

AMK

Microfinance Deposit Institution {2nd update}

Phnom Penh, Cambodia

Social Rating

Standard Comprehensive¹

July 2015

Vision: The long term vision of AMK is of a Cambodian society where citizens have equal and sufficient economic and social opportunities to improve their standard of living, and where they can contribute productively towards the overall development of the country.

Mission: To help large numbers of poor people to improve their livelihood options through the delivery of appropriate and viable microfinance services.

DISCLOSURE: M-CRIL's co-Founder & Director, Frances Sinha is a member of AMK's Social Performance Committee. She has played no part in this rating.

	2011 [^]	2013	2015
SOCIAL RATING	AA-	$\Sigma\alpha$	$\Sigma\alpha$
RATING OUTLOOK		Positive	Positive

Rating dimensions	2013	2015
Process/organisational systems		
Governance and strategy	$\Sigma\alpha+$	$\Sigma\alpha+$
Monitoring social goals	$\Sigma\alpha$	$\Sigma\alpha$
HR & responsibility to staff	$\Sigma\alpha-$	$\Sigma\alpha-$
Client protection	$\Sigma\alpha-$	$\Sigma\alpha-$
Results/outputs – client level information ¹		
Depth of outreach	$\Sigma\alpha-$	$\Sigma\alpha-$
Quality of services	$\Sigma\alpha$	$\Sigma\alpha$

¹Client level information based on data available with the MFI.

[^] Rating by MicroFinanza

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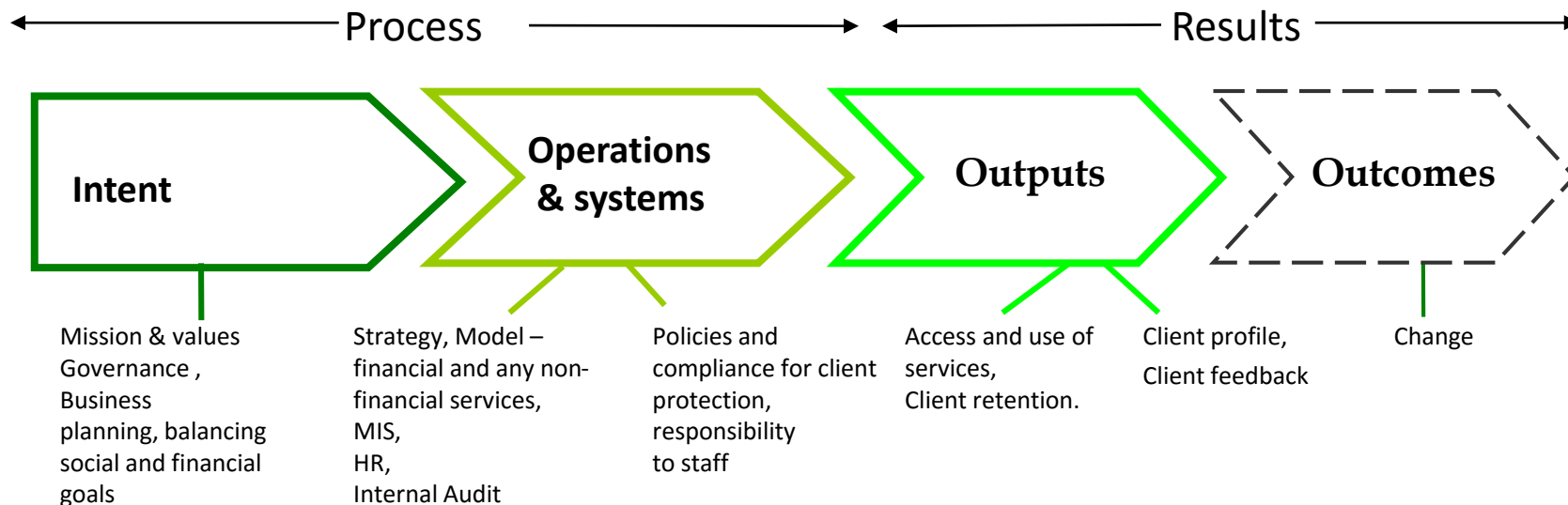
Structure

- ▶ Introduction – social performance pathway
- ▶ Synopsis
- ▶ Strength and issues; Rating Rationale
- ▶ Intent: Mission, Governance and Strategy
- ▶ Alignment of systems
- ▶ Client protection
- ▶ Results: outputs and outcomes
- ▶ Annexes

Key for bullets:

- ✓ Positive
- Issue
- Description

Social performance pathway



- ▶ Social performance is: the ***effective translation of an institution's mission into practice in line with accepted social values***
- ▶ This definition is reflected in the new Universal Standards of Social Performance Management (USSPM www.sptf.info).
- ▶ This standard comprehensive social rating covers all steps of the pathway, including essential practices that are part of the USSPM and drawing on MFI data for results.

Synopsis

- AMK originated from the credit and savings programme of Concern Worldwide and received license from National Bank of Cambodia in 2003. However Concern Worldwide exited in 2014.
- Mainly rural operations with presence in all provinces; poverty focused intent and practices.
- Microfinance model: Primarily Village Bank with 3-6 groups but also caters to individuals; range of services including various credit products, deposits, remittance and recently launched health and accident insurance product. Does not offer non-financial services.

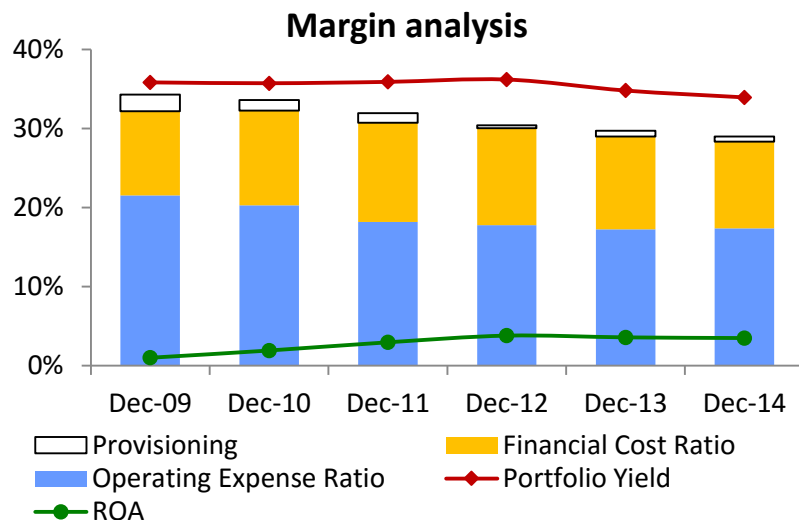
Organizational overview (December 2014)	
Number of villages (% of total villages in Cambodia)	12,075 (86%)
Branches & sub-branches	28 & 111
Active borrowers – VB	283,546
Active borrowers – Individual	47,051
APR	27%-36%
Voluntary savers, number	95,281
Borrowers with saving accounts	4.5%
Number of money transfer transactions	312,460
Total number of staff (women staff)	1,740 (507)
Clients: Total staff	190

Transparency:	MFI efforts	Client awareness^
Interest rate on loan	High	Low
Processing fees	High	High
Grievance mechanism	Moderate	Low
Interest rate on savings	Moderate	Moderate

Depth of Outreach (December 2014)	
Women clients	83%
Rural clients	92%
Clients in 3 provinces with lowest HDI rank	5%
New VB clients<NFPL [Cambodia rate '04]	42% [16%]
Average loan outstanding per client	\$287
Average loan disbursed	\$368
Average loan outstanding per client/GNI	30%
Average loan size disbursed per client/GNI	39%
Loans<\$500	92%
Average savings per client	\$406
Average savings per client/GNI	43%
Average amount of money transfer	\$372
Average amount of money transfer/GNI	49%
Money transfer transactions<\$300, number	47%

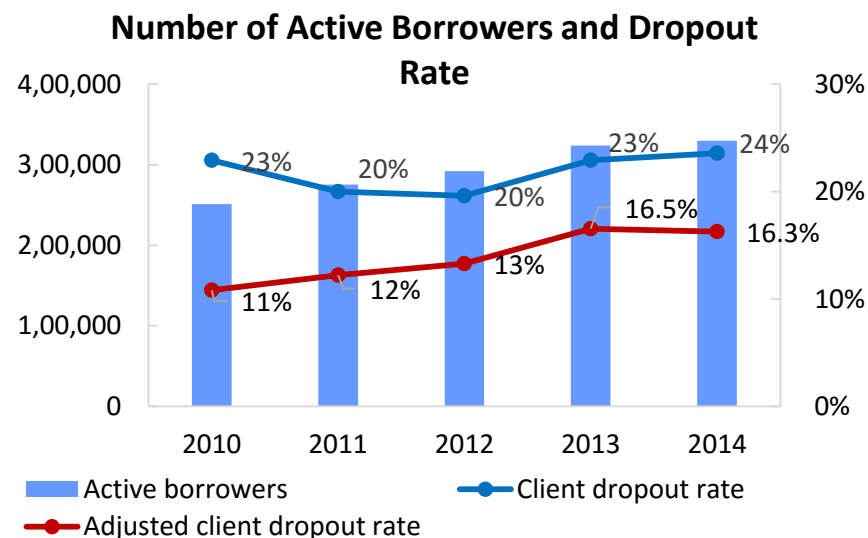
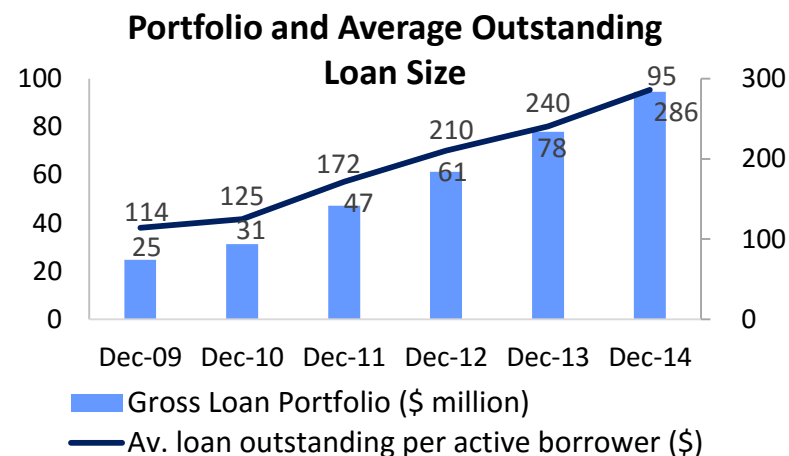
^ Based on M-CRIL's FGDs with VB and IL clients in 6 branches

Synopsis: trends data



Note: All ratios (except RoA) calculated on average gross loan portfolio

	Dec-12	Dec-13	Dec-14
PAR (30 days)	0.12%	0.16%	0.16%
Staff indicators			
Total number of staff	1,187	1,444	1,740
Clients/ credit officer	487	464	417
Staff attrition	13%	14%	15%



Dropout rate – staff , clients – presented here using MIX formula

Strengths

- ✓ Specific mission and vision statements, guiding principles – reasonable knowledge at all levels
- ✓ Socially committed and experienced Board members – focus on double bottom line. Social data reported to Board and Senior Management.
- ✓ Outreach in 86% villages, poverty outreach above national poverty rate (food line)
- ✓ Continuously reinvents to diversify the product range and delivery models; increasing depth of outreach and improving delivery of services by expanding agent network
- ✓ Incentive structure designed to prevent aggressive sales and collection practices; adjustments made for area potential
- ✓ Reasonable proportion of women in total staff and top management
- ✓ Comprehensive internal audit - verifies social data and client protection principles

Issues

- ❑ Limited understanding of branch level staff on target clients and client protection aspects
- ❑ Low client awareness of privacy clause and grievance redressal mechanism
- ❑ Liberalised cross-finance policy to deal with competition bears risk of client over-indebtedness
- ❑ Scope for improvement in staff capacity for conducting cash flow analysis

Rating rationale

Mission, Governance and Strategy

- ✓ Strong and involved Board; 3/9 women members.
- ✓ Focus on double bottom line, poverty outreach and client protection; reports to Board on social performance.
- ✓ Spirit of mission stressed in policy documents and in trainings. Staff focused on achieving mission.
- Mission statement broken into Key Performance Indicators (KPI) which are tracked but no targets are set
- ✓ Annual client growth projected at <5% during 2014-2017; focus on increasing depth of outreach.
- ✓ Performance appraisal of Executive staff including CEO includes KPIs on social aspects.

Monitoring Social Goals

- Appropriate targeting ensured through area selection and product design strategy instead of a tool; however poverty outreach monitored and benchmarked against National Rural Food Poverty Line.
- ✓ Regular reports on breadth and depth of outreach, client satisfaction, client exit rate and progress (impact).
- ✓ Reports enable disaggregated analysis based on product, loan cycle, CO and gender.
- ✓ Extensive coverage of audit including social and client protection aspects; findings reported to the Audit committee of the Board.
- Village level penetration data of 4 leading MFIs including AMK, not effectively used by the branches.

HR and Responsibility to Staff

- ✓ HR systems reasonably aligned to social goals.
- ✓ Overall 29% women and 38% in top management.
- ✓ Staff turnover increasing yet low (15%) in 2014.
- ✓ Incentive scheme designed to prevent aggressive sales and collection practices; adjustment made for area potential.
- ✓ Staff are satisfied with salary & incentive, also reflected in overall satisfaction score in the annual survey.

Client Protection

- ✓ Continuously reinvents, modifies and diversifies product range to meet varied client needs.
- ✓ Transparent systems: Efforts to provide information to clients on terms and conditions of products.
- Moderate understanding of staff on client protection.
- Liberalised cross finance policy resulting in client over-indebtedness. Scope to build staff capacity to collect information on other loans and properly conduct cashflow assessment.

Depth of Outreach

- ✓ Increasing coverage of villages.
- ✓ Poverty outreach higher compared to Rural Food Poverty Line.
- Outreach to unreached and sparsely populated north and north-east provinces has not increased.

Quality of Services

- ✓ Clients met appear satisfied with products.
- Limited awareness of privacy clause and grievance redressal mechanism.

Intent: Mission, Governance & Strategy

Process

Results

Intent

Mission: clarity and communication
Governance
Strategic planning

Mission: clarity and communication

- Mission and Vision statements have not undergone any modification since the last rating in 2013. The strategic objectives and the key performance indicators (KPI) also continue to be the same which enables achievement of mission in measurable terms.

Social goals	Definition and monitoring
Target Area: Rural areas	<ul style="list-style-type: none"> ➤ Rural penetration is one of the Key Performance Indicators (KPI); coverage of villages gradually increasing with operations in 86% villages of the country by December 2014 ➤ Increasing penetration level in the rural areas through its network of agents ➤ First MFI to expand into north-eastern provinces that have the highest poverty rates, though still very low client base in these provinces.
Target clients: Poor people	<ul style="list-style-type: none"> ➤ Depth of outreach (% of new clients below Rural Food Poverty Line, Relative Poverty and % of clients with Poor ID 1 and 2) are KPIs to facilitate achievement of mission; regular tracking done to ensure there is no mission drift ➤ Depends upon area selection and product design strategy for targeting the intended client segment and no targeting tool used; client identification depends upon staff's understanding of the client's poverty level
Services: Financial services including credit, savings, money transfer and remittances	<ul style="list-style-type: none"> ➤ Aims to become a one stop solution in next 5 years by offering wide range of group and individual loan products, deposit, insurance and remittance services ➤ Continuous product development and modification done based on client feedback; Motor Loan and Agriculture Equipment Loan being piloted in July 2015 ➤ Health and Accident insurance, Smart Kid Savings product offered to meet other needs of the clients
Outcomes: Improved livelihood options	<ul style="list-style-type: none"> ➤ Change in the household economic situation of clients monitored through an annual client cash flow survey conducted by the research team. ➤ In 2012 AMK undertook a detailed time-series assessment of impact/change in clients' lives during their relationship with AMK. Baseline data was created in 2006 and 2007.

Mission: clarity and communication

- ✓ Commitment to double bottom line percolates from Board to the staff. Alignment with AMK's mission is an important factor to be considered while identifying potential investors; no change in mission subsequent to addition of new investors.
- ✓ The vision and mission statements, guiding principles and code of practice for client protection are displayed in branches and sub-offices. Staff are trained on mission and vision during induction and it is emphasized at regular intervals.
 - Staff at the visited branches displayed moderate understanding of vision and mission.
- ✓ Some of the key social performance indicators incorporated into incentive calculations of the Executive team (CEO, COO, CBO, CIO, CRO and CFO).
- ❑ Goals for the key performance indicators have not been determined for eg: goals for KPIs pertaining to 'breadth of outreach' such as number of borrowers, savers, transfer customers, villages, village and household penetration are not set which limits effective monitoring of performance on the KPIs.

Governance

- Owing to exit of Concern Worldwide and addition of two new investors, Board membership has changed.
- ✓ Currently AMK has nine members in the Board with extensive experience in microfinance, investment banking, audit, finance, law, technology and development. (Annex; slide 44).
- Proportion of independent Directors is – 44% (4 members).
- Board has four committees - i) Remuneration, Nomination & Governance (RNGC) (ii) Audit (iii) Risk and (iv) Social Performance (SPC).
- ✓ Share of women Directors has increased from 20% in 2013 to one-third. Additionally, Social Performance sub-committee has 2 members (women), Audit & Finance and Risk sub-committee have 1 women member each.
- ✓ Due to continued association of most of the Board members for over 5 years, involvement and commitment is high. SPC Chairperson orients new members in the Board on SPM.
- ✓ Chairman represents the major shareholder and has over 18 years of experience in microfinance rating, consulting and implementation.
- ✓ Quarterly Board meetings are well attended and documented. Board minutes reflect concern for the double bottom line.
- ✓ Good reporting to the Board – reports include trends in social performance parameters including depth of outreach, level of compliance with Universal Standards for Social Performance Management (USSPM), findings of client satisfaction study, client exit, multiple loans, client grievances based on call centre data, staff and agent satisfaction.

Governance

- ✓ Executive staff (CEO, CFO, COO, CBO, CRO and CIO) are evaluated on qualitative and quantitative parameters. Quantitative aspects include growth in deposits, remittance, insurance, portfolio quality and profitability. Evaluation parameters also include proportion of clients with loan amount less than \$500, average deposit balance less than \$50 and client retention reflecting institution's commitment to its target clientele.
- Qualitative parameters include Board communication, other stakeholder communication, strategic planning and overall management style.
- ✓ Incentive on quantitative parameters cannot exceed 30% of the fixed salary and overall incentive is capped at 40% of salary; 30% of the incentive is paid in shares and divested over a period of three years.
- ✓ Remuneration (salary + bonus) of the CEO was around 32 times the salary of an entry level Credit Officer in 2014, which is reasonable.

Strategic planning

- ✓ In line with the revised target set in the business plan for 2014-2017, AMK has continued to grow cautiously; reported ~2% client growth rate in 2014 despite high industry growth. However focus on improving village level and household level penetration has not been diluted.
 - In order to deal with competition, AMK liberalized its cross-finance policy; however emphasizes on using village level penetration data to increase outreach in the under and unserved areas.
 - ✓ Product diversification has further added to its competitive advantage. Health and Accident insurance was tested in 2014 in collaboration with Forte Insurance and rolled out in all branches in the current year. Payment services for utility bill payments was introduced in 2013. Further a new deposit product (Smart Kid Account) was launched in 2015 and it plans to offer Motor Loan and Agricultural Equipment Loan.
 - Despite increasing maximum size for Village Bank Loans from \$300 to \$500, focus continues to remain on poor which is reflected by the lowest average loan size (\$287) vis-à-vis other MFIs in the country reporting to CMA (\$1,140). Maximum amount for Individual Business Loan (Instalment) has also been increased to \$5,000 from \$2,000.
 - ✓ In order to improve delivery of its services and increase outreach, agent network has been widely expanded from 294 in December 2013 to 1,758 in June 2015. In 2014 money transfer services through agents was also allowed. ATMs were also added for the benefit of depositors.
 - ✓ Alignment with AMK's mission and commitment to social performance are also considered while selecting investors. With the exit of Concern Worldwide, PROPARCO and CLDF acquired shareholding in AMK but vision and mission statements remained unchanged.
 - Flowing from mission and guiding principles to balance social and financial goals, there is an implicit understanding that the RoE should not exceed 20%.
-

Alignment of systems

← **Process** → ← **Results** →

**Operations
& systems**

Model, market strategy
Products & services, non-financial services,
Information and reporting on social performance,
HR systems, internal audit

Market strategy

Areas

- ✓ Having presence in all districts in the country, focus is to increase coverage of villages as poverty level is higher in the rural areas. Level of village penetration is one of the KPIs. In order to improve penetration in existing districts, emphasis is currently on expanding agent network.
- Other competitors including Amret, Vision Fund, Sathapana and HKL operate in all provinces and TPC in 22 provinces.
- ✓ Area selection at branch level done using village penetration data based on outreach of Amret, AMK, TPC and Vision Fund. Villages are categorized as very low risk if penetration level is <25%, low risk for 25%-50% penetration level, medium risk for 51%-75% and high risk for >75%.
- ❑ Though branches are advised to not expand in medium and high risk villages and prioritize the unserved village, staff in the visited branches were not aware of this policy.
- ✓ Village demand risk profiling covering information on the number of households, economic activities, competition (MFIs and informal sector), MFI penetration level, default rate, culture, migration level, if any risk of disaster, security and access is done by AM/CO for selection.

Clients

- AMK is committed to serving the poor and consciously does not use any targeting tool. Operations in rural areas and low loan size ensures non-poor are automatically rejected. Groups are self-formed by members and 3-6 groups form a Village Bank.
- ✓ National Poor ID Card details captured to only measure poverty outreach.
- ❑ Staff lack clarity on client identification despite trainings which resulted in lending to non-poor households (reported yearly income in the application form ranges from KHR 6mn-257 mn).
- Poverty outreach is measured regularly for a sample of clients; poverty level is one of the key performance indicators but no target has been set.

Microfinance policies

- Initially a promotion meeting is conducted by the Credit Officers (CO) in the presence of Village Chief to communicate information regarding AMK, products, processes and terms. This is followed by refresher meeting for the interested members who form groups. 5-10 such groups form a Village Bank (VB) and members elect a President (VBP).
 - Terms and conditions are reiterated prior to filling up application form. The VBP visits clients' house along with the CO to fill the loan application form.
 - Applicant's indebtedness information is sought from the Village Chief and other members. The credit bureau check from Credit Bureau of Cambodia (CBC) is automated and compulsory.
 - Area Manager (AM) conducts house verification for 10% of VB applicants and 100% for Individual Loan (IL). In case of IL, collateral value and guarantor information is also confirmed.
 - Subsequently the loan is approved by the AM/BMs. Approval authority is dependent on the loan amount and cross-finance policy. Repayment capacity forms the basis for the loan amount.
 - Loans are disbursed in the presence of AM at VB meetings in cash, for IL disbursement can be made at the clients' house (preferably in the presence of the guarantor) or even at the branch.
 - CO collects repayments from clients at the monthly meetings; clients' loan passbook is updated.
 - VBP is also incentivized on collection depending upon the recovery rate.
 - Utilisation checks are conducted for all individual loans by the CO/AM/BM, depending upon the loan amount, within 3 months of disbursement. It is not formally done for group loans.
 - Foreclosure is allowed anytime without any penalty. Members can apply for subsequent loan immediately.
 - In addition to the loan products, AMK also offers deposit, insurance, remittance and payment services. Deposit and remittance transactions can also be done through agents.
-

Financial products

- **Credit:** AMK offers both Village Bank and Individual loan products. It continuously strives to widen and improve its product range and processes. As a result, in view of clients' demand, maximum amount of VB Loans was increased to \$500 and for Individual Business Loan (IL) it was increased to \$5,000.
 - Though VB Loans, major product in AMK's total loan portfolio has three repayment options - End of Term (EoT), Instalment and Credit Line (CL), clients with regular income are only eligible for instalment option. VB loans are offered in KHR and in Thai Baht in few branches.
 - Home Improvement Loan introduced in 2013 is close to the maximum exposure allowed. However Water Filter Loan had to be discontinued owing to issues with the vendor.
 - Plans are currently underway to offer Motor Loan and Agriculture Equipment Loan.
 - ✓ Most of the loans are small sized (92% of loans \leq US\$500).
 - **Savings:** In addition to the existing deposit products (Easy Savings, Lucky Savings, Fixed Deposit and Future Account), in 2015 AMK started offering Smart Kid Account. The new deposit product is for meeting future needs of children and has also insurance benefit. 300% of savings balance would be provided in case of death of the parent. AMK does not charge premium for insurance benefit provided under this product.
 - ✓ For the ease of depositors, focus to widen the agent network has increased. Though this has contributed to 63% rise in depositor base in 2014, proportion of borrowers having saving accounts has only marginally increased from 3% in 2012 to 4.5% in 2014. At the same time savers having AMK loans have reduced from 29% to 16% during the same period indicating acceptance of AMK as a reliable deposit agency.
-

Financial products

- **Insurance:** To meet insurance needs of the clients a Health and Accident insurance has been introduced in the current year after pilot in 2014. AMK has partnered with Forte Insurance to offer this product which is optional and can be availed even for spouse. Coverage of \$500 is provided for permanent disability and \$1,000 for accidental death at a premium of KHR25,000 per person. Since the term of the policy is 1 year, coverage would remain even if loan term of the client has ended. By June 2015, 49,113 policies were issued.
- **Money Transfer:** Money transfer service is gaining popularity despite stiff competition from Wing due to lower fee. The fee for the remittance service depends upon the type of transfer (4,000 Riel for account to account transfer and 6,000 Riel for account to cash/cash to account transfer).
- **Payment Services:** Bill payment services through in cash or account is also offered through entire branch network. By June 2015, AMK had tied up with 20 companies for payment services. The MFI is exploring to allow payment transactions through its agent network. AMK is also in agreement with 25 companies for payroll transactions.

Information and reporting on social performance

- ✓ Regular monitoring and reporting on social indicators to management and Board.
- **Client profiling at entry:** Socio-economic indicators including – Poverty level (ID Poor card), marital status, education, ownership of assets, earning members, extent of debt, household income and expenses for the client are captured in the loan application form.
- Poverty level, marital status and education level are also recorded in the MIS. The overall asset value and annual net income are recorded in the MIS but not the details of the assets, income or expenses.
- ✓ Quality of data is monitored by supervisory staff and internal Audit (IA).
- Audit reported data quality issues regarding estimation of assets and income-expenses in clients' cash flow.
- ✓ Annual cashflow survey done for new VB clients to analyse demographic details, cash inflow (income) and outflow (expenses), cashflow patterns (seasonality), household assets and vulnerability.
- ✓ AMK also analyses depth of poverty outreach for a sample of new clients annually, using AMK Wellbeing Score and Daily Food Expenditure per capita. Comparison with non-AMK clients and previous years depth of outreach done in addition to separate analysis between rural and peri-urban clients.
- **Client profiling over time:** Socio-economic indicators collected at each cycle. Assessment of change in economic situation is part of the annual cashflow survey.
- Periodically study is conducted to measure impact on client lives; the 'Change Study' was last conducted in 2012 using baseline information of 416 clients in 2006 and 2007.

Information and reporting...continued

Market intelligence:

- ❑ Village level penetration data is not effectively used by the branches.
- ✓ Multiple loan study conducted for new VB clients across products, provinces and poverty level.
- ✓ Competitive analysis of products done through Product Positioning study – once in 6 months for credit and quarterly for saving products. Done once for insurance and remittance services.
- ✓ Exit study done for dormant and deserting clients; analysis based on products, year of association with AMK, cycle and poverty level.
- BM visits 15%-20% of exit clients but reasons are not recorded.
- ✓ Client Satisfaction study done for new VB clients – results disaggregated on the basis of product, cycle, poverty level.

Market intelligence	Method	Reports
Competition	Credit bureau check for all loans	Monthly
	Village level penetration data shared with TPC, Amret & VF	Once in six months
	Multiple Loan study	Annual
Client exit: - Rate - Reasons	Adjusts for resters (slide 41); dropouts-inactive for more than 6 months	Monthly – BMU (Branch Monthly Update) & MIS
	Client Exit Study	Annual
Client feedback/ Satisfaction study	Informally collected by branch staff or HO staff during supervisory visits	Not documented
	Product Evaluation Study for new products	Need based
	Client Satisfaction Study	Annual

Technology & MIS:

- 'Under Tree (UT)' software is the MIS for credit, deposit, insurance and remittance; UT application enabled in Windows and Android phones for agents.
- Daily backup in the data centre at HO and replicated on a real time basis in another location.
- Current software does not have business intelligence (BI) feature; reports can be viewed in Cube, a linked software. Disaggregated analysis done based on products, loan cycles, CO and gender.
- Plan to change to a more flexible software integrated with BI feature.

Internal audit

- ✓ Audit team re-organized and expanded from 20 members in 2013 to currently 32, 18 Internal Audit Officers (IAO) are based at the branches. Additional 9 staff have been identified internally; plan to add 11 more by end of 2015.
- 2-3 weeks branch operational audit conducted twice a year and 1-2 weeks functional audit once a year. Annual audit of HO departments.
- Extensive coverage – Credit Management, Savings & Transfer Management & Agent Management as part of operational audit and Finance & treasury, MIS & IT and HR as part of functional audit.
- ✓ Reports for each branch and sub-office shared with the Board level Audit Committee. Bi-weekly summary is shared in addition to summary findings presented during the quarterly Board meeting.
- Audit Grade - Good, Satisfactory, Marginally Deficient & Deficient. In 2014, 76% branches were satisfactory and rest marginally deficient.

Sample categories	Size*	Sample categories	Size*
Active clients	1%	Agents & Document review	5%
Overdue clients	5%	Visited agents' clients & Documents	2%
Written-off clients	1%	MI clients, clients with claim & Documents	1%
Death clients	2%	Document review for savings - account opened, accounts closed, transactions	2%
Saving clients	1%	Documents – remittance transactions	1%

CPP and social aspects that are verified on field through audit

- Disbursement & Collection processes
- Match loan details in MIS with documents (loan files)
- ✓ Client's ability to read passbook, awareness regarding importance of passbook
- ✓ Awareness on product, last month's instalment amount
- ✓ Awareness of grievance redressal mechanism
- ✓ Cross finance %
- ✓ Cash flow analysis appropriateness
- ✓ Agents' understanding of policies, documentation, practices and behavior with clients
- ✓ Instances of loan sharing
- ✓ Customer service & staff behavior

* Minimum % prescribed, sample to include all products, currencies

AMK

HR systems – alignment with mission & values

- Detailed HR manual, HR teams segregated into HR (17 staff) and Training (13 staff) in January 2015. Recruitment, compensation and staff welfare part of HR processes.

Recruitment: Fresh hires are made mainly for the entry level staff (CO & Tellers). Announcements are made through website, network, newspapers, career expos and in universities.

- ✓ The non-discrimination policy ensures equal opportunity is provided during the recruitment process. However due to low literacy levels in the hilly areas of northern provinces, the cut off for the written test is lowered beyond the minimum required 40%.
- ✓ In the interview, willingness to work in rural areas and commitment are one of the main criteria for hiring which ensures the right fit to the role.
- ✓ Local persons are preferred for branch staff. Persons with MFI experience are preferred for the role of CO; despite no preference mostly women apply for the teller position.

Training: 10 days training provided to new COs and 15 days to Tellers. New recruits are trained on mission, vision, guiding principles, client protection principles, code of conduct, products and policies. Training methods include group discussion, role play, video and case studies for clarity.

- Training is followed by a rigorous test to check awareness and understanding of the staff.
- Additionally, AMK regularly provides refresher trainings on new products, IT & MIS and soft skills. Staff are also sent for external trainings and exposure visits.
- Annual Training Needs Analysis (TNA), audit reports provide input for refresher trainings. Test is conducted post refreshers and visits made to the branches having staff with low scores.
- ✓ Data on training disaggregated on the basis of gender and positions.
- In 2014, overall staff received more than 4 trainings; around 75% of branch staff attended 6

trainings.

AMK

HR systems – Alignment with mission & values ... continued

Staff appraisal: Annual Performance assessment (PA) parameters include (i) outputs vs objectives (ii) organisational development (iii) work ethics and (iv) work quality.

- ✓ COs are assessed on quality of all activities they conduct i.e. VB formation, loan disbursement, active clients handled, repayment collection, information management related to client, VBP and competitor, cash handling. Punctuality and discipline (behaviour with clients) are some of the other parameters.

PA Grades	Increment
A	14%
B	12%
C	10%
D & E	Nil

- ✓ Increment is based on grade achieved in performance assessment.
- ✓ 360 degree performance appraisal is currently done only for all staff including CEO, CFO, COO, CBO, Heads of department, RM, UM and BM.

Incentives:

- ✓ New recruits are now eligible for incentive after 6 months of joining, reduced from 1 year.
- ✓ COs receive monthly incentive while other branch staff receive quarterly. Incentive for branch staff except CO is capped at 2 month's salary per quarter.
- ✓ Staff are incentivized on interest amount collected, clients handled and portfolio quality. Though CO handling <400 clients are not eligible for incentive, the maximum slab is >800 clients. Policy of incentivizing staff with PAR₃₀ till 1% prevents aggressive collection practices.
- Adjusted RoA, PAR, growth in borrowers, savers, savings balance and number of money transfer transactions are incentive parameters for AM, SBM and BM.
- ✓ Adjustments for area potential based on population density, share of non-primary sector livelihoods, flood/drought occurrence rates and % of non-poor population made in calculation.
- Additionally group incentive is paid to branch staff every 6 months on achievement of targets.

Responsibility to staff

Personnel development/Growth Opportunities:

- Adequate growth opportunities provided in AMK through promotions. External hiring done only for top management and middle management level, if needed.
- Performance in the written test, interview and supervisor's recommendation considered for promotion. COs are eligible for promotion after 2 years of association with AMK.

Staff satisfaction/motivation:

- ❑ Branch staff displayed moderate understanding of mission and vision, and low awareness of client protection but were well aware of processes, product terms and conditions.
- ✓ Staff showed a high level of commitment and reasonable level of satisfaction.
- ✓ Interviewed staff were satisfied with the salary, incentive and benefits vis-a-vis other MFIs.
- ✓ A detailed annual staff satisfaction survey is conducted and results analysed based on gender, position and years of service. Reported an average satisfaction score of 3.63 on a scale of 1-5 in 2014 with 93% of staff being satisfied.
- ✓ Agents were also surveyed to assess their satisfaction level. Overall moderate satisfaction levels but low on phone set and commission.
- ✓ Staff feedback is also collected by internal audit team during regular branch visits.

Grievance mechanism:

- Multiple processes for staff feedback; at every branch feedback box is placed, whistleblowing number, e-mail id accessible by HR Head and CEO are also available to report grievance.
- ✓ Additionally, 360 degree feedback survey is done wherein peers and supervisors give their feedback through the internal portal.
- ✓ Visits made by HR executives to the branches to discuss challenges and concerns.

Responsibility to staff

Staff turnover:

- ✓ Low attrition rate compared to other MFIs.
- Disciplinary actions were taken against 44 staff during 2014. 12 (3.9%) out of 308 staff who left AMK in 2014 were dismissed.
- Exit survey conducted by the HR team for all exit staff.
- Better opportunity was one of the major exit reasons for over half of the staff who left voluntarily.
- ✓ Attrition among probationers/women and level-wise, analysed separately.

	No. of staff	2012	2013	2014
a	At the beginning of FY	963	1,187	1,444
b	New recruits during the FY	402	495	604
c	At the end of FY	1,187	1,444	1,740
	Turnover [(a+b-c)/(a+b)]	13%	14%	15%
	% of women amongst exit staff	30%	20%	23%

- ✓ Conditions and benefits for staff are aligned with legal requirements.

Working conditions – reasonable	Official working hours in accordance with the labor law. AMK has reasonable working conditions at its branches and moderate facilities at sub-branch offices.
Remuneration – reasonable .	Staff happy with the salary and incentive structure; feels other MFIs' incentive scheme is more stringent.
Leaves – adequate	Staff are eligible for 18 days' earned leave, 3 months fully paid and additional 3 months' leave with half salary in case of certified sick leave.
Insurance/medi-claim	Accident insurance cover of \$10,000, coverage of \$5,000 in case of death due to illness. Trainee staff also covered under accident insurance. Full reimbursement of medical expenses for staff, spouse and children; cap of \$2,000 per annum for medical expense abroad.
Other benefits	General Loan, Study Loan, Housing Loan and Asset Purchase Loan and Pension. Interest rate reduced on Asset Purchase Loan, Housing Loan based on staff satisfaction survey. 1 month Bonus for all staff and a Pchum Ben bonus once a year. Equity options available to all staff ranging from support staff (driver, cleaner, guard) to top management.

Responsibility to staff

Gender:

- ✓ Ratio of women staff consistently maintained; high in admin and support function as women prefer roles of tellers and accountants at the branches.
- ✓ Recruitment announcements encourage women to apply and emphasise on 'equal opportunities for men and women'. Prefer women if both men and women are equally suitable for any role.
- ✓ Aims for overall 50% women in total staff. Target of 35% of total staff as women by 2017.
- ✓ Avoids placing women staff in remote locations.
- ✓ Provides 3 months with pay and 3 months without pay maternity leave – plus time off to feed infants for the first 12 months; 5 days paternity leave.
- ✓ Reimbursement up to \$1,000 for surgery on delivery, \$300 for normal delivery.
- Sexual harassment policy adopted but no separate channel for reporting harassment cases.
- ✓ However female staff are aware that HR Head can be directly approached.
- 1 staff dismissed in 2015 on account of sexual harassment.

Management levels	No of women staff	No of staff	% women
Top management	6	16	38
Middle management	9	48	19
Field staff	53	793	7
Admin & support	439	883	50
Total	507	1,740	29



Client Protection

This section follows the seven principles of client protection evolved through the global SMART campaign (www.smartcampaign.org) to ensure that providers of financial services to low-income populations follow transparent and ethical practices in their interactions with clients.

Client Protection: Principle 1

AMK formally adopted a Code of Practice for client protection in 2005 which fairly covers the client protection principles of the Smart Campaign. Additionally it includes 'inclusion' and 'freedom of choice' for clients. AMK has also undergone Smart Assessment preparing for client protection certification. Commitment to client protection is also emphasized in the guiding principles of AMK.

Appropriate product design and delivery:

- ✓ Appropriateness of products and services is part of institution's mission and hence AMK continues to reinvent to cater to the needs of its client base. Client retention is one of the KPIs. As a large proportion of its clients are from rural areas, AMK is planning to offer Agricultural Equipment Loan from July 2015. Motor Loan is also in the pipeline primarily for clients in urban areas. Based on client feedback Home Improvement Loan was introduced in 2013. Increase in maximum loan size from \$2,000 to \$5,000 for Individual Business Loan and \$300 to \$500 for VB Loan was also to meet clients' need for higher loan amount.
- ✓ To facilitate convenient repayment, clients in the same group can choose different repayment options amongst EoT, Instalment and CL based on their cashflow. Earlier all groups in a VB had same tenure but now different tenure between groups is allowed. However VB loans are not offered in US\$.
- ✓ Additionally to fulfil other needs of the client base, health insurance product and a Smart Kid Saving Account have been launched. In order to improve delivery of its services, ATM and agent network are being expanded.
- ✓ Market research studies are conducted to assess the needs of new products. Further results from client feedback study, client exit study and cashflow survey act as input for product modification or introduction. Regular Product Positioning studies also leads to revision in product terms.

Client Protection: Principle 2

Prevention of over-indebtedness

- Cash flow assessment is an integral part of loan appraisal. For VB Loans, the maximum loan amount cannot exceed 60% of net income less repayment of other loans. For IL the value of collateral has to be at least 1.7 times of the loan amount including value of immovable asset of at least 1.5 times of loan amount.
- Though cross-finance policy is also intended to prevent over-indebtedness of the clients, in last few years in order to face competition, AMK has liberalized its cross-finance policy for VB Loans.
VB Loan: AMK could be the third lender subject to BM's approval if loan outstanding from all sources including AMK is within \$1,000. RM's approval is required if loan outstanding from all sources is between \$1,000-\$2,000 and Credit Head's approval if loan is between \$2,000-\$3,000.
Individual Loan: Same policy as for VB loans is applicable for individual loans less than \$500. However if a new client applies for individual loan of more than \$500, AMK does not allow any multiple loan. For existing IL clients applying for loan >\$500, AMK can be the 2nd lender.
- ❑ Staff in few of the visited branches were not clearly aware of the cross finance policy.
- ✓ Credit bureau check is compulsorily done for all loans. Information regarding loans from other sources is also captured in the application form.
- ❑ However since the NGO MFIs do not share client data with the CB, it is essential that this information is collected at the application stage to accurately assess the repayment capacity of the clients. Though AMK shares details of its clients on a daily basis with the CB, the CB data is updated once in a month. With turnaround time (application to disbursement) of 3-4 days, role of staff in collecting information on other debt gains more significance.

Client Protection: Principles 3 & 4

Transparency

- Openness and transparency is emphasised in both Guiding Principles and Code of Practice for Client Protection. The principle 'Freedom of Choice' complements transparency and encourage clients to make an informed choice as AMK offers a wide range of products with varied terms.
- ✓ Terms and conditions are communicated both verbally and in written form in local language. A banner with information about the products is used as a backdrop at each meeting location.
- ✓ Loan passbook provided to clients have printed repayment schedule along with the interest rate. Details of other loan products are also printed on the flip side of the passbook. A copy of the loan agreement is given to the individual clients or VB President for VB Loans specifying the loan terms. Receipts are provided for all transactions to client (IL) or VBP (VB Loan).
- No display at the branches.

Responsible Pricing

- ✓ AMK charges 2.8%-3.0% per month on a declining balance basis for VB Loans in KHR and 2.6%-2.8% for loans in Baht. Other competitors (Amret and TPC) charge up to 3.5% for group loans.
- Interest rate for different IL products range between 2.0% to 2.8% depending upon repayment options and currency. Peer MFIs such as Amret, VF and TPC also offer IL at interest rate lower than 2.0% but the maximum interest rate is 3.5%.
- Despite reporting higher operating costs than its peers, AMK has reduced interest rates on its loans in the past and offers competitive interest rates.
- The MFI also collects 0.5% of the loan amount as processing fee and premium of 25,000 KHR for optional accident and health insurance product.

Client Protection: Principle 5

Fair and respectful treatment of clients

- 'Ethical Staff Behaviour' and 'Appropriate Collection Practices' codes highlight importance of treating clients with respect. Unethical means, abusive or coercive behaviour or selling basic asset of clients are prohibited according to the credit procedure manual. Staff are trained on expected behaviour with clients and interviewed staff were aware that serious action would be taken for non-compliance with the HR policies and Code of Ethic.
- ✓ Behaviour with clients is one of the parameters for performance assessment of the CO and AM. Disciplinary action was taken against 1 staff in 2014 and 2015 each for misbehaviour with clients.
- ✓ Though staff are incentivised on active loans and portfolio quality, the incentive structure is graded and staff are eligible for incentive till PAR_{30} of 1% to avoid coercive collection. Further maximum slab for active loans is >800 and adjustment for area potential is done to prevent aggressive sales practices.
- VBP is also eligible for incentive of 4.5% of interest collected in case of 100% recovery rate and 3% if recovery rate is less than 100%. However dominance of VBP is monitored during supervisory visits.
- The rescheduling policy at AMK allows rescheduling only after loan maturity. The policy is yet to be approved by the Board.

Client Protection: Principles 6 & 7

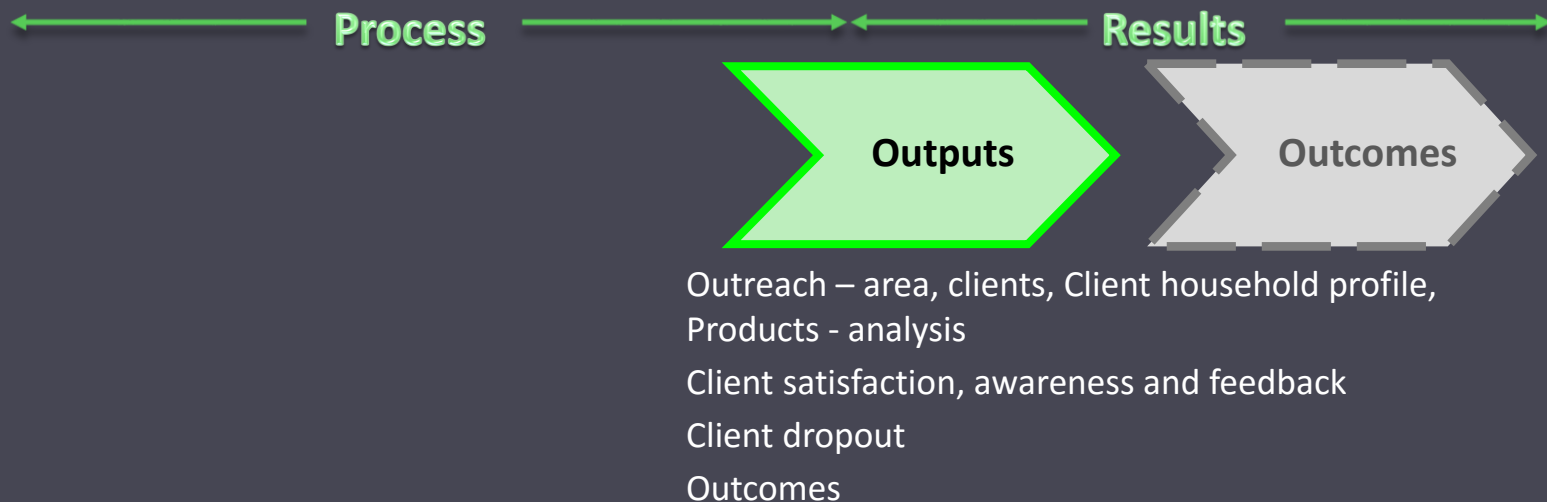
Privacy of client data

- ✓ AMK shares indebtedness information of its clients with the Credit Bureau of Cambodia (CBC) on a daily basis. By undersigning the 'Consent and Privacy Clause' in the application form, clients provide their consent to share their information with the CBC and NBC.
- ✓ Staff are trained to maintain confidentiality of client information. Agents do not have access to any data and transaction is facilitated by the pin code which is available only with the client.
- ✓ The IT systems are secure and access is role based; IT systems are audited three times in a year.

Mechanism for complaint resolution:

- Grievance redressal mechanism for clients include complaint box at the branches and toll free number. All calls are recorded in a Helpdesk system and categorised into complaint services, customer support services and staff support services (staff calls on behalf of clients).
 - ❑ Though toll free number is verbally communicated to the clients and is also printed on the loan passbook, M-CRIL team observed extremely low awareness of the grievance redressal mechanism amongst the clients.
 - ✓ Monthly dashboard on number and categories of calls, resolution time is sent to the management and discussed in quarterly Board meetings.
 - ✓ AMK does not have a policy on turnaround time and escalation; however all issues are generally resolved in a day.
 - ✓ Feedback is also sought through monitoring visits of the BM and visits made by the internal audit team.
-

Results: outputs and outcomes



Outreach – Areas

- ✓ AMK works in all provinces of the country, with the largest number of clients in Kampong Speu and Kandal. Of the 10 provinces where AMK has the highest outreach, 4 have higher poverty rates than the national average of 32%.
- Stung Trei, Ratanakiri and Preah Vihear have the highest poverty rates and lowest ranks in HDI; however these provinces accounted for only 4.7% of the clients. Outreach in these provinces has not significantly increased.

Clients by province, by level of development

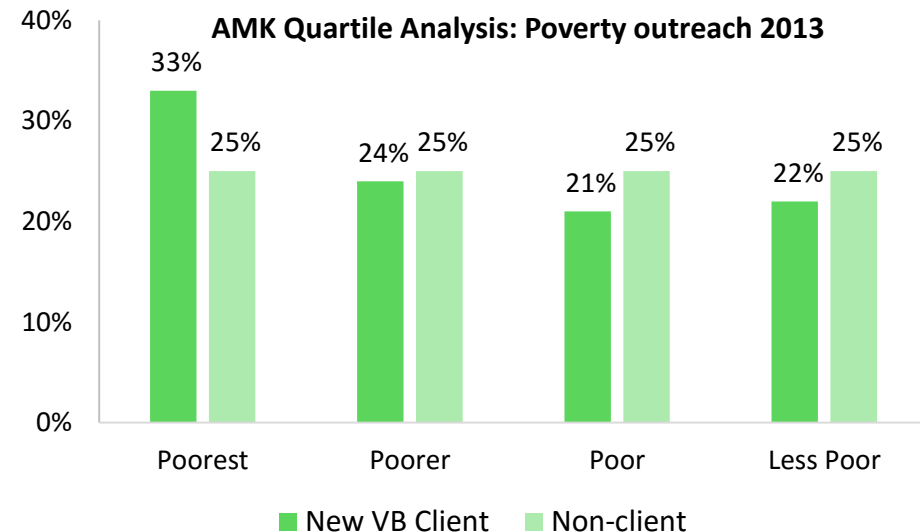
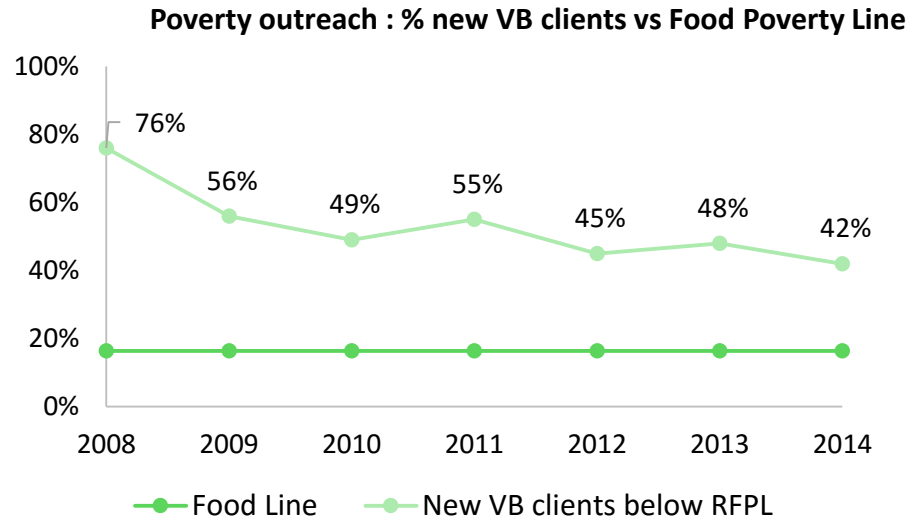
Province	Share in clients	Poverty Rate ¹	Literacy Rate (Women) ¹	HDI ²	HDI Rank ²
Kampong Speu	8.3%	53%	61% (53%)	0.663	3
Kandal	7.9%	17%	78% (73%)	0.700	2
Prey Veng	7.5%	30%	61% (53%)	0.633	9
Kampong Cham	7.3%	32%	64% (57%)	0.624	13
Kampong Thom	6.3%	48%	58% (53%)	0.603	16
Takeo	6.2%	23%	69% (61%)	0.635	8
Siem Reap	6.1%	46%	56% (48%)	0.625	12
Tboung Khmum	6.0%				
Battambang	5.8%	27%	74% (68%)	0.638	7
Svay Rieng	4.7%	33%	64% (54%)	0.629	10
Overall Cambodia	66.3%	32%	67% (60%)	0.638	-

¹ <http://www.foodsecurityatlas.org/khm/country/provincial-Profile>

² http://hdr.undp.org/en/reports/national/asiathepacific/cambodia/Cambodia_2011_NHDR

Poverty outreach

- AMK does not compare its poverty outreach with the international poverty lines but benchmarks it with a national tool to assess performance within its national context using data from the annual client cash flow survey.
- ✓ Though the poverty outreach is declining, it is still significantly higher than the food poverty line.
- AMK relies primarily on a New Client Relative Poverty Measurement to ensure that it continues to target the poor. Each household is assigned a Wellbeing Score, with higher scores indicating greater household prosperity. All non-client households are then divided into four equal quartiles, and these quartiles are compared with the AMK new entry clients' Wellbeing Scores.
- ✓ The quartile analysis shows that a higher proportion of AMK clients are poorest than the non-clients.
- ✓ Depth of outreach is one of the key performance indicators.



Client & household profile (at entry) [Cash flow survey data; new VB clients in 2014]

- 63% of surveyed clients were literate with an average age of 41 years.
- At least one of the school age children was attending school in 71 % of the households.
- The average household size was 4.9 and average number of earning members was 1.7. However households had on an average over 4 economic activities. 82% of surveyed clients undertook at least one farming activity, 95% undertook one non-farm activity.
- Casual labour contributed most to the household income followed by services, salaried job, farming and petty trade.
- Major expense items in the household included food, non-farm investment and household assets.
- 48% of households had floor of wood or stone while 30% had of mud. 74% had tin/zinc roof and 10% had roof built from thatch/leaves. Only 17% had walls built from cement or brick.
- Only 30% of the client households had toilet facility compared to 36% in rural Cambodia.

Ownership of assets

Assets	Clients
1 cultivable land	81%
Cow	30%
Pig	12%
Buffalo	5%
TV, Bicycle	96%
Tools, rice mill machine, water pump	88%
Motobike, tractor, threshing machine	65%

Product analysis

[AMK MIS, Dec 2014]

Credit:

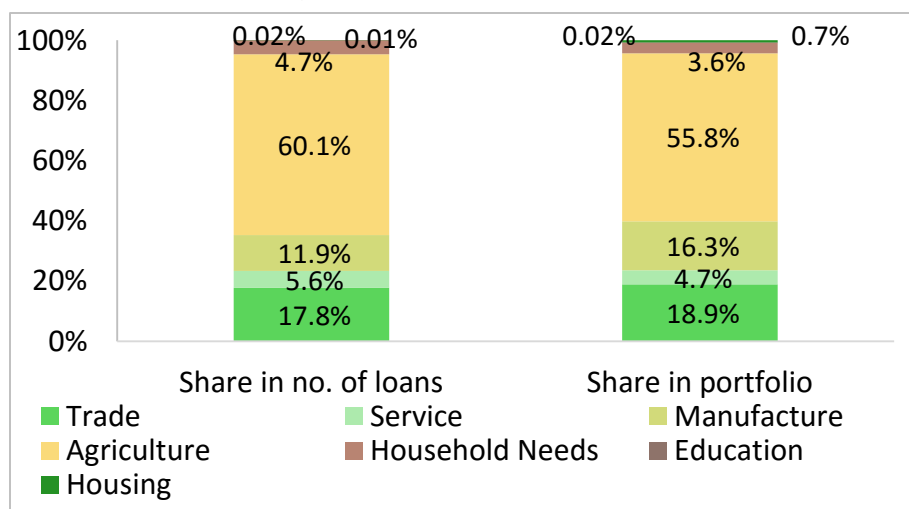
- Having rural presence, most of the loans are for availed for agriculture.
- Due to increase in loan size of VB Loans, only 59% of the loans were lower or up to \$300. It may be noted that average loan size by cycle is also between US\$350-US\$382 indicating similar demand from all cycle clients.

Cycle-wise loan clients

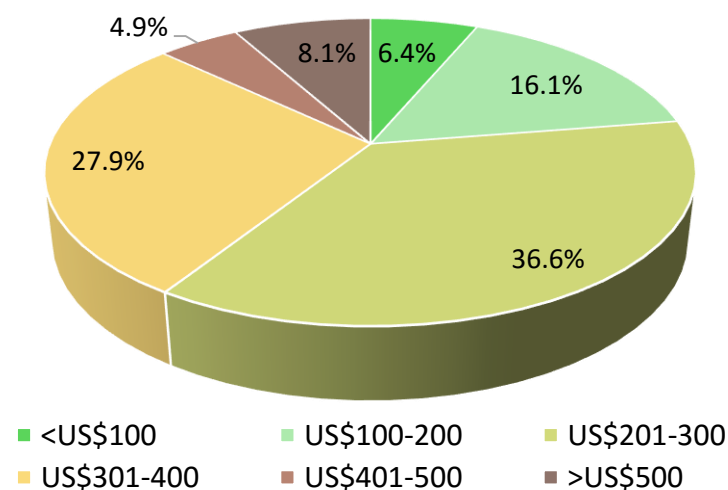
Cycle	% clients
Cycle 1	28
Cycle 2	20
Cycle 3	13
Cycle 4	11
Cycle 5	10
Cycle 5+	18

	In US\$	As a % of per capita GNI
Avg. disbursed loan size	368	36
Avg. outstanding loan size	287	28
VB Loans	217	22
Individual Loans	702	70

Purpose-wise loans



Disbursed Loans by size



Product analysis

[AMK MIS, Dec 2014]

Savings:

- Expansion of agent network had positive impact reflected by an increase in proportion of depositors using agent based mobile technology from 19% in 2012 to 31% in 2014.
- The average saving balance for these users also increased to \$11.
- Easy Saving Account has the highest number of savers and the Fixed Deposit for the largest amount.

Money Transfer: There was a 89% rise in the number of money transfer transactions and 79% in value from 2013 to 2014.

Insurance: 9,886 health and accident insurance policies were sold during 2014.

- ✓ Significant increase in insurance coverage in the current year; 49,113 policies as on 30 June 2015.

Savings	Dec'14
No. of savers	95,281
Average savings, US\$	406
As a % of per capita GNI	40
Savers with <=US\$ 300 saving balance	92%
Savers who also have AMK loan	16%
Borrowers who also save with AMK	5%

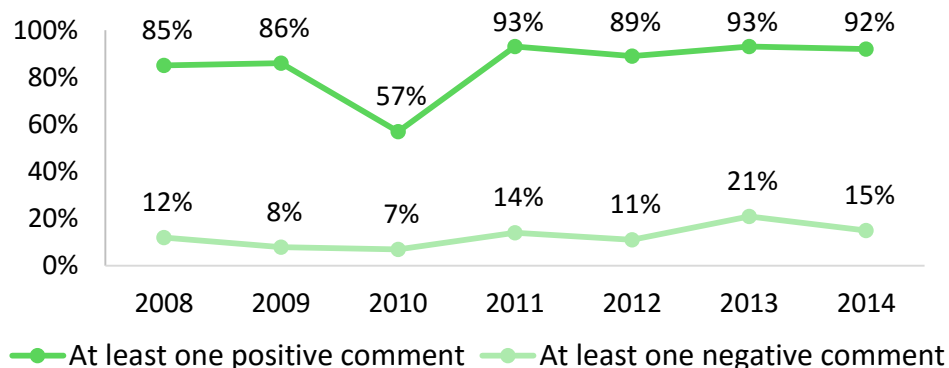
Money Transfer	Dec'14
No. of money transfer transactions	312,460
Average transfer amount, US\$	430
As a % of per capita GNI	43
No. of transactions with <=US\$ 300	47%

Others	June'15
No. of payroll companies	25
No. of payroll employees	1,987
No. of payment company	20
No. of bill pay	20,011

Client awareness and feedback (client protection issues)

- ✓ Client Satisfaction survey: AMK clients are largely satisfied as can be seen in the figure alongside.
- Proportion of clients with negative feedback significantly increased in 2013 but declined again in 2014.
- The tables below further explain major reasons for satisfaction and dissatisfaction in last few years.

Client feedback trends



Satisfaction Trends*	2010	2011	2012	2013	2014
Easy to get loan	14%	27%	44%	-	-
Finance at doorstep	27%	43%	29%	40%	36%
Product features	9%	24%	25%	-	-
Low interest	14%	31%	24%	29%	15%
Fast service	8%	15%	24%	20%	42%
Staff	7%	17%	17%	20%	30%

*Annual client satisfaction survey, sample include new and old clients.

Dissatisfaction Trends*	2010	2011	2012	2013	2014
Staff	2%	2%	4%	2%	1%
High interest	2%	4%	3%	4%	5%
Small loan size	2%	5%	3%	5%	4%
Slow service	1%	4%	3%	5%	1%
Difficult to get loan	1%	2%	2%	-	-
Product policies	1%	0.4%	1%	6%	5%

- AMK receives client feedback through calls made to a toll free number. In 2014 it received 23,535 calls; a majority of these calls were simply enquiries about services.

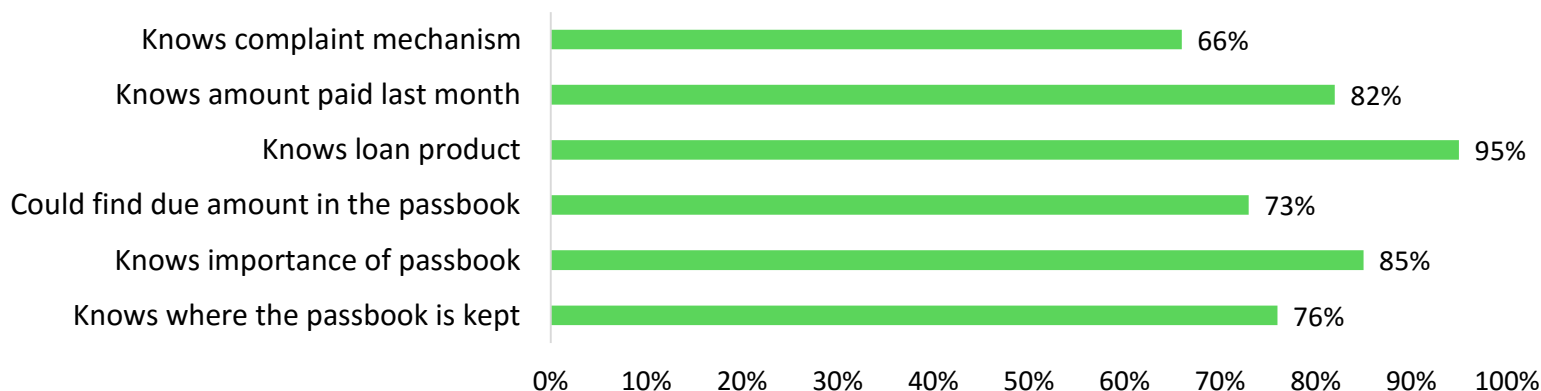
Client awareness and feedback...continued

- ✓ AMK also collects feedback from its exit clients.
- Though 73% (decline from 84% in 2012) of deserting clients would recommend AMK's services, 45% of VB clients and 50% of IL clients switched to another competitor, primarily owing to higher loan size.
- 7% denied recommending to friends and relatives.
- ✓ Results of the survey conducted during internal audit indicated higher client awareness than last two years.
- Similar to M-CRIL's findings – a relatively lesser number know the complaint mechanism. While a significant proportion of clients know the loan product, during client interaction by the rating team it was observed that except interest rate awareness on product features was high.

Field observations by M-CRIL [^]	
Clients possess updated loan passbooks	Yes
Copy of loan contract given to VBs	Yes
Backdrop placed at the VB meetings	Yes

[^] Based on M-CRIL's FGDs with VB and IL clients in 4 branches

Level of client awareness [^]	
Interest rate	Low
Processing fee	High
Instalment amount	High
Grievance process	Low
Savings interest rate	Moderate



Client retention

- AMK calculates dropout rate using the following formula:

$$\text{No. of clients dropped out} / (\text{Clients at the beginning of the year} + \text{New clients during the year})$$
- However it adjusts for resters (dormant clients); % of resters is based on exit survey.
- Clients are considered as dropout if they do not re-borrow from AMK within 6 months of completing the loan; otherwise categorized as dormant clients.
- Roughly 70% of the deserting clients were from cycle 1 and 2.
- Fewer proportion (28%) of poor clients (based on Poor ID) left AMK.
- Cross finance policy was the main reason for rejection by AMK which resulted in client exit.

Client retention— applying MIX formula

Clients:	2012	2013	2014
a At beginning of the year	275,251	291,859	323,828
b New during the year	87,751	127,711	107,661
c At end of the year	291,859	323,828	329,760
Rate of retention [c/(a+b)]	80%	77%	76%
Rate of rejoiners	32%	28%	31%
Adjusted retention rate	87%	83%	84%

Reasons for client exit ^	Frequency
Do not need money now	48%
Unhappy with loan conditions	38%
Income/Business problems	12%
Group problems & lack of collateral/guarantor (IL)	9%
Personal issues including migration	7%
Unhappy with staff	5%

^[Exit client survey 2014; 350 exit clients including 242 deserting clients (no future plans to borrow within 6 months)]

Outcomes: Poverty profile of mature clients

- In 2012 AMK conducted a 'Change Study' to assess change in income, expenditure, assets and education due to access to financial services. The baseline survey was conducted in 2006 and 2007.
- ✓ Analysis shows that active clients' improvements during the five year period exceeded those of the comparison group of non-clients, with a greater frequency of well-being improvement and a lower frequency of decline during the survey period.
- ✓ In 2008 and 2012, exit clients were revisited and the change in their well-being status was analysed to find if exit clients were better off or worse off than when they first took the loan.
- ✓ Results show higher proportion of clients expressed positive change in the economic situation - 51% in 2014 vis-à-vis 43% in 2012 over a period of 12 months.
- ✓ None of the surveyed clients reported significant decline in economic situation (4% in 2012).

Evolution of economic situation

Change	
Increased greatly	3%
Increased	48%
Stayed the same	36%
Decreased	13%

^ Annual Cash flow survey, 2014



Annexes

Profile of the Board

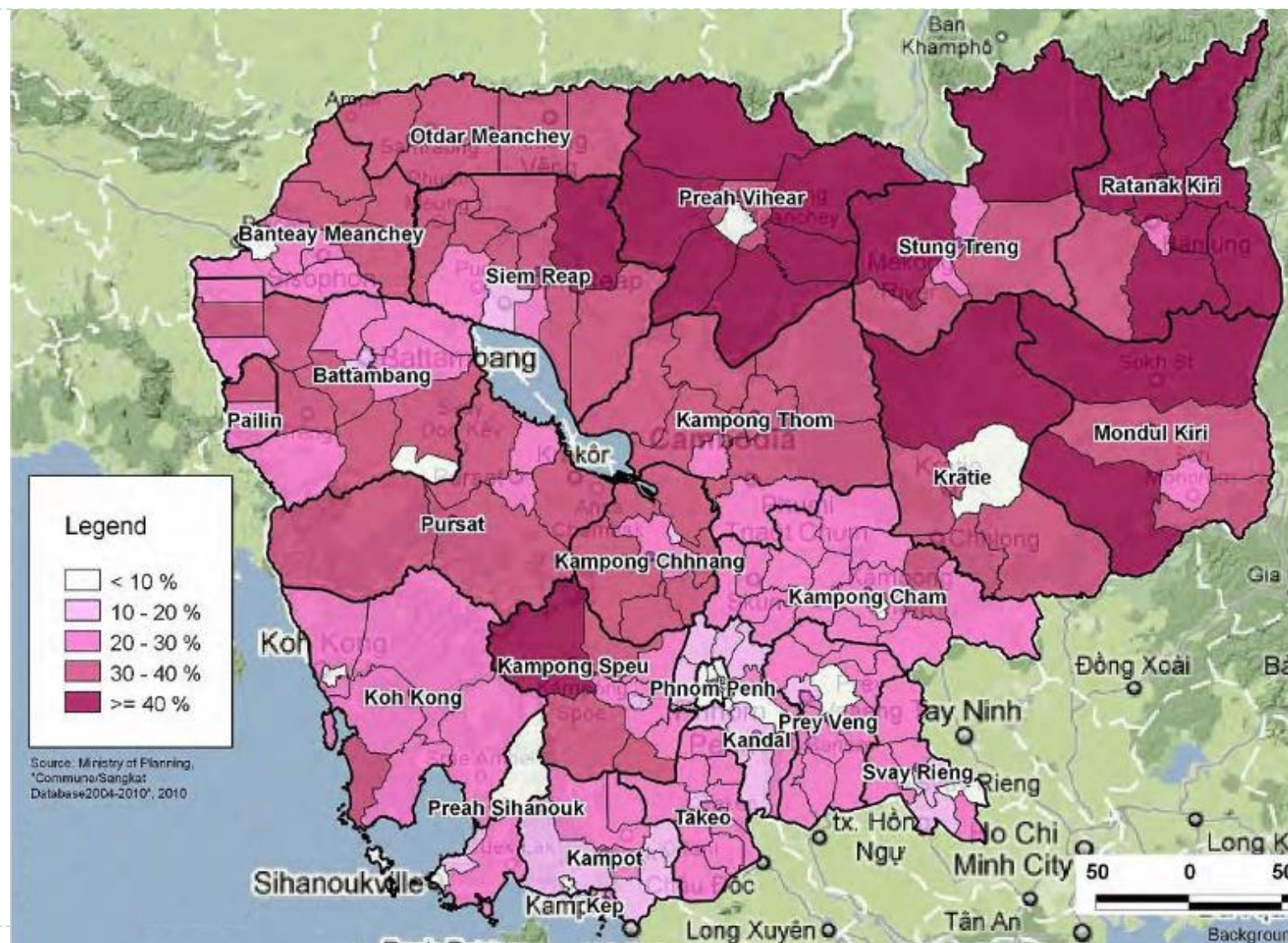
	Board Member	Position on Board	Experience	Since:
1	Mr. Tanmay Chetan	Chairman & Chairperson of Remuneration, Nominations & Governance Committee	Microfinance (Ratings, Consulting & Implementation)	Inception
2	Mr. Patrick Peter Power	Director, Member of Social Performance Committee & Audit Committee	Microfinance, Development	2006
3	Ms. Rebecca Ann McKenzie	Director, Member of Remuneration, Nominations & Governance Committee	Investment Banking, microfinance	2008
4	Mr. Tip Chanvibol	Director, Member of Remuneration, Nominations & Governance Committee	Law	2006
5	Mr. Adrian Graham	Director, Chairperson of Audit and Finance Committee & Member of Risk Committee	Finance (Audit & Advisory)	2010
6	Ms. Blandine Claudia Marie Pons	Director, Chairperson of Risk Committee, Member of Social Performance Committee	Microfinance (Ratings, Consulting & Investments)	2013
7	Mr. Joshua Morris	Director, Member of Remuneration, Nominations & Governance Committee	Marketing, Investment Advisory	2014
8	Ms. Hannah Siedek	Director, Member of Risk Committee	Microfinance Strategy & Technology	2014
9	Mr. Kea Borann	Executive Member	Development, Microfinance	2012

Additionally, Frances Sinha (co-founder and ED of EDA Rural Systems) and Olga Torres (Head of Research at the Agora Microfinance Partners LLP) are members of the Social Performance Committee at AMK. Heng Seida, CA and CFA by profession is a member of the Audit and Finance Committee and Michael Goh (Adjunct Senior Lecturer for Risk Management with UOL-LSE and the Master Trainer for HSBC-Global Compliance Risk Project in Asia) is a member of the Risk Committee.

AMK operations, December 2014

District Name	Proportion of savers	Proportion of clients
Banteay Meanchey	4%	4%
Battambang	5%	6%
Kampong Cham	4%	7%
Kampong Chhnang	2%	4%
Kampong Speu	4%	8%
Kampong Thom	7%	6%
Kampot	3%	4%
Kandal	6%	8%
Koh Kong	1%	1%
Kratie	3%	4%
Mondulkiri	1%	1%
Oddar Meanchey	1%	3%
Phnom Penh	10%	3%
Preah Sihanouk	1%	1%
Preah Vihear	1%	2%
Prey Veng	14%	8%
Pursat	3%	4%
Ratanakiri	2%	1%
Siem Reap	10%	6%
Stung Treng	2%	1%
Svay Rieng	2%	5%
Takeo	12%	6%
Tboung Khmum	3%	6%

Poverty incidence by province - Cambodia



Abbreviations

AM	Area Manager	KPI	Key Performance Indicators
AMK	Angkor Mikroheranhvatha (Kampuchea)	IAO	Internal Audit Officers
APR	Annualised Percentage Rate	ICO	Internal Control Officers
ATM	Automated Teller Machine	LUC	Loan Utilisation Check
BM	Branch Manager	M-CRIL	Micro-Credit Ratings International Ltd
BMU	Branch Monitoring Update	MDI	Microfinance Deposit Taking Institution
CBC	Credit Bureau Cambodia	MFI	Microfinance Institution
CBO	Chief Business Officer	MIS	Management Information System
CEO	Chief Executive Officer	NBC	National Bank of Cambodia
CFO	Chief Financial Officer	OER	Operating Expenses Ratio
CL	Credit Line	OSS	Operational Self-Sufficiency
CO	Credit Officer	PAR	Portfolio at Risk
COO	Chief Operating Officer	RM	Regional Manager
EoT	End of Term	RoA	Return on Assets
FCR	Financial Cost Ratio	RoE	Return on Equity
FD	Fixed Deposit	SPM	Social Performance Management
GDP	Gross Domestic Production	US\$	United States Dollar
HO	Head Office	USSPM	Universal Standards for SPM
HR	Human Resources	VB	Village Bank
IT	Information Technology		

Glossary

APR: The annual rate that includes all fees, expressed as a single percentage number that represents the actual yearly cost of funds over the term of a loan.

CAGR: Smoothed annualized change over a given time period. $CAGR = [(final\ value / beginning\ value)^{(1/\# \text{ of years})}] - 1$

Client retention: $\#clients \text{ at end of the year} / (\# \text{ clients at beginning of the year} + \# \text{ new clients joined during the year})$

GDI: Introduced by the United Nations Development Program to add a gender-sensitive dimension to the HDI.

GNI: Gross National Income comprises the total value of goods and services produced within a country, together with its income received from other countries (interest, dividends, etc.), less similar payments made to other countries.

HDI: Human Development Index is a composite statistic of life expectancy, education, and income indices.

OER: Ratio of salaries, travel, administrative costs and depreciation expenses to the average loan portfolio

FCR: Ratio of financial expenses to the average loan portfolio (This should be differentiated from the cost of funds calculated on long term borrowing)

PAR: Ratio of the principal balance outstanding on all loans with overdue greater than or equal to 60 days to the total loans outstanding on a given date.

RoA: Annual profits before grant upon average assets

Staff turnover: $\# \text{ staff who left or were dismissed} / (\# \text{ staff at beginning of the year} + \# \text{ new staff joined during the year})$

Yield on portfolio: Annual income from portfolio upon average loan portfolio.

Exchange Rate: For all calculations US\$ 1 = KHR 4,000

M-CRIL social rating grades

M-CRIL Grade	Description
$\Sigma\alpha+$	Strong social commitment, excellent systems, evidence for strong and comprehensive adherence to social mission and values.
$\Sigma\alpha$	Strong social commitment, very good systems, evidence for good adherence to social mission and values.
$\Sigma\alpha-$	Strong social commitment, good systems, evidence for good adherence to social mission and values.
$\Sigma\beta+$	Good social commitment, reasonable systems, evidence for reasonable adherence to social mission and values.
$\Sigma\beta$	Good social commitment, moderate systems, evidence of partial adherence to social mission and values. Many aspects of social performance need to be institutionalized.
$\Sigma\beta-$	Weak social commitment, weak systems, evidence of partial adherence to social mission and values.
$\Sigma\gamma+$	Weak social commitment, weak systems, no evidence reflecting social mission or values.
$\Sigma\gamma$	Very weak social commitment, very weak systems, no evidence reflecting social mission or values.

***Grade $\Sigma\alpha+$ also requires significant poverty outreach, in addition to performance in other aspects.**

In addition, a 'Positive' outlook given by M-CRIL suggests that the institution is expected to improve its rating in one year period to one higher notch, 'Neutral/Stable' suggests that the institution is likely to retain its rating till the end of one year from the rating, and 'Negative' outlook suggests that it is expected that the institution may lower its rating performance by one notch in one year period.