

PRASAC Microfinance Institution Plc.
(formerly Prasac Microfinance Institution Limited)

Unaudited interim condensed financial statements prepared in accordance with
Cambodian International Accounting Standard 34, *Interim Financial Reporting*

As at 30 September 2020 and for the nine-month period then ended

PRASAC Microfinance Institution Plc.
(formerly *Prasac Microfinance Institution Limited*)

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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“BOD”) of Prasac Microfinance Institution Plc. (*formerly Prasac Microfinance Institution Limited*) (“the Company”) is pleased to present its report and the Company’s unaudited interim condensed financial statements as at 30 September 2020 and for the three-month and nine-month periods then ended.

THE COMPANY

The Company was incorporated in Cambodia and registered with the Ministry of Commerce as a public limited company under registration number 00001157 dated 19 September 2011 with the latest renewal on 28 April 2016.

The National Bank of Cambodia (“NBC”) granted a microfinance license to the Company effective on 14 December 2007. In addition, the Company received the license from the NBC to conduct a deposit-taking business on 27 August 2010 and permission to conduct automated teller machine and point-of-sale services on 1 December 2011.

The Company’s head office is at Building 212, Street 271, Sangkat Tuol Tumpung 2, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

FINANCIAL RESULTS

The financial results of the Company for the nine-month period ended 30 September 2020 were disclosed in the statement of comprehensive income.

DIVIDENDS

No dividends were declared or paid during the period and the BOD do not recommend any dividends to be paid as at the reporting date.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the period other than those disclosed in the unaudited interim condensed financial statements.

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Before the unaudited interim condensed financial statements of the Company were drawn up, the BOD took reasonable steps to ascertain that action had been taken and satisfied themselves that all known bad loans had been written off and that adequate provision for expected credit losses on loans had been made.

At the date of this report, the BOD is not aware of any circumstances which would render the amount written off for bad loans or the amount of the provision for bad and doubtful loans in the unaudited interim condensed financial statements of the Company inadequate to any material extent.

PRASAC Microfinance Institution Plc.
(formerly Prasac Microfinance Institution Limited)

REPORT OF THE BOARD OF DIRECTORS (continued)

ASSETS

Before the unaudited interim condensed financial statements of the Company were prepared, the BOD took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Company had been written down to an amount which they are expected to be realized.

At the date of this report, the BOD is not aware of any circumstances, which would render the values attributed to the assets in the unaudited interim condensed financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the BOD is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the unaudited interim condensed financial statements of the Company as misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No change on the assets of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; and
- No contingent liability in respect of the Company that has arisen since the end of the financial period other than in the ordinary course of business.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the year after the end of the reporting period which, in the opinion of the BOD, will or may have a material effect on the ability of the Company to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the BOD is not aware of any circumstances, not otherwise dealt with in this report or the unaudited interim condensed financial statements of the Company, which would render any amount stated in the unaudited interim condensed financial statements misleading.

The results of the operations of the Company for the reporting period were not, in the opinion of the BOD, substantially affected by any item, transaction or event of a material and unusual nature.

Nothing has arisen during in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the BOD, to affect substantially the results of the operations of the Company for the current reporting period in which this report is made.

SUBSEQUENT EVENTS

No significant events occurred after the statement of financial position date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the unaudited interim condensed financial statements.

PRASAC Microfinance Institution Plc.
(formerly Prasac Microfinance Institution Limited)

REPORT OF THE BOARD OF DIRECTORS (continued)

THE BOARD OF DIRECTORS

The members of the BOD during the year and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Chan Tze Ching Ignatius	Chairman	10 March 2017 (resigned on 10 April 2020)
Mr. Kwi Sang JUN	Chairman	10 April 2020
Mr. Hak Soo KIM	Member	10 April 2020
Mr. Ji Kyu JANG	Member	10 April 2020
Mr. Ishara Chinthaka Nanayakkara	Member	10 March 2017
Mr. Sim Senacheert	Member	10 March 2017
Mr. Yuen Wai Hung Peter	Member	10 March 2017 (resigned on 10 April 2020)
Mr. Thilakaratne Don Manuwelge Don Krishan	Member	10 April 2018 (resigned on 10 April 2020)
Mr. Minki Brian HONG	Member	10 March 2017
Mr. Hwan Kook KIM	Independent member	10 April 2020
Mr. Hana LEE	Independent member	10 April 2020
Mr. Bell Sak Pheakdey	Independent member	10 April 2020
Mr. Hiep Van Vo	Independent member	10 March 2017 (resigned on 10 April 2020)

KEY MANAGEMENT

Members of the key management during the year and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Sim Senacheert	President & Chief Executive Officer	17 November 2003
Mr. Oum Sophan	EVP & Chief Financial Officer	01 June 2008
Mr. Oum Sam Oeun	EVP & Chief Operations Officer	10 April 2007
Mr. Neang Sokhim	EVP & Chief Business Management	10 November 2010
Mr. Say Sony	EVP & Chief Marketing Management	10 November 2010
Mr. Choub Veasna	EVP & Chief Human Resource Officer	05 February 2020
Mr. Chea Hang	EVP & Chief Corporate Strategy and Business Plan Officer	24 February 2020

AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Company.

DIRECTORS' INTEREST

No member of the BOD holds a direct interest in the equity of the Company.

DIRECTORS' BENEFITS

During and at the end of the period, no arrangement existed to which the Company was a party, whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm in which the director is a member, or with a company which the director has a material financial interest other than those disclosed in the unaudited interim condensed financial statements.

PRASAC Microfinance Institution Plc.
(formerly Prasac Microfinance Institution Limited)

REPORT OF THE BOARD OF DIRECTORS (continued)

STATEMENT OF THE BOD'S RESPONSIBILITY IN RESPECT TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The BOD is responsible for ensuring that the unaudited interim condensed financial statements of the Company as at 30 September 2020 and for the three-month and nine-month periods then ended which are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). The BOD oversees preparation of these unaudited interim condensed financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with the disclosure requirements and guidelines issued by CIAS 34 or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the unaudited interim condensed financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the unaudited interim condensed financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- Set overall policies for the Company, ratify all decisions and actions by management that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the unaudited interim condensed financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The BOD confirms that the management has complied with the above requirements in preparing the unaudited interim condensed financial statements.

APPROVAL OF THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

We hereby approve the accompanying unaudited interim condensed financial statements which are prepared, in all material respects, in accordance with CIAS 34.

On behalf of the Board of Directors



Sim Senacheert
Director

Phnom Penh, Kingdom of Cambodia

12 November 2020

Reference: 61398519/22158088

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To: The Shareholders of Prasac Microfinance Institution Plc.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Prasac Microfinance Institution Plc. (*formerly Prasac Microfinance Institution Limited*) (“the Company”) as at 30 September 2020, and the related interim condensed statements of comprehensive income for the three-month and nine-month periods then ended, interim condensed statement of changes in equity and interim condensed statement of cash flows for the nine-month period then ended and explanatory notes (collectively referred to as the “interim condensed financial statements”). Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* (“CIAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with Cambodian International Accounting Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements do not give a true and fair view of the financial position of the Company as at 30 September 2020, and its financial performance for the three-month and nine-month periods then ended and its cash flows for the nine-month period then ended, in accordance with CIAS 34.



Maria Cristina M. Calimbas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

12 November 2020

PRASAC Microfinance Institution Plc.
(formerly Prasac Microfinance Institution Limited)

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 September 2020

	Notes	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
ASSETS					
Cash on hand	3	135,723,954	556,468,211	150,702,355	614,112,097
Balances with the National Bank of Cambodia	4	358,969,410	1,471,774,581	439,823,205	1,792,279,560
Balances with other banks	5	3,357,206	13,764,545	1,092,239	4,450,874
Loans to customers	6	2,801,299,396	11,485,327,524	2,468,225,611	10,058,019,365
Other assets	7	3,154,340	12,932,794	8,723,049	35,546,425
Property and equipment	8	5,881,780	24,115,298	4,906,287	19,993,120
Right-of-use assets	9	15,763,364	64,629,792	14,360,265	58,518,080
Intangible assets	10	1,659,042	6,802,072	1,499,886	6,112,035
Deferred tax assets	17.3	13,551,645	55,561,745	9,198,173	37,482,555
TOTAL ASSETS		3,339,360,137	13,691,376,562	3,098,531,070	12,626,514,111
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	11	53,226,556	218,228,880	55,092,001	224,499,904
Deposits from customers	12	1,956,229,175	8,020,539,618	1,733,440,925	7,063,771,769
Borrowings	13	658,114,268	2,698,268,499	724,296,717	2,951,509,122
Bonds payable	14	29,723,115	121,864,772	-	-
Subordinated debts	15	64,799,225	265,676,823	75,910,811	309,336,555
Lease liabilities	16	14,787,012	60,626,749	13,172,728	53,678,867
Income tax payable	17.2	17,292,738	70,900,226	23,414,889	95,415,673
Provision for employee benefits	18	1,383,837	5,673,732	74,562	303,840
Other liabilities	19	71,014,218	291,158,292	63,119,300	257,211,148
Total liabilities		2,866,570,144	11,752,937,591	2,688,521,933	10,955,726,878
SHAREHOLDERS' EQUITY					
Share capital	20	230,000,000	920,000,000	230,000,000	920,000,000
Retained earnings		239,652,696	978,433,688	172,806,881	705,569,074
Reserve fund	20	3,137,297	12,713,646	3,093,332	12,534,181
Regulatory reserve	20	-	-	4,108,924	16,649,360
Cumulative translation differences		-	27,291,637	-	16,034,618
Total shareholders' equity		472,789,993	1,938,438,971	410,009,137	1,670,787,233
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,339,360,137	13,691,376,562	3,098,531,070	12,626,514,111

The attached notes 1 to 32 form part of these unaudited interim condensed financial statements.

PRASAC Microfinance Institution Plc.
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UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the nine-month period ended 30 September 2020

	Notes	For the nine-month period ended 30 September 2020 (Unaudited)		For the nine-month period ended 30 September 2019 (Unaudited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Interest income	21	314,804,576	1,285,188,694	274,188,089	1,110,403,378
Interest expense	22	(149,395,996)	(609,907,695)	(122,637,306)	(496,662,374)
Net interest income		165,408,580	675,280,999	151,550,783	613,741,004
Fees and commission income	23	4,555,329	18,607,145	1,917,497	7,810,274
Fees and commission expense	23	(142,070)	(580,593)	(106,969)	(432,613)
Net fees and commission income		4,413,259	18,026,552	1,810,528	7,377,661
Other income	24	6,752,655	27,564,682	9,475,742	38,320,736
Grant income		589,545	2,409,284	-	-
Net foreign exchange gain (loss)		290,939	1,192,149	(834,699)	(3,395,744)
Total other income		7,633,139	31,166,115	8,641,043	34,924,992
Total interest, fees, commission and other income		177,454,978	724,473,666	162,002,354	656,043,657
Personnel expenses	25	(52,441,424)	(214,088,401)	(45,340,533)	(183,581,835)
Provisions for expected credit losses	6	(29,799,480)	(121,582,236)	(11,603,413)	(47,043,178)
General and administrative expenses	26	(11,803,888)	(48,187,501)	(9,217,074)	(37,315,962)
Depreciation and amortization	27	(4,888,677)	(19,958,399)	(4,513,382)	(18,273,905)
Profit before income tax		78,521,509	320,657,129	91,327,952	369,828,777
Income tax expense	17.1	(15,740,653)	(64,279,625)	(18,308,532)	(74,138,849)
Net profit for the period		62,780,856	256,377,504	73,019,420	295,689,928
<i>Other comprehensive income item</i>					
Translation difference		-	11,257,019	-	27,339,208
Total comprehensive income		62,780,856	267,634,523	73,019,420	323,029,136

PRASAC Microfinance Institution Plc.
(formerly Prasac Microfinance Institution Limited)

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (continued)
For the three-month period ended 30 September 2020

	Notes	For the three-month period ended 30 September 2020 (Unaudited)		For the three-month period ended 30 September 2019 (Unaudited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Interest income	21	107,644,290	440,803,368	98,268,400	401,622,951
Interest expense	22	(51,032,296)	(208,977,252)	(44,080,464)	(180,156,856)
Net interest income		56,611,994	231,826,116	54,187,936	221,466,095
Fees and commission income	23	2,085,496	8,540,106	1,459,979	5,966,934
Fees and commission expense	23	(79,784)	(326,715)	(28,181)	(115,176)
Net fees and commission income		2,005,712	8,213,391	1,431,798	5,851,758
Other income	24	2,150,525	8,806,400	2,465,031	10,074,582
Grant income		331,529	1,357,611	-	-
Net foreign exchange gain (loss)		330,605	1,353,827	(564,501)	(2,307,116)
Total other income		2,812,659	11,517,838	1,900,530	7,767,466
Total interest, fees, commission and other income		61,430,365	251,557,345	57,520,264	235,085,319
Personnel expenses	25	(17,745,080)	(72,666,103)	(15,600,474)	(63,759,137)
Provisions for expected credit losses	6	(6,292,408)	(25,767,411)	(5,052,183)	(20,648,272)
General and administrative expenses	26	(3,939,557)	(16,132,486)	(3,109,835)	(12,709,896)
Depreciation and amortization	27	(1,692,253)	(6,929,776)	(1,542,923)	(6,305,926)
Profit before income tax		31,761,067	130,061,569	32,214,849	131,662,088
Income tax expense	17.1	(6,353,724)	(26,018,500)	(6,444,385)	(26,338,201)
Net profit for the period		25,407,343	104,043,069	25,770,464	105,323,887
<i>Other comprehensive income item</i>					
Translation difference		-	3,340,119	-	10,878,811
Total comprehensive income		25,407,343	107,383,188	25,770,464	116,202,698

The attached notes 1 to 32 form part of these unaudited interim condensed financial statements.

PRASAC Microfinance Institution Plc.
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UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2020

	<i>Share capital</i>	<i>Retained earnings</i>	<i>Reserve fund</i>	<i>Regulatory reserve</i>	<i>Cumulative translation differences</i>	<i>Total</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>KHR'000</i>	<i>USD</i>
Balance as at 1 January 2020	230,000,000	172,806,881	3,093,332	4,108,924	16,034,618	410,009,137
Net profit for the period	-	62,780,856	-	-	-	62,780,856
Transfer from regulatory reserve	-	4,108,924	-	(4,108,924)	-	-
Transfer to reserve fund	-	(43,965)	43,965	-	-	-
Translation difference	-	-	-	-	11,257,019	-
Balance as at 30 September 2020	230,000,000	239,652,696	3,137,297	-	-	472,789,993
KHR'000 equivalent (Note 2.2)	920,000,000	978,433,688	12,713,646	-	27,291,637	1,938,438,971
Balance as at 1 January 2019	110,000,000	193,228,719	2,976,091	299,009	(3,793,798)	306,503,819
Net profit for the period	-	73,019,420	-	-	-	73,019,420
Capitalization of retained earnings	58,000,000	(58,000,000)	-	-	-	-
Transfer to regulatory reserve	-	(918,293)	-	918,293	-	-
Transfer to reserve fund	-	(87,930)	87,930	-	-	-
Translation difference	-	-	-	-	27,339,208	-
Balance as at 30 September 2019	168,000,000	207,241,916	3,064,021	1,217,302	-	379,523,239
KHR'000 equivalent (Note 2.2)	672,000,000	841,659,798	12,394,317	4,927,658	23,545,410	1,554,527,183

The attached notes 1 to 32 form part of these unaudited interim condensed financial statements.

PRASAC Microfinance Institution Plc.
(formerly *Prasac Microfinance Institution Limited*)

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the nine-month period ended 30 September 2020

Notes	For the nine-month period ended 30 September 2020 (Unaudited)		For the nine-month period ended 30 September 2019 (Unaudited)			
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)		
OPERATING ACTIVITIES						
	Net cash used in operating activities					
28	(61,382,137)	(268,218,163)	(80,161,515)	(379,714,633)		
INVESTING ACTIVITIES						
<i>Acquisition of:</i>						
	Property and equipment	8	(2,585,827)	(10,549,859)	(1,426,128)	(5,841,420)
	Intangible assets	10	(436,007)	(1,777,564)	(232,385)	(951,849)
	Investment in negotiable certificates of deposit		147,561	605,000	-	-
	Proceeds from disposal of property and equipment		10,872	44,576	18,729	76,712
	Net cash used in investing activities		(2,863,401)	(11,677,847)	(1,639,784)	(6,716,557)
FINANCING ACTIVITIES						
<i>Proceeds from:</i>						
	Borrowings		254,086,688	1,042,378,952	195,185,786	799,480,979
	Bonds payable		31,176,471	127,200,000	-	-
<i>Repayment of:</i>						
	Borrowings		(319,541,830)	(1,310,121,504)	(147,798,241)	(605,381,595)
	Subordinated debts		(9,489,625)	(38,907,463)	(10,833,333)	(44,373,332)
	Lease liabilities		(2,776,880)	(11,385,208)	(3,078,364)	(12,608,979)
	Net cash (used in) provided by financing activities		(46,545,176)	(190,835,223)	33,475,848	137,117,073
	Net decrease in cash and cash equivalents		(110,790,714)	(470,731,233)	(48,325,451)	(249,314,117)
	Cash and cash equivalents at beginning of period		430,311,373	1,753,518,845	291,145,194	1,169,821,389
	Translation adjustment		(4,004,844)	10,827,229	1,955,705	82,092,962
	Cash and cash equivalents at end of period	3	315,515,815	1,293,614,841	244,775,448	1,002,600,234
Operational cash flows from interest						
	Interest received		311,960,203	1,273,018,523	269,866,667	1,104,044,082
	Interest paid		148,960,212	606,676,782	114,255,898	464,763,655

The attached notes 1 to 32 form part of these unaudited interim condensed financial statements.

PRASAC Microfinance Institution Plc.

(formerly *Prasac Microfinance Institution Limited*)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
As at 30 September 2020 and for the nine-month period then ended

1. CORPORATE INFORMATION

Prasac Microfinance Institution Plc. (“the Company”) is a licensed micro-finance institution (“MFI”) incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Company was incorporated in Cambodia and registered with the Ministry of Commerce as a public limited company under registration number 00001157 dated 19 September 2011 with the latest renewal on 28 April 2016.

The National Bank of Cambodia (“NBC”) granted a microfinance license to the Company effective 14 December 2007. In addition, the Company received the license from the NBC to conduct a deposit-taking business on 27 August 2010 and permission to conduct automated teller machine and point-of-sale services on 1 December 2011.

The principal activity of the Company is to provide financial services to rural communities and micro-enterprises of Cambodia through its head office in Phnom Penh and various branches in Phnom Penh and provinces in Cambodia.

The registered office of the Company is at Building 212, Street 271, Sangkat Tuol Tumpung 2, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

Employees

As at 30 September 2020, the Company had 9,161 employees (31 December 2019: 9,091 employees).

Approval of the financial statements

The unaudited interim condensed financial statements were authorized for issue by the Board of Directors on 12 November 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 ***Use of interim condensed financial statements and basis of preparation***

The unaudited interim condensed financial statements have been prepared on a historical cost basis. The Company maintains records and prepares financial statements in Khmer riel (“KHR”), Thai baht (“THB”) and United States dollar (“USD”). Management has determined the USD to be the Company’s measurement and presentation currency as it reflects the economic substance of the underlying events circumstances of the Company.

The unaudited interim condensed financial statements as at 30 September 2020 and for the nine-month period then ended have been prepared in compliance with Cambodian International Accounting Standard 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2019 and for the year then ended, which have been prepared in accordance with Cambodian International Financial Reporting Standards.

The accounting policies adopted in the preparation of these unaudited interim condensed financial statements are consistent with those followed in the preparation of the audited financial statements as at 31 December 2019 and for the year then ended.

Seasonality or cyclicity of interim operations is not applicable to the Company’s type of business.

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 September 2020 and for the nine-month period then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Translation of United States dollar into Khmer Riel

Assets and liabilities are translated at the closing rate as at the statement of financial position date, and share capital is translated at the historical rate of KHR 4,000 per USD1. Exchange differences arising from the translation are recognized and accumulated in the cumulative translation adjustments presented under equity in the statement of financial position.

The financial statements are presented in KHR based on the following applicable exchange rates per USD1:

	30 September 2020	31 December 2019	30 September 2019
Closing rate	4,100	4,075	4,096
Three-month average rate	4,095	N/A	4,087

3. CASH ON HAND

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Head office	39,946,107	163,779,039	25,521,565	104,000,377
Branches	95,777,847	392,689,172	125,180,790	510,111,720
	135,723,954	556,468,211	150,702,355	614,112,097

For purpose of preparing the statement of cash flows, cash and cash equivalents comprise the following:

	For the nine-month period ended 30 September 2020 (Unaudited)		For the nine-month period ended 30 September 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Cash on hand	135,723,954	556,468,211	97,681,807	400,104,681
<i>Balances with the NBC</i>				
Current accounts	126,177,573	517,328,049	42,927,554	175,831,261
Term deposits (up to three months)	50,223,171	205,915,001	100,295,898	410,811,998
<i>Balances with other banks</i>				
Current accounts	3,161,014	12,960,158	3,726,847	15,265,165
Savings accounts	230,103	943,422	143,342	587,129
	315,515,815	1,293,614,841	244,775,448	1,002,600,234

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4. BALANCES WITH THE NBC

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Current accounts	126,177,573	517,328,049	148,644,233	605,725,249
Term deposits (up to three months)	50,223,171	205,915,001	129,872,546	529,230,625
Term deposits (More than three months)	147,561	605,000	148,160	603,752
Capital guarantee	23,000,000	94,300,000	23,000,000	93,725,000
Reserve requirement	159,421,105	653,626,531	138,158,266	562,994,934
	358,969,410	1,471,774,581	439,823,205	1,792,279,560

Current accounts earn no interest.

Term deposits maturing up to three months earn annual interest at rates ranging from 0.03% to 1.55% (2019: from 0.11% to 0.76%) and for more than three months from 0.23% to 1.93% (2019: from 0.30% to 2.75%).

Under Prakas No. B7-07-163 dated 13 December 2007 on Licensing of Deposit-Taking Microfinance Institutions, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia. The capital guarantee deposit earns annual interest at 0.09% during the period (2019: 3.00%). Interest income earned from 'Balances with the NBC' amounted to USD 136,471 and USD 456,755 as at 30 September 2020 and 2019, respectively (Note 21).

Reserve requirement represents the minimum reserve requirement which is calculated at 8.00% of the total deposits from customers as required by Prakas No. B7-07-163. The reserve requirement fluctuates depending on the level of deposits from customers and does not earn interest.

5. BALANCES WITH OTHER BANKS

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Current accounts	3,161,014	12,960,158	1,060,912	4,323,216
Savings accounts	230,103	943,422	42,360	172,617
Gross balances with other banks	3,391,117	13,903,580	1,103,272	4,495,833
Allowance for ECLs	(33,911)	(139,035)	(11,033)	(44,959)
NET	3,357,206	13,764,545	1,092,239	4,450,874

Current accounts earn interest from 0.25% to 1.00%. Savings accounts earn annual interest at rates ranging from 0.15% to 1.00% during the period (2019: 0.00% to 0.75%).

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6. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	30 September 2020 (Unaudited)				
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	KHR'000 equivalent (Note 2.2)
Individual loans	2,721,754,291	54,455,816	31,748,334	2,807,958,441	11,512,629,608
Small and medium enterprises	42,648,875	2,242,362	1,409,241	46,300,478	189,831,960
Staff loans	7,473,299	4,234	19,569	7,497,102	30,738,118
Group loans	433,479	9,374	7,604	450,457	1,846,874
	2,772,309,944	56,711,786	33,184,748	2,862,206,478	11,735,046,560
Unamortised loan processing fees	(27,264,658)	(518,181)	(291,158)	(28,073,997)	(115,103,388)
	2,745,045,286	56,193,605	32,893,590	2,834,132,481	11,619,943,172
Accrued interest receivable	20,203,518	692,617	2,277,971	23,174,106	95,013,835
	2,765,248,804	56,886,222	35,171,561	2,857,306,587	11,714,957,007
Allowance for ECLs	(14,425,437)	(17,392,049)	(24,189,705)	(56,007,191)	(229,629,483)
Net	2,750,823,367	39,494,173	10,981,856	2,801,299,396	11,485,327,524

	31 December 2019 (Audited)				
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	KHR'000 equivalent (Note 2.2)
Individual loans	2,444,568,381	1,361,458	7,617,856	2,453,547,695	9,998,206,859
Small and medium enterprises	38,119,736	16,211	199,753	38,335,700	156,217,977
Staff loans	8,766,819	192	1,377	8,768,388	35,731,180
Group loans	642,973	885	627	644,485	2,626,275
	2,492,097,909	1,378,746	7,819,613	2,501,296,268	10,192,782,291
Unamortised loan processing fees	(27,090,829)	(13,296)	(63,372)	(27,167,497)	(110,707,550)
	2,465,007,080	1,365,450	7,756,241	2,474,128,771	10,082,074,741
Accrued interest receivable	19,669,265	28,753	631,714	20,329,732	82,843,658
	2,484,676,345	1,394,203	8,387,955	2,494,458,503	10,164,918,399
Allowance for ECLs	(18,696,858)	(481,191)	(7,054,843)	(26,232,892)	(106,899,034)
Net	2,465,979,487	913,012	1,333,112	2,468,225,611	10,058,019,365

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6. LOANS TO CUSTOMERS (continued)

Movements of allowance for ECLs are as follows:

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
At beginning of period/year	26,232,892	106,899,034	26,663,309	107,133,176
Provision during the period/year	29,774,299	121,479,369	9,359,990	37,926,679
Written-off during the period/year	-	-	(9,790,407)	(39,670,729)
Foreign exchange difference	-	1,251,080	-	1,509,908
At end of period/year	56,007,191	229,629,483	26,232,892	106,899,034

Further analyses of loans to customers are set out below.

(a) By security

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Secured				
Real estate	165,242,679	677,494,984	167,125,162	681,035,035
Chattel	121,239,601	497,082,364	90,812,685	370,061,691
Deposit hold-out	767,425	3,146,443	719,708	2,932,810
Others	887,770,875	3,639,860,588	728,089,217	2,966,963,559
Unsecured				
Real estate	229,474,210	940,844,261	240,791,888	981,226,944
Chattel	158,085,659	648,151,202	133,443,891	543,783,856
Others	1,294,726,138	5,308,377,165	1,133,475,952	4,618,914,504
Total	2,857,306,587	11,714,957,007	2,494,458,503	10,164,918,399

(b) By maturity

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Within one month	81,803,228	335,393,235	82,075,603	334,458,081
More than 1 month to 3 months	110,900,356	454,691,460	122,796,948	500,397,563
More than 3 months to 12 months	545,739,599	2,237,532,356	498,491,384	2,031,352,390
More than 1 year to 5 years	1,869,844,484	7,666,362,384	1,648,272,399	6,716,710,026
More than 5 years	249,018,920	1,020,977,572	142,822,169	582,000,339
Total	2,857,306,587	11,714,957,007	2,494,458,503	10,164,918,399

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6. LOANS TO CUSTOMERS (continued)

Further analyses of loans to customers are set out below. (continued)

(c) By residency, relationship, currency and industry sector

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
<i>Residency</i>				
Residents	2,857,306,587	11,714,957,007	2,494,458,503	10,164,918,399
<i>Relationship</i>				
External customers	2,849,822,703	11,684,273,082	2,485,691,351	10,129,192,255
Staff loans	7,483,884	30,683,925	8,767,152	35,726,144
	2,857,306,587	11,714,957,007	2,494,458,503	10,164,918,399
<i>Currency</i>				
USD	2,484,562,642	10,186,706,832	2,139,255,629	8,717,466,685
KHR	344,792,120	1,413,647,692	305,131,677	1,243,411,587
THB	27,951,825	114,602,483	50,071,197	204,040,127
	2,857,306,587	11,714,957,007	2,494,458,503	10,164,918,399
<i>Industry sector</i>				
Trade and				
Commerce	682,419,653	2,797,920,577	529,088,592	2,156,036,012
Service	479,149,940	1,964,514,754	393,814,829	1,604,795,428
Agriculture	405,924,023	1,664,288,494	437,528,199	1,782,927,411
Real-estate	394,716,889	1,618,339,245	407,917,050	1,662,261,979
Home improvement	320,276,378	1,313,133,150	258,272,787	1,052,461,607
Auto loan	279,325,261	1,145,233,570	224,256,576	913,845,547
Transportation	211,051,304	865,310,346	178,264,117	726,426,277
Manufacturing	32,023,252	131,295,333	21,483,935	87,547,035
Personal	25,315,755	103,794,596	24,320,319	99,105,300
Construction	27,104,132	111,126,942	19,512,099	79,511,803
	2,857,306,587	11,714,957,007	2,494,458,503	10,164,918,399

The Company recognised provisions for (reversal of) expected credit losses as follows:

	For the nine-month period ended 30 September 2020 (Unaudited)		For the nine-month period ended 30 September 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Balances with				
other banks	22,878	93,475	(28,015)	(112,871)
Loans to customers	29,774,299	121,479,369	11,630,382	47,151,874
Refundable deposits	2,303	9,392	1,046	4,175
	29,799,480	121,582,236	11,603,413	47,043,178

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6. LOANS TO CUSTOMERS (continued)

The Company recognised provisions for (reversal of) expected credit losses as follows:
(continued)

	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		<i>For the three-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Balances with other banks	11,836	48,468	26	104
Loans to customers	6,280,254	25,717,640	5,052,834	20,650,935
Refundable deposits	318	1,303	(677)	(2,767)
	6,292,408	25,767,411	5,052,183	20,648,272

7. OTHER ASSETS

	<i>30 September 2020 (Unaudited)</i>		<i>31 December 2019 (Audited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Prepayments	2,484,313	10,185,683	8,250,706	33,621,626
Deposits	553,408	2,268,973	429,170	1,748,868
Long-term investment	28,167	115,485	28,167	114,781
Others	99,596	408,343	23,847	97,177
	3,165,484	12,978,484	8,731,890	35,582,452
Allowance for ECLs on refundable deposits	(11,144)	(45,690)	(8,841)	(36,027)
	3,154,340	12,932,794	8,723,049	35,546,425

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8. PROPERTY AND EQUIPMENT

	30 September 2020 (Unaudited)							
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD
Cost								
As at 1 January 2020	4,871,906	2,917,904	354,528	7,171,805	2,297,202	417,766	86,160	18,117,271
Additions	422,858	137,490	6,150	513,095	43,354	-	1,462,880	2,585,827
Disposals/write-offs	(34,572)	(18,000)	-	(104,575)	(20,486)	-	-	(177,633)
Transfers	48,310	-	-	578,041	78,415	-	(704,766)	-
As at 30 September 2020	5,308,502	3,037,394	360,678	8,158,366	2,398,485	417,766	844,274	20,525,465
Accumulated depreciation								
As at 1 January 2020	3,796,688	2,039,937	346,727	5,164,683	1,622,584	240,365	-	13,210,984
Depreciation	347,796	228,153	2,187	842,371	145,050	37,411	-	1,602,968
Disposals/write-offs and others	(32,457)	(18,000)	-	(100,155)	(19,655)	-	-	(170,267)
As at 30 September 2020	4,112,027	2,250,090	348,914	5,906,899	1,747,979	277,776	-	14,643,685
Net book value								
As at 30 September 2020	1,196,475	787,304	11,764	2,251,467	650,506	139,990	844,274	5,881,780
KHR'000 equivalent (Note 2.2)	4,905,548	3,227,946	48,232	9,231,015	2,667,075	573,959	3,461,523	24,115,298

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8. PROPERTY AND EQUIPMENT (continued)

	31 December 2019 (Audited)							
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD
Cost								
As at 1 January 2019	4,479,429	2,764,687	346,328	6,287,673	2,139,004	300,453	151,409	16,468,983
Additions	328,267	290,781	8,200	664,102	65,554	56,145	713,400	2,126,449
Disposals/write-offs	(136,279)	(143,396)	-	(86,013)	(75,741)	(36,732)	-	(478,161)
Transfers	200,489	5,832	-	306,043	168,385	97,900	(778,649)	-
As at 31 December 2019	4,871,906	2,917,904	354,528	7,171,805	2,297,202	417,766	86,160	18,117,271
Accumulated depreciation								
As at 1 January 2019	3,443,046	1,800,234	341,651	4,232,064	1,458,904	234,972	-	11,510,871
Depreciation	484,571	383,099	5,076	1,017,126	232,734	35,493	-	2,158,099
Disposals/write-offs and others	(130,929)	(143,396)	-	(84,507)	(69,054)	(30,100)	-	(457,986)
As at 31 December 2019	3,796,688	2,039,937	346,727	5,164,683	1,622,584	240,365	-	13,210,984
Net book value								
As at 31 December 2019	1,075,218	877,967	7,801	2,007,122	674,618	177,401	86,160	4,906,287
KHR'000 equivalent (Note 2.2)	4,381,513	3,577,716	31,789	8,179,022	2,749,068	722,909	351,103	19,993,120

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9. RIGHT-OF-USE ASSETS

The Company leases office space for its head office and branches and ATM locations. Information about leases for which the Company is a lessee is presented below.

	30 September 2020 (Unaudited)			
	Office space	ATM space	Total	
	USD	USD	USD	KHR'000 equivalent (Note 2.2)
Cost				
As at 1 January 2020	20,863,158	500,461	21,363,619	87,056,750
Additions	4,250,787	207,530	4,458,317	18,279,100
Expirations/terminations	(47,601)	(29,250)	(76,851)	(315,089)
Translation difference	-	-	-	534,087
As at 30 September 2020	25,066,344	678,741	25,745,085	105,554,848
Accumulated depreciation				
As at 1 January 2020	6,722,452	280,902	7,003,354	28,538,670
Depreciation	2,878,338	130,520	3,008,858	12,284,062
Expirations/terminations	(30,491)	-	(30,491)	(124,466)
Translation difference	-	-	-	226,790
As at 30 September 2020	9,570,299	411,422	9,981,721	40,925,056
Net book value	15,496,045	267,319	15,763,364	64,629,792
	31 December 2019 (Audited)			
	Office space	ATM space	Total	
	USD	USD	USD	KHR'000 equivalent (Note 2.2)
Cost				
As at 1 January 2019	16,065,963	333,305	16,399,268	65,892,260
Additions	4,832,053	188,734	5,020,787	20,459,707
Expirations/terminations	(34,858)	(21,578)	(56,436)	(229,977)
Translation difference	-	-	-	934,760
As at 31 December 2019	20,863,158	500,461	21,363,619	87,056,750
Accumulated depreciation				
As at 1 January 2019	3,242,531	143,932	3,386,463	13,606,810
Depreciation	3,499,784	143,376	3,643,160	14,762,084
Expirations/terminations	(19,863)	(6,406)	(26,269)	(106,442)
Translation difference	-	-	-	276,218
As at 31 December 2019	6,722,452	280,902	7,003,354	28,538,670
Net book value	14,140,706	219,559	14,360,265	58,518,080

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10. INTANGIBLE ASSETS

	30 September 2020 (Unaudited)			
	Computer software USD	Core banking system license USD	Work in progress USD	Total USD
Cost				
As at 1 January 2020	1,121,820	2,515,752	-	3,637,572
Additions	60,172	375,835	-	436,007
As at 30 September 2020	1,181,992	2,891,587	-	4,073,579
Accumulated amortization				
As at 1 January 2020	720,398	1,417,288	-	2,137,686
Amortization	71,796	205,055	-	276,851
As at 30 September 2020	792,194	1,622,343	-	2,414,537
Net book value				
As at 30 September 2020	389,798	1,269,244	-	1,659,042
KHR'000 equivalent (Note 2.2)	1,598,172	5,203,900	-	6,802,072
	31 December 2019 (Audited)			
	Computer software USD	Core banking system license USD	Work in progress USD	Total USD
Cost				
As at 1 January 2019	952,576	2,294,050	159,243	3,405,869
Additions	-	-	231,703	231,703
Transfers during the year	169,244	221,702	(390,946)	-
As at 31 December 2019	1,121,820	2,515,752	-	3,637,572
Accumulated amortization				
As at 1 January 2019	632,988	1,180,128	-	1,813,116
Amortization	87,410	237,160	-	324,570
As at 31 December 2019	720,398	1,417,288	-	2,137,686
Net book value				
As at 31 December 2019	401,422	1,098,464	-	1,499,886
KHR'000 equivalent (Note 2.2)	1,635,794	4,476,241	-	6,112,035

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11. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Term deposits	52,375,854	214,741,001	54,036,810	220,200,001
Savings deposits	850,702	3,487,879	1,055,191	4,299,903
	53,226,556	218,228,880	55,092,001	224,499,904

Interest rates on deposits from banks and other financial institutions range from 1.00% to 6.50% and up to 0.20% for term and savings deposits, respectively.

The Company incurred USD 3,723,192 (2019: USD 1,597,736) as interest expense on deposits from banks and other financial institutions (Note 22).

12. DEPOSITS FROM CUSTOMERS

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Term deposits	1,842,385,546	7,553,780,739	1,630,980,291	6,646,244,685
Savings deposits	113,843,629	466,758,879	102,460,634	417,527,084
	1,956,229,175	8,020,539,618	1,733,440,925	7,063,771,769

Deposits from customers are further analysed as follows:

(a) By maturity

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Within 1 month	330,637,586	1,355,614,103	318,803,361	1,299,123,696
More than 1 month to 3 months	374,362,287	1,534,885,377	285,833,627	1,164,772,030
More than 3 to 12 months	1,186,439,534	4,864,402,089	1,070,832,748	4,363,643,448
More than 12 months	64,789,768	265,638,049	57,971,189	236,232,595
	1,956,229,175	8,020,539,618	1,733,440,925	7,063,771,769

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12. DEPOSITS FROM CUSTOMERS (continued)

Deposits from customers are further analysed as follows (continued)

(b) By relationship

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Non-related parties	1,928,091,949	7,905,176,991	1,728,714,714	7,044,512,459
Related parties	28,137,226	115,362,627	4,726,211	19,259,310
	1,956,229,175	8,020,539,618	1,733,440,925	7,063,771,769

Interest rates on deposits from customers range from 3.50% to 7.75% and from 0.10% to 2.50% for term and savings deposits, respectively.

The Company incurred USD 94,847,697 (2019: USD 76,520,244) as interest expense on deposits from customers (Note 22).

13. BORROWINGS

All Company's borrowings are unsecured.

Borrowings are further analysed as follows:

(a) By relationship

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Non-related parties	647,236,219	2,653,668,499	704,296,717	2,870,009,122
Related parties	10,878,049	44,600,000	20,000,000	81,500,000
	658,114,268	2,698,268,499	724,296,717	2,951,509,122

(b) By maturity

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
On demand to 3 months	658,114,268	2,698,268,499	63,062,688	256,980,453
More than 3 to 12 months	-	-	184,547,047	752,029,217
1 year to 5 years	-	-	476,686,982	1,942,499,452
	658,114,268	2,698,268,499	724,296,717	2,951,509,122

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13. BORROWINGS (continued)

The Company's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios.

To cope up with the COVID-19 pandemic, the NBC issued Circular No. B7-020-001 dated 27 March 2020 to provide guidelines to banks and other financial institutions (including microfinance) on loan restructuring. The purpose of this is to maintain banking system soundness and to sustain economic activity to alleviate the impact of the pandemic by relieving pressure on customers. The Company and the other financial institutions are required to follow this Circular. Due to this pandemic, certain asset quality ratios were not met on outstanding borrowings and subordinated debts amounting to USD 121.30 million and USD 26.22 million, respectively. None of these lenders had actually requested for repayment due to breach including the lenders of the remaining borrowings, bonds payable and subordinated debts (Notes 14 and 15) with cross-default clause and all the waivers were secured before the financial statements were authorized for issue. These are included in the on demand to 3 months category as at 30 September 2020 since these waivers were obtained after the statement of financial position date.

14. BONDS PAYABLE

In April 2020, the Company issued KHR 127.20 billion (USD 31.18 million) fixed rate guaranteed bonds due on 23 April 2023. The bonds are guaranteed by Credit Guarantee and Investment Facility, a trust fund of Asian Development Bank. The bonds are listed in the Cambodia Securities Exchange and were priced at KHR 100,000 with a coupon rate of 7.50% payable on a semi-annual basis commencing on 23 October 2020. The Company incurred debt issue costs amounting to KHR 6.21 billion (USD 1.52 million).

As at 30 September 2020, the principal balance of the bonds is KHR 127.20 billion with a carrying value of KHR 121,864,772. The Company incurred interest expense amounting to USD 0.68 million (Note 22).

The movements in unamortized discount follow:

	<i>30 September 2020</i>	
	<i>(Unaudited)</i>	
	<i>USD</i>	<i>KHR'000</i>
		<i>equivalent</i>
		<i>(Note 2.2)</i>
Discount on issuance of bonds	1,521,412	6,207,360
Amortization	(212,715)	(872,132)
Translation difference	144,659	-
Balance at end of period	<u>1,453,356</u>	<u>5,335,228</u>

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15. SUBORDINATED DEBTS

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Subordinated debts (a)	50,333,333	206,366,665	61,166,666	249,254,165
Trust fund (b)	14,465,892	59,310,158	14,744,145	60,082,390
	64,799,225	265,676,823	75,910,811	309,336,555

(a) Subordinated debts

These are subordinated debts from foreign lenders who are non-related parties which were approved by the NBC and are repayable based on the agreed schedules stated in each loan agreement. The amount is included as Tier 2 Capital for purpose of net worth calculation.

(b) Trust fund

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
The Royal Government of Cambodia ("the RGC")	10,940,996	44,858,085	11,197,624	45,630,317
Cambodia Rural Development Foundation ("CRDF")	3,524,896	14,452,073	3,546,521	14,452,073
	14,465,892	59,310,158	14,744,145	60,082,390

The RGC

This trust fund denominated in KHR represents subordinated debt transferred to RGC on 31 December 2004.

This subordinated debt is considered as "Tier 2 Capital" in the context of Article 6 of Prakas No. B7-010-182 on The Calculation of the Banks' Net Worth dated 15 October 2010 which was also approved by the NBC for inclusion in the calculation of net worth following Prakas No. B7-018-068 dated 22 February 2018.

The CRDF

The full amount of the subordinated debt from the CRDF fund shall be included in the calculation of the net worth as Tier 2 Capital in the context of the calculation of net worth and for all prudential ratio purposes, such as the capital adequacy ratio.

On 28 December 2016, PRASAC Financial Trust and the Company agreed to an annual interest rate of 3.00% on the trust fund (both the RGC and CRDF) with a five-year term. The interest rate and the term of the trust fund shall be revisited and negotiated every five years (before the end of the term).

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16. LEASE LIABILITIES

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	4,853,782	19,900,506	3,996,737	16,286,703
One to five years	13,683,311	56,101,575	18,105,959	73,781,783
More than five years	1,270,776	5,210,182	4,447,523	18,123,656
Total undiscounted lease liabilities	19,807,869	81,212,263	26,550,219	108,192,142
Present value of lease liabilities				
Current	3,640,367	14,925,505	3,629,105	14,788,603
Non-current	11,146,645	45,701,244	9,543,623	38,890,264
	14,787,012	60,626,749	13,172,728	53,678,867

The Company has lease contracts for various office and ATM spaces used in its operations. Leases of office space generally have lease terms between 1 and 10 years, while ATM spaces generally have lease terms between 1 and 5 years. The Company's lease obligations are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

Amounts recognized in statement of comprehensive income are as follows:

	For the nine-month period ended 30 September 2020 (Unaudited)	For the nine-month period ended 30 September 2019 (Unaudited)
	USD	USD
Expenses relating to short-term leases	431,997	280,096
Interest on lease liabilities	844,574	758,153
Depreciation of right-of-use assets	3,008,858	2,673,955
Total	4,285,429	3,712,204
KHR'000 equivalent (Note 2.2)	17,496,225	15,031,090
	For the three-month period ended 30 September 2020 (Unaudited)	For the three-month period ended 30 September 2019 (Unaudited)
	USD	USD
Expenses relating to short-term leases	179,704	104,479
Interest on lease liabilities	286,387	260,452
Depreciation of right-of-use assets	1,050,488	921,622
Total	1,516,579	1,286,553
KHR'000 equivalent (Note 2.2)	6,210,392	5,258,141

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17. INCOME TAX

The Company's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

17.1 Income tax expense

Applicable tax rates

In accordance with Cambodian tax law, the Company has the obligation to pay tax on income ("TOI") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

Income tax expense comprises:

	For the nine-month period ended 30 September 2020 (Unaudited)		For the nine-month period ended 30 September 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Current tax	20,062,968	81,903,453	20,671,176	83,716,652
Deferred tax	(4,322,315)	(17,623,828)	(2,362,644)	(9,577,803)
	15,740,653	64,279,625	18,308,532	74,138,849

	For the three-month period ended 30 September 2020 (Unaudited)		For the three-month period ended 30 September 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Current tax	6,673,460	27,327,820	7,456,626	30,475,230
Deferred tax	(319,736)	(1,309,320)	(1,012,241)	(4,137,029)
	6,353,724	26,018,500	6,444,385	26,338,201

17.2 Income tax payable

Movements of income tax payable follow:

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Balance at beginning of period/year	23,414,889	95,415,673	20,538,620	82,524,175
Current tax	20,062,968	81,903,453	26,938,988	109,776,376
Income tax paid	(26,185,119)	(106,887,655)	(24,062,719)	(97,502,137)
Foreign exchange difference	-	468,755	-	617,259
Balance at end of period/year	17,292,738	70,900,226	23,414,889	95,415,673

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17. INCOME TAX (continued)

17.2 Income tax payable (continued)

The reconciliation of income tax expense shown in statement of comprehensive income is as follows:

	For the nine-month period ended 30 September 2020 (Unaudited)		For the nine-month period ended 30 September 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Profit before income tax	78,521,509	320,657,129	91,327,952	369,828,777
Income tax expense at applicable tax rate of 20%	15,704,302	64,131,427	18,265,590	73,965,758
Non-deductible expenses	36,351	148,198	42,942	173,091
Effective income tax	15,740,653	64,279,625	18,308,532	74,138,849

	For the three-month period ended 30 September 2020 (Unaudited)		For the three-month period ended 30 September 2019 (Unaudited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Profit before income tax	31,761,067	130,061,569	32,214,849	131,662,088
Income tax expense at applicable tax rate of 20%	6,352,214	26,012,316	6,442,970	26,332,418
Non-deductible expenses	1,510	6,184	1,415	5,783
Effective income tax	6,353,724	26,018,500	6,444,385	26,338,201

17.3 Deferred tax assets

Details of deferred income tax assets (liabilities) recognized during the period/year follow:

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Unamortized loan fees	5,614,799	23,020,676	5,433,499	22,141,508
Allowance for ECLs	7,517,305	30,820,951	3,581,823	14,595,928
Unused annual leave	540,029	2,214,119	326,697	1,331,290
Provision for employee benefits	276,767	1,134,745	14,912	60,766
Accrued interest receivable	89,484	366,884	(4,370)	(17,808)
Right-of-use assets and lease liabilities	47,828	196,095	68,058	277,336
Property and equipment	(136,009)	(555,189)	(145,432)	(589,290)
Foreign exchange differences	(398,558)	(1,636,536)	(77,014)	(317,175)
Deferred tax assets – net	13,551,645	55,561,745	9,198,173	37,482,555

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18. PROVISION FOR EMPLOYEE BENEFITS

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Balance as at beginning of period/year	74,562	303,840	1,266,404	5,088,411
Additions during the period/year	2,531,207	10,332,387	2,990,322	12,116,785
Payments during the period/year	(1,221,932)	(4,987,926)	(4,182,164)	(16,946,129)
Translation difference	-	25,431	-	44,773
Balance at end of period/year	1,383,837	5,673,732	74,562	303,840

19. OTHER LIABILITIES

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Accrued interest payable	58,203,730	238,635,293	57,767,946	235,404,380
Accrued bonus	7,044,620	28,882,942	4,181	17,038
Accruals and other payables	3,235,775	13,266,678	1,790,518	7,296,361
Withholding tax payable	977,054	4,005,921	515,945	2,102,476
Tax on salary	370,193	1,517,791	1,413,982	5,761,977
Others	1,182,846	4,849,667	1,626,728	6,628,916
	71,014,218	291,158,292	63,119,300	257,211,148

20. EQUITY AND RESERVES

Share capital

All 230,000,000 ordinary shares are registered, issued, and paid-up with a par value of KHR 4,000 per share.

Details of shareholding are as follows:

	30 September 2020 (Unaudited)			31 December 2019 (Audited)		
	USD	KHR'000 equivalent (Note 2.2)	%	USD	KHR'000 equivalent (Note 2.2)	%
KB Bank	161,000,000	644,000,000	70.00	-	-	-
LOLC	48,300,000	193,200,000	21.00	161,000,000	644,000,000	70.00
BEA	14,490,000	57,960,000	6.30	48,300,000	193,200,000	21.00
PSCo	6,210,000	24,840,000	2.70	20,700,000	82,800,000	9.00
	230,000,000	920,000,000	100.00	230,000,000	920,000,000	100.00

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20. EQUITY AND RESERVES (continued)

Share capital (continued)

Abbreviation:

KB Bank: Kookmin Bank

LOLC: LOLC INTERNATIONAL PRIVATE LIMITED

BEA: The Bank of East Asia, Limited

PSCo: PRASAC Staff Company Limited

In January 2019, the Company applied for the conversion of USD 58.00 million retained earnings into share capital. On 5 February and 11 February 2019, the Company obtained relevant approval from the NBC and the MOC, respectively. The Company recorded the capitalization of retained earnings in 2019.

In December 2019, Kookmin Bank (“KB”), a subsidiary of KB Financial Group, agreed to buy a 70.00% stake in the Company. On 29 January 2020, the Company received approval from the NBC on KB’s investment in Prasac. On 13 April 2020, the sale was finalized and settlement has been made. In the process, the Company changed its corporate name to PRASAC Microfinance Institution Plc. effective 9 April 2020.

Reserve fund

Based on the loan agreement signed between the Company and Instituto De Crédito Oficial (“ICO”) of the Kingdom of Spain, the Company shall undertake to establish and keep a reserve fund for capital strengthening by transferring its net profit of each year, an amount equivalent to a 3.5% of the outstanding principal of the loan. As at 30 September 2020, this non-distributable reserve amounted to USD 3,137,297 (31 December 2019: USD 3,093,332).

Regulatory reserve

The movements in regulatory reserve are as follows:

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	USD	KHR'000 equivalent (Note 2.1)	USD	KHR'000 equivalent (Note 2.1)
Balance as at beginning of period/year	4,108,924	16,649,360	299,009	1,209,491
Transfer (from) to regulatory reserve	(4,108,924)	(16,846,588)	3,809,915	15,437,776
Translation difference	-	197,228	-	2,093
Balance as at end of period/year	-	-	4,108,924	16,649,360

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21. INTEREST INCOME

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>		<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Individual loans	314,545,464	1,284,131,569	273,568,247	1,107,896,862
Group loans	69,440	283,426	32,670	132,447
Balances with the NBC	136,471	556,613	456,755	1,846,555
Balances with other banks	53,201	217,086	130,417	527,514
	314,804,576	1,285,188,694	274,188,089	1,110,403,378
	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		<i>For the three-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Individual loans	107,592,565	440,591,553	98,110,280	400,976,714
Group loans	20,438	83,694	14,128	57,741
Balances with the NBC	18,807	77,015	108,421	443,117
Balances with other banks	12,480	51,106	35,571	145,379
	107,644,290	440,803,368	98,268,400	401,622,951

22. INTEREST EXPENSE

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>		<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Deposits from customers	94,847,697	387,235,801	76,520,244	309,967,476
Borrowings	43,667,060	178,255,403	39,602,415	160,358,284
Subordinated debts	5,160,368	21,066,684	4,158,758	16,829,631
Deposits from banks and other financial institutions	3,723,192	15,188,888	1,597,736	6,437,278
Bonds payable	1,153,105	4,712,989	-	-
Lease liabilities	844,574	3,447,930	758,153	3,069,705
	149,395,996	609,907,695	122,637,306	496,662,374

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22. INTEREST EXPENSE (continued)

	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		<i>For the three-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Deposits from customers	33,504,778	137,202,064	28,748,482	117,495,047
Borrowings	14,129,777	57,861,437	13,795,765	56,383,291
Subordinated debts	1,738,116	7,117,585	1,275,765	5,214,052
Deposits from banks and other financial institutions	692,580	2,836,116	-	-
Bonds payable	680,658	2,787,295	-	-
Lease liabilities	286,387	1,172,755	260,452	1,064,466
	51,032,296	208,977,252	44,080,464	180,156,856

23. NET FEES AND COMMISSION INCOME

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>		<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Instalment fee income	3,896,859	15,919,066	1,226,964	5,014,602
Local remittance services income	658,470	2,688,079	690,533	2,795,672
Fees and commission income	4,555,329	18,607,145	1,917,497	7,810,274
Bank charges on borrowings	(142,070)	(580,593)	(106,969)	(432,613)
Net fees and commission	4,413,259	18,026,552	1,810,528	7,377,661

	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		<i>For the three-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Instalment fee income	1,866,768	7,644,415	1,226,964	5,014,602
Local remittance services income	218,728	895,691	233,015	952,332
Fees and commission income	2,085,496	8,540,106	1,459,979	5,966,934
Bank charges on borrowings	(79,784)	(326,715)	(28,181)	(115,176)
Net fees and commission	2,005,712	8,213,391	1,431,798	5,851,758

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24. OTHER INCOME

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>		<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Penalty from loans	3,425,761	13,985,449	5,930,120	23,972,087
Loan recovery	2,407,477	9,825,072	2,924,124	11,833,226
Others	919,417	3,754,161	621,498	2,515,423
	6,752,655	27,564,682	9,475,742	38,320,736
	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		<i>For the three-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Penalty from loans	1,160,205	4,751,039	1,372,987	5,611,398
Loan recovery	641,896	2,628,564	895,356	3,659,320
Others	348,424	1,426,797	196,688	803,864
	2,150,525	8,806,400	2,465,031	10,074,582

25. PERSONNEL EXPENSES

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>		<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Salaries and wages	40,633,744	165,897,649	34,905,971	141,391,932
Bonuses and incentives	7,044,620	28,751,340	6,504,001	26,288,317
Employee benefits	2,531,207	10,333,898	1,867,510	7,564,564
Staff uniform	169,608	692,395	244,860	986,308
Medical expenses	9,309	38,009	20,062	81,453
Other employee benefits	2,052,936	8,375,110	1,798,129	7,269,261
	52,441,424	214,088,401	45,340,533	183,581,835

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25. PERSONNEL EXPENSES (continued)

	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		<i>For the three-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Salaries and wages	14,447,815	59,163,802	13,030,581	53,255,985
Bonuses and incentives	1,972,093	8,075,721	1,443,055	5,897,766
Employee benefits	878,849	3,598,887	695,961	2,844,393
Staff uniform	56,430	231,081	(4,010)	(16,389)
Medical expenses	3,455	14,148	10,743	43,907
Other employee benefits	386,438	1,582,464	424,144	1,733,475
	17,745,080	72,666,103	15,600,474	63,759,137

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26. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>		<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>		<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		<i>For the three-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Fuel costs	2,871,761	11,723,459	2,392,178	9,687,257	955,874	3,914,304	847,781	3,464,881
Transportation	1,041,541	4,252,822	769,945	3,118,005	394,774	1,616,600	274,088	1,120,197
Printing and stationary	980,504	4,001,238	756,102	3,063,688	247,544	1,013,693	299,199	1,222,826
Utilities	955,069	3,899,074	890,656	3,606,086	326,967	1,338,930	304,015	1,242,509
License fees	946,685	3,864,534	448,415	1,806,799	307,697	1,260,019	2,334	9,539
Maintenance	896,730	3,661,964	719,840	2,918,501	362,766	1,485,527	314,924	1,287,094
Communications	608,368	2,483,579	542,059	2,194,950	203,758	834,389	189,561	774,736
Professional fees	600,553	2,450,876	356,841	1,445,957	159,089	651,469	142,155	580,987
Marketing and promotions	546,963	2,232,943	372,319	1,506,886	185,323	758,898	117,464	480,075
Rental	431,997	1,764,233	280,096	1,134,567	179,704	735,889	104,479	427,006
Office supplies	429,721	1,753,496	366,732	1,485,600	102,798	420,958	138,559	566,291
Stamp and registration	404,061	1,650,693	25,574	103,126	196,838	806,052	1,512	6,180
Other taxes	305,628	1,247,280	184,254	743,193	81,051	331,904	14,367	58,718
Bank charges	161,178	658,388	363,829	1,471,129	75,085	307,473	90,727	370,801
Travelling	157,107	640,891	310,404	1,257,510	27,490	112,572	118,844	485,715
Donation	137,643	561,130	78,332	317,166	5,095	20,864	27,010	110,390
Training	45,865	186,993	127,298	515,776	2,473	10,127	49,857	203,766
Other expenses	282,514	1,153,908	232,200	939,766	125,231	512,818	72,959	298,185
	11,803,888	48,187,501	9,217,074	37,315,962	3,939,557	16,132,486	3,109,835	12,709,896

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27. DEPRECIATION AND AMORTIZATION

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>		<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Property and equipment	1,602,968	6,544,028	1,606,638	6,504,493
Intangible assets	276,851	1,130,309	232,789	942,593
Right-of-use assets	3,008,858	12,284,062	2,673,955	10,826,819
	4,888,677	19,958,399	4,513,382	18,273,905
	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>		<i>For the three-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Property and equipment	543,706	2,226,476	540,489	2,208,979
Intangible assets	98,059	401,552	80,812	330,277
Right-of-use assets	1,050,488	4,301,748	921,622	3,766,670
	1,692,253	6,929,776	1,542,923	6,305,926

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28. NET CASH USED IN OPERATING ACTIVITIES

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>		<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 2.2)</i>
Profit before income tax	78,521,509	320,657,129	91,327,952	369,828,777
<i>Adjustments for:</i>				
Provisions for ECLs	29,799,480	121,582,236	11,603,413	47,043,178
Depreciation and amortization	4,888,677	19,958,399	4,513,382	18,273,905
Loss (gain) on disposal of property and equipment	10,835	44,227	(8,490)	(34,375)
Employee benefits expense	2,531,207	10,332,387	1,867,510	7,561,548
Income tax paid	(26,185,119)	(106,887,655)	(23,035,266)	(94,352,450)
Employee benefits paid	(1,221,932)	(4,987,926)	(2,437,732)	(9,984,950)
Cash generated by operating activities before changes in net operating assets and liabilities	88,344,657	360,698,797	83,830,769	338,335,633
<i>Decrease (increase) in operating assets</i>				
Balances with the NBC	(21,262,839)	(87,177,640)	(39,634,617)	(162,343,392)
Loans to customers	(362,848,084)	(1,548,787,528)	(568,232,945)	(2,477,462,984)
Other assets	5,566,406	22,604,239	(2,326,930)	(10,073,772)
<i>Increase (decrease) in operating liabilities</i>				
Deposits from banks and other financial institutions	(1,865,445)	(6,271,024)	12,890,233	57,009,319
Deposits from customers	222,788,250	956,767,849	416,761,091	1,803,562,281
Other liabilities	7,894,918	33,947,144	16,550,884	71,258,282
Net cash used in operating activities	(61,382,137)	(268,218,163)	(80,161,515)	(379,714,633)

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29. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties during the period were as follows:

Related party	Transaction	For the nine-month period ended 30 September 2020 (Unaudited)		For the nine-month period ended 30 September 2019 (Unaudited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Board of Directors	Fees and related expenses	250,647	1,023,255	244,692	990,595
	Interest expense	93,174	380,348	83,969	339,823
Shareholders	Interest expense	1,170,915	4,778,573	1,005,701	4,078,954
	Fees and commissions on loans	164,414	672,401	45,545	184,807
Key management personnel	Salaries and employee benefits	2,926,647	11,951,412	2,365,479	9,578,357
	Interest expense	1,129,681	4,614,031	499,421	2,021,133
	Employee benefits expense	142,387	581,345	119,912	485,837

Related party	Transaction	For the three-month period ended 30 September 2020 (Unaudited)		For the three-month period ended 30 September 2019 (Unaudited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Board of Directors	Fees and related expenses	85,137	348,636	81,564	333,352
	Interest expense	30,049	123,052	26,068	106,540
Shareholders	Interest expense	311,734	1,276,551	465,243	1,901,447
	Fees and commissions on loans	118,364	484,701	22,520	92,039
Key management personnel	Salaries and employee benefits	1,178,850	4,827,391	824,864	3,371,219
	Interest expense	497,420	2,036,935	154,594	631,825
	Employee benefits expense	51,339	210,233	46,760	191,108

Outstanding balances with related parties were as follows:

Related party	Account	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
		USD	KHR'000 equivalent (Note 2.2)	USD	KHR'000 equivalent (Note 2.2)
Directors and key management	Deposit	28,137,226	115,362,627	4,726,211	19,259,310
	Loan	354,440	1,453,203	-	-
BEA	Borrowing	6,000,000	24,600,000	20,000,000	81,500,000
KB	Borrowing	4,878,049	20,000,000	-	-
PSCo	Deposit	2,593,060	10,631,546	1,007,102	4,103,941

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30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7, *Financial Instruments Disclosures* which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Company's financial instruments such as cash and short-term funds, balances with the NBC, balances with other banks, deposits from customers and banks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

- *Cash on hand, balances with the NBC and with other banks*

The carrying amounts approximate the fair values due to the short-term nature of these accounts.

- *Loans to customers*

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

- *Deposits and borrowings*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

- *Other assets and liabilities*

Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

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30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Company's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The table below summarizes the fair value hierarchy of financial assets which are not measured at fair value but for which fair value is disclosed.

	30 September 2020				
	Carrying value	Fair value			
		Total	Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
USD'000	USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	
Financial assets for which fair values are disclosed					
Loans and receivables	2,801,299	2,949,538	-	-	2,949,538
KHR'000,000 equivalent (Note 2.2)	11,485,328	12,093,106	-	-	12,093,106
Financial liabilities for which fair values are disclosed					
Borrowings	658,114	670,035	-	-	670,035
Bonds payable	29,723	32,137	-	-	32,137
Subordinated debts	64,799	66,102	-	-	66,102
	752,636	768,274	-	-	768,274
KHR'000,000 equivalent (Note 2.2)	3,085,808	3,149,923	-	-	3,149,923

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30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value hierarchy (continued)

	31 December 2019				
	Carrying value	Fair value			
		Quoted prices in active market	Significant observable inputs	Significant unobservable inputs	
	USD'000	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	
		Total USD'000			
Financial assets for which fair values are disclosed					
Loans and receivables	2,468,226	2,578,281	-	-	2,578,281
KHR'000,000 equivalent (Note 2.2)	10,058,019	10,506,495	-	-	10,506,495
Financial liabilities for which fair values are disclosed					
Borrowings	724,297	737,178	-	-	737,178
Subordinated debts	75,911	77,349	-	-	77,349
	800,208	814,527	-	-	814,527
KHR'000,000 equivalent (Note 2.2)	3,260,846	3,319,197	-	-	3,319,197

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

31. TAX CONTINGENCY

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Company could be significant.

32. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in these interim condensed financial statements, at the date of this report, there were no other events which occurred subsequent to 30 September 2020 that had significant impact on the statement of financial position of the Company as at 30 September 2020, and its financial performance for the nine-month period then ended.