



2015

Annual Report

التقرير السنوي



Introduction

Despite the increasingly difficult circumstances the AMB business has gone through, we have met the challenges robustly and still hardly work on realizing the highest standards in the delivery of microfinance products in Yemen in particular and the region in general. Therefore, we present to you the Annual Report of 2015, and take the opportunity to thank all those who helped in making this work possible.



Index

Introduction

- 02 The Founders.
- 04 Board of Directors.
- 06 Executive Management.
- 08 Executive Summary .

The 2015 Crisis

- 09 Form and Phases of the Crisis .
- 10 The Crisis's Impact on the National Economy, on the Microfinance Sector, and on AMB.
- 15 AMB Response to the Crisis (Contingency Plan).

AMB Performance in 2015

- 17 Operational Performance .
- 30 Social Performance .
- 38 Financial Performance .

AMB Response to the Crisis

- 44 Client Trust Strengthening
- 50 Staff Trust Strengthening
- 53 External Party Trust Strengthening.

Local and International Recognition

Preparation for Crisis Recovery



The Founders

Yemeni Government – SFD

SFD was established by law No. 10 of 1997 as one of the social safety tools to alleviate side effects resulting from the government's economic reform program that might have a negative impact on vulnerable groups in society, particularly the poor. It is based in Sana'a and has branch offices in the main cities of the Republic of Yemen. SFD is a financially and administratively autonomous organization, run and supervised by a board of directors, chaired by Prime Minister. Its membership includes representatives for the government, NGOs and the private sector. The Fund seeks to effectively contribute to alleviating poverty by improving living conditions of the poor groups in society and creating job opportunities and lucrative activities for these groups.

AGFUND

Based in Riyadh, Saudi Arabia, AGFUND is a regional organization established in 1980 upon the initiative of His Royal Highness, Prince Talal Bin Abdul Aziz Al Saud with the support of leaders of the Gulf Cooperation Council (GCC) States that form its membership and contribute to its budget.

AGFUND is mainly concerned with supporting Human-oriented sustainable development that targets poorest groups, particularly women and children, in developing countries by contributing towards supporting efforts affecting the development process including improvements to education and health as well as supporting programs for institutional capacity building and fighting poverty. AGFUND works in cooperation with the UN, regional and national development organizations, community—based NGOs and other institutions working in the field of development.

Private Sector

The private sector is represented by commercial institutions operating in Yemen, companies or commercial banks. It also involves Yemeni and Saudi businessmen and has a total of 13 shareholders.



”Word” by Chairman of the Board of Directors

Eng. Abdullah Ahmad Buqshan

I have the pleasure and the honor to present to you the AMB Annual Report for 2015, which came after seven years of leadership during which the Bank became a Microfinance Icon in Yemen, thanks to the great accomplishments it has so far made at the operational, financial and institutional levels. Although the Bank controls nearly 40% of the activities in the microfinance sector, our vision that includes all Yemenis is still the main topic of our strategies, thus always placing before us a more challenging task .

As you may know, the complex crises, disasters and wars the country experienced in 2015 hit almost all the aspects of life. “From crumbling economy and insecurity to dismantled social fabric” was the country’s yield of the past year’s events, which disrupted any efforts for economic and social development either by the government or by international donor organizations that had plans for participatory roles towards Yemen’s development. Also, the events represented tremendous challenges to the AMB and stood in the way of its great ambitions for realizing the Business Plan of 2015 – derived from the Second Strategic Plan (2014 – 2016) – which was approved by the Board of Directors. During the first quarter of 2015 or the first three years of the Business Plan, the Bank was steadfastly moving forward, achieving a completion rate of 111% at all levels in extension to the significant momentum it realized through robust accomplishments in 2014. With the crisis exacerbating at the beginning of the second quarter, the Bank replaced its Business Plan with a contingency plan focused on safely continuous delivery of financial services in a manner ensuring continuity of the Bank’s business and keeping its expenses to minimum.

In extension to the AMB historic achievements, the Annual Report 2015 contained the Bank’s performance indicators at the operational, financial and social levels, clarifying how the indicators were affected by the crisis and how they declined to ever unprecedented rates. The crisis was totally responsible for the decline in the AMB operations, compared to 2014.

However, what sets this report apart is that it describes the great efforts exerted by the AMB management at all levels in managing the crisis for the sake of maintaining presence of the AMB as an MFI capable of coping with external difficulties, and which significantly contributed to strengthening the trust of clients, staff and partners in a way bringing hope that the Bank turned to have a manpower capable of making a difference and surviving at every time all surrounding entities are on the brink of collapse.

To sum up, I would like to take the opportunity to thank all the AMB office and field staff members for their tireless and sincere efforts to ensure survival of the Bank as a leading MFI as usual. I am also grateful to all those, inside and outside Yemen, who contributed to mitigating the difficulties faced by the Bank.

May Allah Protect All and Protect Yemen from Badness, and May Allah Guide All To Common Weal

Eng. Abdullah Ahmad Buqshan
Chairman



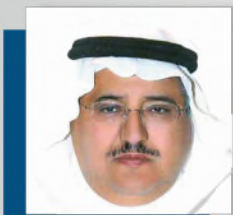
Mr. Omar Abdurrahman BaJerish,
Deputy Chairman, Member-Delegate



Mr. Nasser Bakr Al-Qahtani,
Member - AGFUND Representative



Mr. Waheeb Elyas Al-Dhelai,
Member - Government Representative



Mr. Jabreen Al-Jabreen,
Member - AGFUND Representative



Eng. Eqbal Yasin Bahadir,
Member - EOF Representative



Mr. Osama Al-Shami,
Member - Government Representative



Dr. Akram Mohammed Al-Washali,
Member - Government Representative



Mr. Khalil Ahmad Hassan,
Member - Government Representative



”Word” by Executive Director

Mr. Mohammed Saleh Al-Lai

The seventh year of the AMB life passed; it passed along with its blows and obstacles; it represents a year of a real setback not just for the AMB, but also for the overall country and its economic sectors in general and the banking sector in particular. Nevertheless, the Bank was until March 2015 able to maintain its standing as the largest MFI in Yemen in terms of the active clients numbered up to 44,013 borrowers with an active portfolio worth to 3.2 YR billion (15.1 US\$ million) keeping the risk rate to less than 0.5 percent, while the saving portfolio amounted up to 2.4 YR billion (11.2 US\$ million). That was the result of the great efforts the Bank exerted for developing an integrated package of diverse financial and non-financial services and expanding the targeting scope, thus covering the urban and rural areas through rural branches, a network of local agents, and points of service spread over all the provinces of Yemen.

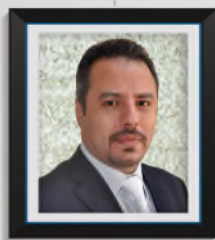
However, the sweeping crisis, the country has gone through since late March 2015, has resulted in a decline in the AMB operational and financial performance indicators, with the lending activities decreasing by more than 90%, compared to the first quarter of 2015, and the number of active clients decreasing by the end of December 2015 to 37,678 borrowers with a loan portfolio worth 2.4 YR billion. The saving accounts went down to the amount of 2.2 YR billion. Meanwhile, the Bank has sustained direct damage to its buildings and branch offices and was forced to close up some of the branches as a result of the worsening security situations particularly in the provinces of Aden and Taiz. Activities in the fields of development and technical assistance were halted, as was donors' financial and technical assistance. What strengthened the AMB's capacity to continue under the dire the situation was how rapidly it responded to the crisis by announcing the Contingency Plan in Mid-March 2015, as a replacement for the regular business plan, and which covered all the AMB operational, financial and human resource aspects. To explore the available opportunities for itself under the crisis, the Bank carried out a field study aimed at analyzing market needs brought out by the crisis. Contingent upon the study findings, the Bank has made some adjustments to its products to contain the economic activities that surfaced or spread during the crisis. It has also activated other banking services, primarily the social transfers/remittances, which complied with the trends of some partners for providing humanitarian cash assistance, of which beneficiaries numbered by the end of the year up to 110,431 cases with a total cash assistance of 2.7 YR billion. Despite the crisis, the Bank won awards from three Arab and international organizations in the fields of crisis management, leadership and innovation in the financial inclusion of youth, children and women.

Applauding the sincere efforts expended by all the AMB personnel, and their high commitment and dedication to the job, we continue to encourage them to intensify such efforts until the current crisis of our beloved country ends, utilizing all our previous experiences at crisis time that often used to make us stronger than we were before, so that we can bring the Bank back to its normal standing.

Mr. Mohammed Saleh Al-Lai,
CEO



Ali Jubran Al-Ansi
HR Manager



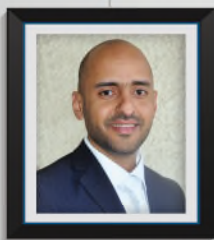
Rashad M. Al-Abidi
IT Manager



Ghamdan Abdu Awn
Finance Manager



Mohanad Ali Al-Maqtari
Operations Manager



Omar M. Al-Haimi
R & D Manager



Abdullah M. Al-Kasim
*Partnerships & International
Cooperation Manager*



Mohammed A. Attiyah
Training Manager



Kamal M. Al-Shayef
*Operations Manager Assistant
for Banking Services*



Sameh A. Al-Hakimi
Operations Manager Assistant for Loans



Seven years of incorporation into the lead

Banking Services





Vision

Al-Amal Microfinance Bank aspires to offer inclusive financial services to all Yemenis.

Mission

Al-Amal Bank seeks to contribute towards improving the economic and social conditions of populations in Yemen's rural and urban areas, particularly the low and limited income groups, particularly, through the provision of distinctive and innovative financial and non-financial services, according to the best internationally-recognized practices and Rulings of the Islamic Sharia Law via well-trained staff, technology and diverse partnerships, hence, becoming a leading and sustainable microfinance institution.

Objectives

- To develop distinctive financial and non-financial services meeting the needs of its clients and ensuring sustainability of the Bank according to the best practices via a wide network of branches and partners and by opening new markets.
- To create an integrated and highly effective control environment that improves institutional performance and strengthens the work environment to ensure the safety and quality of outputs according to clear and sophisticated policies and guidelines.
- To create an encouraging and attractive work environment for the staff and train them on the best practices with a clear administrative system, using advanced and up-to-date technology that realizes resilience and smoothness at
- To strengthen the status of the Bank as a leading financial institution by building a highly effective internal and external communication toolkit that ensures delivery of the Bank's vision and mission to all staff, clients and partners, and attracts diverse funding sources.

The AMB commenced its performance in 2015 with steady rhythm and great ambition to continue making successes like it did in 2014 despite the difficult situations and increasing security and economic challenges that have prevailed in Yemen since the last quarter of 2014. It was able to move forward towards efficiently realizing its business plan, of which impact was evident on the social role towards AMB clients, as well as on the clear improvement in the AMB financial status by the end of March 2015.

Although the Bank made early preparations to cope with the predictable crisis through a contingency plan, the dramatic developments of the crisis unexpectedly changed into a nationwide war, leaving negative impacts on all the operational aspects that were reflected on the social and financial performance. The year 2015 represents the second misfortune in the march of the AMB business that has experienced continued development since the Bank was established in 2009.

This report provides a short summary of the 2015 Crisis and its repercussions on the social and economic areas in Yemen, as well as its impacts on the microfinance sector in general and the AMB operations and clients in particular.

It also contains thorough description of the AMB performance in 2015 from the following two main perspectives:

01

The AMB operational performance in 2015 with illustrations of how the performance changed between the first quarter and the rest of the year, and the impact on the AMB social performance and financial status by the end of 2015.

02

How the AMB responded to the crisis through a package of actions focused on strengthening the trust of all relevant people (partners, staff and clients) in and outside the Bank.

2015

A year of war in Yemen

The signs of Yemen Crisis began looming on the horizon by the end of June 2014 in the form of protests against corruption and price hikes, which shortly developed into a devastating war happening in most of the Yemeni provinces since the beginning of 2015. The armed conflict started in Sana'a and extended to Aden, thus changing into a nationwide war as the entire country began to face aerial, maritime and land blockade and ongoing aerial bombardment and then ground military operations, which started in the southern provinces and consequently extended to the northeastern provinces of Marib and Al-Jawf. By the end of 2015, the ground military operations began to approach the Capital City of Sana'a from east. Although the UN Security Council issued on April 2015, 14 the Yemen Resolution No. 2216, which was unanimously voted for by all the fifteen members of the Security Council, provides for ceasefire, withdrawal of armed formations from cities and reviving the political process agreed upon in the National Dialogue Conference, the scope of fighting has been continuously expanding, causing heavy damage to public and private property and claiming several civilian lives, particularly among children and women.



A Crisis of 2015

Dire humanitarian situations under war

A recent report on Yemen humanitarian situation released by the UN Office for the Coordination of Humanitarian Affairs eight months into the fighting shows how difficult the situation is. Below are some of the key points in the report:

- ❖ Up to 21 million Yemenis are in need for life-saving assistance.
- ❖ Up to 14.4 million people face food insecurity, 6.7 million of them face extreme food insecurity and 300 thousand children suffer severe malnutrition.
- ❖ Prices of basic foodstuffs increased by 47% and by %100 in some areas, while fuel prices increased by 273%.
- ❖ More than 20 thousand people have been killed or injured.
- ❖ There are 3 – 2 million displaced people in and outside the country.
- ❖ Nearly 600 health care facilities stopped providing services.
- ❖ Up to 14 million Yemenis are deprived of health care.
- ❖ More than 1,000 schools are shut down.
- ❖ More than 1.8 Million Yemeni children are deprived of education.
- ❖ More than 500 children have been killed in the conflict.

Even worse, the economic stagnation as a result of the war and the blockade exacerbated the living conditions of citizens and caused massive employee layoffs, particularly in the private sector and small enterprises.

The national economic under the war



The Yemeni economy has been since 2008 experiencing consecutive shocks as a result of economic political changes, particularly in the wake of 2011 due to change of the political situation in Yemen and the associating security gaps, sharp decline in the economic indicators and equilibria, and poor living standards.

Despite relative stability between 2012 and 2014, the Yemeni society had not seen complete recovery at the economic level. Shortly, the year 2015 came with multiple security, economic and even environmental problems causing huge damage and losses to the Yemeni economy estimated as follows:⁽¹⁾

60%

The losses of firms working in other less secure areas.

70%

The production losses of firms in conflict-stricken areas like Aden and Taiz.

67%

The losses of service-providing firms.

64%

The losses of recycling firms.

92%

Of business firms faced production losses.

⁽¹⁾ Source: Economic and Social Developments Journal, July 2015.

2015

Other key challenges the Yemeni economy faced at wartime include the following:

- Breakup of the state's institutions and destruction of a large number of vital facilities and public and private business firms.
- Interruption to the activity of airports and seaports and damage to their structures as a result of the war, plus halted exports and restricted imports.
- Fuel shortage, lack of power supply, scarcity of commodities and deterioration of basic services.
- Complete suspension of social protection programs and halt to implementation of programs on supporting the poor and infrastructure projects.
- Interruption to economic and investment activities, decreasing job opportunities, limited income and increasing unemployment and poverty rates.
- Scarcity of the state's public budget revenues and reliance on direct borrowing from the public, along with freezing the public investment program, declining expenses for the operation of basic services and halt to the distribution of cash assistance to the poor.
- Rising inflation and currency exchange rates (local currency devaluation), and declining foreign currency reserves, in addition to restrictions to external transfers to Yemen in US\$, spread of black markets selling basic commodities and increasing monopoly of basic commodities.
- Halt to donor funding for development and being restricted to humanitarian relief assistance.
- Immigration of a large portion of local and foreign staff and capitals to outside Yemen.

The war impacts on the Social Safety Net:



Social Welfare Fund (SWF) 1

- 1.5 million cases affected by suspension of SWF assistance.
- 45% of women cases affected by suspension of SWF assistance.
- 61% is the reduction of the real value of the cash assistance stipend compared to the pricelists of July 2008.
- 421.8 million is the total value of funding needs to cover cash assistance for 2015.
- 50% of the SWF facilities are partially destroyed, looted or occupied.



Social Fund for Development 2

- 123 already finished projects have been destroyed by the war.
- 21% of the country's districts have become inaccessible due to insecurity.
- 93 projects are implemented out of 681 projects that were under implementation
- 1.8 million temporary job opportunities were lost between Jan. and Sep. 2015, compared to 2014.
- 80% Declining drawdown from donor funding after US\$96.1 million were halted, and the funding gap is estimated at US\$184.5 million



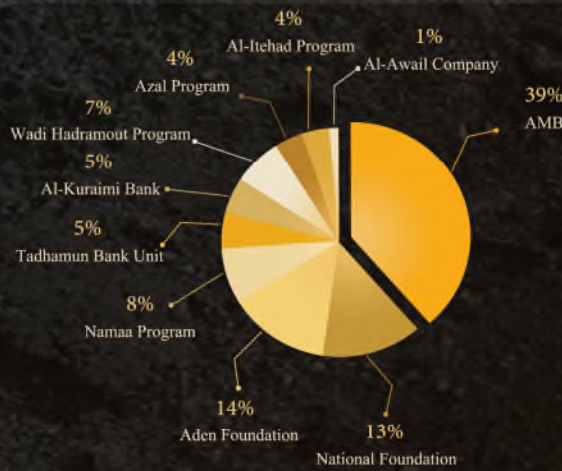
Public Works Project 3

- 69% is the decline of actual expenses for project implementation.
- 69% is the decline of drawdowns due to suspension of donor funding.
- 131 projects in basic sectors are halted.
- 71 thousand temporary job opportunities were lost between Jan. and Sep. 2015, compared to 2014.
- 52 already finished projects have been destroyed (81% of them in the education sector).

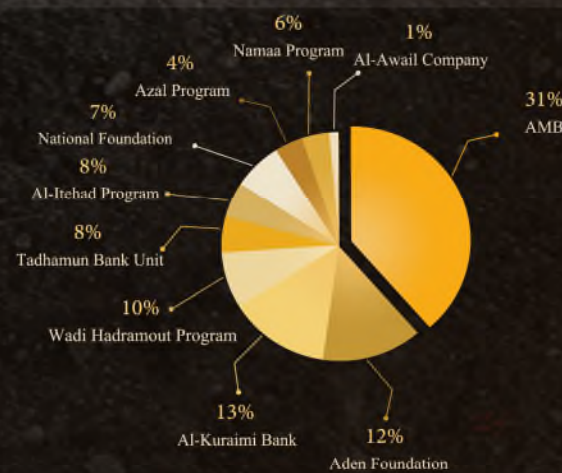
A crisis of 2015

The war impacts on microfinance sector⁽²⁾

Yemen MFIs working according to the best practices numbered 12 institutions, and the number of active clients and the volume of portfolio varied from one institution to another. The actual initial data of ten MFIs in September 2015 reveal that the total number of active borrowers with SME enterprises amounted to 101,871 clients, and the outstanding portfolio volume totaled nearly YR8 billion (US\$37.2 million). The AMB has so far been the leading actor in the microfinance sector given that it serves up to 39% of the overall active clients and controls up to 31% of the overall outstanding portfolio.



MFIs' shares of active borrowers (September 2015)



MFIs' shares of Loans portfolio (September 2015)



The 2015 Crisis

⁽²⁾ Source: Economic and Social Developments Journal, December 2015.

2015

The war impacts on the microfinance sector

Yemen microfinance growth indicators have experienced a steady increase since 2014, thus reaching %8.2 in the middle of the year. Despite the political tensions, the last quarter of 2014 saw a growth rate of %3.1 with the number of active clients exceeding 120 thousand. The index continued to increase at the beginning of 2015 at a growth rate of %3.4 until end of March 2015 when almost everything collapsed with the country witnessing violent conflicts and an unanticipated war.

Due to the catastrophic situations all the parts of Yemen territory had gone through for the rest of 2015, the MFIs faced numerous risks and challenges as a result of insecure situations in the field. The most important ones of these risks are:

Credit risks and the high risk of given loans to clients under crisis

Due to increasing credit risks during the war and conflicts and uncertainty about the country's future, many MFIs deliberated to suspend the lending activity and focus on collecting loan installments from clients to ensure redemption of their funds. Below are the main reasons for such actions taken by many MFIs:

- ❖ More than 37 thousand clients were displaced to other safe areas, and 37 clients were dead.
- ❖ Around 63 thousand clients lost their activities because of damage, destruction or interrupted business.
- ❖ MFIs were unable to provide financial services in many areas most affected by the conflict.

Operational risks that restricted the scope of activity

- ❖ Offices, assets and other property of some MFIs were damaged.
- ❖ Some MFI offices were looted or burglarized.
- ❖ Too many employees found it increasingly difficult to commute to work due to the worsening security situation.
- ❖ Around 372 employees were displaced, particularly from those areas most affected by the conflict.
- ❖ More than 300 jobs were suspended as a result of interruption to most of the MFI activity and halt to lending.
- ❖ There were increasing security risks to the movement of cash from and to MFIs.
- ❖ MFIs were unable to operate branches due to lack of fuel products.

Financial risks

- ❖ Loan portfolio income declined as a result of increasing arrear rates.
- ❖ MFIs were unable to fulfil their financial obligations as a result of declining return and decreasing repayment rate.
- ❖ Lack of opportunities for MFI funding from external entities as a result of halt to donor funding until the end of the crisis.
- ❖ Remarkable local currency devaluation and its impact on the MFIs' financial status.
- ❖ Decreasing saving portfolio in MFIs, given that this portfolio is an importance source of loans.

A Crisis of 2015

By the end of 2015, the sector's general indicators were significantly affected as a result of the continuity of the crisis and its extension to many provinces where MFIs operate. Until October 2015, the sector's indicators appeared as shown in the corresponding diagrams.

The war impacts on AMB

Since the beginning of 2015 and until the end of the first quarter of the year, the AMB has steadfastly moved forward, realizing high growth rates beyond its operational plans, which exceeded 111% in all its operational indicators. Thanks to its ambitious plans, the AMB made such accomplishments despite the worsening security and political situations the country has lived through since the beginning of the second half of 2014.

By the end of March 2015 when the large-scale military operations broke out extending to most of the areas where the AMB has a large number of branches like the cities of Aden, Taiz, Mukalla and Sana'a, most of the branches in those provinces suspended their operations, leaving the following impacts on the Bank:

- ◆ Decline in the sources of liquidity required for the business such as savings and donor funding.
- ◆ Decline in the AMB profitability as a result of suspended services and restricted reliance on the return from monthly loan installments, which is unguaranteed source, particularly amid the increasing numbers and amounts of uncollected loans.
- ◆ Any actions for expense rationing are often encountered by an unavoidable increase in other expenses such as the high cost of fuel products, among others.
- ◆ Compared to December 2014, the AMB financial center declined to YR12.4 billion with a 11% decrease.

The portfolio at risk increased from 2.1% in December 2014 to 2.9% in October 2015.

Nearly 16% of the MFIs' employees were given leave without pay.

More than 40 branches suspended their operations for being located in conflict areas, and for being unable to operate and/or inaccessible to clients & staff.

The number of active borrowers decreased from 120,839 clients in 2014 to 101,871 clients; i.e. it dropped by 16%, with women constituting more than half of them.

The number of savers increased from 667,114 clients in December 2014 to 730,511 in October 2015 with a 17.4% increase as a result of MFIs/Banks' shift for disbursing transfers via bank accounts.

The volume of outstanding loan portfolio declined from YR12.2 billion by the end of 2014 to YR7.9 billion with a 35.7% decrease.

◆ Halt to the projects for financial service and institutional structure development.

◆ Halt to donor technical and financial assistance projects.

◆ Staff reductions as a result of the halt to AMB activities.

◆ Partial damage to the AMB Head-Office and branches as a result of aerial bombardment and armed clashes.

◆ Decline in the lending activity and portfolio growth rates that went down to (58%).

◆ An increase in the risk rate to (20%) as a result of the damage to many clients and the displacement of others from conflict-affected provinces.

◆ The clients' increasing trend for saving drawdowns caused the saving portfolio to drop by 36%.

◆ Social transfers /remittances dropped by 68% in contrast to the end of 2014.

The 2015 Crisis

The war impacts on AMB clients

Martyrs /Killed

6

Wounded

106

Lost activities

24,657

Damaged homes

429

Displaced

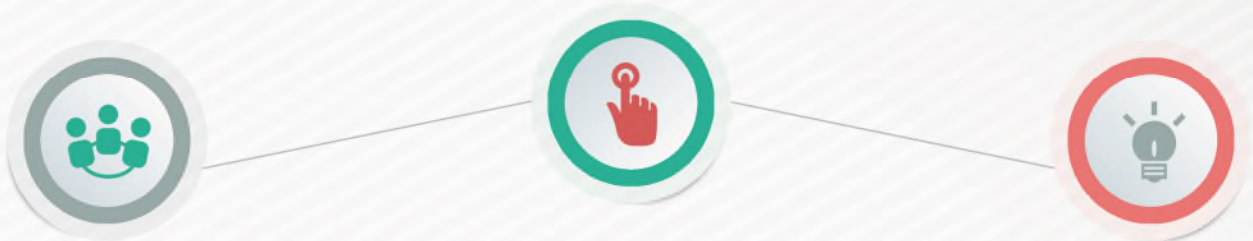
1,171

Relative killed or wounded

326

The 2015 contingency plan

Capitalizing on its experience in managing the 2011 crisis, the AMB strengthened its management capacity to predict the 2015 crisis indicators at a quite early time. It was also able to shape up the potential stages of the crisis and set up specific trends for each stage in all the aspects of the contingency plan. So, the process went through the following main steps:



Formation of a Crisis Management Team

A crisis management team was formed up in the AMB Head-Office, plus other subgroups on the area and branch levels, to ensure sharing of responsibility and quickly taking decisions in emergency cases.

Declaration of the Crisis

The crisis was declared and the Contingency Plan was put into effect as of March 16, 2015.

The Contingency Plan

A contingency plan was developed for the Bank to cope with the crisis and adapt to the situation the country has been going through as per the following:

Operations	Liquidity	Human Resources	Information /Data	AMB Reputation
<ul style="list-style-type: none"> Amending the loaning procedures. Suspending the loaning process completely within April 2015, and resuming it within narrow limits in May 2015, except in Taiz and Aden, and the SWF product. Focusing on loan collection and forming central committees and sub-committees to follow up entitlements. Modifying the foreign currency exchange process under the crisis. 	<ul style="list-style-type: none"> Reducing the ceilings of cash kept in branches. Amending the ceilings of AMB branch bank accounts. Converting all AMB financial transactions with other entities to local currency. Paying out all the obligations and payment orders > YR200,000 by check. Heightening the measures of precaution and vigilance in the management and movement of liquidity. 	<ul style="list-style-type: none"> Suspending some budget items and reducing administrative expenses such as stationary, maintenance and Incidentals expenses. Reducing the daily working hours to 6. Suspending new employment and granting unpaid leaves to some staff. Reducing salaries by 20%, and reducing incentives and cancelling rewards / bonuses. Maintaining and reviewing the branch and staff safety system. 	<ul style="list-style-type: none"> Taking protective actions from electricity problems. Preparing the Data Center with high security specifications. Maintaining the alarm and fire extinguishing system and making sure it is functional. Preparing an backup to the data center in other provinces. Strengthening the data storage and restoration procedures. 	<ul style="list-style-type: none"> Restricting the dealing or communication with the media to the AMB Executive Director. Publishing client success stories throughout the crisis time. Sending periodical reports to senior depositors and shareholders.

Institutional Principles at Crisis Time

AMB Neutrality

Adherence to AMB Policies

Staff Safety

Good Client Relationship

Working in Line with Objectives

The early months of 2015 saw a strong AMB start as per the financial indicators, but due to the escalating crisis, most of the AMB plans were suspended.



Under the dire situations the country has been going through, the Bank invested its potential in maintaining its relations with international organizations and implementing their programs.



AMB Performance in 2015



The Bank plans to step up efforts to maintain its financial stability during the crisis time by reducing expenses and looking for new sources of income.

The First Quarter of 2015

A strong start despite challenges

Although the signs of Yemen Crisis have been characterized by escalation since the last quarter of 2014, the AMB was able during the first quarter of 2015 to realize high completion rates in its operational performance with regard to the loan plan whose completion rates exceeded 111%, compared to the actual plan. And, although the saving portfolio dropped by the end of the first quarter, this could be considered a normal rate amid the increasing saver turnout for withdrawing their savings either from the AMB or the overall banking sector since the beginning of the crisis. Yet, the number of savers included in the AMB saving services increased by 33% as a result of the projects and initiatives implemented by the Bank to encourage saving and spread the financial culture.

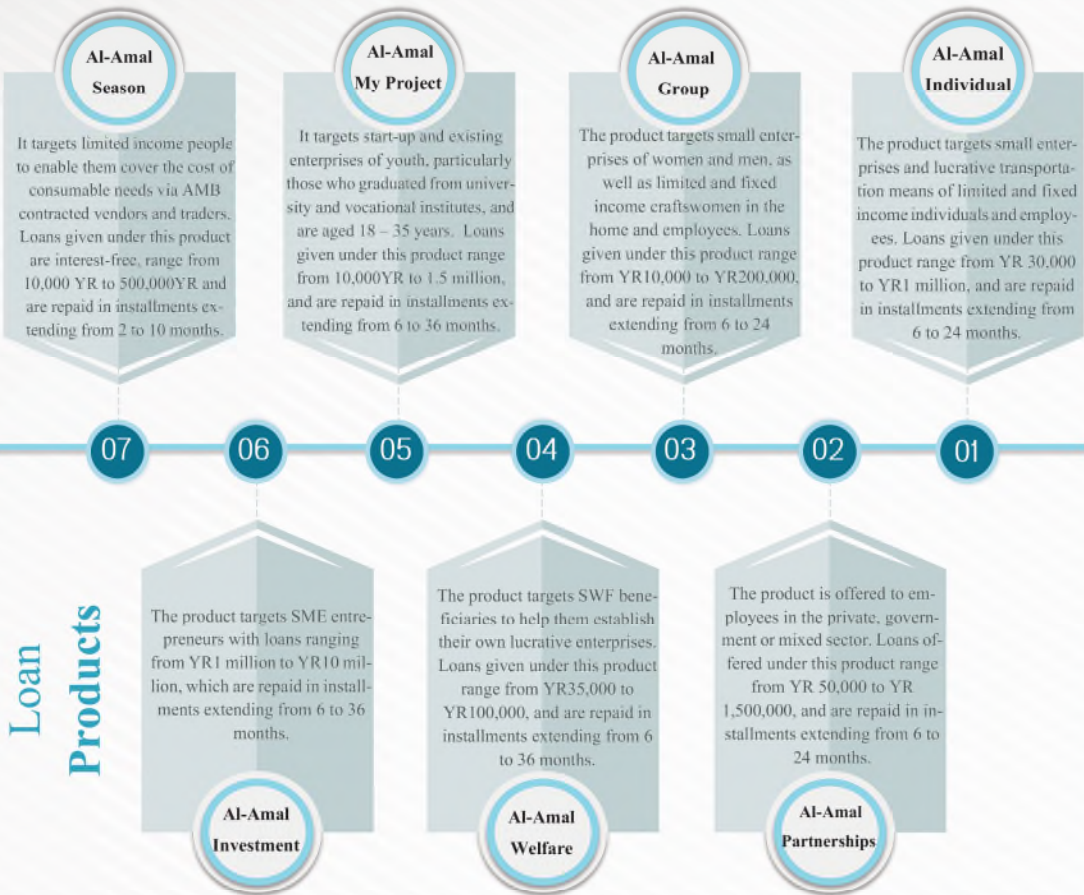
I. Credit Services

As per its Second Strategic Plan (2016 – 2014), the AMB was in 2015 ambitious in how it built the loan indicators as it planned to grant more than 37,664 distributed loans intending to hit a record of 53,000 active loans. In the first quarter of 2015, the Bank started strongly in targeting up to 12,277 clients and activities with a portfolio worth more than 1,5 YR billion⁽³⁾ in response to loan requests, but was able to disburse loans to a number of 10,525 clients of the total requests with a portfolio worth YR1,177,721,480 realizing more than 57.8% of the planned targeting. Through this service, the Bank targets limited and low income SME entrepreneurs with amounts of loans ranging from YR10,000 to YR10,000,000.

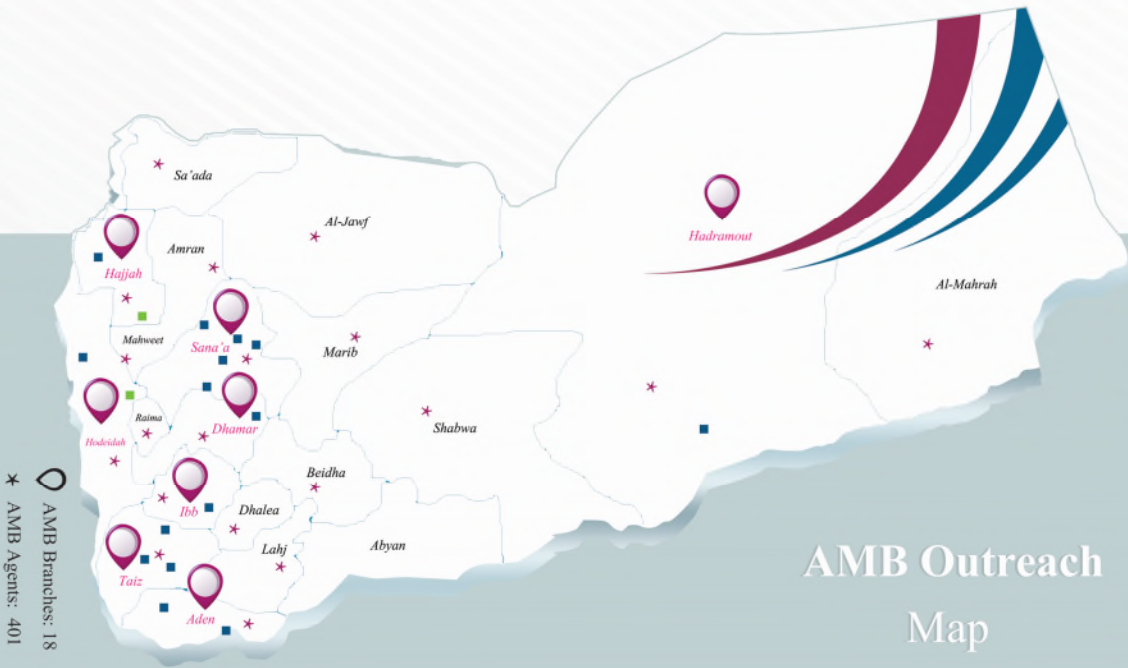
Results of the First Quarter of 2015, compared to the same periods of the previous two years

		The first quarter 2013	The first quarter 2014	The first quarter 2015
Disbursed Loans	Number	7,545	7,258	10,525
	Volume	YR 605,627,800 \$ 2,816,873	736,026,950 3,423,381	1,177,721,480 5,477,774
	Average loans	YR 80,269 \$ 373	101,409 472	111,898 520
	Number	26,956	35,320	44,013
Active Loans	Volume	YR 1,289,583,157 \$ 5,998,061	2,139,633,570 9,951,784	3,246,819,045 15,101,484
	Average loans	YR 47,840 \$ 223	60,579 282	73,770 343

⁽³⁾ The currency exchange rate is: (USD = YR215).



Loan Products





#Client_Tahani

Changing the Crisis into an Opportunity

Tahani Al-Sadami is one of hundreds, if not thousands, of affected women entrepreneurs during the war. She owns a women wears shop in one of the large shopping malls, which was damaged during the war. Like other peers, she could have submitted to frustration. Like others, she may have been waiting until the end of the war in order to recover her activity. However, her responsibility towards her family and her love for the business prevented her to stay idle at home. Having selected another safe place, she took a loan from the AMB and resumed her activity selling women wears. She created for herself a new marketplace and new clients in an area, which was hardly accessible due to long distance and challenging transportation in wartime. When it was possible for her to return to her previous shop, she decided to make her return a starting point for a new march, thus changing the shop into a branch for her lucrative activity. Changing the crisis into an opportunity, she expanded her business and created job opportunities for other youth. Currently, she is planning to further expand her business and begin importing goods directly from abroad, instead of buying from importers inland.

The First Quarter of 2015

1. Microfinance

The AMB paid special attention to the microfinance products due to their importance to alleviating poverty and reducing unemployment among the poor households, and their clear impact on the economy. In the first quarter of 2015, the Bank targeted 3,148 clients and activities with a portfolio exceeding YR290,134,680.

Al-Amal Individual

During the first quarter, the AMB was able to realize good growth rates reaching up to %62 in the number and %76 in the volume of loans, compared to the same period of 2014.

With this in mind, one could say that the Bank was able to create more than 1,376 job opportunities. Despite the dire situations the country has experienced since the beginning of the second quarter, the AMB has been in touch with its clients through periodic and regular visits to clients and their activities, as well as by strengthening the procedures related to the continued delivery of loans pursuant to the Contingency Plan.

Disbursed		The first quarter	The first quarter
Loans		2014	2015
Number	400		601
Volume	69,594,000		119,132,180
Average loans	173,985		198,223

Al-Amal Group

During the first quarter of 2015, the AMB was able to realize good results in this product, hitting a record of 2,480 clients, compared to 2,455 clients for the same period of 2014.

Due to the high risks associated with this product for lack of real guarantees; and client activity losses as a result of changes to the national economy; but having strong faith in women's roles towards the household economy, particularly among the poorest households, the AMB made some changes to the guarantees and added new simple guarantees that are easily available to women and help them have access to loans easily.

Disbursed		The first quarter	The first quarter
Loans		2014	2015
Number	2,455		2,480
Volume	107,254,000		113,785,000
Average loans	43,688		45,881

Al-Amal Partnerships

The AMB worked during the first quarter of 2015 on realizing a good growth rate, compared to the same period of 2014. It was able to expand the network of local partners from different entities to target their staff, as well as to expand the network of vendors. Compared to the last year, the most important results for partners represent a growth rate of %25. Despite the bad circumstances the country has been living through, the Bank still provides loans to employees without stop due to the low risks associated with this product and the AMB sense of responsibility towards this group.

Disbursed		The first quarter	The first quarter
Loans		2014	2015
Number	1,559		1,750
Volume	307,760,500		419,626,300
Average loans	226,461		239,786

Al-Amal Welfare

Through the welfare product, the AMB intends to help the SWF beneficiaries possess their own enterprises. Under this product, it disbursed during the first quarter of 2015 up to 5,674 loans, in contrast to the same period of 2014.

Disbursed		The first quarter	The first quarter
Loans		2014	2015
Number	3,031		5,674
Volume	194,624,000		411,280,000
Average loans	64,211		83,060

All the amounts contained in the tables in this page are in YR.

2. SME Finance

The AMB was keen to complete the development of this product during the first quarter of 2015, given that it has significant impact on Yemen's national economy. So, it made use of the technical assistance provided by the International Finance Corporation (IFC) and SFD for developing products that serve the SME finance sector. For this purpose, it finished a rapid market research on sectors, built a working mechanism for the pilot period, identified and trained staff and selected the branches delivering this product.

II. Saving Services

The AMB reached until the end of 2014 a total 92,057 savers, composing a saving portfolio worth YR3.4 billion, which unfortunately dropped to 2.2 YR billion by the end of the first quarter of 2015 after clients withdrew their savings for fears associated with the crisis whose signs had loomed since the middle of 2014. But the AMB ongoing efforts towards encouraging saving and promoting the financial culture drove up the number of savers to 51,198 by the end of the first quarter of 2015. Though their new savings hadn't contributed to boosting the saving portfolio, their inclusion in the banking sector under the AMB saving services is considered a great success.

. A table illustrating the performance of savings products during the first quarter of 2015 compared to the first quarter of 2014.

		The first quarter 2014	The first quarter 2015
AI-Amal Saving	Number	27,706	51,198
	Volume	126,279,281	150,461,331
Current Accounts	Number	38,189	69,311
	Volume	1,766,961,383	794,986,883
Short-Term Investment Deposits	Number	106	161
	Volume	56,736,290	86,018,780



1. AI-Amal Saving

The service generally targets clients from all target groups:

- Adults
- Children
- Youth
- Educational Saving

2. Current Accounts

- * Current Accounts (Individuals)
They are accounts for all AMB clients.
- * Current Accounts (Companies)
They are accounts for private and public companies and other entities that are interested in dealing with the AMB and using its financial channels to the service of their staff or beneficiaries.

3. Short-Term Investment Deposits

They are investment deposits for a term of 12 months.

- Yemeni Riyal
- Saudi Riyal
- US Dollar

4. Long-Term Investment Funds

- * Investment funds for social responsibility (less return).
- * Investment funds for individuals and companies.

The First Quarter of 2015

Programs on Promoting Saving & Spreading Financial Culture

The AMB offers non-financial services aimed at spreading the financial culture and enhancing the financial status of SME entrepreneurs in general and youth in particular via Al-Amal Foundation for Training & Entrepreneurship (AFTE, which is responsible for providing financial education programs as an integral part of the managerial and vocational training curricula given to trainees.

During the first quarter of 2015, the AFTE implemented, in partnership with AMB, a number of projects aimed at boosting the financial inclusion of the different community groups. It also implemented technical assistance programs for AMB partners under social protection, which is part of the AMB social responsibility towards protecting child clients and ensuring their access to decent health care and educational services.

Project for Financial Inclusion of Marginalized Communities

The marginalized group is classified among the most disadvantaged segments in Yemeni society. Most of the group members exercise low-paid trades such as working as cleaners or porters and other types of casual work. Consequently, they face difficult living conditions in reclusive slums that contributed much to their marginalization. Even worse, they are self-marginalized because they are unserious about integrating normally in the community, either in the field of work, education or other aspects of the public life. So, the AMB began in the second half of 2014 to implement the activities of the Marginalized Community Outreach Project in Taiz province through child-focus protection mechanisms with funding from the UN

Children's Fund (UNICEF) and in partnership with the SWF. Targeting in its first phase 9,300 marginalized households from 9 districts in Taiz province, the project aims to strengthen the capacity of the children of marginalized groups to have access to health care, education and other basic services by improving the financial capacity of their families to manage their incomes correctly by engaging them in specialized programs on financial education and then integrating them into the banking sector through AMB saving accounts. The project realized at the beginning great successes in terms of opening a total of 21,756 saving accounts for all the target families and their children, thus realizing %112 completion of the project account opening plan.



Regarding financial and social education and saving=encouraging activities, they were implemented as per the following phases:

1. Designing Financial & Social Inclusion Handbook

Simply designed, it is a training handbook based on globally certified curricula on the financial education for children and adults. The handbook involves a number of training means depending on illustrative pictures and drawings that help in delivering the ideas and information to the learners, taking into consideration the low levels of education of many of the target learners. It contains the following four chapters:



2. Training of Trainers

Three TOT programs on the financial and social inclusion were implemented for a number of 60 trainers specialized in the training of children and adults on financial and social inclusion from outside the microfinance sector. The trainers were carefully selected according to special specifications corresponding to the nature of the target group. Moreover, all the trainers were from Taiz province and were familiar with the characteristics of this group and more able to deal with it.

3. Holding Financial and Social Education Sessions for Target Learners

The training sessions were held in places within marginalized communities or in venues adjacent or easily accessible to them, taking into consideration the distance and safety particularly for children. In this context, up to 299 training sessions were held until the end of the first quarter of 2015 and were attended by 7,473 beneficiaries from all groups in all target districts. The pertinent results came as follows:



Training Programs			
Female children	Male children	Fathers Programs	Mothers Programs
1268	1320	2150	2735
Total			7473

The First Quarter of 2015

4. Promoting Saving in Marginalized Communities

The main objective of the financial education process and opening accounts for the marginalized people is instruct members of the target group on how to use the accounts in an effective manner encouraging them to save according to their available financial resources. Therefore, quarterly incentive activities were implemented by awarding certificates to mothers and children who saved and had the highest account balances. Up to 2,588 money boxes were given out as gifts to children enrolled in the educational programs, in addition to 6 in-kind awards to mothers who had the highest saving balances in their family accounts.



AMB Participation in the Global Money Week Activities

In keeping with the declaration of the second week of March 2015 as “The World Money Week”, which is annually organized Child and Youth Finance International ; and under the Central Bank of Yemen (CBY) sponsorship of the event, the AMB strongly participated in the event through the school education programs it implemented in schools and universities in all the provinces where the Bank operates. In this regard, the AMB held awareness-raising sessions for 38,421 students from universities and vocational institutes, and as a result it was able to open up to 21,786 accounts for children and youth targeted by the campaign.



Providing Social Protection Technical Assistance to SWF

This element was added to the Project on Financial Inclusion of the Marginalized Groups in Taiz under the existing partnership between the project stakeholders, AMB, SWF and UNICEF. It was agreed that the AMB, through its AFTE, develop the Training Handbook for relevant staff in the Beneficiary Development Network (BDN), focusing on social protection, which is supported by UNICEF as part of its activities aimed at protecting children, implemented in partnership with SWF. The final outcomes of this type of technical assistance came as follows:

1. Developing the Beneficiaries Development Network (BDN) Training Handbook on Social Protection: It involves trainer guidelines and presentation skills.

2. BDN Operational Manual, which is composed of the following seven chapters:

Education on Rights

Monitoring & Referral

Skill Training

Lending & Beneficiary Integration into Labor Market

Programs for Graduation from Poverty

Conditional Assistance

Urgent Assistance

3. Educational Handbook on Social Protection & Access to Basic Services: It is composed of the following four chapters:

Malnutrition

Breastfeeding

Education

Birth certificate

4. Implementing two TOT programs. Under these two programs, some 36 participants from BDN staff in all the provinces of Yemen were trained, and therefore some 29 social protection trainers and assistant trainers were certified.



الوزارة: العمل
وزارة الشؤون الاجتماعية والعمل
مركز التنمية الاجتماعية

الدليل التدريبي

لشبكة تنمية المستفيدين في مجال الحماية الاجتماعية



The First Quarter of 2015

III. Banking Services

What distinguishes AMB from the rest of MFIs in Yemen is that it provides a series of banking services under the inclusive financial services package made available to clients. These services embody the concept of financial inclusion to the client so that he/she can find whatever financial services he/she needs easily in one place. The AMB banking services include the following:



The Bank offers the internal transfer service while the charges imposed on transfer clients are among the lowest charged by same service providers. This service is offered through the AMB branches and points of service spread all over Yemeni governorates. On the other hand, Bank offers the external transfer service via MoneyGram, a global company that serves more than 192 states worldwide. Also, the Bank is considered one of the key partners that are able to grant sub-agencies to other groups for the service delivery.



The AMB is the sole MFI providing this service in Yemen and one of fewer MFIs proving the service worldwide as part of the microfinance package. In this regard, the Bank disburses money transfers to the beneficiaries of conditional and unconditional cash transfer schemes provided by local and international organizations, which, unfortunately, halted their engagements as a result of the events Yemen has been experiencing since the beginning of the last quarter of 2014, leaving a significantly negative impact on the service.



As part of the inclusive banking services package, the AMB offers to clients the money exchange service through the points of sale for foreign currencies: US Dollar, Euro, Saudi Riyal. Although the crisis caused increases devaluation of the local currency against the US dollar, the AMB stayed committed to the official currency exchange prices determined by the CBY.

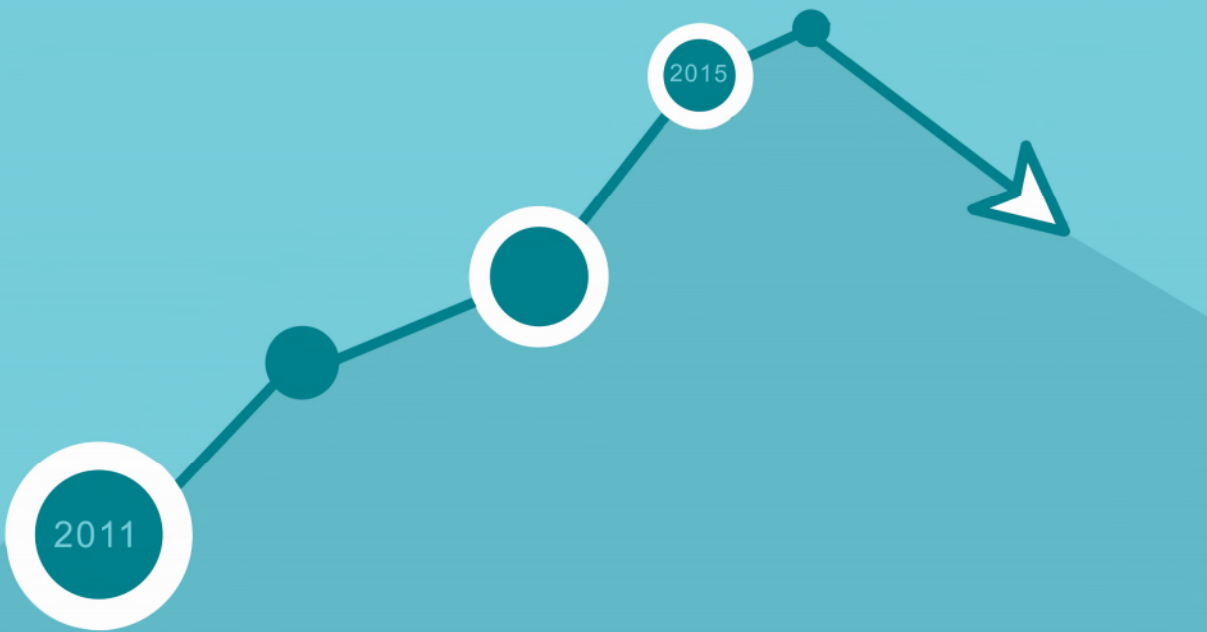
IV. ISLAMIC TAKAFUI

Item	No. of Cases	Amount of Compensation	
Deaths	22	3,692,060	YR
Total disability	0	0	YR
Loss of Business / Activity	7	290,560	YR

Through this service, the Bank insures against potential losses on all loans given to clients with symbolic fees equivalent to 1% of the loan amount. Such compensations cover the cases of death

and total disability, as well as special cases for the loss of business or activity as a result of different disasters. In such cases, only the outstanding liabilities [debts] are repaid from the Takaful Balance. In addition, a sum of money is paid to the family a client in case of his/her death as a kind of commiserations to his/her relatives.

*THE CRISIS IMPACT ON AMB OPERATIONAL PERFORMANCE
Until the end of 2015*

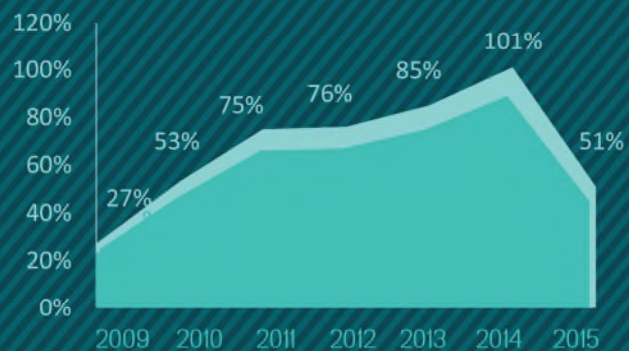


AMB Key Indicators 2009 - 2014

	2009	2010	2011	2012	2013	2014	2015
Number of Branches	7	11	13	18	19	18	18
Number of staff	92	130	135	186	218	269	252
No. of disbursed loans	5,858	17,565	12,507	22,145	26,175	29,272	12,428
Total disbursed loans Portfolio (YR million)	296	885	635	1,240	2,400	3,182	1,565
No. of active clients	4,787	14,730	15,945	26,134	34,374	40,817	37,671
Total deposits (YR million)	36	1,094	1,120	2,120	3,809	3,487	2,675
Average loan balance (YR thousand)	34	37	33	36	55	67	64
Balance Sheet (YR Million)	1.4	3.3	3.9	6.7	9.9	14	12.3
Active Portfolio (YR Million)	165	556	534	955	1,903	2,764	2,415



Active Portfolio (YR Million)



OSS

The crisis impact on AMB operational performance

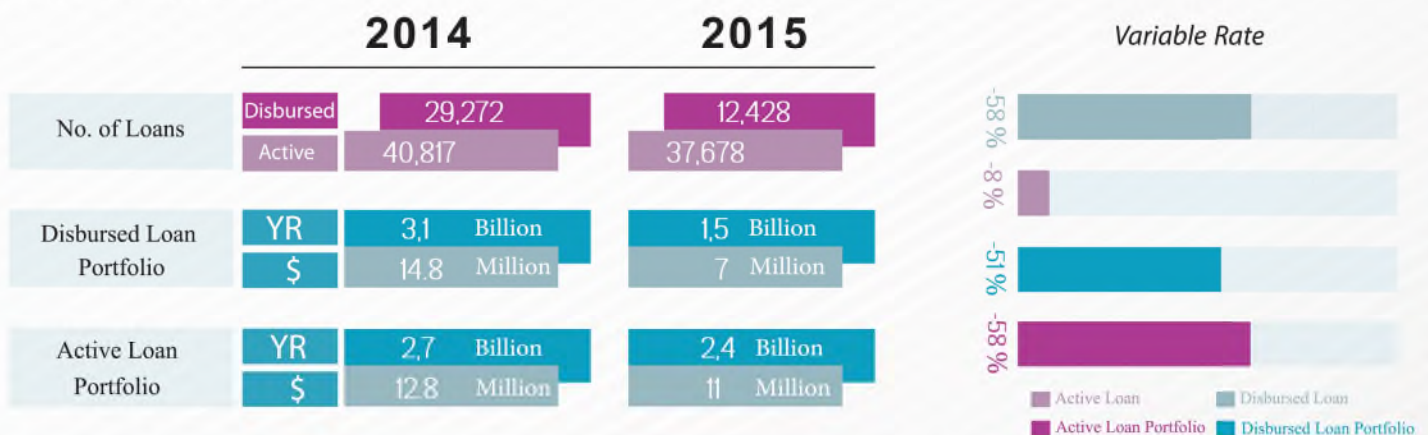
The continued escalation of the crisis from the end of the first quarter until the end of the last quarter of 2015 has negatively affected the overall AMB activities in general and its operational and financial performance in particular. The impacts have been clear on the unanticipated completion rates of the AMB operational plan and on its financial indicators, which came as a result of the AMB response to the crisis by shifting to a contingency plan that significantly restricted the scope of outreach and kept the AMB operations to minimum. The contingency plan entailed that AMB operates with minimum human and financial resources for the sake of reducing expenses to cope with the increasing decline in AMB revenues as a result of the suspension of all its activities, except for the collection of monthly loan installments from clients.

Financial Services at Crisis Time

Due to the large-scale military operations that extended to most of the areas where the AMB has a presence through a large number of branches such as Sana'a, Aden, Taiz and Mukalla, the AMB branch offices in these provinces discontinued their business, resulting in a halt to most of the AMB activities. Consequently, the Bank had no choice but to move on to advanced stages of the contingency plan. The crisis impacts on the AMB financial services came as follows:

1. Loans

The Bank deliberated to gradually suspend loans beginning with reservation and strictness and ending with complete suspension of loans in early April 2015. The lending process has been cautiously reopened as of May 2015 with emphasis on the collection of loan installments in response to the rapidly developing events in Yemen. In the meantime, the Bank continued to receive requests, but postpone them, in order to conserve the AMB reputation among clients. This action was reflected on the AMB loaning service at the end of the year as follows:



The rate of AMB portfolio at risk was affected hitting 20%, which is the highest ever in the AMB history due to several reasons, the most important of which are:

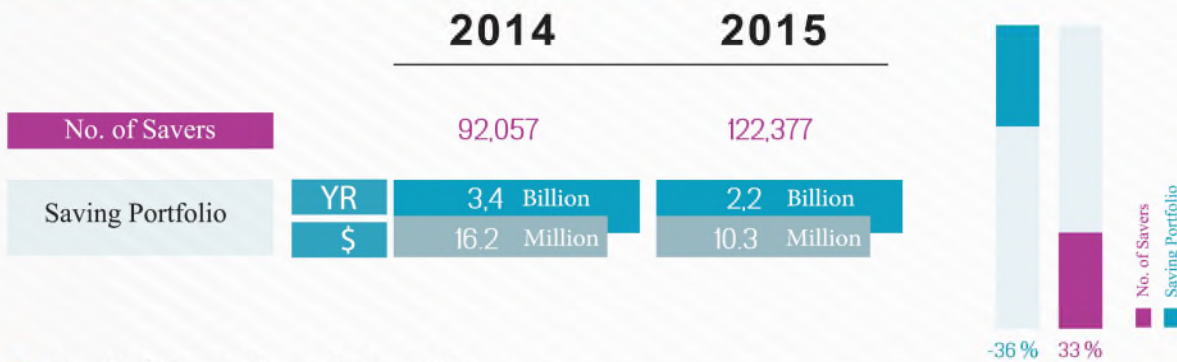
- Halt to SWF cash assistance stipends as the AMB loans extended to SWF beneficiaries represent 54% of the total loans.
- Complete closure of the AMB branches in the provinces of Taiz and Aden, which account for 30% of the overall AMB clients.
- Displacement of a large number of AMB clients and/or loss of their activities and homes as result of the fighting and associated events.

2. Saving

Amid the dire security situations, all banks' clients normally resort to withdrawing their saving funds and keep them in their homes at an early time for fear of collapse of the banks or due to impediments denying them access to money drawdowns. Additionally, the high cost of living at crisis time is another reason why clients turn to withdraw from their saving balances for coping. So, the AMB saving portfolio has steadily declined due to the following reasons:

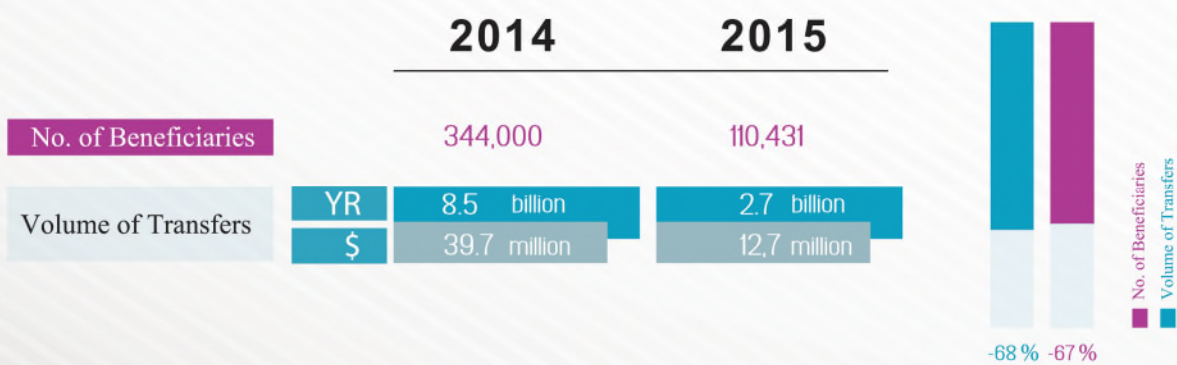
- Clients' trend for withdrawing their savings and completely refraining from depositing money in their accounts.
- Halt to the depositing of funds in the accounts of institutions and organizations whose projects are run via the AMB like social transfers, among others.
- Halt to the investments of new external organizations / entities in the Bank.

This matter was negatively reflected on the saving service by the end of year, compared to what it looked by the end of 2014, as shown in the table below:



3. Social Transfers / Remittances

The social transfer service provided by the Bank is directly connected with continuity of the activity of local and international organizations making the transfers. So, it was one of the most affected AMB services due to interruption to the activity of all the organizations /entities the Bank deals with, which numbered 11 entities by the end of 2014. This interruption was negatively reflected on the social transfer service by the end of 2015, compared to what it looked like by the end of 2014, as shown in the table below:



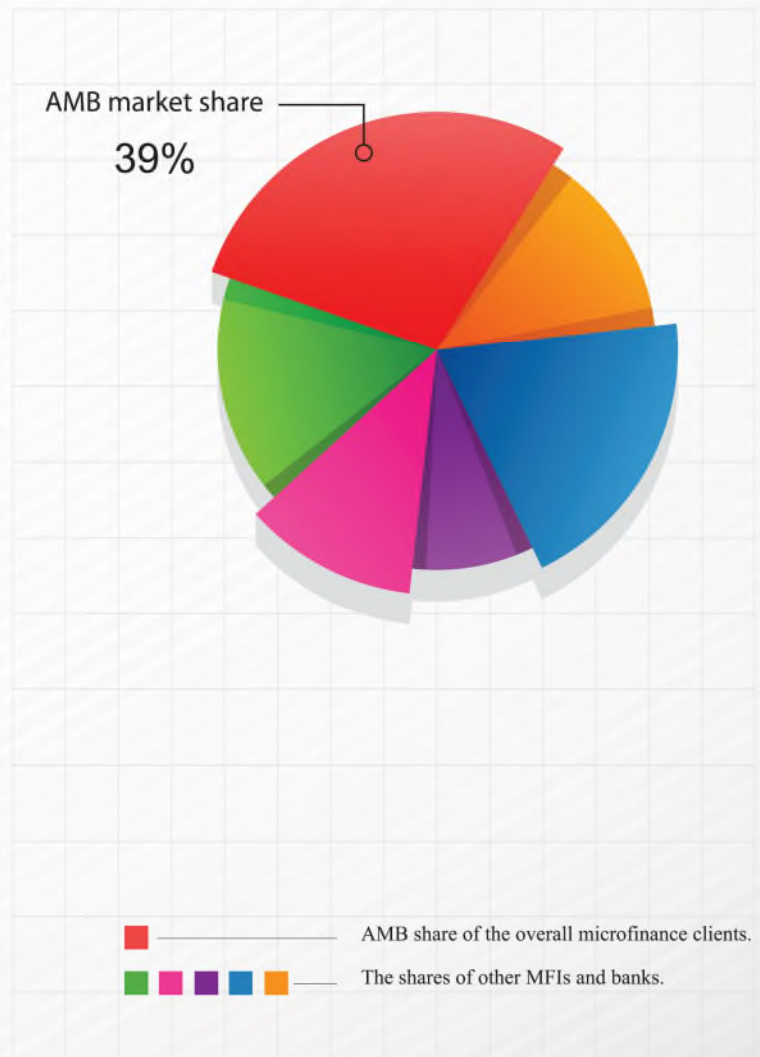
4. Developing Financial Products & Services

The AMB Business Plan for 2015 involved proposals for developing many of the products and services offered by the Bank. In this regard, the Bank was able to signed several technical assistance agreements to be implemented and funded by some partners and donors since 2014, but unfortunately the implementation of the agreements was interrupted because of the crisis. So, the impacts of the crisis on the product and service development process came as follows:

- Halt to the SME products development project, which was scheduled for implementation in partnership with IFC and SFD.
- Halt to the rural fiancé product development project, which was scheduled for implementation in partnership with Economic Opportunities Fund (EOF) and Making Cents.
- Halt to the microfinance products and banking services development project, which was planned for implementation in part nership with SANAD.

AMB Market Share

The AMB professionalism in the delivery of financial services according to the best microfinance practices had the greatest impact on the overall microfinance industry in Yemen. The AMB impact on the industry is not merely restricted to encouraging actors and donors and promoting the trend for the industry, but it also contributed directly to increasing the number of microfinance beneficiaries. Thanks to the AMB role, the microfinance industry in Yemen grew threefold in the past five years, whereas its growth stopped in the five years preceding the AMB entry to the industry. Despite the bad situations the country has been going through and their repercussions on the microfinance sector, which included client activity losses, and the abstention of many MFIs from rendering services and instead focusing on redeeming their funds from borrowers, the AMB retained its market share through continued delivery of different services and was distinctive in portfolio redemption. By the end of the first quarter of 2015, the AMB topped the list MFIs by holding more than 39% of the microfinance market activities.



AMB SOCIAL PERFORMANCE

Until the end of 2015



1. Graduation out of Poverty

Practically, it has been made clear that microfinance can help the poor and needy people increase their incomes and develop their own activities, and consequently reduce their vulnerability to external shocks. With this mind, microfinance can be considered one of the effective means for empowering the poor, particularly women, to realize self-reliance and make desirable economic change.

Based on its social vision and mission, the AMB contributes to assisting the poor to graduate from below the poverty line. In partnership with SWF, the Bank worked on providing financial services that help the SWF enlisted cases initiate sustainable economic activities for their graduation from poverty, and it was able to extend loans to 5,674 cases until the end of the first quarter of 2015 at a growth rate of %87, compared to the same quarter of 2014, thus bringing to 36,881 the total number of beneficiaries from these loans, and creating 5,261 job opportunities.

		The first quarter 2014	The first quarter 2015	
A table showing loans provided under the Graduation from Poverty Project in an accumulative way until the end of the first quarter of 2015	No. of Loans	3,031	5,674	
	Volume of Loans	YR	194,624,000	471,280,000
		\$	905,228	2,192,000
	Average loan	YR	64,211	83,060
		\$	299	386
	No. of Beneficiaries	19,702	36,881	
No. of Job Opportunities Created	2,173	5,261		

Unfortunately, the SWF has since the beginning of 2015 discontinued disbursing quarterly cash assistance stipends to enlisted cases, which serve as guarantees for the SWF enlisted cases to be able to repay AMB loans. This caused complete freezing of the SWF loan portfolio throughout 2015 for two main reasons:

		2014	2015	
a. The inability to collect overdue debts from the clients loaned, and these uncollected funds constitute 54% of the total loan portfolio.	No. of Loans	11,569	5,674	
	Volume of Loans	YR	887,498,000	471,280,000
		\$	4,127,898	2,192,000
b. No new loans were disbursed to any of the SWF-enlisted cases against the security of any subsequent SWF stipends.	Average loan	YR	76,713	83,060
		\$	357	386

A table showing loans provided under the Graduation from Poverty Project until the end of the first quarter of 2015

2. Focus on Women

In Yemen, poverty is being described as being “Rural Feminine”; i.e. it increases more in rural areas and among women. And, of the main problems facing women in Yemen is that a woman cannot even disclose her name in a public place in many areas, and too many of them may not have ID cards, let alone have a bank account.

With this in mind, the AMB developed special products with special requirements to reach women and make sure they have access to financial services in a safe manner taking into consideration the characteristics, habits and traditions of Yemeni society, and based on their needs and financial capacity.

Loans

Since it was established, the AMB has been targeting women through a product named “My Project”, which was specifically designed for women in a manner corresponding to their privacy, needs and financial capacity, as well as their limited capability of providing guarantees and other loan requirements. The product is described as below:

- It targets women-owned enterprises, domestic needs like household effects, home maintenance and schooling needs.
- It requires only a women group guarantee.
- Loan ceilings vary from a group member to another with a margin not exceeding US150\$ to ensure they are able to build solidarity with each other or help each other.
- It involves multiple options for ID verification, which may range to attesting their identities by a neighborhood Aqil or Sheikh [chieftain].
- It includes insurance on the loan balance to guarantee repayment of installments by her family in event a woman client has died.

Saving

Until the end of the first quarter of 2015, the AMB was able to encourage up to 47,830 women to save by opening AMB saving accounts at a growth rate of 69% from 2014. Therefore, women account for 40% of the total AMB savers.

A table showing AMB-provided loans to women until the end of the first quarter of 2015.

		The first quarter 2014	The first quarter 2015
No. of Loans		3,613	4,196
Volume of Loans	YR	198,571,000	273,283,500
	\$	923,586	1,271,086
Average loan	YR	54,960	65,130
	\$	256	303

No. of beneficiaries	No. of job opportunities created	No. of saving accounts	Saving portfolio volume (YR)	Average saving account balance (YR)
27,274	3,051	47,830	544 Million	11,376



#Client_Najras

'My Takaful' Saving is Unique

A mother of nine boys and four girls, Najras Al-Wareed observes prudence and patience in her surroundings. She is an outstanding example of a housewife that works hard to maintain unity of her family and embody a sense of cohesion and solidarity among family members so that they help each other. For her family, she designed a unique solidarity approach in terms of its working mechanism, goals and way of management.

Through her saving account with the AMB, she obliged each working family member to pay a certain monthly amount to be deposited in the saving account, which is used for covering the wedding cost of any family member getting married; or for providing the essential needs of the family. All such arrangements are made under her supervision and as per her estimation of the family priorities, and in the meantime she ensures equality and benefit for all her children from the return on saving. Al-Wareed instilled into her children a love for domestic solidarity, and taught them how to make use of the saving accounts and how such accounts can be their ideal means for better future and a strongly cohesive family.

The Yemeni women were affected most during the 2015 Crisis that has impacted all the aspects of life and even the way of living for many families due to the following reasons:

- Families deserting their homes in conflict-ridden areas and fleeing to other safer areas or sometimes to the countryside.
- Small enterprises owned by economically active women are no longer feasible due to the soaring prices of different commodities, as opposed to the dwindling incomes of many people who represent their clients [buy their products].
- The security situation has become more dangerous for women, thus restricting their ability to move safely for exercising any activities outside their homes.

Therefore, women needs during the crisis have become focused on consumables in general and food in particular. Amid dwindling incomes, any increase in the financial obligations as a result of taking loans will represent an additional problem to women. So, the AMB has been careful to reduce the mounts of loans given to women, as well as to adequately verify their income levels and repayment capabilities in advance. By the end of 2015, women loans decreased by 70%, compared to their volume by the end of 2014. On the contrary, women are normally forced to withdraw their money savings to meet family needs, which they see as a top priority. Consequently, the AMB women saving portfolio dropped, by the end of 2015, by 16%, compared to portfolio volume by the end of 2014.



		2014	2015
No. of Disbursed Loans		14,511	4,324
Volume of Disbursed Loans	YR	845 Million	297 Million
	\$	3.9 Million	1.3 Million
Average Disbursed Loan	YR	58,252	68,895
	\$	271	320
No. of Saving Accounts		35,789	11,718
Volume of Saving Portfolio (YR)		547 Million	22 Million

A table showing the volume of AMB financial services provided to women until the end 2015.

3. Youth

Youth Loans

The AMB worked with many local and international partners on designing a number of financial services to enable youth to have sustainable lucrative activities, as well as to reduce the high unemployment rates among youth. Given that the loan guarantees represent an obstacle to youth, the Bank and international donors worked on establishing a youth fund to overcome this obstacle and offer young people loans without guarantees. In addition, the Bank offer loans to youth-owned start-up enterprises, which is one of the most successful AMB experiences on the level of the microfinance industry.

Until the end of the first quarter of 2015, the Bank disbursed up to 2,210 loans to young entrepreneurs at a growth rate of 28% from 2014, with youth constituting 21% of the total AMB borrowers.

Youth Saving

To encourage youth to save, the Bank designed a special product named "Youth Saving – My Project" to promote the saving culture among members of this group. Therefore, it carried out promotional campaigns in universities and high schools to raise youth awareness by instilling into them the saving culture and granting them special benefits such as holding awarding events and conferring awards to young savers.

Until the end of the first quarter of 2015, the AMB had a total of 29,102 young savers at a growth rate of 88% from 2014, with youth representing 24% of the overall AMB savers.

A table showing youth Loans until the end of the first quarter of 2015.

		The first quarter 2014	The first quarter 2015
No. of Loans		1,720	2,210
Volume of Loans	YR	130,687,000	179,653,200
	\$	607,847	835,596
Average loan	YR	75,981	81,291
	\$	353	378

No. of beneficiaries

14,365

No. of job opportunities created

2,005

No. of saving accounts

29,102

Saving portfolio (volume (YR

143,703,620

What distinguishes youth from other groups in managing enterprises at crisis time is that they are more capable of adapting to the crisis and coping with dire situations. However, the 2015 Crisis caused great changes to the volume and nature of many of the small and micro economic activities, particularly those run by youth, as described below:



- Changing the main product of an activity and introducing new products to meet the growing demand for such products during the crisis such as cold soft drinks and ice, among others, which are simple activities that don't require a large capital.
- Reducing the period of project businesses because their operation depends 100% on fuel products, which turned to be very costly to the large quantities of fuel consumed and their soaring prices.
- Some were forced to quit their trade stores and replace them with pushcarts or carpets on the roadsides in order to avoid additional costs like rents and water and electricity bills.

Despite that, the volume of income from these activities remarkably declined as a result of the high cost and the decreasing sales. Also, the activity surplus turned to be more largely used than before for covering personal needs of activity owners and their families, which consequently contributes to steady shrinkage of the activity or, in the best case scenario, prevents it to develop.

Anyway, this normally affected the number and volume of loans granted to youth, which were reduced due to the high level of the study of loans and fiduciary feasibility of youth projects. In addition, the provision of guarantees turned to be a real problem amid the inability to secure guarantees required for loans because of guarantors' fears about potential crisis consequences on clients, which would hold them accountable for their liabilities.



A table showing the volume of AMB financial services provided to youth until the end of 2015.

		2014	2015
No. of Disbursed Loans		5,806	2,235
Volume of Disbursed Loans	YR	469,440,550	184,418,200
	\$	2,183,444	857,759
Average Disbursed Loan	YR	80,854	82,513
	\$	376	384
No. of Saving Accounts		18,649	6,382
Volume of Saving Portfolio (YR)		92,765,983	19,414,564

The number of loans extended to young entrepreneurs decreased, by the end of 2015, by 66% , compared to their number by the end of 2014. Similarly, the volume of saving declined, by the end of 2015, by 79%, compared to the volume by the end of 2014.

4. Targeting Rural Areas

As part of its Strategic Plan (2016 – 2014), the AMB worked on strengthening its competitive capacity in the rural market by designing and developing diverse and high quality financial services and products (Loans, saving, Takaful...etc.) meeting the different funding needs of limited and low income rural households. In this regard, the Bank used different approaches (Individual, Group and Village Bank), accompanied by typical client service to win their loyalty.

The AMB role in rural areas was represented by inclusive intervention targeting clients directly with financial services via the AMB rural branches, as well as indirectly with non-financial services offered to clients and agents whose capacities were built in order to provide financial services on behalf of the Bank.

Financial Services

Providing financial services in rural areas is of crucial importance since this action contributes to attaining the three strategic goals of rural development and poverty alleviation in rural areas:

To develop rural economy.

To engage rural communities in development.

To reduce economic problems that may happen on regional levels.

Therefore, the AMB has been careful to target rural areas with similar inclusive financial services, particularly as the MFIs delivery of financial services to rural areas is considered one of the important means for distributing risks, and avoiding collapse and repayment problems in the event of nationwide crises, which normally affect most the branches and clients in main cities and other urban areas. A total of 5,033 loans had been disbursed in rural areas until the end of the first quarter of 2015 at a growth rate of 116%, compared to their number in the first quarter of 2014. Also, the rural saving portfolio increased by 75% by the end of the first quarter of 2015.

		The first quarter 2014	The first quarter 2015
No. of Disbursed Loans		2,328	5,033
Rural finance performance indicators until the end of the first quarter of 2015	Volume of Disbursed Loans	YR 269,867,500	636,200,300
		\$ 1,255,197	2,959,071
	Average Disbursed Loan	YR 115,922	126,406
		\$ 539	587
	Saving Portfolio (Million)	YR 7,125,084	12,486,443
		\$ 33,139	58,076

Non-Financial Services

They are a package of training programs and workshops provided in rural areas under an agreement of partnership with training and development institutions, primarily the AMB-run AFTE, which offers training in association with specialized organizations and unions and other entities with adequate experience in the delivery of training services in rural areas. This allowed them to evaluate programs and trainers, and begin providing training directly via the AFTE after developing respective training curricula and programs.

The AFTE has so far implemented 16 training programs for rural areas, during which up to 538 participants were trained on financial education that is one of the most important programs for rural areas.

Given that political conflicts normally concentrate in main cities, which are the decision-making areas, the impact of such conflicts often decreases in rural areas. However, the impact of the 2015 Crisis extended to almost all the areas of the Yemeni territory, and even worse it increased the suffering of rural populations who are naturally deprived of services. The disappearance of fuel products has negatively affected the delivery of services due to increasing costs, while insecurity has restricted access to these areas.

Despite the economic activity of many of the rural areas as a result of the large displacement of city populations fleeing the war to the countryside, this momentum is short-lived and may end at any moment. So, it represents a great risk to any expansion in loans to these areas in particular, which is why the AMB activity in rural areas significantly declined during 2015, and its results came as follows:

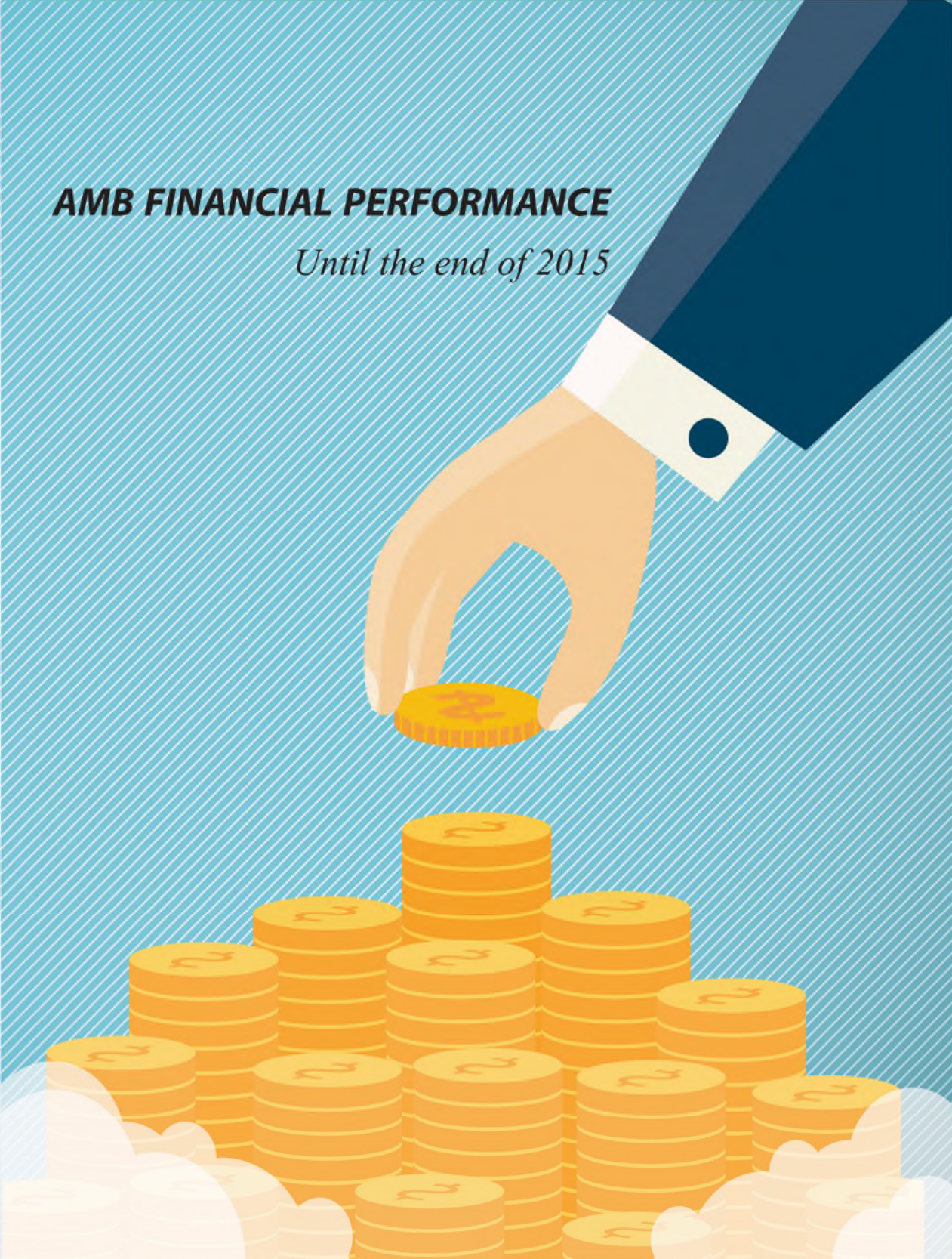
Rural finance performance indicators until the end of 2015

		2014	2015
No. of Disbursed Loans		11,030	6,069
Volume of Disbursed Loan Portfolio (Million)	YR	1352	855
	\$	6.2	3.9
Average Disbursed Loan	YR	122,635	140,934
	\$	570	655
Saving Portfolio	YR	73,947,708	17,133,775
	\$	343,943	79,692



AMB FINANCIAL PERFORMANCE

Until the end of 2015



AMB Financial Performance during the first quarter of 2015

The first quarter of 2015 represented a new start for realizing the objectives of the Strategic Plan for 2015 despite the appearance of some crisis indicators. Comparing the AMB performance for the first quarter of 2015 to its performance for the same period of the previous year, it is observed that the growth rates remarkably increased, with the loan portfolio income growing by 123% by the end of March 2015, compared to the same period of 2014 as the volume of loan portfolio income totaled by the end of March 2015 YR120 million with a YR66 million increase. Similarly, the revenues of other financial services grew by 35% by the end of March 2015, compared to the same period of the previous year.

In addition, the growth rate of the total revenues of the AMB banking services reached %38 by the end of March 2015, compared to March 2014.

	The first quarter 2014	The first quarter 2015	
Portfolio Income	53,935,559 YR	120,115,327 YR	123%
Social Transfer Income	48,727,194 YR	23,484,535 YR	-52%
Revenues of Other Financial Services (Exchange, Financial Inclusion, Grants)	13,115,240 YR	16,226,102 YR	24%
Total Revenues	115,777,993 YR	159,825,964 YR	38%

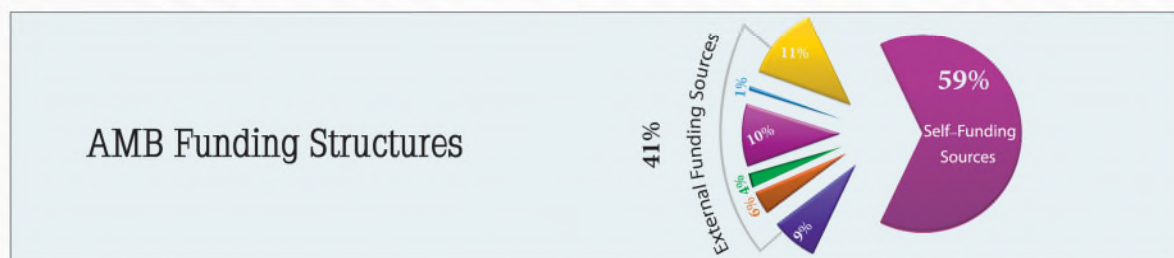


It is worth mentioning that the decline in the social transfer income is mainly attributed to the reservations exercised by those organizations working in Yemen at the beginning of 2015, which also halted their activities completely due to the dramatic events experienced by the country by the end of March 2015. In the meantime, the growth rate of the resulting net profit after subtracting all the operational and financial expenses by the end of March 2015 became eighteen times higher than it was in the first quarter of 2014, as the net profit increased from YR2.4 million for the first quarter of 2014 to YR46 million by the end of the first quarter of 2015. At the beginning of the first quarter, the AMB was able to strengthen its financial center by diversifying self-funding and external funding

sources (client deposits and savings and subsidized loans). By the end of March 2015, the external sources accounted for 41% and the self-funding sources, represented by the shareholders' equity, 59% of the AMB funding.

The following table shows details of the portions of AMB funding structures by the end of March 2015:

Item	Amount in YR	Contributed portion to the AMB financial center
External Funding Sources		
Short-Term Deposits & Savings	1,138,446,681	9%
Long-Term Deposits (Investment Funds)	469,210,000	4%
Subsidized Loans	769,046,236	6%
Contributed Deposits to Funding Specialized Projects	1,268,266,738	10%
International Partnership Creditors (Kiva)	138,442,023	1%
Other Liabilities	1,409,990,005	11%
Total Liabilities	5,193,401,684	41%
Self-Funding Sources		
Total Shareholder Equity	7,361,923,881	59%



AMB Financial Performance until the end of 2015

Given that the AMB operates in a risky investment environment in terms of the recurring changes of the economic and security situations or in terms of the connection of its investments and loan portfolio with the poor groups that are more vulnerable to damage at the time of crises and disasters, these factors have negative impacts on the AMB activity, revenues and profits.

The impacts and repercussions of the 2015 Crisis clearly appear on the AMB financial performance indicators until the end of the year, which is why the AMB revenues dropped to %43, compared to the income volume in December 2014 after halt to most of the AMB financial services, and the decline in their volume and the community demand for them. The income of banking services was the most affected, recording an %82 decrease.

	2014	2015	Change (%)
Portfolio Income	YR 572,719,887	482,744,712	-16%
Social Transfer Income	YR 212,946,261	69,809,359	-67%
Revenues of Other Financial Services (Exchange, Financial Inclusion, Grants)	YR 276,174,545	49,314,048	-82%
Total Revenues	YR 1,061,840,692	601,868,119	-43%

On the contrary, the AMB attempted through the Contingency Plan in 2015 to ration expenses at all levels, thus succeeding in reducing staff expenses by 20% and other administrative expenses by 9%, compared to the same expenses by the end of 2014. However, the Bank faced increasing expenses in the loan loss provision, which nearly increased eight-fold because the SWF was unable to repay the loans disbursed to SWF-enlisted cases that constitute 54% of the total loan portfolio. Consequently, the AMB allocated provision or reserve against these default loans although their repayment is in one way or another guaranteed by the Government of Yemen.

A table showing a comparison of administrative expenses between 2014 and 2015

Administrative Expenses	2014	2015	
Staff Expenses	409,259,331	328,003,374	-20 %
Administrative Expenses	497,502,432	453,742,641	-9 %
Net Loan Loss Expenses	54,331,982	477,162,216	778 %

Generally speaking, the AMB continued to have a strong financial center, but the crisis repercussions were unavoidable, and had significant impact. This impact can be made clear from the decreasing growth rates in some items of the sources of funding as shown in the table below:

Item	Amount (YR)	Growth Rate	Financial position
Self-Funding Sources			
Short-Term Deposits & Saving	940,663,594	-58%	8%
Long-Term Deposits (Investment Deposits)	469,210,000	0%	4%
Subsidized Loans	124,376,230	-84%	1%
Contributed Deposits to Funding Special Projects	1,268,266,738	0%	10%
International Partnership Creditors – Kiva	78,039,072	-33%	1%
Other Liabilities	1,521,306,374	-17%	12%
Total Liabilities	4,401,862,008	-34%	36%
External Funding Sources			
Total Shareholder Equity	7,889,136,606	8%	64%

The previous table shows significantly decreasing rates in the items of the sources of funding by the end of December 2015, compared to the same items in December 2015.

- ▶ **58%** is the shrinkage rate in clients' deposits and savings since junior depositors withdrew their funds to meet daily living needs because of the deteriorating economic conditions and rising inflation.
- ▶ **84%** is the shrinkage rate in the subsidized loans due to increasing fears of international organizations about potential deterioration of the business environment (market interruption) because of the high risks associated with the current dire situations in the country.
- ▶ **33%** is the shrinkage rate in international partnership creditors – Kiva Loans, due to restrictions on granting loans throughout the year.

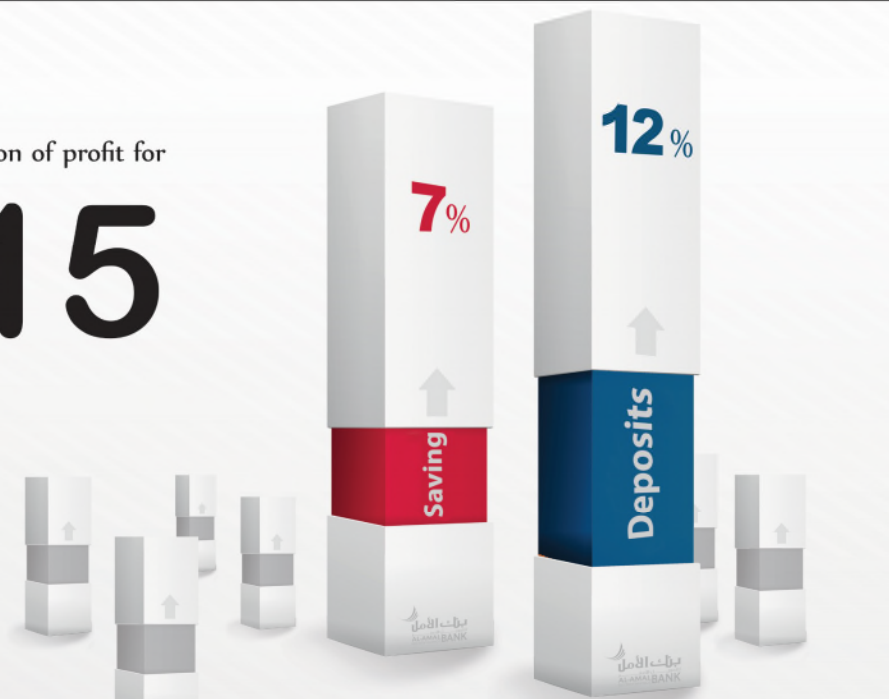
In general, the shrinkage of total liabilities, which decreased by 34% by the end of 2015, is a clear indicator of the great negative impacts of the crisis on the external funding sources. Consequently, this will be reflected on the increasing cost of funding and the decreasing return on equity.

Additionally, the items' proportional rates in the structures of the funding sources changed by the end of 2015 as follows:

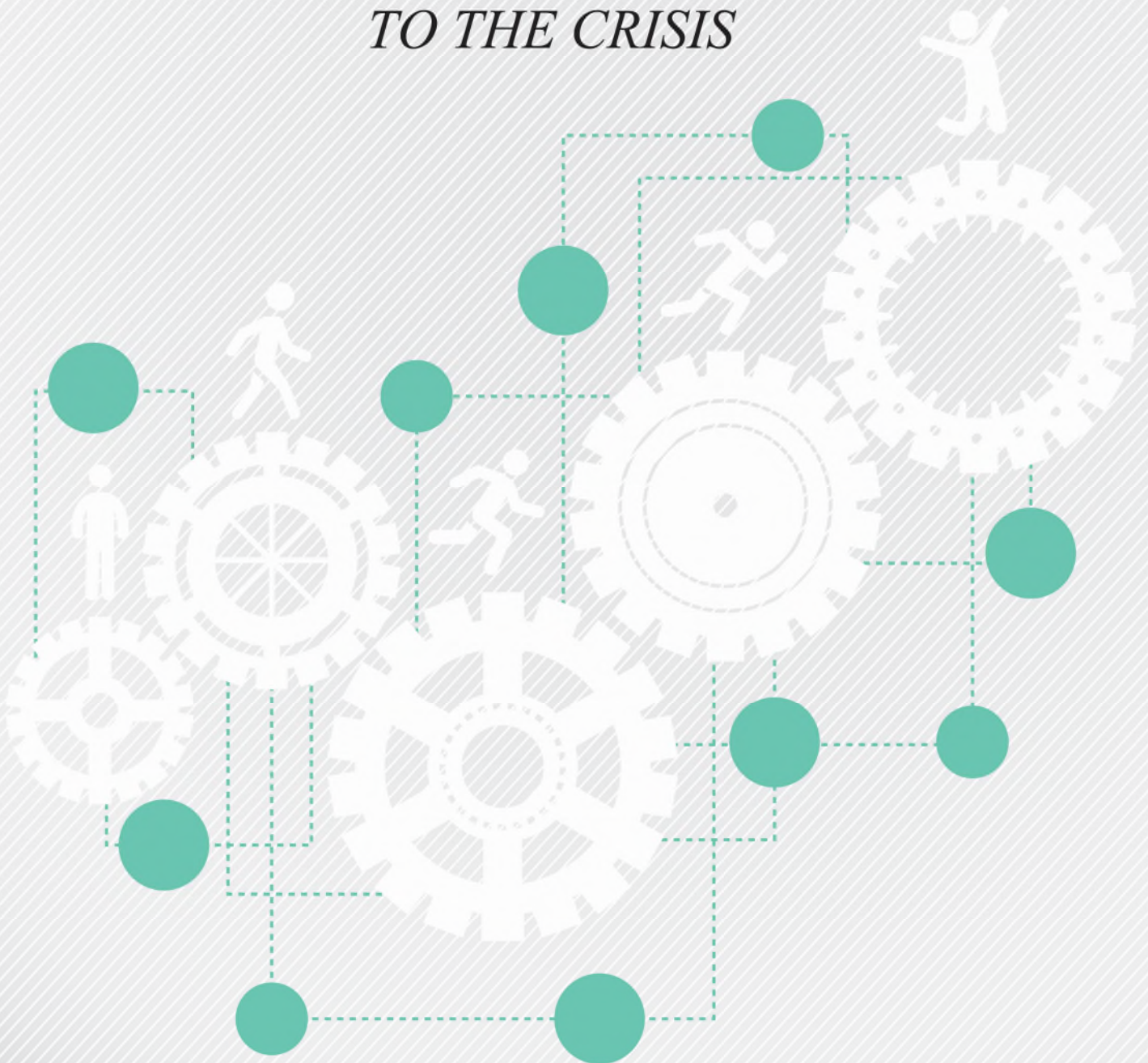
- ▶ **36%** is the proportion of external funding sources, compared to %48 by the end of 2014.
- ▶ **64%** is the proportion of self-funding sources, represented by shareholders' equity, compared to 52% by the end of 2014.

The highest appropriation of profit for

2015



AMB RESPONSE TO THE CRISIS



AMB Response to the Crisis (Confidence Building)

The AMB run its operations for 2015 through a contingency plan aimed at enabling the Bank to withstand the crisis for the maximum possible length of time by reducing the size of its activities, and consequently keep its expenses to minimum. The Bank Management has kept in mind since an early time that financial losses would be unavoidable because it would be difficult for the Bank to make profit amid impediments to loan collection and stagnation of other financial services, added to the increasing operating expenses.

Therefore, the AMB Management adopted different policies for coping with the crisis, which are primarily aimed at making very important incorporeal gains represented by maintaining the AMB reputation to all the internal and external parties concerned and strengthening their trust in the Bank through the following three main actions:

💡 <i>Client Trust Strengthening</i>	💡 <i>Staff Trust Strengthening</i>	💡 <i>External Party Trust Strengthening</i>
Continuity the AMB activity and adjusting financial services in a manner responding to clients' needs and ensuring their protection during the crisis.	Adopting policies on staff management during the crisis in a manner considering the interests of both parties (employer and employees), maintaining AMB-staff relationship and creating suitable environment for staff to do their jobs to the full.	Maintaining the AMB status and relationship with local and international partners and donors, and adhering to neutrality and indiscrimination in the delivery of services to all groups of Yemeni Society.

Client Trust Strengthening

The AMB largely reduced the size of its lending activities in 2015 in response to uncertainty about Yemen's future as a result of the crisis. To maintain client trust, the Bank carried out a number of activities aimed at meeting clients' needs during the crisis and assisting them to cope by considering the unanticipated changes to their activities and incomes, and providing services of social and humanitarian dimensions.

Commitment to Continuity of Activity despite Difficulties

Committed to its economic and social role towards continued support of clients under all circumstances, the AMB exerted necessary efforts to ensure continued delivery of financial services to clients at crisis time by taking the following actions:

- Reducing credit ceilings and continuing the lending process instead of totally suspending loans.
- Continuing the business of branches in conflict-ridden areas and pursuing the temporary closure policy when security risks increase.
- Continuing field visits to assess the situation of clients and their activities.
- Enabling savers to withdraw their money savings easily without delay.



Adjusting Financial Services to Cope with the Crisis

The AMB carried out in August 2015 a field study on assessment of the market needs for financial services according to the trends unavoidably entailed by the crisis, which involved a number of changes to the financial services and how they are rendered to clients. So, the Bank studied these changes and put them into effect in accordance with priorities and available resources, as described below:

- Providing clients' needs for power solar systems amid permanent power failure and lack of fuel products.
- Expanding the base of foodstuff vendors to meet increasing clients' needs for basic foodstuff.
- Supporting and loaning craftspeople (carpenters, blacksmiths, forgers) to meet the growing demand for war damage to homes and buildings.
- Supporting new activities emerging as a result of the crisis such as cooling services that flourished because of permanent power failure.
- Attracting owners of activities with increasing liquidity during the crisis such as fuel stations, among others.
- Finishing supplies for complete network connectivity to all points of service to expand the AMB services in rural areas housing displaced people during the crisis.

Social Transfers / Remittances (Financial Services of Social and Humanitarian Dimensions)

The AMB Social Transfers have largely expanded over the past three years as a result of the significant expansion of conditional and unconditional cash transfer schemes funded by AMB partners that numbered 11 local and international organizations. The schemes' objectives varied from developing the infrastructure of rural areas to improving the quality of education and food security, among others.

The 2015 Crisis contributed to highlighting the importance of social transfers as an essential tool at wartime and in the post-war period through the following:

- The need for emergency humanitarian assistance for communities affected by the war.
- Their importance to the implementation of reconstruction programs for the post-war period, particularly what pertains to labor-intensive work schemes and humanitarian assistance to communities in war-affected areas.

Therefore, the AMB developed the Social Transfers/Remittances scheme for being considered the primary financial service provided by the Bank during the crisis. In addition, the Bank strongly prepares for containing the humanitarian and developmental projects the partners are expected to implement once the crisis is over. In this regard, the Bank took the following actions:

Amending and Developing the Service Guidelines

The Operational Manual was completely reviewed and updated as per the following sequential stages:

- o **Contractual Stage:** It involves the mechanism of making contracts with partners and agents who implement the service.
- o **Pre-Disbursement Stage:** It determines all the financial, operational, marketing and administrative requirements for the disbursement process to take place.
- o **Disbursement Stage:** It explains the mechanism and procedures of field disbursement, the process's determinants and templates and how they are used.
- o **Closure Stage:** It explains the field/office clearance/reconciliation mechanism for disbursement teams and the closure of interim and final disbursement phases.
- o **Reporting Stage:** It describes the types of reports shared with partners as to the disbursement process, and the final reports for project closure.

Developing an Integrated Marketing Framework for the Service

Due to the importance of the service during and after the crisis, the AMB gave great attention to the marketing process by developing an integrated marketing framework for the service, which included a service logo and marketing bags that target partners, staff, beneficiaries and marketing teams, in addition to designing all the marketing and promotional materials for the service.

Automating the Field and Office Operations

Through its IT staff, the AMB developed an automated system for the social transfers as part of its plan for automating all the operations of social transfer schemes. The system allows for operational and financial monitoring of all transfers and issuing relevant reports. Late in 2015, the AMB began implementing the pilot phases for carrying out the field disbursement through the tablet devices connected to the system via the internet and equipped with devices for reading thumbprints and magnetic cards, which will allow for implementing the disbursement processes more quickly and reliably. In addition, the system provides a mechanism for momentarily monitoring the disbursement processes in the different disbursement sites.

Developing an Integrated Mechanism for Attracting Funding and Projects

It is a comprehensive plan on targeting donor organizations working in social and humanitarian fields through social transfer schemes with the aim of contracting them to carry out the schemes via the AMB.





آمن . سريع . موثوق
sa fe . fast . reliable



Al-Amal Social
Cash Transfer
تحويلات الأمل الإجتماعية

Definition of the Service

They are humanitarian cash transfers representing payments of direct money transfer to beneficiaries. They will be conditionally disbursed to beneficiaries for meeting a certain requirement like work, education or health care, or unconditionally as may be suggested by the donor organization according to certain specifications and through advanced information technologies that allow a beneficiary to get the money in cash from the nearest AMB branch or point of service without the need to have a bank account.

Advantages of Al-Amal Social Cash Transfer

- **Safe:** This fast and safe service is provided through a well-thought and coordinated security system with advanced protection, organization and training to strengthen the efficiency of the safeguarding personnel escorting the field disbursement teams.
- **Fast:** The service delivery is fast due to the advanced IT technology that considers the highest quality standards and complies with the globally used up-to-date technology.
- **Reliable:** The AMB is a well-established and widely reputable institution in the microfinance industry. It has a prestigious reputation in this field at the local level and internationally, which serves as a strength for the AMB and a source of trust to current and potential clients.

Humanitarian Cash Assistance Scheme

In the beginning, the Project on Financial Inclusion of Marginalized Groups in Taiz province achieved remarkable successes in opening accounts for all target families and their children and raising the financial and social awareness of 7,473 people.

Despite the halt to the project activities since Mid-March 2015 as a result of the fighting in Yemen in general and Taiz province in particular, UNICEF and its partners have kept on studying all the available means to continue their assistance to these groups and protect their children during the war, which resulted in too many of them being displaced and/or losing their homes. Consequently, they turned to face difficult living conditions in terms of the access to food and health care.

In this regard, an agreement was made to restructure the project and change it into a humanitarian cash assistance scheme by which cash assistance stipends will be distributed to 35 thousand families of the marginalized populations at a rate of YR21,500 per family for a period of six months with the aim of helping them provide for necessary nutrition and health care for their children. The AMB will disburse the cash assistance stipends via its branches and points of service in the target provinces.

In doing so, the AMB disbursed the first payment of the cash assistance to 5,000 families from the Capital City of Sana'a in Mid-November 2015 via 30 disbursement points spread over all the districts of the Capital City. Then, it began disbursing the stipends in Taiz City, targeting 10,000 families in Mid-December 2015. It also disbursed the second payment for the Capital City in late December 2015 for a number of 5,009 families. The scheme is planned to be expanded to include Hajjah province at the beginning of 2016 with stipends to 5,000 families.



The Taiz province has for a very long time suffered more than other areas because of the ongoing violent clashes. The local populations in this war-ravaged province have faced difficult living conditions to the extent of running out of food, drinking water and medicine, and paralyzing the operations of hospitals due to lack of medicine and fuel.

This happens amid ongoing armed clashes and artillery and aerial bombardment of all the city neighborhoods, which recently extended to adjacent rural areas that housed too many displaced people from the city. Though perilous the situation has been, the AMB team challenged all security risks for the sake of delivering humanitarian assistance to the most eligible cases that were in an urgent need for nutrition and medication for their children due to the soaring prices of basic foodstuffs, which increased by more than %100. The Bank was able to disburse stipends to more than 7,500 cases via 9 points of services spread over 9 districts.

Despite the increasing security risks to relief workers and beneficiaries as well, the determination of the AMB staff to do the job and bringing happiness to the target families made them more enthusiastic to complete the disbursement process, and more prepared to carry out all the next cycles of disbursement in 2016.

underwent in July 2014 an assessment by Grant Thornton Company, which included internal assessment and check of the AMB financial status.

Form the check results, it appeared that the total AMB risks were low, thanks to its strong institutional structure that depends on well-established policies, guidelines and regulations, of which enforcement is closely monitored by relevant staff at all levels of management.

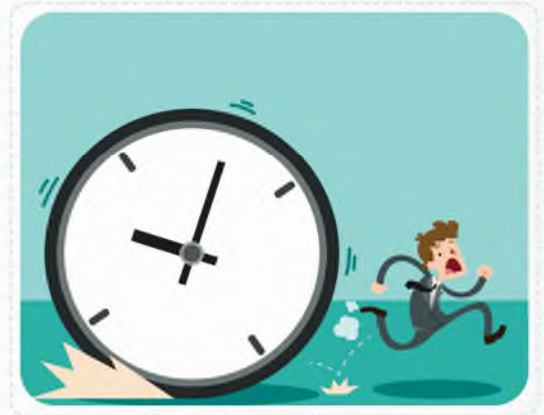


AMB Client Protection at Crisis Time

Since it was established, the AMB has exerted tireless efforts towards promoting the compliance culture, either among its staff in terms of the commitment to loan disbursement dates, or among clients in terms of the commitment to maturity dates. The impacts of this educational effort were manifested in the rapidly growing numbers of clients and their strong commitment to maturity dates reaching a 99% repayment rate. Moreover, 70% of the clients repay their loan installments before 10:00 a.m. on the day of maturity. Besides, the AMB carries out an in-depth fiduciary feasibility study on a client activity before a loan is disbursed to make sure that a client has the capacity to repay loan install

ments without affecting the income of his/her activity or family. Concerned about the difficult situation endured by the AMB clients and all other SME entrepreneurs in 2015; and committed to the six principles of client protection (most importantly avoiding excess debt), the AMB branch staff conducted during the crisis field visits to clients, reviewing the crisis's impacts on their activities and re-evaluating their repayment capacity.

Based on the visit results, the repayment schedule is adjusted in a manner ensuring continuity of clients' activities without prejudice to their profitability or other sources of income that may have a direct impact on family obligations.



Supporting Affected Clients

Given that a large number of clients sustained different forms of financial and material damage as a result of the war, the AMB took a package of actions for helping the affected clients in order to ensure continuity of their activities. These actions primarily included the following:

01

Expanding the scope of client solidarity to include war-affected cases.

02

Introducing command loans to ensure continuity of activity (alternative energy, cooling services...etc.).

03

Establishing new partnerships with donors as to the distribution of cash assistance and relief allocations.



AMB Staff Trust Strengthening

The AMB had by the end of 2014 a total of 269 employees, and its plan for 2015 was targeted at increasing the number to 382 employees to meet the then anticipated growth in the AMB activities and services in all fields. However, due to a halt to many of the AMB activities during the 2015 Crisis, some staff positions were suspended while others were postponed, as they turned to represent real cost without financial or developmental return after the functions of all branch employees were collectively shifted towards collection due to loan suspension. In addition, the functions of support departments such as the Research & Development and Training & Marketing departments were halted as a result of AMB activity suspension.

Therefore, the AMB took a package of actions aimed at strengthening staff trust in the Bank by managing the AMB-staff relationship during the crisis in a manner considering as much as possible the interests of the Bank and staff, in addition to ensuring continuity of staff work under difficult circumstances, conserving its assets and property, safeguarding information and ensuring staff access to them under difficult circumstances. These actions primarily included the following:

1. Staff Management at Crisis Time

Based on the crisis escalation phases and its increasing impact on its business, the AMB took a series of unavoidable decisions to gradually reduce the staffing cost to the minimum level that allows the Bank to continue providing services. Unlike the decisions made by many other organizations, the AMB's actions continue to retain staff without resorting to final layoff or termination to maintain AMB-staff relationship until it is possible to reinstate them normally in event the crisis is over. The actions were gradually taken as follows:

- a. Rotating staff engagements by granting leaves without pay on a regular basis or alternatively to minimize the crisis impacts on the personnel and ensure equality in staff retention with the minimum possible impacts and consequences.
- b. Using up the staff annual leave balances until the end of the year to minimize the impact of employee discontinuity.
- c. Adopting solidarity contribution among all employees by reducing salaries by 20% so that all employees retain their positions.
- d. Amid continuity of the crisis and its increasing impacts on the AMB business, the Bank began to grant staff open leaves without pay for the posts of which activity was totally halted.

Although the remaining staff decreased to 168 employees by the end of 2015, the AMB relationship with the temporarily suspended staff is continued by giving them priority in any large projects intermittently carried out by the Bank and which require a higher number of personnel, as well as by enlisting them for the semiannual cash assistance /bonus the Bank normally pays staff in the Holy Month of Ramadan.

Paying financial assistance to employees

The AMB wouldn't have withstood the crisis or continued to serve clients without the sincere dedication and commitment of its staff who continued to do their jobs and stepped up their efforts for continuity of AMB business. Despite the multiple challenges, be they security problems, lack of transportation or the extra burdens, they constituted a protective fence for the Bank in the face of the crisis through their high commitment to the AMB policies and regulations and keenness to implement the contingency plan declared by the AMB in March 2015 amid increasing negative impacts of the crisis on the AMB financial status. In recognition of their tireless efforts, the AMB Management decided to pay in the Holy Month of Ramadan financial assistance /bonus to all employees, including those who are on open leave without pay to help them in coping with the crisis and the resulting price hikes, as well as to maintain mutual trust and relationship with those temporary suspended in the hope of reinstating them when the crisis is resolved.

2. Actions Ensuring Continuity of Staff Positions

The AMB exerted great efforts for managing staff time effectively by providing all business requirements and ensuring continuity of activities even under difficult circumstances. Therefore, it took a package of actions that significantly contributed to ensuring continuity of business in the Head-Office and branches depending on self-owned generators for power supply.

These actions included the following:

- Providing a central strategic fuel reserve to ensure continuity of business in the Head-Office and branches amid complete lack of fuel supply.
- Reducing the daily working hours from 8 to 6.
- Turning off generators and servers half an hour after the end of daily working hours, except when necessary.
- Depending shortly on generators for charging the power storage systems that are alternatively used to keep the fuel cost to minimum.
- Undertaking periodic maintenance of the IT and electrical assets in the Head-Office and branches to ensure continued functionality without problems.

3. Protecting and Safeguarding Information

Information represents the central asset for the work of staff as their work would be completely interrupted if information was lost or became inaccessible. Despite all the precautionary procedures undertaken by the AMB during the crisis with regard to expansion, the Bank continued to implement its activities pertinent to information safeguarding as per the available resources through the following two actions:

1. Protecting the main server and preparing a backup server in a safe place

The most difficult thing to face during wars and crises would be the loss or inaccessibility of data for security or technical reasons. For a financial institution, client data and debts are very essential for business as their loss would represent severe damage to the institution. Despite the high cost of preparing a backup server at crisis time, this action represented a top priority for protecting the Bank and ensuring that its funds and assets are kept. So, a backup server was made available in one of the relatively safe provinces, compared to other provinces, and it was completely tested, tried and verified that it is ready to function in event of security or technical impediments to functionality of the main server in the AMB Head-Office. In this regard, the Bank

2. Continuously developing the current information system as per business requirements

introduced a group of reports and monitors essential for running the AMB business correctly, which primarily included:

- ⊗ Automating all the AMB internal procedures and transactions / paperwork.
- ⊗ Strengthening the professional safety and security systems for AMB staff and branches.



4. Developing Policies and Procedures

The AMB ensures policies and procedures, which are one of the preventive means for reducing potential risks as a result of haphazardness or impoverishment in how employees do their jobs, which often allow for gaps that may be irresponsibly exploited to undermine the AMB interests. Therefore, the AMB continued throughout 2015 to introduce and develop a series of procedures and policies in the form of guidelines, circulars and administrative decisions regulating the AMB internal business and service delivery.

- | | | | | | | |
|---|---|--------------------------------------|------------------------------------|---|--------------------------------|---|
| o Guidelines on fund supervision procedures | o Guidelines on MoneyGram transfer procedures | o Policy on reporting AMB violations | o Guidelines on dealing with safes | o Guidelines on humanitarian cash assistance disbursement (UNICEF-funded) | o AMB Institutional ID Manual. | o Second edition of the humanitarian cash assistance disbursement (UNICEF-funded) |
|---|---|--------------------------------------|------------------------------------|---|--------------------------------|---|

In addition, there is a package of circulars and decisions involving regulatory procedures in the different financial and operational aspects, or those pertinent to the different stages of the contingency plan.



External Party Trust Strengthening

For more than seven years of continued business, the AMB was able to attain a distinctive local and international status, which contributed to forming a wide base of local and international partnerships with different goals and trends. Based on mutual trust and AMB successes, these local and international partnerships encouraged others to build relationships with the Bank for the purpose of making common interests and delivering partners' services to target groups via the AMB.

The AMB retention of its reputation to external parties was of crucial importance during the AMB management of the crisis since it encourages the Bank to continue its business and expand its activities in the post-crisis period. In doing so, the Bank undertook the following actions:

1. Maintaining Local and International Relations .

01

Kiva

Kiva is one of the most important AMB partners in supporting the AMB loan portfolio through loans extended by donors via the organization's website. Below is a description of the results of AMB partnership with Kiva in the first quarter of 2015:



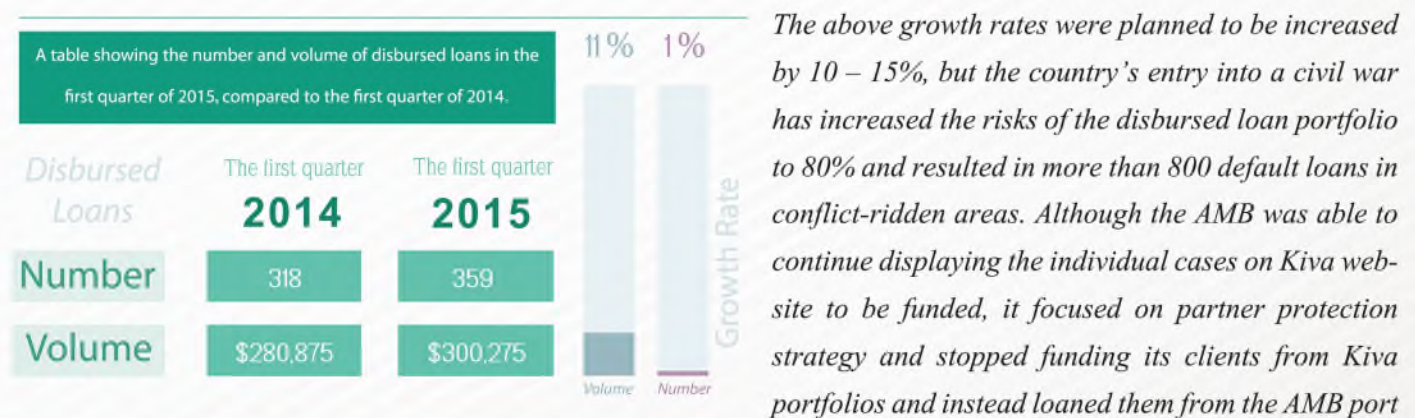
The loan growth rate increased by 1% from the last year.



The number of beneficiaries from Kiva loans increased by 11%, compared to the last year.







The number of loan portfolios increased to 7 from 5 in the last year.



The AMB losses as a result of its implementation of the partner protection strategy is estimated at YR1.5 million because the AMB refrained from capitalizing on its partnership with Kiva, coupled with the decreasing demand for loans in the local market due to deteriorating security and economic situations in the country.

02 Commitment to Periodic Reports to Donors and Other External Entities

A number of partner reports, plus other reports, were developed to facilitate reply to the requests of donor partners and all those concerned in the microfinance sector. So, the following reports were developed to be obtained directly from the AMB automatic system:

 <p>AGFUND Narrative Monthly Report</p>	 <p>Mida Report pertinent to Themar Unit</p>	 <p>Mix Market Report</p>	 <p>Amending the Report on Indicators of AMB External Position</p>
--	---	--	---

2. Interacting with Media and Research Institutions

The AMB attempted in 2010 to adopt a different approach from that of the previous year, and therefore it did not focus only on awards to enhance its local, regional and international reputation, but also on other more effective channels like, e.g. publishing studies on AMB services and activities in the most popular local, regional and international print and visual media. The table below shows publications in the media:

Print Media	Visual Media (TV)	Questionnaires
<p>A detailed case study on the AMB financial and non-financial services to youth was developed to be published in the upcoming e-MFP Youth Action Group publication (Conducted by the European Microfinance Platform). Appearance on the European Platform is the dream of each institution seeking to strengthen its status and reputation on all local, regional and international levels.</p>	<p>An agreement was made with the MBC TV Program "Khawater", which is one of the most popular TV programs in the Arab World and North Africa, to devote a special session to AMB partnership with Kiva in order to highlight the services offered by both partners to AMB clients. The session was broadcast in the Holy Month of Ramadan.</p>	<ol style="list-style-type: none"> 1. Credit Scoring and Poverty Scoring survey of MFIs in Yemen. 2. Questionnaire on the IMF Housing Loans. 3. Questionnaire on Understanding the Current Level of Social Performance Practice Enforcement in Microfinance Industry. 4. Questionnaire on how Yemeni Government Bodies Meet Transparency Requirements.

Since the events of 2011, the AMB has maintained a neutral position towards all the parties in Yemen and operated in a professional manner keeping the AMB aside from the existing conflict. The AMB Management's vision was focused wholly on attaining its objectives without bias against or in favor of any one of the conflicting parties in order not to affect how the AMB work on attaining its objectives. This approach represented a protective icon created by the AMB Management in order not to undermine the fulfillment of its vision through the following:

- Taking immediate policies and procedures preventing whatever could contribute to internal conflicts or bias.
- Adopting firm position by the AMB Executive Management to keep the AMB aside from any practices showing prejudice or bias against or in favor of any party to the conflict.
- Reflecting this trend in the AMB media to enhance the mental image of AMB for being a bank for the poor from all community groups.
- Appointing a spokesperson to be responsible for dealing with the print and vial media.
- Refraining from attending any of the events organized by any of the conflicting political parties, which may reflect a biased picture of the Bank.
- Making sure that AMB social media page and website are the sole outlets for publishing AMB-related news stories, which prevented the dissemination of inauthentic news about the Bank.

3. Internal and External Participations

The war and the associated impediments to local and international travel have restricted the AMB participation in relevant regional and international events, which it most often attended in the previous years. The year ٢٠١٥ saw only a single external participation for the AMB, in addition to some meetings with partners in Yemen as detailed below:

• AMB contributes to cancer patient donation campaign

The AMB contributed to the cancer patient donation campaign carried out at the beginning of the year by opening an account for the National Cancer Control Foundation (NCCF) and printing out promotional posters and brochures on the campaign, thus encouraging clients to donate money to the NCCF. The AMB participation in the campaign was aimed at increasing community support for this group of patients.



• AMB participation in SME Forum

The AMB participated in the SME forum under the slogan "The road to economic development and social equity", which was organized by the Arab Banks Union in the Sudanese capital of Khartoum. The AMB Representative was one of the key panelists in the forum and his presentation focused on two main topics: "Arab success stories", which the AMB considers the most prominent topic, and "the state of Arab microfinance before and after the issuance of Yemen Microfinance Law", which it discussed through a working paper on the subject matter.



• Financial Inclusion in Hadramout

At the invitation of the Islamic Development Bank, the AMB participated in the consultative meeting in the Saudi city of Jeddah with the aim of reaching an agreement on establishing a development fund aimed at reducing poverty and unemployment rates in Hadramout province. During the meeting, the AMB presented a vision on the financial inclusion approach, which targets nearly 35 thousand people, while a total of 77 thousand people from the different social and age groups are expected to benefit from the project.



• SME Workshop, Cairo

Attended by participants from the AMB and IFC, the two-day workshop discussed the AMB vision and strategy on the SME product delivery, highlighting the potential relevant risks, how they can be covered and the possibility of keeping them to minimum. During the workshop, some participants gave ideas about how to incorporate banking services and operations in SMEs.



• AMB participation in Financial Inclusion and Human Development Symposium, Morocco

The AMB participated in the Financial Inclusion and Human Development Symposium, which was held in the Moroccan city of Sikkhairat in January 2015. At the symposium, the Queen of Spain listened to AMB experience in financial inclusion as presented by the AMB Executive Director, while Prof. Mohammed Younis, Founder of Bangladesh's Grameen Bank, praised the AMB experience, specifically its work at crisis time. Comparing the AMB experience to that of Grameen Bank, Younis expressed his strong appreciation of the good international reputation the AMB turned to have.



• AMB selected as a sole experience to present before SCRBP

The AMB was selected as a sole experience to present before the Supreme Committee for Running Banks of the Poor (SCRBP) in the Arab World and North Africa during a session chaired by Sofia, the Queen of Spain and attended by Prof. Mohammed Younis. In the session, the AMB presented his experience as a sole bank in the Arab Region running the scheme of financial inclusion for limited income people through the diverse saving products, created for the inclusion of unbanked rural and marginalized communities. In addition, the AMB was selected as a success story for the World Microfinance Campaign to study and present at the World Microfinance Summit.

Local and International Recognition For 2015



The AMB was selected one of the best ten worldwide MFIs working at crisis time.



The AMB stood second in the rankings of leading MFIs in the Financial Inclusion for Youth & Children.



*The Regional **Sanabel/GIZ** Award for Innovated Approaches to Increase Women's Access to Financial Services in the Arab World*

سافي من الأزمة

Preparations for

01



- ▶ Studying the current situation (provinces, services and existing needs).
- ▶ Drafting the AMB general plan for the post-crisis period.
- ▶ Identifying financial and staffing needs.

02



- ▶ Activity Recovery Plan (productivity, outreach, quality of services).
- ▶ Providing financial and human resources for implementing the Activity Recovery Plan.
- ▶ Determining means for restoring staff activeness and motivation.

03



- ▶ Diversifying loan purposes and focusing on strengthening client activity.
- ▶ AMB involvement in reconstruction and economic recovery projects.
- ▶ Banking services adapted to the current situation.

04



- ▶ Lessons learned from the crisis.
- ▶ Analyzing and addressing AMB weaknesses.
- ▶ Developing a mechanism for client and staff retention in times of similar crises.



▶ Reassessing the situation and identifying needs.



▶ Activity Recovery Plan.



▶ New services tailored to current needs.



▶ How to protect the AMB and clients from similar crises.