

Cambodian Microfinance – an investor's perspective

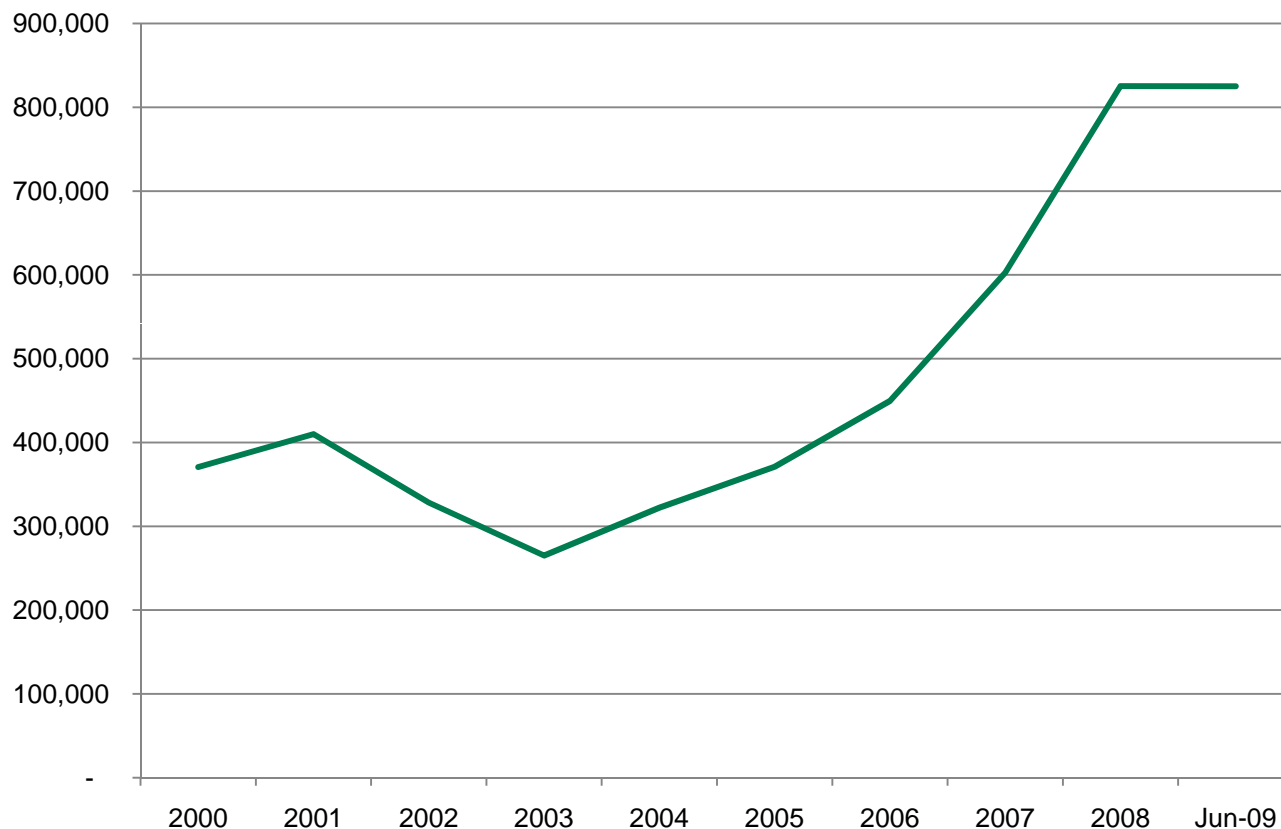
Tanmay Chetan, Agora Microfinance Fund

Cambodia Microfinance Summit, 19-20 August 2009



The last decade – a story of growth and scale

Number of Active Borrowers



On Jun-09

- 1m loan clients
- 17 licensed MFIs
- 1 commercial bank
- Average lending rates at 2-3% p.m.
- Establishment of large MFIs

Sources: IFC/CMA

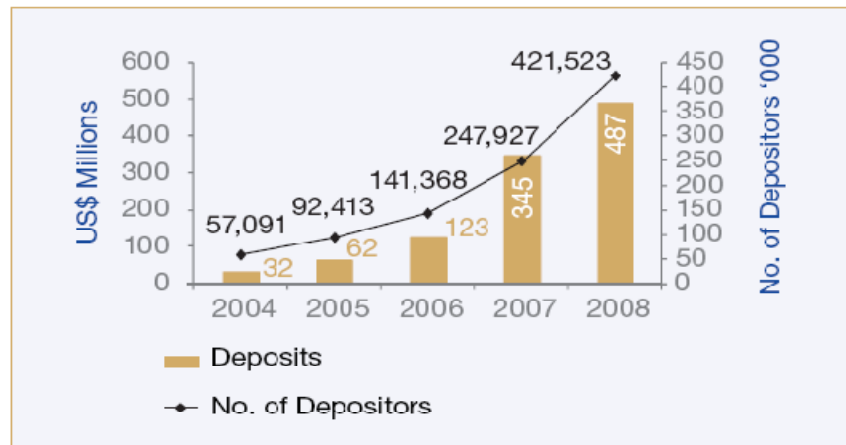
The last decade – quality and transparency

- ✓ All top-10 MFIs have public credit rating reports for 2006-8
 - ✓ 3 have received the highest rating grades
 - ✓ only 2 MFIs were rated (marginally) below investment grade
- ✓ Financial Transparency Awards – several Cambodian MFIs
- ✓ MIX Top 100 – Significant Cambodian representation
- ✓ Social Performance Awards

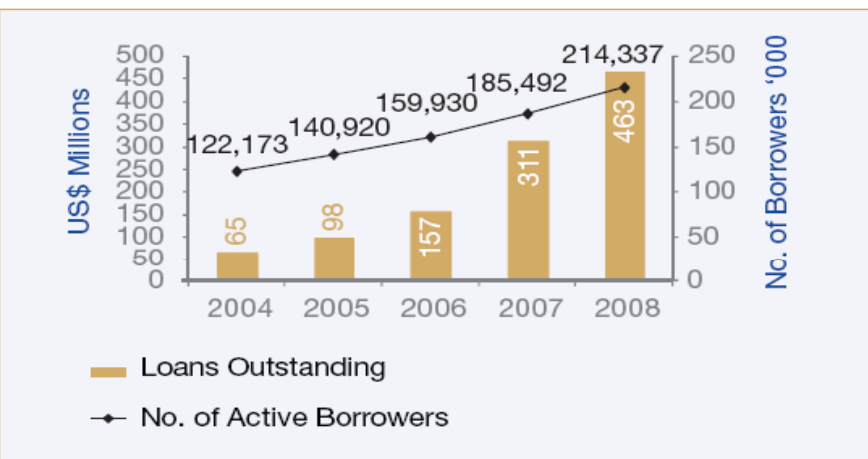
The last decade – Acleda Bank as a commercial bank

- ✓ NGO to MFI to a leading commercial bank
- ✓ The first real nationwide bank
- ✓ First commercially rated bank
- ✓ Significant deposit base
- ✓ Extensive microfinance coverage

Deposits VS No. of Depositors

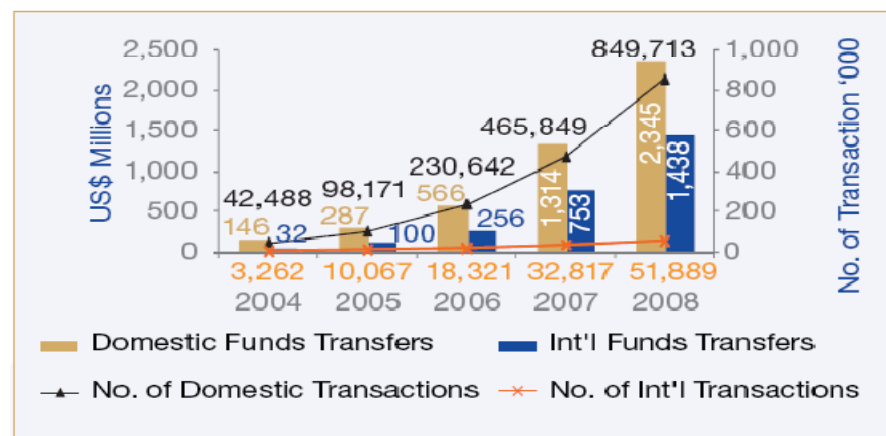


Loans Outstanding VS No. of Active Borrowers

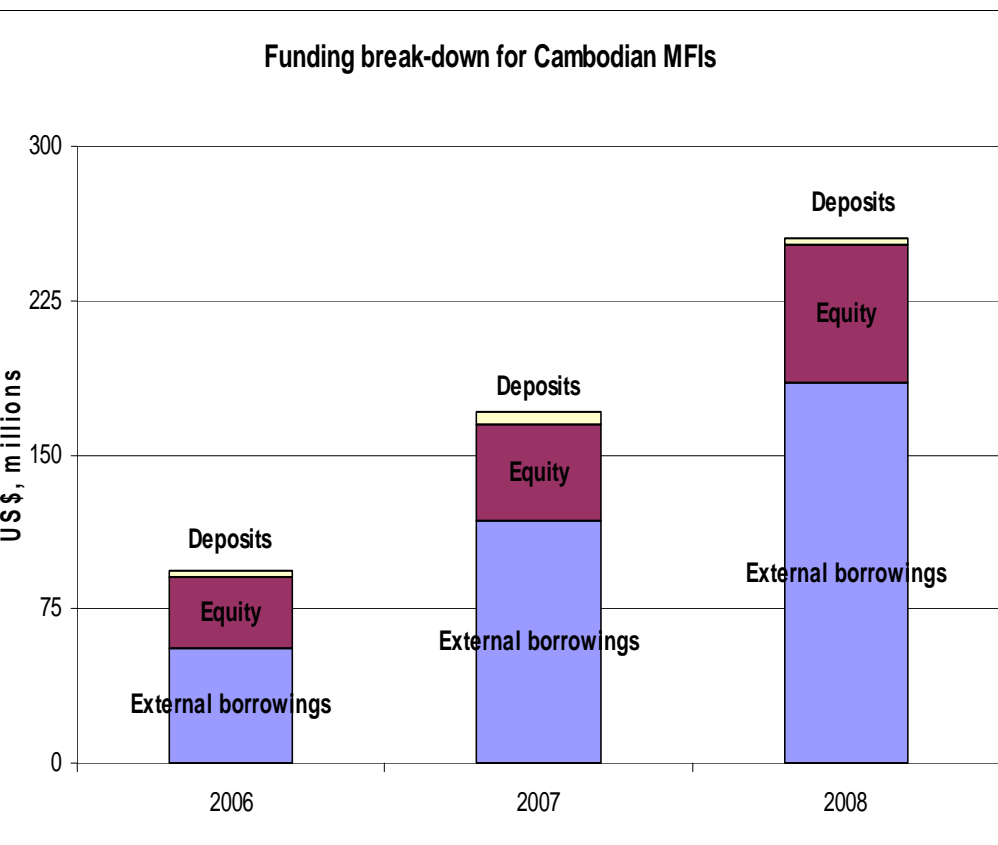


Sources: Acleda Bank Annual Report 2008

Domestic and Int'l Funds Transfers VS No. of Transactions



Funding – mostly from external funds*



During 2007-8

- Equity growth of 100%
- Debt growth of 227%
- Client growth of 70%
- Deposits stagnant

Investors

NGOs, individuals, staff associations, MIVs, Foundations

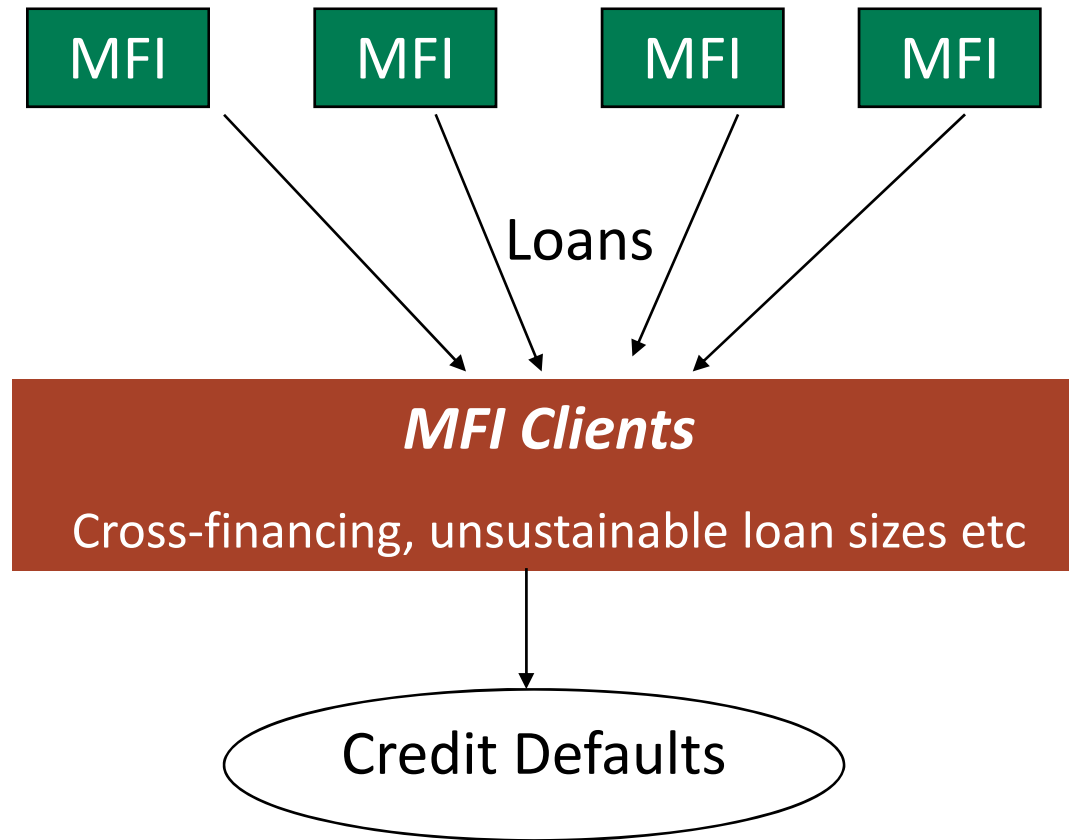
MIX Market data, Excluding Aceda Bank

The test ahead

1. Competition, crowding and its effects
2. Limited product offering – credit
3. Funding – availability of domestic capital and a regulated secondary market
4. Global slowdown – and its impact on investors, MFIs and clients

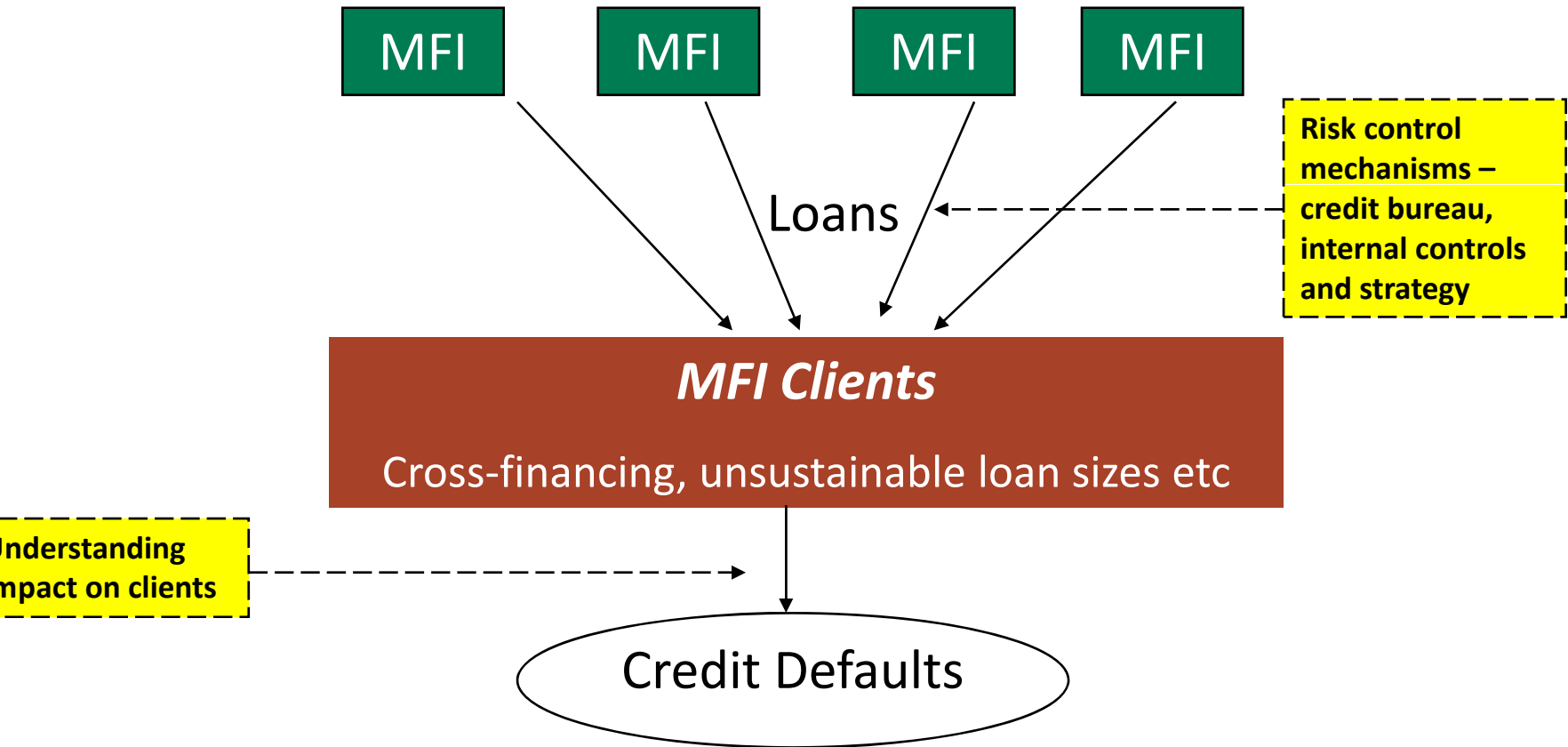
The test ahead

1. Competition – *size or quality?*



The test ahead

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2. Product offering – *going beyond credit...*

What is the demand from clients?

- *Savings: Cost of mobilizing deposits, licensing, client trust*
- *Remittances: Demand, cost and network, competition*
- *M-insurance: Regulation, demand, expertise*

Managing credit risk exposure through

- *Fee based activities*
- *Risk sharing mechanisms (credit bureau)*
- *If credit only, geographic diversification & segmentation*

3. Funding – *resisting external shocks*

- *Savings*
- *FX hedging*
- *Cambodian secondary market*
- *Cambodian institutional investors*

Longevity of the Cambodian microfinance industry

- *Client and regulator's trust*
- *Domestic capital participation*
- *FX hedging mechanisms*
- *Attractive option for foreign investors*

4. Global economic slowdown

- *Cost and availability of funding...will funders converge or run?*
- *High existing exposure to Cambodia*
- *Competition from other Asian markets*

Industry strategy for

- *Capital flight*
- *Exposure to short-term sources (debt)*
- *Differentiating Cambodian microfinance (high quality social value proposition)*

Investor perspective for Cambodia

1. Competition – *over size or quality?*
2. Limited product offering – *impact on sustainability of returns*
3. Funding – *FX stability (hedging) and domestic participation*
4. Global slowdown – *revise forecasts downwards?*

Equity

- *Multiple investment options*
- *Lowering expected returns?*
- *Differentiating best performers*
- *Regulatory support (FX etc)*

Debt

- *High existing exposure*
- *Increased cost of debt funding*
- *Growth prospects*



Thank You