

ACLEDA BANK PLC.

Credit Rating		Bond Information	
Issuer Credit Rating	khAA	Size	USD 100 million
Outlook	Stable	Settlement	Years 1 & 2: interest only Years 3-7: annual amortisation
Bond Credit Rating	khAA	Maturity	7 Years
		Type	Subordinated, Unsecured
		Coupon Rate	8.5% p.a

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Key Rating Rationale

We initiate the credit coverage of ACLEDA BANK PLC. (henceforth “ACLEDA” or “the Group”) with an Issuer Credit Rating (ICR) of “**khAA**” (National Scale) which indicates in the Cambodian context a “*very strong capacity to meet financial commitments*”.

The Issuer Credit Rating itself has two components: a Stand-Alone Credit Profile (SACP) and an External Support Factor (ESF). The SACP analyses the credit profile of ACLEDA from the perspective of its business risks and financial risk. In its own right, ACLEDA’s SACP rating of “**khA**” indicates a “Low Risk” profile.

The External Support Factor can be generated either by related party such as a parent company or a holding company (Group Support), or by government-related entities (Country Support). In the case of ACLEDA, the External Support Factor is “Strong” thanks to the Country Support. Hence the ICR is raised by one notch to “**khAA**”.

The Recovery Scoring is “Very low risk” meaning that bondholders can expect a recovery rate of 100% even though the bond is unsecured and subordinated. Under these conditions the Bond Credit Rating is “**khAA**” (National Scale), equal to the Issuer Credit Rating

ACLEDA is the leading commercial bank in Cambodia with the largest network covering all the 25 provinces and municipal. We note a conservative strategy with below average loan growth, contained problem loans and risk diversification away from the more speculative or cyclical sectors of the economy.

We expect the Subordinated Bond to qualify as Tier 2 capital, further strengthening the position of ACLEDA in the aftermath of the economic recession induced by the Covid-19 and the negative impact of high interest rates.

Outlook

ACLEDA’s earnings are ultimately driven by the economic activity in Cambodia. At the moment, most indicators and forecasts point to positive developments from 2025 onwards. We expect ACLEDA to see the benefit of it in its loan portfolio through an improvement in credit quality and a resumption of volume growth, albeit in a controlled manner. The quality of its management team and the capital buffer it maintains offer ACLEDA the flexibility to respond to potential shocks. Hence the outlook is “**Stable**” in our view.

Rating Sensitivity

On the upside, the credit rating of ACLEDA is somewhat constrained as the next level (khAAA) is that of the sovereign rating of Cambodia. On the downside, a deterioration in the economic environment or in operational performance would lead us to review its rating.



Issues to Monitor

The trend in non-performing loans, the rate of loan growth and the market share within the banking sector must be closely monitored as they could portend to changes in strategy, risk profile and competitive position.

ACLEDA BANK PLC. Summary

Overview

ACLEDA's strategy has delivered stable and consistent returns, above the commercial banks average over the past 14 years. This performance was achieved while maintaining prudent but steady loan growth, keeping a substantial regulatory capital buffer, above legal requirements and remaining true to its ethos of being "the bank you can trust, the bank for the people".

Diversification by sectors and geographies combined with a deep knowledge of its customer base acquired through its long history, first as an NGO, then an MFI, had allowed ACLEDA to contain problem loans at a low level under the guidance of a management with a strong integrity and aversion to risk.

The economic crisis induced by the Covid-19 crisis and the period of higher inflation prompted central banks to tighten monetary policy from March 2022. Geopolitical tensions and conflicts added to the gloom in the global economy. Not surprisingly Cambodia was impacted because of its exposure to exports and tourism. These headwinds have been keenly felt at ACLEDA in 2023 with a surge in problem loans, slower loan growth and declining earnings.

The Subordinated Bond to be issued is expected to qualify for inclusion in Tier 2 capital which will strengthen its position. The choice for debt funding is sensible in our view as issuing equity instead, for example, would destroy value given the current stock market valuations.

Performance

While Revenues and Operating Profits have been on a growing trend overall in the period 2010-2024, there have been declines in Profits in the years 2017 and 2023 caused by one-off events (2017) or macroeconomic factors (2023). To the credit of ACLEDA's management team, the bank maintained strong levels of solvency and profitability even in adverse conditions



CONDENSED FINANCIAL STATEMENTS

31-Dec-21 31-Dec-22 31-Dec-23 30-Sep-24
 USD USD USD USD

Income Statement Information

Net interest income	401,428,941	449,930,990	426,629,651	333,872,827
Net fee and commission income	40,270,355	42,890,986	42,721,267	28,459,257
Profit before income tax	204,753,417	228,308,146	184,237,530	92,350,491
Net profit for the year	166,674,348	181,814,775	148,018,425	73,640,915

Balance Sheet Information

Total assets	7,855,252,324	9,031,163,306	9,744,040,486	10,552,060,455
Total liabilities	6,650,217,282	7,714,515,486	8,362,019,684	9,116,316,879
Total equity	1,205,035,042	1,316,647,820	1,382,020,802	1,435,743,576
Total liabilities and equity	7,855,252,324	9,031,163,306	9,744,040,486	10,552,060,455

Cash Flow Information

Net cash flow from operating activities	373,980,182	(100,464,958)	774,526,370	841,725,716
Net cash flow from investing activities	(34,618,507)	(145,885,618)	27,622,116	(56,977,072)
Net cash flow from financing activities	(33,227,882)	191,554,948	(270,873,582)	(235,374,624)
Net changes in cash and cash equivalent	306,133,793	(54,795,628)	531,274,904	549,374,020

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RAC website

Rating Definition

Issuer Credit Rating – National Scale			
National Rating	Definition		
khAAA	Extremely Strong Capacity to meet financial commitments	1	Very low risk
khAA	Very strong capacity to meet financial commitments	2	
khA	Strong capacity to meet financial commitments but somewhat susceptible to adverse changes in circumstances and economic environment	3	Low risk
khBBB	Adequate capacity to meet financial commitments but more susceptible to adverse changes in circumstances and economic environment	4	
khBB	Adequate capacity to meet financial commitment but more vulnerable to adverse changes in circumstances and economic environment	5	Moderate risk
khB	Adequate capacity to meet financial commitments but more likely to be affected by adverse changes in circumstances and economic environment	6	
khCCC	Capacity to meet financial commitments dependent on favorable business, financial and economic conditions	7	High risk
khCC	Weak capacity to meet financial commitments	8	
khC	Unlikely to be able to meet financial commitments	9	Very high risk
khD	In default partially or for all financial commitments	10	

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