

Baku branch

Kaverochkin str 13, Baku city
Tel.: (+994 12) 440 8329; (+994 12) 440 8478;
(+994 12) 449 8475
Fax: (+994 12) 498 0650

Sumqayit sub-branch

3/42, 16th block, apt 16, Sumgayit city
Tel.: (+994 18) 648 4372
Fax: (+994 18) 648 4372
Catel: (+994 12) 418 7819

Qaradagh sub-branch

E.Quliyev str., Sahil settlement, Qaradakh district
Tel.: (+994 12) 446 4045; (+994 12) 446 9578
Fax: (+994 12) 446 9578

Imishli branch

H. Aliyev ave 140, Imishli
Tel.: (+994 154) 6 60 30
Fax: (+994 154) 6 62 48

Saatli sub-branch

H. Aliyev ave 148, Saatli
Tel.: (+994 168) 5 2006
Fax: (+994 168) 5 2006

Agjabedi sub-branch

H. Aliyev ave 126, Agjabedi
Tel.: (+994 113) 5 5106
Fax: (+994 113) 5 51 06

Horadiz branch

Ahmadalilar road, Horadiz, Fizuli
Tel.: (+994 141) 5 50 14
Fax: (+994 141) 5 50 14

Bala-Bahmanli sub-branch

Bala-Bahmanli, Horadiz, Fizuli
Tel.: (+994 141) 5 0124; (0141) 5 5724
Fax: (+994 141) 5 0124

Beylagan sub-branch

M. Rasulzade str 107, Beylaqan
Tel.: (+994 152) 5 10 88
Fax: (+994 152) 5 10 88

Mingachevir branch

I. Qayibov str. 2, Mingachevir city
Tel.: (+994 147) 4 1323
Fax: (+994 147) 4 2024
Catel: (+994 12) 418 7871

Yevlakh sub-branch

H. Aliyev ave. 51, Yevlakh
Tel. (+994 166) 6 5217
Fax: (+994 147) 6 2394

Goranboy branch

H. Aliyev ave. 10, Goranboy
Tel.: (+994 234) 5 1101
Fax: (+994 234) 5 3231

Tartar sub-branch

N. Narimanov str. 2, Tartar
Tel.: (+994 246) 6 3065
Fax: (+994 246) 6 2352

Ganja branch

S.I. Xatai str. 62, Ganja city
Tel.: (+994 22) 57 9915; (+994 22) 52 1258;
(+994 22) 52 1637
Fax: (+994 22) 52 1714

Shamkir sub-branch

Vidadi turning, Shamkir
Tel.: (+994 241) 2 3541
Fax: (+994 241) 2 3527
Catel: (+994 12) 418 9507

Qazakh sub-branch

Baku str. 74/2, Qazakh
Tel.: (+994 279) 5 2322

**VF AzerCredit****It is easier with Us**

HEAD OFFICE: 13, ch St, u AZERBAIJAN
Phone: (+994 12) 418 9417
x: (+994 12) 440 1471

ANNUAL REPORT**'08**



Sincerely, Gerlof de Korte CEO

Dear Reader,

It's with great pleasure that I present you the annual report for 2008, a year of continued fast growth for VF AzerCredit LLC.

This year was characterized by a repetition of the high growth in number of clients and portfolio in line with an excellent portfolio quality. Within 2008 AzerCredit's outstanding portfolio increased by 112% not affecting PAR1 of 0,09%. These results combined with Operational sustainability of 118% show the success of the strategy of rural expansion.

New sub-branches set up in Yevlakh, Saatli, Beylagan and Garadagh ensured a better outreach to remote areas.

Household loan has been introduced in several more rural branches after the product was successfully tested. Also design and policy for village council methodology was being developed and prepared for initial pilot in the beginning of 2009. This methodology is targeted to ease and improve access of clients in remote areas to AzerCredit services.

Being recognized as "The best community

impact provider" In 2008 by Azerbaijan Microfinance Association, AzerCredit went in-depth to support the social mission through taking Social Audit with assistance of MFC & AMFA. Social Performance Management system will be established at VF AzerCredit in the coming year as a part of strategic plan.

2009 will be a challenging year for the organization. Although the economy and banking system of Azerbaijan have not seen the turbulence experienced elsewhere in the region, AzerCredit has taken a number of measures to prepare for a generally worsening environment. Lending products and policies have been reviewed to reflect the changed environment and growth projections have been curbed, but are still ambitious.

Further development of the internal organization will be a key priority for AzerCredit, focusing on workflow management, strengthening the organizational culture and capacity building for all levels of staff. Also AzerCredit will implement a new business software, laying the foundation for mobile banking applications.

With its strong financial position,

experienced staff and market leadership in rural finance, AzerCredit is fully prepared to make 2009 another successful year. This will be under the leadership of a new CEO. After serving 4 years as CEO of AzerCredit LLC, Ms Ljiljana Spasojevic will take over my duties as of March 01 2009. I'd like to take this opportunity to express my gratitude to the staff and all other stakeholders for a remarkable and very successful time, which I'm sure will continue in the years to come.

Sincerely,
Gerlof de Korte



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. Recent VF AzerCredit effort in establishing Social Performance Management is a commitment of organization to support and implement the double bottom line. 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 micro-finance now as VF AzerCredit has developed into a strong financial institution.

In Brief

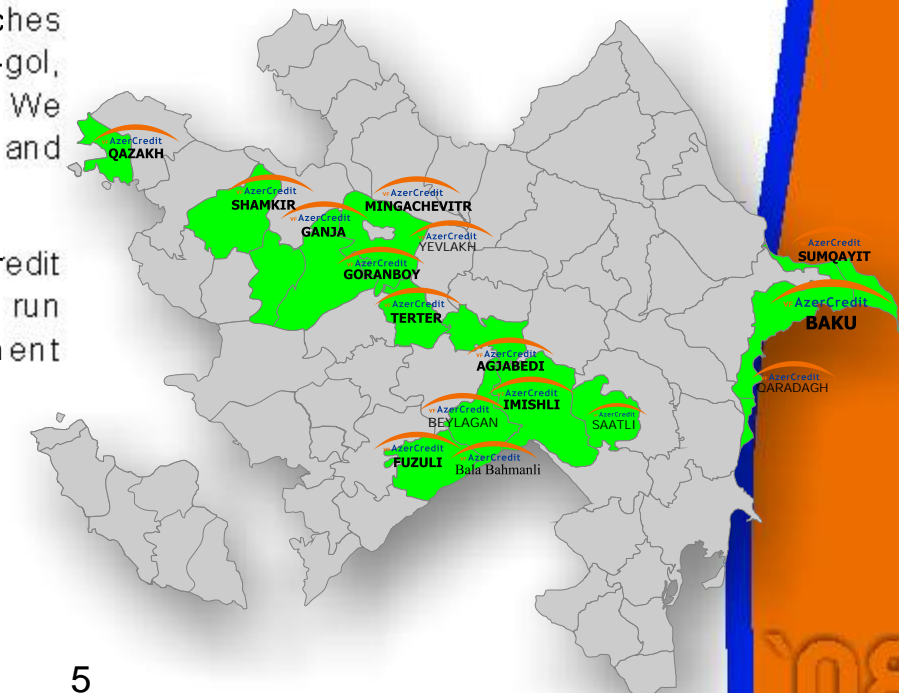
VF AzerCredit was established in 1996 as a program of a relief-and-development organization. In 2003 was successfully registered as an MFI founded by World Vision and started operating as a full-scale microfinance Institution developing into one of the leaders on the microfinance market of Azerbaijan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

Currently VF AzerCredit operates in Baku, Sumgait, Mingachevir, Ganja, Agjabadi, Goranboy, Horadiz, Imishli, Shamkir, Qazakh, Terter, Saatli, Garadagh, Yevlakh and Beylagan and is in the process of expanding its branches to other regions, namely to Goy-gol, Aghdash and Sabirabad in 2009. We serve more than 21000 active clients and have portfolio over USD 17 mln.

Recent Social Audit at VF AzerCredit opened a new route to establish and run Social Performance Management

System in order to ensure the organization is sticking to its mission, social objectives and goals.

VF AzerCredit's main goal – is to become a leader in the 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
Chief Executive Officer
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 which eventually developed into AzerCredit. Mr. Tirfie has over 13 years experience in managerial positions in relief and development organizations and holds a PhD in engineering.

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 a Financial Analyst at British Petroleum and as a consultant. Ms. Grant holds an MBA from Wharton.

Mr. Mehdi Bakshiyev,
Program manager of World Vision
Azerbaijan

Has more than ten years experience in NGOs. 1994-1998 worked as a Project Manager in International Red Cross Organization. In 1998-2004 was a Project Manager in Danish Refugee Council.

Ms. Marina Yoveva,
Operations Director at WVI Our Futures

Ms. Yoveva has a significant 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. Marinus Maaskant,
Chairman and Member of the Board of a
Community Foundation

Member of the board of Cedeo. Chairman of the Board of the educational facility of 6 hospitals (Hooghstede). Specialized in audit, training and development, human resources and finance areas.

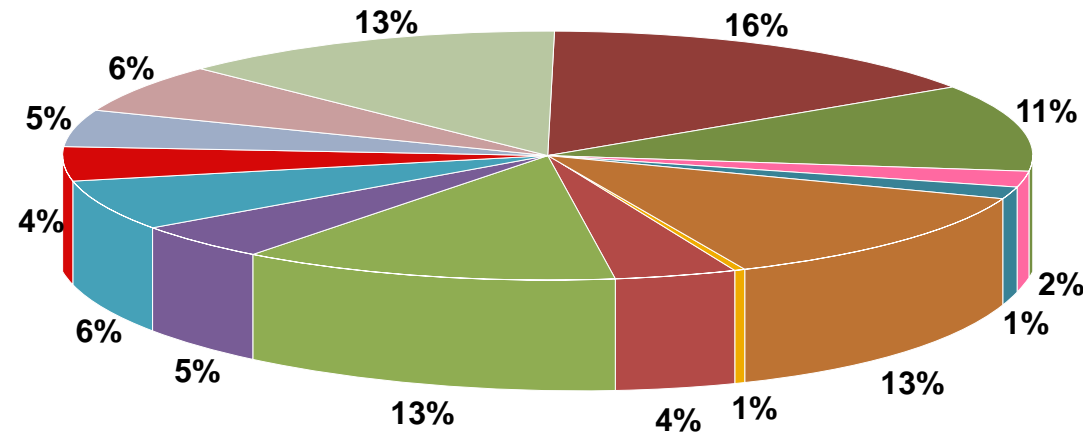
Mr. Mushvig Tahirov,
Lawyer at Open Joint Stock Company
"HALQ" Bank

Has significant experience as a Lawyer in banking. Also he works as a professor at Baku State University delivering law.

VF AzerCredit enjoys a very good reputation of a transparent organization and has a professional work force who are the main asset of the VF AzerCredit.



2008 Funding Sources



- IncoFin
- Blue Orchard
- WV PO
- WV USA SANDY RIVER
- DWM
- SFDI (from World Bank)
- Deutsche Bank
- EBRD
- Rural Impulse
- Planet Finance
- Oikokredit
- Calvert CIF
- Symbiotics
- Vision Fund

Our Performance

Balance Sheet

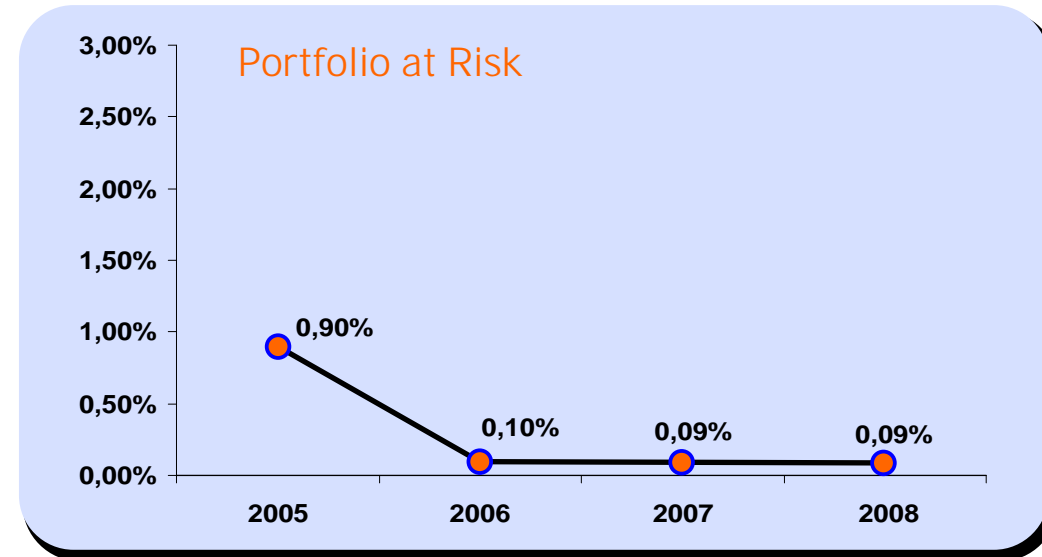
USD	2005	2006	2007	2008
Cash & Bank Accounts	217323	61704	1061847	2150197
Net Loan Portfolio	2297662	4160256	8003071	16697699
Interest Receivable	14993	33971	59378	216507
Net Fixed Assets	32340	56682	168478	335396
Other Assets	18608	50950	111123	148149
Total Assets	2580926	4363562	9403897	19547948
Debt To Financial Institutions	1075557	2488132	6832858	16019109
Other Liabilities	90730	167844	366590	536743
Equity	1414639	1707587	2204449	2992096
Total Liabilities & Equity	2580926	4363562	9403897	19547948

Our Performance

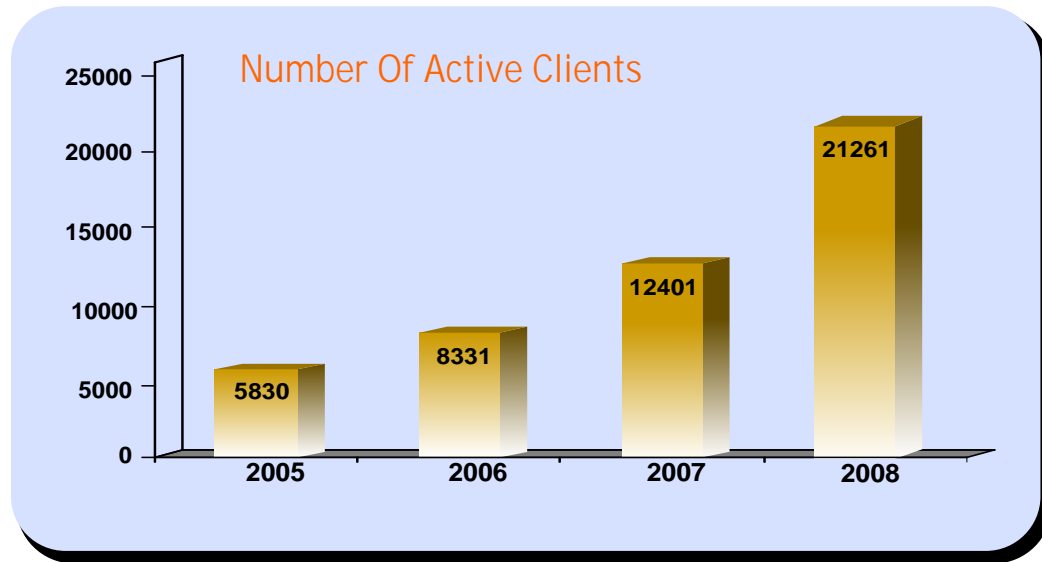
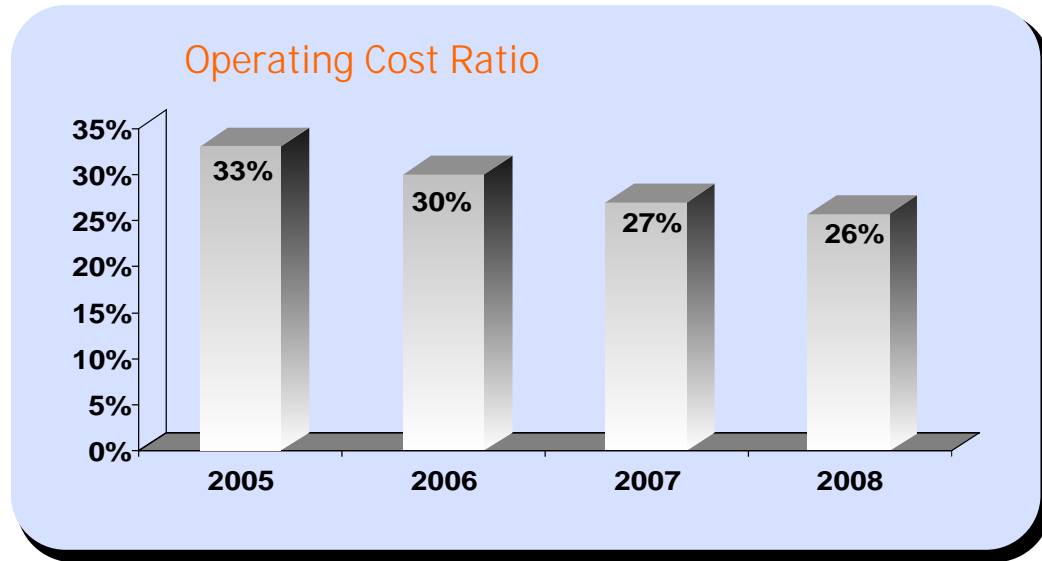
Income Statement

USD	2005	2006	2007	2008
Interest, Fee & Other Operating Income	893916	1334340	2435779	4936930
Interest Expense On Borrowings	29260	88759	369593	936846
LL Provision & Other Financial Expense	5666	64093	16114	268846
Net Financial Income	870322	1181487	2050073	3731237
Operating Expense	742743	905835	1525320	2756307
Tax Expense	-	71813	118138	244797
Income Before Grants & Donations	127579	203839	406615	730134
Grants & Donations	-	7381	16879	40687
Net Income	127579	211220	423494	770820

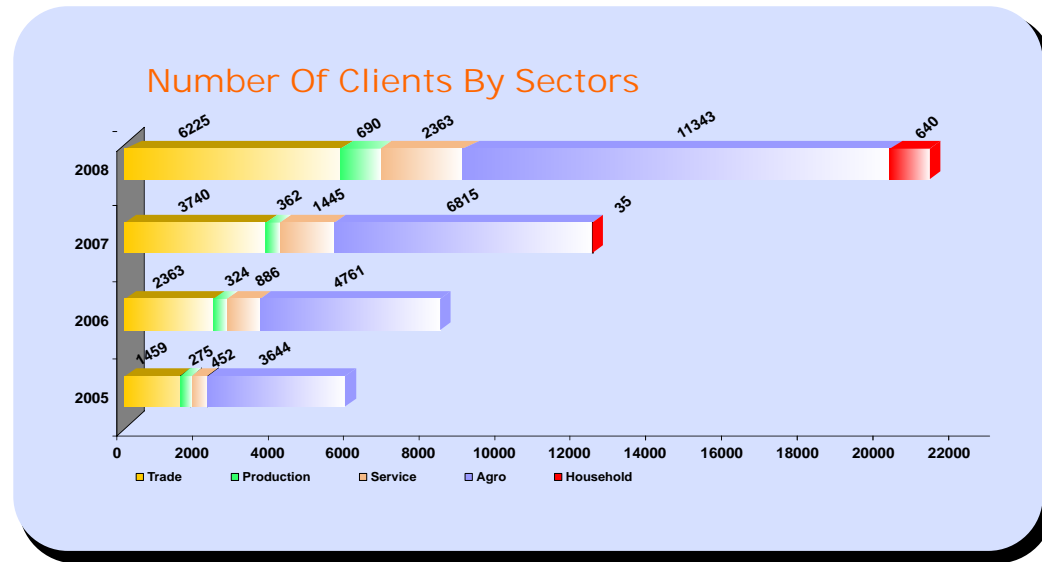
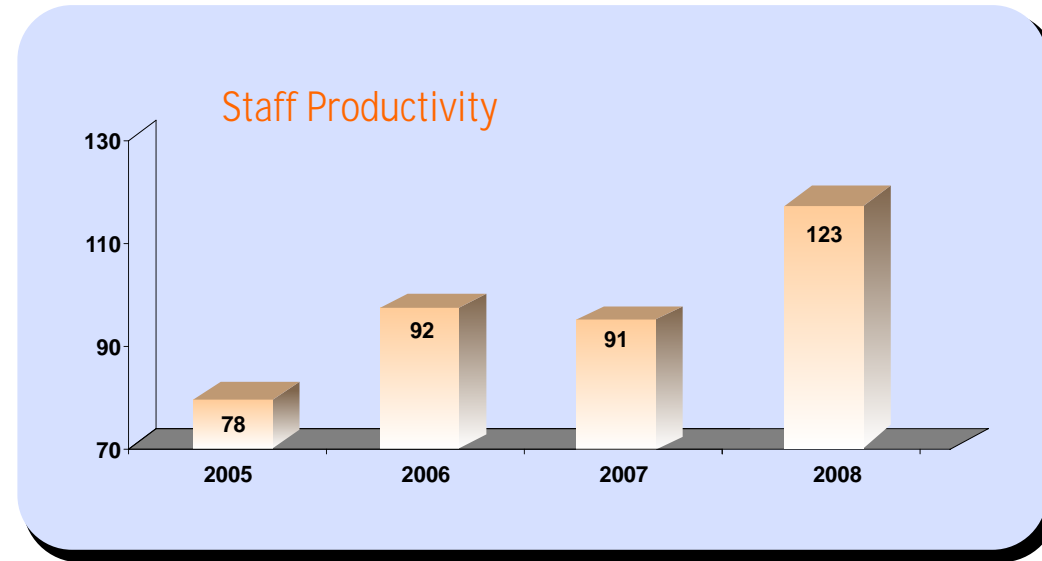
Our Performance



Our Performance



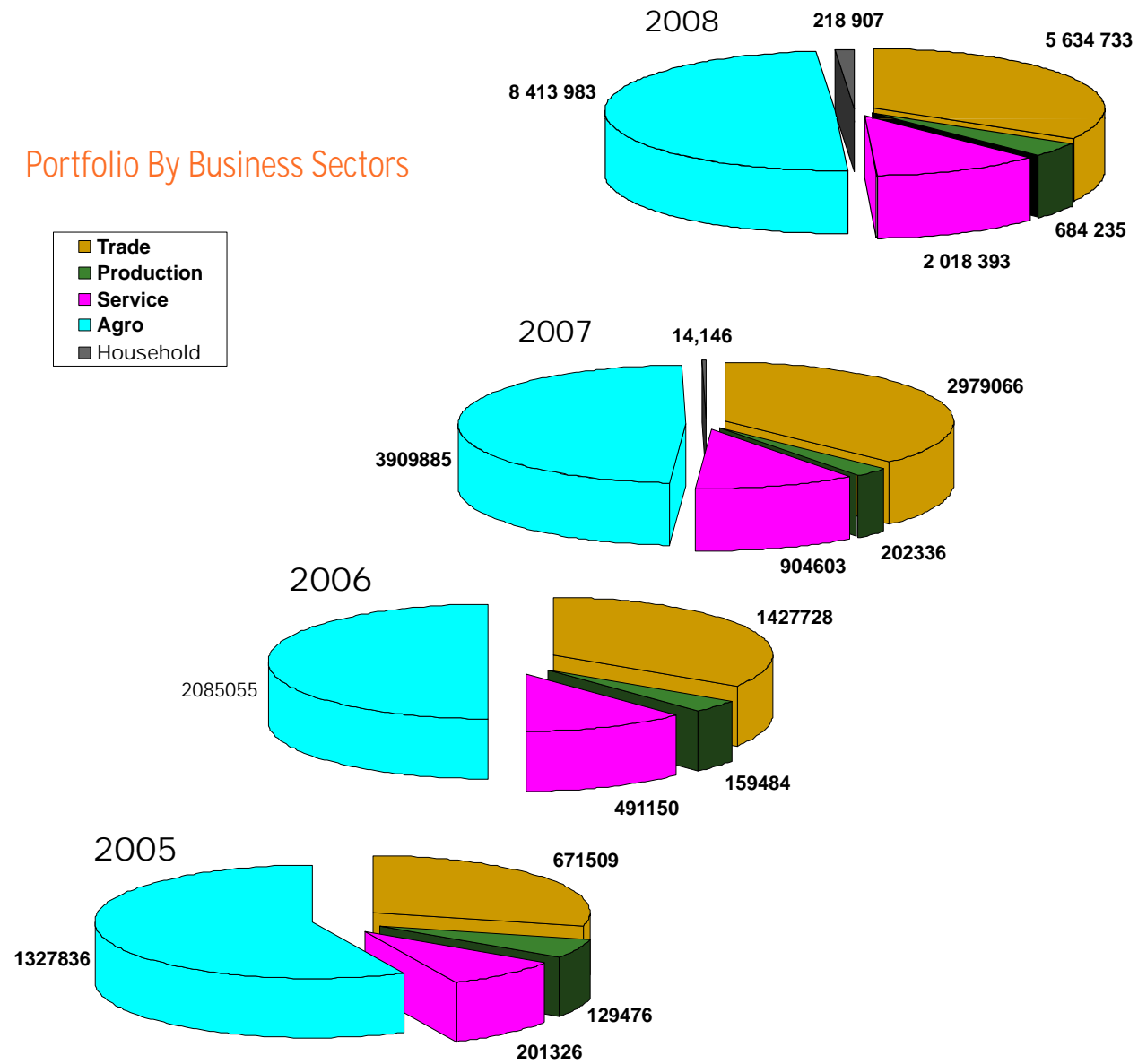
Our Performance



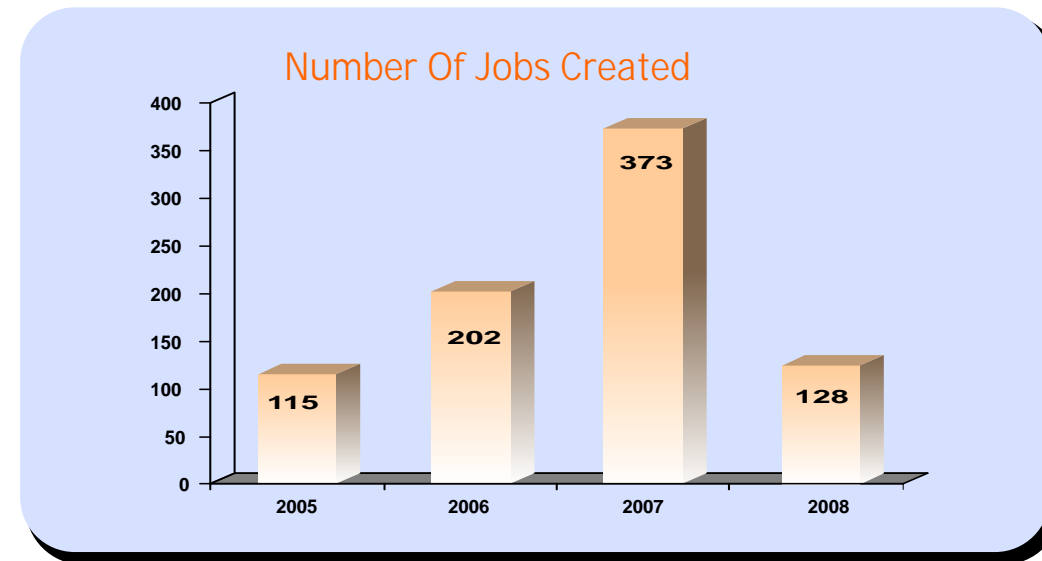
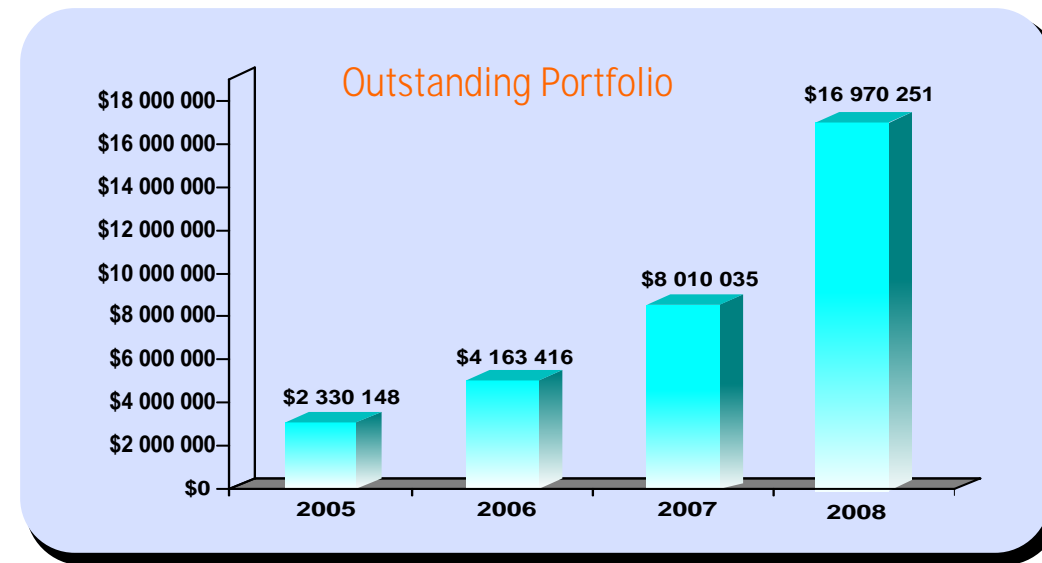
Our Performance

Portfolio By Business Sectors

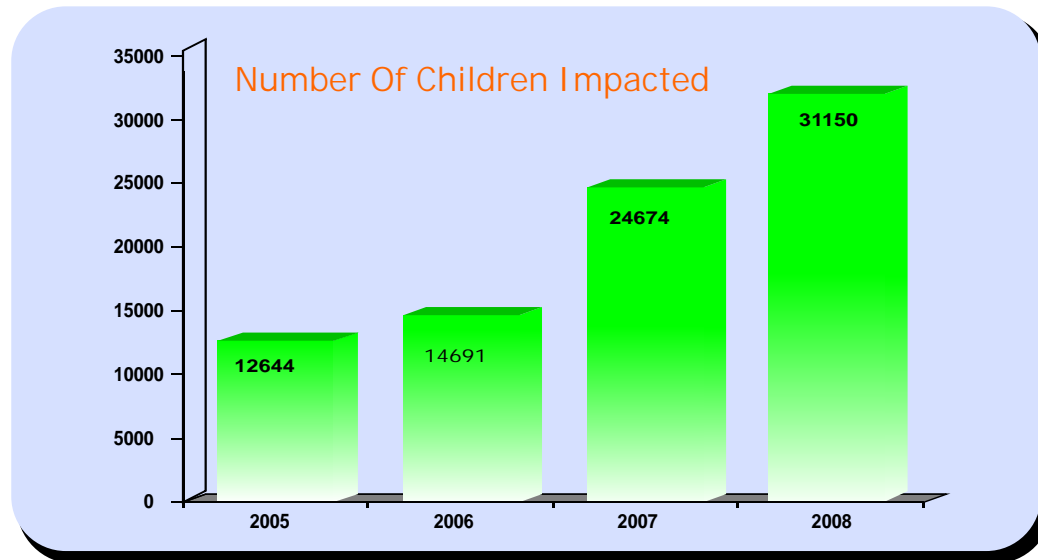
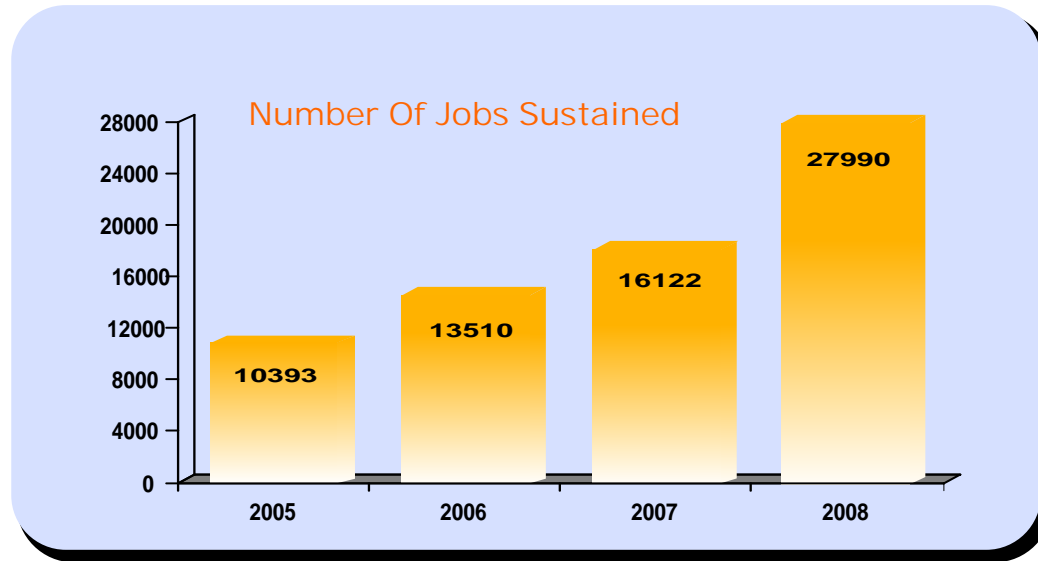
- Trade
- Production
- Service
- Agro
- Household



Our Performance



Our Performance



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

Shukurova Shahniyar

Shukurova Shahniyar was born in 1962 in Niyazgullar village of Jabrayil district in a peasant family. Her father was a farmer and mother a housewife. The family consisted of six persons. She quit her education after nine years and started to assist her father in farming. Together with her husband they created a family and she moved to Shikhaliagali village of Jabrayil district. As a result of armenian military aggression they were internally displaced from their motherland to Saatli district. Because of the unbearable living conditions they soon moved once again to a dormitory in the Lokbatan settlement of Qaradagh district. Shahniyar shared that when fleeing from the Armenians her children were very young. "It was insufferable to stand further with all these conditions together with the children. My husband and I started looking for a way out. We rented a small sales stall in Lokbatan. We were informed about Azercredit by trader Lala from a nearby stall. Then I visited Azercredit and was informed about loan terms and received the first loan. The loan was very useful and I would never forget the aid provided by this organization. It supported me in my most difficult times. Due to Your assistance I extended my counter, repaired my home, bought new home appliances and was able to

get my daughter married. Then I started trading shoes. My husband was dealing with fruit and vegetable sales. I continued getting loans from Azercredit and expanded my businesses. At the time being my business is flourishing. When I come to your office I remember about first days I applied for credit. 2004 was a turning point in my life; I initially took \$600. And now I applied for a \$2000 and I am going to enlarge my sales stall. I am expressing my deep gratitude to your organisation. God truly helped to change my life through your help."

Azercredit always tried to stick to its mission and will always do it by supporting and assisting poor.



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Our Clients

Hatamova Sugra

The Hatamovs family had been living happily in Qazaxklar village of Fizuli district until the Armenians occupied it. The family members had been farming, planting and grape-growing in a local kolkhoz. Armenians started to occupy the neighboring villages one by one and captured civilian population. Villagers were scared and started running away.

In October 1993 their village was seized by the invaders and they fled to neighboring Iran through Araz river. After a couple of days staying in Iran they came back to Imishli district of Azerbaijan. Being without helter and subsistence many days, they finally settled in a refugee camp at Qalaqayin village of Sabirabad district. They stayed here till 1999. Cold humid conditions in the tents made living situation here bad for the health of the family members. At that time Suqra's husband worked in a food warehouse of a humanitarian organization. When they heard that burned houses are being renovated in nineteen released villages of their native land, the family moved back.

Their house has been partly renewed and given to the family by International Rescue Committee. In 2002 Sugra applied to VF AzerCredit's privileged loan for female start-up businesses. She received 200 manats to invest in a sheep business, which she had done in the past, and bought 5 sheep.

In 2003 she took 300 manats for expanding her small business and bought one more sheep. For further development of the livestock business the amount taken every year has increased.

In 2005 she started planting potato in the land allotted by the government and harvested 3,5 tons of potatoes. Next year she had 6 tons from the same land.

She bought a TV set, a refrigerator, furniture and a carpet on money earned from sheep breeding, vegetable growing, poultry keeping and grain growing.

Now Suqra has five cows, two calves, ten sheep and about 200 chickens.

She has four children and has been able to get three of them married. And recently the family got a new car.

Suqra thanks VF AzerCredit very much and will take more loans for expanding and improving her businesses in future!



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Our Clients

Mammadova Gandab

“My name is Mammadova Gandab. In 1990 I got married and gave birth to a son who became the meaning of all my life as a little later I divorced with my husband and stayed alone.

I had to bring my son up. I did not have higher education and from the young years I was sewing. Thanks to the clients I had, I could somehow meet my financial needs.

In 2001 having heard that there was a non-banking credit organization in our town Imishli, which provided loans to small entrepreneurs, I decided to apply for a loan. That's how my business expanded. I started taking orders from clients and sew the clothes from the materials which were provided by clients. Then I decided that if I had some assortment of materials I would increase the number of my clients and somehow develop my business.

As I visited World Vision AzerCredit I was greeted by one of the credit offices of the organization, but he hesitated to give loan based on the opinion that my business was not stable. Then he took some time to consult with another loan officer, a female who knew me well from school times and knew that I was a dressmaker. Thus after discussing my case,

they decided to help and issued a loan of \$200. In 2001 it was such a big amount for me that it let me increase my business.

For now it is the eleventh time I have taken the loan from AzerCredit and the sum has increased to \$2000. Now I can offer ready-made dresses and electric appliances to my clients. Thanks to my diligence and to the support of Vision Fund AzerCredit I have a solid house built for our family now and can afford paying for a tutor for my son who is going to apply to the University. So, I heartily thank Vision Fund Azercredit for their help and support.”



Our Partners

Incofin



Incofin's cooperation with VF AzerCredit dates back to April 2007 when Incofin extended one of the first commercial loans to VF AzerCredit. Ever since then, the institution underwent an extraordinary development with highly dynamic growth rates. To contribute to the expansive strategy Incofin supported VF AzerCredit through several debt transactions, including a senior loan in local currency and a subordinated loan to strengthen the capital base of the fast-growing institution.

Incofin is very proud to be a partner of such a professional institution like VF AzerCredit. The particular focus of VF AzerCredit on rural areas of Azerbaijan and the strong commitment to its social mission are aspects that are highly valued and supported by Incofin. In this regard, we strongly appreciate the fact that Azercredit was one of the first microfinance institutions in Azerbaijan that underwent a diagnosis of its social performance.

We will be happy to continue this excellent relationship and to further intensify the cooperation between our institutions in future.

Peter Bereschka
Investment Manager

Blue Orchard Finance



“We have been working with Azercredit since 2006 and we appreciate the professionalism of its top management as well as its commitment to achieve a strong social impact in Azerbaijan. We believe that in these troubled times, it is important to have a sound microfinance institutions working in the regions to support the population and Azercredit has a role to play in this respect. We are looking forward to continue our mutually fruitful cooperation in the future and to see Azercredit develop.”

Best regards
Vincent Oswald

Awards



Year 2008 became a very successful year for VF AzerCredit, which is not only supported by portfolio growth and stable PAR indicators, but also by number of Awards presented to the organization.

VF AzerCredit received recognition certificate as acknowledgement for pioneering participation in Advancing Social Performance Management in Azerbaijan, which included undergoing the process of Social Audit.

Perfect results of VF AzerCredit also helped receive a VFI Green “Good Performance” Rating for the year 2008.

In September, 2008 VF AzerCredit was awarded “The Best Community Impact provider in Azerbaijan” award by Azerbaijan Microfinance Association, being recognized as the MFI with the best community impact on the market.

Last Annual Highlights

New sub-branches opened in 2008

VF AzerCredit opened four new sub-branches during 2008 in Garadagh, Saatli, Yevlakh and Beylagan regions, achieving expansion to new remote areas where our products are in demand. Increased number of staff members in VF AzerCredit, operational and financial results show that the MFI continues its growth notwithstanding financial crisis all over the world in the second half of 2008.

Social Performance Management

The organization is also investing in developing social performance management system as a part of strategic plan, as it looks to support the double bottom-line. Social Audit with assistance of Microfinance Center & AMFA was conducted at VF AzerCredit in autumn of 2008. The results of Social Audit revealed gaps in the area of Social Performance Management, which are targeted to be covered by VF AzerCredit in the next year. The main goal is to develop Customer and Staff grievances system, increase awareness of staff about social component of VF AzerCredit operations, which is its mission, Develop poverty measurement tool and social indicators incentive system for field staff.

The purpose of the poverty measurement tool will be to ascertain a more accurate level of poverty for each VF AzerCredit client and to identify VF AzerCredit poverty outreach in general. Clients will be tracked through the loan cycles in order to gauge the impact of micro-finance on their lives.