



VISION FUND AZERCREDIT LLC.

ANNUAL REPORT
2007



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2007 has been a remarkable year for AzerCredit and it's with great pleasure that I present you the annual report.

With a 50% growth in clients and 85% growth of portfolio, AzerCredit has strengthened its position as the main provider of credit in rural areas and especially agriculture, thanks to continuous product development and the expansion of our branch network. AzerCredit has established four new offices in 2007 and plans an additional five offices for 2008.



The rapid expansion of the branch network in underserved rural areas provides the foundation for continued growth in the coming years. In addition, AzerCredit is investing in technology and building staff capacity, using this period of fast growth and strong financial performance to plant the seeds for an even more successful future. The organization is also investing in developing a social impact measurement system, as it looks to improve the double bottom-line.

The strong performance of AzerCredit as well as a solid credit rating has facilitated strong relationships with investors, and a continued strong growth in 2008 and beyond will require significant amounts of new capital, both debt and equity.

The microfinance environment in Azerbaijan is developing rapidly, and competition is ever increasing. On the other hand, many rural areas are very much underserved. AzerCredit targets to maintain the current growth rate by keeping focused on these areas, offering clients the products that they need so they can build a meaningful, sustainable and self-determined livelihood.

Sincerely, Gerlof de Korte CEO

Vision and Mission

VF 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 VF AzerCredit is still to assist people in developing a positive and self-sustaining lifestyle.

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

The primary objective of VF AzerCredit has always been to provide loan to those who are not able to access facilities through the conventional banking system. This implies that VF 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 VF AzerCredit has developed into a strong financial institution.

VF 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 VF AzerCredit operates in Baku, Sumgait, Mingachevir, Ganja, Agjabadi, Goranboy, Horadiz, (Fizuli), Imishli, Shamkir, Qazakh, Terter and is in the process of expanding its branches to other regions, namely to Saatli, Garadagh, Yevlakh, Beylagan, Aghdash and Khanlar in 2008.

We serve more than 12000 active clients and have portfolio over USD 8000000.

VF 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.



About Us

About Us

Founder

World Vision International

Chief Executive Officer

Gerlof de Korte

Members of Supervisor y 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 Vision Fund 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

About Us

VF AzerCredit enjoys a very good reputation of a transparent organization and has a professional work force, thus experiencing a fast growth and development.

Around 150 professionals enjoy working at AzerCredit



We are always willing to listen to staff



Exchange of views and experiences is highly valued here

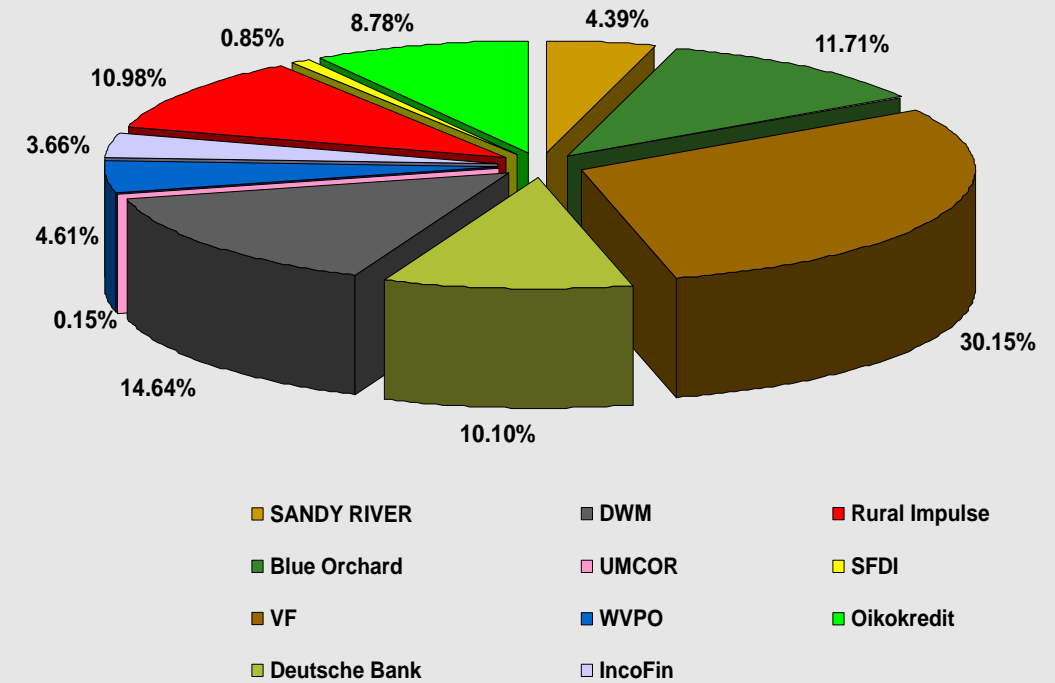


We continuously improve staff capacity



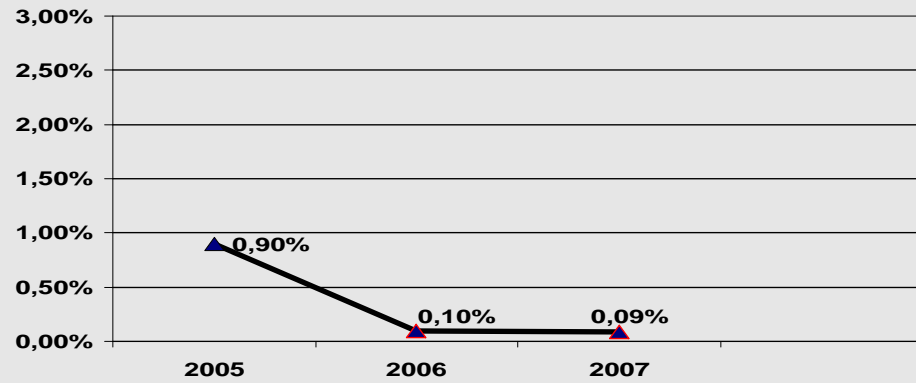
Our Performance

2007 Funding Sources

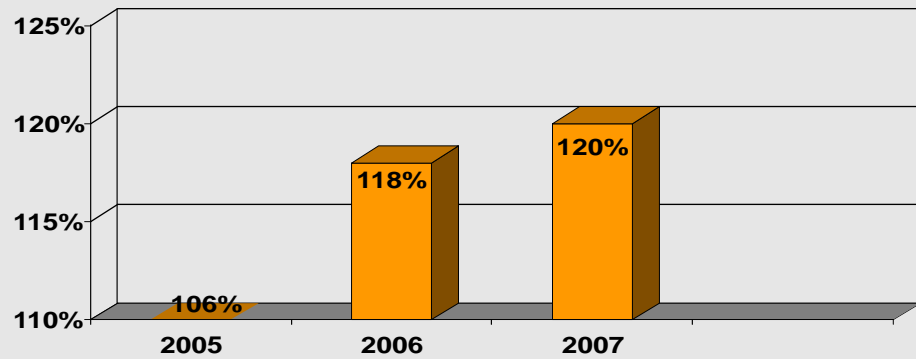


Our Performance

Portfolio at Risk

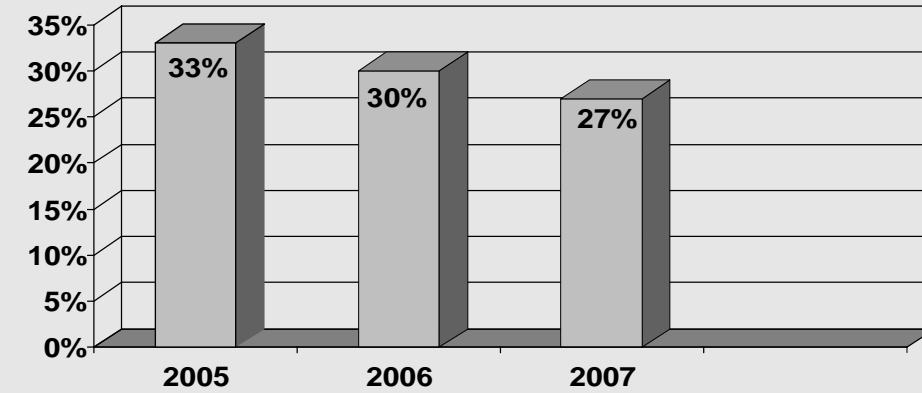


Operational Self Sustainability

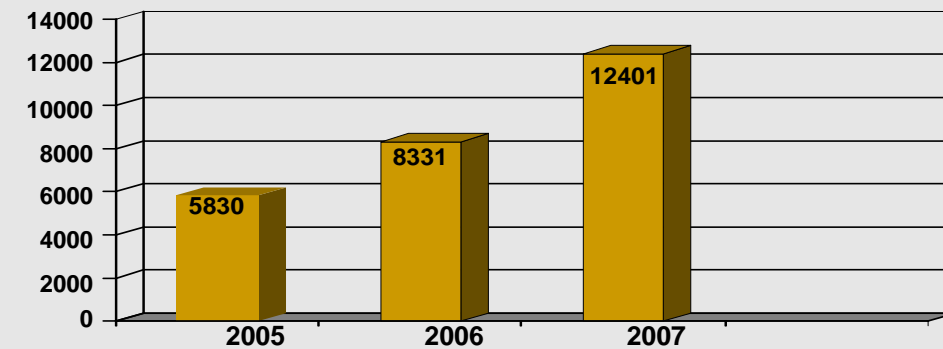


Our Performance

Operating Cost Ratio

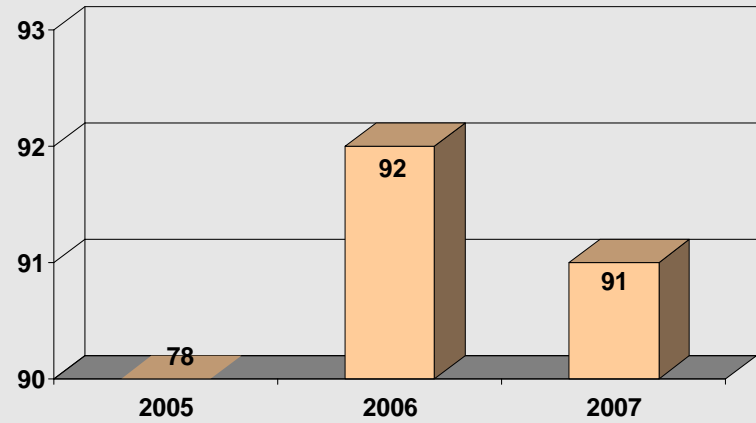


Number Of Active Clients

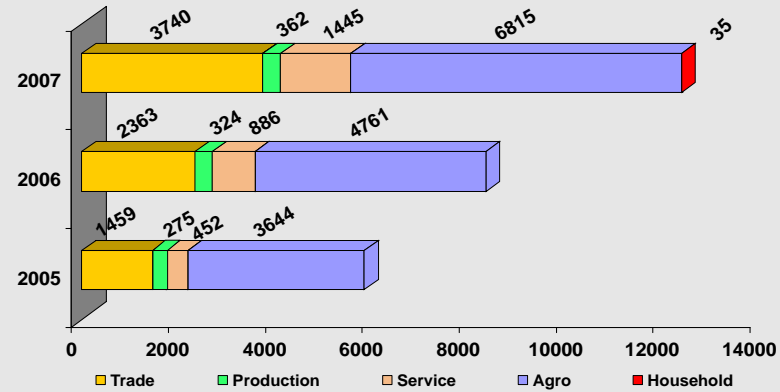


Our Performance

Staff Productivity

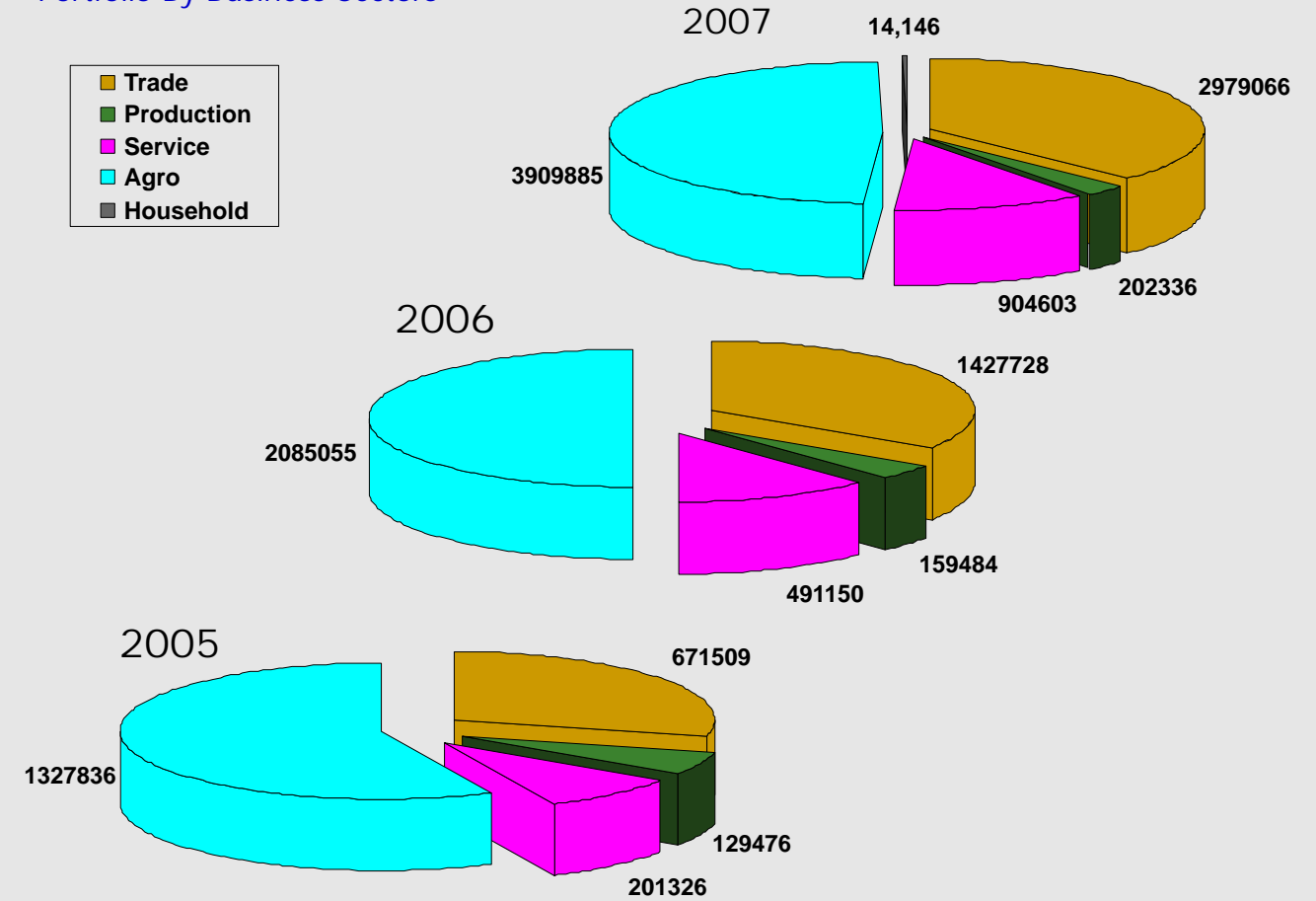


Number Of Clients By Sectors



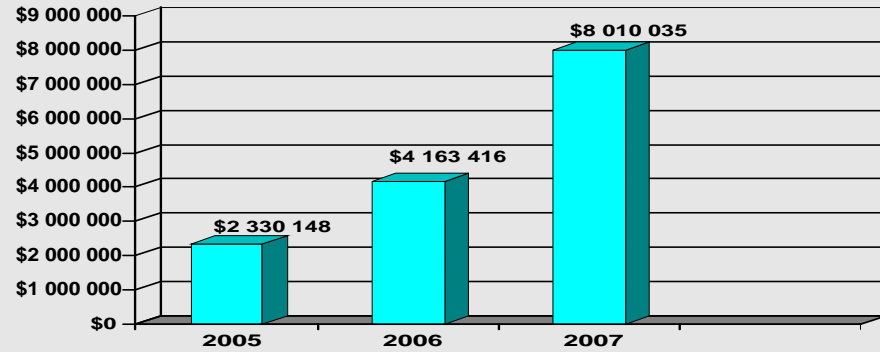
Our Performance

Portfolio By Business Sectors

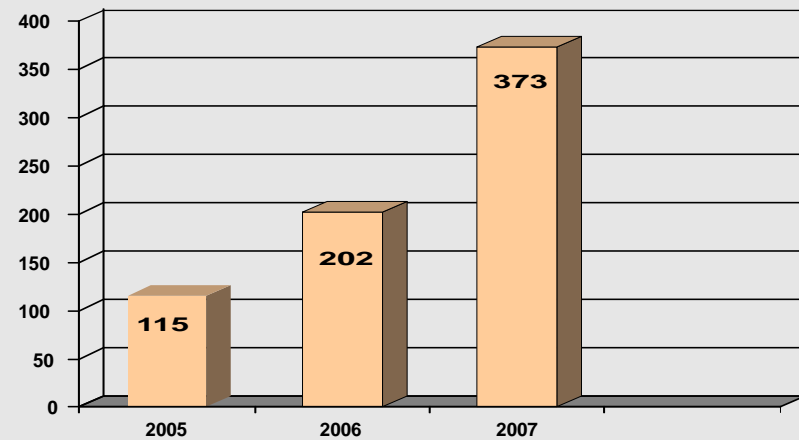


Our Performance

Outstanding Portfolio

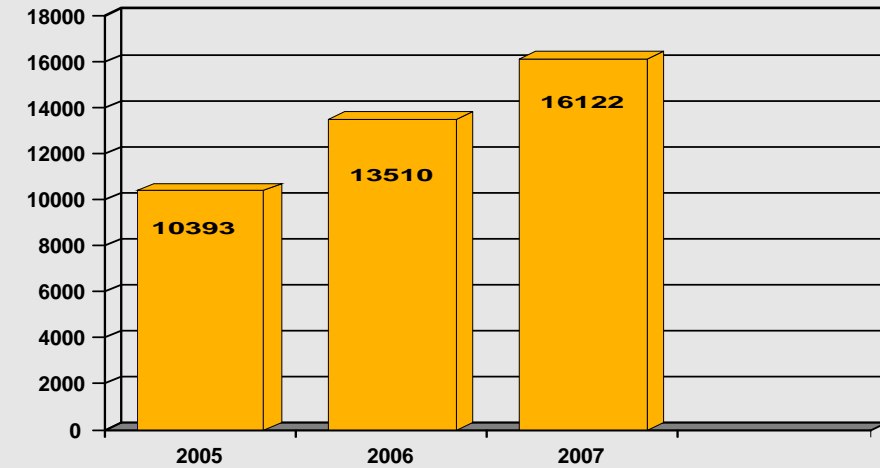


Number Of Jobs Created

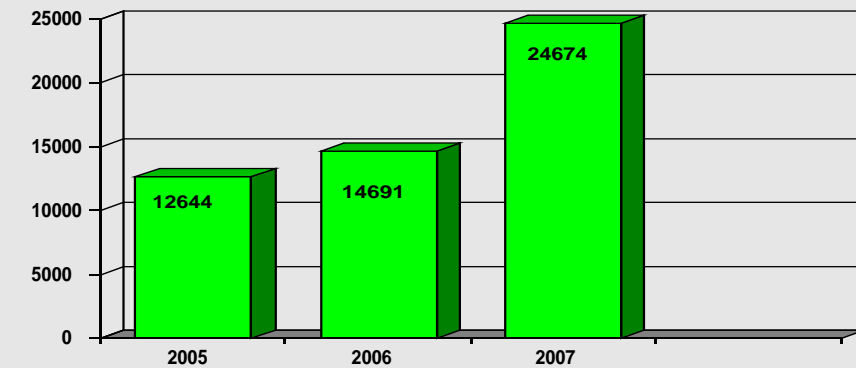


Our Performance

Number Of Jobs Sustained



Number Of Children Impacted



Our Performance

Balance Sheet

USD	2005	2006	2007
Cash & Bank Accounts	217323	61704	1061847
Net Loan Portfolio	2297662	4160256	8003071
Interest Receivable	14993	33971	59378
Net Fixed Assets	32340	56682	168478
Other Assets	18608	50 950	111123
Total Assets	2580926	4363562	9403897
Debt To Financial Institutions	1075557	2488132	6832858
Other Liabilities	90730	167844	366590
Equity	1414639	1707587	2204449
Total Liabilities & Equity	2580926	4363562	9403897

Income Statement

USD	2005	2006	2007
Interest, Fee & Other Operating Income	893916	1334340	2435779
Interest Expense On Borrowings	29260	88759	369593
LL Provision & Other Financial Expense	5666	64093	16114
Net Financial Income	870322	1181487	2050073
Operating Expense	742743	905835	1525320
Tax Expense	-	71813	118138
Income Before Grants & Donations	127579	203839	406615
Grants & Donations	-	7381	16879
Net Income	127579	211220	423494

Our Products



Group Urban Loans

Group Rural Loans

Individual Urban Micro Loans

Individual Agriculture Micro Loans

Individual Urban Small Loans

Individual Agriculture Small Loans

Household Loans



Our Clients

Allahverdiyev Muzafer



Client Allahverdiyev Muzafer Musa was born in May 23, 1953 in Hochas village of Lachin district.

He spent all his young years in this beautiful district. Here he also graduated from secondary school and built home for living. In 1992 this region was seized as a result of Armenian aggression; homes were destroyed and thousands of people were forced to move to various regions of Azerbaijan. Muzafer, his wife and their two children came to Baku. Being left without anything they settled in a small building constructed by relatives in Baku.

To provide his family with living allowance Muzafer rented a small atelier and was going to start a tailor business. Looking for amount Muzafer applied to Vision Fund AzerCredit and received \$500 loan for the first time. He bought a sewing machine for taken loan and started sewing suits and clothes in his small workshop. Making all his works accurately he is still client of Vision Fund AzerCredit and has so far taken loan for twelve times.

Currently, taking \$2000 loan amount, Muzafer makes different clothes upon orders and supplies them to clients. His workshop was expanded, new employees were hired, and production workshop and storehouse were built. Normal work conditions were created for tailors. A car was bought and sewing machines were modernized in atelier as a result of these activities. Now Muzafer is working here with all his family members. He always makes his payments in time and is one of the exemplary clients of our organization.

Our Clients

Maqsudov Maarif



My name is Maqsudov Maarif Bagadur. I was born in 1960 year. I have lived in Gizilkend village of Imishli district all my life.

In 2001 I heard that some organization started its function which was disbursing loans for cattle breeding and other areas of agriculture businesses' development. At that time my household businesses were not in a state that I wanted. I had only three cows and five-six sheep. Fellow-villagers decided to create a group consisting of four persons and take a loan. It wasn't requested any collateral in group loan, only household business.

We all went to office of AzerCredit and filled out an application form. In a couple of days the employees of your organization visited us for household businesses' verification. Checking out my possessions the representatives of AzerCredit were considering whether I would be able to pay back loan amount. After a while they finally decided to disburse \$400 loan for one year with three months grace period.

For first year I could increase the number of cattle. I tried to save since our children were little and in a good health, so there weren't significant expenses then. So I achieved what I was planning.

After a year I took \$600, and then \$700. Inflation was not progressing at that time and these amounts were sufficient for me.

Seven years have passed. I took eights loan in this year, \$1200. Now I have fourteen cows, four buffalos, ninety six sheep, forty eight goats, two horses and eighty lambs, knock on wood.

I think that due to these loans I managed to achieve all these results. I appreciate this organization very much. Initially I didn't realize the significance which your mission provides. And now I thank you for financial support provided for me. Thanks for confidence!

Our Clients

Shusha Azizova



The family of Azizov used to live in Ahmadallar village of Fizuli district. This family, as many other families, lived in nice conditions before 1993. Father, Kamil Azizov, worked as a teacher in a local secondary school. Mother, Shusha Azizova engaged in rural economy. Some of their children were receiving education in a secondary school, others at university. Normal life of the family was halted since armenian aggressors started occupying Mountainous Garabagh and adjacent territories. Fizuli district and its villages were occupied in October 23, 1993.

Azizov's village was exposed to gun, tank and machinegun firing after which their land started to burn. Azizov's family ran along Azerbaijan- Irani border line, crossed the border and entered to Iran using the bridge between Iran and Azerbaijan. Soon, under observation of Iran delegation on refugees, they arrived to Imishli district. After long consideration and discussion between family members and close relatives they settled in "Sharab" processing plant building in Kurdamir district. Many difficulties arose since they left all their belongings in homeland and some of the family members got a job in this plant to struggle all

these burdens.

After liberating several villages in 1997 the ARRA organisation (Agency for Reconstruction and Rehabilitation of Azerbaijan) started reconstruction and construction works; the family decided to move back to their native village. They settled at their former home, burnt by aggressors, staying in the only room, which was kept chaste. In 1998 their home was partially repaired by IRC organisation and family began planting on three hectares of land.

Finally, in 2002, World Vision AzerCredit together with WV Community Program offered group loans under preferential terms for women with the purpose of investing to women business development. Shusha Azizova joined one of the groups and received 200 AZN which she spent to purchase one cow; thereby she increased her business. She further expanded her business applying for bigger amounts of loan.

This year she applied to VF AzerCredit seventh times and received 4000 AZN loan amount, buying six cows and two tonnes of hay for animals. She repaired her two stored apartment for profit she received from business activity. She also built two housings for livestock and her children obtained higher education.

At the time being the family has thirteen cows and one hundred and fifteen chickens. A large fruit and grape garden was planted at their yard. The youngest son of Shusha, assisting her in business, bought a new automobile. Finally the family is happy again.

Annual Highlights

Branches

Currently we have branches in Baku, Ganja, Horadiz, Imishli, Mingachevir, Goranboy and sub-branches in Agjabadi, Sumgayit, Shamkir, Qazakh and Terter. We are in the process of launching new offices in Beylagan, Aghdash, Khanlar, Garadagh, Saatli and Yevlakh to achieve greater number of clients in remote areas and increase the positive impact on lives of the poor.

Products

Recent product refinements and product developments introduced by VF AzerCredit brought innovation to the microfinance sector in Azerbaijan. For many years micro and small entrepreneurs were excluded from the opportunity of household loans. VF AzerCredit introduced household loan for entrepreneurs, which has a clear positive impact in poor people's livelihoods. Product diversification will continue by means of extensive researches of target clients' needs, especially considering that many microfinance products are still not introduced in Azerbaijan.

Social Performance

VF AzerCredit is committed to serve community and is always concerned with community impact and its social performance. Gender balance in AzerCredit portfolio is sustained on a very high level, with 43% of clients being female. AzerCredit also actively tracks number of jobs created and sustained through its credits, which was equal to total 16122 jobs to date and 377 new jobs created within year 2007. Moreover VF AzerCredit is interested in the impact on children resulting from its services. As of the end of year 2007, 24674 children were positively impacted by VF AzerCredit operations, whereas 2303 children were impacted within 2007.

Perspective

VF AzerCredit will continue sustaining its fast growth to maintain its status of a leading MFI on the market, as microfinance sector in Azerbaijan is intensively developing. Reaching target clients with products and services they need is AzerCredit's primary objective and this tradition will always bring value both to clients and the organization.