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Mikrofinanca
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Albanian
Microfinance
Association

ANNUAL REPORT 2022

ALBANIAN MICROFINANCE ASSOCIATION



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MESSAGE FROM THE PRESIDENT



MICROFINANCE AS A LONG-TERM SOLUTION FOR POVERTY REDUCTION AND ECONOMY MOVEMENT

Dear readers,



It has already become a tradition for me to initiate the annual report of the Albanian Microfinance Association with a greeting.

Also, this year I have the honor of sharing with you the Annual Report of the Albanian Microfinance Association, a report which summarizes the progress and challenges for the Microfinance sector in the country throughout the year 2022. This year it will not only be a word of greeting but also a word of thanking. As of course nothing in these words would make sense without the great work that has been done during 2022 by all 9 members of the Association which represent over 90% of the activity of this sector in Albania.

The year 2022 was the year when the renewal of economies after the effects of the pandemic reached its peak, but on the other hand surprised us with a slowdown in economic growth in its second half, resulting in an increase of the inflation levels not experienced for decades now!

It seems as if in recent years, each year will show us how fragile the economic balance of our country is, and how important is the presence of microfinance sector companies in this market to help maintain balances or to initiate new economic movements, seemingly with little effect, but so important to create sound bases for economic development in the future.

For more than a quarter of a century in the Albanian market, many of the critics of this industry say that the cycle has already closed for this market and that other actors must give way! After 25 years, as well as during 2022, each of the actors of the microfinance market showed that only through these companies can be achieved a high flexibility, an adaptation like none of the other financial markets in Albania and access to more extended financing while all the actors of other financial markets applied restrictive policies.

I say this with full conviction, as the figures show that even in another year when the entire economy slowed down, the microfinance sector has shown growth in all its indicators!

In total, all 9 members of the Albanian Microfinance Association have achieved:

1. Increase in the presence of physical branches by 10%
2. Increase of total staff by 13%
3. Increase of the active portfolio at the end of 2022 by 14%
4. Increase in the number of active customers at the end of 2022 by 11%
5. Increase in disbursed volume by 14%
6. Increase in loans to agro businesses by 30%
7. Increase in the number of female customers by 50%
8. Increase in the number of loans disbursed in rural areas by 153%

All these results are not just numbers but translate into giant steps for the future of the local economy. All these numbers point to:

1. Greater financial access for both businesses and individuals
2. Financial education for more women and girls
3. Increasing the well-being of the communities where these businesses operate
4. Creating more jobs
5. Sustainable economic development for the country

During the year 2022, this increase would not be possible, if these institutions did not have a special focus on increasing the capacities of their staff through training and various motivational activities. A great and dignified investment which is giving its fruits quickly and extended in time.

More and more work has been done by all members to increase the support structures of lending, controls and compliance which increase the guarantee of stability and performance of the institutions. Also, the partnership with the Center for Microfinance has made it possible even further to share the best experiences which make this center a key partner for the smooth running of our work.

Thanks to all members for the great work and results!

Thanks to all the employees who helped us achieve these results!

Thanks to all the strategic partners of this industry who help us improve our standards every year and more!

Arlinda Muja
**THE PRESIDENT of Albanian
Microfinance Association (AMA)**



GENERAL OVERVIEW OF THE ECONOMY AND DEVELOPMENTS OF THE NON-BANKING SECTOR DURING 2022

2.1 Some Main Economic Aspects at the International and National Level

Last year was another one with extraordinary political-military and economic events at the international and regional level, which undoubtedly had major impacts in our country as well. Global markets had just begun to recover as a result of the easing of restrictions caused by the World Pandemic and the severe consequences of Covid 19, when the Russia-Ukraine war conflict, which broke out in February 2022, put the world economy in front of a massive shock in an unprecedented situation. The economy of the Eurozone and other regions in Europe were particularly sensitive to these effects, due to the fact that in Europe there had not been any military conflict of such proportions since the Second World War.

The immediate effects of the war were felt in the energy and grain sectors creating an all-encompassing crisis. The dynamics of the development of this conflict led to strong sanctions against Russia and a hardening of political relations between the states involved, affecting to a significant degree the world economy, and therefore the Albanian economy in all its dimensions. These reformulated and determined the further situation, giving an unpredictable direction to all economic and social stability and activity in the rest of the year. As a result of the extreme increase in prices and also the lack of raw materials, all sectors of the economy and industries were shaken, serious fluctuations and speculations were felt in the financial markets, currency exchange rates, import-exports, deadlocks in supply and distribution, suspension and slowdown in the progress of businesses, and consequently uncertainty about the future and the increase in the cost of living for the whole society.

In his speech, the Governor of the Bank of Albania, Mr. Sejko, at the press conference during Q2 2022,

emphasized that: *"The world and Albanian economy continue to be subject to the shocks caused by the Russia-Ukraine conflict, which increased the prices of energy, food, goods and services. The conflict in Ukraine and the sanctions imposed on Russia, so both of these events significantly damaged the global supply chains for most vital products such as energy, oil and food, goods and other services".* Inflationary pressures experienced a significant increase at the international level, also carried over at the national level marking the first jump from 4.4% to 5.7% in the middle of the year, and further on, reaching the maximum in October 2022 of 8.3% - the highest level in the last 24 years. INSTAT reported that "Albanian families in 2021 spent 41% of their monthly expenses on food, while during 2022, the inflation of the food group increased by 12%, almost double the general increase in prices"

The Banking, Non-banking and Microfinance sectors in Albania faced the same situation with unforeseen challenges and obstacles, but on a positive note, it must be said that despite the apparent increase from the first wave of the crisis, the prices of energy and the basket of material goods, there was somewhat a relative stabilization in the conditions when the economy grew at a rate between 3%-4%. Taking into account other stimulating factors from the government, world financial authorities and the Bank of Albania, the demand and supply in the financial markets remained stable and promised an extension in time, with a healthy and well-capitalized liquidity level, while the basic interest rate in Albania remained unchanged, at the level of 2.75%. During this period, financing conditions for both individuals and the government remained favorable.

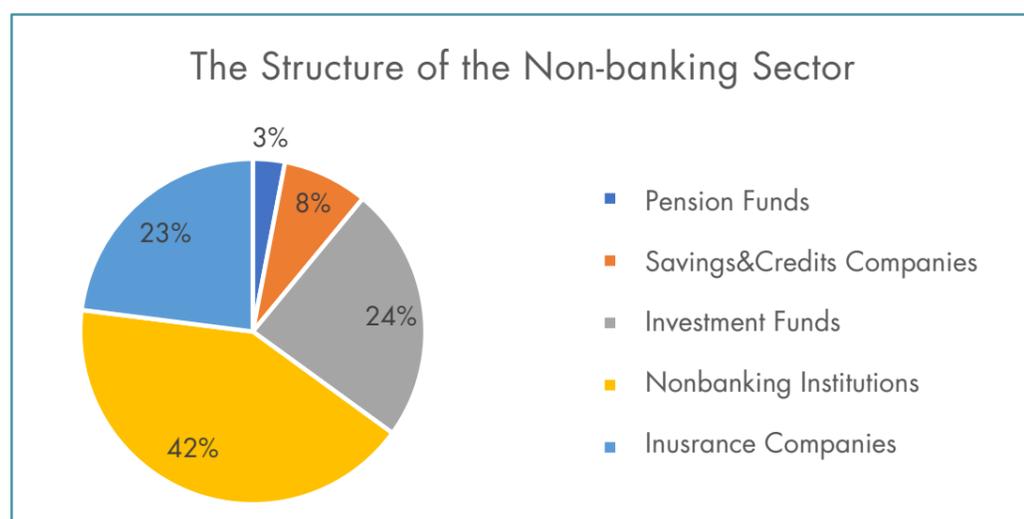
2.2 Activity of the Non-banking and Microfinance Sector

The non-banking and microfinance sector, which accounts for about 10% of financial assets and 11% of GDP in the country, continued to remain an important and vital part of the economy, playing an irreplaceable role in strengthening and improving the business climate and the well-being of families in our country. Given the fact that the Albanian economy relies on micro-businesses, which account for about 90% of small and medium-sized enterprises, Albanian microfinance continued to function as a very effective link to achieve the financial goals of the subjects, supporting them to enter and interact in the financial markets, in other words - in their financial inclusion. This sector ensures that these resources are accessible, softening and easing the conditions of financing, saving and depositing, and at the same time reducing problems with informality, legal and property rights, as well as the source and level of income. In addition to the financing of businesses in trade, services and construction, and self-employed

individuals, start-ups, farmers and businesses in agriculture, this sector continued to contribute to the increase of social well-being, the empowerment of women, the increase and creation of new jobs, as well as the increase of financial education at the national level.

According to the reports of the Bank of Albania, at the end of the year, the Albanian non-banking sector consisted of non-banking financial institutions (IFJB), savings and credit companies (SCK) and their unions, insurance companies, investment funds and pension funds - specifically from 38 IFJB, 16 SHKK and 1 union, 12 insurance companies, 11 investment funds and 6 pension funds. The main weight in the activity of the non-banking sector is occupied by the activity of non-banking financial institutions supervised by the Bank of Albania, followed by investment funds that are supervised by the Financial Supervision Authority.

Graph 1- The Structure of the Non-banking Sector



Source: Bank of Albania

Considering some of the most prominent challenges for 2022 which we mentioned above, of course the non-banking and microfinance sector encountered concrete, direct and indirect difficulties. In the primary plan, we can say that the increase in energy and oil prices directly increased operational costs and complicated the main process, that of lending by increasing interest rates in an environment with high inflation levels. Parallel to this, an equally

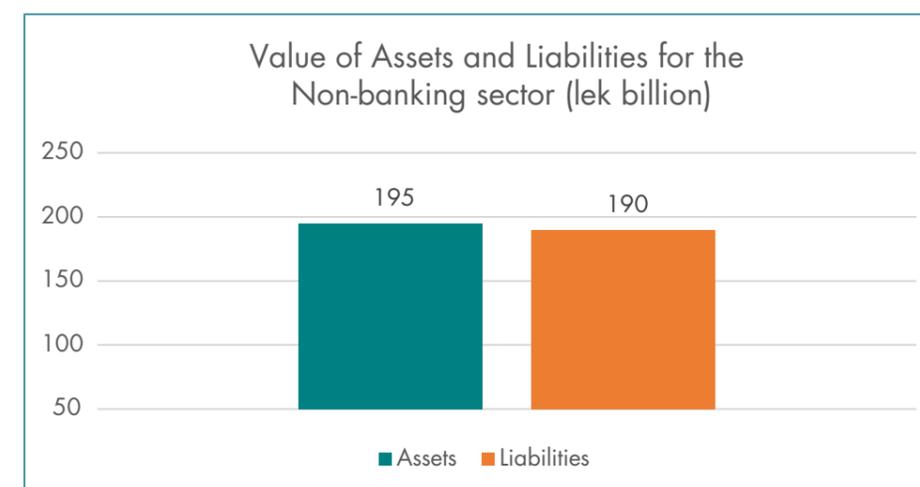
important challenge was the uncertainty about the sources of financing from resident and non-resident subjects, both from the side of capitalization and the increase in the cost of funds. While the demand from the business side remained almost the same, and to some extent marked an increase, the demand for loans of individuals shrank temporarily due to the uncertainty about the future and the significant increase in the cost of living.

2.3. Performance of the Non-banking Sector and Main Financial and Operational Indicators

Referring to some data obtained from the publications of the Bank of Albania, it is known that in general, despite the slowdown of activity during the first quarter, for the non-banking sector, there is an increase in all financial and operational aspects. According to these data, the non-banking and microfinance sector continues to show a balanced

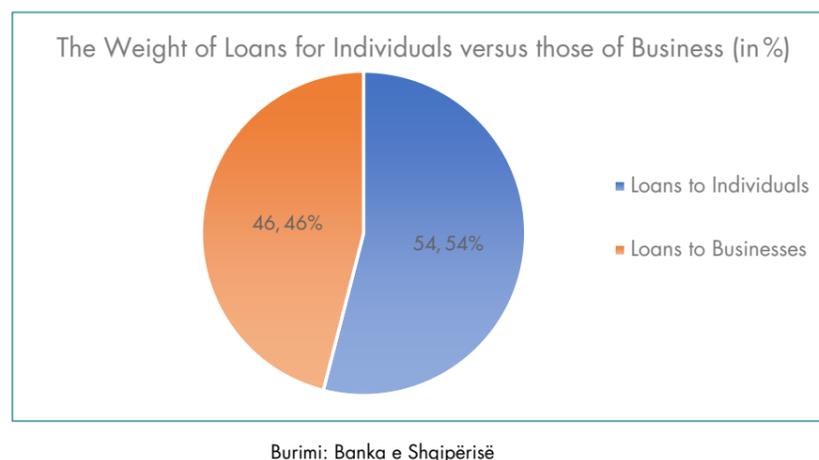
position between financial assets and liabilities. Among the main assets are loans as the main activity with 43%, followed by payments and transfers with 21%, as well as debt securities. Liabilities are represented by capital and shares in investment funds, loans received from resident, non-resident banks and subordinated debt.

Graph 2- The Value of Assets and Liabilities of the Non-banking Sector



Loans for individuals account for 54% of total loans, while 46% belongs to businesses. The sector of wholesale and retail trade and other service activities are the sectors most financed by IFJBs (19% of the total stock for businesses), followed by construction with 13%.

Graph 3 - The Weight of Loans for Individuals versus those of Business



About 70% of the paid-up capital of non-banking institutions is financed by local capital. The capitalization of the activity of these entities continues to remain high, while the quality of the loan portfolio decreased in quarterly terms with RKP from 13% to 14%, however, it improved compared to the end of 2021.

Savings and loan associations saw an expansion of their lending activity with members and recorded a positive net profit, indicating a slight improvement in portfolio quality from a year ago. The ratio of non-performing loans fell to 5.4% compared to 6.2% a year ago. In the investment portfolio of SSCs, the main weight is occupied by investments in loans (69%) and investments in banks in the form of term deposits (21%). The sector that has attracted most of the financing is the agriculture sector (36%), followed by the wholesale and retail trade sector (13%).

In reference to the data for the year 2022, only for the non-banking sector (for the 38 non-banking or microfinance institutions) we can say that:

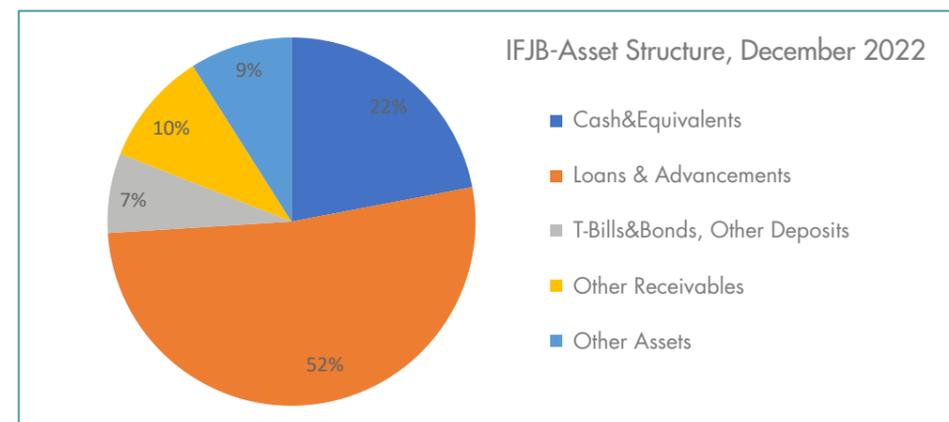
The non-bank financial system counted a total of 38 non-bank financial entities (IFJB) at the end of 2022 with an addition of 3 entities in relation to 2021.

The total assets of IFJBs reached the level of 81.12 billion ALL, increasing during this year by 4.83 billion ALL or 6%. This increase was mainly generated by the entities: Paysera (2.1 billion), NOA (2 billion), lutecredit Albania (1.5 billion), Kredo Finance (1 billion), etc. While "Fondi Besa" resulted in a reduction of total assets for about

3 billion ALL. IFJB's assets reach 4.14% of the total assets of the banking system.

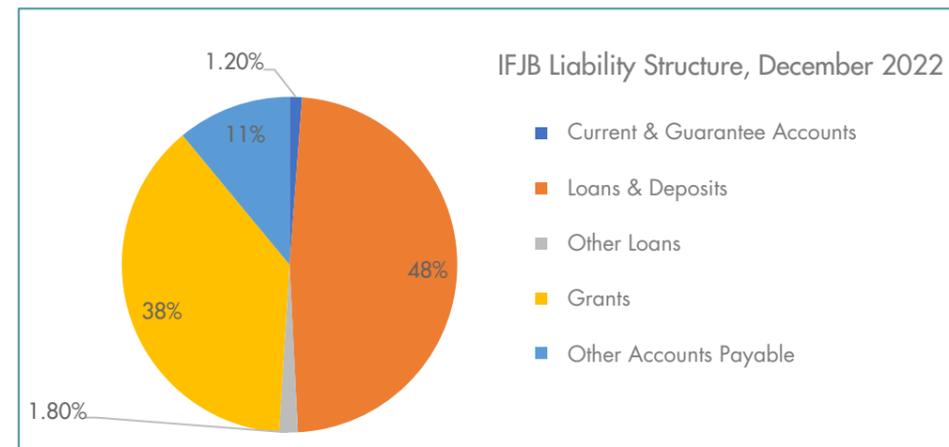
According to the Supervision Report for 2022, the Bank of Albania reports that "In the structure of the assets of IFJB's main weight is held by the loan portfolio with 52%. The rest is distributed in assets liquid (22%), other receivables (10%), securities with variable income (7%) and means of other (including fixed assets) (8.5%). SOuRCES the main for IFJBs are borrowings (48% of liabilities) and their capital (38%). Borrowing through issuance of securities of 0.4%. Regarding loans, the balance leans slightly towards non-residents with 56.5%

Graph 4: IFJB Asset Distribution, December 2022



Source: Bank of Albania

Graph 5: IFJB Liability Structure, December 2022



Source: Bank of Albania

It should be mentioned that the activity with the highest growth during 2022 was microcredit (with about 2.6 billion ALL) At the end of 2022, the gross loan

portfolio for IFJBs reaches 47.4 billion ALL, recognizing an increase of 5.3 billion (or 12.5%) compared to the previous year

Table 1: Progress of the loan portfolio on a net and gross basis for the total of IFJBs

Indicators (lek bln)	Dec'2019	Dec'2020	Dec'2021	Dec'2022
Total Loan Portfolio for IFJB-net terms	33.0	33.5	37.4	42.0
Total Loan Portfolio for IFJB-gross terms	35.5	36.6	42.1	47.9

Most of the loan portfolio of IFJBs consists of lending and microcredit entities (77%). In second place comes the portfolio of financial lease entities (22%) and the portfolio of factoring entities (1%). The credit portfolio of IFJBs reaches 6.24% of the total credit of the banking system, registering an increase of 0.34 p.p. compared to the previous period

The sectors with the highest level of financing in 2022 are "Trade, vehicle repair" with 18.73%, "Other service activities" with 18.70% and "Construction" with 12.16%. The portfolio of IFJB remains oriented towards financing in local

currency (66%) and with medium maturity (72%).

The increase in the total number of non-performing loans appears higher among lending and microcredit entities

At the end of 2022, the indicator of problem loans for financial entities has decreased by 0.4 percentage points. This result was influenced by the increase in the financing portfolio by about 12.53% (or ALL 5.3 billion), while the increase in problem loans was about 9%.

Financial Results of IFJBs for 2022

During the year 2022, IFJBs have generated a positive result of 3.33 billion ALL, a figure which reflects a decrease of 0.33 billion ALL (9%) compared to the previous year. The subjects with the highest contribution to the profit made by IFJBs are: "Tranzit", "Kredo Finance", "NOA", "Unioni Financiar Tirana", "Iute Credit".

The net result of IFJBs constitutes about 13.3% of the result of the banking system. The average return on assets (ROA) for IFJBs reaches 4.11% (vs. 4.8% in 2021), while the average return on equity (ROE) reaches 10.47% (vs. 15.39% in 2021)

Portfolio quality for IFJB at the end of 2022

The ratio of non-performing loans (NPL) fell to 4.7%, from 5.2% at the end of 2021. In the investment portfolio of SSCs, the largest share is occupied by investments in loans (72%) and investments in banks

in the form of term deposits (18%). The sector that attracted most of the financing is the agriculture sector (30%), followed by the wholesale and retail trade sector (14%).

Development line of the loan portfolio quality indicator

Indicator (in %)	Dec'2019	Dec'2020	Dec'2021	Dec'2022
Non-performing Loans -Gross Portfolio	9.69	11.20	13.60	13.20
Non-performing Loans -Net Portfolio	4.14	4.38	3.96	3.54

All other segments of the financial system, except for investment funds, have registered an expansion of activity. The non-banking part of the financial system continues to remain well-capitalized and with a good quality of the loan portfolio for credit institutions, which have reported a decrease in the ratio of non-performing loans compared to the end of last year

The reports of the Bank of Albania also cite that the exposure of the banking sector to the non-banking sector (IFJB) remains low and stable, while the sensitivity of the non-banking sector to the activity of the banking sector remains high and results in an increase compared to December 2021.

3

ALBANIAN MICROFINANCE ASSOCIATION, STRATEGIC PRIORITIES AND FINANCIAL AND OPERATIONAL INDICATORS

The Albanian Microfinance Association (SHIM), consists of nine members; Agro & Social Fund, Crimson Finance Fund Albania, FedInvest SHKK, Fondi BESA, IuteCredit Albania, Kredo Finance, NOA, and Uni-Fin SHKK. The association has a mixed structure that comes as a combination of Non-Bank Financial Institutions (IFJB) and Credit Savings Association (SHKK). In its activity for about two decades, it has continued to best realize its vision and purpose in the service of the economic development of the country, and especially in the financial inclusion of small entrepreneurs and SMEs, self-employed individuals, farmers, and at the same time to promote the creation of jobs through the strengthening of the microfinance sector and the institutions operating in it.

Even during the past year, thanks to cooperative and collective efforts, satisfactory results were recorded and the association managed to fulfill its main objectives:

- a) To represent its members as needed in meetings, conferences, seminars, training sessions, legislative consultations and business events on a national and international scale.
- b) To support the institutional and technical consolidation of its members, by exchanging best practices and identifying financial and economic trends
- c) To promote financial education and knowledge, access to financing, responsible business and social ethics, as well as the microfinance sector as a whole.

Regarding the sectors of the economy, most of the activity of the members is engaged in trade, construction, services and

agriculture, consumer loans for families and individuals, thus reflecting their typical nature

towards micro and medium business, and the consumer segment. In the area of Tirana-Durres and other urban areas in Albania, there is a higher concentration of private enterprises compared to the rural part, which shows a demand for loans from farmers, in agriculture, artisans and self-employed individuals who encounter the greatest difficulties to be included in the financial sector.

During the year 2022, like all other sectors of the economy, the IFJBs operated not only in an economic environment with high inflation rates followed by a significant increase in prices - phenomena which are mostly imported - but also in a national situation where the trend of emigration beyond normal figures was observed, with the ongoing outflow of a part of the population, especially in the younger generations. Although surrounded by the challenges and difficulties we mentioned, IFJBs did not stop the lending process by founding original choices and solutions for business continuity. All members operated at full capacity by further consolidating assets, expanding and strengthening various aspects of the business such as financing and access to financial products and services, increasing the number of staff and clients, further digitization of platforms for financial instruments, marketing awareness campaigns and human resources.

The members of the association follow a socially responsible policy that aims to include and integrate financially excluded individuals and in disadvantaged geographical areas to narrow the gender gaps in entrepreneurship, and also provide these opportunities in a sustainable manner. It is clear now that the sector will only be healthy if all members follow healthy practices and focus on the common good.

3.1 Summary of the main activity in accordance with the strategy of the association and its members

The Albanian Microfinance Association, through the realization of its objectives, has managed to further increase its institutional visibility and positive and concrete impact in Albanian society. Its role in representation, presentation, promotion, mediation, education, dissemination and gathering of knowledge, made it possible for its members to speak with a unified voice on a number of very important issues related to business practices, the lending process, interest rates, the legal and supervisory framework that regulates the activity of microfinance in Albania, and also bringing to the fore new financial instruments among its members and the general public.

Some of the strongest points and fruitful enterprises are the exchange of experience between members, associations and homologous organizations both at the national and international level, interaction and connection through virtual meeting platforms, seminars and webinars, conferences and joint tables.

The year 2022 was characterized by an active and extensive activity of the association and its members with important commitments and participation from all parties.

We can say with complete certainty that Albanian microfinance has already entered a new phase of development and continuous improvement. In addition to working in the traditional aspect of business, during 2022, there was a special focus on achieving some additional objectives to reach the level of activity of the period before the pandemic. A good part of efforts and funds were also directed to improving and increasing capacities, internal information and technology systems, processes and procedures of digital transformation and online services. New platforms were created, some of them "end-to-end" for certain products, as well as connections with intermediaries and various fintech entities for electronic payments and transfers were added.

In the same way, it was given care and importance to the aspect of customer relations and continuous

training of employees with updated knowledge of financial products, together with the understanding, management and mitigation of risks in this industry. In the operational and compliance framework, there were frequent trainings related to the prevention of money laundering and the fight against terrorism.

In its social mission, in close cooperation with counterparts and other international organizations, the association continued to work for the education of customers towards increasing financial and digital knowledge, being a pioneer of changes and offering responsible financing and comprehensive service. A special place is occupied by activities based on financial education, within the framework of the **National Strategy for Financial Education** and in cooperation with other market actors, to ensure a comprehensive inclusion of the population and its layers in the offer of financial services and products. Also, on the frontal level, there was also the work for the presentation and expansion of knowledge about **"Green Finance"** by conveying and exchanging experiences, training sessions based on the regulatory framework established by the European Parliament and that of Albania, explanatory and contemporary materials accompanied by instructions for this relatively new aspect of financing and lending in the microfinance sector.

It should not be left out that in the wake of efforts to empower and strengthen the role of women in society, the microfinance sector made a progressive difference by creating specific products with visible results with products designed specifically for women both in the family and in business.

The contribution of working groups set up specifically for these purposes, related to the identification, discussion and improvement of these elements, has been very valuable in reformatting some of the processes to facilitate access to customer finances and deepening the theoretical and practical knowledge of the members themselves.

Some of the activities carried out are listed below:

1. Meeting of working groups created for the main strategic elements
2. Active participation in the 24th anniversary conference of MFC in Turkey
3. Memberships in other associations and prestigious appointments; Management of the Supervisory Board of the Microfinance Center (MFC) by the General Secretary of SHIM
4. Activities for "European Day of Microfinance"
5. Virtual conference for the Balkans and Eastern Europe, Microfinance Center (MFC) - "Social Finance Vibe 2022"
6. Surveys and questionnaires on the topic: "Social Impact of Microfinance"
7. "Tirana Fintech Days" conference, as the first conference for financial technology and digital transformations.

8. Campaign and forums on the topic: "Smart Borrowing 2022".
9. The national conference "Tirana Fintech Hive 2022" for start-ups and the future of fintech in Albania.
10. "All-Web" conference

Within the framework of achieving the objectives of the association, but also to strengthen and consolidate the image of the industry in the country in function of policy making, supporting institutions and the target market, we can say that these events and working groups have been able to give satisfactory results. Relations with

government entities, regulators, authorities have also had a strong emphasis on financial aspect and lobbying in the direction of supporting microfinance institutions with quality decision-making on their part, to make the process as easy and transparent as possible for the most needy layers.

3.2. Progress of Assets and Credit Portfolio of Association Members.

The members of the Association in an integrated way have a total balance of over **51.0 billion Lek**, approximately, and a loan portfolio of about **39.6 billion Lek**, reflecting an increase in volume of **8.5%** and **13.1%** respectively.

Graph 6 – Total volume of Assets at the end of 2022 (figures in thousand lek)

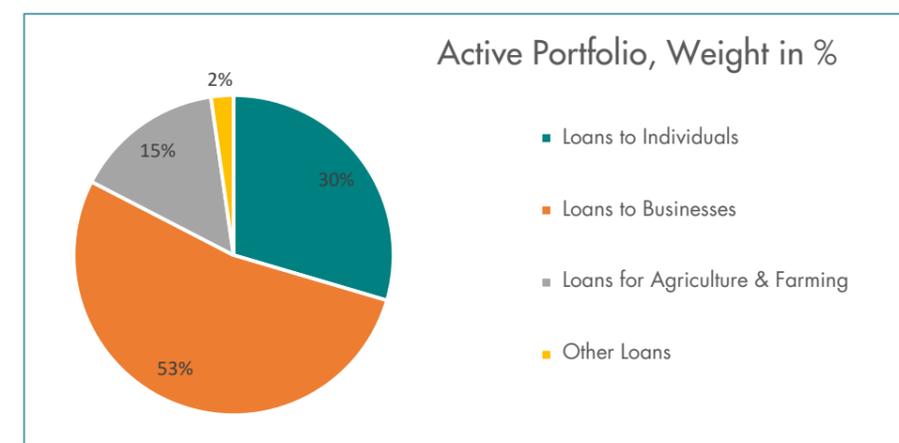


Source: Albanian Microfinance Association

Loan Portfolio

In the total active loan volume of 39.6 million, the largest share is business loans with 20.2 billion lek or 53%, loans for individuals with 11.3 billion or 30%, followed by loans for farmers and agribusiness with 5.8 billion or 15%, and finally other loans with 0.9 billion lek or 2%.

Grafik 7 – Graph 7 – Outstanding Balance in volume, distribution by categories or segments at the end of 2022



Source: Albanian Microfinance Association

New disbursements for 2022, in volume and number

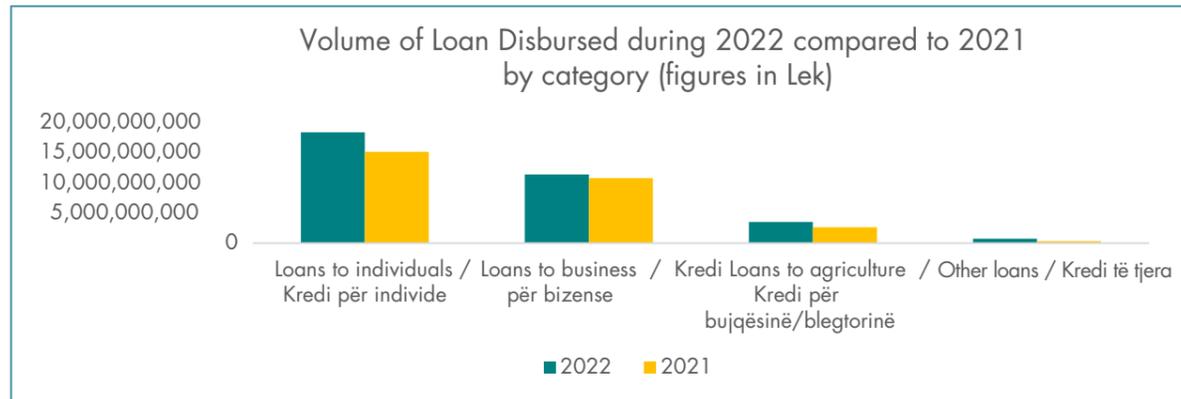
In the new loan given during 2022, the total disbursed volume was in the amount of **34.2 billion lek, a figure which reflects an increase of 5.2 billion or 18.0% higher than in 2021.**

The first ones are respectively loans for individuals with 18.5 billion, which account for the largest share of 62.5% of the disbursed volume, an additional 3.3 billion or 21.4% higher than the previous year. Next come the loans for businesses, which with the volume of 11.5 billion expanded by 631.7 million

or 5.8%. Loans for agriculture and livestock continue with 3.5Bln, reflecting an annual addition of 900Mln ALL or 33.9%, and finally there are other loans with 740.9Mln disbursement, or expansion of 425.6Mln or 134.9% more.

It is worth mentioning the fact that over 80% of the financing granted for agriculture in 2022 had microfinance as its source.

Graph 8– Volume of Loan Disbursed during 2022 compared to 2021 by category (figures in Lek)



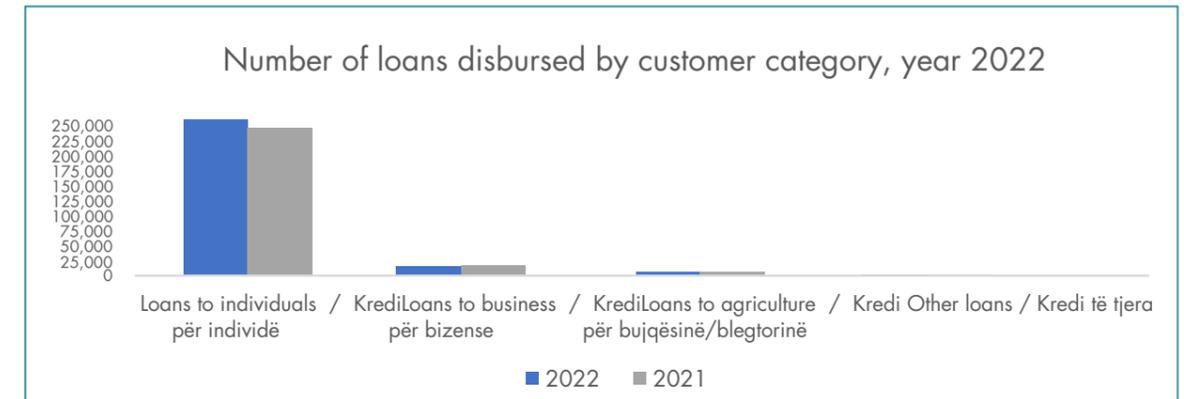
Source: Albanian Microfinance Association

The total number of loans granted in number for 2022 was **297,813** a number which represents **37,876** or **14.6%** increase compared to the previous year.

Of these, almost the main weight is occupied by loans for individuals with a figure of **274,999**, marking an additional **37,480** or **15.8%** higher than year 2021. The new credit disbursements available to business was narrowed this year; the figure of 15,717 is 267 or 1.6% less than the previous annual period.

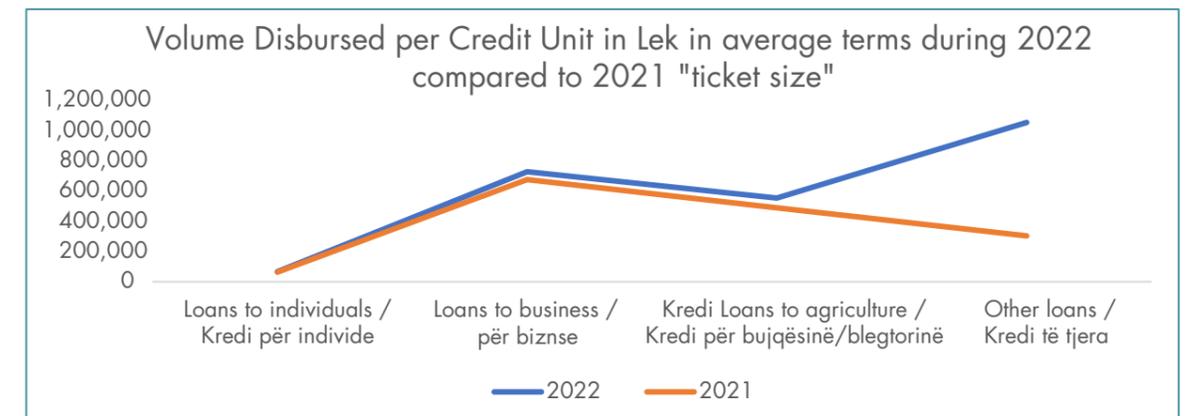
Loans to farmers and agribusinesses expanded by 1,000 or 18.5%, while the number of other loans decreased in absolute value by 337 or 32.4% compared to a year ago.

Graph 9 – Number of loans disbursed by customer category, year 2022



Source: Albanian Microfinance Association

Graph 10 - Volume Disbursed per Credit Unit in Lek in average terms during 2022 compared to 2021 "ticket size"

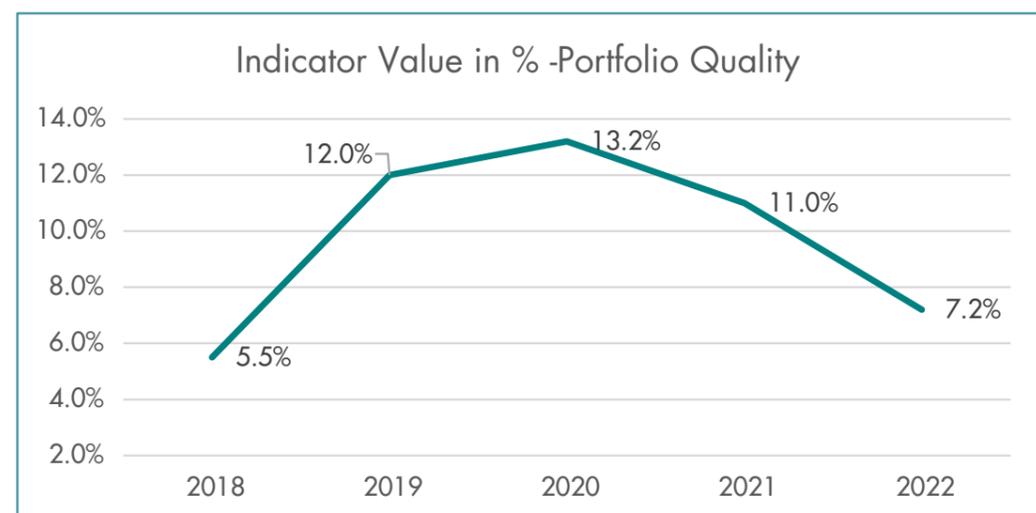


Source: Albanian Microfinance Association

As for the quality of the loan portfolio, according to the figures reported by the members, during 2022 there was a decrease in portfolios in arrears of more than 30 days, an indicator that remained at the value of 8.3% (net terms) - a significant improvement 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 Albanian Microfinance Association e).

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

Grafik 11 – Graph 11 – The percentage of loans over 30 days late compared to the total amount of loans (total volume of the portfolio with problems compared to the loan balance, "gross" volume)

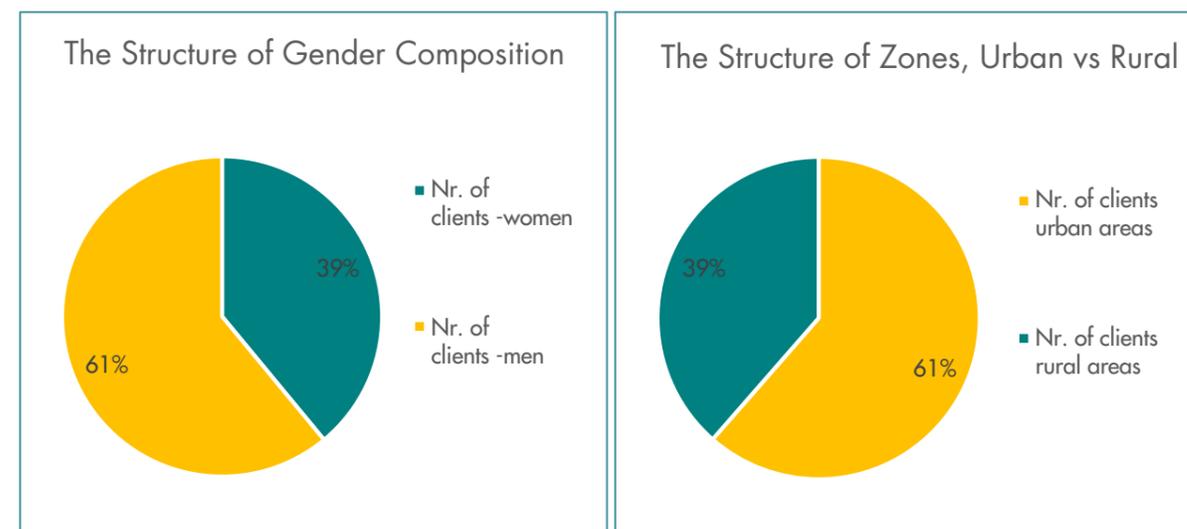


Source: Albanian Microfinance Association

The structure of the financing of the member institutions of the Albanian Microfinance Association changed significantly during 2022, in favor of higher capitalization against financing and donations, as well as deposits of SHKKs. Another phenomenon that was noticed, as a result of the crisis caused by the

war in Ukraine and the rise in prices, is the change in interest rates for some of the funding sources, - from a tradition with fixed interest rates to the purchase of funds (for a part of creditors) with variable costs depending on international indices.

Graph 12 and 13 - The structure of the gender composition in the number of active customers, and according to Urban and Rural areas



Source: Albanian Microfinance Association

The microfinance sector appears well-capitalized and in a position to withstand even the losses calculated according to possible optimistic and pessimistic scenarios, especially against credit risk management and prudent approaches to a number of factors both inside and outside the country. 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 digitization.

4

ACTIVITY OF THE MEMBERS OF THE ALBANIAN MICROFINANCE ASSOCIATION DURING 2021



4.1. Agro & Social Fund shpk

The year 2022 was expected to be a year of recovery and "healing" from the pandemic that was fading. However, the beginning of the year started with increased problems. The Russian invasion of Ukraine and the chain effects it brought about in the increase in the price of hydrocarbons, in the increase in production costs, and in general, in inflation levels not seen in decades, had a significant impact on the economic life of families, small and medium businesses in Albania. Despite the difficulties encountered, overall 2022 turned out to be a positive year for the Agro & Social Fund. The financial result was satisfactory, we managed to sign cooperation with new national and international partners, we expanded cooperation with current partners. In summary:

- We managed a portfolio of about ALL 1.037 billion. In cumulative figures during these years, about 30,973 customers were served, disbursing about 6.3 billion Lek.
- At the end of 2022, 60% of customers belonged to rural areas and 47% were female customers.
- A staff of 84 employees served 3,305 clients
- During the beginning of the year, after we

successfully passed all the anticipated processes, we signed the agreement with EIF, for the amount of 1 million Euro, and in that period the first tranche was passed and made available to our clients, through a product designed exclusively for these funds.

- During 2022, we reached 2 agreements, with Easy Pay and Unionnet Western Union, giving our customers the opportunity to make payments at the nearest points near them.
- The raising of funds with the partner KIVA continued (estimated due to the low fees of the funds according to the categories and during the year 2022, evaluating the cooperation between us as successful, Kiva decided to increase the limit of funds up to 1.5 million euros.
- Due to our several years of work with the "Borrow Wisely" campaign, during the MFC Conference, held in Istanbul, ASF was awarded an award for participation and commitment in promoting global consumer protection standards.

Goals and Strategy for 2023

Based on the projections set out in the short-term Business Plan for 2023, ASF aims to:

By the end of 2023, ASF aims to have reached a loan portfolio with an absolute value of ALL 1.175 billion and to have disbursed loans to about 2,940 clients, with a disbursed amount of ALL 918 million;

- ASF will use all its resources, in the best form, to keep NPLs at the predicted level of no more than 4% and will aim to increase or improve the instruments for controlling the key risks that threaten the organization. Work has already begun on the construction of the RAF, which is expected to be put into operation in 2023;
- ASF until the end of 2023 aims to expand the scope and coverage with financial services in other rural and semi-urban areas, through the consolidation of existing offices and the addition of a new branch;
- ASF aims to improve the offer of its products by improving the products as a whole, in coherence with developments and adapting to the needs of the clientele.
- In order to achieve performance and growth goals, ASF plans growth focused on the human resources branch by about 13%.
- ASF throughout 2023, but extended to achieve closure, in the mid-term period 2023-2025, will aim to make substantial investments for further guaranteeing the security and integrity of data, increasing the quality of work with the information system; improving the infrastructure of installment payments from customers, etc.



CRIMSON FINANCE FUND

4.2. CRIMSON FINANCE ALBANIA

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 cycle 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 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 benefit, in addition to financing, from a free personalized consultancy regarding their business plan and financial projections.

2022 has been a very successful year for CFFA in terms of its performance, despite the challenges in the market related to the increase in interest rates. During this year CFFA managed to increase its portfolio by 36% bringing it to 554 Million Lek. This increase was also accompanied by an increase in the level of disbursements by 30%, bringing this level to 353 million Lek. CFFA also managed to reduce the level of non-performing loans to 4.7% at the end

of 2022, as well as to increase the level of EBIT by 24% compared to the previous year.

The year 2022 also marked a milestone in the further consolidation of CFFA's capital structure, with the entry of our new partner, the Helenos fund, the first European fund focused on inclusive finance, and supported by the European Union and the European Investment Bank.

Throughout 2022, CFFA also focused on expanding the number of staff in each of its departments, on further modernizing internal operational systems and those that interact with our customers and partners, as well as expanding indirect marketing campaigns through the partner network and participation in sector forums.

CFFA intends to resolutely continue fulfilling the mission of its partners throughout the year 2023, becoming an important actor in the local financial market by positioning itself among banks and other financial institutions in terms of the value of financing and the terms offered. CFFA will continue to focus its activity on the financing of assets, productive activities and start-ups by cooperating with international financial institutions that support social finance and aim to increase the impact of our loans with the aim of narrowing the gap of access to finance for micro and small enterprises.



4.3. FED Invest SHKK

The year 2022 marked the 30th anniversary of the beginning of the activity of FED invest, as the largest financial cooperative in Albania. Being organized as an institution in the ownership and service of the members, in these three decades of activity, we have been able to offer creative solutions and build strategic partnerships, paying attention to maintaining the delicate balance: financial sustainability and social impact. At every stage of development, we have had the vision and found the strength to implement important institutional changes, in function of the needs of the membership, simultaneously proving admirable immunity, flexibility and appropriate response to various crises.

The year 2022, as a jubilee year for FED invest, has been special in many aspects of institutional achievements:

- solid growth of membership to around 87 thousand members, served by 300 employees and 64 branches in all of Albania;
- increase of the loan portfolio by approximately 16% on an annual basis or at the level of 5.6 billion Lek;
- expansion of utility payment service for members in many regions of the country;
- improvement of the quality of the loan portfolio and consolidation of the financial result.

During 2022, FED invest has been present to members and the public with a series of promotional and physical and digital marketing activities: a book on the history and the activity of FED invest in years, along with a summary brochure, as well as a documentary film describing the institution's 30-year historical journey was promoted.

FED invest at the end of 2022 ranks in its indicators, also:

- Total assets 7.6 billion ALL with an increase of 7.9% for the year;
- Members' deposits of 5.0 billion ALL with a growth rate of 6.7% for the year
- Capital adequacy – 22.6%

Inclusion of women:

- 37% of members
- 62% of employees
- 70% of senior managers

Non-financial services – ABA Center and its platform abaonline.al:

- Over 15 thousand registrants who receive a range of non-financial services related to agriculture and livestock, information and advice on production technologies and product standards, farm calendar, market prices, as well as promote their products online and create business partnerships.
- 40 activities, online trainings and practical demonstrations on the farm;

In 2023, FED invest will continue to grow in a sustainable manner, offering competitive loan and deposit products and will further expand the range of financial and non-financial services. New utilitarian and digitized payment services will be introduced, the network of business partners will be expanded and online sales will increase.



4.4. Fondi BESA

Achievements during 2022

Even during 2022, which was a difficult year, a year that marked continuous economic instability, where geopolitical conflict and the ongoing effects of the global pandemic were evident, the results of the Besa Fund demonstrated the strength of our long-term strategy, continuing services in support of small and medium-sized businesses that were and remain the sector most affected by the Covid 19 crisis.

Despite the challenging operating environment, the Besa Fund showed resilience and performed in line with its medium-term objectives for meeting the funding requirements of its market. The economic uncertainty that has determined the pace of development these past three years has only intensified our focus on providing value to our customers, launching new services and products to help them manage their businesses in this challenging period, making it easier for them to do business with us and for our employees to serve our customers. The year 2022 has shown that the way we do business, which market we serve, where we have expanded our activity are all reflections of the strategic plan that our team has worked diligently to implement over the last year. The significant support of the business, our clientele, and the strategic decisions we have made have positioned the Besa Fund extremely well to deliver sustainable, long-term growth and strong shareholder returns for years to come.

During 2022, the development of the Fund's activity BESA sh.a has recognized achievements and accomplishments, which have required efforts and clear orientations management at all levels of decision-making. We ended 2022 with the following results:

- The loan portfolio results in the amount 14,106,919,111 ALL
- The number of active loans is 27,199
- Disbursements in number result in 14,367 CREDITS
- Disbursements in value result in 7,365,512,931 ALL
- The number of loan products has increased.
- It has been worked to maintain a relatively level satisfactory risk.
- It has been worked for the support of the staff in it all levels in this difficult year.
- Effective contacts were made and signed agreement with different donors for securing funds.

Of course, we are proud to have made our modest contribution to the growth of the country's economy, supporting small and medium-sized businesses and creating jobs.

Our strategy aims to maintain a team of employees who are results-oriented, able to follow the pace of the institution and identify with its mission, the success of our existing staff and the attraction of new talented employees and the improvement of communication with all levels of staff, with the aim of further strengthening teamwork and increasing the efficiency of employees. During the year 2022, around 64 training activities were organized where 30 different topics were addressed. 1,080 participants have benefited from these trainings, which means that one staff member has benefited from more than one training. In focus is the cultivation of correct and long-term relationships with customers, improving the experience with them remains an important objective and this is achieved through the provision of appropriate financial

services, the creation of relationships of trust, open communication and excellent customer care to guarantee customer satisfaction at the highest level.

During 2022, the Besa Fund has paid attention to the management of risk, market, liquidity and operational risks, identifying, analyzing and measuring it carefully throughout the activity of the institution, aware of the level of risk to which we are exposed, taking measures to keep it at a manageable and controllable level. It should be emphasized that, even during the year 2022, the credit quality was managed to be maintained at the predicted levels.

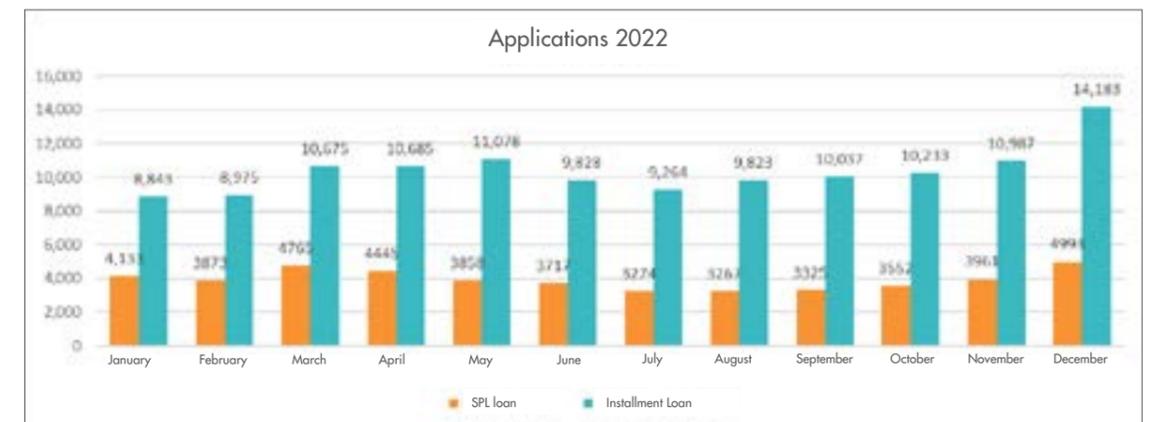
During 2022, the BESA Fund continues to own 100% of the shares of the Microfinance Institution "Social and Agro Fund".



4.5. KREDO FINANCE

The year 2022 started as a promising year, and in fact despite the fact that fate put the global economy on a trial again, Kredo Finance kept its promise. As can be clearly seen from the graph, this year brought a better-known trend of economic dynamics. The beginning of the year was stable and in the months of March-May, the company experienced the growth expected in this period. The biggest increase coincides with the Installment Loan product, showing us once again the importance for the individual of a division of expenses over time. Loan demand

always remains at high rates, and maintains a balance until October. The month of December shows a significant increase both in the number of applications and in loans disbursed. There are several factors that brought this stability and growth in 2022. During 2022, Kredo Finance has remained faithful to its strategy of offering discounted products to loyal customers, but this year, to help all new customers Kredo Finance has brought loans with several installments at 0% interest almost throughout the whole year.



2022 was a year of strengthening! Kredo Finance brand managed to be recognized by 71% of those interviewed! This makes us proud and sure that the year ahead will be a year of absolute success!

DIGITAL TRANSFORMATION IS ONE OF THE COMPANY'S STRENGTHS.

Having the Fintech Company status, it is our responsibility and priority to bring innovation to the Albanian financial market. During 2022 we further improved the online application and disbursement

process, further simplifying and speeding up the 15-minute pledge.

PHYSICAL EXPANSION BEYOND THE INITIAL PROMISE

In order to reach every individual as soon as possible, we have expanded our physical presence with strategic partnerships with third parties, which now makes it possible for all those who need financing to go to all the places where they can see a Kredo.al logo!

CONTINUOUS TRAINING FOR THE INTERPERSONAL AND PROFESSIONAL GROWTH OF THE STAFF

During 2022, Kredo Finance increased the capacities of employees through training, individual improvements, both professional and interpersonal. Such an approach has made us one of the most preferred companies in the labor market and has had a direct impact on the company's results and success. During the year 2022, a total of 69

trainings were given, which in total had 2176 participants, with an average of 10 trainings per employee.

You can't be called Fintech if you don't bring new products to the market! During 2022, Kredo Finance brought another fantastic opportunity for all businesses that are registered with the status of a Natural Person. This means that all customers who have a NUIS registered as a Natural Person and have an active business can get a loan at all Kredo Finance branches.

71%

BRAND AWARENESS
IN 2022

100%

ONLINE APPLICATION
PROCESS

10

TRAININGS FOR
EMPLOYEES

FUTURE PLANS

OUR PLANS ARE LONG-TERM AND AMBITIOUS AND FOR THE YEAR 2023 KREDO FINANCE PLANS

1. TO CREATE NEW SPACES OF FINANCING
2. TO FURTHER EXPAND ITS NETWORK OF SERVICES
3. TO EXPAND ITS INFLUENCE IN INCREASING THE LEVEL OF FINANCIAL EDUCATION
4. TO INCREASE THE PERFORMANCE CAPACITY OF ITS STAFF THROUGH AN INTENSIVE AND SPECIFIC PROFESSIONAL AND PERSONAL TRAINING PROGRAM



4.6. luteCredit Albania

"luteCredit Albania" Sh.a was established as a joint-stock company on August 4, 2014 and the main object of the company's activity is activities in the field of lending, a company which began its activity by offering consumer loans in April 2015.

Vision: People will use fast financial services and transfer money instantly. We are part of this future. Exceptional customer experience is why people will come back again and again.

luteCredit's mission is to create an exceptional experience in personal finance, exceeding customer expectations. luteCredit Albania guarantees all customers with loan products, which are unsecured consumer loans, 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.

The year 2022, just like the year before, was a positive year in terms of growth, where the average annual percentage (APR) of disbursed loans has decreased again to 54.3% from 59% that was during 2021, while the trend for 2023 is to decrease to 50%

Investing in Digitization is very important for the future in the smooth integration of luteCredit Albania with e-commerce in Albania. During 2022, the entire luteCredit group focused on new technological developments, which were finalized within 2022 with the implementation and presentation of the new central system (NC - New Core) in the largest subsidiaries of the group, which also includes luteCredit Albania.

The total assets of the company in 2022 increased by 29% compared to 2021, while the net accounting profit had a decrease during 2022 due to the increase in administrative expenses and investments in technology, the level of total income also increased by 7%. The year 2022 was characterized by an increase in interest rates for funds all over the world, as a result of the increase in inflation and the war in Ukraine, and this was also reflected in an increase in interest expenses for borrowings of 5% during 2022 compared to the previous year.

The loan portfolio at the end of 2022 resulted in a 29% increase from last year. The quality of the loan continues to be very good where even at the end of 2022 loan repayments within 30 days late amount to 90%.

The total number of customers increased by 7.3% while that of good active customers increased by 6.4% compared to the data of the previous year. The number of employees at the end of 2022 increased by 7% compared to 2021. luteCredit 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, where during 2022 each employee has completed an average of 1-2 trainings provided by external trainers.

We also advise and support our customers in many other communication channels: phone, email, Facebook, WhatsApp, Viber, online chats where we provide a seamless customer experience. Our contact center has successfully answered 1.1 million customer inquiries in 2022 and we answered 80% of our calls in under 20 seconds. The very technology of the electronic signature used by their "Mylute" application has maximally reduced the printing of papers, and therefore the pollution of the environment.

EXPECTATIONS IN THE FUTURE - 2023

luteCredit Albania has some expectations for 2023:

1. Expanding the nature of products and services for our customers
2. Uninterrupted Investments in Digital Finance,
3. Investments in the network of ATMs throughout Albania
4. Investments in specific technological processes such as: electronic identification of customers and their electronic signature through trusted service providers
5. Continuous growth of the main financial indicators;



4.7. NOA

Over the past 5 years, NOA has recognized an inherent consolidation of its lending activity, and 2022 was no exception. The injection of 46.58 million euros into the Albanian economy only last year is the figure that best confirms this fact. Of this amount, 35.6 million euros have been dedicated exclusively to economic and productive activities which have directly impacted over 13 thousand jobs. This is the core of NOA's mission. This is the passion that guides the work of our teams, and that continues to remain at our foundation: the protection of the family, entrepreneurial and rural economy.

A mission that takes on even more importance in the face of the inflationary crisis that hit the national and regional economy. The increase in prices and the risk of a drop in living standards for Albanian families, made NOA engage even further with financing tailored to the family by injecting 10.92 million euros in microcredits for this segment alone. A commitment that is also confirmed by the fact that during the year 2022, there are 3,442 loans disbursed to women clients, where 30% of them are women in business and self-employed in the village or city, and the rest are family members in parallel, an annual rule now, NOA was engaged during 2022 in the awareness campaign "Smart Borrowing" organized by the European Microfinance Association as a way to fight over-lending.

This takes on even more value in the face of the inflationary crisis that the family economy is going through, an ethical and prudent commitment to risk, which caused the PAR90 level for 2022 to close at 2.02%. This is another proof of a mutual trust that exists between NOA and its clients, which enables the deepening of the financial relationship under conditions of maximum transparency and seriousness.

Loyal to the dedicated focus in the direction of the agricultural economy, and during 2022 NOA was invested to cover with its financing as widely as possible the needs of Albanian farmers, wherever they are. In addition to the fact that 8.5 million euros were dedicated only to financing agri-businesses, 18 activities, trainings and participation in fairs focused on agriculture were organized at the national and local level. Add here the realization and free distribution of 38 agro-advisory leaflets towards agro-customers, as a direct contribution to increasing the impact of NOA financing in order to produce a real added value with impact. Such results are achieved with a constant investment in the construction of a human, technological and operational reference network for the microfinance sector in Albania and in the region.

During 2022, NOA successfully completed the final consolidation of digital customer service, virtualization of data and updating of the central IT system. These investments enabled NOA to substantially increase the security, quality and speed of service as well as the protection of the privacy of its customers. While the year 2022 ended with a change in the shareholder structure, the commitment for the year 2023 in terms of the company's vision and mission remains unchanged. The official slogan of NOA for 2023, approved at the end of last year, will be that of a Human Finance, proof of a loyal investment towards the socioeconomic development of our country. A testament to a commitment to values. A long-term objective in the service of building a stable and respectful relationship with every associate of the company, with every beneficiary of our funding. **A HumanFinance**, because behind every credit figure, there is a human history built with perseverance, I can sacrifice it. The year 2022 was a year full of challenges for the Albanian economy. But together with our customers, we made it to another year of success.



4.8. UniFin SHKK

Description of activity during 2022, main developments, strategic priorities and objectives for 2023

SHKK UniFin has continued to offer complete financial services to its members, with professionalism and dedication to each member, in accordance with our mission.

This year also felt the rehabilitative consequences of the post-pandemic as well as the political situation which brought increased inflation due to the inertia of macro actions. There was an increase in the prices of all basic products as a result of the increase in the price of fuel, increasing the costs of the standard of living and therefore translated into a low demand for loans for consumer purposes. In the financial system in Albania, banking and microfinance, there was an increase in interest in deposit & credit products, as well as an increase in regulatory requirements. We emphasize here that during this

year the headline was cyberattacks against financial institutions and state institutions from which there was a leak of confidential information of individuals and companies.

Like all financial and state institutions, in UniFin emphasis was placed on increasing information security through frequent trainings, various ordinances and regulations and investments in technology.

Since the creation of UniFin, the main focus has been the dedicated service of its members through their products and transparency, as well as the good performance of this institution through financial indicators.

• UniFin financial indicators for 2022

	Volume		Volume
Capital	192,916,709.02	Total Assets	1,285,009,497.52
Total Deposits	1,054,149,114.18	Total Gross Portfolio	1,013,609,756.15
Total Loan Disbursed	598,115,276.00	Nr. of Loans Disbursed	1.315
Average Loan	569,123.95	Portfolio at Risk (NPL)	4.14%

Values in Lek.

Some of the main investments and developments during 2022 were:

- The SQL computer system was developed and implemented
- Marketing initiatives were undertaken, such as participation in the Agro fair in Lushnje, April 2022
- Investments in UniFin branches, necessary to have a unified network in their presentation.
- Investments in computer system and network IT.

Other successful developments during 2022 were the Control Report from the Bank of Albania for the period 09/2019 - 09/2022 as well as other institutions such as ASD and DPPP.

The main objection for this year also will be

• Goals and objectives for 2023

- Increase in the number of membership in UniFin
- Personalized service with transparency to members
- Increasing the loan portfolio and improving the performance of this portfolio
- Increasing the deposit portfolio
- Expanding the network with new branches in geographical areas where there is no representation
- Reviewing the performance of branches with a focus on reallocating human resources to branches that have higher profitability.
- Continuous staff training

5 SUMMARY OF THE ASSOCIATION'S ACTIVITIES DURING 2022

5.1 Meeting of working groups with main topics of the sector

5.1.1 Green Transformation and Microfinance

The Albanian Microfinance Association held an online seminar on the topic: "Green Transformation and Microfinance" March 24, 2022

As part of the activities carried out by microfinance service providers and products across Europe, the implementation of the Green Agenda for the Western Balkans is a new strategy for the region, jumping from a traditional economic model to a sustainable economy. In accordance with this, the Albanian Microfinance Association organized on March 24, 2022 an online seminar on the topic **"Green Transformation and Microfinance"**. Present in this activity were high representatives from international financial institutions, representatives of the business community, non-banking financial institutions and microfinance activity, who have provided continuous support to the sector.

The opening meeting was greeted by the General Secretary of the Albanian Microfinance Association, Mrs. Brunilda Isaj, who underlined the importance of entering green finance nowadays. This brings new opportunities and potential benefits, but it is not without challenges. It is a new line of business for most microfinance institutions which requires changes in internal operating procedures, financial products and credit assessment methods. At this point, many microfinance institutions that are not familiar with green finance methodologies perceive it as risky and difficult to enter. As a result, many micro and small enterprises (MSMEs) and individuals who are

unlikely to be financed by mainstream banks remain underfunded and constrained from reaching their full potential.

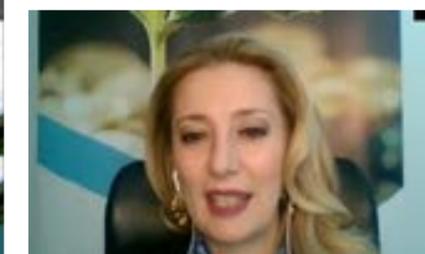
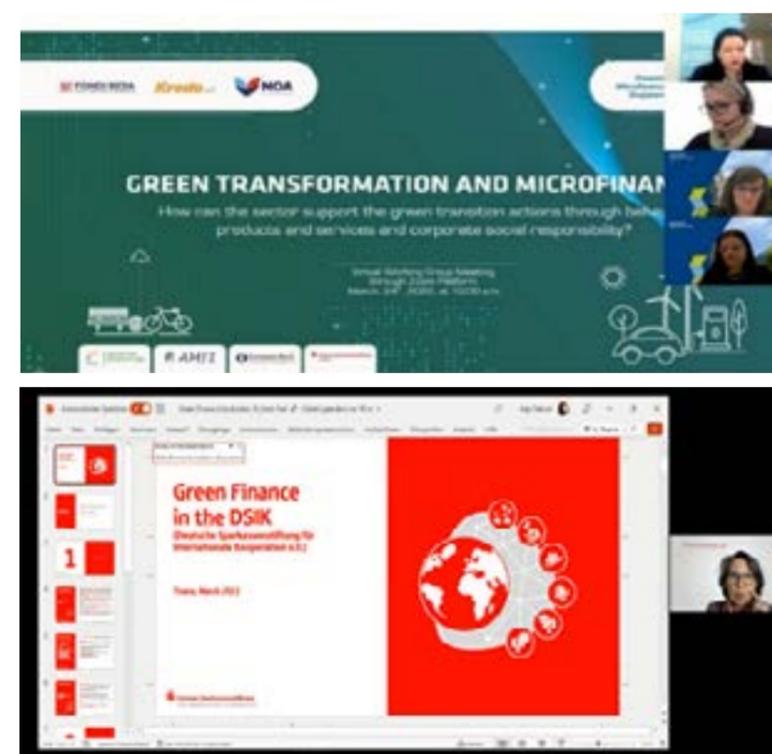
Then, green microfinance was discussed in the conceptual framework as well as the perspective of the sector towards it, and more broadly. Invited speakers in this panel were Mrs. Venera Hoxha, Senior Investment Officer at Finance in Motion - Green for Growth Fund, Mrs. Ana Deinzer, Director of the Office in Albania and Regional Director in Southeast Europe of the German Sparkassestiftung for International Cooperation, as well as Mrs. Elma Zukic, President of the Association of Microfinance Institutions in Bosnia and Herzegovina. The three speakers described their perspectives regarding the importance of green finance, how investors see it and what projects they have undertaken at the regional and international level and the sectoral strategy adopted to develop it as a business line.

In the second panel, conceived as a sharing of experiences by microfinance practitioners at the national and regional level, the guests were Mr. Senad Sinanovi, Executive Director, Partner Microfinance Foundation, from Bosnia-Herzegovina, Mrs. Alma Stafa, Director of Marketing and Product Management at Fondi BESA sh.a. as well as

Mr. Akil Kraja, Director of Projects and Business Development, NOA sh.a. The speakers described their experience in designing the corporate line to support the green agenda and to offer to the market products that help the environment, use alternative energy sources encouraging innovation and technological development in the ecosystem, as well as support customers to implement efficient and

environmentally friendly systems to have the widest impact on society's living standards.

The event was attended with interest by a large number of participants from microfinance institutions, financing and investing institutions, market actors promoting the green agenda and organizations that support it.



5.1.2 Meeting of the Working Group No. 2 – Financing instruments for innovative startups

The Albanian Microfinance Association held a technical roundtable with EU4Innovation on the topic: "Financing instruments for innovative startups" June 23, 2022

The round table about financing instruments for innovative startups, organized by the Albanian Microfinance Association and EU4Innovation, was held on June 23, 2022, in the premises of Europehouse, with a selected group of participants, representatives of Microfinance Institutions in Albania, startups in different stages of development, innovation support organizations (ISO), as well as other actors of the ecosystem.

Microfinance institutions in Albania are considering the possibility of providing access to finance for

startups, which would be able to access an initial financing to launch their activity, and in the long term could contribute to the development and sustainability of the ecosystem.

For this reason, a technical table where startups and ecosystem actors could share their experiences and knowledge about funding instruments, and exchange directly with AMA representatives, and discuss future opportunities and scenarios for providing support, adapted to the specific needs of startups in different development segments, was considered quite useful.



5.1.3 Meeting of the Working Group No. 3-Meeting of Potential Investors

The Albanian Microfinance Association organized a round table with foreign investors on the topic: "Development of the microfinance sector in Albania" June 30, 2022

The Investor Roundtable was organized by Albanian Microfinance at the Wyndham Grand Istanbul at the 24th Annual Conference of the Microfinance Center where it gathered investors from Banca Etica, Foundation Grameen Credit Agricole, Enabling

Capital AG with a great interest in the Albanian financial market and its actors, as well as representatives of MFIs, AMA members in a very interesting discussion about the sector's development, dynamics, investments and its strong potential.



5.1.4 Summary of discussions of Working Group IV, "Financial inclusion of refugees and asylum seekers"

The Albanian Microfinance Association in cooperation with UNHCR Albania held a seminar on the topic: "Financial inclusion of refugees and asylum seekers" December 15, 2022

The Albanian Microfinance Association, in cooperation with UNHCR, Albania, organized on December 15, 2022 a seminar on the topic: Financial inclusion of refugees and asylum seekers.

The aim of this workshop was to assess the financial needs of refugees to understand their inclusion, demand and use of financial services in the country, and to assess interest from financial service providers to extend their products and services to the refugee population.

The Association presented at the event opportunities for the financial sector to serve refugees and best practices followed by financial service providers in other countries. Meanwhile, on the part of UNHCR Albania, the participants were introduced to the socio-economic situation of refugees, the legal framework and living needs, as well as current international practices regarding the effective inclusion of refugees, seeing it in the light of a participatory approach for practitioners at the local level. The Albanian Microfinance Association and UNHCR Albania will continue this cooperation during 2023.



5.2 DITA EUROPIANE E MIKROFINANCËS 2022

5.2.1 The Albanian Microfinance Association holds the annual event with the theme: "Moving forward in times of change, the voice of micro-enterprises"

European Microfinance Day - October 20, 2022



The Albanian Microfinance Association, in cooperation with the European Microfinance Network and the Center for Microfinance, organized on October 20, 2022, a celebratory event in the framework of the International Microfinance Day, an annual campaign which is held for the fourth time in a row in Albania.

The theme of this event was **"Moving forward in times of change, the voice of micro-enterprises"**.

The voice of micro-enterprises and their role in the country's economy is crucial! They are the entrepreneur's opportunity to build his life in





representatives of the banking sector, partners and benefactors of the microfinance sector, representatives of the media, etc.

The event was greeted by Mr. Eduard Shalsi, Chairman of the Committee for Economy and Finance in the Parliament of Albania, Mr. Enio Civici, deputy Minister for Agriculture and Rural Development, Mr. Deniz Deralla, Director of the Supervision Department at the Bank of Albania and Mrs. Caroline Tsilikounas, Director General of the European Microfinance Network.

Albania, to progress through free initiative, and to create a productive and supportive environment for the Albanian consumer! Microfinance has supported and supports entrepreneurs in their difficult and challenging path, becoming a partner not only in their finances, but in their entire journey towards development!

Interesting and informative presentations at this event were also brought by Mrs. Herjola Spahiu, Executive Director of NOA sh.a. and member of the Board of Directors of the European Network of Microfinance, Mr. Fatos Cocoli, economic expert and economic journalist, Mrs. Anja Deinzer, Director of the German Sparkassestiftung Office in Albania, as well as Mrs. Elvana Sharkaj, Administrator of UniFin SHKK.

The event took place in a warm atmosphere and provided networking opportunities for all guests.



5.3. MFC'S 24TH ANNUAL CONFERENCE ON MICROFINANCE ORGANIZED IN ISTANBUL

5.3.1 Annual Conference organized by the Center for Microfinance (MFC), with the theme: "Microfinance Investment in Uncertain Times" - June 29-30, 2022.



MFC's 24th Annual Conference, the largest event for the microfinance sector took place in Istanbul on 29-30 June 2022. This extraordinary event was held to explore and better understand the microfinance investment landscape and opportunities, important sector updates and the latest approaches to gender issues, green finance, technology, challenges and financial inclusion of refugees and migrants.

The conference hosted more than 400 microfinance leaders, policy makers, experts, investors, IT providers, donors, from 40 countries, with the largest participation from Bosnia and Herzegovina, Kazakhstan and Georgia.

The conference, with more than 30 keynote speakers, 4 plenary sessions, 9 roundtable technical

discussions, was the biggest event of the year in the microfinance sector.

It was a great networking opportunity for professionals from all over the world. Connections were re-established, agreements were made and existing partnerships were strengthened. Institutions providing digital solutions gave delegates hands-on experience with their services and created a space to discuss effective partnerships in the future.

The conference was very successful in terms of impact and investment on participating institutions and countries.

5.4 MANAGEMENT OF THE SUPERVISORY COUNCIL OF MFC

5.4.1 Appointment of the General Secretary of the AMA as Chair of the MFC Supervisory Council

The Albanian Microfinance Association is pleased to announce the appointment of its General Secretary, **Mrs. Brunilda Isaj, as the Chairperson of the Supervisory Council of the Microfinance Center (MFC).**

Microfinance Center is a social finance network that promotes fairness, inclusiveness, equity and accountability in the provision of financial services. The network brings together about 100 organizations from 36 countries in Europe and Central Asia, which together offer microfinance products and services to about 2 million low-income clients.

Brunilda Isaj has a successful career in the Albanian banking and financial sector, and now also at the international level. She contributes her experience as an advocate and promoter of the microfinance sector, actively participating in policy making and in the regulatory field. Brunilda is the organizer and leader of a series of roundtable discussions and events to address the challenges of microfinance and achieve our solutions for them, in close cooperation with the government, regulators, investors and stakeholders, with the aim of supporting the sector and vulnerable layers of society who have little or no access to the banking system.



5.5 "SOCIAL FINANCE VIBE 2022"

4.5.1 MFC Virtual Conference with The Topic: "Towards an elastic future" NOVEMBER 9-10, 2022



"Social Finance Vibe 2022" was the second edition of the virtual conference organized by MFC with the support of the European Union and other partners.

The largest virtual microfinance event welcomed around 600 participants, where keynote speakers were professionals from the microfinance sector and social enterprises and over 50 expert professionals to share and exchange their knowledge.

During the 2 days of the conference, the use of high technology for holding virtual sessions, uninterrupted and effective technical assistance, interaction through electronic connections enabled the success of the conference.

Emphasis was placed on exploring opportunities for social economy development, the role of financial

providers in the social economy ecosystem and the mega trends of the green and digital transition, as well as the impact of the war in Ukraine. Key debates took place on the main trends and hot issues facing the latest development of social finance, on the newly launched EU Social Economy Action Plan.

"Talk with Leaders" was the session that presented practical experiences of leaders, experts working in special social economy institutions.

SFV 2022 is the completely nature-friendly conference, the development of the virtual conference helps the planet by reducing waste, unites people in a wider audience and all this leads us to a resilient future.

6 DIGITAL FINANCES

6.1 FINTECH CONFERENCE 2022

6.1.1 FINTECH DAYS TIRANA – September 23, 2022



"Fintech Days Tirana - When technology meets Finance - Digital Transformation" was a unique event, which consisted of a one-day conference and a three-day Hackathon.

"Fintech Days Tirana" brought together a wider digital finance community: solution providers, end users, traditional businesses, banks, advisors, academics, researchers and government representatives from Albania and the region, in order to create a unique meeting place that will enable participants to meet and exchange knowledge.

The Albanian Microfinance Association was part of this unique conference, which brought together over 200 participants, with 25 speakers, 4 plenary sessions and 20 topics covered.

In the second session with the theme: "Time of Transformations for Microfinance", the focus was expanded on the microfinance sector with its leading representatives in the market.

Under the moderation of the General Secretary of the Albanian Microfinance Association Mrs. Brunilda Isaj, with honored guests - CEO of Kredo Finance, Mrs. Arlinda Muja, CEO of NOA Albania, Mrs. Herjola Spahiu, CEO of CARDO AI Mr. Altin Kadareja and COO of EASY PAY Mr. Endri Kote.

The following issues were addressed in this panel:

- How can we use digital payments to improve and innovate the micro-lending landscape in Albania?
- How are Fintech and microlending companies revolutionizing how to leverage data to increase on-boarding, assess and predict credit risk, prevent delinquencies and improve the customer experience throughout the lending lifecycle?

The financial services industry is constantly adapting to technological changes. A changing lending ecosystem is pushing lenders to use data to keep pace with the sector's growing innovation.



6.2 ALLWEB ALBANIA 2022

6.2.1 INTERNATIONAL DIGITAL MARKETING CONFERENCE, November 2, 2022



On November 2, the largest digital conference in Albania returned.

After 2 years of absence, Allweb came with the mission "To provide quality content, great speakers, practical case studies, knowledge sharing and much more."

The Albanian Microfinance Association was a partner of this important event, which presented added value not only for the member institutions, but for the entire ecosystem of entrepreneurs in the country.

With the participation of 12 international, regional and local speakers, under the leadership of Gerti Boshnjak, founder and executive director of New Media Group, founder of Business Magazine Albania and director of the AlbaniaTech portal.

Topics covered focused on digital marketing, creativity, metaverse, user experience, web3 and business strategies, and as always digital marketing best practices.

6.3 TIRANA FINTECH HIVE 2022

6.3.1 KONFERENCA "TIRANA FINTECH HIVE 2022", 16-17 November 2022

The Albanian Microfinance Association participated as a supporting partner in the Conference organized by Elmangos Ventures "Tirana Fintech Hive 2022". This conference, organized by Elmangos Ventures, was an added value for the further development of digital finance in Albania, in the region and beyond.

This event brought together important actors of the Albanian and international financial market, who shared their opinions, experiences and expectations regarding the development of financial technology in Albania.

In the panel dedicated to microfinance "Renovation of Microfinance through Fintech", the executive directors of two of our members, Mrs. Arlinda Muja of Kredo Finance and Mr. Akan Ajdini of luteCredit Albania, participated, who shared with the guests their experiences towards the construction of the lending process entirely online.

The conference was followed with interest by a wide audience of managers of financial institutions, lecturers and students as well as other interest segments.



6.4 CAMPAIGN "BORROW WISELY 2022"

6.4.1 Campaign "Borrow Wisely 2022"

The "Smart Borrowing" campaign promotes global customer protection standards. This annual international campaign is run by the Microfinance Center (MFC) and its partners.

The Albanian Microfinance Association is a proud member of this amazing network with valuable contributions that strives for justice, equal opportunities and ethics in the provision of financial services.

We gladly accepted the Award as Engaged Members from the Microfinance Center (MFC) for active participation and promotion of global consumer protection standards, through the BorrowWisely - Smart Borrowing campaign, offered to the Albanian Microfinance Association, but also the Agro & Social Fund, the Besa Fund and NOA!

Proud of our members and the standards they convey in their activity!



7

RESEARCH AND PUBLICATIONS

7.1 SURVEY REGARDING THE SOCIAL IMPACT OF MICROFINANCE IN THE LIFE OF THE COUNTRY

The Albanian Microfinance Association publishes the financial indicators for the year 2021 and the results of the survey on the social impact of the activity in the albanian reality, may 13, 2022.

The Albanian Microfinance Association held a meeting with economic journalists and media representatives in the country on **May 13, 2022**, to convey information about the activity of the sector during 2021, as well as the results of a survey about the social impact of microfinance in the life of the country.

a) Activity of the non-bank lending and microcredit sector

The microfinance activity during 2021 was considered with satisfactory progress, stable financial indicators and a good management 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%. The important fact is that 85% of the financing granted for agriculture during 2021 had microfinance as a source.

The sector presented stable financial indicators, with a return on its own assets of 3% and a return on



capital of 17%, while non-performing loans (NPL) are reported at the level of 6.5% of the portfolio. Despite these indicators, the sector is aware of the increased risks that have begun to appear during 2022, where the most important developments are attributed to the increase in the inflation rate and the upward trend in basic interest rates. Disa nga përfundimet e nxjerra nga ky raport sugjerojnë se: inclusion, has as its main promise financial education for all its clients as

b) Study the Inclusion and Social Impact of Microfinance Institutions in Albania

The study developed during the months of December 2021 - March 2022 through questionnaires distributed through digital platforms to the members of the Albanian Microfinance Association, where the opinions of 8 of the Association's members were collected. This questionnaire serves to reflect the efforts of microfinance institutions to be involved in the lives of clients and the communities they represent.

1- The member institutions of the Albanian Microfinance Association are constantly trying to create new products and improve their processes and services to customers in order to create more and more opportunities to access financing for all those who do not have this opportunity.

2- Microfinance in Albania, in addition to financial inclusion, has as its main promise financial education for all its clients as

3- Microfinance institutions make continuous efforts through the engagement of staff and their budgeting to help specific marginalized groups, through individual projects and not in an organized manner and further.

4- All clients, in addition to accurate and detailed information on the loan they receive, also have a number of instruments available that help the client to seek help, express dissatisfaction or get more information.

5- Support for women in entrepreneurship is expressed through her involvement in the highest management levels, but also in the ratio of female clients against the total number of financed clients.



LOBBYING AND ADVOCACY

8.1 RELATIONS WITH THE GOVERNMENT, GOVERNMENT AGENCIES AND COMMISSIONS

For its strategic mission and main objectives, of course the Association considers as a key partner and of primary importance the interaction and cooperation with government bodies at the national and local level, together with the agencies and commissions set up by the state for business and economy. Its interest extends not only to the representation of members to these bodies, but also to updates and announcements in the opposite way related to the legal and regulatory framework, changes and reforms, policymaking, instructions as well as provisions in force for the exercise of business and

operating in the market with economic and social responsibility. It plays not only an active role, but when necessary also proactive in function of the best business practices, improving the conditions for the entire lending process and fulfilling the social mission, participating in conferences and seminars, hearings, and also in joint forums for different purposes. The association considers it an important task to provide information and present the activity and progress of its members in a frequent manner during the reporting periods.

Regarding the ministerial level, the association cooperates with these bodies;

- Ministry of Finance and Economy
- Ministry of Agriculture and Rural Development
- Ministry of Health and Social Protection
- Minister of State for Enterprise Protection

Regarding cooperation with the local government, the association interacts and cooperates with local units or their representatives for projects in areas and municipalities, both urban and rural, to promote and distribute information related to awareness campaigns, training sessions or education.

Likewise, the association is quite active in its activities with various government agencies, commissions and councils which aim to guide and advise on the development of the business elements of the microfinance sector as a whole and in particular.

8.1.1 Investment Council - Investment Priorities for 2022 - January 31, 2022

Special meeting of the Investment Council chaired by the Minister of Finance and Economy, Mrs. Delina Ibrahimaj to discuss:

- The pillars of the intervention of the Ministry of Finance and Economy to improve the business climate in the country—following the recommendations of the Investment Council and business representatives

- How can associations and businesses be included in the new working groups to help proactively with their expertise according to the relevant intervention areas?

The Albanian Microfinance Association was a participant in the "ad hoc" meeting called by the Chairman of the Investment Council, Mrs. Delina Ibrahimaj, where the possibilities of improving the investment climate in the country were discussed, based on a wide range of recommendations

presented by the business community, international organizations and other stakeholders in the country.

The microfinance sector supported the initiatives undertaken by the Ministry of Finance and Economy to improve the business environment and expressed its willingness to be a contributing factor in these initiatives, in support of its more than 200,000 clients, businesses and microenterprises, farmers and Albanian citizens.

8.1.2 The Albanian Microfinance Association Conducts a Hearing Session with the Economy and Finance Commission in the Albanian Parliament, June 14, 2022

The Albanian Microfinance Association reported on a hearing with the Economy and Finance Committee in the Parliament of Albania, which was held at the Association's request on June 14, 2022. The purpose of the report to the Committee was to provide complete and detailed information about the microfinance activity in Albania, its achievements and challenges, its social and economic impact in the country, as well as expectations for strengthening the partnership between the sector and the country's governing bodies.

The priorities of this session were the presentation of the financial activity of non-bank financial institutions, with a focus on credit and microcredit; the progress of the activity, the development of microfinance over the years, the main trends; the nature of financial products and services, nominal and effective interest rates and their composition, overdue loan collection activity; issues of transparency and ethics in the provision of non-bank financial products and services, issues of financial education; the challenges of the sector to offer digitized services

in their entirety; the problems of the sector and the measures that have been taken and are being taken to solve them.

A good part of the discussions focused on the automated process of evaluating applications for quick small loans, on the effective interest rates offered by member institutions, on the level of loans in arrears and the number of borrowers who do not repay their obligations on time and their subsequent treatment by debt purchase companies and enforcement bodies, as well as on the level of credit risk assumed by non-bank financial institutions and how to mitigate it. The representatives of the Association gave detailed explanations and full arguments regarding the concerns of the deputies, which shed light on the composition of the costs of these institutions which translate into the costs of the loans offered, as well as proposed ways and opportunities to reduce the costs of lending, through increased partnership me organet ligjvënëse dhe ligjzbatuese, si edhe organet ekzekutive të qeverisjes.

The following are mentioned among the main demands of the Albanian Microfinance Association:

1- The sector should be given access to cheaper funds, including financing from local financial institutions or even the opportunity to collect mini-deposits from the market:

2- Microfinance institutions should be included as part with equal rights in support schemes for business and farmers, drafted or in the process of drafting by the Albanian Government

3- The financial system as a whole should be offered legally regulated access to the financial data of citizens and businesses on the e-albania platform (with full customer request and authorization), to further automate the process of evaluating credit applications, customers' paying capacity and to push for the digitization of the provision of financial services.

4- The government should work on improving the system and reference of the address book to enable an effective and timely communication of microfinance institutions with the clients of the sector

5- The government should support family business and micro-enterprises with existing policies, subsidies and mediation in the value chain, in order to reduce the risk of these sectors being hit by the price crisis and the consequences of the conflict situation in Ukraine.

The session was held in a constructive spirit and reflected the importance of the microfinance sector for the legislative bodies, for the benefit of the economic and social development of the country, the well-being of the citizens and the possibility of increasing their financial inclusion.



8.2. RELATIONS WITH THE BANK OF ALBANIA

Referring to the third part of this report, we mentioned above that non-bank financial institutions and Savings-Loan Societies are financial entities licensed and supervised by the Bank of Albania. The Albanian Microfinance Association, made up of these institutions, among its main goals, is maintaining close relations and cooperation with the Bank of Albania in several aspects. This is related to the representation of the members of the association, their presentation in a fair and impartial way, the help in the improvement and interpretation of the changes applied in the financial and operational regulatory plan, and also the exchange of qualitative and quantitative information during the development phases of this sector. With its reactions and answers, the association observes and reports the trends or tendencies of the financial and social aspects of the sector within it, as well as in general terms in relation to the economic environment of the country. It also clearly expresses their interests based on

facts and concrete analysis of the market and the characteristics of the members.

In this line, during the past year, the association has been in constant contact with the Bank of Albania regarding regulatory changes and updates in the process of drafting and amending laws on Microfinance.

In the exchange of information and experience with counterparts and other international organizations, the association informs with pleasure and pride that one of the strongest points of the members, both at the individual and group level, is the frequent and quite efficient reporting with the regulatory bodies and third parties with detailed data and specific and transparent categorizations. For most data with third parties both domestically and internationally, association members report in accordance with international financial reporting standards (version 9)

8.2.1 Significant Regulatory Changes

During 2022, the Bank of Albania officially announced some regulatory changes in terms of setting a ceiling on effective interest rates for the category of consumer loans and some special instructions on how to calculate the capital adequacy ratio for some microfinance institutions.

France and Belgium) for the determination of a) (NEI) as well as for b) commissions and related penalties based on the calculation of a market average for these indicators in relation to the level of interest rates, commissions and penalties applied, especially by non-bank financial entities for credit products.

-Specifically for the maximum figures of the Effective Interest Rate (EIR) as a comprehensive indicator of the known costs of the loan, the instructions were sent by the Bank of Albania in a normative manner, which determined the setting of the consumer loan ceiling, for the second 6 months of 2022, and were presented in a matrix called "Transparency Form" with "ceiling" figures for the products "Instalment Loan", "Overdraft", "Credit Card", for bandages from 0-200,000 Lek and 200,000-2 thousand Lek. The changes aimed to align our market with the best European practices (models of the Bank of Portugal,

It is understandable that to some extent, this directly affected the politics of interests and consequently the profitability of the institutions. In the discussions and consultations held regarding these changes, the Albanian Microfinance Association played an active role and reacted through an official communication or letter sent in the form of explanatory answers, requests and suggestions in more detail from the General Secretary Mrs. Isaj addressed to the Governor Mr. Sejko and the Director of the Department of Supervision, Mr. Deralla.

The content of this letter with the object **"Regarding the implementation of the regulatory determinations related to the ceiling on the effective interest rates for consumer loans"**, can be briefly summarized as follows:

Presenting concrete analyzes and reasonable conditions for member institutions that exercise their activity according to the specifics and business model adopted by them, several arguments were listed: in terms of the Cost of Funds, Credit Risk Management Costs and Operational Costs per Credit Unit. After elaborating on these factors, in this same letter the association argues its request to the supervisory authority for the review of the regulation and the separation of non-bank financial institutions from second-level banks, in dealing with the setting of the maximum effective rate for consumer loans. She

also reiterated the suggestion made earlier that the bands should be further divided, also based on the definition of the microcredit (0-200,001-600,000 ALL and 600,001-2,000,000 ALL)

These requests and suggestions were partially taken into account by the regulator.

The association will continuously follow the communication and cooperation with the Bank of Albania in terms of interaction, awareness of instructions and notices of rules which with their changes aim to improve business practices and as the ultimate goal have the protection of the consumer from prices of products without a ceiling and to prevent the possibility of the exploitation of extreme practices in the market.

8.2.3 The 8th Meeting of The National Committee for the System Of Payments, November 9, 2022

The Albanian Microfinance Association participated in the VIII meeting of the National Committee of Payment Systems, which took place on November 9, 2022 under the direction of Deputy To the First Governor and at the same time Chairman of this Committee, Mrs. Minxhozi flower.

The main topics discussed at this event focused on the national strategy for financial education, developments in the payment markets in terms of the regulatory and operational framework, as well as innovative trends and innovations brought to the market by the fintech category of bank and non-bank financial institutions.

The meeting of the Committee was also greeted by the Governor of the Bank of Albania, Mr. Gent Sejko and from the Minister of Finance and Economy, Mrs. Delina Ibrahimaj.



8.2.4 Strategy for Financial Education under the direction of the Bank of Albania Global Money Week, 21-27 March 2022

Global Money Week is an annual global awareness campaign on the importance of ensuring that young people, from an early age, are financially aware and gradually acquire the knowledge, skills, attitudes and behaviors needed to make sound financial decisions and ultimately achieve financial well-being and financial sustainability. The 10th Global

Money Week took place on 21-27 March 2022.

The motto was: **Build your future, be smart about money!!!**

The topic showed the importance of thinking about the future when making financial decisions.



8.2.5 Discussion Table "Agriculture Financing in Albania" - June 15, 2022

The Albanian Microfinance Association participated in the discussion table regarding the financing of agriculture in Albania, organized by the World Bank and the Ministry of Agriculture and Rural Development, with the participation of market actors, financial intermediaries and parties involved in this important process.

for the opportunity they gave the microfinance sector to present its achievements in terms of agricultural financing, as well as considering our comments and suggestions in terms of the development and progress of financing, adapting the financial solutions to the nature of the agricultural market and the development of the primary product, which is the focus of the lending activity of the microfinance sector.

We would like to thank both organizing institutions



8.2.6 International Conference "Diversification of the Financial System Through Capital Market Reforms" - May 19, 2022

The Albanian Microfinance Association participated in the International Conference organized by the Financial Supervision Authority, in cooperation with the World Bank (WB) and the Swiss State Secretariat for Economic Affairs (SECO), with the theme **"Diversification of the financial system through capital market reforms"**. As a representative of the microfinance sector and its institutions that are ready to list the first titles on the stock exchange.

The conference was opened by the welcoming words of Mr. Ervin Mete, General Executive Director of the Financial Supervision Authority, Mr. Patrik Meier, Deputy Chief of Mission of the Swiss Embassy in

Tirana, Mr. Salinas, Permanent Representative of the WB Office in Albania, Mr. Ahmetaj, Deputy Prime Minister and Minister of State for Reconstruction and Reform Program.

The conference was organized in three main panels, where the General Executive Director of AMF was part of the first panel on the topic "Development of the Financial Sector in Albania: from strengthening financial stability to supporting economic growth", directed by Mr. Michael Edwards, Senior Advisor for the financial sector at the World Bank, with panelists Ms. Delina Ibrahimaj, Minister of Finance and Economy and Mr. Gent Sejko, Governor of the Bank of Albania.



8.2.7 The Improvement of The Business Climate in Albania, September 9, 2022

In an extended meeting with representatives of Albanian and foreign chambers and associations, and with Prime Minister Rama the improvement of the business climate, the increase of mutual cooperation in function of the economic and social development of the country was discussed.

The recommendations of the Albanian Microfinance Association for improving the business climate were part of an extended consultative process, for

which the Ministry of Finance and Economy under the auspices of Prime Minister Edi Rama held an update meeting.

Appreciating the inclusion of these recommendations and the invitation to participate in this important process, we express our willingness to further contribute to the creation of an encouraging, fair, inclusive and supportive climate for business in these difficult times.



8.2.8 Event: "Agriculture, Rural Tourism And Environment in Rural Areas in Albania" April 29, 2022

The association had the pleasure of participating in the event organized by the Albanian Agribusiness Council with the theme "**Agriculture, Rural Tourism and the Environment in Rural Areas in Albania**", with the participation of prominent personalities from the government, education, experts in the field, implementing

agencies of projects for agriculture, and business associations.

The microfinance sector remains committed to the financial support it provides to farmers and agribusiness, and welcomes policymaking interest in supporting this very important sector.



AGRICULTURAL FINANCING FROM MICROFINANCE INSTITUTIONS

- Microfinance has disbursed more than 3.6 billion Lek in new loans for agriculture and Albanian farmers, with the beneficiaries of about 8 thousand farmers, farms, agro-processing companies and agro-tourism companies.
- The credit portfolio for agriculture at the end of 2021 was 6.4 billion ALL, or about 53.4 million EURO, spread over the entire territory of Albania and focused on all branches of agriculture.
- The Albanian farmer owns an average farm of 1.2ha, divided into four plots. The comparison with the European average of 15 ha and the American one of 150 ha, makes the Albanian farm and agriculture correspond to the reality of a family micro-economy, with high operating costs and access to finance.
- The specialization of microfinance in the financing of agriculture in the country is the result of a constant investment of more than 25 years in staff training, in the development of flexible products according to agricultural production calendars, in the development of mobile rural technologies, in the provision of professional agro-assistance as well as the inclusion of Albanian farmers in European guarantee schemes.



INCREASE OF THE PROFESSIONAL CAPACITIES OF THE MEMBERS AND INTERNATIONAL COOPERATION

9.1. COOPERATION WITH INTERNATIONAL NETWORKS

9.1.1 Event "Microfinance of Pace - Female Plural" January 18, 2022



"Microfinance of Pace - Femine Plurale" was an online event organized by Banca Etica, focused on the impact that microfinance has on achieving social goals in society, with a focus on women as key enablers of progress and well-being for countries around the world.

This 2-hour forum was an expression and exchange of information, ideas, proposals and above all feelings that accompany the microfinance mission from its genesis to the present day.

A significant coverage and focus was provided for the countries of the Western Balkans, such as Albania and Bosnia Herzegovina, which are obviously an area of great interest to policy makers, the development of financial institutions and networks in Europe and Italy, to represent Albania in these discussions.

Brunilda Isaj, General Secretary of AMA, presented some indicators from the sector and data on the positioning of women in Albania, and what the microfinance sector as a whole and the Albanian Microfinance Association are doing in

order to address the challenges and needs of the vulnerable layers of the Albanian Society

In this event, the following were invited as speakers:

Francesca Benciolini, Councilor of the Municipality of Padua with responsibility for International Cooperation and Peace

Anna Fasano, President of Banca Etica

Katarzyna Pawlak (MBA) Pawlak, CEO of the Microfinance Center

Caroline Tsilikounas, CEO of the European Microfinance Network Elma Zukic, President of the Association of Microfinance Institutions in Bosnia and Herzegovina

Marina Piccioni, Head of Multilateral Partnership and Finance, Cassa Depositi e Prestiti Giulio Dal Magro, Head of Development Finance, Cassa Depositi e Prestiti

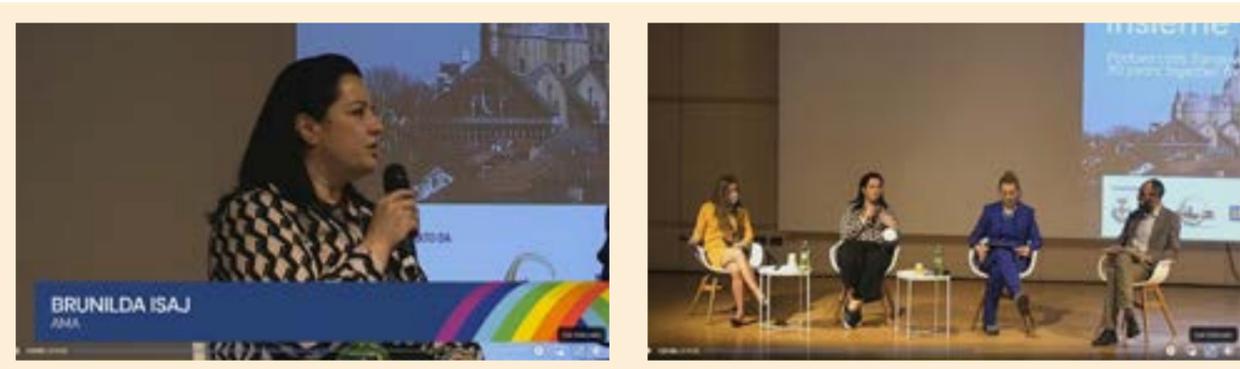
The event was excellently moderated by Gabriele Giuglietti, Head of Institutional Affairs and External Relations, Banca Etica.

9.1.2 Event "Padova Chiama Sarajevo: 30th Anniversary of La Pace", April 5, 2022

On Tuesday, April 5, at 9:00 a.m., Banca Etica and the Municipality of Padua, with the cooperation of the "Antonio Papisca" University Center for Human Rights and the Trans-European Observatory of the Balkans and the Caucasus/Center for International Cooperation, organized the event "Padua meets Sarajevo: 30 years together for peace, projects and experiences of cooperation for a future without war".

event through the General Secretary Mrs. Brunilda Isaj, who in her speech focused on the importance of the sector in creating opportunities for the poor sections of the population and those who do not have access to the banking sector, as well as in supporting entrepreneurship and private initiative, whether in urban areas in the form of start-up companies, or in rural areas in the agriculture, agro-processing and agro-tourism sectors.

Albanian Microfinance also participated in this



The event was attended by a large number of participants, including prominent speakers such as:

Francesca Benciolini - Advisor for International Cooperation and Peace, Municipality of Padua

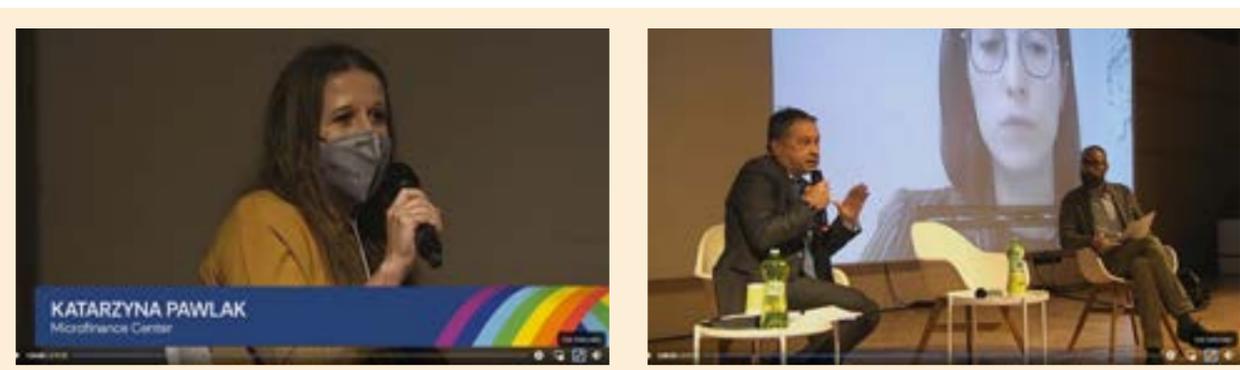
u BiH - Association of Microfinance Institutions of Bosnia and Herzegovina,

Gabriella Salviulo - Director of the University Center for Human Rights "Antonio Papisca",

Katarzyna Pawlak - CEO Microfinance Center (MFC), Warsaw (Poland)

University of Padua, Elma Zuki - President of AMFI BiH- Udruženje mikrokreditnih organizacija

Gabriele Giulietti, Director of International Relations at Banca Etica.



9.2 TRAINING PROGRAM WITH 4 SESSIONS FOR MANAGING RISKS FROM NON-BANK FINANCIAL INSTITUTIONS SUPPORTED BY DSIK ALBANIA

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

On October 13-14 and October 20-21, Albanian Microfinance organized a series of online trainings on "Risk Management in Non-Bank Financial Institutions".

The main points of the training were:

- 1. Risk principles and credit risk management**
- 2. Analysis of Financial Statements**

German Sparkassenstiftung Albania were supporting partners of the activity, where the trainer was **Mr. Oleg Flaum**, who is an international expert in banking and financial services.

Such capacity building sessions will be organized continuously by the Albanian Microfinance Association, to assist the staff of the members and to increase their productivity and performance in the functions they perform.



9.3. GREEN FINANCE ONLINE WORKSHOP

9.3.1 Topic: "Green Finance and ESG Risk", December 7, 2022

The Albanian Microfinance Association in partnership with the German Sparkassenstiftung Albania and the Association of Banks organized an online seminar for the heads of financial sector institutions in Albania, on the topic of Green Finance.



The workshop was held on December 7, 2022 and focused on key issues such as:

- From Green Economy to Green Finance
- Concept and components of Green Finance
- Focus on climate risk
- Implementation of best practices/ project examples

9.3.2 Topic: Navigating towards Green Finance; ESG Risk Radar and Green Finance Compass", December 15, 2022

The Albanian Microfinance Association in partnership with the German Sparkassenstiftung Albania and the Association of Banks organized the second online seminar for the heads of financial sector institutions in Albania, with the topic of Green Finance.



The workshop was held on December 15 and focused on key issues such as:

- The road to Green Finance
- Climate, social and governance risk, its measurement and assessment
- The Future - Green Finance

9.4. WORLD SAVINGS DAY

World Savings Day was established on October 31, 1924, during the 1st International Savings Bank Congress (World Society of Savings Banks) in Milan, Italy. In the resolutions of the Savings Congress, it was decided that 'World Savings Day' should be a day dedicated to the promotion of savings throughout the world. In their efforts to promote savings, savings banks also worked with the support of schools, clergy, as well as cultural, sports, professional and women's associations.

The representatives of 29 countries wanted to bring the "savings mindset" to the attention of the worldwide public and its importance for the economy and the individual. World Savings Day is usually held on October 30, except in countries where this

day is a public holiday, as the idea is for banks to be open so that people can transfer their savings to their account.

On the occasion of this special day, the Albanian Microfinance Association in cooperation with the German Sparkassenstiftung Albania organized a training session with representatives of different segments of microfinance clients, staff members, as well as representatives from the community of refugees and displaced persons, with the cooperation of the UNHCR office, Albania. The participants were involved in a practical game about managing personal finances and creating a pleasant standard of living by making appropriate financial decisions.



10 MEDIA PRESENCE AND PUBLIC RELATIONS

10.1 INFORMATIVE NOTICE TO THE PUBLIC-FEBRUARY 25, 2022

Albanian Microfinance on February 25, 2022 presented an informative notice to the public and clients of our member institutions as follows:

1- The Albanian Microfinance Association and its Members obey the Code of Conduct and Good Practices, approved by a special Decision of the Assembly of Members, and in this context they neither adopt nor follow illegal or unethical practices in their activity.

2- The Albanian Microfinance Association and its Members forcefully distance themselves from Credit Collection Societies, through non-legal, non-ethical, corrupt practices. Microcredit institutions hold the same activity license, but it should be understood by the market that their activity changes and is not the same.

3- Lending by all Members is carried out in accordance with the repayment capacity and the tendency of each borrower to implement the contractual obligations. That being said, we take every measure to inform, and encourage all our customers to be informed in detail about these obligations, as well as the terms and conditions of each loan, before accepting the obligation and taking it on.

4- The Albanian Microfinance Association and its members are determined to intensify their efforts in the direction of financial education, financial inclusion, helping the needy, eliminating the gender gap in entrepreneurship and creating jobs through entrepreneurship, and will continue to support the Albanian economy through the highest standards of their activity. In this context, we welcome cooperation with every market actor that represents and protects the interests of consumers to coordinate these efforts for the benefit of the Albanian consumer.

At the same time, readiness was expressed as active actors in the lending market and cooperation with legislative and law-enforcement authorities, governmental, regulatory and supervisory authorities, for the drafting of a legal and regulatory framework as complete as possible, which will clearly define the processes and procedures of loan collection and will precisely identify all the actors involved, according to their rights and obligations, in order to avoid abuse, extortion and misuse of the difficult situation citizens' finances, which cause deep economic and social problems in the country".

10.2 INTERVIEWS AND TELEVISION APPEARANCES IN ECONOMIC SHOWS

The Albanian Microfinance Association has intensified media presentations during 2022 through numerous interviews and announcements to talk about sector developments, issues, interest rates, inflation and the economy as a whole

Loans increase, Microfinance Association: Expected, but Albania feels the effect of the crises 6 months later



After the post-pandemic year, it seems that in 2021 and for the first months of 2022 the demand for loans also increased in our country.

According to Arlinda Muja, president of AMA loan issuing has doubled. According to her, "it was expected because businesses and individuals who had suffered losses in this period to happen, had to be refinanced".

Muja, interviewed in "Business News", adds that the

consequences of these crises generally come later. "I think that in Albania the effects of the global crisis happen a little later, we usually feel them 6-month later. Today we see the increase in inflation, the cost per consumption has increased. Loan application it is seasonal".

According to her, "loans to individuals hold about 52% of total disbursements, 30% were businesses and the rest for the agricultural sector.

The risk for businesses in crisis, Muja: Concern about the solvency of loans, the impact is seen in the next 6 months



The year 2022 has not been easy for the economy and finances of citizens, business, but also the state. Signs of recovery in the post-pandemic period were quickly extinguished by the war that broke out in Ukraine at the end of February. The world was once again engulfed by uncertainties, which were reflected in the economy with a significant increase in prices, fuel and electricity. High inflation forced central banks in many countries to tighten monetary policy, strengthening their currencies, in an effort to curb high inflation.

According to the economic expert Adrian Civici, "the year had many challenges. The previous year, 2021, gave many hopes that the recovery would

bring growth. Sectors such as tourism and agriculture or services started the positive trend and the return of employment. So at the end of 2021, the economy took the direction to return to normality. But from February 2022, due to the war in Ukraine, very high inflation appeared, also caused by the relaxed monetary policies undertaken in previous years. The year is ending with more blows, in many directions, where the most serious is precisely inflation, which affected the reduction of purchasing power, but also the price of gas and the uncertainties regarding the guarantee of electricity, especially that of enterprises. But if the increase is confirmed, 3.7% is positive to evaluate, because we were afraid of stagflationary tendencies.

10.3 REPORT - IMPACTFUL RESULTS OF MICROFINANCE - 31 AUGUST 2022

Alessandro Zorogniotti Political Director of **NOTIZIEINUNCLICK** has written a very impressive article about the microfinance sector in Albania, an example of a number of good practices that have been recognized as worthy of consideration by the international microcredit community. It has also highlighted the role of microfinance in financial education. The impact on the economy of the creation of jobs and their further development.



10.4 ALERT SHOW - FINANCIAL AND CONSUMER EDUCATION - MAY 14, 2022

The Albanian Network for Financial Education (ANFE), is an organization created in 2018, which is supported by ten financial institutions and representative organizations of market operators: Albanian Association of Banks, Association of Albanian Insurers, Albanian Microfinance Association, Association of Life, Pension and Investment Fund Insurers, Securities Trading Association, Albanian Securities Exchange ALSE, Junior Achievement of Albania, Partners Albania for Change and Development lim, National Youth

Service and German Sparkassestiftung in Albania. The main mission of this network of organizations is to contribute to improving the level of financial education in the country, raising awareness, advocating and promoting activities organized by participating organizations for this purpose.

Precisely to talk about the consumer, information practices and, more broadly, financial education, they were invited to the Alert show of journalist Granit Sokolaj on News 24



10.5 PODCAST - THE IMPORTANCE OF MICROFINANCE - MAY 20, 2022

The Executive Director of NOA, Mrs. Herjola Spahiu, spoke in an interview to Finance Due Diligence Associates, represented by Mr. Guy Rodwell, on the best practices of MFIs and managing relationships with their financiers.

In this podcast, Ms. Spahiu gave some good advice for the whole sector and the importance of these relationships with financing partners, against which it is worth paying special attention.



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