



HOUSING SOLUTIONS PARTNER

ANNUAL REPORT 2023





HOME LOAN

100,000 USD

TENURE UP TO
10 YEARS

**CHOOSE YOUR
PREFERRED HOUSE STYLE**
FOR BUDGET, CONSULT WITH FIRST FINANCE

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🌐 www.firstfinance.com.kh

1FIRST
FINANCE

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Our Results

As the first microfinance institution specializing in providing affordable housing loans in Cambodia, First Finance has made a significant impact on the lives of over 72,000 individuals through our long-term affordable housing loan offerings. We firmly believe that home ownership plays a crucial role in providing stability and security for individuals and families. It instills a sense of pride and accomplishment, allowing people to establish roots in a community and

become an integral part of a neighborhood.

Owning a home represents a valuable long-term investment. Over time, the equity built through homeownership can be used for future financial needs or serve as a source of wealth for retirement. We understand the importance of these financial opportunities and strive to make them accessible to our clients through our affordable housing loan solutions.

Non-Financial

**86.2%**

of total clients are women

**6,578**

clients served

**73.3%**

of active clients who are first-time homeowners

**34%**

of the total clients are self-employed

**34.8%**

of the total clients are workers

**38.9%**

of the total clients are underserved¹

**23.6%**

of the total clients are salaried employees



Highest level of Client Protection recognition

¹First Finance has categorized a group of clients who earn an income of less than \$300 per month as underserved. This group of people has little-to-no access to formal housing financial services due to their income status.

Client self-perception survey

As part of our ongoing efforts to monitor our impact, First Finance conducted the client self-perception survey in July 2023. This survey was supported technically and financially by our social lender, Oikocredit, aimed at understanding how our clients perceive the changes that have occurred in their lives over the past 12 months.

The resulting report highlights the most significant insights related to income, savings, business development, access to basic facilities, and the educational needs and attendance of children under the age of 15.



Financial



Loan portfolio
\$78.25M
↑ 118.32%



Total assets
\$86.90M
↑ 88.99%



After tax profit
\$0.41M
↑ 22.75%



Non-performing loans
6.02
↑ 102.4%



Return on assets
0.61%
↓ (27.38)%



Return on equity
2.55%
↓ (11.76)%



Our Products and Solutions



Home Loan

A long-term financing solution for those who want to purchase a house or construct a new house on pre-owned land.

24.60%



of total loan portfolio

973



active clients

48.62%



of total loan portfolio

3,556



active clients

A long-term financing solution for those who want to renovate or expand an existing home.



Home Improvement Loan



Residential Land Loan

A long-term financing solution for those who purchase land for home construction.

14.55%



of total loan portfolio

999



active clients

12.23%



of total loan portfolio

1,050



active clients

A long term-loan provides the funding for homeowners to take a loan against their property, in order to start a small business and/or seek business improvement.



Business Loan

Areas of Operations



14

branch offices



371

total staff



Assisting families to create a safe living environment for their children.

Mr. Phin Phorn, aged 45, and his wife, Yan Chanthy, live in Takeo Province with their three children. They have been residing in an old wooden house measuring just five meters by seven meters for over 20 years. As their children have grown up, this small living space has become crowded, lacking privacy for each family member. The vulnerability of their home to storms and heavy rain, fills Mr. Phin Phorn and his wife with perpetual worry about their children's safety.

After meeting a credit officer from First Finance, Mr. Phin Phorn realized that his dream of providing a secure home for his family was within reach. Both he and his wife decided to apply for a home construction loan of USD

20,000 with a tenure of 8 years in order to build a new house.

Mr. Phin Phorn expressed his deep gratitude to First Finance for providing them with a long-term loan, which granted them the opportunity to construct a sturdy house for their family. He said that he particularly appreciated First Finance's progressive drawdown feature, as it helped him to easily manage the construction budget throughout the process. This loan gave them the chance to improve their living conditions, ensuring the safety and well-being of their loved ones.

“

I am extremely grateful to First Finance for granting me a loan to construct a sturdy house that ensures the safety of my children.

A man with grey hair, wearing a dark grey suit, a blue and white checkered shirt, and an orange tie, stands in front of a large window. The window shows a view of a city with buildings and greenery. The lighting is warm and natural, coming from the window.

Message from the Board Chairperson

“

Building a brighter future for all. We continue to deliver the best financial performance by focusing on the growing loans and client base.

Hanco Halbertsma
Chairman of the Board

Cambodia's economic outlook

Cambodia's economic growth in 2023 will be slightly lower than earlier forecasts, down to 5.3% from 5.5%, mainly due to slower-than-expected growth. The Asian Development Bank (ADB) maintained the country's 2024 growth forecast at 6.0%. The ADB notes that exports of garments, footwear, and travel items declined by 18.6% in the year 2023. This was partly offset by a 22.9% increase in exports of manufactured goods other than garments, such as automotive parts, solar panels, and furniture.

Risks to the outlook include sluggish growth in advanced economies, lower tourist arrivals and foreign direct investment inflows, prolonged tightening of global financial conditions, rising energy prices, concerns over high private debt and domestic financial stability, and extreme weather exacerbated by climate change.

Financial sector in Cambodia

The National Bank of Cambodia (NBC) actively supports the government's policies and maintain macroeconomic stability by implementing a flexible and prudent monetary policy to support economic growth. This is done in accordance with prevailing domestic, regional, and global economic conditions. Price stability and exchange rate stability has been maintained by NBC. Inflation has been within the manageable range of 3%. The NBC continues to improve payment systems to be more effective, secure, and reliable to reduce operation costs and facilitate the growth of economic and financial operations.

Cooperation with UnionPay International, Thailand, Lao PDR, and Vietnam have been initiated by the NBC, to explore the immense potential for cross-border QR code payments for both individual users and merchants, as well as its benefits to the real economy.

Building long-term strengthening and stability growth

Over the last two years, First Finance has multiplied double business size, customer base, number of employees and loan portfolios. We have delivered strong and consistent long-term business partner's interest. We have learned a lot from the challenges and difficult period of the past several years that will make First Finance become a strong and stable institution for the coming years. Our responsibility to ensure the trust of our business partners and customers is ingrained in First Finance's culture.

Robust risk management

We will continue to review management's plans to ensure business opportunities are balanced against sound risk management priorities and an effective First Finance internal control framework. We actively engage with management to ensure that a strong risk culture is supported at all levels of First Finance's operations. We are also ensuring that First Finance's risk management function is well managed. We approved the risk management policy, oversee strategic risk management, and regularly meet with the risk management team to discuss First Finance's control environment and risk management.

Message from the Board Chairperson Continued

First Finance has continuously developed and strengthened its operation to face market movement, a highly competitive operating environment, and difficult periods. The Board and shareholders have confidence that First Finance's leadership, strategy and people will enable First Finance to continue its high level of performance for all business partners, customers, and stakeholders. I'd like to recognize the efforts of First Finance's employees, whose great work ethic and passionate dedication are key contributors to First Finance's success, and show remarkable commitment to our business partners, customers, and stakeholders.

On behalf of the Board of Directors, I wish to thank First Finance's management and staff for their hard work, dynamism, and strong dedication to growing the business in harmony with customers' growth. I also wish to thank the Board of Directors, shareholders, customers,

suppliers, the Royal Government of Cambodia, and especially the National Bank of Cambodia, for their continuous support and advice.

On behalf of the Board of Directors



Hanco Halbertsma
Chairman of the Board



HOME
IMPROVEMENT LOAN
50,000 USD
TENURE UP TO
10 YEARS

**DECIDE ON THE PARTS OF
YOUR HOME'S RENOVATION**
FOR BUDGET, CONSULT WITH FIRST FINANCE

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Message from the Chief Executive Officer

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First Finance once again demonstrated its strength by delivering strong portfolio growth in the face of major challenges and a difficult period for the banking and financial industries, while honoring First Finance's commitment to expand credit services to affordable housing finance to low- and middle-income households in Cambodia.

Senacheert Sim
Chief Executive Officer



We expect the economic outlook for 2024 to remain positive and grow to around 6%, with the continuing recovery of the tourist, real estate, construction, and services sectors. This relentless economic growth has been facilitated by the hard work of the Royal Government in achieving and maintaining social, political, and macro-economic stability. This has been one of the key factors to strengthen investor's confidence both locally and internationally, and more importantly, the active involvement of the private sector as a development partner with the government.

Over the past 12 months, we have been facing many challenges (i). Clients dropped or lost their income due to the economic slowdown, especially in tourism, real estate, construction, and services, such as restaurants, guest houses/hotels, and entertainment, (ii). The slowdown of the real estate and construction sector, and (iii). Non-performing loans (NPL) of the MFI sector increased up to 11.2% while First Finance's NPL was maintained at 6.02% by the end of December 2023.

To increase economies of scale and efficiency and maintain a strong position in the market, we will implement the following strategies, (i) Accelerate loan growth and strengthen the quality of loan books, (ii) Continue to tighten loan terms and conditions, loan processes, and approvals, (iii). Strengthen NPL Management, (iv) Increase branch and credit officer productivity, (v) Expand the branch offices network, (vi). Strengthen lenders' relationships with loan terms and conditions, including improving lender's reports, (vii) Seek new funding from the Development Finance Institutions and commercial banks, (viii) Continue to strengthen staff capacity, especially Branch Managers,

Credit Officers, and risk staff through on-the-job, internal, and external training, (ix) Continue to improve and strengthen client protection and regularly receive certification, including promoting Corporate Social Responsibility activities, and (x) Strengthen internal control and compliance.

Continuing to build on a firm foundation

First Finance has a great foundation on which to continue to build; we have a strong culture, integrity, trust, ethical behavior, and shared pride in our performance; we have a successful history; and our footprint is unique and coveted by many lenders and stakeholders around the world. First Finance's employees place great value on working together and they share a genuine desire to serve our customers.

Looking ahead

The financial industry will be further shaped by rapid innovation and disruption. We prepared for increasing capacities of data centers, Data Recovery, sophisticated cyber security, and fraud risks, as well as evolving regulatory landscapes. We will continue to strengthen the implementation of the NBC IT security guidelines.

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

Bring the best of First Finance to our clients and business partners

Sustainable growth has been key to First Finance since its foundation, as reflected in our core values, taking the interests of all our clients and business partners into account. We have seen that increasing cost efficiency, maximizing benefits, and risk mitigation are core values of First Finance. We are looking for a long-term, customized talent strategy and we will continue to build relationships with our customers to deliver added value to our business partners.

Leading through confidence

While the economic slowdown, high global inflation and interest rates, regulatory changes, market volatility, and increasing competition will pose more challenges to our business operations, we also see opportunities. We are committed to delivering the right strategy, strengthening our culture and staff capacity to drive continued growth, and taking advantage of changes in the marketplace. What these times have shown us is that our strategies are functioning well. We are more confident than ever that we chose the right strategies and have the right people to meet the challenges ahead. As we pursue responsible, sustainable growth, we strive to continue to earn the right, to bring our clients and shareholders with us on this journey through these difficult

times into a more favorable future.

We are confident that our strategy is sound. By executing our strategy well, and making meaningful progress against our focus priorities, First Finance will be in a good position to perform within the ranges of our medium-term performance objectives and create longer-term stakeholder value. We will always continue to maintain our efforts to achieve excellence through cooperation, commitment, and transparency in all our dealings.

On behalf of the First Finance Management, I would like to thank the management team and staff for their efforts and commitment, the Board of Directors for their support and advice, and the Royal Government of Cambodia, regulatory bodies, the National Bank of Cambodia, and local authorities, who always support us.



Senacheert Sim
Chief Executive Officer



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I want to thank
to First Finance
that fulfilling my
dream.

Fulfilling the dream of having a better home

Mrs. Pao Phal, who is 58 years old, married her husband, Mech Song, around 40 years ago. Throughout their married life, they have been living in a small wooden house in Kampong Speu Province. Together, they have five children, with the youngest one being 21 years old.

As their four older children got married and moved out, Mrs. Pao Phal, her husband, and their youngest daughter continued living in the old house. However, Mrs. Pao Phal was feeling hopeless about fulfilling her dream of having a better home. As each year passed by, her savings remained insufficient to build a new house.

One day, during a First Finance promotion in her area, Mrs. Pao Phal had the opportunity to meet a credit officer. After discussing it with her husband and daughter, they



applied for a home construction loan with a tenure of eight years. The combined income from Mrs. Pao Phal's small grocery shop, her husband's work as a lubricant waste collector, and their youngest daughter's job as a garment worker enabled them to secure a loan of USD 13,000. With this loan, they were able to build their dream home measuring 5 meters in width and 16 meters in length.

Mrs. Pao Phal expressed her heartfelt gratitude to First Finance for providing her, her husband, and her daughter with a long-term loan. This opportunity has allowed them to turn their dream of having a better home into reality, with manageable and affordable monthly payments.

About Us

First Finance Plc was established as a joint venture company, bringing together prominent entities such as First Home Plc in Cambodia, Phillip Capital in Singapore, Insitor Fund in Luxembourg, Cambodia-Laos Development Fund, and Norfund in Norway. However, in June 2022, the company underwent a complete takeover, with the ownership transitioning to a local shareholder, resulting in a 100 percent local ownership structure.

Obtaining its license from the National Bank of Cambodia on 23 April 2009, First Finance Plc emerged as the pioneer in specialized housing finance within the country. Focusing on addressing the needs of underserved low and middle-income

Cambodian households, who traditionally face limited or no access to formal housing financial services, the company offers a range of long-term Home Loans, Home Improvement Loans, and medium-term Home Equity Loans.

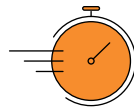
This strategic positioning allows First Finance Plc to bridge the gap in the market, as most commercial banks primarily cater to the wealthier segments of the Cambodian population. By extending its services to those typically excluded from formal housing financial services, First Finance Plc plays a vital role in promoting financial inclusion and expanding access to affordable housing for a broader demographic.

CORPORATE PHILOSOPHY

Our corporate philosophy is very simple: **We think like customers and act like owners.**



Offer market-driven products and services



Provide simplified procedures and fast processing



Operate with flexibility and transparency



Demonstrate integrity and ethics in all business



Vision

To help low-middle-income families 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 through the provision of finance.

Core values

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 for and respond to our client's 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, professional, and treating our clients fairly.

Excellence

We strive to be the best at what we do.

Development Background



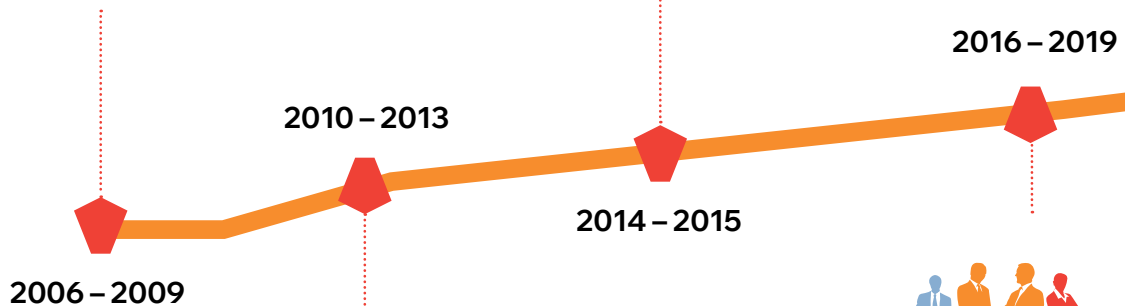
Foundation and License

- First Home Plc incorporated, Equity from: First Home, Insitor Fund, Phillip Capital.
- Home Loan concept was verified.



Risk Adjustment

- Confronted by high Non-Performing Loans (NPL), growth on hold, focus on recovery.
- Revision of credit policy.



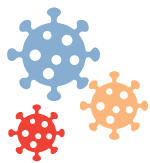
Launch and Growth

- Equity from: CLDF, Norfund.
- Attract debt investors: Oikocredit, Finnfund, Norfund and local banks.
- Expanding by opening new branches: Corporate governance and Risk management.
- Recipient of the ASEAN Business Award in 2012.



Controlled Growth

- New debts: Phillip, Norfund, Symbiotics, Triple Jump, Water Equity.
- Introduction of a new IT and Core Banking System.
- Improved financial control.



Covid-19 and Bad Debt

- Covid-19 impacted moratorium, Loan restructuring-Strict control of risks.
- Attracted new debt facilities.
- Expand partnership with property developers.

2020 – 2021

2022– 2023



New Shareholders and Steep Growth

- Change in shareholders (Taken over by new management), Increased registered capital and Tier 2 capital.
- Improved/developed all policies and procedures including corporate governance, risk management, and internal control.
- Improved performance efficiency, productivity, and profitability, expansion to new branches, controlling portfolio quality, and growth in the portfolio.

Unlocking Exponential Expansion

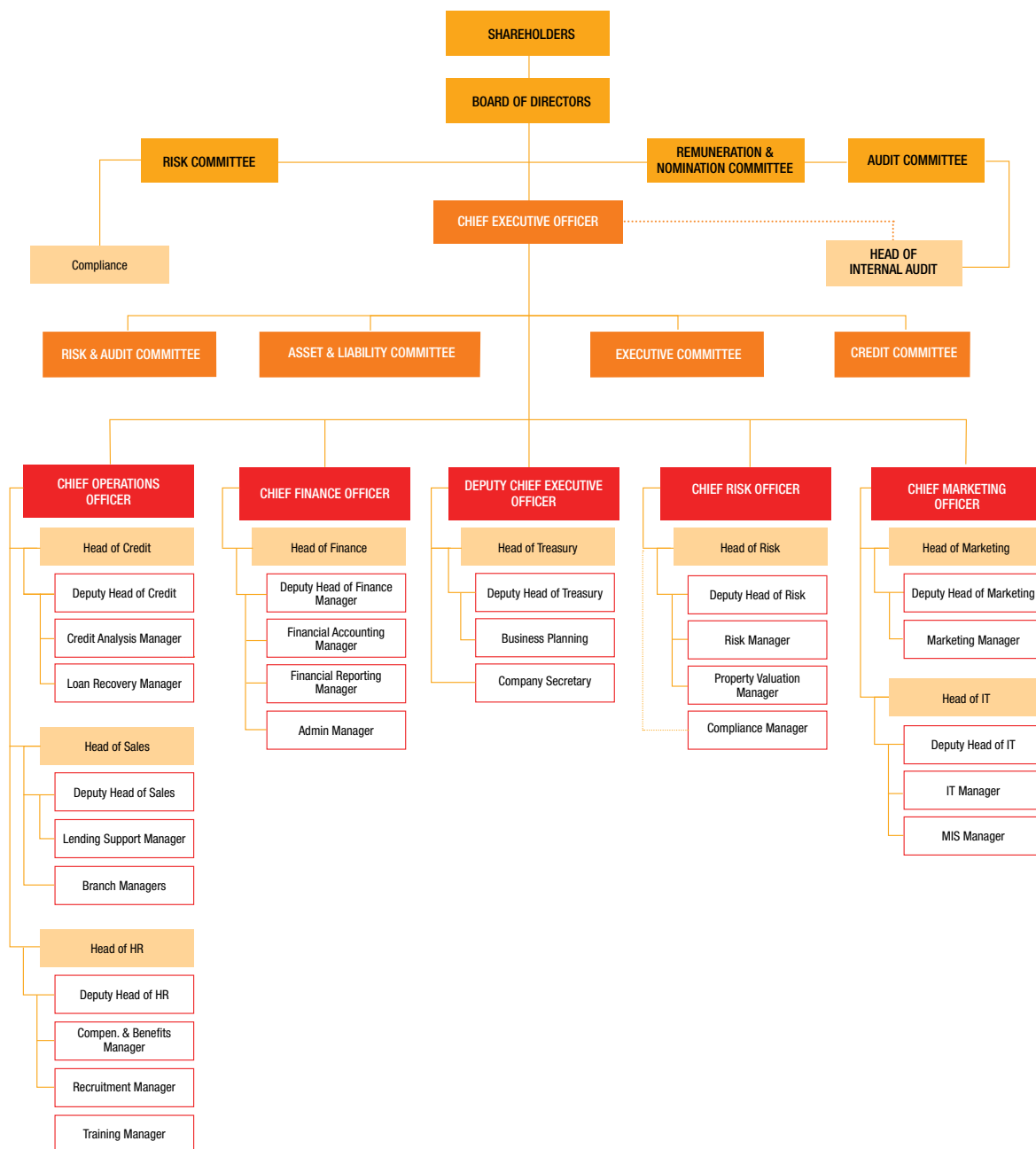
We achieved remarkable milestones, with our portfolio growing substantially by 118 percent, from USD 35.8 million in 2022 to USD 78.2 million in 2023. Our client base also experienced a significant surge of 202 percent, increasing from 2,179 in 2022 to 6,578 in 2023.

Read more:

First Finance Lenders



Organizational Chart



Board of Directors and Executives

Board of Directors





Hanco Halbertsma

Independent Director,
Chairperson



Sou Vanthan

Independent Director



Oum Sophan

Director



Sim Senacheert

Director,
Chief Executive Officer



Chea Hang

Director,
Deputy Chief Executive Officer

Executive Committee



Sim Senacheert
Chief Executive Officer

Mr. Sim Senacheert holds both a Master's and a Bachelor degree of Business Administration and obtained a Diploma in Accounting and Finance in 1994. Since 1995, he has attended several training courses related to microfinance operations and management. He is also accredited under the Microfinance Training of Trainers course certified by ADBI, TDLC of the WB, and UNCDF.

He previously worked in the banking sector and started working with PRASAC MFI in 1995 as a Credit Officer and was promoted to various positions such as Accountant, Branch Manager, MB Trainer and Supervisor, and Finance Manager. Since mid-2002, he has held the positions of Branch Manager, Operations Manager and Deputy CEO with another MFI before re-joining PRASAC as President and Chief Executive Officer in late 2003 to early 2022.

He currently holds the position of Director and Chief Executive Officer at First Finance.



Chea Hang
Deputy Chief Executive Officer

Mr. Chea Hang holds a Master of Business Administration degree and a Bachelor degree in Accounting and Finance. He has many years of experience in the field of finance, accounting, procurement, human resource management, credit, banking services, organization methodology, legal, corporate governance, corporate strategy, business planning, and project management.

He held various positions such as Finance and Administration Manager, Senior Finance Procurement and Administration Adviser, Chairman of the Board of Directors of PRASAC MFI, Vice-President and Senior Manager of Corporate Strategy and Business Planning Departments and was promoted to Executive Vice-President and Chief Corporate Strategy and Business Planning Officer. He is also a member of the Board of Directors of PRASAC Staff Company (PSCo) and Chairman of PRASAC Financial Trust.

He currently holds the position of Deputy Chief Executive Officer and Director at First Finance.



Neang Sokhim
Chief Risk Officer

Mr. Neang Sokhim is accredited under the Microfinance Training of Trainers course certified by Asian Development Bank Institute (ADBI), Tokyo Development Learning Center (TDLC) of the World Bank (WB), and United Nations Capital Development Fund (UNCDF). He holds a Master of Business Administration degree and obtained a Bachelor degree of Science in Agronomy in 1997. He has attended many courses related to microfinance operations and other topics.

He has more than 20 years of experience, starting in the microfinance sector in 1998 as a Credit Officer. He was then promoted to be a Junior Internal Auditor, and then a Senior Internal Auditor, Deputy Operation Manager, Deputy Credit Manager, Credit Manager, and latterly promoted to the position of Senior Vice-President and Chief Business Officer in 2010 up to early 2022.



Yang Kimsreng
Chief Finance Officer

Mr. Kimsreng holds a Master's degree in Business Administration specializing in banking and finance and obtained a bachelor's degree in accounting and an associate degree in banking. He has many years of experiences in the field of finance, accounting, treasury, procurement and banking service. He has attended numerous local and international training courses in Asia and Europe.

He has more than 23 years of experience, starting in the microfinance and MDI sector. He held various senior positions for more than 16 years starting as an accountant at PRASAC in 1998 then was promoted to Accounting Manager, and then Micro-Banker System Support Manager, Deputy of Manager of Finance Department, VP & Manager of Finance Department, and latterly promoted to the position of Vice-President & Senior Manager of the Finance Department in early 2017 up until early 2022.

He currently holds the position of Chief Finance Officer at First Finance.



Say Sony
Chief Marketing Officer

Mr. Say Sony is accredited under the Microfinance Training of Trainers course certified by ADBI, TDLC of the WB, and UNCDF. He gained a Master of Business Administration degree and a Bachelor in Marketing Management degree. He has attended numerous local and international training courses in Asia and Europe related to microfinance operations management, product development, client management, customer service, and marketing management.

He has more than 20 years of experience in marketing management, product development, customer service management, branding management, and microfinance management. He joined PRASAC MFI in early 2005 as the Chief of Marketing and was promoted firstly to the role of Marketing Manager, and then to the position of Senior Vice-President and Chief Marketing Officer in 2010 up until early 2022.

He currently holds the position of Chief Marketing Officer at First Finance.



Choub Veasna
Chief Operations Officer

Mr. Choub Veasna holds a Master of Business Administration degree; specializing in banking and finance and has a Bachelor degree in Economics; specializing in banking and finance. He has attended several local and overseas training sessions and workshops on microfinance skills and human resource management.

He has more than 20 years of experience in the banking and microfinance sector. He joined PRASAC MFI in 2002 as a credit officer; and he was gradually promoted to Sub-branch Manager, then to Branch Manager, Lending Unit Manager, Vice-President, and Manager of the Product Development Department. He was promoted to be Executive Vice-President and Chief Human Resources Officer in 2020, up until early 2022.

He currently holds the position of Chief Operations Officer at First Finance.

A young girl with dark hair in two pigtails, wearing a pink shirt, is shown in profile, looking through a magnifying glass at tall green grass. The background is a bright blue sky with some clouds. The bottom half of the image has an orange geometric overlay.

Business Review

As a leading financial institution specializing in affordable housing loans in Cambodia, we are proud to share the significant progress we have made in supporting individuals and families in their journey towards homeownership. This review will provide

valuable insights into our commitment to financial inclusion, responsible lending practices, and our efforts to drive sustainable growth.



We have created an environment where our employees thrive, our customers receive exceptional service, and our organization continues to achieve its goals.

Fostering Employee Engagement and Enhancing Capacity

At First Finance, we recognize the indispensable role that highly engaged, motivated, and skilled employees play in delivering exceptional customer experiences and advancing our organizational mission. Building a competent workforce is a crucial component of our core business strategy, and we prioritize maximizing capacity across the organization. Our approach to upskilling and reskilling is designed to enhance the technical, behavioral, and leadership skills required to execute our strategy and prepare our employees for the evolving demands of the future workplace. In 2023, we dedicated 3,000 hours to staff training, encompassing both internal and external programs, with an average of 62 hours of training per staff member.

We are committed to being an employer of choice, and we continuously strive to deepen our understanding of employee engagement, well-being, and energy at work. Our 2023 survey revealed strong employee engagement, with an impressive 81% satisfaction rate.

At First Finance, safety and security are of paramount importance. We have implemented rigorous procedures that comprehensively address a wide range of potential risks, and these procedures are effectively communicated to all staff members through comprehensive training programs. In the event of incidents, we meticulously track, thoroughly investigate, and promptly report them, ensuring transparency and accountability to our board,



Ms. Nget Sokun

Head of Human Resource, learning and development



62h
of training
per staff



81%
net promoter
score (NPS)

Sustaining Leading Risk Management

Once the risks inherent in First Finance's operations were identified, we swiftly implemented a robust risk management framework encompassing credit risk, market risk, liquidity risk, operational risk, and compliance risk. This comprehensive approach aimed to ensure the company's financial stability and safeguard its reputation from any activities that could pose a threat.

Throughout 2023, First Finance achieved significant milestones in its risk management endeavors. Notable accomplishments included strengthening compliance with relevant laws, regulations, Prakas (official proclamation), and guidelines set by regulators such as the National Bank of Cambodia (NBC) and other authoritative bodies. We also dedicated efforts to fostering consistent credit risk management practices, ensuring strict adherence to our policies, guidelines, and memos. Additionally, we took steps to enhance and refine our policies, processes, and guidelines to ensure they were in line with industry best practices and regulatory requirements.

Promoting a strong risk culture throughout the organization, from management to staff members at all levels, became a key focus. We conducted thorough risk assessments to identify potential areas of concern and managed both anticipated and unforeseen losses. To mitigate risk concentration in specific sectors, we emphasized the importance of appropriate portfolio diversification.

Loan quality remained First Finance's top priority. We reinforced loan assessment and approval processes across all credit committee levels, aiming to enhance loan quality and minimize non-performing loans (NPLs). Monthly reviews were conducted to identify the underlying causes of NPLs and to propose effective strategies to prevent them. Diligent efforts were also made to strengthen the processes for resolving NPLs. Besides these efforts, we regularly reviewed all related risks, identifying potential risks and proposing preventive strategies to the management and the risk management committee.

Furthermore, we closely monitored the economic and real estate landscapes, providing regular reports to senior management. This enabled the organization to stay well-informed about market conditions and make informed decisions regarding risk management and strategic planning.



By staying vigilant and proactive in our risk management practices, First Finance remains committed to sustaining its leadership in this critical aspect of our operations.



Mr. Neang Sokhim
Chief Risk Officer



Client Protection and Transparency

At every interaction within our business, we are dedicated to upholding client protection and transparency. This commitment led us to achieve the highest rank of client protection certification in March 2022.

Preventing clients from falling into excessive indebtedness is a top priority for First Finance. Throughout the year, we have implemented various preventive measures. These have included improving credit operational procedures, enhancing credit assessment skills, closely monitoring sales practices, and factoring in loan quality into staff performance reviews. As part of our efforts, we have developed 500 concise financial educational tips to share on social media platforms, such as Facebook and Telegram.

Our policies and procedures at First Finance clearly outline our commitment to providing customers with clear, accurate, and relevant information and marketing materials. We ensure that all fees and conditions are thoroughly explained during product and service consultations, and they are reiterated once more before contracts are signed. To monitor our sales practices, we maintain an independent unit and conduct satisfaction surveys via our call center during the onboarding process.

Annually, we actively seek customer feedback to enhance their experiences and address any unmet needs. Our Net Promoter Score (NPS) serves as a key metric in measuring and understanding our customers' expectations. Based on our client satisfaction survey in 2023, our Net Promoter Score stands at an impressive 87%. However, we acknowledge that there is always room for improvement and learning from our customers' feedback. We are committed to continually improving and delivering even better experiences for our valued customers.



Client Protection Principles



Appropriate product design and delivery



Prevention of over-indebtedness



Transparency



Responsible pricing



Fair & respectful treatment of clients



Privacy, security, and integrity of client data



Mechanisms for complaint resolution

Driving Operational Excellence

Despite the challenges posed by global impacts in 2023, First Finance remained steadfast in its commitment to providing affordable housing solutions to low- and medium-income Cambodians. Recognizing the need to adapt and overcome these challenges, we implemented a range of innovative sales strategies and mechanisms that were specifically tailored to meet the diverse needs of our customers. Our goal was to ensure that we continued to serve our target market effectively, even amidst uncertain times.

In addition to addressing the immediate challenges, we also placed a strong emphasis on enhancing the quality of our assessments. We recognized that sustainable growth could only be achieved by maintaining rigorous standards and ensuring the long-term viability of our operations. By continuously improving our assessment processes, we were better equipped to identify suitable loan applicants and mitigate potential risks, thus safeguarding the sustainability of our growth.

The combined efforts yielded remarkable results. Our portfolio experienced a substantial growth rate of 118 percent, increasing from USD 35.8 million in 2022 to an impressive USD 78.2 million in 2023. This expansion in our portfolio not only demonstrated our ability to attract new clients but also reflected the trust and confidence placed in us by existing customers.

Furthermore, our client base experienced an extraordinary surge, growing by 202 percent within the same period. The number of clients increased from 2,179 in 2022 to an impressive 6,578 in 2023. This significant increase in our client base is a testament to the effectiveness of our tailored sales strategies, improved accessibility, and the strong reputation we have built as a reliable provider of affordable housing finance.

Building upon our extensive experience in microfinance within Cambodia, we strategically expanded our operations into areas with high growth potential. By the end of 2023, we successfully established five new offices, strategically positioned to reach previously underserved communities. Additionally, we recognized the importance of having a capable and dedicated team to drive our growth. As a result, we increased our team of credit officers from 93 to 227, enabling us to efficiently process loan applications and provide the necessary support to our expanding client base.



These achievements demonstrate our dedication to serving low- and medium-income Cambodians, providing them with affordable housing finance, and contributing to their socio-economic development.



Mr. Choub Veasna
Chief Operations Officer



118%

portfolio growth



202%

client growth

Enhancing Technology and Data Protection

Recognizing the significance of the personal information we possess, First Finance places great emphasis on safeguarding against cyber-attacks by prioritizing cyber security resilience. Our primary focus is to minimize disruptions and enhance protecting both client and staff information. To achieve this, we regularly review and update our Information Technology policy, ensuring its alignment with current industry standards. This policy serves as a blueprint for managing cyber and information security risks within the organization.

Recently, we accomplished a significant milestone by successfully migrating First Finance's Active Directory infrastructure to a new version. This upgrade was undertaken to improve user experience, accessibility, and most importantly, bolster security measures. By implementing advanced security features, we aim to fortify our systems against potential threats and maintain the integrity of our clients' and staff members' information.

As part of our ongoing business automation efforts, we achieved another successful implementation by adopting Microsoft 365, a comprehensive cloud-based productivity suite. This deployment spans across the entire organization, providing our employees with seamless access to essential tools, such as email, collaborative platforms, and productivity applications. Integrating Microsoft 365 has significantly enhanced communication channels, fostered collaboration among teams, and streamlined workflow processes to optimize overall efficiency.

Through these initiatives, First Finance shows its firm commitment to protecting sensitive information, enhancing cyber security resilience, and embracing advanced technological solutions to propel our operations forward.



An aerial photograph of a dense, lush green forest. A paved road winds through the trees, curving from the upper left towards the center. The sunlight filters through the canopy, creating a dappled light effect. The bottom right corner of the image is overlaid with a large, solid orange geometric shape that contains the text.

Our Commitment to Sustainability

We take pride in being a trusted partner in providing housing solutions that promote dignity, safety, security, and stability for individuals and families. We understand the importance of sustainable practices

and have integrated them into our business strategies, decision-making processes, and risk management practices.

Our Approach to ESG

Our commitment to sustainability is clear in the policies, systems, and processes we have developed. We have defined our position and made a clear commitment to sustainability, aligning our efforts with the priorities of our stakeholders and our support for the Sustainable Development Goals (SDGs).

To ensure effective implementation of our sustainability initiatives, we have established a dedicated sustainability steering committee. This committee operates with a well-defined structure and set of responsibilities. They meet on a quarterly basis and have made significant progress in developing a comprehensive sustainability framework.

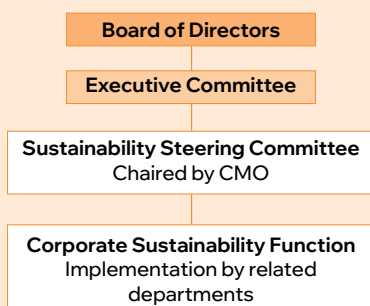
We are proud to share that our sustainability framework is publicly available on our website. This transparent approach serves as a testament to our unwavering commitment to sustainability and allows stakeholders to understand and evaluate our efforts in this area.

As we move forward, we will continue to prioritize sustainability, embedding it further into our business practices, and striving to make a positive impact on the environment, society, and the communities we serve. We believe that by integrating sustainability into our operations, we can create long-lasting value for our stakeholders and contribute to a more sustainable future.



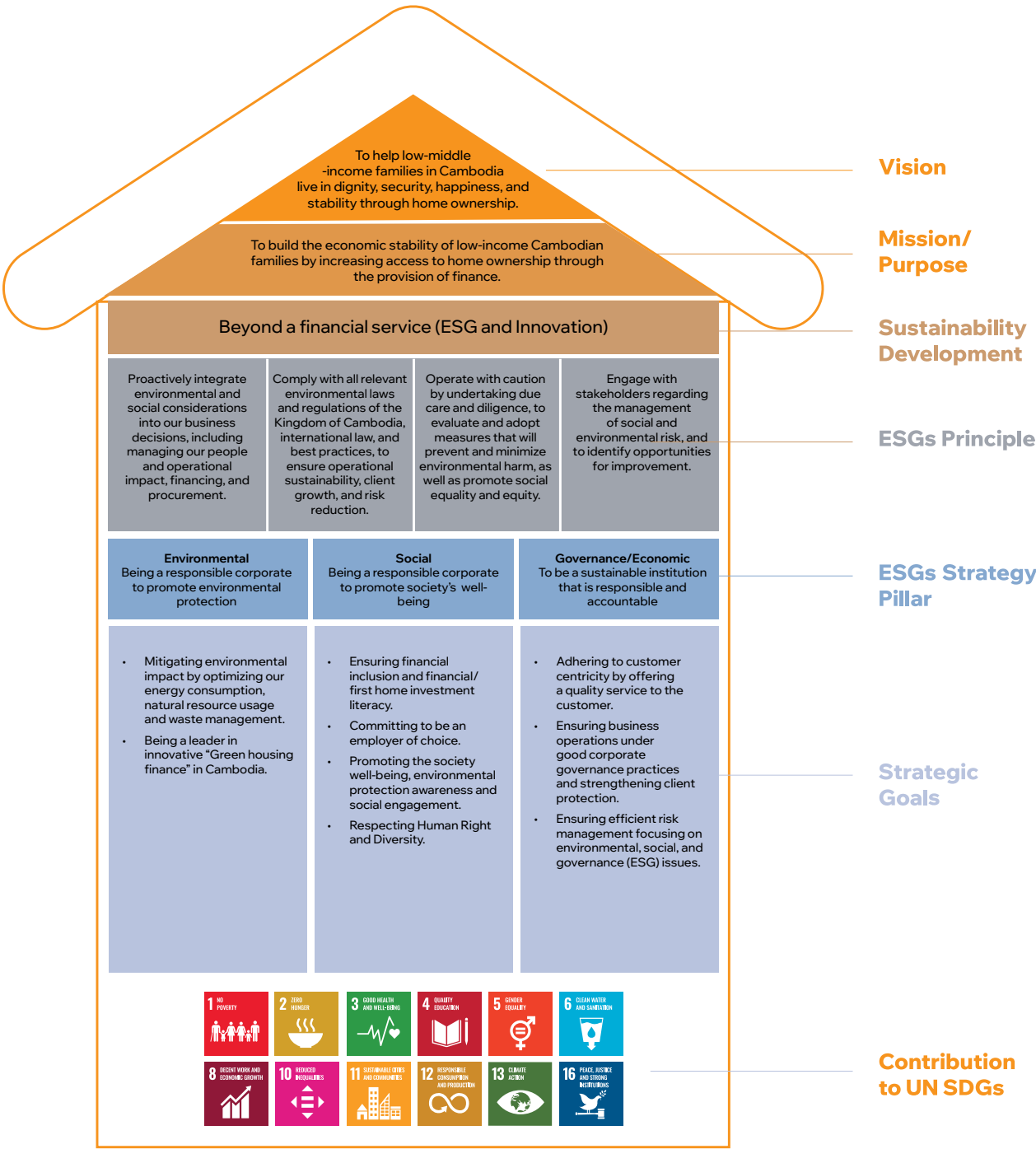
We will continue to embed sustainable practices even deeper into our business operations, ensuring that they become an integral part of our everyday practices. Our aim is to make a positive impact on the environment, society, and the communities we serve.

Sustainability Governance Structure



Mr. Say Sony
Chief Marketing Officer, Chairman
of the Sustainability Steering
Committee

Sustainability Framework





ESG Report


Social Aspect

Related UN SDGs	Measurement	2023 Performance
	Ensuring Financial inclusion and financial/first home investment literacy	<ul style="list-style-type: none"> 84% of client have income below \$700 per month 86.2% are females 73.3% are first-time homeowners 70.6% have access to clean water and sanitation through home loan product. 500 short tips and educational content on personal financial management and property rights posted on social media with an average reach 500 per post.
	Committing to being an employer of choice. Employment	<ul style="list-style-type: none"> Engagement Score/Staff satisfaction survey Net Promoter Score: 80% Complaint of discriminatory labor, treatment or violence that leads to a lawsuit: 0 Retention rate: 74% Internal fill rate: 3% Average hours per Full-Time Equivalent (FTE) of training and development per staff=62 hours
	Health and Safety	<ul style="list-style-type: none"> Fatalities:1 (not related to work) Lost time through injuries:0 Medical Treatment: 7 (6 not related to work) First Aid Case: 0 High-potential near miss: 0
	Promoting society well-being, environmental protection awareness and social engagement	<ul style="list-style-type: none"> Library project implementation: 1
	Respect for Human Right and Diversity	<ul style="list-style-type: none"> Women in management role:9% Women at board level: 0% New loan was assessed on child labor and forced labor against exclusion list: 100%

Environmental Aspect




Related UN SDGs	Measurement	2023 Performance
 	Climate Change Reduction on energy consumption by % per staff (baseline 2022) (GHG emission scope 1)	<ul style="list-style-type: none">Gasoline/staff: 271LElectricity/staff: 507Kwh
	GHG emission scope 3 (metric tonne CO2e)	<ul style="list-style-type: none">Total Air travel: 0.075t3¹
	Water (m3)	<ul style="list-style-type: none">Water/Staff: 8m3
	Paper (Kg)	<ul style="list-style-type: none">Paper/Staff: 7Kg

Governance/Economic Aspect

Related UN SDGs	Measurement	2023 Performance
	Adhering to customer centricity by offering a quality service to the customer	<ul style="list-style-type: none">Client Satisfaction (NPS): 87%Maintain issues and complaints against the number of transactions : 0.14%Retention Rate=80%
	Ensuring business operations under good corporate governance practices and strengthening client protection	<ul style="list-style-type: none">No significant warning from regulator²:0No significant non-compliance :0Highest level of Client Protection recognition: Gold CertificateCompleted Impact survey and disclosed to the public.

¹Google flight calculation
²Significant means fines or accusations are imposed by NBC or other regulator

Governance/Economic Aspect

Related UN SDGs	Measurement	2023 Performance
  	Policies are in place to support sustainability actions and business	<ul style="list-style-type: none"> • Formed the Sustainability Steering Committee with a clear task of responsibility • Developed sustainability framework • Updated ITC policy • Updated BCP policy • Inserted HSES monitoring aspect into the audit program • Updated General security and safety procedure. • Developed grievance mechanism procedure
	Ensuring efficient risk management focusing on environmental, social, and governance (ESG) issues	<ul style="list-style-type: none"> • % of new loans were checked for social and environmental harm against an exclusion list: 100% • % of existing loans were reassessed to monitor how clients' income impacts social and environmental factors and to rate them based on their risk level: 21% • % of suppliers acknowledged the Supplier Code of Conduct, which addresses societal issues, labor, and human rights: 100%³

³The contract with the construction/decoration company included commitments on child labor, forced labor, and asbestos materials.





Financial Report

The following financial report provides a comprehensive overview of the financial performance and position of First Finance. It presents a detailed analysis of the key financial statements, including the Statement of financial position, Statement of comprehensive income, Statement of changes in equity, Statement of cash flows,

for the year ended December 31, 2023.

This report aims to offer stakeholders, such as shareholders, investors, and management, valuable insights into the financial health, profitability, and liquidity of the company.

Report of the Independent Auditors

Extracted from the audited financial statements as at and for the year ended 31 December 2023

To the Shareholders of

First Finance Plc.

Opinion

We have audited the financial statements of First Finance Plc. ("the Company"), which comprise

the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects,

the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs") and the guidelines of the National Bank of Cambodia ("the NBC").

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 Auditor's responsibilities for the audit of the financial statements section of our report. We

are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Report of the Board of Directors, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, 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, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to that matter in accordance with the requirements of CISA 720 (revised).

Responsibilities of the Management and the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRS for SMEs, and the guidelines of the NBC, 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.

The Board of Directors is responsible for

overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 the Management.
- Conclude on the appropriateness of the 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 material 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 auditor's 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 auditor's 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 the Board of Directors regarding, among other matters, the planned scope and timing of the audit and material audit findings, including any material deficiencies in internal control that we identify during our audit.



Ronald C. Almora
Ronald C. Almora
 Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia
 29 March 2024

STATEMENT OF FINANCIAL POSITION

	31 December 2023		31 December 2022	
	USD	KHR'000	USD	KHR'000
Assets				
Cash on hand	61,637	251,787	72,822	299,808
Balances with NBC	767,085	3,133,542	757,645	3,119,224
Balance with other banks	10,511,044	42,937,615	10,481,732	43,153,291
Loans to customers – net	74,610,805	304,785,138	33,563,047	138,179,064
Property and equipment	358,950	1,466,311	339,744	1,398,726
Intangible assets	12,691	51,843	8,624	35,505
Deferred tax assets - net	60,361	246,575	30,278	124,655
Other assets	516,975	2,111,843	725,969	2,988,814
Total assets	86,899,548	354,984,654	45,979,861	189,299,087
Liabilities and equity				
Liabilities				
Employee benefits	28,025	114,482	29,720	122,357
Borrowings	53,222,130	217,412,401	26,950,680	110,955,950
Subordinated debts	15,363,042	62,758,027	-	-
Current income tax liability	69,937	285,693	112,422	462,841
Other liabilities	2,060,156	8,415,737	3,137,238	12,916,009
Total liabilities	70,743,290	288,986,340	30,230,060	124,457,157
Equity				
Share capital	15,000,000	60,000,000	15,000,000	60,000,000
Retained earnings	(559,114)	(2,300,187)	96,890	395,989
Regulatory reserves	1,715,373	7,017,711	652,911	2,650,992
Cumulative translation reserves	-	1,280,790	-	1,794,949
Total equity	16,156,258	65,998,314	15,749,801	64,841,930
Total liabilities and equity	86,899,548	354,984,654	45,979,861	189,299,087

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000	USD	KHR'000
Interest income	9,785,306	40,217,608	4,681,773	19,134,406
Interest expense	(5,381,701)	(22,118,791)	(1,925,136)	(7,868,031)
Net interest income	4,403,605	18,098,817	2,756,637	11,266,375
Fees and commission income	242,624	997,185	357,681	1,461,842
Other income	299,844	1,232,359	248,375	1,015,109
Total operating income	4,946,073	20,328,361	3,362,693	13,743,326
Net impairment loss on financial assets	(471,457)	(1,937,688)	(448,341)	(1,832,370)
Depreciation and amortisation	(140,596)	(577,850)	(126,698)	(517,815)
Personnel expense	(2,447,372)	(10,058,699)	(1,337,201)	(5,465,140)
General and administrative expenses	(1,365,941)	(5,614,018)	(979,522)	(4,003,306)
Profit before income tax	520,707	2,140,106	470,931	1,924,696
Income tax expense	(114,249)	(469,563)	(139,793)	(571,334)
Net profit for the year	406,458	1,670,543	331,138	1,353,361
Other comprehensive income - Currency translation differences	-	(514,159)	-	1,373,246
Total comprehensive income for the year	406,458	1,156,384	331,138	2,726,607

STATEMENT OF CHANGES IN EQUITY

	Share capital		Share premium		Regulatory reserve		Retained earnings		Cumulative translation reserves		Total	
	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000
Balance as at 1 January 2023	15,000,000	60,000,000	-	-	652,911	2,650,992	96,890	395,989	1,794,949	1,794,949	15,749,801	64,841,930
Net profit for the year	-	-	-	-	-	-	406,458	1,670,543	-	-	406,457	1,670,543
Change in regulatory reserve	-	-	-	-	1,062,462	4,366,719	(1,062,462)	(4,366,719)	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(514,159)	(514,159)	-	(514,159)
Balance as at 31 December 2023	15,000,000	60,000,000	-	-	1,715,373	7,017,711	(559,114)	(2,300,187)	1,280,790	1,280,790	16,156,258	65,998,314
Balance as at 1 January 2022	3,602,033	14,408,132	879,482	3,517,928	418,663	1,693,620	2,267,576	9,160,041	421,703	421,703	7,167,753	29,201,424
Additional capital contribution	8,250,909	33,003,636	-	-	-	-	-	-	-	-	8,250,909	33,003,636
Capitalisation of retained earnings	2,267,576	9,160,041	-	-	-	-	(2,267,576)	(9,160,041)	-	-	-	-
Capitalisation of share premium	879,482	3,517,928	(879,482)	(3,517,928)	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	331,138	1,353,361	-	-	331,138	1,353,361
Change in regulatory reserve	-	-	-	-	234,248	957,372	(234,248)	(957,372)	-	-	-	-
Currency translation differences	-	(89,737)	-	-	-	-	-	-	1,373,246	1,373,246	-	1,283,509
Balance as at 31 December 2022	15,000,000	60,000,000	-	-	652,911	2,650,992	96,890	395,989	1,794,949	1,794,949	15,749,801	64,841,930

STATEMENT OF CASH FLOWS

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000	USD	KHR'000
Operating activities				
Profit before income tax	520,707	2,140,106	470,931	1,924,695
Adjustments for:				
Net interest income	(4,403,605)	(18,098,817)	(2,756,637)	(11,266,375)
Net impairment loss on financial assets	472,972	1,943,915	447,727	1,829,860
Depreciation and amortisation	140,596	577,850	126,391	516,560
Loss on disposal of property and equipment	1,702	6,995	11,445	46,776
Recovery of loans	(63,072)	(259,226)	(160,508)	(655,996)
Operating loss before working capital changes	(3,330,700)	(13,689,177)	(1,860,651)	(7,604,480)
Net changes in working capital:				
Loans to customers	(40,336,944)	(165,784,840)	(5,261,817)	(21,505,046)
Other assets	208,993	858,961	(342,989)	(1,401,796)
Other liabilities	(1,077,082)	(4,426,807)	910,649	3,721,822
Net cash used in operations	(44,535,733)	(183,041,863)	(6,554,808)	(26,789,500)
Statutory deposits	-	-	(569,898)	(2,329,173)
Interest received	8,677,826	35,665,865	4,681,773	19,134,406
Interest paid	(4,602,226)	(18,915,149)	(1,927,364)	(7,877,137)
Income tax paid	(186,817)	(767,818)	(68,902)	(281,602)
Payment of employee benefits	(1,695)	(6,966)	(84,194)	(344,101)
Net cash used in operating activities	(40,648,645)	(167,065,931)	(4,523,393)	(18,487,107)
Investing activities				
Acquisitions of property and equipment	(157,927)	(649,080)	(347,781)	(1,421,381)
Acquisitions of intangible assets	(7,644)	(31,417)	(1,100)	(4,496)
Net cash used in investing activities	(165,571)	(680,497)	(348,881)	(1,425,877)
Financing activities				
Proceeds from borrowings	36,067,107	148,235,810	12,271,581	50,153,952
Proceeds from subordinated debt	15,363,042	63,142,103	-	-
Additional capital contribution	-	-	8,250,909	33,721,465
Repayments of borrowings	(10,588,366)	(43,518,184)	(7,038,429)	(28,766,059)
Net cash from financing activities	40,841,783	167,859,729	13,484,061	55,109,358
Net change in cash and cash equivalents	27,567	113,300	8,611,787	35,196,374
Cash and cash equivalents, beginning of the year	10,562,199	43,484,573	1,950,412	7,945,978
Currency translation differences	-	(338,679)	-	342,221
Cash and cash equivalents, end of the year	10,589,766	43,259,194	10,562,199	43,484,573

