



PRESS RELEASE

MFI SMART CREDIT LLC

10, NATIONALA STREET, UNGHENI, REP. OF MOLDOVA



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

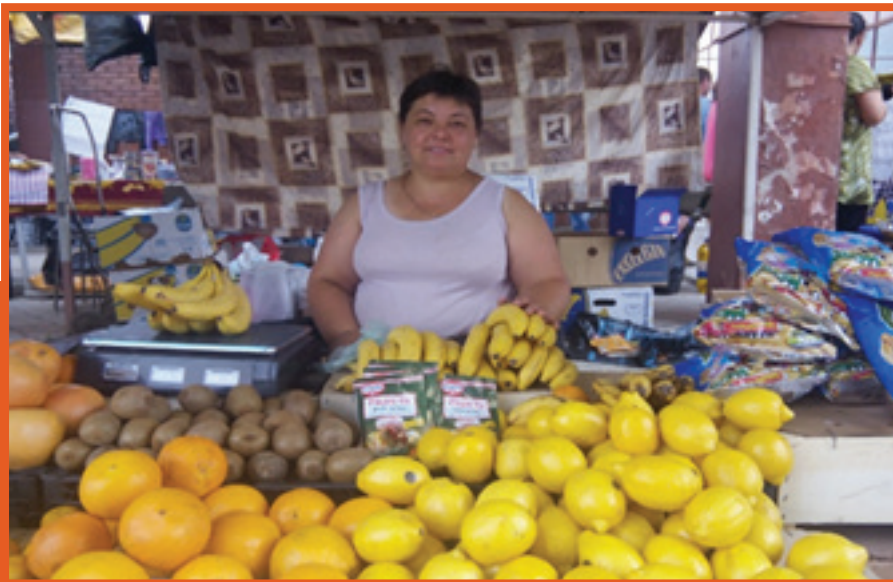
our financial data per 30.06.2017 came yesterday on my table and I thought it might interest you to share the results with me. To anticipate the result: I am satisfied with what the team achieved, we met largely our targets. But instead of revealing the achievements of the first half of the 2017 year I want to revert to another topic.

Last march I sent our press release also to a close friend hoping to convince her to support SMART CREDIT. A few days later she answered “nice development, as a banker you can be proud. But where is the social issue?”. Indeed, we talked only of the financial data. So I feel I must put my emphasis this year on our social mission. You find the word “social” in our

- **vision** (“The Organization’s vision is to help customers improve their living conditions and to realize their hopes and dreams”). Our
- **slogan** is „For a better life” (Pentru o viata mai buna). You find „social” in our
- **mission** („The Organization’s mission is to manifest itself as the best provider of microfinance services in our regions, especially to the socially disadvantaged and small entrepreneurs.”), you find „social” in our
- **Corporate Social Responsibility Chart**, where we formulate „SMART CREDIT wants to be a sustainable partner for all stakeholders. It emphasizes its concern on socially disadvantaged people and energy efficiency”. You find “social” in our
- **Corporate Principles** where we say “ We open our doors also for the socially disadvantages, but we offer only, what the customer can afford”, you find „social” in our
- **Team Plans** when we say „ We stick to our social message “pentru un viata mai buna””.

Only words? I don't think so, I scent the social behavior is cemented in the hearts of our team. To underline this I would like to introduce you to two of our clients :

The first one's name is Angela Butnaru. She is a market vendor from Ungheni city. In spite of her always smiling face she had had a hard life. She started her own business in 2003, together with her husband. But one year later, in 2004, he died. He was not sick, he died from heart attack.



Angela uses our 50.000 MDL loan (around € 2.500) to buy cereals, fruits and grains for the sale and for her stock.

Angela was left with 2 children, a boy and a girl. Her boy is 19 years old and suffers from infantile cerebral palsy following a childhood trauma. Angela takes self-sacrificingly care of him. She works as a market vender since 2003 and attends all the open air markets of the region, she sells spices, grains and fruits to her clients. She uses our 50.000 MDL loan (around € 2.500) to buy cereals, fruits and grains for the sale and for her stock. Angela – she was recommended from a trader from open-air market - has already taken two loans from us and always repaid them correctly. We consider her a reliable client and are in good terms with her. We trust, that the result of this loan will be, that Angela's living conditions improve and that she can go on supporting her child.

Another client is Zinaida Diaconu. She once came and asked for a loan of 15.000 MDL (around 800 €), she wants to build a stone stable for her animals. And so we asked her various things and learned: Zinaida is a farmer from the Untesti village in our Ungheni region. She is married, 37 years old and has four daughters: the eldest is a student, the second is a pupil and the two younger daughters still go to a kindergarten. Zinaida's husband works as a constructor. Since more than 6 years, Zinaida raises animals. She breeds horses, raises cows, sheep, goats and hens. The whole family helps on the farm. Zinaida sells her agricultural goods on the market: milk, cheese, cream, poultry and so on. The money arising from the sales is a good and necessary addition to the income her husband brings home, without it her family could not send her children to school.



Zinaida once came and asked for a loan of 15.000 MDL (around 800 €), she wants to build a stone stable for her animals.

Zinaida showed us the existing stables. The present ones are made of wooden sticks, but this year the winter was grim and so Zinaida lost some animals. So she wants to build concrete and stone stables to maintain a healthy temperature for her sheep and goats. Zinaida is a customer since long, long time, she was recommended from our referent from Untesti village. She took her first loan in 2003 and never delayed the repayments by even one day.

This are two examples of our customers. The general situation in our country enticed us to put up a new CSR Charta and subsequently in the first half of the 2017 for the first time, we distributed € 1.200 for four projects, one was, we sponsored a table tennis tournament for the Moldovan Association of Table Tennis with a small amount, but the vast majority of the money went to three families with children not being able to afford medical aid. We helped them to pay for a needed surgery and for medical treatment.

Now let me talk about **organizational themes** : In the past some of our partners told us that we mandatorily must implement an internal auditor. At the time I was unhappy. I knew a reviser is important, but I calculated, that an internal auditor for 22 team members means an additional 5 % on our personal costs without any visible return on invest. I just didn't see the necessity looking at our team. I trust each one of my colleagues, I was perfectly sure that there is no place for crockery and that they did a damned good job. But as I said „mandatory”, I felt forced to look for a feasible candidate and helas, we found Ion. Within short time, our Internal Auditor has proven that a reviser is a true added value. He not only looks for mistakes, but he helps us for example in consulting the board, in taking care of the macroeconomic movements and risks in MFIs, in informing the management and the board of interest and currency rate changes, in observing our covenants, in performing calculations ex post and so on. He gives us new impulses. Well, I felt, all the stakeholders of SMART CREDIT should appreciate his work as do all the members of the team. And when I wanted to tell him our appreciation, he informed me, that he was offered his „dream job” by an important commercial bank and that he will leave the team within the next 4 weeks. I am sad, but such is life. And, yesterday I got in contact with Irina. She has more than 9 years experience as an Internal Auditor of one of the highest MFI in Moldova. I presented her to Donna Ekaterina. Donna Ekaterina supported my wish to give her a contract and now both of us are convinced that Irina will take up her work with the same passion as did Ion before.

Now, let us look firstly at the macroeco-nomic data in Moldova and then what SMART CREDIT's team achieved in these six months.

ECONOMY

The Moldovan economy returned to stronger growth in the last months, thanks to a dynamic agricultural sector and robust household spending, which helped put 2015's poor economic performance firmly in the rear view mirror. Available data for the first quarter suggest that growth remained healthy at the onset of 2017. An improving external environment led exports to record double-digit expansions over the course of Q1 2017. Retail sales continued to grow strongly, while industrial production growth moderated slightly in February after a surge in January.

Macroeconomic data

		2015	2016	2017*
BIP	Bill. US\$	6,2	6,5	7,0
BIP per head	US\$	1.740,3	1.828,5	1.973,3
Growth rate BIP real	%	-1,0	1,5	3,0
Inflation	%	8,7	7,4	6.8
Unemployment rate	%	7,0	6,0	5,0

*estimation

POLITICAL SITUATION

Igor Dodon, the new pro-Russian president, looks set for a period of co-habitation with a nominally pro-EU government. After a huge bank scandal in late 2014, trust in the political elite is low and the chances for political unrest are high. An IMF loan deal approved in November 2016 has eased pressures on the public finances. In 2016 inflation slowed abruptly and the economy recovered quite robustly. In 2017-18 recovery in Russia will help to lift Moldova's real GDP growth. However : On the diplomatic front, the Moldovan government escalated tensions with Russia by expelling five Russian diplomats suspected of espionage. The Russian government retaliated by expelling five Moldovan diplomats.

CURRENCY SITUATION

Date	€ / MDL	US\$ / MDL
31.12.2016	21.4779	19.6585
30.03.2017	20,7133	19,4953
30.06.2017	20,6847	18,0850

But now let us come to our

NEW FINANCIAL DATA

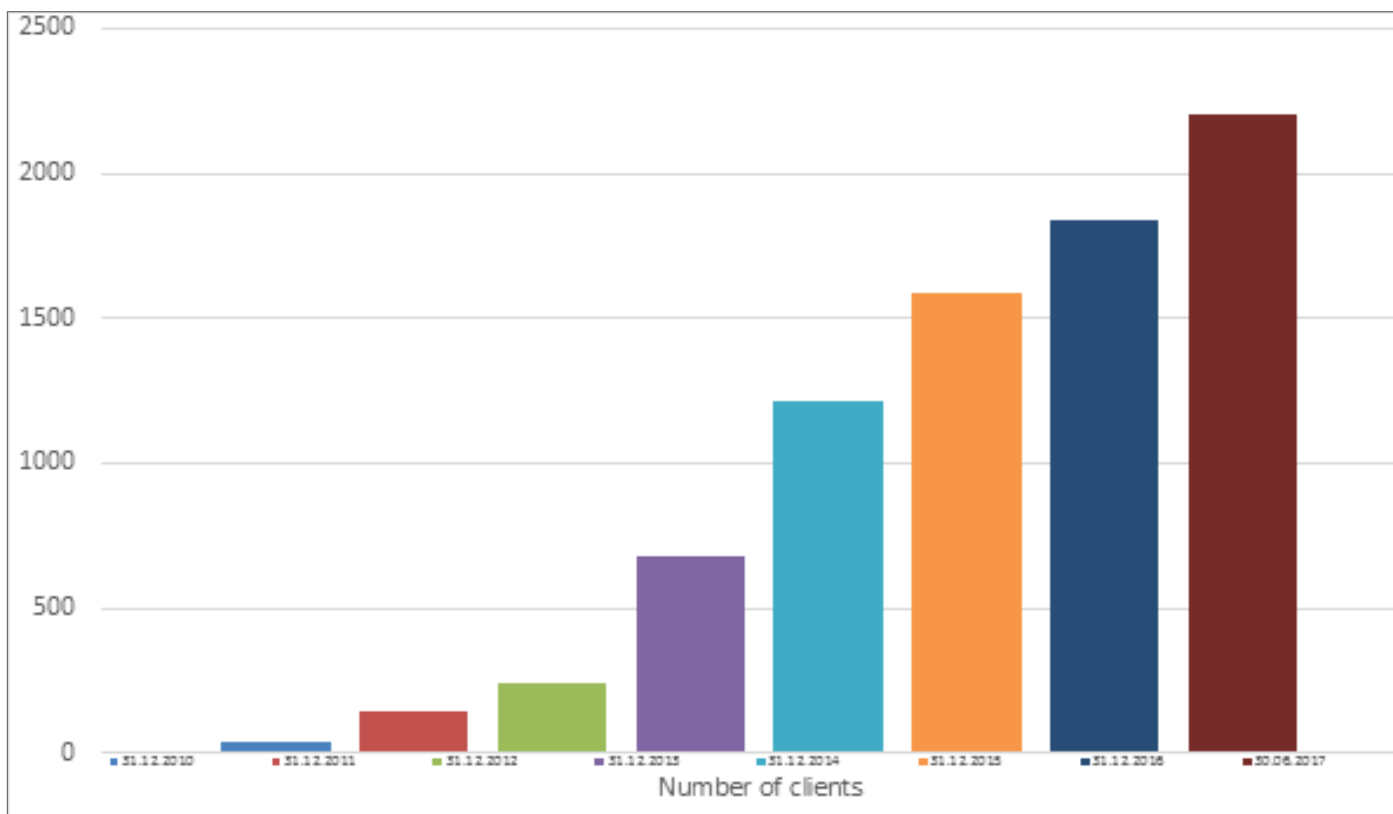
per 30.06.2017. We proudly state that the team of SMART CREDIT managed to :

- **serve 11,63 % more clients,**
- **increase the loan portfolio by some 29,25 %,**
- **produce a net op. profit that surpasses 06/16 by % and**
- **strengthen our capital by 52,1 %**

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

CLIENTS.

We are proud to have attracted more clients and this shows the importance and the unique position of SMART CREDIT in the region. In absolute numbers, we now serve 2.256 clients compared to 2.021 on dec. 31st 2016 (up 11,63%) and 1.841 at the end of June, 2016 (up 22,54 %) and disbursed in a half year of 2017 a total of 1.200 credits.



And we did all this with the same number of employees.

PERSONAL

The number of our staff remained unchanged.

Profile of Staff by Gender	Number	%
Female	20	87%
Male	3	13%
TOTAL	23	100%

As outlined we address the clientele in

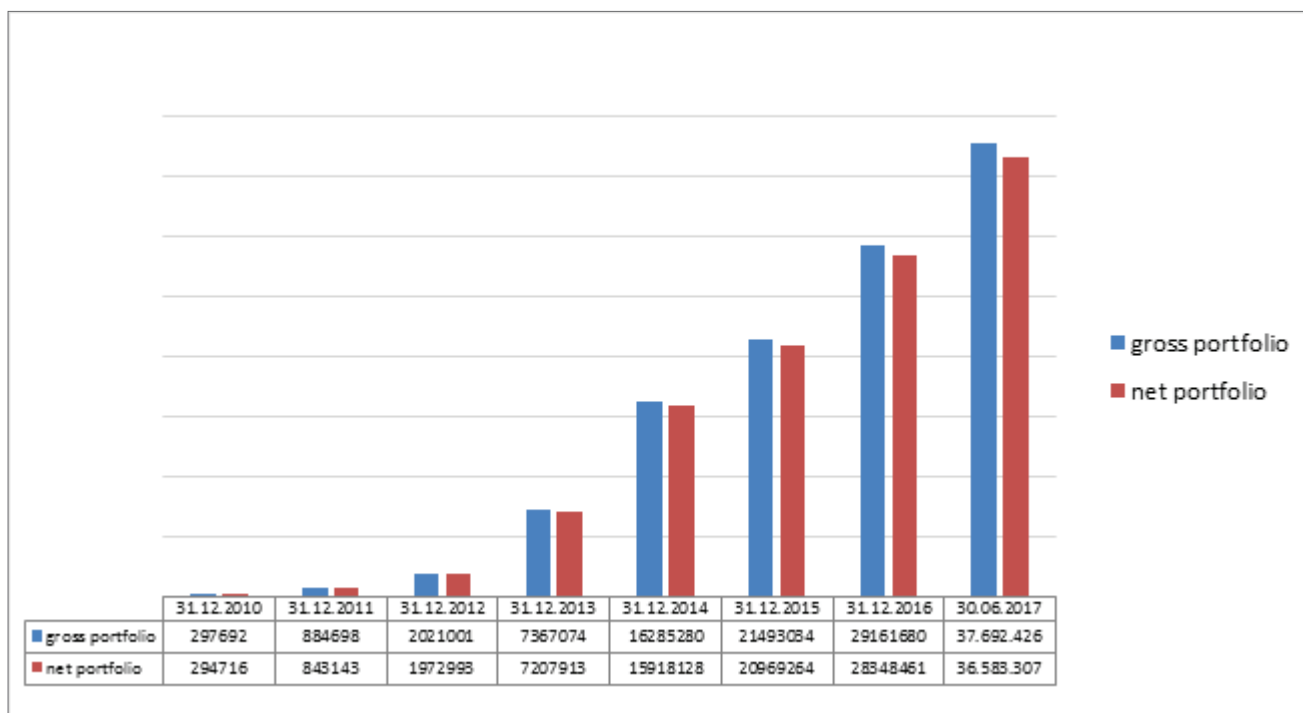
branch	personal	Credit volume per 30.06.2017	Disbursed Credits 30.06.2017 per	Planned volume per 31.12.2019
Ungheni	13	17.950.100	810	34.915.584
-Crestiuk	3	2.284.000	108	9.590.909
Calarasi	3	3.597.000	197	17.512.987
Chisinau	4	3.644.500	85	23.876.623

Our main client focus is and remains the rural population of Ungheni, but we also offer our services to entrepreneurs who are active in the import and export to and from Romania.

We must work hard on improving our efficiency, because on account of the new staff the total of loans per credit officers is at inadequate 4.711.553 MDL per officer and our credit officers serve on June 30th, 2017 only 282 clients per officer. We know that we have to improve these indicators to 5 million MDL volume per credit officer respectively to at least 320 clients per credit officer. Our

PORTFOLIO

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



In the first six month of 2017 we produced a portfolio growth of some 29,25 % compared to dec. 31st, 2016 and 50,75 % compared to the same period of 2016. But not only the assets grew, also our interest income went up a solid 48,22 % to now 7.862.532 MDL. This shows our steady hard work acquiring higher market shares. At the same time, we strove to keep our high

QUALITY STANDARTS.

Our quality standards are measured using the PAR30 resp. the PAR50. If I may recollect, 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)”. This ratio shows 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. The repayment rate on microfinance loans has historically proven strong despite the high risk of the loans. Our PAR 30 per 30.06.2017 is 1,98 %, our PAR 50 is 1,59%. We will go on striving to have a PAR30 rate below 1 %, but - I hope you understand - in our circumstances this is near to impossible.

Maybe some of the following data interests you:

	Number of active loans	%
-		

By geographical classification

Rural	1.779	76,42 %
Urban	549	23,58%
TOTAL	2.328	

By gender

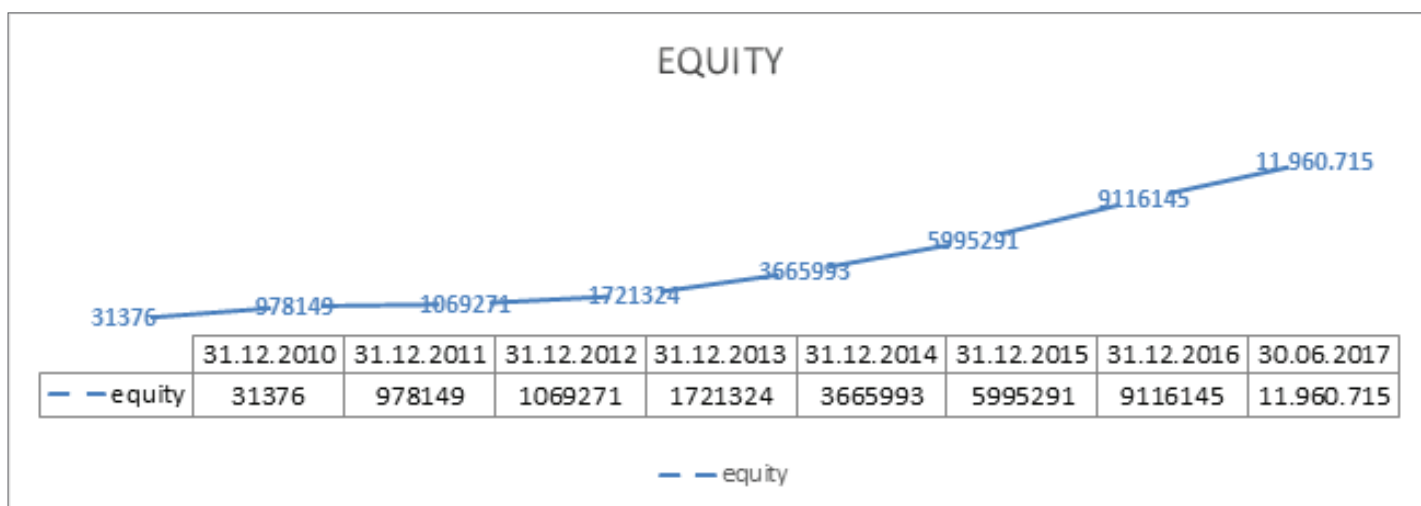
Physical person	2.328	100,00%
Femme	1.603	68,86 %
Homme	725	31,09 %
Legal entity	1	0,05 %
TOTAL	2.328	100,00%

NET PROFIT

In spite of various negative influences, we proudly show a net result of 2.834.129 MDL compared to 1.709.433 MDL 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 not disburse dividends, but keep them to finance the growth. And in consequence

OUR CAPITAL

increases steadily.

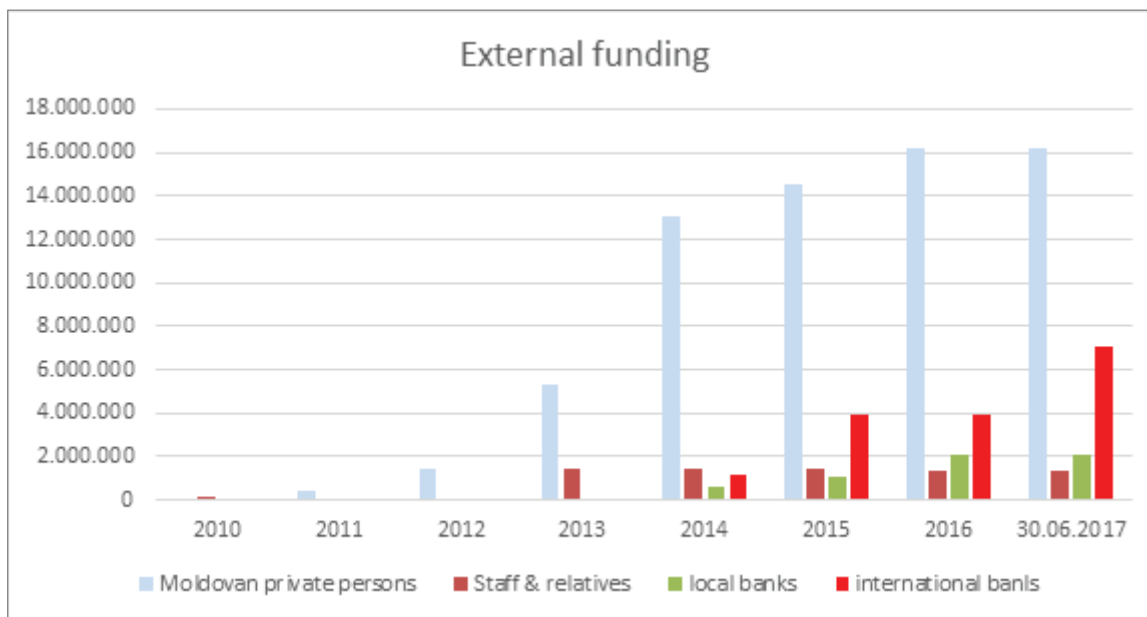


Now, finally there is one quota, that we need to ameliorate: our external funding. The sources of

EXTERNAL FUNDING

in our balance sheet are

- **Moldovan banks**
- **Moldovan private persons, that trust in us, amongst them several of**
- **Our staff and our relatives and finally**
- **Foreign investors, namely KIVA and CoopEst.**



We work hard in attracting new sources, we do quite a lot of publicity and write to – yes, someone like you. Sometimes it is quite frustrating. But sometimes there are also positive news : For example, KIVA has raised its loan from formerly T€ 200 to now T€ 300. Under predefined conditions KIVA considers pushing up its funding to even T€ 400. The new funding helps us to expand. Prudently. A similar reaction comes from CoopEst.

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 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 of Directors

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