

Press release 2021



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

SMART CREDIT

Ungheni, March 2022

Actually, I wanted to write something positive, because the figures presented to us today are excellent. The team has achieved a great result. But the joy get stuck in my throat. On February 24, the European dream of living forever in peace came to an end. Russia invaded Ukraine, reaching our doorstep.

The "new fear" is even more concrete in Moldova. I and many of my compatriots remember the Soviet times, and until a few weeks ago a large part of the Moldovan population had had sympathies for the Russian bear. Today, Moldova has impressed the world, its people, in a unique solidarity, have given shelter to more than 300,000 refugees from Ukraine, doing more in percentage terms than any other country in the world.

Reading these lines, it struck us that we cannot go on with long-term forecasts. We will stick to our 5-year goals, but we must retain the flexibility to change these plans at any moment.

Many Western observers even see Moldova as the next victim of Putin's expansionism, since an integral part of the territory, namely Transnistria, already belongs to Russia's zone of influence. I am still optimistic, but we are particularly affected by developments in Ukraine. Therefore, before I talk about the economy and our figures, I want you to read our answers to a questionnaire of one funding banks:

“Major Russian banks have been excluded by the SWIFT payment system. Does this affect any of your correspondent banks? If so, do you have other banks you cooperate with that can process incoming/outgoing payments?”

No. We and our banks (MAIB and MICB) do not have any relations with Russia.

Have you already taken any action to minimize associated risks?

We do not have any risks in this field.

FX markets have shown increased volatility since the beginning of the conflict, with some currencies depreciating already significantly. Is your institution already being affected by this volatility and increased hedging cost?

Our currency, MDL is a strong one and is not very affected versus the €, the war has more impact on the US\$ exchange rate. Our financial status : in current accounts we keep a surplus of € 932.874 and US\$ 425.000. We are pushing foreign currency credits, resp. MDL credits linked to Euro for clients with income from EU. In February, we granted T€ 40 credits attached to Euro.

At the end of February 2022, our unhedged currency position does not even reach 30% of our capital. Mind, that this is the maximum unhedged position as agreed with our funding partners.

Which are your plans to minimize associated risks?

MAIB (the bank we use for hedging) is the biggest and strongest bank in Moldova, and we have the best conditions on the market. Generally, we feel that interests for any credits will grow on account of the inflation that is higher in Moldova than in any European country. We have had the same situation years ago, and we passed this period of high inflation with success. Certainly, we will have additional cost of hedging, (hedging interest will grow from 10 % to 13 %.) Due to the flexibility of our Credit Portfolio (the majority of clients repay in 12-20 months their credits) and the stable cost of our funding, we even can increase the charged interest rates at any moment by 2-3 p.p. That is acceptable for clients.

Sanctions to Russia, import/export dependencies with Russia and Ukraine and remittances. Do your clients have material exposure to Russia and Ukraine?

We do not have any Clients with properties or business in Russia.

Do your clients rely significantly on remittances from Russia and Ukraine?

Only around 8 % of our clientele receives his income from Russia..

Do you expect portfolio deterioration in coming months?

We do not expect major deterioration of the quality of Credit Portfolio. We expect an increase of PAR1 by 1- 2 p.p and an increase by 0,5 – 1 p.p. of PAR30 in the next months.

Which are your plans to minimize associated risks?

We reacted immediately and – starting from 03.03.2022 - we stopped to take into consideration any income from Russia for clients applying for credits. Furthermore we will analyze all clients having any Russian exposure..

Funding: Have you received information from any of your lenders, whether they will stop providing funding in the country/region?

No, we have only reliable and trustworthy funding partners. None of them has announced any change of policy. Just in the opposite: in January 2022 we received a 3 year credit facility from Grameen Credit Agricole Foundation.

Which are your plans to minimize associated risks?

Our cash flow is strong. If we should not receive any further refinancing, SMART CREDIT will go on to perform stable, but the lack of funding will force us to a stand still and we than will cease to grow and develop. We strongly believe, that this crisis is at the same time an opportunity to advance."

These answers show the perseverance of our team, of which I am particularly proud. Let us now proceed to our usual reporting:

Current economic situation of Moldova.

We quote here from the study of Germany Trade and Invest - Gesellschaft für Außenwirtschaft und Standortmarketing GmbH, written by Dominik Vorhölter | Chisinau from 24.01.2022

Moldova's economy is recovering from recession. But the economic performance does not reach the pre-crisis level yet. The risks are very high.

- Economic development: Corona crisis and inflation weigh heavily
- Investments: New government creates confidence among investors
- Consumption: Recovering, but increasingly on credit
- Foreign trade: Exports growing slowly

Strong inflows of remittances from abroad fueled private consumption in 2021. Moldovan diaspora benefited from economic recovery abroad. However, economic output is not expected to reach pre-crisis levels until the end of 2022.

At the turn of the year, energy producer prices and food prices rose sharply. This is impacting consumer spending. In addition, by the end of 2022, corona-related supply shortfalls of goods and intermediate products threaten smooth production in industry. In addition, personnel could be absent due to illness. The vaccination rate against Covid-19 is not expected to reach 60 percent until the end of 2022, the European Commission estimates.

Foreign trade thrives on exports of goods processed in the country, such as clothing, footwear, spark plugs, cables, and various supplies for the automotive industry. All export sectors recovered in 2021 as the global economy picked up. The trade deficit is structural because consumers demand many imported consumer goods.

Moldova is struggling to pay the cost of monthly gas supplies from Russia and outstanding debts of \$709 million (US\$). These outstanding debts of \$709 million (US\$) are not at all transparent and need to be audited. The government therefore rationalized gas supplies for 60 days on January 19, 2022. It is the second supply shortage in three months. It mainly affects private households. They consume about 60 percent of all gas, reports the National Bureau of Statistics. The second largest gas consumers in the country are the service and public sectors, with a combined 20 percent share of total gas consumption, followed by industry (14 percent share of consumption).

For the state budget, analysts from the Economy Intelligence Unit project a deficit of 4.1 percent of gross domestic product (GDP) in 2022. The Moldovan government itself expects a deficit of 5.8 percent of GDP. Public debt is expected to rise to 34 percent of GDP in 2021, the International Monetary Fund (IMF) estimates.

Analysts at the National Bureau of Statistics expect GDP to grow by 4.9 percent in 2021, following a 7 percent decline in economic output in 2020.

New government creates confidence among investors

Companies already active in the region are looking with growing interest at Moldova as a business location in the face of global supply difficulties. The formation of a pro-European government in the fall of 2021 is creating confidence and boosting the investment climate. The European Union pledged 600 million euros to Moldova for economic recovery. This money is available until 2024 for investments in education, the labor market and the expansion of road and power lines to Romania.

Consumption: Recovering, but increasingly on credit

Private consumption has not yet reached pre-crisis levels in 2021. After a 6.3 percent decline in 2020, private consumption grew by 5 percent in 2021, the National Statistics Office reported. At the same time, demand

for consumer credit increased. Moldovan banks extended loans to consumers and entrepreneurs worth about US\$10 million in 2021. This is equivalent to a quarter of GDP.

Real wages continue to rise. This is due to supply constraints in the domestic labor market. Skilled workers are in particularly high demand in industries such as information technology and telecommunications, as well as construction. In Q3 2021, the gross average monthly wage was 9709.6 Moldovan lei (548.6 usd, 1 usd = 17.7 Moldovan lei), according to the National Statistics Office. This is an increase of 14.9 percent compared to the same quarter last year.

In 2021, energy producer prices rose 63 percent and food prices rose 18 percent, the National Bureau of Statistics reports. Statisticians put the average inflation rate for 2021 at 14 percent. If inflation were to remain in double digits, it would choke off the robust recovery in private consumption, which is a key pillar of GDP. The central bank has already reacted. It raised the key interest rate by 2 percentage points to 8.5 percent in mid-January 2022.

Foreign trade: Exports growing slowly

Imports increased by 34 percent in the period from January to November 2021. Exports increased by a quarter in the same period compared to the same period last year. Romania, Russia and China are Moldova's largest supplier countries. Machinery, processed products, and chemicals, among others, come from them.

Companies export goods from Moldova mainly to Romania, Italy and Germany. There they deliver, among other things, food and animals, machinery and various finished products. A good harvest will boost exports, as agricultural products are among Moldova's largest exports.

Analysts at the Economic Intelligence Unit expect exports to grow by a projected 7.2 percent in 2022 and imports by a projected 6.5 percent.

Currency development

From January 2016 to March 2022, the exchange rate for 1000 MDL moved from 45.48 EUR to 49.43 EUR. During these 74 months, it thus increased by only 8.7 percent.

Currency reserves of the leu

The leu's total money supply (M3) amounted to 107.63 billion leu at the end of 2020, according to the International Monetary Fund. Reserves of 65.53 billion leu were held to hedge the currency. This corresponds to a

ratio of 1:1.6, or in other words: 10 out of 16 leu are backed by an equivalent value, which is above average internationally.

Approximately 78.07 million leu (0.1%) of the currency reserves exist in gold holdings. The rest consists of foreign currency, special drawing rights in the International Monetary Fund and other reserve positions.



To underline this statement please read the following data:

Currency	1.01.2021	31.12.2021	13.03.2022
Euro	21,0649	20,2087	20,0936
US \$	17,2148	17,7682	18,3822

Embedded in these economic and political backgrounds we work hard with now ten

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, Cimisia city,
- 1/C, Stefan cel Mare street, Causeni city,
- 13, Independentei street, Riscani city,
- 31 August 1989 13, Cahul city
- 21/4 31 August 1989 street, Edinet city
- 33, 31 August 1989 street, Drochia city.

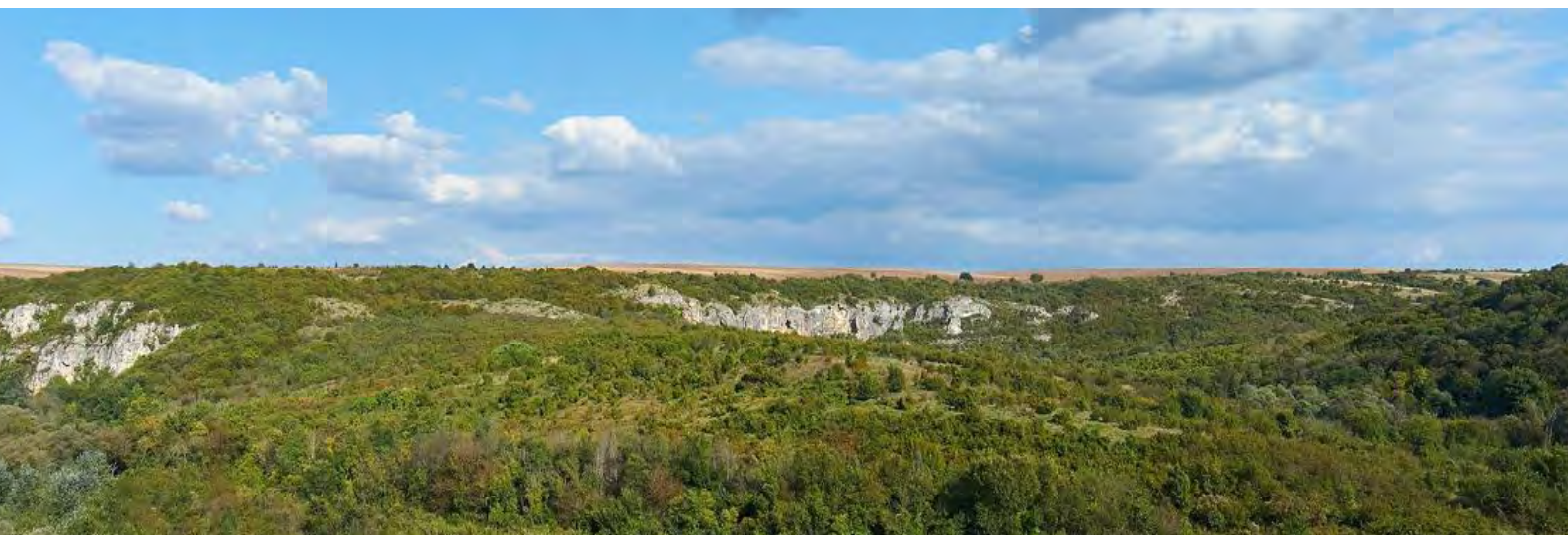
We consider opening one or two more branches in 2022.

General overview

We manage our activities with 51 team members. They succeeded in reaching the following results in our balance sheet and the profit and loss statement per dec. 31st, 2021

	1.1.-31.12.2021	1.1.-31.12.2020	Change in %
Total assets	161.442	105.636	+52,83 %
Portfolio	122.148	87.594	+39,45 %
Bank credits	123.572	75.628	+63,39 %
Total equity	34.675	28.523	+21,57 %
Interest income	27.247	21.679	+25,68 %
Interest expenses	9.522	7.060	+35,01 %
Gross profit	14.366	10.923	+31,52 %
Personal costs	8.603	7.023	+22,50 %
Net profit	6.152	3.824	+60,88 %

After a rather difficult year 2020, 2021 was a high performance year. And I think we should stand up and congratulate our team, they did a fabulous job.



Personal

The structure of employees of SMART CREDIT					
NO	GENDER BRANCH	NUMBER		PERCENT	
		31.12.2020	31.12.2021	31.12.2020	31.12.2021
1	UNGHENI	22	21	50%	42%
	Female	18	18	82%	86%
	Male	4	3	18%	14%
2	UNGHENI CRESTIUC	4	4	9%	8%
	Female	3	3	75%	75%
	Male	1	1	25%	25%
3	CALARASI	4	4	9%	8%
	Female	4	4	100%	100%
	Male	0	0	0%	0%
4	CHISINAU	3	4	7%	8%
	Female	3	4	100%	100%
	Male	0	0	0%	0%
5	CAUSENI	4	4	9%	8%
	Female	3	3	75%	75%
	Male	1	1	25%	25%
6	CIMISLIA	2	2	5%	4%
	Female	2	2	100%	100%
	Male	0	0	0%	0%
7	RISCANI	2	3	5%	6%
	Female	1	1	50%	33%
	Male	2	2	100%	67%
8	CAHUL	3	3	7%	6%
	Female	3	2	100%	67%
	Male	0	1	0%	33%
9	EDINET	0	4	0%	8%
	Female	0	3	0%	75%
	Male	0	1	0%	25%
10	DROCHIA	0	1	0%	2%
	Female	0	1	0%	100%
	Male	0	0	0%	0%
1	Female	36	41	82%	82%
2	Male	8	9	18%	18%
	Total	44	50	100%	100%

I would like to take this opportunity to congratulate the team, especially our Executive Director Ecaterina Angheluta. I am impressed by your achievements and I thank each and every one of you for commitment and cooperation.

OUR INFRASTRUCTURE & TARGET CLIENTELE

We continue to offer 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 for **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

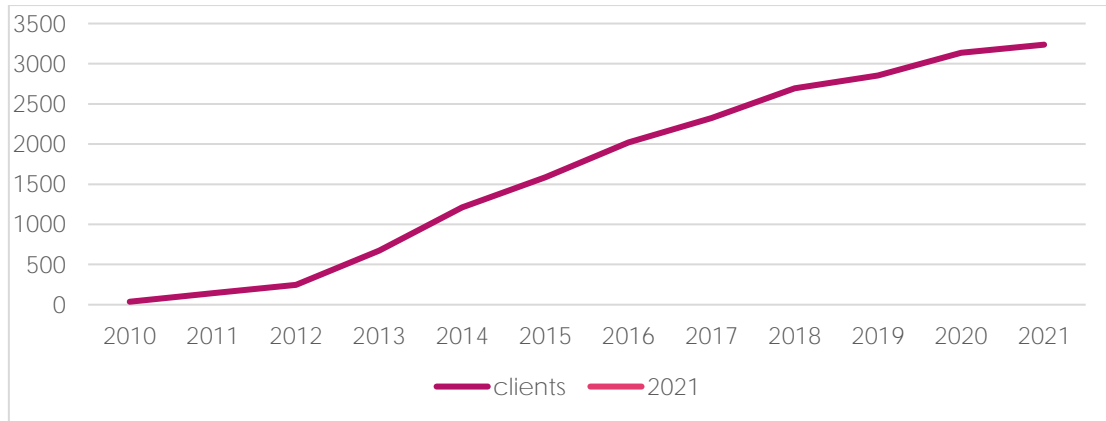
- inventories (to increase sales),
- seeds and live stock,
- equipment,
- trucks and cars,
- market Stands

Our maximum credit period is 180 months and the maximum amount of our loans is MDL 800.000, around € 40.000. The average credit amount is MDL 37.515, around € 18.500.

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.

CLIENTS

We have grown in the number of clients to now 3.237 clients compared to 3.137 at the end of 2019.



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

IRINA is a 35-year-old woman from Edinet, Moldova.

She is divorced and has a daughter who is at school and makes her life happy every day. Irina has been in business for several years. She is a hardworking woman and



loves what she does. She works hard at running her own candy store. The income from the trade is the only source of income for her family. In order to be able to continue her business, she needs to make some investments in the business.

Now, Irina asks a Kiva loan to replenish her business with more supplies. Benefiting from the loan, she will be able to achieve her goals. As a result, she will be able to increase her stock of goods.

Her income will increase for a better future for her daughter.

VASILE is a 52-year-old man from Ungheni, Moldova.



He is married and has children who are already married and living separately. His wife works daily at the store as a saleswoman. Vasile started his sausage business three years ago. He rented a booth and opened a store in the market. Vasile procures pigs, calves and poultry from the villages. He has a special room where he prepares meat products with various special ingredients. Vasile makes high quality products and has many loyal customers. His wife helps to manage

the business. Additionally, Vasile's wife raises a cow for dairy products which they also sell in the store.

This business has brought him a good income and Vasile wishes to increase his production of meat products. Vasile is requesting a loan from Kiva sources to make another steam oven to prepare more meat products and to buy another refrigerator to have a place for storage. As a result, he will be able to develop a sustainable and delicious business.



VERONICA is a 40-year-old

woman from Pererita village, Briceni region of Moldova. She is married and has a daughter who is 20 years old. The daughter is married and lives separately. At the moment, Veronica provides babysitting services. She takes care of three children whose parents are abroad. She is a very responsible

and kind person. Additionally, Veronica does farming by raising animals. She has six cows and one little calf. They are an important source of dairy products and of income for Veronica and her family. Veronica is helped by her husband in managing the farm. They have agricultural land on which they grow cereals as animal feed. Every time, Veronica pays for all their agricultural works, she felt the need to buy a garden tiller to process the land on her own. But not having enough money, she decided to apply for a loan from Kiva. As a result, she will be able to process the land more efficiently and will have the possibility of continuing her agricultural business.

NATALIA is 39-year-old woman from Parcovă village in the Edinet region of



Moldova. She is married and has a big and united family. Her children live separately and have their own families. Natalia and her husband, Ghenadie, raise cattle and cultivate 8 hectares of agricultural land. Annually she plants cereals.

Her main crops are corn, sunflowers and alfalfa. Natalia owns four cows with the help of which she gets daily dairy products, cheese, sour cream, and milk. The obtained productions are sold at the town market.

So, she obtains income for maintenance. At the moment, Natalia

wants to build a more spacious stable for animals. Not having enough money, she decided to apply for a loan from Kiva sources. Therefore, she will be able to develop her farm and will ensure the family with a stable source of dairy products and of income.

Further, we are proud of a remarkably grown

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.



What matters more than the size is the quality of the portfolio. Even taking meticulously care of the quality of our portfolio, there are always some credits that become

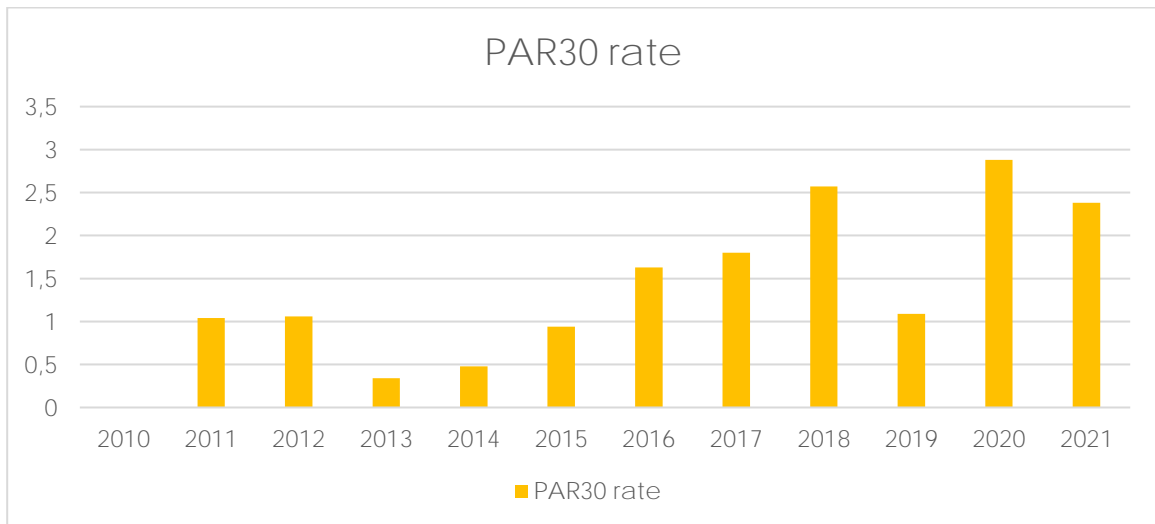
SUBJECT TO LEGAL COLLECTION

I think that in relation to the growth of the portfolio (+ 39,45 %) this development from MDL 5.776.697 in 2020 to MDL 6.112.617 (+ 5,82%) is acceptable, even if every MDL hurts. We are doing all humanly possible to collect these non-performing loans.

A similar instrument showing the concern for good quality is the

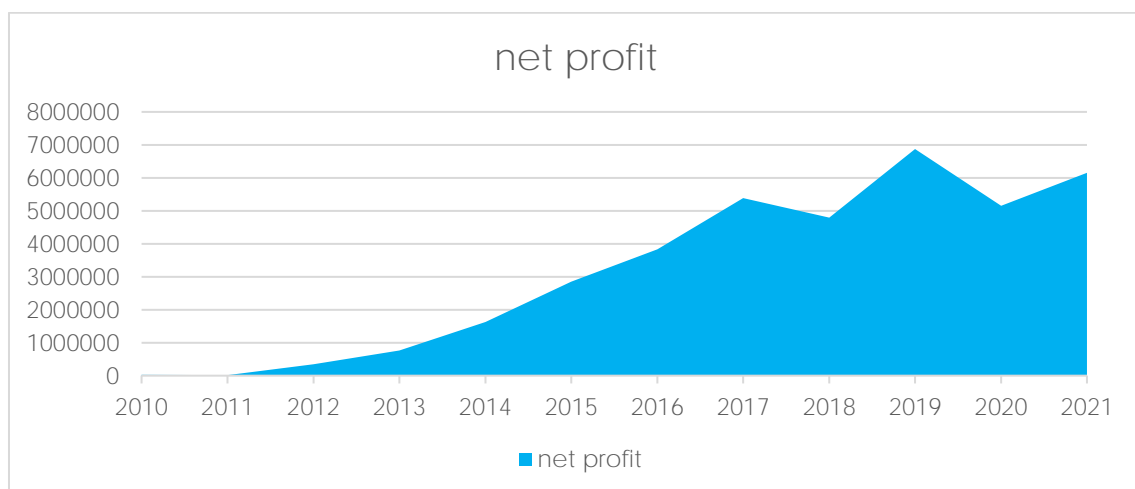
PAR 30 DAYS RATE

(PAR means portfolio at risk). An acceptable rate for MFIs is lower than 5 %, many central European banks have rates higher than 2,8%. I feel it is a sign of the zest of our team that they managed to bring down the PAR30 rate.



NET PROFIT

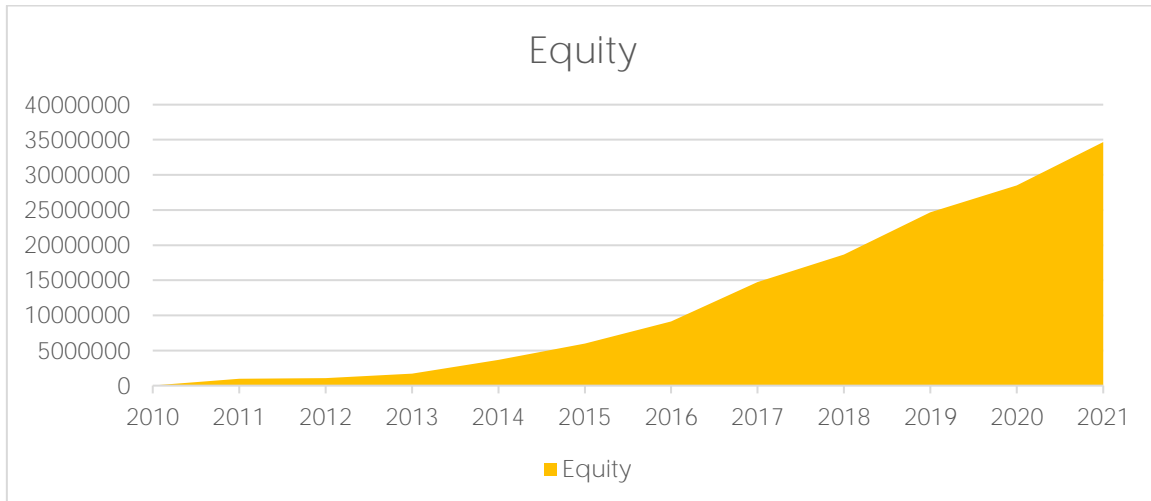
Inspite of the pandemy and the economic difficult times, we see an increase of the net result of 60,88 %, thereby nearing us the the alltime high of the year 2019.



As we will not disburse any dividends for the next years, but add the results to our equity to finance the growth, our

EQUITY

logically also shows a growth.



OUTLOOK

I am a born optimist. We are going through the most difficult time of my life, but I continue to believe in human sense and its will to live in harmony and peace. I am not blind and I see the risks our homeland is in. At the same time, I am reassured by the new government under our President Maia Sandu, which, after years that were not easy, gains confidence in Europe and in the world. The government is also bringing peace and order in our domestic politics.

My country has endless challenges to overcome, but the Moldovan people will succeed. I together with my team will do everything to support the government of Moldova and to establish our country amongst the Western democracies. May this year, which started so badly, end up putting us back on the path of peace and economic cooperation.

As my stakeholders, I ask you not to abandon us on this thorny path. Stay healthy, have a peaceful Easter time, a wonderful summertime and a golden autumn and let us look forward to an end of war and terror.

Always at your disposal

Sergiu Cozmolici

Chairman of the Board of Directors

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