

KINGDOM OF CAMBODIA

NATION RELIGION KING



NATIONAL BANK OF CAMBODIA



ANNUAL REPORT 2012



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FOREWORD BY THE GOVERNOR

In 2012, the global economy continued to recover at a slow pace due to weak growth in most developed countries, the fragility of the financial system, uncertainty about financial reforms, and increasing fiscal austerity in many developed and developing countries. Unemployment in the United States and the sovereign debt crisis in Europe – especially Greece, Italy, Spain, and Portugal – remain difficult challenges. Some developing countries in Asia – such as China, India, and Indonesia – grew more slowly, reflecting weakness in their exports and inbound foreign direct investment.

The IMF reports world economic growth declined from 3.8 percent in 2011 to 3.3 percent in 2012. Growth was 2.2 percent in the United States and -0.4 percent in Europe. Asia grew 5.5 percent; 7.8 percent in China, 2.2 percent in Japan, 4.9 percent in India, and 5.4 percent in ASEAN-5.

The Royal Government of Cambodia anticipated that national economic growth would be 7 percent, supported by 3.2 percent growth in agriculture, 13.3 percent in industry, and 5 percent in services. At the same time, the balance of payments for Cambodia had improved to an overall surplus of 2.3 percent of GDP. Gross international reserves reached USD 3.4 billion, which was sufficient to finance about 4.5 months of imports. The NBC has continued to manage foreign reserves based on safety, liquidity, and income.

As the monetary authority, the NBC has continued to implement monetary policy in a cautious manner in order to maintain price stability and foster a more stable economy. Inflation dropped from 5.5 percent in 2011 to 3.1 percent in 2012, staying below the government's tolerance band centered at 5 percent. The exchange rate for the riel against the US dollar has been relatively stable, appreciating only 1.7 percent compared to the previous year, due to an increase in the domestic demand for riel and foreign capital inflows. This performance has contributed to public confidence in the riel.

The NBC continued its efforts to strengthen and develop the banking system, promoting safe and effective operations through the enhancement of supervision and regulation. The banking sector has developed in both scope and, as the number of banking institutions, their branches, deposits, and credits continue to increase. The microfinance sector also has played a greater role in the Royal Government's program for alleviating poverty. Overall, the banking system has been sound, with solvency and liquidity ratios remaining above prudential norms and its non-performing loan ratio declining to 2.5 percent.

The NBC continued to participate in the Royal Government's program for reforming the management of public finance by improving the efficiency of its service to public ministries and institutions. Furthermore, the NBC has expanded the use of core banking systems at its branches and officially launched the National Payment System in December 2012 to facilitate the payment and settlement of checks and other instruments more safely and efficiently.

With technical assistance from the International Finance Corporation (IFC), the Cambodia Credit Bureau received its license from the NBC to operate the Credit Information Sharing System in early 2012. The system received strong support and contributed to an improving environment for business in Cambodia (the World Bank Report). At the end of this year, a technical working group from the Bank of Laos PDR and the Central Bank of Kenya studied the background, management, and supervision of the NBC's system for sharing credit information.

The NBC supported the development of interbank and money markets with the preparation of a book entry system for the purchase, sale, and custody of securities. The NBC also has developed procedures for the issuance of its securities, cooperating closely with banks to determine the characteristics of the negotiable certificates of deposit, which will be issued in the near future.

The Financial Intelligence Unit (FIU) has strengthened its cooperation with national and international institutions and with the Asia Pacific Group on money laundering to detect and prevent money laundering and terrorism financing activities. As part of this effort, the FIU signed an MOU with the General Department of Custom and Excise and the State Bank of Vietnam.

The Royal Government of Cambodia on July 6, 2012 officially adopted the "Financial Sector Development Strategy 2011-2020." This document, a revision of the previous strategy, reflected close collaboration among the NBC, Ministry of Economy and Finance, Ministry of Commerce, Securities and Exchange Commission of Cambodia, and other relevant authorities. The Asian Development Bank provided valuable technical assistance as part of its mission to strengthen the development of the Cambodian financial sector, helping it to serve our domestic needs as it integrates itself into the regional financial system.

In the context of regional and international cooperation, the NBC has accomplished notable achievements in both its bilateral and multilateral relationships. The NBC hosted and successfully led the 8th ASEAN Central Bank Governors' Meeting (ACGM). In addition, top management of the NBC had their first meeting with ASEAN+3 finance ministers and central bank governors to strengthen macroeconomic and financial stability within ASEAN. Moreover, the NBC also hosted the 3rd SEACEN High Level Seminar for Deputy Governors and collaborated with the SEACEN Centre and other partner central banks in preparing meetings and seminars to build the technical capacity to support economic and financial development within the region.

Overall, the NBC's great accomplishments reflect the wholehearted contributions of all its officials and staff as well as contributions from the Royal Government and all the NBC's international development partners. I would like to express my profound gratitude to the Board of Directors, the NBC's officials and staff, relevant institutions, and all our partners responsible for these valuable achievements.

Governor

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Introduction

Despite the lingering global slowdown, Cambodia's growth in 2012 rose to 7.3% from 7.1% in 2011. At the same time, the year-on-year inflation rate declined to approximately 2.5% compared to 4.9% in 2011. Cambodia's annual average exchange rate remained stable at approximately 4,010 Riel per US dollar. This achievement reflects the effective and timely monetary and fiscal policies adopted by the Royal Government and the National Bank of Cambodia in conjunction with the Government's reform program.

During 2012, the banking system remained stable as it expanded in both scope and scale of operations. Banks achieved greater financial deepening¹ and broader intermediation as they expanded their branch networks across the country and they introduced new financial services to benefit the public and investors. Along with this development of the financial infrastructure, the National Bank of Cambodia continued to develop the supervision, regulation, and laws to foster effective and sound banking operations. The Royal Government and the NBC also updated and implemented the Financial Sector Development Strategy for 2011-2020 to help plan the evolution of national and regional economic conditions.

The National Bank of Cambodia has continued to improve relations with central banks within Asia as well as other regional and international financial institutions to support macroeconomic and financial stability. In addition, the National Bank of Cambodia participated in various initiatives within Southeast Asia, receiving valuable technical assistance.

¹ Financial deepening=M2/GDP

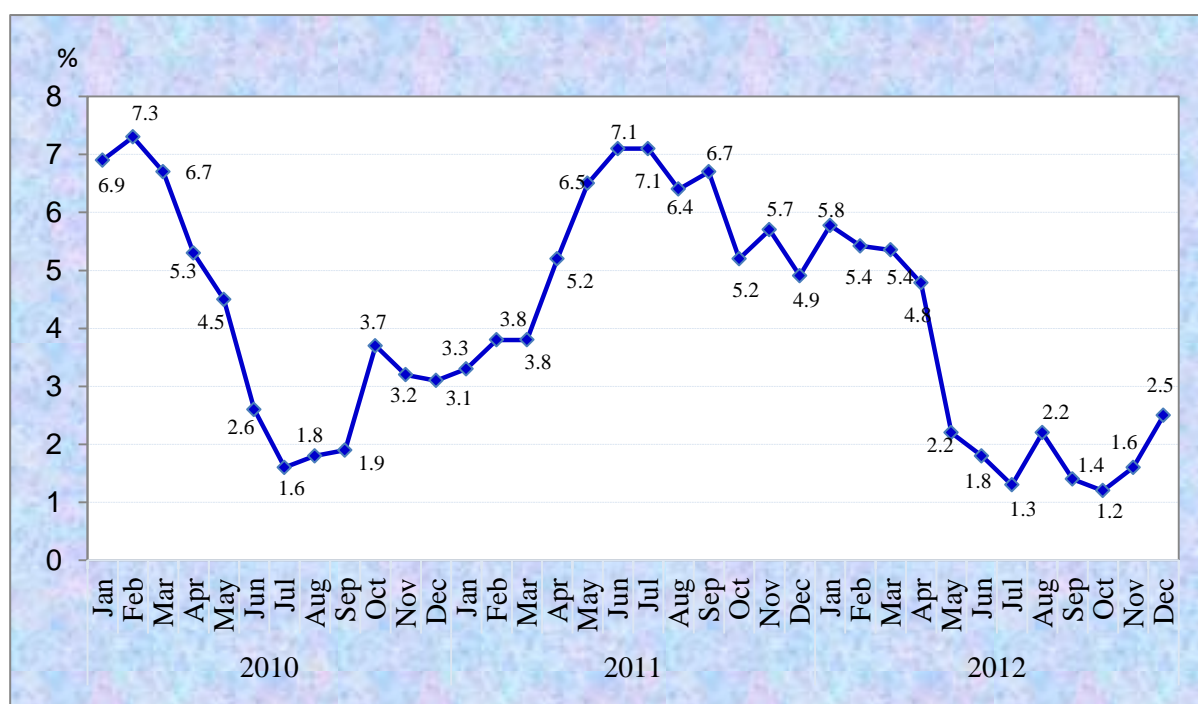
I. Monetary Policy Implementation and NBC Operation

1. Prices and Exchange Rate Movements

1.1. Retail Prices and Inflation

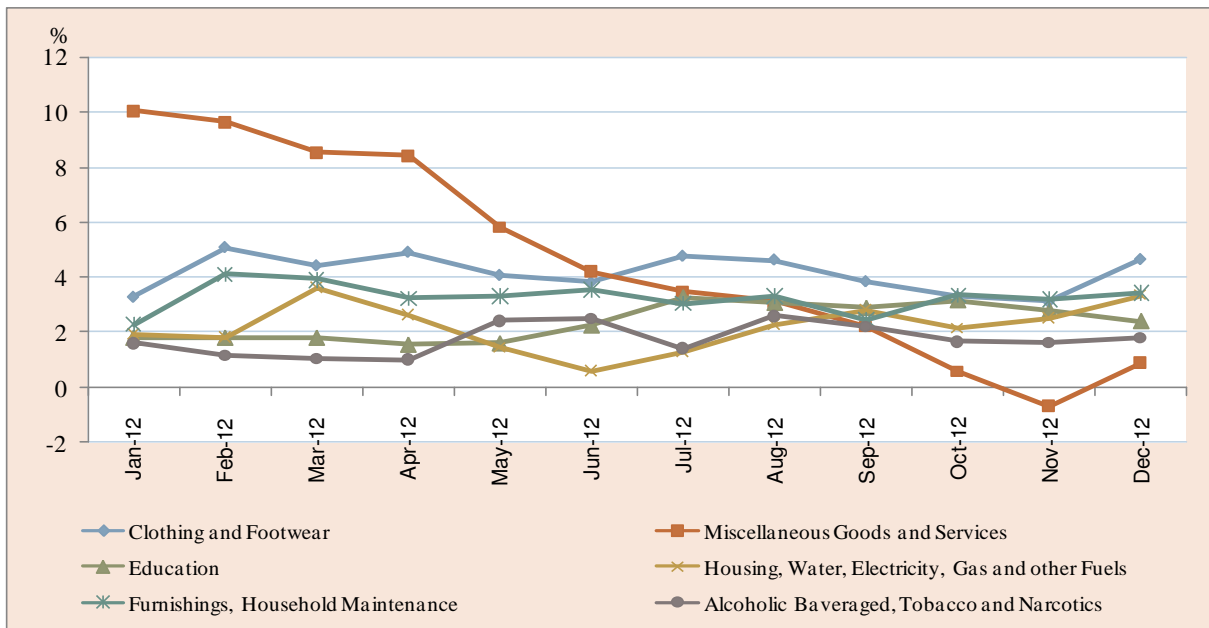
Consumer price inflation in Cambodia fell markedly in 2012. The year-on-year rate of inflation declined to 2.5% in 2012 from 4.9% in 2011, due mainly to the drop in inflation within the economies of Cambodia's major trading partners, the deceleration of global oil prices, and rising productivity in Cambodia. The riel's stable exchange rate and the deceleration of money and credit also fostered a lower rate of inflation.

Chart 1: CPI All Items



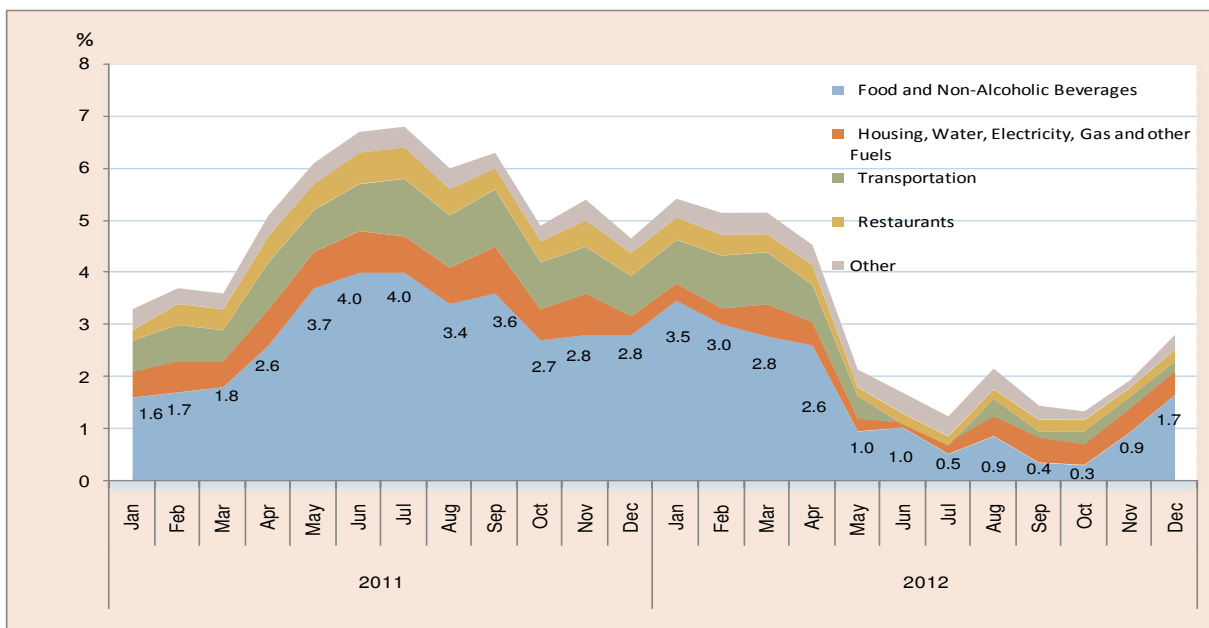
The drop in year-on-year inflation reflected slower price increases for many goods, especially for food and beverages (2.4%) and transport services (0.9%).

Chart 2: The Highest Increases of the Major Group Indices of CPI All Items in 2012



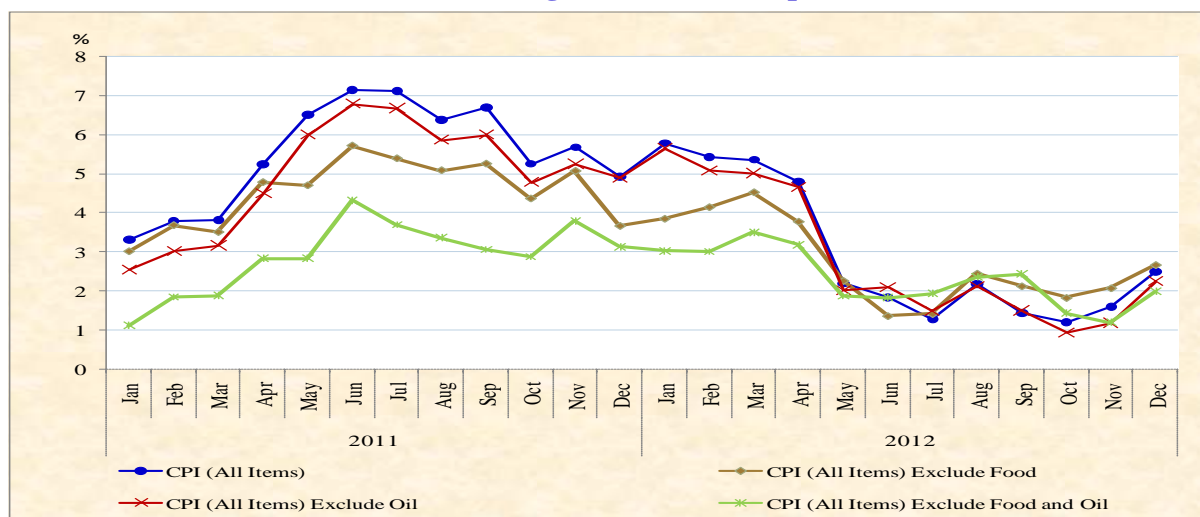
The increase in Food and beverage prices, which have the largest weight in the CPI, mainly resulted from the increase in the prices of fresh beef (16.3%), other grains (11.4%), fresh fish (6.7%), fresh duck (6%), fresh fruits (5.7%), vegetables (4.2%), and rice (1.5%). The rise in the Transport Price Index resulted from the increases in prices of Transport Services (5.3%), Diesel fuel (4.7%), Gasoline (3.8%), and Motor oil (2.4%).

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



Therefore, the 2.5% year-on-year increase in the CPI in 2012 comprised a 1.1% increase for domestic food and beverages; a 0.6% increase for Housing, Water, Electricity, Gas and Other Fuels; a 0.3% increase for the Restaurants group; a 0.1% increase the Clothing and Footwear group; a 0.1% increase for the Transport group; and only 0.2% for the other seven groups. The core rate of inflation (excluding food and goods and service related to oil) was 2%.

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



1.2. Exchange Rate Movements

1.2.1. The Exchange Rate of KHR Against the US Dollar

During 2012, the rate of exchange for the Riel against the US dollar remained relatively stable, changing slightly from 4,064 Riel per US dollar in 2011 to 4,040 Riel per US dollar in 2012, an appreciation of 0.6% due to a greater domestic demand for Riel.

Chart 5: Trend of Riel Exchange Rate Against US Dollar (2012)

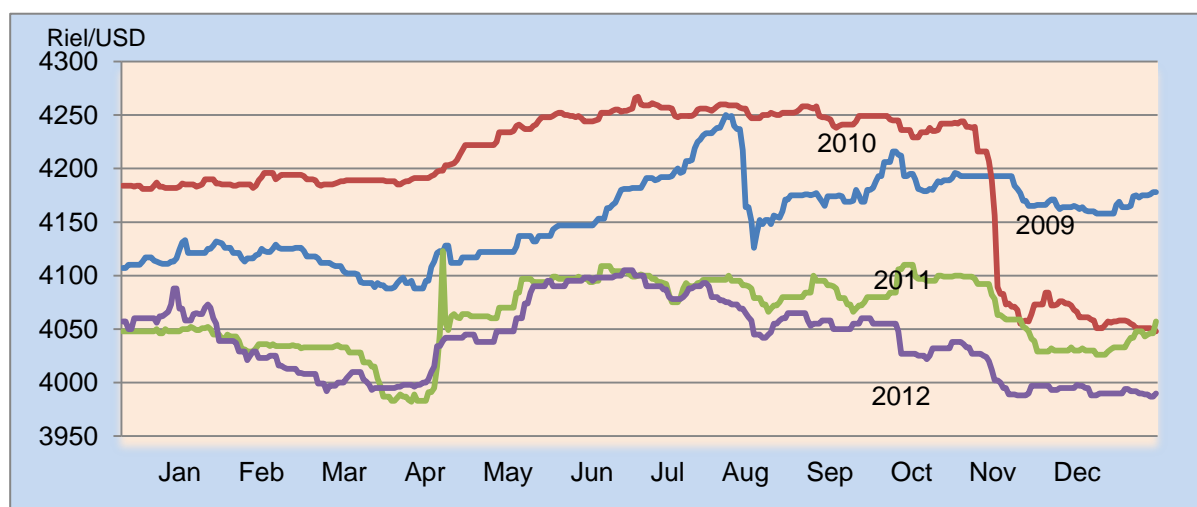


Table 1: Exchange Rate (end month period)

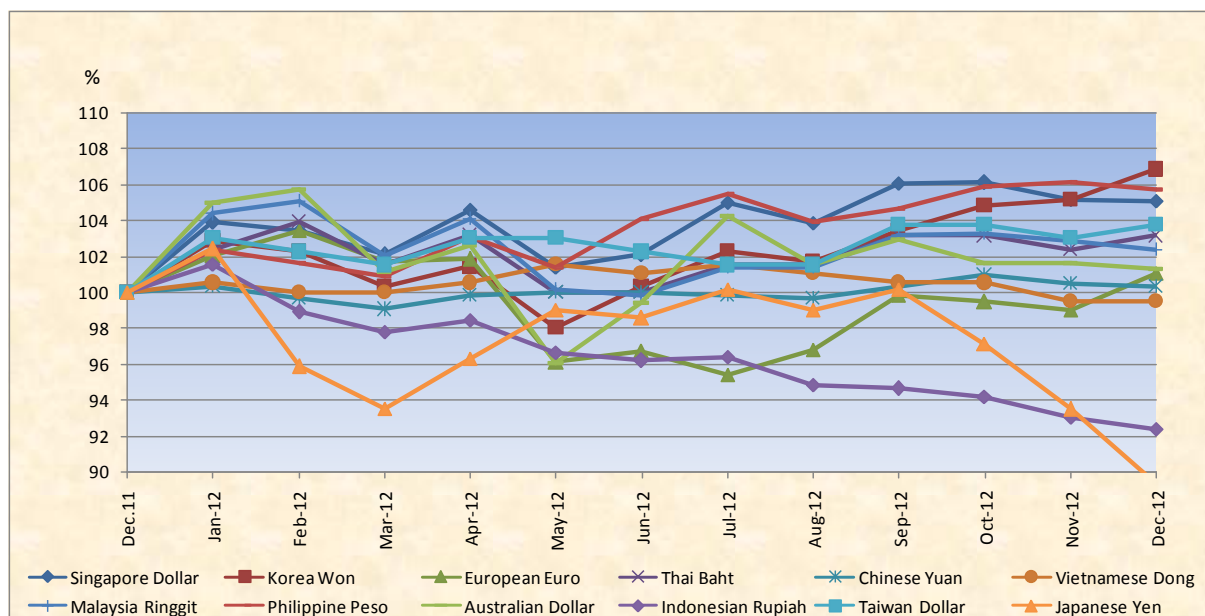
	Market Rate			Official Rate		
	Bid	Ask	Mean	Bid	Ask	Mean
Dec-11	4,057	4,066	4,062	4,039	4,039	4,039
Jan-12	4,073	4,082	4,078	4,064	4,064	4,064
Feb-12	4,013	4,018	4,016	4,015	4,015	4,015
Mar-12	3,995	4,005	4,000	3,995	3,995	3,995
Apr-12	4,042	4,056	4,049	4,025	4,025	4,025
May-12	4,095	4,105	4,100	4,065	4,065	4,065
Jun-12	4,100	4,109	4,105	4,065	4,065	4,065
Jul-12	4,077	4,084	4,081	4,070	4,070	4,070
Aug-12	4,053	4,063	4,058	4,045	4,045	4,045
Sep-12	4,055	4,062	4,059	4,043	4,043	4,043
Oct-12	4,025	4,033	4,029	4,030	4,030	4,030
Nov-12	3,995	4,003	3,999	3,992	3,992	3,992
Dec-12	3,990	3,995	3,993	3,995	3,995	3,995

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

The Riel fluctuated within the range of +6 and -5.5 percentage points versus the currencies of Cambodia's major trading partners. Among these foreign currencies, the Singapore Dollar appreciated by 6%; the Philippine Peso, 4.7%; the Taiwan Dollar, 3.8%; the Korean Won, 3.5%; the Malaysian Ringgit, 3.2%; the Thai Baht, 3.2%; the Australian Dollar, 2.9%; the Vietnamese Dong, 0.5%; the Chinese Yuan, 0.3%; and the Japanese Yen, 0.13%. Meanwhile, the Indonesia Rupiah and European Euro depreciated 5.4% and 0.2% respectively, vis-à-vis the Cambodian Riel.

Chart 6: Currencies Against Cambodian Riel

Index: End-December 2011 = 100

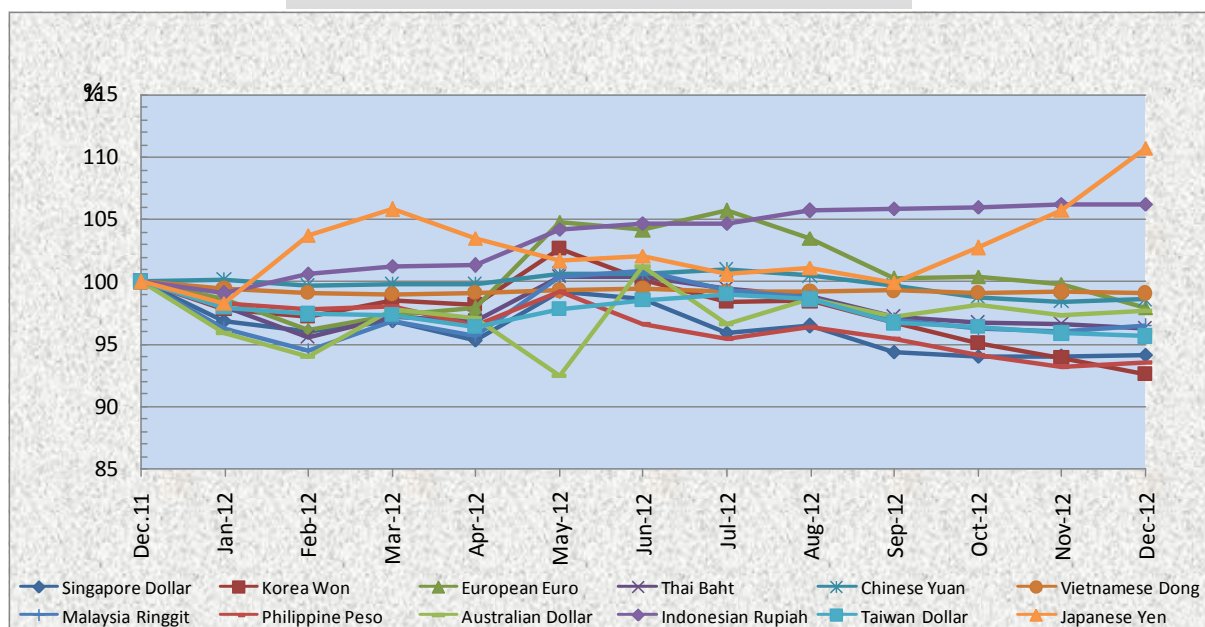


1.2.3. The Exchange Rate of US Dollar Against Currencies other than Cambodian Riel

The foreign exchange value of the US dollar also fluctuated within the range of +5.6 and -5.9 percentage points with respect to the currencies of Cambodia’s major trading partners (as of December 2011 – see chart below), reflecting the relatively constant exchange rate between the Riel and the US dollar.

Chart 7: Currencies Against US Dollar

Index: End-December 2011 = 100



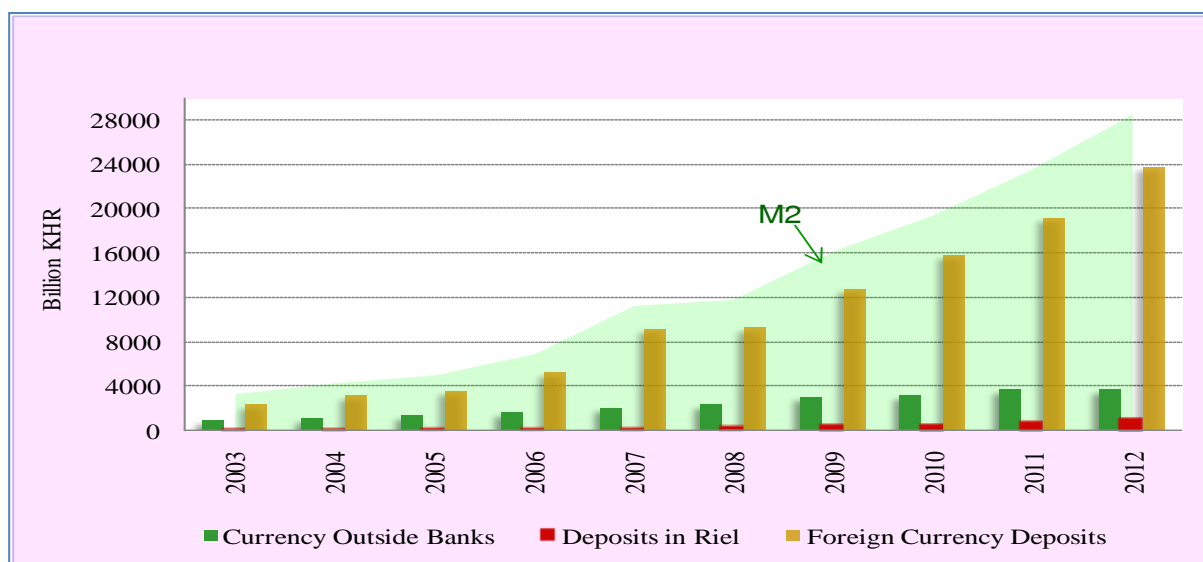
2. Monetary Development

Broad money (M2) and credit to the private sector increased during 2012, in concert with the development of Cambodia's economy. Net foreign assets and capital in banking system also expanded which improved public confidence in the banking system. In addition, the banking sector became more competitive, reducing the spread between loan and deposit interest rates compared to the previous year.

2.1. Monetary Aggregates

Broad money (M2) increased to KHR 28,592 billion (47% of GDP), an increase of 20.9%. Residents' foreign currency deposits increased KHR 4,625 billion (24.2%), and domestic currency deposits increased KHR 328 billion (44.3%), while currency outside banks declined by KHR 16 billion (0.4%).

Chart 8: Structure of Money Supply



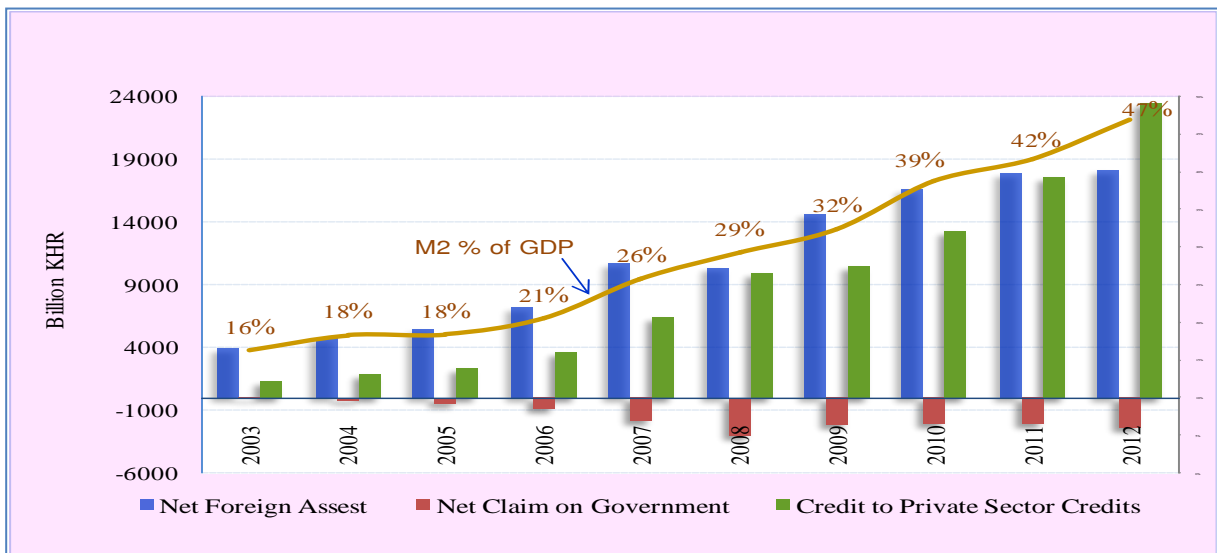
**Table 2: Liquidity Components & Inflation
(Year-on-Year Percentage Change)**

	2007	2008	2009	2010	2011	2012
Net claims on government	-90.5	-64.5	24.6	5.6	0.2	-17.1
Credit of private sector	76.0	55.0	6.5	26.6	31.7	34.1
Liquidity (M2)	62.9	4.8	36.8	20.0	21.5	20.9
Currency outside banks	24.4	15.3	30.8	3.2	21.7	-0.4
Inflation rate	14.0	12.3	5.3	3.1	4.9	2.4

2.2. Factors Affecting Money Supply

The growth of M2 in 2012 resulted from an increase in net foreign assets of the banking system of KHR 261 billion and net domestic assets of KHR 4,677 billion. Net foreign assets of the NBC rose KHR 2,573 billion, while net foreign assets of banks fell by KHR 2,312 billion. The expansion of net domestic assets for the banking system resulted from an increase in credit² to the private sector of KHR 5,984 billion (34.1%) and an increase in capital and reserves of KHR 1,788 billion (18.4%), while net claims on government declined by KHR 363 billion (17.1%). The expansion of credit to the private sector included greater lending for Wholesale and Retail Trade (35%), Other Non-Financial Services (12%), Agriculture Forestry and Fishing (12%), Construction & Real Estate Activities (11%), and Manufacturing (10%).

Chart 9: Monetary Survey



2.2.1. Financial Operations of NBC

In 2012, net domestic assets of the National Bank of Cambodia (NBC) declined by KHR 477 billion (9.6%) to KHR -5,453 billion. This drop reflected reductions in net claims on banks of KHR 70 billion (12.1%) and net claims on the government of KHR 345 billion (19.4%), while other items increased by KHR 59 billion (10.2%). The decrease in net claims on government resulted entirely from an increase in government deposits.

² Gross Credit = Total Credit + interest accrual

Net foreign assets of the NBC rose to KHR 18,543 billion (31% of GDP), an increase of KHR 2,573 billion (16.1%) compared to 2011. This growth was due to an increase in foreign assets.

2.2.2. Financial Operations of Deposit Money Banks

The total assets of deposit money banks grew to KHR 44,371 billion (70% of GDP), an increase of KHR 12,155 billion (37.7%), which financed growth in private investment and economic activity. The increase in the total assets of the banking system reflected greater paid-up capital as well as greater customers' deposits. Total deposits increased to KHR 24,744 billion (40% of GDP), an increase of 24.8%. Foreign currency deposits accounted for 90% of the total customers' deposits.

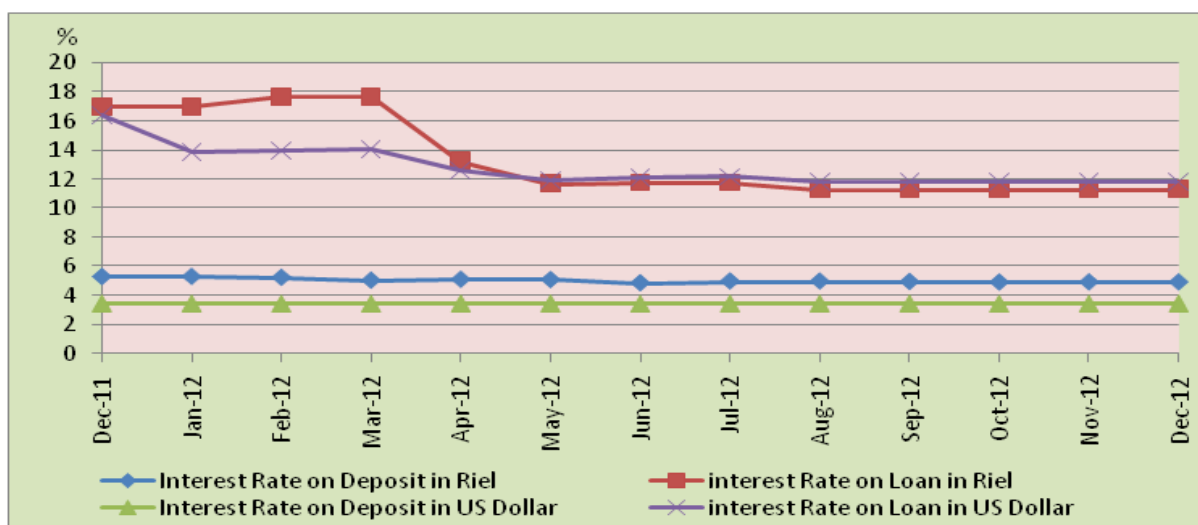
Net domestic assets of deposit money banks rose by KHR 4,778 billion (44.6%), mainly due to an increase in credit to the private sector. Credit to the private sector increased by 36% of GDP in 2012 compared to 29% of GDP in the previous year. Other assets increased by KHR 2,289 billion (70.3%). Capital and Reserves increased KHR 1,694 billion (26.3%) and inter-bank liabilities increased KHR 1,369 billion (78.7%). Deposits of commercial banks at the NBC, a component of Cambodia's international reserves, increased by KHR 2,397 billion (34.0%).

Net foreign assets of deposit money banks decreased by KHR 2,312 (70.8%), from KHR 1,884 billion in December 2011 to KHR -428 billion in December 2012. Their foreign liabilities increased KHR 3,740 billion, which exceeded the KHR 1,428 billion increase in their foreign assets. The expansion in foreign liabilities consisted of interbank loans (64%), deposits of nonresident (25%), and foreign banks deposits (12%).

2.3. Interest Rates Movements

The interest rate on deposits in Riel fell from 5.28% in December 2011 to 4.97% at the end of 2012, while the interest rate on USD deposits remained stable at 3.43%. The interest rate on loans in Riel decreased by 5.68% points from 16.99% in December 2011 to 11.31% at the end of 2012, and the interest rate on loans in USD decreased by 4.52 percentage points from 16.38% at the end of 2011 to 11.86% in December 2012.

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



The spreads between interest rates on banks' KHR loans and deposits dropped from 11.71% in December 2011 to 6.34% at the end of 2012. The spreads between US dollar loans and deposits fell from 12.95% in December 2011 to 8.43% in December 2012. These lower spreads resulted from the expansion of intermediation and the growth of the banking sector in Cambodia.

Table 3: Weighted Average Interest Rates on Loans and Deposits
(6-month maturity)

KHR	Dec-11	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec-12
Deposit	5.28	5.29	5.23	5.03	5.09	5.07	4.85	4.97	4.97	4.94	4.90	4.91	4.91
Loans	16.99	16.96	17.67	17.67	13.25	11.67	11.73	11.75	11.31	11.30	11.31	11.29	11.28
Sprea	11.71	11.67	12.44	12.64	8.16	6.60	6.88	6.88	6.34	6.36	6.41	6.38	6.37
USD	Dec-11	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec-12
Deposit	3.43	3.43	3.42	3.42	3.43	3.43	3.41	3.43	3.43	3.43	3.41	3.42	3.43
Loans	16.38	13.86	14.00	14.06	12.64	11.98	12.13	12.18	11.86	11.89	11.85	11.85	11.84
Sprea	12.95	10.40	10.58	10.64	9.21	8.55	8.72	8.72	8.43	8.42	8.44	8.43	8.41

3. Balance of Payments

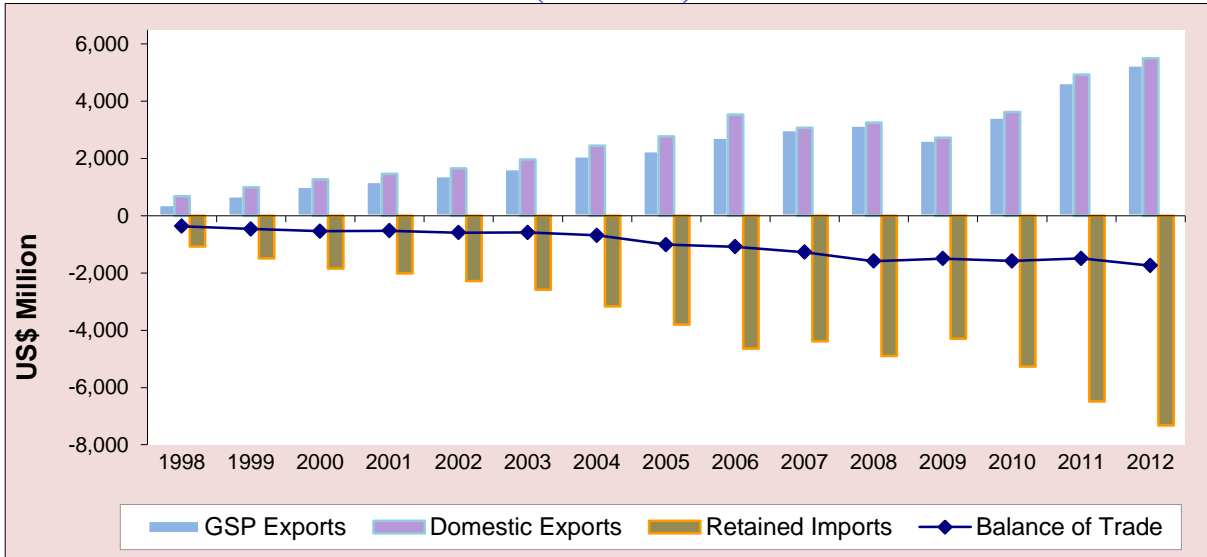
While the Euro Area was still mired in its debt crisis and the U.S. economy showed a minimal recovery, the majority of Southeast Asian states recorded remarkable growth in 2012. Despite slow growth in developed countries, their demand for imports from ASEAN countries remained strong, and Cambodia's balance of payments showed a significant improvement.

Although preliminary estimates for 2012 show that Cambodia’s current account deficit was 17%, the overall balance of payments recorded a surplus of USD 322 million (2.3% of GDP), an increase of 4% compared to the previous year’s results.

3.1. Current account (Excluding Official Transfers)

The current account (excluding official transfers) showed a deficit of USD 1,316 million (9% of GDP), an increase of USD194 million (17%) from 2011. The deficit in goods rose 17%, and the deficit on the income account rose 15%. A 21% increase in the surplus on the service account offset the current account deficit.

Chart 11: Trade Balance (1998-2012)



Estimates of domestic exports were USD 5,504 million, an increase of USD 577 million (12%) on the previous year. Garment and textile exports, which rose by USD 357 million (9%) to USD 4,259 million, contributed to the increase in domestic exports and accounted for 77% of total exports.

Retained imports rose USD 7,320 million, an increase of USD 831 million (13%) on 2011, mainly due to a rise in garment material imports of USD336 million. Petroleum and electricity imports increased by USD 165 million (17%) and USD 20 million (16%), respectively, from 2011 to 2012.

The net services account showed an estimated surplus of USD 1,073 million, an increase of USD 184 million (21%) from 2011. This surplus reflected an increase of USD 483 million (22%) in services receipts. Tourism receipts, a major component of services, increased

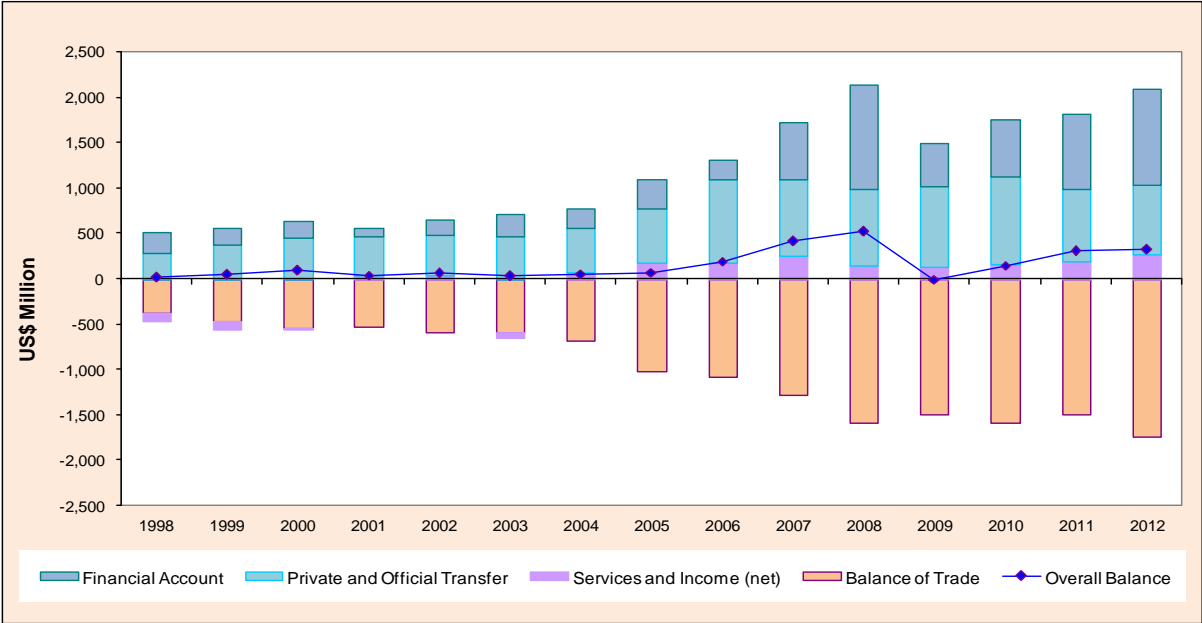
by USD 2,000 million, a rise of USD 383 million (24%) from the previous year. Payments on services to non-residents increased USD 300 million (23%).

The net income account showed a deficit of USD 800 million, an increase of USD105 million (15%) on the 2011 deficit. An increasing outflow of investment income contributed substantially to the deficit. Net private transfers fell USD21million (12%).

3.2. Official Transfers and Financial Accounts

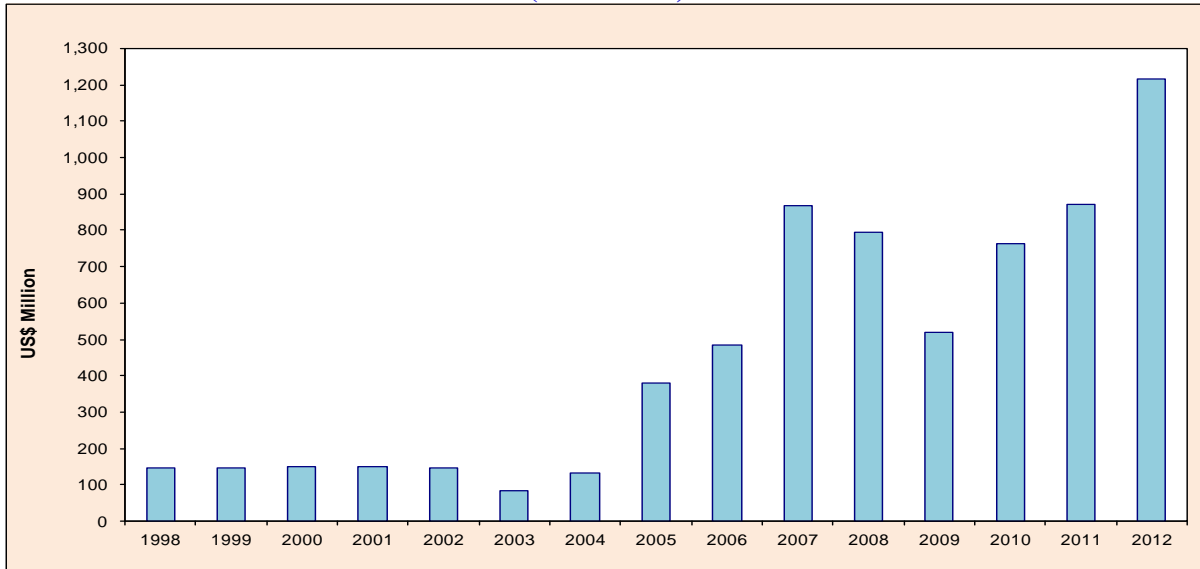
Net official transfers, particularly official development assistance in the form of grants, decreased USD 22 million (3.5%) from 2011. The financial account recorded a net inflow of USD 1,071 million, an increase of USD 246 million (30%) on 2011. Foreign direct investment increased USD 344 million (39%), while net official loans fell by USD 88 million (40%).

Chart 12: Balance of Payments (1998-2012)



The increase in foreign direct investment comprised a 55% increase in direct investment in the banking sector and a 33% increase in other industries, especially in garments and textiles, agri-industry, and telecommunication.

**Chart 13: Foreign Direct Investment Inflow
(1998-2012)**



In summary, the net financial inflows offset the current account deficit (excluding official transfers) to yield an overall net surplus of USD 322 million for Cambodia’s balance of payments. This surplus increased gross official reserves to a level sufficient to cover 4.5 months of imports of goods and services.

4. Foreign Reserve Management

4.1. Investment of Foreign Reserves

At the end of 2012, Cambodia’s total foreign reserves amounted to USD 3.836 billion, an increase of 19.4% compared to December 2011.

Cambodia’s international foreign reserves are invested mostly in short-term deposits and securities, such as US T-Bills and Medium Term Instruments, with various international financial institutions, central banks in developed countries, and commercial banks with high credit ratings. External fund managers hold the remainder of foreign reserves.

In 2012, economic conditions in the United States and England had not fully recovered, the financial crisis lingered in Europe, and economic growth remained weak in Australia. As a result, the Federal Reserves and the Bank of England maintained their policy rate at 0.25% and 0.5%, respectively. The European Central Bank (ECB) reduced policy rate from 1% to 0.75%, while the Reserve Bank of Australia reduced its policy rate 4 times from 4.25% to 3%.

4.2. Foreign Exchange Market Intervention

The National Bank of Cambodia intervened in the market 34 times in 2012 to satisfy the demand for Riel by selling KHR 577.89 billion in exchange for USD 144.18 million. At the same time, the NBC sold 90.82 million of USD to the Ministry of Economy and Finance and purchased USD 12.80 million.

4.3. Declaration and Licensing on export-import of metal and precious stones

In 2012, the NBC imported gold 22 times, trading a total weight of 14,200 kilograms. It also issued 4 licenses for the export-import of metal and precious stones, bringing the total number of valid licenses to 19.

5. Relations with Bank and Financial Institution

As the supervisory authority for banks, the NBC issued new regulations and introduced new procedures for supervising banking and financial institutions more effectively in order to maintain the public's confidence in the financial system. The favorable economic environment and the improving financial condition of banks allowed the financial system to expand in both scope and scale. Some institutions had enlarged their networks by opening new branches in cities and provinces as well as representative offices abroad. To meet customer's demands, some banks— especially foreign branches and subsidiaries— introduced modern banking products and services, which advanced the banking system noticeably.

Cambodian microfinance institutions have also developed, earning recognition by local and international authorities. Proudly, in 2012 NBC officials were invited to present and discuss Cambodia's experience in the management and supervision of microfinance institutions at SEACEN-APRACA forums and seminars in Myanmar, Lao, and Vietnam.

Currently, the banking system in Cambodia consists of 32 commercial banks, 7 specialized banks, 4 representative offices, 35 MFIs (including 7 deposit-taking MFIs and 32 rural credit operators), and 1 financial leasing company. The same prudential regulation covers both locally incorporated banks and foreign branches, which are licensed by the NBC. The NBC also issued a license for the Cambodian Credit Bureau Company.

In 2012, the banking sector expanded noticeably. Its assets increased 37.3%; credit to customers, 35%; and total deposits, 29.7%. The scale of operations, the number of customers, the number of new banking products, and the extent of new technology grew and spread throughout the country. Banking and financial institutions also appeared healthy according to

the common standards of prudential regulation. The average solvency ratio was near 25%, more than the 15% minimum, and the liquidity ratio of 82.2% exceeded its target of 50%. Banks' non-performing loan ratio was only 2.5%.

5.1 Banking Supervision

5.1.1. Off-site supervision

As banking becomes more complex, the reform of supervision is crucial. Currently, the NBC is shifting from a reliance on rules and regulations to risk-based supervision. Accordingly, the NBC is moving from its COBRA system toward an off-site Surveillance System. The new system will strengthen surveillance and report the financial condition of banks quarterly in a new format, the "Supervision Strategy" to produce CAMEL ratings and measure risks. This system will provide early warnings, permitting the NBC to take prompt corrective actions.

The National Bank of Cambodia is compiling its principles and methods for supervision in an off-site manual, to facilitate consistent and timely analysis.

5.1.2. On-site supervision

The National Bank of Cambodia has carefully implemented on-site supervision of banking and financial institutions using the CAMEL methodology to maintain a safe and sound banking system. This method emphasizes sound management, governance, internal controls, and business activities of banking institutions. Meanwhile, the NBC has strengthened supervisors' qualifications and prepared for the shift from the CAMEL methodology to risk-based supervision. The NBC also plans to supervise financial institutions' branches abroad.

Following its 2012 supervision plan, the NBC conducted on-site supervision on 19 commercial banks, 3 specialized banks, 7 deposit-taking MFIs, 13 MFIs, and 5 rural credit operators. The results showed that the financial conditions and the compliance with regulations have improved for those institutions.

5.1.3. Microfinance Institutions Supervision

The overall financial condition of Cambodian MFIs improved. Licensed MFIs increased from 16 in 2005 to 35 by the end of 2012, including 7 deposit-taking MFIs. There are 12,974 branch offices of MFIs at the commune level and 32 rural credit operators, which are providing micro-financial services to the people in rural areas.

MFIs provided total credit of 3,539 billion riels to 1,301,680 customers, an increase of 36.6% and 14%, respectively, compared to last year. MFIs hold total deposits of 1,094.1 billion riels from 686.666 customers, an increase of 138.1% and 183.6% respectively. MFIs provide loans to 1,075,181 women, who account for 82.6% of borrowers.

To promote a stable microfinance sector, the NBC continues to supervise MFIs regularly using both on-site and off-site methods. The NBC also has issued regulations following international standards in order to enable MFIs to compete with other financial institutions as they comply with the principles of customer protection and transparency. Since early 2012, the NBC has used an automatic reporting system called MFIS, which provides reports on the financial condition and business activities of MFIs. The NBC has been cooperating with national and international institutions to strengthen banking supervisors' skills in order to maintain sound financial institutions in rural areas, thereby contributing to the improvement of living standards and the reduction of poverty following the Royal Government's Rectangular Strategy Phase II.

5.2. Legal Promulgation

In 2012, the NBC published the compilation of "Laws and Regulations Applicable to Banks and Financial Institutions 2011". The NBC has reviewed and updated their regulations with the evolution of financial institutions in Cambodia in accordance with the principles of the Basel Committee and global best practices in order to strengthen the banking system.

With the development of the banking sector and new financial products, including the establishment of the stock market, the NBC has continued to improve its application of prudential regulations to enhance the safety and soundness of banking and financial institutions.

5.3. Assessment, Surveillance, and Data Management

Macro-surveillance analyzes the potential systemic risks and other major risks, such as credit risk, liquidity risk, market risk, and operational risk that affect the banking system. Accordingly, it studies the links between banks and the economy as well as the effects of external shocks on both. The NBC prepares a macro-assessment report, covering the main economic indicators, quarterly and on request. In addition, the General Directorate of Supervision has prepared a supervisory strategy to implement major international standards, including the adoption of Basel II's core principles for effective banking supervision, Basel's standards for capital adequacy, and International Financial Reporting Standards (IFRS).

Macro-surveillance relies on the timely management of data. Accordingly the NBC has expects to introduce an online reporting system and a system to generate automatic reports in 2013.

5.4. Licensing and Registration

The National Bank of Cambodia issued a license to 1 commercial bank, letters of permission to 2 foreign bank's representative offices, licenses to 3 MFIs, a license to a financial leasing company, certificates to 4 rural credit operators, renewed the certificates of 5 rural credit operators, and provided licenses to the Credit Bureau Company and 1 third-party processor. The NBC also issued foreign exchange business licenses to 3 commercial banks and 26 MFIs. It issued foreign exchange business licenses to 12 moneychangers and letters of permission to 1,531 moneychangers.

5.5. Credit Bureau Supervision

After receiving its license, the Credit Bureau of Cambodia launched its system to share credit information in March 2012. Since its establishment, 37 banks and 32 MFIs joined this service. In order to make the credit reports more transparent and accurate, the NBC notified all the members to comply fully with the Prakas on Credit Information Sharing, dated the 24th of May 2011, to mitigate credit risk. In November, the International Finance Corporation (IFC) provided technical assistance to the National Bank of Cambodia to compile a book of management and regulatory guidelines for the credit bureau. According to the World Bank report, this system has largely contributed to a better business credit rating for Cambodia. At the end of 2012, technical teams from Bank of Lao PDR and Central Bank of Kenya conducted a study tour on the background, management, and supervision of credit information sharing system at the National Bank of Cambodia.

5.6. Work of Cambodian Financial Intelligent Unit (CAFIU)

In 2012, the Royal Government of Cambodia has established National Coordination Committee (NCC) to promote Anti-money Laundering (AML) and Combating the Financing of Terrorism (CFT) procedures, chaired by H.E Deputy Prime Minister and Minister of Economy and Finance. The CAFIU is the secretariat responsible for performing the functions and duties of the NCC. The CAFIU has cooperated with Directorate General of Supervision in conducting on-site supervision on 7 commercial banks and 1 MFI.

Moreover, CAFIU has also raised awareness on obligations to combat money laundering and terrorism financing by reporting entities, including insurance companies, security firms, real estate agencies, and casinos as well as the supervisory authorities of those reporting entities.

In addition, the CAFIU has strengthened and expanded its cooperation with national and international partners to detect and prevent money laundering and terrorism financing within national framework activities. In 2012, the CAFIU signed memorandums of understanding (MOU) to exchange financial information on money laundering and financing of terrorism nationally with General Department of Customs and Excise of Cambodia and with the State Bank of Vietnam. The CAFIU has also received requests to sign MOUs from the Financial Intelligence Units of the Republic of Korea, the People's Republic of China, the Republic of the Philippines, Brunei, and the Kingdom of Thailand. The CAFIU is preparing a National Strategy for Anti-money Laundering and Combating Financing of Terrorism for 2012-2015. This strategy will establish a strong system to combat such activities in accordance with the strategy for national economic and financial development and with the regional and global standards.

6. Central Bank Services

6.1. Account Management

The National Bank of Cambodia currently holds 1,034 accounts in both Riel and USD for government agencies, licensed banking and financial institutions, and international public financial institutions.

6.1.1. Government Account Management

Contributing to the government's implementation of the Public Finance Management Reform, the NBC has opened accounts to government agencies. The NBC provides payment services such as cash withdrawal, money transfer, and payroll to the armed forces and government officials. The NBC also distributes cash through the transfer orders of the Directorate of National Treasury.

In 2011, the total amount of direct tax and custom duties paid at the NBC was KHR 2,204 billion. Since September 2012, commercial banks are authorized to accept these tax payments instead of the NBC.

6.1.2. Repository of Accounts for Banking and Financial Institutions

The accounts opened by the banking and financial institutions at the NBC are current accounts, fixed deposit accounts, capital guarantee accounts, and reserve requirement accounts. The total balance in these accounts was KHR 387 billion and USD 2,040 million on December 31, 2012.

6.2. Local Money Transfers

In 2012, the NBC transferred KHR 799 billion and USD 678 million from its provincial branches to its Phnom Penh headquarters. It also transferred KHR 1,055 billion and USD 149 million from its Phnom Penh headquarters to its provincial branches.

6.3. Clearing House Activities

The NBC's clearing house operated for 234 working days in 2012, clearing checks denominated in KHR and USD.

6.3.1. Clearing and Settlement of KHR-Denominated Checks

In 2012, 31 institutions -- including 28 commercial banks, 2 specialized banks, and the NBC -- participated in the Clearing House for KHR denominated checks. The Clearing House processed 39,756 checks, valued at KHR 2,388 billion.

- Headquarters settled 39,288 checks, valued KHR 2,344 billion. Compared to 2011, the volume increased 4,546 checks (13%), was and their value increased KHR 523 billion (29%).
- The NBC's branches at Siem Reap, Preah Sihanouk, Battambang, and Kampong Cham settled 468 checks, valued at KHR 44 billion.

6.3.2. Clearing and Settlement of USD-Denominated Checks

The clearinghouse for USD denominated checks comprised 38 members, including 32 commercial banks, 5 specialized banks, and the NBC. The clearinghouse processed 692,162 checks, valued at USD 12,878 million.

- Headquarters settled 658,329 checks, valued USD 12,575 billion. Compared to 2011, the volume increased by 99,435 checks (18%), and their value increased USD 3,002 million (31%).

- The NBC's branches at Siem Reap, Preah Sihanouk, Battambang, and Kampong Cham branches settled 33,833 checks, valued at USD 303 million.

6.4. Lending Activities

The NBC granted KHR 49.3 billion in loans to banking and financial institutions and collected debt repayments of KHR 65.7 billion. As a result, loans outstanding fell from KHR 18.5 billion at the beginning of the year to KHR 2.6 billion at the end of the year.

6.5. Securities Management

6.5.1. Government Securities Management

The NBC has monitored and facilitated the management of government promissory notes with the ADB and World Bank.

6.5.2. Issuance of Negotiable Certificate of Deposit

The NBC has consulted with the Association of Banks in Cambodia (ABC), Cambodia Microfinance Association (CMA), and relevant organizations to discuss and seek recommendations regarding the NBC's issuance of Negotiable Certificates of Deposit in the near future.

7. Currency Management

In 2012, total cash receipts through NBC's teller desks amounted to KHR 7,332.5 billion, a growth of 6.2% compared to 2011. This increase reflected growth in cash deposits of banking and financial institutions of KHR 431.6 billion (46.4%), an increase in cash deposits of Electricité du Cambodge of KHR 86.6 billion (14.5%), and an increase in cash transfers from the NBC's municipal and provincial branches of KHR 181.3 billion (47.2%). Receipts from the strong room dropped by KHR 64.7 billion (1.8%), deposits from dealers decreased by KHR 37.5 billion (6.3%), deposits from the National Treasury decreased by KHR 91.3 billion (20.1%), and other cash receipts dropped by KHR 76.1 billion (22.9%).

Cash payments through the NBC's teller desks totaled KHR 7,345.3 billion, an increase of 6.6% compared to 2011. The strong room's receipts increased by KHR 549.8 billion (19%), cash withdrawals from the deposit accounts of banking and financial institutions rose by KHR 131.4 billion (48.7%), and cash withdrawals by the National Treasury increased by KHR 206.8 billion (10.8%). Cash withdrawals by dealers dropped by KHR 229.1 billion (54.8%); cash provided to municipal and NBC's provincial branches fell

by KHR 130.5 billion (12.7%); and cash withdrawals for other purposes dropped by KHR 73.7 billion (20%).

During 2012, cash receipts through the teller desks in US dollars amounted to USD 3,801.7 million, an increase of USD 872.1 million (29.8%). The amount of USD-cash disbursed through the teller desks amounted to USD 3,801.7 million, an increase of USD 871.8 million (29.8%) compared to 2011.

In 2012, the NBC supplied new banknotes totaling KHR 436.1 billion to its provincial branches to replace old, worn and torn banknotes in circulation, an increase of KHR 122.8 billion (39.2%) compared to 2011. The NBC destroyed KHR 994.1 billion worth of unusable notes by using ordinary shredding machines, an increase of KHR 169.4 billion (20.5%) compared to 2011. The NBC also destroyed KHR 619 billion using automatic shredding machines, representing an increase of KHR 144.9 billion (30.6%) compared 2011.

The NBC has regularly cooperated with relevant authorities in detecting and preventing the circulation of counterfeit banknotes. The NBC seized and withdrew from circulation 681 counterfeit KHR notes, an increase of 424, and 6 model notes, an increase of 4 banknotes, compared to 2011. The NBC withdrew 380 counterfeit USD notes, a decline of 33 from 2011.

8. Payment System Development

The NBC completed and officially launched the National Payment System in December 2012. The NBC also installed the Client Module system at its headquarters, connecting 38 member banks to the National Payment System at the National Clearing House. The NBC trained staff at all of the members and 4 of its branches to use this system. At the same time, the NBC prepared the rules and procedures for using the system and issued guidelines for Client Module users.

9. Information Technology

The NBC has worked on several major information technology projects, including establishing the National Payment System and updating the IT system for the NBC's operations. With the US Treasury's technical assistance, the NBC has developed Cambodia's Financial Intelligence Unit Reporting System (CAFIURS), which will be launched in 2013. In addition, with the assistance from general advisers, the NBC developed a reporting system for commercial banks and specialized banks using the internet (BSRS). The NBC also is

developing the technology for issuing Negotiable Certificate of Deposit Book Entry System (NCDBES), which will be introduced in 2013.

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 of the RGC | Member |
| • H.E. Iv Thong | Representative from 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 |

In 2012, the Board held six meetings, during which discussed important matters related to NBC's activities. The Board approved the tasks and other important matters related to the NBC's activities as outlined below:

- 1- The 90th Meeting on January 25, 2012 to review and adopt:
 - (i) The decision draft to establish a committee to examine the NBC's accounting record for the financial year 2011.
 - (ii) The report on Internal Audit for the year 2010 from PWC
 - (iii) The NBC's Audit report for financial year 2007 from National Audition Authority.
- 2- The 91st Meeting on February 15, 2012, to review and adopt the draft report on the NBC's budget for the financial year 2011 and the budget plan for the year 2012.
- 3- The 92nd Meeting on July 12, 2012, to discuss and adopt the draft of the NBC's First Semi-annual Report and work plan for the second semester of the year 2012.
- 4- The 93rd Meeting on July 26, 2012, to discuss International Reserve Investment and Management policy and to discuss the request to increase the Reserve Requirement.

- 5- The 94th Meeting on August 14, 2012, to review and adopt the draft report on the implementation of the NBC's budget for the first semester and the budget plan for second semester of the year 2012.
- 6- The 95th Meeting on December 25, 2012, to review and adopt the draft Annual Report of the NBC for the year 2012 and the work plan for the year 2013.

2. Human Resource Development

2.1. Staff Statistics

- The NBC's full-time staff with official status at the head office totaled 869 people (487 male and 382 female) as of the end 2012.
- Staff at the NBC's provincial branches totaled 379 (217 male and 162 female).

The total NBC staff as of end 2012 amounted to 1,248 (704 male and 544 female), a drop of 12 people from the previous year's record of 1,260 (718 male and 542 female).

- At the head office, staff fell by 5 people (13 newly recruited and 18 resigned or retired).
- At provincial branches, staff decreased by 7 people (2 newly recruited and 9 resigned or retired).

2.2. Training and Development

2.2.1. Local Training

The NBC supported the training and development of staff at both the headquarters and the municipal and provincial branches through part-time studies, long-term training, and short courses offered by both local and overseas institutions. During 2012, the NBC conducted 15 in-house training courses and seminars for 531 employees. The NBC also invited staff who had returned from training courses overseas to share their experience and knowledge by giving presentations on 13 selected topics to 530 members of staff. A number of officials of the NBC also participated in various long-term training courses and academic courses offered by local training institutions. These courses included the perfection course at Royal School of Administration (2 staff), training at the Center for Banking Studies (7 staff), an English training course for provincial branches (11 staff), and the English language course at Australian Center for Education (12 staff). In addition, fifty-five NBC officials attended twenty-nine training sessions, seminars, and meetings organized by the Cambodian government's ministries and private institutions. Twenty-nine people passed the examination

prepared by NBC to recognize and reward the transfer of knowledge and the development of skills within its staff.

2.2.2. External Training

The NBC continued to motivate and build its staff's capacity by providing overseas training. Throughout the year, 157 staff attended 98 seminars, and 28 employees participated in 10 overseas study visits. In addition, 78 officials took part in 35 different short-term courses, while 10 officials were involved in 8 different long-term academic study programs in New Zealand, Australia and Japan. Furthermore, 167 NBC officials attended 66 different international meetings on various subjects relevant to the central bank's responsibilities.

All these training events and meetings mentioned above were organized and supported by various international and regional institutions such as the International Monetary Fund, the World Bank, Bank Negara Malaysia, the Asian Development Bank, the Indian Government, the Government of the Republic of Korea, the Japan International Cooperation Agency (JICA), the SEACEN Centre, the Central Bank of the Czech Republic, the Deutsche Bundesbank, the Australian Government, the Ministry of Finance of Indonesia, the Bank of Thailand, the Central Bank of Luxembourg, ASEAN, and other institutions.

3. Internal Audit and Inspection

3.1. Internal Audit

In accordance with the work plan for 2012, the National Bank of Cambodia has continued to strengthen its internal controls and issued an audit report covering its departments, including the Issuing Department, the Exchange Department, the Management Department, the Banking Operations Department, the Cabinet, and the NBC's branches including Svay Rieng, Kompot, Takeo, Kratie, Kompong Chhnang, Pursat, Prey Veng, Stung Treng, Siem Reap, and Kompong Cham. The audit report includes a number of recommendations for improvements and for mitigating risks. The Auditor continues to inspect the implementation of recommendations regarding cash management, internal expenditure, and organization management at the printing house, as well as the branches in Phnom Penh, Sihanouk Ville, Kompong Cham, Battambang, Svay Rieng, Banteay Meanchey, Kampot, Takeo, Kratie, and Rattanakiri. Moreover, the auditors assist the Statistics Department in checking and verifying the Interest Rate Listing, the Dollar Option Report, Monthly Monetary Statistics, the Monthly Consumption Price Index, the Reserve Requirement, and the Balance of Payments for the International Monetary Fund (IMF).

3.2. Inspection

Fifteen branches of the National Bank of Cambodia were strengthened and inspected to ensure the security of the vault and cash management as well as compliance with the guidelines issued by the National Bank of Cambodia, to strengthen job qualifications and discipline among staff at the branch offices. Additionally, the internal control receives monthly reports from departments in the head office and branches to ensure that staff fulfills its duties and responsibilities efficiently.

4. Management of NBC's Branches

NBC has continued cooperate with the Ministry of Economy and Finance in applying the Royal Government's PFM reform program. The NBC also is implementing its Core Banking System (CBS) at all its branches by supplying the required staff and training. The MEF continues its pilot phase 3 of state budget management by opening treasury accounts for state budget transactions at ACLEDA and Canadia Bank in Phnom Penh, Kompong Thom, Pursat, Kom Pot, Kratie, and Rattanakiri, while it commanded all related institutions and provincial treasuries to close their accounts at the NBC's branches.

Responding to the MEF's proposal, the NBC's branches have opened deposit accounts for institutions, municipal, cities, districts halls in 6 provinces -- Prey Veng, SvayRieng, Takeo, Kompong Chhnang, Kompong Speu, and Pailin – to pay salaries, remuneration and other bonuses. The deposit accounts also facilitate the collection of revenue in US dollars from these provincial institutions, particularly in Battambang which services Pailin's treasury.

III. International Relations

1. Multilateral Relations

1.1. Relations with International Monetary Fund

The International Monetary Fund visited the National Bank of Cambodia five times in 2012:

The first visit, from April 23rd to May 4th with the Statistics Department, monitored progress on the recommendations made by a mission group in 2010. These recommendations covered the compiling of the balance of payments and international investment statistics to comply with the sixth balance of payments formula of the International Monetary Fund.

The second visit, from May 23-29th discussed the economic situation and macroeconomic policy, covering (1) the current monetary conditions and monetary outlook,

(2) accumulated international reserves for 2012-2013, (3) Macroeconomic frameworks for 2012-2013, and (4) forecasting in banking system.

In the third visit, from September 25 to October 5, the Article IV mission discussed NBC's progress in analyzing the economic and finance situation in Cambodia.

The fourth visit, November 18-20, occurred at the time Cambodia was hosting the ASEAN meetings. H.E. Naoyuki Shinohara, the vice president of the IMF, led the IMF delegation. H.E Naoyuki Shinohara had previously visited Cambodia March 26-30 to participate in the 8th ASEAN Central Bank Governors' Meeting (ACGM), the 16th ASEAN Finance Ministers Meeting (AFMM), and other related meetings.

In the fifth visit, from 3 to 14 December, the Monetary and Capital Markets mission group (IMF MCM) visited Cambodia in order to study the development of the foreign exchange market development and its operations in Cambodia.

1.2. Relations with the Asian Development Bank

Asian Development Bank (ADB) has played an important role in developing Cambodia's financial sector. In July 6, 2012, the ADB assisted the National Bank of Cambodia, the Ministry of Economy and Finance (MEF), the Ministry of Commerce (MOC), the Securities and Exchange Commission of Cambodia (SECC) and other relevant ministries to organize the ceremony to launch the Financial Sector Development Strategy Update for 2011-2020 (FSDS). In order to continue implementing this strategy, the ADB organized the third Financial Sector Program Loan (FSPL III) into three sub-programs for 3 years (2011-2013), with each sub-program comprising 15 million USD. Subprogram 1 was completed in 2011. Sub-program 2, which started in 2012, contains 32 policy actions. Twelve of these actions involved the NBC, which completed these actions in 2012. They included updating the legal and regulatory framework, strengthening bank supervision, improving financial sustainability, strengthening prudential supervision, and modernizing the payments system.

1.3. Relations with ASEAN and ASEAN +3 Countries

The Royal Government of Cambodia, chair of the ASEAN summit in 2012, put great effort into building the ASEAN community and strengthening the economic, political and social interactions between ASEAN partners.

In this regard, the National Bank of Cambodia participated with the Royal Government of Cambodia in strengthening finance and banking cooperation by hosting

several ASEAN meetings, especially the ASEAN summit in November. The National Bank of Cambodia has vigorously participated in the integration of the financial sectors, a priority of ASEAN. The National Bank of Cambodia hosted and led the 8th ASEAN Central Bank *Governors' Meeting* (ACGM) on 29th March and the 20th ASEAN Finance and Central Bank Deputies Meeting (AFDM) on 26th March. In addition, the NBC participated in many relevant meetings inside and outside Cambodia.

The ASEAN +3 finance ministers and central bank governors met for the first time during the 15th ASEAN +3 Finance Ministers and Central Bank Governors meeting in Manila, the Philippines. The meeting allowed participants to share technical skills and experience.

The members of ASEAN have advanced their financial integration by developing their capital markets, liberalizing their capital accounts, improving their systems, integrating their banks, and training people who participate in the financial system. The Senior Level Committee on Financial Integration (SLC) met subsequently with the heads of working committees to measure their progress and assess ways that the SCL can facilitate their achieving ASEAN's priorities.

The members of ASEAN+3 agreed to double the size of the Chiang Mai Initiative Multi-lateralization (CMIM) fund from US \$120 billion to US \$240 billion and are adjusting the technical conditions in the CMIM agreement. As member countries have opened mutual accounts in local currencies, the National Bank of Cambodia opened an account with the Bank of Korea. The ASEAN +3 Macroeconomic Research Office (AMRO) also is preparing the legal status to become an international institution, preparing the AMRO treaty, establishing a budget committee, and preparing indicators for a Crisis Prevention Function mechanism (CPF). ASEAN +3 has adopted the *Asian Bond Markets Initiative* (ABMI) to promote a regional capital market that will collect regional saving to promote regional investment. The *Credit Guarantee and Investment Facility* (CGIF), which has a total capital of US \$700 million, will help develop a regional bond market by insuring regional corporate bonds which are issued in local currency. This facility is entering its second phase of development. The ASEAN +3 bond market forum will facilitate the writing of standards and regulations for a regional bond market.

1.4. Relations with SEACEN

National Bank of Cambodia is collaborating with the SEACEN Centre to support research and training throughout the region. The National Bank of Cambodia's delegates

participated in the meetings of the SEACEN Boards of Governors (the 31st meeting in Seoul, Korea and the 32nd meeting in Ulaanbaatar, Mongolia) and the SEACEN Executive Committee (EXCO) (the 10th meeting in Colombo, Sri Lanka and the 11th meeting in Bussan, Korea). The National Bank of Cambodia also had the honor to host the 3rd High-Level seminar along with the meeting of the SEACEN Deputy Governors to strengthen regional cooperation and training, financial stability, and banking supervision. As host, the National Bank of Cambodia organized the 5th seminar on the topic, ‘Macroeconomic and Monetary Policy Management’ in collaboration with the SEACEN Centre and the Centre for Central Banking Study of the Bank of England. The officers of the National Bank of Cambodia have continually attended seminars, meetings, and training activities conducted by the SEACEN Centre.

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

Cambodia continues to improve its already good cooperation with other Francophone countries. From May 23-26, 2012, H.E Governor led senior delegates from the NBC to the 19th Conference of Governors of Central Banks of French-Speaking Countries on the topic, “The Central Banks: New role, new missions in a changing global economy,” held in Maurice. These meetings allow the governors to exchange opinions and discuss their experiences as well as to promote cooperation among central banks.

1.6. Asia-Pacific Rural and Agricultural Credit Association (APRACA)

As a member of Asia-Pacific Rural and Agricultural Credit Association the National Bank of Cambodia participates in symposiums, forums, and other meetings on micro-finance. From May 30 to June 1, the National Bank of Cambodia had the great honor to host the regional symposium on “Capacity Building of Farmers in Small Scale through Creativity and Rural Finance” attended by national and international guests from micro-finance institutions and other developmental partners. Furthermore, the NBC also hosted the 61st operational committee conference and the 18th convention of the Asian-Pacific Rural and Agricultural Credit Association.

The 18th convention of Asian-Pacific Rural and Agricultural Credit Association appointed the National Bank of Cambodia as the president of this association for two years, from June 2012 to May 2014.

1.7. Financial Stability Board Regional Consultative Group for Asia (FSBR)

In accordance with the decision at the convention of G20 countries in June, the Financial Stability Board (FSB) arranged a formal Financial Stability Board Regional Consultative Group for Asia-FSBR (FSB-RCG) in November. The regional financial stability consultative group aims to implement the charter of the international financial stability consultative group. It also will serve as a forum for member and non-member countries to meet, exchange opinions, and share experiences. This forum will allow participants to discuss measures to mitigate financial fragility and ways to reform policies and laws to stabilize the entire financial system. The consultative group will promote financial stability in Asia, thereby contributing to global financial stability.

Financial Stability Board Regional (FSBR) is led by the Bank of Korea and Bank Negara Malaysia as co-presidents for 2011-2012. The FSBR has 16 members represented by the central banks, supervision authorities, and Ministries of Finance of Australia, China, Hong Kong, India, Indonesia, Japan, Korea Republic, Malaysia, Netherlands, Philippine, Pakistan, Singapore, Srilanka, Thai, Vietnam, and Cambodia. The National Bank of Cambodia has already attended three annual meetings of the consultative group to discuss financial stability in the region.

The meetings of the FSBR covered the challenges posed by global financial reform and its effects on developing and emerging countries:

1. Reform of Basel capital III Framework
2. Fluidity Framework
3. The policy for managing commercial banks and significant financial institutions both globally and nationally.
4. Reform of Over the Counter (OTC) derivatives and
5. National and regional reforms

By participating, the National Bank of Cambodia has a new perspective on Shadow Banking and important domestic financial institutions. The National Bank of Cambodia cooperated with FSBR Consultative Group for Asia to learn about maintaining financial stability as Cambodia's banking and financial systems become more complex.

2. Bilateral Relations

The NBC is developing bilateral relations with other central banks and international institutions to promote the common goal of strengthening banking systems.

The NBC always benefits from the technical assistance provided by the DBB, particularly in training the NBC's professional staff and in establishing a stronger banking system. This year the DBB provided 3 courses on the subject of Financial Stability within the Small and Open Economic (21-24, February), Monetary Policy management in the post crisis (17-19, July), and banking supervision (11-15, December).

The NBC strengthened its bilateral cooperation with the State Bank of Vietnam by signing two MOUs on 1) exchanging information on anti-money laundering and 2) the development of personnel held in Phnom Penh 28 March. From 1 to 5 October, Ho Chi Minh Banking University provided a training course on Accounting and Auditing of Banking Institutions in Cambodia.

The NBC and the Bank of Thailand continued their close cooperation at a meeting on 27-29 July in Hour Hin, Thailand. The NBC also met with the Bank of Laos PDR on 26 to 28 December in Laos PDR to exchange information on their recent economic development and their implementation of monetary policy.

On 29 March, the National Bank of Cambodia organized a bilateral meeting with the Monetary Authority of Singapore (MAS) to enhance their collaboration. In addition, NBC, on 14-15 June, attended the 2012 International Annual Conference of the Bank of Korea in Seoul, Korea on the topic Monetary and Macro-Prudential Policy after the Crisis.

Apart from this cooperation, the NBC also expanded relationship with the U.S. Treasury, which provided two professional consultants to the staffs of the General Supervision and Technical Directorates.

Conclusion

Although of the growth of the world's economy fell slightly from last year and remains uncertain, Cambodia's growth increased notably, supported by robust exports, the growth of tourism and agriculture, and an emerging recovery in real estate.

As monetary authority and banking supervisor, the National Bank of Cambodia has supported sound and sustainable growth by adopting policies to maintain macroeconomic stability and to promote a stable banking system, as stated in the financial development plan of the Royal Government. In particular, the National Bank of Cambodia has effectively implemented a prudent and flexible monetary policy to maintain a low rate of inflation. In addition, by continuing to manage the Riel's floating exchange rate, still a proper objective for the highly dollarized Cambodian economy, the National Bank of Cambodia has promoted confidence in the national currency by stabilizing its value in accordance with the strategy of the Royal Government to encourage the greater use of the Riel .

In response to uncertainty in global financial markets, especially in the European Union, the National Bank of Cambodia has managed its foreign reserves carefully, according to the principles of safety, liquidity, and accumulated income. As the result, the amount of foreign reserves has gradually increased, improving investors' confidence in the Cambodian economy.

Cambodia's macroeconomic stability has fostered a stable banking system that continues to develop both in scope and in scale. This development is apparent through: 1- the growth of financial intermediation to finance investment such as the development of agriculture following Royal Government's objective, 2- the emergence of new financial products to meet market demands, 3- the expansion of banking and financial networks to provide more financial services to small and medium enterprises and to people in rural areas, 4- the financial deepening has consecutively grown which fostered the economic activities. These accomplishments reflect the effort of the National Bank of Cambodia to implement the Royal Government's financial sector development strategy by enhancing the supervision of banks, improving regulation in accordance with international standards, and increasing the efficiency of payments and settlements. Moreover, the National Bank of Cambodia is developing an interbank money market in Cambodia to allow the banking system to allocate credit more efficiently, while supporting a healthy and competitive banking system.

As Cambodia's financial system develops, the training of its professionals remains a priority for the National Bank of Cambodia. The National Bank of Cambodia has improved the skills, the work, and the experience of its staff through the sharing of knowledge within the Bank and through the staff's access to formal courses both at home and abroad. The National Bank of Cambodia has also pursued both bilateral and multilateral cooperation with other central banks and international financial institutions, both in the region and worldwide. This training will allow financial institutions in Cambodia to become more effective, competitive, and secure as they integrate themselves into regional and global financial networks. Ultimately, it is this integration that will sustain Cambodia's development.



Appendix

Table 1 : Consumer Price Index (CPI)

(October-December, 2006=100)

Consumer Price Index (CPI) and Component Indices	2011					2012							
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
CPI (All Items)	145.03	146.50	147.02	147.92	148.72	147.12	147.33	147.35	148.93	149.33	149.04	148.68	148.72
Food and Non-Alcoholic Beverages	163.60	165.63	165.09	165.47	166.90	165.57	167.02	166.65	168.60	169.20	169.20	168.00	167.56
Alcoholic Beverages, Tobacco and Narcotics	123.72	124.64	124.33	124.32	124.48	125.66	126.24	125.22	125.95	125.69	125.82	125.92	125.94
Clothing and Footwear	118.09	118.75	119.92	120.58	121.33	120.83	121.48	122.05	122.48	123.10	122.72	122.74	123.58
Housing, Water, Electricity, Gas and other Fuels	123.61	124.44	125.29	127.95	127.91	126.42	125.35	125.23	126.33	127.20	126.07	126.60	127.75
Furnishings, Household Maintenance	124.47	125.37	127.24	127.30	126.97	127.07	127.40	127.26	128.13	128.18	128.85	128.78	128.73
Health	115.40	116.11	115.65	116.59	116.24	116.61	116.48	116.48	116.15	115.37	115.64	115.85	115.91
Transport	128.22	129.73	132.64	134.49	134.53	131.07	127.01	128.67	132.03	131.12	130.22	129.93	129.34
Communication	72.98	72.22	72.14	71.72	71.83	71.95	71.99	72.06	71.88	71.39	71.41	71.54	71.43
Recreation and Culture	102.34	102.34	101.99	102.51	102.65	102.87	103.62	103.65	102.70	102.68	103.33	102.81	103.98
Education	142.69	142.69	142.69	142.69	142.69	142.69	142.69	144.51	144.81	145.72	146.65	146.11	146.11
Restaurants	189.34	191.51	194.80	194.06	196.33	191.29	194.81	194.81	196.16	197.71	197.03	199.13	199.95
Miscellaneous Goods and Services	151.29	152.11	153.33	153.63	154.75	152.18	151.18	150.44	151.16	152.51	152.37	152.67	152.62
Month to Month Change (%)													
CPI (All Items)	-0.88	1.01	0.36	0.61	0.54	-1.08	0.14	0.01	1.07	0.27	-0.20	-0.24	0.02
Food and Non-Alcoholic Beverages	-1.47	1.24	-0.33	0.23	0.87	-0.80	0.88	-0.22	1.17	0.35	0.00	-0.71	-0.26
Alcoholic Beverages, Tobacco and Narcotics	-0.17	0.75	-0.25	-0.01	0.13	0.95	0.46	-0.81	0.59	-0.20	0.10	0.08	0.02
Clothing and Footwear	-0.79	0.56	0.99	0.55	0.62	-0.42	0.54	0.47	0.36	0.51	-0.31	0.01	0.68
Housing, Water, Electricity, Gas and other Fuels	0.09	0.67	0.68	2.13	-0.03	-1.17	-0.84	-0.10	0.88	0.69	-0.89	0.42	0.91
Furnishings, Household Maintenance	-0.27	0.73	1.49	0.04	-0.25	0.08	0.26	-0.12	0.69	0.04	0.53	-0.05	-0.04
Health	-1.34	0.61	-0.39	0.81	-0.30	0.32	-0.12	0.00	-0.28	-0.67	0.24	0.18	0.06
Transport	0.24	1.18	2.24	1.40	0.03	-2.57	-3.10	1.31	2.61	-0.69	-0.69	-0.22	-0.46
Communication	0.59	-1.04	-0.12	-0.58	0.16	0.16	0.06	0.10	-0.25	-0.69	0.04	0.18	-0.16
Recreation and Culture	0.19	0.00	-0.34	0.51	0.14	0.21	0.73	0.03	-0.92	-0.01	0.63	-0.50	1.14
Education	0.36	0.00	0.00	0.00	0.00	0.00	0.00	1.28	0.21	0.63	0.64	-0.37	0.00
Restaurants	-0.75	1.15	1.72	-0.38	1.17	-2.57	1.84	0.00	0.70	0.79	-0.34	1.07	0.41
Miscellaneous Goods and Services	-1.60	0.54	0.80	0.20	0.73	-1.66	-0.65	-0.49	0.48	0.89	-0.09	0.20	-0.03
Year on Year Change (%)													
CPI (All Items)	4.91	5.77	5.42	5.35	4.78	2.19	1.83	1.28	2.18	1.44	1.20	1.62	2.54
Food and Non-Alcoholic Beverages	6.16	7.73	6.72	6.20	5.81	2.12	2.29	1.15	1.93	0.79	0.60	1.18	2.42
Alcoholic Beverages, Tobacco and Narcotics	1.50	1.59	1.15	1.03	0.98	2.40	2.49	1.39	2.59	2.20	1.65	1.60	1.80
Clothing and Footwear	3.04	3.30	5.08	4.42	4.90	4.08	3.82	4.76	4.63	3.86	3.32	3.12	4.65
Housing, Water, Electricity, Gas and other Fuels	2.13	1.94	1.80	3.62	2.63	1.44	0.59	1.30	2.26	2.83	2.14	2.51	3.35
Furnishings, Household Maintenance	2.22	2.29	4.10	3.90	3.23	3.32	3.55	3.03	3.31	2.48	3.35	3.19	3.43
Health	-1.44	-0.47	-1.13	-0.54	-1.12	-1.23	-0.34	-0.51	-0.47	-1.03	-0.91	-0.96	0.44
Transport	6.32	6.85	8.28	8.19	5.85	3.65	-0.30	-0.40	2.74	0.99	1.05	1.58	0.87
Communication	-0.51	-2.19	-1.87	-2.14	-1.58	-1.70	-0.84	-0.76	-1.05	-1.75	-1.82	-1.39	-2.12
Recreation and Culture	-1.19	-0.98	-0.88	-0.18	0.03	0.49	1.50	1.45	1.65	1.16	1.10	0.66	1.61
Education	1.80	1.80	1.80	1.80	1.55	1.59	2.24	3.26	3.06	2.87	3.15	2.77	2.40
Restaurants	7.51	7.27	6.76	5.83	6.45	2.73	3.61	3.00	3.14	3.83	3.55	4.38	5.60
Miscellaneous Goods and Services	8.53	10.03	9.60	8.51	8.39	5.79	4.19	3.45	3.10	2.18	0.56	-0.70	0.87
Three-month moving average													
All Items	146.21	145.95	146.18	147.15	147.89	147.92	147.73	147.27	147.87	148.54	149.10	149.02	148.81
Annual Percentage Change	5.28	5.45	5.37	5.51	5.18	4.09	2.92	1.77	1.77	1.64	1.61	1.42	1.78
Twelve-month moving average													
All Items	143.84	144.50	145.13	145.76	146.32	146.59	146.81	146.96	147.23	147.40	147.55	147.75	148.06
Annual Percentage Change	5.48	5.68	5.81	5.94	5.90	5.53	5.08	4.59	4.24	3.80	3.46	3.13	2.93

Source: National Institute of Statistics

Table 2 : Consumer Price Index (CPI) December 2008 - December 2012

(October-December, 2006=100)

Consumer Price Index (CPI) and Component Indices	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
CPI (All Items)	113.10	127.26	134.03	138.25	145.03	148.72
Food and Non-Alcoholic Beverages	118.47	141.06	148.71	154.11	163.60	167.56
Alcoholic Beverages, Tobacco and Narcotics	102.20	111.00	122.48	121.89	123.72	125.94
Clothing and Footwear	101.99	108.92	111.75	114.61	118.09	123.58
Housing, Water, Electricity, Gas and other Fuels	112.66	115.34	117.62	121.03	123.61	127.75
Furnishings, Household Maintenance	106.64	114.50	120.01	121.76	124.47	128.73
Health	105.52	109.94	116.31	117.09	115.40	115.91
Transport	112.51	104.21	116.66	120.59	128.22	129.34
Communication	85.24	78.45	72.99	73.35	72.98	71.43
Recreation and Culture	98.65	104.71	103.09	103.57	102.34	103.98
Education	106.00	127.40	138.76	140.16	142.69	146.11
Restaurants	108.19	165.62	171.97	176.12	189.34	199.95
Miscellaneous Goods and Services	110.06	113.86	126.75	139.40	151.29	152.62
Year on Year Change (%)						
CPI (All Items)	13.95	12.52	5.32	3.14	4.91	2.54
Food and Non-Alcoholic Beverages	19.62	19.08	5.42	3.63	6.16	2.42
Alcoholic Beverages, Tobacco and Narcotics	2.94	8.60	10.34	-0.48	1.50	1.80
Clothing and Footwear	3.60	6.80	2.60	2.56	3.04	4.65
Housing, Water, Electricity, Gas and other Fuels	12.74	2.38	1.98	2.90	2.13	3.35
Furnishings, Household Maintenance	6.23	7.37	4.81	1.46	2.22	3.43
Health	5.48	4.19	5.80	0.67	-1.44	0.44
Transport	13.88	-7.38	11.94	3.37	6.32	0.87
Communication	-12.03	-7.97	-6.95	0.49	-0.51	-2.12
Recreation and Culture	-1.06	6.15	-1.54	0.46	-1.19	1.61
Education	6.72	20.19	8.92	1.01	1.80	2.40
Restaurants	9.14	53.09	3.84	2.41	7.51	5.60
Miscellaneous Goods and Services	10.51	3.45	11.32	9.98	8.53	0.87
Three-month moving average						
All Items	112.33	132.27	134.38	138.88	146.21	148.81
Annual Percentage Change	12.33	17.76	1.59	3.35	5.28	1.78
Twelve-month moving average						
All Items	105.60	132.00	131.12	136.36	143.84	148.06
Annual Percentage Change	7.67	25.00	-0.66	4.00	5.48	2.93

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

Currencies	Dec-11	2012												% Change Dec.12- Dec.11			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec				
IMF																	
Special Drawing Right	6,181	6,289	6,243	6,173	6,236	6,145	6,141	6,137	6,150	6,225	6,189	6,126	6,140				-0.7
ASIA																	
Australian Dollar	4,098	4,301	4,334	4,145	4,205	3,935	4,075	4,272	4,161	4,219	4,165	4,163	4,150				1.3
Hong Kong Dollar	520	524	518	514	519	523	524	525	522	521	520	515	515				-1.0
Japanese Yen	52.01	53.26	49.85	48.62	50.09	51.49	51.26	52.09	51.48	52.08	50.51	48.61	46.45				-10.7
Korean Won	3.50	3.60	3.58	3.51	3.55	3.43	3.51	3.58	3.56	3.62	3.67	3.68	3.74				6.9
New Zealand Dollar	3,119	3,328	3,374	3,264	3,311	3,050	3,194	3,293	3,229	3,357	3,303	3,285	3,287				5.4
Chinese Yuan	639	641	637	633	638	639	639	638	637	641	645	642	641				0.3
Taiwan Dollar	133	137	136	135	137	137	136	135	135	138	138	137	138				3.8
ASEAN																	
Indonesian Rupiah	0.445	0.452	0.440	0.435	0.438	0.430	0.428	0.429	0.422	0.421	0.419	0.414	0.411				-7.6
Malaysian Ringgit	1,274	1,330	1,339	1,300	1,326	1,276	1,272	1,292	1,292	1,315	1,316	1,310	1,304				2.4
Philippine Peso	92.10	94.27	93.59	92.90	94.92	93.38	95.85	97.12	95.74	96.42	97.53	97.77	97.37				5.7
Singapore Dollar	3,108	3,229	3,215	3,173	3,250	3,152	3,173	3,264	3,227	3,296	3,298	3,269	3,266				5.1
Thai Baht	127	130	132	129	131	127	127	129	129	131	131	130	131				3.1
Vietnamese Dong	0.192	0.193	0.192	0.193	0.193	0.195	0.194	0.195	0.194	0.193	0.193	0.191	0.191				-0.5
EUROPE																	
Euro	5,230	5,338	5,410	5,320	5,326	5,026	5,056	4,990	5,061	5,220	5,202	5,178	5,285				1.1
Other																	
Great Britain Pounds	6,225	6,382	6,391	6,375	6,549	6,287	6,309	6,394	6,385	6,562	6,460	6,402	6,456				3.7

Table 4: Monetary Survey

(In Billion Riels)

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	(In Billion Riels)				
Net Foreign Assets	10,346	14,655	16,698	17,894	18,155
Foreign Assets	12,886	16,514	18,918	20,617	24,614
Foreign Liabilities	-2,540	-1,858	-2,220	-2,723	-6,459
Net Domestic Assets	1,513	1,573	2,779	5,761	10,437
Domestic Credit	6,907	8,280	11,206	15,430	21,056
Net Claims on Government	-2,987	-2,252	-2,127	-2,123	-2,486
Claims on Government	270	270	270	270	270
Deposits of Government	-3,257	-2,522	-2,397	-2,394	-2,757
Non Government	9,894	10,532	13,333	17,553	23,542
State Enterprises	1	0	2	0	6
Private Sector	9,893	10,532	13,331	17,553	23,537
Other Items (net)	-5,394	-6,707	-8,428	-9,669	-10,618
Restricted Deposits	-288	-341	-476	-608	-655
Capital and Reserves	-5,776	-7,258	-8,674	-9,703	-11,491
Othes	670	892	722	641	1,527
Liquidity (M2)	11,859	16,228	19,477	23,655	28,592
Money (M1)	2,400	3,120	3,221	3,956	4,046
Currency Outside Banks	2,295	3,002	3,099	3,772	3,756
Demand Deposits	105	119	122	185	290
Quasy-Money	9,459	13,108	16,256	19,698	24,546
Time and Saving Deposits	185	359	408	557	780
Foreign Currency Deposits	9,274	12,749	15,848	19,141	23,766
	(Annual Percentage Change)				
Net Foreign Assets	-3.6	41.7	13.9	7.2	1.5
Foreign Assets	8.4	28.2	14.6	9.0	19.4
Foreign Liabilities	119.8	-26.8	19.4	22.7	137.2
Net Domestic Assets	162.7	4.0	76.6	107.3	81.2
Domestic Credit	51.1	19.9	35.3	37.7	36.5
Net Claims on Government	-64.5	24.6	5.6	0.2	-17.1
Claims on Government	-8.9	0.0	0.0	0.0	0.0
Deposits of Government	54.2	-22.6	-5.0	-0.1	15.2
Non Government	54.9	6.4	26.6	31.6	34.1
State Enterprises	-49.8	-100.0	0	-100.0	-
Private Sector	55.0	6.5	26.6	31.7	34.1
Other	-35.0	-24.3	-25.7	-14.7	-9.8
Restricted Deposits	13.1	18.5	39.6	27.6	7.8
Capital and Reserves	34.0	25.7	19.5	11.9	18.4
Othes	17.1	33.1	-19.1	-11.2	138.2
Liquidity (M2)	4.8	36.8	20.0	21.5	20.9
Money (M1)	16.9	30.0	3.2	22.8	2.3
Currency Outside Banks	15.3	30.8	3.2	21.7	-0.4
Demand Deposits	68.3	13.2	3.1	50.9	57.2
Quasy-Money	2.2	38.6	24.0	21.2	24.6
Time and Saving Deposits	52.7	94.1	13.8	36.4	40.0
Foreign Currency Deposits	1.5	37.5	24.3	20.8	24.2

Table 5: Monetary Survey

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	(In Billion Riels)				
Reserve money	6,100	8,741	10,245	11,033	13,129
Currency Outside Banks	2,295	3,002	3,099	3,772	3,756
Vault Cash	90	86	140	176	228
Bank Deposits	3,688	5,621	6,978	7,032	9,054
Required Reserves	1,632	1,677	2,134	2,634	3,488
Others	2,055	3,945	4,844	4,398	5,566
Other Deposits	28	32	28	53	92
Net Foreign Assets	10,776	13,262	14,982	16,010	18,583
Foreign Assets	10,776	13,710	15,410	16,435	19,003
Foreign Liabilities	0	448	428	425	421
Net Domestic Assets	-4,676	-4,520	-4,738	-4,977	-5,453
Net Credit to Government	-2,696	-1,976	-1,785	-1,783	-2,126
Claims	270	270	270	270	270
Deposits	2,966	2,246	2,055	2,054	2,396
Net Claims on Banks	-194	-296	-439	-576	-635
Other Items (net)	-1,788	-2,250	-2,514	-2,617	-2,692
	(Annual Percentage Change)				
Reserve money	21.6	43.3	17.2	7.7	19.0
Currency Outside Banks	15.3	30.8	3.2	21.7	-0.4
Vault Cash	90.7	-4.0	62.6	25.3	29.5
Bank Deposits	24.2	52.4	24.1	0.8	28.7
Required Reserves	109.9	2.7	27.3	23.4	32.4
Others	-6.2	91.9	22.8	-9.2	26.5
Other Deposits	115.2	17.0	-14.1	92.4	72.9
Net Foreign Assets	25.6	23.1	13.0	6.9	16.1
Foreign Assets	25.6	27.2	12.4	6.6	15.6
Foreign Liabilities			-4.5	-0.7	-1.0
Net Domestic Assets	-31.3	3.3	-4.8	-5.1	-9.6
Net Credit to Government	-65.2	26.7	9.7	0.1	-19.2
Claims	-8.9	0.0	0.0	0.0	0.0
Deposits	53.8	-24.3	-8.5	-0.1	16.7
Net Claims on Banks	28.3	52.5	48.1	31.3	10.2
Other Items (net)	-0.5	-25.8	-11.7	-4.1	-2.9

Table 6: Deposit Money Banks

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
	(In Billion Riels)				
Net Foreign Assets	-431	1,393	1,715	1,884	-428
Foreign Assets	2,110	2,804	3,508	4,182	5,610
Foreign Liabilities	2,540	1,411	1,792	2,298	6,038
Net Domestic Assets	5,962	5,733	7,185	10,722	15,499
Net Domestic Credit	9,561	10,254	12,991	17,213	23,182
Net Claims on Government	-292	-276	-342	-340	-360
Claims on Public Enterprises	1	0	2	0	6
Claims on Private Sector 1/	9,892	10,530	13,331	17,553	23,537
Net claims on National Bank of Cambodia	-40	0	0	0	0
Other Assets (net)	-3,598	-4,521	-5,806	-6,492	-7,683
Reserves	4,005	6,068	7,450	7,224	9,673
Cash	90	86	140	176	228
Deposits at National Bank of Cambodia	3,915	5,982	7,309	7,048	9,445
Total Deposits	9,537	13,194	16,350	19,830	24,744
Demand Deposits	77	86	95	131	198
Time and Savings Deposits	185	359	408	557	780
Foreign Currency Deposits	9,274	12,749	15,848	19,141	23,766
Total Assets	17,308	21,344	26,372	32,216	44,371
	(Annual Percentage Change)				
Net Foreign Assets	-120.0	-423.6	23.1	9.8	-122.7
Foreign Assets	-36.3	32.9	25.1	19.2	34.1
Foreign Liabilities	119.8	-44.5	27.0	28.2	162.7
Net Domestic Assets	48.3	-3.8	25.3	49.2	44.6
Net Domestic Credit	55.2	7.3	26.7	32.5	34.7
Net Claims on Government	-58.5	5.3	-23.9	0.7	-6.1
Claims on Public Enterprises	-49.8	-100.0	0.0	-100.0	0.0
Claims on Private Sector 1/	55.0	6.5	26.6	31.7	34.1
Net claims on National Bank of Cambodia	0.0	-100.0	0.0	0.0	0.0
Other Assets (net)	-68.2	-25.6	-28.4	-11.8	-18.3
Reserves	27.9	51.5	22.8	-3.0	33.9
Cash	90.7	-4.0	62.6	25.3	29.5
Deposits at National Bank of Cambodia	26.9	52.8	22.2	-3.6	34.0
Total Deposits	2.5	38.4	23.9	21.3	24.8
Demand Deposits	56.1	11.8	9.5	38.8	50.8
Time and Savings Deposits	52.7	94.1	13.8	36.4	40.0
Foreign Currency Deposits	1.5	37.5	24.3	20.8	24.2
Total Assets	27.8	23.3	23.6	22.2	37.7

Table 7: Credit Granted Classified by Ownership in the Economic Sector

(In Billion Riels)

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
1. Financial Institutions	135	145	177	323	537
National Bank of Cambodia(NBC)	0	0	0	0	0
Depository Institutions	9	10	18	105	331
Other Financial Institutions	126	135	160	219	206
2. Non-Financial Institutions	8,300	9,208	11,695	15,057	20,403
Agriculture, Forestry and Fishing	516	709	884	1,569	2,288
Mining and Quarrying	7	11	55	13	84
Manufacturing	984	920	1,150	1,622	2,207
Utilities	77	56	73	209	224
Construction	774	904	931	1,317	1,785
Wholesale Trade	1,618	1,353	2,316	2,545	4,189
Retail Trade	1,245	1,922	2,369	3,187	3,697
Hotels and Restaurants	1,277	1,262	1,288	1,312	1,416
Transport and Storage	137	176	252	272	310
Information Media and Telecommunic Rental and Operational Leasing Activities,	244 24	308 46	356 99	528 293	785 308
Real Estate Activities	737	663	613	565	733
Other Non-Financial Services	659	879	1,309	1,624	2,377
3. Personal Essentials	1,316	1,142	1,183	2,002	2,336
Personal Lending	584	748	684	874	982
Credit Cards	16	17	24	33	36
Mortgages, Owner-Occupied Housing	716	378	476	1,096	1,318
4. Other Lending	81	46	165	297	485
Total Gross Loan	9,833	10,541	13,221	17,680	23,762

Table 8: Deposits with Deposit Money Banks

(In Billion Riels)

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Deposits in Riel					
Demand deposits	41	102	141	176	279
Savings deposits	63	233	198	267	358
Fixed deposits	42	139	201	282	400
Others	2	1	1	0.3	14
Total	148	476	541	725	1,051
Deposits in Foreign Currency					
Demand deposits	959	2,714	3,219	3,835	5,320
Savings deposits	1,703	4,256	6,074	7,010	8,591
Fixed deposits	1,072	6,308	7,565	8,898	11,299
Others	46	89	80	412	650
Total	3,780	13,366	16,938	20,156	25,860
Grand Total	3,927	13,842	17,479	20,881	26,911

Cambodia: Balance of Payments

Year 2009–2012

	(US\$ million)			
	2009	2010	2011	2012 ^F
Balance of trade	-1,494.2	-1,581.6	-1,490.1	-1,741.8
Exports (FOB)	2,995.7	3,884.3	5,219.5	5,802.1
Domestic exports	2,733.7	3,620.2	4,927.0	5,504.2
GSP exports mainly garments	2,626.7	3,435.7	4,639.2	5,258.7
Other domestic exports	107.0	184.5	287.8	245.6
Re-exports (including profit and transportation cost)	262.0	264.1	292.4	297.8
Imports (FOB)	-4,489.9	-5,466.0	-6,709.5	-7,543.8
Retained imports	-4,288.8	-5,262.2	-6,489.3	-7,320.2
Garment Sector	-1,049.9	-1,358.8	-1,725.8	-2,061.6
Petroleum	-413.7	-465.9	-968.7	-1,133.9
Electricity	-54.5	-104.9	-125.1	-145.7
Other retained imports	-2,770.6	-3,332.6	-3,669.7	-3,979.1
Imports for re-exports	-201.1	-203.7	-220.2	-223.6
Net Services	615.3	697.3	889.2	1,073.0
Receipts	1,524.7	1,669.0	2,212.6	2,696.0
Of which: Travel Services	1,081.5	1,179.6	1,616.4	1,999.5
Payments	-909.4	-971.7	-1,323.4	-1,623.0
Of which: Travel Services	-103.5	-197.8	-253.4	-361.3
Net Income	-477.2	-529.8	-694.9	-800.1
Receipts	55.6	58.7	61.3	66.3
Of which: Interest	26.2	28.4	29.2	32.2
Payments	-532.8	-588.5	-756.2	-866.4
Of which: Interest	-48.8	-52.0	-54.2	-51.3
Income on Equity	-344.2	-385.6	-572.3	-760.9
Private transfers, net	290.4	243.0	173.5	152.8
Receipts	367.6	351.5	355.0	278.1
BALANCE ON CURRENT ACCOUNT (excluding official transfers)	-1,065.7	-1,171.2	-1,122.2	-1,316.2
Official Transfers	592.6	730.5	632.6	610.7
Receipts	592.9	730.8	632.9	611.0
Payments	-0.3	-0.3	-0.3	-0.3
BALANCE ON CURRENT ACCOUNT & OFFICIAL TRANSFERS	-473.0	-440.7	-489.6	-705.5
FINANCIAL ACCOUNT	476.7	620.4	824.8	1,071.1
Official sector loans (excluding IMF), net*	153.1	244.9	221.8	134.0
Drawings	164.1	257.1	233.3	147.9
Repayments	-11.0	-12.1	-11.4	-13.9
Non-official sector investment	323.6	375.4	602.9	937.1
Direct investment, net*	520.2	762.0	872.5	1,216.5
Portfolio Investment Assets*	-7.6	-36.7	-6.1	-39.0
Other Investment, net*	-189.0	-349.9	-263.4	-240.4
Net errors and omission	-8.4	-29.4	-26.4	-43.7
OVERALL BALANCE	-4.7	150.3	308.7	321.9
FIANCING	4.7	-150.3	-308.7	-321.9
Net foreign assets of the NBC*	-8.1	-163.0	-321.5	-334.6
Change in Reserve Assets	-116.6	-163.0	-321.5	-334.6
Use of IMF credit	--	--	--	--
Allocation of SDRs	108.5	--	--	--
Exceptional financing	12.8	12.8	12.8	12.8

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

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

Note: - Provisional Data for 2009 – 2011 (Subject to change).

- F: Data Forecasted for 2012