

ABC (KH1000100003 CSX)

June 24, 2024

Performance Highlights

USD'mn	1Q24	4Q23	1Q23	%QoQ	% YoY
Net interest income	107.4	107.4	108.4	0.0%	-0.9%
Net impairment losses	-18.5	-11.6	-10.2	58.6%	81.0%
Risk-adjusted net interest income	89.0	95.7	98.2	-7.1%	-9.4%
Non-interest income	16.6	17.8	18.6	-6.6%	-10.9%
Total operating expenses	-72.4	-68.3	-70.0	6.0%	3.4%
PBT	33.1	45.2	46.9	-26.7%	-29.3%
Net Profit	26.6	36.6	38.5	-27.4%	-31.1%
Net interest margin	5.1%	5.3%	6.1%	-0.2%pt	-1.0%pt
Cost-income ratio	58.4%	54.6%	55.1%	3.8%pt	3.3%pt

Source: The Company, YSC Research

1Q24 Review: Quarterly earnings drop to USD 26.6mn yet NPL ratio decreases for first time since 1Q22

Gross loans see slight growth, while deposits increase solidly in 1Q24 on the back of robust CASA growth

- As of 1Q24, the number of loan accounts reached 670,720, an increase of 63,591 accounts or 10.5% YoY. Gross loan rose moderately by 2.3% YoY, totaling USD 6,730mn, driven by a 58.2% YoY increase in personal & other loans from USD 320.2mn to USD 506.6mn and a 43.5% increase in credit card loan from USD 65.4mn to USD 93.9mn. Meanwhile, small and medium loans – which accounted for over 80% of ABC’s loan portfolio – offset each other in terms of growth, increasing slightly by 1.0% YoY and decreasing 4.72% YoY, respectively.
- The number of deposit accounts increased by 17.0% YoY from 4,068,040 in 1Q23 to reach 4,761,637 in 1Q24. Total deposits from customers and other banks reached USD 7,637mn, posting a 12.5% growth YoY. Total deposit growth was driven mainly by a 15.1% and 10.2% increase in CASA deposits and fixed deposits, respectively. Meanwhile, ABC’s CASA deposit rate ratio widened by 1.1%pt YoY to 48.3% as of 1Q24.
- In 1Q24, the number of ABC mobile users surged 23.9% YoY to roughly 3.7mn users. Notably, the number of transactions soared 125% YoY from 71.5mn transactions in 1Q23 to 161.1mn transactions. Additionally, the value of transactions increased by 75.2% YoY to reach KHR 150,265,520mn. ACLEDA mobile has undergone significant enhancements and redesigned to become more user-friendly, modern, and secured. Furthermore, the incorporation of various features and loan products have increased the popularity of the mobile app.

Interest income increases 6.3% YoY but average interest yield declines

- ABC earned USD 195.3mn in interest income in 1Q24, up 6.3% YoY, driven by a 14.0% YoY growth in earning assets. Interest from loans and advances, which constituted 97.6% of total interest income increased by 7.9% YoY to USD 190.7mn. In addition, the increase in the average interest yield on loans increased by 0.52%pt from 10.9% in 1Q23 to 11.4% in 1Q24 also contributed to the overall interest income growth.
- The average interest yield on earning assets decreased from 9.6% in 1Q23 to 9.1% in 1Q24, mainly due to the change in the composition of earning assets, with gross financial investments and deposits and placement with other banks almost doubling in 1Q24.

NIM squeezed by 1% as funding cost rises

- In 1Q24, interest expenses increased 16.8% YoY to USD 88mn, growing faster than interest income growth. This increase was primarily driven by higher cost of funding on all interest cost categories, rising from 3.95% to 4.26%. As a result, net interest margin (NIM) decreased 1.0%pt YoY from 6.1% to 5.1% in 1Q24.
- Interest expense from CASA deposits rose from USD 7.0mn to USD 8.2mn, posting a 16.4% increase YoY, despite the average cost of fund edging up only 0.04%pt, as the CASA deposit outstanding amount grew 15.1% YoY. On the other hand, interest expense on fixed deposit surged 23.9% from USD 48.2mn in 1Q23 to USD 59.7mn in 1Q24, driven by a 10.2% YoY increase in outstanding amount of fixed deposits, and 0.52%pt increase in average interest rate on fixed deposits from 5.62% to 6.14%.

Closing price	KHR 7,380
IPO price	KHR 16,200

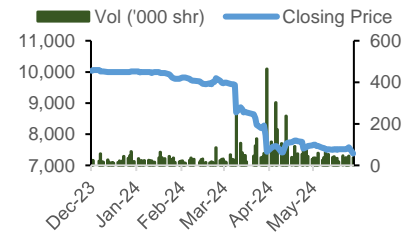
Source: CSX, YSC Research

Stock info

Industry	Financial Services
Market cap (USD'mn)	777
Outstanding shares ('mn)	433
Majority shareholder	
ABC Financial Trust (%)	28.06
Avg. daily vol. (last 6 months, shr)	49,597
Free floating shares (last 6 months, %)	1.55
Price low/high (last 6 months, KHR)	7,180 ~ 10,260
EPS (KHR)	1,232
P/E* (x)	7.80
P/E** (x)	5.99
P/B* (x)	0.72
P/B** (x)	0.55

*Price at the end 1Q24, **Price as of 24 June 2024

Stock Performance



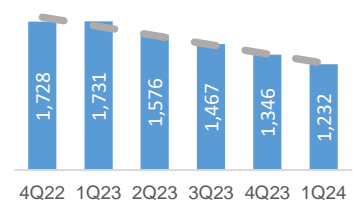
Source: CSX, YSC Research

Trading Volume & Value in the Last 12 Months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
May-23	2,115,831	22,289	105,792	1,114
Jul-23	984,655	9,955	49,233	498
Aug-23	1,336,643	13,410	58,115	583
Sep-23	824,638	8,247	39,268	393
Oct-23	1,137,100	17,951	54,148	855
Nov-23	560,979	5,387	29,525	284
Dec-23	797,705	7,842	37,986	373
Jan-24	575,940	5,521	25,041	240
Feb-24	560,171	5,548	26,675	264
Mar-24	479,732	4,658	23,987	233
Apr-24	1,884,869	15,565	94,243	778
May-24	1,782,147	13,582	89,107	679

Source: CSX, YSC Research

Earning Strength (LTM, KHR)



Source: The Company, YSC Research

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Fee and commission income grows marginally

- In 1Q24, fee and commission income inched up 2.6% YoY to USD 12.7mn. The marginal growth was contributed mainly by a 43.8% YoY increase in ATM fee and 76% YoY jump in training fees, offset by a decrease in early loan redemption fees and commission fees.

Credit cost rises due to migration of substandard and doubtful loans to loss loans while decreased NPL ratio suggests an improvement

- Net impairment losses shot up to USD 18.5mn in 1Q24 from USD 10.2mn in 1Q23. The loss was largely attributed to a 108.8% YoY increase in allowance for impairments on loans and advances, caused by a decrease in quality of loan portfolio. The loss loan ratio widened by 0.56%pt over 1Q24 from 2.70% at the end of 2023 to 3.26% at the end of 1Q24, vs 0.36%pt increase over 1Q23. However, the NPL ratio decreased by 0.06%pt from 6.39% to 6.33% over 1Q24, vs 0.63%pt increase over 1Q23. The decrease in NPL ratio The significant increase in allowance for loan impairments was due to the migration of substandard and doubtful loans to loss loans during the period. Indeed, substandard, and doubtful ratios decreased by 0.39%pt and 0.24%pt, respectively. Therefore, the decrease in NPL ratio in 1Q24 indicates a good sign for an improvement in future loan quality and may suggest a future decrease in the allowance expense.

Foreign exchange gain continues to be the main driver of other income

- In 1Q24, ABC earned USD 7.5mn in other income, rising 6.4% compared to the same period last year. While foreign exchange gain increased 18.3% YoY, recovery from loans and advances written off declined slightly by 1.9% YoY.

Bottom line declines due to higher funding cost and legacy NPLs

- Risk-adjusted net interest income (interest income + interest expense – allowance for impairment) reached USD 89.0mn, declining 9.4% YoY. On the other hand, the total operating expenses (G&A expenses + fee and other commission expense) rose moderately by 3.4% YoY, driven by an increase of 8.6% YoY in D&A expenses and 15.2% YoY increase in utilities expenses. As net interest income decreased and total operating expenses increased, cost-to-income ratio (CIR) rose by 3.3%pt to 58.4% in 1Q24. Consequently, pre-tax profit declined 29.3% YoY to USD 33.1mn and consolidated net profit decreased 31.3% YoY to USD 26.6mn in 1Q24.
- Earnings per share (EPS) in 1Q24 (ttm) stood at USD 0.30 (or KHR1,232), decreasing 30.0% compared to the same period last year. Meanwhile, book value per share (BPS) stood at USD 3.23, a modest 4.0% increase compared to USD 3.11 in 1Q23. Meanwhile, ABC stock is trading at P/E of 7.80x and a P/B of 0.72x at the end of 1Q24.

Loans and Deposits

	1Q24	4Q23	1Q23	%QoQ	%YoY
Number of Loans ('000)	671	662	607	1.3%	10.5%
Gross Loan Portfolio (USD'mn)	6,730	6,657	6,581	1.1%	2.3%
Number of Deposit ('000)	4,762	4,551	4,068	4.6%	17.0%
Total Deposit Balance (USD'mn)	7,637	7,228	6,789	5.7%	12.5%

Source: The Company

ACLEDA Mobile App

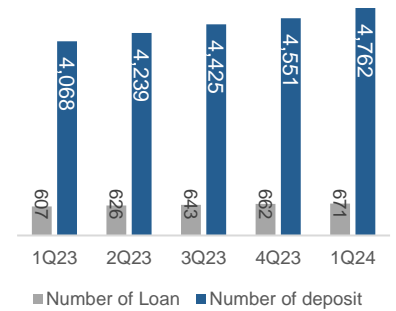
	1Q24	4Q23	1Q23	%QoQ	%YoY
# of transactions (mn)	161.1	373.0	71.5	-56.8%	125.4%
Value of transactions (KHR'bn)	150,266	383,044	85,745	-60.8%	75.2%
# of User (mn)	3.7	3.5	3.0	7.0%	23.9%

Source: The Company

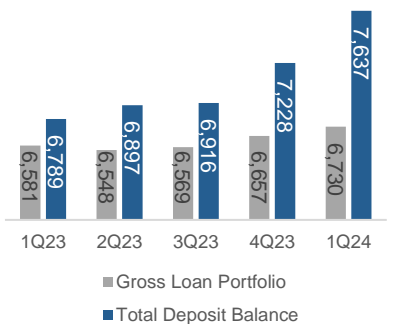
Loan Portfolio Breakdown

USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
Small Loan	3,008.3	3,011.0	2,979.9	-0.1%	1.0%
Staff Housing Loan	31.3	31.0	29.4	1.05%	6.48%
Public Housing Loan	148.9	154.4	155.0	-3.54%	-3.89%
Staff Loan	298.7	297.5	286.6	0.40%	4.22%
Overdraft Loan	189.6	159.8	156.3	18.61%	21.25%
Home Improvement Loan	18.9	21.1	23.3	-10.75%	-19.06%
Personal & Others Loan	506.6	483.5	320.2	4.76%	58.22%
Credit Card Loan	93.9	89.0	65.4	5.57%	43.51%
Trade Loan	17.9	17.0	23.1	5.66%	-22.53%
Revolving Loan	23.7	30.0	31.4	-21.14%	-24.79%

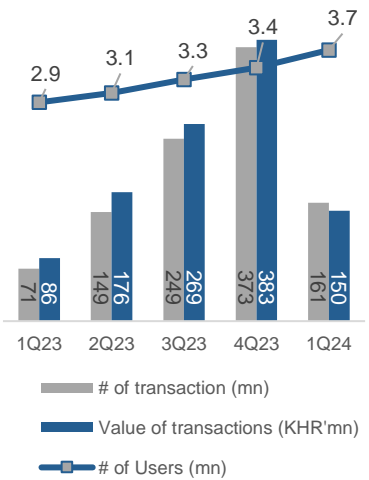
No. of Deposit and Loan ('000)



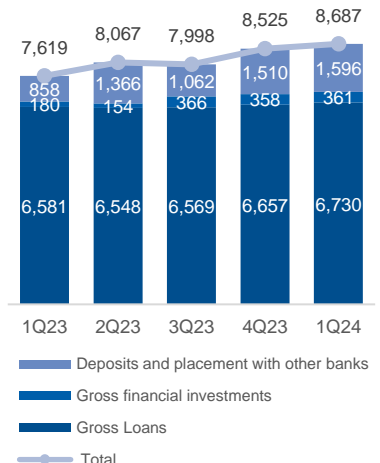
Borrower and Depositor (USD'mn)



ACLEDA Mobile App Statistics



Earning Assets (USD'mn)



Medium Loan	2,392.1	2,363.0	2,510.5	1.23%	-4.72%
Total gross loans	6,729.8	6,657.3	6,581.2	1.09%	2.26%

Source: The Company

Deposits Breakdown

USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
CASA deposits	3,686.3	3,366.1	3,201.9	9.5%	15.1%
Fixed deposits	3,935.4	3,844.4	3,570.8	2.4%	10.2%
Margin deposits	15.5	17.3	15.9	-10.2%	-2.2%
Total	7,637.2	7,227.8	6,788.6	5.7%	12.5%
CASA ratio	48.3%	46.6%	47.2%	1.70%pt	1.10%pt

Source: The Company, YSC Research

Earning Assets

USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
Gross Loans	6,729.8	6,657.3	6,581.2	1.1%	2.3%
Gross financial investments	360.8	357.5	180.1	0.9%	100.3%
Deposits and placement with other banks	1,596.5	1,509.7	858.1	5.8%	86.0%
Total	8,687.0	8,524.5	7,619.5	1.9%	14.0%

Source: The Company, YSC Research

Interest Income Breakdown

USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
Deposit and placements with other banks	2.9	6.0	4.8	-51.9%	-39.7%
Financial Investments	1.7	1.5	2.1	16.2%	-18.2%
Loans and advances	190.7	186.8	176.8	2.1%	7.9%
Total	195.3	194.3	183.7	0.5%	6.3%

Source: The Company

Average Interest Yield

Assets	1Q24	4Q23	1Q23	%QoQ	%YoY
Loans and advances	11.40%	11.30%	10.88%	0.10%pt	0.52%pt
Financial Investments	1.91%	1.63%	2.28%	0.28%pt	-0.37%pt
Deposits and placements with other banks	0.74%	1.86%	2.54%	-1.12%pt	-1.79%pt
Total	9.08%	9.41%	9.64%	-0.33%pt	-0.56%pt

Source: The Company, YSC Research

Interest Expense Breakdown

USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
CASA deposits	8.2	7.3	7.0	11.5%	16.4%
Fixed deposits	59.7	59.4	48.2	0.6%	23.9%
Borrowings	17.5	17.6	17.5	-0.7%	0.3%
Sub-debt	2.1	2.2	2.2	-6.6%	-6.5%
Others	0.5	0.5	0.5	3.33%	12.38%
Total	88.0	87.1	75.4	1.11%	16.78%

Source: The Company

Average Cost of Fund

Debt	1Q24	4Q23	1Q23	%QoQ	%YoY
CASA deposits	0.95%	0.92%	0.91%	0.03%pt	0.04%pt
Fixed deposits	6.14%	6.27%	5.62%	-0.12%pt	0.52%pt
Borrowings	8.99%	8.48%	7.20%	0.52%pt	1.80%pt
Subordinated debts	7.02%	7.18%	6.88%	-0.16%pt	0.14%pt
Total	4.26%	4.37%	3.95%	-0.11%pt	0.31%pt

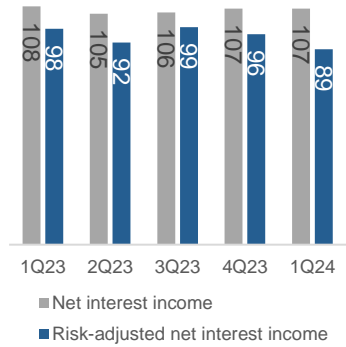
Source: The Company, YSC Research

Fee and Commission Income

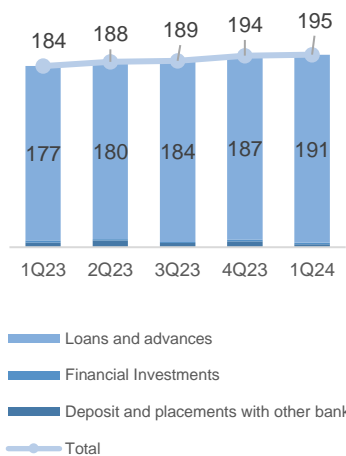
USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
Commission fees	2.8	2.9	3.2	-4.2%	-11.8%
Commission fee collected for assurance agency	3.4	3.1	2.4	12.5%	43.8%
ATM Fee	3.4	3.1	2.4	12.5%	43.8%
Early loan redemption fees	0.0	2.1	2.2	-100.0%	-100.0%
Deposit fee charged	0.2	0.1	0.2	230.69%	24.55%
Fee income from the guarantee	0.2	0.2	0.2	25.47%	3.49%
Training fees	1.1	0.5	0.6	131.68%	76.40%
Others	1.4	1.5	1.2	-3.94%	20.49%
Total	12.7	13.3	12.3	-4.90%	2.60%

Source: The Company

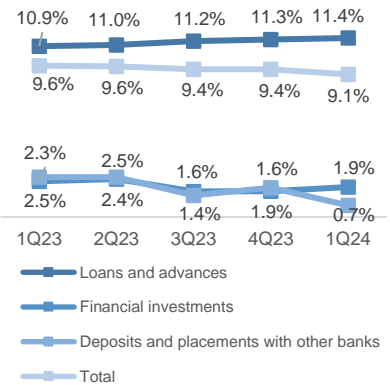
Net Interest Income (USD'mn)



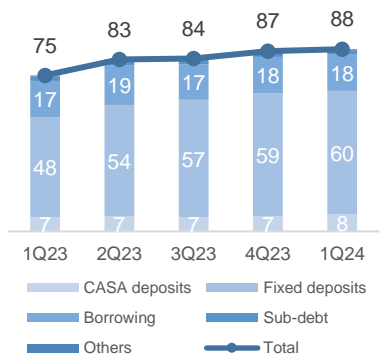
Interest Income Breakdown (USD'mn)



Average Interest Yield



Interest Expense Breakdown (USD'mn)



Allowance for/ (Reversal of) Impairments

USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
Loans and advances	20.2	11.5	9.7	75.4%	108.8%
Deposit and placement with other banks	0.1	-0.1	0.6	-156.1%	-88.3%
Other receivables	0.0	0.1	0.0	-103.2%	-93.6%
Off-balance sheet commitments	0.0	0.0	0.0	NA	NA
Total	20.2	11.5	10.2	76.07%	98.06%

Source: The Company

Loans and Advances by Classification

% of Total Gross Loans	1Q24	4Q23	1Q23	%QoQ	%YoY
Normal	92.9%	92.9%	95.3%	0.01%pt	-2.37%pt
Special mention	0.8%	0.7%	1.2%	0.05%pt	-0.43%pt
Substandard	1.1%	1.5%	0.7%	-0.39%pt	0.41%pt
Doubtful	1.9%	2.2%	0.6%	-0.24%pt	1.30%pt
Loss	3.3%	2.7%	2.2%	0.56%pt	1.09%pt
Gross loans	100.0%	100.0%	100.0%	0.00%pt	0.00%pt
ECL allowance	1.0%	0.8%	0.7%	0.16%pt	0.27%pt
Net loans	99.0%	99.2%	99.3%	-0.16%pt	-0.27%pt
Loan Loss Provision per NBC	5.4%	5.0%	3.6%	0.37%pt	1.79%pt
NPL	6.3%	6.4%	3.5%	-0.06%pt	2.80%pt

Source: The Company, YSC Research

Other Income

USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
Foreign exchange gain	5.2	4.3	4.4	20.7%	18.3%
Recovery from loans and advances written off	1.7	1.3	1.8	33.9%	-1.9%
Others	0.5	0.5	0.8	0.4%	-39.5%
Total	7.5	6.1	7.0	21.9%	6.4%

Source: The Company

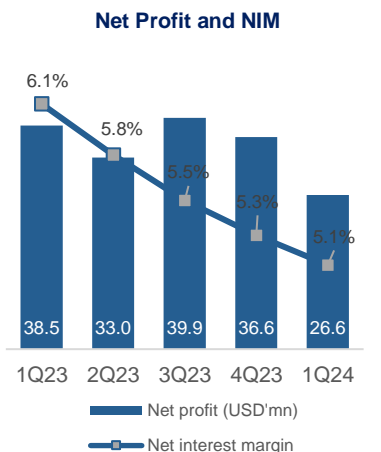
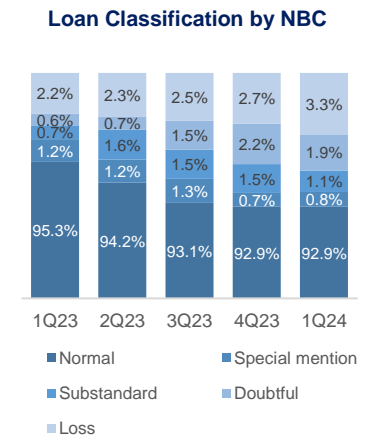
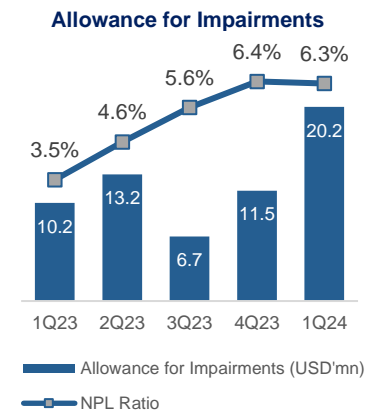
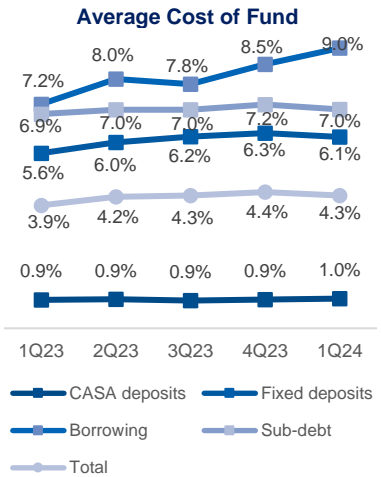
General and Administrative Expenses

USD'mn	1Q24	4Q23	1Q23	%QoQ	%YoY
D&A expense	10.0	10.0	9.2	0.2%	8.6%
Personnel expense	47.5	43.3	47.0	9.6%	1.0%
Repairs and maintenance	3.8	3.5	3.9	8.5%	-1.3%
Utilities	1.5	1.4	1.3	11.7%	15.2%
Communication	1.3	1.1	1.6	9.5%	-21.3%
Office supplies	1.5	1.3	1.4	13.4%	7.9%
Travelling expenses	0.7	0.7	0.7	4.0%	2.9%
License fees	0.3	0.3	0.3	1.4%	1.8%
Others	4.4	5.7	3.9	-23.0%	11.9%
Total	71.0	67.4	69.4	5.4%	2.4%

Source: The Company, YSC Research

Financial Ratios

FY to Dec	2020	2021	2022	2023	1Q24 (TTM)
Profitability Ratios					
Interest yield on loans (%)	12.23	11.49	11.14	11.12	11.19
Interest yield on deposits (%)	0.08	0.17	0.35	0.80	1.45
Interest yield on earning assets (%)	8.78	8.48	8.35	8.04	9.22
Net interest margin (%)	6.21	5.93	5.60	4.56	5.12
Return on asset (%)	2.22	2.31	2.15	1.58	1.41
Return on equity (%)	13.78	14.53	14.42	10.97	9.99
Return on invested capital (%)	10.31	10.65	10.38	8.92	8.67
Cost of Funding					
Cost of borrowings (%)	6.22	5.37	5.89	7.87	8.66
Cost of sub-debt (%)	7.87	7.19	7.24	7.32	7.14
Cost of deposits (%)	2.28	2.48	2.68	3.62	3.62
Cost of funds (%)	2.86	2.89	3.14	4.17	4.18
Asset Quality Ratios					
NPL ratio (%)	2.33	2.33	2.90	6.39	6.33
Doubtful loan ratio (%)	1.11	0.67	0.52	2.16	1.92



Loss loan ratio (%)	0.48	1.06	1.81	2.70	3.26
Write-off ratio (%)	0.41	0.21	0.14	0.42	0.55
Provision expense ratio (%)	0.50	0.28	0.34	0.64	0.79

Liquidity Ratios					
Liquid assets-to-total assets ratio (%)	28.62	28.57	26.38	29.88	31.06
Liquid assets-to-CASA deposits ratio (%)	73.65	75.18	77.29	86.50	84.85
Liquidity Coverage Ratio* (%)	149.31	155.65	154.96	154.96	214.79

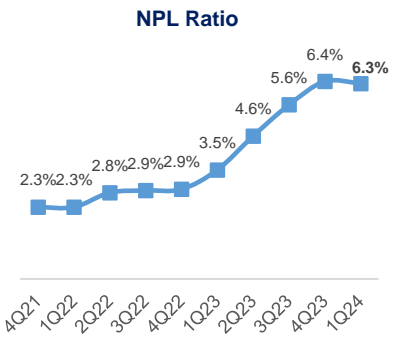
Leverage and Solvency Ratios					
Total liabilities-to-total equity ratio (%)	501.26	551.87	585.92	605.06	615.66
Tier 1 capital ratio* (%)	22.08	19.83	16.46	16.04	15.61
Tier 2 capital ratio* (%)	3.07	2.53	2.79	2.71	2.56
Solvency ratio* (%)	25.15	22.36	19.25	19.25	18.17

Operational Efficiency Ratios					
Loan per staff (USD'000)	329	397	473	490	498
Operating expense per staff (USD)	16,486	17,808	19,847	19,815	20,031
Operating expense-to-GLP ratio (%)	5.39	4.90	4.55	4.12	4.09

Per-share Ratios					
BPS LTM (KHR)	10,175	11,277	12,456	12,977	13,312
EPS LTM (KHR)	1,321	1,568	1,728	1,396	1,232

Valuation Ratios					
Share price at period end (KHR)	17,100	10,520	10,820	10,820	9,600
P/BV**	1.68	0.93	0.87	0.83	0.72
P/E**	12.94	6.71	6.26	7.75	7.80
Earning yield (%)**	7.73	14.90	15.97	12.90	12.83

Note: *Standalone figure for ABC Bank, **at end of the period
Source: The Company, YSC Research



Source: The Company, YSC Research

Investment Risk Analysis

The investment risk associated with ABC is a crucial factor to consider for potential investors. Here's an analysis of the key investment risks:

Investment Risk	Description	Impact	Assessment
Credit Risk	ABC's loan portfolio is susceptible to credit risk, particularly in an economic downturn or adverse market conditions.	Any deterioration in borrowers' creditworthiness could lead to an increase in non-performing loans (NPL), impacting on ABC's profitability.	MODERATE - ABC's credit scoring system has shown robust performance under normal market conditions. Historically, the bank has maintained a strong loan portfolio quality, typically with an NPL ratio below the industry average. However, a significant uptick in the NPL ratio this quarter, mirroring industry trends, suggests that ABC's loan portfolio may be vulnerable to credit risk arising from deteriorating economic and market conditions (undiversifiable risk). This raises concerns about the resilience of its credit scoring system to macroeconomic risks. The heightened credit costs experienced last year resulted in a substantial decline in the bank's net profit. Investors should be cautious of the credit risk associated with macroeconomic conditions, as it poses a notable threat to ACLEDA's financial performance.
Interest Rate Risk	Fluctuations in interest rates can affect ABC's net interest margin (NIM) and overall profitability.	Changes in interest rates may result in mismatches between interest earned on assets and interest paid on liabilities, affecting ABC's earnings.	HIGH - ABC is significantly exposed to interest rate risk owing to the nature of its business. The bank finances its long-term assets, such as loans to borrowers, primarily with relatively short to medium-term liabilities, including fixed and CASA deposits. This set-up renders its liabilities more sensitive to fluctuations in market interest rates compared to its long-term assets. This quarter's financial results underscored this vulnerability. Despite an increase in the average lending rate, it was insufficient to counterbalance the rise in funding costs. Consequently, the bank experienced a decline in NIM. This emphasizes the importance of monitoring interest rate risk closely as it can impact the bank's profitability and financial performance.
Liquidity Risk	Liquidity risk arises from ABC's inability to meet its short-term obligations due to a shortage of liquid assets, potentially leading	Liquidity risk can result in funding difficulties, increased borrowing costs, and reputational damage for	LOW - The Liquidity Coverage Ratio (LCR) stands at 215% as of 1Q24 and over the past five years comfortably exceeding the regulatory threshold of 100%. The bank maintains a well-balanced portfolio of liquid

	to financial distress, especially bank-run in the worst-case scenario.	ABC, affecting its stability and viability.	assets, comprising 84.9% of CASA-deposits as of 1Q24. Additionally, ABC has maintained significant balance with NBC much more than the capital guarantee and reserve requirement.
Regulatory and Compliance Risk	Regulatory risk refers to the adverse impact of changes in laws and regulations governing the banking industry, affecting the bank's operations and profitability.	Regulatory changes can lead to increased compliance costs, restrictions on banking activities, and changes in capital requirements, impacting ABC's profitability and growth prospects.	LOW - ABC consistently demonstrates a robust commitment to regulatory compliance, exemplifying a conservative approach. The bank's dedication is underscored by its attainment of a gold certificate in tax compliance and its strict adherence to the NBC's prudential ratios. ABC consistently maintains these ratios at levels exceeding regulatory requirements, providing the bank with a substantial cushion. Notably, ABC's proactive stance ensures resilience against potential regulatory changes, such as the NBC's gradual increase in reserve requirements for foreign currency and the full implementation of the capital conservation buffer. As a result, ABC is well-positioned to seamlessly comply with evolving regulatory standards.
Stock' Oversupply Risk	This risk pertains to the excessive availability of ABC's stock in the market relative to demand. It occurs when the supply of shares exceeds market demand, leading to downward pressure on the stock's price.	Oversupply can result in a significant decrease in the ABC stock's market value due to reduced scarcity and increased competition among sellers. This may lead to substantial losses for investors holding the stock, particularly if they bought at higher prices.	HIGH - ABC's employees hold a considerable supply of stocks and are looking to divest their holdings. However, the Cambodia Securities Exchange (CSX) encounters restricted market demand, lacking the capacity to absorb excessive supply and reduce such imbalances. Consequently, this situation may exert downward pressure on stock prices, causing them to dip below their intrinsic value.
Stock' Liquidity Risk	Liquidity risk refers to the difficulty of buying or selling ABC's stock without having a significant impact on its price. It arises when there is insufficient trading activity or market depth for the bank's stock.	Liquidity risk can result in higher transaction costs and wider bid-ask spreads, reducing the overall profitability of trading the stock. Additionally, investors may face challenges in executing trades at desired prices, leading to potential losses or missed opportunities.	MODERATE - Despite ABC stock's relatively higher turnover compared to other stocks on the CSX, the overall market liquidity remains low. This raises concerns about the potential challenges in selling the stock in the future without having to discount the price.

Source: YSC Research

Environmental, Social, and Governance (ESG) Analysis

Environmental Factors

ABC has consistently demonstrated a firm commitment to environmental sustainability through various initiatives. For instance, the bank has actively promoted digital banking services, resulting in a notable **reduction in paper and wastepaper usage between 2022 and 2023**. Additionally, ABC has made efforts to adopt energy-efficient technologies across its branches and operations. Although it seems that CO2 emissions for scope 01 and scope 02 significantly worsened in 2023, this substantial increase is because the data from 2019 to 2022 only covered ABC, whereas the 2023 data includes the entire group. To address environmental concerns effectively, ABC has appointed five full-time Environmental Officers who undergo regular training to oversee initiatives and monitor performance.

Key KPIs	2019	2020	2021	2022	2023
Paper Usage					
Paper in kg/FTE*	10.60	10.61	10.18	10.58	10.31
%YoY growth	-0.38%	0.09%	-4.05%	3.93%	-2.55%
Waste paper in kg/FTE*	1.03	1.23	2.06	1.80	1.44
%YoY growth	-42.46%	19.42%	67.48%	-12.62%	-20.00%
Energy Consumption					
Electricity in kWh/FTE*	1,679.09	1,922.84	2,013.46	2,198.96	2324.81
%YoY growth	2.00%	14.52%	4.71%	9.21%	5.72%
Gasoline in liter/FTE*	36.65	36.27	35.16	38.98	41.83
%YoY growth	-4.13%	-1.04%	-3.06%	10.86%	7.31%
Diesel in liter/FTE*	43.7	46.11	40.15	42.11	41.17
%YoY growth	-2.82%	5.51%	-12.93%	4.88%	-2.23%
Lubricant in liter/FTE*	1.12	1.25	1.02	1.06	1.14
%YoY growth	-0.88%	11.61%	-18.40%	3.92%	7.55%
CO2 Emission**					
Scope 01 (Mt-CO2e)	2,484	2,550	2,339	2,521	2,963
%YoY growth		2.66%	-8.27%	7.78%	17.53%
Scope 02 (Mt-CO2e)	12,590	14,406	15,189	16,641	20,755
%YoY growth		14.42%	5.44%	9.56%	24.72%
Full Time Employee (FTE*)	11,984	11,975	12,057	12,095	12,067

%YoY growth		-0.08%	0.68%	0.32%	-0.23%
Water Consumption					
Water consumption in m ³ /FTE*	28.21	20.42	22.19	18.70	17.40
%YoY growth	81.53%	-27.61%	8.67%	-15.73%	-6.95%
Business Travel					
By car in km/FTE*	514.54	565.59	367.29	574.28	573.90
%YoY growth	6.79%	9.92%	-35.06%	56.36%	-0.07%
By motorcycle in km/FTE*	1,838.73	1,845.04	1,705.52	1,979.70	2461.44
%YoY growth	-2.96%	0.34%	-7.56%	16.08%	24.33%

*FTE = Full-Time Equivalent

**For CO2 emissions scope 01 and scope 02 from 2019 to 2022 are for ABC only, and 2023 are for the group.

Source: The Company, YSC Research

Social Factors

ABC demonstrates a comprehensive commitment to social responsibility, extending from its employees to its customers. As an "equal opportunity" employer, ABC strives to foster inclusivity by maintaining a balanced gender representation, aiming for a female FTE ratio of 40%. Additionally, the bank offers a range of benefits, including medical coverage, provident funds, and various loan schemes such as personal and housing loans. Furthermore, ABC promotes employee ownership through an employee share ownership program available to all staff who have completed their probationary period. In its endeavor to contribute to societal development, ABC focuses on enhancing opportunities through continuous training for existing staff, recruiting new talent, and offering internships to both local and international students. Moreover, the bank is dedicated to promoting financial inclusion by extending banking services to underserved communities, particularly in rural areas and among low-income individuals. In 2023, the bank issued loans to SME customers, representing 80.43% of the total loan amount.

Key KPIs	2019	2020	2021	2022	2023
Employment					
Number of staff	11,948	12,013	12,081	12,083	12,045
Male	7,132	7,252	7,331	7,396	7,334
Female	4,816	4,761	4,750	4,687	4,711
Number of staff (FTE*)	11,984	11,975	12,057	12,095	12,067
Female to FTE ratio	40.19%	39.76%	39.40%	38.75%	39.04%
%pt YoY change	0.32%	-0.43%	-0.36%	-0.64%	0.29%
Training and Education					
Training - Career development and refresher programs	5,077	7,293	6,554	7,979	5,313
%YoY growth	33.57%	43.65%	-10.13%	21.74%	-33.41%
Training of new recruits — induction program	940	788	843	776	607
%YoY growth	71.22%	-16.17%	6.98%	-7.95%	-21.78%
Internships for local students	645	237	415	557	520
%YoY growth	5.74%	-63.26%	75.11%	34.22%	-6.64%
Internships for international students	4	5	0	0	1
%YoY growth		25.00%			
Income Situation					
Growth	92.40%	78.31%	80.15%	81.78%	N/A
%pt YoY change	1.50%	-14.09%	1.84%	1.63%	N/A
Stability	3.57%	6.08%	5.37%	6.78%	N/A
%pt YoY change	-2.66%	2.51%	-0.71%	1.41%	N/A
Reduction	4.03%	15.61%	14.47%	11.44%	N/A
%pt YoY change	1.16%	11.58%	-1.14%	-3.03%	N/A

*FTE = Full-Time Equivalent

Source: The Company, YSC Research

Governance Factors

ABC upholds governance practices that adhere to rigorous ethical standards and transparency. The bank boasts a well-structured and diverse board of directors in terms of gender and skills, ensuring robust oversight and effective risk management frameworks. Through meticulous compliance with regulatory mandates, ABC ensures the integrity of its operations. To fortify its ethical foundation, ABC has instituted a comprehensive code of business conduct for its directors and senior officers. This code encompasses anti-corruption measures, insider trading policies, whistleblower protection protocols, fair dealing principles, and stringent policies on Anti-Money Laundering and Combating the Financing of Terrorism. The bank's unwavering commitment to excellence in governance was recognized on 16 May 2022, when it received the Best Corporate Governance Award from CSX. This accolade underscores ABC's steadfast dedication to upholding the highest standards of corporate governance and ethical business practices.

Risks and Opportunities

While ABC has made commendable progress in addressing ESG issues, it faces challenges in managing environmental risks associated with increased energy usage and CO2 emissions. Moreover, there is a need for more efforts to improve the gender balance within the organization to enhance its gender lens focus and implement new initiatives for social responsibility to improve the financial inclusiveness of the underserved population. However, ABC's strong governance practices position it well to capitalize on opportunities arising from ESG trends. By continuing to prioritize transparency, ethical standards, and regulatory compliance, the bank can further bolster investor confidence and mitigate potential risks associated with environmental and social factors. This proactive approach to governance not only aligns with ESG principles but also strengthens ABC's overall resilience and sustainability in the long term.

ASEAN Peers Comparison



Source: S&P Capital IQ (As of June 24, 2024), YSC Research

Peer Companies Information

No	Stock Symbol	Company Name	Stock Exchange	Country
1	SET:BBL	Bangkok Bank Public Company Limited	SET	Thailand
2	PSE:BPI	Bank of the Philippine Islands	PSE	Philippines
3	PSE:BDO	BDO Unibank, Inc.	PSE	Philippines
4	KLSE:CIMB	CIMB Group Holdings Berhad	KLSE	Malaysia
5	HOSE:VCB	Joint Stock Commercial Bank for Foreign Trade of Vietnam	HOSE	Vietnam
6	HOSE:VIB	Joint Stock Commercial Bank for Investment and Development of Vietnam	HOSE	Vietnam
7	SET:KBANK	Kasikornbank Public Company Limited	SET	Thailand
8	SET:KTB	Krung Thai Bank Public Company Limited	SET	Thailand
9	KLSE:MAYBANK	Malayan Banking Berhad	KLSE	Malaysia
10	PSE:MBT	Metropolitan Bank & Trust Company	PSE	Philippines
11	IDX:BBCA	PT Bank Central Asia Tbk	IDX	Indonesia
12	IDX:BMRI	PT Bank Mandiri (Persero) Tbk	IDX	Indonesia
13	IDX:BBRI	PT Bank Rakyat Indonesia (Persero) Tbk	IDX	Indonesia
14	KLSE:PBBANK	Public Bank Berhad	KLSE	Malaysia
15	HOSE:CTG	Vietnam Joint Stock Commercial Bank for Industry and Trade	HOSE	Vietnam

Condensed Financial Statements

Statement of Comprehensive Income

FY to Dec (USD'mn)	2021A	2022A	2023A	1Q24A
Interest income	573.8	670.8	755.6	767.3
Interest expense	(172.4)	(220.8)	(329.0)	(341.7)
Net interest income	401.4	449.9	426.6	425.6
Fee and commission income	42.9	47.5	46.7	45.9
Fee and commission expense	(2.7)	(4.6)	(4.0)	(4.7)
Net fee and commission income	40.3	42.9	42.7	41.3
Net impairment losses	(13.4)	(20.6)	(41.7)	(49.9)
Net income after allowance for impairment	428.3	472.2	427.7	416.9
Other income	20.0	25.6	25.7	24.4
General and administrative expenses	(243.5)	(269.6)	(269.1)	(270.8)
Profit before income tax	204.8	228.3	184.2	170.5
Income tax expense	(38.1)	(46.5)	(36.2)	(34.5)
Net profit of the period	166.7	181.8	148.0	136.0
Other comprehensive income/(loss) for the year	(4.6)	(11.5)	(9.7)	(10.0)
Total Comprehensive income	162.0	170.3	138.3	126.0

Statement of Cash Flow

FY to Dec (USD'mn)	2021A	2022A	2023A	1Q24A
Operating cash flow				
Profit before tax	204.8	228.3	184.2	33.1
Depreciation & amortization	35.5	36.9	38.6	10.0
Change in working capital	107.8	(395.6)	476.4	301.1
Investing cash flow				
Net CAPEX	(34.1)	(24.9)	(34.0)	(7.3)
ST investment	(1.4)	(124.1)	57.2	(34.7)
Financing cash flow				
Net change in share capital	-	-	-	-
Net change in debt	65.0	325.5	(112.8)	(157.2)
Cash dividend	(42.5)	(58.4)	(72.7)	
Net change in cash & equivalent				
Beginning cash & equivalent	1,497.1	1,803.2	1,748.4	2,279.7
Ending cash & equivalent	1,803.2	1,748.4	2,279.7	2,434.0

Note: A = Audited

Source: The Company, YSC Research

Statement of Financial Position

FY to Dec (USD'mn)	2021A	2022A	2023A	1Q24A
Cash & statutory deposits	865.8	979.4	1,044.4	1,170.9
Deposits and placements with other banks, net	577.1	846.6	1,509.5	1,596.3
Deposits and placements with other banks, gross	577.6	846.9	1,509.7	1,596.5
ECL allowance	(0.5)	(0.3)	(0.1)	(0.2)
Financial instruments	801.1	556.0	357.5	360.8
Loans and advances, net	5,394.0	6,379.4	6,601.7	6,662.7
Loans and advances, gross	5,428.6	6,421.6	6,657.3	6,729.8
ECL allowance	(34.6)	(42.2)	(55.6)	(67.1)
Fixed assets	167.8	169.0	180.2	149.6
Intangible assets	12.3	10.9	10.8	10.3
Other current assets	37.2	89.9	39.9	118.6
Total Assets	7,855.3	9,031.2	9,744.0	10,069.3
CASA & margin deposits	2,998.0	3,097.3	3,383.4	3,701.8
Fixed deposits	2,718.0	3,291.7	3,844.4	3,935.4
Borrowings	608.5	957.3	859.8	698.2
Sub-debt	156.5	127.8	117.1	119.0
Other liabilities	169.2	240.4	157.3	207.9
Total Liabilities	6,650.2	7,714.5	8,362.0	8,662.3
Share capital	433.2	433.2	433.2	433.2
Capital reserves	11.7	11.7	11.7	11.7
Retained earnings	760.2	871.8	937.2	962.1
Total Equity	1,205.0	1,316.6	1,382.0	1,407.0
Total Liabilities and Equity	7,855.3	9,031.2	9,744.0	10,069.3

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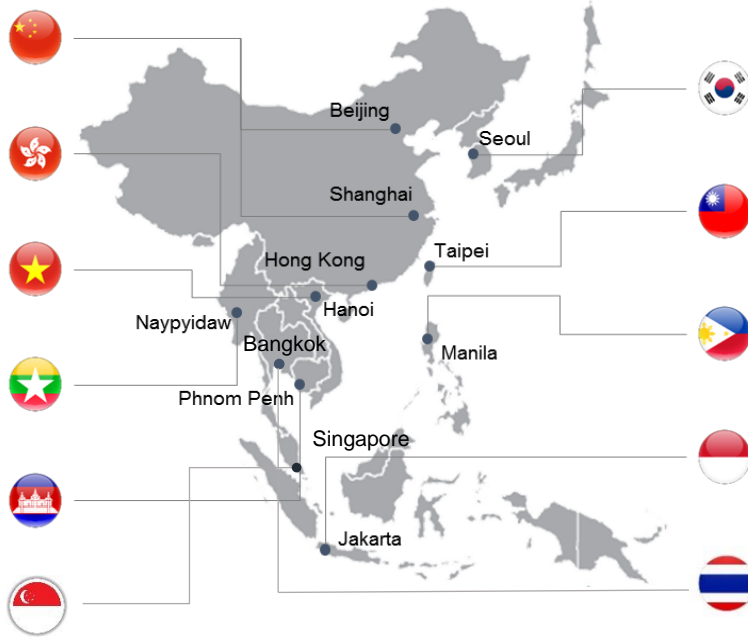
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