

**ABC (KH100010003 CSX)**

**March 13, 2024**

**Performance Highlights**

USD'mn	4Q23	% QoQ	% YoY	2023	% YoY
Net interest income	107.4	1.6%	-4.3%	426.6	-1.1%
Net impairment losses	-11.6	73.8%	1866.9%	-41.7	36.1%
Risk-adjusted net interest income	95.7	-3.3%	-14.2%	384.9	-4.0%
Non-interest income	17.8	-3.4%	5.2%	72.4	1.2%
Total operating expenses	-68.3	1.2%	0.9%	-273.1	0.2%
PBT	45.2	-9.5%	-25.6%	184.2	-7.8%
Net Profit	36.6	-8.3%	-25.0%	148.0	-7.6%
Net interest margin	5.3%	-0.2%pt	-0.3%pt	5.3%	-0.2%pt
Cost-income ratio	54.6%	0.2%pt	2.1%pt	54.7%	0.5%pt

Source: The Company, YSC Research

**4Q23 Review: Bottom Line Declines on High Credit and Funding Costs**

**Loans experience sluggish growth in 4Q23 due to economic headwinds hampering borrowing activities**

- At the end of 4Q23, the number of loan accounts reached 661,941, up 11.9% YoY. Gross loan portfolio saw a slight uptick of 3.7% YoY, totaling USD 6,657.3mn at the end of 2023, mainly driven by 5.0% YoY growth in small loans, but offset by a 5.7% YoY decrease in medium loans. A notable growth was seen in personal & other loans and credit card loans which surged 84.1% and 40.6% YoY, respectively. ACLEDA's modest loan growth is somewhat in line with the average industry loan growth of 4.8%, and this can be attributed to the unfavorable economic climate characterized by rising lending rates and NPLs. According to NBC, deposit-taking institutions' average interest rate on the newly disbursed term loans increased by 0.81%pt from 9.44% in 4Q22 to 10.25% in 4Q23. ACLEDA's average lending rate in 4Q23 was up by 0.33%pt during the same period from 10.97% to 11.30%.
- Meanwhile, the number of deposit accounts increased by 17.7% from 3,865,749 at the end of 4Q22 to 4,550,582 at the end of 4Q23. Total deposits from customers and other banks and financial institutions reached USD 7,227.8mn, posting a growth of 13.3% YoY. Total deposit growth was driven mainly by 16.79% YoY growth in fixed deposits, while CASA deposit growth stood at 9.21% YoY. Solid deposit growth in 2023 was mainly due to the overall increase in interest rates, leading many banks to increase their deposit rates to attract local depositors. Indeed, ABC's average CASA deposit rate in 4Q23 was up 0.16%pt YoY, while average fixed deposit rate expanded by 0.88%pt from 4Q22.
- The number of ACLEDA Bank Mobile App users surged 21.3% YoY to 3.5mn in 4Q23, compared to 2.8mn in 4Q22. Transaction value jumped 85.3% YoY to KHR 383bn, with the number of transactions seeing a 2.5-fold increase YoY to 373mn transactions.

**Interest income increases 9.4% YoY but average interest yield narrows**

- ABC earned USD 194.3mn in interest income in 4Q23, up 9.3% YoY, driven by 7.6% YoY growth in interest earned from loans and advances, which made up 96.2% of total interest income in 4Q23. Despite the sluggish loan growth, the increase in the average lending rate by 0.33%pt from 11.0% in 4Q22 to 11.3% in 4Q23 mainly contributed to the overall interest income growth.
- However, the average interest yield on earning assets narrowed from 9.7% in 4Q22 to 9.4% in 4Q23, mainly due to the change in the composition of earnings assets with more allocation going towards deposits and placements with other banks as loan disbursement slowed down.

**Attractive interest rate attract depositor resulting in higher interest expense**

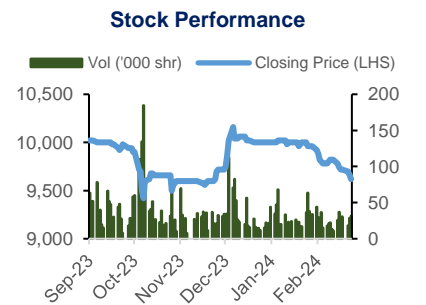
- Interest expenses surged by 32.5% YoY to USD 87.1mn, growing faster than interest income. This increase was primarily driven by fixed deposits, which constitute two-thirds of the funding structure and experienced a significant 47.3% YoY growth as more customers taking advantage of the higher interest rates as shown in the increase of deposit accounts.
- The average cost of fund rose 0.70%pt YoY from 3.7% in 4Q22 to 4.4% in 4Q23. The notable increase was due to higher interest rates on CASA deposits (+0.15%pt YoY), fixed deposits (+0.97%pt YoY) and borrowings (+1.81% YoY). As a result, net interest margin (NIM) got squeezed by 0.3%pt YoY to 5.3% in 4Q23.

Closing price	<b>KHR 9,620</b>
IPO price	<b>KHR 16,200</b>

Source: CSX, YSC Research

Stock info	
Industry	Financial Services
Market cap (USD'mn)	1,012
Outstanding shares ('mn)	433
Majority shareholder	
ABC Financial Trust (%)	28.04
Avg. daily vol. (last 6 months, shr)	34,867
Free floating shares (last 6 months, %)	0.84
Price low/high (last 6 months, KHR)	9,140 ~ 11,600
EPS (KHR)	1,346
P/E* (x)	7.44
P/E** (x)	7.14
P/B* (x)	0.77
P/B** (x)	0.74

\*Price at the end 4Q23, \*\*Price as of 13 March 2024



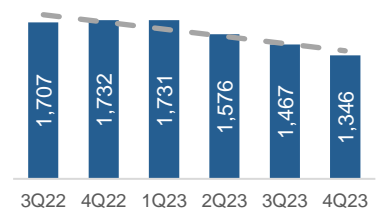
Source: CSX, YSC Research

**Trading Volume & Value in the Last 12 Months**

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Mar-23	1,674,753	18,599	76,125	845
Apr-23	1,686,961	19,191	88,787	1,010
May-23	2,115,831	22,289	105,792	1,114
Jun-23	1,246,426	12,722	56,656	578
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

Source: CSX, YSC Research

**Earning Strength (LTM, KHR)**



Source: The Company, YSC Research

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**Fee and commission income sees solid growth**

- In 4Q23, fee and commission income increased by 17.5% YoY to USD 13.3mn. The solid growth was brought mainly by a 112.3% YoY increase in commission fees collected by assurance agencies, a 9.2% YoY increase in ATM fee and a 9.8% YoY increase in early loan redemption fees.

**Credit cost rises as loan portfolio quality deteriorates**

- In 4Q23, net impairment losses skyrocketed to USD 11.5mn from USD 0.6mn in 4Q22. This was primarily driven by a staggering 1,543% YoY increase in the allowance for impairments on loans and advances, attributable to a decline in the quality of the loan portfolio. The non-performing loan (NPL) ratio also experienced a significant increase, climbing from 2.90% at the end of 4Q22 to 6.39% at the end of 4Q23 with the loan loss ratio widening by 0.90pt% from 1.81% to 2.70% over the same period.

**Foreign exchange gain continues to be the significant contributor of other income**

- In 4Q23, ABC recorded USD 6.1mn in other income, a 10.5% YoY increase. The largest contributor to this income was foreign exchange gain, totaling USD 4.3mn and reflecting a 36.3% YoY growth. However, recovery from loans and advances written off experienced a decline of 13.6% YoY.

**Bottom line declines due to high funding cost and deterioration in loan quality**

- Risk adjusted net interest income (interest income + interest expense – allowance for impairment) reached USD 95.7mn in 4Q23, declining 14.2% YoY. On the other hand, the total operating expenses (G&A expenses + fee and other commission expense) saw a slight rise of 0.9% YoY to USD 68.3mn, driven by the increase in D&A expenses of 8.7% YoY, repairs and maintenance expenses of 4.8% YoY, offsetting by the decrease in personnel expenses by 0.7% YoY. Consequently, the cost-to-income ratio (CIR) rose by 2.1pt% to 54.6% in 4Q23 due to the revenue drop. This led to a pre-tax profit decline of 25.6% YoY to USD 45.2mn and consolidated net profit plummeted 25.0% YoY to 36.6mn in 4Q23.
- Earnings per share (EPS) in 4Q23 stood at USD 0.33 (or KHR1,346), down 22.3% compared to 4Q22, while book value per share (BPS) was at USD 3.18 at the end of 4Q23, a modest increase compared to USD 3.03 a year earlier. Based on these EPS, BPS figures, along with the closing price on Mar 13, 2024, ABC stock is trading at a P/E of 7.14x and a P/B of 0.74x.

**Loans and Deposits**

	4Q23	3Q23	4Q22	%QoQ	%YoY
Number of loans in '000	662	643	591	2.9%	11.9%
Gross Loan Portfolio in USD'mn	6,657	6,569	6,422	1.3%	3.7%
Number of Deposit in '000	4,551	4,425	3,866	2.8%	17.7%
Total Deposit Balance in USD'mn	7,228	6,916	6,389	4.5%	13.1%

Source: The Company

**ACLEDA Mobile App**

	4Q23	3Q23	4Q22	%QoQ	%YoY
# of transactions (mn)	373.0	248.6	148.8	50.0%	150.7%
Value of transactions (KHR'mn)	383.0	268.7	206.7	42.5%	85.3%
# of User (mn)	3.5	3.3	2.8	4.8%	21.3%

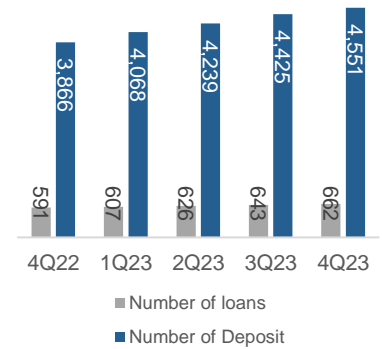
Source: The Company

**Loan Portfolio Breakdown**

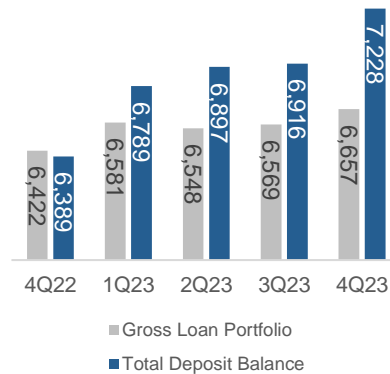
USD'mn	4Q23	3Q23	4Q22	%QoQ	%YoY
Small Loan	3,011.0	2,996.1	2,868.9	0.5%	5.0%
Staff Housing Loan	31.0	30.4	29.0	1.9%	6.9%
Public Housing Loan	154.4	155.3	153.9	-0.6%	0.3%
Staff Loan	297.5	293.6	289.9	1.3%	2.6%
Overdraft Loan	159.8	155.5	161.6	2.8%	-1.1%
Home Improvement Loan	21.1	21.7	23.2	-2.5%	-9.1%
Personal & Others Loan	483.5	415.1	262.6	16.5%	84.1%
Credit Card Loan	89.0	80.3	63.3	10.8%	40.6%
Trade Loan	17.0	16.9	21.0	0.1%	-19.3%
Revolving Loan	30.0	24.1	41.1	24.6%	-27.0%
Medium Loan	2,363.0	2,380.4	2,507.2	-0.7%	-5.7%
<b>Total gross loans</b>	<b>6,657.3</b>	<b>6,569.5</b>	<b>6,421.6</b>	<b>1.3%</b>	<b>3.7%</b>

Source: The Company

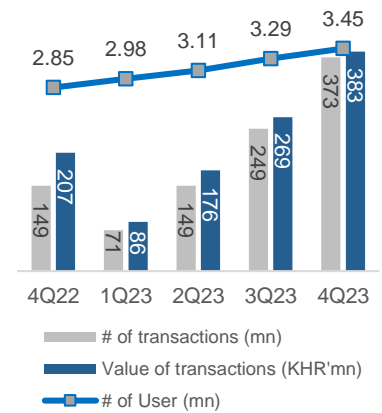
**No. of Deposit and Loan ('000)**



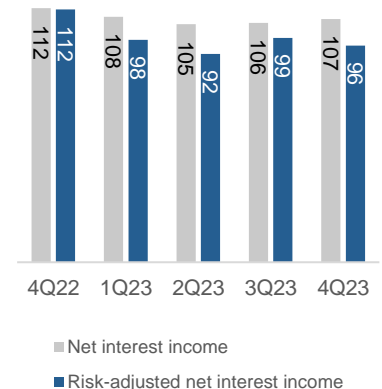
**Borrower and Depositor (USD'mn)**



**ACLEDA Mobile App Statistics**



**Net Interest Income (USD'mn)**



**Deposits Breakdown**

USD'mn	4Q23	3Q23	4Q22	%QoQ	%YoY
CASA deposits	3,366.1	3,159.9	3,082.3	6.5%	9.2%
Fixed deposits	3,844.4	3,736.7	3,291.7	2.9%	16.8%
Margin deposits	17.3	18.9	15.0	-8.9%	15.3%
<b>Total</b>	<b>7,227.8</b>	<b>6,915.6</b>	<b>6,389.0</b>	<b>4.5%</b>	<b>13.1%</b>
CASA ratio	46.6%	45.7%	48.2%	0.9%pt	-1.7%pt

Source: The Company, YSC Research

**Interest Income Breakdown**

USD'mn	4Q23	%QoQ	%YoY	2023	%YoY
Deposit and placements with other banks	6.0	42.6%	167.7%	22.0	349.5%
Financial Investments	1.5	39.5%	-24.0%	5.6	-3.2%
Loans and advances	186.8	1.6%	7.6%	727.4	10.2%
<b>Total</b>	<b>194.3</b>	<b>2.8%</b>	<b>9.3%</b>	<b>755.1</b>	<b>12.6%</b>

Source: The Company

**Average Interest Yield**

Assets	4Q23	3Q23	4Q22	%QoQ	%YoY
Loans and advances	11.3%	11.2%	11.0%	0.09%pt	0.33%pt
Financial Investments	1.6%	1.6%	1.7%	0.00%pt	-0.07%pt
Deposits and placements with other banks	1.9%	1.4%	1.6%	0.48%pt	0.26%pt
<b>Total</b>	<b>9.4%</b>	<b>9.4%</b>	<b>9.7%</b>	<b>-0.01%pt</b>	<b>-0.27%pt</b>

Source: The Company, YSC Research

**Interest Expense Breakdown**

USD'mn	4Q23	%QoQ	%YoY	2023	%YoY
CASA deposits	7.3	5.4%	30.2%	28.7	97.8%
Fixed deposits	59.4	4.8%	42.3%	218.0	47.3%
Borrowings	17.6	3.1%	15.0%	71.5	54.9%
Sub-debt	2.2	-1.9%	-11.5%	9.0	-12.9%
Others	0.5	1.1%	3.6%	1.9	-1.7%
<b>Total</b>	<b>87.1</b>	<b>4.3%</b>	<b>32.5%</b>	<b>329.0</b>	<b>49.0%</b>

Source: The Company

**Average Cost of Fund**

Debt	4Q23	3Q23	4Q22	%QoQ	%YoY
CASA deposits	0.9%	0.9%	0.8%	0.03%pt	0.15%pt
Fixed deposits	6.3%	6.2%	5.3%	0.11%pt	0.97%pt
Borrowings	8.5%	7.8%	6.7%	0.64%pt	1.81%pt
Subordinated debts	7.2%	7.0%	7.4%	0.17%pt	-0.20%pt
<b>Total</b>	<b>4.4%</b>	<b>4.3%</b>	<b>3.7%</b>	<b>0.11%pt</b>	<b>0.70%pt</b>

Source: The Company, YSC Research

**Fee and Commission Income**

USD'mn	4Q23	%QoQ	%YoY	2023	%YoY
Commission fees	2.9	8.7%	-9.3%	11.8	-24.6%
Commission fee collected for assurance agency	3.1	4.6%	112.3%	11.2	125.8%
ATM Fee	3.1	4.6%	9.2%	11.2	10.3%
Early loan redemption fees	2.1	-6.2%	9.8%	8.4	4.4%
Deposit fee charged	0.1	-27.9%	-7.2%	0.4	-44.7%
Fee income from the guarantee	0.2	4.1%	-0.6%	0.9	5.8%
Training fees	0.5	-28.9%	32.3%	2.5	25.2%
Others	1.5	-7.8%	8.1%	5.4	6.8%
<b>Total</b>	<b>13.3</b>	<b>0.2%</b>	<b>17.5%</b>	<b>51.8</b>	<b>9.2%</b>

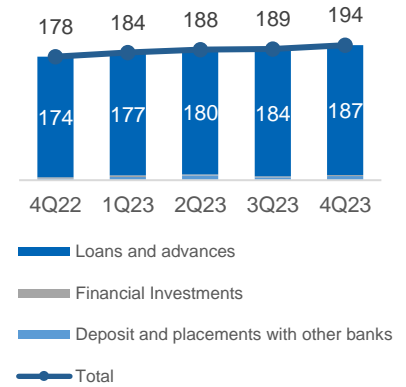
Source: The Company

**Allowance for/(reversal of) Impairments**

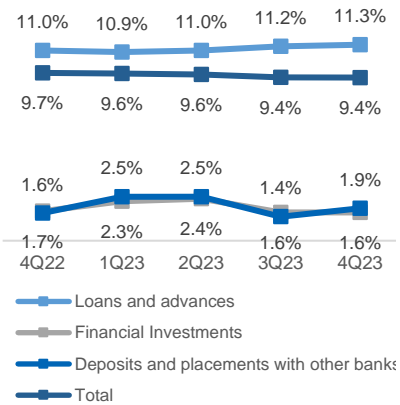
USD'mn	4Q23	%QoQ	%YoY	2023	%YoY
Loans and advances	11.5	59.6%	1542.6%	41.8	108.6%
Deposit and placement with other banks	-0.1	-77.7%	-33.3%	-0.3	118.8%
Other receivables	0.1	-2,436.8%	10.9%	0.0	-69.3%
Off-balance sheet commitments	0.0	1.8%	-440.1%	0.0	-184.2%
<b>Total</b>	<b>11.5</b>	<b>71.3%</b>	<b>1,838.6%</b>	<b>41.5</b>	<b>101.8%</b>

Source: The Company

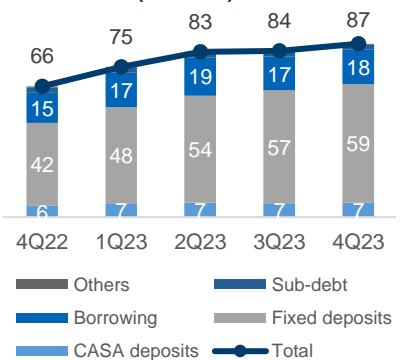
**Interest Income Breakdown (USD'mn)**



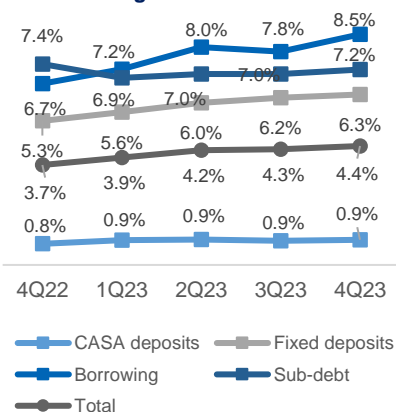
**Average Interest Yield**



**Interest Expense Breakdown (USD'mn)**



**Average Cost of Fund**



**Loans and Advances by Classification**

% of Total Gross Loans	4Q23	3Q23	4Q22	%QoQ	%YoY
Normal	92.9%	93.1%	96.1%	-0.21%pt	-3.25%pt
Special mention	0.7%	1.3%	1.0%	-0.55%pt	-0.24%pt
Substandard	1.5%	1.5%	0.6%	-0.02%pt	0.96%pt
Doubtful	2.2%	1.5%	0.5%	0.62%pt	1.64%pt
Loss	2.7%	2.5%	1.8%	0.16%pt	0.90%pt
<b>Gross loans</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.00%pt</b>	<b>0.00%pt</b>
ECL allowance	0.8%	0.8%	0.7%	0.02%pt	0.18%pt
Net loans	99.2%	99.2%	99.3%	-0.02%pt	-0.18%pt
<b>Loan Loss Provision per NBC</b>	<b>5.0%</b>	<b>4.6%</b>	<b>3.2%</b>	<b>0.44%pt</b>	<b>1.87%pt</b>
<b>NPL</b>	<b>6.4%</b>	<b>5.6%</b>	<b>2.9%</b>	<b>0.76%pt</b>	<b>3.49%pt</b>

Source: The Company, YSC Research

**Other Income**

USD'mn	4Q23	%QoQ	%YoY	2023	%YoY
Foreign exchange gain	4.3	6.7%	36.3%	17.5	23.1%
Recovery from loans and advances written off	1.3	-26.3%	-13.6%	5.9	-32.3%
Others	0.5	-14.3%	-42.4%	2.3	-14.2%
<b>Total</b>	<b>6.1</b>	<b>-4.3%</b>	<b>10.5%</b>	<b>25.7</b>	<b>0.3%</b>

Source: The Company

**General and Administrative Expenses**

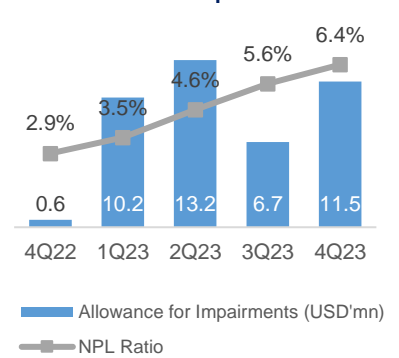
USD'mn	4Q23	%QoQ	%YoY	2023	%YoY
D&A expense	10.0	0.8%	8.7%	38.6	4.7%
Personnel expense	43.3	3.8%	-0.7%	174.5	-2.8%
Repairs and maintenance	3.5	-14.5%	4.8%	15.2	9.8%
Utilities	1.4	-15.3%	-0.1%	6.0	3.6%
Communication	1.1	5.3%	-26.8%	5.1	-4.7%
Office supplies	1.3	0.9%	-13.6%	5.5	-0.9%
Travelling expenses	0.7	2.2%	5.8%	2.8	4.2%
License fees	0.3	-0.2%	7.5%	1.2	7.2%
Others	5.7	5.4%	15.7%	20.3	7.8%
<b>Total</b>	<b>67.4</b>	<b>1.8%</b>	<b>1.3%</b>	<b>269.1</b>	<b>-0.2%</b>

Source: The Company, YSC Research

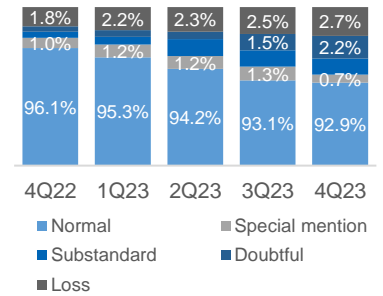
**Financial Ratios**

FY to Dec	2019	2020	2021	2022	4Q23 (TTM)
<b>Profitability Ratios</b>					
Interest yield on loans (%)	12.68	12.23	11.49	11.14	11.04
Interest yield on deposits (%)	0.19	0.08	0.17	0.35	1.84
Interest yield on earning assets (%)	6.07	6.21	8.48	8.35	9.38
Net interest margin (%)	6.07	6.21	5.93	5.60	5.30
Return on asset (%)	2.04	2.22	2.31	2.15	1.56
Return on equity (%)	13.30	13.78	14.53	14.42	10.98
Return on invested capital (%)	9.93	10.31	10.65	10.38	8.95
<b>Cost of Funding</b>					
Cost of borrowings (%)	7.63	6.22	5.37	5.89	7.96
Cost of sub-debt (%)	6.94	7.87	7.19	7.24	7.09
Cost of deposits (%)	2.32	2.28	2.48	2.68	3.54
Cost of funds (%)	3.16	2.86	2.89	3.14	4.10
<b>Asset Quality Ratios</b>					
NPL ratio (%)	1.23	2.33	2.33	2.90	6.39
Doubtful loan ratio (%)	0.23	1.11	0.67	0.52	2.16
Loss loan ratio (%)	0.77	0.48	1.06	1.81	2.70
Write-off ratio (%)	0.62	0.41	0.21	0.14	0.48
Provision expense ratio (%)	0.60	0.50	0.28	0.34	0.63
<b>Liquidity Ratios</b>					
Liquid assets-to-total assets ratio (%)	0.62	0.41	28.6	26.4	29.9
Liquid assets-to-CASA deposits ratio (%)	0.60	0.50	75.2	77.3	86.5
Liquidity Coverage Ratio* (%)	167.3	149.3	155.7	154.9	180.1
<b>Leverage and Solvency Ratios</b>					
Total liabilities-to-total equity ratio (%)	540.3	501.3	551.9	585.9	605.1
Tier 1 capital ratio* (%)	23.6	22.1	19.8	16.5	15.9

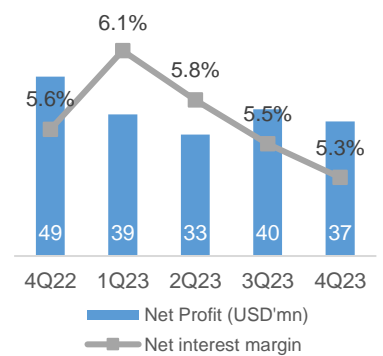
**Allowance for Impairments**



**Loan Classification by NBC**



**Net Profit and NIM**



Source: The Company, YSC Research

Tier 2 capital ratio* (%)	2.7	3.1	2.5	2.8	2.6
Solvency ratio* (%)	26.3	25.2	22.4	19.3	18.5
<b>Operational Efficiency Ratios</b>					
Loan per staff (USD)	284,106	328,856	397,000	472,806	493,025
Operating expense per staff (USD)	15,775	16,486	17,808	19,847	19,931
Operating expense-to-GLP ratio (%)	5.7	5.4	4.9	4.5	4.1
<b>Per-share Ratios</b>					
BPS LTM (KHR)	9,165	10,175	11,277	12,490	13,085
EPS LTM (KHR)	1,149	1,321	1,570	1,732	1,346
<b>Valuation Ratios</b>					
Share Price at period end (KHR)	n/a	17,100	10,520	10,820	10,020
P/BV**	n/a	1.68	0.93	0.87	0.77
P/E**	n/a	12.94	6.7	6.25	7.44
Earning yield (%)**	n/a	7.73	14.92	16.01	13.44

Note: \*Standalone figure for ABC Bank, \*\*at end of the period  
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
<b>Credit Risk</b>	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.	<b>MODERATE</b> - 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 last year, 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.
<b>Interest Rate Risk</b>	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.	<b>HIGH</b> - 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. Last year'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.
<b>Liquidity Risk</b>	Liquidity risk arises from ABC's inability to meet its short-term obligations due to a shortage of liquid assets, potentially leading to financial distress, especially bank-run in the worst-case scenario.	Liquidity risk can result in funding difficulties, increased borrowing costs, and reputational damage for ABC, affecting its stability and viability.	<b>LOW</b> - The Liquidity Coverage Ratio (LCR) stands at 180% as of 4Q23 and over the past five years comfortably exceeding the regulatory threshold of 100%. The bank maintains a well-balanced portfolio of liquid assets, comprising 86.5% of CASA-deposits as of 4Q23. Additionally, ABC has maintained significant balance with NBC much more than the capital guarantee and reserve requirement.
<b>Regulatory and Compliance Risk</b>	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.	<b>LOW</b> - 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.

**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.

**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.

<b>Stock' Oversupply Risk</b>	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.	
<b>Stock' Liquidity Risk</b>	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.	

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 usage and wastepaper between 2018 and 2021. Additionally, ABC has made efforts to adopt energy-efficient technologies across its branches and operations. Although significant strides were made in reducing gasoline, diesel, and lubricant usage since 2018, there was a reversal in this trend in 2022. This shift can be attributed to the bank's overall growth, leading to increased vehicle usage and subsequently higher CO2 emissions. 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	2018	2019	2020	2021	2022
<b>Paper Usage</b>					
Paper in kg/FTE*	10.64	10.60	10.61	10.18	10.58
%YoY growth		-0.38%	0.09%	-4.05%	3.93%
Waste paper in kg/FTE*	1.79	1.03	1.23	2.06	1.80
%YoY growth		-42.46%	19.42%	67.48%	-12.62%
<b>Energy Consumption</b>					
Electricity in kWh/FTE*	1,646.15	1,679.09	1,922.84	2,013.46	2,198.96
%YoY growth		2.00%	14.52%	4.71%	9.21%
Gasoline in liter/FTE*	38.23	36.65	36.27	35.16	38.98
%YoY growth		-4.13%	-1.04%	-3.06%	10.86%
Diesel in liter/FTE*	44.97	43.7	46.11	40.15	42.11
%YoY growth		-2.82%	5.51%	-12.93%	4.88%
Lubricant in liter/FTE*	1.13	1.12	1.25	1.02	1.06
%YoY growth		-0.88%	11.61%	-18.40%	3.92%
<b>CO2 Emission (equivalent in '000 kg)</b>					
Electricity	11,142	11,067	12,664	13,352	14,628
%YoY growth		-0.67%	14.43%	5.43%	9.56%
Gasoline	1,121	1,046	1,035	1,010	1,123
%YoY growth		-6.69%	-1.05%	-2.42%	11.19%
Diesel	1,519	1,438	1,516	1,329	1,399
%YoY growth		-5.33%	5.42%	-12.34%	5.27%
<b>Water Consumption</b>					
Water consumption in m <sup>3</sup> /FTE*	15.54	28.21	20.42	22.19	18.70
%YoY growth		81.53%	-27.61%	8.67%	-15.73%
<b>Business Travel</b>					
By car in km/FTE	481.82	514.54	565.59	367.29	574.28
%YoY growth		6.79%	9.92%	-35.06%	56.36%
By motorcycle in km/FTE*	1,894.90	1,838.73	1,845.04	1,705.52	1,979.70
%YoY growth		-2.96%	0.34%	-7.56%	16.08%

\*FTE = Full-Time Equivalent

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. ABC assesses the impact of its initiatives through surveys, with results indicating significant improvements in wealth accumulation for borrowers, with 81.78% reporting increased wealth following loans obtained from ABC in 2022.

Key KPIs	2018	2019	2020	2021	2022
<b>Employment</b>					
Number of staff	12,177	11,948	12,013	12,081	12,083
Male	7,270	7,132	7,252	7,331	7,396
Female	4,907	4,816	4,761	4,750	4,687
Number of staff (FTE*)	12,307	11,984	11,975	12,057	12,095
Female to FTE ratio	39.87%	40.19%	39.76%	39.40%	38.75%
%pt YoY change		0.32%	-0.43%	-0.36%	-0.64%
<b>Training and Education</b>					
Training - Career development and refresher programs	3,801	5,077	7,293	5,911	7,819
%YoY growth		33.57%	43.65%	-18.95%	32.28%
Training of new recruits — induction program	549	947	988	778	729
%YoY growth		72.50%	4.33%	-21.26%	-6.30%
Internships for local students	610	645	237	415	396
%YoY growth		5.74%	-63.26%	75.11%	-4.58%
Internships for international students		4	5		
%YoY growth			25.00%		
<b>Income Situation</b>					
Growth	90.90%	92.40%	78.31%	80.15%	81.78%
%pt YoY change		1.50%	-14.09%	1.84%	1.63%
Stability	6.23%	3.57%	6.08%	5.37%	6.78%
%pt YoY change		-2.66%	2.51%	-0.71%	1.41%
Reduction	2.87%	4.03%	15.61%	14.47%	11.44%
%pt YoY change		1.16%	11.58%	-1.14%	-3.03%

\*FTE = Full-Time Equivalent

Source: The Company, YSC Research

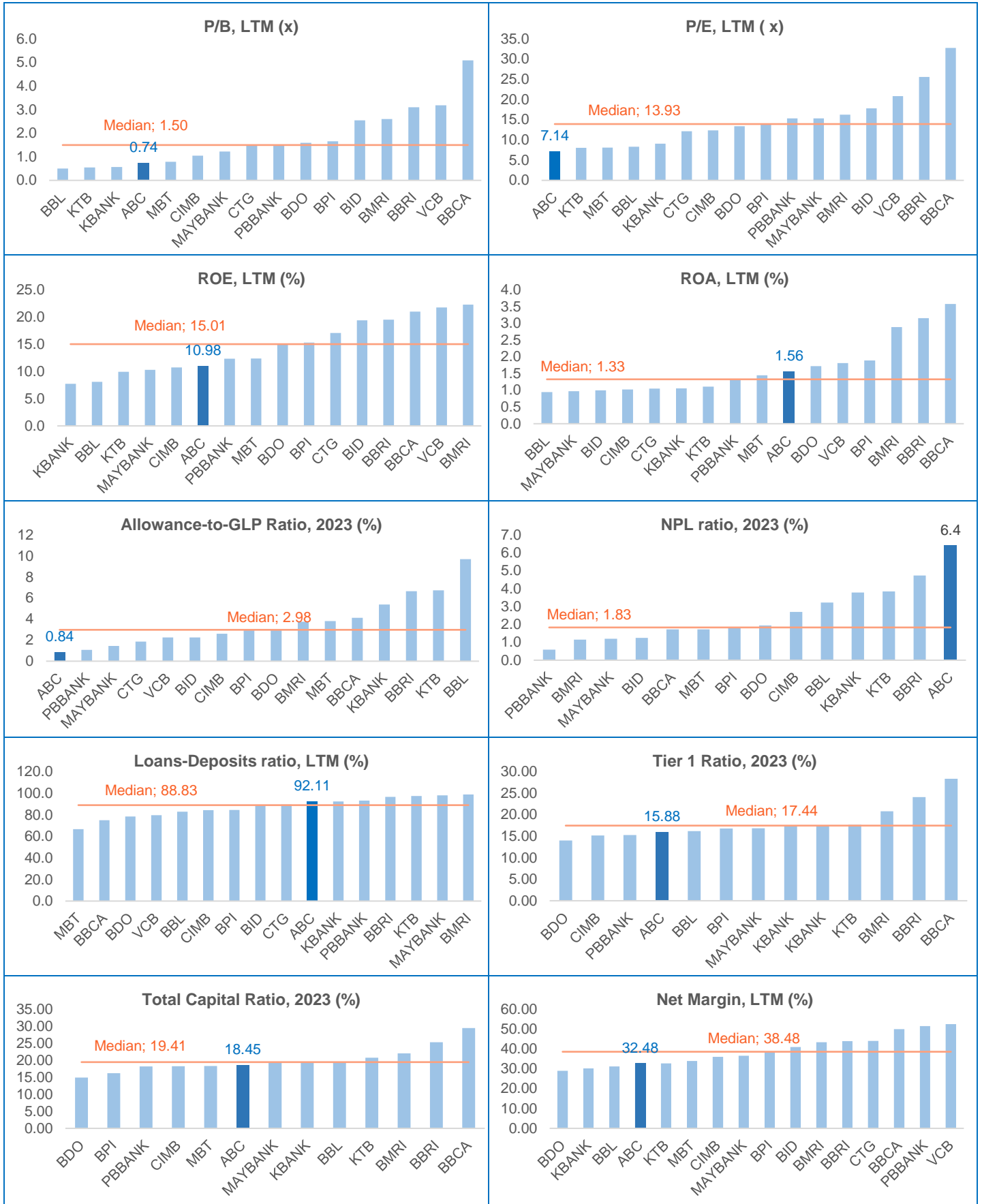
## Governance Factors

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 March 13, 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: BID	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)	2020A	2021A	2022A	2023A
Interest income	515.1	573.8	670.8	755.6
Interest expense	(150.8)	(172.4)	(220.8)	(329.0)
<b>Net interest income</b>	<b>364.3</b>	<b>401.4</b>	<b>449.9</b>	<b>426.6</b>
Fee and commission income	45.8	42.9	47.5	46.7
Fee and commission expense	(1.7)	(2.7)	(4.6)	(4.0)
<b>Net fee and commission income</b>	<b>44.0</b>	<b>40.3</b>	<b>42.9</b>	<b>42.7</b>
Net impairment losses	(20.7)	(13.4)	(20.6)	(41.7)
<b>Net income after allowance for impairment</b>	<b>387.6</b>	<b>428.3</b>	<b>472.2</b>	<b>427.7</b>
Other income	18.4	20.0	25.6	25.7
General and administrative expenses	(225.9)	(243.5)	(269.6)	(269.1)
<b>Profit before income tax</b>	<b>180.0</b>	<b>204.8</b>	<b>228.3</b>	<b>184.2</b>
Income tax expense	(38.5)	(38.1)	(46.5)	(36.2)
<b>Net profit of the period</b>	<b>141.5</b>	<b>166.7</b>	<b>181.8</b>	<b>148.0</b>
Other comprehensive income/(loss) for the year	0.2	(4.6)	(11.5)	(9.7)
<b>Total Comprehensive income</b>	<b>141.7</b>	<b>162.0</b>	<b>170.3</b>	<b>138.3</b>

**Statement of Cash Flow**

FY to Dec (USD'mn)	2020A	2021A	2022A	2023A
<b>Operating cash flow</b>				
Profit before tax	180.0	204.8	228.3	184.2
Depreciation & amortization	35.5	35.5	36.9	38.6
Change in working capital	(171.6)	107.8	(395.6)	476.4
<b>Investing cash flow</b>				
Net CAPEX	(27.0)	(34.1)	(24.9)	(34.0)
ST investment	22.9	(1.4)	(124.1)	57.2
<b>Financing cash flow</b>				
Net change in share capital	16.1	-	-	-
Net change in debt	5.3	65.0	325.5	(112.8)
Cash dividend	(32.7)	(42.5)	(58.4)	(72.7)
<b>Net change in cash &amp; equivalent</b>				
Beginning cash & equivalent	1,498.7	1,497.1	1,803.2	1,748.4
Ending cash & equivalent	1,497.1	1,803.2	1,748.4	2,279.7

**Statement of Financial Position**

FY to Dec (USD'mn)	2020A	2021A	2022A	2023A
Cash & statutory deposits	773.1	865.8	979.4	1,171.6
Deposits and placements with other banks, net	534.7	577.1	846.6	1,062.3
<i>Deposits and placements with other banks, gross</i>	<i>535.2</i>	<i>577.6</i>	<i>846.9</i>	<i>1,062.4</i>
<i>ECL allowance</i>	<i>(0.6)</i>	<i>(0.5)</i>	<i>(0.3)</i>	<i>(0.1)</i>
Financial instruments	566.7	801.1	556.0	366.3
Loans and advances, net	<b>4,471.3</b>	<b>5,394.0</b>	<b>6,379.4</b>	<b>6,516.2</b>
<i>Loans and advances, gross</i>	<i>4,506.6</i>	<i>5,428.6</i>	<i>6,421.6</i>	<i>6,569.5</i>
<i>ECL allowance</i>	<i>(35.3)</i>	<i>(34.6)</i>	<i>(42.2)</i>	<i>(53.3)</i>
Fixed assets	157.1	167.8	169.0	150.1
Intangible assets	14.7	12.3	10.9	11.0
Other current assets	34.0	37.2	89.9	120.3
<b>Total Assets</b>	<b>6,551.5</b>	<b>7,855.3</b>	<b>9,031.2</b>	<b>9,397.8</b>
CASA & margin deposits	2,559.1	2,998.0	3,097.3	433.2
Fixed deposits	2,052.2	2,718.0	3,291.7	11.7
Borrowings	542.4	608.5	957.3	902.5
Sub-debt	167.2	156.5	127.8	1,347.4
Other liabilities	141.0	169.2	240.4	3,178.9
<b>Total Liabilities</b>	<b>5,461.9</b>	<b>6,650.2</b>	<b>7,714.5</b>	<b>3,736.7</b>
Share capital	433.2	433.2	433.2	805.0
Capital reserves	11.7	11.7	11.7	130.1
Retained earnings	644.8	760.2	871.8	199.7
<b>Total Equity</b>	<b>1,089.6</b>	<b>1,205.0</b>	<b>1,316.6</b>	<b>8,050.4</b>
<b>Total Liabilities and Equity</b>	<b>6,551.5</b>	<b>7,855.3</b>	<b>9,031.2</b>	<b>9,397.8</b>

Note: A = Audited

Source: The Company, YSC Research

Yuanta Securities Network

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**Hong Kong**

Yuanta Securities Hong Kong  
Polaris Securities  
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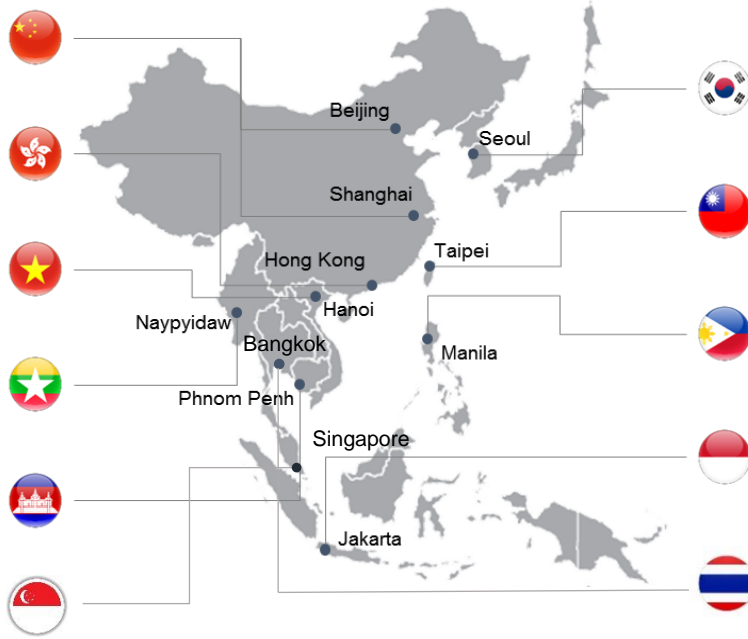
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