

RURAL FINANCE CORPORATION S.A.

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2017**

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

RURAL FINANCE CORPORATION S.A.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Note	<u>2017</u>	<u>2016</u>
Interest income	6	31,099,839	34,078,475
Interest expense	6	<u>(4,214,709)</u>	<u>(5,776,097)</u>
Net interest income		26,885,130	28,302,378
Release of provision for loans and advances impairment	14	<u>5,300,518</u>	<u>1,821,619</u>
Net interest income after provision for impairment of loans and advances		32,185,648	30,123,997
Fines and commission income	7	1,534,739	404,133
Foreign exchange translation gains less losses	8	5,357	339
Other operating income	7	519,288	244,426
Administrative expenses	9	(13,483,545)	(12,102,772)
Other operating expenses	10	<u>(3,704,472)</u>	<u>(2,446,982)</u>
Profit before income tax		17,057,015	16,223,141
Income tax expense	11	<u>(2,138,547)</u>	<u>(1,596,719)</u>
Profit for the year		<u>14,918,468</u>	<u>14,626,422</u>
Total comprehensive income for the year		<u>14,918,468</u>	<u>14,626,422</u>

These financial statements have been approved for issue by the Board of Directors on 5 July 2018 and signed on its behalf by:

Marcel Tonu
President of Corporation



Viorica Vasilache
Chief Accountant

RURAL FINANCE CORPORATION S.A.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

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

	Note	<u>2017</u>	<u>2016</u>
ASSETS			
Cash and cash equivalents	12	32,790,488	26,896,923
Treasury bills	13	8,089,555	44,822,827
Loans and advances to customers	14	174,309,252	148,280,498
Intangible assets	15	104,064	26,029
Premises and equipment	16	15,462,317	15,397,462
Other assets	17	<u>997,336</u>	<u>980,181</u>
Total assets		<u>231,753,012</u>	<u>236,403,920</u>
LIABILITIES			
Borrowings	18	60,737,150	79,643,986
Deferred tax liabilities	11	561,853	275,654
Other liabilities	19	<u>1,936,221</u>	<u>1,016,694</u>
Total liabilities		63,235,224	80,936,334
EQUITY			
Share capital:			
- ordinary shares	20	4,424,100	4,424,100
- preference shares	20	799,575	799,575
Retained earnings		11,591,473	13,592,266
Statutory reserves		147,669,197	132,618,201
Reserve fund		<u>4,033,444</u>	<u>4,033,444</u>
Total equity		<u>168,517,788</u>	<u>155,467,586</u>
Total liabilities and equity		<u>231,753,012</u>	<u>236,403,920</u>

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Marcel Tonu
President of Corporation



Viorica Vasilache
Viorica Vasilache
Chief Accountant



***INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RURAL FINANCE CORPORATION S.A.***

Report on the audit of the financial statements

Our opinion

In our opinion, Rural Finance Corporation S.A. (the "Company") financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, 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

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- 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

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Chisinau, 5 July 2018