

PRASAC MICROFINANCE INSTITUTION PLC.

**Condensed Interim Financial Statements
for the three-month and six-month
periods ended 30 June 2021**

and

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

Corporate Information

Company	Prasac Microfinance Institution Plc.	
Registration No.	00001157	
Registered office	Building 212, Street 271, Sangkat Tuol Tumpung 2, Khan Chamkarmon Phnom Penh Kingdom of Cambodia	
Shareholders	Kookmin Bank LOLC International Private Limited The Bank of East Asia, Limited PRASAC Staff Company Limited	
Board of Directors	Mr. Kwi Sang Jun Mr. Ji Kyu Jang Mr. Ishara Chinthaka Nanayakkara Mr. Sim Senacheert Mr. Minki Brian Hong Mr. Hak Soo Kim	Chairman Director Director Director Director Director (resigned on 28 January 2021)
Executive Committee	Mr. Sim Senacheert Mr. Oum Sophan Mr. Oum Sam Oeun Mr. Neang Sokhim Mr. Say Sony Mr. Choub Veasna Mr. Chea Hang	President & Chief Executive Officer EVP & Chief Financial Officer EVP & Chief Operations Officer EVP & Chief Business Officer EVP & Chief Marketing Officer EVP & Chief Human Resource Officer EVP & Chief Corporate Strategy and Business Plan Officer
Auditors	KPMG Cambodia Ltd	

Prasac Microfinance Institution Plc.

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Report of the Board of Directors

The Board of the Directors (“Board” or “the Directors”) of Prasac Microfinance Institution Plc. (“the Company”) hereby presents its report and the Company’s condensed interim financial statements for the three-month and six-month periods ended 30 June 2021.

The Company

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

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

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

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

Principal activities

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

Financial results

The financial results of the Company for the three-month and six-month periods ended 30 June 2021 were disclosed in the condensed interim statement of profit or loss and other comprehensive income.

Dividends

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

Share capital

On 12 May 2021, the Company requested to the National Bank of Cambodia (“NBC”) to increase its share capital from USD230,000,000 to USD300,000,000 by way of capitalising the retained earnings. This request was approved by the NBC on 31 May 2021. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 9 June 2021.

Prasac Microfinance Institution Plc.

Reserves and provisions

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

Expected credit losses on loans to customers

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

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

Assets

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

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

Valuation methods

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

Contingent and other liabilities

At the date of this report, there is:

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

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

Prasac Microfinance Institution Plc.

Change of circumstances

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

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

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

Subsequent events

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

The Board of Directors

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

<i>Name</i>	<i>Position</i>
Mr. Kwi Sang Jun	Chairman
Mr. Ji Kyu Jang	Director
Mr. Ishara Chinthaka Nanayakkara	Director
Mr. Sim Senacheert	Director
Mr. Minki Brian Hong	Director
Mr. Hak Soo Kim	Director (resigned on 28 January 2021)
Vacant (*)	Independent Director
Vacant (*)	Independent Director
Vacant (*)	Independent Director

(*) These independent directors were appointed by the Company on 10 April 2020. On 31 December 2020, the Company sent a letter to NBC requesting for the approval over the appointment of these independent directors. However, it was not approved by NBC as noted in the letter dated 28 January 2021. On 9 April 2021, the Company sent another letter to NBC requesting for approval over the appointment of other individuals, including Mr. Kyung Cheon Lee, Mr. Jaehong Park and Mr. Chan Sophal, as independent directors. The Company is awaiting the approval from NBC as of the date of this report.

Prasac Microfinance Institution Plc.

Executive management

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

<i>Name</i>	<i>Position</i>
Mr. Sim Senacheert	President & Chief Executive Officer
Mr. Oum Sophan	EVP & Chief Financial Officer
Mr. Oum Sam Oeun	EVP & Chief Operations Officer
Mr. Neang Sokhim	EVP & Chief Business Officer
Mr. Say Sony	EVP & Chief Marketing Officer
Mr. Choub Veasna	EVP & Chief Human Resource Officer
Mr. Chea Hang	EVP & Chief Corporate Strategy and Business Plan Officer

Directors' interest

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

Directors' benefits

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

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

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

The Board of Directors is responsible for ensuring that the condensed interim financial statements of the Company as at 30 June 2021, and for the three-month and six-month period then ended, as set out on pages 8 to 57, which are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, *Interim Financial Reporting* ("CIAS 34"). The Board of Directors oversees preparation of these condensed interim financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with the disclosure requirements and guidelines issued by CIAS 34 or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the condensed interim financial statements;

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

- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the condensed interim financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- Set overall policies for the Company, ratify all decisions and actions by management that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the condensed interim financial statements.

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

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

Approval of the condensed interim financial statements

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

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



Sim Senacheert
Director

Phnom Penh, Kingdom of Cambodia

Date: 30 JUL 2021



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THE INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS To the shareholders of Prasac Microfinance Institution Plc.

Introduction

We have reviewed the accompanying condensed interim financial statements of Prasac Microfinance Institution Plc. ("the Company"), which comprise the condensed interim statements of financial position of the Company as at 30 June 2021, and the condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month and six-month periods then ended, and other explanatory notes as set out on pages 8 to 57 (hereafter referred to as "the condensed interim financial statements").

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements, are not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, “Interim Financial Reporting”.

Emphasis of Matter

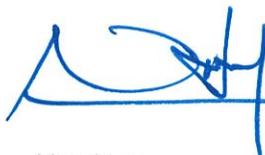
We draw attention to Note 35 to the condensed interim financial statements which indicates that the comparative information presented as at 31 December 2020 has been restated. Our conclusion is not qualified in respect of this matter.

Other Matter

The condensed interim financial statements of the Company as at 30 June 2020 and for the three-month and six-month periods then ended were reviewed by another firm of auditors who expressed an unmodified conclusion on 7 September 2020. In addition, the financial statements of the Company for the year ended 31 December 2020, excluding the reclassifications described in Note 35 to the condensed interim financial statements, were audited by the same auditors who expressed an unmodified opinion on those financial statements on 31 March 2021.

As part of our review of the condensed interim financial statements as at 30 June 2021 and for the three-month and six-month periods then ended, we reviewed the reclassifications described in Note 35 that were applied to restate the comparative information presented as at 31 December 2020. We were not engaged to review or apply any procedures to the financial statements for the year ended 31 December 2020, other than with respect to the reclassifications described in Note 35 to the condensed interim financial statements. Accordingly, we do not express a conclusion or any other form of assurance on those respective financial statements taken as a whole. However, in our conclusion, the reclassifications described in Note 35 are appropriate and have been properly applied.

For **KPMG Cambodia Ltd**



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

30 July 2021

Prasac Microfinance Institution Plc.

Condensed interim statement of financial position as at 30 June 2021

	Notes	30 June 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD (As restated)	KHR'000 equivalent (Note 4) (As restated)
ASSETS					
Cash on hand	6	171,201,528	697,646,227	160,578,086	649,538,358
Balances with the National Bank of Cambodia	7	329,578,177	1,343,031,071	438,355,399	1,773,147,589
Balances with other banks	8	12,223,725	49,811,679	3,975,029	16,078,992
Loans to customers	9	3,279,156,563	13,362,562,994	2,978,579,934	12,048,355,833
Other assets	10	4,722,167	19,242,830	1,341,096	5,424,733
Property and equipment	11	5,174,718	21,086,976	5,662,803	22,906,039
Right-of-use assets	12	14,057,768	57,285,405	15,322,179	61,978,214
Intangible assets	13	1,504,428	6,130,544	1,607,168	6,500,995
Deferred tax assets, net	20(c)	12,807,557	52,190,795	10,904,851	44,110,122
TOTAL ASSETS		3,830,426,631	15,608,988,521	3,616,326,545	14,628,040,875
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	14	54,395,289	221,660,803	37,232,817	150,606,745
Deposits from customers	15	2,268,580,984	9,244,467,510	2,074,680,943	8,392,084,414
Borrowings	16	722,196,369	2,942,950,204	794,430,317	3,213,470,632
Bonds payable	17	30,640,009	124,858,037	30,666,038	124,044,124
Subordinated debts	18	122,369,117	498,654,152	113,667,817	459,786,320
Lease liabilities	19	13,294,988	54,177,076	14,424,818	58,348,389
Income tax payable	20(b)	16,591,294	67,609,523	24,076,695	97,390,231
Provision for employee benefits	21	582,940	2,375,481	435,375	1,761,092
Other liabilities	22	14,461,950	58,932,444	7,873,601	31,848,716
Total liabilities		3,243,112,940	13,215,685,230	3,097,488,421	12,529,340,663
SHAREHOLDERS' EQUITY					
Share capital	23(a)	300,000,000	1,200,000,000	230,000,000	920,000,000
Retained earnings		284,132,429	1,163,635,470	285,224,840	1,163,897,093
Reserve fund	23(b)	3,181,262	12,892,203	3,151,952	12,773,175
Regulatory reserve	23(c)	-	-	461,332	1,778,127
Currency translation reserves		-	16,775,618	-	251,817
Total shareholders' equity		587,313,691	2,393,303,291	518,838,124	2,098,700,212
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,830,426,631	15,608,988,521	3,616,326,545	14,628,040,875

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

Prasac Microfinance Institution Plc.

Condensed interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2021

	Notes	For the six-month period ended 30 June 2021		For the six-month period ended 30 June 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	242,118,738	983,244,195	207,160,286	844,385,325
Interest expense	25	(101,559,125)	(412,431,607)	(98,363,700)	(400,930,443)
Net interest income		140,559,613	570,812,588	108,796,586	443,454,882
Fees and commission income	26	4,334,419	17,602,076	2,469,833	10,067,039
Fees and commission expense		(77,888)	(316,303)	(62,286)	(253,878)
Net fees and commission income		4,256,531	17,285,773	2,407,547	9,813,161
Other income	27	5,155,014	20,934,512	4,602,130	18,758,283
Grant income		755,704	3,068,914	258,016	1,051,673
Net foreign exchange loss		(592,778)	(2,407,271)	(39,665)	(161,675)
Total other income		5,317,940	21,596,155	4,820,481	19,648,281
Total interest, fees, commission and other income		150,134,084	609,694,516	116,024,614	472,916,324
Personnel expenses	28	(37,848,583)	(153,703,096)	(34,696,344)	(141,422,298)
Allowance for impairment losses	9	(16,800,898)	(68,228,447)	(23,507,072)	(95,814,825)
General and administrative expenses	29	(6,969,022)	(28,301,198)	(7,864,331)	(32,055,015)
Depreciation and amortisation	30	(3,255,332)	(13,219,903)	(3,196,425)	(13,028,627)
Profit before income tax		85,260,249	346,241,872	46,760,442	190,595,559
Income tax expense	20(a)	(16,784,682)	(68,162,594)	(9,386,929)	(38,261,123)
Net profit for the period		68,475,567	278,079,278	37,373,513	152,334,436
<i>Other comprehensive income:</i>					
Currency translation differences		-	16,523,801	-	8,015,518
Total comprehensive income for the period		68,475,567	294,603,079	37,373,513	160,349,954

Prasac Microfinance Institution Plc.

Condensed interim statement of profit or loss and other comprehensive income (continued) for the three-month period ended 30 June 2021

	Notes	For the three-month period ended 30 June 2021		For the three-month period ended 30 June 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	123,300,397	500,969,513	102,980,927	420,986,030
Interest expense	25	(51,341,304)	(208,599,718)	(49,967,611)	(204,267,594)
Net interest income		71,959,093	292,369,795	53,013,316	216,718,436
Fees and commission income	26	2,160,569	8,778,392	520,855	2,129,255
Fees and commission expense		(56,813)	(230,831)	(30,040)	(122,804)
Net fees and commission income		2,103,756	8,547,561	490,815	2,006,451
Other income	27	2,277,319	9,252,747	1,786,403	7,302,815
Grant income		390,494	1,586,577	258,016	1,054,769
Net foreign exchange loss		(1,234,376)	(5,015,270)	(1,193,576)	(4,879,339)
Total other income		1,433,437	5,824,054	850,843	3,478,245
Total interest, fees, commission and other income		75,496,286	306,741,410	54,354,974	222,203,132
Personnel expenses	28	(17,463,551)	(70,954,408)	(15,766,304)	(64,452,651)
Allowance for impairment losses	9	(12,548,580)	(50,984,881)	(16,936,744)	(69,237,409)
General and administrative expenses	29	(3,327,675)	(13,520,344)	(3,920,864)	(16,028,492)
Depreciation and amortisation	30	(1,643,832)	(6,678,889)	(1,615,848)	(6,605,587)
Profit before income tax		40,512,648	164,602,888	16,115,214	65,878,993
Income tax expense	20(a)	(8,001,136)	(32,508,616)	(3,223,934)	(13,179,442)
Net profit for the period		32,511,512	132,094,272	12,891,280	52,699,551
<i>Other comprehensive income:</i>					
Currency translation differences		-	17,027,299	-	9,918,677
Total comprehensive income for the period		32,511,512	149,121,571	12,891,280	62,618,228

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

Prasac Microfinance Institution Plc.

Condensed interim statement of changes in equity for the six-month period ended 30 June 2021

	<i>Share capital</i>		<i>Retained earnings</i>		<i>Reserve fund</i>		<i>Regulatory reserve</i>		<i>Currency translation reserves</i>		<i>Total</i>	
	<i>USD</i>	<i>KHR'000 (Note 4)</i>	<i>USD</i>	<i>KHR'000 (Note 4)</i>	<i>USD</i>	<i>KHR'000 (Note 4)</i>	<i>USD</i>	<i>KHR'000 (Note 4)</i>	<i>USD</i>	<i>KHR'000 (Note 4)</i>	<i>USD</i>	<i>KHR'000 (Note 4)</i>
Balance as at 1 January 2021	230,000,000	920,000,000	285,224,840	1,163,897,093	3,151,952	12,773,175	461,332	1,778,127	-	251,817	518,838,124	2,098,700,212
Capitalisation of retained earnings	70,000,000	280,000,000	(70,000,000)	(280,000,000)	-	-	-	-	-	-	-	-
Net profit for the period	-	-	68,475,567	278,079,278	-	-	-	-	-	-	68,475,567	278,079,278
Transfer from regulatory reserve	-	-	461,332	1,778,127	-	-	(461,332)	(1,778,127)	-	-	-	-
Transfer to reserve fund	-	-	(29,310)	(119,028)	29,310	119,028	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	16,523,801	-	16,523,801
Balance as at 30 June 2021	300,000,000	1,200,000,000	284,132,429	1,163,635,470	3,181,262	12,892,203	-	-	-	16,775,618	587,313,691	2,393,303,291
Balance as at 1 January 2020 (restated)	230,000,000	920,000,000	174,271,385	711,503,244	3,093,332	12,534,181	2,644,420	10,715,190	-	16,034,618	410,009,137	1,670,787,233
Net profit for the period	-	-	37,373,513	152,334,436	-	-	-	-	-	-	37,373,513	152,334,436
Transfer from regulatory reserve	-	-	2,644,420	10,715,190	-	-	(2,644,420)	(10,715,190)	-	-	-	-
Transfer to reserve fund	-	-	(29,310)	(119,468)	29,310	119,468	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	8,015,518	-	8,015,518
Balance as at 30 June 2020 (restated)	230,000,000	920,000,000	214,260,008	874,433,402	3,122,642	12,653,649	-	-	-	24,050,136	447,382,650	1,831,137,187

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

Prasac Microfinance Institution Plc.

Condensed interim statement of cash flows for the six-month period ended 30 June 2021

	Notes	For the six-month period ended 30 June 2021		For the six-month period ended 30 June 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash (used in)/generated from operating activities	31	(46,222,301)	(187,708,764)	23,201,970	94,571,227
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(538,317)	(2,186,105)	(2,058,017)	(8,388,477)
Purchase of intangible assets		(43,735)	(177,608)	(415,007)	(1,691,569)
Investment in negotiable certificates of deposit		(147,430)	(598,713)	432	1,761
Proceeds from disposal of property and equipment		62,059	252,022	5,731	23,360
Net cash used in investing activities		(667,423)	(2,710,404)	(2,466,861)	(10,054,925)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		77,761,365	315,788,903	199,879,283	814,707,958
Repayments of borrowings		(147,932,831)	(600,755,227)	(142,820,262)	(582,135,388)
Proceeds from subordinated debts		17,296,512	70,241,135	-	-
Repayments of subordinated debts		(8,571,209)	(34,807,680)	(10,366,570)	(42,254,139)
Proceeds from bond issuance		-	-	30,535,399	124,462,286
Payments of lease liabilities		(1,950,153)	(7,919,571)	(1,779,013)	(7,251,257)
Net cash (used in)/generated from financing activities		(63,396,316)	(257,452,440)	75,448,837	307,529,460
Net (decrease)/increase in cash and cash equivalents		(110,286,040)	(447,871,608)	96,183,946	392,045,762
Cash and cash equivalents at beginning of the period		417,065,787	1,687,031,108	430,322,406	1,753,563,804
Currency translation differences		-	10,967,970	-	9,380,934
Cash and cash equivalents at end of the period	6	306,779,747	1,250,127,470	526,506,352	2,154,990,500

Prasac Microfinance Institution Plc.

Condensed interim statement of cash flows (continued) for the three-month period ended 30 June 2021

	Notes	For the three-month period ended 30 June 2021		For the three-month period ended 30 June 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash generated from operating activities	31	28,322,146	115,072,880	206,486,654	844,117,439
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(128,856)	(523,542)	(1,042,228)	(4,260,628)
Purchase of intangible assets		-	-	(338,200)	(1,382,561)
Investment in negotiable certificates of deposit		(147,430)	(599,008)	432	1,766
Net cash used in investing activities		(276,286)	(1,122,550)	(1,379,996)	(5,641,423)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		17,517,236	71,172,530	7,051,273	28,825,604
Repayments of borrowings		(99,992,458)	(406,269,357)	(72,293,463)	(295,535,677)
Proceeds from subordinated debts		17,296,512	70,275,728	-	-
Repayments of subordinated debts		(5,945,928)	(24,158,305)	(7,421,693)	(30,339,881)
Proceeds from bond issuance		-	-	30,535,399	124,828,711
Payments of lease liabilities		(987,668)	(4,012,895)	(932,299)	(3,811,238)
Net cash used in financing activities		(72,112,306)	(292,992,299)	(43,060,783)	(176,032,481)
Net (decrease)/increase in cash and cash equivalents		(44,066,446)	(179,041,969)	162,045,875	662,443,535
Cash and cash equivalents at beginning of the period		350,846,193	1,419,172,849	364,460,477	1,483,354,141
Currency translation differences		-	9,996,590	-	9,192,824
Cash and cash equivalents at end of the period	6	306,779,747	1,250,127,470	526,506,352	2,154,990,500

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

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements for the three-month and six-month periods ended 30 June 2021

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

1. Background information

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

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

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

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

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

As at 30 June 2021, the Company had 8,817 employees (31 December 2020: 9,042 employees).

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with Cambodian International Accounting Standard (“CIAS”) 34, “*Interim Financial Reporting*”. They do not include all the information required for a complete set of CIFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s interim financial position and performance since the last annual financial statements as at and for the year ended 31 December 2020.

These condensed interim financial statements were authorised for issue by the Company’s Board of Directors on 30 July 2021.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

2. Basis of preparation (continued)

(b) Functional and presentation currency

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

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

(c) Use of estimates and judgements

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

(i) Judgements

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

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

(ii) Assumptions and estimation uncertainties

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

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

2. Basis of preparation (continued)

(c) Use of estimates and judgements (continued)

(ii) Assumptions and estimation uncertainties (continued)

Coronavirus and impact on ECL

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

The calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Company; however, this estimate may move materially as events unfold. Consequently, this number should not be seen as firm guidance or a forecast as to the final financial impacts expected. In the event the impacts are more severe or prolonged than anticipated in the scenarios, this will have a corresponding impact on the ECL, the financial position and performance of the Company.

3. Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company’s annual financial statements as at and for the year ended 31 December 2020.

4. Translation of United States Dollars into Khmer Riel

The condensed interim financial statements are expressed in United States Dollars (“USD”). The translations of USD amounts into Khmer Riel (“KHR”) are included solely for compliance with the Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date. The condensed interim statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the period. Exchange differences arising from the translation are recognised as “Currency Translation Difference” in the other comprehensive income.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

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

The Company uses the following exchange rates:

			Closing rate	Average rate
30 June 2021	USD1	=	KHR4,075	KHR4,061
30 June 2020	USD1	=	KHR4,093	KHR4,076
31 December 2020	USD1	=	KHR4,045	KHR4,077

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

5. Seasonality

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

6. Cash on hand

	<i>30 June 2021</i>		<i>31 December 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Head office	29,464,085	120,066,147	43,578,608	176,275,469
Branches	141,737,443	577,580,080	116,999,478	473,262,889
	<u>171,201,528</u>	<u>697,646,227</u>	<u>160,578,086</u>	<u>649,538,358</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

6. Cash on hand (continued)

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

	30 June 2021		30 June 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Cash on hand	171,201,528	697,646,227	157,810,726	645,919,302
<i>Balances with the NBC</i>				
Current accounts	122,957,654	501,052,440	156,264,755	639,591,642
Term deposits (original maturity up to three months)	373,620	1,522,502	210,223,296	860,443,951
<i>Balances with other banks</i>				
Current accounts	12,171,239	49,597,799	2,150,845	8,803,409
Savings accounts	75,706	308,502	56,730	232,196
	<u>306,779,747</u>	<u>1,250,127,470</u>	<u>526,506,352</u>	<u>2,154,990,500</u>

7. Balances with the National Bank of Cambodia

	Note	30 June 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	(a)	122,957,654	501,052,440	87,265,227	352,987,843
Term deposits (original maturity up to three months)	(a)	373,620	1,522,502	165,207,294	668,263,504
Term deposits (original maturity more than three months)	(a)	296,318	1,207,495	148,888	602,252
Capital guarantee	(b)	30,000,000	122,250,000	23,000,000	93,035,000
Reserve requirement	(c)	175,950,585	716,998,634	162,733,990	658,258,990
		<u>329,578,177</u>	<u>1,343,031,071</u>	<u>438,355,399</u>	<u>1,773,147,589</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

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

(a) Current accounts and term deposits

Current accounts earn no interest.

Term deposits maturing up to three months earn annual interest at rates ranging from 0.04% to 1.55% (2020: from 0.02% to 1.60%) and for more than three months at 0.13% to 1.93% (2020: from 0.23% to 1.93%).

(b) Capital guarantee

Under Prakas No. B7-07-163 dated 13 December 2007 on Licensing of Deposit-Taking Microfinance Institutions, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. On 7 June 2021, the Company increase the capital guarantee to USD30 million, following the increase in share capital, which was approved by the NBC on 31 May 2021. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia. The capital guarantee deposit earns annual interest at 0.06% (2020: 0.09 %) per annum during the period.

(c) Reserve requirement

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

On 9 July 2021, the Company has transferred amounting to USD5,804,000 to their reserve requirement account with NBC to maintain the minimum reserve requirement to comply with the above Prakas.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

8. Balances with other banks

	<i>30 June 2021</i>		<i>31 December 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Current accounts	12,171,239	49,597,799	3,959,939	16,017,953
Savings accounts	<u>75,706</u>	<u>308,502</u>	<u>55,241</u>	<u>223,450</u>
Gross balances with other banks	12,246,945	49,906,301	4,015,180	16,241,403
Allowance for impairment loss	<u>(23,220)</u>	<u>(94,622)</u>	<u>(40,151)</u>	<u>(162,411)</u>
	<u>12,223,725</u>	<u>49,811,679</u>	<u>3,975,029</u>	<u>16,078,992</u>

Current accounts earn annual interest up to 0.75% (2020: 0.00% to 1.00%). Savings accounts earn annual interest at rates ranging from 0.00% to 0.15% during the period (2020: 0.00% to 1.00%).

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

9. Loans to customers

Loans to customers are categorised as follows:

	30 June 2021				
	Stage 1	Stage 2	Stage 3	Total	KHR'000 equivalent (Note 4)
	USD	USD	USD	USD	
Individual loans	3,180,213,340	57,814,218	51,316,056	3,289,343,614	13,404,075,227
Small and medium enterprises	46,781,035	2,001,976	1,664,490	50,447,501	205,573,567
Staff loans	8,112,654	-	27,398	8,140,052	33,170,712
Group loans	210,475	5,097	19,864	235,436	959,402
	3,235,317,504	59,821,291	53,027,808	3,348,166,603	13,643,778,908
Unamortised loan processing fees	(30,839,989)	(490,241)	(366,722)	(31,696,952)	(129,165,081)
	3,204,477,515	59,331,050	52,661,086	3,316,469,651	13,514,613,827
Accrued interest receivable	23,417,336	849,151	4,850,642	29,117,129	118,652,301
	3,227,894,851	60,180,201	57,511,728	3,345,586,780	13,633,266,128
Allowance for impairment loss	(18,271,924)	(15,089,420)	(33,068,873)	(66,430,217)	(270,703,134)
	3,209,622,927	45,090,781	24,442,855	3,279,156,563	13,362,562,994

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	KHR'000 equivalent (Note 4)
	USD	USD	USD	USD	
Individual loans	2,883,452,590	50,137,301	39,973,285	2,973,563,176	12,028,063,047
Small and medium enterprises	45,660,603	1,542,633	1,530,383	48,733,619	197,127,489
Staff loans	8,124,752	-	23,603	8,148,355	32,960,096
Group loans	353,871	7,252	14,456	375,579	1,519,217
	2,937,591,816	51,687,186	41,541,727	3,030,820,729	12,259,669,849
Unamortised loan processing fees	(28,210,045)	(339,268)	(309,478)	(28,858,791)	(116,733,810)
	2,909,381,771	51,347,918	41,232,249	3,001,961,938	12,142,936,039
Accrued interest receivable	22,771,402	544,924	2,915,163	26,231,489	106,106,373
	2,932,153,173	51,892,842	44,147,412	3,028,193,427	12,249,042,412
Allowance for impairment loss	(11,262,106)	(12,954,251)	(25,397,136)	(49,613,493)	(200,686,579)
	2,920,891,067	38,938,591	18,750,276	2,978,579,934	12,048,355,833

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

9. Loans to customers (continued)

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

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Loans to customers	16,816,724	68,292,716	23,494,045	95,761,727
Balances with other banks	(16,931)	(68,756)	11,042	45,007
Other assets	1,105	4,487	1,985	8,091
	<u>16,800,898</u>	<u>68,228,447</u>	<u>23,507,072</u>	<u>95,814,825</u>

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Loans to customers	12,549,468	50,988,487	16,934,461	69,228,076
Balances with other banks	(1,649)	(6,699)	905	3,700
Other assets	761	3,093	1,378	5,633
	<u>12,548,580</u>	<u>50,984,881</u>	<u>16,936,744</u>	<u>69,237,409</u>

Movements of allowance for impairment loss on loan to customers during the period were as follows:

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Balance at beginning of period	49,613,493	200,686,579	26,232,892	106,899,034
Allowance for impairment losses during the period	16,816,724	68,292,716	23,494,045	95,761,727
Currency translation differences	-	1,723,839	-	871,592
Balance at the end of period	<u>66,430,217</u>	<u>270,703,134</u>	<u>49,726,937</u>	<u>203,532,353</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

9. Loans to customers (continued)

Movements of allowance for impairment loss on loan to customers during the period were as follows: (continued)

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Balance at beginning of period	53,880,749	217,947,629	32,792,476	133,465,377
Allowance for impairment losses during the period	12,549,468	50,988,487	16,934,461	69,228,077
Currency translation differences	-	1,767,018	-	838,899
Balance at the end of period	<u>66,430,217</u>	<u>270,703,134</u>	<u>49,726,937</u>	<u>203,532,353</u>

Further analyses of loans to customers are set out below:

(a) By security

	<i>30 June 2021</i>		<i>31 December 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
<i>Secured</i>				
Real estate	208,562,056	849,890,378	178,699,933	722,841,229
Chattel	132,480,337	539,857,373	124,214,580	502,447,976
Deposit hold-out	570,002	2,322,758	637,871	2,580,188
Others	1,091,637,810	4,448,424,076	962,522,312	3,893,402,752
<i>Unsecured</i>				
Real estate	272,464,901	1,110,294,472	242,894,844	982,509,644
Chattel	158,224,947	644,766,659	157,008,498	635,099,374
Others	1,481,646,727	6,037,710,412	1,362,215,389	5,510,161,249
	<u>3,345,586,780</u>	<u>13,633,266,128</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

9. Loans to customers (continued)

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

(b) By maturity

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Within one month	95,074,805	387,429,830	91,934,370	371,874,527
1 month to 3 months	114,376,073	466,082,497	128,446,764	519,567,160
3 months to 12 months	568,955,234	2,318,492,579	541,923,856	2,192,081,998
1 year to 5 years	2,103,251,909	8,570,751,529	1,935,325,429	7,828,391,360
More than 5 years	463,928,759	1,890,509,693	330,563,008	1,337,127,367
	<u>3,345,586,780</u>	<u>13,633,266,128</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

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

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Residency</i>				
Residents	<u>3,345,586,780</u>	<u>13,633,266,128</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>
<i>Relationship</i>				
External customers	3,337,451,908	13,600,116,525	3,020,051,028	12,216,106,408
Staff loans	<u>8,134,872</u>	<u>33,149,603</u>	<u>8,142,399</u>	<u>32,936,004</u>
	<u>3,345,586,780</u>	<u>13,633,266,128</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>
<i>Currency</i>				
USD	2,924,849,972	11,918,763,635	2,638,558,932	10,672,970,880
KHR	406,228,847	1,655,382,552	365,326,565	1,477,745,955
THB	<u>14,507,961</u>	<u>59,119,941</u>	<u>24,307,930</u>	<u>98,325,577</u>
	<u>3,345,586,780</u>	<u>13,633,266,128</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

9. Loans to customers (continued)

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

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

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Industry sector</i>				
Trade and commerce	847,084,392	3,451,868,897	745,402,429	3,015,152,826
Service	575,162,496	2,343,787,171	513,552,045	2,077,318,022
Real-estate	481,026,957	1,960,184,850	421,594,777	1,705,350,873
Agriculture	417,922,572	1,703,034,481	408,192,523	1,651,138,756
Home improvement	403,165,242	1,642,898,361	346,941,003	1,403,376,357
Auto loan	290,705,284	1,184,624,032	281,223,077	1,137,547,346
Transportation	234,592,613	955,964,898	221,905,561	897,607,994
Manufacturing	38,642,410	157,467,821	34,613,559	140,011,846
Construction	33,384,815	136,043,121	29,420,267	119,004,980
Personal	23,899,999	97,392,496	25,348,186	102,533,412
	<u>3,345,586,780</u>	<u>13,633,266,128</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

10. Other assets

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Prepayments	4,080,876	16,629,570	767,359	3,103,967
Deposits	570,228	2,323,679	513,266	2,076,161
Long-term investment	28,167	114,781	28,167	113,936
Others	54,301	221,275	42,604	172,333
	<u>4,733,572</u>	<u>19,289,305</u>	<u>1,351,396</u>	<u>5,466,397</u>
Allowance for impairment loss	<u>(11,405)</u>	<u>(46,475)</u>	<u>(10,300)</u>	<u>(41,664)</u>
	<u>4,722,167</u>	<u>19,242,830</u>	<u>1,341,096</u>	<u>5,424,733</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

11. Property and equipment

	<i>For the six-month period ended 30 June 2020</i>							<i>Total USD</i>	<i>KHR'000 equivalent (Note 4)</i>
	<i>Office furniture USD</i>	<i>Vehicles USD</i>	<i>Motorcycles USD</i>	<i>Computer and peripherals USD</i>	<i>Leasehold improvements USD</i>	<i>Communication equipment USD</i>	<i>Work in progress USD</i>		
Cost									
As at 1 January 2021	5,355,637	3,037,394	360,678	9,030,420	2,401,455	326,356	295,714	20,807,654	84,166,961
Additions	97,201	97,500	-	170,180	3,133	1,505	168,798	538,317	2,186,105
Disposals/write-offs	(36,453)	(141,671)	-	(19,464)	(1,970)	-	-	(199,558)	(810,405)
Transfers	22,622	-	-	393,899	790	-	(417,311)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	628,972
As at 30 June 2021	<u>5,439,007</u>	<u>2,993,223</u>	<u>360,678</u>	<u>9,575,035</u>	<u>2,403,408</u>	<u>327,861</u>	<u>47,201</u>	<u>21,146,413</u>	<u>86,171,633</u>
Less: Accumulated depreciation									
As at 1 January 2021	4,222,332	2,315,084	349,819	6,215,744	1,788,910	252,962	-	15,144,851	61,260,922
Depreciation for the period	213,973	133,801	1,779	574,944	86,209	13,417	-	1,024,123	4,158,963
Disposals/write-offs and others	(34,909)	(141,670)	-	(18,730)	(1,970)	-	-	(197,279)	(801,150)
Currency translation differences	-	-	-	-	-	-	-	-	465,922
As at 30 June 2021	<u>4,401,396</u>	<u>2,307,215</u>	<u>351,598</u>	<u>6,771,958</u>	<u>1,873,149</u>	<u>266,379</u>	<u>-</u>	<u>15,971,695</u>	<u>65,084,657</u>
Carrying amounts									
As at 1 January 2021	<u>1,133,305</u>	<u>722,310</u>	<u>10,859</u>	<u>2,814,676</u>	<u>612,545</u>	<u>73,394</u>	<u>295,714</u>	<u>5,662,803</u>	<u>22,906,039</u>
As at 30 June 2021	<u>1,037,611</u>	<u>686,008</u>	<u>9,080</u>	<u>2,803,077</u>	<u>530,259</u>	<u>61,482</u>	<u>47,201</u>	<u>5,174,718</u>	<u>21,086,976</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

11. Property and equipment (continued)

	For the six-month period ended 30 June 2020								KHR'000 equivalent (Note 4)
	Office furniture USD	Vehicles USD	Motorcycles USD	Computer and peripherals USD	Leasehold improvements USD	Communication equipment USD	Work in progress USD	Total USD	
Cost									
As at 1 January 2020	4,871,906	2,917,904	354,528	7,171,805	2,297,202	417,766	86,160	18,117,271	73,827,879
Additions	296,067	137,490	6,150	330,530	22,655	-	1,265,125	2,058,017	8,388,477
Disposals/write-offs	(2,503)	(18,000)	-	(24,702)	-	-	-	(45,205)	(184,256)
Transfers	5,966	-	-	492,530	25,614	-	(524,110)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	360,330
As at 30 June 2020	<u>5,171,436</u>	<u>3,037,394</u>	<u>360,678</u>	<u>7,970,163</u>	<u>2,345,471</u>	<u>417,766</u>	<u>827,175</u>	<u>20,130,083</u>	<u>82,392,430</u>
Less: Accumulated depreciation									
As at 1 January 2020	3,796,688	2,039,937	346,727	5,164,683	1,622,584	240,365	-	13,210,984	53,834,760
Depreciation for the period	226,951	154,045	1,283	553,790	98,343	24,850	-	1,059,262	4,317,553
Disposals/write-offs and others	(2,503)	(18,000)	-	(23,602)	-	-	-	(44,105)	(179,772)
Currency translation differences	-	-	-	-	-	-	-	-	255,054
As at 30 June 2020	<u>4,021,136</u>	<u>2,175,982</u>	<u>348,010</u>	<u>5,694,871</u>	<u>1,720,927</u>	<u>265,215</u>	<u>-</u>	<u>14,226,141</u>	<u>58,227,595</u>
Carrying amounts									
As at 30 June 2020	<u>1,150,300</u>	<u>861,412</u>	<u>12,668</u>	<u>2,275,292</u>	<u>624,544</u>	<u>152,551</u>	<u>827,175</u>	<u>5,903,942</u>	<u>24,164,835</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

12. Right-of-use assets

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

	<i>For the six-month period ended 30 June 2021</i>			
	<i>Office space</i>	<i>ATM space</i>	<i>Total</i>	
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Cost				
As at 1 January 2021	25,638,528	717,053	26,355,581	106,608,325
Additions	808,162	12,161	820,323	3,331,332
Currency translation differences	-	-	-	802,152
As at 30 June 2021	<u>26,446,690</u>	<u>729,214</u>	<u>27,175,904</u>	<u>110,741,809</u>
Less: Accumulated depreciation				
As at 1 January 2021	10,579,042	454,360	11,033,402	44,630,111
Depreciation for the period	1,997,752	86,982	2,084,734	8,466,105
Currency translation differences	-	-	-	360,188
	<u>12,576,794</u>	<u>541,342</u>	<u>13,118,136</u>	<u>53,456,404</u>
Carrying amounts				
As at 1 January 2021	<u>15,059,486</u>	<u>262,693</u>	<u>15,322,179</u>	<u>61,978,214</u>
As at 30 June 2021	<u>13,869,896</u>	<u>187,872</u>	<u>14,057,768</u>	<u>57,285,405</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

12. Right-of-use assets (continued)

	<i>For the six-month period ended 30 June 2020</i>			
	<i>Office space</i>	<i>ATM space</i>	<i>Total</i>	
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Cost				
As at 1 January 2020	20,863,158	500,461	21,363,619	87,056,750
Additions	2,415,106	177,996	2,593,102	10,569,484
Expirations/terminations	(5,261)	(30,071)	(35,332)	(144,014)
Currency translation differences	-	-	-	428,028
As at 30 June 2020	<u>23,273,003</u>	<u>648,386</u>	<u>23,921,389</u>	<u>97,910,248</u>
Less: Accumulated depreciation				
As at 1 January 2020	6,722,451	280,903	7,003,354	28,538,670
Depreciation for the period	1,872,558	85,812	1,958,370	7,982,314
Expirations/terminations	(4,898)	-	(4,898)	(19,962)
Currency translation differences	-	-	-	159,270
	<u>8,590,111</u>	<u>366,715</u>	<u>8,956,826</u>	<u>36,660,292</u>
Carrying amounts				
As at 30 June 2020	<u>14,682,892</u>	<u>281,671</u>	<u>14,964,563</u>	<u>61,249,956</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

13. Intangible assets

	<i>For the six-month period ended 30 June 2021</i>			
	<i>Computer software</i>	<i>Core banking system license</i>	<i>Total</i>	
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Cost				
As at 1 January 2021	1,220,319	2,891,587	4,111,906	16,632,661
Additions	43,735	-	43,735	177,608
Currency translation differences	-	-	-	123,969
As at 30 June 2021	1,264,054	2,891,587	4,155,641	16,934,238
Less: Accumulated amortisation				
As at 1 January 2021	817,815	1,686,923	2,504,738	10,131,666
Amortisation for the period	53,073	93,402	146,475	594,835
Currency translation differences	-	-	-	77,193
As at 30 June 2021	870,888	1,780,325	2,651,213	10,803,694
Carrying amounts				
As at 1 January 2021	402,504	1,204,664	1,607,168	6,500,995
As at 30 June 2021	393,166	1,111,262	1,504,428	6,130,544

	<i>For the six-month period ended 30 June 2020</i>			
	<i>Computer software</i>	<i>Core banking system license</i>	<i>Total</i>	
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Cost				
As at 1 January 2020	1,121,820	2,515,752	3,637,572	14,823,106
Additions	60,172	354,835	415,007	1,691,569
Currency translation differences	-	-	-	72,531
As at 30 June 2020	1,181,992	2,870,587	4,052,579	16,587,206
Less: Accumulated amortisation				
As at 1 January 2020	720,398	1,417,288	2,137,686	8,711,071
Amortisation for the period	47,334	131,459	178,793	728,760
Currency translation differences	-	-	-	41,518
As at 30 June 2020	767,732	1,548,747	2,316,479	9,481,349
Carrying amounts				
As at 30 June 2020	414,260	1,321,840	1,736,100	7,105,857

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

14. Deposits from banks and other financial institutions

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Term deposits	53,636,326	218,568,028	36,497,989	147,634,366
Savings deposits	758,963	3,092,775	734,828	2,972,379
	<u>54,395,289</u>	<u>221,660,803</u>	<u>37,232,817</u>	<u>150,606,745</u>

15. Deposits from customers

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Term deposits	2,141,398,950	8,726,200,721	1,956,078,958	7,912,339,385
Savings deposits	127,182,034	518,266,789	118,601,985	479,745,029
	<u>2,268,580,984</u>	<u>9,244,467,510</u>	<u>2,074,680,943</u>	<u>8,392,084,414</u>

Deposits from customers are further analysed as follows:

(a) By maturity

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Within 1 month	363,066,630	1,479,496,517	359,764,063	1,455,245,635
1 month to 3 months	399,704,944	1,628,797,647	381,907,638	1,544,816,396
3 months to 12 months	1,431,932,224	5,835,123,813	1,264,477,242	5,114,810,443
More than 12 months	73,877,186	301,049,533	68,532,000	277,211,940
	<u>2,268,580,984</u>	<u>9,244,467,510</u>	<u>2,074,680,943</u>	<u>8,392,084,414</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

15. Deposits from customers (continued)

Deposits from customers are further analysed as follows: (continued)

(b) By relationship

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Non-related parties	2,239,566,986	9,126,235,469	2,042,197,190	8,260,687,634
Related parties	29,013,998	118,232,041	32,483,753	131,396,780
	<u>2,268,580,984</u>	<u>9,244,467,510</u>	<u>2,074,680,943</u>	<u>8,392,084,414</u>

16. Borrowings

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

Borrowings are further analysed as follows:

(a) By relationship

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Non-related parties	635,986,785	2,591,646,149	708,215,447	2,864,731,483
Related parties	86,209,584	351,304,055	86,214,870	348,739,149
	<u>722,196,369</u>	<u>2,942,950,204</u>	<u>794,430,317</u>	<u>3,213,470,632</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

16. Borrowings (continued)

Borrowings are further analysed as follows: (continued)

(b) By maturity

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
On demand to 3 months	77,769,169	316,909,364	53,050,298	214,588,455
3 months to 12 months	215,970,258	880,078,801	244,350,237	988,396,709
1 year to 5 year	427,786,626	1,743,230,501	496,029,950	2,006,441,148
Over 5 year	670,316	2,731,538	999,832	4,044,320
	<u>722,196,369</u>	<u>2,942,950,204</u>	<u>794,430,317</u>	<u>3,213,470,632</u>

17. Bonds payable

In April 2020, the Company issued KHR127.2 billion (equivalent to USD31.18 million) fixed rate guaranteed bonds due on 23 April 2023. The bonds are guaranteed by the Credit Guarantee and Investment Facility, a trust fund of Asian Development Bank (“ADB”). The bonds are listed on the Cambodia Securities Exchange (“CSX”) and were priced at KHR100,000 per bond with a coupon rate of 7.50% per annum, and are payable on a semi-annual basis commencing on 23 October 2020. The Company incurred debt’s issuance costs amounting to KHR6.21 billion (equivalent to USD1.52 million).

As at 30 June 2021, the carrying value of the bonds payable is USD30,640,009 (equivalent to KHR124.86 billion) (31 December 2020: USD30,666,038 equivalent to KHR124.04 billion). During the period, the Company incurred interest expense on the issued bonds amounting to USD1,287,983 (equivalent to KHR5.2 billion) (30 June 2020: USD472,447 equivalent to KHR1.9 billion) (Note 25).

18. Subordinated debts

		30 June 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Subordinated debts	(a)	107,624,972	438,571,762	98,814,321	399,703,930
Trust fund	(b)	<u>14,744,145</u>	<u>60,082,390</u>	<u>14,853,496</u>	<u>60,082,390</u>
		<u>122,369,117</u>	<u>498,654,152</u>	<u>113,667,817</u>	<u>459,786,320</u>

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

18. Subordinated debts (continued)

(a) Subordinated debts

These are subordinated debts from foreign lenders, non-related parties, amounting to USD57,535,629 (equivalent to KHR234.5 billion) (31 December 2020: USD48,757,974 equivalent to KHR197.2 billion) and shareholder amounting to USD50,089,343 (equivalent to KHR204.1 billion) (31 December 2020: USD50,056,347 equivalent to KHR202.4 billion) repayable based on the agreed schedules stated in each loan agreement. The subordinated debt from shareholder was approved by the NBC such that it can be included as Tier 2 Capital for purpose of net worth calculation.

(b) Trust fund

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Royal Government of Cambodia ("RGC")	11,197,624	45,630,317	11,280,672	45,630,317
Cambodia Rural Development Foundation ("CRDF")	3,546,521	14,452,073	3,572,824	14,452,073
	<u>14,744,145</u>	<u>60,082,390</u>	<u>14,853,496</u>	<u>60,082,390</u>

RGC

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

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

CRDF

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

On 28 December 2016, PRASAC Financial Trust and the Company agreed to an annual interest rate of 3% on the trust fund (both the RGC and CRDF) with a five-year term. The interest rate and the term of the trust fund shall be revisited and negotiated every five years (before the end of the term).

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

19. Lease liabilities

	30 June 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	4,900,647	19,970,137	4,926,938	19,929,464
One to five years	11,040,180	44,988,734	13,233,200	53,528,294
More than five years	1,627,502	6,632,071	1,075,061	4,348,622
Total undiscounted lease liabilities	17,568,329	71,590,942	19,235,199	77,806,380
Present value of lease liabilities				
Current	3,540,318	14,426,796	3,640,367	14,725,285
Non-current	9,754,670	39,750,280	10,784,451	43,623,104
	13,294,988	54,177,076	14,424,818	58,348,389
Amounts recognised in profit or loss				
	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Expenses relating to short-term leases	400,151	1,625,013	252,292	1,028,344
Interest on lease liabilities	539,039	2,189,037	558,188	2,275,175
	939,190	3,814,050	810,480	3,303,519
	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Expenses relating to short-term leases	196,386	797,916	132,828	543,001
Interest on lease liabilities	265,244	1,077,686	283,682	1,159,692
	461,630	1,875,602	416,510	1,702,693

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

19. Lease liabilities (continued)

Amounts recognised in condensed interim statement of cash flows

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Total cash outflows for leases	<u>(1,950,153)</u>	<u>(7,919,571)</u>	<u>(1,779,013)</u>	<u>(7,251,257)</u>
	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Total cash outflows for leases	<u>(987,668)</u>	<u>(4,012,895)</u>	<u>(932,299)</u>	<u>(3,811,238)</u>

20. Income tax

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

(a) Income tax expense

Applicable tax rates

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

Based on ANUKRET on Tax Incentive in CSX, the Company is entitled to reduce half amount of its tax on income within the duration of tax incentive period. In order to get the incentives, the Company needs to submit the request to the General Department of Taxation ("GDT") through the Securities and Exchange Regulator of Cambodia ("SERC") (formerly known as Securities and Exchange Commission of Cambodia ("SECC") until 8 April 2021). On 4 February 2021, the Company received the letter from SERC informing that the request was submitted to GDT. The Company has issued a clarification letter to GDT regarding the approval on tax incentive. On 11 March 2021, the Company received the approval from the GDT on the tax incentives for the fiscal year 2020 and 2021 following the Prakas No. 183 dated 25 January 2020 on the implementation guidance on the incentive on tax on profit for the IPO enterprise.

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

20. Income tax (continued)

(a) Income tax expense (continued)

Income tax expense comprises:

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Current tax at applicable tax rate	19,076,550	77,469,870	13,389,508	54,575,635
Tax incentive on bond listing	(389,162)	(1,580,387)	-	-
Current tax	<u>18,687,388</u>	<u>75,889,483</u>	<u>13,389,508</u>	<u>54,575,635</u>
Deferred tax	<u>(1,902,706)</u>	<u>(7,726,889)</u>	<u>(4,002,579)</u>	<u>(16,314,512)</u>
	<u>16,784,682</u>	<u>68,162,594</u>	<u>9,386,929</u>	<u>38,261,123</u>
	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Current tax at applicable tax rate	9,263,425	37,637,296	5,909,327	24,157,329
Tax incentive on bond listing	(183,087)	(743,883)	-	-
Current tax	<u>9,080,338</u>	<u>36,893,413</u>	<u>5,909,327</u>	<u>24,157,329</u>
Deferred tax	<u>(1,079,202)</u>	<u>(4,384,797)</u>	<u>(2,685,393)</u>	<u>(10,977,887)</u>
	<u>8,001,136</u>	<u>32,508,616</u>	<u>3,223,934</u>	<u>13,179,442</u>

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

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Profit before income tax	<u>85,260,249</u>	<u>346,241,872</u>	<u>46,760,442</u>	<u>190,595,559</u>
Income tax expense at applicable tax rate of 20%	17,052,049	69,248,371	9,352,088	38,119,111
Non-deductible expenses	121,795	494,610	34,841	142,012
Tax incentive on bond listing	(389,162)	(1,580,387)	-	-
	<u>16,784,682</u>	<u>68,162,594</u>	<u>9,386,929</u>	<u>38,261,123</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

20. Income tax (continued)

(a) Income tax expense (continued)

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

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Profit before income tax	40,512,648	164,602,888	16,115,214	65,878,993
Income tax expense at applicable tax rate of 20%	8,102,529	32,920,574	3,223,043	13,175,800
Non-deductible expenses	81,694	331,924	891	3,642
Tax incentive on bond listing	(183,087)	(743,882)	-	-
	<u>8,001,136</u>	<u>32,508,616</u>	<u>3,223,934</u>	<u>13,179,442</u>

(b) Income tax payable

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

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Balance at beginning of the period	24,076,695	97,390,231	23,414,889	95,415,673
Current income tax at applicable tax rate	19,076,550	77,469,870	13,389,508	54,575,635
Tax incentive on bond listing	(389,162)	(1,580,387)	-	-
Income tax paid	(26,172,789)	(106,287,696)	(25,099,943)	(102,307,368)
Currency translation differences	-	617,505	-	222,390
Balance at end of the period	<u>16,591,294</u>	<u>67,609,523</u>	<u>11,704,454</u>	<u>47,906,330</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

20. Income tax (continued)

(b) Income tax payable (continued)

Movements of income tax payable during the period were as follows: (continued)

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Balance at beginning of period	8,769,054	35,470,823	6,843,766	27,854,128
Current income tax				
at applicable tax rate	9,263,425	37,637,296	5,909,327	24,157,329
Tax incentive on bond listing	(183,087)	(743,882)	-	-
Income tax paid	(1,258,098)	(5,111,652)	(1,048,639)	(4,286,838)
Currency translation differences	-	356,938	-	181,711
Balance at end of the period	<u>16,591,294</u>	<u>67,609,523</u>	<u>11,704,454</u>	<u>47,906,330</u>

(c) Deferred tax assets, net

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

	<i>30 June 2021</i>		<i>31 December 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Unamortised loan fees	6,339,390	25,833,014	5,771,758	23,346,761
Allowance for impairment losses	5,388,739	21,959,111	4,506,554	18,229,011
Unused annual leave	614,676	2,504,805	382,077	1,545,501
Provision for employee benefits	116,588	475,096	87,075	352,218
Accrued interest receivable	29,744	121,207	13,934	56,363
Right-of-use assets and lease liabilities	15,522	63,252	63,709	257,703
Unamortised borrowing fees	21,147	86,174	172,950	699,583
Property and equipment	(124,195)	(506,095)	(219,976)	(889,803)
Foreign exchange differences	405,946	1,654,231	126,770	512,785
Deferred tax assets, net	<u>12,807,557</u>	<u>52,190,795</u>	<u>10,904,851</u>	<u>44,110,122</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

21. Provision for employee benefits

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Balance as at beginning of period	435,375	1,761,092	74,562	303,840
Recognised in profit or loss	1,888,255	7,668,204	1,652,358	6,735,011
Payments during the period	(1,740,690)	(7,068,942)	(1,214,704)	(4,951,134)
Currency translation differences	-	15,127	-	8,783
Balance at end of the period	<u>582,940</u>	<u>2,375,481</u>	<u>512,216</u>	<u>2,096,500</u>

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Balance as at beginning of period	1,418,199	5,736,615	953,945	3,882,556
Recognised in profit or loss	903,820	3,672,221	770,282	3,148,913
Payments during the period	(1,739,079)	(7,065,878)	(1,212,011)	(4,954,701)
Currency translation differences	-	32,523	-	19,732
Balance at end of the period	<u>582,940</u>	<u>2,375,481</u>	<u>512,216</u>	<u>2,096,500</u>

22. Other liabilities

	<i>30 June 2021</i>		<i>31 December 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD (Restated)</i>	<i>KHR'000 equivalent (Note 4) (Restated)</i>
Accrued bonus and incentive	6,087,622	24,807,060	1,000,000	4,045,000
Accrued expenses	3,458,006	14,091,374	2,237,474	9,050,582
Withholding tax payable	1,706,389	6,953,535	1,208,570	4,888,666
Account payables	3,037,901	12,379,447	2,096,877	8,481,867
Tax on salary	166,376	677,982	1,326,675	5,366,400
Others	5,656	23,046	4,005	16,201
	<u>14,461,950</u>	<u>58,932,444</u>	<u>7,873,601</u>	<u>31,848,716</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

23. Equity and reserves

(a) Share capital

In December 2019, KB, a subsidiary of KB Financial Group, agreed to buy a 70% stake in the Company. On 29 January 2020, the Company received the approval from the NBC regarding to KB's investment in PRASAC. On 13 April 2020, the sale was finalised and settlement was made. In the process, the Company changed its corporate name from "PRASAC Microfinance Institution Limited" to "PRASAC Microfinance Institution Plc.", which was effective on 9 April 2020.

On 12 May 2021, the Company requested to the National Bank of Cambodia ("NBC") to increase its share capital from USD230,000,000 to USD300,000,000 by way of capitalising the retained earnings. This request was approved by the NBC on 31 May 2021. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 9 June 2021.

All 300,000,000 ordinary shares are registered, issued, and paid-up with a par value of KHR4,000 per share.

There was no change in shareholders or shareholding structure during the period. Details of shareholding are as follows:

	30 June 2021			31 December 2020		
	USD	KHR'000 equivalent (Note 4)	%	USD	KHR'000 equivalent (Note 4)	%
KB	210,000,000	840,000,000	70.00	161,000,000	644,000,000	70.00
LOLC	63,000,000	252,000,000	21.00	48,300,000	193,200,000	21.00
BEA	18,900,000	75,600,000	6.30	14,490,000	57,960,000	6.30
PSCo	8,100,000	32,400,000	2.70	6,210,000	24,840,000	2.70
	<u>300,000,000</u>	<u>1,200,000,000</u>	<u>100.00</u>	<u>230,000,000</u>	<u>920,000,000</u>	<u>100.00</u>

Abbreviation:

KB: Kookmin Bank

LOLC: LOLC INTERNATIONAL PRIVATE LIMITED

BEA: The Bank of East Asia, Limited

PSCo: PRASAC Staff Company Limited

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

23. Equity and reserves (continued)

(b) Reserve fund

Based on the loan agreement signed between the Company and Instituto De Crédito Oficial (“ICO”) of the Kingdom of Spain on 8 December 2008, during the life of the loan the Company shall undertake to establish and keep a reserve fund for capital strengthening by transferring its net profit of each year, an amount equivalent to a 3.5% of the outstanding principal of the loans with ICO. As at 30 June 2021, this non-distributable reserve amounted to USD3.18 million (equivalent to KHR12.9 billion) (31 December 2020: USD3.15 million equivalent to KHR12.8 billion).

(c) Regulatory reserve

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

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD (Restated)</i>	<i>KHR'000 equivalent (Note 4) (Restated)</i>
Balance at beginning of the period	461,332	1,778,127	2,644,420	10,715,190
Transfer to retained earnings	(461,332)	(1,778,127)	(2,644,420)	(10,715,190)
Balance at end of the period	-	-	-	-

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD (Restated)</i>	<i>KHR'000 equivalent (Note 4) (Restated)</i>
Balance at beginning of the period	1,123,405	4,559,901	-	-
Transfer to retained earnings	(1,123,405)	(4,559,901)	-	-
Balance at end of the period	-	-	-	-

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

24. Interest income

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Individual loans	241,961,730	982,606,586	206,952,899	843,540,015
Balances with other banks	101,181	410,896	40,721	165,978
Balances with NBC	31,400	127,515	117,664	479,600
Group loans	24,427	99,198	49,002	199,732
	<u>242,118,738</u>	<u>983,244,195</u>	<u>207,160,286</u>	<u>844,385,325</u>

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Individual loans	123,236,748	500,710,906	102,883,201	420,586,526
Balances with other banks	46,278	188,028	36,416	148,869
Balances with NBC	6,866	27,897	38,516	157,453
Group loans	10,505	42,682	22,794	93,182
	<u>123,300,397</u>	<u>500,969,513</u>	<u>102,980,927</u>	<u>420,986,030</u>

25. Interest expense

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Deposits from customers	68,760,775	279,237,508	61,342,919	250,033,737
Borrowings	24,384,787	99,026,620	29,537,283	120,393,966
Subordinated debts	5,512,759	22,387,314	3,422,252	13,949,099
Bond payables	1,287,983	5,230,499	472,447	1,925,694
Deposits from banks and other financial institutions	1,073,782	4,360,629	3,030,611	12,352,772
Lease liabilities	539,039	2,189,037	558,188	2,275,175
	<u>101,559,125</u>	<u>412,431,607</u>	<u>98,363,700</u>	<u>400,930,443</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

25. Interest expense (continued)

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Deposits from customers	34,852,340	141,605,058	32,033,236	130,951,870
Borrowings	12,168,680	49,441,347	14,896,966	60,898,797
Subordinated debts	2,873,001	11,673,003	1,620,142	6,623,140
Bond payables	643,988	2,616,523	472,447	1,931,363
Deposits from banks and other financial institutions	538,051	2,186,101	661,138	2,702,732
Lease liabilities	265,244	1,077,686	283,682	1,159,692
	<u>51,341,304</u>	<u>208,599,718</u>	<u>49,967,611</u>	<u>204,267,594</u>

26. Net fees and commission income

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Instalment fee income	3,956,207	16,066,157	2,030,091	8,274,651
Local remittance services income	378,212	1,535,919	439,742	1,792,388
Fees and commission income	4,334,419	17,602,076	2,469,833	10,067,039
Bank charges on borrowings	(77,393)	(314,293)	(62,286)	(253,878)
Others	(495)	(2,010)	-	-
Net fees and commission	<u>4,256,531</u>	<u>17,285,773</u>	<u>2,407,547</u>	<u>9,813,161</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

26. Net fees and commission income (continued)

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Instalment fee income	1,984,258	8,062,040	309,651	1,265,853
Local remittance services income	176,311	716,352	211,204	863,402
Fees and commission income	2,160,569	8,778,392	520,855	2,129,255
Bank charges on borrowings	(56,813)	(230,831)	(30,040)	(122,804)
Net fees and commission	2,103,756	8,547,561	490,815	2,006,451

27. Other income

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Penalty from loans	3,083,892	12,523,685	2,265,557	9,234,410
Loan written-off recovery	1,489,044	6,047,008	1,765,581	7,196,508
Others	582,078	2,363,819	570,992	2,327,365
	5,155,014	20,934,512	4,602,130	18,758,283

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Penalty from loans	1,383,484	5,621,095	973,450	3,979,464
Loan written-off recovery	634,654	2,578,599	540,115	2,207,990
Others	259,181	1,053,053	272,838	1,115,361
	2,277,319	9,252,747	1,786,403	7,302,815

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

28. Personnel expenses

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Salaries, bonuses and incentives	34,141,086	138,646,950	31,258,456	127,409,467
Employee benefit	1,888,255	7,668,204	1,652,358	6,735,011
Employee social welfare fund expenses	549,399	2,231,109	540,607	2,203,514
Staff uniform	-	-	113,178	461,314
Medical expenses	23,143	93,984	5,854	23,861
Other employee benefits	1,246,700	5,062,849	1,125,891	4,589,131
	<u>37,848,583</u>	<u>153,703,096</u>	<u>34,696,344</u>	<u>141,422,298</u>
	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Salaries, bonuses and incentives	15,914,145	64,659,171	14,269,055	58,331,897
Employee benefit	903,820	3,672,221	770,282	3,148,913
Employee social welfare fund expenses	281,303	1,142,934	272,848	1,115,403
Staff uniform	-	-	53,871	220,225
Medical expenses	20,299	82,475	2,985	12,203
Other employee benefits	343,984	1,397,607	397,263	1,624,010
	<u>17,463,551</u>	<u>70,954,408</u>	<u>15,766,304</u>	<u>64,452,651</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

29. General and administrative expenses

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Fuel costs	1,832,810	7,443,041	1,915,887	7,809,155
Printing and stationery	702,132	2,851,358	732,960	2,987,545
Utilities	600,752	2,439,654	628,102	2,560,144
Transportation	541,641	2,199,604	646,767	2,636,222
Repair and maintenance	518,752	2,106,652	533,964	2,176,437
Rental	400,151	1,625,013	252,292	1,028,344
Office supplies	228,539	928,097	326,923	1,332,538
Communications	406,136	1,649,318	404,610	1,649,190
Other tax expenses	226,681	920,552	224,577	915,376
License fees	312,101	1,267,442	638,988	2,604,515
Professional fees	290,835	1,181,081	441,464	1,799,407
Marketing and promotions	150,540	611,343	361,640	1,474,045
Bank charges	149,892	608,711	86,093	350,915
Stamp tax	87,740	356,312	207,223	844,641
Traveling	36,473	148,117	129,617	528,319
Donation	173,617	705,059	132,548	540,266
Training	36,275	147,313	43,392	176,866
Other expenses	273,955	1,112,531	157,284	641,090
	<u>6,969,022</u>	<u>28,301,198</u>	<u>7,864,331</u>	<u>32,055,015</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

29. General and administrative expenses (continued)

	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Fuel costs	906,792	3,684,296	968,743	3,960,221
Printing and stationery	358,357	1,456,004	412,679	1,687,032
Utilities	319,489	1,298,084	336,956	1,377,476
Transportation	272,885	1,108,732	356,392	1,456,930
Repair and maintenance	252,737	1,026,870	274,134	1,120,660
Rental	196,386	797,916	132,828	543,001
Office supplies	24,823	100,856	31,320	128,036
Communications	206,939	840,793	202,763	828,895
Other tax expenses	30,690	124,693	43,416	177,485
License fees	149,885	608,983	310,626	1,269,839
Professional fees	129,750	527,174	263,087	1,075,500
Marketing and promotions	32,793	133,238	206,590	844,540
Bank charges	36,896	149,908	10,724	43,840
Stamp tax	31,169	126,640	206,913	845,860
Traveling	4,116	16,723	22,696	92,781
Donation	166,086	674,807	75,291	307,790
Training	29,219	118,717	997	4,076
Other expenses	178,663	725,910	64,709	264,530
	<u>3,327,675</u>	<u>13,520,344</u>	<u>3,920,864</u>	<u>16,028,492</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

30. Depreciation and amortization

	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Property and equipment	1,024,123	4,158,964	1,059,262	4,317,552
Intangible assets	146,475	594,834	178,793	728,761
Right-of-use assets	2,084,734	8,466,105	1,958,370	7,982,314
	<u>3,255,332</u>	<u>13,219,903</u>	<u>3,196,425</u>	<u>13,028,627</u>
	<i>For the three-month period ended 30 June 2021</i>		<i>For the three-month period ended 30 June 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Property and equipment	521,039	2,116,981	538,520	2,201,470
Intangible assets	74,172	301,361	91,637	374,612
Right-of-use assets	1,048,621	4,260,547	985,691	4,029,505
	<u>1,643,832</u>	<u>6,678,889</u>	<u>1,615,848</u>	<u>6,605,587</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

31. Net cash used in operating activities

Note	For the six-month period ended 30 June 2021		For the six-month period ended 30 June 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Net profit for the period	68,475,567	278,079,278	37,373,513	152,334,436
<i>Adjustments for:</i>				
Depreciation and amortisation	30	3,255,332	13,219,903	3,196,425
Gain on disposal of property and equipment		(59,780)	(242,767)	(4,631)
Net interest income		(140,559,613)	(570,812,588)	(108,796,586)
Allowance for impairment losses	9	16,800,898	68,228,447	23,507,072
Income tax expense	20(a)	16,784,682	68,162,594	9,386,929
Provision for employee benefits expense	21	1,888,255	7,668,204	1,652,358
Unrealised exchange losses		960,936	3,902,361	41,258
		(32,453,723)	(131,794,568)	(33,643,662)
<i>Changes in:</i>				
Balances with the NBC		(20,216,595)	(82,099,592)	(13,221,783)
Loans to customers		(317,968,485)	(1,291,270,018)	(166,949,288)
Other assets		(3,382,176)	(13,735,017)	3,216,452
Deposits from banks and other financial institutions		17,464,135	70,921,852	(2,215,230)
Deposits from customers		192,500,647	781,745,127	144,826,565
Other liabilities		6,588,349	26,755,285	5,787,233
Cash used in operations		(157,467,848)	(639,476,931)	(62,199,713)
Interest received		239,131,917	971,114,715	208,428,873
Interest paid		(99,972,891)	(405,989,910)	(96,712,543)
Income tax paid	20(b)	(26,172,789)	(106,287,696)	(25,099,943)
Employee benefits paid	21	(1,740,690)	(7,068,942)	(1,214,704)
Net cash (used in)/generated from operating activities		(46,222,301)	(187,708,764)	23,201,970
				94,571,227

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

31. Net cash used in operating activities (continued)

	Note	For the three-month period ended 30 June 2021		For the three-month period ended 30 June 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Net profit for the period		32,511,512	132,094,272	12,891,280	52,699,551
<i>Adjustments for:</i>					
Depreciation and amortisation	30	1,643,832	6,678,889	1,615,848	6,605,591
Gain on disposal of property and equipment		-	-	994	4,063
Net interest income		(71,959,093)	(292,369,795)	(53,013,317)	(216,718,440)
Allowance for impairment losses	9	12,548,580	50,984,881	16,936,744	69,237,409
Income tax expense	20(a)	8,001,136	32,508,616	3,223,934	13,179,442
Provision for employee benefits expense	21	903,820	3,672,221	770,282	3,148,913
Unrealised exchange losses		1,340,631	5,446,984	1,158,197	4,734,711
		(15,009,582)	(60,983,932)	(16,416,038)	(67,108,760)
<i>Changes in:</i>					
Balances with the NBC		(11,745,595)	(47,722,352)	(56,070)	(229,214)
Loans to customers		(128,067,944)	(520,340,056)	56,758,703	232,029,578
Other assets		(2,998,997)	(12,184,925)	(3,402,075)	(13,907,683)
Deposits from banks and other financial institutions		(2,045,058)	(8,309,071)	13,875,693	56,723,833
Deposits from customers		118,893,773	483,065,400	99,070,118	404,998,642
Other liabilities		2,041,601	8,295,025	(819,255)	(3,349,114)
Cash (used in)/generated from operations		(38,931,802)	(158,179,911)	149,011,076	609,157,282
Interest received		122,457,154	497,543,417	106,403,651	434,978,125
Interest paid		(52,206,029)	(212,113,096)	(46,667,423)	(190,776,429)
Income tax paid	20(b)	(1,258,098)	(5,111,652)	(1,048,639)	(4,286,838)
Employee benefits paid	21	(1,739,079)	(7,065,878)	(1,212,011)	(4,954,701)
Net cash generated from operating activities		28,322,146	115,072,880	206,486,654	844,117,439

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

32. Related party transactions and balances

(a) Significant transactions with related parties

<i>Related party</i>	<i>Transactions</i>	<i>For the six-month period ended 30 June 2021</i>		<i>For the six-month period ended 30 June 2020</i>	
		<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Board of Directors	Fees and related expenses	115,879	470,585	165,510	674,619
	Interest expense	1,363	5,535	63,125	257,296
Shareholders	Interest expense	1,979,618	8,039,229	859,181	3,502,022
	Fees and commissions on loans	403,452	1,638,419	46,050	187,700
Key management personnel	Salaries and employee benefits	2,671,022	10,847,020	1,747,797	7,124,021
	Interest expense	1,000,113	4,061,459	632,261	2,577,096
	Employee benefits expense	126,039	511,844	91,048	371,112

(b) Balances with related parties:

<i>Related party</i>	<i>Accounts</i>	<i>30 June 2021</i>		<i>31 December 2020</i>	
		<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Directors and key management	Deposits	27,644,125	112,649,809	29,515,649	119,390,799
	Loans	1,051,031	4,282,951	805,477	3,258,154
BEA	Borrowings	4,086,556	16,652,716	6,003,274	24,283,243
KB	Borrowings and subordinated debt	132,212,371	538,765,412	130,267,943	526,933,829
PSCo	Deposits	1,369,873	5,582,232	2,968,104	12,005,981

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

33. Fair values of financial assets and liabilities

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

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

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of CIFRS 7, *Financial Instruments Disclosures* which requires the fair value information to be disclosed.

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

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

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

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

- *Loans to customers*

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

- *Deposits, borrowings and subordinated debts*

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

- *Other assets and liabilities*

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

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

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

Fair value hierarchy

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

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

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

	30 June 2021				
	<i>Carrying value</i>	<i>Fair value</i>			
		<i>Total</i>	<i>Quoted prices in active market Level 1</i>	<i>Significant observable inputs Level 2</i>	<i>Significant unobservable inputs Level 3</i>
<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	
Financial assets for which fair values are disclosed					
Loans and receivables	3,279,157	3,445,619	-	-	3,445,619
KHR'000,000 equivalent (Note 4)	13,362,563	14,040,897	-	-	14,040,897
Financial liabilities for which fair values are disclosed					
Borrowings	722,196	728,193	-	-	728,193
Bond payables	30,640	31,715	-	-	31,715
Subordinated debts	122,369	124,334	-	-	124,334
	875,205	884,242	-	-	884,242
KHR'000,000 equivalent (Note 4)	3,566,460	3,603,286	-	-	3,603,286

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

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

Fair value hierarchy (continued)

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

	31 December 2020				
	Carrying value	Fair value			
		Quoted prices in active market Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial assets for which fair values are disclosed					
Loans and receivables	2,978,580	3,122,262	-	-	3,122,262
KHR'000,000 equivalent (Note 4)	12,048,356	12,629,550	-	-	12,629,550
Financial liabilities for which fair values are disclosed					
Borrowings	794,430	802,686	-	-	802,686
Bond payables	30,666	31,978	-	-	31,978
Subordinated debts	113,668	115,584	-	-	115,584
	938,764	950,248	-	-	950,248
KHR'000,000 equivalent (Note 4)	3,797,300	3,843,753	-	-	3,843,753

During the period/year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

34. Tax contingency

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

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

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

35. Restatement of prior period balances

Certain prior period balances have been reclassified to be consistent with the current period disclosure. The details of the reclassification are as follows:

Financial liabilities at amortised cost

In accordance with CIFRS 9, the accrued interest payable is part of the amortised cost of the financial liabilities measured at the amortised cost. However, the Company classified the accrued interest payable as other liabilities. As a result, the other liabilities were overstated by USD57,237,535 and the deposits from bank and financial institutions, the deposits from customers, the borrowings, the bond payable and the subordinated debts were understated by USD1,087,600, USD49,461,842, USD5,056,882, USD414,364 and USD1,216,847, respectively as at 31 December 2020.

Regulatory reserve and retained earnings

Banks and financial institutions are required to compute regulatory provisions, according to Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the regulatory provision equal or be lower than allowance for impairment loss in accordance with CIFRS 9. The regulatory reserve is set aside as a buffer, is non-distributable, is not allowed to be included in the net worth calculation. As at 1 January 2020 and 31 December 2020, the regulatory provision is higher than allowance for impairment loss under CIFRS 9 by USD2,644,420 and USD461,332, respectively. However, the Company has used the impairment expense as the basis of calculating the regulatory reserve. As a result, the regulatory reserve was overstated by USD1,464,505 and the retained earnings was understated by USD1,464,505 as at both 1 January 2020 and 31 December 2020.

The summary of the line items affected by the reclassifications on the financial statements are as follows:

Statement of financial position

	As previously reported USD	As at 1 January 2020		As restated KHR'000 equivalent (Note 4)
		Reclassification USD	As restated USD	
SHAREHOLDERS' EQUITY				
Retained earnings	172,806,880	1,464,505	174,271,385	711,503,244
Regulatory reserve	4,108,925	(1,464,505)	2,644,420	10,715,190

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Notes to the condensed interim financial statements (continued) for the three-month and six-month periods ended 30 June 2021

35. Restatement of prior period balances (continued)

Statement of financial position (continued)

	<i>As at 31 December 2020</i>			
	<i>As previously reported USD</i>	<i>Reclassification USD</i>	<i>As restated USD</i>	<i>As restated KHR'000 equivalent (Note 4)</i>
LIABILITIES				
Deposits from banks and other financial institutions	36,145,217	1,087,600	37,232,817	150,606,745
Deposits from customers	2,025,219,101	49,461,842	2,074,680,943	8,392,084,414
Borrowings	789,373,435	5,056,882	794,430,317	3,213,470,632
Debt securities issued	30,251,674	414,364	30,666,038	124,044,124
Subordinated debts	112,450,970	1,216,847	113,667,817	459,786,320
Other liabilities	65,111,136	(57,237,535)	7,873,601	31,848,716
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
SHAREHOLDERS' EQUITY				
Retained earnings	283,760,335	1,464,505	285,224,840	1,163,897,093
Regulatory reserve	1,925,837	(1,464,505)	461,332	1,778,127
	<u> </u>	<u> </u>	<u> </u>	<u> </u>