

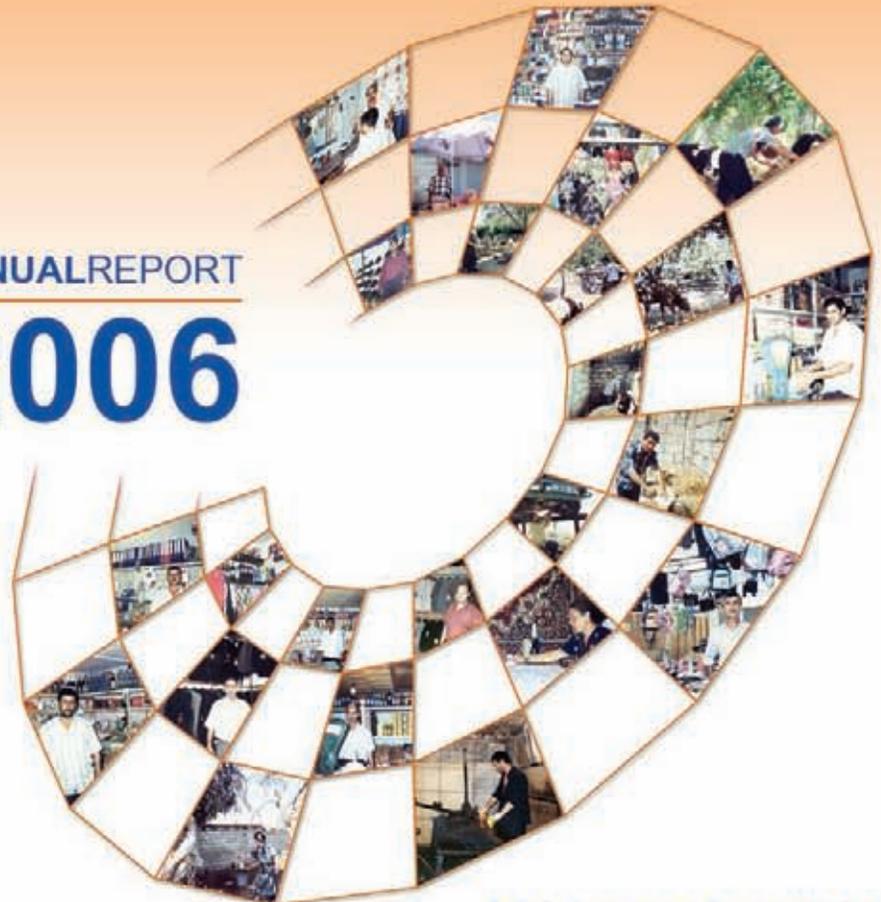


WORLD VISION AZERCREDIT LLC.



ANNUALREPORT

2006



WORLD VISION AZERCREDIT LLC.



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It is easier with Us

Foreword



I'm delighted to present you the 2006 annual report of WV AzerCredit LLC. AzerCredit is the leading microfinance organization in rural and especially agricultural credit in Azerbaijan and a strong growth in both client numbers and portfolio value over the past year indicates the success of our strategy.

AzerCredit has invested in staff and systems as well as product development. This has resulted in a portfolio growth of 79% and a growth in active clients of 43%. The portfolio quality remained excellent with a PAR>1d of 0.22%. Also the financial performance has improved, with AzerCredit reaching 119% OSS and 96% FSS.

The competition in the microfinance sector is increasing, with a significant number of banks entering the market and a large number of existing MFIs redesigning their products. Still, AzerCredit has high expectations for 2007. AzerCredit is rapidly expanding its branch network and developed new products for both the urban and rural market. Continued strong growth in 2007 and beyond will require significant amounts of new capital. A strong financial performance of AzerCredit as well as a solid credit rating has facilitated strong relationships with investors.

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Sincerely,

Gerlof de Korte
CEO



Annual Highlights

International Investors

Thanks to partnership with international investors such as UNCOR, SCRI (from EDB), World Vision International, Vision Fund, SFDI (from World Bank), Blue Orchard, EBRD & DWM World Vision AzerCredit could develop into a fast growing organization making a significant impact in the wellbeing of the society of Azerbaijan.

Branches

Currently we have branches in Baku, Ganja, Fizuli, Imishli, Mingachevir and sub-branches in Agjabadi, Sumgayit, Shamkir. Goranboy sub-branch recently received a branch status and now operates independently from Mingachevir, which gives us an opportunity to expand into regions around Mingachevir. First region will be Oguz and we are in the process of launching a service point there.

Products

In 2006 AzerCredit started planning Household Loan product to meet the demand of micro and small businessmen in terms of live condition improvement. There is no similar product for entrepreneurs in Azerbaijan and this product is expected to capture the market fast and grow into one of the most successful products of AzerCredit. At the same time we are in the process of launching our new product in Mingachevir in order to successfully compete with other MFIs and banks. This product will ease conditions for clients and will bring value to those who differ from other client with repayment capacity, debt/equity ratio, credit history and other factors.





Vision and Mission

AzerCredit was established in 1996 as a program of a relief-and-development organization to provide credit to ensure people can take control over their own lives and livelihoods. Although much has changed since then, the vision of WV AzerCredit is still to assist people in developing a positive and self-sustaining lifestyle.

WV AzerCredit mission is to provide financial services which have a positive impact on the lives of the poor.

The primary objective of AzerCredit has always been to provide loan to those who are not able to access facilities through the conventional banking system. This implies that World Vision AzerCredit works in both the urban and rural areas of Azerbaijan but the emphasis is placed on providing loan opportunities to rural businesses as access to the formal banking. However, the sole focus on loan is being replaced by a wider view on microfinance now as World Vision AzerCredit has developed into a strong financial institution.

In Brief

AzerCredit was established in 1996 as a program of a relief-and-development organization and in 2003 was successfully registered as an MFI founded by World Vision and started operating as a full-scale microfinance Institution developing into one of the leaders on the microfinance market of Azerbaijan nowadays.

Currently AzerCredit operates in Baku, Sumgait, Mingachevir, Ganja, Agjabadi, Horadiz (Fizuli), Imishli, Goranboy, Shamkir and is in the process of launching a Service Point in guz region. We serve more than 8000 active clients and have portfolio over USD 4000000.

AzerCredit's main goal – is to become a leader in microfinance market of Azerbaijan and bring value to our clients at the most. By means of this we are looking forward to becoming a self-investing organization with ability to reinvest into additional loan capital.

Founder

World Vision International

Director

Gerlof de Korte

Members of Supervisory Council

Mr. Seifu Tirfie, National Director World Vision International in Azerbaijan

Mr. Tirfie is the representative of World Vision in Azerbaijan, the NGO that started the microfinance program that eventually developed into AzerCredit. Mr. Tirfie has over 11 years experience in managerial positions in relief and development organizations and holds a PhD in engineering.

Ms. Marina Yoveva, Operations Director WVI Our Futures

Ms. Yoveva has a large experience in microfinance, having worked as MFI director, technical advisor and acting director of WVI's MFI network in Eastern Europe. In addition Ms. Yoveva has served on the board of the Micro Finance Center in Poland. Currently she's working as operations director of a project redesigning the organization of World Vision International.

Mr. Neil Cuthbert, Regional Director for Micro Enterprise Development at World Vision

Mr. Cuthbert has a strong background in all aspects in microfinance, having served as the global operations director of Opportunity International and director for economic recovery on World Vision's Tsunami Response Team. Before this, Mr. Cuthbert was working in marketing and product development in the private sector. Mr. Cuthbert in his current position as regional director is the representative of VisionFund International on the council.

Mr. Hikmet Allahverdiyev, Audit Senior Manager at Moore Stephens Azerbaijan

Mr. Allahverdiyev has a large experience in audits of international and local banks and development of internal control systems. Currently he is a senior audit manager at Moore Stephens, having worked for Price-WaterhouseCoopers and as financial controller of Azercell Telecom.

Ms. Laura Grant, President of WoolyKids

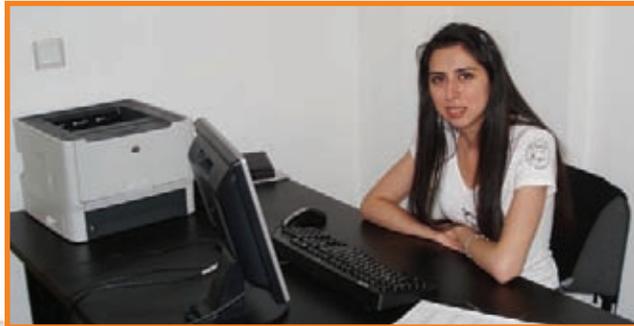
Ms. Grant is the president and founder of Woolykids, an easycare children clothing brand. Before starting her company Ms. Grant worked as Financial Analyst at British Petroleum and as a consultant. Ms. Grant holds an MBA from Wharton.

Our Staff

Our experienced staff is always ready to help clients and satisfy their needs

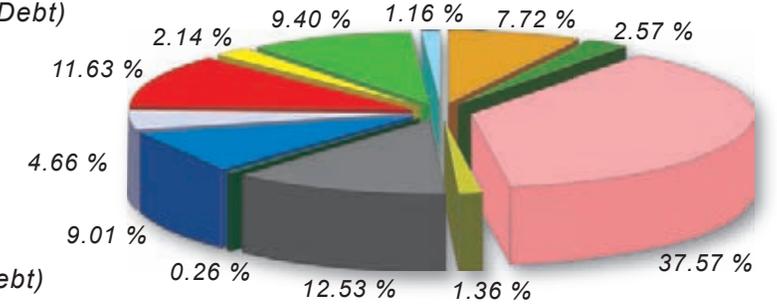


Friendly staff members - is our main strength, as attitude of our officers
- is an image of AzerCredit

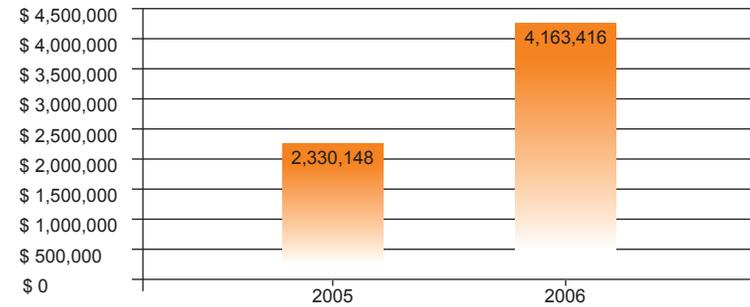


Funding Sources

- SANDY RIVER (Debt)
- Blue Orchard (Debt)
- VF (Debt)
- ADB (Debt)
- WV (Debt)
- UMCOR
- UMCOR
- CIDA
- USAID
- World Bank (Debt)
- Earnings
- BP

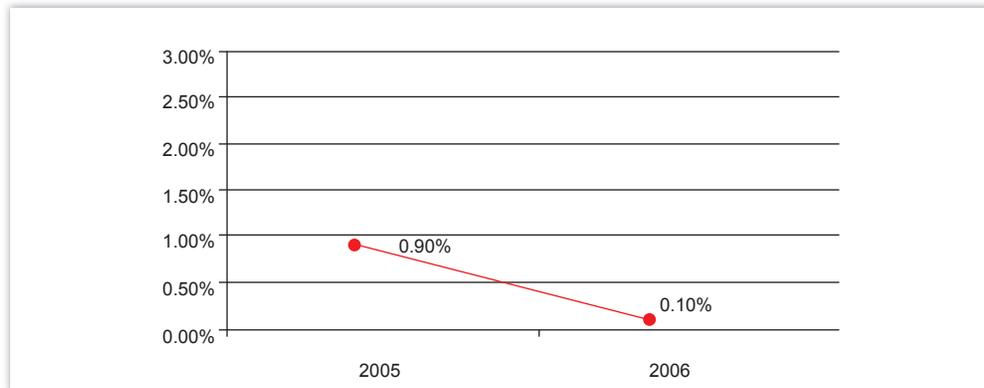


Outstanding Portfolio

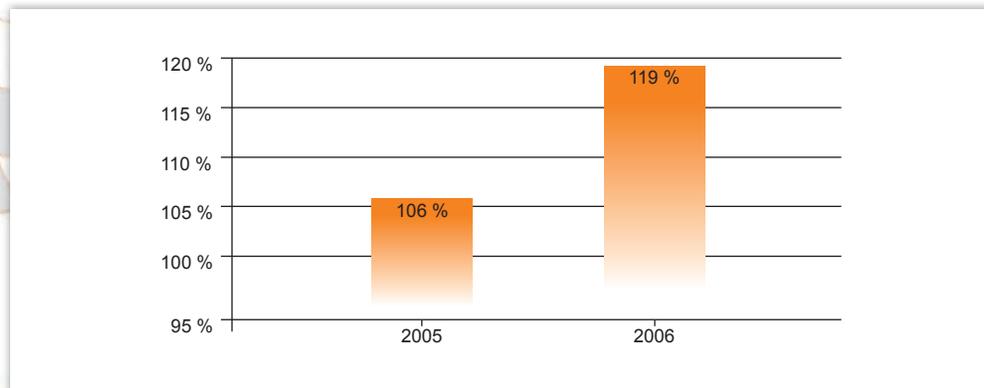


Our Performance

Portfolio at Risk

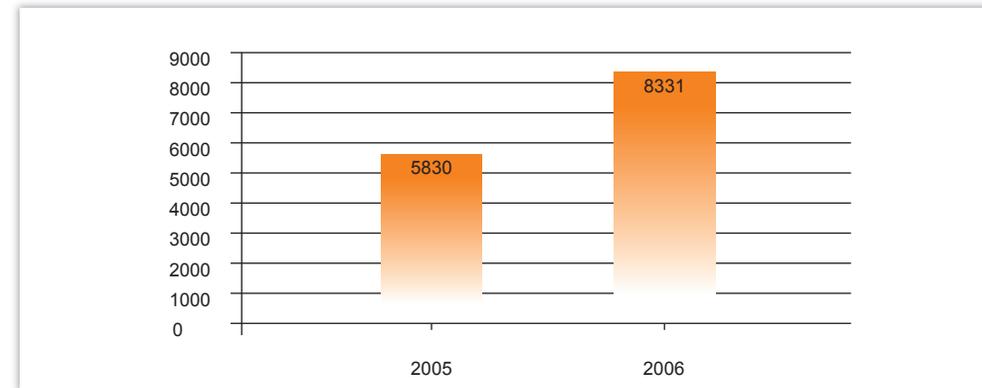


Operational Self Sustainability

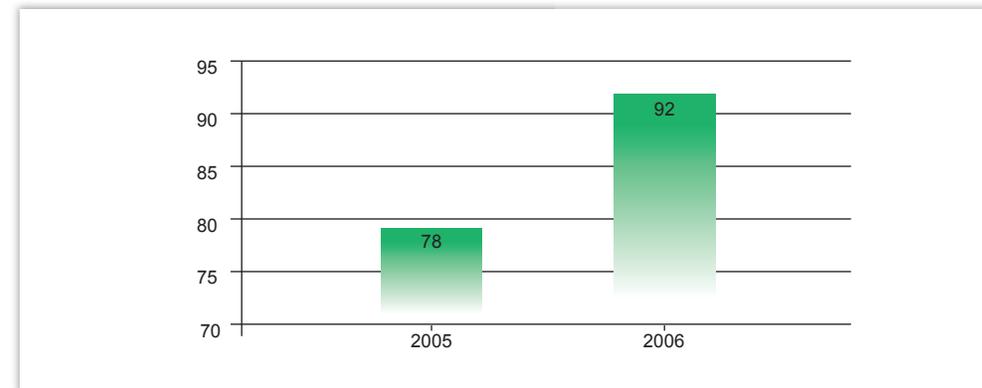


Our Performance

Number of Active Clients



Staff Productivity



Our Performance

Balance Sheet

USD	2005	2006
Cash & Bank Accounts	217323	61704
Gross Portfolio	2330148	4163416
Loan Loss Allowance	(17494)	(3160)
Net Loan Portfolio	2312655	4160256
Other Current Assets	18608	175588
Net Fixed Assets	32340	56682
Total Assets	2580925	4454229
Short Term Liabilities	106854	1158401
Long Term Liabilities	1059433	1581221
Equity	1414639	1714606
Total Liabilities & Equity	2580925	4454229

Income Statement

USD	2005	2006
Interest And Fee Income From Loans	893916	1295705
Interest Expense On Borrowings	29260	87332
Net Interest And Fee Income	864656	1208373
Recovered From Written-Off Loans	8181	10070
Foreign Exchange Loss	790	59785
Loan Loss Expenses	1725	(1742)
Operating Expense	742743	956452
Net Income	127579	203949

Our Products

Group Urban Loans

Group Rural Loans

Individual Urban Micro loans

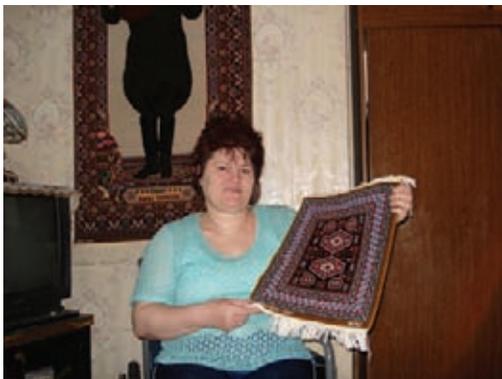
Individual Agriculture Micro Loans

Individual Urban Small loans

Individual Agriculture Small loans

Our Clients

Samadova Ulduz



One of hundreds of people with difficult life which were getting assistance from Azer Credit is Samadova Ulduz. She was born on October, 12th 1958 in Kalbajar's Gamishli village.

In 1983 she graduated from the Institute of Arts and in 1998 from Azerbaijan State Oil Academy. In 1986 she had a car-accident and became a disabled person with her legs amputated.

In 1998 she was taught to wire carpets by a worker of the Centre for Disabled Person. After her training she decided to practice. But she did not have enough money to develop her idea and applied to Baku Branch of "WV AzerCredit" to buy all necessary equipment. Our Loan Officers met with Ulduz and taking

into account her poverty and at the same time her disability decided to help her by providing a loan in size of 600 USD by means of which she bought all necessary equipment.

At this time she wires carpets in which she shows the Nizami's famous poems ("Leyli and Mejnun", "Fitne", "Yeddi Gozel"), portraits of the famous poets (M.A. Sabir, Fizuli) and sceneries of nature . She participated in different competitions held in Azerbaijan and took first places. Her works were highly valued in different countries. At this time she is preparing to bench her works on exhibition in Baku. She usually sells her carpets at such exhibitions and secures orders. One part of this earned value she gives to WV AzerCredit to repay a debt and other one she spends on the purchase of all needed materials. Nine times she borrowed money from our organization.

Our government helps her too and provides her with an apartment in a special-built for disabled people building. At this time she works as a teacher in the Rehabilitation Centre for Disabled Persons and feels pleasure of her activity.

Ulduz successfully continues cooperation with us and we are proud of strong-willed customers like her.

Our Clients

Rzaeva Tegrn



I am a native resident of Imishli district and was born in 1958.

I got married very early and began to live in the Chahar

village of Imishli region. At the beginning of my marriage everything was good; I didn't have any family problems until my husband's death.

He died in 1999. By that time, I could manage to marry off two daughters of mine. I had three children without father's care, 2 daughters and a boy left. Having been left without husband, I was forced to earn money for bringing up my children.

I did not have higher education, because the residents of our village do not pay worthy attention to this factor. They think that girls do not need this.

Having thought for a long time how to get out of this bad situation, I decided to open *bread baking* business. At the beginning of my business, it was not so easy; I could hardly cover all my expenses. The children were growing up day by day, and naturally I was

forced to enlarge my expenses. So, I did not have extra money.

In 2001 I heard about World Vision AzerCredit, which provides loans for groups of people. Having consulted with my friends, I decided to take some amount of loan. After certain check, the representatives of the organization, World Vision AzerCredit defined a loan for me in amount of 150 \$ for 6 months term. After expiration, I took 250\$ again. For first time, it was likely not to have any affect on my business. But, I expended this loan for buying all required stuff for baking, and for left money I acquired 10 sheep. Doing so, I could enlarge my production.

For the third time, again, I took 250\$. For the forth time, 400\$ and then 500\$. But now, it is the second time, I have received 700 \$. If before, I could only bake 100 pieces of bread a day, now I can bake 300. Speaking shortly, for average 150 breads in a day. Later, I sold all my sheep and instead of them I bought a cow. Now, I have two heifers. I had my home repaired in the modern style. I married off one more daughters and could collect worthy dowry for my daughter, which is of a great importance for our family. I am extremely glad that we have World

Vision AzerCredit Organization, which gives a helping hand to people in need.

Alasgarova Tunzala

“World Vision AzerCredit” LLC helps to thousands of people through loans. There are many IDPs among those persons who were drove away as a result of the violence of occupants.



One of them is Alasgarova Tunzala. She used to live in Zulfugarli village of Kalbajar. She was only three months married when Kalbajar was occupied.

She was newly feeling the beauty of marriage and living with belief and dreams of having happy life in hearth. But occupation of territories became an obstacle on the way to her sweet dreams.

It was late March of 1993 year. Though it was spring the ground was covered with the snow and it was cold too. In such condition they had to leave their native land, cozy, worm homes bare-footed, open-headed, and had no chance to take anything, as they were afraid of brutality. Firstly they had settled in the hostel of Trade secondary school, in Tar-Tar region. They lived here during one year. Here they faced a lot of difficulties, because they had to live in awful conditions. They had no clothes to wear, no place to sleep, even they did not have the plates to use. As they did not have a plate, when having a dinner they were waiting for one another, to have a dinner in their unit.

Tunzala’s baby, who was born here couldn’t live long, and forever closed her eyes to life. Subsequently they couldn’t stay for a long time here too. One day at the dinnertime the bomb fell on the hostel they were living in. This event made them left this place too and they came to Mingachevir. Here they inhabit in the hostel of Medical secondary school. From the first day of coming World Vision organization included them to the IDPs’ registration list, and was providing them regularly with foodstuff within the World Food Program. But this provision can not satisfy all the needs of family, because when they left their native land they couldn’t take anything. Thus, for making better their life they began to work at a mobile trade.

In January of 1999 Tunzala applied to Mingachevir branch of “World Vision AzerCredit” organization to improve her business. Organization assisted her and for the first time AzerCredit disbursed 300 USD for 6 months period. When she paid the amount successfully, she received loans six times according to her business needs. Her last loan was 600 USD.

Tunzala not only repaid all the loans successfully, but at the same time through income generated by spending loan amount to business development in 2002 year she bought refrigerator, in 2003 a carpet, in 2005 wardrobe, sofa and TV in 2006.

Today we are happy to assist Tunzala’s family as we do it for hundreds of IDPs to better their life conditions.

