

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

**Sumqayit sub-branch**  
5th block, Azerbaijan street 16, Sumgayit city  
Tel.: (+994 18) 654 4372  
Fax: (+994 18) 654 4372  
Catel: (+994 12) 418 7819

**Qaradagh sub-branch**  
E.Quliyev str., Sahil settlement, Qaradakh district  
Tel.: (+994 12) 446 4045;  
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;  
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: (+994 166) 6 2394

**Agdash subbranch**  
H. Aliyev ave. 88  
Tel: (0193) 5-28-11;  
(0193) 5-36-28

**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;  
Fax: (+994 22) 52 1714  
Catel: (+994 12) 418 8461

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

**Qazax sub-branch**  
Baku str. 74/2  
Tel.: (+994 279) 5 2322

**Goy-gol sub-branch**  
H. Aliyev ave. 26, Goy-gol city  
Tel.: (+994 230) 5 4915  
(+994 50) 245 3245



It is easier with Us

HEAD OFFICE:

13, Kaverochkin St , Baku AZERBAIJAN  
Phone: (+994 12) 418 9417  
Fax: (+994 12) 440 1471

ANNUAL  
09 REPORT



Ljiljana Spasojevic  
CEO

Dear Reader,

It is my great pleasure to present to you AzerCredit results in year 2009. AzerCredit continued positive trend from previous years, securing stable growth in line with good portfolio quality. We are all proud that we have crossed number of 30,000 clients, reached \$20 million in portfolio, maintained portfolio growth of 19% and client growth of 52%, kept PAR over 30 days on level 0.4%. Also 2009 will be remembered as a year in which we increased number of employees up to 209, re-established Internal Audit and Human Resources Departments, implemented Poverty ScoreCard, received financial rating BBB and social rating BB (both done by Microfinanza).

We can not speak about 2009 not mentioning financial crisis. Azerbaijan's financial sector was not an exception from the

rest of the world. AzerCredit did take effective preventive measures ensuring stricter operational polices and procedures, and nevertheless managed keeping its performance unchanged in the last year. We strongly believe that our stable performance during crisis is affirmation of AzerCredit business philosophy; developing expertise for serving remote rural areas, not aggressive market expansion and staying close to the poorest entrepreneurial segment.

Looking into the future the main difference from previous period is a decision of setting an institutional development as a prior goal. AzerCredit's management recognized that as a priority, considering current organizational life phase. Strong and developed organization with professional staff is a precondition for quantitative and qualitative growth in long term perspective. The second turn in the next period is

highlighting vertical growth which assumes providing non-loan financial products, thus diversifying our portfolio.

Considering all stated above we are entering year 2010 with confidence that we will keep developing with even better results and we strongly believe that improvements in external environment such as final adoption of the Law on Nonbanking Credit Organisations, will support AzerCredit's growth plans.



## 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 microfinance now as VF AzerCredit has developed into a strong

## IN BRIEF

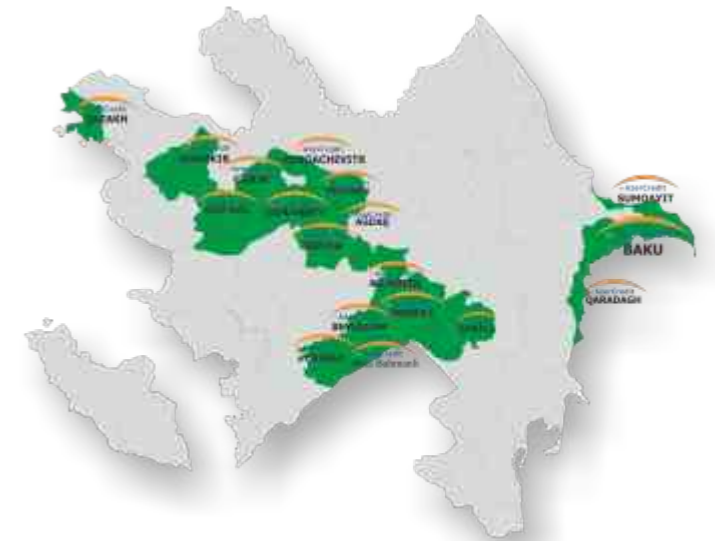
VF AzerCredit was established in 1996 as a program of a relief-and-development organization. In 2003 was successfully registered as an MFI founded by World Vision and started operating as a full-scale microfinance Institution developing into one of the leaders on the microfinance market of Azerbaijan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

Currently VF AzerCredit operates in Baku, Sumgait, Garadagh, Mingachevir, Yevlakh, Aghdash, Ganja, Qazakh, Shamkir, Goy-gol, Imishli, Agjabadi, Saatli, Horadiz, Bala-bahmanli, Beylagan, Goranboy and Terter. We serve more than 32000 active clients and have portfolio over USD 20 mln.

VF AzerCredit is establishing and running Social Performance Management System in order to ensure that the organization is sticking to its mission, social objectives and

goals. Thus in 2009 VF AzerCredit became the first MFI on the market to go through the Social Audit and was awarded a “BB” grade, which means adequate capacity to effectively translate its mission into practice and to promote social values.

VF AzerCredit’s main goal is to become a leader on 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 LJILJANA SPASOJEVIC

#### MEMBERS OF SUPERVISORY COUNCIL

##### [Mr. Gerlof de Korte, Regional Vision Fund International Director](#)

At the time being Mr. De Korte is also Chair of Board of Directors at SEF International, Chair of Board of Directors at KosInvest and Member Risk & Audit Committee at AgroInvest. Past work experience regards to: Member Board of Directors at Agro Invest; CEO at Vision Fund AzerCredit and CEO at VF Credo; Founder's Special Representative at SEF International UCO.

##### [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. 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.

##### [Ms. Laura Grant, President of WoollyKids](#)

Ms. Grant is the president and founder of Woollykids, 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.

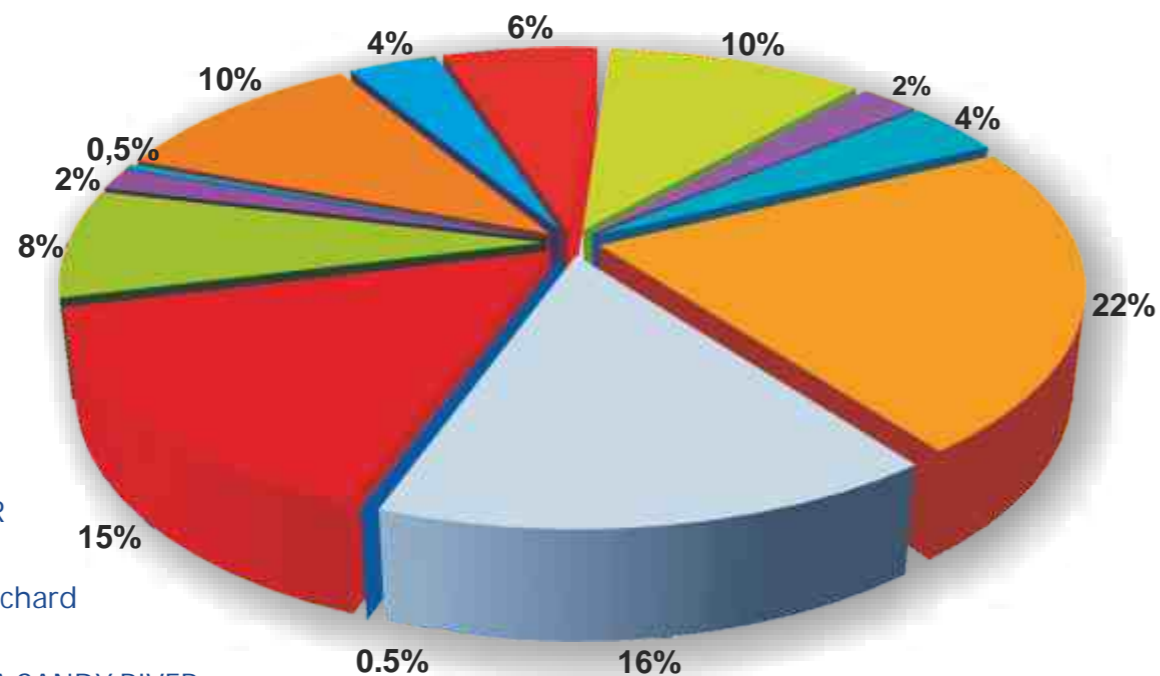
##### [Mr. Marinus Maaskant, Chairman and Member of the Board of a Community Foundation.](#)

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.

VF AzerCredit enjoys a very good reputation of a transparent organization and has a professional workforce which is the main asset of the VF AzerCredit.



## 2009 FUNDING SOURCES



- 0.5% UMCOR
- 15% IncoFin
- 8% Blue Orchard
- 2% WV PO
- 0.5% WV USA SANDY RIVER
- 10% DWM
- 4% Deutsche Bank
- 6% EBRD
- 10% Planet Finance
- 2% Oikocredit
- 4% Calvert CIF
- 22% Symbiotics
- 16% Vision Fund

## OUR PERFORMANCE

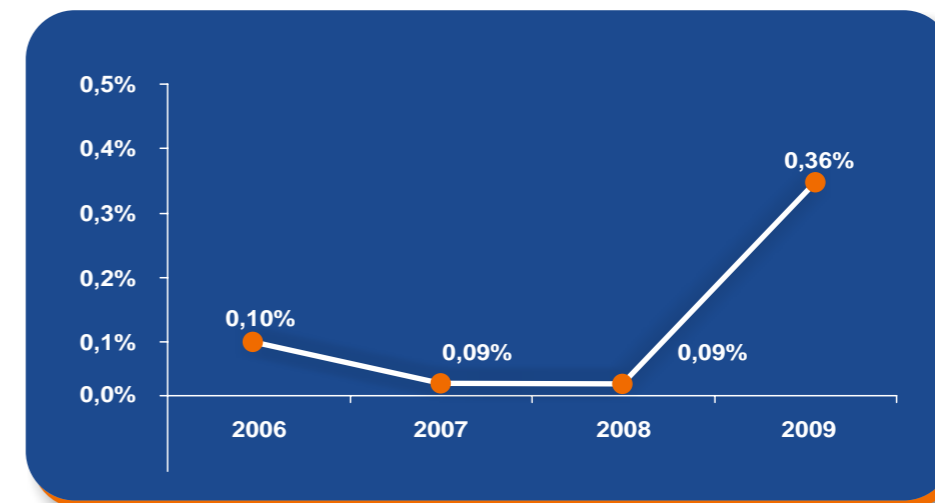
### Balance Sheet

USD`000	2006	2007	2008	2009
<b>Cash and bank accounts</b>	62	1,062	2,150	3,505
<b>Net loan portfolio</b>	4,194	8,062	16,914	20,562
<b>Net fixed assets</b>	57	169	335	446
<b>Other assets</b>	51	110	148	237
<b>Total assets</b>	4,364	9,404	19,548	24,749
<b>Borrowings (debt to financial institutions)</b>	2,488	6,833	16,019	19,589
<b>Other liabilities</b>	168	367	537	1,128
<b>Equity</b>	1,708	2,204	2,992	4,032
<b>Total Liabilities and equity</b>	4,364	9,404	19,548	24,749

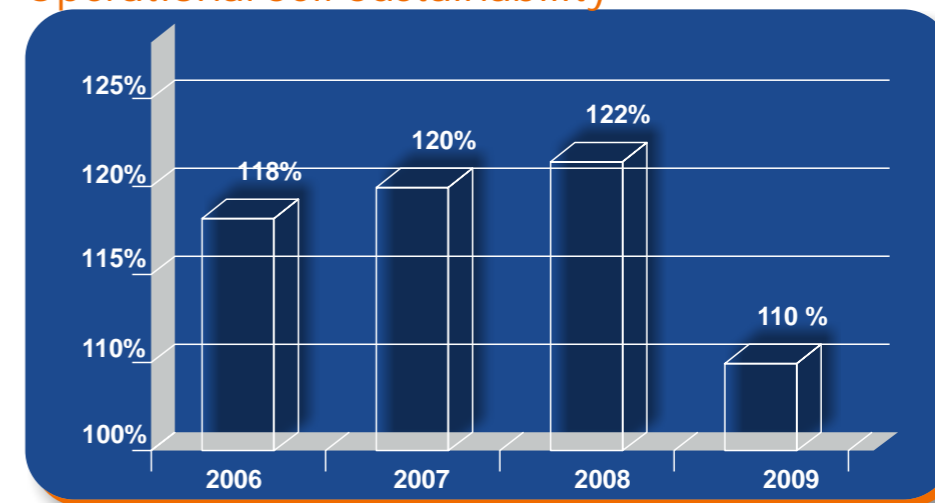
## Income Statement

USD`000	2006	2007	2008	2009
Interest, fee and other Operating Income	1,336	2,436	4,987	8,435
Interest expense on borrowings	-89	-370	-936	-1,771
LL provision and other financial expenses	-66	-16	-42	-52
<b>Net financial income</b>	<b>1,181</b>	<b>2,050</b>	<b>4,008</b>	<b>6,612</b>
Operating expense	-906	-1,525	-3,043	-5,266
Tax expense	-72	-118	-245	-314
<b>Income before grants and donations</b>	<b>204</b>	<b>407</b>	<b>720</b>	<b>1,033</b>
Grants and donations	7	17	51	14
<b>Net Income</b>	<b>211</b>	<b>423</b>	<b>771</b>	<b>1,047</b>
<b>OSS</b>	<b>118%</b>	<b>120%</b>	<b>117%</b>	<b>114%</b>
<b>FSS</b>	<b>96%</b>	<b>101%</b>	<b>105%</b>	<b>95%</b>
<b>Operating cost ratio</b>	<b>27%</b>	<b>24%</b>	<b>24%</b>	<b>28%</b>
<b>ROA</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>3%</b>
<b>ROE</b>	<b>13%</b>	<b>21%</b>	<b>32%</b>	<b>20%</b>

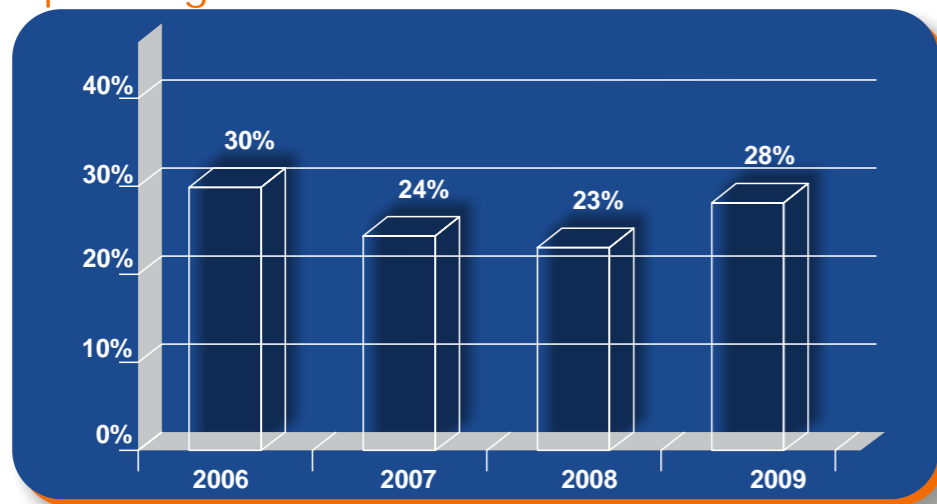
## Portfolio at Risk



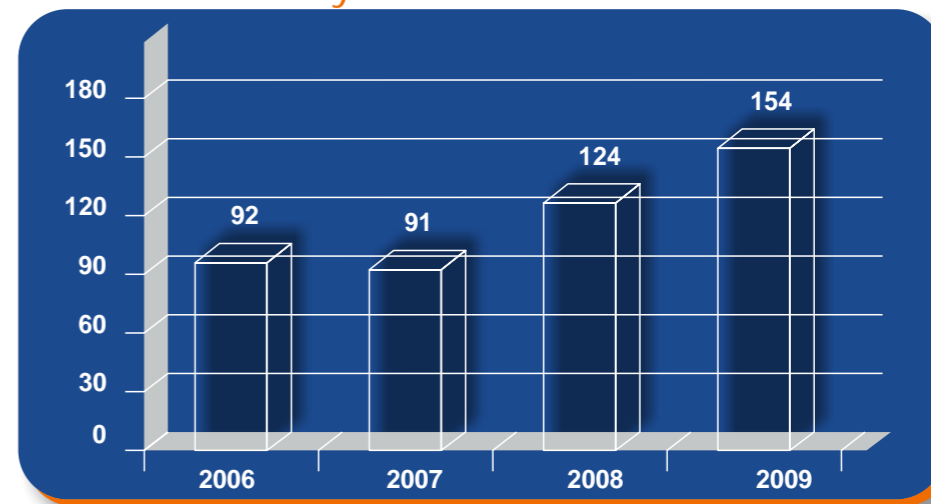
## Operational Self Sustainability



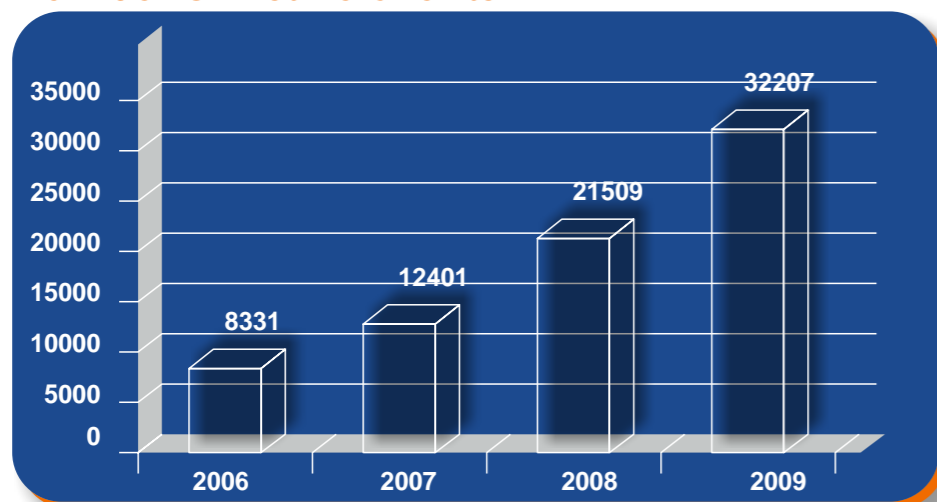
### Operating Cost Ratio



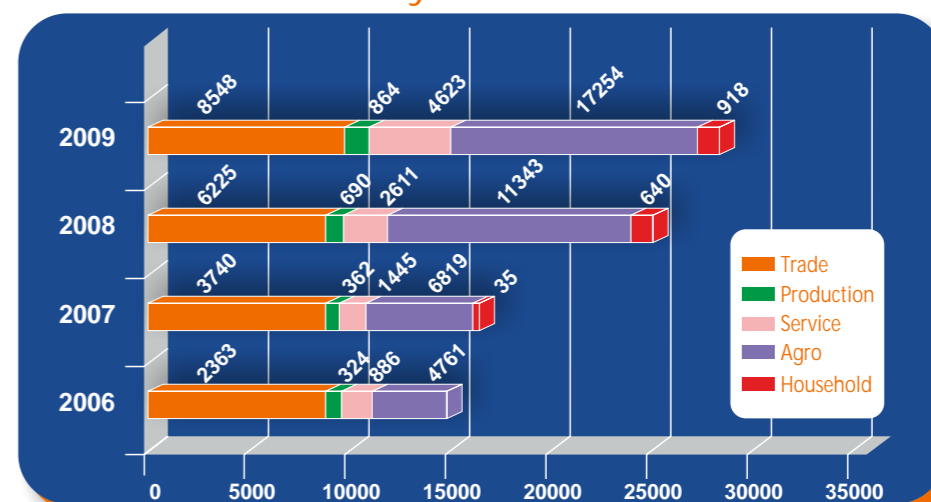
### Staff Productivity



### Number Of Active Clients



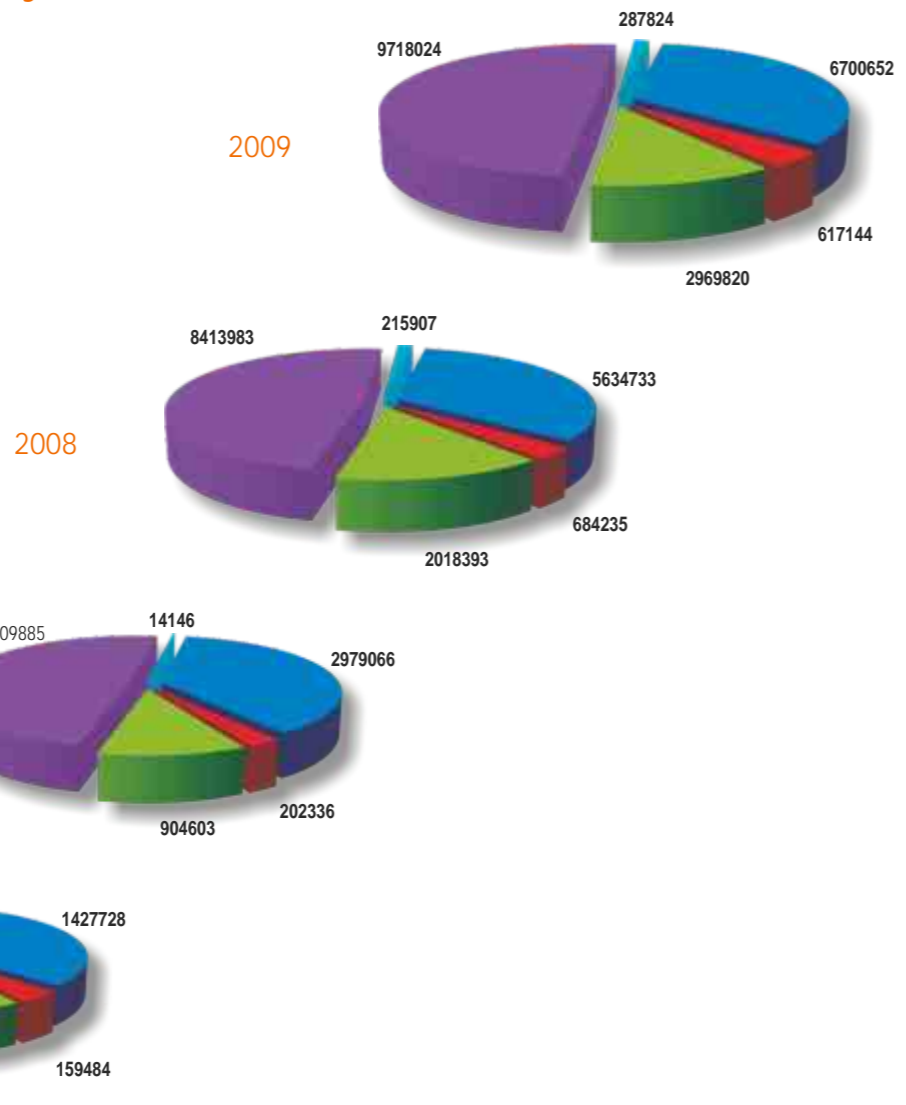
### Number Of Clients By Sectors



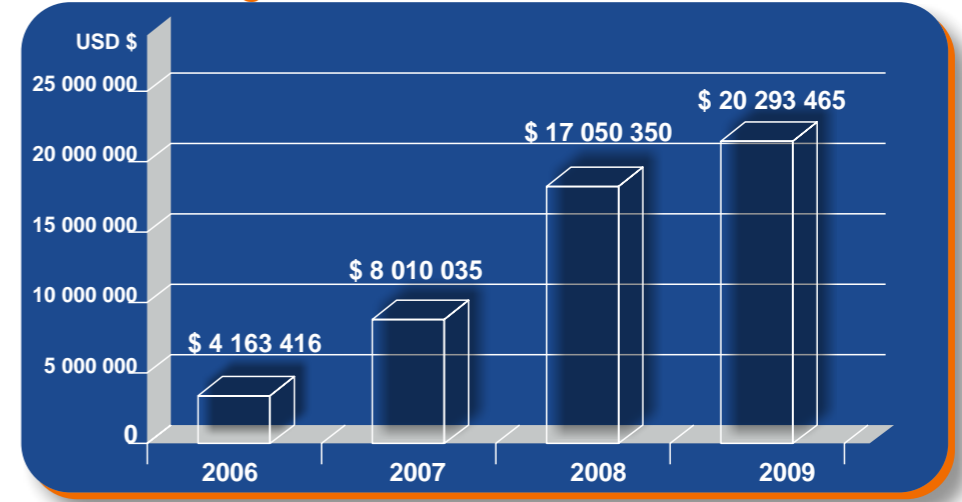


### Portfolio By Business Sectors

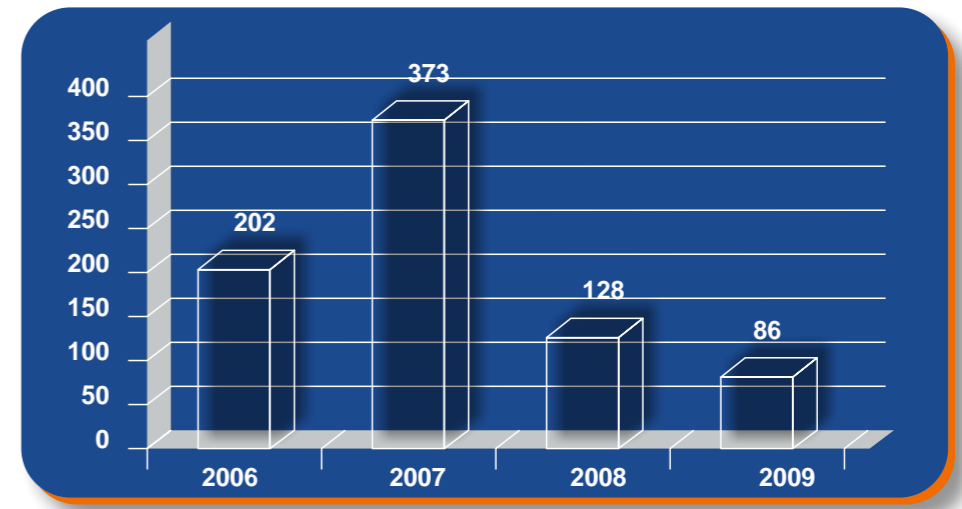
- Trade
- Production
- Service
- Agro
- Household



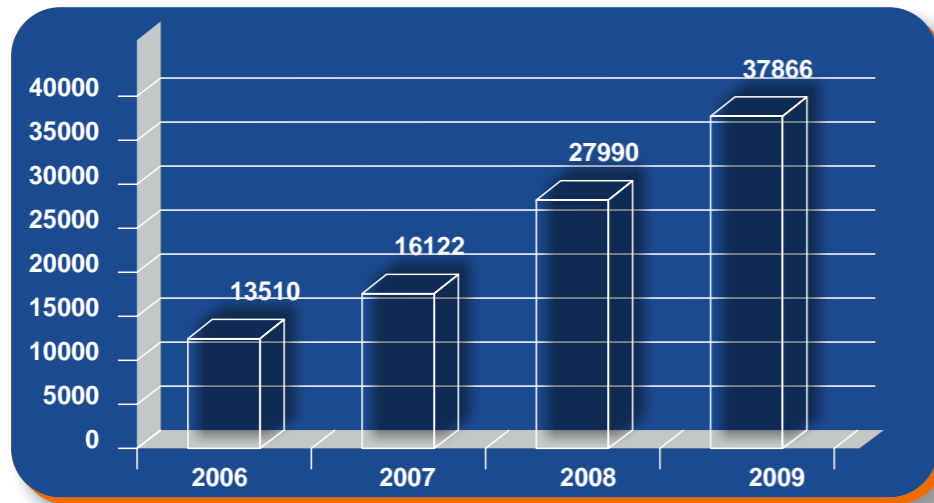
### Outstanding Portfolio



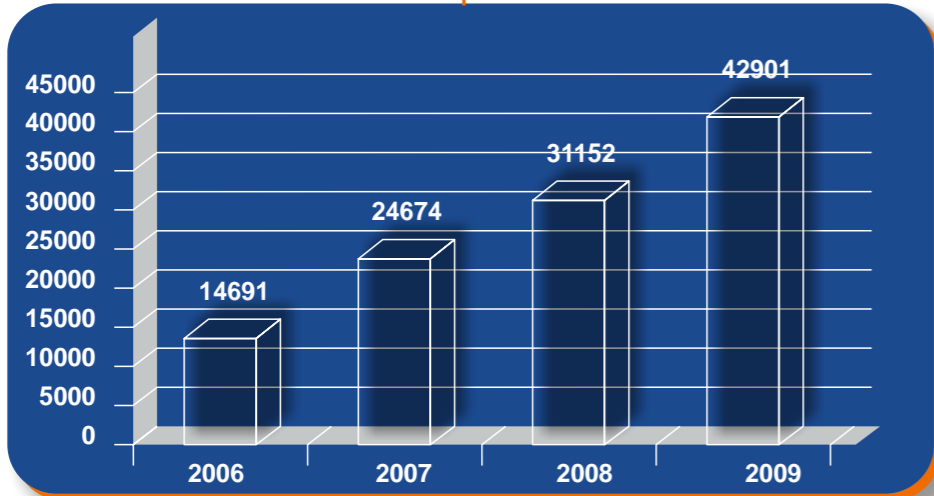
### Number Of Jobs Created



### Number Of Jobs Sustained



### Number Of Children Impacted



### 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

### Abishova Khatire

Khatire Abishova was born in 1965 in the Aghdam district. She graduated eight years secondary school. She is married and has two children. In 1993, as a result of the Armenian aggression, she moved from Aghdam to the Binagadi settlement of Baku and stayed in N2 dormitory as an internally displaced person (IDP). While talking to Khatire, we found out that as many other IDPs they left their home and all their home appliances back in their homeland Aghdam. "Just a couple of pillows, blankets and clothes of our children were taken when we were escaping".

She further continued: "Just

imagine that we left everything and took two babies with us and settled in a dormitory. That time my elder son was seven and the younger one was three years old, and we all were living in single room apartment.

Before finding out about AzerCredit in 2006 my husband and I had run small business, and we were receiving some subsistence from government. In 2006 one of my friends told me about VF AzerCredit which was providing financial assistance to the vulnerable families like us. Next day I visited the office of VF AzerCredit, was informed about loan conditions and terms and received my first loan after submitting requested papers".

She confirms that she remembers her first \$300 loan taken from us. For this



amount her husband brought vegetables from province and was selling them.

"We gradually developed our business, and could repay the first debt even in advance to apply for the higher, \$400 loan. Our business was prospering day after day, and my husband even started visiting the district 4-5 times per week for vegetables which I was then selling. Our business was expanding fast. Thus, in 2008, my husband bought new automobile VAZ-06 which helped us

delivering vegetable saving money for transportation. In 2009, I took permission from municipality and opened a small shop, which you can see on the photo. Having my own business I was able to grow my children. My younger son is working as a cameraman in one of the wedding restaurants and we managed to make wedding to our older son in 2009". Our family was growing, and one of our sons already lives in his own apartment and was able to launch his business with our assistance. I started with \$300 and continued up to \$2000 now. Our family appreciates AzerCredit for providing assistance in creating better life conditions through development of our business!"

### Mirzoyev` s family

Vidadi Mirzoyev's family used to live in Qachar village of the Fizuli district. The village was located deep in the mountains, surrounded with beautiful landscape. With his wife, Valya, they ran farm, keeping cows, sheep and poultry, growing vegetables and fruits.

Mountainous Qarabagh war turned all their normal flourishing life upside down. The village population, living under constant fire, was in a fear of death. Suffering from the aggressive Armenian armed forces, the villagers united into armed groups and were struggling, protecting themselves. After significant human losses, the villagers started leaving the native land gradually. In the summer of 1993 Vidadi moved with his family and settled down in the Ahmadbayli village of the Fizuli region. In

August 1993 all the Fizuli district was occupied and Vidadi had to move again with his family to the other nearest place of the Beylagan district, the Binnati village.

Later, Vidadi moved back to one of the liberated villages - the Qarabakh village of the Fizuli district, infrastructure of which was totally destroyed by war. Nevertheless, he managed to settle his family and started living there. Under very difficult conditions, the family started



growing wheat and breeding sheep. In 2003 he, along with his neighbors, applied to VF AzerCredit for a group loan and took his first 300 manat. He bought 15 sheep and started breeding them. Besides, he purchased a land plot and planted alfalfa and wheat. His business, which included cattle and sheep breeding and planting, started to expand rapidly again.

His latest loan was spent for buying more sheep. For the earned revenue his

family acquired furniture, refrigerator and TV. Expanded business and more returns from it also gave the chance to the family to cover children's educational expenses.

In 2008 the family was able to move to the new house, recently built by the Government for the IDPs in the Zobujuq settlement complex. Here, he again continued his agriculture activities. So, now, the family is an owner of 45 sheep, 1 cow, 1 calf and a land plot with vegetables. The family is going to provide assistance to their second son in the organization and realization of his wedding.

Vidadi's wife, Valya, says: "After the War, the hope of my family was totally lost. I was thinking about difficulties of growing my children, about the life

conditions, which made my husband seriously ill. After the loan, provided by VF AzerCedit, we gradually overcame all burdens. The home I live in, our livestock business and pastures, give us a hope to live more prosperous in future. For the profit I obtained from my enhanced business, I am going to buy an automobile. I thank VF AzerCredit for everything very much!”.

### Qurbanova Chimenhanim

Qurbanova Chimenhanim was born in 1951 in the family of laborers in Salyan city. In this city she graduated her secondary school.

In 1973 she graduated Baku Cooperation Technical School and got married. She gave birth to three children, one of whom was killed in Qarabakh war.

In 1976 her family moved from Shirvan to Mingachevir city where she lives nowadays. Since 2000 she started trading and selling perfumes. The experience of cooperation with VF AzerCredit started in August 2006 by taking \$600 loan amount.

After a while, in November 2006, she applied for a new loan and developed her business building and opened a small grocery store. Her next loan helped her become a small shop owner.

In August 2009 she received her



## OUR PARTNERS

Triple Jump



“We started our collaboration with Azercredit in February 2008. The past two years have been characterized by a strong increase in uncertainty both at the country level and within the microfinance sector. Under these circumstances, we feel that Azercredit has been particularly effective in dealing with a complex environment, while maintaining an impressive quality of operations.

The success of Azercredit’s operations is the result of a dedicated team of knowledgeable professionals both at the headquarters and in the field, supported by an international network that has encouraged and guaranteed Azercredit’s long-term commitment to poverty alleviation in rural areas of Azerbaijan.

For these reasons, we are honored to contribute to the development of Azercredit and look forward to expanding our cooperation in the future.”

Luca Paonessa  
Senior Investment Officer



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

## ACHIEVEMENTS OF HR DEPARTMENT IN 2009

In Vision Fund AzerCredit LLC it has been recognized that success depends upon careful attention to human resources. HR became one of two major resources of the company: capital and people. As a structural unit, HR Department has been established in AC starting from the recruitment of HR Manager in April, 2009 with the purpose of sound management and coordination of the Human Resources functions including manpower planning, recruitment & selection, orientation, placement, compensation package, performance appraisals, staff capacity building, career development system etc.

Although HR department is the youngest structural unit in AC, significant achievements have been attained by the department in 2009 as follows:

- Development of recruitment procedure;
- Revision of all kinds of HR documents;
- Developing statistical datasheet & report system for annual leave balances of the employees;
- Revision of Employee Personal Files;
- Development of electronic Personal Database;

## LAST ANNUAL HIGHLIGHTS

- Implementation of Attendance & Leave of Absence Policies;
- Development and implementation of standard HR forms such as Absence Request Form,
- Daily Permission Form, Employee Resignation Form, Employee Clearance Form, Candidate Evaluation Form, Applicant Rejection Form, Candidate Application Form, Employee Profile Form, Performance Appraisal Form, Training Requirement Form, Human Resource Requirement Form, etc.
- Development of document control functions of HR;

The HR Department will continue to develop, implement and embed strategies and policies to underpin the company's mission and strategy with a particular focus on:

- Leadership and management development;
- Taking leadership in strategic planning process;
- Development of new HR policies and Procedures;
- Improvement of employee compensation package;
- Development of performance management by objective appraisal system;

- Two new sub-branches opened in Goy-gol and Agdash districts
- Number of staff members increased to more than 200 employees
- Operational and financial results continued its growth
- Total number of active borrowers increased to over 32000 and the portfolio is over \$20 mln
- We developed and tested a poverty measurement tool, which is a very strong tool of poverty outreach and social impact measurement
- Social and financial rating was conducted by MicroFinanza
- Silver award received from CGAP, Ford Foundation and Michael & Susan Dell Foundation for reporting on Social Indicators to MIX
- Acknowledgment for pioneering participation in the project Advancing Social
- Performance Management in Azerbaijan by MFC (using MFC Quality Audit Tool)
- AzerCredit was recognized as a leader in transparent pricing in the Azerbaijani microfinance industry by MF Transparency

## NOTES

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---