



HOUSING SOLUTIONS PARTNER

ANNUAL REPORT 2018



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SHARED MESSAGE FROM THE CEO AND CHAIRPERSON



Dear Customers and Friends Of First Finance,

It is our pleasure to present to you the highlights and 2018 financial statements of First Finance. At First Finance, we believe that housing is a universal right, and helping people to become homeowners is the key to helping them improve their lives. Our clients are low and middle-income Cambodian families seeking to invest in their first home. From its inception, First Finance has helped more than 4,000 families, of which a large number are earning less than US\$12 a day.

Typically in the fast developing financial sector of Cambodia, it is essential to have the ability to adapt to change. We had to deal with changing regulations and market circumstances that led to evolving views on country risk from the international lending community and an ever more competitive domestic financial sector. The continuously changing environment in 2018 forced us to rethink and adapt. We believe that it has helped strengthen the foundations of the institution.

Home ownership and obtaining finance to buy a house would be a new experience for many in our market. It is therefore important to us to continue developing procedures and tools that will support, advise, educate and protect our clients. In 2018, with support from our investors, First Finance launched an initiative regarding risks and legal aspects of home ownership, which included organizing a public workshop, the development of educational materials, and the launch of a call center to deal with specific questions from the public. Going forward we will continue to advise people who are buying a house for the first time and to raise awareness among low-middle income Cambodian families about the risks when purchasing their first home and how to mitigate those risks.

To realize our vision and mission, First Finance continued to research and design different products to meet different client segments. In 2018, First Finance launched our 'First Home Loan' to target younger salary-employed first time home

buyers, who do not have the cash for a down payment. Going forward, other products will be developed and introduced, targeting new client segments.

Furthermore, First Finance continues to invest in improving our business model: products & services, risk control, our distribution platform, staff capabilities, IT support and client protection procedures. Much progress was achieved following the completion of a Management Information System (MIS) project in January 2018, which covered an automated workflow of our credit application process, as well as a client-monitoring module in addition to a traditional loan management system. The MIS also includes the ability to integrate with third-party systems to better manage and automate the credit management process. 2018 also saw the successful completion of real-time integration with CBC and WING.

Our financial performance in 2018 was challenged by the fact that the international lending community saw various aspects adversely impacting their view on country-risk, which made it harder for First Finance to have access to funding. Despite this causing our growth to be limited, we are happy that 2018 resulted in a stable and healthy portfolio. Following the internal investments, our platform is geared up to deliver significant growth during 2019 and beyond.

We would like to give our wholehearted thanks to all our customers, staff, business partners and shareholders who all contributed to the success of First Finance.

HANCO Halbertsma
Chairperson

Sothany Chun
Chief Executive Officer



ABOUT US

First Finance Plc is a joint venture company established between Cambodia-based First Home Plc, Singapore-based Phillip Capital, Luxembourg-based Insitor Fund, Cambodia-Laos Development Fund and Norway-based Norfund. The company was granted its license on 23 April 2009 by the National Bank of Cambodia, and became the first financial institution to specialize in housing finance in Cambodia. The company focuses on providing long-term Home Loans and Home Improvement Loans, and medium-term Home Equity Loans to underserved low and middle-income Cambodian households who have little-to-no access to formal housing financial services. Most commercial banks only offer services to wealthier Cambodians.

As the founding company of First Finance, First Home Plc has tested and refined its initial housing finance concept and has conducted studies on the market needs for housing loans. It has thus provided First Finance a foundation for growth and expansion.

TARGET

Our target clients are low and middle-income Cambodians who seek to invest in their first homes. First Finance has branches in Phnom Penh, Siem Reap, Battambang, Phnom Prek, Banteay Meanchey, Kampong Cham, and Kampot. These branches also serve the provinces of Kandal, Kampong Speu, Takeo, Tboung Thmum, Pailin, Oddar Meanchey, Kep, and Preah Sihanouk.

VISION

To help families from every socio-economic status in Cambodia live in dignity, security, happiness and stability through homeownership.

MISSION

To build the economic stability of low-income Cambodian families by increasing access to home ownership.

CORE VALUES IRISE

Integrity

In order to see our clients achieve the vision of First Finance, we are honest and transparent in everything we do.

Response

We are always close enough to care and to respond to our clients' needs. We take ownership of our actions, and we're open to feedback.

Innovation

We are creative in finding efficient solutions to better serve our clients.

Social Justice

We take pride in being respectful, being professional, and treating our clients fairly.

Excellence

We strive to be the best at what we do.

OUR RESULTS

2018 still was a challenging year for the growth of First Finance. The distinct challenges emerged both from external and internal factors; however, we maintained our commitment to support wealth creation and stability for underserved households – low to middle-income Cambodian families. By the end of 2018, our loan portfolio was \$20,301,890 million – a 1.24% increase from 2017. Clients earning less than \$6 a day accounted for 15% of our clients, while 33% are earning less than \$12 a day. The number of loans to women accounted for 54% of our loan portfolio in 2018. Self-employed, small business owners account for 46% of our borrowers. The majority of these people have no access to formal financing because of their employment status.

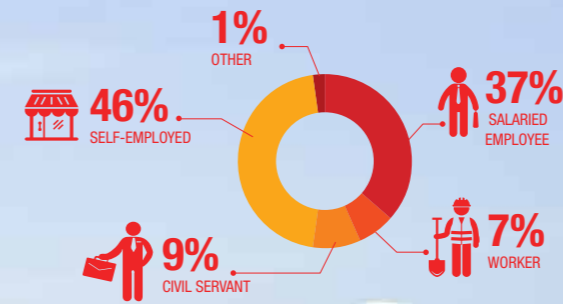
Non-performing loans had a negligible net effect on profitability because unlike most MFIs, we hold real property as collateral.

Our financial performance in 2018 was challenged by the fact that the international lending community

saw various aspects adversely impacting their view on country-risk, which made it harder for First Finance to have access to funding. Despite this causing our growth to be limited, we are happy that 2018 resulted in a stable and healthy portfolio, with non-performing loans dropping to 2.58% as compared to 3.51% a year ago.

We serve Cambodian families in major cities and provinces with branches in Phnom Penh, Siem Reap, Banteay Meanchey, Battambang, Phnom Proek, Kampong Cham, and Kampot. These branches also serve the provinces of Kandal, Kampong Speu, Takeo, Pailin, Oddar Meanchey, Kampong Thom, Tboung Khmum, Kep and Preah Sihanouk. At First Finance, we continue to strive to reach our goal of effectively providing housing finance to low- and middle-income Cambodian families.

% OF CLIENTS BY INCOME SOURCE



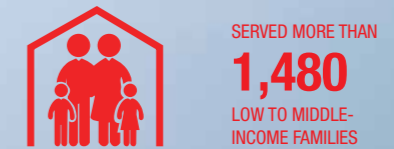
% OF CLIENTS BY DAILY INCOME



% OF CLIENTS BY GENDER



TOTAL NUMBER OF CLIENTS



PRODUCT HIGHLIGHTS

As of 31 December 2018, we have more than 2,220 active loans worth \$ 20 million in our loan portfolio. In 2018, besides our regular products, First Finance has partnered with ISI Steel Co., Ltd. to provide financing with affordable monthly payments to Cambodians who are purchasing Mekong Homes, a housing project by ISI Steel.

Currently, we offer four different products:

HOME LOAN

A First Finance Home Loan provides an opportunity for low and middle-income families to own their first homes. They can borrow up to 85% of the home's value to repay over a term of up to 20 years. This loan is offered at a competitive rate, and also allows the client to have up to 3 co-borrowers (siblings).

In the third quarter of 2018, First Finance successfully pilot-tested a sub-product of the home loan - the "First Home Loan" - which was specifically targeted at soon-to-be-married and newly-married couples who don't have sufficient savings for a down-payment. Through the features of this new product, First Finance will be able to provide loans of up to 100% of the property value. The product will be launched in early 2019.



LAND LOAN

A Land Loan provides long-term financing solutions for those who purchase land for home construction. They can borrow up to 65% of the total cost and apply for repayment terms of up to 20 years.



HOME IMPROVEMENT LOAN

A Home Improvement Loan is one of our main products, providing long-term financing solutions for those who want to construct a new house on pre-owned land or renovate an existing home.

The client can get loan amounts of up to 100% of the total planned construction or renovation with long-term repayment of up to 20 years.



HOME EQUITY LOAN

A Home Equity Loan can be added to the existing housing finance product lines to help First Finance's existing clients buy necessary household items and to extend or start a business. This loan allows clients to release the equity in their home in order to pursue financial opportunities.

The client can apply for repayment terms of up to 10 years.



AREAS OF OPERATION



INVESTMENT PARTNERS

CLDF Cambodia-Laos Development Fund
www.emergingmarkets.asia

Norfund
www.norfund.no

PhillipCapital Your Partner In Finance
www.phillip.com.sg

INSITOR FUND
www.insitormanagement.com

SHAREHOLDERS:

LENDERS:

OIKO CREDIT in Microfinance Institutions
www.oikocredit.coop

FINNFUND
www.finnfund.fi

BlueOrchard Microfinance Investment Manager
www.blueorchard.com

Norfund
www.norfund.no

Triple Jump
www.triplejump.eu

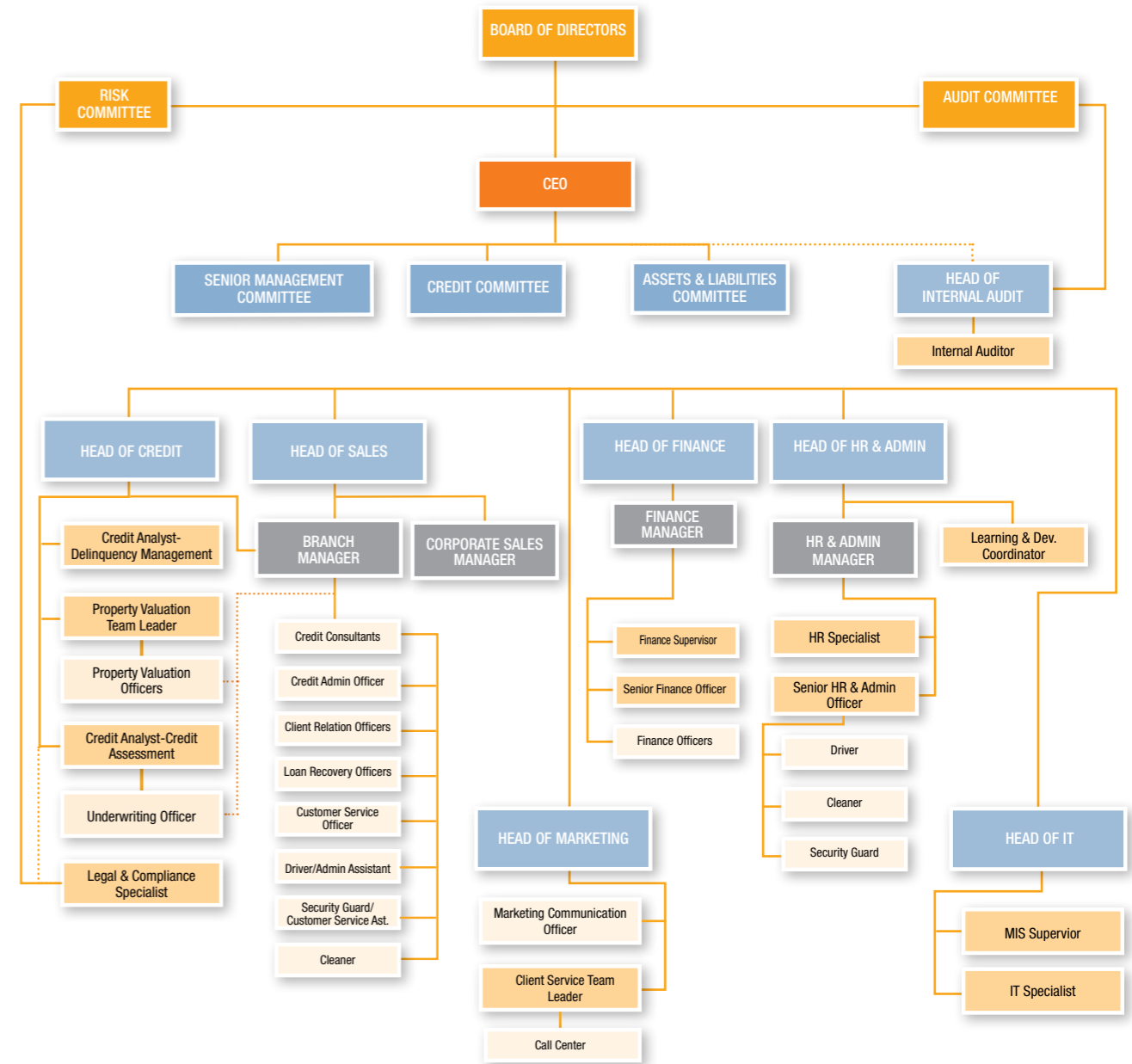
symbiotics
www.symbioticsgroup.com

bio Development through Investment
www.bio-invest.be

PhillipBank Your Partner In Finance
www.phillipbank.com.kh

incofin INVESTMENT MANAGEMENT
www.incofin.com

ORGANIZATIONAL CHART



CONTINUOUS IMPROVEMENT

AUTOMATED BUSINESS

The core banking system - Morakot VB - plays a very vital role in tracking loans, managing customer information and generating reports for First Finance. Having implemented Morakot VB Phase 1 successfully last year, the system commenced its full operation in early 2018. Some supplementary features were added after the go-live to make the system more functional, such as a new loan classification to comply with the National Bank of Cambodia, to be mobile-responsive for tablets, integration with Wing and SMS notification. Following successful testing this year, our Credit Consultant will operate the system on tablets, which should make our loan application process faster and more effective. Therefore, our IT Department is working to further integrate the system with True Money, updating the inquiry process to align with the new process, create/update loan products and develop more reports for management.

STRENGTHENING QUALITY

The Credit Department possesses a pivotal role to score the quality of loans, which is the source for solid portfolio growth for First Finance. In 2018, the department became fully functional comprising of the Property Valuation, Legal & Compliance, Credit Assessment and Delinquency Management teams. They found that the percentage of Non-Performing Loans decreased from 3.51% in 2017 to 2.58% as of December 2018; while the net written-off collection as of December 2018 remained at 31.6% of total written off.

LEARNING AND DEVELOPMENT

Building staff capacity is a significant duty for First Finance to support its staff at all levels. Since its establishment in 2016, the Learning and Development Unit has been playing an essential role in providing and organizing various training courses for all of the staff. In 2018, the Unit delivered training to 39 newly-recruited and 123 existing staff from all of the branches. 174 staff took courses both in-house and externally, on a wide range of training courses, such as basic management practice, credit risk & delinquency management, credit risk assessment, critical thinking & problem solving, customer service & selling skills, digital marketing, headhunting strategies, HR for non-HR staff, labor conference, legal training, logistics & inventory management, Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT), property rights course, property valuation, client protection principles, taxation, and English language. In addition, the Succession Development Program was set up to identify and develop talented people in specific key positions that are critical to success; this is ongoing learning through support from line managers and senior management on a regular basis. At the same time, the Young Talent Management Program was run internally for staff to have the opportunity to rise to be first time Managers with First Finance.



“When we don’t have our own home, we are like people who are lost”

“When we don’t have our own home, we are like people who are lost,” says 42-year-old Lach Yong.

Lach Yong is a tailor, and her husband is a freelance constructor. For over seven years they lived with their three children in a rented house in a suburb of Phnom Penh and it was not easy for five family members to live together in such a small house.

They dreamed of owning a home one day, that would have enough space for their three children to be able to concentrate on their studies; however, she

and her husband had not been able to afford it until they met the First Finance staff in 2017.

With a total monthly household income of \$686, Lach Yong and her husband decided to take out a \$20,000 loan with repayment over 180 months. They used \$4,000 to purchase land in Vimean Trong village, Sangkat Krang Thnong, Khan Sen Sok, Phnom Penh. The remaining amount of \$16,000 was used to construct a house on the land.

Lach Yong was satisfied with the long tenure of the loan provided by First Finance that allowed her and her husband to make affordable repayments from their family business. She is so thankful for this: “I now have a dream home for my family in which my children feel comfortable and safe. Two of my children are pursuing their study at University, and they are happy to live in the new home.”

EVENT HIGHLIGHTS



FIRST FINANCE PARTNERS WITH ISI STEEL ON AFFORDABLE HOMES

June 5th, 2018 @ Phnom Penh

First Finance Plc and ISI Steel Co. Ltd signed a Memorandum of Understanding (MoU) to provide financing to Cambodians who are purchasing Mekong Homes, a housing project by ISI Steel. This MoU signifies the strong commitment of the two parties in providing our Cambodian people and their families access to decent and durable homes. Through this partnership, First Finance will offer loans with affordable monthly payments to Mekong Home's customers, whose property location and income sources are in First Finance's operating areas.



ANNUAL WORKSHOP

January 6th, 2018 @ Siem Reap

"Client Satisfaction is the Best Business Strategy of All!" was the main topic for the staff workshop this year. All participants gained greater insight into the evolution and progress of the institution over the last three years. The main areas of development were the revision of the credit policy and process, management structure improvement, new core banking system, and branch expansion. The workshop presented the goal and 5-year plan for the company. This information offered increased assurance in the future and became a compass for staff at all levels to proceed towards a highly confident goal. Best branches of the year and staff who have served First Finance for at least five years were recognized and presented with awards during the event.



REFERRAL PROGRAM FOR EXISTING CLIENTS

January 16th, 2019 @ Battambang

Our clients have a chance to win a major prize when they refer our service to a friend or relative. Chea Sokpey was the big prize winner of the Referral Program-Season 2 who won a Honda Dream Series 2019 motorbike from the referral program lucky draw. Chea Sokpey said that she and her husband were very excited when they heard that they had won the big prize in the draw. She affirmed that she would continue to refer new clients to get a loan from First Finance in order to have another opportunity to win in the new season in 2019.



SALES ACTIVATION

June 30th, 2018 @ Kampong Cham

Sales Activation is a part of our direct marketing campaign to promote our products and services, increasing brand awareness and gathering contact numbers of new potential clients in the target area. The program also intended to use this activity to provide young people, especially university students, with their first practical experience of working as a part of our marketing activities. Thus, our marketing team led a group of 15 students (8 females) from a local university to conduct a sales activation in Chamkar Leu, Kampong Cham, in June 2018. The students received an orientation on how to spread key messages and distribute promotional materials before they went into the field as salespersons.

UNIVERSITY STUDENT ORIENTATION

June 14th, 2018 @ Phnom Penh

First Finance continues to provide career path consultation to the younger generation as we want them to start thinking about their future careers. First Finance always opens doors for these young people, especially university students and fresh graduates, to gain their first job experience with us. Hence, we offered an orientation to around 50 students from Build Bright University in June 2018 through which our management staff shared their experience on how to be well prepared for the current employment market.



NATIONAL CAREERS FAIR

October 27th-28th, 2018 @ Koh Pich, Phnom Penh

First Finance continued to join the National Careers Fair to parade available job opportunities to potential candidates, particularly the younger generation. University students, fresh graduates and young professionals walked into First Finance's booth at the National Career Fair in Phnom Penh in October 2018 and engaged in thought-provoking discussions with our staff. While at the booth they could complete applications for positions that matched their qualifications. As a part of our recruitment strategy, First Finance also supported some other careers events to reach potential job seekers.



FIRST FINANCE IN THE MEDIA

MyTV

July 15th, 2018

First Finance's Chief Executive Officer, Chun Sothany was interviewed on MyTV's "#Success" TV program, sharing her experience of what has made her successful today. She provided ideas on how to have a healthy work/life balance, such as how to make time to be with the family and work. She also explained how to use a loan effectively. The interview clip was posted on MyTV's Facebook page as well as First Finance's Facebook page and YouTube, which received a large number of likes and shares.

GLOBE magazine

August 9th, 2018

First Finance's Chief Executive Officer, Chun Sothany was quoted in an article about Gender Inequality in the Financial Sector of the GLOBE magazine. She shared her own working experience in the financial sector since she first stepped in and also expressed ideas on how to reach a personal goal and a high-ranking position such as Chief Executive Officer. "You can do whatever you want as long as you commit – and you can do it better than a man sometimes."





BEYOND FINANCIAL SERVICE

Positioning ourselves as a housing solution partner, First Finance has been delivering to our client beyond financial services. With more than 9 years' experience as micro mortgage specialists, we still find that Cambodian people are faced with a lot of problems in buying/selling property. Such problems include buying land or a house that has no recorded history, buying from an illegal property developer (Boreys), land or houses with duplicate titles, accepting soft title even though the original title is hard or transferring ownership at the village/commune level to avoid tax duty, etc. These issues are risky for purchasers and could result in losing the right to owning their properties. Limited knowledge on property buying/selling, managing or transferring legal ownership; creates such problems.

First Finance saw the need to address this and with support from Microfinance Initiative for Asia (MIFA), cooperated with partners and experts from related ministries to create an educational campaign for the public on reducing the risk of buying and selling property in 2018. This cooperation culminated in holding a public workshop, providing staff training, setting up a call-center and developing an animated infographic video.

PUBLIC WORKSHOP

Around 150 participants attended the workshop on "Reducing the risk in buying and selling property" in Phnom Penh on October 20, 2018. Registration for the workshop was opened online and within two days there was a flood of applications to join, exceeding the number anticipated and allowed on the online system, due to their strong interest in the event's topic. Participants actively participated in the workshop and they raised a number of questions for speakers after their presentation.

Mr. Sao Vary, Director of the Cadastral Conservation Department, Ministry of Land Management, Urban Planning and Construction (MLMUPC), presented on the principles and procedures of property ownership registration as well as ownership transfer, types of property ownership certificates, and procedures in confirming genuine and forged certificates. He also provided

specific details on ownership transfer from property developers to individual buyers and from parents to children or relatives.

In the workshop, Mr. Sao Vary suggested that buyers should carefully select a property developer when making the decision to buy. In some cases, such as when the project title has been pledged with a bank or it is an illegal project, these situations will not allow for the transfer of ownership.

Mr. Yet Kolketya, Bureau Head of the General Department of Taxation, Ministry of Economy and Finance, shared the practice of tax collection on properties and stamp duty tax on property ownership transfer.

STAFF TRAINING

First Finance engaged Mr. Sao Vary, MLMUPC's Director of the Cadastral Conservation Department from 1-2 November 2018, to provide a training-of-trainers (ToT) course on "Property Rights" to their key staff who would then deliver the training to operational staff so that they could directly provide consultation to clients. The participants were comprised of representatives of the Learning and Development Unit, the Legal and Compliance Specialist, key management team members, as well as branch managers. Upon completion of the ToT, the Learning and Development team, with support from the Legal and Compliance Specialist and the Credit

team will conduct training courses to all relevant field staff from January 2019 onwards.

ANIMATION VIDEO

Tips for buying a house, key points for risk awareness in buying property and selecting a financial institution to help finance house purchase for first-time buyers were summarized and developed into attractive animation videos. The videos aim to help the audience quickly gather awareness and have a greater understanding of house purchase. Initial videos were first shared on First Finance social media - Facebook and YouTube - which can be accessed by all smartphone users nationwide and are being liked and shared. Further videos are being finalized and will be broadcast in 2019.

CALL-CENTER

As part of the campaign, a call-center was set up by First Finance and went operational in early 2019, to provide free consultation on property issues to existing and new clients and the public through the Hotline Number: 093 6666 35

REPORT OF THE INDEPENDENT AUDITORS

Extracted from the audited financial statements as at and for the year ended 31 December 2018

OPINION

We have audited the financial statements of First Finance Plc. (“the Company”), which comprise of balance sheet as at 31 December 2018, the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The financial statements of the Company as at and for the year ended 31 December 2017 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 29 March 2018.

OTHER INFORMATION

Management is responsible for the other information. The other information obtained at the date this auditors’ report is the Report of the Directors of this auditors’ report is the Report of the Board of Directors as set out on pages 1 to 4, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For KPMG Cambodia Ltd



 Nge Huy
 Partner

BALANCE SHEET

as at 31 December 2018

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
ASSETS				
Cash on hand	6,025	24,208	4,100	16,552
Deposits with banks - net	1,343,493	5,398,155	1,495,185	6,036,062
Statutory deposits	180,102	723,650	180,102	727,072
Loans to customers	19,896,404	79,943,751	19,617,577	79,196,158
Other assets	546,102	2,194,238	731,766	2,954,138
Property and equipment	192,058	771,689	256,965	1,037,368
Intangible assets	115,592	464,449	66,290	267,613
Deferred tax assets	72,609	291,743	84,247	340,105
TOTAL ASSETS	22,352,385	89,811,883	22,436,232	90,575,068
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Borrowings	14,977,281	60,178,715	15,178,866	61,277,082
Other liabilities	646,970	2,599,524	658,265	2,657,416
Current income tax liability	33,528	134,716	2,958	11,941
Total liabilities	15,657,779	62,912,955	15,840,089	63,946,439
Shareholders' equity				
Share capital	3,602,033	14,472,969	3,602,033	14,541,407
Share premium	879,482	3,533,759	879,482	3,550,469
Retained earnings	2,213,091	8,892,200	2,114,628	8,536,753
Total shareholders' equity	6,694,606	26,898,928	6,596,143	26,628,629
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,352,385	89,811,883	22,436,232	90,575,068

INCOME STATEMENT

for the year ended 31 December 2018

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Operating income				
Interest income	3,146,118	12,641,102	3,281,978	13,249,345
Interest expense	(1,270,371)	(5,104,351)	(1,537,767)	(6,207,965)
Net interest income	1,875,747	7,536,751	1,744,211	7,041,380
Other operating income	310,472	1,247,476	414,547	1,673,526
Net operating income	2,186,219	8,784,227	2,158,758	8,714,906
Provision for loan losses	(364,169)	(1,463,231)	(264,503)	(1,067,799)
Regulatory provision	(13,531)	(54,368)	-	-
General and administrative expenses	(1,632,766)	(6,560,454)	(1,771,701)	(7,152,357)
Profit before income tax	175,753	706,174	122,554	494,750
Income tax expense	(77,290)	(310,551)	(67,708)	(273,337)
Net profit for the year	98,463	395,623	54,846	221,413

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital US\$	Share premium US\$	Deposit for future share capital subscription US\$	Retained earnings US\$	Total US\$
Balance as at 1 Jan 2018	3,602,033	879,482	-	2,114,628	6,596,143
Net profit for the year	-	-	-	98,463	98,463
Balance as at 31 Dec 2018	3,602,033	879,482	-	2,213,091	6,694,606
Equivalent in KHR'000	14,472,969	3,533,759	-	8,892,200	26,898,927
Balance as at 1 Jan 2017	2,926,955	312,416	1,242,144	2,059,782	6,541,297
Net profit for the year	-	-	-	54,846	54,846
Issuance of share capital	675,078	567,066	(1,242,144)	-	-
Balance as at 31 Dec 2017	3,602,033	879,482	-	2,114,628	6,596,143
Equivalent in KHR'000	14,541,407	3,550,469	-	8,536,753	26,628,629

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
Net cash generated from/ (used in) operating activities	120,599	484,566	(865,480)	(3,493,946)
Cash flows from investing activities				
Acquisition of property and equipment	(15,603)	(62,693)	(201,431)	(813,177)
Acquisition of intangible assets	(78,507)	(315,441)	(67,518)	(272,570)
Net decrease in term deposit	-	-	1,000,000	4,037,000
Net cash (used in)/generated from investing activities	(94,110)	(378,134)	731,051	2,951,253
Cash flows from financing activities				
Repayments of borrowings	(6,951,585)	(27,931,469)	(4,577,437)	(18,479,113)
Proceeds from borrowings	6,750,000	27,121,500	-	-
Net cash used in financing activities	(201,585)	(809,969)	(4,577,437)	(18,479,113)
Net decrease in cash and cash equivalents	(175,096)	(703,537)	(4,711,866)	(19,021,806)
Cash and cash equivalents at 1 January	1,369,246	5,527,647	6,081,113	24,549,453
Currency translation difference	-	(26,015)	-	-
Cash and cash equivalents at 31 December	1,194,150	4,798,095	1,369,246	5,527,647



“ I sincerely thank First Finance, that not only provided my family with a loan to complete our house construction, but also to expand our business.”



Having moved from Banteay Meanchey province to Kep province around ten years previously, Mrs. Thuok Tha was selling groceries from a stall she rented in the local market, 200 meters from her home in Chamkar Chek village, Kep province.

Intending to expand her business and also to have a proper home for her family, Thuok Tha and her husband decided to build a 5m x 16m home in mid-2017. Using savings plus money from the sale of 2 plots of mango farming land they were able to start construction of the new house, but by late 2017 it was only 80% complete. Then they realized that they didn't have enough money to finish the house. Around this time, the First Finance team was promoting its products in the area and visited Thuok Tha's home, sharing leaflets on products and loan

conditions. For Thuok Tha and her husband, the timing felt right to consider taking a loan to complete the construction of their home.

The combined income from her husband's salary, the grocery business and her seasonal income from selling mangoes of about \$900 per month enabled them to take out a \$7,000 home improvement loan to complete building their house. At the same time, Thuok Tha and her husband also decided to take out another \$18,000 loan to re-purchase a plot of land to grow mangoes.

After their house was completed in March 2018, Thuok Tha moved her business from the local market to her home; expanding her business to selling beverages, rice, petrol, cooked dishes, and coffee, as well as groceries. Operating the business at home gave her more time to do other housework including taking care of her granddaughter, plus she no longer needs to pay for stall rental.

The total loan tenure is for 120 months and Thuok Tha was pleased with the repayment terms as well as First Finance's service. "I sincerely thank First Finance, that not only provided my family with a loan to complete our house construction, but also to expand our business."



BOARD AND LEADERSHIP



HANCO HALBERTSMA
INDEPENDENT DIRECTOR/
CHAIRPERSON

Mr. Hanco Halbertsma is strategy advisor to banks, finance companies, and microfinance institutions in emerging markets and to (potential) investors in financial institutions. For 20+ years he worked on many projects as an expert in retail and business banking, microfinance, SME finance, credit risk management, corporate governance and receivable finance.

As Chairperson of First Finance Hanco is supporting the company in areas such as strategy, funding, credit risk management, financial management and capacity building. Previous experience in Cambodia included a 6-year Board Directorship at PRASAC MFI, the country's largest microfinance company. Currently, he is a Board Director of Caspian Impact Investments Private Limited (CI), a successful and fast growing SME Finance Company in India.

Hanco is the founder of Priority Project Limited (PPL), a specialist financial-sector consulting group with a focus on strategic and operational advice to financial services companies and investors in Asia. This followed a 16-year career at ING Group of which nearly 8 years was with ING-IGA, an emerging market consulting group.

Hanco is based in Hong Kong and holds a master's degree in Business Administration.



TALMAGE PAYNE
DIRECTOR

Shareholder Representative First Home Plc

Mr. Talmage Payne, a social entrepreneur and INGO leader, is currently the Cambodia Country Director for World Hope International. He is the founder of First Finance and several other social ventures. Talmage has lived in Southeast Asia most of his adult life, serving in both the non-profit and for-profit social impact sectors. He was global CEO of Hagar International (involved in the protection and recovery of survivors of human trafficking), and helped establish Hagar in nine countries using their integrated non-profit and for-profit models.

Talmage was the Country Manager for World Vision Cambodia and the founding Chair of VisionFund Cambodia. The Royal Cambodian Government has recognized his humanitarian work numerous times, twice awarding him the People's Medal, as well as the Royal Order of the Sahametri. Talmage has a BA in Economic Development from Wheaton College.



NICHOLAS LAZOS
DIRECTOR

Shareholder Representative Insitor Fund

Mr. Nicholas Lazos is Co-founder and Director of Insitor Impact Asia Fund. Nicholas has worked in South and Southeast Asia for the last ten years, supporting social enterprises through their start-up stages. Nicholas leads all major equity investments and sits on the Board of Directors of portfolio companies. Prior to Insitor, Nicholas was General Manager of the first low-income housing solutions company in Cambodia, where he managed the start-up and development of the company until it became fully operational. He holds dual degrees in Mathematical Methods in the Social Science program from Northwestern University.

BOARD OF DIRECTORS



ONG TEONG HOON
DIRECTOR

Shareholder Representative Phillip Capital

Mr. Ong Teong Hoon has more than 30 years of banking experience in Asia, including some in the microfinance sector. Mr. Ong is a senior executive at Phillip Capital, one of Asia's leading financial houses and is currently a Director for Phillip Bank Cambodia and a Director at Kredit Microfinance Plc Cambodia. He is Chairman of the Methodist School in Cambodia and has held senior leadership roles in youth and detention rehabilitation programs. Mr. Ong is also a founding board member of First Finance Plc and has journeyed with us through our rapid growth, challenges, and successes. He is also an Associate of the Chartered Institute of Bankers in London.



FAY CHETNAKARNKUL
DIRECTOR

Norfund

Ms. Fay Chetnakarnkul is an Investment Director and the Head of Asia for Norfund. She is responsible for managing and leading Norfund's Asia portfolio. Prior to joining Norfund, Fay worked at the International Finance Corporation and The World Bank Group. Fay has experience within the field of development finance from transactions in Southeast Asia, Africa, Latin America and Eastern Europe. Fay is a graduate of Johns Hopkins University, School of Advanced International Studies.



VANNARATH VICHETH
DIRECTOR

Shareholder Representative CLDF

Mr. Vannarath Vicheth joined the board of First Finance in 2016. He comes to this financial institution with over 10 years of international banking and investment experiences from the USA, Europe, and Cambodia. Currently, Vannarath is the investment manager of Emerging Markets Investment Advisors (EMIA), a Singapore-based private equity investment advisory firm. Before this, he held various management roles including CEO and Head of Corporate Finance Advisory at Cana Securities, the investment banking arm of Canadia Investment Holding Plc.

Mr. Vannarath attended Harvard University for the Master of Art in Management and also holds a Master's degree in Banking & Finance from ESCP Europe Business School. Vannarath is an Associate Member of CPA Australia.

BOARD OF DIRECTORS



PAUL FREER INDEPENDENT DIRECTOR

Mr. Paul Freer has more than 20 years of senior-level experience in international banking as well as a successful background in project management, education and the not-for-profit sector in Cambodia. Paul spent his initial banking career in the UK before investing a further 15 years of his career working in Cambodia and the Lao PDR in senior management positions in both for-profit and not-for-profit organizations. Paul was previously CEO of Standard Chartered Bank in Cambodia, MD of Phongsavanh Bank in the Lao PDR and Head of Retail Banking with ANZ Royal Bank (Cambodia). He was also responsible for the entry of Maruhan Japan Bank into the Cambodian marketplace, where he was employed as Vice President and General Manager. Paul sits on the Finance and Facilities Committee of the International School of Phnom Penh and has undertaken independent banking and MFI consultancies with The World Bank and other organizations. Paul was recently appointed Chief Operating Officer at PiPay – a new electronic payment processing start-up operating in Cambodia. Paul holds a Postgraduate Diploma in Business Management from the Southampton Business School in the UK.



JOSHUA MORRIS OBSERVER

Shareholder Representative CLDF

Mr. Joshua Morris is the Founding Partner and Managing Director of Emerging Markets Investments (EMI), a Cambodian-based Investment Advisory business that manages the Cambodia-Laos Development Fund. Prior to founding EMI, Joshua was actively involved in private sector development and business consulting in Southeast Asia through his role as a co-founder of EMI's sister company, Emerging Markets Consulting.

Before relocating to Cambodia in 2004, Joshua held senior management positions in marketing and corporate development for technology start-ups and a NASDAQ-listed e-commerce business. Joshua holds an MBA from Harvard Business School (1998) and a BA cum laude from Harvard University (1992).



DAVID LITTLEJOHN INDEPENDENT DIRECTOR

Hailing from a sales career based in Singapore and Bangkok, covering over 20 years, New Zealand born David Littlejohn moved to Cambodia 6 year ago to join Comin Khmère as Sales and Marketing manager, positioning the company as marketplace leaders in the provision of engineering solutions in Cambodia. Comin Khmère Designs, Implements, and Maintains systems within the fields of Mechanical and Electrical engineering, Air conditioning & Refrigeration, Power & Renewable energies, Water & Plumbing, Fire protection, Network infrastructure, Security & Automation and elevator & Escalator solutions.



Mrs. Touch Sokchea, a widow and her 3 sons are in front of her own home.
Kampong Siem | Kampong Cham | Cambodia

MANAGEMENT TEAM



SOTHANY CHUN
CEO

Ms. Sothany Chun started her career with World Vision Cambodia in 2002 as an internal auditor. From there Sothany quickly progressed through a number of roles, where she managed project design, proposal development, progress reviews and building connections with donors.

In 2007, Sothany became Business Development Manager for VisionFund where she worked in fund acquisition, marketing, communication and product development. In 2008 she moved to WING, an ANZ (Australia) Bank startup mobile money transfer business, where she developed strategy and managed sales, including motivating and empowering over 900 WING commissioned-based agents. In April 2011, Sothany joined First Finance as the Chief Financial Officer and in August 2014 she was appointed CEO.

Sothany has a Bachelor's Degree in Management - Accounting and a Master's in Organizational Development - MFI Management.



SAKADA HENG
HEAD OF CREDIT

Mr. Sakada Heng is the longest standing First Finance team member, starting as the Credit Admin Officer in 2009, when First Finance was granted its license from the National Bank of Cambodia. Sakada progressed through several positions from the Branch Manager in Phnom Penh, followed by promotion to the role of Head of Retail Operations in May 2015 and then he became Head of Credit from February 2017 up to today.

Sakada has completed two Bachelor's degrees, one in Accounting & Finance and another in French Literature. He also completed his Master's degree in Risk Management - Insurance, Finance and Banking.



BUNHIENG CHHENG
HEAD OF SALES

Mr. Bunhieng Chheng joined First Finance in November 2018 as Head of Retail Sales. He started his career with Amret MFI in 2003, where he has been involved in management roles for more than ten years. His work has significantly evolved from the ground level to management levels which include Driver, Teller, Credit Offer, Deputy Branch Manager, Branch Manager, Deputy Head of Province, Head of Province, and Deputy Head of Credit Product Development.

Bunhieng obtained a Bachelor of Business Administration in Accounting and Finance in 2007 from Build Bright University and a Diploma of English from the Pannasastra University of Cambodia.



VOLEAK VETH
HEAD OF FINANCE

Ms. Voleak Veth has over nine years of experience in accounting and finance. Voleak has worked in accounting, insurance, and the general business. She joined First Finance in 2012.

Voleak has completed a Bachelor's degree in Finance and Banking and a Master's in Business Administration.



VANDY SAING
HEAD OF MARKETING

Mr. Vandy Saing obtained his Bachelor's Degree in Management Information Systems from the National University of Management in 2002. Prior to joining First Finance he served as a Marketing and Communication Coordinator for two years and then as a Creative Service Manager for seven years at VisionFund Cambodia. There, he managed and developed the branding strategy and marketing communication strategy. Vandy also has many years' experience working with advertising agencies and NGOs. He joined First Finance as a Marketing Manager in March 2016.



SINETH CHREK
HEAD OF IT

Mr. Sineth Chrek has 13 years of experience in computer infrastructure design and implementation, IT security implementation, Core-banking system implementation & administration, IT strategy, and other IT project implementation for MFIs. He joined First Finance in April 2016 as an IT Manager. Before that, he served in a key role to engage IT and business people as a Manager and Application Support at Amret. He also worked at VisionFund as a Technology and Application Support Manager.

He earned a Bachelor's Degree in Information Technology from Build Bright University in Phnom Penh.

MANAGEMENT TEAM



MENGSE SEAN
HEAD OF HR & ADMIN

Mr. Mengse Sean has had a dynamic career, filled with professional advancement. For over ten years he has held many positions, from entry-level all the way up to management. His areas of expertise include Learning & Development and Human Resources management, including recruitment, HR policy development, personnel admin and compensation & benefits. He is a highly patient and committed individual.

He earned a scholarship from the National University of Management in 2000 and graduated with his Bachelor's degree in 2004. He completed his Master's in the field of management in 2009.



NAMKEA HOUR
HEAD OF INTERNAL AUDIT

Mr. Namkea Hour joined First Finance as an Internal Audit Manager in June 2018. He has over ten years of experience in audit and finance within the microfinance and banking industry, with consulting firm, and international companies. His expertise is related to review, evaluation, and advice on risk management, internal control, governance and fraud investigation in the institution. Before joining First Finance, he held various positions including Audit Manager, Deputy Financial Controller, and other management roles.

Namkea holds a bachelor's degree in Finance and Banking from the Royal University of Law and Economics (RULE) and he is currently pursuing his auditing qualification.



SREY PEOU SRENG
HR AND ADMIN MANAGER

Ms. Srey Peou Sreng has a Bachelor's Degree in Accounting and a Master's Degree in Business Administration. She has worked for more than eight years in HR and Admin related roles in both non-profit organizations and the private sector. Prior to joining First Finance as HR and Admin Manager in October 2016, she served as a Human Resources Officer and Coordinator at Sihanouk Hospital Center of HOPE and HOPE Worldwide Medical Centers, where she managed recruitment and selection, performance management, training and development, the HR system, employee relations, employee benefits and compensation.



CHHUON IN
BATTAMBANG BRANCH
MANAGER

Mr. Chhuon In earned his Bachelor's degree in Banking and Finance from the University of Management and Economics in 2012. Before joining First Finance, he served Vision Fund Cambodia for eight years as a Senior District Branch Manager, Senior Risk and Quality Assurance Officer and Credit Officer. He performed an important role in portfolio growth management and risk management for the branch.

He joined First Finance in December 2015 as a Credit Consultant Team Leader and has since become the Battambang Branch Manager.



SAMBO BEAN
CHAMKAR MORN BRANCH
MANAGER

Mr. Sambo Bean has seven years of experience working in the microfinance sector. He completed two Bachelor degrees, one in Economics Development from the Royal University of Law and Economics in 2009 and another in English Literature in 2010. He also attained a Master's in Finance and Banking from the National University of Management in 2014. He worked for First Finance from February 2012 until April 2017 as Credit Consultant and Team Leader. Before returning to First Finance in 2018, he served Chailease Royal Leasing Plc as a Sale Supervisor. He rejoined First Finance in June 2018 as Chamkar Morn Branch Manager in Phnom Penh.



BUNHOUR YENG
SIEM REAP BRANCH MANAGER

Mr. Bunhour Yeng started his work with First Finance in February 2017 as a Branch Manager. Before this, he worked for LOLC (Cambodia) microfinance institution for eight years as a Branch Manager, Head Credit Officer and Credit Officer. He has been responsible for a number of key roles related to portfolio growth management, risk management and staff management for the branch. He completed his Bachelor's degree in Management from the University of South-East Asia in 2011.

MANAGEMENT TEAM



PO DAING
KAMPOT BRANCH MANAGER

Mr. Po Daing has over ten years of experience working in the microfinance sector. His career has progressed from officer level to management level within this field. He has worked for TPC for around ten years and as a Branch Manager for LOLC for over a year before moving to First Finance. He graduated his Bachelor's degree in Finance and Banking from Cambodian University for Specialties in 2016.



THYRA KONG
KAMPONG CHAM BRANCH
MANAGER

Mr. Thyra Kong has over eight years of work experience in the microfinance sector. His career has seen him move from the role of Credit Officer to management level. He worked for Amret for over five years as General Credit Officer, Specialized Credit Officer and SME Credit Officer before he joined First Finance in 2016. He began his work with First Finance as a Sub-branch Manager for Kampong Cham province and he was then promoted to Branch Manager in 2018. He completed his Bachelor's degree in Finance and Banking from Western University in 2011.



SAMNANG SUTH
POR SENCHEY BRANCH
MANAGER

Mr. Samnang Suth has been working for fourteen, years in the microfinance sector. He joined First Finance in June 2018 as Por Senchey Branch Manager in Phnom Penh. Before that, he worked for Prasac MFI starting as a security guard in 2004 to become the Branch Manager up until 2016. He also worked for DELTA MFI from September 2016 to May 2018. He graduated with a Bachelor's degree in Finance and Accounting from the University of Management and Economics in 2009 and a Master's degree in Law from the Cambodian University for Specialties in 2018.



SAVUTH MAO
BANTEAY MEANCHEY BRANCH
MANAGER

Mr. Savuth Mao completed his Bachelor's degree in English Literature from the University of Management and Economics in 2018. Before joining First Finance, he served Vision Fund Cambodia for six years as a Senior District Branch Manager, Senior Deputy District Branch Manager and Credit Officer. He performed an important role in portfolio growth management and risk management for the branch. He started his work with First Finance in 2015 as a Credit Consultant Team Leader and has become the Banteay Meanchey Branch Manager.



