

**PRASAC MICROFINANCE INSTITUTION PLC.**

**Condensed Interim Financial Statements  
for the three-month and twelve-month  
periods ended 31 December 2022  
and**

**Independent Auditors' Report on Review of  
Condensed Interim Financial Statements**

## Corporate Information

Company	PRASAC Microfinance Institution Plc.	
Registration No.	00001157	
Registered office	Building 212, Street 271 Sangkat Tuol Tumpung 2, Khan Chamkarmon Phnom Penh Kingdom of Cambodia	
Shareholders	Kookmin Bank Co., Ltd. Kookmin Bank Cambodia Plc.	
Board of Directors	Mr. JUN Kwi Sang Mr. CHUNG Hui Tae Mr. OUM Sam Oeun Dr. CHOI Dong Hyun Mr. LEE Kyung Cheon Mr. PAK Jaehong Mr. CHAN Sophal Mr. JANG Ji Kyu	Chairman Director (appointed on 23 February 2022) Director (appointed on 23 February 2022) Director Independent Director Independent Director Independent Director Director (resigned on 18 January 2022)
Executive Committee	Mr. OUM Sam Oeun Mr. KIM Hyeun Jong  Mr. CHOI KiHyun  Mr. YI JuHwan  Mr. WON Soo Yeon  Mr. PHOK Vandy  Mr. KONG Sean Mr. RY Vanna Mr. PEN Sovannsoksitha Mr. HOEUN Honey Mr. SIM Senacheert  Mr. OUM Sophan  Mr. NEANG Sokhim  Mr. SAY Sony  Mr. CHOUB Veasna  Mr. CHEA Hang	President & Chief Executive Officer EVP & Deputy Chief Executive Officer (appointed on 16 February 2022) EVP & Chief Digital Officer (appointed on 1 November 2022) EVP & Chief Risk Officer (appointed on 14 January 2022) EVP & Chief Finance Officer (appointed on 14 January 2022) EVP & Chief IT Officer (appointed on 1 November 2022) EVP & Chief Operation Officer EVP & Chief Business Officer EVP & Chief Marketing Officer EVP & Chief Human Resource Officer President & Chief Executive Officer (resigned on 21 January 2022) EVP & Chief Finance Officer (retired on 24 January 2022) EVP & Chief Business Officer (resigned on 28 February 2022) EVP & Chief Marketing Officer (resigned on 28 January 2022) EVP & Chief Human Resource Officer (resigned on 28 January 2022) EVP & Chief Corporate Strategy and Business Plan Officer (resigned on 26 January 2022)
Auditors	KPMG Cambodia Ltd	

# **PRASAC Microfinance Institution Plc.**

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## Report of the Board of Directors

The Board of Directors (“Board” or “the Directors”) of PRASAC Microfinance Institution Plc. (“the Company”) hereby presents its report and the Company’s condensed interim financial statements for the three-month and twelve-month periods ended 31 December 2022.

### The Company

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

The Company was incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce (“MoC”) as a public limited liability 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.

On 30 November 2022, the Company obtained the approval in principle from the NBC to proceed the merger with Kookmin Bank Cambodia Plc. (“KBC”). At the date of this report, the Company is still in the process of finalising their merging process and updating the Memorandum and Articles of Association for further approval from MoC.

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

### Principal activities

The Company operates under regulations by NBC with special focus on providing lending and other financial services to the citizenry and small and medium size enterprises, and to engage in all other activities which the Directors believe support these objectives.

### Financial results

The financial results of the Company for the three-month and twelve-month periods ended 31 December 2022 were disclosed in the condensed interim statement of profit or loss and other comprehensive income.

### Dividends

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

# **PRASAC Microfinance Institution Plc.**

## **Share capital**

On 11 March 2022, the Company requested to the National Bank of Cambodia (“NBC”) to increase its share capital from USD300,000,000 to USD400,000,000 by way of capitalising the retained earnings. This request was approved by the NBC on 25 April 2022. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 28 April 2022.

## **Reserves and provisions**

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

## **Expected credit losses on loans to customers**

Before the condensed interim financial statements of the Company were drawn up, the Directors 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 Directors are 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 condensed interim financial statements of the Company inadequate to any material extent.

## **Assets**

Before the condensed interim financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realised 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 realised.

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

## **Valuation methods**

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

## **Contingent and other liabilities**

At the date of this report, there is:

- No change in the assets of the Company which has arisen since the end of the reporting 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 reporting period other than in the ordinary course of business.

# **PRASAC Microfinance Institution Plc.**

## **Contingent and other liabilities (continued)**

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period after the end of the reporting period which, in the opinion of the Directors, 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 Directors are not aware of any circumstances, not otherwise dealt with in this report or the condensed interim financial statements of the Company, which would render any amount stated in the condensed interim financial statements misleading.

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

Nothing has arisen during 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 Directors, to affect substantially the results of the operations of the Company for the current reporting periods in which this report is made.

## **Event since the reporting period**

### **(i). Borrowing covenants**

As at 31 December 2022, the Company is in breach of one of the covenants on a borrowing with carrying amount of USD17,142,857 and bond guarantor agreement over its bond payables. The covenant states that at the end of each reporting period, the Company's available stable funding cannot be lower than 85% of the required stable funding, otherwise the borrowing will be payable on demand. However, as at 31 December 2022, the Company's available stable funding was at only 83.63% of the required stable funding.

The Company received email correspondences on 8 February 2023 and 13 February 2023 from guarantor and lender, respectively, with approval to revise the above ratio from 85% to 80% for the reporting period starting from December 2022 to 31 March 2023. On the basis of the new covenant and its forecasts, management believes that the risk of new covenant being breached is low. The Company is working on processing the official waiver letter following the above emails.

### **(ii). Amendment to regulatory reserve requirement**

Subsequently, on 9 January 2023, the NBC announced, through Prakas No.B7-023-005, the increase of the Reserve Requirements Rate ("RRR") to 9% and 12.5% for foreign currencies deposits and borrowings, which is effective from 1 January 2023 to 31 December 2023, and from 1 January 2024 onward, respectively. While, the RRR for local currency deposits and borrowings will remain at 7%.

The Company is a deposit-taking microfinance institution, therefore, the RRR for local currency deposits and borrowings will be changed from 8% to 7% starting from 1 January 2023 as a result of the above regulation.

# PRASAC Microfinance Institution Plc.

## Event since the reporting period (continued)

### (ii). Amendment to regulatory reserve requirement (continued)

On 30 January 2023, the Company submitted a request letter to NBC to top up the additional reserve in four instalments with the latest instalment by 30 November 2023. As of the date of this report, the Company has not yet received any response from the NBC.

## The Board of Directors

The members of the Board of Directors during the periods and at the date of this report are:

<i>Name</i>	<i>Position</i>
Mr. JUN Kwi Sang	Chairman
Mr. CHUNG Hui Tae	Director (appointed on 23 February 2022)
Mr. OUM Sam Oeun	Director (appointed on 23 February 2022)
Dr. CHOI Dong Hyun	Director
Mr. LEE Kyung Cheon	Independent Director
Mr. PAK Jaehong	Independent Director
Mr. CHAN Sophal	Independent Director
Mr. JANG Ji Kyu	Director (resigned on 18 January 2022)

## Executive management

Members of the executive management during the periods and at the date of this report are:

<i>Name</i>	<i>Position</i>
Mr. OUM Sam Oeun	President & Chief Executive Officer
Mr. KIM Hyeun Jong	EVP & Deputy Chief Executive Officer (appointed on 16 February 2022)
Mr. CHOI KiHyun	EVP & Chief Digital Officer (appointed on 1 November 2022)
Mr. YI JuHwan	EVP & Chief Risk Officer (appointed on 14 January 2022)
Mr. WON Soo Yeon	EVP & Chief Finance Officer (appointed on 14 January 2022)
Mr. PHOK Vandy	EVP & Chief IT Officer (appointed on 1 November 2022)
Mr. KONG Sean	EVP & Chief Operation Officer
Mr. RY Vanna	EVP & Chief Business Officer
Mr. PEN Sovannsoksitha	EVP & Chief Marketing Officer
Mr. HOEUN Honey	EVP & Chief Human Resource Officer
Mr. SIM Senacheert	President & Chief Executive Officer (resigned on 21 January 2022)
Mr. OUM Sophan	EVP & Chief Finance Officer (retired on 24 January 2022)
Mr. NEANG Sokhim	EVP & Chief Business Officer (resigned on 28 February 2022)
Mr. SAY Sony	EVP & Chief Marketing Officer (resigned on 28 January 2022)

# PRASAC Microfinance Institution Plc.

## Executive Management (continued)

Members of the executive management during the year and at the date of this report are: (continued)

<i>Name</i>	<i>Position</i>
Mr. CHOUB Veasna	EVP & Chief Human Resource Officer (resigned on 28 January 2022)
Mr. CHEA Hang	EVP & Chief Corporate Strategy and Business Plan Officer (resigned on 26 January 2022)

## Directors' interest

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

## Directors' benefits

During and at the end of the reporting period, no arrangement existed to which the Company was a party, whose objective 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 condensed interim financial statements.

## Board of Directors' responsibility in respect to the condensed interim financial statements

The Board of Directors is responsible for ensuring that the condensed interim financial statements of the Company as at 31 December 2022, and for the three-month and twelve-month periods then ended, as set out on pages 9 to 57, are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). The Board of Directors oversees the preparation of these condensed interim 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 condensed interim financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the condensed interim financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and

# PRASAC Microfinance Institution Plc.

## Board of Directors' responsibility in respect to the condensed interim financial statements (continued)

- 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 condensed interim 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 Board of Directors confirms that the management has complied with the above requirements in preparing the condensed interim financial statements.

## Approval of the condensed interim financial statements

We hereby approve the accompanying condensed interim financial statements, together with the notes thereto, which are prepared, in all material respects, in accordance with CIAS 34, "Interim Financial Reporting".

*Signed in accordance with a resolution of the Board of Directors*

Mr. JUN Kwi Sang  
Chairman

Phnom Penh, Kingdom of Cambodia

13 February 2023



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## THE INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of  
**PRASAC Microfinance Institution Plc.**

### ***Introduction***

We have reviewed the accompanying 31 December 2022 condensed interim financial statements of PRASAC Microfinance Institution Plc. ("the Company"), as set out on pages 9 to 57 (hereafter referred to as "the condensed interim financial statements") which comprise:

- the condensed interim statement of financial position as at 31 December 2022;
- the condensed interim statements of profit or loss and other comprehensive income for the three-month and twelve-month periods ended 31 December 2022;
- the condensed interim statement of changes in equity for the twelve-month period ended 31 December 2022;
- the condensed interim statement of cash flows for the twelve-month period ended 31 December 2022; and
- other explanatory notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the Cambodian International Accounting Standard 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

### ***Scope of Review***

We conducted our review in accordance with the Cambodian International 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 condensed interim financial statements, are not prepared, in all material respects, in accordance with the Cambodian International Accounting Standard 34, "Interim Financial Reporting".

For KPMG Cambodia Ltd

  


Nge Huy  
Senior Partner

Phnom Penh, Kingdom of Cambodia

13 February 2023

# PRASAC Microfinance Institution Plc.

## Condensed interim statement of financial position as at 31 December 2022

	Notes	31 December 2022		31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<b>ASSETS</b>					
Cash on hand	6	127,423,827	524,603,896	222,365,399	905,916,636
Balances with the National Bank of Cambodia	7	326,284,541	1,343,313,455	368,419,366	1,500,940,497
Balances with other banks	8	5,946,137	24,480,246	2,308,097	9,403,187
Loans to customers	9	4,296,121,785	17,687,133,389	3,691,567,993	15,039,448,003
Other assets	10	4,374,308	18,009,026	1,815,969	7,398,258
Property and equipment	11	4,786,735	19,706,988	4,861,518	19,805,825
Right-of-use assets	12	18,483,310	76,095,787	16,097,643	65,581,798
Intangible assets	13	1,079,327	4,443,589	1,354,529	5,518,351
Deferred tax assets, net	20(c)	14,516,880	59,765,995	11,727,635	47,778,385
<b>TOTAL ASSETS</b>		<b>4,799,016,850</b>	<b>19,757,552,371</b>	<b>4,320,518,149</b>	<b>17,601,790,940</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>LIABILITIES</b>					
Deposits from banks and other financial institutions	14	50,037,118	206,002,815	81,881,578	333,585,549
Deposits from customers	15	2,727,207,862	11,227,914,768	2,533,330,855	10,320,789,903
Borrowings	16	971,259,425	3,998,675,053	829,821,864	3,380,694,274
Bonds payable	17	31,168,428	128,320,418	31,342,099	127,687,711
Subordinated debts	18	89,677,427	369,201,967	105,191,790	428,551,352
Lease liabilities	19	18,973,227	78,112,776	15,591,438	63,519,518
Income tax payable	20(b)	41,048,919	168,998,400	34,153,679	139,142,088
Provision for employee benefits	21	1,031,425	4,246,377	237,906	969,229
Other liabilities	22	12,998,586	53,515,176	14,627,852	59,593,871
<b>Total liabilities</b>		<b>3,943,402,417</b>	<b>16,234,987,750</b>	<b>3,646,179,061</b>	<b>14,854,533,495</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	23(a)	400,000,000	1,600,000,000	300,000,000	1,200,000,000
Retained earnings		423,741,506	1,742,202,594	349,600,939	1,430,490,098
Regulatory reserve	23(b)	31,872,927	129,696,057	24,738,149	100,536,219
Currency translation reserves		-	50,665,970	-	16,231,128
<b>Total shareholders' equity</b>		<b>855,614,433</b>	<b>3,522,564,621</b>	<b>674,339,088</b>	<b>2,747,257,445</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,799,016,850</b>	<b>19,757,552,371</b>	<b>4,320,518,149</b>	<b>17,601,790,940</b>

The accompanying notes form an integral part of these condensed interim financial statements.

## PRASAC Microfinance Institution Plc.

### Condensed interim statement of profit or loss and other comprehensive income for the twelve-month period ended 31 December 2022

	Notes	For the twelve-month period ended 31 December 2022		For the twelve-month period ended 31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	593,225,622	2,424,513,117	505,592,378	2,056,749,794
Interest expense	25	(245,638,068)	(1,003,922,784)	(210,148,674)	(854,884,806)
<b>Net interest income</b>		<u>347,587,554</u>	<u>1,420,590,333</u>	<u>295,443,704</u>	<u>1,201,864,988</u>
Fees and commission income	26	9,678,144	39,554,575	8,617,690	35,056,763
Fees and commission expense	26	(1,516,730)	(6,198,876)	(118,009)	(480,061)
<b>Net fees and commission income</b>	26	<u>8,161,414</u>	<u>33,355,699</u>	<u>8,499,681</u>	<u>34,576,702</u>
Other income	27	9,738,461	39,801,090	9,798,130	39,858,793
Grant income		933,070	3,813,457	1,678,842	6,829,529
Net foreign exchange losses		(3,133,423)	(12,806,300)	(1,587,373)	(6,457,433)
<b>Total other income</b>		<u>7,538,108</u>	<u>30,808,247</u>	<u>9,889,599</u>	<u>40,230,889</u>
<b>Total interest, fees, commission and other income</b>		<u>363,287,076</u>	<u>1,484,754,279</u>	<u>313,832,984</u>	<u>1,276,672,579</u>
Personnel expenses	28	(92,965,159)	(379,948,605)	(84,578,929)	(344,067,083)
Allowance for impairment losses	9	(19,058,514)	(77,892,147)	(14,707,859)	(59,831,570)
General and administrative expenses	29	(18,387,563)	(75,149,970)	(14,530,115)	(59,108,508)
Depreciation and amortisation	30	(6,781,962)	(27,717,879)	(6,378,059)	(25,945,944)
<b>Profit before income tax</b>		<u>226,093,878</u>	<u>924,045,678</u>	<u>193,638,022</u>	<u>787,719,474</u>
Income tax expense	20(a)	(44,818,533)	(183,173,344)	(38,137,058)	(155,141,552)
<b>Net profit for the period</b>		<u>181,275,345</u>	<u>740,872,334</u>	<u>155,500,964</u>	<u>632,577,922</u>
<i>Other comprehensive income:</i>					
Currency translation differences		-	34,434,842	-	15,979,311
<b>Total comprehensive income for the period</b>		<u>181,275,345</u>	<u>775,307,176</u>	<u>155,500,964</u>	<u>648,557,233</u>

## PRASAC Microfinance Institution Plc.

### Condensed interim statement of profit or loss and other comprehensive income (continued) for the three-month period ended 31 December 2022

	Notes	For the three-month period ended 31 December 2022		For the three-month period ended 31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	154,211,318	636,738,532	132,220,819	538,403,175
Interest expense	25	<u>(65,098,337)</u>	<u>(268,791,033)</u>	<u>(55,720,468)</u>	<u>(226,893,746)</u>
<b>Net interest income</b>		<u>89,112,981</u>	<u>367,947,499</u>	<u>76,500,351</u>	<u>311,509,429</u>
Fees and commission income	26	2,285,498	9,436,821	1,674,603	6,818,983
Fees and commission expense	26	<u>(424,848)</u>	<u>(1,754,197)</u>	<u>(20,353)</u>	<u>(82,877)</u>
<b>Net fees and commission income</b>	26	<u>1,860,650</u>	<u>7,682,624</u>	<u>1,654,250</u>	<u>6,736,106</u>
Other income	27	1,547,115	6,388,038	2,135,770	8,696,855
Grant income		394,394	1,628,453	503,203	2,049,043
Net foreign exchange gains/(losses)		<u>189,504</u>	<u>782,462</u>	<u>(454,593)</u>	<u>(1,851,103)</u>
<b>Total other income</b>		<u>2,131,013</u>	<u>8,798,953</u>	<u>2,184,380</u>	<u>8,894,795</u>
<b>Total interest, fees, commission and other income</b>		<u>93,104,644</u>	<u>384,429,076</u>	<u>80,338,981</u>	<u>327,140,330</u>
Personnel expenses	28	<u>(21,341,327)</u>	<u>(88,118,339)</u>	<u>(28,216,514)</u>	<u>(114,897,645)</u>
Allowance for/(reversal of) impairment losses	9	<u>(5,907,997)</u>	<u>(24,394,120)</u>	<u>3,788,091</u>	<u>15,425,107</u>
General and administrative expenses	29	<u>(5,238,947)</u>	<u>(21,631,612)</u>	<u>(4,359,163)</u>	<u>(17,750,512)</u>
Depreciation and amortisation	30	<u>(1,659,646)</u>	<u>(6,852,678)</u>	<u>(1,456,023)</u>	<u>(5,928,926)</u>
<b>Profit before income tax</b>		<u>58,956,727</u>	<u>243,432,327</u>	<u>50,095,372</u>	<u>203,988,354</u>
Income tax expense	20(a)	<u>(11,777,910)</u>	<u>(48,630,990)</u>	<u>(9,947,622)</u>	<u>(40,506,717)</u>
<b>Net profit for the period</b>		<u>47,178,817</u>	<u>194,801,337</u>	<u>40,147,750</u>	<u>163,481,637</u>
<i>Other comprehensive income:</i>					
Currency translation differences		<u>-</u>	<u>15,294,755</u>	<u>-</u>	<u>(3,160,776)</u>
<b>Total comprehensive income for the period</b>		<u>47,178,817</u>	<u>210,096,092</u>	<u>40,147,750</u>	<u>160,320,861</u>

The accompanying notes form an integral part of these condensed interim financial statements.

## PRASAC Microfinance Institution Plc.

### Condensed interim statement of changes in equity for the twelve-month period ended 31 December 2022

	Share capital		Retained earnings		Reserve fund		Regulatory reserve		Currency translation reserves		Total	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance at 1 January 2022	300,000,000	1,200,000,000	349,600,939	1,430,490,098	-	-	24,738,149	100,536,219	-	16,231,128	674,339,088	2,747,257,445
Capitalisation of retained earnings	100,000,000	400,000,000	(100,000,000)	(400,000,000)	-	-	-	-	-	-	-	-
Net profit for the period	-	-	181,275,345	740,872,334	-	-	-	-	-	-	181,275,345	740,872,334
Transfer to regulatory reserve	-	-	(7,134,778)	(29,159,838)	-	-	7,134,778	29,159,838	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	34,434,842	-	34,434,842
<b>Balance at 31 December 2022</b>	<b>400,000,000</b>	<b>1,600,000,000</b>	<b>423,741,506</b>	<b>1,742,202,594</b>	<b>-</b>	<b>-</b>	<b>31,872,927</b>	<b>129,696,057</b>	<b>-</b>	<b>50,665,970</b>	<b>855,614,433</b>	<b>3,522,564,621</b>
Balance at 1 January 2021	230,000,000	920,000,000	285,224,840	1,163,897,093	3,151,952	12,773,175	461,332	1,778,127	-	251,817	518,838,124	2,098,700,212
Capitalisation of retained earnings	70,000,000	280,000,000	(70,000,000)	(280,000,000)	-	-	-	-	-	-	-	-
Net profit for the period	-	-	155,500,964	632,577,922	-	-	-	-	-	-	155,500,964	632,577,922
Transfer to regulatory reserve	-	-	(24,276,817)	(98,758,092)	-	-	24,276,817	98,758,092	-	-	-	-
Transfer from reserve fund	-	-	3,151,952	12,773,175	(3,151,952)	(12,773,175)	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	15,979,311	-	15,979,311
<b>Balance at 31 December 2021</b>	<b>300,000,000</b>	<b>1,200,000,000</b>	<b>349,600,939</b>	<b>1,430,490,098</b>	<b>-</b>	<b>-</b>	<b>24,738,149</b>	<b>100,536,219</b>	<b>-</b>	<b>16,231,128</b>	<b>674,339,088</b>	<b>2,747,257,445</b>

The accompanying notes form an integral part of these condensed interim financial statements.

# PRASAC Microfinance Institution Plc.

## Condensed interim statement of cash flows for the twelve-month period ended 31 December 2022

	Notes	For the twelve-month period ended 31 December 2022		For the twelve-month period ended 31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Net cash used in operating activities</b>	31	<u>(278,312,753)</u>	<u>(1,137,464,223)</u>	<u>(71,081,858)</u>	<u>(289,161,001)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment		(2,042,693)	(8,348,486)	(1,282,372)	(5,216,689)
Purchase of intangible assets		(16,800)	(68,662)	(43,735)	(177,914)
Investment in negotiable certificates of deposit		(919,122)	(3,756,452)	(147,430)	(599,745)
Proceeds from investments in negotiable certificates of deposit		521,990	2,133,373	148,377	603,598
Proceeds from disposals of property and equipment		110,688	452,382	111,776	454,705
Placement of capital guarantee		<u>(10,000,000)</u>	<u>(40,870,000)</u>	<u>(7,000,000)</u>	<u>(28,476,000)</u>
<b>Net cash used in investing activities</b>		<u>(12,345,937)</u>	<u>(50,457,845)</u>	<u>(8,213,384)</u>	<u>(33,412,045)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings		468,079,917	1,913,042,621	335,239,090	1,363,752,618
Repayments of borrowings		(324,659,857)	(1,326,884,836)	(295,976,678)	(1,204,033,126)
Proceed from subordinated debts		-	-	17,296,512	70,362,211
Repayments of subordinated debts		(15,321,929)	(62,620,724)	(25,784,186)	(104,890,069)
Payments of lease liabilities		<u>(3,973,113)</u>	<u>(16,238,113)</u>	<u>(3,618,098)</u>	<u>(14,718,423)</u>
<b>Net cash generated from financing activities</b>		<u>124,125,018</u>	<u>507,298,948</u>	<u>27,156,640</u>	<u>110,473,211</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(166,533,672)</u>	<u>(680,623,120)</u>	<u>(52,138,602)</u>	<u>(212,099,835)</u>
Cash and cash equivalents at the beginning of the period		364,927,185	1,486,713,352	417,065,787	1,687,031,108
Currency translation differences		-	10,695,862	-	11,782,079
<b>Cash and cash equivalents at the end of the period</b>	6	<u>198,393,513</u>	<u>816,786,094</u>	<u>364,927,185</u>	<u>1,486,713,352</u>
<b>Significant non-cash transaction from financing activities</b>					
Conversion of retained earnings to share capital		<u>100,000,000</u>	<u>400,000,000</u>	<u>70,000,000</u>	<u>280,000,000</u>

The accompanying notes form an integral part of these condensed interim financial statements.

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements for the three-month and twelve-month periods ended 31 December 2022

These notes form an integral part and should be read conjunction with the accompanying condensed interim financial statements.

### 1. Background information

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

The Company was incorporated in Cambodia and registered with the Ministry of Commerce (“MoC”) 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 from 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 the Kingdom of Cambodia.

On 30 November 2022, the Company obtained the approval in principle from the NBC to proceed the merger with Kookmin Bank Cambodia Plc. (“KBC”). At the date of this report, the Company is still in the process of finalising their merging process and updating the Memorandum and Articles of Association for further approval from MoC.

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

As at 31 December 2022, the Company had 9,573 employees (31 December 2021: 9,330 employees).

### 2. Basis of preparation

#### (a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with Cambodian International Accounting Standard (“CIAS”) 34, “*Interim Financial Reporting*”. They do not include all the information required for a complete set of CIFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and financial performance since the last annual financial statements as at and for the year ended 31 December 2021.

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 2. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

These condensed interim financial statements were authorised for issue by the Company's Board of Directors on 13 February 2023.

#### (b) Functional currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Company transacts and maintains its accounting records primarily in United States Dollars ("USD"), management has determined the USD to be the Company's functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

The condensed interim financial statements are presented in USD, which is the Company's functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

#### (c) Use of estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's interim results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period are outlined below:

##### (i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the condensed interim financial statements is included in the following notes.

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Significant increase in credit risk: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 2. Basis of preparation (continued)

#### (c) Use of estimates and judgements (continued)

##### (ii) *Assumptions and estimation uncertainties*

- Impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- Determination of the fair value of financial instruments with significant unobservable inputs.
- Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

#### **Coronavirus and impact on ECL**

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (“Covid-19”) outbreak has spread across the globe (including mainland China, Cambodia and beyond), causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL in which the calculation of the ECL in this current environment is subject to significant uncertainty. Management estimates have been determined based on possible forward-looking scenarios, considering the facts, circumstances, and forecast of the future economic conditions and supportable information that is available as at the reporting date.

### 3. Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended 31 December 2021.

### 4. Translation of United States Dollars into Khmer Riel

The condensed interim financial statements are expressed in United States Dollars (“USD”), which is the Company’s functional currency. The translations of USD amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with IAS21 – *the Effects of changes in Foreign Exchange Rate*.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital and other equity account are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR at the average rate for the reporting period, which has been deemed to approximate the exchange rate on the date of transactions as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as “Currency Translation Differences” in other comprehensive income.

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 4. Translation of United States Dollars into Khmer Riel (continued)

The Company uses the following exchange rates:

			Closing rate	Average rate twelve-month	Average rate three-month
31 December 2022	USD1	=	KHR4,117	KHR4,087	KHR4,129
31 December 2021	USD1	=	KHR4,074	KHR4,068	KHR4,072

These convenience translations should not be construed as representations that the USD amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

### 5. Seasonality

The principal businesses of the Company are to provide lending and other financial services to the citizenry and small and medium size enterprises, and to engage in all other activities that support these objectives. There is no significant seasonality factor associated with these business activities.

### 6. Cash on hand

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Head office	39,956,575	164,501,220	37,795,735	153,979,824
Branches	87,467,252	360,102,676	184,569,664	751,936,812
	<u>127,423,827</u>	<u>524,603,896</u>	<u>222,365,399</u>	<u>905,916,636</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 6. Cash on hand (continued)

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

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Cash on hand	127,423,827	524,603,896	222,365,399	905,916,636
<i>Balances with the NBC</i>				
Current accounts	64,590,618	265,919,574	139,856,737	569,776,347
Term deposits (original maturity up to three months)	372,869	1,535,102	373,638	1,522,201
<i>Balances with other banks</i>				
Current accounts	2,858,502	11,768,453	2,240,993	9,129,805
Savings accounts	147,697	608,069	90,418	368,363
Term deposits (original maturity up to three months)	3,000,000	12,351,000	-	-
	<u>198,393,513</u>	<u>816,786,094</u>	<u>364,927,185</u>	<u>1,486,713,352</u>

#### 7. Balances with the National Bank of Cambodia

	Note	31 December 2022		31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	(a)	64,590,618	265,919,574	139,856,737	569,776,347
Term deposits (original maturity up to three months)	(a)	372,869	1,535,102	373,638	1,522,201
Term deposits (original maturity of more than three months)	(a)	545,316	2,245,066	148,184	603,702
Capital guarantee	(b)	40,000,000	164,680,000	30,000,000	122,220,000
Reserve requirement	(c)	220,775,738	908,933,713	198,040,807	806,818,247
		<u>326,284,541</u>	<u>1,343,313,455</u>	<u>368,419,366</u>	<u>1,500,940,497</u>

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 7. Balances with the National Bank of Cambodia (continued)

#### (a) Current accounts and term deposits

Current accounts earn no interest.

Term deposits with original maturity up to three months earn annual interest rates ranging from 1.54% to 3.37% (31 December 2021: from 0.04% to 1.63%) and those with original maturity of more than three months earn annual interest rates ranging from 0.83% to 3.65% (31 December 2021: from 0.13% to 1.91%) during the periods.

Included in the above term deposits with original maturity of more than three months is the pledged Negotiable Certificate of Deposit (“NCD”) with the Central Bank amounting to USD251,000 as collateral for the Liquidity-Providing Collateralized Operation (“LPCO”). The term of the NCD pledged as collateral for LPCO is for the period of 6 months as following to the term of the LPCO, and it earns annual interest rate at 3.53% (2021: Nil).

#### (b) Capital guarantee

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. On 27 April 2022, the Company increased the capital guarantee to USD40 million, following the increase in share capital, which was approved by the NBC on 25 April 2022. 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 rate at 1.19% (31 December 2021: 0.04%) during the periods.

#### (c) Reserve requirement

This 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.

As of the reporting date, the Company has maintained sufficient minimum reserve requirement balance with NBC as per compliance with the above Prakas.

Subsequently, on 9 January 2023, the NBC announced, through Prakas No.B7-023-005, the increase of the Reserve Requirements Rate (“RRR”) to 9% and 12.5% for foreign currencies deposits and borrowings, which is effective from 1 January 2023 to 31 December 2023, and from 1 January 2024 onward, respectively. While, the RRR for local currency deposits and borrowings will remain at 7%.

The Company is a Deposit-taking microfinance institution, therefore, the RRR for local currency deposits and borrowings will be changed from 8% to 7% as a result of the above regulation.

On 30 January 2023, the Company submitted a request letter to NBC to top up the additional reserve in four instalments with the latest instalment by 30 November 2023. As of the date of this report, the Company has not yet received any response from the NBC.

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 8. Balances with other banks

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	2,858,502	11,768,453	2,240,993	9,129,805
Savings accounts	147,697	608,069	90,418	368,363
Term deposit (original maturity up to three months)	3,000,000	12,351,000	-	-
Gross balances with other banks	6,006,199	24,727,522	2,331,411	9,498,168
Allowance for impairment loss	(60,062)	(247,276)	(23,314)	(94,981)
	<u>5,946,137</u>	<u>24,480,246</u>	<u>2,308,097</u>	<u>9,403,187</u>

Current accounts earn annual interest rates up to 0.75% (31 December 2021: 0.00% to 0.75%); savings accounts earn annual interest rates ranging from 0.00% to 0.50% (31 December 2021: 0.00% to 0.20%) and term deposit earns annual interest rate at 3% (31 December 2021: Nil) during the periods.

#### 9. Loans to customers

Loans to customers are categorised as follows:

	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	KHR'000 equivalent (Note 4)
Individual loans	4,004,309,491	226,816,223	50,750,343	4,281,876,057	17,628,483,727
Small and medium enterprises	61,269,673	5,470,637	1,131,009	67,871,319	279,426,220
Staff loans	5,716,628	-	3,219	5,719,847	23,548,610
Group loans	85,134	4,070	11,305	100,509	413,796
	<u>4,071,380,926</u>	<u>232,290,930</u>	<u>51,895,876</u>	<u>4,355,567,732</u>	<u>17,931,872,353</u>
Unamortised loan processing fees	(37,763,634)	(1,932,452)	(374,887)	(40,070,973)	(164,972,196)
	<u>4,033,617,292</u>	<u>230,358,478</u>	<u>51,520,989</u>	<u>4,315,496,759</u>	<u>17,766,900,157</u>
Accrued interest receivable	30,138,917	2,431,552	2,017,935	34,588,404	142,400,459
	<u>4,063,756,209</u>	<u>232,790,030</u>	<u>53,538,924</u>	<u>4,350,085,163</u>	<u>17,909,300,616</u>
Allowance for impairment losses	(12,526,838)	(11,679,826)	(29,756,714)	(53,963,378)	(222,167,227)
	<u>4,051,229,371</u>	<u>221,110,204</u>	<u>23,782,210</u>	<u>4,296,121,785</u>	<u>17,687,133,389</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 9. Loans to customers (continued)

Loans to customers are categorised as follows: (continued)

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	KHR'000 equivalent (Note 4)
Individual loans	3,265,091,152	368,902,868	49,638,494	3,683,632,514	15,007,118,862
Small and medium enterprises	52,000,845	8,839,399	1,060,910	61,901,154	252,185,301
Staff loans	7,278,823	3,420	18,655	7,300,898	29,743,858
Group loans	135,996	18,863	22,067	176,926	720,797
	<b>3,324,506,816</b>	<b>377,764,550</b>	<b>50,740,126</b>	<b>3,753,011,492</b>	<b>15,289,768,818</b>
Unamortised loan processing fees	(31,195,926)	(3,300,001)	(344,684)	(34,840,611)	(141,940,649)
	<b>3,293,310,890</b>	<b>374,464,549</b>	<b>50,395,442</b>	<b>3,718,170,881</b>	<b>15,147,828,169</b>
Accrued interest receivable	24,831,162	3,238,478	2,117,904	30,187,544	122,984,054
	<b>3,318,142,052</b>	<b>377,703,027</b>	<b>52,513,346</b>	<b>3,748,358,425</b>	<b>15,270,812,223</b>
Allowance for impairment losses	(8,693,888)	(18,871,562)	(29,224,982)	(56,790,432)	(231,364,220)
	<b>3,309,448,164</b>	<b>358,831,465</b>	<b>23,288,364</b>	<b>3,691,567,993</b>	<b>15,039,448,003</b>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 9. Loans to customers (continued)

During the periods, the Company recognised the allowance for impairment losses on loans to customers, balances with other banks and other assets as follows:

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Loans to customers	19,014,983	77,714,236	14,722,763	59,892,200	5,875,855	24,261,405	(3,756,066)	(15,294,701)
Balances with other banks	36,748	150,189	(16,837)	(68,493)	29,402	121,401	(32,977)	(134,283)
Other assets	6,783	27,722	1,933	7,863	2,740	11,314	952	3,877
	<u>19,058,514</u>	<u>77,892,147</u>	<u>14,707,859</u>	<u>59,831,570</u>	<u>5,907,997</u>	<u>24,394,120</u>	<u>(3,788,091)</u>	<u>(15,425,107)</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 9. Loans to customers (continued)

Movements of allowance for impairment losses on loan to customers during the periods were as follows:

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance at the beginning of the period	56,790,432	231,364,220	49,613,493	200,686,579	69,929,560	288,039,856	68,092,322	277,748,581
Allowance for/(reversal of) impairment losses during the periods	19,014,983	77,714,236	14,722,763	59,892,200	5,875,855	24,261,405	(3,756,066)	(15,294,701)
Written-off during the periods	(21,842,037)	(89,268,406)	(7,545,824)	(30,696,412)	(21,842,037)	(90,185,771)	(7,545,824)	(30,726,595)
Currency translation differences	-	2,357,177	-	1,481,853	-	51,737	-	(363,065)
Balance at the end of the period	<u>53,963,378</u>	<u>222,167,227</u>	<u>56,790,432</u>	<u>231,364,220</u>	<u>53,963,378</u>	<u>222,167,227</u>	<u>56,790,432</u>	<u>231,364,220</u>

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 9. Loans to customers (continued)

Further analyses of loans to customers are set out below:

#### (a) By security

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Secured</i>				
Real estate (hard title)	1,988,387,055	8,186,189,505	1,649,002,901	6,718,037,818
Chattel	112,862	464,653	189,467	771,887
Deposit hold-out	2,596,512	10,689,840	2,530,818	10,310,554
Others	493,240	2,030,669	640,271	2,608,465
<i>Unsecured (*)</i>				
Real estate (soft title)	2,357,520,465	9,705,911,754	2,094,535,205	8,533,136,427
Chattel	505,877	2,082,696	363,670	1,481,591
Others	469,152	1,931,499	1,096,093	4,465,481
	<u>4,350,085,163</u>	<u>17,909,300,616</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>

(\*) These balances refer to the loans having collaterals with soft title deed and no collaterals which the management believes that they have high risk and treated them as unsecured loans.

#### (b) By residency, relationship, currency and industry sector

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Residency</i>				
Residents	<u>4,350,085,163</u>	<u>17,909,300,616</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>
<i>Relationship</i>				
External customers	4,344,363,930	17,885,746,300	3,741,058,685	15,241,073,082
Staff loans	<u>5,721,233</u>	<u>23,554,316</u>	<u>7,299,740</u>	<u>29,739,141</u>
	<u>4,350,085,163</u>	<u>17,909,300,616</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>
<i>Currency</i>				
USD	3,807,388,176	15,675,017,121	3,286,440,759	13,388,959,652
KHR	539,305,197	2,220,319,496	452,563,732	1,843,744,644
THB	<u>3,391,790</u>	<u>13,963,999</u>	<u>9,353,934</u>	<u>38,107,927</u>
	<u>4,350,085,163</u>	<u>17,909,300,616</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 9. Loans to customers (continued)

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

##### (b) By residency, relationship, currency and industry sector (continued)

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Industry sector</i>				
Trade and commerce	1,168,443,276	4,810,480,967	1,006,083,731	4,098,785,121
Service	715,963,592	2,947,622,108	650,895,034	2,651,746,369
Real-estate	666,094,479	2,742,310,970	536,199,895	2,184,478,372
Home improvement	580,109,380	2,388,310,317	453,670,525	1,848,253,719
Agriculture	514,068,358	2,116,419,430	445,927,277	1,816,707,726
Automobiles	327,666,923	1,349,004,722	299,573,327	1,220,461,734
Transportation	253,111,335	1,042,059,366	249,173,560	1,015,133,083
Manufacturing	48,430,882	199,389,941	45,502,628	185,377,706
Construction	47,556,510	195,790,152	39,316,458	160,175,250
Personal	28,640,428	117,912,643	22,015,990	89,693,143
	<u>4,350,085,163</u>	<u>17,909,300,616</u>	<u>3,748,358,425</u>	<u>15,270,812,223</u>

#### 10. Other assets

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Prepayments	3,413,531	14,053,507	1,188,294	4,841,110
Deposits	950,824	3,914,542	611,637	2,491,809
Long-term investment	28,167	115,964	28,167	114,752
Others	802	3,302	104	424
	<u>4,393,324</u>	<u>18,087,315</u>	<u>1,828,202</u>	<u>7,448,095</u>
Allowance for impairment losses	<u>(19,016)</u>	<u>(78,289)</u>	<u>(12,233)</u>	<u>(49,837)</u>
	<u>4,374,308</u>	<u>18,009,026</u>	<u>1,815,969</u>	<u>7,398,258</u>

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 11. Property and equipment

For the twelve-month period ended 31 December 2022

	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD	KHR'000 equivalent (Note 4)
<b>Cost</b>									
Balance at the beginning of the period	5,517,131	2,851,723	360,678	9,797,701	2,419,207	344,072	288,696	21,579,208	87,913,693
Additions	453,373	308,500	-	475,794	23,570	3,277	778,179	2,042,693	8,348,486
Disposals/write-offs	(131,500)	(240,500)	-	(529,968)	(73,230)	(924)	-	(976,122)	(3,989,411)
Transfers	203,960	-	-	763,003	46,309	-	(1,013,272)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	959,904
Balance at the end of the period	<u>6,042,964</u>	<u>2,919,723</u>	<u>360,678</u>	<u>10,506,530</u>	<u>2,415,856</u>	<u>346,425</u>	<u>53,603</u>	<u>22,645,779</u>	<u>93,232,672</u>
<b>Less: Accumulated depreciation</b>									
Balance at the beginning of the period	4,582,179	2,313,720	353,407	7,235,877	1,952,147	280,360	-	16,717,690	68,107,868
Depreciation for the period	380,665	270,708	3,588	1,278,298	141,300	31,464	-	2,106,023	8,607,316
Disposals/write-offs	(130,619)	(240,500)	-	(519,923)	(72,703)	(924)	-	(964,669)	(3,942,602)
Currency translation differences	-	-	-	-	-	-	-	-	753,102
Balance at the end of the period	<u>4,832,225</u>	<u>2,343,928</u>	<u>356,995</u>	<u>7,994,252</u>	<u>2,020,744</u>	<u>310,900</u>	<u>-</u>	<u>17,859,044</u>	<u>73,525,684</u>
<b>Carrying amounts</b>									
Balance at the end of the period	<u>1,210,739</u>	<u>575,795</u>	<u>3,683</u>	<u>2,512,278</u>	<u>395,112</u>	<u>35,525</u>	<u>53,603</u>	<u>4,786,735</u>	<u>19,706,988</u>

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 11. Property and equipment (continued)

For the twelve-month period ended 31 December 2021

	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD	KHR'000 equivalent (Note 4)
<b>Cost</b>									
Balance at the beginning of the period	5,355,637	3,037,394	360,678	9,030,420	2,401,455	326,356	295,714	20,807,654	84,166,960
Additions	190,187	97,500	-	365,373	5,674	17,716	605,922	1,282,372	5,216,689
Disposals/write-offs	(55,778)	(283,171)	-	(165,606)	(6,263)	-	-	(510,818)	(2,078,008)
Transfers	27,085	-	-	567,514	18,341	-	(612,940)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	608,052
Balance at the end of the period	<u>5,517,131</u>	<u>2,851,723</u>	<u>360,678</u>	<u>9,797,701</u>	<u>2,419,207</u>	<u>344,072</u>	<u>288,696</u>	<u>21,579,208</u>	<u>87,913,693</u>
<b>Less: Accumulated depreciation</b>									
Balance at the beginning of the period	4,222,332	2,315,084	349,819	6,215,744	1,788,910	252,962	-	15,144,851	61,260,921
Depreciation for the period	413,709	273,348	3,588	1,184,888	169,500	27,398	-	2,072,431	8,430,649
Disposals/write-offs	(53,862)	(274,712)	-	(164,755)	(6,263)	-	-	(499,592)	(2,032,340)
Currency translation differences	-	-	-	-	-	-	-	-	448,638
Balance at the end of the period	<u>4,582,179</u>	<u>2,313,720</u>	<u>353,407</u>	<u>7,235,877</u>	<u>1,952,147</u>	<u>280,360</u>	<u>-</u>	<u>16,717,690</u>	<u>68,107,868</u>
<b>Carrying amounts</b>									
Balance at the end of the period	<u>934,952</u>	<u>538,003</u>	<u>7,271</u>	<u>2,561,824</u>	<u>467,060</u>	<u>63,712</u>	<u>288,696</u>	<u>4,861,518</u>	<u>19,805,825</u>

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 12. Right-of-use assets

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

	For the twelve-month period ended 31 December 2022			
	Office space USD	ATM space USD	Total USD	KHR'000 equivalent (Note 4)
<b>Cost</b>				
Balance at the beginning of the period	30,328,390	811,909	31,140,299	126,865,578
Additions	6,458,024	313,816	6,771,840	27,676,510
Terminations	(41,539)	-	(41,539)	(169,770)
Expirations	(3,146,559)	(448,088)	(3,594,647)	(14,691,322)
Currency translation differences	-	-	-	1,433,103
Balance at the end of the period	<u>33,598,316</u>	<u>677,637</u>	<u>34,275,953</u>	<u>141,114,099</u>
<b>Less: Accumulated depreciation</b>				
Balance at the beginning of the period	14,414,971	627,685	15,042,656	61,283,780
Depreciation for the period	4,202,112	181,825	4,383,937	17,917,151
Terminations	(39,303)	-	(39,303)	(160,630)
Expirations	(3,146,559)	(448,088)	(3,594,647)	(14,691,322)
Currency translation differences	-	-	-	669,333
Balance at the end of the period	<u>15,431,221</u>	<u>361,422</u>	<u>15,792,643</u>	<u>65,018,312</u>
<b>Carrying amounts</b>				
Balance at the end of the period	<u>18,167,095</u>	<u>316,215</u>	<u>18,483,310</u>	<u>76,095,787</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 12. Right-of-use assets (continued)

	For the twelve-month period ended 31 December 2021			
	Office space USD	ATM space USD	Total USD	KHR'000 equivalent (Note 4)
<b>Cost</b>				
Balance at the beginning of the period	25,638,528	717,053	26,355,581	106,608,325
Additions	4,689,862	94,856	4,784,718	19,464,233
Currency translation differences	-	-	-	793,020
Balance at the end of the period	<u>30,328,390</u>	<u>811,909</u>	<u>31,140,299</u>	<u>126,865,578</u>
<b>Less: Accumulated depreciation</b>				
Balance at the beginning of the period	10,579,042	454,360	11,033,402	44,630,111
Depreciation for the period	3,835,929	173,325	4,009,254	16,309,647
Currency translation differences	-	-	-	344,022
Balance at the end of the period	<u>14,414,971</u>	<u>627,685</u>	<u>15,042,656</u>	<u>61,283,780</u>
<b>Carrying amounts</b>				
Balance at the end of the period	<u>15,913,419</u>	<u>184,224</u>	<u>16,097,643</u>	<u>65,581,798</u>

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 13. Intangible assets

	For the twelve-month period ended 31 December 2022				
	Computer software USD	Core banking system license USD	Work in progress USD	Total USD	Total KHR'000 equivalent (Note 4)
<b>Cost</b>					
Balance at the beginning of the period	1,264,054	2,891,587	-	4,155,641	16,930,081
Additions	-	-	16,800	16,800	68,662
Currency translation differences	-	-	-	-	179,197
Balance at the end of the period	<u>1,264,054</u>	<u>2,891,587</u>	<u>16,800</u>	<u>4,172,441</u>	<u>17,177,940</u>
<b>Less: Accumulated amortisation</b>					
Balance at the beginning of the period	925,837	1,875,275	-	2,801,112	11,411,732
Amortisation for the period	103,650	188,352	-	292,002	1,193,412
Currency translation differences	-	-	-	-	129,207
Balance at the end of the period	<u>1,029,487</u>	<u>2,063,627</u>	<u>-</u>	<u>3,093,114</u>	<u>12,734,351</u>
<b>Carrying amounts</b>					
Balance at the end of the period	<u>234,567</u>	<u>827,960</u>	<u>16,800</u>	<u>1,079,327</u>	<u>4,443,589</u>

	For the twelve-month period ended 31 December 2021			
	Computer software USD	Core banking system license USD	Total USD	Total KHR'000 equivalent (Note 4)
<b>Cost</b>				
Balance at the beginning of the period	1,220,319	2,891,587	4,111,906	16,632,661
Additions	43,735	-	43,735	177,914
Currency translation differences	-	-	-	119,506
Balance at the end of the period	<u>1,264,054</u>	<u>2,891,587</u>	<u>4,155,641</u>	<u>16,930,081</u>
<b>Less: Accumulated amortisation</b>				
Balance at the beginning of the period	817,815	1,686,923	2,504,738	10,131,666
Amortisation for the period	108,022	188,352	296,374	1,205,648
Currency translation differences	-	-	-	74,416
Balance at the end of the period	<u>925,837</u>	<u>1,875,275</u>	<u>2,801,112</u>	<u>11,411,730</u>
<b>Carrying amounts</b>				
Balance at the end of the period	<u>338,217</u>	<u>1,016,312</u>	<u>1,354,529</u>	<u>5,518,351</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 14. Deposits from banks and other financial institutions

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Term deposits	49,856,431	205,258,927	77,619,435	316,221,578
Savings deposits	180,687	743,888	4,262,143	17,363,971
	<u>50,037,118</u>	<u>206,002,815</u>	<u>81,881,578</u>	<u>333,585,549</u>

Deposits from banks and other financial institutions are further analysed as follows:

##### (a) By relationship

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Non-related parties	27,277,134	112,299,961	62,727,192	255,550,580
Related parties	22,759,984	93,702,854	19,154,386	78,034,969
	<u>50,037,118</u>	<u>206,002,815</u>	<u>81,881,578</u>	<u>333,585,549</u>

##### (b) By range of annual interest rates

	31 December 2022	31 December 2021
Term deposits		
USD	3.00% - 6.50%	2.00% - 5.25%
KHR	N/A	N/A
Savings deposits		
USD	0.00%	0.00%
KHR	0.00%	0.00%

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 15. Deposits from customers

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Term deposits	2,576,555,725	10,607,679,920	2,397,228,295	9,766,308,074
Savings deposits	150,652,137	620,234,848	136,102,560	554,481,829
	<u>2,727,207,862</u>	<u>11,227,914,768</u>	<u>2,533,330,855</u>	<u>10,320,789,903</u>

Deposits from customers are further analysed as follows:

#### (a) By relationship

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Non-related parties	2,710,332,854	11,158,440,360	2,481,756,245	10,110,674,942
Related parties	16,875,008	69,474,408	51,574,610	210,114,961
	<u>2,727,207,862</u>	<u>11,227,914,768</u>	<u>2,533,330,855</u>	<u>10,320,789,903</u>

#### (b) By range of annual interest rates

	31 December 2022	31 December 2021
Term deposits		
USD	2.75% - 8.50%	0.75% - 8.25%
KHR	2.00% - 10.15%	2.00% - 10.15%
THB	0.10% - 7.25%	0.10% - 8.00%
Savings deposits		
USD	0.00% - 3.00%	0.00% - 3.00%
KHR	0.00% - 3.00%	0.00% - 3.00%
THB	0.00% - 0.10%	0.00% - 0.10%

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 16. Borrowings

The Company has entered into borrowing agreements with various lenders, including both related and non-related parties. Borrowings are unsecured and the repayments of principal and interest are made either on quarterly, semi-annual or annual basis based on the repayment schedule for each of the borrowing agreements.

As at 31 December 2022, the Company is in breach of one of the covenants on a borrowing with carrying amount of USD17,142,857 and bond guarantor agreement over its bond payables. The covenant states that at the end of each reporting period, the Company's available stable funding cannot be lower than 85% of the required stable funding, otherwise the borrowing will be payable on demand. However, as at 31 December 2022, the Company's available stable funding was at only 83.63% of the required stable funding.

The Company received email correspondences on 8 February 2023 and 13 February 2023 from guarantor and lender, respectively, with approval to revise the above ratio from 85% to 80% for the reporting period up to 31 March 2023. On the basis of the new covenant and its forecasts, management believes that the risk of new covenant being breached is low. The Company is working on processing the official waiver letter following the above emails.

Borrowings are further analysed as follows:

#### (a) By relationship

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Non-related parties	689,092,420	2,836,993,493	715,840,327	2,916,333,492
Related parties	282,167,005	1,161,681,560	113,981,537	464,360,782
	<u>971,259,425</u>	<u>3,998,675,053</u>	<u>829,821,864</u>	<u>3,380,694,274</u>

#### (b) By range of annual interest rates

	31 December 2022	31 December 2021
USD	2.00% - 10.21%	2.00% - 6.98%
KHR	2.00% - 7.40%	2.00% - 7.50%
THB	N/A	8.37% - 8.84%

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 17. Bonds payable

In April 2020, the Company issued KHR127.2 billion (equivalent to USD31.17 million) fixed rate guaranteed bonds due on 23 April 2023. The bonds are guaranteed by the Credit Guarantee and Investment Facility, a trust fund of Asian Development Bank (“ADB”). The bonds are listed on the Cambodia Securities Exchange (“CSX”) and were priced at KHR100,000 per bond with a coupon rate of 7.50% per annum, and are payable on a semi-annual basis commencing on 23 October 2020. The Company incurred debts issuance costs amounting to KHR6.21 billion (equivalent to USD1.52 million).

As at 31 December 2022, the carrying value of the bonds payable is USD31,168,428 (equivalent to KHR128.32 billion) (31 December 2021: USD31,342,099 equivalent to KHR127.69 billion). During the twelve-month period ended 31 December 2022, the Company incurred interest expense on the issued bonds amounting to USD2,510,158 (equivalent to KHR10.26 billion) (31 December 2021: USD2,601,274 equivalent to KHR10.58 billion) (Note 25).

### 18. Subordinated debts

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Subordinated debts	<u>89,677,427</u>	<u>369,201,967</u>	<u>105,191,790</u>	<u>428,551,352</u>

These are subordinated debts from foreign lenders, non-related parties, amounting to USD39,402,454 (equivalent to KHR162.22 billion) (31 December 2021: USD54,999,653 equivalent to KHR224.1 billion) and shareholder amounting to USD50,274,973 (equivalent to KHR206.98 billion) (31 December 2021: USD50,192,137 equivalent to KHR204.5 billion), which are repayable based on the agreed schedules stated in each loan agreement. The subordinated debt from shareholder was approved by the NBC such that it can be included as Tier 2 Capital for purpose of net worth calculation. The annual interest rates ranged from 6.98% to 10.47% (31 December 2021: 6.98% to 10.47%) during the period.

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 19. Lease liabilities

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<b>Maturity analysis – contractual undiscounted cash flows</b>				
Less than one year	5,293,989	21,795,353	4,494,357	18,310,009
One to five years	13,801,905	56,822,442	11,814,043	48,130,411
More than five years	4,326,301	17,811,381	2,713,396	11,054,377
<b>Total undiscounted lease liabilities</b>	<b>23,422,195</b>	<b>96,429,176</b>	<b>19,021,796</b>	<b>77,494,797</b>
<b>Present value of lease liabilities</b>				
Current	3,998,954	16,463,692	3,407,054	13,880,338
Non-current	14,974,273	61,649,084	12,184,384	49,639,180
	<b>18,973,227</b>	<b>78,112,776</b>	<b>15,591,438</b>	<b>63,519,518</b>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 19. Lease liabilities (continued)

##### Amounts recognised in profit or loss

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Expenses relating to short-term leases and lower-value assets	726,076	2,967,473	815,242	3,316,404	138,635	572,424	226,265	921,351
Interest on lease liabilities	1,898,088	7,757,486	1,703,815	6,931,119	284,803	1,175,952	905,865	3,688,682
	<u>2,624,164</u>	<u>10,724,959</u>	<u>2,519,057</u>	<u>10,247,523</u>	<u>423,438</u>	<u>1,748,376</u>	<u>1,132,130</u>	<u>4,610,033</u>

##### Amounts recognised in condensed interim statement of cash flows

	For the twelve-month period ended			
	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Total cash outflows for leases:				
Principal portion	(3,973,113)	(16,238,113)	(3,618,098)	(14,718,423)
Interest portion	(1,325,325)	(5,416,603)	(1,703,815)	(6,931,119)
	<u>(5,298,438)</u>	<u>(21,654,716)</u>	<u>(5,321,913)</u>	<u>(21,649,542)</u>

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 20. 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 condensed interim financial statements could change at a later date upon final determination by the GDT.

#### (a) 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.

Based on ANUKRET on Tax Incentive in CSX, the Company is entitled to reduce half amount of its tax on income within the duration of tax incentive period. In order to get the incentives, the Company needs to submit the request to the General Department of Taxation ("GDT") through the Securities and Exchange Regulator of Cambodia ("SERC") (formerly known as Securities and Exchange Commission of Cambodia ("SECC") until 8 April 2021).

On 4 February 2021, the Company received the letter from SERC informing that the request was submitted to GDT. The Company has submitted a clarification letter to GDT regarding the approval on tax incentive. On 11 March 2021, the Company received the approval from the GDT on the tax incentives for the fiscal year 2020 and 2021 following the Prakas No. 183 dated 25 January 2020 on the implementation guidance on the incentive on tax on profit for the IPO enterprise.

On 17 December 2021, the Company received the letter from SERC informing the Company to submit the clarification letter to GDT on the tax incentive for fiscal year 2021. On 30 December 2021 the Company submitted a clarification letter to GDT regarding the tax incentive for the fiscal year 2021. On 3 February 2022, the Company received the confirmation letter from the GDT on the tax incentives for the fiscal year 2021 and 2022 following the Prakas No. 183 dated 25 January 2020 on the implementation guidance on the incentive on tax on profit for the IPO enterprise.

On 6 January 2023, the Company received the letter from SERC informing the Company to submit the clarification letter to GDT on the tax incentive for fiscal year 2022. On 12 January 2023 the Company submitted a clarification letter to GDT regarding the tax incentive for the fiscal year 2022. On 10 February 2023, the Company received the confirmation letter from the GDT on the tax incentives for the fiscal year 2022 following the Prakas No. 183 dated 25 January 2020 on the implementation guidance on the incentive on tax on profit for the IPO enterprise.

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 20. Income tax (continued)

##### (a) Income tax expense (continued)

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current tax at applicable tax rate	47,234,851	193,048,836	39,678,014	161,410,161	10,306,107	42,553,916	9,358,901	38,109,445
Under provision from prior period	1,156,005	4,724,592	-	-	-	-	-	-
Tax incentive on bond listing	(783,078)	(3,200,440)	(718,172)	(2,921,524)	(139,699)	(576,817)	(139,077)	(566,322)
Current tax	47,607,778	194,572,988	38,959,842	158,488,637	10,166,408	41,977,099	9,219,824	37,543,123
Deferred tax	(2,789,245)	(11,399,644)	(822,784)	(3,347,085)	1,611,502	6,653,891	727,798	2,963,594
	<u>44,818,533</u>	<u>183,173,344</u>	<u>38,137,058</u>	<u>155,141,552</u>	<u>11,777,910</u>	<u>48,630,990</u>	<u>9,947,622</u>	<u>40,506,717</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 20. Income tax (continued)

##### (a) Income tax expense (continued)

The reconciliation of income tax expense shown in the condensed interim statement of profit or loss and other comprehensive income was as follows:

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Profit before income tax	226,093,878	924,045,678	193,638,022	787,719,474	58,956,727	243,432,327	50,095,372	203,988,354
Income tax expense at applicable tax rate of 20%	45,218,776	184,809,138	38,727,604	157,543,893	11,791,345	48,686,464	10,019,074	40,797,669
Non-deductible expenses	382,835	1,564,646	127,626	519,183	126,264	521,343	67,625	275,370
Tax incentive on bond listing	(783,078)	(3,200,440)	(718,172)	(2,921,524)	(139,699)	(576,817)	(139,077)	(566,322)
	44,818,533	183,173,344	38,137,058	155,141,552	11,777,910	48,630,990	9,947,622	40,506,717

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 20. Income tax (continued)

##### (b) Income tax payable

Movements of income tax payable during the periods were as follows:

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance at the beginning of the period	34,153,679	139,142,088	24,076,695	97,390,231	32,220,966	132,718,159	26,322,967	107,371,382
Current income tax at applicable tax rate	47,234,851	193,048,836	39,678,014	161,410,161	10,306,107	42,553,916	9,358,901	38,109,445
Under provision from prior period	1,156,005	4,724,592	-	-	-	-	-	-
Tax incentive on bond listing	(783,078)	(3,200,440)	(718,172)	(2,921,524)	(139,699)	(576,817)	(139,077)	(566,322)
Income tax paid	(40,712,538)	(166,392,143)	(28,882,858)	(117,495,466)	(1,338,455)	(5,526,481)	(1,389,112)	(5,656,464)
Currency translation differences	-	1,675,467	-	758,686	-	(170,377)	-	(115,953)
Balance at the end of the period	<u>41,048,919</u>	<u>168,998,400</u>	<u>34,153,679</u>	<u>139,142,088</u>	<u>41,048,919</u>	<u>168,998,400</u>	<u>34,153,679</u>	<u>139,142,088</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 20. Income tax (continued)

##### (c) Deferred tax assets, net

Details of deferred tax assets/(liabilities) were as follows:

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Unamortised loan fees	8,014,195	32,994,441	6,968,122	28,388,129
Allowance for impairment losses	3,823,667	15,742,037	3,510,062	14,299,992
Unused annual leave	462,589	1,904,479	440,040	1,792,723
Provision for employee benefits	206,285	849,275	47,581	193,845
Accrued interest receivable	65,611	270,120	5,696	23,206
Right-of-use assets and lease liabilities	192,513	792,576	122,870	500,572
Unamortised borrowing fees	174,356	717,824	282,493	1,150,876
Property, equipment and intangible assets	(271,576)	(1,118,078)	(242,527)	(988,055)
Management incentive	471,285	1,940,280	-	-
Foreign exchange differences	1,377,955	5,673,041	593,298	2,417,097
Deferred tax assets, net	<u>14,516,880</u>	<u>59,765,995</u>	<u>11,727,635</u>	<u>47,778,385</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 21. Provision for employee benefits

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance as at the beginning of period	237,906	969,229	435,375	1,761,092	2,690,398	11,081,749	1,502,962	6,130,582
Recognised in profit or loss	4,909,046	20,063,271	3,925,784	15,970,089	1,009,703	4,169,064	1,116,888	4,547,968
Payments during the period	(4,115,527)	(16,820,159)	(4,123,253)	(16,773,393)	(2,668,676)	(11,018,963)	(2,381,944)	(9,699,276)
Currency translation differences	-	34,036	-	11,441	-	14,527	-	(10,045)
Balance at the end of the period	<u>1,031,425</u>	<u>4,246,377</u>	<u>237,906</u>	<u>969,229</u>	<u>1,031,425</u>	<u>4,246,377</u>	<u>237,906</u>	<u>969,229</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 22. Other liabilities

	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Accrued bonus and incentive	2,844,695	11,711,609	6,329,705	25,787,218
Accrued expenses	3,546,830	14,602,299	2,832,493	11,539,576
Withholding tax payable	1,933,604	7,960,648	1,360,438	5,542,424
Account payables	498,573	2,052,625	1,913,161	7,794,218
Tax on salary	4,166,259	17,152,488	2,186,046	8,905,951
Others	8,625	35,507	6,009	24,484
	<u>12,998,586</u>	<u>53,515,176</u>	<u>14,627,852</u>	<u>59,593,871</u>

#### 23. Equity and reserves

##### (a) Share capital

On 11 March 2022, the Company requested to the National Bank of Cambodia (“NBC”) to increase its share capital from USD300,000,000 to USD400,000,000 by way of capitalising the retained earnings. This request was approved by the NBC on 25 April 2022. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 28 April 2022.

All 400,000,000 ordinary shares are registered, issued, and paid-up with a par value of KHR4,000 per share.

The details of shareholders and shareholding structure are as follows:

	31 December 2022		
	USD	KHR'000 equivalent (Note 4)	%
KB	399,999,999	1,599,999,996	99.99999975%
KBC	<u>1</u>	<u>4</u>	<u>0.00000025%</u>
	<u>400,000,000</u>	<u>1,600,000,000</u>	<u>100%</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 23. Equity and reserves (continued)

##### (a) Share capital (continued)

The details of shareholders and shareholding structure are as follows: (continued)

	31 December 2021		
	USD	KHR'000 equivalent (Note 4)	%
KB	299,999,999	1,199,999,996	99.99999967%
KBC	1	4	0.00000033%
	<u>300,000,000</u>	<u>1,200,000,000</u>	<u>100%</u>

Abbreviation:

KB : Kookmin Bank Co.Ltd.

KBC : Kookmin Bank Cambodia Plc.

##### (b) Regulatory reserve

The movements in regulatory reserve during the period were as follows:

	For the twelve-month period ended			
	31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Balance at the beginning of the period	24,738,149	100,536,219	461,332	1,778,127
Transfer from retained earnings	<u>7,134,778</u>	<u>29,159,838</u>	<u>24,276,817</u>	<u>98,758,092</u>
Balance at the end of the period	<u>31,872,927</u>	<u>129,696,057</u>	<u>24,738,149</u>	<u>100,536,219</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 24. Interest income

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Individual loans	592,737,604	2,422,518,588	505,355,683	2,055,786,918	154,001,588	635,872,557	132,184,399	538,254,874
Group loans	20,577	84,098	40,981	166,711	4,517	18,651	7,606	30,971
Balances with other banks	75,197	307,330	154,204	627,302	1,303	5,380	24,475	99,662
Balances with NBC	392,244	1,603,101	41,510	168,863	203,910	841,944	4,339	17,668
	<u>593,225,622</u>	<u>2,424,513,117</u>	<u>505,592,378</u>	<u>2,056,749,794</u>	<u>154,211,318</u>	<u>636,738,532</u>	<u>132,220,819</u>	<u>538,403,175</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 25. Interest expense

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Deposits from customers	170,880,491	698,388,567	144,469,925	587,703,654	43,906,087	181,288,231	38,876,038	158,303,227
Borrowings	58,914,368	240,783,022	47,986,130	195,207,577	17,842,672	73,672,393	12,017,927	48,936,999
Subordinated debts	9,397,981	38,409,548	11,255,052	45,785,552	2,055,896	8,488,795	2,832,908	11,535,601
Bonds payable	2,510,158	10,259,016	2,601,274	10,581,983	573,509	2,368,019	647,662	2,637,280
Deposits from banks and other financial institutions	2,036,982	8,325,145	2,132,478	8,674,921	435,370	1,797,643	440,068	1,791,957
Lease liabilities	1,898,088	7,757,486	1,703,815	6,931,119	284,803	1,175,952	905,865	3,688,682
	<u>245,638,068</u>	<u>1,003,922,784</u>	<u>210,148,674</u>	<u>854,884,806</u>	<u>65,098,337</u>	<u>268,791,033</u>	<u>55,720,468</u>	<u>226,893,746</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 26. Net fees and commission income

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Instalment fee income	8,995,973	36,766,542	7,900,268	32,138,290	2,114,589	8,731,138	1,503,635	6,122,802
Local remittance services income	682,171	2,788,033	717,422	2,918,473	170,909	705,683	170,968	696,181
<b>Fees and commission income</b>	<b>9,678,144</b>	<b>39,554,575</b>	<b>8,617,690</b>	<b>35,056,763</b>	<b>2,285,498</b>	<b>9,436,821</b>	<b>1,674,603</b>	<b>6,818,983</b>
Borrowing fee	(1,388,196)	(5,673,557)	-	-	(379,736)	(1,567,930)	-	-
Bank charges on borrowings	(123,142)	(503,281)	(116,689)	(474,691)	(43,389)	(179,153)	(19,858)	(80,862)
Others	(5,392)	(22,038)	(1,320)	(5,370)	(1,723)	(7,114)	(495)	(2,015)
<b>Fees and commission expense</b>	<b>(1,516,730)</b>	<b>(6,198,876)</b>	<b>(118,009)</b>	<b>(480,061)</b>	<b>(424,848)</b>	<b>(1,754,197)</b>	<b>(20,353)</b>	<b>(82,877)</b>
<b>Net fees and commission income</b>	<b>8,161,414</b>	<b>33,355,699</b>	<b>8,499,681</b>	<b>34,576,702</b>	<b>1,860,650</b>	<b>7,682,624</b>	<b>1,654,250</b>	<b>6,736,106</b>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 27. Other income

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Penalty from late repayment of loan	4,544,683	18,574,119	5,643,476	22,957,660	789,823	3,261,179	1,128,631	4,595,785
Recovery of loans written-off	4,159,268	16,998,928	3,038,061	12,358,832	545,574	2,252,675	724,171	2,948,824
Others	1,034,510	4,228,043	1,116,593	4,542,301	211,718	874,184	282,968	1,152,246
	<u>9,738,461</u>	<u>39,801,090</u>	<u>9,798,130</u>	<u>39,858,793</u>	<u>1,547,115</u>	<u>6,388,038</u>	<u>2,135,770</u>	<u>8,696,855</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 28. Personnel expenses

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Salaries, bonuses and incentives	85,466,888	349,303,171	78,667,732	320,020,334	20,151,743	83,206,547	27,349,852	111,368,597
Employee benefits	4,909,046	20,063,271	3,925,784	15,970,089	1,009,703	4,169,064	1,116,888	4,547,968
Employee social welfare fund expenses	1,264,902	5,169,654	1,148,216	4,670,943	373,773	1,543,309	307,795	1,253,341
Staff uniform	611,542	2,499,372	279,480	1,136,925	597,817	2,468,386	279,480	1,138,043
Medical expenses	75,730	309,509	46,586	189,512	16,484	68,062	11,664	47,496
Other employee benefits	637,051	2,603,628	511,131	2,079,280	(808,193)	(3,337,029)	(849,165)	(3,457,800)
	<u>92,965,159</u>	<u>379,948,605</u>	<u>84,578,929</u>	<u>344,067,083</u>	<u>21,341,327</u>	<u>88,118,339</u>	<u>28,216,514</u>	<u>114,897,645</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 29. General and administrative expenses

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Fuel costs	4,300,351	17,575,535	3,722,551	15,143,337	1,170,173	4,831,644	966,101	3,933,963
Professional fees	2,884,305	11,788,155	635,696	2,586,011	892,658	3,685,785	145,221	591,340
Maintenance	1,683,302	6,879,655	1,169,673	4,758,230	423,770	1,749,746	347,493	1,414,991
Transportation	1,266,196	5,174,943	1,127,650	4,587,280	347,743	1,435,831	312,119	1,270,949
Printing and stationery	1,217,217	4,974,766	1,426,967	5,804,902	290,456	1,199,293	399,764	1,627,839
Utilities	1,190,345	4,864,940	1,101,733	4,481,850	283,230	1,169,457	209,897	854,701
Communications	930,355	3,802,361	854,179	3,474,800	248,833	1,027,431	223,748	911,102
Other tax expenses	815,266	3,331,992	204,860	833,370	479,706	1,980,706	119,969	488,514
Rental expenses	726,076	2,967,473	815,242	3,316,404	138,635	572,424	226,265	921,351
Marketing and promotions	631,883	2,582,506	408,671	1,662,474	170,017	702,000	136,350	555,217
License fees	505,754	2,067,017	1,064,783	4,331,537	126,482	522,244	603,749	2,458,466
Entertainment expense	383,029	1,565,440	101,005	410,888	137,431	567,453	63,080	256,861
Office supplies	301,365	1,231,679	272,483	1,108,461	62,118	256,485	29,926	121,859
Stamp Tax	257,488	1,052,353	592,720	2,411,185	21,246	87,725	328,306	1,336,862
Donation	237,589	971,026	182,420	742,085	77,355	319,399	3,519	14,329
Training	158,229	646,682	51,075	207,773	40,498	167,216	12,867	52,394
Travelling	153,715	628,233	50,887	207,008	49,967	206,314	9,279	37,784
Bank charges	131,464	537,293	226,453	921,211	60,104	248,169	22,507	91,649
Other expenses	613,634	2,507,921	521,067	2,119,702	218,525	902,290	199,003	810,341
	<u>18,387,563</u>	<u>75,149,970</u>	<u>14,530,115</u>	<u>59,108,508</u>	<u>5,238,947</u>	<u>21,631,612</u>	<u>4,359,163</u>	<u>17,750,512</u>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 30. Depreciation and amortization

	For the twelve-month period ended				For the three-month period ended			
	31 December 2022		31 December 2021		31 December 2022		31 December 2021	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Property and equipment	2,106,023	8,607,316	2,072,431	8,430,649	541,441	2,235,610	527,799	2,149,198
Intangible assets	292,002	1,193,412	296,374	1,205,648	70,264	290,120	74,921	305,078
Right-of-use assets	4,383,937	17,917,151	4,009,254	16,309,647	1,047,941	4,326,948	853,303	3,474,650
	<u>6,781,962</u>	<u>27,717,879</u>	<u>6,378,059</u>	<u>25,945,944</u>	<u>1,659,646</u>	<u>6,852,678</u>	<u>1,456,023</u>	<u>5,928,926</u>

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 31. Net cash used in operating activities

	Note	For the twelve-month period ended 31 December 2022		For the twelve-month period ended 31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Net profit for the period		181,275,345	740,872,334	155,500,964	632,577,922
<i>Adjustments for:</i>					
Depreciation and amortisation	30	6,781,962	27,717,879	6,378,059	25,945,944
Gain on disposal of property and equipment		(99,235)	(405,573)	(100,550)	(409,037)
Net interest income		(347,587,554)	(1,420,590,333)	(295,443,704)	(1,201,864,988)
Allowance for impairment losses	9	19,058,514	77,892,147	14,707,859	59,831,570
Income tax expense	20(a)	44,818,533	183,173,344	38,137,058	155,141,552
Provision for employee benefits	21	4,909,046	20,063,271	3,925,784	15,970,089
Unrealised exchange losses		3,284,314	13,422,991	1,902,630	7,739,898
		(87,559,075)	(357,853,940)	(74,991,900)	(305,067,050)
<i>Changes in:</i>					
Balances with the NBC		(22,734,931)	(92,917,663)	(35,306,817)	(143,628,132)
Loans to customers		(624,681,480)	(2,553,073,209)	(729,372,289)	(2,967,086,472)
Other assets		(2,552,587)	(10,432,424)	(476,806)	(1,939,647)
Deposits from banks and other financial institutions		(31,120,531)	(127,189,610)	44,067,315	179,265,837
Deposits from customers		183,018,294	747,995,768	450,965,847	1,834,529,066
Other liabilities		(1,629,266)	(6,658,810)	6,754,251	27,476,293
Cash used in operations		(587,259,576)	(2,400,129,888)	(338,360,399)	(1,376,450,105)
Interest received		588,824,762	2,406,526,802	501,636,323	2,040,656,562
Interest paid		(235,049,874)	(960,648,835)	(201,351,671)	(819,098,599)
Income tax paid	20(b)	(40,712,538)	(166,392,143)	(28,882,858)	(117,495,466)
Employee benefits paid	21	(4,115,527)	(16,820,159)	(4,123,253)	(16,773,393)
<b>Net cash used in operating activities</b>		<b>(278,312,753)</b>	<b>(1,137,464,223)</b>	<b>(71,081,858)</b>	<b>(289,161,001)</b>

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 32. Related party transactions and balances

##### (a) Significant transactions with related parties

		For the twelve-month period ended				For the three-month period ended			
		31 December 2022		31 December 2021		31 December 2022		31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Transactions</i>	<i>Related parties</i>								
Fees and related expenses	Board of Directors	277,097	1,132,495	209,629	852,771	71,239	294,146	41,250	167,970
Interest expense	Board of Directors	1,424	5,820	1,973	8,026	678	2,799	28	114
	Shareholders	2,389,394	9,765,453	611,167	2,486,227	1,128,581	4,659,911	92,762	377,727
	Key management personnel	818,664	3,345,880	2,164,060	8,803,396	176,267	727,806	698,164	2,842,924
	Other related parties	11,925,002	48,737,483	9,032,127	36,742,693	3,942,119	16,277,009	2,315,244	9,427,674
Fees and commissions on loans	Shareholders	1,498,131	6,122,861	833,993	3,392,684	317,565	1,311,226	178,923	728,574
Salaries and employee benefits	Key management personnel	4,992,254	20,403,342	6,555,033	26,665,874	2,029,453	8,379,611	2,778,704	11,314,883
Interest income	Key management personnel	62,386	254,972	84,011	341,757	12,244	50,555	25,856	105,286
Employee benefits expense	Key management personnel	207,703	848,882	316,982	1,289,483	95,979	396,297	137,154	558,491
Management incentive	Key management personnel	5,636,800	23,037,602	5,780,027	23,513,150	3,174,593	13,107,894	5,780,027	23,536,270

## PRASAC Microfinance Institution Plc.

### Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

#### 32. Related party transactions and balances (continued)

##### (b) Balances with related parties

		31 December 2022		31 December 2021	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Accounts</i>	<i>Related parties</i>				
Deposits	Directors and key management personnel	16,875,008	69,474,408	51,574,610	210,114,961
	KB Daehan Specialized Bank Plc.	970	3,993	4,001,000	16,300,074
	KB Bank Myanmar Co., Ltd.	22,759,014	93,698,861	15,153,386	61,734,895
		<u>39,634,992</u>	<u>163,177,262</u>	<u>70,728,996</u>	<u>288,149,930</u>
Loans	Directors and key management personnel	<u>527,521</u>	<u>2,171,804</u>	<u>1,006,948</u>	<u>4,102,306</u>
Borrowings	KB	135,444,846	557,626,431	-	-
	KBC	7,938,656	32,683,447	7,974,847	32,489,527
	KB Daehan Specialized Bank Plc.	2,922,965	12,033,847	2,953,984	12,034,531
	Other KB related parties	135,860,538	559,337,835	103,052,706	419,836,724
		<u>282,167,005</u>	<u>1,161,681,560</u>	<u>113,981,537</u>	<u>464,360,782</u>
Subordinated debts	KB	<u>50,274,973</u>	<u>206,982,064</u>	<u>50,192,137</u>	<u>204,482,766</u>
Accrued management incentive	Directors and key management personnel	<u>2,353,859</u>	<u>9,690,838</u>	<u>5,780,027</u>	<u>23,547,830</u>

#### 33. 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 reporting 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.

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 33. Fair values of financial assets and liabilities (continued)

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of CIFRS 7, *Financial Instruments Disclosures* which requires the fair value information to be disclosed. The fair values of the Company's financial instruments such as cash and short-term funds, balances with the NBC, balances with other banks, deposits from customers, deposit from banks and other financial institution, 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 values of these financial assets and liabilities at the reporting 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 of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

Input into the models may include data from third party and information obtained from other market participants, which includes observed primary and secondary transactions. Its carrying value approximates to fair value at the reporting date.

- *Deposits from banks and other financial institutions, and deposits from customers*

The fair value of deposits from banks and other financial institutions and deposits from customers with maturities of less than one year approximates their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits and placements of other banks and financial institutions and deposits from customers with remaining maturities of more than one year are expected to approximate their carrying amount because the Company offered similar interest rate of the instrument with similar maturities and terms.

The estimated fair value of deposits with no stated maturities, which includes non-interest bearing current accounts and savings deposits, is the amount payable at the reporting date.

# PRASAC Microfinance Institution Plc.

## Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022

### 33. Fair values of financial assets and liabilities (continued)

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

- *Borrowings and subordinated debts*

The fair value of borrowings and subordinated debts are estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles.

However, only the contractual interest rates which are confirmed and provided by all lenders are available at the reporting date instead of the applicable prevailing market interest rates. The Company believed that the contractual interest rates were not significantly different to the prevailing market interest rates on the ground that there was no change to interest rates following the lenders' consideration on the Company's credit risk profile as at reporting date. On this basis, the fair value of borrowings and subordinated debts approximates their carrying values at the reporting date.

- *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.

#### **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.

# **PRASAC Microfinance Institution Plc.**

## **Notes to the condensed interim financial statements (continued) for the three-month and twelve-month periods ended 31 December 2022**

### **34. Tax contingency**

On 26 April 2022, the Company received a tax notification letter from the General Department of Taxation ("GDT") for a comprehensive tax audit for the period from 1 January 2020 to 31 December 2021. As at the date of this report, the GDT has yet issued any result to the Company.

Taxes are calculated on the basis of current interpretation of the tax regulations enacted at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.