



Annual Report 2021

31 December 2021

PRASAC Microfinance Institution Plc.

VISION

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

MISSION

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

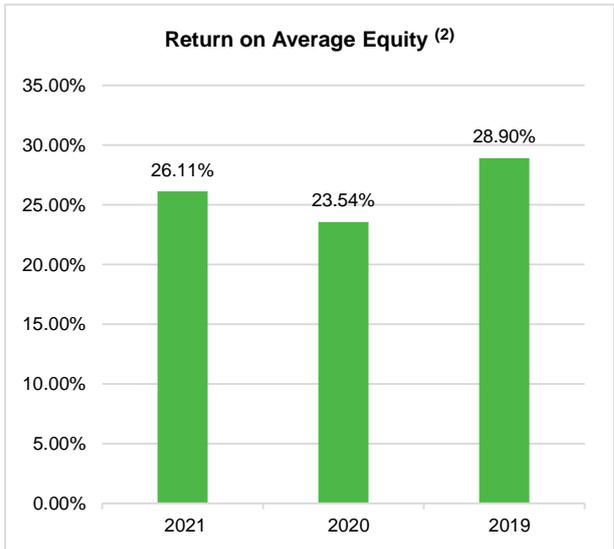
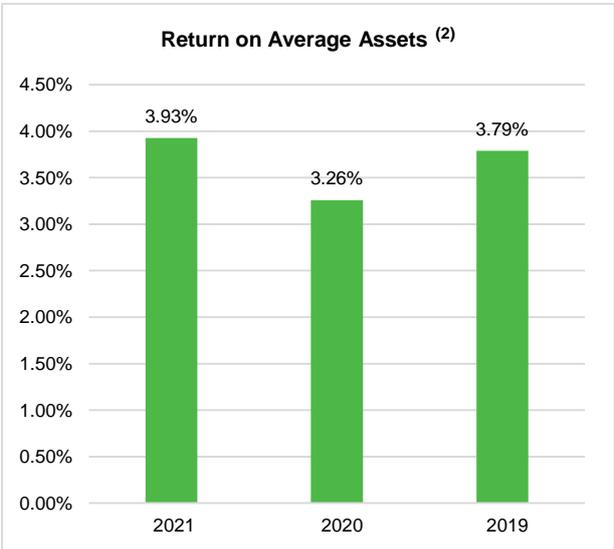
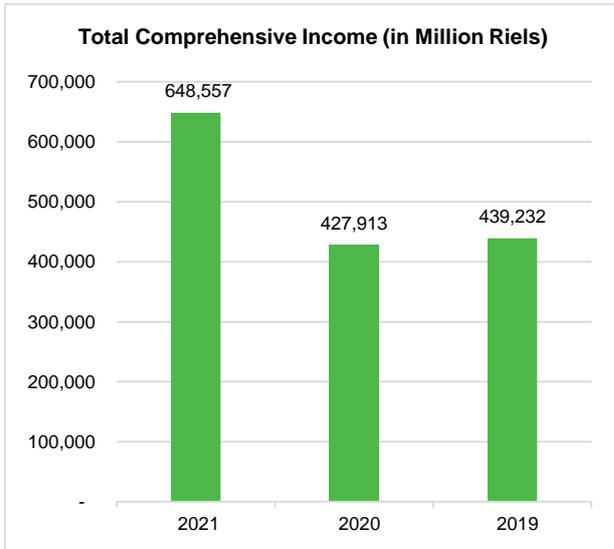
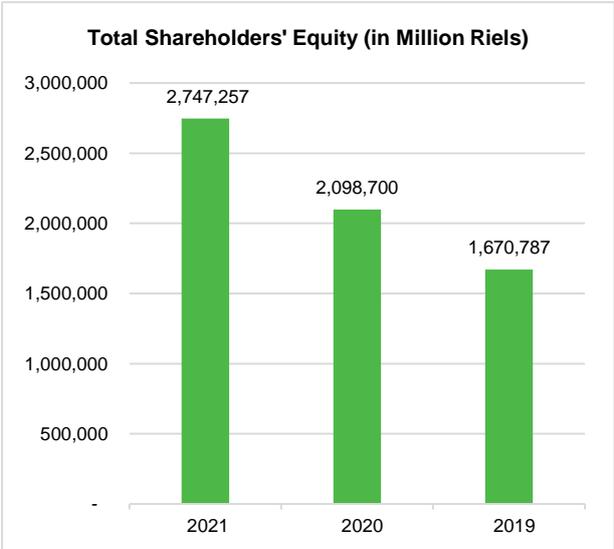
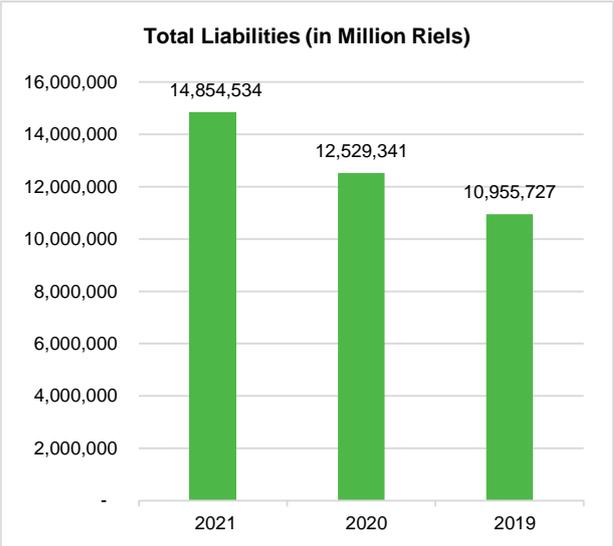
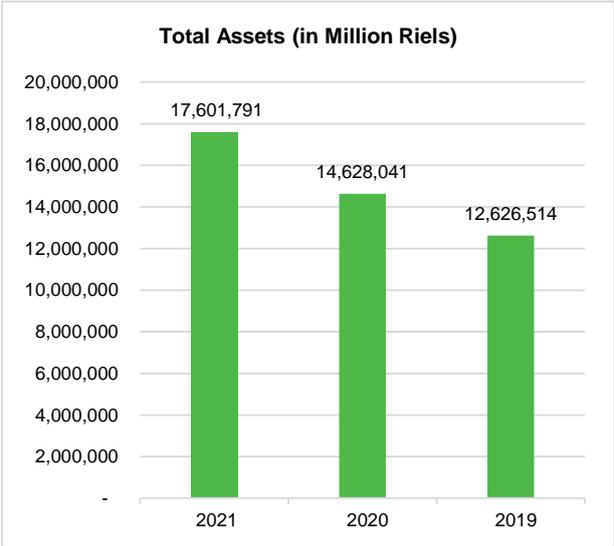
FINANCIAL HIGHLIGHT

Financial Position (in Million Riels)	2021	2020	2019
Total Assets	17,601,791	14,628,041	12,626,514
Total Liabilities	14,854,534	12,529,341	10,955,727
Total Shareholders' Equity	2,747,257	2,098,700	1,670,787
Profit/(Loss) (in Million Riels)	2021	2020	2019
Total Revenues	2,138,496	1,825,356	1,564,865
Profit/(Loss) Before Tax	787,719	551,789	524,521
Profit/(Loss) After Tax	632,578	443,696	419,404
Total Comprehensive Income	648,557	427,913	439,232
Financial Ratios (for Banking and Financial Institutions)	2021	2020	2019
Solvency Ratio	18.98%	18.91%	20.23%
Debt to Equity Ratio	540.70%	597.00%	655.72%
Liquidity Coverage Ratio	160.31%	232.78%	172.94%
Non-Performing Loans Ratio ⁽¹⁾	1.54%	1.37%	0.31%
Deposit to Loan Ratio	69.77%	69.74%	73.59%
Return on Average Assets ⁽²⁾	3.93%	3.26%	3.79%
Return on Average Equity ⁽²⁾	26.11%	23.54%	28.90%
Interest Coverage Ratio	192.14%	168.22%	178.66%
Earnings per Share (For equity listed entity)	N/A	N/A	N/A
Dividend per Share (For equity listed entity)	N/A	N/A	N/A
Other Important Ratios (If any)	N/A	N/A	N/A

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

⁽²⁾ The ratios were calculated by using net profit for twelve-month period from 1 January to 31 December 2021

FINANCIAL SUMMARY CHARTS



ANNUAL STATISTICAL SUMMARY OF THE LISTED ENTITY'S PERFORMANCE

Financial Performance (in Million Riels)	2021	2020	2019
Total Assets	17,601,791	14,628,041	12,626,514
Total Shareholders' Equity	2,747,257	2,098,700	1,670,787
Total Comprehensive Income	648,557	427,913	439,232
Return on Average Assets ⁽²⁾	3.93%	3.26%	3.79%
Return on Average Equity ⁽²⁾	26.11%	23.54%	28.90%
Total Gross Loans	15,270,812	12,249,042	10,164,918
Total Deposit	10,654,376	8,542,691	7,480,692
Deposit to Loan Ratio	69.77%	69.74%	73.59%
Solvency Ratio	18.98%	18.91%	20.23%
Liquidity Coverage Ratio	160.31%	232.78%	172.94%
Non-Performing Loans Ratio ⁽¹⁾	1.54%	1.37%	0.31%
Gross Loans Portfolio to Total Assets Ratio	86.76%	83.74%	80.50%
Operating Expenses to Average Gross Loans Portfolio	3.11%	3.26%	3.54%
Cost to income ratio	33.37%	36.05%	35.53%
Yield on Average Gross Loans Portfolio	15.11%	15.81%	16.31%

BOARD OF DIRECTORS



Mr. Kwi Sang JUN
Chairman



Mr. Ji Kyu JANG
Director



Dr. Dong Hyun CHOI
Director



Mr. Jaehong PAK
Independent Director



Mr. Kyung Cheon LEE
Independent Director



Mr. CHAN Sophal
Independent Director

MESSAGE FROM CHAIRMAN

“PRASAC delivers robust performance on loans, deposits, and client base together with the strength of our statement of financial position, while continuing to support customers and community through the second year of the COVID-19 pandemic.”

Cambodia Economy

Along with the favorable effects of global economic growth of 5.5%, Cambodian economy was projected to grow 3% in 2021 thanks to the recovery in domestic activities, driven by the Government’s social and economic protection measures, the success of vaccination rollout campaign and the implementation of health preventive protocols.

According to the National Bank of Cambodia, the growth was supported by the rebound of the garment, wholesale and retail trade, telecommunication, transportation, and construction sectors; continued high growth in non-garment manufacturing products for export; and continued growth in agriculture. Regrettably, tourism sector continued to be hit hard.

NBC has argued that the high growth of capital inflows and the prudent management of international reserves have enhanced the effectiveness of monetary and exchange rate policy as well as preserved investors’ trust and confidence in Cambodia’s economy. Exchange rate stability and sound management of money supply in the economy have contributed significantly to price stability, with a low inflation rate of 2.9%. Although the national revenue declined, the strength of the fiscal buffer has preserved government’s ability to significantly increase public spending for ongoing social and economic support through cash social assistance, and tax relief for businesses affected by the COVID-19 and so on.

Cambodian Banking System

In the event of the COVID-19 pandemic that has prolonged for over two years, the banking system continued to play an important role in supporting economic activities, especially for sectors that were impacted. The NBC continued to maintain the implementation of regulatory forbearance as well as to provide banking and financial institutions with sufficient liquidity to ensure steady flows of credit to the private sector. In addition, the distribution of banking and financial institutions profits has been suspended to encourage more investments in the banking system aimed at strengthening the capital position.

By the end of 2021, the financial industry’s total assets were USD 68.2 billion, representing growth of around 16% compared with 2020; total loans portfolios were USD 45.7 billion (around 21.2% growth compared with 2020); restructuring loans totaled 370,785 accounts and amounted to USD 5.5 billion while the total deposit balance were USD 38.5 billion (around 15.4% growth compared with 2020).

PRASAC’s Support as Uncertainty Continues

As the pandemic persisted into 2021, PRASAC continued restructuring the loans following the guidelines from the National Bank of Cambodia (NBC) to help alleviate financial pressure and uncertainty for both individuals and businesses. PRASAC also kept participating in ‘SME Co-Financing Scheme (SCFS)’, an initiative of the government to provide affordable loans to SMEs

for capital expenditure and working capital. We still continued our CSR activities to support the wellbeing and sustainable development of the people, community and the country.

Resilience and Going Forward

Despite this time of uncertainty, PRASAC continues to grow in all key areas, including total assets, deposits, and loans as well as financial technology. We managed to enhance and expand our products and services. We launched new version of PRASAC Mobile Banking app to promote cashless payment. Our customers and staff have embraced digital banking in remarkable numbers over the course of the pandemic. We have business continuity plan in place to ensure our smooth operations amid the pandemic. We quickly adapted our work environments to prioritize the health and safety of our people and customers.

Highlights of the Overall Performance in 2021

Although we are facing big challenges, we have delivered strong operations and financial performance consistent with long-term shareholder interest. Lessons from the challenges of the past several years have allowed PRASAC to become a strong and stable institution with 27 years of sustainable growth. As at the end of 2021, total assets were USD 4.32 billion, growth of 19% compared to 2020. The deposit balance increased to USD 2.62 billion, and the gross loan portfolio amounted to USD 3.75 billion. The shareholder’s equity also grew and reached USD 674 million in the reporting period.

Although this is an unprecedented challenging time, the Board and shareholders have confidence that PRASAC’s leadership, strategy and people are on the right track to enable PRASAC to continue its high level of performance for all stakeholders.

On behalf of the Board of Directors, I wish to thank PRASAC’s management and staff for their hard work, dynamism, and strong dedication to grow the business along with customer’s growth in harmony. I also wish to thank the Board of Directors, shareholders, customers, the Royal Government of Cambodia and especially the National Bank of Cambodia, Securities and Exchange Regulator of Cambodia (SERC) and Cambodia Securities Exchange (CSX) for their continuous support and advice.

25 March 2022



Kwi Sang JUN
Chairman

MESSAGE FROM PRESIDENT & CHIEF EXECUTIVE OFFICER

“PRASAC continues to support customers, delivering the Government’s SME Co-Financing Scheme Loan in an effort to restore the economy while posting solid financial performance.”

We’ve Been Here for All

PRASAC has been part of Cambodia’s history for nearly 3 decades, playing an important role in contributing to sustainable economic development by providing access to financial services for rural communities and micro-enterprises. As the leading financial institution, we have been here for our country, our customers, our communities and our shareholders through tough time until there’s light at the end of the tunnel.

Over the course of the COVID-19 pandemic that has prolonged for over two years, PRASAC has kept providing loans and continued restructuring the loans for affected borrowers, following the guidelines from the National Bank of Cambodia (NBC). We also participated in ‘SME Co-Financing Scheme (SCFS)’, an initiative of the government to provide affordable loans to SMEs for capital expenditure and working capital. Under this loan scheme, PRASAC disbursed loans worth USD 9.6 million and USD 6.7 million for Phase 1 in 2020 and for Phase 2 in 2021 respectively.

We have acted with agility to guard against risks and have taken decisive actions to ensure the health and welfare of our people, support our clients and the community and take the necessary steps for business continuity amid lockdowns and travel restriction measures. Branches were operating as normal while social distancing and office entrance protocols (hand washing, temperature checks, mask wearing and scanning of QR Code of Ministry of Health) are strictly enforced. We embraced new ways of working: applied rotating shift work schedule (i.e. while a group of staff was working at office, other groups were working from home), hosted virtual meetings, arranged online trainings and adapted work-from-home call center. This was possible thanks to the investment we’ve made in technology as well as years of developing remote leadership skills and a supportive corporate culture plus all employees’ outstanding efforts, high discipline, and flexibility to ensure continuous and uninterrupted business operations.

We strongly encourage clients and staff to do financial transactions through ATM, mobile banking, and internet banking. To promote cashless payment, we offer PRASAC Mobile Banking service for free of charge – no monthly fee and no transaction fee which allows customers to make self-payment on utilities and interbank fund transfer. Recently, the app has received significant enhancement with new features such as Open Term Deposit Account, PIN Reset, Login by Phone Number, Share Account Information, Push Notification and other functions, allowing customers to conduct online banking securely on their smart phone anytime, anywhere with no physical contact or branch visits.

Navigating through the pandemic, we managed to enhance and expand our products and services such as the upgrade of PRASAC Mobile Banking with all-new design and new innovative features, the launch of waste collection bill payment service of Phnom Penh Solid Waste Management Authority (PPSWMA), Metfone PINless top-up service, bill payment service of EDC of Takeo and EDC of Svay Rieng, Krong Bavet, Chiphou and Kampong Rou district, and tuition fee payment service of Asia Euro University via PRASAC Mobile Banking etc.

Despite the raging pandemic, our commitment to corporate social responsibility (CSR) is continuous and unwavering yet more relevant, ensuring the wellbeing and sustainable development of the people, community and the country. PRASAC donated and created fundraising campaign among its staff and customers to fund the purchase of COVID-19 vaccines to save Cambodian lives. We also donated to Cambodian Red Cross to support its social and humanitarian activities in helping vulnerable victims. We sponsored the 6th National Reading Day, organized by MoEYS. Moreover, we still managed to continue our CSR flagship library project by building one library at Prek Takov secondary school in Kandal province to promote the reading culture in Cambodia.

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

Delivering Solid Financial Performance

Our 2021 results demonstrate that our strategies continue to deliver success in the hardest situation of the prolonged COVID-19 pandemic. Here are some notes on key operational highlights:

- Total assets at year-end were USD 4.32 billion, grew by 19.5% compared with the end of 2020.
- Total loan portfolios were USD 3.75 billion increased by 23.8% with the total of 465 thousand clients.
- PRASAC's Non-Performing Loan (NPL) was at 1.54%.
- The deposits outstanding balance reached USD 2.62 billion with the total of 661 thousand depositors.
- After-tax net profit increased by 42.57% from USD 108.8 million to USD 155.5 million in 2021.
- Return on Average Equity (RoE) was 26.11% and Return on Average Assets (RoA) was 3.93%.
- Registered share capital increased from USD 230 million to USD 300 million.
- Office network covering 25 provinces and cities through 182 outlets, 141 ATMs, operating in more than 14,030 villages, equal to 87.6% of total villages, with a total of 9,330 staff.

Over the last five years, PRASAC has doubled its business size, client base and number of employees. We have learned a lot from the challenges of the past several years and these lessons have helped PRASAC successfully navigate the stormy years, demonstrating our ability to adapt with speed in response to the global pandemic and becoming a resilient strong and stable institution for 27 years of sustainable growth. In short, we have delivered strong operational and financial performance consistent with long term shareholder interest.

PRASAC still continues to invest in its business, IT infrastructure, people, and branding to deliver customer-centric experiences and help those clients we serve to have confidence in their financial future. We also maintain a strong risk management culture and focus on operational excellence while fostering our unique and inclusive culture to bring out the best in our clients and stakeholders. We are confident that our strategy, hard work and commitment to people will secure meaningful progress over the coming years.

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

support and advice, the Royal Government of Cambodia and especially the National Bank of Cambodia (NBC), Securities and Exchange Regulator of Cambodia (SERC) and Cambodia Securities Exchange (CSX) for their continuous support and advice.

25 March 2022



OUM Sam Oeun
President & Chief Executive Officer

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PART 1 - GENERAL INFORMATION OF THE LISTED ENTITY

A. IDENTITY OF THE LISTED ENTITY

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

B. NATURE OF BUSINESS

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

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

As a market leader with total assets of USD 4,321 million as of 31 December 2021, PRASAC operates the second largest branch network, with 182 branches in Cambodia. PRASAC has strong financial

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

C. THE LISTED ENTITY'S MILESTONES

Since its inception in 1995, PRASAC has gone through numerous considerable stages of its development. Here are the major milestones amid COVID-19 Pandemic in 2021:

- PRASAC launched waste collection bill payment service of Phnom Penh Solid Waste Management Authority (PPSWMA).
- PRASAC launched bill payment service of EDC of Takeo and EDC of Svay Rieng, Krong Bavet, Chiphou, and Kampong Rou district via PRASAC Mobile Banking and PRASAC Internet Banking in a fast and convenient manner anywhere and anytime and there is no fee charge.
- PRASAC launched Metfone PINless top-up service via PRASAC Mobile Banking and ATM easily at anytime and anywhere without fee charge.
- PRASAC received Certificate of Appreciation sealed by Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of Cambodia, for its commitment of tax obligation to the state and being named the 2nd largest taxpayer in Cambodia for 2020.
- PRASAC constructed a new library building at Prek Takov secondary school in Kandal province. This is the 42nd in PRASAC Library project portfolios.
- PRASAC launched tuition fee payment service of Asia Euro University via PRASAC Mobile Banking.
- PRASAC increased the registered capital up to USD 300 million to support operations and expand its state-of-the-art financial service footprint for the better serve the customers. At the end of the year, this registered share capital from 4 shareholders was distributed among 2 shareholders such as Kookmin Bank Co., Ltd and Kookmin Bank Cambodia Plc.
- PRASAC has participated in the 'SME Co-Financing Scheme Phase 2 (SCFS2)', an initiative of the government aimed at providing affordable interest loans to support small and medium enterprises (SMEs).
- PRASAC has launched the upgrade of its mobile banking application with all-new design by adding new innovative service and features such as Open Term Deposit Account, PIN Reset, Login by Phone Number, Share Account Information, Push Notification and other functions, allowing customers to conduct online banking securely on their smart phone anytime, anywhere with no physical contact or branch visits.
- PRASAC has entered in to 3 borrowing agreements for 3 years tenor totaling of USD 60.50 million with local bank lenders and oversea lenders of USD 33 million and USD 27.50 million respectively to support its lending activities.
- PRASAC entered in to 2 bilateral loan agreements for 3 years totaling USD 22.50 million with overseas lenders, to support its lending activities.
- PRASAC has entered in to 5 bilateral deals for 3 years term with oversea and local lenders totaling of USD 28 million in which equivalent of USD 10 million are in local currency to support its lending activities.
- PRASAC received a 5-year subordinated loan of USD 17.5 million from responsAbility.
- PRASAC signed a 3-year syndication loan agreement in the amount of USD 199 million with a group of banks led by Cathay United Bank ("CUB"), Kookmin Bank ("KB"), and Taishin International Bank Co., Ltd. ("Taishin") to support its lending activities.

D. MARKET SITUATION

Cambodia's entire banking system has remained resilient as it enjoyed strong growth in both loans and deposits in 2021 despite COVID-19 pandemic.

There are 54 commercial banks, 10 specialized banks, 5 microfinance deposit-taking institutions (MDIs) and 79 non deposit-taking microfinance institutions (MFIs) as of December 31, 2021.

The banking system continued to play an important role in supporting economic activities, especially for sectors that were impacted. The NBC continued to maintain the implementation of regulatory forbearance as well as to provide banking and financial institutions with sufficient liquidity to ensure steady flows of credit to the private sector. In addition, the distribution of banking and financial institutions profits has been suspended to encourage more investments in the banking system aimed at strengthening the capital position.

As a result, credits sustained its growth at 21.2% (reaching KHR 186.4 trillion, equivalent to USD 45.7 billion) and were extended to all economic sectors. Meanwhile, to help alleviate the burdens faced by households and businesses with revenue shortfalls and to prevent a future build-up of non-performing loans (NPLs), banking and financial institutions have been allowed to continue restructuring loans for customers in all sectors, which totaled 370,785 accounts and amounted to KHR 22.4 trillion (USD 5.5 billion). It is worth noted that confidence in the banking system has also been strengthened as reflected by deposit growth of 15.4% (reaching KHR 157.1 trillion, equivalent to USD 38.5 billion). Moreover, financial inclusion has been on the rise, with the number of customers' deposit accounts recorded 12.1 million accounts (growing by 40.7%) and customers' credit accounts recorded 3.3 million accounts (5.1%).

E. COMPETITIVE SITUATION

The competition in the banking and microfinance sector is very high. Nonetheless, PRASAC is currently ranked number 1 in microfinance sector and 1 among the 5 biggest banks in banking industry in Cambodia.

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

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

To cement our position in the competitive market and to keep abreast of latest technology development, PRASAC has been intensively focusing on the development of new products and services as below:

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

F. FUTURE PLAN

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

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

G. RISK FACTORS

1. Analyst

In year-2021, PRASAC observed 2 main risk factors that impact to Cambodia Economic and also the quality of PRASAC's portfolio.

- **COVID-19:** Still continues impact to Cambodia's economics especially event 20-Feb-2021, however the economic in year-2021 (1.9% by ADB) is better than year-2020 Cambodia's economic with (-3.1% by ADB), the tourism sector still impact than other sectors such as biz, construction or agriculture. The NBC encourage all financial institution in Cambodia to do more restructure loan and provide easy way for clients to repay the loan.
- **Employee:** Employee is the most value assets and PRASAC always point employee are prioritize to take care.

2. Management Opinion and Risk Mitigation

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

➤ **Credit Risk Management:**

- Monitoring loan portfolio quality and its trend
- Strictly policy especially clients' criteria
- Strictly analyze the business/collaterals of client
- Strictly loan approval.

➤ **Operational Risk Management:**

- Issue a COVID-19 prevention instruction to staff
- Daily monitor employee's health
- Daily check sanitation at branches
- Split employee to work at branches
- Quarantine 14 days if employee got cold or travel to infection areas
- Instruct all staff to wear mask in the banking hall
- Check temperature before allow enter the office
- Clean hand with alcohol
- Not allow to participate as the big group
- Meeting/training by zoom.

PART 2 - INFORMATION ON BUSINESS OPERATION PERFORMANCE

A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS

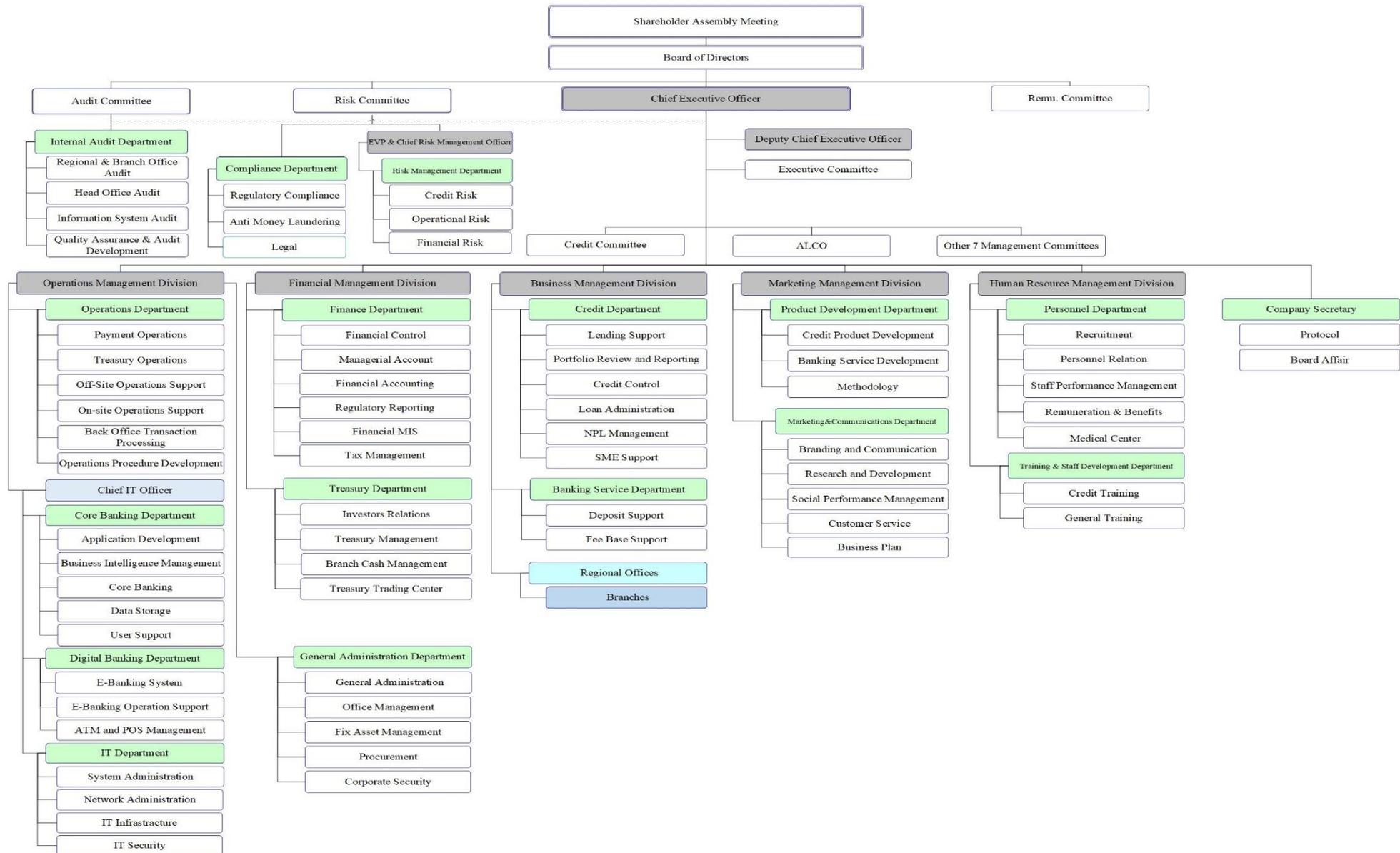
Key Achievement	2021	2020	2019
Loan			
Number of Borrowers	465,149	442,833	417,044
Total Gross Loans (in Million Riels)	15,270,812	12,249,042	10,164,918
Deposit			
Number of Depositors	660,976	627,188	600,204
Total Deposit (in Million Riels)	10,654,376	8,542,691	7,480,692
Others			
Operating Branches	182	182	180
Number of Staffs	9,330	9,042	9,091
Number of POS Terminals	505	514	509
Number of ATMs	141	141	135
Number of Active ATM Cards	53,454	56,060	57,834
Number of Active Mobile & Internet Banking	39,856	21,213	15,431

B. REVENUE STRUCTURE

No.	Source of Revenue	2021		2020		2019	
		Amount (in Million Riel)	(%)	Amount (in Million Riel)	(%)	Amount (in Million Riel)	(%)
1	Interest income	2,056,750	96.18%	1,754,437	96.11%	1,443,547	92.25%
2	Fees and commission income	35,057	1.64%	28,040	1.54%	73,934	4.72%
3	Other income	46,689	2.18%	42,879	2.35%	47,384	3.03%
Total revenue		2,138,496	100%	1,825,356	100%	1,564,865	100%

PART 3 - INFORMATION ON CORPORATE GOVERNANCE

A. ORGANIZATION STRUCTURE



B. BOARD OF DIRECTOR

Board Composition

No	Name	Position	Date of Term Being Director	Expired Date of Being Director
1	Mr. Kwi Sang JUN	Chairman	10 April 2020	09 April 2023
2	Mr. Ji Kyu JANG	Director	10 April 2020	09 April 2023
3	Dr. Dong Hyun CHOI	Director	27 October 2021	26 October 2024
4	Mr. Jaehong PAK	Independent Director	27 October 2021	26 October 2024
5	Mr. Kyung Cheon LEE	Independent Director	27 October 2021	26 October 2024
6	Mr. CHAN Sophal	Independent Director	27 October 2021	26 October 2024

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

C. SENIOR OFFICERS

Senior Officers Composition

No	Name	Gender	Position
1	Mr. Oum Sam Oeun	M	President & Chief Executive Officer
2	Mr. Kong Sean	M	EVP & Chief Operation Officer
3	Mr. Ry Vanna	M	EVP & Chief Business Officer
4	Mr. Pen Sovannsoksitha	M	EVP & Chief Marketing Officer
5	Mr. Hoeun Honey	M	EVP & Chief Human Resource Officer

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

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

A. INFORMATION ON SECURITIES

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

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

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

Information	Description
Debt securities' type	Unsecured, unsubordinated, and guaranteed bonds in a registered form
Symbol	PRA23A
Issuing date	23 April 2020
Par value per equity securities:	None
Total amount of debt securities	KHR 127,200,000,000
Total amount of outstanding debt securities	KHR 127,200,000,000
Maturity	23 April 2023
Coupon payment schedule	23 April and 23 October
Coupon rate (%)	7.50% p.a.
Total amount of coupon payment	KHR 9,540,000,000

Credit ratings (if any)	<p>The issuer is issuing the bonds guaranteed by CGIF. According to the Prakas of Securities and Exchange Commission of Cambodia on Public Issuance of Debt Securities, there is no requirement to have a credit rating on the corporate bond but the credit rating of the guarantor is required. CGIF’s strong claims paying ability.</p> <p>“AA/A-1+” Global (Long Term & Short Term), Stable Outlook, by S&P Ratings on 22 June 2018.</p> <p>“gAAA/seaAAA/AAA”, Global/ASEAN/National, Stable Outlook, by RAM Ratings on 16 Jan 2019.</p> <p>“AAA” National, Stable Outlook, by MARC on 14 Jan 2019.</p> <p>AAA” National, Stable Outlook, by TRIS Ratings on 10 Oct 2018.</p> <p>“AAA” National, Stable Outlook, by Fitch Ratings Indonesia on 15 Nov 2018.</p>
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B. SECURITIES’ PRICE AND TRADING VOLUME

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

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

No	Name	National	Number of Share	Percentage
1	KOOKMIN BANK CO., LTD.	Republic of Korea	299,999,999	99.99999967%
Total			299,999,999	99.99999967%

D. SUBSTANTIAL SHAREHOLDER(S) (1% OR MORE)

No	Name	National	Number of Share	Percentage
1	N/A			

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

Detail of Dividend Distribution	2021	2020	2019
Net Profit	N/A	N/A	N/A
Total cash dividend	N/A	N/A	N/A
Total share dividend	N/A	N/A	N/A
Other dividend	N/A	N/A	N/A
Dividend payout ratio (%)	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A
Dividend per share	N/A	N/A	N/A

PART 5 - INTERNAL CONTROL AUDIT REPORT BY INTERNAL AUDITOR

1. Introduction

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

At the end of 2021, the department has 108 professional staff, 93 of whom are in regional/branch offices. The department may rotate work locations of regional audit staff anytime if the manager of internal audit department concerns about the effectiveness of audit work and/or a conflict of interest.

2. Scope of Auditing in the Year 2021

- Loan portfolio (Review loan documents and conduct client home visit to confirm outstanding balance, and to verify that loan disbursement complies with the prescribed policies and Client Protection Principles for new loans and existing loan respectively).
- Physical cash count in branches (Surprising physical cash count & observation of access to vaults).
- Branch Operations (Review cash management, POS transaction, customer services, deposit and withdrawal transactions, general expenses, fund transfers & other incomes, record keeping, and AML & CFT).
- Centralized Department (Review Performance Evaluation & Remuneration, Customer Complaint Management & Solution, Regulatory Compliance & Anti-Money Laundering, and Lending Management).
- Information Technology (Review self-service terminal management, Surveillance camera CCTV & Access Door Management, ICT change management and Core banking system calculation).
- Fraud cases and internal policies abuses.

3. Standards for the Professional Practice of Internal Auditing

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

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

4. Summary of Audit Results

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

No	Audit Areas	Achievement	Control Assessment
I. Cash Surprise Check, Credit and Branch Operation Audits			
1.1	Cash surprise check	1,321 times	--
1.2	Loan portfolio (normal loans, non-performing loans & written-off loans in all branches)	72,826 accounts (13.35% of total loan accounts)	Strong (for new loans)
1.3	Branch operation (1time per branch)	181 branches	Satisfactory
II. Centralized Department Audits			
2.1	Performance Evaluation and Remuneration	1 time	Satisfactory
2.2	Customer Service and Customer Complaint Management and Solution	1 time	Satisfactory
2.3	Regulatory Compliance and AML	1 time	Satisfactory
2.4	Lending Management	1 time	Needs Improvement
III. Information technology Audits			
3.1	Self-service Terminal Management (ATM)	1 time	Satisfactory
3.2	Surveillance Camera CCTV & Access Door Management	1 time	Satisfactory
3.3	ICT Change Management	1 time	Satisfactory
IV. Unplanned Audits			
4.1	Fraud and abnormal case investigation	71 times	--
4.2	Cash shortage and surplus investigation	12 times	--

- The department has issued **1,420** audit reports to regional/branch management and related department managers.
- The department reported highlight audit results to the board audit committee every quarter.

5. Conclusion

Based on the audit results in 2021, Internal Audit Department concludes that:

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

Read and Approved
Date: 17 January 2022
Signature



Pak Jaehong
Chairman of the Audit Committee

Date: 17 January 2022
Signature



Ouk Saroeung
Manager of Internal Audit Department

PART 6 - FINANCIAL STATEMENT AUDITED BY THE EXTERNAL AUDITOR

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

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

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

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

- Credit Line from Kookmin Bank Hong Kong Branch with loan amount of USD 100 million.
- Subordinated Debt from Kookmin Bank Hong Kong Branch with loan amount of USD 50 million.
- Senior Loan from Kookmin Bank Cambodia Branch in Khmer Riels with loan amount of USD 5 million.
- Syndicated Loan from Kookmin Bank Hong Kong Branch with total commitment up to USD 150 million.
- Senior Loan from Kookmin Bank Cambodia Branch with loan amount of USD 3 million.
- Senior Loan from KB Daehan Specialized Bank Plc, Cambodia Branch in Khmer Riels with loan amount of USD 3 million.

B. MATERIAL TRANSACTIONS WITH DIRECTOR AND SENIOR OFFICER

N/A

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

N/A

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

N/A

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

N/A

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

N/A

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

N/A

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

N/A

PART 8 - MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following discussion and analysis are the discussion of PRASAC's management team on the operational results and financial situation based on Financial Statement as of 31 December 2021, which is audited by KPMG Cambodia Ltd (Independent Auditors). Financial Statements have been prepared in accordance with Cambodian International Financial Reporting Standard (CIFRS) and follows regulations and guidelines of National Bank of Cambodia. The management team discussed and analyzed only the key component of the Financial Statement and key factors that affect PRASAC's profitability.

A. OVERVIEW OF OPERATIONS

1. Revenue Analysis

PRASAC generates revenue from the three major sources as follows:

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

2. Revenue by Segment Analysis

No	Source of Revenue	2021		2020	
		Amount (in Million Riel)	Percentage (%)	Amount (in Million Riel)	Percentage (%)
1	Interest income	2,056,750	96.18%	1,754,437	96.11%
2	Fees and commission income	35,057	1.64%	28,040	1.54%
3	Other income	46,689	2.18%	42,879	2.35%
	Total Revenue	2,138,496	100%	1,825,356	100%

Interest income is the main source for PRASAC to generate revenue. In 2021, interest income represents 96.18% of the total revenue while 99.96% of the total interest income generated from the loans from customer. As comparing by segment to the same period from previous year result, there is no much fluctuation movement of PRASAC's revenue.

3. Gross Profit Margin Analysis

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

4. Profit / (Loss) Before Tax Analysis

Statement of Profit or Loss Before Income Tax	2021 (in Million Riel)	2020 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Interest income	2,056,750	1,754,437	302,313	17.23%
Interest expense	(854,885)	(808,871)	(46,014)	5.69%
Net interest income	1,201,865	945,566	256,299	27.11%
Fees and commission income	35,057	28,040	7,017	25.02%
Fees and commission expense	(480)	(665)	185	-27.82%
Net fees and commission income	34,577	27,375	7,202	26.31%
Other income	39,859	36,716	3,143	8.56%
Grant income	6,830	4,064	2,766	68.06%
Net foreign exchange gain/(loss)	(6,458)	2,099	(8,557)	-407.67%
Total other income	40,231	42,879	(2,648)	-6.18%
Total interest, fees, commission and other income	1,276,673	1,015,820	260,853	25.68%
Personnel expenses	(344,067)	(276,628)	(67,439)	24.38%
Provisions for expected credit losses	(59,832)	(95,447)	35,615	-37.31%
General and administrative expenses	(59,109)	(65,170)	6,061	-9.30%
Depreciation and amortization	(25,946)	(26,786)	840	-3.14%
Profit before income tax	787,719	551,789	235,930	42.76%

In 2021, profit before income tax increasing by KHR 235,930 million equivalent to 42.76% compared to the same period in 2020. All incomes were higher than previous period especially interest income, which is the main income, was significantly increased around KHR 302,313 million equivalent to 17.23%. Personnel expenses increased by KHR 67,439 equivalent to 24.38% due to increasing number of staff and productivity while other expenses decreased compared to 2020 indicate that PRASAC minimized its cost effectively to generate more revenue.

5. Profit / (Loss) After Tax Analysis

Statement of Profit or Loss After Income Tax	2021 (in Million Riel)	2020 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Profit before income tax	787,719	551,789	235,930	42.76%
Income tax expense	(155,141)	(108,093)	(47,048)	43.53%
Net profit for the period	632,578	443,696	188,882	42.57%

In 2021, profit after income tax increased by KHR 188,882 million equivalent to 42.57% that caused the tax on income also increased. Due to the result of net profit in 2021, PRASAC has archived a great result with Return on Average Asset of 3.93% and Return on Average Equity of 26.11% for twelve-month period of net profit from 1 January to 31 December 2021.

6. Total Comprehensive Income (Loss) Analysis

Statement of Comprehensive Income	2021 (in Million Riel)	2020 (in Million Riel)	Variance (in Million Riel)	Variance (%)
Net profit for the period	632,578	443,696	188,882	42.57%
Translation difference	15,979	(15,783)	31,762	-201.24%
Total comprehensive income	648,557	427,913	220,644	51.56%

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

7. Factors and Trends Analysis Affecting Financial Conditions and Results

In 2021, the factors and challenges is not much impact to financial conditions and results of PRASAC due to the COVID-19 pandemic situation in Cambodia was getting better and fully under control, more people have been vaccinated, and the country recorded steady decrease in infected cases, the government has announced an end the February 20 community event.

B. SIGNIFICANT FACTORS AFFECTING PROFIT

1. Demand and Supply Conditions Analysis

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

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

2. Fluctuations in Prices of Raw Materials Analysis

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

3. Tax Analysis

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

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

4. Exceptional and Extraordinary Items Analysis

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

C. MATERIAL CHANGES IN SALES AND REVENUE

In 2021, PRASAC earned total revenue around KHR 2,138,496 million increased 17.16% compared to 2020. Net interest income increased from KHR 945,566 million to KHR 1,201,865 million while gross loan portfolio increased 23.8%. Although, Cambodia’s economy affected by COVID-19 outbreak for the whole year, PRASAC is still managed and operating in a good profitability.

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

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

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

Limit

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

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

Actions on Forex

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

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

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

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

As at 31 December 2021 (in Million Riel or Percentage)	USD	KHR	THB	Total
Assets	15,416,901	2,136,646	48,244	17,601,791
Liabilities and capital	15,881,232	1,648,915	71,644	17,601,791
Off-balance sheet assets	407,604	26,758	-	434,362
Off-balance sheet liabilities	407,604	26,758	-	434,362
(+) long / (-) short	(464,331)	487,731	(23,400)	-
Net open position / net worth %	-16.17%	16.99%	-0.81%	-
Limit %	± 20%	± 20%	± 20%	-
Excess	N/A	N/A	N/A	-

1. INTEREST RATE RISK

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

As at 31 December 2021 in Million Riel	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest sensitive	Total
Financial assets							
Cash on hand	-	-	-	-	-	905,917	905,917
Balances with the NBC	911	610	604	-	122,220	1,376,595	1,500,940
Balances with other banks	682	-	-	-	-	8,721	9,403
Loans to customers	7,702	28,123	232,369	6,943,783	7,827,471	-	15,039,448
Other assets	-	-	-	-	-	2,754	2,754
Total financial assets	9,295	28,733	232,973	6,943,783	7,949,691	2,293,987	17,458,462
Financial liabilities							
Deposits from banks and other financial institutions	93,392	59,375	180,819	-	-	-	333,586
Deposits from customers	1,709,487	1,896,803	6,424,158	290,342	-	-	10,320,790
Borrowings	50,105	77,354	860,658	2,366,584	25,993	-	3,380,694
Bonds payable	-	-	1,630	126,058	-	-	127,688
Subordinated debts	-	-	12,261	211,807	204,483	-	428,551
Other liabilities	-	-	-	-	-	45,145	45,145
Total financial liabilities	1,852,984	2,033,532	7,479,526	2,994,791	230,476	45,145	14,636,454
Maturity Gap	(1,843,689)	(2,004,799)	(7,246,553)	3,948,992	7,719,215	2,248,842	2,822,008

Risk Mitigation:

Re-pricing Gap Management

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

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

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

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

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

Net Interest Income Simulation

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

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

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

Duration-Weighted Re-pricing Gap

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

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

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

Interest Rate Risk Limits

The Interest Rate Risk limits are as follows:

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

Interest Rate Risk Management Actions

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

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

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

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

E. IMPACT OF INFLATION

- Inflation is very important for PRASAC because PRASAC typically deal normal financial instrument such as making loan about 86.76% of its total assets of which 12.07%, 0.25% and 87.68% is in Khmer Riel, Bath Thai and United States Dollar respectively.
- Cambodia's economy recovered strongly in 2016-19 with real GDP growth of 7.0%, 7.0%, 7.5% and 7.0% p.a.
- In the lasts 5 years record the CPI stood at an average year-on year of 2.5% p.a.
- The economy is to a large extent dollarized; the exchange rate moves within a small bandwidth for the last ten years.
- Registered unemployment at 0.3% in 2020.

F. ECONOMIC, FISCAL AND MONETARY POLICY OF ROYAL GOVERNMENT

- Government accumulates USD 400 million of savings for the use of COVID-19 emergency cases.
- Reduce tax for tourism sectors. Improve infrastructure and reduce cost of operation. Reduce 6 holidays in year to increase productivities.
- Reserve USD 3 billion ahead for possible impacts COVID-19 and European Union's Everything But Arm's (EBA) trade scheme.
- Reserve USD 600 million to 800 million to lend to banks and MFIs to stimulus economy.
- Appeal banks and MFIs to reschedule loans during this COVID-19 period.
- Existing loan: reduce withholding tax on interest payments to 10% for 2021 and from 2022 previous withholding tax (WHT) will be applied. For new loan: reduce withholding tax on interest payments to 5% for 2021, then 10% for 2022 and from 2023 previous withholding tax (WHT) will be applied.

- Cambodia reduces all expenses for 3 years (strategic plan for 2021-2023).
- Government prepared and gives USD 125 million to more than 600,000 poor and vulnerable families.
- The government adjusted quarantine measures and prepare special arrangements for potential investors, technical experts and consultants who come to the Kingdom.
- Government called for donation for purchasing COVID-19 vaccines.
- The government has implemented the “Cash Transfer Social Assistance Program for Post Lockdown” to support low-income households who face difficulties after the large scale lockdown measurement, and Cash Transfer Social Assistance for the households whose members have died of COVID-19 and households with the difficult living condition whose members tested COVID-19 positive from the February 20, 2021 Outbreak.
- The government has introduced the strategic framework and programs to restore and promote Cambodia’s economic growth in living with COVID-19.

The National Bank of Cambodia (NBC) interventions:

- NBC requested banks and financial institutions to reduce loan-related fees and cancel fines for borrowers for the rest of the year as the Kingdom battles the COVID-19 pandemic.
- Encourage to continue lending to priority sectors (i.e. tourism, garment, construction, ...)
- Reduce the interest rate on the Liquidity-Providing Collateralized Operation (LPCO) up to 0.5%. Decrease the interest rate for the Negotiable Certificate of Deposits (NCD).
- Reduce the Reserve Requirement Rate (RRR) on deposit balance from 8% for KHR and 12.5% for USD to 7%.
- Reduce Liquidity Coverage Ratio (LCR) to appropriate level if it is necessary.
- Issued guideline on reschedule loans that impact from COVID-19, especially priority sectors.
- Encourage all institutions and clients to use digital financial services rather than use cheque or cash for payment.
- To stabilize Khmer Riel exchange rate, National Bank of Cambodia had sold USD 14 times in 2021 with total amount of USD 460 million.

PART 9 - OTHER NECESSARY INFORMATION FOR INVESTORS PROTECTION

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

CGIF has been assigned credit ratings of:

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

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

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

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

Signature of Director of the Listed Entity

Date: 25 March 2022
Read and Approved by:



Mr. Kwi Sang JUN
Chairman of the Board of Directors

Date: 25 March 2022
Read and Approved by:



Mr. Hui Tae CHUNG
Member of the Board of Directors

Date: 25 March 2022
Read and Approved by:



Mr. OUM Sam Oeun
Member of the Board of Directors

Date: 25 March 2022
Read and Approved by:



Mr. Jaehong PAK
Member of the Board of Directors

Date: 25 March 2022
Read and Approved by:



Dr. Dong Hyun CHOI
Member of the Board of Directors

Date: 25 March 2022
Read and Approved by:



Mr. Kyung Cheon LEE
Member of the Board of Directors

Date: 25 March 2022
Read and Approved by:



Mr. CHAN Sophal
Member of the Board of Directors



PRASAC MICROFINANCE INSTITUTION PLC.

Building N° 212, Street 271, Tuol Tumpung 2, Chamkarmon, Phnom Penh, Cambodia

Phone: +855 23 220 102 | Customer Service: +855 23 / 86 999 911 | Fax: +855 216 362 | P.O. Box: 2412

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

Private Company