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**RURAL FINANCE CORPORATION S.A.****FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2016****PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL  
REPORTING STANDARDS**

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## Independent auditor's report to the Shareholders and the Board of Directors

**RURAL FINANCE CORPORATION S.A.**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**(All amounts in Moldovan Lei (MDL) unless otherwise stated)**

	Note	<u>2016</u>	<u>2015</u>
Interest income	6	34,078,475	35,360,050
Interest expense	6	<u>(5,776,097)</u>	<u>(6,185,640)</u>
<b>Net interest income</b>		<b>28,302,378</b>	<b>29,174,410</b>
Provision for loans and advances impairment	14	<u>1,821,619</u>	<u>2,128,084</u>
<b>Net interest income after provision for impairment of loans and advances</b>		<b>30,123,997</b>	<b>31,302,494</b>
Fines and commission income		404,133	273,511
Foreign exchange translation gains less losses	8	339	18,047
Other operating income	7	244,426	162,870
Administrative expenses	9	<u>(12,102,772)</u>	<u>(10,775,308)</u>
Other operating expenses	10	<u>(2,446,982)</u>	<u>(1,389,550)</u>
<b>Profit before income tax</b>		<b>16,223,141</b>	<b>19,592,064</b>
Income tax (expense)	11	<u>(1,596,719)</u>	<u>(1,905,280)</u>
<b>Profit for the year</b>		<b><u>14,626,422</u></b>	<b><u>17,686,784</u></b>
<b>Total comprehensive income for the year</b>		<b><u>14,626,422</u></b>	<b><u>17,686,784</u></b>

These financial statements have been approved for issue by the Board of Directors on 27 June 2017 and signed on its behalf by:

Marcel Tonu  
President of Corporation



*Viorica Vasilache*  
Viorica Vasilache  
Chief Accountant



**RURAL FINANCE CORPORATION S.A.**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

**(All amounts in Moldovan Lei (MDL) unless otherwise stated)**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>			
Cash and cash equivalents	12	26,896,923	46,079,669
Treasury bills	13	44,822,827	25,225,464
Loans and advances to customers	14	148,280,498	142,813,581
Intangible assets	15	26,029	37,349
Premises and equipment	16	15,397,462	14,663,054
Other assets	17	<u>980,181</u>	<u>1,187,483</u>
<b>Total assets</b>		<b><u>236,403,920</u></b>	<b><u>230,006,600</u></b>
<b>LIABILITIES</b>			
Borrowings	18	79,643,986	86,294,149
Deferred tax liabilities	11	275,654	354,191
Other liabilities	19	<u>1,016,694</u>	<u>910,015</u>
<b>Total liabilities</b>		<b>80,936,334</b>	<b>87,558,355</b>
<b>EQUITY</b>			
Share capital:			
- ordinary shares	20	4,424,100	4,424,100
- preference shares	20	799,575	799,575
Retained earnings		13,592,266	14,849,153
Statutory reserves		132,618,201	118,341,973
Reserve fund		<u>4,033,444</u>	<u>4,033,444</u>
<b>Total equity</b>		<b><u>155,467,586</u></b>	<b><u>142,448,245</u></b>
<b>Total liabilities and equity</b>		<b><u>236,403,920</u></b>	<b><u>230,006,600</u></b>

These financial statements have been approved for issue by the Board of Directors on 27 June 2017 and signed on its behalf by:

Marcel Tonu  
President of Corporation



*Viorica Vasilache*

Viorica Vasilache  
Chief Accountant



## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of S.A. Corporația de Finanțare Rurală**

### **Report on the audit of the financial statements**

#### **Our opinion**

In our opinion, S.A. Corporația de Finanțare Rurală's (the "Company") financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

#### **What we have audited**

Company's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### **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 responsibilities for the audit of the financial statements section of our report.

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



## **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Management is responsible for the preparation and fair presentation of the 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 a 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 Company's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives 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 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 a 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 a 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 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.

*ICS PricewaterhouseCoopers Audit SRL*  
ICS PricewaterhouseCoopers Audit SRL

Chisinau, 28 June 2017