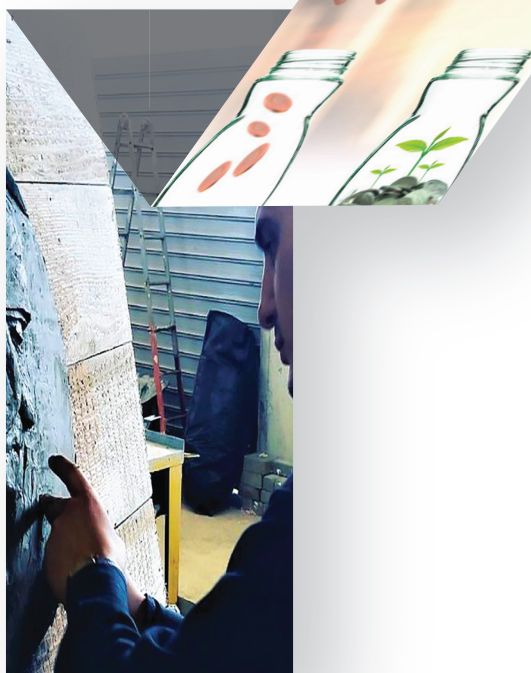




ANNUAL REPORT

2019



Content

<i>Institutional Development</i>	3
<i>Our Mission</i>	4
<i>Message of Executive Director</i>	5
<i>Achivements 2019</i>	6
<i>Achievements in the loan process</i>	7
<i>Our Loan Products</i>	8
<i>New online credit system</i>	10
<i>Balance Sheet</i>	11
<i>Income Statement</i>	12
<i>Cash Flow Statement</i>	13
<i>External Audit Report</i>	15
<i>Social Performance</i>	17
<i>Projects and Campaigns</i>	19
<i>Our Clients</i>	21
<i>Our Partners</i>	22

INSTITUTIONAL DEVELOPMENT

2001

"Building Future" is established as a microfinance program of World Vision Albania, initially with the opening of its first office in the Lezha region.

2009

It transformed into an institution with legal status "Limited Liability Company" - Vision Fund. Albania. 100% in ownership and control of VisionFund International, a subsidiary of World Vision International.

December
2009

Agro & Social Fund received the license from Bank of Albania Nr. 17, as a Microcredit Financial Institution.

November
2016

Vision Fund International decides to withdraw their representation from Albania, so in December 2016, the Institution's sale agreement was reached with Besa Fund, the largest non-bank financial institution in Albania.

December
2016
until now

Besa Fund is the sole owner and partner of this institution with 100% ownership.

Agro & Social Fund Branches:

Lezhë – since 2001

Korçë – since 2003

Laç - since 2007

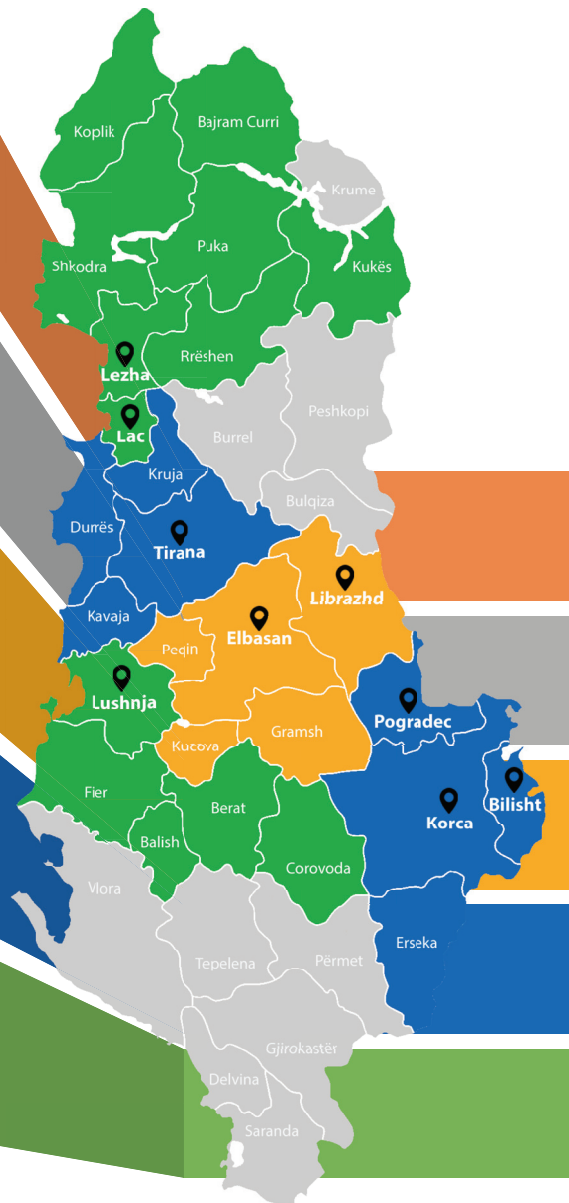
Librazhd - since 2008

Elbasan - since 2011

Tirana - since 2018

Pogradec - since 2018

Bilisht - since 2018



Our Mission

We support sustainable development, financial inclusion and social cohesion, through responsible financial assistance to micro and small enterprises mainly, with the aim of reducing poverty, facilitating and enhancing community life and enhancing employment opportunities, operating mainly in areas rural and semi-urban, but also urban ones.

Our Values

Agro & Social Fund is focused on improving the quality and suitability of services offered to its target clients, mainly through the continuous assessment of their needs, creating opportunities for clients, families and communities to increase welfare, reduce poverty or vulnerability, increasing access to finance, creating new jobs or adding value to existing ones.

V We are committed to working with people, with the aim of encouraging the improvement of their lives.

A We are loyal to the purpose and responsible for the resources entrusted to us, managing them in a lively manner, to bring maximum return to our company and customers.

L We value people, consider them equal, and prioritize them over traditional business goals, structures or systems.

U We value people, consider them equal, and prioritize them over traditional business goals, structures or systems.

E We value and promote transparency and ethical behavior.

In our mission-driven journey, we preserve and enrich **our values**.

Message of Executive Director

Dear clients and collaborators,

We were all together participants of a growth process, which to be fulfilled, faced us with challenges, difficulties, increased interaction, intensive efforts, obstacles. Beyond them, with an active cooperation and coordination of each member of our family and each partner, we ensured that this process goes forward on the benefit of ASF and for any other entity who trusted to cooperate with us.

I would like to thank every client who believed that by cooperating with ASF, he has created a perspective of development and economic growth for the business he runs, for his family, for himself personally and for the local area where he operates.

I would like to thank the donors and lenders who trusted their funds and appreciated our approach towards business financing, transparency, ethics, local development and the support of marginalized categories.

I would like to thank, above all, the members of our family for their proactive approach to meeting the objectives related to financial performance, social performance, women and youth employment, poverty reduction, etc.

During the year 2019, ASF improved its administrative and institutional structure aiming a higher level of management in line with medium-term growth plans. At the same time it improved the physic infrastructure of Head Office and branch network with new equipment, with a new IT system, aiming to increase efficiency and improve customer service.

During the year 2019, ASF provided improved indicators regarding the loan portfolio, marking an increase of 28% compared to a year ago and reaching a portfolio level at the end of 2019 of ALL 643,621,577, serving about 1776 customers and disbursing about 555,075,000 ALL.



At the same time we are proud that during 2019 we facilitated directly the improvement of quality life for 215 children and indirectly for 3,776 others ones, we contributed to the improvement of quality life for 253 clients from marginalized groups and we created the opportunity for 180 clients to be entrepreneurs of a business for the first time, we ensured that 55% of the clients to be concentrated in rural areas and about 41% of the clients to be “female” clients.

Together with you, I would like to pass the wish, that the year we have entered will ensure for everyone a safe and sustainable perspective, in the benefit of development, well-being and prosperity, and at the same time to ensure that the ASF commitment will be unchanged in terms of principles related to local and sustainable development, poverty reduction, employment, and in particular the employment of young people, women and marginalized groups.

Thank you!

Rozana OROZI
Executive Director

Achivements 2019



This entity, at the close of its second decade of operation and as a subject for more than three years under the administration of the new Shareholder, Besa Fund Sh.a, is pursuing a clear mission and ambitious objectives.

This mission is oriented towards the development and growth of entrepreneurship, strengthening the social character of initiatives and addressing issues that focus mainly on rural and semi-urban areas, without neglecting urban areas as well.



A team of 57 professionals and support staff served more than 2,509 clients and managed a portfolio of ALL 643,621,577. Over the years cumulative figures have served around 24,771 clients, disbursing approximately 4,273,793,111 ALL.



Since October 2016, the moment Agro & Social Fund passed under the administration of the new Shareholder, a milestone for all subsequent strategic developments, operational, financial and social performance of the organization, the company's active portfolio increased by 150.9% to three recent years, respectively 29% in 2017, 59% in 2018 around 21.5% by the end of 2019.

Retention RATE (Client Maintenance Report) 70.3%.

About 55% of total clients come from rural areas and 41% are female clients, registered by the end of 2019.



Estimates show that around 3,776 children have been directly and indirectly affected by the disbursed loans during 2019.



Organized in 4 Branches and 4 Sub-Branchees, operating throughout the territory, part of the north, southeast and central Albania is covered with services. With dedicated projects we are working on specific areas such as Tropoja and Elbasan.

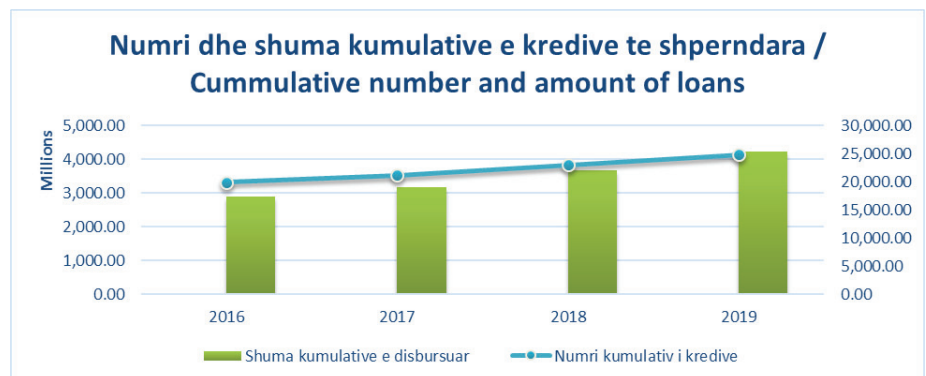
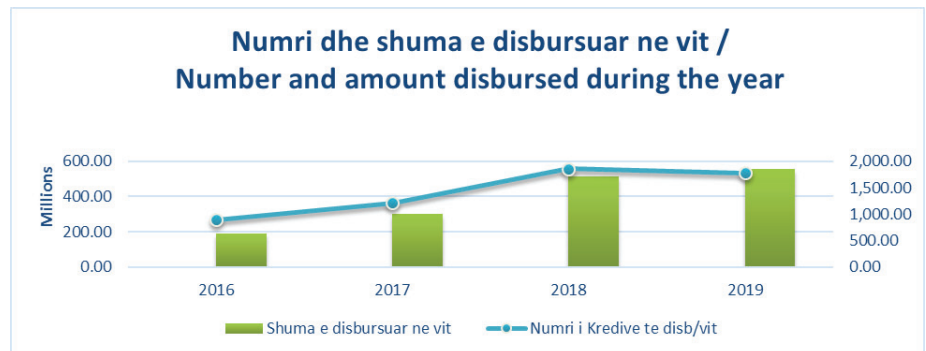
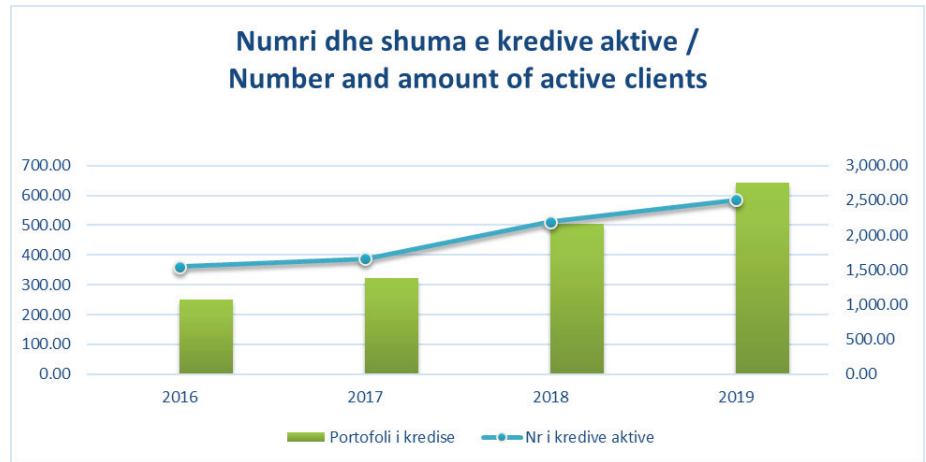


December 2019

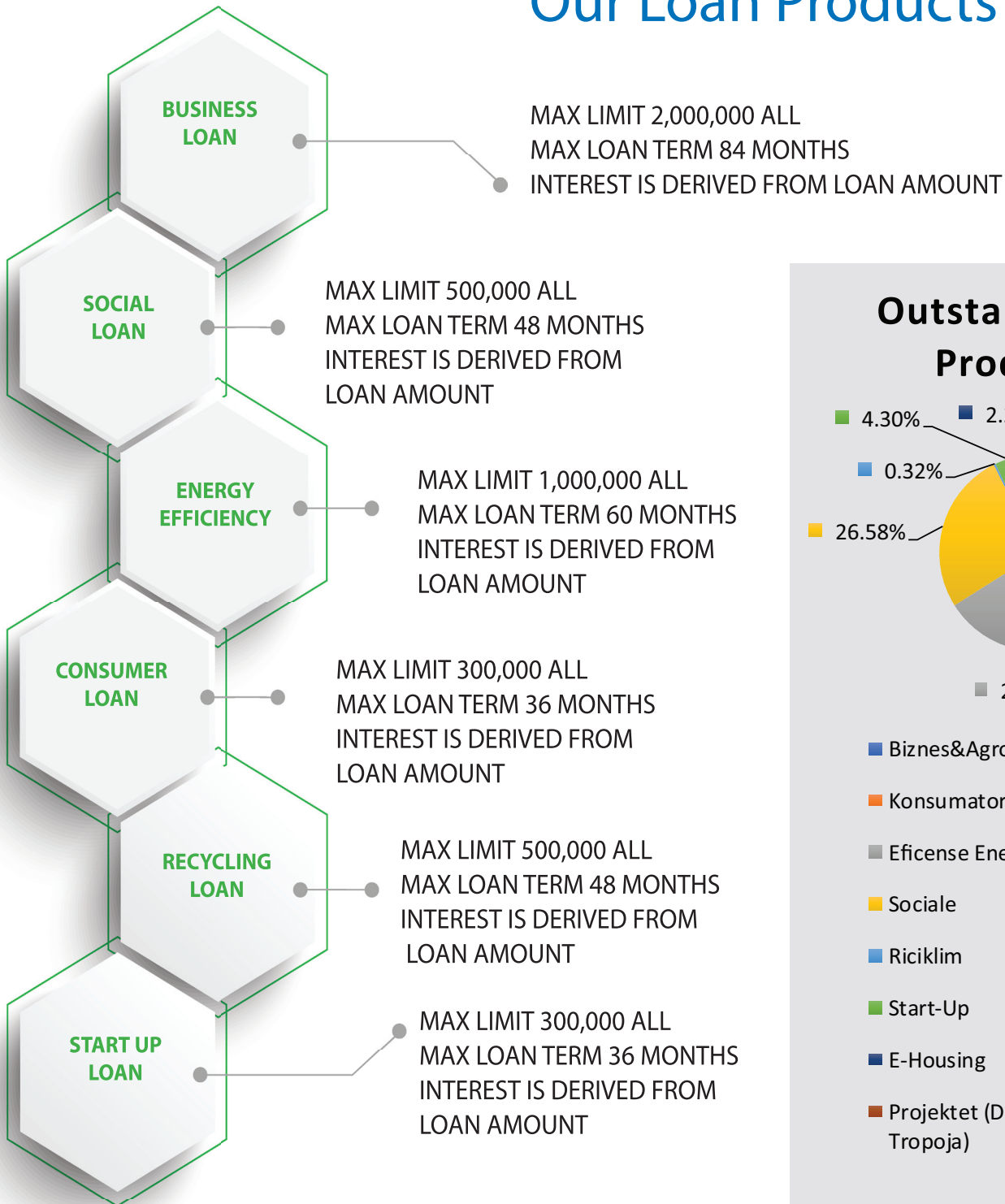
Staff TOTAL	60
Female employees	32 out of 60 (53%)
Female in management	6 out of 10 (60%)

Achievements in the loan process

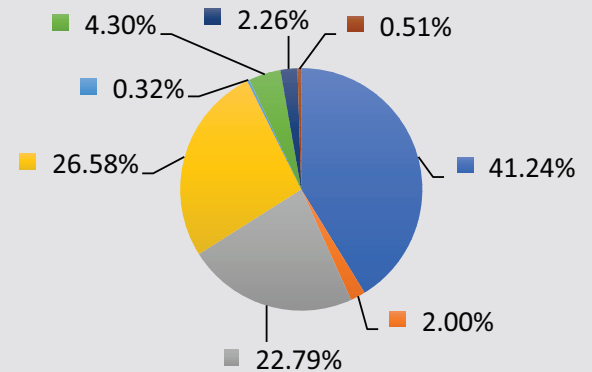
- Increase of the number of loans with 314 clients and at the value of 140 million ALL, respectively by 14% and 28%, for the year 2019.
- Increase of the number of disbursements -84 clients and at the value of 41 million ALL, respectively by -4% and 8%, for the year 2019.
- Increase of the cumulative number of clients -1776 clients and at the value of 555 million ALL, respectively 8% and 15%, for the year 2019.
- Customer solvency analysis;
- Portfolio quality;
- Monitoring and supervising the loaning process;
- Increase of the efficiency of lending staff in all branch offices of Agro & Social Fund, as well as the efficient integration of new staff - by stimulating cooperation practices and promoting team spirit;
- Periodic analysis of results for every branch office, based on their respective realities. - maintaining familiarity and direct communication with employees in the branch office and stimulating team spirit, despite the gradual growth of the organization;



Our Loan Products



Outstanding sipas Produkteve



- Biznes&Agro
- Konsumatore
- Eficense Energjie
- Sociale
- Riciklim
- Start-Up
- E-Housing
- Projektet (Diakonia Agapes/Dorcas Tropoja)

**RISK ANALYSIS IS A
THREE-COMPONENT
PROCESS.**



Risk assessment determines the level of presence and effects of a particular risk as well as the trend of its development, management and control.



Risk management starts with defining what we need to achieve by accurately understanding the internal and external factors that can influence the success of achieving these objectives.



Risk control, execution of risk response strategy and risk monitoring, initiation of contingency plans and reviews for new risks.

The management staff of ASF, handled the risks, which the institution had to face during its activity, with the ultimate goal of achieving the objectives set by the sole partner "Fondi Besa", and creating a corporative culture of making decisions with calculated risk.

Agro & Social Fund results for 2019 are generally considered positive. They show good management of resources, risk exposures, good use of funds or treatment of deficiencies at certain times of the year, and good staff management as well



ASF risk for 2019 is 2.69%.

New online credit system

In 2019, the new system of online loans in Agro & Social Fund sh.p.k.

WEB-based system, which has 24 hours of online service, current updates and at the same time infinity of adding information for the Company.

New features of this system are listed below:

- ✓ Guaranteeing the exchange of information in real time,
- ✓ Ensuring the exchange of information in a safe and correct manner for all employees of the Company,



- ✓ System integrated with the finance program
- ✓ Generating various reports that serve the company to track the progress of the business,
- ✓ Compliance with reporting standards of the BoA and its Credit Register
- ✓ One of the strategic objectives of the Company was achieved.

Balance Sheet

(Amounts in thousands of Lek)

	2019	2018
Assets		
Cash and cash equivalents	62,889	5,107
Loans and advances to customers	623,525	494,487
Property and Equipment	17,814	12,333
Other assets	11,149	5,634
Right of use Assets	53,363	-
Total assets	768,740	517,561
Liabilities and shareholder's equity		
Liabilities		
Borrowings (AC)	437,542	-
Lease Liability	53,782	276,432
Other liabilities	17,188	2,683
	508,512	279,115
Shareholder's equity		
Share capital	289,375	289,375
Accumulated losses	(50,929)	(69,112)
Profit of the year	21,782	24,230
	260,228	238,446
Total liabilities and shareholder's equity	768,740	517,561

Income Statement



(Amounts in thousands of Lek)

	2019	2018
Interest		
Interest income	159,360	118,615
Interest expense	(28,650)	(15,339)
Net interest margin	130,710	103,276
Other income	(1,315)	2,946
Operating expenses		
Depreciation	(9,088)	(2,242)
Personnel	(67,640)	(55,962)
Impairment losses on loans to customers	(10,456)	(2,026)
Other expenses	(15,002)	(18,372)
Net foreign exchange gain/(loss)	(913)	1,184
Total operating expense	(103,099)	(77,418)
Profit/(loss) before income tax	26,296	28,804
Income tax	(4,514)	(4,573)
Profit/ (loss) for the year	21,782	24,231
Other comprehensive income, net of income tax	-	-
Total comprehensive profit/ (loss) for the year	21,782	24,231

Cash Flow Statement

(Amounts in thousands of Lek)

	2019	2018
Cash flow from operating activities		
Profit / (Loss) for the year	26,296	28,803
<i>Adjustments for:</i>		
Depreciation of property and equipment	3,032	2,242
Depreciation of Right of use Assets	6,056	-
Disposal of Fixed Assets	420	-
Impairment losses on loans to customers	10,456	2,026
Interest income	(159,360)	(118,615)
Interest expenses	28,650	15,339
<i>Changes in:</i>		
Loans to customers	(131,852)	(174,038)
Other assets	(5,175)	10,325
Other liabilities	14,505	(14,221)
Net cash used in operating activities	(206,972)	(248,139)
Interest received	151,717	112,382
Interest paid	(28,166)	(14,319)
Income tax paid	(4,853)	-

Cash Flow Statement

(Amounts in thousands of Lek)

	2019	2018
Net cash from/ (used in) operating activities	(88,274)	(150,076)
Net (additions)/disposals of property, equipment	(8,933)	(8,564)
Net cash used in investing activities	(8,933)	(8,564)
Cash flows in financing activities		
(Repayments)/proceeds from borrowings and lease	160,811	154,216
Repayment of lease liability	(5,822)	-
Net cash used in financing activities	154,989	154,216
Net increase/(decrease) in cash and cash equivalents	57,782	(4,424)
Cash and cash equivalents at the beginning of the year	5,107	9,531
Cash and cash equivalents at the end of the year	62,889	5,107



Ernst & Young Certified Auditors
Albania Branch
NUIŠ: K61911012I
Ibrahim Rugova Str, Sky Tower, 6th floor
1001, Tirana, Albania

Tel: +35542419575
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Agro & Social Fund sh.p.k

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Agro & Social Fund sh.p.k (the "Company"), which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and with Institute of Authorizes Chartered Auditors of Albania Code of Ethics ("IEKA Code"), together with the ethical requirements of the Law No. 10091, dated 5 March 2009 "On the statutory audit and the organization of the statutory auditors and chartered accountants professions", amended, that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of Agro & Social Fund sh.p.k regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

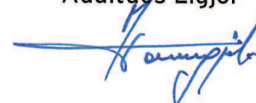
Ernst & Young - Ekspert Kontabël i Autorizuar
Dega në Shqipëri

Ernst & Young Certified Auditors

24 December 2020
Tirana, Albania



Mario Vangjel
Auditues Ligjor





Social Performance

Agro & Social Fund evaluates, monitors and aims to improve Social Performance indicators while respecting the international definitions of social indicators on their measurement and reporting.

Agro & Social Fund estimates and reports social performance indicators for all stakeholders, such as:

The owners, who want to consider the social impact and environmental risks for their investment decisions.

The communities, where it operates, who want to know the value of our contribution to the society.

The employees, who want reassurance that the company where they are employed cares about social and environmental impact.

Customers, who care about the ethics and social impact of their purchases and investments.

Partners, who want to be informed of the social impact of the projects implemented in cooperation with ASF.

Social Impact



Served 1,800 clients

Served 1,800 clients during 2019 with financial assistance, to address financial difficulties, improve living standards, future of children and communities where they live.



Preserved 1,600 jobs

Unemployment is the main element that most developing countries are struggling with. Agro & Social Fund prioritizes credit to businesses that serve as a source of income for more than one family.



Created 125 new jobs

Agro & Social Fund aims to contribute to the market by helping to create new jobs.



Supported 122 new entrepreneurships

Young entrepreneurs have the potential to build a new generation economy and dynamic work, so they will always be in the focus of Agro& Social Fund to rely on their ideas.



Improved the lives of 3500 children

Agro & Social Fund proudly continues to support one of World Vision's most sensitive aspirations: "Increasing the sustainable well-being of children within families and communities, especially among the most vulnerable ones."



Served 150 clients from vulnerable communities

The "Roma" and "Egyptian" communities are the most underserved groups in Albania, based on this, their support has always been in the direct focus of Agro& Social Fund.



Served 1,005 female clients

We believe that the help given to a woman reflects more quickly on the overall well-being of the family. In Albania, women have far fewer economic opportunities, security and freedom. We support women to develop professional skills, start their own businesses, and invest in their well-being and the one of their families.



Served 808 rural clients

Supporting customers in rural areas to increase their agricultural activity is an effective way to combat poverty. Supporting them to increase profits from the sale of products is an essential tool in the development of these areas, which are left relatively in oblivion by financial institutions.



Served 1,011 clients for education / health

Agro & Social Fund aims to provide an opportunity for students living in rural areas to gain access to educational services, supporting a student's dream of being educated, and improving their future employment prospects.

Likewise helping families pay for the medicines, surgeries, and health care services needed through the Social Product.

Projects and Campaigns

Projects

Agro & Social Fund is constantly looking for projects that can help the institution achieve effective and efficient performance; as well as partners who can expand our impact and operation in accordance with international rules.

Kiva:



Kiva is an international non-profit organization, founded in 2005 with the mission to connect and bring people together through lending and poverty alleviation. Kiva aims to provide opportunities for borrowers around the world, especially developing countries, including Albania.

ASF and Kiva during 2019:

503 - loans financed in Kiva which help people create opportunity for themselves and their communities.

\$ 695,400 - kiva loans fundraised to help people build a better future for themselves and their families.

60 funding to help students from low-income families pay for school tuition.

230 loans to support women starting their own businesses, going to school, and investing in the health of their communities and families.

Dorcias Aid International



The three-year program " PROMOTING LOAN BASED ENTREPRENEURSHIP DEVELOPMENT IN TROPOJA'S REGION " with partners DORCAS ALBANIA, Agro & Social Fund and the Association "Integrim Tropoja" started its implementation in April 2019 in the Tropoja area. The promotion of the economic role of women, gender equality, women's empowerment and advocacy for proper public service will be a priority.

Diakonia Agapes



FONDACIONI FRYMA E DASHURISË
DIAKONIA AGAPES

The agreement " PROMOTING LOAN BASED ENTREPRENEURSHIP DEVELOPMENT IN ELBASAN REGION ", aims to facilitate and establish a system that enables residents of Gjinar, Shushica and Tregan administrative units to have more access to microcredit for investments in tourism, agriculture, services, etc.

Borrow Wisely Campaign

During October 2019 Agro & Social Fund joined the educative campaign "Borrow Wisely", a pan European campaign dedicated to the education and improvement

of client's financial knowledge and for their capabilities to manage a familiar economy.

A European campaign dedicated to educating, raising awareness and improving client's financial knowledge.



Agro & Social Fund
sh.p.k

BORROW



WISELY!



Training participants for healthy management of the household

Campaign Approach:
Campaigns at Universities
SMS customers
Other presentations: peer to peer, market day, etc..

October 2020
Agro & Social Fund has confirmed its participation for this year's campaign.



Our Clients



Arta Hoxhalli

Arta Hoxhalli is one of the most loyal and earliest clients of Agro & Social Fund. She got her first loan in 2004, when her children were still at a young age. While she received her 11-th loan in Agro & Social Fund in 2019. "11 loans may seem like a lot to anyone, but for me and my family they have never been superfluous, as thanks to them we have been able to develop our agricultural activity, improve our housing conditions and pay for the education of our 3 sons!" - said Arta, during an interview, when asked about the high number of loans she has had over the years. Arta is one of the clients that has accompanied our development. Arta's children and the well-being of her family have grown up with us.

Arta is a married lady and mother of 3 boys, with the oldest 27 years old and two twins 23 years old. Arta and her family live in the village of Vashtëmi, in the city of Korça. Their main activity is agriculture. Arta together with her family plant various vegetables, from the most typical ones for the Korça region, such as beans, potatoes, onions and peppers, to the most non-typical ones and less known for other areas, such as "Cjan" flowers, peas, etc.

Hyrmet Demushi is one of the clients that was financed by the project that Agro & Social Fund, in cooperation with Dorcas Albania and Integration Tropoja, has in the Tropoja region. Hyrmeti is a kind-hearted man and a typical welcoming man of the northern part of Albania. He has instilled in his children the love he has for his region, whom, regardless of their university and post-university education, have chosen to stay with Hyrmet in Valbona and develop their guest house.

Hyrmet Demushi



As can be seen from the photos, with a funding of 400,000 ALL and a lot of dedication from the whole family, they have managed to turn raw materials into a finished building, using elements of local nature, such as stone and wood.

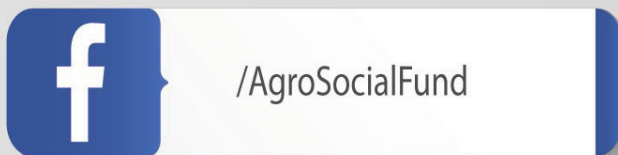
We invite you all to visit Hyrmet's guest house at the most northern part of Valbona. Just ask, everyone knows him and will be kind enough to direct you to his guest house.



Our Partners



FOLLOW OUR OFFICIAL WEBSITE AND SOCIAL MEDIA ACCOUNTS





Address: St."Nikolla Lena", 1^{nt} entrance, Ap. 25 ,
Tirana - Albania
www.asf.al