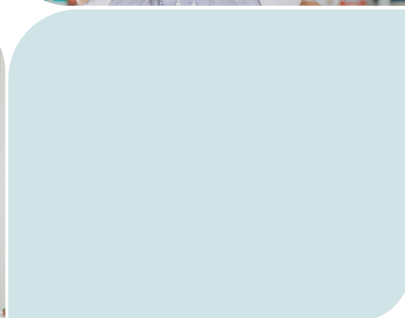


2021

Shoqata
Mikrofinanca
Shqiptare



Albanian
Microfinance
Association



ANNUAL REPORT OF ACTIVITIES

**ALBANIAN
MICROFINANCE**

2021



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KEYNOTE FROM OUR PRESIDENT



We all still have a lot to give!

Dear readers,

Also this year I have the honor to share with you the Annual Report of the Albanian Microfinance Association, a report which summarizes the progress, progress and challenges of the microfinance sector in the country throughout the year 2021, of course based on the data of the 9 members of the Association who represent over 85% of the activity of this sector in Albania.

The year 2021 was a year after the first wave of the COVID-19 pandemic, which proved again the important role of Microfinance in the recovery and continuity of the finances of the vulnerable layer, always more vulnerable to the challenges of the economy and extraordinary crises

In the market for 25 years already, the member companies of the Albanian Microfinance Association have shown a high flexibility and capacity to adapt like none of the other financial markets in Albania. All members have gone through an inspiring phase of adaptation and growth in these decades.

The main pillars that continue to make us proud to this day are:

- 1. Creating financial access for every individual or business*
- 2. Responsible lending by not creating a financial burden beyond the paying capacity*
- 3. Establishing a sustainable economic development gear in the country*
- 4. Advancing knowledge and financial education of clients served by the sector*

The members of the Albanian Microfinance Association provide financial services in a sustainable way by combining financial performance and social impact in their own way. The different typologies of microfinance institutions sometimes make it difficult to compare the overall performance of these institutions, but their common feature lies in the combination of efficiency with social responsibility.

Today, the Albanian Microfinance Association has 9 members, who together during 2021, have disbursed 245 million euros through 261,000 loans, maintaining a satisfactory level of problem loans of only 6.46%.

During 2021, members managed to return closer to pre-pandemic numbers by managing to have a total of 285 physical locations across Albania - excluding agents and partners. The number of staff increased and today the human resources structure counts 1,737 employees, where 832 of them are at the service of customers to advise and direct them to the most suitable product for them. A serious and commendable work continued this year in the establishment of lending support structures, controls and compliance, which increase the guarantee of stability and performance of the institutions..

Such a large work would not be possible without the integration of information technology in all links and work processes. Only through the use of technology can a large number of clients, which are spread out unevenly, be served.

And yet, we wouldn't have gotten this far alone! Therefore I have to thank the Center for Microfinance which has been a key partner in the training of microfinance actors in Albania regarding the sharing of knowledge and success cases and with its support in the mission of microfinance actors to increase the level of education financial.

I wish you pleasant browsing,

Arlinda Muja

President – Albanian Microfinance Association

2 THE MICROFINANCE SECTOR AND ITS DEVELOPMENTS. STRATEGIC PRIORITIES AND MAIN AREAS OF ACTIVITY

2.1. Activity of Non-Bank Financial Institutions

Non-bank financial institutions, which exercise their activity under the licensing and supervision of the Bank of Albania, are divided into several sub-groups, which consist of: a) non-bank financial lending institutions; b) Microcredit Financial Institutions; c) financial institutions of financial leasing and/or factoring; d) non-bank payment financial institutions; and e) non-bank financial institutions issuing electronic money. All these institutions operate in the Albanian market under the Law on Banks in the Republic of Albania, and are mainly supervised with the same regulatory framework as banks, with the exception of some of their areas of activity, such as risk management or the calculation of the adequacy of capital.

The financial activity of non-bank institutions during 2021 was also developed under the effect of the pandemic and the measures taken for its administration. The needs dictated by banks and non-bank financial institutions as well as the uncertainty of future developments were the main factors that guided the decision-making of the Bank of Albania to postpone the regulatory

measures taken to manage the situation. These postponements consisted in extending the deadline for dealing with more relaxed criteria for the classification and provisioning of restructured loans until March 2021.

At the end of 2021, the financial system counted 35 non-banking financial entities (IFJB) being increased by 5 (five) entities in relation to 2020. The licensed entities are Paysera Albania, E Reja, RPay, Soft & Solution for exercising the activity of electronic money and Antigone Financial Enterprise for financial leasing activity.

On the other hand, savings and credit institutions also operate in the Albanian market, which exercise their activity under a dedicated legal and regulatory framework. The largest institutions of this category are also microfinance operators and members of the Albanian Microfinance Association. Currently, the Association consists of 7 non-bank financial institutions, with lending and microcredit activities, and 2 credit savings institutions.

2.1. Performance of assets of non-bank financial institutions

The total assets of non-bank financial institutions, in December 2021, reach 76.29 billion ALL, increasing during this year by 8.42 billion ALL or 12.4%. This increase was mainly generated by the subjects: Fondi Besa (25%),

lutecredit Albania (19%), Kredo Finançe (16%), etc. The assets of non-bank financial institutions reach 4.43% of the total assets of the banking system, with an increase of 0.14 percentage points compared to the previous year.

Total assets of non-bank financial institutions

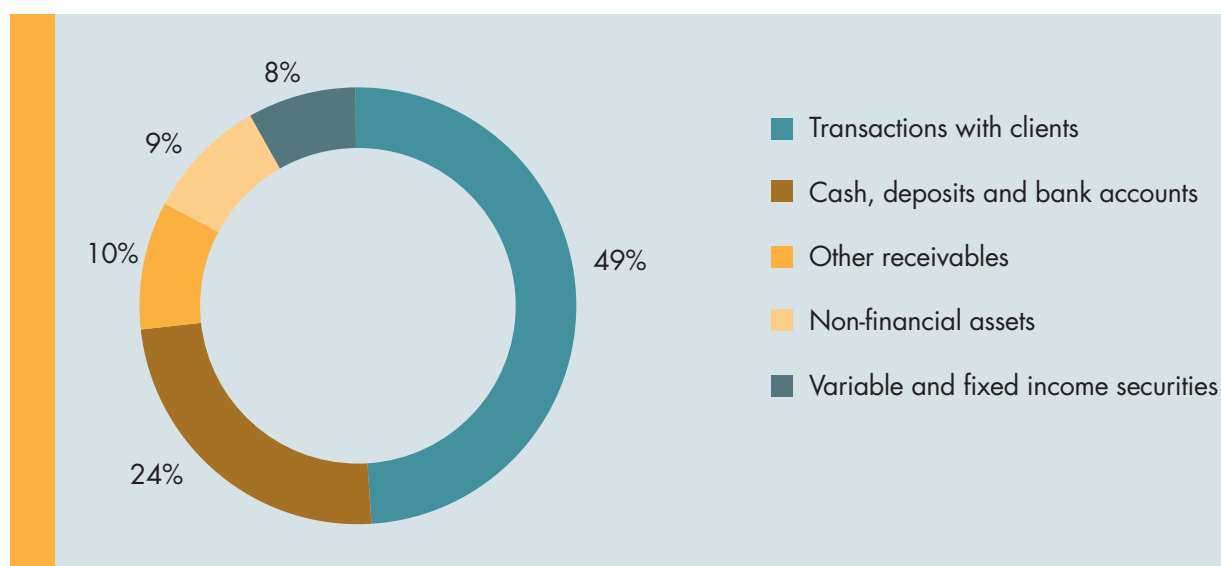
Indicator/bilion ALL	December 2018	December 2019	December 2020	December 2021
Total Assets of non-banking institutions	53.1	65.2	67.9	76.3

Source: Bank of Albania.

In the structure of assets of non-bank financial institutions, the main weight is held by the loan portfolio with 49%. The rest is distributed among

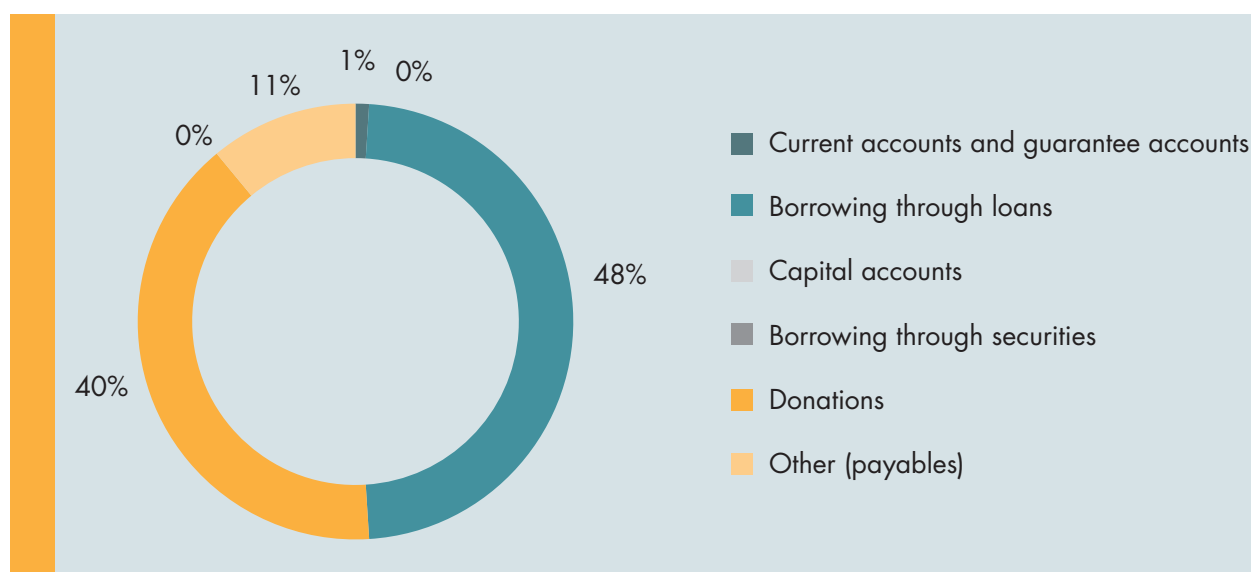
liquid assets (24%), other receivables (9.7%), securities with variable income (8%) and other assets (including fixed assets) (9%).

Graph 1 Distribution of assets of non-bank financial institutions, December 2021



Source: Bank of Albania.

Chart 2 - Distribution of financing sources of non-bank financial institutions, December 2021



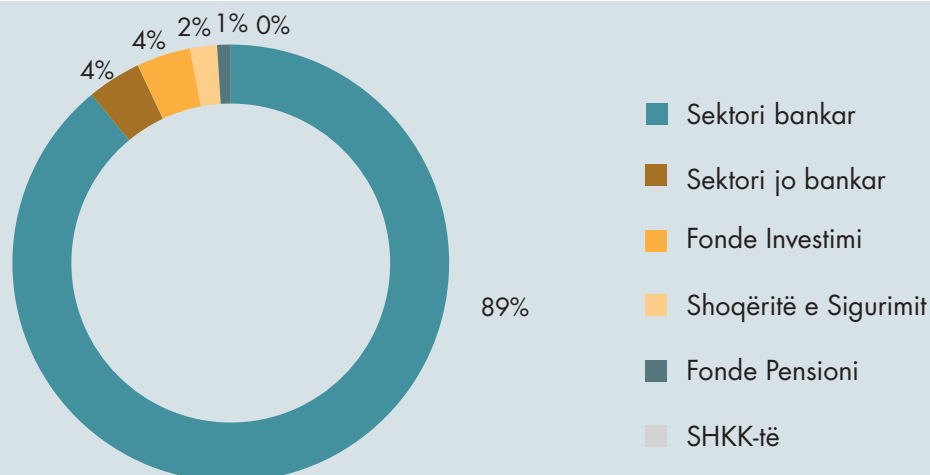
Source: Bank of Albania.

The primary sources of financing for non-bank financial entities are borrowings (48% of liabilities) and their capital (40%). Borrowing through the issuance of securities accounts for only 0.4%. Regarding the origin of borrowings, the balance leans slightly towards non-resident financial institutions with 51.6%.

Meanwhile, the banking sector continues to remain the sector with the overwhelming weight in

financial activity in the country, in relation to all other markets. During 2021, this sector held 89% of the financial market, reflecting a large concentration of financial activity and assets in relation to the non-banking market. Despite the efforts to provide a diversification of the capital markets and financial services, the banking sector remains the main source of lending to the economy and houses the majority of Albanians' savings.

Chart 3 – Market weight in total assets by financial sector, December 2021



Source: Bank of Albania.

2.2. Developments in the loan portfolio balance and activity volumes

At the end of 2021, the gross loan portfolio for non-bank financial institutions reaches ALL 42.1 billion, showing an increase of ALL 5.51 billion (or 15.1%) compared to the previous year. The

activity with the highest growth during 2021 was microcredit (with about 3.87 billion ALL) compared to the other three categories: lending, financial leasing and factoring.

Performance of the loan portfolio on a net and gross basis for the total of non-bank financial institutions

Indicator/billion ALL	December 2018	December 2019	December 2020	December 2021
Total loan portfolio for non-bank financial institutions (net)	26.4	33.0	33.5	37.4
Total loan portfolio for non-bank financial institutions (gross)	28.6	35.5	36.6	42.1

Source: Bank of Albania.

Most of the loan portfolio of non-bank financial institutions is held by lending and microcredit entities (76.1%). Next is the portfolio of financial lease entities (22.8%) and the portfolio of factoring entities (1.1%).

The loan portfolio of non-bank financial institutions reaches 5.9% of the total loan of the banking system, maintaining almost the same weight compared to the previous year

Graph 1 Distribution of assets of non-bank financial institutions, December 2021

Financial activities (In billion ALL)	December 2018	December 2019	December 2020	December 2021
Lending	12.7	14.7	15.6	16.6
Microcredit	8.4	11.4	11.6	15.4
Financial lease	6.9	8.9	9.1	9.6
Factoring	0.6	0.5	0.4	0.5
Gross portfolio	28.6	35.5	36.6	42.1

Source: Bank of Albania.

At the end of 2021, the activities of lending and financial leasing entities remain business-oriented, respectively with about 85.3% and 84.3%, while the factoring portfolio is carried out entirely for

business purposes. Compared to the year 2020, an increase in lending to individuals versus businesses is observed, which has come mainly as a result of the expansion of microcredit activity.

2.3. Member institutions of the Albanian Microfinance Association

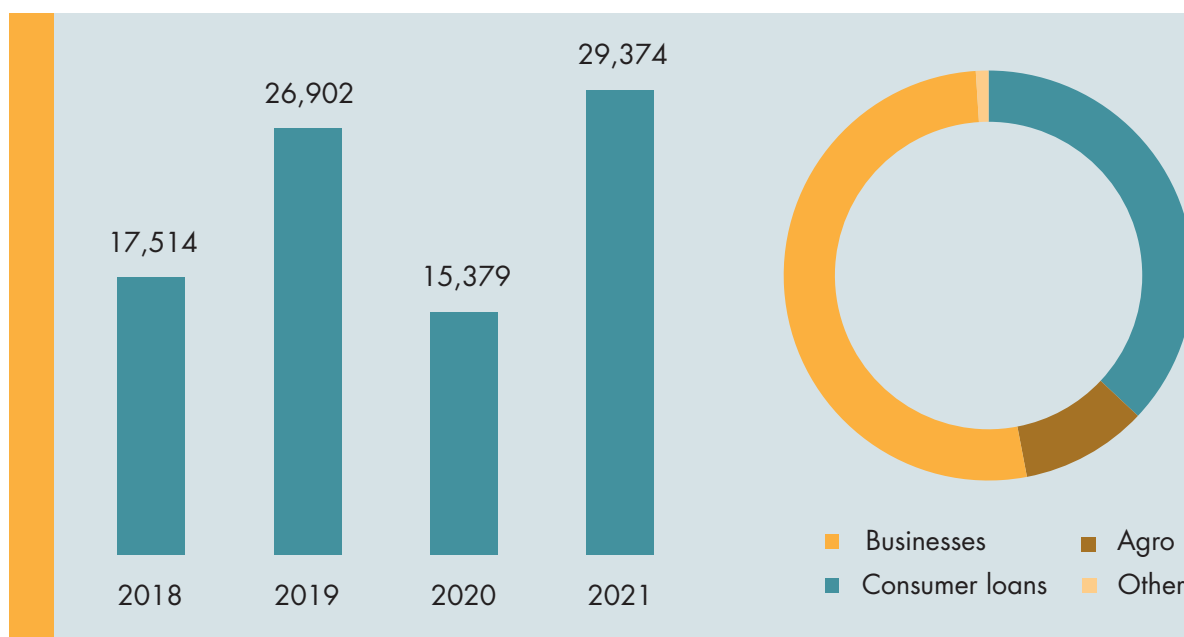
Two members have joined the Albanian Microfinance Association, AgroKredit sh.a., which reactivated relations with the Association during 2020, as well as AK - Invest sh.a., which has joined the Association as a member with full rights since beginning of 2021. With these developments, together with the current members - Agro & Social Fund, Crimson Finance Fund Albania, FedInvest SHKK, Fondi BESA, IuteCredit Albania, Kredo Finance, NOA, and UniFin SHKK, the number of members of the Association went to ten Non-Bank Financial Institutions and Savings Credit Companies. The Albanian Microfinance Association in its plans aims to include all non-bank financial institutions that find themselves in its activity, priorities and mission.

The member institutions of the Albanian Microfinance Association did not stop lending to the economy for a moment, and there was even a

growing demand for loans from individuals. The microfinance activity during 2021 is considered with satisfactory progress, stable financial indicators and a satisfactory administration of available resources. The members of the Association in an integrated way have a total balance of about 47 billion lek and a loan portfolio of about 35 billion lek, with an increase of 12% and 14% respectively.

New credit made available to individuals, small businesses and farmers expanded by 91% in volume and by 48% in number of loans compared to 2020, which was a pandemic year. In the volume of new loans, individuals accounted for 52%, micro-businesses 37% and farmers 10%. It is worth mentioning the fact that 85% of the financing granted for agriculture during 2021 had microfinance as its source.

Chart 4 - The volume of loans during the years 2018 - 2021 and the division by sectors of the economy (figures in millions ALL)

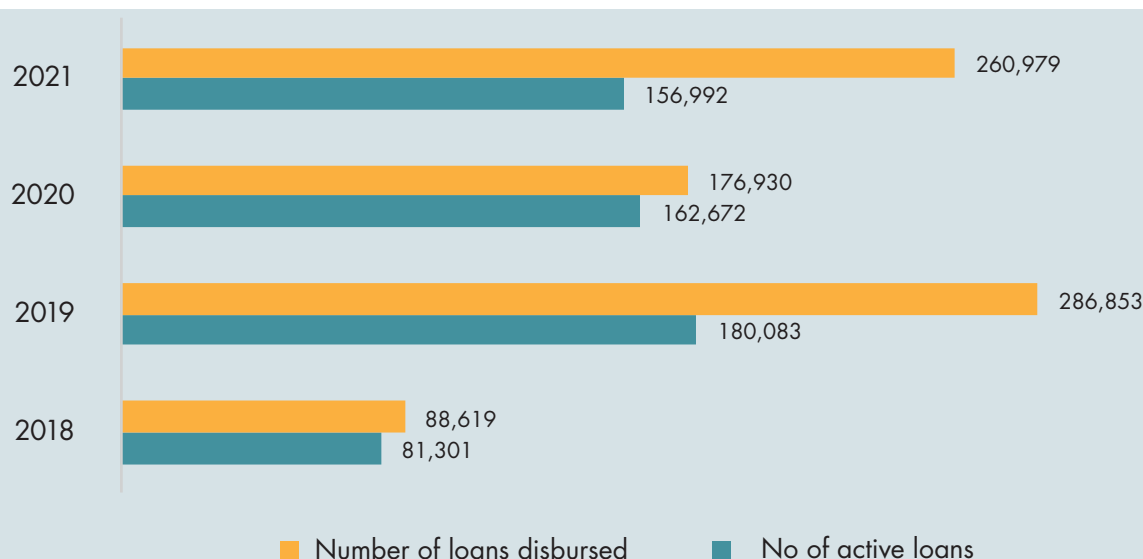


Source: Albanian Microfinance Association

Loans granted in total number for 2021 were 260,979, of which 156,992 were active at the end of December 2021. Meanwhile, the first in loans granted according to market segments, loans granted to individuals lead, which account for about 91% of the total number of loans granted during 2021.

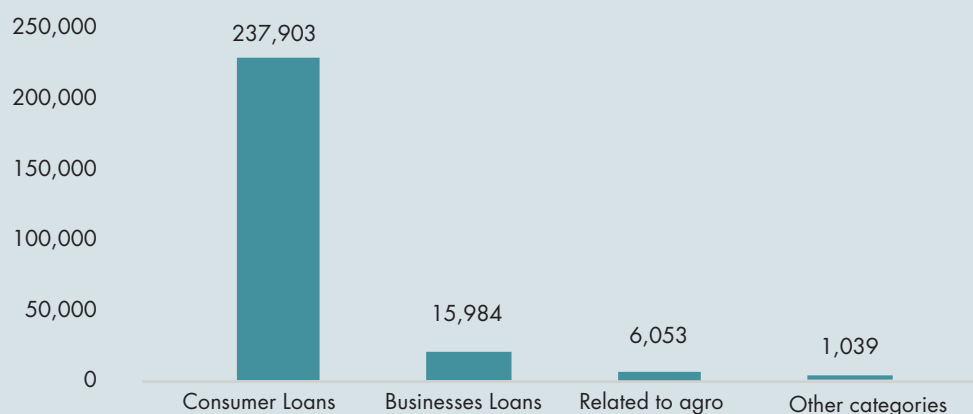
They are followed by loans for small businesses and those for agriculture, respectively, which account for 6.1% and 2.3% respectively, while about 0.6% of the number of loans granted are allocated to other categories.

Chart 5 – Loans granted and active loans in number for members of Albania Microfinance Association, December 2021



Source: Albanian Microfinance Association

Chart 6 – Number of loans granted by type of client, 2021



Source: Albanian Microfinance Association

Regarding the quality of the loan portfolio, according to the figures reported by the members, during 2021 there was a decrease in portfolios in arrears of more than 30 days, an indicator that remained at the value of 11.00% for the end of 2021 against the figure of 13.23% for the end of 2020 (the

figures refer only to the members of the AMA).

The member institutions have taken the relevant measures by increasing the provisioning level for problem loans, mainly financed by own capital and shareholders' contributions in the form of new injections.

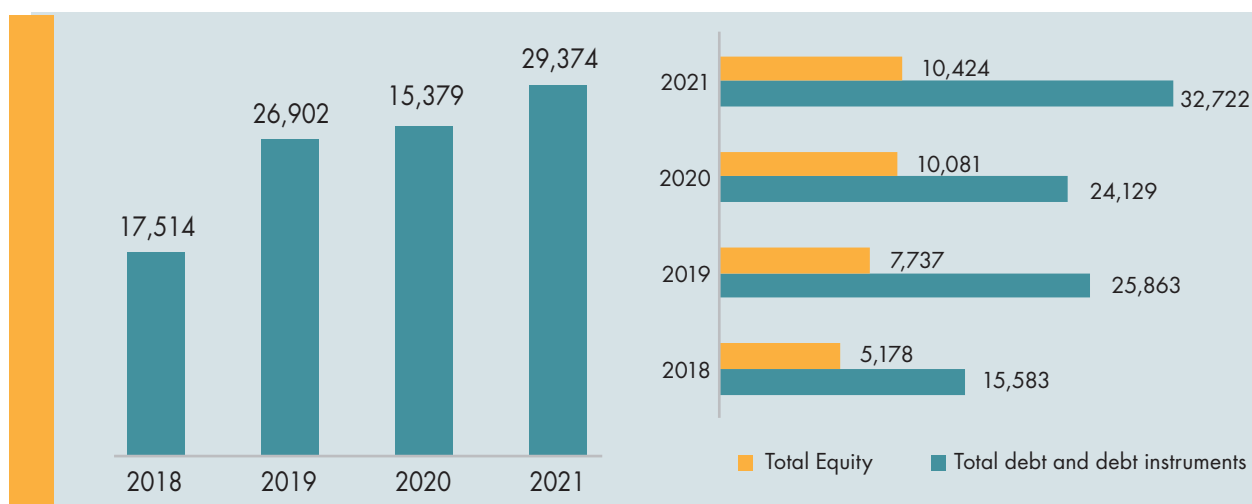
The financing structure of the member institutions of the Albanian Microfinance Association changed significantly during 2020, in favor of higher capitalization compared to financing and donations, as well as savings and credit company deposits.

Currently, during 2021, the sector appears well-capitalized and in a position to withstand the losses calculated according to conservative, neutral and optimistic credit risk management scenarios. This is also proven by the ongoing financial indicators, where most institutions are in accordance with

the regulatory standards normally applied.

We have a slight increase in the level of shareholders' capital for 2021, while the increase in total liabilities has been realized to the extent of 35.6% to support lending activity. Also, the increase in assets to the extent of 11.8% proves the positive performance of the loan portfolio as well as the investments made by the member institutions to increase the quality standard of customer service and support digitalization.

Chart 8 - Total assets of member institutions of AMA ; Chart 9 – Structure of capital and liabilities for members of the Association (figures in millions of Lek)

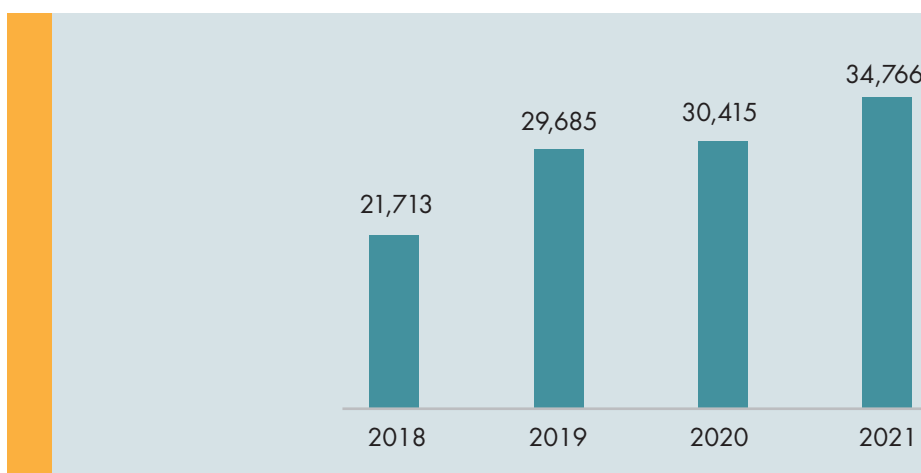


Source: Albanian Microfinance Association

The loan portfolio for members of the Association is presented with an increase of 14%, reaching a total of 34.8 billion lek compared to 30.4 billion during 2020. Despite the high volume of disbursements,

especially in the private sector, the loans granted in this segment were given mainly for short terms (less than a year) and very short terms (less than 30 days), which are repaid before the end of the year.

Chart 10 - Surplus loan balance, December 2021 (figures in millions of Lek)



Source: Albanian Microfinance Association

2.3. Member institutions of the Albanian Microfinance Association

The Albanian Microfinance Association operates in the specific economic context with the ultimate objective to serve the future economic development of the country, and in particular to promote the creation of jobs and the financial inclusion of self-employed individuals, farmers, small entrepreneurs and SMEs. ve, through the strengthening of the microfinance sector and the institutions operating in it.

The activity of the Albanian Microfinance Association is part of a collective and joint effort between its member Institutions, to increase the institutional visibility of the impact that microfinance has on the national economy. The Albanian Microfinance Association has a similar role in improving the legal and supervisory framework that regulates microfinance activity in Albania, promoting best practices, sharing knowledge and introducing new financial instruments among its members and the general public. It supports the technical and institutional consolidation of its members, sharing best practices and identifying financial and economic trends

The year 2021 has been a year with important commitments on the part of the association and its members.

During 2021, the focus of the Association's activities was on supporting the institutions and markets served by them to recover, and to reach the level of activity of the period before the pandemic. A good deal of effort was also focused on improving systems, processes and procedures to cope with possible crises, such as the one of the COVID-19 pandemic. The working groups set up to discuss the improvement of these elements have made a valuable contribution to the reconceptualization of some of the processes to facilitate access to customer finance.

Some of the activities carried out are listed below:

1. Working Group Meeting: Lessons learned from a pandemic year, reflections
2. Training series: "Designing Business Continuity Plans"
3. Webinar: The role of Microfinance to mitigate the risk of human capital departure.
4. Virtual discussion table regarding the possibilities that should be explored in order to design financial instruments to support the microfinance sector in emergency situations.
5. Round table discussion on the Balkans and Eastern Europe, which was held on September

14, 2021 as the opening session of the 23rd Annual Conference of the Microfinance Center (MFC) - "Social Finance Vibe 2021: Pandemic Reboot"

6. Virtual discussion table with the theme: "Innovative Products and Services in Microfinance", where the topic of providing insurance products in agriculture and the challenges of their presentation in the Albanian market was addressed

7. Forum with the theme: "Keeping the door open for Albanian entrepreneurs".

8. Discussion table regarding the activity of microfinance and synergy with the capital markets.

9. Meeting of the working group: Microfinanca and Payments – are we using all the synergies offered by cooperation with providers of payment services and electronic money ?

All these activities were carried out in the framework of achieving the objectives of the association, but also to increase the image of the industry in the country, in the eyes of policy makers, supporting institutions and the target market. A very good job has been done to establish and maintain consolidated relations with regulators, and to lobby in the direction of supporting microfinance institutions with quality decision-making on their part, in favor of the progress of the injection of liquidity into the economy, for the most needy layers.

We have already entered a new phase of development in terms of digital transformation and online services, and Albanian microfinance, accompanied by its social mission, continues to work on educating clients to increase digital financial knowledge, being the vanguard of changes and offering financing responsive and comprehensive service.

UPDATE: The Albanian Microfinance Association (AMA), at the next meeting of the Assembly of Members, which was organized on virtual channels on January 10, 2022, approved the activity strategy for the following year and elected the Presidency for the next two-year period. In accordance with the strategic objectives and the focus of the Association's activity, during this year the efforts will be focused in the following directions: increasing the social impact of the microfinance activity in Albanian society through the empowerment of the needy strata and social inclusion, increasing the impact on policy making and active participation in discussion tables with a focus on economic development policies, especially for farmers, micro-enterprises and small

businesses, as well as the promotion of microfinance activity and the support of members as its providers.

Activities based on financial education are expected to occupy a special place this year,

within the framework of the National Strategy for Financial Education and in cooperation with other market actors, to ensure not only an improved level of financial education, but an inclusive of the population and its layers in the offer of financial services and products.

3

ACTIVITY OF THE MEMBERS OF THE ALBANIAN MICROFINANCE ASSOCIATION DURING 2021



3.1. Agro & Social Fund shpk

Despite the working conditions, under which it had to develop its activity, Agro & Social Fund continued to function in the tasks of the mission and objectives of the society.

The consequences of the pandemic continued to be present, mainly with a higher intensity during the first half of the year, but which also extended into the remaining part. The context in which we had to work had difficulties carried over and increased as a result of a pandemic that lasted longer than expected. Despite everything, 2021 was a successful year for Agro & Social Fund, where we managed for the first time to conclude an agreement with an international partner and also finalized two other agreements with second-tier banks. The year 2021 turned out to be a successful year for the Agro & Social Fund, where we managed to secure the most satisfactory financial result in the history of the activity so far.

- We managed a portfolio of about ALL 877 million. In cumulative figures throughout these years, about 28,717 customers have been served, disbursing about 5.5 billion ALL.
- At the end of 2021, 62% of customers belonged to rural areas and 50% were female customers
- A staff of 81 employees served 3,128 customers
- In 5 years of ASF, the expansion of the areas that our institution covers with services has increased, from 6 offices in 2017, the end of 2021 found us with 12 offices.
- During 2021, Agro & Social Fund, as part of the expansion plan, opened the Durrës Regional Branch, thus extending our services and activity to this city as well.
- The year 2021 focused on the expansion of partnerships with national and international partners, and the finalization of several agreements was achieved, among which was the one with Frankfurt School Finance
- Agro & Social Fund successfully completed the 18-month process of evaluation of institutional practices, due diligence, for the "Code of Good Conduct". From March 2021, we "possess" the Certificate for compliance with the Code of Good Conduct, at the compliance level of 93%. Thanks to this certification, which promotes high standards in microfinance, ASF has adapted responsible and ethical practices with a clear orientation towards sustainable development.

3.1.1 Financial indicators, assets, loan portfolio in volume and number, financial result

- Increase in the volume of Active loans in Number with 340 customers and 109 million in Value, respectively by 12.2% and 14.2%, for 2021, while as a 5-year period, active loans have increased by 88% in number and 172% in value.
- Increase in the volume of Disbursement in Number 320 clients and 131 million in Value by 17.7% and 23.3%, respectively, for the year 2021.
- Cumulative volume increase in Number with 2133 customers and 695 million in Value, respectively 8% and 14%, for the year 2021, while as a 5-year period, they have increased by 36% in number and 73% in value.

3.2.2. Social objectives and achievements in this direction

Despite the difficulties and conditions under which we had to work, the staff of Agro & Social Fund showed maximum commitment throughout the year, for the fulfillment of the tasks that come

as a result of the mission and the main objectives of the institution, among which are the objectives as it belongs to social performance.

Key indicators and achievements for 2021:

- 51% disbursed female borrowers
- 62% disbursed rural clients
- 300 new businesses created
- 180 vulnerable clients from marginalized groups
- 4,950 children's lives have been impacted.
- 3,900 jobs saved

3.2.3 Strategic priorities and objectives for 2022

For the drafting of the strategy for the year 2022, Agro&Social Fund has carried out a careful research, assessing the current situation and the expected developments in the Albanian

economy and keeping in focus the short-term, medium-term and long-term objectives of the Institution and the interactions with all actors.

Strategic Objective: Agro&Social Fund will be focused on providing micro and small loans for businesses or the self-employed, as well as lending for other purposes in accordance with the organization's mission, maintaining the status as a "Microcredit Financial Institution".

Agro&Social Fund will also continue to aim at the increased contribution to economic growth, the reduction of poverty in the country or the improvement of the quality of life of agricultural families, communities in need in rural or semi-urban areas through the provision of loans adapted to the needs of the market. target.

ASF will be fully engaged and focused on the above, moreover because it strongly believes that involvement in finance, which in any case translates into improving the quality of life of borrowers, simultaneously increases the chances of improving the life of a chain of individuals; their family members or wider - communities;

Agro & Social Fund throughout its activity will focus on important elements related to:

- Expanding and increasing the proximity of services to the target clientele, according to the expansion strategy;
- Studying the market and the needs of the target clientele on an ongoing basis and examining the possibilities for further diversification of the products offered or their adaptation in accordance with the context (covid-19 pandemic, current and expected consequences);
- Increasing the indicator of financial self-sustainability and with the same dedication maintaining and deepening the social dimension. ASF firmly believes that only a financially stable institution has the possibility of preserving, developing and fulfilling its social mission;
- Employment policies and addressing issues in human resources management, related to the improvement of the turnover indicator and related elements;
- Increasing the financial inclusion of groups excluded from financial services;
- Being actors and contributors in increasing the financial education of the target groups.

3.2. Agrokredit sh.a.

Agrokredit sh.a. is a state-owned company, the beginnings of which date back to 1999, when a department of FZSH (Albanian Development Fund) was created as an NPO (Non-Profit Organization) by the Albanian government under the name "Mountain Area Financing Fund - FFZM". In 2002, FFZM was licensed by the Bank of Albania as a Non-Bank Financial Institution, owned by the Albanian government, and then in 2009 it was transformed into a joint-stock company under the name "First Financial Development Company - FAFDC."

In 2019, the company changed its name to Agrokredit sh.a. to better suit the government's priorities for rural development, the license of the Bank of Albania and the target group.

Agrokredit's mission is "to provide products, support and financial expertise and beyond, directly or through its partners, for enterprises, families and communities in rural, sub-urban and tourist areas, enabling them to grow rapidly and sustainably income and well-being."

The purpose of creating this institution was to enable the population and enterprises in rural and mountainous areas access to funds and financing.

The company has fulfilled both its social and financial mission during its life, with a history of effective financial self-sufficiency for an acceptable level of risk.

Agrokredit sh.a. at the end of **2021**, owns a loan portfolio in the amount of **692,533,439.78 ALL** from **578,389,056.18 ALL** at the beginning of the year, **20%** increase or in absolute value the loan balance has increased by **114,144,382 ALL** compared to the previous year. Of these, **444,779,757.78 ALL** are loans (SME), for small and medium businesses, and **247,753,682 ALL** are Individual loans. The number of active customers at the end of **2021** is **2,484** and the average active loan is about **ALL 278,798**.

The loan portfolio of **Agrokredit sh.a.** is distributed throughout the territory of the country, giving priority to the financing of businesses in mountainous and rural areas (**91.5%** of the portfolio) and less in urban areas (**8.5%**).

From a structural point of view in terms of the size of the loan, Agrokredit sh.a. is oriented towards the financing of small businesses, where the largest share of active loans is occupied by loans with a value of 200-500 thousand lek, which make up 46% of the value of the portfolio. Next come loans worth 500 thousand - 1 million ALL, which make up 25% of the value of the active portfolio.

The improvements and changes made to the Product Card in the middle of 2020 have led to a significant increase in the number of disbursements and the amount disbursed in 2021,

compared to the previous year; we have an increase in the number of loans disbursed by 42% and an increase in the value of disbursements by 63%.

Special attention has been paid to the quality of lending, lending to businesses and individuals that guarantee the return of the loan and create less risk for the institution. It is worth emphasizing the fact that 97.60% of the loans disbursed during the year have generally regularly liquidated the loan installments and are in the standard and follow-up classes.

In accordance with the mission of Agrokredit sh.a. disbursements are mainly oriented to the financing of agricultural and livestock activities and investments that are in function of agricultural and livestock production.

Indicators of lending activity of Agrokredit sh.a. are constantly analyzed in the Central Office, defining specific monthly objectives for all loan officers in the branch, for the quantitative and qualitative indicators of the loan portfolio, and based on the achievement of these objectives,

the performance of each loan officer and all support structures is evaluated.

During 2021, Agrokredit Sh.a. has shown a good performance in the progress of the statutory direction of its activities and there have been significant improvements in the smooth running of the administration of funds and human resources capacities

The company operates in 90% of the country's territory with 30 offices and over 100 employees.



CRIMSON FINANCE FUND

3.3. Crimson Finance Fund Albania (CFFA)

Crimson Finance Fund Albania (CFFA) is a financial institution with a social mission to increase access to finance for micro and small enterprises, start-ups and activities that generate new jobs. CFFA seeks to support these groups of enterprises with financing and financial advice, helping them to get out of the vicious circle of staying "small". With a wide range of products such as installment loans, financial leases, credit lines and factoring, CFFA aims to cover the needs of these enterprises in investments, working capital, or the addition and improvement of fixed assets.. Crimson Finance Fund Albania finances the manufacturing sector three times more than the average of the financial market in proportion to its portfolio, as well as dedicates about 25% of its disbursements to start-ups, thus becoming a promoter and an open door for the latter, who, in addition to financing, also benefit from a free personalized consultancy regarding their business plan and financial projections.

Regardless of the consequences of COVID-19 in the Albanian economy, which continued their impact, especially in the segment of micro and small enterprises, throughout 2021, like few financial institutions in the country, Crimson Finance Fund Albania managed to record an increase in its portfolio. of financing by 39% compared to 2020, and 76% compared to 2019. Also, CFFA has managed to reduce the rate of non-performing loans for the third year in a row, falling below 6%.

Important developments have also been for us in our structural improvement, such as the imple-

mentation of a new MIS, completely customized and adapted to our activity and the combination of our financial products. This investment has helped us to increase our efficiency, reduce operational risk, increase the quality of information as well as take steps towards a long-term investment in technology. With the help of external consultants, CFFA has overhauled, improved and updated all its internal processes, procedures and manuals in accordance with international standards and best practices.

Throughout 2021, CFFA has taken steps towards consolidating its financial resources, managing to obtain new funds to support its activity and mission, equivalent to 50% of the signed capital. CFFA has also invited a new partner with a high reputation in its capital structure, Helenos. Helenos is the first private fund to focus on inclusive finance in Europe, and is financially supported by the European Commission and the European Investment Bank.

Throughout 2022, CFFA will aim to maintain the high rate of growth of its portfolio, as well as seek to further reduce the rate of non-performing loans. CFFA will continue to be an indisputable supporter of micro and small enterprises and start-ups, seeking to be clearly positioned in the market in support of their steps towards development. Throughout 2022, CFFA intends to expand the number of local and foreign partner financial institutions with which it cooperates, and to increase the volume of funds to support its lending activity.

3.4. FedInvest SHKK

FED invest, in the past year, has oriented its work to continue to serve the membership base despite the crisis in the market before the pandemic or other macroeconomic pressures. The activity of institutions and their bases in this case with positive fluctuations with maximum focus on the approved business plan and strategic objectives for the past year.

Activity has grown within expectations, mitigating management concerns about the negative effects that the pandemic period may have. Although these pressures continue, the business remains on a solid footing thanks to management vision and members' loyalty to our services.

In addition to the satisfactory financial performance, the year 2021 marked a series of achievements. At FED invest, we launched the ABA center and the abaonline.al platform to offer non-financial services and consultancy for our members. The success of ABA was followed by the launch of e-banking services in FED online through Oracle Banking Digital Experience, as well as utilitarian payment services extended throughout the network of branches under the FED invest brand. Financial awareness and access in rural areas were further expanded with the implementation of the digital window project in our most strategic branches.

FED invest at the end of 2021 ranks in its indicators:

- **81,170** members;
- **61** branches and **283** employees;
- Inclusion of women:
 - **36%** of members;
 - **57%** of employees;
 - **70%** of senior management;
- Employee satisfaction rate according to the latest evaluation report **89.9%**
- Total assets at **7 billion Lek**, an increase of **6%** for the year
- Member deposits at **4.73 billion Lek**, with a growth rate of **7%** for the year;
- Capital adequacy – **22.6%**
- Loan portfolio of **4.8 billion ALL** with an increase of **10%** for the year

FED invest remains faithful to its mission to offer a wide range of financial and non-financial products and services, especially for the population living in rural areas, with the aim of increasing financial inclusion, reducing poverty, and increasing well-being. We develop our activity in close connection with the community, offering our members quality, fast and transparent financial services, as well as non-financial consultancy and advice. We stay close to our members using the latest modern banking technology.

Among the strategic priorities and objectives for 2022, we list the introduction of new lending,

deposit and payment products and services; the further development and strengthening of the payment service, the increase of the credit portfolio for SMEs and the creation of models for the financing of the value chain.

FED invest has shown that it is a dynamic institution, capable of adapting and reacting quickly to circumstances, and above all in full capacity to embrace a complex and unpredictable environment, putting the client at the center. The end of 2021 further encouraged the creation of an institutional profile fully equipped to enter its 30th anniversary.

3.5. BESA Fund

The year 2021 turned out to be a difficult year as a result of the situation created by the Covid-19 pandemic. Despite the many challenges and difficulties, this year turned out to be a positive year.

Thanks to the satisfactory recovery of the economy as a whole, the improvement of the financial balances of the private sector, the increase in the level of employment and the normalization of the activity of small and medium-sized enterprises, the lending activity of the Besa Fund also developed according to expectations. Of course, the Besa Fund is pleased to be one of the actors of this progress in these unprecedented situations. Through various products and instruments, we have supported the development of small and medium enterprises in Albania.

The Besa Fund has not only contributed to the granting of loans to small businesses, but has also made a significant contribution to educating clients about financial support, loans, how to approach a financial institution and how to use loans for business improvement or their lives and that of their families.

Besa Fund, in order to achieve the objectives within the fulfillment of its mission, continued its activity by building the appropriate strategies to respond to the situation and to be by its clients' side as it has done during these 27 years.

In the construction of the development strategy, we were based on the achieved results, on the influence of internal and external factors on the activity of the institution, on the analysis of the economic environment and the macroeconomic situation in which the institution operates. Knowing, analyzing and evaluating the economic reality is necessary to orient management measures and actions throughout the decision-making chain, to predict development trends, the expansion of the range of products, to predict risk and to prevent the deterioration of the situation in cases special. This economic reality, with all its impacts and consequences, serves us as an indicator that should be considered and

evaluated in the future.

The strategy of this phase was focused on two pillars: (i) the continuation of the activity trying to maintain the clientele and facilitate access to credit and (ii) the improvement of services for customers, being as close as possible to them both with offices and products new ones tailored to their specific needs.

The Besa Fund actively responded to the revival of loan demand by revising the lending conditions, which resulted in a 6.9% increase in the volume of disbursements compared to the previous year. Businesses have used these loans for investments or liquidity mainly in service activities, trade or even in agriculture.

What should be emphasized is that the quality of the loan this year was also managed to be kept below the predicted levels. The Besa Fund has increased its efforts to manage the quality of the portfolio both through the increased care of the financial analysis of loan requests, the strengthening of collateral conditions and the follow-up of problem loans and their return through the institution's incentive policies.

During 2021, the Besa Fund results with 27,410 active clients and a loan portfolio of about ALL 13.7 billion. Building a loyal clientele has been one of our priorities and currently the level of customer retention is over 60%.

About 13,960 loans granted during 2021 and the growth of the loan portfolio by 1.22%, reaching over 13.7 billion ALL, are clear indicators of the efforts to serve an increasingly large number of clients, meeting the needs of our market segment for financing.

At the end of 2021, the total assets of the Besa Fund amount to ALL 20.77 billion, while the total capital amounts to ALL 4.12 billion.

In terms of profitability indicators, at the end of

2021, the Besa Fund created a Return on Assets of 2.38% while the Return on Capital 12.00%

The capital adequacy ratio of the Besa Fund at the end of the year was 19.87%. (according to BOA 27.82%)

In parallel with the expansion of the activity, the Besa Fund has increased its efforts for staff

training and increasing their capacity, aiming to create a qualified workforce capable of responding to all challenges.

During 2021, the BESA Fund continues to own 100% of the shares of the "Social and Agro Fund" Microfinance Institution.

Indicators	December 2021 (ALL)
Active Credit	27,410
Loan Portfolio	13,679,765,217
Disbursements number/year	13,960
Value Disbursements/year	7,498,309,514
Cumulative number of loans	255,397
Cumulative amount disbursed	96,829,194,656

3.6. luteCredit Albania

luteCredit Albania, licensed by the Central Bank of Albania with license No. 32, dated 31.03.2015 as a Non-Banking Microcredit Financial Institution began its activity by offering consumer loans in April 2015. The mission of luteCredit Albania sh.a. is to create an exceptional experience in personal finance, exceeding customer expectations. The goal is to improve everyone's standard of living, giving them the opportunity to use modern technology and access to the digital economy. luteCredit Albania helps all customers with credit products, which are consumer loans without guarantees, with maturities from 1 to 48 months. The company is part of the luteCredit Europe AS Group based in Estonia, which is listed on the Frankfurt Stock Exchange, and which is the 100% shareholder of the capital of luteCredit Albania.

2021 was the year of growth that also reflects the evolution of luteCredit Albania in fully digitalized solutions for customers, for more stable lending practices, for larger loan amounts in longer periods and with lower interest rates. During 2021, the average annual percentage (APR) of disbursed loans decreased to 59%, while the trend in 2022 is to decrease to 50%.

The year 2021 has marked improvements in many financial indicators compared to the previous year. The total assets of the company in 2021 increased by 43% compared to 2020, this year which was affected by the global pandemic situation for Covid 19 announced in the middle of March 2020 -. Profit in 2021 increased by 13.7%. The loan portfolio at the end of 2021 resulted in a 34% increase from last year. Credit quality (CPI 30) at the end of 2021 increased by 2% more than in 2020 and active customers increased by 3% compared to the data of a previous year.

Digitization helped a lot in the growth of 2021. Investment in Digitization is very important for the future in the smooth integration of luteCredit Albania with e-commerce in Albania. In 2021 we

introduced cardless ATMs and the Mylute app, a next-generation omnichannel technology for more efficient and seamless online interaction with customers. luteCredit Albania had more than 12,527 applications for loans through the Mylute application, as well as invested in more than 16 ATMs operating in all branches of the institution. Digitization is irreversible and the investments made during 2020 and 2021 are already paying off.

The number of employees at the end of 2021 increased by 15% compared to the number of employees in 2020. This is as a result of the increase in activity in general, mainly the increase in the loan portfolio and auxiliary services. IUTE Credit Albania continues to invest in the development and improvement of the competencies and skills of its employees by creating an environment that promotes development through training programs..

This year as well, like every other year, luteCredit Albania continued its involvement in activities of a charitable nature. In 2021, luteCredit Albania for the first time has joined the initiative of the Albanian Red Cross, regarding the awareness of voluntary blood donation for children with Thalassemia but not only. Due to Covid-19, the number of voluntary blood donors in our country had dropped a lot during this period. As a result, there was not enough blood for the thalassemic children to continue their lives normally like everyone else.

The luteCredit Group, luteCredit Albania and all the employees of the luteCredit Group have donated to save the life of little Odin who is fighting cancer. Little Odin is the son of one of our colleagues, one of our best employees at luteCredit. Little Odin was diagnosed with Lymphoblastic Leukemia, which left the family shocked and unprepared. Unable to treat this disease in the Albanian health system, they decided to cure their little son in Italy, regardless of the cost, since the chances of survival were 90% in

Italy, compared to 65% for the treatments carried out in Albania. In this fight, we support our colleague and his little son and collr which were used for Odin's medical bills in Italy and the costs of transportation and accommodation.

A fruitful collaboration was marked at the beginning of 2021 between the Municipality of Memaliaj and luteCredit Albania. As an immediate response to the request of the Municipality of Memaliaj for support, luteCredit Albania donated 450,000 ALL of work tools such as concrete mixers, electric saws, carts, picks, shovels, etc. These tools will help the Public Services Directorate team, during daily work towards the community. With this donation, luteCredit Albania wanted to communicate two important messages. First, every business should donate a portion of its profit to the community, environment and society that needs it most. Secondly, the contribution should also go to areas far from the capital or large urban centers, as the most needy communities are located in these areas..

This is not the first time that luteCredit Albania

donates. In 2019, ICA donated about 1,000,000 ALL to the families affected by the November 26 earthquake. In April 2020, luteCredit Albania donated medical equipment worth 5,000 Euros to the Tirana Infectious Disease Hospital, to help patients infected with COVID-19. In 2020, luteCredit Albania has joined the initiative of the "Fundjavë Ndryshe" foundation to come to the aid of families in need in the municipalities of Durrës and Elbasan. Also, luteCredit Albania has joined the initiative of the Municipality of Tirana "Adopt a Grandparent". He donated to the "Hans Christian Andersen" Orphanage in Shkodër, to families in extreme poverty in Belsh, Elbasani, and also donated to the treatment of the sick mother of a loyal customer.

Covid 2019 left consequences for Albanian families in 2021 as well. For affected customers, luteCredit has continued to forgive the amount of penalties, it has continued with the restructuring of loans or even the forgiveness of remaining obligations for the lost lives of customers due to COVID-19.

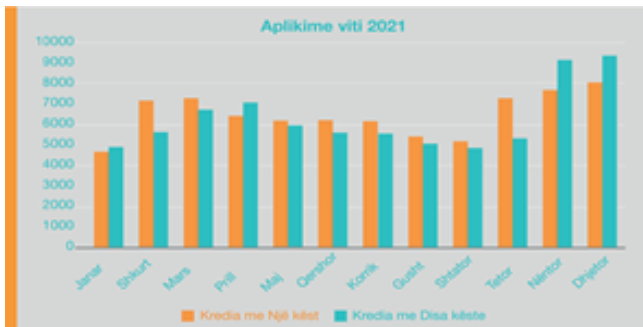
EXPECTATIONS FOR THE YEAR 2022

luteCredit Albania has some expectations for 2022 such as:

- Expansion of products and services for our clients
- Investments in Digitization
- Investments in ATMs, expansion in many cities of Albania
- Investments in electronic signature through trusted service providers
- Investments in the Identification of our clients through trusted service providers
- Continuation of the growth of the main financial indicators;

3.7. Kredo Finance

The beginning of 2021 was still somewhat difficult to form an idea of how this year would go. Kredo Finance took small but sure steps at the beginning of 2021 and in March of this year the products offered by it in the market reached a normality.



There are several factors that brought this increase in the last quarter of 2021. During 2021, Kredo Finance brought innovation to the market by offering for the first time a reduction in the interest applied to its products.

The health of a company is evident from the level of repeat customers it manages to maintain. As can be seen and clearly from the graph above, Kredo Finance relies heavily on repeat customers. In the graph above, we see that Kredo Finance's portfolio for 2021 consists mostly, 68% of recurring loans, and only 34% of loans generated by new clients for Kredo Finance. 37% are recurring installment loans.

To increase the quality of its service, Kredo Finance has invested heavily in the automation of processes and the improvement of all communication links between its employees. Also, during 2021, Kredo Finance, together with the Department of Human Resources, kept the promise that it would bring back all those employees who left during the pandemic period. At the end of 2021, Kredo Finance has 204 employees who direct

As can be clearly seen from the graph in the months of January - September we see a similar average throughout these months, where the months of February and March show an increase precisely because they were the first months with complete products offered by Kredo Finance.



and follow the work to serve all its customers in already 45 branches.

Kredo Finance has pushed even further its promise to be 30 minutes away from every individual and during 2021 it created a strategic partnership with Unionnet - Western Union. This partnership has expanded the physical presence of Kredo Finance and the services offered by it to more than 800 points, where its customers can apply, receive the loan or make installment payments.

Another innovation of 2021 is the 100% Online Application! This means that all new customers of Kredo Finance can now receive the loan directly to their bank account. An innovative link of individual identification has been added to the very simple application that has characterized Kredo Finance since its opening. This identification is done entirely online and is very simple. Divided into concrete steps, all that is needed is just an identity card and photos taken through the platform in question

FUTURE PLANS

Our plans are long-term and ambitious and for the year 2022 credo finance plans

1. To launch a new product on the market
2. To expand and further its network of services
3. To expand its impact in increase of the level of financial education
4. To increase the performance capacity of its staff through an intensive and specific professional and personal training program.

3.8. NOA

We support the economic recovery! This was NOA's objective for 2021. Working on activity recovery after the great social and economic challenges the country faced over the last year,

was the working focus of each NOA unit and department colleague. Under this banner, we injected:



36 million euro



10,700 clients

The level of non-performing loans - Par 90+ remained under 2.2% showing the quality of the loans granted based on sustainable and sound policies of risk assessment that have helped make NOA a point of reference for micro finance in the market. It was exactly the combination of this institutional will to inject as much financing as possible in the economy without compromising the standards that enable NOA to increase its loan portfolio by 13% in 2021 compared to 2020, and to reach a 50 million Euro balance.

To achieve our institutional objective of supporting economic recovery, we implemented for the first time in 2021 a 100% online application and approval process in the field, using biometric capable tablets. This new procedure reduced loan approval times for small businesses and amounts up to ALL 1 million to 15 minutes! This is a record in the Albanian loan-making sector. Furthermore, in 2021, the financing ceiling was increased to 150,000 Euro, based on the growing demand for financing by medium sized business, in addition to small enterprises.

Along with easing procedures for the purposes of

injecting more capital in the economy of the country, NOA also invested in providing more consultation to its clients, focusing especially on clients' actives in agriculture and livestock. In addition to the practical meetings and demonstrations, we organized remote digital counseling for the first time, which was an innovation not only for our organization, but also the entire micro-finance sector. Consultation is considered a key element in ensuring adequate mobilization of our financing to generate jobs, improve standards and generate profits for our loan clients.

2021 was marked by a series of investments in our digital infrastructure, both hardware and software, which provide more security, speed and efficiency in the operations of the entire organization. Thanks to these investments, NOA was able to establish its centralized client relations and addressing center, the first of its kind for a micro-finance institution in the Balkans. Now, our clients are informed in real time about any need regardless of the communication channel they choose to use. This significantly increases transparency, service quality and access to financing for all client categories.

Lastly, deepening cooperation with our partners enabled NOA to generate new economies of scale expanding both geographic and sector coverage (vehicles, agricultural products, appliances, etc.). In addition to installment payments, partnerships with EasyPay and the Posta Shqiptare, allowed our clients to get more streamlined services, while we aim to expand our integrations further in the future. That is why our slogan for 2021 was 'Ku(r)do' (Wherever-Whenever), a meaningful message of our readiness to serve any territory, any community and any client for any need or any ambition, at any time and in any sector, whether agriculture, business, or personal.

2021 was a success owed to the passion, professionalism, commitment and focus of our staff, and for this reason each of them deserves special gratitude in this annual report of our activity. Training and induction courses, broad participation in social events, projects and the many working groups, along with everything else we experienced over the last year consolidated NOA as a point of reference for any young man or woman and any professional that is ambitious and wants to do their best, while also getting the best of a sector - because NOA is the best whenever and wherever!

Main activity indicators

Indicators	December 2021 (ALL)
Active Loans	12,174
Loan Portfolio	6.063 Billion
Disbursed loans	10,723
Disbursed amount	4.435 Billion

3.9. UniFin SHKK

UniFin is a non-profit institution, which, unlike most other financial institutions, is wholly owned by its members. The profits generated from the loan products are reinvested in the capital of the SKK to expand the lending activity for its members to fulfill the financial needs with the most favorable conditions for the members. The loan fund for members has as its source the deposits collected by the members of the CSC. Relying on values and principles such as solidarity, transparency, and integrity, SHKK UniFin is one of the most reliable partners in the field of microfinance in the country.

The year 2021 was another successful and positive year even though it was called the year of economic recovery from the effects brought by the extended pandemic. UniFin recorded an increase in all its indicators, both in membership growth, 10%, as well as in deposit portfolios, 7%, and credit portfolios, 5%, which ultimately resulted in an increase in the capital of SKK. The year 2021 also marked a stability in credit quality, keeping the level of risk within the objectives of the CSC.

The data of UniFin SHKK for the end of 2021 are as follows:

Indicators	
Total number of members:	19,751 members
Total gross loan portfolio:	ALL 901,516,814
Total deposit portfolio:	ALL 1,008,397,552
Total branches:	16
Number of employees:	50

Important structural developments have taken place in terms of investments in MIS, moving to more advanced systems that have brought not only opportunities for new products and increased the speed and quality of service for members, but also reduced institutional operational internal risks. These systems also improved the quality of reporting and accounting by ensuring full compliance with International Accounting Standards.

The year 2022 aims to further increase the loan

portfolio through flexible loan products that aim to meet a wide range of needs for members, from simple consumer needs, support for small and medium-sized businesses, and financing needs for home purchase. UniFin intends to continue further investments in digitization to increase communication with members in a faster and more effective way. Even for 2022, UniFin will continue cooperation with its historical and new partners with whom it shares the same mission and which

4 SUMMARY OF AMA ACTIVITIES DURING 2021

4.1. Meeting of working groups with main themes of the sector

4.1.1. Lessons learned from a pandemic year - reflections

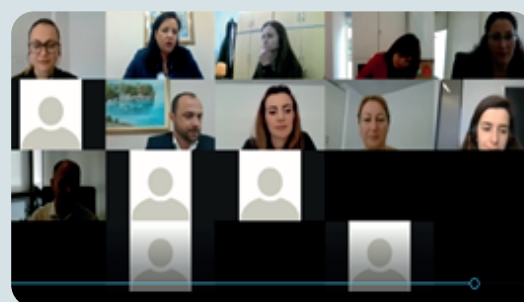
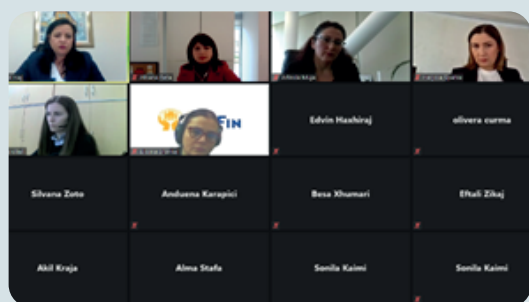
The First Meeting of the Working Group of the Albanian Microfinance Association

On March 25, 2021, with the support of the Microfinance Center (MFC) and with the financial support of the European Union through the Employment and Social Innovation Program (EaSI), the Albanian Microfinance Association held the first discussion table of the Working Group for this year on the topic: "Lessons learned from a pandemic year, reflections". The discussions at this virtual table focused mainly on the issues and problems faced by the sector due to the impact of COVID-19, the efforts that were made to successfully cope with the impact of the crisis and what should be learned as a lesson for Participating institutions shared their experiences and put forward suggestions regarding the lessons that the microfinance sector learned from the crisis, which remains active, and its impact continues. A good number of speakers emphasized the need for more support for microfinance from government, central banks, and policy

makers, given the sector's vital role in supporting hundreds of thousands of individuals, farmers, and micro-enterprises.

To facilitate this process, it was suggested to intensify the ways and means of conveying and distributing information about the microfinance sector and its impact on the economy, as well as about the problems and challenges encountered in the conditions of the lack of support from the of institutions and policymaking with emergency means in the conditions of a crisis that had a serious impact on the market served by microfinance.

The discussions were closed with an exchange of opinions regarding the digitalization of micro-enterprises and the level of innovation they are adopting, as well as the ways in which microfinance institutions can assist in this direction.



4.1.2. Meeting of the Working Group No. 2-Designing financial instruments to support the microfinance sector in Albania

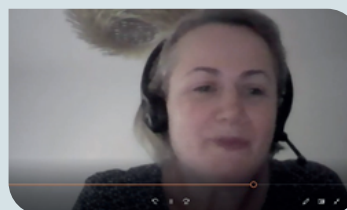
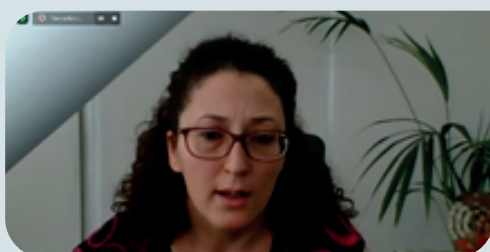
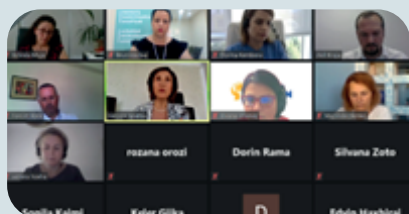
A debate on financing alternatives and emergency funds that the microfinance sector needs during crises

On Tuesday, June 29, 2021, the Albanian Microfinance Association held a virtual discussion table regarding the possibilities that should be explored to design financial instruments to support the microfinance sector in an emergency. In the approved strategy for the Albanian Microfinance Association for the year 2021, one of the issues of concern for the sector and which has not yet been addressed is the impact that crises and emergency situations have on the microfinance industry, which is known to be financed by private investors and cannot be supported with liquidity by the Bank of Albania.

To address this issue, the establishment of an institutional cooperation and the creation of an emergency intervention fund to support the sector in the presence of crises and situations that cannot be helped by investors or the usual liquidity providers of microfinance institutions take on a special importance.

Since the establishment of an emergency fund is a new experience for microfinance institutions, the discussion table was considered quite productive, because it brought valuable information and opinions from various institutional actors, such as the Ministry of Finance and Economy, the Bank of Albania, the World Bank Office in Tirana, the European Fund for Southeast Europe (EFSE) and the Rural Credit Guarantee Fund of the KfW Bank, who shared their experience and expertise in this regard, as well as reiterating their support for this initiative which is among the first in the region. In conclusion, it was agreed on the next steps for him to draft appropriate proposals and materialize these efforts in support of the microfinance sector and its clients.

This event was organized with the support of Microfinance Centre (MFC), within the European Union Program for Employment and Social Innovation (EaSI).



4.1.3. Meeting of the Working Group No.3 "Innovative Products and Services in Microfinance "

The Albanian Microfinance Association, with the support of the Microfinance Center (MFC) and funding from the European Union under the Program for Employment and Social Innovation (EaSI), organized a discussion table on the topic: "Innovative Products and Services in Microfinance", where the topic of providing of insurance products in agriculture and the challenges of their presentation in the Albanian market.

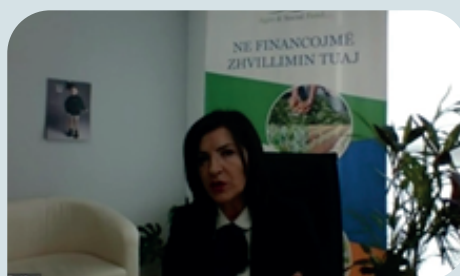
Invited to this discussion table were representatives of non-bank financial institutions, which are active in crediting agriculture, senior representatives of the sector and independent experts Mr. Agim Rrapaj, Chairman of the Albanian Agribusiness Council and Mr. Ilir Pilku, Studio ASF, representatives of the insurance market such as Mrs. Mimoza Hajdarmataj, General Secretary of the Association of Insurers and Mr. Ogert Shkrepa, Director of the Assets and Guarantees Department at SIGAL UNIQA Group, etc.

The first panel of this discussion presented information about the activity of microfinance institutions in support of agricultural development, the challenges the sector faced during the pandemic crisis, but also the power it showed by not stopping lending for a moment. In this panel, the strategic positioning of institutions towards agriculture was also discussed, considering the importance of this sector in the economic devel-

opment of the country and the supply of the food chain. In this context, the member institutions still must increase the coverage with products and services according to the geographical areas, but also the further specialization of the sales force in the provision of non-financial advisory services and technical assistance to farmers.

In the second panel, the focus shifted towards the products and services offered to the market today, and the challenges the sector faces in relation to the lack of formalization of farmers, and their different groups in terms of production and payment capacity. Also, the need for cooperation and joint contribution to agriculture from all the groups established in its support was underlined. In terms of insurance products, the representatives of the sector expressed their willingness to offer these ready-made products to the market, but also underlined the difficulty of the market to absorb them due to relatively high costs.

The participants discussed extensively and agreed to continue cooperation to create a coordinated alliance, with the participation of state institutions, which will help provide cost subsidy schemes for insurance premiums, considering the benefits that insurance schemes offer, and significant cuts to state funds used to compensate farmers in disasters.



4.1.4. Roundtable discussion on the topic: "The approach of the microfinance sector to financing in the capital markets", November 10, 2021

Non-bank financial institutions, members of the Albanian Microfinance Association, have continued their lending activity without interruption, despite the pandemic and the difficulties that the Albanian economy had during the crisis it caused. The growth rates of lending by non-bank financial institutions before the pandemic were double-digit, both in terms of financing small businesses and entrepreneurs, as well as in terms of financing individuals.

However, the sector's access to financing has been shrinking, especially when it comes to funds administered within the country. Member institutions have borne the additional expenses related to the pandemic mainly with their own capital, and very little has been supported by new investors or donors. Among the possibilities to find financing locally are bank loans, which have been exhausted to some extent, and recently, #capital markets, which remain an interesting source of financing, not yet fully explored.

To talk in more detail about the opportunities offered by capital markets locally, what instruments are available, how the legal and regulatory framework is designed, and what potential these markets have for the microfinance sector, the Albanian Microfinance Association, in collaboration with Microfinance Center (MFC) and with the financial

support of the European Union under the Program for Employment and Social Innovation, Technical Assistance, (#EaSITA), organized on November 10, 2021 a discussion table with the participation of all actors of the Albanian financial system that are related to capital markets.

At this table were invited as leading speakers and well-known #experts of the capital markets, such as **Mrs. Flora Musta, Director of the Capital Market Supervision Department at the Financial Supervision Authority, Mrs. Nada Vokshi, General Director of the Albanian Securities Exchange ALSE sh.a., Mr. Artan Gjergji, senior expert for capital markets and Mr. Blodin Cuci, Chairman of the Securities Trading Association.** The experts held very valuable informative presentations about how the capital markets work and what opportunities they offer for microfinance.

On the part of the participating microfinance institutions, there were extended discussions, regarding the regulatory, financial, but also practical aspects of the use of financial instruments and their implications in daily activity. The guests considered this meeting quite valuable and an important point of reference in the efforts of the microfinance sector to get the best of the capital markets.



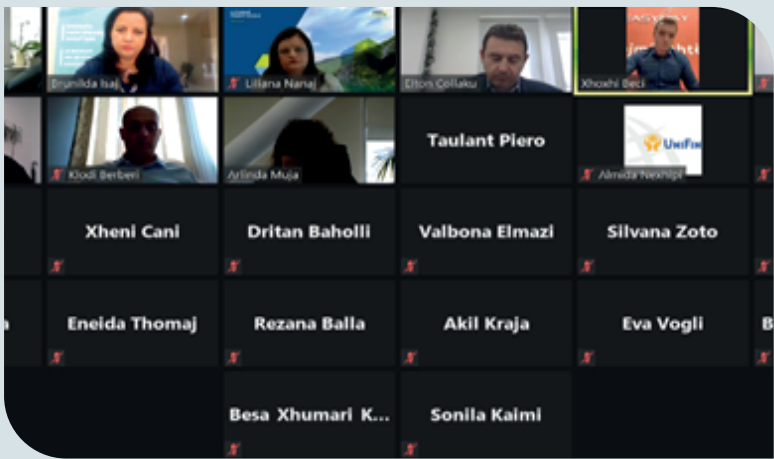
4.1.5. Summary of discussions of Working Group IV, "Microfinance and Payments"

The Albanian Microfinance Association, in cooperation with the Microfinance Center (MFC) and with the support of the European Union within the Program for Employment and Social Innovation (#EaSI), organized the fourth and last virtual meeting for this year of the Working Group on the following topics: Microfinance and Payments - are we using all the #synergies offered by cooperation with providers of payment services and electronic money?

This discussion table addressed important issues of cooperation between microfinance and payment and electronic money institutions. First, the discussions focused on the new Payments Law

approved last year, and what impact its implementation is expected to have on the activity of non-bank financial institutions, both operationally and in terms of facilitating payments. for citizens and businesses.

In the second part of the discussions, it was talked about the existing collaborations and those that are intended between microfinance institutions and payment and electronic money institutions, how these collaborations have turned out, what spaces there are to increase synergies and what joint efforts we need to make for it. carried out a complete digital transformation of the provision of products and services.



4.2. EUROPIAN MICROFINANCE DAY 2021-AMA ANNUAL CONFERENCE

4.2.1 The Albanian Microfinance Association holds the forum with the theme: "We keep the door open for Albanian entrepreneurs"

Within the activities developed by providers of microfinance services and products across Europe, named under a campaign called European Microfinance Day, which is organized by the European Network for Microfinance (european-microfinance.org) and the Center for Microfinance (mfc.org.pl), and held for the third time in Albania, the Albanian Microfinance Association organized on October 25, 2021 a high-level forum to promote the efforts of microfinance institutions to support microenterprises and small business in the conditions of pandemic, as well as to shed light on the strategies of the microfinance sector in the future in terms of partnership with Albanian businesses.

Invited to this event were senior representatives from the Government, regulators, international financial institutions, representatives of the Business community, the Association of Banks, non-banking financial institutions and benefactors of the microfinance activity, who have provided ongoing support to the sector.

The forum was greeted at the opening by the President of the Albanian Microfinance Association, Mrs. Arlinda Muja, who, after underlining the importance of the sector in supporting the market segments that still do not have proper financial inclusion, presented some facts and figures that show that microfinance has consistently been close to microenterprise and small business clients, not only under favorable conditions, but especially in the difficult conditions caused by the COVID-19 pandemic and the related crisis. She invited all actors of today's economic and financial life to interact in support of the development of microenterprises and small business, which are the backbone of the development of the Albanian economy, already recognizing microfinance in Albania as one of the key actors in this support chain.

Then Mr. Deniz Dëralla, Director of the Supervision Department at the Bank of Albania, who evaluated the role of the microfinance sector in supporting the most fragile market segments and expressed the willingness of the Bank of Albania to continue communication and cooperation in the direction of

further regulation of legal and regulatory framework, for the benefit of the microfinance end customer.

Ms. Ines Mucostepa, President of the Union of Chambers of Commerce and Industry of Albania, who spoke next, appreciated the cooperation that has been established between representatives of the microfinance sector and the business community, which has been reflected in a series of joint projects and activities. She stated that today's business continues to need support and that any interaction in favor of increasing access to financing is appreciated and welcomed.

On behalf of the Minister of State for Enterprise Protection, the forum was greeted by Mrs. Ana Petani from the Secretariat of the National Economic Council, an entity created to strengthen the dialogue between government and private enterprise. She underlined some of the initiatives to revitalize the activity of this entity and expressed the readiness for cooperation with the sector to fulfill the objectives of the institution in support of Albanian entrepreneurship.

Then the forum continued with the presentation of an Observation undertaken by the Albanian Microfinance Association regarding the difficult situation that small business and microenterprises experienced during the pandemic, as well as their expectations for the future, a study that has been published in full and in the official website of the Association: ama.com.al

An important part of the forum's work was the panel on the topic: **"The role of microfinance and partnerships in support of increasing access to financing for SMEs"**, where representatives from the Ministry of Finance and Economy, the European Bank for Reconstruction and Development, the Investment Development Agency as well as representatives of the microfinance sector. The guests were introduced to several initiatives for the support of microenterprises and cooperation from the above institutions. Also, they were introduced to the initiatives of financial institutions to support this sector, underlining the key role that

microfinance plays in financing microenterprises in the country.

In the last part of the forum, the panel on the topic: "Microfinance and innovation, are we doing enough?" addressed the issue of first innovation with the eye of entrepreneurship, as well as the microfinance sector. Investment in new technologies as well as in increasing service standards were also two strong points identified as successes during the period we are leaving behind. However, there was a need for a coordination of actions and

increased information exchange to enable a complete innovative transformation.

The discussions also highlighted the ambitions of the sector, for example in the legal plan and in updating the law for non-bank financial institutions. The forum marked an important step in the direction of strengthening the dialogue of the microfinance sector with the government, development financial institutions, market actors as well as with the business community, thus being considered a successful event by partners and participants.



4.3 ANNUAL VIRTUAL CONFERENCE ON MICROFINANCE ORGANIZED BY MFC

4.3.1. Virtual Annual Conference organized by the Microfinance Center (MFC), with the theme: "Social Finance Vibe: Pandemic Reboot"



The 23rd Annual MFC Conference, the first fully virtual event of its kind, was a perfect opportunity for social finance professionals to network, share ideas, gain knowledge from an impressive array of lecturers and speakers, and lay the foundations for successful partnerships in the future. Powered by

the latest technology and a skilled team of facilitators, Pandemic Reboot kept a large number of followers engaged for three days of virtual sessions, peer networking, exhibitions and meetings with familiar faces from the pre-COVID era.

4.3.2. Regional roundtable on microfinance for the Western Balkans

The Albanian Microfinance Association was the organizer and leader of the Round Table for the Balkans and Eastern Europe, which was held on September 14, 2021, as the opening session of the 23rd Annual Conference of the Microfinance Center (MFC) - "Social Finance Vibe 2021: Pandemic Reboot"

This table was moderated by Mrs. Brunilda Isaj, Member of the Board at the Center for Microfinance and General Secretary of the Albanian Microfinance Association, with the presence of Mr. Roberto Estelles Colom, Program Manager in the General Directorate for Neighborhood and Enlargement Negotiations in the European Commission, Ms. Elma Zukic, Board Member at the Center for Microfinance and President of the Microfinance Association in Bosnia and Herzegovina, as well as Mr. Marian Tetici, Deputy General Manager at Patria Credit and Member of the Board of the Romanian Microfinance Association.

At this roundtable, the main trends of the microfinance sector in the Balkans and Eastern Europe were discussed, from the point of view of microfinance practitioners, regulators and policy makers. The speech of Mr. Roberto Estelles Colom, Program Manager in the Directorate for Neighborhood and Enlargement Negotiations at the European Commission, who provided a detailed overview of the opportunities that the European Union has made available to microfinance and social entrepreneurship.

The roundtable was followed with interest and sparked discussions by the participants, as well as opening the way for further action plans by associations and networks at national levels to take advantage of the opportunities offered in relations with policy makers and regulators, as well as to expand their activities. in promoting the sector and advocating for it.



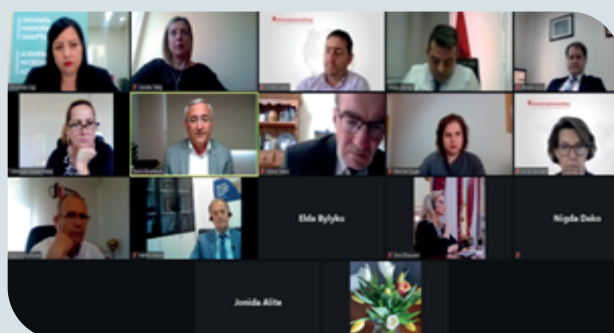
5 FINANCIAL EDUCATION

5.1. Participation in the Albanian Network for Financial Education

5.1.1 The 11th meeting of the Albanian Network for Financial Education

On 21.05.2021, under the auspices and direction of the Albanian Microfinance Association, and with the presence of the Financial Supervision Authority and member organizations, the 11th (eleventh) meeting of the Albanian Network for Financial Education (ANFE) was organized. The participants in this virtual meeting stopped and discussed several topics of interest to the financial market, which represent the contribution of the members of the Network in relation to increasing awareness of financial education and improving its level in all layers of the population.

An important place in the discussions was taken by initiative of the Bank of Albania to draw up a Nationwide Strategy for Financial Education, an initiative which has been welcomed by ANFE and its members have committed to contribute maximally to do this strategies that are as comprehensive and as wide-ranging as possible in the behavior of population. In this regard, some statements and claims from international experts, who are certain in this regard, applied in the other countries.



In developing a National Financial Education Strategy, it is important to focus efforts on key issues

- Avoid "reinventing the wheel" (e.g. consider adopting an existing definition of financial literacy – for example, the OECD/INFE definition is "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.")
- Avoid spending undue time on issues – such as mission/objectives – which will not have an impact on the delivery of financial education to the population
- The most important element to get right is the selection of priority financial education programmes – and reaching agreement on how each will be developed/implemented

5.2. Borrow Wisely Campaign 2021

5.2.1. The "Borrow Wisely" Campaign

The Albanian Microfinance Association in collaboration with its partner Microfinance Center (MFC) promoted during the month of October 2021, the 8th Edition of the "Wise Borrowing" Campaign. During this month, the glossary with economic terms about borrowing and its elements was also promoted.

The "Borrow Wisely" campaign promotes global customer protection standards. This annual international campaign is run by the Microfinance Center (MFC) and its partners. We work with any institution that is a responsible lender (in accordance with current global client protection standards) operating in the

Europe and Central Asia region. We aim to educate many customers on how to borrow money safely, harnessing the positive power of credit and avoiding the pitfalls of over-indebtedness.

As an industry, our future depends on our ability to lend responsibly and protect customers from over-indebtedness, in line with international standards. Smart lending is good for customers and good for the reputation of the industry. The campaign also educated loan officers. It was an excellent opportunity to reaffirm the institution's orientation to customer care and commitment to responsible finance.



6 RESEARCH AND PUBLICATIONS

6.1 Survey on the expectations of individual and business customers for the post-pandemic period

During the month of May - June 2021, 9 companies acting in the microfinance industry have completed the questionnaire regarding the effects of the pandemic on the clients they serve, including individuals and businesses, and their ongoing consumer behavior. There was a total of 177 businesses and about 600 individuals who expressed not only their expectations regarding their incomes and expenses, but also about their service and opinion about microfinance actors in Albania.

This questionnaire served not only for microfinance actors to have the opportunity to serve their customers with more personalized products, but also to have the opportunity to improve their service or education efforts of this target group according to the specific needs that citizens have.

Some of the conclusions of the study regarding the expectations of individuals are listed below:

1. For nearly half of respondents' incomes remained unchanged during the pandemic, however for over 40% of respondents' incomes decreased.
2. There is a lot of uncertainty about the future - 40% of respondents are unable to predict their future level of earnings. But more than half of the respondents are optimistic and believe that their income will either increase or remain the same
3. One third of respondents live modestly and can only afford basic living expenses.
4. Most respondents do not save, even those who have enough income to make expensive purchases.
5. Most of the respondents do not plan big expenses in the next 6 months, such as furniture, cars or home renovation. But there is a segment of about 20% of respondents who plan to take loans to finance such plans. Another 10% cannot afford the realization of these plans, even with a loan.
6. In contrast, the purchase of electrical appliances and small household appliances is the only category of purchases planned by over 90% of respondents, although the majority will finance the expenditure from current income or savings
7. Banks are the main source of credit, but non-banking institutions are in second place. Borrowing from family, friends or informal sources is very rare.
8. In general, the respondents have a good opinion about the services of the IFJBs included in this study.

Meanwhile, from the side of borrowing businesses, the following conclusions come:

1. Small businesses and microenterprises went through a very difficult period during the pandemic
2. In most cases, income and profit dropped significantly, and they were forced to cut costs and turn to financial institutions to get loans. Almost half of the companies were forced to borrow to cover costs, while a fifth had to cut costs or staff.
3. There is still high uncertainty regarding the economic situation and its progress. More than 40% of respondents are not clear how this progress will be
4. However, an equally large part is optimistic and expect that the difficult situation will pass without further deterioration
5. Clients consider banking channels as the primary source of credit with 60% of respondents, and microfinance channels as the secondary source with 36%
6. Most of the small businesses and microenterprises interviewed declare that they have not received help from the state, regardless of the two sovereign guarantee schemes designed and available for business.

7 RESEARCH AND PUBLICATIONS

7.1. Relations with the Bank of Albania

Non-bank financial institutions and Savings-Loan Societies are financial entities licensed and supervised by the Bank of Albania. Albanian Microfinance maintains close relations and cooperates with the Bank of Albania in terms of representing the members of the association, in terms of improvement and changes applied in the regulatory plan, as well as the exchange of qualitative and

quantitative information exchanged in terms of the progress of the sector and trends observed within it in relation to the economic and financial environment of the country in general.

The Association has maintained constant contacts with the Bank of Albania regarding regulatory changes and the drafting of the law on Microfinance.

7.1.1. Important regulatory changes

During 2021, the Bank of Albania prepared a series of regulatory changes in terms of setting a ceiling on effective interest rates and penalties for overdue loans in the group of consumer credit products.

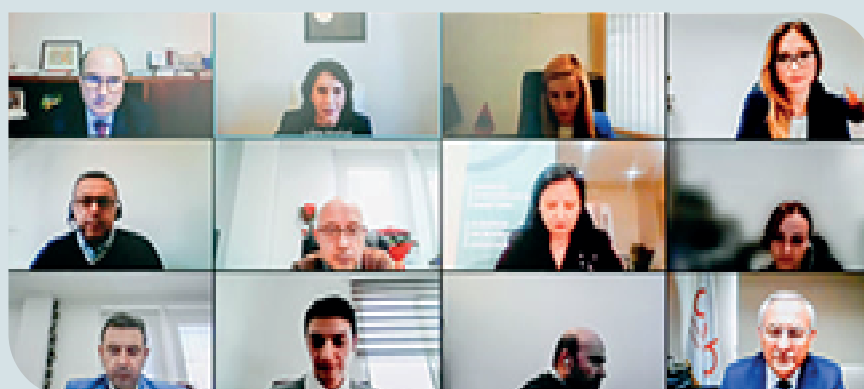
The changes ensure adaptation to the best European practices (models of the Bank of Portugal, France and Belgium) for the determination of i) restrictions on the Effective Interest Rate (NEI), as a comprehensive indicator of known credit costs, based on the calculation of a market average for this indicator, as well as ii) of a limit for penalties and late interest paid by the borrower.

The changes aim to ensure fair practices in the

market regarding the level of interest rates, commissions and penalties applied, especially by non-bank financial entities for credit products. The Albanian Microfinance Association had an active role in the consultations held regarding these changes, and proposed a number of alternatives, which were partially taken into account in their approval.

The association intends to continue communication and cooperation with the Bank of Albania in the direction of using spaces that offer quality and affordable products for customers, but also reasonable conditions for member institutions to exercise their activity according to the specifics and business model adopted by their.

7.1.2. Strategy for Financial Education under the direction of the Bank of Albania



On December 16, 2021, the National Payment System Committee (NPSC) held its seventh meeting online, under the direction of its Chairperson, Ms. Luljeta Minxhozi, First Deputy Governor of the Bank of Albania. The Albanian Microfinance Association took part in this meeting and was represented by its General Secretary, Mrs. Brunilda Isaj.

An important part of the discussions in this meeting dealt with the steps that the Bank of Albania is taking, together with other public institutions and market actors, for the drafting of the National Strategy of Financial Education, an important initiative in the direction of improving financial knowl-

edge of the population and the increase of financial inclusion.

In her speech, Mrs. Isaj explained the reasons why financial education is at the core of the sector's efforts to increase financial inclusion, since microfinance serves market segments which, in terms of demographics and income level, constitute a priority market to work in the direction of education. She expressed the readiness of the sector to work together with other actors in terms of drafting and especially implementing the financial education strategy.

7.2. Relations with the government and other actors of the financial market

7.2.1 Business Development and Investment Strategy 2021-2027

The Albanian Microfinance Association was invited as a partner of the Investment Council in the consultative session to discuss the Business and Investment Development Strategy 2021 - 2027,

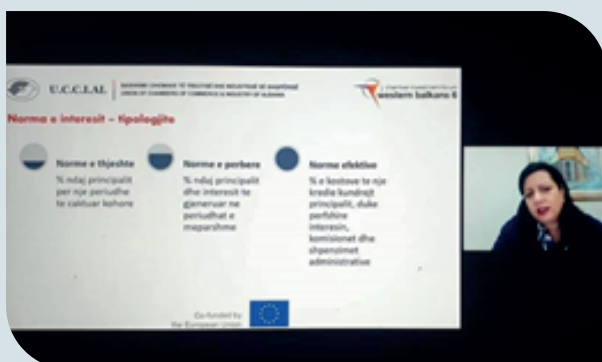
with a focus on supporting small and medium-sized enterprises, an ambitious and well-structured document that is expected to give a boost to this important segment in the country's economy.



7.2.2 Information session on the topic: "Access to finance" organized by the Union of Chambers of Commerce and Industry

AMA participated in the two-day informative session "Access to finance", organized by the Union of Chambers of Commerce and Industry of Albania with the contribution of the General Secretary of the Albanian Microfinance Association, Mrs. Brunilda Isaj. Financial education is at the basis of the economic development of any country, and our sector is fully engaged in promoting and increasing its level. The topics


addressed in the speech of Mrs. These were related to the assessment of the impact of the consequences of the Covid-19 pandemic on business activity in Albania and the challenges for the recovery of the economy; as well as the role of banks and non-bank financial institutions in overcoming the crisis and supporting business with innovative products and services.



7.2.3. Participation in the MFC Board of Directors

During 2021, the Albanian Microfinance Association intensified cooperation with the international network of social finance, Microfinance Center (MFC), being represented through its General Secretary, Mrs. Brunilda Isaj, in the Governing Council of this organization. Mrs. Isaj was nominated and voted on by a wide network of member institutions and joined the Council in May 2021. During 2021 she also played the role of Chair of the Internal Audit and Finance Committee established by the Council.

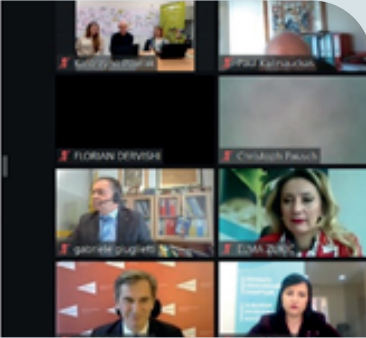
The Albanian Microfinance Association has been a member of MFC since 2016. The Center for Microfinance is a social finance network that promotes fair financing, financial inclusion, gender equality and responsible service. MFC brings together over 100 organizations (including 77 Microfinance Institutions) in 36 countries in Europe, Central Asia and beyond, who together provide responsible microfinance services to almost 2,000,000 low-income clients.



Membership Meeting
April 22nd, 2021

MFC Board nominations

1. Anshil Bakuradze	2. Gabriele Guglielmi	3. Adrien Gizon	4. Brunilda Isaj	5. Elma Zukic
Crystal	Benca Elica	ADIE	Albanian Microfinance Association AMA	Association of Microfinance Institutions AMFI
Georgia	Italy	France	Albania	Bosnia and Herzegovina



8 INCREASING THE PROFESSIONAL CAPACITIES OF MEMBERS AND COOPERATION BETWEEN THEM

8.1. Training program with 3 sessions regarding business continuity planning within EaSI TA

8.1.1. First session: "Business impact analysis:"

In line with the objectives of the Albanian Microfinance Association to increase the capacities of its members, Business Continuity Planning Training was developed.

The First Module on the topic "Business Impact Analysis" that was organized by the Microfinance Center (MFC) and the Albanian Microfinance Association with the support of the Program for Employment and Social Innovation (#EaSI) of the European Union, was attended by

over 45 participants from the institution's financial non-banks, members of AMA and AMIK (Association of Microfinance Institutions of Kosovo).

With this series of trainings, the Albanian Microfinance Association aims to increase the capacities related to the administration of operational risks related to emergency situations, the consequences of which still have a significant impact on the activity of our members.



8.1.2 Second session: "Recovery Strategies and Crisis Management Plans "

The second training module "Business Continuity Planning", focused on the Recovery Strategies and Crisis Management Plans that Microfinance Institutions should adopt to have a complete regulatory framework for dealing with emergencies.

The module was successfully completed and attended by 43 participants, employees of Non-Bank Financial Institutions in Albania and Kosovo.

8.1.3. Third session: "Testing Recovery Strategies"

The third and final module of the Business Continuity Planning online training series discussed testing recovery strategies, raising awareness and training staff, as well as the exercise processes used to test and monitor these strategies.

The participants from Albania and Kosovo evaluated the knowledge conveyed and the possibility of their implementation in their institutional policies.

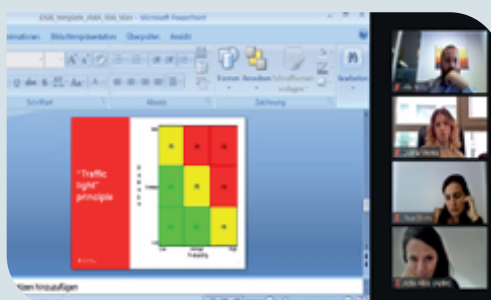
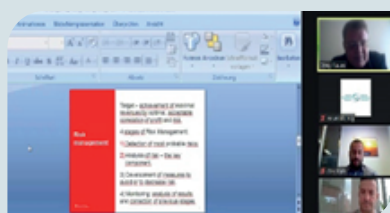
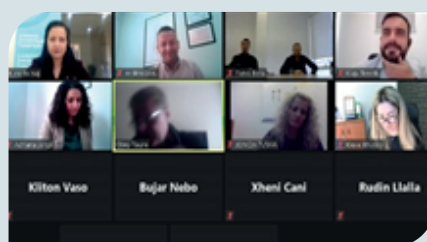
8.2. Training program with 4 sessions for managing risks from non-bank financial institutions supported by DSIK Albania

8.2.1 Topic: "Risk Management in Non-Bank Financial Institutions"

The Albanian Microfinance Association, with the support of the German Sparkassenstiftung Albania, organized on October 13-14 and October 20-21, 2021, a series of virtual trainings on the topic: "Risk Management in Non-Bank Financial Institutions", with the participation of employees and managers of the members of the Association. The trainings focused on the recognition and identification of various risks encountered in daily activities, their analysis and evaluation, as well as the measures that must be taken by the institutions to mitigate these risks.

The trainer in these sessions was Mr. Oleg Flaum, international expert with extensive experience in the field of banking and financial services, especially in the segments of micro-enterprises and SMEs, who has worked in various markets, such as Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Georgia, Kazakhstan, Kosovo, Moldova, Myanmar, Russia, Serbia, Tajikistan, Ukraine and Uzbekistan.

The participants followed the sessions with great interest and participated in the relevant case study discussions, which are directly related to their daily activities. Such capacity building sessions will be organized continuously by the Albanian Microfinance Association, to assist the members' staff and to increase their productivity and performance in the functions they perform.



8.3. World Savings Day

The World Savings Day, an event that became popular with the participation of Mikrofinanca Albanian, German Sparkassenstiftung Albania, Junior Achievement of Albania and the Albanian Association of Banks - AAB, emphasized once again the importance of saving and managing family budgets for a quite charming group of

participating students.

This activity is just one of a complete series of trainings called "Business Games", which are offered by German Sparkassenstiftung Albania and organized by many organizations that are part of the Albanian Network for Financial Education.



9 MEDIA AND PUBLIC RELATIONS

9.1. Publication of two newsletters by MFC and AMA

9.1.1. Publication of two newsletters by MFC and AMA

During 2021, the Albanian Microfinance Association in collaboration with the Microfinance Center (MFC) have published a series of Bulletins on microfinance and its activities, which have conveyed news from the country and the world.

The Albanian Microfinance Association will continue to inform the public regularly about its activities through the established channels of digital communication, traditional media and social media.

9.2. Television and print media interviews for the microfinance sector

Interaction in terms of informing the public has been quite high through publications on the AMA website and on social networking sites in relation to each organized event.

The appearance in the media has been intense with the aim of informing the public and dealing with various topics and problems. Listed below are some of the interviews given during 2021:

- Publication of a research regarding consumer expectations for the post-covid period and initiatives for a market study regarding the social

impact of microfinance

- Publication of 3 press releases, 5 articles on the activity and a number of interviews and participations in the television media regarding various topics
- Publication of the 2020 Annual Report in Albanian and English

Updating the AMA website and social network pages in relation to each organized activity



The Albanian Microfinance Association aims to create and continuously maintain quality relations with media actors, offering at every moment complete transparency regarding the sector, its devel-

opments, and problems, and especially information and education for customers and the population, so that the latter can be able to make informed and quality financial decisions for their lives.

