



THE FOURTH QUARTERLY REPORT

31 December 2022

PRASAC MICROFINANCE INSTITUTION PLC.

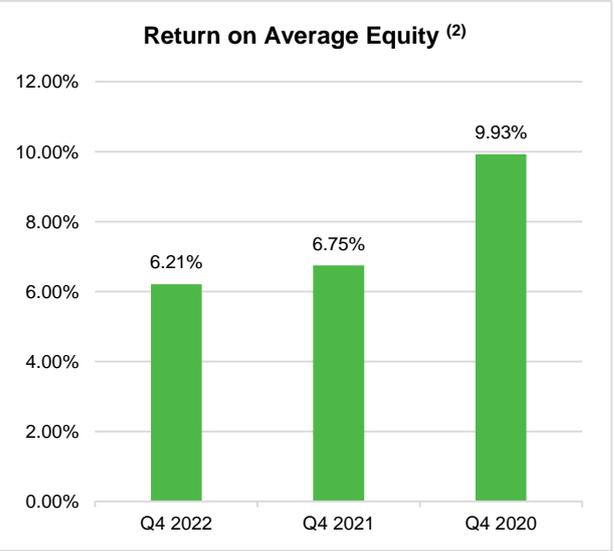
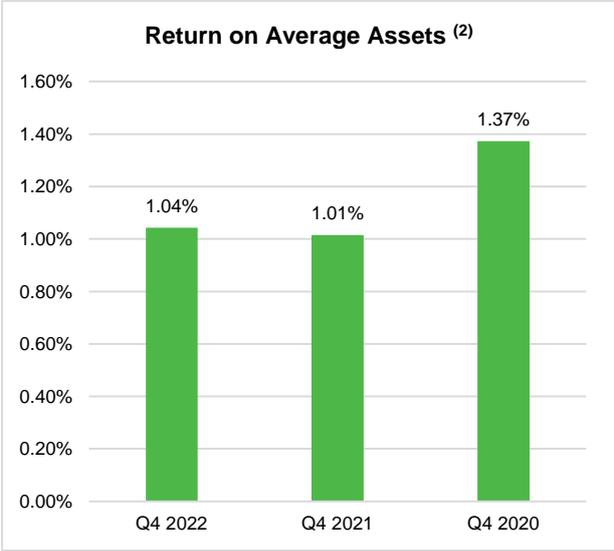
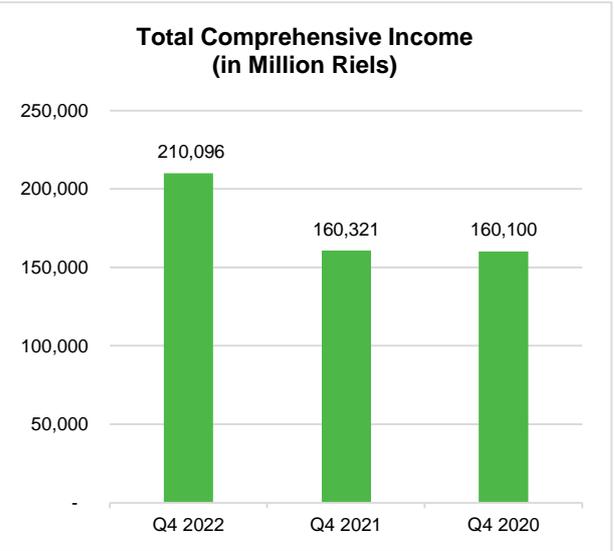
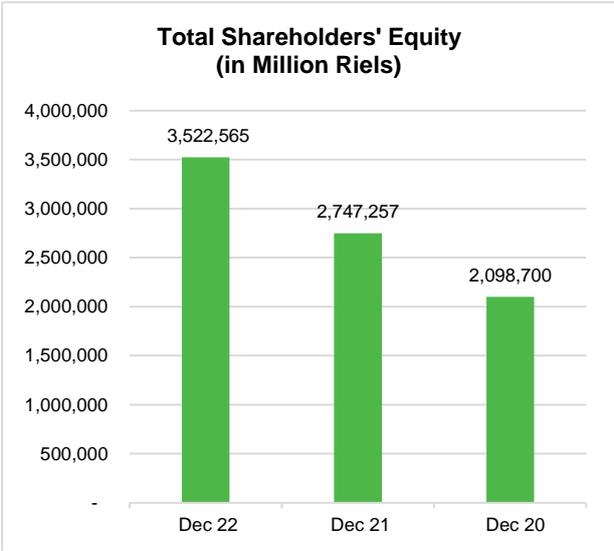
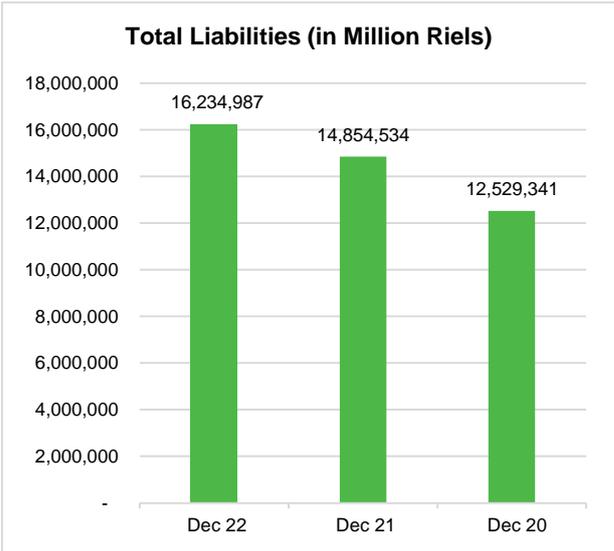
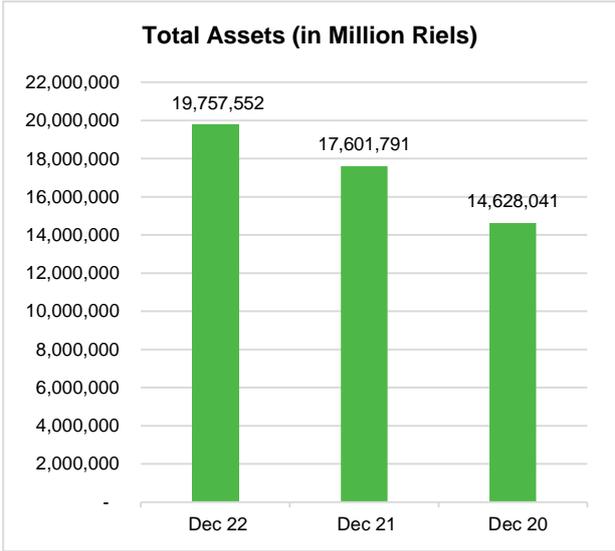
FINANCIAL HIGHLIGHT

Financial Position (in Million Riels)	December 2022	December 2021	December 2020
Total Assets	19,757,552	17,601,791	14,628,041
Total Liabilities	16,234,987	14,854,534	12,529,341
Total Shareholders' Equity	3,522,565	2,747,257	2,098,700
Profit/(Loss) (in Million Riels)	Quarter 4 2022	Quarter 4 2021	Quarter 4 2020
Total Revenues	654,974	555,968	490,636
Profit/(Loss) Before Tax	243,432	203,988	230,918
Profit/(Loss) After Tax	194,801	163,482	187,140
Total Comprehensive Income	210,096	160,321	160,100
Financial Ratios (for Banking and Financial Institutions)	December 2022	December 2021	December 2020
Solvency Ratio	19.02%	18.98%	18.91%
Debt to Equity Ratio	460.89%	540.70%	597.00%
Liquidity Coverage Ratio	119.05%	160.31%	232.78%
Non-Performing Loans Ratio ⁽¹⁾	1.19%	1.54%	1.37%
Deposit to Loan Ratio	63.84%	69.77%	69.74%
Financial Ratios (for Banking and Financial Institutions)	Quarter 4 2022	Quarter 4 2021	Quarter 4 2020
Return on Average Assets ⁽²⁾	1.04%	1.01%	1.37%
Return on Average Equity ⁽²⁾	6.21%	6.75%	9.93%
Interest Coverage Ratio	190.57%	189.90%	215.95%
Earnings per Share (For equity listed entity)	N/A	N/A	N/A
Dividend per Share (For equity listed entity)	N/A	N/A	N/A
Other Important Ratios (If any)	N/A	N/A	N/A

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

⁽²⁾ The ratios were calculated by using net profit for the three-month period from 1 October to 31 December 2022

FINANCIAL SUMMARY CHARTS



BOARD OF DIRECTORS



Mr. JUN Kwi Sang
Chairman



Mr. OUM Sam Oeun
Director



Mr. CHUNG Hui Tae
Director



Dr. CHOI Dong Hyun
Director



Mr. PAK Jaehong
Independent Director



Mr. LEE Kyung Cheon
Independent Director



Mr. CHAN Sophal
Independent Director

MESSAGE FROM CHAIRMAN

It is our pleasure to present the financial performance of PRASAC Microfinance Institution Plc. in the Q4 of 2022, following the requirements of the Securities and Exchange Regulator of Cambodia (SERC).

Thanks to the Royal Government of Cambodia's introduction of the "Living with COVID-19" strategy in late 2021 after the success of swift and high vaccination against Covid-19, Cambodia's economy was recovering well in the reporting period, but global headwinds could pose risks to a positive outlook in months to come. The World Bank forecasts economic growth of 4.8 percent in 2022 thanks to a rebound in tourism and the resilience of garment industry, travel goods and footwear exports. Total international visitor arrivals have steadily increased. Business and consumer confidence have risen and both domestic and foreign investment have increased. Economic growth is projected to accelerate to 5.2 percent in 2023. However, Cambodia's economy is particularly vulnerable to rising inflation, slower global economic growth, decreased availability of energy supplies, and higher interest rates.

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

In this quarter, PRASAC actively promoted savings habit among Cambodian people by waiving the Initial Deposit and Minimum Balance for Savings Account and increasing the rate of Term Deposit Account up to 7.75% per annum. We joined NBC and CMA's events such as 43rd Anniversary of Re-establishment of National Bank of Cambodia and ASEAN Savings Day and UNIDO's Business and Skill Innovation Camp to promote the savings.

On financial performance side, PRASAC once again has demonstrated a strong growth on all main parameters, including the total assets, deposits and loans, profit as well as financial technology. We have learned a lot from the challenges of the past several years that made PRASAC become a strong and stable institution for 27 years of sustainable growth. As results of the end of Q4 of 2022, the total assets were USD 4.80 billion, growing 11.08% compared to same quarter of 2021. The deposit balance increased to USD 2.78 billion, and the gross loan portfolio amounted up to USD 4.35 billion. The shareholder's equity also grew and reached USD 856 million. The registered capital was USD 400 million in the reporting period.

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

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

The Board and shareholders have confidence that PRASAC's leadership, strategy and people will enable PRASAC to continue its high level of performance for all stakeholders.

On behalf of the Board of Directors, I wish to thank PRASAC's management and staff for their hard work, dynamism and strong dedication to grow the business along with customer's growth in harmony.

I also wish to thank the Board of Directors, shareholders, customers, the Royal Government of Cambodia and especially the National Bank of Cambodia (NBC), Securities and Exchange Regulator of Cambodia (SERC) and Cambodia Securities Exchange (CSX) for their continuous support and advice.

13 February 2023



JUN Kwi Sang
Chairman

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PART 1 - GENERAL INFORMATION OF THE LISTED ENTITY

A. IDENTITY OF THE LISTED ENTITY

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

B. NATURE OF BUSINESS

PRASAC has a microfinance deposit taking license from the National Bank of Cambodia (NBC), and has operated for 27 years in the microfinance and banking industry in Cambodia. PRASAC is currently the largest microfinance institution in terms of assets, loan portfolio, loan quality, net profit, customer deposits and ranks among the top five commercial banks in Cambodia.

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

As a market leader with total assets of USD 4.80 billion as of 31 December 2022, PRASAC operates the second largest branch network, with 182 branches in Cambodia. PRASAC has strong financial

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

C. QUARTER'S KEY EVENTS

- During Q4 2022, PRASAC has entered into 4 bilateral deals for 3 years term with local lenders in amount of Khmer Riel currency equivalent of USD 27.75 million to support its lending activities.
- During Q4 2022, PRASAC signed 2 Deal Confirmation Letters in the amount of USD 65 million with Kookmin Bank Head Quarter for day-to-day operational support and liquidity.
- In October 2022, PRASAC has disbursed syndication loan in the amount of USD 30 million with a group of Banks and Financial Institutions led by 3 Mandated Lead Arrangers and Bookrunners to support its lending activities.
- PRASAC increased rate of Term Deposit Account up to 7.75% per annum.
- PRASAC congratulated the 43rd Anniversary of Re-establishment of National Bank of Cambodia.
- PRASAC participated in promoting and cultivating savings habit during the occasion of ASEAN Savings Day in Siem Reap Province.
- PRASAC waived the Initial Deposit and Minimum Balance for Savings Account.
- PRASAC participated in Business and Skill Innovation Camp 2022 in Takeo Province.
- PRASAC participated in Business and Skill Innovation Camp 2022 in Kampong Cham Province.

PART 2 - INFORMATION ON BUSINESS OPERATION PERFORMANCE

A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS INFORMATION

Key Achievement	December 2022	December 2021	December 2020
Loan			
Number of Borrowers	502,094	465,149	442,833
Total Gross Loans (in Million Riels)	17,909,301	15,270,812	12,249,042
Deposit			
Number of Depositors	713,811	660,976	627,188
Total Deposit (in Million Riels)	11,433,198	10,654,376	8,542,691
Others			
Operating Branches	182	182	182
Number of Staffs	9,573	9,330	9,042
Number of POS Terminals	440	505	514
Number of ATMs	163	141	141
Number of Active ATM Cards	54,669	53,454	56,060
Number of Active Mobile & Internet Banking	140,181	39,856	21,213

B. REVENUE STRUCTURE

No.	Source of Revenue	Quarter 4 2022		Quarter 4 2021		Quarter 4 2020	
		Amount (in Million Riel)	(%)	Amount (in Million Riel)	(%)	Amount (in Million Riel)	(%)
1	Interest income	636,739	97.22%	538,403	96.84%	469,477	95.69%
2	Fees and commission income	9,437	1.44%	6,819	1.23%	9,438	1.92%
3	Other income	8,798	1.34%	10,746	1.93%	11,721	2.39%
Total revenue		654,974	100%	555,968	100%	490,636	100%

PART 3 - FINANCIAL STATEMENTS REVIEWED BY THE EXTERNAL AUDITOR

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

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

The following discussion and analysis are the discussion of PRASAC's management team on the operational results and financial situation based on Financial Statement as of 31 December 2022, which is reviewed by KPMG Cambodia Ltd (Independent Auditors). Financial Statement have been prepared in accordance with Cambodian International Financial Reporting Standard (CIFRS) and follows regulations and guidelines of National Bank of Cambodia. The management team discussed and analyzed only the key component of the Financial Statement and key factors that affect PRASAC's profitability.

A. OVERVIEW OF OPERATIONS

1. REVENUE ANALYSIS

PRASAC generates revenue from the three major sources as follows:

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

2. REVENUE BY SEGMENT ANALYSIS

No.	Source of Revenue	Quarter 4 2022		Quarter 4 2021	
		Amount (in Million Riel)	Percentage (%)	Amount (in Million Riel)	Percentage (%)
1	Interest income	636,739	97.22%	538,403	96.84%
2	Fees and commission income	9,437	1.44%	6,819	1.23%
3	Other income	8,798	1.34%	10,746	1.93%
	Total revenue	654,974	100%	555,968	100%

Interest income is the main source for PRASAC to generate revenue. In the fourth quarter of 2022, interest income represents 97.22% of the total revenue while 99.87% of the total interest income generated from the loans from customer. Comparing to prior year with the same period, there is no much fluctuation movement of PRASAC's revenue by segment.

3. GROSS PROFIT MARGIN ANALYSIS

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

4. PROFIT / (LOSS) BEFORE INCOME TAX ANALYSIS

Statement of Profit or Loss Before Income Tax	Quarter 4 2022 (in Million Riel)	Quarter 4 2021 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Interest income	636,739	538,403	98,336	18.26%
Interest expense	(268,791)	(226,894)	(41,897)	18.47%
Net interest income	367,948	311,509	56,439	18.12%
Fees and commission income	9,437	6,819	2,618	38.39%
Fees and commission expense	(1,754)	(83)	(1,671)	2013.25%
Net fees and commission income	7,683	6,736	947	14.06%
Other income	6,388	8,697	(2,309)	-26.55%
Grant income	1,628	2,049	(421)	-20.55%
Net foreign exchange gain/(loss)	782	(1,851)	2,633	-142.25%
Total other income	8,798	8,895	(97)	-1.09%
Total interest, fees, commission and other income	384,429	327,140	57,289	17.51%
Personnel expenses	(88,118)	(114,898)	26,780	-23.31%
Allowance for impairment losses	(24,394)	15,425	(39,819)	-258.15%
General and administrative expenses	(21,632)	(17,751)	(3,881)	21.86%
Depreciation and amortization	(6,853)	(5,928)	(925)	15.60%
Profit before income tax	243,432	203,988	39,444	19.34%

In the fourth quarter of 2022, profit before income tax increased by KHR 39,444 million equivalent to 19.34% compared to the same period in 2021. The main reason of increasing profit before income tax during this quarter is interest income which is grew by KHR 98,336 million due to growth of gross loan portfolios as well as the decreasing of personnel expense of KHR 26,780 equivalent to -23.31% compared to Q4 2021.

5. PROFIT / (LOSS) AFTER INCOME TAX ANALYSIS

Statement of Profit or Loss After Income Tax	Quarter 4 2022 (in Million Riel)	Quarter 4 2021 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Profit before income tax	243,432	203,988	39,444	19.34%
Income tax expense	(48,631)	(40,506)	(8,125)	20.06%
Net profit for the period	194,801	163,482	31,319	19.16%

In the fourth quarter 2022, profit after income tax had significantly increased by KHR 31,319 million equivalent to 19.16% that caused the income tax expense also increased. Due to the result of net

profit in Q4 2022, PRASAC has achieved a great result with Return on Average Assets of 1.04% and Return on Average Equity of 6.21% for three-month period of net profit from 1 October to 31 December 2022.

6. TOTAL COMPREHENSIVE INCOME / (LOSS) ANALYSIS

Statement of Comprehensive Income	Quarter 4 2022 (in Million Riel)	Quarter 4 2021 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Net profit for the period	194,801	163,482	31,319	19.16%
Translation difference	15,295	(3,161)	18,456	-583.87%
Total comprehensive income	210,096	160,321	49,775	31.05%

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

7. FACTORS AND TRENDS ANALYSIS AFFECTING FINANCIAL CONDITIONS AND RESULTS

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

B. SIGNIFICANT FACTORS AFFECTING PROFIT

1. DEMAND AND SUPPLY CONDITIONS ANALYSIS

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

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

2. FLUCTUATIONS IN PRICES OF RAW MATERIALS ANALYSIS

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

3. TAX ANALYSIS

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

4. EXCEPTIONAL AND EXTRAORDINARY ITEMS ANALYSIS

At the date of this report, management is not aware of any exceptional and extraordinary items, transaction or event of a material and unusual nature accruing that may significantly impact to the financial statement of the Company except for the COVID-19 pandemic.

C. MATERIAL CHANGES IN SALES AND REVENUE

In quarter 4 of 2022, PRASAC earned total revenue around KHR 654,974 million increased 17.81% compared to the same period in prior year. Net interest income increased from KHR 311,509 million to KHR 367,948 million, while gross loan portfolio increased 16.05%.

IMPACT OF FOREIGN EXCHANGE, INTEREST RATES AND COMMODITY PRICES

1. FOREIGN EXCHANGE RISK

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

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

Limit

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

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

Actions on Forex

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

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

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

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

As at 31 December 2022 (in Million Riel or Percentage)	USD	KHR	THB	Total
Assets	17,355,230	2,388,337	13,985	19,757,552
Liabilities and capital	17,983,998	1,772,983	571	19,757,552
Off-balance sheet assets	494,246	400	-	494,646
Off-balance sheet liabilities	494,246	400	-	494,646
(+) long / (-) short	(628,768)	615,354	13,414	-
Net open position / net worth %	-18.57%	18.17%	0.40%	-
Limit %	± 20%	± 20%	± 20%	-
Excess	N/A	N/A	N/A	-

2. INTEREST RATE RISK

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

As at 31 December 2022 in Million Riel	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest sensitive	Total
Financial assets							
Cash on hand	-	-	-	-	-	524,604	524,604
Balances with the NBC	618	1,523	1,639	-	164,680	1,174,853	1,343,313
Balances with other banks	12,742	-	-	-	-	11,738	24,480
Loans to customers	8,563	27,171	243,951	7,654,762	9,752,686	-	17,687,133
Other assets	-	-	-	-	-	3,956	3,956
Total financial assets	21,923	28,694	245,590	7,654,762	9,917,366	1,715,151	19,583,486
Financial liabilities							
Deposits from banks and other financial institutions	53,602	21,514	130,886	-	-	-	206,002
Deposits from customers	1,727,520	2,297,647	6,889,471	305,034	8,243	-	11,227,915
Borrowings	-	626,809	551,838	2,803,328	16,700	-	3,998,675
Bonds payable	-	-	128,320	-	-	-	128,320
Subordinated debts	-	-	12,459	356,743	-	-	369,202
Other liabilities	-	-	-	-	-	28,402	28,402
Total financial liabilities	1,781,122	2,945,970	7,712,974	3,465,105	24,943	28,402	15,958,516
Maturity Gap	(1,759,199)	(2,917,276)	(7,467,384)	4,189,657	9,892,423	1,686,749	3,624,970

Risk Mitigation:

Re-pricing Gap Management

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

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

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

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

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

Net Interest Income Simulation

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

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

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

Duration-Weighted Re-pricing Gap

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

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

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

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

Interest Rate Risk Limits

The Interest Rate Risk limits are as follows:

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

Interest Rate Risk Management Actions

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

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

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

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

D. IMPACT OF INFLATION

- Inflation is very important for PRASAC because PRASAC typically deal normal financial instrument such as making loan about 89.52% of its total assets of which 12.38%, 0.08% and 87.54% is in Khmer Riel, Bath Thai and United States Dollar respectively.
- The Cambodian economy is expected to grow by 5.4% in 2022 and around 6% in 2023.
- In the lasts 5 years record the CPI stood at an average year-on year of 2.5% p.a.
- The economy is to a large extent dollarized; the exchange rate moves within a small bandwidth for the last ten years.
- Registered unemployment at 0.6% in 2021.
- GDP of Cambodia for 2022 will increase to 5.1% (IMF April 2022).

E. ECONOMIC, FISCAL AND MONETARY POLICY OF ROYAL GOVERNMENT

- Reduce tax for tourism sectors. Improve infrastructure and reduce cost of operation. Reduce 6 holidays in year to increase productivities.
- Reserve USD 3 billion ahead for possible impacts COVID-19 and European Union's everything but Arm's (EBA) trade scheme.
- Reserve USD 600 million to 800 million to lend to banks and MFIs to stimulus economy.
- Delay in offering seniority payment to employees for year 2020.
- Cambodia reduces all expenses for 3 years (strategic plan for 2021-2023).
- The government adjusted quarantine measures and prepare special arrangements for potential investors, technical experts and consultants who come to the Kingdom.
- The RGC has planned to launch the Post-COVID-19 Economic Recovery Plan 2021-2023 based on 3 approaches, survival, reform, and resilience. The plan focuses on high value-added manufacturing, agriculture, domestic production (SME), E-commerce, and tourism.

The National Bank of Cambodia (NBC)'s interventions:

- NBC requested banks and financial institutions to reduce loan-related fees and cancel fines for borrowers for the rest of the year as the Kingdom battles the COVID-19 pandemic.
- Encourage to continue lending to priority sectors (i.e. tourism, garment, construction, ...)
- Reduce the interest rate on the Liquidity-Providing Collateralized Operation (LPCO) up to 0.5%. Decrease the interest rate for the Negotiable Certificate of Deposits (NCD).
- Reduce the Reserve Requirement Rate (RRR) on deposit balance from 8% for KHR and 12.5% for USD to 7%.
- Reduce Liquidity Coverage Ratio (LCR) to appropriate level if it is necessary.
- Encourage all institutions and clients to use digital financial services rather than use cheque or cash for payment.
- Postpone the maintenance of Capital Conservation Buffer at 50%.
- National Bank of Cambodia launches 10 policies to support Cambodia's economic growth in 2022.
- The NBC has asked financial institutions to implement flexible measures for borrowers who have been affected by flood.

PART 5 - OTHER NECESSARY INFORMATION FOR INVESTOR PROTECTION

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

CGIF has been assigned credit ratings of:

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

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

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

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

Signature of Directors of the Listed Entity

13 February 2023
Seen and Agreed



The image shows a blue circular stamp for PRASAC Microfinance Institution Plc. The stamp contains the text: "ក្រុមហ៊ុនមីក្រូហិរញ្ញវត្ថុ ប្រទេសកម្ពុជា", "ស្ថាប័នហិរញ្ញវត្ថុមីក្រូ ប្រទេសកម្ពុជា", "PRASAC MICROFINANCE INSTITUTION PLC.", and "PRASAC MFI PLC.". A handwritten signature in blue ink is written over the stamp.

Mr. JUN Kwi Sang
Chairman



PRASAC MICROFINANCE INSTITUTION PLC.

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Private Company