



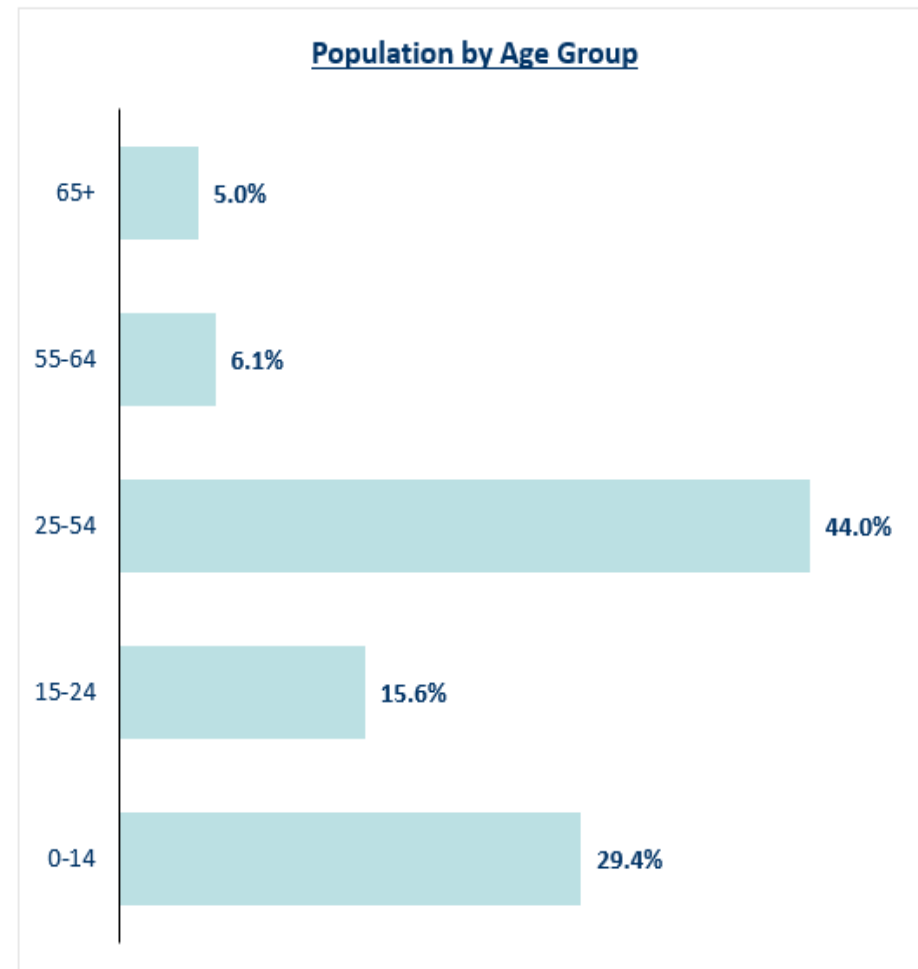
Cambodian Business Landscape Investment Destination for Foreigners

Prepared by : The Research and Development Department



Cambodian Population Statistics

- ✓ Population of 16.9 million
- ✓ 45% are under 24 years of age
- ✓ Only 11% of the population are over 55
- ✓ Most of the population is tech savvy – smartphones are everywhere



Source (NIS, ACCLIME report, May 2021)

Main Pillars of Cambodia Economy

- **Exports** -Garments, footwear, textiles, light manufacturing
- **Tourism** - Cultural, historical, national parks and eco-tourism thriving
- **Agriculture** -Rice, cassava, fresh mango. Animal products (meat and leather), pepper, fish, cashew nuts, rubber, wood, chili
- **Construction** -Flourishing industry with huge leaps in developments especially in Sihanoukville

The four pillars supporting the Cambodian economy, or the key industries, are agriculture, the export of garments and footwear, tourism, and construction.

Primary sector (agriculture), secondary sector (industry), and tertiary sector (services) is accounted for 34%, 37%, and 23% in 2021 compared to 38%, 23% and 34% in 2012 respectively.





Main Sectors of the Economy

(Source: ACCLIME, May 2021)

Garments, Footwear and Textiles

- Cambodia's garments, travel goods, and footwear outputs remained robust, registering 39.8% year-on-year growth in the first half of 2022, despite the economic slowdown in the United States and Europe.
- Approximately 850,000 employees as of Q1 of 2021, but during and post covid-19 their income is lower.
- Around 1,100 factories recorded in 2019 (Now reducing)

Non-Garment Products

- Electronics components, cars parts, light machinery, plastics, bicycles.
- Around 600 factories employing 130,000+ people
- Performed well in 2020 with exports rising 23.1%, and in the first six months of 2021 exports rose by 50% equivalent to \$1.9 billion in revenue.

Agriculture

- Rice, cassava, fresh mango, animal products (meat and leather), pepper, fish, cashew nuts, rubber, wood, chili
- Accounts for 22% of Cambodia's GDP.
- \$4.04 billion of exports in 2020 – localized floods affected production
- 5.54 million tons of agricultural exports mainly rice, rubber, cassava and fresh mangoes. Export milled rice \$292 million in revenue in first 8 months 2021



Main Sectors of the Economy

(Source: ACCLIME, May 2021)

Construction

- Flourishing industry
- Peak of \$11.94 billion of projects in 2019, \$3.84 billion in first 8 months of 2021
- Post covid-19, I see oversupply of office space and condominiums.

Tourism (pre-Covid-19)

- Pre-covid tourism accounted 20% of national account.
- International arrivals down by 80% in 2020 and 90.6% in the first seven months of 2021.
- Numbers have been dramatically affected by Covid-19 and recovery not expected until 2024
- 510,000 foreign tourists to Cambodia in the first 6 months of 2022, expected to reach 1mil for full year 2022 due to highly vaccinated and faster open country.



Main Sectors of the Economy

(Source: ACCLIME, May 2021)

Financial Services

- Banking, insurance and microfinance, trustee, collective investment schemes.

Education

- Many international schools are already in Cambodia, mainly Phnom Penh
- Fees range from \$8,000 to \$25,000 per child, depending on the school
- Growing demand given the emerging middle class

Health Care

- Both public and private options available
- Infrastructure around emergency care (ambulances etc.) needs improving

Mining:

- New gold mine in Mondulkiri 100,000 oz p.a.
- Sand mining, precious stone.

Cambodian Banking Landscape

| Type of banks | Number |
|-------------------------------|--------|
| Commercial Banks | 54 |
| Specialized Banks | 10 |
| Representative Office | 6 |
| Micro Deposit Taking licenses | 5 |
| Micro Finance Institutions | 79 |
| Leasing Companies | 17 |
| Payment Service Institutions | 30 |

(Source: NBC supervision report 2021)

| % YoY | 2019 | 2020 | 2021 |
|--------------------------|-------|------------|------------|
| Loan Growth (% , YoY) | 25.2% | 16.8% | 22.7% |
| Deposit Growth (% , YoY) | 15.1% | 14.5% | 16.5% |
| NPL | 2.0% | 2.1% | 2.5% |
| Restructuring Loan | n/a | US\$3.6bil | US\$4.9bil |

- ✓ The banking sector continues to perform positively in 2021.
 - ❖ Assets grew by 17.2% to US\$69.5bil
 - ❖ Credits amounted to US\$46.7bil. billion and increased by 22.7 percent
 - ❖ Deposits amounted to US\$39.20bil and increased by 16.5 percent
- ✓ Bank's NPL remain healthy during the pandemic, at 2 percent during the first half of year 2021 due to NBC's loan restructuring programme.
- ✓ Credit restructuring amounted to US\$4.9bil to ease customer's burden, affecting 310,746 borrowers.

(Source: NBC supervision report 2021)

Outlook for Banking Industry for 2022

- ✓ The exit covid-19 will impact to P&L as require more provision
- ✓ There are some business, there cash flow was affected by covid-19
- ✓ Some business segment will take time to recover like tourism
- ✓ The price of the property is slightly decline and hard to find a buyer
- ✓ Interest rising which move along to the glob
- ✓ However, All banks are still solvency and meet the Basel requirement of Central Bank.
- ✓ Central Bank try to stabilize the exchange rate

Cambodia Destination for Foreign Investment



Government Law on Foreign Investment

- ✓ There is a law on Investment Guarantees covering:
- ✓ No discrimination on foreign investment (except for land ownership)
- ✓ Foreign currency purchase through the banking system is allowed for loan payments, interest, royalties, dividends and repatriation of invested capital
- ✓ No price controls
- ✓ Dollarized economy, 80% of currency circulation in Cambodia is in USD

Government Incentive

Government Incentive

Special Economic Zones

- There are 54 SEZs around Cambodia
- Need to be 50 hectares in size
- Approval by Cambodian Special Economic Zone Board (CSEZB), part of CDC

Qualified Investment Projects (QIP)

- Import and export duty exemptions
- One-stop window service for paperwork and other administrative tasks with the government
- **SME Tax Incentives** 3- to 5-year tax holidays
- Duty free import of equipment and construction materials
- If an export business, raw materials exempt from import duty

Freehold Ownership

- **Foreigners can buy or own properties in Cambodia with certain rules and regulations that need to be followed.**
- **Foreigners can own units in condominiums or apartments, and they may leave and sell them at any time.**
- **There are three possible ways for foreigners to own a property in Cambodia:**
 - i. A foreigner can own property on the 1st floor or above inside a condominium or apartment, and a strata title is required when owning a property.**
 - ii. A foreigner can also own 49% of a property if they are partnered with a legal Cambodian citizen in which they have 51% or more shares as a Cambodian citizen.**
 - iii. Own through Trustee Company.**



Property Taxes

- Cambodia's property's tax is referred as Real Estate Tax, which is imposed on property in Cambodia such as land, buildings, and construction or infrastructure on land, that includes apartments, condominiums, warehouses etc.
- Annual property taxes in Cambodia are very low, being only 0.1% for the properties that have value over 100 million KHR (\$25,000), making it very convenient to invest in properties for investors.



Other – Emerging Investment Prospects

- Health Care Sector
- Logistics
- Non-Banking Financial sectors
- Liquidity provider connection to foreign exchange
- Promote Green Economy (ESG)
- Digital Technology
- Education (vocational skill)
- Cross-Border Remittances and Payment (Specific countries Among Asian)

(Source : Webinar on infrastructure is a key driver for economic development)



What Phillip Bank can help you or Partnership with you

- Our group in Cambodia is not only Bank, General Insurance, Life Insurance, Trust Biz
- 78branches network in countrywide
- Integrated, Corporate Campaign (Customers base 170K, 20K retail merchants and few hundred Corporate merchants and API integration and Portal for payment and cash collection)
- Escrow Account
- International remittance
- LC, BG, supply chain finance
- Internet Banking
- Connect to 16countries for other Biz purpose



The End

Q&A ?