



# ABA BANK AND CAMBODIA: TWO YEARS LATER

Investors Meeting  
November 2, 2018



# Caution Regarding Forward-Looking Statements

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From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the Outlook for National Bank and the Major Economic Trends sections of this Annual Report, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2018 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank’s objectives and its strategies for achieving them, Bank-projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as “outlook,” “believe,” “anticipate,” “estimate,” “project,” “expect,” “intend,” “plan,” and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2018 and how that will affect the Bank’s business are among the main factors considered in setting the Bank’s strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank’s control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk, all of which are described in more detail in the Risk Management section beginning on page 51 of this Annual Report; general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank’s business, capital and liquidity; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the U.S. Foreign Account Tax Compliance Act (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank’s information technology systems, including evolving cyber attack risk.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section of this Annual Report. Investors and others who rely on the Bank’s forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.



# Progress and Opportunities in Cambodia

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**LOUIS VACHON**

PRESIDENT AND CHIEF EXECUTIVE OFFICER  
NATIONAL BANK OF CANADA



# ABA Bank and Cambodia: Two Years Later

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- ▶ Cambodia is an attractive underbanked market with strong growth potential
- ▶ ABA Bank is generating superior growth and returns
  - › Net income CAGR from 2014-2018E of 75%
  - › Return on equity in 2018 expected to be ~30%
  - › Estimated net income of ~\$70M in 2018
- ▶ Simple banking model facilitates oversight and allows National Bank to contribute to ABA Bank's success beyond funding support
- ▶ Strong leadership and robust governance in place

# Robust Governance and Oversight Structure

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## ▣ Control of ABA Bank Board of Directors

- Risk appetite
- Funding
- Key hires
- Compensation

## ▣ Active, collaborative oversight by International Development Team

- Ongoing communication and monthly on-site reviews
- Detailed quarterly performance scorecard, including key risk parameters
- Assistance from National Bank experts in compliance and audit
- Annual audit by independent external auditors

# The Path Forward

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- Support ABA Bank management team in the execution of the 2018-2022 plan
- Potential opportunity to acquire 10% minority interest in July 2019
- Moratorium on significant new investments in emerging markets until 2020

# Strong Leadership Team

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## NATIONAL BANK INTERNATIONAL DEVELOPMENT TEAM

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### **YVES JACQUOT**

Senior Vice-President  
International Development

### **DOMINIC JACQUES**

Deputy Vice-President  
International Development

## ABA BANK EXECUTIVE TEAM

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### **ASKHAT AZHIKHANOV**

Chief Executive Officer  
ABA Bank

### **MADI AKMAMBET**

Executive Director  
ABA Bank



# Positioned for Sustained Growth in an Attractive Market

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**ASKHAT AZHIKHANOV**

CHIEF EXECUTIVE OFFICER

**MADI AKMAMBET**

EXECUTIVE DIRECTOR



**ABA BANK OVERVIEW**  
**MARKET OPPORTUNITY**  
**BUSINESS MODEL**

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**COMPETITIVE POSITION**  
**PERFORMANCE 2014-2018**  
**OUTLOOK 2018-2022**



# Who We Are

- Established in 1996 as Advanced Bank of Asia
- New ownership in 2009
  - Refocusing, rebranding and growth as ABA Bank
- National Bank acquired 30% in 2014 and reached 90% in 2016
- Fastest growing commercial bank in Cambodia
  - Revenue CAGR of 55% from 2014-2017
- Leading ROE in domestic banking sector (31%)

## Best Bank in Cambodia Awards



Euromoney  
2018, 2017, 2016, 2015, 2014



Global Finance  
2018, 2017, 2016, 2015



The Banker  
2016, 2014

# Progress Report Since 2016 Investor Day

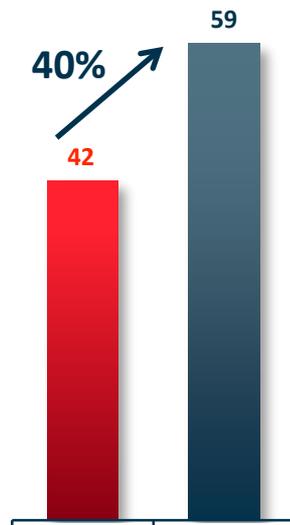
■ As of August 31, 2016

■ As of August 31, 2018

## CLIENTS

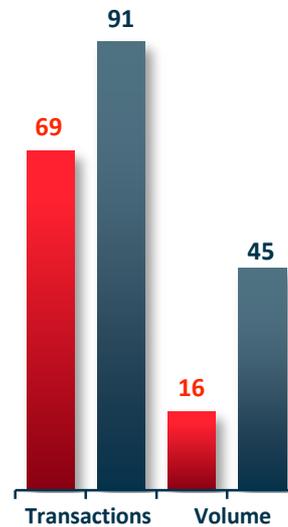


## BRANCHES

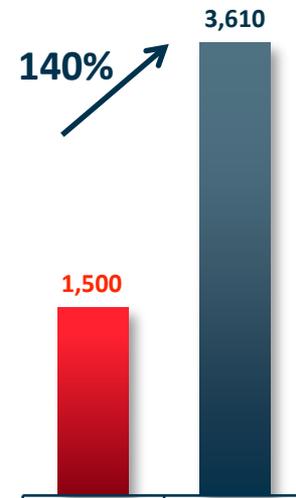


## SELF-BANKING

(%)



## EMPLOYEES

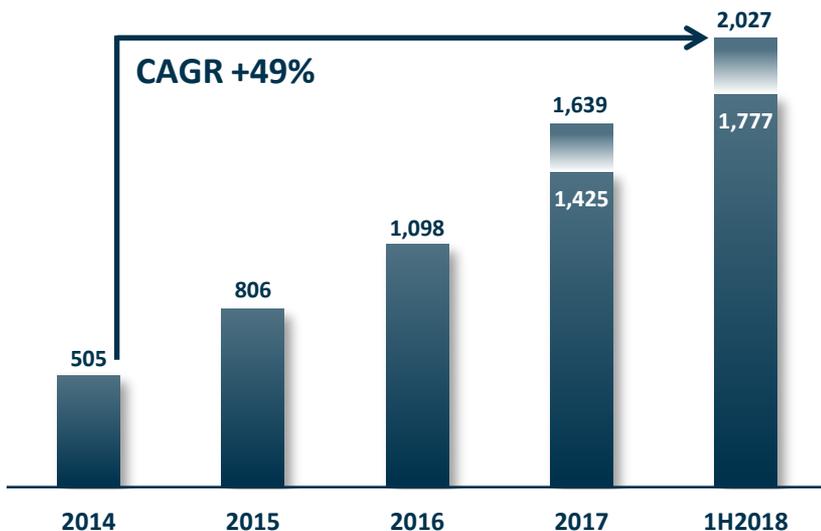


# Strong Asset and Net Income Growth

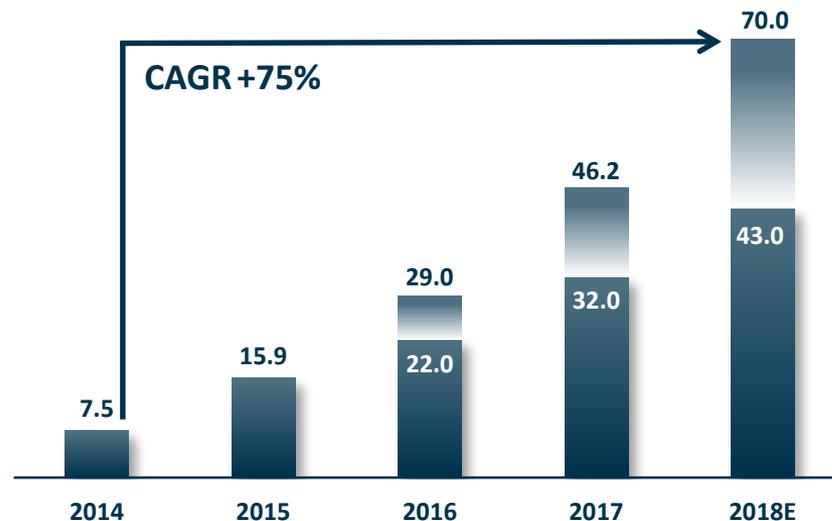
(US\$ M)

■ 2016 Investor Day

## Total Assets



## Net Income



# Key Success Factors

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- Attractive market opportunity in a significantly underbanked market
- Simple banking model and strong execution
- Focused lending and deposit strategies
- Branch network expansion into the provinces
- State-of-the-art digital and self-banking platform
- National Bank's financial strength and reputation



**ABA BANK OVERVIEW**

**MARKET OPPORTUNITY**

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# Cambodia: Positive Economic and Demographic Indicators

## GDP

Nominal  
**US\$22.1B**  
Per Capita **US\$1,379**  
(2017)

## GDP Growth

Average rate  
**7.1% p.a.**  
(2012-2017)

## Inflation

Average rate  
**2.8%**  
(2012-2017)

## Population

**16.1M**  
Growing 1.6%/year

## Currency

Cambodia is a  
**US\$-based**  
economy

## Minimum Wage

**US\$6.50**  
per day

## Foreign Direct Investment Growth

Average rate  
**21% p.a.**  
(2012-2017)

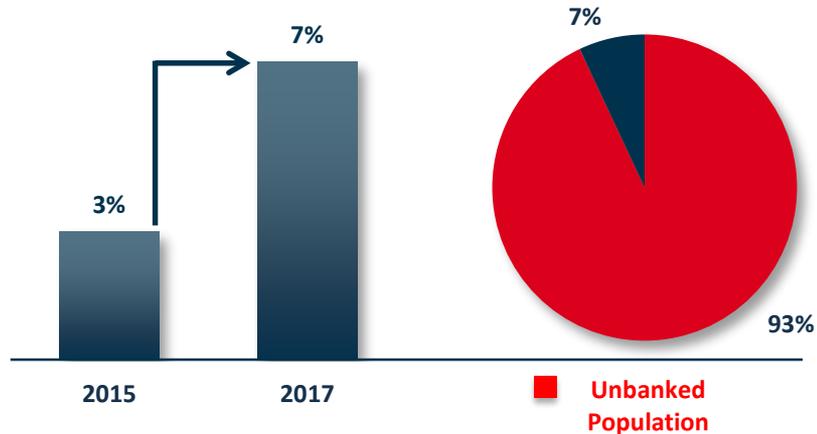
## Age Distribution

**69%**  
Below 35 years old

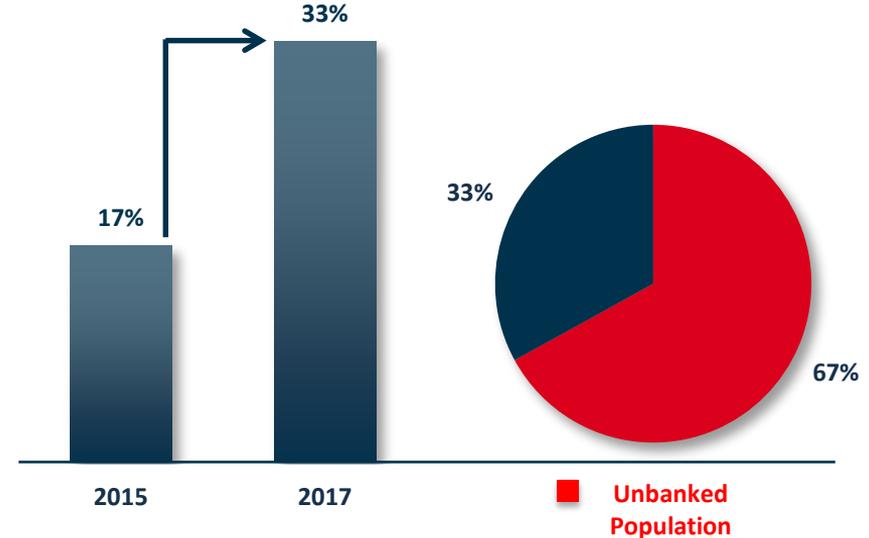
# Accelerating Banking Penetration in Loans and Deposits

➤ Strong momentum with acceleration of banking penetration

### Bank Credit Penetration



### Bank Deposit Penetration



ABA BANK OVERVIEW  
MARKET OPPORTUNITY  
**BUSINESS MODEL**

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COMPETITIVE POSITION  
PERFORMANCE 2014-2018  
OUTLOOK 2018-2022



# Simple Banking Adapted to Market Needs

State-of-the-art Omnichannel Banking Platform

Simple  
Banking

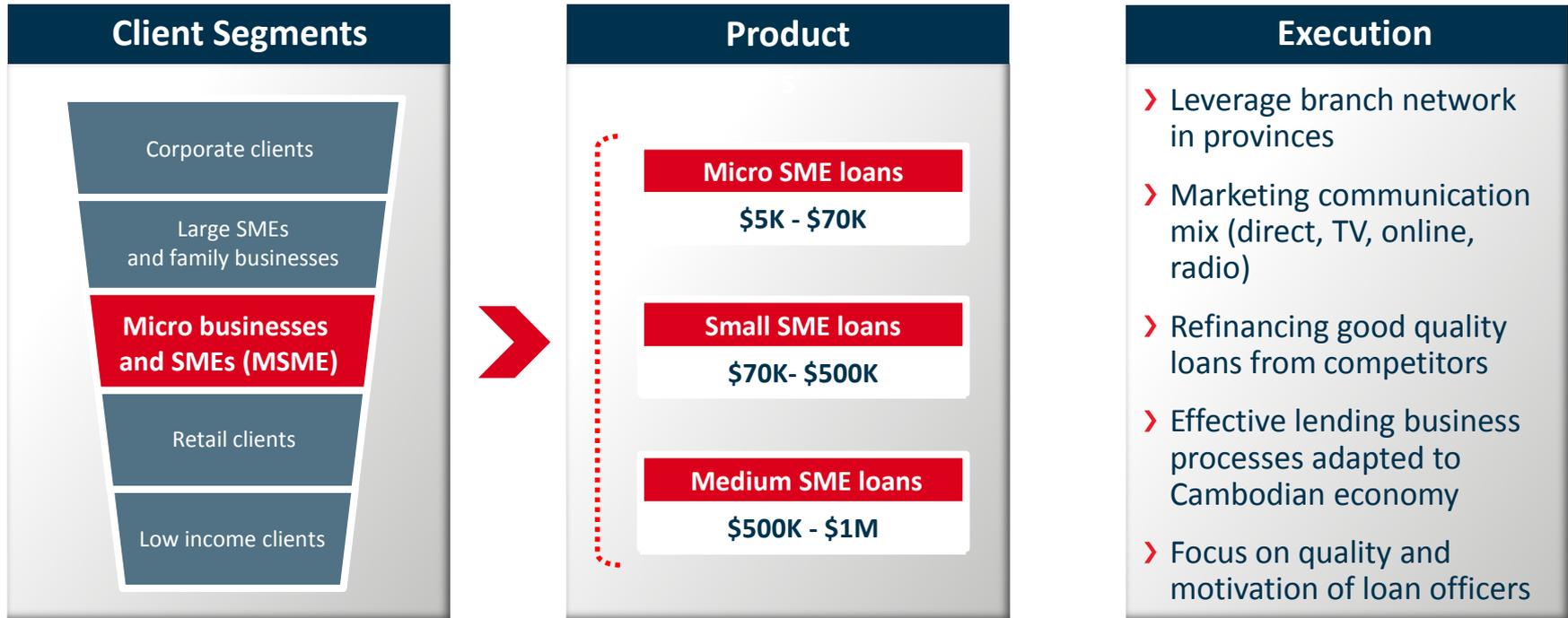
Micro  
Business  
and SME  
Loans

Retail and  
Commercial  
Deposits

Everyday  
Transactions

Disciplined Risk Management and Strong Governance

# Lending Strategy: Staying Focused on MSMEs



# MSMEs: Pillars of the Cambodian Economy

## MSME-based Economy<sup>1</sup>

- › **99.8%** of businesses in Cambodia defined as Micro or SMEs
- › MSMEs employ **73%** of the entire workforce
- › SMEs alone contribute about **69%** of GDP

## Significantly Underbanked<sup>1</sup>

- › **51%** of MSMEs do not have a bank account
- › **39%** of Cambodians borrow informally

## Diversified<sup>1</sup>

- › MSMEs operate in the **Trade** (63%), **Services** (25%) and **Manufacturing** (12%) sectors

# MSME Clients: Diversified, Underbanked and Growing

## PRODUCTION OF DRINKING WATER



## PRODUCTION OF ZINC CONSTRUCTION MATERIALS



## RICE MILLING



## BOUTIQUE HOTEL IN SIEM REAP



## AUTOMOTIVE AFTERMARKET



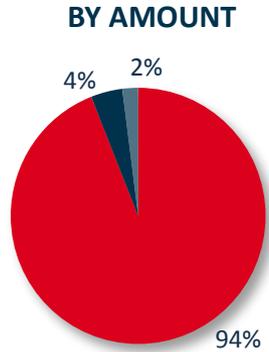
## PRODUCTION OF PEPPER



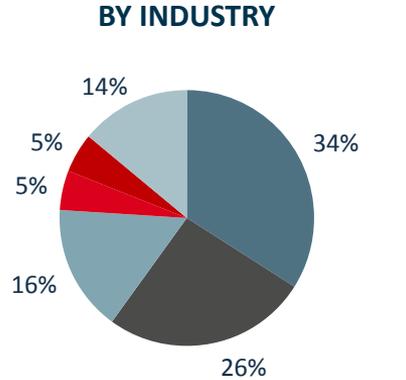
# Loan Portfolio Diversification – Q2 2018

➤ 99% of loan book US\$-denominated

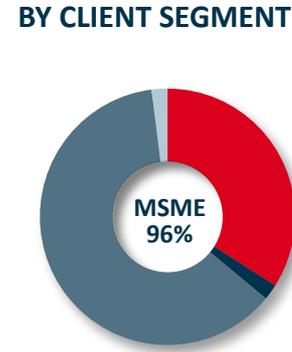
➤ 100% of debt is collateralized



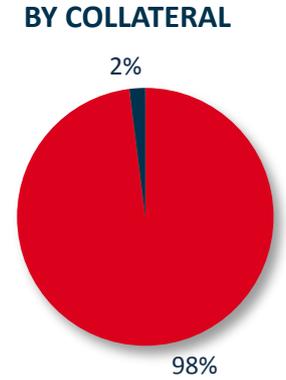
- <US\$ 500K
- US\$ 500K – 1M
- >US\$ 1M



- Trade
- Services
- Room Rental Business & Construction Services
- Agriculture
- Manufacturing
- Other

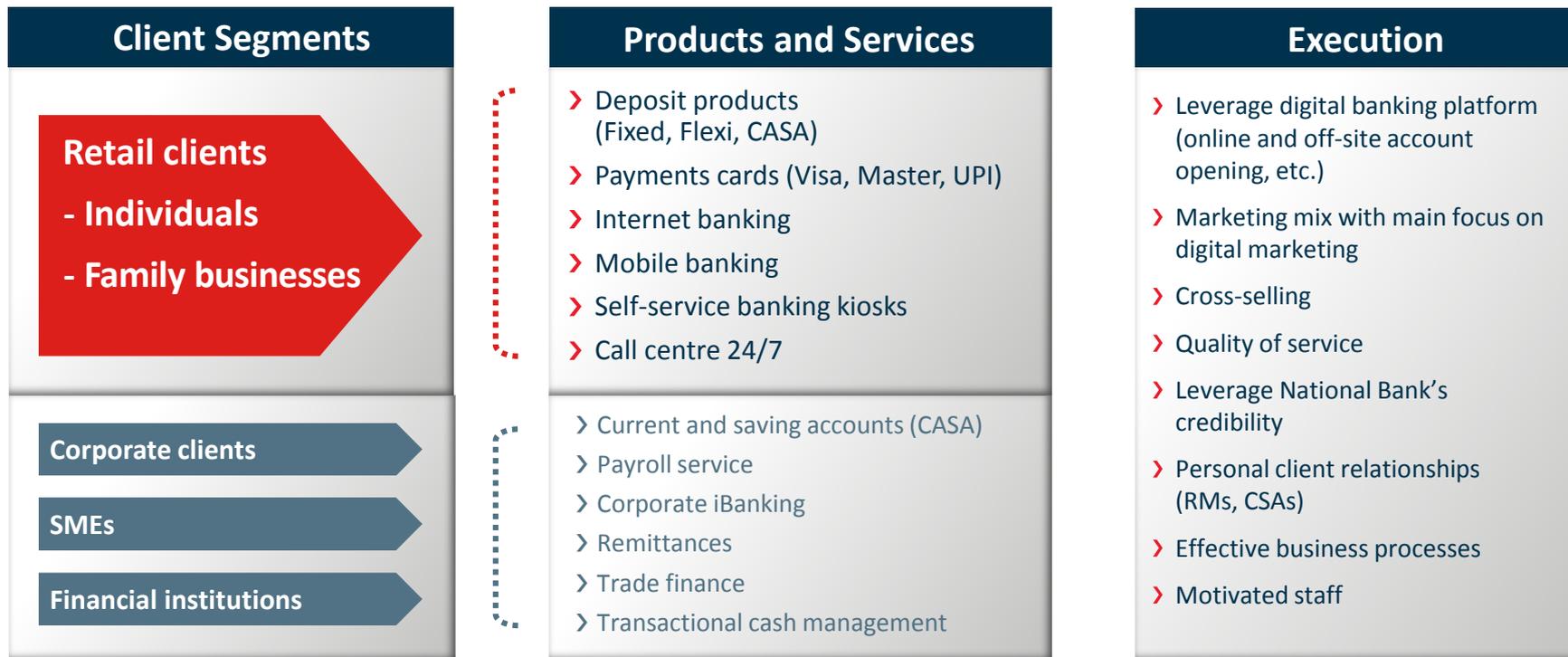


- 62% Micro Biz (<\$70K)
- 34% SME (\$70K - \$2M)
- 2% Commercial (>\$2M)
- 2% Retail and Other



- Real Estate
- Other

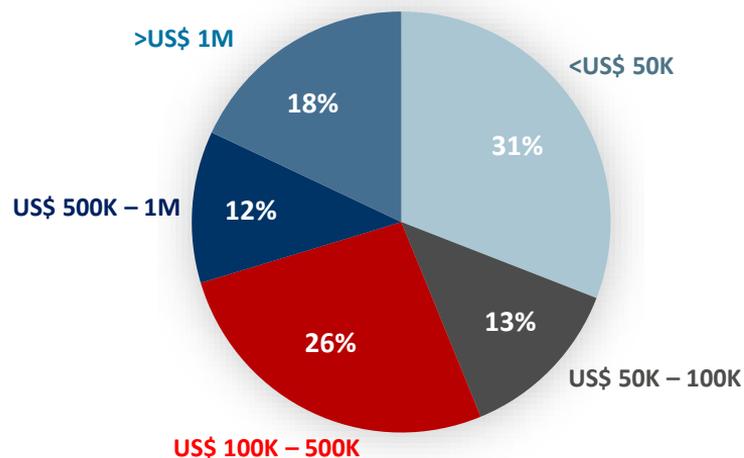
# Deposit Strategy: Focus on Retail while Penetrating Commercial



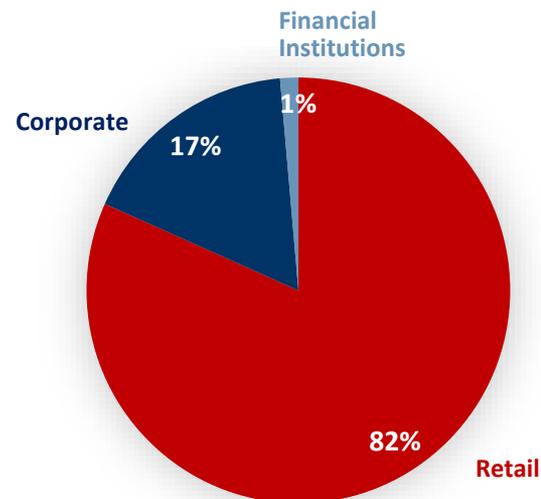
# Deposit Portfolio Diversification – Q2 2018

- ▶ Diversified portfolio with 99% of deposits US\$-denominated

BY AMOUNT

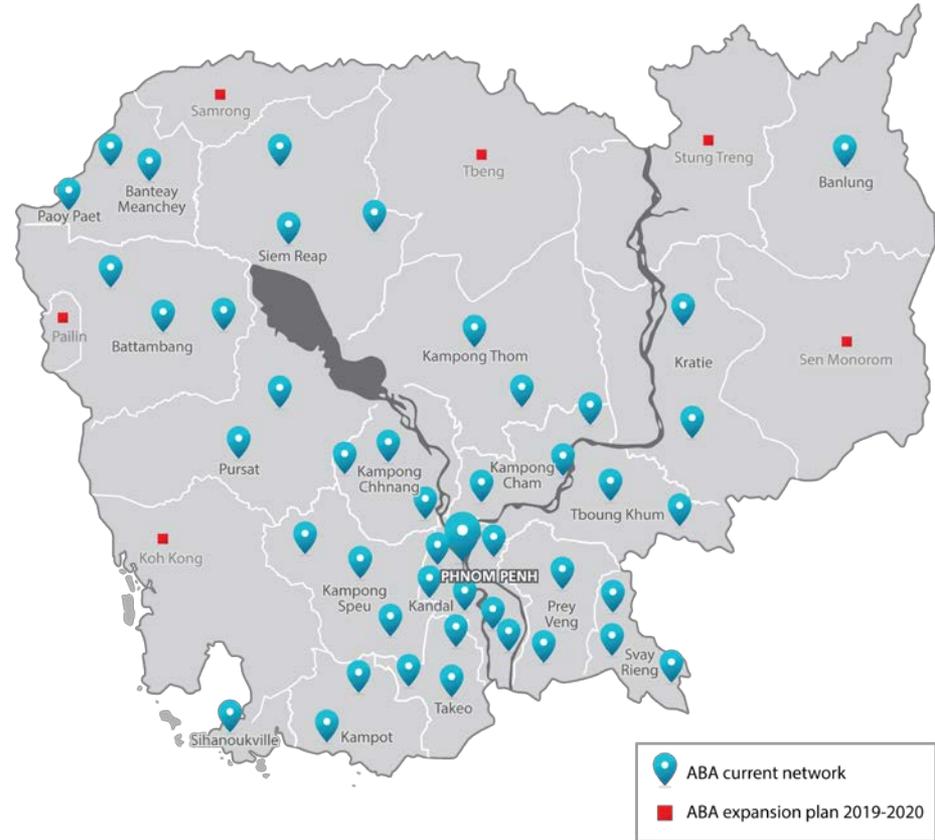


BY CLIENT SEGMENT



# Modern Branch Network Supports Market Penetration

- ▶ 59 branches as of Q2 2018
  - › 20 in Phnom Penh
  - › 39 in provinces
- ▶ 10 new branches opened in 2016
- ▶ 11 new branches opened in 2017
- ▶ 5 new branches opened as of Q2 2018
  - › 5 planned to open in Q3-Q4 2018
- ▶ Target of 75 branches by end of 2020



# State-of-the-Art Digital and Self-Banking Platform



## ➤ Cash Deposit Machines

24/7 instant cash deposit to any ABA Bank account and bill payments to various vendors



## ➤ ABA Mobile App

The first full-scale mobile banking app in Cambodia with many advanced features



## ➤ On-field Onboarding

On-field account opening by Customer Acquisition Officers (CAO)



## ➤ Contact Centre

24/7 contact centre for customer support through phone, social media and online chats



## ➤ Internet Banking

Modern internet banking service for retail and corporate clients



## ➤ ATM Network

Second largest ATM network across Cambodia

# Latest Digital Developments and Innovations

**PAYWAY**  
BY ABA BANK

## ONLINE PAYMENT GATEWAY

- › Cambodia's #1 online payment gateway for e-commerce
- › API-based integration with any web and mobile applications
- › Multiple checkout options including VISA, Mastercard, QR payment and local wallets
- › E-invoicing tool available

**ABA<sup>1</sup> PAY**

## QR-BASED PAYMENT

- › Accepts multiple payment schemes: VISA, Mastercard, ABA Bank accounts and local wallets through single interoperable QR code
- › Works on POS devices, smartphones, online and on printed materials
- › Provides discount and loyalty programs

**ABA<sup>1</sup> Remote Onboarding**

## BRANCHLESS ONBOARDING

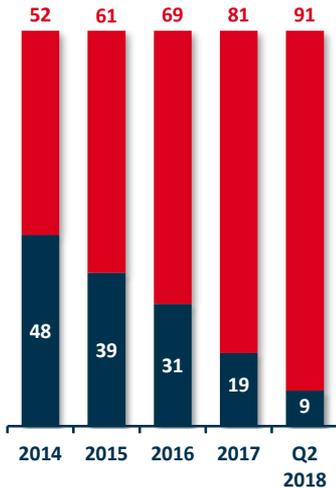
- › Tablet-based application for onboarding new clients in field
- › Facebook chatbot-based platform to open account online
- › Dedicated web-based platform for opening new accounts

# Rapidly Growing Digital and Self-Banking Penetration



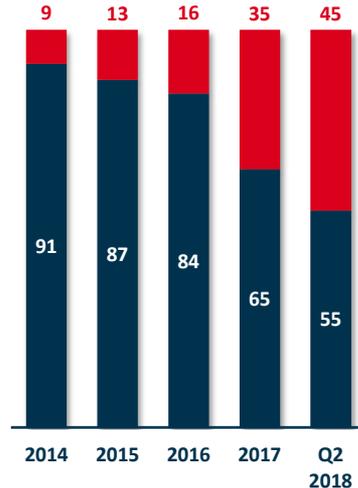
## Self-Banking

TRANSACTIONS NUMBER  
BREAKDOWN, %



■ Self-Banking  
■ Over the Counter

TRANSACTIONS AMOUNT  
BREAKDOWN, %

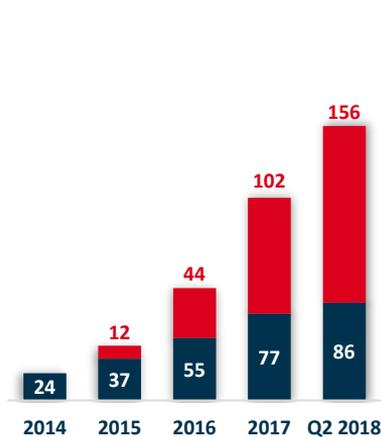


■ Self-Banking  
■ Over the Counter



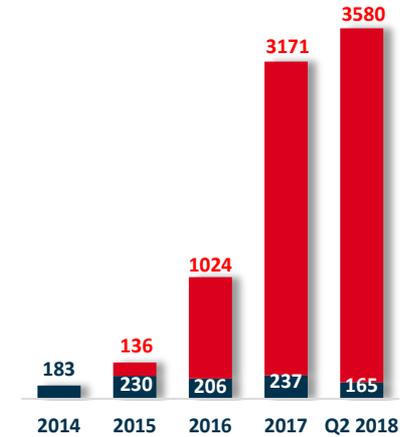
## Online Banking

NUMBER OF USERS  
(in thousands)



■ Mobile App  
■ Internet Banking

NUMBER OF TRANSACTIONS  
(in thousands)



■ Mobile App  
■ Internet Banking

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**MADI AKMAMBET**  
EXECUTIVE DIRECTOR





**ABA BANK OVERVIEW**  
**MARKET OPPORTUNITY**  
**BUSINESS MODEL**

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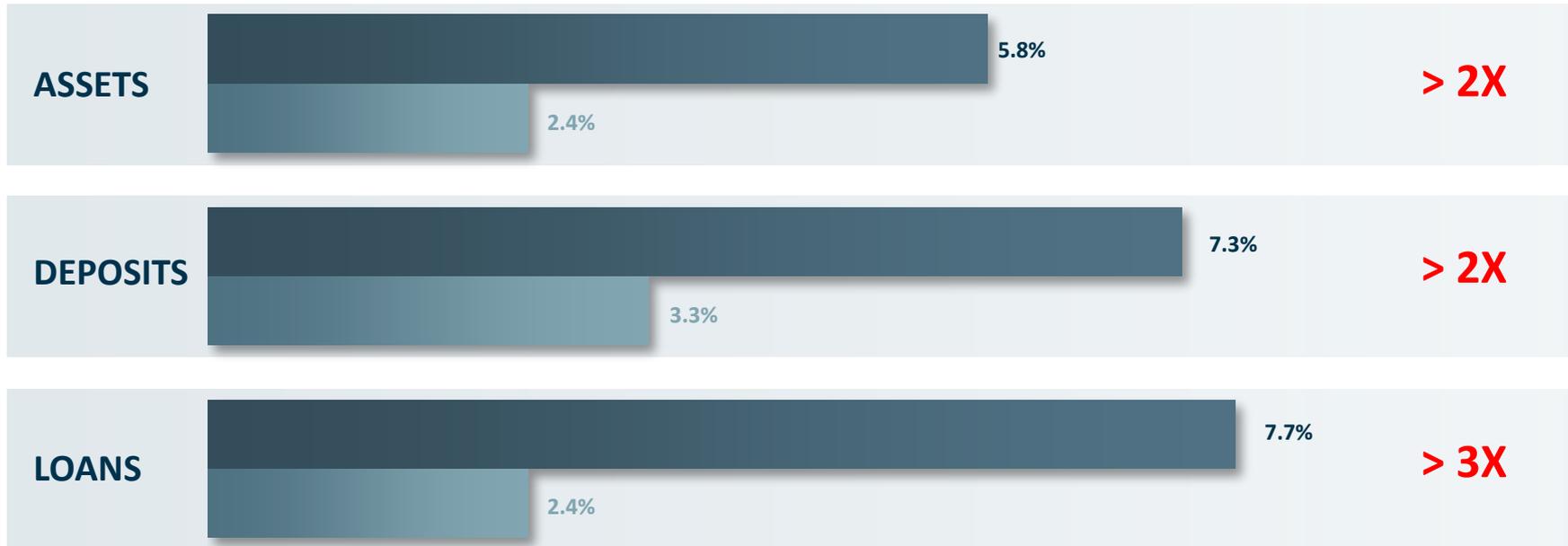
**COMPETITIVE POSITION**  
**PERFORMANCE 2014-2018**  
**OUTLOOK 2018-2022**



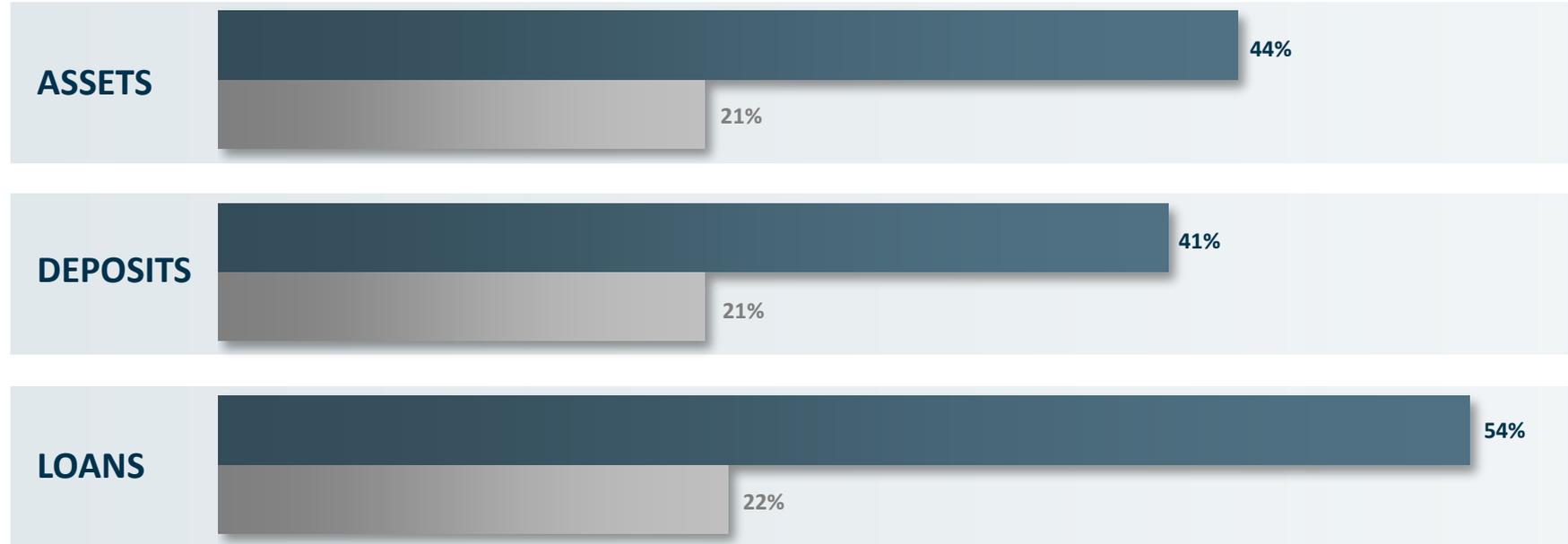
# Sustained Growth in Market Share

■ ABA BANK 2017  
■ ABA BANK 2012

**GROWTH**



# Outperforming Cambodian Banking Sector (CAGR 2013-2017)



# Strong Market Position

➤ ABA Bank now ranks among the Top 4 commercial banks in Cambodia

KPI	ABA Bank Ranking 2012	ABA Bank Ranking 2015	ABA Bank Ranking 2017
Assets	#11	#6	#4
Deposits (Retail)	#6	#4	#3
Loans	#9	#6	#3
Branch network	#8	#4	#4
ATM network	#6	#2	#2
Cards	#7	#5	#2



ABA BANK OVERVIEW  
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COMPETITIVE POSITION

**PERFORMANCE 2014-2018**

OUTLOOK 2018-2022

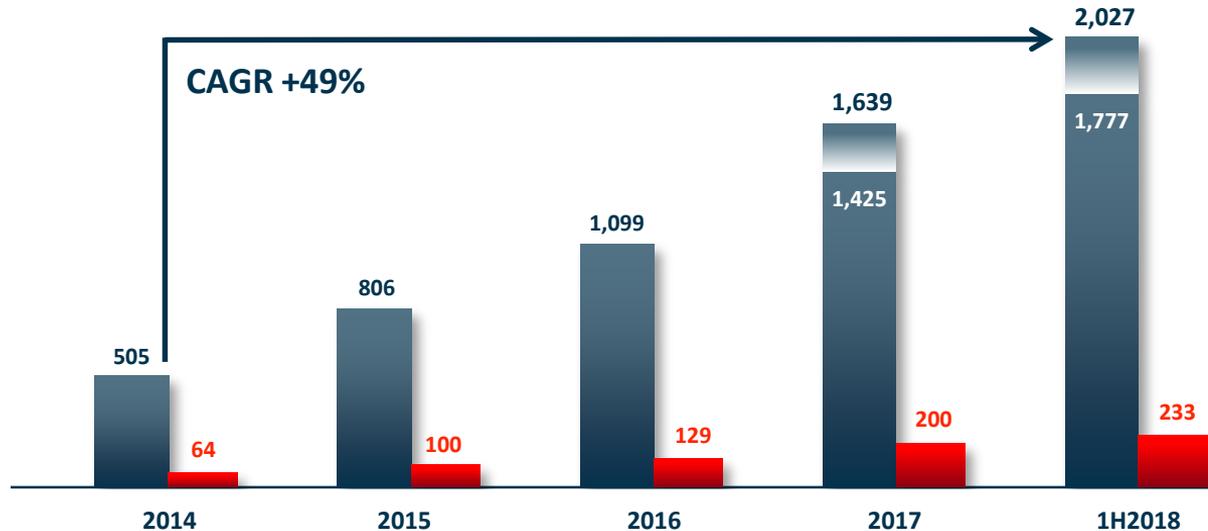


# Solid and Consistent Growth in Assets and Equity

(US\$ M)

■ Assets 2016 Investor Day

■ Equity



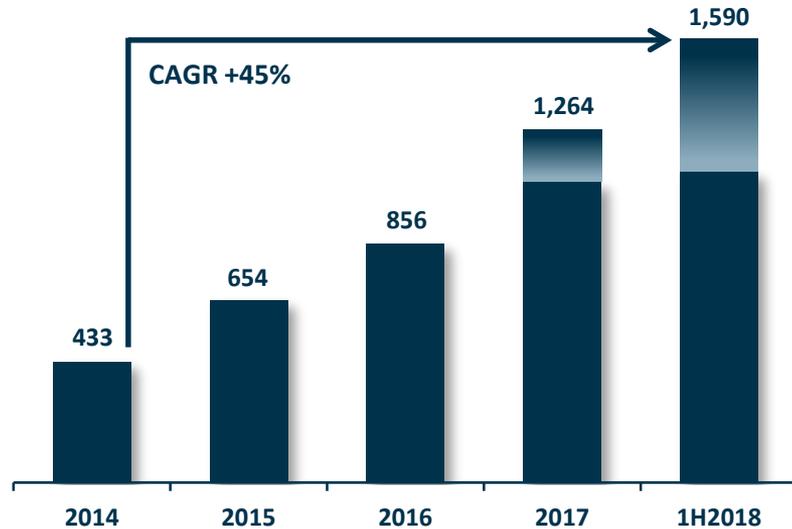
Asset Growth (Actual vs 2016 Investor Day)	
2016	99%
2017	115%
2018	136%

# Solid and Consistent Growth in Deposits and Loans

(US\$ M)

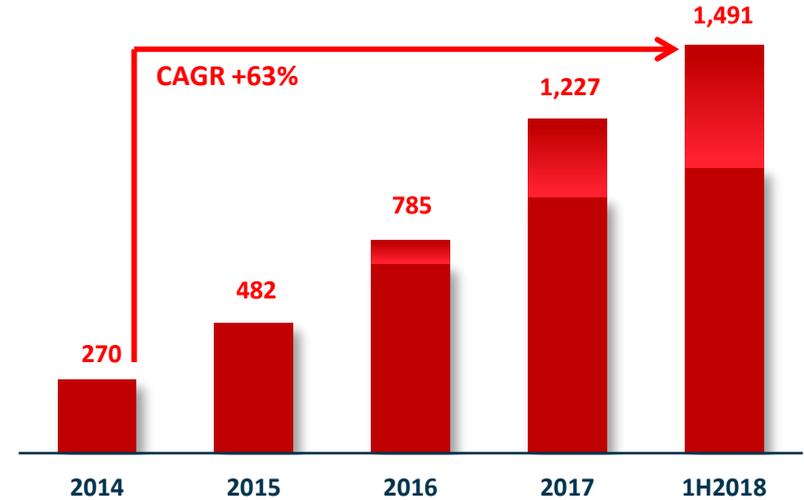
■ 2016 Investor Day

## Deposits



■ 2016 Investor Day

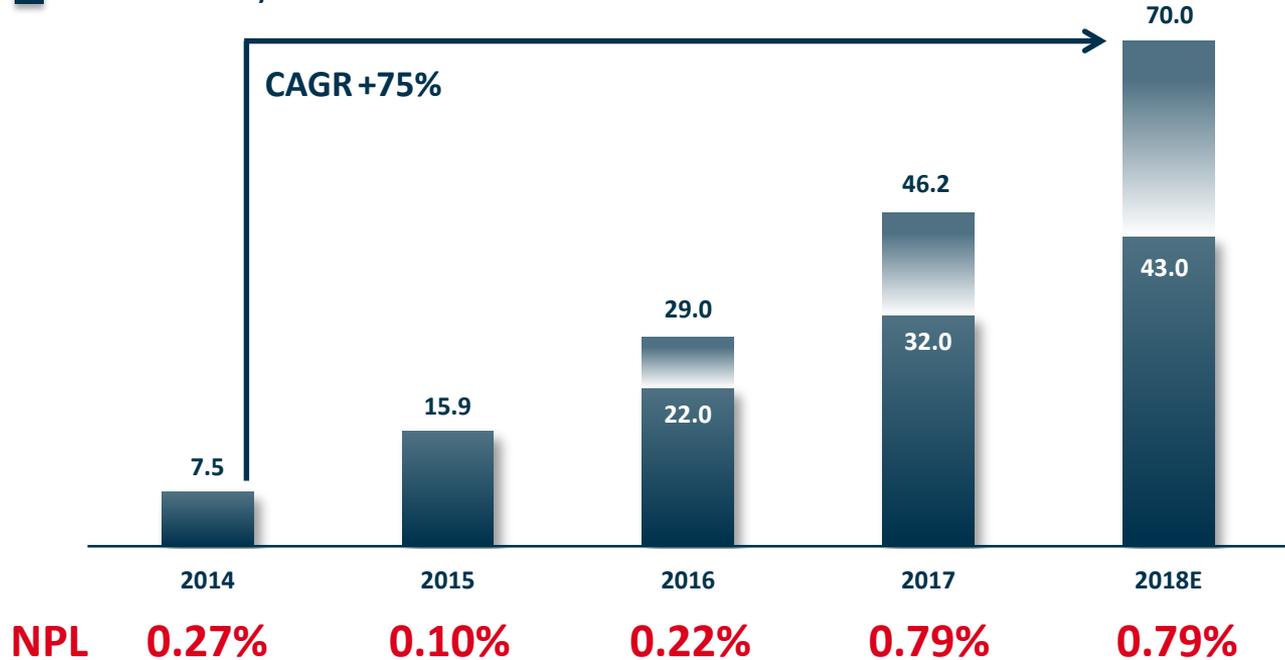
## Loans (Net)



# Solid and Consistent Net Income Growth

(US\$ M)

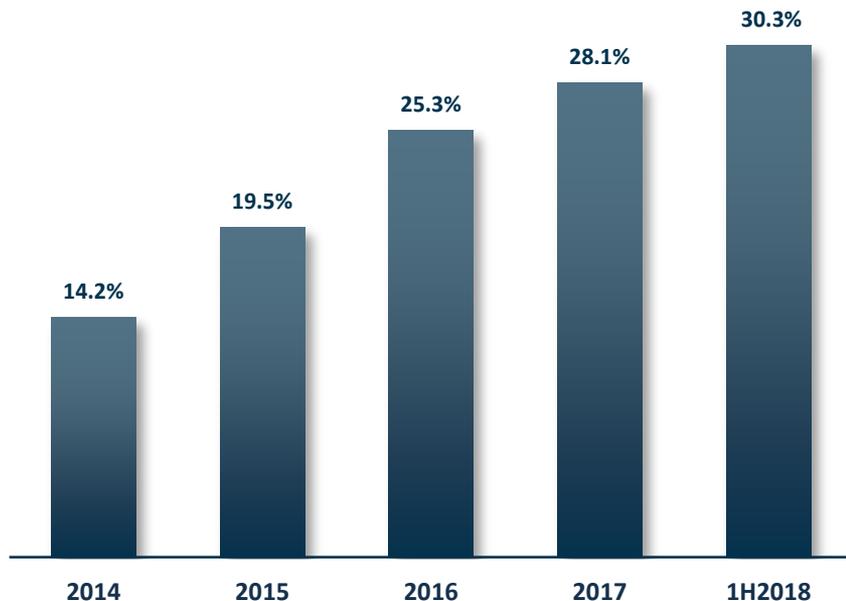
■ 2016 Investor Day



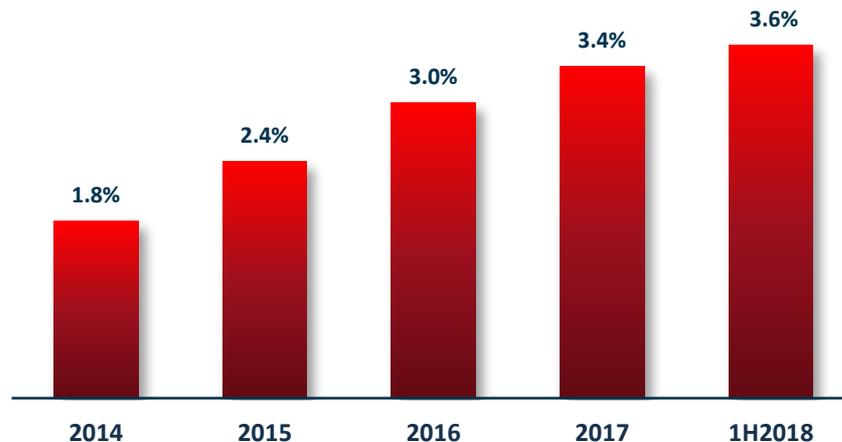
Net Income (Actual vs 2016 Investor Day)	
2016	132%
2017	144%
2018	153%

# Solid and Consistent Improvement in Profitability Ratios

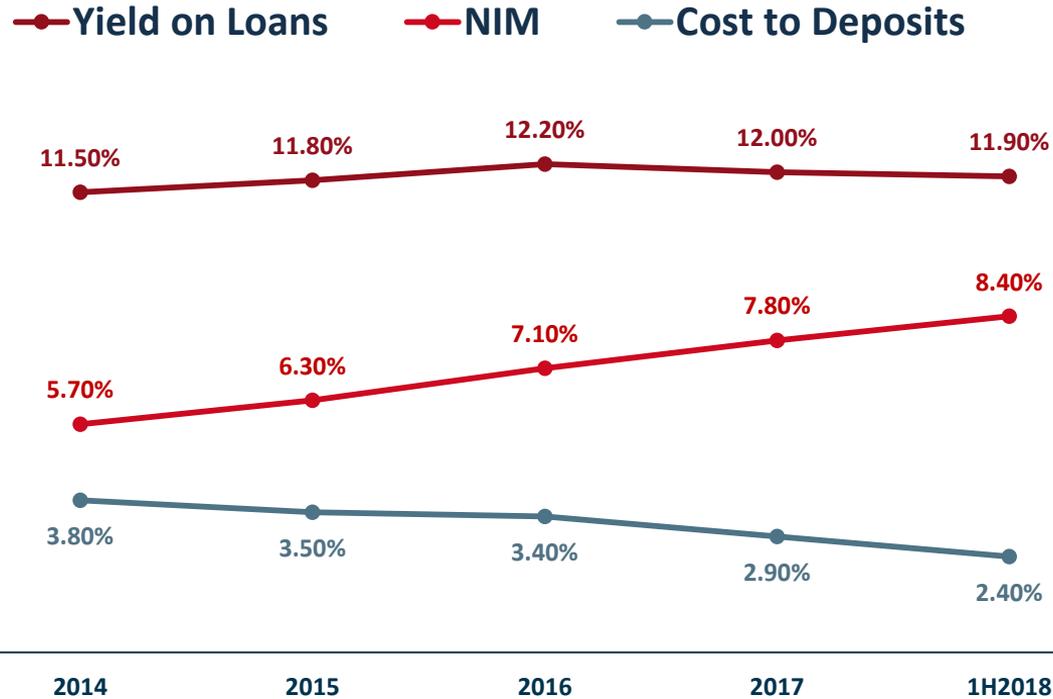
## Return on Average Equity



## Return on Average Assets



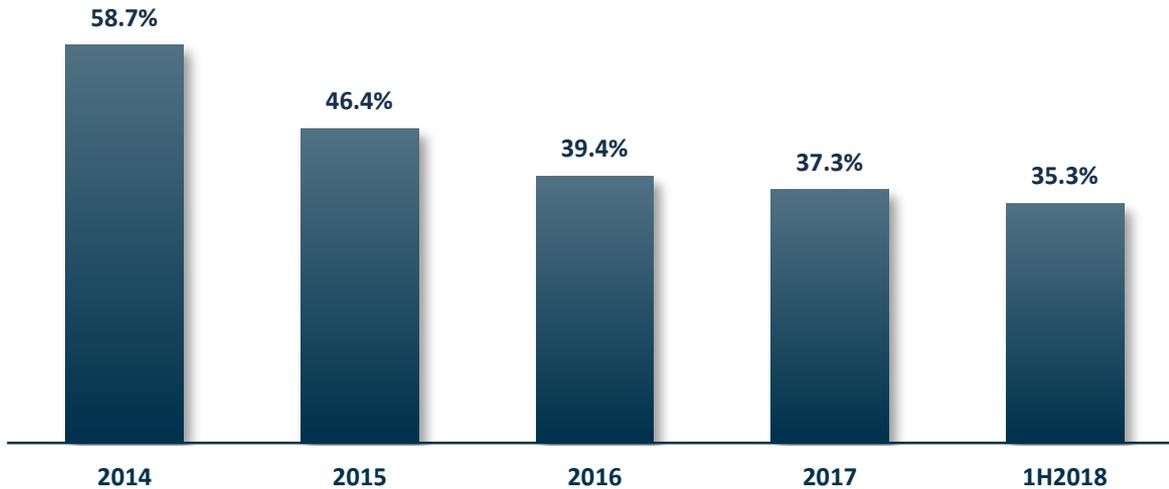
# Steady Interest Margin Improvement



Improvement in net interest margin is driven by strategic focus on MSME in lending and CASA in deposits

# Sound Efficiency

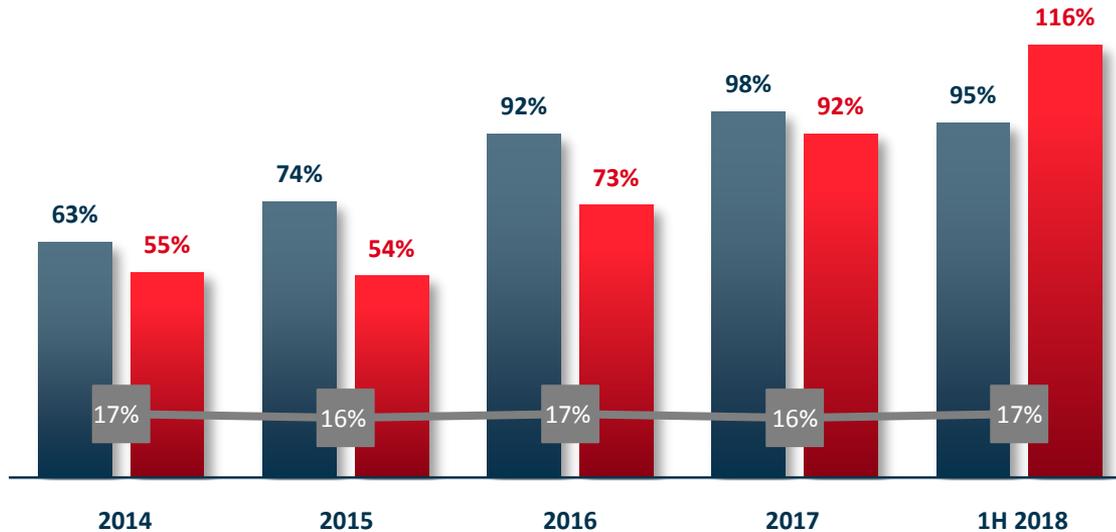
## Cost to Income



Gaining economies of scale despite ongoing investments in infrastructure

# Sound Fundamentals: Liquidity and Capitalization

- Credit to Deposit (CDR)
- Liquidity (LCR)
- Capital Adequacy (CAR)



Benchmarks in Cambodia	
CDR (avg.)	95%
LCR (min.)	80%
CAR (min.)	15%



# ABA BANK OVERVIEW

## MARKET OPPORTUNITY

## BUSINESS MODEL

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## COMPETITIVE POSITION

## PERFORMANCE 2014-2018

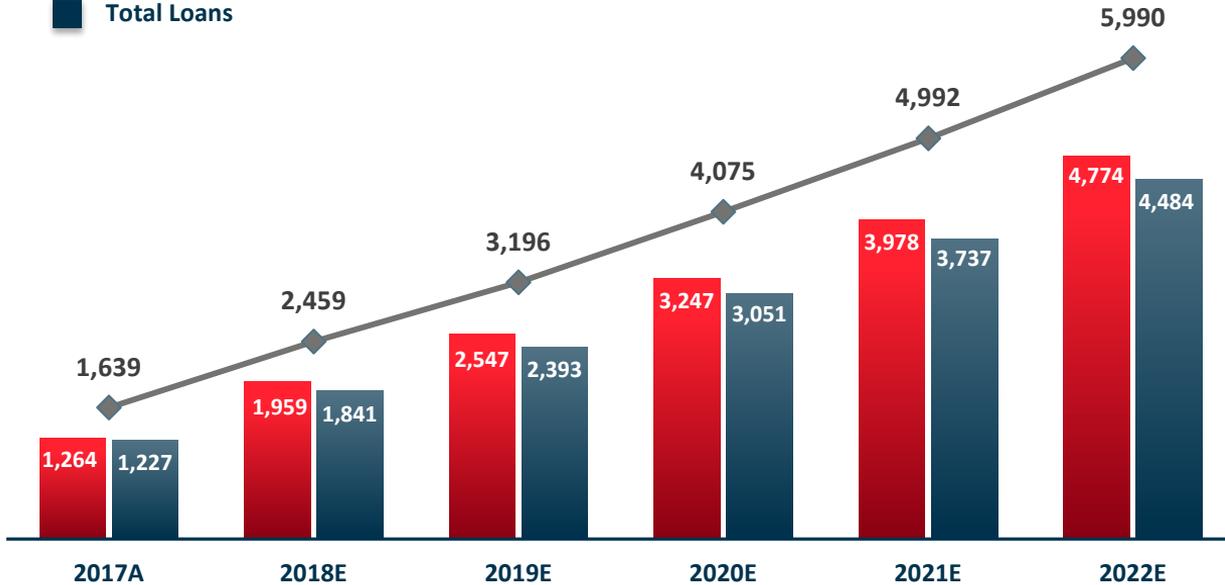
## OUTLOOK 2018-2022



# Sustained Growth Expected 2018 – 2022

(US\$ M)

- Total Assets
- Total Deposits
- Total Loans

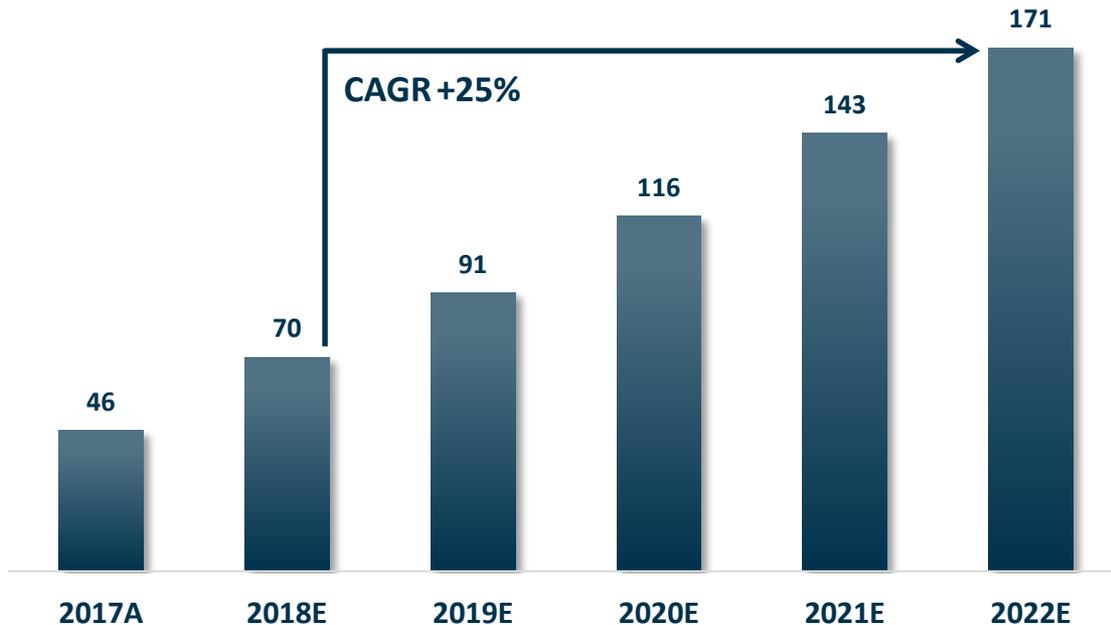


## Key Assumptions (2019-2022)

CAGR	+25%
Branches	85
Credit to Deposit Ratio	95%

# Net Income Growth 2018 – 2022

**NET INCOME**  
(US\$ M)



## Key Assumptions (2019-2022)

NPL	1.5%
ROAE	23%
ROAA	3%

# Solid Foundation for Profitable Growth

- Rapidly growing Cambodian economy and significantly underbanked market
- Simple banking model aligned with domestic needs
- Focused lending and deposit strategies and proven ability to execute
- State-of-the-art omnichannel banking infrastructure
- Sound business processes and strong governance
- Experienced management team





NATIONAL BANK  
OF CANADA GROUP

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# APPENDIX



# Executive Biographies

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## **ASKHAT AZHIKHANOV, PRESIDENT AND CEO, ABA BANK**

Askhat Azhikhanov joined ABA in 2009 as Deputy CEO and was appointed CEO in 2012.

Mr. Azhikhanov started his career in 1998 in the Banking Supervision Department of the National Bank of Kazakhstan. Between 2001 and 2005, he held management positions at Halyk Bank (Kazakhstan). In 2006-2008, he worked for Credit Suisse Kazakhstan as a Head of Asset Management.

He holds a PhD in Economics with distinction from Kazakh State University, an MSc in Banking and International Finance with distinction from Cass Business School (UK) and a degree in Economics (Accounting and Audit) with distinction from the Kazakh State Academy of Management.

# Executive Biographies

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## **MADI AKMAMBET, EXECUTIVE DIRECTOR AND MEMBER OF THE BOARD, ABA BANK**

Madi Akmambet served as CEO of ABA Bank from March 2009 to June 2012. Since then, he has continued his work for ABA as Executive Director and member of the Board of Directors.

Mr. Akmambet started his career in 1997 in the Treasury Department of the Ministry of Finance of the Republic of Kazakhstan. Between 1998 and 2005, he held management positions at the Banking Supervision Department of the National Bank of Kazakhstan, several national companies and the Financial Institutions Association of Kazakhstan. In 2006-2007, he worked for Tsesnabank (Astana, Kazakhstan) as Deputy Chairman and then First Deputy Chairman of the Management Board. In 2007, Mr. Akmambet joined a private equity business and relocated to Tashkent (Uzbekistan).

He holds an MBA with distinction from Cass Business School (UK) and a degree in Economics from the Kazakh State Academy of Management.