

1 RURAL FINANCE CORPORATION S.A.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2019**

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

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Independent Auditor's Report

To: the Shareholders of Rural Finance Corporation S.A.

Opinion

We have audited the accompanying individual financial statements of Rural Finance Corporation S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies..

The individual financial statements as at 31 December 2019 are identified as follows:

- Net assets/Total Equity:	MDL 183,241,444
- Net profit for the year:	MDL 10,783,712

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, 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.

Emphasis of matter

As described in Note 23 to the individual financial statements, a major Coronavirus outbreak occurred in the first quarter 2020, adversely affecting the daily routine of the personnel and its clients, and of the whole business environment in the Republic of Moldova, as a consequence, the Company's performance. The Company's performance depends on the duration of this outbreak, the effective measures taken by the personnel and the authorities in curbing the outbreak. The economic consequences and uncertainties resulting from the Coronavirus itself or from actions taken by governments and the private sector to

respond to the outbreak may have an impact on the personnel of the Company and or on various financial indicators, and ultimately on the Company's going concern. Our report is not qualified in respect of this matter.

Other matters

This report is addressed exclusively to the Company's shareholders as a body. 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 as a body for our audit, for this report, or for our opinion. Our opinion is not modified in respect of this matter.

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

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

In preparing the individual 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 individual 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 individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

We also present to the those charged with governance, a statement of our compliance with the relevant ethical requirements regarding independence, and we communicate to them all relationships and other issues that may be reasonably considered as potentially affecting our independence, and, where appropriate, the related safety measures.

Of the aspects communicated to those charged with governance, we establish which are the most important aspects for the audit of the individual financial statements of the current period and which therefore represent key audit matters. We describe these matters in the auditor's report, unless the laws and regulations prohibit the presentation of the matters or if, in extremely rare circumstances, we consider that a matter should not be disclosed in our report because it is reasonably expected that the benefits of the public interest are exceeded by the negative consequences of this communication.

Grant Thornton Audit S.R.L.
Chisinau, Republic of Moldova

13 August 2020

Grant Thornton



RURAL FINANCE CORPORATION S.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

	Note	<u>2019</u>	<u>2018</u>
Interest income	6	30,106,056	31,376,267
Interest expense	6	<u>(2,415,313)</u>	<u>(4,049,036)</u>
Net interest income		27,690,743	27,327,231
Penalty and commission income	7	59,980	357,481
Commission expense		<u>(60,000)</u>	=
Net commission income		(20)	357,481
Net income/(loss) on impairment of financial assets	14	692,797	(612,546)
Net income after impairment of financial assets		28,383,520	27,072,165
Foreign exchange gains/(losses)	8	(1,900)	(1,972)
Administrative expenses	9	(14,320,737)	(14,775,090)
Other operating income	7	561,582	397,164
Other operating expenses	10	(2,109,018)	(2,015,906)
Profit before tax		12,513,447	10,676,361
Income tax (expense)	11	<u>(1,729,735)</u>	<u>(1,072,775)</u>
Profit for the year		<u>10,783,712</u>	<u>9,603,586</u>
Total comprehensive income for the year		<u>10,783,712</u>	<u>9,603,586</u>

These financial statements have been approved for issue by the Board of Directors on 13 August 2020 and signed on its behalf by:

Sandu Şamatailo
 President of Corporation



Viorica Vasilache
 Chief Accountant

RURAL FINANCE CORPORATION S.A.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(All amounts in Moldovan Lei (MDL) unless otherwise stated)

	Note	<u>31 December 2019</u>	<u>31 December 2018</u>
ASSETS			
Cash and cash equivalents	12	24,330,971	22,459,096
Financial assets at amortized cost		180,707,519	193,457,720
-Treasury bills	13	502,539	19,250,436
-Loans and advances to customers	14	180,204,980	174,207,284
Intangible assets	15	64,873	84,468
Premises and equipment	16	13,632,972	14,914,825
Other assets	17	430,671	621,577
Total assets		<u>219,167,005</u>	<u>231,537,686</u>
LIABILITIES			
Borrowings	0	34,212,370	55,617,067
Deferred tax liabilities	11	547,949	233,518
Other liabilities	19	1,165,242	1,301,086
Total liabilities		<u>35,925,561</u>	<u>57,151,671</u>
EQUITY			
Share capital:			
- ordinary shares	20	4,424,100	4,424,100
- preference shares	20	799,575	799,575
Retained earnings		7,749,964	6,005,737
Statutory reserves		166,234,361	159,123,159
Reserve fund		4,033,444	4,033,444
Total equity		<u>183,241,444</u>	<u>174,386,015</u>
Total liabilities and equity		<u>219,167,005</u>	<u>231,537,686</u>

These financial statements have been approved for issue by the Board of Directors on 13 August 2020 and signed on its behalf by

Sandu Șamatailo
 President of Corporation



Viorica Vasilache
 Chief Accountant