Banking and Financing in Cambodia

27th April 2016
Agenda

1. Cambodia - Overview
2. SCB Financial Services in Cambodia
3. Our contact information
1. Cambodia - Overview
1. Cambodia - Overview

Key indicators

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015F</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth (%)</td>
<td>7.3</td>
<td>7.4</td>
<td>7.0</td>
<td>7.2</td>
</tr>
<tr>
<td>GDP (USD Bn)</td>
<td>14.1</td>
<td>15.4</td>
<td>16.6</td>
<td>17.8</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>2.9</td>
<td>2.9</td>
<td>3.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Population (2014)</td>
<td></td>
<td></td>
<td>15.31 million</td>
<td></td>
</tr>
</tbody>
</table>

Key Highlights

- Strongest economy growth in ASEAN
- Low FX risk (dollarized economy)
- GSP privileges to Japan, US and EU
- Low labor cost (90$ per month), abundant resources
- Foreigner ownership up to 100%
- Fast-track investment approval: less than 28 days

GDP Composition

- Agriculture: 34%
- Industrial: 26%
- Service: 41%
Cambodia’s growth has been consistently over 6% since the turn of the century as the economy diversifies away from agriculture.
## Cambodia - Overview

**Cambodia is the place to go for exports to the EU**

### Cambodia export by destination

Unit: % share to total export (2013)

![Pie chart showing export destinations: EU 27%, US 22%, Japan 9%, Singapore 4%, China 3%, Thailand 3%, Cambodia 27%]

<table>
<thead>
<tr>
<th>Country</th>
<th>EU 27%</th>
<th>US 22%</th>
<th>Japan 9%</th>
<th>Singapore 4%</th>
<th>China 3%</th>
<th>Thailand 3%</th>
</tr>
</thead>
</table>

### Cambodia’s top exports to major markets and tax benefits

<table>
<thead>
<tr>
<th>Product</th>
<th>Share to total export</th>
<th>Key markets (share)</th>
<th>EU GSP Privileges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel and textiles</td>
<td>72%</td>
<td>US (40%) EU (36%)</td>
<td>Yes (EBA)*</td>
</tr>
<tr>
<td>Footwear</td>
<td>5%</td>
<td>EU (52%) Japan (14%) US (11%)</td>
<td>Yes (EBA)*</td>
</tr>
<tr>
<td>Bicycles</td>
<td>4%</td>
<td>EU (52%) US (5%) Canada (5%)</td>
<td>Yes (EBA)*</td>
</tr>
<tr>
<td>Rice</td>
<td>4%</td>
<td>EU (60%) Malaysia (17%) China (10%)</td>
<td>Yes (EBA)*</td>
</tr>
<tr>
<td>Rubber</td>
<td>3%</td>
<td>China (45%) Vietnam (26%) Malaysia (20%)</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*EU GSP benefits under EBA (Everything But Arms): full **duty-free and quota-free** access to EU for all their export of goods, except arms and armaments, and are only given to the countries classified as least developed countries (LDCs). Currently, the ASEAN countries that received EBA benefits include: Cambodia, Laos and Myanmar.

Source: EIC analysis based on data from CEIC
Cambodia tax rate is one of the best among CLMVT with lowest non-residents’ PIT and CIT at the top bracket

<table>
<thead>
<tr>
<th>CLMVT Tax</th>
<th>Standard Corporate Income Tax (CIT)</th>
<th>Top Personal Income Tax (PIT)</th>
<th>Non-Resident Withholdings</th>
<th>VAT</th>
<th>Capital Gains</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>20%</td>
<td>20%</td>
<td>14% 14% 14%</td>
<td>10%</td>
<td>Treated as taxable income</td>
</tr>
<tr>
<td>Laos</td>
<td>24%</td>
<td>24%</td>
<td>10% 5% 10%</td>
<td>10%</td>
<td>None</td>
</tr>
<tr>
<td>Myanmar</td>
<td>25% Company 35% Branch</td>
<td>20% Employment income 30% Other income 35% non-resident foreigners</td>
<td>None 20% 15%</td>
<td>5% services 3-100% for goods 10% resident 40% non-resident</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>20% (from 1Jan16) 35%</td>
<td>35%</td>
<td>None for cooperate investors 10% 5%</td>
<td>10%</td>
<td>Yes and vary</td>
</tr>
<tr>
<td>Thailand</td>
<td>20%</td>
<td>35%</td>
<td>10% 15% 15%</td>
<td>10%</td>
<td>Treated as taxable income</td>
</tr>
</tbody>
</table>

ที่มา: Council for the Development of Cambodia, General Department of Taxation, Ministry of Economy & Finance
1. Cambodia - Overview

When compared to Thailand, Cambodia’s incentives are similar with the exception of the right to buy land

<table>
<thead>
<tr>
<th>Income tax</th>
<th>Cambodia SEZ/QIP</th>
<th>Thailand I/E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Up to 9 years</td>
<td>Exempted</td>
</tr>
<tr>
<td></td>
<td>Years 9 onwards</td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Import duties</th>
<th>Cambodia SEZ/QIP</th>
<th>Thailand I/E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exempted for i.e. raw materials, machinery, and equipment</td>
<td>Exempted for i.e. raw materials, machinery, and equipment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Land use</th>
<th>Cambodia SEZ/QIP</th>
<th>Thailand I/E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreigners lease for up to 50 years + renewal</td>
<td>Foreigners can own land in I/E</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Foreign labor</th>
<th>Cambodia SEZ/QIP</th>
<th>Thailand I/E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Right to hire 10% foreign labor</td>
<td>Right to hire foreign skilled and unskilled labor</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>Cambodia SEZ/QIP</th>
<th>Thailand I/E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investors will have to be registered as a QIP</td>
<td>Tax exemption received will be dependent on industry and location invested, which can be above or below the 8 years period</td>
</tr>
<tr>
<td></td>
<td>Free repatriation of profit</td>
<td>100% foreign ownership is permitted in most industries that is not on the negative list</td>
</tr>
<tr>
<td></td>
<td>100% foreign ownership is permitted in most industries that is not on the negative list</td>
<td>Thailand is planning to develop 5 SEZ which will have incentive of i.e. additional 50% CIT exemption for 5 years</td>
</tr>
</tbody>
</table>

Source: EIC analysis based on data from Royal Government of Cambodia, BOI, and IEAT
1. Cambodia - Overview

**Special Economic Zones**

Thailand

Laos

Vietnam
1. Cambodia – Tip of Doing Business in Cambodia

- Investors should take into consideration of infrastructure unreadiness. Electricity is scarce thus, Cambodia might not be the right answer for their electricity-intensive industry.

- Logistics are in poor condition, they are undergoing many phases of development this is including, road, rail, and port development. Thus, it is recommended to situate the factory near borders or major ports to avoid logistic difficulties.

- For all investment, reaching QIP scale is preferable, this is to get special tax holiday schemes of up to 9 years from the government

- Financial supply is limited and costly, investors are advised to source loans from Thailand instead
1. Cambodia - NBC Official Exchange Rate and Trends

The local currency for Cambodia is Khmer Riel or “KHR”.

Official exchange rate @26 Apr 2016

<table>
<thead>
<tr>
<th>Currency Pair</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>KHR / USD</td>
<td>4,050</td>
</tr>
<tr>
<td>KHR / THB</td>
<td>115.5</td>
</tr>
</tbody>
</table>

Trend of Riel Exchange Rate Against USD

Source: National Bank of Cambodia website data as of 31 August 2015, Annual report 2013
1. Cambodia - Banking Products Available in Cambodia

All commercial banks can provide full commercial banking services to both individual and corporate customers, including Cambodia Commercial Bank.

- **Trade Finance**
  - Credit for Import
  - Credit for Export
  - Credit for Domestic Trade
  - Letter of Credit
  - Bill for Collection
  - Open Account Collection

- **Commercial Loan**
  - Term Loan
  - Revolving Short-term Loan
  - Overdraft
  - Letter of Guarantee

- **Remittance**
  - Outward Remittance
  - Inward Remittance
  - Thai Baht Transfer

- **Deposit Accounts**
  - Current Deposit Accounts
  - Savings Accounts
  - Fixed Deposit Accounts

- **Foreign Exchange Services**
  - Spot Exchange
  - Forward

Source: EIC Analysis based on data from NCB and SCB
# 1. Cambodia - Key Financial Regulations

<table>
<thead>
<tr>
<th>Topic</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foreign ownership</strong></td>
<td>• There is also no requirement to have a Cambodian partner meaning that businesses can be 100% foreign-owned.</td>
</tr>
<tr>
<td><strong>Currency/monetary restrictions</strong></td>
<td>• Cambodia does not have any restrictions on funds transfer (i.e. the repatriation of profits, capital from Cambodia, etc) provided that supporting documents are in place.</td>
</tr>
<tr>
<td></td>
<td>• The Foreign Exchange Law of 1997 provides for foreign currencies to be freely purchased via the banking system.</td>
</tr>
<tr>
<td><strong>Lending interest:</strong></td>
<td>• USD, KHR, THB: subject to cost of fund</td>
</tr>
<tr>
<td></td>
<td>• Max. lending rate: 18% pa</td>
</tr>
</tbody>
</table>
2. SCB Financial Service in Cambodia
2. Cambodian Commercial Bank (CCB) at a glance

SCB Cross-Border Presence in Cambodia via Cambodian Commercial Bank

Battambang Branch

Siem Reap Branch

Sihanoukville Branch

Phnom Penh: No. 26 Monivong Blvd, Khan Daun Penh
Battambang: No. 116-117, 20 Ausaphea Village
Siem Reap: No. 130, Sivatha Road, Svay Dangkum
Sihanouk Ville: No. 242, Ekareach Street, Khan Mittapheap
2. CCB at a glance

Cambodian Commercial Bank (CCB)

- First commercial bank in Cambodia (since 1991)
- 100% Subsidiary of Siam Commercial Bank PCL
- Full banking services (Funding, Trade finance, Foreign exchange, Remittance)
- Only Thai commercial bank having branches in strategic business locations
- Strategic partnership with Acleda Bank (largest bank in Cambodia)
- Experienced team of professionals, all managements are having more than 10 years of experience in Cambodia
- Connections with local government agencies and leading local business groups
- Providing insight into local laws/regulations, taxes and customs in practice
MOU with ACLEDA Bank
First Thai ATM in Cambodia
2. CCB Products and Services in Cambodia

• **Supporting your domestic transactions**

  **Multi-Currency Deposits**
  - Deposit Types (Riel, USD & Baht)
    - Current Accounts
    - Savings Accounts
    - Fixed Accounts

  **Payment Products**
  - Payroll
  - Supplier Payment with CCB Account
  - *Internet Banking (Expected by Q4 2016)*

  **Credit Products**
  - Promissory Note
  - Overdraft
  - Term Loans
  - Loan Facilities provided in USD

  **Business Lending**
  - Supporting your domestic transactions

  **ATM**
  - ATM Card Issuance
  - Cash Withdrawal
  - Cash Transfer
2. CCB Products and Services in Cambodia

- Supporting your international transactions from/to Cambodia

**Trade Finance & Remittance**

- **Import Products**
  - L/C Issuance
  - Import Bill for Collection
  - Shipping Guarantee
  - Trust Receipt Financing
  - Outward Remittance

- **Export Products**
  - L/C Advising
  - Outward Bill Collection under L/C & B/C
  - Outward Bill Purchase/Discount under L/C & B/C
  - Inward Remittance

**Internet Banking** * (Expected by Q4 2016)

**Foreign Exchange**

- **FX Products**
  - FX Spot
  - FX Forward

**Money Gram**

- **Services**
  - Global payment service provider to facilitate money transfers

**Financial Advisory**

- **Service Features**
  - Financial and investment guidelines to navigate through the country
  - Business matching opportunities
2. Domestic payment

- **Pay to your suppliers/counterparties**
  - ✓ Open an account with CCB in any currency: USD, KHR, THB
  - ✓ Transfer to your supplier/counterparty in same/other provinces whether they have an account with CCB or with other banks.

**OPEN ACCOUNT WITH CCB**

**Required document for Company / Juristic Partnership**
- Memorandum and Articles of Association
- Copy of Business License field at the Tax Revenue Department
- Copy of Certificate of Registration Office, Ministry of Commerce
- Copy of Resolution of Board of Director certified by authorized person’s under seal indicating and intention to open bank account’s and specifying the authority and conditions of payment
- Copy of Identification Card or Passport of Authorized Persons
3. Domestic payment

- **Payroll services**
  - Apply for payroll services with CCB’s RM’s or come to our branches
  - Automatically transfer to your company’s employee monthly
  - Your employees can withdraw/ transfer money from their payroll account using our CCB’ ATMs

[Diagram showing a network of accounts:
- Corporate Account with CCB (USD, KHR, THB)
- Employee Account A
- Employee Account B
- Employee Account C
- Employee Account D
- Withdrawal (in USD) / transfer at any of our ATM machines]

**CCB will expand the ATM connectivity with local bank in the future to expand our ATM network.**
3. International Payment

Transfer from/to Cambodia and other countries.

**Cambodia**
- Account with CCB
  - KHR, USD, THB account at CCB
- CCB transfer in USD, THB, other currencies

**Thailand**
- Account with SCB
  - USD, THB account at SCB
- Account with other banks
  - USD, THB account at other banks

**Other Countries**
- Account with other banks
  - USD account at other banks

**Required document**
- Application
- Supporting documents
  - Invoice
  - Loan agreement
  - Etc.
4. For further assistance on your business, please contact us

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Email: wichai.onsri@ccb.com.kh
Thank you very much!