,109,165)	(4,431,114)	(644,962)
NET PROFIT FOR THE YEAR		4,047,916	16,171,426	3,388,204

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Share capital	(Accumulated loss) / Retained earnings	Total
	US\$	US\$	US\$
Balance as at 1 January 2012	36,000,000	(1,904,122)	34,095,878
Net profit for the year	-	3,388,204	3,388,204
BALANCE AS AT 31 DECEMBER 2012	36,000,000	1,484,082	37,484,082
Balance as at 1 January 2013	36,000,000	1,484,082	37,484,082
Net profit for the year	-	4,047,916	4,047,916
BALANCE AS AT 31 DECEMBER 2013	36,000,000	5,531,998	41,531,998
BALANCE AS AT 31 DECEMBER 2013 (KHR’000 EQUIVALENTS – NOTE 4)	143,820,000	22,100,332	165,920,332

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

		2013		2012
	Note	US\$	KHR'000 (Note 4)	US\$
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES				
Net cash from/(used in) operating activities	23	24,037,001	96,027,820	(26,102,544)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment		(1,746,271)	(6,976,353)	(624,353)
Purchase of intangible asset		(128,876)	(514,860)	-
Proceeds from disposal of property and equipment		14,986	59,869	8,646
NET CASH USED IN INVESTING ACTIVITIES		(1,860,161)	(7,431,344)	(615,707)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital investment		-	-	(588)
NET CASH USED IN FINANCING ACTIVITIES		-	-	(588)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22,176,840	88,596,476	(26,718,839)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,209,502	64,756,961	42,928,341
CASH AND CASH EQUIVALENT AT END OF YEAR	24	38,386,342	153,353,437	16,209,502

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Advanced Bank of Asia Limited (“the Bank”) was incorporated in Cambodia on 25 October 1996 under Registration No. Co. 322/97E dated 25 October 1996 granted by the Ministry of Commerce and commenced operations on 25 October 1996. On 28 November 2006, the Bank was granted a permanent banking licence No.14 from the National Bank of Cambodia (“NBC”).

The registered office of the Bank is located at No. 148, Preah Sihanouk Blvd., Sangkat Boeung Keng Kang I, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There have been no significant changes in the nature of these principal activities during the financial year.

As at 31 December 2013, the Bank had 444 employees (31 December 2012: 313 employees).

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements of the Bank were authorised for issue by the Board of Directors on 27 March 2014.

(b) Basis of measurement

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

(c) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However as the Bank transacts and maintains its accounting records primarily in United States Dollars (“US\$”), management have determined the US\$ to be the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

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

(d) Use of estimates and judgements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

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

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original 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.

(c) Deposits and placements with banks

Deposits and placements with banks are carried at cost.

(d) Loans and advances

All loans and advances to customers are stated in the balance sheet at the amount of principal, less any amounts written off, and allowance for bad and doubtful loans and advances.

Loans are written off when there is no realistic prospect of recovery. Recoveries on loans previously written off and reversals of previous provisions are disclosed separately together with the net movement in the provision for bad and doubtful loans and advances in the income statement.

(e) Allowance for bad and doubtful loans and advances

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

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

Classification	Number of days past due	Provision
Normal/standard	< 30 days	1%
Special mention	> 30 days – 90 days	3%
Substandard	> 90 days – 180 days	20%
Doubtful	> 180 days – 360 days	50%
Loss	More than 360 days	100%

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

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

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

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

(f) Interest in suspense

Interest in suspense represents interest on non-performing loans and advances, that is recorded as a provision rather than income until it is realised on a cash basis.

Interest in suspense is presented as a deduction from loans and advances.

(g) Investment securities

Held to maturity investment are carried at amortised cost using the effective interest method less any impairment losses.

(h) Statutory deposits

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

(i) Other assets

Other assets are stated at the lower of cost.

(j) **Foreclosed properties**

Foreclosed properties consist of moveable and immoveable properties which are carried at the lower of the outstanding balance of the related loan or advance and the estimate fair value of the property at the date of the foreclosure.

(k) **Intangible assets**

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Software costs are amortised over the expected useful lives of 3 to 20 years.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

(l) **Property and equipment**

- (i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of premises and equipment comprises major components having different useful lives, they are accounted for as separate items of premises and equipment.
- (ii) Depreciation of premises and equipment is charged to the income statement on a straight-line basis over the useful lives of the individual assets as follows:

Leasehold improvements	1 - 10 years
Office equipment & furniture, fixture	5 years
Motor vehicles	5 years
Computers & IT equipment	3 – 6 years

- (iii) Work in progress is not depreciated until such time as the items are completed and put into operational use.
- (iv) Subsequent expenditure relating to an item of premises and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.
- (v) Gains or losses arising from the retirement or disposal of an item of premises and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (vi) Fully depreciated premises and equipment are retained in the financial statements until disposed of or written off.

(m) **Impairment of assets**

(i) **Financial assets**

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

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

All impairment losses are recognised in the income statement.

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

(ii) **Non-financial assets**

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

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

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

(n) **Deposits from customers and banks**

Deposits from customers and banks are stated at cost.

(o) **Borrowings**

Borrowings are stated at the amount of the principal outstanding.

(p) **Payables and other liabilities**

Payables and other liabilities are stated at their costs.

(q) Provisions

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

(r) Income recognition

Interest income is recognised on an accruals basis. Interest income on overdrafts, term loans and other loans is recognised by reference to rest periods, which are either monthly or daily. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

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

- (i) Loan arrangement fees and commissions on services and facilities extended to customers are recognised as income over the period in which the services and facilities are extended. Unamortised loan fees are presented as a reduction to loans and advances to customers.
- (ii) Commitment fees and guarantee fees on services and facilities extended to customers are recognised on the occurrence of such transactions; and
- (iii) Service charges and processing fees are recognised when the service is provided.

(s) Interest expense

Interest expense on deposits from customers is recognised on a daily accruals basis.

(t) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease.

(u) Income tax

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(v) Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Bank and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

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

4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines issued by the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR 3,995 published by the NBC on 31 December 2013. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. CASH ON HAND

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Cash on hand	12,793,692	51,110,800	9,411,922
Cash items in the process of collection	470,924	1,881,341	535,573
	13,264,616	52,992,141	9,947,495

6. DEPOSITS AND PLACEMENT WITH BANKS

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
INSIDE CAMBODIA			
National Bank of Cambodia	9,249,542	36,951,920	4,238,974
Canadia Bank Plc.	4,705,058	18,796,707	208,541
Acleda Bank Plc.	448,408	1,791,390	4,167,536
Singapore Banking Corporation Limited	4,347	17,366	4,387
Cambodian Public Bank Plc.	723	2,888	784
Union Commercial Bank Plc.	70,725	282,546	86,044
Hattha Kaksekar Limited	542,227	2,166,197	1,015,280
Sacom Bank (Cambodia) Plc.	10,000,000	39,950,000	3,082,652
Phnom Penh Commercial Bank	4,000,000	15,980,000	-
Bank for Investment and Development of Cambodia	13,506,944	53,960,242	28,119,141
Prasac Microfinance Institution Ltd	2,000,000	7,990,000	1,929,261
Sathapana limited	750,000	2,996,250	500,000
Amret Co., Ltd	900,000	3,595,500	600,000
Kredit Microfinance Institution Plc	350,000	1,398,250	280,000
RHB Indochina Bank Limited	-	-	3,121,058
Angkor Mikroheranhvatho (Kampuchea) Co., Ltd	-	-	300,000
VisionFund (Cambodia) Ltd	-	-	150,000
	46,527,974	185,879,256	47,803,658
OUTSIDE CAMBODIA			
Masheq Bank	893,065	3,567,795	589,077
Standard Chartered Bank	2,174,856	8,688,550	254,097
JPMorgan Chase Bank	374,950	1,497,925	219,389
Deutsche Bank Trust Company	1,132,303	4,523,550	158,539
Commerz Bank	782,472	3,125,976	142,934
Korea Exchange Bank	627,896	2,508,445	141,002
DBS Bank	258,038	1,030,862	97,624

Development Bank of Philippines	49,909	199,386	11,261
KB Kookmin Bank	411,166	1,642,608	-
	6,704,655	26,785,097	1,613,923

	53,232,629	212,664,353	49,417,581
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Further analysis of the above deposits and placements is as follows:

(a) By maturity	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Within one month	24,612,892	98,328,504	5,758,065
Later than one month to three months	508,834	2,032,792	503,942
Later than three months to six months	7,995,000	31,940,025	20,266,933
Later than six months to twelve months	20,115,903	80,363,032	22,888,641
	53,232,629	212,664,353	49,417,581

(b) By currency	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
US Dollars	52,008,210	207,772,799	49,006,024
Khmer Riel	286,222	1,143,457	175,024
EURO	805,093	3,216,347	156,166
Thai Baht	43,624	174,278	45,604
British Pound	74,372	297,116	20,499
Singapore Dollars	15,108	60,356	14,264
	53,232,629	212,664,353	49,417,581

(c) By interest rates (per annum):

	2013	2012
Micro Finance Institutions in Cambodia	5.00% - 8.15%	5.00% - 8.15%
Banks in Cambodia	0.25% - 5.00%	0.02% - 5.00%
Banks outside Cambodia	0% to 0.95%	0.00% - 0.95%

7. LOANS AND ADVANCES TO CUSTOMERS - NET

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Commercial loans:			
Long term loans	139,792,449	558,470,834	103,313,457
Short term loans	8,502,692	33,968,255	12,138,078
Overdrafts	25,268,689	100,948,413	22,531,004
Consumer loans:			
Housing loans	3,149,015	12,580,315	1,760,037
Vehicle loans	590,741	2,360,010	670,304
Staff loans	1,677,442	6,701,381	715,176
Credit cards loans	297,897	1,190,099	174,413
Total loans – gross			
	179,278,925	716,219,307	141,302,469
Net interest receivable			
Accrued interest receivable	2,204,222	8,805,866	1,457,750
Interest-in-suspense	(1,170,652)	(4,676,756)	(613,226)
Total gross loans and net interest receivable			
	180,312,495	720,348,417	142,146,993

Allowance for bad and doubtful loans and advances	(3,663,096)	(14,634,069)	(2,317,353)
Movements of allowance for bad and doubtful loans are as follows:			
	2013	2012	
	US\$	KHR'000 (Note 4)	US\$
At beginning of year	2,317,353	9,257,826	1,668,398
Addition during the year	1,636,231	6,536,743	833,587
Recovery during the year	(290,488)	(1,160,500)	(173,138)
Write-off during the year	-	-	(11,494)
	1,345,743	5,376,243	648,955
At 31 December			
	3,663,096	14,634,069	2,317,353

Loan and advances are analysed as follows:

(a) By maturity:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Within one month	6,144,063	24,545,532	5,496,691
2 to 3 months	6,339,230	25,325,224	4,549,330
4 to 6 months	10,798,663	43,140,659	8,064,699
7 to 12 months	22,619,926	90,366,604	18,975,511
1 to 3 years	31,988,727	127,794,964	23,149,007
4 to five years	57,227,529	228,623,978	51,792,672
Over five years	44,160,787	176,422,346	29,274,559
Total gross loans and net interest receivable			
	179,278,925	716,219,307	141,302,469

(b) By performance:

Standard loans			
Secured	165,755,514	662,193,278	133,189,625
Unsecured	4,086,215	16,324,429	2,259,473
Special mention loans			
Secured	2,867,521	11,455,746	2,328,476
Sub-standard loans			
Secured	5,632,267	22,500,907	2,955,012
Doubtful loans			
Secured	172,243	688,112	531,937
Unsecured	-	-	3,826
Loss loans			
Secured	215,165	859,585	34,120
Unsecured	550,000	2,197,250	-
	179,278,925	716,219,307	141,302,469

(c) By security:

Secured	174,642,710	697,697,628	139,039,170
Unsecured	4,636,215	18,521,679	2,263,299
	179,278,925	716,219,307	141,302,469

(d) By currency:

US Dollars	179,278,925	716,219,307	141,302,469
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(e) By residency status:

Residents	177,560,236	709,353,143	141,297,908
Non residents	1,718,689	6,866,164	4,561
	179,278,925	716,219,307	141,302,469

(f) By relationship:

Non related parties	179,278,925	716,219,307	141,302,469
	179,278,925	716,219,307	141,302,469

(g) By industry:

Wholesale and retail	50,883,179	203,278,300	41,287,147
Services	23,447,485	93,672,703	21,709,113
Manufacturing	11,808,426	47,174,662	11,958,255
Agriculture	13,463,876	53,788,185	10,412,213
Real estate	28,109,425	112,297,153	8,880,784
Construction	6,228,036	24,881,004	7,623,348
Personal consumption	5,592,598	22,342,429	3,192,209
Financial institution	3,155,556	12,606,446	2,700,000
Other services	36,590,344	146,178,425	33,539,400
	179,278,925	716,219,307	141,302,469

(h) By exposure:

Large exposures	10,165,642	40,611,741	16,757,499
Non-large exposures	169,113,283	675,607,566	124,544,970
	179,278,925	716,219,307	141,302,469

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

(i) By interest rates (per annum):

	2013	2012
Overdrafts	6.00% - 18.00%	6.00% - 16.00%
Loans	4.00% - 25.20%	4.00% - 25.20%
Trade finance	9.50%	10.50%
Staff loans	5% to 13.2%	5.00% - 15.00%

8. INVESTMENT SECURITIES

	2013		2012
	US\$	KHR’000	US\$
		(Note 4)	
Securities held to maturity (*)	33,401,590	133,439,352	26,810,482
	33,401,590	133,439,352	26,810,482

(*) Due to the excess of liquidity, the Bank decided to invest the excess portion in other company bonds which are designated as held to maturity securities.

9. OTHER ASSETS

	2013		2012
	US\$	KHR’000	US\$
		(Note 4)	
Interests receivable on deposits and placements with other bank and securities	1,059,943	4,234,472	1,262,283
Deposits	1,880,745	7,513,576	1,269,972
Advance payments	248,946	994,539	181,424
Pay and Go receivable	271,254	1,083,660	-
Moneygram and Mastercard receivable	674,367	2,694,096	433,139
Others	145,922	582,959	139,955
	4,281,177	17,103,302	3,286,773

10. STATUTORY DEPOSITS WITH NATIONAL BANK OF CAMBODIA

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Statutory capital deposits	3,600,000	14,382,000	3,600,000
Reserve requirements on customer deposits	33,581,489	134,158,049	28,484,884
	37,181,489	148,540,049	32,084,884

(a) Statutory capital deposit:

Under NBC's Prakas No. B 7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit of ten per cent of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia. During the year, interest was earned at rates ranging from 0.11% to 0.12% per annum (31 December 2012: 0.13% to 0.20% per annum).

(b) Reserve requirements on customer deposits:

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-012-140 dated 27 September 2012 at the rates of 8% of customers' deposits in KHR and 12.5% in currency other than KHR. The 4.5% of statutory deposit on customers' deposits in currency other than KHR earns interest at 1/2 SIBOR (one month) while the remaining 8% and the statutory deposit on customers' deposits in KHR do not earn interest.

11. INTANGIBLE ASSETS

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
COST			
At 1 January	1,978,559	7,904,343	1,978,559
Additions	128,876	514,860	-
At 31 December	2,107,435	8,419,203	1,978,559

ACCUMULATED AMORTISATION

At 1 January	302,868	1,209,958	181,488
Charge for the year	123,197	492,172	121,380

At 31 December	426,065	1,702,130	302,868
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CARRYING AMOUNTS

At 31 December	1,681,370	6,717,073	1,675,691
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12. PROPERTY AND EQUIPMENT

2013

	Leasehold improvements	Office equipment & furniture, fixture	Motor vehicles	Computers & IT equipment	Total			Leasehold improvements	Office equipment & furniture, fixture	Motor vehicles	Computers & IT equipment	Total
	US\$	US\$	US\$	US\$	US\$	KHR'000		US\$	US\$	US\$	US\$	US\$
COST						(Note 4)	COST					
At 1 January 2013	1,039,286	812,099	170,193	1,056,264	3,077,842	12,295,979	At 1 January 2012	865,648	708,057	154,359	741,805	2,469,869
Additions	799,091	330,529	136,634	480,017	1,746,271	6,976,353	Additions	173,638	104,042	32,214	314,459	624,353
Disposals	-	(9,311)	(39,630)	(30,165)	(79,106)	(316,028)	Disposals	-	-	(16,380)	-	(16,380)
At 31 December 2013	1,838,377	1,133,317	267,197	1,506,116	4,745,007	18,956,304	At 31 December 2012	1,039,286	812,099	170,193	1,056,264	3,077,842
Less: ACCUMULATED DEPRECIATION							Less: ACCUMULATED DEPRECIATION					
At 1 January 2013	494,662	557,141	127,763	483,288	1,662,854	6,643,102	At 1 January 2012	328,193	405,235	111,869	278,957	1,124,254
Charge for the year	222,221	145,159	19,047	247,159	633,586	2,531,176	Charge for the year	166,469	151,906	29,617	204,331	552,323
Disposals	-	(9,312)	(38,631)	(30,165)	(78,108)	(312,041)	Disposals	-	-	(13,723)	-	(13,723)
At 31 December 2013	716,883	692,988	108,179	700,282	2,218,332	8,862,237	At 31 December 2012	494,662	557,141	127,763	483,288	1,662,854
CARRYING AMOUNTS							CARRYING AMOUNTS					
At 31 December 2013	1,121,494	440,329	159,018	805,834	2,526,675	10,094,067	At 31 December 2012	544,624	254,958	42,430	572,976	1,414,988

13. DEPOSITS FROM CUSTOMERS AND BANKS

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Demand deposits	15,345,960	61,307,110	13,444,925
Savings deposits	159,687,021	637,949,649	134,896,790
Fixed deposits	101,841,703	406,857,603	75,653,324
Margin deposits	63,183	252,416	237,326
	276,937,867	1,106,366,778	224,232,365

The above amounts are analysed as follows:

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
(a) By maturity			
Within one month	187,413,050	748,715,135	154,518,469
2 to 3 months	23,908,968	95,516,327	11,143,044
4 to 6 months	30,987,552	123,795,270	26,996,464
7 to 12 months	27,883,214	111,393,440	19,974,708
More than one year	6,745,083	26,946,606	11,599,680
	276,937,867	1,106,366,778	224,232,365

(b) By type of customer

Individuals	202,240,545	807,950,977	168,692,772
Business enterprises	71,701,166	286,446,158	53,697,271
Banks and other financial institutions	2,996,156	11,969,643	1,842,322

	276,937,867	1,106,366,778	224,232,365
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(c) By status

Residence	267,345,702	1,068,046,079	217,588,085
Non Residence	9,592,165	38,320,699	6,644,280
	276,937,867	1,106,366,778	224,232,365

(d) By currency:

US Dollars	276,374,517	1,104,116,195	223,877,677
Khmer Riel	558,741	2,232,170	337,639
Thai Baht	239	955	188
Australian Dollars	18	72	22
EURO	4,352	17,386	16,839

	276,937,867	1,106,366,778	224,232,365
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(e) By relationship:

Related parties	413,973	1,653,822	228,179
Non related parties	276,523,894	1,104,712,956	224,004,186

	276,937,867	1,106,366,778	224,232,365
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(f) By interest rates (per annum):

	2013	2012
Savings deposit	0.75%	0.75%
Fixed deposits	2.5% to 8.00%	2.50% - 8.50%

14. OTHER LIABILITIES

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Interest payable	2,626,978	10,494,777	2,449,469
Accrued expense	119,662	478,050	39,148
Other tax payable	230,687	921,595	190,818
Others	207,853	830,372	121,311
	3,185,180	12,724,794	2,800,746

15. INCOME TAX

(a) Provision for income tax

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	185,591	741,436	13,389
Current tax expense	1,097,205	4,383,334	375,690
Income tax paid	(493,237)	(1,970,482)	(203,488)
Balance at end of year	789,559	3,154,288	185,591

(b) Deferred tax liabilities

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Deferred tax liabilities	281,232	1,123,522	269,272
	281,232	1,123,522	269,272

The movement of net deferred tax liabilities and (assets) during the year is as follows:

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Balance at beginning of year	269,272	1,075,742	-
Recognised in income statement	11,960	47,780	269,272
Balance at end of year	281,232	1,123,522	269,272

(c) Income tax expense

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Current tax expense	1,097,205	4,383,334	375,690
Deferred tax	11,960	47,780	269,272
	1,109,165	4,431,114	644,962

In accordance with Cambodian law, the Bank bears corporate income tax of the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenue.

The reconciliation of income taxes computed at the statutory tax rate to the current income tax expense in respect to the current year is as follows:

	2013				2012
	%	US\$	KHR'000 (Note 4)	%	US\$
Profit before income tax		5,157,081	20,602,540		4,033,166
Statutory income tax	20.00	1,031,416	4,120,506	20.00	806,633
Effect of non-deductible	0.19	9,745	38,932	0.31	12,544
Under provision in prior year	1.32	68,004	271,676	-	-
Utilisation tax loss	-	-	-	(4.32)	(174,215)

Income tax expense	21.51	1,109,165	4,431,114	15.99	644,962
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The calculation of taxable income is subject to the review and approval of the tax authorities.

16. SHARE CAPITAL

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
SHARES OF US\$1,000 EACH:			
Issued and fully paid 36,000 shares	36,000,000	143,820,000	36,000,000

The analysis of shareholdings is as follows:

	2013			2012		
	% of	Number of	Amount	% of	Number of	Amount
	Ownership	shares	US\$	Ownership	shares	US\$
Damir Karassayev	80.56	29,000	29,000,000	80.56	29,000	29,000,000
Visor Growth Fund B.V	19.44	7,000	7,000,000	19.44	7,000	7,000,000
	100.00	36,000	36,000,000	100.00	36,000	36,000,000

17. INTEREST INCOME

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Loans and advances	18,064,123	72,166,171	12,897,862
Deposits and placements with banks	1,677,577	6,701,920	1,667,268
Investment securities	1,894,262	7,567,577	2,861,190

	21,635,962	86,435,668	17,426,320
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18. INTEREST EXPENSE

Interest expense is incurred on deposits from bank and non-bank customers.

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Currents account	9,372	37,441	-
Savings deposit	5,541,526	22,138,396	4,830,491
Fixed deposits	4,723,029	18,868,501	4,056,761
	10,273,927	41,044,338	8,887,252

19. FEE AND COMMISSION INCOME - NET

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Fee and commission:			
Loan commitment fees	1,377,407	5,502,741	1,296,339
Inward and outward remittances	807,217	3,224,832	724,059
Visa and credit card	1,375,485	5,495,063	728,659
Telex, phone and fax	82,110	328,029	79,235
Other fees	340,359	1,359,734	143,177
	3,982,578	15,910,399	2,971,469
Fee and commission expense	(87,357)	(348,991)	(68,432)

	3,895,221	15,561,408	2,903,037

20. OTHER OPERATING INCOME

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Gain on sales of investment securities	513,257	2,050,462	391,390
Foreign exchange gain, net	133,477	533,240	98,163
Other income	840	3,356	33,355
	647,574	2,587,058	522,908

21. PERSONNEL COST

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Salaries and wages	3,461,133	13,827,226	2,602,008
Others personnel cost	47,518	189,834	56,309
	3,508,651	14,017,060	2,658,317

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Office rental	884,398	3,533,170	706,414
Marketing and advertising	1,206,542	4,820,135	585,141
Card expenses	715,066	2,856,689	462,807
Repairs and maintenance	326,907	1,305,993	263,161
Utilities expenses	293,884	1,174,067	234,059
Office supplies	269,591	1,077,016	234,556
License fees	137,270	548,394	186,555
Communication	179,801	718,305	150,786
Motor vehicle operation expenses	211,225	843,844	134,058
Travelling	69,134	276,190	75,935
Business meal and entertainment	51,398	205,335	36,364
Professional fees	66,089	264,026	69,323
Insurance expenses	28,588	114,209	21,027
Securities expense	202,037	807,137	134,286
Membership fee	30,838	123,198	15,261
Other expenses	434,604	1,736,243	629,645
	5,107,372	20,403,951	3,939,378

23. NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES

	2013		2012
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	5,157,081	20,602,540	4,033,166
Adjustments for:			
Depreciation and amortisation	756,783	3,023,348	673,703

Allowance for bad and doubtful loans and advances	1,345,743	5,376,243	660,449
Gain on disposal of property and equipment	(13,988)	(55,882)	(5,988)
Operating profit before changes in operating assets and liabilities	7,245,619	28,946,249	5,361,330
Changes in:			
Deposits and placements with banks	15,044,671	60,103,461	(29,097,388)
Loans and advances to customers	(38,165,502)	(152,471,180)	(48,189,076)
Investment securities	(6,591,108)	(26,331,477)	(2,118,715)
Other assets	(996,773)	(3,982,108)	(1,958,819)
Statutory deposits with central bank	(5,096,605)	(20,360,937)	(9,548,724)
Deposits from customers and banks	52,705,502	210,558,480	58,623,560
Other liabilities	384,434	1,535,814	1,028,776
Net cash generated from/(used in) operations	24,530,238	97,998,302	(25,899,056)
Income tax paid	(493,237)	(1,970,482)	(203,488)
Net cash generated from/(used in) operating activities	24,037,001	96,027,820	(26,102,544)

24. CASH AND CASH EQUIVALENTS

		2013		2012
		US\$	KHR'000	US\$
			(Note 4)	
Cash in hand	5	13,264,616	52,992,141	9,947,495
Deposits and placements with banks with maturities less than three months		25,121,726	100,361,296	6,262,007
		38,386,342	153,353,437	16,209,502

25. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related party balances

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
DUE TO:			
Deposits and placements by key management	413,973	1,653,822	895,526

(b) Other related party transactions

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Interest expenses to key management	29,818	119,124	51,156

(c) Key management personnel remuneration

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Salaries and benefits	1,143,245	4,567,264	982,293

26. COMMITMENTS AND CONTINGENCIES

(a) Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingencies liabilities with legal recourse to its customers.

No material losses are anticipated from these transactions, which consist of:

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Unused portion of overdraft	10,146,756	40,536,290	8,010,285
Letter of credits	468,353	1,871,070	432,700
Performance bonds	256,650	1,025,317	448,442
Bid bonds	950	3,795	4,000
Other guarantees	50,000	199,750	39,208
	10,922,709	43,636,222	8,934,635

(b) Lease commitments

The Bank has operating lease commitments in respect of office and house rentals as follows:

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Within one year	84,203	336,391	544,269
Within two to five years	2,199,075	8,785,305	1,189,663
More than five years	350,433	1,399,980	916,494
	2,633,711	10,521,676	2,650,426

(c) Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately

provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

27. FINANCIAL RISK MANAGEMENT

INTRODUCTION AND OVERVIEW

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

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

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

RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Bank’s risk management framework. The Board has established the Asset and Liability (ALCO), Risk Management and Audit and Risk committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank’s risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit and Risk Committee is responsible for monitoring compliance with the Bank’s risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

The Audit and Risk Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

(a) Operational risk

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

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

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

(b) 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.

The Bank has established the Core Credit Risk Policy which is designed to govern the Bank’s risk undertaking activities. Extension of credit is governed by credit programs that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

Risk ratings are reviewed and updated on an annual basis, and in event of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

(ii) Exposure to credit risk

	2013		2012
	US\$	KHR’000	US\$
		(Note 4)	
LOANS AND ADVANCES			
Individually impaired	6,569,675	26,245,854	3,524,895
Past due but not impaired	2,867,521	11,455,746	2,328,476
Neither past due nor impaired	169,841,729	678,517,707	135,449,098
	179,278,925	716,219,307	141,302,469
Allowance for doubtful loans and advances	(3,663,096)	(14,634,069)	(2,317,353)
	175,615,829	701,585,238	138,985,116

Impaired loans and advances

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

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%.

Loans with renegotiated terms/restructured loans

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

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within three instalments 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 financial statements 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. Estimates of value are based on the value of collateral assessed on an annual basis.

An estimate of the value of collateral held against loans and advances is shown below:

	2013		2012
	US\$	KHR'000	US\$
		(Note 4)	
Against individually impaired:			
Land and Buildings	14,457,739	57,758,667	7,666,840
Past due but not impaired:			
Land and Buildings	5,593,761	22,347,075	6,861,024
	20,051,500	80,105,742	14,527,864

There are no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances.

Concentration of credit risk

The analysis of concentrations of credit risk from loans and advances are shown in Note 7 to the financial statements.

(c) **Market risk**

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

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

(i) **Foreign currency exchange risk**

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

As of 31 December 2013, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) **Interest rate risk**

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

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

31 December 2013

	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average Interest
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
ASSETS									
Cash and bank balances	-	-	-	-	-	-	13,264,616	13,264,616	
Deposits and placements with banks	4,346,399	508,834	7,995,000	20,115,903	-	-	20,266,493	53,232,629	3.76
Statutory deposits	-	-	-	-	-	3,600,000	33,581,489	37,181,489	0.12
Loans and advances									
Performing	3,181,906	6,319,012	10,794,930	22,613,528	86,863,707	42,936,167	-	172,709,250	10.08
Non-performing	2,962,157	20,218	3,733	6,398	2,352,549	1,224,620	-	6,569,675	
Specific provisions	-	-	-	-	-	-	(1,612,705)	(1,612,705)	
General provisions							(2,050,391)	(2,050,391)	
Interest receivable	-	-	-	-	-	-	2,204,222	2,204,222	
Interest in suspense	-	-	-	-	-	-	(1,170,652)	(1,170,652)	
Capital investment	-	-	-	-	-	25,588	-	25,588	
Investment securities					33,401,590	-	-	33,401,590	5.67
Other assets	-	-	-	-	-	-	4,281,177	4,281,177	
	10,490,462	6,848,064	18,793,663	42,735,829	122,617,846	47,786,375	68,764,249	318,036,488	
LIABILITIES									
Deposits from customers	172,003,907	23,908,968	30,987,552	27,883,214	6,745,083	-	15,409,143	276,937,867	4.10
Other liabilities	1,498,945	295,485	523,546	309,000	-	-	558,204	3,185,180	
Provision for income tax	-	-	-	-	-	-	789,559	789,559	
Deferred tax liabilities	-	-	-	-	-	-	281,232	281,232	
	173,502,852	24,204,453	31,511,098	28,192,214	6,745,083	-	17,038,138	281,193,838	
INTEREST SENSITIVITY GAP	(163,012,390)	(17,356,389)	(12,717,435)	14,543,615	115,872,763	47,786,375	51,726,111	36,842,650	

31 December 2012

	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average Interest
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
ASSETS									
Cash and bank balances	-	-	-	-	-	-	9,947,495	9,947,495	
Deposits and placements with banks	180,228	503,942	20,266,933	22,888,641	-	-	5,577,837	49,417,581	3.80
Statutory deposits	-	-	-	-	-	3,600,000	28,484,884	32,084,884	0.19
Loans and advances									
Performing	5,496,691	2,220,854	5,109,687	18,439,748	74,907,559	29,274,559	-	135,449,098	9.13
Non-performing	-	2,328,476	2,955,012	535,763	34,120	-	-	5,853,371	
Specific provisions	-	-	-	-	-	-	(962,860)	(962,860)	
General provisions	-	-	-	-	-	-	(1,354,493)	(1,354,493)	
Interest receivable	-	-	-	-	-	-	1,457,750	1,457,750	
Interest in suspense	-	-	-	-	-	-	(613,226)	(613,226)	
Capital investment	-	-	-	-	-	25,588	-	25,588	
Investment securities	-	-	-	-	26,810,482	-	-	26,810,482	8.57
Other assets	-	-	-	-	-	-	3,286,773	3,286,773	
	5,676,919	5,053,272	28,331,632	41,864,152	101,752,161	32,900,147	45,824,160	261,402,443	
LIABILITIES									
Deposits from customers	140,836,218	11,143,044	26,996,464	19,974,708	11,599,680	-	13,682,251	224,232,365	0.79
Other liabilities	-	-	-	-	-	-	2,800,746	2,800,746	
Provision for income tax	-	-	-	-	-	-	185,591	185,591	
Deferred tax liabilities	-	-	-	-	-	-	269,272	269,272	
	140,836,218	11,143,044	26,996,464	19,974,708	11,599,680	-	16,937,860	227,487,974	
INTEREST SENSITIVITY GAP	(135,159,299)	(6,089,772)	1,335,168	21,889,444	90,152,481	32,900,147	28,886,300	33,914,469	

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 derivatives as at the year end are not significant. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

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.

(d) 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 and customers’ deposits 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.

31 December 2013							
	Between Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial liabilities							
Deposits from customers	187,413,050	23,908,968	58,870,766	6,745,083	-	-	276,937,867
Other liabilities	3,185,180	-	-	-	-	-	3,185,180
TOTAL	190,598,230	23,908,968	58,870,766	6,745,083	-	-	280,123,047
31 December 2012							
	Between Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial liabilities							
Deposits from customers	154,518,469	11,143,044	46,971,172	11,599,680	-	-	224,232,365
Other liabilities	2,800,746	-	-	-	-	-	2,800,746
TOTAL	157,319,215	11,143,044	46,971,172	11,599,680	-	-	227,033,111

(e) Capital management

(i) Regulatory capital

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

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

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

(ii) Capital allocation

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

28. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Bank did not have financial instruments measured at fair value.

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 balance sheet are a reasonable estimation of their fair values.



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