

**KINGDOM OF CAMBODIA**  
**NATION RELIGION KING**



**NATIONAL BANK OF CAMBODIA**

# **ANNUAL REPORT 2010**



## FOREWORD OF THE GOVERNOR

The prospect for the world economy is cautiously optimistic. According to the Fund's World Economic Outlook, the global recovery has been returning but the extent of economic recovery differs importantly across regions, with Asia in the lead. Global growth for 2010 is estimated at 4.8 percent as against -0.6 percent in 2009, which are mainly supported by accommodative monetary and fiscal policies to provide needed liquidity to the economy. Growth in the United States is expected to be higher than in the Euro area, reaching 2.6 percent and 2.3 percent, respectively in 2010 and 2011, while economic activities in the latter are projected at 1.7 percent and 1.5 percent. Japan's economy is anticipated to expand 2.8 percent in 2010. In contrast, China and India are projected to maintain high growth rate of 10.5 percent and 9.7 percent respectively in the reporting year. Meanwhile, the ADB is estimated GDP growth in the ASEAN-10 likely to reach 6.7 percent in 2010 and 5.2 percent in 2011. Despite this positive performance, downside risks to global recovery remain, which are connected with public debt growth in advanced economies, adverse implications on the job market and vulnerability to global financial stability. In these settings, policy responses are proposed to be focused on fiscal consolidation, strengthening the management of capital flows, fostering employment while rebalancing global growth, and repairing and reforming financial sector.

In Cambodia, timely actions taken by the Government have helped to contain the impact of the adverse global economic conditions and the economy is estimated to pick up by 5.5 percent in 2010 and 6 percent in 2011, somewhat more rapidly than expected. This also reflected a number of important economic and structural reforms the Government has undertaken in recent years to complement its macroeconomic policies and management. The rebound in economic growth during the year is driven by a resumption of manufacturing and tourism activities, while real estate sector gradually recovered. Other macroeconomic indicators are also encouraging. The inflation rate has bogged down to around 5.3 percent in December 2009, and further to 3.1 percent in 2010, from 12.5 percent at the end of 2008, due to the decline in the global oil and commodities price, slow pace of domestic credits and prudent policies. Inflation rate in 2011 is expected to be below 5 percent. Meanwhile, the Riel appreciated marginally by 3.2 percent year on year. Increased intervention in the foreign exchange market by the NBC has largely been responsible for the fluctuation of the domestic currency during the year. The growth rate of garment export was estimated at 15.2 percent for 2010, which combined with increase in import of 9.8 percent, resulted in a small widening in current account deficit of the BOP of around 2.9 percent. This persistent deficit is indicative of the highly import-dependent nature of the

Cambodian economy coupled with a less diversified export sector. The deficit is offset by capital inflows, resulting in an important surplus of the overall external balance. By the end of the reviewed year, net international reserves increased by 12.7 percent over the previous year's level and were sufficient to provide finance for about 4 months of imports. As always, the country's international reserves remain under a careful and prudent management and its safety has been ensured.

Regarding the banking sector, due to strengthened banking supervision, regulation and very limited integration into the global financial markets, Cambodia has limited adverse effects of the global financial crisis. We have even an increased number of private banks. We also continue to ensure that the banking sector is proper, healthy and irrelevant to improper transactions, including money laundering and financing of terrorism.

On the monetary front, the banking industry continues to exhibit steady growth in key areas of its balance sheet. Customer deposits, banks' credit and total assets during 2010 rose by 23.9 percent, 26.6 percent, and 23.6 percent, respectively over the preceding year. The rise in credit can be primarily ascribed to increased economic activities taking place in the country. Furthermore, total capital increased by 24.5 percent and the majority of banks were in excess of the minimum capital adequacy requirement. They also operated with adequate levels of liquidity and low level of non-performing loans. Broad money supply (M2) to GDP has risen from 32.4 percent of GDP in 2009 to 38.3 percent of GDP in December 2010.

The National Bank of Cambodia continues its efforts to develop its existing supervisory body into an effective supervisory regime. To this end, the agenda of refining the supervisory framework continue to focus on updating off-site CAMELS surveillance system, while capacity to undertake on-site examination has been continuously build in order to effectively implement risk-based and forward-looking supervision. Furthermore, in order to meet international banking standards and good practices prudential regulations have been enhanced, which included regulation related to bank net worth, internal control and risk-based supervision.

Under the ongoing efforts to promote money market and interbank lending as well as to support liquidity management of banks, following the creation of Repo Master Agreement, the NBC has put in place a legal basis for banks to use the NBC's securities as collateral for interbank transactions in the money market. The NBC is now studying the modality of such issuance. Once established, such securities will also provide additional instrument to support the implementation of the Central Banks 'monetary and exchange rate policies.

Work on the National Payments project to promote a cost effective and an efficient national and international payment system has been progressed satisfactory. Check clearing system has been upgraded and expanded to several large provinces. Payment system in term of using payment order for credit transfer is being developed and will be implemented in the second half of 2011. Competition in the banking sector has also improved the delivery of payment services. Services such as electronic banking and payment of some utility charges have taken advantage of the impressive take-up by the population of the mobile telephone services. The authorization to bank to use Third Party Processor has led to extending payment services to the unbanked and underserved segment of the population. This will compliment the growth of microfinance services in making a positive contribution to providing banking services to our rural population.

With respect to the management of foreign exchange market, efforts have been made to enhance implementation of the regulations for money changers, which are required to have business license, be subject to reporting requirements, and apply the code of conduct. This endeavor is aimed to promote transparency and professionalism in the foreign exchange market, and to support the Central Bank for its efficient formulation and conduct of monetary and foreign exchange policy.

Recently, the NBC has also commenced work in partnership with the Association of Bankers in Cambodia (ABC) and Cambodia MFI Association (CMA) and with the involvement of the International Financial Corporation (IFC) to establish a credit bureau in Cambodia. This new project will replace the Credit Information Sharing System that was operated on a pilot basis for about three years. It is expected that the new facility will further improve the quality of credit underwriting and portfolio management, and boost confidence in the banking system.

As regards rural finance sector, the microfinance industry is growing rapidly and is providing most of the formal financial services to the rural areas. In order to improve the source of funding for MFIs, the NBC enhance growth in the number of deposit-taking MFIs and encourage more banks to lend in local currency to MFIs. With the aim of launching a National Summit on Microfinance in 2011, various necessary preparations and arrangements had been made by the NBC toward the end of 2010. The main objective of the planed gathering is to share information, experiences and success in promoting microfinance sector with national and international partners, which has been praised for having been developed in a right and promising direction.

Another important development in 2010 has been the initiative by the NBC to update the Financial Sector Development Plan 2006-2015 to 2011-2020. As the Executive and Coordinating Agency of the Financial Sector Development Program supported by the ADB, the NBC has recently commenced necessary works with all counterparts in order to have an updated and efficient reform program that will further develop and modernize the banking and financial sector in Cambodia.

The NBC has continued to closely cooperate with the related institutions in order to press forward with the public finance reform. In this context, NBC has fully support to strengthen the Single Account System and the use of banking system for this purpose. In this framework, central bank have been facilitated the open and the management account for the public institutions and agencies.

In order to celebrate the 30<sup>th</sup> anniversary of reestablish of national currency to publicly announce history of currency in Cambodia and courage the use of Riel NBC has published a book “Monetary and Sovereignty”.

On the whole, with the wholehearted support of all NBC’s officials and staff, as well of the government and all NBC’s international development partners the results of the 2010 operations of the NBC have been very positive. I would like to express my gratitude to all participating institutions which have valuable supported these successes.

Nevertheless, still many things remain to be done within the framework of the Financial Sector Blueprint, that is, many issues have to be addressed in order to ensure that we can have a strong, active and efficient banking intermediation in our economy, and I am personally committed to working in these directions. The banking industry has served the country well these last few years. I am sure that by working together we can have more success in the future by addressing all of the points of common concern.

**Governor**

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## **Introduction**

Evidence of a global economic recovery mounted since the beginning of 2010, especially among emerging markets economies. Domestically, there are signs that the significant slowdown in economic activity has been leveling off. In 2010, strong growth prospects have returns as the economy enjoys expansion in several areas in particular the pickup in garment exports and tourism. After slowing down to 0.1 percent in 2009, real GDP is expected to hit 5.5 percent this year. The combination of a stable exchange rate and low inflation is encouraging business expansion.

Cambodia's successful turnaround stems first and foremost from the Government's strong policy response to the crisis. Timely decisions and measure taken by the Government prevented the external impact from deeply affecting the domestic economy. Meanwhile, monetary policy has remained vigilant of the inflation pressure. Efforts continue to be made to control the superfluous expansion of money in circulation and maintain stability in the exchange rate of the Riel. Following s significant deceleration in 2009, headline inflation driven by food and energy prices surged in 2010. Meanwhile core inflation, which excludes prices of food and oil-related items, remained relatively stable.

The NBC is committed to promote financial intermediation. Financial sector performance has made satisfactory progress, although from a low base. Financial deepening has improved reflecting financial stability, and increased financial service promoted through the institutional and legal reforms under the long-term financial sector blueprint. The financial sector is now playing an increasingly important role in intermediating saving, accelerating investment formation, and providing an increasing range of banking service to the private sector. After decreasing for awhile, the demand of credit to private sector has return to normal situation. Access to financial service, together with the role of microfinance institutions in Cambodian financial and economic sectors, has been improved In addition; risks in the banking sector have been contained as banks were also requested to enhance their capital base. Following the FSAP recommendation, efforts are being made to implement the reform agenda. The banking law is being reviewed which will strengthen the regulatory framework. Family, tougher supervision regulations have been issued that banks can play their crucial role in fostering development by providing credit to the private sector.

The NBC continued to pay great attention to develop its relations with international and regional financial institution, other central banks and training centers. It participated in various regional initiatives and benefited much from technical assistance provided through such relationship.

## I. Macroeconomic Developments

### 1. Prices and Exchange Rate Movements

#### 1.1. Retail Prices and Inflation

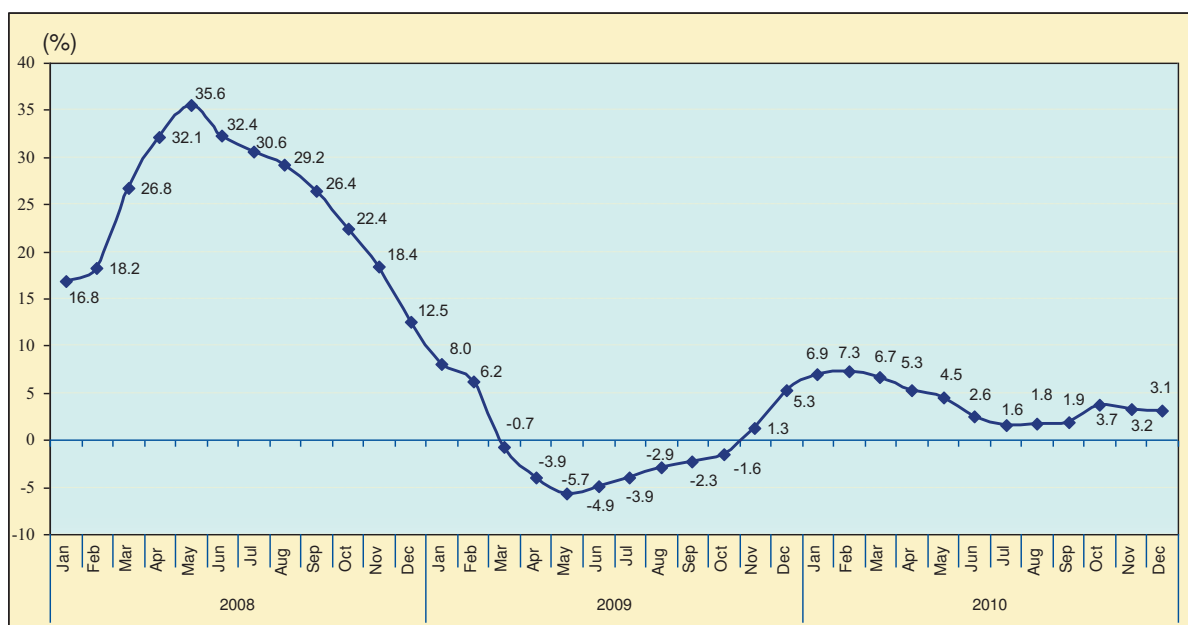
After having increased significantly in the first half of 2008, the annualized inflation rate turned negative in several months during 2009, reaching the lowest level in May at -5.7 percent. But the deflation ended in October 2009 with -1.6 percent. The year-on-year inflation rate started to increase gradually from 1.3 percent in November 2009 and ended the year 2009 with 5.3 percent.

Looking closely at the price movements during 2010, one could see that the increasing trend observed at the end of 2009 continued into the early period of 2010, when the year-on-year change of CPI All Items rose to 7.3 percent in February. The annual rate of growth of inflation started however to decrease steadily thereafter and reached the deep of the year at 1.6 percent in July before gaining slowly momentum again and recorded at 3.1 percent at the end of the year.

On the whole, the movements of the year-on-year inflation rate in 2010 were more stable than in the previous two years, 2009 and 2008, fluctuating in a narrow range, especially during the second half of the year.

The twelve-month moving average rate of inflation was 4 percent as of the end of the review year, compared to -0.7 percent and 25 percent in 2009 and 2008, respectively.

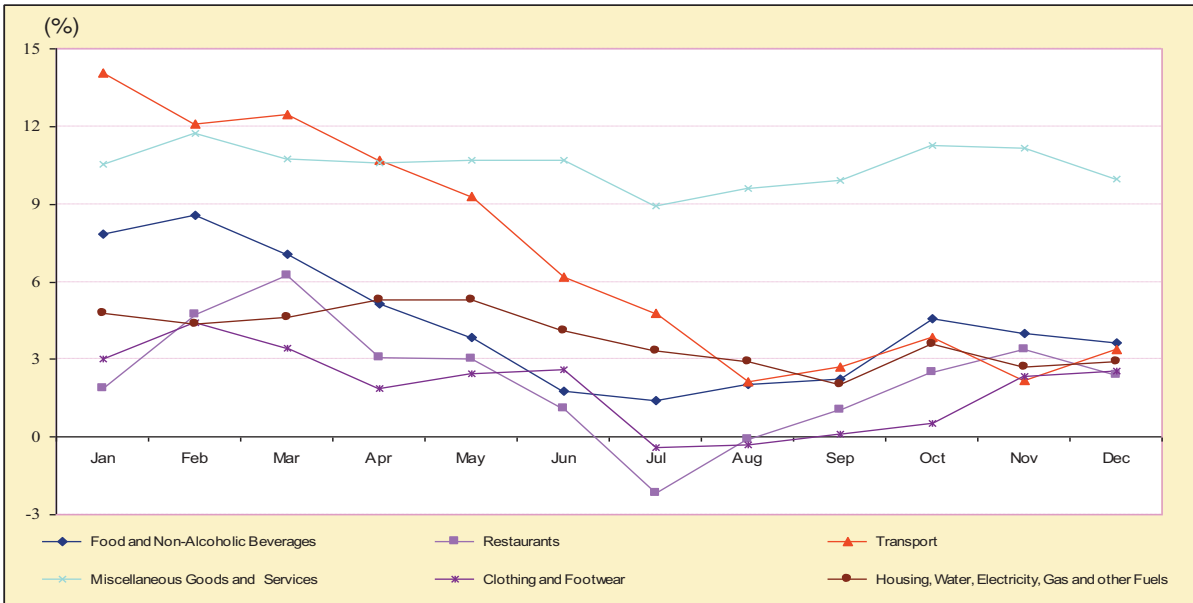
**Chart 1: CPI All Items  
( Index: 2006 = 100 )**



While the decline in the inflation rate in 2009 was a result of low base year comparison, the increase in inflation rate in the early 2010 reflected the resurgence in the prices of food, transport services, household goods, gas and other fuels.

Sectoral analysis of the year-on-year changes in the Consumer Price Indices indicated that eleven out of twelve commodities group recorded increases and only one recorded a decrease. The inflationary pressure was pronounced in various sub-groups, including Miscellaneous Goods and Services with an increase of 10.0 percent year-on-year; Food and Non-Alcoholic Beverages of 3.6 percent; and Transport Services of 3.4 percent. In addition, the sub-group of Housing, Water, Electricity, Gas and other Fuels surged by 2.9 percent; followed by sub-group of Clothing and Footwear of 2.6 percent and sub-group Restaurants of 2.4 percent. At the same time, sub-group of Furnishings and Household Maintenance rose by 1.5 percent; Education by 1.0percent; Health by 0.7 percent; Communication by 0.5 percent and Recreation and Culture by 0.5 percent. Alcoholic Beverage, Tobacco and Narcotics represented the only sub-group recording a decrease by 0.5 percent in December 2010 compared to the same period of last year.

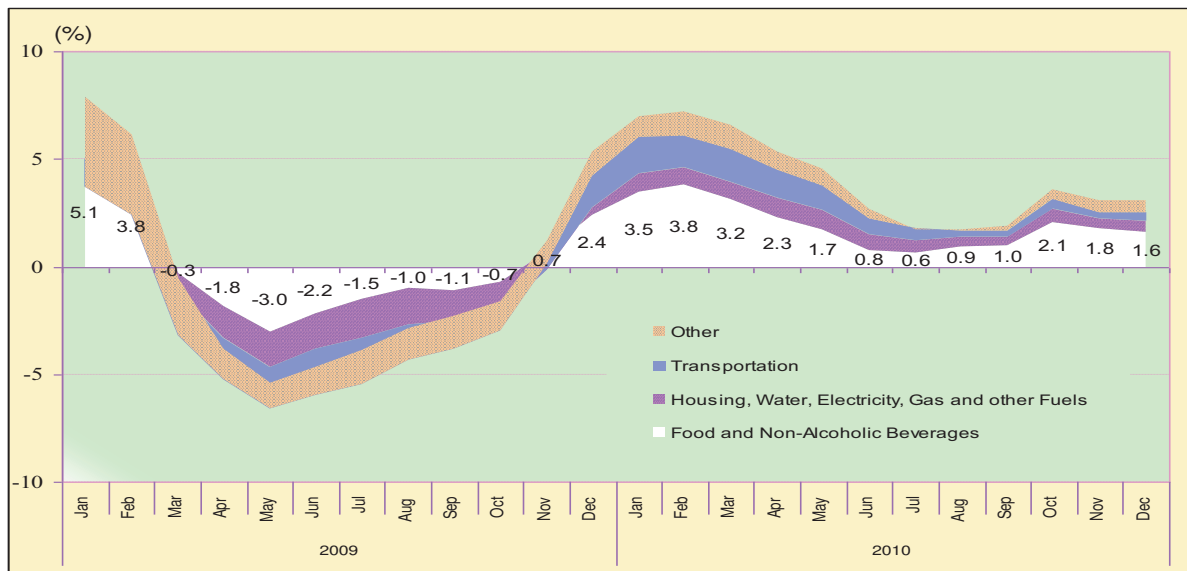
**Chart 2: The Highest Increases of the Major Group Indices of CPI All Items in 2010 (Y-o-Y)**



The increase in the sub-group of Miscellaneous Goods and Services was due to the rise in Personal Effects by 19.2 percent and Other Services by 3.0 percent. The pickup in Food & Non-alcoholic beverages sub-group, which accounts for 52.8 percent of the overall CPI basket, mirrored the increases in the prices of major food categories such as fresh chicken (4.7 percent), fresh fish (5.7 percent), processed fish and seafood (6.9 percent), fresh fruits (8.1 percent), vegetables (5.0 percent) and other food products (18.3 percent). The rise

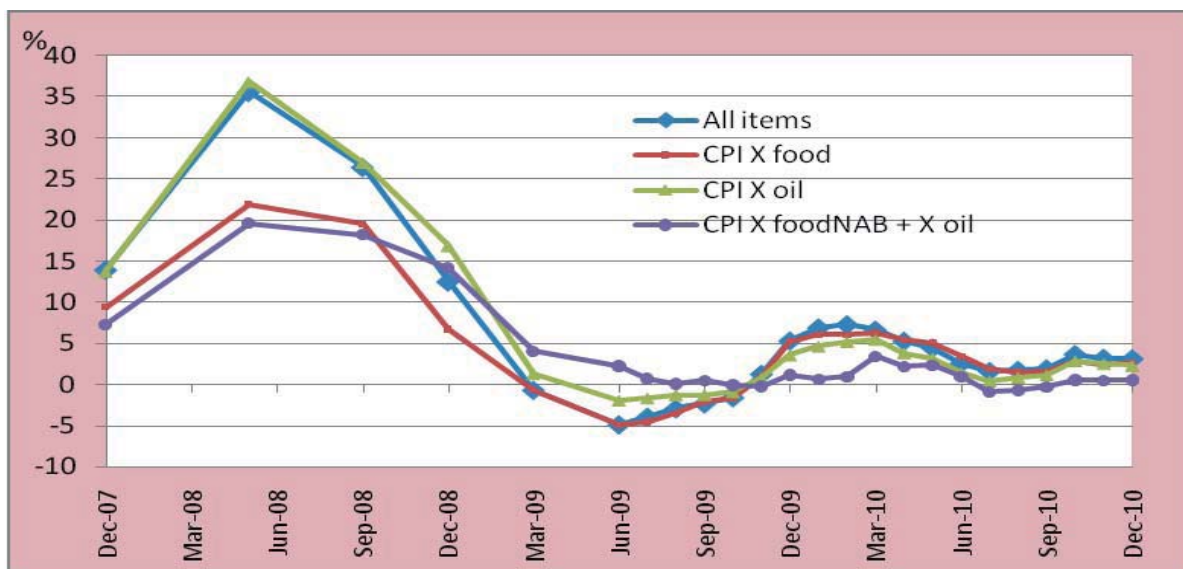
in the Transport sub-group, on the other hand, reflected the increases in the prices of item under Operation of Personal Transport Equipment of 13.2 percent, while Transport Services rose by 2.9 percent.

**Chart 3: Contribution to CPI All Items (Year-on-Year Change)**



Statistics on the contributions of the respective subgroups to the year-on-year change in the CPI of 3.1 percent in 2010 showed that domestic food items contributed 1.6 percentage points (accounted for 52.8 percent of the annual inflation rate); Housing, Water, Electricity, Gas and Other Fuels contributed around 0.5 percentage points (accounted for 16.1 percent of the annual inflation rate); Transport major group about 0.4 percentage points (accounted for 13.4 percent of the annual inflation rate) and the remaining eight other sub-groups together contributes a bit over 0.5 percentage points (accounted for 17.7 percent of the annual inflation rate).

**Chart 4: CPI All Items Excluding Food and Transportation (Year-on-Year)**



In the year under review, the year-on-year non-food inflation was 2.7 percent, down from 5.2 percent posted for the same period of the previous year, and against the annual overall inflation rate of 3.1 percent. This suggested that the prices of the food items were the major causes of the recent inflationary pressure.

At the same time, inflation excluding oil-related products and services recorded an annual rate of 2.3 percent, while non-food and non-oil inflation was just 0.6 percent at end of December 2010. This again implies that the prices of food, fuel and transport, combined, are also an important source of inflation in Cambodia.

## **1.2. Exchange Rate Movements**

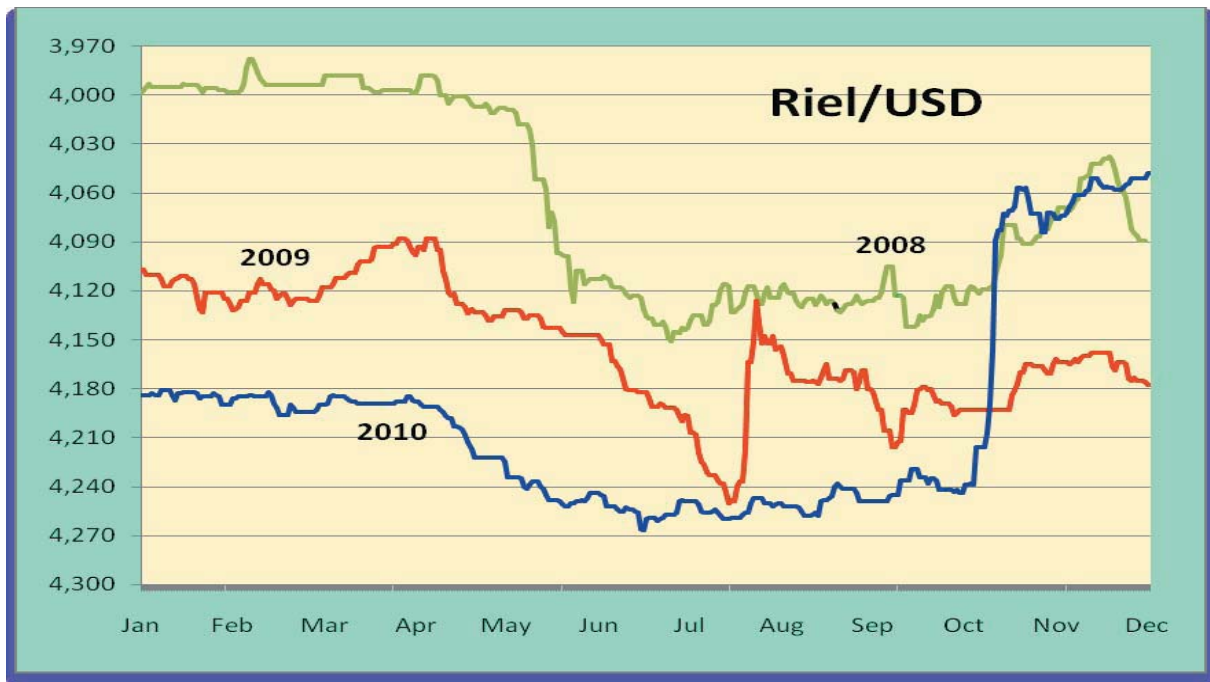
### **1.2.1. The Exchange Rate of KHR Against the US Dollar**

During 2010, the exchange rate of the Riel remained relatively stable in a narrow range and was even strengthened to some extent for the few months at the end of the year. Considering the bilateral average exchange rate of the Cambodian riel relative to the US dollar, which is the simple average of the daily exchange rate over the period under review, the local currency weakened on average by only 1 percent against the US dollar over the period. The annual average exchange rate for 2010 was recorded at KHR 4,198 per US dollar, compared to KHR 4,154 to USD 1.00 for 2009, an annual change of about KHR 44 or 1 percent, a mark improvement against the change of about KHR 90 or 2.2 percent recorded for the same period of 2009.

The exchange rate of the Riel has been relatively volatile in the middle of the year, reaching the highest of the year at KHR 4,267 on the 1<sup>st</sup> of July and stood around KHR 4,250 per USD until end October, following active interventions by the NBC to smooth the fluctuation of the exchange rates. It should be noted that as usual the seasonal influences were an important factor explaining the relative weakness of the local currency during the period from May up until late October. Going into the later period of the year, the increased demand for the national currency during the harvest season and for payment of tax obligations drove up the value of the riel, when the average rate for the last two months of the year slowed down to KHR 4,072 to a US dollar.

The KHR closed the year at 4,048. This was an appreciation of 3.2 percent on the end-period exchange rate for 2009, where the Riel posted a depreciation of 1.8 percent.

**Chart 5: Trend of Riel Exchange Rate Against US Dollar (2010)**

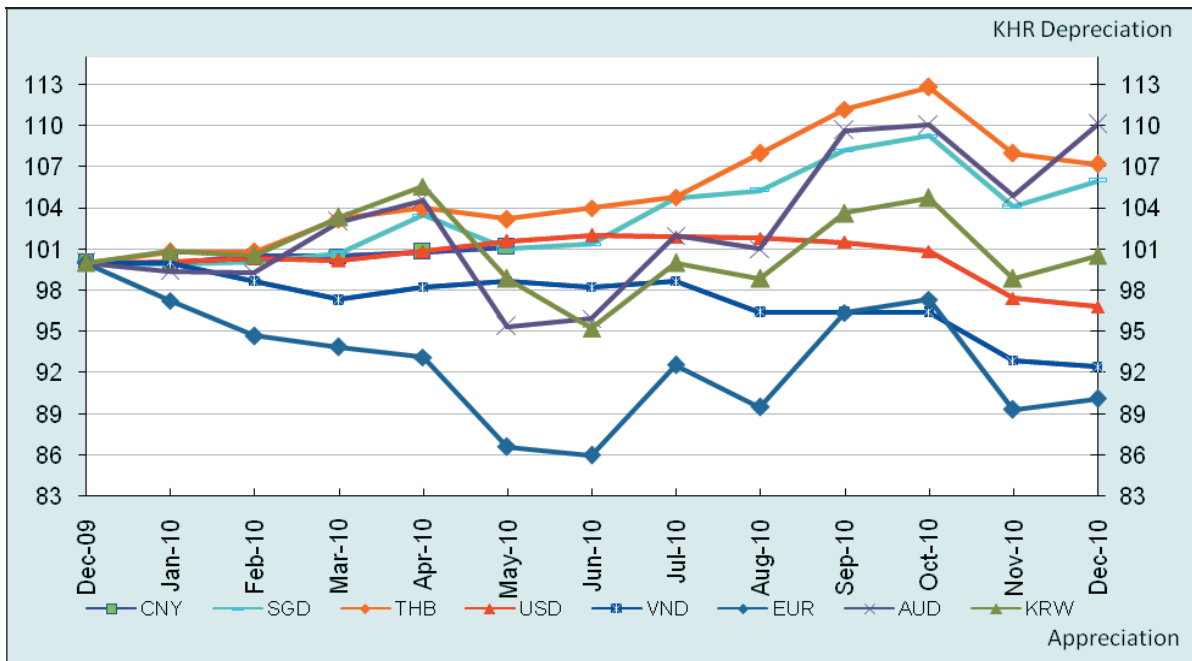


**1.2.2. The Exchange Rate of KHR Against Currencies other than the US Dollar**

In terms of a number of currencies of Cambodia’s major trading partners, the respective cross rate of those units against the local unit, the KHR, as measured through the US dollar, showed comparatively large fluctuations within a range of +10 and -10 percentage points around the base year (end December 2009 - see chart below). Among foreign currencies under consideration, the following units appreciated against the Cambodian riel compared to the base period: Australian dollar and Japanese Yen, 10.1 percent; Malaysian ringgit, 8.4 percent; Thai baht, 7.2 percent; Singapore dollar, 6.0 percent; Indonesian rupiah and the Philippines peso, about 2.5 percent; and Korean won and the Chinese Yuan, each 0.5 percent. Meanwhile, the end-period cross-rates of the Euro and the Vietnamese dong weakened vis-à-vis the local unit, with a depreciation of 9.9 percent and 7.6 percent respectively on its value a year ago.

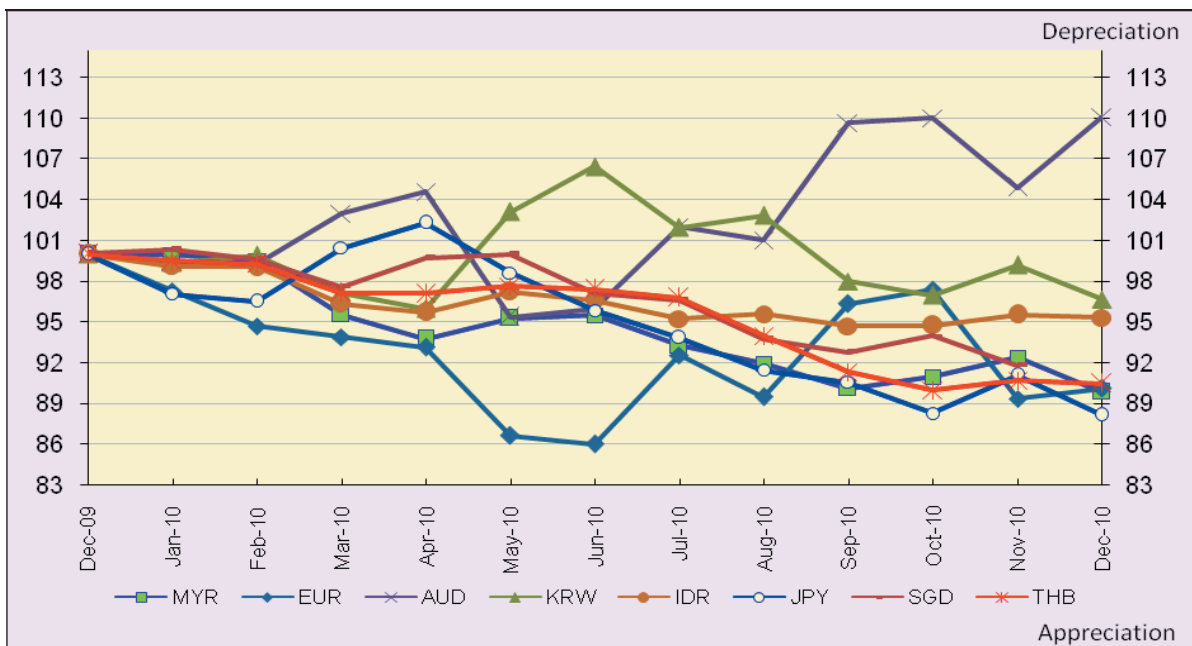
**Chart 6: Currencies Against Cambodian Riel**

**Index: End-December 2009 = 100**



**Chart 7: Currencies Against US Dollar**

**Index: End-December 2009 = 100**



## 2. Monetary Development

The monetary policy of the NBC aimed at maintaining price stability through conducting a managed floating exchange rate regime, accumulating international reserves in a very prudent manner and strengthening the confidence of the public.

The improvement in the global economic conditions during 2010, combined with the continued macroeconomic and financial stability in Cambodia, inspired public confidence in the banking system and contributed to strengthen monetary development in the country. Statistical records, show that broad money (M2) continued to post a remarkable expansion, reflected continuous increase in residents' deposits with the local banking system. Credit to the private sector also picked up rapidly following a year of slowdown, Net foreign assets and capital of banking system maintained moderate growth.

**Chart 8: Monetary Survey**



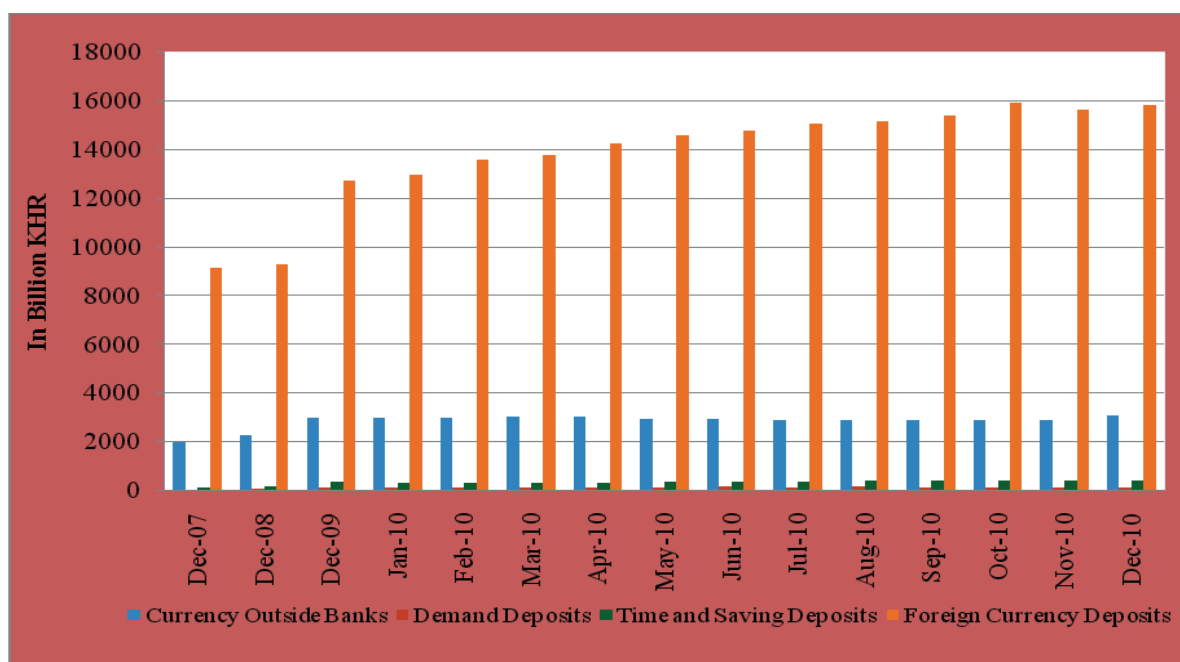
### 2.1. Monetary Aggregates

In 2010, Liquidity (M2) increased by KHR 3,248.5 billion (20.0 percent) from the stock position of KHR 16,228.3 billion at the end of December 2009 to KHR 19,476.8 billion at the end of December 2010. The Liquidity (M2) experienced an annualized increase of 36.8 percent at the end of December 2009 and only 4.8 percent at the end of December 2008. The increase in M2 in 2010 resulted from increase in residents' foreign currency deposits of KHR 3,098.3 billion (24.3 percent) coupled with an expansion of currency outside banks of KHR 97.0 billion (3.2 percent), Riel-denominated time and savings deposits of KHR 49.5 billion (13.8 percent), and Riel-denominated demand deposits of KHR 3.7 billion (3.1 percent). It should be noted that foreign currency deposits recorded an increase in almost every month over the whole year 2010, with a monthly average growth rate of 1.8 percent. The growth in foreign currency deposits includes increases in the following components: savings deposits of 51 percent, term deposits of 35 percent and demand deposits of 14 percent. On the whole, monetary development in the year under consideration



indicated further improvement in banking intermediation and expansion in banking services, as witnessed by entry of new banks, continuous modernization of payment services initiated by a number of big commercial banks and the encouragement by the Royal Government of Cambodia under the Public Management Reform Program towards an increasing use of banking services.

**Chart 9: Structure of Money Supply**



**Table 1: Liquidity Components & Inflation**

(Year-on-Year Percentage Change)

	2005	2006	2007	2008	2009	2010
Net claims on government	-101.8	-126.4	-90.5	-64.5	24.6	5.6
Credit of private sector	31.8	51.6	76.0	55.0	6.5	26.6
Liquidity (M2)	16.1	38.2	62.9	4.8	36.8	20.0
Currency outside banks	15.0	24.8	24.4	15.3	30.8	3.2
Inflation rate	8.4	4.2	14.0	12.5	5.3	3.1

## 2.2. Factors Affecting Money Supply

In the year under consideration, money supply M2 grew at a slower pace than the previous year by 16.8 percentage points, but faster than that in 2008 by 15.2 percentage points. This development in 2010 reflected an increase in net foreign assets of the banking

system of KHR 2,042.9 billion (13.9 percent) and net domestic assets of KHR 1,205.6 billion (76.6 percent). The growth in net foreign assets of the banking system was mainly due to increases in net foreign assets of National Bank of Cambodia of KHR 1,720.6 billion (13.0 percent) and net foreign assets of Deposit Money Banks (Commercial and Specialized Banks) of KHR 322.3 billion (23.1 percent). The expansion in net domestic assets resulted from increases in credit<sup>1</sup> to private sector of KHR 2,799.2 billion (26.6 percent) and net claims on government of KHR 125.1 billion (5.6 percent), whereas capital and reserves of the banking system rose by KHR 1,415.3 billion (19.5 percent). With regard to the distribution of credit to private sector, the main factors in the credit growth were wholesale trade (36 percent), retail trade (17 percent), other non-financial services (16 percent) and manufacturing (9.0 percent). Moreover, credit to agriculture jumped by 24.7 percent in 2010.

### **2.2.1. Financial Operations of NBC**

In 2010, the net domestic assets of NBC declined by KHR 217.1 billion (4.8 percent), from KHR -4,520.5 billion in December 2009 to KHR -4,737.6 billion in 2010 after having increased by KHR 155.7 billion (3.3 percent) in the previous year. The decline in domestic assets was mainly due to a drop in other items net of KHR 263.5 billion (11.7 percent) and in net claims on banks of KHR 142.7 billion (48.1 percent), while net claims on government rose by KHR 191.0 billion riel (9.7 percent). The rise in net claims on government resulted entirely from the fall in government deposits while claims on government remained unchanged.

Meanwhile, net foreign assets of NBC recorded a significant growth of KHR 1,720.6 billion (13.0 percent). This growth was due to an increase in foreign assets of KHR 1,700.5 billion (12.4 percent) which was offset by a slight decline in foreign liabilities of NBC of KHR 20.1 billion (4.5 percent). It should be noted that the prices of gold (which is also an important component of NBC's reserve assets) continued to increase in 2010.

### **2.2.2. Financial Operations of Deposit Money Banks**

In 2010, the total assets of deposit money banks grew sharply by KHR 5,028.6 billion (23.6 percent), whereas liabilities in the form of terms of deposit increased by KHR 3,156.0 billion (23.9 percent), in which foreign currency deposits accounted for 98 percent. The increase in total assets of deposit money banks was the major source of growth of liquidity of the banking system. Rising customers' deposits represented the primary factor supporting

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<sup>1</sup> Gross Credit = Total Credit + interest accrual

banks' credit issuing and contributed thus to growth in private investment and economic activities.

Net domestic assets of deposit money banks climbed by KHR 1,451.8 billion (25.3 percent). This improvement was mainly due to an increase in credit to private sector of KHR 2,801.2 billion (26.6 percent), while other items net and net claims on government decreased by KHR 1,285.2 billion (28.4 percent) and KHR 65.9 billion (23.9 percent), respectively. The contraction in other items net was a result of an increase in capital and reserves of KHR 1,148.2 billion (26.0 percent), other liabilities of KHR 167.1 billion (14.0 percent) and inter-bank liabilities of 109.1 billion (12.9 percent), whereas net worth of the banking system rose only by KHR 140.0 billion (7.2 percent). Meanwhile, deposits of commercial banks at NBC which is a component of the international reserves, rose by KHR 1,327.9 billion (22.2 percent).

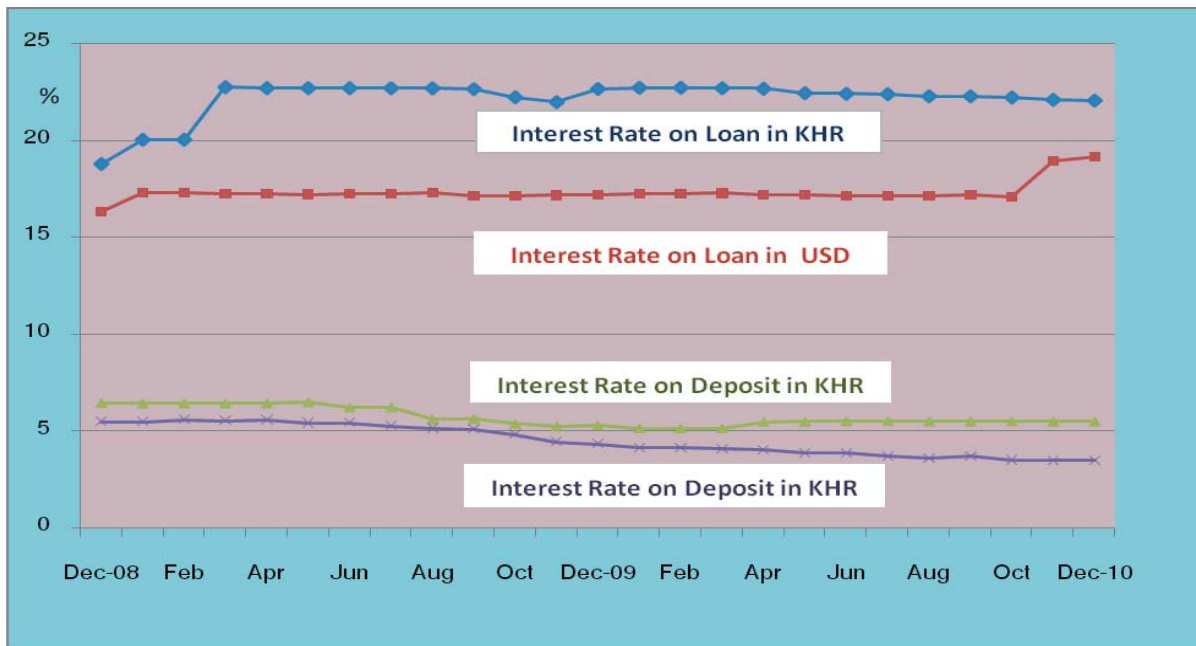
Net foreign assets of deposit money banks increased by KHR 322.3 billion (23.1 percent), from KHR 1,393.2 billion in December 2009 to KHR 1,715.5 billion in December 2010. This increase resulted from a rise in foreign assets of KHR 703.7 billion (25.1 percent) while foreign liabilities increased by KHR 381.5 billion (27.0 percent).

### **2.3. Interest Rates Movements**

The global economy has emerged from the global recession in 2009. Extraordinary policy measures implemented by governments and central banks around the world helped lift global output. The emerging markets continue to outperform the advanced economies, where monetary accommodation is expected to persist for some time.

In the context of Cambodia, economic growth has been estimated at 5.5 percent in real terms for 2010, with annual inflation rate of 3.1 percent and a relative stability of the Riel exchange rate. Following an episode of policy tightening, and amid the weak prospects for economic growth, the NBC introduced an accommodative monetary policy in early 2009 by reducing the reserve requirement ratio on foreign currency deposits from 16 percent to 12 percent. This action aimed to encourage banks and financial institutions to lower the costs of borrowing for their customers. The 12 percent reserve requirement ratio remained unchanged in 2010.

**Chart 10: Interest Rates on Loan & Deposit  
(6 months weighted average)**



The low interest rate environment prevailing in advanced economies has resulted in a consistent search for yield, and as a consequence, Cambodia, like other emerging markets, has attracted significant capital inflows, reflected in continuous increase in banks' foreign currency deposits.

The impact of the recent capital flow development on interest rates in conjunction with banks deposits taking and lending activities was mixed, with deposit rates kept falling and lending rates remained unchanged.

The weighted average interest rates on 6-month deposits in Riel showed a somewhat increase of 0.21 percentage points from 5.28 percent in December 2009 to 5.49 percent at the end of 2010. However, the same rate for deposits in U.S. dollar declined by 0.85 percentage points from 4.33 percent in December 2009 to 3.48 percent at the end of 2010. The decrease in interest rate on deposits in U.S. dollar reflected ample US dollar liquidity in the banking system which was a result of the surge in customers' deposits since 2009.

In contrast, the weighted average lending rates for loans in local currency with a maturity of 6 months decreased by 0.60 percentage points from 22.64 percent in December 2009 to 22.04 percent at the end of 2010, whereas the same rate for loan in U.S. dollar increased by 1.97 percentage points from 17.17 percent in December 2009 to 19.14 percent in 2010. The decline in lending rate in Riel could contribute to channel more credit into the agricultural sector where local currency transactions predominate. Meanwhile, the persisted high lending rates could reflect continuous strengthening of banks' lending standard as they

have given greater focus on credit risks, a measure that was taken following the global crisis episode.

As a consequence of the above development, over the reviewed year, banks' interest rate spreads on KHR-portfolio went down from 17,36 percent to 16.55 percent, while interest rate spreads on the US dollar-portfolio went up from 12.84 percent to 13.66 percent. The large interest rate spreads indicated high operational expenses incurred by banks, the relative high risk premium as well as the small scale of credit markets in the country.

**Table 2: Weighted Average Interest Rates on Loans and Deposits  
(6-month maturity)**

KHR	Dec-09	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Deposits	5.28	5.14	5.12	5.13	5.47	5.48	5.50	5.51	5.49	5.48	5.50	5.48	5.49
Loans	22.64	22.70	22.70	22.68	22.65	22.42	22.39	22.37	22.26	22.26	22.20	22.08	22.04
Spread	17.36	17.56	17.58	17.55	17.18	16.94	16.89	16.86	16.77	16.78	16.70	16.6	16.55
USD													
Deposits	4.33	4.14	4.14	4.07	4.01	3.85	3.86	3.69	3.59	3.70	3.50	3.48	3.48
Loans	17.17	17.21	17.22	17.26	17.17	17.17	17.13	17.10	17.10	17.18	17.06	18.94	19.14
Spread	12.84	13.07	13.08	13.19	13.16	13.32	13.27	13.41	13.51	13.48	13.56	15.46	15.66

### 3. Balance of Payments

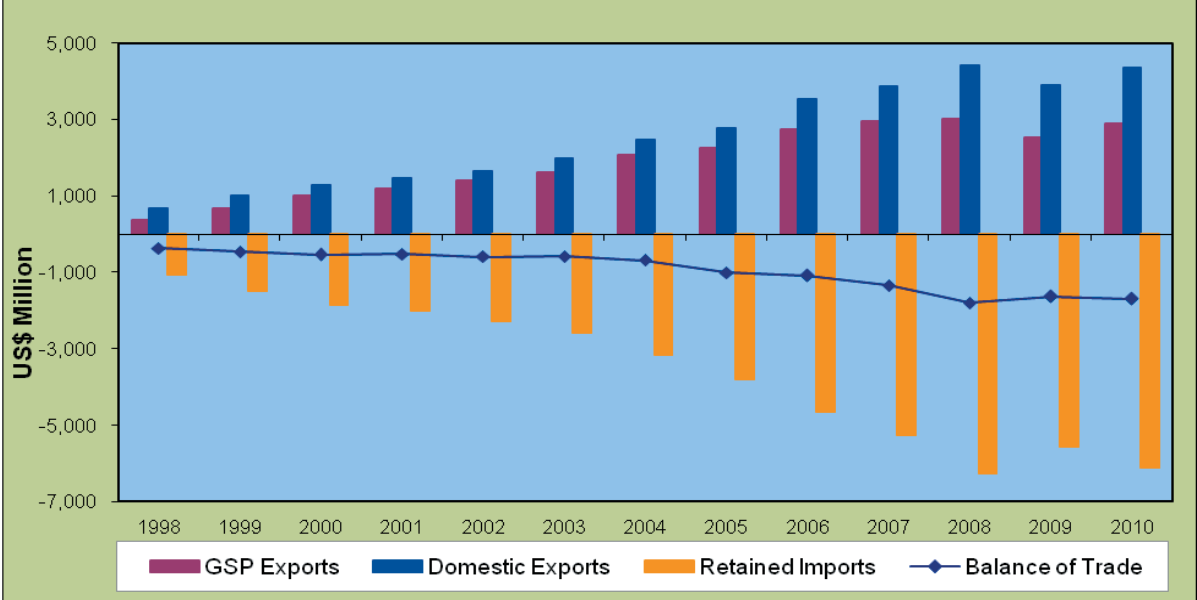
The year 2010 showed remarkable improvements in Cambodia's Balance of Payments performance compared to 2009, when the country's external sector were largely affected by weak external demand and falling international commodity prices. The current account (excluded official transfers) posted a deficit of 1,237.9 million US dollars, which was more than offset by a surplus in the official transfers and financial account balance of 1,434.3 million US dollars. As a result, the overall balance of the balance of payments transactions in 2010 recorded a surplus of 143.2 million US dollars, after having posted a deficit of 4.7 million US dollars in 2009. The overall balance in terms of GDP was 1.3 percent in the reporting year.

#### 3.1. Current Account (Excluding Official Transfers)

The current account balance indicated a deficit of USD1,237.9 million, an increase of USD 35.0 million (2.9 percent) compared to 2009, which was about 11.2 percent of GDP. The increase in the trade and net income deficit of 3.9 percent and 2.8 percent, respectively,

were the main contributors to the increase in the current account deficit. The current account balance was offset by the increases in net private transfers' surplus of 5 percent and net services surplus of 4.4 percent.

**Chart 11: Balance of Trade (1998-2010)**



As the global economic conditions improved, household income picked up, which in turn contributed to the growth of domestic demand in 2010. The enhanced external demand increased domestic exports which totaled USD 4,363.4 million, an increase of USD 484 million (12.5 percent) compared to 2009. While external demand experienced a slowdown in 2009, Cambodia's exports of garments and textiles recorded a steady increase since the first quarter until the end of 2010. Exports of such items totaled USD 2,898.3 million in 2010, an increase of USD 383.5 million (15.2 percent) as against a decline of 16.4 percent in 2009. During the same period, other domestic exports increased by 7.4 percent. The increase in the prices of paddy rice, fish and rubber were also the main factors contributing to the increase in domestic exports.

Retained imports of goods amounted to USD 6,109.5 million in 2010, an increase of USD 544.1 million (9.8 percent) compared to the previous year's imports. This increase mainly reflected rising imports of material inputs for garment factories (14.7 percent) as well as imports of construction materials (2.3 percent).

Net services illustrated a higher surplus of USD 633.0 million in 2010, compared to USD 606.4 million in the last year's surplus. This better performance was mainly due to an increase of USD 27.7 million (1.7 percent) in services receipts since services payments only increased USD 1.1 million (0.1 percent). The estimate for travel services receipts was USD

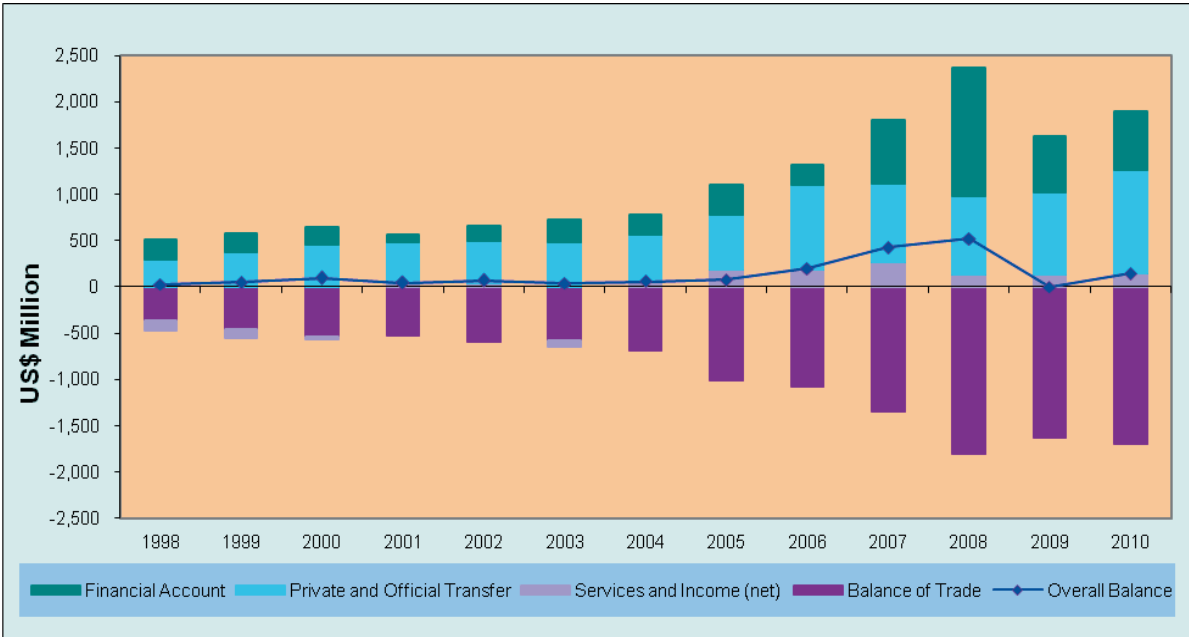
1,249.8 million, an increase of 5 percent compared to the previous year’s estimate. The number of foreign tourist arrivals in Cambodia was estimated to expand by 10 percent to 2.4 million persons, in spite of the global economic recession in 2009 and uneven recovery at present. Recent economic indicators showed that Asian countries have recovered more rapidly from the global recession than in other regions. As a result, tourist arrivals in Cambodia continued its increasing trend. Vietnam was in the first place in the ranking of source countries for incoming tourism to Cambodia from all over the world, accounting for 13.5 percent of the total, followed by Korean 12.1 percent and Japanese 7.7 percent.

During the same period, net income account posted a deficit of USD 481.2 million, an increase of USD 13 million (2.8 percent) compared to last year’s deficit. This increase was due to a rise in outgoing transfer of income on equity on foreign direct investment in Cambodia by 3 percent. Meanwhile, net private transfer was a surplus of USD 307.8 million, up by USD 14.7 million (5 percent). This increase was mainly attributable to increase in incoming remittances by Cambodians citizen working abroad to Cambodia.

**3.2. Official Transfers and Financial Account**

In 2010, the balance on the current and official transfer accounts registered a deficit of USD 438.1 million compared with a deficit of USD 610.3 million in 2009. This decrease resulted from the increase in official transfers inflows by 35 percent which was more than offset increase in the current account deficit of 2.9 percent.

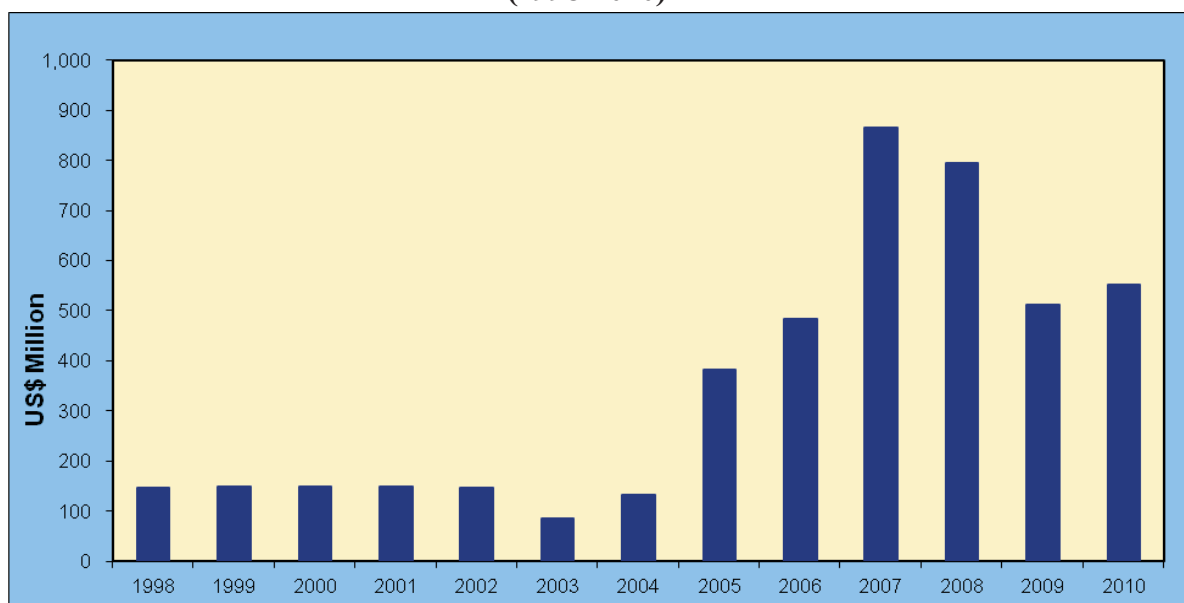
**Chart 12: Balance of Payments (1998-2010)**



The official transfers in the form of international cooperation funding (grants) recorded an inflow of USD 799.7 million, up USD 207.1 million (34.9 percent) compared to previous year's inflow. During the same period, net official sector loans (excluding loans from the IMF) was USD 188 million, an increase of USD 34.9 million (22.8 percent) compared with the last year's inflow. Net foreign direct investment exhibited a net inflow of USD 553 million, up USD 41.7 million (8.1 percent) compared with the previous year's inflows. Sectors that attracted large foreign direct investment inflow included agro-industry, garments, footwear, and beverages.

On the whole, Cambodia's balance of payments transactions in 2010 recorded a good result. This improved external position reflected in the remarkable growth in exports, tourism services receipt, remittances and foreign direct investment inflow following a year of weak performance admit the negative effect of the global economic recession in 2009. The resulting surplus in the overall balance in 2010 was USD 143.2 million mirrored the enhance value of the country's gross official reserves that was sufficient to cover 4 months of imports of goods.

**Chart 13: Foreign Direct Investment Flow (1998-2010)**



#### 4. Foreign Reserve Management

##### 4.1. Investment of Foreign Reserves

International foreign reserves have been invested in short-term deposits, overnight deposits and securities such as US T-Bills and Medium Term Instruments, with various international financial institutions, central banks in developed countries and high credit



rating commercial banks in France, Luxembourg, Switzerland, USA, Hong Kong, Japan, and Singapore. In addition, a part of foreign reserves were placed under the management of the external fund managers.

In 2010, although major industrialized countries, especially the U.S., Europe and England, emerged from their deep recession, their economic conditions still remained weak. This development reflected the decision of the central banks of those countries to maintain the low level of policy rate for some time. The interest rate for USD, Euro and Pound Sterling was maintained at 0.25 percent, 1 percent and 0.5 percent respectively. In contrast, over the year, the Reserve Bank of Australia raised the interest rate on Australian Dollar Deposits four times totaling 100 basis points, from 3.75 percent to 4.75 percent. It is expected that this rate will be raised further by 50 to 75 basis points on account of increased inflationary pressure in 2011.

Such prevailing circumstances greatly affected the yields on investment portfolios, which shifted in the following manner: the rate on overnight deposits with the FED moved in the range from 0.01 percent to 0.27 percent, while the same investment type with Wachovia Bank yielded 0.30 percent. Return on short-term USD deposits ranged between 0.05 percent and 0.74 percent; on Euro accounts between 0.13 percent and 1.21 percent; on pound sterling deposits between 0.30 percent to 0.50 percent; and the interest rate on AUD deposits yielded between 3.68 percent and 4.70 percent.

As of the end of 2010, the total international investment of the country's foreign reserves amounted to USD 3.064 Billion, an increase of 18.22 percent compared to December 2009.

#### **4.2. Intervention in the Foreign Exchange Market**

In response to the market demand and to maintain the stability of the national currency exchange rate, NBC continued to intervene in the local foreign exchange market by purchasing and selling the USD as circumstances required.

During the year under consideration, NBC conducted 48 auctions to sell US 48 million in exchange for KHR 203.382 million. In addition, purchases of US dollars from money changers were carried out in total 42 times, with a total value of USD 122.79 million in exchange for KHR 504.45 billion.

Furthermore, in 2010, NBC conducted a net purchase of USD 123.38 million from the Ministry of Economy and Finance but sold USD 72.42 million and USD 120.5 million to the Cambodian Electricity Company (EDC).

### **4.3. Management of Gold and Foreign Exchange Business**

Since 2009, the management of business in metal and precious stones as jewelry was transferred to the Ministry of Commerce. NBC only manages money exchange businesses and the export-import of metal and precious stone. In addition to this management, NBC issued a Prakas on the Licensing and Authorization for money exchange businesses with an appendix on the code of conduct for money changer operations in order to improve the efficiency of the money exchange business.

In accordance with the Prakas on Money Changer License or Authorization, during 2010 NBC issued 14 licenses to big-sized foreign exchange dealers and 42 authorizations to small-sized money changers operated in Phnom Penh. In the meantime, NBC also issued 12 licenses to gold export-import companies.

Moreover, a total of 1270 registrations were made by the provincial branches of NBC for foreign exchange dealers operated in the provincial areas of the Kingdom.

## **5-Relations with Bank and Financial Institution**

### **5.1 Commercial Banks and Specialized Supervision**

The banking systems in Cambodia are better from year to year in line with the recovery of global financial crisis. According to the data in 2010 compare to 2009, it presents the positive sign: solvency ratio was 31.4 percent (NBC's regulation requires that solvency ratio is greater than 15 percent of net worth). NPL decreased from 6 percent to 3 percent and liquidity ratio remained stable at 90.6 percent. Total loans and advance to customers grew 26.7 percent from KHR 10,262.8 billion to KHR 13 billion. The number of borrowers increased by 7.5 percent from 266,299 to 286,346 Total amounts of deposits increases 26.3 percent from KHR 13,841.6 billion to KHR 17,479.2 billion. The number of depositors increased 12.2 percent from 968,472 to 1,067,404 depositors. In Cambodia's banking system, the number of ATMs increases 35 percent from 371 to 501 terminals nationwide.

The National Bank of Cambodia issued "Banking Supervision Report" for 5 years that disclose all necessary information of banks' operations to the public in order to make them aware of Cambodia's banking system as well as the role and function of supervisory authority who responsible for maintaining safe and sound of banking system to enhance the development of the banking system and protect the public's interest especially depositors to contribute to the sustainability of economic growth.

## **5.2- Off-Site Supervision**

Bank supervision activities are conducted on regularly basis to satisfy with bank's law implementations and prudential regulations. This supervision is implemented on the financial statements to find out the operations that are misstated or errors, then make adjustments. The supervision pays attention on capital adequacy, assets quality, earnings, and liquidity position management. As a result, the financial condition of the banks is improving because all banks are compliant with NBC's laws and regulations.

## **5.3- On-Site Examination**

On Site supervision core works relate to examining and monitoring the bank's financial conditions and its business operation in order to access and prevent banking risk and to access its compliance with laws and regulation issued by NBC. On-Site supervision also responses to the inquiries regarding bank by off-site surveillance.

As a result, National Bank of Cambodia has implemented and completed on-site examination of 25 banks of which 11 are full scope, 10 are targeted, and 4 are specialized examinations.

Overall result of the examination indicates that the bank's financial conditions and compliance to laws and regulations are satisfactory complied. Even though some banks have increased new capital required by the end of 2010, some banks still have some difficulties in establishing strategic plan, internal control, independent Board of Directors, ALCO, audit committee, and the implementation of its policies and procedures. National Bank of Cambodia recommends all banks to take corrective action to all issues under actual situations.

## **5.4- Microfinance Institution Supervision**

By the end of 2010, there are 25 licensed microfinance institutions (in which 6 are deposit taking microfinance institutions) and 28 rural credit operators. The total loan outstanding approximately amounts to KHR 1,780 Billion and is provided to 1,020,784 borrowers, equivalent to 40 percent of the overall households, which increase by 40 percent and 21 percent respectively, compared to 2009. The MFIs and rural credit operators mobilize public savings amounted approximately to KHR 172 billion from 240,153 depositors, increasing by 4 times and 43 percent, respectively, compared to 2009. These illustrate the growth of the rural economic sector, the confidence of the public and both local and foreign investors, and the stability of the politic and economy.

Given the development of the whole banking sector, the penetration rate of banking services as at 2010 is about 15 percent of the total population, showing the successful effort of NBC in mobilizing local sources and attracting unbendable people to the sector.

In addition to a regular off-site examination on MFIs, an on-site surveillance demonstrates that overlapped loans still exist with a low rate and NPLs rate decreases from 2.8 percent in 2009 to 1.2 percent in 2010.

To maintain stable growth and sustainability of the sector, the NBC regularly supervises, controls and issues regulations which in line with standards and international practices to enable MFIs to have the concrete foundation in their business operations in a fair and competitive market.

NBC continues to strengthen its supervisory staff's capability and cooperate with national and international institutions to gather additional sources of fund as a benefit to further develop the rural finance sector and to contribute to enhance people's standard of living and hence to reduce poverty alleviation in parallel to the government's rectangular strategies.

In order to further enhance MFIs' effectiveness and, enable then to mobilize local sources of funds, NBC issued the deposit-taking licenses to 4 MFIs namely Hattha Kaksekar , ANGKOR Microheranhvatho Kampuchea, PRASAC and Credit.

In the 3<sup>rd</sup> quarter of 2010, the NBC required MFIs to do the pilot test on Microfinance Information System (MFIS) through which the MFIs financial statements can be sent via website to the NBC and expectedly to be fully implemented in 2011.

On 06-07 September 2010, the NBC and Asia Pacific Rural and Agricultural Credit Association (APRACA) co-organized the national forum for developing MFIs sector: revising and enhancing the roles of MFIs in alleviating poverty, aiming to continue to encourage in all aspects all NGOs operating in rural financial sector to transform themselves to be a licensed MFI so as to ensure transparency, accountability, efficiency, financial productivity, to strengthen customer services and to protect the public interests.

The NBC continues to co-operate with ADB to get technical assistance supports to strengthen licensed MFIs, to get experienced technical assistants to train staffs on on-and off-site supervision.

## **5.5 - Regulation Promulgation**

National Bank of Cambodia has promulgated the circular on the investment grade, prakas on internal control in bank and financial institutions and prakas on net worth calculation of the bank.

## **5.6- Licensing and Registration**

National Bank of Cambodia offered license to 3 commercial banks and 22 provincial and city branches, 6 microfinance institutions, 4 microfinance deposit institutions and 2 new registered credit operators in 2010.

## **6. Central Bank Services**

### **6.1. Accounts Management**

The NBC holds and maintains the accounts of various government ministries and agencies, banking and financial institutions having licenses to operate in Cambodia, and international financial institutions. Currently, there are in total 1,067 accounts denominated in local and foreign currencies under the management of the NBC.

#### **6.1.1. Government Account Management**

As depository of the Royal Government of Cambodia, the NBC maintains Treasury's checking account, clear checks drawn on that account, accept deposits of federal taxes and fees, and make electronic payments on behalf of Treasury. In all these matters, the NBC serves the Ministry of Economy and Finance's Public Finance Management Service, whose responsibilities include the government's systems for collections and payments, central accounting and reporting, and cash management. Besides handling tax payments, the NBC also provides payroll services to the armed forces and Government employees and carries out cash distribution according to the transfer orders of the Treasury.

Since last year, the Ministry of Economy and Finance started to use services of certain commercial banks to manage its national revenue and expenditure transactions. Nevertheless, the major part of the budgetary transactions continued to be effected directly at NBC. For 2010, such collection amounted to KHR 3,029 billion.

#### **6.1.2. Repository of Accounts for Bank and Financial Institutions**

There are various types of accounts that banks and financial institutions hold with the NBC. These consist of current accounts, fixed deposit accounts, capital guarantee accounts, and reserve requirement accounts. As of end-2010, the total balance on the accounts of banks and financial institutions was a combined KHR 160 billion and USD 1,698 million.

### **6.1.3. Local Money Transfers**

Other services provided to banks and financial institutions by the NBC besides managing their accounts include the domestic money transfers. During the year, the following transfers were made pursuant to the requests from banks and financial institutions as well as the money changers.

The transfer from provincial branches to Phnom Penh headquarters amounted to

- KHR 2,857 billion and
- USD 1,059 million.

The outgoing funds transfer from Phnom Penh headquarters to provincial branches amounted to

- KHR 6,034 billion and USD 94 million.

## **6.2. Clearing House Activities**

The NBC continued to manage the Clearing House, through which all checks issued in Cambodia are settled. The clearing operations for both KHR and USD-denominated checks proceeded effectively and smoothly and were held every business day. The number of checks being used by the public increased steadily, especially within the banking community and in the public sector. The Government's regulation requiring that payments of all kind of taxes and duties with an amount above a certain threshold be made in checks has led to the increasing use of checks as a means of payment.

### **6.2.1. Clearing and Settlement of KHR-Denominated Checks**

As of end-2100, 28 institutions have participated in the Clearing House for KHR-denominated checks. Those members included 26 commercial banks, one specialized bank, and the NBC itself.

In the reviewed year, the Clearing House operated on 236 days, during which 32,854 checks, valued KHR 1,627 billion, were cleared and settled. Compared to 2009, the volume of checks cleared decreased by 5 percent, while their value increased by 23 percent.

### **6.2.2. Clearing and Settlement of USD-Denominated Checks**

During 2010, the Clearing House for USD-denominated checks was participated in by 34 members, including 30 commercial banks, 3 specialized banks, and the NBC itself.

In the year under consideration, the Clearing House operated on 236 days, during which 485,189 checks, valued USD 7,008.7 million, were cleared and settled. Both the

number of checks going through the clearing process their total value posted an increase in 2010 compared to 2008. In fact, the volume of checks cleared increased by 15 percent, whereas their value rose by 20 percent.

### **6.3. Lending Activities**

In the year 2010, the NBC has granted loan to and collected debt repayments from the financial institutions as follow:

- Beginning balance KHR 39.02 billion
- Lending KHR 83.04 billion
- Debt collection KHR 91.54 billion.

## **7. Currency Management**

The major functions of currency management at the NBC relate to the distribution of banknotes, cash withdrawals and deposit taking, inventory management and accounting, withdrawal of soiled notes from circulation and destruction, and anti-counterfeit measures.

In the reporting year, cash transactions carried out through NBC's teller desks experienced a further decline. The record shows that during 2010 the total cash receipts through NBC's teller desks amounted to KHR 6,575.6 billion, a decline of 5.2 percent compared to 2009. This decrease reflected the following movements: a drop in cash releases from the strong room of KHR 24.6 billion (0.8 percent), a decrease in cash receipts in the form of payment of taxes and customs duties of KHR 548.3 billion (56.5 percent), a drop in deposits of banks and foreign exchange dealers for the purpose of foreign currency auction of KHR 185.6 billion (83.7 percent). In contrast, some receipts accounts posted an increase during the year, of which the current account of financial institutions expanded by KHR 38.9 billion (2.3 percent), cash deposits of Electricité du Cambodge rose by KHR 80.7 billion (16.5 percent), an increase in the cash transfers from NBC's municipal and provincial branched of KHR 10.6 billion (3 percent) and cash receipts from other sources increased by KHR 215.6 billion (94 times) on the level recorded in the previous year.

During the same period under consideration, cash payments through NBC's teller desks totaled KHR 6,574.4 billion, a decline of 5.4 percent compared to 2009. Of this decrease, cash withdrawal from current accounts of commercial banks dropped by KHR 570.2 billion (51.5 percent), cash withdrawals by Electricité du Cambodge declined by KHR 291.8 billion (97.3 percent); the amount of local currency used to purchase foreign currency

declined by KHR 303.9 billion (100 percent), and cash provided to municipal and NBC's provincial branches fall by KHR 1.5 billion (0.1 percent);

In the course of the year, some other account items generated certain cash outflows that were more than previous year records. Amount placed into the strong room was up by KHR 525.9 billion (21 percent); cash withdrawals by the National Treasury increased KHR 43.6 billion (2.7 percent); withdrawals from the auction deposits account rose by KHR 9 billion (2 times); and cash withdrawals for other purposes amounted to KHR 204.4 billion (6 times) when compared to the previous year's records.

As for currency operations in US dollars during 2010, cash receipts through the teller desks amounted to USD 2,825.2 million, representing an decrease of USD 281.4 million (9.1 percent) on operations in 2009. In contrast, the amount of USD-cash disbursed through the teller desks amounted to USD 2,825.3 million, representing a decline of USD 280.8 million (9 percent), compared to 2009.

As an important measure to promote the use of local currency, in 2010 NBC's headquarter supplied of new banknotes totaling KHR 273.3 billion to its provincial branches to support their activities to collect old, worn and torn local currency notes from the circulation and replaced them with new ones. This was an increase KHR 57.9 billion (26.9 percent) on the previous year's record.

Over the review year, a total of KHR 813.4 billion worth of unusable currency notes were destroyed by using normal shredded machines, an increase of KHR 166.2 billion on 2009 (25.7 percent), while at the same time, an additional amount of KHR 430.9 billion were destroyed under the automatic shredded machines, representing an increase of KHR 189.6 billion (78.6 percent) on the amount of currency destruction via the same technique in 2009.

Currency management and handlings by the NBC also placed great attention to detecting and preventing the circulation of counterfeit banknotes. In 2010, the NBC seized and withdrawn from circulation counterfeit money in the form of copied currency notes totaling 563 copies and an additional 4 copies in the form of sample currency notes. Those counterfeit notes were discovered and presented to NBC by Currency Counting and Sorting Office of Battambang branch of the NBC, Micro-finance Institution AMK, and ANZ Royal Bank.

NBC continued to cooperate with the relevant authorities very closely to ensure that any counterfeit notes were quickly detected.



## **8. Payment System Development**

The manual check clearing ended in 2009. Since the introduction of the standardized checks that allows easy handling and also the adoption of advanced technology for clearing and verification and the launching of the interim solution software program in May 2009, the Check Standard Clearing System has been functioning well. Reflecting such momentum, further preparation has been made in 2010 in order to put in place a batch clearing system, a next step in the NBC's efforts to develop National Payment System in Cambodia. It is expected that through the new clearing system checks can be processed and cleared in a batch mode which enhances efficiency of the clearing activities and permits clearance and settlement of new payment instruments in the future.

Following the finalization of the National Payment System projects, the NBC issued bidding documents for the procurement of hardware, operating systems, and programmers to help upgrade the Interim Solution software to a centralized Full Solution software system for payment clearance and settlement. Public announcement of the Bid-documents was made in July 2010. Meanwhile, a Bid-documents Scoring Team, an Evaluation Team and a Procurement Review Committee were established to carry out the bidding process. Five companies submitted the Bid-documents. The bidding process, including the opening of the Bid-documents with respect to both the technical and financial proposals, the scoring of the offers, the evaluation on the scoring outcome, and the negotiation with the company that won the bidding, was flowing smoothly and completed according to plan.

With support from the ADB, the NBC pushed forward with the necessary works to modernize its operations. The integrated core banking system was so far successfully installed at the NBC's headquarter and at a number of provincial branches. Works are still continuing to endow the other branches with the same facilities. The new system is expected to enhance the efficiency of Central Bank's operations, improve the quality of its services, and also to contribute to strengthen the effectiveness of the implementation of the Public Finance Reform Programme of the Government.

Along with the development of IT-related payments infrastructure, the NBC, in close collaboration with the International Finance Corporation, has been preparing a draft National Payments System Law in order to strengthen the legal soundness of the payments system.

Currently, there are several payment options available in Cambodia, including credit card payment, credit transfer, electronic checks, direct debit, and person-to-person payments. Mobile payment services have started to take off, benefiting from growth in cell phone usage. To regulate payments services, facilitate payments transactions, and protect consumers of

payments services, NBC issued two new regulations on 25<sup>th</sup> August 2010, which were the Prakas on “Third Party Processor” and the Prakas on “The Introduction of the Payment Order Format for the Credit Remittance and Formal Specification of Payment Order”. The Prakas on “Third Party Processor” regulates and governs private company, non-bank institution, as well as mobile phone service providers, who intends to become Third Party Processor in providing certain banking services to a licensed bank, including money transfer.

## II. Internal Management of NBC

### 1. The Activities of the Board of Directors

The Composition of the Board of Directors of NBC was as follows:

- |                         |   |        |
|-------------------------|---|--------|
| • H.E. Chea Chanto      | NBC’s Governor  | Chair  |
| • H.E. Neav Chanthana   | NBC’s Deputy Governor                                 | Member |
| • H.E. Aun Pornmoniroth | Representative of the Head<br>of the Royal Government | Member |
| • H.E. Iv Thong         | Representative of the academics                       | Member |
| • H.E. Chou Kimleng     | Representative of the MEF                             | Member |
| • Mr. Lay Mengsun       | Representative of the private sector                  | Member |
| • Mrs. Mao Son          | Representative of NBC’s staff                         | Member |

Over the course of the year 2010, the Board held six meetings, during which important matters related to NBC’s activities were brought forward for discussion and approval. These meetings are outlined below:

- The 78<sup>th</sup> Meeting on February 18, 2010, to review and adopt the draft decision to establish a committee to examine NBC’s accounting record for the financial year 2009;
- The 79<sup>th</sup> Meeting on March 24, 2010, to review and adopt the draft report on NBC’s budget implementation for the financial year 2009 and the budget plan for 2010;
- The 80<sup>th</sup> Meeting on July 20, 2010, to discuss and adopt the draft First Semi-annual Report of NBC for 2010;
- The 81<sup>th</sup> Meeting on August 25, 2010, to review and adopt the draft report on NBC’s budget implementation for the first semester of 2010 and the budget plan for the second semester of 2010;

- The 82<sup>th</sup> Meeting on November 25, 2010, to discuss and adopt the draft Prakas on the Revision of the Article 3, Article 4, Article 5, Article 12, and Article 13 of the Prakas on the Organizational Structure of the NBC and the Mission and Duties of the Entities under the NBC.
- The 83<sup>th</sup> Meeting on December 03, 2010, to discuss and adopt the draft Annual Report of NBC for 2010.

## **2. Human Resource Development**

### **2.1. Staff Statistics**

At end-December 2010, the total number of employees of the NBC stood at 1,255 (710 male employees and 545 female employees). Of which, 869 employees are working at the NBC Headquarter (488 male employees and 381 female employees) and another 386 persons are staff working at different NBC branches (222 male employees and 164 female employees).

When compared to previous year, which recorded a total number of employees of 1,247 (703 male employees and 544 female employees), the following changes were observed:

- At the Headquarter: There was an increase by 20 employees as a result of a new recruitment of 52 employees, while 32 employees were resigned or retired during 2010).
- At municipal and provincial branches: There was a decrease of 12 employees as a result of a new recruitment of 5 employees and a retirement of 17 employees.

The overall growth in the level of employment was a result of increased responsibilities of the various Departments and Sections of the NBC including the Research, Bank Supervision, Banking and Finance Departments, as well as the Audit, Human Resources Management and the General Services Sections.

### **2.2. Training and Development**

#### **2.2.1. Local Training**

NBC continued to motivate and develop skilled staff. To this end it adopts appropriate recruitment and reward strategies and provides its staff with opportunities for training and development.

NBC supported staff training and development at both the headquarters and the municipal and provincial branches. Capacity building was encouraged through various

means such as part-time studies, long-term training, and short courses offered by both local and overseas training institutions. A number of in-house training programs were also organized during the reporting year. In 2010, NBC conducted the 11<sup>th</sup> In-house perfection course for the benefit of 80 employees, of which 33 attendants were employees at NBC's headquarter and 47 were employees of NBC's branches.

During the year under review, the Center for Banking Studies continued to provide courses with accreditation "High Certificate for Banking" for 428 students (241 female students and 187 male students), of which 22 students are staff of the NBC.

To improve foreign language skills for staff, NBC produced English training courses for two provincial branches (Kampong Thom and Porsat), in which 27 staff participated. Meanwhile, seven different seminars were delivered in-house on various areas related to central banking with 447 attendants.

NBC also sent a number of its officials to participate in various long-term training courses and academic degrees offered by local training institutions, which included the following training:

- The high-level perfection course (1 staff) and the medium level perfection course (1 staff) at Royal Administration School
- English language course at Australian Center for Education (14 staff) and
- Long-term course at the Centre for Banking Studies (totaling 13 staff employees, of which 5 were in the 19<sup>th</sup> graduating group and 8 in the 20<sup>th</sup> graduating group).

Meanwhile, NBC officials also attended several training sessions organized by Cambodian government ministries and private sector institutions, which included:

- Workshop on Financial Vulnerability and Vulnerability Indicators and Early Warning System (organized by Ministry of Economy and Finance with 10 participants from NBC) and
- Seminars on Human Resource Management for Banking Institutions and Theoretical Principles for Real Estate Evaluation

In furtherance of the NBC's policy on human capacity development through knowledge transfer and rewarding, preparation has also been made for the conduct of in-house examination with the aim of upgrading staff level and status, in which 106 employees have so far submitted their application.

### **2.2.2. External Training**

In addition to the local training, a large number of NBC's employees participated in external courses on a wide range of topics related to central banking. Over the reporting year, a total of 198 employees attended 113 seminar events organized abroad. Moreover, 20 employees participated in nine overseas study visits; 43 officials took part in 22 different short-term courses, and twelve officials were involved in nine different long-term academic study programs. Furthermore, 136 NBC officials were sent abroad to join 55 different international meetings on various subjects relevant to the central bank's responsibilities.

The abovementioned training events and meetings were organized and supported by various international and regional institutions such as the International Monetary Fund, the World Bank, the Asian Development Bank, The Bank for International Settlements, the Australian, Chinese, Korean, Indian, and Pakistan's Government, Bank of Armenia, Deutsche Bundes Bank, Bank de France, Central Bank of Luxembourg, Bank of Korea, People Bank of China, Bank Negara Malaysia, Monetary Authority of Singapore, Bank of Thailand, State Bank of Vietnam, the SEACEN Centre, Japan International Cooperation Agency (JICA), ANZ Royal Bank, Citi Bank, HSBC Bank, and various other institutions.

### **3. Internal Audit and Inspection**

The risk and internal audit environment at the NBC was enhanced during the course of 2010 through an improvement in capacity for risk assessment, control and governance. The objective of the NBC's internal audit function is to provide assurance that the operations of the NBC are conducted within an adequate risk management, control and governance framework.

During 2010, in order to further strengthen the efficiency of the Internal Audit and Inspection functions, the NBC organized a series of training sessions aiming at enhancing the knowledge of its provincial employees on the Principles of Internal Audits. On-the-job training was also conducted with Internal Auditors performing internal audit at several provincial branches, including Sihanouk province, Rattanakiri, Kampong Cham, Kampong Thom, Siem Reap, Battambang, Banteay Meanchey, and also at the headquarter Phnom Penh.

Meanwhile, two employees of the Printing House and the Issue and Cashier Department were sent for a two-months training course related to financial statement review and audit at the Bank of Luxembourg.

As part of their responsibilities, in the course of performing their function, Internal Auditors collected from relevant Departments information concerning the Core Banking

Operations in order to assess the compliance of each individual operation with internal audit's policies, and procedures.

In addition to these examination activities, internal auditors also focused on assessing and reviewing the compliance with their recommendations that were previously issued to the provincial branches.

With respect to the inspection functions, sixteen surprise visits were made on NBC's provincial branches. Over the course of the inspection process, the inspectors focused on vault safety, cash management, and other important issues related to corporate governance, as well as compliance with staff guidelines and principles issued by the NBC. In addition, the inspectors advised the branch's management on matters related to establishment and implementation of internal control.

Furthermore, off-site inspection activities were also conducted on a regular basis by reviewing the monthly reports of key departments at headquarter and provincial branches aiming at ensuring a proper conduct of the duties and responsibilities of such entities. Various statistic returns were also checked and reconciled in order to ensure accuracy of the reports.

#### **4. Management of NBC's Branches**

As of end of 2010 the NBC has 19 provincial branches operating across the country. NBC's branches represent the Central Bank at the provincial and regional level, whereby helping to bring the Central Bank's services closer to the economic agents and encourage the opening of more branches in the regions. The major functions of the branches are to assist currency distribution, meet the banking institutions needs, the Treasury receipts in withdrawals and deposits of notes, and to collect financial and economic information in order to proceed to an analysis of the economic situation at the level of the region.

The NBC's provincial branches continued to work toward strengthening their role as the fiscal agent for the Government, and in particular as an effective partner for the Ministry of Economy and Finance. In order to assist the implementation of the Second Phase of the Public Finance Management Reform Programme initiated by the Government, eight NBC's provincial and municipal branches have undergone operational reforms supported by a newly established Core Banking System. Those branches were Banteay Meanchey, Battambang, Kampong Cham, Kampong Chhnang, Phnom Penh, Preah Sihanouk, Siem Reap and Svay Reang. To implement the new system, attention was paid to adequate training and staffing of

the relevant branches. It is planned that Core Banking System be extended to other NBC branches in the next phase.

Meanwhile, under Phase I of Public Finance Management Reform Programme, the Ministry of Economy and Finance continued to use, on a pilot basis, the services of commercial banks for collecting the Government's revenue and effecting Government payments in provinces Kandal and Banteay Meanchey, whereby the two concerned provincial treasuries were required to open accounts with Aceleda Bank. In the Second Phase, Aceleda bank's services were extended to include further six provinces, namely Kampong Cham, Mondolkiri, Stung Treng, Koh Kong, Preah Vihear, and Oudor Meanchey. On top of this, Canadia Banks was selected to provide treasury services in three other provinces: Battambang, Preah Sihanouk and Siem Reap.

### **III. International Relations**

#### **1. Multilateral Relations**

##### **1.1. Relations with International Monetary Fund**

The NBC has continued to establish and maintain strong liaison relationship with several Bilateral and Multilateral Institutions, in which the International Monetary Fund (IMF) was one of the main partners, visiting Cambodia on a regular basis. Meanwhile, particularly in this reporting year, there was a Joint-mission between the IMF and the World Bank under the Financial Sector Assessment Programme for Cambodia (FSAP), which took place during March 9-30, 2010. The Mission also conducted a workshop introducing the calculation of a number of Financial Soundness Indicators, Stress Testing Methodology and Risk-based Supervision for NBC's staff. The FSAP assessments focused on the observance of selected international standards and codes, and the evaluation of a broad range of financial stability and structural issues. The report on the assessments was finalized and submitted to the Authorities in December 2010. It reflected the banking and financial system in Cambodia in its development stage and recommendations on various areas were issued by the Mission in order to support financial stability in Cambodia, strengthen supervision, regulation and legal infrastructure, increase access to financial services and establish a framework for crisis management.

In the second semester of the year under review, the Article IV's Mission visited Cambodia, working from 30 August to 9 September 2010 with the relevant Authorities. The Mission noted that the Cambodian economy has been emerging from the global crisis quite strongly and heading on a road toward recovery. Real growth is expected to scale upward to

4.5 percent to 5 percent for 2010, supported by recovery in exports and tourism sector. The Mission also pointed to important downside risks to the country, which included in particular the narrow-based growth, the high degree of dollarization in the economy and the fiscal constraints. At the end of the visit, the Mission issued a number of recommendations covering especially fiscal policies, monetary and exchange rate policies and bank supervision.

## **1.2. Relations with the Asian Development Bank**

Over the course of the year, the NBC as the executing agency for the program loan under the “**Financial Sector Development Strategy for 2006-2015**” supported by the Asian Development Bank, continued to work closely with other relevant ministries to implement reform activities as set out in the Program Loan II (FSPL II). The financial support provided under the FSPL II amounted to USD 40 million and was split equally into four sub-programs, covering a five-year period from 2006 to 2010. Each sub-program comprised a sequence of steps to reform the banking and financial sector. So far, Sub-programs 1-3 were successfully completed and a total amount equivalent to about USD 30 million was disbursed to the Government.

On October 5, 2010, at the ADB Headquarter in Manila, the Philippines, the NBC as representative for the Government of Cambodia, co-signed with the ADB the Minutes of the Loan Negotiation, in which the ADB agrees to disburse a further amount of USD 15 million to support reform activities associated with Sub-program 4. Of this total, an amount of USD 10 million was the Sub-program Loan 4 under FSPL II, which carries an interest rate of 1 percent per annum during the grace period, and 1.5 percent per annum thereafter. The remaining USD 5 million represented a support in the form of grants.

Sub-program 4 centered on several key areas of reforms, including development of the National Payment System, the upgrade of the current Credit Sharing Information System into a Credit Bureau, the establishment of a capital market in Cambodia, the improvement of the banking law and enhancement of micro-finance operations.

Meanwhile, with support from the ADB, the NBC coordinated with the Ministry of Economy and Finance, the Commerce Ministry, and the Securities Exchange Commission of Cambodia, to commence necessary works aiming at updating Financial Sector Development Strategy 2006-2015 into Financial Sector Development Strategy covering 2011-2020. This update has been necessitated by the changes and the rapid expansion in the banking and financial sector in Cambodia, as well as the need to better reflect the future development in the sector.



### **1.3. Relations with ASEAN Countries**

Under the framework of regional cooperation, the NBC continued to support ASEAN's commitments to enhance the ties within member countries and strengthen the collaboration within the region. In particular, NBC's delegation regularly participated in various policy and technical ASEAN meetings relative to economic and financial integration in the region.

Delegations of high-ranking officials from the NBC attended the 6<sup>th</sup> ASEAN Central Bank Governors Meeting, the 18<sup>th</sup> ASEAN Finance and Central Bank Deputies Meeting and other related meetings under the framework of the cooperation among ASEAN-10, as well as ASEAN+3 (China, Japan and Korea), that were held from 4-8 April 2010 in Vietnam. As an important outcome of such meetings, policy guidance on various aspects was issued aiming at attaining integration on various areas, in particular on regional capital market development, capital account liberalization and financial sector liberalization.

In order to accelerate the momentum in efforts to liberalize the financial sector in ASEAN, the 5<sup>th</sup> Round Negotiation under the ASEAN Framework Agreement on Services has begun earlier in the year and the protocol is expected to be signed in 2011.

Furthermore, ASEAN is now finalizing a Milestone Blueprints for ASEAN Financial and Monetary Integration for 2011-2020, including the payment system, which will likely be adopted in April 2011.

On the front of cooperation within the framework of ASEAN+3, the establishment of the regional resource pool called Multi-lateralization of the Chiang Mai Initiatives (CMIM) has been almost completed. The formal agreement for such arrangement was already signed by the Ministers of Finance and Central Bank Governors of ASEAN+3 and Monetary Authority of Hong Kong, and the establishment of CMIM was announced during the Finance Ministers Meeting in the beginning of May 2010 in Tashkent, Turkey. An ASEAN+3's Monetary and Research Office will be soon established and located in Singapore.

In addition to the above efforts, the ASEAN+3 countries also pushed forward the implementation of the Asian Bond Market Initiatives. These initiatives encompass efforts to develop and strengthen the local currency and regional bond markets so as to allow the use of Asian savings within the region. In furtherance of that objective, ASEAN countries together with the Asian Development Bank have been working on an arrangement to establish the Credit Guarantee and Investment Mechanism (CGIM) to provide credit enhancement and make investments to allow eligible issuers to access local currency bond

markets and thereby avoid currency and maturity mismatches by issuing within the region. The CGIM Agreement was signed and its establishment was announced in the Finance Ministers Meeting in May 2010 in Tashkent, Turkey.

#### **1.4. Relations with SEACEN**

Membership in the South East Asia Central Banks (SEACEN) has created valuable opportunities for the NBC in advancing its efforts in the areas of human resource capacity building, conducting studies and research on various issues of central bank interest, in particular on economic and monetary policy, and in exchanging information among members of the SEACEN Centre. Meanwhile, membership in the SEACEN Centre has also proved to be a platform for the NBC to enhance its bilateral relations with various regional central banks.

In order to enhance cooperation among SEACEN member banks, the NBC was honored to receive the offer to host the 45<sup>th</sup> SEACEN Governors' Conference and 29<sup>th</sup> Meeting of the SEACEN Board of Governors that was held in February 2010 in Siem Reap. The topic of the Conference was "The Role of Central Banks in Sustaining Economic Recovery and in Achieving Financial Stability".

Over the course of the year, NBC also continued to be actively involved in other SEACEN's activities. In close collaboration with the SEACEN Centre, NBC organized two seminar events in 2010 in Siem Reap province, the first one from 2-7 May 2010 titled "The Main Principles of Assets and Liabilities Management", whereas the second one from 1-6 August 2010 named Risk Management for Central Banks".

As in previous years, NBC's officials continued to attend seminars and conferences on a number of important topics organized by the SEACEN Center that were taken place either at the SEACEN Center itself or at various individual SEACEN member countries.

Moreover, during 2010, NBC's management and staff has been working on the preparation of the 9th SEACEN Executive Committee (EXCO) Meeting and Executive Seminar, which will be held on January 19-21, 2011 in Phnom Penh.

#### **1.5. Relations with the Association of Central Banks of French-speaking Countries (Francophone)**

The Association of central banks of French-speaking countries was created at the initiatives of Bank de France. As of today, it has 54 members from central banks of French-speaking countries in various regions in the world. The NBC joined this Association in 1993 and has maintained its membership since then. The main objective of jointing such a forum

is to establish relations with central banks of French-speaking countries, create opportunities for exchange of experiences and information, and to seek needed assistance from partner central banks in the area of capacity building and development.

Since its membership in this Association, high-ranking delegation of NBC regularly attended the Annual Meeting of Francophone, during which the Governor of the NBC was frequently invited to share experiences on topics such as monetary policy implementation, central banking management, the Blueprint for Financial Sector Development of Cambodia, etc.

At the 17th Annual Meeting of Francophone held from 12-15 May 2010 in Montreal, Canada, NBC accepted the invitation by Francophone members to host the 18th Annual Meeting which is planned to be held from 11-13 May 2011 in Siem Reap, Cambodia.

## **2. Bilateral Relations**

Besides the abovementioned multilateral relations, the NBC has been paying great attention to maintaining and fostering close bilateral contacts with foreign central banks and international institutions in various regions around the globe. Such relationships were manifested through the bilateral exchange of staff under various forms of training programme, study visits, information exchange, and other central banking cooperation.

Bilateral cooperation with Bank of Korea was further strengthened through the official visit of the NBC's Governor to Seoul to participate in the 60<sup>th</sup> Anniversary of Bank of Korea that was held on 31<sup>st</sup> May 2010. Today, two officials from Bank of Korea have seconded at NBC on subjects related to payment systems and the development of a money market in Cambodia.

The bilateral Meeting between NBC and the Bank of Thailand was organized on 31<sup>st</sup> July 2010 in Siem Reap province with the aim of strengthening the friendship between the two central banks and enhancing the existing cooperation, which focused so far on exchange of experiences on topics under central bank authority and development of human capital. Over the course of the year, two NBC's staff received training on Bank Supervision at Bank of Thailand. In addition, visiting lecturers from the Bank of Thailand offered two separated seminars to NBC's on macroeconomic management and monetary policy, and payment system development.

The first bilateral Meeting between NBC and Bank Negara Malaysia was held from 6-8 August 2010 in Kola Lumpur, Malaysia with the objective of strengthening friendship, improving the bilateral cooperation between the two central banks and formalizing Bank

Negara Malaysia's assistance to the NBC in the area of capacity building. During this important event, the two Parties co-signed two separate MOUs, one on Bilateral Cooperation and another one on Cross-border Supervision.

Cooperation with the State Bank of Vietnam also gained further momentum. On 15 November 2010, on the occasion of the visit of the Prime Minister of Vietnam to Cambodia, the NBC and the State Bank of Vietnam signed a new MOU to update the old MOU on Promoting Cross-border Payment System between the two countries.

In the last quarter of 2010, technical assistance provided to the NBC by the Monetary Authority of Singapore (MAS) was formally initiated with the visit of high-ranking-officials of MAS to the NBC to get deeper understanding on NBC's need for capacity building. This was followed by NBC's study visit to Singapore to gain new experiences on bank supervision, macro-financial analysis, payment system, and foreign exchange management.

To further strengthen their close cooperation, a bilateral Meeting between high-ranking delegates of the Bank of Laos PDR and the NBC was organized on 3-6 December 2010 in Vientiane, Lao PDR. During the meeting, both side exchanged information on their recent economic and financial development and discussed the results of the implementations of the MOU on Bilateral Cooperation between the two parties.

During 2010, a number of NBC's staff continued to benefit from technical assistance provided by Central Bank of Luxembourg to a number of NBC's staff. That assistance included the provision of scholarships for a master's program at University of Luxembourg, and short-term training courses on internal audit function for central bank.

On the whole, international cooperation has provided various benefits to the NBC. The technical assistance offered in association with such cooperation contributes to narrowing the gap between demand and the need for human resource capacity building within the NBC. The NBC will thus continue to maintain and both the existing multilateral and bilateral cooperation. Apart from the ongoing cooperation, NBC will also seek to further expand relationships with other central banks and financial institutions for the purpose of sharing experiences on monetary policy issues and other subjects of interest to central banks and while also seeking to gain further technical assistance support.

## Conclusion

While global growth showed signs of rebound from the crisis, this recovery remains patchy and is surrounded by uncertainty. Much of the growth remained dependent on fiscal stimulus measures as private sector demand stayed weak and unemployment rates relatively high. Monetary policy of many countries, especially the advanced economies, has also been actively supportive with interest rates falling to record lows.

Cambodia has emerged from the global recession quite strongly and is now on the road of recovery. Economic growth is accelerating, inflation is under control, exchange rate remains broadly stable and the international reserves continue to accumulate. More than a decade of structural reform, a sound and stable financial system and well-timed and well-targeted policy stimulus provided crucial support for the Cambodian economy.

But tasks remain with regards to sustaining high economic growth, maintaining price stability and institutional building. Short term outlook will still depend on the strength of the global recovery and foreign investment. Meanwhile, monetary policy has had to balance concerns about rising inflation with the need to stimulate economic activity. The reserve requirement rate has been maintained at 12 percent for USD-denominated bank's liabilities.

On the basis of our broad strategy to develop the banking and financial sector, we will continue apace with building necessary legal and institutional framework and infrastructure for an effective functioning of the banking and financial system, while at the same time placing also emphasis on a continuous upgrade of human resource capacity for this sector. Further, the NBC will continue to reinforce the regulation and supervision of the financial sector. Effective surveillance of the financial market has entailed adoption of appropriate risk management policies and procedures meant to ensure that financial institutions do not undertake excessive risks that may increase the vulnerability of the country to external shocks. Microfinance will as well remain a central component in our future reform agenda. It is seen as an effective development tool for poverty reduction for the simple reason that financial services enable poor and low-income households to take advantage of economic opportunities, to build assets, and to reduce their vulnerability to external shocks that can adversely affect their living standards.

The task ahead are indeed not easy and will require time and patience, despite our strong commitment to undertake policy actions, since many reform activities involved issues, concepts and mechanism that are new to Cambodia and require therefore special consideration and management. Therefore, the NBC looks forwards to strengthening further

its relationship with all stakeholders and development partners to respond to financial sector development challenges so that Cambodia can have a modern banking and financial sector capable to support economic growth, whereby contribute to poverty reduction, which represents an ultimate goal of the Royal Government of Cambodia.



# Appendix

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

Consumer Price Index	2009	2010											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>CPI (All Items)</b>	<b>134.03</b>	<b>134.06</b>	<b>134.37</b>	<b>135.26</b>	<b>134.87</b>	<b>135.19</b>	<b>135.15</b>	<b>135.84</b>	<b>137.02</b>	<b>137.99</b>	<b>139.93</b>	<b>138.46</b>	<b>138.25</b>
Food and Non-Alcoholic Beverages	148.71	148.38	148.89	149.67	149.21	149.66	149.94	151.39	153.65	155.31	158.50	156.25	154.11
Alcoholic Beverages, Tobacco and Narcotics	122.48	122.21	123.24	122.96	123.15	122.90	122.64	122.22	123.36	122.52	123.28	122.55	121.89
Clothing and Footwear	111.75	112.80	113.83	114.02	113.65	113.86	113.71	113.60	114.33	115.38	115.15	114.67	114.61
Housing, Water, Electricity, Gas and other Fuels	117.62	118.78	119.13	119.83	119.41	119.65	119.20	118.86	118.73	117.45	118.92	118.13	121.03
Furnishings, Household Maintenance	120.01	120.83	121.48	121.52	120.61	120.64	120.35	120.85	121.42	121.85	121.86	121.77	121.76
Health	116.31	115.05	115.81	115.75	116.22	115.61	115.78	115.99	115.55	116.24	116.53	116.65	117.09
Transport	116.66	116.11	116.07	118.25	118.09	118.41	118.55	118.69	118.40	119.20	120.13	118.84	120.59
Communication	72.99	72.88	72.10	71.39	71.39	71.92	71.46	71.43	70.41	74.44	74.46	73.74	73.35
Recreation and Culture	103.09	103.86	102.90	104.40	104.71	104.78	103.91	104.10	103.57	104.37	103.92	103.06	103.57
Education	138.76	139.39	140.16	139.39	140.16	140.16	140.16	140.16	140.16	140.16	140.16	140.16	140.16
Restaurants	171.97	172.19	170.54	172.48	170.54	171.11	169.48	170.60	174.09	177.40	178.19	175.81	176.12
Miscellaneous Goods and Services	126.75	127.44	129.70	130.21	130.34	131.69	132.77	132.86	133.29	134.50	138.36	139.55	139.40
	<b>Month to Month Change (%)</b>												
<b>CPI (All Items)</b>	<b>-0.09</b>	<b>0.02</b>	<b>0.23</b>	<b>0.66</b>	<b>-0.29</b>	<b>0.24</b>	<b>-0.03</b>	<b>0.51</b>	<b>0.87</b>	<b>0.71</b>	<b>1.40</b>	<b>-1.05</b>	<b>-0.16</b>
Food and Non-Alcoholic Beverages	-1.00	-0.22	0.34	0.52	-0.30	0.30	0.19	0.96	1.49	1.08	2.06	-1.42	-1.37
Alcoholic Beverages, Tobacco and Narcotics	-0.51	-0.22	0.85	-0.23	0.16	-0.21	-0.21	-0.34	0.94	-0.68	0.62	-0.59	-0.55
Clothing and Footwear	-0.25	0.94	0.91	0.16	-0.32	0.18	-0.14	-0.10	0.65	0.91	-0.20	-0.42	-0.05
Housing, Water, Electricity, Gas and other Fuels	2.25	0.99	0.29	0.59	-0.35	0.20	-0.38	-0.28	-0.11	-1.08	1.25	-0.66	2.45
Furnishings, Household Maintenance	0.39	0.68	0.54	0.03	-0.75	0.03	-0.24	0.41	0.47	0.36	0.01	-0.07	-0.01
Health	-0.03	-1.08	0.66	-0.05	0.41	-0.53	0.15	0.18	-0.38	0.60	0.25	0.10	0.38
Transport	0.31	-0.47	-0.04	1.88	-0.13	0.27	0.11	0.11	-0.24	0.67	0.78	-1.08	1.48
Communication	-0.81	-0.15	-1.07	-0.99	0.00	0.75	-0.65	-0.04	-1.43	5.72	0.03	-0.97	-0.53
Recreation and Culture	-1.88	0.75	-0.93	1.46	0.29	0.07	-0.83	0.18	-0.51	0.77	-0.43	-0.82	0.49
Education	0.00	0.45	0.56	-0.55	0.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restaurants	1.11	0.12	-0.96	1.14	-1.13	0.34	-0.95	0.66	2.04	1.90	0.44	-1.33	0.18
Miscellaneous Goods and Services	0.95	0.54	1.78	0.39	0.11	1.03	0.82	0.07	0.32	0.91	2.87	0.86	-0.11
	<b>Year on Year Change (%)</b>												
<b>CPI (All Items)</b>	<b>5.32</b>	<b>6.92</b>	<b>7.31</b>	<b>6.65</b>	<b>5.30</b>	<b>4.46</b>	<b>2.58</b>	<b>1.62</b>	<b>1.75</b>	<b>1.93</b>	<b>3.69</b>	<b>3.21</b>	<b>3.14</b>
Food and Non-Alcoholic Beverages	5.42	7.84	8.59	7.04	5.13	3.86	1.75	1.40	2.03	2.26	4.59	4.03	3.63
Alcoholic Beverages, Tobacco and Narcotics	10.34	7.45	5.93	3.78	3.64	3.08	2.57	1.16	1.70	-0.26	0.26	-0.45	-0.48
Clothing and Footwear	2.60	3.04	4.40	3.43	1.87	2.45	2.60	-0.40	-0.30	0.13	0.52	2.35	2.56
Housing, Water, Electricity, Gas and other Fuels	1.98	4.76	4.37	4.62	5.32	5.31	4.10	3.32	2.94	2.05	3.60	2.70	2.90
Furnishings, Household Maintenance	4.81	4.86	5.55	4.94	3.09	1.63	0.51	0.65	-0.07	-0.65	0.64	1.86	1.46
Health	5.80	4.86	3.88	4.11	3.83	2.61	0.40	-2.67	-2.27	-1.72	-0.17	0.26	0.67
Transport	11.94	14.07	12.11	12.48	10.70	9.31	6.20	4.78	2.13	2.72	3.85	2.18	3.37
Communication	-6.95	-4.47	-6.62	-6.05	-3.09	-2.11	-5.38	-4.13	-4.67	0.35	0.74	0.21	0.49
Recreation and Culture	-1.54	-0.17	-0.43	0.94	1.77	2.22	0.43	1.68	-0.14	0.56	-0.43	-1.91	0.46
Education	8.92	5.91	10.09	5.38	2.67	2.67	2.64	1.01	1.01	1.01	1.01	1.01	1.01
Restaurants	3.84	1.86	4.71	6.22	3.08	2.99	1.11	-2.19	-0.09	1.05	2.49	3.36	2.41
Miscellaneous Goods and Services	11.32	10.53	11.75	10.74	10.58	10.71	10.69	8.93	9.58	9.92	11.25	11.14	9.98
	<b>Three-month moving average</b>												
<b>All Items</b>	<b>134.38</b>	<b>134.08</b>	<b>134.15</b>	<b>134.56</b>	<b>134.83</b>	<b>135.10</b>	<b>135.07</b>	<b>135.39</b>	<b>136.00</b>	<b>136.95</b>	<b>138.31</b>	<b>138.79</b>	<b>138.88</b>
Annual Percentage Change	1.59	4.45	6.51	6.96	6.41	5.46	4.10	2.87	1.98	1.77	2.46	2.94	3.35
	<b>Twelve-month moving average</b>												
<b>All Items</b>	<b>131.12</b>	<b>131.85</b>	<b>132.61</b>	<b>133.31</b>	<b>133.88</b>	<b>134.36</b>	<b>134.64</b>	<b>134.82</b>	<b>135.02</b>	<b>135.24</b>	<b>135.65</b>	<b>136.01</b>	<b>136.36</b>
Annual Percentage Change	-0.66	-0.70	-0.58	0.00	0.76	1.62	2.27	2.76	3.17	3.55	4.01	4.18	4.00



Table 2 : Consumer Price Index (CPI) December 2006 - December 2010

(October-December, 2006=100)

Consumer Price Index	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
<b>CPI (All Items)</b>	<b>99.25</b>	<b>113.10</b>	<b>127.26</b>	<b>134.03</b>	<b>138.25</b>
Food and Non-Alcoholic Beverages	99.03	118.47	141.06	148.71	154.11
Alcoholic Beverages, Tobacco and Narcotics	99.28	102.20	111.00	122.48	121.89
Clothing and Footwear	98.44	101.99	108.92	111.75	114.61
Housing, Water, Electricity, Gas and other Fuels	99.93	112.66	115.34	117.62	121.03
Furnishings, Household Maintenance	100.39	106.64	114.50	120.01	121.76
Health	100.03	105.52	109.94	116.31	117.09
Transport	98.80	112.51	104.21	116.66	120.59
Communication	96.89	85.24	78.45	72.99	73.35
Recreation and Culture	99.70	98.65	104.71	103.09	103.57
Education	99.33	106.00	127.40	138.76	140.16
Restaurants	99.13	108.19	165.62	171.97	176.12
Miscellaneous Goods and Services	99.59	110.06	113.86	126.75	139.40
<b>Month to Month Change (%)</b>					
<b>CPI (All Items)</b>	<b>-0.79</b>	<b>1.06</b>	<b>-3.93</b>	<b>-0.09</b>	<b>-0.16</b>
Food and Non-Alcoholic Beverages	-1.00	0.32	-4.56	-1.00	-1.37
Alcoholic Beverages, Tobacco and Narcotics	-1.00	0.31	0.94	-0.51	-0.55
Clothing and Footwear	-1.81	0.44	-0.71	-0.25	-0.05
Housing, Water, Electricity, Gas and other Fuels	-0.15	3.78	-4.76	2.25	2.45
Furnishings, Household Maintenance	0.32	0.40	-0.76	0.39	-0.01
Health	0.42	0.06	-0.48	-0.03	0.38
Transport	-1.00	2.65	-8.46	0.31	1.48
Communication	-3.64	-0.79	-1.27	-0.81	-0.53
Recreation and Culture	-0.70	-0.26	-0.24	-1.88	0.49
Education	-0.28	0.00	0.00	0.00	0.00
Restaurants	-1.41	0.09	0.53	1.11	0.18
Miscellaneous Goods and Services	-0.09	-2.31	0.09	0.95	-0.11
<b>Year on Year Change (%)</b>					
<b>CPI (All Items)</b>	<b>4.20</b>	<b>13.95</b>	<b>12.52</b>	<b>5.32</b>	<b>3.14</b>
Food and Non-Alcoholic Beverages	5.21	19.62	19.08	5.42	3.63
Alcoholic Beverages, Tobacco and Narcotics	0.24	2.94	8.60	10.34	-0.48
Clothing and Footwear	1.20	3.60	6.80	2.60	2.56
Housing, Water, Electricity, Gas and other Fuels	7.82	12.74	2.38	1.98	2.90
Furnishings, Household Maintenance	7.16	6.23	7.37	4.81	1.46
Health	1.63	5.48	4.19	5.80	0.67
Transport	3.38	13.88	-7.38	11.94	3.37
Communication	-5.53	-12.03	-7.97	-6.95	0.49
Recreation and Culture	0.43	-1.06	6.15	-1.54	0.46
Education	-1.70	6.72	20.19	8.92	1.01
Restaurants	-1.19	9.14	53.09	3.84	2.41
Miscellaneous Goods and Services	-0.18	10.51	3.45	11.32	9.98
<b>Three-month moving average</b>					
<b>All Items</b>	<b>100.00</b>	<b>112.33</b>	<b>132.27</b>	<b>134.38</b>	<b>138.88</b>
Annual Percentage Change	4.71	12.33	17.76	1.59	3.35
<b>Twelve-month moving average</b>					
<b>All Items</b>	<b>98.08</b>	<b>105.60</b>	<b>132.00</b>	<b>131.12</b>	<b>136.36</b>
Annual Percentage Change	6.14	7.67	25.00	-0.66	4.00

Table 3: Some Asean And European Currencies Against Khmer Riel (End Period Buying Rate)

Currencies	Dec-09	2010												% Change Dec.10- Dec.09				
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					
<b>IMF</b>																		
Special Drawing Right	6,512	6,492	6,404	6,361	6,341	6,220	6,253	6,454	6,405	6,568	6,625	6,247	6,242	6,247	6,625	6,247	6,242	-4.1
<b>ASIA</b>																		
Australian Dollar	3,736	3,714	3,709	3,848	3,907	3,563	3,584	3,811	3,774	4,097	4,111	3,919	4,114	3,919	4,111	3,919	4,114	10.1
Hong Kong Dollar	537	536	539	539	541	541	542	545	544	545	544	525	521	525	544	525	521	-3.0
Japanese Yen	45.04	46.41	46.85	45.01	44.70	46.22	47.63	48.82	50.08	50.47	51.71	48.39	49.70	48.39	51.71	48.39	49.70	10.3
Korean Won	3.57	3.60	3.59	3.69	3.77	3.53	3.40	3.57	3.53	3.70	3.74	3.53	3.59	3.53	3.74	3.53	3.59	0.6
New Zealand Dollar	3,019	2,931	2,888	2,974	3,042	2,854	2,920	3,061	2,973	3,112	3,158	3,035	3,123	3,035	3,158	3,035	3,123	3.4
Chinese Yuan	610	610	613	613	615	617	621	625	623	632	632	612	613	612	632	612	613	0.5
Taiwan Dollar	129	130	130	132	134	132	131	132	132	135	137	134	139	134	137	134	139	7.8
<b>ASEAN</b>																		
Indonesian Rupiah	0.44	0.45	0.45	0.46	0.47	0.46	0.46	0.47	0.47	0.47	0.47	0.45	0.45	0.45	0.47	0.45	0.45	2.0
Malaysian Ringgit	1,216	1,217	1,228	1,279	1,313	1,280	1,292	1,326	1,345	1,370	1,357	1,289	1,318	1,289	1,357	1,289	1,318	8.4
Philippine Peso	90.13	89.42	90.38	92.33	94.06	91.32	91.05	92.70	93.67	95.97	97.75	92.36	92.48	92.36	97.75	92.36	92.48	2.6
Singapore Dollar	2,966	2,964	2,968	2,988	3,069	2,996	3,007	3,106	3,122	3,210	3,241	3,088	3,143	3,088	3,241	3,088	3,143	6.0
Thai Baht	125	126	126	129	130	129	130	131	135	139	141	135	134	135	141	135	134	7.2
Vietnamese Dong	0.225	0.225	0.222	0.219	0.221	0.222	0.221	0.222	0.217	0.217	0.217	0.209	0.208	0.209	0.217	0.209	0.208	-7.6
<b>EUROPE</b>																		
Euro	5,978	5,815	5,661	5,613	5,569	5,178	5,142	5,533	5,350	5,761	5,820	5,341	5,387	5,341	5,820	5,341	5,387	-9.9
<b>Other</b>																		
Great Britain Pounds	6,694	6,720	6,373	6,306	6,450	6,095	6,353	6,611	6,546	6,682	6,661	6,340	6,252	6,340	6,661	6,340	6,252	-6.6

Table 4: Monetary Survey

(In Billion Riels)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
<b>Net Foreign Assets</b>	<b>7,224</b>	<b>10,735</b>	<b>10,346</b>	<b>14,655</b>	<b>16,698</b>
Foreign Assets	7,650	11,890	12,886	16,514	18,918
Foreign Liabilities	-426	-1,156	-2,540	-1,858	-2,220
<b>Net Domestic Assets</b>	<b>-282</b>	<b>576</b>	<b>1,513</b>	<b>1,573</b>	<b>2,779</b>
<b>Domestic Credit</b>	<b>2,676</b>	<b>4,570</b>	<b>6,907</b>	<b>8,280</b>	<b>11,206</b>
<b>Net Claims on Government</b>	<b>-953</b>	<b>-1,816</b>	<b>-2,987</b>	<b>-2,252</b>	<b>-2,127</b>
Claims	287	297	270	270	270
Deposits	-1,240	-2,113	-3,257	-2,522	-2,397
<b>Non-Government</b>	<b>3,630</b>	<b>6,386</b>	<b>9,894</b>	<b>10,532</b>	<b>13,333</b>
Public Enterprises	2	1	1	0	2
Private Sector	3,628	6,385	9,893	10,532	13,331
Of Which in Foreign Currency	3,476	6,161	9,603	10,214	12,886
<b>Other Items (Net)</b>	<b>-2,959</b>	<b>-3,994</b>	<b>-5,394</b>	<b>-6,707</b>	<b>-8,428</b>
Restricted Deposits	-155	-255	-288	-341	-476
Capital and Reserves	-3,241	-4,312	-5,776	-7,258	-8,674
Others	438	572	670	892	722
<b>Liquidity (M2)</b>	<b>6,942</b>	<b>11,311</b>	<b>11,859</b>	<b>16,228</b>	<b>19,477</b>
<b>Money (M1)</b>	<b>1,658</b>	<b>2,052</b>	<b>2,400</b>	<b>3,120</b>	<b>3,221</b>
Currency Outside Banks	1,600	1,990	2,295	3,002	3,099
Demand Deposit	58	62	105	119	122
<b>Quasi-Money</b>	<b>5,285</b>	<b>9,259</b>	<b>9,459</b>	<b>13,108</b>	<b>16,256</b>
Time and Savings Deposits	89	121	185	359	408
Foreign Currency Deposits	5,196	9,138	9,274	12,749	15,848
<b>Memorandum Items</b>					
<b>Net Foreign Assets (In million dollars)</b>	<b>1,779</b>	<b>2,682</b>	<b>2,535</b>	<b>3,515</b>	<b>4,120</b>
NBC	1,411	2,143	2,641	3,181	3,697
DMBs	368	538	-106	334	423
<b>Velocity</b>	<b>4.9</b>	<b>3.9</b>	<b>3.4</b>	<b>6.5</b>	<b>13.5</b>

Table 5: Monetary Survey

(Annual percentage change)

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
<b>Net Foreign Assets</b>	<b>31.9</b>	<b>48.6</b>	<b>-3.6</b>	<b>41.7</b>	<b>13.9</b>
Foreign Assets	24.5	55.4	8.4	28.2	14.6
Foreign Liabilities	-36.2	171.5	119.8	-26.8	19.4
<b>Net Domestic Assets</b>	<b>37.4</b>	<b>304.2</b>	<b>162.7</b>	<b>4.0</b>	<b>76.6</b>
<b>Domestic Credit</b>	<b>35.7</b>	<b>70.7</b>	<b>51.1</b>	<b>19.9</b>	<b>35.3</b>
<b>Net Claims on Government</b>	<b>-126.4</b>	<b>-90.5</b>	<b>-64.5</b>	<b>24.6</b>	<b>5.6</b>
Claims	-12.2	3.6	-8.9	0.0	0.0
Deposits	65.8	70.4	54.2	-22.6	-5.0
<b>Non-Government</b>	<b>51.6</b>	<b>75.9</b>	<b>54.9</b>	<b>6.4</b>	<b>26.6</b>
State Enterprises	0.0	-43.5	-49.8	-100.0	100.0
Private Sector	51.6	76.0	55.0	6.5	26.6
Of Which in Foreign Currency	52.8	77.3	55.9	6.4	26.2
<b>Other Items (Net)</b>	<b>-22.1</b>	<b>-35.0</b>	<b>-35.0</b>	<b>-24.3</b>	<b>-25.7</b>
Restricted Deposits	26.1	64.2	13.1	18.5	39.6
Capital and Reserves	22.8	33.0	34.0	25.7	19.5
Others	28.5	30.8	17.1	33.2	-19.1
<b>Liquidity</b>	<b>38.2</b>	<b>62.9</b>	<b>4.8</b>	<b>36.8</b>	<b>20.0</b>
<b>Money</b>	<b>25.3</b>	<b>23.8</b>	<b>16.9</b>	<b>30.0</b>	<b>3.2</b>
Currency Outside Banks	24.8	24.4	15.3	30.8	3.2
Demand Deposits	43.0	7.1	68.3	13.2	3.1
<b>Quasi-Money</b>	<b>42.7</b>	<b>75.2</b>	<b>2.2</b>	<b>38.6</b>	<b>24.0</b>
Time and Savings Deposits	-21.4	36.6	52.7	94.1	13.8
Foreign Currency Deposits	44.8	75.9	1.5	37.5	24.3
<b>Memorandum Items</b>					
<b>Net Foreign Assets (In million dollars)</b>	<b>33.7</b>	<b>50.7</b>	<b>-5.5</b>	<b>38.7</b>	<b>17.2</b>
NBC	31.0	51.9	23.2	20.5	16.2
DMBs	45.6	46.2	-119.6	-416.7	26.7
<b>Velocity</b>	<b>-9.9</b>	<b>-20.6</b>	<b>-11.6</b>	<b>89.9</b>	<b>107.8</b>

Table 6: Monetary Authority

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
(In Billion Riels)					
<b>Reserve Money</b>	<b>3,383</b>	<b>5,018</b>	<b>6,100</b>	<b>8,741</b>	<b>10,245</b>
Currency Outside Banks	1,600	1,990	2,295	3,002	3,099
Vault Cash	30	47	90	86	140
Bank Deposits	1,736	2,968	3,688	5,621	6,978
Required Reserves	428	778	1,632	1,677	2,134
Other	1,308	2,191	2,055	3,945	4,844
Other Deposits	17	13	28	32	28
<b>Net Foreign Assets</b>	<b>5,729</b>	<b>8,579</b>	<b>10,776</b>	<b>13,262</b>	<b>14,982</b>
Foreign Assets	5,729	8,579	10,776	13,710	15,410
Foreign Liabilities	0	0	0	448	428
<b>Net Domestic Assets</b>	<b>-2,346</b>	<b>-3,561</b>	<b>-4,676</b>	<b>-4,520</b>	<b>-4,738</b>
Net Claims on Government	-807	-1,632	-2,696	-1,976	-1,785
Claims	286	297	270	270	270
Deposits	-1,093	-1,929	-2,966	-2,246	-2,055
Net Claims on Banks	-92	-151	-194	-296	-439
Claim on Private Sector	2	2	2	2	0
Other Items (Net)	-1,449	-1,779	-1,788	-2,250	-2,514
(Annual Percentage Change)					
<b>Reserve Money</b>	<b>28.3</b>	<b>48.3</b>	<b>21.6</b>	<b>43.3</b>	<b>17.2</b>
Currency Outside Banks	24.8	24.4	15.3	30.8	3.2
Vault Cash	10.6	58.8	90.8	-4.0	62.6
Bank Deposits	31.3	71.0	24.2	52.4	24.1
Required Reserves	41.6	81.7	109.8	2.8	27.3
Other	28.3	67.5	-6.2	91.9	22.8
Other Deposits	183.0	-25.8	118.6	15.1	-14.1
<b>Net Foreign Assets</b>	<b>29.2</b>	<b>49.8</b>	<b>25.6</b>	<b>23.1</b>	<b>13.0</b>
Foreign Assets	20.2	49.8	25.6	27.2	12.4
Foreign Liabilities	-100.0	-	-	100.0	-4.5
<b>Net Domestic Assets</b>	<b>-30.6</b>	<b>-51.8</b>	<b>-31.3</b>	<b>3.3</b>	<b>-4.8</b>
Net Claims on Government	-98.4	-102.2	-65.2	26.7	9.7
Claims	5.9	3.6	-8.9	-0.1	0.0
Deposits	61.5	76.4	53.8	-24.3	-8.5
Net Claims on Banks	-9.1	64.6	28.1	52.8	48.1
Claims on Private Sector	-11.9	-3.5	-2.2	-4.2	-100.0
Other Items (Net)	-12.5	-22.8	-0.5	-25.9	-11.7

Table 7: Deposit Money Banks

	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
(In Billion Riels)					
<b>Net Foreign Assets</b>	<b>1,496</b>	<b>2,156</b>	<b>-431</b>	<b>1,393</b>	<b>1,715</b>
Foreign Assets	1,921	3,311	2,110	2,804	3,508
Foreign Liabilities	-426	-1,156	-2,540	-1,411	-1,792
<b>Net Domestic Assets</b>	<b>1,962</b>	<b>4,020</b>	<b>5,962</b>	<b>5,733</b>	<b>7,185</b>
<b>Domestic credit</b>	<b>3,490</b>	<b>6,160</b>	<b>9,561</b>	<b>10,254</b>	<b>12,991</b>
Claims on Central Government (Net)	-146	-184	-292	-276	-342
Claims on public enterprises	2	1	1	0	2
Claims on private sector	3,626	6,383	9,892	10,530	13,331
Claims on MA (Net)	8	-40	-40	0	0
<b>Other Items (Net)</b>	<b>-1,527</b>	<b>-2,140</b>	<b>-3,598</b>	<b>-4,521</b>	<b>-5,806</b>
<b>Reserves</b>	<b>1,868</b>	<b>3,132</b>	<b>4,005</b>	<b>6,068</b>	<b>7,450</b>
Cash	30	47	90	86	140
Deposits at NBC	1,838	3,085	3,915	5,982	7,309
<b>Domestic Liabilities</b>	<b>5,325</b>	<b>9,308</b>	<b>9,537</b>	<b>13,194</b>	<b>16,350</b>
Demand Deposits	41	49	77	86	95
Time and Savings Deposits	89	121	185	359	408
Foreign Currency Deposits	5,196	9,138	9,275	12,749	15,848
<b>Total Assets = Total Liabilities</b>	<b>7,963</b>	<b>13,543</b>	<b>17,308</b>	<b>21,344</b>	<b>26,372</b>
(Annual Percentage Change)					
<b>Net Foreign Assets</b>	<b>43.6</b>	<b>44.1</b>	<b>-120.0</b>	<b>-423.6</b>	<b>23.1</b>
Foreign Assets	39.8	72.3	-36.3	32.9	25.1
Foreign Liabilities	27.8	171.5	119.8	-44.5	27.0
<b>Net Domestic Assets</b>	<b>53.9</b>	<b>104.9</b>	<b>48.3</b>	<b>-3.8</b>	<b>25.3</b>
<b>Domestic Credit</b>	<b>46.3</b>	<b>76.5</b>	<b>55.2</b>	<b>7.3</b>	<b>26.7</b>
Claims on Central Government (Net)	-915.0	-25.6	-58.5	5.3	-23.9
Claims on Public Enterprises	100.0	-43.6	-49.0	-100.0	100.0
Claims on Private Sector	51.6	76.0	55.0	6.5	26.6
Claims on MA (Net)	-1.3	-579.7	0.0	-100.0	0.0
<b>Other Items (Net)</b>	<b>-37.6</b>	<b>-40.1</b>	<b>-68.2</b>	<b>-25.6</b>	<b>-28.4</b>
<b>Reserves</b>	<b>31.5</b>	<b>67.7</b>	<b>27.9</b>	<b>51.5</b>	<b>22.8</b>
Cash	10.6	58.8	90.8	-4.0	62.6
Deposits at NBC	31.9	67.9	26.9	52.8	22.2
<b>Domestic Liabilities</b>	<b>42.5</b>	<b>74.8</b>	<b>2.5</b>	<b>38.4</b>	<b>23.9</b>
Demand Deposits	18.6	21.0	56.1	11.8	9.5
Time and Savings Deposits	-21.4	36.6	52.7	94.1	13.8
Foreign Currency Deposits	44.8	75.9	1.5	37.5	24.3
<b>Total Assets = Total Liabilities</b>	<b>42.7</b>	<b>70.1</b>	<b>27.8</b>	<b>23.3</b>	<b>23.6</b>

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

(In Billion Riels)

	Dec-08	Dec-09	Oct-10	Nov-10	Dec-10
<b>1. Financial Institutions</b>	<b>135</b>	<b>145</b>	<b>159</b>	<b>143</b>	<b>177</b>
National Bank of Cambodia(NBC)	0	0	0	0	0
Depository Institutions	9	10	17	16	18
Other Financial Institutions	126	135	142	127	160
<b>2. Non-Financial Institutions</b>	<b>8,300</b>	<b>9,208</b>	<b>11,177</b>	<b>11,166</b>	<b>11,695</b>
Agriculture, Forestry and Fishing	516	709	826	816	884
Mining and Quarrying	7	11	56	54	55
Manufacturing	984	920	1,123	1,143	1,150
Utilities	77	56	76	71	73
Construction	774	904	944	939	931
Wholesale Trade	1,618	1,353	2,045	2,074	2,316
Retail Trade	1,245	1,922	2,232	2,184	2,369
Hotels and Restaurants	1,277	1,262	1,364	1,318	1,288
Transport and Storage	137	176	226	241	252
Information Media and Telecommunications	244	308	324	314	356
Rental and Operational Leasing Activities, excluded Real Estate Leasing and Rentals	24	46	52	102	99
Real Estate Activities	737	663	701	658	613
Other Non-Financial Services	659	879	1,207	1,252	1,309
<b>3. Personal Essentials</b>	<b>1,316</b>	<b>1,142</b>	<b>1,249</b>	<b>1,190</b>	<b>1,183</b>
Personal Lending	584	748	770	708	684
Credit Cards	16	17	24	26	24
Mortgages, Owner-Occupied Housing only	716	378	455	455	476
<b>4. Other Lending</b>	<b>81</b>	<b>46</b>	<b>118</b>	<b>114</b>	<b>165</b>
<b>Total Gross Loan</b>	<b>9,833</b>	<b>10,541</b>	<b>12,704</b>	<b>12,614</b>	<b>13,221</b>

Table 9: Deposits with Deposit Money Banks

(In Billion Riels)

	Dec-08	Dec-09	Oct-10	Nov-10	Dec-10
<b>Deposits in Riel</b>					
Demand deposits	41	102	136	181	141
Savings deposits	63	233	181	188	198
Fixed deposits	42	139	219	208	201
Others	2	1	1	1	1
<b>Total</b>	<b>148</b>	<b>476</b>	<b>536</b>	<b>578</b>	<b>541</b>
<b>Deposits in Foreign Currency</b>					
Demand deposits	959	2,714	3,476	3,539	3,219
Savings deposits	1,703	4,256	5,662	5,636	6,074
Fixed deposits	1,072	6,308	7,728	7,361	7,565
Others	46	89	79	69	80
<b>Total</b>	<b>3,780</b>	<b>13,366</b>	<b>16,945</b>	<b>16,605</b>	<b>16,938</b>
<b>GRAND TOTAL</b>	<b>3,927</b>	<b>13,842</b>	<b>17,482</b>	<b>17,183</b>	<b>17,479</b>

# Cambodia: Balance of Payments

Year 2007 - 2010

(US\$ million)

	2007	2008	2009	2010 <sup>F</sup>
<b>Balance of trade</b>	<b>-1,343.4</b>	<b>-1,800.4</b>	<b>-1,634.2</b>	<b>-1,697.5</b>
<b>Exports (FOB)</b>	<b>4,088.5</b>	<b>4,708.0</b>	<b>4,196.2</b>	<b>4,686.6</b>
Domestic exports	3,873.9	4,423.7	3,879.4	4,363.4
GSP exports mainly garments	2,942.3	3,006.4	2,514.8	2,898.3
Other domestic exports	931.6	1,417.3	1,364.6	1,465.1
Re-exports (including profit and transportation cost)	214.6	284.3	316.8	323.2
<b>Imports (FOB)</b>	<b>-5,431.9</b>	<b>-6,508.4</b>	<b>-5,830.5</b>	<b>-6,384.2</b>
Retained imports	-5,250.5	-6,271.0	-5,565.4	-6,109.5
Garment Sector	-1,376.6	-1,404.1	-1,191.8	-1,366.8
Petroleum	-1,347.6	-1,924.3	-1,805.4	-1,968.0
Other retained imports	-2,526.2	-2,942.6	-2,568.1	-2,774.7
Imports for re-exports	-181.4	-237.4	-265.1	-274.7
<b>Net Services</b>	<b>632.1</b>	<b>609.4</b>	<b>606.4</b>	<b>633.0</b>
<b>Receipts</b>	<b>1,547.5</b>	<b>1,645.1</b>	<b>1,624.9</b>	<b>1,652.6</b>
Of which: Travel Services	1,134.8	1,218.8	1,184.6	1,249.8
<b>Payments</b>	<b>-915.4</b>	<b>-1,035.8</b>	<b>-1,018.4</b>	<b>-1,019.5</b>
Of which: Travel Services	-122.7	-96.8	-103.5	-112.8
<b>Net Income</b>	<b>-363.9</b>	<b>-474.6</b>	<b>-468.2</b>	<b>-481.2</b>
<b>Receipts</b>	<b>112.2</b>	<b>108.4</b>	<b>55.6</b>	<b>58.3</b>
Of which: Interest	68.9	62.6	26.2	27.5
<b>Payments</b>	<b>-476.2</b>	<b>-583.0</b>	<b>-523.8</b>	<b>-539.5</b>
Of which: Interest	-42.3	-46.5	-48.8	-50.2
Income on Equity	-339.4	-389.9	-335.2	-345.3
<b>Private transfers, net</b>	<b>382.5</b>	<b>284.3</b>	<b>293.1</b>	<b>307.8</b>
<b>Receipts</b>	<b>475.3</b>	<b>371.8</b>	<b>370.4</b>	<b>388.9</b>
<b>Payments</b>	<b>92.7</b>	<b>87.4</b>	<b>77.2</b>	<b>81.1</b>
<b>BALANCE ON CURRENT ACCOUNT (excluding official transfers)</b>	<b>-692.7</b>	<b>-1,381.3</b>	<b>-1,202.9</b>	<b>-1,237.9</b>
<b>Official Transfers</b>	<b>470.3</b>	<b>563.3</b>	<b>592.6</b>	<b>799.7</b>
<b>Receipts</b>	<b>470.6</b>	<b>563.6</b>	<b>592.9</b>	<b>800.0</b>
<b>Payments</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>
<b>BALANCE ON CURRENT ACCOUNT &amp; OFFICIAL TRANSFERS</b>	<b>-222.4</b>	<b>-818.0</b>	<b>-610.3</b>	<b>-438.1</b>
<b>FINANCIAL ACCOUNT</b>	<b>681.5</b>	<b>1,386.3</b>	<b>599.3</b>	<b>634.6</b>
<b>Official sector loans (excluding IMF), net*</b>	<b>199.6</b>	<b>234.7</b>	<b>153.1</b>	<b>188.0</b>
Drawings	208.5	244.9	164.1	200.0
Repayments	-8.9	-10.2	-11.2	-12.0
<b>Non-official sector investment</b>	<b>481.9</b>	<b>1,151.7</b>	<b>446.2</b>	<b>446.6</b>
Direct investment, net*	866.2	794.7	511.3	553.0
Portfolio Investment Assets*	-6.5	-11.6	-7.6	-7.6
Other Investment, net*	-377.9	-368.6	-57.5	-98.8
<b>Net errors and omission</b>	<b>-36.6</b>	<b>-46.3</b>	<b>6.3</b>	<b>-53.3</b>
<b>OVERALL BALANCE</b>	<b>422.5</b>	<b>522.0</b>	<b>-4.7</b>	<b>143.2</b>
<b>FIANANCING</b>	<b>-422.5</b>	<b>-522.0</b>	<b>4.7</b>	<b>-143.2</b>
<b>Net foreign assets of the NBC*</b>	<b>-435.2</b>	<b>-534.8</b>	<b>-8.1</b>	<b>-156.0</b>
Change in Reserve Assets	-435.2	-534.8	-116.6	-156.0
Use of IMF credit	0.0	0.0	0.0	0.0
Allocation of SDRs	0.0	0.0	108.5	0.0
<b>Exceptional financing</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>

\* A positive Value denotes an increase in foreign liabilities or a decrease in foreign assets and a Negative Value denotes an increase in foreign assets or a decrease in foreign liabilities

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

Note: - Provisional Data for 2007 - 2009 (Subject to change).

- F: Data Forecasted for 2010