

# MICROINVEST



**ANNUAL REPORT 2014**

# Table of contents

CEO Foreword	2
General Information	3
Financial highlights	4
Microinvest Shareholders	5
Microinvest Board of Directors	6
Microinvest Branch Network	7
Organizational Structure	8
Microinvest Loan products	9-10
2014 in figures	11
Portfolio Structure	12-13
Social & Environmental Performance	14-16
North Region	17
South Region	18
Center Region	19
Chisinau	20
Independent Auditor's Report	21
Balance sheet	22
Income Statement	23
Changes in shareholders' equity	24
Cash Flow	25
Outlook for 2015	26
Microinvest Partners	27

## CEO Foreword

During 2014, Microinvest has embarked upon a journey of consolidating the strategic changes the Company has executed during the previous year: a new organizational structure focused on more flexibility, consistency and avoiding conflicts of interest and a planned moderate growth, as the geopolitical environment showed continuous signs of deterioration, especially towards the end of the year. The elections in November 2014 and the problems of the Banking system during the same period have marked the debut of a very tough fluctuations of the market with currency devaluations, lack of MDL liquidity and worsening of the legal system.

The Company has continued to lend responsibly and increased by 4% the weight of MDL denominated portfolio, while decreasing the EUR and USD portfolio. In terms of portfolio exposure by amount category, only 3% of the gross loan portfolio are for amounts over 1.2M MDL and 9% for amounts from 300k to 1.2M MDL with a direct aim to reduce the exposure to macroeconomic fluctuations affecting the large clients.

Microinvest has focused in 2014 on improving and adding more revenue generating services as the challenges related to the increased cost of funding remained a key constrain in Company's strive for profitability. Hence, for the first time in its history, Microinvest has started to intermediate accident, life, property and goods insurance aiming to offer more services to its customers.

Moreover, in the second quarter of 2014, the management has performed an in debt analysis of the market and its strategy and concluded that a shift in strategy is required and as such, the new strategic objective of the Microinvest has become to Provide non-bankable and underserved micro / small businesses and individuals with loans and complementary financial services. To do this, the Company followed a Build Selectively and Manage for Earnings strategy focusing on the client segments which performed the best in terms of profitability and portfolio quality but also started to develop a range of complementary financial services such as utility bills collection, remittances and e-money.

The Company has also focused on further developing its internal capabilities and as such, four technical assistantship programs have been undertaken, in Social Performance Management, Local Currency lending, Energy Efficiency Lending and Communication Strategy. A series of "reality checks" activities have been performed by external partners on Mystery Shopper and Customer Satisfaction survey, with a NPS score of 65 showcasing Microinvest's excellent client support and services. On the Social Performance front, Microinvest has embarked on another major initiative looking to receive the Client Protection Principles certification as a proof of its certified social practices and to become the first company to do so on the Moldovan market and an example to follow.

With turmoil on the political and macroeconomic front, we expecting a difficult 2015, but stronger, better prepared and with the trust we will continue to build upon our ongoing successful development.

Paul Panciu

# General Information

**MICROINVEST** is a microfinance organization launched in April, 2003. The company's mission is to provide financial services (consulting and lending) in order to stimulate private initiative, increase socio-economic potential of the country and raise the living standard of Moldova's citizens.

Our values are:

- ∅ We are entrepreneurs supporting entrepreneurs
- ∅ We are closer to clients
- ∅ We are professional in everything we do
- ∅ We are performance - oriented

The Head Office is located in the capital city of Moldova —Chisinau. The distribution network, of the company, is represented by 16 Branches and one agency located in Chisinau (3 Branches) and regions covering all important areas of Moldova, and 110 employees as of December 31, 2014 (109 as of December 31, 2013). The last opened branch was in Comrat and an agency in Ocnita (as part of Edinet branch), in April 2014.

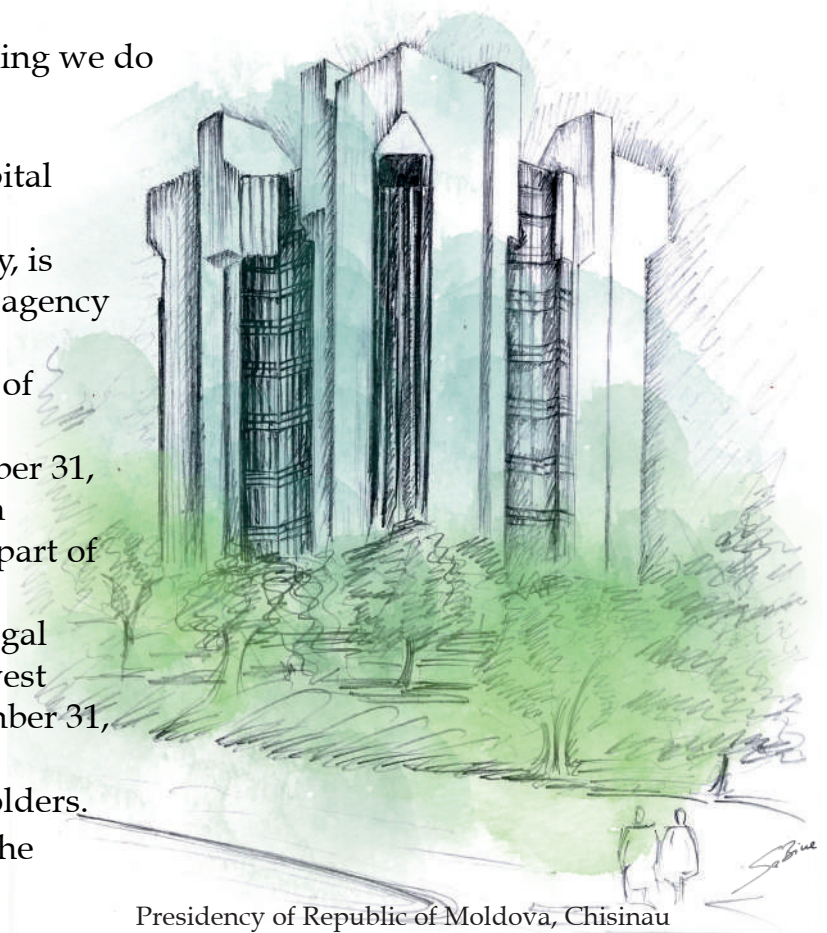
According to the State Register of Legal Entities the share capital of Microinvest accounted MDL 106,2 m as of December 31, 2014.

Currently, Microinvest has 7 shareholders.

Total share of foreign ownership of the company is 81.6% represented by an individual and 4 legal entities.

The main shareholder is BFSE Holdings BV managed by Development Financial Equity Partners (DFE), having 50.7% of share capital of the company.

As at 31 December 2014, the Company also holds 100% of share capital of CSV "Schimb optim plus" SRL (2013: 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 Renasterii Nationale boulevard 12, Chisinau, Republic of Moldova. The registered office of the CSV "Schimb Optim Plus" SRL is located at Decebal boulevard 23/2, Chisinau, Republic of Moldova.



Presidency of Republic of Moldova, Chisinau

# Financial Highlights

	2014	2013	2012	2011	2010
Total assets ('000 MDL)	500 882	345 508	335 048	302 758	337 385
Shareholders' equity ('000 MDL)	104 479	107 402	100 462	96 340	85 440
Interest Income ('000 MDL)	65 560	60 359	52 584	46 077	58 198
Overhead ('000 MDL)	42 688	33 681	34 289	29 382	26 384
*GLP ('000 MDL)	235 722	231 039	214 035	207 314	171 139
*PAR >30 (%)	6,15	4,38	3,87	5,49	15,59
Number of loans	8 112	7 588	7 290	5 406	3 518
Number of staff at year-end	110	109	104	96	103

Based on International Accounting Standard

\*Gross Loan Portfolio

\*Portfolio At Risk over 30 days, in NAS



# Microinvest Shareholders



**Balkan Financial Sector Equity Fund (BFSE Holding BV)** with 50,69% in equity.

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.

**SFM** with 15.43% in equity.

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.



**Oikocredit** with 12.43% in equity.

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.



**The Soros Economic Development Fund (SEDF)** with 10.50% in equity.

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.

SEDF Soros Economic Development Fund



**Richard H. Driehaus** with 4.64% in equity.

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.

**SIDI** with 3.32% in equity.

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.



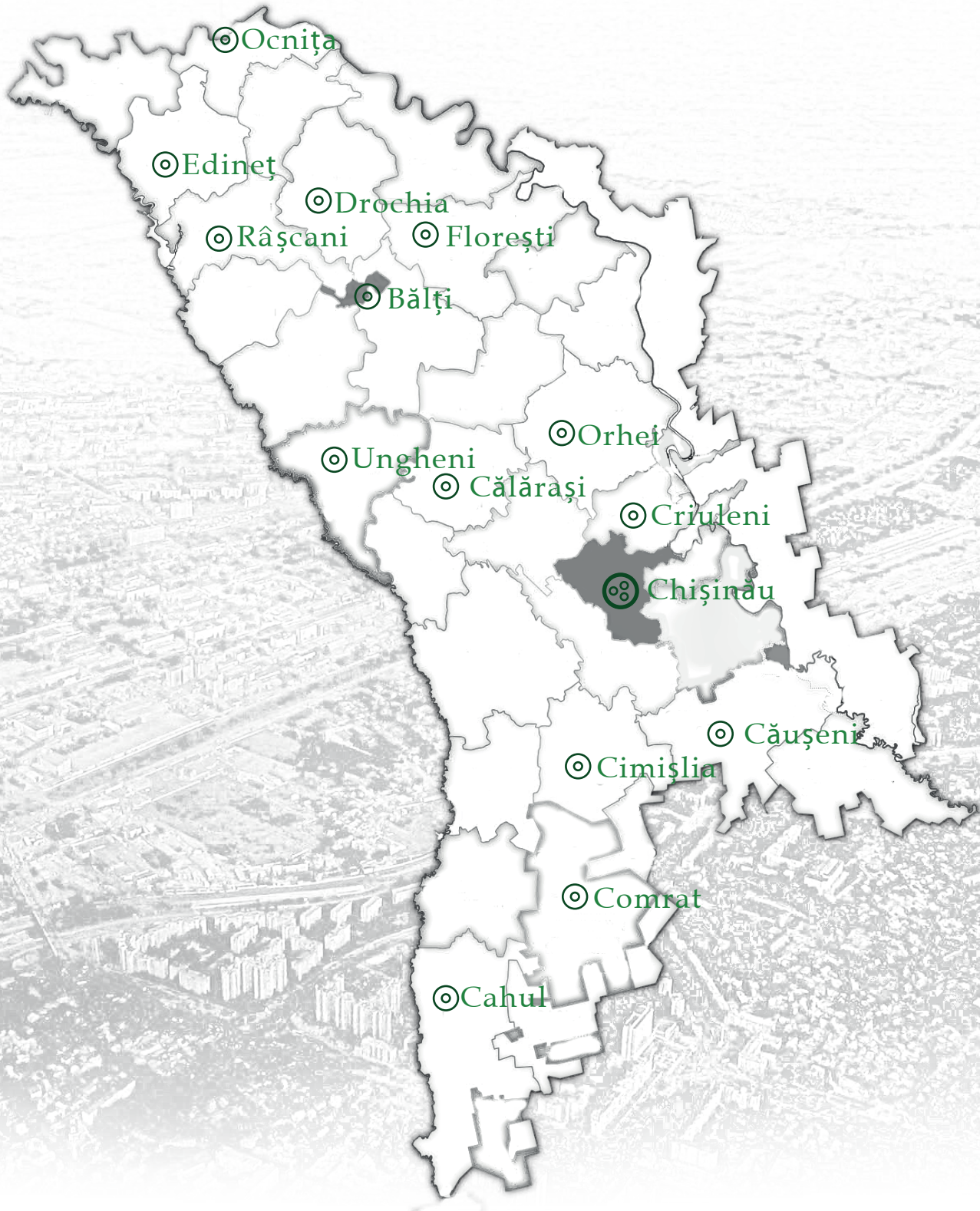
**Artur Munteanu** with 2.98% in equity.

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

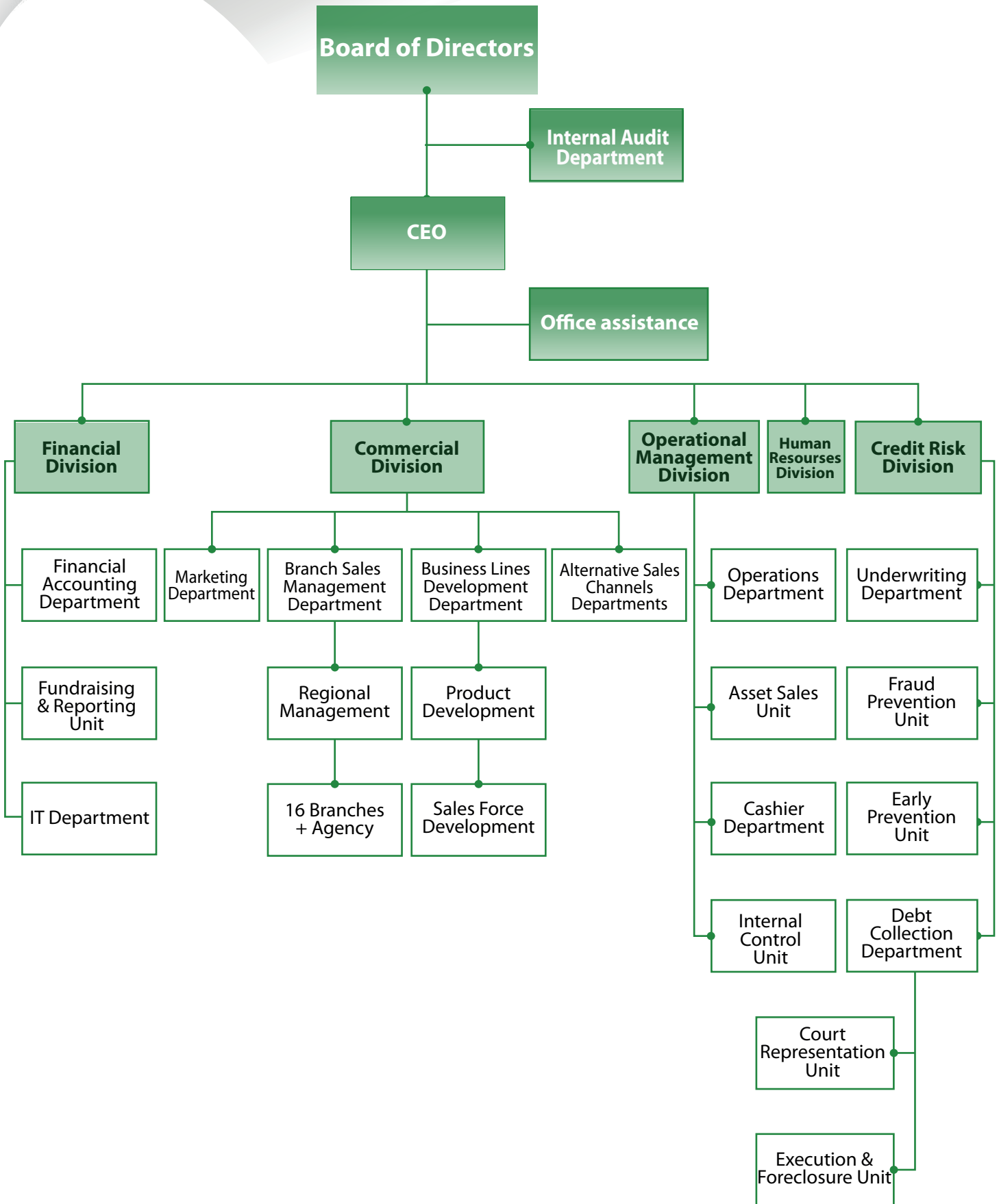
# Microinvest Board of Directors

Name	Position on Board	Background	Affiliation	Board Member since
 Clive Moody	Chairman of the Board	Private Equity Professional for over 20 years.	<b>Development Finance Equity Partners AG, Switzerland</b>	2012
 Andrew Walsh	Member	27 years experienced businessman and adviser, with a strong track record in finance and general management particularly in technology businesses.	<b>Balkan Financial Sector Equity Fund ("BFSE")</b>	2013
 Marcel Varmari	Member	Over 15 years of experience in the financial and legal industry. Theoretical and practical knowledge of organization management and of international affairs.	<b>Soros Foundation Moldova</b>	2014
 Uwe Konst	Member	MBA, over 20 years of experience in the financial industry and with economies in transition.	<b>Independent consultant for international business</b>	2008
 Gael de Pontbriand	Member	MBA, Wharton over 35 years of operational management and consulting experience in the financial sector.	<b>Independent consultant</b>	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	<b>Soros Economic Development Fund</b>	2006
 Paul Panciu	Member	MBA, Norwegian School of Economics and Business Administration. Over 9 years of experience in financial services.	<b>CEO, Microinvest</b>	2012

# Microinvest Branch Network



# Organizational Structure



## Business Loans

### ***Simplus***

Amount: 1 000 - 150 000 MDL  
Tenor: - 3-36 months (Working Capital)  
- 3-84 months ( Fixed Assets)  
Purpose: Working Capital and Fixed Assets

### ***Multiplex Credit Line***

Amount: 30 000 -1 600 000 MDL  
Tenor: 12-36 months  
Purpose: Working Capital

### ***Forte***

Amount: 150 000 - 1 600 000 MDL  
Tenor: - 3-36 months (Working Capital)  
- 3-84 months ( Fixed Assets)  
Purpose: Working Capital and Fixed Assets

### ***Start-Up***

Amount: 1 000 - 800 000 MDL  
Tenor: - 3-36 months (Working Capital)  
- 3-84 months ( Fixed Assets)  
Purpose: Working Capital and Fixed Assets

### ***Top-Up***

Amount: 1 000 - 300 000 MDL  
Tenor: - 3-36 months (Working Capital)  
- 3-84 months ( Fixed Assets)  
Purpose: Working Capital and Fixed Assets



Apartment building, Chisinau

## Consumer Loans



Stephen the Great,  
Prince of Principality of Moldavia  
(1457-1504)

### **Consumer**

Amount: 1 000 - 1 600 000 MDL  
Tenor: 3-84 months  
Purpose: Work & Travel  
Auto  
Home improvement  
Mortgage  
Personal needs

### **Retail**

Amount: 1 000 - 100 000 MDL  
Tenor: 3-36 months  
Purpose: Personal goods purchased  
from partner shops

### **On-line Cash**

Amount: 1 000 - 15 000 MDL  
Tenor: 3-24 months  
Purpose: Personal needs

## Group Loans

### **Informal groups**

Amount: 1 000 — 15 000 MDL  
Tenor: 0-15 months  
Purpose: Personal needs

### **SCA**

Amount: 150 000 - 800 000 MDL  
Tenor: 0-15 months  
Purpose: Personal needs

## Bank Assurance

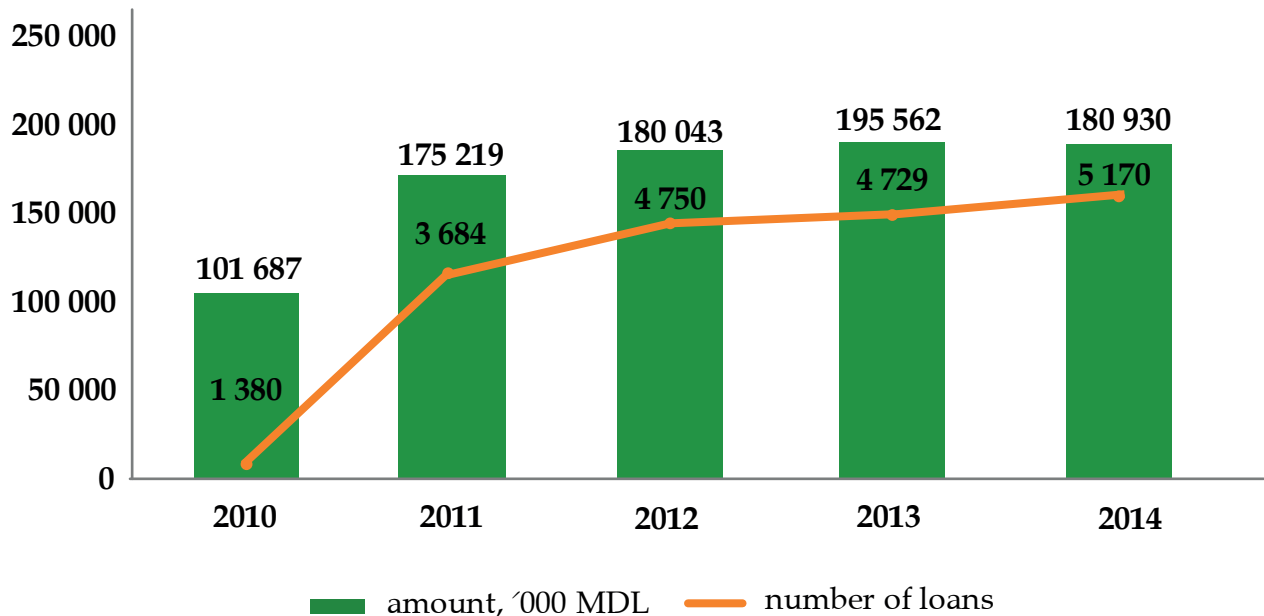
### **Property Insurance**

Insurance providing compensation to the owner of the property in the event of damage or theft.

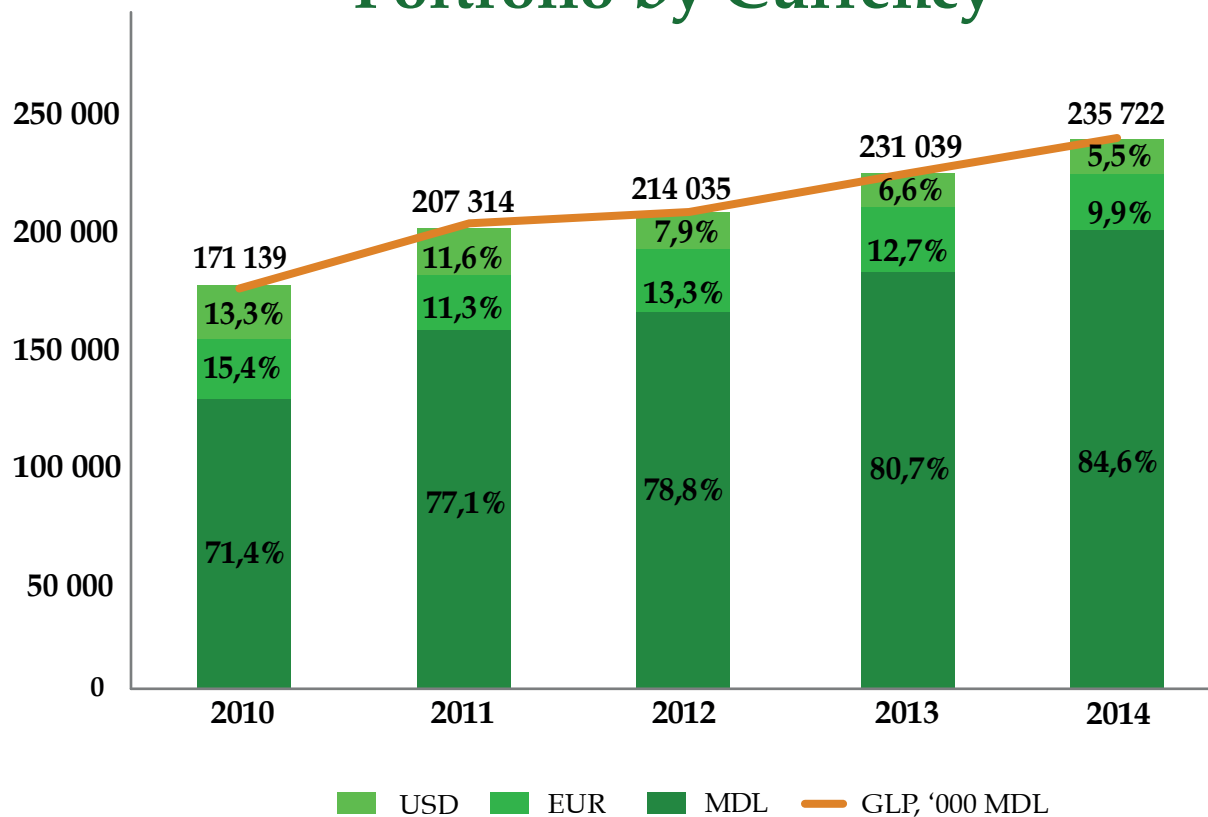
### **Accidents Insurance**

Insurance providing compensation for accidental injury or death.

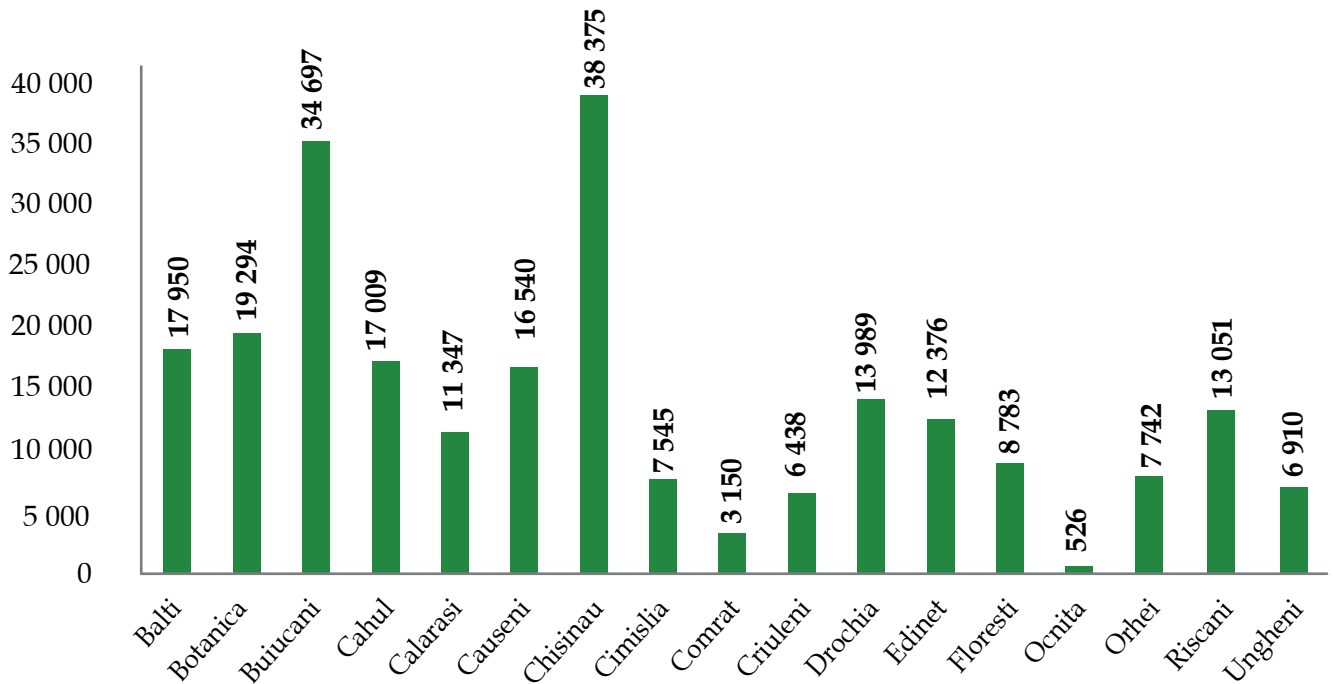
## Disbursements



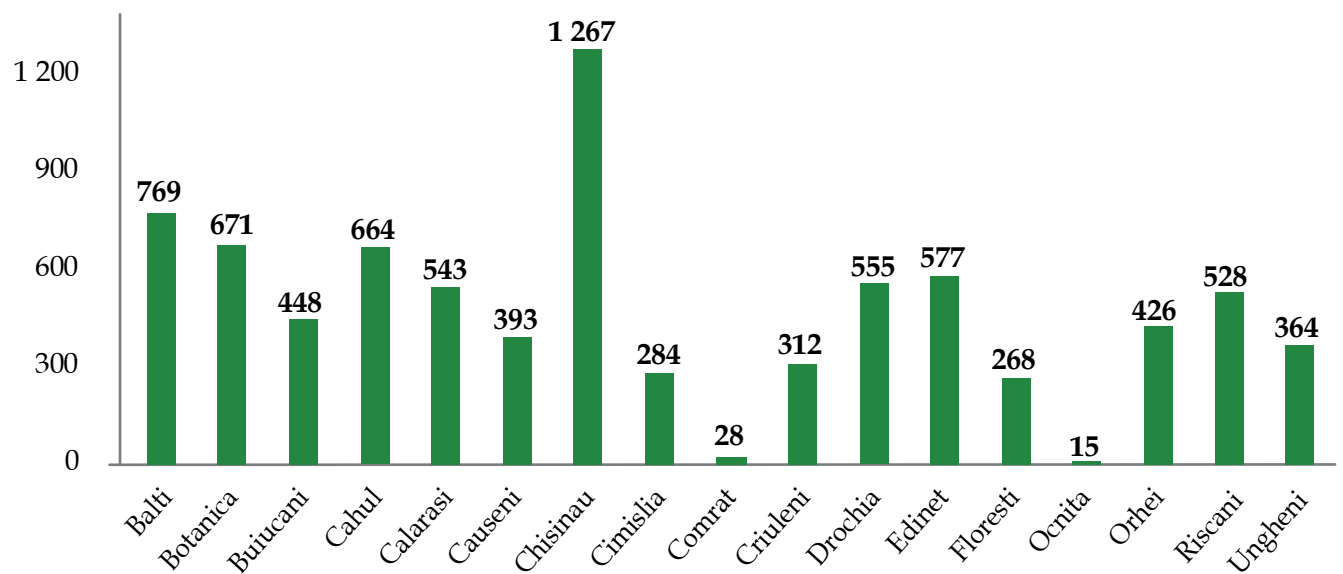
## Portfolio by Currency



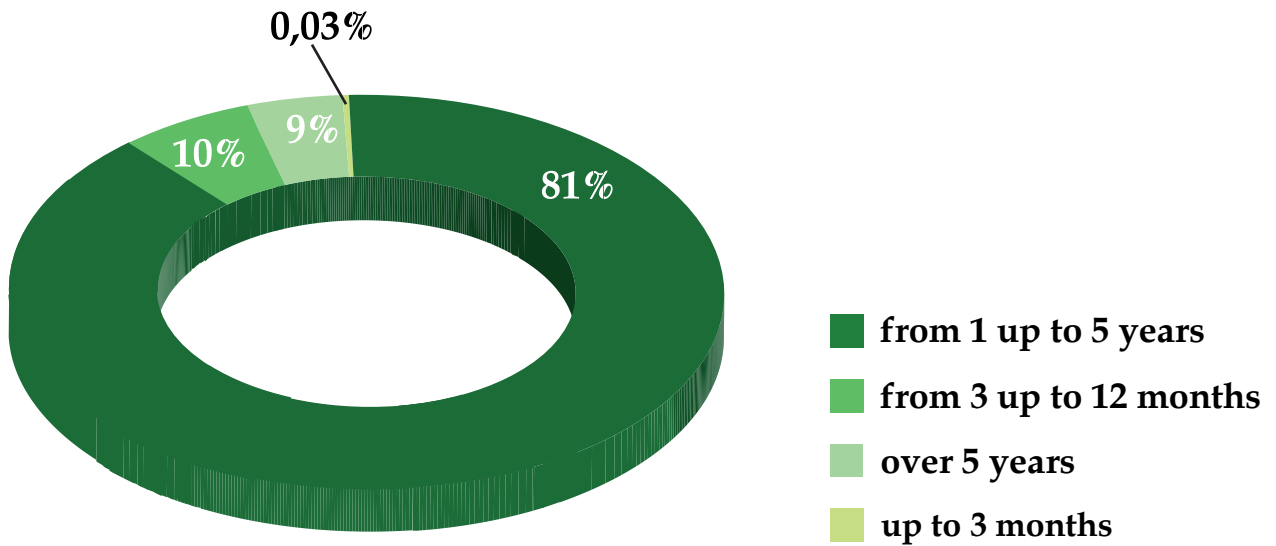
## GLP by Branch, '000 MDL



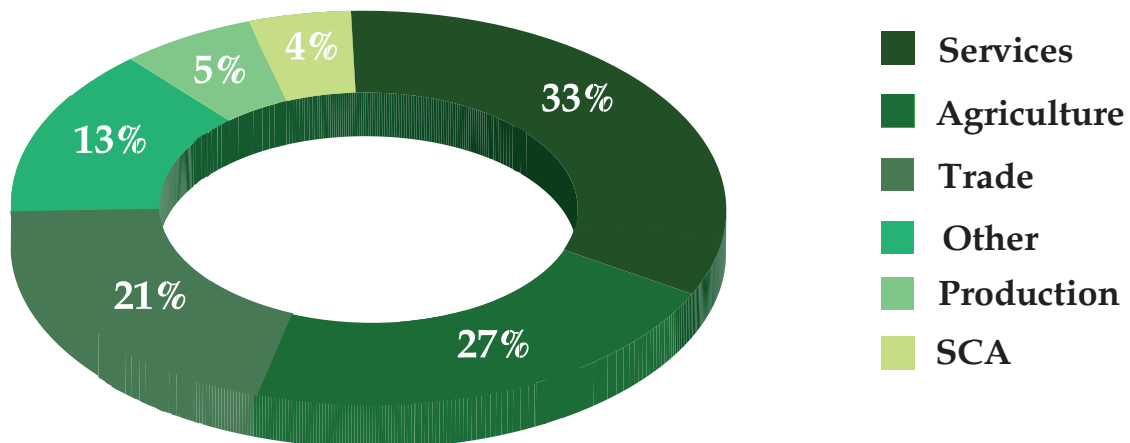
## Number of loans, by Branch



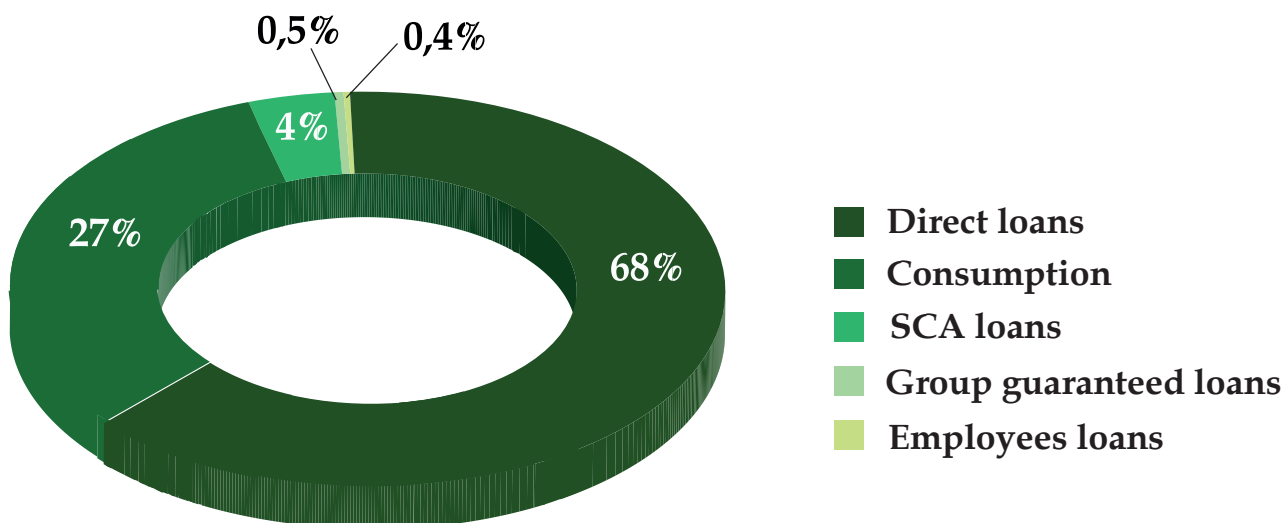
## GLP by Term



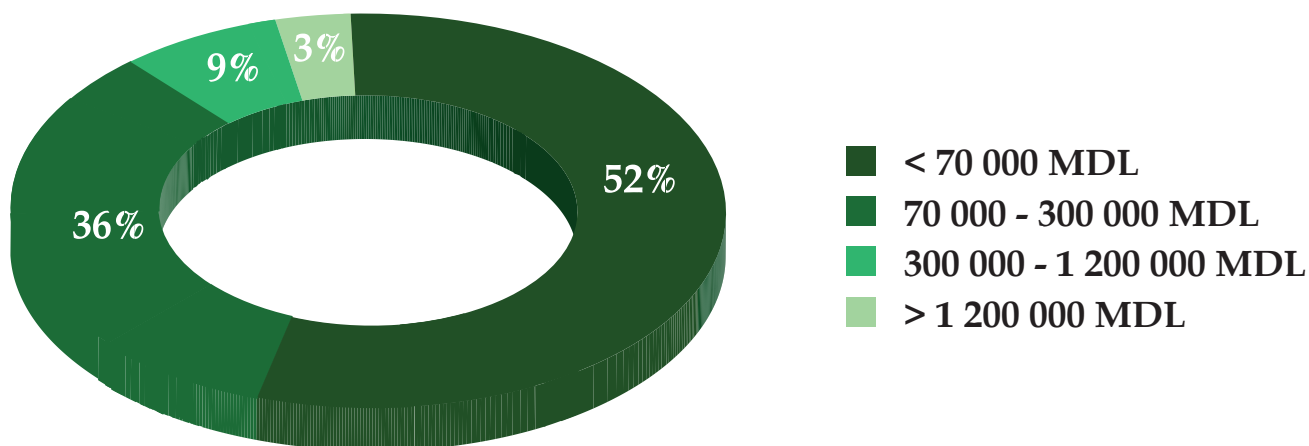
## GLP by Economic Sector



## GLP by Type of Loans

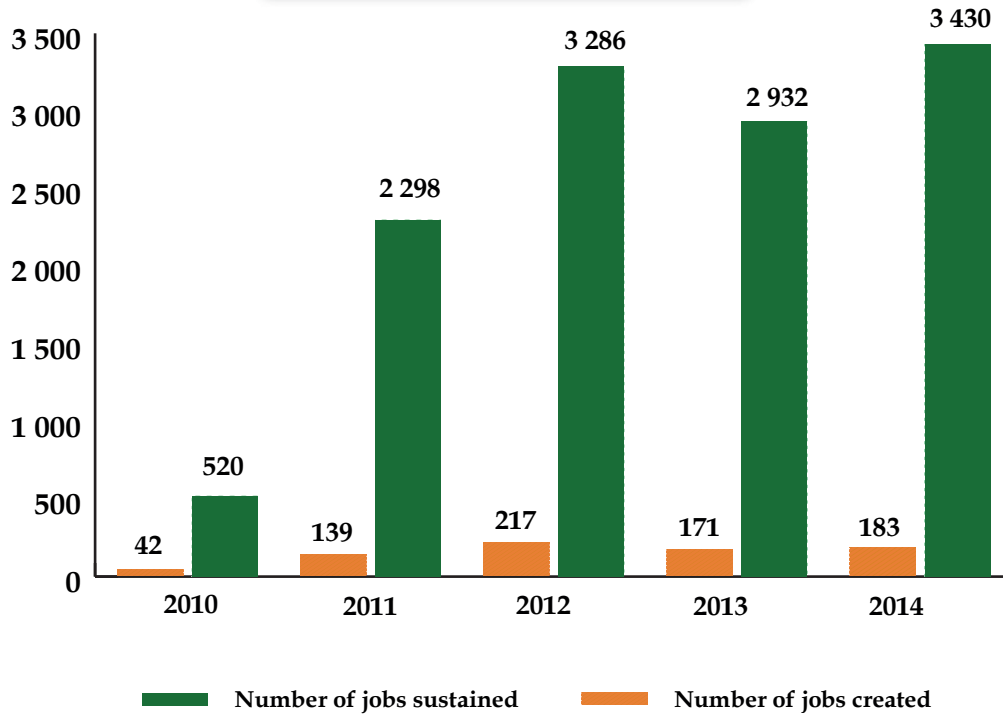


## GLP by Amount Category

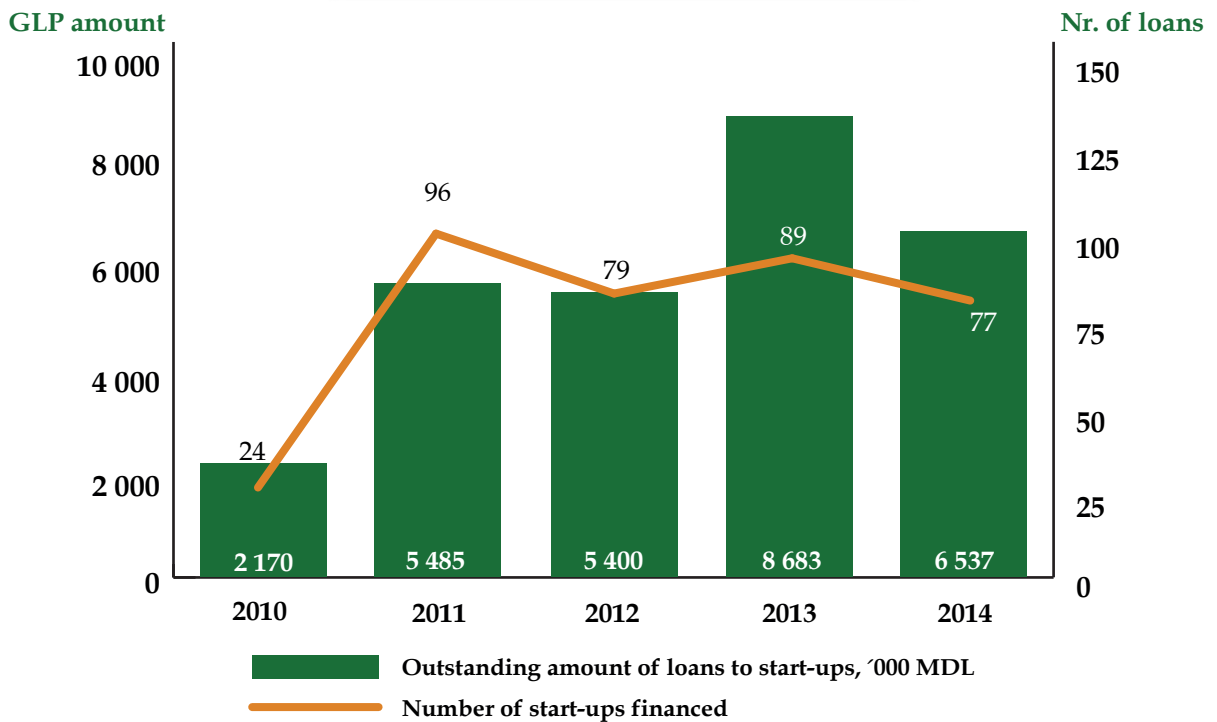


# Social & Environmental Performance

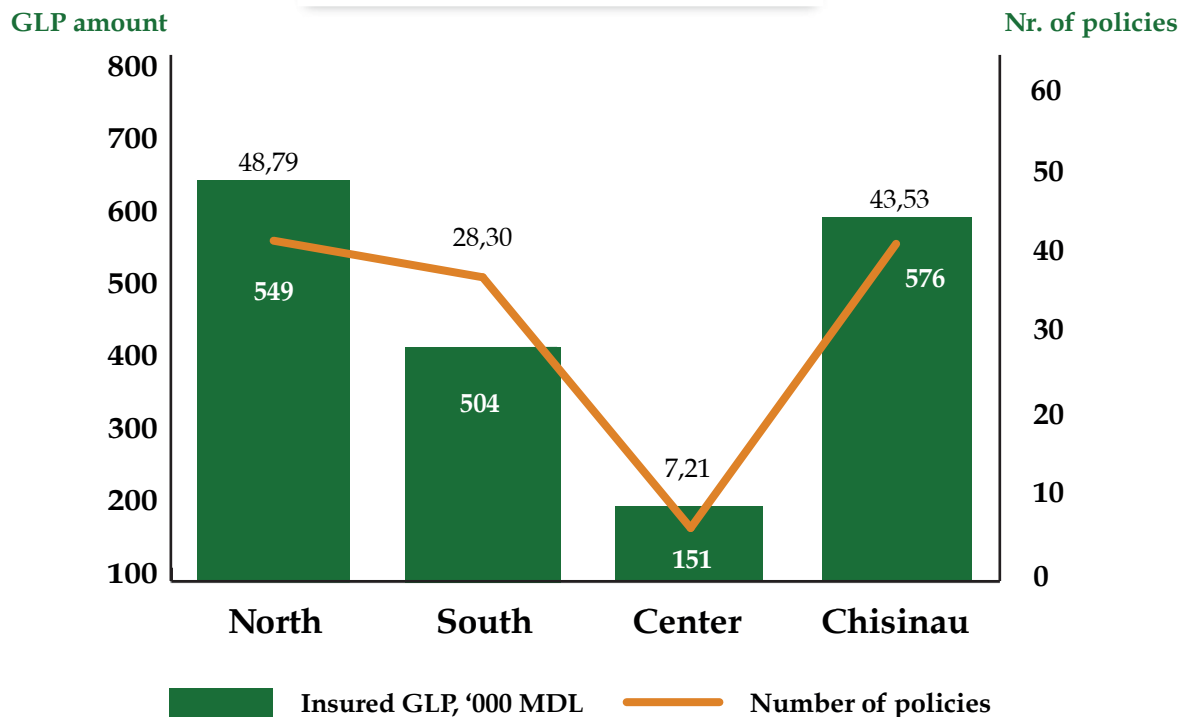
## Job Creation



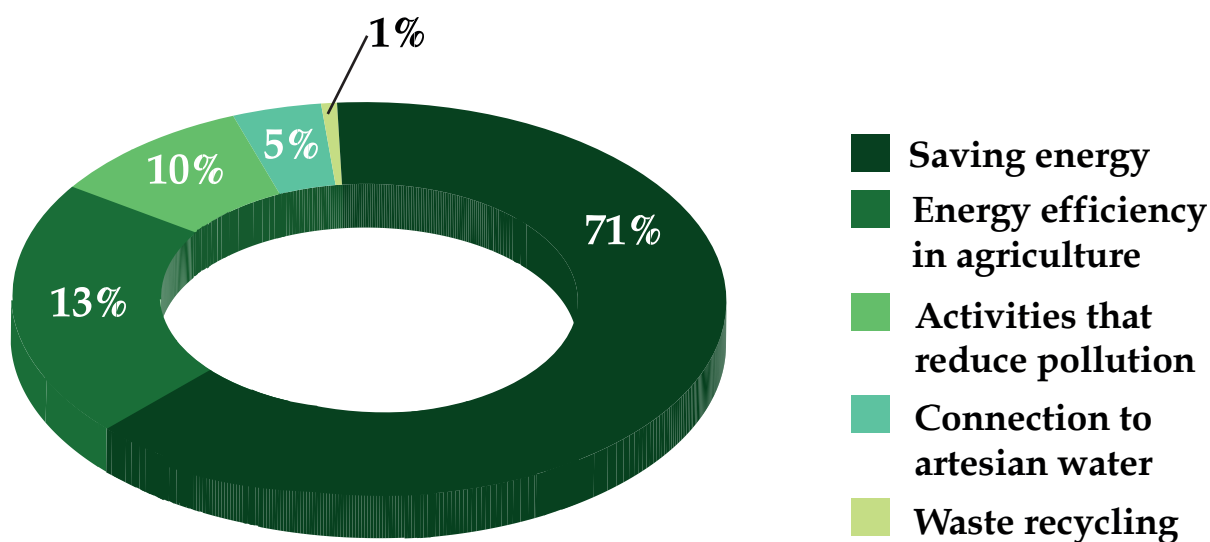
## Start-ups Financing



## Bank Assurance



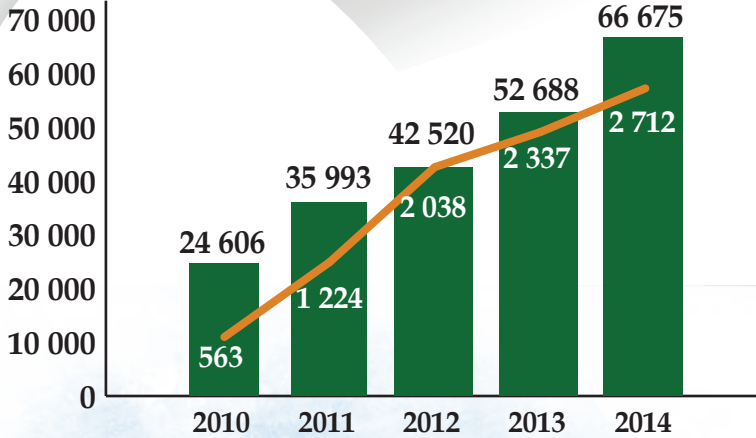
## Energy Efficiency Loans by Loan Purpose



# North Region

## GLP Evolution

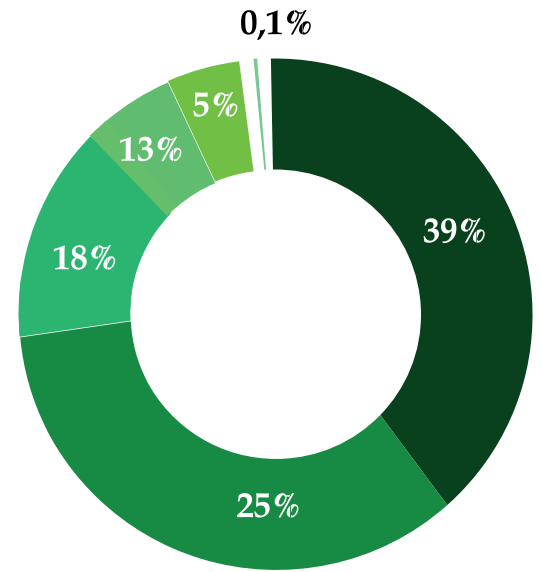
GLP amount



GLP, '000 MDL  
Number of loans

Nr. of loans

## Sector Distribution

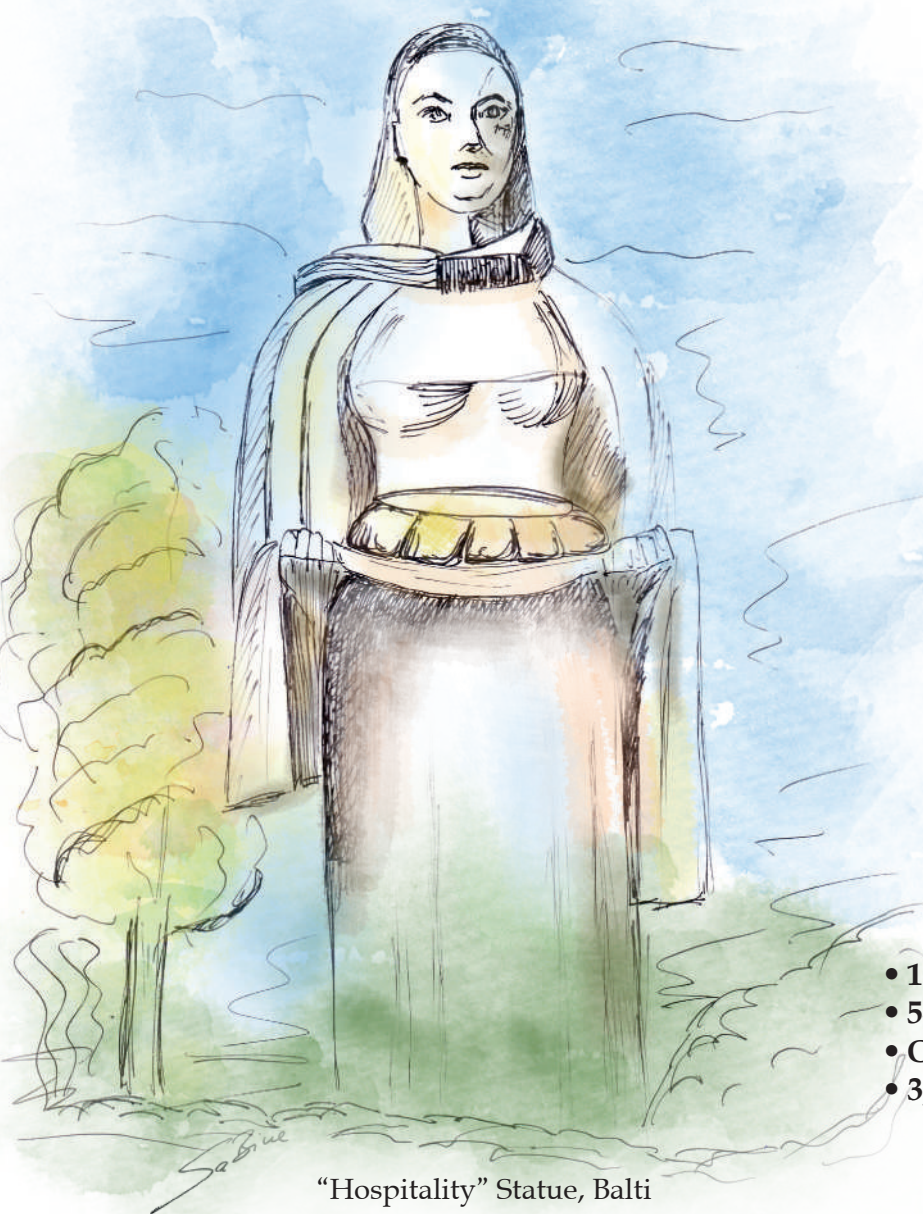


Agriculture  
Trade  
Services  
Other  
Industry  
SCA

## North Branches

- Balti
- Drochia
- Edinet
- Floresti
- Ocnita
- Riscani

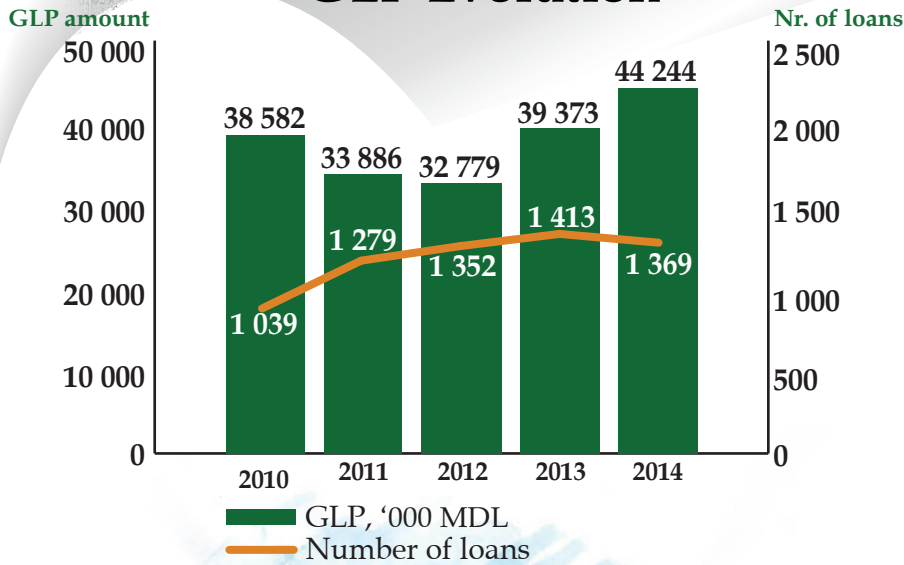
- 15 - Loan Officers
- 549 - Insurance policies
- Over 48 million MDL — Assured GLP
- 3,9 million MDL- Energy Efficiency Loans



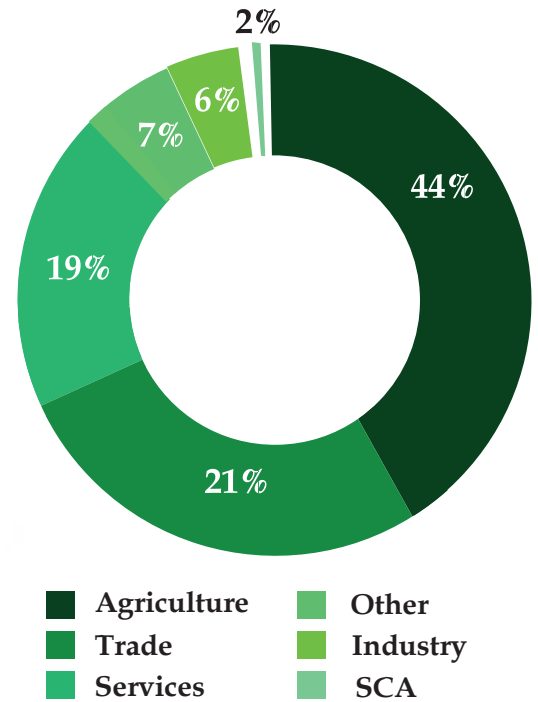
“Hospitality” Statue, Balti

# South Region

## GLP Evolution



## Sector Distribution



## South Branches

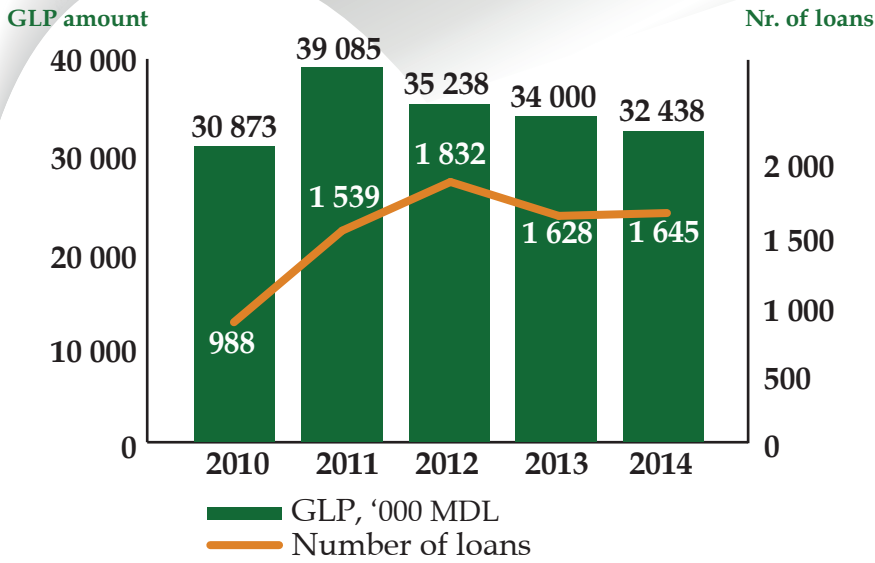
- Cahul
- Causeni
- Cimislia
- Comrat

- 9 - Loan Officers
- 504 - insurance policies
- Over 28 million MDL - Assured GLP
- 2,5 million MDL - Energy Efficiency Loans

Monument to the heroes of the battle from Larga (1770), Cahul District

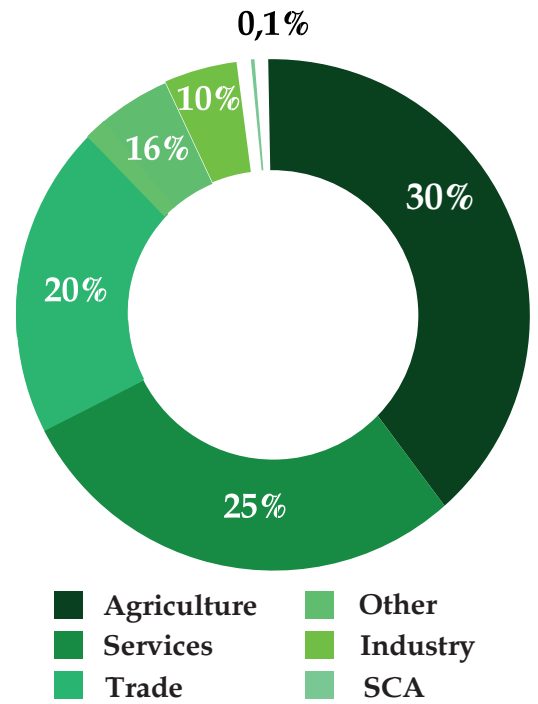
# Center Region

## GLP Evolution



- 9 - Loan Officers
- 151- Insurance policies
- 7,2 million MDL — Assured GLP
- 2,8 million MDL - Energy Efficiency Loans

## Sector Distribution



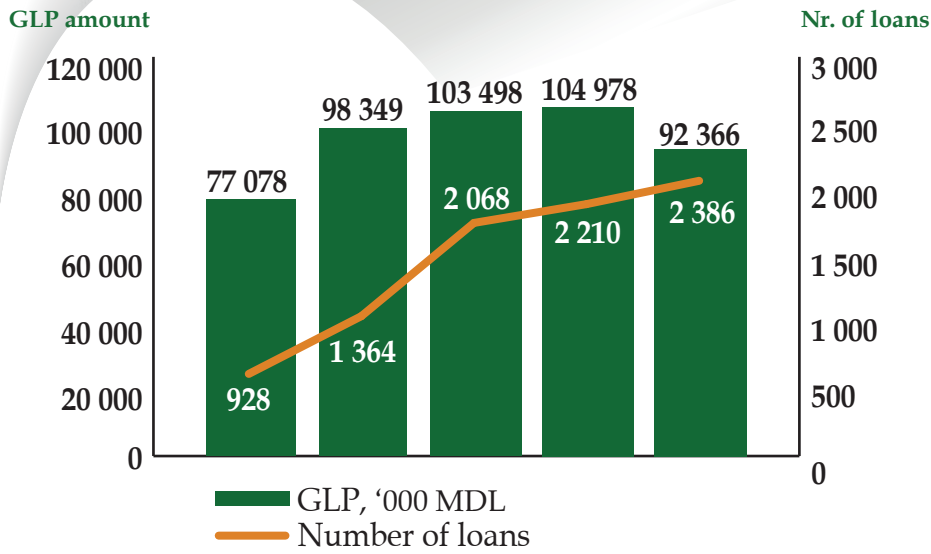
- Agriculture
- Services
- Trade
- Other
- Industry
- SCA

## Center Branches

- Calarasi
- Criuleni
- Orhei
- Ungheni

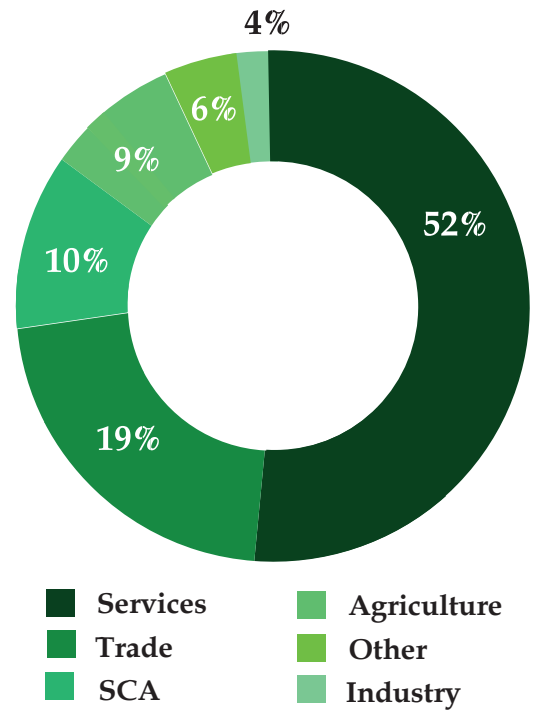


## GLP Evolution



- 14 - Loan Officers
- 576 - insurance policies
- 43,5 million MDL — Assured GLP
- 4,9 million MDL - Energy Efficiency Loans

## Sector Distribution



## Chisinau Branches

- Botanica
- Buiucani
- Centru



Triumphal Arch, Chisinau

# 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 Î.M. OMF Microinvest SRL and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for year then ended and notes comprising a summary of significant accounting policies and other explanatory information.



## Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated 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 respects, the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads "ICS Pricewaterhouse Coopers Audit SRL".

ICS Pricewaterhouse Coopers Audit SRL

Chisinau, 5 May 2015

# Balance Sheet

ASSETS	Notes	2014 MDL	2013 MDL
Cash and cash equivalents	10	5 112 936	4 197 134
Due from banks and other institutions	11	223 663 386	99 813 623
Investments held to maturity	12	9 999 056	-
Loans and advances to customers, net	13	223 998 040	221 488 216
Property and equipment	14	13 245 874	13 035 819
Deferred tax assets	9	2 819 838	2 755 135
Intangible assets	15	1 191 343	1 283 001
Other assets	16	20 851 549	2 935 185
<b>Total assets</b>		<b>500 882 022</b>	<b>345 508 113</b>
<b>LIABILITIES</b>			
Interest-bearing loans and borrowings	17	390 717 891	232 122 338
Grants received	18	152 424	194 816
Other liabilities	19	2 556 777	3 954 368
Provision for liabilities and charges	20	2 975 716	1 834 160
<b>Total liabilities</b>		<b>396 402 808</b>	<b>238 105 682</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	21	106 231 922	106 231 922
Less: Treasury shares		-	-
Secondary capital		257 373	257 373
Capital Reserves		3 357 781	3 357 781
Accumulated deficit		(5 367 862)	(2 444 645)
<b>Total shareholders' equity</b>		<b>104 479 214</b>	<b>107 402 431</b>
<b>Total liabilities and shareholders' equity</b>		<b>500 882 022</b>	<b>345 508 113</b>

The financial statements were authorized for issue on 5 May 2015 by the Executives of the Group represented by:



Mr Paul Panciu  
Administrator

Mr Sergiu Sobuleac  
Chief Financial Officer

# Income Statement

	Notes	2014 MDL	2013 MDL
Interest and similar income	4	65 559 806	60 359 235
Interest and similar expense	5	(24 036 479)	(21 497 046)
<b>Net interest and similar income</b>		<b>41 523 327</b>	<b>38 862 189</b>
Provision for impairment of loans	13	(6 984 439)	(5 598 497)
<b>Net interest after provision expenses</b>		<b>34 538 888</b>	<b>33 263 692</b>
Recoveries on loans	6	3 970 020	6 794 678
Other operating income	7	987 316	685 386
General and administrative expenses	8	(42 687 525)	(33 681 244)
Foreign exchange (losses)/gains		203 381	224 330
<b>Profit /(loss) before income tax</b>		<b>(2 987 920)</b>	<b>7 286 842</b>
Income tax expense /credit	9	64 703	(346 550)
<b>Net profit for the year</b>		<b>(2 923 217)</b>	<b>6,940 292</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>(2 923 217)</b>	<b>6 940 292</b>

The financial statements were authorized for issue on 5 May 2015 by the Executives of the Group represented by:



Mr Paul Panciu  
Administrator

Mr Sergiu Sobuleac  
Chief Financial Officer

# Changes in Shareholders' Equity

	Share capital, MDL	Treasury Shares, MDL	Secondary capital, MDL	Capital reserve, MDL	Accumulated deficit, MDL	Total shareholders' equity, MDL
<b>Balance at 1 January 2013</b>	<b>107 485 826</b>	<b>(996 531)</b>	<b>-</b>	<b>3 357 781</b>	<b>(9 384 936)</b>	<b>100 462 140</b>
Total comprehensive income for the year	-	-	-	-	6 940 292	6 940 292
Cancellation of treasury shares	(1 253 904)	996 531	257 373	-	-	-
<b>Balance at 31 December 2013</b>	<b>106 231 922</b>	<b>-</b>	<b>257 373</b>	<b>3 357 781</b>	<b>(2 444 645)</b>	<b>107 402 431</b>
<b>Balance at 1 January 2014</b>	<b>106 231 922</b>	<b>-</b>	<b>257 373</b>	<b>3 357 781</b>	<b>(2 444 645)</b>	<b>107 402 431</b>
Total comprehensive income for the year	-	-	-	-	(2 923 217)	(2 923 217)
<b>Balance at 31 December 2014</b>	<b>106 231 922</b>	<b>-</b>	<b>257 373</b>	<b>3 357 781</b>	<b>(5 367 862)</b>	<b>104 479 214</b>

The accompanying notes are an integral part of these consolidated financial statements.



Nativity Cathedral, Chisinau

# Cash Flow

<b>Cash flows from operating activities</b>	Notes	2014 MDL	2013 MDL
Interest receipts		65 704 531	59 636 456
Interest payments		(24 449 489)	(19 534 499)
Recoveries on loans		3 970 020	6 794 678
Other income received		944 922	605 821
Payment to employees and suppliers		(38 773 175)	(31 362 518)
Income taxes (paid)/received		(1 016 528)	(376 434)
		<b>6 380 281</b>	<b>15 763 504</b>
<b>(Increase)/decrease in assets/liabilities:</b>			
Loans and advances to customers, net		9 693 847	(10 633 602)
Due from banks and other institutions		(118 878 831)	(18 598 750)
Other assets		(17 911 723)	(1 453 096)
Other liabilities		(1 379 826)	470 586
<b>Net cash from operating activities</b>		<b>(122 096 252)</b>	<b>(14 451 357)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangibles		(494 237)	(682 849)
Purchase of property and equipment		(1 380 426)	(1 508 206)
Purchase of state securities		(9 999 056)	-
<b>Net cash from investing activities</b>		<b>(11 873 719)</b>	<b>(2 191 055)</b>
<b>Cash flows from financing activities</b>			
Borrowings received		357 306 516	191 527 030
Borrowings repaid		(222 425 824)	(204 110 108)
<b>Net cash from financing activities</b>		<b>134 880 692</b>	<b>(12 583 078)</b>
Foreign exchange difference		5 081	230 316
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(915 802)</b>	<b>(28 995 174)</b>
Cash and cash equivalents at 1 January		4 197 134	33 192 308
<b>Cash and cash equivalents at 31 December</b>	<b>10</b>	<b>5 112 936</b>	<b>4 197 134</b>

The accompanying notes are an integral part of these consolidated financial statements.

	2015 forecasts
Total assets (million MDL):	533 586
Total equity (million MDL):	98 726
Gross loan portfolio outstanding (million MDL):	254 421
Profit (million MDL):	7 816
Number of active loans outstanding:	8 755
Number of employees:	106
Number of loan officers:	42
PAR > 30 days (%):	5,25

## Key Directions

### Microinvest' strategic objective:

Provide non-bankable and underserved micro / small businesses and individuals with loans and complementary financial services.

### Microinvest Products & Markets:

#### Loan products:

- Business loans for micro & small companies and individuals
- Home Improvement loans with focus on Energy Efficiency loans
- Consumer loans, online and mobile, through retailers and branches
- Savings and Credit Associations

#### Complementary financial services:

- Bancassurance
- International money transfers (remittances)
- Utility bills collection
- E-money



Curchi Monastery, Orhei District

# Microinvest Partners

## External Lenders

CoopEst

responsAbility

**WorldBusiness Capital**  
Financing Business Across Borders<sup>SM</sup>



**BlueOrchard**  
Microfinance Investment Managers

**Triodos Bank**  
Make your money make a difference

**EFSE**  
EUROPEAN FUND FOR SOUTHEAST EUROPE



**European Bank**  
for Reconstruction and Development

**FMO**  
Finance for Development



**GREEN FOR GROWTH FUND**  
SOUTHEAST EUROPE  
INVESTING IN ENERGY EFFICIENCY  
AND RENEWABLE ENERGY



**SOCIAL CAPITAL**

**OIKO CREDIT**

## Local Lenders



**MAIB**  
Moldova Agroindbank



**MOLDINDCONBANK**



**VICTORIA BANK**

**FinComBank**  
ÎNTR-UN PAS PE VIAȚĂ

## Others



 **conect**

**SAMANI**  
mobila altfel

 **enter**  
digital center