



Annual Report

For the year ended 31 December 2020

Advanced Bank of Asia Limited
(ABA Bank)

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.

Mission

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

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.

Values

Our values form the cornerstone of our business. We believe in the importance of:

Honesty & Respect

At ABA we make it our responsibility to treat each and every customer with honesty and respect. Strictly following this value, we earn respect and trust from our customers.

Service Quality

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

Trust & Partnership

At ABA we are always there to offer help and assistance. We see ourselves as dependable partner that our customer can always trust and rely on with their financial needs.

Contribution

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.

Ethics & Morals

At ABA 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.

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.

Financial Highlights

Description	2020	2019	2018
Financial Situation (in KHR million)			
Total Assets	24,788,905	17,909,170	11,020,503
Total Liabilities	21,683,201	15,886,421	9,738,887
Total Equity	3,105,704	2,022,749	1,281,617
Profit/(Loss) (in KHR million)			
Total Income	1,625,149	1,243,537	859,783
Profit before Tax	770,027	576,997	376,725
Profit after Tax	617,291	516,653	300,029
Total Comprehensive Income	594,905	529,931	296,860
Financial Ratios (%)			
Solvency Ratio	18.08	19.94	19.95
Debt to Equity Ratio	695.86	785.39	759.89
Liquidity Coverage Ratio	166.62	162.32	132.51
Non-performing Credit Ratio	0.80	0.70	0.78
Loan to Deposit Ratio	78.69	81.42	83.91
Profitability Ratios (%)			
Returns on Average Assets (ROAA)	2.89	3.57	3.38
Returns on Average Equity (ROAE)	24.07	31.27	28.46
Interest Coverage Ratio	420.17	379.08	293.15
Profit per Share (if listed as stock)	N/A	N/A	N/A
Dividend per Stock (if listed as stock)	N/A	N/A	N/A
Other Key Financial Ratios (if any)	N/A	N/A	N/A

Graphs of Financial Highlights

TOTAL ASSETS

in KHR Millions

+38.4%▲

FROM 2019

24,788,905
2020

17,909,170
2019

11,020,503
2018

TOTAL LIABILITIES

in KHR Millions

+36.5%▲

FROM 2019

21,683,201
2020

15,886,421
2019

9,738,887
2018

TOTAL EQUITY

in KHR Millions

+53.5%▲

FROM 2019

3,105,704
2020

2,022,749
2019

1,281,617
2018

TOTAL COMPREHENSIVE INCOME

in KHR Millions

+12.3%▲

FROM 2019

594,905
2020

529,931
2019

296,860
2018

RETURN ON AVERAGE ASSETS

in percentage

-68 BPS
(basis points)

FROM 2019

2.89
2020

3.57
2019

3.38
2018

RETURN ON AVERAGE EQUITY

in percentage

-720 BPS
(basis points)

FROM 2019

24.07
2020

31.27
2019

28.46
2018

Composition of the Board of Directors



Yves Jacquot
Chairman



Dominic Jacques
Non-Executive Director



Madi Akmambet
Executive Director



Martin Ouellet
Non-Executive Director



Christian St-Arnaud
Non-Executive Director



Paolo Pizzuto
Non-Executive Director



Etienne Chenevier
Independent Director



Henri Calvet
Independent Director



Guy Quaden
Independent Director

Message from Chairman and CEO

It gives us pleasure to present ABA Bank's financial performance in 2020, following the requirements of the Securities and Exchange Regulator of Cambodia (SERC).

Despite the challenging year, ABA witnessed strong growth across all key metrics, including total assets, deposits, loans, and customer base.

As of 31 December 2020, the total assets grew by 39% to USD 6.1 billion, while the deposit portfolio increased by 43% to USD 4.9 billion, and the loan portfolio recorded a 38% growth to USD 3.8 billion. ABA secured a robust net profit of USD 151.4 million for FY2020, overperforming the budget. The shareholder's equity of the Bank grew 55% and reached USD 767.8 million in the reporting period.

As more people choose ABA as their banking partner, the customer base in 2020 grew by a spectacular 70%, having reached 1.4 million clients.

These results are driven by ABA's successful implementation of its business strategy, emphasizing convenient digital financial services and productive loans to microbusinesses and SMEs in the economy's real sectors. The Bank also exercises a sound risk management culture reinforced by internal audit and compliance functions through its business lines.

ABA follows the National Bank of Cambodia guideline regarding the Loan Restructuring Program by providing debt relief to borrowers who experience difficulties repaying and servicing their loans. It is an important policy to support the economy in this tough crisis time. Concurrently, the Bank has reviewed the loan portfolio carefully and created respective loan provisions in line with the CIFRS rules and the National Bank of Cambodia regulations.

In 2020, ABA undertook strategic initiatives to increase the availability of its services and introduce state-of-art solutions to the customers. As such, the Bank expanded its geographical presence via the opening of two new branches, partnership with other financial institutions, and the launch of the new network of self-banking spots called "ABA 24/7".

The flagship product of the Bank in the retail segment, the ABA Mobile app, continuously receives new services and features to make banking with ABA even more effortless yet safe and secure. Other elements of its digital ecosystem were also upgraded and improved during the year, including the launch of the mobile version of the Bank's PayWay online payment gateway and the revamp of its Internet Banking for Business platform.

Supporting the Royal Government of Cambodia's initiative, the Bank participated in the SME Co-Financing Scheme 2020 (SCFS). As of the end of 2020, ABA gave out loans worth USD 1.4 million via SCFS.

Along with the mission of serving Cambodian people and businesses in their financial needs, ABA contributes substantially to the country's growth and development through paying direct taxes. Specifically, in the financial year 2020, ABA was ranked as the 12th largest taxpayer in Cambodia and received the Appreciation Letter in this regard from the Prime Minister Hun Sen.

In December, S&P Global Ratings Agency reaffirmed ABA's credit rating at 'B+' with Stable outlook, the highest possible notch in Cambodia. It also reflects S&P's view that the Bank can sustainably manage rapid loan and deposit growth despite turbulent times amid the Covid-19 pandemic and economic slowdown. The experts also noted that ABA's business franchise is strengthening, underpinned by its market share's significant growth.

The advancements of the Bank in 2020 were also praised by various financial magazines who bestowed on ABA the "Best Bank in Cambodia" and the "Best Digital Bank in Cambodia" titles.

The Board of Directors is delighted with the Bank's overall performance in 2020, especially in light of the Covid-19 outbreak. It will continue to play an active role ensuring the Bank's strategy is executed following best practices and standards. For that, the Board has the full capacity of its members who put forth their backgrounds and solid expertise in banking and finance, risk management, and corporate governance.

On behalf of the Board and the management team, we would like to extend our gratitude to the National Bank of Cambodia and the Securities and Exchange Commission of Cambodia for their guidance and support. Being the first Cambodian commercial bank to issue corporate bonds for the total amount of KHR 84.821 billion, ABA feels a full commitment to further developing the securities market and promoting the use of Riel.

Finally, we thank all customers and other stakeholders for their faith and confidence in ABA Bank.

March 30, 2021

<SIGNED>

Yves Jacquot

Chairman

<SIGNED>

Askhat Azhikhanov

Chief Executive Officer

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SECTION 1

GENERAL INFORMATION OF THE LISTED ENTITY

A. IDENTIFY OF LISTED ENTITY

Name of the listed entity in Khmer	ធនាគារវឌ្ឍនៈអាស៊ី បំរើកម្ពុជា
In Latin	Advanced Bank of Asia Limited
Standard Code	KH2000091986
Address	No. 141, 146, 148 and 148 ABCD, Preah Sihanouk Blvd, and No. 15 and 153 ABC, Street 278, Phum 4, Sangkat Boeung Keng Kang I, Khan Boeung Keng Kang, Phnom Penh, Cambodia
Phone Number	(+855) 23 225 333
Fax	(+855) 23 216 333
Website	www.ababank.com
Email	info@ababank.com
Company registration number	00010593 dated 29 December 2010
License number	B14 issued by the National Bank of Cambodia dated 29 November 2019
Disclosure document registration number by SERC	155/19 SECC dated 07 August 2019
Name of Listed Entity's Representative	Mr. Askhat Azhikhanov

B. NATURE OF BUSINESS

ABA Bank is the Cambodian leading private financial institution founded in 1996 as the Advanced Bank of Asia Limited. In more than 20 years of development and growth, ABA has significantly strengthened its position in the market and broke into the Top 3 commercial banks of the country. Today, ABA offers the entire spectrum of services to customer segments covering SMEs, micro businesses, and individuals.

ABA is a subsidiary of National Bank of Canada (www.nbc.ca), a financial institution with around US\$273 billion in assets as of January 31, 2021, and huge network of correspondent banks all over the world. Being a shareholder of ABA Bank from 2014, National Bank of Canada becomes the first major financial institution from the North American continent to enter the Cambodian banking sector. Headquartered in Montreal, it has branches in almost every Canadian province with 2.5 million personal clients. It is the sixth largest bank in Canada and the leading bank in Quebec where it is the partner of choice among SMEs.

As of 31 December 2020, ABA Bank manages the total assets of US\$ 6.1 billion and serves more than 1.4 million customers through the extensive network of 79 branches, 600+ self-banking spots, and advanced online banking and mobile banking platforms.

The Bank owns the long-term issuer credit rating "B+" with Stable outlook from Standard&Poor's Global Ratings Agency (S&P). The rating was reaffirmed in December 2020.

C. THE LISTED ENTITY'S MILESTONES

ABA Bank has experienced significant growth since its inception in 1996. Here are the main milestones from 2020:

- ABA opened two new branches, bringing the total number to 79.
- ABA launched a network of standalone self-banking spots called ABA 24/7, strategically located in high-traffic areas to bring its customers round-the-clock access without having to queue at bank branches.
- ABA Bank became a member of Project Bakong to promote financial inclusion and the use of the local currency.
- ABA Bank joined the SME Co-Financing Scheme 2020, an initiative of the Royal Government of Cambodia aimed at providing affordable interest loans to support SMEs in the country.
- ABA retained "B+" credit rating with Stable outlook from S&P Global Ratings Agency.
- PayWay, ABA's online payment gateway won the second consecutive Best eCommerce Payment Solution in Cambodia award from Asia eCommerce Award.
- ABA Mobile app won the prestigious award "Mobile Banking and Payment Initiative of the Year in Cambodia" by the Asian Banking and Finance magazine.
- ABA received the "Best Bank in Cambodia 2020" title from the Euromoney financial magazine.
- ABA Bank named the "Best Bank in Cambodia 2020" by Global Finance magazine for the sixth time.

D. MARKETING SITUATION

In our business strategy, we aim to become the bank of customer's choice in the market and to retain the customer for the longer-term relationship. For that, the Bank has been intensively focusing on the development of new products and services such as listed below:

- Convenient loan products tailored for micro-, small and medium enterprises (MSMEs) that form the backbone of the Cambodian economy;
- Further development of the technologically advanced solutions, especially our full-scale mobile banking application, account opening solutions, PayWay online payment gateway, and others;
- Further development of card products and modern cashless payment methods, deeper cooperation with the world's leading payment systems to expand the opportunities for the clients;
- Expansion of the Bank's network with leverage on the self-banking spots, ABA 24/7;
- Further improvement of the service quality in order to cater to the needs of the clients and provide them with a pleasant and seamless experience with ABA;
- Significant development of banking solutions for business customers to tap on the growing amount of enterprises, large companies and multinational corporations as reflection of growth of Cambodian economy.

The Bank has scheduled all the main marketing activities to increase awareness of ABA Bank, especially in provincial and rural areas, to build its brand stronger, to improve its service quality in line with the new products & sales development.

E. COMPETITIVE SITUATION

Cambodian market remains attractive for financial institutions to tap for the growth in Phnom Penh and provinces.

New banking products and services are being created as the banking sector's development and maturity continues to accelerate. Cambodia uses both bank-centric and mobile-centric banking models.

As of the reporting period, Cambodia has 53 commercial banks, 13 specialized banks, and 108 microfinance institutions (MFIs) serving 16 million Cambodians. At the same time, banking services' penetration is still relatively poor due to comparatively low financial literacy and infrastructure development. Therefore, banks are actively searching for new ways to broaden financial inclusion.

The products and services of ABA Bank include the full range of accounts for regular banking and saving purposes (Fixed Deposit, Flexi Deposit with unlimited replenishments/withdrawals, Savings, and Current accounts), coupled with debit and credit cards from Visa, Mastercard, UnionPay International, instant money transfers and SWIFT transfers, as well as trade finance tools, and loans for all types of businesses – microbusinesses, SMEs, and large corporates.

In retail banking, ABA is considered the market leader in providing convenient digital finance solutions and platforms. The Bank's mobile banking app and online payment gateway solution were praised numerous times by international magazines and publications as the best in the market. The Bank positions itself as the mobile-first, and as the mobile-only in the future, financial institution. And it reflects on our operations and initiatives we introduce to the market.

F. FUTURE PLAN

As financial activities become more sophisticated and customers demand more flexibility and efficiency, the Bank must have wide-ranging innovative services and products to enable its customers to avail themselves of emerging opportunities. That is why ABA's immense attention will be focused to the further development of the fundamental advantage – modern digital (remote) banking solutions and 24/7 customer support.

On the lending side, the Bank sticks to its strategy of providing productive loans, but with a strong focus on transactional lending based on the advanced analytics and business intelligence models.

G. RISK FACTORS

1. Analysis

We believe that the key risk for the Cambodian economy and ABA Bank in 2020 is COVID-19 economic crisis.

2. Management Opinion and Risk Mitigation

We believe that mentioned risks are manageable and can be mitigated by comprehensive measures, implemented in the Bank:

Operational Risk and Business Continuity measures:

- Since the beginning of 2020 (starting of COVID-19 pandemic) we significantly developed our Business Continuity Planning and successfully tested it for this scenario;
- The Bank has fully implemented COVID-19 prevention measurements (sanitizing, social distancing, temperature check-up, mask wearing, QR-code access control, etc.);
- The Bank is fully prepared for a potential lockdown by working from alternative BCP sites or from homes;

Credit Risk Management measures:

- The Bank actively supported its borrowers via the Loan Restructuring Program declared by the National Bank of Cambodia. The NPL and overdue ratios are acceptable, share of restructured loans loan stabilized and started to decrease;
- The Bank continues to apply strict Credit Policy requirement to the borrowers and financed projects, as well as to the collateral;
- The loan portfolio is very well diversified by borrower types (strategical focus on micro-business).

Liquidity Risk Management measures:

The Bank has created and remains a very significant liquidity buffer (high liquid assets) to eliminate the potential deposit run-off.

Also, the Bank has detailed the Contingency Funding Plan and Liquidity Crisis Action Plan to solve liquidity issues in case of any crisis events.

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SECTION 2

INFORMATION ON PERFORMANCE OF BUSINESS OPERATIONS

A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENT

Key Achievement	2020	2019	2018
Loan			
Loan accounts	81,568	66,513	49,295
Total gross loans (in KHR million)	15,505,988	11,265,037	7,373,806
Deposit			
Deposit accounts	1,382,401	828,651	426,089
Total deposits (in KHR million)	19,705,090	13,836,025	8,787,296
Others			
Operating branches	79	77	66
Number of staff	6,266	6,410	4,213
ATMs	471	418	274
POS terminals	1,627	1,214	777

B. INCOME STRUCTURE

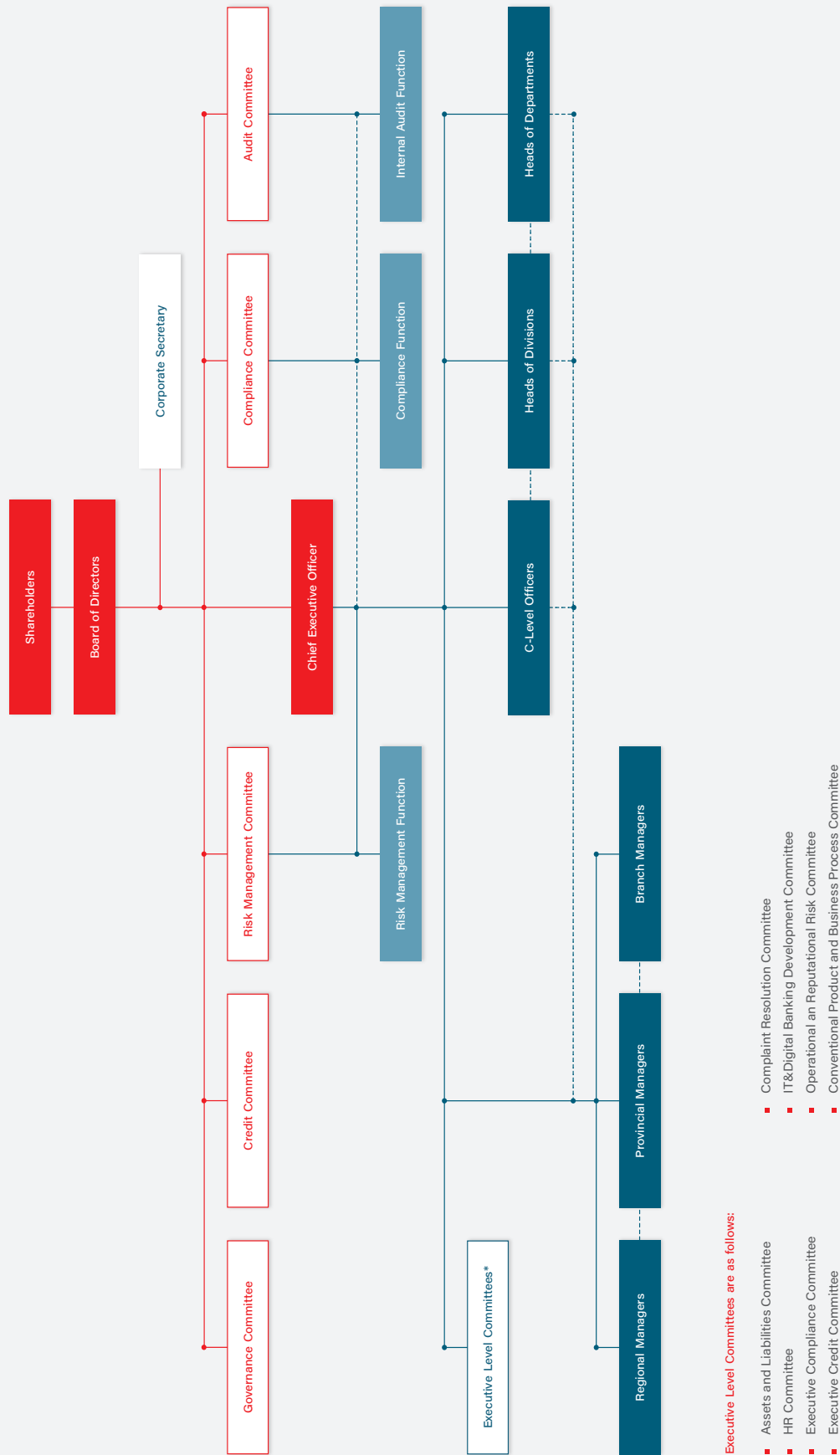
No	Source of income	2020		2019		2018	
		Amount (in KHR million)	%	Amount (in KHR million)	%	Amount (in KHR million)	%
1	Interest income	1,446,486	89.01	1,108,151	89.11	784,054	91.19
2	Fee and commission income	164,870	10.14	128,481	10.33	69,780	8.12
3	Other income	13,793	0.85	6,905	0.56	5,949	0.69
	Total income	1,625,149	100	1,243,537	100	859,783	100

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SECTION 3

INFORMATION ON CORPORATE GOVERNANCE

A. CORPORATE GOVERNANCE STRUCTURE CHART



B. BOARD OF DIRECTORS

Composition of the Board of Directors

No	Name of Directors	Position	Start Date in Position	End Date in Position ^[1]
1	Yves Jacquot	Chairman	29 March 2016	29 March 2022
2	Dominic Jacques	Non-executive director	29 March 2016	29 March 2022
3	Madi Akmambet	Executive Director	26 July 2012	26 July 2021
4	Martin Ouellet	Non-executive director	4 November 2019	4 November 2022
5	Paolo Pizzuto	Non-executive director	12 November 2020	12 November 2023
6	Christian St-Arnaud	Non-executive director	31 December 2019	31 December 2022
7	Etienne Chenevier	Independent Director	26 June 2014	26 June 2023
8	Henri Calvet	Independent Director	29 March 2016	29 March 2022
9	Guy Quaden	Independent Director	19 June 2019	19 June 2022

^[1] As stipulated in the Terms of Reference of the ABA Board Governance, the term of office of each member of the Board of Directors shall be three (3) years and will be extended automatically until and unless otherwise determined by the decision of shareholders of the Bank.

C. SENIOR STAFFS

Composition of Senior Staffs

No.	Name	Gender	Position
1	Askhat Azhikhanov	Male	Chief Executive Officer
2	Lee Young Ho	Male	Deputy Chief Executive Officer
3	Babu Ram Gyawali	Male	Chief Financial Officer
4	Galymzhan Temirov	Male	Chief Information Officer
5	Bibhu Pandey	Male	Chief Credit Officer
6	Sanzhar Abdullayev	Male	Chief Card and E-Payments Officer
7	Zokhir Rasulov	Male	Chief Digital Officer
8	Zhiger Atchabarov	Male	Chief International Operations Officer
9	Polin Mey	Male	Chief Business Development Officer
10	Torsten Kleine Buning	Male	Chief Risk and Compliance Officer (Subject to approval by the National Bank of Cambodia)
11	Praseth Kong	Female	Chief Audit Advisor
12	Igor Zimarev	Male	Chief Marketing Officer and Corporate Secretary

No.	Name	Gender	Position
13	Cheauy Po	Male	Head of Internal Audit Division
14	Vithiea Ly	Female	Head of HR Division
15	Ninlida Long	Female	Head of Cash Operations Division
16	Sosen Eang	Male	Head of Legal Department
17	Kimkhun Pech	Male	Head of Security Department
18	Dalen Ath	Male	Head of Administrative Department
19	Sopich Leang	Female	Head of Chancellery Department

For detailed information related to corporate governance, please see attached appendix.

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SECTION 4

INFORMATION ON SECURITIES
TRADING AND SHAREHOLDER
OF THE LISTED ENTITY

A. INFORMATION ON SECURITIES

Information on Debt Securities (for debt listed entity)

Information	Description
Debt securities' type	Corporate Bond
Symbol	ABAA22A
Issuing date	14 August 2019
Total amount of debt securities	KHR 84,821,000,000
Total amount of outstanding debt securities	N/A
Maturity date	14 August 2022
Coupon payment schedule	Semester
Coupon rate (%)	7.75% p.a
Total amount of coupon payment	None
Credit ratings	B+

B. SECURITIES' PRICE AND TRADING VOLUME

Securities		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
Trading Price(in KHR)	Maximum	100,585	100,930		N/A		100,500		N/A		100,500	N/A	
	Average	100,585	100,930		N/A		100,500		N/A		100,500	N/A	
	Minimum	100,585	100,930		N/A		100,500		N/A		100,500	N/A	
Trading Volume (Units)	Maximum	40	22		N/A		400		N/A		42	N/A	
	Average	40	22		N/A		400		N/A		19	N/A	
	Minimum	40	22		N/A		400		N/A		8	N/A	

C. LIST OF CONTROLLING SHAREHOLDERS (FROM 30% ONWARDS)

No.	Name	Nationality	Number of Shares	Percentage
1	National Bank of Canada	Non-Cambodian	334,999	99.99
Total			334,999	99.99

D. LIST OF SUBSTANTIAL SHAREHOLDERS (FROM 5% TO LESS THAN 30%)

No.	Name	Nationality	Number of Shares	Percentage
1	N/A	N/A	N/A	N/A
Total			N/A	N/A

E. INFORMATION ON DIVIDEND DISTRIBUTION IN THE LAST 3 YEARS

Detailed Information on Dividend Distribution	2020	2019	2018
Net profit			
Total cash dividend			
Total share dividend			
Other dividends		N/A	
Dividend payout ratio (%)			
Dividend yield (%)			
Dividend per share			

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SECTION 5

INTERNAL CONTROL AUDIT REPORT
BY INTERNAL AUDITOR

INTERNAL AUDIT REPORT ON THE INTERNAL CONTROL SYSTEM OF ABA BANK FOR 2020

I. INTRODUCTION

The Internal Audit of the Bank is an independent from the day-to-day operations appraisal function established to examine and evaluate the Bank's operational activities from the internal control, risk management, and corporate governance perspectives.

The Internal Audit shall assist senior management in effectively fulfilling their responsibilities by equipping them with comprehensive examination, assessments, and recommendations regarding the Bank's activities and operations.

II. SCOPE OF THE INTERNAL AUDIT FUNCTION

The Internal Audit's main scope is to examine and evaluate the effectiveness and efficiency of ABA Bank's systems of internal control management and the quality of performance of business units in carrying out their ultimate business and strategic goals.

During the year, the Internal Audit Division performed the examination of effectiveness and efficiency in the following areas:

- Internal control environment and policies;
- Reliability and accuracy of financial and operating information;
- Assets quality and safeguarding of assets;
- Use of resources;
- Compliance with laws, regulations, policies, procedures, and contracts;
- Special investigation, including on internal/external fraud or other breaches of trust by internal staff;
- Internal control activity tools such as procedures and processes of segregation of duties, dual control, authorization, approval, audit trails, reporting, information security, and others;
- Risk management system, including tools in risks identification, measurement, monitoring, and mitigation;
- Corporate governance and compliance control function, including adherence to the Code of Business Conduct and Ethics, other internal documents and regulations;
- AML/CFT compliance function, including tools in identifying suspicious and high-risk transactions, customer due-diligence, corrective actions or termination of relations with risky customers, reporting to regulators and senior management.

III. SUMMARY OF THE INTERNAL AUDIT ACTIVITIES IN 2020

- The Internal Audit Division performed its activities following the annual Audit Plan approved by the Audit Committee of the Board. The Internal Audit reports were presented to the Audit Committee every quarterly.
- In 2020, the Internal Audit Division conducted audits of 29 branches and 11 audit mandates in the Head Office as per the Planned Audit. Additionally, it covered 77 branches with the Surprised Audit. The month-wise audit schedule and number of audit mandates are as below:

No	Month	# of Branch Audits (Planned Audit)	# of Head Office Audits (Planned Audit)	# of Branches (Surprised Audit)
1	Jan-2020			
2	Feb-2020	3	1	5
3	Mar-2020	2	1	
4	Apr-2020	2		
5	May-2020	3	3	
6	Jun-2020	3		7
7	Jul-2020	4	2	13
8	Aug-2020	3		17
9	Sep-2020		1	16
10	Oct-2020	3	3	
11	Nov-2020	3		
12	Dec-2020	3		19

- The results of audit mandates were communicated to appropriate managements. Audit reports contained detailed information about the audit findings, risk implication, and audit recommendations to mitigate the risk along with the precise action plans and realistic deadline inputted by the audit partners.
- The Internal Audit Division is continuously monitoring the progress of action plans until all the actions are fully implemented. The follow-up audit activity is performed monthly with the proper testing techniques before closing each action plan.

IV. CONCLUSION

- The Internal Audit Division rigorously implemented the audit risk-based approaches for all types of its activities throughout the year. There are several types of risk that the Internal Audit Division covered and notified during 2020, including but not limited to Credit Risk, Operational Risk, Compliance Risk, Reputational Risk, and IT Security Risk.
- As per the results of Internal Audit activities in 2020 for both branch and Head Office, several audit findings and recommendations were issued. The corrective actions were implemented by Branch Managers and Heads of Department in the Head Office.
- Generally, we conclude that the internal control system, governance, and risk management are adequately designed and effectively implemented in ABA Bank based on the covered audit scopes and objectives in 2020.

Seen and Agreed

17 March 2021

<SIGNED>

Etienne Chenevier
Chairman of the Audit Committee
of the Board of Directors

17 March 2021

<SIGNED>

CheaUy Po
Head of Internal Audit Division

SECTION 6

FINANCIAL STATEMENT AUDITED BY INDEPENDENT AUDITOR

Please refer to the Annex for Audited Financial Statements by Independent Auditor

SECTION 7

INFORMATION ON RELATED-PARTY
TRANSACTION AND CONFLICT OF INTEREST

Listed entity shall disclose the material transaction information with related parties in the last 2 years, specifying name, relation between the listed entity and related parties, size of transaction and the type of interest which arise from that relationship as follows:

A. MATERIAL TRANSACTIONS WITH SHAREHOLDER(S) WHO HOLD AT LEAST 5% OR MORE SHARES OF OUTSTANDING EQUITY SECURITIES

Please refer to Note 30 "Related Parties" of the attached Audited Financial Statements reviewed by the Independent Auditor for detail information.

B. MATERIAL TRANSACTION WITH DIRECTOR(S) AND SENIOR STAFF(S)

Please refer to Note 30 "Related Parties" of the attached Audited Financial Statements reviewed by the Independent Auditor for detail information.

C. TRANSACTIONS WITH DIRECTOR(S) AND SHAREHOLDER(S) RELATED TO BUY/SELL ASSET AND SERVICE

None

D. MATERIAL TRANSACTION WITH IMMEDIATE FAMILY MEMBER OF DIRECTOR(S), SENIOR STAFF(S) AND SHAREHOLDER(S) HOLDING AT LEAST 5% OR MORE SHARES

None

E. MATERIAL TRANSACTIONS WITH THE PERSON, WHO ASSOCIATED WITH DIRECTOR OF THE LISTED ENTITY, ITS SUBSIDIARY OR HOLDING COMPANY, WHOSE RELATIONSHIP HAS OCCURRED IN ANY TRANSACTIONS OR HAVE BEEN MADE BY THE LISTED ENTITY

None

F. MATERIAL TRANSACTION WITH FORMER DIRECTOR(S) OR PERSON INVOLVING WITH THE FORMER DIRECTOR(S)

None

G. MATERIAL TRANSACTION WITH DIRECTOR(S) HOLDING ANY POSITION IN A NON-PROFIT ORGANIZATION OR IN ANY OTHER COMPANIES OTHER THAN THE LISTED ENTITY

None

H. MATERIAL TRANSACTION WITH DIRECTORS GETTING BENEFITS EITHER FINANCIAL OR NON-FINANCIAL FROM THE LISTED ENTITY

Please refer to Note 30 "Related Parties" of the attached Audited Financial Statements reviewed by the Independent Auditor for detail information.

SECTION 8

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussions and analyses focus on the operational and financial results based on the Audited Financial Statements as of 31 December 2020. The Audited Financial Statements have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRS") and follows regulations and guidelines of the National Bank of Cambodia. Only the key components of the Audited Financial Statements and key factors that affect ABA's profitability are discussed and analysed.

A. OPERATIONAL OVERVIEW

1. Income Analysis

ABA Bank has three main types of income including Interest Income, Fees and Commissions Income and Other Income.

- Interest Income includes the interest income from loan to customers, deposit with banks and investment securities.
- Fee and Commission Income mainly includes loan commission, inward and outward remittance and card income.
- Other Income includes foreign exchange gains and other income.

2. Income by Segments Analysis

No	Income Category	2020		2019		2018	
		Amount (in KHR million)	%	Amount (in KHR million)	%	Amount (in KHR million)	%
1	Interest Income	1,446,486	89.01	1,108,151	89.11	784,054	91.19
2	Fee and Commission Income	164,870	10.14	128,481	10.33	69,780	8.12
3	Other Income	13,793	0.85	6,905	0.56	5,949	0.69
Total Income		1,625,149	100	1,243,537	100	859,783	100

ABA Bank earns most income from interest income representing 89% of the total income in 2020, among which 97% of the interest income are from the loans to customers.

3. Gross Profit Margin analysis

ABA Bank prepares its Statement of Profit or Loss and Other Comprehensive Income in which the format did not present the gross profit margin, but it did present the operating profit, which resulted from the total income less operating expenses discussed under the next section on the [Profit Before Tax Analysis](#).

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4. Profit Before Tax Analysis

i) Profit before Tax for the Year Analysis

Statement of Profit before Tax	2020 (in KHR Million)	2019 (in KHR Million)	Variance (in KHR Million)	Variance (%)
Interest Income	1,446,486	1,108,151	338,335	30.53
Interest Expense	(240,508)	(206,750)	(33,758)	16.33
Net interest income	1,205,978	901,401	304,577	33.79
Fee and Commission Income	164,870	128,481	36,389	28.32
Fee and Commission Expense	(65,676)	(56,386)	(9,290)	16.48
Net Fee and Commission Income	99,194	72,095	27,099	37.59
Other Operating Income	13,793	6,905	6,888	99.75
Personal Expenses	(293,193)	(234,571)	(58,622)	24.99
Other Expenses	(119,910)	(100,570)	(19,340)	19.23
Depreciation and Amortization	(79,988)	(59,666)	(20,322)	34.06
Operating Profit	825,874	585,594	240,280	41.03
Net Impairment Losses on Financial Instruments	(55,847)	(8,597)	(47,250)	549.61
Profit before Tax	770,027	576,997	193,030	33.45

In 2020, the Management reviewed and implemented the enhanced Expected Credit Loss (ECL) model in the fourth quarter, and created overlay ECL of KHR 18,809 million represents the additional ECL under stress scenario due to uncertainties under the COVID-19 environment. The enhancement plus the overlay caused Net Impairment Losses on Financial Instruments to increase significantly compared to the previous year. Regardless of this increased expense, the Bank's profit before tax still reached KHR 770,027 million, 33% higher than the last year equivalent to KHR 193,030 million. This significant increase of the profit is mainly from the Interest Income with 31% growth and Fee and Commission Income with 28% growth compared to last year.

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ii) Profit before Tax for the Prior Year Analysis

Statement of Profit before Tax	2019 (in KHR Million)	2018 (in KHR Million)	Variance (in KHR Million)	Variance (%)
Interest Income	1,108,151	784,054	324,097	41.34
Interest Expense	(206,750)	(195,045)	(11,705)	6.00
Net Interest Income	901,401	589,009	312,392	53.04
Fee and Commission Income	128,481	69,780	58,701	84.12
Fee and Commission Expense	(56,386)	(33,793)	(22,593)	66.86
Net Fee and Commission Income	72,095	35,987	36,108	100.34
Other Operating Income	6,905	5,949	956	16.07
Personal Expenses	(234,571)	(142,762)	(91,809)	64.31
Other Expenses	(100,570)	(64,713)	(35,857)	55.41
Depreciation and Amortization	(59,666)	(36,715)	(22,951)	62.51
Operating Profit	585,594	386,755	198,839	51.41
Net Impairment Losses on Financial Instruments	(8,597)	(10,030)	1,433	-14.29
Profit before Tax	576,997	376,725	200,272	53.16

In 2019, the profit before tax reached KHR 576,997 million with 53% increment compared to 2018 equivalent to KHR 200,272 million. This significant increase of the profit is mainly from the Interest Income with 41% growth and Fee and Commission Income with 84% growth compared to 2018.

5. Net Profit Analysis

i) Net Profit for the Year Analysis

Statement of Net Profit	2020 (in KHR Million)	2019 (in KHR Million)	Variance (in KHR Million)	Variance (%)
Profit before Tax	770,027	576,997	193,030	33.45
Income Tax Expense	(152,736)	(60,344)	(92,392)	153.11
Net Profit for the Year	617,291	516,653	100,638	19.48

In 2020, the net profit for the year was KHR 617,291 million with 19% higher than 2019 showing rapid growth of ABA Bank. As a result, ABA Bank achieved the Return on Average Equity of 24.07% and the Return on Average Assets of 2.89% as of 31 December 2020.

ii) Net Profit for the Prior Year Analysis

Statement of Net Profit	2019 (in KHR Million)	2018 (in KHR Million)	Variance (in KHR Million)	Variance (%)
Profit before Tax	576,997	376,725	200,272	53.16
Income Tax Expense	(60,344)	(76,696)	16,352	-21.32
Net Profit for the Year	516,653	300,029	216,624	72.20

In 2019, the net profit for the year was KHR 516,653 million, which is 72% higher than in 2018 showing the rapid growth of ABA Bank. As a result, ABA Bank achieved the Return on Average Equity of 31.27% and the Return on Average Assets of 3.57% as of 31 December 2019.

6. Total Comprehensive Income Analysis

i) Total Comprehensive Income for the Year Analysis

Statement of Total Comprehensive Income	2020 (in KHR million)	2019 (in KHR million)	Variance (in KHR million)	Variance (%)
Net Profit for the Year	617,291	516,653	100,638	19.48
Other comprehensive income	(22,386)	13,278	(35,664)	-268.59
Total comprehensive income	594,905	529,931	64,974	12.26

ii) Total Comprehensive Income for the Prior Year Analysis

Statement of Total Comprehensive Income	2019 (in KHR million)	2018 (in KHR million)	Variance (in KHR million)	Variance (%)
Net profit for the Year	516,653	300,029	216,624	72.20
Other Comprehensive Income	13,278	(3,169)	16,447	-519.00
Total Comprehensive Income	529,931	296,860	233,071	78.51

7. Factors and trends analysis affecting financial conditions and results

As at 31 December 2020, the management acknowledges that ABA Bank did not have any significant factors and trends that would affect ABA financial situation and results.

B. SIGNIFICANT FACTORS AFFECTING PROFITABILITY

1. Demand and supply conditions analysis

ABA considers the following key factors successfully affecting its profitability:

- The growth of funding due to demand in the market for the Bank's deposits and other transactional products and services;
- The growth of the loan portfolio due to high demand in the market for the Bank's loan products especially in the MSME segment.

These two factors are coupled with the continuous development of the Bank's digital platform that provides customers with innovative and modern financial products and services. The Bank also significantly invested in the enhancement of its self-banking facilities by installing additional ATMs, CRMs, Cash-in Machines, Check Deposit Machines, POS-terminals, and expanding its network of QR code payments.

2. Fluctuations in prices of raw materials analysis

ABA Bank is in the service providing industry; therefore, the fluctuations on raw material price are not applicable to the Bank.

3. Tax analysis

ABA Bank is under the governance of Commercial Law on Taxation; therefore, the Bank is obligated to pay taxes as determined by the General Department of Taxation.

Paying relevant taxes, ABA Bank also plays a role as a contributor to the Cambodian society and economic growth. For good practice on tax compliance, ABA was awarded "GOLD" certificate of tax compliance from GDT on 25 December 2020 with the 2-year validity period for financial years 2021 and 2022.

4. Exceptional and extraordinary items analysis

As at 31 December 2020, the management acknowledged that ABA did not experience any items, transactions or events of a material and unusual nature except the impact of the pandemic Coronavirus (COVID-19) as described below:

Impact of COVID-19

The impact of the Coronavirus ("COVID-19") pandemic has spread across various geographies globally. The World Health Organisation declared an international health emergency due to the outbreak of COVID-19 in January 2020 and has characterized the spread of COVID-19 as a global pandemic since March 2020. The continuing spread of COVID-19 has caught the world off-guard, with significant implications for personal health and business continuity.

To support the economy and the financial sector, the NBC and the Royal Government of Cambodia have taken numerous steps primarily to help businesses during this unprecedented time such as loan restructuring directive and establishment of SME Bank to facilitate the SME Co-Financing Scheme (SCFS). The Bank has performed assessment of COVID-19 impact in light of the available guidance of the NBC and CIFRs and estimated expected credit losses based on the reviewed and enhanced ECL Model. The Bank will continue to monitor the potential impact of COVID-19 and will take all steps to mitigate any effects on the Bank's operations in future.

COVID-19 related uncertainty

On March 11, 2020, Covid-19 was declared a global pandemic by the World Health Organization. As a result of the heightened uncertainty associated with the unprecedented nature of the Covid-19 pandemic, developing reliable estimates and applying judgment has become even more challenging. Accounting for expected credit losses (ECL) has become particularly difficult in the current circumstances and requires significant judgment. The ECL model is forward-looking and is based on a probability-weighted approach. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. During this period of greater economic uncertainty, it is very difficult to forecast future events and the macroeconomic inputs used in ECL modelling. Determining macroeconomic scenarios and assigning probabilities to these scenarios requires significant judgment. Consideration is given both to the effects of Covid-19 and the significant government support measures. The Bank applies expert credit judgment to adjust modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit rating and modelling process. As a result of Covid-19 and the recent economic downturn, significant measurement uncertainty exists in determining ECLs, and measurement is subject to significant judgment.

C. SIGNIFICANT CHANGE IN SALE AND REVENUE

In 2020, ABA Bank recorded significant growth in revenue, securing 1,206 billion KHR in net interest income, which represents a 34% growth compared to the same period in 2019. The operating profit totaled 826 billion KHR that is 41% higher than the last year.

D. IMPACT OF FOREIGN EXCHANGE, INTEREST RATES AND COMMODITY PRICES

ABA adheres to the strategy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored and managed against the customers' foreign exchange needs and the bank's balance sheet management, ensuring the sustainability of profits to the Bank.

In terms of interest rates, the Bank maintains the policy of fixed interest rates for its deposits and loans. Therefore, it didn't experience significant changes in interest rates during the reporting period. The impact of commodity prices is not applicable to the Bank.

E. IMPACT OF INFLATION

The Cambodia's inflation rate stood at 2.9% in the year of 2020 according to the Annual report 2020 from the National Bank of Cambodia. Therefore, in 2020, there was no material impact of inflation on the Bank's operational expenses.

F. ECONOMIC, FISCAL AND MONETARY POLICY OF ROYAL GOVERNMENT

In the reporting period, Cambodian economy continued experiencing the impact of the Covid-19 outbreak. Among the others, tourism, garment manufacturing, and construction sectors of the economy were primarily affected.

To minimize the impact on society and economy, the Royal Government has continuously launched the measures to support the prioritized sectors:

- Direct money support of unemployed garment and tourism workers and for the most disadvantaged population.
- Tax holidays for garment, tourism, and airlines provided and then extended till the end of 2020.
- Simplification of rules for logistics, import and export; discount on electricity bills for the most impacted industries.
- Stimulation of a wide restructuring of loan to borrowers affected by the COVID-19 crisis.
- Prudential support of banks in order to further stimulate the financial support to the economy via capital ratio, minimum reserve requirements and loan restructuring.
- Launch of the national SME Bank and Agriculture Bank to support impacted borrowers by providing loans with special conditions.

These measures, along with other initiatives of the Royal Government of Cambodia, aimed to support the economy and the financial sector in particular.

G. SIGNATURES OF DIRECTORS OF THE LISTED ENTITY

Read and Approved

March 31, 2021

<SIGNED>

Yves Jacquot
Chairman

<SIGNED>

Dominic Jacques
Non-Executive Director

<SIGNED>

Madi Akmambet
Executive Director

<SIGNED>

Martin Ouellet
Non-Executive Director

<SIGNED>

Christian St-Arnaud
Non-Executive Director

<SIGNED>

Paolo Pizzuto
Non-Executive Director

<SIGNED>

Henri Calvet
Independent Director

<SIGNED>

Etienne Chenevier
Independent Director

<SIGNED>

Guy Quaden
Independent Director



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