

**UNIONI SHQIPTAR KURSIM KREDI  
ALBANIAN SAVINGS & CREDIT UNION**



# Annual Report 2006



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## **OUR MISSION:**

To provide financial services for members of Savings and Credit Associations in rural areas in order to promote production activities , improvement of living standards and continuous development of rural areas.



## LETTER FROM THE HEAD OF THE BOARD OF DIRECTORS



**Dear readers,**

The Noble Peace Prize for 2006 was awarded to Grammen Bank, world pioneer institution of Micro-finance of notable important financial and social achievement. This prize giving was not incidental: in compliance with the UN Millennium objectives, almost 100 million people all over the world, exempt from the classical banking system, today are able to take loans, open saving accounts and invest.

This evaluation could not but positively motivate the thousands of members and the staff of ASC Union, who put their trust in microfinance and who were the first to implement it in Albania, principally aiming at offering adequate financial services to the rural population, in order to multiply their incomes and build a better future for them.

We may now affirm that assisted by ASC Union, we have build up and are further consolidating a stable and a long-living economic model, which makes possible the creation of a financial sector open to all the population of the rural areas.

During 2006, the Union successfully accomplished its objectives by meeting and satisfying the needs of its 16.260 members.

The network extension, the increase of membership, the compilation of new financial products, the improvement of the information technology and management as well as the administration of risk – are definitely the pillar of our success.

I would like to conclude with a THANK YOU for all the actors of our network, for their trust, responsibility, devotion and mutual cooperation - thanks to which they have become truly dynamic and efficient partners for the development of the rural area.

I wish you a pleasant reading.

Zana KONINI  
Head of Board of Directors



## ALBANIAN SAVINGS AND CREDIT UNION

Albanian Savings and Credit Union is a voluntary federation of Savings and Credit Associations (SCA) that is:

- Created in compliance with the law for Savings and Credit Associations, Nr. 8782 date 3.5.2005, on the 25th of January 2002
- Registered in the Court of Tirana District on the 5th of February 2002
- Licensed by Bank of Albania on the 27th of February 2002

Savings and Credit Associations are voluntary federations of individuals (physical or juridical persons) that aim to gather savings and provide loans for their members.

### **SCA-s are functioning by these principals:**

self-creation, self- responsibility and self-administration

## FUNCTIONS OF ASC UNION

- Represents the SCA network and coordinates its activity
- Offers training and assistance for the member SCA-s
- Offers various financial services for SCA-s and their members
- Controls and supervises the activity of the SCA network, following the standards of accounting, the regulations of Bank of Albania and the specific legislation of the field





## CORE INDICATORS OF THE ACTIVITY

GEOGRAPHICAL COVERAGE		
	2006	2005
Number of Districts	10	8
Number of Villages	522	432
Number of SCA-s	96	93
Number of SCA Members	16,260	12,815

EFFICIENCY AND PRODUCTIVITY		
	2006	2005
Active Clients / LO	504	367
Active Clients / District	1,107	1,081
Loan Portfolio / LO	102,969,205	688,350
Number of Villages / LO	23	19

LOAN PORTFOLIO		
	2006	2005
Number of Active Clients	11,077	8,650
SCA Network Portfolio	2,368,291,713	1,614,869,571
ASC Union Portfolio	1,617,053,109	1,202,201,149
Yearly Disbursed Sum	3,404,271,381	2,392,313,590
Average Loan	319,500	271,573
Net. Portfolio Yearly Increase	46,7%	32%
ASC Union Portfolio at Risk	0.1%	0.50%
SCA Network Portfolio at Risk	0.5%	0.55%

EQUITY AND SAVINGS		
	2006	2005
Savings in SCA-s	462,492,220	206,732,306
Number of Depositors	669	523
Union and SCA Network Equity	966,163,330	857,603,853

All figures in LEK 1 EURO = 125 LEK

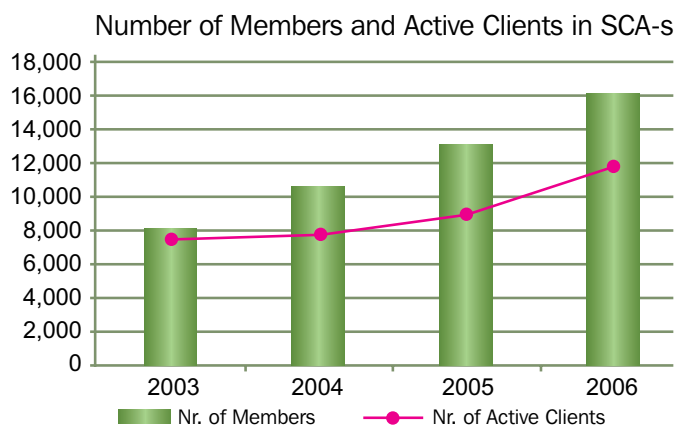


## ACHIEVEMENTS 2006

2006 was a successful year, characterized by notable financial accomplishments in the financial activity of the Union and the further consolidation of the institution. The most significant achievements were:

### EXPANSION OF COVERAGE IN RURAL AREAS

- membership increased by 27%
- the number of villages increased by 20%
- expansion of the network in two new districts, Saranda and Librazhd



### DIVERSIFICATION OF PRODUCTS RESPONDING MARKET DEMANDS

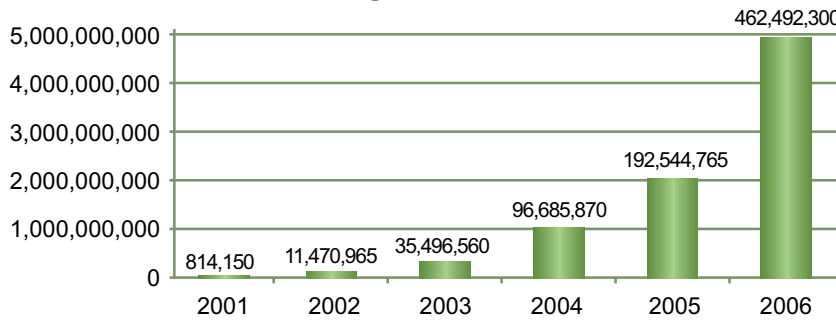
- diversification of savings products
- launch of the SME loan product in the market

### INCREASE OF SAVINGS

- The increase of savings by 123% came as a result of the devotion of the Union towards the ongoing development of SCA-s, the reinforcement of their autonomy, as well as the evolution of the mutual feelings of confidence created among the Union, the SCA-s and their members



### Savings in SCA Network

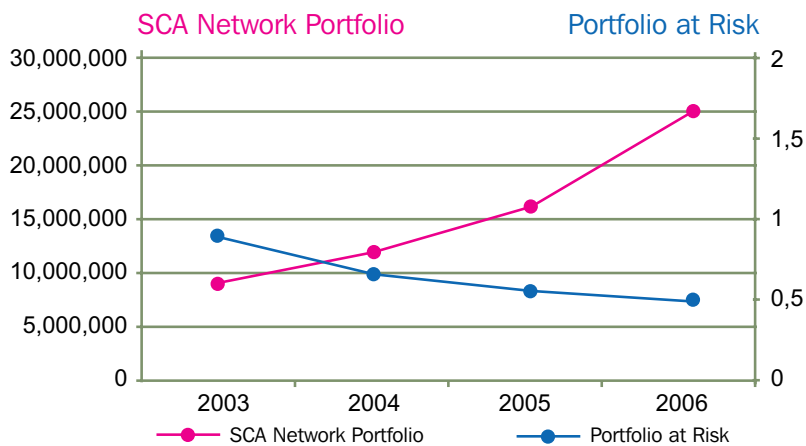


### INCREASE OF THE LOAN ACTIVITY

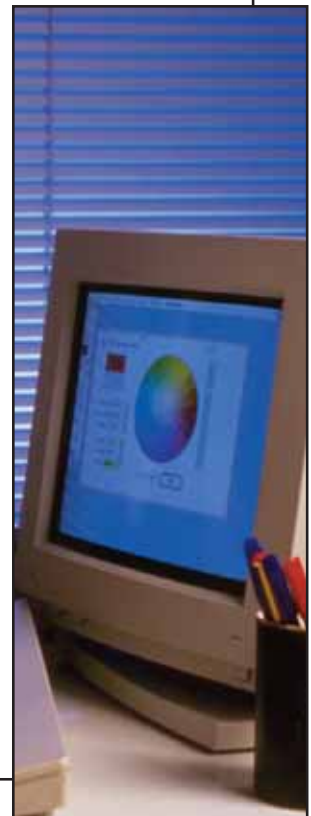
- the refinancing portfolio of the Union increased by 34.5%
- the loan portfolio of the SCA network increased by 46.7%

### PRESERVING THE PORTFOLIO QUALITY

- ASC Union-Portfolio at Risk: 0.1%
- SCA network-Portfolio at Risk: 0.5%



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## IMPROVEMENT OF THE MANAGEMENT INFORMATION SYSTEM

- improvement of the management information system through the instalment of KREDITS program, the set up of new computer networks and the upgrade of the respective regulations and policies of the field

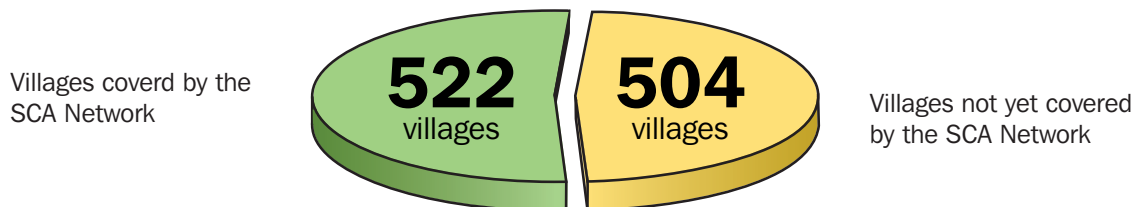
## ORGANIZATIONAL STRUCTURE

Headquarters and branches	2006	2005
Total Staff	52	45
Loan Officers	22	21
Economists in branches	7	

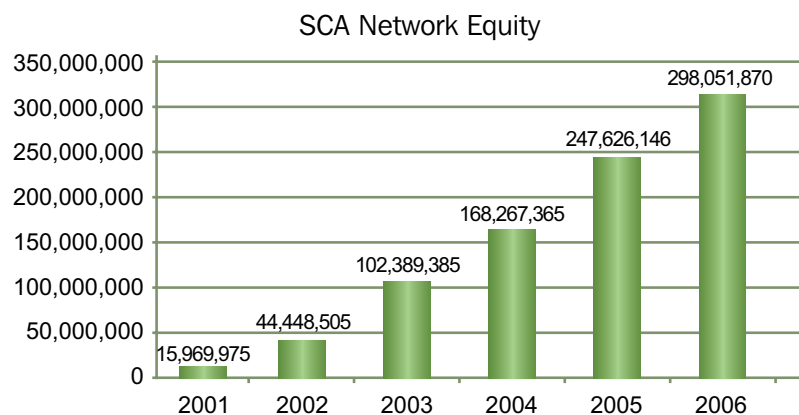
## INTERVENTION AREA

**Tiranë, Elbasan, Gramsh, Durrës, Kavajë, Lushnje, Fier, Vlorë, Librazhd, Sarandë.**

From a total of 1026 villages that exist in the pre-mentioned districts, ASC union actually works in 522 of them



*Note - The districts of Saranda and Librazhd began their activity in 2006*



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## FINANCIAL STATEMENTS

### BALANCE SHEET OF THE ASC UNION

2006

ASSETS	Sum
Liquidity	189,494,995
Net Loan portfolio	1,643,061,023
Fixed Assets	15,892,011
Other Assets	13,867,095
<b>Total Assets</b>	<b>1,871,315,124</b>

LIABILITIES	Sum
Dept (credit lines)	1,076,723,743
Savings	31,526,347
Other liabilities	94,936,308
Equity	668,128726
<b>Total liabilities &amp; Equity</b>	<b>1,871,315,124</b>

### CONSOLIDATED BALANCE SHEET OF SCA-s NETWORK

2006

ASSETS	Sum
Liquidity	25,234,187
Investments	82,575,523
Net loan portfolio	2,379,059,105
Fixed Assets	3,683,156
Other Assets	659,330
<b>Total Assets</b>	<b>2,471,211,301</b>

LIABILITIES	Sum
Dept (credit lines)	1,616,042,677
Time deposits	2,078,534,897
Other liabilities	81,410,077
Equity	298,051,870
<b>Total liabilities &amp; Equity</b>	<b>2,471,211,301</b>

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## PROFIT - LOSS STATEMENT-ASC UNION

2006

Sum	
Financial Income	200,842,188
Financial Expenses	42,768,449
Operating Expenses	134,374,661
Net Financial Margin	24,603,085
Non Financial Income	8,641,973
Non Financial Expenses	13,661,216
<b>Result</b>	<b>42,530,986</b>

## SCA-S PROFIT AND LOSS STATEMENT

2006

SUM	
Net Financial Income	279,596,102
Financial Expenses	180,778,244
Operating Expenses	55,838,135
Net Financial Margin	41,048,628
Results without subsidies	30,948,889
<b>Result</b>	<b>31,589,749</b>

## PERFORMANCE AND EFFICIENCY INDICATORS

PRODUCTIVITY INDICATORS	
Borrowers/ Loan Officers	430
Members/ Loan Officers	651
Loan Port. / Loan Officers	102,969,205

EFFICIENCY INDICATORS	
Costs/Borrowers	5,241
Costs/Savers	83,465
Average Outstanding Loan	222,270
Average Outstanding Loan/GDP per Capita	85.7%

All figures in LEK    1 EURO = 125 LEK



## AUDITING AND SUPERVISION

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The Albanian Savings and Credit Union activity is supervised and audited by:

- ◆ **Bank of Albania**
- ◆ **External Audit**
- ◆ **Internal Audit**
- ◆ **The Supervising Committees of the Union and SCA-s**

**The External Auditing** was completed in June 2006 by the international auditing company KPMG. Their final report stated: "The financial sheets gave a real and clear view on the financial situation of ASC Union, on 31. 12. 2005, and the results of its activity, which were all in adherence with the Albanian Law on Accounting and the accounting legislation applicable for the Albanian Savings and Credit Union."

**Bank of Albania**, as the body having the supervising authority towards the Union, examined its activity during October 2006. The report highlights that: "The general condition of the Union is classified as "satisfactory". Succeeding the conclusions of the inspection, the growth of the activity of the Union and SCA network is positively appraised. "

**The Internal Auditor**, during 2006 completed several missions in the field. These missions consisted in: the measurement of the operational risk in SCA-s, the supervision of the directing bodies and the supervision of procedural fulfilments during loan disbursements.

**The Supervising Committee of the Union and those of SCA-s**, in the course of 2006 have verified the execution of the decisions taken by the Board of the Union, as well as the implementation of procedures and regulations during loan disbursements.



## ACTIVITIES AND EVENTS

- ◆ The General Annual Assemblies of SCA-s were held during the months of February and March 2006. These Assemblies agreed upon the accounts, strategies and budget for 2006, and also analysed the main activities of 2005.
- ◆ The Regional Assemblies focused on the preparation of the General Assembly and discussed about the development potentials and the further consolidation of the activity of ASC Union.
- ◆ The General Assembly of ASC Union took place on the 24th of April 2006. This Assembly analyzed the financial and social activities of the Union during 2005, and also approved the future objectives for 2006.



*All activities were held in accordance with the law on "Savings and Credit Association" as well as the regulations and policies of the specific field.*



## INTERNATIONAL TECHNICAL AND FINANCIAL PARTNERS



### Agreement with “INSITUTO DE CRÉDITO OFICIAL”, Spanish Government



During October 2006, ASC Union and “Instituto de Crédito Oficial” signed the loan agreement for 5 000 000 euro, in Tirana and Madrid. Thanks to this agreement there will be an expansion of the loan disbursement activity in the SCA network.



**Rabobank**

### Collaboration with “RABOBANK”

” Support for the Development of the Albanian Savings and Credit Union” project, founded by Rabobank, was approved in May 2006. This project aims to reinforce the capacity of the Union in having a stable and long life development, by expanding the range of financial products offered to the rural population.

### Collaboration with “CREDIT MUTUEL”



ASC Union has re- established its links with Credit Mutuel that subsequent to various examinations compiled a set of recommendations, significant for the further development of the Union and SCA network.

### Collaboration with FIDES

**FIDES**

The collaboration between FIDES and ASC Union, which continued even in 2006, dates back to 1992. In 2006 this cooperation consisted in the support with accounting expertise, from FIDES to the Union.

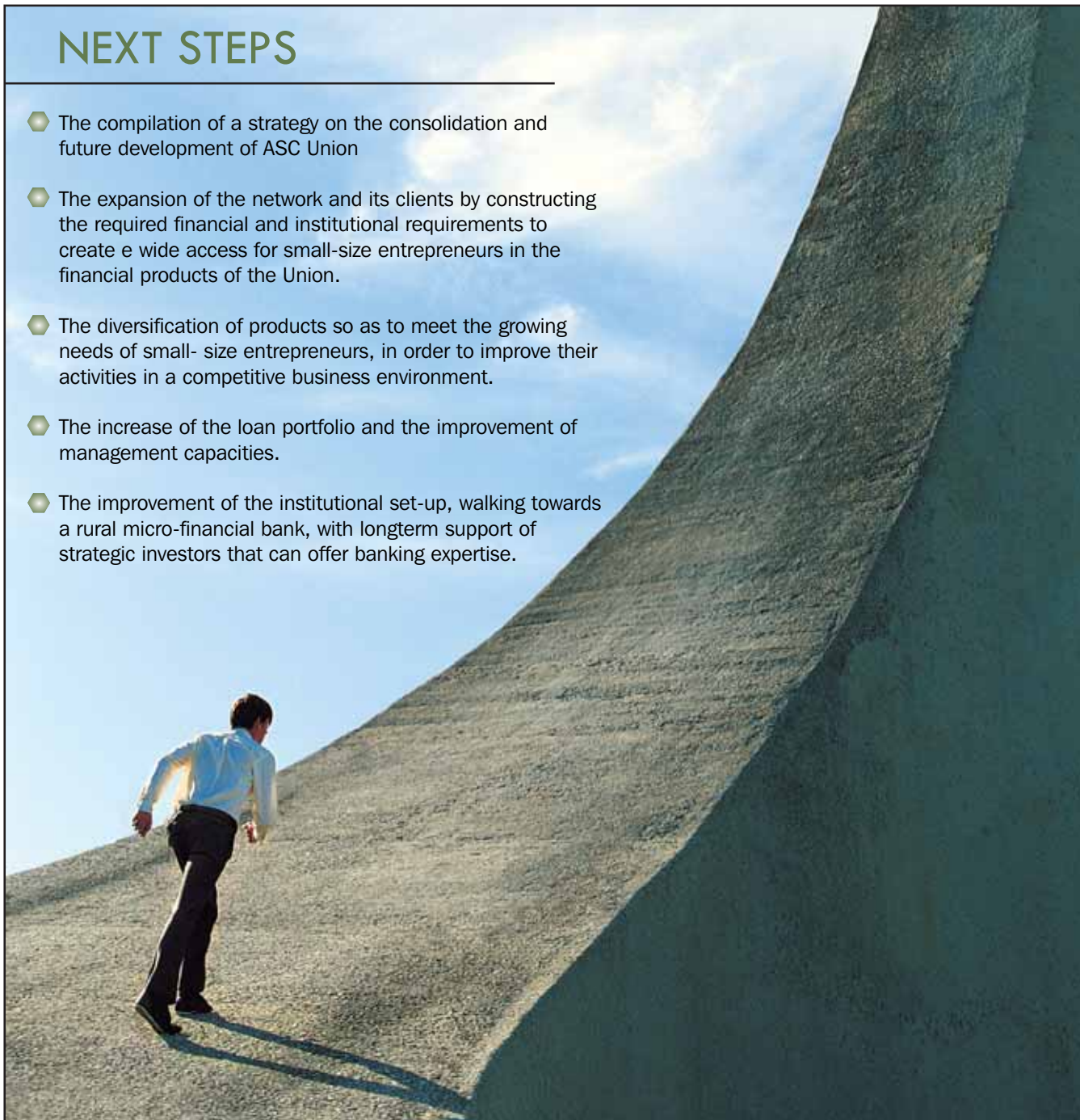
### Collaboration with COOPEST

**CoopEst**

In November 2006 ASC Union started negotiations with Coopest. These negotiations aim the implementation of a project on the SME loan field.

## NEXT STEPS

- ◆ The compilation of a strategy on the consolidation and future development of ASC Union
- ◆ The expansion of the network and its clients by constructing the required financial and institutional requirements to create a wide access for small-size entrepreneurs in the financial products of the Union.
- ◆ The diversification of products so as to meet the growing needs of small-size entrepreneurs, in order to improve their activities in a competitive business environment.
- ◆ The increase of the loan portfolio and the improvement of management capacities.
- ◆ The improvement of the institutional set-up, walking towards a rural micro-financial bank, with longterm support of strategic investors that can offer banking expertise.





## OUR CLIENTS



**FATOSH DANAJ** Fatosh Danaj is not only an efficient accountant but also the chairman of the SCA of Llakatund village. Following his visit to France, organised by ASC Union with the aim of exchanging experience with “Credit Mutuel Bank”, Mr. Danaj decided to start a good quality vineyard, similar to the French ones.

“I could never afford to raise a good quality vineyard, and therefore I decided to take the first loan from our SCA. Once I started the vineyard I took a second loan in order to buy seedlings. The third loan enabled me to expand my activity. Thanks to these SCA loans, I succeeded in expanding and improving my business. The profit of last year only was 1.000.000 lek.”

Mr. Danaj is positively pleased with the support the SCA has given both to him and to the other 220 clients of Llakatund. He thinks that thanks to these loans, the existing businesses in his village are enlarging and new businesses are being set up in the meantime, and this has considerably affected the improvement of the living standards of his community. He envisages that Llakatund will shortly turn into a small town that will need more loans and more financial products offered by the SCA network.

Hysni Gjergji lives in Rade, an old village with a very rich tradition. His fellow men do not intend to leave their village as most of the countryside people do nowadays. On the contrary, they prefer to build their new houses and raise their private activities in their own village. So does Hysni. He would leave his village for no reason at all and therefore he has started his activity in Rade.

Initially, he took his first loan in 2002 in order to start a dairy workshop, which later on he decided to close down, in order to run his other three present activities. His second loan was invested in building greenhouses, which from 2000 m<sup>2</sup> expanded into 4000 m<sup>2</sup> shortly after. The profit of the season is 2 million lek each year. Save for the greenhouses, Hysni and his family, run a mini wine cantine and a mini market.

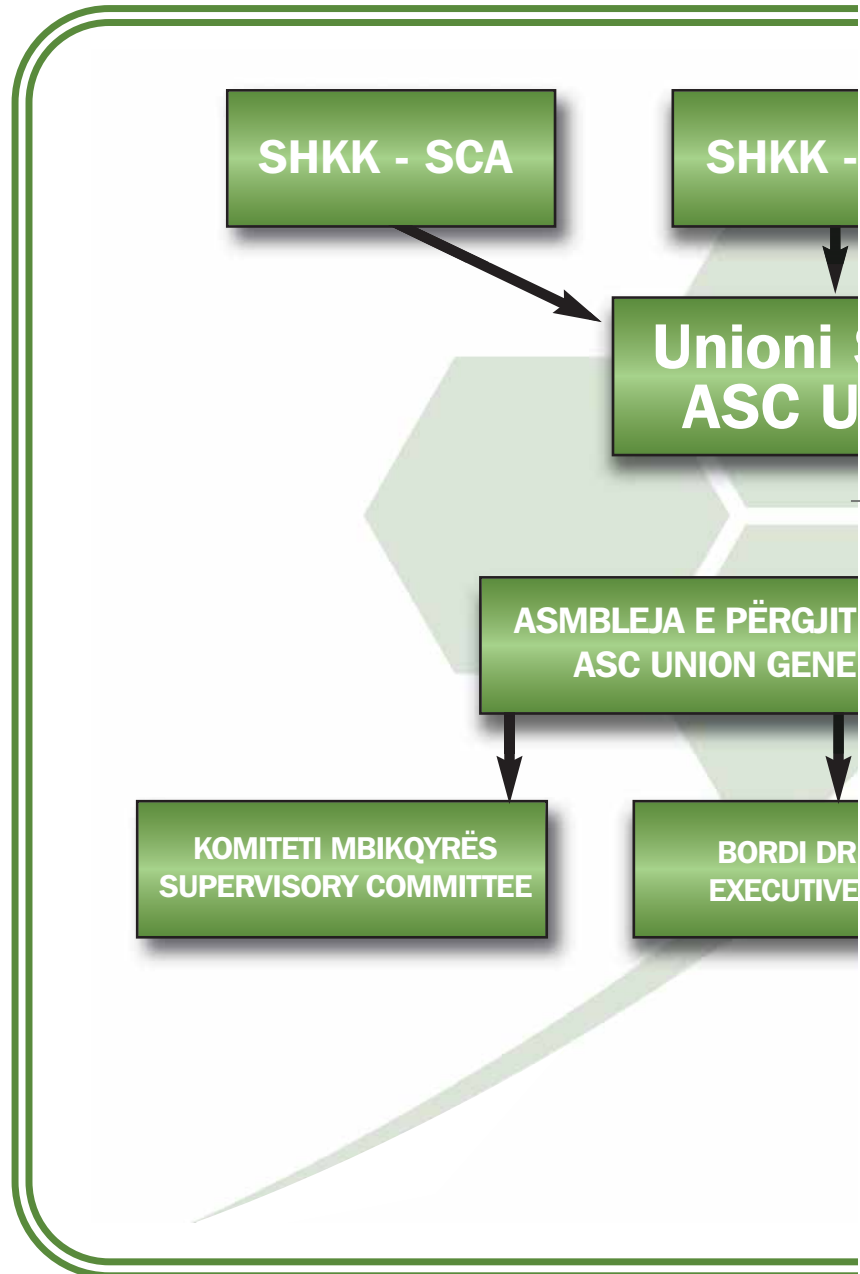
Hysni is one of the most successful clients of the SCA network, and also the chairman of the SCA of Rade.

“The loans given by the SCA network have been a generous and a steady support in running my business and the businesses of other clients of the SCA of Rade. The SCA has financed other small and middle-sized businesses, and in so doing it has gained the trust of the members and has ensured the daily increase of loan demands.”

**HYSNI GJERGJI**



## STRUKTURA ORGANIZATIVE E UN ORGANIZATIONAL CHART OF ALBAN





# UNIONIT SHQIPTAR KURSIM KREDI ALBANIAN SAVINGS AND CREDIT UNION

