

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 amortization
Bond Credit Rating	khAA	Maturity	7 Years
		Type	Plain bond, Subordinated
		Coupon Rate	7.5% p.a

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Key Rating Rationale

We initiate the credit coverage of the “ACLEDA Sub-Bond” with a Bond Credit Rating (BCR) of “**khAA**” (National Scale). The Sub-Bond is issued by ACLEDA BANK PLC. (henceforth “ACLEDA” or “the Group”) whose Issuer Credit Rating (ICR) is “**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. 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. 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.

The Sub-Bond qualifies as Tier 2 capital, further strengthening the position of ACLEDA and giving it the flexibility to refinance its borrowings and other subordinated debts.

Outlook

ACLEDA's earnings are ultimately driven by the economic activity in Cambodia. Forecasts that very recently pointed to positive developments from 2025 onwards have now been clouded by the uncertainty created by trade tensions with the US. 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 encouraging trend in NPLs which declined slightly from 5.8% in 2023 to 5.5% in 2024 must be confirmed. The rate of loan growth and the market share within the banking sector must be closely monitored as they could signal to changes in strategy, risk appetite 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 effects of the economic crisis induced by the Covid-19 crisis and the period of higher inflation that prompted central banks to tighten monetary policy from March 2022 continue to weigh on the Cambodian economy. 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 that continued in 2024, albeit at a slower rate.

Performance

In 2024, Revenues (Interest Income + Fee & Commission Income) grew at 5.6% yoy with Interest Income gaining 6.4% yoy on the back of higher interest rates while Fee & Commission Income (henceforth "F&C") declined by 7.2% yoy. On the costs side, Interest Expense rose by 4.8% yoy and F&C Expense increased by 15.9% yoy. Hence Income before impairment losses gained 6.1% yoy, a creditable performance given the difficult trading conditions. Impairment losses jumped by 81.3% yoy resulting in Pre-Tax Profits dropping by 16.6% yoy.



CONDENSED FINANCIAL STATEMENTS

	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24
	USD	USD	USD	USD
Income Statement Information				
Interest income	573,799,753	670,753,456	755,631,085	803,805,805
Interest expense	(172,370,812)	(220,822,466)	(329,001,434)	(344,652,206)
Net interest income	401,428,941	449,930,990	426,629,651	459,153,599
Fee and commission income	42,936,361	47,455,203	46,678,617	43,297,240
Fee and commission expenses	(2,666,006)	(4,564,217)	(3,957,350)	(4,585,834)
Net fee and commission income	40,270,355	42,890,986	42,721,267	38,711,406
Profit before income tax	204,753,417	228,308,146	184,237,530	153,745,369
Net profit for the year	166,674,348	181,814,775	148,018,425	121,301,458

Balance Sheet Information

Assets

Cash on hand	450,375,149	497,027,041	495,793,568	513,942,123
Deposits & placements with central banks & other banks, net	577,117,298	846,602,175	1,509,543,178	1,982,391,662
Loans & advances, net	5,393,953,503	6,379,406,093	6,601,665,231	7,023,164,104
Property and equipment	139,431,244	140,220,709	147,746,865	151,527,613
Total assets	7,855,252,324	9,031,163,306	9,744,040,486	10,833,831,830

Liabilities and Equity

Deposits from customers & FIs	5,716,019,685	6,388,990,701	7,227,813,039	8,359,055,785
Borrowings	608,488,803	957,335,868	859,813,550	606,857,875
Subordinated debts	156,492,941	127,762,328	117,053,882	178,762,108
Total liabilities	6,650,217,282	7,714,515,486	8,362,019,684	9,343,664,909
Share capital	433,163,019	433,163,019	433,163,019	433,163,019
Reserves	592,403,586	638,862,248	722,627,638	813,247,864
Retained earnings	161,769,465	226,856,479	208,502,399	225,917,158
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	10,833,831,830

Cash Flow Information

Cash flow information				
Net cash flow from operating activities	373,980,182	(100,464,958)	774,526,370	924,709,353
Net cash flow from investing activities	(34,618,507)	(145,885,618)	27,622,116	(151,506,472)
Net cash flow from financing activities	(33,227,882)	191,554,948	(270,873,582)	(294,592,918)
Net changes in cash and cash equivalent	306,133,793	(54,795,628)	531,274,904	478,609,963

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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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