



# ANNUAL REPORT ' 2014



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# MESSAGE FROM THE CEO



## Dear clients, shareholders, investors!

I am pleased and proud to report that 2014 was a year that, thanks to hard work and a highly committed team, featured significant events and yielded important achievements for ABA Bank.

Let me start with the fundamental milestones we achieved that will assist in further shaping ABA's development during the upcoming years.

In July, the National Bank of Canada, an "A+" rated financial institution, became a new shareholder in ABA. It decided to go for such a bold step in Cambodia because it recognized ABA's solid organizational structure, professional management, successful business model, strict governance standards and our expertise in, and understanding of, the local market. ABA Bank shares the National Bank of Canada's commitment to serving and assisting clients in the small- and medium-sized enterprise sector.

This partnership will bring with it a wide range of advantages and new opportunities. With a strong and internationally reputed shareholder and partner, ABA Bank will expand its business more efficiently to the advan-

tage of its clients. Business owners and investors in the SME sector, as well as the rapidly rising number of personal account holders, will be able to experience the benefits of this partnership in the coming years.

We have experienced substantial growth of our branch network this year. Eight new branches entered the ABA Bank family, increasing the number of branches to 25. This is the largest expansion of the ABA network within a year, and all our branches today provide the top-level services that our customers are used to expecting from us.

We are working hard towards making our vision come true: to become the bank that Cambodians trust, and that takes care of their personal and business banking needs. Over the past year we managed to build a multichannel customer interaction system, offering our clients numerous methods of banking with ABA in the ways that they prefer: via ATMs, via cash-in machines, through our secure internet banking service, via a modern mobile banking application and via our 24/7 support services, such as our telephone hotline and online chat support through our website. ABA Bank has suc-

ceeded in creating a seamlessly connected banking experience across all modern service and communication channels.

ABA Bank's continuously growing list of remote banking services allows our customers to access their accounts at any time of the day, and with the assurance that "things work" from anywhere.

Our team has also made great progress in improving ABA Bank's card products. In December, we established a strategic partnership with UnionPay International. Based on the agreement, ABA Bank from 2015 issues China's UnionPay cards and will become the largest issuer of UnionPay cards in Cambodia within the year. We expect this partnership to bring our clients additional advantages, but also that it will further boost economic, tourism and trade ties between China and Cambodia.

In 2014, we completed the implementation of the Individual Balanced Scorecard system (IBSC). It is the logical continuation of the branch-wide scorecard system introduced by ABA Bank in 2013. We expect that IBSC will allow us to communicate our operational

strategy to each member of staff through developing and implementing sophisticated, tailor-made KPIs. We hope to thus further expand the knowledge of our staff as well as the overall service quality that the ABA Bank team provides to our customers.

In recognition of these and many other achievements, ABA Bank in 2014 won two of the banking world's most prestigious awards: the "Best Bank in Cambodia" by *Euromoney* magazine and "Bank of the Year" by *The Banker* magazine. I am very proud of our whole team, which has worked hard to achieve such outstanding recognition.

ABA Bank's overall financial performance in 2014 was excellent. We managed to de-risk the business, strengthen the balance sheet and increase the efficiency of our operations. ABA Bank continued to show strong growth in all main business areas:

- Total assets reached a remarkable threshold of US\$500 million, rising from 325 million at the end of 2014
- Earlier, the deposit portfolio reached US\$433 million, compared to 278 million in 2013
- We managed to increase the loan portfolio to US\$271 million from 177 million one year ago.

At the same time, the non-performing loans (NPL) ratio significantly dropped from 3.6% in 2013 to 0.27% at the end of 2014. This confirms that our elaborate risk-management system and thorough approach to lending are successful – both financially and in regards to gaining trust from our clients.

ABA Bank continued to acquire new customers and managed to further extend its relationships with existing clients. At the end of 2014, more than 54,000 depositors and 8,000 borrowers trusted in ABA Bank.

All of these outstanding achievements are the result of the hard work of each of the

702 ABA team members, and in particular of the effective coordination of our management.

As a consequence, we experienced 85% growth in net profit to US\$7.5 million, representing a 14% return on equity – higher than the Cambodian average in our sector.

Our 2014 results demonstrate the benefits of the versatility we employ, and enjoy, at ABA Bank. They also show that the foundations of our core products, our services and of our client relationship management are solid and can be grown sustainably. Today, ABA Bank is outperforming the average growth rate of the Cambodian banking sector as a whole.

## ■ WHAT IS NEXT?

Our mission for 2015 is to continue to improve our product offerings through the implementation of advisory services and other new services. We will certainly also extend our digital banking and other service solutions.

We expect to reach a net profit of US\$10-12 million. This will be driven by increases from most of our income streams. In addition, we expect higher demand for loans. As the Cambodian economy continues to grow healthily from year to year, our loan proposals will increase too.

Besides other initiatives, in 2015 we plan to:

- Open eight additional branches in provinces to further extend our presence across the country and to bring modern financial solutions to new areas
- Launch new and innovative products and services
- Attract new credit lines from international institutions to diversify the funding resources of the bank, making it even more sound

- Further evolve our trade finance facilities by educating local entrepreneurs, and by introducing new tools to the market

- Increase the speed and the quality of our services in all branches and outlets

- Promote our "remote banking" approach aligned with customer growth

- Provide more convenience to our clients who are banking during off-business hours.

Our plans depend on economic conditions. The Cambodian market remains dynamic with a fast-changing business environment. I am sure that the coming year will be even more fruitful and bring new successes. It will also bring challenges, but here at ABA Bank we have all the tools and expertise to face them. Our priority is to continue focusing on the client, to deliver the best services and the most comprehensive financial solutions in the market, to manage costs, and to do our part to help the Cambodian economy to stay on the growth path.

I can assure you that our management team and all staff will continue to optimize the business, reaping substantive benefits for our past work in 2015, and beyond.

We are confident that ABA is well positioned to bring further value to our shareholders.

I would like to thank our clients and shareholders for their support during 2014 and, above all, our committed employees for their hard work. They will ensure ABA Bank's growth and success.

**Askhat Azhikhanov**  
Chief Executive Officer



## WHO WE ARE



ABA Bank is one of Cambodia's premier banking institutions founded in 1996 as the Advanced Bank of Asia Limited.

ABA has an effective and well-synchronized, professional team that commits enormous effort to our performance. Our international management team brings invaluable expertise and allows ABA Bank to comply with international standards of service and security.

ABA Bank holds a confident position on the financial market thanks to a strategy based on service differentiation, while catering to the needs of a diverse population living in regions with varying characteristics. In large cities, with their better-educated populations and higher income levels, ABA Bank focuses primar-

ily on the retail and corporate sectors, offering standard financial services with technologically advanced features. In rural and remote areas, in contrast, the bank places greater emphasis on supporting MSME (micro, small and medium enterprises) by providing loans and other banking products that contribute to the strengthening of their financial position.

With assets of US\$505 million as of December 31, 2014, ABA Bank provides a wide range of financial services to individuals, SMEs and corporate entities. In July 2014, the "A+" rated National Bank of Canada entered ABA Bank's shareholders structure.

At the end of 2014, ABA Bank's branch network extended to 25 branches cover-

ing Phnom Penh and 13 provinces of the country. By 2017, 40 outlets are expected to be operational across Cambodia.

In 2014, two reputed international financial publications recognized ABA Bank's efforts to bring the very best to its clients.

*The Banker* magazine named ABA Bank as Cambodia's Bank of the Year 2014. The award recognizes the financial strength of ABA Bank, its strong management, prudent risk approach and sound business model.

*Euromoney* magazine praised ABA Bank as the Best Bank in Cambodia for its service quality and innovation-driven business model, and for its efforts to bring banking in Cambodia to the next level.

## VISION, MISSION & VALUES

### OUR VISION

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

### OUR MISSION

Our mission is to help Cambodia, Cambodian businesses and 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

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

#### HONESTY AND RESPECT

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

#### TRUST AND 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 AND 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.

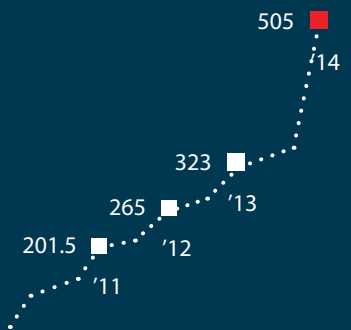
#### ETHICS AND MORALS

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

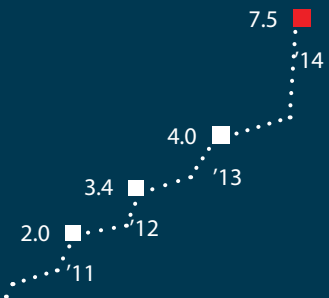
Year ended 31 December	F.Y.2011	F.Y. 2012	F.Y. 2013	F.Y. 2014	Incre / Decre % (2014 vs 2013)
P & L Account (US\$ million)					
Net Interest Income	6.4	8.5	11.4	17.8	56%
Net Fee & Commission Income	2.1	2.9	4.5	6.8	51%
Net Profit	2.0	3.4	4.0	7.5	88%
B/L Sheet					
Total Deposits	165.6	224.2	276.9	433.4	57%
Total Gross Loan	93.1	141.3	179.3	271.5	51%
Share Capital	36.0	36.0	36.0	44.7	24%
Retained Earning & Other Reserves	(1.9)	1.5	5.5	19.3	249%
Total Assets	201.5	265.0	323.0	505.0	56%
Key Performance Indicators (%)					
Profitability					
ROAE, %	6.1	9.5	10.2	14.2	39%
ROAA, %	1.1	1.5	1.4	1.8	29%
Net Interest Margin, %	5.5	4.6	4.9	5.7	16%
Cost/Income, %	67.1	60.8	59.0	59.9	2%
Funding and Liquidity					
Liquidity, %	66.8	56.3	50.6	54.6	9%
Credit Deposit Ratio, %	56.2	63.0	64.7	62.6	-3%
Liquid Assets/Total Assets, %	28.0	22.4	20.6	22.2	8%
Capitalization					
Solvency Ratio, %	20.0	17.1	16.2	16.7	3%
Equity /Total Asset, %	16.9	14.1	12.8	12.7	-1%
Asset Quality					
NPL/Total Loan, %	3.4	2.5	3.7	0.3	-92%
Provision/Total Loan, %	1.8	1.6	2.0	1.2	-40%
General Information					
HO & Branches	10.0	11.0	17.0	25.0	47%
No. of Staff	224.0	313.0	444.0	702.0	58%
Total ATM Machines	32.0	41.0	57.0	88.0	54%
Total POS Terminals	115.0	146.0	163.0	237.0	45%
Number of Deposit Customers	25,863	35,208	41,885	55,531	33%
Number of Borrowers	1,456	2,959	4,650	7,966	71%

# SIMPLIFIED FINANCIAL RESULTS



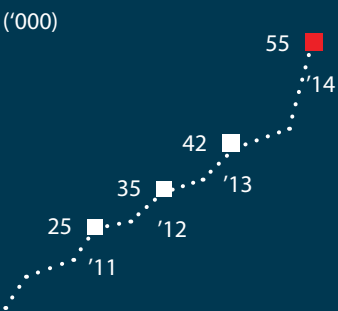
Assets  
**US\$ 505M**

Asset dynamics gained 56% higher than last year with US\$ 505 million in total



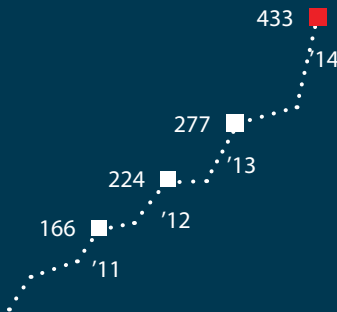
Net profit  
**US\$ 7.5M**

We achieve a net profit of US\$ 7.5 million which is 88% higher than last year



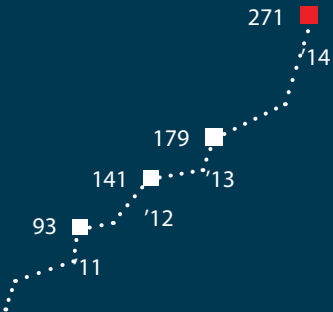
Number of accounts  
**55,000**

Number of accounts increased by 33% and reach 55,000 compared to 42,000 in 2013



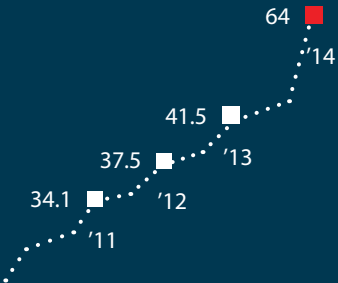
Deposits  
**US\$ 433M**

Our deposit portfolio increased by 57% with US\$ 433 million at the end of 2014



Loans  
**US\$ 271M**

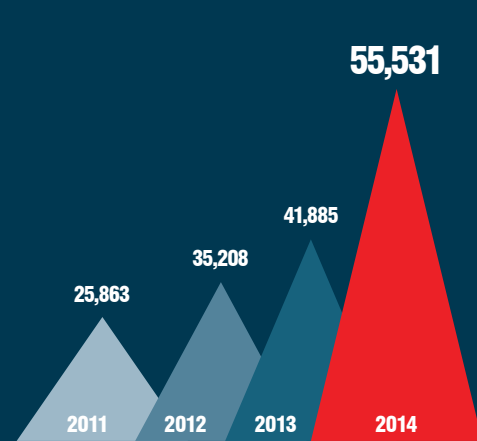
Our loan portfolio grew up by 51% with a total of US\$ 271 million at the end of the year



Shareholders' equity  
**US\$ 64M**

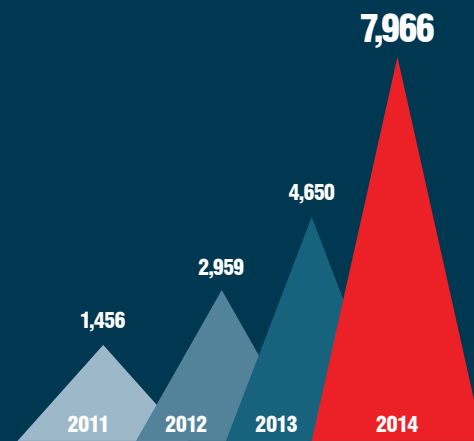
Our shareholers' equity grew up by 54% with a total of US\$ 64 million at the end of the year

## GENERAL INFORMATION



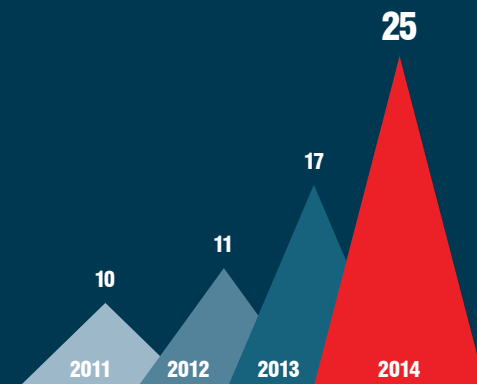
### NUMBER OF DEPOSITORS

Number of depositors grew up to 33% and reach 55,531



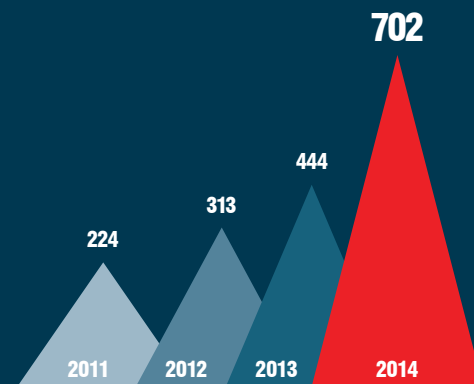
### NUMBER OF BORROWERS

One of the significant growth occurred in number of borrowers grown up to 71% with a total of 7,966



### NUMBER OF BRANCHES

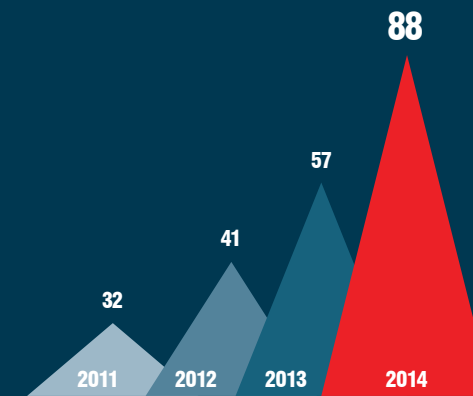
Number of branches for 2014 increased by 47% and reach 25



### NUMBER OF EMPLOYEES

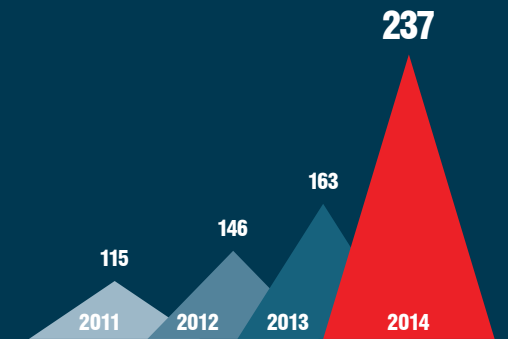
The total number of employees for 2014 increased by 58% and reached 702 by end of the year

## GENERAL INFORMATION



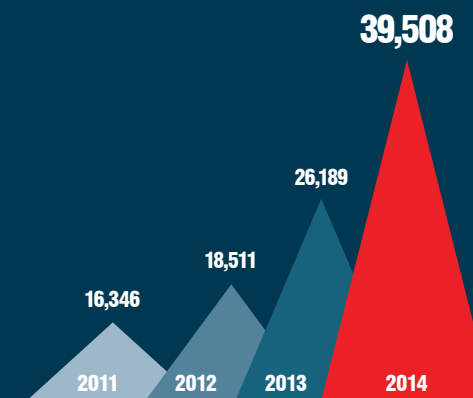
### NUMBER OF ATMS

ATM coverage increased to 54% summing total of 88 by year end



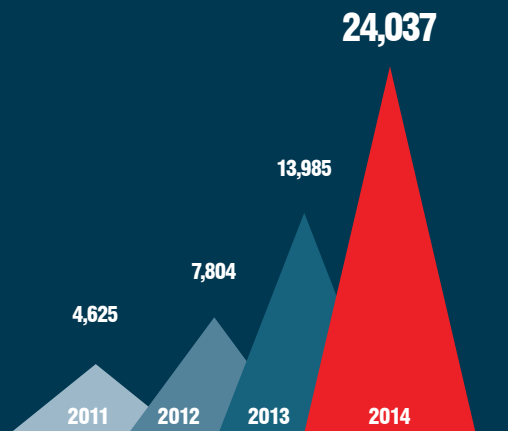
### NUMBER OF POS TERMINALS

Amount of POS terminals increased by 45% with a total of 237



### NUMBER OF ISSUED CARDS

Number of cards for 2014 increased by 51% and reach to a total of 39,508



### NUMBER OF IBANKING USERS

The total number of ibanking users for 2014 increased by 72% and reached 24,037 by end of the year

## ACHIEVEMENTS IN 2014



### PARTNERSHIP WITH NATIONAL BANK OF CANADA

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



### BRANCH NETWORK EXPANSION

The branch network of ABA exceeded 25 outlets after the opening of eight new branches (Sothearos and Central Market in Phnom Penh and branches in Kampot, Kampong Thom, Pursat, Poi Pet, Svay Rieng and Kampong Chhnang). This is the largest expansion of ABA Bank's branch network within a year.



### AWARD FROM STANDARD CHARTERED BANK

ABA Bank received the Performance Excellence Award from Standard Chartered Bank for its Straight Through Processing (STP) rate in USD payments in 2013. The award is given to partner banks that are precise and accurate in terms of processing payments via SCB as its correspondent bank.



### LAUNCH OF IME MONEY TRANSFERS

ABA Bank launched its cooperation with IME, an international money transfer provider from Malaysia, with the goal to offer its customers an additional channel of sending and receiving money abroad.



### INTRODUCTION OF GCASH REMITTANCE SERVICE

ABA and Pay&Go, in partnership with Globe GCash (Philippines), launched GCash - the most affordable, convenient and secure money remittance service for Filipinos living and working in Cambodia.



### "BEST BANK IN CAMBODIA" AWARD FROM EUROMONEY

The financial magazine *Euromoney* named ABA Bank as the Best Bank in Cambodia 2014. We were recognised due to the strength of our market position and the outstanding growth of our branch network over the year as well as for the ongoing implementation of new technological solutions.

## CONTINUOUS IMPROVEMENT

### STRATEGIC HUMAN RESOURCE MANAGEMENT

Our staff are the most important asset of ABA Bank. In 2014, we continued strengthening our HR management through promoting our career branding and internal opportunities, and by improving our business processes.

#### IMPROVING KNOWLEDGE

Thanks to extensive branch expansion, more than 350 employees joined the ABA Bank family in 2014. All of them underwent essential training and took further courses in order to deliver our services on the highest level.

In order to increase the proficiency of our staff in the use of the core banking system, a dedicated training facility was set up. All tellers and other front office representatives undergo training on how to properly operate the core banking system, and learn about changes and improvements before system updates are released.



#### CAREER DEVELOPMENT

ABA Bank's management commitment is to gather experienced, ambitious and proactive staff to build up and contribute to the bank's business strategy.

In 2014, the HR department organized career talks in the six provinces in which ABA Bank planned to start operations. Our experts targeted universities and local communities in order to promote awareness of ABA Bank and to seek the most experienced, ambitious and proactive candidates in the region. Job announcements spread through and beyond the target group, helping to promote good relations and creating useful linkages with the public in those areas.

In 2015, roadshows and career talks will continue. They will include both new and existing provinces, as well as Phnom Penh.

The HR department will also focus on internal brand development, which will help our staff to absorb more of ABA Bank's corporate culture and values, and to improve overall internal communication processes. To support these activities, the development of a corporate intranet is planned.



#### “BANK OF THE YEAR” BY THE BANKER

ABA Bank has been awarded the Bank of the Year in Cambodia by *The Banker* magazine. The publication particularly emphasized our technological leadership, financial strengths in the local market, strong management and our sound business model.



#### KMH CUP CHAMPIONSHIP

In August, the ABA Bank football team won the KMH football cup held in Phnom Penh. The team played 16 games in total, won the championship and maintained a convincing overall lead by goal difference.



#### AGREEMENT WITH UNIONPAY INTERNATIONAL

In December 2014, ABA Bank signed an agreement with China's UnionPay International. The cooperation authorizes ABA Bank to issue and accept China UnionPay cards under the licence of UnionPay International. This, in turn, is an opportunity to become the largest issuer of UnionPay cards in Cambodia.



## SERVICE QUALITY

Providing the highest level of customer service is imperative for us to compete in a dynamic and fast growing market. We do understand that customers expect more from us when they consider investing their hard-earned money with ABA.



### INFRASTRUCTURE DEVELOPMENT

We have learnt from our interactions with customers and suppliers that service quality is one of their main expectations when choosing a bank. Personal empathy, reliable service, high responsiveness and modern-banking facilities are expected - and we have invested in the development of a high-class service standard throughout our services. We have introduced new operational banking forms and process automations, making our clients' lives easier and more convenient, while our operation efficiency has remarkably improved. Our efforts have led to 90% of our customers being serviced within an average of 10 minutes. We wish that this waiting time could be further improved regardless of the ongoing growth of our network.

We continued to upgrade our infrastructure, including equipping our branch network with modern banking facilities, a queuing system in all branches, ATMs and cash-in machines.

Our service maintenance department, the 24/7 Contact Centre, has been equipped with a sophisticated call centre system to handle both call and web-chat services. We receive appreciation from our customers for this newly introduced service and aim at further improving in the coming year, and to exceed customers' expectations.

### MULTICHANNEL CUSTOMER INTERACTION

During the past few years, Cambodian business activities grew significantly overall, and so have banking services. This accelerated growth led to longer waiting times and hence affected the quality of client service in banks. Another challenge of Cambodia's main cities is road traffic, which makes access of our customers to the bank's offices during business hours more difficult.

As a response to these factors and to the increased number of clients, we implemented a multichannel customer interaction system. It offers our clients numerous ways of banking with ABA Bank in the most convenient way for them - ATMs, cash-in machines, internet banking services, a mobile banking application, a 24/7 telephone hotline, as well as a round-the-clock online web-chat via our website [www.aba-bank.com](http://www.aba-bank.com).

These branchless services, which will increase continuously, allow our customers to access their accounts or to contact an ABA Bank expert at any time of the day, making them feel more confident and in the long run more loyal to ABA Bank.

## CORPORATE SOCIAL RESPONSIBILITY

One of ABA Bank's strongest points is its Corporate Social Responsibility (CSR) policy. We strictly follow ethical rules and fully support genuine businesses that contribute to the development of the Cambodian economy. This approach aligns with our mission, vision and values, which are the key guidelines for all our activities.



### SPORTS AND HEALTH

Cycling and rubbish collecting were combined at the Cycling for the Environment and Children's Health event, which had sponsorship support from ABA Bank. The ride took place in Siem Reap in August with the aim of promoting environmental awareness while at the same time raising funds for the Angkor Hospital for Children. Our Siem Reap branch staff, along with other participants, marched through the city collecting rubbish before picking up bikes for a 16-kilometer ride. ABA Bank thus helped draw public attention to environmental issues and to the needs of the local hospital.

In Pursat province, ABA Bank contributed to the annual Pursat River Run. A total of 779 participants from schools, companies and NGOs competed this year. Alongside the races over 5 km and 10 km, there was also a competition for athletes with a disability. The Pursat River Run is primarily about athletics, but it is also used to showcase other sports through exhibition matches and events. Over the years, more and more Cambodian triathletes, swimmers, boxers and taekwondo fighters take part in the event, supporting the development of sports culture in the region.

With the aim to support the sports movement and to involve more young people in sports, ABA Bank contributed with a donation to the judo movement within the framework of the National Judo Championship 2014. The event was held under the auspices of the Cambodian Judo Federation (CJF) in Phnom Penh and was attended by judokas from three cities - Siem Reap, Battambang and Phnom Penh. ABA Bank's top management took part in the tournament's award ceremony and bestowed prizes on the winners. We strongly believe that supporting the young generation in athletics brings a positive effect on their education, physical lifestyle and the health of the nation.

### EXPANDING THE BOUNDARIES

ABA Bank actively continues to participate in various events aimed at supporting various segments of Cambodian society. As part of these efforts, we supported a project of the Cambodian Disabled People's Organization (CDPO). A small contribution was paid to support infrastructure for disabled people in Cambodia and to strengthen their role in the social development of the Kingdom of Cambodia.

ABA Bank together with other local businesses supported the 2nd National Art Competition hosted by Global Art Cambodia. The event was timed to coincide with the celebration of International Children's Day in June. Young artists aged between 4 and 18 years participated by illustrating creative and inspiring ways to "Heal the World", the theme of that year's competition. The winners received trophies, certificates and gift bags while consolation prizes were also awarded and "goodie bags" given to all participants. The Global Art competition champion represented Cambodia in the International Art Competition in Manila later that year.

## TRADE FINANCE

The fast evolution of ABA Bank, as well as the recent cooperation with the National Bank of Canada, led us to further empower our trade finance facilities. This handy tool minimizes or even eliminates our clients' risks related to trade operations within Cambodia, but also in their international trade. We created a dedicated team of professionals experienced in trade finance and documentary operations. We now offer structured solutions to our clients at every stage of their export-import activities, starting from contract negotiation to money receipt.

With the support of our shareholder, the National Bank of Canada, we are offering new trade finance services to our customers, which are unique within the current Cambodian banking environment.

In 2015, the trade finance department aims to expand and strengthen its cooperation with reputed international financial institutions, and to further promote tailor-made business solutions on attractive terms.



## RISK MANAGEMENT

Having a close working relationship with our clients, we are concerned that our partners do not take excessive risks.

Therefore, ABA Bank develops robust risk strategies and frameworks, enabling us to take on a conscious approach to credit, market, liquidity and operational risks.

Our risk strategies involve employing an integrated and well-balanced approach to risk and reward, facilitating the achievement of objectives while mitigating risks and optimizing growth opportunities.

In 2014, ABA Bank continued to further develop and strengthen its risk management system. In particular, the process of staff recruitment to fill up newly created units under the Risk Department (the Credit Risk Management Unit, the Financial Risk Management Unit and the Operational Risk Management Unit) is nearing completion. The bank continued documenting risk management-related processes and procedures by developing risk-specific models.



Our reporting system has been significantly improved through the introduction of broader expertise into each type of risk. ABA Bank implemented advanced risk management instruments such as Value at Risk, Basel's latest LCR and NSFR ratios, and nearly completed the development of its credit rating system.

In the coming year, the Risk Department will continue to further develop our risk management system by investing substantial efforts in the automation of risk-related processes and procedures.

## INDIVIDUAL BALANCED SCORECARD SYSTEM

2014 also saw the completion, testing and re-testing of the Individual Balanced Scorecard system (IBSC). The IBSC project, initiated by the Board of Directors, came as Phase II of the branch-wide scorecards project, which was implemented in early 2013 and has been employed ever since. The branch-wide system enables the bank to translate its strategy into specific, quantifiable targets for each branch and to constantly monitor their performance. The IBSC, in turn, allows the expansion of our staff's horizons by communicating ABA Bank's strategy with each member of staff in the branches by developing and implementing sophisticated tailor-made KPIs.

Apart from being an instrument enabling us to improve the management of risks, the bank considers the IBSC system as: (i) a strategic performance management system; (ii) a framework for defining, refining and communicating our strategies; (iii) a tool for translating strategies into operational directives; (iv) an instrument to measure the efficiency of strategy implementation; (v) a system able to motivate staff through alignment with our comprehensive staff incentive programme, etc.



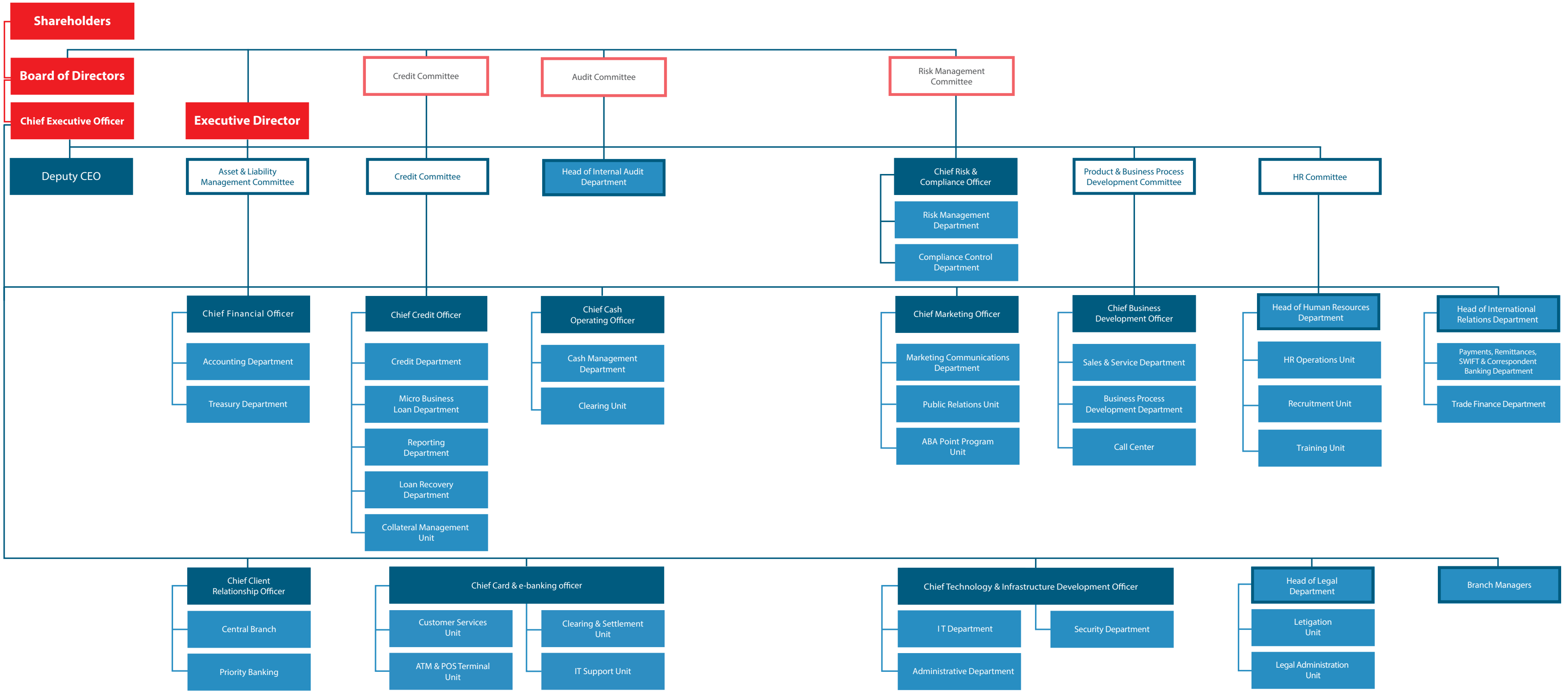
# MILESTONES

Since its incorporation in 1996, ABA Bank has gone through numerous considerable stages of its development. Here are the milestones from the recent years:

2009	The rebranding process saw the introduction of the name 'ABA Bank'. Launch of a new advertising campaign								
	The Bank added MoneyGram Payment System and small business loan facilities to its portfolio								
	The Phnom Penh branch network expanded to include a Toul Kork branch as well as another in Borei Keyla								
2010	DBS Bank (Singapore) started correspondent relations with ABA Bank	ABA won the prestigious Golden Award in the HSBC Global Payments and Cash Management category for its excellence in international payment and cash management services							
		The correspondent network of ABA expanded to include JP Morgan Chase Bank (USA) and Standard Chartered Bank (UK)							
	ABA started issuing MasterCard debit and credit (Standard and Gold) cards	Issuing of Visa Debit and Credit (Classic and Gold) cards was implemented							
2011			ABA became the first Cambodian financial institution to be named the Retail Bank of the Year by Asian Banking & Finance Magazine (Singapore)						
			Central Branch, a flagship banking center for the Bank's corporate and VIP clients in the heart of Phnom Penh, opened						
			The bank increased its presence in the provinces with the opening of a new branch in Kampong Cham						
2012			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 MFIs and other banks						
			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						
			China Construction Bank (China) and Standard Chartered Bank (Thailand) became correspondent partners of ABA						
2013				Following plans to expand its branches and ATM network, ABA Bank opened another branch in the capital – Stung Mean Chey					
				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					
				ATM presence expanded by 30%, bringing the total number of ATMs to 41					
2014				ABA Bank introduced its new premium service ABA Priority for its high net worth customers					
				Asian Banking & Finance Magazine (Singapore) awards ABA Bank as "Cambodia's Domestic Technology and Operation Bank of the Year"					
				ABA Bank officially launched its own ABA Point discount program for valued cardholders					
				ABA Bank introduced new self-service cash-in machines, which combine the features of cash deposits and payments for services 24/7					
				Six full service branches in Takhmao, Takeo, Siem Reap, Chbar Ampov and Kampong Speu launched					
				ABA is the first Cambodian bank to protect its VISA and MasterCard holders with 3D-SECURE service					
								Eight new branches opened. This is the biggest expansion of ABA's branch network within a year	
								National Bank of Canada became ABA Bank's shareholder in July 2014. This engagement brings ABA a new range of advantages and opportunities	
								ABA witnessed a 56% growth in assets level, reaching remarkable threshold of a half billion USD	ABA received the Performance Excellence Award from Standard Chartered Bank for excellent Straight Through Processing (STP) rate in USD payment in 2013
								The financial magazine <i>Euromoney</i> named ABA Bank as the Best Bank in Cambodia 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 has been awarded the Bank of the Year in Cambodia by <i>The Banker</i> magazine	
								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 launched GCash – the most affordable, convenient and secure money remittance service for Filipinos living and working in Cambodia



# ORGANIZATIONAL CHART





## BOARD OF DIRECTORS



**DAMIR KARASSAYEV**  
CHAIRMAN

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



**YVES JACQUOT**  
DIRECTOR

Mr. 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.

Yves was notably the supervisor of the finance, IT, all the Back offices, and the general administration departments of the bank. In addition, he took the vice-chairman position of the Credit Committees and Chairman of the Finance Committee, as well as the Risk management Committee for the subsidiaries. He supervised the prominent activities of the bank in the payment sector and was in charge of the innovation experiences.

Mr. Jacquot also promoted and managed the external growth of the Group in both France and French overseas territories in European, Asian Pacific, and African areas.

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



**MADI AKMAMBET**  
DIRECTOR

MBA with distinction from Cass Business School, City University London in 2013 and a degree in Economics from the Kazakh State Academy of Management in 1996.

Started his career in 1997 in the Treasury Department of the Ministry of Finance of the Republic of Kazakhstan. Between 1998 and 2005, Madi Akmambet held management positions at the Banking Supervision Department of the National Bank of Kazakhstan, several national companies and the Financial Institutions' Association of Kazakhstan. In 2006 - 2007, he worked for Tsesnabank (Astana, Kazakhstan) as Deputy Chairman and then First Deputy Chairman of the Management Board.

In March 2007, Mr. Madi moved to Tashkent (Uzbekistan) working for a private equity business. In March 2009, he was appointed CEO of ABA Bank in Cambodia, where he served until June 2012. Since then he has continued his work for ABA as Executive Director.



**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 (notably as head of the Foreign Investments Bureau). Etienne 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 directed the Asia Division of a subsidiary, which led him to create, develop and manage 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. CityStar Private Equity Asia develops today several large investment projects in Cambodia in the tourism and hospitality sector.

Etienne has been living in Asia for 21 years and is based in Singapore and Cambodia.

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



**NURLAN TOKOBAYEV**  
INDEPENDENT DIRECTOR

Mr. Tokobayev bears 15 years of managing experience in banking industry. Graduated from the Kazakh State Academy of Management in 1995, Nurlan developed his expertise in both regulatory bodies and financial institutions of the country – National Bank of Kazakhstan, Kazakhstan Mortgage Company, Kazakh State Agency for Regulation and Supervision of Financial Market, and others.

From 2007 until 2014, Mr. Tokobayev governed Credit-Standard Bank (Uzbekistan) as Chairman of the Board of Directors, at the same time holding the office of the Advisor to the CEO.

Mr. Tokobayev has been serving as Independent Director of the Board of Directors in ABA Bank since 2011.



# BRANCH NETWORK

**Head Office**

No. 148, Preah Sihanouk Blvd., Sangkat Boeung Keng Kang I, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia  
P.O Box 2277  
Call center 24/7: (+855) 23 225 333  
Fax: (+855) 23 216 333  
info@ababank.com  
www.ababank.com  
SWIFT: ABAKHPP

**Chbar Ampov branch**

No. 601, Street N. road 1, Village Deom Sleng, Sangkat Chbar Ampov 2, Khan Mean Chey, Phnom Penh  
Tel: (+855) 98 203 929

**Central Market Branch**

No. 60E0, Street 136, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh  
Tel: (+855) 98 203 979

**Central Branch**

No. 443A, Preah Monivong Blvd, Sangkat Beoung Prolit, Khan 7 Makara, Phnom Penh  
Tel: (+855) 98 203 199

**Borei Keyla**

Corner Steet 134 & 169, Sangkat Vealvong, Khan 7 Makara, Phnom Penh  
Tel: (+855) 98 203 869

**Samdech Sothearos branch**

No. 167, Street Samdech Sothearos Blvd, Sangkat Tonle Bassac, Khan Chamkar Morn, Phnom Penh  
Tel: (+855) 98 203 983

**Takeo Branch**

No. 1782, National Road 2, Lo Rie Village, Roka Knong Commune, Daun Keo District, Daun Keo Town, Takeo  
Tel: (+855) 98 203 909

**Stade Chas Branch**

No. 26AE0-E1-E2, Street 70, Sangkat Srah Chak, Khan Daun Penh, Phnom Penh  
Tel: (+855) 98 203 819

**Battambang Branch**

No. 205-207, Street 3, Kamakor Village, Svay Por Commune, Battambang City  
Tel: (+855) 98 203 839

**Chom Chao branch**

No. 824, Street National Road 4, Prey Prenhcheng Village, Sangkat Chom Chao, Khan Dangkor, Phnom Penh  
Tel: (+855) 98 203 939

**Kampong Cham Branch**

No. 31, Preah Monivong Street, Sangkat Kampong Cham, Kampong Cham City  
Tel: (+855) 98 203 879

**Kampong Chnang Branch**

No. E614, National Road 5, Village Srae Pring, Sangkat Kampong Chnang, Kampong Chnang Town  
Tel: (+855) 98 203 039

**Kampong Speu Branch**

No. 346, Street National road 4, Village Peanichkam, Sangkat Rokathom, Khan Chbamorn, Kampong Speu  
Tel: (+855) 98 203 949

**Svay Rieng Branch**

No. 20, National Road 1, Village Raob Kor, Sangkat Prey Chlak, Svay Rieng Town  
Tel: (+855) 98 203 029

**Sihanoukville Branch**

No. 131, Villageg 01, Street Ekreach, Mittapheap, Sihanouk Ville, Cambodia  
Tel: (+855) 98 203 899

**Stung MeanChey Branch**

No. 20B & 21B, Street 217 ( Monireth), Sangkat Stoeung Mean Chey, Phnom Penh  
Tel: (+855) 98 203 889

**Toul Kork Branch**

No. 10A, Block A7E0123 and A8E0123 St, 289 Corner 516, Sangkat Beoung Kok I, Khan Toul Kork, Phnom Penh  
Tel: (+855) 98 203 859

**Kampong Thom Branch**

No. 019, National Road 6, Village Kampong Krabao, Sangkat Kampong Krabao, Steung Sen Town, Kampong Thom  
Tel: (+855) 98 203 429

**Kampot Branch**

No. 14, Road Ek Reach, Village 1 Ousaphea, Commune Kampong Kandal, Kampot Town, Kampot  
Tel: (+855) 98 203 959

**Mao Tse Toung Branch**

No. 151 E0-E1-E2, Mao Tse Toung Blvd., Sangkat Boueng Keng Kang 3, Khan Chamkarmorn, Phnom Penh  
Tel: (+855) 23 216 135

**Paoy Paet Branch**

No. A092, National Road 5, Village Palelay 2, Paoy Paet Town, Banteay Mean Chey  
Tel: (+855) 98 203 019

**Pursat Branch**

No. 637-638, National Road 5, Village Ra, District Phtas Prey, Pursat Town  
Tel: (+855) 98 203 969

**Siem Reap Branch**

No. 01-04, Street Tep Vong, Mondul II Village, Svay Dangkum Sangkat, Siem Reap  
Tel: (+855) 98 203 829

**Takhmao Branch**

No. 530, Street 107/21, Sangkat Takhmao, Krong Takhmao  
Tel: (+855) 98 203 919

**Toek Thla Branch**

No. A39-A41, Russian Blvd., Sangkat Toek Thla, Khan Sen Sok, Phnom Penh  
Tel: (+855) 98 203 849

# AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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ABA BANK

CORPORATE INFORMATION

BANK	Advanced Bank of Asia Limited	
REGISTRATION NO	Co. 322/97E	
REGISTERED OFFICE	No. 148, Preah Sihanouk Blvd, Sangkat Boeung Keng Kang, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia	
SHAREHOLDERS	Damir Karassayev National Bank of Canada	
DIRECTORS	Damir Karassayev Madi Akmambet Nurlan Tokobayev Yves Jacquot Etienne Chenevier Yermek Mazhekenov	Chairman Executive Director Independent Director Director (Appointed on 20 May 2014) Independent Director (Appointed on 20 May 2014) Independent Director (Resigned on 16 May 2014)
KEY MANAGEMENT TEAM	Askhat Azhikhanov Lee Young Ho Babu Ram Gyawali Bibhu Pandey Rasulov Zokhir Galymzhan Temirov Sanzhar Abdullayev Long Phanith Mey Polin	Chief Executive Officer Deputy Chief Executive Officer Chief Financial Officer Chief Loan Officer Chief Marketing Officer Chief Technology and Infrastructure Development Officer Chief of Card & E-banking Officer Chief Cash Operating Officer Chief Business Development Officer
AUDITORS	KPMG Cambodia Ltd	

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of Advanced Bank of Asia Limited (“the Bank”) for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2014 were as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	9,347,300	38,090,246	5,157,081
Income tax expense	(1,864,985)	(7,599,814)	(1,109,165)
Net profit for the year	7,482,315	30,490,432	4,047,916

DIVIDENDS

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

SHARE CAPITAL

On 6 May 2014, Visor Growth Fund B.V sold its 7,000 shares to Damir Karassayev. The transaction was approved by the National Bank of Cambodia (“NBC”) and the Ministry of Commerce (“MoC”) on 19 June 2014 and 24 June 2014, respectively.

During the year, the Bank increased the share capital as follows:

- from US\$36,000,000 to US\$39,996,000 through issuance of additional 3,996 shares with a premium of US\$1,969,090 to the National Bank of Canada. The transaction was approved by the NBC and the MoC on 26 June 2014 and 2 July 2014, respectively.
- from US\$39,996,000 to US\$44,668,000 through issuance of additional 4,672 shares with a premium of US\$4,362,910 to the National Bank of Canada. The transaction was approved by the NBC and the MoC on 25 August 2014 and 1 September 2014, respectively.



On 1 August 2014, Damir Karassayev sold 4,732 shares to the National Bank of Canada. The transaction was approved by the NBC and the MoC on 25 August 2014 and 1 September 2014, respectively.

After the year ended 31 December 2014, the Bank increased share capital from US\$44,668,000 to US\$52,643,000 through issuance of additional 7,975 shares and the Damir Karassayev transferred its existing 700 shares to National Bank of Canada. The transactions was approved by the NBC on 5 March 2015 and the Bank is under process to obtain approval from the MoC.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS AND ADVANCES

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

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

ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- a. any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- b. any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

DIRECTORS

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

Damir Karassayev	Chairman
Madi Akmambet	Executive Director
Nurlan Tokobayev	Independent Director
Yves Jacquot	Director (Appointed on 20 May 2014)
Etienne Chenevier	Independent Director (Appointed on 20 May 2014)
Yermek Mazhekenov	Independent Director (Resigned on 16 May 2014)



DIRECTORS’ INTERESTS

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

Director	Shareholding	Number of share
	%	of US\$1,000 each
Mr. Damir Karassayev	70	31,268

DIRECTORS’ BENEFITS

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

During the financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements. In preparing these financial statements, the Board of Directors oversees the preparation of these financial statements by management who is required:

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

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

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

Askhat Azhikhanov  
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia  
Date: 13 March 2015

# REPORT OF THE INDEPENDENT AUDITORS



TO THE SHAREHOLDERS  
ADVANCED BANK OF ASIA LIMITED

We have audited the accompanying financial statements of Advanced Bank of Asia Limited (“the Bank”), which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 34 to 74.

## Management’s responsibility for the financial statements

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

## Auditors’ responsibility

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Advanced Bank of Asia Limited as at 31 December 2014 and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

For KPMG Cambodia Ltd



**Nge Huy**  
Audit Partner

Phnom Penh, Kingdom of Cambodia  
Date 13 March 2015

# BALANCE SHEET

As at 31 December 2014

		2014		2013
	Note	US\$	KHR'000	US\$
			(Note 4)	
<b>ASSETS</b>				
Cash on hand	5	25,746,874	104,918,512	13,264,616
Deposits and placements with banks	6	86,502,567	352,497,961	53,232,629
Loans and advances to customers - net	7	269,887,238	1,099,790,495	176,649,399
Capital investment		25,588	104,271	25,588
Investment securities	8	50,300,121	204,972,993	33,401,590
Foreclosed property	9	4,615,790	18,809,344	481,303
Other assets	10	6,403,439	26,094,011	4,281,177
Statutory deposits with National Bank of Cambodia	11	54,322,190	221,362,924	37,181,489
Intangible assets	12	1,887,914	7,693,250	1,681,370
Property and equipment	13	5,267,714	21,465,935	2,526,675
<b>TOTAL ASSETS</b>		<b>504,959,435</b>	<b>2,057,709,696</b>	<b>322,725,836</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>				
<b>LIABILITIES</b>				
Deposits from customers and banks	14	433,424,080	1,766,203,126	276,937,867
Other liabilities	15	5,703,045	23,239,908	3,185,180
Provision for income tax	16(a)	1,451,084	5,913,167	789,559
Deferred tax liabilities	16(b)	366,913	1,495,170	281,232
<b>TOTAL LIABILITIES</b>		<b>440,945,122</b>	<b>1,796,851,371</b>	<b>281,193,838</b>
<b>SHAREHOLDERS' FUNDS</b>				
Share capital	17	44,668,000	182,022,100	36,000,000
Share premium		6,332,000	25,802,900	-
Retained earnings		13,014,313	53,033,325	5,531,998
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>64,014,313</b>	<b>260,858,325</b>	<b>41,531,998</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>504,959,435</b>	<b>2,057,709,696</b>	<b>322,725,836</b>

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

# INCOME STATEMENT

For the year ended 31 December 2014

		2014		2013
	Note	US\$	KHR'000	US\$
			(Note 4)	
Interest income	18	31,156,150	126,961,311	21,635,962
Interest expense	19	(13,363,194)	(54,455,016)	(10,273,927)
<b>NET INTEREST INCOME</b>		<b>17,792,956</b>	<b>72,506,295</b>	<b>11,362,035</b>
Fee and commission income - net	20	6,723,553	27,398,478	3,895,221
Other income - net	21	59,492	242,430	647,574
Personnel cost	22	(5,949,332)	(24,243,528)	(3,508,651)
General and administrative expenses	23	(7,793,041)	(31,756,642)	(5,107,372)
Depreciation and amortisation		(1,232,008)	(5,020,433)	(756,783)
<b>OPERATING PROFIT</b>		<b>9,601,620</b>	<b>39,126,600</b>	<b>6,532,024</b>
Allowance for bad and doubtful loans and advances	7	(254,320)	(1,036,354)	(1,345,743)
<b>PROFIT BEFORE INCOME TAX AND FINANCE COST</b>		<b>9,347,300</b>	<b>38,090,246</b>	<b>5,186,281</b>
Finance cost		-	-	(29,200)
<b>PROFIT BEFORE INCOME TAX</b>		<b>9,347,300</b>	<b>38,090,246</b>	<b>5,157,081</b>
Income tax expense	16(c)	(1,864,985)	(7,599,814)	(1,109,165)
<b>NET PROFIT FOR THE YEAR</b>		<b>7,482,315</b>	<b>30,490,432</b>	<b>4,047,916</b>

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital	Share premium	Retained earnings	Total
	US\$	US\$	US\$	US\$
At 1 January 2013	36,000,000	-	1,484,082	37,484,082
Net profit for the year	-	-	4,047,916	4,047,916
AT 31 DECEMBER 2013	36,000,000	-	5,531,998	41,531,998
At 1 January 2014	36,000,000	-	5,531,998	41,531,998
Issued share capital	8,668,000	6,332,000	-	15,000,000
Net profit for the year	-	-	7,482,315	7,482,315
AT 31 DECEMBER 2014	44,668,000	6,332,000	13,014,313	64,014,313
AT 31 DECEMBER 2014 (KHR'000 EQUIVALENTS – NOTE 4)	182,022,100	25,802,900	53,033,325	260,858,325

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

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

		2014	2013
	Note	US\$	KHR'000
			(Note 4)
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Net cash generated from operating activities	24	21,031,821	85,704,671
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3,870,194)	(15,771,041)
Purchase of intangible assets		(383,181)	(1,561,463)
Proceeds from disposals of property and equipment		102,182	416,392
Proceeds from sale foreclosed property		405,367	1,651,871
NET CASH USED IN INVESTING ACTIVITIES		(3,745,826)	(15,264,241)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from issuance of share capital		15,000,000	61,125,000
NET CASH GENERATED FROM FINANCING ACTIVITIES		15,000,000	61,125,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		32,285,995	131,565,430
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		37,877,507	154,350,841
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	70,163,502	285,916,271

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

## 1. REPORTING ENTITY

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

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

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

As at 31 December 2014, the Bank had 702 employees (31 December 2013: 444 employees).

## 2. BASIS OF PREPARATION

### a. Statement of compliance

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

The financial statements of the Bank were authorised for issue by the Board of Directors on 13 March 2015.

### b. Basis of measurement

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

### c. Functional and presentation currency

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

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

### d. Use of estimates and judgements (continued)

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### a. Financial instruments

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

### b. Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

### c. Deposits and placements with banks

Deposits and placements with banks are carried at cost.

### d. Loans and advances

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

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

e. Allowance for bad and doubtful loans and advances

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

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

Classification	Number of days past due	Provision
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 360 days	50%
Loss	>360 days	100%

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

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

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

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

f. Interest in suspense

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

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

g. Investment securities

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

h. Statutory deposits

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

i. Other assets

Other assets are stated at the lower of cost.

j. Foreclosed properties

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

k. Intangible assets

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

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

l. Property and equipment

i. Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of premises and equipment comprises major components having different useful lives, they are accounted for as separate items of premises and equipment.

ii. Depreciation of premises and equipment is charged to the income statement on a straight-line basis over the useful lives of the individual assets as follows:

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

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

#### **m. Impairment of assets**

##### **i. Financial assets**

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

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

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

All impairment losses are recognised in the income statement.

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

##### **ii. Non-financial assets**

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

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

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

##### **n. Deposits from customers and banks**

Deposits from customers and banks are stated at cost.

##### **o. Borrowings**

Borrowings are stated at the amount of the principal outstanding.

##### **p. Other liabilities**

Payables and other liabilities are stated at their costs.

##### **q. Provisions**

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

##### **r. Income recognition**

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

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

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

##### **s. Interest expense**

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

##### **t. Operating leases**

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

**u. Income tax**

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

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

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

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

**v. Related parties**

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

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

**4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL**

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines issued by the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,075 published by the NBC on 31 December 2014. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

**5. CASH ON HAND**

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Cash on hand	21,228,668	86,506,822	12,793,692
Cash items in the process of collection	4,518,206	18,411,690	470,924
	<b>25,746,874</b>	<b>104,918,512</b>	<b>13,264,616</b>

**6. DEPOSITS AND PLACEMENTS WITH BANKS**

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
<b>INSIDE CAMBODIA:</b>			
National Bank of Cambodia	32,276,290	131,525,882	9,249,542
Commercial banks	42,241,380	172,133,624	32,736,205
Micro-finance institutions	5,707,611	23,258,515	4,542,227
	<b>80,225,281</b>	<b>326,918,021</b>	<b>46,527,974</b>
<b>OUTSIDE CAMBODIA:</b>			
Commercial banks	6,277,286	25,579,940	6,704,655
	<b>86,502,567</b>	<b>352,497,961</b>	<b>53,232,629</b>

Further analysis of the above deposits and placements is as follows:

a. By maturity:	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Within one month	50,416,627	205,447,755	24,612,892
2 to 3 months	3,913,747	15,948,519	508,834
4 to 6 months	9,378,441	38,217,147	7,995,000
7 to 12 months	15,793,752	64,359,540	20,115,903
1 to 5 years	7,000,000	28,525,000	-
	<b>86,502,567</b>	<b>352,497,961</b>	<b>53,232,629</b>



## b. By currency:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
US Dollars	85,796,294	349,619,898	52,008,210
Khmer Riels	442,949	1,805,017	286,222
Euro	95,652	389,782	805,093
Thai Baht	38,761	157,951	43,624
British Pound	59,208	241,273	74,372
Singapore Dollars	69,703	284,040	15,108
	<b>86,502,567</b>	<b>352,497,961</b>	<b>53,232,629</b>

## c. By interest rates (per annum):

	2014	2013
Commercial banks in Cambodia	0.05% - 6.10%	0.25% - 5.00%
Micro-finance institutions in Cambodia	5.00% - 8.15%	5.00% - 8.15%
Banks outside Cambodia	Nil to 0.95%	Nil to 0.95%

## 7. LOANS AND ADVANCES TO CUSTOMERS – NET

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
<b>Commercial loans:</b>			
Long term loans	223,366,839	910,219,869	139,792,449
Short term loans	10,885,869	44,359,916	8,502,692
Overdrafts	28,664,657	116,808,477	25,268,689
<b>Consumer loans:</b>			
Housing loans	5,779,533	23,551,597	3,149,015
Vehicle loans	361,102	1,471,492	590,741
Staff loans	2,112,776	8,609,562	1,677,442
Credit cards	366,405	1,493,100	297,897
<b>Total loans – gross</b>	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</b>

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
<b>Net interest receivable</b>			
Accrued interest receivable	1,925,014	7,844,432	2,204,222
Interest-in-suspense	(212,620)	(866,427)	(1,170,652)
	<b>1,712,394</b>	<b>6,978,005</b>	<b>1,033,570</b>
<b>Total gross loans and net interest receivable</b>	<b>273,249,575</b>	<b>1,113,492,018</b>	<b>180,312,495</b>
Allowance for bad and doubtful loans and advances	(3,362,337)	(13,701,523)	(3,663,096)
	<b>269,887,238</b>	<b>1,099,790,495</b>	<b>176,649,399</b>

Movements of allowance for bad and doubtful loans are as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
<b>At 1 January</b>	<b>3,663,096</b>	<b>14,927,116</b>	<b>2,317,353</b>
Addition during the year	851,153	3,468,448	1,636,231
Recovery during the year	(596,833)	(2,432,094)	(290,488)
Net additional allowance	254,320	1,036,354	1,345,743
Written off during the year	(555,079)	(2,261,947)	-
<b>At 31 December</b>	<b>3,362,337</b>	<b>13,701,523</b>	<b>3,663,096</b>

Loans and advances are analysed as follows:

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
<b>a. By maturity:</b>			
Within one month	3,241,776	13,210,237	6,144,063
2 to 3 months	7,975,965	32,502,057	6,339,230
4 to 6 months	11,625,760	47,374,972	10,798,663
7 to 12 months	20,060,012	81,744,549	22,619,926
1 to 3 years	45,844,751	186,817,360	31,988,727
4 to five years	75,332,086	306,978,250	57,227,529
Over five years	107,456,831	437,886,588	44,160,787
	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</b>

## b. By performance:

	2014		2013
	US\$	KHR'000	US\$
	(Note 4)		
<b>Standard loans</b>			
Secured	251,134,442	1,023,372,851	165,755,514
Unsecured	13,427,700	54,717,878	4,086,215
<b>Special mention loans</b>			
Secured	6,251,781	25,476,008	2,867,521
<b>Sub-standard loans</b>			
Secured	171,449	698,655	5,632,267
<b>Doubtful loans</b>			
Secured	26,056	106,178	172,243
<b>Loss loans</b>			
Secured	525,753	2,142,443	215,165
Unsecured	-	-	550,000
	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</b>

## c. By security:

Secured	258,109,481	1,051,796,135	174,642,710
Unsecured	13,427,700	54,717,878	4,636,215
	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</b>

## d. By currency:

US Dollars	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</b>
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## e. By residency status:

Residents	271,505,012	1,106,382,924	177,560,236
Non-residents	32,169	131,089	1,718,689
	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</b>

## f. By relationship:

	2014		2013
	US\$	KHR'000	US\$
	(Note 4)		
Non related parties	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</b>

## g. By industry:

Financial institution	10,883,333	44,349,582	3,155,556
Agriculture	14,861,000	60,558,575	13,463,876
Manufacturing	12,543,892	51,116,360	11,808,426
Utilities	1,511,787	6,160,532	188,003
Construction	9,248,289	37,686,778	6,228,036
Wholesale and trade	28,110,862	114,551,763	16,415,289
Retail trade	51,204,983	208,660,306	34,467,890
Hotel and restaurants	14,603,106	59,507,657	17,394,398
Transportation and storage	1,577,557	6,428,545	242,504
Information media and telecommunication	798,665	3,254,560	5,622,580
Rental and lease excluding real estate	5,452,156	22,217,536	4,420,037
Real estate operation: residential	30,271,541	123,356,530	11,029,842
Real estate and public utilities	14,884,219	60,653,192	12,659,546
Other non-financial services	68,308,476	278,357,040	36,590,344
Personal consumption	6,910,910	28,161,957	5,294,701
Credit cards	366,405	1,493,100	297,897
	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</b>

## h. By exposure:

	2014		2013
	US\$	KHR'000	US\$
	(Note 4)		
Large exposures	-	-	10,165,642
Non-large exposures	271,537,181	1,106,514,013	169,113,283
	<b>271,537,181</b>	<b>1,106,514,013</b>	<b>179,278,925</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.

j. By interest rates (per annum):

	2014	2013
Overdrafts	6.00% - 18.00%	6.00% - 18.00%
Loans	4.00% - 24.00%	4.00% - 25.20%
Trade finance	9.50%	9.50%
Staff loans	5.00% - 15.00%	5.00% - 13.20%

## 8. INVESTMENT SECURITIES

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
<b>Securities held to maturity (*)</b>	<b>50,300,121</b>	<b>204,972,993</b>	<b>33,401,590</b>

(\*) 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.

## 9. FORECLOSED PROPERTY

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.

## 10. OTHER ASSETS

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
<b>Interests receivable on:</b>			
deposits and placements with banks and securities	1,568,314	6,390,880	1,059,943
Deposits	2,149,847	8,760,626	1,880,745
Advance payments	467,595	1,905,449	248,946
Pay&Go receivable	1,143,032	4,657,855	271,254
Moneygram and Mastercard receivable	562,863	2,293,666	674,367
Others	511,788	2,085,535	145,922
	<b>6,403,439</b>	<b>26,094,011</b>	<b>4,281,177</b>

## 11. STATUTORY DEPOSITS WITH NATIONAL BANK OF CAMBODIA

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
<b>Statutory deposits on:</b>			
Capital guarantee	4,466,800	18,202,210	3,600,000
Reserve requirements	49,855,390	203,160,714	33,581,489
	<b>54,322,190</b>	<b>221,362,924</b>	<b>37,181,489</b>

### a. Statutory deposit capital guarantee:

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 0.08% to 0.17% per annum (2013: 0.11% to 0.20% per annum).

### b. Reserve requirements on customers' deposits:

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-012-140 dated 27 September 2012 at the rates of 8.00% of customers' deposits in KHR and 12.50% in currency other than KHR. The 4.50% of statutory deposit on customers' deposits in currency other than KHR earns interest at 1/2 LIBOR (one month) while the remaining 8.00% and the statutory deposit on customers' deposits in KHR do not earn interest.

## 12. INTANGIBLE ASSETS

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
<b>COST</b>			
At 1 January	2,107,435	8,587,798	1,978,559
Additions	383,181	1,561,463	128,876
Written off	(7,511)	(30,607)	-
<b>At 31 December</b>	<b>2,483,105</b>	<b>10,118,654</b>	<b>2,107,435</b>
<b>Accumulated amortisation</b>			
At 1 January	426,065	1,736,215	302,868
Amortisation for the year	176,637	719,796	123,197
Written off	(7,511)	(30,607)	-
<b>At 31 December</b>	<b>595,191</b>	<b>2,425,404</b>	<b>426,065</b>
<b>Carrying amounts</b>			
<b>At 31 December</b>	<b>1,887,914</b>	<b>7,693,250</b>	<b>1,681,370</b>

13. PROPERTY AND EQUIPMENT

2014							2013					
	Leasehold improvements	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Total			Leasehold improvements	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Total
	US\$	US\$	US\$	US\$	US\$	KHR'000		US\$	US\$	US\$	US\$	US\$
						(Note 4)						
COST							COST					
At 1 January 2014	1,838,376	1,133,317	267,197	1,506,116	4,745,006	19,335,900	At 1 January 2013	1,039,286	812,099	170,193	1,056,264	3,077,842
Additions	1,288,771	716,775	706,195	1,158,453	3,870,194	15,771,041	Additions	799,091	330,529	136,634	480,017	1,746,271
Disposals	(130,132)	(259,931)	(161,407)	(237,222)	(788,692)	(3,213,920)	Disposals	-	(9,311)	(39,630)	(30,165)	(79,106)
At 31 December 2014	2,997,015	1,590,161	811,985	2,427,347	7,826,508	31,893,021	At 31 December 2013	1,838,377	1,133,317	267,197	1,506,116	4,745,007
Less: Accumulated depreciation							Less: Accumulated depreciation					
At 1 January 2014	716,882	692,988	108,179	700,282	2,218,331	9,039,699	At 1 January 2013	494,662	557,141	127,763	483,288	1,662,854
Depreciation for the year	378,013	192,927	100,759	383,672	1,055,371	4,300,637	Depreciation for the year	222,221	145,159	19,047	247,159	633,586
Disposals	(130,132)	(259,931)	(87,623)	(237,222)	(714,908)	(2,913,250)	Disposals	-	(9,312)	(38,631)	(30,165)	(78,108)
At 31 December 2014	964,763	625,984	121,315	846,732	2,558,794	10,427,086	At 31 December 2013	716,883	692,988	108,179	700,282	2,218,332
CARRYING AMOUNTS							CARRYING AMOUNTS					
At 31 December 2014	2,032,252	964,177	690,670	1,580,615	5,267,714	21,465,935	At 31 December 2013	1,121,494	440,329	159,018	805,834	2,526,675

## 14. DEPOSITS FROM CUSTOMERS AND BANKS

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Demand deposits	30,949,501	126,119,217	15,345,960
Savings deposits	220,010,980	896,544,743	159,687,021
Fixed deposits	182,352,200	743,085,215	101,841,703
Margin deposits	111,399	453,951	63,183
	<b>433,424,080</b>	<b>1,766,203,126</b>	<b>276,937,867</b>

The above amounts are analysed as follows:

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
a. By maturity:			
Within one month	278,225,564	1,133,769,173	187,413,050
2 to 3 months	28,521,047	116,223,267	23,908,968
4 to 6 months	43,746,349	178,266,372	30,987,552
7 to 12 months	64,176,529	261,519,356	27,883,214
More than one year	18,754,591	76,424,958	6,745,083
	<b>433,424,080</b>	<b>1,766,203,126</b>	<b>276,937,867</b>

b. By type of customer:

Individuals	321,598,634	1,310,514,433	202,240,545
Business enterprises	97,451,064	397,113,086	71,701,166
Banks and other financial institutions	14,374,382	58,575,607	2,996,156
	<b>433,424,080</b>	<b>1,766,203,126</b>	<b>276,937,867</b>

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
c. By status:			
Residents	418,002,475	1,703,360,086	267,345,702
Non-residents	15,421,605	62,843,040	9,592,165
	<b>433,424,080</b>	<b>1,766,203,126</b>	<b>276,937,867</b>

d. By currency:

US Dollars	432,528,753	1,762,554,668	276,374,517
Khmer Riels	869,427	3,542,915	558,741
Thai Baht	65	265	239
Euro	25,835	105,278	4,352
Australian Dollars	-	-	18
	<b>433,424,080</b>	<b>1,766,203,126</b>	<b>276,937,867</b>

e. By relationship:

Related parties	339,081	1,381,755	413,973
Non-related parties	433,084,999	1,764,821,371	276,523,894
	<b>433,424,080</b>	<b>1,766,203,126</b>	<b>276,937,867</b>

f. By interest rates (per annum):

	2014	2013
Savings deposit	0.75%	0.75%
Fixed deposits	2.25% - 8.00%	2.5% - 8.00%



## 15. OTHER LIABILITIES

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Interest payable	4,200,022	17,115,090	2,626,978
Accrued expenses	1,104,121	4,499,293	119,662
Other tax payable	108,031	440,226	230,687
Others	290,871	1,185,299	207,853
	<b>5,703,045</b>	<b>23,239,908</b>	<b>3,185,180</b>

## 16. INCOME TAX

## a. Provision for income tax

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
At 1 January	789,559	3,217,452	185,591
Current tax expense	1,779,304	7,250,664	1,097,205
Income tax paid	(1,117,779)	(4,554,949)	(493,237)
<b>At 31 December</b>	<b>1,451,084</b>	<b>5,913,167</b>	<b>789,559</b>

## b. Deferred tax liabilities

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
<b>Deferred tax liabilities</b>	<b>366,913</b>	<b>1,495,170</b>	<b>281,232</b>

The movement of deferred tax liabilities during the year is as follows:

At 1 January	281,232	1,146,020	269,272
Recognised in income statement	85,681	349,150	11,960
<b>At 31 December</b>	<b>366,913</b>	<b>1,495,170</b>	<b>281,232</b>

## c. Income tax expense

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Current tax expense	1,779,304	7,250,664	1,097,205
Deferred tax	85,681	349,150	11,960
	<b>1,864,985</b>	<b>7,599,814</b>	<b>1,109,165</b>

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

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

	2014				2013
	%	US\$	KHR'000	%	US\$
			(Note 4)		
<b>Profit before income tax</b>		<b>9,347,300</b>	<b>38,090,246</b>		<b>5,157,081</b>
Statutory income tax	20.00	1,869,460	7,618,050	20.00	1,031,416
Effect of non-deductible	0.10	9,204	37,506	0.19	9,745
(Over)/under provision in prior year	(0.15)	(13,679)	(55,742)	1.32	68,004
<b>Income tax expense</b>	<b>19.95</b>	<b>1,864,985</b>	<b>7,599,814</b>	<b>21.51</b>	<b>1,109,165</b>

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

## 17. SHARE CAPITAL

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Shares of US\$1,000 each:			
<b>Issued and fully paid 44,668 shares</b>	<b>44,668,000</b>	<b>182,022,100</b>	<b>36,000,000</b>

On 6 May 2014, Visor Growth Fund B.V sold its 7,000 shares to Damir Karassayev. The transaction was approved by the National Bank of Cambodia ("NBC") and the Ministry of Commerce ("MoC") on 19 June 2014 and 24 June 2014, respectively.

During the year, the Bank increased the share capital as follows:

- from US\$36,000,000 to US\$39,996,000 through issuance of additional 3,996 shares with a premium of US\$1,969,090 to the National Bank of Canada. The transaction was approved by the NBC and the MoC on 26 June 2014 and 2 July 2014, respectively.
- from US\$39,996,000 to US\$44,668,000 through issuance of additional 4,672 shares with a premium of US\$4,362,910 to the National Bank of Canada. The transaction was approved by the NBC and the MoC on 25 August 2014 and 1 September 2014, respectively.

On 1 August 2014, Damir Karassayev sold 4,732 shares to the National Bank of Canada. The transaction was approved by the NBC and the MoC on 25 August 2014 and 1 September 2014, respectively.

The new shareholding structure is as follows:

	2014			2013		
	% of ownership	Number of shares	Amount US\$	% of ownership	Number of shares	Amount US\$
Damir Karassayev	70.00	31,268	31,268,000	80.56	29,000	29,000,000
National Bank of Canada	30.00	13,400	13,400,000	-	-	-
Visor Growth Fund B.V	-	-	-	19.44	7,000	7,000,000
	<b>100.00</b>	<b>44,668</b>	<b>44,668,000</b>	<b>100.00</b>	<b>36,000</b>	<b>36,000,000</b>

After the year ended 31 December 2014, the Bank increased share capital from US\$44,668,000 to US\$52,643,000 through issuance of additional 7,975 shares and the Damir Karassayev transferred its existing 700 shares to National Bank of Canada. The transactions was approved by the NBC on 5 March 2015 and the Bank is under process to obtain approval from the MoC.

## 18. INTEREST INCOME

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Loans and advances	25,443,045	103,680,408	18,064,123
Deposits and placements with banks	2,194,165	8,941,222	1,677,577
Investment securities	3,518,940	14,339,681	1,894,262
	<b>31,156,150</b>	<b>126,961,311</b>	<b>21,635,962</b>

## 19. INTEREST EXPENSE

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

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Demand deposits	40,551	165,245	9,372
Savings deposits	6,498,983	26,483,356	5,541,526
Fixed deposits	6,823,660	27,806,415	4,723,029
	<b>13,363,194</b>	<b>54,455,016</b>	<b>10,273,927</b>

## 20. FEE AND COMMISSION INCOME - NET

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
<b>Fee and commission income:</b>			
Loan commitment fees	2,635,929	10,741,411	1,377,407
Inward and outward remittances	983,129	4,006,251	807,217
Visa and credit card	2,710,091	11,043,621	1,375,485
Telex, phone and fax	82,374	335,674	82,110
Other fees	439,308	1,790,179	340,359
	<b>6,850,831</b>	<b>27,917,136</b>	<b>3,982,578</b>
Fee and commission expense	(127,278)	(518,658)	(87,357)
	<b>6,723,553</b>	<b>27,398,478</b>	<b>3,895,221</b>

## 21. OTHER INCOME - NET

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
(Loss)/gain on sales of investment securities	(32,392)	(131,997)	513,257
Foreign exchange gain, net	91,000	370,825	133,477
Other income	884	3,602	840
	<b>59,492</b>	<b>242,430</b>	<b>647,574</b>

## 22. PERSONNEL COST

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Salaries and wages	5,886,127	23,985,968	3,461,133
Others personnel cost	63,205	257,560	47,518
	<b>5,949,332</b>	<b>24,243,528</b>	<b>3,508,651</b>

## 23. GENERAL AND ADMINISTRATIVE EXPENSES

Office rental	1,205,284	4,911,532	884,398
Marketing and advertising	1,254,737	5,113,053	1,206,542
Card expenses	1,359,895	5,541,572	715,066
Repairs and maintenance	317,708	1,294,660	326,907
Utilities expenses	412,681	1,681,675	293,884
Office supplies	406,021	1,654,536	269,591
License fees	379,613	1,546,923	137,270
Communication	214,746	875,090	179,801
Motor vehicle operation expenses	334,830	1,364,432	211,225
Travelling	136,091	554,571	69,134
Business meal and entertainment	143,489	584,718	51,398
Professional fees	572,268	2,331,992	66,089
Insurance expenses	71,541	291,530	28,588
Securities expense	269,738	1,099,182	202,037
Membership fee	146,307	596,201	30,838
Other expenses	568,092	2,314,975	434,604
	<b>7,793,041</b>	<b>31,756,642</b>	<b>5,107,372</b>

## 24. NET CASH GENERATED FROM OPERATING ACTIVITIES

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	9,347,300	38,090,246	5,157,081
Adjustments for:			
Depreciation and amortisation	1,232,008	5,020,433	756,783
Allowance for bad and doubtful loans and advances	254,320	1,036,354	1,345,743
Gain on disposals of property and equipment	(28,398)	(115,722)	(13,988)
Gain on disposal of foreclosed property	(80,466)	(327,899)	-
	<b>10,724,764</b>	<b>43,703,412</b>	<b>7,245,619</b>
Changes in:			
Deposits and placements with banks	(13,466,201)	(54,874,769)	(3,815,048)
Loans and advances to customers	(93,492,159)	(380,980,548)	(38,165,502)
Investment securities	(16,898,531)	(68,861,514)	(6,591,108)
Foreclosed property	(4,459,388)	(18,172,006)	-
Other assets	(2,122,262)	(8,648,217)	(996,773)
Statutory deposits with NBC	(17,140,701)	(69,848,357)	(5,096,605)
Deposits from customers and banks	156,486,213	637,681,318	52,705,502
Other liabilities	2,517,865	10,260,301	384,434
Net cash generated from operations	22,149,600	90,259,620	5,670,519
<b>Income tax paid</b>	<b>(1,117,779)</b>	<b>(4,554,949)</b>	<b>(493,237)</b>
	<b>21,031,821</b>	<b>85,704,671</b>	<b>5,177,282</b>

## 25. CASH AND CASH EQUIVALENTS

	2014		2013
	US\$	KHR'000 (Note 4)	US\$
Cash on hand (Note 5)	25,746,874	104,918,512	13,264,616
Deposits and placements with banks with maturities less than three months	44,416,628	180,997,759	24,612,891
	<b>70,163,502</b>	<b>285,916,271</b>	<b>37,877,507</b>

## 26. RELATED PARTY BALANCES AND TRANSACTIONS

a. Related party balances	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Deposits and placements by key management	339,081	1,381,755	413,973
b. Other related party transactions	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Interest expenses to key management	16,705	68,073	29,818
c. Key management personnel remuneration	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Salaries and benefits	1,323,688	5,394,029	1,143,245

## 27. COMMITMENTS AND CONTINGENCIES

### a. Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingencies liabilities with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Unused portion of overdraft	16,453,663	67,048,677	10,146,756
Letter of credits	685,508	2,793,445	468,353
Performance bonds	1,839,597	7,496,358	256,650
Bid bonds	4,035	16,443	950
Other guarantees	275,352	1,122,059	50,000
	19,258,155	78,476,982	10,922,709

### b. Lease commitments

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

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Within one year	1,231,181	5,017,063	84,203
2 to 5 years	2,597,489	10,584,768	2,199,075
More than 5 years	948,992	3,867,142	350,433
	4,777,662	19,468,973	2,633,711

### c. Taxation contingencies

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

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 28. FINANCIAL RISK MANAGEMENT

### INTRODUCTION AND OVERVIEW

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

- Operational risk
- Credit risk
- Market risk
- Liquidity risk

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



RISK MANAGEMENT FRAMEWORK

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

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

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

a. Operational risk

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

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

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

b. Credit risk

Credit risk is the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans and advances.

i. Management of credit risk

The lending activities are guided by the Bank’s credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank’s own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

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

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

ii. Exposure to credit risk

	2014		2013
	US\$	KHR'000	US\$
		(Note 4)	
Loans and advances			
Individually impaired	723,258	2,947,276	6,569,675
Past due but not impaired	6,251,781	25,476,008	2,867,521
Neither past due nor impaired	264,562,142	1,078,090,729	169,841,729
	271,537,181	1,106,514,013	179,278,925
Allowance for doubtful loans and advances	(3,362,337)	(13,701,523)	(3,663,096)
	268,174,844	1,092,812,490	175,615,829

Loans to customers neither past due nor impaired

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

Impaired loans and advances

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

Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 30 days but less than 90 days, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific provision of 3%.

Loans with renegotiated terms/restructured loans

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

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within three instalments periods and within a period of not less than 3 months.

Write-off policy

In compliance with NBC Guidelines, the Bank will remove a loan/advance or a portion of a loan from its financial statements when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

Collateral

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed on an annual basis.

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

	2014		2013
	US\$	KHR’000	US\$
		(Note 4)	
Against individually impaired:			
Land and Buildings	1,845,048	7,518,571	14,457,739
Past due but not impaired:			
Land and Buildings	27,281,854	111,173,555	5,593,761
	29,126,902	118,692,126	20,051,500

During the year the Company obtained foreclosed property, including land and buildings, amounting US\$4,459,388 (2013: Nil) from default customers.

Concentration of credit risk

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

c. Market risk

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

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

i. Foreign currency exchange risk

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

As of 31 December 2014, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

ii. Interest rate risk

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

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

31 December 2014

	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average interest
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
<b>ASSETS</b>									
Cash on hand	-	-	-	-	-	-	25,746,874	25,746,874	
Deposits and placements with banks	10,303,326	3,913,747	9,378,441	19,793,752	3,000,000	-	40,113,301	86,502,567	4.47
Statutory deposits	-	-	-	4,466,800	-	-	49,855,390	54,322,190	0.08
Loans and advances									
- Performing	3,113,497	7,973,314	11,607,210	20,018,859	120,956,352	107,144,691	-	270,813,923	11.45
- Non-performing	128,279	2,651	18,550	41,153	220,485	312,140	-	723,258	
- Specific allowance	-	-	-	-	-	-	(760,625)	(760,625)	
- General allowance	-	-	-	-	-	-	(2,601,712)	(2,601,712)	
- Interest receivable	-	-	-	-	-	-	1,925,014	1,925,014	
- Interest in suspense	-	-	-	-	-	-	(212,620)	(212,620)	
Capital investment	-	-	-	-	-	25,588	-	25,588	
Investment securities	-	-	3,356,046	5,813,695	40,047,844	1,082,536	-	50,300,121	8.41
Other assets	-	-	-	-	-	-	6,403,439	6,403,439	
	<b>13,545,102</b>	<b>11,889,712</b>	<b>24,360,247</b>	<b>50,134,259</b>	<b>164,224,681</b>	<b>108,564,955</b>	<b>120,469,061</b>	<b>493,188,017</b>	
<b>LIABILITIES</b>									
Deposits from customers and banks	247,164,662	28,521,047	43,746,349	64,176,529	18,754,591	-	31,060,902	433,424,080	3.76
Other liabilities	-	-	-	-			5,703,045	5,703,045	
	<b>247,164,662</b>	<b>28,521,047</b>	<b>43,746,349</b>	<b>64,176,529</b>	<b>18,754,591</b>	<b>-</b>	<b>36,763,947</b>	<b>439,127,125</b>	
<b>INTEREST SENSITIVITY GAP</b>	<b>(233,619,560)</b>	<b>(16,631,335)</b>	<b>(19,386,102)</b>	<b>(14,042,270)</b>	<b>145,470,090</b>	<b>108,564,955</b>	<b>83,705,114</b>	<b>54,060,892</b>	

31 December 2013

	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive	Total	Weighted average interest
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
<b>ASSETS</b>									
Cash on hand	-	-	-	-	-	-	13,264,616	13,264,616	
Deposits and placements with banks	4,346,399	508,834	7,995,000	20,115,903	-	-	20,266,493	53,232,629	3.76
Statutory deposits	-	-	-	3,600,000	-	-	33,581,489	37,181,489	0.12
Loans and advances									
- Performing	3,181,906	6,319,012	10,794,930	22,613,528	86,863,707	42,936,167	-	172,709,250	11.47
- Non-performing	2,962,157	20,218	3,733	6,398	2,352,549	1,224,620	-	6,569,675	
- Specific allowance	-	-	-	-	-	-	(1,612,705)	(1,612,705)	
- General allowance	-	-	-	-	-	-	(2,050,391)	(2,050,391)	
- Interest receivable	-	-	-	-	-	-	2,204,222	2,204,222	
- Interest in suspense	-	-	-	-	-	-	(1,170,652)	(1,170,652)	
Capital investment	-	-	-	-	-	25,588	-	25,588	
Investment securities	-	-	-	-	33,401,590	-	-	33,401,590	6.29
Other assets	-	-	-	-	-	-	4,281,177	4,281,177	
	<b>10,490,462</b>	<b>6,848,064</b>	<b>18,793,663</b>	<b>46,335,829</b>	<b>122,617,846</b>	<b>44,186,375</b>	<b>68,764,249</b>	<b>318,036,488</b>	
<b>LIABILITIES</b>									
Deposits from customers	172,003,907	23,908,968	30,987,552	27,883,214	6,745,083	-	15,409,143	276,937,867	4.10
Other liabilities	-	-	-	-	-	-	3,185,180	3,185,180	
	172,003,907	23,908,968	30,987,552	27,883,214	6,745,083	-	18,594,323	280,123,047	
<b>INTEREST SENSITIVITY GAP</b>	<b>(161,513,445)</b>	<b>(17,060,904)</b>	<b>(12,193,889)</b>	<b>18,452,615</b>	<b>115,872,763</b>	<b>44,186,375</b>	<b>50,169,926</b>	<b>37,913,441</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 derivatives as at the reporting date are not significant. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable-rate instruments*

The Bank does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

**d. Liquidity risk**

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

**31 December 2014**

	Between Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial liabilities</b>							
Deposits from customers and banks	278,225,564	28,521,047	107,922,878	18,754,591	-	-	433,424,080
Other liabilities	5,703,045	-	-	-	-	-	5,703,045
<b>TOTAL</b>	<b>283,928,609</b>	<b>28,521,047</b>	<b>107,922,878</b>	<b>18,754,591</b>	<b>-</b>	<b>-</b>	<b>439,127,125</b>

**31 December 2013**

	Between Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial liabilities</b>							
Deposits from customers and banks	187,413,050	23,908,968	58,870,766	6,745,083	-	-	276,937,867
Other liabilities	3,185,180	-	-	-	-	-	3,185,180
<b>TOTAL</b>	<b>190,598,230</b>	<b>23,908,968</b>	<b>58,870,766</b>	<b>6,745,083</b>	<b>-</b>	<b>-</b>	<b>280,123,047</b>

**e. Capital management**

**i. Regulatory capital**

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

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

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

**ii. Capital allocation**

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

**29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

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

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank’s financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.





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