

AMK Microfinance Institution (PLC)

Microfinance Deposit-taking Institution {4th update}

Phnom Penh, Cambodia

Social Rating

Standard Comprehensive¹

March 2023

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

This report updates the previous social rating by M-CRIL in 2018

1 US\$ = 4,054 KHR (as of 1 March 2023)
All data – as of Dec 2022 unless otherwise stated

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 and is not aware of the contents of this report.

	2015	2018	2023
SOCIAL RATING	$\Sigma\alpha$	$\Sigma\alpha$	$\Sigma\alpha$
RATING OUTLOOK	Positive	Positive	Positive
Rating dimensions	2018	2023	
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 MDI.

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Disclaimer

- ▶ Our services were performed and this report was prepared in accordance with the Contract dated **01 December 2022**, subject to the terms and conditions included therein.
- ▶ The information captured in this Report is based on the documentation and information received from time to time from AMK. The findings contained herein are limited to the extent of the procedures conducted by M-CRIL till **28 February 2023**, which are described in this document. Accordingly, changes in circumstances or information newly available after this date could affect the findings outlined in this Report.
- ▶ We have relied upon representations of employees of AMK that all data and information provided by them are correct to the best of their knowledge. We accept no responsibility for any fact or information that has been intentionally withheld or otherwise omitted which could have had a material bearing on our findings.
- ▶ M-CRIL has relied upon the information supplied in connection with this engagement including management information. M-CRIL did not audit or otherwise verify the information supplied in connection with this engagement, from whatever source obtained, except as may be specified in this Report.
- ▶ In no circumstances shall we be liable, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by any person to whom we have made information requests.
- ▶ The findings contained in this Report are limited to the extent of the procedures performed by M-CRIL, which are described in this Report. The findings, which are hearsay in nature, should not be construed as an opinion, legal or otherwise, on the rights and liabilities of the Company or any other third party that may be, directly or indirectly, concerned with findings in this Report.
- ▶ All the information presented in this Report from our market sources/third parties are the personal perceptions of the sources. Wherever possible, we have corroborated the information provided to us with the information that may be available in the public domain or that which has been provided to the client, however, we have not done so independently.
- ▶ The Report will be furnished by us is solely for the information of AMK, which had requested M-CRIL to undertake the engagement. Hence, the Report should not be used, circulated, quoted or otherwise referred either wholly or in part.
- ▶ AMK shall be fully and solely responsible for applying independent judgment, with respect to the findings included in this Report, to make appropriate decisions in relation to future course of action, if any. We shall not take responsibility for the consequences resulting from decisions based on information included in the Report.

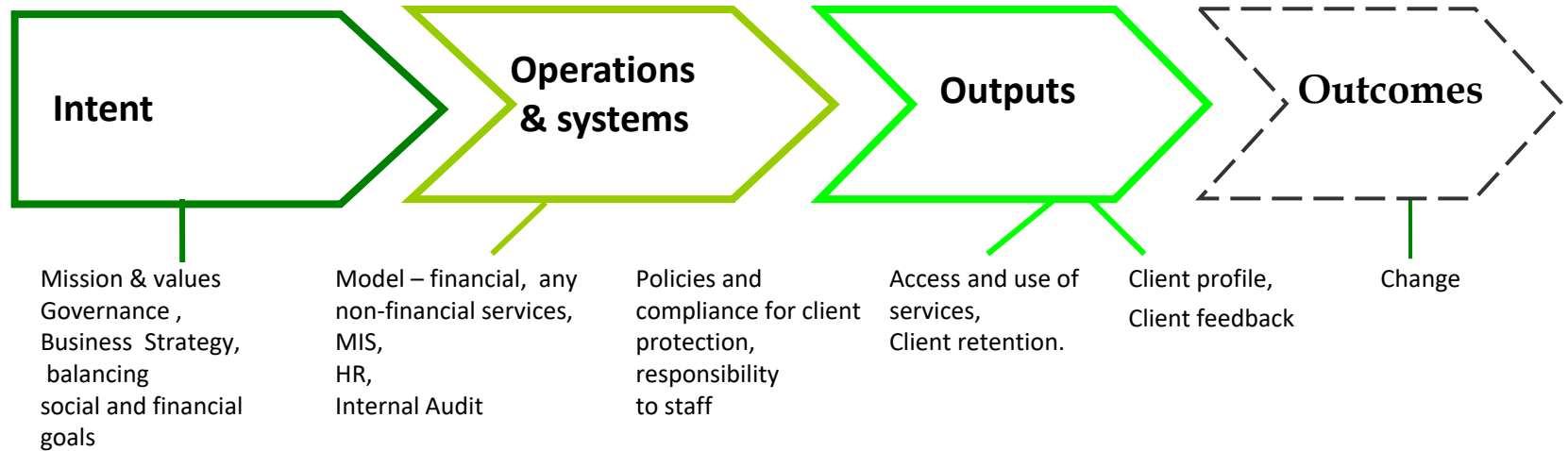
Structure

- ▶ Introduction – Social Performance Pathway
- ▶ Synopsis
- ▶ Rating Rationale
- ▶ Intent: Mission, Governance and Strategy
- ▶ Systems alignment
- ▶ 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 Universal Standards of Social Performance Management (USSPM www.sptf.info).
- ▶ This standard comprehensive social rating covers the first four steps of the social performance pathway, drawing on FI data for outputs and outcomes.
- ▶ This rating includes SPI5 (<https://en.spi-online.org/>) as a systems measure of the Essential Practices of USSPM.

Context – Cambodia Country Development

- Cambodia's economy has recorded an average annual growth rate of 7.7% from 1998 to 2019 making it one of the fastest growing economies in the world.^a
- In 2021, the Cambodian economy grew at a slower 3.1% due to the negative implication of COVID on businesses and people's incomes. This growth accelerated to 5.1% in 2022. Due to widespread vaccination against COVID-19, Cambodia was able to reopen its borders for trade, tourism along with the recovery of the goods and services sector.
- Cambodia has high levels of foreign investment supporting manufacturing, construction and tourism.

Population (Socio-Economic Survey - SES, 2021)	16.6 million
Rural population (SES)	60.7%
Women headed households (SES)	21.5%
Average Household size (SES)	4.3
Adult literacy rate (%) women/men (SES)	80.3/89.5
Per capita GNI @PPP (World Bank, 2021)	US\$ 4,540
GDP rank (World Bank)	109/196
HDI rank (World Economic Forum, 2021)	146/191

Poverty and vulnerability

- Official estimates show that 17.8% of the Cambodia population was below the national poverty line in 2019 compared to 40% in 2009. A combination of international trade and government oversight has allowed for economic growth within Cambodia resulting in increasing stability for those living there and leading to significant reductions in poverty across the country.^b
- Population surveys in Cambodia over the past decade have estimated the percent of disabled persons in the country to range from 2% to 9.5%. Individuals with disabilities are disproportionately likely to live in poverty especially due to decreased earning capacity. The Cambodian government recently released a National Disability Strategic Plan for 2019-23 to improve livelihoods for Cambodia's disabled community.

^a World Bank. 2022. Cambodia - Overview.

(<https://www.worldbank.org/en/country/cambodia/overview>)

^b ADB. 2019. Poverty Data - Cambodia.

(<https://www.adb.org/countries/cambodia/poverty>)

Context – Cambodia: Financial Services

- The National Bank of Cambodia (NBC) regulates finance and banking operations (including microfinance) in the country. As of December 2021, the finance system consisted of 54 commercial banks, 10 specialized banks, 5 Microfinance Deposit-taking Institutions (MDIs, incl. AMK), 79 licensed Microfinance Institutions (MFIs), 234 Rural Credit Institutions (RCIs), 17 Leasing Companies (LC), 4 third-party processors, 28 payment service institutions, 1 credit bureau, 6 representative offices, and 2,447 money changers.
- The microfinance market in Cambodia is largely saturated due to the numerous providers of financial services. Apart from a few regional exceptions and one sectoral exception, it is difficult to significantly expand business in the microfinance sector.
- According to CMA data, by the end of Sep-22, there was a total of US\$9,135 billion in loans outstanding with 2,024,107 borrowers and US\$4,686 billion in deposit balances with 2.6 million deposit accounts.
- Due to high penetration, NBC stopped issuing new licences in Dec-21 and instructed institutions to increase the "quality, efficiency, and affordability" of their offerings.
- In 2017, NBC set a ceiling of 18% per year on microfinance loan interest rates.
- To increase access to and use of formal financial services, the NBC and the Ministry of Economy and Finance formulated the National Financial Inclusion Strategy 2019–25 in Aug-19.

Global Findex 2021 indicates continuing low financial inclusion:

- A formal account was held by 33% of adults (up from 22% in 2017); there was no gender gap, but there was a 10% (down from 12% in 2017) difference between households with high and low incomes. Nearly 12% of accounts (down from 16% in 2017) are active.
- 71% of adults have used money transfer services, and 81% of adults own mobile phones.
- 55% of adults borrowed money from established institutions, down from 59% in 2017.

References:

1. National Bank of Cambodia Annual Report 2021
2. Global Findex 2021 report and data
3. Cambodia Microfinance Association (CMA) data Q3/2022.

Synopsis

- AMK received its MFI operating license from National Bank of Cambodia (NBC) in 2004 and its Microfinance Deposit-Taking Institution (MDI) license in 2010.
- With its Head Office in the capital city of Phnom Penh, AMK's operations are spread across all 25 provinces of Cambodia, reaching over 90% of all villages in the country. It is one of the 7 MDIs in the country with outstanding loan portfolio (as of Sept 2022) of \$579 million and total deposits of \$259 million.
- AMK offers a range of financial services: credit – group based and individual loans, voluntary microinsurance, savings, remittance services, payment services, agent banking, payroll and ATM services.

Organizational overview		Sept-2022
Number of provinces operating in/total in Cambodia		25/25
Number of branches + offices*		150
Number of active loan clients		385,853
Number of loan accounts		394,545
% group/% individual loans		28/72
Number of deposit accounts		1,451,508
Number of agents (approx.)		6,000
Total insurance accounts (as on 30 Sept 2022)		308,893
Number of ATMs/CDMs		82
Total number of staff		3,585
Borrowers per Credit Officer^		171

Outreach Profile		Sept-2022
Women borrowers		80%
Rural borrowers		96%
Average loan outstanding per loan account \$		1,451

* Cluster of offices under each branch

^ Credit Officers handle individual as well as group loan clients

Rating rationale

Strengths

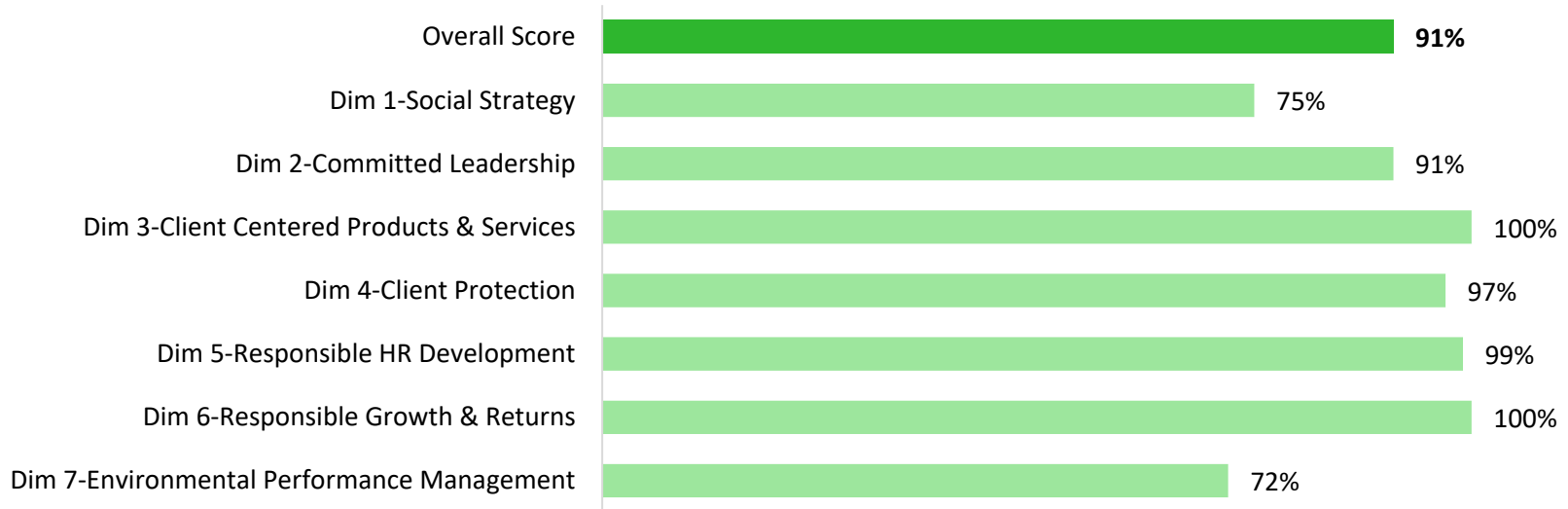
- ▶ AMK has a strong Board of Directors comprised of diverse and experienced individuals dedicated to the social mission of financial inclusion.
- ▶ Effective expansion strategy focusing on rural areas, women, and individual loans.
- ▶ High coverage - operates in all provinces, districts, and communes, reaching 90% of villages.
- ▶ A diverse range of financial products and services to meet the needs of different types of clients, as well as a well-defined new product strategy.
- ▶ Well-defined SPM Framework and robust mechanisms to monitor and evaluate AMK's social performance by Social Performance Committee (SPC) via a social performance management tool
- ▶ Well defined HR policies with good induction for a large number of new staff; preference to internal promotions

Issues

- ▶ The majority of clients have multiple loans due to high competition, and there is a high rate of client dropout (21.6%) and staff attrition (17.28% between Jan-22 to Sept-22).
- ▶ There is room for improvement in terms of customer awareness of effective interest rates, insurance charges and grievance redressal mechanisms
- ▶ High dormancy of savings accounts (on the basis of no transaction for 6 months).

SPI (Alinus)

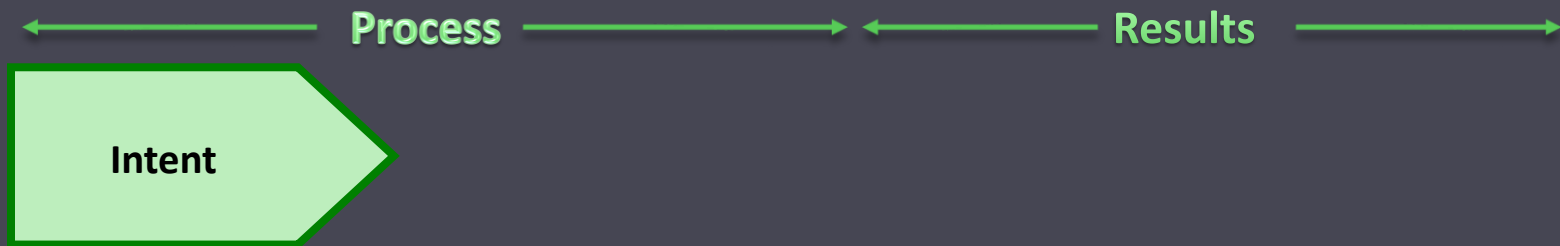
SPI5 Alinus Scores



Note: Scores above derived from 68 SPI indicators, based on the USSPM

- The score on Dimension 7 is also comparatively low compared to Dimensions 2,3,4,5 and 6 as AMK is making partial efforts to identify and manage client level environmental risks. AMK is in the process of developing an 'Environmental and Social Management' policy, which will identify risks, assess risks, classify risks as low, medium and high where appropriate and develop an action plan.

Intent: Mission, Governance & Strategy



Mission: goals and objectives
Governance and strategic planning

Mission: Goals and Objectives

- Continuing clear mission statement which is to serve ‘varying economic segments, particularly low-income households and women’
- No specific SPM targets. Similar to 2018, the Social Performance Committee (SPC) and the board feel no need to set targets as long as AMK is not drifting from its mission.
- SP data is collected annually and reported systematically

	Goal Statement	Indicators/reporting
Target Area	➤ Rural areas	➤ Extent of penetration in Cambodian villages ➤ Proportion of rural borrowers
Target clients	➤ Poor people – mostly women	➤ Poverty of new client households measured on sample basis; now using Govt programme tool (IDPoor) and PPI
Services	➤ Appropriate and viable financial services	➤ Availability of client centric products and services ➤ Access to different products is tracked and service quality, satisfaction and awareness are assessed.
Outcomes	➤ Improvement in livelihood options ➤ Improvement in clients well-being	➤ Periodic longitudinal surveys to measure change for clients, compared to non-clients

Governance

- Board of 9 members with experience in banking and finance, microfinance operations, accounting & audit, business administration and regulation.
- ✓ Meetings (Board and 8 sub-committee) are held regularly, are well-attended and are recorded.
- Agora Microfinance transferred its ownership in AMK to the Shanghai Commercial and Savings Bank (SCSB) in two stages, which were completed in August 2020. SCSB now owns all of AMK's equity.
- SCSB has 2 nominee Board members (including the Managing Director) who are dedicated to carrying on the promoters' social legacy.
- ✓ Discussions on social performance issues are reflected in the Board minutes, including social performance management, client satisfaction, client complaints and their resolution, refinancing and restructuring, staff satisfaction, and staff retention. The topic of steps to lower staff and client attrition is also covered.
- ✓ The Independent Director chairs the Social Performance Committee (SPC), which includes four Board members, including the Chairman of AMK. SPC evaluates AMK's business strategy in terms of achieving its social mission.
- The ratio of the Board-approved CEO salary to field staff remuneration is over 30:1. The ratio of senior management salaries to field staff is 12:1 which is within accepted international norms (see SPTF SPI-5 guideline (Indicator 2.A.4.3.2)).

Board	Performance
Directors	9 +1 (non-director)
Independent directors	2
Women directors	3+1 (non-director)
Directors with SP related skills	3
Number of meetings prev. year	4
Use of social performance indicators for strategic direction	Yes
SPM committee	Yes
Achievement of social goals is part of the evaluation of the CEO's performance	No
Ratio of CEO's total remuneration to average field staff	33

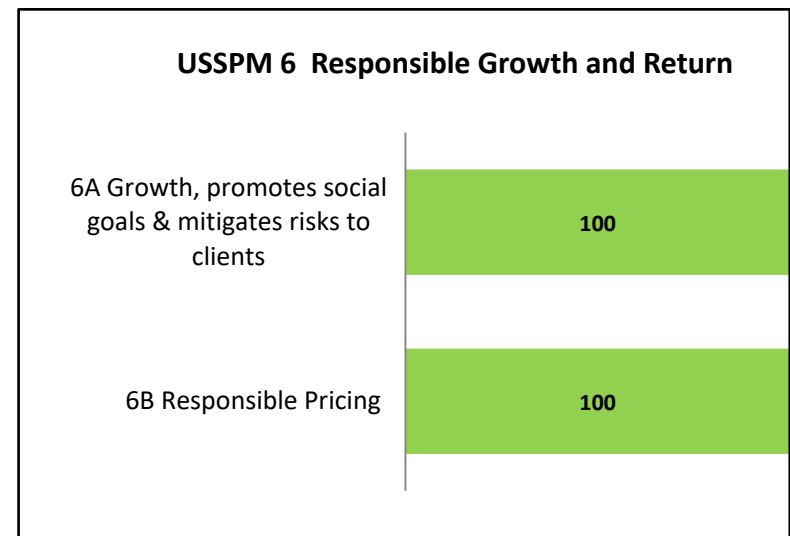
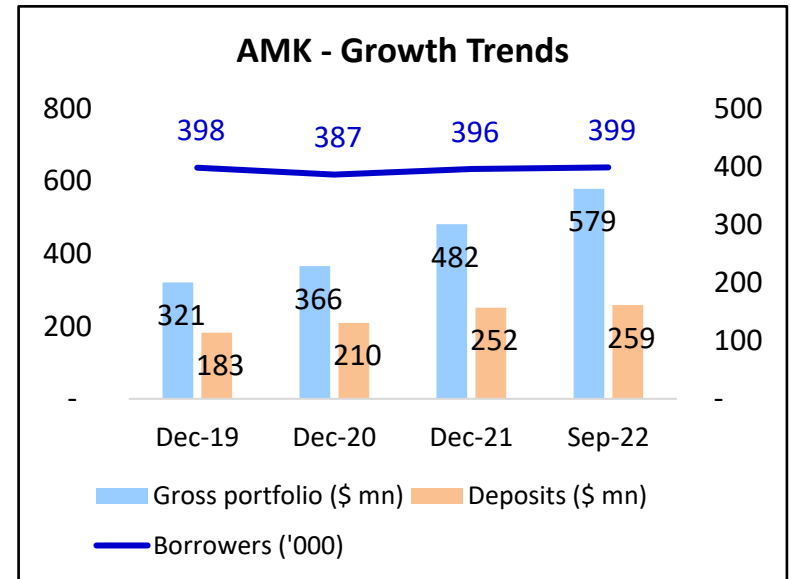
Strategic planning

Growth

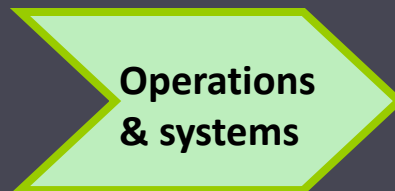
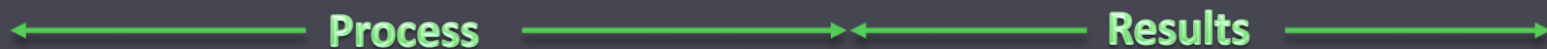
- Among the nation's MDIs, **AMK ranks first in terms of depositors, second in terms of borrowers**, and fourth in terms of loan portfolio and deposit amount on 30 Sep-22.
- ✓ Despite COVID-19's effects, AMK's portfolio still experienced significant growth (CAGR of 25.0%), but the borrower base grew slowly (CAGR of 2.8%). However, deposit amounts increased at a CAGR of 13.2% over the previous four years.
- ✓ Effective strategy of expansion covered all provinces, districts, and communes, reaching 90% of the villages and maintaining rural focus with a large network of agents (6,000 agents).
- Additionally, AMK increased its emphasis on lending to individuals (74% of its portfolio was made up of such loans in Sep-22, up from 40% in Dec-17).
- ✓ Management systems are aligned to maintain growth

Efficiency and profitability

- ✓ **AMK's staff productivity is reasonable**, with 266 active borrowers/Credit Officer. It is higher than for peer MDIs.
- ✓ Due to an increase in the share of individual loan portfolio, the Operating Expense Ratio (OER) has decreased from 11.3% in FY2019 to 8.4% (annualised) during Jan-22 to Sep-22.
- ✓ However, the RoA has remained stable over the last three years at around 1.9%. The ROE is approximately 11.3%.



Alignment of systems



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

Market Strategy

- ✓ AMK will continue to grow and diversify its credit operations by expanding to new villages with innovative products, with the goal of covering 100% of the country's villages. Market strategy is informed by periodic loan studies, competition analyses, and client satisfaction surveys.
- ✓ AMK's borrowers are transitioning from group lending to individual lending, particularly MSME lending. Individual loans made up 74% of the overall portfolio on Dec-22 (of which 25% were MSME), up from 40% on 31 Dec-17.
- AMK has been able to stay true to its social mission: 15% of its clients are from poor households by end of Sept-22, based on ID Poor (*ID poor in Cambodia: 14%*).
- ✓ Given the rapidly changing client demand and need for products/services, AMK has increased its efforts to develop products/services that address clients' needs and preferences.
- ✓ Under the commercial segment, AMK introduced Value Chain Financing in 2021 and Auto Leasing loan product in 2022, but faced challenges such as strong appraisal leading and significant rejections.
- ✓ Several deposit-generation strategies are being implemented, including outreach to corporate employees, wealthy individuals, and fee reductions for retail segment clients.
- AMK's mobile banking service was officially launched in Feb-20, allowing customers to perform transactions on their own via a mobile application running on a smart phone or device called AMK Mobile Banking Application.

Retail and Commercial Segmentation

Segment	Services
Retail	<ul style="list-style-type: none">• 6 deposit products (min. USD 1-500)• Range of loan products (max. USD 5,000, but housing loans up to USD 50,000)• Micro insurance
Commercial	<ul style="list-style-type: none">• Deposits (Corporate savings and FDs)• Commercial loans (MSME, SME, Value chain, etc)• Payroll services to business customers (<i>to distribute the payroll to their employees. Employees can access their money through AMK's ATMs and agent networks at no cost</i>)• Payment services (for all utility and other bills)

Market Strategy – Agent Network

- **Following Wing and TrueMoney, mobile banking service providers, AMK has a large agent network in the country (>6,000 agents)** that it uses to reach every village and client with its range of products and services. The agent network grew from 4,090 during Dec-18 to 6,009 by Dec-22.
 - ✓ **Agent Banking offers a variety of services** such as cash deposit and withdrawal, money transfer, loan repayment, cash-in banking, bill payment, phone top-up, and other payment services.
- | Details | Dec'2020 | Dec'2021 | Dec'2022 |
|----------------------------------|----------|----------|-----------|
| No. of Agents | 5,550 | 6,658 | 6,009 |
| No. of money transfers (<=\$300) | 586,603 | 993,559 | 1,318,947 |
| Avg. transfer Bal/GNI per Capita | 15.0% | 12.2% | 19.0% |
| No. ATMs/CDMs | 57 | 69 | 82 |
- ✓ **AMK is focusing on using mobile banking technology and an agent network** to provide better access to villagers. By deploying agent banking near their homes, low-income families can receive, send, and make necessary bill payments at a fraction of the cost, time, and effort. Furthermore, it creates thousands of jobs for those agents to serve their community.
 - ✓ **AMK continued to invest in technology and expand its products and services** in order to improve customer service. By the end of 2022, AMK will have 82 ATMs/CDMs at all branch offices nationwide.
 - ✓ AMK collaborated with several NGOs to deliver cash transfers to their beneficiaries in rural Cambodia. A fee comparison with Wings and True Money reveals that AMK's clients pay a marginally lower fee.
 - ✓ Agents follow up with AMK's customer service department in the event of a failed transaction, which is promptly resolved.
 - The majority of failed transactions are the result of network issues, which AMK hopes to resolve once the new core banking solution is fully integrated.
 - Customers' awareness of the details of the service is moderate to low.

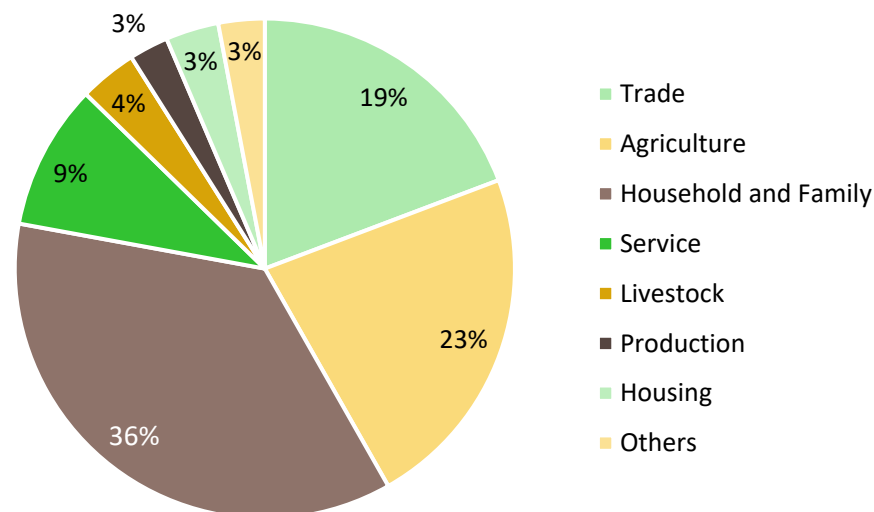


Financial Services

Credit [product summary in Annex, Slide 36]

- Nearly 28% of AMK's US\$579 million loan portfolio comprises of group loans while group borrowers account for 62% of all borrowers
- Loans are put to diverse uses without any stipulation on how clients should use them.
- ✓ As of Dec-22, AMK's average loan size was \$1,563 while the average for the 5 other MDIs was US\$3,965 indicating AMK's focus on its rural and poor client base.

Loan Usage by Portfolio Share (FY2022)



*Loans disbursed by size – Sept 2022

Loan size (US\$)	Proportion
<250	2%
250-500	15%
501-1,000	4%
1,001-1,500	27%
1,501-2,000	38%
>2,001	14%

*Group + Individual loans

Financial Services ...continued

Microinsurance [product overview in Annex, Slide 35]

- Borrowers are offered microinsurance (health and accident) through Forte Microinsurance and Dai-chi Life Insurance.
- Health and accident insurance covers 65% of AMK's borrowers.

Savings [summary overview in Annex, Slide 38]

- The average savings per account of AMK at US\$305 is much lower than the industry average of US\$ 2,647 (5 MDIs and 6 Banks).
- AMK has 853,813 depositors (active + dormant); it ranks second after ACLEDA bank amongst financial institutions providing deposit services to low income clients.

Microinsurance – Key data for Sept-22

Items	Figures
Total insurance policies sold	243,654
No. of claims from Jan-22 to Sept-22	4,007
Amount of claim between Jan-22 to Sept-22	US\$ 513,893
No. of pending claims after 60 days of receiving info	259
Payouts/claims	99%

Savings – Key data (Sept 2022)

Items	Figures
No. of depositors	853,813
Male depositors	25%
Female depositors	75%
Deposit balance	US\$ 255 million
Avg. savings per (active) account	US\$ 178

Social Reporting

- ✓ AMK's Research Department (4-member team) leads and monitors SPM implementation, collaborating with various departments to ensure that practical social performance standards and controls are in place.
- ✓ On an ongoing basis, the research team conducts social research studies and analyses internal data from its MIS to monitor key indicators of its social performance. Social reporting and study findings are presented to the Performance Committee (SPC). This report examines four dimensions: Depth of Outreach, Product Adequacy, Transparency and Client Protection, and Staff Responsibility.
- ✓ Poverty outreach is measured each year using IDPoor (the government's definition for identifying poor HHs in 2006) and PPI (since 2015).
- ✓ AMK conducted a Multiple Loan Client Study to understand clients' loan utilisation and experience so that the strategy could be updated as needed to help clients get away from over-indebtedness.
- AMK received the Best Employer Branding Award for Cambodia in 2021 and 2022.
- AMK is dedicated to reducing its environmental footprint and CO2 emissions. In 2021, AMK participated in the inaugural Cambodian Energy Efficiency Competition.
- A Change Study to understand the impact on clients' lives was conducted in 2018, comparing with 2012.

SPM Report	Description
Depth of outreach	<ul style="list-style-type: none"> Outreach to poor households measured using IDPoor and PPI
Client profile	<ul style="list-style-type: none"> Cash flow assessment, access to financial services, usage
Loan Satisfaction	<ul style="list-style-type: none"> Level of satisfaction with different loan products and terms & conditions associated with them
Micro-insurance satisfaction	<ul style="list-style-type: none"> Study the clients' satisfaction on product features related to premium, coverage and claim procedure
Client exit and reject	<ul style="list-style-type: none"> Reasons for exit as well as reasons for loan rejection
Multiple loans	<ul style="list-style-type: none"> Exploring reasons for multiple sources of credit, level of indebtedness, repayment issues and clients' behavior on loan use
Client grievance	<ul style="list-style-type: none"> Client grievances from use of various products and services
Staff Satisfaction	<ul style="list-style-type: none"> Understand staff satisfaction, career development and causes of staff exit

HR aligned to Mission and Values

- ✓ Induction and refresher trainings include mission, vision, values and code of conduct amongst others.
- Annual Performance Appraisal (PA) for all employees includes (i) business acumen (ii) risk management and compliance (iii) data & financial acumen (iv) management & workplace and (v) personal effectiveness. Annual salary increments are linked to PA grade achieved, with 1-2 being “far below expectation” and 9 to 10 being “far exceeding expectation”.
- ✓ Similar to the 2018 rating, the main eligibility criteria for monthly incentive of field staff are managing at least 300 clients and ensuring a PAR₃₀ of less than 2%.
- ✓ All the 27 branch staff with whom the M-CRIL team interacted during branch office discussions are aware of the incentive structure and don’t think it is unfair.
- Women are more than half of non-field staff in the branches at administrative levels, but much less at management level, and among field staff.
- As per discussions with the management, most women who apply for jobs at AMK, do so for desk based office jobs.



Staff data (Sept-22)

Management levels	No. of staff	Women (%)
Senior management	28	29%
Middle management (upto BMs)	283	10%
Admin staff	960	76%
Field staff (COs)	2,253	16%
Support staff	61	31%
Total	3,585	32%

Responsibility to staff

- Well staffed HR team that handles recruitment, staff development, personnel & compensation and employee relationships.
- ✓ Comprehensive and elaborate HR manual which is updated each year and approved by the board.
- Staff satisfaction surveys are conducted annually. The main reasons for dissatisfaction are work pressure, communication with line manager and salary expectations. These were also reported to the M-CRIL team during their visits to branch offices. However, the overall satisfaction is still quite high (90%) as per the latest Nov-2021 Staff Satisfaction report.
- ✓ Adequate growth opportunities: between Jan-22 and Sept-2022, 337 staff members were promoted.
- Staff turnover has decreased from 18% in 2019 to 16% in 2021 which is close to the industry average of 15% in 2022. This is reflective of the reported churn in the sector.

Staff Turnover

	No. of staff	2019	2020	2021
a	At the beginning of year	2,802	3,091	3,176
b	New during the year	982	719	1,045
c	At the end of year	3,091	3,176	3,526
	Turnover [(a+b-c)/(a+b)]	18%	17%	16%

Internal audit

- AMK maintains an independent Internal Audit (IA) team as well as a risk management team, both of which are led by qualified and experienced individuals who report to the Board.
- ✓ The internal audit team consists of 47 people (including 15 members at HO). At least once a year, the IA team visits all branches and departments.
- ✓ An IA report is prepared separately for every sub-office and findings are shared with the branch offices. The branch has 10 days to comply.
- ✓ The auditors compile their observations and share them with senior management on a monthly basis. The consolidated findings are presented to the Board level Audit and Finance Committee on a quarterly basis.

Risk categorization of branches*

No.	Risk category	Scores
1	High risk	0-2
2	Medium risk	3-6
3	Low risk	7-9

* score range is 0-9

CPP related aspects verified by IA

✓	Loan appraisal process and cash flow statements of clients
✓	Loan utilization (whether being passed on to someone else)
✓	Borrowing from multiple sources
✓	Client awareness
✓	Completeness of client passbooks
✓	Awareness of microinsurance clients about premium paid, coverage and claim process
✓	Family of clients who have passed away visited to check for transparency in the claims process
✓	Agents' understanding of policies and servicing clients



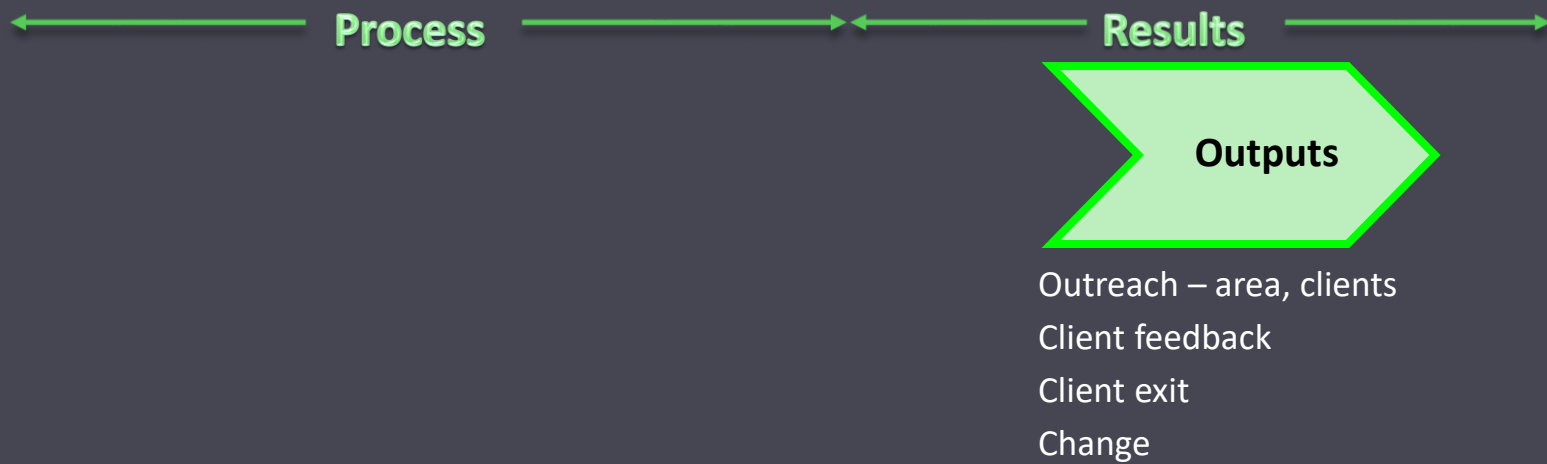
Client Protection

Client Protection Principles

- ✓ AMK obtained SMART Certification for full compliance with the Client Protection Principles 1.0 in Nov-16. AMK underwent a check-in and were fully compliant in July 2018 as per Version 2.0 of the CPP tool which was more elaborate in its scope.
- ✓ AMK is currently undergoing Client Protection Certification (CPS) under the SPTF+CERISE Framework. They are expected to be compliant with all the Entry, Progress and Advanced Indicators by the end of Mar-23.
- ✓ AMK is well within the CMA refinancing guidelines.
 - The interest rate charged are in line with NBC's guidelines (limit: 18% interest) and the admin fees charged is in line with CMA's guidelines (8% admin fees).

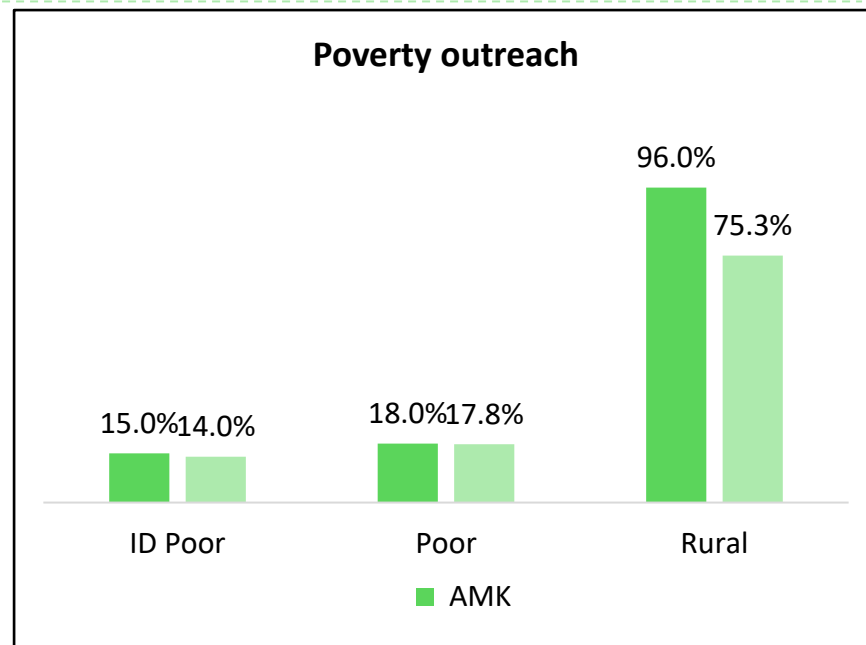


Results: outputs



Outreach

- As previously stated, AMK operates in all provinces, districts, and communes throughout the country, reaching 90% of the villages. AMK reported 399,017 active borrowers and 1.45 million deposit accounts by Sept-22.
- ✓ According to MIS, by the end of September 2022, 96% of borrowers will be from rural areas, with approximately 80% being women. Individual loans, on the other hand, have only 34% female clients.
- ✓ As of Sept-22, approximately 65% of AMK loan clients are covered by health and accident insurance.
- ✓ AMK has been covering a significant proportion of poor households with ID Poor among its clients, with approximately 15% of its clients having ID Poor classification (Country ID Poor: 14%).
- Individual and group borrowers have different poverty rates (as measured by PPI). When comparing group/VB loans to individual loans, the former have a higher proportion of borrowers that can be classified as poor.



- Data collected by AMK in 2021 for a sample of 300.
- Source of Cambodia country poverty data: <https://www.worldbank.org/en/news/press-release/2022/11/28/pandemic-checks-cambodia-s-progress-on-poverty>

Client satisfaction

- Levels of satisfaction with various features of loan products were assessed for a sample of 271 clients in Jun-22. This sample included 172 clients who had obtained microinsurance.
- The satisfaction scores comprise of 2 levels – ‘very satisfied’ to ‘neutral’. See box alongside.
- The number of complaints received from clients in 2022 was 577 – a drop from 987 in 2021.

Client Satisfaction Study 2021 – key findings

- ✓ Overall level of satisfaction is high at 90%.
- ✓ Clients reported that they were ‘very satisfied’ with both group loans (89%) and individual loans (93%). Satisfaction levels among SMK clients are slightly lower (82%).
- ✓ Number of clients who only have AMK loans increased from 12% in 2021 to 27% in 2022.
- Clients are becoming more sensitive to higher interest rates and higher fees

Client retention

- While the retention of group borrowers has fallen, it has significantly improved for individual borrowers.
- As per senior management, more and more clients are opting for individual loans as they are of larger sizes compared to group loans. Also, it is becoming increasingly difficult to bring group members together during collection for a specific period of time.

Borrower retention – group (MIX formula)

Borrowers	2020	2021	*2022
a At beginning of the period	293,279	283,717	276,932
b New during the period	79,445	68,371	62,350
c At end of the period	283,717	276,932	246,924
Rate of retention $[c/(a+b)]$	76%	79%	73%

*figures up to Sep-2022

Borrower retention – individual (MIX formula)

Borrowers	2020	2021	*2022
a At beginning of the period	93,268	103,003	119,491
b New during the period	79,445	68,371	62,350
c At end of the period	103,003	119,491	152,945
Rate of retention $[c/(a+b)]$	60%	70%	84%

*figures up to Sep-2022



Annexes

Profile of the Board

No.	Name	Position	Brief profile
1	Mr JOHN CON-SING YUNG	<ul style="list-style-type: none"> • Chairman of the Board of Directors, • Audit and Finance committee • Social Performance Committee • Remuneration, Nomination, and Corporate Governance Committee 	JOHN CON-SING YUNG is currently a Managing Director of the Shanghai Commercial and Savings Bank, Ltd. He was a Board member, Senior Executive Vice President and Chief Information Officer of the Shanghai Commercial and Savings Bank, Ltd, in charge of IT, Risk, Compliance, Operation, Legal, Oversea expansion, Mainland China Business, and three Shanghai Bank cooperation until mid-2021. He also holds several key positions on behalf of the Shanghai Commercial and Savings Bank subsidiaries and affiliated companies. He received his BA and MBA degree from the University of Chicago.
2	Mr TANMAY CHETAN	<ul style="list-style-type: none"> • Director • Member of Social Perfor. Committee • Member of Remuneration, Nomination, and Cor. Governance Comm. 	Tanmay Chetan is the co-founder and CEO of the Agora Group, wherein he manages the group's investments across Asia and Africa. Tanmay's previous experience includes microfinance ratings, consulting and operations, including as the first Chief Executive Officer ("CEO") of AMK during 2003 to 2007. Tanmay holds an MBA from IIFM, India, and a Master's in Public Administration from the Harvard Kennedy School.
3	Mr KEA BORANN	Director and CEO	Borann was appointed as Chief Executive Officer of AMK in 2012. He has been with AMK for over 15 years since 2004 in different roles. He has held various leadership posts throughout the development of the organization, including Finance Manager, Chief Financial Officer, and Deputy CEO. He received ACCA Accreditation and was accepted as an ACCA member in 2008.

...Profile of the Board

No	Name	Position	Brief profile
4	Ms HENG SEIDA	<ul style="list-style-type: none"> • Independent Director • Chair of Audit and Finance committee • Board Risk Committee 	Seida is a certified public accountant, an active member of Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA), a fellow member of ACCA, UK, and a certified internal auditor from USA. She also holds a Bachelor Degree in Accounting. Seida has over 19 years of experience in auditing and financial management. She is the Managing Partner of FII & Associates Prior to this, Seida was a financial management specialist with the World Bank for a period of 5 years.
5	Mr TIP JANVIBOL	<ul style="list-style-type: none"> • Independent Director • Chair of Remuneration, Nomination, and Corporate Governance Committee 	Dr. Tip Janvibol, founder and senior managing partner of Tip & Partner, brings over 20 years of legal experience to the Board of Directors of AMK. He is a licensed attorney and member of the Cambodian Bar Association. He holds a Doctorate Degree (PhD) from California Coast University, Master's Degree from the University of Massachusetts, Lowell, Bachelor's degree from University of Maine, Presque Isle.
6	Mr RU-HUNG WEI	<ul style="list-style-type: none"> • Director, • Chair of Board Asset and liability Committee • Board Risk Committee 	RU-HUNG WEI is currently Deputy Executive Vice President, Overseas Regional Manager of the Shanghai Commercial and Savings Bank, Ltd, in charge of Overseas Branches, including Singapore, Vietnam, and Hong Kong. He served the Shanghai Commercial and Savings Bank, Ltd over 29 years with the various position including Import, Export, Foreign Exchange and Credit Investigation. He received his BBA degree from Soochow University and an MBA degree from the University of New Haven.



...Profile of the Board

No	Name	Position	Brief profile
7	Mrs FANG-HUI HSIEH	<ul style="list-style-type: none"> • Director, • Audit and Finance committee • Board Asset and liability Committee 	Ms Fang-Hui Hsieh has been mainly in charge of debt management, Legal affairs, and compliance, and also responsible for AML/CFT since 2015. She was also appointed by the Shanghai Commercial & Savings Bank, Ltd. as directors of related companies. For the past decade, she has been actively involved in the affairs of The Bankers Association of The Republic of China (BAROC) and The Trust Association of the Republic of China (TAROC). She currently serves as the chairman of Regulations and Disciplinary Committee of the TAROC, and a member of Financial Regulations and Disciplinary Committee of the BAROC.
8	Mr WEI-KUO YEN	<ul style="list-style-type: none"> • Director, • Chair of Board Risk Committee • Audit and Finance Committee • Board Asset and liability Committee 	Mr WEI-KUO YEN obtained a Bachelor's degree in Arts in Economics from Fu Jen Catholic University in 1984 and then pursuing his Master of Science in Business at the University of Wisconsin-Madison in the USA after the first few years in the banking business. He is currently serving as an Executive Vice President of the Shanghai Commercial & Savings Bank, Ltd. He has had experiences in banking sector for over 30 (thirty) years.
9	Ms BLANDINE CLAUDIA MARIE PONS	<ul style="list-style-type: none"> • Independent Director • Chair of Social Performance Committee 	Dina is Incofin East Asia Regional Director and Social Performance Manager, based in Phnom Penh Cambodia. She also sits at the BOD of the Social Performance Task Force (SPTF) and co-chairs the Social Investors Working group. Dina manages a portfolio of US\$ 80 million, serving more than a dozen financial service-providers across East Asia. Previous to joining Incofin, Dina lived in the Philippines, where she worked as a senior analyst for the microfinance specialized rating agency Planet Rating.

Shareholding details

Shareholders	% of shareholding
Shanghai Commercial and Savings Bank (SCSB)	99.99%
AMK – Staff Association	0.01%

Shanghai Commercial and Savings Bank, Ltd. (SCSB) becomes a significant majority shareholder after complete exit by Agora Microfinance N.V. (AMNV) in 2020.

Agent fee and commission

Agent Saving Fee

Transaction Type	Amount (KHR)	Service fee
Deposit	Until 400,000	Free
	400,001 - 1,000,000	
	1-2million	
	2-4 million	
Withdrawal	Until 400,000	1,000
	400,001 - 1,000,000	1,200
	1-2million	1,500
	2-4 million	2,000
Withdrawal from Bakong Wallet and member of KHQR	Until 100,000	1,500
	100,001 - 2,000,000	2,000
	2-4 million	4,000
	4-10 million	6,000

Agent Commission

Transaction	Amount (KHR)	Commission
Deposit	Until 400,000	520
	400,001 - 1,000,000	800
	1-2million	1,200
	2-4 million	2,000
Withdrawal	Until 4,000,000	1,000
	400,001 - 1,000,000	1,200
	1-2million	1,500
	2-4 million	2,000
Withdrawal from Bakong Wallet and member	Until 100,000	800
	100,001 - 2,000,000	1,200
	2-4 million	2,800
	4-10 million	4,000

Agent Money Transfer Fee

Transaction	Amount (KHR)	Service fee
Cash to Cash	Until 100,000	1,500
	100,001 - 200,000	2,500
	200,001 - 1,000,000	3,500
	1-2 million	5,500
	2-4 million	8,500
Account to Cash	Until 100,000	1,500
	100,001 - 200,000	2,500
	200,001 - 1,000,000	3,500
	1-2 million	5,500
	2-4 million	8,500

Agent Commission

Transaction	Amount (KHR)	Sender	Receiver
Cash to Cash	Until 100,000	520	520
	100,001 - 200,000	1,000	1,000
	200,001 - 1,000,000	1,320	1,320
	1-2 million	2,320	2,320
	2-4 million	4,000	4,000
Account to Cash	Until 100,000	1,200	520
	100,001 - 200,000	1,200	1,000
	200,001 - 1,000,000	1,200	1,320
	1-2 million	1,200	2,320
	2-4 million	1,200	4,000

...Agent fee and commission

Agent Money Transfer Fee			Agent Commission			
Transaction	Amount (KHR)	Service fee	Transaction	Amount (KHR)	Sender	Receiver
Cash to Account	Until 100,000	1,500	Cash to Account	Until 100,000	520	Commission please refer to withdrawal
	100,001 - 200,000	2,000		100,001 - 200,000	1,000	
	200,001 - 1,000,000	3,000		200,001 - 1,000,000	1,320	
	1-2 million	4,000		1-2 million	2,320	
	2-4 million	6,000		2-4 million	4,000	
Account to Account	Until 100,000	1,500	Account to Account	Until 100,000	1,200	
	100,001 - 200,000	2,000		100,001 - 200,000	1,200	
	200,001 - 1,000,000	3,000		200,001 - 1,000,000	1,200	
	1-2 million	4,000		1-2 million	1,200	
	2-4 million	6,000		2-4 million	1,200	
Bakong Member/ Bakong Wallet	Until 100,000	1,500	Bakong Member / Bakong Wallet	Until 100,000	800	
	100,001 - 2,000,000	2,000		100,001 - 2,000,000	1,200	
	2-4 million	4,000		2-4 million	2,800	
	4-10 million	6,000		4-10 million	4,000	

Bill and Loan Repayment Fee			Commission			
Transaction	Amount (KHR)	Service fee	Transaction	Amount (KHR)	Agent Comm.	Agregator Comm.
Bill Payment	Until 200,000	0 - 1000	Bill Payment	Until 200,000	400	100
	200,001 - 400,000			200,001 - 400,000	600	
	> 400,000			> 400,000	800	
Loan Payment	1,000,000	Free	Loan Payment	Until 1,000,000	800	
	1-2 million			1-2 million	1,000	
	> 2 million			> 2 million	2,000	



Financial products - Credit

Name of the product	Loan size (US\$)	Loan term (months)	Collateral	Interest rate	Processing fee (%)
Group	Upto 4,000	3 to 24	N/A	0	1% to 7%
SME Investment	20,001 to 100,000	3 to 96	Yes	0.156	1%
MSME Investment	5,001 to 200,00	3 to 72	Yes	0	1%
Affordable housing	20,001 to 500,000	3 to 120	Yes	0.18	1%
General	10 to 5,000	3 to 60	Yes	0	1% to 5%
Emergency	10 to 100	3 to 10	N/A	0.18	no
Overdraft Facility	UP to 100,000	UP to 12	Yes	0	1%
Value Chain Financing	UP to 300,000	UP to 36	Yes/No	0.156	1%
Motor Leasing/	Up to 3,000	12 to 36	Yes	0	4%
Tricycle Leasing/	Up to 5,000	12 to 36	Yes	0.18	2%
Equipment Leasing	Up to 100,000	12 to 84	Yes	13.2%-18%	1% - 4%
Agri-Biz Leasing	Up to 30,000	12 to 48	Yes	13.2%-18%	2% - 4%
Auto Leasing/Car	Up to 50,000	14 to 72	Yes	13.2%-18%	1% - 4%
General Staff	10 to 5,000	3 to 36	Yes	0.1	no
Asset Acquisition (Staff)	10 to 100,000	3 to 60	Yes	0.1	no
Housing (staff)	10 to 100,000	3 to 240	Yes	0.05	no

Financial products – Microinsurance

- The microinsurance products offered through AMK are voluntary
- There is no compulsory credit linked insurance offered to the borrowers.

Details	Product 1	Product 2
Name	Health & Accident	Endowment and loan shield
Introduced in year	2014	2021
Offered by	Forte Insurance	Dai-ichi Life Insurance
Target customer	Only for AMK borrowers	Any AMK client
Extent of coverage	Offered in all branches of AMK	15 branches
Coverage for	Illness, accident and death	Death and total/ permanent disability
Premium	US\$ 7.5	Mix – US\$ 350 per year
Tenure	12 months/ policy	Upto 15 years max./ policy
Claim benefits	1. Hospital income (Max 60days) - US\$ 5/day 2. Surgery - US\$ 150 3. Death cause of accidents - US\$ 750 4. Permanent disability by accident - US\$ 500 5. Family benefit by accident – US\$ 1,000 6. Funeral benefit – US\$ 150 7. Death due to pregnancy – US\$ 500	1. Advanced cash back (receiving upto 20% over the savings – ranging from US\$ 1,000 to US\$ 2,000) 2. Guaranteed savings/ maturity benefit (ranging from US\$ 5,000 to US\$ 10,000) 3. Annual Family Income (ranging from US\$ 1,000 to US\$ 3,000) 4. Natural death/ death due to accident (ranging from US\$ 10,000 to US\$ 60,000)

Financial products - Savings

Savings Products	Easy Saving	Lucky	Smart Kid	Corporate Saving	Corporate Saving FI	Term Deposit
Minimum deposit (US\$)	KHR1,000/ US\$1/ THB10	KHR2,000,00 0/ US\$500/ THB 20,000	KHR40,00 0/ US\$10	KHR400,000/ US\$100/ THB4,000	KHR400,000/ US\$100/ THB4,000	KHR100,000/ US\$25/ THB1,000
Currency	KHR/US\$/ THB	KHR/US\$/TH B	KHR/US\$	KHR/US\$/THB	KHR/US\$/TH B	KHR/US\$/THB
Interest rate (p.a) (Min-Max)	0.50% - 3.50%	1% - 4.25%	0	0.50% - 2.50%	0.20% - 0.50%	1.50% -8.50%
Frequency of deposit	daily	daily	Monthly	daily	daily	N/A
Interest payment frequency	End of month	End of month	End of month	End of month	End of month	End of month
Fee	N/A	N/A	N/A	N/A	N/A	N/A

Other services

Other financial services	No. of users (30-Sep-22)
ATM Card	408,685 User (Total all)
Credit card	N/A
AMK Mobile Banking	160,152 user (Data from Oct-2019 until Sep-2022)
Remittances (Local - International)	1,235,922 Transaction (Data only 2022)
UPI	4,452 User (Data only 2022)



M-CRIL Branch Visit Details

Branch	No. of staff in FGD	No. of group clients	No. of individual clients	No. of agents visited
Kien Svay	5	6	-	-
Kandal	7	5	2	-
Bati	8	-	4	1
Champou Vone	7	-	5	1
Total	27	11	11	2

Note:

- Interactions with staff were through FGDs, involving Province Manager, Branch Managers, Area Managers, Tellers, Underwriting Officers and Credit Officers.
- Interactions with group and individual clients were individual or through FGDs during collection meetings or at their homes/businesses.

Abbreviations

APR	Annual Percentage Rate	MFI	Microfinance Institution
BAC	Automated Teller Machine	MSME	Micro, Small and Medium Enterprises
BM	Branch Manager	NBC	National Bank of Cambodia
CDM	Cash Deposit Machine	NPL	National Poverty Line
CEO	Chief Executive Officer	OER	Operating Expense Ratio
CMA	Cambodian Microfinance Association	PAR	Portfolio at Risk
CO	Credit Officer	PLC	Private Limited Company
GDI	Gender Development Index	PPI	Poverty Probability Index
GNI	Gross National Income	RoA	Return on Assets
HDI	Human Development Index	RoE	Return on Equity
HH	Household	SME	Small and Medium Sized Enterprises
HO	Head Office	SP	Social Performance
HR	Human Resources	SPC	Social Performance Committee
IA	Internal Audit	SPM	Social Performance Management
IT	Information Technology	SPI	Social Performance Index
LG	Lending Guidelines	SPTF	Social Performance Task Force
LLP	Limited Liability Partnership	USD	United States Dollar
M-CRIL	Micro Credit Ratings International Limited	USSPM	Universal Standards for Social Performance Management
MDG	Millennium Development Goal		
MDI	Microfinance Deposit-taking Institution		



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.

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

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

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.

PPI: A set of proxy indicators that are used to score the likelihood that clients fall below a particular poverty line. Statistically derived from the NSSO sample survey.

RoA: Annual profits before grant upon average assets

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

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

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.

