

ADVANCED BANK OF ASIA LIMITED

**Financial Statements
for the year ended 31 December 2015
and
Report of the Independent Auditors**

Corporate information

Bank	Advanced Bank of Asia Limited	
Registration No	Co. 322/97E	
Registered office	No. 148, Preah Sihanouk Blvd Sangkat Boeung Keng Kang Khan Chamkamorn, Phnom Penh Kingdom of Cambodia	
Shareholders	Damir Karassayev National Bank of Canada	
Directors	Damir Karassayev Madi Akmambet Nurlan Tokobayev Yves Jacquot Etienne Chenevier	Chairman Executive Director Independent Director Director Independent Director
Key management team	Askhat Azhikhanov Lee Young Ho Babu Ram Gyawali Bibhu Pandey Rasulov Zokhir Galymzhan Temirov Sanzhar Abdullayev Long Phanith Mey Polin Zhiger Atchabarov Bakhadir Ermatov	Chief Executive Officer Deputy Chief Executive Officer Chief Financial Officer Chief Credit Officer Chief Marketing Officer Chief Technology and Infrastructure Development Officer Chief of Card & E-banking Officer Chief Cash Operation Officer Chief Business Development Officer Chief International Relations Officer Chief Compliance Officer
Auditors	KPMG Cambodia Ltd	

Advanced Bank of Asia Limited

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Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of Advanced Bank of Asia Limited (“the Bank”) for the year ended 31 December 2015.

Principal activities

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

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

Financial results

The financial results of the Bank for the year ended 31 December 2015 were as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	19,671,315	79,668,826	9,347,300
Income tax expense	(3,683,264)	(14,917,219)	(1,864,985)
Net profit for the year	<u>15,988,051</u>	<u>64,751,607</u>	<u>7,482,315</u>

Dividends

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

Share capital

On 20 January 2015, National Bank of Canada acquired 700 shares (approximately 1.57% shareholding) from one of the existing shareholders. During the year, the Bank has increased its share capital from US\$44,668,000 to US\$52,643,000 through issuance of additional 7,975 shares with a premium of US\$12,025,000.

These transactions were approved by the National Bank of Cambodia (“NBC”) and the Ministry of Commerce (“MoC”) on 5 March 2015 and 12 March 2015 respectively.



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Advanced Bank of Asia Limited

Reserves and provisions

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

Bad and doubtful loans and advances

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

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

Assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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



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Change of circumstances

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

Items of unusual nature

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

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

Directors

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

Damir Karassayev	Chairman
Madi Akmambet	Executive Director
Nurlan Tokobayev	Independent Director
Yves Jacquot	Director
Etienne Chenevier	Independent Director

Directors' interests

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

	<u>1 January 2015</u>		(Sale)/ purchase	<u>31 December 2015</u>	
	No. of shares	%		No. of shares	%
Mr. Damir Karassayev	<u>31,268</u>	<u>70.00</u>	<u>(700)</u>	<u>30,568</u>	<u>58.07</u>

Directors' benefits

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

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

Advanced Bank of Asia Limited

Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements, as set out on pages 7 to 51, present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements. In preparing these financial statements, the Board of Directors oversees the preparation of these financial statements by management who is required:

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

Directors' responsibility in respect of the financial statements

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

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



Askhat Azhikhanov
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 21 MAR 2016



Head Office

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REPORT OF THE INDEPENDENT AUDITORS

To the shareholders

Advanced Bank of Asia Limited

We have audited the accompanying financial statements of Advanced Bank of Asia Limited (“the Bank”), which comprise the balance sheet as at 31 December 2015, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 7 to 51.

Management’s responsibility for the financial statements

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

Auditors’ responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Advanced Bank of Asia Limited as at 31 December 2015 and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

21 March 2016

Advanced Bank of Asia Limited

Balance sheet As at 31 December 2015

	Note	2015 US\$	2015 KHR'000 (Note 4)	2014 US\$
Assets				
Current assets				
Cash on hand	5	29,676,827	120,191,149	25,746,874
Deposits and placements with other banks and financial institutions	6	138,826,949	562,249,144	86,502,567
Loans and advances to customers-net	7	481,628,685	1,950,596,174	269,887,238
Investment securities	8	53,756,371	217,713,303	50,300,121
Foreclosed property	9	4,070,145	16,484,088	4,615,790
Other assets	10	6,479,328	26,241,278	6,429,027
Statutory deposits with National Bank of Cambodia	11	82,292,374	333,284,115	54,322,190
Intangible assets	12	2,009,741	8,139,451	1,887,914
Property and equipment	13	6,897,192	27,933,627	5,267,714
Total assets		805,637,612	3,262,832,329	504,959,435
Liabilities and shareholders' funds				
Current liabilities				
Deposits from customers and other banks	14	654,411,278	2,650,365,676	433,424,080
Other liabilities	15	8,705,518	35,257,348	5,703,045
Borrowings	16	39,000,000	157,950,000	-
Provision for income tax	17(a)	3,424,617	13,869,699	1,451,084
Deferred tax liabilities	17(b)	93,835	380,032	366,913
Total liabilities		705,635,248	2,857,822,755	440,945,122
Shareholders' funds				
Share capital	18	52,643,000	213,204,150	44,668,000
Share premium		18,357,000	74,345,850	6,332,000
Retained earnings		29,002,364	117,459,574	13,014,313
Total shareholders' funds		100,002,364	405,009,574	64,014,313
Total liabilities and shareholders' funds		805,637,612	3,262,832,329	504,959,435

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

Advanced Bank of Asia Limited

Income statement for the year ended 31 December 2015

	Note	US\$	2015 KHR'000 (Note 4)	2014 US\$
Interest income	19	51,862,586	210,043,473	31,156,150
Interest expense	20	(19,194,049)	(77,735,898)	(13,363,194)
Net interest income		32,668,537	132,307,575	17,792,956
Fee and commission income - net	21	7,880,220	31,914,891	5,363,658
Other income - net	22	414,806	1,679,964	59,492
Personnel cost	23	(9,685,881)	(39,227,818)	(5,949,332)
General and administrative expenses	24	(7,114,106)	(28,812,129)	(6,433,146)
Depreciation and amortisation		(1,890,899)	(7,658,141)	(1,232,008)
Operating profit		22,272,677	90,204,342	9,601,620
Allowance for bad and doubtful loans and advances	7	(1,942,320)	(7,866,396)	(254,320)
Profit before income tax and finance cost		20,330,357	82,337,946	9,347,300
Finance cost		(659,042)	(2,669,120)	-
Profit before income tax		19,671,315	79,668,826	9,347,300
Income tax expense	17(c)	(3,683,264)	(14,917,219)	(1,864,985)
Net profit for the year		15,988,051	64,751,607	7,482,315

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

Advanced Bank of Asia Limited

Statement of changes in equity for the year ended 31 December 2015

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total
At 1 January 2014	36,000,000	-	5,531,998	41,531,998
Issued share capital	8,668,000	6,332,000	-	15,000,000
Net profit for the year	-	-	7,482,315	7,482,315
At 31 December 2014	<u>44,668,000</u>	<u>6,332,000</u>	<u>13,014,313</u>	<u>64,014,313</u>
At 1 January 2015	44,668,000	6,332,000	13,014,313	64,014,313
Issued share capital	7,975,000	12,025,000	-	20,000,000
Net profit for the year	-	-	15,988,051	15,988,051
At 31 December 2015	<u>52,643,000</u>	<u>18,357,000</u>	<u>29,002,364</u>	<u>100,002,364</u>
At 31 December 2015 (KHR'000 equivalents – Note 4)	<u>213,204,150</u>	<u>74,345,850</u>	<u>117,459,574</u>	<u>405,009,574</u>

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

Advanced Bank of Asia Limited

Statement of cash flows for the year ended 31 December 2015

	Note	US\$	2015 KHR'000 (Note 4)	2014 US\$
Cash flows from operating activities				
Net cash (used in)/generated from operating activities	25	(24,868,143)	(100,715,979)	21,031,821
Cash flows from investing activities				
Purchase of property and equipment		(3,246,457)	(13,148,151)	(3,870,194)
Purchase of intangible assets		(395,747)	(1,602,775)	(383,181)
Proceeds from disposals of property and equipment		-	-	102,182
Proceeds from sale foreclosed property		2,173,277	8,801,771	405,367
Net cash used in investing activities		(1,468,927)	(5,949,155)	(3,745,826)
Cash flows from financing activities				
Proceed from issuance of share capital		20,000,000	81,000,000	15,000,000
Proceed from borrowings		39,000,000	157,950,000	-
Net cash generated from financing activities		59,000,000	238,950,000	15,000,000
Net increase in cash and cash equivalents		32,662,930	132,284,866	32,285,995
Cash and cash equivalents at beginning of year		70,163,502	284,162,183	37,877,507
Cash and cash equivalents at end of year	26	102,826,432	416,447,049	70,163,502

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

Advanced Bank of Asia Limited

Notes to the financial statements for the year ended 31 December 2015

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

1. Reporting entity

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

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

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

As at 31 December 2015, the Bank had 1,017 employees (31 December 2014: 702 employees).

2. Basis of preparation

(a) Statement of compliance

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

The financial statements of the Bank were authorised for issue by the Board of Directors on 21 March 2016.

(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.

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

2. Basis of preparation (continued)

(c) Functional and presentation currency (continued)

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

(d) Use of estimates and judgements

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

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

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

3. Significant accounting policies

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

(a) Financial instruments

The Bank's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, borrowings, and other receivables and payables.

(b) Cash and cash equivalents

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(c) Deposits and placements with banks

Deposits and placements with banks are carried at cost less allowance for any uncollectable amounts.

(d) Loans and advances

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

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

(e) Allowance for bad and doubtful loans and advances

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

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

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

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(e) Allowance for bad and doubtful loans and advances (continued)

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

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

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

(f) Interest in suspense

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

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

(g) Investment securities

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

(h) Statutory deposits

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

(i) Other assets

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(j) Foreclosed properties

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

(k) Intangible assets

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

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

(l) Property and equipment

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

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

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

(iv) Subsequent expenditure relating to an item of premises and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(l) Property and equipment (continued)

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

(m) Impairment of assets

(i) *Financial assets*

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

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

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

All impairment losses are recognised in the income statement.

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

(ii) *Non-financial assets*

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(m) Impairment of assets (continued)

(ii) *Non-financial assets (continued)*

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

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

(n) Deposits from customers and banks

Deposits from customers and banks are stated at cost.

(o) Borrowings

Borrowings are stated at the amount of the principal outstanding.

(p) Other liabilities

Payables and other liabilities are stated at their costs.

(q) Provisions

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(r) Income recognition

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

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

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

(s) Interest expense

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

(t) Operating leases

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

(u) Income tax

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

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

3. Significant accounting policies (continued)

(u) Income tax (continued)

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

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

(v) Related parties

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

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

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines issued by the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR 4,050 published by the NBC on 31 December 2015. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

5. Cash on hand

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Cash on hand	28,002,115	113,408,566	21,228,668
Cash items in the process of collection	1,674,712	6,782,583	4,518,206
	<u>29,676,827</u>	<u>120,191,149</u>	<u>25,746,874</u>

6. Deposits and placements with other banks and financial institutions

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Inside Cambodia:			
National Bank of Cambodia	30,768,670	124,613,114	32,276,290
Commercial banks	77,331,135	313,191,097	42,241,380
Micro-finance institutions	12,068,860	48,878,883	5,707,611
	<u>120,168,665</u>	<u>486,683,094</u>	<u>80,225,281</u>
Outside Cambodia:			
Commercial banks	18,658,284	75,566,050	6,277,286
	<u>138,826,949</u>	<u>562,249,144</u>	<u>86,502,567</u>

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

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within one month	76,335,649	309,159,379	50,416,627
2 to 3 months	9,978,822	40,414,229	3,913,747
4 to 6 months	22,291,015	90,278,611	9,378,441
7 to 12 months	29,221,463	118,346,925	15,793,752
1 to 5 years	1,000,000	4,050,000	7,000,000
	<u>138,826,949</u>	<u>562,249,144</u>	<u>86,502,567</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

6. Deposits and placements with other banks and financial institutions (continued)

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

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(b) By currency:			
US Dollars	137,807,350	558,119,768	85,796,294
Khmer Riels	662,342	2,682,485	442,949
Euro	192,483	779,556	95,652
Thai Baht	31,939	129,353	38,761
British Pound	38,899	157,541	59,208
Singapore Dollars	93,936	380,441	69,703
	<u>138,826,949</u>	<u>562,249,144</u>	<u>86,502,567</u>

(c) By interest rates (per annum):

	2015	2014
Commercial banks in Cambodia	0.05% - 6.10%	0.05% - 6.10%
Micro-finance institutions in Cambodia	4.50% - 8.15%	5.00% - 8.15%
Banks outside Cambodia	Nil to 0.90%	Nil to 0.95%

7. Loans and advances to customers – net

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Commercial loans:			
Long term loans	423,149,348	1,713,754,859	223,366,839
Short term loans	11,197,249	45,348,858	10,885,869
Overdrafts	33,662,300	136,332,315	28,664,657
Consumer loans:			
Housing loans	10,610,510	42,972,566	5,779,533
Vehicle loans	353,707	1,432,513	361,102
Staff loans	4,217,430	17,080,592	2,112,776
Credit cards	525,024	2,126,347	366,405
Total loans – gross	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

7. Loans and advances to customers – net (continued)

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Total loans – gross	483,715,568	1,959,048,050	271,537,181
Net interest receivable			
Accrued interest receivable	3,265,710	13,226,126	1,925,014
Interest-in-suspense	(170,429)	(690,237)	(212,620)
	3,095,281	12,535,889	1,712,394
Total gross loans and net interest receivable	486,810,849	1,971,583,939	273,249,575
Allowance for bad and doubtful loans and advances	(5,182,164)	(20,987,765)	(3,362,337)
	481,628,685	1,950,596,174	269,887,238

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

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
At 1 January	3,362,337	13,617,465	3,663,096
Addition during the year	1,962,657	7,948,761	851,153
Recovery during the year	(20,337)	(82,365)	(596,833)
Net additional allowance	1,942,320	7,866,396	254,320
Written off during the year	(122,493)	(496,096)	(555,079)
At 31 December	5,182,164	20,987,765	3,362,337

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

7. Loans and advances to customers – net (continued)

The gross loans and advances are analysed as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within one month	7,265,011	29,423,295	3,241,776
2 to 3 months	10,024,558	40,599,460	7,975,965
4 to 6 months	11,260,947	45,606,835	11,625,760
7 to 12 months	22,724,817	92,035,509	20,060,012
1 to 3 years	55,887,107	226,342,783	45,844,751
4 to five years	126,942,147	514,115,695	75,332,086
Over five years	249,610,981	1,010,924,473	107,456,831
	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>
(b) By performance:			
Standard loans			
Secured	460,022,057	1,863,089,331	251,134,442
Unsecured	22,530,172	91,247,196	13,427,700
Special mention loans			
Secured	680,271	2,755,098	6,251,781
Sub-standard loans			
Secured	18,718	75,808	171,449
Unsecured	39,228	158,873	-
Doubtful loans			
Secured	92,809	375,876	26,056
Loss loans			
Secured	332,313	1,345,868	525,753
	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>
(c) By security:			
Secured	461,146,168	1,867,641,981	258,109,481
Unsecured	22,569,400	91,406,069	13,427,700
	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>
(d) By currency:			
US Dollars	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

7. Loans and advances to customers – net (continued)

The gross loans and advances are analysed as follows: (continued)

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(e) By residency status:			
Residents	483,362,225	1,957,617,011	271,505,012
Non-residents	353,343	1,431,039	32,169
	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>
(f) By relationship:			
Non-related parties	479,498,138	1,941,967,458	269,424,405
Staff loan	4,217,430	17,080,592	2,112,776
	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>
(g) By industry:			
Financial institution	17,216,667	69,727,501	10,883,333
Agriculture	20,370,874	82,502,040	14,861,000
Manufacturing	20,744,624	84,015,727	12,543,892
Utilities	6,446,495	26,108,305	1,511,787
Construction	14,891,606	60,311,004	9,248,289
Wholesale and trade	36,763,383	148,891,701	28,110,862
Retail trade	135,294,875	547,944,244	51,204,983
Hotel and restaurants	27,844,121	112,768,690	14,603,106
Transportation and storage	15,915,726	64,458,690	1,577,557
Information media and telecommunication	966,908	3,915,977	798,665
Rental and lease excluding real estate	5,946,863	24,084,795	5,452,156
Real estate operation (residential)	42,825,880	173,444,814	30,271,541
Real estate and public utilities	17,524,897	70,975,833	14,884,219
Other non-financial services	103,755,210	420,208,601	68,308,476
Personal consumption	16,682,415	67,563,781	6,910,910
Credit cards	525,024	2,126,347	366,405
	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

7. Loans and advances to customers – net (continued)

The gross loans and advances are analysed as follows: (continued)

	2015 US\$	2015 KHR'000 (Note 4)	2014 US\$
(h) By exposure:			
Non-large exposures	483,715,568	1,959,048,050	271,537,181

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.

(i) By interest rates (per annum):	2015	2014
Overdrafts	5.75% - 18.00%	6.00% - 18.00%
Loans	4.00% - 24.00%	4.00% - 24.00%
Trade finance	9.50%	9.50%
Staff loans	5.00% - 15.00%	5.00% - 15.00%

8. Investment securities

	2015 US\$	2015 KHR'000 (Note 4)	2014 US\$
Securities held to maturity (*)	53,756,371	217,713,303	50,300,121

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

9. Foreclosed property

Foreclosed properties relate to properties taken over from customers who are unable to repay their loans. NBC Guidelines require that the foreclosed assets be disposed of within 12 months of foreclosure.

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

10. Other assets

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Interests receivable from deposits and placements with banks and securities	2,612,403	10,580,232	1,568,314
Deposits and prepayment	1,533,263	6,209,715	1,919,805
Advance payments	724,223	2,933,103	467,595
MoneyGram and MasterCard receivable	756,129	3,062,322	562,863
Pay&Go receivable	109,799	444,687	1,373,074
Investment – Credit Bureau	25,588	103,631	25,588
Others	717,923	2,907,588	511,788
	<u>6,479,328</u>	<u>26,241,278</u>	<u>6,429,027</u>

11. Statutory deposits with National Bank of Cambodia

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Statutory deposits on:			
Capital guarantee	5,264,300	21,320,415	4,466,800
Reserve requirements	77,028,074	311,963,700	49,855,390
	<u>82,292,374</u>	<u>333,284,115</u>	<u>54,322,190</u>

(a) Statutory deposit capital guarantee:

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit of 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is only refundable should the Bank voluntarily cease its operations in Cambodia. During the year, interest was earned at rates ranging from 0.08% to 0.17% per annum (2014: 0.08% to 0.17% per annum).

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

11. Statutory deposits with National Bank of Cambodia (continued)

(b) Reserve requirements on customers' deposits:

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

12. Intangible assets

	Software		
	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Cost			
At 1 January	2,483,105	10,056,575	2,107,435
Additions	395,747	1,602,775	383,181
Written off	-	-	(7,511)
At 31 December	<u>2,878,852</u>	<u>11,659,350</u>	<u>2,483,105</u>
Accumulated amortisation			
At 1 January	595,191	2,410,523	426,065
Amortisation for the year	273,920	1,109,376	176,637
Written off	-	-	(7,511)
At 31 December	<u>869,111</u>	<u>3,519,899</u>	<u>595,191</u>
Carrying amounts			
At 31 December	<u><u>2,009,741</u></u>	<u><u>8,139,451</u></u>	<u><u>1,887,914</u></u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

13. Property and equipment

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

13. Property and equipment (continued)

2014	Leasehold improvements US\$	Office equipment, furniture and fixture US\$	Motor vehicles US\$	Computers and IT equipment US\$	Total US\$
Cost					
At 1 January 2014	1,838,376	1,133,317	267,197	1,506,116	4,745,006
Additions	1,288,771	716,775	706,195	1,158,453	3,870,194
Disposals	(130,132)	(259,931)	(161,407)	(237,222)	(788,692)
At 31 December 2014	<u>2,997,015</u>	<u>1,590,161</u>	<u>811,985</u>	<u>2,427,347</u>	<u>7,826,508</u>
Less: Accumulated depreciation					
At 1 January 2014	716,882	692,988	108,179	700,282	2,218,331
Depreciation for the year	378,013	192,927	100,759	383,672	1,055,371
Disposals	(130,132)	(259,931)	(87,623)	(237,222)	(714,908)
At 31 December 2014	<u>964,763</u>	<u>625,984</u>	<u>121,315</u>	<u>846,732</u>	<u>2,558,794</u>
Carrying amounts					
At 31 December 2014	<u><u>2,032,252</u></u>	<u><u>964,177</u></u>	<u><u>690,670</u></u>	<u><u>1,580,615</u></u>	<u><u>5,267,714</u></u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

14. Deposits from customers and other banks

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Demand deposits	44,300,145	179,415,587	30,949,501
Savings deposits	289,766,834	1,173,555,678	220,010,980
Fixed deposits	318,798,124	1,291,132,402	182,352,200
Margin deposits	1,546,175	6,262,009	111,399
	<u>654,411,278</u>	<u>2,650,365,676</u>	<u>433,424,080</u>

The above amounts are analysed as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(a) By maturity:			
Within one month	399,323,612	1,617,260,629	278,225,564
2 to 3 months	49,821,154	201,775,674	28,521,047
4 to 6 months	58,667,238	237,602,314	43,746,349
7 to 12 months	129,113,971	522,911,582	64,176,529
More than one year	17,485,303	70,815,477	18,754,591
	<u>654,411,278</u>	<u>2,650,365,676</u>	<u>433,424,080</u>
(b) By type of customer:			
Individuals	484,465,028	1,962,083,363	321,598,634
Business enterprises	109,268,929	442,539,162	97,451,064
Banks and other financial institutions	60,677,321	245,743,151	14,374,382
	<u>654,411,278</u>	<u>2,650,365,676</u>	<u>433,424,080</u>
(c) By status:			
Residents	632,541,175	2,561,791,759	418,002,475
Non-residents	21,870,103	88,573,917	15,421,605
	<u>654,411,278</u>	<u>2,650,365,676</u>	<u>433,424,080</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

14. Deposits from customers and other banks (continued)

The above amounts are analysed as follows (continued):

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
(d) By currency:			
US Dollars	653,426,746	2,646,378,321	432,528,753
Khmer Riels	818,997	3,316,938	869,427
Euro	165,486	670,219	25,835
Thai Baht	49	198	65
	<u>654,411,278</u>	<u>2,650,365,676</u>	<u>433,424,080</u>
(e) By relationship:			
Non-related parties	654,055,590	2,648,925,140	433,084,999
Related parties	355,688	1,440,536	339,081
	<u>654,411,278</u>	<u>2,650,365,676</u>	<u>433,424,080</u>
(f) By interest rates (per annum):			
		2015	2014
Savings deposit		0.75%	0.75%
Fixed deposits		2.5% to 7.25%	2.25% - 8.00%

15. Other liabilities

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Interest payable	6,268,640	25,387,992	4,200,022
Accrued expenses	1,905,102	7,715,663	1,104,121
Other tax payable	212,797	861,828	108,031
Others	318,979	1,291,865	290,871
	<u>8,705,518</u>	<u>35,257,348</u>	<u>5,703,045</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

16. Borrowings

		2015		2014
		US\$	KHR'000 (Note 4)	US\$
AfrAsia Bank Limited	(i)	10,000,000	40,500,000	-
Shanghai Commercial & Savings Bank Limited	(ii)	6,000,000	24,300,000	-
Commerzbank AG	(iii)	3,000,000	12,150,000	-
DEG-Deutsche Investitions	(iv)	10,000,000	40,500,000	-
National Bank of Canada	(v)	10,000,000	40,500,000	-
		<u>39,000,000</u>	<u>157,950,000</u>	<u>-</u>

(i) On 30 September 2015, the Bank obtained a 3 months money placement for US\$5,000,000 from AfrAsia Bank Limited, which then was extended for another 3 months. The interest is repayable on maturity date of 30 March 2016.

On 7 December 2015, the Bank obtained another 3 months money placement for US\$5,000,000. The interest is repayable on maturity date of 7 March 2016.

(ii) Represents two separated facilities obtained from The Shanghai Commercial & Savings Bank Limited, Hong Kong Branch which consist of:

- Revolving loan amount US\$3,000,000 agreed on 13 December 2014, and was disbursed on 10 March 2015.
- Revolving loan amount US\$3,000,000 agreed on 25 August 2015, and was disbursed on 7 September 2015.

(iii) On 27 November 2015, the Bank obtained term loan amounting to US\$3,000,000 from Commerzbank AG, a bank incorporated under the law of the Federal Republic of Germany. The tenor of the loan is one year. The interest and principal are repayable at the maturity date.

(iv) On 23 June 2015, the Bank obtained a loan from DEG-Deutsche Investitions und Entwicklungsgesellschaft Mbh, a financial institution incorporated under the law of the Federal Republic of Germany. The principal is repayable on six semi-annual instalments starting from 15 December 2017. Interest is repayable semi-annually from the date of drawdown.

(v) On 29 December 2015, the Bank obtained a subordinated loan from National Bank of Canada, one of its shareholders. The interest is repayable semi-annually and principal is repayable in five instalments with the balance payable in full at maturity 31 December 2022.

The above borrowings are unsecured and bear interest rates ranging from 2.41% to 6.50% per annum.

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

17. Income tax

(a) Provision for income tax

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
At 1 January	1,451,084	5,876,890	789,559
Current tax expense	3,956,342	16,023,185	1,779,304
Income tax paid	(1,982,809)	(8,030,376)	(1,117,779)
At 31 December	<u>3,424,617</u>	<u>13,869,699</u>	<u>1,451,084</u>

(b) Deferred tax liabilities

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Deferred tax liabilities	<u>93,835</u>	<u>380,032</u>	<u>366,913</u>

The movements of deferred tax liabilities during the year were as follows:

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
At 1 January	366,913	1,485,998	281,232
(Credited)/charge to income statement	(273,078)	(1,105,966)	85,681
At 31 December	<u>93,835</u>	<u>380,032</u>	<u>366,913</u>

(c) Income tax expense

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Current tax expense	3,956,342	16,023,185	1,779,304
Deferred tax	(273,078)	(1,105,966)	85,681
	<u>3,683,264</u>	<u>14,917,219</u>	<u>1,864,985</u>

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

17. Income tax (continued)

(c) Income tax expense (continued)

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

		2015			2014
	%	US\$	KHR'000 (Note 4)	%	US\$
Profit before income tax		<u>19,671,315</u>	<u>79,668,826</u>		<u>9,347,300</u>
Statutory income tax	20.00	3,934,263	15,933,765	20.00	1,869,460
Effect of non-deductible Over provision	(1.23)	(242,478)	(982,036)	0.10	9,204
in prior year	(0.04)	(8,521)	(34,510)	(0.15)	(13,679)
Income tax expense	<u>18.72</u>	<u>3,683,264</u>	<u>14,917,219</u>	<u>19.95</u>	<u>1,864,985</u>

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

18. Share capital

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Shares of US\$1,000 each:			
Issued and fully paid 52,643 shares (2014: 44,668 shares)	<u>52,643,000</u>	<u>213,204,150</u>	<u>44,668,000</u>

On 20 January 2015, National Bank of Canada acquired 700 shares (approximately 1.57% shareholding) from one of the existing shareholders. During the year, the Bank has increased its share capital from US\$44,668,000 to US\$52,643,000 through issuance of additional 7,975 shares with a premium of US\$12,025,000.

These transactions were approved by the National Bank of Cambodia (“NBC”) and the Ministry of Commerce (“MoC”) on 5 March 2015 and 12 March 2015 respectively.

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

18. Share capital (continued)

The new shareholding structure is as follows:

	2015			2014		
	% of ownership	Number of shares	Amount US\$	% of ownership	Number of shares	Amount US\$
Damir Karassayev	58.07	30,568	30,568,000	70.00	31,268	31,268,000
National Bank of Canada	41.93	22,075	22,075,000	30.00	13,400	13,400,000
	100	52,643	52,643,000	100.00	44,668	44,668,000

19. Interest income

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Loans and advances	44,208,827	179,045,749	25,443,045
Deposits and placements with banks	2,998,363	12,143,370	2,194,165
Investment securities	4,655,396	18,854,354	3,518,940
	51,862,586	210,043,473	31,156,150

20. Interest expense

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

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Demand deposits	87,493	354,347	40,551
Savings deposits	7,536,822	30,524,129	6,498,983
Fixed deposits	11,569,734	46,857,422	6,823,660
	19,194,049	77,735,898	13,363,194

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

21. Fee and commission income - net

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Fee and commission income:			
Loan commitment fees	4,108,388	16,638,971	2,635,929
Inward and outward remittances	1,179,034	4,775,088	983,129
Visa and credit card	2,109,548	8,543,669	1,350,196
Telex, phone and fax	91,572	370,867	82,374
Other fees	598,128	2,422,419	439,308
	<u>8,086,670</u>	<u>32,751,014</u>	<u>5,490,936</u>
Fee and commission expense	(206,450)	(836,123)	(127,278)
	<u><u>7,880,220</u></u>	<u><u>31,914,891</u></u>	<u><u>5,363,658</u></u>

22. Other income - net

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Gain/(loss) on sales of investment securities	99,612	403,429	(32,392)
Foreign exchange gain, net	218,948	886,739	91,000
Other income	96,246	389,796	884
	<u>414,806</u>	<u>1,679,964</u>	<u>59,492</u>

23. Personnel cost

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Salaries and wages	9,568,534	38,752,563	5,886,127
Others personnel cost	117,347	475,255	63,205
	<u>9,685,881</u>	<u>39,227,818</u>	<u>5,949,332</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

24. General and administrative expenses

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Office rental	1,790,622	7,252,019	1,205,284
Marketing and advertising	1,297,146	5,253,441	1,254,737
Repairs and maintenance	468,082	1,895,732	317,708
Utilities expenses	530,901	2,150,149	412,681
Office supplies	532,116	2,155,070	406,021
License fees	421,307	1,706,293	379,613
Communication	310,160	1,256,148	214,746
Motor vehicle operation expenses	201,396	815,654	334,830
Travelling	255,704	1,035,601	136,091
Business meal and entertainment	55,977	226,707	143,489
Professional fees	186,434	755,058	572,268
Insurance expenses	129,235	523,402	71,541
Security expense	352,129	1,426,122	269,738
Membership fee	71,199	288,356	146,307
Other expenses	511,698	2,072,377	568,092
	<u>7,114,106</u>	<u>28,812,129</u>	<u>6,433,146</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

25. Net cash (used in)/generated from operating activities

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Profit before income tax	19,671,315	79,668,826	9,347,300
Adjustments for:			
Depreciation and amortisation	1,890,899	7,658,141	1,232,008
Allowance for bad and doubtful loans and advances	1,942,320	7,866,396	254,320
Finance cost	659,042	2,669,120	-
Gain on disposals of property and equipment	-	-	(28,398)
Gain on disposal of foreclosed property	-	-	(80,466)
	<u>24,163,576</u>	<u>97,862,483</u>	<u>10,724,764</u>
Changes in:			
Deposits and placements with banks	(23,591,405)	(95,545,190)	(13,466,201)
Loans and advances to customers	(213,683,767)	(865,419,256)	(93,492,159)
Investment securities	(3,456,250)	(13,997,813)	(16,898,531)
Foreclosed property	(1,627,632)	(6,591,910)	(4,459,388)
Other assets	(50,301)	(203,719)	(2,122,262)
Statutory deposits with NBC	(27,970,184)	(113,279,245)	(17,140,701)
Deposits from customers and banks	220,987,198	894,998,152	156,486,213
Other liabilities	2,912,614	11,796,086	2,517,865
	<u>(22,316,151)</u>	<u>(90,380,412)</u>	<u>22,149,600</u>
Net cash (used in)/generated from operations	(22,316,151)	(90,380,412)	22,149,600
Income tax paid	(1,982,809)	(8,030,376)	(1,117,779)
Interest paid	(569,183)	(2,305,191)	-
	<u>(24,868,143)</u>	<u>(100,715,979)</u>	<u>21,031,821</u>
Net cash (used in)/generated from operating activities	<u>(24,868,143)</u>	<u>(100,715,979)</u>	<u>21,031,821</u>

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

26. Cash and cash equivalents

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Cash on hand (Note 5)	29,676,827	120,191,149	25,746,874
Deposits and placements with banks with maturities less than three months	73,149,605	296,255,900	44,416,628
	<u>102,826,432</u>	<u>416,447,049</u>	<u>70,163,502</u>

27. Related party balances and transactions

(a) Related party balances

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Borrowings from the National Bank of Canada	10,000,000	40,500,000	-
Deposits and placements by key management	355,688	1,440,536	339,081
	<u>10,355,688</u>	<u>41,940,536</u>	<u>339,081</u>

(b) Other related party transactions

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Interest expenses to the National Bank of Canada	6,212	25,159	-
Interest expenses to key management	27,488	111,326	16,705
	<u>33,700</u>	<u>136,485</u>	<u>16,705</u>

(c) Key management personnel remuneration

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Salaries and benefits	1,438,272	5,825,002	1,323,688
	<u>1,438,272</u>	<u>5,825,002</u>	<u>1,323,688</u>

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Notes to the financial statements (continued) for the year ended 31 December 2015

28. Commitments and contingencies

(a) Operations

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

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Unused portion of overdrafts	18,663,000	75,585,150	16,453,663
Letter of credits	4,912,376	19,895,123	685,508
Performance bonds	2,102,768	8,516,210	1,839,597
Bid bonds	86,048	348,494	4,035
Other guarantees	400,000	1,620,000	275,352
	<u>26,164,192</u>	<u>105,964,977</u>	<u>19,258,155</u>

(b) Lease commitments

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

	2015		2014
	US\$	KHR'000 (Note 4)	US\$
Within one year	1,557,057	6,306,081	1,231,181
2 to 5 years	3,666,408	14,848,952	2,597,489
More than 5 years	2,407,726	9,751,289	948,992
	<u>7,631,191</u>	<u>30,906,322</u>	<u>4,777,662</u>

(c) Taxation contingencies

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

28. Commitments and contingencies (continued)

(c) Taxation contingencies (continued)

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

29. Financial risk management

Introduction and overview

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

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

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

Risk management framework

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

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

Risk management framework (continued)

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

(a) Operational risk

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

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

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

(b) Credit risk

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

(i) Management of credit risk

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

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

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

(ii) Exposure to credit risk

	US\$	2015 KHR'000 (Note 4)	2014 US\$
Loans and advances			
Individually impaired	483,068	1,956,425	723,258
Past due but not impaired	680,271	2,755,098	6,251,781
Neither past due nor impaired	482,552,229	1,954,336,527	264,562,142
	<u>483,715,568</u>	<u>1,959,048,050</u>	<u>271,537,181</u>
Allowance for doubtful loans and advances	(5,182,164)	(20,987,765)	(3,362,337)
	<u>478,533,404</u>	<u>1,938,060,285</u>	<u>268,174,844</u>

Loans to customers neither past due nor impaired

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Impaired loans and advances

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

Past due but not impaired loans and advances

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

Loans with renegotiated terms/restructured loans

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

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Write-off policy

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

Collateral

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

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

	2015	2014	
	US\$	KHR'000 (Note 4)	US\$
Against individually impaired:			
Land and buildings	1,597,741	6,470,851	1,845,048
Past due but not impaired:			
Land and buildings	5,295,031	21,444,876	27,281,854
	<u>6,892,772</u>	<u>27,915,727</u>	<u>29,126,902</u>

During the year the Company obtained additional foreclosed property, including land and buildings, amounting to US\$1,627,632 (2014: US\$4,459,388) from default customers.

Concentration of credit risk

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(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 2015, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Interest rate risk

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

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

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2015	Up to 1 month US\$	> 1–3 months US\$	> 3–6 months US\$	> 6–12 months US\$	> 1–5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets									
Cash on hand	-	-	-	-	-	-	29,676,827	29,676,827	
Deposits and placements with banks	42,767,585	9,978,822	22,291,014	29,221,463	1,000,000	-	33,568,065	138,826,949	3.70
Statutory deposits	-	-	-	-	-	82,292,374	-	82,292,374	0.01
Loans and advances									
- Performing	7,168,569	10,007,908	11,215,740	22,664,869	182,738,212	249,437,202	-	483,232,500	11.84
- Non-performing	96,443	16,650	45,207	59,948	91,041	173,779	-	483,068	
- Specific allowance	-	-	-	-	-	-	(410,714)	(410,714)	
- General allowance	-	-	-	-	-	-	(4,771,450)	(4,771,450)	
- Interest receivable	-	-	-	-	-	-	3,265,710	3,265,710	
- Interest in suspense	-	-	-	-	-	-	(170,429)	(170,429)	
Investment securities	-	-	8,763,971	3,182,552	37,308,855	4,500,993	-	53,756,371	8.95
Other assets	-	-	-	-	-	-	6,479,328	6,479,328	
	<u>50,032,597</u>	<u>20,003,380</u>	<u>42,315,932</u>	<u>55,128,832</u>	<u>221,138,108</u>	<u>336,429,936</u>	<u>67,637,337</u>	<u>792,686,122</u>	
Liabilities									
Deposits from customers and banks	353,477,292	49,821,154	58,667,238	129,113,971	17,485,303	-	45,846,320	654,411,278	3.53
Other liabilities	-	-	-	-	-	-	8,705,518	8,705,518	
	<u>353,477,292</u>	<u>49,821,154</u>	<u>58,667,238</u>	<u>129,113,971</u>	<u>17,485,303</u>	<u>-</u>	<u>54,551,838</u>	<u>663,116,796</u>	
Interest sensitivity gap	<u>(303,444,695)</u>	<u>(29,817,774)</u>	<u>(16,351,306)</u>	<u>(73,985,139)</u>	<u>203,652,805</u>	<u>336,429,936</u>	<u>13,085,499</u>	<u>129,569,326</u>	

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Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

31 December 2014	Up to 1 month US\$	> 1–3 months US\$	> 3–6 months US\$	> 6–12 months US\$	> 1–5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$	Weighted average interest %
Assets									
Cash on hand	-	-	-	-	-	-	25,746,874	25,746,874	
Deposits and placements with banks	10,303,326	3,913,747	9,378,441	19,793,752	3,000,000	-	40,113,301	86,502,567	4.47
Statutory deposits	-	-	-	4,466,800	-	-	49,855,390	54,322,190	0.08
Loans and advances									
- Performing	3,113,497	7,973,314	11,607,210	20,018,859	120,956,352	107,144,691	-	270,813,923	11.45
- Non-performing	128,279	2,651	18,550	41,153	220,485	312,140	-	723,258	
- Specific allowance	-	-	-	-	-	-	(760,625)	(760,625)	
- General allowance	-	-	-	-	-	-	(2,601,712)	(2,601,712)	
- Interest receivable	-	-	-	-	-	-	1,925,014	1,925,014	
- Interest in suspense	-	-	-	-	-	-	(212,620)	(212,620)	
Investment securities	-	-	3,356,046	5,813,695	40,047,844	1,082,536	-	50,300,121	8.41
Other assets	-	-	-	-	-	-	6,429,027	6,429,027	
	<u>13,545,102</u>	<u>11,889,712</u>	<u>24,360,247</u>	<u>50,134,259</u>	<u>164,224,681</u>	<u>108,539,367</u>	<u>120,494,649</u>	<u>493,188,017</u>	
Liabilities									
Deposits from customers and banks	247,164,662	28,521,047	43,746,349	64,176,529	18,754,591	-	31,060,902	433,424,080	3.76
Other liabilities	-	-	-	-	-	-	5,703,045	5,703,045	
	<u>247,164,662</u>	<u>28,521,047</u>	<u>43,746,349</u>	<u>64,176,529</u>	<u>18,754,591</u>	<u>-</u>	<u>36,763,947</u>	<u>439,127,125</u>	
Interest sensitivity gap	<u>(233,619,560)</u>	<u>(16,631,335)</u>	<u>(19,386,102)</u>	<u>(14,042,270)</u>	<u>145,470,090</u>	<u>108,539,367</u>	<u>83,730,702</u>	<u>54,060,892</u>	

Advanced Bank of Asia Limited

Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

(d) Liquidity risk

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

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

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

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Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(d) Liquidity risk (continued)

31 December 2015	Between less than 1 month US\$	Between 1 and 3 months US\$	Between 3 months and 1 year US\$	1 year and 5 years US\$	Over 5 years US\$	No fixed terms US\$	Total US\$
Financial liabilities							
Deposits from customers and banks	399,323,612	49,821,154	187,781,209	17,485,303	-	-	654,411,278
Other liabilities	8,705,518	-	-	-	-	-	8,705,518
Total	<u>408,029,130</u>	<u>49,821,154</u>	<u>187,781,209</u>	<u>17,485,303</u>	<u>-</u>	<u>-</u>	<u>663,116,796</u>
 31 December 2015							
Financial liabilities							
Deposits from customers and banks	278,225,564	28,521,047	107,922,878	18,754,591	-	-	433,424,080
Other liabilities	5,703,045	-	-	-	-	-	5,703,045
Total	<u>283,928,609</u>	<u>28,521,047</u>	<u>107,922,878</u>	<u>18,754,591</u>	<u>-</u>	<u>-</u>	<u>439,127,125</u>

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Notes to the financial statements (continued) for the year ended 31 December 2015

29. Financial risk management (continued)

(e) Capital management

(i) Regulatory capital

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

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

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

(ii) Capital allocation

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

30. 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.