



2019

ANNUAL REPORT

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You may find the Annual Report 2019 in our website: www.fondibesa.com

For further information: Fondi BESA, Rruga "Dritan Hoxha", Laprakë, Tiranë, Phone: +355 42253841/2 Fax: +355 42253836

Email: mfi@besa.org.al Website: www.fondibesa.com

In service of clients and their partner to development

After about 26 years of successful activity facing challenges that have led Fondi BESA ahead, today we are the largest micro financial institution in the country. Since the start of the activity until now, we have systematically been alongside our clients by supporting them with business development loans, we have expanded our activity and launched products and services that meet the needs of individuals and businesses for financing.

Better products and service for our clients on their way towards development – this is the motto that leads Fondi BESA Sh. A.

Relation of trust with clients – our asset!

Every day since 1994, we have been dedicated to building relationships of mutual trust with customers and we have achieved exceptional results. The success of our business is measured by the number of clients who return to receive loans from us, an indicator that results in the level of 79%.

Fondi BESA places the client at the focus of its activity and this is expressed in all products that we offer, which are carefully designed, tailored to meet the demands of our target market as well as in the expansion of the branch network to be as close as possible to clients and their needs.

Fondi BESA tries to understand the clients, analyze various market segments to comprehend what they need, so that to adapt various aspects of its offer with the market requirement (duration, type of loan product, repayment frequency, price etc.)

We work to expand activity by increasing the number of customers, increasing the number of offices and increasing our personnel. Fondi BESA strives to pursue customers' development through expanding the range of products and services by offering them optimal financial solutions.

Every year, Fondi BESA supports thousands of clients and small and medium-sized businesses that play an increasingly important role in the process of economic development of the country.

We strive to have our products and services be easily understood and accessible for clients. We believe that the best way to do business is to listen and understand what our market seeks to achieve and what it requires from us. Recognizing their requirements, we manage to build our strategies. We have tried to accelerate work processes,

optimize documentation that the loan applicant must bring, designed new products and improved existing ones and this has been and will be an ongoing process.

We strongly believe that building business upon what the market requires is the best way to further development.

When we have a look at future developments, we believe that this is a good starting point – start with the client's request and continue work on meeting this requirement.



Our strategy

Our vision is to be a microfinance institution that offers the best products and service to customers in Albania. We shall certainly achieve this by supporting existing and potential customers with innovative products and services in order to be their favourable choice in the market, but also to ensure long-term continuous and sustainable growth and development.

Message of the Executive Director

Year 2019 marks a successful but also a difficult year for Fondi BESA, with challenges we had to face during the activity progress. At the end of this year, I am delighted to share with you our success in achieving the objectives, stability and sustainability of Fondi BESA, contribution to business support, improvement of the economic level of customers in particular and the impact our activity has had on the economic development as a whole.

Our success is attributed to the management team, supported by all employees and by the Supervisory Council and actually, Fondi BESA is already in a much stronger position to cope future challenges. I would like to start by thanking all those who have contributed to this success with their hard work, dedication, high professionalism, believing in a safer future. The ambitions and goals we aim for, will allow us build a stronger, better and more valuable institution for our clients, employees and shareholders. We shall continue to remain loyal to our key principle to support our customers in the



development of activities they need for financing in order to give life to their ideas and aspirations. Fondi BESA stands always close to progress, encourages it and every year does its utmost to be innovative.

Fondi BESA is one of the most important micro financial institutions in the country. Its 26-year history has shown that our institution is a success story and has an important potential for further development in accomplishment of its mission.

During 2019, Fondi BESA made evident progress in the accomplishment of its strategic objectives with respect to increase of activity, increase of capital, risk management and strengthening of market

positioning as a reliable and professional partner for clients and generation of profits for shareholders in a long-term period. This witnesses once again that we have built very solid foundations as the basis for a safer growth in the future.

2019 was a very important year for Fondi BESA, which operated in an economic background that was negatively affected by November earthquake that caused significant damage and economic losses, which led to economic growth in the level of 2.2%, a decline against the level of 4.1% marked in the previous year and economic losses estimated at 7.5% of GDP.

At the end of 2019, Fondi BESA results with 82 offices, providing wide and sustainable coverage, whereas the number of employees has increased reaching at 576, compared to 549 in 2018.

More than 32,000 active clients, over 18,800 loans delivered during 2019 and significant increase of loan portfolio by 16%, amounting to 13.2 billion ALL, are clear indicators of the efforts to service an increasingly large number of clients, fulfilling the needs of our market segment for financing.

With nearly 227,000 loans delivered in total amounting to 680 million Euro, Fondi BESA ranks among the institutions that has contributed in the development of micro, small and medium-sized businesses, creation of new jobs as well as improvement of clients' economic level, which also bring about a better educational and health level of

thousands of families both in urban and rural areas of the country.

The total assets of Fondi BESA at the end of 2019, resulted to be 18.3 billion ALL, increasing by 4.8 billion ALL or 35.5% compared to 2018.

The total equity results to be 3,3 billion ALL, with an increase of 258 million ALL or 8.6% compared to 2018.

The loan portfolio was increased to 13.2 billion ALL, an increase of 15.6% or a volume increase of 1.8 billion ALL compared to 2018.

Regarding the profitability indexes as of the end of 2019, Fondi BESA Return on Assets is 2.6%, whereas Return on Capital 13.25%.

The Capital Adequacy Ratio at the end of the year is 17.79%.

During 2019, Fondi BESA continues to remain 100% owner of the shares of micro financial institution "Social and Agro Fund".

The good financial progress will enable Fondi BESA increase its activity by increasing the number of clients, expanding the area of intervention, increasing the range of products, efficiency of processes, optimization of the use of funds, positioning itself better in the face of challenges and reduction or risk level.

In 2019, a particular development was also the purchase and transfer of the headquarters to the

new modern facility with high quality offices that accommodate over 150 employees, enabling us to operate in compliance with our values and objectives as favourable employers in Albania and leader in the microfinance market.

Fondi BESA has established a strategy that is based in the development of activity upon the strongest points of our business model. We aim to achieve our objectives being efficient, minimizing risk, being well-capitalized and transparent. The strategy of Fondi BESA is to become a stronger and safer institution that is well-positioned to support the target market by offering qualitative products and services. We aim to focus our resources on those market segments and sectors where there is demand. Markets change over time and likewise the behaviour and preferences of clients change. That is why Fondi BESA will be constantly evolving to suit to market demand. The development of new products and improvement of existing products is essential to support accomplishment of our objectives.

Our strategy to support the sector of micro, small and medium-sized business will aim an increase of 6.34% of active clientele and 7.64% of portfolio.

One of our top priorities for next year will continue to be the enhancement of clients' satisfaction, given that our purpose is to offer products and services tailored to their needs, transparent, responsible, cost-effective, which exceed our customers' expectations.

When we plan the future, we are guided by the principle of being an institution that unifies best values of a committed and devoted workforce that promotes high level of performance. We shall also continue to enhance staff capacity by through an advanced training program for existing employees and those that will be employed in the future.

During 2019 there were organized 80 training sessions in 94 days and there have been trained 1,104 employees, which means that an employee has received more than one training.

We believe that 2020 will continue to be a successful year, during which Fondi BESA will build its work on the progress achieved this year, aware of difficulties and unavoidable effects of earthquake and COVID 19 pandemic consequences in the economy of the country and in our work.

Our priorities are clear and well-defined. Our strength lies on the most precious asset that is our staff, but also in our partners who have financially supported us to face the challenges.

Sincerely

Prof. Asoc. Dr. Bajram MUÇAJ

Executive Director



Macroeconomic environment and key developments in Albanian Financial System

- During 2019, the Albanian economy resulted with an increase at the level of 2.2%, down from 4.1% in the previous year.
- The shocks from November earthquake reduced the growth pace, they did not affect the medium-term trends of the country's development and have not impacted the main indicators of its economic and financial stability. This progress was reflected in the reduction of unemployment rate that fell to the historical minimum level of 11.2%, in the increase of employment and salaries as well as reduction of foreign and public debt.
- In 2019, annual inflation averaged 1.4%, down from 2.0% in 2018.
- The Bank of Albania maintained the basic interest rate unchanged at the level of 1.0%, oriented the market towards preservation of facilitating direction of monetary policy in the medium-term horizon as well as supplied banks with entire necessary liquidity.
- The number of banks was reduced to 12 from 14 banks operating at the end of 2018, due to absorption of one bank and the self-liquidation of another bank.
- The most important surveillance index, that of capital adequacy ratio results at the level of 18.3%, with a decline of 0.38 percentage points compared to 2018.
- The non-performing loan ratio marked a decrease of 2.72 percentage points in annual terms, amounting to 8.4% at the end of 2019. The non-performing loans amounted to 48.18 billion ALL, decreasing by 16.18 billion ALL or 25.1% compared to the previous year.
- Meanwhile, the loan portfolio results with a decline by 4.94 billion ALL or 0.85%.
- The profitability indexes, respectively return on average assets (RoAA) and return on average equity (RoAE) appear to be increasing compared to 2018. The values as of the end of 2019 appear to be 1.39% for RoAA and 13.45% for RoAE, whereas at the end of 2018 these indexes were respectively 1.32% and 12.96%.
- In December 2019, the ratio of liquid assets to short-term liabilities for the banking system resulted to be 49.40%, with an increase of 3.19 percentage points compared to 2018;
- The total value of system deposits amounts to 1.193 billion ALL, with an annual increase of 1.1%,

compared to 2018. The significance of native currency in the total of deposits was increased to 48.51%, from 46.87% in December 2018;

- The financial result in 2019 was positive, with a value of about 19.89 billion ALL or 1.5 billion ALL higher than 2018.
- The share capital of the banking system amounted to 154.23 billion ALL, with an increase of about 6.77 billion ALL, or 4.6% compared to the previous year.
- The capital structure continues to be prevailed by foreign capital, which represents about 77.16% of paid-up capital of the banking system, with a decline of about 6.29 percentage points versus the end of 2018.
- During 2019, the assets of the banking system marked an increase of about 22.1 billion ALL or

1.52%, against a decline by 8.12 billion ALL or 0.56% of the previous year.

- The significance of the banking system in economy expressed through the ratio of the total assets against GDP continues to remain in high levels, despite that this year the index has been reduced by 1.43 percentage points, amounting to 87.92%.
- The ratio of loans to Gross Domestic Product has sustained a decline as the result of the GDP growth versus the decline of loan portfolio.
- The budgetary deficit for 2019 resulted at the level of 31.5 billion ALL or some 1.9% of GDP.
- The unemployment rate followed the declining trend exhibited since 2016, remaining at the lowest historical level in the third trimester by some 11.4%.6

Non-Banking Financial Subjects

In December 2019 there were 32 non-bank financial institutions (NBFIs).

- In December 2019 total assets of NBFIs amounted to ALL 58.1 billion, up by around ALL 11.8 or 25.4%. This increase was mainly arising from the following subjects: Fondi BESA (41%), Iutecredit Albania (16%), Kredo Finance (11%), NOA (8%), Raiffeisen Leasing (8%).
- The assets of non-bank financial institutions

account for around 3.9% of total assets of the banking system, up by 0.8 percentage point compared with the previous year.

- Credit portfolio accounts for the main share in the structure of NBFIs assets, by around 50.4%. The rest of the assets is oriented towards liquid assets (24.5%) and variable-income securities (8.7%)
- The main funding sources of financing continue to be borrowings (52% of liability) and capital items



(39% of liability), whereas borrowing through the issuance of bonds constitutes 0.7% of liabilities.

- During 2019, most NBFIs were well-capitalised.
- At the end of 2019, the gross credit portfolio of non-bank financial institutions reached to 35.5 billion ALL, registering an increase of around 6.8 billion ALL (or 23.7%) compared with the previous year. The main impact in this increase was given from microcredit activity with 2.95 billion ALL, while lending and financial lease have increased respectively by 1.97 and 1.93 billion ALL. Factoring activity declined by 61.3 million ALL.
- Most of the exposure portfolio of non-bank financial institutions is held by lending and microcredit entities (73.5%), followed by the

portfolio of financial leasing entities (25%) and the portfolio of factoring entities (1.5%).

- Loan portfolio for this entities accounts for 5.7% of the banking system' portfolio.
- At the end of 2019, the activities of lending and financial leasing entities remain business-oriented, with around 71% and 82%, respectively, while the factoring portfolio is carried out entirely for business purposes. Compared with 2018, there is an increase of loans to households against enterprises (29% vs 20%), which was mainly due to microcredit activity
- The portfolio of NBFIs remains oriented towards financing in the domestic currency (64.4%) with medium-term maturity (61.7%).
- At the end of 2018, the non-performing loans ratio for financial entities increased by 0.5 percentage point. This result was influenced by the increase of non-performing loans by around 56.8% (or ALL 1.5 billion), while the increase of the funding portfolio was around 23.7%.
- During 2019, non-bank financial institutions generated a positive result of ALL 3.46 billion, up by about ALL 1.76 billion (or 103.5%) compared with the previous year. The financial result was mainly affected by the entities: "Fondi BESA", "Tranzit", "Iute Credit Albania", "Tirana Financial Union" and "NOA". The result of NBFIs accounts for 15% of the banking system's result.

Fondi BESA in figures 2019

Annually
disbursed
loans

18,808

Assets
Total

18.28 billion ALL
150.15 million Euro

Loan
Portfolio

13.23 billion ALL
108.63 million Euro

Capital
Total

3.25 billion ALL
26.70 million Euro

Annual
disbursed
volume

9.81 billion ALL
80.58 million Euro

Cumulative
Amount

81.65 billion ALL
670.51 million Euro

Return
on
assets

2.60%

Active
Clients

31.733

Return
on
equity

13.25%

Key operational lending priorities and objectives for medium-term period 2020-2021-2022

The main objective Fondi BESA activity for the next three years remains lending mainly to micro and small businesses.

This lending will increase not only from the quantitative point of view (loan outstanding, active loans, disbursements), but also through expansion of the range of loans in order to adopt at the best to requirements and “evolution” of the market and our clients.

Key medium-term objectives 2020-2021-2022

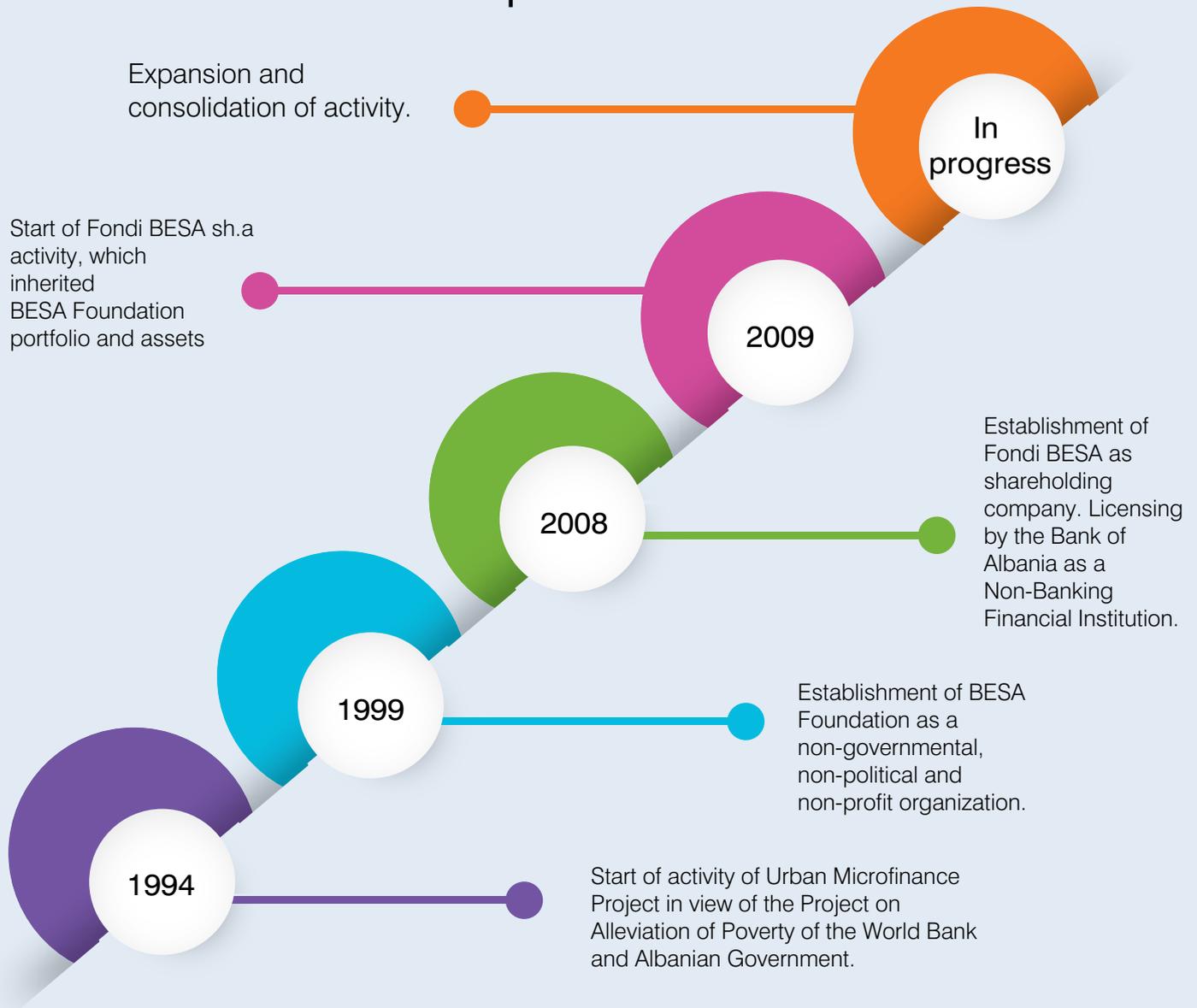
Strategic Objective:

Contribute to economic growth and reduction of poverty of the country in urban and semi-urban areas, with enhanced activity in rural areas by promoting the sector of micro, small and medium-sized enterprises, as well as agricultural farms, through offering of loans adjusted according to needs of the aimed market.

In order to achieve this strategic objective, Fondi BESA will aim the realization as below:

- Expansion of offices and services in new regional offices and branches.
 - Enhance productivity and effectiveness of staff in all levels.
 - Establishment of necessary infrastructure for the implementation of new services and products that will affect the improvement of financial efficiency of Fondi BESA activity.
 - Maintenance and improvement of financial self-sustainability in the next three years.
 - Maintenance of indexes and indicators in compliance with the supervisory regulations of the Bank of Albania.
- The lending of about **35.42 billion ALL** in the next three years.

Institutional Development



Management of Human Resources

The Department of Human Resources has a strategic function at Fondi BESA, given that it manages the most precious asset – staff.

Since the creation, Fondi BESA has consistently had a special focus on employees, who are considered as the driving force of the success of our activity, who, with their professionalism and dedication, directly affect the success and results achieved.

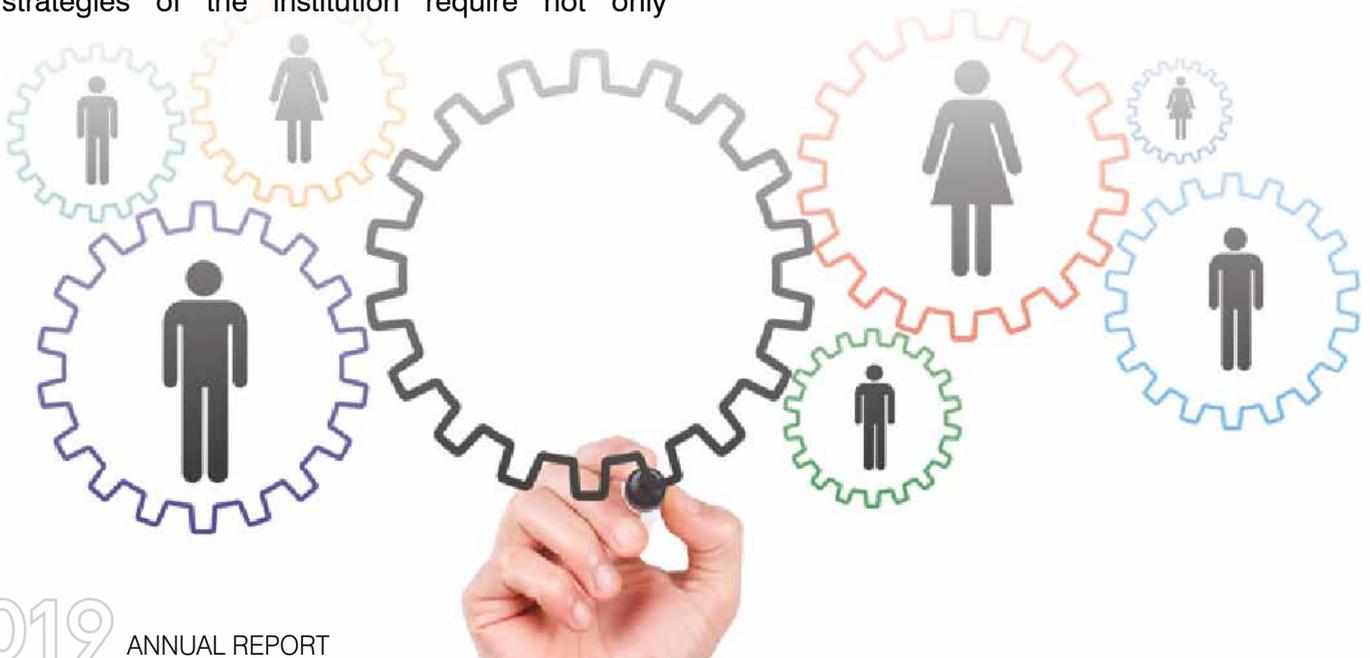
Maximally appreciating the employees and their contribution, the main goal of Fondi BESA in this regard is to have the best professionals in the market, who are offered all the opportunities and tools necessary for achieving the objectives.

But, the market is constantly evolving and new strategies of the institution require not only

developing new skills from existing employees, but also the introduction of new expertise. We consider as a special mission the development of

human resources and, during 2019, Fond BESA, based on its development plan, has organized various trainings both inside and outside the country, exchanges of experiences and we have also participated in various conferences organized in the field of microfinance etc.

During 2019, we paid special attention to the training of all staff levels, where the total number of beneficiary participants was 1,104 employees. There are conducted a total of 80 trainings in 94 days.



We consider it very important for our employees to understand what is their role and what are their duties, to understand what is expected of them and what is the approach to customers in order to retain them and build relationships of trust and the best possible cooperation.

During the entire period, the Department of Human Resources follows and monitors carefully the progress of employees' performance in order to observe their development, to understand their professional and human skills, ambitions and results. This is essential to understand also the employees' perspectives, mainly their professional skills in order to consider them in their career promotion and to assign them ambitious and well-studied objectives.

We continue to emphasize the increase contribution of women at all levels of the institution and we are very proud to say that we have:

- Females in the senior management level **50%**
- Females at the level of branch director: **37%**
- Females in the Supervisory Council: **29%**
- Females in Fondi BESA: **46%**
- Female loan officers: **39.4%**



During our entire activity, the Department of Human Resources has made its best to maintain the personnel informed on the strategy of Fondi BESA, progress of each branch and of the institution in general and the level of performance through frequent meetings, monthly information on activity and periodical analyses of the activity.

We work hard for our employees to identify themselves with the institution, respect diversity of staff, to keep people in the institution with expertise and who are well acquainted with the philosophy of institution, certainly paving the way for new talents for progress. A strong point of Fondi BESA is also the fact that there is a deep sense of employee loyalty to the institution.

Balance Sheet

<i>(amounts in LEK)</i>	31 December 2019	31 December 2018
ASSETS		
Cash and cash equivalents	2,057,574,547	227,259,893
Term deposits with banks	2,018,363,291	932,070,039
Loans to customers, net	12,277,228,994	10,754,136,151
Property and equipment	1,194,423,903	1,069,142,040
Inventory of repossessed assets	262,396,082	269,173,491
Assets held for sale	-	6,574,849
Right of Use Assets	249,052,430	-
Investments in subsidiary	66,648,400	66,648,400
Investments in associates	31,950,000	89,900,000
Prepaid income tax	54,825,072	19,409,960
Other assets	71,757,167	62,964,269
Total assets	18,284,219,886	13,497,279,092
LIABILITIES		
Loans and borrowings	12,651,511,122	8,416,090,316
Subordinated loan	1,939,777,082	1,901,685,559
Grants	24,353,996	24,683,996
Other tax payable	17,719,003	12,689,507
Lease Liability	250,935,465	-
Other liabilities	147,916,902	147,852,678
Total liabilities	15,032,213,570	10,503,002,056
EQUITY		
Share capital	2,713,401,000	2,536,018,000
Legal reserve	124,723,035	107,168,379
Retained earnings	413,882,281	351,090,656
	3,252,006,316	2,994,277,035
Total liabilities and equity	18,284,219,886	13,497,279,092
Exchange rate: 31.12.2019	US\$/Lekë: 108.64 EUR/Lekë 121.77	Exchange rate: 31.12.2018 US\$/Lekë: 107.82 EUR/Lekë 123.42

Income Statement

<i>(amounts in LEK)</i>	31 December 2019	31 December 2018
Interest		
Interest income	3,016,347,068	2,466,598,097
Interest expense	(554,415,673)	(412,273,300)
Net interest margin	2,461,931,395	2,054,324,797
Non-interest income		
Grant income	15,049,856	2,395,140
Other income, net	16,766,466	16,369,094
Total non-interest income	31,816,322	18,764,234
Operating expenses		
Impairment losses on loans to customers	(657,542,254)	(366,463,689)
Personnel expenses	(800,227,221)	(720,230,293)
Other administrative expenses	(298,141,133)	(388,939,852)
Depreciation and amortization	(217,767,252)	(69,230,224)
Foreign exchange gain (losses), net	4,716,924	63,537,394
Total operating expenses	(1,968,960,936)	(1,481,326,664)
Profit before income tax	524,786,781	591,762,367
Income tax expense	(110,904,500)	(138,688,345)
Net profit for the year	413,882,281	453,074,022
Other comprehensive income net of income tax	-	-
Total comprehensive income for the year	413,882,281	453,074,022
Net profit of the year/ Total comprehensive income for the year		
- Attributable to the parent	271,589,553	298,530,473
- Attributable to Non-controlling interest	142,292,728	154,543,549
Total comprehensive income for the year	413,882,281	453,074,022
Exchange rate: 31.12.2019	US\$/Lekë: 108.64	Exchange rate: 31.12.2018
	EUR/Lekë 121.77	US\$/Lekë: 107.82
		EUR/Lekë 123.42

Cash Flow Statement

<i>(amounts in LEK)</i>	31 December 2019	31 December 2018
Cash flow from operating activities		
Profit before income tax	524,786,782	591,762,368
<i>Adjustments for</i>		
Depreciation and Amortization	217,767,252	69,230,224
Write down of Repossessed collaterals	-	6,441,603
(Gain)/loss from disposal of assets	(4,153,902)	(4,883,435)
Impairment and other adjustments on loans to customers	432,280,161	380,732,232
Loans written off	270,254,370	39,091,511
Amortization of grants	(15,049,856)	(2,395,140)
Foreign exchange differences	(4,716,924)	(63,537,394)
Impairment of bailiff fee	-	23,905,788
Interest income	(3,016,347,068)	(2,466,598,097)
Interest expense	554,415,673	412,273,300
<i>Changes in</i>		
Loans to customers	(2,279,836,847)	(3,242,316,420)
Assets held for sale	6,574,849	3,291,496
Other assets	6,732,606	(5,873,575)
Other liabilities	3,787,482	(6,769,204)
Interest received	3,047,504,526	2,393,093,085
Interest paid	(571,168,689)	(396,860,270)
Income tax paid	(148,007,891)	(129,340,224)
Net cash from operating activities	(975,177,476)	(2,398,752,151)
Exchange rate: 31.12.2019	US\$/Lekë: 108.64 EUR/Lekë 121.77	Exchange rate: 31.12.2018 US\$/Lekë: 107.82 EUR/Lekë 123.42

<i>(amounts in LEK)</i>	31 December 2019	31 December 2018
Cash flows from investing activities		
Acquisition of property and equipment	(245,184,581)	(929,244,947)
Change in time deposits	(1,101,181,519)	(283,875,285)
Investments in equity	57,950,000	(17,576,400)
Proceeds from sale of fixed assets	35,885,677	24,222,443
Cash flows used in investing activities	(1,252,530,423)	(1,206,474,189)
Cash flows in financing activities		
Proceeds from borrowings and subordinated liabilities, net	4,336,819,007	3,115,487,803
Income from grants	15,049,852	15,128,140
Dividend distributed	(156,153,000)	-
Repayment of lease liabilities	(119,255,149)	-
Cash flows from financing activities	4,076,460,710	3,130,615,943
Net increase in cash and cash equivalents	1,848,752,811	(474,610,397)
Forex impact on cash balances	(18,438,157)	25,736,805
Cash and cash equivalents at the beginning of the year	227,259,893	676,133,485
Cash and cash equivalents at the end of the year	2,057,574,547	227,259,893
Exchange rate: 31.12.2019	US\$/Lekë: 108.64 EUR/Lekë 121.77	Exchange rate: 31.12.2018 US\$/Lekë: 107.82 EUR/Lekë 123.42

Separate Statement of changes in equity

<i>(amounts in LEK)</i>	Share Capital	Legal reserve	Retained Earnings	Total
Balance at 1 January 2018	2,151,191,000	86,913,660	405,081,719	2,643,186,379
Impact of adoption IFRS 9	0	0	(101,983,366)	(101,983,366)
Restated opening balance under IFRS 9	2,151,191,000	86,913,660	303,098,353	2,541,203,013
Total comprehensive income				
Net profit for the year	0	0	453,074,022	453,074,022
Total comprehensive income	0	0	453,074,022	453,074,022
Other movements within equity				
Appropriation of retained earnings	384,827,000	20,254,719	(405,081,719)	0
	384,827,000	20,254,719	(405,081,719)	0
Balance at 31 December 2018	2,536,018,000	107,168,379	351,090,656	2,994,277,035
Total comprehensive income				
Profit for the year	0	0	413,882,281	413,882,281
Total comprehensive income	0	0	413,882,281	413,882,281
Other movements within equity				
Appropriation of retained earnings	177,383,000	17,554,656	(194,937,656)	0
Dividend distributed	0	0	(156,153,000)	(156,153,000)
	177,383,000	17,554,656	(351,090,656)	(156,153,000)
Balance at 31 December 2019	2,713,401,000	124,723,035	413,882,281	3,252,006,316

Risk management in Fondi BESA

Risk management in Fondi BESA means identifying and measuring risk in order for the management to make decisions to avoid and mitigate risk and to assess potential losses, in response to meeting the requirements of the regulatory framework of the non-bank financial entities.

Fondi BESA, as all the other activities, faces different types of risks, which are carefully monitored by the institution. The main business risks categories are:

Credit risk is the risk that the client will not repay the loan obligations under the contract with the institution. Credit risk is the risk that a change in credit quality will affect the value of Fondi BESA position. It includes the loss of projected interest income, as well as the loss resulting from non-payment of the loan.

Liquidity risk is the risk if the institution is unable to meet its obligations in a timely manner, or in cases where it fails to obtain funds at an acceptable price to finance current or proposed commitments, or

because the assets cannot be liquidated. This is an indicator that is carefully monitored by the institution and has consistently been within the prudent supervisory norms and the internal policies of the institution.

Interest rate risk means exposure to monitored market variables for interest rates. In general, the Fondi BESA does not have high exposure, as it applies fixed rates in both lending and borrowing funds.

Exchange rate risk is the possibility that the value of financial instruments will fluctuate due to changes in exchange rates. The Company's foreign currency exposures bring in foreign currency gains and losses recognized in profit or loss. These exposures include the company assets and liabilities that are not denominated in local currency. The open foreign exchange position of the company has been under constant control and always within the limits of the supervisory authority as well as the internal policies of the institution



Profit

The financial results for 2019, clearly show the commitment of management and employees of Fondi BESA for the fulfilment of another successful year. At the end of 2019, despite all difficulties and challenges it faced, Fondi BESA has accomplished its objectives in all key indexes, compared to the Business Plan, whereas continues a very good financial performance, growth and self-financing, portfolio quality improvement, liquidity management and management and maintaining an optimal structure of equity that allows the fulfilment of the return on investments viewed from the that



the return of the return of investment, viewed from the perspective of the shareholder. The net profit for 2019 is 413,882,281 Lekë.

Equity



Fondi BESA continues to be well capitalized by preserving the capital adequacy ratio of 17.79%, which is higher than the required minimum of no less than 10%.

The Annual Shareholders Assembly meeting decided to have a distribution of dividends for shareholders in the amount of 156,153,000 ALL.

Social Responsibility



Fondi BESA continues to remain committed to maintain high ethical standards in all its activity. It accepts no form of discrimination and the social responsibility of the company includes transparent and clear communication, responsible activities, ethical behaviour and promotion of equity, diversity and a healthy work environment. Our activity is always based on the promise to be a responsible institution, which is reflected in our values and in the way how we develop products and approach clientele. Fondi BESA considers

social responsibility as an essential instrument that completes our financial and economic mission.

Fondi BESA links its long-term success closely to its role in society, concerning protection of environment and development of community. We continue to link our strategy and policies with environmental and social objectives. In this regard, Fondi BESA is committed in various projects with social, cultural and educational character.

Several of the projects supported by Fondi BESA in 2019 are:

Training with young people “HOW TO START YOUR BUSINESS”

In March 2019, Fondi BESA held training with topic “How to start your business” with 14 young people from the area of Malësi e Madhe, in view of the project “Zana e Maleve” in cooperation with VIS Albania and PFD Foundation. The purpose of the training was to instruct young people on exploring opportunities for self-employment and how to orient them undertake steps that must be followed to start a business. We help young people in their path to become financially independent, whereby helping them being integrated more easily in society, a mission expressed also in a special product we offer “Youth Loan”.

Fondi BESA held an open lecture on “Enterprise Finances” at the European University of Tirana.

This lecture was referred by representatives of Fondi BESA with participating students and lectures of the university. Such events are considered as an opportunity to explain reality of microfinance in Albania, rules and procedures on development of activity and risk management and serves as a linking bridge among universities and our institution.

One of the components by means of which Fondi BESA aims to accomplish its social mission is also integration of young people in society through financial education, opportunity hold teaching



practices or employment practice post university studies as well as financing of their ideas to start a business.

Fondi BESA, one of the sponsors of the 22-nd Conference of MFC

that was held in Istanbul, Turkey on May 30 – 31, 2019 on topic “Demystification of Digitalization in Microfinance” that brought together more than 500 main actors, practitioners and sponsors of microfinance industry from Eastern and Western Europe, Central Asia, Caucasus and even beyond. The conference treated the practical aspect of digitalization in the sector of financial involvement through case studies, trend analyses and discussion of best development practices. Special session in conference was dedicated also to Financial Instruments of the Program “Social Employment and Innovation” (EaSi), where it was introduced even the case of Fondi BESA.

Fondi BESA in support of the values of music

The well-known violinist, the virtuous Olen Çezari returns on Albanian stage to bring to the public his extraordinary artistic performance and the most beautiful sounds of Albanian and world music.

Fondi BESA sh.a is one of the sponsors of this event.



Through the support of this event that communicates universal values of music, Fondi BESA once again revealed the attention paid to art, culture and music.

Fondi BESA participates in work fairs for 2019 organized by Ministry of Finance and Economy, through National Employment Service, in various districts.

These fairs aim at establishing cooperation and communication between offer and demand in the labour market, in order to introduce opportunities offered in this market.



Being one of the 50 largest employers in Albania, Fondi BESA is focused on hiring and employing young people, experienced workers from the banking and financial system in general and this fair is considered as a real opportunity to contact individuals in search of a job.

Fondi BESA supports sport by sponsoring the Cup of Albania in Bodybuilding and Fitness – May 2019

The Albanian Federation of Bodybuilding & Fitness organized in May 4th, 2019 at the concert hall of the University of Arts of Tirana, the Cup of Albania in Bodybuilding and Fitness for 2019. Attending this important event were 46 best sportsmen from different cities of Albania, with the largest participation of female sport personalities divided into 7 categories, who by means of their



performance rendered more values to this sport spectacle becoming an example and motivator for other girls. In the course of attention paid by Fondi BESA for the development of arts and sports in Albania, it was not difficult for us to say yes to this sponsorship, considering that bodybuilding is one of the sports that require dedication and determination, values that in our institutional culture cover an important place. Fondi BESA will continue to support important activities of culture and sport given that social responsibility is one of our priorities, becoming an example of sensitization of the business community in service of the support of culture and sports in Albania.

Fondi BESA participates in “Spring” 4 fair of agribusiness and handicraft in Cërrik, Elbasan. Fondi BESA participates with the aim to stand close to business community and to express once more its ambition as supporter and partner of small business and farmers in its need for financing.



October 2019: Fondi BESA participates in the first table of discussions on topic: “Microfinance of the Future, Digitalization of Microfinance Institutions”

This meeting was organized by the Albanian Microfinance Association in cooperation with Microfinance Centre (MFC) and with the support of the European Union. The first meeting dwelled on legal, regulatory and compliance framework, related to digitalization process of services and microfinance products. The financial institutions, members of Albanian Microfinance Association are intensifying efforts to be not only in step with other service-providing sectors in the country, but even their avant-garde. Attending the meeting were



representatives of the Ministry of Finance, Bank of Albania, Department of Supervision, the General Directorate for the Prevention of Money Laundering, Albanian Association of Banks, Albanian Deposit Insurance Agency, as well as representatives of microfinance institutions, executives of legal and regulatory field and experienced lawyers in the field of digitalized legislation.

October 2019: Fondi BESA Participates in the European Microfinance Day: Strengthening of Entrepreneurs of the Future, which was organized in Brussels

The European Microfinance Day was launched in 2015 as an instrument to highlight the impact of the microfinance sector in Europe from a social and economic perspective.

The key objectives of the European Microfinance Day are:

- To enhance awareness among European citizens on existence of microfinance and its value to fight unemployment and social exclusion.
- To attract the attention of European media on how microfinance in Europe works and how it supports and helps unemployed people and European citizens excluded from traditional financial sector.
- To exchange experience within European Microfinance Sector.

October 2019: Awarding ceremony for the European Code of Good Conduct Certificate

Fondi BESA was awarded by European Commission with the Certificate of Compliance **European Code of Good Conduct for Microcredit Provision**.



November – December 2019: Fondi BESA and the entire staff sympathize with families affected by the earthquake.

After November 2019 devastating earthquake, Fondi BESA stood immediately beside families affected by the earthquake, contributing with emergency needed items such as food, blankets and clothing. Solidarity was expressed by all employees of Fondi BESA becoming part of the contribution in support of clients or even employees who suffered consequences from this earthquake.

November 2019: Fondi BESA participates in the second table of discussions in view of a series of discussions on topic: “Microfinance of the Future, Digitalization of Microfinance Institutions”

This activity was organized by Albanian Microfinance Association in cooperation with Microfinance Centre (MFC) and with the support of the European Union. The meeting dwelled on the operational framework, the one on data exchange and cyber security, closely linked with the digital transformation process of the finance institutions. In this regard, discussion was held on challenges encountered by the institutions of microfinance in the establishment of an entirely digitalized process of the offering of products and services towards integration with public and private platforms with the purpose of automatization of lending processes, idea and creation of algorithms for

automatic decision making in lending, use of digital platforms on collection of loan instalment payments through them (the so-called e-wallets), as well as practical execution of remote transactions through electronic signature. Attending the meeting were representatives of the Bank of Albania, National Authority for Electronic Certification and Cyber Security, ALEAT, companies of the offering of software development services for microfinance institutions, executives of operational field and information technology.

December: Fondi BESA sh.a. and Rural Credit Guarantee Foundation-Albania sign agreement on issuance of guarantees for loan agreements of Fondi BESA sh.a. with second-tier banks

The purpose for the guarantee is to facilitate lending of Fondi BESA sh.a for micro, small and medium-sized enterprises with enhanced focus on agricultural sector and rural areas. This will contribute to the promotion of growth and employment in Albania, especially in the agricultural sector.

October 2019: Chestnut Day

For the third year in a row, Fondi BESA participates in the fair organized on Chestnut Day in Reç of Malësi e Madhe, in support of small and medium-sized business. The activity aims to demonstrate

values of agritourism in national parks, through fairs and demonstrative sessions, as well as promotion of resources of Reç and of the successful efforts of farmers to build their small businesses such as: venues for the collection and selection of chestnuts, dairies, inns etc.

May 2019: Meeting with merchants of power efficiency devices in different districts, where it was discussed on Green Loan that Fondi BESA offers in cooperation with EBRD, through GEF Program in Albania, modes of cooperation with merchants and procedures to be followed. The Green Loan - GEF”, which provides



financing for housing sector that will be intended to individuals who wish to carry out investments in their houses aimed at efficiency and power saving.

With the realization of investments, creditors have the right to benefit a grant by 15-20% of the value of investment.

May 2019: Fondi BESA, participant in the Career Fair at Agricultural University of Tirana



For the third year in a row, Fondi BESA participates in the Career Fair at UBT, a fair that has been transformed into a successful tradition.

This activity represents a very good opportunity of interaction among the university, public institutions and entrepreneurs, as well as organizations of various profiles throughout the country. This event creates the opportunity to approach offer and request, therefore serving as an important window of communication among employers such as public institutions, private entrepreneurs and various organizations and employees that are UBT students themselves, who carry out professional practices at participating institutions in this fair.

European Bank of Reconstruction and Development and Fondi BESA sign agreement of 3 million Euros on Green Loan. The agreement between EBRD and FONDI BESA aims at promotion of investments in green energy in housing in Albania through Financing of an amount of 3 million Euro for a 3-year term. These



investments will aim to improve power efficiency that will generate power saving, will improve welfare as well as will reduce pollution. This product shows once again the attention of Fondi BESA paid to the environment whereby it operates.

Expansion of activity in order to stand as close as possible to clients



During 2019, Fondi BESA expanded its activity respectively with two new regional branches in Durrës and Tirana, as well as two new satellite offices in Tropojë and Delvinë in order to enhance effectiveness of the institution by responding in real time to clients' demands, as well as an optimal organization of regional branches. With the purpose of facilitating loan repayments, Fondi BESA during 2019, has opened in total 11 cash offices, where no commissions are applied for clients who repay the loans.

PROJECTS

Project EaSI (Scheme of guarantee for Employment and Social Innovation) - This scheme is a financial instrument enabled by EU and implemented by European Fund for Investments in order to promote sustainable employment, to guarantee due social protection, fight social exclusion and poverty and improve work conditions. In accordance with the signed agreement between Fondi BESA and European Fund for Investments, this guarantee scheme covered a part of risk for two special products on agriculture and youth. Until May 24, 2019, the project termination date, there were financed 1,397 loans, amounting to 755 million ALL in the sector of agriculture of about 6.2 million Euros.



Project EBRD – AASF (January 2017 – January 2020) This project started to be implemented in January 2017 in accordance with the loan agreement and cooperation agreement for the Program of Support to Agribusiness in Albania, signed between Fondi BESA and EBRD.

This project is composed of three component linked to one-another:

- Loan (loan disbursement amounting to 5 million Euros that EBRD has allocated to Fondi BESA).
- The Program on Technical Cooperation, which includes various trainings and enhancement of capacities.
- A Guarantee Scheme supported in “grant” funds that will be allocated by Albanian Government.

In accordance with cooperation agreement during 2019 it has continued implementation of program on enhancement of capacities, in view of which there have been organized trainings with a focus to agricultural sector and mainly on technological cards in branches Korçë, Lushnjë, Fier and Shkodër.

Project CESVI – Fondi BESA (Tourism): Project *“Albania, Travel Your Own Way: Integrated Multi-actor Management of Rural and Cultural Tourism in the Districts of Gjirokastër and Berat (TREC)*, is co-financed by Italian Agency for Cooperation and Development (AICS), respectively the component Access to financing on development of products and services towards improvement of tourism system in respective fields in municipalities Gjirokastër, Përmet, Berat and Skrapar.

Project “Zana e Maleve” is financed by Italian Agency for Cooperation and Development (AICS). The purpose of this project called “Zana e Maleve” is to contribute in the promotion of a sustainable and comprehensive economic and social model in the North of Albania, respectively in the area of Malësi e Madhe. **The project aims at financing the agricultural activities and start-up businesses, lending of young people and women in business**

in Malësi e Madhe with favourable conditions. The project has been financed 50% from the funds of the Italian Agency for Cooperation and Development and 50% from Fondi BESA and at the termination of project, the amount financed from Italian Cooperation will be a grant for Fondi BESA sh.a.

In view of this project, during 2019 it was organized also a training of young people of the area of Malësi e Madhe concerning the creation of start-up businesses.

SME Project

“BESA SME Loan Project” is a loan product in view of the Loan Agreement and Participation Agreement in the Guarantee Fund signed between Fondi BESA and Ministry of Finance and Economy, for the program **On Development of Private Sector through support of SMEs and technical assistance – PRODAPS**. These programs have been financed by Italian Government through Italian Agency for Cooperation and Development (AICS).

Based on cooperation agreement with Ministry of Finance, it was designed the loan product **“BESA SME Project”** which in essence has the financing of businesses that exercise activity in different sectors or persons who want to open a start-up activity.

GEFF

Project GEFF – Green Energy Financing Facility, in view of the loan agreement and cooperation between Fondi BESA and European bank for Reconstruction and Development, aims at promotion of investments in housing in Albania. This agreement of cooperation relies also on a grant amount financed by Joint European Fund on the Western Balkans on application of incentive scheme for borrowers who carry out these investments as well as by Austrian Government and the fund in view of investments in the Western Balkans for the financing of program on technical cooperation for this agreement.

In accordance with specifications of the agreement of cooperation between Fondi BESA and EBRD it was designed the product “Green Loan - GEFF”.

“Green Loan - GEFF” is intended for individuals who wish and have legal right to carry out investments in their houses, which aim power efficiency and saving.

For each investment carried out by the client in compliance with specifications and requirements of this project, the client will benefit in the form of grant 15 – 20% of the value of investment, if the investment is equal to the loan amount or loan value in the event that the investment is bigger.

KREDIA E GJELBËR



Investoni në teknologji efçente në shtëpinë tuaj dhe do të përfitoni deri në 20 % grant të vlerës së investuar me kredi.

www.fondibesa.com 

Krijuar nga:  Green Economy Financing Facility

Mbështetur nga:



Federal Ministry
Republic of Austria
Finance

Western Balkans
Investment Framework WBIF


European Bank
for Reconstruction and Development

Në bashkëpunim me:

 Energy Community

Apart from work for the building of infrastructure on implementation of this project and specific loan product the Department of Marketing is engaged in the training of branches of the institution concerning the loan product and the manner how the project will function. In March 2019 it was held a marketing campaign in view of this project.

Report of Independent Auditors



Ernst & Young Certified Auditors
Albania Branch
NUIŠ: K619110121
Ibrahim Rugova Str, Sky Tower, 6th floor
1001, Tirana, Albania

Tel: +35542419575
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fondi Besa sh.a

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Fondi Besa sh.a (the "Company" or the "Fund"), which comprise the separate statement of financial position as at 31 December 2019 and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects the separate financial position of the Company as at 31 December 2019 and its separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and with Institute of Authorizes Chartered Auditors of Albania Code of Ethics ("IEKA Code"), together with the ethical requirements of the Law No. 10091, dated 5 March 2009 "On the statutory audit and the organization of the statutory auditors and chartered accountants professions", amended, that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in Fondi Besa 2019 Annual Report

Other information consists of the information that will be included in Company's 2019 Annual Report, prepared in accordance with article 17 and 19 of Law no. 25/2018 "For accounting and Financial Statements", other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of management and those charged with governance for the separate financial statements (continued)

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of Fondi Besa sh.a regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young - Ekspert Kontabël i Autorizuar
Dega në Shqipëri

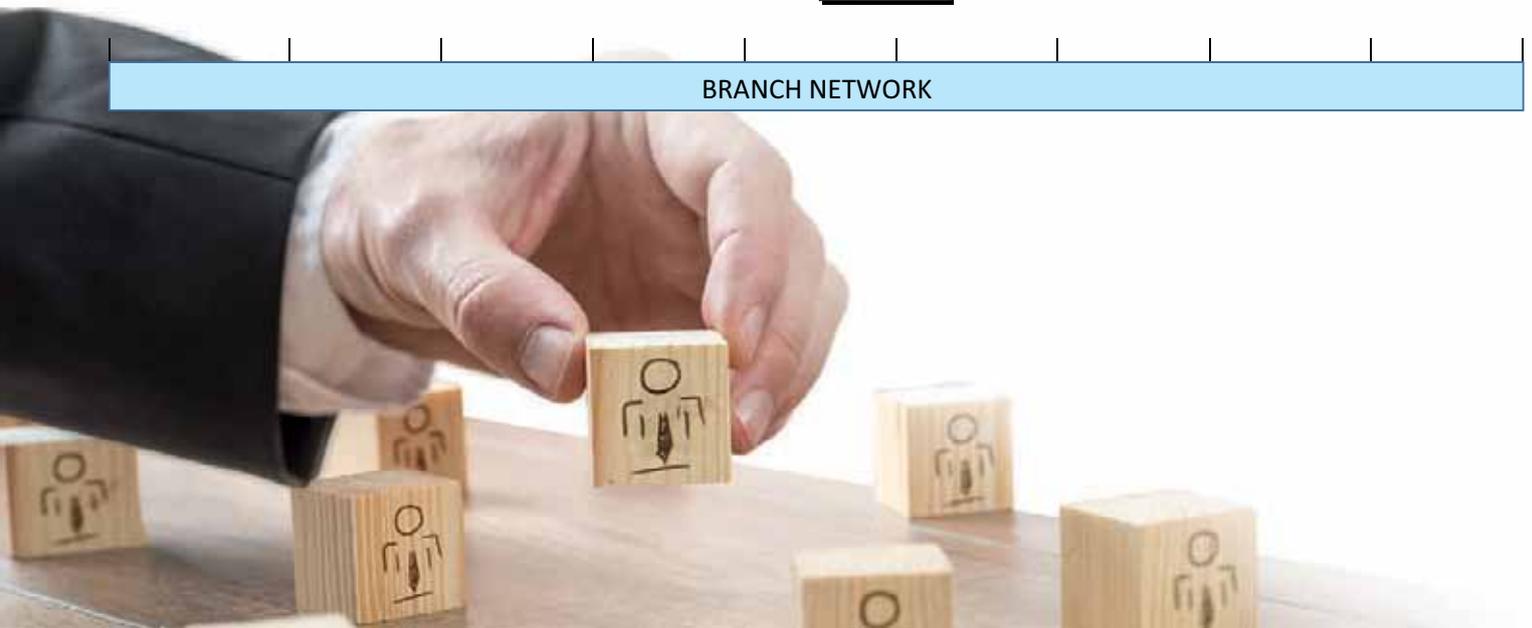
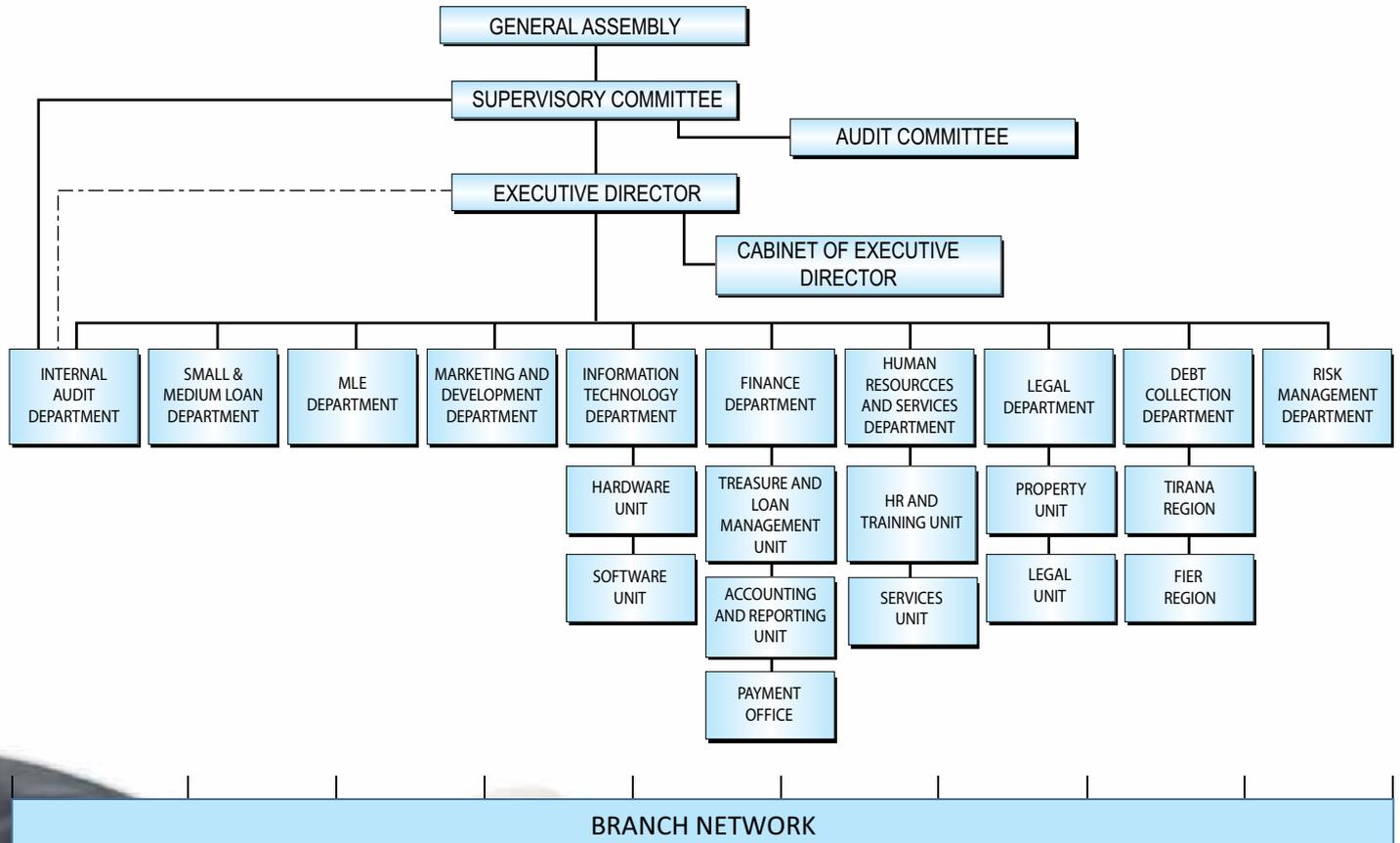
Ernst & Young Certified Auditors

13 November 2020
Tirana, Albania



Mario Vangjel
Auditues Ligjor

Organizational Structure



Success Story

Client: Anyone would choose Fondi BESA for the conditions it offers and speedy loan approval



With over 18 years in market, with a history filled with professionalism, responsibility and willpower, Nesrete Fisniku is nowadays a successful entrepreneur in the field of pharmacy. She started her business roughly 2 decades ago and now through her dedication, succeeded in managing 2 drugstores by herself, in the heart of Tirana.

“When I decided to open the second drugstore, I ran into strong competition. Thanks to the loan

received from Fondi BESA, I expanded the activity, benefiting increase of clientele as well”, the client of Fondi BESA expresses her satisfaction.

The loan officer Ines, who through maximum commitment, enabled the benefit of the loan very fast, says that Nesret has shown correctness, always repaying the loan on the due date.

“I thank the loan officer heartily for the assistance. Not only me, but everyone who will benefit funding would choose Fondi BESA, given that the client does not pay commission for advance repayment”, Nesrete Fisniku concluded.



Success Story

Fondi BESA, solution at hard times!



The road to success for business is continuously under construction. “Luara” is one of the well-known businesses in the field of confectioneries, which was developed further with modern spaces thanks to the loan benefited from Fondi BESA. The owner of this business, Fatmir Pashollari, recognized by everyone as the master of bread and confectionary says that Fondi BESA helped him at hard times.

“At first, I felt demoralized, since I found no support to develop my business, but I did not give up. Without hesitation I visited the offices of Fondi BESA

and requested their assistance in order to invest in the newest branch of confectionaries located in Avni Rustemi square”, the business owner says.

He explains further that he had not thought of benefiting from Fondi BESA a Business Loan amounting to 278,000 Euro, which helped him become as successful as today afterwards.

“I have always believed in success, but I have never thought I would reach so high. With absolute determination and support of Fondi BESA, I defeated the barriers”, he concludes.

Nowadays, “Luara” exercises its activity in three branches in the city of Tirana. Fatmir Pashollari is characterized by simplicity, modesty and generosity. Along with his family, he is involved in business, thereby testifying a genuine example of private entrepreneurship in our country.

It is great to celebrate success!



Partners





Fondi BESA sh.a.

**Rruga: "Brigada VIII", Pallati Nr. 5
(zona e ish-Bllokut), Tiranë - Shqipëri**

Tel: 04 2253841/2 Fax: 04 2253836

E-mail: mfi@besa.org.al www.fondibesa.com