



ANNUAL REPORT

2016

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Profile of Fondi BESA

With a 23-year experience, Fondi BESA continues to develop and make great efforts to achieve its goal of building a stronger financial institution: an institution that supports economic growth, serves the whole society and creates positive impacts for clients, the community where it operates, employees and shareholders.



Our Mission

The mission of Fondi BESA is to help economic growth and reduce the country's poverty by promoting the development of micro, small and medium-sized enterprises in Albania by supporting them with credit.

Fondi BESA provides easily accessible and high quality financial services with special focus on micro, small and medium size entrepreneurs as well as farmers. Aiming at becoming an institution of the first choice to provide our clients with cost effective products, excellent customer service, we give our contribution in supporting them to develop their business, create new jobs, increase income, improve living standards and education for their children and provide their families with better future.



Message from the Executive Director

Dear Shareholders, Clients and Partners,

The financial results of 2016 provide us with an excellent basis to continue successfully on the chosen path. The net profit of Fondi BESA for year 2016 was ALL 402,6 million, or 40% more than in year 2015.

Year 2016 was characterized by positive economic developments and improvements in some of the key macroeconomic balances. According to the Institute of Statistics (INSTAT), the Albanian economy grew by 3.5% in 2016, compared to the 2.6% growth rate recorded in 2015. Economic growth creates new challenges for small and medium entrepreneurs who are also the focus of our financial support, but, at the same time, it offers new opportunities to better serve them. Together with the institution, we aim to empower clients to stay a step forward in life and business.

Fondi BESA continued to be the first choice for 19,275 clients, who were financed during 2016, with a total value of ALL 6.1 billion or 10.6% more than last year.

During year 2016, the total loan portfolio growth was 10.7%. With an activity of 29,895 clients and a loan portfolio of ALL 7.0 billion during 2016, our goal was to attract new customers, resulting in 49.90% of all disbursements of the year, while maintaining and improving ongoing relationship with existing customers. The level of active clientele retention is 67%. These are indicative efforts to ensure continuity of activity and a steady growth in the coming years.

I would like to emphasize the fact that the portfolio quality continues to remain at low levels, 3.03% at the end of December 2016.

During 2016, we focused our efforts on three priorities: excellent customer service, improved financial results and better positioning in the market.

As a client-oriented, non-bank financial institution, it is our mission to give a significant contribution in supporting our clients. Our strategy to focus on customers' needs has prompted the institution to design financial products tailored to their demands. Relying on the principle of quality customer service, our aim in the future remains to become a strengthened factor in the Albanian microfinance market and a key institution for current and potential customers.

Having a clear vision for the future, Fondi BESA continues to respond to the country's economic and social development, such as increasing competition, changing consumer behavior, technological developments, etc. Fondi BESA is increasingly strengthening its position as an institution closer to the client, aiming to be successful and long-term in support of clients, employees and society as a whole. During 2016, we expanded our activity with a new Regional Branch and three satellite offices to increase the institution's effectiveness by expanding its presence in the target market.

With a staff of 464 employees, we aim to be a responsible employer that provides employees with good working conditions and opportunities for

growth. Therefore, we strive to create a cooperative, open, innovative and energetic culture that attracts and motivates employees. We provide training and opportunities for staff to be professionally developed. We see this as part of our responsibility as an employer. Compared with the previous year, in 2016 there was a staff increase of 53 employees or 11% compared to the previous year.

Our financial results form a strong basis for further improvement of our performance. This is the only way to achieve our goals. In continuity, at the basis of our work and efforts to accomplish the objectives and fulfill the mission, Fondi BESA will maintain the principles of transparency, integrity and correctness.

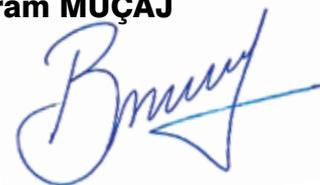
As the Executive Director of Fondi BESA, I would like to express my gratitude to the efforts, commitment and performance of the entire staff that have made possible the success even during 2017.

Together, we will make a stronger and successful institution - an institution that will create value for customers, staff, shareholders and the entire society.

Sincerely

Prof. Asoc. Dr. Bajram MUÇAJ

Executive Director



Institutional Development

Ongoing

Activity extension and consolidation

2009

Initiation of Fondi BESA sh.a activity, which inherited the portfolio and assets of BESA Foundation.

2008

Establishment of Fondi BESA as a joint stock company. Fondi BESA got the license from the Bank of Albania as a non-bank financial institution.

1999

Establishment of Besa Foundation as a non-government, non-political and not-for-profit organization.

1994

Initiation of the Urban Microcredit Project, in the framework of the Poverty alleviation Project of World Bank and Albanian Government.

Our Impact

MORE LOANS FOR BUSINESS WOMEN

Trying to maintain a balance between financial and social objectives, we tried to support the social integration of women in society through their financial empowerment. In 2016, we had 9,283 women-managed businesses.

MORE LOANS IN SUPPORT OF SMALL AND MEDIUM BUSINESS

In 2016, we disbursed 19,275 loans, of which 50% to clients for the first time.

BETTER CUSTOMER RETENTION

The success of Fondi BESA depends also on the level of customer satisfaction. In a market where competition is becoming increasingly strong, customer loyalty is of great importance. We all know it's easier to keep an existing customer than to win a new one. In 2016, the retention rate was 67%.

MORE OFFICES – BETTER CLIENTS OUTREACH

With the aim of being closer to its customers, Fondi BESA expanded its network with new offices. This proximity provides us with better understanding of the market, attracting in due time customer feedback, taking the necessary measures and effectively implementing them. That way we will always be one step ahead of the competition.

IMPROVEMENTS OF REGULATIONS AND MANUALS

During 2016, we put great efforts on improving the Credit Manual and a series of regulations, which ensure that the lending process is transparent and standardized.

FONDI BESA IN FIGURES

Total Assets

8,86 billion ALL

2015: 8.7 billion ALL

Total Equity

2,24 billion ALL

2015: 1.8 billion ALL

Return on Assets

4.59%

2015: 3.42%

Active Clients

29,895

2015: 30,028

Loan Portfolio

7.0 billion ALL

2015: 6.3 billion ALL

Return on Equity

19.77%

2015: 17.04%

Number of Loans
Disbursed in 2016

19,275

2015: 19,549

Volume Disbursed in 2016

6.1 billion ALL

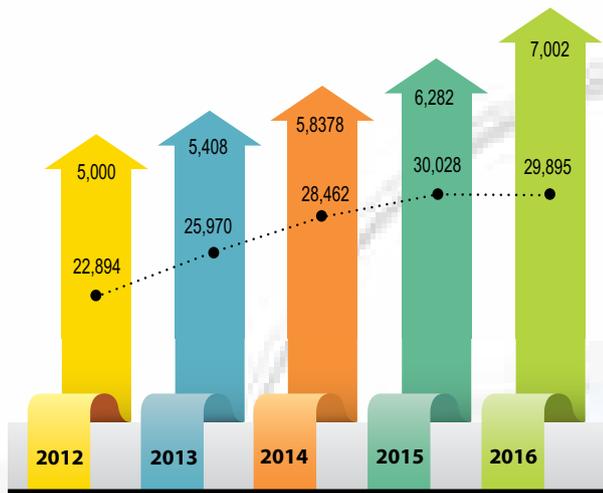
2015: 5.5 billion ALL

Cumulative Amount

55,2 billion ALL

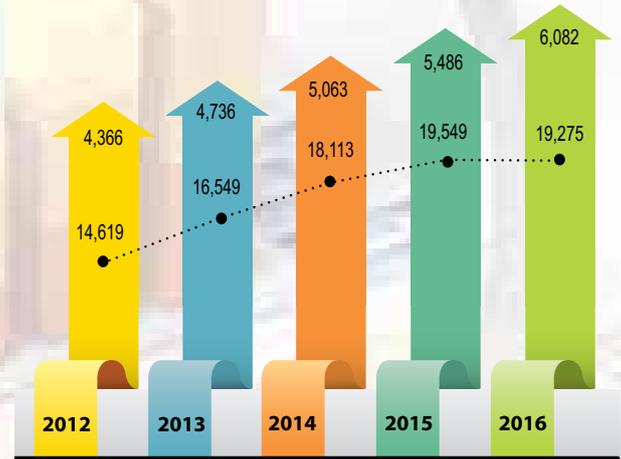
2015: 48.9 billion ALL

Achievements in Years 2016



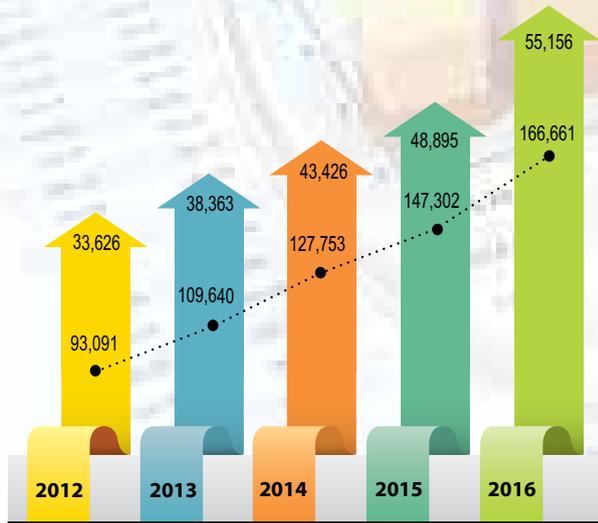
	2012	2013	2014	2015	2016
No. of Active Loans	22,894	25,970	28,462	30,028	29,895
Loan Portfolio	5,000	5,408	5,8378	6,282	7,002

('000,000 ALL)



	2012	2013	2014	2015	2016
No. of Loans Disbursed	14,619	16,549	18,113	19,549	19,275
Volume Disbursed	4,366	4,736	5,063	5,486	6,082

('000,000 ALL)



	2012	2013	2014	2015	2016
Cumulative No of Loans	93,091	109,640	127,753	147,302	166,661
Cumulative Amount	33,626	38,363	43,426	48,895	55,156

('000,000 ALL)

Exchange rate 31. 12. 2016 US\$/Lek: 128.17
EUR/Lek: 135.23

Exchange rate 31. 12. 2015 US\$/Lek: 125.79
EUR/Lek: 137.28

Management and Medium Term Objectives

The only way to achieve the target objectives is to effectively and efficiently manage the institution. The preparation of short and mid-term strategies, based on the knowledge, analysis and assessment of economic reality and the orientation of measures and managerial actions across the decision-making chain, are indispensable to predict development trends, expanding product range and predicting risk. The main mid-term objective remains the growth of lending activity by promoting the micro, small and medium-sized enterprise sector, by providing the target market with financial services tailored to their needs.

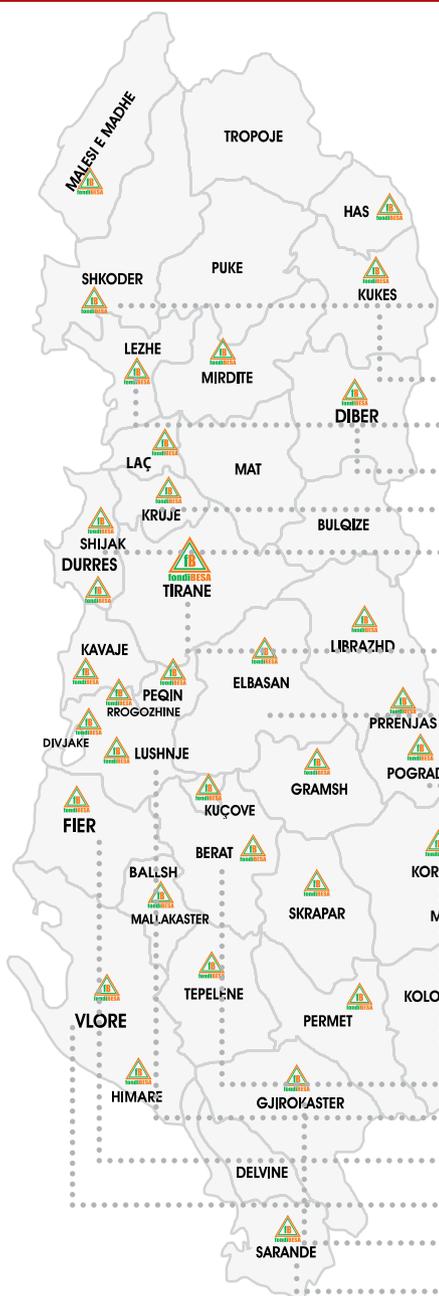
The disbursement of about 22.44 billion ALL and the loan portfolio growth at the level of 9.28 billion ALL by the end of 2019, will ensure the continuity of activity and will strengthen Fondi BESA market position.

The fulfillment of the objectives will be based on several key pillars:

- Increasing productivity and staff efficiency at all levels.
- Consolidating and expanding the lending activity by facilitating access to financial services for the target market.
- Maintaining a consistently high portfolio quality.
- Maintaining and improving the financial self-sustainability indicators.
- Increasing the range of loan products according to demand.
- Modernization of systems and procedures.
- Strengthening of internal control.
- Capacity building and staff motivation to enable them respond to the institution growth.

Our Network and Activity

Fondi BESA has a wide network of 74 offices located almost all over Albania, organized in 25 Regional Branches; 48 Satellite Office; 1 Cash-office



	No. of Active Loans	Loan Portfolio
Shkodër 1	956	207,885,628.57
Shkodër 2	803	169,711,326.32
Kukës	1,137	218,629,061.50
Lezhë	1,117	276,453,775.66
Peshkopi	710	137,490,960.76
Fushë-Krujë	1,303	255,523,202.37
Durrës 1	1,633	320,613,430.56
Durrës 2	1,368	305,483,358.57
Tirana 1	1,274	585,896,363.41
Tirana 2	1,095	282,173,995.90
Tirana 3	1,391	274,115,089.74
Tirana 4	975	306,414,278.18
Tirana 5	921	271,842,720.58
Tirana 6	1,103	357,185,351.26
Tirana 7	1,086	317,245,040.97
Elbasan 1	1,489	238,415,434.00
Elbasan 2	1,214	172,607,201.83
Pogradec	1,416	240,825,554.73
Korçë	1,711	222,351,625.67
Berat	1,660	376,606,649.65
Lushnje	935	146,009,167.47
Fier	1,681	302,725,112.64
Vlorë	1,350	237,833,446.35
Gjirokastrë	902	190,831,653.89
Sarandë	593	181,262,749.75

Balance Sheet

<i>Figures in ALL</i>	2016	2015	
ASSETS			
Cash and cash equivalents	421,067,576	385,544,401	
Term deposits with banks	989,625,111	1,809,242,832	
Loans to customers	6,754,917,859	6,049,367,064	
Property and equipment	181,378,355	80,689,165	
Investment property	282,430,982	251,916,430	
Investments	127,548,400	54,000,000	
Other assets	106,119,782	70,027,529	
Total assets	8,863,088,066	8,700,787,421	
LIABILITIES			
Loans and borrowings	4,494,450,145	4,733,376,950	
Subordinated loan	1,927,896,897	1,938,443,878	
Grants	54,063,597	44,892,072	
Income and other tax payable	29,481,933	17,658,011	
Other liabilities	119,090,832	130,975,099	
Total Liabilities	6,624,983,405	6,865,346,010	
EQUITY			
Share capital	1,768,661,001	1,494,838,000	
Legal reserve	66,780,411	52,368,299	
Retained earnings	402,663,249	288,235,112	
Total Equity	2,238,104,661	1,835,441,411	
Total liabilities and equity	8,863,088,066	8,700,787,421	
Exchange rate 31. 12. 2016	US\$/Lek: 128.17 EUR/Lek: 135.23	Exchange rate 31.12.2015	US\$/Lek: 125.79 EUR/Lek: 137.28

Income Statement

<i>Figures in ALL</i>	2016	2015	
Interest			
Interest income	1,653,011,552	1,590,470,666	
Interest expense	(322,855,490)	(336,092,200)	
Net interest margin	1,330,156,063	1,254,378,466	
Non-interest income			
Grant income	5,994,706	3,110,944	
Other income, net	147,973,238	95,409,491	
Total non-interest income	153,967,944	98,520,435	
Operating expenses			
Impairment losses on loans to customers	(87,167,656)	(156,370,604)	
Personnel expenses	(610,772,117)	(572,619,227)	
Other administrative expenses	(267,258,141)	(257,197,800)	
Depreciation and amortization	(39,153,162)	(25,148,139)	
Net loss from movements in foreign exchange rates	(813,208)	(524,670)	
Total operating expenses	(1,005,164,284)	(1,011,860,440)	
Profit before income tax	478,959,722	341,038,461	
Income tax expense	(76,296,473)	(52,803,349)	
Net profit for the year	402,663,249	288,235,112	
Other comprehensive income net of income tax	-	-	
Total comprehensive income for the year	402,663,249	288,235,112	
Exchange rate 31. 12. 2016	US\$/Lek: 128.17 EUR/Lek: 135.23	Exchange rate 31.12.2015	US\$/Lek: 125.79 EUR/Lek: 137.28

Cash Flow Statement

<i>Figures in ALL</i>	2016	2015
Cash flow from operating activities		
Profit	402,663,249	288,235,112
Adjustments for		
Depreciation and Amortization	39,153,162	25,148,139
Disposal of assets		186,584
Loss/(gain) from disposal of assets	-6,010,025	555,544
Impairment losses on loans to customers	87,167,656	156,370,604
Amortization of grants	-5,994,706	-3,110,944
Foreign exchange differences on revaluation of grants	813,208	-327,438
Loans written off directly	16,021,869	6,918,786
Interest income	-1,653,011,552	-1,590,470,666
Interest expense	322,855,490	336,092,200
Income tax expense	76,296,473	52,803,349
Changes in		
Loans to customers	-775,558,117	-571,291,012
Other assets	-36,092,253	-17,579,391
Other liabilities	-11,884,267	10,703,204
Interest received	1,672,987,742	1,593,327,530
Interest paid	-343,103,932	-391,618,365
Income tax paid	-64,472,551	-43,917,539
Net cash from operating activities	-278,168,554	-147,974,303
Exchange rate 31. 12. 2016	US\$/Lek: 128.17 EUR/Lek: 135.23	Exchange rate 31.12.2015 US\$/Lek: 125.79 EUR/Lek: 137.28

Cash Flow Statement

<i>Figures in ALL</i>	2016	2015
Cash flows from investing activities		
Acquisition of equipment	-144,501,798	-19,983,019
Acquisition of investment property	-68,320,877	-46,330,417
Increase in time deposits	782,619,886	-590,741,079
Acquisition of investments	-73,548,400	-39,000,000
Proceeds from sale of fixed assets	46,806,950	7,322,271
Cash flows used in investing activities	543,055,761	-688,732,244
Cash flows in financing activities		
Proceeds from borrowings and subordinated liabilities	-229,364,032	243,475,169
Income from grants	-	28,419,684
Cash flows from financing activities	-229,364,032	271,894,853
Net decrease/(increase) in cash and cash equivalents	35,523,175	-564,811,694
Cash and cash equivalents at the beginning of the year	385,544,401	950,356,095
Cash and cash equivalents at the end of the year	421,067,576	385,544,401
Exchange rate 31. 12. 2016	US\$/Lek: 128.17 EUR/Lek: 135.23	Exchange rate 31.12.2015 US\$/Lek: 125.79 EUR/Lek: 137.28



Human Resources

.....commitment, motivation, energy and passion of our employees enhance our success....

We consider human resources as an important asset and factor for the company that represent the fundamental force for the development of our institution.

In 2016, we continued to be committed in enhancing the expertise and professionalism of our human resources with an added focus on increasing representation of women at all levels - At the institution level 44.2% are women; At the central management level 44.4%; At branch management level 40.0%; Women loan officers 36.5%. Although we think that we have a good female representation level in the institution, we continue to

strengthen the gender aspect, enabling women to fulfill their career aspirations.

Total staff according to gender

	2014		2015		2016	
	F	M	F	M	F	M
% of total staff	25.0%	75.0%	30.3%	69.7%	44.2%	65.8%

We are confident that committed, dedicated, motivated and professional employees are critically important, because they are more likely to remain in the institution and recommend Fondi BESA.

By encouraging the career development, we hope not only to attract talented individuals, but to keep them as well as to provide opportunities for them to take over their careers - what remains one of our ambitions in Fondi BESA. We also aim to make our employees proud for contributing to the fulfillment of our mission and feel respected regardless of their position. We will continue to try our best in order “to ease the difficulties faced by our employees in performing their duties well” and to “provide them with all the tools and resources needed to achieve an excellent performance”.

Particular importance is given to supporting new employees who become part of our institution. For this reason, Fondi Besa has designed different programs for classroom and at work training. By the end of 2016, we have organized 17 group trainings.



351

Total Staff Trained



35

Employees promoted
to new positions



143

New Employees

We also strive to create a comprehensive institutional culture that welcomes, accepts, respects, and benefits from each other's differences and expertise.

Employee promotions are set based on job vacancies at higher level positions as well as skills and competences for a higher level of responsibility. The Human Resources Department ensures that the employee has the professionalism, skills and knowledge needed to meet the objectives and implement the institution's strategy.



Events 2016

June 2016

Fondi Besa was one of the main sponsors of the 19th MFC annual conference “Microfinance in the Cloud”, held in partnership with the Albanian Microfinance Association (AMA) that brought over 380 participants from 41 countries to Tirana. The over-arching conference theme considered the space that microfinance could potentially occupy if it fully embraces new technology, or the detachment it will suffer if it does not.



One of the outstanding events of the program was a signing ceremony between the European Investment Fund and Fondi Besa that signed the first Guarantee Agreement aimed at supporting micro-enterprises in Albania under the EU Programme for Employment and Social Innovation (EaSI).

November 2016:

The Black Sea Trade and Development Bank provided a EUR 5 million micro-SME Facility to Fondi Besa sh.a. The proceeds of the three-year loan will finance investment and working capital needs of micro and small - and medium - sized enterprises in Albania, with a focus on rural areas, where access to micro-SME financing is constrained.



December 2016

Fondi BESA sh.a, within its framework of consolidating the lending activity and economic-financial performance, signed an agreement for the acquisition of VisionFund Albania shares, the local unit of VisionFund International, which is part of international non-profit organization World Vision. Through this strategy, Fondi BESA sh.a. aims to better respond to the micro and small entrepreneurs needs in rural and semi-urban areas, mainly of that part of population which is vulnerable and in need of developing or starting a business.

December 2016

Under the agreement signed with EBRD, Fondi BESA will receive a loan of up to 5 million Euro for on-lending to eligible farmers and agribusinesses in Albania. The loan is complemented by a risk-mitigation scheme and technical cooperation assistance for capacity-building.



Besa Agro Project – 2014-2017

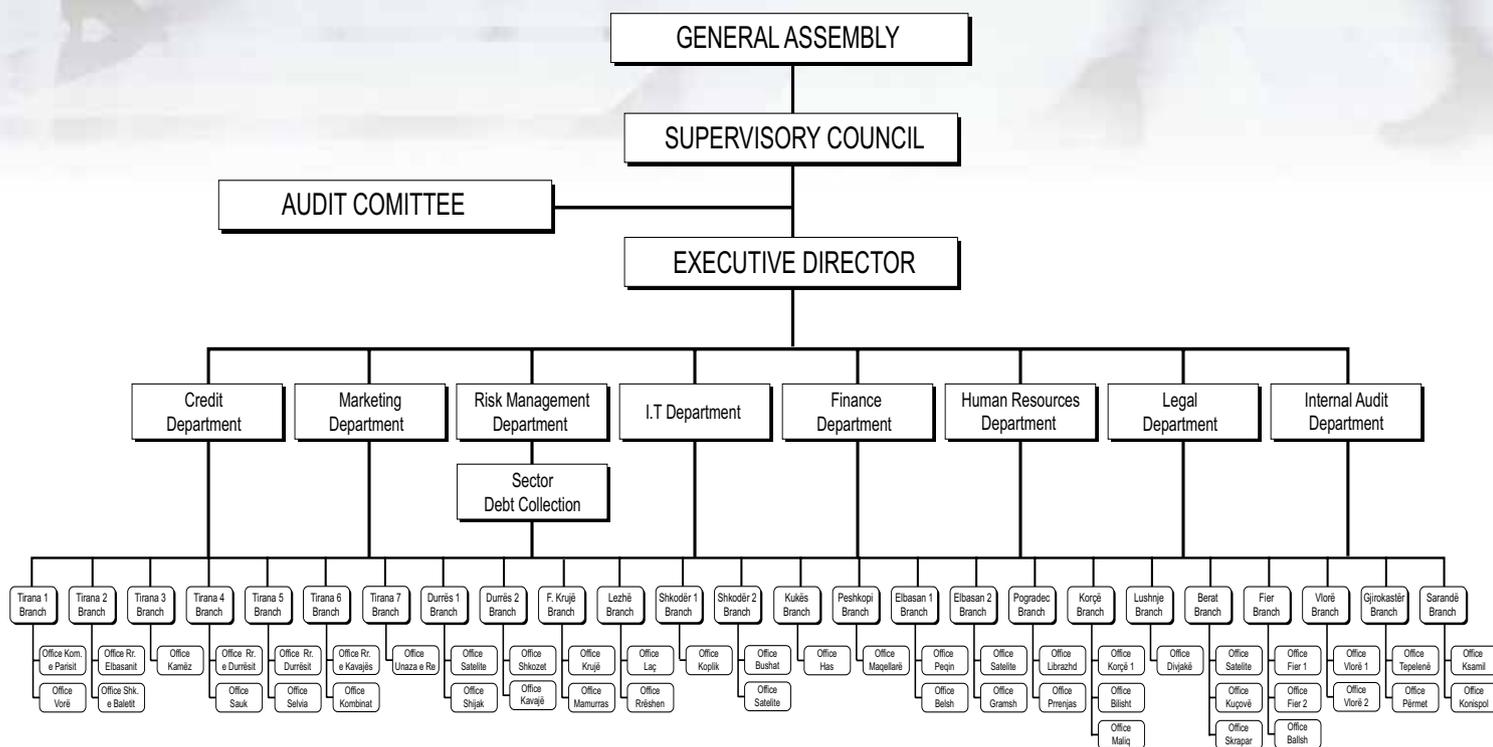
During this year we continued the implementation of the project “Bread, Salt and Warm Heart (Albanian Expression) – Food, Tradition and Culture: Co-development Processes of Marginalized Rural Areas of the Northern and Southern Albania, in cooperation with VIS Albania and CESVI, financed by the Italian Cooperation. The goal of the project is the socio-economic growth in order to improve the quality of life of the population in the rural areas of Shkodra, Malësia e Madhe and rural areas of Përmet. As of December 31st, 2016 there are financed 534 agriculture activities to the amount of 151,680,000 ALL.



2016

During 2016, Fondi BESA participated in various fairs, including the career fairs organized by the European University of Tirana and the Agricultural University. Fondi Besa offers practice possibility for the students and supports them to gain knowledge on how different departments function.

Organizational Chart





NATASHA TOPALLI



Success Story

Just finished the high school and started a hairdresser course. After the course Natasha started to work in a very good hairdressing salon in the center of Tirana.

It was a good 7 years' experience that helped me learn a lot – she says.

When Natasha hit on the idea of having her own hairdressing salon, she could hardly afford to purchase the equipment she needed. Though she could borrow money from her family, she decided to get a loan.

It was like telling myself and my family that I was able to manage the business myself. It was not easy to decide about the location of the business. Tirana is full of hairdressing salons and, though I had quite a good experience, I thought it would be difficult especially at the beginning. I needed to make a market research, which led me to some suburb areas of Tirana. In fact, it is a newly urbanized area and I could benefit from being one

of the first really professional salons.

I had only 900 Euro that I had saved. That couldn't help furnish the salon. I needed the first loan to buy some salon chairs. I started my tiny business, which luckily went on well. I worked really hard and soon I employed one full time girl. During the summer, which is the wedding season in Albania I also hire 3 or 4 girls to help me with my job.

Though Natasha was successful with her business, she was not done yet. Soon she understood that many brides to be were looking for their wedding dresses and started to make plans to extend her business by offering wedding dresses.

This was the time when I needed a second loan. I contacted Fondi Besa again, which I praise for its wonderful support and contribution in my life. I owe it a part of my success. I received the loan in due time and now my salon looks completed.

Success Story

“Not lucky” he thought of himself when returning from emigration. Hard to find a job without a work permission and even harder to accept that his dream of living in Switzerland could not be realized.

I didn't fear work, he said. I used to work since I was very young, when I started as waiter in a coffee bar, then a bartender, but never dreamed of having my own activity. I needed a way to support myself and my parents who were unemployed. The idea of opening a small grilled meat restaurant flashed into my mind, when I saw that they were overwhelmingly busy.

He tried to establish contacts with the owner of Zgara Korçare – a network of grilled meat restaurants all over Albania, to become partners.

They agreed and this was my first success. It was a dream that started to get realized with a few Swiss francs I had saved from emigration. But still I needed a loan to make the restaurant ready for work.



GENTJAN LLUKA

That's when I heard about Fondi Besa sh.a giving small loans. I received the first loan and just started. It was not very easy because there are a few similar restaurants around. I understood that my restaurant had to make a difference in order to survive the competition. This is the reason why we have a big variety of dishes, Albanian Korça beer, quick kitchen and excellent client service. Very soon it became the most popular restaurant in the area. But life is not always easy. When everything was going fine, and I had almost repaid the loan, a considerable part of the restaurant was on fire. For a moment I thought I am lost. I had two choices - either to stop, sell what had remained and pay back the rest of the loan, or get another loan and continue. I discussed the situation with the credit officer who was monitoring my activity closely. She saw my plan how to come over this difficult situation and decided to give me a second loan. It was money in the right time that not only helped me financially, but also made me believe that I can. Since then, I have received 4 other loans, thanks to which, now, after 4 years, I have another restaurant and have employed several young people.

Partners





Ecim së bashku...

www.fondibesa.com

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