



# The Second Quarterly Report

30 June 2020

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Advanced Bank of Asia Limited  
(ABA Bank)

# Financial Highlights

Financial Situation (in KHR million)	Quarter 2 2020	31 December 2019
Total Assets	20,366,655	17,909,170
Total Liabilities	17,575,499	15,886,421
Total Equity	2,791,156	2,022,749
Financial Results (in KHR million)	Quarter 2 2020	Quarter 2 2019
Total Income	377,437	288,422
Profit before Tax	167,731	127,606
Profit after Tax	130,830	101,487
Total Comprehensive Income	137,441	109,871
Financial Ratio (%)	Quarter 2 2020	31 December 2019
Solvency Ratio	21.08	19.94
Debt to Equity Ratio	629.69	785.39
Liquidity Coverage Ratio	181.62	162.32
Non-performing Credit Ratio	0.90	0.70
Loan to Deposit Ratio	81.86	81.42
Profitability Ratio (%)	Quarter 2 2020	Quarter 2 2019
Return on Average Assets (ROAA) <sup>[1]</sup>	0.70	0.80
Return on Average Equity (ROAE) <sup>[1]</sup>	5.06	7.63
Interest Coverage Ratio <sup>[1]</sup>	372.12	359.05
Earnings per Share (for equity listed entity)	N/A	N/A
Dividend per Share (for equity listed entity)	N/A	N/A
Other Important Ratios (if any)	N/A	N/A

[1] The ratio is not annualized and was calculated using the three-month period of profit or loss figures from 1 April to 30 June of each reporting period.

# Graphs of Financial Highlights

## TOTAL ASSETS

in KHR Millions

+13.7%▲

FROM 2019

20,366,655  
Q2 2020

17,909,170  
2019

## TOTAL LIABILITIES

in KHR Millions

+10.6%▲

FROM 2019

17,575,499  
Q2 2020

15,886,421  
2019

## TOTAL EQUITIES

in KHR Millions

+38%▲

FROM 2019

2,791,156  
Q2 2020

2,022,749  
2019

## TOTAL COMPREHENSIVE INCOME

in KHR Millions

+25.1%▲

FROM Q2 2019

137,441  
Q2 2020

109,871  
Q2 2019

## RETURN ON AVERAGE ASSETS

in percentage

-10 BPS  
(basis points)

FROM Q2 2019

0.70  
Q2 2020

0.80  
Q2 2019

## RETURN ON AVERAGE EQUITY

in percentage

-257 BPS  
(basis points)

FROM Q2 2019

5.06  
Q2 2020

7.63  
Q2 2019

# Composition of the Board of Directors

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**Yves Jacquot**  
Chairman



**Dominic Jacques**  
Non-Executive Director



**Madi Akmambet**  
Executive Director



**Martin Ouellet**  
Non-Executive Director



**Christian St-Arnaud**  
Non-Executive Director



**Etienne Chenevier**  
Independent Director



**Henri Calvet**  
Independent Director



**Guy Quaden**  
Independent Director

# Chairman Statement

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Dear investors, let me discuss here on the performance of ABA Bank in Q2 2020 following the requirement of the Securities and Exchange Commission of Cambodia (SECC).

Cambodian businesses continue experiencing the impact of the slowdown in the economy due to the COVID-19 outbreak worldwide. The Siem Reap and Sihanoukville provinces, mostly depending on tourism, were primarily affected. The trading activities in the Battambang province and adjacent areas have dropped dramatically due to the closure of the markets near the Cambodia-Thailand border, while the garment sector, which is predominantly located in Phnom Penh and Kandal province, also showed a significant decline.

In this regard, ABA Bank continued restructuring the loans of its borrowers under the Loan Restructuring Policy adopted following the NBC Circular dated 27 March 2020. In Q2 2020, the Bank restructured 8,509 loans worth US\$ 435.7 million. The share of restructured loans in the total portfolio is low and reaches 16.3%. At the same time, ABA considers the restructured loans to be of high quality, as 92% of them requested the grace period for the loan principal only and continue to repay the interest. It allows the Bank to project revenue streams and plan activities for the rest of the year. ABA will continue helping its borrowers to overcome the time of hardship through its Loan Restructuring Policy.

The Bank clearly understands the vital role of the financial sector in the country's economy and, apart from the loan restructuring, continues issuing loans to its existing and new customers. In Q2 alone, 6,114 business loans worth USD 322.5 million were disbursed. This allowed to increase the gross loan portfolio by 4.2% to USD 3.1 billion quarter to quarter.

To offer additional support to the affected businesses across the country, ABA joined in April the SME Co-Financing Scheme 2020 (SCFS), an initiative of the Royal Government of Cambodia aimed at providing affordable loans to support SMEs in the country. Under this loan scheme, ABA disburses loans for capital expenditure and working capital with a special interest rate of 7% per annum and a term of up to 7 years.

On the funding side, ABA Bank continued the steady build-up of its deposit portfolio that increased in Q2 to USD 3.8 billion, representing 8.6% growth against the first quarter of 2020. More and more customers choose ABA as their banking partner. As result, the customer base of the Bank in Q2 2020 grew by 15% and the number of ABA clients has surpassed 1 million.

Speaking of other financial performance indicators of the Bank in the second quarter of the year, we keep seeing the stable growth.

As of the end of Q2 2020, the total assets grew 8.7% compared to Q1 and equaled USD 5 billion. The shareholder's equity of the Bank also grew and reached USD 682 million in the reporting period. The Bank managed to secure USD 32.1 million in net profit in Q2 2020, while the total net profit since the beginning of the year soared to USD 65.6 million.

The Bank also continued to invest efforts in its digital banking solutions. As such, PayWay online payment gateway from ABA was chosen to facilitate payment collection on the newly launched Single Portal for online business registration developed by the Ministry of Economy and Finance in collaboration with various ministries and government agencies.

The mobile banking solution, ABA Mobile, received several enhancements, such as transfers to local banks, bank card management tools, and instant cross-border and national money transfers with Visa Direct.

In general, ABA continues to implement its business strategy with the focus on digital finance products as well as on productive loans to businesses in real sectors of the economy. The Bank applies a robust risk management culture strengthened by audit and compliance functions across its businesses.

Being the first Cambodian commercial bank to issue corporate bonds for the total amount of KHR 84.8 billion, ABA also played its role in the development of the securities market and promotion of the Khmer Riel.

Having observed this and other achievements of the Bank, Euromoney international financial magazine honored ABA with the "Best Bank in Cambodia 2020" award that was announced to public in July 2020.

The Board of Directors will keep playing an active role in overseeing the Bank's strategy execution based on the best practices and standards. For that, the Board has the full capacity of its dedicated members who put forth their backgrounds and solid expertise in finance and corporate governance.

On behalf of the Board, I thank the executive team of ABA for their leadership and dedication. I would also like to extend gratitude to the National Bank of Cambodia and SECC for their guidance and support.

Ultimately, I thank all customers for their trust in the Bank and other stakeholders for the confidence they demonstrate in ABA at all times.

July 30, 2020

**Yves Jacquot**  
*Chairman*

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# PART 1

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## GENERAL INFORMATION OF THE LISTED ENTITY



## A. IDENTIFICATION OF THE LISTED ENTITY

Entity Name in Khmer	ធនាគារវឌ្ឍនៈអាស៊ី បំកាត់
In Latin	Advanced Bank of Asia Limited
Standard Code	KH2000091986
Address	N°141, 146, 148, and 148 ABCD, Preah Sihanouk Blvd, and N°15 and 153 ABC, street 278, Sangkat Boeng Keng Kang 1, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia
Phone	(+855) 23 225 333
Fax	(+855) 23 216 333
Website	www.ababank.com
Email	info@ababank.com
Registration Number	00010593 dated 29 December 2010
License Number	B14 issued by the National Bank of Cambodia dated 29 November 2019
Authorization and registered document number	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\$234 billion in assets as of April 30, 2020, 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 30 June 2020, ABA Bank manages the total assets of US\$ 5.0 billion and serves more than 1 million customers through the extensive network of 77 branches, 600+ self-banking spots, and advanced online banking and mobile banking platforms.

The Bank owns the long-term issuer credit rating "B+" from Standard&Poor's Global Ratings Agency (S&P). The rating was upgraded from "B" in December 2019.

## C. QUARTERLY KEY EVENTS OF LISTED ENTITY

The second quarter of 2020 witnessed the further strengthening of ABA's operations and market position.

### *BUSINESS DEVELOPMENT*

In April, the Bank joined the SME Co-Financing Scheme 2020 (SCFS), an initiative of the Royal Government of Cambodia aimed at providing affordable interest loans to support Small and Medium Enterprises (SMEs). This loan scheme enables ABA to provide loans to SMEs for their capital expenditure and working capital with a special interest rate of 7% per annum and for a term of up to 7 years.

The Bank's mobile banking application, ABA Mobile, received several important enhancements in the reporting period. Now, ABA Mobile users can transfer money to any local bank, manage their bank cards in the app, and send money instantly via Visa Direct to any Visa card in Cambodia and Visa cards issued by the banks in Thailand, Vietnam, Laos, Myanmar, Malaysia, Singapore, Indonesia, and the Philippines.

The Bank also continued to invest in its e-commerce solution, PayWay online payment gateway. As such, in June ABA announced a partnership with the Royal Government of Cambodia to facilitate payment collection on the newly launched Single Portal for online business registration developed by MEF in collaboration with various ministries and government agencies. Powered by PayWay, Single Portal is a one-stop online solution for business registration, tax settlement, service fees, and other payments from business owners and taxpayers. With more ministries in the line-up, Cambodian business owners will be able to make payments related to their business registration and operations in Khmer riels using ABA PAY, cashless payment solution in the ABA Mobile app, or their Visa, Mastercard, or UnionPay International cards.

### *CORPORATE SOCIAL RESPONSIBILITY*

Throughout the reporting period, the Bank dedicated close attention and resources to helping those who were affected by the slowdown of economy due to the Covid-19 outbreak. In particular, ABA organized a fundraising campaign among its customers offering them to donate any amount, which the Bank would double. Due to the overwhelming response, ABA managed to collect 9,000 USD from its customers and doubled it to \$18,000. The raised amount was transferred to the Ministry of Health for the purchase of medical supplies to mitigate the spread of the virus.

Additionally, ABA contributed a significant amount of cash and medical supplies worth 10,000 USD through the Association of Banks in Cambodia (ABC) to help the Khmer-Soviet Friendship Hospital for the treatment and prevention of Covid-19 in the country.

To offer relief to the low-income families who lost their primary source of income due to temporary closure of their workplaces or optimization of workforces, ABA Bank brought emergency food supplies to 416 families affected by the Covid-19 outbreak. The families live in communities on the outskirts of Phnom Penh, as well as in the villages of Kandal, Kampong Speu, and Kampong Chhnang provinces.

## PART 2

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INFORMATION ON BUSINESS  
OPERATIONS PERFORMANCE

## A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS INFORMATION

Key Achievement	Quarter 2 2020	31 December 2019
<b>Loan</b>		
Loan Accounts	74,082	66,513
Total Gross Loans (in KHR million)	12,808,356	11,265,037
<b>Deposit</b>		
Deposit Accounts	1,083,072	828,651
Total Deposits (in KHR million)	15,647,152	13,836,025
<b>Others</b>		
Operating Branches	77	77
Number of Staffs	6,516	6,410
ATMs	452	418
POS Terminals	1,524	1,214

## B. INCOME STRUCTURE

No	Source of Income	Quarter 2 2020		Quarter 2 2019	
		Amount (in KHR million)	Percentage (%)	Amount (in KHR million)	Percentage (%)
1	Interest Income	334,960	88.75	252,547	87.56
2	Fee and commission Income	39,920	10.58	35,074	12.16
3	Other Income	2,557	0.68	801	0.28
<b>Total Income</b>		<b>377,437</b>	<b>100</b>	<b>288,422</b>	<b>100</b>

# PART 3

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FINANCIAL STATEMENT REVIEWED BY  
INDEPENDENT AUDITOR

Please refer to the Annex for Interim Financial Statements Reviewed by Independent Auditor

# PART 4

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussions and analyses focus on the operational and financial results based on the Interim Financial Statements as of 30 June 2020 reviewed by the Independent Auditor. The Interim Financial Statements have been prepared in accordance with the Cambodian International Financial Reporting Standards (“CIFRS”) and follow regulations and guidelines of the National Bank of Cambodia. Only the key components of the Interim 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 SEGMENT ANALYSIS

No	Income Category	Quarter 2 2020		Quarter 2 2019	
		Amount (in KHR million)	Percentage (%)	Amount (in KHR million)	Percentage (%)
1	Interest Income	334,960	88.75	252,547	87.56
2	Fee and Commission Income	39,920	10.58	35,074	12.16
3	Other Income	2,557	0.68	801	0.28
<b>Total Income</b>		<b>377,437</b>	<b>100</b>	<b>288,422</b>	<b>100</b>

ABA Bank earns most income from the interest income representing 87.56% of the total income in the second quarter of 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 presented the net interest income which resulted from the total interest income less interest expenses discussed under the next section on the *Profit before Tax Analysis*.



#### 4. PROFIT BEFORE TAX ANALYSIS

Statement of Profit before Tax	Quarter 2 2020 (in KHR million)	Quarter 2 2019 (in KHR million)	Variance (in KHR million)	Variance (%)
Interest Income	334,960	252,547	82,413	32.63
Interest Expense	(61,638)	(49,259)	(12,379)	25.13
<b>Net Interest Income</b>	<b>273,322</b>	<b>203,288</b>	<b>70,034</b>	<b>34.45</b>
Fee and Commission Income	39,920	35,074	4,846	13.82
Fee and Commission Expense	(13,387)	(12,890)	(497)	3.86
<b>Net fee and Commission Income</b>	<b>26,533</b>	<b>22,184</b>	<b>4,349</b>	<b>19.60</b>
Other Operating Income	2,557	801	1,756	219.23
Personal Expenses	(73,021)	(59,494)	(13,527)	22.74
Other Expenses	(29,543)	(20,630)	(8,913)	43.20
Depreciation and Amortization	(20,584)	(14,333)	(6,251)	43.61
<b>Operating Profit</b>	<b>179,264</b>	<b>131,816</b>	<b>47,448</b>	<b>36.00</b>
Net Impairment Losses on Financial Instruments	(11,533)	(4,210)	(7,323)	173.94
<b>Profit before Tax</b>	<b>167,731</b>	<b>127,606</b>	<b>40,125</b>	<b>31.44</b>

In Q2 2020, the profit before tax reached KHR167,731 million with 31.44% increment compared to Q2 2019 equivalent to KHR40,125 million. This significant increase of the profit is mainly from the Interest Income with 32.63% growth and Fee and Commission Income with 13.82% growth compared to Q2 2019.

## 5. NET PROFIT FOR THE PERIOD ANALYSIS

Statement of Net Profit	Quarter 2 2020 <i>(in KHR million)</i>	Quarter 2 2019 <i>(in KHR million)</i>	Variance <i>(in KHR million)</i>	Variance (%)
Profit before Tax	167,731	127,606	40,125	31.44
Income Tax Expense	(36,901)	(26,119)	(10,782)	41.28
<b>Net Profit for the Period</b>	<b>130,830</b>	<b>101,487</b>	<b>29,343</b>	<b>28.91</b>

In Q2 2020, the net profit for the period was KHR130,830 million with 28.91% higher than Q2 2019 showing rapid growth of ABA Bank. As a result, ABA Bank achieved the Return on Average Equity of 5.06% and the Return on Average Assets of 0.70% as of 30 June 2020.

## 6. TOTAL COMPREHENSIVE INCOME ANALYSIS

Statement of Total Comprehensive Income	Quarter 2 2020 <i>(in KHR million)</i>	Quarter 2 2019 <i>(in KHR million)</i>	Variance <i>(in KHR million)</i>	Variance (%)
Net Profit for the Period	130,830	101,487	29,343	28.91
Other Comprehensive Income	6,611	8,384	(1,773)	(21.15)
<b>Total Comprehensive Income</b>	<b>137,441</b>	<b>109,871</b>	<b>27,570</b>	<b>25.09</b>

## 7. FACTORS AND TRENDS ANALYSIS AFFECTING FINANCIAL CONDITIONS AND RESULTS

As at 30 June 2020, the management acknowledges that ABA Bank did not have any significant factors and trends that would affect ABA's financial situation and results.

## B. SIGNIFICANT FACTORS AFFECTING PROFIT

### 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 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.

As such, the Bank's mobile banking application, ABA Mobile, received several important enhancements in Q2. Now, ABA Mobile users can transfer money to any local bank, manage their bank cards right in the app, and send money instantly via Visa Direct to any Visa card in Cambodia and Visa cards issued by the banks in Thailand, Vietnam, Laos, Myanmar, Malaysia, Singapore, Indonesia, and the Philippines.

The Bank also significantly invested in the enhancement of its self-banking facilities by installing additional ATMs, CRMs, cash-in kiosks, POS-terminals, and expanding its network of QR code payments.

## 2. FLUCTUATIONS IN PRICES OF RAW MATERIALS ANALYSIS

ABA Bank operates in the service 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 to the General Department of Taxation also plays a role as a contributor to Cambodian society and economic growth. For good practice on tax compliance, ABA Bank was awarded "GOLD" certificate of tax compliance from GDT on 2 September 2019 with a 2-year validity period for the tax year 2019 and 2020.

## 4. EXCEPTIONAL AND EXTRAORDINARY ITEMS ANALYSIS

As at 30 June 2020, the management acknowledged that ABA did not experience any items, transactions or events of a material and unusual nature.

With the COVID-19 outbreak, there is a significant decline in the global economy. At the same time, the management has assessed the impact of COVID-19 on the Bank and concluded that there was no material impact to the Bank's financial statements.

## C. SIGNIFICANT CHANGES IN SALE AND REVENUE

In Q2 2020, ABA Bank recorded stable growth in revenue, securing 273.3 billion KHR in net interest income, which represents 34.45% growth compared to the same period in 2019. The operating profit totaled 179.2 billion KHR that is 36% higher than in Q2 2019.

## 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 2.5% in the first half year of 2020 according to the Semi-annual report 2020 from the National Bank of Cambodia. Therefore, in Q2 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. In particular, the National Bank of Cambodia (NBC) issued a press release to defer the implementation of the Capital Conservation Buffer, lowered the interest rate

on the reserve requirement and the interest rate on borrowing, and continually provided the short-term borrowing to financial institutions to ensure sustainability that responded to the economic demand.

In March, the NBC issued a circular to all financial institutions to restructure loans in order to maintain financial stability, support economic activity, and ease the burden of borrowers who find it difficult to repay loans during the COVID-19 outbreak. This circular requires financial institutions to establish a policy and procedure on loan restructuring and pay close attention to clients, with particular attention given to clients engaged in tourism, garments, construction, and transportation.

Additionally, the SME Co-Financing Scheme 2020 (SCFS) was launched. It is an initiative of the Royal Government aimed at providing affordable interest loans to support Small and Medium Enterprises (SMEs). Under this loan scheme, participating financial institutions are entitled to provide loans to SMEs for their capital expenditure and working capital with a special interest rate of 7% per annum and for a term of up to 7 years.

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

As a result, the management of the Bank assessed the situation and concluded there was minimal impact to the Bank's financial results in the second quarter of 2020.

Signatures of Directors of the Listed Entity  
August 14, 2020  
Seen and Agreed

**For Dominic Jacques**  
*Non-Executive Director*

**Madi Akmambet**  
*Executive Director*

**Madi Akmambet**  
*Executive Director*



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and No. 15 and 153 ABC, Street 278, Sangkat Boeung Keng Kang I,  
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