



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

**NATIONAL BANK OF CAMBODIA**

# **ANNUAL REPORT 2008**

## **Foreword by the Governor**

Since mid-2007 the global economy has been going through a difficult phase, fraught with the challenges of the global credit crunch, rising inflationary pressures and the risks associated with a sharp global slowdown. The latest World Economic Outlook has forecasted slower growth in both advanced and emerging economies, with global output expected to moderate from 5% in 2007 to 3.4% in 2008. As for advanced economies, growth in the US is expected to decelerate from 2% to 1.1% this year, while in the Euro area the slowdown is projected to be more pronounced, reaching 1% in 2008 from 2.6% a year earlier. Growth in Japan is estimated to contract to -0.3% this year, compared with 2.4% in 2007. Against this background, moderate growth in developing Asian economies is also anticipated, with growth in China and India projected to reach 9% and 7.3%, respectively, from 13.0% and 9.3% in the previous year. According to the IMF, the ASEAN-5 economy is likely to slow to 5.4% in 2008, from 6.3% a year ago.

As a small, open economy, Cambodia is particularly sensitive to price developments in the world economy, and due to its total dependence on externally-supplied energy sources, the hike in the global oil price in the previous year and this year is having an impact on our inflation performance. Surging international food prices have also driven local prices to rise, pushing Cambodia's inflation rate to a peak of 25.7% in May before slowing down to 13.5% in December 2008. Therefore, the first and foremost priority of the NBC has been to ensure macroeconomic stability and financial stability. To this end, we have actively engaged in the government's efforts to timely adopt a package of policy-oriented measures to limit inflationary pressure. As a result, despite some difficulties and social pains, a number of positive signs are occurring in our economy. The preliminary figures and present conditions are signaling that the country will be able to sustain uninterrupted GDP growth in 2008, but at a more moderate pace of 6.8%, as it responds to diminished momentum in the services sector, particularly tourism, sluggish export and investment activities, and modest agricultural growth. The exchange rate of the riel relative to the US dollar remained broadly stable during the year, moving in a range between 4,000 and 4,125. Improved confidence in the policies of the Royal Government of Cambodia and in the banking system has channeled an important rise in the country's foreign reserves, having reached USD 2.2 billion by the end of the reviewed year.

On the monetary front, the sharp rise in inflation since the fourth quarter of 2007 prompted more prudent management of prevailing monetary conditions to better respond to

the risks of higher inflation. Meanwhile, continuing large capital flows over recent years have led to excess liquidity in the banking system as well as the booming real estate markets. Hence, monetary policy implementation was focused on managing the excess liquidity position and avoiding the over-involvement of banks in a real estate sector that held potentially adverse consequences for them. A series of restrictive packages have been introduced to curb the booming credit activity and slow the growing monetary base, including the increase of the statutory reserve requirement from 8% to 16% and the call on banks to limit their lending to real estate trading. All of the banks have satisfied the minimum capital requirement.

Bearing in mind that monetary policy influences aggregates, we have used regulatory policies to supplement the aforementioned monetary measures. The NBC, which is the competent authority in this regard, continues to give priority to the conduct of intensive on-site and off-site inspections in order to evaluate the soundness of banking institutions and ensure that they are complying with banking regulations. We further enhanced the COBRA System as an analytical tool to identify sources of risk and to enable prompt corrective actions. Also, in the context of strengthening the prudential regulatory framework for the banking system, we have moved from a basic format of loan classification to a prudential asset classification based on objective criteria; likewise, we have adopted strict criteria for the level of provisioning to be applied to various grades of loans and enhanced the credit information sharing system. We have also required banks to put in place a modern enterprise system, and improve their code of conduct, their corporate governance and their risk management system.

We are very pleased to announce that our banking sector, by and large, has no exposure to the global subprime mortgage crisis. Our banks are performing traditional banking business on a corporate and customer basis. The implementation of reforms and strengthening of the institutional structure of the banking sector in Cambodia has had an all-around salutary impact on the financial health of the banking system, as evidenced by the significant improvements in a number of prudential parameters. The average capital adequacy ratio for the commercial banks in December 2008 was 28%, well above the benchmark of 15% despite significant growth in the aggregate assets of the banking system. In regard to the assets quality, the nonperforming loan ratio, which was as high as 14.8% at end 2002 and 9.9% at end 2006, declined significantly to 3.7% at end December 2008. These figures have been driven by the improvements in loan loss provisioning by the banks and by the improved recovery climate enabled by the more supportive legislative environment. The

NBC remains guarded in the granting of licenses, with stringent fit and proper criteria for the management and the stronger capital base requirement that was recently imposed.

The volume of business transactions undertaken by the sector has been increasing steadily. The level of financial deepening has accelerated with increased financial services promoted through the progressive reforms implemented under Financial Sector Development Strategy 2006-2015. The broad money supply (M2) to GDP has risen to 28.6% of GDP by end 2008. Credit to the private sector has correspondingly risen to an estimated 23% of GDP, whereas total deposits to GDP have grown to about 22.2% of GDP during the same period.

Reforms in other areas of the banking activities are also underway. These include in particular strengthening and supporting the growth of microfinance institutions in Cambodia. Microfinance work has increasingly been integrated into the NBC's mainstream activities, and local stakeholders and external partners have become more involved in finding ways of bringing banking to the poor.

Moreover, in order to further enhance the regulatory framework, given the growing banking system and its complexity, we have taken steps to review the Law on Banking and Financial Institutions.

We have also enhanced our efforts to ensure efficient implementation of the Law on Anti-Money Laundering and Counter-Terrorism Financing that was adopted in 2007 through the recent establishment of the Financial Intelligence Unit. Resources will also be allocated to improve the capacity of this important unit.

The payments system has seen much improvement with the adoption of a new check standard, an improved system for electronic interbank funds transfer, and the opening of bank accounts for civil servant salaries.

In the meantime, in terms of the internal organization of the NBC, internal audit activities have been further strengthened, while information technology is being upgraded in the NBC to enhance the efficiency and the management of core central banking operations. The NBC also continued to motivate and develop skilled staff. To this end, we have adopted appropriate recruitment and reward strategies, while providing staff with opportunities for training and development so they can carry out their duties more effectively and efficiently.

The NBC continued to work closely with other central banks during the year in enhancing cooperation in the banking and financial sector. The IMF and the ADB have

remained fully engaged with technical assistance to the NBC, covering such important areas as banking supervision and the payment system.

I wish to take this opportunity to thank the Board of Governors and the Royal Government of Cambodia for their support to the NBC in its efforts aimed at bringing about a fully functioning banking system that will adequately respond to the needs of the national economy. I also wish to recognize the level of cooperation demonstrated by the banking community during the year and all NBC staff for their hard work and dedication. As they are well aware, there are social and economic challenges ahead which must be tackled by all of us in order to move Cambodia forward.

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## **Introduction**

The year 2008 was marked by remarkable political stability, witnessed by the smooth and successful general election in July and the formation of the new Royal Government of Cambodia for its fourth term in September. This political steadiness is crucial to the economic development process of Cambodia

Macroeconomic performance in 2008 indicated that the Cambodian economy sustained a remarkable stability in view of the weak world economy despite the fact that the country suffered the impact of rising oil and food prices in the global market. The economy was estimated to grow by about 6.8% in real terms compared with 10.1% and 10.8% in 2007 and 2006, respectively. The deceleration in real GDP growth owes mainly to the unsatisfactory performance of the agricultural sector, resulting from inadequate rainfall in most parts of the country that adversely affected agricultural production, which represents a principal sector in output production. In addition, there has been a downward adjustment of growth in the manufacturing sector to reflect depressed external demand.

Inflation, which had been subdued until 2007, was sparked primarily by international price shocks on fuel and commodities and surged from an annual rate of 10.8% in December 2007 to peak at 25.7% in May 2008, and then fell to 13.5% in December 2008. To avoid fueling an inflationary spiral, the NBC has stepped up its efforts to mop up domestic excess liquidity, thereby easing demand pressure on the local economy.

As a result of the substantial capital inflows during the year, the overall balance of payments remained in surplus and gross international reserves have risen further to about USD 2.2 billion by end 2008. This is reflected in the further stabilization of the exchange rate of the riel despite the recent recovery of the US dollar against several international currencies.

The implementation of the second phase of the reform under the Financial Sector Program (FSP II), which is a part of the long-term strategy set out in the government framework paper called “The Financial Sector Development Strategy 2006-2015,” has proceeded smoothly according to the objectives for 2008. Approved on 6 December 2007, FSP II provides focused and sequenced policy measures consistent with the framework for reform in Cambodia’s 5-year National Strategic and Development Plan 2006-2010 as well as the Rectangular Strategy of the government. Its overall aim is to promote the development of a

sound, market-based financial system to support resource mobilization and sustainable economic growth. The expected outcome is a growing, resilient, and efficient financial system.

During 2008, the NBC posted new achievements in developing the banking sector. The financial sector made substantial progress this year in transforming itself further into a market-oriented, private sector dominated sector performing efficient intermediation. The regulatory and supervisory functions of the NBC have been significantly strengthened, and strict enforcement of prudential regulations has led to widespread recapitalization and a consequent improvement in the efficiency and profitability of banking system. Steps have also been taken to deal with concentration risks emanating from exposure to fluctuations in real estate values and ensuing risks in the construction sector.

On the whole, despite heightened uncertainties arising from the recent financial market turmoil and severe credit crunch in several industrialized countries in America, Europe and some Asian economies, domestic banks appear to have been less affected by events abroad and continued to be characterized by a comfortable level of liquidity.

## **I. Macroeconomic Developments**

### **1. Prices and Exchange Rate Movements**

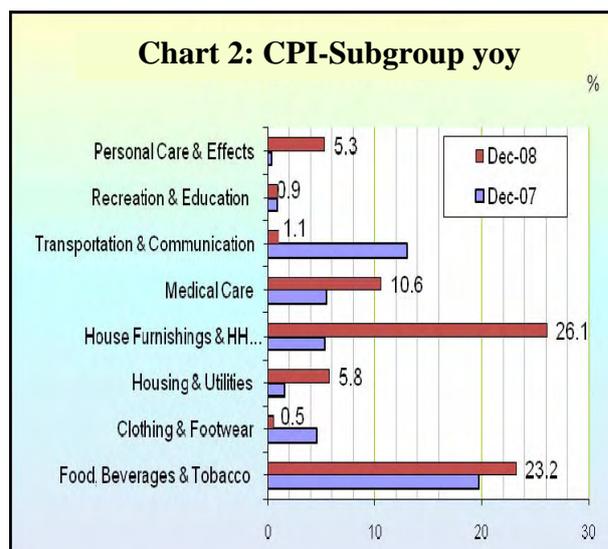
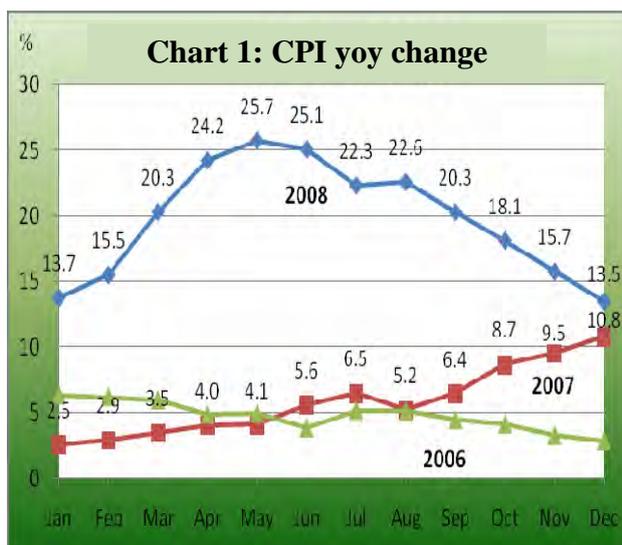
#### **1.1. Retail Prices and Inflation**

During 2008, the prices of various goods in the international markets remained high. The rapid increase in the international food prices and, especially, in energy prices during the first three quarters of the year exacerbated inflationary pressures worldwide. Meanwhile, such development also negatively affected the consumer prices of goods and services in the local markets of Cambodia. Statistics on the movements of the domestic consumer prices indicated a continuous rise in the indices throughout the period from the beginning of the year until August. Inflationary pressure eased somewhat during the last four months of 2008, reflecting in particular a reversal of the upward trend in international fuel prices observed since mid-year on the expectation that global demand for energy would weaken amid uncertain world economic prospects. The increase in the high domestic inflation rate in 2008 compared with the previous year reflected the soaring prices of food, house furnishings and household operations.

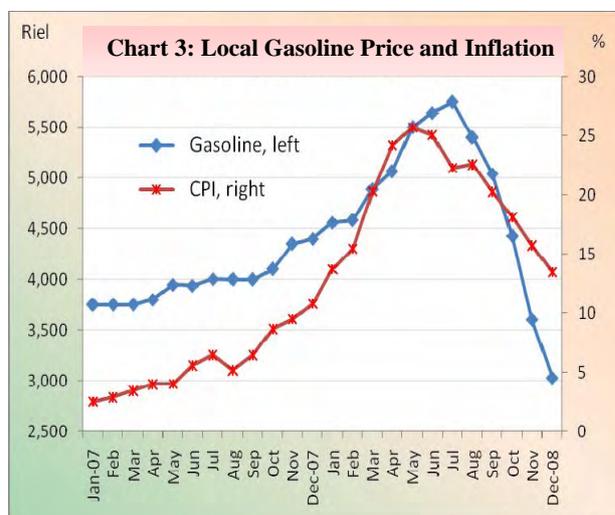
In the early part of the year, the annual inflation rate continued the steep upward trend observed since the last quarter of 2007 to peak at a record high of 25.7% in May 2008. But from July the changes in the consumer price indices experienced a steady decline, registering 18.1% in October, 15.7% in November and 13.5% in December 2008. By comparison, the rate of the year on year inflation in December 2007 and 2006 was 10.8% and 2.8%, respectively.

Sectoral analysis of the Consumer Price Index showed that the inflationary pressure was pronounced mainly in the subgroup of Food, Beverages & Tobacco and the subgroup of House Furnishings & Household Operations, which posted an increase of 23.2% and 26.1%, respectively, in December 2008. Prices for rice (72.5%), meat and poultry (10%), fish (12%) and eggs (23.8%) have increased most dramatically within the food category.

Change in the Medical Care subgroup ranked third with a rate of 10.6%. Housing & Utilities rose 5.8%, whereas Personal Care & Effects increased by 5.3%. Meanwhile, the remaining three subgroups among the eight total groups shaping the consumer basket in the country, Transportation & Communication, Recreation & Education, and Clothing & Footwear, registered relatively moderate increases of 1% and below.

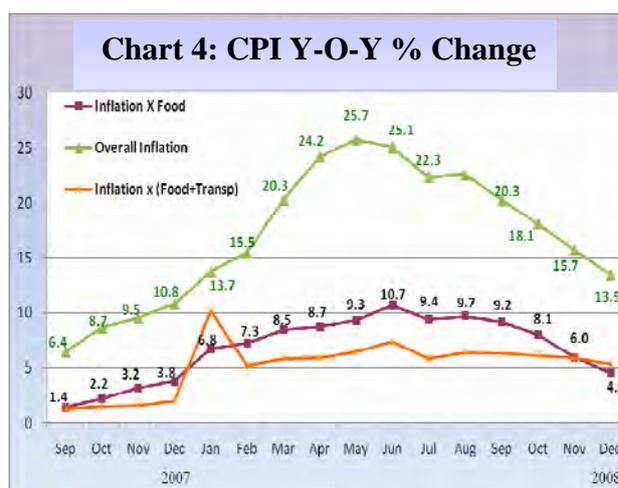


Domestic Food items contributed 9.6% to the overall annual rate of inflation, i.e. 71% of the total observed price increases. The rise in the prices of food commodities was due to the escalation in the price of petroleum products on the world market, which contributed to the rise in transportation costs. A surge in the international food prices in the earlier period of the year was also a major contributory factor. Local premium gasoline pump prices soared from 4,403 riel per liter in December 2007 to reach a peak in July of 5,750 riel per liter (a nearly 31% increase) before experiencing a sharp decline toward the end of the year. By end of December 2008, gasoline was traded at 3,033 riel per liter.



	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
Food	8.2	14.6	17.3	13.3	9.6
Housing & Utilities	0.5	2.2	2.7	2.6	1.9
Transportation & Communication	1.1	1.9	2.3	2.0	0.1
Others	0.9	1.6	2.6	2.3	1.8
CPI	10.8	20.3	25.1	20.3	13.5

Analysis of the movement of inflation excluding food items indicates that non-food inflation slowed down gradually in the last four months of the year, after hitting the highest rate in June at 10.7%. By the end of December, the year on year non-food inflation decelerated to an increase of 4.6%, compared with 3.8% posted for the same period of the previous year. Inflation excluding Food and Transport & Communication, on the other hand, was generally somewhat below non-food inflation.



## 1.2. Exchange Rate Movements

### 1.2.1. The Exchange Rate of Riel Against the US Dollar

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 remained broadly stable during the year. The average exchange rate for 2008 was recorded at 4,065 riel per US dollar compared to 4,062 riel to US\$1.00 for 2007, a marginal change of 3 riel.

Nevertheless, there were large fluctuations in the movements of the daily exchange rate during 2008, with the low-end and the high-end rate posting at 3,978 riel and 4,151 riel against the US dollar for a difference of 173 riel. As shown in the chart below, the riel experienced remarkable stability during the first fourth months of the year under consideration, moving within a narrow range around the rate 4,000 riel per US dollar, the average rate of this four-month period. However, partly due seasonal influences, the local currency weakened from mid-May up until late October, where it averaged 4,125 riel per US dollar. The increased demand for the national currency during the harvest season drove up the value of the riel, when the average rate for the last two months of the year slowed down to 4,088 riel to a US dollar.

The riel closed the year at 4,108. This was a depreciation of 2.7% on the end-period exchange rate for 2007, in contrast to an appreciation of 1.4% recorded in the previous year. The drop in the value of the riel in 2008 reflected the deceleration in the capital inflow into

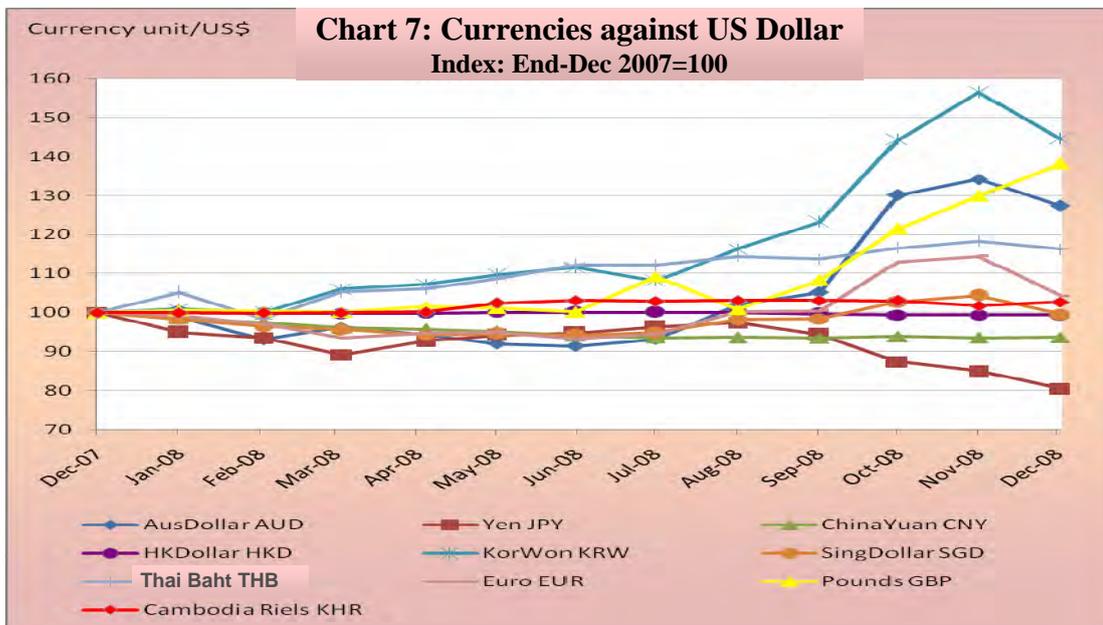
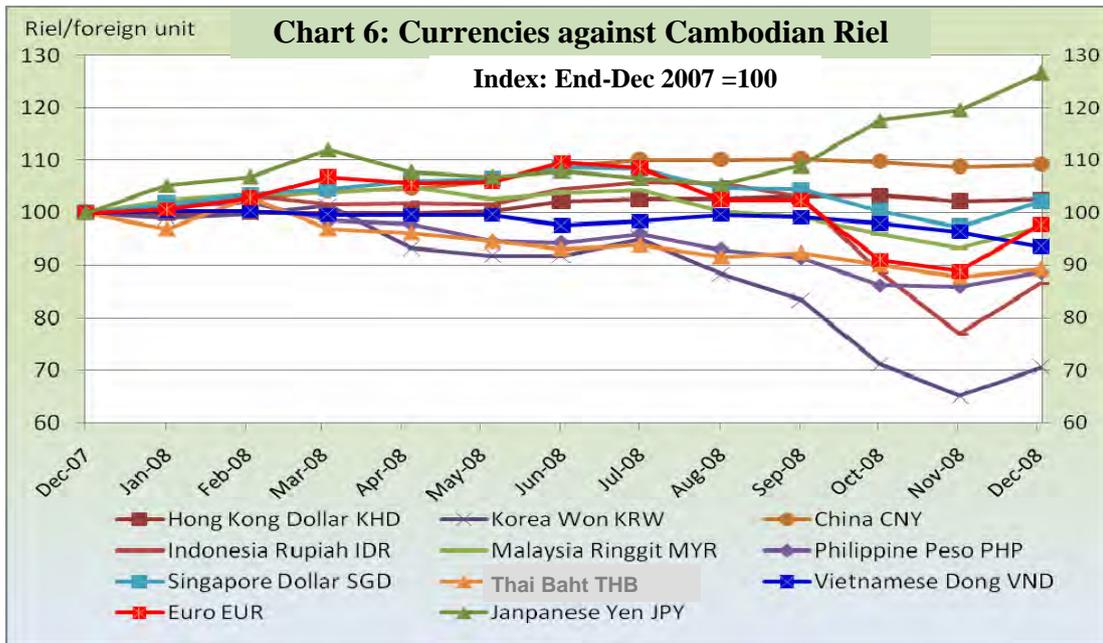
the country as a result of a world-wide liquidity crunch arising from the financial crisis that began in the United States and spread out into other economies in the world.

**Chart 5: Trend of riel exchange rate against US dollar**



**1.2.2. The Exchange Rate of Riel against Currencies other than the US Dollar**

In terms of currencies in the Asian region and the Euro, the respective cross rate of those units against the local unit, the riel, as measured through the US dollar, showed a fluctuation within a range of +10 and -10% around the base (end December 2007) during the earlier period of the year (see chart below), where the US dollar posted weakness against various international currencies. However, during the last four months of the reviewed year the fluctuation range became larger. Among foreign currencies under consideration, the following units weakened against the riel compared to the base period: the Korean won (29.5%), Indonesian rupiah (13.4%), Philippines peso (11.3%), Thai baht (10.7), Vietnamese dong (6.4%) and the euro (2.2). Meanwhile, the Japanese yen strengthened steadily from August and by the end of December 2008 it recorded an appreciation of 26.6% vis-à-vis the local unit. Over the same period, the Chinese yuan, the Hong Kong dollar, and the Singapore dollar gained 9.1%, 2.5%, and 2.2%, respectively.

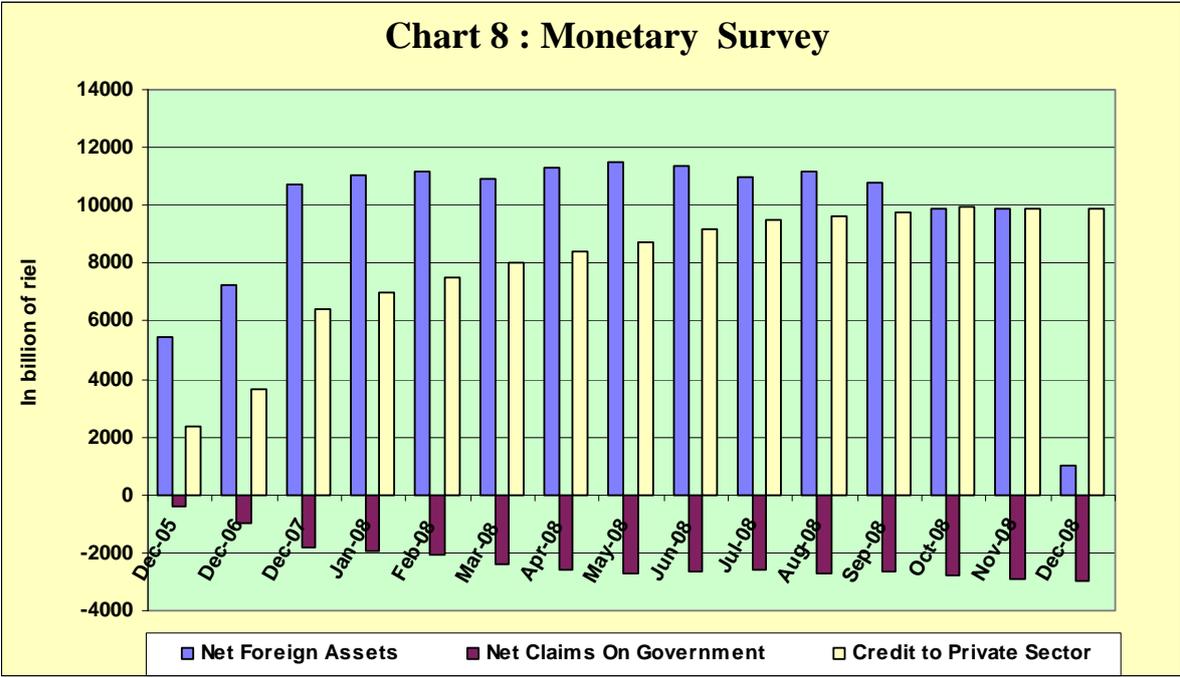


## 2. Monetary Development

The monetary policy of the National Bank of Cambodia in 2008 aimed at maintaining price stability through conducting a managed floating exchange rate regime, accumulating more international reserves and strengthening the confidence of the public. The National Bank of Cambodia decided to tighten the monetary supply by increasing the reserve requirement rate for foreign currency deposits from 8 percent to 16 percent from June 27, 2008 to contain the high inflation rate.

Cambodia's financial system maintained stability and modest growth in the face of financial turmoil in Europe and the US. The significant characteristic of the behavior of

balance sheet components in 2008 was that for the first three quarters of the year, the growth in the aggregates was more rapid than in 2007, but after September, as the world financial situation deteriorated, the growth rate slackened significantly, so the year-on-year result was overall slower growth than was recorded in 2007. The net domestic assets of the banking system over the year 2008 grew at a slower pace than the previous year, while broad money (M2) increased slightly and net foreign assets also decreased marginally compared to the last year. The high growth of net domestic assets was reflected mainly in the significant increase in credit to private sector. At the same time, the annual rate of growth for bank foreign currency deposits and foreign assets of the NBC also rose, but at a slower pace than observed in the year 2007.

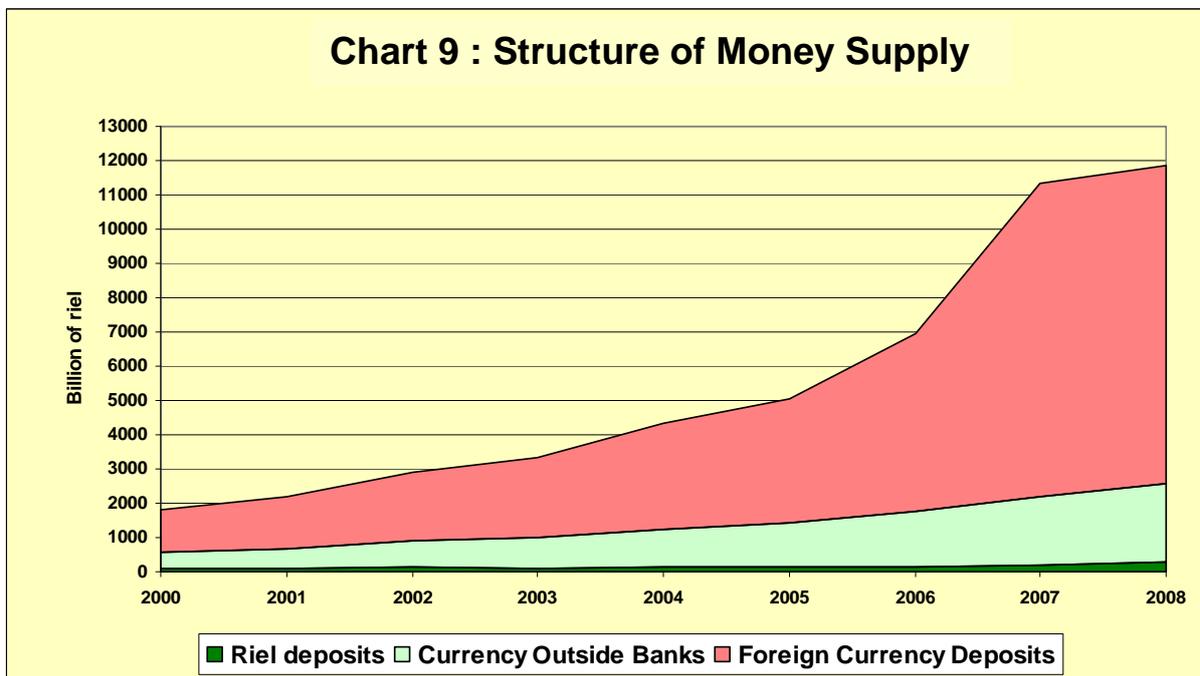


**2.1. Monetary Aggregates**

In the reporting year 2008, broad money (M2) increased by 548.2 billion riel (4.8 percent) from a stock position of 11,310.7 billion riel as recorded at the end of December 2007 to 11,858.9 billion riel as at the end of December 2008. The rise in broad money (M2) was mainly due to the expansion in currency outside banks of 305 billion riel (15.3 percent) coupled with the growth in foreign currency deposits of 136.8 billion riel (1.5 percent), whereas time and saving deposits and demand deposits increased by only 63.8 billion riel (52.7 percent) and 42.5 billion riel (68.3 percent), respectively. The increases in foreign currency deposits reflected an increase in term deposits of 1,145.2 billion riel (41.4 percent)

and demand deposits of 149.9 billion riel (6.5 percent), while savings deposits decreased by 1,049.1 billion riel (23.2 percent).

On the whole, this year’s monetary development was characterized by a further increase in local business and foreign investor confidence in the Cambodian economy and the banking sector. It also mirrored the increasing use of banking services and the deepening of financial intermediation within the economy with the rising number of financial services providers, the continuous modernization of the payment services in several large commercial banks, and the government’s encouragement under the public finance management reform program to use banking services.



**Table 2 : Liquidity Components & Inflation**  
(Y-O-Y percentage change)

	2003	2004	2005	2006	2007	2008
Net claims on government	-7.4	-63.1	-101.8	-126.4	-90.5	-64.5
Credit of private sector	26.2	35.9	31.8	51.6	76.0	55.0
Liquidity (M2)	15.3	30.0	16.1	38.2	62.9	4.8
Currency outside banks	18.6	22.7	15.0	24.8	24.4	15.3
Inflation rate	0.5	5.6	6.7	2.8	10.8	13.5

## **2.2. Factors affecting Money Supply**

The money supply during 2008 grew at a slower pace compared to the previous year. This surge was due to a significant increase in the net domestic assets of banking system, while the net foreign assets of banking system declined slightly.

The net domestic assets jumped by 937.4 billion riel (162.7 percent), while foreign assets shrunk by 389.1 billion riel (3.6 percent). The high growth in net domestic assets was due to a significant increase in credit to the private sector of 3,508.7 billion riel (55 percent). An increase in credit to private sector in the net domestic assets was partly offset by a decline in net claims on the government of 1,171.1 billion riel (64.5 percent) coupled with a surge in banks' capital amounting to 1,464.3 billion riel (34 percent).

With regard to the distribution of credit, the main factor in credit growth this year was wholesale trade, hotels and restaurants, retail trade, manufacturing, construction, real estate activities, other non-financial services, and agriculture, forestry and fishing accounting for 16.5 percent, 13 percent, 12.7 percent, 10 percent, 7.9 percent, 7.5 percent, 6.7 percent, and 5.3 percent of the total, respectively.

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

The monetary base (M0) expanded by 1,081.8 billion riel (21.6 percent) during 2008, driven largely by bank deposits placed with NBC. The latter increased by 719.2 billion riel (24.2 percent), mainly because rising customer deposits drove an increase in the minimum reserve requirement and other deposits with the central bank, while at the same time seven new banks entered the system. In parallel, currency outside banks added 305 billion riel (15.3 percent).

This year's increase in the monetary base could be traced to rises in NBC's net assets. The expansion in M0 stemmed mainly from a sharp increase in NBC's net foreign assets, while growth in government deposits exercised a dampening effect on M0. In fact, the net domestic assets of NBC in 2008 decreased by 1,115.1 billion riel (31.3 percent) from -3,560.9 billion riel in December 2007 to -4,676.2 billion riel in December 2008 after having declined by 1,215.0 billion riel (51.8 percent) in 2007. The drop in net domestic assets resulted mainly from the reductions in net claims on government of 1,063.5 billion riel (65.2 percent), coupled with a slight fall in other items (net). The reduction in net claims on government was due to a rise in government deposits of 1,037 billion riel (53.8 percent), and a decline in claims on government of 26.5 billion riel (8.9 percent).

During 2008, the net foreign assets of NBC recorded a significant rise of 2,197 billion riel (25.6 percent), reflecting the total growth in foreign assets of 2,197.0 billion riel (25.6 percent), while foreign liabilities remained unchanged. The rise in the price of gold also contributed to the increase in the market value of NBC's foreign assets.

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

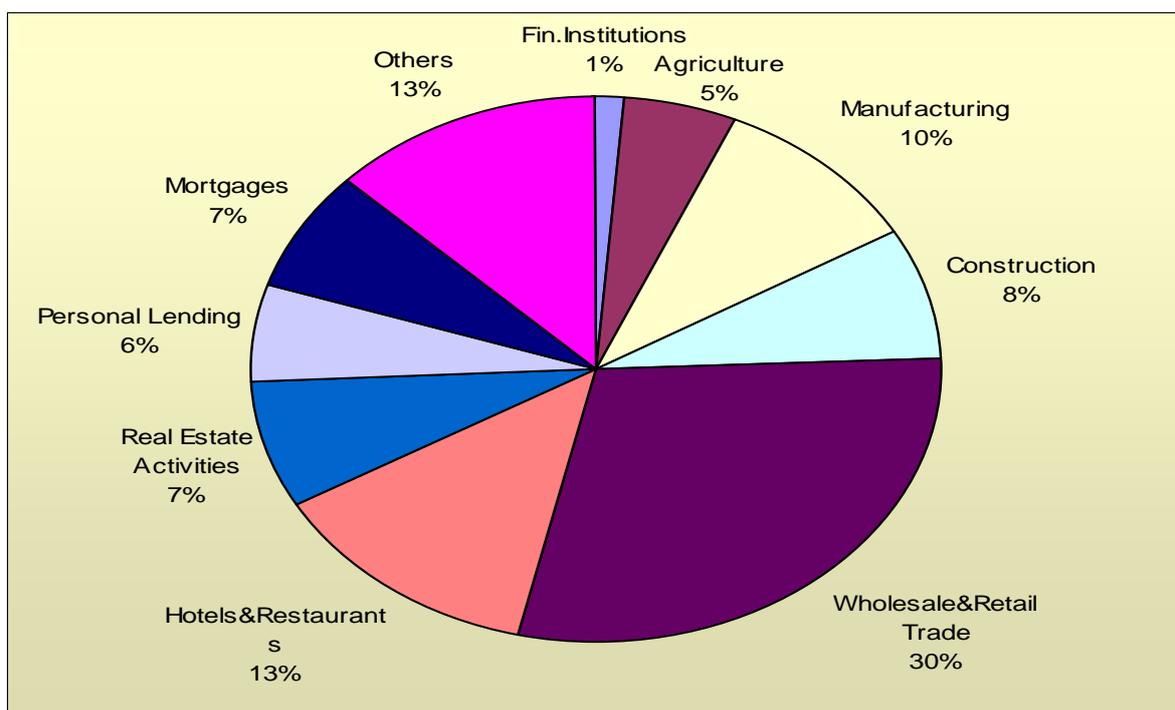
In 2008, the total assets of deposit money banks grew by 3,765.5 billion riel (27.8 percent), while domestic liabilities in terms of deposits increased by 228.4 billion riel (2.5 percent), the primary factor supporting banks' credit activities and contributing to growth in the economy and investment.

Net domestic assets grew by 1,942.1 billion riel (48.3 percent), mirroring an increase of 3,508.8 billion riel (55 percent) in credit to the private sector, while other items net decreased by 1,458.6 billion riel (68.2 percent). Net claims on government decreased by 107.6 billion riel (58.5 percent), while net claims on NBC remained unchanged. The decrease in other items net partly reflected an increase in the capital and reserves of some commercial banks coupled with the capital of seven new banks that started business in the year 2008, a total increase of 1,334 billion riel (61.8 percent).

During the review year, residents' foreign currency deposits, a key component of banks' domestic liabilities, went up by 136.8 billion riel (1.5 percent), whereas term & savings deposits and demand deposits rose by 63.8 billion riel (52.7 percent) and 27.8 billion riel (56.1 percent), respectively.

The net foreign assets of deposit money banks decreased by 2,586.1 billion riel (120 percent), from 2,155.6 billion riel in December 2007 to -430.6 billion riel in December 2008. This decline could be explained by the decrease of 1,201.4 billion (36.3 percent) in foreign assets and, in addition, by the rise in foreign liabilities of 1,384.7 billion (119.8 percent).

**Chart 10 : Banks' credit by type of business activity**



### **2.3. Interest Rate Movements**

The recent global financial turbulence and its contagious effects on the real economy have prompted the Fed, the European Central Bank and numerous other central banks around the world to adopt a loose monetary stance by adjusting downward more frequently their policy interest rates in the pursuit to ease the liquidity problem in the financial sector.

In Cambodia, since early 2000 until very recently the banking sector continuously experienced a relatively large amount of excess reserves, while growth in banks' lending also recorded a sharp acceleration, topping 100% in June 2008. Such rapid expansion was viewed as a source of the surge in domestic demand in recent period. To deal with increasing inflationary pressure, the NBC increased the minimum reserve requirement ratio for foreign currency deposits from 8% to 16%, effective from July 2008. Meanwhile, credit risks in the international markets continued to rise and the global credit crunch seemed to affect capital inflows into Cambodia, which in turn put pressure on liquidity in the local banking sector. As a result, deposit rates generally increased. Lending rates, however, declined.

The weighted average interest rates on 6-month deposits, which showed a gradual increase in the earlier period of the year, posted a noticeable rise beginning in August 2008. The rates on the riel and US dollar deposits, which stood at 6% and 4.23%, respectively, at the end of 2007, increased to 6.46% and 5.48%, respectively, a year later.

During the same period under consideration, the weighted average lending rates for loans with 6 months maturity fell steadily, though not as fast as deposit rates. The lending rates on riel and US dollar loans with a maturity of 6 months slid downward from 19% and 16.77%, respectively, in December 2007 to 18.77% and 16.30%, respectively, at the end of 2009.

Over the reviewed year, banks' interest rate spreads on the riel portfolio declined from 13% to 12.31%, whereas interest rate spreads on the US dollar portfolio declined from 12.54% to 10.82%.

**Table 3 : Weighted average interest rates on loans and deposits  
(6 month maturity)**

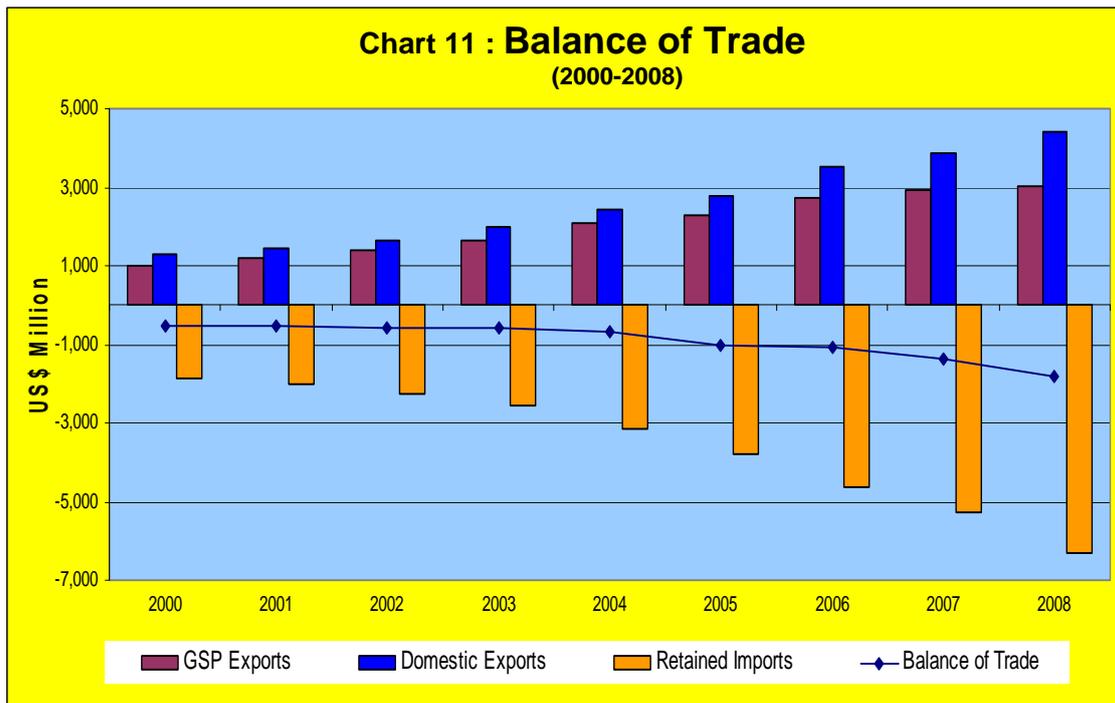
<b>Riel</b>	<b>Dec-07</b>	<b>Feb-08</b>	<b>Apr-08</b>	<b>Jun-08</b>	<b>Aug-08</b>	<b>Oct-08</b>	<b>Dec-08</b>
<b>Deposits</b>	6.00	6.03	6.28	6.36	6.42	6.44	6.46
<b>Loans</b>	19.01	19.12	19.20	19.00	18.90	18.89	18.77
<b>Spread</b>	13.01	13.09	12.92	12.64	12.48	12.45	12.31
<hr/>							
<b>USD</b>	<b>Dec-07</b>	<b>Feb-08</b>	<b>Apr-08</b>	<b>Jun-08</b>	<b>Aug-08</b>	<b>Oct-08</b>	<b>Dec-08</b>
<b>Deposits</b>	4.23	4.27	4.30	4.33	4.89	5.26	5.48
<b>Loans</b>	16.77	16.52	16.42	16.45	16.44	16.40	16.30
<b>Spread</b>	12.54	12.25	12.12	12.12	11.55	11.14	10.82

### **3. Balance of Payments**

The preliminary estimates of Cambodia's balance of payments for 2008 posted an overall balance surplus of US\$ 345.1 million, a decrease of US\$ 67.7 million (or 16.4%), compared to the overall balance surplus estimated for 2007. The decreased surplus of this overall balance was mainly due to an increase of US\$ 549.3 million (or 75%) in the current account balance deficit (excluding official transfers) while the capital and financial account increased US\$ 486.8 million (or 41%). The ratio of the current account balance deficit (excluding official transfers) to gross domestic products (GDP) was 12.4% in 2008, compared to 8.5% in 2007.

#### **3.1. Current Account (excluding official transfers)**

The current account balance exhibited a deficit of US\$1,282.2 million in 2008, an increase of 75% compared to the previous year's deficit. This increased deficit was mainly due to the increases of 32.1% and 17.4% in the deficits of the balance on goods and net income, respectively. During the year, the net services surplus decreased 5.7% while net private transfers decreased 2.7%.



In 2008, domestic exports amounted to US\$ 4,423.7 million, an increase of US\$ 549.8 million (or 14.2%) compared to the previous year's exports. The main factors contributing to this increase were the increases of US\$ 64.2 million and US\$ 485.6 million in garments and other domestic exports, respectively. Garment and textile exports rose 2.2% compared to an estimate of 7.9% for 2007. The main reason for this lower growth of garment exports was the global financial crisis which resulted in a reduction of foreign demand, especially for garment imports to the USA. Furthermore, the USA and European Union are planning to remove the restricted access of China's exports of garments in early 2009. This will lead to a great challenge for Cambodia's garment industry. During the year, other domestic exports increased US\$ 485.6 million (or 52.1%). The increases in the prices of paddy rice, furniture, fish, rubber and other agricultural products were the main contributors.

During the same period, the estimate of retained imports was valued at US\$ 6,296.5 million, up US\$ 1,007.3 million (or 19%) on the estimate for 2007. The key contributor to this growth was an increase of US\$ 576.7 million (or 42.8%) in petroleum imports, which accounted for 30.6% of retained imports. The other retained imports, such as imports of garment materials and other products, rose 2% and 15.7%, respectively.

The estimate for net services posted a surplus of US\$ 579.3 million in 2008, down US\$ 35 million (or 5.7%) on the previous year's surplus, resulting from an increase of US\$ 126.2 million in services payments to non-residents while services receipts increased US\$

91.2 million. The increases in payments of transportation services were the main contributors. However, because of the ongoing implementation of the “open-sky policy,” of the Royal Government of Cambodia, which allows direct international flights to Siem Reap, the number of foreign visitor arrivals increased to 2,125,465 persons, compared to 2,015,128 persons in 2007. South Korea remained the leading country in terms of the number of foreign visitors which accounted for 13% of the total foreign visitor arrivals in Cambodia. This was followed by Vietnam (10%), Japan (8%), USA (7%) and China (6%).

During the year, the net income account deficit was US\$ 408 million, an increase of US\$ 60.4 million (or 17.4%). This increased deficit resulted from an increase in investment income remitted to non-residents. The estimate of net private transfers showed a surplus of US\$ 372.3 million, a decline of US\$ 10.2 million (or 2.7%), due to the decline in remittances to Cambodia by Cambodians working and living abroad.

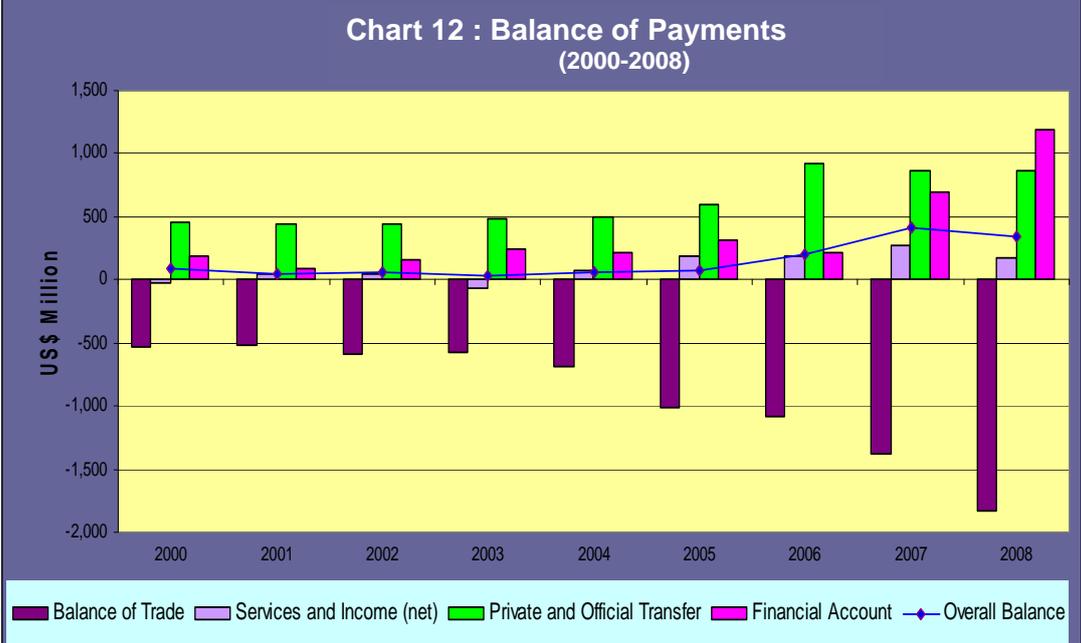
### **3.2. Capital and Financial Account**

In 2008, the balance on the current account and capital account recorded a deficit of US\$ 796.5 million, compared to the previous year’s deficit of US\$ 243.6 million.

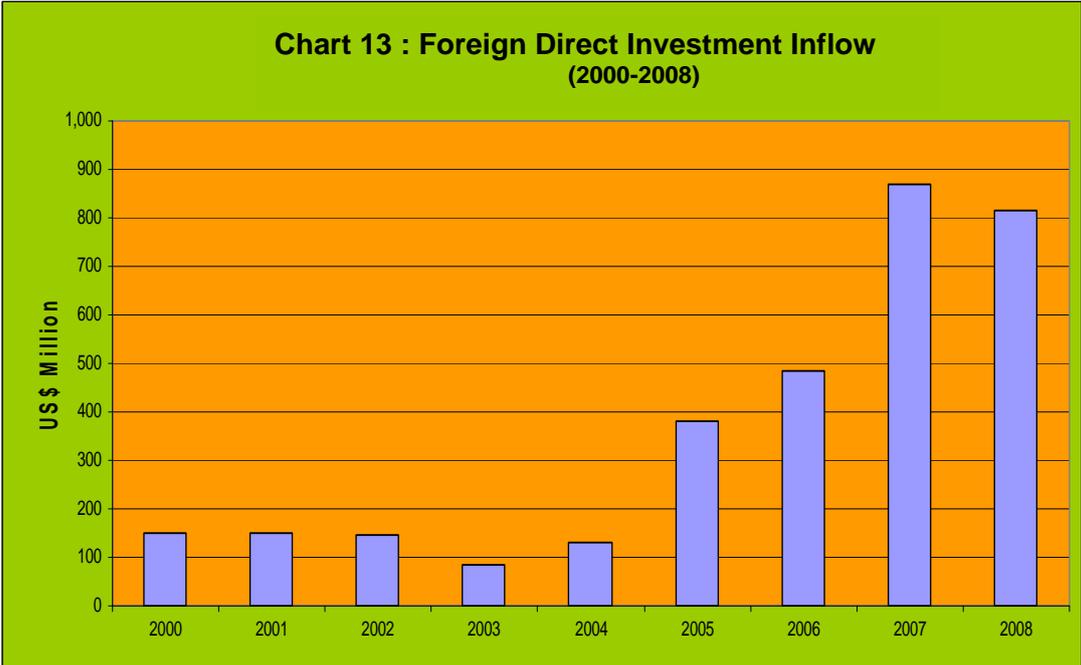
Net official transfers recorded an inflow of US\$ 485.8 million, down US\$ 3.6 million (or 0.7%) on a net inflow of US\$ 489.3 million for 2007. Such inflows reflected official development assistance that the Royal Government of Cambodia obtained from development cooperation partners, both multilateral and bilateral. Of this assistance, budget support grants amounted to US\$ 24.5 million food aid: US\$ 30.3 million; project aid: US\$ 271.8 million; and technical assistance: US\$ 159.4 million.

Meanwhile, the capital and financial account combined was recorded at US\$ 1,671.3 million, compared to the US\$ 1,184.8 million posted for the previous year, which is explained entirely by transactions in the financial account, as capital inflows remained almost unchanged. Net inflows on the financial accounts rose by US\$ 490.3 million (or 70.5%). Official sector loans (excluding loans from the IMF) showed a net inflow of US\$ 234.7 million, an increase of 17.6% compared to 2007’s inflow. Foreign direct investment registered a net inflow of US\$ 805.8 million, down 7% from a net inflow of US\$ 866.5 million for the previous year. Of this net inflow, direct investment in banks and the non-banking sector amounted to US\$ 344.1 million and US\$ 461.7 million, respectively. The increase in the financial account was therefore wholly attributable to development in other investment net. This item raised US\$ 516.5 million to reach US\$ 158 million, which

reflected increase in net foreign assets of commercial banks and unrestricted deposits of banks with the central bank of US\$ 814 million and US\$ 264.3 million, respectively. Meanwhile, higher outflows of other items in the other investment account of US\$ 536.5 million also contributed.



The increase in the financial account was more than sufficient to finance the current account balance deficit. As a result, the overall balance was a surplus of US\$ 345.1 million in 2008. The level of gross official reserves was adequate to cover 3.9 months of imports of goods.



## **4. Foreign Reserve Management**

### **4.1. Investment of Foreign Reserves**

The NBC holds and manages a portfolio of foreign financial assets. In managing its reserves, the NBC sought to diversify its portfolio to maintain its value and maximize its return within the risk parameters established by the Investment Committee. Ensuring the safety and liquidity of the reserve assets remained key concepts in the foreign reserve management policy of the NBC. At the same time, NBC endeavored to ensure that conditions in the local foreign exchange market remained stable in order to stabilize the value of the local currency. In the circumstances of limited monetary policy tools, this was done through regular auctions of foreign exchange, while importance was also given to the need to build up the net foreign reserves position.

As in the previous year, the international reserves were held in various forms, including overnight investment, short and medium term deposits, Medium Term Instrument (MTI) and investment grade securities issued by highly rated non-resident institutions. By the end of 2008, investment funds (excluding gold and SDRs) amounted to USD 2,252 million, up 27.5% year-on-year from the level recorded at the end of 2007, which was recorded at USD 1,766 million.

As for financial transactions with the International Monetary Fund (IMF), in 2008, the NBC settled her obligations associated with net charge on SDRs and assessment on SDRs allocation, totaling SDR 460,250.

In 2008, the turbulence that hit the global financial markets, in particular the markets in the United States, and the global liquidity crisis led to a repeated reduction in interest rates by several central banks at more frequent actions than had been expected earlier in the year. In the United States, the Federal Reserve further tightened its policy stance, cutting the federal funds target rate eight times over the year, from 3.5% down to 0.25%. Meanwhile, the European Central Bank raised its key interest rate from 4% to 4.25% in the first semester of 2008, but the interest rate was subsequently reduced several times to stand at 2.50% by the end of 2008. The Bank of England also lowered its benchmark rate from 5.50% to 2%, while the Reserve Bank of Australia also cut its official interest rate from 7% to 4.25%. Such prevailing circumstances greatly affected the yields on investment portfolios, which shifted in the following manner: the rate on overnight investment was down from 4.15% to 0.01%; the return on US treasury bills from 4.865% to 1.009%; the interest rate on short-term USD

deposits from 4.50% to 0.13%; the interest rate on Euro accounts from 5.30% to 1.96%; the interest rate on pound sterling deposits from 5.81% to 2.25%; and the interest rate on AUD deposits from 7.75% to 3.50%. As a result of the consecutive drops in interest rates, the proceeds from external investment operations over the year 2008 decreased remarkably, down by 12.49% compared to the performance during 2007.

#### **4.2. Intervention in the foreign exchange market**

To respond to the market demand and to maintain the stability of the national currency exchange rate, NBC continued to intervene in the domestic foreign exchange market as circumstances required. Over the year, NBC purchased 87 times of US dollar from money changers for a total amount of USD 261.18 million in exchange for KHR 1,048.3 billion. In addition, 16 auctions to sell US dollars were conducted; these injected USD 9.1 million into the market, thereby absorbing KHR 37.5 billion from circulation. During the year, NBC sold USD 89.54 million to the Cambodian Electricity Company (EDC) for 369.27 billion riel.

#### **4.3. Management of gold and foreign exchange business**

Over the year under consideration, NBC continued to pay regular attention to strengthening the management of gold and foreign exchange businesses, with active cooperation from local authorities. In 2008, NBC issued 389 business licenses for gold merchants and 39 licenses for moneychangers in Phnom Penh. In addition, 3,571 licenses for gold and foreign exchange businesses were issued by the 17 provincial branches of NBC.

### **5- Relations with bank and financial institution**

The financial system in Cambodia has developed rapidly with active participation from the private sector. Such development was undoubtedly possible after the country gained political and economic stability, and after a legal and regulatory framework which was supportive to the functioning and expansion of the financial sector had been put in place. As of end 2008, the banking system in Cambodia consisted of 24 commercial banks, 6 specialized banks, 2 representative offices of foreign branches, 18 microfinance institutions (MFIs) and 26 microfinance institutions registered with the NBC. In addition, there were also around 60 NGOs providing informal financial services in the areas throughout the countries.

The analysis of the performance of banks operating in Cambodia indicated that banks were generally in good condition, with a solvency ratio of 27.7%, 15% higher required by the Central Bank. The non-performing loan ratio was 3.7%, compared to 3.4% and 9.9% in 2007 and 2006, respectively. The average liquidity position of the whole banking system posted at 81.3% as at December 2008. Compared to 2007, total loans outstanding provided by banking and financial institutions increased from 6,336 billion riel to 9,744 billion riel, equivalent to a rise of 53.8%. Over the same period, total deposits of residents and non-resident increased from 9,922 billion riel to 10,287 billion riel, or 3.7%. It should be noted that, in the third quarter of 2008, the pace of growth of customer deposits slowed remarkably compared to the same period of previous year, which could be seen as a result of the global economic crisis.

In 2008, substantial progress was recorded in the microfinance sector in Cambodia. MFIs and rural credit operators provided loans with an outstanding amount of 1,161 billion riel to 852,090 borrowers, an increase by 81% in terms of volume and 36% in terms of creditors compared to the previous year. Meanwhile, deposit-taking MFIs and rural credit operators collected deposits amounting to 26 billion riel from 155,291 depositors, registering thus an increase by 7% and 5%, respectively, compared to the same period of 2007. Such indicators pointed, on one hand, to the increase in financial intermediation in the rural areas, as well as to the improved confidence of investors in rural finance in Cambodia, as economic and political stability has been broadly maintained.

In order to strengthen and achieve the effectiveness and transparency of the supervisory functions of the NBC over banking and financial institutions so as to enhance the implementation of the Prakas, regulations, circulars, and similar legal requirements, the NBC continued to cooperate closely with local and international institutions in various areas. The focus of such cooperation was technical support, which involved staff training, human resource capacity building, assistance in reviewing and updating old or existing regulations or issuing new regulations by taking into consideration the experiences and good practices of other countries, especially the core principles of effective banking supervision.

During the year under review, four local banks, including Canadia Bank Plc., Union Commercial Bank, Singapore Banking Corporation, and Mekong Bank, cooperated together in the area of retail payment, introducing new banking services into the market, the so-called Easy Cash and e-banking in order to facilitate cash withdrawals and electronic payments. As of end of 2008, there were 313 automatic teller machines within the whole

banking system, installed for the use of customers in several cities and provinces. These financial innovations are the outcome of a healthy competitive environment actively encouraged by the NBC.

On the front of banking sector infrastructure, the Credit Information Sharing System (CIS), which is currently being used by banking institutions to share negative credit information, has been undergoing technical improvements. It is expected that this improvement will allow the CIS to better serve the requirements of users with respect to customer information that would in turn enhance efficiency in their decision making on credit provision. In the meantime, the NBC has signed a memorandum of understanding with the IFC to initiate a study on the functioning of the current credit information system and another feasibility study on private credit bureaus in Cambodia.

The NBC plans to issue “Annual Report on Banking Supervision 2008,” which will provide a broader picture of the banking sector in Cambodia and its performance for the benefit of the general public. Such public information would enhance transparency and the accountability of the banking system, while also serving to educate customers in matters related to financial service providers.

### **5.1. Off-site Supervision**

Banking supervision is an ongoing effort of the NBC and has been conducted periodically in order to assess banks’ compliance with existing laws and prudential regulations. As the role of banks in the economy increases, it is vital to make the supervision framework more prudent and to expand the scope of supervision to ensure that banks manage their risks efficiently, improve corporate governance, and adequately define their strategic aims.

Currently, off-site supervision has been performed through the examination of regular financial reports and COBRA reports that help reveal unusual transactions, enable prompt corrective actions, and allow appropriate sanctions. The supervision specifically focused on indicators such as capital adequacy, quality of assets, earning capacity, and liquidity management.

Off-site analysis showed that, overall, the majority of banking institutions maintained good financial conditions. However, a small number of banks still have not yet fully complied with banking laws and prudential regulations. The customary deficiencies

observed over the year included the shortfall of net worth below the minimum requirement and the non-observance of large exposure, fixed assets, and liquidity norms. Measures were taken immediately to correct the shortage and to bring the deficient institutions into compliance with the established regulatory framework defined by the NBC.

## **5.2. On-site inspection**

In order to ensure systematic supervision, a plan is developed every year to determine financial institutions that should be subject to annual on-site supervision. For 2008, the NBC had twelve commercial banks and three specialized banks on its schedule for on-site examination.

The mission was successfully completed with a better result than originally planned, as the annual examination was able to extend to include two additional institutions. In fact, fourteen commercial banks and three specialized banks went through different forms of inspection: eight out of fourteen commercial banks went under full-scope on-site examination, three went under targeted on-site examination, and another three went under special on-site examination, while two specialized banks were subject to full-scope examination and another one to targeted examination. On-site examination is aimed at providing supervisory assurance of the financial condition and soundness of a bank supervised through on-the-field inspection of a bank's financial situation and their operations. Moreover, on-site supervision also focused on the bank's compliance with the existing laws and prudential regulations in order to be able to control and prevent potential risk exposure as much as possible.

According to the results of the on-site examinations during 2008, in general banks' financial conditions, their performance and management, as well as their compliance with laws and regulations, were more satisfactory than in 2007. Nevertheless, some banks still faced difficulty in fully carrying out their business plans; a small number of banks did not fully comply with the laws and prudential regulations required by the NBC with respect to credit classification, adequate provisions for perceived risks, shortfall of net worth below requirement, or their calculation of their net worth and solvency ratio. Cases of non-compliance with NBC's directives, regulations, and other corporate governance and management weaknesses revealed in the examination of each bank were deliberated on by the Consulting Supervisory Committee and appropriate recommendations were issued for the relevant institutions. Most banks have been able to follow the recommendations and remedy their deficiencies, thereby improving their condition and compliance status.

### **5.3. Micro Finance Institutions Supervision**

The rural financial sector in Cambodia has undergone rapid development over the past years, both in terms of the scope and size of operations. Credit issued by MFIs increased remarkably, which has in turn contributed to the development of small and medium enterprises and the agricultural sector in Cambodia.

Based on the general oversight of the sector, MFIs showed improvement in their operations and financial conditions. Over the year 2008, besides conducting regular off-site inspection to monitor MFIs' operations and review the returns and reports submitted from them, the NBC also carried out on-site supervision for ten MFIs and six rural credit operators. Such on-site inspection served the purpose of verifying the business conduct of MFIs to ensure that their business practices are in compliance with laws and regulations issued by NBC. In order to maintain the growth and sustainability of MFIs, the NBC will continue to closely monitor and supervise their operations. Further improvement in the legal framework for MFIs will also be undertaken in accordance with international standards and best practices, which would provide a better basis for MFIs to operate in an equitable and competitive market.

Moreover, the NBC has continued to place great attention on strengthening the capacity of officials in charge of bank supervision. Over the year, cooperation with national and international agencies has been enhanced and expanded to ensure further support for the microfinance sector and rural financial development in Cambodia. This, in turn, would contribute to improving the people's living standard and to poverty alleviation in accordance with the Rectangular Strategy of the Royal Government of Cambodia.

Meanwhile, the Asian Development Bank has provided technical support for various areas related to microfinance in order to strengthen efficiency and to improve the soundness of MFIs, thereby allowing them to get approval from the NBC to collect deposits from the public. Technical support included:

- Technical assistance for the review of chart of accounts for licensed MFIs and the provision of technical expert to help monitor and facilitate the implementation of the new chart of accounts;
- Making available an experienced consultant to provide training for off-site and on-site supervision;
- Technical assistance on the technique and approach to collect information from non-governmental organizations which are engaging in the provision of informal financial services with the purpose of obtaining a better understanding of the demand for microfinance services and their roles and operations.

#### **5.4. Development of the Banking Sector's Legislative Measures**

During 2008, NBC carried out a review of the existing Prakas, directives, guidelines, and circulars for banks and financial institutions. As a result, some improvements were made to some regulations that were no longer applicable given the dynamic development in the domestic financial sector. In addition, the NBC also issued a number of new Prakas to ensure compliance with international standards. The newly issued and amended Prakas and circulars concerned the following:

- Prakas on the maintenance of reserve requirements against commercial banks' deposits and borrowings
- Prakas on financial leases
- Prakas on the new capital requirement and criteria for licensing approval for banks
- Circular on the ceiling on loans to the real estate sector
- Prakas on governance in banks and financial institutions
- Prakas on fit and proper requirements for applying entities and licensed banks and financial institutions.

#### **5.5. Licensing and registration**

The NBC has the authority to license banks and financial institutions. In carrying out this duty, it provides relevant information to the interested parties on the licensing policy, requirements, procedures, while also analyzing applications submitted for approval to open operations as a financial institution in Cambodia.

In 2008, NBC issued licenses to six new commercial banks, namely VIP Bank, Boouyoung Khmer Bank, Khmer Union Bank, Phnom Penh Commercial Bank, Angkor Capital Bank and OSK Indochina Limited. During the same period, Best Specialized Bank also received a license to perform as a specialized bank. In the microfinance sector, licenses were given to two new MFIs, while two NGOs obtained registration certificates as rural microfinance operators.

### **6. Central Bank services**

#### **6.1. Accounts management**

The NBC holds and maintains the accounts of various government ministries, government agencies, banking and financial institutions, and international financial institutions. Currently, there are 1,302 accounts denominated in local and foreign currencies held with the NBC. Compared with the previous year, the number of accounts declined by 14% as some were consolidated or closed.

### **6.1.1. Government account management**

The NBC actively contributed to the implementation of government policies toward improving the efficiency of the Public Finance Reform. To do so, it opened and managed accounts for the central government, and facilitated cash transfers on behalf of the National Treasury. It also provided payment services of salary to the armed forces and to government employees.

The payment of taxes and customs duties by the relevant debtors to the government was made directly at NBC and the process went smoothly. For 2008, such collection amounted to 2,166.8 billion riel (including payments in both KHR and USD).

During the year under consideration, NBC purchased from the Ministry of Economy and Finance US dollars totaling USD 30.24 million and sold to it US dollars amounting to USD 146.26 million, a negative net purchase of USD 116 million.

### **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 2008, the total balance on these accounts was a combined KHR 157 billion and USD 887 billion.

## **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 Riel and USD-denominated checks proceeded effectively and smoothly and were held every business day. The use of checks increased steadily, especially within the banking community and in the public sector. The government regulation requiring payments of all kind of taxes and duties through checks has led to the increasing use of checks as a means of payment.

### **6.2.1. Clearing and Settlement of Riel-denominated Checks**

The Clearing House for riel-denominated checks had 25 members, including 22 commercial banks, the National Treasury, one specialized bank, and the NBC. In the reviewed year, the Clearing House operated on 237 days, during which 32,116 checks, valued 1,371.3 billion riel, were cleared and settled. Compared to 2007, the volume and value of checks cleared increased by 36% and 60%, respectively.

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

The Clearing House for USD-denominated checks had 28 members, including 24 commercial banks, 3 specialized banks, and the NBC.

In the year under consideration, the Clearing House operated on 237 days, during which 413,367 checks, valued USD 7,188 million, were cleared and settled. Compared to 2007, the volume and value of checks cleared increased by 25% and 45%, respectively.

### **6.3. Lending Activities**

Over the course of the reporting year, the following records were made relating to the issuance of loans by the NBC and collection of debt owed to it:

◆ Banks and Microfinance Institutions:

- Loans outstanding at the beginning of 2008:      KHR 71,800 million
- Loans granted during the period:                      KHR 179,320 million
- Collection of debt owed:                                      KHR 162,000 million
- Outstanding balance at end of 2008:                      KHR 89,120 million

◆ Ministry of Economy and Finance (MEF): Status of the advances made by NBC to MEF to repay Japanese ODA-debt :

- Loans outstanding at the beginning of 2008:      Yen 378.0 million
- Collection of debt owed:                                      Yen 378.0 million

(This debt was settled in June 16, 2008.)

## **7. Managing the circulation of bank notes**

Local currency cash withdrawals and deposits with NBC carried out through NBC's teller desks increased steadily. The record shows that during 2008 net cash receipts through NBC's teller desks amounted to KHR 7305.5 billion, an increase of 34% compared to 2007. The overall net increase in cash receipts during the reporting year reflected the following movements: an increase in cash releases from the strong room of KHR 832.2 billion (38%), an increase in cash receipts in the form of taxes and customs duties of KHR 78.5 billion (8.29%), a rise in the current account deposits of financial institutions of KHR 658.2 billion (45.1%), an increase in the deposits from Electricité du Cambodge of KHR 130.1 billion (30.1%), an increase in cash from selling US dollars of KHR 22.4 billion (911%), a decrease in amount from debt collection of KHR 21.9 billion (56.4%), an increase in cash receipts through NBC's provincial and municipal branches of KHR 137.5 billion (33%), and an increase in cash receipts from other sources of KHR 346.5 billion (21.1%).

Meanwhile, cash payments through NBC's teller desks totaled KHR 7,305.5 billion, an increase of 34.1% on 2007. Of this increase, the amount placed into the strong room expanded by KHR 1,120 billion (64%); cash withdrawals by the National Treasury increased KHR 122.8 billion (10.4%); the withdrawals from current accounts deposits rose by KHR 333.9 billion (59.5%); cash withdrawals by Electricité du Cambodge declined by KHR 126.5 billion (30.8%); the amount used to purchase foreign currency increased KHR 153.6 billion (18.5%); cash paid out to NBC's provincial and municipal branches increased KHR 243.9 billion (36.1%); and cash outflows for other purposes increased KHR 7.3 billion (19.1%).

As for currency operations in US dollars during 2008, cash receipts through the teller desks, in terms of local currency equivalents, amounted to KHM 2,153.8 billion, representing an increase of USD 811.8 million (60.5%) on operations in 2007. In contrast, the amount disbursed through the teller desks amounted to USD 1,258 million, representing an increase of USD 410.1 million (48%), compared to 2007.

NBC examined notes and coins regularly to ensure that a high quality standard was maintained. Notes and coins that were deemed unfit for circulation were destroyed. For this purpose, NBC collected old, worn and torn local currency notes from circulation and replaced them with new ones, thereby promoting the use of local currency. Concerning the old and soiled notes, NBC cautiously recounted and sorted them, and duly destroyed unusable notes according to the prescribed procedure. Furthermore, in 2008, NBC renewed the issue of the 2,000 Riel-denominated banknotes of the Series 2007 and of 20,000 Riel-denominated banknotes of the 2008 Series.

With respect to anti-counterfeit measures, NBC continued to cooperate with the relevant authorities very closely to ensure that any counterfeit notes were quickly detected.

## **8. Payment System Development**

With technical assistance from the ADB, a Road Map outlining strategies for the development of the National Payment System in Cambodia was prepared by end of 2007. This Road Map received broad support from banks and financial institutions operating throughout the country, as witnessed by the signing by those institutions and the NBC of a Memorandum of Understanding endorsing a Payment System Road Map for Cambodia.

The first step of the payment system development was to upgrade the clearing system by implementing a new check form with a standardized code line in order to ensure the efficiency and safety of the clearing and settlement process. In September 2008, the NBC issued several legal documents to support the payment system, including the Prakas on

Check Standards, a Guideline on the Characteristics of Check Standards as an integrated appendix to the relevant Prakas, and the Prakas on the Establishment of a Bank Identification Number for NBC and for banking and financial institutions. Those Prakas required all banks who are members of the Clearing House to issue new checks to be used as a payment instrument from March 2009 by replacing the existing ones.

Meanwhile, with the dynamic development of the economy and the banking system, four commercial banks worked closely together to create a new form of payment facility called “Easy Cash,” which was launched on 28 August 2008. Likewise, a new mobile payment service which uses advanced technologies and innovations in telecommunications has also been attracting interest within the banking sector.

## **9. Actions Related to Anti-Money Laundering and Counter-financing of Terrorism**

Cambodia became a member of Asia Pacific Group on Money Laundering (APG) in June 2004 during its 7<sup>th</sup> Annual Summit, held in Seoul, Korea. As a full member of APG, Cambodia is required to implement the relevant conventions and decisions of the United Nations’ Security Council related to anti-money laundering and countering financing of terrorism, and the 40+9 recommendations of the Financial Actions Task Force (FATF) on anti-money laundering and countering financing of terrorism.

### **9.1. Development of Legal Framework**

APG requires all member countries to adopt measures and set up a mechanism to identify and prevent any activities related to money laundering and the financing of terrorism. Each member country shall fundamentally establish key legislation to allow actions against money laundering and to combat the financing of terrorism. Cambodia recognized and accepted the effort of the international community in this crucial matter by adopting the Law on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) on 24 June 2007.

Subsequently, as the supervisory authority over the reporting entities, the banking and financial institutions, on 30 May 2008, NBC issued a Prakas on Anti-money Laundering and Combating Financing of Terrorism applicable to those institutions. This new Prakas outlined detailed obligations for banks and other financial institutions with respect to customers’ due diligence, record keeping, verifying transactions, establishing a reporting mechanism for suspicious transactions, as well as cash transactions, awareness raising, and to requiring a proper internal audit protocol to be in place.

## **9.2. Mechanism on Anti-Money Laundering and Combating the Financing of Terrorism**

The Royal Government of Cambodia established the Cambodian Financial Intelligence Unit (CAFIU) on 29 January 2008. This unit is responsible for receiving reports on suspicious transactions and other information from reporting entities, analyzing them and disseminating analyzed information to law enforcement agencies for further investigation. CAFIU is located within NBC's premises. It has a Permanent Secretariat to perform daily functions. Its highest governing body is the Board of Directors of the CAFIU, with NBC as the chairman, and the Council of Ministers, Ministry of Economics and Finance, Ministry of Interior, and Ministry of Justice as members. From its establishment up until the end of the reporting year, two meetings of CAFIU's Board of Directors were held. Meanwhile, CAFIU has also started to receive reports on suspicious transactions from banks and financial institutions and has performed each analysis accordingly. As a result, some specific cases were sent to the law enforcement agencies for investigation.

## **9.3. Training and awareness raising**

In 2008, with technical assistance from Bank Negara Malaysia, the United Nations Office on Drugs and Crime (UNODC), APG, Asian Development Bank (ADB), and World Bank (WB), CAFIU conducted a number of training events for the purpose of enhancing the awareness and improving the expertise of banks' staff members in anti-money laundering and combating the financing of terrorism. A seminar on Developing a National AML/CFT Plan and Strategy for Cambodia was organized on 26-28 August 2008 for relevant government officials. Besides this, a workshop on Reporting Obligations for Banks and Financial Institutions was held on 14-17 October 2008 for banks' and MFIs' officers.

## **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 year 2008, 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 66<sup>th</sup> Meeting on February 4, 2008: Review and adoption of the draft decision to establish a committee to examine NBC's accounting record for the financial year 2007;
- The 67<sup>th</sup> Meeting on March 3, 2008: Review and adoption of the draft report on NBC's budget implementation for the financial year 2007 and the budget plan for 2008;
- The 68<sup>th</sup> Meeting on August 7, 2008: Review and adoption of the draft report of First Semi-annual Report of NBC for 2008;
- The 69<sup>th</sup> Meeting on August 27, 2008: Review and adoption of the draft report on NBC's budget implementation for the first semester of 2008;
- The 70<sup>th</sup> Meeting on November 18, 2008: Review and adoption of the report on payment services via the mobile phone project of Wings;
- The 71<sup>st</sup> Meeting on December 25, 2008: Review and adoption of the draft Annual Report of NBC for 2008.

## **2. Human Resource Development**

### **2.1. Staff Statistics**

- The full-time staff under NBC's official staff status (at the head office) as of end 2008 totaled 780 persons (438 male and 342 female). In addition, 25 persons are working on a contractual basis (19 male and 6 female).
- 2 staff under NBC's official staff status remained as attached personnel outside NBC (1 male and 1 female).
- Staff at NBC's provincial branches totaled 359 persons (206 male and 153 female).

The total number of NBC staff as of end 2008 amounted to 1,141 persons (645 male and 496 female), when compared to the previous year's record of 1,127 persons (641 male and 486 female). The following changes were observed:

- At the head office: an increase by 18 persons (41 newly recruited; 23 resigned or retired).
- Contractual based staff: a decrease by one person.
- At provincial branches: a decrease by 3 persons (8 newly recruited; 11 resigned or retired).

## **2.2. Training Programs**

NBC continued to pursue its commitment to enhance its staff's skills and capabilities, both at the headquarters and at the provincial branches. A number of in-house training programs were organized for this purpose during the reporting year. To improve the professional skills of the staff, in 2008 NBC conducted a guiding session, which was the 12<sup>th</sup> of that kind, for the benefit of 34 employees. Other sessions included the 9<sup>th</sup> perfection course for 90 employees (of which 49 employees were from head office and 41 from provincial branches) and six other seminar events on several subjects with participants totaling 128 persons.

To improve the foreign language knowledge of staff, NBC facilitated English training classes in five provincial branches for 73 staff members and one Thai language class for eight employees in the Koh Kong provincial branch.

In addition to in-house training programs, during 2008 NBC provided opportunities for four staff members to acquire degrees in long-term training programs in three different subjects at academic institutions in Cambodia. NBC also sent a number of its officials to participate in various seminars, training courses, and meetings organized by line ministries and other institutions.

Along with the in-house training programs, as a result of NBC's active cooperation with foreign financial institutions, several international technical assistance and training support program grants were received over the reporting year for the human resource capacity building of NBC's employees. On the whole, a total of 121 staff members attended 82 seminar events organized abroad during 2008. Besides this, 18 employees participated in five study tours; 20 officials took part in short-term courses, and eleven staff members attended long-term academic study provided through six scholarship programs. 115 NBC officials were sent abroad to join international meetings on various subjects relevant to the central bank's operations.

## **3. Internal Audit**

In 2008, NBC continued to strengthen the efficiency of the Internal Audit and Inspection functions by issuing the Prakas on the Policy on Internal Control of the NBC and the Prakas on the Code of Conduct for Officers and Staff of the Inspection General of the NBC. Meanwhile, two additional Prakas were also drafted, including the Prakas on the Board's Audit Committee Constitution of the NBC and Prakas on the Roles and Functions of the Officers/Staff of the Inspection General of the NBC.

After finalizing a plan for the internal restructuring of the Audit and Inspection General and redefining the roles and functions of the Internal Auditors and Inspectors, both theoretical and on-the-job training sessions have been provided to the relevant officials. The on-the-field training was carried out with technical support from the IMF. On top of that, some staff members of the Audit and Inspection General were also involved in training programs abroad.

Based on the knowledge and experiences gained from the on-the-job trainings that took place with the guidance of IMF experts during the previous years at several departments at the headquarters, as well as at NBC's branches, officials of the Internal Audit Department started in 2008 to conduct, on their own, audit assignments at the Issue and Vault Department, in particular at the Cash Management Division, Counting and Sorting Division, and the Vault. The recordkeeping at the Cash Division was also audited. Other units under the audit assignments in the review year included the Accounting-support Division and the Accounting Department. Meanwhile, relevant information was also collected from the Foreign Exchange Management Department that will serve to form an initial step for the preparation of the next audit assignment. As for the audit of the provincial branches, the following locations fell under the 2008 inspection: Kampot, Koh Kong, Kampong Chhnang, Kampong Cham, Svay Reing, Kampong Thom and Takeo. After the completion of the audit assignments, internal audit reports were prepared, and necessary recommendations were put forward for improvement and corrective actions.

Based on the practical experiences gained thus far from the audit activities at some departments and provincial branches, the Audit Manuals have been reviewed and improved in order to ensure that they reflect the current conditions of NBC's departments and branches and to gradually move toward adopting adequate internal auditing standards.

With regard to inspection activities, the officials and staff of the Inspection Department actively carried out several inspection assignments during 2008. These included regular control at all NBC branches and 10 surprise inspections at some NBC branches, of which a number were subject to a double surprise inspection. The surprise inspections were mainly directed toward ensuring vault safety, enhancing cash management, and improving the value and working discipline of officials and staff working at provincial branches.

Over the course of the recent regular inspection assignments, advice and guidance were also given to the NBC branches concerning the establishment and implementation of

regular internal control within each provincial unit in order to ensure compliance with the internal control policy adopted by the NBC, and thus to improve operations and risk management at the provincial level.

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

During 2008, the management of NBC's provincial branches was focused on increasing the efficiency of branch operations, thereby enhancing the role of the Central Bank as the fiscal agent for the government, and in particular as a partner for the Ministry of Economy and Finance, in collaboration with provincial and municipal authorities, to implement the second phase of the Public Finance Management Reform initiated by the government.

To this effect, NBC offered salary payment services to government institutions in various cities and provinces, including the armed forces, commune and district councils. This process has been viewed so far as a smooth and efficient operation. Meanwhile, NBC's provincial branches have also arranged themselves in terms of human resources, technical capacities and necessary legal infrastructure in order to offer tax receipt services to be collected from taxpayers. Moreover, an instruction from NBC's headquarters had already been issued to allow provincial branches in Banteay Meanchey, Battambang, Siem Reap, Sihanoukville and Svay Rieng to open accounts for the provincial post offices in order to process international postal money orders initiated by their customers.

### **III. International Relations**

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

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

During 2008, IMF missions visited Cambodia on three different occasions, two of which were Article IV missions. The first and the second Article IV missions took place from 25 to 29 February 2008 and from October 23 to November 7, 2008, respectively. Another visit, which occurred from May 28 to June 5, 2008, was a technical assistance mission of the Asia Pacific Department. The second Article IV mission of the Fund gave a preliminary estimate that the Cambodian economy would grow 6.5% in 2008 and 4.8% in 2009.

Concerning the monetary situation, the Fund felt that the recent restrictive monetary policy stance adopted by the NBC through the increase in the reserve requirement ratio on

foreign currency deposits to 16% was an appropriate measure. Nevertheless, it also stressed the importance of policy flexibility to ease the measure when the circumstances concerning liquidity and inflationary pressure change. In the meantime, the mission expressed its optimistic view that inflationary pressure could decline to 15.8% and 7.5% at the end of 2008 and 2009, respectively, following the sharp increase in mid-2008 as a result of the hike in the petroleum price in the international markets, the US dollar's depreciation, and a surge in domestic demand.

In connection with banking system oversight, given the rapid expansion of this sector, during its mission the Fund gave some technical recommendations to the NBC to further strengthen the banking system. These included recommendations for the improvement of licensing requirements, the strengthening of banking supervision, the reevaluation of collateral, the improvement of banks' assets classification, and the strengthening of bank liquidity management.

The NBC has carefully studied the Fund's recommendations and took measures as deemed necessary.

In order to follow up the assistance provided in the previous year, the Fund's technical assistance during 2008 remained focused on strengthening NBC's internal audit and enhancing the capacity of the on-site examinations of commercial banks. Moreover, during the first visit at the beginning of 2008, the mission delivered a number of presentations related to topics such as banking supervision, liquidity management and the conducts of monetary policy in the highly dollarized economies (country case: Peru, etc.) to help improve NBC's understanding of the subjects relevant to their responsibilities.

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

Following the completion of the Financial Sector Program Loan I (FSPL I) in 2006, the Royal Government of Cambodia continued to cooperate with the Asian Development Bank to move to the next phase of the program loan cluster, namely to carry out the reform program as set out in the **“Financial Development Strategy for 2006-2015,”** which is supported by Financial Sector Program Loan II (FSPL II). The program loan under FSPL II amounted to US\$ 43 million, which was divided into four sub-programs corresponding to a fund of about US\$ 10 million allocated to each sub-program. In 2007, after the completion of the reforms associated with sub-program 1, an amount of US\$ 10 million was released for the government's benefit.

In 2008, NBC, as the executing agency of the FSPL II, further developed a close relationship with other line ministries and the ADB in the implementation of a work program under sub-program 2. This sub-program loan amounted to US\$ 10.3 million, with an interest rate of 1% per annum during the grace period, and 1.5% per annum thereafter. A Minutes of FSPL II Loan Negotiations between the government and ADB was signed by NBC on October 2, 2008, while the Loan Agreement was signed by MEF and ADB on December 8, 2008. Sub-program 2 involved 14 key reform actions, of which 10 were policy actions related to NBC.

With regard to the effort to develop small and medium enterprises, the CIS Operational Team at the NBC, the Conical Hat Company and ADB's expert worked closely together to examine the deficiencies in the existing system, which had been previously identified, in order to find an appropriate solution to improve the quality and efficiency of this reporting system to better meet the need of the users. The operation of the CIS will be under regular control.

Another reform action carried out with the support of the ADB was the establishment of the legal basis for leasing. The draft Law on Financial Leasing is waiting now for the adoption by the Council of Ministers before being submitted to the National Assembly for approval.

### **1.3. Relations with ASEAN countries**

During 2008, the NBC continued to build upon existing relations and cooperation with the central banks of other ASEAN member countries. Delegations of high-ranking officials from the NBC attended the 4<sup>th</sup> ASEAN Central Bank Governors Meeting, the 16<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 organized during the year. Over the period under review, the cooperation among ASEAN-10 especially focused on developing ASEAN Economic Community Blueprint that is aimed at establishing ASEAN as a single market and production base supported by a freer flow of goods, services, investments, capital, and labor. Concerning the financial sector, the Blueprint requires ASEAN member countries to make efforts to attain an adequately high level of financial service liberalization by 2015. This will attain integration for three main sectors: regional capital market development, capital account liberalization and financial sector liberalization. ASEAN infrastructure financing represent

another initiative of ASEAN cooperation. Furthermore, in order to improve their capacity to prevent or to detect the occurrence of an economic and financial crisis, ASEAN countries have been actively cooperating in strengthening information exchange within the region, an important mechanism for enhancement of the quality and efficiency of regional economic surveillance.

On the front of cooperation within the framework of ASEAN+3, the NBC continued to actively participate in the discussion to establish the regional resource pool called Multilateralization of the Chiang Mai Initiatives. These initiatives have the objective of providing liquidity support to members in the region who face short-term financial difficulties so that they can have access to loans under a multilateral swap arrangement framework. Major results of the discussions so far on the Initiatives have been as follows: the initial agreement on the total amount of the pooling of USD 80 billion, the setting of the proportion of the contributions between the “Plus Three Countries” and the ASEAN countries at 80:20, strengthening the economic surveillance mechanism, and the finalizing of an agreement on the criteria for the selection of the coordinating countries for the management of the multilateralization of the Chiang Mai Initiatives. A number of issues remain to be finalized, including the decision-making process, the structure and administration of the pooling, the terms and conditions of borrowing, the credit risk sharing mechanism, and the individual contributions of the members in the pool.

In addition to the above efforts, the ASEAN+3 countries also pushed forward the implementation of the Asian Bond Market Initiatives, another key element of ASEAN+3 cooperation. The objectives of the Asian Bond Market Initiatives are to promote the depth and liquidity of the bond markets in Asia, which are expected to help mobilize savings in the region for productive investment in the region.

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

Since joining as a full member of the South East Asia Central Banks (SEACEN) in April 2006, NBC has established good relations with this association, on topics that are directly related to the operations of the central banks in the Asia Pacific region, especially in the areas of training and economic research.

Over the year 2008, NBC continued to be actively involved in SEACEN’s activities. NBC participated in various SEACEN programs, including policy and technical meetings, and several seminars and workshops. The most important SEACEN event that NBC attended

was the 43<sup>rd</sup> Governors' Forum on Strengthening the Financial System to Support Monetary Stability and Sustain Economic Growth and the 27<sup>th</sup> SEACEN Board of Governors' Meeting, which was held from 20-23 March 2008 in Jakarta, Indonesia.

Moreover, NBC's delegation attended the 6<sup>th</sup> SEACEN Executive Committee (EXCO) Meeting and the seminar on Building Credibility for Effective Monetary Policy that took place from 24-26 January 2008 in Phuket, Thailand. NBC's officials were also sent to attend several meetings and seminars related to banking supervision, payment systems, research and training, as well as the Expert Group Meeting on Capital Flows.

NBC successfully collaborated with the SEACEN Center in organizing two seminars and one meeting in Siem Reap. The first seminar on 26-30 May 2008 dealt with the topic "Risk Management and Internal Control." The second seminar on 2-5 December 2008 was on "The Growth of Capital Flows," and the Meeting of the Expert Group on Capital Flows among SEACEN Countries was held on 5-6 December 2008. NBC became a member of the Expert Group on Capital Flows in 2008.

## **2. Bilateral Relations:**

In the reporting year, the NBC continued to enhance its bilateral relationship with foreign central banks in various regions around the globe, including Asia, Europe and Australia. Such cooperation has been focused on technical areas relevant to central banks' responsibilities, such as the exchange of relevant information, the strengthening of cross-border payments, and the upgrading of staff capacity.

A high-ranking NBC delegation carried on the tradition of meeting periodically with Bank of Thailand; the visit this year was made on April 25-27, 2008 in Pataya, Thailand. During the latest bilateral discussions, the two parties exchanged information on the recent economic and financial developments in each country, deliberated on relevant policy measures, and exchanged views on the possibility of facilitating payments and settlements to enhance cross-border trade, in which active participation of private commercial banks was seen as a crucial.

To strengthen bilateral cooperation with State Bank of Vietnam, on April 4-6, 2008 a high-ranking NBC delegation led by the Governor visited two branches of the State Bank of Vietnam located in Bin Thun and Tay Ninh provinces. During the visit, the Governor of NBC also met with the Governor of State Bank of Vietnam to exchange experiences related to the management of central bank branches.

Reflecting the cooperative spirit with Bank of Laos PDR, NBC received a delegation of officials from Bank of Laos. A special training and study tour on bank notes printing was organized for the guests as per request.

Meanwhile, the cooperation between NBC and the Central Bank of Luxembourg was also strengthened, as witnessed by the attendance of a high-ranking delegation of the NBC, led by the Governor, at the 10<sup>th</sup> Anniversary of the Central Bank of Luxembourg on November 12, 2008. During the visit, the two parties took the opportunity to sign a Letter on Training Support, whereby the Central Bank of Luxembourg agrees to provide scholarships for a master program at University of Luxembourg to staff at NBC.

Concerning cooperation with the Bank of Korea, 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.

## **Conclusion**

The year 2008 was again a very challenging year for the world economy, as a negative feedback loop between the banking system and the real economy started to kick in. The depth and breadth of the credit default cycle remains uncertain and the overall risks to financial stability have increased dramatically. Nonetheless, our domestic banking system has not been affected by the global turbulence thanks to its reliance on customer deposits and the non-existence of a wholesale financial market, which has been the source of vulnerability elsewhere. The limited direct exposure of foreign banks with branches and subsidiaries in Cambodia to the deterioration in the US and other affected credit markets was also an important factor for the absence of financial stress in Cambodia. Our banking system has achieved soundness, with strong capitalization and a low non-performing loan rate. The system of bank supervision has worked satisfactorily. The level of financial deepening has accelerated, with increased financial services promoted through the progressive reforms implemented under Financial Sector Development Strategy 2006-2015.

The NBC has been mindful of its critical role in helping to lay the foundation for sustained economic growth and development. Working together, the Board and NBC's management have set the pace for change by taking steps to improve the capacity of the NBC to carry out its duties more effectively and efficiently. It is fully cognizant that its independence and authority must derive from the confidence of the public. The actions of the NBC during the course of the year aimed at improving its financial management, building capacity, strengthening and restructuring the banking system, improving the payments system and providing clean banknotes, among others, were a concerted attempt to build public trust in the institution. This remains the commitment of the NBC, and there will be stepped-up efforts to communicate the activities of the Bank to the public.

Though the outlook for our banking sector is one of continued progress, we are not completely isolated from the turmoil, in particular from the point of view of the macro-financial linkages. As the financial crisis affects the aggregate economic activity of advanced economies, a secondary channel is expected to increase the downside risk to growth of the local economy. Major challenges also remain in terms of monetary policy implementation, given volatile food and commodities prices, and in terms of the further development of the banking sector. We are also fully aware that increased attention must be given to improving the regulatory framework and ensuring enforcement by banks.

The NBC will use any existing measures at its disposal to maintain macroeconomic stability and to ensure the integrity of Cambodia's banking system to allow the intermediation process to continue in a smooth and efficient manner that is supportive to growth and investment.



# Appendix

Table 1 : Consumer Price Index (CPI)

Consumer Price Index (In average)	2007	2008											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>CPI (All Items)</b>	134.57	137.91	140.41	147.02	153.02	156.01	158.08	158.31	158.68	158.43	158.43	154.97	152.69
Food, Beverages & Tobacco	148.71	151.66	156.19	169.48	182.61	188.16	191.03	190.82	192.33	192.37	193.28	187.14	183.28
Clothing & Footwear	98.01	95.96	94.09	94.10	95.68	95.68	96.80	97.05	97.28	97.51	98.65	98.41	98.50
Housing & Utilities	122.58	127.20	127.69	128.80	129.02	129.90	130.57	130.99	130.74	130.76	130.59	130.44	129.70
Home Furnishings & HH. Operations	102.48	121.35	123.63	124.97	126.25	127.27	127.88	127.86	128.49	128.91	129.53	128.99	129.23
Medical Care	110.40	113.12	122.51	122.68	122.95	122.24	121.94	121.86	121.98	122.05	122.23	122.20	122.11
Transportation & Communication	154.91	119.71	160.14	166.44	169.50	173.19	179.92	181.72	179.05	175.25	170.52	161.23	156.54
Recreation & Education	112.71	156.31	112.01	111.63	111.58	111.91	112.07	112.24	112.43	112.82	113.31	113.51	113.71
Personal Care & Effects	114.18	112.40	114.08	115.28	115.53	116.33	116.69	117.02	117.62	118.60	119.52	119.84	120.24
<b>Month to Month Change (%)</b>													
<b>CPI (All Items)</b>	0.50	2.48	1.81	4.71	4.08	1.95	1.33	0.15	0.23	-0.16	0.00	-2.19	-1.47
Food, Beverages & Tobacco	0.40	1.98	2.99	8.51	7.75	3.04	1.53	-0.11	0.79	0.02	0.47	-3.18	-2.06
Clothing & Footwear	-0.43	-2.09	-1.95	0.01	1.68	0.00	1.17	0.26	0.24	0.24	1.17	-0.24	0.09
Housing & Utilities	0.53	3.77	0.39	0.87	0.17	0.68	0.52	0.32	-0.19	0.02	-0.13	-0.11	-0.57
Home Furnishings & HH. Operations	-0.67	18.41	1.88	1.08	1.02	0.81	0.48	-0.02	0.49	0.33	0.48	-0.42	0.19
Medical Care	0.13	2.46	8.30	0.14	0.22	-0.58	-0.25	-0.07	0.10	0.06	0.15	-0.02	-0.07
Transportation & Communication	1.84	-22.72	33.77	3.93	1.84	2.18	3.89	1.00	-1.47	-2.12	-2.70	-5.45	-2.91
Recreation & Education	-0.53	38.68	-28.34	-0.34	-0.04	0.30	0.14	0.15	0.17	0.35	0.43	0.18	0.18
Personal Care & Effects	0.23	-1.56	1.49	1.05	0.22	0.69	0.31	0.28	0.51	0.83	0.78	0.27	0.33
<b>Year on Year Change (%)</b>													
<b>CPI (All Items)</b>	10.79	13.73	15.49	20.29	24.20	25.72	25.06	22.30	22.56	20.27	18.12	15.74	13.47
Food, Beverages & Tobacco	19.77	22.24	25.60	34.87	43.29	45.80	42.19	36.84	36.87	32.15	28.71	26.34	23.25
Clothing & Footwear	4.61	2.30	-1.17	-1.40	-0.04	0.83	2.21	1.28	0.77	-0.07	0.20	-0.02	0.50
Housing & Utilities	1.63	5.31	5.62	6.51	6.49	7.21	8.24	8.06	7.92	7.74	7.36	6.98	5.81
Home Furnishings & HH. Operations	5.43	24.60	26.77	27.72	28.29	29.14	29.96	27.30	27.43	27.52	26.92	25.03	26.10
Medical Care	5.52	8.07	17.03	17.18	17.32	16.52	14.79	16.23	11.15	11.62	11.07	10.83	10.61
Transportation & Communication	13.05	-10.94	17.96	21.99	22.98	23.37	26.90	27.09	25.83	23.31	17.60	6.00	1.05
Recreation & Education	0.86	39.84	0.21	-0.26	-0.30	-0.01	-0.65	-8.11	-0.48	-0.57	-1.28	0.18	0.89
Personal Care & Effects	0.37	-1.42	0.00	0.77	0.78	1.39	2.06	2.33	2.18	2.78	5.31	5.20	5.31
<b>Three-month moving average</b>													
<b>All Items</b>	134.20	135.46	137.63	141.78	146.82	152.02	155.70	157.47	158.36	158.47	158.51	157.28	155.36
Annual percentage change	9.66	11.35	13.34	16.51	20.01	23.42	25.00	24.34	23.30	21.70	20.29	18.03	15.77
<b>Twelve-month moving average</b>													
<b>All Items</b>	127.67	129.05	130.62	132.69	135.17	137.83	140.47	142.88	145.31	147.54	149.56	151.32	152.83
Annual percentage change	5.84	6.77	7.81	9.21	10.89	12.70	14.34	15.68	17.15	18.31	19.08	19.55	19.71

Table 2 : Consumer Price Index (CPI) December 2004 - December 2008

July-December, 2000=100

Consumer Price Index	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
<b>CPI (All Items)</b>	<b>110.76</b>	<b>118.14</b>	<b>121.46</b>	<b>134.57</b>	<b>152.69</b>
Food, Beverages & Tobacco	109.54	121.74	124.16	148.71	183.28
Clothing & Footwear	87.02	91.36	93.69	98.01	98.50
Housing & Utilities	114.15	116.98	120.61	122.58	129.70
Home Furnishings & HH. Operation	94.39	95.39	97.20	102.48	129.23
Medical Care	102.19	102.23	104.62	110.40	122.11
Transportation & Communication	116.98	127.58	137.03	154.91	156.54
Recreation & Education	109.73	110.89	111.75	112.71	113.71
Personal Care & Effects	105.76	112.10	113.76	114.18	120.24
<b>Month to Month Change (%)</b>					
<b>CPI (All Items)</b>	<b>-0.23</b>	<b>-0.24</b>	<b>-0.65</b>	<b>0.50</b>	<b>-1.47</b>
Food, Beverages & Tobacco	-0.73	-0.47	-1.36	0.40	-2.06
Clothing & Footwear	-0.24	0.09	-1.49	-0.43	0.09
Housing & Utilities	0.07	0.00	0.01	0.53	-0.57
Home Furnishings & HH. Operation	0.12	0.21	0.08	-0.67	0.19
Medical Care	0.12	0.02	0.01	0.13	-0.07
Transportation & Communication	0.35	-0.54	0.14	1.84	-2.91
Recreation & Education	0.17	0.12	-0.60	-0.53	0.18
Personal Care & Effects	0.43	0.49	0.19	0.23	0.33
<b>Year on Year Change (%)</b>					
<b>CPI (All Items)</b>	<b>5.62</b>	<b>6.66</b>	<b>2.81</b>	<b>10.79</b>	<b>13.47</b>
Food, Beverages & Tobacco	8.55	11.14	1.99	19.77	23.25
Clothing & Footwear	0.13	4.99	2.55	4.61	0.50
Housing & Utilities	2.22	2.48	3.10	1.63	5.81
Home Furnishings & HH. Operation	-0.97	1.06	1.90	5.43	26.10
Medical Care	-0.06	0.04	2.34	5.52	10.61
Transportation & Communication	14.73	9.06	7.41	13.05	1.05
Recreation & Education	0.56	1.06	0.78	0.86	0.89
Personal Care & Effects	1.79	5.99	1.48	0.37	5.31
<b>Three-month moving average</b>					
<b>All Items</b>	<b>111.07</b>	<b>118.37</b>	<b>122.38</b>	<b>134.20</b>	<b>155.36</b>
Annual percentage change	5.80	6.57	3.39	9.66	15.77
<b>Twelve-month moving average</b>					
<b>All Items</b>	<b>108.90</b>	<b>115.20</b>	<b>120.62</b>	<b>127.67</b>	<b>152.83</b>
Annual percentage change	3.87	5.78	4.71	5.84	19.71

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

Currencies	Dec-07	2008												% Change
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dec-08/Dec-07
Special Drawing Right	6,319	6,367	6,402	6,582	6,521	6,536	6,676	6,662	6,462	6,481	6,130	6,081	6,317	-0.03
<b>ASIA</b>														
Australian Dollar	3,518	3,557	3,773	3,654	3,726	3,844	3,938	3,876	3,543	3,441	2,778	2,666	2,815	-19.98
Hong Kong Dollar	513	512	513	513	513	515	524	526	526	529	530	524	526	2.53
Janpanese Yen	35.63	37.49	38.05	39.94	38.42	38.05	38.47	37.98	37.56	38.83	41.90	42.59	45.12	26.63
Korea Won	4.27	4.23	4.26	4.33	3.98	3.92	3.92	4.06	3.77	3.56	3.04	2.78	3.01	-29.51
New Zealand Dollar	3,103	3,123	3,247	3,163	3,092	3,138	3,120	3,013	2,887	2,827	2,415	2,240	2,352	-24.20
China Yon	547	556	561	570	572	580	596	602	602	603	600	595	597	9.14
Taiwan Dollar	123	556	561	570	572	580	596	602	602	603	123	122	124	0.81
<b>ASEAN</b>														
Indonesian Rupiah	0.425	0.429	0.439	0.432	0.433	0.432	0.444	0.450	0.449	0.438	0.377	0.327	0.368	-13.41
Malaysian Ringgit	1,207	1,236	1,251	1,252	1,267	1,238	1,253	1,259	1,210	1,198	1,157	1,125	1,175	-2.65
Philippine Peso	96.83	98.06	98.79	95.41	94.72	91.62	91.30	93.00	90.02	88.51	83.52	83.23	85.90	-11.29
Singapore Dollar	2,768	2,816	2,866	2,892	2,936	2,943	3,008	2,998	2,896	2,891	2,777	2,695	2,829	2.20
Thai Bath	131	127	135	127	126	124	122	123	120	121	118	115	117	-10.69
Vietnamese Dong	0.249	0.250	0.250	0.248	0.248	0.248	0.243	0.245	0.248	0.247	0.244	0.240	0.233	-6.43
<b>EUROPE</b>														
Euro	5,893	5,933	6,062	6,298	6,223	6,241	6,462	6,398	6,040	6,033	5,365	5,237	5,762	-2.22
<b>Other</b>														
Great Britain Pound	7,986	7,938	7,939	7,967	7,863	7,939	8,160	8,131	7,511	7,580	6,754	6,249	5,890	-26.25

**Table 4: Monetary Survey**

(In billion riels )

	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
<b>NET FOREIGN ASSETS</b>	<b>4,797</b>	<b>5,475</b>	<b>7,224</b>	<b>10,735</b>	<b>10,346</b>
Foreign assets	5,482	6,142	7,650	11,890	12,886
Foreign liabilities	-685	-667	-426	-1,156	-2,540
<b>NET DOMESTIC ASSETS</b>	<b>-467</b>	<b>-450</b>	<b>-282</b>	<b>576</b>	<b>1,513</b>
Domestic Credit	<b>1,608</b>	<b>1,972</b>	<b>2,676</b>	<b>4,570</b>	<b>6,907</b>
Net claims on government	<b>-209</b>	<b>-421</b>	<b>-953</b>	<b>-1,816</b>	<b>-2,987</b>
Claims	360	327	287	297	270
Deposits	-569	-748	-1,240	-2,113	-3,257
Non government	<b>1,817</b>	<b>2,394</b>	<b>3,630</b>	<b>6,386</b>	<b>9,894</b>
Public enterprises	0	0	2	1	1
Private sector	1,817	2,394	3,628	6,385	9,893
Of which in foreign currency	1,697	2,275	3,476	6,161	9,603
Other items (net)	<b>-2,075</b>	<b>-2,423</b>	<b>-2,959</b>	<b>-3,994</b>	<b>-5,394</b>
Restricted deposits	-102	-123	-155	-255	-288
Capital and reserves	-2,192	-2,640	-3,241	-4,312	-5,776
Others	218	341	438	572	670
<b>LIQUIDITY</b>	<b>4,329</b>	<b>5,025</b>	<b>6,942</b>	<b>11,311</b>	<b>11,859</b>
Money	<b>1,153</b>	<b>1,323</b>	<b>1,658</b>	<b>2,052</b>	<b>2,400</b>
Currency outside banks	1,115	1,282	1,600	1,990	2,295
Demand deposit	38	41	58	62	105
Quasi-money	<b>3,176</b>	<b>3,702</b>	<b>5,285</b>	<b>9,259</b>	<b>9,459</b>
Time and saving deposits	97	113	89	121	185
Foreign currency deposits	3,079	3,589	5,196	9,138	9,274
<b>Memorandum Items</b>					
<b>Net Foreign Assets (In millions of USD)</b>	<b>1,190</b>	<b>1,330</b>	<b>1,779</b>	<b>2,682</b>	<b>2,535</b>
NBC	1,021	1,077	1,411	2,143	2,641
DMBs	169	253	368	538	-106
Velocity	5.4	5.4	4.9	3.9	3.2

Table 5: **Monetary Survey**

(Annual percentage change)

	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
<b>NET FOREIGN ASSETS</b>	<b>19.10</b>	<b>14.15</b>	<b>31.95</b>	<b>48.59</b>	<b>-3.62</b>
Foreign assets	15.62	12.05	24.55	55.43	8.37
Foreign liabilities	-4.01	-2.62	-36.18	171.46	119.80
<b>NET DOMESTIC ASSETS</b>	<b>33.08</b>	<b>3.65</b>	<b>37.35</b>	<b>304.22</b>	<b>162.73</b>
Domestic Credit	<b>33.02</b>	<b>22.68</b>	<b>35.69</b>	<b>70.75</b>	<b>51.14</b>
Net claims on government	<b>-63.15</b>	<b>-101.81</b>	<b>-126.36</b>	<b>-90.48</b>	<b>64.49</b>
Claims	-0.06	-9.30	-12.21	3.60	-8.93
Deposits	16.50	31.48	65.85	70.39	54.17
Non government	<b>35.90</b>	<b>31.77</b>	<b>51.64</b>	<b>75.93</b>	<b>54.94</b>
Public enterprises	-100.00	0.00	0.00	-43.55	-49.79
Private sector	35.90	31.77	51.56	76.00	54.95
Of which in foreign currency	-86.01	34.06	52.75	77.26	55.85
Other items (net)	<b>-8.81</b>	<b>-16.75</b>	<b>-22.12</b>	<b>-35.00</b>	<b>35.05</b>
Restricted deposits	-6.68	21.00	26.06	64.23	13.05
Capital and reserves	4.92	20.46	22.76	33.03	33.96
Others	-24.93	55.93	28.50	30.76	17.06
<b>LIQUIDITY</b>	<b>30.37</b>	<b>16.07</b>	<b>38.16</b>	<b>62.93</b>	<b>4.85</b>
Money	<b>22.95</b>	<b>14.74</b>	<b>25.32</b>	<b>23.79</b>	<b>16.94</b>
Currency outside banks	22.74	15.02	24.76	24.39	15.33
Demand deposit	29.37	6.61	43.04	7.11	68.29
Quasi-money	<b>33.30</b>	<b>16.55</b>	<b>42.74</b>	<b>75.20</b>	<b>2.17</b>
Time and saving deposits	18.88	15.80	-21.39	36.59	52.74
Foreign currency deposits	33.81	16.57	44.76	75.86	1.50
<b>Memorandum Items</b>					
<b>Net Foreign Assets (In millions of USD)</b>	<b>17.61</b>	<b>11.79</b>	<b>33.73</b>	<b>50.74</b>	<b>-5.47</b>
NBC	16.28	5.54	30.96	51.93	23.23
DMBs	26.35	49.49	45.56	46.22	-119.68
<b>Velocity</b>	<b>-12.90</b>	<b>0.00</b>	<b>-9.85</b>	<b>-20.56</b>	<b>-17.25</b>

Table 6: Monetary Authority

	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
(In billion riels)					
<b>Reserve Money</b>	<b>2,665</b>	<b>2,637</b>	<b>3,383</b>	<b>5,018</b>	<b>6,100</b>
Currency Outside Banks	1,115	1,282	1,600	1,990	2,295
Vault Cash	26	27	30	47	90
Bank Deposits	1,519	1,322	1,736	2,968	3,688
Required reserves	244	302	428	778	1,632
Other	1,275	1,020	1,308	2,191	2,055
Other Deposits	5	6	17	13	28
<b>Net Foreign Assets</b>	<b>4,114</b>	<b>4,434</b>	<b>5,729</b>	<b>8,579</b>	<b>10,776</b>
Foreign Assets	4,506	4,768	5,729	8,579	10,776
Foreign Liabilities	-392	-334	0	0	0
<b>Net Domestic Assets</b>	<b>-1,450</b>	<b>-1,797</b>	<b>-2,346</b>	<b>-3,561</b>	<b>-4,676</b>
Net Claims on government	-256	-407	-807	-1,632	-2,696
Claims	270	270	286	297	270
Deposits	-526	-677	-1,093	-1,929	-2,966
Net Claim on banks	-84	-101	-92	-151	-194
Claim on private sector	3	2	2	2	2
Other items (net)	-1,110	-1,289	-1,449	-1,779	-1,788
(Annual percentage change)					
<b>Reserve Money</b>	<b>23.93</b>	<b>-1.03</b>	<b>28.28</b>	<b>48.34</b>	<b>21.56</b>
Currency Outside Banks	22.74	15.02	24.76	24.39	15.32
Vault Cash	-56.31	3.21	10.61	58.76	90.76
Bank Deposits	28.47	-12.96	31.34	70.97	24.23
Required reserves	26.29	23.78	41.59	81.71	109.83
Other	28.90	-19.99	28.30	67.46	-6.20
Other Deposits	-	21.76	183.03	-25.82	118.61
<b>Net Foreign Assets</b>	<b>17.77</b>	<b>7.76</b>	<b>29.21</b>	<b>49.76</b>	<b>25.61</b>
Foreign Assets	15.37	5.80	20.16	49.76	25.61
Foreign Liabilities	-4.97	-14.83	-100.00	-	-
<b>Net Domestic Assets</b>	<b>-7.91</b>	<b>-23.92</b>	<b>-30.58</b>	<b>-51.79</b>	<b>-31.30</b>
Net Claims on government	-17.00	-58.99	-98.39	-102.25	-65.17
Claims	0.14	0.23	5.93	3.60	-8.85
Deposits	7.70	28.83	61.47	76.40	53.78
Net Claim on banks	-7.17	20.66	-9.07	64.56	28.06
Claim on private sector	-	-5.21	-11.86	-3.49	-2.20
Other items (net)	-7.30	-16.08	-12.45	-22.80	-0.48

Table 7: Deposit Money Banks

	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
	(In billion riels)				
<b>Net Foreign Assets</b>	<b>682</b>	<b>1,041</b>	<b>1,496</b>	<b>2,156</b>	<b>-431</b>
Foreign assets	975	1,374	1,921	3,311	2,110
Foreign liabilities	-293	-333	-426	-1,156	-2,540
<b>Net Domestic Assets</b>	<b>958</b>	<b>1,275</b>	<b>1,962</b>	<b>4,020</b>	<b>5,962</b>
<b>Domestic credit</b>	<b>1,869</b>	<b>2,385</b>	<b>3,490</b>	<b>6,160</b>	<b>9,561</b>
Claims on central government (net)	47	-14	-146	-184	-292
Claims on public enterprises	0	0	2	1	1
Claims on private sector	1,814	2,391	3,626	6,383	9,892
Claims on MA (net)	8	8	8	-40	-40
Other items (net)	-911	-1,110	-1,527	-2,140	-3,598
<b>Reserves</b>	<b>1,569</b>	<b>1,420</b>	<b>1,868</b>	<b>3,132</b>	<b>4,005</b>
Cash	26	27	30	47	90
Deposits at the NBC	1,543	1,393	1,838	3,085	3,915
<b>Domestic liabilities</b>	<b>3,210</b>	<b>3,737</b>	<b>5,325</b>	<b>9,308</b>	<b>9,537</b>
Demand deposits	33	34	41	49	77
Time and savings deposits	97	113	89	121	185
Foreign currency deposits	3,079	3,589	5,196	9,138	9,275
<b>Total assets = Total liabilities</b>	<b>4,706</b>	<b>5,579</b>	<b>7,963</b>	<b>13,543</b>	<b>17,308</b>
	(Annual percentage change)				
<b>Net Foreign Assets</b>	<b>27.97</b>	<b>52.64</b>	<b>43.61</b>	<b>44.13</b>	<b>-119.97</b>
Foreign assets	16.83	40.95	39.79	72.34	-36.28
Foreign liabilities	-2.87	13.72	27.83	171.46	119.83
<b>Net Domestic Assets</b>	<b>50.31</b>	<b>33.08</b>	<b>53.89</b>	<b>104.88</b>	<b>48.31</b>
<b>Domestic credit</b>	<b>36.54</b>	<b>27.60</b>	<b>46.30</b>	<b>76.52</b>	<b>55.21</b>
Claims on central government (net)	-48.05	-130.60	915.01	25.61	58.51
Claims on public enterprises	-100.00	0.00	100.00	-43.56	-49.02
Claims on private sector	35.71	31.82	51.62	76.05	54.97
Claims on MA (net)	-114.21	2.11	-1.34	-579.65	0.00
Other items (net)	-24.56	-21.83	-37.58	-40.09	-68.17
<b>Reserves</b>	<b>26.37</b>	<b>-9.50</b>	<b>31.52</b>	<b>67.72</b>	<b>27.86</b>
Cash	-56.31	3.21	10.61	58.75	90.76
Deposits at the NBC	30.53	-9.72	31.92	67.86	26.89
<b>Domestic liabilities</b>	<b>33.04</b>	<b>16.42</b>	<b>42.52</b>	<b>74.79</b>	<b>2.45</b>
Demand deposits	12.37	4.02	18.64	21.02	56.08
Time and savings deposits	18.88	15.80	-21.39	36.59	52.70
Foreign currency deposits	33.81	16.57	44.76	75.86	1.50
<b>Total assets = Total liabilities</b>	<b>21.37</b>	<b>18.55</b>	<b>42.73</b>	<b>70.07</b>	<b>27.80</b>

Table 8: Credit Granted Classified by Type of Business

(Excluding Provincial Branches of NBC)

(In Million Riel)

	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
<b>1. Financial Institutions</b>	<b>102,212</b>	<b>178,686</b>	<b>115,579</b>	<b>120,342</b>	<b>141,314</b>	<b>135,382</b>
National Bank of Cambodia(NBC)	0	0	0	0	0	0
Depository Institutions	2,066	2,080	2,096	1,076	9,211	9,254
Other Financial Institutions	100,146	176,606	113,483	119,266	132,103	126,128
<b>2. Non-Financial Institutions</b>	<b>8,322,958</b>	<b>8,436,705</b>	<b>8,599,837</b>	<b>8,436,917</b>	<b>8,406,437</b>	<b>8,299,846</b>
Agriculture, Forestry and Fishing	419,688	466,655	479,542	538,042	534,471	516,297
Mining and Quarrying	10,601	7,751	9,093	9,963	9,654	7,481
Manufacturing	707,071	797,622	748,553	962,362	966,054	983,664
Utilities	66,318	87,022	78,225	74,869	74,397	76,598
Construction	711,680	769,321	660,716	757,198	780,971	773,808
Wholesale Trade	1,478,092	1,404,199	1,207,961	1,420,350	1,441,618	1,617,970
Retail Trade	1,345,826	1,682,218	1,507,549	1,351,092	1,376,649	1,245,153
Hotels and Restaurants	1,007,114	1,147,548	1,198,402	1,445,535	1,339,148	1,276,564
Transport and Storage	93,183	153,978	174,876	136,190	127,252	137,410
Information Media and Telecommunicati	190,901	194,843	204,111	219,297	219,455	244,449
Rental and Operational Leasing Activities, excluded Real Estate Leasing and Rentals	41,033	59,632	61,009	53,567	54,847	24,301
Real Estate Activities	733,864	728,645	743,692	743,279	743,441	737,442
Other Non-Financial Services	1,517,586	937,271	1,526,107	725,174	738,480	658,710
<b>3. Personal Essentials</b>	<b>1,006,440</b>	<b>865,825</b>	<b>912,205</b>	<b>1,246,134</b>	<b>1,215,765</b>	<b>1,316,144</b>
Personal Lending	600,355	453,637	497,011	832,934	805,595	583,937
Credit Cards	14,496	16,802	18,672	16,369	16,936	15,991
Mortgages, Owner-Occupied Housing or	391,588	395,386	396,522	396,831	393,234	716,216
<b>4. Other Lending</b>	<b>10,837</b>	<b>100,799</b>	<b>110,620</b>	<b>93,490</b>	<b>85,025</b>	<b>81,313</b>
<b>Total Gross Loan</b>	<b>9,442,447</b>	<b>9,582,015</b>	<b>9,738,241</b>	<b>9,896,883</b>	<b>9,848,542</b>	<b>9,832,685</b>

Table 9: Deposits with Deposit Money Banks

(Excluding Provincial Branches of NBC)

(In Million Riel)

	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
<b>Deposits in Riel</b>						
Demand deposits	30,799	37,891	40,712	49,991	53,560	92,321
Savings deposits	41,119	49,169	62,797	91,688	135,087	193,082
Fixed deposits	40,818	40,373	41,643	42,679	49,649	93,711
Others	0	2,421	2,438	1,360	1,221	1,162
<b>Total</b>	<b>112,736</b>	<b>129,855</b>	<b>147,590</b>	<b>185,719</b>	<b>239,517</b>	<b>380,275</b>
<b>Deposits in Foreign Currency</b>						
Demand deposits	687,230	792,466	958,804	1,393,533	2,312,742	2,462,733
Savings deposits	1,067,329	1,478,007	1,703,153	2,224,594	4,518,257	3,469,127
Fixed deposits	740,115	881,644	1,071,863	1,813,279	2,763,061	3,908,236
Others	2,386	45,816	45,811	69,910	88,894	66,646
<b>Total</b>	<b>2,497,060</b>	<b>3,197,933</b>	<b>3,779,631</b>	<b>5,501,316</b>	<b>9,682,955</b>	<b>9,906,742</b>
<b>GRAND TOTAL</b>	<b>2,609,796</b>	<b>3,327,788</b>	<b>3,927,221</b>	<b>5,687,035</b>	<b>9,922,472</b>	<b>10,287,018</b>

**Cambodia: Balance of Payments**  
Year 2005-2008

(US\$ million)

	2005	2006	2007	2008 <sup>f</sup>
<b>Balance of trade</b>	<b>-1,008.0</b>	<b>-1,078.0</b>	<b>-1,382.1</b>	<b>-1,825.8</b>
<b>Export (FOB)</b>	<b>2,910.3</b>	<b>3,693.2</b>	<b>4,088.5</b>	<b>4,708.0</b>
Domestic export	2,772.8	3,537.8	3,873.9	4,423.7
GSP export (mainly garments)	2,260.7	2,727.3	2,942.3	3,006.4
Other domestic exports	512.2	810.5	931.6	1,417.3
Re-export (including profit and transportation cost)	137.4	155.4	214.6	284.3
<b>Import (FOB)</b>	<b>-3,918.3</b>	<b>-4,771.2</b>	<b>-5,470.6</b>	<b>-6,533.8</b>
Retained imports	-3,802.1	-4,636.6	-5,289.2	-6,296.5
Garment Sector	-1,102.3	-1,297.7	-1,376.6	-1,404.1
Petroleum	-841.6	-1,123.4	-1,347.6	-1,924.3
Other retained imports	-1,858.2	-2,215.5	-2,564.9	-2,968.1
Imports for re-exports	-116.1	-134.6	-181.4	-237.4
<b>Net Services</b>	<b>475.6</b>	<b>492.3</b>	<b>614.3</b>	<b>579.3</b>
<b>Receipts</b>	<b>1,118.1</b>	<b>1,296.3</b>	<b>1,547.5</b>	<b>1,638.7</b>
Transportation services	126.9	166.8	209.7	229.4
Travel Services	839.5	963.2	1,134.8	1,221.4
Other Services	151.6	166.3	203.0	187.9
<b>Payments</b>	<b>-642.5</b>	<b>-804.0</b>	<b>-933.2</b>	<b>-1,059.4</b>
Transportation services	-360.3	-440.0	-513.9	-608.7
Travel Services	-96.9	-122.2	-122.7	-108.1
Other Services	-185.4	-241.8	-296.6	-342.6
<b>Net Income</b>	<b>-294.7</b>	<b>-306.1</b>	<b>-347.6</b>	<b>-408.0</b>
<b>Receipts</b>	67.7	90.0	112.2	109.1
<b>Payments</b>	-362.4	-396.1	-459.8	-517.1
<b>Private transfers, net</b>	<b>209.3</b>	<b>314.8</b>	<b>382.5</b>	<b>372.3</b>
<b>BALANCE ON CURRENT ACCOUNT</b> (excluding official transfers)	<b>-617.8</b>	<b>-577.0</b>	<b>-732.9</b>	<b>-1,282.2</b>
<b>Official Transfers</b>	<b>393.7</b>	<b>604.5</b>	<b>489.3</b>	<b>485.8</b>
<b>Receipts</b>	<b>394</b>	<b>604.8</b>	<b>489.6</b>	<b>486.0</b>
Of which: Grants	6.9	91.2	26.7	24.5
Food aid	17.1	20.7	19.9	30.3
Project aid	145.1	293.6	288.4	271
TA salaries	224.1	199.2	154.6	159.4
<b>Payments</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>
<b>BALANCE ON CURREN ACCOUNT &amp; CAPITAL TRANSFERS</b>	<b>-224.1</b>	<b>27.6</b>	<b>-243.6</b>	<b>-796.5</b>
<b>FINANCIAL ACCOUNT</b>	<b>310.4</b>	<b>214.0</b>	<b>695.2</b>	<b>1,185.5</b>
<b>Official sector loans</b> (excluding IMF), net	<b>144.0</b>	<b>122.1</b>	<b>199.6</b>	<b>234.7</b>
<b>Drawings</b>	153.3	131.7	208.5	244.9
<b>Repayments</b>	-9.3	-9.6	-8.9	-10.2
<b>Non-official sector investment</b>	<b>166.6</b>	<b>91.9</b>	<b>495.6</b>	<b>950.9</b>
<b>Direct investment, net</b>	<b>374.9</b>	<b>474.8</b>	<b>866.5</b>	<b>805.8</b>
<b>Portfolio Investment Assets</b>	-7.2	-12.1	-12.4	-12.9
<b>Other Investment, net</b>	-201.2	-370.8	-358.5	158.0
Net errors and omission	-12.0	-39.7	-38.8	-44.0
<b>OVERALL BALANCE</b>	<b>74.4</b>	<b>201.9</b>	<b>412.8</b>	<b>345.1</b>
<b>FIANANCING</b>	<b>-74.4</b>	<b>-201.9</b>	<b>-412.8</b>	<b>-345.1</b>
<b>Net foreign assets of the NBC</b> (excluding monetary gold)	<b>-87.1</b>	<b>-220.7</b>	<b>-425.6</b>	<b>-357.8</b>
<b>Change in Reserve Assets</b>	-78.4	-138.6	-425.6	-357.8
<b>Use of IMF credit</b>	-8.8	-82.1	0.0	0.0
<b>Exceptional financing</b>	<b>12.8</b>	<b>18.8</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

Source: Data provided by Cambodia authorities and NBC staff estimates.

Note: - Provisional Data for 2005 – 2008 (Subject to change).

- F: Data Forecasted for 2008