



Credit Rating Report

No.: 006/23

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Credit Guarantee Corporation of Cambodia

Credit Rating	
Issuer Credit Rating	khAAA
Outlook	Stable

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Key Rating Rationale

We initiate the credit coverage of the Credit Guarantee Corporation of Cambodia ("CGCC" or "the company") with an Issuer Credit Rating (ICR) of **khAAA** (National Scale) which indicates in the Cambodian context an "Extremely 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 CGCC from the perspective of its business risks and financial risks. In its own right, CGCC has a "Strong capacity to meet financial commitments but somewhat susceptible to adverse changes in circumstances and economic environment". The 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 CGCC, Group and Country are one and the same. In our view, the ability to support and the likelihood of support from the Royal Government of Cambodia point to a "Very Strong" External Support Factor which dictates a rating uplift by two "notches". Hence the ICR is **khAAA** (National Scale).

In spite of its short operating record, CGCC's business model and financial position will allow it to pursue its mission while maintaining its credit profile over the medium-term, in our view.

The State-ownership status, the importance of the mission handed over by the Royal Government of Cambodia, its social dimension in the "ESG sense" and the support and technical assistance provided by international financial institutions all point to enduring strength.

Outlook

The outlook is "Stable". While CGCC is impacted by the economic conditions in Cambodia that are out of its control, it has the ability to mitigate some of its most serious effects. In this "start-up" phase CGCC can adjust the rate at which it deploys its capital. We assume an annual growth rate of 23% guaranteed loans over the period 2023-2032, which would be about in line with the commercial banking industry's average. However, based on the level of Non-Performing Loans (NPLs) it registers, and the loss allowance it provides for, CGCC can fine-tune its guarantee activity. Likewise investments returns are dependent on financial conditions but the risk-reward profile can be calibrated as well to maintain adequate levels of profitability and solvency. In our view, CGCC's top management led by its experienced CEO Wong Keet Loong is well positioned to tackle the potential challenges ahead.

Rating Sensitivity

We expect the ESF to remain very strong thanks to the support of the RGC. The SACP is determined by the trends in the parameters we mentioned above, on the downside as well as on the upside.



Issues to Monitor

The rate of growth of guarantees, NPLs, Expected Loss Reserve (ECL) allowances, and the returns on investments are the key parameters to monitor. Our Earnings Model will allow us to highlight deviations that could trigger a review of the credit risk profile.

Credit Guarantee Corporation of Cambodia Summary

Overview

CGCC was established as a State-owned company in November 2020 by the Royal Government of Cambodia ("RGC") by Sub-Decree No. 140 ANKR.BK dated 01 September 2020. Its mission is "...to provide professional credit guarantee in accordance with international standards. CGCC is set up to tackle the challenges faced by business entities in the credit market and to enhance financial inclusion." The seed capital was \$200m supplied by the State budget.

Its Business Recovery Guarantee Scheme (BRGS) was launched in March 2021. The main target for CGCC so far has been SMEs although guaranteeing the debt issued by much larger corporations is expected to follow soon. By leveraging the current equity capital by a factor of two, we believe CGCC could deploy up to \$400m in loan guarantees, of which \$50m might be earmarked for publicly-listed bonds.

Performance

Historical figures are not very meaningful given the short operating record of the company. However, the business model of CGCC is clear, true to its "national service" mission, the guarantee profit, which would be equivalent to an insurance company's Underwriting Profit, is negative. This is largely offset by the income generated by the investment of the company's capital. The earnings modeling exercise we performed confirmed the viability of the strategy with high Pre-Tax margins, solid financial risk ratios and few obvious stress points over the medium-term. See the Financial Statements on the next page.



	31 Dec 2022		31 Dec 2021	
	KHR'000	USD	KHR'000	USD
Statement of Financial Position				
Assets				
Cash and Cash Equivalents	23,201,102	5,635,439	15,203,728	3,731,892
Intangible assets	518,742	126,000	244,440	60,000
Property and equipment	2,436,762	591,878	1,342,762	329,593
Right-of-use assets	984,259	239,072	-	-
Total Assets	895,379,967	217,483,594	843,858,644	207,132,706
Liabilities				
Other payables	3,381,233	821,283	1,338,130	328,456
Current income tax liabilities	81,175	19,717	26,819	6,583
Severance pay	154,816	37,604	124,713	30,612
Lease liabilities	1,041,820	253,053	-	-
Total Liabilities	6,637,662	1,612,254	1,641,471	402,914
Equities				
Share capital	810,000,000	200,000,000	810,000,000	200,000,000
Retained earnings	68,527,155	16,802,720	31,165,648	7,661,172
Total equity	888,742,305	215,871,340	842,217,173	206,729,792
Total liabilities and equity	895,379,967	217,483,594	843,858,644	207,132,706

	31 Dec 2022		31 Dec 2021	
	KHR'000	USD	KHR'000	USD
Statement of Cash Flow				
Net cash (used in)/generated by operating activities	48,293,401	11,816,345	(3,265,912)	(802,830)
Net cash (used in)/generated by investing activities	(39,731,803)	(9,707,242)	(791,354,903)	(194,531,687)
Net cash (used in)/generated by financing activities	(115,286)	(28,208)	-	-
Net change in cash and cash equivalents	23,201,102	5,635,439	15,203,728	3,731,892

	31 Dec 2022		31 Dec 2021	
	KHR'000	USD	KHR'000	USD
Statement of Profit or Loss				
Guarantee income	2,054,392	502,665	250,223	61,510
Total operating incomes	2,158,598	528,162	453,293	111,429
Total operating expenses	(18,532,779)	(4,534,568)	(6,200,620)	(1,524,243)
Profit before tax	37,601,778	9,200,337	31,200,678	7,669,783
Profit after tax	37,361,507	9,141,548	31,165,648	7,661,172
Total comprehensive income/(loss) for the year	46,525,132	9,141,548	32,217,173	7,729,792



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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