

**2012**  
ANNUAL REPORT

## Mission & Values

Our mission is to provide competitive financial solutions to micro and small businesses and individuals in order to develop entrepreneurship, create new jobs and raise the life standard of citizens while providing satisfactory returns to shareholders.

### Our values are:

We are entrepreneurs supporting entrepreneurs

We are closer to clients

We are professional in everything we do

We are performance - oriented

## Financial highlights

	2012**	2011 <sup>1*</sup>	2010 <sup>2*</sup>	2009*	2008*	2007*	2006*
Total assets (USD)	27 773 954	25 842 762	27 759 433	35 883 995	41 745 700	24 365 541	6 893 866
Shareholders' equity (USD)	8 327 846	8 223 423	7 29 835	6 015 726	9 042 384	7 020 145	1 432 460
Outstanding loan portfolio as of end of year (USD)	17 742 538	17 839 529	14 061 646	19 360 536	25 801 787	10 804 863	4 168 183
PAR >30 (%)	3.87	5.49	15.59	14.82	2.77	2.1	1.5
Number of active contracts at year-end	7 290	5 405	3 529	4 496	4 607	2 772	1 555
Number of staff at year-end	104	96	103	107	99	55	54

\*\*Based on Management Accounts

\*Based on IFRS

## Foreword

As I became a member of the team in July 2012, I have strongly focused on helping the company achieve a balanced and continued growth, increase efficiency and streamline processes and insure shareholders' value, inline with their expectations. To do so, a great emphasis has been placed on the TEAM, on its cohesion, development and empowerment.

In 2012, according to the International Financial Reporting Standards (IFRS), we reached a total net income of USD 0.3 m. The net interest income of USD 2.8m was 21.7% higher versus 2011's result of USD 2.3m, particularly due to interest and similar income, which recorded a level of USD 4.4m (12.8% higher than in 2011).

Provisioning charges of USD 0.6m for 2012 were 20% higher than those in 2011, which totaled USD 0.5m as the increase came mainly from changes in the provisioning methodology. This led to a Risk Coverage Ratio of 23.8% as of YE 2012, meeting all international and national lenders' requirements.

The Portfolio quality measured by PAR total of 5.7% and PAR 30 of 3.9% improved comfortably comparing to the levels of 6.4% and 5.5%, accordingly, thanks to an efficient and timely recovery and collection work and also to a better pre-disbursement analysis intensified during 2012.

We have established new relationships with international lenders such as CoopEst, ResponsAbility, lenders focused on financing small and medium enterprises and WorldBusiness Capital with special emphasis on projects that involve energy efficiency improvements. Besides new lenders, the Company was also supported by lenders with a long lending history with Microinvest. New long-term financing allowed us to generate new loan volume in 2012 of USD 14.9m, serving 4 750 clients, volume which allowed us to reach a Portfolio level of USD 17.7m and 7 290 active loans.

In line with our mission and values, we have continued to focus on increasing sales in microfinance loans and selectively collaborating with those SCAs that previously demonstrated strong performances in portfolio quality. During 2012 we continued to refine and developed tailored products to better address own customers' needs (such as the zoo product).

The retail loans initiative which started back in 2011 continued and strengthened during 2012 with the purpose of benefiting from the existing resource capacity in Branches and as a mean to increase new volumes in slow seasons for business loans. Thus, the number of retail partners expanded, an on-line loan application form was introduced and new technical improvements were made in order to reduce the decision making time.

Microinvest became a Smart Campaign Endorser. Also, informal assessments of Social Performance stipulated principles and Universal Standards were reinforced. That offered the possibility to clearly distinguish the benefits, both for client and company itself, such as: over indebtedness avoidance and privacy client data. This evolution helped us to become more client oriented, the effort we will continue in next years.

The company has committed to focus on ethics and transparency. The first step towards these goals was the introduction of Conflict of Interest Declaration, which was signed by each employee.

During the 2013, the company will consolidate its efforts on Transparency, higher branches efficiency and additional product development. Aside from the financial targets Microinvest will focus its efforts on refreshing the Corporate Culture and Values.

Paul Panciu  
CEO

A handwritten signature in blue ink, appearing to read "Panciu", written over a white background.

USD/MDL exchange rates (according to NBM quotes on the respective dates):

31.12.2011: 11.7154

31.12.2012: 12.0634

## General Information

Microinvest S.R.L (“the Company”) was established on 29 April 2003 as a micro-financing limited liability company. The Company does not have an ultimate parent

The participants of the Company are as follows:	2012	2011
BFSE Holding B.V. ( B.F.S.E)	50.10%	50.10%
Soros Foundation Moldova	15.25%	15.25%
S.A. "S.I.D.I." Solidarite Internationale pour le Developpement et l'Investissement	3.28%	3.28%
"Oikocredit" Ecumenical Development Cooperative Society U.A.	12.28%	12.28%
Soros Economic Development Fund	10.38%	10.38%
Driehaus Richard	4.58%	4.58%
Munteanu Artur	2.96%	2.96%
Microinvest S.R.L.	1.17%	1.17%
	<b>100%</b>	<b>100%</b>

The Company operates through its head office located in Chisinau and 16 representative offices (16 representative offices as at 31 December 2011) located throughout the Republic of Moldova.

The activity of the Company focuses on lending to individuals and micro, small and medium size enterprises. The Company obtains the necessary funds for its activity from donors, equity and debt investors.

As at 31 December 2012, the Company also holds 100% of share capital of CSV “Schimb optim plus” SRL (2011: 100%), subsidiary which is providing foreign exchange services via foreign exchange booth (together are referred to as “the Group”).

The registered office of the Company is located at Puskin Street 16, Chisinau, Republic of Moldova. The registered office of the CSV “Schimb Optim Plus” SRL is located at Stefan cel Mare street 27/1, Balti, Republic of Moldova.

## Microinvest Shareholders

**SFM** is a non-governmental, non-for-profit and non-political organization which was established in 1992 by the financier and the philanthropist George Soros to promote the development of an open society in Moldova by developing and implementing a range of programs and activities that address specific areas of needs including cultural policy, education at all levels, microfinance of rural enterprises, legal reform and public administration.

**SIDI** is a company specialized in the financial and technical support of microfinance institutions. Financial support is realized by equity investments, loans, grants and guarantees. Technical assistance is carried out by reinforcing operational capacities of partners, participating in the governing and decision-making bodies, support and counseling in business planning, training, and designing financial services.

**Balkan Financial Sector Equity Fund (BFSE Holding BV)** represented by Development Financial Equity Partners (DFE), BFSE Holding B.V. is a private limited liability company, having its official seat in Amsterdam, the Netherlands, incorporated on April 02, 2007. The objectives of the Company are to participate in, to finance of and to manage other enterprises and companies, to act as general partner and to provide security for debts of third parties and to do all that is connected therewith.

**The Soros Economic Development Fund (SEDF)** is a nonprofit private foundation. It is a part of the network of charitable foundations created by investor and philanthropist George Soros. Established in 1997, the fund's mission is to alleviate poverty and community deterioration. It does this by making investments – in the form of equity, loans, guarantees and deposits – in selected banks, microfinance institutions, cooperatives and social enterprise projects worldwide.

**Oikocredit** started as a pioneer in the field of development financing. Today Oikocredit is one of the largest financiers of the microfinance sector worldwide. It is one of the few ethical investment funds, which finances development projects, benefiting disadvantaged and marginalized people. Privately owned, Oikocredit is a cooperative society, which encourages investors to invest their funds in a socially responsible manner. Oikocredit finances cooperatives or small and medium-sized enterprises (SMEs) involved in agriculture, trade, services and manufacturing.

**Richard H. Driehaus** is a fund manager, businessman and philanthropist founder, Chief Investment Officer and Chairman of Driehaus Capital Management based in Chicago, a firm which manages U.S. \$3 billion.

### **Artur Munteanu**

Entrepreneur, founder of Microinvest. Over 15 years of experience in microfinance and SMEs finance.

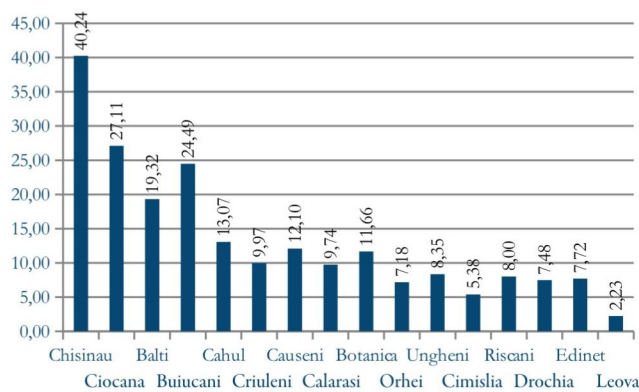
## Microinvest Board of Directors

Name	Position on Board	Background	Affiliation	Board Member since
 Clive Moody	Interim Chairman of the Board	Private Equity Professional for over 25 years. Cambridge University MA.	Development Finance Equity Partners AG, Switzerland	2012
 Victor Ursu	Member	PhD in Physics. Over 15 years of experience in economic development and microfinance.	Executive Director Soros Foundation Moldova.	2003
 Uwe Konst	Member	MBA, over 20 years of experience in the financial industry and with economies in transition.	Independent consultant for international business	2008
 Gael de Pontbriand	Member	MBA, Wharton over 35 years of operational management and consulting experience in the financial sector.	Independent consultant	2008
 David Meier	Member	BS Finance, St. Thomas University MBA Purdue University and ESCP Europe Business /Economic Development Consultant since 1993 Microfinance and MSME Development specialist since 1997	Soros Economic Development Fund	2006
 Artur Munteanu	Member	MBA, University of Hull, the UK. Over 15 years of experience in microfinance.	Shareholder, Microinvest	2005
 Paul Panciu	Member	MBA, Norwegian School of Economics and Business Administration. Over 9 years of experience in financial services.	CEO, Microinvest	2012

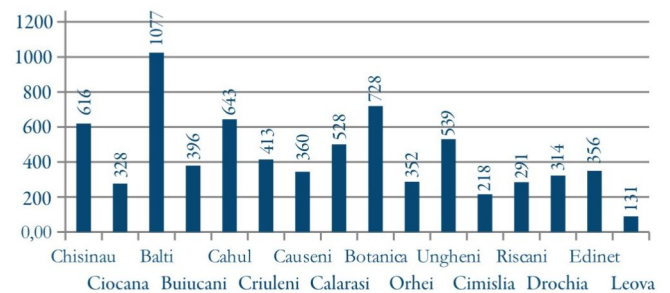
## Microinvest Branch Network



GLP by Branch, USD '000



Number of clients by Branch

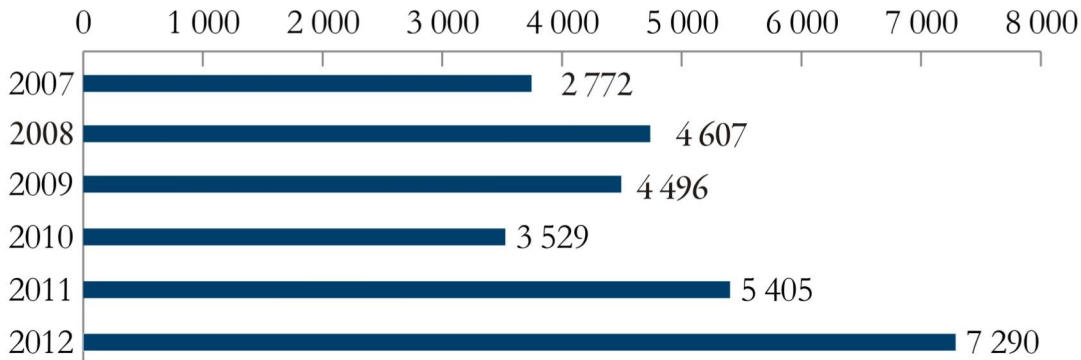


12 regional branches

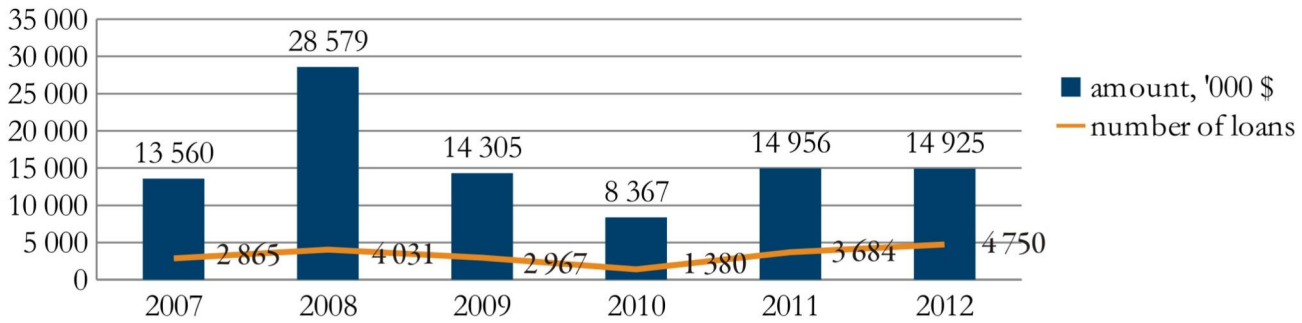
4 Chisinau branches

## 2012 in figures

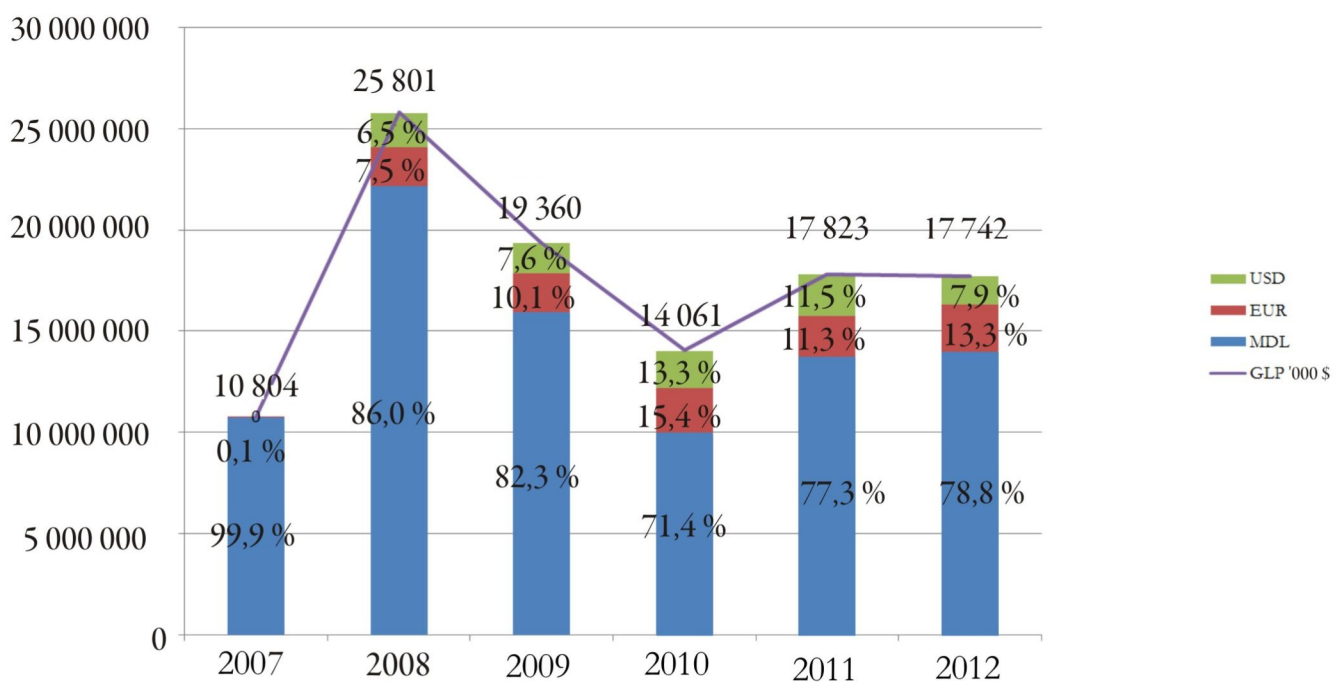
### Number of active contracts as of the year-end



### Disbursements



### Portfolio by currency



## 2012 in figures

### Gross portfolio exposure by type of loans



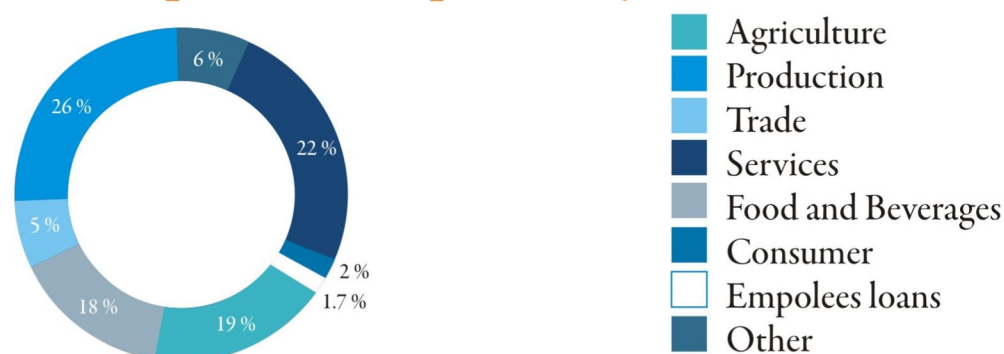
### Gross portfolio exposure by amount category



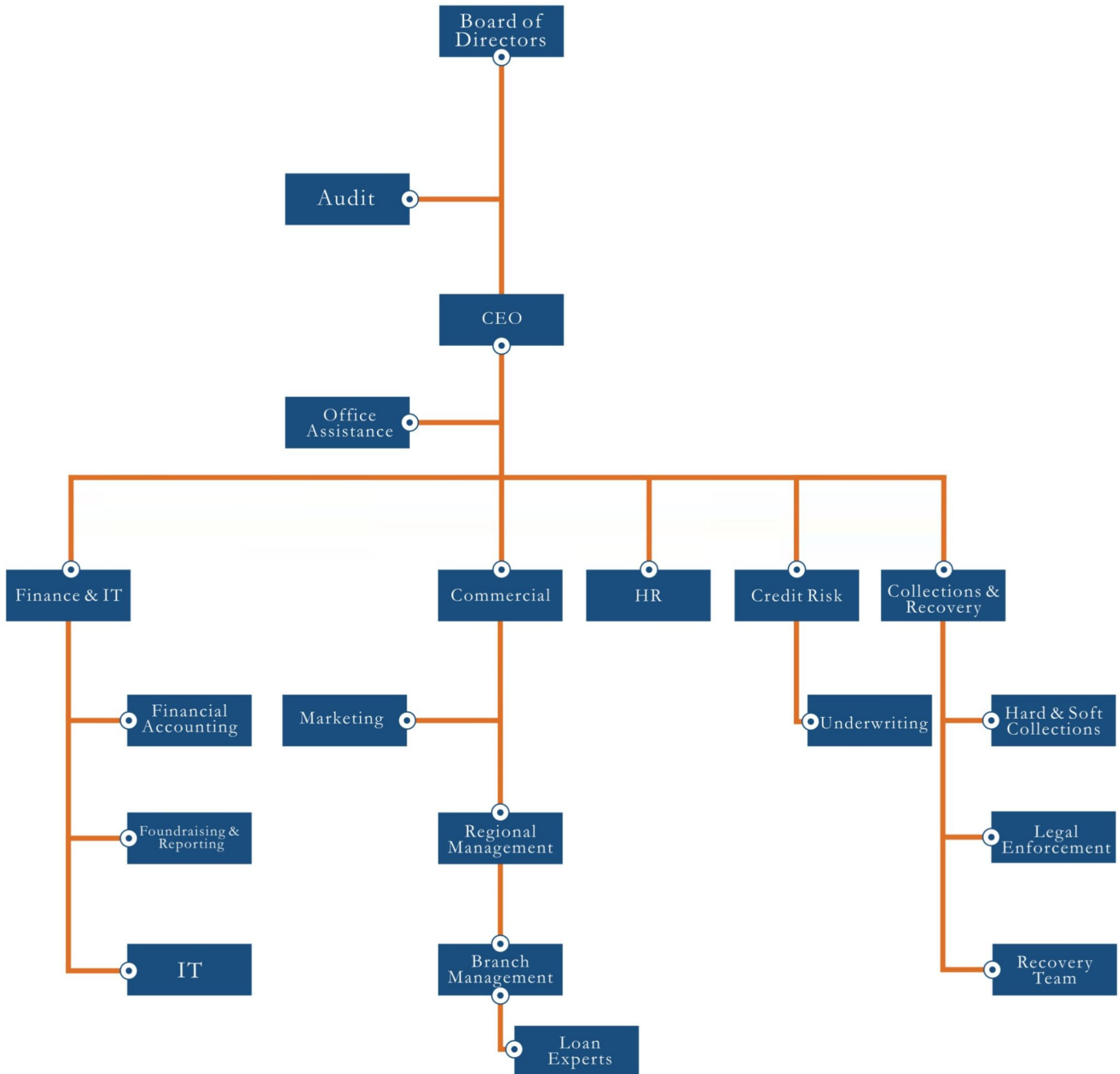
### Gross portfolio exposure by term



### Gross portfolio exposure by sector



## Organizational structure



## Microinvest Loan Products

### **Simplus:**

Amount: max MDL 70 000

Term: 5 years

Purpose: working capital increase

### **SimplusPlus:**

Amount: MDL 70 001 - MDL 125 000

Term: 5 years

Purpose: working capital increase

### **Forte:**

Amount: MDL 125 001 - MDL 1 600 000

Term: 5 years

Purpose: Business expansion

### **Start:**

Amount: max MDL 800 000

Term: 5 years

Purpose: Business start –up

### **SCA:**

Amount: max MDL 8 000 000

Term: 5 years

Purpose: Working capital enhancement

### **Consumer Loans:**

Amount: max MDL 1 600 000

Term: 5 years

Purpose:

Mortgage, home improvement

(Housing loans)

Automobile (Car loans)

Study or work trips

(Work & Travel)

Studies (Student Loans)

Sales finance

(Retail through partner shops)



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of the Microinvest SRL

### Report on the Consolidated Financial Statement

1. We have audited the accompanying consolidated financial statements of Microinvest SRL and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of 31 December 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion, the consolidated financial statements present fairly, in all material respect the financial position of the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*ICS PricewaterhouseCoopers Audit SRL*

**ICS PricewaterhouseCoopers Audit SRL**

**Chisinau, 16 May 2013**

## Balance sheet

	Notes	2012 MDL	2011 MDL
<b>ASSETS</b>			
Cash and cash equivalents	10	33,192,308	3,990,031
Due from banks and other institutions	11	75,995,347	77,510,011
Loans and advances to customers, net	12	207,675,888	203,809,099
Property and equipment	13	12,585,404	13,413,364
Deferred tax assets	9	2,334,797	2,282,577
Intangible assets	14	1,020,493	916,079
Other assets	15	2,244,085	837,133
<b>Total assets</b>		<b>335,048,322</b>	<b>302,758,294</b>
<b>LIABILITIES</b>			
Interest-bearing loans and borrowings	16	229,461,195	202,735,062
Grants received	17	274,381	361,625
Other liabilities	18	4,850,606	3,320,920
<b>Total liabilities</b>		<b>234,586,182</b>	<b>206,417,607</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	19	107,485,826	107,485,826
Less: Treasury shares		(996,531)	(996,531)
Share Premium		3,357,781	3,357,781
Accumulated deficit		(9,384,936)	(13,506,389)
<b>Total shareholders' equity</b>		<b>100,462,140</b>	<b>96,340,687</b>
<b>Total liabilities and shareholders' equity</b>		<b>335,048,322</b>	<b>302,758,294</b>

The financial statements were authorized for issue on 16 May 2013 by the Executives of the Group represented by:

Mr Paul Panciu  
Administrator



Mr Sergiu Sobuleac  
Chief Financial Officer



## Income statement

	Notes	2012	2011
		MDL	MDL
Interest and similar income	4	52,583,751	46,076,932
Interest and similar expense	5	(18,518,908)	(18,829,787)
<b>Net interest and similar income</b>		<u>34,064,843</u>	<u>27,247,145</u>
Provision for impairment of loans	12	(7,439,798)	(6,276,753)
<b>Net interest after provision expenses</b>		26,625,045	20,970,392
Recoveries of loans previously written off	6	11,068,374	17 009 030
Other operating income	7	820,046	703,207
General and administrative expenses	8	(34,289,435)	(29,381,645)
Foreign exchange gains / losses		<u>9,724</u>	<u>(324,527)</u>
<b>Profit before income tax</b>		4,233,754	8,976,457
Income tax (expense)/ credit	9	(112,302)	2,275,968
<b>Net profit for the year</b>		<u>4,121,452</u>	<u>11,252,425</u>
<b>Total comprehensive income</b>		<u>4,121,452</u>	<u>11,252,425</u>

The financial statements were authorized for issue on 16 May 2013 by the Executives of the Group represented by:

Mr Paul Panciu  
Administrator



Mr Sergiu Sobuleac  
Chief Financial Officer



## Changes in shareholders' equity

	Share capital	Treasury Shares	Capital reserve	Accumulated deficit	Total shareholders' equity
MDL	MDL	MDL	MDL	MDL	MDL
<b>Balance at 1 January 2011</b>	<b>107,485,826</b>	<b>(644,862)</b>	<b>3,357,781</b>	<b>(24,758,814)</b>	<b>85,439,931</b>
Purchase of treasury shares	-	(351,669)	-	-	(351,669)
Total comprehensive income for the year	-	-	-	11,252,425	11,252,425
<b>Balance at 31 December 2011</b>	<b>107,485,826</b>	<b>(996,531)</b>	<b>3,357,781</b>	<b>(13,506,389)</b>	<b>96,340,687</b>

<b>Balance at 1 January 2012</b>	<b>107,485,826</b>	<b>(996,531)</b>	<b>3,357,781</b>	<b>(13,506,389)</b>	<b>96,340,687</b>
Total comprehensive income for the year	-	-	-	4,121,452	4,121,452
<b>Balance at 31 December 2012</b>	<b>107,485,826</b>	<b>(996,531)</b>	<b>3,357,781</b>	<b>(9,384,936)</b>	<b>100,462,140</b>

## Cash flow

	Notes	2012 MDL	2011 MDL
<b>Cash flows from operating activities</b>			
Interest receipts		52,165,955	41,081,574
Interest payments		(21,393,549)	(19,262,564)
Recoveries from loans previously written off		11,068,374	17,009,030
Other income received		820,046	323,077
Payment to employees and suppliers		(32,628,563)	(28,533,312)
Income taxes (paid)/received		(1,626,043)	488,277
		<b>8,406,220</b>	<b>11,106,082</b>
<i>(Increase)/decrease in assets</i>			
Loans and advances to customers, net		(8,387,659)	(43,674,570)
Due from banks and other institutions		2,704,358	61,052,505
Other assets		(296,635)	(98,342)
<i>Increase in liabilities:</i>			
Other liabilities		1,526,840	1,313,621
<b>Net cash from operating activities</b>		<b>3,953,124</b>	<b>29,699,296</b>
<b>Cash flows from investing activities</b>			
Purchase of intangibles		(434,533)	(105,744)
Purchase of property and equipment		(217,050)	(1,012,995)
<b>Net cash from investing activities</b>		<b>(651,583)</b>	<b>(1,118,739)</b>
<b>Cash flows from financing activities</b>			
Borrowings received		180,774,612	98,831,740
Borrowings repaid		(154,348,391)	(138,401,167)
Purchase of treasury shares		-	(351,667)
<b>Net cash from financing activities</b>		<b>26,426,221</b>	<b>(39,921,094)</b>
Foreign exchange difference		(525,485)	55,600
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>29,202,277</b>	<b>(11,284,937)</b>
Cash and cash equivalents at 1 January		3,990,031	15,274,968
<b>Cash and cash equivalents at 31 December</b>	<b>10</b>	<b>33,192,308</b>	<b>3,990,031</b>

## Outlook for 2013

	<b>2013 forecasts</b>
Total assets (million USD):	28.5
Total equity (million USD):	8.7
Gross loan portfolio outstanding (million USD):	19.7
Profit (million USD):	0.6
Number of active loans outstanding:	8 378
Number of employees:	111
Number of loan officers:	49
PAR > 30 days (%):	4.7

## Microinvest partners



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