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| ANNUAL REPORT  
**2016**



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# MESSAGE FROM THE CEO



## HIGHLIGHTS

2016 was one of continued progress of ABA Bank, marked with many significant milestones, such as the increase of National Bank of Canada's share and celebration of ABA's 20th anniversary, to name the few. The Bank strengthened its position in a highly competitive environment and built profound basement for a bigger growth in years to come. It came as no surprise that ABA entered the rank of the five largest banks in Cambodia after showing a remarkable growth on all main parameters. Our net profit increased by 81% and reached USD 29.01 million for the year, while the total assets crossed the mark of USD 1 billion, reaching 1.099 billion in the end of December 2016.

Committed to being a bank Cambodians trust, ABA earns reputation as a reliable bank with strong balance sheet and stable funding position. With this, we are capable of offering the entire spectrum of modern financial services to SMEs, micro businesses, and individuals while steadily moving forward to reach our goal – become the country's number one supplier of dependable, easy-to-use, technologically advanced and easily accessible banking services.

## MAIN DEVELOPMENTS

In this remarkable year, our strategic partnership with National Bank of Canada became even stronger. In May, we announced the increase of National Bank of Canada share in ABA Bank from 42 to 90 percent. It was the first time in the local financial sector when a North American financial institution took majority in Cambodian bank. ABA is the full

member of National Bank of Canada Group and has clear plans for future, which National Bank of Canada fully supports.

Our branch network enjoyed another year of great expansion. By the end of 2016 we extended to 42 branches nationwide, having shown a 27 percent growth compared to the last reporting period. Now, people in Kandal Steung, Bati, Memot, Peam Ro, Thmar Kol, Tboung Khmum, Banteay Meanchey, Siem Reap's Phsar Leu and Phnom Penh's Sen Sok areas get full access to our modern products and enjoy our great service. Consistent execution of the long-term strategy made ABA the fourth-largest bank in Cambodia in terms of branch network.

Our self-banking facilities also got significant development in 2016. As I write in early 2017, the number of our mobile app users already exceeded 50,000. It clearly shows confidence of our customers in the app and their readiness to embrace modern technologies that facilitate their life. Indeed, our app supports advanced security features and is used for everyday banking transactions. We are constantly improving it, because consider this as the main point of client's contact with the bank in the nearest future.

Mobile app is just a part of the big multichannel platform, which we call SMART Banking. We introduced this platform in 2015 to provide our clients with innovative and flexible banking experience that lets them perform financial transactions in 24/7 mode without visiting the branch. In 2016, this platform was only enhanced: our ATM network grew 30% and became the second-largest in the country (167 ATMs),

while the number of self-banking kiosks was increased to 62 machines across the country.

As part of our retail banking facilities development, we started to issue Platinum debit and credit cards with Visa and MasterCard. We also became the largest issuer of China UnionPay cards in Cambodia, having issued more than 60,000 cards. We extended our service range and added insurance products to our portfolio by partnering with Manulife, one of the world's leading life insurance companies. Now, ABA customers can apply for life insurance products from Manulife and use banking services to pay premiums.

In July 2016, we successfully launched FAST payment system in cooperation with 13 commercial banks and MFIs. This service initiated and orchestrated by National Bank of Cambodia enables customers to immediately send funds in local currency between the participating institutions. What is more, it strengthens the people's trust in the banking system and helps them to adopt modern banking techniques.

The year of 2016 was glorious for ABA in terms of international recognition. We have proven our commitment to the customers and excellence on the market, having received top three international awards. ABA was named the Best Bank in Cambodia by *Global Finance*, *Euromoney*, and *The Banker* magazines. This recognition reflects our performance in serving customers and signifies our achievements on providing the best digital financial solutions.

Obviously, these achievements are the result of the hard work of our team, and I thank each and every employee of the bank for their contribution to the growth of ABA Bank.

## FINANCIAL PERFORMANCE

For our shareholders, we delivered significant results in financial performance at both interest and non-interest levels:

- Total assets of the Bank have crossed the mark of USD 1 billion and reached 1.099 billion in the end of December 2016, rising from USD 805 million at the end of 2015.
- Deposit portfolio reached USD 856 million, compared to USD 654 million in 2015, an increase of 31%.
- Our loan portfolio grew significantly to USD 789 million from USD 484 million one year ago, an increase of 63%.

Thanks to our rigorous approach to lending, which involves an exhaustive case-by-case analysis and avoidance of risky lending to the sectors that contribute to the economy's overheating, we managed

to keep "bad" loans at extremely low levels. In 2016, the NPL ratio amounted to only 0.2% of the portfolio.

As result, we witnessed 81% growth in net profit to USD 29.01 million for the year, representing a 25% return on equity – higher than the average in Cambodian financial sector.

## OUTLOOK FOR 2017

In 2017, ABA is committed to growing the Bank's market share and persist in strengthening its presence in Cambodia. ABA will continue to provide the best banking experience and bring the most advance financial digital solutions to its customers. The commitment of our employees enables us to deliver a high level of customer satisfaction through our products and services.

We will be focusing on further growing our customer base to ensure stability and profitability growth in future. And that can only be done through innovative approach and solutions. Everything we will do in 2017 should be based on "mobile-first" strategy. Cambodia is a unique country with young population that easily adopts new technologies and solutions. We also plan to launch several projects, which will make the customer onboarding process much easier and faster using mobile technologies. On lending side, we will definitely continue to follow our existing strategy with close focus on supporting microbusinesses and SMEs.

I am excited with the opening opportunities for the Bank in 2017 and express my gratitude to all our valued stakeholders, shareholders, customers, management and employees for their continuous support in 2016.



**Askhat Azhikhanov**  
Chief Executive Officer

# WHO WE ARE



# 90%

ABA Bank is one of Cambodia's premier banking institutions 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 entered the Top 5 commercial banks of the country. Today, we offer the entire spectrum of services to customer segments covering individuals, micro, small and medium enterprises (MSMEs), and corporate entities. With 42 branches, 62 self-banking kiosks, and 167 ATMs across the country (as at December 31, 2016), we reach out to a large amount of customers with an array of modern financial services.

ABA Bank has an effective and well-synchronized professional team that is committed to maintaining and improving our performance.

Our international management team brings invaluable expertise and allows ABA Bank to comply with international standards of service and security.

In July 2014, the "A+" rated financial institution, National Bank of Canada entered ABA Bank's shareholders structure. As of December 31, 2016 National Bank of Canada is the major shareholder of ABA holding 90% of the Bank's shares.

The most famous financial publications of the globe recognized ABA's efforts to bring the very best to its clients:

- *The Banker* magazine named ABA as Cambodia's Bank of the Year in 2014 and 2016. The award recognizes ABA's financial strength, continuous introduction of innovative products, and the best business practices.
- *Euromoney* magazine bestowed ABA Bank as the Best Bank in Cambodia 2014, 2015, and 2016 for its service quality, innovations and efforts for bringing the banking in Cambodia to the next level.
- *Global Finance* magazine awarded ABA as the Best Emerging Markets Bank in Cambodia 2015 and 2016. This award praises the commitment of ABA team to provide its clients with the tailor-made products and innovative financial solutions.



# VISION, MISSION AND VALUES

## OUR VISION

The vision of the 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 people to build a bigger and brighter future for themselves and their country by providing highly professional, technologically advanced banking services for all.

We see ourselves 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 every thing that we do, inside and outside the Bank. It is these home grown principles that form the basis of every relationship, with the customers and communities we serve as well as with our staff.

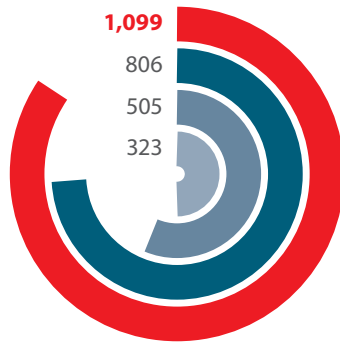
# FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER	2013	2014	2015	2016
<b>Balance Sheet (US\$ million)</b>				
Total Deposits	276.9	433.4	654.4	855.8
Total Gross Loans	179.3	271.5	483.7	789.1
Equity	41.5	64.0	100.0	129.0
Total Assets	322.7	505.0	805.6	1,098.5
<b>P &amp; L Account (US\$ million)</b>				
Net Interest Income	11.4	17.8	32.0	54.2
Net Fee & Commission Income	4.5	6.8	8.29	13.4
Net Profit	4.0	7.5	16.0	29.0
<b>Key Performance Indicators (%)</b>				
ROAE	10.2	14.2	19.5	25.3
ROAA	1.4	1.8	2.4	3.1
Cost / Income	57.1	57.5	46.4	39.4
Liquidity Ratio	50.6	54.6	54.1	73.2
Credit Deposit Ratio	64.7	62.6	73.9	92.2
Solvency Ratio	16.2	16.7	15.8	17.4
NPL / Total Loans	3.7	0.3	0.1	0.2
<b>General Information</b>				
Branches	17	25	33	42
Staff	444	702	1,017	1,678
ATMs	57	88	128	167
POS Terminals	163	237	338	416
Depositors	41,885	55,531	85,607	141,734
Borrowers	4,650	7,966	14,700	26,226
Internet Banking Users	15,384	27,003	42,939	65,273
Mobile Banking Users	–	–	11,488	43,918



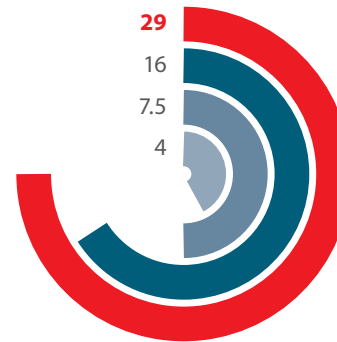
# SIMPLIFIED FINANCIAL RESULTS

■ 2013 ■ 2014 ■ 2015 ■ 2016



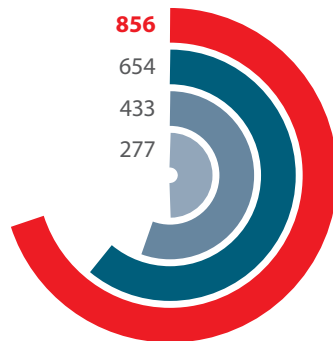
**ASSETS**  
in US Millions

**1,099**  
36% INCREASE  
FROM 2015



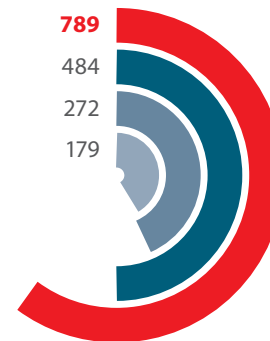
**NET PROFIT**  
in US Millions

**29**  
81% INCREASE  
FROM 2015



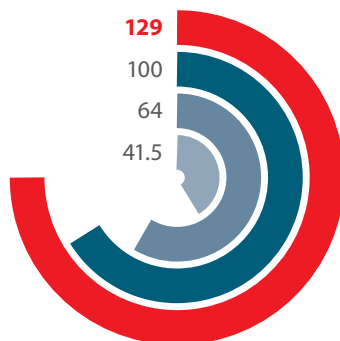
**DEPOSITS**  
in US Millions

**856**  
31% INCREASE  
FROM 2015



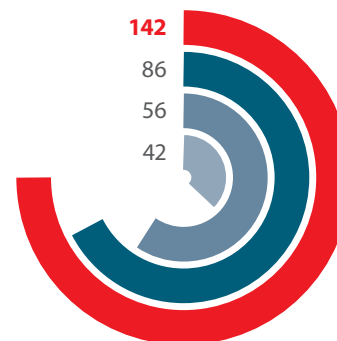
**LOANS**  
in US Millions

**789**  
63% INCREASE  
FROM 2015



**SHAREHOLDERS EQUITY**  
in US Millions

**129**  
29% INCREASE  
FROM 2015

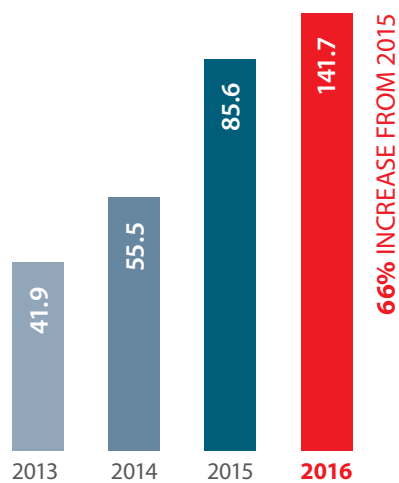


**NUMBER OF ACCOUNTS**  
in Thousands

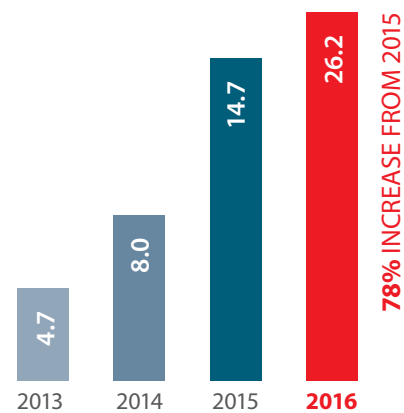
**142**  
66% INCREASE  
FROM 2015

# GENERAL INFORMATION

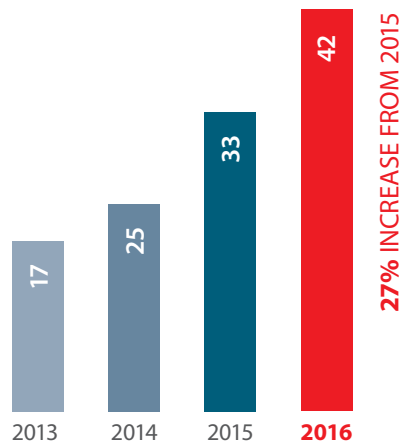
NUMBER OF DEPOSITORS  
IN THOUSANDS



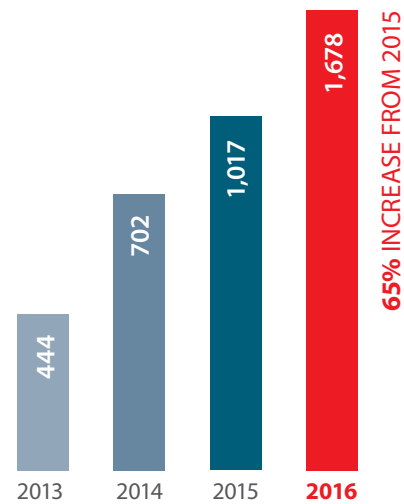
NUMBER OF BORROWERS  
IN THOUSANDS



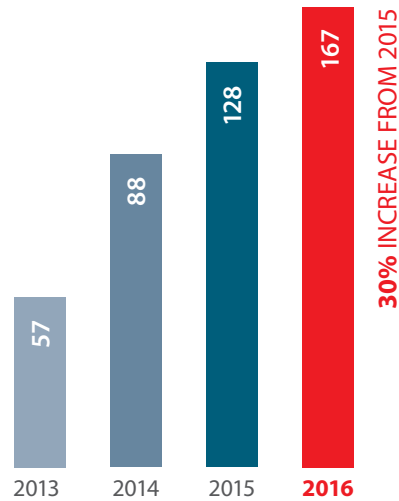
NUMBER OF BRANCHES



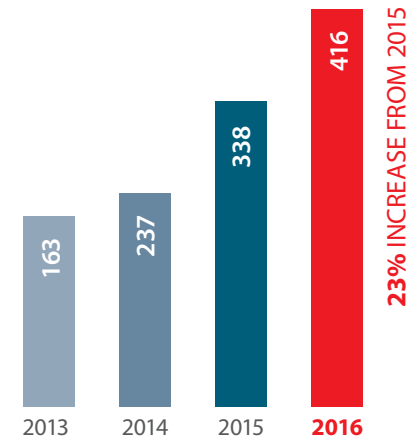
NUMBER OF EMPLOYEES



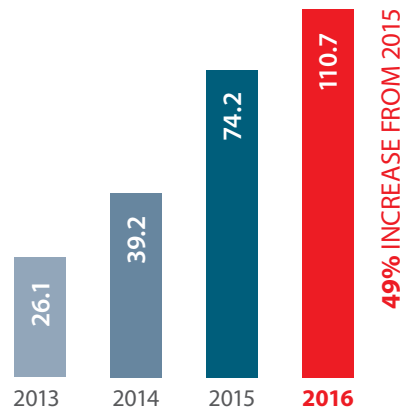
### NUMBER OF ATM MACHINES



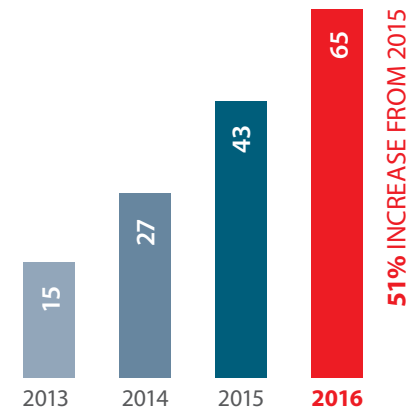
### NUMBER OF POS TERMINALS



### NUMBER OF ISSUED CARDS IN THOUSANDS



### NUMBER OF IBANKING USERS IN THOUSANDS



# ACHIEVEMENTS IN 2016



## NATIONAL BANK OF CANADA BECOMES MAJOR SHAREHOLDER

The new agreement made in May allowed National Bank of Canada to increase its equity in ABA Bank from 42 to 90 percent.

This is the first time that a North American financial institution holds a majority of shares in a Cambodian bank and it allows ABA to greatly improve upon its already outstanding levels of service.



## BRANCH NETWORK EXPANSION

Nine new branches of ABA were opened in 2016, experiencing another year of great expansion. From now on, people in Kandal Steung, Bati, Memot, Peam Ro, Thmar Kol, Tboung Khmum, Bantey Meanchey, Siem Reap's Phsar Leu and Phnom Penh's Sen Sok area get full access to ABA's modern products and enjoy great service. This also helps us to cater to the needs of growing business activities in those areas and increase our customer base.



## BEST BANK AWARD FROM EUROMONEY

ABA Bank was named the "Best Bank in Cambodia 2016" by the respectable financial publication, *Euromoney*. The top honor becomes the third consecutive award given to the bank by the magazine since 2014. The judges praised ABA's outperforming growth within the year, its strategic partnership with National Bank of Canada, as well as consistent delivery of modern products and exceptional client service.



## AWARD FROM GLOBAL FINANCE

ABA Bank was named the "Best Bank in Cambodia 2016" by the international financial publication *Global Finance*. This recognition proves the success of the business model that ABA Bank set up earlier. In choosing Cambodia's best bank, *Global Finance* considered a wide range of quantitative factors including growth in assets, profitability, strategic relationships, customer service, competitive pricing and innovative products.



### TOP AWARD FROM THE BANKER

ABA's international recognition crowns the "Bank of the Year 2016" award from *The Banker*, the world-known financial publication based in London (UK). The judges' decision is based on ABA's financial strength, continuous introduction of innovative products, and the best business practices. *The Banker* separately noted the success of the SMART banking platform, which provides ABA customers with easy-to-use remote banking and customer support tools available 24/7.



### LAUNCH OF PLATINUM CARDS

As part of its retail banking facilities development, ABA Bank started to issue Platinum cards from Visa and MasterCard tapping on the segment of active travelers and tempted shoppers. Recognized worldwide, ABA Platinum cards allow clients enjoy high withdrawal and purchase limits, access airports' VIP lounges and more. In addition, ABA Platinum card holders don't need to pay the fee for transaction decline and balance inquiry at non-ABA ATMs or POS terminals.

agoda.com



### COOPERATION WITH AGODA.COM

ABA Bank and Agoda.com, Asia's leading hotel booking site signed an agreement to offer special booking rates to ABA cardholders. Under the agreement, all ABA Visa and MasterCard holders can receive instant discount of up to 7% on the room rate in more than 700,000 hotels worldwide. The agreement also provides additional seasonal promotions for ABA card holders with even higher discount rates.



### PARTNERSHIP WITH MANULIFE

ABA Bank and Manulife Cambodia officially struck a deal for distributing life insurance products in ABA branches. This bancassurance deal enables Manulife Cambodia to reach out to more Cambodians, and provide financial advices and solutions to help Cambodians protect their incomes such as income protection, children's future education and saving to families in Cambodia.

# MILESTONES

## 2011

China Construction Bank (China) and Standard Chartered Bank (Thailand) became correspondent partners of ABA

Developing its risk management strategy, ABA set up the Risk Management Department, enabling it to assume conscious exposure to credit, market, liquidity and operational risks

As a new strategic move and within the social and economic approach, ABA has tailored a special micro-business program offering clients significantly better terms and conditions than MFI and other banks

The bank increased its presence in the provinces with the opening of a new branch in Kampong Cham

Central Branch, a flagship banking center for the Bank's corporate and VIP clients in the heart of Phnom Penh, opened

ABA became the first Cambodian financial institution to be named the Retail Bank of the Year by Asian Banking & Finance Magazine (Singapore)

## 2012

Vietcom Bank (Vietnam) added to the network of correspondent banks

Asian Banking & Finance Magazine (Singapore) awarded ABA the Cambodia Retail Bank of the Year

ATM presence expanded by 30%, bringing the total number of ATMs to 41

Significant attention was paid to renovation of the Bank's Head Office Branch and increasing of its presence in Siem Reap by moving to a larger office

Following plans to expand its branches and ATM network, ABA Bank opened another branch in the capital – Stung Mean Chey

## 2013

ABA became the first Cambodian bank to protect its VISA and MasterCard holders with 3D-SECURE service

Six full service branches in Takhmao, Takeo, Sihanoukville, Chom Chao, Chbar Ampov and Kampong Speu launched

ABA Bank introduced new self-service cash-in machines, which combine the features of cash deposits and payments for services 24/7

ABA Bank officially launched its own ABA Point discount program for valued cardholders

Asian Banking & Finance Magazine (Singapore) awarded ABA Bank as "Cambodia's Domestic Technology and Operation Bank of the Year"

ABA Bank introduced its new premium service ABA Priority for its high net worth customers

## 2014

ABA Bank cooperated with IME, international money transfer provider from Malaysia, to offer an additional channel of sending and receiving money outside the country

ABA Bank signed an agreement with China's UnionPay International. The cooperation authorizes ABA to issue and accept China UnionPay cards under the licence of UnionPay International

ABA Bank has been awarded the Bank of the Year in Cambodia by The Banker magazine

The financial magazine Euromoney named ABA Bank as the Best Bank in Cambodia 2014

ABA witnessed a 56% growth in assets level, reaching remarkable threshold of half billion USD

National Bank of Canada became ABA Bank's shareholder in July 2014. This engagement brings ABA a new range of advantages and opportunities

Eight new branches opened. This is the biggest expansion of ABA's branch network within a year

## 2015

ABA successfully launched ABA Mobile, the first full-scale mobile banking app in Cambodia

ABA joined Easy Cash, the largest ATM network in Cambodia. This initiative gives ABA VISA cardholders access to their ABA accounts through ATMs shared by partnering banks

ABA started issuing UnionPay International (UPI) cards and became the largest issuer of UPI cards in Cambodia

Euromoney Magazine awarded ABA as "The Best Bank in Cambodia 2015"

Global Finance Magazine named ABA "Best Emerging Markets Bank in Cambodia 2015"

Cooperation with Booking.com offered an exclusive 6% discount to ABA card holders

Eight new branches opened with five of them on the district level in rural areas

National Bank of Canada increased its share in ABA up to 42%

## 2016

National Bank of Canada increased its share in ABA to 90%

Issuance of ABA Platinum cards started

Nine new branches opened with five of them on the district level in rural areas

ABA Bank was named as "The Best Bank in Cambodia" by the world's top financial magazines – *The Banker*, *Euromoney* and *Global Finance*

ABA Bank received "Fastest Growing Trade Finance Bank in Cambodia" award from *Global Banking and Finance Review* magazine

ABA became one of the founding institutions of "FAST" Payment System that enables customers to immediately send / receive funds between the participants

Cooperation with Manulife for distributing life insurance products in the Bank's branches

Cooperation with Agoda.com to offer special booking rates to ABA cardholders



# CONTINUOUS IMPROVEMENT

## HUMAN RESOURCES MANAGEMENT



The favorable outcome of our branch network expansion has strongly led to increase in our human capital. The employment of the Bank recorded the highest YTY growth. As of December 2016, we had a total of 1,678 employees, an increase of 65% compared to the year before.

In order to improve our internal staff promotion and movement, we initiated “ABA Bright Future”, a career event where our internal candidates are open to higher positions. Also, within the year we held numerous “Career Talk” seminars led by our professional team that opened career opportunities to fresh graduates and experienced candidates from local communities in Phnom Penh and some other provinces such as Kampong Cham, Kratie, Preah Sihanouk, and Kampot.

Without overlooking potential candidates with less experience, new programs “Micro Business Loan” and “Client Service Internship” were created to make them ready for Micro Business Loan and Sales teams and to ensure the sufficient supply to the demand of business.

After National Bank of Canada became the major shareholder in ABA, our executive team from Business Development, International Relations, Marketing, Internal Audit, Risk Management, Compliance, and Human Resources got the chance to earn new experience from our exchange program with Canadian colleagues. This great practice will continue in the upcoming years.

Our professional in-house trainers have been conducting numerous training sessions aimed at enhancing and strengthening the knowledge and competency of ABA Bank employees. Being always open to new ideas and practices, we also provided the staff with external trainings, international seminars and workshops within the country and abroad.

In short, we create and maintain a state of upbeat working environment where everyone can thrive and is enabled to deliver sustainable organizational performance. With knowledge, customer focus, and professionalism of our bankers, we are here to ensure the growth of ABA as a whole by delivering benefits to our customers and contribution to the country.

## RISK MANAGEMENT

We consider risk management as a core competency, and to ensure that risks are identified, assessed and managed in a proper manner, we have in place an independent risk management department together with embedded risk managers within the businesses. Our risk management experts use sophisticated frameworks to provide structured and disciplined processes for managing key risks.

With National Bank of Canada being ABA's major shareholder, we continue to develop our balanced risk management system following the group standards of National Bank of Canada, Cambodian regulatory requirement, and Basel Committee recommendations.

The following activities implemented in the field of risk management in the reporting year can be highlighted:

- We updated the key risk policies and procedures following the National Bank of Canada standards and changes in Cambodian and global economy and financial system.
- We developed and launched the system of risk appetite metrics with obligatory limits set by the Board of Directors. The risk appetite framework establishes key principles of strong capitalization, robust balance sheet and sensible income.
- We redesigned our approach to liquidity risks – new advanced models and tools for liquidity risk management were developed and approved by the Board of Directors.
- In operational risk management, we developed and implemented new tools and frameworks.

The implementation of these tools demonstrates our strong commitment to sustainable finance as an integral component of responsible corporate governance.

## TRADE FINANCE



ABA concluded 2016 with around 300 import and export transactions worth more than \$66 million with partners from numerous countries across ASEAN, Europe and North America. Having unique experience in the market, support from National Bank of Canada, and active cooperation with local and foreign financial institutions, ABA is capable of providing right solutions to customers. Furthermore, within the last three years ABA has expanded its trade finance team by hiring highly experienced professionals.

Dedication and efforts of our trade finance team have paid off: in 2016 ABA Bank received the "Fastest Growing Trade Finance Bank in Cambodia" award from the London-based *Global Banking and Finance Review* magazine.

## CORPORATE SOCIAL RESPONSIBILITY

Upholding our core values, we continued to implement our Corporate Social Responsibility (CSR) policy with the main focus on social activities, which tackle financial literacy, tech-novation related to SME, sustainable development initiatives related to environment, education and poverty alleviation, and sports.

Maintaining our long-term commitment, we proudly sponsored National Judo Federation in the frameworks of the **National Judo Championship 2016**. This made 2016 the third year in a row to set a positive impact on the youth in sports. ABA Bank's representatives took part in the tournament's award ceremony at the Olympic Stadium and bestowed prizes on the winners. Also, in October 2016 ABA Bank sponsored the **First Junior Tennis Tournament** in Cambodia held at the National Tennis Center. The event was hosted by Tennis Federation of Cambodia and marked the new era of development of tennis movement in the country.

We strongly believe that supporting the young generation in athletics brings positive effects on their education and physical lifestyle, as well as to the health of the nation.



In order to bring real contribution to the brighter and greener future of our country through proper education of the young generation, ABA Bank supported the **Student Research Competition** hosted by the National University of Management. Labeled "Clean and Green City", the event aimed at promoting research activities among undergraduate students, improving quality-based education, and foster public understanding and participation on specific issues.

In 2016, ABA Bank started to sponsor **Startup Weekend** initiative powered by Google for Entrepreneurs program. The series of Startup Weekend events gather diverse groups of people who are passionate in various fields: education, software development, women entrepreneurship, FinTech, and others. Apart from sponsoring the whole program, members of ABA team acted as mentors, helping the teams to work on the ideas, providing fundamental business guides, and developing their business models.



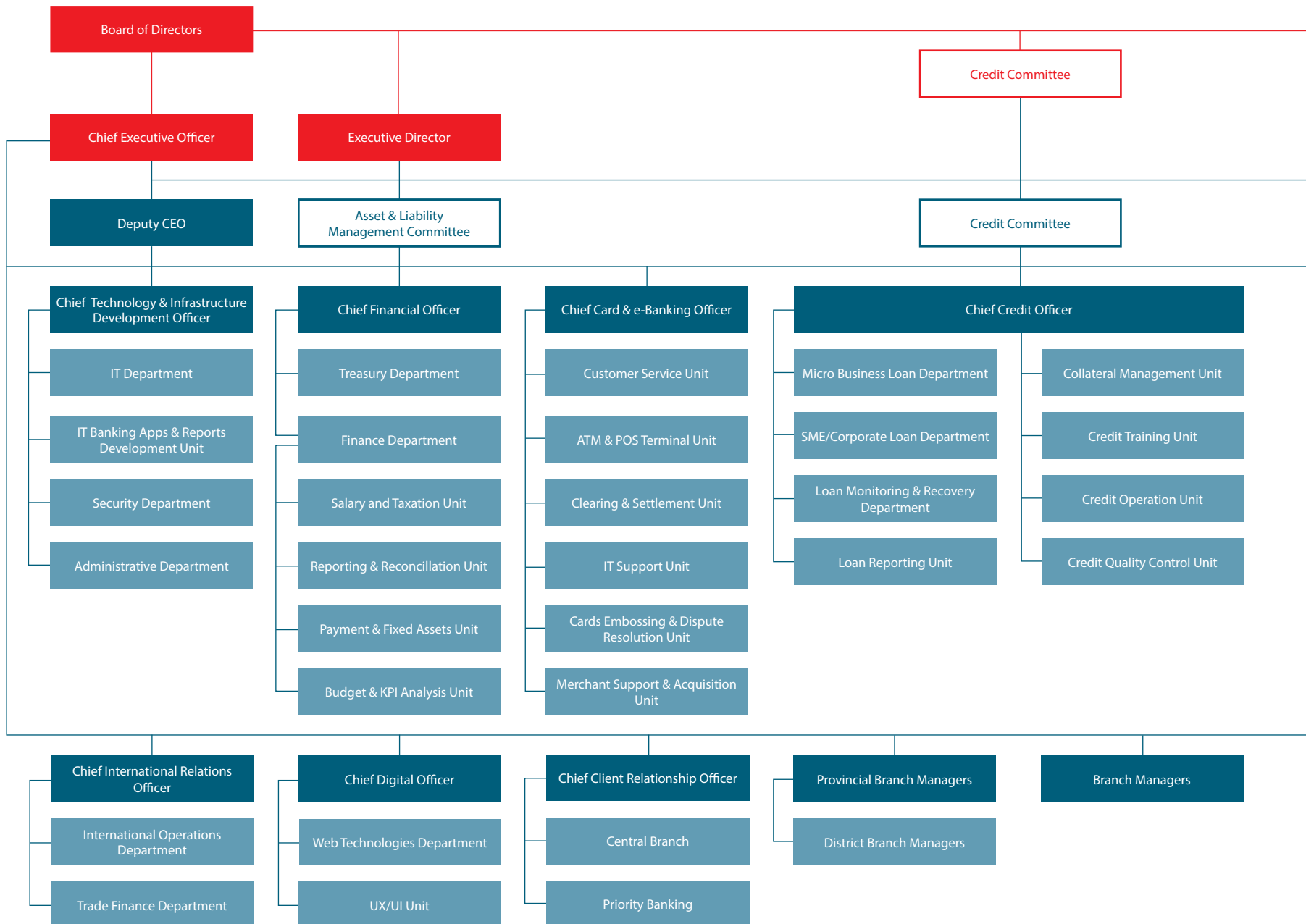
Understanding the importance of the preservation of cultural heritage, we proudly sponsored the **"We are one"** cultural exhibition held in Phnom Penh's Institute of Technology (ITC).

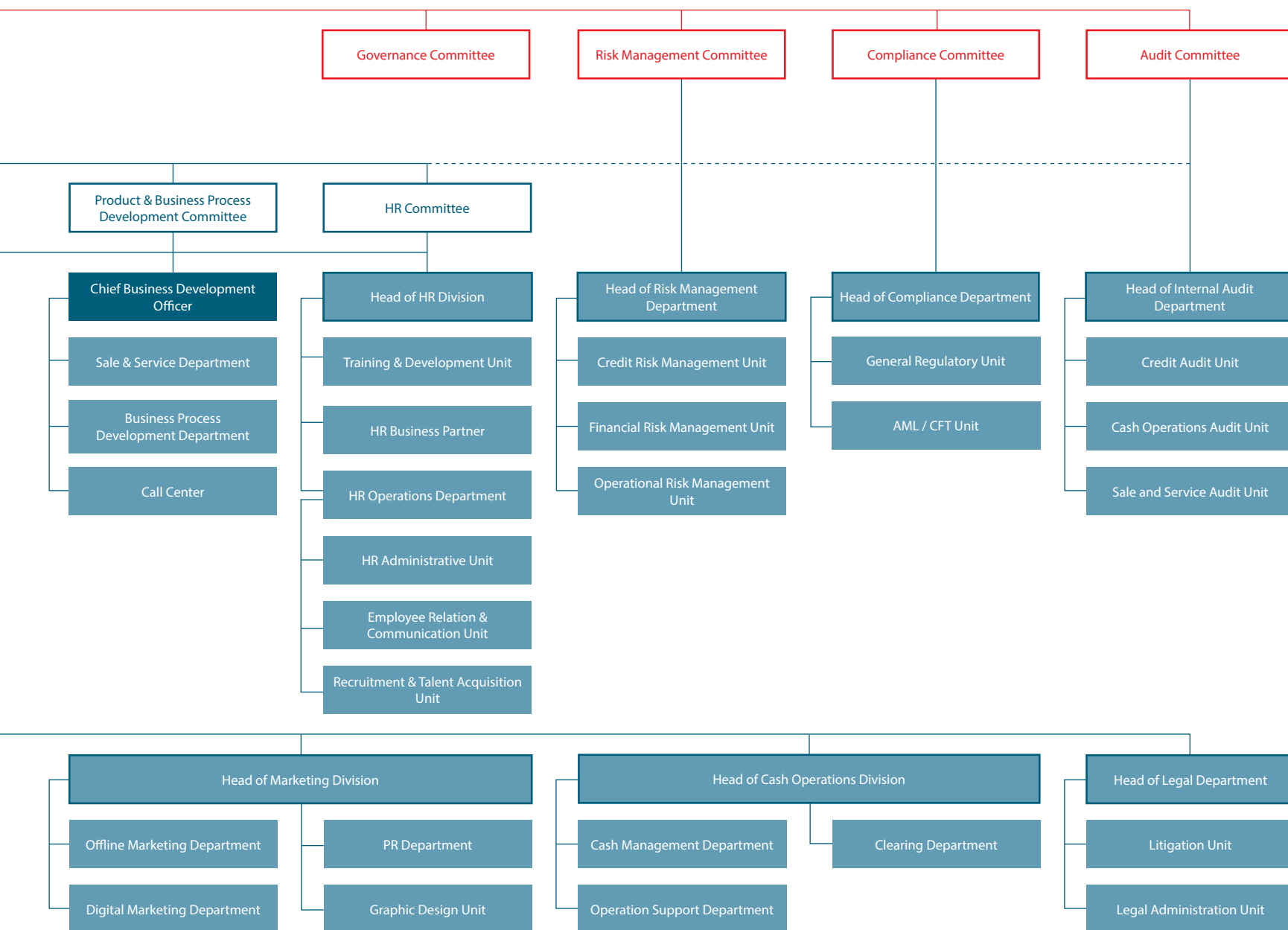
The exhibition was held under the slogan "Culture, the Soul of Nation". Its objective is to promote and raise awareness of Cambodia's culture, traditions, as well as to involve youth and increase their role in the development of the nation.

The event marked a massive success. It attracted up to 1,500 participants from universities, organizations and private sector who came together to discuss and share their perspective on the cultural preservation. The opening remarks were delivered by H.E. Khieu Kanharith, Minister of Information, H.E. Hun Many, President of the Union of Youth Federation, and H.E. Prak Sokhom from the Ministry of Tourism.



# ORGANISATION CHART





# BOARD OF DIRECTORS



**Yves Jacquot**  
Chairman

Yves Jacquot graduated from ESSEC in France. Between 1980 and 1993, he occupied different positions, including the position of CEO in different banks and financial institutions in France, as well as in retail banking sector, investment and financial markets sectors and asset management sector.

He entered BRED Banque Populaire in 1993 and then became the deputy CEO of the Bank and CEO of COFIBRED, the holding company owning the subsidiaries of the group.

Mr. Jacquot is currently holding the position of the Head of International Development for the National Bank of Canada Group.

He joined the Board of Directors of ABA Bank on May 20, 2014.



**André Bérard**  
Director

André Bérard is a corporate director and a career banker. Mr. Bérard dedicated his entire professional life to National Bank of Canada, rising through the ranks to serve as President and CEO of the Bank from 1989 to 2002, and Chairman of the Board of Directors from 1990 to 2003. Leading up to his years at the Bank's helm, he held several senior management positions, including Senior Vice-President and General Manager – International; Executive Vice-President – National Accounts; and Senior Executive Vice-President – Banking.

Mr. Bérard has received numerous awards and distinctions. In 2015, he was inducted as a Companion of the Order of the Canadian Business Hall of Fame for his enduring contributions to the country's economy and society.

In April 2016, he was appointed to the Board of Directors of ABA Bank.



**Damir Karassayev**  
Director

Damir Karassayev came to ABA Bank with a wealth of commercial and financial experience. With his career beginning at Kazakhstan Stock Exchange (KASE) while still a student at the Kazakh State Academy of Management, Damir progressed from being a part-time assistant to becoming the KASE's CEO. He has also held senior positions with one of Kazakhstan's largest telecom 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 has managed businesses in Southeast Asia since 2005. In 2007, he led the team responsible for executing the acquisition of ABA Bank.



**Dominic Jacques**  
Director

Dominic Jacques is a graduate of HEC in Canada, a Chartered Accountant (CPA, CA) and a CFA Charterholder.

Mr. Jacques holds the position of Deputy Vice-President, International Development at National Bank of Canada. He is responsible for managing the Bank's portfolio of international investments as well as developing ancillary business opportunities.

Mr. Jacques started his career at PriceWaterhouseCoopers. He joined National Bank of Canada in 2010 in the Strategy and Corporate Development team. He was advising the Bank's senior management on strategic initiatives, partnerships and M&A activities.

Mr. Jacques has a sound knowledge of the banking industry and has been based in Montreal, London, Paris and USA.

In April 2016, he was appointed to the Board of Directors of ABA Bank.





## David Furlong

### Director

David Furlong holds an MBA from the Queen's School of Business and a Bachelor of CS from Memorial University of Newfoundland (Canada).

Mr. Furlong joined National Bank of Canada in 2012 and has held a number of senior-level positions including Senior Vice-President – Marketing Experience Delivery and Transformation, Senior Vice-President – International Development, Mergers and Acquisitions. In June 2016, he was appointed to the Transformation Office of National Bank.

Mr. Furlong has led many projects to support the Bank's overall multichannel strategy, expansion strategy, and transformational agenda. Throughout his various positions, he successfully led several projects to increase the use of e-channels, analytics and process redesign.

In April 2016, David was appointed to the Board of Directors of ABA Bank.



## Madi Akmambet

### Executive Director

Madi Akmambet holds an MBA with distinction from Cass Business School, City University London and a degree in Economics from Kazakh State Academy of Management.

He started his career in 1997 in Treasury Department of the Ministry of Finance of the Republic of Kazakhstan and then Banking Supervision Department of the National Bank of Kazakhstan.

Between 2000 and 2007, he held top management positions at several national companies and JSC "Tsesnabank" in Kazakhstan.

His international working experience started in 2007 with a private equity business projects in Uzbekistan.

In March 2009, Madi was appointed the CEO of ABA Bank in Cambodia, where he had led a major turnaround of the Bank. Since 2012, he has been Executive Director of the Board of Directors of ABA.



## Henri Calvet

### Independent Director

Qualifications: Graduate of Ecole Normale Supérieure de Cachan and University degree (Economics, Paris-I Panthéon-Sorbonne).

Mr. Calvet is the founder of H2C CONSEIL, a company offering advisory and training services to credit institutions and securities firms, in the main following fields: banking accounting, prudential rules, internal control (including risk management and compliance control).

Prior to setting up his own business, Mr. Calvet had spent 10 years with the French Banking Commission and had later worked for numerous banks, namely, Compagnie Financière Edmond de Rothschild Banque and Compagnie Parisienne de Reescompte, inter-alia.



## Etienne Chenevier

### Independent Director

A graduate from Ecole Polytechnique and Ecole des Ponts et Chaussées in France, Etienne started his career at the French Ministry of Industry. He then joined the Air Liquide Group where he created in 1993 the first operations in China before being given responsibility of large supply contracts of industrial gases to the steel sector in Asia. After that, Etienne joined Rio Tinto where he developed and managed a number of operations in Singapore, Australia, China and Japan.

He then partnered with the French private equity firm CityStar to create their Asian Division in 2005, of which he is Partner and Director.

On May 20, 2014 Mr. Etienne was appointed as the member of the Board of Directors in ABA Bank.

# OUR BRANCH NETWORK

## HEAD OFFICE

No. 148, Preah Sihanouk Blvd., Boeung Keng Kang I,  
Chamkarmon, Phnom Penh, Kingdom of Cambodia

Tel: (855) 23 225 333 (24/7)  
Fax: (855) 23 216 333

info@ababank.com  
www.ababank.com

P.O Box 2277  
SWIFT: ABAKHPP

**BATI DISTRICT BRANCH**  
098 203 649

**BATTAMBANG BRANCH**  
098 203 839

**BARAY DISTRICT BRANCH**  
098 203 739

**BOREI KEYLA BRANCH**  
098 203 869

**BANTEAY MEANCHEY BRANCH**  
098 203 759

**CENTRAL BRANCH**  
098 203 199

**CENTRAL MARKET BRANCH**  
098 203 979

**CHEUNG PREY DISTRICT BRANCH**  
098 203 749

**CHOM CHAO BRANCH**  
098 203 939

**CHBAR AMPOV BRANCH**  
098 203 929

**CHHUK DISTRICT BRANCH**  
098 203 729

**INDEPENDENCE MONUMENT BRANCH**  
098 203 001

**KAMPONG SPEU BRANCH**  
098 203 949

**KRATIE BRANCH**  
098 203 049

**KAMPOT BRANCH**  
098 203 959

**KANDAL STUENG DISTRICT BRANCH**  
098 203 619

**KAMPONG CHAM BRANCH**  
098 203 879

**KAMPONG CHHNANG BRANCH**  
098 203 039

**KAMPONG THOM BRANCH**  
098 203 429

**MAO TSE TUNG BRANCH**  
023 216 135

**MEMOT DISTRICT BRANCH**  
098 203 639

**OU BAEK K'AM BRANCH**  
098 203 799

**PAOY PAET BRANCH**  
098 203 319

**PEAM RO DISTRICT BRANCH**  
098 203 629

**PHSAR LEU BRANCH**  
070 630 679

**PREY VENG BRANCH**  
098 203 059

**PURSAT BRANCH**  
098 203 969

**SAMRAONG TONG DISTRICT BRANCH**  
098 203 719

**SIEM REAP BRANCH**  
098 203 829

**SIHANOUKVILLE BRANCH**  
098 203 899

**SOTHEAROS BRANCH**  
098 203 983

**STADE CHAS BRANCH**  
098 203 819

**SENSOK BRANCH**  
098 203 779

**STUNG MEANCHEY BRANCH**  
098 203 889

**SVAY RIENG BRANCH**  
098 203 029

**TAKEO BRANCH**  
098 203 909

**TAKHMAO BRANCH**  
098 203 919

**TOEK THLA BRANCH**  
098 203 849

**TMAR KOL DISTRICT BRANCH**  
098 203 789

**TOUL KORK BRANCH**  
098 203 859

**TBOUNG KHMUM BRANCH**  
098 203 769

**TRAM KAK DISTRICT BRANCH**  
098 203 709



# AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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# CORPORATE INFORMATION

BANK	Advanced Bank of Asia Limited	
REGISTRATION NO.	00010593	
REGISTERED OFFICE	No. 148, Preah Sihanouk Blvd Sangkat BoeungKeng Kang Khan Chamkamorn, Phnom Penh Kingdom of Cambodia	
SHAREHOLDERS	National Bank of Canada Mr. Damir Karassayev	
BOARD OF DIRECTORS	Mr. Yves Jacquot	Chairman
	Mr. Andre Berard	Director
	Mr. Damir Karassayev	Director
	Mr. Dominic Jacques	Director
	Mr. David Furlong	Director
	Mr. Etienne Chenevier	Independent Director
	Mr. Henri Calvet	Independent Director
	Mr. Madi Akmambet	Executive Director
KEY MANAGEMENT TEAM	Mr. Askhat Azhikhanov	Chief Executive Officer
	Mr. Madi Akmambet	Executive Director
	Mr. Lee Young Ho	Deputy Chief Executive Officer
	Mr. Babu Ram Gyawali	Chief Financial Officer and Company Secretary
	Mr. Bibhu Pandey	Chief Credit Officer
	Mr. Rasulov Zokhir	Chief Digital Officer
	Mr. Galymzhan Temirov	Chief Technology and Infrastructure Development Officer
	Mr. Sanzhar Abdullayev	Chief of Card & E-banking Officer
	Mr. Mey Polin	Chief Business Development Officer
	Mr. Zhiger Atchabarov	Chief International Relations Officer
AUDITORS	Deloitte (Cambodia) Co., Ltd	

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“BOD” or “Directors”) has 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 2016.

## 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 year.

## FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2016 were as follows:

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	36,221,225	146,225,085	19,671,315	79,668,826
Income tax expense	(7,208,986)	(29,102,676)	(3,683,264)	(14,917,219)
<b>Net profit for the year</b>	<b>29,012,239</b>	<b>117,122,409</b>	<b>15,988,051</b>	<b>64,751,607</b>

## RESERVES AND PROVISIONS

There were no material movements in reserves and provisions during the year other than those disclosed in the financial statements.

## DIVIDENDS

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

## SHARE CAPITAL

In March 2016, National Bank of Canada acquired additional shares from Mr. Damir Karassayev, an existing shareholder, of 3,720 shares on 3 March 2016 and 21,584 shares on 15 March 2016, with a par value of US\$1,000 per share, respectively to reach 90% of the Bank shareholding.

On 22 March 2016, the National Bank of Cambodia issued a Prakas No. B7-016-117-ProKor, requiring locally incorporated commercial banks and subsidiaries of foreign banks to increase the minimal registered capital to at least KHR 300 billion (approximately US\$75 million). Banks are required to fulfil this requirement within two years from the date of the Prakas.

In accordance with the Prakas and the Circular on the Implementation of this Prakas, No. B7-016-001 C.L., dated 16 June 2016, on 3 November 2016, the Bank issued additional 16,521 shares to National Bank of Canada and 1,836 shares to Mr. Damir Karassayev, with a par value of US\$1,000 per share. The transaction, approved by the National Bank of Cambodia on 30 December 2016 and the Ministry of Commerce on 18 January 2017, allowed the Bank to increase its registered capital from US\$52,643,000 to US\$71,000,000 by converting their share premium.

## BAD AND DOUBTFUL LOANS

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

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

## ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that management took appropriate actions so that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank had been written down to amounts 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 attributable to the 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, the Directors are not aware of:

- (a) any charge on the assets of the Bank which has arisen since the end of the year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Bank that has arisen since the end of the year other than in the ordinary course of its business operations.

At the date of this report, the Directors are not aware that any 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 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

To the best knowledge of Directors:

- The results of the operations of the Bank for the year were not 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 year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the current year in which this report is made.

## EVENTS AFTER THE REPORTING DATE

At the date of this report, to the best knowledge of the Directors, there have been no significant events occurring after balance sheet date which would require adjustments or disclosures to be made in the financial statements.

## THE BOARD OF DIRECTORS

The members of the Board of Directors at the date of this report are:

- |                        |                 |                         |                             |
|------------------------|-----------------|-------------------------|-----------------------------|
| ■ Mr. Yves Jacquot     | <i>Chairman</i> | ■ Mr. David Furlong     | <i>Director</i>             |
| ■ Mr. Andre Berard     | <i>Director</i> | ■ Mr. Etienne Chenevier | <i>Independent Director</i> |
| ■ Mr. Damir Karassayev | <i>Director</i> | ■ Mr. Henri Calvet      | <i>Independent Director</i> |
| ■ Mr. Dominic Jacques  | <i>Director</i> | ■ Mr. Madi Akmambet     | <i>Executive Director</i>   |

## DIRECTORS' INTERESTS

The Directors who held office at the end of the year and their interests in the shares of the Bank were as follows:

31 December 2016			31 December 2015	
	Holding %	No. of shares of US\$1,000 each	Holding %	No. of shares of US\$1,000 each
Mr. Damir Karassayev	10%	5,264	58.07%	30,568

## DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Bank is a party with the objective of enabling Directors of the Bank to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank other than as disclosed in the financial statements.

## THE BOARD OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year ended 31 December 2016. The Board of Directors oversees the preparation of these financial statements by management who are required to:

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

Management is responsible for ensuring that the above requirements have been fulfilled and is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements as set out on pages 30 to 64 present fairly, in all material respects, the financial position of Advanced Bank of Asia Limited as at 31 December 2016, and its financial performance and its cash flows for the year ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

*On behalf of the Board of Directors*



**Askhat Azhikhanov**

*Chief Executive Officer*

Phnom Penh, Kingdom of Cambodia

Date: 24 March 2017



# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF ADVANCED BANK OF ASIA LIMITED



### OPINION

We have audited the financial statements of Advanced Bank of Asia Limited ("the Bank"), which comprise the balance sheet as at 31 December 2016, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 30 to 64.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

### BASIS FOR OPINION

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

### OTHER MATTERS

The financial statements of the Bank as at and for the year ended 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 21 March 2016.

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Report of the Board of Directors set out on pages 25 to 27, but does not include the financial statements and our auditor's report thereon.

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

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

### RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Bank's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*For Deloitte (Cambodia) Co., Ltd.*

**Khoy Kimleng**

*Director*

Phnom Penh, Kingdom of Cambodia

Date: 24 March 2017

# BALANCE SHEET

## AS AT 31 DECEMBER 2016

	Note	31 December 2016		31 December 2015	
		US\$	KHR'000	US\$	KHR'000
		(Note 4)			
<b>Assets</b>					
Cash on hand	4	41,622,955	168,031,869	29,676,827	120,191,149
Balances with the NBC	5	146,050,847	589,607,269	113,061,044	457,897,228
Balances with other banks	6	77,566,867	313,137,442	108,058,279	437,636,031
Loans to customers, net	7	784,561,827	3,167,276,096	481,628,685	1,950,596,174
Foreclosed properties	8	1,847,062	7,456,589	4,070,145	16,484,088
Investment securities	9	25,373,046	102,430,987	53,756,371	217,713,303
Other assets	10	8,218,024	33,176,163	6,479,328	26,241,278
Deferred tax asset	17(b)	1,343,202	5,422,507	–	–
Intangible assets	11	1,891,319	7,635,255	2,009,741	8,139,451
Property and equipment	12	10,031,522	40,497,254	6,897,192	27,933,627
<b>Total Assets</b>		<b>1,098,506,671</b>	<b>4,434,671,431</b>	<b>805,637,612</b>	<b>3,262,832,329</b>
<b>Liabilities and Equity</b>					
<b>Liabilities</b>					
Deposits from customers	13	855,821,249	3,454,950,383	654,411,278	2,650,365,676
Borrowings	14	68,000,000	274,516,000	29,000,000	117,450,000
Subordinated debts	15	25,000,000	100,925,000	10,000,000	40,500,000
Other liabilities	16	12,851,061	51,879,733	8,705,518	35,257,348
Current income tax payable	17(a)	7,819,758	31,568,363	3,424,617	13,869,699
Deferred tax liabilities	17(b)	–	–	93,835	380,032
<b>Total Liabilities</b>		<b>969,492,068</b>	<b>3,913,839,479</b>	<b>705,635,248</b>	<b>2,857,822,755</b>
<b>Equity</b>					
Share capital	18	52,643,000	212,519,791	52,643,000	213,204,150
Share premium		18,357,000	74,107,209	18,357,000	74,345,850
Retained earnings		58,014,603	234,204,952	29,002,364	117,459,574
<b>Total Equity</b>		<b>129,014,603</b>	<b>520,831,952</b>	<b>100,002,364</b>	<b>405,009,574</b>
<b>Total Liabilities And Equity</b>		<b>1,098,506,671</b>	<b>4,434,671,431</b>	<b>805,637,612</b>	<b>3,262,832,329</b>

The accompanying notes from pages 35 to 64 form an integral part of these financial statements.

# INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016		31 December 2015	
		US\$	KHR'000	US\$	KHR'000
Interest income	19	85,204,333	343,969,892	51,862,586	210,043,473
Interest expense	20	(30,991,115)	(125,111,131)	(19,853,091)	(80,405,018)
<b>Net interest income</b>		<b>54,213,218</b>	<b>218,858,761</b>	<b>32,009,495</b>	<b>129,638,455</b>
Fee and commission income	21	12,556,278	50,689,694	8,086,670	32,751,014
Fee and commission expense	22	(274,737)	(1,109,113)	(206,450)	(836,123)
<b>Net fee and commission income</b>		<b>12,281,541</b>	<b>49,580,581</b>	<b>7,880,220</b>	<b>31,914,891</b>
Other operating income	23	1,154,865	4,662,190	414,806	1,679,964
Personnel expenses	24	(14,169,080)	(57,200,576)	(9,685,881)	(39,227,818)
Operating expenses	25	(10,001,647)	(40,376,649)	(7,114,106)	(28,812,129)
Depreciation and amortisation expenses	26	(2,452,164)	(9,899,386)	(1,890,899)	(7,658,141)
<b>Operating profit</b>		<b>41,026,733</b>	<b>165,624,921</b>	<b>21,613,635</b>	<b>87,535,222</b>
Allowance for bad and doubtful loans	7	(4,805,508)	(19,399,836)	(1,942,320)	(7,866,396)
<b>Profit before income tax</b>		<b>36,221,225</b>	<b>146,225,085</b>	<b>19,671,315</b>	<b>79,668,826</b>
Income tax expense	17(c)	(7,208,986)	(29,102,676)	(3,683,264)	(14,917,219)
<b>Net profit for the year</b>		<b>29,012,239</b>	<b>117,122,409</b>	<b>15,988,051</b>	<b>64,751,607</b>

The accompanying notes from pages 35 to 64 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Retained earnings	Total
	US\$	US\$	US\$	US\$
<b>For the year ended 31 December 2016</b>				
At 1 January 2016	52,643,000	18,357,000	29,002,364	100,002,364
Net profit for the year	–	–	29,012,239	29,012,239
<b>At 31 December 2016</b>	<b>52,643,000</b>	<b>18,357,000</b>	<b>58,014,603</b>	<b>129,014,603</b>
<b>KHR'000 equivalents at 31 December 2016</b>	<b>212,519,791</b>	<b>74,107,209</b>	<b>234,204,952</b>	<b>520,831,952</b>
<b>For the year ended 31 December 2015</b>				
At 1 January 2015	44,668,000	6,332,000	13,014,313	64,014,313
Issued share capital	7,975,000	12,025,000	–	20,000,000
Net profit for the year	–	–	15,988,051	15,988,051
<b>At 31 December 2015</b>	<b>52,643,000</b>	<b>18,357,000</b>	<b>29,002,364</b>	<b>100,002,364</b>
<b>KHR'000 equivalents at 31 December 2015</b>	<b>213,204,150</b>	<b>74,345,850</b>	<b>117,459,574</b>	<b>405,009,574</b>

The accompanying notes from pages 35 to 64 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016		31 December 2015	
		US\$	KHR'000	US\$	KHR'000
<b>Cash flow from operating activities</b>					
Profit before income tax		36,221,225	146,225,085	19,671,315	79,668,826
<b>Adjustments</b>					
Depreciation and amortisation	26	2,452,164	9,899,386	1,890,899	7,658,141
Allowance for bad and doubtful loans	7	4,805,508	19,399,836	1,942,320	7,866,396
Gains on disposals of property and equipment		(3,527)	(14,238)	–	–
Gains on disposal of foreclosed properties		(825,945)	(3,334,340)	–	–
Effect of exchange rate on conversion from KHR to USD		(39,375)	(158,957)	–	–
<b>Net interest income</b>		<b>(54,213,218)</b>	<b>(218,858,761)</b>	<b>(32,009,495)</b>	<b>(129,638,455)</b>
		<b>(11,603,168)</b>	<b>(46,841,989)</b>	<b>(8,504,961)</b>	<b>(34,445,092)</b>
<b>Changes in:</b>					
Balances with the NBC		(26,432,803)	(106,709,226)	(27,970,184)	(113,279,245)
Balances with other banks		16,319,059	65,880,041	(23,591,405)	(95,545,190)
Loans to customers		(305,397,777)	(1,232,890,826)	(212,300,880)	(859,818,564)
Foreclosed properties		(466,357)	(1,882,683)	(1,627,632)	(6,591,910)
Other assets		(1,738,696)	(7,019,116)	(50,301)	(203,719)
Deposits from customers		198,794,949	802,535,209	218,918,580	886,620,249
Other liabilities		4,145,543	16,735,557	3,002,473	12,160,016
<b>Cash used in operations</b>		<b>(126,379,250)</b>	<b>(510,193,033)</b>	<b>(52,124,310)</b>	<b>(211,103,455)</b>
Interest received		82,863,460	334,519,788	50,479,699	204,442,781
Interest paid		(28,376,093)	(114,554,287)	(17,784,473)	(72,027,116)
Income tax paid	17(a)	(4,250,882)	(17,160,811)	(1,982,809)	(8,030,376)
<b>Net cash used in operating activities</b>		<b>(76,142,765)</b>	<b>(307,388,343)</b>	<b>(21,411,893)</b>	<b>(86,718,166)</b>

# STATEMENT OF CASH FLOWS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2016

		31 December 2016		31 December 2015	
	Note	US\$	KHR'000	US\$	KHR'000
<b>Cash flow from investing activities</b>					
Investment securities		28,383,325	114,583,483	(3,456,250)	(13,997,813)
Purchases of intangible assets	11	(199,035)	(803,504)	(395,747)	(1,602,775)
Purchases of property and equipment	12	(5,324,260)	(21,494,038)	(3,246,457)	(13,148,151)
Proceeds from disposals of property and equipment		98,125	396,131	–	–
Proceeds from disposals of foreclosed properties		3,515,385	14,191,609	2,173,277	8,801,771
<b>Net cash generated from/ (used in) investing activities</b>		<b>26,473,540</b>	<b>106,873,681</b>	<b>(4,925,177)</b>	<b>(19,946,968)</b>
<b>Cash flow from financing activities</b>					
Proceeds from issuance of share capital		–	–	20,000,000	81,000,000
Proceeds from borrowings		98,000,000	395,626,000	29,000,000	117,450,000
Repayments of borrowings		(59,000,000)	(238,183,000)	–	–
Proceeds from subordinated debts		15,000,000	60,555,000	10,000,000	40,500,000
<b>Net cash generated from financing activities</b>		<b>54,000,000</b>	<b>217,998,000</b>	<b>59,000,000</b>	<b>238,950,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,330,775</b>	<b>17,483,339</b>	<b>32,662,930</b>	<b>132,284,866</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>102,826,432</b>	<b>416,447,049</b>	<b>70,163,502</b>	<b>285,916,271</b>
Currency translation differences		–	(1,336,743)	–	(1,754,088)
<b>Cash and cash equivalents at the end of the year</b>	<b>27</b>	<b>107,157,207</b>	<b>432,593,645</b>	<b>102,826,432</b>	<b>416,447,049</b>

The accompanying notes from pages 35 to 64 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2016

### 1. GENERAL INFORMATION

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 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 year.

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

The financial statements of the Bank were authorised for issue by the Board of Directors on 24 March 2017.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

#### (a) Basis of preparation

The financial statements have been prepared in accordance with Cambodian Accounting Standards (“CAS”) and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

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

#### (d) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing dated 11 April 2016, a translation of the financial statements from US\$ to Khmer Riel is required.

Translations of US\$ into Khmer Riel are included in the financial statements solely for compliance with the Prakas No. B7–07–164 dated 13 December 2007 of the National Bank of Cambodia relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$ 1 to Riel 4,037 as at 31 December 2016 (31 December 2015: US\$1 to KHR 4,050) published by the National Bank of Cambodia.

The financial statements expressed in Khmer Riel are unaudited and should not be construed as representation that the US\$ amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other exchange rate.

#### (e) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

For critical accounting estimates, assumptions and judgement, please refer to Note 3.

**(f) Financial instruments**

The Bank's financial assets and liabilities include cash and cash equivalents, loans to customers, investment securities, other receivables, deposits from customers, borrowings and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

**(g) Basis of aggregation**

The Bank's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

**(h) 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.

**(i) Loans to customers**

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general allowances for bad and doubtful loans.

**(j) Allowances for bad and doubtful loans and loan written off**

In compliance with NBC Guidelines, all loans to customers 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	Allowance
<b>General</b>		
Normal/standard	Less than 30 days	1%
<b>Specific</b>		
Special-mention	30 days or more	3%
Substandard	90 days or more	20%
Doubtful	180 days or more	50%
Loss	360 days or more	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.

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.

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 in the income statement.

**(k) Interest in suspense**

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

Interest in suspense is disclosed as a deduction from interest receivables.

## (l) Foreclosed properties

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

## (m) Investment securities

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

## (n) Other assets

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

## (o) Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and developing 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.

## (p) 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 property and equipment is charged to the income statement on a straight-line basis over the useful lives of the individual assets as follows:

	Useful lives
Leasehold improvements	1 – 10 years
Office equipment, furniture and fixture	5 years
Motor vehicles	5 years
Computers and IT equipment	3 – 6 years

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

- (iii) 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 period in which it is incurred
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

## (q) Impairment

### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 2(j).

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 Bank's 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.

(r) **Deposits from customers**

Deposits from customers are stated at cost.

(s) **Borrowings**

Borrowings are stated at the amount of the principal outstanding.

(t) **Subordinated debts**

Subordinated debts are treated as financial liabilities when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank, if otherwise, it is treated as equity.

The subordinated debts which are approved by the NBC are included as a Tier II line item in the calculation of the Bank's net worth in accordance with the guidelines of the NBC. Subordinated debts are stated at cost.

(u) **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.

(v) **Income and expense recognition**

Interest income is recognised on an accrual basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis.

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

- Loan arrangement fees and commissions on services and facilities are recognised at the time the services and facilities provided.
- Commitment fees and guarantee fees on services and facilities extended to customers are recognised on the occurrence of such transactions; and
- Service charges and processing fees are recognised when the service is provided.

Interest expense on deposits from customers is recognised on an accrual basis.

(w) **Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(x) **Income tax and deferred tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement.

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 adjustment 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 or substantially 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 temporary difference 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.

#### (y) New standards and interpretations not yet adopted

The National Accounting Council of Cambodia ("NAC"), as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to adopt International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") effective for financial statements with periods beginning on or after 1 January 2012. The new standards will be referred to as Cambodian International Financial Reporting Standards ("CIFRS").

On 30 July 2012, the Ministry of Economy and Finance through NAC issued a Notification on delaying of adopting the CIFRS for banks and microfinance institutions until periods beginning on 1 January 2016.

On 16 November 2015, the National Bank of Cambodia submitted a request for an extension of adopting the CIFRS for banks and financial institutions until 2019 to the NAC. On 24 March 2016, the NAC approved the request by delaying the adoption of the CIFRS for banks and financial institutions until periods beginning on 1 January 2019. Banks and financial institutions are required to implement CIFRS from 1 January 2019.

The Bank is assessing the potential impact on its financial statements resulting from the application of CIFRS for the financial year end but is not ready at the date of this financial statements.

### 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

#### (a) Allowance for bad and doubtful loans

The Bank follows the mandatory credit classification and provisioning as required by Prakas No. B7-09-074, dated 25 February 2009, on asset classification and provisioning in banking and financial institutions, issued by the NBC. The NBC requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and regardless of the assets pledged as collateral. For the purposes of loan classification, the Bank take into account all relevant factors that may affect the counterparties' repayment abilities.

#### (b) Income tax

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is complex and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create significant tax exposures for the Bank. Management believes that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

### 4. CASH ON HAND

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	39,295,836	158,637,290	28,002,115	113,408,566
Cash items in the process of collection	2,327,119	9,394,579	1,674,712	6,782,583
	<b>41,622,955</b>	<b>168,031,869</b>	<b>29,676,827</b>	<b>120,191,149</b>

## 5. BALANCES WITH THE NBC

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>Statutory deposits:</b>				
Capital guarantee deposits	5,264,300	21,251,979	5,264,300	21,320,415
Reserve requirement	103,460,876	417,671,556	77,028,074	311,963,700
	<b>108,725,176</b>	<b>438,923,535</b>	<b>82,292,374</b>	<b>333,284,115</b>
Current account	34,831,566	140,615,032	27,668,670	112,058,113
Term deposits	2,494,105	10,068,702	3,100,000	12,555,000
	<b>146,050,847</b>	<b>589,607,269</b>	<b>113,061,044</b>	<b>457,897,228</b>

### Capital guarantee deposits

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit of 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is only refundable should the Bank voluntarily cease its operations in Cambodia.

During the year, interest was earned at rates ranging from 0.20% to 0.22% per annum (2015: 0.08% to 0.17% per annum).

### Reserve requirement

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-012-140 dated 27 September 2012 at the rates of 8.00% of customers' deposits in KHR and 12.50% in currency other than KHR.

1/3 of the reserve requirement in currencies other than Riel earns interest at 1/2 of one-month LIBOR while the rest of the reserve requirement earns no interest.

## 6. BALANCES WITH OTHER BANKS

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Current accounts	14,030,028	56,639,223	25,245,877	102,245,803
Savings deposits	1,393,372	5,625,043	9,998,183	40,492,641
Term deposits	62,143,467	250,873,176	72,814,219	294,897,587
	<b>77,566,867</b>	<b>313,137,442</b>	<b>108,058,279</b>	<b>437,636,031</b>

Balances with other banks are analysed as follows:

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>(a) By currency:</b>				
US Dollars	76,808,332	310,075,236	107,362,093	434,816,478
Khmer Riel	441,461	1,782,178	338,929	1,372,662
Euro	55,864	225,523	192,483	779,556
Thai Baht	58,433	235,894	31,939	129,353
British Pound	12,421	50,144	38,899	157,541
Singapore Dollars	190,356	768,467	93,936	380,441
	<b>77,566,867</b>	<b>313,137,442</b>	<b>108,058,279</b>	<b>437,636,031</b>

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>(b) By maturity:</b>				
Within 1 month	35,190,091	142,062,397	48,666,979	197,101,266
> 1 to 3 months	8,453,182	34,125,496	6,878,821	27,859,225
> 3 to 12 months	30,557,093	123,358,984	51,512,479	208,625,540
More than 12 months	3,366,501	13,590,565	1,000,000	4,050,000
	<b>77,566,867</b>	<b>313,137,442</b>	<b>108,058,279</b>	<b>437,636,031</b>

	31 December 2016		31 December 2015	
<b>(c) By interest rate (per annum):</b>				
Current accounts		0%		0.00% – 0.5%
Saving deposits		0.05% – 0.75%		0.75% – 1.75%
Term deposits		3.20% – 8.50%		4.00% – 8.15%



## 7. LOANS TO CUSTOMERS

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>Commercial loans:</b>				
Long term loans	727,692,237	2,937,693,561	423,149,348	1,713,754,859
Short term loans	11,422,154	46,111,236	11,197,249	45,348,858
Overdrafts	30,743,700	124,112,317	33,662,300	136,332,315
<b>Consumer loans:</b>				
Housing loans	12,978,668	52,394,882	10,610,510	42,972,566
Vehicle loans	136,271	550,126	353,707	1,432,513
Staff loans	5,579,095	22,522,807	4,217,430	17,080,592
Credit cards	503,457	2,032,456	525,024	2,126,347
<b>Total loans to customers, gross</b>	<b>789,055,582</b>	<b>3,185,417,385</b>	<b>483,715,568</b>	<b>1,959,048,050</b>
<b>Net accrued interest receivable</b>				
Accrued interest receivable	5,576,562	22,512,581	3,265,710	13,226,126
Interest-in-suspense	(140,408)	(566,827)	(170,429)	(690,237)
<b>Total gross loans and net interest receivable</b>	<b>794,491,736</b>	<b>3,207,363,139</b>	<b>486,810,849</b>	<b>1,971,583,939</b>
<b>Allowance for bad and doubtful loans</b>				
General Provision	(9,253,587)	(37,356,731)	(4,771,450)	(19,324,373)
Specific Provision	(676,322)	(2,730,312)	(410,714)	(1,663,392)
	(9,929,909)	(40,087,043)	(5,182,164)	(20,987,765)
	<b>784,561,827</b>	<b>3,167,276,096</b>	<b>481,628,685</b>	<b>1,950,596,174</b>

The movements in allowance for bad and doubtful loans were as follows:

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
At the beginning of year	5,182,164	20,987,765	3,362,337	13,701,523
Addition during the year	4,805,508	19,399,836	1,962,657	7,948,761
Recovery during the year	–	–	(20,337)	(82,365)
Written off during the year	(57,763)	(233,189)	(122,493)	(496,096)
Currency translation difference	–	(67,369)	–	(84,058)
<b>At end of year</b>	<b>9,929,909</b>	<b>40,087,043</b>	<b>5,182,164</b>	<b>20,987,765</b>

Loans to customers are analysed as follows:

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>(a) By maturity:</b>				
Within 1 month	2,317,953	9,357,576	7,265,012	29,423,295
> 1 to 3 months	11,272,901	45,508,701	10,024,558	40,599,460
> 3 to 12 months	35,327,627	142,617,630	33,985,764	137,642,345
More than 12 months	740,137,101	2,987,933,478	432,440,234	1,751,382,950
	<b>789,055,582</b>	<b>3,185,417,385</b>	<b>483,715,568</b>	<b>1,959,048,050</b>
<b>(b) By currency:</b>				
US Dollars	<b>789,055,582</b>	<b>3,185,417,385</b>	<b>483,715,568</b>	<b>1,959,048,050</b>
<b>(c) By performance:</b>				
<b>Standard loans</b>				
Secured*	765,610,182	3,090,768,307	460,022,057	1,863,089,331
Unsecured**	19,748,608	79,725,130	22,530,172	91,247,196
<b>Special-mention loans</b>				
Secured*	1,969,600	7,951,275	680,271	2,755,098
Unsecured**	–	–	–	–
<b>Sub-standard loans</b>				
Secured*	876,378	3,537,938	18,718	75,808
Unsecured**	–	–	39,228	158,873
<b>Doubtful loans</b>				
Secured*	817,713	3,301,107	92,809	375,876
Unsecured**	–	–	–	–
<b>Loss loans</b>				
Secured*	15,575	62,876	332,313	1,345,868
Unsecured**	17,526	70,752	–	–
<b>Total</b>	<b>789,055,582</b>	<b>3,185,417,385</b>	<b>483,715,568</b>	<b>1,959,048,050</b>

\* Loans are secured when the Bank holds collateral against loans in the form of mortgage interests over property.

\*\* Unsecured loans are provided mainly to financial institutions and other borrowers which are secured by personal or corporate guarantees.

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>(d) By residency status:</b>				
Residents	788,460,830	3,183,016,371	483,362,225	1,957,617,011
Non-residents	594,752	2,401,014	353,343	1,431,039
	<b>789,055,582</b>	<b>3,185,417,385</b>	<b>483,715,568</b>	<b>1,959,048,050</b>
<b>(e) By economic sector:</b>				
Financial institution	15,616,667	63,044,485	17,216,667	69,727,501
Agriculture	33,478,293	135,151,869	20,370,874	82,502,040
Manufacturing	36,794,225	148,538,286	20,744,624	84,015,727
Utilities	9,034,961	36,474,138	6,446,495	26,108,305
Construction	24,091,367	97,256,849	14,891,606	60,311,004
Wholesale and trade	50,937,528	205,634,801	36,763,383	148,891,701
Retail trade	236,080,915	953,058,653	135,294,875	547,944,244
Hotel and restaurants	51,210,851	206,738,205	27,844,121	112,768,690
Transportation and storage	45,661,716	184,336,347	15,915,726	64,458,690
Information media and telecommunication	851,985	3,439,463	966,908	3,915,977
Rental and lease excluding real estate	17,544,368	70,826,614	5,946,863	24,084,795
Real estate operation (residential)	71,276,025	287,741,313	42,825,880	173,444,814
Real estate and public utilities	15,133,665	61,094,606	17,524,897	70,975,833
Other non-financial services	115,370,970	465,752,606	103,755,210	420,208,601
Personal consumption	65,468,589	264,296,694	16,682,415	67,563,781
Credit cards	503,457	2,032,456	525,024	2,126,347
	<b>789,055,582</b>	<b>3,185,417,385</b>	<b>483,715,568</b>	<b>1,959,048,050</b>
<b>(f) By relationship:</b>				
External customers	783,476,487	3,162,894,578	479,498,138	1,941,967,459
Staff loans	5,579,095	22,522,807	4,217,430	17,080,591
	<b>789,055,582</b>	<b>3,185,417,385</b>	<b>483,715,568</b>	<b>1,959,048,050</b>
<b>(g) By exposure:</b>				
Non-large exposure	<b>789,055,582</b>	<b>3,185,417,385</b>	<b>483,715,568</b>	<b>1,959,048,050</b>

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.

	31 December 2016	31 December 2015
<b>(h) By interest rate (per annum):</b>		
Overdrafts	6.25% – 18.00%	5.75% – 18.00%
Loans	6.75% – 24.00%	4.00% – 24.00%
Trade finance	8.00% – 9.50%	9.50% – 25.00%
Staff loans	5.00% – 12.00%	5.00% – 15.00%

## 8. FORECLOSED PROPERTIES

Foreclosed properties relate to properties taken over from customers who are unable to repay their loans. NBC Guidelines require that the foreclosed assets be disposed of within 12 months of foreclosure. An approval from the NBC is obtained if the properties are not disposed of within 12 months.

## 9. INVESTMENT SECURITIES

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Securities held to maturity	25,373,046	102,430,987	53,756,371	217,713,303

Due to the excess of liquidity, the Bank decided to invest the excess portion in other companies' bonds which are designated as held to maturity securities.

## 10. OTHER ASSETS

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Interest receivable from balances with the NBC and other banks and investment securities	1,916,361	7,736,351	2,612,403	10,580,232
Deposits and prepayment	2,407,362	9,718,520	1,533,263	6,209,715
Advance payments	1,194,148	4,820,775	724,223	2,933,103
MoneyGram and MasterCard receivable	1,233,145	4,978,206	756,129	3,062,322
Pay&Go receivables	467,597	1,887,689	109,799	444,687
Investment – Credit Bureau	25,588	103,299	25,588	103,631
Others	973,823	3,931,323	717,923	2,907,588
	<b>8,218,024</b>	<b>33,176,163</b>	<b>6,479,328</b>	<b>26,241,278</b>

## 11. INTANGIBLE ASSETS

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>Cost</b>				
At 1 January	2,878,852	11,621,926	2,483,105	10,056,575
Additions	199,035	803,504	395,747	1,602,775
Currency translation difference	21,011	84,821	–	–
<b>At 31 December</b>	<b>3,098,898</b>	<b>12,510,251</b>	<b>2,878,852</b>	<b>11,659,350</b>
<b>Accumulated amortisation</b>				
At 1 January	869,111	3,508,601	595,191	2,410,523
Additions	334,842	1,351,757	273,920	1,109,376
Currency translation difference	3,626	14,638	–	–
<b>At 31 December</b>	<b>1,207,579</b>	<b>4,874,996</b>	<b>869,111</b>	<b>3,519,899</b>
<b>Carrying amounts</b>				
<b>At 31 December</b>	<b>1,891,319</b>	<b>7,635,255</b>	<b>2,009,741</b>	<b>8,139,451</b>

## 12. PROPERTY AND EQUIPMENT

For the year ended 31 December 2016	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Cost</b>							
At 1 January 2016	4,025,319	2,341,170	874,794	3,638,045	16,613	10,895,941	43,986,914
Additions	353,904	1,169,183	193,868	1,697,529	1,909,776	5,324,260	21,494,038
Transfer	1,445,502	121,562	–	–	(1,567,064)	–	–
Disposals	–	(37,426)	(164,593)	–	–	(202,019)	(815,551)
Currency translation difference	(100)	6,117	2,649	25,352	–	34,018	137,331
<b>At 31 December 2016</b>	<b>5,824,625</b>	<b>3,600,606</b>	<b>906,718</b>	<b>5,360,926</b>	<b>359,325</b>	<b>16,052,200</b>	<b>64,802,732</b>
<b>Accumulated depreciation</b>							
At 1 January 2016	1,456,635	851,228	290,918	1,399,968	–	3,998,749	16,142,950
Depreciation for the year	561,838	530,209	189,710	835,565	–	2,117,322	8,547,629
Disposals	–	(37,253)	(70,168)	–	–	(107,421)	(433,658)
Currency translation difference	425	(869)	1,000	11,472	–	12,028	48,557
<b>At 31 December 2016</b>	<b>2,018,898</b>	<b>1,343,315</b>	<b>411,460</b>	<b>2,247,005</b>	<b>–</b>	<b>6,020,678</b>	<b>24,305,478</b>
<b>Carrying amounts</b>							
<b>At 31 December 2016</b>	<b>3,805,727</b>	<b>2,257,291</b>	<b>495,258</b>	<b>3,113,921</b>	<b>359,325</b>	<b>10,031,522</b>	<b>40,497,254</b>

For the year ended 31 December 2015	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Cost</b>							
At 1 January 2015	2,997,015	1,590,161	811,985	2,427,347	–	7,826,508	31,697,357
Additions	1,055,790	842,447	62,809	1,268,798	16,613	3,246,457	13,148,151
Disposals	(27,486)	(91,438)	–	(58,100)	–	(177,024)	(716,947)
<b>At 31 December 2015</b>	<b>4,025,319</b>	<b>2,341,170</b>	<b>874,794</b>	<b>3,638,045</b>	<b>16,613</b>	<b>10,895,941</b>	<b>44,128,561</b>
<b>Accumulated depreciation</b>							
At 1 January 2015	964,763	625,984	121,315	846,732	–	2,558,794	10,363,116
Depreciation for the year	519,358	316,682	169,603	611,336	–	1,616,979	6,548,765
Disposals	(27,486)	(91,438)	–	(58,100)	–	(177,024)	(716,947)
<b>At 31 December 2015</b>	<b>1,456,635</b>	<b>851,228</b>	<b>290,918</b>	<b>1,399,968</b>	<b>–</b>	<b>3,998,749</b>	<b>16,194,934</b>
<b>Carrying amounts</b>							
<b>At 31 December 2015</b>	<b>2,568,684</b>	<b>1,489,942</b>	<b>583,876</b>	<b>2,238,077</b>	<b>16,613</b>	<b>6,897,192</b>	<b>27,933,627</b>

### 13. DEPOSITS FROM CUSTOMERS

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Demand deposits	87,003,298	351,232,315	44,300,145	179,415,587
Savings deposits	375,112,155	1,514,327,770	289,766,834	1,173,555,678
Fixed deposits	392,210,871	1,583,355,286	318,798,124	1,291,132,402
Margin deposits	1,494,925	6,035,012	1,546,175	6,262,009
	<b>855,821,249</b>	<b>3,454,950,383</b>	<b>654,411,278</b>	<b>2,650,365,676</b>

The deposits from customers are analysed as follows:

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>(a) By currency:</b>				
US Dollars	853,855,753	3,447,015,676	653,426,746	2,646,378,321
Khmer Riel	1,674,246	6,758,931	818,997	3,316,938
Euro	291,210	1,175,615	165,486	670,219
Thai Baht	40	161	49	198
	<b>855,821,249</b>	<b>3,454,950,383</b>	<b>654,411,278</b>	<b>2,650,365,676</b>
<b>(b) By maturity:</b>				
Within 1 month	355,096,927	1,433,526,295	399,442,779	1,617,743,255
> 1 to 3 months	130,227,226	525,727,311	50,296,251	203,699,817
> 3 to 12 months	331,775,768	1,339,378,776	188,404,945	763,040,027
More than 12 months	38,721,328	156,318,001	16,267,303	65,882,577
	<b>855,821,249</b>	<b>3,454,950,383</b>	<b>654,411,278</b>	<b>2,650,365,676</b>
<b>(c) By relationship:</b>				
Non-related parties	851,273,346	3,436,590,499	653,791,971	2,647,857,481
Related parties	4,547,903	18,359,884	619,307	2,508,195
	<b>855,821,249</b>	<b>3,454,950,383</b>	<b>654,411,278</b>	<b>2,650,365,676</b>

	31 December 2016		31 December 2015	
<b>(d) By interest rate (per annum):</b>				
Demand deposits		–		–
Savings deposits		0.75%		0.75%
Fixed deposits		1.75% – 7.00%		1.50% – 7.25%
Margin deposits		–		–



## 14. BORROWINGS

		31 December 2016		31 December 2015	
		US\$	KHR'000	US\$	KHR'000
AfrAsia Bank Limited	(i)	30,000,000	121,110,000	10,000,000	40,500,000
Shanghai Commercial & Savings Bank Limited	(ii)	3,000,000	12,111,000	6,000,000	24,300,000
DEG	(iii)	15,000,000	60,555,000	10,000,000	40,500,000
Industrial and Commercial Bank of China Limited	(iv)	20,000,000	80,740,000	–	–
Commerzbank AG		–	–	3,000,000	12,150,000
		<b>68,000,000</b>	<b>274,516,000</b>	<b>29,000,000</b>	<b>117,450,000</b>

- (i) Represents three separate money placements from AfrAsia Bank Limited. The first placement amounting to \$10,000,000 was received on 5 October 2016 with three months term. The second placement amounting to \$5,000,000 was received on 12 December 2016 with three-month term and the third placement was received on 29 December 2016 with one-month term and subsequent extension for 12 months.
- (ii) Represents a revolving loan obtained from Shanghai Commercial & Savings Bank Limited, Hong Kong Branch amounting to US\$3,000,000 disbursed on 24 March 2016.
- (iii) Represents two separate long term loans obtained from DEG-Deutsche Investitions und Entwicklungsgesellschaft MbH. The first loan amounting to US\$10,000,000 was obtained on 23 June 2015 and the second loan amounting to US\$5,000,000 was obtained on 3 February 2016. The principal amounts are repayable semi-annual installments starting from 15 December 2017. The interest is repayable semi-annually from the date of each drawdown.
- (iv) Represents three loans from Industrial and Commercial Bank of China Limited, Phnom Penh Branch. The first loan amounting to \$6,000,000 was obtained on 29 July 2016, the second loan amounting to \$5,000,000 was obtained on 29 August 2016 and the third loan amounting to \$9,000,000 was obtained on 29 November 2016. The interest is repayable quarterly and the principal is payable on maturities which are three years from the disbursement dates.

The above borrowings are unsecured and bear interest rates ranging from 1.50% to 6.99% per annum.

## 15. SUBORDINATED DEBTS

		31 December 2016		31 December 2015	
		US\$	KHR'000	US\$	KHR'000
National Bank of Canada		25,000,000	100,925,000	10,000,000	40,500,000

This represents two subordinated debts obtained from National Bank of Canada. The first subordinated loan amounting to US\$10,000,000, maturing on 31 December 2022, and the second subordinated loan amounting to US\$15,000,000, maturing on 30 June 2023 were approved by the National Bank of Cambodia on 6th January 2016. The interest is repayable semi-annually and the principal is repayable in five equal consecutive instalments with the balance payable in full at maturities.

The above subordinated debts bear net interest rate at 6.50% per annum.

## 16. OTHER LIABILITIES

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Interest payable	8,883,662	35,863,343	6,268,640	25,387,992
Accrued expenses	2,584,700	10,434,434	1,905,102	7,715,663
Other tax payable	787,539	3,179,295	212,797	861,828
Others	595,160	2,402,661	318,979	1,291,865
	<b>12,851,061</b>	<b>51,879,733</b>	<b>8,705,518</b>	<b>35,257,348</b>

## 17. INCOME TAX

### (a) Current income tax payable

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	3,424,617	13,869,699	1,451,084	5,913,167
Current income tax expense	7,972,520	32,185,063	3,956,342	16,023,185
Prior year adjustment	673,503	2,718,932	–	–
Income tax paid	(4,250,882)	(17,160,811)	(1,982,809)	(8,030,376)
Currency translation difference	–	(44,520)	–	(36,277)
	<b>7,819,758</b>	<b>31,568,363</b>	<b>3,424,617</b>	<b>13,869,699</b>

### (b) Deferred tax

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Deferred tax asset	1,577,667	6,369,042	8,575	34,730
Deferred tax liabilities	(234,465)	(946,535)	(102,410)	(414,762)
	<b>1,343,202</b>	<b>5,422,507</b>	<b>(93,835)</b>	<b>(380,032)</b>

The movement of net deferred tax assets/liabilities is as follows:

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
At beginning of year	93,835	380,032	366,913	1,495,170
Charged/(credited) to income statement	(763,534)	(3,082,387)	(273,078)	(1,105,966)
Prior year adjustment	(673,503)	(2,718,932)	–	–
Currency translation difference	–	(1,220)	–	(9,172)
	<b>(1,343,202)</b>	<b>(5,422,507)</b>	<b>93,835</b>	<b>380,032</b>

	Loan losses Provision	Unrealised exchange gain	Total
	US\$	US\$	US\$
<b>Deferred tax assets</b>			
At 1 January 2016	–	8,575	8,575
Credited/(Charged) to the income statement	904,164	(8,575)	895,589
Prior years adjustment	673,503	–	673,503
<b>At 31 December 2016</b>	<b>1,577,667</b>	<b>–</b>	<b>1,577,667</b>
<b>Equivalent in KHR '000</b>	<b>6,369,042</b>	<b>–</b>	<b>6,369,042</b>
	Accelerated tax depreciation	Unrealised exchange gain	Total
	US\$	US\$	US\$
<b>Deferred tax liabilities</b>			
At 1 January 2016	102,410	–	102,410
Credited/(Charged) to the income statement	73,254	58,801	132,055
<b>At 31 December 2016</b>	<b>175,664</b>	<b>58,801</b>	<b>234,465</b>
<b>Equivalent in KHR '000</b>	<b>709,156</b>	<b>237,379</b>	<b>946,535</b>

**(c) Income tax expense**

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Current income tax	7,972,520	32,185,063	3,956,342	16,023,185
Deferred tax	(763,534)	(3,082,387)	(273,078)	(1,105,966)
	<b>7,208,986</b>	<b>29,102,676</b>	<b>3,683,264</b>	<b>14,917,219</b>

The reconciliation of income taxes computed at the statutory tax rate of 20% to the current income tax expense in respect to the current year is as follows:

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>Profit before income tax</b>	<b>36,221,225</b>	<b>146,225,085</b>	<b>19,671,315</b>	<b>79,668,826</b>
Income tax using statutory rate	7,244,245	29,245,017	3,934,263	15,933,765
Non-deductible expenses	28,518	115,127	(242,478)	(982,036)
Over provision in prior year	(63,777)	(257,468)	(8,521)	(34,510)
<b>Income tax expense</b>	<b>7,208,986</b>	<b>29,102,676</b>	<b>3,683,264</b>	<b>14,917,219</b>

## 18. SHARE CAPITAL

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Shares of US\$1,000 each:				
Issued and fully paid 52,643 shares	52,643,000	212,519,791	52,643,000	213,204,150

The details of shareholdings were as follows:

	31 December 2016			31 December 2015		
	% of Ownership	Number of shares	Amount US\$	% of Ownership	Number of shares	Amount US\$
National Bank of Canada	90%	47,379	47,379,000	41.93%	22,075	22,075,000
Mr. Damir Karassayev	10%	5,264	5,264,000	58.07%	30,568	30,568,000
	100%	52,643	52,643,000	100%	52,643	52,643,000

On 22 March 2016, the National Bank of Cambodia issued a Prakas No. B7-016-117-ProKor, requiring locally incorporated commercial banks and subsidiaries of foreign banks to increase the minimal registered capital to at least KHR 300 billion (approximately US\$75 million). Banks are required to fulfil this requirement within two years from the date of the Prakas.

In accordance with the Prakas and the Circular on the Implementation of this Prakas, No. B7-016-001 C.L., dated 16 June 2016, on 3 November 2016, the Bank issued additional 16,521 shares to National Bank of Canada and 1,836 shares to Mr. Damir Karassayev, with a par value of US\$1,000 per share. The transaction, approved by the National Bank of Cambodia on 30 December 2016 and Ministry of Commerce on 18 January 2017, allowed the Bank to increase its registered capital from US\$52,643,000 to US\$71,000,000 by converting their share premium.

## 19. INTEREST INCOME

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Interest income from:				
Loans to customers	78,145,043	315,471,538	44,208,827	179,045,749
Deposits with banks	3,779,234	15,256,768	2,998,363	12,143,370
Investment securities	3,280,056	13,241,586	4,655,396	18,854,354
	85,204,333	343,969,892	51,862,586	210,043,473

## 20. INTEREST EXPENSE

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Deposits from customers	27,522,447	111,108,118	19,194,049	77,735,899
Borrowings	3,468,668	14,003,013	659,042	2,669,119
	30,991,115	125,111,131	19,853,091	80,405,018

## 21. FEE AND COMMISSION INCOME

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Loan commitment fees	6,249,594	25,229,610	4,108,388	16,638,971
Inward and outward remittances	1,598,593	6,453,520	1,179,034	4,775,088
Visa and credit cards	2,641,397	10,663,320	2,109,548	8,543,669
Cable charge	103,532	417,959	91,572	370,867
Other fees	1,963,162	7,925,285	598,128	2,422,419
	<b>12,556,278</b>	<b>50,689,694</b>	<b>8,086,670</b>	<b>32,751,014</b>

## 22. FEE AND COMMISSION EXPENSE

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Fee and commission expense	274,737	1,109,113	206,450	836,123

## 23. OTHER OPERATING INCOME

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Gain on sales of investment securities	600,341	2,423,576	99,612	403,429
Foreign exchange gain, net	412,643	1,665,840	218,948	886,739
Other income	141,881	572,774	96,246	389,796
	<b>1,154,865</b>	<b>4,662,190</b>	<b>414,806</b>	<b>1,679,964</b>

## 24. PERSONNEL EXPENSES

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	13,901,741	56,121,328	9,568,534	38,752,563
Others personnel cost	267,339	1,079,248	117,347	475,255
	<b>14,169,080</b>	<b>57,200,576</b>	<b>9,685,881</b>	<b>39,227,818</b>

## 25. OPERATING EXPENSES

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Office rental	2,609,655	10,535,177	1,790,622	7,252,019
Marketing and advertising	1,191,958	4,811,934	1,297,146	5,253,441
Repairs and maintenance	642,450	2,593,571	468,082	1,895,732
Utilities expenses	652,139	2,632,685	530,901	2,150,149
Office supplies	816,025	3,294,293	532,116	2,155,070
License fees	502,581	2,028,919	421,307	1,706,293
Communication	450,906	1,820,308	310,160	1,256,148
Motor vehicle operation expenses	231,419	934,239	201,396	815,654
Travelling	509,640	2,057,417	255,704	1,035,601
Business meal and entertainment	60,604	244,658	55,977	226,707
Professional fees	280,511	1,132,423	186,434	755,058
Insurance expenses	191,511	773,130	129,235	523,402
Security expenses	577,165	2,330,015	352,129	1,426,122
Membership fees	145,493	587,355	71,199	288,356
Credit report (CBC) expenses	146,485	591,360	74,070	299,984
Vehicle rental expenses	535,878	2,163,339	259,707	1,051,813
Board of Director fees	85,793	346,346	17,442	70,640
Other expenses	371,434	1,499,480	160,479	649,940
	<b>10,001,647</b>	<b>40,376,649</b>	<b>7,114,106</b>	<b>28,812,129</b>

## 26. DEPRECIATION AND AMORTISATION EXPENSES

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Depreciation	2,117,322	8,547,629	1,616,979	6,548,765
Amortisation	334,842	1,351,757	273,920	1,109,376
	<b>2,452,164</b>	<b>9,899,386</b>	<b>1,890,899</b>	<b>7,658,141</b>

## 27. CASH AND CASH EQUIVALENTS

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	41,622,955	168,031,869	29,676,827	120,191,149
Balances with the NBC	37,325,670	150,683,730	30,768,670	124,613,113
Balances with other banks	28,208,582	113,878,046	42,380,935	171,642,787
	<b>107,157,207</b>	<b>432,593,645</b>	<b>102,826,432</b>	<b>416,447,049</b>

## 28. COMMITMENTS AND CONTINGENCIES

### (a) Operating lease commitments

The Bank has operating lease commitments for the lease of its headquarters and provincial offices as follows:

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
No later than 1 year	2,388,914	9,644,046	1,557,057	6,306,081
Later than 1 year and no later than 5 years	6,073,614	24,519,178	3,666,408	14,848,952
Later than 5 years	2,869,558	11,584,405	2,407,726	9,751,289
	<b>11,332,086</b>	<b>45,747,629</b>	<b>7,631,191</b>	<b>30,906,322</b>

### (b) Other commitments

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Unused portion of overdrafts	14,319,977	57,809,747	18,663,000	75,585,150
Letter of credits	37,461,866	151,233,553	4,912,376	19,895,123
Performance bonds	5,512,706	22,254,794	2,102,768	8,516,210
Bid bonds	157,514	635,884	86,048	348,494
Other guarantees	2,792,872	11,274,824	400,000	1,620,000
	<b>60,244,935</b>	<b>243,208,802</b>	<b>26,164,192</b>	<b>105,964,977</b>



## 29. RELATED PARTY TRANSACTIONS AND BALANCES

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 or who participates in the administration, direction, management or the design and implementation of the internal controls of the Bank.

### (a) Related party balances

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Borrowings from the National Bank of Canada	25,000,000	100,925,000	10,000,000	40,500,000
Deposits and placements by key management	4,547,903	18,359,884	619,307	2,508,195

### (b) Other related party transactions

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Interest expenses to the National Bank of Canada	1,318,520	5,322,865	6,212	25,159
Interest expenses to key management	211,497	853,814	43,604	176,596

### (c) Key management personnel remuneration

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	US\$	KHR'000	US\$	KHR'000
Salaries and benefits*	4,088,618	16,505,751	1,438,272	5,825,002

\* Including the remuneration of key management personnel and meeting fees of Board of Directors.

## 30. 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), Credit, Governance, Compliance, 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 ALCO, Credit, Governance, Compliance, 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 Committee for Board of Directors' meeting.

#### (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 a semi-annual basis for all loans with outstanding greater than US\$200,000, 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

	31 December 2016		31 December 2015	
	US\$	KHR'000	US\$	KHR'000
<b>Loans to customers</b>				
Neither past due nor impaired	785,358,790	3,170,493,435	482,552,229	1,954,336,527
Past due but not impaired	1,969,600	7,951,275	680,271	2,755,098
Individually impaired	1,727,192	6,972,674	483,068	1,956,425
	<b>789,055,582</b>	<b>3,185,417,384</b>	<b>483,715,568</b>	<b>1,959,048,050</b>

It is not practical to obtain fair value of collateral due to costs of obtaining such information outweigh the potential benefits. The Bank's policy is to fund approximately 50% of the collateral value, except margin deposits or restricted fixed deposits. Under NBC regulations, the value of collateral is not taken into account when determining the allowance for bad and doubtful loans.

*Neither past due or impaired*

Loans not past due or past due less than 30 days are not considered impaired, unless other information is available to indicate the contrary.

*Past due but not impaired loans to customers*

Past due but not impaired loans are those which are classified as special mention in compliance with NBC Guidelines with a specific allowance of 3% of the loan outstanding. For these loans the 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.

*Impaired loans to customers*

Individually impaired loans are loans 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. In compliance with NBC Guidelines, an allowance for doubtful loans is made for loans with payment overdue more than 90 days. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

*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. As at 31 December 2016, the Bank has restructured loans amounting to US\$15,557,190 (31 December 2015: US\$7,381,335).

Once the loan is restructured it remains in the same category regardless 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 will remove a loan 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 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 for loans above US\$200,000 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.

*Concentration of credit risk*

The analysis of concentrations of credit risk from loans 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 2016, 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.

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2016</b>							
<b>Assets</b>							
Cash on hand	–	–	–	–	–	41,622,955	41,622,955
Balance with the NBC	–	2,494,105	–	–	–	143,556,742	146,050,847
Balance with other banks	21,160,062	8,453,182	30,557,093	3,366,501	–	14,030,029	77,566,867
<b>Loans to customers</b>							
- Performing	2,153,314	11,272,901	35,325,429	252,779,600	485,797,146	–	787,328,390
- Non-performing	164,639	–	2,198	802,659	757,696	–	1,727,192
- Specific allowance	–	–	–	–	–	(676,322)	(676,322)
- General allowance	–	–	–	–	–	(9,253,587)	(9,253,587)
- Interest receivable	–	–	–	–	–	5,576,562	5,576,562
- Interest in suspense	–	–	–	–	–	(140,408)	(140,408)
Investment securities	–	–	–	21,994,638	3,378,408	–	25,373,046
Other assets	–	–	–	–	–	6,728,846	6,728,846
	<b>23,478,015</b>	<b>22,220,188</b>	<b>65,884,720</b>	<b>278,943,398</b>	<b>489,933,250</b>	<b>201,444,817</b>	<b>1,081,904,388</b>
<b>Liabilities</b>							
Deposits from customers	266,598,704	130,227,226	331,775,768	38,721,328	–	88,498,223	855,821,249
Borrowings	25,000,000	8,000,000	–	35,000,000	–	–	68,000,000
Subordinated debts	–	–	–	–	25,000,000	–	25,000,000
Other liabilities	–	–	–	–	–	12,851,061	12,851,061
	<b>291,598,704</b>	<b>138,227,226</b>	<b>331,775,768</b>	<b>73,721,328</b>	<b>25,000,000</b>	<b>101,349,284</b>	<b>961,672,310</b>
<b>Interest sensitivity gap</b>	<b>(268,120,689)</b>	<b>(116,007,038)</b>	<b>(265,891,048)</b>	<b>205,222,070</b>	<b>464,933,250</b>	<b>100,095,533</b>	<b>120,232,078</b>

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2015</b>							
<b>Assets</b>							
Cash on hand	–	–	–	–	–	29,676,827	29,676,827
Balance with the NBC	–	3,100,000	–	–	82,292,374	27,668,670	113,061,044
Balance with other banks	42,767,584	6,878,821	51,512,479	1,000,000	–	5,899,395	108,058,279
<b>Loans to customers</b>							
- Performing	7,168,569	10,007,908	33,880,609	182,738,212	249,437,202	–	483,232,500
- Non-performing	96,443	16,650	105,155	91,041	173,779	–	483,068
- Specific allowance	–	–	–	–	–	(410,714)	(410,714)
- General allowance	–	–	–	–	–	(4,771,450)	(4,771,450)
- Interest receivable	–	–	–	–	–	3,265,710	3,265,710
- Interest in suspense	–	–	–	–	–	(170,429)	(170,429)
Investment securities	–	–	11,946,523	37,308,855	4,500,993	–	53,756,371
Other assets	–	–	–	–	–	5,755,105	5,755,105
	<b>50,032,596</b>	<b>20,003,379</b>	<b>97,444,766</b>	<b>221,138,108</b>	<b>336,404,348</b>	<b>66,913,114</b>	<b>791,936,311</b>
<b>Liabilities</b>							
Deposits from customers	353,477,292	49,821,154	187,781,209	17,485,303	–	45,846,320	654,411,278
Borrowings	–	16,000,000	13,000,000	–	–	–	29,000,000
Subordinated debt	–	–	–	–	10,000,000	–	10,000,000
Other liabilities	–	–	–	–	–	8,705,518	8,705,518
	<b>353,477,292</b>	<b>65,821,154</b>	<b>200,781,209</b>	<b>17,485,303</b>	<b>10,000,000</b>	<b>54,551,838</b>	<b>702,116,796</b>
<b>Interest sensitivity gap</b>	<b>(303,444,696)</b>	<b>(45,817,775)</b>	<b>(103,336,443)</b>	<b>203,652,805</b>	<b>326,404,348</b>	<b>12,361,276</b>	<b>89,819,515</b>

#### *Fair value sensitivity analysis for fixed rate instruments*

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the reporting date. 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 liquidity gap of the Bank into relevant maturity groupings based on the remaining periods to repayment. The table does not include imputed interests on financial assets and financial liabilities as the efforts to compute the imputed interest outweigh disclosure benefits. The management considers that the imputed interest receivables from loans are greater than imputed interest payables to customers on deposits and borrowings due to their sizes and interest rates. Hence, the liquidity gap when including the imputed interest is favourable to the Bank.

Although the table shows a negative liquidity gap, the management believes that customers will not withdraw their deposits according to the maturity. The deposits keep rolling from one cycle to another. In addition, the Bank is able to utilise the unrestricted fund balance with the NBC at any time. Therefore, management believes that underlying liquidity risk is manageable.

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2016</b>							
<b>Asset</b>							
Cash on hand	41,622,955	–	–	–	–	–	41,622,955
Balance with the NBC	34,831,566	2,494,105	–	–	–	108,725,176	146,050,847
Balance with other banks	35,190,091	8,453,182	30,557,093	3,366,501	–	–	77,566,867
<b>Loans to customers</b>							
- Performing	12,528,394	33,113,135	129,444,332	458,026,276	154,216,253	–	787,328,390
- Non-performing	312,546	35,341	175,731	956,218	247,356	–	1,727,192
- Specific allowance	–	–	–	–	–	(676,322)	(676,322)
- General allowance	–	–	–	–	–	(9,253,587)	(9,253,587)
- Interest receivable	–	–	–	–	–	5,576,562	5,576,562
- Interest in suspense	–	–	–	–	–	(140,408)	(140,408)
Investment securities	–	–	–	21,994,638	3,378,408	–	25,373,046
Other assets	2,547,737	1,000	1,925,770	500,191	911,840	842,308	6,728,846
	<b>127,033,289</b>	<b>44,096,763</b>	<b>162,102,926</b>	<b>484,843,824</b>	<b>158,753,857</b>	<b>105,073,729</b>	<b>1,081,904,388</b>
<b>Liabilities</b>							
Deposits from customers	355,096,927	130,227,226	331,775,768	38,721,328	–	–	855,821,249
Borrowings	25,000,000	8,000,000	2,499,999	32,500,001	–	–	68,000,000
Subordinated debts	–	–	–	–	25,000,000	–	25,000,000
Other liabilities	12,851,061	–	–	–	–	–	12,851,061
	<b>392,947,988</b>	<b>138,227,226</b>	<b>334,275,767</b>	<b>71,221,329</b>	<b>25,000,000</b>	<b>–</b>	<b>961,672,310</b>
<b>Liquidity gap</b>	<b>(265,914,699)</b>	<b>(94,130,463)</b>	<b>(172,172,841)</b>	<b>413,622,495</b>	<b>133,753,857</b>	<b>105,073,729</b>	<b>120,232,078</b>



	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2015</b>							
<b>Asset</b>							
Cash on hand	29,676,827						29,676,827
Balance with the NBC	27,668,670	3,100,000	–	–	–	82,292,374	113,061,044
Balance with other banks	48,666,979	6,878,821	51,512,479	1,000,000	–	–	108,058,279
<b>Loans to customers</b>							
- Performing	14,559,121	22,474,099	93,185,742	267,008,172	86,005,367	–	483,232,501
- Non-performing	231,435	21,735	54,340	119,599	55,958	–	483,067
- Specific allowance	–	–	–	–	–	(410,714)	(410,714)
- General allowance	–	–	–	–	–	(4,771,450)	(4,771,450)
- Interest receivable	–	–	–	–	–	3,265,710	3,265,710
- Interest in suspense	–	–	–	–	–	(170,429)	(170,429)
Investment securities	–	–	11,946,523	37,308,855	4,500,993	–	53,756,371
Other assets	1,837,842	81,628	2,684,679	303,234	558,235	289,487	5,755,105
	<b>122,640,874</b>	<b>32,556,283</b>	<b>159,383,763</b>	<b>305,739,860</b>	<b>91,120,553</b>	<b>80,494,978</b>	<b>791,936,311</b>
<b>Liabilities</b>							
Deposits from customers	353,477,292	49,821,154	187,781,209	17,485,303	–	45,846,320	654,411,278
Borrowings	–	13,000,000	6,000,000	10,000,000	–	–	29,000,000
Subordinated debt	–	–	–	–	10,000,000	–	10,000,000
Other liabilities	8,705,518	–	–	–	–	–	8,705,518
	<b>362,182,810</b>	<b>62,821,154</b>	<b>193,781,209</b>	<b>27,485,303</b>	<b>10,000,000</b>	<b>45,846,320</b>	<b>702,116,796</b>
<b>Liquidity gap</b>	<b>(239,541,936)</b>	<b>(30,264,871)</b>	<b>(34,397,446)</b>	<b>278,254,557</b>	<b>81,120,553</b>	<b>34,648,658</b>	<b>89,819,515</b>

## **(e) Capital management**

### **(i) Regulatory capital**

The Bank's lead regulator, the National Bank of Cambodia, sets and monitors capital requirements for the Bank as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also 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 has complied with all regulatory imposed capital requirement throughout the year.

On 22 March 2016, the National Bank of Cambodia issued a Prakas No. B7-016-117-ProKor, requiring locally incorporated commercial banks and subsidiaries of foreign banks to increase the minimal registered capital to at least KHR 300 billion (approximately US\$75 million). Banks are required to fulfil this requirement within two years from the date of the Prakas.

In accordance with the Prakas and the Circular on the Implementation of this Prakas, No. B7-016-001 C.L., dated 16 June 2016, on 3 November 2016, the Bank issued additional 16,521 shares to National Bank of Canada and 1,836 shares to Mr. Damir Karassayev, with a par value of US\$1,000 per share. The transaction, approved by the National Bank on 30 December 2016 of Cambodia and Ministry of Commerce on 18 January 2017, allowed the Bank to increase its registered capital from US\$52,643,000 to US\$71,000,000 by converting their share premium.

### **(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.

## **31. 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, are not presented in the financial statements.

## **32. CURRENT AND NON-CURRENT**

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Property and equipment, intangible assets and deferred tax assets are non-current assets. Current income tax payable is current liability.

## **33. COMPARATIVE INFORMATION**

Certain corresponding figures have been reclassified to conform to current year presentation of the financial statements.





No. 148, Preah Sihanouk Blvd., Sangkat Boeung Keng Kang I,  
Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia

(+855) 23 225 333 | Fax: (+855) 23 216 333  
[info@ababank.com](mailto:info@ababank.com) | [www.ababank.com](http://www.ababank.com)

