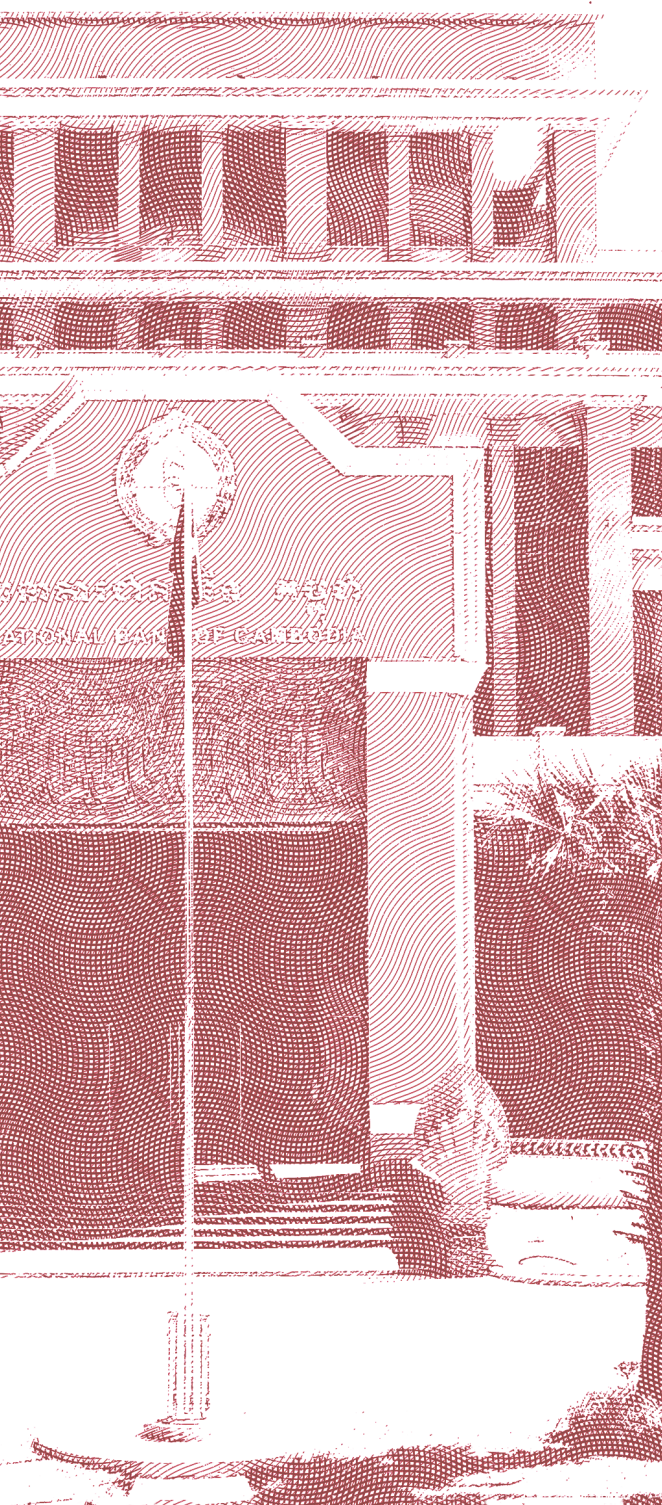




NATIONAL BANK OF CAMBODIA

Riel Stability Development



ANNUAL REPORT 2020



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FOREWORD

The world is going through a health crisis that has plunged the economy into the worst crisis since the Great Depression of the 1930s. The COVID-19 crisis has changed the way people live, communicate and economic processes, leading to new normal in which the use of technology has become more popular and could become a source of potential growth for the economy. With this crisis, all countries including advanced and emerging economies have implemented expansionary fiscal policy and monetary policy with supportive measures to maintain socio-economic stability. The International Monetary Fund (IMF) supports the implementation of these policies based on the ability and condition of each country, as the prolonged of COVID-19 and the implementation of these policies may increase the uncertainty that poses risks such as the higher government, corporate, and household debt, as well as the moral hazard. These issues are considered as the main challenges that need to be addressed for emerging and developing countries.

The Royal Government of Cambodia, under the long-term, visionary and firm leadership of Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of the Kingdom of Cambodia, has effectively prevented the transmission and spread of COVID-19. Because Cambodia is widely opened, it could not escape from the negative effects of the crisis, especially tourism sector, garment and footwear exports as well as construction and real estate sector. The Cambodian economy has expected to shrink by approximately -1.9% in 2020 thanks to the growth of the agricultural and the banking sectors, along with the increase of some export products from the diversification policy in the past.

Along with the effective prevention of COVID-19, confidence in the Cambodian economy is also supported by macroeconomic and financial stability. Monetary policy has been implemented in a flexible manner to contribute to managing inflationary pressures, and the National Bank of Cambodia (NBC) has intervened in foreign exchange market to stabilize the value of riels, while foreign currencies in the region has fluctuated sharply. In addition, high level of international reserves have contributed significantly to implement these policies effectively.

In line with the Royal Government's policy, the NBC has introduced expansionary monetary policy and macroprudential measures aimed to increase liquidity in banking system and encourage banks and financial institutions to continue providing credit to priority sectors as well as providing favorable conditions to the poor that affected by COVID-19 through loan restructuring. The effectiveness of these policies has reflected through continued credit growth, low levels of non-performing loans and declining trends in the number of accounts, as well as the amount of restructured loans. It should be noted that the monetary policy would be able to effectively restore and stimulate the economic activities through lowering the interest rate in the market, injecting liquidity into the economy and purchasing government bond if KHR is widely used and there is a presence of government bond. This means that the NBC has supported the Royal Government of Cambodia in developing the framework and mechanism of government bond issuance, and encouraging the use of KHR, which remain low, allowing the Royal Government to obtain more long-term financing and NBC to implement monetary policy effectively based on the market mechanism.

Along with the new trend of using digital technology as the new source of growth, NBC has regarded FinTech and payment systems modernization as the primary goal in order to further develop banking system. To this end, both local and regional payment systems have been developed and expanded significantly to facilitate transactions, investments, and international trade, especially while social distancing is required and cross-border travel is restricted. Among all of the payment systems in use, Bakong, which uses Blockchain technology, was launched to the public and recognized internationally as the payment system with the cutting-edge technology in the world. The Bakong will become a backbone of payment system that facilitates the transactions, such as transfers and payments, for all institutions and operators that provide those services. Even so, the usage of FinTech requires financial service providers and customers to be highly cautious in preventing any risk, especially cybercrime.

At the same time, Cambodia has strengthened its regulations on anti-money laundering and combating the financing of terrorism, contributing to the development of the financial sector and its economy, especially during the COVID-19 pandemic. These actions have been reflected through the amendment of the legal framework increasing the effectiveness of the implementation and the expansion of the scope of cooperation with both local and international authorities and other related parties. However, the understanding of reporting entities, which the Cambodia Financial Intelligence Unit (CAFIU) regularly promotes, is still crucial in order to prevent, take down, and eliminate money laundering and combating the financing of terrorism effectively and efficiently.

It should be noted that the prolonged COVID-19 pandemic has led to a decline in household income that might increase the demand for credit causing a rise in the usage of unlicensed financial services. In response to this, the NBC has given special attention to this matter and accepted the public opinion regarding the use of financial services, promoting understanding of the financial sector among the public, strengthening customer protection, and increasing the quality of and transparency regarding credit information. In addition, the Deposit Protection and Bank Resolution Unit has been created as a mechanism for banks and financial institutions to develop rules and regulations and create a deposit insurance system and banking resolution framework to increase confidence in the banking system.

In 2021, the world's economy is projected to recover steadily due to the anticipated use of the COVID-19 vaccine to contain the virus' spread. However, the uncertainties around this anticipation, along with geopolitical issues, trade tensions, technology frictions, and climate change, continue to make the global economic outlook highly uncertain. In this situation, the Cambodian economy is also expected to recover with support from some favorable factors, including: i/- the increase in exports, supported by the newly acquired preferential tariff system and the rising income of export target countries; ii/- the rebound of foreign direct investment (FDI) from regional countries, especially China, whose economy has been recovering rapidly; iii/- the increase in agricultural production, supported by investment in the agro-industry subsector; iv/- the growth of domestic tourism and the gradual increase of international tourism; v/- macroeconomic stability which contributed by stability of price and exchange rate, and a high level of international reserves; vi/- high viability in the banking sector in response to the need for private sector financing, both in times of crisis and economic recovery; and vii/- the maintenance of financial stability and confidence in the banking system. However, the recovery of the Cambodian economy also faces some risks, such as: i/- a new wave of COVID-19

infection, ii/- a slower growth in tourism than expected, iii/- the increase in competition of the garment and footwear exports sectors, iv/- the increase in corporate and household debt due to declining income, v/- the decelerated growth in the construction and real estate sectors, and vi/- the uncertainty around the impacts of climate change on the agricultural sector. At the same time, Cambodia continues to face some structural issues, including high production costs, low labor productivity, and slow economic diversification.

To continue supporting socioeconomic stabilization and economic restoration in line with the Royal Government's policy, the NBC will continue to contribute by: i/- stabilizing prices and exchange rates, ii/- accumulating international reserves, iii/- introducing macroprudential and microprudential measures to maintain financial stability, iv/- modernizing payment systems and other infrastructures to support the Royal Government's vision of digitalizing the Cambodian economy, v/- promoting the financial inclusion and financial literacy to support sustainable growth, and vi/- promoting the use of KHR through market mechanisms and interbank market development to improve the effectiveness of monetary policy. In addition, the Cambodian banking system will continue to implement green and sustainable financing policies through investment and financing, which will contribute to protecting the environment and mitigating climate change. Meanwhile, NBC will continue to deepen the integration of Cambodia's banks and financial sector into the region, strengthen the regional financial safety net, connect payment systems with other countries, and support cooperation initiatives, particularly, the objectives of the Association of Southeast Asian Nations (ASEAN) economic community, the Chiang Mai Initiative Multilateralization (CMIM) within the ASEAN+3 framework, the Regional Comprehensive Economic Partnership (RCEP), and free trade agreements with partner countries. In addition, the Cambodia Financial Intelligence Unit (CAFIU) will continue to strengthen Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) to improve Cambodia's ranking.

Finally, I would like to express my profound gratitude to the board of directors of the NBC for always supporting and the NBC staffs at all levels, who have worked hard to fulfil their tasks with a great sense of responsibility in order to build a sustainable banking system. I would also like to thank the Ministries-Institutions, and other developing partners for providing good cooperation so far. I am strongly confident that the board of directors, the NBC's staff and relevant stakeholders will continue to support and contribute to new attaining outcomes for the benefits of Cambodia and its people.

Governor

ABBREVIATION

GDP	Gross Domestic Product
CFIU	Cambodia Financial Intelligence Unit
ABIF	ASEAN Banking Integration Framework
ACCA	Association of Certified Chartered Accountants
AFI	Alliance for Financial Inclusion
APG	Asia/Pacific Group on Money Laundering
AMRO	The ASEAN+3 Macroeconomic Research Office
ATM	Automated Teller Machine
BCLMV	Brunei, Cambodia, Laos, Myanmar and Vietnam
BIS	Bank for International Settlements
CAL	Capital Account Liberation
CMD	Capital Market Development
CMIM	Chiang Mai Initiative Multilateralization
CFA	Chartered Financial Analyst
CIA	Certified Internal Audit
CIFRS	Cambodia International Financial Reporting Standards
CPA	Certified Public Accountant
CRISP	Cybersecurity Resilience and Information Sharing Platform
CSS	Cambodian Shared Switch
CUFA	Credit Union Foundation Australia
DTN	Data Transmission Network
EGMONT	Egmont Group of Financial Intelligence Units
EMV	Europay, MasterCard and Visa
ENEER	Export-weighted Nominal Effective Exchange Rate
EREER	Export-weighted Real Effective Exchange Rate
FATF	Financial Action Task Force

FIDF	Financial Institutions Development Fund
FINC	Financial Inclusion
FMIS	Financial Management Information System
FPP	Financial Programing and Policies
FSI Connect	Financial Stability Institute Connect
FSL	Financial Services Liberalization
GSP	Generalised Scheme of Preferences
ICRG-JG	International Cooperation Review Group- Joint Group
IMF	International Monetary Fund
INEER	Import-weighted Nominal Effective Exchange Rate
IREER	Import-weighted Real Effective Exchange Rate
LPCO	Liquidity-Providing Collateralized Operation
MSDS	Macroeconomic Surveillances Database System
NCD	Negotiable Certificate of Deposit
OBS	Online Banking System
PSS	Payment and Settlement System
RCEP	Regional Comprehensive Economic Partnership
RPPI	Residential Property Price Indices
RTGS	Real Time Gross Settlement
SCCB	Steering Committee on Capacity Building
SMEs	Small and medium-sized entities
UNCDF	United Nations Capital Development Fund
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

EXECUTIVE SUMMARY

In 2020, the global economy has been severely affected by COVID-19, and the International Monetary Fund (IMF) estimated that economic growth will contract by -4.4%. The economic growth of developed countries is expected to decline by -5.8% and -3.3% in developing and emerging economies. Meanwhile, ASEAN economic growth is also expected to decline by -3.4%. In response to this public health and the economic crisis, governments around the world have implemented expansionary fiscal and social protection policies to stimulate the economy, and most central banks have implemented expansionary monetary policies by lowering the policy rates, injecting liquidity in the market and easing banking regulations to recover economic growth.

Cambodia's economy is also estimated to contract by -1.9% due to the decline in the sectors that rely on external demands such as tourism, manufacturing, construction, and real estate, while the agricultural sector continued to grow. Cambodia's balance of payment is projected to be in the surplus due to an increase in exports and a decrease in imports coupled with continued FDI inflow even though it is lower than the previous year. The balance of payment surplus has contributed to the accumulation of 21.3 billion USD to Cambodia's international reserves, which can cover approximately ten months of prospective import goods and services, which is higher than the minimum level of three months that developing countries should hold.

The inflation rate remained relatively low at 2.9% (compared to 1.9% in 2019) due to increase in food prices with a slight decrease in oil-related items. In the meanwhile, the exchange rate of KHR against USD remained stable averaging at 4,090 KHR per USD, higher than the same period in the previous year (4,061 KHR). The lowered rate of inflation and stability of exchange rate contribute significantly in maintaining macroeconomic stability.

To contribute toward and reduce the impact of COVID-19 in the economy, the NBC has implemented expansionary monetary policy and intervention in the exchange market by increasing liquidity within the banking system and strengthening confidence in the banking sector and KHR. In fact, the reserve requirement ratio in KHR and foreign currency have decreased to 7% as well as the negotiable certificate of deposits (NCDs) rate and the liquidity-providing collateralized operation (LPCO) have decreased to reduce the principal of loans on KHR. NCDs have been used to provide liquidity surplus of banks where NCDs in USD valued at 30.8 billion USD (an increase of 45.3%) and in KHR valued at 10.9 trillion KHR (an increase of 4%).

At the same time, the NBC has supplied liquidity in KHR through LPCO operations (23 times) in a total of 5.9 trillion KHR (increased by 24.5%) to banks and financial institutions that demand for KHR. In the situation of a decrease in economic growth, money supplies (M2) also declined by 14.7% (lowered than the previous year of 18.2%), but remained at a reasonable level in order to support money demand in the economy. It should be noted that loans in KHR compared to the total portfolio of credit have been maintained at 12.8%, and the level of dollarization (measured by the foreign currency deposit ratio/M2) is still relatively high at 83.8%.

The banking sector continues to develop and remains resilient which actively contribute in supporting economic activity. The assets of banking system increased by 15.7% (to 217%

of GDP), loans increased by 14.8% (to 136% of GDP), and deposits have increased by 15.4% (to 123% of GDP). The network of operations and financial services continue to develop and expand throughout all regions of Cambodia, stimulating financial inclusion in the number of deposit accounts, which increased to approximately 8.9 million (by 16.8%) and credit accounts increased to 3.2 billion (by 3.9%). In the meantime, banks and financial institutions has been offering favorable conditions to the borrowers through loans restructuring in 285,074 accounts equating to 4.2 billion USD, which has been a decreasing trend since August. NBC has implemented a supervision framework based on risk and outlook along with issuing the macro and micro prudential measures which is proactive in strengthening financial stability. In addition, the financial inclusion, financial literacy, and consumer protection have been also regularly promoted through financial education campaigns to the public, disseminate information about microfinance sector in the region, receive and resolve customer complaints regarding banks and financial institution while deposit protection and bank resolution unit have been established.

In line with global and regional development, FinTech has been adopted, especially to be used carefully in payment system to ensure its efficiency, security, and affordability. The NBC officially launched the Bakong system as a back-bone payment system that would facilitate payments across banks and financial institutions electronically. Furthermore, the Cambodian Shared Switch (CSS) and Retail Payment systems have been rolled out in phases and will be launched officially in the near future. The standard QR code has been also created in payment systems to facilitate cross-border payment between service providers and allow interconnectedness in the region. To support in bilateral commercial and cross-border investments such as expanding the use of both currencies, the NBC and Bank of Thailand (BOT) have implemented the use of QR codes to facilitate transactions in KHR and THB.

The NBC has continued to manage the currency in circulation in terms of its effectiveness and safety to meet the public demand. The quality and aesthetics of banknotes have been strengthened according to advances in technology. To promote efficient governance, audits and inspections have continued to focus on risk prevention and job sustainability. Human resources have continued to be a developing priority for the total of 1,742 staff of NBC, with skills and specializations on a regular basis, particularly through online education in the context of the global health crisis.

Moreover, international cooperation of both bilateral and multilateral frameworks has been steadily strengthening and expanding. The NBC has contributed to strengthening the integration and regional financial security network through the amendment of CMIM, reinforcing the operation of the CMIM agreement by participating in its (test run) mechanism, promoting the use of local currency in the Asian Bond Markets Initiative, and successfully serving as the co-chair of the ASEAN Senior Level Committee. The NBC has also been selected as the co-chair of the ASEAN Working Committee on Financial Inclusion (WC-FINC), together with the Central Bank of Indonesia for the mandate of 2020–2022.

Despite the COVID-19 crisis, the process of drafting a law on AML/CFT continued until it was approved and disseminated on June 27, 2020. To promote the contents of the law, CAFIU organized a workshop together with the participation of representatives from relevant ministries, institutions, and reporting entities. The CAFIU has been continuously monitoring and combating money laundering and financing terrorism, as well as evaluating the

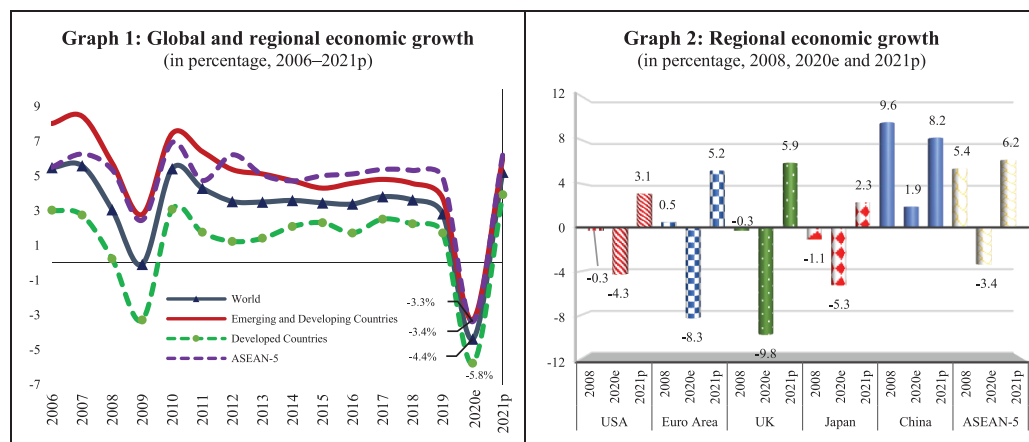
qualifications and experience of executive officers through virtual meetings and holding discussions with reporting entities regarding the development of implemented recommendations in the supervision report. At the same time, in order to enhance the performance efficiency and scope of work, cooperation with relevant ministries, institutions and other international partners has been strengthened and expanded.

PART 1: ANNUAL REPORT 2020

I. Global Economic Condition

In 2020, the global economy fell into a serious crisis due to the spread of COVID-19, which slowed down the economic activities, especially in the tourism and investment sectors. According to IMF's forecast,¹ the global economic growth is expected to decrease by -4.4% in which advanced economies have declined by approximately -5.8% while emerging and developing countries have contracted by -3.3%. The economic growth of emerging and developing countries in Asia is projected to decline by -1.7%, in which -3.4% decrease in ASEAN-5,² while China's economy is estimated to have a slight increase of 1.9% due to its prompt reopening of economic activity.

During the health crisis, many governments have implemented expansionary fiscal policies to boost their economic growth, whereas in advanced countries have spent approximately 9% of their GDP while emerging and developing countries have spent approximately 3.5% of their GDP.³ These important measures include: i/- approval of large-scale budgets to help economies recover from the ongoing health crisis, ii/- providing financial support to companies and families that affected by COVID-19, iii/- subsidizing companies in order to support their employees' salaries, iv/- expanding unemployment insurance coverage, and v) extending tax payments etc. In the meantime, central banks have adopted expansionary monetary policies to support liquidity in the market, where the central banks of advanced countries have injected approximately 11% of GDP while 2% of GDP from the central banks of emerging and developing countries.⁴ Those policies include: i/- lowering policy rates, ii/- large-scale acquisition of assets, iii/- encouraging credit restructuring, and iv/- relaxing banks' supervision regulations and authorization to use capital buffers to offset losses.



Source: Trading Economics

Source: International Monetary Fund

¹IMF, October 2020

²ASEAN-5 includes Indonesia, Malaysia, the Philippines, Thailand, and Vietnam

³World Economic Outlook, October 2020

⁴World Economic Outlook, October 2020

BOX 1: Central Banks' Policies During the Outbreak of COVID-19

Central banks of advanced, emerging and developing countries have been using expansionary monetary policies to stimulate their economies during the COVID-19 crisis while inflation rate remains low. Meanwhile, central banks of Cambodia's trading partners have continued to implement their monetary policies.

Federal Reserve: i/- Reduced the policy rate to between 0% and 0.25% in March 2020; ii/- increased the purchase of state bonds as necessary; iii/- expanded short-term loans to banks that were short on liquidity; iv/- lowered the costs of discount window lending; v/- expanded the SWAP operation in USD and provided temporary short-term loans with central banks and international financial institution partnerships; vi/- developed new financial instruments to facilitate credit flow within the economy; vii/- reduced restrictions on bank supervision, authorizing banks to use their capital buffer and liquidity, adjusting inspection procedures, and providing an additional period of time for banks to follow the recommendations of inspection authorities; viii/- eased regulations on bank supervision; and ix/- encouraged government-backed home mortgage companies (Fannie Mae and Freddie Mac) to favor their real estate loan, giving borrowers up to 12 months, suspending reporting to the credit bureau for late payments, and suspending foreclosure and auction of debt-ridden real estates as well as credit restructuring etc.

European Central Bank: i/- maintained the policy rate at 0%, ii/- injected 120 billion EUR of liquidity by the end of 2020; iii/- provided additional auction of the full allotment to the banks with a low interest rate of 0.5% to collateral liquidity in the market from June 2020 to June 2021; iv/- introduced a new financial instrument (PELTRO) in response to the immediate epidemic crisis by lowering the interest rate of loans by September 2021; v/- injected 1.35 trillion EUR to purchase public and private companies' bonds until June 2021; vi/- reduced mortgages for financing operations in the European financial system; vii/- introduced a new financial instrument to support the central banks that have a shortage of liquidity in EUR with a bilateral SWAP operation; viii/- authorized all large financial institutions to operate temporary below the Pillar 2 Guidance; ix/- provided temporary leniency to loans classification and non-performing loans that are guaranteed by the government; x/- requested banks to suspend dividends in the period of 2019 and 2020 or shares buybacks during crisis; and xi/- temporarily reduced the minimum capital requirement for banks.

Hong Kong Monetary Authority: i/- lowered the benchmark rate to 0.85%; ii/- reduced the capital buffer and reserve requirement rate to increase loans from banks; iii/- increased liquidity in the banking system in both HKD and USD through bilateral cooperation with the Federal Reserve; iv/- allowed banks to maintain flexibility in liquidity buffer; v/- facilitated interbank financing; vi/- reduced the burden on banks in compliance with Basel III; vii/- provided 50 billion HKD in loans with lower interest rates for small and

medium-sized enterprises (SMEs), which are 100% guaranteed by the government; viii/- increased the maximum loan amounts to companies that have been guaranteed by the authority; ix/- allowed a number of corporations to temporarily suspend their principal payments; and x/- encouraged banks to extend the payment period for SMEs and families affected by COVID-19 in accordance with the banks' risk management policies.

Monetary Authority of Singapore: i/- encouraged banks to reduce the burden on their customers affected by COVID-19; ii/- cooperated with financial institutions to create a package of measures to help customers with short-term cash flow difficulties by restructuring loans to meet customers' requests, reducing the interest rate to some loans, and ensuring that there is sufficient liquidity in the interbank market for both USD and SGD ; iii/- developed a bilateral SWAP of 60 billion USD with the Federal Reserve; iv/- eased regulations and supervision activities, ensuring that banks are capable of solving their issues; and v/- prepared a package of 125 million SGD to strengthen financial services and Fintech.

Bank of the Lao P.D.R.: i/- reduced the reserve requirement rate from 10% to 8% on foreign currencies and from 5% to 4% on LAK from April 2, 2020; ii/- introduced a new credit policy by requesting banks to restructure their loans and provide new loans to businesses affected by COVID-19. Those banks that comply with this policy will benefit from extending the implementation on credit classification and lending; iii/- lowered the policy rate; iv/- introduced guidelines for implementation of credit policy's scope to non-banking institutions such as microfinance institutions, saving and credit unions, leasing companies, and pawnshops; v/- allocated 200 billion LAK to SMEs through commercial banks; and vi/- managed the exchange rate without adopting new capital control measures.

Bank of Thailand: i/- reduced the policy rate from 1.25% to 0.5% and decreased the contribution from banks to the Financial Institutions Development Fund (FIDF) from 0.46% to 0.23% of the deposit base to enable the reduction of the future lending rates; ii/- introduced measures to support businesses by providing 500 billion THB of credit to financial institutions for lending to SMEs with a guarantee from the government that the interest and loan is to be 60% to 70% paid off in the first six months and reduced repayment terms for businesses; iii/- issued financial stability measures such as establishment of corporate bond stabilization funds for financing 400 billion THB to high quality firms with bonds maturing during 2020-2021, purchasing of government bonds to ensure the normal operation of government bond market and providing mutual funds liquidity facility through banks; and iv/- provided liquidity in the foreign exchange market and allowed exchange rate to adjust accordingly.

State Bank of Vietnam: i/- reduced policy rate to 4%; ii/- introduced principles to commercial banks to reduce/exempt interest rates and extend the period of debt payment; iii/- provided credit package of 300 trillion VND (3.8% of GDP) with the lower interest rate to banks (until the end of June), which supports 920 thousand customers (along with almost 2,000 trillion VND of credit) to encourage the restructuring loans, leniency or reduction of interest rate on existing debts and provision of more new loans; iv/- exempted and reduced

service fees to financial institutions; v/- allowed affected companies to get interest-free concessional loans from the Vietnam Social Policy Bank (VSPB) to support temporarily unemployed employees with their salaries; vi) advised banks to decrease bonuses and salaries to employees to reduce operating costs and to restructure their business strategies in the timely manner (including not paying dividends in cash) and use the saved resources to reduce interest rate; vii/- used financing tools to inject liquidity into VSPB and credit institutions to implement government programs and support credit institutions to deal with non-performing loans; viii/- provided 16 trillion VND to VSPB with a zero interest rate; and ix/- announced intervention for the foreign exchange market as needed to smooth exchange rate volatility.

Source: International Monetary Fund and Tradingeconomic.com (Updated by November 12, 2020)

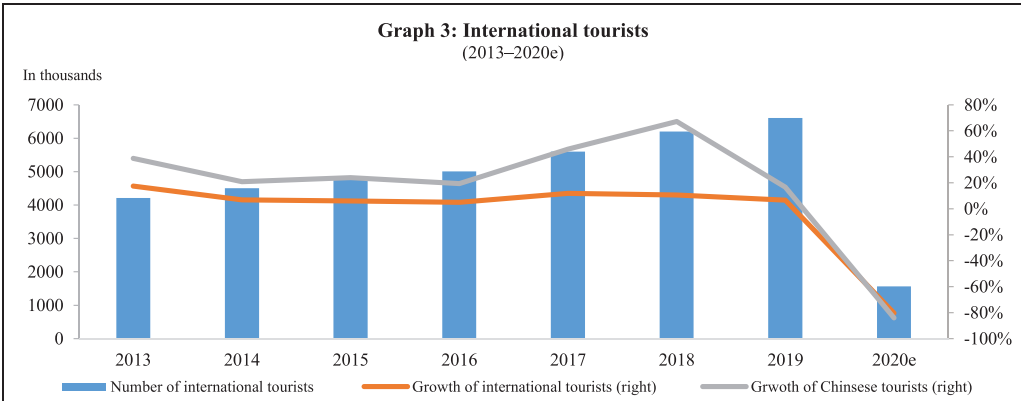
II. Cambodia’s Macroeconomic Developments

1. Economic Growth

Cambodia’s economy has been severely affected by COVID-19 especially on the sectors that are highly dependent on external demand such as tourism, manufacturing and construction, which previously accounted for approximately three quarter of economic growth.

- **Tourism Sector**

The tourism sector (including the hotel and restaurant sectors) is the hardest hit and is projected to decrease significantly by -9.7%. The number of international tourists coming into Cambodia dropped by -80.3% (estimated), compared to a growth of 6.6% in the previous year, due to an -84% decline in Chinese tourists, accounted the highest proportion of total tourists at 25%. According to the purpose of travel,⁵ the number of international tourists coming into Cambodia for leisure and business purposes have declined by -75.5% and -79.2%, respectively. The recent ascent of domestic tourism, with an estimated 5.3 million domestic tourists (80% of total tourists) has lessened the effects on the hotel, restaurant, travel, and trade sectors.

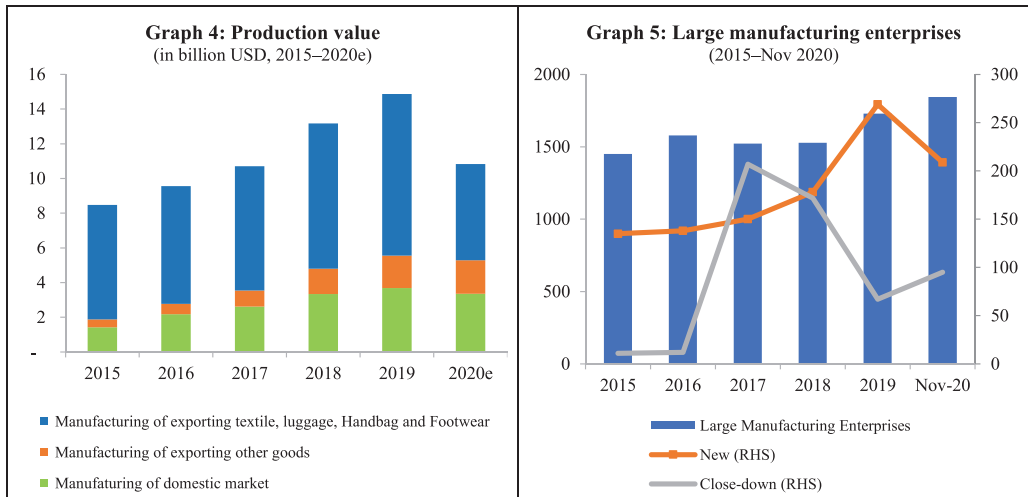


Source: The Ministry of Tourism

⁵ Data of ten months

• Manufacturing Sector

The manufacturing sector decreased significantly due to the decline of external demand, especially from its main export destinations. According to data obtained from the Ministry of Industry, Science, Technology, and Innovation, 95 factories closed, which has affected approximately 50,000 employees (although, there are new registered factories). In this circumstance, finished goods in this sector⁶ fell by an estimated -27%, in which industrial products for export and industrial products serving the domestic market fell by -33% and -9%, respectively. However, investors remain optimistic about the manufacturing sector, where there are 209 new large factories expected to open, which are mostly metal processing plants⁷.



Sources: The Ministry of Industry, Science, Technology and Innovation and NBC's calculation

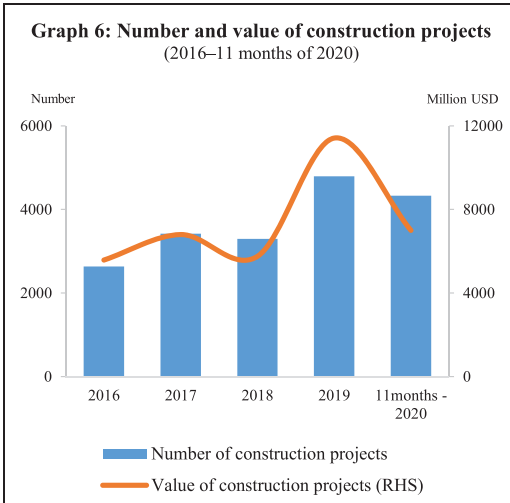
• Construction Sector

The construction sector declined by an estimated -3%, mainly due to the reduction of domestic investment and FDI inflows. This decrease is reflected through key indicators, such as the drop in the number of projects, prices, and proposed construction areas, as well as the import of construction materials and equipment. Number of projects, prices, and proposed construction areas have fallen⁸ by -0.5%, -25%, and -17%, respectively, in particular, construction projects in tourism decreased by -55.2% and in the industry sector by -31%. Meanwhile, the price of construction materials and equipment fell by an estimated -10.8%, reflecting a slowdown in construction activities due to the suspension or cancellation of some projects during the outbreak of COVID-19.

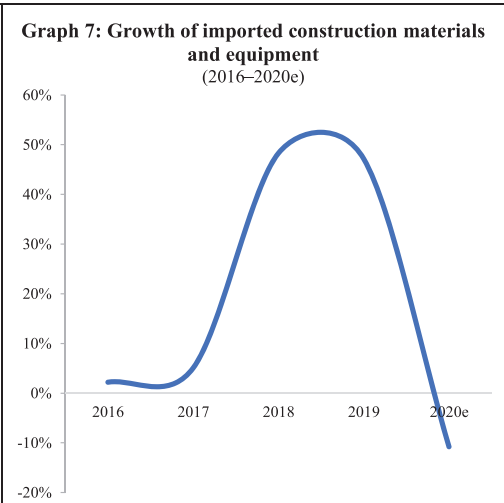
⁶ Only covers large factories based on the data from the Ministry of Industry, Science, Technology and Innovation

⁷ Counted by November 2020

⁸ Counted by November 2020



Source: The Ministry of Land Management, Urban Planning and Construction

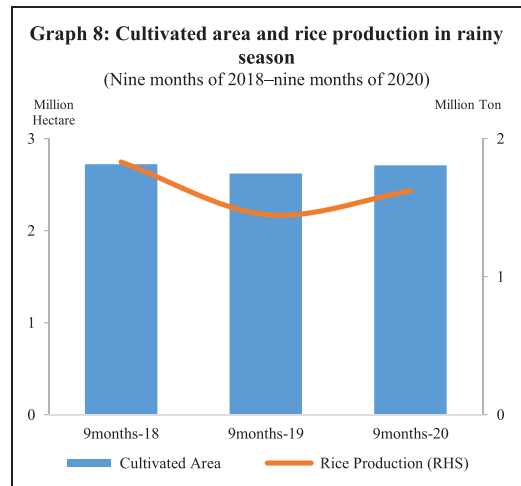


Sources: The General Department of Customs and Excise of Cambodia and NBC's calculation

• Agricultural Sector

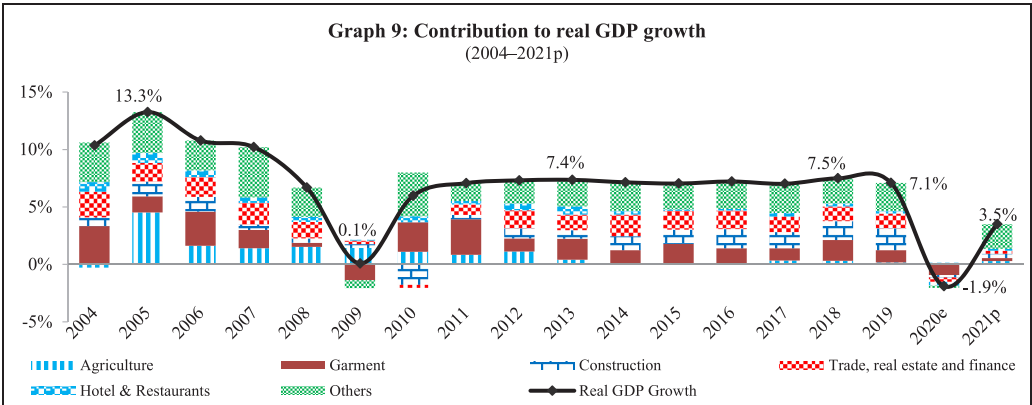
The agricultural sector has made good progress with a growth rate of almost 1% (estimated), due to the favorable adjustment of the temporary labor force and the support of diversification policies to the agro-industrial sector, despite the short-term impact of droughts and flash floods. According to data from the Ministry of Agriculture, Forestry and Fisheries, the cultivation area and amount of paddy in rainy season increased by 1.3%⁹ and 17.4% (year-on-year), respectively, while aquaculture yields (fish and shrimp farming) increased by 20.7%. However, with low international

demand, rubber production and export volume slightly increased by 4.1% and 3.8%, respectively, whereas rubber prices continued to decline by -1.2% (1,288 USD per ton).



Source: The Ministry of Agriculture, Forestry and Fisheries

⁹ Counted by September 2020

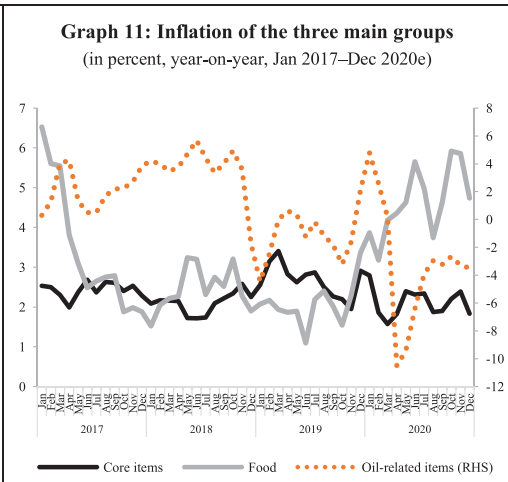
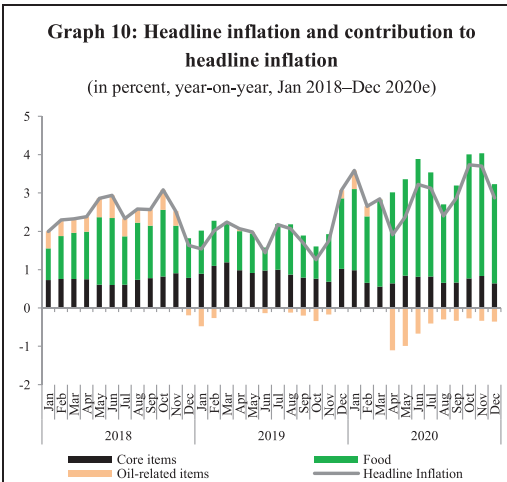


2. Inflation

Inflation remained low at 2.9%; however, it was slightly higher compared to the previous year (1.9%), mainly due to the increase in food prices, despite a decline in oil-related items and the slowdown of growth¹⁰ in essential goods.

Food prices increased by 4.6% (2.1% in the previous year) mostly due to the outbreak of COVID-19, which impacted demand and caused disruption to the importing of goods, whereas food prices of neighboring nations such as Vietnam, Thailand, and China, also increased for the same reason. However, there was a -3.3% deflation on oil-related goods (-1.1% in the previous year) due to the fall of global crude oil prices from a decrease in demand, with supply being reduced and a shortage of oil storage facilities.

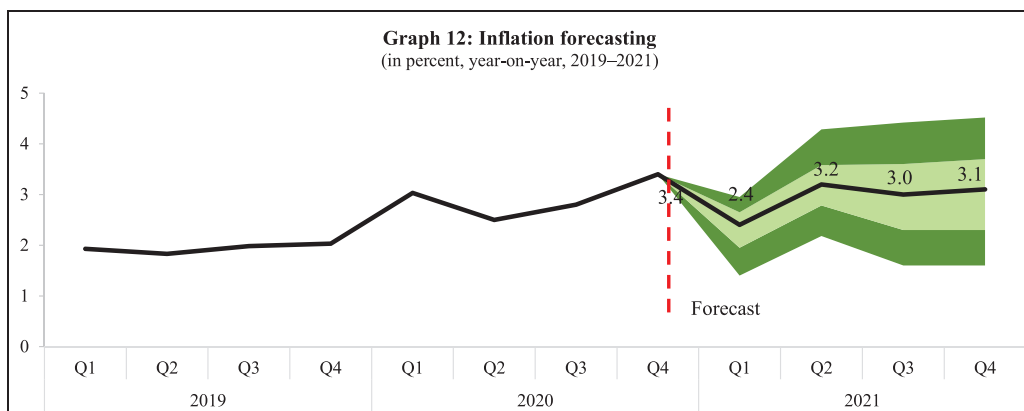
Core inflation slowed to 2.1% (2.7% in 2019) mainly driven by a sharp decline in restaurant prices, a reduction in demand for alcohol and tobacco groups together with the slowdown in growth of health care, furniture, and household appliances prices.¹⁰



¹⁰ Food, oil-related items, and core items have proportions of 44.8%, 15.6%, and 39.6%, respectively, in consumers' shopping carts.

• Inflation Forecasting 2021¹¹

The inflation rate in 2021 is projected at 2.9% (the same as 2020) with the following assumptions: i/- slowdown in growth of food prices will be driven by a decrease in expected inflation and improvement of supply, while the index of food prices remained high in 2020 (which caused the price calculation of year-on-year to remain low); ii/- the price of oil-related items will rebound in line with global crude oil prices due to easing of travel restrictions; and iii/- core inflation will increase slightly due to the recovery in economic activities.



Sources: The National Institute of Statistics and NBC's calculation (estimate for Q4 2020)

3. Exchange Rate

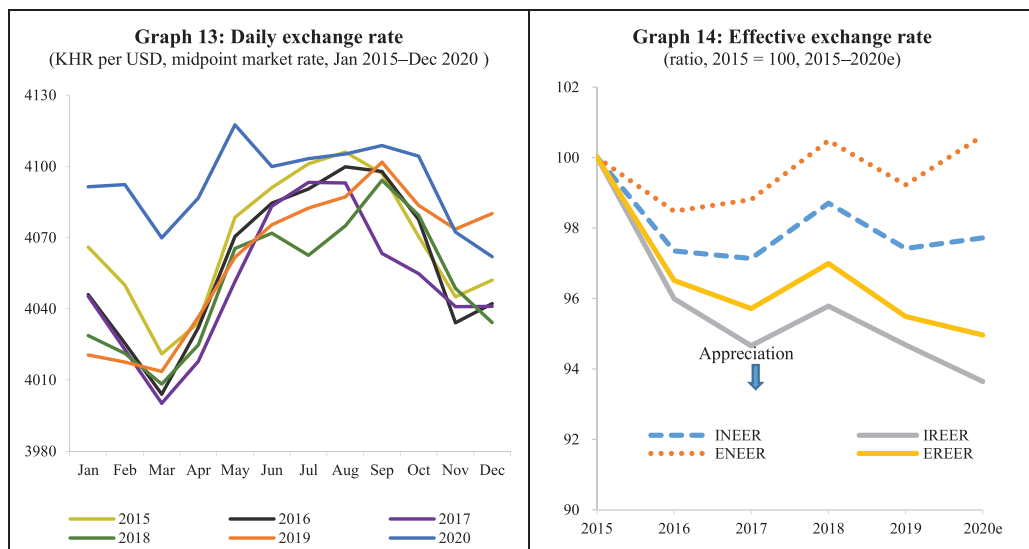
The exchange rate of KHR against USD remained stable, despite a slight decrease of approximately 0.8% in prices compared to the previous year, with an average of 4,090 KHR per USD (4,061 KHR last year). The decline is likely to be in line with the situation in the region, due to a fall in domestic economic activity and reduction in capital inflows. To stabilize the exchange rate, the NBC has carefully supplied KHR based on the market's situation through LPCO and NCDs. Furthermore, the NBC has temporarily suspended the purchasing of USD from banks and exchange traders, as well as auctioned off USD to the market.

The Import-weighted Real Effective Exchange Rate (IREER) was estimated to decrease by -1.1%, helped ease inflationary pressure on imports due to the inflation of importing partnership countries being lower than Cambodia's, despite the Import-weighted Nominal Effective Exchange Rate (INEER)¹² increasing slightly. It should be noted that, the INEER rose moderately by 0.3% as some currencies, including the CNY, VND, TWD, HKD, and JPY appreciated against the USD, coupled with the depreciation of the KHR against the USD.

¹¹ The forecast has been estimated by using models, such as: 1) Multiple regression, which studies the relationship between inflation and some important indicators, such as inflation in the previous quarter, the inflation of import partnerships, adjustment of global oil prices, the increase of credit, and the changes of exchange rate of KHR compared to USD; 2) ARIMA (p, d, q), which is used to estimate the ten groups of consumer baskets based on the previous prices and the trajectory of those variables; 3) VARX, which demonstrates the inflation rate, increase in credit, exchange rate fluctuation, inflation of import partnerships, and exogenous variables; 4) ARIMA (3, 1, 3), which indicates the inflation rate of the last three quarters; and 5) VARX, which estimates core inflation and the inflation of food groups and oil-related items.

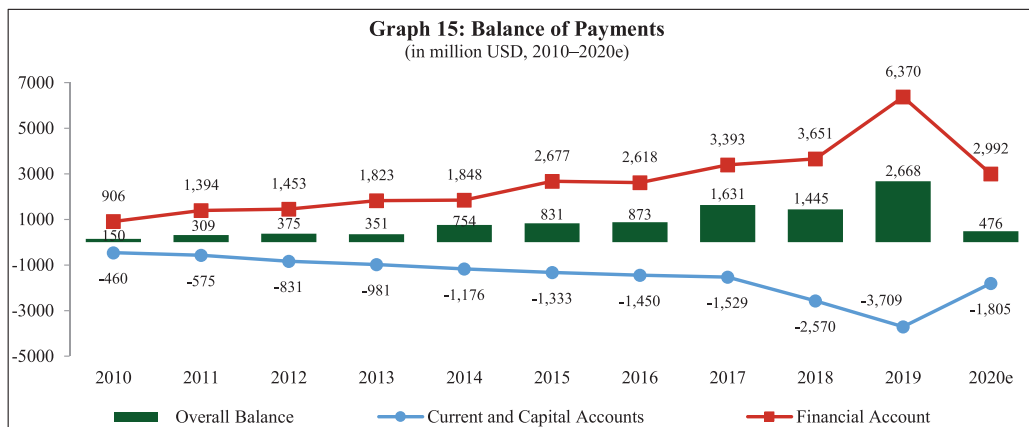
¹² The main import destinations for Cambodia are China, Taiwan, Singapore, Japan, Hong Kong, South Korea, Indonesia, Malaysia, and USA

The Export-weighted Nominal Effective Exchange Rate (ENEER) was estimated to decrease slightly by -0.5% because the inflation of exporting partnership countries is lower compared to Cambodia,¹³ despite the increasing ENEER¹⁴. The decrease in the ENEER rate indicates that Cambodia's competitive advantage has been slightly reduced.



4. Balance of Payments¹⁵

The balance of payments was estimated to remain in a surplus of 1.7% of GDP (476 million USD) compared to 9.8% last year, supported by FDI inflows and exports.



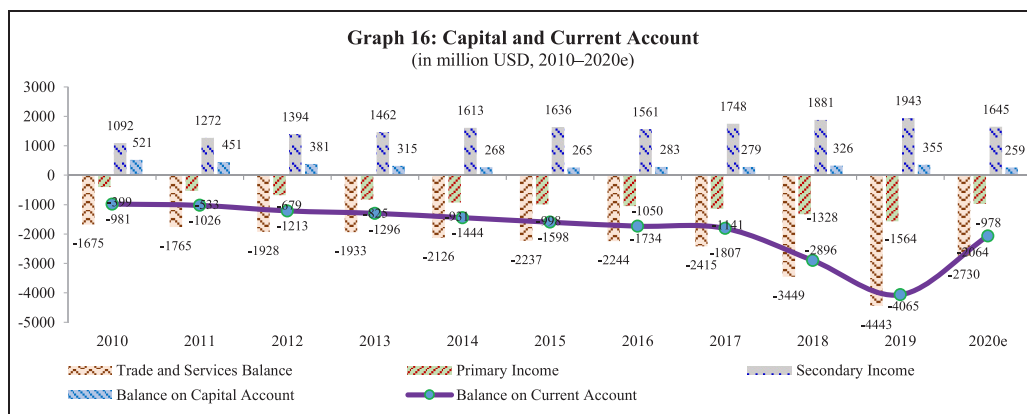
¹³ Cambodia's exporting partnership countries have lower inflation rates, except Vietnam.

¹⁴ The main export destinations for Cambodia are USA, the U.K., Germany, Japan, Canada, China, Thailand, Spain, Belgium, France, the Netherlands, Vietnam, Hong Kong, and Italy.

¹⁵ The statistics on Cambodia's balance of payment are based on the IMF's sixth edition of financial statistics (BPM6).

• Current and Capital Account

Current account was estimated to have a deficit of 7.6% of GDP (2.1 billion USD) compared to 15% of GDP last year, due to a drop in traded goods and primary income while net services account deficits¹⁶ and secondary income decreased. However, capital account has a net inflow of 259 million USD compared to 355 million in the previous year, down¹⁷ by -27%.



Source: National Bank of Cambodia

The balance of trades continued to be in the deficit, but the deficit decreased sharply to -9.7% of GDP (compared to -26.7% of GDP in the previous year), driven by increase in exports and decrease in imports. Total exports increased by 15.9% (compared to the previous year 15.6%), mainly due to the increase in exports of non-garment products (76.7%), including an increase in exports of gold (6.9 times), electronics (1.5 times), vehicles (26%), rice (16.7%), and rubber (2.6%), while exports of garment products declined (-7.8%).¹⁸ Total imports declined by -10.1% compared to the previous year (18.3%), mainly due to the decrease in raw material imports for the garment and footwear sectors (-9.5%), construction materials (-10.8%), vehicles (-25%), and fuel (-15.3%), while imports of food and beverages increased (1.1%).

In addition to the trade deficit, the decrease in primary income deficit (-2.2% of GDP) also contributed to a deficit reduction in the current account, whereas the surplus of secondary income contracted by (-1.1% of GDP), and net services accounts turned from surplus to deficit.

• Financial Account¹⁹

Despite the slow growth of FDI inflows, financial account remained surplus and cleared current accounts deficits, as well as continued to accumulate international reserves. Financial account was estimated to have net foreign liabilities of 2,992 million USD, which decreased by -53% compared to 2019. This reduction was mainly due to other investment accounts shifting from net foreign liabilities of 2,821 million USD in 2019 to net foreign assets²⁰ of 178 million USD in 2020. Meanwhile, net direct investment posted a net foreign liabilities of 3,158 million USD, a decrease of -11.3% compared to 2019.

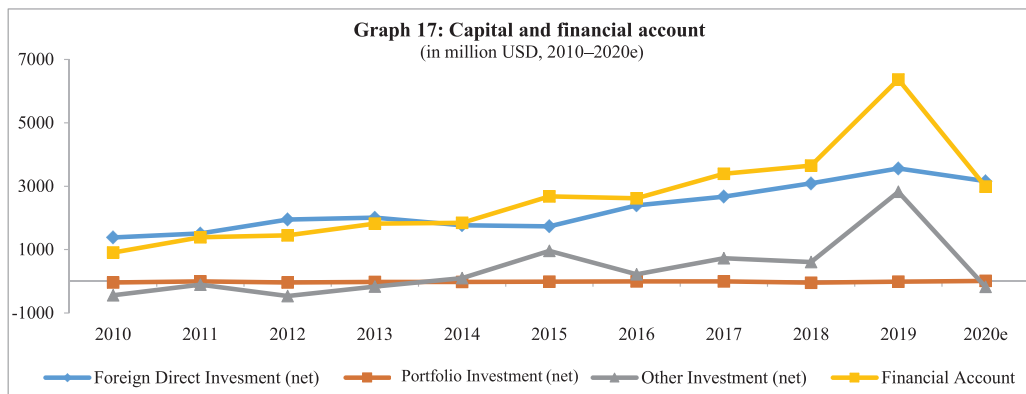
¹⁶ Net service accounts declined 104% (year-on-year), turning the net account surplus into a net deficit, mainly due to the growth of travelling goods declining by 79% caused by the outbreak of COVID-19. This also caused the total number of tourists to drop by 78%.

¹⁷ The surplus in the secondary account decreased by 15%, mainly due to the decline of remittance of foreign workers by 15% and government subsidies by 17%.

¹⁸ Export of garments fell by 10.9%, footwear by 6.6%, and other garments increased by 11%.

¹⁹ Having pure foreign assets means having a net inflow.

²⁰ As a result, the assets of banks and financial institutions increased by 1.3 times and household units by 6.3 times, while government loans increased by 45%.



Source: National Bank of Cambodia

FDI was estimated at 3.2 billion USD (11.9% of GDP), down from 3.6 billion USD (13.1% of GDP) compared to last year, primarily due to a decrease in investments in the banking sector (-14.2%) and the non-banking sector (-9.8%).²¹ FDI in the banking sector remains on top, accounting for 32.7% of total FDI, while the garment, footwear, and travel goods sectors account for 8.8%, 1.9%, and 4.1% of the total, respectively.

5. International Reserves Management

International reserves rose by 15% compared to the previous year, despite the global financial market being affected by the COVID-19 pandemic. International reserves increased to approximately 21.3 billion USD, which covers more than ten months of prospective import of goods and services — higher than the minimum for developing countries (three months). The high volume of international reserve has allowed NBC to adequately manage the exchange rate, fulfil the demand of domestic liquidity to stabilize the financial sector, accumulate national resources, and increase confidence in the country.



Source: National Bank of Cambodia

²¹This is mainly due to the decrease in investments in Cambodia in all major sectors: i/- the manufacturing sector decreased by 10%, ii/- the hotel and amusement sectors decreased by 8%, iii/- the real estate sector decreased by 18%, iv/- the construction sector decreased by 2%, and v/- agriculture decreased by 13% compared to the same period last year.

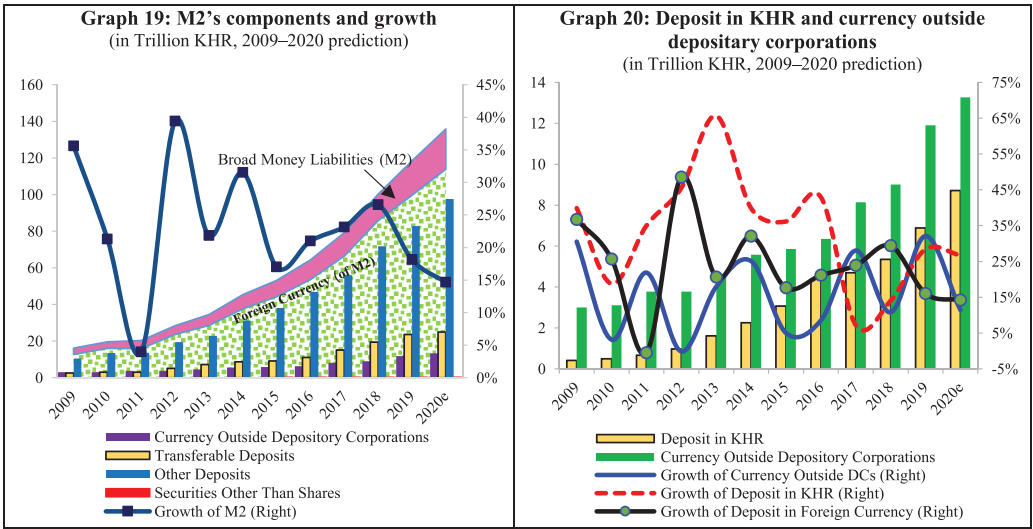
NBC’s international reserve management is carefully implemented by adhering to investment guidelines and compliance with priority principles: i/-capital preservation, ii/-liquidity, and iii/-income. The prolongation of the global health crisis has caused the global financial market to be volatile, posing new challenges and risks to international reserve management. To ensure the effectiveness of reserve investments, risk is carefully managed and monitored, as well as ensuring that investments are within the defined risk levels. Meanwhile, NBC and investment partners have conducted feasibility studies on implementing investment policies responsible for environment, social and good governance in order to strengthen the sustainability, safety of international reserve investment and together with the investment tendency of global responsibility that has been created by some of the largest financial institution investors and central banks in the world.

III. Monetary Management

1. Monetary Condition

Broad money (M2) increased by 14.7%, which was lower than the growth rate in the previous year (18.2%) and the average growth over the last five years (21%). The slow growth was caused by a lower growth of currency in circulation and a total deposits of resident (both in USD and KHR) of 11.5% and 15%, respectively, compared to 32.1% and 16.8%, in 2019. Due to the high demand of KHR in 2019, the NBC has suspended the intervention in buying USD which caused a low growth of local currency in circulation, even though LPCO increased by 24.5%.

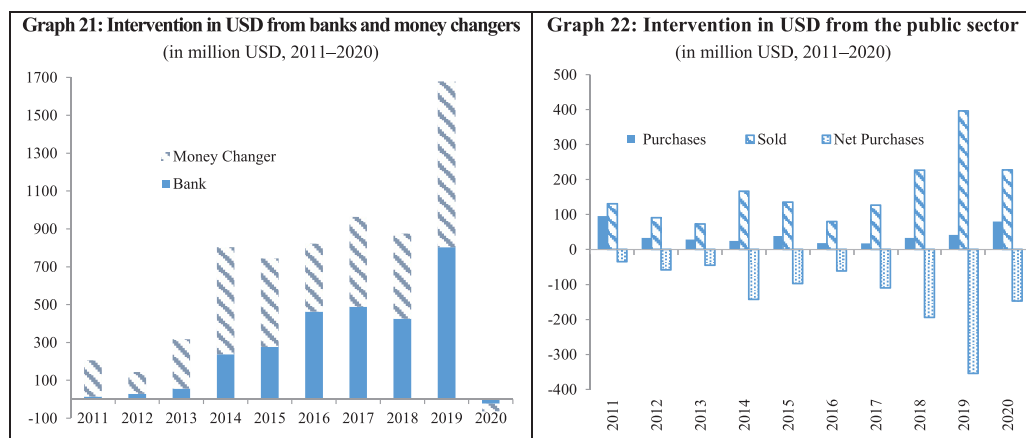
It should be noted that the dollarization level measured by the ratio of foreign currency deposit to M2 remains high at 83.8% (compared to 84.1% in the previous year). The proportion of KHR in circulation is 9.8% (3.2 billion USD) of broad money, the deposit in KHR is 7.7% of the total deposit, and credit in KHR is 12.8% of the total loan portfolio.



2. Monetary Policy Implementation

A. Foreign Exchange intervention

To maintain a stable exchange rate in the context of a decline in domestic economic activities and the severe negative effect of external sectors, the NBC intervened in foreign exchange market by selling 80.2 million USD to banks and money changers (on four occasions), and selling KHR in response to the demand for 69.5 billion KHR (17 million USD). Meanwhile, NBC sold net 147.1 million USD (and bought 80.3 million USD) to government institutions. These interventions have reduced the depreciation trend of KHR and maintained the stability of local currency value, which contributed to maintaining the macroeconomic stability.



Source: National Bank of Cambodia

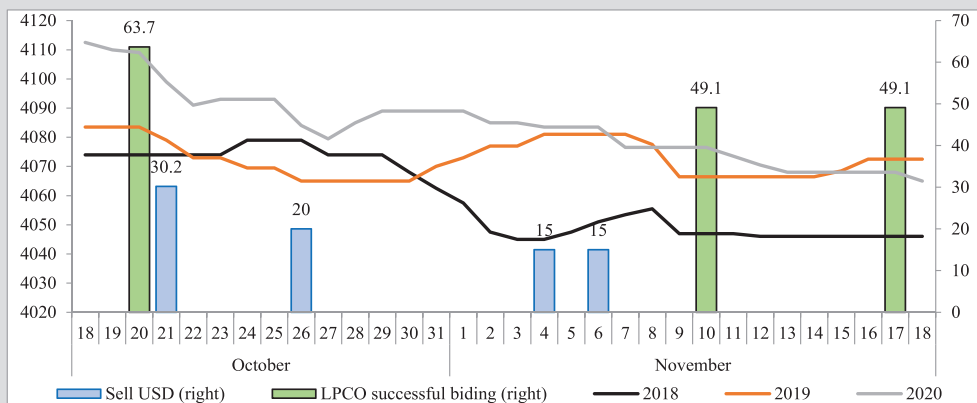
Box 2: The Variable Influence of an Intervention on USD Sold and the Exchange Rate in KHR

To maintain the stability of KHR at the end of October and in early November, the NBC intervened in the exchange rate market by selling 80.2 million USD across four occasions (the first intervention on October 21st = 30.2 million USD, the second on October 26th = 20 million USD, the third on November 4th = 15 million USD and the fourth on November 06th = 15 million USD).

- The first intervention caused KHR to appreciate by 10 KHR on the same day and 18 KHR in the next day (compared to a day before intervention day).
- The second intervention caused KHR to appreciate by 9 KHR on the same day and 13 KHR in the next day.
- The third intervention caused KHR to appreciate by 1 KHR on the same day and remained the same in the next day.
- The fourth intervention did not cause any appreciation on the same day but caused KHR to appreciate by 7 KHR in the next day.

USD Sold, Successful Bidding LPCOs, and Changes in KHR

(in million USD (RHS) and the exchange rate in KHR per USD)



Appreciation of KHR (in KHR) after the Intervention of Selling USD

Date	Selling USD (in million USD)USD	Appreciation of KHR (D = Days after the intervention)				
		0 D	1 D	3 D	7 D	14 D
October 21	30.2	10	18	17	21	21
October 26	20	9	13	9	7	9
November 4	15	1	1	4	7	12
November 6	15	0	7	7	10	12
Total	80.2	20	47	37	45	54

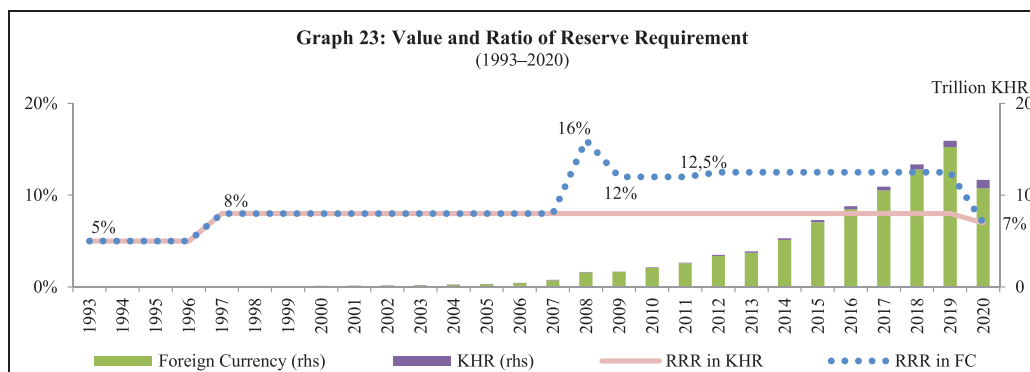
Appreciation of KHR Excluding Seasonal Factors (in KHR) after the Intervention of Selling USD

Date	Selling USD (in million USD)USD	Appreciation of KHR (D = Days after the intervention) (impact after excluding the seasonal factors, 2018 = base year)				
		0 D	1 D	3 D	7 D	14 D
October 21	30.2	10	18	18	23	14
October 26	20	9	9	4	-7	-12
November 4	15	2	4	10	12	15
November 6	15	4	13	11	11	12
Total	80.2	25	44	43	38	29

Source: National Bank of Cambodia

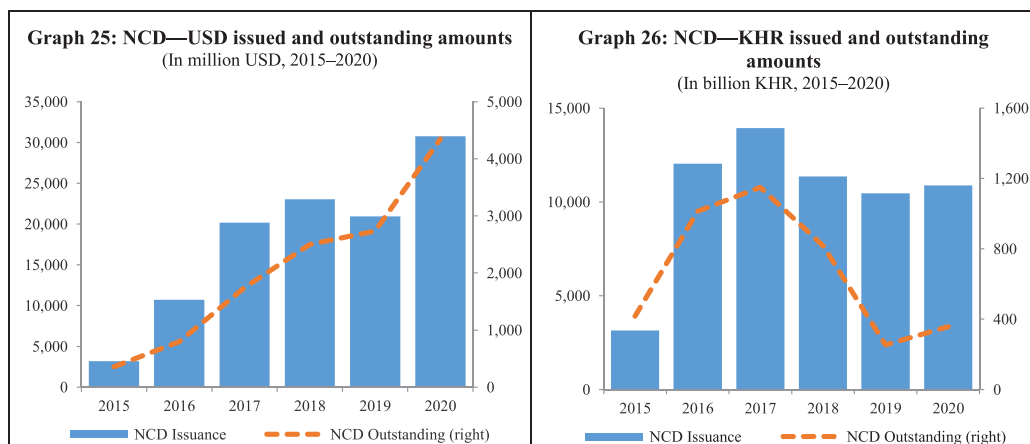
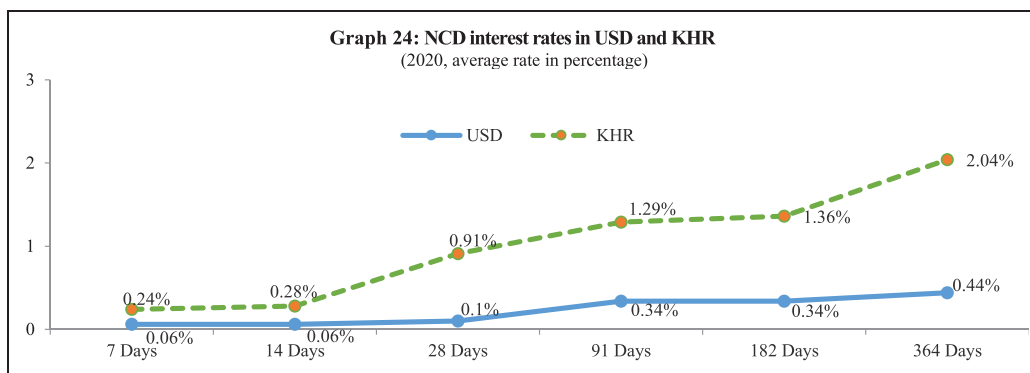
B. Reserve Requirement Rate

NBC lowered the reserve requirement ratio in both KHR and USD to 7% from April 2020, from 8% for KHR and 12.5% for USD in order to provide more liquidity to banks and financial institutions. The high liquidity has provided banks and financial institutions with favorable conditions for managing liquidity risk efficiently, increasing in credit and providing leniency to customers who were affected by the COVID-19 pandemic.



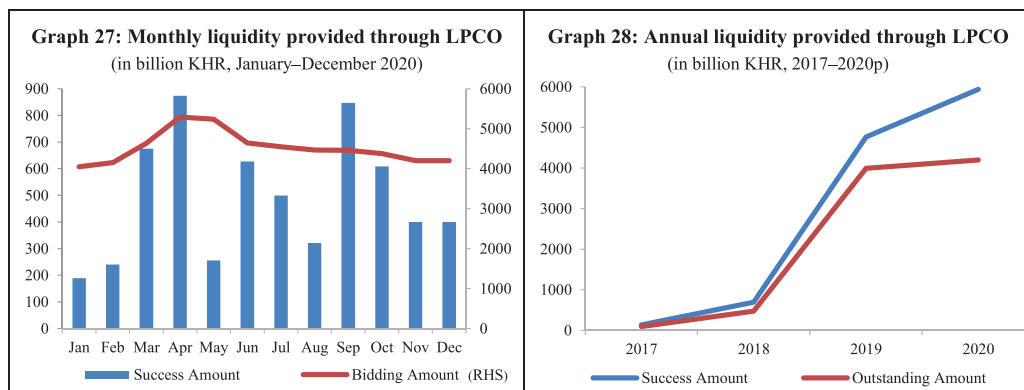
C. Negotiable Certificate of Deposits (NCDs)

NCDs have improved the efficiency of liquidity management for banks and financial institutions. NCDs issued in USD were 30.8 billion USD, which increased by 45.3% compared to last year due to the bank's high liquidity. However, NCDs issued in KHR were 10.9 trillion KHR with a slight increase of 4%. Meanwhile, the purpose of reducing NCDs interest rate is to encourage banks and financial institution to use liquidity by shifting from buying NCDs to providing credit in supporting economic activities that have been affected by the global health crisis.



D. Liquidity-Providing Collateralized Operation (LPCO)

LPCO has provided liquidity in KHR to banks and financial institutions that need it with a low interest rate to support the use of KHR, and the sectors that used a lot of KHR, particularly in the agricultural sector. LPCO was conducted 23 times, which provided total liquidity of 5.9 trillion KHR, an increase of 24.5% compared to the previous year with the average successful bidding interest rate of 3.03%, 3.44%, and 3.77% for three months', six months', and one year's maturity, respectively. The transaction amount of LPCO that has not reached the maturity date was 3.9 trillion KHR as of end of December 2020. It should also be noted that the minimum bidding interest rate was reduced by 0.5% for all duration of maturity, which contributed to the reduction of the cost of loans in KHR for banks and financial institutions, and the objective was to reduce the credit interest rate in KHR to the customer.



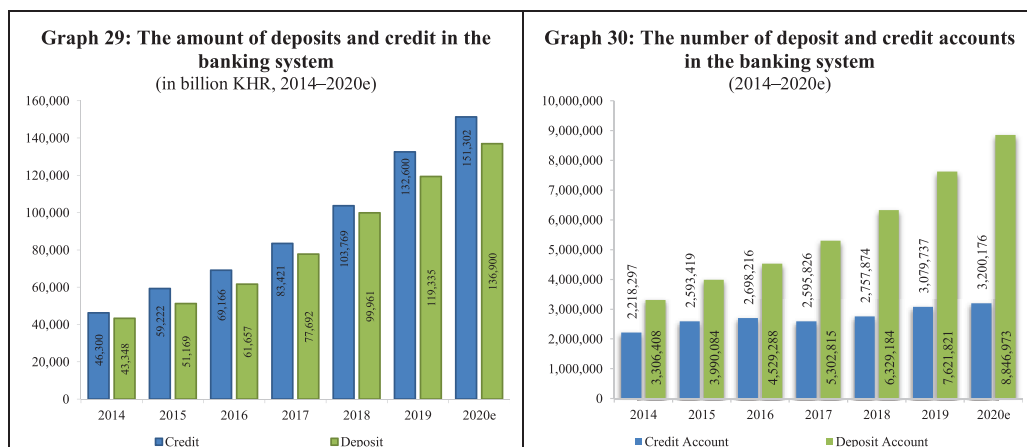
Source: National Bank of Cambodia

IV. The Banking System in Cambodia

1. Overview

Cambodia's banking system consists of 52 commercial banks, 14 specialized banks, 6 MDIs, 75 non-deposit-taking MFIs, 246 rural credit institutions, 15 financial leasing companies, 4 third-party processors, 24 payment service providers, 1 credit information provider, 6 representative offices of foreign banks, and 2,889 money exchange agents.

Total assets of the banking system increased by 15.7% (to 240.8 trillion KHR or 59.4 billion USD), of which customer loans increased by 14.8% (to 151.3 trillion KHR or 37.3 billion USD). Consumer deposits increased by 15.4% (to 136.9 trillion KHR or 33.8 billion USD), and capital increased by 10.4% (to 25.7 trillion KHR or 6.3 billion USD). Banks and financial institutions have continued to enhance financial inclusion, of which the number of deposit accounts reached 8.9 million and credit accounts reached 3.2 million. There are 2,527 headquarters and branches of banks and financial institutions and 3,168 ATMs. In addition, to help alleviate the burden for those affected by COVID-19, banks and financial institutions have restructured loans for 285,074 accounts (equating to 16.8 trillion KHR or 4.2 billion USD).



Source: National Bank of Cambodia

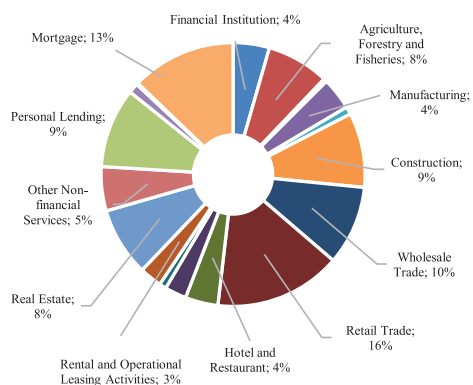
2. Development of the Banking Sector

Total assets of banks increased by 16.2% (to 205.3 trillion KHR or 50.7 billion USD), of which consumer loans increased by 15.3% (to 122.4 trillion KHR or 30.2 billion USD) with 1.2 million accounts. Loans were provided to key economic sectors, such as retail trade (15.5% of the total loans), mortgages (12.8%), wholesale trade (9.7%), personal loans (9.8%), construction (9.2%), real estate activities (8.4%), agriculture, forestry and fisheries (7.7%), and others (26.9%). Total deposits increased by 15.5% (to 121.7 trillion KHR or 30 billion USD) with 6.3 million accounts. There are 1,316 headquarters and branches of banks and 2,808 ATMs. At the same time, banks restructured loans for 43,291 accounts, equating to 12,214.9 billion KHR (3,017.5 million USD), which includes:

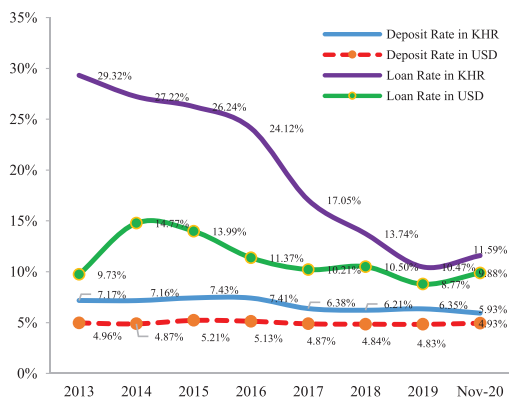
- Tourism: 4,258 accounts, equating to 3,252.8 billion KHR (803.6 million USD)
- Garments: 2,392 accounts, equating to 174.6 billion KHR (43.1 million USD)
- Construction: 7,570 accounts, equating to 1,930.7 billion KHR (477 million USD)
- Transportation and logistics: 2,893 accounts equating to 488.2 billion KHR (120.6 million USD)
- Other sectors: 26,178 accounts, equating to 6,368.6 billion KHR (1,573.3 million USD)

Deposit interest rates in KHR decreased slightly to 5.93% from 6.35% in 2019, while deposit rates in USD stood at 4.93%, similar to the previous year (4.83%). Interest rates on KHR and USD loans increased to 11.59% and 9.88%, respectively, compared to 2019 (10.47% and 8.77%, respectively).

Graph 31: Banks' credit by sectors (2020)



Graph 32: Banks' interest rates (in percentages, 2013–November 2020)



Source: National Bank of Cambodia

Box 3: Participation in the Development of the Securities Market

A- The Bond Market

Five banks and financial institutions issued bonds on the Cambodia Securities Exchange (CSX), with a total amount of 452 billion KHR, as shown in the table below:

No.	Banks and financial institutions	Total amount issued (in billion KHR)
1	Hattha Bank Plc.	120
2	Advanced Bank of Asia Limited	84.8
3	Phnom Penh Commercial Bank	40
4	Prasac Microfinance Institution Plc.	127.2
5	LOLC (Cambodia) Microfinance Institution Plc.	80
Total		452

B- Development of Equity Securities

ACLEDA Bank Plc. registered 343 billion KHR in equity securities on the CSX.

3. Development of Microfinancial Sector

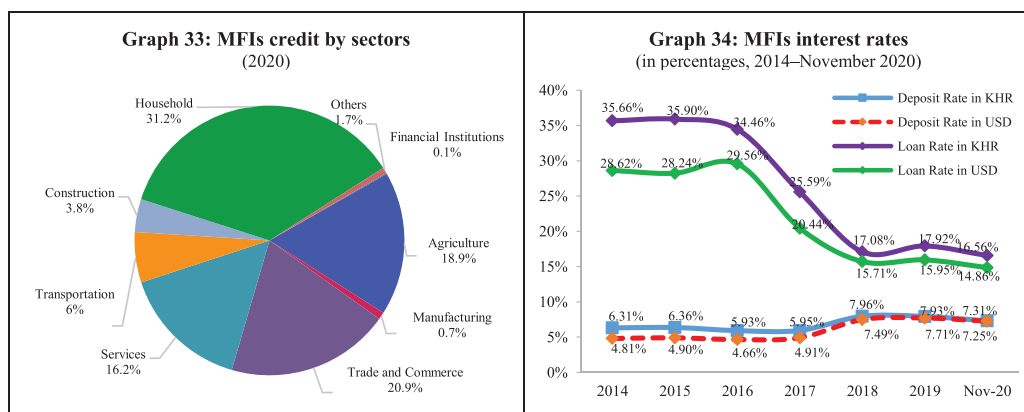
Total assets of microfinance increased by 12.6% (to 33.9 trillion KHR or 8.4 billion USD), of which consumer loans increased by 12.5% (to 27.6 trillion KHR or 6.8 billion USD), with 1.9 million accounts. These loans were provided to key economic sectors, such as households 31.2% of the total loan, trade and business 20.9%, agriculture 18.9%, services 16.2%, transportation 6%, construction 3.8%, and others 3%. At the same time, the microfinance sector mobilized 15.2 trillion KHR (3.7 billion USD) in deposits, with 2.7 million accounts.

MFIs have a nationwide network of 1,175 offices and have modernized their services, such as loans, deposits, cash transfer, mobile banking, and withdrawals and deposits via ATM,

which provide customers with more access to formal financial services. MFIs have provided favorable condition to borrowers through restructuring loans for 241,783 accounts, equating to 4,611.4 billion KHR (1,139.2 million USD), including:

- Tourism: 21,508 accounts, equating to 453.5 billion KHR (112 million USD)
- Garments: 72,995 accounts, equating to 721.6 billion KHR (178.3 million USD)
- Construction: 14,051 accounts, equating to 475.1 billion KHR (117.4 million USD)
- Transportation and logistics: 11,194 accounts, equating to 370.3 billion KHR (91.5 million USD)
- Other sectors: 122,035 accounts, equating to 2,590.8 billion KHR (640 million USD).

Interest rates on deposit in KHR and USD decreased slightly to 7.31% and 7.25% compared to 2019, from 7.93% and 7.71%, respectively. At the same time, the interest rate on loans in KHR and USD also decreased from 17.92% and 15.95% in 2019 to 16.56% and 14.86% in 2020, respectively.



Source: National Bank of Cambodia

4. Development of Financial Leasing Sector

The financial leasing sector has continued to be actively involved in serving customers by providing access to purchase equipment for production, transportation, and agriculture means. There are 35 headquarter and branches of financial leasing companies, and their total assets increased by 17.6% (to 1.6 trillion KHR or 392.1 million USD), of which financial lease increased by 12.1% (up to 1.3 trillion KHR, equivalent to 321.8 million USD), with 99,806 accounts. The main sources of lending were from shareholder funds, which increased by 33.2% (to 607.8 billion KHR or 149.9 million USD).

5. Rural Credit Institutions

Rural credit institutions are responsible for providing microcredit to rural clients who are start-up and expand their businesses. There are 246 rural credit institutions certified by the NBC with a total loan of 285.3 billion KHR (69.6 million USD) and 93,972 accounts.

6. Financial Stability

In 2020, the banking system generally remained strong and stable, despite being affected by the decline of economic activities. The stability of the financial system is reflected in key indicators, including: i/- sufficient capital and an average solvency ratio of 24% for banks and 20% for MFIs (minimum 15%); ii/- a high liquidity coverage ratio, with the average banks recorded at 164.2% and 232.6% (minimum 100%) for deposit-taking MFIs; iii/- a low non-performing loan ratio of approximately 2.7% for banks and 1.8% for MFIs; and iv) the ability to sustain profitability with a return to asset ratio of 1.8% for banks and 2.8% for MFIs. In addition, stress tests on the capital and liquidity adequacy of banking and MFIs have shown that they are resilient to potential risks, while some institutions need further strengthening in their capital and liquidity adequacy, and risk management.

Nonetheless, there are some risks that may have an impact on financial stability, including: i/- a slowdown in credit growth, especially the rapid decline in credit growth of MFIs; ii/- an increase in non-performing loans; iii/- a decline in expected profits; and iv/- the increase in external borrowing funds.²²

Faced with the current uncertain situation, the NBC has closely monitored the risks of the financial system, especially the liquidity, capital, and credit quality conditions of banks and financial institutions. To mitigate these risks and strengthen financial stability, the NBC has introduced macroprudential measures and other measures, such as the following: i/- allow banks and financial institutions to maintain their capital conservation buffer (CCB) at 50%; ii/- allow banks and financial institutions to restructure loans for clients affected by COVID-19 outbreak and floods; iii/- allow banks and financial institutions to temporarily recognize the audited quarterly profits in the calculation of net worth; and iv/- provide favorable processing fee and/or penalties exemption, such as actively continuing to provide loans to priority sectors, no credit processing fees and removal of other penalties and no fees required for credit history checks in the credit information sharing system.

7. Credit Reporting System

Credit Bureau (Cambodia) Co., Ltd. (CBC), a credit information sharing service provider, has total assets of 57.1 billion KHR. The credit bureau system currently has 167 members, of which 51 are commercial banks, 14 are specialized banks, 6 are deposit-taking MFIs, 73 are MFIs, 15 are financial leasing companies, and 8 are rural credit institutions. The total loan portfolio of members incorporated and shared in the credit bureau system increased to 143.4 trillion KHR (35 billion USD), equating to 3,498,813 accounts, of which i/- personal loans amounted to 122.6 trillion KHR (29.8 billion USD), equivalent to 3,493,454 accounts, and ii/- corporate loans amounted to 21.3 trillion KHR (5.2 billion USD) and equivalent to 5,359 accounts.

²² The size of the loan is approximately 15% of the total funding source of the banks and financial institutions, of which 70% of the total loans is a long-term loan, and most of it is received from the parent bank and development partners.

The NBC revised the Prakas on Credit Reporting in June 2020 to enhance the legal framework and cooperation for credit information sharing aiming at reducing banks and financial institutions' credit risk, contributing to increase financial inclusion in Cambodia. In addition, NBC has allowed CBC to launch a trial of its mobile application in the purpose of: i/-allow customers to review their personal credit reports, ii/-provide relevant educational documents and financial literacy and iii/- offer important information from CBC. To enhance the quality and transparency of the credit information sharing system, the NBC continues to monitor the submitted periodic reports and follow up on the issued recommendations.

8. Supervision of Banks and Financial Institutions

In a situation where the banking system has been affected by COVID-19, supervision of banks and financial institutions has also been regularly promoted to monitor their well-being and compliance with laws and regulations.

A. Supervision Activities

NBC has implemented a risk-based and forward-looking supervision plan, which has restructured the General Department of Banking Supervision to facilitate more effective supervisions. The risk-based supervision monitors the overall situation on key business activities, risk analysis, evaluation of management effectiveness,²⁴ observing the challenges and remedial measures, and evaluation of compliance with laws and regulations, Prakas, and prudential regulation that has been issued as a basis for the preparation of future onsite supervision plan. In addition, the supervision also includes stress testing of liquidity coverage and solvency ratios to gauge the resilience of liquidity and capital of banks and financial institutions during the COVID-19 pandemic.

In 2020, onsite supervision focused on specific risks for some banks and financial institutions, such as governance, asset quality, credit risk, and information technology risk. Some banks and financial institutions are still facing challenges, such as internal control and inadequate information technology systems, sources of funds, and limited understanding of Prakas and regulations, such as the compliance with Prakas on credit risk rating and impairment provision, the implementation of the International Financial Reporting Standards and Cambodia International Financial Reporting Standards (CIFRS) for SMEs.

Overall, the results of the supervision show that banks and financial institutions have a sound financial position, which is reflected through their prudential ratio, governance, internal control system, risk management, and compliance with laws and prudential regulations.

B. Issuing Regulations

The NBC has issued a circular on loan restructuring to customers in four priority sectors such as tourism, garment, construction, and transportation—as well as other affected sectors. At the same time, a number of regulations have been put in place, including:

²⁴ Compliance, Risk Management, and Internal Audit Divisions

- Prakas on the reserve requirement for deposits and borrowing of banks and financial institutions, requiring them to maintain the average daily reserve requirement for deposits and borrowing at NBC at the rate of 7% for both national and foreign currency (No. 7-020-230, dated March 18, 2020)
- Circular on loan restructuring during the COVID-19 outbreak (No. 7-020-01, dated March 27, 2020)
- Letter of request to relax certain conditions relating to loan restructuring during the COVID-19 outbreak (No. 7-020-1748, dated November 18, 2020)
- Letter on the reduction of Capital Conservation Buffer (CCB) to 1.25% and the recognition of quarterly audited profit in the temporary calculation of net worth without dividend payout (No. 7-020-622, dated April 13, 2020)
- Letter on the request for concession, waiver of other fees related to credit, and/or waiver of other fines for customers (No. 7-020-657C, dated April 20, 2020)
- New Prakas on credit reporting to replace the old Prakas (No. 7-020-352, dated June 26, 2020)
- Additional circular on the implementation of the Prakas to determine the support of capital buffer in banks and financial institutions (No. 7-020-02, dated June 25, 2020)
- Circular on the supplementary explanation of Annex 2 of the Prakas of Liquidity Coverage Ratio (No. 7-020-03, dated June 25, 2020).

9. The Financial Inclusion and Customer Protection

A. Financial Literacy

In cooperation with the Ministry of Education, Youth and Sport (MOEYS), financial literacy is integrated into the general education program from grades 1 to 12. With the assistance of the Asian Development Bank (ADB), the second phase of the project has been implemented. The result obtained from this phase will be used to prepare textbooks for teachers, students and pilot tests in grades 4 and 7.

In addition, the Ministry of Women's Affairs has collaborated with NBC to promote financial education under the project, "Promoting Financial Literacy for Women and Women Entrepreneurship." This project aims to educate trainers and promote financial literacy in the targeted provincial departments and women's development centers in four provinces: Siem Reap, Preah Vihear, Kratie, and Steung Treng.

The NBC and Good Return, a non-governmental organization (NGO), signed a Memorandum of Understanding (MoU) to continue the cooperation and implementation of a new outreach campaign, "Smart Use of Money," to emphasize the importance of sound financial decision-making and assist consumers on financial products in Cambodia to better understand their rights and responsibilities and make appropriate choices when using them. In addition, 29,716 financial education books of "Let's Talk Money" were distributed in targeted provinces, such as Prey Veng, Pursat, Takeo, Kampong Cham, Kampong Thom, and Siem Reap. The "Let's Talk Money" financial education campaign is also advertised through mobile apps, Facebook, radio, and on its website.

B. Promoting Microfinance Sector in Cambodia

Dissemination workshops on “Microfinance in Cambodia” were conducted 3 times at the provincial level (Monduliri, Banteay Meanchey, and Battambang) and 5 times at the district-municipal level (Khemarak Phoumin City of Koh Kong Province, Banlung City of Rattanakiri Province, Sotnikum District of Siem Reap Province, Steung Treng City of Steung Treng Province, and Maung Russey District of Battambang Province), with a total of 1,929 participants. The workshop has been an effective forum to help raise awareness in Cambodia’s microfinance sector to authorities and locals, as well as to provide an opportunity for participants to raise issues, suggestions, and questions relating to the use of financial services. At the same time, the NBC, relevant authorities, and representatives of banks and financial institutions have received and provided immediate solutions or recommendations on the spot as well as improved relationships and cooperation between local authorities and stakeholders and continue to grasp the real situation of using microfinance services and avoid exploitation using informal financial services.

C. Mechanism for Managing and Resolving Customer Complaints

The NBC has continued to strengthen the implementation of Prakas on resolving customers’ complaints of banks and financial institutions through a Hotline system in the headquarter and at the capital and provincial branch level. The calls received by NBC include complaints and enquiring information on 1,073 cases, which involve: i/- customers unable to pay off or penalized on early payment of a loan; ii/- customers unable to immediately withdraw collateral, such as lien on land and real estate; iii/- customers having problems withdrawing deposits from accounts and through checks; iv/- the loss of funds from accounts without reason; v/- informal loans; vi) late repayments and penalties; vii/- requests for a reduction of monthly repayments, deferment of principal or interest repayments due to the impact of COVID-19; viii/- requests for the deletion of a name in the CBC system; ix/- requests to extend the selling of collateral; x/- requests for additional loans, but financial institutions are refusing and requiring repayment of the old loan; and xi) other inquiries related to the use of financial services such as credit history in CBC system, new repayment schedule whether it is correct or not, the contents of the contract, the interest capitalization of the banks and financial institutions, the interest rate report, the actions of NBC to help customers during COVID-19, loan restructuring to customers and loans borrowed from one financial institution to repay another.

D. Progress of the Deposit Protection Scheme

In accordance with the Financial Sector Development Strategy 2016–2025 and compliance with the Law on Banks and Financial Institutions, the NBC has established an institutional framework for the development of the deposit protection scheme in Cambodia through: i/-the establishment of the working group on Deposit Protection Mechanism led by NBC, together with the participation of representatives from the Ministry of Economy and Finance, and ii/-the establishment of the Deposit Protection and Bank Resolution Unit under the Directorate General of Central Banking of the NBC.

10. Other Works in Progress

A. Progress on the Implementation of the Cambodian International Financial Reporting Standards (CIFRS) of the Banks and Financial Institutions

Following the official launch of the chart of accounts (COA), manuals, and monthly financial statements, the NBC has continued to review and revise its reporting formats in accordance with the CIFRS standard. The NBC has also continued to discuss with audit firms on creating guideline on the valuation of collateral for the calculation of provisions in accordance with CIFRS 9 standard.

At the same time, MFIs, financial leasing companies, and rural credit institutions are officially authorized to use the chart of accounts, manuals, and monthly financial statements, which include statements of financial position, statement of profit and loss, and statements of other comprehensive income and off-balance sheet reports for the implementation of CIFRS projects for SMEs.

In addition, the NBC has studied, researched, and solved the issues related to CIFRS on various regulations.

B. Coordination between NBC and the General Commissariat of National Police

To prevent illegal banking activities and/or those without NBC's permission, a coordination team has been set up with the General Commissariat of National Police. The working group has the following roles and responsibilities: i) investigate, monitor, identify, and collect information related to illegal or unauthorized banking operations; ii) inform and cooperate with the General Commissariat of National Police to plan or take remedial action against companies or individuals conducting unauthorized banking operations; iii) collaborate or conduct onsite operations with the General Commissariat of National Police to collect evidences and take action against companies or individuals that violating the laws; iv) report on the progress of the implementation on the above duties to the management of the NBC; and v) perform other functions and duties assigned by the management of the NBC.

In addition, this coordinating team also cooperates with the working group to research and test the security system of banks and financial institutions, focusing on strengthening their security and safety.

V. Central Banking Operation

1. Payment System

A. Development of Payment System

Payment system has been modernized through development and launch of many new payment systems. On October 28, 2020, Bakong was officially launched, which serves as the backbone payment system to facilitate electronic money transfers and interbank payments, as it is deemed to be safe and effective. Bakong now has 18 members in operation, while others are in the process of integration. However, Cambodian Share Switch (CSS) and Retail Pay are in their soft launch and will be officially launched in the near future. In addition, number of

institutions that have completed the integration and are in the soft launch of CSS, is 27 institutions, while the Retail Pay has 11 institutions. Meanwhile, real-time gross settlement (RTGS) which is a high-value payment system, is developed to coordinate and reduce risks for banks to carry out high-value settlements, especially settlement transactions in the financial market.

**Box 4: The Prakas and announcement related to the Payment System, issued
launched in 2020**

The Prakas and announcement related to the Payment System, which was issued in 2020 includes: i/- Prakas on the Introduction of Rules and Procedures of Bakong Payment System to effectively manage the operating systems and the implementation of the institution's members; ii/- Prakas on Bakong and the Retail Pay System logos have also been issued, to strengthen the proper use of both system logos by banks and financial institutions; iii/- Prakas on Khmer Quick Response Code (KHQR Code) Specification for Payment System, which is set in QR code standard in Cambodia, to facilitate interoperability between financial institutions and the implementation to connect the settlement in the region; and iv) the Announcement on the Policy Implementation of CSS about implementing the EMV Chip Standard on a payment card and security principle on ATM and POS machines to strengthen the security of payment system through CSS.

To prevent any unexpected risks, the NBC continues to monitor and supervise both the payment system and payment service providers. Both off-site and on-site supervision on payment service providers has been conducted regularly, in accordance with rules and regulations based on risks and compliance.

2. Payment System Transactions

A. The National Clearing System: The National Clearing System has 46 members (34 direct and 12 indirect) and 6 check exchange centers at NBC branches, including Siem Reap (24 members), Preah Sihanoukville (19 members), Kampong Cham (16 members), Battambang (17 members), Banteay Meanchey (5 members), and Svay Rieng (6 members). The 6 centers only exchange physical checks.

The National Clearing System has settled payment on checks and credit transfer orders:

- **Settlement check service:** The transactions of check settlement in KHR amounted to 23.9 trillion KHR (35.89 thousand checks), an increase of 79.7%, and the transaction equaled 51.7 billion USD (1.2 million checks), an increase of 14.5%.
- **Credit transfer order services:** Credit transfer order payment, which is the electronic payment service, also increased due to the credit transfer order operation in KHR, reflected by the transaction value of 4.5 trillion KHR (9.5 thousand

transactions), an increase of 61%, while the credit transfer order payment in USD is 7.8 billion USD (308.6 thousand transactions), an increase by 2.6%.

The increase in the use of checks and credit transfer order shows the rise of transaction in the economy from the use of electronic payment and checks over cash.

B. Fast Payment System: The Fast Payment System currently has 56 members, of which 6 are MDIs. This service settles credit transfer order transactions in KHR for 190.25 billion KHR (44.57 thousand transactions) and has almost doubled in use.

C. CSS system: CSS has 48 institution members, of which 40 commercial banks are direct members, 6 MDIs are direct members, and 2 commercial banks are indirect members. The CSS system has settled total debit transfers in KHR of 39.1 billion KHR (216 thousand transactions), which has doubled, and in USD of 4.2 million USD (43 thousand transactions), an increase of 11.6%.

D. Online Banking Money Transfer Services (OBS): There were 30,285 transactions processed through OBS,²⁶ which equated to 187.6 trillion KHR (an increase of 18.8%), of which transfer between accounts at the HQ in KHR has 17,928 transaction which is about 60.1 trillion KHR and in USD has 10,663 transactions with 30.76 billions USD (increase 18.8%). Also, the transactions from headquarters to capital-provincial branches in KHR recorded at 916 transactions equated to 2.4 trillion KHR (an increase of 1.7%), and in USD recorded at 779 transactions equated to 594.1 million USD (an increase of 20.9%).

E. Account Management Services: The total accounts opened at the NBC were 1,895 (an increase of 4%), of which 931 accounts belonged to government agencies (an increase of 27 accounts), 927 accounts owned by banks and MFIs (an increase of 46 accounts), and 37 accounts belonged to other agencies (such as the Foreign Central Bank, Public and International Financial Institution, and Notary).

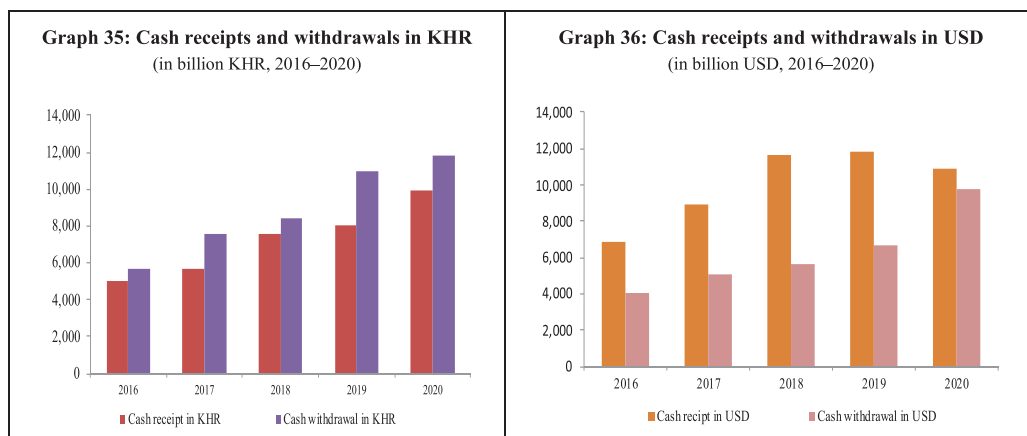
The NBC continues to support and cooperate with the Royal Government of Cambodia in the implementation of the public financial management reform program (2016–2020) stage 3 concerning the “Budget Policy Linkages,” especially through the use of the OBS system that has to be reconciled with the public financial management information systems (FMIS). In fact, the NBC opened rewarding account that facilitates money and salary transfers (twice per month) for civil servants and gendarmerie, who have account with partner’s banks following the MEF’s budget implementation.

3. Cash Management in Circulation

A. Teller Operation

Cash receipts and withdrawals of KHR from banks and financial institutions, and government agencies have increased by 29.6% and 11.6%, respectively, while cash receipts in USD have declined by -7.6%, and cash withdrawals in USD have grown by 45.5% compared to 2019.

²⁶The OBS transaction between headquarter accounts was not charged commission fee, but the transaction between headquarter accounts to capital-provincial branches must charge a commission fee 10% of the transfer amount with a maximum commission fee of 4 million KHR and a minimum of 12,000 KHR. Government transactions were not charged a fee.

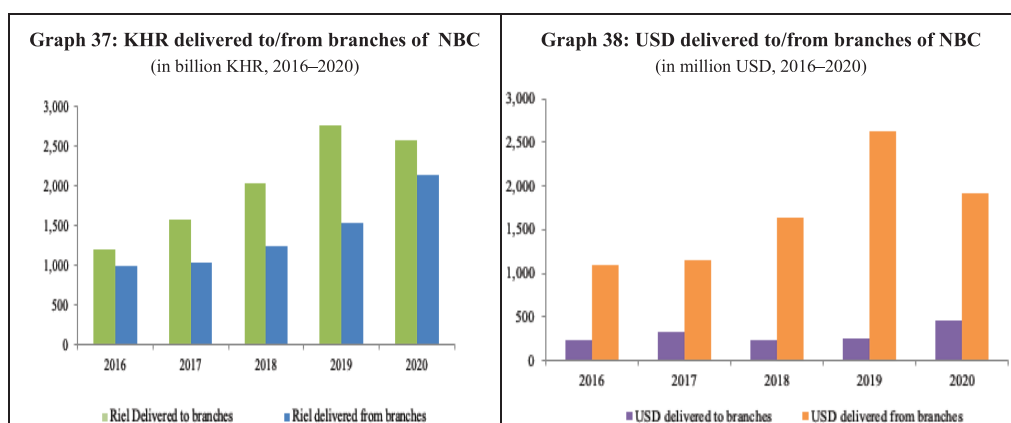


Source: National Bank of Cambodia

B. Cash Management

To meet the public demand across the country, old KHR notes were collected from circulation and replaced by new notes. In the meantime, quality and aesthetics of banknotes have improved in line with technological development to help combating counterfeit banknotes and encourage the use of KHR. Furthermore, the “I Love Riel” campaign allowed the public to exchange new KHR notes during important national events, such as the Khmer New Year and the Pchum Ben festival. The NBC also celebrated Riel Day and held an historical monetary exhibition on September 28, 2020, to commemorate the 40th anniversary of the re-introduction of Riel.

The amount of KHR banknotes supplied to capital-provincial branches declined by -1.9%, while the amount of old and surplus KHR banknotes delivered to headquarters increased by 36.3%. However, the amount of USD supplied to the branches grew by 88.8% while the delivery of USD banknotes to headquarter declined by -29.9% compared to 2019.



Source: National Bank of Cambodia

With the cooperation of local authorities, banks and financial institutions, the number of seized counterfeit KHR notes (mostly copies) and counterfeit USD notes declined by -60% to -60.2%, respectively, compared with 2019 (the most counterfeited notes were 10,000 KHR and 100 USD).

VI. Cambodia Financial Intelligence Unit (CAFIU)

1. Transaction reports of reporting entities

Despite the COVID-19 crisis in 2020, reporting activities continued as usual. In addition, CAFIU integrated reporting systems into 5 commercial banks, 14 MFIs, and additional 5 leasing companies. CAFIU has also been coordinating on a series of reporting systems for new entities.

2. Strengthening the legal and regulatory framework and the implementation of tasks and raising awareness for reporting entities

Under the technical assistance of the IMF and the Australian Department of Home Affairs, CAFIU has prepared drafted a law on AML/CFT, together with anti-money laundering on weapons of mass destruction (WMD), which came into effective on June 27, 2020 with the law on mutual legal assistance in the criminal sector. These laws have been prepared in the purpose of promoting the effectiveness on legal framework in Cambodia in fighting against the AML/CFT and financing on the proliferation of weapons of mass destruction. At the same time, on November 10, 2020, CAFIU published guidelines on the limitation of funding by implementing customer care for casinos and other gambling institutions in accordance with international standards and practices.

In 2020, CAFIU continued to check and monitor the implementation of AML/CFT obligations, including evaluating the qualifications and experience of operation officers and discussing the progress of implementing recommendations through onsite inspection reports with 12 other banks through online system.

In addition, on February 20 and 21, 2020, CAFIU organized four workshops (with 334 participants) to disseminate Prakas on disciplinary actions for banks, MFIs, payment service providers, real estate companies, casinos, leasing companies, money exchange businesses, and all non-financial businesses of reporting entities. On October 27, 2020, CAFIU organized dissemination workshops on AML/CFT to raise awareness of the law against financing of the proliferation of weapons of mass destruction to 110 people, including regulators, law enforcement officers, prosecutors, and judges from 23 relevant ministries and institutions and to reporting entities in the fields of banking, casinos, and real estate. From November 23 to 26, 2020, a workshop was organized to raise awareness of the implementation of laws and regulations as well as to enhance the effectiveness of local and regional cooperation in preventing crime and the spread of Money Laundering, combating Financial Terrorism and Anti-Financing of Proliferation of Weapons of Mass Destruction.

3. Strengthening and implementation of the action plan for the institutional framework of AML/CFT

The law on AML/CFT has reshaped the institutional framework to a level of greater clarity. On September 1, 2020, the government released sub-decree no.142 to set the CAFIU's structural management to suit the current situation and its scope of work. On October 20 2020, the NBC issued Prakas on the organization and functions of the offices under each of the departments. Meanwhile, to ensure that the national mechanism is functioning at a high level, the National Coordination Committee of the Anti-Money Laundering, combating Financial Terrorism and Anti-Financing of Proliferation of Weapons of Mass Destruction was also created by sub-decree no.160 on September 30, 2020.

4. Cooperation

A. Local Cooperation

In 2020, CAFIU signed the MoU on exchange of information with some ministries-institutions as well as discussing with other related ministries-institutions to continue signing the MoU on exchange of information.

CAFIU actively took part in 3 meetings with the General Commissariat of the National Police to: i/- discuss the mechanism of information exchange, ii/- give feedback on the use of information, and iii/- check the progress of investigation on anti-money laundering and financing terrorism for the International Cooperation Review Group-Joint Group (ICRG-JG). For multilateral cooperation, CAFIU participated in 5 meetings with ministries- institutions, who are members of an inter-ministerial technical group working on AML/CFT to check on the progress of ICRG-JG, which is to be implemented as part of an action plan on national strategies of AML/CFT for 2019–2023. Furthermore, CAFIU has also took part in anti-drug work in line with the government's strategic plan.

B. International Cooperation

CAFIU also signed the MoU on information exchange relating to money laundering and financial terrorism with Egmont Group Financial Intelligence Units of Nigeria, Madagascar, New Zealand, and India.

For multilateral cooperation, CAFIU has cooperated with Asia/Pacific Group on Money Laundering (APG) to strengthen anti-money laundering systems in the area and increase Cambodia's rating. CAFIU has continued to participate in meetings with APG to discuss new challenges and set policy responses to AML/CFT.

CAIU has cooperated with the Egmont Group to take part in online workshops for their chairman, organized by the Egmont Group Secretariat to discuss and share their experiences with members related to the risk of money laundering and terrorism financing sparked by new evolution of technology, related to money laundering and financing terrorism such as FinTech, providing virtual assets and mobile payment services. In addition, CAFIU has joined the meeting as well as provide input to the (Asia Pacific Regional Group) organized by Egmont Group Secretariat, to follow up on the progress of the new plan and revise the policies and procedures in exchange of information with technical support and countries joining the Egmont Group.

VII. International Cooperation

1. Multilateral Cooperation

Even in the midst of the COVID-19 pandemic, the NBC has been striving to strengthen its partnerships with international institutions by joining the online meetings and workshops as well as engaging in discussions with international organization in Cambodia. Important progress of multilateral cooperation include: i/-the IMF has continued to provide technical assistant, especially to strengthen the work of compiling external sector statistics and residential property price indices, and help to monitor the economic situation; ii/-the World Bank has also offered technical assistant to NBC regarding the evaluation on international money transfer market; and iii/-ADB has provided technical assistant in the implementation of the 3rd subprogram in development program of inclusive financial sector, which related to payment systems, financial inclusion, and financial literacy.

For the cooperation under the ASEAN framework, the NBC has contribute to achieve essential progress such as: i/-reviewing and introducing an implementation assessment map on the Capital Accounts Liberalization and approving the final draft of the ASEAN local currencies settlement framework; ii/-signing the 8th package and continuing to negotiate on financial service commitments for the 9th package; iii/-implementing the framework policy to connect an instant retail payment system with countries in the region; iv/-strengthening the role of ASEAN capital markets to help supporting infrastructure financing, promote green financing, and establish working groups for sustainable and infrastructure financing; v/-exchanging experiences on the digital bank framework, preparing a roadmap to improve regulatory compliance for implementing the Basel framework on Capital and IFRS9, and finalizing a standard list of supervision, management, recovery, and crisis resolutions; vi/-encouraging the development of supporting policies to improve financial inclusion in the region and agreeing to organize the launch of ASEAN Saving Day on every October 31; vii/-Steering Committee on Capacity Building (SCCB): SCCB commission continued to build the staff capacity of the BCLMV central bankers under the pillar 3²⁷; viii/-signing an MoU related to information sharing platform and ASEAN cybersecurity resilience (CRISP); and ix/-completing the term as co-chair for the ASEAN Senior Committee meeting with Bank Indonesia for two years successfully, and the NBC was also chosen to be co-chair for the Working Committee on Financial Inclusion (WC-FINC) with the Bank Indonesia for two years, which began from August 2020 until February 2022.

Important tasks were achieved under the framework of cooperation with ASEAN+3, such as: i/-amending on the CMIM agreement, including increasing IMF Delinked Portion from 30% to 40% and the use of local currency for CMIM mechanisms based on the voluntary and demand-driven basis; ii/-revising of operational guideline for the CMIM agreement; iii/-strengthening the implementation of CMIM operations through the 11th test run with actual cash withdrawals; iv/-adopting the ASEAN+3 Macroeconomic Research Office (AMRO)

²⁷ 3 Pillars: A (Basic training and development course to encourage more participants), B (Improve and strengthen specialized capabilities of participants, share experiences with one another, and discuss regionally) and C (Conduct study tours in the ASEAN-5 region)

medium-term action plan 2020–2024; v/- creating working group study new initiatives to strengthen and expand the ASEAN+3’s financial cooperation; and vi/-promoting the issuance of local currency bonds aimed at mobilizing savings and investments in the region.

Additionally, the NBC has also strengthened its cooperation with: i/-the United Nations Capital Development Fund (UNCDF) through signing on a new agreement in preparation of data collection for Baseline Indicators; ii/-the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) through signing a TA agreement for four projects such as: study on getting access to credit without collateral, expanding the capacity of the NBC, cooperating with the Ministry of Women’s Affairs to promote financial inclusion for women, and organizing financial literacy campaigns, “Smart Use of Money” in collaboration with Good Return Organization; and iii/-the Alliance for Financial Inclusion (AFI) has appointed officers to participate in online meetings and other online training programs. Moreover, NBC staffs have also been invited as speakers by sharing their practical experiences, especially on topics related to FinTech, which plays an important role in promoting financial inclusion. NBC is also in discussion on studying the possibility of cooperating with AFI to implement related activities to promote financial literacy.

2. Bilateral Cooperation

In early 2020, Bank of Thailand (BOT) prepared a bilateral meeting in Bangkok, Thailand. During that occasion, the NBC and the BOT officially launched a cross-border payment service through QR codes, and NBC has continued to collaborate the implementation retail payment systems with other countries in the region. NBC also hosted the virtual annual bilateral meeting with the State Bank of Vietnam and Bank of Lao P.D.R.

In addition, the NBC signed an agreement with the Bank of Korea, on the joint-research operation under the project “Monetary Transactions and Foreign Exchange Policy” and also hosted the Singapore FinTech Festival in Cambodia as a partner city with Singapore.

VIII. The Internal Management of the NBC

1. Members and Roles of the Board of Directors

Currently, the Board of Directors of the NBC consists of:

- H.E. Chea Chanto, NBC Governor, Chair
- H.E. Neav Chanthana, NBC Deputy Governor, Member
- H.E. Chou Kimleng, Representative of the Head of the Royal Government, Member
- H.E. Iv Thong, Representative of Academia, Member
- H.E. Ros Seilava, Representative of the MEF, Member
- H.E. Lay Mengsun, Representative of the Private Sector, Member and
- Mr. Mom Dareth, Representative of NBC Staff, Member

The Board held six meetings:

1. The 138th meeting, held on February 06, 2020, reviewed and approved the draft on the establishment of the audit committee for inspecting NBC's accounting record as of 2019 and the draft report on the financial stability review for 3rd trimester of 2019.
2. The 139th meeting, held on February 12, 2020, reviewed and approved the drafted report on NBC's budget for 2019 and budget plan for 2020.
3. The 140th meeting, held on May 20, 2020, reviewed the report on Investment Reserves Management in 2019.
4. The 141st meeting, held on June 25, 2020, reviewed and approved the draft of NBC's semi-annual report and work plan for the second semester of 2020.
5. The 142nd meeting, held on August 03, 2020, reviewed and approved the draft of the structure and duties of the Directorate General of Banking Supervision with other subordinate departments and,
6. The 143rd meeting, held on December 14, 2020, reviewed and approved the draft of NBC's annual report for 2020 and work plan for 2021.

2. Human Resource Management and Development

Human Resource Development has improved gradually along with the development of economic and financial sectors as well as regional and global integration together with the principles of work stability and effectiveness.

A. Staff Statistics

In 2020, the total number of NBC staff nationwide was 1,742 (845 females), of which 1,252 (588 females) worked at headquarter, and 490 (257 females) worked at the municipal and provincial branches. This year, staff at headquarter increased by 44 (62 newly recruited staff, 1 transfer-in, 2 transfer-out, 5 retired, 6 resigned, 4 terminated and 2 passed away) while the number of staff at branches increased by 33 (38 newly recruited staff, 1 transfer-in, 1 transfer-out, 4 retired and 1 passed away).

Table 1: NBC staff statistics in 2020

		2017	2018	2019	2020	Change
Headquarter	Male	622	642	642	664	22
	Female	553	550	566	588	22
	Total	1175	1192	1208	1252	44
Branches	Male	235	232	224	233	9
	Female	244	241	233	247	24
	Total	479	473	457	490	33
Total Nationwide	Male	857	874	866	897	31
	Female	797	791	799	845	46
	Total	1654	1665	1665	1742	77

B. Training

• Local Training

The NBC organized six seminars (914 participants), four training courses (355 participants), four meetings (717 participants), and 12 internship programs for 153 university students.

Meanwhile, the NBC provided two online training sessions to NBC's staff: i) a training program on banking supervision skills under the FSI Connect program, which consisted of four intakes (303 students in total, 25 scholarships), of which 183 completed the elementary level, 61 completed the intermediate level, and 15 completed the advanced level, and ii) an IMF training program on financial programming and policies (FPP), which had two intakes. The NBC also launched both programs with 163 participants in total; in the first generation, 55 participants were successful in passing the online exam. In the second generation, 108 participants passed the first level, and the remainder are in the process of learning the second level and taking the exam in 2020.

In addition, the Centre for Banking Studies (CBS) continues to train NBC staff and students at associate degree level to contribute to the development of Cambodia's banks and financial sector. Currently, there are 265 students who are taking the course, including students from the twenty-eighth promotion (132 students, 99 females) and twenty-ninth promotion (133 students, 107 females). There are 59 lecturers, 47 of whom are from NBC. CBS also developed a digital platform for e-learning for two generations, which is a collaboration between the MOEYS and Google in Cambodia.

Table 2: Students' CBS statistics in 2020

	28 th promotion			29 th promotion		
	Male	Female	Total	Male	Female	Total
51 st and 52 nd courses	33	99	132	26	107	133
28 th and 29 th promotions	Total: 265 (206 female, 59 male)					

Table 3: CBS Lecturers' statistics in 2020

	28 th promotion (second year)			29 th promotion (first year)		
	Male	Female	Total	Male	Female	Total
Bachelor's degree	1	2	3	1	0	1
Master's degree	19	4	23	24	5	29
PhD	3	0	3	0	0	0
Total	23	6	29	25	5	30
Total of 28 th and 29 th promotions	59 lecturers (48 male, 11 females)					

- **Overseas Training**

The NBC continues to enhance its staff capacity and develop human resources by sending staffs abroad to complete 28 short-term courses (34 participants), 1 long-term course for PhD, 7 long-term courses for master degree (9 participants), and 32 meetings (92 participants). Due to the COVID-19 crisis, most training workshops and overseas meetings have held through online platform. In addition to technical training, the NBC also focuses on enhancing research quality and encouraging staffs to continue researching on topics relating to the finance and economy to compile a scientific research articles.

3. Internal Audit, Inspection, and Risk Management

The NBC has established a strong internal control system by issuing policies and guidelines that are fundamental to prevent risks and help make daily operations more efficient. The robustness of the internal control system and proper implementation of the principles and guidelines, have been reflected through internal audits and inspections.

The audit work at the headquarter is carried out on the management of reserves, cash transactions, the management of negotiable instruments, and the provision of liquidity. The audit on all operational activities has been done in 8 provincial branches. The inspection work has implemented on cash management and safety at 12 NBC's municipal and provincial branches.

The Risk Management Committee held 5 meetings to review and discuss on risk prevention related to Flexcube operation system, challenges, and work procedures during the COVID-19 outbreak and to update the business sustainability plan for the Flexcube system.

In the meantime, to promote the understanding on risk management, the NBC arranged the training by sharing the risk awareness knowledge to staffs at 6 provincial branches (Takeo, Kampong Thom, Kratie, Battambang, Steung Treng, and Banteay Meanchey).

4. Management of NBC's Branches

The NBC has strengthened and expanded its operational capability in all municipal and provincial branches to manage the money circulation in banking system extensively by providing a wide range of services (deposit account management, cash deposits and withdrawals, and money transfers) more effectively to banks and financial institutions, and public entities. Additionally, NBC's municipal and provincial branches have provided public exchange services of old, torn, and damaged KHR banknote to promote its use in Cambodia extensively. All branches of the NBC continue to cooperate on reforming the public financial management for the royal government. Furthermore, all NBC branches also participate in monitoring economic situation in the region such as price fluctuations, exchange rate, and macroeconomic indicators that reflected on the overall economic situation, and implement the NBC's monetary policy. Moreover, professional staffs at all branches have also provided information regarding financial services to the public through a Hotline system.

Conclusion

In 2020, Cambodia's economy was impacted by health and global economic crisis, which caused the lowest growth in the past two decades. Tourism was the most affected sector, followed by manufacturing, construction, and real estate while the agriculture and banking sectors have helped to reduce the slowdown of economic growth. Nonetheless, Cambodia has maintained stability in the price and exchange rate, which is supported by the proper and careful implementation of monetary policy; and the international reserve accumulation keeps increasing due to the surplus of balance payments despite the decrease of FDI.

Financial stability has remained strong, together with the development of the banking sector, which supported by the healthy banking and financial institutions, strengthen supervision and risks monitoring, and the issuance of the proper prudential measures in banking system. In the meantime, liquidity in banking system remains high, profitability is at an acceptable level and good quality of credit portfolio, which has allowed the banking sector to play a crucial role in providing financial services to the economy and providing leniency to affected customers. In response to the growing demand for electronic transactions, payment systems are continuously being developed to facilitate convenience and enhance safety for consumers. Moreover, financial inclusion and literacy, consumer protection, promotion of the use of KHR, and anti-money laundering and combating financing terrorism have been strengthened to build trust in and the efficiency of banking system in Cambodia.

Furthermore, regional and international cooperation have been contributed to improve work efficiency, exchange experiences along with staffs' competences and skills development, which are the top priority for the National Bank of Cambodia. Moreover, good governance, staffs' qualification and central bank services have been developed attentively to enhance the work efficiency and accountability for the NBC.

Part II: Outlook and Targets for 2021

Opportunities and risks in Cambodia's economic growth

Opportunities	Risks and challenges
<ul style="list-style-type: none"> + Continue to benefit from the Generalized System of Preferences + Rise in investment in the region + Geographically located in the center of ASEAN + Rise in investment in the agroindustry + High banking sector's ability to respond to the financing needs during the crisis + Open economy and high integration + Political, macroeconomic, and financial stability + Demographic dividend 	<ul style="list-style-type: none"> - Protraction of COVID-19 - Slower global and regional economic growth than expected - Rise in competition and protectionism policy - Uncertainty of climate change - Rise in corporate and household debt - Slow growth of international tourists' arrival - Slow growth in construction and real estate sectors - Slow economic diversification - Limited competitiveness in Cambodia

However, Cambodia's economy may face some risks such as: i/-the protracted COVID-19 pandemic; ii/-the increase of competition in international markets from countries having similar export products to Cambodia's and also benefiting from the GSP and FTA; iii/-the increase in corporate and household debts caused by the decline in income pressure on the financial sector; iv/-the larger-than-anticipated drop in the performance of construction and real estate sectors and; v/-the slow growth in the agricultural sector due to climate change. Meanwhile, structural challenges in Cambodia's economy includes: i/-Cambodia's competitiveness is limited due to high production costs and lack of infrastructure and ii/-economic diversification remains slow.

To support the royal government's policy for restoring economic growth, the NBC has set the following targets for 2021:

1. Monetary Policy Implementation

- Manage the money supply at an appropriate level
- Maintain exchange rate stability in order to contribute to price stability and strengthen public confidence
- Promote the use of KHR based on the market mechanism, and
- Stimulate interbank market development by creating necessary monetary policy instruments with the aim of enhancing the effectiveness of monetary policy.

2. International Reserve Management

- Implement investment guidance for 2021

- Conduct research on new investment tools to achieve risk diversification and increase revenues
- Conduct research on budget risk management and strengthen the performance measurement of investment portfolio through research on new models, and
- Continue learning from investment partners on opportunities and possibilities to invest under the framework of responsible investment.

3. Payment System Development

- Continue monitoring the Cambodian Shared Switch integration of institution members and the Retail Pay system, and continue developing a Real-Time Gross Settlement (RTGS)
- Continue promoting the use of Bakong and monitor the implementation of QR code
- Prepare more regulations along with continuing to monitor and evaluate payment services, payment instruments, and the infrastructure of the payment system, and
- Develop a sustainability plan for the payment system.

4. Supervision on Banks and Financial Institutions

- Strengthen the supervision of banks and financial institutions through risk-based supervision and prospects
- Continue monitoring and promoting the implementation of CIFRS and the CIFRS for SMEs
- Continue monitoring the operational progress of the Credit Bureau Cambodia (CBC) on a regular basis
- Continue accepting, resolving disputes, studying and preparing the Regulatory Framework for Consumer Protection and Market Conduct
- Continue organizing seminars relating to the banking sector, microfinance sector and consumer protection
- Continue monitoring and evaluating the implementation of the National Strategy on Financial Inclusion
- Prepare solvency framework, Prakas on the regulatory net capital (net worth), prepare a new reporting template, simulation, and training
- Study and prepare conditions for banks and financial institutions that aim to refer clients or act as agents for Bancassurance businesses
- Review and prepare Prakas on financial leasing businesses and Hire Purchase service
- Study and prepare regulations on Law on Deposit Protection Scheme and Law on Bank Resolution
- Cooperate on the implementation of the project for the dissemination of financial literacy (Phase II) with the Ministry of Education, Youth and Sport and Credit Union Foundation Australia, and cooperate with Good Return on producing an educational video for a new advertising campaign project called “Smart Use of Money”, and

- Continue strengthening the capability of supervision officers through internal training.

5. Anti-Money Laundering/Combating Financing Terrorism (AML/CFT)

- Issue guidelines on the implementation of AML/CFT to reporting entities
- Continue strengthening operational analysis capabilities
- Continue facilitating the implementation of action plan in the National Strategy for Combating Money Laundering and the Financing of Terrorism 2019–2023
- Continue preparing and implementing risk-based supervision tools for non-financial institutions
- Continue promoting and strengthening operations, and report quality of reporting entities in accordance with effective laws and regulations
- Continue leading and facilitating the implementation on action plan of the ICRG-JG of FATF, and
- Continue strengthening and expanding cooperation with regional and international partners through a MoU, as well as timely information exchange.

6. Banking Operations

- Continue providing liquidity to members of the National Clearing House to ensure the effectiveness of the operation
- Continue conducting LPCO in accordance with the schedule
- Develop the interbank market by creating more local financial instrument and promoting NCDs' demands, and
- Participate in the development of a new payment system.

7. Issuance and Cash Vaults Affairs

- Continue improving cash deposits and withdrawal services at NBC's teller
- Continue to reinforce the security of cash transportation and work on counting and sorting old, worn, and torn banknotes
- Continue promoting cash management and cash vault securities, and
- Continue cooperating with relevant authorities to prevent the circulation of counterfeit banknotes.

8. Internal Audit, Inspection, and Risk Management

- Conduct the ongoing audit in compliance with audit plan in 2021
- Perform the planned and necessary inspection
- Continue strengthening auditors' capabilities to improve internal audit quality
- Study on risk management frameworks through 3 defense modules, and
- Study on remote audit and risk-based audit.

9. Management of NBC's Branches

- Continue enhancing NBC's branch operations in the capital and provinces to comply with the progress of economic activities in those provinces, and
- Cooperate with local authorities in each capital and province to promote the use of KHR.

10. Accounting Affairs

- Verify and evaluate NBC's budget plan for 2020 and prepare a budget plan for 2021
- Continue cooperating and strengthening the list of assets management of NBC
- Continue organizing the training course by using the core banking systems, Flexcube and Red Book, which focus on updated work to provide knowledge and experience to the staffs who work at NBC's branches
- Continue the on-site monitoring on accounting entries and documents at NBC's branches to ensure that the branch's financial statements are accurate
- Collaborate with the Exchange Rate Management Department to select NBC's reserve management system
- Prepare accounting principles on accounting entries for any new operations, and
- Continue strengthening staffs' technical skills in the department through daily internal training.

11. Human Resource Management and Training

- Continue improving training programs and opening the banking operation courses, banking supervision courses, leadership courses, and preparing other NBC meetings
- Continue developing human resource management and development policies to ensure sustainability, safety, and efficiency
- Prepare policies to motivate staffs to reinforce their skill specializations on banking supervision (FSI Connect), economic analysis (Financial Project Planning), financial analysis (Chartered Financial Analyst), accounting (Certified Public Accountant/Association of Chartered Certified Accountants), and internal audit skills (Certified Internal Auditor)
- Stimulate the human resources development through online platform, in line with the progress and safety guidelines of COVID-19
- Allocate staffs in accordance with strategic policies and actual job requirements, and strategic policy of NBC
- Continue providing an online learning system (CBS E-Learning) to associates degree in banking
- Hold a graduation ceremony for 26th, 27th, and 28th generation students, and
- Prepare the recruitment of new students for the 30th promotion.

12. International Cooperation

- Strengthen and expand bilateral and multilateral cooperation with other central banks, financial institutions, and development partners at regional and international levels, and
- Continue participating in implementing the action plans of the financial sector and monitoring the progress of ASEAN economic and financial integration, and cooperation under the ASEAN+3 framework.

13. Research and Economic Analysis

- Organize 8th annual NBC Macroeconomic Conference
- Cooperate with the IMF in studying and analyzing liquidity condition, at both macro and micro levels, improve the financial stability monitoring and plan to publish the financial stability review in 2020
- Continue improving the quality of research in accordance with international standards and in collaboration with national and international institutions, and
- To publish in NBC's working paper series.

14. Statistics

- Expand the scope of compiling monetary and financial statistics by incorporating MFIs into other types of financial institutions
- Launch the web-enabled Macroeconomic Surveillance Database System (MSDS) under the technical assistant of IMF
- Disseminate preliminary results of Residential Property Price Indices (RPPI) under the technical assistant of statistics department of the IMF, and
- Organize workshops about balance of payments, monetary and financial statistics, residential property price statistics and international operation reporting system for reporting entities and statistic consumers to find out more about progress and compilation methods.

Appendix

Table 1: Consumer Price Index (CPI)
(October-December, 2006=100)

Consumer Price Index (CPI)	2018		2019		2020								
and Component Indices	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
CPI (All Items)	174.59	179.95	180.80	180.65	181.46	180.41	181.56	182.36	183.01	182.79	183.56	184.91	185.10
Food and Non-Alcoholic Beverages	212.69	219.84	221.07	221.04	222.94	224.72	225.99	226.78	226.75	226.35	228.05	230.30	230.61
Alcoholic Beverages, Tobacco and Narcotics	167.84	173.93	174.29	174.15	174.53	174.74	174.18	174.35	174.43	174.60	174.73	177.68	177.73
Clothing and Footwear	149.50	153.53	153.95	153.10	153.97	154.11	154.91	155.36	155.75	156.18	156.80	157.94	158.57
Housing, Water, Electricity, Gas and other Fuels	126.31	128.27	128.39	128.36	128.89	128.10	128.42	128.41	129.20	129.39	129.64	130.08	129.87
Furnishings, Household Maintenance	150.80	153.24	153.67	153.11	153.41	153.94	154.08	154.27	153.17	152.97	153.34	154.15	153.71
Health	136.75	137.68	137.30	137.29	137.69	137.21	137.21	137.23	137.05	136.94	137.22	137.35	137.29
Transport	112.78	114.70	114.83	114.74	113.82	100.40	102.64	105.39	108.45	108.69	108.76	108.97	108.79
Communication	67.32	67.06	67.08	67.05	67.02	66.94	66.60	66.66	66.84	66.62	66.41	66.50	66.42
Recreation and Culture	118.69	121.00	120.12	119.76	120.21	119.74	119.81	119.80	119.64	120.53	121.12	121.04	120.79
Education	159.50	163.87	163.87	163.87	164.57	164.57	165.15	164.91	165.48	165.48	165.48	165.48	165.48
Restaurants	275.66	293.13	297.53	296.42	294.67	293.27	296.98	298.04	300.87	298.32	296.49	298.53	300.33
Miscellaneous Goods and Services	144.54	149.66	150.54	150.54	150.68	151.91	152.46	153.45	154.12	154.80	154.95	155.58	155.95
CPI (All Items)	-0.47	0.82	0.47	-0.08	0.45	-0.58	0.64	0.44	0.36	-0.12	0.42	0.74	0.10
Food and Non-Alcoholic Beverages	-0.13	0.92	0.56	-0.01	0.86	0.80	0.57	0.35	-0.01	-0.18	0.75	0.99	0.13
Alcoholic Beverages, Tobacco and Narcotics	0.46	0.83	0.21	-0.08	0.22	0.12	-0.32	0.10	0.04	0.10	0.07	1.69	0.03
Clothing and Footwear	-0.13	1.01	0.27	-0.56	0.57	0.09	0.52	0.29	0.25	0.28	0.40	0.72	0.40
Housing, Water, Electricity, Gas and other Fuels	-0.58	0.26	0.09	-0.02	0.41	-0.62	0.25	-0.01	0.62	0.15	0.19	0.34	-0.16
Furnishings, Household Maintenance	-0.09	0.16	0.28	-0.36	0.20	0.34	0.09	0.12	-0.71	-0.13	0.24	0.53	-0.28
Health	0.17	0.56	-0.28	0.00	0.29	-0.35	0.00	0.01	-0.13	-0.08	0.21	0.09	-0.04
Transport	-3.57	0.30	0.12	-0.09	-0.80	-11.80	2.23	2.68	2.90	0.22	0.06	0.19	-0.16
Communication	-0.32	0.25	0.03	-0.04	-0.04	-0.12	-0.50	0.08	0.27	-0.33	-0.30	0.14	-0.13
Recreation and Culture	-0.37	1.98	-0.72	-0.31	0.38	-0.39	0.06	-0.01	-0.13	0.74	0.50	-0.07	-0.21
Education	0.00	0.92	0.00	0.00	0.43	0.00	0.35	-0.14	0.35	0.00	0.00	0.00	0.00
Restaurants	-0.34	1.42	1.50	-0.37	-0.59	-0.47	1.26	0.36	0.95	-0.85	-0.61	0.69	0.60
Miscellaneous Goods and Services	-0.45	0.52	0.59	0.00	0.09	0.81	0.36	0.65	0.44	0.44	0.10	0.41	0.24
CPI (All Items)	1.63	3.07	3.58	2.65	2.84	1.91	2.37	3.22	3.13	2.40	2.86	3.73	3.70
Food and Non-Alcoholic Beverages	1.90	3.36	3.87	3.18	4.18	4.36	4.63	5.65	4.98	3.74	4.63	5.92	5.86
Alcoholic Beverages, Tobacco and Narcotics	5.59	3.63	2.63	2.19	2.28	2.47	2.09	2.02	1.87	1.41	1.41	3.10	3.03
Clothing and Footwear	2.79	2.70	2.97	1.53	1.87	1.75	2.85	3.37	2.65	2.90	3.06	3.92	4.33
Housing, Water, Electricity, Gas and other Fuels	0.41	1.55	1.77	0.91	0.76	0.09	0.28	0.83	1.19	1.11	1.24	2.07	1.51
Furnishings, Household Maintenance	0.38	1.62	0.70	0.03	0.39	0.58	1.37	1.56	0.60	0.13	0.34	1.08	0.47
Health	2.00	0.68	0.22	-0.03	0.48	0.10	0.16	0.15	0.11	0.13	0.28	0.19	0.27
Transport	-2.41	1.70	4.72	2.95	0.13	-12.95	-11.45	-7.98	-5.36	-4.07	-4.51	-4.69	-4.86
Communication	-0.60	-0.40	-0.62	-0.74	-0.55	-0.51	-1.37	-0.09	0.11	-0.55	-1.09	-0.74	-0.70
Recreation and Culture	0.84	1.95	0.88	0.64	1.37	0.91	0.95	0.47	0.13	0.56	0.84	1.50	1.80
Education	0.38	2.74	2.74	2.74	3.18	3.18	3.54	3.39	3.75	3.75	2.96	2.22	1.91
Restaurants	5.23	6.34	6.66	4.32	2.49	3.57	4.88	4.04	4.77	3.15	3.03	3.04	3.91
Miscellaneous Goods and Services	0.64	3.54	4.09	2.99	3.14	3.84	4.18	4.50	4.18	4.35	4.34	4.96	4.74
All Items	175.34	178.90	179.75	180.47	180.97	180.84	181.15	181.44	182.31	182.72	183.12	183.75	184.52
Annual Percentage Change	2.41	2.03	2.80	3.10	3.02	2.47	2.38	2.50	2.91	2.91	2.80	3.00	3.43
All Items	174.05	177.43	177.95	178.34	178.76	179.04	179.39	179.86	180.33	180.68	181.11	181.66	182.21
Annual Percentage Change	2.46	1.94	2.11	2.17	2.22	2.20	2.24	2.38	2.46	2.49	2.59	2.79	2.96

Source: National Institute of Statistics

* Preliminary estimates

Appendix 2

Table 2: Some Asian And European Currencies Against Khmer Riel (End Period Buying Rate)

Currencies	2018	2019	2020											% Change Nov.20/Dec.19
	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
IMF														
Special Drawing Right	5,588	5,635	5,572	5,575	5,578	5,591	5,621	5,631	5,768	5,822	5,770	5,756	5,769	2.4
ASIA														
Australian Dollar	2,832	2,853	2,718	2,678	2,513	2,684	2,728	2,813	2,953	3,020	2,930	2,891	2,996	5.0
Hong Kong Dollar	513	523	521	522	525	529	531	528	529	530	529	524	522	-0.2
Japanese Yen	36.41	37.43	37.18	37.11	37.68	38.43	38.24	38.02	39.19	38.96	38.78	38.84	38.96	4.1
Korean Won	3.62	3.52	3.41	3.34	3.33	3.39	3.32	3.42	3.45	3.47	3.51	3.59	3.67	4.3
New Zealand Dollar	2,696	2,745	2,626	2,568	2,449	2,514	2,549	2,629	2,746	2,766	2,708	2,718	2,849	3.8
Chinese Yuan	584	583	586	581	573	579	576	578	585	598	602	606	616	5.7
Taiwan Dollar	132	136	134	135	135	137	137	139	140	139	141	142	142	4.4
ASEAN														
Indonesian Rupiah	0.277	0.293	0.297	0.290	0.249	0.269	0.280	0.289	0.282	0.281	0.276	0.278	0.288	-1.7
Malaysian Ringgit	969	994	991	967	942	946	947	956	967	986	988	975	995	0.1
Philippine Peso	76.53	80.50	79.45	80.10	79.96	81.20	81.20	82.10	83.41	84.63	84.55	83.94	84.21	4.6
Singapore Dollar	2,942	3,023	2,973	2,918	2,859	2,904	2,903	2,938	2,990	3,022	2,997	2,981	3,027	0.1
Thai Baht	124	136	130	129	125	126	129	133	131	132	130	130	134	-1.5
Vietnamese Dong	0.174	0.176	0.175	0.175	0.172	0.176	0.177	0.177	0.177	0.177	0.177	0.175	0.175	-0.6
EUROPE														
Euro	4,597	4,565	4,466	4,476	4,490	4,454	4,558	4,602	4,867	4,889	4,815	4,780	4,844	6.1
Other														
Great Britain Pounds	5,098	5,344	5,301	5,245	5,037	5,106	5,068	5,038	5,377	5,480	5,274	5,289	5,395	1.0

** Preliminary estimates*

Table 3: Central Bank Survey*

(In Billion Riels)

	2014	2015	2016	2017	2018	2019	Nov-20
Net Foreign Assets	24,385	29,403	36,371	48,769	58,308	75,984	83,965
Claims on Nonresidents	24,880	29,875	36,828	49,254	58,780	76,460	84,452
Liabilities to Nonresidents	-496	-472	-457	-484	-472	-476	-488
Claims on Other Depository Corporations	0	0	29	93	470	3,828	4,152
Net Claims on Central Government	-3,893	-5,802	-7,495	-9,894	-12,924	-19,690	-19,115
Claims on Central Government	270	270	270	270	0	0	0
Liabilities to Central Government	-4,163	-6,073	-7,765	-10,164	-12,924	-19,690	-19,115
Claims on Other Sectors	186	106	198	199	204	201	139
Claims on Other Financial Corporations	0	0	0	0	0	162	103
Claims on State and Local Government	0	0	0	0	0	0	0
Claims on Public Nonfinancial Corporations	0	0	0	0	0	0	0
Claims on Private Sector	186	106	198	199	204	39	36
Monetary Base	17,840	20,437	23,591	28,156	32,873	44,208	42,769
Currency in Circulation	5,985	6,304	6,958	8,957	9,992	13,047	14,977
Liabilities to Other Depository Corporations	11,508	13,823	16,414	18,994	22,807	31,034	27,734
Liabilities to Other Sectors	347	310	220	205	74	127	59
Other Liabilities to Other Depository Corporations	1,393	2,639	5,300	9,642	12,801	13,624	20,625
Deposits And Securities Other Than Shares Excl. Form Monetary Base	1	46	67	90	17	53	111
Deposits Included in Broad Money	0	0	0	0	0	0	0
Securities Other Than Shares Incl. in Broad Money	0	0	60	0	0	0	0
Deposits Excl. From Broad Money	1	1	1	3	12	31	71
Securities Other Than Shares Excl. From Broad Money	0	45	6	87	5	21	40
Loans	0	0	0	0	0	0	0
Financial Derivatives	0	0	0	0	0	0	0
Shares and Other Equity	2,113	1,549	1,279	2,534	2,109	4,195	7,335
Other Items (Net)	-669	-964	-1,135	-1,254	-1,743	-1,756	-1,699
<i>IFS Vertical Check</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

* Included only central bank

R/. Revised data

* * Forecasting Data

Table 4: Other Depository Corporations Survey*

(In Billion Riels)

	2014	2015	2016	2017	2018	2019	Nov-20
Net Foreign Assets	-2,042	-7,911	-10,024	-10,344	-9,423	-15,801	-16,826
Claims on Nonresidents	8,798	8,808	10,218	11,439	14,781	15,339	16,621
Liabilities to Nonresidents	-10,840	-16,719	-20,242	-21,783	-24,204	-31,140	-33,446
Claims On Central Bank	12,946	16,740	21,821	27,815	34,270	42,997	46,873
Currency	411	449	604	822	979	1,141	1,465
Reserve Deposits and Securities Other Than Shares	12,535	16,290	21,215	26,991	33,290	41,848	45,391
Other Claims on Central Bank	1	1	3	2	1	8	17
Net Claims on Central Government	-1,135	-1,465	-1,793	-2,593	-3,296	-4,194	-5,299
Claims on Central Government	18	26	39	36	57	66	103
Liabilities to Central Government	-1,153	-1,491	-1,832	-2,629	-3,354	-4,260	-5,402
Claims on Other Sectors	42,385	54,973	66,823	79,101	101,350	129,817	147,788
Claims on Other Financial Corporations	302	509	662	1,442	2,434	4,225	4,077
Claims on State and Local Government	0	0	0	0	0	0	0
Claims on Public Nonfinancial Corporations	11	4	6	19	1	1	1
Claims on Private Sector	42,071	54,459	66,155	77,641	98,916	125,591	143,710
Liabilities to Central Bank	0	1	82	365	995	2,895	3,201
Transferable Deposits Incl. in Broad Money	8,305	8,860	10,814	14,936	19,389	23,574	24,941
Other Deposits Incl. in Broad Money	31,211	38,134	46,875	55,933	71,764	82,829	95,795
Securities Other Than Shares Incl. in Broad Money	0	0	0	0	0	0	0
Deposits Excl. From Broad Money	180	217	198	186	432	166	187
Securities Other Than Shares Excl. From Broad Money	0	0	0	0	0	0	0
Loans	4	88	319	438	966	1,340	1,578
Financial Derivatives	0	0	0	0	0	0	0
Shares and Other Equity	12,909	15,540	18,591	22,397	28,162	35,594	42,405
Other Items (Net)	-454	-504	-52	-274	1,193	6,421	4,429
<i>IFS Vertical Check</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

* Included commercial banks and MDIs

R/. Revised data

* * Forecasting Data

Table 5: Depository Corporation Survey*
(In Billion Riels)

	2014	2015	2016	2017	2018	2019	Nov-20
Net Foreign Assets	22,343	21,492	26,348	38,426	48,884	60,183	67,139
Claims on Nonresidents	33,678	38,682	47,046	60,693	73,561	91,799	101,073
Liabilities to Nonresidents	-11,336	-17,191	-20,699	-22,267	-24,676	-31,616	-33,934
Domestic Claims	37,543	47,812	57,734	66,813	85,334	106,133	123,513
Net Claims on Central Government	-5,028	-7,268	-9,287	-12,487	-16,220	-23,884	-24,414
Claims on Central Government	288	296	309	306	57	66	103
Liabilities to Central Government	-5,316	-7,564	-9,597	-12,793	-16,277	-23,950	-24,517
Claims on Other Sectors	42,571	55,079	67,021	79,301	101,555	130,018	147,926
Claims on Other Financial Corporations	302	509	662	1,442	2,434	4,388	4,179
Claims on State and Local Government	0	0	0	0	0	0	0
Claims on Public Nonfinancial Corporations	11	4	6	19	1	1	1
Claims on Private Sector	42,258	54,565	66,353	77,840	99,120	125,629	143,746
Broad Money Liabilities (M2)	45,437	53,160	64,323	79,209	100,240	118,436	134,306
Currency Outside Depository Corporations	5,574	5,855	6,354	8,135	9,013	11,906	13,511
Transferable Deposits	8,637	9,156	11,019	15,125	19,447	23,684	24,983
Other Deposits	31,226	38,149	46,890	55,949	71,780	82,846	95,812
Securities Other Than Shares	0	0	60	0	0	0	0
<i>of which Foreign Currency (of M2)</i>	<i>37,611</i>	<i>44,239</i>	<i>53,586</i>	<i>66,375</i>	<i>85,869</i>	<i>99,651</i>	<i>112,356</i>
Deposits Excl. From Broad Money	181	218	199	189	443	197	258
Securities Other Than Shares Excl. From Broad Money	0	45	6	87	5	21	40
Loans	4	88	319	438	966	1,340	1,578
Financial Derivative	0	0	0	0	0	0	0
Shares and Other Equity	15,022	17,089	19,870	24,931	30,271	39,788	49,741
Other Items (Net)	-757	-1,296	-636	386	2,293	6,533	4,729
<i>IFS Vertical Check</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

* Included data of central bank and other depository corporations (ODCs)

R/. Revised data

* * Forecasting Data

Table 6: Other Financial Corporation Survey*
(In Billion Riels)

	2014	2015	2016	2017	2018	2019	Nov-20
Net Foreign Assets	-98	-146	-254	-533	-346	-981	-1,354
Claims on Nonresidents	33	39	43	38	48	90	102
Liabilities to Nonresidents	-131	-185	-297	-571	-395	-1,071	-1,457
Claims on Depository Corporations	154	314	379	546	324	634	557
Net Claims on Central Government	-137	-138	-258	-462	-528	-490	-28
Claims on Central Government	0	0	1	2	1	2	3
Liabilities to Central Government	-137	-138	-259	-464	-528	-491	-31
Claims on Other Sectors	666	801	1,244	1,582	1,968	2,798	2,493
Claims on State and Local Government	0	0	0	0	0	0	0
Claims on Public Nonfinancial Corporations	0	0	0	0	0	0	0
Claims on Private Sector	666	801	1,244	1,582	1,968	2,798	2,493
Deposit	14	5	6	10	16	30	28
Securities Other Than Shares	0	0	0	0	0	0	0
Loans	30	65	73	52	119	129	211
Financial Derivatives	0	0	0	0	0	0	0
Shares and Other Equity	467	764	1,089	1,136	1,340	1,818	1,477
Other Items (Net)	75	-3	-58	-65	-57	-15	-49
<i>IFS Vertical Check</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

* Included only specialized banks

R/. Revised data

* * Forecasting Data

Table 7: Financial Corporation Survey*

(In Billion Riels)

	2014	2015	2016	2017	2018	2019	Nov-20
Net Foreign Assets	22,244	21,346	26,093	37,893	48,538	59,202	65,785
Claims on Nonresidents	33,711	38,722	47,089	60,731	73,609	91,889	101,175
Liabilities to Nonresidents	-11,467	-17,376	-20,996	-22,838	-25,071	-32,687	-35,391
Domestic Claims	37,770	47,965	58,057	66,491	84,342	104,054	121,798
Net Claims on Central Government	-5,165	-7,406	-9,545	-12,950	-16,748	-24,374	-24,442
Claims on Central Government	288	296	310	307	58	67	106
Liabilities to Central Government	-5,453	-7,702	-9,856	-13,257	-16,806	-24,441	-24,548
Claims on Other Sectors	42,935	55,371	67,603	79,441	101,089	128,428	146,240
Claims on State and Local Government	0	0	0	0	0	0	0
Claims on Public Nonfinancial Corporations	11	4	6	19	1	1	1
Claims on Private Sector	42,924	55,366	67,597	79,423	101,089	128,427	146,239
Currency Outside Financial Corporations	5,574	5,854	6,352	8,134	9,011	11,901	13,490
Deposits	39,602	46,821	57,156	70,541	90,495	105,197	119,107
Securities Other Than Shares	0	0	0	0	0	0	0
Loans	34	135	376	476	983	1,329	1,494
Financial Derivatives	0	0	0	0	0	0	0
Shares and Other Equity	15,489	17,853	20,959	26,066	31,612	41,606	51,217
Other Items (Net)	-685	-1,351	-692	-833	779	3,222	2,274
<i>IFS Vertical Check</i>	0	0	0	0	0	0	0

* Included data of depository corporations and other financial corporations

R/. Revised data

* * Forecasting Data

Table 8: Credit Granted Classified by Ownership in the Economic Sector

(In Billion Riels)

	2014	2015	2016	2017	2018	2019	Nov-2020
1. Financial Institutions	757.9	1,168.9	1,008.2	1,876.8	3,013.7	5,108.5	5,681.5
National Bank of Cambodia (NBC)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depository Institutions	486.2	833.9	758.9	1,189.3	2,059.2	3,103.7	3,653.0
Other Financial Institutions	271.7	335.0	249.2	687.5	954.4	2,004.9	2,028.5
2. Non-Financial Institutions	33,056.6	39,806.6	46,778.8	54,344.9	64,978.6	79,319.3	91,207.2
Agriculture, Forestry and Fishing	3,882.9	4,973.3	6,134.1	7,064.9	7,523.9	7,906.8	9,771.5
Mining and Quarrying	94.7	255.4	294.4	241.2	232.6	253.7	508.6
Manufacturing	3,598.1	3,704.6	3,937.9	4,272.4	4,537.2	4,700.8	5,042.2
Utilities	344.7	353.6	368.2	514.2	571.3	985.5	1,205.9
Construction	3,159.3	3,492.8	4,962.6	6,381.2	7,787.3	10,196.7	11,679.9
Wholesale Trade	7,364.4	8,296.6	8,078.6	8,368.4	9,654.6	11,819.1	12,406.6
Retail Trade	5,850.9	7,511.1	9,949.9	12,132.7	13,672.5	16,548.3	19,827.3
Hotels and Restaurants	2,224.9	2,828.0	2,904.1	3,055.2	3,998.3	4,705.3	5,122.6
Transport and Storage	514.4	636.9	1,051.1	1,268.0	1,668.3	2,060.0	3,390.4
Information Media and Telecommunications	299.5	469.2	615.1	559.9	717.0	945.0	1,085.6
Rental and Operational Leasing Activities, excluded Real Estate Leasing and Rentals	657.1	848.8	1,095.2	1,567.1	2,666.4	3,837.2	3,495.1
Real Estate Activities	1,546.2	2,347.5	2,838.2	4,005.0	6,210.4	9,005.9	10,762.6
Other Non-Financial Services	3,519.6	4,088.7	4,549.5	4,914.7	5,738.7	6,355.1	6,909.0
3. Personal Essentials	4,221.4	6,109.6	8,359.9	11,060.8	15,707.3	21,877.9	29,085.9
Personal Lending	1,713.1	2,557.7	3,791.2	4,611.7	6,978.9	9,408.1	12,483.0
Credit Cards	53.1	82.5	131.0	152.1	188.5	230.2	241.3
Mortgages, Owner-Occupied Housing only	2,455.2	3,469.3	4,437.7	6,297.0	8,539.8	12,239.6	16,361.6
4. Other Lending	802.8	861.1	880.4	988.6	1,036.7	1,292.0	1,564.7
Total Gross Loan	38,838.7	47,946.2	57,027.2	68,271.1	84,736.2	107,597.8	127,539.3

* preliminary estimates

Table 9: Deposits with Deposit Money Banks

(In Billion Riels)

	2014	2015	2016	2017	2018	2019	Nov-2020
Deposits in Riel							
Demand deposits	521.1	820.3	900.0	1,383.9	1,694.2	2,545.7	2,924.6
Savings deposits	541.4	899.0	1,001.0	1,207.3	1,516.3	1,978.1	2,182.0
Fixed deposits	556.5	659.1	1,358.8	1,494.2	2,149.2	2,890.8	4,265.8
Others	43.6	33.6	35.9	46.2	86.1	92.9	191.8
Total	1,662.6	2,412.0	3,295.7	4,131.7	5,445.9	7,507.4	9,564.2
Deposits in Foreign Currency							
Demand deposits	8,202.6	8,748.8	10,444.0	14,421.6	19,246.4	23,192.4	24,370.5
Savings deposits	12,702.5	13,833.3	15,642.4	20,967.8	29,692.6	31,202.4	34,372.4
Fixed deposits	16,523.0	20,630.8	25,523.2	29,135.2	33,266.3	40,496.2	49,640.4
Others	636.2	721.2	794.4	1,028.2	1,025.8	1,159.9	1,448.1
Total	38,064.4	43,934.1	52,404.1	65,552.8	83,231.0	96,050.9	109,831.4
Grand Total	39,727.0	46,346.0	55,699.8	69,684.4	88,676.9	103,558.3	119,395.6

*Deposits in foreign currency include deposits of Cambodian residents and non-residents**R/. Revised data*** Forecasting Data*

Table 10: Cambodia Balance of Payments
(2015-2019, in million USD)

	2015	2016	2017	2018	2019 ^E
CURRENT ACCOUNT					
Balance on trades	-3,949	-3,846	-4,278	-5,844	-7,456
Credit	9,336	10,273	11,224	12,963	14,646
o/w: Garment, footwear and bag	6,827	7,449	8,020	9,507	10,852
Agriculture	550	533	768	892	888
Electrical, vehicle part and bicycle	--	--	785	613	744
Debit	13,285	14,119	15,502	18,806	22,103
o/w: Garment materials	3,153	3,482	3,503	4,224	4,253
Construction materials	982	1,004	1,055	1,564	2,402
Vehicle	1,011	1,022	1,156	1,567	2,175
Petroleum	1,263	1,318	1,409	1,725	2,627
Food and beverage	720	753	823	973	1,103
Net services	1,712	1,602	1,863	2,407	3,028
Credit	3,955	4,033	4,608	5,451	6,260
o/w: Travel services	3,137	3,212	3,639	4,362	4,975
Debit	2,242	2,430	2,745	3,044	3,232
o/w: Travel services	510	616	741	862	921
Primary income	-998	-1,050	-1,141	-1,277	-1,483
Credit	354	377	442	578	740
o/w: Interest	116	112	157	227	386
Debit	1,352	1,427	1,582	1,855	2,224
o/w: - Interest payable	66	93	93	105	137
- Income on equity	1,088	1,152	1,279	1,607	1,988
Secondary income	1,636	1,561	1,756	1,722	1,678
o/w: Government	526	506	550	452	284
Others	1,110	1,056	1,206	1,270	1,395
CURRENT ACCOUNT BALANCE	-1,598	-1,733	-1,800	-2,992	-4,233
CAPITAL BALANCE	265	283	279	293	194
o/w: Capital transfers, net	265	283	279	293	194
CURRENT AND CAPITAL ACCOUNTS BALANCE	-1,333	-1,450	-1,521	-2,699	-4,039
FINANCIAL ACCOUNT BALANCE	-2,117	-2,247	-3,104	-3,967	-6,516
Direct investment, net*	-1,735	-2,397	-2,673	-3,089	-3,481
Portfolio investment, net*	15	2	5	42	54
Other investment, net*	-397	147	-436	-921	-3,089
Net errors and omissions	47	75	49	177	128
OVERALL BALANCE	-831	-873	-1,631	-1,445	-2,604
FINANCING	831	873	1,631	1,445	2,604
Change in reserve assets	831	873	1,631	1,445	2,604
Use of IMF credit	--	--	--	--	--
Allocation of SDRs	--	--	--	--	--

Sources: Data provided by Cambodian authorities, and NBC staff estimates

Appendix 11

BANKING INSTITUTION	2015	2016	2017	2018	2019	2020 SEP
COMMERCIAL BANKS						
LOCAL BANKS—LOCAL MAJORITY OWNERSHIP						
NUMBER OF BANKS	7	7	7	7	11	12
NUMBER OF BRANCHES AND HEAD OFFICES	375	383	395	403	441	461
NUMBER OF STAFFS	16,239	17,023	17,628	18,171	19,102	19,625
ATMs TERMINALS	544	574	712	825	1,032	1,113
LOCAL BANKS—FOREIGN MAJORITY OWNERSHIP						
NUMBER OF BANKS	5	5	5	6	6	7
NUMBER OF BRANCHES AND HEAD OFFICES	54	225	244	201	207	246
NUMBER OF STAFFS	1,738	6,382	7,607	5,473	5,341	6,436
ATMs TERMINALS	175	276	352	201	307	380
FOREIGN SUBSIDIARY BANKS						
NUMBER OF BANKS	14	14	15	17	17	17
NUMBER OF BRANCHES AND HEAD OFFICES	142	150	157	239	255	345
NUMBER OF STAFFS	3,529	3,634	4,002	8,817	11,511	13,310
ATMs TERMINALS	391	397	409	769	935	1,008
FOREIGN BRANCHES BANKS						
NUMBER OF BANKS	10	11	12	12	13	12
NUMBER OF BRANCHES AND HEAD OFFICES	22	25	31	33	38	37
NUMBER OF STAFFS	463	530	626	713	818	852
ATMs TERMINALS	8	13	17	23	23	23
TOTAL COMMERCIAL BANKS						
NUMBER OF BANKS	36	37	39	43	47	48
TOTAL NUMBER OF BRANCHES AND HEAD OFFICES	593	783	827	876	941	1,089
NUMBER OF STAFFS	21,969	27,569	29,863	33,174	36,772	40,223
ATMs TERMINALS	1,118	1,260	1,490	1,818	2,297	2,524
SPECIALIZED BANKS						
STATE OWNED SPECIALIZED BANKS						
NUMBER OF BANKS	1	1	1	1	1	0
NUMBER OF BRANCHES AND HEAD OFFICES	1	1	1	1	1	0
NUMBER OF STAFFS	75	89	93	101	101	0
LOCAL BANKS—LOCAL MAJORITY OWNERSHIP						
NUMBER OF BANKS						
NUMBER OF BRANCHES AND HEAD OFFICES	3	5	5	6	6	7
NUMBER OF STAFFS	7	10	10	11	11	13
ATMs TERMINALS	407	518	510	573	695	268
					2	0
LOCAL BANKS—FOREIGN MAJORITY OWNERSHIP						
NUMBER OF BANKS	7	9	9	7	8	6
NUMBER OF BRANCHES AND HEAD OFFICES	13	18	18	18	27	27
NUMBER OF STAFFS	381	862	979	1,250	1,660	2,278
TOTAL SPECIALIZED BANKS						
NUMBER OF BANKS	11	15	15	14	15	13
TOTAL NUMBER OF BRANCHES AND HEAD OFFICES	21	29	29	30	39	40
NUMBER OF STAFFS	863	1,469	1,582	1,924	2,456	2,546
ATMs TERMINALS					2	2

BANK GROUP	2015	2016	2017	2018	2019	2020 SEP
MICROFINANCE INSTITUTIONS						
MICROFINANCE DEPOSIT-TAKING INSTITUTIONS (MDIs)						
NUMBER OF INSTITUTIONS	8	7	7	7	7	6
NUMBER OF BRANCHES	1,632	1,456	946	928	946	882
NUMBER OF STAFF	20,808	19,987	21,671	23,285	27,399	27,789
ATMs TERMINAL	298	307	345	356	373	359
MICROFINANCE INSTITUTIONS (MFIs)						
NUMBER OF INSTITUTIONS	50	64	69	73	76	75
NUMBER OF BRANCHES	2,186	2,698	471	495	507	463
NUMBER OF STAFF	5,460	6,581	6,631	6,897	7,770	7,575
TOTAL MICROFINANCE INSTITUTIONS						
NUMBER OF INSTITUTIONS	58	71	76	80	83	81
NUMBER OF BRANCHES	3,818	4,154	1,417	1,423	1,453	1,345
NUMBER OF STAFF	26,268	26,568	28,302	30,182	35,169	35,364
ATMs TERMINAL	298	307	345	356	373	359
REGISTERED MICROFINANCE OPERATORS						
NUMBER OF INSTITUTIONS	109	170	311	273	245	246
NUMBER OF BRANCHES	1,715	2,083	3,366	2,954	2,635	2,215
NUMBER OF STAFF	3,255	3,670	5,123	4,497	4,010	2,138
LEASING COMPANIES						
TOTAL LEASING COMPANIES						
NUMBER OF INSTITUTIONS	9	12	11	11	15	15
REPRESENTATIVE OFFICES						
TOTAL FOREIGN BANK REPRESENTATIVE OFFICES						
NUMBER OF INSTITUTIONS	8	7	6	6	6	6
CREDIT BUREAU COMPANY						
NUMBER OF CREDIT BUREAU COMPANY	1	1	1	1	1	1

