

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

I admit that I have had the data as of 30.06.2018 for more than two weeks, and only now have I processed it and sent it to you. This has nothing to do with the result, but with the heat and the full desks that burden this July. First of all: on 27 July we were able to celebrate that the size of our portfolio has exceeded the 50 million MDL limit. We celebrated this in detail with the team via Skype and were delighted about this milestone which is so important for us. Although: I always think of Sisyphus when quoting these milestones: I can already hear the banks: "Nice, but let's talk about financing when you have reached 100 million....."

Let's keep thinking positive. Before sharing the results I can anticipate: I am satisfied with the first half of the year, I am proud of what the team achieved, we met largely our targets, even if there are some key figures that do not satisfy me completely.

Before I give you the details, I wanted to introduce you to two more of our customers. I want you to get to know our core assets, even if it would take you some 1.250 years to get to know them all at this rate. So, may I introduce Iulia and Ala to you?

SHE grows vegetables in Greenhouses

Iulia is a 49-year-old farmer from Cimislia town, Moldova. She is married, has five children. Together with her family she lives in her own home.

For the last 11 years Iulia deals with agricultural products. In her garden she has greenhouses in which she grows vegetables. She has a total 3 greenhouses with a surface of 700 m². In addition she processes 4 hectares of arable land on which she grows corn and sunflower. In this year Iulia collided with a problem: someone came into the greenhouse and stole the vegetables. A part of the greenhouses was broken. Iulia decided to request a loan from us through Kiva to repair the greenhouses and install the security system. As a result, she will be able to protect her harvest and develop a sustainable business.



Iulia uses our 70.000 MDL loan (around € 2.800) to secure her greenhouses with burglar alarm.

SHE buys flowers for selling

Ala is 32 years old and a single mother with a son in first grade at school. By profession Ala is a music teacher. She has been teaching music for over 12 years at the musical school in Ungheni. She teaches at pan-flute. It is a national musical instrument and Ala is happy to have smart students. She currently shares an apartment with her sister and one day dreams of buying her own apartments where she can live with her young son. Ala understands that her salary as a music teacher is not sufficient to save enough funds for an apartment so she decided to join her sister as a business partner to sell flowers. She has been together with her sister in the flower business for over a year and has gained valuable experience running a flower shop. Currently Ala and her sister have several flower shops in the city and she is planning to grow and improve flower sale volumes. Ala is very thankful to SMART CREDIT for procuring her with a KIVA loan that gives her a chance to realize her dream and empowers her as an independent business woman.



Ala realize her dream and now she is planning to grow and improve flower sale volumes.

What else is new?

Well, to follow the "red thread" that we have always followed in the past, a short statement: This year we have again raked € 800 from our profit for social purposes. We have used these funds for various socially relevant projects: to support three client families who have run into major problems through no fault of their own and then a donation for Children's Day...

Now to internal structures: We are very satisfied with Irina Miron, who has been responsible for our internal auditing since Ion's departure at the end of 2017. It is precise and very analytical and what it presents to us is primarily based on a constructive attitude. She is also seen as part of the team, which is not self-evident in her position.

Then there are "Branch News" : due to an opportunity, we had the sudden chance to establish a new Branch in Cimislia in the south of the Republic of Moldova, just 60 km from Chisinau. We have found a proven and experienced Credit Expert in Valentina, who has more than 10 years of experience in microfinancing, having worked for one of our main competitors. Now, Valentina is heading Cimislia Branch and from the scrap on produced one of the best result in productivity and quality of Credit Portfolio. Join us in welcoming Valentina wishing her Good Luck!

So, but now I would like to invite you to take a look with me at the macroeconomic developments in our country and then look at the milestones that SMART CREDIT has achieved in this environment.

POLITICS

In our state, the last few months have been turbulent. We have seen significant changes and are currently in a quite volatile environment. But

let us look briefly into the foreign press and read, for example, in the renowned FAZ Frankfurter Allgemeine Zeitung:

EU- and NATO-friendly parties snatch power from pro-Russian president
On 17 October 2017, the Constitutional Court of the Republic of Moldova pronounced its verdict: President Igor Dodon may no longer hold office for the time being. The ruling was preceded by a long struggle between Dodon, considered to be pro-Russia, and his Party of the Socialists of the Republic of Moldova (PSRM), and the government of the Democratic Party (PDM) and the Liberal Party (PL), which is oriented towards integration in the EU. The conflict was prompted by the appointment of Eugen Struza of the European People's Party Moldova (PPEM) as Minister of Defence. Struza, a young politician and a desired candidate for the government of the Southeast European state, is known as a strong supporter of NATO membership.

When Dodon refused to accept Struza's candidacy, the army leadership and the government ignored his will. Following the decision of the Constitutional Court, Andrian Candu took over the presidential office from the PDM on 24 October 2017. One of Europe's poorest countries is thus taking the same decision that led to the armed crisis in neighbouring Ukraine. The long-standing "rocking policy" between the West and Russia no longer seems to be sustainable.

The Süddeutsche Zeitung devotes some space for the election of the mayor of the capital Chisinau and writes: *"A protestor becomes mayor: The second mayoral elections in the Moldavian capital Chişinău have produced a winner in the runoff: Andrei Năstase....."*

After Năstase was behind the socialist candidate Ion Ceban in the first round, it was able to achieve a narrow majority of 52.57 percent in the runoff vote on June 3 - with a very low turnout of around 39 percent..... The challenges for Neo-Mayor Năstase are manifold, a long-term success will also depend on whether he can fulfil the hopes placed in him."

And in the last few days ARTE reported: *“The United Nations General Assembly passed a resolution on Friday to withdraw the so-called Operational Group of Russian Armed Forces from Transnistria. Moldova and friendly countries organized a majority in New York for the motion, Russia and its allies lost the vote.*

The estimated 1500 Russian soldiers in Transnistria play a double role. They guard the remains of a gigantic Soviet ammunition depot and thus remain militarily present in the small former Soviet Republic of Moldova between Ukraine and Romania. At the same time, they have ensured the ceasefire between the Prorussian separatists and the Moldovan army since 1992. This part of the Russian presence is contractually agreed. However, the Transnistrian separatist region in Moldova rejects this UN resolution on the withdrawal of the last Russian troops from the area. The soldiers secured the ceasefire in the decades-old conflict on the Dniester river, the internationally unrecognized government in Tiraspol declared, according to Russian media reports on Sunday.”

In summary, Moldova is again in the geopolitical interest. This may be important for you as an investor, but it is less important for us, especially for our customers. More important for us are the agricultural prices and the weather and the

ECONOMY

The German GIZ Society for International Cooperation, which also works for the state, estimates the current economic situation in Moldova in this way: *Despite the negative effects of the economic crisis in Russia and Ukraine in 2015, Moldova's economy is growing moderately and steadily. GDP increased by about 4.5 percent in 2017 compared to the previous year (according to preliminary estimates by the National Bureau of Statistics). 2017 was a very good year for foreign trade (strong increase of 18.4 percent compared to 2016). There was also an increase in private consumption, supported by an increase in real wages (about 5.3 percent)*

and remittances from abroad. Industrial production also increased. In the "Doing Business Report 2018" Moldova was able to defend its place. The neighbouring countries Ukraine and Romania are in 76th and 45th place respectively."

Experts estimate the country's further development as follows: the International Monetary Fund expects economic growth of 3 percent in 2018, while the European Bank for Reconstruction and Development (EBRD) expects growth of 3.5 percent.

The Republic will continue to move closer to the EU and exploit the potential of EU association and DCFTA, particularly in economic sectors such as agriculture and services (including IT), but also in industry. *"Conveniently located between Ukraine and Romania, Moldova can take advantage of this special proximity to EU and CIS markets. Cross-border projects and business activities open up business opportunities from which Romanian and other European companies can benefit."*

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
30.06.2018	19.7392	16.8889

But now let us come to our

NEW FINANCIAL DATA

per 30.06.2018. We proudly state that the team of SMART CREDIT managed to : Let us look on the particulars. The first chart shows a very important asset of our bank, our

CLIENTS.

Compared to the 2.256 clients per 30.06.2017 we now serve 2.586 and plan to reach a number of 3.080 by the end of 2018.

PERSONAL

The number of our staff remained increased.

Profile of Staff by Gender	Number	%
Female	32	91%
Male	3	9%
TOTAL	35	100%

As outlined we address the clientele in

Branch	Personal	Credit portfolio per 30.06.2017*)	Disbursed Credits per 30.06.2017 *)	Planned volume of disbursed credits per 31.12.2019 *)
Ungheni	13	29.351	16.082	32.047
-Crestiuk	3	4.974	3.332	8.400
Calarasi	3	6.724	4.281	9.600
Chisinau	4	5.626	2.572	9.600
Cimislia	2	1.513	1.599	.-

*(Data in 1000 MDL)

Our main client focus is and remains the rural population, but we also offer our services to entrepreneurs who are active in the im- and export to and from Romania and small entrepreneurs in the rural areas of Ungheni, Calarasi, Cimislia, Chisinau, Nisporeni and Falesti.

We must 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 4,016 mio. per officer and our credit officers serve on June 30th, 2017 only 216 clients per officer. Our

PORTFOLIO

grew in the first six month of 2018 some 11,13 % compared to jun. 30th, 2017. But not only the assets grew, also our interest income went up 18,25 % to now 9.298 TMDL. At the same time, we strove to keep our high

QUALITY STANDARDS.

Our quality standards are measured using the PAR30 resp. the PAR50. In microfinance, the standard asset quality or portfolio quality measure has historically been the “Portfolio at Risk greater than 30 Days (PAR30)” resp. the “Portfolio at Risk greater than 50 Days (PAR50)”, thus showing the share of loans overdue by 30 days or more in comparison to the total portfolio. PAR30 includes all renegotiated loans, which includes restructured, rescheduled, refinanced, and any other revised loans. Generally, microfinance loans can be considered high risk because they are often disbursed to a more vulnerable and low-asset population. Our PAR 30 per 30.06.2018 has risen to 2,32 % (as per 30.06.2017: 1,98 %), our PAR 50 is 1,96 %. We will go on striving to have a PAR1 rate below 4 % and a PAR30 rate below 1,8 %, but - I hope you understand - in our circumstances this is near to impossible.

NET PROFIT

In spite of the difficult economic environment, we show a net result of 2.125 TMDL compared to 2.834 TMDL in the same period of last year. We will go on using all our results to strengthen our capital. So in the next years we will continue not to disburse dividends, but keep them to finance the growth. And in consequence

OUR CAPITAL

Increases steadily. We have now reached a capital of 57.230 TMDL compared to 40.979 TMDL in the same period of the last year.

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, but not too hot summertime and a golden autumn. We are looking forward to stay in touch with you and are always at your disposal

Sergiu Cozmolici

Chairman of the Board

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