

SMART ● CREDIT

Press release

MFI SMART CREDIT LLC

10, NATIONALA STREET, UNGHENI, REPUBLIC OF MOLDOVA

31ST OF DECEMBER 2019

Dear shareholder, dear stakeholder, dear supporter, dear friend,

It is a strange time: all newspapers report about the corona virus and we cannot yet foresee how much this pandemic situation will occupy us in the future. We in Moldova also have quite close contact with Italy. My sister-in-law lives with her family in southern Italy, my mother-in-law worked in the province of Venice for a few years...We all believe that the problem will soon be solved.

In these days I will meet Dr. Andreas de Forestier in Lisbon. No, it's not a holiday trip, but we are attending the Uniglobal Microfinance Conference, one of the most important meetings for all those involved in microfinance. At one of these conferences, it was 2016, we were able to close our first finance agreement with CoopEst. In Lisbon we might see some friends from funding banks, we will talk to our new financiers, GLS and Frankfurt School of Finance. We will try to intensify the links with other important investors. Maybe we even extend our talks that we had with IFC of last week in Moldova. They specified that they are interested to take up serious discussions once we grow a little bit more. Talking with these colleagues we get more and more the feeling that we are no longer petitioners, through our established relations with "good addresses" we now belong to the addresses that are no longer unnoticed. People talk to us and we are happy about that.

We also go to Lisbon to hear about problems and projects our colleagues are working on. We hear what the new trends are, what we should be focusing on, what additional offers or services might interest our customers. And we sense that our philosophy connects us with our friends in Azerbaijan, Uganda, Nepal - we all strive to make a better life for our customers.

One of the issues we at SMART CREDIT need to ask ourselves is the issue of remittances. Up to now we live in a world of cash and coins, no ATMs, no transfers. Electronic banking is more widespread in Africa than in Western and Eastern Europe. And when we see how little mental reservation our African friends have about these issues; we can learn something from them.

Another topic is software that makes our lives a little easier. I don't want to start complaining, but if I add up the time we need for the monthly reports that receive our investors, reports produced in slightly different ways but with the identical content, I realized that 2 ½ persons of our team in SMART CREDIT work exclusively for these administrative tasks.

But before I go on lamenting, I would like to invite you to take a glimpse on

MOLDOVA´S ECONOMY

The Moldovan economy grew by an estimated 4.2% in 2019, which is comparable to previous years. Growth was primarily driven by investments which increased by around 16%. Amidst buoyant investment activity, the construction sector showed the highest growth rate among the main sectors of the economy, increasing by 19% in 2019.

External trade increased only slightly in 2019 following dynamic growth in the previous years. Turkey could take up a more prominent position in the interstate trade. Inflation increased to a relatively high 7.5% at the end of 2019, but should decline again in 2020. The budget deficit amounted to only around 1.5% of GDP. The remittances from EU increased a now amount to 46% of total remittances. All in all, the economic situation remained stable, despite having three different governments in 2019 including three months of coalition negotiations.

For 2020, growth of around 4% is expected. To maintain economic stability, the government should aim for a new IMF program. This would also secure financing for its budget deficit, which is expected to widen to around 3.3% of GDP in 2020. In addition, policy makers are well advised to focus on reforms despite the presidential elections taking place this year.

Topics

- **New government.** Socialist minority government still has to prove its commitment to reforms
- **Improving the business climate.** Proposals in cooperation with the European Business Association
- **Reform concept for the Investment Promotion Agency.** To make the Investment Promotion Agency more efficient, a target group-oriented approach should be followed
- **Intercity bus market in Moldova.** A strategic planning process is required, which should include an integrated mobility master plan

If I resume: Moldova had in 2019 a robust growth despite some political instability

POLITICS

I quote the Prime Minister Ion Chicu: “After a troubled 2019, Moldova is committed to make 2020 a year of growth, transformation, and reform. key task will be to show that Moldova honours its commitments and works closely with its external partners, while pushing for more public investments and a better quality of life for its citizens. Our aim is this: stable but transformative governance.

The political drama is over in Moldova. Finally, the essential political institutions - the parliament, the presidency and the government - are working together to advance the public agenda and to deliver what has so often been promised but not realized: an overhaul of how the state understands its responsibility towards the people....

The essential pillars of our approach? ...The European integration, the strengthening of the cooperation with our Western and Eastern partners, the consolidation of democracy and rule of law and a solid and inclusive economic growth will continue to guide our efforts”.

THE CURRENCY

The Moldovan Lei vs. € showed again a pretty strong performance in the year passed.



To underline this statement please read the following data:

Currency	2.01.2019	31.12.2019
Euro	19,6978	19,33879
US \$	17,145401	17,26309

Since the end of the year 2019 we notice a relevant appreciation of the MDL versus € (now around 19,65) resp. US\$ (now around 17,60).

Enough with the preliminary facts, let's look at the

FINANCIAL DATA.

the most important key figures:

	2018	2019	
Portfolio	51.491	72.173	+ 40,17%
Bank credits	41.014	65.482	+ 59,66%
Total equity	18.676	24.699	+ 32,25%
Interest income	14.146	16.986	+ 20,08%
Interest expenses	4.115	4.774	+ 16,01%
Interest margin	10.001	12.212	+ 22,11%
Personal costs	4.223	4.899	+ 16,01%
Net profit	3.944	6.022	+ 52,69%

In analyzing the data, let's start with our most valuable asset we have,

OUR TEAM

GENDER BRANCH	NUMBER		PERCENT	
	31.12.2019	31.01.2020	31.12.2019	31.01.2020
Female	31	32	82%	82%
Male	7	7	18%	18%
Total	38	39	100%	100%
Ungheni	19	18	50%	46%
Ungheni Crestiuk	4	4	10%	10%
Calarasi	5	5	13%	14%
Chisinau	3	4	8%	10%

Causeni	3	3	8%	7%
Cimislia	2	2	5%	5%
Riscani	1	2	3%	5%
Cahul	1	1	3%	3%

Our partners often criticize us for the fluctuation in the team. Believe me, I too am not happy with high rates of fluctuation, but I am afraid that these changes are common in our country, i.e. they are almost predictable and cannot be prevented. We live in a country where the employment contract is usually a very short-term one, which has advantages for the employer as well as for the employee. We Moldovans are quite flexible. Many of us work abroad, they earn their 4 - 5 times as much as in their home country, if the family association decides to expatriate, then they leave country and job. Many employees working in our area earn just enough to live a dignified life. When someone lures them with a salary that is 5% higher than the current one, they change jobs with flying colors. Let us not forget that we have well-trained employees who are lured by the competition.

But in spite of this we will continue to invest much money in our team, at least in the amount, we invested in 2019, when we have had 28 trainings!!!

OUR INFRASTRUCTURE & TARGET CLIENTELE

Everywhere in our region, people need an access to financial services. Commercial banks in Moldova have never wanted to and have never been able to meet the needs of private customers and small businesses. And so, people from neighboring regions turn to us and force us into a policy of expansion.

We continue to offer the same range of products: loans and insurances, with the insurance business being much less important. In the credit sector, we mainly address private individuals, but also companies. We finance for private individuals

- the purchase and repair of immovable property, in particular
- the improvement of the sanitary situation,
- Education (schools, universities, purchase of books, PCs, etc.),
- Health (doctor and hospital costs, rehabilitation, ...)

And for companies we finance

- Inventories (to increase sales),

- Seeds and livestock,
- Trucks and cars,
- Market Stands

Our maximum credit period is 84 months and the maximum amount of our loans is € 26.000. Although we also finance consumption (TV, travel, weddings), our main aim is to create value and help the client to build a better life. We don't want a one-time deal, but are looking for a long-lasting customer relationship. This is why it is so important for us to be in personal contact with our customers. We need to see them, talk to them. That is why we now have a total of eight branches and are in the process of cautiously but purposefully looking for further branches.

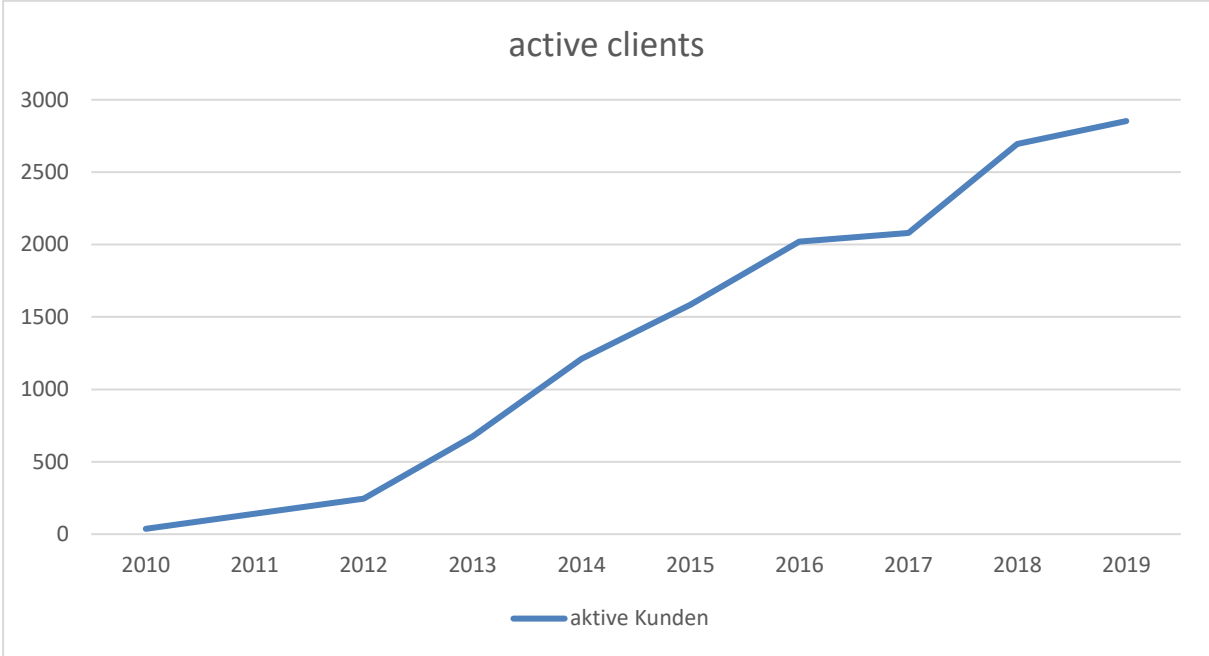
Looking back, I see that we have made mistakes here and there, and that we have sometimes misjudged the abilities of our employees. But on the whole, I can say that the policy of expansion was the right one. You may be interested to know how we approach these new openings. In principle, we are also open to merge with a competitor or to buy up an existing organization, but we have held talks over the past four years and have never found a realistic possibility of increasing our market penetration through acquisitions. And so, we will continue to open branches - slowly and carefully, not to overstretch our structures.

However, we take a strategic approach to store openings: we will only discuss such matters if we have a local who knows the market and the customers and who is experienced in managing such branches.

How quickly do we want to expand? Well, we plan opening two to three branches per year thereby reaching 25 branches by the end of 2025. So far, we've been pretty accurate with our projections...

CLIENTS.

Speaking of clients: We have grown in the number of clients to now 2.853 clients compared to 2.695 at the end of 2018, an increase of 5,9%.



But speaking of clients, we want you to meet some of our clients:

Stepanida is one of our clients. She got a Kiva loan that helped her to purchase flower seeds of Eustoma for planting.



Due to this she was able to diversify the assortment of selling flowers and to meet buyers' demand for these beautiful flowers.

Stepanida continues to grows flowers and to sell them. She is helped by her husband and one more worker to grow flowers. It is

the main source of income for Stepanida and her husband, who are both retired. For her it is very important to develop her business and make people happier with flowers.

Now Stepanida is requesting a new loan from Kiva to buy seeds of tulips for planting. As a result she will be able to offer these flowers in spring holidays and will develop her business.

Another client is **Angela**. Angela is 48 years old, living with her family in the village of Tipala in the Ialoveni region of Moldova. Her family of five includes her husband and three children, ages 12, 13 and 14. She works as caretaker at Children's Hospital in Chisinau. She lives in a household with her husband. They grow corn and wheat on about three hectares (7½ acres) and also grow birds and animals (60 chickens, 20 ducks, 13 goats, 3 pigs, 3 cows, 3 horses, 4 bulls). At the local market they sell meat and dairy products. They recently purchased five rabbits to breed to sell rabbit meat. Not having enough space to raise them, Angela is asking for a loan from Kiva. As a result, she'll be able to create better conditions to raise rabbits and develop her farm.



Children's Hospital in Chisinau. She lives in a household with her husband. They grow corn and wheat on about three hectares (7½ acres) and also grow birds and animals (60 chickens, 20 ducks, 13 goats, 3 pigs, 3 cows, 3 horses, 4 bulls). At the local market they sell meat and dairy products. They recently purchased five rabbits to breed to sell rabbit meat. Not having enough space to raise them, Angela is asking for a loan from Kiva. As a result, she'll be able to

create better conditions to raise rabbits and develop her farm.

The third client we wanted to introduce you to is **Tatiana**. Tatiana is a 40-year-old farmer from Pirlita village, Ungheni region of Moldova. She is married and has two sons that are pupils. Besides agriculture, she works as a saleswoman for a local grocery. Tatiana started to farm 10 years ago. She raises two horses, two pigs, six cows, and 120 poultry and 50 rabbits. She processes 1.5 hectares of land on which she cultivated wheat, corn and sunflower. Some of the cereals Tatiana uses



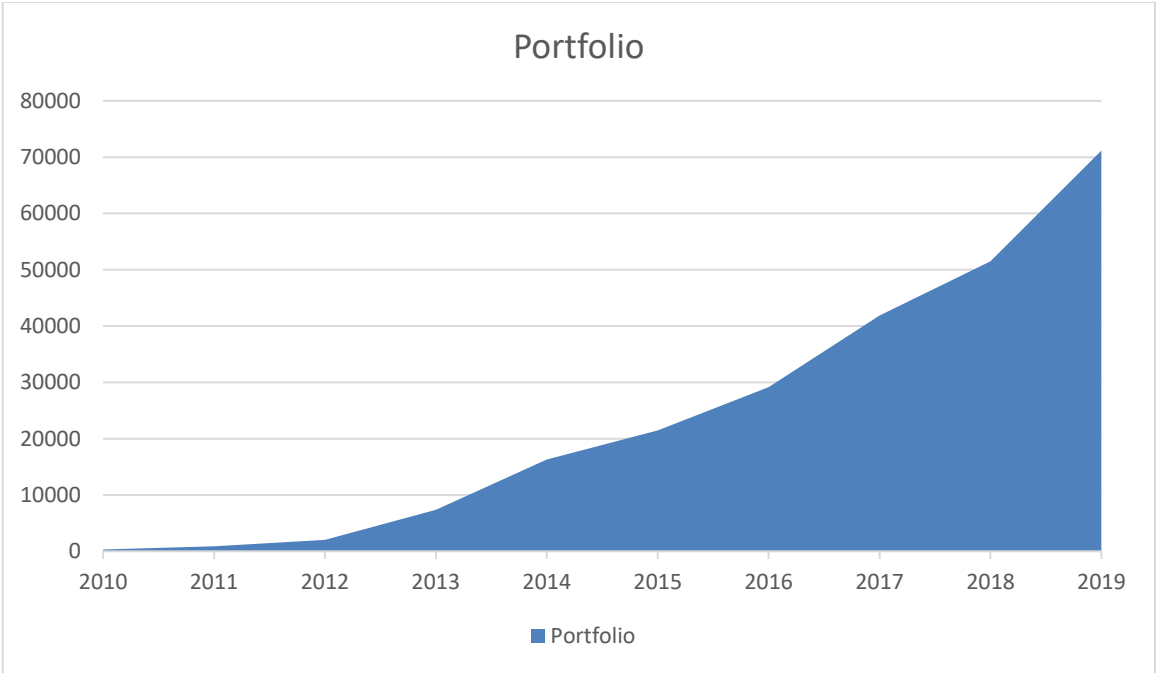
for animal feed and some of them she manages to sell. Tatiana's husband helps her manage the farm, but it is hard to process 1.5 hectares of land manually. So, she decided to buy a tractor. To realize her idea, Tatiana requests a loan from

Kiva. As a result, she will be able to process lands more efficiently and will have the opportunity to spend more time with her family.

Well, those are three of our nearly 3000 clients. We did not only grow in the number of clients; we also show a far higher

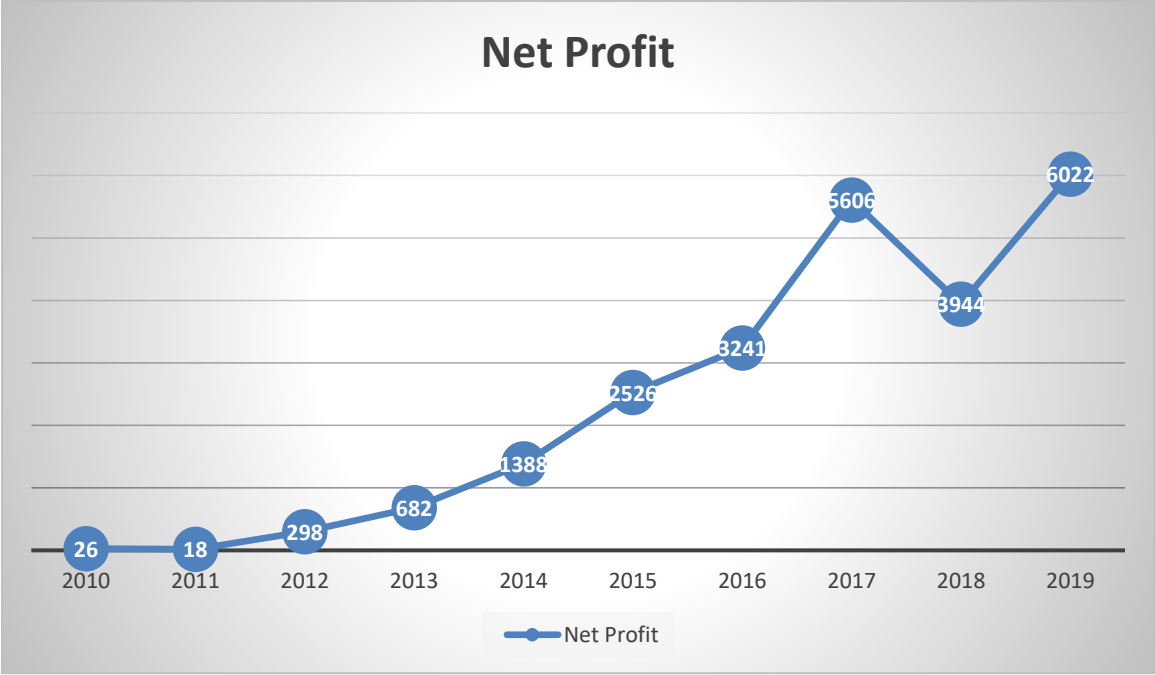
PORTFOLIO,

which states agility and intensity of our “work on the client”.



NET PROFIT

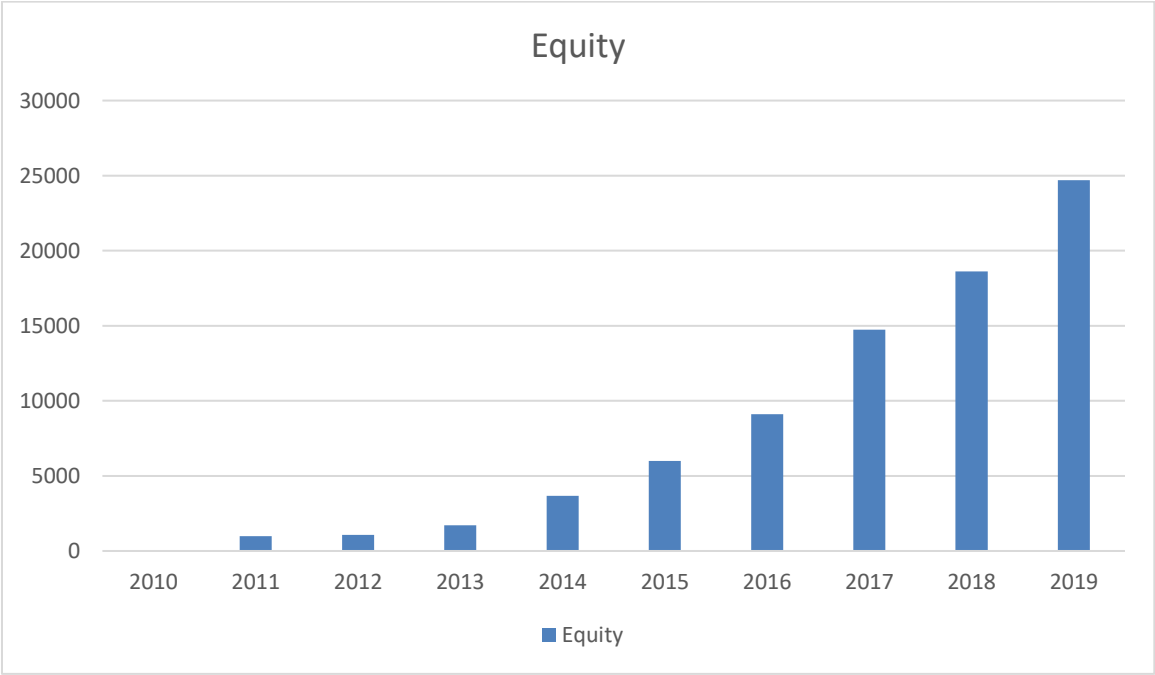
In spite of difficult surroundings (new branches, fluctuation within the team, new processes), we proudly show an increasing net result.



We will not disburse any dividends and use all the results to strengthen our capital. So, in the next years we intend not to disburse dividends, but keep them to finance the growth. And in consequence

OUR CAPITAL

increases steadily.



Maybe I should now state, what makes me proud looking back at 2019: For one this is the new banking relationship with Grameen Crédit Agricole, secondly our sustainable growth in the credit portfolio and finally the successful team building activities including 28 training sessions.

So, this is, what I wanted to transmit to you. Thank you for your patience and your interest. I ask you to support SMART CREDIT also in the future. CREDIT derives from “credere” and if stakeholders go on believing in us, I am not afraid of our economic future, we will make it!

My team and I send you our best greetings, we wish you a peaceful Easter time, a wonderful summertime and a golden autumn. We are looking forward to stay in touch with you and are always at your disposal

Sergiu Cozmolici

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