

PRASAC MICROFINANCE INSTITUTION PLC.

**Condensed Interim Financial Statements
for the three-month and nine-month
periods ended 30 September 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	<i>Former shareholders:</i> Kookmin Bank Co., Ltd LOLC International Private Limited The Bank of East Asia, Limited PRASAC Staff Company Limited <i>New shareholders (approved by NBC on 12 October 2021):</i> Kookmin Bank Co., Ltd Kookmin Bank Cambodia Plc	
Board of Directors	Mr. Kwi Sang Jun Mr. Ji Kyu Jang Mr. Choi Dong Hyun Mr. Lee Kyung Cheon Mr. Pak Jaehong Mr. Chan Sophal Mr. Ishara Chinthaka Nanayakkara Mr. Sim Senacheert Mr. Minki Brian Hong Mr. Hak Soo Kim	Chairman Director Director (appointed on 12 October 2021) Independent Director (appointed on 12 October 2021) Independent Director (appointed on 12 October 2021) Independent Director (appointed on 12 October 2021) Director (resigned on 12 October 2021) Director (resigned on 12 October 2021) Director (resigned on 12 October 2021) 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 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 nine-month periods ended 30 September 2021.

The Company

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

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

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

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 nine-month periods ended 30 September 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 periods 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.

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Share capital (continued)

On 6 September 2021, the shareholders have reached an agreement and resolved to transfer the 30% of the Company's ordinary share, collectively, from LOLC International Private Limited ("LOLC"), The Bank of East Asia, Limited ("BEA") and PRASAC Staff Company Limited ("PSCo") to Kookmin Bank Co., Ltd ("KB") and Kookmin Bank Cambodia Plc ("KBC"). On 12 October 2021, the Company obtained approval from the National Bank of Cambodia ("NBC") regarding this capital transfer. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 19 October 2021.

The details of the capital transfers were as follows:

	<i>After Transfer</i>			<i>Before Transfer</i>		
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>%</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>%</i>
KB	299,999,999	1,199,996,000	100.00	210,000,000	840,000,000	70.00
KBC	1	4,000	00.00	-	-	-
LOLC	-	-	-	63,000,000	252,000,000	21.00
BEA	-	-	-	18,900,000	75,600,000	6.30
PSCo	-	-	-	8,100,000	32,400,000	2.70
	<u>300,000,000</u>	<u>1,200,000,000</u>	<u>100.00</u>	<u>300,000,000</u>	<u>1,200,000,000</u>	<u>100.00</u>

Reserves and provisions

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

Expected credit losses on loans to customers

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

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

Assets

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

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Valuation methods

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

Contingent and other liabilities

At the date of this report, there is:

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

Change of circumstances

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

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

Nothing has arisen during in the interval between the end of the reporting periods 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.

The Board of Directors

The members of 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. Choi Dong Hyun	Director (appointed on 12 October 2021)
Mr. Lee Kyung Cheon	Independent Director (appointed on 12 October 2021)
Mr. Pak Jaehong	Independent Director (appointed on 12 October 2021)
Mr. Chan Sophal	Independent Director (appointed on 12 October 2021)
Mr. Ishara Chinthaka Nanayakkara	Director (resigned on 12 October 2021)
Mr. Sim Senacheert	Director (resigned on 12 October 2021)
Mr. Minki Brian Hong	Director (resigned on 12 October 2021)
Mr. Hak Soo Kim	Director (resigned on 28 January 2021)

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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 reporting 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 September 2021, and for the three-month and nine-month periods then ended, as set out on pages 8 to 59, 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 the preparation of these condensed interim financial statements by management who is required to:

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

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

- 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.



Mr. Kwi Sang Jun
Chairman

Phnom Penh, Kingdom of Cambodia

11 November 2021



KPMG Cambodia Ltd
4th Floor, Delano Center
No. 144, Street 169, Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia
+855 23 216 899 | kpmg.com.kh

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 September 2021, the condensed interim statements of profit or loss and other comprehensive income, and cash flows for the three-month and nine-month periods then ended, the condensed interim statements of changes in equity for the nine-month period then ended, and other explanatory notes as set out on pages 8 to 59 (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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements, are not prepared, in all material respects, in accordance with 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 modified in respect of this matter.

Other Matter

The condensed interim financial statements of the Company as at 30 September 2020 and for the three-month and nine-month periods then ended were reviewed by another firm of auditors who expressed an unmodified conclusion on 12 November 2020. In addition, the financial statements of the Company for the year ended 31 December 2020, excluding the adjustments 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 September 2021 and for the three-month and nine-month periods then ended, we reviewed the adjustments 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 adjustments 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 adjustments described in Note 35 are appropriate and have been properly applied.

For KPMG Cambodia Ltd

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

11 November 2021

Prasac Microfinance Institution Plc.

Condensed interim statement of financial position as at 30 September 2021

	Notes	30 September 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	190,898,835	778,676,348	160,578,086	649,538,358
Balances with the National Bank of Cambodia	7	309,676,208	1,263,169,252	438,355,399	1,773,147,589
Balances with other banks	8	5,572,819	22,731,529	3,975,029	16,078,992
Loans to customers	9	3,534,562,656	14,417,481,074	2,978,579,934	12,048,355,833
Other assets	10	2,398,663	9,784,145	1,341,096	5,424,733
Property and equipment	11	5,110,577	20,846,044	5,662,803	22,906,039
Right-of-use assets	12	13,947,552	56,892,065	15,322,179	61,978,214
Intangible assets	13	1,429,450	5,830,727	1,607,168	6,500,995
Deferred tax assets, net	20(c)	12,455,433	50,805,711	10,904,851	44,110,122
TOTAL ASSETS		4,076,052,193	16,626,216,895	3,616,326,545	14,628,040,875
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from banks and other financial institutions	14	76,413,087	311,688,982	37,232,817	150,606,745
Deposits from customers	15	2,380,024,093	9,708,118,275	2,074,680,943	8,392,084,414
Borrowings	16	775,080,615	3,161,553,829	794,430,317	3,213,470,632
Bonds payable	17	31,938,145	130,275,693	30,666,038	124,044,124
Subordinated debts	18	122,869,770	501,185,792	113,667,817	459,786,320
Lease liabilities	19	13,191,117	53,806,566	14,424,818	58,348,389
Income tax payable	20(b)	26,322,967	107,371,382	24,076,695	97,390,231
Provision for employee benefits	21	1,502,962	6,130,582	435,375	1,761,092
Other liabilities	22	14,518,099	59,219,326	7,873,601	31,848,716
Total liabilities		3,441,860,855	14,039,350,427	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		326,966,550	1,338,238,886	285,224,840	1,163,897,093
Reserve fund	23(b)	3,195,917	12,951,937	3,151,952	12,773,175
Regulatory reserve	23(c)	4,028,871	16,283,741	461,332	1,778,127
Currency translation reserves		-	19,391,904	-	251,817
Total shareholders' equity		634,191,338	2,586,866,468	518,838,124	2,098,700,212
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,076,052,193	16,626,216,895	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 nine-month period ended 30 September 2021

	Notes	For the nine-month period ended 30 September 2021		For the nine-month period ended 30 September 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	373,371,559	1,518,128,759	314,804,576	1,285,032,279
Interest expense	25	(154,428,206)	(627,905,086)	(149,395,996)	(609,834,456)
Net interest income		218,943,353	890,223,673	165,408,580	675,197,823
Fees and commission income	26	6,943,087	28,230,592	4,555,329	18,594,853
Fees and commission expense	26	(97,656)	(397,069)	(142,070)	(579,930)
Net fees and commission income	26	6,845,431	27,833,523	4,413,259	18,014,923
Other income	27	7,662,360	31,155,156	6,752,655	27,564,338
Grant income		1,175,639	4,780,148	589,545	2,406,523
Net foreign exchange (loss)/gain		(1,132,780)	(4,605,883)	290,939	1,187,613
Total other income		7,705,219	31,329,421	7,633,139	31,158,474
Total interest, fees, commission and other income		233,494,003	949,386,617	177,454,978	724,371,220
Personnel expenses	28	(56,362,415)	(229,169,579)	(52,441,424)	(214,065,893)
Allowance for impairment losses	9	(18,495,950)	(75,204,533)	(29,799,480)	(121,641,477)
General and administrative expenses	29	(10,170,952)	(41,355,091)	(11,803,888)	(48,183,471)
Depreciation and amortisation	30	(4,922,036)	(20,012,998)	(4,888,677)	(19,955,580)
Profit before income tax		143,542,650	583,644,416	78,521,509	320,524,799
Income tax expense	20(a)	(28,189,436)	(114,618,247)	(15,740,653)	(64,253,346)
Net profit for the period		115,353,214	469,026,169	62,780,856	256,271,453
<i>Other comprehensive income:</i>					
Currency translation differences		-	19,140,087	-	11,380,286
Total comprehensive income for the period		115,353,214	488,166,256	62,780,856	267,651,739

Prasac Microfinance Institution Plc.

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

	Notes	For the three-month period ended 30 September 2021		For the three-month period ended 30 September 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Interest income	24	131,252,821	534,986,498	107,644,290	440,803,368
Interest expense	25	(52,869,081)	(215,494,374)	(51,032,296)	(208,977,252)
Net interest income		78,383,740	319,492,124	56,611,994	231,826,116
Fees and commission income	26	2,608,668	10,632,931	2,085,496	8,540,106
Fees and commission expense	26	(19,768)	(80,574)	(79,784)	(326,715)
Net fees and commission income	26	2,588,900	10,552,357	2,005,712	8,213,391
Other income	27	2,507,346	10,219,942	2,150,525	8,806,400
Grant income		419,935	1,711,655	331,529	1,357,611
Net foreign exchange (loss)/gain		(540,002)	(2,201,048)	330,605	1,353,827
Total other income		2,387,279	9,730,549	2,812,659	11,517,838
Total interest, fees, commission and other income		83,359,919	339,775,030	61,430,365	251,557,345
Personnel expenses	28	(18,513,832)	(75,462,379)	(17,745,080)	(72,666,103)
Allowance for impairment losses	9	(1,695,052)	(6,909,032)	(6,292,408)	(25,767,411)
General and administrative expenses	29	(3,201,930)	(13,051,068)	(3,939,557)	(16,132,486)
Depreciation and amortisation	30	(1,666,704)	(6,793,486)	(1,692,253)	(6,929,776)
Profit before income tax		58,282,401	237,559,065	31,761,067	130,061,569
Income tax expense	20(a)	(11,404,754)	(46,485,777)	(6,353,724)	(26,018,500)
Net profit for the period		46,877,647	191,073,288	25,407,343	104,043,069
<i>Other comprehensive income:</i>					
Currency translation differences		-	2,616,286	-	3,364,768
Total comprehensive income for the period		46,877,647	193,689,574	25,407,343	107,407,837

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 nine-month period ended 30 September 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</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>	<i>USD</i>	<i>KHR'000</i> <i>(Note 4)</i>
Balance as at 1 January 2021 (restated)	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	-	-	115,353,214	469,026,169	-	-	-	-	-	-	115,353,214	469,026,169
Transfer to regulatory reserve	-	-	(3,567,539)	(14,505,614)	-	-	3,567,539	14,505,614	-	-	-	-
Transfer to reserve fund	-	-	(43,965)	(178,762)	43,965	178,762	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	19,140,087	-	19,140,087
Balance as at 30 September 2021	300,000,000	1,200,000,000	326,966,550	1,338,238,886	3,195,917	12,951,937	4,028,871	16,283,741	-	19,391,904	634,191,338	2,586,866,468
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	-	-	62,780,856	256,271,453	-	-	-	-	-	-	62,780,856	256,271,453
Transfer from regulatory reserve	-	-	2,644,420	10,715,190	-	-	(2,644,420)	(10,715,190)	-	-	-	-
Transfer to reserve fund	-	-	(43,965)	(179,465)	43,965	179,465	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	11,380,286	-	11,380,286
Balance as at 30 September 2020 (restated)	230,000,000	920,000,000	239,652,696	978,310,422	3,137,297	12,713,646	-	-	-	27,414,904	472,789,993	1,938,438,972

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 nine-month period ended 30 September 2021

	Notes	For the nine-month period ended 30 September 2021		For the nine-month period ended 30 September 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash used in operating activities	31	(114,034,674)	(463,664,983)	(63,056,959)	(257,398,507)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(995,174)	(4,046,377)	(2,585,827)	(10,555,346)
Purchase of intangible assets		(43,735)	(177,827)	(436,007)	(1,779,781)
Investment in negotiable certificates of deposit		(147,430)	(599,450)	(147,561)	(602,344)
Proceed from Investment in negotiable certificates of deposit		148,377	603,301	147,991	604,099
Proceeds from disposal of property and equipment		63,822	259,500	10,872	44,380
Net cash used in investing activities		(974,140)	(3,960,853)	(3,010,532)	(12,288,992)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		203,062,396	825,651,702	254,086,688	1,037,181,860
Repayments of borrowings		(222,932,103)	(906,441,931)	(319,541,830)	(1,304,369,750)
Proceeds from subordinated debts		17,883,024	72,712,376	-	-
Repayments of subordinated debts		(10,302,895)	(41,891,571)	(11,021,684)	(44,990,514)
Proceeds from bond issuance		-	-	30,535,399	124,645,499
Payments of lease liabilities		(3,015,025)	(12,259,092)	(2,797,673)	(11,420,101)
Net cash used in financing activities		(15,304,603)	(62,228,516)	(48,739,100)	(198,953,006)
Net decrease in cash and cash equivalents		(130,313,417)	(529,854,352)	(114,806,591)	(468,640,505)
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		-	12,486,161	-	8,691,542
Cash and cash equivalents at end of the period	6	286,752,370	1,169,662,917	315,515,815	1,293,614,841

Prasac Microfinance Institution Plc.

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

	Notes	For the three-month period ended 30 September 2021		For the three-month period ended 30 September 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net cash used in operating activities	31	(67,812,373)	(276,403,233)	(86,258,929)	(353,230,313)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(456,857)	(1,862,149)	(527,810)	(2,161,382)
Purchase of intangible assets		-	-	(21,000)	(85,995)
Investment in negotiable certificates of deposit		-	-	(147,561)	(604,262)
Proceed from Investment in negotiable certificates of deposit		148,377	604,785	147,559	604,254
Proceeds from disposal of property and equipment		1,763	7,186	5,141	21,052
Net cash used in investing activities		(306,717)	(1,250,178)	(543,671)	(2,226,333)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		125,301,031	510,727,002	54,207,405	221,979,323
Repayments of borrowings		(74,999,272)	(305,697,033)	(176,721,568)	(723,674,821)
Proceeds from subordinated debts		586,512	2,390,623	-	-
Repayments of subordinated debts		(1,731,686)	(7,058,352)	(655,114)	(2,682,692)
Payments of lease liabilities		(1,064,872)	(4,340,418)	(1,018,660)	(4,171,413)
Net cash generated from/(used in) financing activities		48,091,713	196,021,822	(124,187,937)	(508,549,603)
Net decrease in cash and cash equivalents		(20,027,377)	(81,631,589)	(210,990,537)	(864,006,249)
Cash and cash equivalents at beginning of the period		306,779,747	1,250,127,470	526,506,352	2,154,990,500
Currency translation differences		-	1,167,036	-	2,630,590
Cash and cash equivalents at end of the period	6	286,752,370	1,169,662,917	315,515,815	1,293,614,841

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 nine-month periods ended 30 September 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 September 2021, the Company had 9,203 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 financial 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 11 November 2021.

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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.
- 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 nine-month periods ended 30 September 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 the globe (including mainland China, Cambodia and beyond), causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL. 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 Differences” in other comprehensive income.

Prasac Microfinance Institution Plc.

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

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

The Company uses the following exchange rates:

			Closing rate	Average rate nine-month	Average rate three-month
30 September 2021	USD1	=	KHR 4,079	KHR 4,066	KHR 4,076
30 September 2020	USD1	=	KHR 4,100	KHR 4,082	KHR 4,095
31 December 2020	USD1	=	KHR 4,045	N/A	N/A

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

5. Seasonality

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

6. Cash on hand

	<u>30 September 2021</u>		<u>31 December 2020</u>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Head office	38,411,169	156,679,158	43,578,608	176,275,469
Branches	152,487,666	621,997,190	116,999,478	473,262,889
	<u>190,898,835</u>	<u>778,676,348</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 nine-month periods ended 30 September 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 September 2021		30 September 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Cash on hand	190,898,835	778,676,348	135,723,954	556,468,211
<i>Balances with the NBC</i>				
Current accounts	59,847,853	244,119,392	126,177,573	517,328,049
Term deposits (original maturity up to three months)	30,376,572	123,906,037	50,223,171	205,915,001
<i>Balances with other banks</i>				
Current accounts	4,578,862	18,677,178	3,161,014	12,960,158
Savings accounts	1,050,248	4,283,962	230,103	943,422
	<u>286,752,370</u>	<u>1,169,662,917</u>	<u>315,515,815</u>	<u>1,293,614,841</u>

7. Balances with the National Bank of Cambodia

	Note	30 September 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	(a)	59,847,853	244,119,392	87,265,227	352,987,843
Term deposits (original maturity up to three months)	(a)	30,376,572	123,906,037	165,207,294	668,263,504
Term deposits (original maturity of more than three months)	(a)	148,063	603,949	148,888	602,252
Capital guarantee	(b)	30,000,000	122,370,000	23,000,000	93,035,000
Reserve requirement	(c)	189,303,720	772,169,874	162,733,990	658,258,990
		<u>309,676,208</u>	<u>1,263,169,252</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 nine-month periods ended 30 September 2021

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

(a) Current accounts and term deposits

Current accounts earn no interest.

Term deposits with original maturity up to three months earn annual interest rates ranging from 0.04% to 1.63% (2020: from 0.02% to 1.60%) and more than three months at annual rates ranging from 0.13% to 1.91% during the period (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

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

On 8 October 2021, the Company has transferred an additional sum of USD2,717,240 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 nine-month periods ended 30 September 2021

8. Balances with other banks

	30 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Current accounts	4,578,862	18,677,178	3,959,939	16,017,953
Savings accounts	1,050,248	4,283,962	55,241	223,450
Gross balances with other banks	5,629,110	22,961,140	4,015,180	16,241,403
Allowance for impairment loss	(56,291)	(229,611)	(40,151)	(162,411)
	<u>5,572,819</u>	<u>22,731,529</u>	<u>3,975,029</u>	<u>16,078,992</u>

Current accounts earn annual interest rate up to 0.75% (31 December 2020: 0.00% to 1.00%) and savings accounts earn annual interest rates ranging from 0.00% to 0.20% during the period (31 December 2020: 0.00% to 1.00%).

9. Loans to customers

Loans to customers are categorised as follows:

	30 September 2021				
	Stage 1	Stage 2	Stage 3	Total	KHR'000 equivalent (Note 4)
	USD	USD	USD	USD	
Individual loans	3,431,805,143	49,332,826	57,195,576	3,538,333,545	14,432,862,530
Small and medium enterprises	54,317,251	1,975,430	1,435,263	57,727,944	235,472,284
Staff loans	7,838,023	3,619	19,371	7,861,013	32,065,072
Group loans	182,781	2,732	24,224	209,737	855,517
	3,494,143,198	51,314,607	58,674,434	3,604,132,239	14,701,255,403
Unamortised loan processing fees	(32,787,386)	(410,205)	(393,413)	(33,591,004)	(137,017,705)
	3,461,355,812	50,904,402	58,281,021	3,570,541,235	14,564,237,698
Accrued interest receivable	25,270,181	728,935	6,114,627	32,113,743	130,991,957
	3,486,625,993	51,633,337	64,395,648	3,602,654,978	14,695,229,655
Allowance for impairment losses	(17,871,220)	(12,598,772)	(37,622,330)	(68,092,322)	(277,748,581)
	3,468,754,773	39,034,565	26,773,318	3,534,562,656	14,417,481,074

Prasac Microfinance Institution Plc.

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

9. Loans to customers (continued)

Loans to customers are categorised as follows: (continued)

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	USD	USD	USD	USD	KHR'000 equivalent (Note 4)
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 losses	(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

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

	For the nine-month period ended 30 September 2021		For the nine-month period ended 30 September 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Loans to customers	18,478,829	75,134,918	29,774,299	121,538,689
Balances with other banks	16,140	65,626	22,878	93,388
Other assets	981	3,989	2,303	9,400
	18,495,950	75,204,533	29,799,480	121,641,477

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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: (continued)

	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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	1,662,105	6,774,740	6,280,254	25,717,641
Balances with other banks	33,071	134,797	11,836	48,468
Other assets	(124)	(505)	318	1,302
	<u>1,695,052</u>	<u>6,909,032</u>	<u>6,292,408</u>	<u>25,767,411</u>

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

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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	18,478,829	75,134,918	29,774,299	121,538,689
Currency translation differences	-	1,927,084	-	871,592
Balance at the end of period	<u>68,092,322</u>	<u>277,748,581</u>	<u>56,007,191</u>	<u>229,309,315</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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 September 2021</i>		<i>For the three-month period ended 30 September 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	66,430,217	270,703,134	49,726,937	203,532,353
Allowance for impairment losses during the period	1,662,105	6,774,740	6,280,254	25,717,641
Currency translation differences	-	270,707	-	59,321
Balance at the end of period	<u>68,092,322</u>	<u>277,748,581</u>	<u>56,007,191</u>	<u>229,309,315</u>

Further analyses of loans to customers are set out below:

(a) By security

	<i>30 September 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	226,361,291	923,327,706	178,699,933	722,841,229
Chattel	135,952,575	554,550,553	124,214,580	502,447,976
Deposit hold-out	372,250	1,518,408	637,871	2,580,188
Others	1,208,491,391	4,929,436,384	962,522,312	3,893,402,752
<i>Unsecured</i>				
Real estate	288,352,407	1,176,189,468	242,894,844	982,509,644
Chattel	158,805,862	647,769,111	157,008,498	635,099,374
Others	1,584,319,202	6,462,438,025	1,362,215,389	5,510,161,249
	<u>3,602,654,978</u>	<u>14,695,229,655</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 nine-month periods ended 30 September 2021

9. Loans to customers (continued)

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

(b) By maturity

	30 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Within one month	99,398,989	405,448,476	91,934,370	371,874,527
1 month to 3 months	124,963,518	509,726,190	128,446,764	519,567,160
3 months to 12 months	589,967,443	2,406,477,200	541,923,856	2,192,081,998
1 year to 5 years	2,218,150,563	9,047,836,146	1,935,325,429	7,828,391,360
More than 5 years	570,174,465	2,325,741,643	330,563,008	1,337,127,367
	<u>3,602,654,978</u>	<u>14,695,229,655</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

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

	30 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Residency</i>				
Residents	<u>3,602,654,978</u>	<u>14,695,229,655</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>
<i>Relationship</i>				
External customers	3,594,797,446	14,663,178,782	3,020,051,028	12,216,106,408
Staff loans	<u>7,857,532</u>	<u>32,050,873</u>	<u>8,142,399</u>	<u>32,936,004</u>
	<u>3,602,654,978</u>	<u>14,695,229,655</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>
<i>Currency</i>				
USD	3,165,343,939	12,911,437,927	2,638,558,932	10,672,970,880
KHR	426,011,945	1,737,702,724	365,326,565	1,477,745,955
THB	<u>11,299,094</u>	<u>46,089,004</u>	<u>24,307,930</u>	<u>98,325,577</u>
	<u>3,602,654,978</u>	<u>14,695,229,655</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 nine-month periods ended 30 September 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 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Industry sector</i>				
Trade and commerce	952,783,790	3,886,405,078	745,402,429	3,015,152,826
Service	624,499,092	2,547,331,796	513,552,045	2,077,318,022
Real-estate	514,713,698	2,099,517,174	421,594,777	1,705,350,873
Agriculture	438,393,901	1,788,208,722	408,192,523	1,651,138,756
Home improvement	429,237,467	1,750,859,628	346,941,003	1,403,376,357
Auto loan	294,758,437	1,202,319,665	281,223,077	1,137,547,346
Transportation	245,815,742	1,002,682,412	221,905,561	897,607,994
Manufacturing	43,211,108	176,258,110	34,613,559	140,011,846
Construction	37,275,654	152,047,393	29,420,267	119,004,980
Personal	21,966,089	89,599,677	25,348,186	102,533,412
	<u>3,602,654,978</u>	<u>14,695,229,655</u>	<u>3,028,193,427</u>	<u>12,249,042,412</u>

10. Other assets

	30 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Prepayments	1,758,460	7,172,758	767,359	3,103,967
Deposits	564,050	2,300,760	513,266	2,076,161
Long-term investment	28,167	114,893	28,167	113,936
Others	59,267	241,749	42,604	172,333
	<u>2,409,944</u>	<u>9,830,160</u>	<u>1,351,396</u>	<u>5,466,397</u>
Allowance for impairment loss	(11,281)	(46,015)	(10,300)	(41,664)
	<u>2,398,663</u>	<u>9,784,145</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 nine-month periods ended 30 September 2021

11. Property and equipment

	<i>For the nine-month period ended 30 September 2021</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>	<i>Total USD</i>	<i>KHR'000 equivalent (Note 4)</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	156,071	97,500	-	305,935	5,674	1,505	428,489	995,174	4,046,377
Disposals/write-offs	(54,023)	(141,670)	-	(165,607)	(6,262)	-	-	(367,562)	(1,494,507)
Transfers	27,085	-	-	475,347	18,341	-	(520,773)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	715,619
As at 30 September 2021	<u>5,484,770</u>	<u>2,993,224</u>	<u>360,678</u>	<u>9,646,095</u>	<u>2,419,208</u>	<u>327,861</u>	<u>203,430</u>	<u>21,435,266</u>	<u>87,434,450</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	314,789	203,710	2,683	874,812	128,386	20,252	-	1,544,632	6,280,474
Disposals/write-offs	(52,108)	(141,670)	-	(164,754)	(6,262)	-	-	(364,794)	(1,483,252)
Currency translation differences	-	-	-	-	-	-	-	-	530,262
As at 30 September 2021	<u>4,485,013</u>	<u>2,377,124</u>	<u>352,502</u>	<u>6,925,802</u>	<u>1,911,034</u>	<u>273,214</u>	<u>-</u>	<u>16,324,689</u>	<u>66,588,406</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 September 2021	<u>999,757</u>	<u>616,100</u>	<u>8,176</u>	<u>2,720,293</u>	<u>508,174</u>	<u>54,647</u>	<u>203,430</u>	<u>5,110,577</u>	<u>20,846,044</u>

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

11. Property and equipment (continued)

	<i>For the nine-month period ended 30 September 2020</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>	<i>Total USD</i>	<i>KHR'000 equivalent (Note 4)</i>
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	422,858	137,490	6,150	513,095	43,354	-	1,462,880	2,585,827	10,555,346
Disposals/write-offs	(34,572)	(18,000)	-	(104,575)	(20,486)	-	-	(177,633)	(725,098)
Transfers	48,310	-	-	578,041	78,415	-	(704,766)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	496,280
As at 30 September 2020	<u>5,308,502</u>	<u>3,037,394</u>	<u>360,678</u>	<u>8,158,366</u>	<u>2,398,485</u>	<u>417,766</u>	<u>844,274</u>	<u>20,525,465</u>	<u>84,154,407</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	347,796	228,153	2,187	842,371	145,050	37,411	-	1,602,968	6,543,316
Disposals/write-offs	(32,457)	(18,000)	-	(100,155)	(19,655)	-	-	(170,267)	(695,030)
Currency translation differences	-	-	-	-	-	-	-	-	356,063
As at 30 September 2020	<u>4,112,027</u>	<u>2,250,090</u>	<u>348,914</u>	<u>5,906,899</u>	<u>1,747,979</u>	<u>277,776</u>	<u>-</u>	<u>14,643,685</u>	<u>60,039,109</u>
Carrying amounts									
As at 30 September 2020	<u><u>1,196,475</u></u>	<u><u>787,304</u></u>	<u><u>11,764</u></u>	<u><u>2,251,467</u></u>	<u><u>650,506</u></u>	<u><u>139,990</u></u>	<u><u>844,274</u></u>	<u><u>5,881,780</u></u>	<u><u>24,115,298</u></u>

Prasac Microfinance Institution Plc.

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

12. Right-of-use assets

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

	<i>For the nine-month period ended 30 September 2021</i>			
	<i>Office space USD</i>	<i>ATM space USD</i>	<i>Total 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	1,686,468	94,856	1,781,324	7,242,863
Currency translation differences	-	-	-	919,247
As at 30 September 2021	<u>27,324,996</u>	<u>811,909</u>	<u>28,136,905</u>	<u>114,770,435</u>
Less: Accumulated depreciation				
As at 1 January 2021	10,579,042	454,360	11,033,402	44,630,111
Depreciation for the period	3,025,443	130,508	3,155,951	12,832,097
Currency translation differences	-	-	-	416,162
As at 30 September 2021	<u>13,604,485</u>	<u>584,868</u>	<u>14,189,353</u>	<u>57,878,370</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 September 2021	<u>13,720,511</u>	<u>227,041</u>	<u>13,947,552</u>	<u>56,892,065</u>

Prasac Microfinance Institution Plc.

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

12. Right-of-use assets (continued)

	<i>For the nine-month period ended 30 September 2020</i>			
	<i>Office space USD</i>	<i>ATM space USD</i>	<i>Total 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	4,250,787	207,530	4,458,317	18,198,851
Expirations/terminations	(47,601)	(29,250)	(76,851)	(313,707)
Currency translation differences	-	-	-	612,958
As at 30 September 2020	<u>25,066,344</u>	<u>678,741</u>	<u>25,745,085</u>	<u>105,554,852</u>
Less: Accumulated depreciation				
As at 1 January 2020	6,722,451	280,903	7,003,354	28,538,670
Depreciation for the period	2,878,338	130,520	3,008,858	12,282,158
Expirations/terminations	(30,491)	-	(30,491)	(124,462)
Currency translation differences	-	-	-	228,694
As at 30 September 2020	<u>9,570,298</u>	<u>411,423</u>	<u>9,981,721</u>	<u>40,925,060</u>
Carrying amounts				
As at 30 September 2020	<u>15,496,046</u>	<u>267,318</u>	<u>15,763,364</u>	<u>64,629,792</u>

Prasac Microfinance Institution Plc.

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

13. Intangible assets

	<i>For the nine-month period ended 30 September 2021</i>			
	<i>Computer software USD</i>	<i>Core banking system license USD</i>	<i>Total 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	177,827
Currency translation differences	-	-	-	140,372
As at 30 September 2021	<u>1,264,054</u>	<u>2,891,587</u>	<u>4,155,641</u>	<u>16,950,860</u>
Less: Accumulated amortisation				
As at 1 January 2021	817,815	1,686,923	2,504,738	10,131,666
Amortisation for the period	80,576	140,877	221,453	900,427
Currency translation differences	-	-	-	88,040
As at 30 September 2021	<u>898,391</u>	<u>1,827,800</u>	<u>2,726,191</u>	<u>11,120,133</u>
Carrying amounts				
As at 1 January 2021	<u>402,504</u>	<u>1,204,664</u>	<u>1,607,168</u>	<u>6,500,995</u>
As at 30 September 2021	<u>365,663</u>	<u>1,063,787</u>	<u>1,429,450</u>	<u>5,830,727</u>
	<i>For the nine-month period ended 30 September 2020</i>			
	<i>Computer software USD</i>	<i>Core banking system license USD</i>	<i>Total 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	375,835	436,007	1,779,781
Currency translation differences	-	-	-	98,787
As at 30 September 2020	<u>1,181,992</u>	<u>2,891,587</u>	<u>4,073,579</u>	<u>16,701,674</u>
Less: Accumulated amortisation				
As at 1 January 2020	720,398	1,417,288	2,137,686	8,711,071
Amortisation for the period	71,796	205,055	276,851	1,130,106
Currency translation differences	-	-	-	58,425
As at 30 September 2020	<u>792,194</u>	<u>1,622,343</u>	<u>2,414,537</u>	<u>9,899,602</u>
Carrying amounts				
As at 30 September 2020	<u>389,798</u>	<u>1,269,244</u>	<u>1,659,042</u>	<u>6,802,072</u>

Prasac Microfinance Institution Plc.

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

14. Deposits from banks and other financial institutions

	30 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Term deposits	75,698,080	308,772,468	36,497,989	147,634,366
Savings deposits	715,007	2,916,514	734,828	2,972,379
	<u>76,413,087</u>	<u>311,688,982</u>	<u>37,232,817</u>	<u>150,606,745</u>

15. Deposits from customers

	30 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Term deposits	2,245,997,408	9,161,423,427	1,956,078,958	7,912,339,385
Savings deposits	134,026,685	546,694,848	118,601,985	479,745,029
	<u>2,380,024,093</u>	<u>9,708,118,275</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 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Within 1 month	362,327,457	1,477,933,697	359,764,063	1,455,245,635
1 month to 3 months	482,958,323	1,969,987,000	381,907,638	1,544,816,396
3 months to 12 months	1,460,277,648	5,956,472,525	1,264,477,242	5,114,810,443
More than 12 months	74,460,665	303,725,053	68,532,000	277,211,940
	<u>2,380,024,093</u>	<u>9,708,118,275</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 nine-month periods ended 30 September 2021

15. Deposits from customers (continued)

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

(b) By relationship

	<i>30 September 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>
Non-related parties	2,352,090,187	9,594,175,872	2,042,197,190	8,260,687,634
Related parties	27,933,906	113,942,403	32,483,753	131,396,780
	<u>2,380,024,093</u>	<u>9,708,118,275</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

	<i>30 September 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>
Non-related parties	671,177,885	2,737,734,593	708,215,447	2,864,731,483
Related parties	103,902,730	423,819,236	86,214,870	348,739,149
	<u>775,080,615</u>	<u>3,161,553,829</u>	<u>794,430,317</u>	<u>3,213,470,632</u>

Prasac Microfinance Institution Plc.

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

16. Borrowings (continued)

Borrowings are further analysed as follows: (continued)

(b) By maturity

	30 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
On demand to 3 months	78,777,977	321,335,368	53,050,298	214,588,455
3 months to 12 months	188,011,228	766,897,799	244,350,237	988,396,709
1 year to 5 year	507,045,450	2,068,238,391	496,029,950	2,006,441,148
Over 5 year	1,245,960	5,082,271	999,832	4,044,320
	<u>775,080,615</u>	<u>3,161,553,829</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 September 2021, the carrying value of the bonds payable is USD31,938,145 (equivalent to KHR130.28 billion) (31 December 2020: USD30,666,038 equivalent to KHR124.04 billion). During the nine-month period ended 30 September 2021, the Company incurred interest expense on the issued bonds amounting to USD1,953,612 (equivalent to KHR7.9 billion) (30 September 2020: USD1,153,105 equivalent to KHR4.7 billion) (Note 25).

18. Subordinated debts

		30 September 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Subordinated debts	(a)	108,143,360	441,116,766	98,814,321	399,703,930
Trust fund	(b)	<u>14,726,410</u>	<u>60,069,026</u>	<u>14,853,496</u>	<u>60,082,390</u>
		<u>122,869,770</u>	<u>501,185,792</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 nine-month periods ended 30 September 2021

18. Subordinated debts (continued)

(a) Subordinated debts

These are subordinated debts from foreign lenders, non-related parties, amounting to USD56,806,543 (equivalent to KHR231.7 billion) (31 December 2020: USD48,757,974 equivalent to KHR197.2 billion) and shareholder amounting to USD51,336,817 (equivalent to KHR209.4 billion) (31 December 2020: USD50,056,347 equivalent to KHR202.5 billion), which are repayable based on the agreed schedules stated in each loan agreements. 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 September 2021		31 December 2020	
	USD	KHR'000 equivalent (Note 4)	USD (Restated)	KHR'000 equivalent (Note 4) (Restated)
Royal Government of Cambodia ("RGC")	11,183,367	45,616,953	11,280,672	45,630,317
Cambodia Rural Development Foundation ("CRDF")	3,543,043	14,452,073	3,572,824	14,452,073
	<u>14,726,410</u>	<u>60,069,026</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 nine-month periods ended 30 September 2021

19. Lease liabilities

	30 September 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	4,591,363	18,728,170	4,926,938	19,929,464
One to five years	9,960,960	40,630,756	13,233,200	53,528,294
More than five years	1,045,616	4,265,068	1,075,061	4,348,622
Total undiscounted lease liabilities	15,597,939	63,623,994	19,235,199	77,806,380
Present value of lease liabilities				
Current	3,684,521	15,029,161	3,640,367	14,725,285
Non-current	9,506,596	38,777,405	10,784,451	43,623,104
	13,191,117	53,806,566	14,424,818	58,348,389

Amounts recognised in profit or loss

	For the nine-month period ended 30 September 2021		For the nine-month period ended 30 September 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Expenses relating to short-term leases and lower-value assets	588,977	2,394,780	431,997	1,763,412
Interest on lease liabilities	797,950	3,244,465	844,574	3,447,551
	1,386,927	5,639,245	1,276,571	5,210,963

	For the three-month period ended 30 September 2021		For the three-month period ended 30 September 2020	
	USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Expenses relating to short-term leases and lower-value assets	188,826	769,655	179,704	735,888
Interest on lease liabilities	258,911	1,055,321	286,387	1,172,755
	447,737	1,824,976	466,091	1,908,643

Prasac Microfinance Institution Plc.

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

19. Lease liabilities (continued)

Amounts recognised in condensed interim statement of cash flows

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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:				
Principal portion	(3,015,025)	(12,259,092)	(2,797,673)	(11,420,101)
Interest portion	(797,950)	(3,244,465)	(844,574)	(3,447,551)
	<u>(3,812,975)</u>	<u>(15,503,557)</u>	<u>(3,642,247)</u>	<u>(14,867,652)</u>
	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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:				
Principal portion	(1,064,872)	(4,340,418)	(1,018,660)	(4,171,413)
Interest portion	(258,911)	(1,055,321)	(286,387)	(1,172,755)
	<u>(1,323,783)</u>	<u>(5,395,739)</u>	<u>(1,305,047)</u>	<u>(5,344,168)</u>

Prasac Microfinance Institution Plc.

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

20. Income tax

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

(a) Income tax expense

Applicable tax rates

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

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

Income tax expense comprises:

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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	30,319,113	123,277,514	20,062,968	81,897,035
Tax incentive on bond listing	(579,095)	(2,354,600)	-	-
Current tax	29,740,018	120,922,914	20,062,968	81,897,035
Deferred tax	(1,550,582)	(6,304,667)	(4,322,315)	(17,643,689)
	<u>28,189,436</u>	<u>114,618,247</u>	<u>15,740,653</u>	<u>64,253,346</u>

Prasac Microfinance Institution Plc.

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

20. Income tax (continued)

(a) Income tax expense (continued)

	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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	11,242,563	45,824,686	6,673,460	27,327,820
Tax incentive on bond listing	<u>(189,933)</u>	<u>(774,167)</u>	-	-
Current tax	11,052,630	45,050,519	6,673,460	27,327,820
Deferred tax	<u>352,124</u>	<u>1,435,258</u>	<u>(319,736)</u>	<u>(1,309,320)</u>
	<u>11,404,754</u>	<u>46,485,777</u>	<u>6,353,724</u>	<u>26,018,500</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 nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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>143,542,650</u>	<u>583,644,416</u>	<u>78,521,509</u>	<u>320,524,799</u>
Income tax expense at applicable tax rate of 20%	28,708,530	116,728,883	15,704,302	64,104,961
Non-deductible expenses	60,001	243,964	36,351	148,385
Tax incentive on bond listing	<u>(579,095)</u>	<u>(2,354,600)</u>	-	-
	<u>28,189,436</u>	<u>114,618,247</u>	<u>15,740,653</u>	<u>64,253,346</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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 September 2021</i>		<i>For the three-month period ended 30 September 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	58,282,401	237,559,065	31,761,067	130,061,569
Income tax expense at applicable tax rate of 20%	11,656,480	47,511,812	6,352,214	26,012,316
Non-deductible expenses	(61,793)	(251,868)	1,510	6,184
Tax incentive on bond listing	(189,933)	(774,167)	-	-
	<u>11,404,754</u>	<u>46,485,777</u>	<u>6,353,724</u>	<u>26,018,500</u>

(b) Income tax payable

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

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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	30,319,113	123,277,514	20,062,968	81,897,035
Tax incentive on bond listing	(579,095)	(2,354,600)	-	-
Income tax paid	(27,493,746)	(111,789,571)	(26,185,119)	(106,887,655)
Currency translation differences	-	847,808	-	222,390
Balance at end of the period	<u>26,322,967</u>	<u>107,371,382</u>	<u>17,292,738</u>	<u>70,647,443</u>

Prasac Microfinance Institution Plc.

Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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 September 2021</i>		<i>For the three-month period ended 30 September 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	16,591,294	67,111,784	11,704,454	47,906,330
Current income tax at applicable tax rate	11,242,563	45,824,686	6,673,460	27,327,820
Tax incentive on bond listing	(189,933)	(774,167)	-	-
Income tax paid	(1,320,957)	(5,384,221)	(1,085,176)	(4,443,796)
Currency translation differences	-	593,300	-	(142,911)
Balance at end of the period	<u>26,322,967</u>	<u>107,371,382</u>	<u>17,292,738</u>	<u>70,647,443</u>

(c) Deferred tax assets, net

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

	<i>30 September 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	6,718,201	27,403,542	5,771,758	23,346,761
Allowance for impairment losses	4,239,594	17,293,304	4,506,554	18,229,011
Unused annual leave	623,169	2,541,906	382,077	1,545,501
Provision for employee benefits	300,592	1,226,115	87,075	352,218
Accrued interest receivable	23,106	94,249	13,934	56,363
Right-of-use assets and lease liabilities	23,722	96,762	63,709	257,703
Unamortised borrowing fees	265,963	1,084,863	172,950	699,583
Property, equipment and intangible assets	(225,141)	(918,350)	(219,976)	(889,803)
Foreign exchange differences	486,227	1,983,320	126,770	512,785
Deferred tax assets, net	<u>12,455,433</u>	<u>50,805,711</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 nine-month periods ended 30 September 2021

21. Provision for employee benefits

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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	2,808,896	11,420,971	2,531,207	10,332,387
Payments during the period	(1,741,309)	(7,080,162)	(1,221,932)	(4,987,926)
Currency translation differences	-	28,681	-	25,431
Balance at end of the period	<u>1,502,962</u>	<u>6,130,582</u>	<u>1,383,837</u>	<u>5,673,732</u>
	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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	582,940	2,375,481	512,216	2,096,500
Recognised in profit or loss	920,641	3,752,533	878,849	3,598,887
Payments during the period	(619)	(2,523)	(7,228)	(29,599)
Currency translation differences	-	5,091	-	7,944
Balance at end of the period	<u>1,502,962</u>	<u>6,130,582</u>	<u>1,383,837</u>	<u>5,673,732</u>

22. Other liabilities

	<i>30 September 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	7,282,140	29,703,849	1,000,000	4,045,000
Accrued expenses	3,603,953	14,700,524	2,237,474	9,050,582
Withholding tax payable	1,248,072	5,090,886	1,208,570	4,888,666
Account payables	1,924,995	7,852,055	2,096,877	8,481,867
Tax on salary	453,878	1,851,368	1,326,675	5,366,400
Others	5,061	20,644	4,005	16,201
	<u>14,518,099</u>	<u>59,219,326</u>	<u>7,873,601</u>	<u>31,848,716</u>

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Notes to the condensed interim financial statements (continued) for the three-month and nine-month periods ended 30 September 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.

Details of shareholding are as follows:

	30 September 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 Co.Ltd

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 nine-month periods ended 30 September 2021

23. Equity and reserves (continued)

(a) Share capital (continued)

On 6 September 2021, the shareholders have reached an agreement and resolved to transfer the 30% of the Company's ordinary share, collectively, from LOLC International Private Limited ("LOLC"), The Bank of East Asia, Limited ("BEA") and PRASAC Staff Company Limited ("PSCo") to Kookmin Bank Co., Ltd ("KB") and Kookmin Bank Cambodia Plc ("KBC"). On 12 October 2021, the Company obtained approval from the National Bank of Cambodia ("NBC") regarding this capital transfer. The Memorandum and Articles of Association of the Company had been updated to reflect this change and was endorsed by the MoC on 19 October 2021.

The details of the capital transfers were as follows:

	<i>After Transfer</i>			<i>Before Transfer</i>		
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>%</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>%</i>
KB	299,999,999	1,199,996,000	100.00	210,000,000	840,000,000	70.00
KBC	1	4,000	00.00	-	-	-
LOLC	-	-	-	63,000,000	252,000,000	21.00
BEA	-	-	-	18,900,000	75,600,000	6.30
PSCo	-	-	-	8,100,000	32,400,000	2.70
	<u>300,000,000</u>	<u>1,200,000,000</u>	<u>100.00</u>	<u>300,000,000</u>	<u>1,200,000,000</u>	<u>100.00</u>

(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 September 2021, this non-distributable reserve amounted to USD3.2 million (equivalent to KHR12.9 billion) (31 December 2020: USD3.15 million equivalent to KHR12.8 billion).

Prasac Microfinance Institution Plc.

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

23. Equity and reserves (continued)

(c) Regulatory reserve

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

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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 from/(to) retained earnings	3,567,539	14,505,614	(2,644,420)	(10,715,190)
Balance at end of the period	<u>4,028,871</u>	<u>16,283,741</u>	-	-

	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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	-	-	-	-
Transfer from retained earnings	4,028,871	16,283,741	-	-
Balance at end of the period	<u>4,028,871</u>	<u>16,283,741</u>	-	-

24. Interest income

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Individual loans	373,171,284	1,517,314,441	314,545,464	1,283,974,584
Balances with other banks	129,729	527,478	53,201	217,166
Balances with NBC	37,171	151,137	136,471	557,075
Group loans	33,375	135,703	69,440	283,454
	<u>373,371,559</u>	<u>1,518,128,759</u>	<u>314,804,576</u>	<u>1,285,032,279</u>

Prasac Microfinance Institution Plc.

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

24. Interest income (continued)

	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Individual loans	131,209,554	534,810,141	107,592,565	440,591,553
Balances with other banks	28,548	116,362	12,480	51,106
Balances with NBC	5,771	23,523	18,807	77,015
Group loans	8,948	36,472	20,438	83,694
	<u>131,252,821</u>	<u>534,986,498</u>	<u>107,644,290</u>	<u>440,803,368</u>

25. Interest expense

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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	105,593,887	429,344,745	96,993,860	395,928,937
Borrowings	35,968,203	146,246,713	43,667,060	178,248,939
Subordinated debts	8,422,144	34,244,438	5,160,368	21,064,622
Bond payables	1,953,612	7,943,386	1,153,105	4,706,975
Deposits from banks and other financial institutions	1,692,410	6,881,339	1,577,029	6,437,432
Lease liabilities	797,950	3,244,465	844,574	3,447,551
	<u>154,428,206</u>	<u>627,905,086</u>	<u>149,395,996</u>	<u>609,834,456</u>

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

25. Interest expense (continued)

	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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	36,833,112	150,131,764	33,603,082	137,604,619
Borrowings	11,583,416	47,214,004	14,129,777	57,861,437
Subordinated debts	2,909,385	11,858,653	1,738,116	7,117,585
Bond payables	665,629	2,713,104	680,658	2,787,295
Deposits from banks and other financial institutions	618,628	2,521,528	594,276	2,433,561
Lease liabilities	258,911	1,055,321	286,387	1,172,755
	<u>52,869,081</u>	<u>215,494,374</u>	<u>51,032,296</u>	<u>208,977,252</u>

26. Net fees and commission income

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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	6,396,633	26,008,710	3,896,859	15,906,978
Local remittance services income	546,454	2,221,882	658,470	2,687,875
Fees and commission income	<u>6,943,087</u>	<u>28,230,592</u>	<u>4,555,329</u>	<u>18,594,853</u>
Bank charges on borrowings	(96,831)	(393,715)	(142,070)	(579,930)
Others	(825)	(3,354)	-	-
Fees and commission expense	<u>(97,656)</u>	<u>(397,069)</u>	<u>(142,070)</u>	<u>(579,930)</u>
Net fees and commission income	<u>6,845,431</u>	<u>27,833,523</u>	<u>4,413,259</u>	<u>18,014,923</u>

Prasac Microfinance Institution Plc.

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

26. Net fees and commission income (continued)

	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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	2,440,426	9,947,176	1,866,768	7,644,415
Local remittance services income	168,242	685,755	218,728	895,691
Fees and commission income	2,608,668	10,632,931	2,085,496	8,540,106
Bank charges on borrowings	(19,438)	(79,229)	(79,784)	(326,715)
Others	(330)	(1,345)	-	-
Fees and commission expense	(19,768)	(80,574)	(79,784)	(326,715)
Net fees and commission income	2,588,900	10,552,357	2,005,712	8,213,391

27. Other income

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Penalty from late loans' repayment	4,514,845	18,357,360	3,425,761	13,983,956
Loan written-off recovery	2,313,890	9,408,277	2,407,477	9,827,321
Others	833,625	3,389,519	919,417	3,753,061
	7,662,360	31,155,156	6,752,655	27,564,338
	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Penalty from late loans' repayment	1,430,953	5,832,564	1,160,205	4,751,039
Loan written-off recovery	824,846	3,362,072	641,896	2,628,564
Others	251,547	1,025,306	348,424	1,426,797
	2,507,346	10,219,942	2,150,525	8,806,400

Prasac Microfinance Institution Plc.

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

28. Personnel expenses

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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	51,317,880	208,658,500	47,678,364	194,623,082
Employee benefits	2,808,896	11,420,971	2,531,207	10,332,387
Employee social welfare fund expenses	840,421	3,417,152	823,595	3,361,915
Medical expenses	34,922	141,993	9,309	37,999
Staff uniform	-	-	169,608	692,340
Other employee benefits	1,360,296	5,530,963	1,229,341	5,018,170
	<u>56,362,415</u>	<u>229,169,579</u>	<u>52,441,424</u>	<u>214,065,893</u>
	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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	17,176,794	70,012,612	16,419,908	67,239,523
Employee benefits	920,641	3,752,533	878,849	3,598,887
Employee social welfare fund expenses	291,022	1,186,206	282,988	1,158,836
Medical expenses	11,779	48,011	3,455	14,148
Staff uniform	-	-	56,430	231,081
Other employee benefits	113,596	463,017	103,450	423,628
	<u>18,513,832</u>	<u>75,462,379</u>	<u>17,745,080</u>	<u>72,666,103</u>

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

29. General and administrative expenses

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Fuel costs	2,756,450	11,207,726	2,871,761	11,722,528
Printing and stationery	1,027,203	4,176,607	980,504	4,002,417
Utilities	891,836	3,626,205	955,069	3,898,592
Repair and maintenance	822,180	3,342,984	896,730	3,660,452
Transportation	815,531	3,315,949	1,041,541	4,251,570
Communications	630,431	2,563,332	608,368	2,483,358
Rental	588,977	2,394,780	431,997	1,763,412
Professional fees	490,475	1,994,271	600,553	2,451,457
License fees	461,034	1,874,564	946,685	3,864,368
Office supplies	280,482	1,140,440	429,721	1,754,121
Marketing and promotions	272,321	1,107,257	546,963	2,232,703
Other tax expenses	256,971	1,044,844	305,628	1,247,573
Bank charges	203,946	829,244	161,178	657,929
Donation	178,901	727,411	137,643	561,859
Stamp tax	92,334	375,430	404,061	1,649,377
Traveling	41,608	169,178	157,107	641,311
Training	38,208	155,354	45,865	187,221
Other expenses	322,064	1,309,515	282,514	1,153,223
	<u>10,170,952</u>	<u>41,355,091</u>	<u>11,803,888</u>	<u>48,183,471</u>

Prasac Microfinance Institution Plc.

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

29. General and administrative expenses (continued)

	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 2020</i>	
	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>	<i>USD</i>	<i>KHR'000 equivalent (Note 4)</i>
Fuel costs	923,640	3,764,757	955,874	3,914,304
Printing and stationery	325,071	1,324,989	247,544	1,013,693
Utilities	291,084	1,186,458	326,967	1,338,930
Repair and maintenance	303,428	1,236,773	362,766	1,485,527
Transportation	273,890	1,116,376	394,774	1,616,600
Communications	224,295	914,226	203,758	834,389
Rental	188,826	769,655	179,704	735,888
Professional fees	199,640	813,733	159,089	651,469
License fees	148,933	607,051	307,697	1,260,019
Office supplies	51,943	211,720	102,798	420,958
Marketing and promotions	121,781	496,379	185,323	758,898
Other tax expenses	30,290	123,462	81,051	331,904
Bank charges	54,054	220,324	75,085	307,473
Donation	5,284	21,538	5,095	20,864
Stamp tax	4,594	18,725	196,838	806,052
Traveling	5,135	20,930	27,490	112,572
Training	1,933	7,879	2,473	10,127
Other expenses	48,109	196,093	125,231	512,819
	<u>3,201,930</u>	<u>13,051,068</u>	<u>3,939,557</u>	<u>16,132,486</u>

Prasac Microfinance Institution Plc.

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

30. Depreciation and amortization

	<i>For the nine-month period ended 30 September 2021</i>		<i>For the nine-month period ended 30 September 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	1,544,632	6,280,474	1,602,968	6,543,316
Intangible assets	221,453	900,427	276,851	1,130,106
Right-of-use assets	3,155,951	12,832,097	3,008,858	12,282,158
	<u>4,922,036</u>	<u>20,012,998</u>	<u>4,888,677</u>	<u>19,955,580</u>
	<i>For the three-month period ended 30 September 2021</i>		<i>For the three-month period ended 30 September 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	520,509	2,121,595	543,706	2,226,476
Intangible assets	74,978	305,611	98,059	401,552
Right-of-use assets	1,071,217	4,366,280	1,050,488	4,301,748
	<u>1,666,704</u>	<u>6,793,486</u>	<u>1,692,253</u>	<u>6,929,776</u>

Prasac Microfinance Institution Plc.

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

31. Net cash used in operating activities

	Note	For the nine-month period ended 30 September 2021		For the nine-month period ended 30 September 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Net profit for the period		115,353,214	469,026,169	62,780,856	256,271,453
<i>Adjustments for:</i>					
Depreciation and amortisation	30	4,922,036	20,012,998	4,888,677	19,955,580
Gain on disposal of property and equipment		(61,054)	(248,245)	(3,506)	(14,312)
Net interest income		(218,943,353)	(890,223,673)	(165,408,580)	(675,197,823)
Allowance for impairment losses	9	18,495,950	75,204,533	29,799,480	121,641,477
Income tax expense	20(a)	28,189,436	114,618,247	15,740,653	64,253,346
Provision for employee benefits	21	2,808,896	11,420,971	2,531,207	10,332,387
Unrealised exchange losses/(gains)		1,350,440	5,490,888	(263,603)	(1,076,029)
		(47,884,435)	(194,698,112)	(49,934,816)	(203,833,921)
<i>Changes in:</i>					
Balances with the NBC		(33,569,730)	(136,494,522)	(21,262,839)	(86,794,909)
Loans to customers		(567,836,424)	(2,308,822,900)	(361,369,431)	(1,475,110,017)
Other assets		(1,058,548)	(4,304,056)	5,566,406	22,722,069
Deposits from banks and other financial institutions		38,920,179	158,249,448	(10,325,832)	(42,150,046)
Deposits from customers		299,973,011	1,219,690,263	231,248,635	943,956,928
Other liabilities		6,644,498	27,016,529	7,427,976	30,320,998
Cash used in operations		(304,811,449)	(1,239,363,350)	(198,649,901)	(810,888,898)
Interest received		367,489,305	1,494,211,514	311,960,204	1,273,421,553
Interest paid		(147,477,475)	(599,643,414)	(148,960,211)	(608,055,581)
Income tax paid	20(b)	(27,493,746)	(111,789,571)	(26,185,119)	(106,887,655)
Employee benefits paid	21	(1,741,309)	(7,080,162)	(1,221,932)	(4,987,926)
Net cash used in operating activities		(114,034,674)	(463,664,983)	(63,056,959)	(257,398,507)

Prasac Microfinance Institution Plc.

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

31. Net cash used in operating activities (continued)

	Note	For the three-month period ended 30 September 2021		For the three-month period ended 30 September 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
Net profit for the period		46,877,647	191,073,288	25,407,343	104,043,069
<i>Adjustments for:</i>					
Depreciation and amortisation	30	1,666,704	6,793,486	1,692,253	6,929,776
Gain on disposal of property and equipment		(1,274)	(5,193)	1,125	4,607
Net interest income		(78,383,740)	(319,492,124)	(56,611,994)	(231,826,116)
Allowance for impairment losses	9	1,695,052	6,909,032	6,292,408	25,767,411
Income tax expense	20(a)	11,404,754	46,485,777	6,353,724	26,018,500
Provision for employee benefits expense	21	920,641	3,752,533	878,849	3,598,887
Unrealised exchange losses/(gains)		389,504	1,587,618	(304,862)	(1,248,405)
		(15,430,712)	(62,895,583)	(16,291,154)	(66,712,271)
<i>Changes in:</i>					
Balances with the NBC		(13,353,135)	(54,427,378)	(8,041,056)	(32,928,124)
Loans to customers		(249,867,939)	(1,018,461,719)	(194,420,143)	(796,150,486)
Other assets		2,323,628	9,471,109	2,349,954	9,623,062
Deposits from banks and other financial institutions		21,456,044	87,454,835	(8,110,602)	(33,212,915)
Deposits from customers		107,472,364	438,057,356	86,422,070	353,898,377
Other liabilities		56,149	228,863	1,640,743	6,718,843
Cash used in operations		(147,343,601)	(600,572,517)	(136,450,188)	(558,763,514)
Interest received		128,357,388	523,184,713	103,531,331	423,960,800
Interest paid		(47,504,584)	(193,628,685)	(52,247,668)	(213,954,204)
Income tax paid	20(b)	(1,320,957)	(5,384,221)	(1,085,176)	(4,443,796)
Employee benefits paid	21	(619)	(2,523)	(7,228)	(29,599)
Net cash used in operating activities		(67,812,373)	(276,403,233)	(86,258,929)	(353,230,313)

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

32. Related party transactions and balances (continued)

(b) Balances with related parties

		30 September 2021		31 December 2020	
		USD	KHR'000 equivalent (Note 4)	USD	KHR'000 equivalent (Note 4)
<i>Related parties</i>	<i>Accounts</i>				
Directors and key management	Deposits	26,761,742	109,161,146	29,515,649	119,390,799
	Loans	1,056,337	4,308,797	805,477	3,258,154
BEA	Borrowings	2,007,785	8,189,755	6,003,274	24,283,243
KB	Borrowings	98,945,047	403,596,847	80,211,596	324,455,906
	Subordinated debt	51,336,817	209,402,877	50,056,347	202,477,924
PSCo	Deposits	1,172,164	4,781,257	2,968,104	12,005,981
KB Daehan Specialized Bank Plc	Borrowings	2,949,898	12,032,632	-	-
KB Bank Myanmar Co., Ltd	Deposits	15,039,584	61,346,463	-	-

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.

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

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

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

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

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

- *Loans to customers*

The fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

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

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

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

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

- *Borrowings and subordinated debts*

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

Prasac Microfinance Institution Plc.

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

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

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

- *Other assets and liabilities*

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

Fair value hierarchy

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

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

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 nine-month periods ended 30 September 2021

35. Comparative information

Certain prior period balances have been adjusted to be consistent with the current period disclosure. The details of the adjustments 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 bonds 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 adjustments on the financial statements are as follows:

Statement of financial position

	<i>As at 1 January 2020</i>			
	<i>As previously reported USD</i>	<i>Adjustment USD</i>	<i>As restated USD</i>	<i>As restated KHR'000 equivalent (Note 4)</i>
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

Prasac Microfinance Institution Plc.

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

35. Comparative information (continued)

Statement of financial position (continued)

	<i>As at 31 December 2020</i>			
	<i>As previously reported USD</i>	<i>Adjustment 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
Bonds payable	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
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