

# The Banking Sector in Cambodia

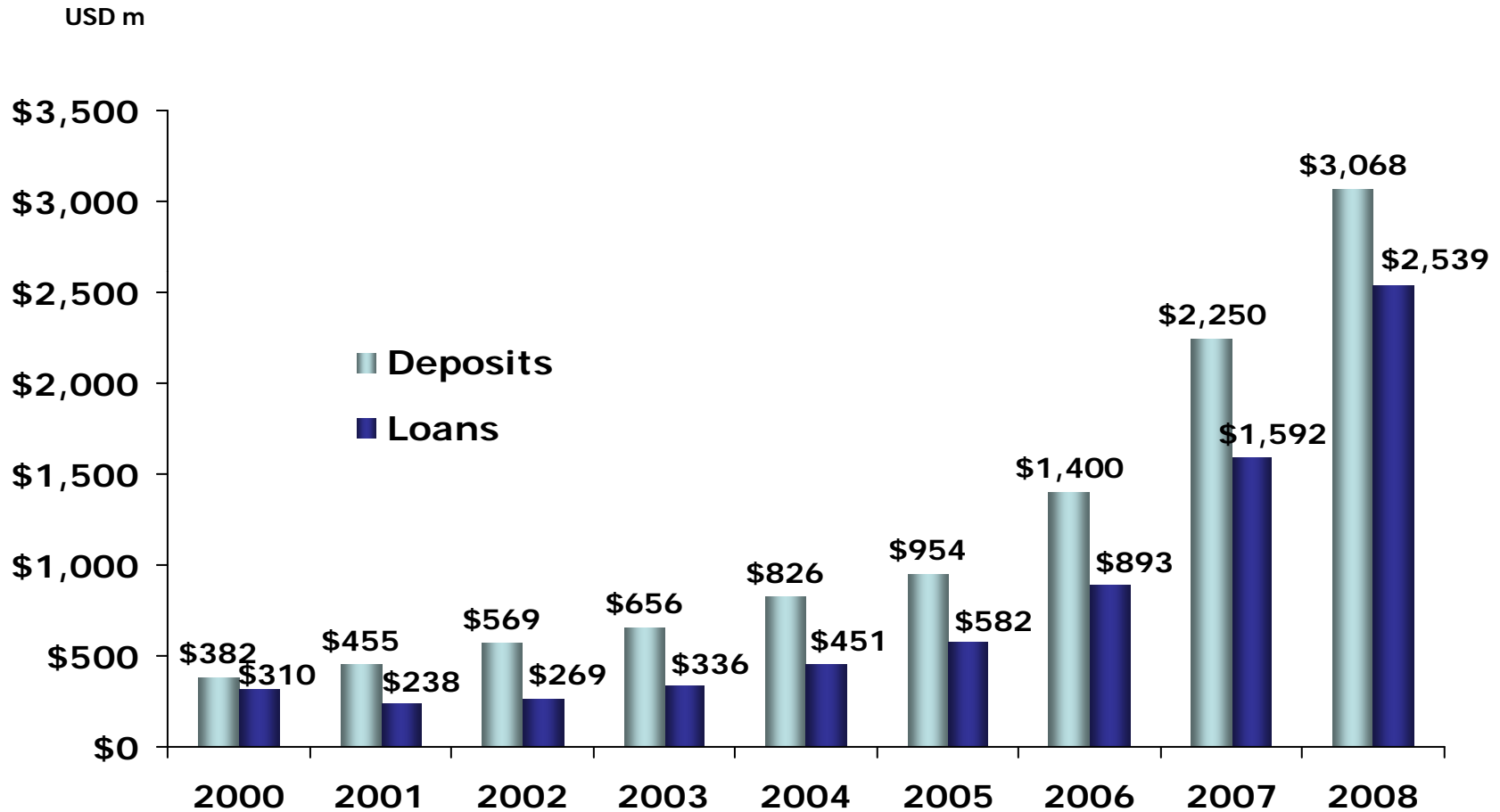
## **A good place to do business?**

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**In just three years, ANZ Royal Bank became ANZ's largest retail network outside of Australia and New Zealand**

# Cambodia bank sector has seen remarkable growth in recent years...

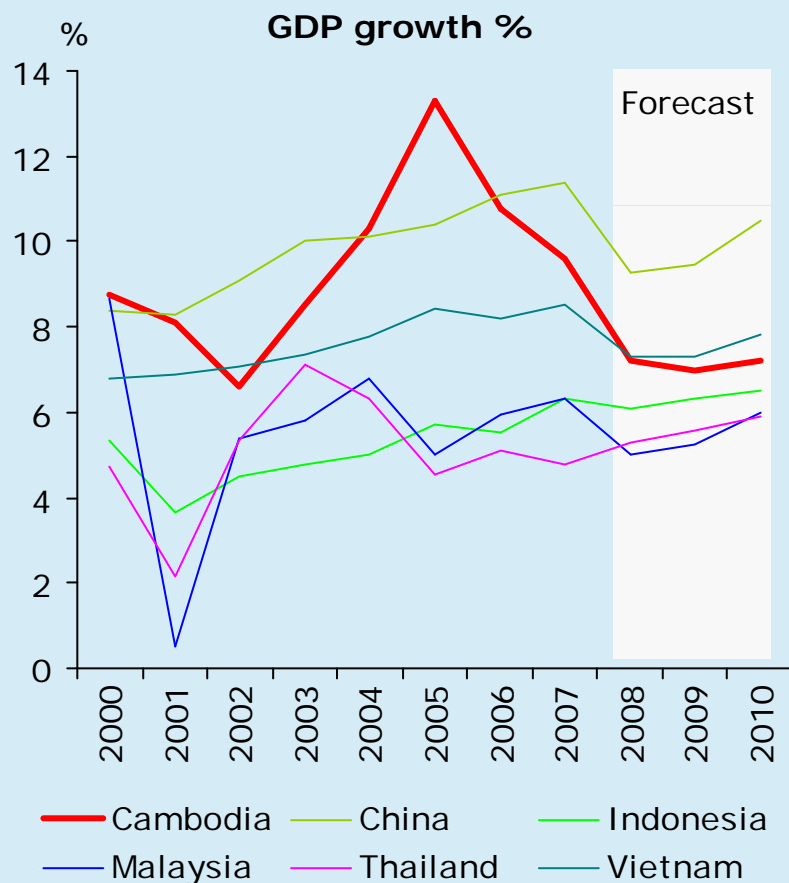
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2008 forecast

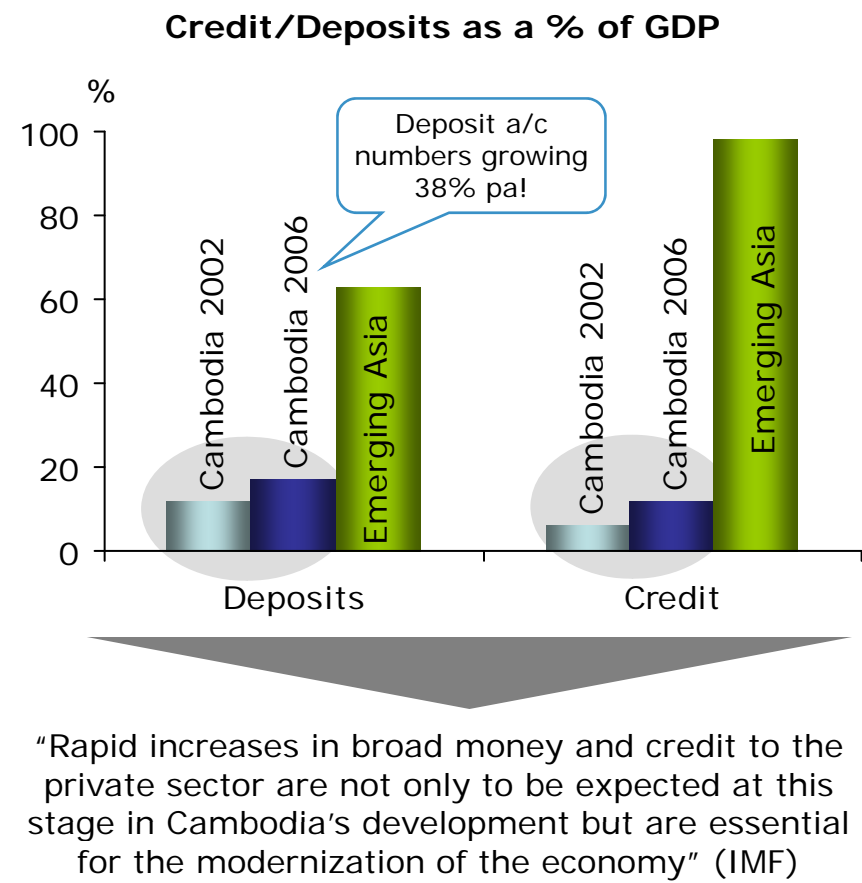
# ... thanks to the "double benefit" of high GDP growth and increasing banking penetration

## Very high GDP growth



Source: IMF

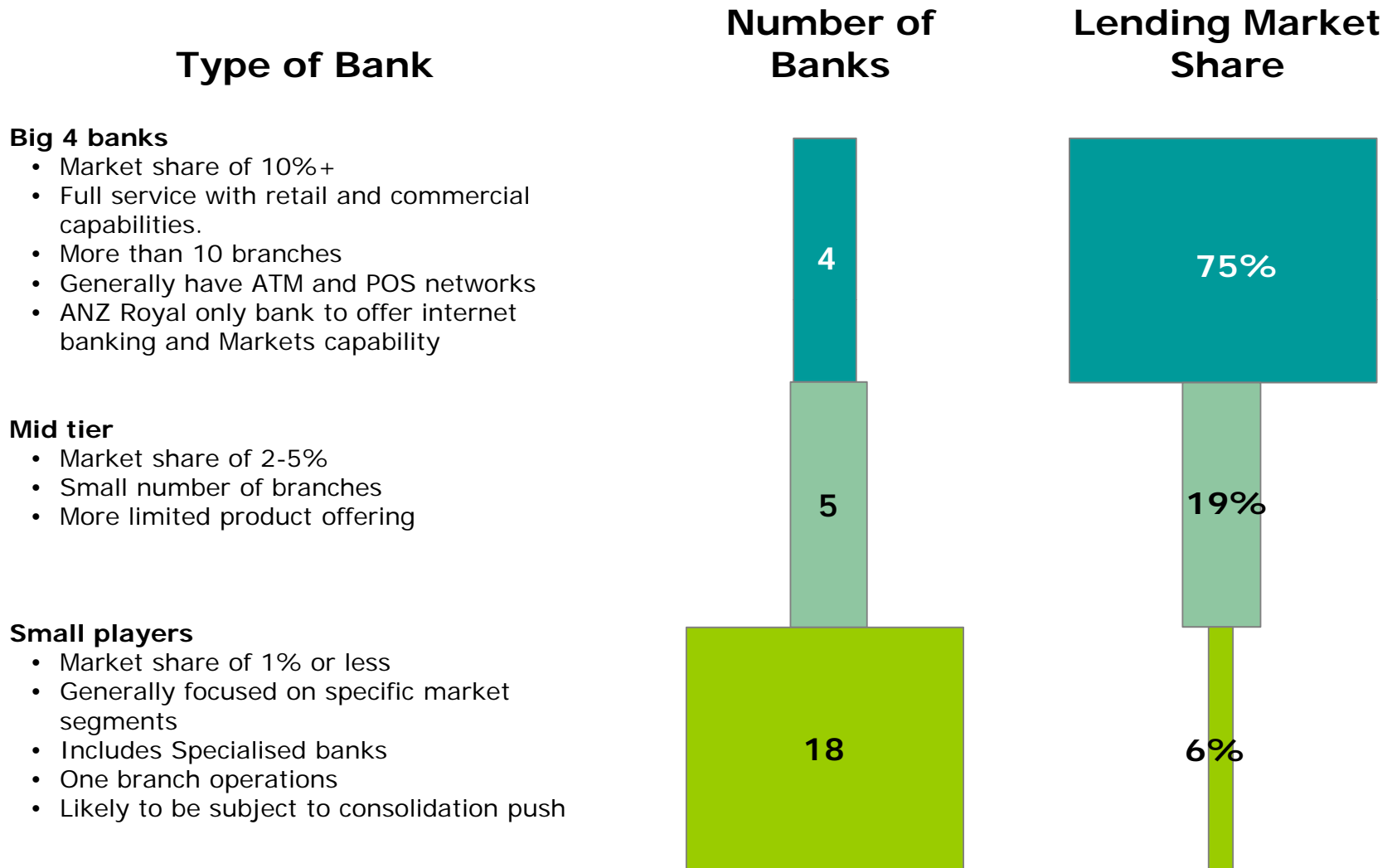
## Low banking penetration with significant upside



Source: IMF

# Four big banks have captured most of this growth, and dominate the market

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# In general, bank system “appears” to be in good shape

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## Non-performing loans have fallen to historic lows

NPL ratio



### But....

- A rising property market covers many sins
- History has shown a high correlation between proliferation of banks and sector weakness

# Some key things to understand about dealing with banks in Cambodia

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## Interest Rates

- US Dollar economy, but rates do not reflect LIBOR or SIBOR
  - eg USD deposit rates of 6%+ are commonplace
- No inter-bank market to provide transparent rate setting mechanism

## Capacity to lend

- In general, banks can only lend 20% of capital to a single customer
  - Therefore maximum for any one bank is a little over \$10m
- As at December 2007, capacity of entire banking system for a single customer was ~\$100m, with top 4 banks ~\$50m
- Emerging appetite for syndications amongst local banks

## Taking security

- Despite some banks being more focused on cash flows, still heavy reliance on provision of security
- Property generally discounted ~50%
- Legal framework quite good, but questions re enforcement
  - World Bank ranked “strength of legal rights” 4<sup>th</sup> in East Asia and the Pacific

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