



# HOUSING SOLUTIONS PARTNER

ANNUAL REPORT 2022





HOME LOAN  
**100,000**  
USD  
TENURE UP TO  
20 YEARS

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

☎ 093 666 635     firstfinance     [www.firstfinance.com.kh](http://www.firstfinance.com.kh)



# TABLE OF CONTENTS

---

04. Our Results

---

---

08. Our Products & Solutions

---

---

10. Message from the Chairperson

---

---

12. Message from the CEO

---

---

16. About Us

---

---

18. Development Background

---

---

20. First Finance Lenders

---

---

21. Organizational Chart

---

---

22. Board and Executive Committee

---

---

26. Business Review

---

---

30. Social & Environmental Review

---

---

33. CPP Gold Certificate

---

---

34. Independent Auditor's Report

---

---

36. Audited Financial Statements

---

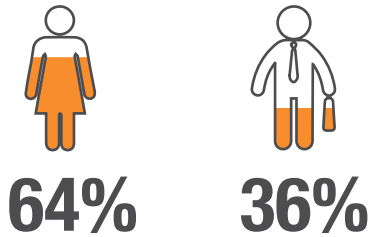
*The figures in this annual report relate to First Finance Plc, from 01 January 2022 to 31 December 2022.*

# Our Results

At First Finance, we believe that helping people to become homeowners is the key to helping them improve their lives. The stability of homeownership allows a family to spend time and energy on other aspects of their life. Children can spend time studying, women can start businesses or go to work. The

connection to one's neighborhood and community becomes tighter. As those relationships grow, so does a family's self-respect. Homeownership is tightly connected to one's identity. A family's physical safety and security increase when they own their own home.

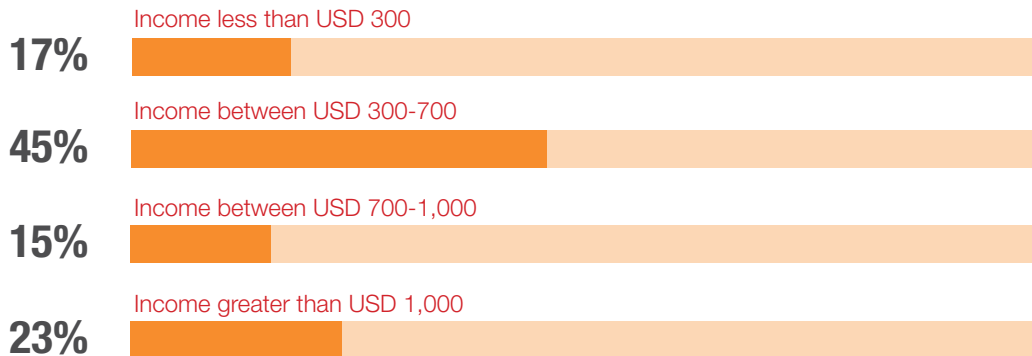
## CLIENT BY GENDER



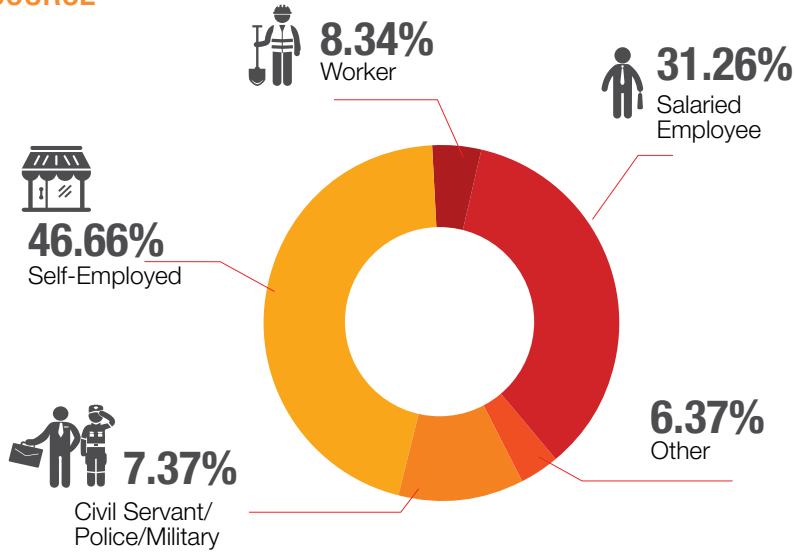
## TOTAL NUMBER OF ACTIVE CLIENTS



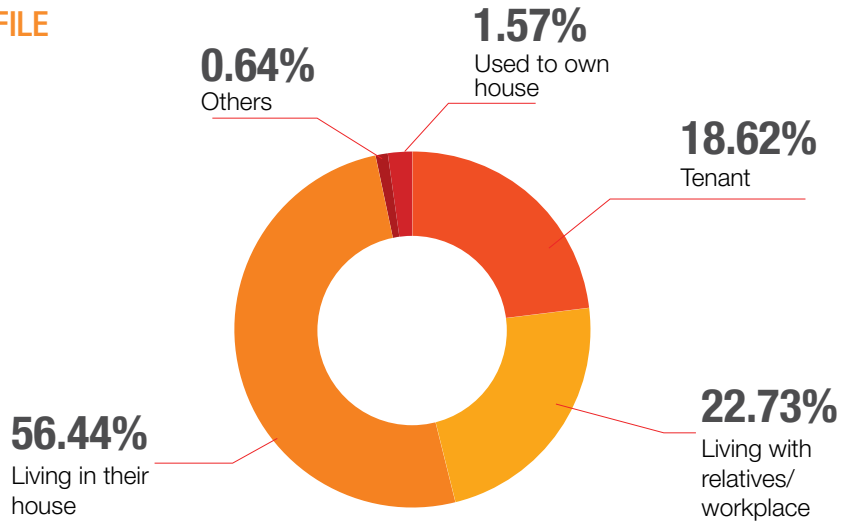
## CLIENT NUMBER BY MONTHLY INCOME



PORTFOLIO BY  
INCOME SOURCE



PORTFOLIO BY  
CLIENT PROFILE



## PORTFOLIO BY PRODUCT



**38.3%**  
OF TOTAL LOAN  
PORTFOLIO

**577**



**687**



**20.6%**  
OF TOTAL LOAN  
PORTFOLIO



**25.5%**  
OF TOTAL LOAN  
PORTFOLIO

**830**



**609**



**15.6%**  
OF TOTAL LOAN  
PORTFOLIO





# Our Products & 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.

## HOME IMPROVEMENT LOAN

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



## RESIDENTIAL LAND LOAN

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



## HOME EQUITY LOAN

A long-term loan provides the funding to improve the quality of life, such as to purchase necessary household capital goods and items.



## LIVING IMPROVEMENT LOAN

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.







I am very thankful to First Finance for providing me with a loan to renovate my home for the family.

## Helping women and children to live safely and comfortably

Being the female-head of the family, Ms Ken Sinoun is working hard to support her family and provide a proper shelter for her 8-year-old daughter and her elderly parent after her relationship with her husband broke down. "As a divorced woman it is very hard to work alone to support the family, and at the same time save up to build a proper house." She said.

Her house was not in a good enough condition to provide the security, safety, and comfort her daughter and parent needed. With a strong commitment to provide better safety and comfort for her family, Ken Sinoun decided to renovate her house by expanding

the space and building a new latrine which would provide easy access, particularly for her elderly parent and young daughter.

The combined income from her grocery shop and laundry business of USD 500 per month enabled her to take out a USD 10,000 home improvement loan from First Finance. The total loan tenure is for 60 months, and Ken Sinoun was pleased with the repayment terms as well as First Finance's service. "I am very thankful to First Finance for providing me with a loan to renovate my home for the family." She added.

## Message from the Board Chairperson

“

Building a brighter future for families that need affordable housing finance. Our business operations have performed well during another challenging year while the ownership of our company changed hands. We continue to focus on social impact by reaching more lower-income families as we are building a larger-scale business.

**Hanco Halbertsma**  
Chairperson

### Dear friends of First Finance,

In many respects, 2022 was a special year for First Finance. Cambodia and the clients of First Finance finally saw the end of the global Covid-19 pandemic, which was a huge relief as the impact on people's lives and their family businesses was severe. First Finance went through a process that resulted in our shareholders of many years selling 100 percent of their shares to a new group of shareholders, who took control of the company in July 2022.

While the previous management, with support from the original owners, built a solid foundation for its financing business, the company was still too small to make a big leap forward to a much larger scale. The new shareholders invested additional equity into the company, which significantly strengthened the company's financial position, and appointed a new management team. Each member of the new team has brought deep knowledge from many years of experience in microfinance. This has geared up First Finance to start a trajectory of growth to a much larger size and the ability to offer affordable housing finance to many more families.

When the new team commenced work for First Finance, they conducted a comprehensive operational and business review of First Finance and subsequently initiated several projects that aimed to strengthen various aspects of its operations. This included enhancing the company's credit risk processes, attracting a significant volume of new funding, improving internal control, capacity building of staff, and expanding the branch network.

During the second half of 2022, the new team has already managed to (i) improve policies and procedures where necessary, (ii) set up a new head office, (iii) open new branches and expand branch teams, (iv) work towards a more client-focused and risk-aware approach in the branches, and (v) arrange several new debt facilities, which avails the business with significant growth capital for the immediate future.

During 2022, First Finance grew its portfolio by 17 percent to USD 35.8 million, extended loans to nearly 800 new

clients, recruited around 100 new credit officers, and opened two new branches. During the first quarter of 2023, this growth continued, and operations have reached an even larger scale.

The new owners and management team will continue to actively support low and middle-income families by providing them with long-term loans; 62 percent of our clients have an income of less than USD 700 per month. The families we financially support can achieve economic stability by owning a home of their own, and for 63 percent of our clients it is the first home they have owned. Furthermore, much focus is on financing home improvements for existing and new clients - often WASH-related improvements - which also offers support to their small family businesses. We are confident that our growth strategy will be a success so that the positive social impact for low- and middle-income families will increase to a much larger scale during 2023.

We are grateful to all our customers, members of staff, lenders, business partners, as well as the previous and new shareholders; all having contributed to the success of First Finance during 2022.

Looking forward to 2023, the shareholders and the Board of Directors would like to express their appreciation for the ongoing support from the Government, the lending institutions we partner with, and the many other stakeholders in the affordable housing segment.



**Hanco Halbertsma**  
Chairperson



## Message from the CEO

“

We have successfully completed changes, demonstrated by the excellent results and earned the confidence of lenders, stakeholders, and regulators. In addition, we have further expanded credit services in affordable housing finance to low- and middle-income households in Cambodia.

**Senacheert Sim**  
Chief Executive Officer

Since my appointment as Chief Executive Officer in July 2022, I have been working steadily on business improvement strategies and plans for First Finance. The plans and strategies that have been executed will transform First Finance to becoming the best institution in the financial sector. From day one, we started to augment all aspects of First Finance to ensure good corporate governance, a strong corporate culture and credit discipline, with strong internal controls and risk management, good credit quality, low risk, high productivity and efficiency, and financial sustainability.

Importantly, First Finance will scale up and improve efficiency so that the company is well-positioned to deal with this difficult period. To mitigate the current challenges and guarantee strong financial performance for the coming years, we have implemented the following strategies: (i). Retained the current vision and mission by focusing on housing financing and expansion of credit services in affordable housing finance to low- and middle-income households in Cambodia, (ii). Increased registered capital to USD 15 million to increase confidence from the public and partners (iii). Borrowed subordinated debt to increase the CAR and use for lending, and seek funding from existing and new lenders, (iv). Improved the portfolio quality by improving lending policies, procedures, and processes, (v). Improved HR policy to retain and attract good and qualified

staff, (vi). Improved/developed all policies and procedures, such as corporate governance, internal controls and risk management, strengthened internal controls and building risk management awareness, (vii). Improved efficiency by reducing cost-to-income by increasing productivity of Credit Officers and branches, (viii) Strengthened IT infrastructure and the core banking system, (ix). Continued to improve and strengthen client protection, ensuring access to client protection certification, and promoting Corporate Social Responsibility activities.

Our 2022 results demonstrate that these strategies continue to deliver success, and delivered against the challenges and changes, show how First Finance will continue to bring our strengths and best capacities in the coming years. We are continuing to build First Finance to be a low NPL company, have high staff productivity, effectively manage costs, hold strong client relationships, have prudent capital and risk management, and highly engaged staff. We are also building a strong culture, with integrity, trust, and ethical behavior in all of our business activities. We have a shared pride in our performance; a successful history, and our footprint is unique among our competitors, which will create long-term value for our lenders and stakeholders.

In 2022, First Finance started to grow and saw improvement in financial performance.

**TOTAL ASSETS**

**\$ 47.68m**

↑ 44.62%

**TOTAL LOAN PORTFOLIO**

**\$ 35.84m**

↑ 17.50%

**AFTER TAX PROFIT**

**\$ 0.33m**

↑ 273.96%

## Message from the CEO Continued

## NON-PERFORMING LOANS

2.98%

## RETURN ON EQUITY (ROE)

2.89%

## RETURN ON ASSET (ROA)

0.82%

**EXECUTING A FOCUSED AND CONSISTENT STRATEGY**

Our strategy is focused and consistent. We are committed to delivering high-quality growth and long-term value for lenders and shareholders. The strategy is also built to deliver high quality assets and sustainable earnings growth. We will pursue opportunities that are aligned to our view of market trends, build on our strengths, and deliver long-term value to our stakeholders.

**ENSURING STABLE OPERATIONS AND MOVING FORWARD**

Our efforts to stabilize and improve operations, build trust and confidence, and have a strong code of ethics and culture, will allow us to remain vigilant and continue to steadily move forward with our business improvement strategies and plans.

**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're 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 well functioning. 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 the favorable future.

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

“

I sincerely thank First Finance, for not only providing my family with a loan to complete our house construction but also enabled us to expand our business, as I now have the space to operate my business properly.

## Fulfilling the dream of having their own home

Mrs. Bunrath married her husband, Vuthy about ten years ago and spent all their married life living with their parents in Battambang province. They have two adorable children; a 12-year-old daughter and a 5-year-old son.

Seeing their kids growing up, Mrs. Bunrath and her husband decided to build a house for their family as well as for their business, “As a parent, it is our duty to make sure our children have space for study and room to enjoy their free time at home. We are very proud to have achieved this.” Ms. Bunrath said.

Despite their low income and the growing needs of their family, Mrs. Bunrath and her husband were able to save enough money to buy a piece of land close to where they were living. They didn’t stop there, however, and continued to save to give their children a better life and home.

Using their savings, they were able to start the construction of their new house, but it was only 80 percent complete. Then they realized that they

didn’t have enough money to finish the house. The income from their LPG refill [used for gas stoves] business and her husband’s work as a part-time construction worker was about USD 550 per month and enabled them to take out a USD 5,250 home improvement loan from First Finance to complete the building of their house. They have now moved into their new house. While some parts are still in progress; they expect all work to be completed soon.

“I sincerely thank First Finance, for not only providing my family with a loan to complete our house construction, but also enabled us to expand our business, as I now have the space to operate my business properly.” She added.



# About Us

First Finance Plc was 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 taken over 100 percent by Local Shareholder in June 2022.

First Finance Plc obtained its license on 23 April 2009 from the National Bank of Cambodia and became the first financial institution to specialize

in housing finance in Cambodia. The company is focused on providing long-term Home Loans, 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.

## 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 quick processing



Operate with flexibility and transparency



Demonstrate integrity and ethics in all business practices



## 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**

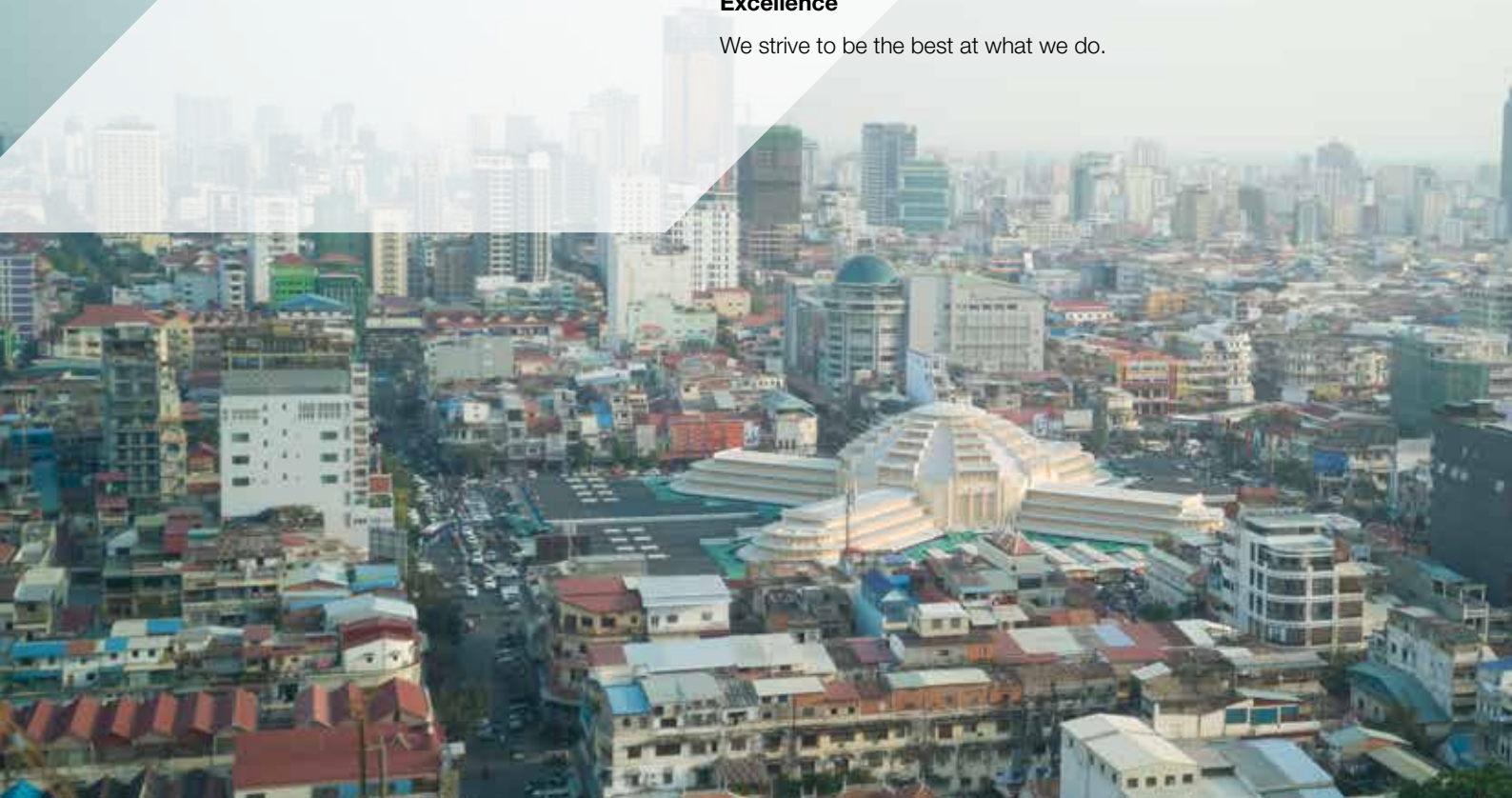
We are creative in finding efficient solutions to better serve our clients.

### **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



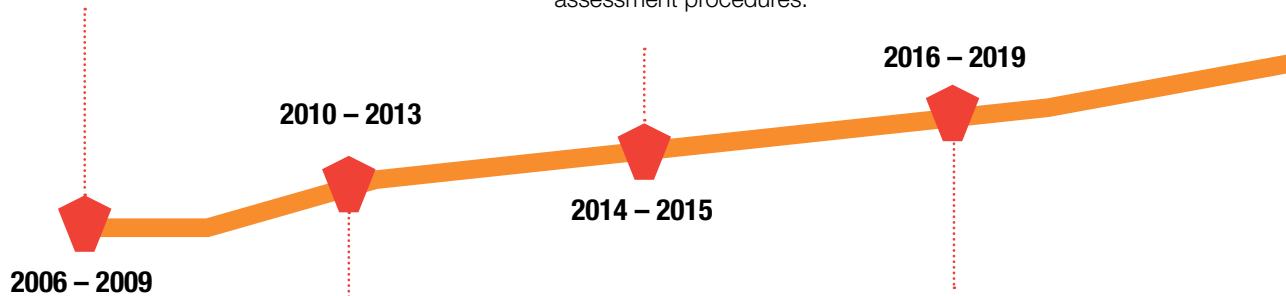
## FOUNDATION AND LICENSE

- First Home Plc incorporated, Equity from: First Home, Insitor Fund, Phillip Capital.
- Home Loan concept was verified.
- Operating Microfinance license in 2009.



## RISK ADJUSTMENT

- Confronted by high Non-Performing Loans (NPL), growth on hold, focus on recovery.
- Revision of credit policy.
- Credit training and strict assessment procedures.



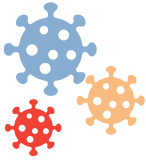
## LAUNCH AND GROWTH

- 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– ONWARD

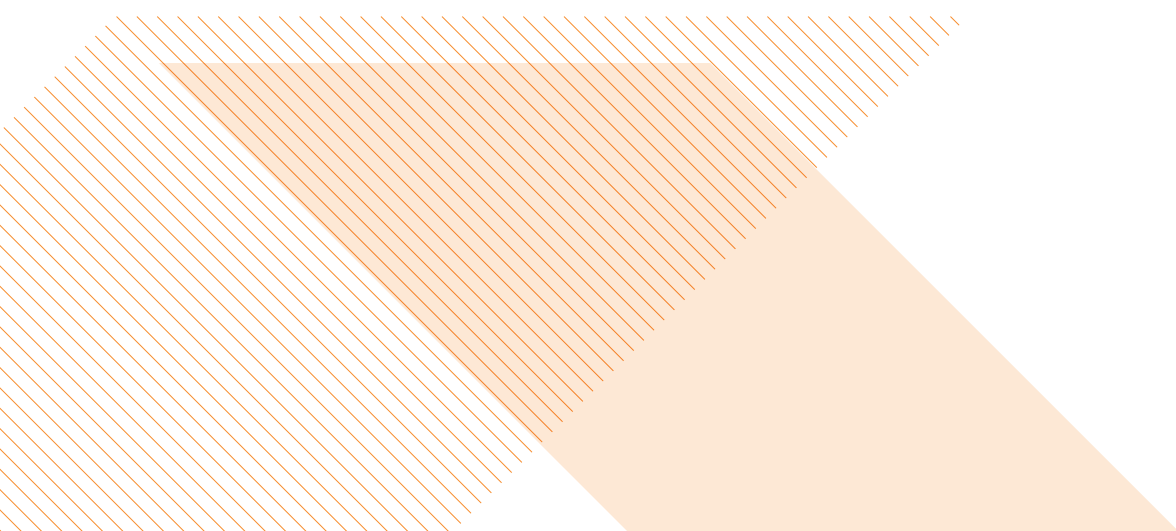


### NEW SHAREHOLDERS AND STEEP GROWTH

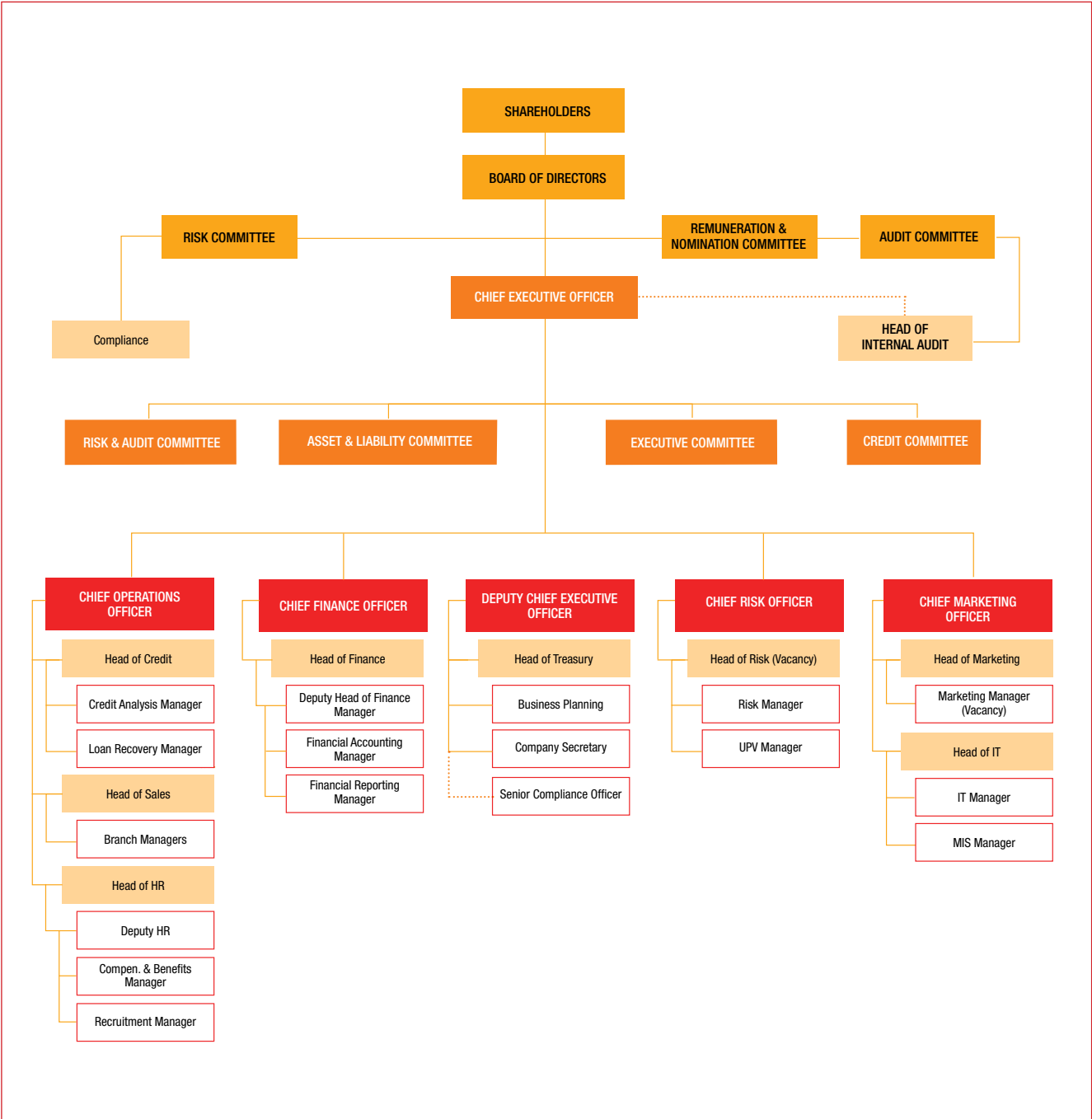
- Change in shareholders (Taken over by new management), Increased registered capital and Tier 2 capital.
- Improved/developed all policies and procedures including corporate governance, risk management, and internal control.
- Improved performance efficiency, productivity, and profitability, expansion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

# First Finance Lenders

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# Organizational Chart



# Board of Directors



## HANCO HALBERTSMA INDEPENDENT DIRECTOR/ CHAIRPERSON

Mr Hanco Halbertsma is a strategy advisor to banks, finance companies, and microfinance institutions in emerging markets and to (potential) investors in financial institutions. For 25 years he worked on many projects as an expert in retail and business banking, micro finance, 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 six-year board directorship at PRASAC MFI, the country's largest microfinance company. He was a board director of several other companies in Hong Kong, India, and Sri Lanka.

He 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 with ING-IGA, an emerging market consulting group.

He is based in Hong Kong and holds a Master of Business Administration degree.



## SOU VANTHAN INDEPENDENT DIRECTOR

Mr. Sou Vanthan has a Master of Public Administration degree and a Diploma in Banking from 1988. He is a certified TOT on Principles of MFIs and Delinquency Management as certified by CGAP & EDA Rural Systems Pty Ltd. Since 1982 he has attended several training courses related to banking operations management, microfinance operations management, and human resource management.

He has more than 30 years of experience in various positions with PRASAC MFI, NBC, and other MFIs in the roles of credit officer, accountant, micro banker and teller, internal auditor and field supervisor, district bank manager, provincial credit coordinator, vice-credit manager, branch manager, area manager, and regional manager. He rejoined PRASAC in 2009 as the Human Resource Manager.

He was promoted to Senior Vice-President and Chief Human Resource Management in 2010 and retired in 2017.

He currently holds the position of Independent Director at First Finance.



## OUM SOPHAN DIRECTOR

Mr. Oum Sophan holds a Master of Business Administration degree and a Bachelor degree in Economics, specializing in Banking and Finance. Before joining PRASAC's team, Sophan had many years of experience in the field of accounting management, banking and finance management and CFO positions in other MFIs, Commercial Banks, NBC, as well as private companies. He joined PRASAC MFI as Deputy General Manager and Chief Financial Officer in 2007 until early 2022.

He currently holds the position of Director at First Finance.



**SIM SENACHEERT**  
 DIRECTOR

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.

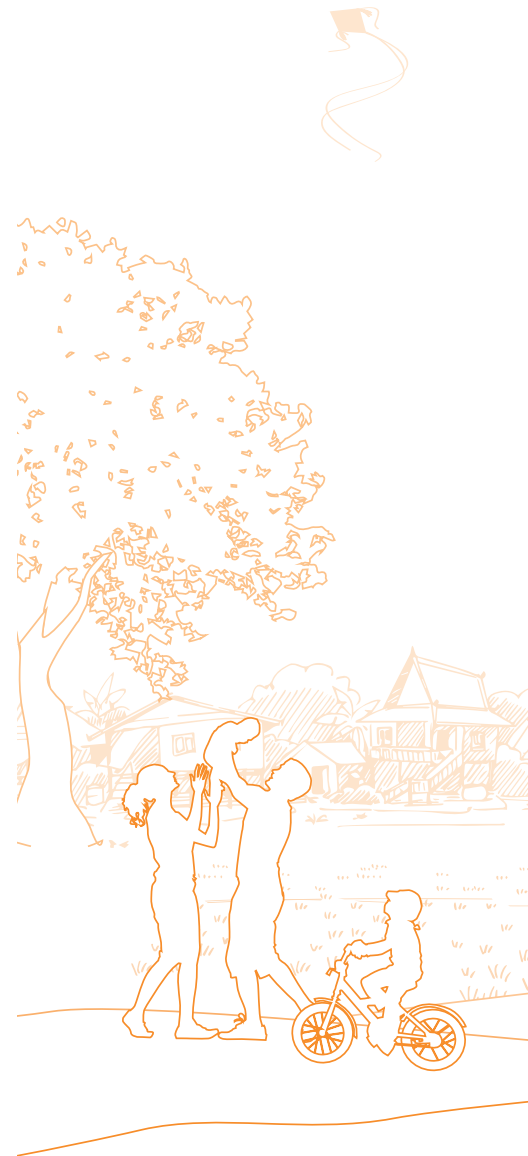


**CHEA HANG**  
 DIRECTOR

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.



# 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.

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





### **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.

# Business Review

## CORPORATE RESOURCE, LEARNING AND DEVELOPMENT

2022 was a year of building on the momentum achieved in 2021 in terms of engagement and leadership. To support rapid growth, the number of staff in First Finance have been vastly increased by almost 100 percent, from 109 to 194 in the last six months. Among the 194 staff, 20 percent hold management positions, 48 percent are field staff (Credit Officers), and 32 percent are support staff.

Driven by our core value “IRISE” (Integrity, Response, Innovation, Social Justice, Excellence), a regular and ongoing training program had been made available for all First Finance employees, to ensure they are well-equipped to deliver our on-brand service to the clients and benefit their career growth within the institution. The training was delivered through new staff induction, new product training, existing and new policy training, refresher, and special training. In 2022, the key training provided to staff covered HR Policy, Code of Conduct, AML/CFT, Credit Policy, etc.

The Learning and Development team provided expertise on various topics to develop training for 148 newly recruited staff, and facilitating external courses for 22 existing staff.



**100%**  
STAFF  
INCREMENT



**170**  
TRAININGS

## CUSTOMER CENTRICITY

First Finance believes that customer service is vital for sustainable business growth, and we take feedback and complaints seriously, to ensure our customers always receive exemplary service across different touchpoints of the institution. The feedback or suggestions from clients were collected through onboard and exit surveys. In 2022, we received eight complaints from clients. Thus, we have continuously improved procedures. All the approaches we have taken have made us a pioneer in the market, in providing innovative ways to better serve our customers.

In 2022, First Finance had 778 new clients, 64 percent were women. Our retention rate is 98.4 percent.



**77.3%**  
CLIENT RETENTION  
RATE



**778**  
NEW CLIENTS

## BUILDING STRONG FOUNDATIONS TO BE READY FOR GROWTH

First Finance has been in business for 13 years and from its inception we have been driven by its original mission to actively support low- and middle-income Cambodian families to reach economic stability, by allowing them to own an affordable house through a long-term mortgage loan. Over this period First Finance has contributed concretely

to social impact by helping almost 4,500 families to own their first home.

In order to support more underserved people to access affordable housing finance, First Finance Plc increased its registered capital to USD 15 million on 28th July 2022. This capital injection also signals a building of trust with the public and the staff by reinforcing the strong foundation of the institution.



## HEALTHY GROWTH

Even with the pandemic becoming endemic, it still meant that 2022 was another challenging year for growth. To adapt to the situation, we have differentiated sales strategies and mechanisms, as well as strengthened the quality of assessment to make sure that our growth is healthy. This has contributed to our portfolio growth of 17 percent, from USD 30.5 million in 2021 to USD 35.8 million in 2022, and an increase in clients of 22 percent, from 1,812 in 2021 to 2,179 in 2022.

With a long-term perspective of microfinance in Cambodia, First Finance has expanded its operations to areas for potential growth, through opening new offices and increasing the number of credit officers from 28 to 121 by the end of 2022. As a result, we have seen improvement,

with 2022 processing loan disbursements to 825 clients of USD 14.67 million.



**121**  
CREDIT OFFICERS



**825**  
DISBURSMENTS

## STRENGTHENING QUALITY

Risk management identified in operations comprises credit risk, market risk, liquidity risk, operational risk, and compliance risk. Risk is managed with the overall objective of maintaining financial soundness and avoiding activities that could threaten First Finance's reputation. The Risk Committee Members are appointed by the Board. The Risk Committee consists of at least three members. The Chairperson of the Risk Committee is also a member of the Board of Directors. The Risk Committee should have relevant experience related to finance, banking, and risk management. Currently, the Risk Committee has the following membership:

1. Mr. Hanco Halbertsma, Chairperson
2. Mr. Oum Sophan, Member
3. Mr. Sou Vanthan, Member
4. Mr. Neang Sokhim, Observer

The achievements of the Risk Committee in 2022:

- Strengthened compliance with relevant rules and guidelines specified by the National Bank of Cambodia and other regulators.
- Promoted consistent credit risk management by complying with credit risk-related rules and guidelines of First Finance's policies/guidelines/memos.

- Managed expected and unexpected losses and prevented risk concentration in specific sectors through credit concentration by appropriate portfolio diversification.
- Strengthened loan quality.
- Reviewed loan performance monthly.
- Strengthened Non-Performing Loans solving processes.



**PROMOTED RISK  
MANAGEMENT**



**STRENGTHENED  
COMPLIANCE**

## MARKETING AND COMMUNICATION

First Finance has strongly endeavored to increase our brand awareness and marketing messages to our target audience, by spreading the word that home ownership is possible, affordable, and available. Even low-income families have an opportunity to have security, stability, and a wealth-building asset, which homeownership provides. Marketing messages along with short tips on financial management and property rights are provided through digital channels such as First Finance's social media.



**59**  
**EDUCATIONAL CONTENTS  
PROVIDED THROUGH DIGITAL  
CHANNELS**

## AUTOMATED BUSINESS

The IT Department provides all the necessary IT services such as Management Information System support, maintenance of existing infrastructure, strengthening IT security, improvement data backup, and B2B CBC credit report enquiry. There have been some recent system upgrades on the Domain Name System (DNS) following the government regulatory guidelines and the setup of some loan products in the core banking system. In addition, the IT department has developed some tools and reports to speed up the daily data posting and the management report.



**STRENGTHENING IT  
SECURITY**



**MANAGEMENT REPORT  
DEVELOPMENT**



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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# Social and Environmental Review

As a part of our social mission in providing non-financial services, In 2009 First Finance set up a dedicated property consultation team that offers value-added general housing finance services to prospective and existing borrowers. Borrowers may call in and enquire about the process for property title transfer, check on the legitimacy of developers, and other housing related matters. Educational content on property rights and short tips on personal financial management have been developed as infographics. 59 short ‘tips’ and educational content were posted on First Finance social media in 2022: with each post receiving about 500 views. First Finance prides itself on being able to provide such value-added services to improve the understanding of its borrowers, so that they can better protect themselves and make the right choices when buying properties that they can call home.

First Finance also took steps towards effective Social and Environmental Performance Management by developing a Social and Environmental Management Policy, a social financing framework and reporting system, which were verified by a second party opinion (Moody’s). We educate our staff, clients and the community for evaluating the environment and social impact, and for mitigation and management of those risks accordingly. First Finance has integrated social and environmental due diligence and evaluation into our credit assessment, as well as the credit monitoring process, to prevent and minimize environmental harm, as well as to promote social equality and equity. We conduct reassessment annually for loans greater than USD 30,000.

## SOCIAL AND ENVIRONMENTAL PRINCIPLES



Proactively integrate environmental and social considerations into our business decisions, including managing our people and operational impact, financing, and procurement.



Comply with all relevant environmental laws and regulations of the Kingdom of Cambodia, international law, and best practices, to ensure operational sustainability, client growth, and risk reduction.



Operate with caution by undertaking due care and diligence, to evaluate and adopt measures that will prevent and minimize environmental harm, as well as promote social equality and equity.



Engage with stakeholders regarding the management of social and environmental risk, and to identify opportunities for improvement.

Our principles are aligned with and guided by our commitments, as well as the UN Sustainable Development Goals (SDGs). We mapped the UN SDGs based on the areas we have the most impact and influent, resulting in 10 priority SDGs.





## SOCIAL AND ENVIRONMENTAL

## FINANCE SCORECARD





### SUSTAINABLE ACTION AND BUSINESS

Related UN SDGs	Measurement	2022 Performance
	<b>Financial Inclusion and Literacy</b> Financing to low and low-middle income households and first home owner.	<ul style="list-style-type: none"> <li>62% of clients have a monthly income below USD 700.</li> <li>2,179 households accessing financial services—a portfolio of USD 35 Million.</li> <li>64% of all clients are women.</li> <li>63% of all clients are first-time homeowners.</li> <li>59 short tips and educational content on personal financial management and property rights posted on our social media channel.</li> </ul>
	Access to affordable housing, clean water and sanitation	<ul style="list-style-type: none"> <li>About 60% of clients using housing loans to improve their quality of life.</li> </ul>
	<b>Customer Experience</b> Net Promoter Score (NPS)	<ul style="list-style-type: none"> <li>75% are satisfied</li> </ul>
	Client Retention Rate	<ul style="list-style-type: none"> <li>Retention rate is 77.3%</li> </ul>
	<b>Diversification and Inclusion</b> Women in leadership roles	<ul style="list-style-type: none"> <li>10%</li> </ul>
<b>Climate Change</b> GHG emission (Scope 1&2)	<ul style="list-style-type: none"> <li>Butane(liter): 44,956</li> <li>Electric/Grid Power(kWh): 187,499</li> </ul>	



## CORPORATE SOCIAL RESPONSIBILITY

Related UN SDGs	Measurement	2022 Performance
 	<b>Giving Back to the Community</b> Human Resource capacity building	<ul style="list-style-type: none"> <li>Implemented three library projects.</li> </ul>

## GOVERNANCE &amp; RISK

Related UN SDGs	Measurement	2022 Performance
   	<b>Governance and Ethics</b> Policies are in place to support sustainability action and business.  Monitor portfolio to see how source of income has a social and environmental impact.	<ul style="list-style-type: none"> <li>Updated Environmental &amp; Social impact management policy.</li> <li>Developed Security and Safety procedures.</li> <li>Updated complaint resolution mechanism.</li> <li>Integrated exclusion list for credit assessment and credit monitoring processes.</li> <li>Updated the Whistle-Blowing Policy.</li> <li>Updated the Code of Conduct.</li> <li>Re-engineered the Credit Policy and Procedures.</li> <li>Developed the Credit Risk Management Policy.</li> <li>Updated the Compliance Policy.</li> <li>Updated the HR manual.</li> </ul>
	Female representation on the Board	<ul style="list-style-type: none"> <li>0</li> </ul>

## STAKEHOLDER ENGAGEMENT &amp; ADVOCACY

Related UN SDGs	Measurement	2022 Performance
 	<b>Talent Attraction, Growth and Retention</b> Number of staff trained in social and environmental impact management each year.	<ul style="list-style-type: none"> <li>Since the policy has just been developed, training will be delivered from early 2023 onwards, in the induction program and annual refresher training.</li> </ul>



# The Highest Level of Client Protection Recognition



With a social mission to build the economic stability of low-income Cambodian families by increasing access to home ownership through the provision of long-term finance, First Finance is committed to preventing over-indebtedness with the highest level of care and transparency among its clients. Receiving the Gold Standard of Client Protection Certificate in 2022, which was assessed by M-Cril, provides us with a clear picture of our implementation of Client Protection Principles in day-to-day operations. These standards are (1) Appropriate products design and delivery (2) Prevention of over-indebtedness (3) Transparency (4) Responsible pricing (5) Fair and respectful treatment of clients (6) Mechanisms for complaint resolution, and (7) Privacy of client data.

# Report of the Independent Auditors

Extracted from the audited financial statements as at and for the year ended 31 December 2022

## 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 2022, and the statement of profit or loss and other 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 2022, 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 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 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 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 skepticism 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 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 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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



*Reinald C. Almera*  
Reinald C. Almera  
Partner - Audit and assurance

Phnom Penh, Kingdom of Cambodia  
19 April 2023

## STATEMENT OF FINANCIAL POSITION

	31 December 2022		31 December 2021	
	USD	KHR'000	USD	KHR'000
<b>Assets</b>				
Cash and cash equivalents	10,562,199	43,484,573	1,950,412	7,945,978
Statutory deposits	750,000	3,087,750	180,102	733,736
Loans to customers – net	35,263,824	145,181,163	30,289,226	123,398,307
Other assets	725,969	2,988,814	382,979	1,560,256
Property and equipment	339,744	1,398,726	96,195	391,898
Intangible assets	8,624	35,505	41,128	167,555
Deferred tax assets – net	30,278	124,655	29,623	120,684
<b>Total assets</b>	<b>47,680,638</b>	<b>196,301,186</b>	<b>32,969,665</b>	<b>134,318,414</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Other liabilities	4,838,015	19,918,108	3,927,366	16,000,089
Current income tax liability	112,422	462,841	40,876	166,529
Employee benefits	1 29,720	122,357	113,914	464,086
Borrowings	26,950,680	110,955,950	21,719,756	88,486,286
<b>Total liabilities</b>	<b>31,930,837</b>	<b>131,459,256</b>	<b>25,801,912</b>	<b>105,116,990</b>
<b>Equity</b>				
Share capital	15,000,000	60,000,000	3,602,033	14,408,132
Share premium	-	-	879,482	3,517,928
Regulatory reserve	652,911	2,650,992	418,662	1,693,620
Retained earnings	96,890	395,989	2,267,576	9,160,041
Cumulative translation differences	-	1,794,949	-	421,703
<b>Total equity</b>	<b>15,749,801</b>	<b>64,841,930</b>	<b>7,167,753</b>	<b>29,201,424</b>
<b>Total liabilities and equity</b>	<b>47,680,638</b>	<b>196,301,186</b>	<b>32,969,665</b>	<b>134,318,414</b>

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
<b>Interest income</b>	<b>4,681,773</b>	<b>19,134,406</b>	3,737,324	15,203,434
Interest expense	(1,925,136)	(7,868,031)	(1,811,719)	(7,370,073)
Net interest income	<b>2,756,637</b>	<b>11,266,375</b>	1,925,605	7,833,361
Fees and commission income	<b>357,681</b>	<b>1,461,842</b>	416,968	1,696,226
Other income	<b>248,375</b>	<b>1,015,109</b>	142,591	580,060
<b>Total operating income</b>	<b>3,362,693</b>	<b>13,743,326</b>	2,485,164	10,109,647
Net impairment loss on financial assets	(448,341)	(1,832,370)	(381,673)	(1,552,646)
Personnel expenses	(1,337,201)	(5,465,140)	(1,171,078)	(4,763,945)
Depreciation and amortisation	(126,698)	(517,815)	(99,909)	(406,430)
General and administrative expenses	(979,522)	(4,003,306)	(664,321)	(2,702,458)
<b>Profit before income tax</b>	<b>470,931</b>	<b>1,924,695</b>	168,183	684,168
Income tax expense	(139,793)	(571,334)	(79,635)	(323,955)
<b>Net profit for the year</b>	<b>331,138</b>	<b>1,353,361</b>	88,548	360,213
Other comprehensive income -				
Currency translation differences	-	<b>1,373,246</b>	-	205,827
<b>Total comprehensive income for the year</b>	<b>331,138</b>	<b>2,726,607</b>	88,548	566,040

## STATEMENT OF CHANGES IN EQUITY

	Share capital		Share premium		Regulatory reserve		Retained earnings		Cumulative translation difference	Total	
	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000		USD	KHR'000
<b>Balance as at 1 January 2022</b>	3,602,033	14,408,132	879,482	3,517,928	418,663	1,693,620	2,267,576	9,160,041	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	-	1,283,509
<b>Balance as at 31 December 2022</b>	<b>15,000,000</b>	<b>60,000,000</b>	<b>-</b>	<b>-</b>	<b>652,911</b>	<b>2,650,992</b>	<b>96,890</b>	<b>395,989</b>	<b>1,794,949</b>	<b>15,749,801</b>	<b>64,841,930</b>
<b>Balance as at 1 January 2021</b>	3,602,033	14,408,132	879,482	3,517,928	340,012	1,373,672	2,257,678	9,119,776	215,876	7,079,205	28,635,384
Net profit for the year	-	-	-	-	-	-	88,548	360,213	-	88,548	360,213
Change in regulatory reserve	-	-	-	-	78,650	319,948	(78,650)	(319,948)	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	205,827	-	205,827
<b>Balance as at 31 December 2021</b>	<b>3,602,033</b>	<b>14,408,132</b>	<b>879,482</b>	<b>3,517,928</b>	<b>418,662</b>	<b>1,693,620</b>	<b>2,267,576</b>	<b>9,160,041</b>	<b>421,703</b>	<b>7,167,753</b>	<b>29,201,424</b>

## STATEMENT OF CASH FLOWS

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
<b>Operating activities</b>				
<b>Profit before tax</b>	<b>470,931</b>	<b>1,924,695</b>	168,183	684,168
Adjustments for:				
Net interest income	(2,756,637)	(11,266,375)	(1,925,605)	(7,833,361)
Net impairment loss on financial assets	447,727	1,829,860	381,673	1,552,646
Depreciation and amortisation	126,391	516,560	99,909	406,430
Property and equipment written off	-	-	1,295	5,268
Loss on disposal of property and equipment	11,445	46,776	-	-
Recovery of loans	(160,508)	(655,996)	(236,984)	(964,051)
Operating loss before working capital changes:	(1,860,651)	(7,604,480)	(1,511,529)	(6,148,900)
Net changes in:				
Loans to customers	(5,261,817)	(21,505,046)	(7,499,416)	(30,507,624)
Other assets	(342,989)	(1,401,796)	(64,168)	(261,035)
Other liabilities	910,649	3,721,822	3,324,941	13,525,860
<b>Net cash used in operations</b>	<b>(6,554,808)</b>	<b>(26,789,500)</b>	(5,750,172)	(23,391,699)
Statutory deposits	(569,898)	(2,329,173)	-	-
Interest received	4,681,773	19,134,406	3,737,324	15,203,434
Interest paid	(1,927,364)	(7,877,137)	(1,627,878)	(6,622,208)
Income tax paid	(68,902)	(281,602)	(60,426)	(245,813)
Payment of employee benefits	(84,194)	(344,101)	(27,526)	(111,976)
<b>Net cash used in operating activities</b>	<b>(4,523,393)</b>	<b>(18,487,107)</b>	(3,728,678)	(15,168,262)
<b>Investing activities</b>				
Acquisitions of property and equipment	(347,781)	(1,421,381)	(32,976)	(134,146)
Acquisitions of intangible assets	(1,100)	(4,496)	(2,475)	(10,068)
<b>Net cash used in investing activities</b>	<b>(348,881)</b>	<b>(1,425,877)</b>	(35,451)	(144,214)
<b>Financing activities</b>				
Additional capital contribution	8,250,909	33,721,465	-	-
Repayments of borrowings	(7,038,429)	(28,766,059)	(6,687,287)	(27,203,884)
Proceeds from borrowings	12,271,581	50,153,952	10,084,048	41,021,907
<b>Net cash from financing activities</b>	<b>13,484,061</b>	<b>55,109,358</b>	3,396,761	13,818,023
<b>Net change in cash and cash equivalents</b>	<b>8,611,787</b>	<b>35,196,374</b>	(367,368)	(1,494,453)
Cash and cash equivalents, beginning of year	1,950,412	7,945,978	2,317,780	9,375,420
Currency translation differences	-	342,221	-	65,011
<b>Cash and cash equivalents, end of year</b>	<b>10,562,199</b>	<b>43,484,573</b>	1,950,412	7,945,978

