



THE THIRD QUARTERLY REPORT

30 SEPTEMBER 2021

PRASAC MICROFINANCE INSTITUTION PLC.

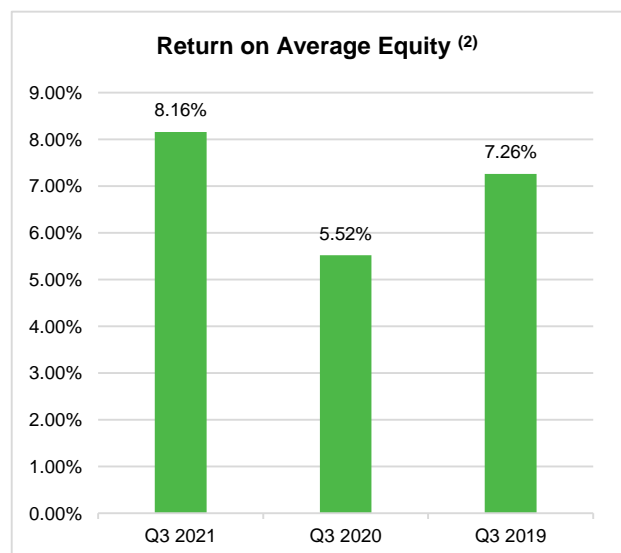
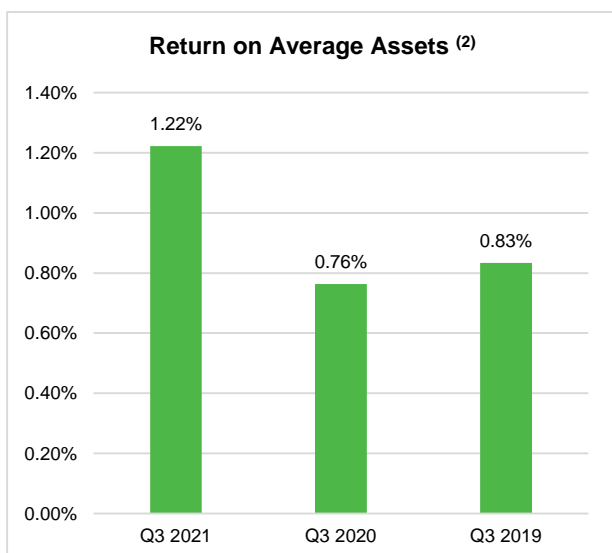
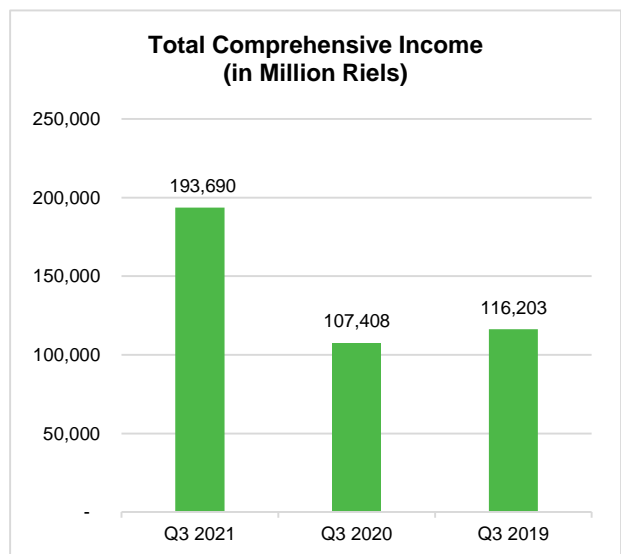
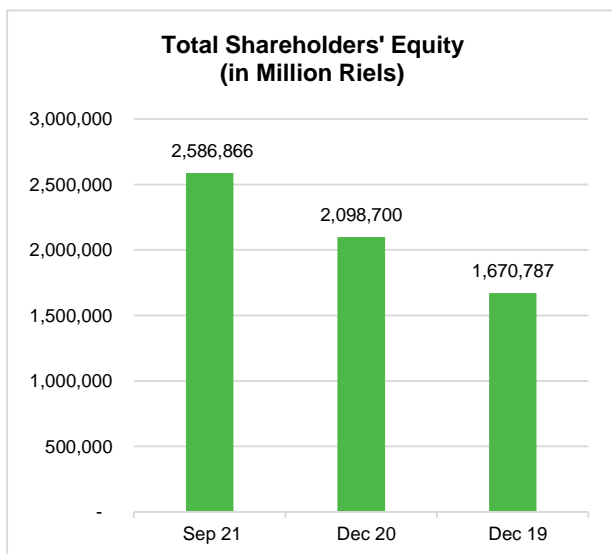
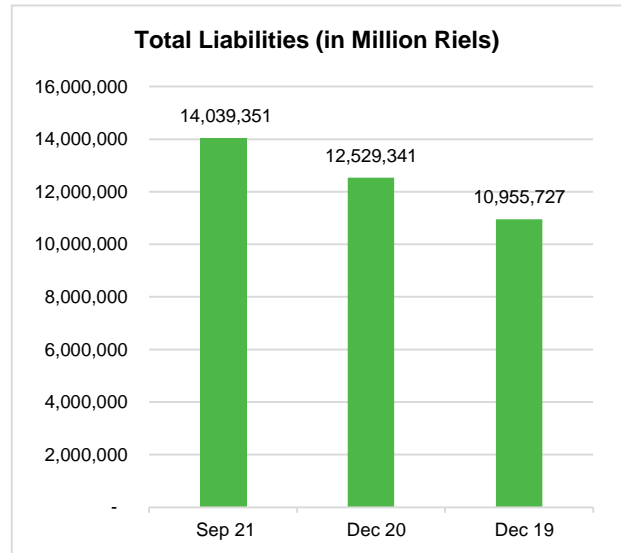
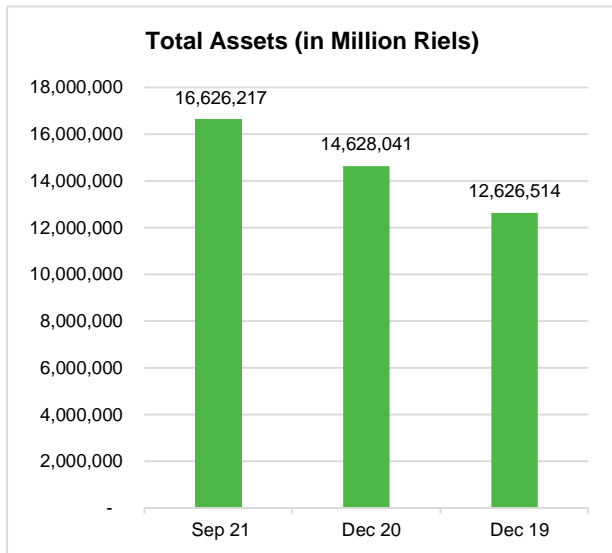
FINANCIAL HIGHLIGHT

| Financial Position (in Million Riels) | September 2021 | December 2020 | December 2019 |
|--|----------------|----------------|----------------|
| Total Assets | 16,626,217 | 14,628,041 | 12,626,514 |
| Total Liabilities | 14,039,351 | 12,529,341 | 10,955,727 |
| Total Shareholders' Equity | 2,586,866 | 2,098,700 | 1,670,787 |
| Profit/(Loss) (in Million Riels) | Quarter 3 2021 | Quarter 3 2020 | Quarter 3 2019 |
| Total Revenues | 557,551 | 460,861 | 417,665 |
| Profit/(Loss) Before Tax | 237,560 | 130,062 | 131,662 |
| Profit/(Loss) After Tax | 191,074 | 104,043 | 105,324 |
| Total Comprehensive Income | 193,690 | 107,408 | 116,203 |
| Financial Ratios (for Banking and Financial Institutions) | September 2021 | December 2020 | December 2019 |
| Solvency Ratio | 18.75% | 18.91% | 20.23% |
| Debt to Equity Ratio | 542.72% | 597.00% | 655.72% |
| Liquidity Coverage Ratio | 155.95% | 232.78% | 172.94% |
| Non-Performing Loans Ratio ⁽¹⁾ | 1.62% | 1.37% | 0.31% |
| Deposit to Loan Ratio | 68.18% | 69.74% | 73.59% |
| Financial Ratios (for Banking and Financial Institutions) | Quarter 3 2021 | Quarter 3 2020 | Quarter 3 2019 |
| Return on Average Assets ⁽²⁾ | 1.22% | 0.76% | 0.83% |
| Return on Average Equity ⁽²⁾ | 8.16% | 5.52% | 7.26% |
| Interest Coverage Ratio | 210.24% | 162.24% | 173.08% |
| 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 |

⁽¹⁾ The ratios was calculated follow NBC's definition

⁽²⁾ The ratios were calculated by using net profit for the three-month period from 1 July to 30 September 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 Q3 of 2021 following the requirements of the Securities and Exchange Regulator of Cambodia (SERC).

In the third quarter of the year, the COVID-19 pandemic situation in Cambodia exacerbated as Delta variant cases rose to more than 7,800 on top of the prolongation of the so-called “February 20 community outbreak,” resulting 8 provinces on Thai borders were put in lockdown in a bid to prevent the new coronavirus Delta variant spreading further into community. The Kingdom has seen its number of infected cases soar dramatically to more than 112,600 and regrettably the death toll to more than 2,300. The pandemic itself coupled with travel restriction and lockdown measures have continued to negatively impact local businesses especially in the tourism, garment and textiles, agriculture, and construction and real estate sectors. The World Bank has revised its economic forecast for Cambodia down to 2.2% this year from its earlier projection of 4%.

According to the World Bank, Cambodia’s agriculture remains resilient and goods exports have recovered, supported by improved external demand conditions. Other major growth drivers, namely tourism, construction and real estate continue to be hit hard by the pandemic. Investment remains resilient. Growth outlook remains highly uncertain, and risks are tilted to the downside. However, the rapid pace of the country’s coronavirus vaccination campaigns for young adults and subsequent booster shot drives for adults will be key to a faster economic reopening. New investment law and Regional Comprehensive Economic Partnership (RCEP) trade agreement ratification will be also a huge boon for the economy in the coming years.

As of September 2021, the vaccination coverage against COVID-19 pandemic in the Kingdom has reached 99% and 89% of the planned 10 million adults and 2 million young adults respectively to be vaccinated thanks to the relentless effort of the Royal Government of Cambodia.

As the pandemic rages on, PRASAC has played its essential part in supporting economic activity and easing the burden of borrowers facing major revenue declines by continuing restructuring the loans following the guidelines from the National Bank of Cambodia. PRASAC has also kept participating in the ‘SME Co-Financing Scheme Phase 2 (SCFS2)’, an initiative of the government to provide affordable loans to SMEs. Under this loan scheme, PRASAC has disbursed loans worth nearly USD 1.25 million for capital expenditure and working capital with a special interest rate of 6.5% per annum and a term of up to 7 years.

Adapting the business operations in response to COVID-19 pandemic, 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, hosted online meeting, 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. To promote cashless payment, we offer PRASAC Mobile Banking service for free of charge – no monthly fee and no transaction fee. Recently, the app has received significant enhancement with new features such as Open Term Deposit Account, PIN Reset, Login by Phone Number, Share Account Information, Push Notification and other functions, allowing customers to conduct online banking securely on their smart phone anytime, anywhere with no physical contact or

branch visits. 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 Q3 of 2021, the total assets were USD 4.07 billion, growing 22.06% compared to same quarter of 2020. The deposit balance increased to USD 2.46 billion, and the gross loan portfolio amounted up to USD 3.60 billion. The shareholder's equity also grew and reached USD 634 million while registered capital was USD 300 million in the reporting period.

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.

11 November 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 | www.prasac.com.kh |
| Email | info@prasac.com.kh |
| 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 4,076 million as of 30 September 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

- During Q3 2021, PRASAC has entered in to 5 bilateral deals for 3 years term with oversea and local lenders totaling of USD 28 million in which equivalent of USD 10 million are in local currency to support its lending activities.
- In August 2021, PRASAC has signed MOU in the amount of USD 5 million to participate the Small and Medium Enterprise Co-Financing Scheme Phase II initiative by Royal Government of Cambodia throughout SME Bank for supporting SMEs impacted by COVID-19 pandemic.
- PRASAC has waived monthly fee and transaction fee for the use of PRASAC Mobile Banking app and PRASAC Internet Banking to promote cashless payment.
- PRASAC has launched the upgrade of its mobile banking application by adding new innovative service and features such as Open Term Deposit Account, PIN Reset, Login by Phone Number, Share Account Information, Push Notification and other functions, allowing customers to conduct online banking securely on their smart phone anytime, anywhere with no physical contact or branch visits.

PART 2 - INFORMATION ON BUSINESS OPERATION PERFORMANCE

A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS INFORMATION

| Key Achievement | September 2021 | December 2020 | December 2019 |
|--|----------------|---------------|---------------|
| Loan | | | |
| Number of Borrowers | 456,022 | 442,833 | 417,044 |
| Total Gross Loans (in Million Riels) | 14,695,230 | 12,249,042 | 10,164,918 |
| Deposit | | | |
| Number of Depositors | 650,324 | 627,188 | 600,204 |
| Total Deposit (in Million Riels) | 10,019,807 | 8,542,691 | 7,480,692 |
| Others | | | |
| Operating Branches | 182 | 182 | 180 |
| Number of Staffs | 9,203 | 9,042 | 9,091 |
| Number of POS Terminals | 505 | 514 | 509 |
| Number of ATMs | 141 | 141 | 135 |
| Number of Active ATM Cards | 54,389 | 56,060 | 57,834 |
| Number of Active Mobile & Internet Banking | 32,306 | 21,213 | 15,431 |

B. REVENUE STRUCTURE

| No. | Source of Revenue | Quarter 3 2021 | | Quarter 3 2020 | | Quarter 3 2019 | |
|----------------------|----------------------------|--------------------------|-------------|--------------------------|-------------|--------------------------|-------------|
| | | Amount (in Million Riel) | (%) | Amount (in Million Riel) | (%) | Amount (in Million Riel) | (%) |
| 1 | Interest income | 534,986 | 95.95% | 440,803 | 95.93% | 401,623 | 96.16% |
| 2 | Fees and commission income | 10,633 | 1.91% | 8,540 | 1.86% | 5,967 | 1.43% |
| 3 | Other income | 11,932 | 2.14% | 10,164 | 2.21% | 10,075 | 2.41% |
| Total revenue | | 557,551 | 100% | 459,507 | 100% | 417,665 | 100% |

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 September 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 3 2021 | | Quarter 3 2020 | |
|-----|----------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | | Amount (in Million Riel) | Percentage (%) | Amount (in Million Riel) | Percentage (%) |
| 1 | Interest income | 534,986 | 95.95% | 440,803 | 95.93% |
| 2 | Fees and commission income | 10,633 | 1.91% | 8,540 | 1.86% |
| 3 | Other income | 11,932 | 2.14% | 10,164 | 2.21% |
| | Total revenue | 557,551 | 100% | 459,507 | 100% |

Interest income is the main source for PRASAC to generate revenue. In third quarter of 2021, interest income represents 95.95% of the total revenue while 99.97% 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 3 2021 (in Million Riel) | Quarter 3 2020 (in Million Riel) | Variance (in Million Riel) | Variance (%) |
|--|-------------------------------------|-------------------------------------|-------------------------------|-----------------|
| Interest income | 534,986 | 440,803 | 94,183 | 21.37% |
| Interest expense | (215,494) | (208,977) | (6,517) | 3.12% |
| Net interest income | 319,492 | 231,826 | 87,666 | 37.82% |
| Fees and commission income | 10,633 | 8,540 | 2,093 | 24.51% |
| Fees and commission expense | (81) | (327) | 246 | -75.23% |
| Net fees and commission income | 10,552 | 8,213 | 2,339 | 28.48% |
| Other income | 10,220 | 8,806 | 1,414 | 16.06% |
| Grant income | 1,712 | 1,358 | 354 | 26.07% |
| Net foreign exchange gain/(loss) | (2,201) | 1,354 | (3,555) | -262.56% |
| Total other income | 9,731 | 11,518 | (1,787) | -15.51% |
| Total interest, fees, commission and other income | 339,775 | 251,557 | 88,218 | 35.07% |
| Personnel expenses | (75,462) | (72,666) | (2,796) | 3.85% |
| Provisions for expected credit losses | (6,909) | (25,767) | 18,858 | -73.19% |
| General and administrative expenses | (13,051) | (16,132) | 3,081 | -19.10% |
| Depreciation and amortization | (6,793) | (6,930) | 137 | -1.98% |
| Profit before income tax | 237,560 | 130,062 | 107,498 | 82.65% |

In third quarter of 2021, profit before income tax increased significantly by KHR 107,498 million equivalent to 82.65% compared to the same period in 2020. The main reason of increasing profit before income tax during this quarter was interest income which grew by KHR 94,183 million due to growth of loan portfolios while the total expenses also decreased by KHR 19,298 million equivalent to -15.87% compared to third quarter of 2020.

5. PROFIT / (LOSS) AFTER INCOME TAX ANALYSIS

| Statement of Profit or Loss After Income Tax | Quarter 3 2021 (in Million Riel) | Quarter 3 2020 (in Million Riel) | Variance (in Million Riel) | Variance (%) |
|--|-------------------------------------|-------------------------------------|-------------------------------|-----------------|
| Profit before income tax | 237,560 | 130,062 | 107,498 | 82.65% |
| Income tax expense | (46,486) | (26,019) | (20,467) | 78.66% |
| Net profit for the period | 191,074 | 104,043 | 87,031 | 83.65% |

In third quarter of 2021, profit after income tax was highly increased by KHR 87,031 million equivalent to 83.65% that caused the tax on income also increased. Due to the result of net profit in quarter 3 of 2021, PRASAC has achieved a great result with Return on Average Assets of 1.22% and Return on Average Equity of 8.16% for three-month period of net profit from 1 July to 30 September 2021.

6. TOTAL COMPREHENSIVE INCOME / (LOSS) ANALYSIS

| Statement of Comprehensive Income | Quarter 3 2021 (in Million Riel) | Quarter 3 2020 (in Million Riel) | Variance (in Million Riel) | Variance (%) |
|-----------------------------------|--|--|-------------------------------|-----------------|
| Net profit for the period | 191,074 | 104,043 | 87,031 | 83.65% |
| Translation difference | 2,616 | 3,365 | (749) | -22.26% |
| Total comprehensive income | 193,690 | 107,408 | 86,282 | 80.33% |

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 third 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 3 of 2021, PRASAC earned total revenue around KHR 557,551 million increased 21.34% compared to the same period in prior year. Net interest income increased from KHR 231,826 million to KHR 319,492 million, while gross loan portfolio slightly increased 19.97%. Although, Cambodia's economy affected by COVID-19 outbreak for the whole year 2020 and continues to the third 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 September 2021 (in Million Riel or Percentage) | USD | KHR | THB | Total |
|--|------------------|----------------|-----------------|------------|
| Assets | 14,561,578 | 2,002,958 | 61,681 | 16,626,217 |
| Liabilities and capital | 14,948,941 | 1,580,477 | 96,799 | 16,626,217 |
| Off-balance sheet assets | 832,320 | 400 | - | 832,720 |
| Off-balance sheet liabilities | 832,320 | 400 | - | 832,720 |
| (+) long / (-) short | (387,363) | 422,481 | (35,118) | - |
| Net open position / net worth % | -14.22% | 15.51% | -1.29% | - |
| Limit % | ± 20% | ± 20% | ± 20% | - |
| Excess | N/A | N/A | N/A | - |

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 September 2021 in Million Riel | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest sensitive | Total |
|--|--------------------|--------------------|--------------------|------------------|------------------|------------------------|-------------------|
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 778,676 | 778,676 |
| Balances with the NBC | 123,282 | 612 | 604 | - | - | 244,131 | 368,629 |
| Balances with other banks | 7,211 | - | - | - | - | 15,521 | 22,732 |
| Loans to customers | 237,061 | 484,702 | 2,323,235 | 9,046,763 | 2,325,720 | - | 14,417,481 |
| Other assets | - | - | - | - | - | 2,611 | 2,611 |
| Total financial assets | 367,554 | 485,314 | 2,323,839 | 9,046,763 | 2,325,720 | 1,040,940 | 15,590,130 |
| Financial liabilities | | | | | | | |
| Deposits from banks and other financial institutions | 2,969 | 39,031 | 269,689 | - | - | - | 311,689 |
| Deposits from customers | 1,477,934 | 1,969,987 | 5,956,472 | 303,725 | - | - | 9,708,118 |
| Borrowings | 45,198 | 276,138 | 766,898 | 2,068,238 | 5,082 | - | 3,161,554 |
| Subordinated debts | 1,951 | 74,074 | 55,748 | 281,697 | 87,716 | - | 501,186 |
| Bonds payable | 3,879 | - | - | 126,397 | - | - | 130,276 |
| Other liabilities | - | - | - | - | - | 52,277 | 52,277 |
| Total financial liabilities | 1,531,931 | 2,359,230 | 7,048,807 | 2,780,057 | 92,798 | 52,277 | 13,865,100 |
| Maturity Gap | (1,164,377) | (1,873,916) | (4,724,968) | 6,266,706 | 2,232,922 | 988,663 | 1,725,030 |

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 – Re-pricing Gap | <p>Using re-pricing gap analysis, market rate scenarios of:</p> <p>+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> <p>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 – Simulation | <p>Using simulation, market rate scenarios of:</p> <p>+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> <p>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 - Duration Gap | <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:</p> <p>+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 86.72% of its total assets of which 11.82%, 0.31% and 87.86% 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 in requiring banking and financial institutions to meet the capital conservation buffer of 50%.
- 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

11 November 2021
Seen and Agreed



Kwi Sang JUN
Chairman



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Private Company