

ACLEDA Bank

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Brief History

The Association of Cambodian Local Economic Development Agencies (ACLEDA) was initially established in January 1993, as a non-profit national NGO for micro and small enterprises' development and credit. It resulted from the institutionalisation process of an earlier ILO/UNDP project targeting vulnerable populations. In October 2000, ACLEDA Bank Ltd. was licensed by the National Bank of Cambodia as a Specialized Bank, able to take public deposits and seek commercial funding to support the expansion of its core business. ACLEDA Bank was granted a full commercial banking license on 1st December 2003, to become ACLEDA Bank Plc., allowing the organisation to expand the range of services offered to customers.

Under the transformation process, the original NGO transferred its assets and liabilities to the new ACLEDA bank, receiving 45% of the bank capital of US\$4 million, while the ACLEDA Staff Association purchased a 6% equity share. The remaining 49% was taken in equal part by the IFC, DEG, FMO and Triodos Bank. With the increase of capital to US\$13 million, through conversion of staff pension to share capital, ASA raised its stake to 11%, while the ACLEDA NGO share decreased to 40%. In addition, the four foreign investors have all provided additional capital to maintain their shareholding position.

ACLEDA is now Cambodia's leading provider of microcredit, holding almost half the national market, and one of its largest commercial banks, with US\$84 million in assets.

Methodology

ACLEDA offers 6 main types of financial services: credit, savings, money transfer, cash management, money exchange and letter of guarantee for customers.

Credit products

- Micro business loans
 - Individual loans (collateral, US\$500 maximum)
 - Group loans (2-10 members)
- Small business loans (collateral, less than US\$10,000)
- Medium business loans (small scale industries, title deed as loan security)
- Personal loans (individual borrowers, for private consumption, less than US\$10,000)
- Inter-bank loans

Savings products

Current account, Fixed deposit, Savings Account, Demand Deposit, Corporate Deposit

The bank also provides overseas and domestic money transfer services, cash management services (payrolls, payments, cheques, overdrafts...), money exchange, and trade finance (letter of guarantee).

Area of Operations

ACLEDA Bank operates from a total of 119 offices in 14 branches in almost all areas of Cambodia, while the Eastern provinces of Stung Treng, Rattanakiri, MondulKiri still under assessment.

Clients

In the last four years, ACLEDA has doubled the number of active clients it serves, to reach more than 120,000 clients, while its loan portfolio was multiplied by 4, to reach US\$66 million. Since licensing at the end of 2000, ACLEDA has reached 57,000 savers for US\$31.5 million collected. As of October 2004, ACLEDA had a 13% market share in the overall credit market in Cambodia, and a 4% market share in deposit collection.

Active clients	Active savers	Active borrowers	Gender
122,173	57,091	122,173	64% women

As of 31 December 2004.

Poverty Focus

65% of ACLEDA loan portfolio is allocated towards small (48%) and microentrepreneurs (17%). ACLEDA expands its outreach by opening up banking services to new communities in new locations. The bank also focuses on particular activities which improve local living standards. These activities include providing loans to over 189 micro-generating entrepreneurs to enable them to bring power supplies to remote districts and villages.

Average Loan Outstanding	Average outstanding loan size / GNP per capita	Average deposit size
US\$540	180%	US\$552

As of December 2004.

Distinctive Features

ACLEDA is one of the largest commercial banks in Cambodia, with the most extended rural network. In recent years, it has been very active in domestic and international transfers, with a rapid expansion of these services. Moreover, ACLEDA payroll services are widely used in Cambodia, with NGOs and international aid agencies as clients. There are no service fees charged for opening or closing accounts.

Innovations

ACLEDA now offers Euro currency Deposit in addition to other currencies such as Cambodia Riel, US Dollar, and Thai Baht. It also provides personal loans, since September 2004, which can be used for consumption and home improvement.

Financial results

ACLEDA received financial and technical support from the IFC, USAID and UNDP during the transformation process. It has a 13 million paid-up capital, with ACLEDA NGO having the largest share (40%), followed by four international investors (12.5% each) and the staff association (11%). ACLEDA made a net profit of US\$2 million in 2004 and US\$1.9 million in 2003. As reported by ACLEDA in December 2004, the rating agency Moody's has assigned ratings to ACLEDA Bank Plc: Ba1 local currency long-term deposit rating and issuer rating; B3 for foreign currency long-term deposits; B2 foreign currency long-term issuer rating; Not-Prime for short-term obligations and a Bank Financial Strength Rating (BFSR) of D. The rating outlook is stable. This is the first time that ratings have been assigned to a Cambodian institution.

Loan Portfolio	Portfolio at risk	Savings Deposits	OSS / FSS	RoE / RoA
US\$66 million	1.37%	US\$31.5 million	> 100%	12.4%*/4.1%*

Data as of 31 December 2004, except (*) as of 31 December 2003

Challenges and development plans

ACLEDA followed the commercialisation path as it had to comply with new regulations, but also because it wanted to expand the range of financial services offered to its customers. ACLEDA also sought a better access to commercial funds. In the next five years, ACLEDA aims to become the leading retail bank serving the general public and the micro, small and medium scale enterprises in Cambodia. It also aims to become a leading cash management services provider to larger entities and to the national government. ACLEDA also plans to introduce housing loans credit cards and ATMs in 2006.

Inclusion in financial Sector

ACLEDA Bank was granted a full commercial banking license on 1st December 2003, and hence could pursue its expansion of the range of services offered to customers. It now cooperates with other commercial banks in an informal inter-bank payment systems, and collaborate with MFIs by ensuring their cash transfers and management and by handling their payroll systems.

Sources

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- ACLEDA's website (www.acledabank.com.kh).
- ACLEDA's 2003 Annual Report.
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