

RURAL FINANCE CORPORATION S.A.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2018**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

Independent Auditor's Report

To: Shareholders of Rural Finance Corporation S.A.

Opinion

We have audited the accompanying financial statements of Rural Finance Corporation S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter "IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, including the law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

This report is addressed exclusively to the Company's shareholders. Our audit was conducted to report to the Company's shareholders those matters that need to be reported in the financial audit report, and not for other purposes. To the fullest extent permitted by applicable law, we do not accept and do not assume liability to anyone other than the Company and the Company's shareholders for our audit, for this report, or for our opinion. Our opinion is not modified in respect of this matter.

The financial statements of the Company for the year ended 31 December 2017 were audited by another auditor who issued an unmodified opinion on 5 July 2018.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company.

Auditors' responsibility for the audit of financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GRANT THORNTON
Grant Thornton Audit S.R.L.
Chisinau, Republic of Moldova
28 June 2019



RURAL FINANCE CORPORATION S.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

	Note	<u>2018</u>	<u>2017</u>
Interest income	6	31,376,267	31,099,839
Interest expense	6	<u>(4,049,036)</u>	<u>(4,214,709)</u>
Net interest income		27,327,231	26,885,130
Provision (charge)/release for loans and advances impairment	14	(432,705)	5,300,518
Other impairment		<u>(179,841)</u>	-
Net interest income after provision for impairment of loans and advances		26,714,685	32,185,648
Penalties and commission income	7	357,481	1,534,739
Foreign exchange translation gains or losses	8	(1,972)	5,357
Other operating income	7	397,164	519,288
Administrative expenses	9	(14,775,090)	(13,483,545)
Other operating expenses	10	<u>(2,015,906)</u>	<u>(3,704,472)</u>
Profit before income tax		10,676,362	17,057,015
Income tax (expense)	11	<u>(1,072,775)</u>	<u>(2,138,547)</u>
Profit for the year		9,603,587	14,918,468
Total comprehensive income for the year		9,603,587	14,918,468

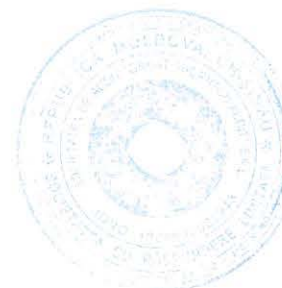
These financial statements have been approved for issue by the Board of Directors on 28 June 2019 and signed on its behalf by:

Igor Purici
 President of Corporation





Viorica Vasilache
 Chief Accountant



RURAL FINANCE CORPORATION S.A.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

	Note	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and cash equivalents	12	22,459,096	32,790,488
Treasury bills	13	-	8,089,555
Financial assets at amortized cost	13	19,250,436	
Loans and advances to customers	14	174,207,284	174,309,252
Intangible assets	15	84,468	104,064
Premises and equipment	16	14,914,825	15,462,317
Other assets	17	<u>621,577</u>	<u>997,336</u>
Total assets		231,537,686	231,753,012
LIABILITIES			
Borrowings	18	55,617,067	60,737,150
Deferred tax liabilities	11	233,518	561,853
Other liabilities	19	<u>1,301,088</u>	<u>1,936,221</u>
Total liabilities		57,151,673	63,235,224
EQUITY			
Share capital:			
- ordinary shares	20	4,424,100	4,424,100
- preference shares	20	799,575	799,575
Retained earnings		6,005,736	11,591,473
Statutory reserves		159,123,159	147,669,197
Reserve fund		<u>4,033,443</u>	<u>4,033,443</u>
Total equity		174,386,013	168,517,788
Total liabilities and equity		231,537,686	231,753,012

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Igor Purici
 President of Corporation




Viorica Vasilache
 Chief Accountant

