



Dutch Good Growth Fund

Notice proposed transaction: O.C.N. "Microinvest" S.R.L. Date of Publication: 19 April 2024

Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

Views

Parties can express their views on the proposed transaction to the Fund Manager by contacting dggf@pwc.com within 30 days after the publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these Parties concluding on the expressed views by these Parties.

Description (English)

Part of DGGF

Financing Local SMEs

Name of Financial Institution (FI)

O.C.N. "Microinvest" S.R.L.

Domicile IF

Moldova

Nature of the activities of the IF

Created in 2003, Microinvest has become the leading player in the Moldovan non-bank financial sector of Moldova, with around 32% of the sector Gross Loan Portfolio (GLP), and currently ranks 5th largest financial institution (including banks) in Moldova in terms of GLP. Geographically, Microinvest covers all areas of Moldova through its 16 branches (located in 11 regions), having a total GLP of EUR 247m and >40k active borrowers, 64% of whom are located in rural areas. The shareholder structure of the MFI has been stable and includes some well-established names such as BFSE, Soros Foundation, Oikocredit and SIDI.

Microinvest offers mainly business loans to SMEs and microentrepreneurs (~70%) as well as home improvement loans (~15%), asset finance and retail loans (~15%), which mainly support purchase of household goods. The average loan size



of the overall loan portfolio is ~EUR 5k while the SME loan average is EUR 32.2k and maximum loan size is ~EUR 305k.

While maintaining its firm commitment to responsible lending practices, Microinvest has more than doubled its loan portfolio whilst maintaining a strong profitability and stable capitalization.

Size of proposed investment

DGGF will provide a senior loan to Microinvest of EUR 4 million, which also includes a risk-sharing feature whereby Microinvest and DGGF will share in losses related to the agreed portfolio >3% but capped at EUR 150k.

Intended transaction date

The Fund Manager aims to close the agreement with Microinvest on May 31st, 2024.

Expected financial results

A positive net financial return on the investment is expected.

Expected impact

The facility will be 100% earmarked to agricultural SME borrowers in Moldova. The agricultural sector in Moldova has faced headwinds in recent years: more frequent droughts affected grain harvests, and cheaper grain produce from Ukraine due to affected storage facilities and disrupted supply chains led to pricing pressures. -These combined headwinds have put agri-borrowers under stress.

With around 31% of its GLP dedicated to agriculture, Microinvest is the second-largest lender to the sector, behind only the largest bank in the country. Microinvest's distinctive focus on the smaller and mostly rural agri-SME clients, which are not usually serviced well by banks, makes it an indispensable lender to this segment and the sector. As such, this facility will be crucial in enabling Microinvest to continuously provide the still under-served micro and lower-end agriculture SMEs with the essential funding needed for capital expenditure and day-to-day operations.

ESG compliance

Microinvest is an experienced microfinance institution in the DGGF portfolio with good performance regarding ESG risk management in the loan application process. In the context of Microinvest's first loan, the team received ESG training by the DGGF ESG team and support in updating its ESG policies & processes to be compliant with DGGF's ESG standards. Microinvest has implemented a sector-based ESG risk-assessment and throughout the loan application process ESG



activities have been clearly documented in the ESG policy. In addition, Microinvest has updated their exclusion list in line with DGGF's July 2022 update. The complaints mechanism is in line with DGGF requirements. Microinvest has robust Client Protection principles and is considered a frontrunner in Moldova as they have achieved the gold level of achievement for Client Protection Principles from MFR in October 2023. A gold certification indicates that Microinvest complies to 100% of the entry, progress, and advanced indicators of the Universal Client Protection Principles (UCPPs). This certification covers all aspects of the DGGF Client Protection Principle guidance and aligns with DGGF standards. No conditions for investment have been identified for Microinvest.

Tax compliance

Microinvest is a limited liability company established in Moldova and is subject to the statutory tax rates in Moldova. Microinvest solely provides financing to local SMEs, which will be normally taxed at the applicable tax rates. Moldova is currently not rated by the Global Forum on Transparency and Exchange of Information for Tax Purposes. Until Moldova is rated as at least "largely compliant", DGGF requires Microinvest to only invest and provide financing to SMEs that solely operate and are domiciled in and are tax resident in Moldova.

Microinvest is not making use of artificial constructions to lower its taxation or the taxation of the SMEs it finances. DGGF's investment conditions focus on ascertaining this. Microinvest requires SMEs that it finances to comply with local laws and regulations, amongst others, regarding tax. DGGF will monitor whether Microinvest meets its ongoing tax obligations and acts in accordance with the DGGF Tax Criteria.