



THE SECOND QUARTERLY REPORT

30 JUNE 2022

PRASAC MICROFINANCE INSTITUTION PLC.

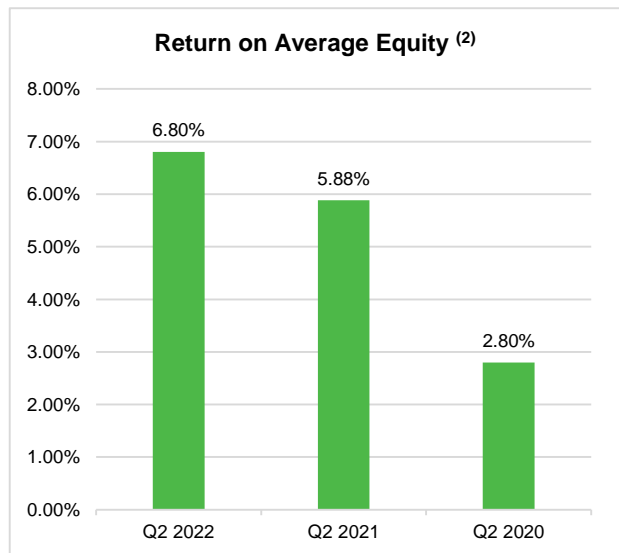
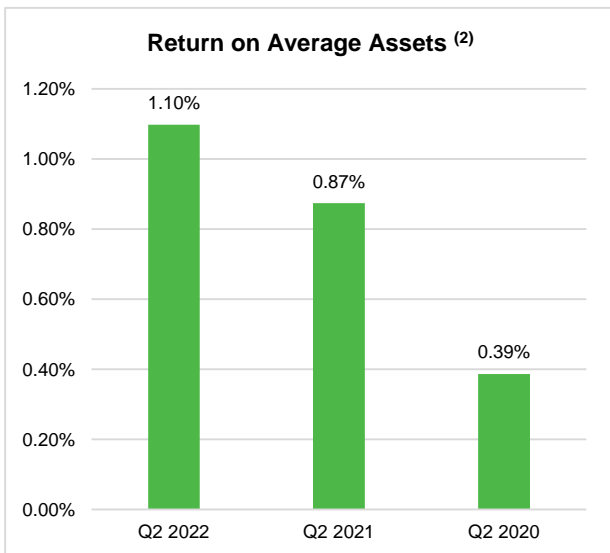
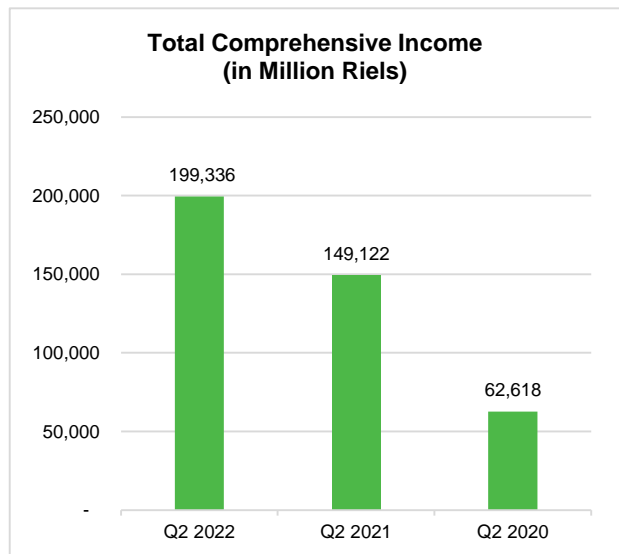
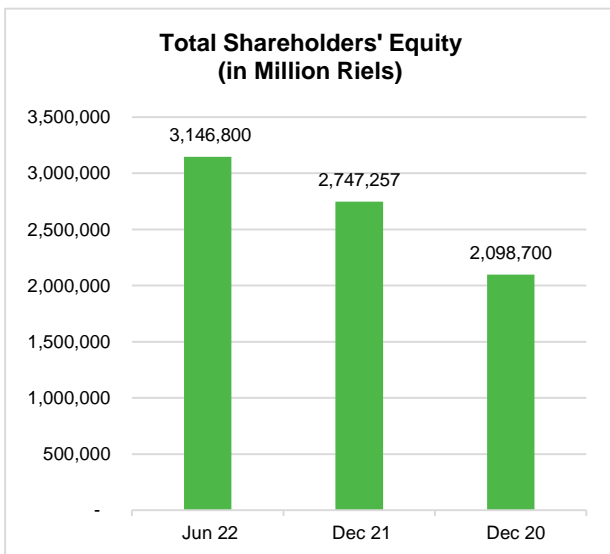
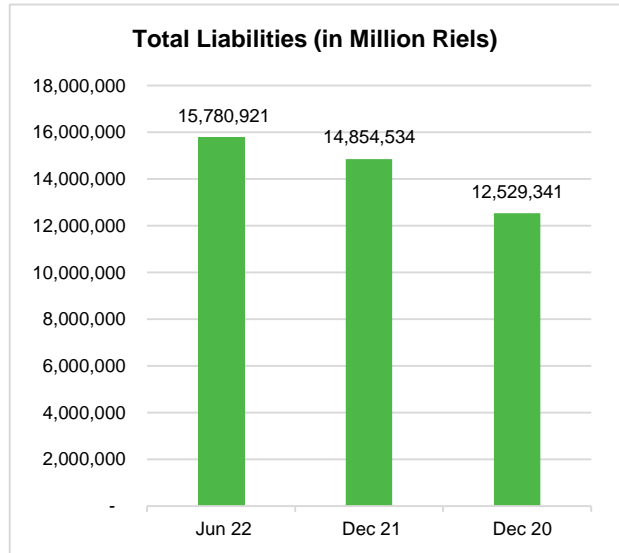
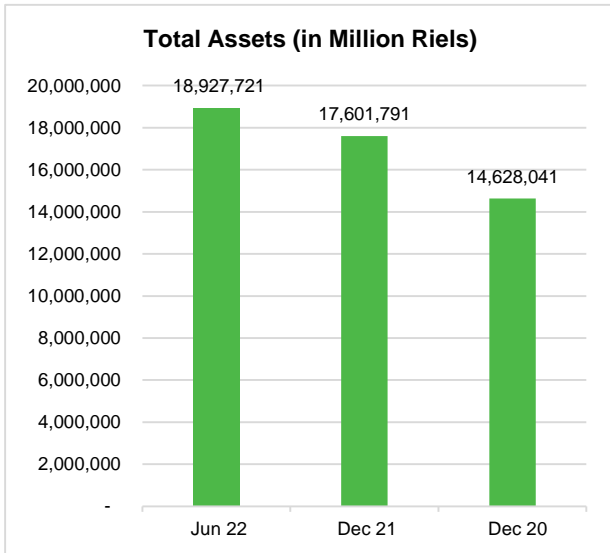
FINANCIAL HIGHLIGHT

Financial Position (in Million Riels)	June 2022	December 2021	December 2020
Total Assets	18,927,721	17,601,791	14,628,041
Total Liabilities	15,780,921	14,854,534	12,529,341
Total Shareholders' Equity	3,146,800	2,747,257	2,098,700
Profit/(Loss) (in Million Riels)	Quarter 2 2022	Quarter 2 2021	Quarter 2 2020
Total Revenues	617,838	520,588	431,473
Profit/(Loss) Before Tax	249,963	164,603	65,879
Profit/(Loss) After Tax	200,542	132,094	52,700
Total Comprehensive Income	199,336	149,122	62,618
Financial Ratios (for Banking and Financial Institutions)	June 2022	December 2021	December 2020
Solvency Ratio	19.00%	18.98%	18.91%
Debt to Equity Ratio	501.49%	540.70%	597.00%
Liquidity Coverage Ratio	135.80%	160.31%	232.78%
Non-Performing Loans Ratio ⁽¹⁾	1.22%	1.54%	1.37%
Deposit to Loan Ratio	68.14%	69.77%	69.74%
Financial Ratios (for Banking and Financial Institutions)	Quarter 2 2022	Quarter 2 2021	Quarter 2 2020
Return on Average Assets ⁽²⁾	1.10%	0.87%	0.39%
Return on Average Equity ⁽²⁾	6.80%	5.88%	2.80%
Interest Coverage Ratio	202.07%	178.91%	132.25%
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 April to 30 June 2022

FINANCIAL SUMMARY CHARTS



BOARD OF DIRECTORS



Mr. Kwi Sang JUN
Chairman



Mr. OUM Sam Oeun
Director



Mr. Hui Tae CHUNG
Director



Dr. Dong Hyun CHOI
Director



Mr. Jaehong PAK
Independent Director



Mr. Kyung Cheon LEE
Independent Director



Mr. CHAN Sophal
Independent Director

MESSAGE FROM CHAIRMAN

It is our pleasure to present the financial performance of PRASAC Microfinance Institution Plc. in the Q2 of 2022, following the requirements of the Securities and Exchange Regulator of Cambodia (SERC).

Since late last year till the second quarter of 2022, Cambodia's "living with COVID-19" strategy has allowed the country reopening, enabling economy recovery. The growth is expected to be 4.5 percent in 2022, according to the latest World Bank projections. However, the road ahead remains unclear. Rising energy and food prices due to the war in Ukraine are imposing additional burdens on the poor, and this will slow the pace of poverty reduction. Over the medium term, the economy is expected to grow at around 6 percent annually, with the new investment law, together with free trade agreements, helping to boost investment and trade.

Amid the challenging business environment, PRASAC has played its essential part in contributing to sustainable economic development through continuing distributing new loans to its customers. PRASAC has also recently participated in providing loans under 'Tourism Recovery Co-Financing Scheme' after the success of disbursing USD 17 million under 'SME Co-financing Scheme' in 2020 and 2021, an initiative of the Royal Government of Cambodia to provide affordable loans to SMEs to revive the economy.

In this quarter, PRASAC expanded its bill payment service via PRASAC Mobile Banking by adding Siem Reap Water Supply Authority to the list. We also launched KHQR payment service at merchants to promote interbank payment. For our CSR part, we sponsored Cambodian Red Cross to support its social and humanitarian activities and we also started to have built 2 more library buildings to promote reading culture. For corporate governance, we were honored once again with another certificate of appreciation, sealed by Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of Cambodia, for our commitment of tax obligation to the state and being named the 2nd largest taxpayer and also for receiving Certificate of Tax Compliance "Gold" type for 2021 from General Department of Taxation.

On financial performance side, PRASAC once again has demonstrated a strong growth on all main parameters, 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 27 years of sustainable growth. As results of the end of Q2 of 2022, the total assets were USD 4.65 billion, growing 21.41% compared to same quarter of 2021. The deposit balance increased to USD 2.81 billion, and the gross loan portfolio amounted up to USD 4.12 billion. The shareholder's equity also grew and reached USD 773 million. The registered capital increased to USD 400 million in the reporting period.

These results are fuelled by the institution's successful implementation of its sound business strategy, the offer of tailored financial products and services to target customers with excellent customer service, sound risk management, strong internal control, and effective compliance and enforcement, delivered by all of our committed staff.

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. The second quarter of this year marked the 10 anniversary of Cambodian Securities Exchange (CSX). PRASAC congratulated and sponsored this remarkable event.

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 August 2022



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. OUM Sam Oeun

B. NATURE OF BUSINESS

PRASAC has a microfinance deposit taking license from the National Bank of Cambodia (NBC), and has operated for 27 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 4.65 billion as of 30 June 2022, 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

- PRASAC donated 400 million Riels to Cambodian Red Cross (CRC) in the celebration of the 159th Anniversary of World Red Cross and Red Crescent Day.
- PRASAC received a certificate of appreciation sealed by Samdech Hun Sen after being named the 2nd largest taxpayer and also for receiving Certificate of Tax Compliance "Gold" type for 2021 from General Department of Taxation.
- PRASAC joined CSX to promote and enhance the potential investment of the securities market in Cambodia on the occasion of the "10th Anniversary of the Cambodia Securities Exchange".
- PRASAC increased its registered capital up to USD 400 million in an orchestrated effort to undergo the transformation process from an MFI to a full-fledged commercial bank.
- PRASAC's management and employees volunteered to donate blood in "The Financial Sector Donates Blood to Save Life" campaign which took place at the headquarters of the Union of Youth Federations of Cambodia in Phnom Penh.
- PRASAC started to have built 2 more library buildings to promote reading culture.
- PRASAC launched Water bill of Siem Reap Water Supply Authority via PRASAC Mobile Banking without fee charge.
- During Q2 2022, PRASAC has entered in to 4 bilateral deals for 3 years term with oversea and local lenders totaling of USD 39 million in which equivalent of USD 29 million are in local currency to support its lending activities.
- In June 2022, PRASAC has signed MOU in the amount of USD 5 million to participate the Tourism Recovery Co-financing Scheme (TRCS) initiative by Royal Government of Cambodia throughout SME Bank for supporting Tourism industry impacted by COVID-19 pandemic.

PART 2 - INFORMATION ON BUSINESS OPERATION PERFORMANCE

A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS INFORMATION

Key Achievement	June 2022	December 2021	December 2020
Loan			
Number of Borrowers	483,544	465,149	442,833
Total Gross Loans (in Million Riels)	16,775,178	15,270,812	12,249,042
Deposit			
Number of Depositors	686,231	660,976	627,188
Total Deposit (in Million Riels)	11,430,945	10,654,376	8,542,691
Others			
Operating Branches	182	182	182
Number of Staffs	9,375	9,330	9,042
Number of POS Terminals	505	505	514
Number of ATMs	143	141	141
Number of Active ATM Cards	54,567	53,454	56,060
Number of Active Mobile & Internet Banking	81,858	39,856	21,213

B. REVENUE STRUCTURE

No.	Source of Revenue	Quarter 2 2022		Quarter 2 2021		Quarter 2 2020	
		Amount (in Million Riel)	(%)	Amount (in Million Riel)	(%)	Amount (in Million Riel)	(%)
1	Interest income	596,175	96.49%	500,970	96.23%	420,986	97.57%
2	Fees and commission income	9,340	1.51%	8,778	1.69%	2,129	0.49%
3	Other income	12,323	1.99%	10,840	2.08%	8,358	1.94%
Total revenue		617,838	100%	520,588	100%	431,473	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 June 2022, 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 2022		Quarter 2 2021	
		Amount (in Million Riel)	Percentage (%)	Amount (in Million Riel)	Percentage (%)
1	Interest income	596,175	96.49%	500,970	96.23%
2	Fees and commission income	9,340	1.51%	8,778	1.69%
3	Other income	12,323	1.99%	10,840	2.08%
	Total revenue	617,838	100%	520,588	100%

Interest income is the main source for PRASAC to generate revenue. In the second quarter of 2022, interest income represents 96.49% of the total revenue while 99.94% 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 2022 (in Million Riel)	Quarter 2 2021 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Interest income	596,175	500,970	95,205	19.00%
Interest expense	(244,893)	(208,600)	(36,293)	17.40%
Net interest income	351,282	292,370	58,912	20.15%
Fees and commission income	9,340	8,778	562	6.40%
Fees and commission expense	(2,524)	(231)	(2,293)	992.64%
Net fees and commission income	6,816	8,547	(1,731)	-20.25%
Other income	11,704	9,253	2,451	26.49%
Grant income	619	1,587	(968)	-61.00%
Net foreign exchange gain/(loss)	(4,684)	(5,016)	332	-6.62%
Total other income	7,639	5,824	1,815	31.16%
Total interest, fees, commission and other income	365,737	306,741	58,996	19.23%
Personnel expenses	(99,019)	(70,954)	(28,065)	39.55%
Provisions for expected credit losses	7,710	(50,985)	58,695	-115.12%
General and administrative expenses	(17,270)	(13,520)	(3,750)	27.74%
Depreciation and amortization	(7,195)	(6,679)	(516)	7.73%
Profit before income tax	249,963	164,603	85,360	51.86%

In the second quarter of 2022, profit before income tax increased by KHR 85,360 million equivalent to 51.86% compared to the same period in 2021. The main reason of increasing profit before income tax during this quarter is interest income which is grew by KHR 95,205 million due to growth of gross loan portfolios and the reversal of provision of expected credit losses of KHR 58,695 million equivalent to -115.12% that led the expense decreased.

5. PROFIT / (LOSS) AFTER INCOME TAX ANALYSIS

Statement of Profit or Loss After Income Tax	Quarter 2 2022 (in Million Riel)	Quarter 2 2021 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Profit before income tax	249,963	164,603	85,360	51.86%
Income tax expense	(49,421)	(32,509)	(16,912)	52.02%
Net profit for the period	200,542	132,094	68,448	51.82%

In the second quarter 2022, profit after income tax had significantly increased by KHR 68,448 million equivalent to 51.82% that caused the income tax expense also increased. Due to the result of net profit in Q2 2022, PRASAC has achieved a great result with Return on Average Assets of 1.10% and Return on Average Equity of 6.80% for three-month period of net profit from 1 April to 30 June 2022.

6. TOTAL COMPREHENSIVE INCOME / (LOSS) ANALYSIS

Statement of Comprehensive Income	Quarter 2 2022 (in Million Riel)	Quarter 2 2021 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Net profit for the period	200,542	132,094	68,448	51.82%
Translation difference	(1,206)	17,028	(18,234)	-107.08%
Total comprehensive income	199,336	149,122	50,214	33.67%

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

There is no much impact to financial conditions and results of PRASAC for the second quarter of 2022. Cambodia has moved swiftly towards a post COVID normality, cases remained of COVID-19 at their current ultra-low levels. The government has implemented policies to mitigate the negative impact of COVID-19 on businesses and people’s incomes and to support economic recovery. Widespread vaccination against COVID-19 has enabled the country to reopen its borders for trade and tourism, leading to positive economic prospects.

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.

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 except for the COVID-19 pandemic.

C. MATERIAL CHANGES IN SALES AND REVENUE

In quarter 2 of 2022, PRASAC earned total revenue around KHR 617,838 million increased 18.68% compared to the same period in prior year. Net interest income increased from KHR 292,370 million to KHR 351,282 million, while gross loan portfolio increased 23.20%.

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 2022 (in Million Riel or Percentage)	USD	KHR	THB	Total
Assets	16,605,947	2,295,897	25,877	18,927,721
Liabilities and capital	17,164,250	1,750,628	12,843	18,927,721
Off-balance sheet assets	407,204	55,744	-	462,947
Off-balance sheet liabilities	407,204	55,744	-	462,947
(+) long / (-) short	(558,303)	545,269	13,034	-
Net open position / net worth %	-17.63%	17.22%	0.41%	-
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 June 2022 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	-	-	-	-	-	760,262	760,262
Balances with the NBC	82,311	1,521	603	-	162,800	1,158,844	1,406,079
Balances with other banks	21,789	-	-	-	-	11,777	33,566
Loans to customers	323,045	556,897	2,593,616	10,254,561	2,828,007	-	16,556,126
Other assets	-	-	-	-	-	3,023	3,023
Total financial assets	427,145	558,418	2,594,219	10,254,561	2,990,807	1,933,906	18,759,056
Financial liabilities							
Deposits from banks and other financial institutions	58,581	93,587	152,569	-	-	-	304,737
Deposits from customers	1,613,839	2,018,520	7,192,848	301,001	-	-	11,126,208
Borrowings	66,130	450,529	1,106,055	1,935,869	2,956	-	3,561,539
Bonds payable	-	-	127,947	-	-	-	127,947
Subordinated debts	5,105	3	50,387	282,644	39,009	-	377,148
Other liabilities	-	-	-	-	-	94,436	94,436
Total financial liabilities	1,743,655	2,562,639	8,629,806	2,519,514	41,965	94,436	15,592,015
Maturity Gap	(1,316,510)	(2,004,221)	(6,035,587)	7,735,047	2,948,842	1,839,470	3,167,041

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 87.47% of its total assets of which 12.58%, 0.14% and 87.29% is in Khmer Riel, Bath Thai and United States Dollar respectively.
- The Cambodian economy is expected to grow by 5.4% in 2022 and around 6% in 2023.
- 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 0.6% in 2021.
- GDP of Cambodia for 2022 will increase to 5.1% (IMF April 2022).

E. ECONOMIC, FISCAL AND MONETARY POLICY OF ROYAL GOVERNMENT

- 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.
- Delay in offering seniority payment to employees for year 2020.
- Cambodia reduces all expenses for 3 years (strategic plan for 2021-2023).
- The government adjusted quarantine measures and prepare special arrangements for potential investors, technical experts and consultants who come to the Kingdom.
- The RGC has planned to launch the Post-COVID-19 Economic Recovery Plan 2021-2023 based on 3 approaches, survival, reform, and resilience. The plan focuses on high value-added manufacturing, agriculture, domestic production (SME), E-commerce, and tourism.

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, ...)
- 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%.
- Reduce Liquidity Coverage Ratio (LCR) to appropriate level if it is necessary.
- Encourage all institutions and clients to use digital financial services rather than use cheque or cash for payment.
- Postpone the maintenance of Capital Conservation Buffer at 50%.
- National Bank of Cambodia launches 10 policies to support Cambodia's economic growth in 2022.

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 August 2022
Seen and Agreed



Mr. Kwi Sang JUN
Chairman



PRASAC MICROFINANCE INSTITUTION PLC.

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Private Company