NATIONAL BANK OF CAMBODIA
Riel. Stability. Development.

FINANCIAL STABILITY REVIEW

2024

CONTENTS

Foreword

In 2024, the global economy exhibited resilience despite facing substantial headwinds, including heightened geopolitical tensions, a slowdown in major economies, and prolonged monetary tightening in advanced economies. However, some central banks in these regions have begun to ease their monetary policies as inflation rates gradually return to target levels. In 2025, the global economy faces significant downside risks, particularly uncertainties concerning the impact of reciprocal tariffs that could exacerbate trade fragmentation and escalate global trade tensions. Geopolitical tensions may continue to disrupt supply chains, while risks related to climate change and cybersecurity present additional threats to the stability of global and regional economies. The rise of artificial intelligence, while creating opportunities for productivity improvement and efficiency gains, could also reshape the economic landscape. These potential risks could affect Cambodia's economic growth prospects and financial stability.

Amid these global challenges, which have moderately impacted certain sectors such as construction and real estate, Cambodia has adroitly sustained robust economic growth. This growth has been supported by efforts to boost tourism, enhance agricultural productivity, and diversify exports beyond the garment industry, in tune with the Pentagonal Strategy-Phase I. Additionally, political stability, coupled with macroeconomic stability achieved through disciplined fiscal and prudent monetary policies, has strengthened investor confidence and ensured sustainable development. Nevertheless, uncertainties in the near term from external factors may exert some pressure on a small open economy like Cambodia, necessitating vigilance and appropriate measures.

In the financial sector, the banking system has continued to play a crucial role in the economy through financial intermediation, with both conventional banking and digital payment systems supporting investment and consumption. The system remains resilient, characterized by strong capital and ample liquidity positions. However, several challenges persist, such as declining credit quality, in which the National Bank of Cambodia (NBC) continues to closely assess emerging risks and implement appropriate micro- and macroprudential measures to mitigate them. As the financial sector becomes increasingly interconnected, the non-bank financial sector, which mobilizes funds through the capital market and provides other essential financial services, needs to play a more active role in contributing to investments and economic development. Furthermore, with the common objective of safeguarding financial stability, addressing the challenges in the financial sector requires coordinated efforts from all market participants. To this end, the NBC is committed to collaborating with all stakeholders to ensure effective and timely implementation of policies and measures.

The 2024 Financial Stability Review (FSR) provides valuable insights into Cambodia's macro-financial linkages, financial landscape, risks and vulnerabilities, and policy discussions. The NBC encourages policymakers, financial institutions, market participants, and the public to utilize this report to join the NBC in fostering a resilient and robust financial system.

Phnom Penh, April 4, 2025

Chea Serey
Governor
National Bank of Cambodia

Abbreviations

ABC	ACLEDA Bank Plc. (in the stock market)
AMRO	ASEAN+3 Macroeconomic Research Office
ASEAN	Association of Southeast Asian Nations
BFIs	Banks and Financial Institutions
BoE	Bank of England
BoP	Balance of Payments
CAMGSM	CAMGSM Plc (Cellcard)
CAR	Capital Adequacy Ratio
CBRE	CB Richard Ellis (Cambodia) Co., Ltd.
CCB	Capital Conservation Buffer
CSS	Cambodia Shared Switch
CSX	Cambodia Securities Exchange
DBDE	DBD Engineering Plc
DTIs	Deposit-Taking Institutions
ECB	European Central Bank
EU	European Union
FCD	Foreign Currency Deposit
FDI	Foreign Direct Investment
Fed	Federal Reserve
FSR	Financial Stability Review
GDP	Gross Domestic Product
GFT	Garments, Footwear, and Textiles
GTI	Grand Twins International
HQLAs	High-Quality Liquid Assets
IMF	International Monetary Fund
JSL	JS LAND PLC
LCR	Liquidity Coverage Ratio
LDC	Least Developed Country
LDR	Loan to Deposit Ratio
LVPS	Large Value Payment System

M2	Broad Money
MDIs	Microfinance Deposit-Taking Institutions
MFIs	Microfinance Institutions
MJQE	Mengly J. Quach Education
MSMEs	Micro, Small and Medium Enterprises
NBC	National Bank of Cambodia
NCS	National Clearing System
NDTIs	Non-Deposit-Taking Institutions
NFCs	Non-Financial Corporations
NGOs	Non-Governmental Organizations
NPL	Non-Performing Loan
NPLR	Non-Performing Loan Ratio
OBS	Online Banking System
ODCs	Other Depository Corporations
PAS	Sihanoukville Autonomous Port
PESTECH	PESTECH (Cambodia) Plc
PPAP	Phnom Penh Autonomous Port
PPSP	Phnom Penh Special Economic Zone
PPWSA	Phnom Penh Water Supply Authority
RE	Real Estate
RGC	Royal Government of Cambodia
ROA	Return on Assets
ROE	Return on Equity
RPPI	Residential Property Price Index
SEZ	Special Economic Zone
SOEs	State-Owned Enterprises
SOFR	Secured Overnight Financing Rate
TCRMG	Technology and Cyber Risk Management Guidelines
TRMG	Technology Risk Management Guidelines
U.S.	United States
USD	United States Dollar

VAR	Vector Autoregression
VECM	Vector Error Correction Model
Y-o-Y	Year-on-Year

Executive Summary

The global economy maintained moderate growth in 2024, although it remained uneven across regions and economic groups. Global economic growth decreased marginally to 3.2 percent from 3.3 percent in 2023. Advanced economies sustained the growth momentum of 1.7 percent while emerging markets decelerated to 4.2 percent. In the region, ASEAN's economic growth inched up to 4.7 percent.

Cambodia's economy grew by 6 percent, surpassing the previous year's 5 percent growth. This growth was supported by robust garment-related and agricultural exports, while tourism continued to recover. However, other key sectors, including construction and real estate, did not fully rebound. Foreign direct investment (FDI) inflows maintained their momentum, albeit with variations across sectors, while the balance of payments (BoP) rebounded from a deficit to a surplus of 0.93 percent of GDP.

Inflation remained low, with a stable exchange rate, while international reserves remained adequate. Inflation fell from 2.1 percent in 2023 to 0.8 percent in 2024 due to lower fuel prices and a slower increase in food prices. The nominal exchange rate appreciated marginally to KHR 4,072 per USD on average. International reserves reached USD 22.5 billion, sufficient to cover at least seven months of prospective imports of goods and services, exceeding the minimum benchmark of three months for developing countries.

The fiscal balance showed improvement, and external debt remained sustainable. The fiscal deficit narrowed to 2.5 percent of GDP, down from 3.3 percent in 2023. Total revenue decreased by 3.5 percent to KHR 24.8 trillion, while government spending dropped by 6.3 percent to KHR 29.5 trillion. Additionally, the RGC's external debt reached USD 11.8 billion, equivalent to 25.4 percent of GDP.

The banking system remained resilient amid a slowdown in credit growth. Total assets and loans grew by 6.6 percent and 3 percent, respectively, slightly lower than the 8.1 percent and 4.2 percent recorded in 2023. Nevertheless, total deposits increased by 16.8 percent, which lowered the system's loan-to-deposit ratio from 120 percent in 2023 to 106 percent in 2024. The Credit-to-GDP ratio was 131 percent, down from 136 percent in the previous year.

Deposit-taking institutions (DTIs) maintained liquidity and capital levels well above regulatory requirements, despite declining credit quality. The liquidity coverage ratio (LCR) of commercial banks and microfinance deposit-taking institutions (MDIs) increased to 199.4 percent and 174.9 percent, respectively. The capital adequacy ratio (CAR) stood at 22.3 percent for commercial banks and 23.8 percent for MDIs. However, the credit quality of DTIs continued to decline, leading to increased provision expenses that negatively impacted net profits; nonetheless, these provisions ensured a necessary cushion for potential losses.

Non-deposit-taking institutions (NDTIs) continued to maintain sufficient capital, although their asset quality declined. Credit quality deteriorated marginally vis-a-vis 2023, exerting pressure on profitability due to rising provision expenses. Nevertheless, NDTIs' CAR stood at 30.8 percent for microfinance institutions (MFIs) and 42.1 percent for specialized banks, well above the minimum requirement of 15 percent.

The capital market, which comprised 3.2 percent of the financial system, saw a moderate decline, while other non-bank financial sectors grew steadily. The market capitalization for the equity market dropped by 12.7 percent to KHR 11.2 trillion, following a bearish trend. In contrast, the bond market experienced a steep increase, with the value of government bond issuances climbing to KHR 301.3 billion, and total corporate bonds outstanding slightly increasing to KHR 559.4 billion. Meanwhile the insurance sector continued to expand, with total assets growing by 8.2 percent to nearly KHR 5 trillion, and total gross premiums increasing by 3.1 percent.

The real estate sector remained subdued, with gradual price corrections. The Residential Property Price Index (RPPI) declined by an average of 2 percent in 2024, with total house sales dropping by 18 percent. Additionally, occupancy rates in both retail and office markets fell to 61.8 percent and 65.2 percent in 2024, from 64.4 percent and 66.4 percent recorded in 2023. Conversely, condominium sales surged by 35.6 percent to 2,275 units.

Digital payment systems continued their remarkable growth. The number of digital transactions reached 3.2 billion, up by 77.8 percent from 2023, with the value of digital payments at nearly 15 times the GDP, reaching KHR 2,728.9 trillion. This surge in digital payments highlights the growing integration of digital financial services into the Cambodian economy. The increasing use of digital payments, such as Bakong, also encouraged the use of Khmer Riel, which accounted for 26 percent of the total digital payment value. While Cambodia continues to embrace rapid advancements in digital payments, the NBC closely monitors both progress and risks by raising public awareness of digital scams and issuing regulations and frameworks to oversee payment systems.

Outlook and Risks

Before the U.S.'s tariff announcement, Cambodia's economy was projected to grow by 6.3 percent in 2025, primarily driven by manufacturing and tourism. The manufacturing sector was expected to expand by 8.1 percent, with a 9.4 percent growth forecast for the garment sector. In the services sector, regional tourism recovery and ongoing infrastructure improvements were anticipated to boost tourism-related sectors, with the accommodation and food services sector expected to grow by 13.4 percent. Wholesale and retail trade was also projected to rise by 4.3 percent, supported by domestic consumption and increasing tourist arrivals. The agricultural sector was projected to grow at a steady rate of 1.1 percent, benefiting from gradual improvements in irrigation systems and supportive agricultural policies. Non-tradable sectors such as construction and real estate were to see slow growth at 1.5 percent and 1.1 percent, respectively, due to subdued demand amid global economic uncertainties.

As economic growth picks up, inflation is expected to edge up. Inflation, which reached its lowest level in over a decade last year, is projected to rise to 2.6 percent in 2025. However, this remains moderate and manageable, vis-a-vis the historical average of 3.1 percent between 2010 and 2019.

Nevertheless, this outlook is subject to downside risks stemming from external factors. Geopolitical and trade tensions have intensified, particularly with the new U.S. government's increased trade tariffs affecting global trade. These factors could disrupt supply chains, reignite inflation, and delay interest rate cuts in developed countries, further impacting global growth. In this environment, capital inflows to emerging and developing economies may be constrained, exerting depreciation pressure on their exchange rates and slowing economic growth.

As a small and highly open economy, Cambodia is unlikely to be immune to these global risks. Exports could be impacted as Cambodia's main trading partners may face higher inflation and weaker demand. This could in turn reduce Cambodia's attractiveness to investors, particularly in export-driven industries. While graduating from the status of the least developed country (LDC), which has a transitional period until 2029, Cambodia may lose certain benefits previously granted to LDCs. Additionally, climate change may pose a challenge to agriculture, a sector highly sensitive to rainfall fluctuations. Transition risks further complicate the situation as the global economy moves towards a low-carbon future, requiring agricultural and industrial practices and policies to evolve in response to increasing global demand for sustainable goods.

The banking system is expected to remain a key sector supporting economic growth while ensuring financial stability. Throughout the pandemic and successive external challenges, Cambodia's banking sector has demonstrated resilience, helping to cushion the impact of external shocks on the economy. Moving forward, it will continue to play a vital role in supporting the country's economic and social development by channeling credit to productive sectors, expanding access to financial services, and advancing payment system modernization, which enhances trade, investment, and cross-border transactions.

Nevertheless, the banking system also confronts downside risks. A prolonged tightening of global financial conditions could raise funding costs for some banks and financial institutions, affecting their profitability and leading to higher debt servicing expenses for borrowers. Additionally, the banking system faces pressure due to its exposure to real estate-related sectors, given the sluggish real estate market. In response, the RGC has initiated measures to stimulate real estate market recovery, such as stamp duty exemptions for first-time purchasers of residential properties priced under USD 210,000 and delaying the implementation of the capital gains tax on immovable property until the end of 2025.

The non-bank financial sector is expected to grow steadily, primarily driven by the continued expansion of the bond and insurance markets. The capital market could serve as an alternative source of financing for the economy, complementing conventional banking credit. However, the overall capital market remains relatively small, with low investor participation and trading volumes. While the insurance sector is growing, its development is still constrained by limited public awareness and financial literacy. Its further development will play a crucial role in promoting the financial well-being of the population.

The digital payment system is also set for continued expansion, with significant progress expected through 2025 and beyond. The increasing adoption of digital payments will continue to drive financial inclusion and improve the efficiency of payment transactions. However, as the system evolves, risks, including cybersecurity and data privacy concerns, must be carefully addressed, especially with the growing volume of digital transactions and cross-border connectivity. Balancing innovation with financial stability will be crucial, and ongoing efforts to enhance public awareness of digital scams and frauds will play a vital role in safeguarding consumers and building trust in the financial system.

I Macroeconomic Condition and Stability

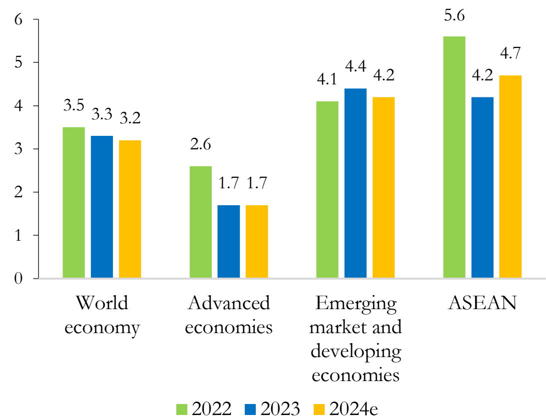
Global growth in 2024 remained moderate, constrained by persistent geopolitical tensions, high interest rates, and trade disruptions. Despite these external challenges, Cambodia maintained a balance of payments surplus and a stable exchange rate, while international reserves rose to USD 22.5 billion. Inflation declined to 0.8 percent on the back of falling oil prices and stable food supplies. Broad money (M2) grew by 17.5 percent due to strong deposit growth, though financial dollarization remained high at 85.1 percent of total deposits, underscoring the need for greater use of the riel. The fiscal deficit narrowed to 2.5 percent of GDP as government spending declined, while public debt remained low at 25.4 percent of GDP.

1.1 External Conditions

A. Global Economy

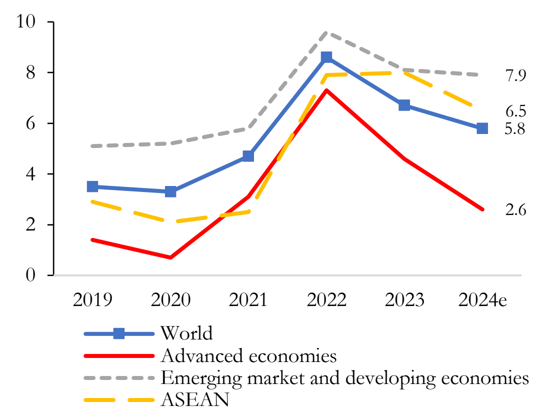
The global economy maintained stable but modest growth in 2024, with notable differences across regions and economic groups. Growth declined marginally to 3.2 percent from 3.3 percent in 2023, primarily due to a slowdown in emerging markets and developing economies, where growth dipped from 4.4 percent to 4.2 percent. Meanwhile, advanced economies held steady at 1.7 percent (Figure 1.1). Several key challenges, including the ongoing Russia-Ukraine war, geopolitical tensions, high interest rates, and climate change, continued to weigh on global expansion, keeping it below the historical average of 3.7 percent (2000–2019). In ASEAN, economic growth accelerated to 4.7 percent, supported by a rebound in exports, a resurgence in tourism, and strong domestic demand in several countries.

1.1 **World Economic Growth**
(In percentage, 2022–2024e)



Note: e = estimate
Source: IMF's WEO and AMRO's AREO in January 2025

1.2 **World Inflation**
(In percentage, 2019–2024e)



Note: e = estimate
Source: IMF's WEO and AMRO's AREO in January 2025

Inflation continued to decline in 2024, with advanced economies experiencing a faster drop compared to emerging markets and developing economies. Global inflation slowed to 5.8 percent (Figure 1.2) due to the unwinding of supply-side disruptions, cooling energy and commodity prices, and the effects of monetary policies that helped curb demand pressures. This was especially true in advanced economies, where inflation dropped significantly to 2.6 percent. In contrast, the decline in emerging markets and developing economies was slower, reflecting higher food and import prices amid extreme weather and currency depreciation impacts. In ASEAN, inflation remained high at 6.5 percent but would be just 1.8 percent if we excluded Lao PDR and Myanmar.

As inflation eased, central banks worldwide began lowering their policy rates to support economic growth. In the United States, after peaking at 5.5 percent in 2023—the highest level in 22 years—the Federal Reserve (Fed) started cutting rates in 2024, bringing them down to 4.5 percent by the year-end (Figure 1.3). Similarly, the European Central Bank (ECB) reduced its benchmark rate from 4.5 percent in 2023 to 3.15 percent as inflationary pressures subsided. However, the Bank of England (BoE) was more cautious, lowering rates at a much slower pace. By the end of 2024, the BoE's policy rate remained relatively high at 4.75 percent, reflecting persistent inflation concerns and a more measured monetary policy stance.

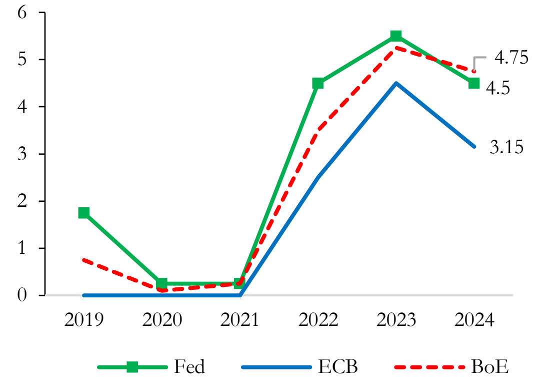
B. Cambodia's Balance of Payments

The balance of payments (BoP) recorded a surplus of 0.93 percent of GDP (Figure 1.4). This was primarily driven by current and capital accounts surplus of 0.75 percent of GDP. Meanwhile, the financial account posted a smaller surplus of 0.18 percent of GDP.

B.1. Current and Capital Accounts

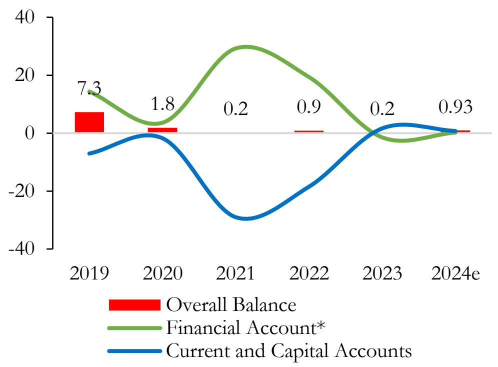
The surplus in the current and capital accounts moderated to 0.75 percent of GDP, largely due to a widening trade deficit. Exports grew by 13.5 percent in 2024, significantly improving from the 1.7 percent growth recorded in 2023. However, imports shifted from a decline in 2023 to an increase of 17.7 percent in 2024, widening the trade balance deficit from -7 to -9.7 percent of GDP (Figure 1.5). Garments, footwear, and textiles (GFT) remained the country's top export products, increasing by 23.4 percent and accounting for half of total exports. Agricultural exports, representing 15.6 percent of total exports, grew by 16 percent. Cambodia's primary export markets were the U.S. (37.2 percent), ASEAN (19 percent), and the EU (16.5 percent). The country's heavy reliance on GFT may expose the economy to external shocks, requiring diversification into other industries to enhance economic stability, create new employment opportunities,

1.3 **Policy Rates in Advanced Economies**
(In percentage, 2019 – 2024)



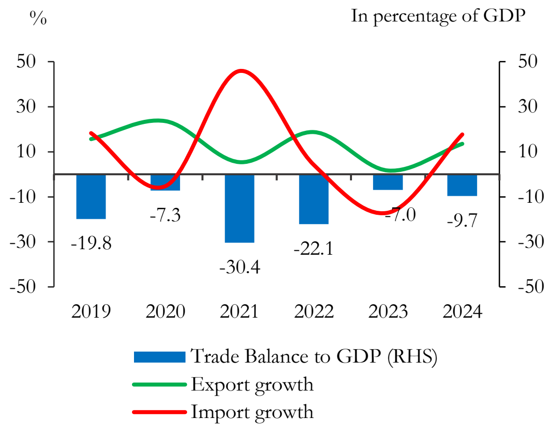
Source: Trading economics

1.4 **Balance of Payments**
(In percentage of GDP, 2019-2024)



* Financial Account includes net error and omission
Source: National Bank of Cambodia

1.5 **Cambodia's Trade**
(2019-2024)

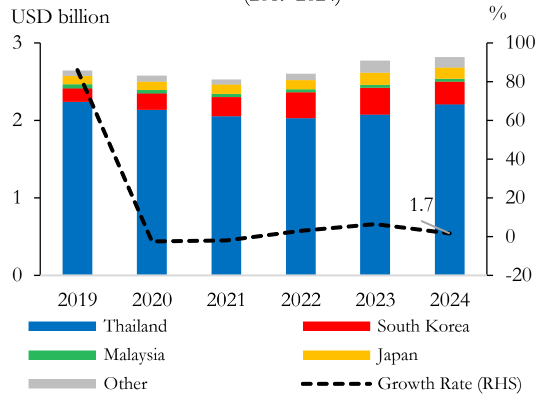


Source: National Bank of Cambodia

and reduce vulnerability to industry-specific risks.

Despite the trade deficit, rising remittances, and net service receipts helped sustain the current and capital account surplus. Remittance inflows increased by 1.7 percent, reaching USD 2.8 billion (Figure 1.6). Thailand remained the largest source of remittances (78.3 percent), followed by South Korea (10.5 percent) and Japan (5.1 percent).

1.6 Remittances by Country
(2019-2024)

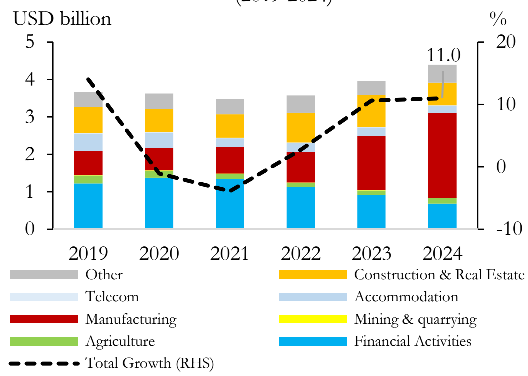


Source: National Bank of Cambodia

B.2. Financial Account

Foreign direct investment (FDI) inflows continued to rise, albeit with sectoral variations. Total FDI inflow grew by 11 percent, reaching USD 4.4 billion (Figure 1.7). The manufacturing sector witnessed substantial growth, with FDI surging by 56.9 percent to USD 2.3 billion, accounting for 51.7 percent of total inflows. FDI in agriculture also expanded by 31.3 percent. However, some sectors experienced declines, including accommodation (-20.9 percent), financial activities (-25.4 percent), and construction and real estate (-28.3 percent).

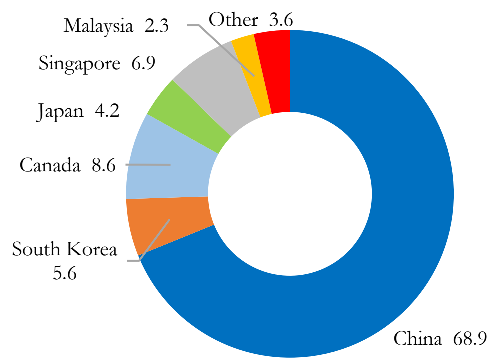
1.7 FDI Inflows by Sectors
(2019-2024)



Source: National Bank of Cambodia

China remained Cambodia's largest source of FDI, accounting for two-thirds of total inflows in 2024. Most Chinese investments were directed toward manufacturing (65 percent of China's total FDI inflow) and construction (14.5 percent). Other key Asian investors included Singapore (6.9 percent of total inflow), South Korea (5.6 percent), Japan (4.2 percent), and Malaysia (2.3 percent), while Canada also contributed significantly (8.6 percent) (Figure 1.8).

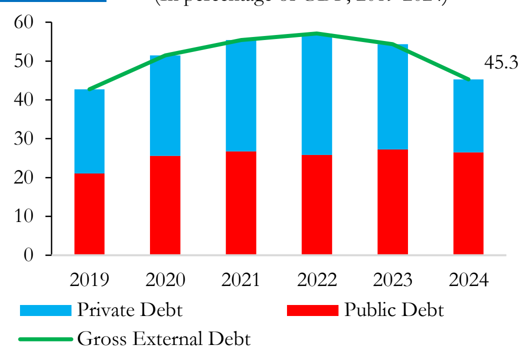
1.8 FDI Inflows by Source Country
(In percentage, as of 2024)



Source: National Bank of Cambodia

Gross external debt declined, driven by reduced borrowing from deposit-taking corporations. Total external debt fell by 8.8 percent to USD 21 billion, reducing its share of GDP from 54.3 to 45.3 percent. This was due to a 24.6 percent drop in deposit-taking corporations' external debt, which fell to USD 8.4 billion. Meanwhile, public external debt, which consists entirely of long-term obligations, increased by 5 percent to USD 12.1 billion (Figure 1.9).

1.9 Composition of Gross External Debt
(In percentage of GDP, 2019-2024)



Source: National Bank of Cambodia

C. Exchange Rate and International Reserves

Despite the appreciation of the USD in global markets, the Khmer Riel (KHR) remained stable. The USD Index, which measures the dollar's value against a basket of major currencies, rose by 6.4 percent in 2024, reaching 128 in December,[1] driven by a strong U.S. labor market, solid domestic production, and favorable monetary and fiscal policies. However, the KHR exhibited an appreciation trend against the USD, averaging KHR 4,072 per USD in 2024, reflecting the increasing demand for KHR and effective monetary and exchange rate policies (Figure 1.10).

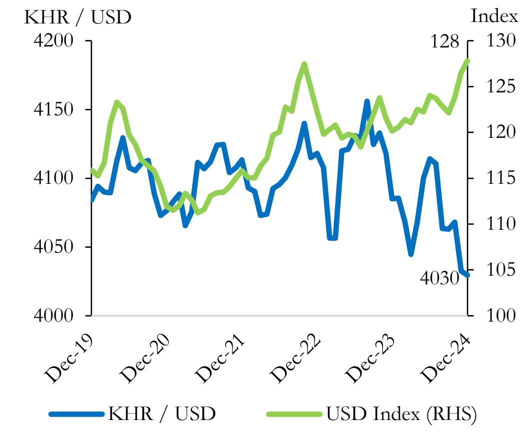
Cambodia's international reserves rose to USD 22.5 billion, covering seven months' worth of prospective imports of goods and services (Figure 1.11). This level exceeds the recommended minimum of three months for developing economies, providing a strong buffer against external shocks. The accumulation of reserves was supported by strong foreign exchange inflows from exports, FDI, tourism, and remittances. The reserves were also high relative to broad money (M2), reaching 41.4 percent—well above the 20 percent benchmark. However, given the high level of dollarization—reserves accounted for approximately 47 percent of foreign currency deposits — further reserve accumulation would be beneficial.

1.2 Domestic Sector

A. Economic Growth

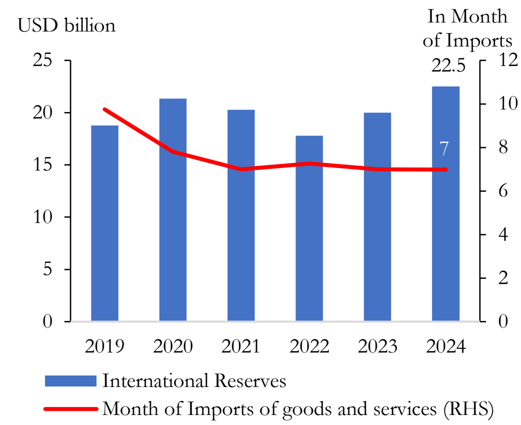
Cambodia's economy grew by 6 percent in 2024, up from 5 percent in 2023. The manufacturing sector was the main driver of economic growth, accounting for 31 percent of total GDP and growing by 12.6 percent in 2024. Within the sector, garment-related products remained the most significant, increasing by 17 percent. Tourism-related sectors also contributed positively, with the accommodation and food services sector rising by 12.2 percent and transport and communication by 7.4 percent. Agriculture maintained its modest share of 14.2 percent of GDP, with a growth rate of 1.1 percent in 2024 (Figure 1.12).

1.10 KHR Exchange Rate and USD Index
(2019-2024)



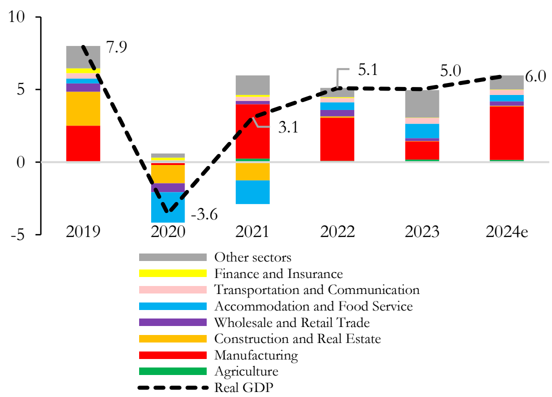
Source: National Bank of Cambodia and FRED

1.11 International Reserves
(2019-2024)



Source: National Bank of Cambodia

1.12 Contribution to GDP Growth
(In percentage, 2019 - 2024e)



Note: e = estimate
Source: National Institute of Statistics, NBC's staff estimation

[1] When the USD index increases, it means that the USD is gaining strength relative to other currencies.

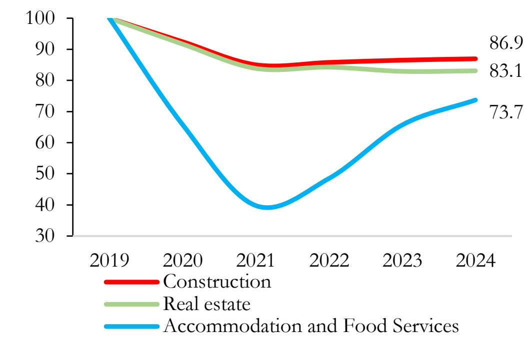
Despite the strong overall performance, some key sectors have yet to fully recover to their pre-pandemic levels, highlighting ongoing challenges in Cambodia's economic rebound. The construction sector, which previously experienced rapid growth, is still operating at 86.9 percent of its 2019 level, reflecting subdued investment and slower project implementation. Similarly, the real estate sector remained at 83.1 percent of its pre-pandemic performance, weighed down by weaker demand and cautious investor sentiment. The accommodation and food services sector has been the slowest to recover, reaching only 73.7 percent of its 2019 level, as tourist spending patterns have not returned to full strength (Figure 1.13).

The number of international tourist arrivals has slightly exceeded its pre-pandemic level. With the RGC's efforts to enhance hospitality services, Cambodia experienced a significant resurgence in international tourism in 2024, welcoming approximately 6.7 million foreign visitors, a 22.9 percent increase from the previous year and slightly exceeding the pre-pandemic peak of 6.6 million in 2019 (Figure 1.14), while Cambodian domestic tourism exhibited robust growth of 20.1 percent. The primary sources of the foreign visitors were mostly from Thailand (32 percent), Vietnam (20 percent), China (12.7 percent), and Laos (5 percent). However, international tourist arrivals at Angkor Wat reached only 46.4 percent and international tourism revenue remained at 73.9 percent compared to 2019 (Figure 1.15).

B. Inflation and Monetary Conditions

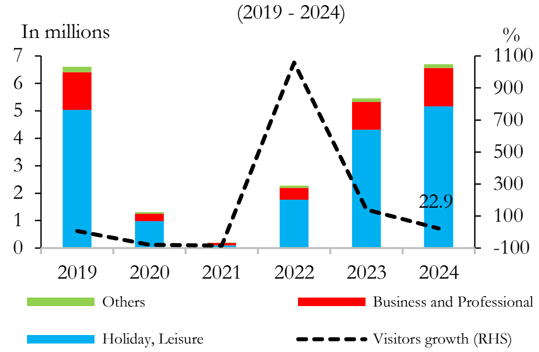
Inflation moderated to 0.8 percent in 2024 from 2.1 percent in 2023 (Figure 1.16). A 2.1 percent decline in oil-related prices, coupled with an increase in domestic supply, helped lower food and core inflation to 1.2 percent and 1.1 percent, respectively.

1.13 Economic Recovery in Selected Sectors
(In percentage of 2019, 2019 – 2024e)



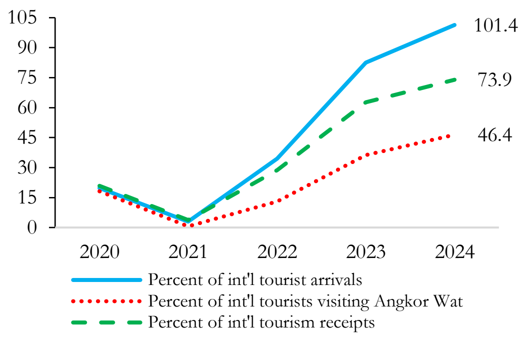
Note: e = estimate
Source: National Institute of Statistics, NBC's staff estimation

1.14 Number of International Arrivals by Purpose of Visit
(2019 - 2024)



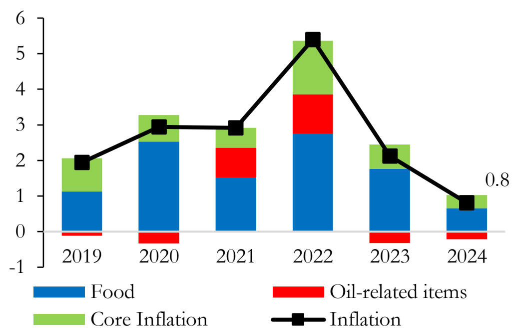
Source: Ministry of Tourism, NBC's staff calculation

1.15 Recovery in Tourism
(In percentage, 2020 - 2024)



Source: Ministry of Tourism, NBC's staff calculation

1.16 Contribution to Headline Inflation
(In percentage, 2019 - 2024)



Source: National Bank of Cambodia

Broad money (M2) expanded by 17.5 percent, aligning with economic growth without exerting inflationary pressure (Figure 1.17). This growth was driven by a 19.2 percent increase in deposits, while currency in circulation declined by 2.8 percent due to the rise in digital payments. The sustained deposit growth reflects strong public confidence in Cambodia's banking system.

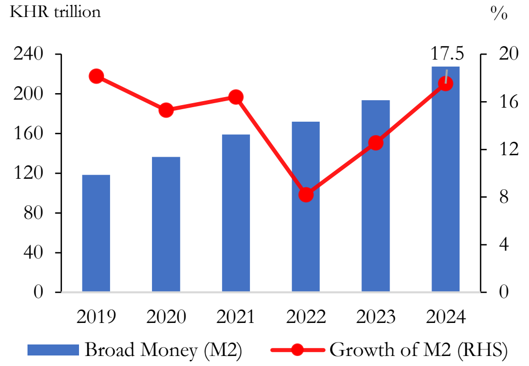
Financial dollarization remained high. The ratio of foreign currency deposits (FCD) to M2 stood at 85.1 percent, with FCD comprising almost 91 percent of total deposits (Figure 1.18). NBC has been actively promoting the use of the KHR through various measures, including exchange rate stabilization, public awareness campaigns on the importance of KHR, encouraging KHR-based loans and deposits, and developing digital payment systems. Meanwhile, the RGC has implemented several measures, such as paying public sector salaries in riel, the use of riel for tax payments and utility bills, encouraging riel-denominated price tags, and issuing government bonds exclusively in riel. Further promoting the use of riel will require more coordinated efforts from all stakeholders.

C. Fiscal Sector

In 2024, Cambodia's fiscal deficit narrowed to 2.5 percent of GDP, from 3.3 percent in 2023 (Figure 1.19). Total government revenue dropped by 3.5 percent to KHR 24.8 trillion (USD 6.2 billion), despite tax collections increasing modestly by 2.3 percent. Indeed, grants and foreign aid, which accounted for 1.1 percent of total revenue, significantly dropped by 84.6 percent as Cambodia is graduating from LDC status. Meanwhile, government spending amounted to KHR 29.5 trillion (USD 7.3 billion), a 6.3 percent decrease, with current expenditure falling by 9.3 percent, yet capital expenditure rose slightly by 1.2 percent to KHR 9.1 trillion (USD 2.3 billion).

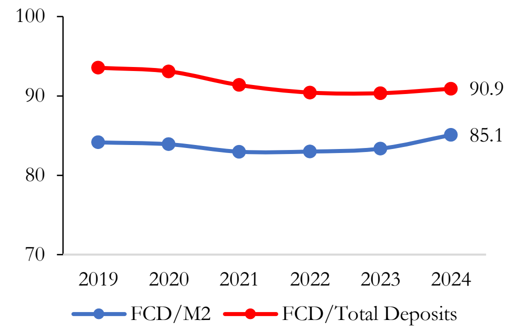
The RGC's external debt increased by 5.2 percent but declined relative to GDP. The debt reached USD 11.8 billion, equivalent to 25.4 percent of GDP, to finance public investment projects in priority sectors

1.17 **Broad Money (M2)**
(2019 - 2024)



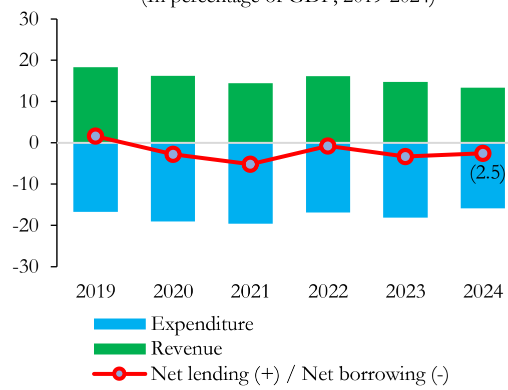
Source: National Bank of Cambodia

1.18 **Financial Dollarization**
(In percentage, 2019-2024)



Source: National Bank of Cambodia

1.19 **Fiscal Balance**
(In percentage of GDP, 2019-2024)



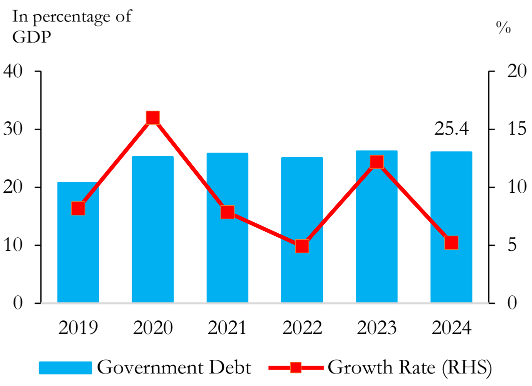
Source: Ministry of Economy and Finance, NBC's staff calculation

(Figure 1.20). Multilateral loans now constitute the largest share of Cambodia's external debt, at 37.8 percent. Among bilateral lenders, China holds the largest share at 34.4 percent of the government's total external debt, followed by Japan with 10.6 percent and South Korea with 5.7 percent (Figure 1.21).

1.3 Conclusion

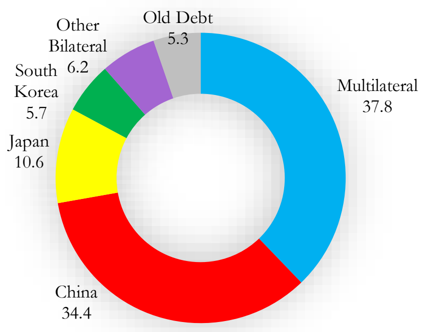
In 2024, Cambodia recorded a BoP surplus, and international reserves kept rising. The exchange rate remained stable, and inflation stayed low. Robust deposit growth pointed to strong public confidence in the banking system, although financial dollarization remained elevated. Public debt stayed within sustainable levels, and the fiscal deficit narrowed due to reduced spending, even as revenue weakened.

1.20 Government External Debt
(2019-2024)



Source: Ministry of Economy and Finance, NBC's staff calculation

1.21 Government External Debt by Main Creditors
(In percentage, as of 2024)



Source: Ministry of Economy and Finance, NBC's staff calculation

Box 1.1

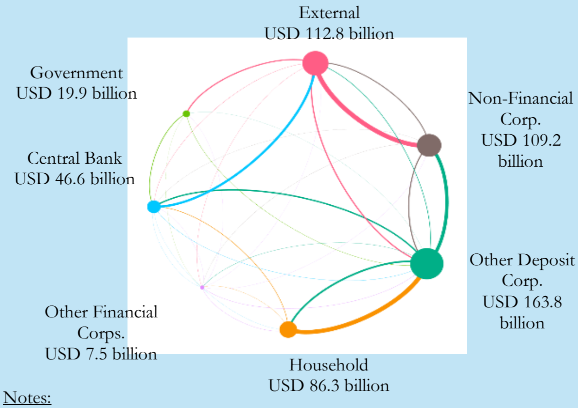
Sectoral Interconnectedness Analysis

The gross financial position of all sectors at the end of 2024 was USD 546.1 billion, an increase of 7.8 percent from USD 499.6 billion in 2023. This increase was driven mainly by the growth of households (9.8 percent), other depository corporations (ODCs) (8.2 percent), and the external sector (5.9 percent). In terms of size, ODCs contributed 30 percent of the total gross position, followed by the external sector (20.7 percent), non-financial corporations (NFCs) (20 percent), and households (15.8 percent). (Graph A)

Concerning the net position, the ODCs remained net creditors of USD 2.2 billion, declining by 19.2 percent (y-o-y) from USD 2.7 billion in 2023, due to the slowdown in credit growth and the increase in deposits. The total liabilities of ODCs to the rest of the sectors aggregated to USD 80.8 billion, representing an 8.7 percent rise mainly due to the increase in liability to households (15.7 percent) and NFCs (9.3 percent). Meanwhile, the claims of ODCs in the rest of the sectors touched USD 83 billion, an increase of 7.7 percent from USD 76 billion in 2023. Additionally, NFCs showed a net debtor position of USD 73.2 billion, an increase of 4.3 percent. The fund flow from the rest of the sectors into the NFCs accumulated to USD 91.2 billion, an increase of 5.4 percent; in contrast, the claims from the rest of the sectors on NFCs amounted to USD 18 billion. (Graph B)

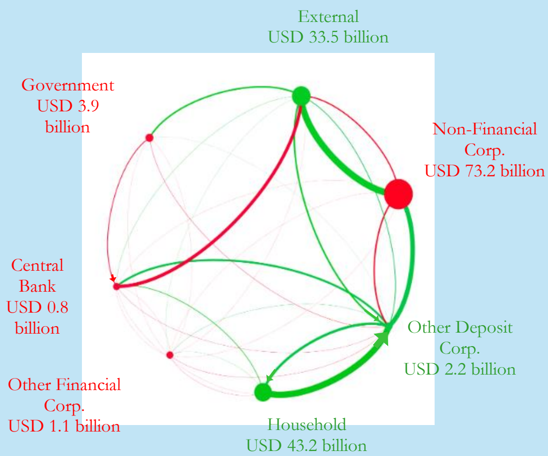
The external sector indicated a net creditor position of USD 33.5 billion to Cambodia, declining by 17.5 percent. Cambodia received an influx of funds from the external sector, totaling USD 73.1 billion, slightly decreasing by 0.6 percent, while outflows to the external sector amounted to USD 39.6 billion, a rise of 20.2 percent. NFCs were the main recipients of funds from this sector, accounting for 71.2 percent, followed by ODCs (11.4 percent).

Graph A: Gross Financial Position of All Sectors in 2024



Notes:
- The size of bubble represents the total asset and liability of each sector.
- The line color from each sector toward the other sectors represents the claim from those sectors.

Graph B: The Net Financial Position of All Sectors in 2024



Notes:
- The size of the bubble represents the relative size of the net financial position of each sector.
- The bubbles in red represent net debtors, while the greens represent net creditors.
- The line color from each sector toward the other sectors represents the claim from those sectors.

II Banking System: Performance and Stability

The banking system remains fundamentally sound, with solid liquidity and capital buffers, though rising non-performing loans (NPLs) and profitability pressures persist. Total banking assets grew by 6.6 percent, reaching KHR 368.1 trillion, despite a slowdown in credit growth to 3 percent. In contrast, deposits expanded by 16.8 percent, driven by attractive interest rates. While asset quality declined further, capital and liquidity in commercial banks remained strong and ample, with the LCR rising to 199.4 percent and CAR at 22.3 percent, above the regulatory minimum requirement. MDIs' total assets decreased by 4.4 percent to KHR 17.8 trillion (USD 4.4 billion), mainly attributed to negative credit growth. While the quality of loans and profitability continued to decline, MDIs' capital and liquidity positions remained robust, reflecting their resiliency and ability to withstand potential shocks amid ongoing economic uncertainty. The specialized banks and MFIs further slowed down as consolidation took place. Credit quality continued to decline while specific provisions increased to counter the rising NPLs, exerting more pressure on profitability. However, these institutions continued to maintain strong capital and liquidity to combat potential shocks from uncertainties. Financial lease institutions also indicated a similar trend, as reflected in the ongoing decline in credit growth and profitability.

2.1 Banking System Landscape

The banking system in Cambodia continues to strengthen, with ongoing efforts to encourage consolidation aimed at enhancing resilience and stability. The sector is dominated by DTIs, consisting of commercial banks and MDIs. As of December 2024, there are 59 commercial banks and 4 MDIs, collectively holding total assets of KHR 356.1 trillion (USD 88.5 billion), which accounts for approximately 96.7 percent of the banking system's total assets. Meanwhile, NDTIs[2], which represent only 3.3 percent of the total banking system's assets, play a more specialized role in the financial sector. These include 85 MFIs, 9 specialized banks, 13 financial lease institutions, and 113 rural credit institutions.

Table 2.1: Structure of Cambodia's Banking System
(As of December 2024)

Institutions	Number	Assets (KHR, trillion)	Share (% of total assets)
Commercial Banks	59	338.3	91.9%
MDIs	4	17.8	4.8%
MFIs	85	7.9	2.1%
Specialized Banks	9	2.7	0.7%
Financial Lease Institutions	13	1.4	0.4%
Rural Credit Institutions	113	0.3	0.1%

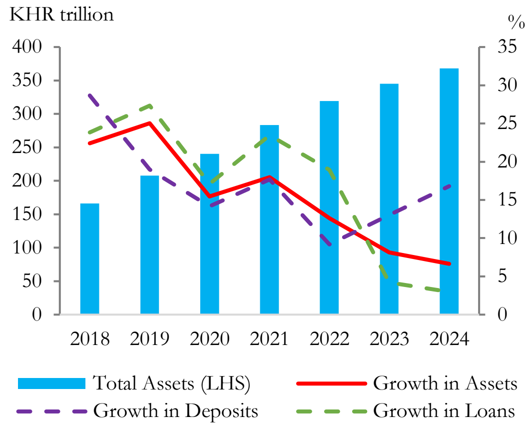
Source: National Bank of Cambodia

[2] NDTIs offer financial services similar to traditional banks but do not accept deposits.

The banking system continues to expand, although at a more moderate pace as credit growth slowed further. By the end of 2024, total banking system assets had reached KHR 368.1 trillion (USD 91.4 billion), reflecting a 6.6 percent increase (y-o-y). However, credit growth remained sluggish, declining further from 4.2 percent in 2023 to just 3 percent in 2024. The slowdown occurred against a backdrop of more cautious lending by banks and weak domestic demand due to slow recovery in certain sectors. In contrast, deposit growth remained strong, accelerating to 16.8 percent in 2024 from 13 percent in the previous year, possibly driven by banks offering more attractive deposit rates in response to the higher interest rate environment. (Figure 2.1)

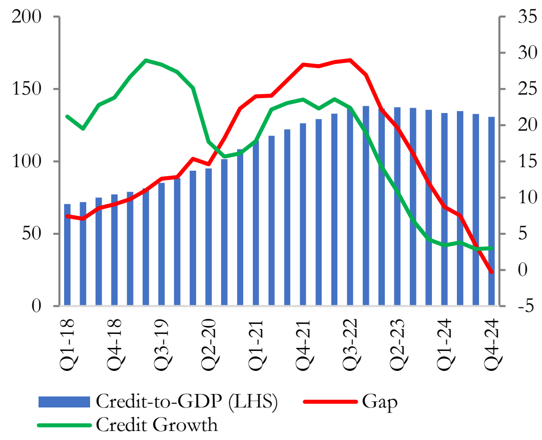
With the continued slowdown in credit growth, the credit gap narrowed significantly. While the credit-to-GDP ratio remained high, it declined slightly to 130.8 percent in 2024 from 135.7 percent in 2023. Concurrently, the credit-to-GDP gap has gradually contracted, from a peak of 29 percent in Q3 2022 to -0.3 percent by the end of 2024 (Figure 2.2). This suggests that credit growth has fallen below its long-term trend, reflecting a more moderate lending environment.

2.1 **Banking System in Cambodia**
(2018 - 2024)



Source: National Bank of Cambodia

2.2 **Credit-to-GDP Ratio and Credit Growth**
(In percentage, 2018 - 2024)



Source: National Bank of Cambodia

Box 2.1

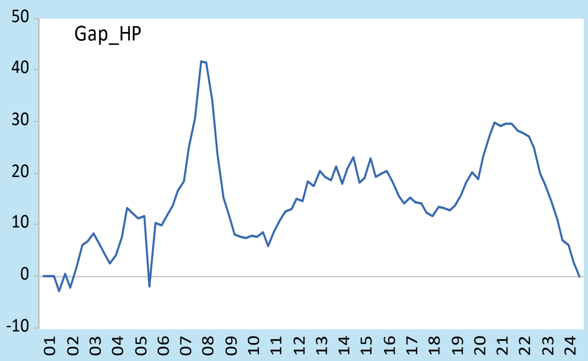
Model Analysis of Credit-to-GDP Gap: One-sided Hodrick-Prescott (HP) Filter Vs. Hamilton regression

Why is it essential to analyze the credit-to-GDP gap? According to the Basel Committee on Banking Supervision (BCBS), the credit-to-GDP gap, or credit cycle, is defined as "the deviation of the credit-to-GDP ratio from its long-term trend estimated with one-sided Hodrick-Prescott (HP) filter" (Baba et al., 2020). While credit contributes to sustainable economic growth, excessive aggregate credit growth can lead to potential shocks with systemic implications for the financial sector. Therefore, appropriate macroprudential policies must be implemented to address these issues. The countercyclical capital buffer proposed by BCBS in 2010 is designed to protect the banking sector from risks associated with excessive aggregate credit growth" (Flamini et al., 2019). Further, "one-sided HP filter is the indicator preferred by the Basel Committee because of its good performance as an early warning of banking crises" (Baba et al., 2020).

Why do we use one-sided HP filters? Hamilton (2016) criticized HP filters for their end-point problem, spurious dynamic relations, and smoothing parameters. However, Drehmann and Yetman (2018) conducted a comparative analysis between different methods and one-sided HP filter, using quarterly data from 42 countries to calculate credit gaps from 1970 to 2017. They concluded that the one-sided HP filter is likely to serve as a useful early warning indicator. This raises the main question, **"Which methods should we use?"**

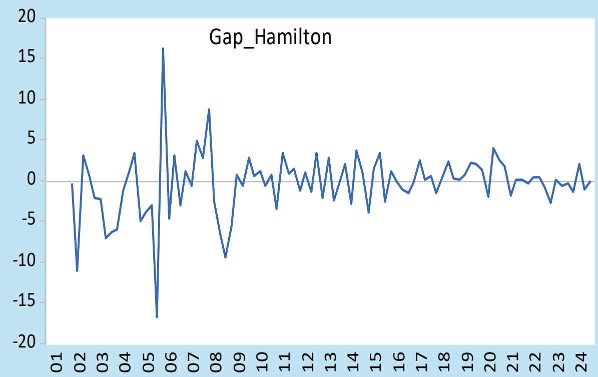
Graph A: One-sided HP filter of Credit Gap

(In percentage deviation from trend)



Graph B: Hamilton Regression of Credit Gap

(In percentage deviation from trend)



Two primary approaches for this analysis—one-sided HP filters and Hamilton filters—are employed to calculate the credit-to-GDP gap. Our data encompasses the country's credit-to-GDP from Q1 2001 to Q4 2024, consisting of 96 observations. We do not exclude data from the COVID-19 period (Q1 2020 to Q4 2021) or the 2008 global financial crisis for a comprehensive analysis; thus, the gap results reflect not only cyclical fluctuations but also temporary shocks from COVID-19 and the financial crisis. Following Basel III guidelines, we calculate the deviation of the credit-to-GDP ratio from its long-term trend to identify credit gaps using the one-sided HP filter with a lambda of 400,000. For Hamilton regression, we follow Hamilton's univariate regression model using four lagged values. Hamilton (2016) argued that four lagged values for quarterly data are sufficient to capture the characteristics of the trend. The regression model for determining coefficients to find the trend and cycle is:

$$y_t = \beta_0 + \beta_1 y_{t-1} + \beta_2 y_{t-2} + \beta_3 y_{t-3} + \beta_4 y_{t-4} + \varepsilon_t$$

where y_t is the value of credit-to-GDP at time t ; $y_{t-1}, y_{t-2}, y_{t-3}, y_{t-4}$ are observed values of credit-to-GDP from the previous four periods ; β_1 to β_4 are the coefficients of the credit-to-GDP's lagged values, allowing us to compute the trend as follows:

$$Trend_t = \hat{\beta}_0 + \hat{\beta}_1 y_{t-1} + \hat{\beta}_2 y_{t-2} + \hat{\beta}_3 y_{t-3} + \hat{\beta}_4 y_{t-4}$$

The findings show spurious dynamic relations and the end-point problem. The spurious dynamic relation, which causes an artificial shift of cycle, appears in the results of the one-sided HP filter. The HP filter gap is smoother and more likely to capture real-time fluctuations since it uses both past and current data (Graph A), while the credit gap from Hamilton regression frequently fluctuates, reflecting sudden shifts to capture short-term fluctuations in credit booms or contractions because it relies solely on historical data (Graph B). For instance, after the 2008 global financial crisis, the HP filter cycle remained positive despite a sharp decrease. In contrast, the Hamilton regression cycle remained negative, explicitly illustrating the historical economic slowdown in 2009, with an annual growth of approximately 4 percent compared to 7 percent in 2008, and the fall of annual credit growth in 2009 to only 7 percent from 55 percent in 2008.

Another noteworthy result is the end-point bias. The HP filter's cycle dramatically changed at the end of the data series, while the Hamilton regression cycle remained stable. As in the period following the 2008 crisis, the cyclical value of the HP filter decreased after COVID-19 but remained positive; by Q4 2024, it reached -0.3 percent. Conversely, Hamilton regression reflects more short-term historical events of both positive and negative gaps. The HP filter primarily focuses on real-time analysis rather than past events. These findings support Hamilton's (2016) criticisms mentioned above. Nevertheless, Baba et al. (2020) indicate that the frequent changes in Hamilton's cycle complicate matters for policymakers, rendering it a poor early warning indicator despite overcoming the end-point problem.

So, should we use Hamilton regression or the one-sided HP filter? The one-sided HP filter is recommended by Basel III to identify the countercyclical buffer. With smoothing parameters set at lambda 400,000, it emphasizes long-term trend analysis of the financial cycle based on past and current data, making it convenient for policymakers to provide real-time early warnings in compliance with Basel guidelines. If the analysis aims to understand historical economic cycles, the Hamilton regression serves as a robust model for capturing fluctuations in economic expansion and recession. However, the Hamilton model is limited to univariate time series data. Future research could explore multivariate methods, such as vector autoregression (VAR) or vector error correction model (VECM).

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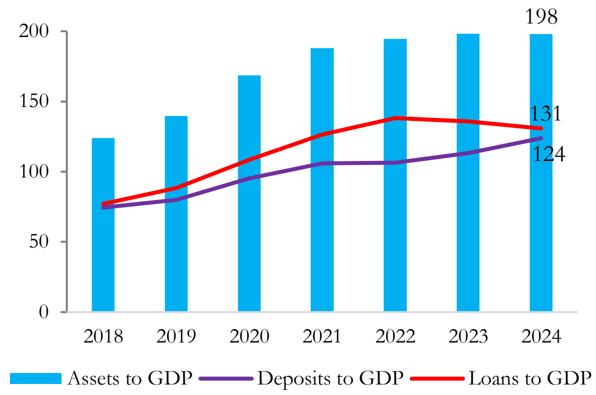
Flamini, V., Bologna, P., Vittorio, F.D., & Zandvakil, R. (2019). The Credit Cycle. In K. Beaton, R. Garcia-Saltos & L. U. Figliuoli, Paving the Way to Sustained Growth and Prosperity in Central America, Panama, and the Dominican Republic (pp. 257-273). International Monetary Fund. https://doi.org/10.5089/9781484353844.071

Hamilton, J. D. (2016). Why You Should Never Use the Hodrick-Prescott Filter. Review of Economics and Statistics. doi:10.1162/REST_a_00706

The banking system remains a cornerstone of the economy, with its assets, loans, and deposits continuing to represent a substantial share of GDP. As of 2024, total banking system assets stood at 198 percent of nominal GDP, a slight increase from 197 percent in 2023. Key financial intermediation indicators further highlight the shifting dynamics within the sector. Total deposits rose to 124 percent of GDP in 2024 from 113 percent in the previous year, reflecting strong savings growth, potentially driven by higher deposit rates. Meanwhile, total loans moderated to 130.8 percent of GDP, down from 135.7 percent in 2023, suggesting a more measured pace of credit expansion. (Figure 2.3)

2.3 **Banking System in Cambodia**
(In percentage, 2018 - 2024)



Source: National Bank of Cambodia

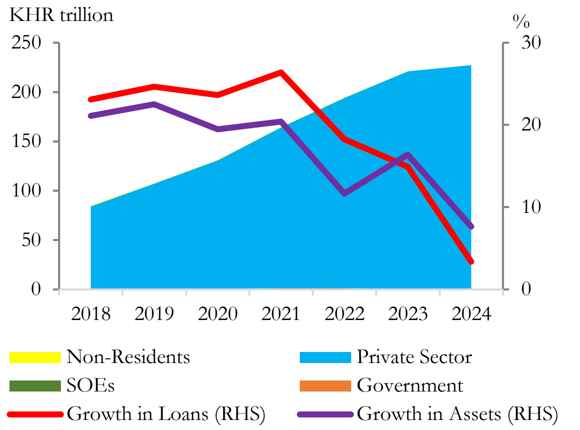
2.2 Deposit-Taking Institutions

A. Commercial Banks

A.1. Credit Intermediation and Credit Risk

Commercial banks have allocated nearly their entire lending to the private sector. Credit growth to the private sector slowed significantly to 3.4 percent in 2024, down from 14.9[3] percent in 2023 (Figure 2.4). Analyzing the distribution of credit between the public and private sectors reveals that almost all bank credit was directed to the private sector, with lending to the public sector accounting for a minuscule 0.1 percent in 2024. Within the public sector, all this lending was used by state-owned enterprises (SOEs). This trend underscores the dominance of the private sector in the banking system's credit portfolio, emphasizing the crucial role that banks continue to play in supporting private-sector-driven economic growth.

2.4 **Lending by Banks**
(2018 - 2024)



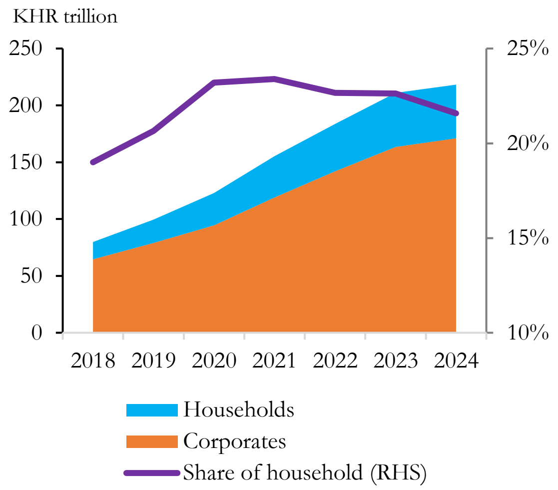
Source: National Bank of Cambodia

[3] The effect of Prasac MDI merging with Kookmin Bank

Within the private sector, the bulk of lending continued to be directed to corporates. In 2024, the corporate sector received KHR 171.1 trillion (USD 42.5 billion), accounting for 78.4 percent of total private sector credit. This represented a growth rate of 4.8 percent, down from 15 percent in 2023. Meanwhile, outstanding credit to households reached KHR 47.1 trillion (USD 11.7 billion), comprising 21.6 percent of private sector credit, marginally down from a peak of 23.4 percent in 2021, reflecting challenges arising from rising interest rates and other economic pressures that may have constrained household borrowing (Figure 2.5).

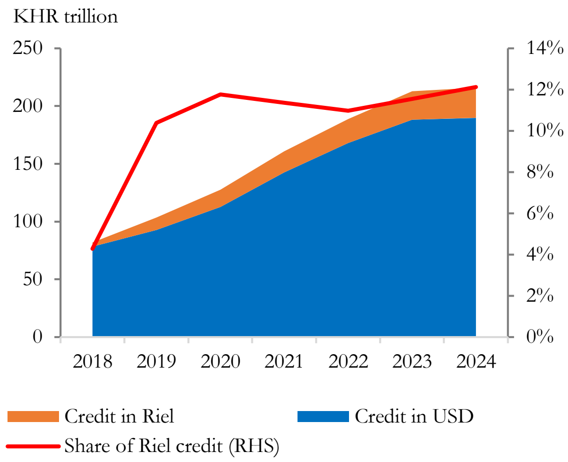
The use of local currency in bank lending has been a key focus of the NBC's policy to promote KHR usage in the economy. While banks' local currency lending has remained above the NBC's required threshold of 10 percent, the majority of lending continues to be denominated in US dollars. A currency-wise breakdown of gross loans in 2024 shows that 87.9 percent of total credit was in foreign currencies, slightly down from 88.5 percent in 2023, while riel loans accounted for approximately 12.1 percent, a slight improvement from 2023 (Figure 2.6).

2.5 **Banks' Credit to Private Sector**
(2018 - 2024)



Source: National Bank of Cambodia

2.6 **Banks' Credit by Type of Currency**
(2018 - 2024)



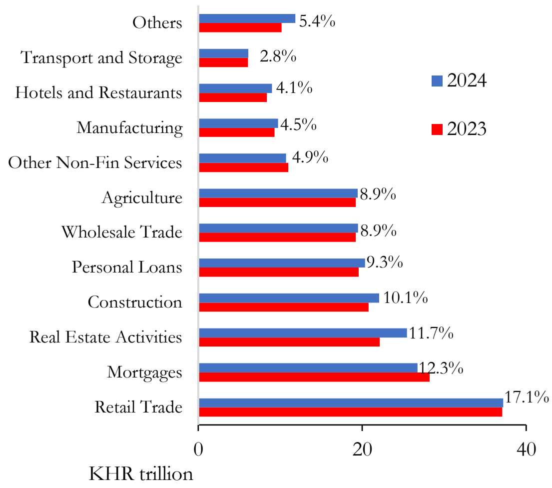
Source: National Bank of Cambodia

The distribution of bank credit across sectors remained relatively diverse. A breakdown of bank lending in 2024 indicated that retail trade remained the single largest recipient, with KHR 37.2 trillion (USD 9.2 billion) in outstanding gross loans, accounting for 17.1 percent of total bank credit. Household mortgage loans remained the second largest share, totaling KHR 26.7 trillion (USD 6.6 billion) or 12.3 percent of total lending, though its share declined slightly from 2023. Meanwhile, credit to real estate activities and construction increased to 11.7 percent and 10.1 percent, respectively, amid the slowdown in the real estate sector. The next three major sectors—personal lending, wholesale trade, and agriculture—each received about 9 percent of total credit. Credit to manufacturing and hotels and restaurants stood at 4.5 percent and 4.1 percent, respectively, slightly increasing as manufacturing and tourism showed signs of gradual recovery in 2024 (Figure 2.7).

Variations in the pace and volume of credit growth across different sectors showed that certain sectors gradually increasing their share. Compared to 2023, while the share of retail trade remained relatively stable, that of real estate activities, construction, and personal loans has risen, whereas the shares of wholesale trade and mortgage loans have slightly declined, largely impacted by global trade phenomena and a prolonged slowdown in the housing market (Figure 2.8).

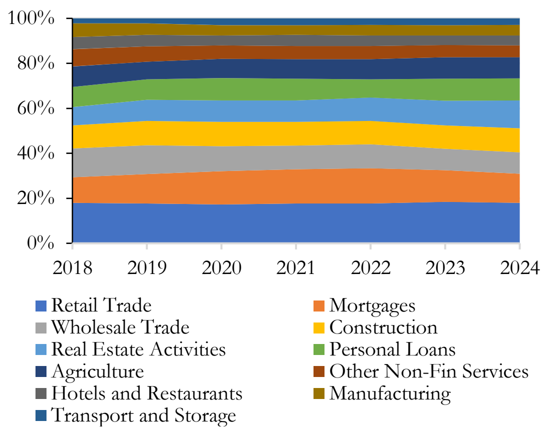
Overall, credit growth across sectors has slowed, though the trends remain uneven. Lending to retail trade, wholesale trade, and agriculture was particularly sluggish, expanding by just 0.6 percent, 1.3 percent, and 1.3 percent, respectively. Conversely, the hotels and restaurants sector experienced a 7.5 percent rebound, albeit from a low base, reflecting the gradual recovery in tourism (Figure 2.9). Similarly, manufacturing and personal loans recorded moderate growth of 4.7 percent and 4.1 percent, respectively. Notably, credit to real estate activities posted a strong 15 percent increase, suggesting that banks continue to support property-related financing. Meanwhile, credit growth in

2.7 **Banks' Credit by Sectors - Value and Share**
(2023 - 2024)



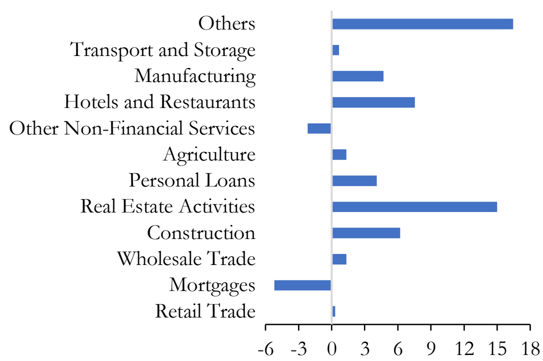
Source: National Bank of Cambodia

2.8 **Banks' Credit by Key Sectors**
(2018 - 2024)



Source: National Bank of Cambodia

2.9 **Banks' Credit Growth in Sectoral Loans**
(In annual percentage changes, as of 2024)

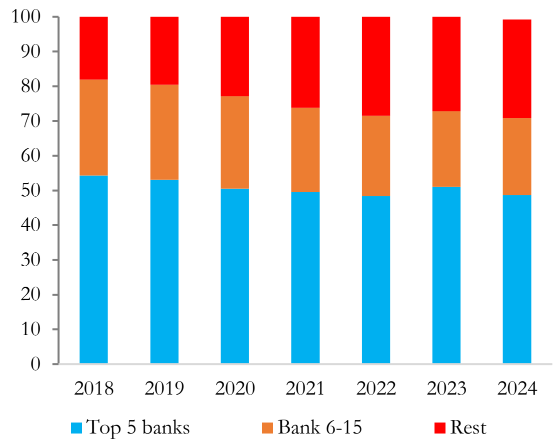


Source: National Bank of Cambodia

construction slowed, and household mortgage borrowing contracted by -5.2 percent, highlighting the subdued nature of real estate project investments and the housing market.

The distribution of bank credit remains concentrated among the top-tier banks, but smaller institutions have gradually gained market share, reflecting a shift toward a more diversified banking landscape. In 2024, the top five banks accounted for 49.1 percent of total credit extended to the private sector (Figure 2.10). Meanwhile, banks ranked from 6 to 15 collectively provided 22.3 percent of total financing, with the remaining 44 banks increasing their share to 28.6 percent[4], indicating a gradual redistribution of lending activity. Over time, credit concentration among the largest banks has eased marginally, with their share declining from 54.3 percent in 2018 to 49.1 percent in 2024, despite a temporary uptick following a bank merger in 2023. This trend suggests that smaller banks have expanded their presence, benefiting from fintech innovation, customer-centric approaches, and financial inclusion.

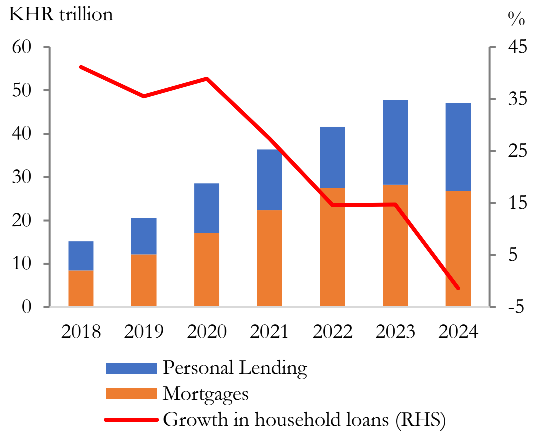
2.10 Share in Credit by Banks
(In percentage, 2018- 2024)



Source: National Bank of Cambodia

Household credit declined, driven by a drop in mortgage lending. By end-2024, total outstanding household credit stood at KHR 47.1 trillion (USD 11.7 billion), representing 21.6 percent of total bank lending, a slight decrease in its share of the overall credit market. Household credit growth turned negative at -1.4 percent, attributed to the plunge in mortgage loans (Figure 2.11). Mortgage loans continued to account for the largest portion of household borrowing, representing 56.8 percent of total household credit, while personal loans, including credit cards, constituted 43.2 percent. The modest growth of 4.1 percent in personal loans (y-o-y) in 2024 indicates sustained demand for consumer credit, while the decline of -5.2 percent in mortgage lending underscores the impact of a prolonged slowdown in the housing market.

2.11 Bank Lending to Households
(2018-2024)

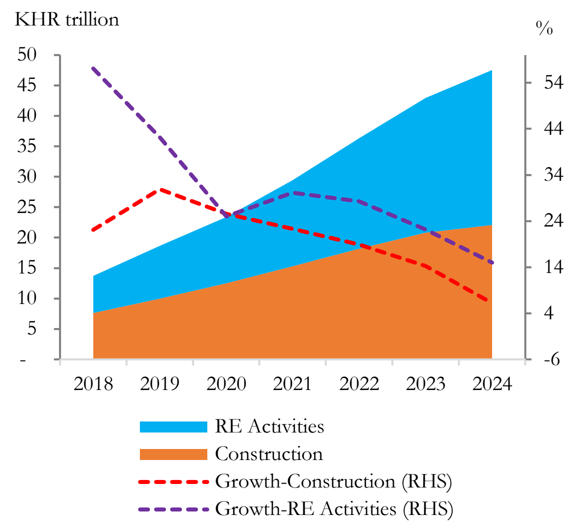


Source: National Bank of Cambodia

[4] As the number of banks has varied over the years, the 'rest' in the graph would have a different number of banks each year. In 2024, as there were 59 banks in operation, the rest includes 44 banks.

Credit to real estate activities and construction continued to expand, accounting for more than one-fifth of total bank lending. Over time, continuous lending to real estate activities and construction sectors has increased their shares of total bank credit to 11.7 percent and 10.1 percent, respectively. Despite the slowdown in the real estate sector, credit to real estate activities and construction grew by 15 percent and 6.2 percent, respectively, though showing signs of moderation (Figure 2.12).

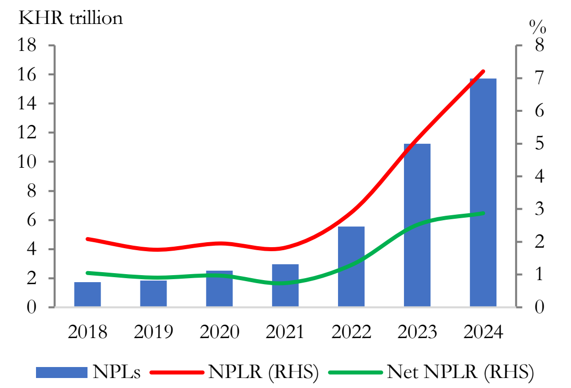
2.12 **Lending to Real Estate and Construction**
(2018- 2024)



Source: National Bank of Cambodia

Non-performing loans (NPLs) continued to increase but remained manageable. While NPLs expanded to KHR 15.7 trillion (USD 3.9 billion), yet growth moderated compared to 2023. The combination of subdued credit growth and rising NPLs pushed the overall NPLR from 5.1 percent in 2023 to 7.2 percent in 2024 (Figure 2.13). Meanwhile, the net NPLR, adjusted for specific provisions, also increased from 2.5 to 2.9 percent in 2024, suggesting that banks have strengthened their provisioning efforts to cushion potential credit losses.

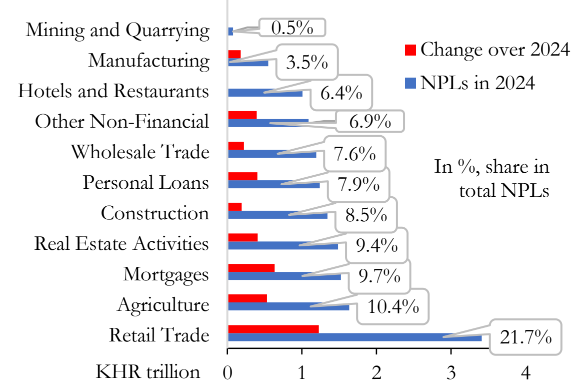
2.13 **Non-Performing Loans of Banks**
(2018- 2024)



Source: National Bank of Cambodia

The retail trade sector accounted for the largest share of total NPLs (21.7 percent), followed by agriculture (10.4 percent) and mortgages (9.7 percent) (Figure 2.14). NPLs in the hotels and restaurants sector edged up by a mere 0.2 percent, reflecting a gradual recovery in tourism. The mining and quarrying sector was the sole exception, posting a -14.7 percent decline in NPLs.

2.14 **NPLs by Sectors**
(As of 2024)



Source: National Bank of Cambodia

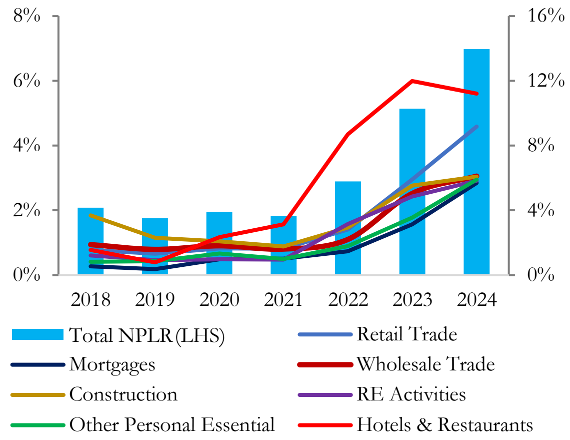
Sectoral NPLRs rose across key industries, indicating broader but still contained pressures on asset quality. The hotels and restaurants sector recorded the highest NPLR at 11 percent, though this marked an improvement over 2023, supported by a recovery in tourism and credit expansion (Figure 2.15). The retail trade sector saw a notable increase in its NPLR to 9 percent, reflecting ongoing pressure in business activities. Other sectors, including wholesale trade, construction, real estate activities, and the household segment, exhibited similar NPLRs in the range of 5 to 6 percent, remaining below the overall NPLR of 7.2 percent.

Banks have made adequate provisions in response to rising NPLs. Total specific provisions rose by 62 percent in 2024 to KHR 9.5 trillion (USD 2.4 billion), reflecting an additional KHR 3.6 trillion (USD 906 million), the largest absolute increase in seven years (Figure 2.16). Specific provisions to total NPLs have correspondingly increased to 60.5 percent from 52.3 percent in 2023, as provision growth outpaced NPLs, remaining higher than the historical average as banks stayed vigilant of continuing challenges among some risky segments.

A.2 Funding and Liquidity

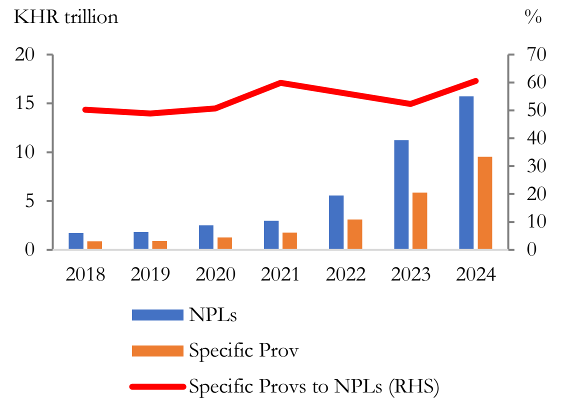
Banks maintained strong liquidity and funding positions, demonstrating resilience to liquidity shocks. The aggregate liquidity coverage ratio increased to 199.4 percent compared to 166.6 percent in 2023, well above the regulatory requirement of 100 percent (Figure 2.17). Banks continued to hold substantial high-quality liquid assets (HQLAs), totaling KHR 55 trillion (USD 13.7 billion), an increase of 16.4 percent compared to 14.5 percent in 2023, while net cash outflow slightly declined by 2.7 percent. This indicates that banks hold sufficient HQLAs to survive a 30-day liquidity stress. Additionally, LCR stress tests showed that banks were able to withstand various shock scenarios ranging from mild to severe increases in net cash outflow.

2.15 Gross Non-Performing Loan Ratio by Sectors (2018 – 2024)



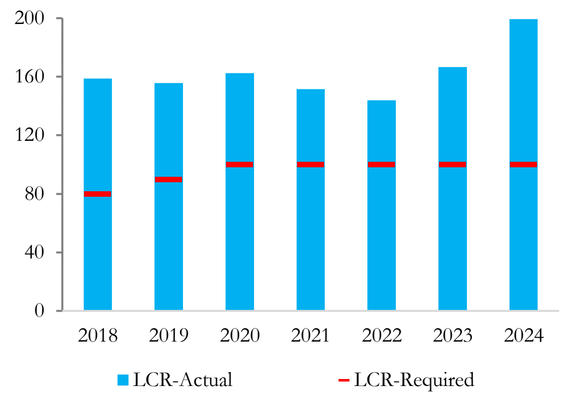
Source: National Bank of Cambodia

2.16 NPLs and Provisions (2018 – 2024)



Source: National Bank of Cambodia

2.17 Banks' Liquidity Coverage Ratio (In percentage, 2018 – 2024)



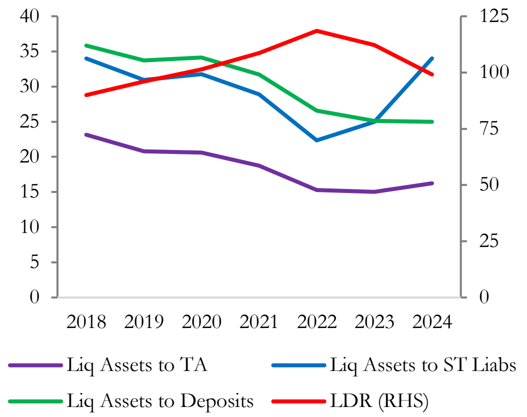
Source: National Bank of Cambodia

Other liquidity indicators demonstrated similar improvement, consistent with the trend in the LCR. The loan-to-deposit ratio declined to 100.5 percent from 112.3 percent in 2023, reflecting stronger deposit growth relative to credit expansion. Additionally, key metrics such as liquid assets to total assets and liquid assets to deposits registered marginal improvements, highlighting the banking sector's resilience in managing liquidity to meet both expected and unforeseen cash demands. Notably, the ratio of liquid assets to short-term liabilities rose from 25 percent in 2023 to 34 percent in 2024, returning to pre-pandemic levels, signaling strengthened liquidity buffers and improved short-term funding capacity (Figure 2.18).

The funding structure of banks remained stable, underpinned by strong deposit growth. Customer deposits continued to be the primary funding source, accounting for 71.8 percent, followed by capital at 19.5 percent and borrowings (both short- and long-term) at 8.7 percent (Figure 2.19). The share of deposits increased, while borrowings and capital experienced a marginal decline from 2023, possibly due to the higher interest rate environment, which encouraged banks to rely more on domestic funding sources while reducing external sources. Total customer deposits grew by 15.4 percent to reach KHR 217.1 trillion (USD 54.7 billion) in 2024, a moderation from the 21.3 percent growth recorded in 2023, reflecting continued confidence in the banking system. With strong deposit growth, fixed deposits comprised more than half of total banking deposits at 54.4 percent, providing banks with a stable funding base, while deposits in current and savings accounts constituted 42.5 percent.

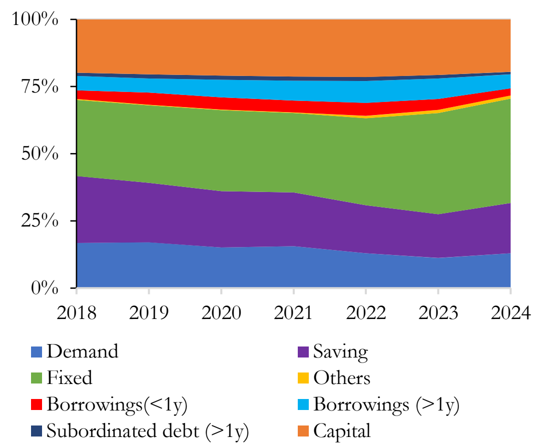
The share of riel deposits has remained stable over the past years, while foreign currency deposits continued to dominate the banking system. Despite the high level of dollarization, with foreign currency deposits accounting for 88.7 percent of total deposits, riel deposits maintained a steady share at approximately 11.3 percent (Figure 2.20). Riel-denominated loans grew modestly by 6.5 percent, reaching KHR 26.2 trillion (USD 6.5 billion), while

2.18 **Banks' Liquidity Ratios**
(In percentage, 2018 – 2024)



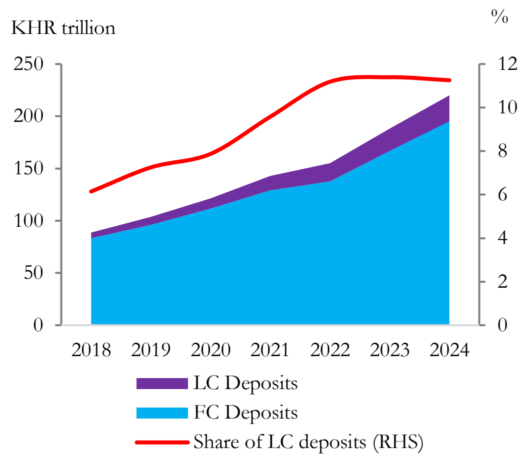
Source: National Bank of Cambodia

2.19 **Banks' Source of Funds**
(2018 – 2024)



Source: National Bank of Cambodia

2.20 **Customers' Deposits**
(2018 – 2024)



Source: National Bank of Cambodia

riel deposits expanded at a stronger pace of 15.6 percent to KHR 24.8 trillion (USD 6.2 billion) in 2024. Robust riel deposit growth will help strengthen funding availability and further narrow the gap between local currency loans and deposits.

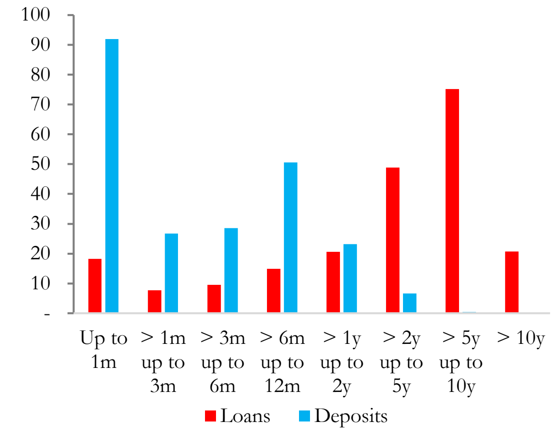
Examining the maturity structure of banks' loans and deposits reveals that short-term deposits, particularly with maturities of less than one year, continue to be the main funding source, while most loans are long-term (Figure 2.21). While maturity transformation is an inherent function of banking, greater reliance on long-term and stable funding sources would enhance financial stability. Concurrently, maintaining adequate liquidity buffers remains crucial to mitigating potential liquidity risks.

A.3 Profitability and Solvency

Banks' profitability declined sharply in 2024, driven by lower net interest income and higher provisions. Net interest income has remained relatively flat from 2022 as banks faced margin compression in a high interest rate environment. Interest income posted a marginal growth of 0.9 percent, while non-interest income growth slowed to 1.7 percent, down from 7 percent in 2023. On the expense side, the surge in interest expenses subsided significantly, rising by just 2.5 percent compared to 70 percent in 2023. This was primarily attributed to ease deposit interest rate pressures as banks accumulated ample liquidity, which could lessen reliance on costly external funding. Meanwhile, provisioning expenses grew by 28.6 percent, a notable deceleration from the 68.1 percent increase in 2023, in part due to slower NPL growth. Overall, net profits after tax contracted further by 68 percent to KHR 740 billion (USD 184 million), following a 45.4 percent decline in 2023 (Figure 2.22).

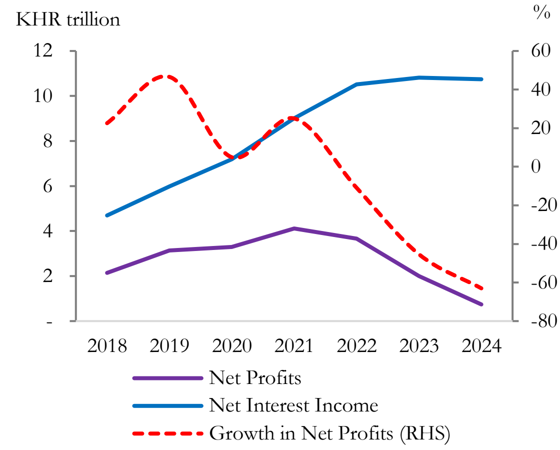
The decline in net profits further weighed on banks' profitability metrics, with return on assets (ROA) and return on equity (ROE) dropping to 0.2 percent and

2.21 **Loans and Deposits: Maturity Profile**
(In KHR trillions, as of 2024)



Source: National Bank of Cambodia

2.22 **Banks' Profitability**
(2018 - 2024)



Source: National Bank of Cambodia

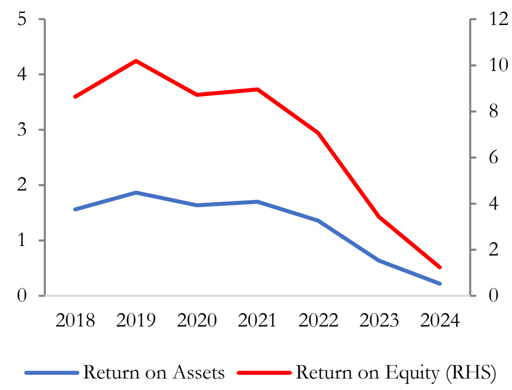
1.2 percent, down from 0.6 percent and 3.4 percent in 2023, respectively (Figure 2.23). Furthermore, the growth of total assets and equity moderated to 7.6 percent and 2.3 percent, respectively. The decline in ROA and ROE highlights rising profitability pressures in the banking sector, reflecting the impact of narrowing margins and increasing provision expenses.

The efficiency ratio marginally improved despite ongoing profitability pressures. The efficiency ratio edge lower to 51.6 percent in 2024, compared to 52 percent in 2023 (Figure 2.24). This improvement was driven by a 10.7 percent increase in gross operating income, outpacing the growth of operating expenses (10 percent). While operating costs remained elevated, their growth moderated from 15 percent in 2023, attributed to the benefits banks gained from investments in technology and digitalization to enhance operational efficiencies.

Banks' capital adequacy remained robust and resilient, staying well above the regulatory requirement. The overall capital adequacy ratio edged down slightly to 22.3 percent from 22.5 percent in 2023 (Figure 2.25), remaining comfortably above the 15 percent regulatory threshold. This was supported by modest growth in risk-weighted assets (2.8 percent) and capital (2 percent). In terms of capital composition, Tier-1 capital grew moderately by 3.2 percent, whereas Tier-2 capital declined by 7.1 percent. As a result, the share of Tier-1 capital in total capital increased further to 89.1 percent, underscoring banks' continued efforts to strengthen their core capital. The Tier-1 capital ratio stood at a solid 19.9 percent, reinforcing its role as a key pillar of banks' resilience. Additionally, banks were permitted to maintain the capital conservation buffer (CCB) at 1.25 percent until December 2025, bolstering their capacity to absorb potential losses and safeguarding stability.

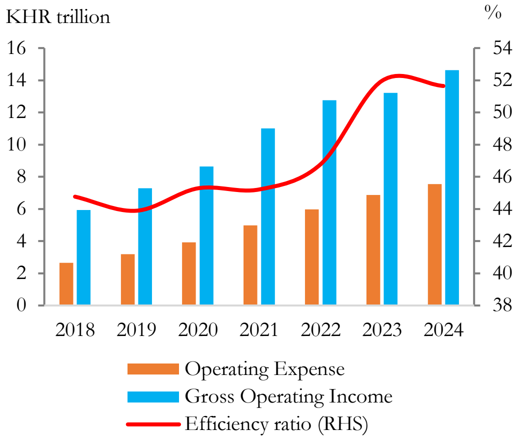
The regulatory capital-to-net loans ratio edged up to 30.1 percent in 2024 from 28.8 percent in 2023, highlighting banks' strong capital buffers, which enhance resilience during times of decline in loan quality. Conversely, the net NPLs-to-capital ratio, which measures the portion of banks' equity that could

2.23 **Banks' Return on Assets & Equity**
(In percentage, 2018 - 2024)



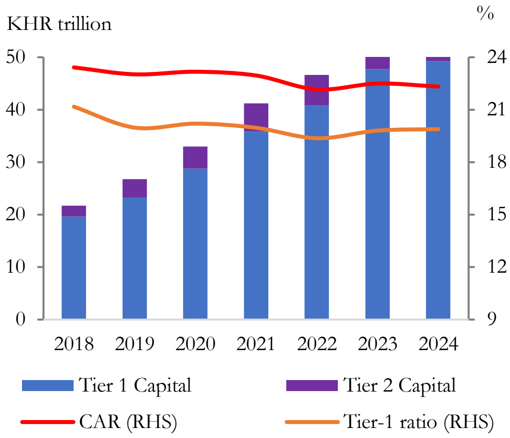
Source: National Bank of Cambodia

2.24 **Banks' Efficiency Ratio**
(2018 - 2024)



Source: National Bank of Cambodia

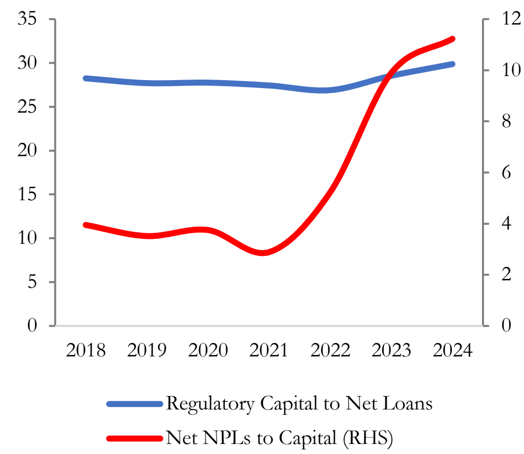
2.25 **Banks' Capital Adequacy**
(2018 - 2024)



Source: National Bank of Cambodia

be eroded by loan losses, continued to increase to 11.2 percent from 9.9 percent in 2023 (Figure 2.26). While the rise in NPLs reflects the lingering effects of unprecedented headwinds, overall, banks remain well-capitalized and well above the NBC's regulatory requirements. Moreover, solvency stress test results revealed that overall, banks were resilient, withstanding various shock scenarios ranging from mild to severe increases in NPLs.

2.26 **Banks' Capital Adequacy**
(In percentage, 2018 - 2024)



Source: National Bank of Cambodia

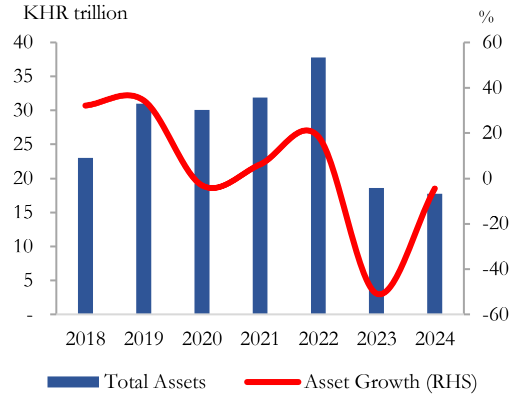
B. Microfinance Deposit-Taking Institutions

At the end of 2024, four MDIs were operating 436 branches nationwide. Compared to 2023, MDIs' total assets decreased by 4.4 percent to KHR 17.8 trillion (USD 4.4 billion), mainly attributed to negative credit growth (Figure 2.27).

B.1 Credit Performance

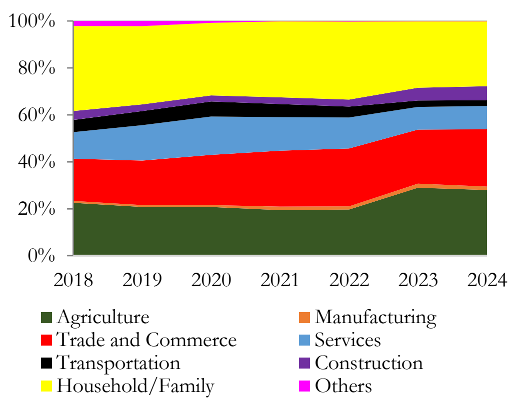
The MDIs provided credit primarily to agriculture and household, particularly in rural areas. MDIs allocated approximately 27.9 percent of their total loans to agriculture, followed by households at 27.7 percent, trade and commerce at 24.5 percent, and services at 9.9 percent. Additionally, MDIs provided 5.9 percent of their loans for construction, 2.5 percent for transportation, 1.6 percent for manufacturing, and 0.1 percent for other sectors. The share of agriculture and household loans saw a slight decrease from 28.9 percent and 28.3 percent, respectively, in 2023. The share of other sectors, except for trade and commerce, construction, and service, declined compared to 2023 (Figure 2.28).

2.27 **MDIs' Total Assets**
(2018 - 2024)



Source: National Bank of Cambodia

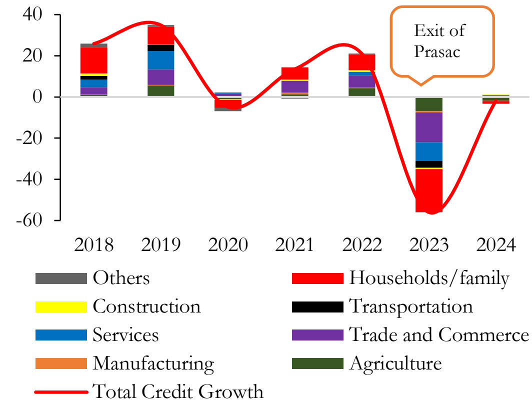
2.28 **Share of MDIs' Credit by Sectors**
(2018 - 2024)



Source: National Bank of Cambodia

MDIs' credit growth in 2024 remained contracted after a sharp decline[5] in 2023 following the transformation of an MDI. Overall credit growth remained negative (-1.8 percent) in 2024, though there was a substantial improvement over 2023. Notably, the trade and commerce sector experienced a remarkable turnaround, from a sharp contraction in 2023 to positive growth in 2024 (-14.4 percent in 2023 to 0.9 percent in 2024). Sectors like households and construction also demonstrated considerable improvements, with a much slower rate of decline (-1.1 percent from -20.8 percent and 0.4 percent from -0.7 percent, respectively), while the service sector remained relatively stable. (Figure 2.29).

2.29 **MDIs' Credit Contribution to Growth**
(In percentage, 2018 - 2024)

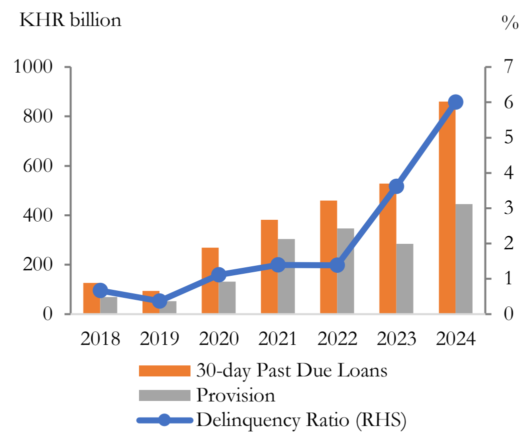


Source: National Bank of Cambodia

B.2 Credit Quality

The quality of loans continued to decline but remained manageable with adequate provisioning. The 30-day past due loans for MDIs increased by 62.8 percent to KHR 860.8 billion (USD 213.9 million) in 2024. Consequently, the delinquency ratio increased from 3.6 to 6 percent during the period, which is manageable but requires close monitoring. MDIs continued to maintain sufficient provisions against the decline in credit quality, with the specific provision coverage ratio recorded at 51.8 percent. (Figure 2.30)

2.30 **MDIs' Credit Quality**
(2018 - 2024)

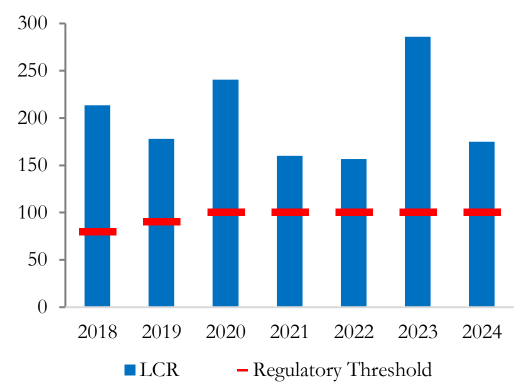


Source: National Bank of Cambodia

B.3 Liquidity and Funding Position

MDIs' liquidity position remained robust to withstand potential shocks amid ongoing economic uncertainty. The liquidity of MDIs, measured by the Basel III LCR, decreased from 286 percent in 2023 to 175 percent in 2024[6], which is still significantly above the regulatory minimum requirement of 100 percent (Figure 2.31). With an LCR of 175 percent, a more balanced approach is evident, allowing MDIs to maintain a healthy buffer against potential shocks while freeing up funds for lending, thus contributing to sustainable economic development.

2.31 **MDIs' Liquidity Coverage Ratio**
(In percentage, 2018 - 2024)



Source: National Bank of Cambodia

5 The decline in credit in 2023 was the base effect resulting from exit of Prasac from MDI.
6 Largely due to the transformation of Prasac.

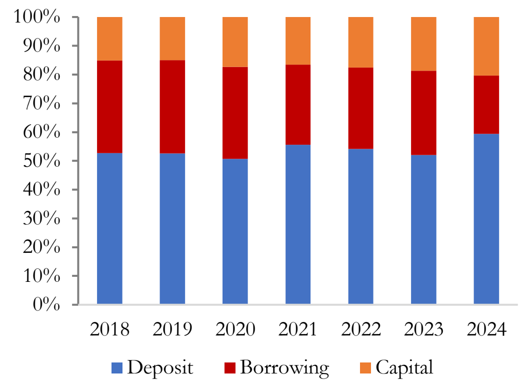
Deposit as the main source of funding reached its highest share in the past eight years. Customer deposits account for 59.4 percent of the total funding, an increase from 52 percent in 2023. The other two major funding sources were borrowing funds and capital, each accounting for 20.3 percent (Figure 2.32). Customer deposits as of 2024 amounted to KHR 9.8 trillion (USD 2.4 billion), a 3.9 percent increase from 2023, demonstrating an increase in public trust and confidence in the sector.

Long-term borrowing constituted the majority of MDIs' borrowing funds; however, MDIs significantly reduced their overall borrowing in 2024 in response to the challenging economic climate. As of 2024, the overall borrowing funds of MDIs amounted to KHR 3.3 trillion (USD 831 million), a 36.8 percent reduction over 2023. MDIs' borrowing funds were predominantly long-term, accounting for 80.8 percent of the total, while the share of short-term borrowings experienced a slight increase, from 5.4 percent of total borrowing funds in 2023 to 7.8 percent in 2024 (Figure 2.33).

B.4 Profitability and Solvency

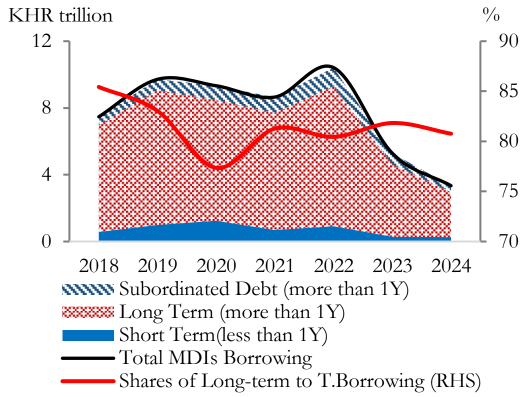
MDIs' profitability declined due to elevated funding costs and a rise in provision expenses. MDIs recorded a net profit of KHR 172 billion (USD 42.9 million) in 2024, a decline of -53 percent compared to 2023. Net interest income decreased by -3.9 percent to KHR 1.1 trillion (USD 280 million) in 2024. While the rate of decline in net interest income has slowed compared to the previous year's steep -56 percent drop, the continued downward trend highlights the persistent challenges MDIs face in the current economic environment (Figure 2.34). Net provisions increased by 67 percent, underscoring their commitment to setting aside adequate funds for potential losses.

2.32 **MDIs' Funding Structure**
(2018 - 2024)



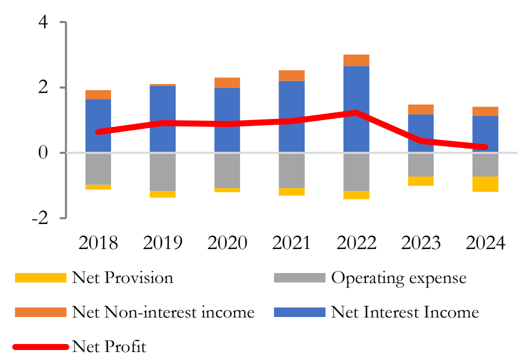
Source: National Bank of Cambodia

2.33 **MDIs' Borrowing Funds**
(2018 - 2024)



Source: National Bank of Cambodia

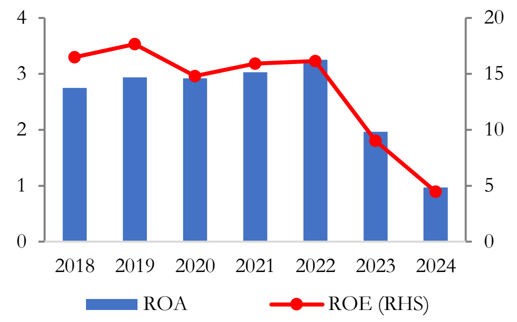
2.34 **MDIs' Profit Structure**
(In KHR billions, 2018 - 2024)



Source: National Bank of Cambodia

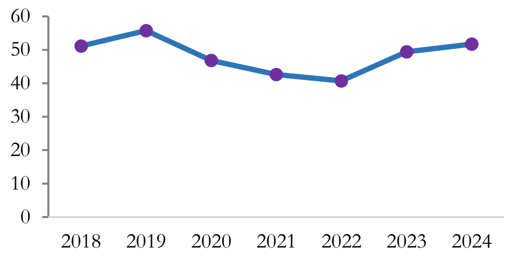
The ROA for MDIs decreased from 2 percent in 2023 to 1 percent in 2024 and ROE from 9 percent in 2023 to 4.5 percent in 2024 (Figure 2.35). Concerning operating efficiency, MDIs were less efficient, as reflected by the increasing ratio of operating expenses to operating profits, which rose from 49.4 percent in 2023 to 51.7 percent in 2024 (Figure 2.36).

2.35 **MDIs' Return on Assets and Equity**
(In percentage, 2018 - 2024)



Source: National Bank of Cambodia

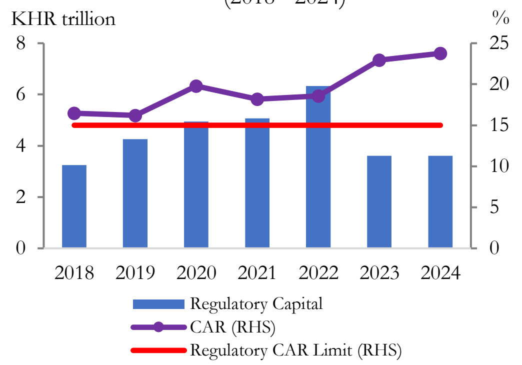
2.36 **MDIs' Efficiency Ratio**
(In percentage, 2018 - 2024)



Source: National Bank of Cambodia

MDIs' capital position remained strong, reflecting resilience against potential shocks. Their regulatory capital experienced a slight decline of 0.1 percent to KHR 3.6 trillion (USD 896 million) in 2024. The CAR remained sound at 23.8 percent, well above the regulatory threshold of 15 percent (Figure 2.37). The regulatory capital is primarily composed of Tier-1 core capital, with the Tier-1 ratio standing at 21.3 percent of risk-weighted assets. This buffer, combined with adequate provisions, renders MDIs resilient and capable of absorbing both expected and unexpected losses.

2.37 **MDIs' Capital Position**
(2018 - 2024)



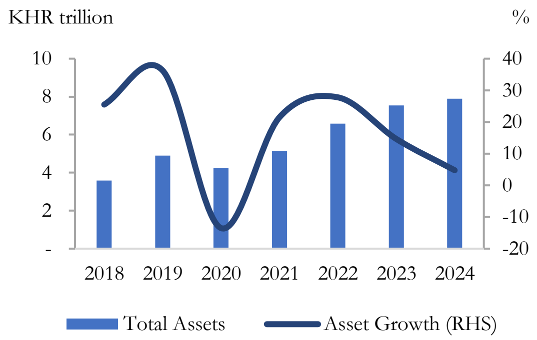
Source: National Bank of Cambodia

2.3 Non-Deposit-Taking Institutions

A. Microfinance Institutions

The asset growth of MFIs continued to slow down. At the end of 2024, there are 85 MFIs (83 in 2023). The total assets of MFIs continued to grow at 4.8 percent to KHR 7.9 trillion (USD 1.9 billion) although the growth rate decelerated compared to 2023 (14.7 percent) (Figure 2.38).

2.38 **MFIs' Total Assets**
(2018 - 2024)



Source: National Bank of Cambodia

A.1 Credit Performance

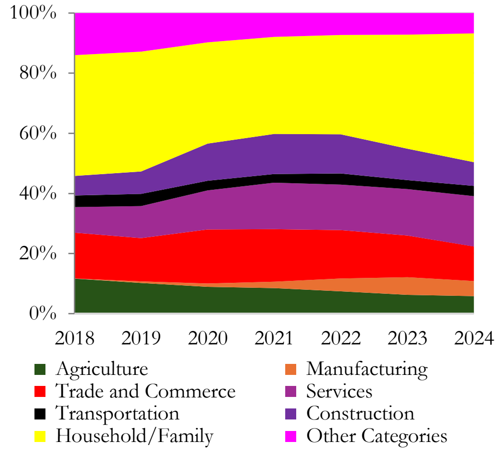
Households remained the major recipient, taking up nearly half of total MFI loans. The share of credit to households went up to 42.9 from 37.9 percent in 2023, followed by services (16.8 percent), trade and commerce (11.5 percent), construction (7.9 percent), agriculture (5.8 percent), manufacturing (5 percent) and transportation (3.4 percent) (Figure 2.39). Compared to 2023, credit to households, services, and transportation gained more shares of the portfolios while credit to agriculture has shrunk over time from 11.7 percent in 2018 to 6.3 percent in 2023 and 5.8 percent in 2024.

The growth of MFI's credit was mainly supported by lending to households, services, transportation, and agriculture. MFI's credit grew by 10.6 percent, slightly slower compared to 12.9 percent in 2023. The growth was mainly contributed by lending to households (9.5 percent), services (3.2 percent), transportation (0.9 percent), and agriculture (0.2 percent). Credit to construction, trade and commerce, and manufacturing witnessed negative contributions to growth of -1.8, -1.2, and -0.3 percent, respectively (Figure 2.40). Overall, MFIs continue to play a crucial role in financing households and families, services, transportation, and agriculture in line with the government's policies to promote financial inclusion, tourism, and MSME activities.

A.2 Credit Quality

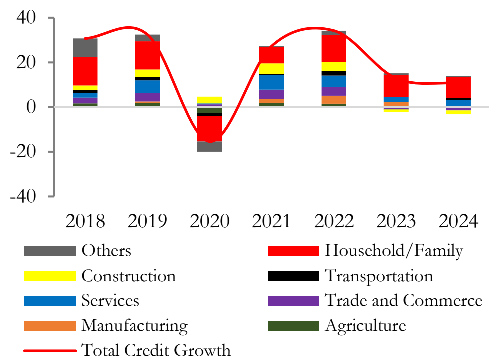
The quality of MFIs' loans further declined. The 30-day 30-days loans grew by 32.3 percent to KHR 1.1 trillion (USD 273.3 million), slower than in 2023 (59.3 percent). Additionally, the delinquency ratio went up to 15.4 percent from 12.9 (Figure 2.41), leading MFIs to set aside necessary provisions to cover the expected losses from those past-due loans, with the specific provisioning coverage ratio at 68.7 percent, an increase from 55.6 percent in 2023. In this context, the NBC continues to closely monitor credit quality and ensure that MFIs maintain sufficient capital and provisions, implement prudent lending, and comply with laws and regulations.

2.39 Share of MFIs' Credit by Sectors
(2018 - 2024)



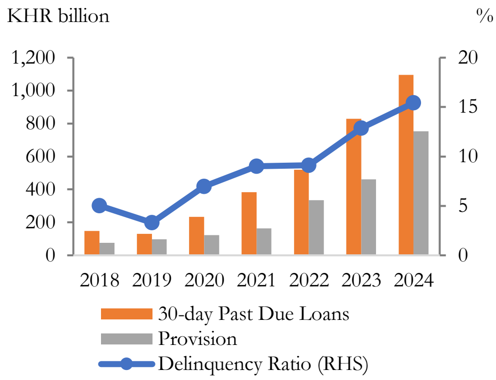
Source: National Bank of Cambodia

2.40 MFIs' Contribution of Credit by Sectors
(In percentage, 2018 - 2024)



Source: National Bank of Cambodia

2.41 MFIs' Credit Quality
(2018 - 2024)



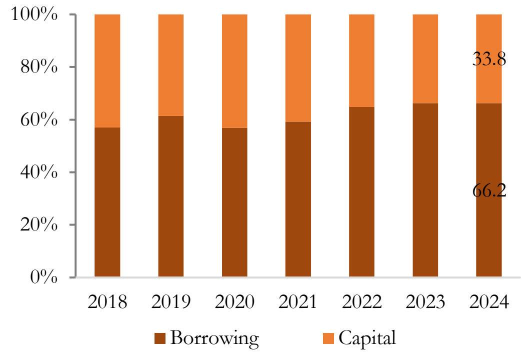
Source: National Bank of Cambodia

A.3 Funding Position

MFI's funding remained dominated by borrowing funds. Initially, the primary funding sources of MFIs were domestic and foreign NGOs, donors, multilateral development banks, and government subsidies. The dependence on these traditional sources of financing constituted an obstacle to growth, which encouraged MFIs to turn to other sources of funds, such as equity and borrowing, for further development and network expansion. As of 2024, MFIs' borrowing funds accounted for 66.2 percent of the total funds, followed by capital at 33.8 percent, as in 2023 (66.3 percent borrowing funds and 33.7 percent capital) (Figure 2.42).

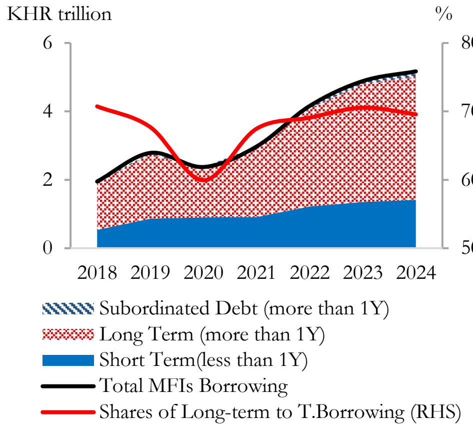
The breakdown of MFI's borrowing funds revealed greater reliance on long-term borrowings. MFI's total borrowing funds increased by 5.8 percent to KHR 5.2 trillion (USD 1.3 billion). Long-term borrowing, which accounted for 69.6 percent of total borrowing, reached KHR 3.6 trillion (USD 893.8 million), increasing by 4.4 percent compared to 2023. Subordinate debt, consisting of 3.1 percent of total borrowing, reached KHR 159.3 billion (USD 39.6 million), increasing by 75.3 percent compared to 2023. Short-term borrowing, on the other hand, increased by 4.9 percent to KHR 1.4 trillion (USD 352 million) with its share of total borrowing further narrowing from 27.6 percent in 2023 to 27.3 percent in 2024 (Figure 2.43). Overall, MFIs are increasing their funding with longer tenors to ensure stable liquidity.

2.42 MFIs' Funding Structure (2018 - 2024)



Source: National Bank of Cambodia

2.43 MFIs' Borrowing Funds (2018 - 2024)

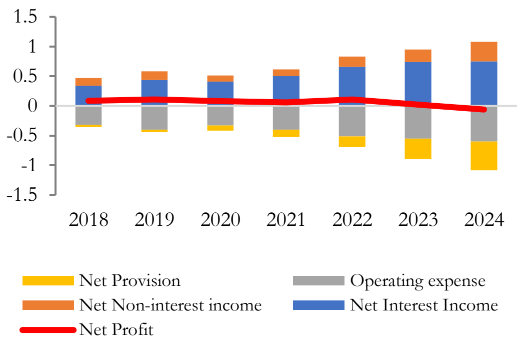


Source: National Bank of Cambodia

A.4 Profitability and Solvency

MFIs experienced a temporary loss amid high provisioning. Net loss recorded KHR 61.5 billion (USD 15 million) due to the increase in net provisions by 42.6 percent. Additionally, net interest income decreased by 8.2 percent, while non-interest income rose by 42.6 percent (Figure 2.44).

2.44 MFIs' Profit Structure (In KHR billions, 2018 - 2024)



Source: National Bank of Cambodia

As provisioning pressures impacted MFIs' profitability, the ROA and ROE declined from 0.3 percent and 0.8 percent in 2023 to -0.5 percent and -1.5 percent, respectively, in 2024 (Figure 2.45). While MFIs faced short-term losses, such provisioning is essential in the long run to ensure a sufficient buffer to cover the losses expected from loan defaults.

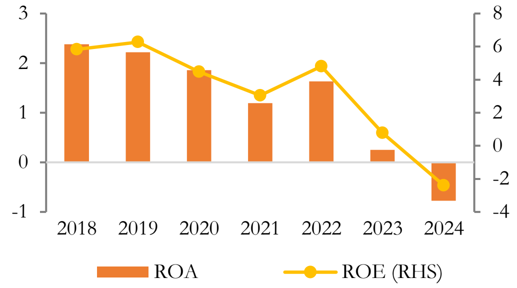
The MFIs' capital position remained strong and resilient against potential shocks. Regulatory capital increased by 1.6 percent to KHR 2.4 trillion (USD 589 million), while risk-weighted assets rose slightly by 2.7 percent to KHR 7.6 trillion (USD 1.9 billion). This resulted in a stable CAR of 30.8 percent, well above the regulatory requirement of 15 percent (Figure 2.46). Similar to MDIs, MFIs maintained robust capital positions and made necessary provisions to mitigate potential shocks from uncertainties in both domestic and external economic environments.

B. Specialized Banks

The total assets of specialized banks showed a marginal improvement of 1.6 percent in 2024 to KHR 2.7 trillion (USD 665.6 million) (Figure 2.47). These banks accounted for 0.7 percent of the total banking system assets.

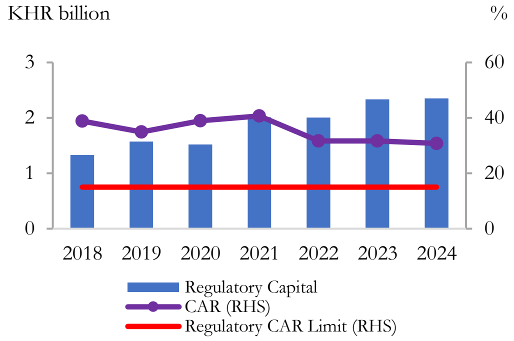
Personal and mortgage loans dominated the loan portfolio. Personal and mortgage loans represented 86.8 percent of total credit portfolio, largely due to the nature of their businesses targeting personal consumption, including automobiles, household appliances, electronics, etc. Compared to 2023, the share of personal loans in the total credit portfolio decreased from 74.5 percent to 73.2 percent, while the share of mortgage loans increased from 11.1 percent to 13 percent (Figure 2.48). The share of other sectors remained stable.

2.45 **MFIs' Return on Assets and Equity**
(In percentage, 2018 - 2024)



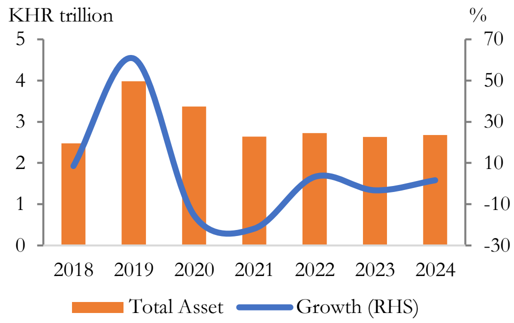
Source: National Bank of Cambodia

2.46 **MFIs' Capital Position**
(2018 - 2024)



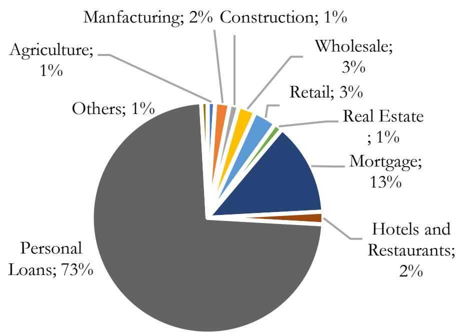
Source: National Bank of Cambodia

2.47 **Total Assets**
(2018 - 2024)



Source: National Bank of Cambodia

2.48 **Share of Credit by Sectors**
(As of December 2024)

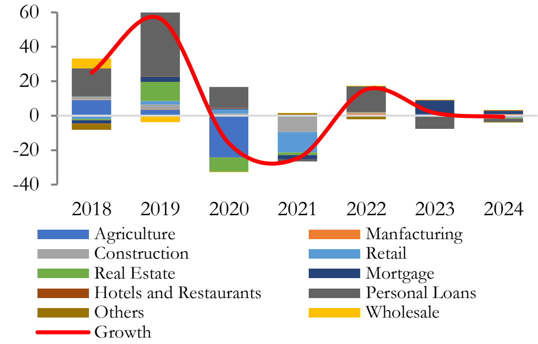


Source: National Bank of Cambodia

The decline in specialized banks' credit was primarily due to a decrease in personal loans. Total credit decreased by 0.7 percent to KHR 2.3 trillion (USD 561 million). Although lending to mortgage, manufacturing, hotel and restaurant, and wholesale a combined contribution to growth of 3.1 percent, it was offset by the negative contribution in the remaining sectors of 3.8 percent, of which personal loan contributed -1.8 percent (Figure 2.49). Notably, loans to manufacturing, mortgage, and hotel and restaurant sectors grew by 81.8 percent, 17.2 percent, and 16.5 percent, respectively.

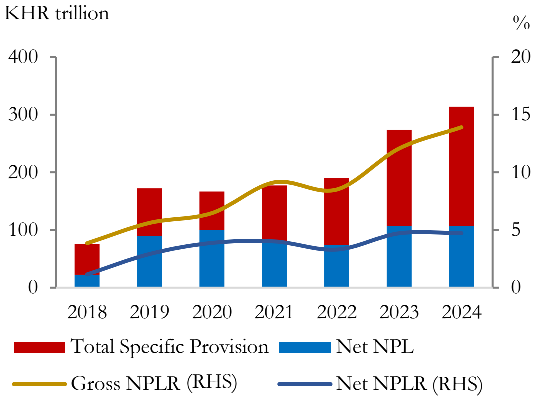
The capital position of specialized banks remained sufficient to absorb potential losses from the rising NPLs. NPLR increased from 12.1 percent in 2023 to 13.9 percent in 2024, reaching the highest level in the last decade. In response, specialized banks set aside more specific provisions covering 66 percent of total NPLs, up from 60.9 percent in 2023. It should be noted that the largest sector where specialized banks are lending to, i.e. personal loans, had NPLR of 9.6 percent in 2024. Nevertheless, loans to mortgage, manufacturing, wholesale and retail trade, and hotel and restaurant sectors had higher NPLRs. However, given their small shares in the total specialized banks' credit portfolio, these NPLs are still manageable. Overall, the net NPLR remained relatively low at 4.7 percent vis-a-vis the gross NPLR (Figure 2.50). Furthermore, specialized banks maintained a high CAR of 42.1 percent (Figure 2.51).

2.49 **Credit Growth Contribution by Sectors**
(In percentage, 2018 - 2024)



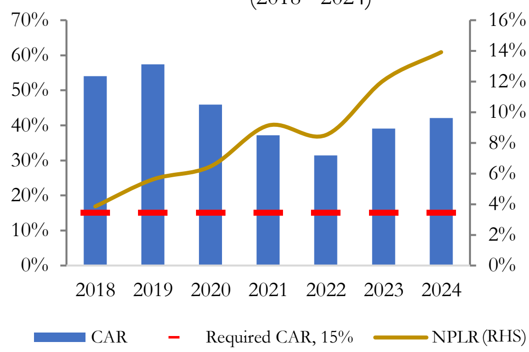
Source: National Bank of Cambodia

2.50 **Non-Performing Loans and Provisions**
(2018 - 2024)



Source: National Bank of Cambodia

2.51 **Capital Adequacy Ratio and NPL Ratio**
(2018 - 2024)



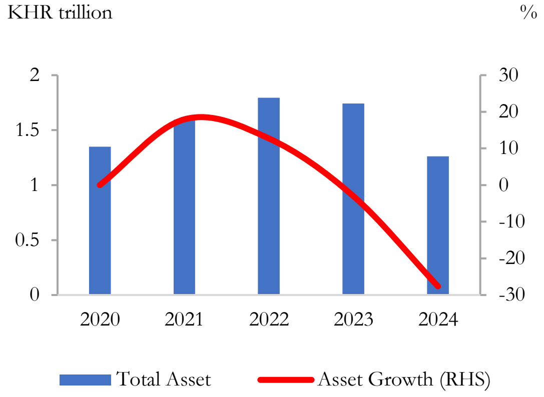
Source: National Bank of Cambodia

C. Financial Lease Institutions

The total assets and leases of financial lease institutions declined due to the merger of one institution into a specialized bank. By the end of 2024, leasing assets amounted to KHR 1.4 trillion (USD 343.8 million), a decline of 32 percent, compared to 2023 (Figure 2.52). Moreover, financial leases significantly decreased by 27.6 percent in 2024 to KHR 1.3 trillion (USD 313 million). However, this sector represented a small portion of 0.4 percent of the banking system assets.

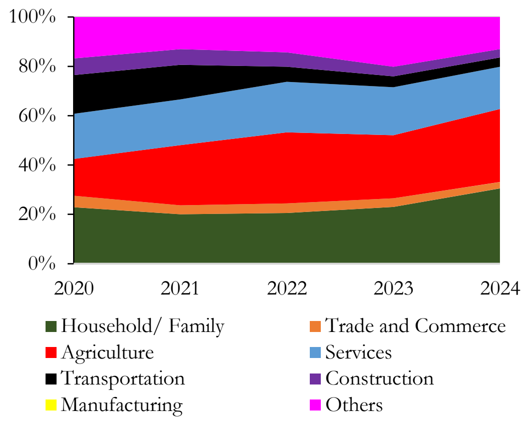
Analyzing by sector, financial lease institutions primarily provided financial leases to households and agriculture, which together contributed approximately 60 percent of the total portfolio in 2024. The share of these sectoral loans reached their highest levels in the past five years, increasing from 22.9 percent and 18.3 percent in 2020 to 30.5 percent and 29.6 percent in 2024, respectively. Conversely, the financial leases to the service sector, which was the third largest, slightly declined from 18.3 percent in 2020 to 17.1 percent in 2024 (Figure 2.53). Concerning profitability, financial lease institutions faced a decline, as reflected by negative ROA and ROE figures. The ROA decreased from 2.4 percent in 2023 to -0.4 percent in 2024, while the ROE fell from 0.8 percent to -1.4 percent (Figure 2.54).

2.52 **Financial Lease Institutions' Assets** (2020 - 2024)



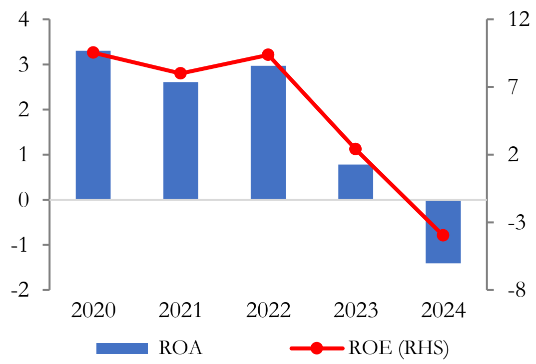
Source: National Bank of Cambodia

2.53 **Share of Leasing Credit by Sectors** (2020 - 2024)



Source: National Bank of Cambodia

2.54 **Return on Assets and Equity** (In percentage, 2020 - 2024)



Source: National Bank of Cambodia

2.4 Policy Discussion

The banking system in Cambodia has remained resilient, characterized by strong capital and ample liquidity. However, the scarring effects of COVID-19, uneven sectoral recovery, and challenges in the global environment have exerted pressure on the banking system, particularly regarding deteriorating credit quality, which has further dampened profitability. In response, the NBC has initiated the following measures, inter alia, to support the robustness of the banking system:

- Capital Conservation Buffer (CCB) has been maintained at 1.25 percent until December 31, 2025. This buffer is designed to ensure that banks and financial institutions (BFIs) build up capital reserves during normal financial conditions that could be drawn down when losses occur.
- The reserve requirements for both KHR and foreign currencies have been maintained at 7 percent until December 31, 2025. This measure allows BFIs to have more liquidity for providing credit to support economic growth.
- The regulatory forbearance allows BFIs to restructure loans across all sectors up to two times without changing loan classifications or requiring additional provisioning until the end of December 2025. Furthermore, BFIs are permitted to move up loan classifications for viable customers who have consistently met their loan obligations for at least three consecutive months.

Looking ahead, given the evolving and challenging regional and global environment, the NBC will closely monitor developments in the financial sector and stands ready to introduce measures as warranted to ensure the stability and resilience of the financial system. Beyond the banking sector, the NBC continues to monitor potential risks from shadow banking entities, such as real estate developers and pawn shops. To mitigate any potential spillover risks to the broader financial system, the NBC is committed to collaborating with all relevant stakeholders and authorities to enhance data-sharing efforts and strengthen oversight mechanisms.

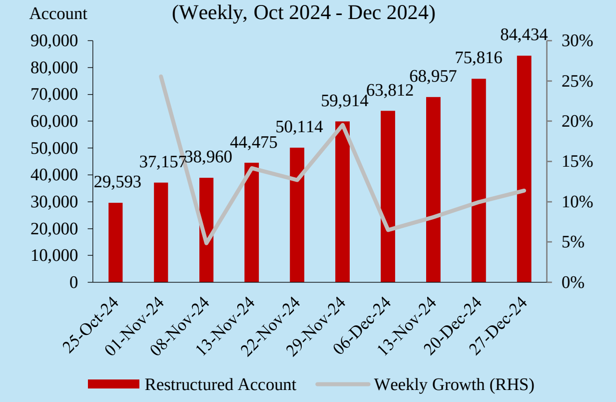
Box 2.2

Regulatory Forbearance on Loan Restructuring

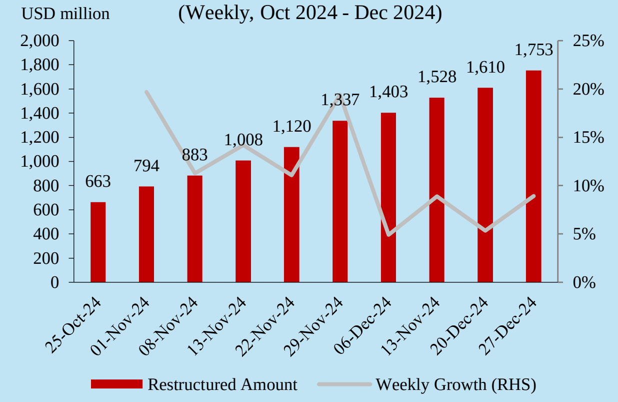
Following the COVID-19 pandemic, the NBC has withdrawn many of its forbearance and supporting measures and initiated policy normalization in line with the economic recovery. This includes requiring BFIs to assess restructured loans and make appropriate provisions for them. Consequently, the NPL for banks began to increase gradually, with NPLR going up from 2 percent in 2021 to 3.1 percent in 2022, 5.4 percent in 2023, and 7.3 percent in 2024. The surge in NPLs has necessitated substantial provisioning by BFIs, impacting profitability and prompting a more prudent lending approach. This stringent lending, coupled with weakened market demand, has led to a rapid slowdown in credit growth, from 23.5 percent in 2021 to 18.9 percent in 2022, 4.2 percent in 2023, and 3 percent in 2024. To support BFIs, provide relief to customers facing revenue shortfalls, and increase the flow of funds into the economy, the NBC has rolled out several measures. Starting with the announcement and issuance of a circular at the end of 2023, the NBC provided some regulatory relief for BFIs, allowing them to restructure loans related to the tourism sector in Siem Reap. Subsequently, the circular issued in August 2024 permitted BFIs to restructure loans under certain terms and conditions, with a phase-out scheduled for the end of 2025.

As a result, BFIs have diligently restructured loans for their customers per the NBC's circulars. The number of restructured loans for deposit-taking financial institutions reached 84,434 accounts, amounting to USD 1.8 billion as of December 27, 2024. On a weekly average, the number of restructured accounts and amount grew by 12.4 percent and 11.4 percent, respectively (Graphs A and B). Restructured loans are expected to continue growing gradually during 2025, helping to slow down the increase in non-performing loans.

Graph A: Restructured Loan Accounts of Deposit-Taking Financial Institutions
(Weekly, Oct 2024 - Dec 2024)



Graph B: Restructured Loan Amounts of Deposit-Taking Financial Institutions
(Weekly, Oct 2024 - Dec 2024)



Source: NBC and staff calculations

The implementation of another round of forbearance measures carries two significant risks that could threaten financial stability: moral hazard risk and the inability to detect potential vulnerabilities in the banking system. Firstly, BFIs and their customers may be getting comfortable with the presence of the supporting and forbearance measures. This could lead them to be more dependent on the forbearance measures, making it challenging for the NBC to phase out such temporary support. Secondly, it may become difficult for supervisors to detect potential vulnerabilities within BFIs, as the forbearance reduces some regulatory requirements, hindering the central bank's ability to act promptly to address issues proactively.

To mitigate the aforementioned risks and ensure the sustainable development of the banking system, several policy actions could be considered: i/- proper assessment and screening of restructured loans by BFIs, ensuring customer credit discipline and enhancing the loss absorption capacity of BFIs; ii/- comprehensive reporting of restructured loans and stress testing; iii/- strengthening loan classification by sector and quality; and iv/- anchoring clear expectations that regulatory forbearance is not a permanent measure or solution.

2.5 Conclusion

The banking system has remained resilient and continues to fulfill its core role of providing necessary financing to support economic recovery. However, regional and global economic challenges, including high interest rates and slow recovery in certain domestic sectors, have exerted pressure on both the supply side—where banks have become more prudent in their lending—and the demand side—where households' borrowing appetite has declined. This has weighed on credit growth, leading to a slowdown in 2024. Asset quality has continued to decline due to sluggish credit growth and rising non-performing loans. Banks and financial institutions have made additional provisions to cover loan losses resulting in a decline in profitability. Nevertheless, liquidity and capital positions have improved further. Internal stress testing exercises indicate that banks are generally capable of withstanding further deterioration in asset quality under various stress scenarios. While NPLRs have gradually increased and are relatively higher in MFIs and specialized banks compared to commercial banks, these institutions also maintain significantly higher capital adequacy levels overall.

III Non-Bank Financial Sector

The stock market experienced a significant decline, with the Cambodia Securities Exchange (CSX) index and market capitalization dropping by 12.7 percent compared to the previous year. Trading activities—both in terms of average daily trading value and volume—further decreased in 2024. Conversely, the bond market expanded steadily, providing additional options for both the government and corporations to seek financing in the local currency. For instance, the total outstanding government bonds was recorded at KHR 463.3 billion (USD 115.1 million), while the size of corporate bonds reached KHR 559.4 billion (USD 139 million). In the insurance sector, total assets grew steadily, reaching KHR 5 trillion (USD 1.2 billion), with gross premium growth edging up marginally. The real estate sector remained weak, with gradual price adjustments, as demand for housing was subdued and occupancy rates for retail and office markets edged down.

3.1 Asset Market

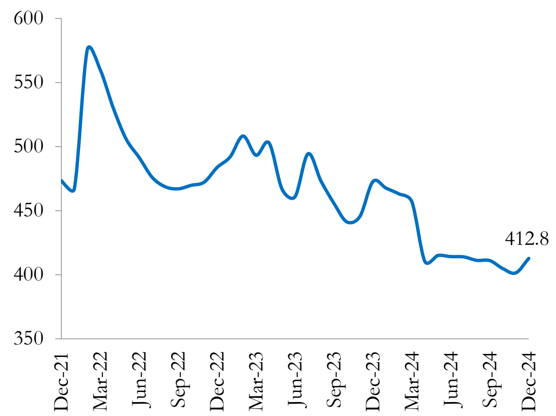
A. Equity Market

The CSX index and market capitalization experienced a notable decline compared to the previous year. For instance, the CSX index stood at 412.8 at the end of 2024, reflecting a decrease of 12.7 percent (Figure 3.1). Simultaneously, the market capitalization, including both main and growth boards, dropped by 12.7 percent from KHR 12.8 trillion (USD 3.2 billion) in 2023 to KHR 11.2 trillion (USD 2.8 billion). Most stocks listed on the market experienced the bear market, such as stock prices of ACLEDA Bank (-25 percent), Phnom Penh Water Supply Authority (-12.6 percent), Sihanoukville Autonomous Port (-8.1 percent), and CAMGSM (-7.6 percent).

CAMGSM accounted for the largest share of the stock market, with a 42.8 percent share of total market capitalization, followed by ACLEDA Bank (29.2 percent), Sihanoukville Autonomous Port (8.9 percent), MJQE (6 percent), and Phnom Penh Water Supply Authority (5 percent) (Figure 3.2).

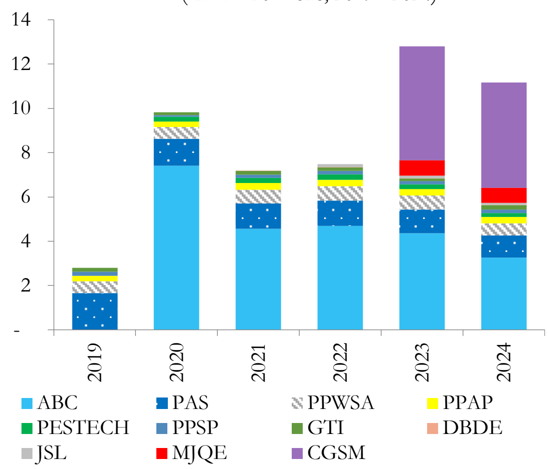
Trading activities continued to decline, both in terms of average daily trading value and volume. The daily average trading value fell by 35.3 percent, from KHR 828.2 million (USD 201.5 thousand) in 2023 to KHR 535.9 million (USD 131.6 thousand), and the average daily trading volume by 20.5 percent to 101,843 shares per day (Figure 3.3). This decline may reflect low

3.1 Cambodia Securities Exchange Index
(Dec 2021 – Dec 2024)



Source: Cambodia Securities Exchange

3.2 Market Capitalization
(In KHR trillions, 2019 - 2024)



Source: Cambodia Securities Exchange

expectations regarding dividend distributions. However, the number of valid trading accounts—both Cambodian and foreign—rose by 21.9 percent, reaching 58,542 accounts by end-2024, with Cambodian investors accounting for 91.8 percent.

B. Bond Markets

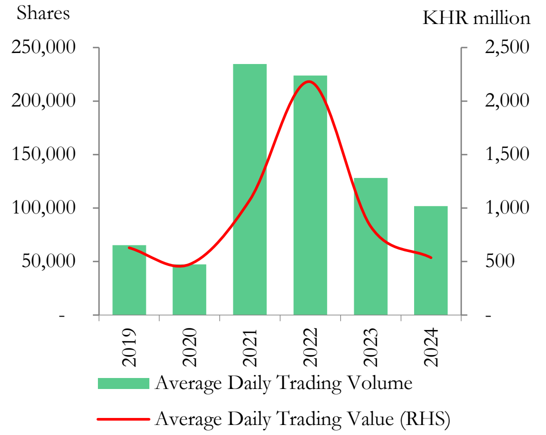
B.1 Government Bonds

The government bond market increased steadily but remained small. In 2024, the government issued a total of KHR 301.3 billion (USD 74 million) in bonds with various maturities ranging from 1 year to 15 years. Coupon rates for government bonds ranged from 3.5 percent to 5 percent, paid semi-annually. The government bonds outstanding reached KHR 463.3 billion (USD 115.1 million), an increase of 94.7 percent from 2023, while a total of KHR 76 billion (USD 18.7 million) in government bonds matured (Figure 3.4). The issuance of government bonds is an important step in contributing towards the development of Cambodia's financial markets and using alternative domestic financing sources. This also facilitates market-based monetary policy operations, promotes the use of KHR, and diversifies financing sources for key government projects.

B.2 Corporate Bonds

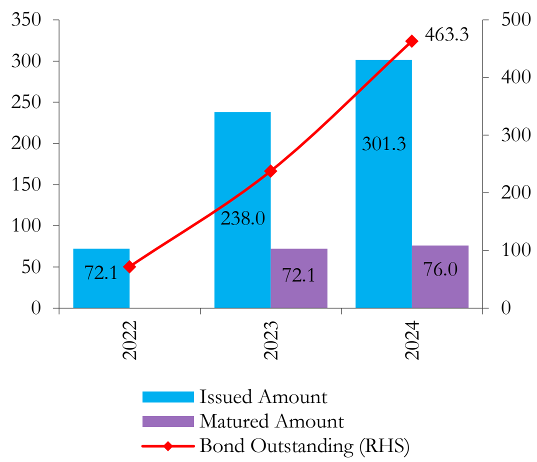
The bond market continued to attract new listings seeking financing in the local currency. In 2024, Royal Group Phnom Penh SEZ Plc issued KHR 41.1 billion in green bonds, bringing the total outstanding corporate bonds to KHR 559.4 billion (USD 139 million), an increase of 8.1 percent from the previous year. Among the seven companies in the bond market, two telecommunication companies (Telcotech and CAMGSM) accounted for 44.1 percent of the total corporate bond market, followed by a transportation firm (Royal Railway, 25.2 percent), an import-export company (RMA, 14.9 percent), an education company (CIA First International School, 7.4 percent), a special economic zone company (Royal Group Phnom Penh SEZ, 7.3 percent), and a real estate company (Golden Tree, 1.1 percent)

3.3 Average Trading Volume and Value
(2019 - 2024)



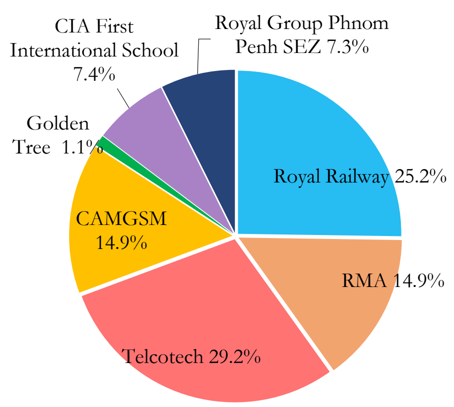
Source: Cambodia Securities Exchange

3.4 Government Bond Issuance
(In KHR billions, 2022 - 2024)



Source: National Bank of Cambodia

3.5 Total Corporate Bond Outstanding
(As of 2024)



Source: Cambodia Securities Exchange

(Figure 3.5). This further reflects the role of the bond market in providing additional long-term financing to various business firms in different sectors.

In terms of maturities, corporate bonds in the market offered either 5-year or 10-year maturities (Table 3.1). Coupon rates for 5-year bonds varied from 4.5 percent to SOFR + 3.5 percent, while coupon rates for 10-year bonds ranged from 7 percent to SOFR + 3.75 percent.

Table 3.1: Coupon Rates of Corporate Bonds

Issuer	Bond Name	Coupon Rate	
		5-Year	10-Year
RMA (Cambodia)	RMAC Bond	5.5%	
Telcotech	Telcotech	4.5%	
	Telcotech Public Ltd	SOFR* + 2.5%	
Royal Railway	Royal Railway Bond		7%
	Royal Railway Guarantee Bond 1	SOFR +3.5% or 5% per annum**	
	Royal Railway Guarantee Bond 2		SOFR +3.5% or 5% per annum and year 6 to year 10: SOFR +3.75% or 5% per annum
Golden Tree	Golden Tree Green Bond	7%	
CIA First International School	CIA First Guaranteed Bond 1	6.3%	
CAMGSM	CAMGSM Sustainability Bond		SOFR +3% or 5.5% per annum
Royal Group Phnom Penh SEZ	PPSP Green Bond	SOFR + 1.5%	

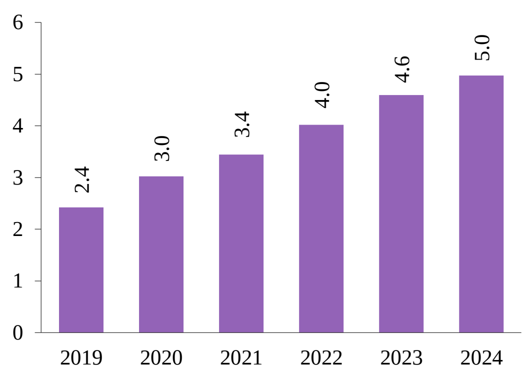
Note: * SOFR refers to the Secured Overnight Financing Rate
** The higher rate is applicable

Source: Cambodia Securities Exchange

3.2 Insurance Sector

The total assets of the insurance sector continued to expand steadily. By the end of 2024, total assets in this sector increased by 8.2 percent, reaching approximately KHR 5 trillion (USD 1.2 billion) (Figure 3.6). The insurance market consisted of 18 general insurance companies, 14 life insurance companies, 7 micro insurance companies, 1 reinsurance company, and 20 insurance brokers.

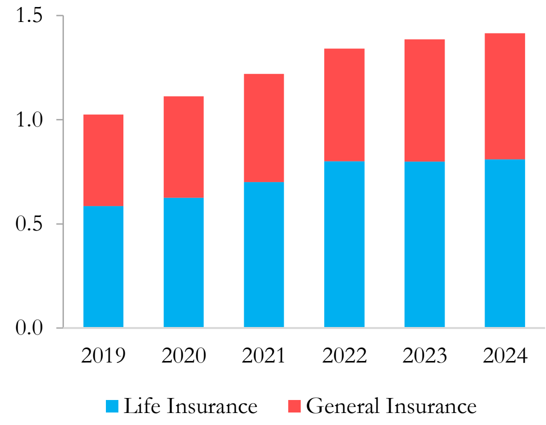
3.6 Total Assets of the Insurance Sector
(In KHR trillions, 2019 – 2024)



Source: Insurance Regulator of Cambodia

The gross insurance premiums maintained growth momentum. The gross premium increased by 3.6 percent to KHR 1.5 trillion (USD 356.5 million) (Figure 3.7). While the growth of general insurance premiums decelerated, life insurance premiums rebounded from negative growth in 2023. The breakdown of the insurance premium indicated that life insurance accounted for 58.1 percent of the total, while general insurance comprised the remaining 41.9 percent.

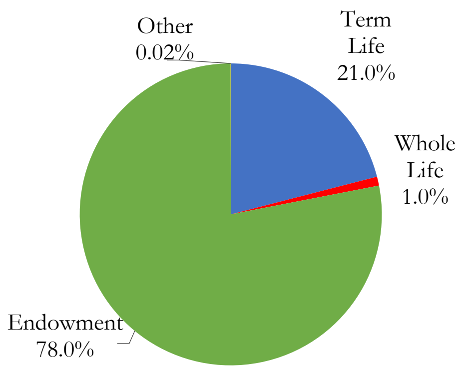
3.7 Insurance Premium
(In KHR trillions, 2019 – 2024)



Source: Insurance Regulator of Cambodia

The life insurance premium increased by 7.1 percent to KHR 843.4 billion (USD 207.2 million), recovering from a 0.5 percent decline in 2023. This improvement was primarily driven by endowment policies, which hold the largest share, accounting for 78 percent of the total life insurance premium, followed by term life insurance at 21 percent (Figure 3.8).

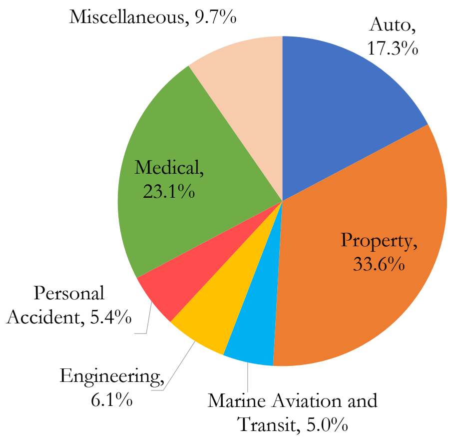
3.8 Share of Insurance Premium
(As of 2024)



Source: Insurance Regulator of Cambodia

The general insurance premium saw a marginal increase of 0.9 percent to KHR 608 billion (USD 149.4 million) compared to the growth rate of 9.3 percent in 2023. Of the total general insurance premium, property insurance accounted for the largest share at 33.6 percent, followed by medical insurance at 23.1 percent and auto insurance at 17.3 percent (Figure 3.9).

3.9 Share of General Insurance Premium
(As of 2024)



Source: Insurance Regulator of Cambodia

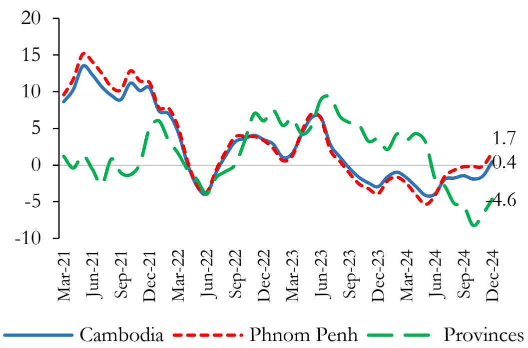
3.3 Real Estate Sector

The real estate sector remained weak with gradual price adjustment. For instance, the Residential Property Price Index in Cambodia saw an average decrease of 2 percent in 2024, down from a 1.5 percent growth in 2023, despite slight improvements at the year-end (Figure 3.10). Phnom Penh's RPPI steadily declined by -5.4 percent (Y-o-Y) in May 2024. The trend of falling property prices persisted, although the rate of decline softened slightly in the later months of the year, turning positive at 1.7 percent in December. Meanwhile, other provinces faced a sharper downturn during the second half, with the RPPI dropping to -8.2 percent in October and continuing negative growth in the following months. This overall decline in both Phnom Penh and other provinces likely reflects subdued demand and ongoing challenges in the sector.

Demand for residential properties further declined in the housing market but notably increased in the condominium segment. In 2024, total sales of houses dropped by 18 percent to 1,744, while that of condominiums surged by 35.6 percent to 2,275 units (Figure 3.11). The strong performance in the condominium market contributed to a 21 percent increase in the value of residential properties sold, totaling USD 674.5 million. Meanwhile, the number of forgone sale contracts increased by 20.7 percent to 604 contracts, indicating continued challenges faced by some homebuyers. Additionally, the CBRE's Fearless Forecast 2025 Report indicated that occupancy rates for both retail and office markets fell to 61.8 percent and 65.2 percent in 2024, lower than 64.4 percent and 66.4 percent, respectively, in 2023.

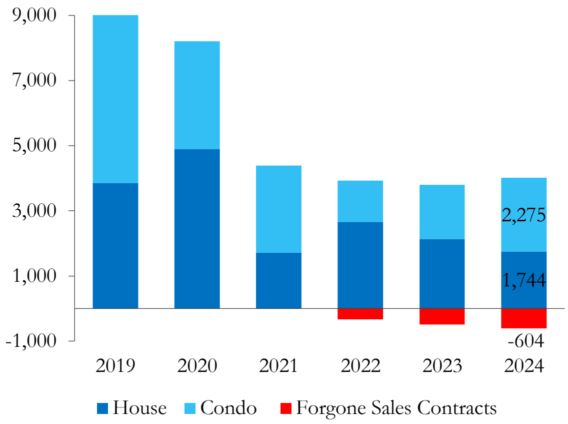
The government has extended tax relief for both homebuyers and real estate developers to support the recovery of real estate activities. For stamp duty, the government has exempted properties valued at or below USD 210,000 for first-time homebuyers until the end of 2025, which is three times higher than the previous threshold of USD 70,000. Moreover, real estate developers have been allowed to defer tax payments for 12 to 36 months, easing cash flow. Additionally, the

3.10 Residential Property Price Index
(In Annual Percentage Change, 2021 - 2024)



Source: National Bank of Cambodia

3.11 Number of Residential Properties Sold
(In units, 2019 - 2024)



Source: Real Estate Business & Pawnshop Regulator

NBC and the Ministry of Land Management and Urban Planning and Construction have encouraged homebuyers with direct installment agreements with real estate developers to refinance with banks and financial institutions that can offer mortgages with favorable loan conditions, such as lower interest rates, longer maturities, and better consumer protection.

3.4 Conclusion

The non-bank financial sector continued to contribute to a more diversified and broad-based financial sector development. While the equity market faced challenges, the bond market expanded further, providing an alternative source of financing for both the public and private sectors. Additionally, total assets and gross premiums in the insurance sector continued to grow but remained small compared to the banking system. Meanwhile, the real estate sector remained weak, with gradual price corrections as demand for housing softened and occupancy rates for retail and office markets declined. Although risks that could spill over to the broader financial system remain manageable, greater efforts to enhance data collection and sharing are needed, with close collaboration among the authorities concerned to ensure the stability and resilience of Cambodia's financial system development.

IV Digital Payment System Development

The NBC has actively leveraged advancements in financial technology to modernize the country's payment systems, aligning with the Royal Government of Cambodia's Pentagonal Strategy-Phase I, which identifies technology as one of its five key pillars. The adoption of digital payments has seen significant growth in recent years, reflecting increasing public confidence and usage. In 2024, the value of digital payments reached nearly 15 times of Cambodia's GDP.

The Bakong system has played a pivotal role in this transformation, promoting the use of the Khmer Riel and enhancing cross-border payment connectivity with regional nations and international payment gateways. The modernization of digital payment systems has improved efficiency in the economy, supporting financial inclusion by offering fast, secure, and cost-effective payment solutions.

However, the rapid expansion of digital payments also introduces emerging risks to financial stability, including information technology and cyber risks, digital fraud, and data privacy concerns. To mitigate these, the NBC has introduced various regulations and guidelines, aimed at ensuring the safe operation of digital payment infrastructure, balancing innovation with the need for financial stability and consumer protection.

4.1 Progress of Digital Payment Adoption

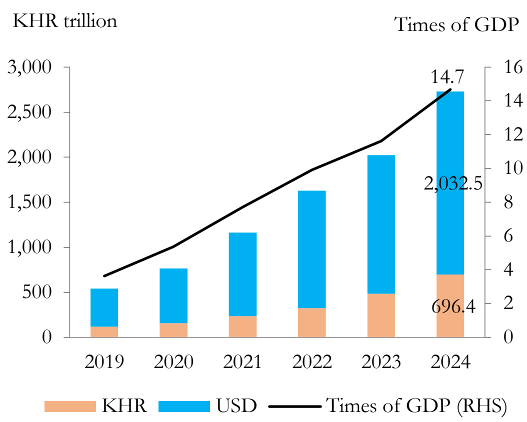
Amid rapid advancements in financial technology, the NBC has actively promoted digital payments through various initiatives to enhance financial inclusion and improve the efficiency of payment transactions, thereby supporting trade, investment, tourism, and remittances. Digital payments encompass electronic methods such as mobile wallets, QR code payments, and bank transfers. Key initiatives driving this transformation include the National Clearing System (NCS), Online Banking System (OBS), FAST Payment System, Retail Pay, Bakong (KHQR standard and Bakong Tourists App), and Cambodian Shared Switch (CSS). Furthermore, the Bakong Large Value Payment System (Bakong LVPS) is currently in its pilot phase, designed to facilitate large-value transactions in interbank and financial markets, as well as net balance settlements for retail payment systems. These advancements have significantly strengthened Cambodia's digital payment landscape, offering greater convenience, reducing reliance on cash, and expanding financial inclusion. By enabling faster, secure, and cost-effective transactions, digital payments also facilitate cross-border trade and remittances, attract foreign investment, and enhance the tourist experience with seamless and widely accepted cashless payments.

As Cambodia continues to embrace digital payments, the adoption of these systems has rapidly accelerated, becoming the new norm in the economy. The country's young, tech-savvy population, combined with the rapid growth in smartphone use and internet penetration, has been pivotal in moving Cambodia toward a more cashless economy. This shift is evident in the remarkable growth of the number of digital transactions, which increased by 77.8 percent in 2024 to 3.2 billion, up from 1.8 billion in 2023. The total value of digital payments reached KHR 2,728.9 trillion (USD 678 billion), marking a 35 percent increase and amounting to nearly 15 times the country's GDP (Figure 4.1).

Driven by a wide range of platforms, the surge in digital payments underscores the growing integration of digital financial services in Cambodia's economy and daily life. Among digital platforms, Bakong has played a critical role in enhancing the efficiency of Cambodia's payment system, promoting interoperability among banks and financial institutions (BFIs), and supporting financial inclusion. In 2024, the total value of payments made through the Bakong system doubled to KHR 605.6 trillion (USD 150.4 billion), with KHR payments accounting for 30.3 percent of the total value. The number of transactions also tripled to 608.3 million, with KHR transaction payments comprising 49.2 percent of the total (Figure 4.2). Currently, 69 BFIs are members of the Bakong system, with 60 fully operational and 9 in the integration process.

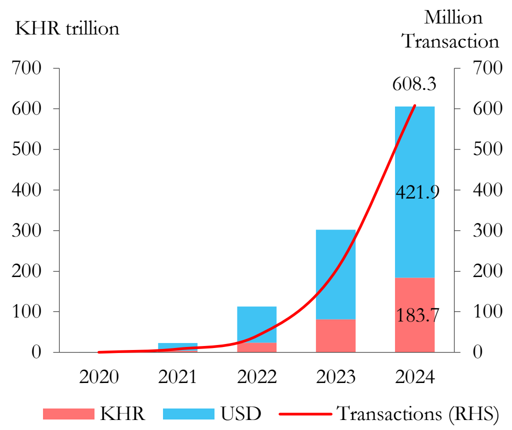
Following Bakong's success, QR payments have gained significant traction, particularly since the introduction of the KHQR standard in July 2022. This standard has enabled interoperability among BFIs and enhanced cross-border payment connectivity within the region. In 2024, the total value of QR code payments rose by 1.4 times to KHR 225.1 trillion

4.1 Value of Digital Payments
(2019 - 2024)



Source: National Bank of Cambodia

4.2 Value and Volume of Bakong Payments
(2020 - 2024)



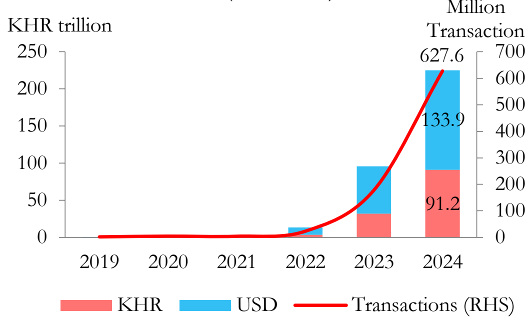
Source: National Bank of Cambodia

(USD 55.9 billion), with KHR payments accounting for 40.5 percent of the total (up from 33.6 percent in 2023). The number of QR payment transactions also surged to 627.6 million, which is 3.5 times the previous year's figure (Figure 4.3), with KHR accounting for 57.4 percent of the total, indicating the important role of QR payments in promoting national currency usage.

Besides these domestic advancements, Cambodia has made significant strides in cross-border payment connectivity. Through Bakong, the NBC has successfully linked the country's payment systems with regional nations and international payment gateways, including Thailand, Laos, Vietnam, Malaysia, South Korea, UnionPay International (including China), Alipay, Visa, and Mastercard. This indicates Bakong's key role in further expanding cross-border transactions. In 2024, Bakong's cross-border payment value surged by 98.7 percent, from KHR 23.9 billion in 2023 to KHR 47.5 billion (Figure 4.4), reflecting the growing international popularity and increasing volume of cross-border transactions, as well as the promotion of the local currency in international exchanges.

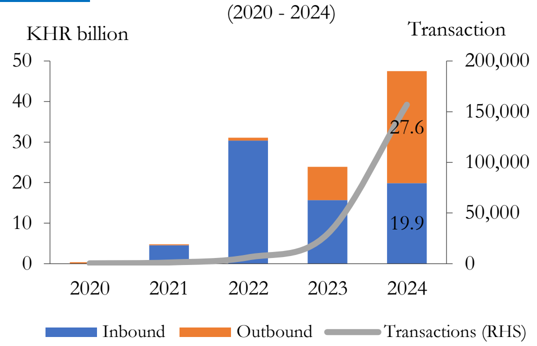
As Cambodia's digital payment landscape expands, the use of e-wallets[7] has also experienced substantial growth. In 2024, the number of registered e-wallet accounts reached 20.7 million, with 10.4 million registered with BFIs and 10.3 million with payment service institutions (Figure 4.5). The total value of e-wallet payments grew by 2.5 percent to KHR 470.2 trillion (USD 116.8 billion), and the number of transactions jumped by 47.9 percent to 1.2 billion (Figure 4.6). This growth reflects the increasing adoption of mobile-based financial services, including in rural areas, in which customers are conducting transactions such as fund transfers, bill payments, and mobile phone top-ups.

4.3 Value and Volume of QR Payments
(2019 - 2024)



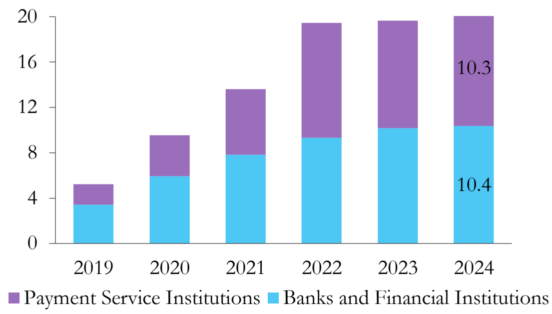
Source: National Bank of Cambodia

4.4 Value and Volume of Bakong Payment Cross-Border
(2020 - 2024)



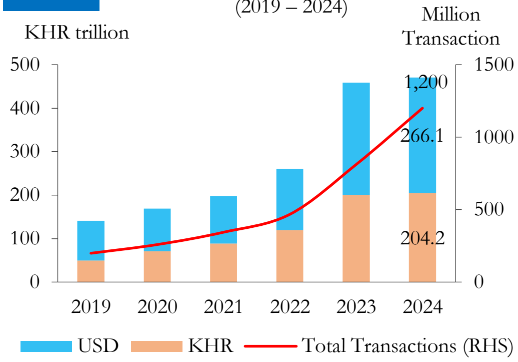
Source: National Bank of Cambodia

4.5 Number of Registered E-Wallet Accounts
(In millions, 2019 – 2024)



Source: National Bank of Cambodia

4.6 Value and Volume of E-Wallet
(2019 – 2024)

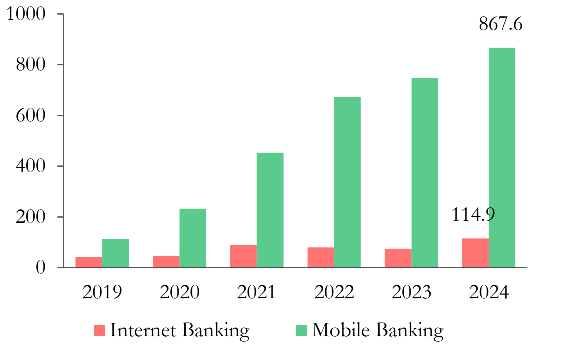


Source: National Bank of Cambodia

7 An e-wallet refers to a prepaid account where a user can store money in an application on electronic devices, such as computers and mobile phones, to make online transactions and record the history of those transactions.

Similarly, the use of internet and mobile banking[8] services has increased. These services have enabled more customers to perform a range of banking operations, including loan repayments, fund transfers, bill payments, and balance inquiries. In 2024, the value of internet banking transactions rose by 54.2 percent to KHR 114.9 trillion (USD 28.5 billion), with the number of transactions reaching 10.7 million. Meanwhile, mobile banking payments grew by 16.2 percent to KHR 867.6 trillion (USD 215.5 billion) (Figure 4.7).

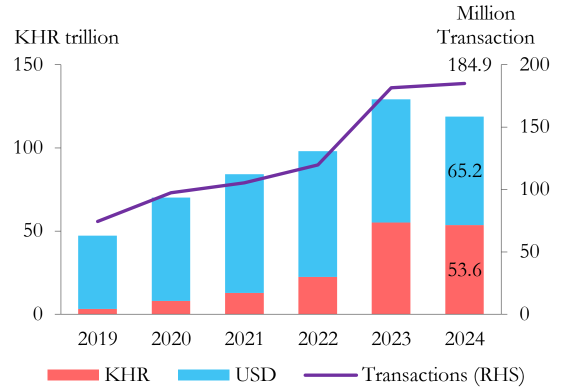
4.7 Value of Internet and Mobile Banking
(In KHR trillions, 2019 – 2024)



Source: National Bank of Cambodia

Despite the rise in digital payments, card payments have declined in value, reflecting a broader trend of leapfrogging traditional payment methods. The total number of card payment transactions slightly increased by 1.9 percent to 184.9 million, but the total value decreased by 8 percent to KHR 118.8 trillion (USD 29.5 billion) (Figure 4.8). This decline highlights the growing preference for more modern, accessible alternatives like QR payments, which offer consumers a more convenient, cost-effective, and mobile-first solution, often bypassing the need for traditional physical card-based systems.

4.8 Value and Volume of Card Payments
(2019 - 2024)



Source: National Bank of Cambodia

4.2 Safeguarding Financial Stability Amid the Growth of Digital Payments

As Cambodia continues to embrace digital payments to drive efficiency, inclusivity, and economic growth, it is essential to monitor both the progress and the risks that accompany this transition. While digital payments bring numerous benefits—such as financial inclusion, lower costs, and increased economic efficiency—they may also pose risks to financial stability, including information and cyber risks, data privacy issues, digital frauds, operational challenges, and compliance risks. These risks require constant attention from BFIs, regulators, and relevant stakeholders to ensure that the financial system remains robust and resilient.

To mitigate these risks, the NBC has introduced several regulations and frameworks to oversee

8 Internet banking is an online banking service enabling customers to conduct banking services including checking balances, transferring money, paying bills, and accessing other banking services digitally through web applications in a computer or laptop. Mobile banking is an online banking service enabling customers to conduct banking services as previously mentioned through a mobile application.

payment systems. Additionally, the NBC has issued the Technology Risk Management Guidelines (TRMG), requiring banks to strengthen IT controls, report incidents, and conduct regular assessments. Currently, the NBC is updating the Technology and Cyber Risk Management Guidelines (TCRMG) to align with global standards and central bank practices, to further enhance system safety and public trust.

Alongside technological safeguards, raising public awareness of digital scams is crucial. To prevent fraud and protect consumers, the NBC has actively collaborated with partners such as the Association of Banks in Cambodia and the Ministry of Interior to raise public awareness about recognizing and avoiding digital scams.

4.3 Conclusion

Cambodia's digital payment landscape has undergone a remarkable transformation, driven by the NBC's strategic initiatives aimed at promoting financial inclusion and modernizing the country's payment systems. Through digital payment systems especially Bakong, along with continuous improvements in cross-border payment connectivity, Cambodia has significantly enhanced the efficiency, accessibility, and security of its digital payment infrastructure.

As the digital payment ecosystem expands, the emerging risks associated with cybersecurity and consumer protection need to be addressed. The NBC's proactive measures and ongoing collaboration with all stakeholders play a vital role in mitigating risks and safeguarding financial stability.

Appendix 1

Table 1: Balance of Payments
(In percentage of GDP, 2019-2024)

	2019	2020	2021	2022	2023	2024
Overall Balance	7.3	1.8	0.2	0.9	0.2	0.9
Financial Account	14.3	3.6	29.3	19.4	-1.5	0.2
Current and Capital Accounts	-7.0	-1.8	-29.0	-18.5	1.6	0.8

Source: National Bank of Cambodia

Table 2: FDI Inflows by Sectors
(2019-2024)

	2019	2020	2021	2022	2023	2024
FDI (USD billion)	3.7	3.6	3.5	3.6	4.0	4.4
Agriculture	0.2	0.2	0.1	0.1	0.1	0.2
Mining and Quarrying	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	0.6	0.6	0.7	0.8	1.4	2.3
Financial Activities	1.2	1.4	1.3	1.1	0.9	0.7
Accommodation	0.5	0.4	0.2	0.2	0.2	0.2
Telecom	0.0	0.0	0.0	0.0	0.0	0.0
Construction & Real Estate	0.7	0.6	0.6	0.8	0.9	0.6
Other	0.4	0.4	0.4	0.5	0.4	0.5
Total Growth (percent)	14.0	-1.0	-3.9	2.7	10.6	11.0

Source: Council for the Development of Cambodia and NBC's staff calculations

Table 3: International Reserves
(2019-2024)

	2019	2020	2021	2022	2023	2024
International Reserves (USD billion)	18.8	21.3	20.3	17.8	20.0	22.5
In terms of Months of Imports of Goods and Services	9.8	7.8	7.0	7.3	7.0	7.0

Source: National Bank of Cambodia

Table 4: GDP Growth by Sectors
(In percentage, 2019-2024e)

	2019	2020	2021	2022	2023	2024e
Agriculture	-0.4	0.6	1.5	0.6	1.1	1.1
Manufacturing	10.5	-0.8	14.9	10.6	4.3	12.6
Construction and Real Estate	15.7	-7.8	-8.2	0.8	0.2	0.4
Wholesale & Retail Trade	5.7	-6.3	2.5	4.5	2.0	3.1
Accommodation and Food Service	5.5	-34.2	-39.5	22.0	35.4	12.2
Transportation and Communication	8.7	0.9	6.1	5.9	8.5	7.4
Finance and Insurance	7.9	4.3	3.2	1.5	0.5	0.3
Other sectors	7.9	1.5	6.5	3.0	9.1	4.5
Real GDP Growth	7.9	-3.6	3.1	5.1	5.0	6.0

Source: National Institute of Statistics, NBC's staff estimation

Table 5: Contribution to Growth by Sectors
(In percentage, 2019-2024e)

	2019	2020	2021	2022	2023	2024e
Agriculture	-0.1	0.1	0.3	0.1	0.2	0.2
Manufacturing	2.5	-0.2	3.7	3.0	1.3	3.7
Construction and Real Estate	2.3	-1.2	-1.2	0.1	0.0	0.1
Wholesale & Retail Trade	0.6	-0.6	0.2	0.4	0.2	0.3
Accommodation and Food Service	0.3	-2.1	-1.6	0.5	1.0	0.4
Transportation and Communication	0.4	0.0	0.3	0.3	0.4	0.4
Finance and Insurance	0.3	0.2	0.1	0.1	0.0	0.0
Other sectors	1.5	0.3	1.3	0.6	1.9	1.0
Real GDP Growth	7.9	-3.6	3.1	5.1	5.0	6.0

Source: National Institute of Statistics, NBC's staff estimation

Table 6: Number of International Tourist Arrivals by Purpose of Visit
(In millions, 2019-2024)

	2019	2020	2021	2022	2023	2024
Holiday	5.0	1.0	0.1	1.8	4.3	5.2
Business and Professional	1.4	0.3	0.1	0.4	1.0	1.4
Others	0.2	0.1	0.0	0.1	0.1	0.1
Total International Tourist Arrivals	6.6	1.3	0.2	2.3	5.5	6.7
Growth of International Tourist Arrivals (In percentage, y-o-y)	6.6	-80.2	-85.0	1,058.6	139.5	22.9

Source: Ministry of Tourism

Table 7: Contribution to Headline Inflation
(In percentage, 2019-2024)

	2019	2020	2021	2022	2023	2024
Inflation	1.9	2.9	2.9	5.4	2.1	0.8
Food	1.1	2.5	1.5	2.7	1.8	0.7
Oil-Related Items	-0.1	-0.3	0.8	1.1	-0.3	-0.2
Core Inflation	0.9	0.7	0.6	1.5	0.7	0.4

Source: National Bank of Cambodia

Table 8: Financial Dollarization
(In percentage, 2019-2024)

	2019	2020	2021	2022	2023	2024
Foreign Currency to Broad Money (FCD/M2)	84.1	83.9	83.0	83.0	83.4	85.1
Foreign Currency to Total Deposits (FCD/TD)	93.5	93.1	91.4	90.4	90.3	90.9

Source: National Bank of Cambodia

Appendix 2

Table 9: Banking Indicators
(In percentage, 2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Assets to GDP	124	140	167	187	193	195	198
Loans to GDP	77	88	107	125	137	133	131
Deposits to GDP	74	80	95	106	106	112	124

Source: National Bank of Cambodia

Table 10: Commercial Banks' Credits and Deposits by Type of Currency
(2018-2024)

Credits	2018	2019	2020	2021	2022	2023	2024
Credit in KHR (KHR trillion)	3.5	10.8	15.0	18.3	20.7	24.6	26.2
Credit in USD (KHR trillion)	78.4	92.8	112.6	142.5	168.1	188.3	189.8
Share of KHR Credit (In percentage)	4.3	10.4	11.8	11.4	11.0	11.5	12.1
Deposits	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
LC Deposits (KHR trillion)	5.4	7.5	9.5	13.7	17.3	21.4	24.8
FC Deposits (KHR trillion)	83.2	96.0	111.8	129.2	137.7	166.6	195.3
Share of LC Deposits (In percentage)	6.1	7.3	7.9	9.6	11.2	11.4	11.3

Source: National Bank of Cambodia

Table 11: Commercial Banks' Credit by Sectors – Value & Share
(2018-2024)

Value (KHR trillion)	2018	2019	2020	2021	2022	2023	2024
Agriculture, Forestry, and Fishing	6.8	7.1	9.8	12.8	15.5	19.2	19.5
Mining and Quarrying	0.2	0.3	0.5	0.7	0.9	1.1	1.3
Manufacturing	4.5	4.7	5.2	6.4	8.2	9.3	9.7
Utilities	0.6	1.0	1.6	2.1	1.9	2.4	3.0
Construction	7.6	10.0	12.5	15.3	18.2	20.8	22.0
Wholesale Trade	9.5	11.8	12.7	15.4	18.6	19.2	19.4
Retail Trade	13.4	16.2	19.8	25.9	30.8	37.1	37.2
Hotels and Restaurants	4.0	4.7	5.1	7.3	8.4	8.4	9.0
Transport and Storage	1.7	2.1	3.5	4.4	5.0	6.1	6.0
Information Media and Telecommunications	0.7	0.9	1.1	1.2	1.0	1.1	0.9
Rental and Operational Leasing Activities	2.7	3.8	3.6	2.7	2.8	2.8	2.9
Real Estate Activities	6.1	8.7	10.9	14.1	18.1	22.1	25.4
Other Non-Financial Services	5.7	6.3	6.8	8.4	10.0	11.0	10.7
Personal Loans	6.7	8.4	11.5	14.0	14.2	19.6	20.3
Mortgages	8.5	12.1	17.1	22.3	27.5	28.2	26.7
Other Lending	1.0	1.3	1.1	2.2	2.6	2.8	3.6

Total	79.8	99.4	122.9	155.4	183.7	211.1	218.2
Share (In percentage)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Agriculture, Forestry, and Fishing	8.6	7.2	8.0	8.3	8.5	9.1	8.9
Mining and Quarrying	0.3	0.3	0.4	0.4	0.5	0.5	0.5
Manufacturing	5.7	4.7	4.3	4.1	4.5	4.4	4.5
Utilities	0.7	1.0	1.3	1.3	1.1	1.1	1.1
Construction	9.5	10.0	10.2	9.9	9.9	9.8	10.1
Wholesale Trade	12.0	11.9	10.3	9.9	10.1	9.1	8.9
Retail Trade	16.8	16.3	16.1	16.7	16.8	17.6	17.1
Hotels and Restaurants	5.0	4.7	4.2	4.7	4.6	4.0	4.1
Transport and Storage	2.1	2.1	2.8	2.8	2.7	2.9	2.8
Information Media and Telecommunications	0.9	0.9	0.9	0.8	0.6	0.5	0.4
Rental and Operational Leasing Activities	3.3	3.9	2.9	1.7	1.5	1.3	0.1
Real Estate Activities	7.7	8.7	8.8	9.1	9.9	10.5	11.7
Other Non-Financial Services	7.2	6.4	5.6	5.4	5.5	5.2	4.9
Personal Loans	8.4	8.5	9.3	9.0	7.7	9.3	9.3
Mortgages	10.6	12.2	13.9	14.4	15.0	13.4	12.3
Other Lending	1.3	1.3	0.9	1.4	1.4	1.3	0.1

Source: National Bank of Cambodia

Table 12: Commercial Banks' Liquidity Coverage Ratio
(In percentage, 2018-2024)

	2018	2019	2020	2021	2022	2023	2024
LCR Required	80	90	100	100	100	100	100
LCR Actual	158.8	155.7	162.4	151.6	143.8	166.6	199.4

Source: National Bank of Cambodia

Table 13: Share of Commercial Banks' Source of Funds
(In percentage, 2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Demand	16.8	17.1	15.2	15.7	13.0	11.2	18.1
Saving	25.0	22.0	21.0	19.9	17.9	16.3	26.1
Fixed	28.4	28.8	30.1	29.6	32.3	37.7	54.1
Others	0.4	0.3	0.2	0.2	0.9	1.2	1.7
Borrowings (<1y)	3.2	4.5	4.5	4.4	4.8	4.0	3.7
Borrowings (>1y)	5.3	5.2	6.5	7.4	8.2	7.7	7.2
Subordinated Debt (>1y)	1.2	1.6	1.6	1.6	1.5	1.3	1.3
Capital	19.8	20.4	20.9	21.2	21.4	20.6	27.2

Source: National Bank of Cambodia

Table 14: Commercial Banks' Return on Assets & Equity
(In percentage, 2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.6	1.9	1.6	1.7	1.4	0.6	0.2
Return on Equity	8.6	10.2	8.7	8.9	7.1	3.4	1.2

Source: National Bank of Cambodia

Table 15: Commercial Banks' Capital Adequacy
(In percentage, 2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Regulatory CAR Limit	15	15	15	15	15	15	15
Tier 1 Ratio	21.2	20.0	20.2	20.0	19.4	19.8	19.9
CAR	23.4	23.0	23.2	23.0	22.2	22.5	22.3

Source: National Bank of Cambodia

Table 16: Total Assets in Microfinance Sector
(2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Amount (KHR trillion)	26.6	35.9	34.3	37.1	44.4	26.1	25.7
Growth (In percentage)	31.2	34.7	-4.5	8.1	19.8	-41.1	-1.8

Source: National Bank of Cambodia

Table 17: Microfinance's Credit by Sectors – Value & Share
(2018-2024)

Value (KHR trillion)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Agriculture	4.6	5.7	5.3	5.7	6.9	4.6	4.4
Manufacturing	0.1	0.2	0.3	0.5	0.7	0.6	0.6
Trade and Commerce	3.8	5.4	5.8	7.3	9.1	4.3	4.3
Services	2.4	4.2	4.4	4.6	5.3	2.4	2.6
Transportation	1.1	1.7	1.6	1.6	1.7	0.6	0.6
Construction	0.9	1.0	1.1	1.4	1.8	1.5	1.4
Households	8.0	10.0	8.6	10.3	12.9	6.6	7.0
Others	0.8	1.1	0.5	0.4	0.5	0.5	0.5
Total	21.8	29.3	27.5	31.7	38.9	21.0	21.4
Share (In percentage)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Agriculture	21.1	19.4	19.3	17.9	17.8	22.1	20.6
Manufacturing	0.7	0.8	1.0	1.6	1.8	3.0	2.7
Trade and Commerce	17.6	18.3	20.9	23.0	23.3	20.3	20.2
Services	11.0	14.4	16.0	14.4	13.6	11.4	12.1
Transportation	5.0	5.7	5.9	5.2	4.4	2.8	2.8
Construction	4.2	3.5	3.8	4.3	4.5	7.0	6.6

Households	36.7	34.2	31.2	32.4	33.2	31.2	32.7
Others	3.8	3.6	1.9	1.1	1.3	2.3	2.3

Source: National Bank of Cambodia

Table 18: MDIs' Liquidity Coverage Ratio
(In percentage, 2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Regulatory LCR Limit	80	90	100	100	100	100	100
MDIs' LCR	213.6	178.1	240.4	160.1	156.7	285.8	174.9

Source: National Bank of Cambodia

Table 19: Microfinance's Credit Quality
(2018-2024)

	2018	2019	2020	2021	2022	2023	2024
30-day Past Due Loans (KHR billion)	275.5	224.3	501.9	765.4	979.9	1,357.3	1,096.0
Delinquency Ratio (In percent)	1.3	0.8	1.8	2.4	2.5	6.5	15.4

Source: National Bank of Cambodia

Table 20: Microfinance's Return on Assets and Equity
(In percentage, 2018-2024)

	2018	2019	2020	2021	2022	2023	2024
ROA	2.7	2.8	2.8	2.8	3.0	1.5	0.4
ROE	13.5	14.8	12.4	12.7	13.6	5.9	1.7

Source: National Bank of Cambodia

Table 21: Microfinance's Capital Position
(In percentage, 2018 -2024)

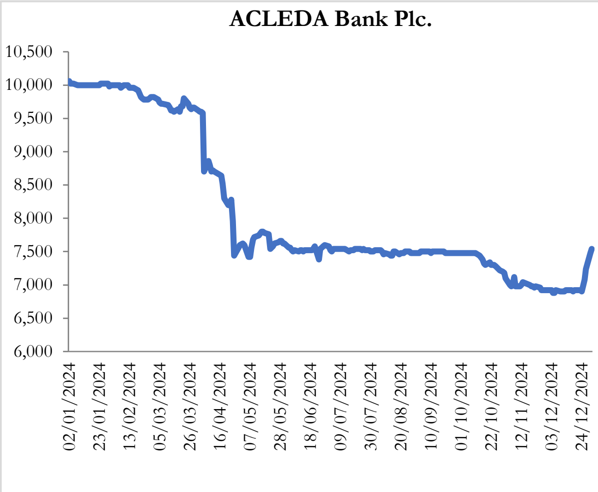
	2018	2019	2020	2021	2022	2023	2024
Regulatory CAR Limit	15	15	15	15	15	15	15
CAR	19.8	18.9	22.4	21.5	20.6	25.7	26.1

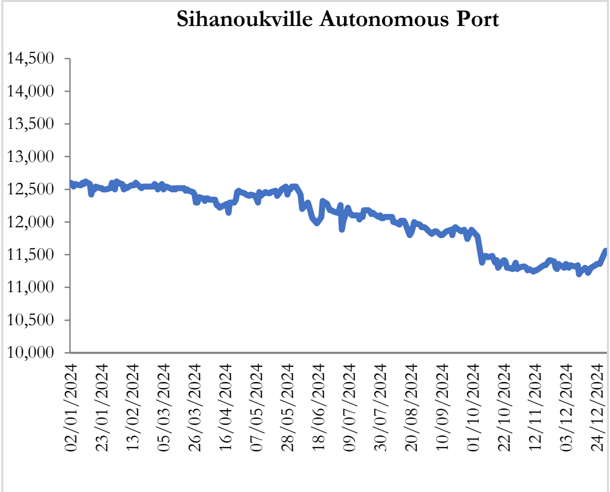
Source: National Bank of Cambodia

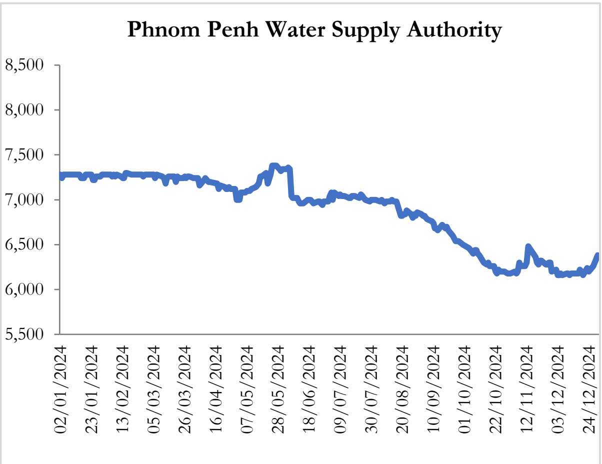
Appendix 3

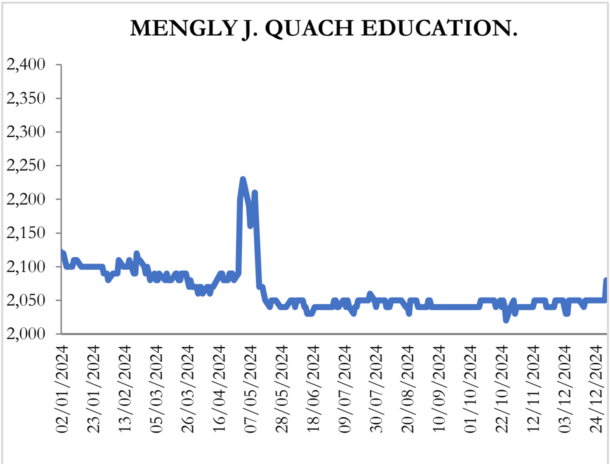
Equity Market (Main Board)

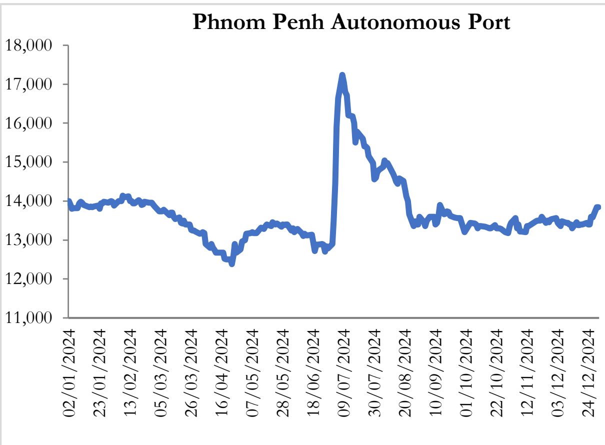
(In KHR per Share, 2024)

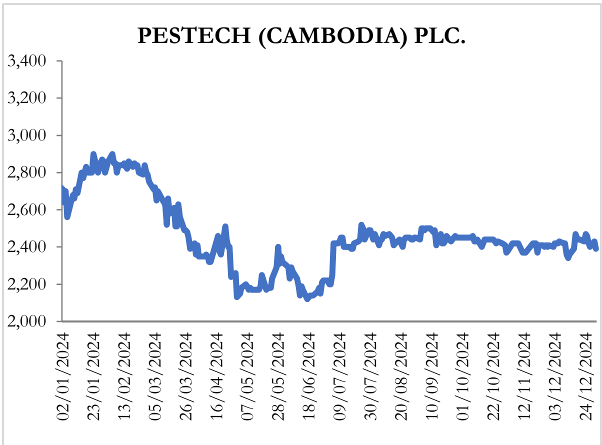


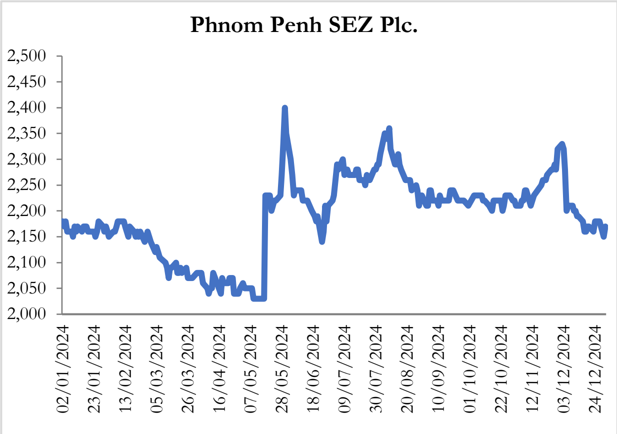


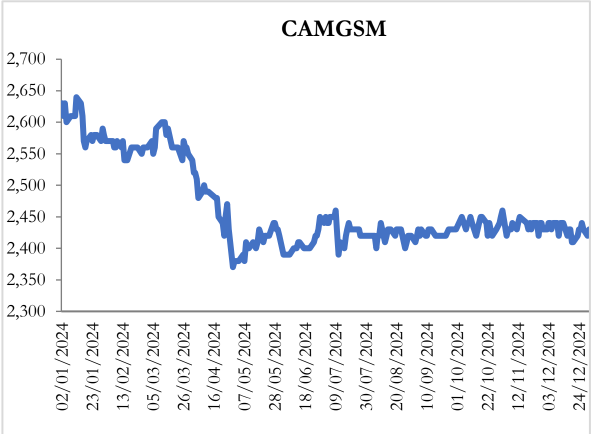


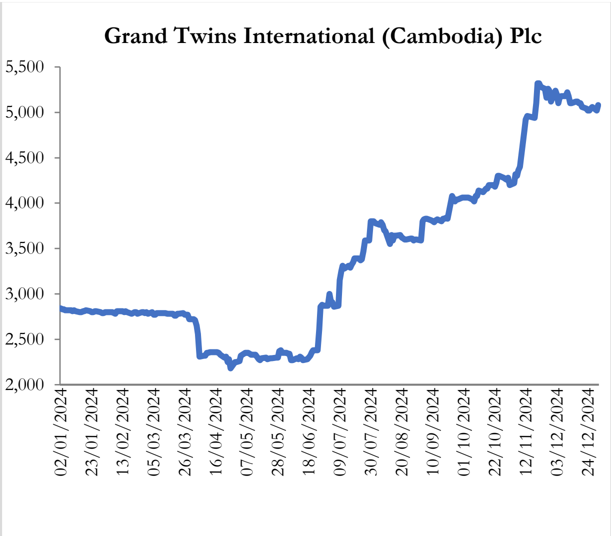








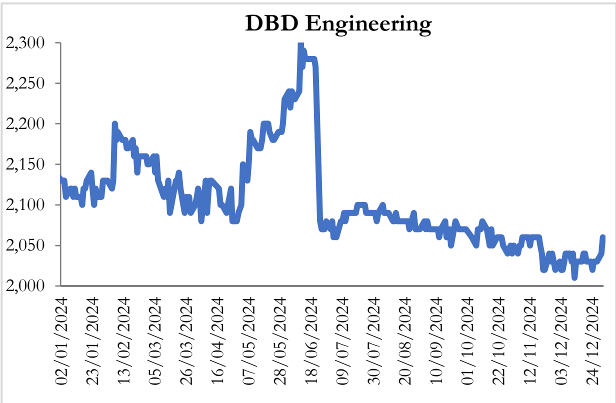


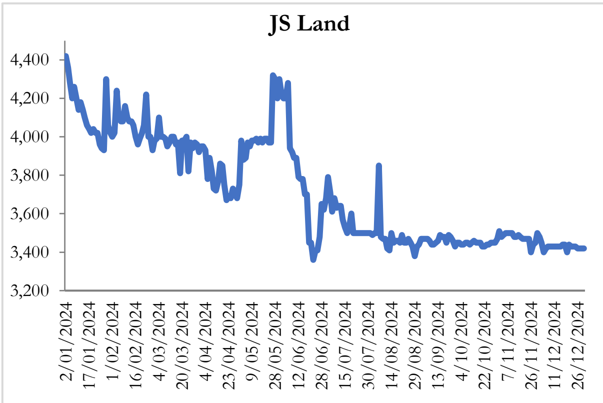


Source: Cambodia Securities Exchange

Equity Market (Growth Board)

(In KHR per Share, 2024)





Source: Cambodia Securities Exchange

Table 22: Equity Market Capitalization
(In KHR billions, 2019-2024)

	2019	2020	2021	2022	2023	2024
ABC	-	7,407.1	4,556.9	4,686.8	4,357.6	3,266
PAS	1,664.0	1,218.0	1,142.5	1,142.5	1,089.0	991.5
PPWSA	521.8	530.5	622.7	657.5	633.1	553.1
PPAP	258.6	242.0	304.1	289.6	289.6	286.2
PESTECH	-	217.3	236.1	236.1	205.3	179.1
PPSP	185.4	84.8	148.8	171.8	156.7	156.0
GTI	176.0	128.0	168.8	152.0	113.6	203.2
MJQE					690.2	674.0
CGSM					5,152.9	4,761.0
DBDE	-	-	14.9	15.4	13.8	13.3
JSL	-	-	-	127.5	113.1	87.9
Total	**2,805.8**	**9,827.7**	**7,194.8**	**7479.2**	**12,804.1**	**11,171.6**

Source: Cambodia Securities Exchange

Table 23: Government Bonds
(2022 – 2024)

KHR trillion	2022	2023	2024
Issued amount	72.1	238.0	301.3
Matured amount		72.1	76.0
Outstanding amount	72.1	238.0	463.3

Source: National Bank of Cambodia

Table 24: Insurance Sector
(2019-2024)

Total Asset

KHR trillion	2019	2020	2021	2022	2023	2024
Total	2.4	3.0	3.4	4.0	4.6	5.0

Gross Premium

KHR billion	2019	2020	2021	2022	2023	2024
General Insurance	410.8	466.8	502.7	563.6	619.3	608.0
Life Insurance	585.1	625.4	700.1	795.3	795.3	843.4
Micro Insurance	28.6	20.5	16.8			
Total	1,024.6	1,112.7	1,219.6	1,358.9	1,386.6	1,451.4

General Insurance Premium

Share (In percentage)	2019	2020	2021	2022	2023	2024
Auto	18.7	18.4	17.5	17.8	16.8	17.3
Property	29.0	32.8	30.4	34.2	34.2	33.6
MAT	3.8	2.5	3.4	5.6	5.9	5.0
Engineering	10.1	7.5	7.3	4.5	6.6	6.1

Personal Accident	5.9	4.5	4.6	5.2	5.0	5.4
Medical	18.1	18.9	21.9	23.3	22.1	23.1
Miscellaneous	14.5	15.6	14.8	9.4	9.4	9.7

Life Insurance Premium

Share (In percentage)	2019	2020	2021	2022	2023	2024
Term Life	12.5	14.3	17.7	19.4	20.7	21.0
Whole Life	0.4	0.7	0.7	0.4	0.6	1.0
Endowment	86.5	84.0	80.0	79.9	78.7	78.0
Others	0.6	1.0	1.6	0.3	0.0	0.0

Residential Property Price Index (2023 - 2024)

2023	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Cambodia	113.8	113.1	113.0	114.1	115.6	116.1	115.0	114.8	114.1	113.1	111.9	111.5
Phnom Penh	114.8	114.6	114.7	116.2	117.5	117.5	115.9	115.9	115.2	113.8	112.2	111.4
Rest of the Provinces	108.2	104.9	104.1	103.1	105.7	109.3	110.4	108.9	108.4	109.7	110.4	111.5
2024	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Cambodia	112.0	112.0	111.0	110.7	110.8	111.6	112.8	112.8	112.4	111.0	110.3	112.0
Phnom Penh	112.3	112.7	111.8	111.5	111.2	112.7	114.1	115.1	114.9	113.6	112.0	113.3
Rest of the Provinces	110.4	109.3	107.7	107.6	109.0	107.2	107.3	103.2	102.4	100.6	103.0	106.3

Source: National Bank of Cambodia

Appendix 4

Table 25: Value of Digital Payments
(In KHR trillions, 2020 - 2024)

	2020	2021	2022	2023	2024
Payments in KHR	157.0	234.7	326.1	485.5	696.4
Payments in USD	606.8	927.9	1301.0	1,535.8	2,032.5
Total	763.9	1,162.7	1,627.0	2,021.3	2,728.9

Source: National Bank of Cambodia

Table 26: Number of Registered E-Wallet Accounts
(In millions, 2020 - 2024)

	2020	2021	2022	2023	2024
E-Wallet Accounts	9.6	13.6	19.5	19.7	20.7

Source: National Bank of Cambodia

Table 27: Value and Volume of E-Wallet Transactions
(In KHR trillions, 2020 - 2024)

	2020	2021	2022	2023	2024
Payments in KHR	70.7	88.5	119.9	200.9	204.18
Payments in USD	98.1	109.6	140.2	257.9	266.1
Total	168.9	198.1	260.1	458.9	470.2
Total Transactions (Millions)	258.7	343.8	467.4	811.0	1,199.6

Source: National Bank of Cambodia

Table 28: Internet and Mobile Banking
(In KHR trillions, 2020 - 2024)

	2020	2021	2022	2023	2024
Internet Banking	47.2	90.1	80.1	74.5	114.9
Mobile Banking	232.1	452.9	672.4	746.7	867.6

Source: National Bank of Cambodia

Table 29: Value and Volume of Card Payments
(In KHR trillions, 2020 - 2024)

	2020	2021	2022	2023	2024
Payments in KHR	8.0	12.8	22.4	55.1	53.6
Payments in USD	62.2	71.3	75.7	74.1	65.2
Total	70.2	84.1	98.0	129.2	118.8
Total Transactions (Millions)	97.3	105.3	119.7	181.5	184.9

Source: National Bank of Cambodia

Table 30: Value and Volume of Bakong Payments
(In KHR trillions, 2021 - 2024)

	2021	2022	2023	2024
Payments in KHR	4.2	23.5	81.1	179.2
Payments in USD	19.0	89.8	221.0	415.7
Total	23.2	113.3	302.0	594.9
Total Transactions (Millions)	8.2	40.4	200.9	606.1

Source: National Bank of Cambodia

Table 31: Value and Volume of QR Code Payments
(In KHR trillions, 2020 - 2024)

	2020	2021	2022	2023	2024
Total Value	0.3	1.0	13.6	95.8	225.1
Total Transactions (Millions)	4.8	4.4	23.3	178	627.6

Source: National Bank of Cambodia