

SMART CREDIT



New Branch in North of Moldova, Edinet,
Mariana, Manager and Ana Credit Officer of the Branch.

PRESS RELEASE 2020

SMART CREDIT

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

Remember? I wrote in march, 2020 “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..... We all believe that the problem will soon be solved.”

And it sure is not solved. I can say that our team managed the problem miraculously, yes, we had reduced incomes, yes, we had higher defaults, but when I compare the results with partner institutions in Moldova and abroad, we held up quite well. And: no one from our team had Corona and we take great care to ensure the safety of our customers in our branches.

Today I have the pleasure of presenting the results for fiscal 2020, but before that - as always - a brief look at

MOLDOVA'S ECONOMY

The world bank shows a grim perspective on Moldova and writes: *“The pandemic has hit an already decelerating economy. The monetary stance has reached a record low. A large import compression has led to an improvement in the current account deficit (CAD). The fiscal stance has deteriorated as the economy plunged into recession.”*

The world bank's Medium Term Outlook shows a slight hope, when they write: *“COVID-19 and the recent drought have drastically worsened the outlook for Moldova with an economic contraction expected in 2020 of a magnitude not seen since the great global recession in 2009. Uncertainties around the evolution of the pandemic are expected to keep the economy below potential. Economic growth is expected to reach 3.8 percent in 2021, assuming more favorable conditions thanks to the development of vaccines. Consumer and investment confidence are expected to rebound on the back of the resumption of remittances, increase in social transfers, and accommodative monetary stance. Most sectors are also expected to rebound, though the 2019 levels are estimated to be reached only in 2022. The agricultural sector is estimated to strongly rebound after a bad yield this year. While the current account deficit is expected to narrow in 2020, it will gradually widen as the economy accelerates. Similarly, average inflation is expected to be below the target of 5 percent in 2020-2021, but to pick up as the recovery strengthens.”*

A little bit brighter, the economic situation is seen by the German Economic Team that writes: *“2020 was a challenging year for the Moldovan economy. In addition to the impacts of the COVID-19 crisis, the country was affected by a severe drought in the agricultural sector. Based on our macroeconomic model, we forecast a decline in GDP of 6.7% for 2020 – its deepest downturn in over a*

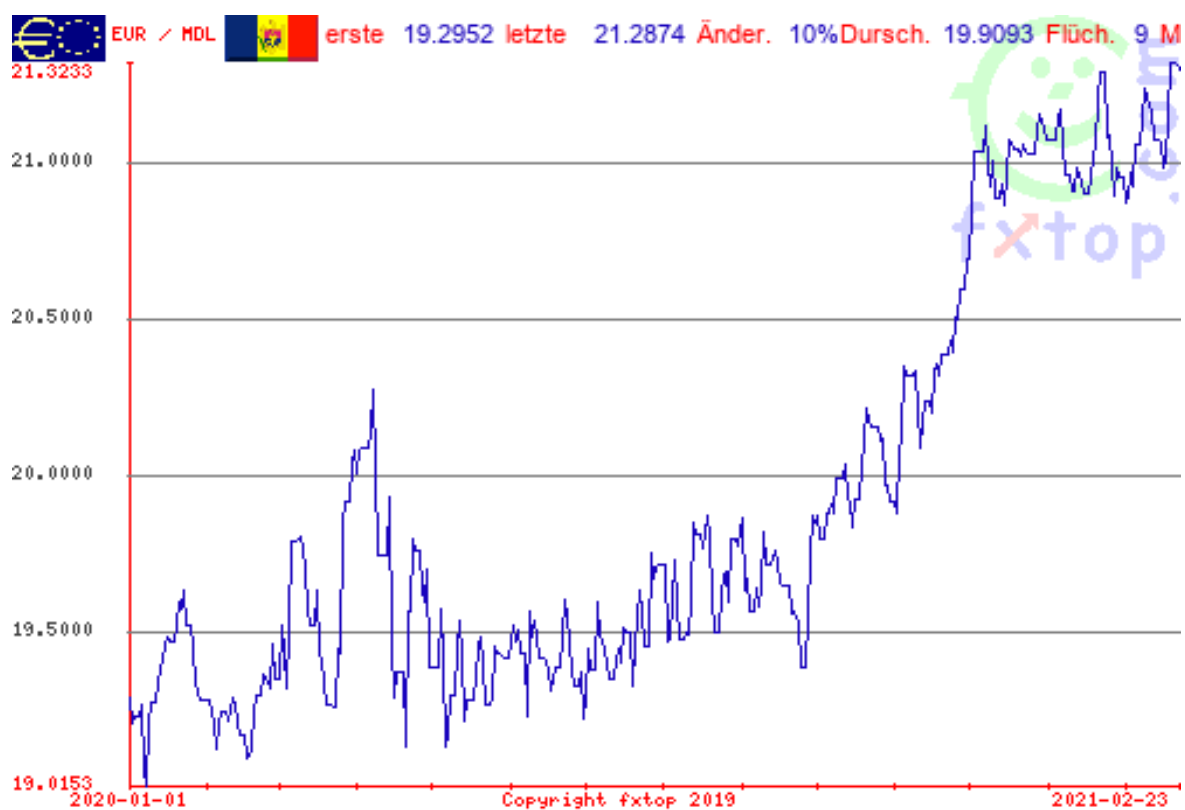
decade. Out of this, the agricultural sector accounts for one-third of the GDP decline. Besides agriculture, the economic decline was mainly driven by a sharp drop in private consumption. Despite announcing a range of fiscal stimulus measures, public spending actually went down in 2020, even though more options for external financing in the form of pandemic relief and emergency loans became available. Nevertheless, we predict that the economy will grow by 4.5% in 2021, as consumption and investments pick up.”

POLITICS

On 1 November 2020, presidential elections were held. After some candidates failed registration or withdrew from the race, there were eight participants left, backed by different political parties. Former prime minister Sandu, being pro-European and member of the Party of Actions and Solidarity (PAS), ended on the first place with around 36% of the votes. In the second ballot, Sandu was the clear winner, thereby becoming the first female president of Moldova. After the Chicu government resigned in November 2020, Sandu has put forward Natalia Gavrilita as prime minister to form a government. This government formation was unsuccessful, after which Gavrilita was asked again to form a government. If in 90 days a government is not formed, snap elections are triggered. But Moldova’s constitutional court said recently it was unconstitutional for the President Maia Sandu to nominate Natalia Gavrilita as prime minister for a second time after parliament had already voted to reject the nomination. Now, the political crisis is deepening and in this situation, it remains unclear whether Moldova will receive external funding through the new IMF programme amounting to USD 558 m.

THE CURRENCY

The Moldovan Lei vs. € showed again a pretty strong performance in the year passed, but starting in autumn 2020, the MDL lost quite a lot of its strength vs. the Euro, whereas it remained stable in relation to the US\$.



To underline this statement please read the following data:

Currency	2.01.2020	31.12.2020	24.02.2021
Euro	19,33879	21,1763	21,2599
US \$	17,26309	17,223	17,5338

Embedded in these economic and political backgrounds we work hard with now eight **Branches** in

- 10, Nationala street, Ungheni city,
- 10, Crestiuc street, Ungheni city,
- 73, MihaiEminescu street, II floor, Calarasi city,
- 1, Iu.Gagarin Avenue, Chisinau city,
- 1, Barbu Lautaru street, Cimislia city,
- 1/C, Stefan cel Mare street, Causeni city,
- 13, Independentei street, Riscani city,
- 20/11, Prospectul Republicii street, Cahul city

and recently we opened our 9th branch, Edinet.



We manage our activities with 43 team members. They succeeded in reaching the following results in our balance sheet and the profit and loss statement per dec. 31st, 2020

	1.1.-31.12.2019	1.1.-31.12.2020	Change in %
Total assets	91.251	105.636	+15,8%
Portfolio	72.173	87.594	+21,4%
Bank credits	65.482	75.628	+15,5%
Total equity	24.699	28.523	+15,5%
Interest income	16.986	21.679	+27,6%
Interest expenses	4.774	7.060	+47,9%
Interest margin	12.212	14.619	+19,7%
Personal costs	4.899	7.023	+43,4%
Net profit	6.022	3.824	-63,5%

You see, the principal trend of SMART CREDIT is expansion. A company like our SMART CREDIT is forced to expand, we cannot repose, we have to move. And this push forward is clearly manifested in the financial data. There are positive aspects, namely

- the Credit Portfolio increased by 21,4 % versus 2019, that
- our equity grew by 15,5 % versus 2019.

But there were also less positive aspects. Sure, we were hit hard by the Corona pandemic, but apart of this we explain the decreasing net profit (- 63, 5 % versus 2019) with

- increasing of personal costs. We needed to invest a lot in our team, had to pay premiums and motivate our members,
- the increasing interest expenses. A bank that expands relies on external refinancing, and since in 2020, we needed more funds and more cash we had higher interest expenses and fees. (And additionally, one of our international partners, that till 2020 provided us granted social credits without interest started to charge interest). And thirdly, we
- were hit by the weakening MDL in the second half of 2020.

I would like to begin the presentation of the financial data per December 31st , 2020 and start with the team of SMART CREDIT, the most valuable asset we have.

Our Team

The structure of employees of SMART CREDIT by sex					
NO	GENDER BRANCH/	NUMBER		PERCENT	
		31.12.2019	31.12.2020	31.12.2019	31.12.2020
1	Female	31	36	82%	82%
2	Male	7	8	18%	18%
	Total	38	44	100%	100%
1	UNGHENI	19	22	50%	50%
	Female	15	18	79%	82%
	Male	4	4	21%	18%
2	UNGHENI CRESTIUC	4	4	11%	9%
	Female	3	3	75%	75%
	Male	1	1	25%	25%
3	CALARASI	4	4	11%	9%
	Female	3	4	75%	100%
	Male	1	0	25%	0%
4	CHISINAU	3	3	8%	7%
	Female	3	3	100%	100%
	Male	0	0	0%	0%
5	CAUSENU	3	4	8%	9%
	Female	3	3	100%	75%
	Male	0	1	0%	25%
6	CIMISLIA	2	2	5%	5%
	Female	2	2	100%	100%
	Male	0	0	0%	0%
7	RISCANI	1	2	3%	5%
	Female	0	0	0%	0%
	Male	1	2	100%	100%
8	CAHUL	2	3	5%	7%
	Female	2	3	100%	100%
	Male	0	0	0%	0%
	Total	38	44	100%	100%

We are proud that 82% of the team is female. In 2020, we were able to lower substantially the fluctuation in the team. We care about every member of it and – I dare to say – we spoil them investing a lot of money. What concerns the compensation, we pride ourselves to pay a fair and good salary letting them feel that we appreciate their engagement and motivation.

OUR INFRASTRUCTURE & TARGET CLIENTELE

In the last two years, the management and the board have decided on a strategy of expansion in order to move closer to our customers and potential clients. From today's point of view we will continue this expansion on a slightly lowered basis opening one, at the most two branches per year.

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 address private individuals and seek actively commercial clients. We try to sharpen our products and show a clear differentiation toward our competition.

We finance **private individuals**

- the purchase and repair of real estate property, in particular
- the improvement of the sanitary situation,
- education (schools, universities, purchase of books, PCs, etc.),
- health (doctor and hospital costs, rehabilitation, ...),
- Start up credits to pick up commercial activities
- all aspects of agricultural matters

for **commercial companies** we finance

- inventories (to increase sales),
- seeds and live stock,
- equipment,
- trucks and cars,
- market Stands

Our maximum credit period is 180 months and the maximum amount of our loans is € 25.000.

Although we also finance consumption (TV, travel, weddings), our main aim is to create sustainable value and help the client to build himself 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 expanded our network and are further cautiously looking for further branches.

Instead of a report on the

IMPACT OF THE PANDEMIC,

I would simply like to quote a few statements from our key employees. Ecaterina Angeluta, our CEO notes that during the pandemic SMART CREDIT has become more flexible and friendly to our clients, and has reached a high level of digitalization.

The head of our Credit department, Maria, clearly notices that an increasing portion of our clientele is experiencing financial constraints. However, we maintain our prudent credit policy and only approve loans when it is reasonable to do so.

The KIVA Coordinator, Tatiana, reports an increase in demand for loans for investments in agriculture.

The head of the Recovery department, Svetlana, laments that more and more delinquent borrowers are hiding and that payment morale is becoming more

difficult. But she says at the same time the majority of delinquent debtors are addressing the problems constructively and making efforts to clear the debt.

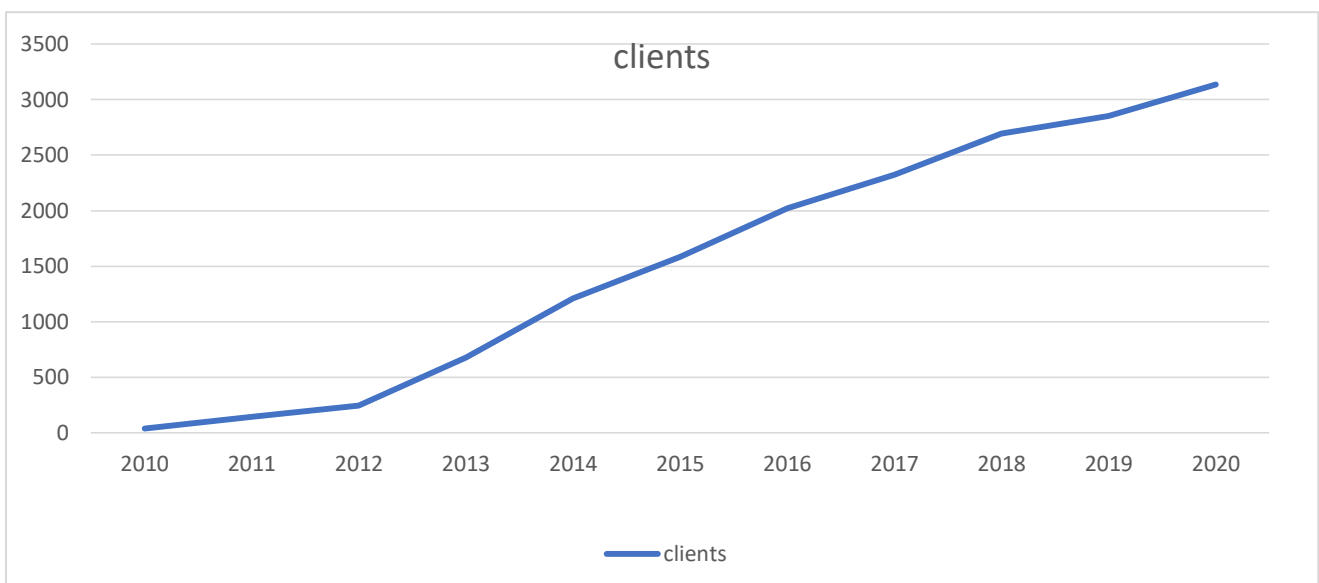
And Lidia, branch manager in Chisinau notices an increased demand from borrowers who are already over-indebted.

Let us look into the financial data of SMART CREDIT per dec. 31st, 2020

CLIENTS.

We have grown in the number of clients to now 3.137 clients compared to 2.853 at the end of 2019, an increase of nearly 10%. This makes me very happy because it shows two things: firstly, that there is a need for banking services in our country and secondly, that people estimate our services and feel “at home”

Speaking of clients, we want you to meet some of our 3.137 clients:





Alina came to us, because she wants to build a larger barn for animals and to purchase a device for granulating cereals. Alina is a 30-year-old woman from the village of Pirlita in the Ungheni region of Moldova. She is married and lives with her husband and her two children, who make her very happy. Alina and her family have lived in their own house all their lives. The house is large and spacious. Her husband works in construction.

Alina started her own business raising rabbits a few years ago, and she really likes what she does. Alina sells the meat at the market and to the villagers. She always has buyers and manages to earn a monthly income for family maintenance.

At this moment, Alina wants to build a bigger barn for the animals and to buy a device for granulating cereals. However, not having enough money, Alina has decided to apply for a loan from Kiva. As a result, she will be able to create better conditions for raising rabbits.

Igori applied for a credit, because he needs food and forage for his animals



Igori is a 43-year-old farmer from Cimislia town, Moldova. He is married and has 2 sons, ages 21 and 14, who help him in everything. He and his family live in a house inherited from his parents.

On the land next to their house, Igori raises animals and produces goat's cheese. He started the business 10 years ago. Part of the production is used for family consumption, but he also sells milk and cheese both at the market and from home to the inhabitants of his town. He currently has 30 goats and land on which he has sown hay grass. He buys animal grain because he does not have enough land to produce it himself.

At the moment, Igori needs additional food for his animals, which is why he is borrowing from Kiva. With the loan, he will be able to continue raising sheep and making cheese, so the family's monthly income that ensures their existence will not suffer.



Christina needs a new gas boiler to ensure a warm house for her children

Cristina is a 30-year-old woman living in Ungheni, Moldova. She is married and has two very cute daughters who make her life happy.

The eldest daughter is 8 years old and goes to school and another daughter is only one year old.

The financial situation in Cristina's family is not the best. For this reason, she has to work leaving her young daughter with her grandmother. Her husband works in the market and sells appliances. The house she lives in is heated by the gas boiler. However, being old, it failed and can no longer be repaired.

Now, Cristina is applying for a Kiva loan to buy a gas boiler. The colder season is approaching and she urgently needs money so that the children do not run out of heat in the house. She relies on input and support to be able to provide the family with decent living conditions.



Galina plans to build a greenhouse to ensure the family with source of food and income

Galina is a 45-year-old woman from the village of Duruitoarea Noua in Moldova's Riscani region. She is divorced and has two sons who make her happy every day. Galina had to work abroad for a long time to raise and support her sons. Now, her sons have their own families and live in the same village. Galina always insisted on teaching them to be hardworking men. At the

moment, they own their own houses and work in agriculture.

Galina has also managed to procure agricultural land. She wants to build a greenhouse for the production of vegetables on the land she owns. Selling these vegetables will give Galina the opportunity to earn income for maintenance. Galina hopes that in the future she will be able to help children to live well and happily together.

Now, Galina needs a Kiva loan to procure the necessary materials to assemble the greenhouse. As a result, she will be able to start her own business and provide her family with a source of vegetables and income.

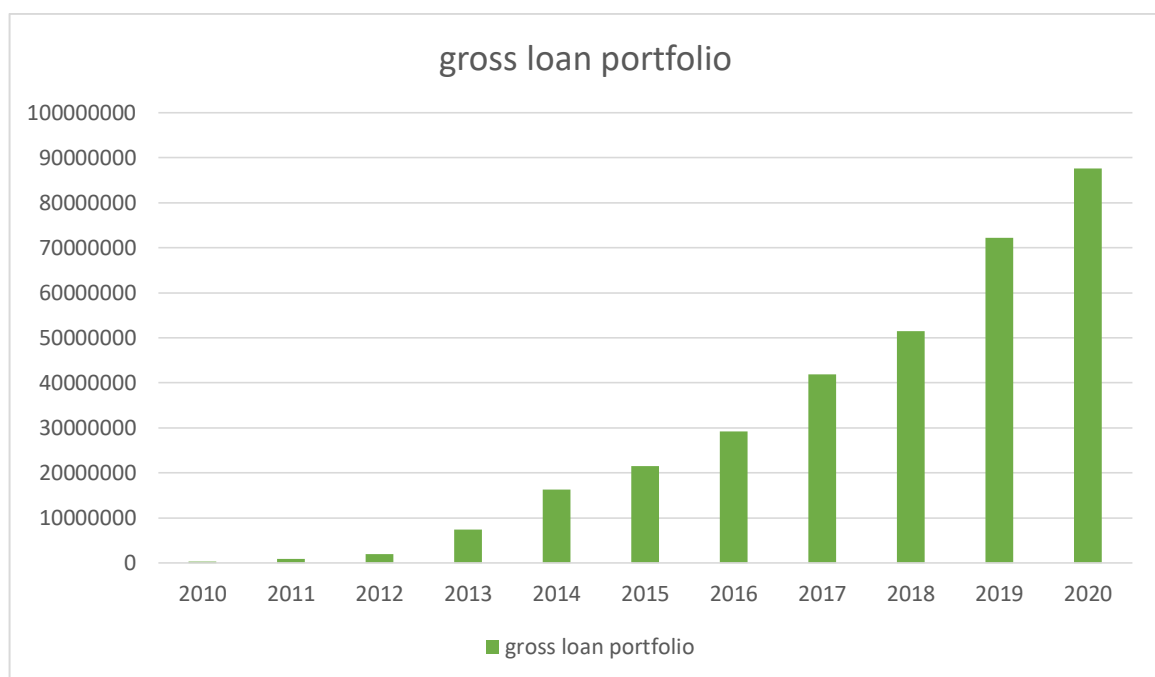
Well, those are four of our 3.137 clients. We did not only grow in the number of clients; we also show a far higher

PORTFOLIO,

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

In order to define it correctly, we use the term “portfolio”

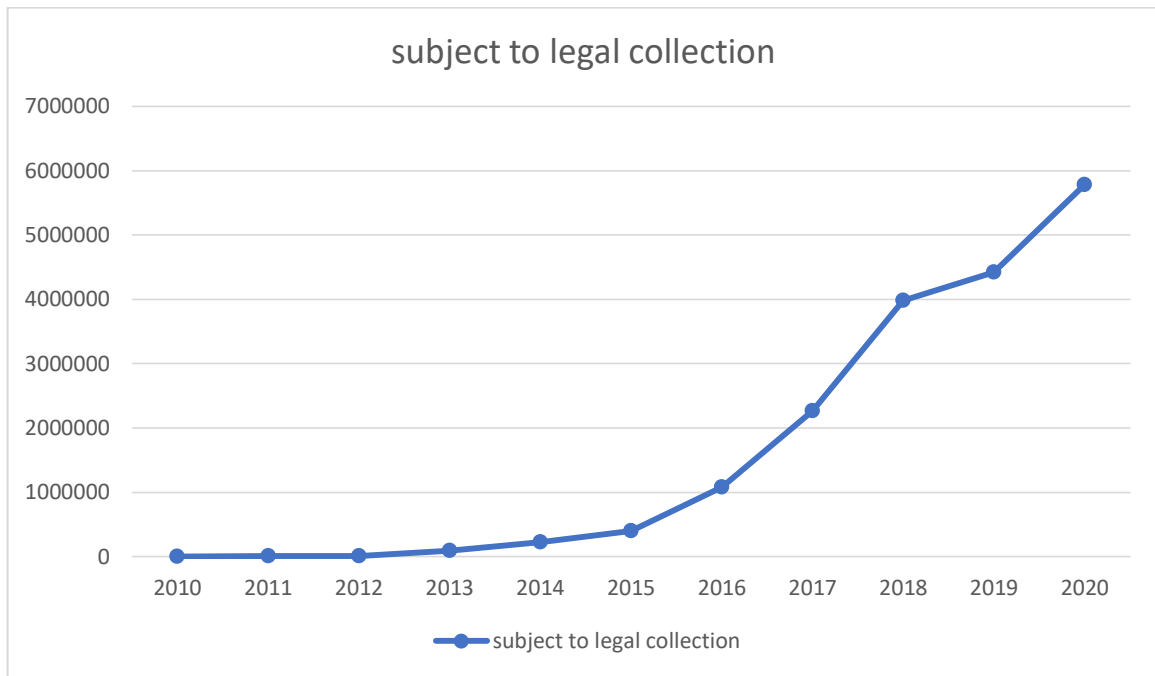
for the gross loan portfolio per 31.12.



But if a portfolio grows and grows and grows there is the danger that the quality of the portfolio lowers. We take meticulously care of the quality of our portfolio, nevertheless there are credits that become

SUBJECT TO LEGAL COLLECTION

I think that in relation to the growth this development is acceptable, but nevertheless every MDL hurts and we are doing all humanly possible to collect these non-performing loans.

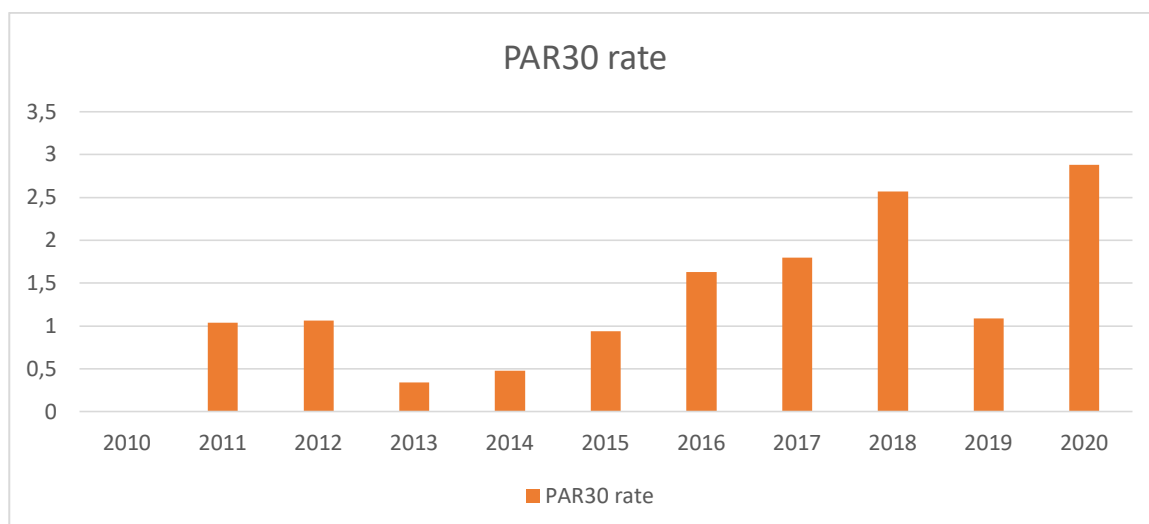


This chart shows the total amounts of non-performing credits not having been served for more than 360 days.

A similar instrument showing the concern for good quality is the

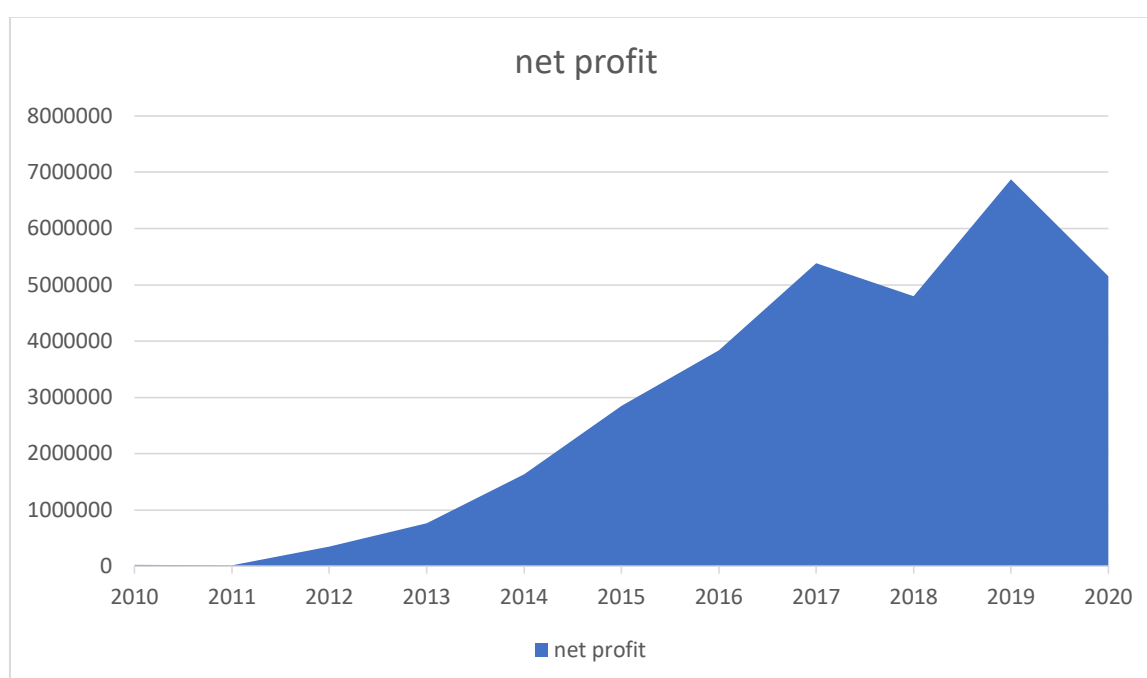
PAR 30 DAYS RATE

(PAR means portfolio at risk). An acceptable rate for MFIs is lower than 5 %, many central European banks have rates higher than 2,8%. No doubt, in these circumstances, the PAR 30 rates will considerably grow due to the economic crisis that hits our planet.



NET PROFIT

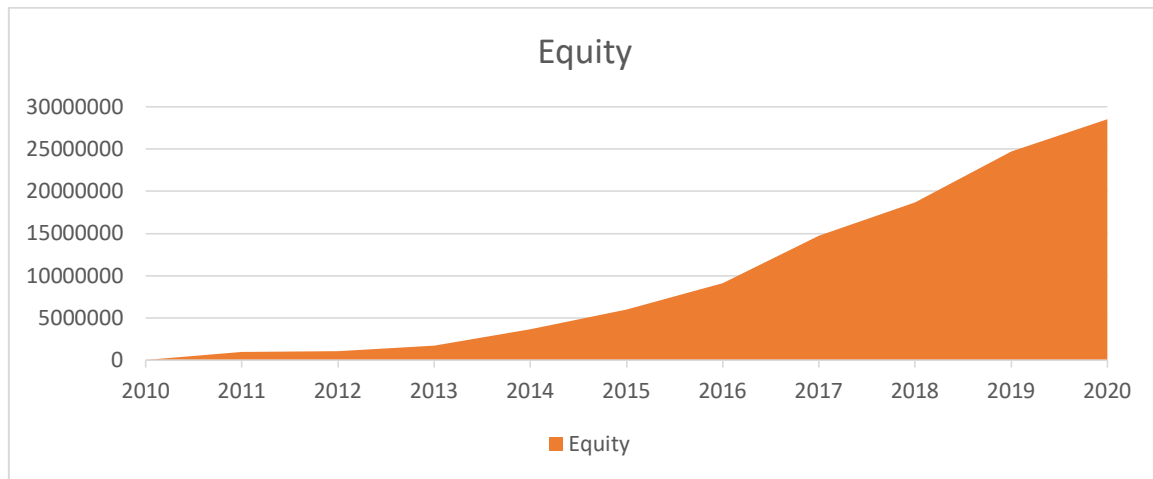
Obviously, the difficult situation, mainly caused by the pandemics has left traces our p&l statement. Am I satisfied? Well, I am not happy about various things, but in spite of difficult surroundings (new branches, fluctuation within the team, new processes), we proudly show an increasing net result.



So, as we do not intend to disburse any dividends for the next years, but add the results to our equity to finance the growth, our

EQUITY

shows an impressive growth.



I am optimistic about the near future. Sure, we will be confronted with new and unknown external risks, maybe even new pandemics. But we will strive improving the quality of our services, we will get closer to our clients by opening new branches. Speaking of branches, we recently opened our 9th branch in Edinet, in the North of Moldova. We start with an exceptional team, composed by former bankers coming from Procredit Bank. We will start an online offensive serving our clients via our web sale page www.credit.smartcredit.md. On this website our clients can apply online for a credit. And last but not least, we will to foster partnerships with enterprises selling equipment to our clients, for whom we furnish the loans.

But all this will only be possible with an engaged and motivated team. We will build up our team and develop it, so that we will be ready for all opportunities that come up in these interesting times.

A last thing: after 10 years of our slogan “for a better life” we rebranded our appearance. We now offer “Finantare pentru Viitor” – Finance for the future.

So, this is, what I wanted to report 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 and a soon end of the pandemic terror. We are looking forward to stay in touch with you and are always at your disposal

Sergiu Cozmolici

Chairman of the Board of Directors

MFI SMART CREDIT LLC

10, Nationala Street, Ungheni,

Republic of Moldova

www.smartcredit.md

info@smartcredit.md