



# THE SECOND QUARTERLY REPORT

30 JUNE 2021

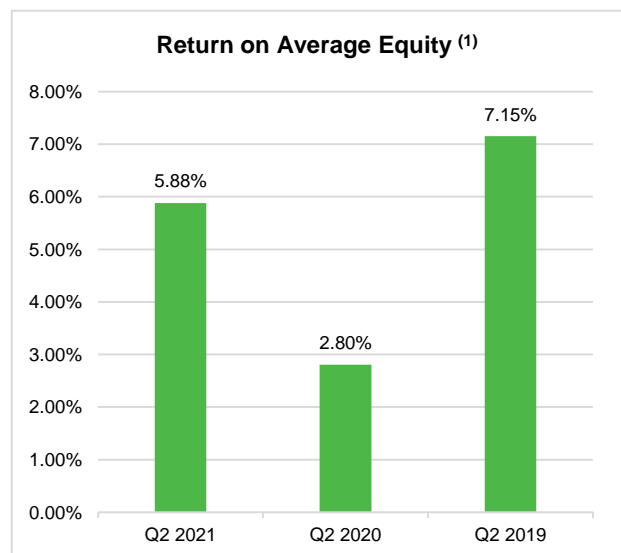
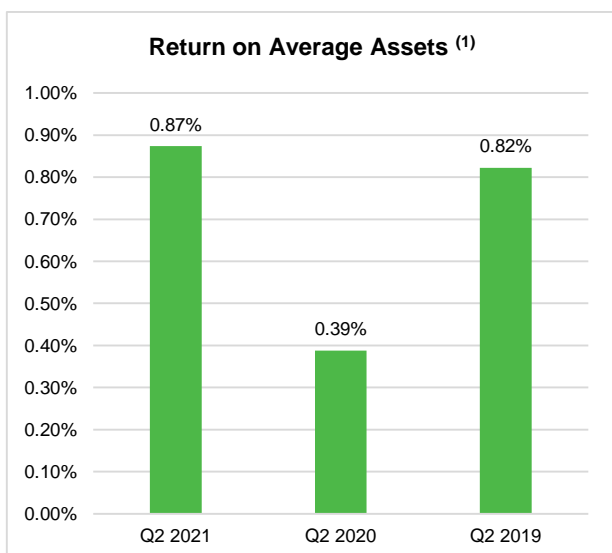
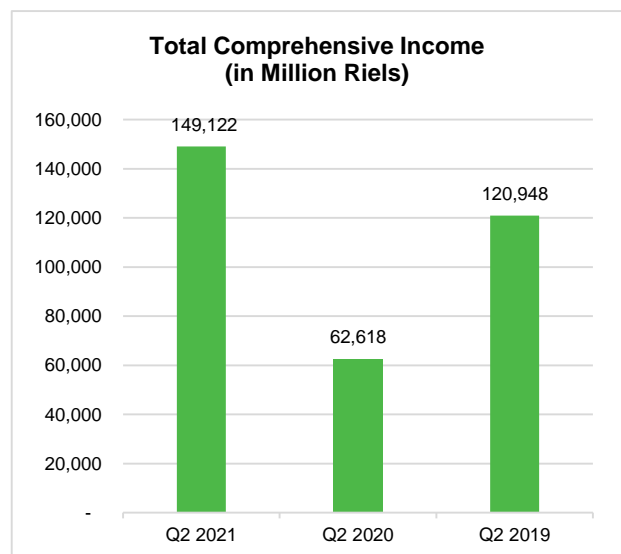
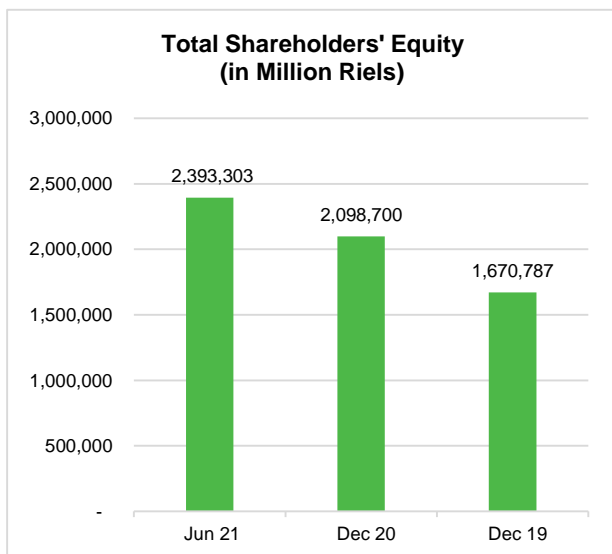
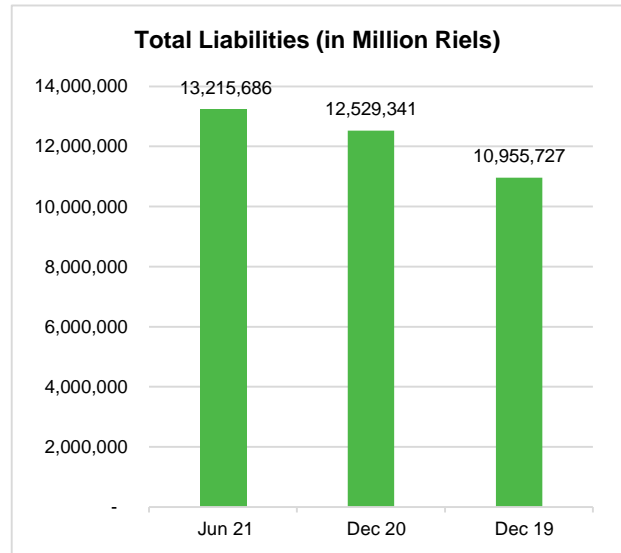
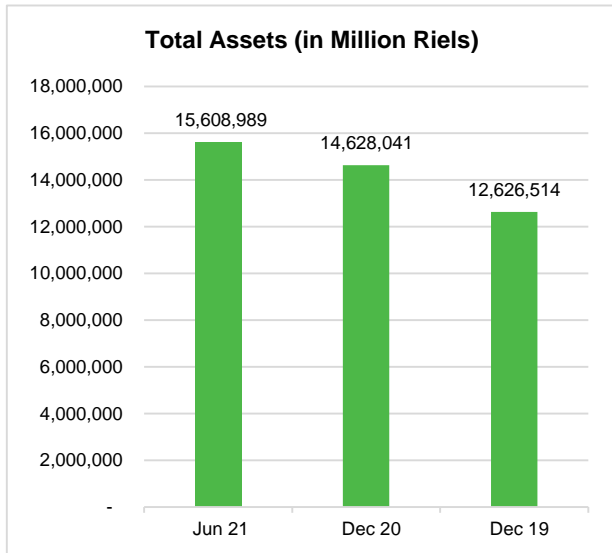
PRASAC MICROFINANCE INSTITUTION PLC.

## FINANCIAL HIGHLIGHT

Financial Position (in Million Riels)	June 2021	December 2020	December 2019
Total Assets	15,608,989	14,628,041	12,626,514
Total Liabilities	13,215,686	12,529,341	10,955,727
Total Shareholders' Equity	2,393,303	2,098,700	1,670,787
Profit/(Loss) (in Million Riels)	Quarter 2 2021	Quarter 2 2020	Quarter 2 2019
Total Revenues	520,588	431,473	384,723
Profit/(Loss) Before Tax	164,603	65,879	129,681
Profit/(Loss) After Tax	132,094	52,700	103,763
Total Comprehensive Income	149,122	62,618	120,948
Financial Ratios (for Banking and Financial Institutions)	June 2021	December 2020	December 2019
Solvency Ratio	20.14%	18.91%	20.23%
Debt to Equity Ratio	552.19%	597.00%	655.72%
Liquidity Coverage Ratio	151.86%	232.78%	172.94%
Non-Performing Loans Ratio	1.58%	1.37%	0.31%
Deposit to Loan Ratio	69.43%	69.74%	73.59%
Financial Ratios (for Banking and Financial Institutions)	Quarter 2 2021	Quarter 2 2020	Quarter 2 2019
Return on Average Assets <sup>(1)</sup>	0.87%	0.39%	0.82%
Return on Average Equity <sup>(1)</sup>	5.88%	2.80%	7.15%
Interest Coverage Ratio	178.91%	132.25%	177.86%
Earnings per Share (For equity listed entity)	N/A	N/A	N/A
Dividend per Share (For equity listed entity)	N/A	N/A	N/A
Other Important Ratios (If any)	N/A	N/A	N/A

<sup>(1)</sup> The ratios were calculated by using net profit for the three-month period from 01 April to 30 June 2021

## FINANCIAL SUMMARY CHARTS



**BOARD OF DIRECTORS**



Mr. Kwi Sang JUN  
Chairman



Mr. Ishara C. Nanayakkara  
Director



Mr. Minki Brian HONG  
Director



Mr. Sim Senacheert  
Director



Mr. Ji Kyu JANG  
Director

## MESSAGE FROM CHAIRMAN

It is our pleasure to present you with the financial performance of PRASAC Microfinance Institution Plc. in the second quarter of 2021 following the requirements of the Securities and Exchange Regulator of Cambodia (SERC).

In the reporting period, Cambodia experienced a more severe situation in the wake of the so-called “February 20 community outbreak” happened from the first quarter to nowadays. Lockdowns were imposed in Phnom Penh capital, Takmao city of Kandal province and Preah Sihanouk province to curb the spread of Covid-19 after the country saw a sharp increase of infected cases and unfortunately a death toll. The pandemic itself coupled with lockdown measures continued to negatively impact local businesses especially in the tourism, garment and textiles, agriculture, and construction and real estate sectors. Cambodia’s economic growth forecast was lowered to 2.5 percent in 2021 from its earlier projection of 4 percent.

According to World Bank, Cambodia’s agriculture remained resilient due in part to good prospects of the Cambodia-China Free Trade Agreement (CCFTA). Manufacturing has gradually adapted to change the external conditions. The tourism sector continues to be hit hard. Goods exports gradually adjusted, growing at 12.2% during the first four months of 2021, while the share of garment exports in total goods (excluding gold) exports declined to 45.6%. Foreign Direct Investment (FDI) inflows remain resilient and have helped sustain the external sector. However, growth outlook remains highly uncertain. The recovery is largely dependent on the course of the virus and the pace at which the vaccine can be rolled out.

As of June 2021, the vaccination coverage against COVID-19 pandemic in Cambodia reached 42 percent of the planned 10 million people to be vaccinated. 4,202,751 people have got the 1<sup>st</sup> dose, of them 3,048,905 have already received their 2<sup>nd</sup> jab. Thanks to this rate of vaccination, Cambodia’s economy may rebound faster than its neighboring countries.

As the pandemic continues to pose threats to business operations, PRASAC has acted with agility to guard against risks and has taken decisive actions to ensure we protect our employees and provide timely support to our customers. We suspended our staff travel and postponed large events and meetings. We moved some staff from head office to work in other branch offices around Phnom Penh, adapted rotating shift work schedule (i.e. while a group of staff is working at office, other groups shall be working from home) to apply social distancing and strictly implemented COVID-19 prevention guidelines issued by the Ministry of Health.

We strongly encourage clients and staff to do financial transactions through ATM, mobile banking, and internet banking. We have launched new version of our PRASAC Mobile and Internet Banking app to promote cashless payment. All branches are operating as normal, but we need our visitors, clients, and staff to follow social distancing and office entrance protocols (hand washing, temperature checks, mask wearing and scanning of QR Code of Ministry of Health).

Despite this time of uncertainty, PRASAC continues to grow in all key areas, including the total assets, deposits and loans, profit as well as financial technology. We have learned a lot from the challenges of the past several years that made PRASAC become a strong and stable institution for more than 25 years of sustainable growth. As results of the end of quarter II of 2021, the total assets were USD 3.83 billion, growing 14.23% compared to same quarter of 2020. The deposit balance increased to USD 2.32 billion, and the gross loan portfolio amounted up to USD 3.35 billion. The shareholder’s equity also grew and reached USD 587 million in the reported period. On a side note, PRASAC increased its registered capital to USD 300 million in this quarter.

Being the first financial institution to issue the largest corporate bonds in the history of Cambodia's capital market for the total amount of KHR 127.2 billion, PRASAC also played its crucial role in developing the securities market and promotion of the Khmer Riel.

Although this is an unprecedented challenging time, the Board and shareholders have confidence that PRASAC's leadership, strategy and people will enable PRASAC to continue its high level of performance for all stakeholders.

On behalf of the Board of Directors, I wish to thank PRASAC's management and staff for their hard work, dynamism and strong dedication to grow the business along with customer's growth in harmony. I also wish to thank the Board of Directors, shareholders, customers, the Royal Government of Cambodia and especially the National Bank of Cambodia (NBC), Securities and Exchange Regulator of Cambodia (SERC) and Cambodia Securities Exchange (CSX) for their continuous support and advice.

9 August 2021



**Kwi Sang JUN**  
Chairman

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# PART 1 - GENERAL INFORMATION OF THE LISTED ENTITY

## A. IDENTITY OF THE LISTED ENTITY

Entity name in Khmer	គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ប្រាសាក់ ម.ក
In Latin	PRASAC Microfinance Institution Plc.
Standard code	KH2000131A42
Address	Building № 212, Street 271, Sangkat Tuol Tumpung 2, Khan Chamkarmon, Phnom Penh, Cambodia.
Phone number	+855 23 999 911 / +855 86 999 911
Fax	+855 23 216 362
Website	<a href="http://www.prasac.com.kh">www.prasac.com.kh</a>
Email	<a href="mailto:info@prasac.com.kh">info@prasac.com.kh</a>
Company registration number	00001157      Date: 11 September 2011
License number	M.F 10      Issued by: National Bank of Cambodia Date: 19 October 2012
Disclosure document registration number issued by SERC	067/20SECC/SSR      Date: 30 March 2020
Representative of the listed entity	Mr. Sim Senacheert

## B. NATURE OF BUSINESS

PRASAC has a microfinance deposit taking license from the National Bank of Cambodia (NBC), and has operated for more than 25 years in the microfinance and banking industry in Cambodia. PRASAC is currently the largest microfinance institution in terms of assets, loan portfolio, loan quality, net profit, customer deposits and ranks among the top five commercial banks in Cambodia.

PRASAC is dedicated to offering full-fledged financial services namely loans, deposits, PPWSA bill payment, EDC bill payment, PPSWMA bill payment, tuition fee payment, phone top-up from all telecom companies, interbank fund transfer between member banks and FI of Bakong and Retail Pay system, Inter-branch fund transfer, cash-by-code, foreign exchange, Cambodian Shared Switch (CSS) or use PRASAC's ATM card to withdraw cash from member banks and FI of CSS, fast payment, payroll, automated teller machine (ATM), cash deposit machine (CDM), mobile banking, internet banking, POS, bank confirmation, standing instruction and other services to target clients.

As a market leader with total assets of USD 3,830 million as of 30 June 2021, PRASAC operates the second largest branch network, with 182 branches in Cambodia. PRASAC has strong financial



operations, customer care, and a modern, transparent and dynamic core banking system for serving the needs of customers and the public.

### C. QUARTER'S KEY EVENTS

- In Q2 2021, PRASAC increased the registered capital of USD 70 million on top of its current registered capital of USD 230 million to support operations and expand its state-of-the-art financial service footprint for the better serve the customers.
- In April 2021, PRASAC signed a 5-year subordinated loan agreements in the amount of USD 17.50 million to improve the tier 2 capital and support its lending activities.
- In June 2021, PRASAC signed a 3-year syndication loan agreement in the amount of USD 199 million with a group of Banks and Financial Institutions led by 3 Mandated Lead Arrangers and Bookrunners to support its lending activities and during Q2 2021 PRASAC entered in to 2 bilateral loan agreements for 3 years totaling USD 22.50 million with oversea lenders, to support its lending activities.
- PRASAC donated to authorities in various districts, provinces, khans and the capital to join hands in preventing the spread of COVID-19.
- PRASAC donated KHR 10 million to Phnom Penh Health Center in the objective to prevent the spread of COVID-19.
- PRASAC donated KHR 60 million to COVID-19 vaccination volunteer health workers through Ministry of Labor and Vocational Training to support their endeavor in vaccinating Cambodian people.
- PRASAC donated KHR 400 million to Cambodian Red Cross (CRC) in the celebration of the 158th Anniversary of World Red Cross and Red Crescent Day on 8 May 2021, under the theme "All join with Cambodian Red Cross to fight against COVID-19 and to build the resilience of the society."
- PRASAC announced the launch of new version of its own mobile banking application called 'PRASAC Mobile Banking' for all customers and public to get a friendly user experiences, new and modern FinTech in making self-financial transactions at anywhere and anytime.
- PRASAC offers electricity bill payment service of EDC Takeo via PRASAC Mobile Banking anywhere and anytime for free of charge.

## PART 2 - INFORMATION ON BUSINESS OPERATION PERFORMANCE

### A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS INFORMATION

Key Achievement	June 2021	December 2020	December 2019
<b>Loan</b>			
Number of Borrowers	450,894	442,833	417,044
Total Gross Loans (in Million Riels)	13,633,266	12,249,042	10,164,918
<b>Deposit</b>			
Number of Depositors	640,446	627,188	600,204
Total Deposit (in Million Riels)	9,466,129	8,542,691	7,480,682
<b>Others</b>			
Operating Branches	182	182	180
Number of Staffs	8,817	9,042	9,091
Number of POS Terminals	505	514	509
Number of ATMs	142	141	135
Number of Active ATM Cards	54,267	56,060	57,834
Number of Active Mobile & Internet Banking	25,113	21,213	15,431

### B. REVENUE STRUCTURE

No.	Source of Revenue	Quarter 2 2021		Quarter 2 2020		Quarter 2 2019	
		Amount (in Million Riel)	(%)	Amount (in Million Riel)	(%)	Amount (in Million Riel)	(%)
1	Interest income	500,970	96.23%	420,986	97.57%	371,049	96.45%
2	Fees and commission income	8,778	1.69%	2,129	0.49%	898	0.23%
3	Other income	10,840	2.08%	8,358	1.94%	12,776	3.32%
<b>Total revenue</b>		<b>520,588</b>	<b>100%</b>	<b>431,473</b>	<b>100%</b>	<b>384,723</b>	<b>100%</b>

## PART 3 - FINANCIAL STATEMENTS REVIEWED BY THE EXTERNAL AUDITOR

Please refer to the annex for interim financial statement reviewed by the independent auditor.

## PART 4 - MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following discussion and analysis are the discussion of PRASAC's management team on the operational results and financial situation based on Financial Statement as of 30 June 2021, which is reviewed by KPMG Cambodia Ltd (Independent Auditors). Financial Statement have been prepared in accordance with Cambodian International Financial Reporting Standard (CIFRS) and follows regulations and guidelines of National Bank of Cambodia. The management team discussed and analyzed only the key component of the Financial Statement and key factors that affect PRASAC's profitability.

### A. OVERVIEW OF OPERATIONS

#### 1. REVENUE ANALYSIS

PRASAC generates revenue from the three major sources as follows:

- **Interest income:** Loan to customers and deposit with banks.
- **Fees and commission income:** Fee income from loans, card issuing fee and local remittances services.
- **Other income:** Penalty from loans, recovered loans, foreign exchange gains and others.

#### 2. REVENUE BY SEGMENT ANALYSIS

No.	Source of Revenue	Quarter 2 2021		Quarter 2 2020	
		Amount (in Million Riel)	Percentage (%)	Amount (in Million Riel)	Percentage (%)
1	Interest income	500,970	96.23%	420,986	97.57%
2	Fees and commission income	8,778	1.69%	2,129	0.49%
3	Other income	10,840	2.08%	8,358	1.94%
	<b>Total revenue</b>	<b>520,588</b>	<b>100%</b>	<b>431,473</b>	<b>100%</b>

Interest income is the main source for PRASAC to generate revenue. In second quarter of 2021, interest income represents 96.23% of the total revenue while 99.96% of the total interest income generated from the loans from customer. Comparing to prior year with the same period, there is no much fluctuation movement of PRASAC's revenue by segment.

#### 3. GROSS PROFIT MARGIN ANALYSIS

Gross profit margin does not present in the format of statement of comprehensive income prepared by PRASAC. However, it presents net interest income resulting from interest income less interest expense which is indicated in section 4. Profit / (loss) before tax analysis.

#### 4. PROFIT / (LOSS) BEFORE INCOME TAX ANALYSIS

Statement of Profit or Loss Before Income Tax	Quarter 2 2021 (in Million Riel)	Quarter 2 2020 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Interest income	500,970	420,986	79,984	19.00%
Interest expense	(208,600)	(204,268)	(4,332)	2.12%
<b>Net interest income</b>	<b>292,370</b>	<b>216,718</b>	<b>75,652</b>	<b>34.91%</b>
Fees and commission income	8,778	2,129	6,649	312.31%
Fees and commission expense	(231)	(123)	(108)	87.80%
<b>Net fees and commission income</b>	<b>8,547</b>	<b>2,006</b>	<b>6,541</b>	<b>326.07%</b>
Other income	9,253	7,303	1,950	26.70%
Grant income	1,587	1,055	532	50.43%
Net foreign exchange gain/(loss)	(5,016)	(4,879)	(137)	2.81%
<b>Total other income</b>	<b>5,824</b>	<b>3,479</b>	<b>2,345</b>	<b>67.40%</b>
<b>Total interest, fees, commission and other income</b>	<b>306,741</b>	<b>222,203</b>	<b>84,538</b>	<b>38.05%</b>
Personnel expenses	(70,954)	(64,453)	(6,501)	10.09%
Provisions for expected credit losses	(50,985)	(69,237)	18,252	-26.36%
General and administrative expenses	(13,520)	(16,028)	2,508	-15.65%
Depreciation and amortization	(6,679)	(6,606)	(73)	1.11%
<b>Profit before income tax</b>	<b>164,603</b>	<b>65,879</b>	<b>98,724</b>	<b>149.86%</b>

In second quarter of 2021, profit before income tax increased significantly by KHR 98,724 million equivalent to 149.86% compared to the same period in 2020. The main reason of increasing profit before income tax during this quarter was interest income and fees and commission income which grew respectively by KHR 79,984 million and KHR 6,649 million due to growth of loan portfolios while the total expenses also decreased by KHR 14,186 million equivalent to -9.07% compared to second quarter of 2020.

#### 5. PROFIT / (LOSS) AFTER INCOME TAX ANALYSIS

Statement of Profit or Loss After Income Tax	Quarter 2 2021 (in Million Riel)	Quarter 2 2020 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Profit before income tax	164,603	65,879	98,724	149.86%
Income tax expense	(32,509)	(13,179)	(19,330)	146.67%
<b>Net profit for the period</b>	<b>132,094</b>	<b>52,700</b>	<b>79,394</b>	<b>150.65%</b>

In second quarter of 2021, profit after income tax was highly increased by KHR 79,394 million equivalent to 150.65% that caused the tax on income also increased. Due to the result of net profit in quarter 2 of 2021, PRASAC has achieved a great result with Return on Average Assets of 0.87% and Return on Average Equity of 5.88% for three-month period of net profit from 01 April to 30 June 2021.

**6. TOTAL COMPREHENSIVE INCOME / (LOSS) ANALYSIS**

Statement of Comprehensive Income	Quarter 2 2021 (in Million Riel)	Quarter 2 2020 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Net profit for the period	132,094	52,700	79,394	150.65%
Translation difference	17,028	9,918	7,110	71.69%
<b>Total comprehensive income</b>	<b>149,122</b>	<b>62,618</b>	<b>86,504</b>	<b>138.15%</b>

Other comprehensive income item consisting of only translation difference resulting from assets and liabilities are translated at the closing rate as at the statement of financial position date whereas the items in the statements of comprehensive income and cash flows are translated into KHR using the average rate for the period while share capital is translated at the historical rate of KHR 4,000 per USD 1.

**7. FACTORS AND TRENDS ANALYSIS AFFECTING FINANCIAL CONDITIONS AND RESULTS**

Below are the factors and challenges have significant impact on financial conditions and results in second quarter of 2021:

- The ongoing February 20 Community Event of COVID-19 still has negative impacts to Cambodia’s economy and some businesses, however PRASAC’s management team has a good strategy to minimize those impacts and mitigate risk in order to keep the business and operation going well.

**B. SIGNIFICANT FACTORS AFFECTING PROFIT**

**1. DEMAND AND SUPPLY CONDITIONS ANALYSIS**

PRASAC is the largest microfinance institution in Cambodia which provides a broad range of innovative and diversified products and services delivered via modernized distribution channels. Due to MDI status, PRASAC focus more on MSME and seeking to expand its business operations by taking advantage of a supply gap for banking services in Cambodia, particularly in rural areas. PRASAC has also identified opportunities to increase profitability on existing customers and attract new customers by offering additional and flexible products and services.

PRASAC is continuously updating and expanding its line of products and services to meet the satisfaction of its customers. PRASAC is investing heavily in FinTech and digitalization of products and services to increase accessibility, convenience, ease of use, and to allow customers to perform self-service banking via mobile banking (smart phone) anywhere at any time and anywhere.

## **2. FLUCTUATIONS IN PRICES OF RAW MATERIALS ANALYSIS**

PRASAC is operating as microfinance institution to provide financial products and services to customers, therefore the analysis of fluctuations in prices of raw material is not applicable to the Company.

## **3. TAX ANALYSIS**

PRASAC is obliged to pay taxes and excises to the state under the existing laws of Cambodia. PRASAC is a large taxpayer and is required to pay tax under the real regime tax system as set forth by the General Department of Taxation. Tax expenses include current tax and deferred tax. Tax expenses are recorded in the statement of comprehensive income.

For good practice on tax compliance, PRASAC was awarded “GOLD” certificate of tax compliance from General Department of Taxation on 06 March 2020 with 2 years validity period for the year 2020 and 2021.

## **4. EXCEPTIONAL AND EXTRAORDINARY ITEMS ANALYSIS**

At the date of this report, management is not aware of any exceptional and extraordinary items, transaction or event of a material and unusual nature accruing that may significantly impact to the financial statement of the Company. With current status of the coronavirus (COVID-19) outbreak, management will continuously pay close attention to the development of the COVID-19 outbreak in Cambodia and its impact to the Company’s operation.

## **C. MATERIAL CHANGES IN SALES AND REVENUE**

In quarter 2 of 2021, PRASAC earned total revenue around KHR 520,588 million increased 20.65% compared to the same period in prior year. Net interest income increased from KHR 216,718 million to KHR 292,370 million, while gross loan portfolio slightly increased 10.48%. Although, Cambodia’s economy affected by COVID-19 outbreak for the whole year 2020 and continues to the second quarter 2021, PRASAC is still managed and operating in a good profitability.

## **IMPACT OF FOREIGN EXCHANGE, INTEREST RATES AND COMMODITY PRICES**

### **1. FOREIGN EXCHANGE RISK**

Foreign exchange risk involves losses that may occur due to fluctuations in currency exchange rates. PRASAC’s business activities cross three main currencies – KHR, USD, and THB. Volatility in exchange rates may have a material impact on PRASAC’s operating income and profitability.

Exchange rates are regularly monitored by the Treasury Department. PRASAC policies stated that it shall not engage in activities to derive income from proprietary trading or speculation on the movements of exchange rates, interest rates, or value of securities. PRASAC is not authorized to maintain a proprietary trading book in short-term foreign currency instruments. Any foreign currency transaction or position owned must display a clear linkage to client-related business.

## Limit

Risk Measure	Limit
Aggregate Foreign Currency Position to Total Regulatory Capital	≥ -20 and ≤ 20%
Single Foreign Currency Position to Total Regulatory Capital	≥ -20 and ≤ 20%

The Asset and Liability Committee is responsible for taking appropriate measures to maintain the foreign currency risk exposure within these limits at all times.

## Actions on Forex

The Asset and Liability Committee (ALCO) will monitor current and forecast adherence to the limits above and will determine appropriate counterbalancing measures should the actual position threaten to be breached.

Acceptable foreign exchange risk management instruments that may serve to reduce the net long or short foreign exchange position in certain currencies include the following:

- creating additional offsetting Forex assets (in case of an underlying short position) or offsetting Forex liabilities (in case of an underlying long position).
- reducing (selling) Forex assets or buying back liabilities in the cash market for immediate value.
- using forward transactions to offset Forex assets or liabilities that would otherwise create an excessive short or long net open position.
- converting Forex liabilities into effective functional currency positions using cross currency swaps.

The detailed net open position calculation is provided in the following table:

As at 30 June 2021 (in Million Riel or Percentage)	USD	KHR	THB	Total
Assets	13,599,436	1,932,532	77,021	15,608,989
Liabilities and capital	14,004,232	1,502,511	102,246	15,608,989
Off-balance sheet assets	1,239,004	400	-	1,239,404
Off-balance sheet liabilities	1,239,004	400	-	1,239,404
<b>(+) long / (-) short</b>	<b>(404,796)</b>	<b>430,021</b>	<b>(25,225)</b>	-
<b>Net open position / net worth %</b>	<b>-14.90%</b>	<b>15.83%</b>	<b>-0.93%</b>	-
Limit %	± 20%	± 20%	± 20%	-
<b>Excess</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	-



## 2. INTEREST RATE RISK

Interest rate risk is commonly defined as the possibility that changes in the prevailing market interest rate levels produce an adverse impact on PRASAC's income and the value of its assets and liabilities, with consequential effects on PRASAC's equity. Interest rate changes have an impact on the net interest income of PRASAC when there is an imbalance between assets and liabilities on which interest is applicable. Any significant changes in interest rates could have a material adverse effect on PRASAC's financial performance and profitability. An analysis of the interest rate risk pertaining to PRASAC's assets and liabilities is disclosed in the table on the following page:

As at 30 June 2021 in Million Riel	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest sensitive	Total
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	697,646	697,646
Balances with the NBC	604	1,523	604	-	-	501,051	503,782
Balances with other banks	2,524	-	-	-	-	47,288	49,812
Loans to customers	236,298	438,722	2,227,455	8,569,600	1,890,488	-	13,362,563
Other assets	-	-	-	-	-	2,613	2,613
<b>Total financial assets</b>	<b>239,426</b>	<b>440,245</b>	<b>2,228,059</b>	<b>8,569,600</b>	<b>1,890,488</b>	<b>1,248,599</b>	<b>14,616,417</b>
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	23,655	-	198,006	-	-	-	221,661
Deposits from customers	1,479,497	1,628,797	5,835,124	301,050	-	-	9,244,468
Borrowings	232,714	86,666	886,412	1,734,403	2,755	-	2,942,950
Subordinated debts	5,395	2,839	118,912	284,331	87,177	-	498,654
Bonds payable	-	-	-	124,858	-	-	124,858
Other liabilities	-	-	-	-	-	51,301	51,301
<b>Total financial liabilities</b>	<b>1,741,261</b>	<b>1,718,302</b>	<b>7,038,454</b>	<b>2,444,642</b>	<b>89,932</b>	<b>51,301</b>	<b>13,083,892</b>
<b>Maturity Gap</b>	<b>(1,501,835)</b>	<b>(1,278,057)</b>	<b>(4,810,395)</b>	<b>6,124,958</b>	<b>1,800,556</b>	<b>1,197,298</b>	<b>1,532,525</b>

## **Risk Mitigation:**

### Re-pricing Gap Management

The interest rate gap is a common form of interest rate sensitivity measurement. The re-pricing gap is equal to rate sensitive assets (RSA) minus rate sensitive liabilities (RSL).

PRASAC strives to achieve a balance between reducing risk to earnings from adverse movements in interest rates and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes. By running positive near-term gaps, PRASAC will benefit if interest rates rise, and by running negative gaps PRASAC will benefit if interest rates fall. PRASAC's interest rate exposure limit is complied with and reviewed on a monthly basis. The gap reports are used to measure the magnitude of risk to interest income arising from interest rate movements. PRASAC focuses on net gaps in the 30, 90, 180, 270 and 365-days cumulative timeframes.

PRASAC takes into account the following limitations of re-pricing gap analysis:

- Interest rates on assets and liabilities do not always move by the same magnitude or velocity
- Optional features of many deposit instruments and loans are not readily determinable
- Exposures arising from new business generally are not captured
- Re-priceable investments/funds may roll off at rates significantly different from current rates.

In order to address the limitations of traditional re-pricing gap analysis, PRASAC maintains additional interest rate simulations (see below).

### Net Interest Income Simulation

The focus of this simulation is to measure risk to net income by projecting the future composition of PRASAC's assets and liabilities and applying different interest rate scenarios. Simulation modeling includes "what if" analyses to determine the effect of different strategies on PRASAC's risk profile and profitability.

By using simulations, PRASAC considers realistic assumptions about the speed and magnitude of the loan and deposit product rate reactions in response to market changes in various currencies. The impact of prepayment rates on loans is also taken into account. Management carefully assesses and documents the assumptions underlying the simulations. Second round effects about changes in loan demand and deposit supply following the assumed rate adjustments are not part of the simulation.

While simulations can adequately assess short-term (1 year) interest rate risk, PRASAC does not rely on this analysis to capture and isolate the risks associated with longer term re-pricing imbalances. Duration-weighted gap analysis of the balance sheet is utilized to evaluate long-term fixed-rate positions.

### Duration-Weighted Re-pricing Gap

In addition to the sensitivity of current income, an interest rate re-pricing gap report can also be used to provide a rough estimation of the value impact on assets and liabilities following a market interest rate change. By assessing the economic value change of assets and liabilities following such a rate shock, PRASAC can determine the economic loss or gain in equity value at the different simulation levels.

PRASAC calculates a matrix of more precise duration estimates for each cell in the re-pricing gap report, i.e. the intersections between time intervals and balance sheet line items. For this purpose,

PRASAC maintains sufficiently granular time bands at the long end of the re-pricing schedule. These more distant gaps naturally become more important for their long-term economic capital impact. Duration analysis requires knowledge of the average contractual rates applicable to each line item and the new market discount yields following the rate change. With these assumptions, PRASAC may calculate a matrix of modified duration weights that are applied to the cells of the parallel re-pricing gap report.

The economic capital perspective in duration-weighted gap methods emphasizes the long-term balance sheet value impact of interest rate changes. This is an important complement to the strictly short-term earnings approach underlying the net interest income simulation.

Interest Rate Risk Limits

The Interest Rate Risk limits are as follows:

Interest Rate Risk Measure	Definition	Limit
Net Interest Income at Risk – <b>Re-pricing Gap</b>	<p><b>Using re-pricing gap analysis</b>, market rate scenarios of:                      +200 /-100 bps in the 4-yr USD swap rate, +200/200 bps in top 10 banks KHR 1 year Deposit Rate, and +200/-200 bps in THB 3-Month BIBOR                      may separately and in combination not lead to a deterioration of more than 25% of net interest income compared to rolling prior 12 months actual net interest income.</p>	≤ 25% of Recent Actual Net Interest Income
Forward Net Interest Income at Risk – <b>Simulation</b>	<p><b>Using simulation</b>, market rate scenarios of:                      +200 /-100 bps in the 4-yr USD swap rate, +200/-200 bps in top 10 banks KHR 1 year Deposit Rate, and +200/-200 bps in THB 3-Month BIBOR                      may separately and in combination not lead to a cumulative deterioration of more than 25% of net interest income compared to the current budget 12 months forward. Simulation includes new business as per budget and detailed assumptions about the basis co-movement of asset and liability product rates.</p>	≤ 25% of projected 12-months of forward Net Interest Income
Economic Capital at Risk - <b>Duration Gap</b>	<p>Using a per-currency duration-weighted re-pricing gap, the economic capital at risk from a rate shock scenario as below may separately or in combination not lead to a loss of more than 20% of total regulatory capital:                      +200 /-100 bps in the 4-yr USD swap rate, +200/-200 bps in top 10 banks KHR 1 year Deposit Rate, and +200/-200 bps in THB 3-Month BIBOR</p>	≤ 20% of Regulatory Net Worth

### Interest Rate Risk Management Actions

In the event that the current or forecasted balance sheet structure should lead to a likely breach of one or several of the interest rate risk limits above, it is the responsibility of the Asset and Liability Committee to devise strategies for adjusting PRASAC's balance sheet position in order to reduce interest rate risk exposure and maintain limit compliance.

Acceptable interest rate risk management instruments that PRASAC may deploy to manage interest rate risk are:

- creating an additional variable or fixed rate assets or liabilities in particular currencies to offset existing imbalances,
- selling certain fixed rate or variable rate assets or buying back (pre-paying) certain fixed rate or variable rate liabilities for immediate value,
- using over-the-counter interest rate forward transactions or long-term fixed-rate securities to offset existing fixed rate contracts on the asset or liability side,
- converting variable rate liabilities into fixed rate liabilities or vice versa using interest rate swap agreements.

Note that derivative overlay transactions, such as interest rate forwards and interest rate swap agreements require Board approval similar to the Board resolutions required for the underlying commercial borrowing transactions. The Board will only authorize forward or swaps in interest rate instruments for the purposes of risk reduction or hedging. Trading such instruments or making markets in them under an independent profit motive that is not related to an interest rate risk reduction strategy is specifically not allowed at PRASAC.

### **D. IMPACT OF INFLATION**

- Inflation is very important for PRASAC because PRASAC typically deal normal financial instrument such as making loan about 87.34% of its total assets of which 12.14%, 0.43% and 87.42% is in Khmer Riel, Bath Thai and United States Dollar respectively.
- Cambodia's economy recovered strongly in 2016-19 with real GDP growth of 7.0%, 7.0%, 7.5% and 7.0% p.a.
- In the lasts 5 years record the CPI stood at an average year-on year of 2.5% p.a.
- The economy is to a large extent dollarized; the exchange rate moves within a small bandwidth for the last ten years.
- Registered unemployment at 1.02% in 2019.
- Due to COVID-19 all GDP of Cambodia for 2020 will drop down to -1.6% (IMF April 2020).

### **E. ECONOMIC, FISCAL AND MONETARY POLICY OF ROYAL GOVERNMENT**

- Government accumulates USD 400 million of savings for the use of COVID-19 emergency cases.
- Reduce tax for tourism sectors. Improve infrastructure and reduce cost of operation. Reduce 6 holidays in year to increase productivities.
- Reserve USD 3 billion ahead for possible impacts COVID-19 and European Union's Everything But Arm's (EBA) trade scheme.
- Reserve USD 600 million to 800 million to lend to banks and MFIs to stimulus economy.
- Appeal banks and MFIs to reschedule loans during this COVID-19 period.
- Existing loan: Reduce withholding tax of borrowing to 10% from April to December 2020. New loan: Reduce withholding tax of borrowing to 5% from April to December 2020, then 10% from January to December 2021. From 2022, previous withholding tax (WHT) will be applied.
- Delay in offering seniority payment to employees for year 2020.

- Cambodia reduces all expenses for 3 years (strategic plan for 2021-2023).
- Government has prepared and gives USD 125 million to more than 600,000 poor and vulnerable families.
- The government adjusted quarantine measures and prepare special arrangements for potential investors, technical experts and consultants who come to the Kingdom.
- The government has implemented the “Cash Transfer Social Assistance Program for Post Lockdown” to support low-income households who face difficulties after the large scale lockdown measurement, and Cash Transfer Social Assistance for the households whose members have died of Covid-19 and households with the difficult living condition whose members tested Covid-19 positive from the February 20, 2021 Outbreak.

#### **The National Bank of Cambodia (NBC)’s interventions:**

- NBC requested banks and financial institutions to reduce loan-related fees and cancel fines for borrowers for the rest of the year as the Kingdom battles the COVID-19 pandemic.
- Encourage to continue lending to priority sectors (i.e. tourism, garment, construction, ...)
- Delay the implementation of the Capital Conservation Buffer (CCB) requirement until next year.
- Reduce the interest rate on the Liquidity-Providing Collateralized Operation (LPCO) up to 0.5%. Decrease the interest rate for the Negotiable Certificate of Deposits (NCD).
- Reduce the Reserve Requirement Rate (RRR) on deposit balance from 8% for KHR and 12.5% for USD to 7% until 31 December 2021.
- Reduce Liquidity Coverage Ratio (LCR) to appropriate level if it is necessary.
- Issued guideline on reschedule loans that impact from COVID-19, especially priority sectors.
- Encourage all institutions and clients to use digital financial services rather than use cheque or cash for payment.

## PART 5 - OTHER NECESSARY INFORMATION FOR INVESTOR PROTECTION

PRASAC Bonds guaranteed by CGIF. According to the Prakas on Public Issuance of Debt Securities, there is no requirement to have a credit rating on the corporate bond but the credit rating of the guarantor is required.

CGIF has been assigned credit ratings of:

- “AA/A-1+” Global (Long Term & Short Term), Stable Outlook, by S&P Ratings on 22 Jun 2018
- “gAAA/seaAAA/AAA”, Global/ASEAN/National, Stable Outlook, by RAM Ratings on 16 Jan 2019
- “AAA” National, Stable Outlook, by MARC on 14 Jan 2019
- “AAA” National, Stable Outlook, by TRIS Ratings on 10 Oct 2018
- “AAA” National, Stable Outlook, by Fitch Ratings Indonesia on 15 Nov 2018

Guaranteed by CGIF. Pursuant to the CGIF Guarantee, CGIF will irrevocably and unconditionally guarantee to the Bondholders’ Representative the full and punctual payment of each Guaranteed Amount. For the purposes of the CGIF Guarantee, “Guaranteed Amount” means:

- any Principal Amount and any Scheduled Interest which is overdue and unpaid (whether in whole or in part) by the Issuer under the Terms and Conditions and the bondholder’s agreement;
- any Additional Accrued Interest; and any Bondholders’ Representative Expenses, (in each case as defined in the CGIF Guarantee).

The guarantee amount is subject to the terms of the guarantee in the form attached as Annex C to the Terms and Conditions (the “CGIF Guarantee”).

**Signature of Directors of the Listed Entity**

9 August 2021  
Seen and Agreed

A handwritten signature in blue ink, appearing to be 'Sim Senacheert', with a long horizontal stroke extending to the right.

**Mr. Sim Senacheert**  
Director

A handwritten signature in blue ink, appearing to be 'M3h', with a stylized 'M' and 'h'.

**Mr. Minki Brian Hong**  
Director





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Private Company