

Dear shareholders,
dear supporters,
dear stakeholders,
dear friends,

This year, I got the financial data of dec. 31st, 2018 very late. So, I started to prepare myself and to compare the planned data with the realized results, and hélas, there is some difference between the plan data and the reality. What did we realize?



	Planned	realized
Total financial income	18.879	19.441
Total financial costs	4.209	4.145
Operating expenses	7.173	7.558
Net result	5.761	3.944
Total assets	59.718	61.072
Total capital	21.414	18.676
Net loan portfolio (outstanding)	55.437	51.492
Total liabilities	38.304	42.395
PAR1	5,77%	4,85%
PAR30	1,8%	2,57%
PAR50	1,8%	1,98

On the first glance, in 2018 for the first time in our history we did not fulfil our goals. We delivered a good result, but we strive for an excellent result. And 2018 was not an excellent year as the preceding years, 2018 was just good, it was a decent year. I will explain the reasons in the second part of our press release. In the first part of our publication I wanted to continue our customary presentation of some of our customers. As you know, our most important assets can hardly be seen in the balance sheet, they are:

- The loyalty of our customers
- The faith of our employees and
- The reputation for our values

This is the reason why we devote to our clients all our attention. So let us introduce Alexandru, Maria and Tatiana.

Alexandru is a 21-year-old man from the village of Bahmut Calarasi. He is married to Iuliana and has a baby of only one year. The three of them are known in their village as a good and diligent family.

For 6 months of year, Alexandru works abroad. When he is at home, he takes care of the agricultural land on which he grows corn and vegetables. Most of the harvest is used for family consumption, but sometimes he manages to sell some products. All the money he ever gets in his hands is invested in construction materials for the parental home, which he will inherit one day. In his native village there is no central water supply and villagers bring water from the wells. We in Moldova say “A man must produce a child, plant a tree and dig a well” and since the well is far of his home, Alexandru wishes to dig a well in his garden to use the water for family consumption and for his small agricultural activities. So he came asking us for a loan from Kiva to improve the sanitation conditions for whole family.

“A man must produce a child, plant a tree and dig a well”



Maria is a 72-year-old widow from a small village in Ungheni region, Moldova. Her husband left her 1 ½ years ago with 5 children and 15 grandchildren. Now she is retired and deals with farming products. Maria with her elder daughter possesses 2.4 ha of agricultural land on which she plants wheat, corn, sunflower, on a smaller part there is an apple orchard. She also raises animals, pigs, poultry and sheep and sells eggs and chicken-meat at the open-air market in Ungheni

When her youngest son married, Maria gave him her house. He in turn built for her a smaller blockhouse. But the house is not connected to the electric utilities, so for the moment Maria uses candles to light the room. Maria decided to requests a loan from Kiva to connect the house to the electric utilities and to fulfill another dream: Maria grew up in a farmhouse and was a youngster responsible for the cows. If she had a cow, the family would have a better nutrition and part of the milk could be sold. So she strives for this loan in order to stabilize and even to increase her income.

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Tatiana is a 28-year-old trader from the small Elizavetovca village, Ungheni region. She is married and has two sons of 3 and 6 years of age. Her husband works as a construction worker in Chisinau town.

Tatiana has started her business one year ago. She has bought a place at the market and started selling "candy and biscuits". In her first year, Tatjana managed well and established a good client relationship. Now she wants to buy a more stable and better placed stand to expand. So she applies for a loan from Kiva. This would help her to increase the family income and to develop a sustainable business.

I think at this point we should talk about Moldovan society. The core cell of our society is the family and its importance is higher than in many Western European countries. The family replaces the unemployment insurance, it becomes active when the parents go abroad to work, it is the "reserve bank", it decides about the professional careers of the children, their jobs, their support, the family is a kind of safety net. Unfortunately, the family is losing importance. But in the rural areas where SMART CREDIT is active, the family plays still an important rôle.

If a larger investment is to be made, this is often a joint decision of the family members. And this cohesion is the reason why we often "expand" the family in our lending by including a cousin or the parents-in-law as guarantors in the lending.

If we look at the use of credit, we never finance luxury or consumption. What our clients look for are the basic needs of everyday life. So if we finance electricity or water supply, we are not talking about urban life, but about conditions that we still find in rural areas today.

In 2019 we want to continue to work for our target customers, for the women, for the mothers, for those who see their existence in rural areas, but also for those who want to set up a new business. We want to give them all a "better life". Within the framework of our social values, we will

continue to support borrowers who have some catching up to do. We want to help them to have a sustainable, human existence.

You have seen from these three loans - we are talking here about a maximum of € 200 - that the disbursement of such a loan is considerably more expensive compared to a standard loan granted "industrially". After an initial meeting, which usually takes place in one of our bank branches, our employees have to research and prepare a well – thought - out loan template. And when the money is disbursed, we need to see if the money was really used for what it was granted for. Our employees travel thousands of kilometers to visit and to discuss with our clients.

Our costs are high. And we must earn money, but we want to do it in a way that gives borrowers a clear added value. On many occasions we have gone as far as the break-even point, sometimes even below it, in order to realize our credo "Pentru o viata mai buna".

In order to facilitate a better life to our customers we have started with trainings for our clientele. We want to teach them the basics of money, how to apply for loans, what "interest" means and how to calculate it, how to save money, the need to plan in the short and medium term and much more.



We launched a small test balloon and were surprised at the high level of interest. And let me say: we do not invite our guests to a brilliant buffet, the only reason for them to come is the burning interest in the topic. We will continue to organize such meetings, because we feel, that well instructed clients are better clients.

After this introduction I invite you to take a look at the macroeconomic developments in our country and then look at the milestones that SMART CREDIT has achieved in this environment.

POLITICS

We just had the parliamentary elections in the Republic of Moldova,

Preliminary results are:

1. PDM: 24% + 22 districts = 34 seats
2. PSRM: 31,5% + 12 districts = 30 seats
3. Blocul ACUM: 26% + 11 districts = 25 seats
4. Partidul Sor: 8,5% + 2 districts= 7 seats

Whether they can form a new government, however, is questionable; talks about a coalition are likely to be difficult. If no coalition is formed, new elections should be held in the summer or autumn.

ECONOMY

According to the World in the first half of 2018, real GDP increased by 4.5% mainly driven by private consumption and capital formation. Underpinned by lower inflation, strong growth of remittances and wages drove private consumption growth (+3.8%, y/y). Despite robust exports (+12.5%, y/y), supported by the good harvest and foreign demand, imports increased by 10.4%, resulting in a negative contribution from net exports to growth.

Consumer inflation has been below the lower target of the corridor since April. By end-September, consumer prices increased only by 2.4%, y/y. The Central Bank has maintained the policy rate at 6.5% since the beginning of the year. Favourable exchange rate developments allowed further accumulation of foreign reserves, which now exceed 6 months of imports. In the first half of 2018, the current account deficit increased to 9.8% of GDP from 5.9% in 2017 driven by stronger imports growth. Remittances growth remains strong (+14.8%, y/y). Due to Leu appreciation and new GDP accounting, external debt decreased by 10.7 p.p. to 62.1% of GDP. In 2018 growth is expected to reach 4.8% thanks to strong domestic demand and to moderate thereafter.By 2020 growth will moderate at 3.5% supported by improved consumer and business confidence,.....

The outlook is subject to considerable downside risks stemming from low productivity levels, lower external assistance and inefficient public spending.....“.

CURRENCY SITUATION

Even if the MDL showed a strong performance it weakened against the €. And we suppose that a political turmoil on account of difficult coalition talks might even bring a little bit more volatility to a yearlong stable currency situation.

Date	€ / MDL	US\$ / MDL
31.12.2016	21,4779	19,6585
30.06.2017	20,6847	18,0850
31.12.2017	20,5154	17,0990
30.12.2018	19,6831	17,1659

The below chart shows the € / MDL development during 2018



NEW FINANCIAL DATA

per 30.12.2018. We state that the team of SMART CREDIT managed to:

- **+ 17,4 % in interest income**
- **+ 38,9 % in administrative expenses**
- **+ 10,1 % in gross profit**
- **– 20,1 % in operating profit**
- **– 29,6 % in net profit**
- **+ 26,8 % in total equity**
- **+ 22,9 % in loan portfolio**
- **+ 12 % of rural loans**
- **+ 13 % of loans for woman**
- **+ 32 % in total liabilities**
- **+ 15,9 % in number of clients**
- **PAR 1 decreased to 4,85 %**
- **but PAR 30 increased up to 2,57 %**
- **1 new branch opened in Cimisia**

If I must comment the above data, I would like to quote the German poet Friedrich Schiller “Wo viel Licht ist, ist viel Schatten” (Where there is much light, there is much shadow). We missed some of our goals because of structural problems. These problems have basically two reasons: firstly, we had unsolved quality problems in our Chisinau branch and secondly, we have opened a new branch in Causeni thereby we could not concentrate enough on market activities. Let me firstly explain Causeni: this was a unique chance. We could practically overtake the full operations of the MFI. The local manager is very experienced Microfinance Expert, she works more than 10 years for Procredit and Microinvest. And I am sure that she will prove to be a trustworthy, very able manager. I trust we can copy our success story from last year, when we opened Cimislea and could also overtake the operations.

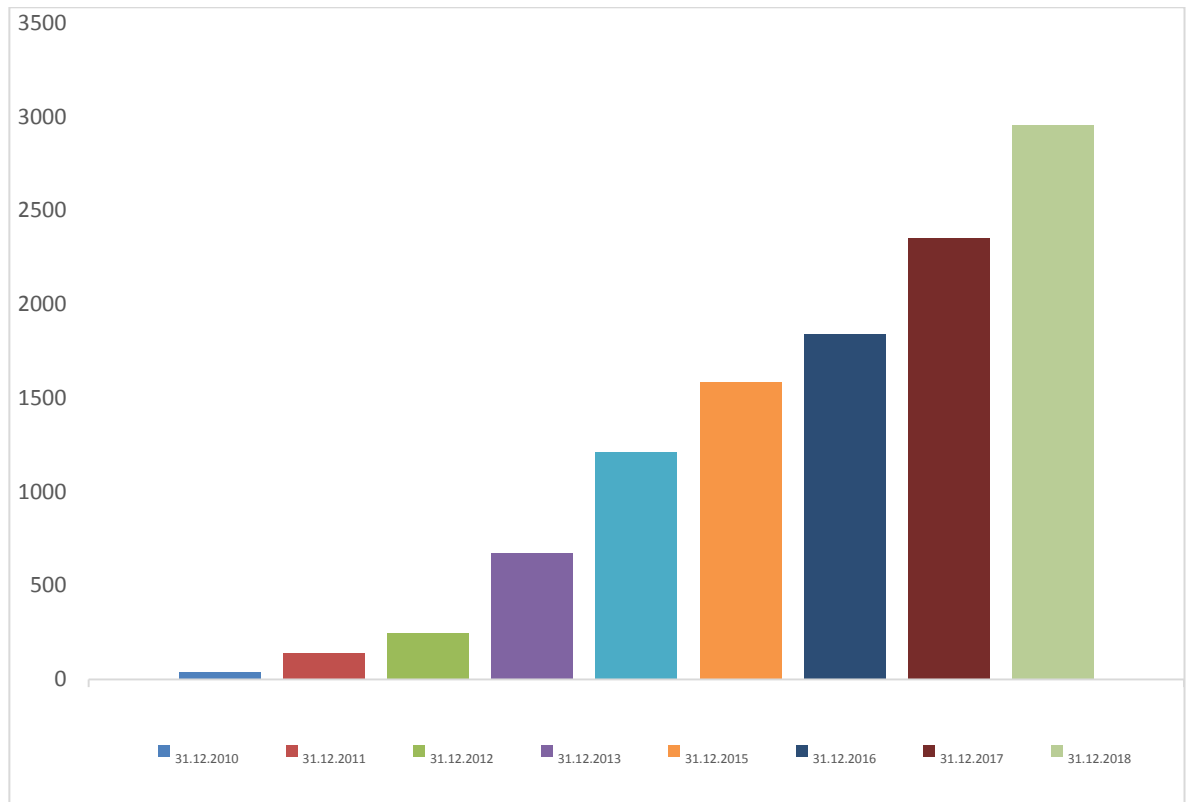
This time, however, we had contingent costs which we had not foreseen: costs for hard ware, costs for office supply, costs for trainings, costs for a down payment for the rent a.s.o.

I would like to ask you to consider these expenses as an investment in the future. The team has stabilized its work flow and the first quarter of 2019 promises a good year with positive prospects for net profit and growth.

Let us now take a look on the particulars. The first chart shows a very important asset, our

CLIENTS.

We could raise the number by 15,9 % and serve now 2695 clients.



PERSONAL

The number of our staff increased by 11,54 % As we took over the MFI activities in Cimislea, we signed a contract with 2 experienced Financial Experts, with background at Microinvest and Fincombank.

Profile of Staff by Gender	Number	%
Female	26	90%
Male	3	10%
TOTAL	29	100%

As outlined we address the clientele in

Branch	Personal	Credit volume per 30.12.2018*)	Disbursed Credits per 30.12.2018 *)	Disbursed Planned volume
Ungheni	14	29.509	31.594	37.200
Crestiuc	5	7.524	7.342	8.400
Calarasi	5	7.525	9.066	9.600
Chisinau	3	4.276	3.621	9.600
Cimislia	2	3.663	4.867	-
Causeni	Opened in 2019	XX	XX	XX

*(Data in 1000 MDL)

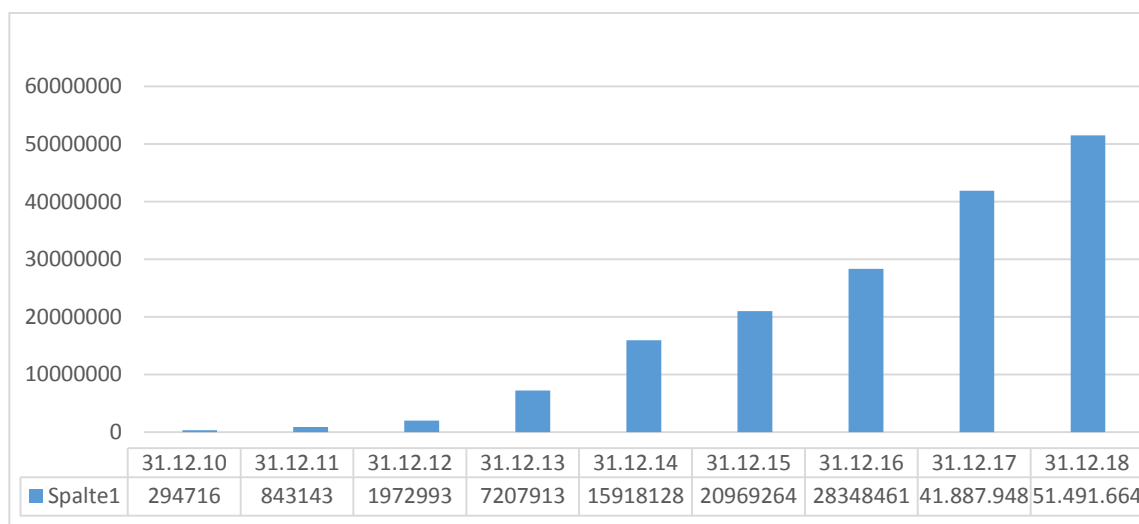
Our fluctuation rate renders us unhappy. There is always a fluctuation, young employees get married or they move in a different town, there might be an underperformance that incites us to look for a separation. We always analyze the reasons in depth. We will continue to work on our team spirit to keep fluctuation as little as possible. Maybe the steady performance pressure is also a reason. We have initiated changes and believe that this brings peace and stability to our "family".

But in spite of the foresaid, we continue to work hard on a better efficiency, because on account of the increased staff the total of loans per credit officers is at inadequate 4,29 mio. per officer and our credit officers serve on December 30th, 2018 only 225 clients per officer.

Our

PORTFOLIO

which shows the intensity of our “work on the client”, rose a respectable 22,9%.



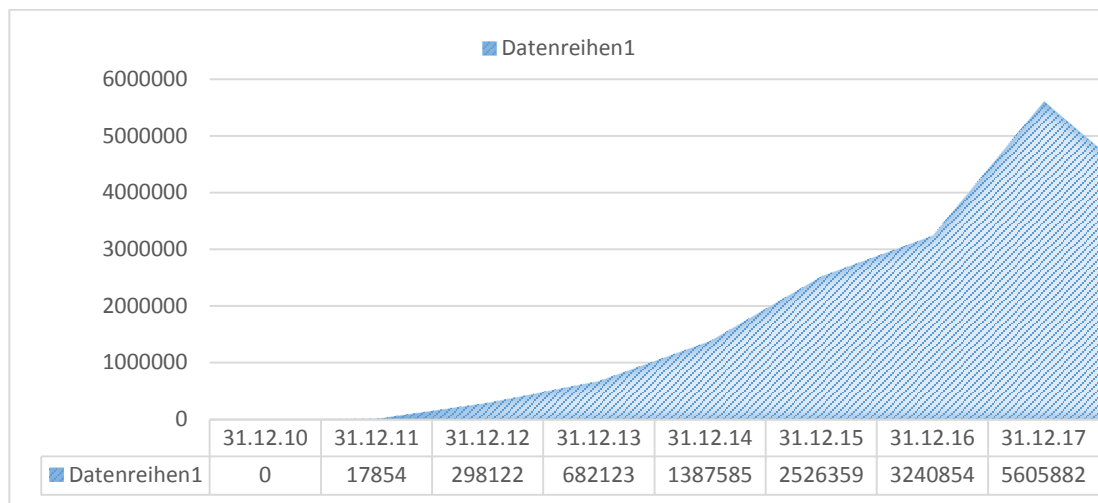
QUALITY STANDARDS.

In the PAR data we have quite a gap between a satisfactory PAR50 and less satisfactory data for the PAR1 and the PAR30. The decent PAR50 shows clearly our steady efforts to talk to our belated debtors, the difficult situation in our Chisinau branch drags the PAR 30 to disappointing 2,57%, a level which we will strive to lower to at least 2,15% within a short period. And as we outlined earlier, in our country the PAR1 data has to be seen with different eyes. Many of our customers do not have bank relations, some of them live far from our branches, so it is quite usual, that payments that should arrive on the 1st day of a month arrive a little bit later because of a lacking infrastructure. But we understood the message: we have to go on working on the quality of our portfolio.

End of	2010	2011	2012	2013	2014	2015	2016	2017	2018
PAR1	0,00	9,76	4,50	1,27	2,84	3,60	4,18	4,36	4,85%
PAR30	0,00	1,04	1,06	0,34	0,48	0,94	1,63	1,80	2,57%
PAR50	0,00	1,04	0,93	0,31	0,45	0,62	1,09	1,41	1,98%

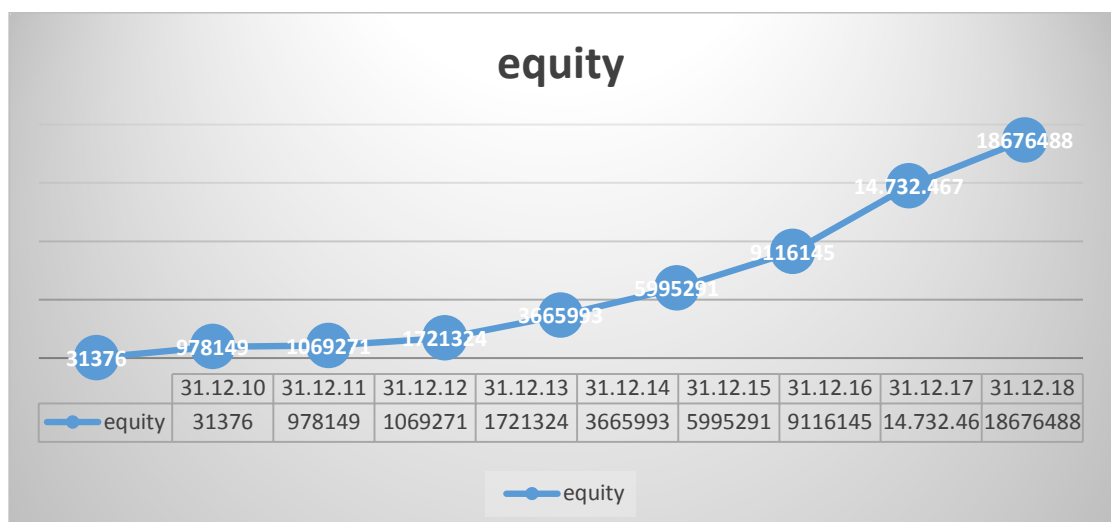
NET PROFIT

What concerns net profit, we were unable to build on the successes of previous years. Our net profit fell down 29,6 % compared to 2017. The reasons are heavily risen general and administrative expenses, in particular higher personal costs. But also, higher provisions and financial losses caused by adverse foreign exchange movements.



We are not satisfied with our net results, but in spite of all these adverse impacts we could strengthen

OUR CAPITAL



We know, that in 2019 we have to work hard. The shrunken net profit of dec. 31st, 2018 hurts the team, we are eager to prove that we can do it, in 2019.

So, this is, what I wanted to communicate. At the end of this note I would like to again ask you to support SMART CREDIT. CREDIT derives from “credere” and only if stakeholders believe in us we will be able to go on realizing our plans.

My team and I send you our best greetings, we wish you a wonderful spring and summer time. According to our slogan we wish you that lots of your dreams become true. We wish us a continuing relationship with you. So we are looking forward to stay in touch with you and are always at your disposal

Sergiu Cozmolici

Chairman of the Board of Directors

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