



First Finance Social Financing Report

2024

First Finance Social Financing Framework Summary

As Cambodia's first microfinance institution specializing in affordable housing loans, First Finance is dedicated to supporting and accelerating the transition towards sustainability, financial inclusion, and literacy, in alignment with the United Nations Sustainable Development Goals (UN SDGs). First Finance has significantly impacted the lives of low and middle-income Cambodians through its long-term affordable housing loan offerings.

The company has established a Social Financing Framework ("the Framework") to guide the allocation and management of its Social Loan or Bond proceeds. First Finance plans to allocate an amount equal to the net proceeds from the Social Loans or Bonds raised under the Framework exclusively to finance eligible loans, according to the specified eligibility criteria.

This social financing report covers the period from January 1, 2024, to December 31, 2024. It provides detailed information and documentation on the allocation and impact of First Finance's Social Financing instruments, in line with the institution's Social Financing Framework. Due to rounding, numbers presented throughout this document may not sum precisely to the total provided, and percentages may not precisely reflect the absolute figures.

The table below provides a summary of First Finance Social Financing Framework.

Component	Details
Use of proceed	1 NO POVERTY  8 DECENT WORK AND ECONOMIC GROWTH  11 SUSTAINABLE CITIES AND COMMUNITIES 

Category 1: Affordable Housing

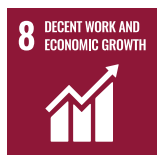
The use of proceeds under this category will be for First Finance to lend to borrowers for construction, refurbishment, and purchase of affordable housing and residential land.

This category will contribute to the following Sustainable Development Goals ("SDGs"):

- SDG 1 on No Poverty and specifically to Target 1.4 to ensure all have equal rights to economic resources, access to basic services, property ownership and finance
- SDG 8 on Decent Work and Economic Growth and specifically to Target 8.10 to strengthen the capacity of domestic financial institutions to expand access to insurance and financial services for all
- SDG 11 on Sustainable Cities and Communities and specifically to Target 11.1 for Safe and Affordable Housing.

The eligible loans for the category:

- Home Loan: A long-term financing solution for those who want to purchase a house or construct a new house on pre-owned land.
- Home Improvement loan: A long-term financing solution for those who want to renovate or expand an existing home.
- Residential Land Loan: A long-term financing solution for those who purchase land for home construction.



Category 2: Socioeconomic Advancement and Empowerment

The use of proceeds under this category will be for First Finance to lend to borrowers to improve their quality of life at home and/or to pursue opportunities to improve their socioeconomic outcomes. This category will contribute to the following Sustainable Development Goals (“SDGs”):

- SDG 1 on No Poverty and specifically to Target 1.4 to ensure all have equal rights to economic resources, access to basic services, property ownership and finance
- SDG 8 on Decent Work and Economic Growth and specifically to Target 8.10 to strengthen the capacity of domestic financial institutions to expand access to insurance and financial services for all

Process for Social Asset Evaluation and Selection

- Loan evaluation and selection: Preselection of eligibility based on category-specific selection criteria
- Loan monitoring: Credit review will be done for all loans within 30 days after disbursement. For loans with amount greater than USD 30,000, a credit review will be conducted annually. Depending on the loan classification and credit record of the borrower, additional credit reviews may be conducted annually, semi-annually, or even monthly.
- Environmental & Social (E&S) management: First Finance endeavours to ensure and enhance E&S management practices in all its activities in accordance with its E&S Management Policy.

Management of Proceeds of Social Loan or Bond

- Confirm the outstanding amount from the proceeds of the Social Loan or Bond
- Track the total volume of eligible loans by category, i.e., new loans from portfolio growth during the last reporting period
- Allocate eligible loans to the Social Loan or Bond proportionate to the respective outstanding amount of the Social Loan or Bond
- Where applicable, remove loans which have ceased to meet the eligibility criteria
- Calculate the net allocated proceeds for the Social Loan or Bond

Reporting

First Finance commits to provide an annual Social Finance Report to the relevant financier(s) and share on First Finance website including i) allocation reporting and ii) impact reporting

External Review

- Pre-issuance review has been obtained in the form of a Second Party Opinion
- At its option, First Finance, on an annual basis, starting one year after the financial close of the Social Loan or Bond may commission an independent third-party assurance report on the tracking and allocation of the proceeds and/or the impact assessment of the Eligible Social Asset Portfolio in relation to this Framework.

Asset Portfolio allocation and impact reporting

SOCIAL ASSET PORTFOLIO

In the full year 2024 reporting period, First Finance expanded its Social Asset Pool by adding \$35.9 million of eligible assets, compared to \$59.2 million in 2023. This slowdown was primarily due to a general reduction in loan origination across the industry amid an economic recession. As of year-end 2024, the total Social Asset Pool stands at \$89.7 million. These funds were raised through strategic partnerships with esteemed lenders, such as Cargill.

The focus on affordable housing loans resulted in a 19% expansion in the portfolio dedicated to affordable housing, while the socioeconomic advancement and empowerment sector saw a 16% reduction. Additionally, First Finance extended Social Finance to a total of 4,429 families during the same reporting period, further demonstrating its commitment to positively impacting communities and individuals by improving their living conditions.

Moody's Investors Service, an independent consultant, provided the Second-Party Opinion (SPO) on First Finance's Social Financing Framework. The SPO is published on First Finance's website, [sustainability-bond](#).

ALLOCATION REPORT AS OF DECEMBER 31, 2024

Portfolio Category	Number of client	Portfolio (\$USD Million)
Affordable Housing		
Home Loan	1,459	22.6
Home Improvement	5,742	48.0
Residential Land Loan	1,018	10.7
Socioeconomic Advancement and Empowerment		
Living Improvement Loan	980	6.4
Home Equity Loan	341	1.7
Total		89.7

IMPACT REPORT FOR THE PERIOD JANUARY 1, 2024 TO DECEMBER 31, 2024

First Finance defined the impact of Social Asset Portfolio based on following outreach criteria:

- **Income:** less than USD 300 per month; USD 300-700 per month; USD 700-1,000 per month; more than USD 1,000 per month
- **Gender:** male; female
- **Home ownership:** first-time homeowners; non-first-time homeowners
- **Sources of Income:** in informal employment including self-employment; in other forms of formal employment
- **Geography:** Rural; Urban
- **Access to WASH**

Portfolio Category	Number of client	Portfolio (\$USD Million) ¹
Affordable Housing		
Home Loan	622	7.5
Home Improvement	3,193	67.7
Residential Land Loan	220	2
Socioeconomic Advancement and Empowerment		
Living Improvement Loan	405	2
Home Equity Loan	0	0
Total	4,429	35.9

SOCIAL FUNDING FROM CARGILL¹

Issuer/Lender	Issuance date	Due date	Amount (\$USD Million) ¹
Cargill	Dec 2022	Dec 2029	5.6

Net Proceeds of Social Funding allocated to Social Asset Pool:	100%
Percentage of eligible Social Asset Pool allocated (Cargill):	16%
Unallocated eligible Social Asset Pool (Cargill exclusion):	\$USD 30.3 million

IMPACT OF FIRST FINANCE SOCIAL FINANCING ASSET PORTFOLIO

Affordable Housing:

As of the reporting date, First Finance has made significant strides in its commitment to affordable housing. The affordable housing loan program enables low- and middle-income Cambodians to achieve a life of dignity, safety, security, and happiness by realizing their dream of becoming homeowners. This program has a profound positive impact, not only on the loan recipients but also on their family members, especially children. These families gain access to improved living conditions, including clean water and sanitation, and children benefit from having more space to concentrate on their studies.

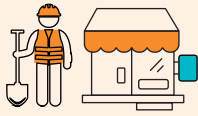
In the company's Social Financing portfolio, the affordable housing asset portfolio is particularly noteworthy, accounting for an impressive 91% of the total portfolio. This highlights First Finance's strong dedication to addressing the housing needs of the community and making a substantial social impact through their financing initiatives.

Socioeconomic Advancement and Empowerment

The proceeds in this category are dedicated to First Finance's mission of providing loans to borrowers, with the aim of improving their quality of life at home and facilitating opportunities for enhanced socioeconomic outcomes. At the reporting point, this category's portfolio represents 9% of the total portfolio.

¹ The loan from Cargill are allocated solely to Affordable housing and Socioeconomic Advancement and Empowerment

Client by income source



84%

Self employed

(Non-evidenced salaried employee, self-employed, unemployed, worker)



16%

Salaries employed with regular income

(Civil servant, Police/Military, Evidenced salaried employee)

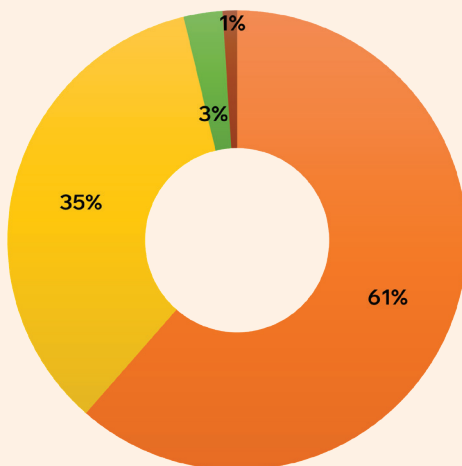
Client access to WASH*



72%

*Under the current Home Improvement Loan product, First Finance has meticulously recorded the portion of loans utilized by clients for hygiene or access to clean water in its core banking system.

Client by income level



- Below \$300 per month
- Between \$300-\$700
- Between \$700-\$1000
- Above \$1000

Women clients



94%

First-time homeowner clients



77%

Client living in rural



93%

Disclaimer

Purpose of this report

This report is intended to provide relevant information and documents regarding the activities of First Finance's Social Financing Instruments as foreseen in its Social Financing Framework. No representation or warranty, expressed or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, or correctness of the information or opinions contained herein. All such representations and warranties, expressed or implied, are excluded to the extent permitted by law.

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No uniform criteria for classification

There are currently no uniform criteria nor a common market standard for the assessment and classification of financial services and financial products as affordable housing. This can lead to different parties assessing the sustainability of financial services and financial products differently.

Past performance not an indicator for future results

Past performance and simulations of past performance are not a reliable indicator and therefore do not predict future results.

