

## **Financial Statement Analysis of ACLEDA Bank Plc.**

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### **ABSTRACT**

*This study deals with financial statement analysis of ACLEDA Bank Plc., which has been licensed by the National Bank of Cambodia to officially operate as a commercial bank since 01 December 2003. Remarkably, the bank has now expanded its 263 branches with 12,129 staff members in all provinces and towns in Cambodia, which provides a various banking products and services, including E-Banking, Credit, Deposits, Local and International Funds Transfers, Trade Finance, Cash Management, Money Exchange, and a lot of other banking services. The study aims to figure out financial position and interpret the finding of the bank during the years of 2016-2019 to what extent the bank has financial soundness, measure the trend changes from year to year, to determine which component of financial items is used more in relation to the base item, and to find out the key driven behind the return on equity ratio. This study employed quantitative research design using Ratio Analysis, Horizontal Analysis, Vertical Analysis and Du Pont Model Analysis. In addition, the data of financial statement was extracted from many credible and reliable sources, namely the bank's annual reports from 2016 to 2019, National Bank of Cambodia reports, and existing research studies. Overall, the study has shown that in 2016, the bank had a very outstanding performance among the three other subsequent years thanks to the high operation-self-sufficiency, high return on asset, high return on equity and high profit margin. Although the bank did not demonstrate a good financial progress from 2017 to 2019, compared to that in 2016, there were no outliers or significant loss changes within the three years, which implied that with addressing some areas of improvements and creating a good strategic business plan, the bank still had the financial viable to generate profit and cover operational cost in the future.*

**Keywords:** Financial statement, Financial Performance, Du Pont model, ratio analysis, horizontal analysis, vertical Analysis

## **1. Introduction**

### **1.1 Background of the study**

Over the last two decades, Cambodia has undergone significant economic transformation and development. The manifestation of average growth was 8 percent between 1998 and 2018 illustrated the robust and sustainable Cambodian economic performance resulting mainly from garments export and tourism; besides these two driven economic sectors, financial sector is considered as the backbone of the economy which stimulates economic growth (World Bank, 2019).

### **1.2 Problem statement**

Notably, due to the growth of financial sectors, the need to investigate financial situation in an entity is profoundly beneficial for many relevant parties, namely potential investors, creditors, shareholders, regulatory bodies, and public as it can measure and estimate the success of financial sustainability. Therefore, the researcher is motivated to conduct research study on a foremost leading local commercial bank, ACLEDA Bank Plc., licensed by the National Bank of Cambodia and announced officially as a commercial bank since December 01, 2003. It is one of the leading retail banks, which provides various advanced banking services across 263 branches with 12,129 staff members in Cambodia (Annual Report, 2019). This sheds light to the research topic of financial analysis of ACLEDA Bank Plc.

### **1.3 Research objective**

The objectives of this study is to evaluate financial performance of ACLEDA Bank Plc. from the year of 2016 to 2019.

### **1.4 Research question**

How is the financial performance of ACLEDA Bank Plc., from the year of 2016 to 2019?"

### **1.5 Significance of the study**

The findings of this study serve as an invaluable asset for many relevant parties. Firstly, investors are able to evaluate the performance of ACLEDA Bank Plc. and make the right decisions on whether to retain, buy more or sell the existing proportion of ACLEDA Bank Plc.'s shares. Secondly, the top managers of ACLEDA Bank Plc. will make use of the findings to master their potential aspects and shrink the negative aspects in order to prepare a blueprint strategic business plan. Thirdly, the next generation of students can learn extensively from this research, which enables them to broaden their knowledge of tools to evaluate financial conditions of bank and have a better understanding of essential financial ratios and formulas. Fourthly, this research will contribute as a secondary source of information to the next researchers who are interested in exploring more about the topic area of financial statement analysis in banking sector. Finally, they can study the financial

situation of ACLEDA Bank Plc. and better prepare themselves to compete in the Cambodian free market economy.

## 2. Literature Review

### 2.1 Defining key concept

- Statement of Financial Position or Balance Sheet refers to a list of all the assets ownership and all the liabilities owed by a business as at a particular period of time. (ACCA, 2016).
- Statement of Profit or Loss is a record of income generated and expenditure incurred over a given period; it was also known as Income Statement (Bruett et al., 2005).
- Statement of Cash Flow refers to the statement which expresses the cash outflow and cash inflow during a specific period of time (Bruett et al., 2005).
- Statement of Changes in Equity refers to the statement that portrays the changes in capital for a business entity during a period of time (Nobles, Mattison, & Matsumura, 2015).

### 2.2 Theoretical framework

Vertical Analysis displays financial data in relation to an item or a base of financial statement which are frequently considered as total asset or revenue (Henry, Robinson, & Van Greuning, 2012). It constructs a ratio that connect between the elements in financial statement and the base element which is expressed as percentage in the same accounting period. The equation of Income Statement Vertical Analysis and Balance Sheet Vertical Analysis are as follows (Brigham & Ehrhardt, 2002):

$$\begin{aligned} \text{Income Statement Vertical Analysis \%} &= \frac{\text{Income Statement Item}}{\text{Net Sales}} \\ \text{Balance Sheet Vertical Analysis \%} &= \frac{\text{Balance Sheet Vertical Analysis}}{\text{Total Asset}} \end{aligned}$$

Horizontal Analysis makes it easier for analysts to analyze historical performance and growth with an accurate seasonal information (Bruett et al., 2005). Data using horizontal analysis can be presented by comparing financial statement line item by line item with a base year in order to determine the significant trend (Bruett et al., 2005). The basic formula in trend analysis is

$$p^{trend} = \frac{P^1 - P^0}{P^0}$$

Du Pont Model Analysis is defined as an analytical tool that measures managerial accounting performance by interconnecting net profit margin to total asset turnover (Sandip, 2016). It can also explore the extent of return on investment ratio which measure the profitability and operational efficiency of firm. It also states that return on investment is determined as a result of net profit margin ratio and investment turnover ratio. The formula is as follows:

$$\begin{aligned}
 \text{ROE} &= \frac{\text{Net income}}{\text{Average shareholders' equity}} \\
 &= \frac{\text{Net income}}{\text{Revenue}} \times \frac{\text{Revenue}}{\text{Average total assets}} \times \frac{\text{Average total assets}}{\text{Average shareholders' equity}}
 \end{aligned}$$

Ratio Analysis refers to the analysis of the relationship between two elements or more in financial statement for evaluating performance in many aspects of activities including liquidity, asset utilization, debt management, and profitability (Kae & Ert, 2013).

Table 1: Ratio Analysis (Bruett et al., 2005)

Ref.	Term	Formula	Explanation
R1.	Operational Self-Sufficiency	Financial revenue/Total Financial expenses	Measure how well financial institutions can cover its cost through operating revenues
R2.	Return on Asset	Net profit after tax/Average asset	Measure how well financial institutions use its asset to generate returns.
R3.	Return on Equity	Net profit after tax/Average equity	Measure financial institutions' earnings on the capital injected by shareholders
R4.	Operating Efficiency Ratio	Total operating expense/Operating revenue	Measure how efficient the financial institution management comparing the expense to the revenue
R5.	Profit Margin	Net profit after taxes/Operating revenue	Measure the degree in which financial institution generate profit by comparing net profit to revenue
R6.	Cost of Deposit Ratio	Interest expense on deposit/Average deposit	Measure the institution in expense on deposit of customer to the average deposit amount
R7.	Loan Loss Expense	Loan loss expense/Average gross loan	Measure financial institutions' provision on loan loss comparing to loan disbursement
R8.	Net Interest Margin	((Interest income – Interest expense)/Average earning asset)	Measure financial how well financial institutions' net interest income in relation to earning asset
R9.	Net Profit Margin	Net profit after taxes/Average earning asset	Measure how well financial institution use earning asset to generate net profit
R10.	Equity Multiplier	Average asset/Average equity	Measure the amount of asset in relation to equity
R11.	Total Asset Turnover	Operating revenue/Average asset	Measure how efficient the financial institution can use the asset to generate revenue

### 2.3 Previous studies

A local research study of Financial Statement Analysis of Apple Inc Company examines financial performance and financial performance of the company, using analytical tool on financial statement and to understand the overview and the nature of company (Thet & Kim, 2019). The study used secondary data from annual reports of the years between the periods of 2015 to 2018 and analytical tool regarding horizontal analysis, vertical analysis and ratio analysis. The study concluded that the company had a good financial performance in terms of operating efficiency, asset, liability and equity management. In addition, according to Tahiri (2018), financial analysis of Afghanistan International Bank (AIB)'s financial performance had the specific objective of analyzing component of financial trend in the financial statements, to analyze risk solvency and liquidity position from 2003 to 2006. The researcher used secondary data collected from sources namely AIB official website and research publications. To achieve the research objective, the researcher chose data analysis technique, namely liquidity ratio, solvency ratio and profitability ratio. The finding showed that in terms of profitability, risk and solvency ratios, AIB had efficiency use regarding income expense ratio and operating efficiency and had a good asset utilization.

## 3. Research Methodology

### 3.1 Research Design

This study employed a quantitative research approach, using descriptive research design to figure out the financial position of ACLEDA Bank Plc. in four consecutive years from 2016 to 2019. According to Anatas (1999), descriptive design aims to gather information focusing on the current status or phenomena or events and to describe what exists in accordance to variables or conditions in a situation. This design helps provide answers to the questions of what, who when, where, and how in association with a particular research problem, but not ascertain answers to why.

The researcher purposively selected the four-year financial information from 2016 to 2019 as sample size. The most recent documents enable the researcher to track any new significant trend and development of the ACLEDA Bank Plc.'s financial condition. Moreover, the four-year length of time allows the researcher to assess financial statements more accurately and extensively to contribute to the existing research which only the old-time financial data from annual reports were used. In addition, the financial information from the year of 2015 was subtly used in support of the ratio analysis section for calculating some average financial items.

### 3.2 Research Instrument and Data Analysis

In order to obtain sufficient data, the researcher extracted secondary data sources including ACLEDA Bank Plc. annual reports from 2016 to 2019 and reports from NBC, which are available on the official websites. Moreover, the researcher has obtained

understanding related to the topic area by reading through many research papers and well-known published books.

In response to the objective of the study, the researcher used horizontal analysis, vertical analysis, ratio analysis and Du Pont model as means to analyze financial statement. First, the researcher read through annual reports and keyed in financial statement data of the year into an excel file. Then, the researcher consolidated every year's financial statement data into one set. After that, the researcher created tables using various formula in accordance to different types of analysis in order to find out the figure result. For vertical analysis of statement of financial position, the researcher used total asset as the base item which is 100%; hence, the other financial statement line item is used to compare to the total asset. For vertical analysis of profit or loss statement, the researcher used interest income as the base item which is considered as 100%, and then other financial statement items are divided by the interest income. For horizontal analysis of statement of financial position and statement of profit or loss, the researcher used all the financial items in 2016 as the base year, which meant the years of 2017-2019 are used to compare to 2016. The result from 2016-2019 can be seen in amount change and percentage change using 2016 as a benchmark. In addition, for ratio analysis, the researcher computed the numbers by line items in a financial statement that fell into a specific category in order to calculate particular ratio based on its formula. In order to get the numbers, the researcher read through financial statements and notes on financial statements in order to trace the specific sub-account and calculate it accurately. Moreover, for Du Pont Model, the researcher used the ratios such as profit margin, total asset turnover, and equity multiplier to study the decomposition of ROE.

### 3.3 Ethical consideration

The researcher maintained high professional and personal ethics at all cost. The researcher faithfully declared that this study is an original work which presents a rigorous and accurate finding. No personal bias or fabrication occurred in any section of the research no matter what circumstance is. Moreover, to avoid academic crime or plagiarism, the researcher gave credit by giving in-text citations and references to invaluable sources which were extracted for this study.

## 4. Results and Discussion

### 4.1 Horizontal Analysis of Statement of Financial Position

#### Selected Asset Items:

Cash on hand: Cash on hand in the bank consists of many currency types including US Dollars, Khmer Riels, Thai Bath, Euro and other currencies. Within 2016 and 2017, cash on hand grew gradually with the increase amount of \$34,446,963 as 12 percent. Within 2016 and 2018, the account increased tremendously to \$121,583,417 with 44 percent. The account continued to increase to \$134,527,100 as 49 percent within 2016 and 2019. The increase in

cash on hand account mainly caused by the large amount of US dollar currency which was reserved for customer's withdrawal and loan disbursement and other usage purposes.

**Deposits and Placement with other Banks:** this account serves two essential purposes which are to comply the law requirements from National Bank of Cambodia and to earn interest income from the deposit with other banks. Comparing 2016 to the other three years, deposit and placements with other bank rose to \$297,658,645 with 23 percent in 2017 mainly driven by the increase in account for deposit balance with oversea banks, reserves requirements, and negotiable certificates of deposit, which is used for earning interest purpose, have the maturity of less than or equal to three months. In 2018, there was a sharp drop in this account to \$978,706,484 as 75 percent decrease, but the account got recovered to the decrease of \$748,986,873 as 57 percent decrease. The period of 2018 and 2019's decrease was because of the new creation of statutory deposit account in statement of financial position structure which previously played role as reserve requirement and capital guarantee under deposit with central bank in 2017 and 2016's balance sheet structure.

**Loan and Advances, Net:** Loan and advances to customer has various loan classifications namely small loan, staff-housing loan, public housing loan, staff loan, overdraft loan, home improvement loan, personal & others loan, credit card loan, trade loan, revolving loan, and medium loan. Using the period of 2016 as base year, this account slightly increased with the amount of \$226,238,417 as 8 percent in 2017. In 2018, it speedily increased to \$745,931,042 as 27 percent and remained increasing substantially with the amount of \$972,943,604 as 36 percent in 2019. This favorable growth mainly resulted from the large disbursement of small loan and medium loan.

**Deposit and Placements of other Banks and Financial Institutions:** This account is made up of three sub accounts which are current account, saving deposits and fixed deposit. Within 2016 and 2017, this account noticeably dropped \$147,412,044 with 42 percent decrease; within 2016 and 2018, the account lessens the decrease to \$68,518,956 as 19 percent, and it dropped again within 2016 and 2019 with the amount of \$78,602,599 as 22 percent decrease owing to the decline in deposit amount of other banks in fixed deposits and saving deposits account.

**Deposit from Customer:** Deposit form customer is comprised of current accounts, savings deposits, margin deposits, and fixed deposits. Comparing to 2016, the account comparatively increased \$345,688, 821 as 13 percent in 2017, and it rapidly grew up to \$797,121,481 with the percentage of 30 percent in 2018. In 2019, it had significant increase of \$1,283,351,202 as 48 percent thanks to the huge increment customer's deposit amount in fixed deposits and savings deposits account.

**Borrowings and Subordinate Debt:** Compared to 2016, borrowings rocketed with the amount of \$284,094,369 equivalent to 49 percent in 2017. It also grew up to \$171,543,971 with the percentage of 29 percent in 2018. However, it relatively decreased to \$63,980,363 as 11 percent in 2019; meanwhile, in 2017, subordinate debts slightly decreased to \$715,910 as one percent, and it kept on decreasing more to \$31,931,087 as 29 percent in 2018, yet it grew up to \$29,902,580 with 27 percent in 2019. From these two accounts, we can see the interconnected relation of both accounts since when the subordinate account increased while

the borrowing increased and vice versa. All in all, total liabilities increased up to \$486,893,773, \$813,999,457, and 1,154,374,777 by 13 percent, 21 percent, and 30 percent in 2017, 2018, and 2019 respectively comparing to 2016.

Table 2: Result of Horizontal Analysis of Statement of Financial Position  
Horizontal Analysis of Separate Statement of Financial Position  
As at 31 December 2016, 2017, 2018 and 2019

	Year 2019	Year 2018	Year 2017	Year 2016
<b>ASSET</b>				
Cash on hand	410955867	398012184	310875730	276428767
Deposits and placements with other banks	558612340	328892729	1605257858	1307599213
Financial investments	527474976	619899551	153529	153529
Loan and advances, net	3686578943	3459566381	2939873756	2713635339
Other assets	15667540	20141149	46436190	48773927
Statutory deposits	583195741	537953272	-	-
Investment in subsidiaries	91135571	83170281	74961960	74961960
Property and equipment	92911344	99040122	108271588	108534489
Intangible assets	7915362	9986536	10737495	10952018
Right-of-use assets	28847850	-	-	-
Deferred tax assets, net	14007743	10933258	25156363	19984529
<b>TOTAL ASSETS</b>	<b>6017303277</b>	<b>5567595463</b>	<b>5121724469</b>	<b>4561023771</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits and placements of other banks and financial institutions	274277721	284361364	205468276	352880320
Deposits from customers	3982146559	3495916838	3044484178	2698795357
Other liabilities	56597551	61095689	81284422	76632685
Borrowings	518068128	753592462	866142860	582048491
Subordinated debts	139302580	77468913	108684090	109400000
Current income tax liabilities	29175560	12901983	22710117	35349262
Lease liabilities	27789168	-	-	-
Provision for off balance sheet commitments	-	-	1814203	-
Employee benefits	17667477	19312175	46955594	35543852
<b>TOTAL LIABILITIES</b>	<b>5045024744</b>	<b>4704649424</b>	<b>4377543740</b>	<b>3890649967</b>
<b>EQUITY</b>				
Share capital	428818154	395224105	358544956	307763911
Reserves	425709612	389730923	299148975	240304425
Retained earnings	117750767	77991011	86486798	122305468
<b>TOTAL EQUITY</b>	<b>972278533</b>	<b>862946039</b>	<b>744180729</b>	<b>670373804</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6017303277</b>	<b>5567595463</b>	<b>5121724469</b>	<b>4561023771</b>

(Continued)

Table 2: Result of Horizontal Analysis of Statement of Financial Position  
Horizontal Analysis of Separate Statement of Financial Position  
As at 31 December 2016, 2017, 2018 and 2019

	Amount Change 2016 & 2017	Percentage 2016 & 2017	Amount Change 2016 & 2018	Percentage 2016 & 2018	Amount Change 2016 & 2019	Percentage 2016 & 2019
<b>ASSET</b>						
Cash on hand	34446963	0.12	121583417	0.44	134527100	0.49
Deposits and placements with other banks	297658645	0.23	-978706484	-0.75	-748986873	-0.57
Financial investments	-	0	619746022	4036.67	527321447	3434.67
Loan and advances, net	226238417	0.08	745931042	0.27	972943604	0.36
Other assets	-2337737	-0.05	-28632778	-0.59	-33106387	-0.68
Statutory deposits	-	-	537953272	-	583195741	-
Investment in subsidiaries	-	0	8208321	0.11	16173611	0.22
Property and equipment	-262901	0	-9494367	-0.09	-15623145	-0.14
Intangible assets	-214523	-0.02	-965482	-0.09	-3036656	-0.28
Right-of-use assets	-	-	-	-	28847850	-
Deffered tax assets, net	5171834	0.26	-9051271	-0.45	-5976786	-0.3
<b>TOTAL ASSETS</b>	<b>560700698</b>	<b>0.12</b>	<b>1006571692</b>	<b>0.22</b>	<b>1456279506</b>	<b>0.32</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
Deposits and placements of other banks	-	-	-	-	-	-
and financial institutions	147412044	-0.42	-68518956	-0.19	-78602599	-0.22
Deposits from customers	345688821	0.13	797121481	0.3	1283351202	0.48
Other liabilities	4651737	0.06	-15536996	-0.2	-20035134	-0.26
Borrowings	284094369	0.49	171543971	0.29	-63980363	-0.11
Subordinated debts	-715910	-0.01	-31931087	-0.29	29902580	0.27
Current income tax liabilities	-12639145	-0.36	-22447279	-0.64	-6173702	-0.17
Lease liabilities	-	-	-	-	27789168	-
Provision for off balance sheet commitments	1814203	-	-	-	-	-
Employee benefits	11411742	0.32	-16231677	-0.46	-17876375	-0.5
<b>TOTAL LIABILITIES</b>	<b>486893773</b>	<b>0.13</b>	<b>813999457</b>	<b>0.21</b>	<b>1154374777</b>	<b>0.3</b>
<b>EQUITY</b>						
Share capital	50781045	0.16	87460194	0.28	121054243	0.39
Reserves	58844550	0.24	149426498	0.62	185405187	0.77
Retained earnings	-35818670	-0.29	-44314457	-0.36	-4554701	-0.04
<b>TOTAL EQUITY</b>	<b>73806925</b>	<b>0.11</b>	<b>192572235</b>	<b>0.29</b>	<b>301904729</b>	<b>0.45</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>560700698</b>	<b>0.12</b>	<b>1006571692</b>	<b>0.22</b>	<b>1456279506</b>	<b>0.32</b>

### Selected Equity Items:

Share capital: Many shareholders have authorized shares ownership at ACLEDA banks such as ACLEDA Financial Trust, ASA Plc., SMBC, COFIBRED S.A, ORIX Corporation, Triodos Microfinance Fund, Triodos Fair Share Fund, and Triodos Sustainable Finance Foundation. The share capital rose 16 percent, 28 percent, and 39 percent in 2017, 2018, and 2019 respectively, mainly caused by the gain in capital from ACLEDA Financial Trust and ASA Plc. Reserves grew significantly to 24 percent in 2017, 62 percent in 2018 and 77 percent in 2019 because of the increase of general reserves and regulatory reserves account. Overall, Total Equity increased with the amount of \$73,806,925, \$192,572,235, and \$301,904,729 by 11 percent, 29 percent and 45 percent in 2017, 2018, and 2019 respectively.

Table 3: Horizontal Analysis of Separate Statement of Profit or Loss

#### ACLEDA BANK PLC.

For the Year Ended December 31 2016, 2017, 2018, and 2019

	Year 2019	Year 2018	Year 2017	Year 2016
Interest income	452,651,289	428,414,450	402,816,095	392,698,584
Interest expense	-146,483,987	-145,425,264	-142,081,613	-117,620,014
<b>Net interest income</b>	<b>306,167,302</b>	<b>282,989,186</b>	<b>260,734,482</b>	<b>275,078,570</b>
Fee and commission income	46,048,224	40,570,410	51,032,850	45,781,779
Fee and commission expense	-667,992	146,272	-2,464,712	-4,200,985
<b>Net fee and commission income</b>	<b>45,380,232</b>	<b>40,716,682</b>	<b>48,568,138</b>	<b>41,580,794</b>
Allowances for impairment losses on loans and advances, deposits and placements with other banks and other receivables	-21,780,632	-961,499	-33,215,649	-12,516,941
Allowances for impairment losses on off-balance sheet commitments	-360,354	-187,967	-1,814,203	-
Net impairment losses	-22,140,986	-1,149,466	-35,029,852	-12,516,941
Net income after allowance for impairment	329,406,548	322,556,402	274,272,768	304,142,423
Other incomes	16,233,764	13,332,542	9,140,680	7,259,978
General and administrative expense	-197,413,910	-189,324,078	-175,267,378	-158,581,155
Profit before income tax	148,226,402	146,564,866	108,146,070	152,821,246
Income tax expense	-30,339,623	-29,574,164	-21,659,272	-30,515,778
Profit for the year	117,886,779	116,990,702	86,486,798	122,305,468
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of employee benefit obligations	-136,012	3,085,218	-	-
Current translation differences	-	-	-	-
Other comprehensive income for the year	-136,012	3,085,218	-	-
<b>Total comprehensive income for the year</b>	<b>117,750,767</b>	<b>120,075,920</b>	<b>86,486,798</b>	<b>122,305,468</b>
<b>Profit attributable to:</b>				
<b>Equity holders of the Bank</b>	<b>117,886,779</b>	<b>116,990,702</b>	<b>86,486,798</b>	<b>122,305,468</b>
<b>Total comprehensive income attributable to:</b>				
<b>Equity holders of the Bank</b>	<b>117,750,767</b>	<b>120,075,920</b>	<b>86,486,798</b>	<b>122,305,468</b>

(Continued)

Table 3: Horizontal Analysis of Separate Statement of Profit or Loss

ACLEDA BANK PLC.						
For the Year Ended December 31 2016, 2017, 2018, and 2019						
	Amount Change 2016 & 2017	Percentage 2016 & 2017	Amount Change 2016 & 2018	Percentage 2016 & 2018	Amount Change 2016 & 2019	Percentage 2016 & 2019
Interest income	10,117,511	2.58%	35,715,866	9%	59,952,705	15%
Interest expense	-24,461,599	20.80%	-27,805,250	24%	-	25%
<b>Net interest income</b>	<b>-14,344,088</b>	<b>-5.21%</b>	<b>7,910,616</b>	<b>3%</b>	<b>31,088,732</b>	<b>11%</b>
Fee and commission income	5,251,071	11.47%	-5,211,369	-11%	266,445	1%
Fee and commission expense	1,736,273	-41.33%	4,347,257	-103%	3,532,993	-84%
<b>Net fee and commission income</b>	<b>6,987,344</b>	<b>16.80%</b>	<b>-864,112</b>	<b>-2%</b>	<b>3,799,438</b>	<b>9%</b>
Allowances for impairment losses on loans and advances, deposits and placements with other banks and other receivables	-20,698,708	165.37%	11,555,442	-92%	-9,263,691	74%
Allowances for impairment losses on off-balance sheet commitments	-1,814,203	-	-187,967	-	-360,354	-
Net impairment losses	-22,512,911	179.86%	11,367,475	-91%	-9,624,045	77%
Net income after allowance for impairment	-29,869,655	-9.82%	18,413,979	6%	25,264,125	8%
Other incomes	1,880,702	25.91%	6,072,564	84%	8,973,786	124%
General and administrative expense	-16,686,223	10.52%	-30,742,923	19%	-	24%
Profit before income tax	-44,675,176	-29.23%	-6,256,380	-4%	-4,594,844	-3%
Income tax expense	8,856,506	-29.02%	941,614	-3%	176,155	-1%
Profit for the year	-35,818,670	-29.29%	-5,314,766	-4%	-4,418,689	-4%
Other comprehensive income:						
Items that will not be reclassified to profit or loss:						
Remeasurement of employee benefit obligations	-	-	3,085,218	-	-136,012	-
Current translation differences	-	-	0	-	-	-
Other comprehensive income for the year	-	-	3,085,218	-	-136,012	-
<b>Total comprehensive income for the year</b>	<b>-35,818,670</b>	<b>-29.29%</b>	<b>-2,229,548</b>	<b>-2%</b>	<b>-4,554,701</b>	<b>-4%</b>
<b>Profit attributable to:</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity holders of the Bank</b>	<b>-35,818,670</b>	<b>-29.29%</b>	<b>-5,314,766</b>	<b>-4%</b>	<b>-4,418,689</b>	<b>-4%</b>
<b>Total comprehensive income attributable to:</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity holders of the Bank</b>	<b>-35,818,670</b>	<b>-29.29%</b>	<b>-2,229,548</b>	<b>-2%</b>	<b>-4,554,701</b>	<b>-4%</b>

## 4.2 Horizontal Analysis of Statement of Profit or Loss

The finding illustrates several important notes for the selected items in profit or loss statement as follows: Profit of the year: Within 2016 and 2017, the bank annual profit declined to 29.29 percent, yet within the period of 2017 to 2018, there was a rise to 35.27 percent and dropped to 0.77 percent in between 2018 and 2019. In terms of horizontal analysis using 2016 as base year, it can be seen that net interest income decreased to five percent in 2017 because of the large amount of interest expense on the bank's borrowings account, yet it slightly increased to three percent in 2018 and 11 percent in 2019 mainly due to the increase in interest income from loan and advances to customers and the bank's financial investment. General and Administrative expense grew to 11 percent, 19 percent and 24 percent in 2017, 2018, and 2019 respectively mostly driven by the increase in Salaries and wages, and Bonuses and incentives account. Whereas, profit before income taxes decreased moderately to 29 percent in 2017, three percent in 2018, and one percent in 2019 due to the increase in Net impairment losses, and General and administrative expense. Income tax expense decreased to 29 percent, three percent and one percent in 2017, 2018, and 2019 respectively because of the gradual decrease in profit before income tax account.

## 4.3 Vertical Analysis of Statement of Financial Position

Based on vertical analysis of profit or loss statement, the finding highlighted the increase or decrease change in some main items in percentage for the four consecutive years. In 2016, 2017, 2018 and 2019, cash on hand almost remains the same for 6.06 percent, 6.07 percent, 7.15 percent, and 6.83 percent, respectively. Meanwhile, deposit and placement with other banks increased from 28.67 percent in 2016 to 31.34 percent in 2017; however, it drastically dropped to 5.91 percent in 2018 and slightly recovered to 9.28 percent in 2019. For financial investment in 2016 and 2017, the volume of items was so less compared to the amount of total asset; hence, it appeared to be 0.00 percent, but in 2018 and 2019, financial investments grew to 11.13 percent and 8.77 percent, respectively. Whereas, Loan and advances to customer slightly decreased from 59.50 percent in 2016 to 57.40 percent in 2017, yet it accelerated to 62.14 percent in 2018 and slightly dropped to 61.27 percent in 2019. As for Deposit from customer, there was 59.17, 59.44, 62.79 and 66.18 percentage of substantial growth in the four consecutive years. Meanwhile, borrowing rose from 12.76 percent in 2016 to 16.91 percent in 2017 and decreased to 13.54 percent in 2018, 8.61 percent in 2019.

Table 4: Result of Vertical Analysis of Statement of Financial Position

<b>ACLEDA BANK PLC.</b>	
Vertical analysis	
For the Year Ended December 31 2016, 2017, 2018, and 2019	
	(Continued)

Table 4: Result of Vertical Analysis of Statement of Financial Position

	2019	2018	2017	2016
<b>ASSET</b>				
Cash on hand	6.83%	7.15%	6.07%	6.06%
Deposits and placements with other banks	9.28%	5.91%	31.34%	28.67%
Financial investments	8.77%	11.13%	0.00%	0.00%
Loan and advances, net	61.27%	62.14%	57.40%	59.50%
Other assets	0.26%	0.36%	0.91%	1.07%
Statutory deposits	9.69%	9.66%	0.00%	0.00%
Investment in subsidiaries	1.51%	1.49%	1.46%	1.64%
Property and equipment	1.54%	1.78%	2.11%	2.38%
Intangible assets	0.13%	0.18%	0.21%	0.24%
Right-of-use assets	0.48%	0.00%	0.00%	0.00%
Deferred tax assets, net	0.23%	0.20%	0.49%	0.44%
<b>TOTAL ASSETS</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits and placements of other banks and financial institutions	4.56%	5.11%	4.01%	7.74%
Deposits from customers	66.18%	62.79%	59.44%	59.17%
Other liabilities	0.94%	1.10%	1.59%	1.68%
Borrowings	8.61%	13.54%	16.91%	12.76%
Subordinated debts	2.32%	1.39%	2.12%	2.40%
Current income tax liabilities	0.48%	0.23%	0.44%	0.78%
Lease liabilities	0.46%	0.00%	0.00%	0.00%
Provision for off balance sheet commitments	0.00%	0.00%	0.04%	0.00%
Employee benefits	0.29%	0.35%	0.92%	0.78%
<b>TOTAL LIABILITIES</b>	<b>83.84%</b>	<b>84.50%</b>	<b>85.47%</b>	<b>85.30%</b>
<b>EQUITY</b>				
Share capital	7.13%	7.10%	7.00%	6.75%
Reserves	7.07%	7.00%	5.84%	5.27%
Retained earnings	1.96%	1.40%	1.69%	2.68%
<b>TOTAL EQUITY</b>	<b>16.16%</b>	<b>15.50%</b>	<b>14.53%</b>	<b>14.70%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

#### 4.4 Vertical analysis of statement of profit or loss

From the analysis above, the researcher has found that 2016 was the most profitable year among others as net interest income had 70.05 percent causing from the low interest expense of 29.95 percent, which could imply that the bank has effectively credit policy and manage to increase loan disbursement to customers. Moreover, in 2016, the bank also had the least percentage of General and Administrative expense with 40.38 percent which showed that the bank maintained operational cost under control efficiently, in other word, the bank obtained a good economic scale in 2016 compared to the other three years. As a result, due to the tremendous percentage of interest gain and the low operational expense, the bank achieved 38.92 percent of net profit after tax which was a very satisfactory business accomplishment.

Table 5: Result of Vertical Analysis of Statement of Profit or Loss

<b>ACLEDA Bank PLC</b>				
Separate Statement of Profit or Loss				
For the Year Ended December 31 2016, 2017, 2018, and 2019				
	2019	2018	2017	2016
Interest income calculated using the effective interest rate method	100.00%	100.00%	100.00%	100.00%
Interest expense	-32.36%	-33.94%	-35.27%	-29.95%
Net interest income	67.64%	66.06%	64.73%	70.05%
Fee and commission income	10.17%	9.47%	12.67%	11.66%
Fee and commission expense	-0.15%	0.03%	-0.61%	-1.07%
Net fee and commission income	10.03%	9.50%	12.06%	10.59%
Allowances for impairment losses on loans and advances,		0.00%	0.00%	0.00%
deposits and placements with other banks and other receivables	-4.81%	-0.22%	-8.25%	-3.19%
Allowances for impairment losses on off-balance sheet commitments	-0.08%	-0.04%	-0.45%	0.00%
Net impairment losses	-4.89%	-0.27%	-8.70%	-3.19%
Net income after allowance for impairment	72.77%	75.29%	68.09%	77.45%
Other incomes	3.59%	3.11%	2.27%	1.85%
General and administrative expense	-43.61%	-44.19%	-43.51%	-40.38%
Profit before income tax	32.75%	34.21%	26.85%	38.92%
Income tax expense	-6.70%	-6.90%	-5.38%	-7.77%
Profit for the year	26.04%	27.31%	21.47%	31.14%

(Continued)

Table 5: Result of Vertical Analysis of Statement of Profit or Loss

<b>ACLEDA Bank PLC</b>				
Separate Statement of Profit or Loss				
For the Year Ended December 31 2016, 2017, 2018, and 2019				
	2019	2018	2017	2016
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of employee benefit obligations	-0.03%	0.72%	-	-
Current translation differences	0.00%	0.00%	-	-
Other comprehensive income for the year	-0.03%	0.72%	-	-
Total comprehensive income for the year	26.01%	28.03%	21.47%	31.14%
Profit attributable to:		0.00%	0.00%	0.00%
Equity holders of the Bank	26.04%	27.31%	21.47%	31.14%
Total comprehensive income attributable to:				
Equity holders of the Bank	26.01%	28.03%	21.47%	31.14%

#### 4.5 Ratio analysis

R1: Operational Self-Sufficiency: The result showed that ACLEDA Bank Plc. had sufficient financial revenue to cover the operating expense in order to sustain the business for OSS ratio in the four years is above the breakeven of 100 percent. In 2016, the OSS ratio was 152.17 percent which means with the expense of 1\$, the bank could earn 1.52\$. In 2017, the OSS ratio was 130.48 percent which means with the expense of 1\$, the bank could earn 1.30\$ in return. In 2018, the OSS ratio was 143.65 percent which means with the expense of 1\$, the bank could earn 1.43\$ in return. In 2019, the OSS ratio was 140.42 percent which means with the expense of 1\$, the bank could earn 1.40\$ back.

Table 6: Operational Self-Sufficiency (OSS)

<b>Description</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
A. Financial Revenue	514,933,277	482,317,402	462,989,625	445,740,341
B. All Financial Expenses	366,706,875	335,752,536	354,843,555	292,919,095
OSS (A/B)	140.42%	143.65%	130.48%	152.17%

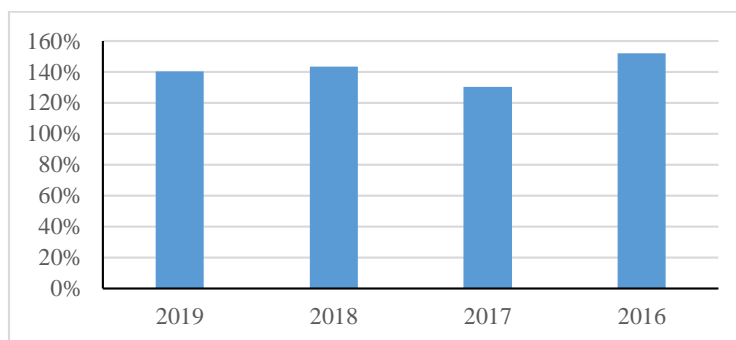


Figure 1: Chart of Operational Self-Sufficiency (OSS)

R2. Return on Asset: ROA illustrates the ability of how well the bank can make use the asset to enhance profitability. It indicates the bank rate of return made by the bank's asset. In 2017, 2018 and 2019, ROA was 1.79 percent, 2.19 percent, 2.04 percent which meant the bank has amount of return \$1.79, \$2.19, and \$2.04 from every asset investment of 1\$.

Table 7: Return on Asset (ROA)

Description	2019	2018	2017	2016
A. Net profit after taxes	117,886,779	116,990,702	86,486,798	122,305,468
B. Average assets	5,792,449,370	5,344,659,966	4,841,374,120	4,181,743,332
ROA(A/B)	2.04%	2.19%	1.79%	2.92%

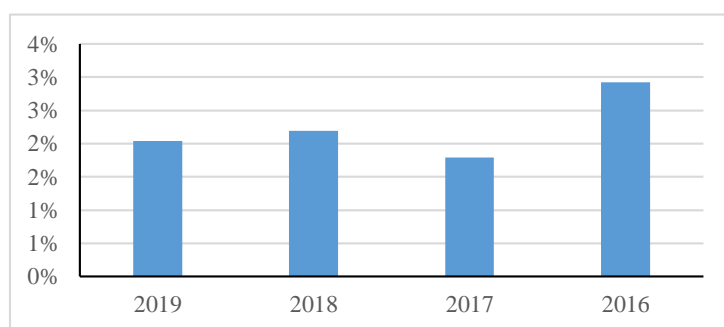


Figure 2: Chart of Return on Asset (ROA)

R3. Return on Equity: ROE indicates the bank profit performance in return shareholders' investment. In 2017, 2018, and 2019, ROE was 12.23 percent, 14.56 percent, and 12.85 percent which implies the business return growth condition was very favorable.

Table 8: Return on Equity (ROE)

Description	2019	2018	2017	2016
A. Net profit after taxes	117,886,779	116,990,702	86,486,798	122,305,468
B. Average equity	917,612,286	803,563,384	707,277,267	614,469,160
ROE(A/B)	12.85%	14.56%	12.23%	19.90%

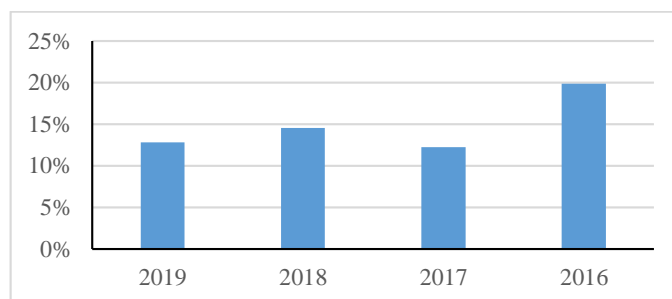


Figure 3: Chart of Return on Equity (ROE)

R4. Operating Efficiency Ratio: Operation Efficiency Ratio reveals the efficient of the bank in terms of keeping the operating cost low while earning revenue. In 2016, 2017, 2018 and 2019 the ratio was 35.58 percent, 37.86 percent, 39.25 percent, and 38.34 percent respectively, meaning that the bank has higher operating revenue to cover its cost.

Table 9: Operating Efficiency Ratio (OER)

Description	2019	2018	2017	2016
A. Total operating expenses	197,413,910	189,324,078	175,267,378	158,581,155
B. Operating revenues	514,933,277	482,317,402	462,989,625	445,740,341
OER (A/B)	38.34%	39.25%	37.86%	35.58%

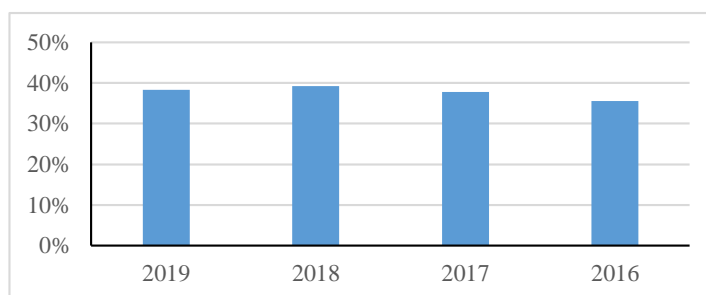


Figure 4: Chart of Operating Efficiency Ratio (OER)

R5. Profit Margin: Profit margin indicates the amount of revenue remained after deducting all the financial expense. Table 18 illustrates that the ratio in 2016, 2017, 2018, and 2019 was 27.44 percent, 18.68 percent, 24.26 percent, and 22.89 percent respectively, meaning that out of \$ 100 of revenue, the company generated a profit of \$27.44, \$18.68, \$24.26, and \$22.89.

Table 10: Profit Margin (PM)

Description	2019	2018	2017	2016
A. Net profit after taxes	117,886,779	116,990,702	86,486,798	122,305,468
B. Operating revenues	514,933,277	482,317,402	462,989,625	445,740,341
PM(A/B)	22.89%	24.26%	18.68%	27.44%

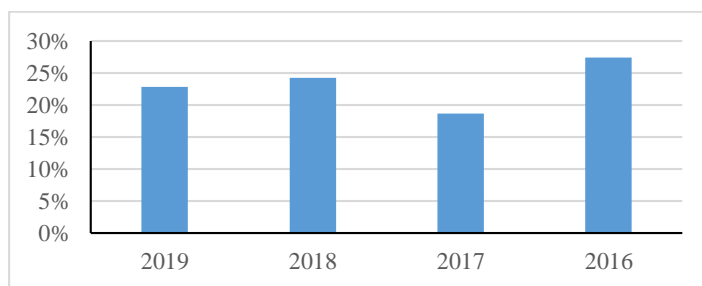


Figure 5: Chart of Profit Margin (PM)

R6. Cost of Deposit Ratio: This ratio indicates the bank profitability by comparing the bank interest expense on deposit and the average deposit amount from customer in 2016, 2017, 2018, 2019 the ratio was 2.74 percent, 2.75 percent, 2.31 percent and 2.25 percent respectively.

Table 11: Cost of Deposit Ratio (CDR)

Description	2019	2018	2017	2016
A. Interest expenses on deposit	90,341,115	81,101,045	86,628,510	77,642,717
B. Average Deposit	4,018,351,241	3,515,115,328	3,150,814,066	2,834,018,346
CDR (A/B)	2.25%	2.31%	2.75%	2.74%

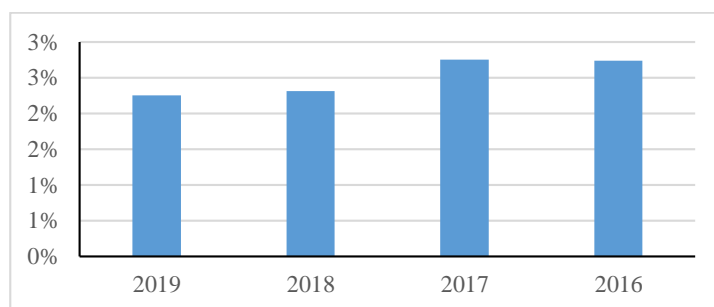


Figure 6: Chart of Cost of Deposit Ratio (CDR)

R7. Loan Loss Expense: This ratio measures financial institutions' provision on loan loss comparing to loan disbursement. In 2016, 2017, 2018, and 2019, the ratio was 0.48 percent, 1.21 percent, 0.04 percent and 0.061 percent respectively, meaning that every 100\$ the bank faced the risk of loan loss 0.48\$, 1.21\$, 0.04\$, and 0.61\$.

Table 12: Loan Loss Expense (LLE)

Description	2019	2018	2017	2016
A. Loan loss expense	22,140,986	1,149,466	35,029,852	12,516,941
B. Average gross loan	3,605,918,200	3,257,485,280	2,896,827,210	2,612,507,750
LLE(A/B)	0.61%	0.04%	1.21%	0.48%

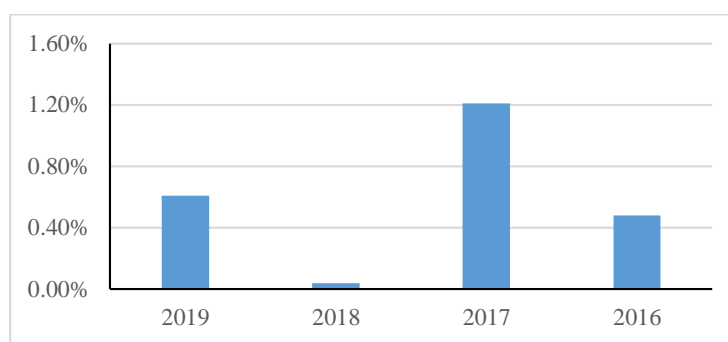


Figure 7: Chart of Loan Loss Expense (LLE)

R8. Net Interest Margin: Net interest margin ratio indicates the bank ability to earn interest income (with the calculation of interest expense), compared to the amount of earning asset. In 2017, 2018, and 2019, the ratio was 7.08 percent, 7.47 percent and 7.58 percent respectively, which implies that with every \$1 of average earning asset, the bank gained \$7.08, \$7.47, and \$7.58.

Table 13: Net Interest Margin (NIM)

Description	2019	2018	2017	2016
A. Interest income	445,071,958	421,365,365	395,122,253	389,887,622
B. Interest expenses	90,341,115	81,101,045	86,628,510	77,642,717
C. Average Earning Asset	4,677,665,386	4,555,888,023	4,358,298,572	3,752,142,387
NIM((A-B)/C))	7.58%	7.47%	7.08%	8.32%

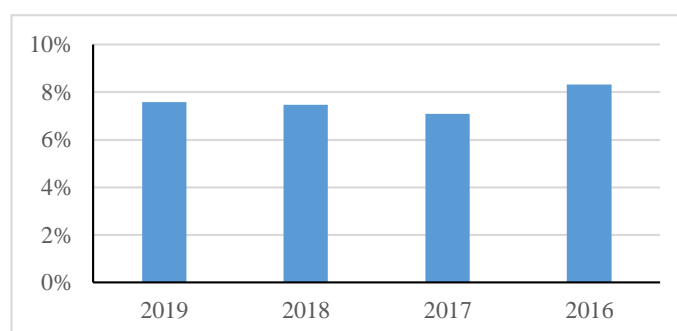


Figure 8: Chart of Net Interest Margin (NIM)

R9. Net Profit Margin: Net profit margin indicates the amount of profit remained after deducting all the financial expense comparing to operating revenue. In 2016, 2017, 2018 and 2019, the profit margin ratio was 27.44 percent, 18.68 percent, 24.26 percent, and 22.89 percent which shows a very high profitable earning trend of the bank.

Table 14: Net Profit Margin (NPM)

Description	2019	2018	2017	2016
A. Net profit after taxes	117,886,779	116,990,702	86,486,798	122,305,468
B. Average earning assets	4,677,665,386	4,555,888,023	4,358,298,572	3,752,142,387
NPM(A/B)	2.52%	2.57%	1.98%	3.26%

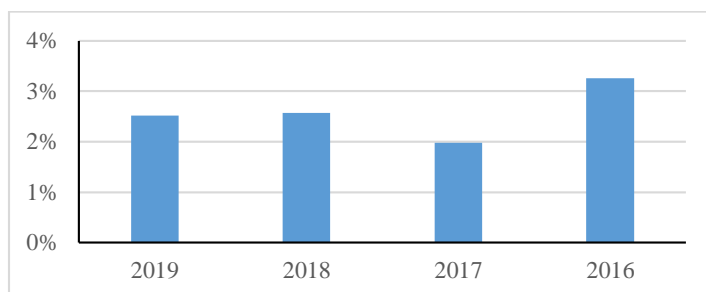


Figure 9: Chart of Net Profit Margin (NPM)

R10. Equity Multiplier: In 2016, 2017, 2018, 2019 the ratio was 6.81, 6.85, 6.65, and 6.31 respectively, meaning that the total assets were 6.81 times, 6.85 times, 6.65 times, and 6.31 times to the total capital. This indicates that the total asset including current and noncurrent asset has tremendous amount compared to total equity.

Table 15: Equity Multiplier (EM)

Description	2019	2018	2017	2016
A. Average Asset	5,792,449,370	5,344,659,966	4,841,374,120	4,181,743,332
B. Average Equity	917,612,286	803,563,384	707,277,267	614,469,160
EM(A/B)	6.31	6.65	6.85	6.81

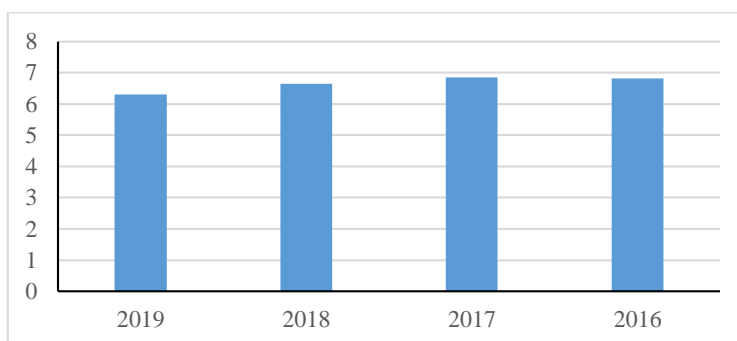


Figure 10: Chart of Equity Multiplier (EM)

R11. Total Asset Turnover is used to indicate how much of a dollar a company's asset can generate revenue. According to the chart above, the ratio of total asset turnover of the bank in 2016, 2017, 2018, and 2019 was 10.66 percent, 9.56 percent, 9.02 percent, and 8.89

percent respectively, meaning that with every \$100 investment in total assets, the company can make money of \$10.66, \$9.56, \$9.02, and \$8.89.

Table 16: Total Asset Turnover (TAT)

Description	2019	2018	2017	2016
A. Operating Revenue	514,933,277	482,317,402	462,989,625	445,740,341
B. Average Asset	5,792,449,370	5,344,659,966	4,841,374,120	4,181,743,332
TAT(A/B)	8.89%	9.02%	9.56%	10.66%

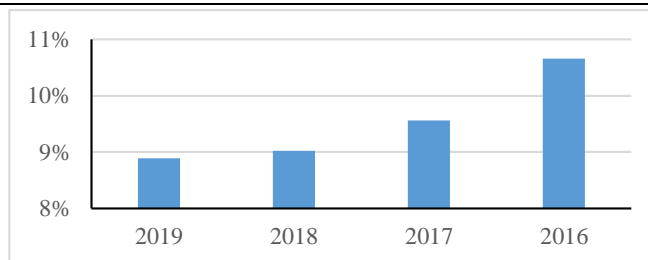


Figure 11: Chart of Total Asset Turnover (TAT)

#### 4.6 Du Pont analysis

Du Pont analysis is expressed by three driven factors from three sources, namely operating efficiency which indicates by profit margin, asset use efficiency which indicates by total asset turnover, and financial leverage which indicates by equity multiplier. The table above displays that in 2016, the return on equity was 19.90 percent, due to the profit margin of 27.44 percent with the total asset turnover of 10.66 percent and the high capital coefficient of 6.81 times. In 2017, the return on equity was 12.23 percent driven from the profit margin of 18.68 percent with the total asset turnover of 9.56 percent and the high capital coefficient of 6.85 times. In 2018, the return on equity was 14.56 percent, due to the profit margin of 24.26 percent, the total asset turnover of 9.02 percent and the capital coefficient of 6.65 times. In 2019, the return on equity was 12.85 percent, caused by the profit margin of 22.89 percent, the total asset turnover of 8.89 percent and the capital coefficient of 6.31. From the analysis above, it can be seen that 2016 has the highest profit margin and total asset turnover, which implies that the business has effectively leveraged the fund and employ the asset to the fullest.

Table 17: Du Pont Analysis

Du Pont Analysis	2019	2018	2017	2016
A. Profit Margin	22.89%	24.26%	18.68%	27.44%
B. Total Assets Turnover	8.89%	9.02%	9.56%	10.66%
C. Equity Multiplier	6.31	6.65	6.85	6.81
ROE (AxBxC)	12.85%	14.56%	12.23%	19.90%

## 5 Conclusion

### 5.1 Summary of Key Findings

The overall aim of this study is to investigate the financial position of ACLEDA Bank Plc., during the years of 2016 to 2019 in order to understand the ACLEDA Bank nature of business, revealing, and interpreting the findings indicated by four financial statement analysis technique namely horizontal analysis, vertical analysis, ratio analysis and Du Pont analysis.

According to the assessment of many financial techniques, ACLEDA Bank Plc. has a strong financial health due to the favorable result of almost every financial indicator. Remarkably, ACLEDA Bank Plc. has an uptrend growth in deposit from customers, which implies that the bank has effective marketing strategies and enhance customer product and service satisfaction, which boosts the customer truth and confidence to deposit their money in the bank. Moreover, in terms of loan and advances to customer, the bank manages to demonstrate a substantial increase, which implies that the bank has practiced and developed good credit marketing strategies. Even though the bank has many overall good points, there are some drawbacks that need to be addressed. In other words, the bank still spends much budget on operational cost, namely general and administrative expense which decrease much of the profit before income tax. Though the bank managed to retain customer loyalty of money deposit, the bank had substantial decrease in the amount of deposit and placement of other banks, which could imply that the lower popularity in investment decision from other institutions, resulting from the low interest rate provided on the deposit.

Overall, out of the four consecutive years, 2016 was the most profitable one for the bank with the amount of \$122, 305, 468 net profit after tax with the asset of only \$4,561,023,771 driving the peak return on equity of 19.90 percent, thanks to the efficient use of asset to the fullest earning capacity and the achievement of a good economic of scale. In addition, in 2016 the bank also had a high ROA, high OSS, high net interest income and low general and administrative expense.

### 5.2 Implication of the Study

The findings of this study will be of benefit to the development of Finance and Banking in that it helps in understanding ACLEDA Bank Plc.'s financial conditions over a period of time. In addition, the finding contributes to ACLEDA Bank Plc. to the extent that it allows the bank to get a grasp of finding interpretation from the researcher's understanding and to make better informed decisions. For the top management of the bank, they can identify their loopholes and take actions accordingly in order to better their areas of improvements: developing an effective credit policy, utilizing cash on hand, and minimizing operating costs. From the investment aspect, potential investors can make use of the research finding as a useful source of information before deciding whether to purchase ACLEDA Bank Plc.'s stock, namely ABC which is listed in Cambodia Security Exchange. Moreover, the bank customers can be aware of the bank performance and choose whether to continue to trust their money with the bank. Last but not least, the future research can leverage this research study as a useful reference when conducting a new research study on the same field.

### 5.3 Limitations and Future research

It is worth noting that the findings of this study have to be seen in light of some limitations which include the limited access to data, extraction from only annual reports due to the time constraint, and ACLEDA Institute of Business's policies. Moreover, the research findings are only interpreted in accordance to the application of four analysis techniques, namely horizontal analysis, vertical analysis, ratio analysis, and DuPont analysis.

The future research should thus compare the above ratios with industrial average or with a competitive bank within the similar industry. The future research study should also use other research tools such as regression analysis to study the impact of one financial item on the others in order to respond to new research problem and add on this research knowledge. However, the researcher believes that this study has highlighted the application of financial statement analysis and presents the need for further development in the research area of study; therefore, some avenues that could be addressed in future should be extended access to obtain the information from the headquarter.

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