

# ANNUAL REPORT 2018





**ANNUAL  
REPORT  
2018**

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# 1

Message from the CEO



In 2018, we upheld our standing as the leading and innovative commercial bank committed to deliver the best service to its valued customers

Within the reporting period, we at ABA Bank continued to deliver solid business growth and strong return of investment for our shareholders, at the same time helping our clients, employees and the society prosper. The Bank generated US\$ 71.8 million in profit, recording 55% growth YOY and demonstrating our ability to execute long-term strategic development to deliver the best innovative banking solutions to our valued customers. We are also delighted to report that we have retained our leading position in Cambodian commercial banking sector in terms of Return on Equity (28%).

I will now take this opportunity to explore achievements ABA had in 2018 and share our vision for 2019.



## PERFORMANCE IN 2018

Let me begin with the expansion of our branch network as one of the key drivers of the Bank's growth. In 2018, we officially launched 15 new branches. This is a great achievement that will enable us to significantly expand our client base, promote ABA brand, and enable more Cambodians to use modern banking services. As our customer base grows and we see more and more clients visiting our premises, we extended the working hours of some of the busiest branches. This has been done to make it even more convenient for customers to access our offices and flexibly plan their visits.

Another major accomplishment we had in 2018 is the successful upgrade of our core banking system, Oracle FlexCube. This was vital for our operations, and further rapid growth of the business was impossible without this improvement. Now, our upgraded core banking system allows us to steadily serve our growing client base, it is fast, up to date, and more protected.

Next, I will elaborate on what we achieved in development of our products and services. We had a very good start in previous years, where we launched several important digital initiatives, which in 2018 received a significant development and upgrade. Our "mobile-first strategy" and trust in technologies became our main account growth driver that brings cheap and reliable funding and gives competitive advantage in the market.

Our flagship product in retail segment, ABA Mobile application, grew in terms of its user base from 100,000 at the end of 2017 to more than 240,000 by the end of 2018. We are increasingly trying to make customer interaction with the app simple and convenient: we waived fees for

E-Cash transactions; we increased the number of virtual cards that user can issue in the app; we launched ABA PAY feature that allows customers to pay for goods or services at a wide range of merchants by scanning QR code with the help of their smartphones. And we make all this free of charge for our customers, giving the opportunity to do banking when and where it is convenient for them.

ABA's own e-commerce platform PayWay, successfully launched in 2017, developed during the year both in terms of merchants connected to it, and the number of carried out transactions. This is a promising direction for the Bank, as it allows customers to shop conveniently without cash, moving Cambodia to a cashless society.

As more and more large companies and SMEs choose ABA as their main financial provider, they need an accurate, reliable and smart corporate finance management tool. That is why the Bank invested in creating a special internet banking platform for businesses, iBanking for Business. The feedback on the service is positive, and we will constantly improve the service, so that our corporate clients and SMEs can spend more time focusing on their business growth, not on bank branch visits.

As you observe, we dedicate more and more efforts to digital channels of interaction with our customers. At the same time, we pay great attention to further development of our retail facilities. I recall here our off-site account opening project where properly trained and equipped ABA staff visit perspective customers and open accounts on their premises. Now, we open more than 300 accounts per day using this channel.

We also significantly strengthened our cash-in facilities. Here, ABA collaborated with major Payment Service Providers to offer convenient loan repayment to our valued customers. In addition to our own network of branches and self-service cash-in kiosks, ABA customers can now deposit cash on their loan accounts easily through the vast agent networks of TrueMoney, Speed Pay, and SmartLuy. In other words, ABA customers can literally have access to their account even if there is no ABA branch or cash-in facility around.

In 2018, we continued to receive recognition of international financial magazines for our efforts in bringing modern financial solutions to people. Global Finance magazine named ABA the "Best Bank in Cambodia" for the fourth consecutive year and also recognized us as the "Best Trade Finance Provider 2018", while Euromoney magazine gave us their top-level award for the fifth time in a row!

The world's leading credit rating agency Standard and Poor's noticed our achievements and progress within the year. In 2018, they reaffirmed its 'B' long-term and short-term credit ratings of ABA Bank and assigned a "Positive" outlook reflecting significant growth in the Bank's market share.



## FINANCIAL RESULTS OF 2018

Our financial results clearly reflect the massive growth of the Bank. We managed to further strengthen the balance sheet and increase the efficiency of our operations:

- Total assets of the Bank grew 65% compared to the end of 2017 and reached USD 2.7 billion.
- Deposit portfolio reached USD 2.2 billion, compared to USD 1.3 billion just a year ago.
- Loan portfolio reached USD 1.8 billion, which represents 49% growth YOY.

As of the year end, ABA Bank served 426,000 customers with 4,213 employees and ranked number 1 in terms of return on investment (28%), which made us the most effective bank in the country.

## PLANS FOR 2019

Now, let's look at what we are planning to focus on in 2019.

We will continue to open branches in order to increase our customer base and deliver our services to more people. We plan to enter two new provinces, as well as strengthen our positions in the areas where we already successfully operate.

We will keep investing in the growth and development of our digital solutions and platforms to improve internal processes, bring more convenience to customers and reduce their time queueing in our branches. We will add new features to our mobile app, such as international money transfers, Mobile Loan feature, as well as integration with AliPay and UnionPay to enhance

our QR-based payment solution. We will also continue to develop our e-commerce platform, PayWay, to enable cashless payments to more businesses in Cambodia.

Another significant transformation we are introducing to our business in 2019 is the launch of Business Banking. We created a dedicated team that will tap on the growing segment of multinational corporations, large companies, as well as SMEs. In Phnom Penh, we are launching Business Banking Center where properly trained business advisors and tellers will support and serve businesses. In provinces, we dedicate special CSA staff and Supervisors to take care of this function.

Our lending strategy for 2019 will keep focusing on providing productive loans. In line with our corporate mission and vision, we will continue to support local MSMEs and entrepreneurs, contributing to their development and growth.

I am excited with the challenges and opportunities for the Bank in 2019 and express my deepest gratitude to all our valued customers, shareholders, management and employees for their ongoing support.



**Askhat Azhikhanov**

Chief Executive Officer

# 2

About ABA

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ABA Bank is Cambodia's leading private financial institution with more than 20 years of steady development and unique expertise in the market.

**1996**

Advanced Bank of Asia Ltd. was founded

**23**

Years of development and growth

**3**

ABA enters top 3 commercial banks in Cambodia

## WHO WE ARE

ABA Bank is one of Cambodia's leading private financial institutions founded in 1996 as the Advanced Bank of Asia Limited.

For more than two decades of growth and development, ABA has significantly strengthened its position in the market and entered the Top 3 commercial banks of the country. Today, ABA offers a vast range of services to all customer segments covering SMEs, micro businesses, and individuals. With more than 65 branches and 400 ATM and cash-in spots across the country, ABA Bank reaches out to a large number of customers with an array of modern financial services.

ABA Bank has an effective and well-synchronized professional team that is committed to maintaining and improving our performance. Our international management team brings invaluable expertise and allows the Bank to comply with international standards of service and security.

In 2017, Standard&Poor's international credit rating agency (S&P) assigned its "B" long-term and short-term credit ratings to ABA. In 2018, S&P reaffirmed the Bank's credit rating with "Positive" outlook reflecting significant growth in ABA's market share.

### STANDARD & POOR'S

'B' long-term and short-term credit ratings  
from Standard & Poor's (S&P) Global Ratings Agency  
Outlook: **Positive**

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

- *Euromoney magazine* awarded the "Best Bank in Cambodia" title to ABA in 2014 – 2018.
- *Global Finance magazine* named ABA the "Best Bank in Cambodia" in 2015 – 2019.
- *The Banker* magazine granted ABA the title "Cambodia's Bank of The Year" in 2014 and 2016.



Cambodia's Bank of the Year  
2014, 2016  
by The Banker magazine



Best Bank in Cambodia  
2014, 2015, 2016, 2017, 2018  
by Euromoney magazine



Best Bank in Cambodia  
2015, 2016, 2017, 2018, 2019  
by Global Finance magazine



In July 2014, the "A+" rated financial institution, National Bank of Canada became ABA Bank's shareholder. As of December 31, 2018, National Bank of Canada is the major shareholder of ABA holding 90% of the Bank's shares.

National Bank of Canada is the sixth largest bank in Canada and the leading bank in Quebec where it is the partner of choice among SMEs and entrepreneurs.

# VISION, MISSION AND 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 by providing highly professional, technologically-advanced banking services for all.

We see ourselves as working in partnership with the Cambodian community as well as with private businesses and individuals. We are here to serve Cambodia.

## OUR VALUES

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

### Honesty & Respect

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

### Service Quality

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

### Trust & Partnership

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

### Contribution

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

### Ethics & Morals

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

### Sustainability & Growth

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

# FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED  
31 DECEMBER

2016

2017

2018

## Balance Sheet (US\$ million)

Total Deposits	855.8	1,264.5	2,175.1
Total Gross Loans	789.1	1,235.7	1,834.9
Equity	129.0	200.2	312.0
Total Assets	1,098.5	1,639.4	2,706.3

## P&L Account (US\$ million)

Net Interest Income	54.2	87.1	136.5
Net Fee, Commission and other Income	13.4	16.1	24.2
Net Profit	29.0	46.2	71.8

## Key Performance Indicators (%)

ROAE	25.3	28.1	28.0
ROAA	3.1	3.4	3.3
Cost/Income	39.4	37.3	37.5
Liquidity Ratio	73.2	91.7	132.5
Credit Deposit Ratio	92.2	97.7	84.4
Solvency Ratio	17.4	19.5	20.0

## General Information

Operating Branches	42	51	66
Staff	1,644	2,439	4,213
ATMs	167	204	274
POS Terminals	416	482	777
Depositors	141,734	232,418	426,089
Borrowers	26,226	37,612	49,295
Internet Banking Users	65,273	76,680	88,875
Mobile App Users	43,918	102,103	241,481



## SIMPLIFIED FINANCIAL RESULTS

### ASSETS

in USD Millions

65%▲

INCREASE FROM 2017

2,706  
2018

1,640  
2017

1,099  
2016

### LOANS

in USD Millions

48%▲

INCREASE FROM 2017

1,835  
2018

1,236  
2017

789  
2016

### NET PROFIT

in USD Millions

55%▲

INCREASE FROM 2017

72  
2018

46  
2017

29  
2016

### SHAREHOLDERS' EQUITY

in USD Millions

56%▲

INCREASE FROM 2017

312  
2018

200  
2017

129  
2016

### DEPOSITS

in USD Millions

72%▲

INCREASE FROM 2017

2,175  
2018

1,265  
2017

856  
2016

### NUMBER OF DEPOSITORS

in Thousands

84%▲

INCREASE FROM 2017

426  
2018

232  
2017

142  
2016

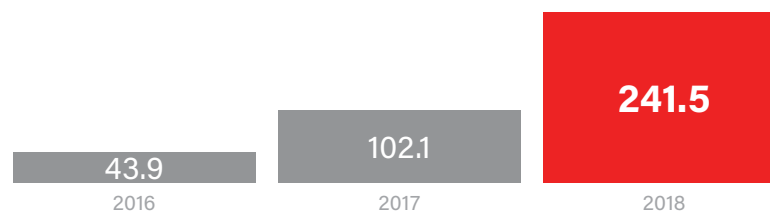
## GENERAL INFORMATION

### NUMBER OF MOBILE APP USERS

in Thousands

136.5%▲

INCREASE FROM 2017



### NUMBER OF DEPOSITORS

in Thousands

83.3%▲

INCREASE FROM 2017



### NUMBER OF BORROWERS

in Thousands

31.1%▲

INCREASE FROM 2017



### NUMBER OF ISSUED CARDS

in Thousands

81.6%▲

INCREASE FROM 2017



#### NUMBER OF OPERATING BRANCHES

29.4%▲

INCREASE FROM 2017



#### NUMBER OF ATM MACHINES

34.3%▲

INCREASE FROM 2017



#### NUMBER OF POS TERMINALS

61.2%▲

INCREASE FROM 2017



#### NUMBER OF EMPLOYEES

72.7%▲

INCREASE FROM 2017



## **MILESTONES**

Since its incorporation in 1996, ABA Bank has gone through numerous considerable stages of its development.

Enlisted here are the major milestones of the Bank from the recent years.

### **2014**

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

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

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

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

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

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

### **2015**

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

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

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

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

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

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

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

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

## 2016

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

Issuance of ABA Platinum cards started

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

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

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

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

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

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

## 2017

Logo of ABA updated to denote membership in National Bank of Canada Group

ABA Mobile app ranked #1 free financial app on iOS in Cambodia

Global Finance magazine recognized ABA as "Best Trade Finance Provider 2017"

Nine new branches entered ABA's branch network

PayWay e-commerce gateway launched to boost online businesses in Cambodia

Online Account Opening web service introduced to ease client onboarding process

ABA named "The Best Bank in Cambodia 2017" by Euromoney and Global Finance magazines

ABA became the first bank in Cambodia with two credit ratings

ABA joined IFC's Global Trade Finance Program to enhance support of Cambodian businesses

Long-term exclusive partnership agreement signed with Manulife Cambodia

## 2018

ABA opened 15 new branches and extended operation hours at 6 branches

ABA officially introduced Customer Acquisition Officers for off-site account opening

ABA received "The Best Bank in Cambodia 2018" award by *Global Finance magazine*

The Bank relaunched Head Office building and opened its Operation Hall

The Bank extended its loan repayment facilities via cooperation with TrueMoney, Speed Pay and SmartLuy

Standard & Poor's reaffirmed 'B' long-term and short-term issuer credit ratings of ABA with "Positive" outlook

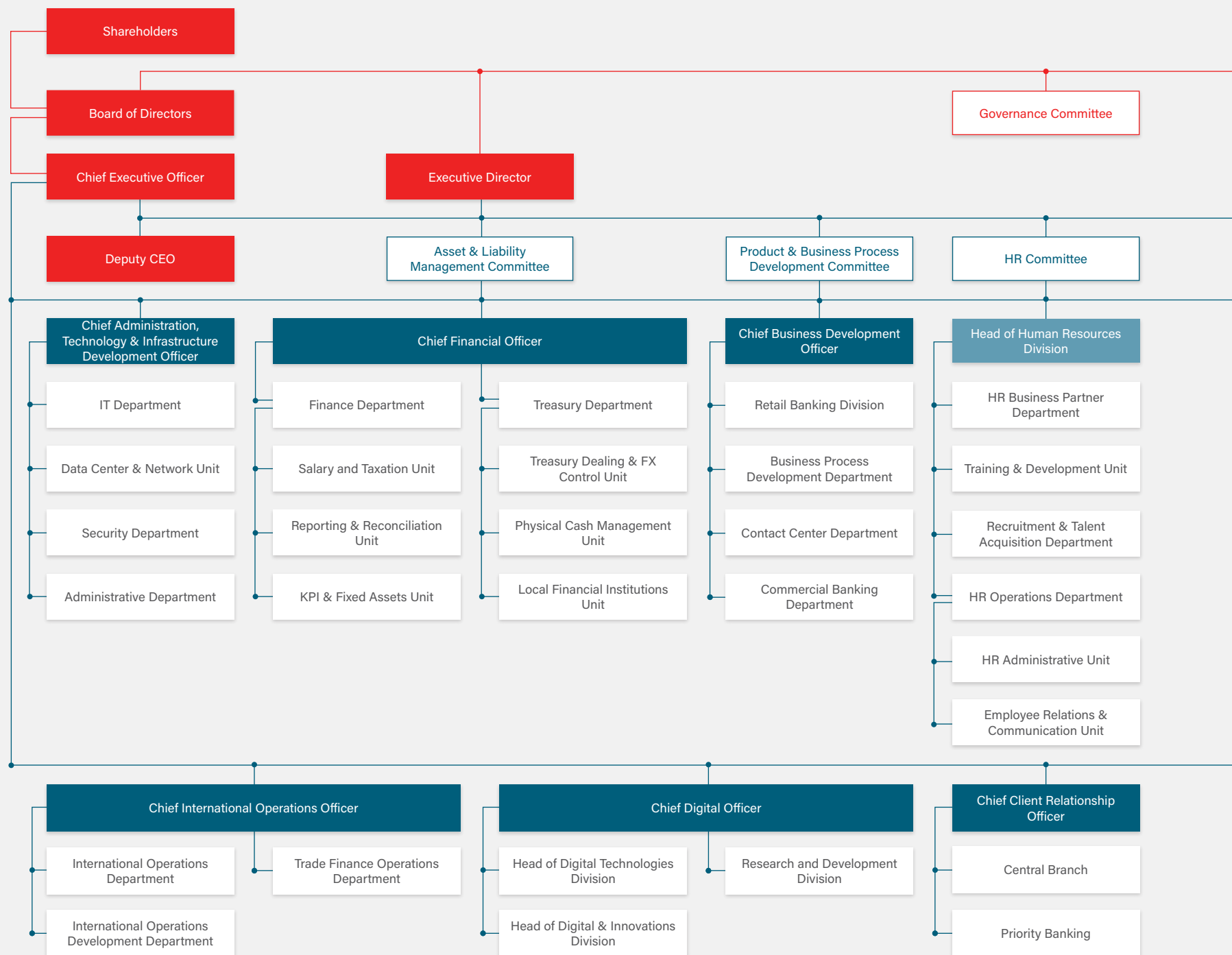
*Global Finance* named ABA Bank "Best Trade Finance Provider 2018"

ABA received *Euromoney's Best Bank* title for the fifth time in a row

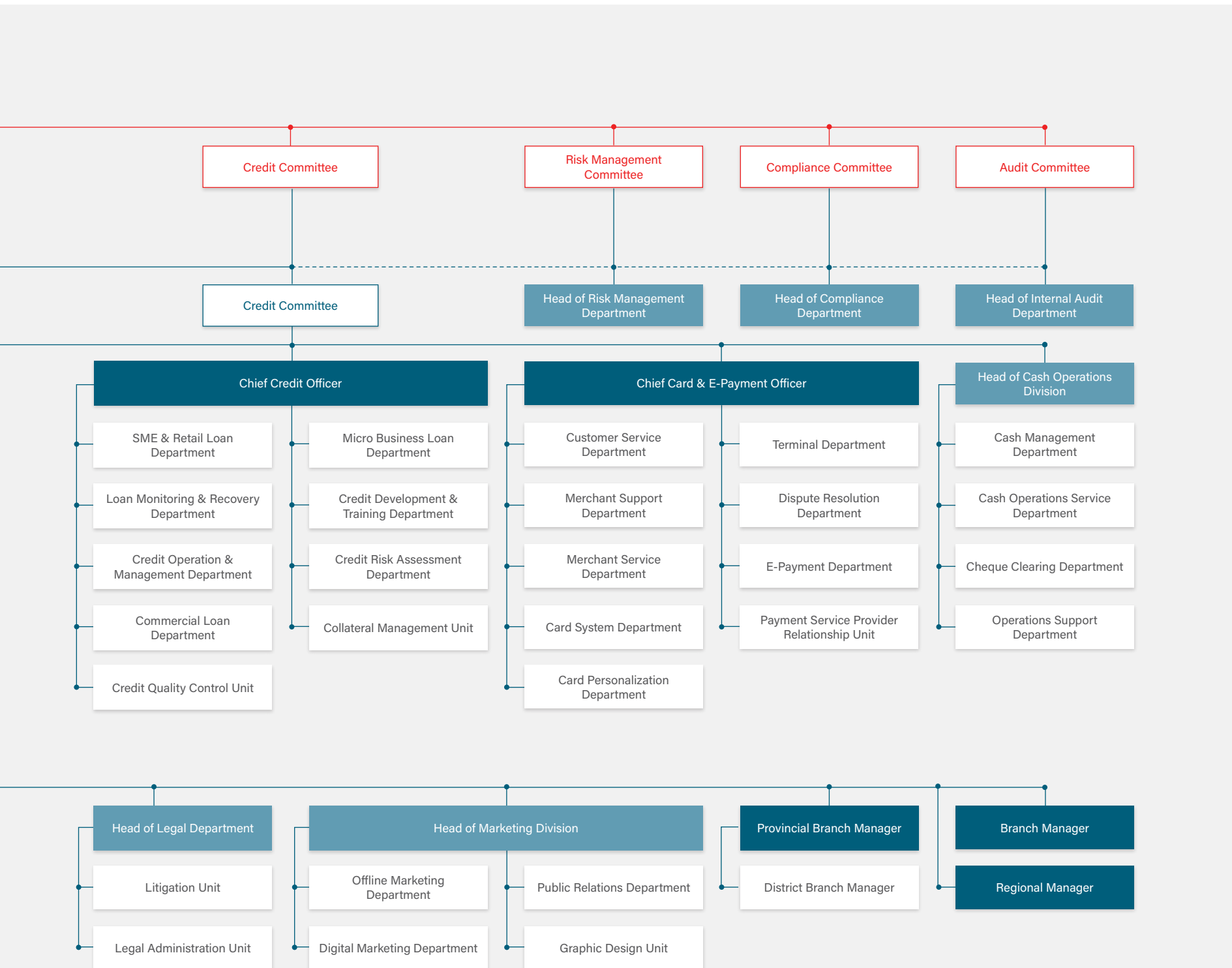
UnionPay (UPI) Platinum extended the lineup of privileged cards offered by ABA Bank

ABA partnered with Visa and other Cambodian commercial banks to officially introduce QR payments in Cambodia

# ORGANISATION CHART (AS AT 31 DECEMBER 2018)







## BOARD OF DIRECTORS (AS AT 31 DECEMBER 2018)



**YVES JACQUOT**

Chairman

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

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

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

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



**ANDRÉ BÉRARD**

Director

André Bérard is a corporate director and a career banker. Mr. Bérard dedicated his entire professional life to National Bank of Canada, rising through the ranks to serve as President and CEO of the Bank from 1989 to 2002, and Chairman of the Board of Directors from 1990 to 2003.

Leading up to his years at the Bank's helm, he held several senior management positions, including Senior Vice-President and General Manager – International; Executive Vice-President – National Accounts; and Senior Executive Vice-President – Banking.

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

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



**DAMIR KARASSAYEV**

Director

Damir Karassayev came to ABA Bank with a wealth of commercial and financial experience. With his career beginning at Kazakhstan Stock Exchange (KASE) while still a student at the Kazakh State Academy of Management, Damir progressed from being a part-time assistant to becoming the KASE's CEO. He has also held senior positions with one of Kazakhstan's largest telecom companies, Kar-Tel, as well as with the state gas transportation company, KazTransGas. Damir's overseas experience includes a position as CEO of Nepal's leading mobile phone operator, Spice Nepal.

Damir has managed businesses in Southeast Asia since 2005. In 2007, he led the team responsible for executing the acquisition of ABA Bank.



**DOMINIC JACQUES**

Director

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

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

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

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

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



**JEAN-FRANÇOIS  
HANCZAKOWSKI**

Director

Jean-François Hanczakowski is Senior Vice-President – Client Experience and Data at National Bank of Canada.

Mr. Hanczakowski is responsible, with his team, for understanding the needs of clients and their evolutions, and supporting the business line in satisfying them, mainly through traditional and digital marketing, brand management, community relations and charitable activities.

He has been with National Bank of Canada since 2004 and has held various positions within the organisation, including Transformation Office Leader, Head of Internal Audit and VP Financial Market Operations.

Jean-François Hanczakowski replaced David Furlong as the member of the Board of Directors of ABA Bank on March 14, 2018.



**MADI AKMAMBET**

Executive Director

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

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

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

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

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



**HENRI CALVET**

Independent Director

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

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

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



**ETIENNE CHENEVIER**

Independent Director

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

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

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

# BRANCH NETWORK

## HEAD OFFICE

No. 141, 146, 148, and 148 ABCD, Preah Sihanouk Blvd,  
and No. 15 and 153 ABC, Street 278, Sangkat Boeung Keng Kang I,  
Khan Chamkamorn, Phnom Penh, Kingdom of Cambodia

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

info@ababank.com  
www.ababank.com

P.O. Box 2277  
SWIFT: ABAKHPP

AEON Mall (Sen Sok City)	<b>098 203 149</b>	Independence Monument	<b>098 203 001</b>	Operational Hall of Head Office	<b>098 203 179</b>	Sihanoukville	<b>098 203 899</b>
Angk Snuol District	<b>098 203 489</b>	Kampong Speu	<b>098 203 949</b>	Ou Baek K'am	<b>098 203 799</b>	S'ang District	<b>098 203 369</b>
Bakan District	<b>081 204 209</b>	Kampot	<b>098 203 959</b>	Paoy Paet	<b>098 203 019</b>	Snuol District	<b>098 203 099</b>
Bati District	<b>098 203 649</b>	Kampong Tralach District	<b>081 204 149</b>	Peam Ro District	<b>098 203 629</b>	Stade Chas	<b>098 203 819</b>
Battambang	<b>098 203 839</b>	Kandal Stueng District	<b>098 203 619</b>	Phsar Derm Thkov	<b>098 203 689</b>	Stueng Mean Chey	<b>098 203 889</b>
Baray District	<b>098 203 739</b>	Kampong Cham	<b>098 203 879</b>	Phsar Leu (Siem Reap)	<b>098 203 679</b>	Svay Chrum District	<b>098 203 349</b>
Banteay Meanchey	<b>098 203 759</b>	Kampong Chhnang	<b>098 203 039</b>	Prey Chhor District	<b>081 204 189</b>	Svay Rieng	<b>098 203 029</b>
Bavet	<b>098 203 389</b>	Kampong Thom	<b>098 203 429</b>	Prey Veng	<b>098 203 059</b>	Takeo	<b>098 203 909</b>
Borei Keyla	<b>098 203 869</b>	Kien Svay District	<b>098 203 479</b>	Pursat	<b>098 203 969</b>	Takhmao	<b>098 203 919</b>
Central	<b>098 203 199</b>	Kratie	<b>098 203 049</b>	Ratanakiri	<b>098 203 499</b>	Tboung Khmum	<b>098 203 769</b>
Central Market	<b>098 203 979</b>	Krong Siem Reap (Angkor)	<b>098 203 089</b>	Russey Keo	<b>098 203 659</b>	Tmar Kol District	<b>098 203 789</b>
Chamkar Doung	<b>098 203 579</b>	Mao Tse Tong	<b>098 203 809</b>	Saensokh	<b>098 203 779</b>	Tram Kak District	<b>098 203 709</b>
Chbar Ampov	<b>098 203 929</b>	Memot District	<b>098 203 639</b>	Santhormok	<b>098 203 469</b>	Toek Thla	<b>098 203 849</b>
Chhuk District	<b>098 203 729</b>	Mongkol Borei District	<b>081 204 029</b>	Samdech Monireth	<b>081 204 019</b>	Toul Kork	<b>098 203 859</b>
Chraoy Chongvar	<b>098 203 189</b>	Moung Ruessei District	<b>098 203 459</b>	Samdech Sothearos	<b>098 203 983</b>	Tuol Tumpung Money Exchange	<b>098 203 299</b>
Cheung Prey District	<b>098 203 749</b>	Mukh Kampul District	<b>098 203 159</b>	Samraong Tong District	<b>098 203 719</b>		
Chom Chao	<b>098 203 939</b>	Odongk District	<b>098 203 379</b>	Siem Reap	<b>098 203 829</b>		



# 3

Continuous Improvement





## CUSTOMER ONBOARDING AND SERVICE DEVELOPMENT

With our continuous commitment to provide customers with a better and more efficient banking service, we at ABA Bank made a significant step in expanding our core activities, such as enhancement of customer onboarding process and remote account opening, as well as establishment of dedicated complaint resolution team.

In 2018, we kept carrying our mission to serve more customers who visit the branches without compromising the service quality. We officially launched 15 new branches and introduced extended 12-hour daily operations at some busiest branches in Phnom Penh and in provinces.

We also added up the number of our Client Acquisition Officers (CAOs) tenfold for off-site account opening service. In total, our CAOs opened 30,000 accounts outside ABA branches in 2018. All the approaches taken made us one of the pioneers in the market in terms of providing innovative ways to better serve our customers.

Lastly, we never forget to deal with our customers' complaints and feedback. Thus, our Complaint Resolution Unit (CRU) has continuously improved their procedures and standard of service to cope with the new demand of the customers. The Unit has been working closely with both internal and external stakeholders to find the best solution for our valued clients.



## ABA MOBILE APP ENHANCEMENT

We keep building an environment where customer can get easy access to their finance wherever they are, while enjoying digital finance solutions and round-the-clock support. And our full-scale mobile banking app, ABA Mobile, is central to the ecosystem.

Adhering to our “mobile-first” strategy, we continued enhancing ABA Mobile to make customer interaction with the app more simple and convenient.

We waived the fee for E-Cash feature of the app that allows customers to send money from bank account and withdraw it at any ABA ATM without bank card. In 2018 alone, this service was used more than 370,000 times.

Additionally, we increased the number of virtual cards customer can issue in the app free of charge. Now, ABA Mobile user can have up to 10 virtual cards from Visa and Mastercard and use

it for different purposes such as subscriptions for online services, purchases on different websites, etc.

To boost cashless payments in the country, we officially launched ABA PAY feature that allows customers to pay for goods or services at a wide range of merchants by scanning QR code using smartphone. We processed thousands of QR-based payments and see potential in this cashless payment method.

As result of numerous enhancements and upgrades, at the end of 2018 ABA Mobile app was actively used by more than 240 000 users across iOS and Android platforms with the year-on-year customer base growth at 240%. The number of transactions performed by ABA customers in the app increased more than three-fold within the year.





## **PAYWAY PLATFORM EXPANSION**

The online payment gateway designed by ABA Bank to boost Cambodian e-commerce sector, PayWay, was significantly upgraded during the year to accommodate several new features that make the purchase and checkout process seamless and easy. It now accepts payments in USD and KHR from intranational payment cards and directly from ABA accounts, becoming a leading platform for online merchants in the country. In 2018, online merchants connected to PayWay processed more than 45,000 transactions.

One of the main and highly praised tools introduced to the platform in 2018 is Invoicing Tool. It helps merchant issue payment invoice and send it directly to their customer's email or in favourite chat messenger. The payment can be made easily by scanning the QR code in the invoice or on the secure PayWay website.

With Management Portal, another feature introduced within the year, customer can get full information on the transactions and sales volume made via PayWay: order management, refund assignment, search through transactions, and, of course, summary of all necessary details of every transaction, all in one place.

As we progressed within the year, we constantly worked on the increase of number of APIs for a seamless and quick integration of PayWay solution with merchant's online shopping website or app. Together with the experienced support team in place, the wide range of APIs makes integration easy and simple.



## IT INFRASTRUCTURE UPGRADE

As the most technologically advanced bank in the market, ABA is committed to build sustainable IT infrastructure to address current and future challenges. IT infrastructure is the foundation for ABA digital and conventional services. To maintain the highest level of service, ABA Bank constantly invests to its IT infrastructure.

In 2018, ABA made significant steps to the fully virtualized environment using solutions from the best on the market VM Ware brand. ABA services are running in high availability environment, using clustering on hardware, operating systems, data bases and application servers.

Considering the use of Internet-based services, the Bank significantly improved its connections to Internet, implementing Border Gateway Protocol (BGP). It now allows ABA to significantly increase redundancy of its connections and makes ABA the only bank in Cambodia using such technology.

The office collaboration is one of ABA's priorities. To achieve efficiency in communications, we moved to the cloud-based Microsoft Office 365 environment, which significantly simplifies communication inside the Bank, making it secure at the same time. ABA staff can reach each other being even out of office using Teams, Skype for Business and OneDrive features.

In October, we successfully finished the upgrade of our core banking system, Oracle FlexCube, to the latest commercial version 12.3. This upgrade was part of our continuous plan to accommodate the increasing number of customers and to keep providing the best banking experience with an improved protection and security. More importantly, the upgraded core system helps ABA to bring greater features and functionalities to meet our customers' banking needs.

We constantly develop our IT management tools to address challenges of rapidly growing business and, as result, IT infrastructure.





## **BUSINESS BANKING REINFORCEMENT**

In 2018, the Bank made another strategic move to enhance its presence in the corporate segment of the market, with more and more multinational corporations, large companies, and SMEs choosing ABA as their primary financial provider.

To cater to these growing needs, we established Business Banking Department, a new gateway that allows ABA to acquire business customers. We employed a specialized team to manage this segment, and we will surely be able to serve them well with comprehensive solutions.

To make business banking with ABA more convenient and efficient, we dedicated significant efforts to developing a proper Internet Banking for Business platform. The service provides an accurate, reliable and smart corporate finance management tool.

Securely protected by the two-step authorization, iBanking for Business now helps companies to check accounts balances and view transactions history, manage issued checks, transfer money between own accounts, to other local banks and abroad, pay company's bills easily and set-up recurrent payments, pay staff salary in bulk, and provides other important features.

Being in constant cooperation and discussion with our business customers, we are continuously adding new tools to the Internet Banking for Business platform, such as Host-2-Host, Virtual Account modules, and others.



## INTERNATIONAL OPERATIONS AND TRADE FINANCE GROWTH

In our International Operations strategy, strengthening relationship with existing correspondent banks as well as establishing new partnership with international financial institutions are the key to provide the best payment solutions to our customers. In 2018, we continued to do so, and our customers can now send or receive money to/from 200+ countries securely and cost-effectively.

In 2018, we helped our customers to remit money using reliable and fast payment services. In return, we received significant growth in the number of international transactions compared to 2017: Inward Telegraphic Transfers (+19%), Outward Telegraphic Transfers (+39%), MoneyGram (+35%), and RIA-IME (+50%).

On Trade Finance side, we received the second consecutive "Best Trade Finance Provider" award from Global Finance magazine. The international financial publication praised ABA for the best service of the specialized needs of Cambodian businesses as they engage in cross-border trade. The number of our Trade Finance transactions grew 36% compared to 2017.

During the reported year, we kept strengthening our position in providing clients with secure and reliable solutions for their businesses. Our accomplishments include the successful introduction of Trade Finance Loan (TFL) to support customer's working capital requirement and signing of the MoU with the Ministry of Economy and Finance so that the guarantees issued by ABA will be accepted by all ministries in Cambodia.

With the access to global network and support from National Bank of Canada, ABA is well-equipped and positioned in helping Cambodian entrepreneurs to expand and introduce their business to regional and global markets.





## INTERNAL AUDIT PROGRESS

On top of the compliance obligations, ABA's Internal Audit Department conducted 42 planned audits along with other 67 surprised auditing activities at the Bank's Head Office and in branches in 2018. This is a high standard Internal Audit Procedure, which ABA adopted from National Bank of Canada, to ensure the integrity of the Bank's operation on the institutional level as well as on the staff level.

To maintain the high quality of auditing compliance, the Bank regularly updates the procedure to accustom with the change in the institution, provides an ongoing training program to internal audit team members, and develops guidelines as follows: detailed assessment of

business process description, flow-chart, risk-analysis, and control design evaluation to ensure proper determining of audit objectives and scope relative to the risk level. Various audit techniques, trend analysis, and data mining were also used in preparation of audit planning phase.

As we have been moving towards digitally-driven banking products, the information technology and digital related issues occur. Thus, we have also considered the risks in this segment into our ongoing auditing activities in 2018 and beyond.



## COMPLIANCE DEVELOPMENT

ABA always takes serious steps to comply with regulatory requirements including regulation on the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), as well as applicable laws, and other prescribed practices.

We understand that failure to comply with these regulatory requirements may negatively impact ABA's reputation and result in penalties or increased regulatory oversight. In addition to the risk of damage to its reputation and the administrative penalties that may result from non-compliance with the requirements in this matter, the money laundering and terrorism financing has impacts on the safety and soundness of both Cambodian and international financial sectors.

Therefore, ABA's management dedicated a sound budget to invest further in human resources and technology for Compliance Department to proactively develop, implement and maintain the appropriate policies, frameworks and procedures to be on track with evolving regulatory obligations. We also maintained the minimum expectations from all employees, and an AML/CFT policy to detect and deter individuals and criminal organisations from using our products and services to recycle funds.

At present, ABA's Compliance Policy and practices are in line with that of National Bank of Canada and conform to the international standard.



## RISK MANAGEMENT IMPROVEMENT

In the course of operations, we continue to implement and improve our risk management system following the group standards of National Bank of Canada, regulatory requirements from the National Bank of Cambodia, recommendations from Basel Committee and the international best practices.

In 2018, we have implemented the risk management activities in the following areas:

- Improved risk policies and risk appetite metrics framework.
- Updated the liquidity stress testing models, early warning indicator system, emergency action planning and other liquidity risk management tools.
- Introduced a new risk self-assessment procedure for all branches and departments, further development of access management process and IT security risk management tools.

The continuous development and modernization of the risk management system enable ABA Bank to reach sustainable robust growth while balancing the risks.





## CORPORATE SOCIAL RESPONSIBILITY PROJECTS

As part of our continuous commitment to contribute back to the development of local communities, ABA Bank kept implementing its Corporate Social Responsibility (CSR) policy, which focuses on improving financial literacy, supporting young entrepreneurs and taking part in sustainable development projects related to environment, education and poverty alleviation.

In 2018, we proudly became sponsors of the following activities:

In support of disadvantaged single mothers and their newborns, ABA Bank co-organized a fundraising event called “Heart of the Party” with Mother’s Heart Organisation in June 2018. The event aimed at raising funds, which could help support 12 beneficiaries for one full year to have successful pregnancy and safe delivery as well as to provide postnatal care for their infants.

With great success, the Heart of the Party has exceeded its target, raising over \$8,000 generated from tickets to the event, raffles, and a silent auction within the 10-day campaign.

To contribute in improving education in rural Cambodia, ABA joined forces with Junior Chamber International (JCI) Cambodia to host an event called “Bag to School” at Andong Svay primary school in Pursat’s Kroker district.

In the event, 230 students from two primary schools – Andong Svay and Roleap Srongam – were provided with school supplies for one full year, and a new pumped well, a volleyball court, an entrance gate, a flag pole, and trees within the primary school vicinity. Each classroom was equipped with new desks, chairs, trash bins, maps, and posters, and a mobile library was also provided in order to stimulate readership with over 100 reading and colouring books.





Believing in the art talents of young Cambodians, ABA became a proud Premium Sponsor at the National Art Competition 2018 organized by Global Art Cambodia (GAC). The competition was held in Phnom Penh in September and was aimed at promoting children imagination, innovation and creativity, as well as to broaden their learning and thinking beyond the horizon. The Bank has been supporting the competitions under GAC since 2014.

The event attracted more than 200 participants aged 4-18 from various schools. The three champions represented Cambodia in the International Art Competition in Myanmar later in 2018.

Taking our part in supporting Cambodian tennis movement since 2016, we have steadily increased our commitment to the development of this elegant game. In 2018, ABA stood as the main sponsor for the International Tennis Federation (ITF) Juniors Tournament, which was hosted by Tennis Federation of Cambodia in December. The event aimed at improving the foundation for tennis players in Asia and providing more competition for both junior and professional players.

The ITF Juniors event provided the opportunity to local junior tennis players to compete against the top-level peers from abroad. The week-long tournament attracted about 90 participants from 18 different countries.





## HUMAN RESOURCES MANAGEMENT

ABA regards staff as its core asset, without which we cannot deliver the best quality of financial products and services to customers. Therefore, we put a lot of efforts and investment every year to improve the knowledge and expertise of our staff on our products and services as well as on the new trends in the market technologies. By the end of 2018, the number of ABA employees reached 4,213, showing 73% growth compared to 2017.

In 2018, we conducted over 800 in-house training courses for both new and existing staff. We also continue to send our staff from various departments for training in Malaysia and Singapore as well as provided them with online training courses where necessary. The members of the top and middle management team were also sent to Canada on annual exchange program with our counterparts at National Bank of Canada offices.

As our network expansion grew exponentially this year, so did the need for more employees. Adopting the inclusive approach to our recruitment process and to also search for the best resources outside the capital, our HR team conducted a series of Career Talk events at universities in eight provinces. As an outcome, we were able to recruit 60% of the participants and trained them to become members of ABA family. Alongside, we also continued to provide Trainee Program and Internship Program for fresh graduate students, of which 50% of the trainees and 66% of interns received jobs at ABA.

To satisfy growing needs of the Bank in proper training infrastructure, the Bank invested in a standalone Training Center building with dedicated training and refreshment areas. The Training Center is scheduled to open in March 2019.

# 4

**Audited Financial Statements**



# CORPORATE INFORMATION

BANK	Advanced Bank of Asia Limited	
REGISTRATION NO.	00010593	
REGISTERED OFFICE	No. 141, 146, 148, and 148 ABCD, Preah Sihanouk Blvd, and No. 15 and 153 ABC, Street 278, Phum 4, Sangkat Boeung Keng Kang I, Khan Chamkamorn, Phnom Penh, Kingdom of Cambodia	
SHAREHOLDERS	National Bank of Canada Mr. Damir Karassayev	
BOARD OF DIRECTORS	Mr. Yves Jacquot Mr. Andre Berard Mr. Damir Karassayev Mr. Dominic Jacques Mr. Jean-Francois Hanczakowski Mr. Etienne Chenevier Mr. Henri Calvet Mr. Madi Akmambet	Chairman Director Director Director Director Independent Director Independent Director Executive Director
KEY MANAGEMENT TEAM	Mr. Askhat Azhikhanov Mr. Madi Akmambet Mr. Lee Young Ho Mr. Babu Ram Gyawali Mr. Bibhu Pandey Mr. Rasulov Zokhir Mr. Galymzhan Temirov  Mr. Sanzhar Abdullayev Mr. Mey Polin Mr. Zhiger Atchabarov Ms. Adel Leilanie Legarta	Chief Executive Officer Executive Director Deputy Chief Executive Officer Chief Financial Officer and Company Secretary Chief Credit Officer Chief Digital Banking Officer Chief Administration, Technology and Infrastructure Development Officer Chief Card & E-banking Officer Chief Business Development Officer Chief International Operations Officer Chief Client Relationship Officer
AUDITORS	Deloitte (Cambodia) Co., Ltd	

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD" or "Directors") has pleasure in submitting their report together with the audited financial statements of Advanced Bank of Asia Limited ("the Bank") for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

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

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

## FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2018 were as follows:

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	90,276,710	362,731,821	57,969,842	234,024,252
Income tax expense	(18,459,196)	(74,169,050)	(11,780,679)	(47,558,601)
<b>Net profit for the year</b>	<b>71,817,514</b>	<b>288,562,771</b>	<b>46,189,163</b>	<b>186,465,651</b>

## RESERVES AND PROVISIONS

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

## DIVIDENDS

No dividends were declared or paid during the year (2017: nil).

## SHARE CAPITAL

The Bank issued additional shares as follows during the year:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	125,000,000	504,625,000	52,643,000	212,519,791
Convert from share premium	–	–	18,357,000	74,107,209
Convert from retained earnings	–	–	29,000,000	117,073,000
Issued share capital (*)	40,000,000	160,720,000	25,000,000	100,925,000
Currency translation difference	–	(2,375,000)	–	–
	<b>165,000,000</b>	<b>662,970,000</b>	<b>125,000,000</b>	<b>504,625,000</b>

(\*) On 31 December 2018, the National Bank of Cambodia issued an approval letter allowing the Bank to increase its registered capital by US\$40,000,000 by issuing additional 36,000 shares to National Bank of Canada and 4,000 shares to Mr. Damir Karassayev, with a par value of US\$1,000 per share.

## BAD AND DOUBTFUL LOANS

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

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

## ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that management took appropriate actions so that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank had been written down to amounts which they might be expected to realise.

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

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, the Directors are not aware of:

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

At the date of this report, the Directors are not aware that any contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

To the best knowledge of Directors:

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

## EVENTS AFTER THE REPORTING DATE

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

## THE BOARD OF DIRECTORS

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

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

## DIRECTORS' INTERESTS

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

	31 December 2018		31 December 2017	
	Holding %	No. of shares of US\$1,000 each	Holding %	No. of shares of US\$1,000 each
Mr. Damir Karassayev	10%	16,500	10%	12,500

## DIRECTORS' BENEFITS

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

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

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

The Board of Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year ended 31 December 2018. The Board of Directors oversees the preparation of these financial statements by management who are required to:

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

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

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

## STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements as set out on pages 45 to 81 present fairly, in all material respects, the financial position of Advanced Bank of Asia Limited as at 31 December 2018, and its financial performance and its cash flows for the year ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

*On behalf of the Board of Directors*



**Askhat Azhikhanov**

*Chief Executive Officer*

Phnom Penh, Kingdom of Cambodia

Date: 22 March 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ADVANCED BANK OF ASIA LIMITED



## OPINION

We have audited the financial statements of Advanced Bank of Asia Limited ("the Bank"), which comprise the balance sheet as at 31 December 2018, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 45 to 81.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

## BASIS FOR OPINION

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

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

Management is responsible for the other information. The other information comprises the Report of the Board of Directors set out on pages 38 to 42 but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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



**Khoy Kimleng**

*Partner*

Phnom Penh, Kingdom of Cambodia

Date: 22 March 2019



# BALANCE SHEET

AS AT 31 DECEMBER 2018

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
<b>Assets</b>					
Cash on hand	4	151,000,293	606,719,177	68,986,300	278,497,693
Balances with the NBC	5	435,961,811	1,751,694,557	207,289,364	836,827,162
Balances with other banks	6	206,626,043	830,223,441	84,923,895	342,837,764
Loans to customers, net	7	1,820,441,489	7,314,533,903	1,227,372,821	4,954,904,078
Foreclosed properties	8	–	–	601,375	2,427,751
Investment securities	9	32,991,260	132,558,883	16,849,632	68,021,964
Other assets	10	25,410,240	102,098,344	16,688,282	67,370,595
Deferred tax asset	17(b)	2,777,188	11,158,741	1,970,251	7,953,903
Intangible assets	11	2,647,070	10,635,927	1,765,748	7,128,325
Property and equipment	12	28,440,671	114,274,616	12,903,247	52,090,408
<b>Total Assets</b>		<b>2,706,296,065</b>	<b>10,873,897,589</b>	<b>1,639,350,915</b>	<b>6,618,059,643</b>
<b>Liabilities And Equity</b>					
<b>Liabilities</b>					
Deposits from customers	13	2,175,102,256	8,739,560,865	1,264,493,344	5,104,759,630
Borrowings	14	80,155,740	322,065,763	86,500,001	349,200,504
Subordinated debts	15	93,000,000	373,674,000	55,000,000	222,035,000
Other liabilities	16	28,736,249	115,462,248	22,114,413	89,275,885
Current income tax payable	17(a)	17,280,540	69,433,210	11,039,391	44,566,021
<b>Total Liabilities</b>		<b>2,394,274,785</b>	<b>9,620,196,086</b>	<b>1,439,147,149</b>	<b>5,809,837,040</b>
<b>Equity</b>					
Share capital	18	165,000,000	662,970,000	125,000,000	504,625,000
Retained earnings		147,021,280	590,731,503	75,203,766	303,597,603
<b>Total Equity</b>		<b>312,021,280</b>	<b>1,253,701,503</b>	<b>200,203,766</b>	<b>808,222,603</b>
<b>Total Liabilities And Equity</b>		<b>2,706,296,065</b>	<b>10,873,897,589</b>	<b>1,639,350,915</b>	<b>6,618,059,643</b>

The accompanying notes from pages 50 to 81 form an integral part of these financial statements.

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
Interest income	19	183,476,436	737,208,320	125,830,819	507,979,016
Interest expense	20	(47,004,497)	(188,864,069)	(38,712,362)	(156,281,805)
<b>Net interest income</b>		<b>136,471,939</b>	<b>548,344,251</b>	<b>87,118,457</b>	<b>351,697,211</b>
Fee and commission income	21	31,072,166	124,847,963	21,873,479	88,303,235
Fee and commission expense	22	(8,356,322)	(33,575,702)	(5,779,243)	(23,330,804)
<b>Net fee and commission income</b>		<b>22,715,844</b>	<b>91,272,261</b>	<b>16,094,236</b>	<b>64,972,431</b>
Other operating income	23	1,471,050	5,910,679	30,502	123,137
Personnel expenses	24	(35,287,536)	(141,785,320)	(21,259,401)	(85,824,202)
Operating expenses	25	(20,344,018)	(81,742,264)	(13,994,201)	(56,494,590)
Depreciation and amortisation expenses	26	(5,098,437)	(20,485,520)	(3,261,205)	(13,165,485)
<b>Operating profit</b>		<b>99,928,842</b>	<b>401,514,087</b>	<b>64,728,388</b>	<b>261,308,502</b>
Allowance for bad and doubtful loans	7	(9,652,132)	(38,782,266)	(6,758,546)	(27,284,250)
<b>Profit before income tax</b>		<b>90,276,710</b>	<b>362,731,821</b>	<b>57,969,842</b>	<b>234,024,252</b>
Income tax expense	17(c)	(18,459,196)	(74,169,050)	(11,780,679)	(47,558,601)
<b>Net profit for the year</b>		<b>71,817,514</b>	<b>288,562,771</b>	<b>46,189,163</b>	<b>186,465,651</b>

The accompanying notes from pages 50 to 81 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Retained earnings	Total
	US\$	US\$	US\$	US\$
<b>For the year ended 31 December 2018</b>				
At 1 January 2018	125,000,000	-	75,203,766	200,203,766
Issue share capital	40,000,000	-	-	40,000,000
Net profit for the year	-	-	71,817,514	71,817,514
<b>At 31 December 2018</b>	<b>165,000,000</b>	<b>-</b>	<b>147,021,280</b>	<b>312,021,280</b>
<b>KHR'000 equivalents at 31 December 2018</b>	<b>662,970,000</b>	<b>-</b>	<b>590,731,503</b>	<b>1,253,701,503</b>
<b>For the year ended 31 December 2017</b>				
At 1 January 2017	52,643,000	18,357,000	58,014,603	129,014,603
Convert from share premium	18,357,000	(18,357,000)	-	-
Convert from retained earning	29,000,000	-	(29,000,000)	-
Issue share capital	25,000,000	-	-	25,000,000
Net profit for the year	-	-	46,189,163	46,189,163
<b>At 31 December 2017</b>	<b>125,000,000</b>	<b>-</b>	<b>75,203,766</b>	<b>200,203,766</b>
<b>KHR'000 equivalents at 31 December 2017</b>	<b>504,625,000</b>	<b>-</b>	<b>303,597,603</b>	<b>808,222,603</b>

The accompanying notes from pages 50 to 81 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
<b>Cash flow from operating activities</b>					
Profit before income tax		90,276,710	362,731,821	57,969,842	234,024,252
<b>Adjustments</b>					
Depreciation and amortisation	26	5,098,437	20,485,520	3,261,205	13,165,485
Allowance for bad and doubtful loans	7	9,652,132	38,782,266	6,758,546	27,284,250
(Gains)/loss on disposals of property and equipment		(9,639)	(38,730)	64,160	259,014
Loss on disposal of foreclosed properties		128,501	516,317	106,346	429,319
Foreclosed properties written off		421,551	1,693,792	–	–
Net interest income		(136,471,939)	(548,344,251)	(87,118,457)	(351,697,211)
		<b>(30,904,247)</b>	<b>(124,173,265)</b>	<b>(18,958,358)</b>	<b>(76,534,891)</b>
<b>Changes in:</b>					
Balances with the NBC		(120,025,943)	(482,264,239)	(60,294,481)	(243,408,818)
Balances with other banks		(29,901,833)	(120,145,565)	18,396,843	74,268,054
Loans to customers		(599,318,560)	(2,408,061,974)	(446,631,155)	(1,803,049,973)
Other assets		(8,721,958)	(35,044,827)	(8,470,258)	(34,194,432)
Deposits from customers		910,508,354	3,658,422,566	429,711,825	1,734,746,638
Other liabilities		6,282,911	25,244,736	9,263,352	37,396,152
<b>Cash generated from/(used in) operations</b>		<b>127,918,724</b>	<b>513,977,432</b>	<b>(76,982,232)</b>	<b>(310,777,270)</b>
Interest received		180,413,122	724,899,924	122,892,434	496,116,756
Interest paid		(46,903,939)	(188,460,027)	(59,752,092)	(241,219,195)
Income tax paid	17(a)	(13,024,984)	(52,334,386)	(9,188,095)	(37,092,340)
<b>Net cash generated from/(used in) operating activities</b>		<b>248,402,923</b>	<b>998,082,943</b>	<b>(23,029,985)</b>	<b>(92,972,049)</b>

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
<b>Cash flow from investing activities</b>					
Investment securities		(16,141,628)	(64,857,061)	8,523,414	34,409,022
Purchases of intangible assets	11	(1,289,293)	(5,180,379)	(220,561)	(890,405)
Purchases of property and equipment	12	(20,231,276)	(81,289,267)	(5,855,013)	(23,636,687)
Proceeds from disposals of property and equipment		13,025	52,334	4,055	16,370
Proceeds from disposals of foreclosed properties		51,322	206,212	1,139,341	4,599,520
<b>Net cash (used in)/generated from investing activities</b>		<b>(37,597,850)</b>	<b>(151,068,161)</b>	<b>3,591,236</b>	<b>14,497,820</b>
<b>Cash flow from financing activities</b>					
Proceeds from capital contribution		40,000,000	160,720,000	25,000,000	100,925,000
Proceeds from borrowings		128,724,739	517,216,001	63,000,000	254,331,000
Repayments of borrowings		(135,069,000)	(542,707,242)	(44,499,999)	(179,646,496)
Proceeds from subordinate debts		40,000,000	160,720,000	30,000,000	121,110,000
Repayments of subordinated debts		(2,000,000)	(8,036,000)	-	-
<b>Net cash generated from financing activities</b>		<b>71,655,739</b>	<b>287,912,759</b>	<b>73,500,001</b>	<b>296,719,504</b>
<b>Net increase in cash and cash equivalents</b>		<b>282,460,812</b>	<b>1,134,927,541</b>	<b>54,061,252</b>	<b>218,245,275</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>161,218,459</b>	<b>650,838,919</b>	<b>107,157,207</b>	<b>432,593,645</b>
Currency translation differences		-	(3,063,151)	-	-
<b>Cash and cash equivalents at the end of the year</b>	27	<b>443,679,271</b>	<b>1,782,703,309</b>	<b>161,218,459</b>	<b>650,838,920</b>

The accompanying notes from pages 50 to 81 form an integral part of these financial statements..

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. GENERAL INFORMATION

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

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

The registered office of the Bank is located at No. 141, 146, 148, and 148 ABCD Preah Sihanouk Blvd., and No. 15 and 153 ABC, Street 278, Phum 4, Sangkat Boeung Keng Kang I, Khan Chamkamorn, Phnom Penh, Kingdom of Cambodia.

The financial statements of the Bank were authorised for issue by the Board of Directors on 22 March 2019.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

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

### (d) Presentation in Khmer Riel

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

Translations of US\$ into Khmer Riel are included in the financial statements solely for compliance with the Prakas No. B7-07-164 dated 13 December 2007 of the National Bank of Cambodia relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$ 1 to KHR 4018 as at 31 December 2018 (31 December 2017: US\$1 to KHR 4,037) published by the National Bank of Cambodia.

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

### (e) Use of estimates and judgements

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

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

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

**(f) Financial instruments**

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

**(g) Basis of aggregation**

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

**(h) Cash and cash equivalents**

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

**(i) Loans to customers**

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

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

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

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

Classification	Number of past due days		Allowance
	Short-term (one year or less)	Long-term (more than one year)	
<b>General allowance:</b>			
Normal	Less than 15 days	Less than 30 days	1%
<b>Specific allowance:</b>			
Special mention	15 days – 30 days	30 days – 89 days	3%
Substandard	31 days – 60 days	90 days – 179 days	20%
Doubtful	61 days – 90 days	180 days – 359 days	50%
Loss	91 days or more	360 days or more	100%

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

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss", all collateral may be utilised.

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

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

It applies for gross facilities which include all loans and other financial products, whether reported on-balance sheet or off-balance sheet. The minimum mandatory allowance for loan losses is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral, unless other information is available to indicate worsening.

Both past due and qualitative factors is taken into account for loan classification and provisioning.

**(k) Interest in suspense**

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

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

**(l) Foreclosed properties**

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

**(m) Investment securities**

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

**(n) Other assets**

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

**(o) Intangible assets**

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

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

**(p) Property and equipment**

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

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

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

- (iii) Subsequent expenditure relating to an item of premises and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

**(q) Impairment**

**(i) Financial assets**

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

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



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

All impairment losses are recognised in the income statement.

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

(ii) *Non-financial assets*

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

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

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

(r) **Deposits from customers**

Deposits from customers are stated at cost.

(s) **Borrowings**

Borrowings are stated at the amount of the principal outstanding.

(t) **Subordinated debts**

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

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

(u) **Provisions**

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

(v) **Income and expense recognition**

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

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

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

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

(w) **Operating leases**

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

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

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

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

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

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

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

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

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

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

The Bank is assessing the potential impact on its financial statements resulting from the application of CIFRS for the financial year end. There is no significant impact when adopting CIFRS except the following standards:

■ **CIFRS 9:**

CIFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. CIFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of CIFRS 9 was issued in July 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The Management are assessing the potential impact on its financial statements resulting from the application of CIFRS 9, and will comply with the standards within the deadline given by the NBC. Given the prudential provision required by the NBC, the Management consider that applying the CIFRS 9 will give a favourable impact on the profit and loss, as they anticipate that the provision under the CIFRS 9 will result in lower provision than the requirement of the NBC. The NBC also issued a letter dated on 15 February 2019, allowing commercial banks, specialized banks and deposit taking microfinance to follow the same reporting format (which was used under the CAS) and to start using the new chart of accounts from June 2019, to allow more time for the Bank to have more time in changing the format and report under the CIFRS from Jun 2019 onward.

■ **CIFRS 16:**

CIFRS 16 was issued in January 2016 and will supersede CIAS 17 Leases and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor CIAS 17. The management considers that the maximum impact is to recognise the right to use assets and corresponding liabilities of no more than the amount disclosed as the non-cancellable lease commitment in Note 28.

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

#### 3.1 Key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### (a) Allowance for bad and doubtful loans and balance with counter party

The Bank follows the mandatory credit classification and provisioning as required by Prakas No. B7-017-344, dated on 1 December 2017, on asset classification and provisioning in banking and financial institutions, issued by the NBC. The NBC requires commercial banks to classify their loans, advances and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and regardless of the assets pledged as collateral. For the purposes of loan classification, the Bank take into account all relevant factors that may affect the counterparties' repayment abilities.

##### (b) Income tax

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

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

As of the reporting date, the Bank has completed limited tax audit until 30 April 2018 and comprehensive tax audit until financial year ended 31 December 2013.

##### (c) Useful lives and residual value of property and equipment

The Bank estimates the useful lives and residual value of its property and equipment based on past experiences. Management believes that their assumption is appropriate and reflects the economic benefits expected to be generated from those assets. If, for some reasons, the useful lives and residual value are no longer appropriate, management would revise their assumption accordingly.

#### 3.2 Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimates which are dealt with separately above, that the Management have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Qualitative aspect of loan provision: when assessing if the customers in unlikely to pay its loan and interest, the Bank takes into account both quantitative and qualitative indicators. Qualitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses variety of sources of information to assess default which are either developed internally or obtained from external sources.

#### 4. CASH ON HAND

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	144,626,281	581,108,397	60,807,165	245,478,525
Cash items in the process of collection	6,374,012	25,610,780	8,179,135	33,019,168
	<b>151,000,293</b>	<b>606,719,177</b>	<b>68,986,300</b>	<b>278,497,693</b>

#### 5. BALANCE WITH THE NBC

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>Statutory deposits:</b>				
Capital guarantee deposits (i)	12,500,000	50,225,000	12,500,000	50,462,500
Reserve requirement (ii)	266,545,601	1,070,980,225	156,519,657	631,869,855
	<b>279,045,601</b>	<b>1,121,205,225</b>	<b>169,019,657</b>	<b>682,332,355</b>
Current account	87,819,958	352,860,591	32,745,828	132,194,907
Term deposits	69,096,252	277,628,741	5,523,879	22,299,900
	<b>435,961,811</b>	<b>1,751,694,557</b>	<b>207,289,364</b>	<b>836,827,162</b>

##### (i) Capital guarantee deposits

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

On 31 December 2018, the Bank got approval from NBC to increase its registered capital by US\$40,000,000 and the Bank sub-sequentially deposited US\$4,000,000 to capital guarantee account on 4 January 2019 as required by NBC's regulation.

During the year, interest was earned at rates ranging from 0.46% to 0.62% per annum (2017: 0.32% to 0.36% per annum).

##### (ii) Reserve requirement

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-018-282 dated 29 August 2018 at the rates of 8.00% of customers' deposits in KHR and 12.50% in currency other than KHR.

## 6. BALANCES WITH OTHER BANKS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Current accounts	25,214,106	101,310,278	12,199,052	49,247,573
Savings deposits	1,909,958	7,674,211	1,022,247	4,126,811
Term deposits	179,501,979	721,238,952	71,702,596	289,463,380
	<b>206,626,043</b>	<b>830,223,441</b>	<b>84,923,895</b>	<b>342,837,764</b>

Balances with other banks are analysed as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>(a) By currency:</b>				
US Dollars	203,879,976	819,189,744	82,852,526	334,475,648
Khmer Riel	2,523,750	10,140,428	1,764,237	7,122,225
Euro	157,423	632,526	78,331	316,222
Thai Baht	11,736	47,155	13,927	56,223
British Pound	25,007	100,478	40,608	163,934
Singapore Dollars	24,335	97,778	168,177	678,931
Chinese Yuan	3,816	15,332	6,089	24,581
	<b>206,626,043</b>	<b>830,223,441</b>	<b>84,923,895</b>	<b>342,837,764</b>

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>(b) By maturity:</b>				
Within 1 month	28,454,468	114,330,052	54,435,206	219,754,926
> 1 to 3 months	87,094,196	349,944,480	25,600,021	103,347,285
> 3 to 12 months	58,363,274	234,503,635	4,888,668	19,735,553
More than 12 months	32,714,105	131,445,274	-	-
	<b>206,626,043</b>	<b>830,223,441</b>	<b>84,923,895</b>	<b>342,837,764</b>

	31 December 2018		31 December 2017	
<b>(c) By interest rate (per annum):</b>				
Current accounts		0%		0%
Saving deposits		0%		0.00% – 0.75%
Term deposits		2.05% – 6.50%		1.56% – 6.10%



## 7. LOANS TO CUSTOMERS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>Commercial loans:</b>				
Long term loans	1,764,141,975	7,088,322,455	1,176,962,502	4,751,397,621
Short term loans	12,710,591	51,071,155	9,288,869	37,499,164
Overdrafts	35,404,369	142,254,755	28,138,086	113,593,453
<b>Consumer loans:</b>				
Housing loans	11,376,588	45,711,131	12,398,263	50,051,788
Vehicle loans	5,939	23,863	27,497	111,005
Staff loans	9,900,523	39,780,301	8,248,782	33,300,333
Credit cards	1,315,775	5,286,784	616,564	2,489,069
<b>Total loans to customers, gross</b>	<b>1,834,855,760</b>	<b>7,372,450,444</b>	<b>1,235,680,563</b>	<b>4,988,442,433</b>
<b>Net accrued interest receivable</b>				
Accrued interest receivable	13,004,271	52,251,161	9,135,475	36,879,912
Interest-in-suspense	(1,566,418)	(6,293,868)	(760,936)	(3,071,899)
<b>Total gross loans and net interest receivable</b>	<b>1,846,293,613</b>	<b>7,418,407,737</b>	<b>1,244,055,102</b>	<b>5,022,250,446</b>
<b>Allowance for bad and doubtful loans</b>				
General Provision	(18,047,844)	(72,516,237)	(12,217,831)	(49,323,383)
Specific Provision	(7,804,280)	(31,357,597)	(4,464,450)	(18,022,985)
	<b>(25,852,124)</b>	<b>(103,873,834)</b>	<b>(16,682,281)</b>	<b>(67,346,368)</b>
	<b>1,820,441,489</b>	<b>7,314,533,903</b>	<b>1,227,372,821</b>	<b>4,954,904,078</b>

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

	31 December 2018		
	Loans and advances	Off-balance sheets	Total
At the beginning of the year	16,682,281	-	16,682,281
Addition during the year	9,313,206	338,926	9,652,132
Written off during the year	(143,455)	-	(143,455)
Currency translation difference	92	-	92
<b>At the end of the year</b>	<b>25,852,124</b>	<b>338,926</b>	<b>26,191,050</b>
<b>KHR'000 equivalents</b>	<b>103,873,834</b>	<b>1,361,805</b>	<b>105,235,639</b>

Loans to customers are analysed as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>(a) By maturity:</b>				
Within 1 month	4,388,649	17,633,592	3,791,152	15,304,881
> 1 to 3 months	9,322,005	37,455,816	8,242,154	33,273,576
> 3 to 12 months	39,065,192	156,963,941	33,427,807	134,948,057
More than 12 months	1,782,079,914	7,160,397,095	1,190,219,450	4,804,915,919
	<b>1,834,855,760</b>	<b>7,372,450,444</b>	<b>1,235,680,563</b>	<b>4,988,442,433</b>
<b>(b) By currency:</b>				
US Dollars	1,809,455,880	7,270,393,726	1,233,724,339	4,980,545,157
KHR	25,399,880	102,056,718	1,956,224	7,897,276
	<b>1,834,855,760</b>	<b>7,372,450,444</b>	<b>1,235,680,563</b>	<b>4,988,442,433</b>
<b>(c) By performance:</b>				
<b>Standard loans</b>				
Secured*	1,785,110,360	7,172,573,426	1,214,837,648	4,904,299,585
Unsecured**	19,674,003	79,050,144	6,945,560	28,039,226
<b>Special-mention loans</b>				
Secured*	15,692,592	63,052,835	4,133,513	16,686,992
Unsecured**	–	–	–	–
<b>Sub-standard loans</b>				
Secured*	6,527,770	26,228,580	5,658,116	22,841,814
Unsecured**	–	–	–	–
<b>Doubtful loans</b>				
Secured*	3,646,172	14,650,319	1,793,809	7,241,607
Unsecured**	–	–	–	–
<b>Loss loans</b>				
Secured*	4,197,992	16,867,532	2,301,833	9,292,500
Unsecured**	6,871	27,608	10,084	40,709
<b>Total</b>	<b>1,834,855,760</b>	<b>7,372,450,444</b>	<b>1,235,680,563</b>	<b>4,988,442,433</b>

\* Secured loans are loans that are collateralised, by land, building and/or other immovable properties.

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

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>(d) By residency status:</b>				
Residents	1,834,107,944	7,369,445,719	1,234,972,005	4,985,581,984
Non-residents	747,816	3,004,725	708,558	2,860,449
	<b>1,834,855,760</b>	<b>7,372,450,444</b>	<b>1,235,680,563</b>	<b>4,988,442,433</b>
<b>(e) By economic sector:</b>				
Financial institution	16,447,388	66,085,605	4,216,667	17,022,685
Agriculture	88,429,744	355,310,711	62,762,946	253,374,013
Manufacturing	94,329,001	379,013,926	56,236,382	227,026,274
Utilities	10,251,299	41,189,719	6,313,616	25,488,068
Construction	68,779,296	276,355,211	38,564,869	155,686,376
Wholesale and trade	141,762,313	569,600,974	70,393,874	284,180,069
Retail trade	495,078,082	1,989,223,733	341,604,643	1,379,057,944
Hotel and restaurants	100,552,763	404,021,002	67,936,663	274,260,309
Transportation and storage	116,403,327	467,708,568	76,777,952	309,952,592
Information media and telecommunication	2,704,613	10,867,135	738,787	2,982,483
Rental and lease excluding real estate	69,452,912	279,061,800	34,351,898	138,678,612
Real estate operation (residential)	268,787,316	1,079,987,436	144,197,226	582,124,201
Real estate and public utilities	27,878,419	112,015,488	14,156,210	57,148,620
Other non-financial services	185,609,597	745,779,361	121,676,564	491,208,289
Credit cards	1,315,775	5,286,784	616,565	2,489,073
Personal consumption				
<i>Staff loans</i>	9,896,721	39,765,025	8,092,481	32,669,346
<i>House loans</i>	11,006,213	44,222,964	12,300,074	49,655,399
<i>Vehicle loans</i>	5,939	23,863	27,497	111,005
<i>Loan provided for personal goods</i>	5,848,646	23,499,860	3,657,125	14,763,814
<i>Loan for house renovations and purchases (SME/MICRO)</i>	87,940,926	353,346,641	120,174,199	485,143,241
<i>Loan for vehicle purchases (SME/MICRO)</i>	32,375,470	130,084,638	50,884,325	205,420,020
	<b>1,834,855,760</b>	<b>7,372,450,444</b>	<b>1,235,680,563</b>	<b>4,988,442,433</b>
<b>(f) By relationship:</b>				
External customers	1,824,955,237	7,332,670,142	1,227,431,781	4,955,142,100
Staff loans	9,900,523	39,780,302	8,248,782	33,300,333
	<b>1,834,855,760</b>	<b>7,372,450,444</b>	<b>1,235,680,563</b>	<b>4,988,442,433</b>

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>(g) By exposure:</b>				
Non-large exposure	1,834,855,760	7,372,450,444	1,235,680,563	4,988,442,433

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

	31 December 2018		31 December 2017	
<b>(h) By interest rate (per annum):</b>				
Overdrafts	4.50% – 18.00%		5.75% – 18.00%	
Loans	5.00% – 20.40%		5.25% – 24.00%	
Trade finance	7.00% – 9.50%		8.00% – 9.50%	
Staff loans	5.00% – 14.40%		5.00% – 12.00%	

## 8. FORECLOSED PROPERTIES

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

## 9. INVESTMENT SECURITIES

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Securities held to maturity	3,272,156	13,147,523	16,849,632	68,021,964
Foreign treasury bills held to maturity	29,719,104	119,411,360	-	-
	<b>32,991,260</b>	<b>132,558,883</b>	<b>16,849,632</b>	<b>68,021,964</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. Those securities held to maturity are quoted in the market.

## 10. OTHER ASSETS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Interest receivable from balances with the NBC and other banks and investment securities	1,320,552	5,305,978	1,493,315	6,028,513
Deposits and advance payments	14,904,355	59,885,698	8,172,194	32,991,146
Prepayment	2,834,372	11,388,507	2,253,571	9,097,666
Master/Visa Card and MoneyGram and receivable	5,555,084	22,320,328	4,219,158	17,032,741
Investment – Credit Bureau	25,588	102,813	25,588	103,299
Others	770,289	3,095,020	524,456	2,117,230
	<b>25,410,240</b>	<b>102,098,344</b>	<b>16,688,282</b>	<b>67,370,595</b>

## 11. INTANGIBLE ASSETS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>Cost</b>				
At 1 January	3,252,133	13,128,861	3,098,898	12,510,251
Additions	1,289,293	5,180,379	220,561	890,405
Disposal	-	-	(67,326)	(271,795)
Currency translation difference	-	(61,791)	-	-
<b>At 31 December</b>	<b>4,541,426</b>	<b>18,247,449</b>	<b>3,252,133</b>	<b>13,128,861</b>
<b>Accumulated amortisation</b>				
At 1 January	1,486,385	6,000,536	1,207,579	4,874,996
Amortisation for the year	407,971	1,639,227	346,133	1,397,339
Disposal	-	-	(67,327)	(271,799)
Currency translation difference	-	(28,241)	-	-
<b>At 31 December</b>	<b>1,894,356</b>	<b>7,611,522</b>	<b>1,486,385</b>	<b>6,000,536</b>
<b>Carrying amounts</b>				
<b>At 31 December</b>	<b>2,647,070</b>	<b>10,635,927</b>	<b>1,765,748</b>	<b>7,128,325</b>

## 12. PROPERTY AND EQUIPMENT

For the year ended 31 December 2018	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Cost</b>							
At 1 January 2018	5,982,836	4,617,930	935,534	6,594,091	1,508,931	19,639,322	79,283,944
Additions	362,449	2,793,667	496,740	4,939,570	11,638,850	20,231,276	81,289,267
Transfers	9,065,602	1,034,413	-	-	(10,100,015)	-	-
Disposals	-	-	(30,752)	-	-	(30,752)	(123,562)
Written off	-	(1,344)	-	-	-	(1,344)	(5,400)
Currency translation difference	-	-	-	-	-	-	(373,148)
<b>At 31 December 2018</b>	<b>15,410,887</b>	<b>8,444,666</b>	<b>1,401,522</b>	<b>11,533,661</b>	<b>3,047,766</b>	<b>39,838,502</b>	<b>160,071,101</b>
<b>Accumulated depreciation</b>							
At 1 January 2018	1,789,314	1,765,213	569,432	2,612,116	-	6,736,075	27,193,536
Depreciation for the year	1,399,814	1,220,563	218,899	1,851,190	-	4,690,466	18,846,293
Disposals	-	-	(27,567)	-	-	(27,567)	(110,764)
Written off	-	(1,143)	-	-	-	(1,143)	(4,593)
Currency translation difference	-	-	-	-	-	-	(127,987)
<b>At 31 December 2018</b>	<b>3,189,128</b>	<b>2,984,633</b>	<b>760,764</b>	<b>4,463,306</b>	<b>-</b>	<b>11,397,831</b>	<b>45,796,485</b>
<b>Carrying amounts</b>							
<b>At 31 December 2018</b>	<b>12,221,759</b>	<b>5,460,033</b>	<b>640,758</b>	<b>7,070,355</b>	<b>3,047,766</b>	<b>28,440,671</b>	<b>114,274,616</b>

For the year ended 31 December 2017	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Cost</b>							
At 1 January 2017	5,824,625	3,600,606	906,718	5,360,926	359,325	16,052,200	64,802,732
Additions	76,803	1,270,524	54,010	2,118,859	2,334,817	5,855,013	23,636,687
Transfer	1,084,224	100,987	-	-	(1,185,211)	-	-
Disposals	(1,002,816)	(354,187)	(25,194)	(885,694)	-	(2,267,891)	(9,155,475)
<b>At 31 December 2017</b>	<b>5,982,836</b>	<b>4,617,930</b>	<b>935,534</b>	<b>6,594,091</b>	<b>1,508,931</b>	<b>19,639,322</b>	<b>79,283,944</b>
<b>Accumulated depreciation</b>							
At 1 January 2017	2,018,898	1,343,315	411,460	2,247,005	-	6,020,678	24,305,478
Depreciation for the year	772,886	779,366	183,166	1,179,655	-	2,915,073	11,768,150
Disposals	(1,002,470)	(357,468)	(25,194)	(814,544)	-	(2,199,676)	(8,880,092)
<b>At 31 December 2017</b>	<b>1,789,314</b>	<b>1,765,213</b>	<b>569,432</b>	<b>2,612,116</b>	<b>-</b>	<b>6,736,075</b>	<b>27,193,536</b>
<b>Carrying amounts</b>							
<b>At 31 December 2017</b>	<b>4,193,522</b>	<b>2,852,717</b>	<b>366,102</b>	<b>3,981,975</b>	<b>1,508,931</b>	<b>12,903,247</b>	<b>52,090,408</b>



### 13. DEPOSITS FROM CUSTOMERS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Demand deposits	366,561,989	1,472,846,072	161,624,131	652,476,617
Savings deposits	1,158,553,383	4,655,067,494	582,179,614	2,350,259,102
Fixed deposits	638,778,415	2,566,611,671	512,296,602	2,068,141,382
Margin deposits	11,208,469	45,035,628	8,392,997	33,882,529
	<b>2,175,102,256</b>	<b>8,739,560,865</b>	<b>1,264,493,344</b>	<b>5,104,759,630</b>

The deposits from customers are analysed as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>(a) By currency:</b>				
US Dollars	2,145,159,526	8,619,250,976	1,253,998,399	5,062,391,537
Khmer Riel	29,939,992	120,298,888	10,295,239	41,561,880
Euro	2,738	11,001	199,706	806,213
	<b>2,175,102,256</b>	<b>8,739,560,865</b>	<b>1,264,493,344</b>	<b>5,104,759,630</b>
<b>(b) By maturity:</b>				
Within 1 month	1,619,592,860	6,507,524,112	845,233,363	3,412,207,086
> 1 to 3 months	123,466,157	496,087,019	93,921,468	379,160,966
> 3 to 12 months	370,282,609	1,487,795,523	273,519,134	1,104,196,745
More than 12 months	61,760,630	248,154,211	51,819,379	209,194,833
	<b>2,175,102,256</b>	<b>8,739,560,865</b>	<b>1,264,493,344</b>	<b>5,104,759,630</b>
<b>(c) By relationship:</b>				
Non-related parties	2,171,399,727	8,724,684,103	1,261,490,729	5,092,638,073
Related parties	3,702,529	14,876,762	3,002,615	12,121,557
	<b>2,175,102,256</b>	<b>8,739,560,865</b>	<b>1,264,493,344</b>	<b>5,104,759,630</b>

	31 December 2018		31 December 2017	
<b>(d) By interest rate (per annum):</b>				
Demand deposits		0.00% to 1.00%		0.00% to 1.00%
Savings deposits		0.00% to 3.15%		0.00% to 3.40%
Fixed deposits		0.50% to 7.50%		1.00% to 7.50%
Margin deposits		–		–

## 14. BORROWINGS

		31 December 2018		31 December 2017	
		US\$	KHR'000	US\$	KHR'000
Industrial and Commercial Bank of China Limited	(i)	34,000,000	136,612,000	34,000,000	137,258,000
National Bank of Cambodia (LPCO)	(ii)	14,280,737	57,380,000	–	–
DEG	(iii)	11,875,003	47,713,763	12,500,001	50,462,504
First Commercial Bank	(iv)	10,000,000	40,180,000	–	–
AfrAsia Bank Limited	(v)	5,000,000	20,090,000	15,000,000	60,555,000
International Finance Corporation	(vi)	5,000,000	20,090,000	–	–
Taiwan Cooperative Bank	(vii)	–	–	25,000,000	100,925,000
		<b>80,155,740</b>	<b>322,065,763</b>	<b>86,500,001</b>	<b>349,200,504</b>

- (i) Represents four loans from Industrial and Commercial Bank of China Limited, Phnom Penh Branch. The first loan amounting to \$6,000,000 was obtained on 29 July 2016, the second loan amounting to \$5,000,000 was obtained on 29 August 2016, the third loan amounting to \$9,000,000 was obtained on 29 November 2016 and the fourth loan amounting to US\$14,000,000 was obtained on 30 June 2017. The interest is payable quarterly and the principal is repayable on maturities which are three years from the disbursement dates.
- (ii) Represents four Liquidity-Providing Collateralized Operation (LPCO) facilities from National Bank of Cambodia. The first LPCO amounting KHR 15,380 million was obtained on 22 February 2018, the second LPCO amounting KHR 24,000 million was obtained on 22 March 2018, the third LPCO amounting KHR 8,000 million was obtained on 18 October 2018 and the fourth LPCO amounting KHR 10,000 million was obtained on 20 December 2018. The principal and interest are payable on maturities with one-year term for the first two LPCOs and three-month term for remaining LPCOs.
- (iii) Represents three separate long-term loans obtained from DEG-Deutsche Investitions und Entwicklungsgesellschaft MbH. The first loan amounting to US\$10,000,000 was obtained on 23 June 2015, the second loan amounting to US\$5,000,000 was obtained on 3 February 2016, and the third loan amounting to US\$5,000,000 was obtained on 16 January 2018. The principal amounts are repayable by semi-annual installments starting from 15 December 2017 for the first and second loans, and from 15 December 2018 for the third loan. The interest is payable semi-annually from the date of each drawdown.
- (iv) Represents a syndicated loan arranged by First Commercial Bank. The first disbursement amounting US\$10,000,000 was received on 29 December 2017. The interest is payable semi-annually and the principal is repayable on maturities which are three years from the disbursement dates.
- (v) Represents a money placement from AfrAsia Bank Limited, Mauritius, received on 28 December 2018 with one-week term.
- (vi) Represents a loan from International Finance Corporation amounting US\$5,000,000 obtained on 29 December 2017. The principal amounts are repayable by semi-annual installments starting from 15 June 2019. The interest is payable semi-annually and the final principal is repayable on maturity which is five years from the disbursement date.
- (vii) Represents a 3 year syndicated loan arranged by Taiwan Cooperative Bank, Phnom Penh Branch, with the first loan drawdown for amount of US\$5,000,000 received on 26 January 2017, and the second drawdown for amounting of US\$20,000,000 received on 15 March 2017. The interest is payable semi-annually and the principal is repayable at maturity on 26 January 2020.

On 31 August 2018, both loans were repaid before maturities.

The above borrowings are unsecured and bear fixed interest rates ranging from 2.60% to 7.11% per annum (2017: 2.96% to 6.99%).

## 15. SUBORDINATED DEBTS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
National Bank of Canada	93,000,000	373,674,000	55,000,000	222,035,000

This represents seven subordinated debts obtained from National Bank of Canada. The first subordinated loan amounting to US\$10,000,000. The second subordinated loan amounting to US\$15,000,000 were approved by the National Bank of Cambodia on 6 January 2016. The third subordinated loan amounting to US\$10,000,000 was approved by National Bank of Cambodia on 26 October 2016. The fourth subordinated loan amounting to US\$20,000,000 was approved on 3 August 2017. The fifth, sixth and seventh subordinated loan amounting to US\$6,000,000, US\$20,000,000 and US\$14,000,000 were approved on 14 March 2018. The interest is repayable semi-annually and the principal is repayable in five equal consecutive instalments with the balance payable in full at maturities.

On 31 December 2018, the principal amounting to US\$2,000,000 of the first subordinated loan was repaid to the National Bank of Canada with approval from National Bank of Cambodia.

The above subordinated debts are unsecured and bear fixed interest rates ranging from 7.56% to 9.40% per annum (2017: 7.56% to 8.15%).

## 16. OTHER LIABILITIES

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Interest payable	12,256,626	49,247,123	12,156,068	49,074,047
Accrued expenses	9,532,835	38,302,931	4,710,051	19,014,476
Other tax payable	706,245	2,837,692	506,525	2,044,841
Provision for off-balance sheets	338,925	1,361,801	-	-
Others	5,901,618	23,712,701	4,741,769	19,142,521
	28,736,249	115,462,248	22,114,413	89,275,885

## 17. INCOME TAX

### (a) Current income tax payable

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	11,039,391	44,566,021	7,819,758	31,568,363
Current income tax expense	19,400,725	77,952,113	12,407,728	50,089,998
Income tax paid	(13,024,984)	(52,334,385)	(9,188,095)	(37,092,340)
Prior year adjustment	(134,592)	(540,791)	-	-
Currency translation difference	-	(209,748)	-	-
	17,280,540	69,433,210	11,039,391	44,566,021

### (b) Deferred tax

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Deferred tax asset	3,488,615	14,017,255	2,183,499	8,814,785
Deferred tax liabilities	(711,427)	(2,858,514)	(213,248)	(860,882)
	<b>2,777,188</b>	<b>11,158,741</b>	<b>1,970,251</b>	<b>7,953,903</b>

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

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At beginning of year	1,970,251	7,953,903	1,343,202	5,422,507
Charged to income statement	941,529	3,783,064	627,049	2,531,397
Prior year adjustment	(134,592)	(540,791)	-	-
Currency translation difference	-	(37,435)	-	-
	<b>2,777,188</b>	<b>11,158,741</b>	<b>1,970,251</b>	<b>7,953,903</b>

	Loan losses Provision
	US\$
<b>Deferred tax assets</b>	
At 1 January 2018	2,183,499
Credited to the income statement	1,305,116
<b>At 31 December 2018</b>	<b>3,488,615</b>
<b>Equivalent in KHR '000</b>	<b>14,017,255</b>

	Accelerated tax depreciation	Unrealised exchange gain	Total
	US\$	US\$	US\$
<b>Deferred tax liabilities</b>			
At 1 January 2018	(204,092)	(9,156)	(213,248)
Charged to the income statement	(276,482)	(87,105)	(363,587)
Prior year adjustment	(134,592)	-	(134,592)
<b>At 31 December 2018</b>	<b>(615,166)</b>	<b>(96,261)</b>	<b>(711,427)</b>
<b>Equivalent in KHR '000</b>	<b>(2,471,737)</b>	<b>(386,777)</b>	<b>(2,858,514)</b>

(c) Income tax expense

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Current income tax	19,400,725	77,952,114	12,407,728	50,089,998
Deferred tax	(941,529)	(3,783,064)	(627,049)	(2,531,397)
	<b>18,459,196</b>	<b>74,169,050</b>	<b>11,780,679</b>	<b>47,558,601</b>

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>Profit before income tax</b>	<b>90,276,710</b>	<b>362,731,821</b>	<b>57,969,842</b>	<b>234,024,252</b>
Income tax using statutory rate	18,055,342	72,546,364	11,593,968	46,804,849
Non-deductible expenses	226,879	911,600	161,552	652,185
Under provision in prior year	176,975	711,086	25,159	101,567
<b>Income tax expense</b>	<b>18,459,196</b>	<b>74,169,050</b>	<b>11,780,679</b>	<b>47,558,601</b>

## 18. SHARE CAPITAL

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Shares of US\$1,000 each:				
Issued and fully paid	165,000,000	662,970,000	125,000,000	504,625,000

The details of shareholdings were as follows:

	31 December 2018			31 December 2017		
	% of Ownership	Number of shares	Amount US\$	% of Ownership	Number of shares	Amount US\$
National Bank of Canada	90%	148,500	148,500,000	90%	112,500	112,500,000
Mr. Damir Karassayev	10%	16,500	16,500,000	10%	12,500	12,500,000
	<b>100%</b>	<b>165,000</b>	<b>165,000,000</b>	<b>100%</b>	<b>125,000</b>	<b>125,000,000</b>

The Bank issued additional shares as follow during the year:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	125,000,000	504,625,000	52,643,000	212,519,791
Convert from share premium	-	-	18,357,000	74,107,209
Convert from retained earnings	-	-	29,000,000	117,073,000
Issue share capital (*)	40,000,000	160,720,000	25,000,000	100,925,000
Currency translation difference	-	(2,375,000)	-	-
<b>Balance at the end of year</b>	<b>165,000,000</b>	<b>662,970,000</b>	<b>125,000,000</b>	<b>504,625,000</b>

(\*) On 31 December 2018, National Bank of Cambodia issued an approval letter allowing the Bank to increase its registered capital by US\$40,000,000 by issuing additional 36,000 shares to National Bank of Canada and 4,000 shares to Mr. Damir Karassayev, with a par value of US\$1,000 per share.

## 19. INTEREST INCOME

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>Interest income from:</b>				
Loans to customers	179,634,702	721,772,233	121,316,858	489,756,156
Deposits with banks	3,146,267	12,641,701	2,811,813	11,351,289
Investment securities	695,467	2,794,386	1,702,148	6,871,571
	<b>183,476,436</b>	<b>737,208,320</b>	<b>125,830,819</b>	<b>507,979,016</b>

## 20. INTEREST EXPENSE

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Deposits from customers	35,585,900	142,984,147	31,113,149	125,603,782
Borrowings	5,986,905	24,055,384	4,655,283	18,793,378
Subordinated debts	5,431,692	21,824,538	2,943,930	11,884,645
	<b>47,004,497</b>	<b>188,864,069</b>	<b>38,712,362</b>	<b>156,281,805</b>



## 21. FEE AND COMMISSION INCOME

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Loan commitment fees	13,229,237	53,155,074	9,632,670	38,887,090
Inward and outward remittances	2,844,714	11,430,061	2,175,221	8,781,367
Mastercard/Visa and UPI cards	10,924,209	43,893,472	7,649,601	30,881,439
Cable charges	217,276	873,015	143,027	577,400
Other fees	3,856,730	15,496,341	2,272,960	9,175,939
	<b>31,072,166</b>	<b>124,847,963</b>	<b>21,873,479</b>	<b>88,303,235</b>

## 22. FEE AND COMMISSION EXPENSE

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Mastercard	3,666,093	14,730,362	2,844,404	11,482,859
Visa card	3,937,929	15,822,599	2,541,819	10,261,323
Fee and commission paid to other banks and FIs	678,973	2,728,114	331,447	1,338,052
Union pay	59,892	240,646	59,294	239,370
Others	13,435	53,981	2,279	9,200
	<b>8,356,322</b>	<b>33,575,702</b>	<b>5,779,243</b>	<b>23,330,804</b>

## 23. OTHER OPERATING INCOME

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Gain/(loss) on sales of investment securities	326,257	1,310,901	(857,170)	(3,460,395)
Foreign exchange gain, net	796,902	3,201,952	592,591	2,392,290
Other incomes	347,891	1,397,826	295,081	1,191,242
	<b>1,471,050</b>	<b>5,910,679</b>	<b>30,502</b>	<b>123,137</b>

## 24. PERSONNEL EXPENSES

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	32,244,868	129,559,880	20,927,741	84,485,291
Seniority indemnity	1,726,702	6,937,889	-	-
Other personnel costs	1,315,966	5,287,551	331,660	1,338,911
	<b>35,287,536</b>	<b>141,785,320</b>	<b>21,259,401</b>	<b>85,824,202</b>

## 25. OPERATING EXPENSES

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Office rental	4,937,455	19,838,694	3,365,298	13,585,708
Repairs and maintenance	2,579,028	10,362,535	1,218,511	4,919,129
Office supplies	2,034,419	8,174,296	1,199,238	4,841,324
Vehicle rental expenses	1,715,355	6,892,296	955,358	3,856,780
Marketing and advertising	1,578,316	6,341,674	1,491,209	6,020,011
Utilities expenses	1,249,851	5,021,901	843,845	3,406,602
Security expenses	1,226,065	4,926,329	804,952	3,249,591
Communication	868,825	3,490,939	622,282	2,512,152
Professional fees	632,766	2,542,454	414,157	1,671,952
License fees	619,201	2,487,950	546,782	2,207,359
Motor vehicle operation expenses	532,200	2,138,380	287,659	1,161,279
Travelling	485,890	1,952,306	647,253	2,612,960
Foreclosed properties written off	421,551	1,693,792	-	-
Insurance expenses	375,311	1,508,000	277,337	1,119,609
Credit report (CBC) expenses	244,558	982,634	219,081	884,430
Board of Directors fees	182,503	733,297	126,320	509,954
Business meal and entertainment	99,683	400,526	153,778	620,802
Membership fees	14,559	58,498	25,621	103,432
Other expenses	546,482	2,195,763	795,520	3,211,516
	<b>20,344,018</b>	<b>81,742,264</b>	<b>13,994,201</b>	<b>56,494,590</b>

## 26. DEPRECIATION AND AMORTISATION EXPENSES

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Depreciation	4,690,466	18,846,293	2,915,073	11,768,150
Amortisation	407,971	1,639,227	346,132	1,397,335
	<b>5,098,437</b>	<b>20,485,520</b>	<b>3,261,205</b>	<b>13,165,485</b>

## 27. CASH AND CASH EQUIVALENTS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	151,000,293	606,719,177	68,986,300	278,497,693
Balances with the NBC	146,916,210	590,309,332	38,269,706	154,494,805
Balances with other banks	145,762,768	585,674,802	53,962,453	217,846,422
	<b>443,679,271</b>	<b>1,782,703,311</b>	<b>161,218,459</b>	<b>650,838,920</b>

## 28. COMMITMENTS AND CONTINGENCIES

### (a) Operating lease commitments

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

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
No later than 1 year	4,827,581	19,397,220	3,210,375	12,960,284
Later than 1 year and no later than 5 years	19,850,867	79,760,784	10,524,487	42,487,354
Later than 5 years	17,116,474	68,773,993	7,635,171	30,823,185
	<b>41,794,922</b>	<b>167,931,997</b>	<b>21,370,033</b>	<b>86,270,823</b>

### (b) Other commitments

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Unused portion of overdrafts	24,289,131	97,593,728	17,305,614	69,862,764
Performance bonds	10,933,517	43,930,871	7,498,846	30,272,841
Letter of credits	7,415,280	29,794,595	5,419,972	21,880,427
Securities	4,400,000	17,679,200	4,775,000	19,276,675
Payment guarantees	746,744	3,000,417	-	-
Bid bonds	71,000	285,278	683,000	2,757,271
Warranty bonds	5,466	21,962	-	-
Other guarantees	2,314,679	9,300,380	3,361,246	13,569,350
	<b>50,175,817</b>	<b>201,606,431</b>	<b>39,043,678</b>	<b>157,619,328</b>

## 29. RELATED PARTY TRANSACTIONS AND BALANCES

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

### (a) Related party balances

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Borrowings from National Bank of Canada	93,000,000	373,674,000	55,000,000	222,035,000
Deposits and placements by key management, directors and shareholders	3,702,529	14,876,762	3,002,615	12,121,557

### (b) Other related party transactions

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Interest expenses to National Bank of Canada	5,431,692	21,824,538	2,943,930	11,884,645
Interest expenses to key management, directors and shareholders	147,991	594,628	843,949	3,407,023

### (c) Key management, directors and shareholders personnel remuneration

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Salaries and benefits *	7,260,529	29,172,806	5,508,304	22,237,023

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

## 30. FINANCIAL RISK MANAGEMENT

### Introduction and overview

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

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

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

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Credit, Governance, Compliance, Audit, and Risk committees, which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All committees have 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, Compliance 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.

Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee for Board of Directors' meeting.

#### (a) Operational risk

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

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

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

#### (b) Credit risk

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

##### (i) Management of credit risk

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

The Bank has established the Credit and 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 annual basis for all loans with outstanding greater than US\$200,000, and in event of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

(ii) Exposure to credit risk

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<b>Loans to customers</b>				
Neither past due nor impaired	1,804,784,363	7,251,623,571	1,221,783,208	4,932,338,811
Past due but not impaired	15,692,592	63,052,835	4,133,513	16,686,992
Individually impaired	14,378,805	57,774,038	9,763,842	39,416,630
	<b>1,834,855,760</b>	<b>7,372,450,444</b>	<b>1,235,680,563</b>	<b>4,988,442,433</b>

It is not practical to obtain fair value of collateral due to costs of obtaining such information outweigh the potential benefits. The Bank's policy is to fund approximately 60% of the collateral value, except margin deposits or restricted fixed deposits. Under NBC regulations, the value of collateral is not taken into account when determining the allowance for bad and doubtful loans.

*Neither past due or impaired*

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

*Past due but not impaired loans to customers*

Past due but not impaired loans are those which are classified as special mention in compliance with NBC Guidelines with a specific allowance of 3% of the loan outstanding. For these loans the contractual interest or principal payments are past due more than 30 days but less than 90 days for long term loans (more than 30 days but less than 60 days for short term loans), unless other information is available to indicate otherwise.

*Impaired loans to customers*

Individually impaired loans are loans for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans. In compliance with NBC Guidelines, an allowance for doubtful loans is made for loans with payment overdue equal to or more than 90 days for long term loans (equal to or more than 60 days for short term loan). A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

*Loans with renegotiated terms/restructured loans*

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions. As at 31 December 2018, the Bank has restructured loans amounting to US\$14,751,032 (31 December 2017: US\$11,337,139).

Once the loan is restructured it remains in the same category regardless of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within six instalment periods for loans with monthly repayment and within one year for loan with quarterly and semi-annual repayment.

*Write-off policy*

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

*Collateral*

The Bank holds collateral against loans in the form of mortgage interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed on an annual basis for loans above US\$200,000 and in event of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

*Concentration of credit risk*

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



**(c) Market risk**

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

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

**(i) Foreign currency exchange risk**

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

As of 31 December 2018, net foreign currency exchange open positions in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

**(ii) Interest rate risk**

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

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

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2018</b>							
<b>Assets</b>							
Cash on hand	–	–	–	–	–	151,000,293	151,000,293
Balance with the NBC	21,151,752	37,944,500	10,000,000	–	–	366,865,559	435,961,811
Balance with other banks	28,454,468	87,094,196	58,363,274	7,500,000	–	25,214,105	206,626,043
Loans to customers							
– Performing	4,320,734	9,316,951	38,450,005	398,997,326	1,369,391,939	–	1,820,476,955
– Non-performing	67,915	5,054	615,187	7,391,655	6,298,994	–	14,378,805
– Specific allowance	–	–	–	–	–	(7,804,280)	(7,804,280)
– General allowance	–	–	–	–	–	(18,047,844)	(18,047,844)
– Interest receivable	–	–	–	–	–	13,004,271	13,004,271
– Interest in suspense	–	–	–	–	–	(1,566,418)	(1,566,418)
Investment securities	–	–	29,719,104	3,272,156	–	–	32,991,260
Other assets	–	–	–	–	–	18,481,625	18,481,625
	<b>53,994,869</b>	<b>134,360,701</b>	<b>137,147,570</b>	<b>417,161,137</b>	<b>1,375,690,933</b>	<b>547,147,311</b>	<b>2,665,502,521</b>
<b>Liabilities</b>							
Deposits from customers	1,474,971,813	123,466,157	370,282,609	61,760,630	–	144,621,047	2,175,102,256
Borrowings	6,991,040	12,289,696	20,000,000	40,875,004	–	–	80,155,740
Subordinated debts	–	–	–	23,000,000	70,000,000	–	93,000,000
Other liabilities	–	–	–	–	–	28,736,249	28,736,249
	<b>1,481,962,853</b>	<b>135,755,853</b>	<b>390,282,609</b>	<b>125,635,634</b>	<b>70,000,000</b>	<b>173,357,296</b>	<b>2,376,994,245</b>
<b>Interest sensitivity gap</b>	<b>(1,427,967,984)</b>	<b>(1,395,152)</b>	<b>(253,135,039)</b>	<b>291,525,503</b>	<b>1,305,690,933</b>	<b>373,790,015</b>	<b>288,508,276</b>

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2017</b>							
<b>Assets</b>							
Cash on hand	–	–	–	–	–	68,986,300	68,986,300
Balance with the NBC	2,477,087	3,046,792	–	–	–	201,765,485	207,289,364
Balance with other banks	42,236,155	25,600,021	4,888,668	–	–	12,199,051	84,923,895
Loans to customers							
– Performing	3,635,947	8,222,420	32,057,798	283,467,506	898,533,050	–	1,225,916,721
– Non-performing	155,203	19,734	1,370,009	4,784,774	3,434,122	–	9,763,842
– Specific allowance	–	–	–	–	–	(4,464,450)	(4,464,450)
– General allowance	–	–	–	–	–	(12,217,831)	(12,217,831)
– Interest receivable	–	–	–	–	–	9,135,475	9,135,475
– Interest in suspense	–	–	–	–	–	(760,936)	(760,936)
Investment securities	–	–	5,755,133	11,094,499	–	–	16,849,632
Other assets	–	–	–	–	–	13,862,254	13,862,254
	<b>48,504,392</b>	<b>36,888,967</b>	<b>44,071,608</b>	<b>299,346,779</b>	<b>901,967,172</b>	<b>288,505,348</b>	<b>1,619,284,266</b>
<b>Liabilities</b>							
Deposits from customers	778,659,157	93,921,468	273,519,134	51,819,379	–	66,574,206	1,264,493,344
Borrowings	15,000,000	–	–	71,500,001	–	–	86,500,001
Subordinated debt	–	–	–	10,000,000	45,000,000	–	55,000,000
Other liabilities	–	–	–	–	–	22,114,413	22,114,413
	<b>793,659,157</b>	<b>93,921,468</b>	<b>273,519,134</b>	<b>133,319,380</b>	<b>45,000,000</b>	<b>88,688,619</b>	<b>1,428,107,758</b>
<b>Interest sensitivity gap</b>	<b>(745,154,765)</b>	<b>(57,032,501)</b>	<b>(229,447,526)</b>	<b>166,027,399</b>	<b>856,967,172</b>	<b>199,816,729</b>	<b>191,176,508</b>

*Fair value sensitivity analysis for fixed rate instruments*

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the reporting date. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable-rate instruments*

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

**(d) Liquidity risk**

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

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

The following table provides an analysis of the liquidity gap of the Bank into relevant maturity groupings based on the remaining periods to repayment. The table does not include imputed interests on financial assets and financial liabilities as the efforts to compute the imputed interest outweigh disclosure benefits. The management considers that the imputed interest receivables from loans are greater than imputed interest payables to customers on deposits and borrowings due to their sizes and interest rates. Hence, the liquidity gap when including the imputed interest is favourable to the Bank.

Although the table shows a negative liquidity gap, based on past experience, the management believes that customers will not withdraw their deposits according to the maturity. The deposits keep rolling from one cycle to another. Therefore, management believes that underlying liquidity risk is manageable.

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 years	No fixed terms	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2018</b>							
<b>Asset</b>							
Cash on hand	151,000,293	–	–	–	–	–	151,000,293
Balance with the NBC	108,971,710	37,944,500	10,000,000	–	–	279,045,601	435,961,811
Balance with other banks	53,668,573	87,094,196	58,363,274	7,500,000	–	–	206,626,043
Loans to customers							
– Performing	24,940,138	52,616,213	227,732,399	1,007,097,872	508,090,333	–	1,820,476,955
– Non-performing	1,716,757	289,158	2,057,668	8,241,130	2,074,092	–	14,378,805
– Specific allowance	–	–	–	–	–	(7,804,280)	(7,804,280)
– General allowance	–	–	–	–	–	(18,047,844)	(18,047,844)
– Interest receivable	–	–	–	–	–	13,004,271	13,004,271
– Interest in suspense	–	–	–	–	–	(1,566,418)	(1,566,418)
Investment securities	–	–	29,719,104	3,272,156	–	–	32,991,260
Other assets	16,782,584	1,320,552	–	–	–	378,489	18,481,625
	<b>357,080,055</b>	<b>179,264,619</b>	<b>327,872,445</b>	<b>1,026,111,158</b>	<b>510,164,425</b>	<b>265,009,819</b>	<b>2,665,502,521</b>
<b>Liabilities</b>							
Deposits from customers	1,358,018,035	188,859,863	566,463,728	61,760,630	–	–	2,175,102,256
Borrowings	6,991,040	12,289,696	26,250,000	34,625,004	–	–	80,155,740
Subordinated debts	–	–	–	23,000,000	70,000,000	–	93,000,000
Other liabilities	28,736,249	–	–	–	–	–	28,736,249
	<b>1,393,745,324</b>	<b>201,149,559</b>	<b>592,713,728</b>	<b>119,385,634</b>	<b>70,000,000</b>	<b>–</b>	<b>2,376,994,245</b>
<b>Liquidity gap</b>	<b>(1,036,665,269)</b>	<b>(21,884,940)</b>	<b>(264,841,283)</b>	<b>906,725,524</b>	<b>440,164,425</b>	<b>265,009,819</b>	<b>288,508,276</b>

	Up to 1 month	> 1 – 3 months	> 3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2017</b>							
<b>Asset</b>							
Cash on hand	68,986,300	–	–	–	–	–	68,986,300
Balance with the NBC	35,222,915	3,046,792	–	–	–	169,019,657	207,289,364
Balance with other banks	54,435,206	25,600,021	4,888,668	–	–	–	84,923,895
Loans to customers							
– Performing	17,947,345	38,191,721	109,666,278	743,255,199	316,856,178	–	1,225,916,721
– Non-performing	874,576	157,511	1,861,968	5,845,671	1,024,116	–	9,763,842
– Specific allowance	–	–	–	–	–	(4,464,450)	(4,464,450)
– General allowance	–	–	–	–	–	(12,217,831)	(12,217,831)
– Interest receivable	–	–	–	–	–	9,135,475	9,135,475
– Interest in suspense	–	–	–	–	–	(760,936)	(760,936)
Investment securities	–	–	5,755,133	11,094,499	–	–	16,849,632
Other assets	10,227,341	22,100	1,563,468	449,201	1,341,080	259,064	13,862,254
	<b>187,693,683</b>	<b>67,018,145</b>	<b>123,735,515</b>	<b>760,644,570</b>	<b>319,221,374</b>	<b>160,970,979</b>	<b>1,619,284,266</b>
<b>Liabilities</b>							
Deposits from customers	626,573,942	148,586,323	437,513,700	51,819,379	–	–	1,264,493,344
Borrowings	15,000,000	–	4,999,999	66,500,002	–	–	86,500,001
Subordinated debt	–	–	–	10,000,000	45,000,000	–	55,000,000
Other liabilities	22,114,413	–	–	–	–	–	22,114,413
	<b>663,688,355</b>	<b>148,586,323</b>	<b>442,513,699</b>	<b>128,319,381</b>	<b>45,000,000</b>	<b>–</b>	<b>1,428,107,758</b>
<b>Liquidity gap</b>	<b>(475,994,672)</b>	<b>(81,568,178)</b>	<b>(318,778,184)</b>	<b>632,325,189</b>	<b>274,221,374</b>	<b>160,970,979</b>	<b>191,176,508</b>

## (e) Capital management

### (i) Regulatory capital

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

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

The Bank has complied with all regulatory imposed capital requirement throughout the year.

### (ii) Capital allocation

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

### **31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

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

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. Fair values, therefore, are not presented in the financial statements.

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

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



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No. 141, 146, 148, and 148 ABCD, Preah Sihanouk Blvd,  
and No. 15 and 153 ABC, Street 278, Sangkat Boeung Keng Kang I,  
Khan Chamkamorn, Phnom Penh, Kingdom of Cambodia

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