MONTHLY BULLETIN

May 2026 |#02

In this Issue

This month's bulletin highlights an overview of non-performing loans (NPLs) in Cambodia from the National Bank of Cambodia's Financial Stability Review (2025) and the ASEAN+3 Macroeconomic Research Office (AMRO) reports. It examines the key drivers behind the rise of NPLs, their impacts on the performance of the financial sector and borrowers' behavior, and the policy responses from NBC.

This edition also features key economic data on May's commodity prices, oil prices, and exchange rates. It includes with an overview of the recent researcher training activities and events organized by the APM Center.

About APM Center

The **Akkak Pundit Sapheachar AUN Pornmoniroth Center for Policy Studies and Training (APM Center)** was established to advance knowledge, foster innovation, and enhance capacity across a wide range of stakeholders to support economic development and the development of the banking sector in Cambodia through its research and human resource development functions. The center operates under the technical and financial guardianship of the Agricultural and Rural Development Bank (ARDB).

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NEWS SPOTLIGHT

OVERVIEW OF NON-PERFORMING LOAN IN CAMBODIA

By: Prum Dalin & San Somnang

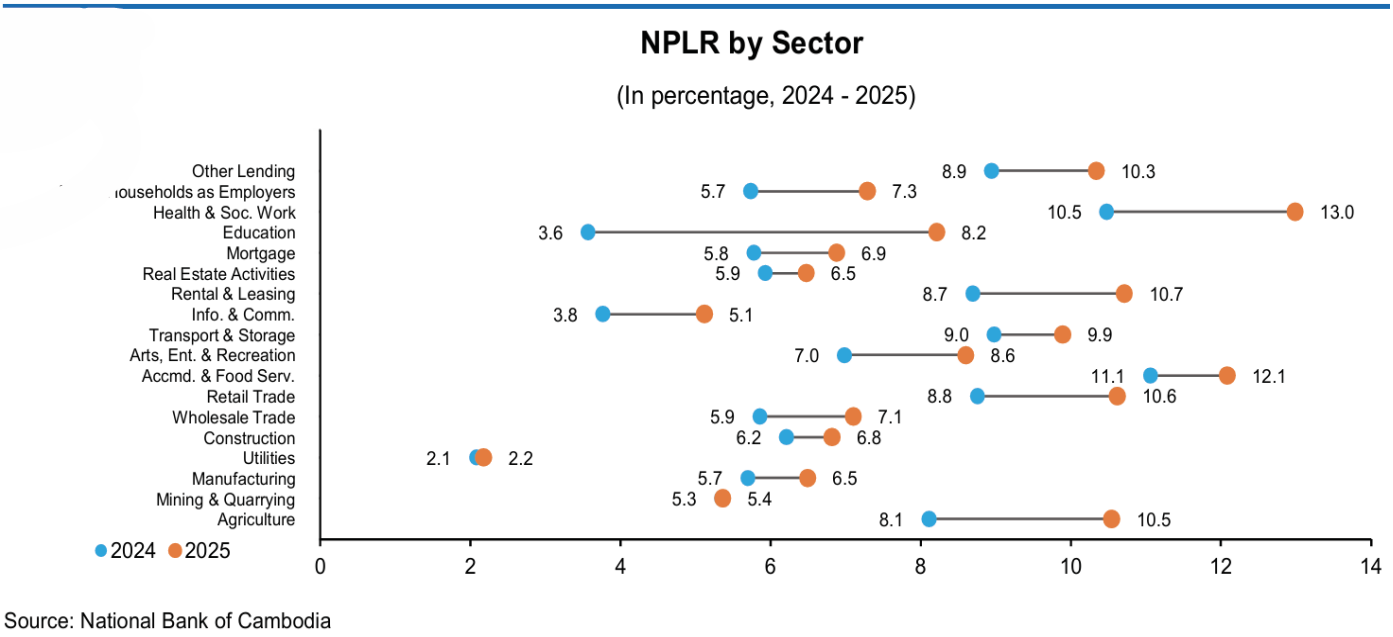
Annual Financial Stability Review 2025 - NBC

Non-performing loans (NPLs) are loans for which borrowers are no longer able to repay according to the agreed schedule, particularly those overdue by 90 days or more, or for which full repayment is considered unlikely without using collateral. The World Bank described the NPLR as an important indicator of asset quality because it shows the share of a bank's loan portfolio that is impaired or at significant risk of default (World Bank Group, n.d.).

In Cambodia, gross NPLs for deposit-taking banks and financial institutions (DTIs) reached 8.3%, equivalent to KHR 20.3 trillion ($5.1 billion) in December 2025, but remained below its peak in 2023. This deceleration indicates that the accumulation of new bad debt has begun to ease, a shift supported by enhanced credit portfolio management and more cautious underwriting standards implemented by DTIs.

The distribution and impact of NPLs across different economic sectors, however, remained highly uneven. Retail sector continued to hold the largest share of total NPLs at around 21.4%, followed by agriculture (12%), real estate (9.7%), and households (9.1%). Although the nominal value of NPLs grew in construction, housing mortgages, and wholesale trade from 2024 to 2025, their respective share of total NPLs decreased, indicating that other sectors accumulated bad loans at a faster rate.

As shown in **Figure 1**, the sectoral NPL ratio



Source: National Bank of Cambodia

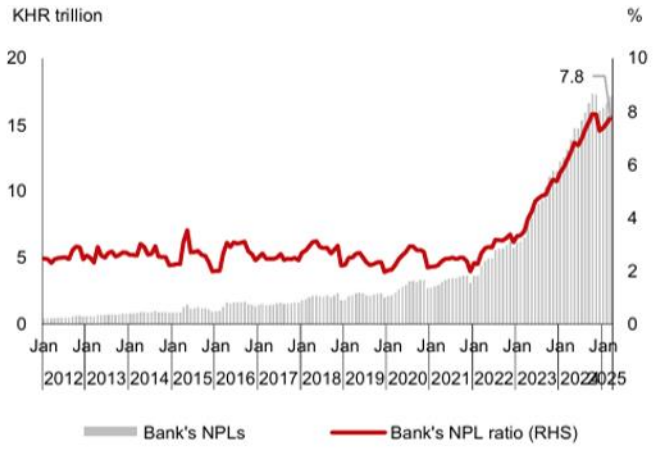
Figure 1: NPLR by Sector (NBC, 2026, p.16)

(NPLR) increased across many parts of the economy between 2024 and 2025. Retail sector's NPLR rose from 8.8% to 10.6%, while that of accommodation and food services increased from 11.1% to 12.1%, reflecting continued pressure in consumption and tourism-related activities. Agriculture also reached 10.5% from 8.1%, suggesting stress repayment in sectors exposed to production costs, weather conditions, and market uncertainty. In contrast, real estate-related sectors recorded more moderate NPLR, with mortgages at 6.9%, construction at 6.8%, and real estate activities at 6.5%. This suggests that while property-related stress remained important, the sharpest repayment pressures in 2025 were also visible in trade, tourism-linked services, and agriculture.

Cambodian Banks' NPL Hits 10-Year High Amid Modest GDP Growth Forecast for 2026

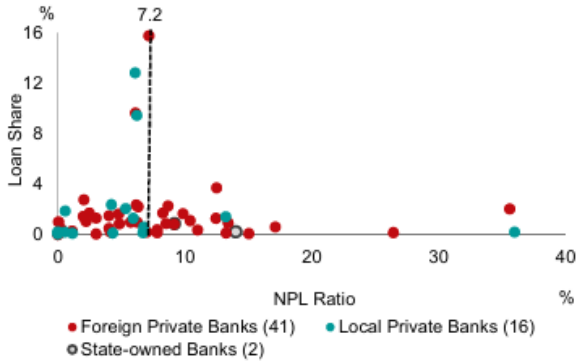
NPLs in the banking sector rose in the past years, but with slower pace. The NPLs in 2025 increased by 1.2 percentage points (from 7.4% to 8.6%), compared with increases of 1.9 percentage points and 2.4 percentage points in 2024 and 2023, respectively. The top 5 commercial banks, including ACLEDA Bank Plc, Advance Bank of Asia (ABA), KB Prasac Bank Plc, Canadia Bank Plc, and Wing Bank Plc, reported significant increases in NPLs of 0.4 to 1.9 percentage points in 2025.

As shown in **Figure 2**, Cambodia's banking sector NPLR remained relatively low during 2020-2021 before rising sharply after 2022. Moreover, Banks' asset quality has deteriorated markedly in parallel, with NPLs reaching KHR17.2 trillion (approximately USD4.3 billion) and the NPLR rising to 7.8% as of March 2025. The increase in both NPL volume and the NPLR shows that the issue was not only a percentage change, but also a real rise in the value of bad loans.



Source: National Bank of Cambodia (NBC); AMRO staff calculations
Note: The chart covers commercial banks and specialized banks.

Figure 2: NPL Volume and NPL Ratio in Cambodia's Banking Sector (Tsang et al, 2025, p.59)



Source: NBC; AMRO staff calculations
Note: (i) Figures in parentheses denote the number of banks in each group; (ii) this chart includes commercial banks only; (iii) *foreign private banks* are defined as privately owned banks with foreign ownership exceeding 50 percent, while *local private banks* are those with foreign ownership of 50 percent or less; (iv) the blue circle represents institutions with NPL ratios above the sector average .

Figure 3: Distribution of NPL Ratios and Loan Share across Individual Banks (end-2024) (Tsang et al, 2025, p.59)

According to the Annual Supervision Report 2025 of the National Bank of Cambodia (NBC), despite the high gross NPLR, net NPLs which is the value of bad loans remaining after deducting the provisions, remained much lower at 2.4%. This indicates that banks are still well capitalized and capable of absorbing risks. Profitability also improved in 2025, though at a slower pace than in 2024.

By the end of 2024, 47/59 commercial banks experienced a year-on-year increase in NPLR, highlighting a broad-based weakening in asset quality across the sector. Additionally, 21 institutions—dominated by 17 foreign private banks, alongside 2 local private and 2 state-owned banks, breached the sector-wide average NPLR of 7.2%, as shown in **Figure 3**. While large banks remain the primary contributors to total NPLs, nearly half of the aggregate NPLs are distributed among smaller institutions, reflecting a highly fragmented banking system under widespread credit stress.

Mekong Strategic Capital (MSC) Managing Partner Stephen Higgins stated that gross NPLs were expected to increase above 10% in 2026, driven by weaker domestic consumption, pressure on exports, tourism, and agriculture, as well as inflation risks linked to the Middle East conflict and higher fuel prices.

FEATURED RESEARCH

NON-PERFORMING LOANS OF CAMBODIAN FINANCIAL INSTITUTIONS: CAUSE, IMPACT, AND POLICY IMPLEMENTATION

By: Tung Davy & Eang Meymey

This synthesis examines how higher NPLs stress borrowers and financial institutions in the context of rising NPLs in Cambodia.

The Role of NPLs in Cambodia's Financial Sector

NPLs matter because they reflect both borrower stress and financial-sector risk. Financial institutions may need to increase loan-loss provisions to prepare for potential losses from rising NPLs, which can reduce profitability and make lenders more cautious about providing new loans. Consequently, rising NPLs can weaken credit growth, erode confidence in the financial system, and affect broader economic activity.

In Cambodia, NPLs are crucial because credit plays a major role in supporting households, SMEs, real estate activity, consumption, and business expansion. As more borrowers depend on loans, repayment difficulties can quickly become a concern for both lenders and the broader economy. As the spotlight section pointed out the rising of Cambodia's NPLs in 2025, this marked a sharp deterioration compared with the relatively low and stable NPL levels observed during 2012-2021, before the ratio began rising rapidly after 2022. ASEAN+3 Macroeconomic Research Office (AMRO) linked this rise to delayed recognition of distressed loans during the pandemic, slower credit growth, cautious lending, and subdued demand (Guo, 2025).

Similarly, the NBC reported that although the banking system remained resilient, supported by strong capital and liquidity buffers, it continues to face pressure from rising NPLs. This suggests that NPLs should not be viewed solely as a balance sheet issue within banks; rather, they reflect broader repayment stress among borrowers and have the potential to constrain the flow of credit to the real economy.

The Key Drivers of NPLs Rising in Cambodia

Cambodia's rising NPLs are driven by several connected pressures rather than one single factor. Although the spotlight highlights how recent energy shocks, driven by the Middle East conflict, can weaken repayment capacity, Cambodia's NPLs problem is broader. It is also linked to post-pandemic repayment stress, slower credit growth, weaker demand, exposure to real estate and construction, and earlier rapid credit expansion.

Post-pandemic repayment stress has been a key pressure. During and after COVID-19, many households and businesses faced income losses, lower sales, and cash-flow problems. Some loans were restructured or

supported during the crisis period, but repayment difficulties became more visible as temporary relief measures faded.

Slower economic activity and weak borrower cash flow have also contributed to repayment difficulties. When businesses earn less revenue or households experience slower income growth, borrowers have less capacity to repay loans on time. AMRO reported that Cambodia's credit growth improved only moderately in 2025, while the NPLR remained above 8%, indicating that the banking sector continued to face asset-quality pressure even as the economy faced headwinds (AMRO, 2026).

Real estate and construction weakness is another important factor, as property-related activity is closely linked to Cambodia's banking sector. When property sales slow, construction projects are delayed, or collateral values weaken, borrowers connected to these sectors may struggle to repay. AMRO noted that prolonged weakness in Cambodia's real estate market has continued to weaken loan quality and reduce bank profitability, as developers' and homebuyers' repayment ability remains closely tied to banks' performance (AMRO, 2024).

As shown in **Figure 4**, DTIs' credit in 2025 was concentrated in several key sectors. Retail trade held the largest share at 16.8%, followed by real estate activities at 12.4%, activities of households as employers and construction at

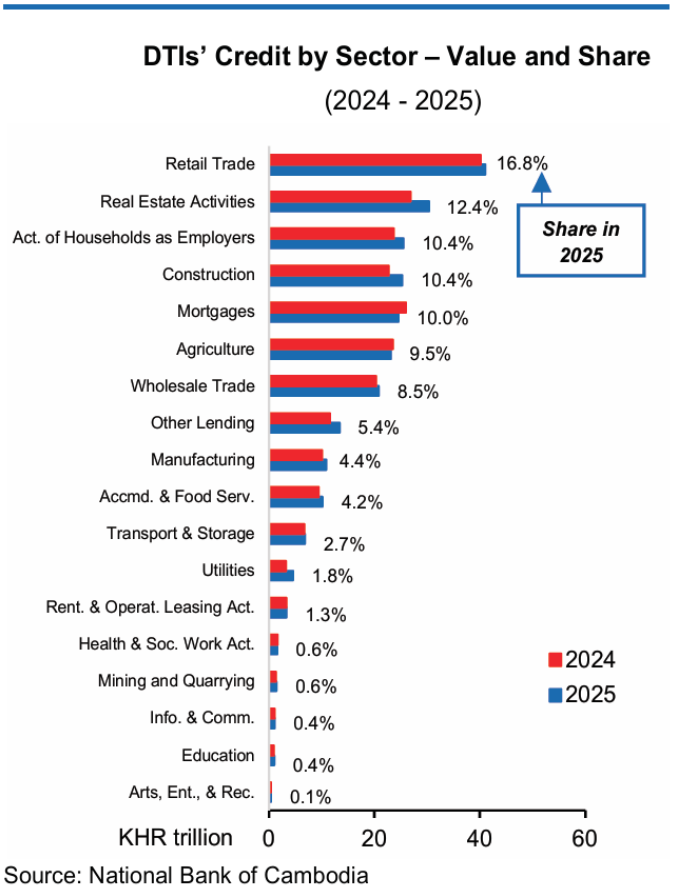


Figure 4: DTIs' Credit by Sector (NBC, 2026, p.16)

10.4%, and mortgages at 10%. This indicates that Cambodia's credit exposure is closely linked to household income, property activity, and business cash flow. When these sectors weaken, repayment pressure can quickly translate into higher NPL risk.

NPLs are also linked to Cambodia's rapid past credit expansion. Over the past decade, strong credit growth has helped support business activity, household consumption, construction, and property investment, but it has also increased borrower leverage. **Figure 5** shows that bank credit growth was strongly supported by lending construction, real estate, household consumption, and mortgages in 2025, with overall DTIs' credit expanded by

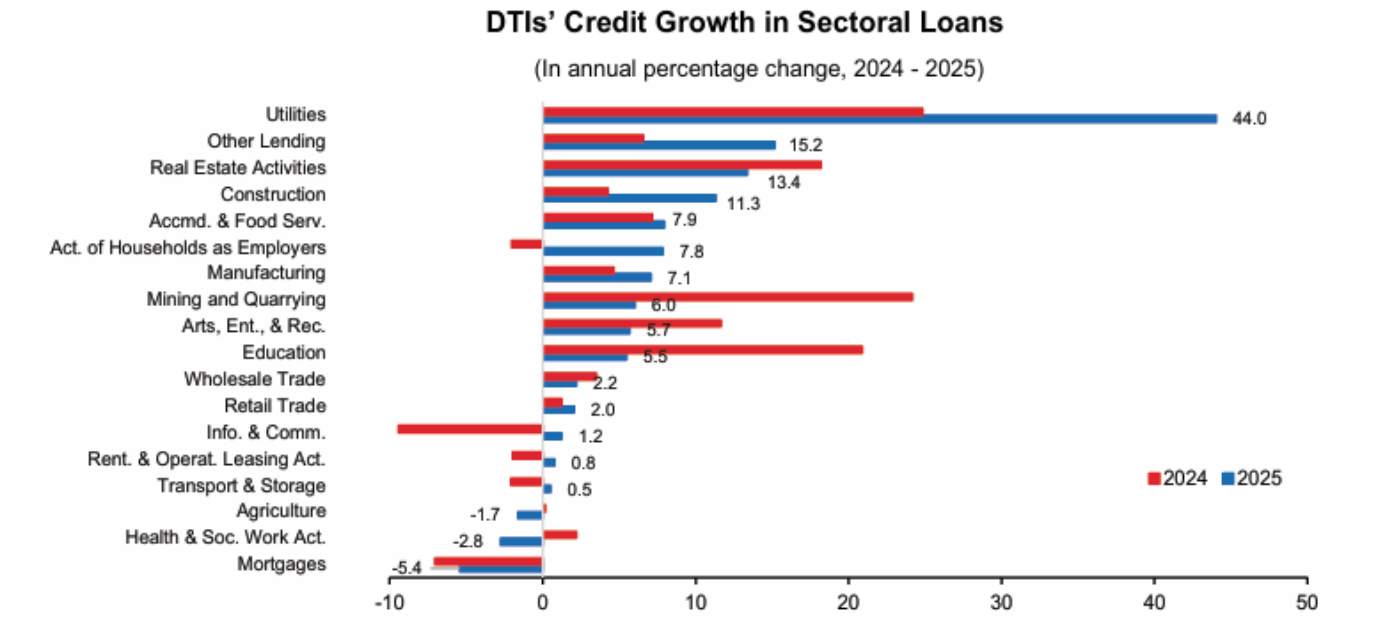


Figure 5: DTIs' Credit Growth in Sectoral Loans (NBC, 2026, p.16)

5.3%. Compared with 2024, credit growth shifted across sectors as banks adjusted lending based on changing risk levels and asset quality conditions. The World Bank later reported that Cambodia's domestic credit growth averaged 27.2% annually during 2009–2021, before slowing sharply to 3.8% by mid-2024. Even with this slowdown, the private credit-to-GDP ratio remained high at 126.8%, showing that Cambodia still carried a large stock of private credit (World Bank, 2024, p. 19). This matters because when economic growth slows, loans made during periods of rapid credit expansion and optimistic conditions can become harder to repay.

Additionally, external cost shocks, such as fuel and energy price increases, can add pressure on already vulnerable borrowers. Higher fuel and electricity costs raise operating expenses for firms, transport operators, agriculture, tourism, and MSMEs, while also reducing households' disposable income. This indicates that energy shocks may not be the root cause of Cambodia's NPL problem, but they can worsen cash flow pressure and make borrowers more likely to delay repayment.

The Impacts of Higher NPLs on Financial Performance and Borrowers' Behavior

In Cambodia, the impact of NPLs can spread from banks and other financial institutions to households, SMEs, and the wider economy. As loan quality weakens, banks and financial institutions may need to increase provisions for possible losses, reducing earnings and limiting their ability to expand credit. According to AMRO reports (2025, p. 9), Cambodia's banking sector

asset quality and profitability continued to decline in 2024, while the bank's NPLR rose to 7.8% by the end of March 2025. As a result, banks increased specific provisions for NPLs, although the provision coverage ratio remained around 70%. At the same time, banks also faced lower net interest income due to higher funding costs and slower credit growth.

Figure 6 shows that loan growth decelerated sharply after 2022, while deposit growth rose and the loan-to-deposit ratio declined, suggesting that liquidity conditions became more comfortable, but lending activity became more cautious. **Figure 7** shows that banks' NPLs rose sharply, while MFIs has recorded a moderate increase in NPLs since 2025. Together, these figures indicate that Cambodia's financial sector is facing both slower credit expansion and higher repayment stress.

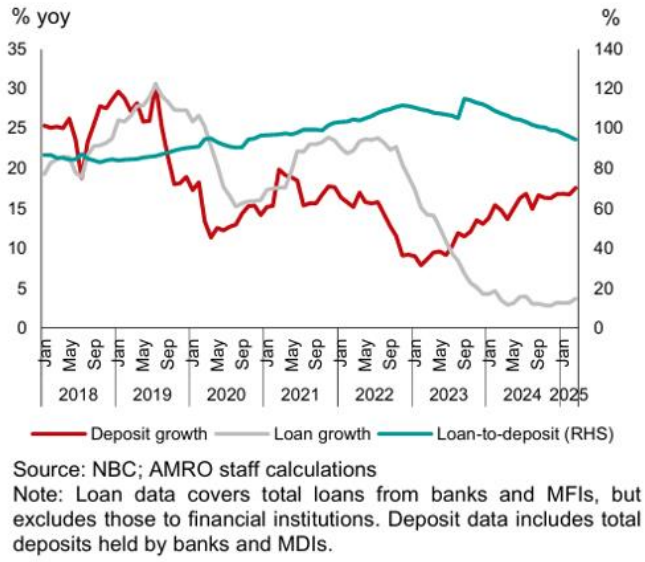


Figure 6: Loan and Deposit Growth, Loan-to-Deposit Ratio ((Tsang et al, 2025, p.10)

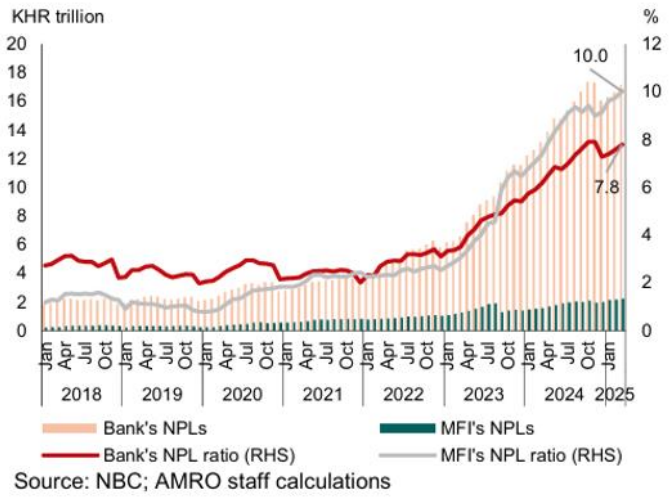


Figure 7: NPLs Ratio ((Tsang et al, 2025, p.10)

Moreover, high NPLs can also affect financial stability and confidence. If bad loans continue to rise, investors, depositors, and regulators may become increasingly concerned about the overall strength of the banking and financial sector.

As credit risk increases, lenders may tighten loan approvals, strengthen borrower monitoring, or focus more on safer clients. This can reduce access to other necessary finances for MSMEs, households, and businesses that depend on credit for working capital and investment. A vicious cycle may then emerge weaker economic activity, reduced borrower income, increased repayment difficulties, and tighter credit would further slow business activity.

This is important for Cambodia because AMRO projected Cambodia's economic growth to moderate in 2025 and 2026 amid external pressures and subdued real estate activity.

Cambodia's Policy Response to NPL Pressure

On February 19, 2026, the NBC's *Prakas No. B37-026-113* on Conditions for Asset Management Institutions (AMIs) aims to establish a regulatory framework for AMIs through the acquisition and management of NPLs and collateral from banks and financial institutions under NBC supervision. This makes the AMIs framework directly relevant to Cambodia's NPL issue because it provides a legal structure for managing NPLs outside the normal balance sheets of banks and financial institutions (BFIs).

Under the *Prakas*, an AMI refers to an institution licensed by the NBC to operate under this regulatory framework. The *Prakas* defines NPLs management as the process of resolving NPLs through methods such as debt recovery, debt transfer, debt-to-equity conversion, debt restructuring, or other means approved by the NBC. It also defines associated collateral as assets or rights directly attached to NPLs, including immovable and movable properties, as well as other assets held by debtors or related third parties.

Licensed AMIs are allowed to acquire and manage NPLs and associated collateral from BFIs. They may also acquire and manage immovable properties of debtors through court auction, provisional administration, or liquidation process, provide debt collection services, facilitate the sale of collateral with the debtor's consent, and sell loans to BFIs or other AMIs. At the same time, the *Prakas* prohibits AMIs from providing loans, refinancing, or loan guarantees, keeping their role focused on NPLs management rather than ordinary lending.

The transfer of NPLs is also regulated. AMIs must acquire NPLs through transparent and arm's-length transactions, with the acquisition price agreed between the parties. Acquisition price refers to the price paid by the AMIs to acquire or buy the NPLs from BFIs. When BFIs dispose of NPLs to an AMI, they must obtain prior approval from the NBC and provide supporting documents, including a request letter, a board resolution, valuation documents, and any other documents required by the NBC. They must also transfer the original loan agreements, collateral documents, and repayment history, and notify customers and credit reporting service providers about the transfer.

The framework also includes safeguards for debt collection, consumer protection, reporting, and supervision. AMIs must establish a code of conduct for debt collection, comply with laws and regulations on consumer protection, data privacy, and professional secrecy, and establish a mechanism to resolve consumer complaints. They are also required to submit financial statements and quarterly reports on NPL portfolios and recovery to the NBC. These requirements help make NPL resolution more transparent, supervised,

and accountable.

The AMIs framework can therefore be presented as an emerging tool for resolving NPLs in Cambodia. It may help banks and financial institutions manage distressed loans and collateral more systematically and transparently, but it should not be treated as a complete solution to the NPL problem. AMIs can support the resolution of existing bad loans while preventing new NPLs, but this still depends on stronger risk management, borrower monitoring, provisioning, and responsible lending.

Beyond the AMIs framework, NBC also introduced targeted relief measures for borrowers affected by the Cambodia-Thailand border conflict. On July 30, 2025, NBC issued an instruction on relief measures to reduce the financial burden of affected citizens, including refugees, soldiers, disabled soldiers, and families of fallen soldiers, by waiving loan-related fees and penalties, deferring principal repayments, and waiving interest payments (National Bank of Cambodia, 2025). The measures also included loan write-offs of up to KHR 10 million for disabled soldiers and up to KHR 80 million for fallen soldiers or co-borrowers. These measures provide temporary repayment relief for borrowers facing conflict-related income loss or displacement, helping ease immediate pressure on loan repayments (Rajah & Tann Asia, 2025).

In addition, the Cambodian government has introduced several measures to address high NPLs, including adopting the Expected Credit Loss (ECL) Model and implementing the Loan Forbearance Program. NBC has shifted the banking sector toward the ECL model under the Cambodian International Financial Reporting Standards (CIFRS). Mandatory adoption began in 2019 and continued to be refined through 2024–2026. This requires banks to recognize impairment losses before a default occurs, using current conditions and reasonable economic forecasts. This ensures that banks identify credit risks early and set aside capital before they become fully non-performing (Flores, 2026).

The Loan Forbearance Program was relaunched in 2024, allowing borrowers to restructure non-performing loans up to 2 times without incurring additional penalties. While such forbearance measures provide temporary financial relief and help prevent immediate defaults, they may also conceal underlying solvency problems among borrowers who lack the capacity to repay their debts in the long run (Guo, 2025).

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EVENTS AND ENGAGEMENTS

OUR TRAINING PROGRAM

1. Training on "Research Methodology"

May 06 - 24, 2026

A series of training sessions on "Research Methodology," led by **H.E. They Kheam**, Technical Advisor of ARDB, was conducted for the APM Center Working Group as well as ARDB Research Working Groups every Wednesday and Friday morning from 06 to 24 May 2026. The program aimed to strengthen the research team's technical and analytical capacities in research design, data collection, data analysis, and interpretation through practical hands-on exercises.

OUR MONTHLY LECTURE SERIES

1. Policy Analysis in the Artificial Intelligence (AI) Era

May 04, 2026

The APM Center successfully organized the Monthly Lecture Series on "Policy Analysis in the Artificial Intelligence (AI) Era" on May 4, featuring a keynote lecture by **H.E. Dr. Chhem Kieth Rethy**, Senior Minister in Charge of Special Missions and Chairman of the Economic, Social and Cultural Council (ECOSOCC). The event brought together participants from universities, research institutes, and various professional sectors to discuss the growing role of AI in research and innovation.

DATA DASHBOARD

AGRICULTURAL COMMODITY PRICE MONITOR: MAY 2026

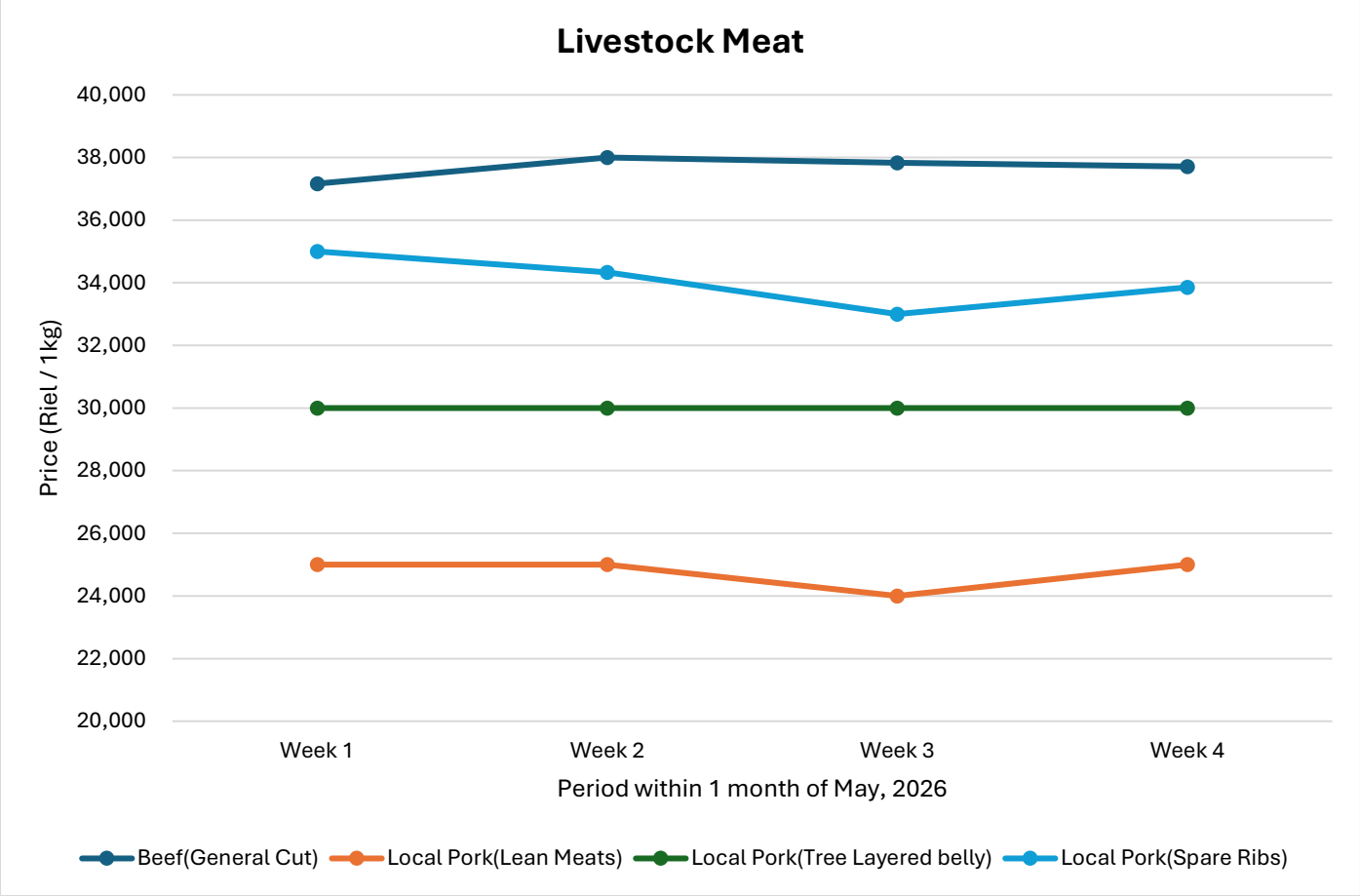
By: Kean Channda

The graphs below present the average week-to-week price movements for May 2026. During the month, beef and pork prices rose, while the prices of chicken, eggs, rice, and corn remained broadly stable. Overall, despite moderate inflationary pressures in the red meat segment, prices of staple foods and key agricultural commodities remained largely stable.

Cambodia

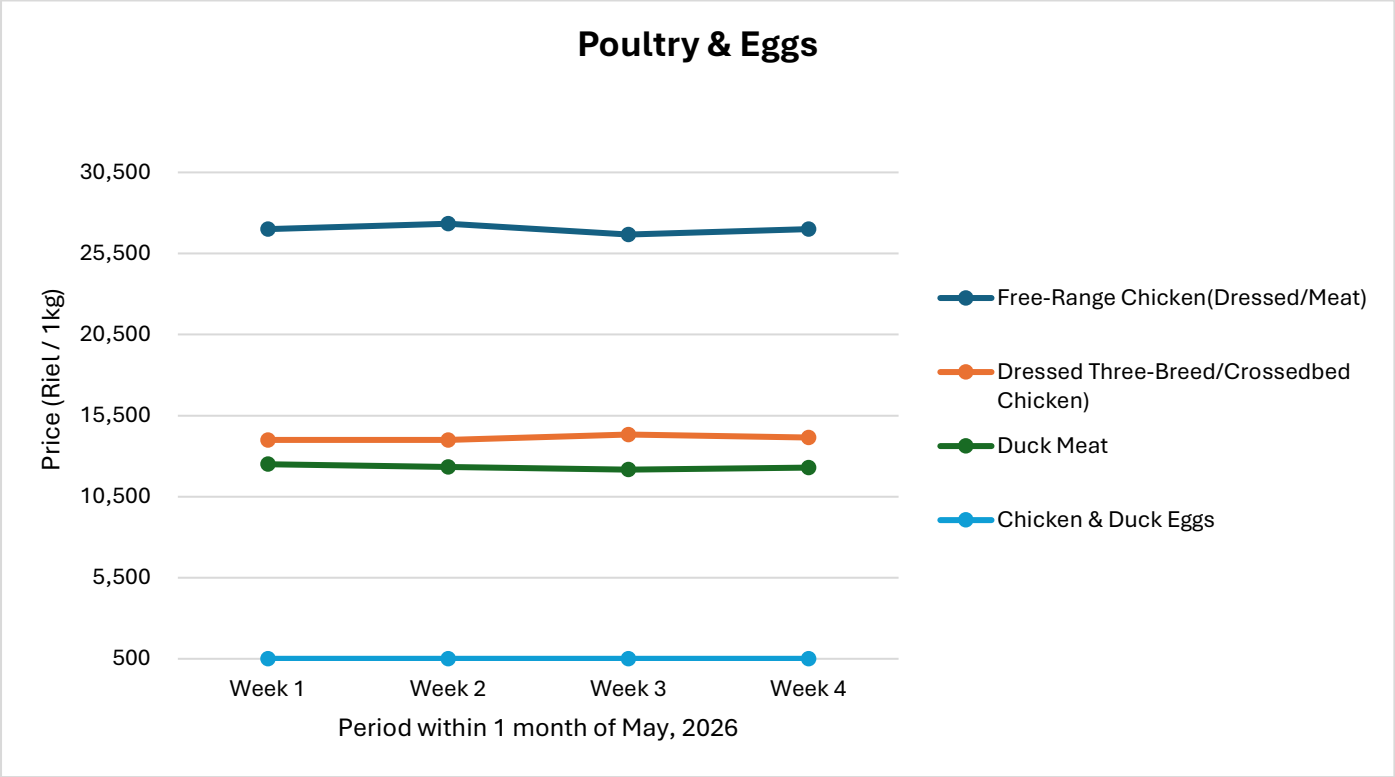
MEAT PRICE

1. Livestock Meat



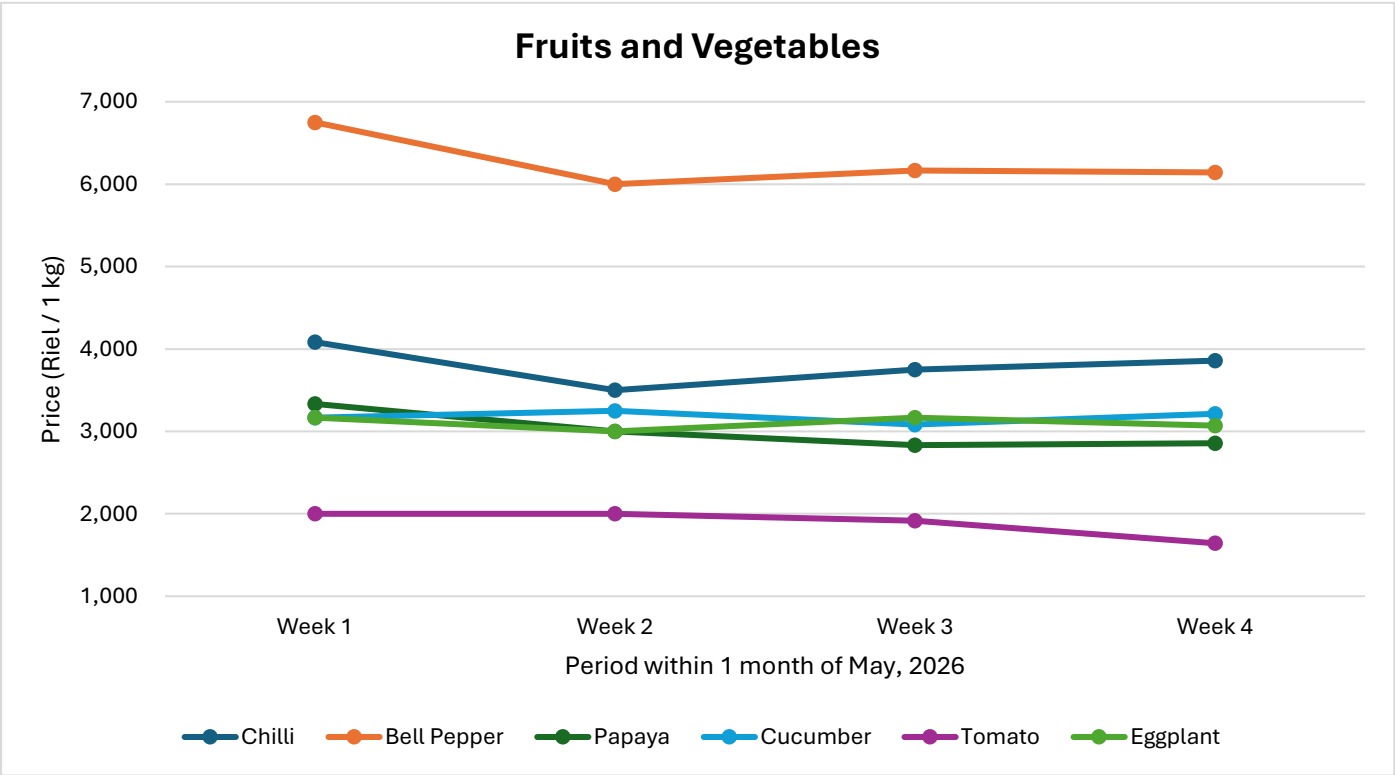
Source: Department of Government Policy Support of ARDB

2. Poultry and Eggs



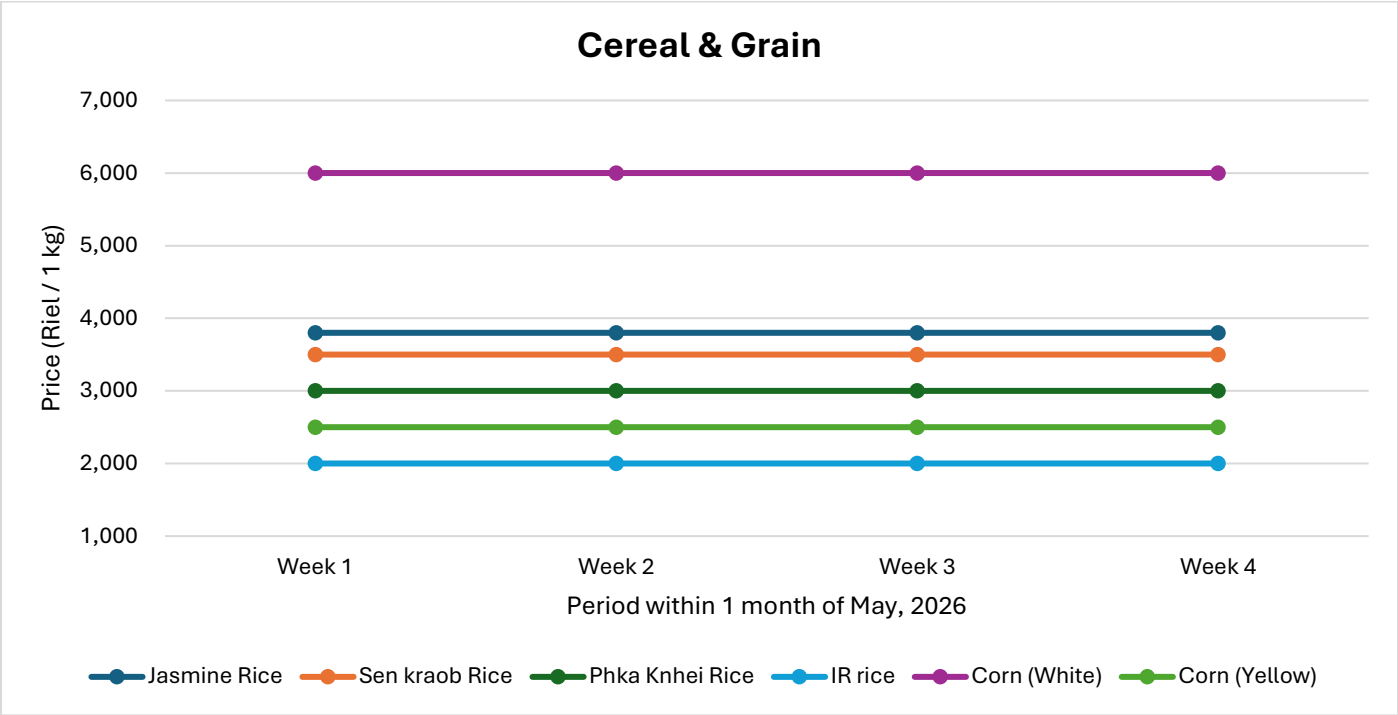
Source: Department of Government Policy Support of ARDB

3. Fruits and Vegetables



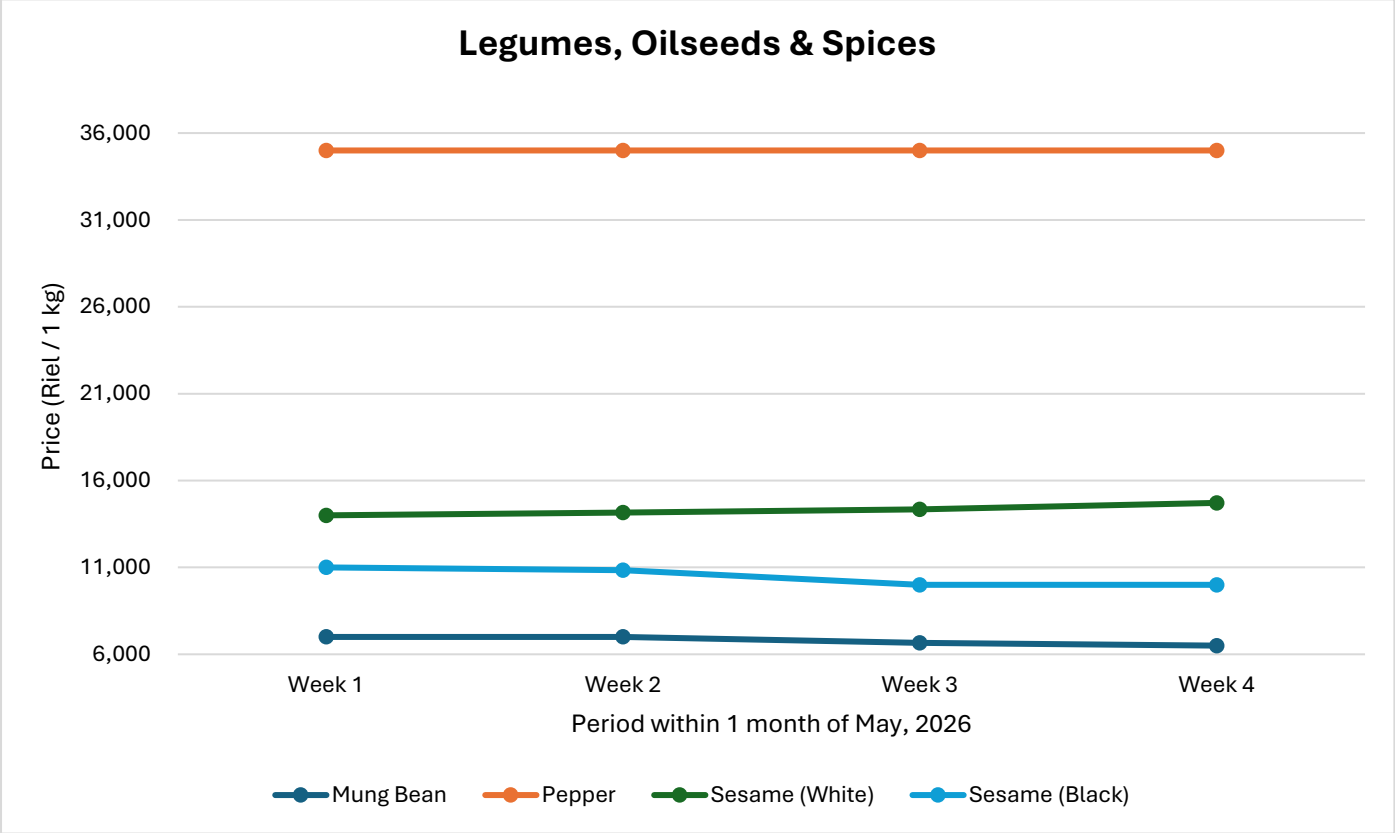
Source: Department of Government Policy Support of ARDB

4. Cereal and Grain Price



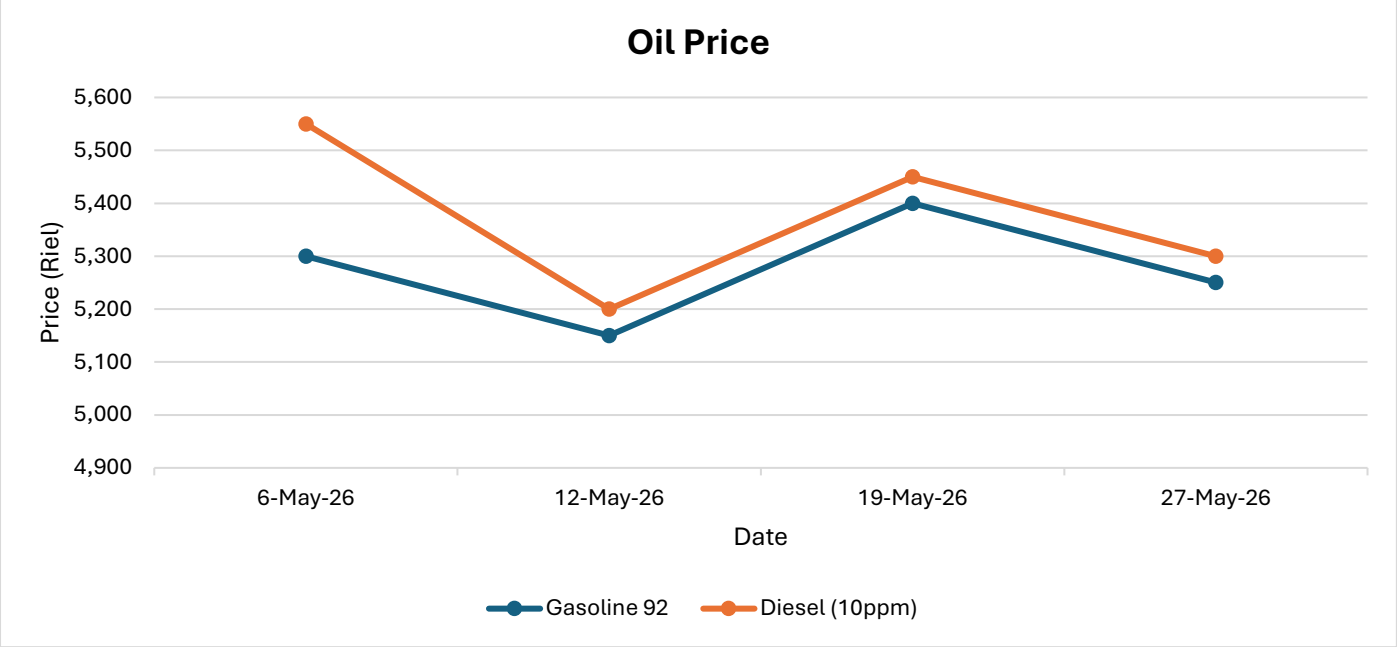
Source: Department of Government Policy Support of ARDB

5. Legumes, Oilseeds and Spices



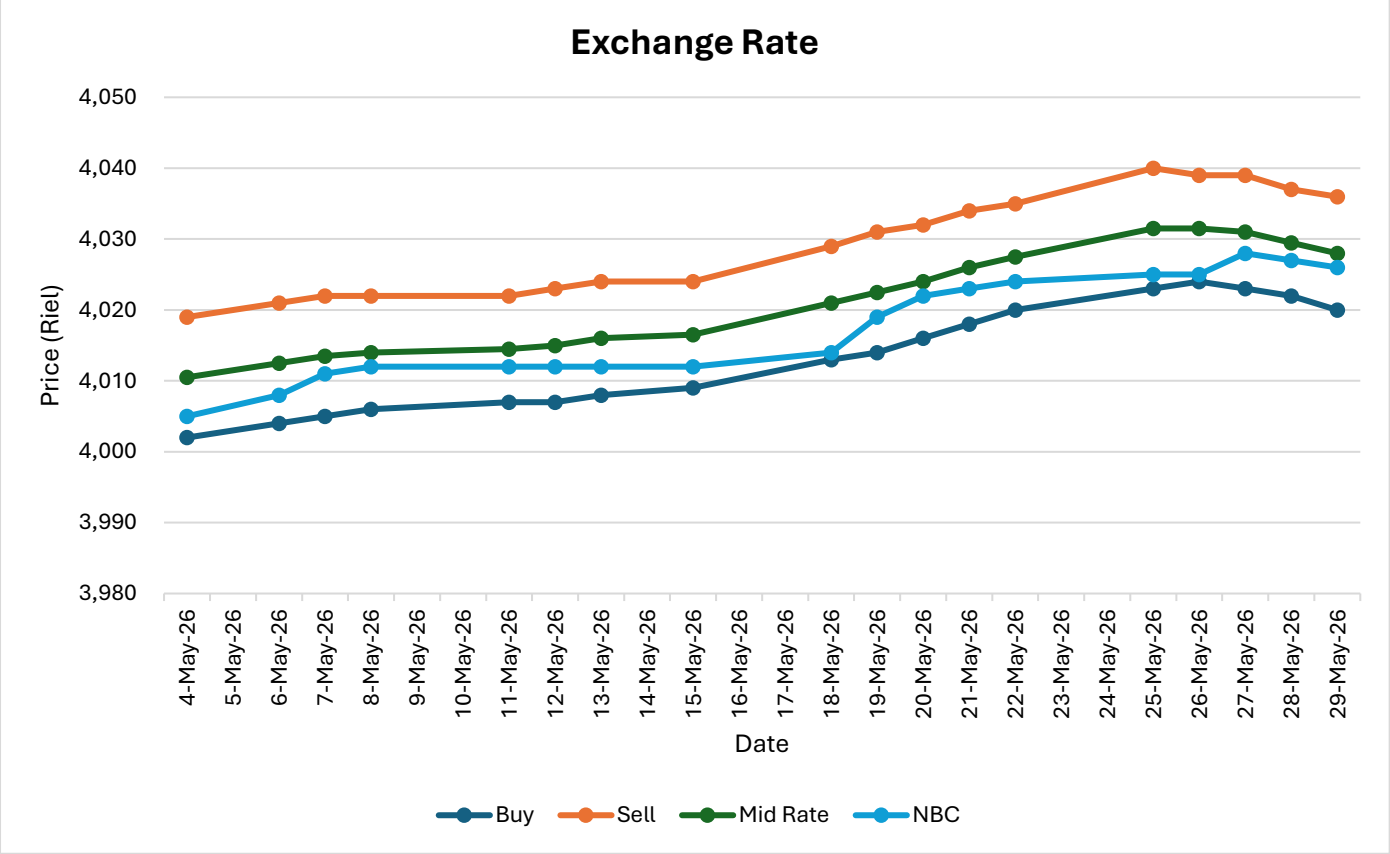
Source: Department of Government Policy Support of ARDB

OIL PRICE



Source: Ministry of Commerce, Cambodia

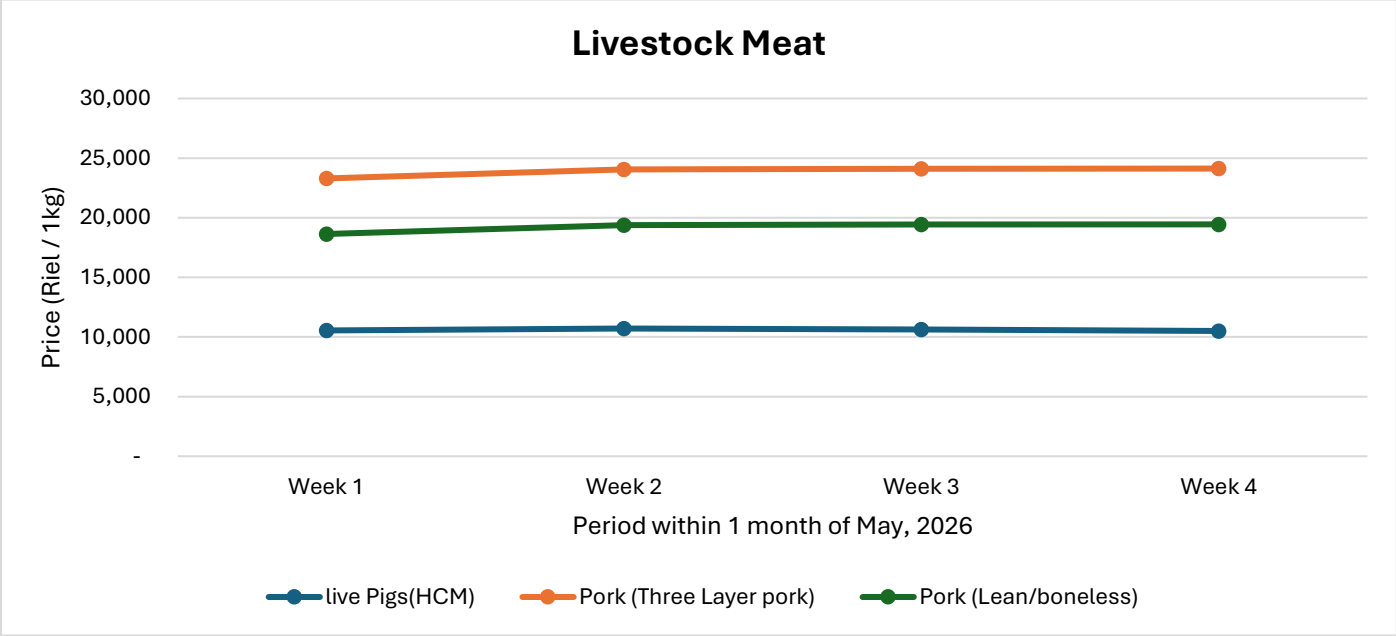
EXCHANGE RATE



The buy and sell prices are excerpted from the ARDB Bank's exchange rate.

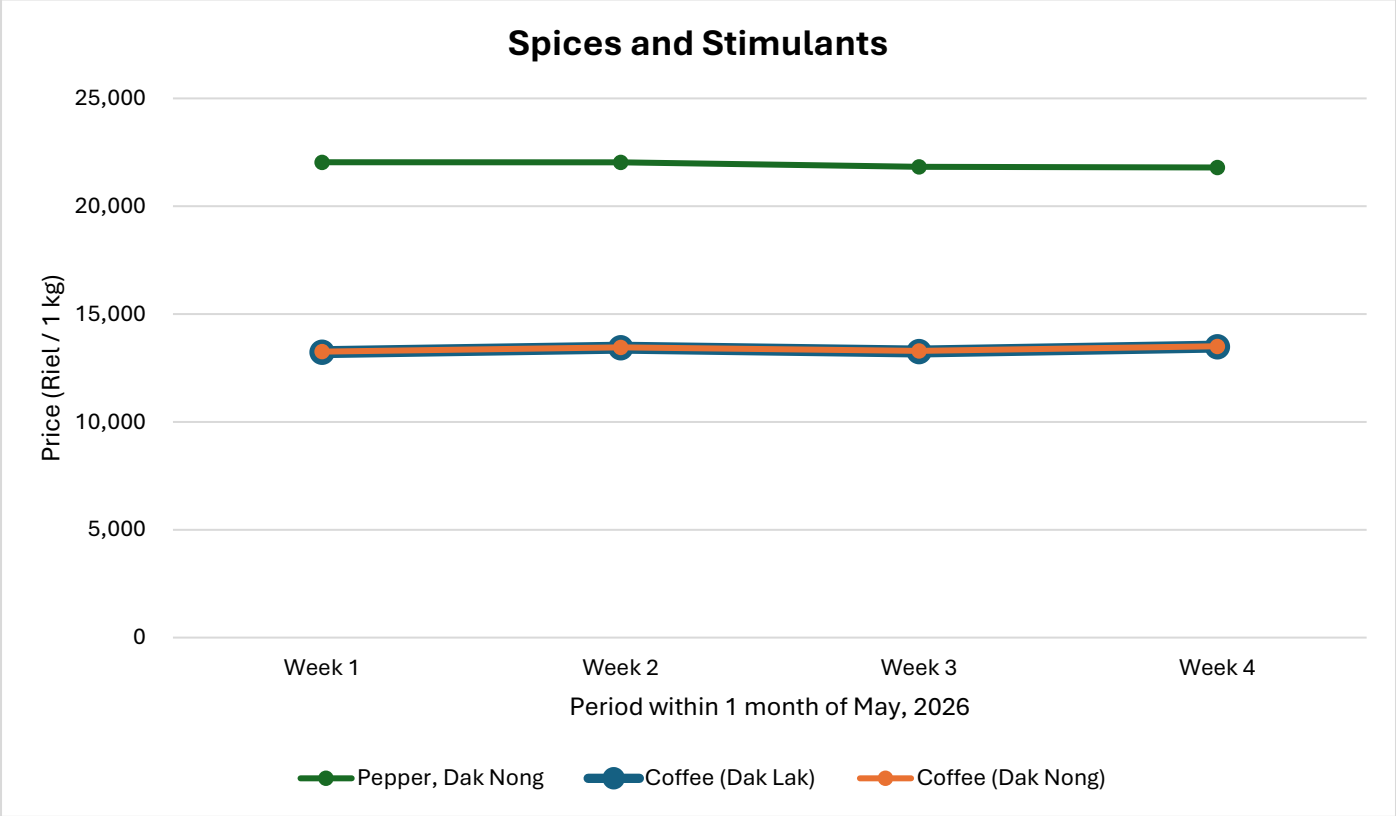
Vietnam

LIVESTOCK PRICE



Source: https://vietnambiz.vn/

SPICE AND STIMULANTS



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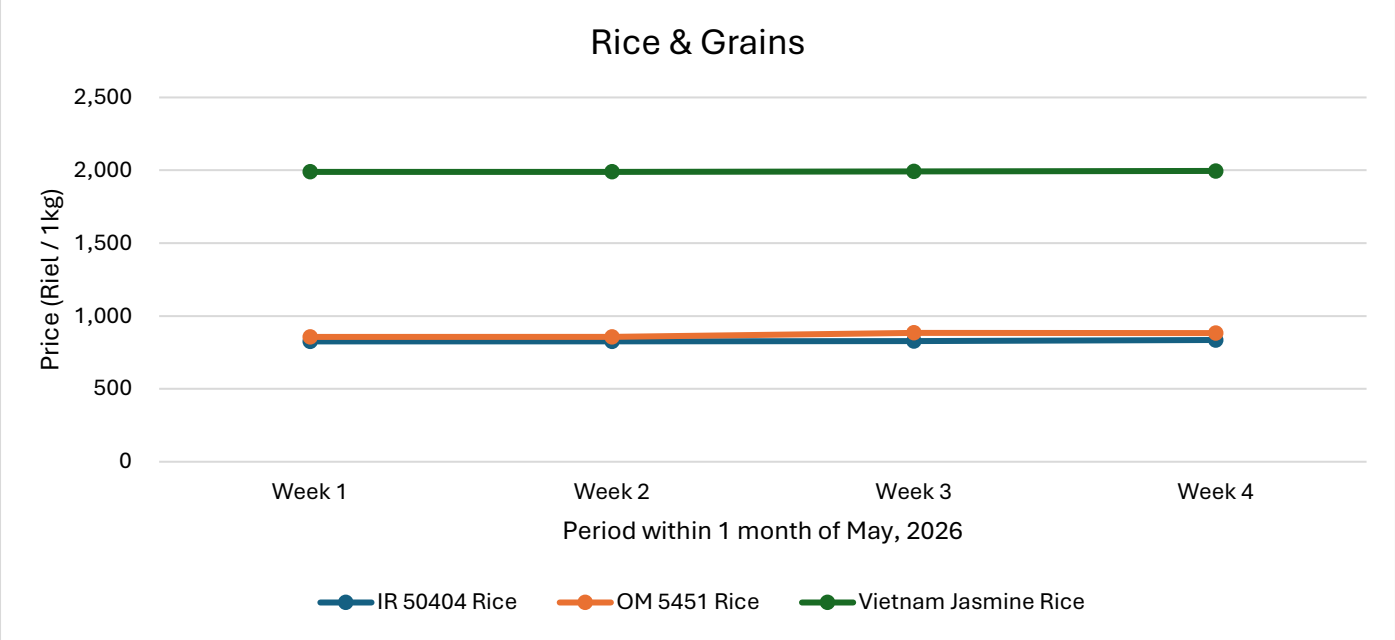
RICE AND GRAINS



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