



Annual Report 2020

31 December 2020

PRASAC Microfinance Institution Plc.

VISION

To improve the living standard of rural people contributing to sustainable economic development by being a financially viable microfinance institution.

MISSION

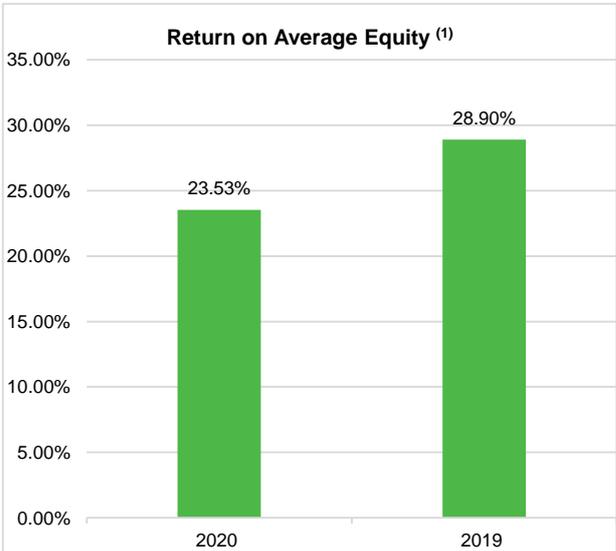
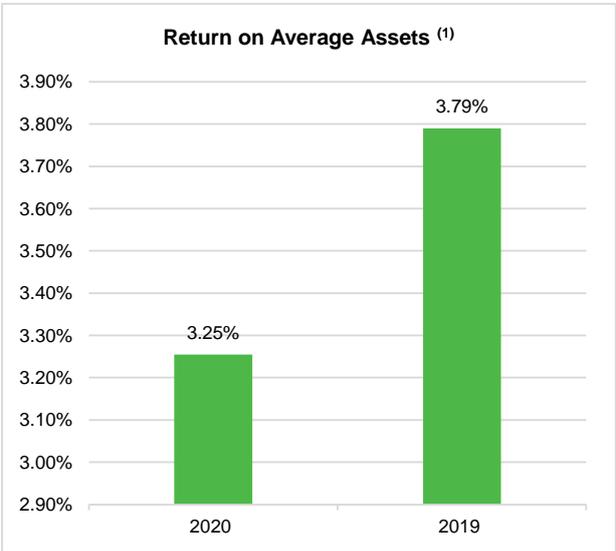
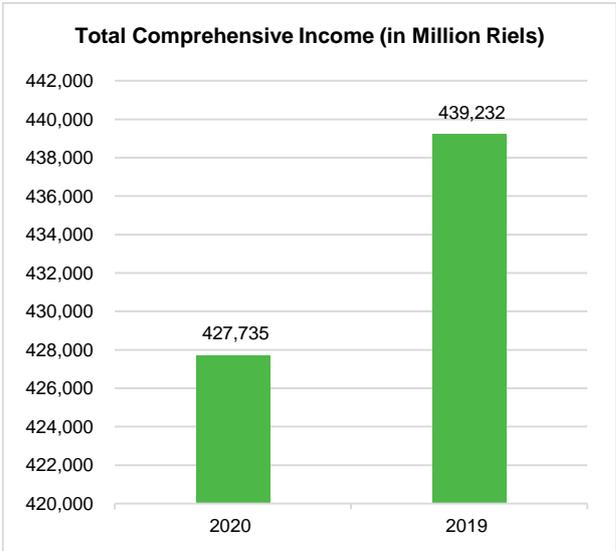
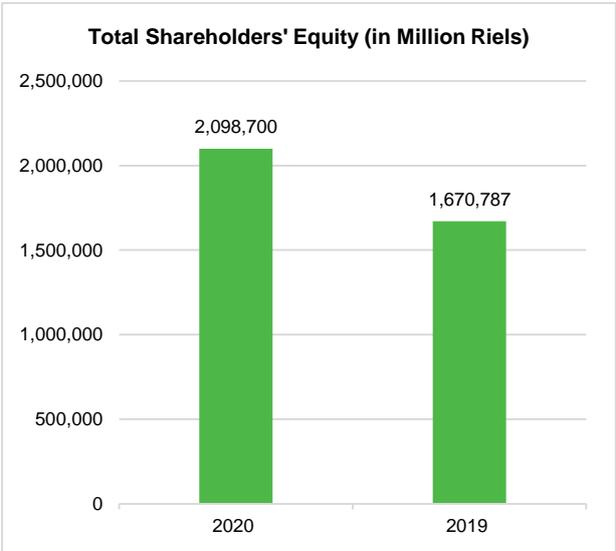
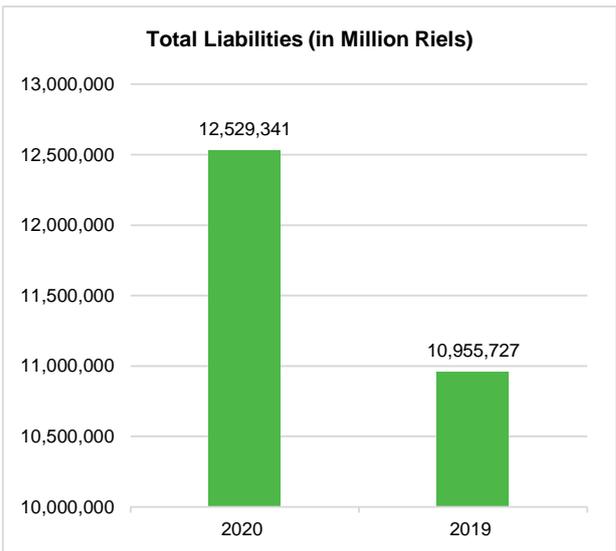
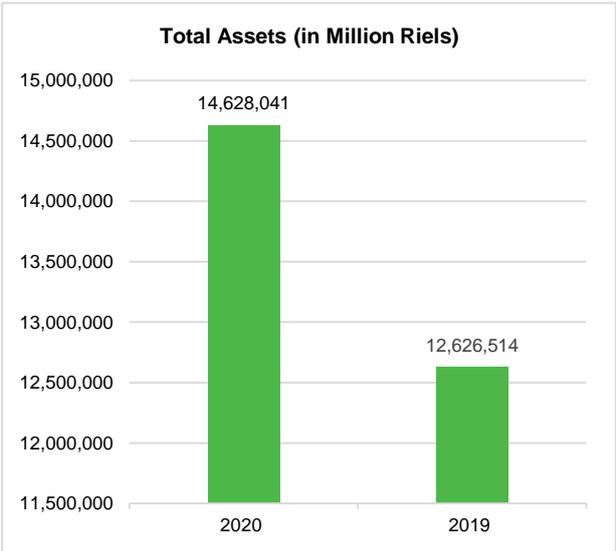
To provide sustainable access to financial services for rural communities and micro-enterprises.

FINANCIAL HIGHLIGHT

Financial Position (in Million Riels)	2020	2019
Total Assets	14,628,041	12,626,514
Total Liabilities	12,529,341	10,955,727
Total Shareholders' Equity	2,098,700	1,670,787
Profit/(Loss) (in Million Riels)	2020	2019
Total Revenues	1,825,598	1,564,865
Profit/(Loss) Before Tax	551,575	524,521
Profit/(Loss) After Tax	443,518	419,404
Total Comprehensive Income	427,735	439,232
Financial Ratios (for Banking and Financial Institutions)	2020	2019
Solvency Ratio	18.91%	20.23%
Debt to Equity Ratio	597.00%	655.72%
Liquidity Coverage Ratio	232.78%	172.94%
Non-Performing Loans Ratio	1.37%	0.31%
Deposit to Loan Ratio	69.21%	72.46%
Return on Average Assets ⁽¹⁾	3.25%	3.79%
Return on Average Equity ⁽¹⁾	23.53%	28.90%
Interest Coverage Ratio	168.18%	178.66%
Earnings per Share (For equity listed entity)	N/A	N/A
Dividend per Share (For equity listed entity)	N/A	N/A
Other Important Ratios (If any)	N/A	N/A

⁽¹⁾ The ratios were calculated by using net profit for twelve-month period from 01 January to 31 December 2020

FINANCIAL SUMMARY CHARTS



ANNUAL STATISTICAL SUMMARY OF THE LISTED ENTITY'S PERFORMANCE

Financial Performance (in Million Riels)	2020	2019
Total Assets	14,628,041	12,626,514
Total Shareholders' Equity	2,098,700	1,670,787
Total Comprehensive Income	427,735	439,232
Return on Average Assets ⁽¹⁾	3.25%	3.79%
Return on Average Equity ⁽¹⁾	23.53%	28.90%
Total Gross Loans	12,048,356	10,058,019
Total Deposit	8,338,219	7,288,272
Deposit to Loan Ratio	69.21%	72.46%
Solvency Ratio	18.91%	20.23%
Liquidity Coverage Ratio	232.78%	172.94%
PAR >= 30 Days	1.88%	0.36%
Gross Loans Portfolio to Total Assets Ratio	82.36%	79.66%
Operating Expenses to Average Gross Loans Portfolio	3.31%	3.58%
Cost to income ratio	36.06%	35.53%
Yield on Average Gross Loans Portfolio	16.04%	16.50%

BOARD OF DIRECTORS



Mr. Kwi Sang JUN
Chairman



Mr. Hwan Kook KIM
Independent Director



Mr. Hana LEE
Independent Director



Mr. Bell Sak Pheakdey
Independent Director



Mr. Ishara C. Nanayakkara
Director



Mr. Minki Brian HONG
Director



Mr. Sim Senacheert
Director



Mr. Hak Soo KIM
Director



Mr. Ji Kyu JANG
Director

MESSAGE FROM CHAIRMAN

It is our pleasure to present you with the financial performance of PRASAC Microfinance Institution Plc. in year of 2020 following the requirements of the Securities and Exchange Regulator of Cambodia (SERC formerly SECC).

As part of the global response to the COVID-19 pandemic, we are facing big challenges and experiences on global economy lock-down, countries lock-down, travel restriction, continues to practice social/physical distancing and wear masks to prevent asymptomatic contamination around the world. All countries have started to re-open their economic, release some travel restriction, noting that we may experience a second/third wave of the virus because of the vaccines are underway to produce and distribute. Some of countries are starting to shoot arm and some of countries are waiting delivery of vaccines, the timeframe of waiting and shooting arms of vaccines to all people around world will spend at least 6-12 months.

Over the past two decades, Cambodia has undergone a significant transition, reaching lower middle-income status in 2015 and aspiring to attain upper middle-income status by 2030. Driven by garment exports and tourism, Cambodia's economy has sustained an average growth rate of 8% between 1998 and 2018, making it one of the fastest-growing economies in the world. While easing slightly, growth remained strong, estimated to have reached 7.1% in 2019, after the better-than-expected growth rate of 7.5% in 2018.

The global shock triggered by the COVID-19 pandemic has significantly impacted Cambodia's economy in 2020 at a time when Cambodia also faces the partial suspension of preferential access to the EU market under the "Everything but Arms" initiative. The outbreak caused sharp deceleration in most of Cambodia's main engines of growth tourism, manufacturing exports, and construction which together account for more than 70% of the country's growth and almost 40% of paid employment. The economy in 2020 is projected to register negative growth of -2%, the sharpest decline in Cambodia's recent history. The COVID-19 outbreak and slow recovery in global economic activity, alongside prolonged financial market turmoil, poses risks to Cambodia's growth outlook.

The Royal Government of Cambodia (RGC) has been great effort to support the social, economy and particularly the financial sector which is considered the backbone of the national economy. That said, the National Bank of Cambodia (NBC) issued in March, 2020 and November 2020 and on-going on directive in providing grace periods and loan repayment restructuring to businesses affected by COVID-19.

As results by end of 2020, The financial industry's total assets were USD 3,616 million and grown around 16.71% compare with 2019, the total loans portfolios were USD 2,979 million and grown around 20.68% compares with 2019, while the total deposit balance were USD 2,061 million and grown around 15.25% compares with 2019.

Despite this time of uncertainty, PRASAC continued to grow in all key areas, including the total assets, deposits and loans, profit as well as financial technology. We managed to smoothly carry out the ownership transfer transition and successfully listed PRASAC Corporate Bond on the Cambodia Securities Exchange (CSX). The first bond issuance of PRASAC marks the single largest funds raising in the history of Cambodia's Stock Exchange market. PRASAC was able to raise additional funds of 127.2 billion riel (USD 31.18 million) through the corporate bond issuance for the public offering on the Cambodia Securities Exchange (CSX).

Although we are facing big challenges and experiences on global economy crises, we have delivered strong operation and financial performance and consistent long-term shareholders interest. We have learned a lot from the challenges of the past several years that made PRASAC becomes a strong and stable institution for more than 25 years of sustainable growth. As results of the end of quarter 4 of 2020, the total assets were USD 3,616 million, growing 16.71% compared to same quarter of 2019. The deposit balance increased to USD 2,061 million, and the gross loan portfolio amounted up to USD 2,979 million. The shareholder's equity also grew and reached USD 519 million in the reported period.

Although 2020 is an unprecedented challenging year, 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. In next two year, PRASAC don't have any plan to make additional raising funds or IPO from CSX yet.

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 formerly SECC) and Cambodia Securities Exchange (CSX) for their continuous support and advice.

31 March 2021



Kwi Sang JUN
Chairman

MESSAGE FROM PRESIDENT & CHIEF EXECUTIVE OFFICER

The COVID-19 pandemic has quickly impacted all of our lives from the way we work and travel to how we interact with one another on a daily basis. With this global health crisis, we are now living in a time of uncertainty and volatility.

Like many companies, we suspended our staff travel and postponed large events/meeting. In Head Office, we have moved some of our staff to work at branch offices around Phnom Penh City to increase social distancing and we are also strictly implemented of COVID-19 prevention guideline issued by Ministry of Health.

For the safety of our staff and customers, we strongly encourage client/staff to do banking services through ATM, mobile and internet banking. If client need to visit us in person, rest assured that we are following the COVID-19 prevention guidance of the ministry of health in order to keep everyone safe. All branches are doing services operation as normal, but we need our visitors, clients and staff follows the social distancing and entrance office protocols (wash hand, temperature checks, wear mask and scan QR Code's MOH).

Slow down the growth of global and Cambodian economy which is caused by the impact of COVID-19 pandemic. It required many interventions and efforts of all stakeholders to have the explicit business continuity plan and put it in actions.

However, PRASAC still maintains its position as a market leader with secure solid performance as of December 2020. Here are some notes on key operational highlights as of 31 December 2020:

- Total assets were USD 3,616 million,
- Total loan portfolio was USD 2,979 million with the total of 443 thousand borrowers,
- Non-Performing Loan (NPL) was at 1.37%,The deposits outstanding balance reached USD 2,061 million with the total of 800 thousand accounts,
- Return on Average Equity (RoE) was 23.53% and Return on Average Assets (RoA) was 3.25%
- Office network covering all 25 provinces and city through 182 outlets, 141 ATMs, with a total of 9,042 staff.

Amid the fear of COVID-19, PRASAC was able to raise additional funds of KHR 127.2 billion (Approximately USD 31.18 million) through the corporate bond issuance for the public offering on the Cambodia Securities Exchange (CSX). This indicates the unwavering trust from investors and public in PRASAC.

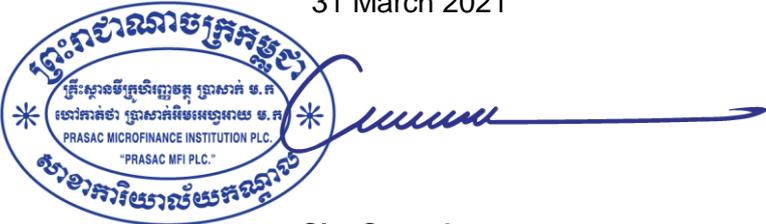
PRASAC still continues to invest in its business, IT infrastructure, people and branding to deliver customer-centric experiences and help those clients we serve to have confidence about their financial future. We will also maintain a strong risk management culture and focus on operational excellence while fostering our unique and inclusive culture to bring out the best in our clients and stakeholders.

2020 is the toughest year for all businesses and people. However, we are confident that our strategy, hard work and committed people will secure the meaningful progress for this year. PRASAC is still in a good position to perform within the ranges of our medium-term performance and create longer-term stakeholder value.

On behalf of PRASAC Management, I would like to thank the management team and staff for their efforts and commitment, the Board of Directors for their support and advice, and the Royal

Government of Cambodia, regulatory bodies, National Bank of Cambodia (NBC), Securities and Exchange Regulator of Cambodia (SERC formerly SECC) and Cambodia Securities Exchange (CSX) and local authorities who always support us.

31 March 2021



Sim Senacheert
President & Chief Executive Officer

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PART 1 - GENERAL INFORMATION OF THE LISTED ENTITY

A. IDENTITY OF THE LISTED ENTITY

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

B. NATURE OF BUSINESS

PRASAC has a microfinance deposit taking license from the National Bank of Cambodia (NBC), and has operated for 25 years in the microfinance and banking industry in Cambodia. PRASAC is currently the largest microfinance deposit-taking institution (MDI) 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, EDC bill payment, PPWSA bill payment, tuition fee payment, cash-by-code, fund transfer, foreign exchange, phone top-up, Cambodian shared switch (CSS), fast payment, payment services via the Bakong system, real-time fund transfer, payroll, automated teller machine (ATM), cash deposit machine (CDM), mobile banking, internet banking, POS, bank confirmation and other services to target clients.

As a market leader with total assets of USD 3,616 million as of 31 December 2020, 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. THE LISTED ENTITY'S MILESTONES

Since its inception in 1995, PRASAC has gone through numerous considerable stages of its development. Here are the major milestones in 2020:

- PRASAC launched a function of “Scan & Pay via QR Code” in PRASAC Mobile Banking in any smart phone, allowing customers to scan and pay quickly and easily at many merchant stores without using cash and for free of charge. This function can assist all PRASAC’s clients to manage their fund transfer to business partners and relatives/friends faster by scanning the QR Code.
- PRASAC officially inaugurated a brand-new library building funded by PRASAC and CVC at Samrong primary school, located in Chek village, Samrong commune, Chantrea district, Svay Rieng province, in the objective of enhancing education sector and instilling a reading culture.
- PRASAC was recognized by the General Department of Taxation (GDT) with a Gold Award for Tax Compliance, showing its adherence to tax guidelines and regulations for the microfinance sector in Cambodia.
- PRASAC has a new majority shareholder “KB Kookmin Bank,” which successfully acquired 70% of PRASAC’s shares.
- PRASAC has participated in the “SME Co-Financing Scheme,” an initiative of the Royal Government of Cambodia (RCG), aimed at providing low-interest loans to bolster and develop the small and medium-sized enterprises in Cambodia.
- The corporate bond of PRASAC Plc. was listed on the Cambodia Securities Exchange under the CSX symbol “PRA23A” and was the sixth corporate bond to be listed on the CSX and the second to be guaranteed by the Credit Guarantee and Investment Facility (CGIF), a trust fund of the Asian Development Bank.
- PRASAC changed its legal identity and brand name from PRASAC Microfinance Institution Limited “PRASAC MFI LTD” to PRASAC Microfinance Institution Plc. “PRASAC MFI PLC” which was approved by the National Bank of Cambodia (NBC) and Ministry of Commerce (MoC).
- PRASAC launched the instant ATM card issuance service with the aim of making the process more convenient, simpler and faster and participate in promotion of financial inclusion in Cambodia.
- PRASAC MFI Plc. opened 2 new branches: Prey Phdau branch in Kampong Speu Province and Krong Angkor branch in Siem Reap.
- PRASAC received a 7-year subordinated loan of USD 50 million and a 3-year committed credit facility in the amount of USD 100 million from KB Kookmin Bank which is a new shareholder of PRASAC.
- In June 2020, PRASAC signed a 3 to 5 years syndication loan agreement in the amount of USD 95 million with a group of Banks led by TAISHIN INTERNATIONAL BANK CO., LTD. to support its lending activities.
- PRASAC has expanded electricity bill payment service of EDC Prey Veng, Tbong Khmum, Sihanoukville, Battambang and Monduliri.
- PRASAC offered new and modern Interbank Payment Service via “Bakong System”, aiming in promoting the financial inclusion in Cambodia as well.
- PRASAC has launched water bill payment service for Tbong Khum province.
- PRASAC has recently achieved a new milestone of deposit outstanding balance at USD 2 billion with 627,000 depositors.
- PRASAC donated KHR 200 million to Samdech Techo Hun Sen, Prime Minister of the Kingdom of Cambodia to rescue people affected by flood.
- PRASAC has launched a campaign named “Contribute to Purchase Vaccines for Cambodia” to mobilize funds to purchase COVID-19 vaccines to save Cambodian lives.

- PRASAC donated of KHR 2,000,000,000 (Two Billion Riel) to the Royal Government of Cambodia (RGC) to purchase COVID-19 vaccines to vaccinate Cambodian people for free in the cause of protecting people's lives and improving public health.
- In December 2020, PRASAC signed a 3-years senior term loan facility in the amount of USD 150 million with KB Kookmin Bank, Hong Kong Branch for supporting its lending activities.

D. MARKET SITUATION

PRASAC is currently ranked number 1 in microfinance sector and 1 among the 5 biggest banks in banking industry. To cement our position in the competitive market and to keep abreast of latest technology development, PRASAC has been intensively focusing on the development of new products and services as below:

- Convenient loan products tailored for micro, small and medium enterprises (MSMEs) that are the backbone of Cambodian economy.
- Development of more banking services to attract more customer segments.
- Further development of the technologically advanced solutions especially Mobile Banking, Internet Banking and others.
- Further development of modern cashless payment methods (QR Code) and partnering with merchants to provide convenience for the clients and promoting the financial inclusion in Cambodia.
- The branches and ATM/CDM expansion.
- Further improvement of the service quality to cater to the needs of the clients.

E. COMPETITIVE SITUATION

The competition in the banking and microfinance sector is very high. There are 52 commercial banks and counting, 81 microfinance institutions including microfinance deposit-taking institutions (MDIs) while specialized banks make up 14, as of August 31, 2020.

The banks and financial institutions we compete against have generally become strong. We are also experiencing increased competition in certain geographies and business segments from new market entrants. Notwithstanding increased competition, we remain well positioned and are making the necessary investments in people, processes and technology to deliver on the needs of new and existing customers throughout our footprint.

Committed to being a trusted microfinance institution, PRASAC earns reputation as a reliable MDI with strong performance result and sustainability growth. We are capable of offering a wide-range of financial services to MSMEs and individuals while making ourselves the most trusted supplier of dependable, easy-to-use, technologically advanced and easily accessible banking services.

F. FUTURE PLAN

Looking ahead, the financial service industry will be further shaped by rapid innovation and disruption. We are prepared for increasing capacities of our data center, DR, sophisticated cyber security and fraud risks, as well as evolving regulatory landscapes. We will continue to strengthen our implementation of the NBC's IT security guideline.

PRASAC will continue to invest in its business, IT infrastructure, people and branding to deliver customer-centric experiences and help those clients we serve to have confidence about their financial future. We will also maintain a strong risk management culture, and focus on operational

excellence while fostering our unique and inclusive culture to bring out the best in our clients and stakeholders.

G. RISK FACTORS

1. Analyst

In year-2020, PRASAC observed 2 main risk factors that impact to Cambodia Economic and also the quality of PRASAC's portfolio.

- **COVID-19:** In year-2020, the COVID-19 has impact to Cambodia's economic with -2% (ADB), the tourism has high impact more than other sectors such as biz, construction or agriculture. The NBC encourage all financial institution in Cambodia to do more restructure loan and provide easy way for clients to repay the loan.
- **Employee:** Employee is the most value assets and PRASAC always point employee are prioritize to take care.

2. Management Opinion and Risk Mitigation

The key risk factors are under manageable by supporting from royal government of Cambodia especially the NBC and also did a very comprehensives implementation, measurement since the COVID-19 before start spread into Cambodia. The actions are as the following:

- **Credit Risk Management:**
 - Strictly policy especially clients' criteria
 - Strictly analyze the business/collaterals of client
 - Strictly loan approval
- **Operational Risk Management:**
 - Issue a COVID-19 prevention instruction to staff
 - Daily monitor employee's health
 - Daily check sanitation at branches
 - Split employee to work at branches
 - Quarantine 14 days if employee got cold or travel to infection areas
 - Instruct all staff to wear mask in the banking hall
 - Check temperature before allow enter the office
 - Clean hand with alcohol
 - Not allow to participate as the big group
 - Meeting/training by zoom.

PART 2 - INFORMATION ON BUSINESS OPERATION PERFORMANCE

A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS

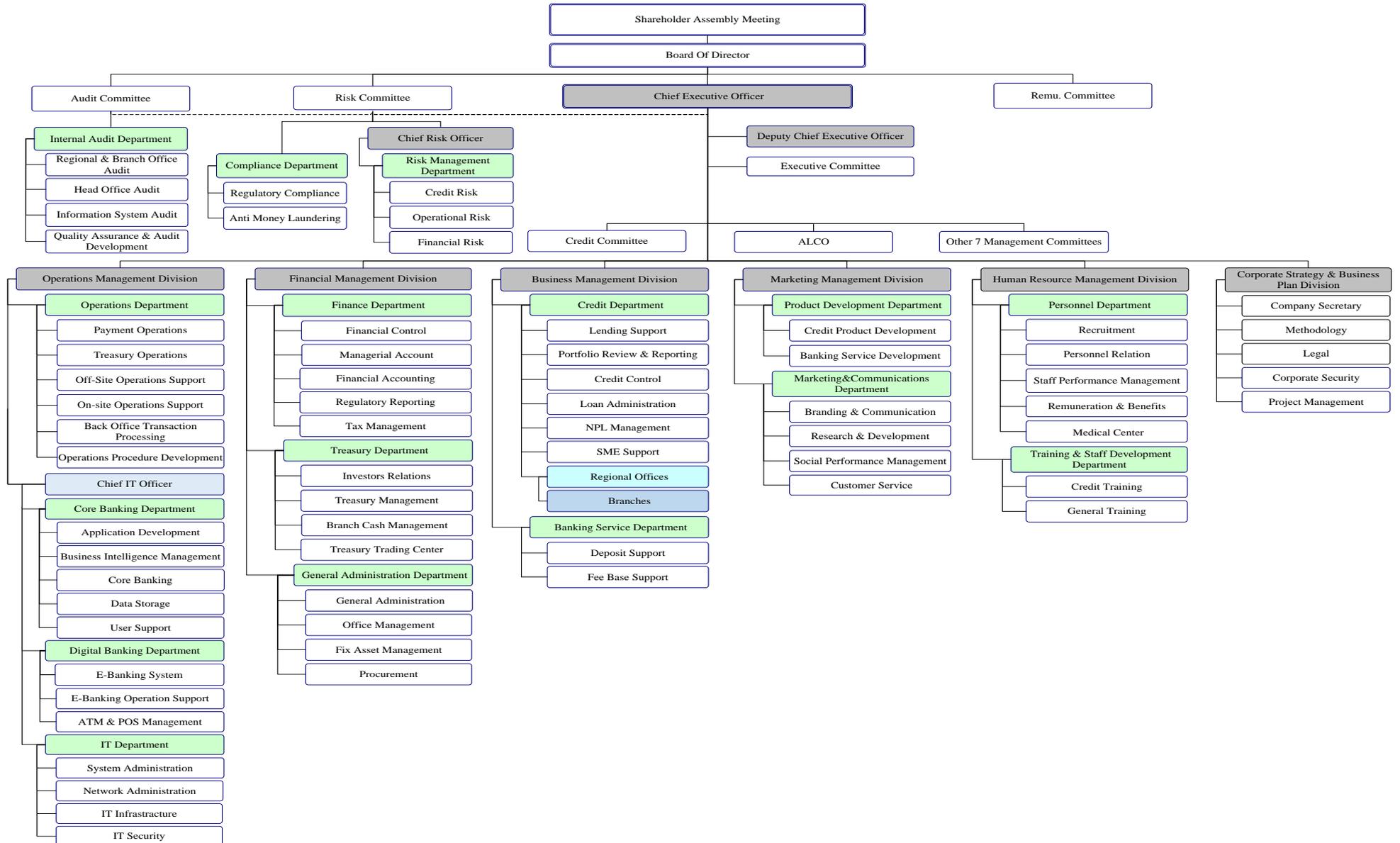
Key Achievement	2020	2019
Loan		
Number of Borrowers	442,833	417,044
Total Gross Loans (in Million Riels)	12,048,356	10,058,019
Deposit		
Number of Depositors	627,188	600,204
Total Deposit (in Million Riels)	8,338,219	7,288,272
Others		
Operating Branches	182	180
Number of Staffs	9,042	9,091
Number of POS Terminals	514	509
Number of ATMs	141	135
Number of Active ATM Cards	56,060	57,834
Number of Active Mobile & Internet Banking	21,213	15,431

B. REVENUE STRUCTURE

No	Source of Revenue	2020		2019	
		Amount (in Million Riel)	Percentage (%)	Amount (in Million Riel)	Percentage (%)
1	Interest income	1,754,666	96.11%	1,443,547	92.25%
2	Fees and commission income	28,045	1.54%	73,934	4.72%
3	Other income	42,887	2.35%	47,384	3.03%
Total Revenue		1,825,598	100%	1,564,865	100%

PART 3 - INFORMATION ON CORPORATE GOVERNANCE

A. ORGANIZATION STRUCTURE



B. BOARD OF DIRECTOR

Board Composition

No	Name	Position	Date of Term Being Director	Expired Date of Being Director
1	Mr. Kwi Sang JUN	Chairman	10 April 2020	09 April 2023
2	Mr. Hak Soo KIM	Member	10 April 2020	09 April 2023
3	Mr. Ji Kyu JANG	Member	10 April 2020	09 April 2023
4	Mr. Ishara Chinthaka Nanayakkara	Member	10 March 2017	09 April 2023
5	Mr. Sim Senacheert	Member	10 March 2017	09 April 2023
6	Mr. Minki Brian HONG	Member	10 March 2017	09 April 2023
7	Mr. Hwan Kook KIM	Independent member	10 April 2020	09 April 2023
8	Mr. Hana LEE	Independent member	10 April 2020	09 April 2023
9	Mr. Bell Sak Pheakdey	Independent member	10 April 2020	09 April 2023

Note: Each Director shall be limited to three (3) years from the date of appointment until such Director resigns or is removed. But each Director can be re-appointed and shall be limited to nine (9) years only.

C. SENIOR OFFICERS

Senior Officers Composition

No	Name	Gender	Position
1	Mr. Sim Senacheert	M	President & Chief Executive Officer
2	Mr. Oum Sophan	M	EVP & Chief Financial Officer
3	Mr. Oum Sam Oeun	M	EVP & Chief Operations Officer
4	Mr. Neang Sokhim	M	EVP & Chief Business Management
5	Mr. Say Sony	M	EVP & Chief Marketing Management
6	Mr. Choub Veasna	M	EVP & Chief Human Resource Officer
7	Mr. Chea Hang	M	EVP & Chief Corporate Strategy and Business Plan Officer

Note: Detail information of corporate governance is attached as appendix.

PART 4 - INFORMATION ON SECURITIES' TRADING AND SHAREHOLDERS OF THE LISTED ENTITY

A. INFORMATION ON SECURITIES

1. Information on Equity Securities (For Equity Listed Entity)

- Name of equity securities: None
- Equity securities' symbol: None
- Class of equity securities: None
- Par value per equity securities: None
- IPO Price: None
- The total number of outstanding shares: None
- Market capitalization: None
- Permitted Securities Market: None

2. Information on Debt Securities (For Debt Listed Entity)

Information	Description
Debt securities' type	Unsecured, unsubordinated, and guaranteed bonds in a registered form
Symbol	PRA23A
Issuing date	23 April 2020
Par value per equity securities:	None
Total amount of debt securities	KHR 127,200,000,000
Total amount of outstanding debt securities	KHR 127,200,000,000
Maturity	23 April 2023
Coupon payment schedule	23 April and 23 October
Coupon rate (%)	7.50% p.a
Total amount of coupon payment	KHR 4,770,000,000

Credit ratings (if any)	<p>The issuer is issuing the bonds guaranteed by CGIF. According to the Prakas of Securities and Exchange Commission of Cambodia 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's strong claims paying ability.</p> <p>"AA/A-1+" Global (Long Term & Short Term), Stable Outlook, by S&P Ratings on 22 June 2018.</p> <p>"gAAA/seaAAA/AAA", Global/ASEAN/National, Stable Outlook, by RAM Ratings on 16 Jan 2019.</p> <p>"AAA" National, Stable Outlook, by MARC on 14 Jan 2019.</p> <p>AAA" National, Stable Outlook, by TRIS Ratings on 10 Oct 2018.</p> <p>"AAA" National, Stable Outlook, by Fitch Ratings Indonesia on 15 Nov 2018.</p>
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B. SECURITIES' PRICE AND TRADING VOLUME

As of the reporting date, there was no trading on PRASAC's corporate bonds by maintaining the same price at KHR 100,000 per bond.

C. CONTROLLING SHAREHOLDER(S) (30% OR MORE)

No	Name	National	Number of Share	Percentage
1	KOOKMIN BANK CO., LTD.	Republic of Korea	161,000,000	70%
Total			161,000,000	70%

D. SUBSTANTIAL SHAREHOLDER(S) (5% OR MORE)

No	Name	National	Number of Share	Percentage
1	LOLC INTERNATIONAL PRIVATE LIMITED	Singapore	48,300,000	21.00%
2	THE BANK OF EAST ASIA, LIMITED	Hong Kong	14,490,000	6.30%
Total			62,790,000	27.30%

E. INFORMATION ON DIVIDEND DISTRIBUTION IN THE LAST 3 (THREE) YEARS (FOR EQUITY LISTED ENTITY)

Detail of Dividend Distribution	2020	2019	2018
Net Profit	N/A	N/A	N/A
Total cash dividend	N/A	N/A	N/A
Total share dividend	N/A	N/A	N/A
Other dividend	N/A	N/A	N/A
Dividend payout ratio (%)	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A
Dividend per share	N/A	N/A	N/A

PART 5 - INTERNAL CONTROL AUDIT REPORT BY INTERNAL AUDITOR

1. Introduction

Effective internal controls are the foundation of safe and sound banking. To build effective internal controls, PRASAC's Internal Audit Department was established in 2001 with clear roles and responsibilities for providing independent appraisals on the adequacy, efficiency and effectiveness of the internal control systems implemented by managements. The department reports directly to the Board Audit Committee.

At the end of 2020, the department has 110 professional staff, 95 of whom are in regional/branch offices. The department may rotate work locations of regional audit staff anytime if the manager of internal audit department concerns about the effectiveness of audit work and/or a conflict of interest.

2. Scope of Auditing in the Year 2020

- Loan portfolio (Review loan documents and conduct client home visit to confirm outstanding balance, and to verify that loan disbursement complies with the prescribed policies and Client Protection Principles for new loans and existing loan respectively).
- Physical cash count in branches (Surprising physical cash count & observation of access to vaults).
- Branch Operations (Review cash management, customer services, deposit and withdrawal transactions, fixed asset, record keeping, office management, branch human resource, branch IT, general expenses, fund transfers & other incomes, and AML & CFT).
- Centralized Department (Review training & staff development, resignation & termination, AML and CFT, internal control over financial reporting, fixed asset management, and liquidity management).
- Information technology (Review business continuity management, E-banking security management, IT governance, cyber security essentials).
- Fraud cases and internal policies abuses.

3. Standards for the Professional Practice of Internal Auditing

The work of Internal Audit adheres to NBC's regulations, PRASAC's internal rule and its own objectives and methodology.

Internal Audit also partially adheres to the Institute of Internal Auditors' (IIA) mandatory guidance-definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing ('the Standards'). In addition, Internal Audit considers the IIA's Practice Advisories, Practice Guides as applicable to guide its work.

4. Summary of Audit Results

- Internal Audit Department performs audit activities based on annual audit plan approved by Board Audit Committee and adapted to actual business operations. The planned and un-planned audit projects completed during the year as following:

No	Audit Areas	Achievement	Control Assessment
1	Loan portfolio (normal loans, non-performing loans & written-off loans in all branches)	85,148 accounts (16.23% of total loan accounts)	Satisfactory
2	Cash surprise check	1,802 times	--
3	Branch operation (1time per branch)	180 branches	Satisfactory
4	Training & staff development	1 time	Satisfactory
5	Resignation & termination	1 time	Needs Improvement
6	Internal control over financial reporting	1 time	Satisfactory
7	Fixed asset management	1 time	Satisfactory
8	Liquidity management	1 time	Satisfactory
9	AML and CFT	1 time	Needs Improvement
10	E-banking security management	1 time	Satisfactory
11	Business continuity management	1 time	Needs Improvement
12	IT governance	1 time	Satisfactory
13	Cyber security essentials	1 time	Satisfactory
14	Fraud and abnormal case investigation	85 times	--
15	Cash shortage and surplus investigation	44 times	--

- The department has issued 1,929 audit reports to branch management and related department managers.
- The department reported highlight audit results to the board audit committee every quarter.

5. Conclusion

Based on the audit results in 2020, Internal Audit Department concludes that:

- Institution has established effective internal control system to safeguard assets and public deposits, facilitate customer service improvement, guard against intentional or unintentional errors, and to ensure staff adherence to policies and guidelines.
- Responsible staff at both head office and branches have implemented internal control to mitigate risks that may occur during day-to-day operations.
- Responsible Managers have effectively implemented corrective and preventive actions to the addressed audit findings and recommendations.

Read and Approved
Date: 21 January 2021
Signature



Hana LEE
Chairman of Audit Committee

Date: 21 January 2021
Signature



Ouk Saroeung
Manager of Internal Audit Department

PART 6 - FINANCIAL STATEMENT AUDITED BY THE EXTERNAL AUDITOR

Please refer to the Annex for Financial Statement Audited by the External Auditor.

PART 7 - INFORMATION ON RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

The listed entity shall disclose material transaction information, with related parties in the last 2 (two) years, specifying name, relation between the listed entity and related parties, size of transaction and the type of interest which arise from that relationship as follows:

A. MATERIAL TRANSACTIONS WITH SHAREHOLDER WHO HOLD AT LEAST 5% OR MORE SHARES OF OUTSTANDING EQUITY SECURITIES.

- Loan from DEG - DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH with the loan amount of USD 5 million and BEA, PRASAC's shareholders, is also one of lending parties in this loan contract with the loan amount of USD 10 million. This loan contract is worth USD 60 million.
- Credit Line from Kookmin Bank Hong Kong Branch with loan amount of USD 100 million.
- Subordinated Debt from Kookmin Bank Hong Kong Branch with loan amount of USD 50 million.
- Senior Loan from Kookmin Bank Cambodia Branch in Khmer Riels with loan amount of USD 5 million.
- Syndicated Loan from Kookmin Bank Hong Kong Branch with total commitment up to USD 150 million.

B. MATERIAL TRANSACTIONS WITH DIRECTOR AND SENIOR OFFICER

N/A

C. TRANSACTIONS WITH DIRECTOR AND SHAREHOLDER RELATED TO BUY/SELL ASSET AND SERVICE

N/A

D. MATERIAL TRANSACTIONS WITH IMMEDIATE FAMILY MEMBERS OF THE DIRECTOR, SENIOR OFFICER AND SHAREHOLDER WHO HOLD AT LEAST 5% OR MORE SHARES

N/A

E. MATERIAL TRANSACTIONS WITH THE PERSON, WHO ASSOCIATED WITH DIRECTOR OF THE LISTED ENTITY, ITS SUBSIDIARY OR HOLDING COMPANY, WHOSE RELATIONSHIP HAS OCCURRED IN ANY TRANSACTIONS OR HAVE BEEN MADE BY THE LISTED ENTITY

N/A

F. MATERIAL TRANSACTIONS WITH FORMER DIRECTOR OR PERSON WHO INVOLVED WITH FORMER DIRECTOR

N/A

G. MATERIAL TRANSACTIONS WITH DIRECTOR WHO IS HOLDING ANY POSITION IN A NON-PROFIT ORGANIZATION OR IN ANY OTHER COMPANY OTHER THAN THE LISTED ENTITY

N/A

H. MATERIAL TRANSACTIONS WITH DIRECTORS WHO GET BENEFIT EITHER FINANCE OR NON-FINANCIAL FROM THE LISTED ENTITY

N/A

PART 8 - 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 2020, which is audited by EY (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	2020		2019	
		Amount (in Million Riel)	Percentage (%)	Amount (in Million Riel)	Percentage (%)
1	Interest income	1,754,666	96.11%	1,443,547	92.25%
2	Fees and commission income	28,045	1.54%	73,934	4.72%
3	Other income	42,887	2.35%	47,384	3.03%
	Total Revenue	1,825,598	100%	1,564,865	100%

Interest income is the main source for PRASAC to generate revenue. In 2020, interest income represents 96.11% of the total revenue while 99.95% of the total interest income generated from the loans from customer. As comparing by segment to the same period from previous year result, fees and commission income has decreased by KHR 45,889 million or -62.07% due to applying effective interest rate during the period 2020 in accordance with Cambodian International Financial Reporting Standard (CIFRS) while interest income has increased by KHR 311,119 million equivalent to 21.55% due to the strong growth of loans to customers in the year of 2020.

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 indicated in section 4. Profit / (loss) before tax analysis.

4. Profit / (Loss) Before Tax Analysis

Statement of Profit or Loss Before Income Tax	2020 (in Million Riel)	2019 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Interest income	1,754,666	1,443,547	311,119	21.55%
Interest expense	(809,055)	(666,806)	(142,249)	21.33%
Net interest income	945,611	776,741	168,870	21.74%
Fees and commission income	28,045	73,934	(45,889)	-62.07%
Fees and commission expense	(665)	(14,070)	13,405	-95.27%
Net fees and commission income	27,380	59,864	(32,484)	-54.26%
Other income	36,721	47,384	(10,663)	-22.50%
Grant income	4,064	-	4,064	100%
Net foreign exchange gain/(loss)	2,102	(2,092)	4,194	-200.48%
Total other income	42,887	45,292	(2,405)	-5.31%
Total interest, fees, commission and other income	1,015,878	881,897	133,981	15.19%
Personnel expenses	(276,712)	(243,504)	(33,208)	13.64%
Provisions for expected credit losses	(95,620)	(37,676)	(57,944)	153.80%
General and administrative expenses	(65,180)	(51,374)	(13,806)	26.87%
Depreciation and amortization	(26,791)	(24,822)	(1,969)	7.93%
Profit before income tax	551,575	524,521	27,054	5.16%

In 2020, profit before income tax increasing by KHR 27,054 million equivalent to 5.16% compared to the same period in 2019. Although fees and commission income was significantly decreased for this year but interest income was higher than previous period around KHR 311,119 million equivalent to 21.55% which is the main to reason of growth of profit before income tax. Expenses during the year also increased including personnel expenses KHR 33,208 million or 13.64%, provisions for expected credit losses KHR 57,944 million or 153.80% and general and administrative expenses KHR 13,806 million or 26.87% compared to 2019. The reasons of increased expenses are mainly increasing number of staff and productivity, growing loan and NPL, operation expansion and health protection and safety from COVID-19 pandemic.

5. Profit / (Loss) After Tax Analysis

Statement of Profit or Loss After Income Tax	2020 (in Million Riel)	2019 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Profit before income tax	551,575	524,521	27,054	5.16%
Income tax expense	(108,058)	(105,117)	(2,941)	2.80%
Net profit for the period	443,517	419,404	24,113	5.75%

In 2020, profit after income tax increased by KHR 24,113 million equivalent to 5.75% that caused the tax on income also increased. Due to the result of net profit in 2020, PRASAC has archived a great result with Return on Average Asset of 3.25% and Return on Average Equity of 23.53% for twelve-month period of net profit from 01 January to 31 December 2020.

6. Total Comprehensive Income (Loss) Analysis

Statement of Comprehensive Income	2020 (in Million Riel)	2019 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Net profit for the period	443,517	419,404	24,113	5.75%
Translation difference	(15,783)	19,828	(35,611)	-179.60%
Total comprehensive income	427,734	439,232	(11,498)	-2.62%

Other comprehensive income item consists 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.

7. Factors and Trends Analysis Affecting Financial Conditions and Results

In 2020, the factors and challenges that have significant impact to financial conditions and results is COVID-19 outbreak that has negative impact to the Cambodia's economic activities such as business suspend its operation or shut down, workers loss jobs, growing NPL, less income and saving. However Royal Government of Cambodia is working hard and has a good strategy for stopping transmission and slowing the spread of COVID-19 including case detection and rapid response, social/physical distancing, contact tracing and quarantine.

B. SIGNIFICANT FACTORS AFFECTING PROFIT

1. Demand and Supply Conditions Analysis

PRASAC is the largest microfinance deposit taking in Cambodia which providing 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 innovative products and services.

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

2. Fluctuations in Prices of Raw Materials Analysis

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

3. Tax Analysis

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

For good practice on tax compliance, PRASAC was awarded “GOLD” certificate of tax compliance from General Department of Taxation on 06 March 2020 with 2 years validity period for the year 2020 and 2021.

4. Exceptional and Extraordinary Items Analysis

At the date of this report, management is not aware of any exceptional and extraordinary items, transaction or event of a material and unusual nature accruing that may significantly impact to the financial statement of the Company. With current status of the coronavirus (COVID-19) outbreak, management will continuously pay close attention to the development of the COVID-19 outbreak in Cambodia and its impact to the Company’s operation.

C. MATERIAL CHANGES IN SALES AND REVENUE

In 2020, PRASAC earned total revenue around KHR 1,825,598 million increased 16.66% compared to 2019. Net interest income increased from KHR 776,741 million to KHR 945,611 million while gross loan portfolio slightly increased 20.68%. Although, Cambodia’s economy affected by COVID-19 outbreak for the whole year, PRASAC is still managed and operating in a good profitability.

D. IMPACT OF FOREIGN EXCHANGE, INTEREST RATES AND COMMODITY PRICES

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 or owed 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 2020 (in Million Riel or Percentage)	USD	KHR	THB	Total
Assets	12,722,746	1,798,436	106,859	14,628,041
Liabilities and capital	12,917,070	1,536,625	174,346	14,628,041
Off-balance sheet assets	404,702	400	-	405,102
Off-balance sheet liabilities	404,702	400	-	405,102
(+) long / (-) short	(194,324)	261,811	(67,487)	-
Net open position / net worth %	-8.46%	11.40%	-2.94%	-
Limit %	20%	20%	20%	-
Excess	N/A	N/A	N/A	-

1. 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 2020 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	-	-	-	-	-	649,538	649,538
Balances with the NBC	666,750	1,514	-	602	-	352,988	1,021,854
Balances with other banks	772	-	-	-	-	15,307	16,079
Loans to customers	355,101	511,748	2,158,844	7,706,867	1,315,796	-	12,048,356
Other assets	-	-	-	-	-	2,321	2,321
Total financial assets	1,022,623	513,262	2,158,844	7,707,469	1,315,796	1,020,154	13,738,148
Financial liabilities							
Deposits from banks and other financial institutions	11,873	44,535	89,799	-	-	-	146,207
Deposits from customers	1,419,119	1,477,894	5,025,281	269,718	-	-	8,192,012
Borrowings	83,149	112,400	986,982	2,006,441	4,044	-	3,193,016
Subordinated debts	4,047	6,745	35,061	251,849	157,162	-	454,864
Bonds payable	-	-	-	122,368	-	-	122,368
Other liabilities	-	-	-	-	-	253,119	253,119
Total financial liabilities	1,518,188	1,641,574	6,137,123	2,650,376	161,206	253,119	12,361,586
Maturity Gap	(495,565)	(1,128,312)	(3,978,279)	5,057,093	1,154,590	767,035	1,377,562

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.

E. IMPACT OF INFLATION

- Inflation is very important for PRASAC because PRASAC typically deal normal financial instrument such as making loan about 82.36% of its total assets of which 12.15%, 0.78% and 87.06% is in Khmer Riel, Bath Thai and United States Dollar respectively.
- Cambodia's economy recovered strongly in 2016-19 with real GDP growth of 7.0%, 7.0%, 7.5% and 7.0% p.a.
- In the lasts 5 years record the CPI stood at an average year-on year of 2.5% p.a.
- The economy is to a large extent dollarized; the exchange rate moves within a small bandwidth for the last ten years.
- Registered unemployment at 1.02% in 2019.
- Due to COVID-19 all GDP of Cambodia for 2020 will drop down to -1.6% (IMF April 2020).

F. ECONOMIC / FISCAL / MONETARY POLICY OF ROYAL GOVERNMENT

- Government accumulates USD 400 million of savings for the use of COVID-19 emergency cases.
- Reduce tax for tourism sectors. Improve infrastructure and reduce cost of operation. Reduce 6 holidays in year to increase productivities.
- Reserve USD 3 billion ahead for possible impacts COVID-19 and European Union's Everything But Arm's (EBA) trade scheme.
- Reserve USD 600 million to 800 million to lend to banks and MFIs to stimulus economy.
- Appeal banks and MFIs to reschedule loans during this COVID-19 period.
- Existing loan: Reduce withholding tax of borrowing to 10% from April to December 2020. New loan: Reduce withholding tax of borrowing to 5% from April to December 2020, then 10% from January to December 2021. From 2022, previous withholding tax (WHT) will be applied.
- Delay in offering seniority payment to employees for year 2020.

- Cambodia reduces all expenses for 3 years (strategic plan for 2021-2023).
- Government prepared and gives USD 125 million to more than 600,000 poor and vulnerable families.
- The government adjusted quarantine measures and prepare special arrangements for potential investors, technical experts and consultants who come to the Kingdom.

The National Bank of Cambodia (NBC) interventions:

- NBC requested banks and financial institutions to reduce loan-related fees and cancel fines for borrowers for the rest of the year as the Kingdom battles the COVID-19 pandemic.
- Encourage to continue lending to priority sectors (i.e. tourism, garment, construction, ...)
- Delay the implementation of the Capital Conservation Buffer (CCB) requirement until next year.
- 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% for the next 6 months, starting from April.
- Reduce Liquidity Coverage Ratio (LCR) to appropriate level if it is necessary.
- Issued guideline on reschedule loans that impact from COVID-19, especially priority sectors.
- Encourage all institutions and clients to use digital financial services rather than use cheque or cash for payment.
- To stabilize Khmer Riel exchange rate, National Bank of Cambodia had sold USD 4 times in October and November 2020 with total amount of USD 100 million.

PART 9 - OTHER NECESSARY INFORMATION FOR INVESTORS 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 Director of the Listed Entity

Date: 31 March 2021
Read and Approved by:



For Mr. Kwi Sang JUN
Chairman of the Board of Directors

Date: 31 March 2021
Read and Approved by:



For Mr. Ji Kyu JANG
Member of the Board of Directors

Date: 31 March 2021
Read and Approved by:



For Mr. Minki Brian HONG
Member of the Board of Directors

Date: 31 March 2021
Read and Approved by:



For Mr. Ishara C Nanayakkara
Member of the Board of Directors

Date: 31 March 2021
Read and Approved by:



Mr. Sim Senacheert
Member of the Board of Directors



PRASAC MICROFINANCE INSTITUTION PLC.

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Email: info@prasac.com.kh | Website: www.prasac.com.kh | Incorporation Registration N°: 00001157

Private Company