
BC “EuroCreditBank” SA

Financial Statements

For the year ended on 31 December 2018

prepared in accordance with International Financial Reporting Standards

*These financial statements represent a translation from Romanian to English.
In case of divergence, the Romanian version has priority.*

INDEPENDENT AUDITORS' REPORT

To the Shareholders of B.C. EUROCREDITBANK S.A.

Report on the Individual Financial Statements

Opinion

- [1] We have audited the accompanying individual financial statements of BC EUROCREDITBANK S.A. (hereinafter referred to as ("the Bank")), which comprise the individual statement of financial position as at 31 December 2018 and the individual statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.
- [2] In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

- [3] 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 are independent of the Bank 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, 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.

Key Audit Matters

- [4] Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Audit approach
Allowance for impairment of loans to customers	
On 1 st January 2018, the Bank adopted IFRS 9, the new accounting standard for financial instruments, which introduces the model of expected credit losses (ECLs).	In order to obtain sufficient audit evidence during our audit, we obtained an understanding of the processes for calculation of impairment of loans, applied by the Bank. During this process:
The application of the model for calculating the ECLs requires significant judgements and estimates from management.	a) We assessed the adequacy of the policies, procedures and implemented controls in the process, in order to design our procedures in such way as to be able to address the risks of material misstatement in this area.
To calculate the amount of allowances for ECLs, the Bank applies statistical models with input parameters obtained from internal and external sources.	b) We assessed the adequacy of the methodology used by the Bank to identify loan impairment and calculate ECLs for the significant loan portfolios.

INDEPENDENT AUDITORS' REPORT (continued)

Key Audit Matters (continued)

Key audit matter	Audit approach
Allowance for Impairment of Loans to Customers (continued)	
<p>We highlight below what we consider the key judgments and estimates:</p> <ul style="list-style-type: none"> a) The interpretation and assumptions used to build the model for ECLs. b) The completeness and accuracy of the data used to calculate ECLs. c) The assumptions and judgments, with regards to identifying quantifying loans impairment. d) The allocation of loans and advances from customers to stages, as per the criteria of the standard. <p>In accordance with the requirements of IFRS 9 Financial Instruments, the Bank distinguishes three stages of impairment, where the criteria for classification to individual stages are based on an assessment of the objective characteristics of loans and the relevant debtors and subjective judgments of the Bank.</p> <p>The ECLS are calculated using available historical data and anticipated future development determined using macroeconomic indicators.</p> <p>The statistical models used are based on the probability of default and the estimated amount of the loss given default. Input data for the model and the calculation methodology and its comprehensiveness depend on the judgment of Bank's management.</p> <p>As described in note 8 to the financial statements, the Bank has recorded as at December 31, 2018 impairment allowances on loans to customers amounting to MDL'000 7,174.</p>	<ul style="list-style-type: none"> c) We tested the design and operating effectiveness of key controls management of the Bank has established over the impairment assessment processes. The testing focused on controls related to: <ul style="list-style-type: none"> - timely identification of significant increase in credit risk and correct classification of loans to corresponding impairment stages, - regular client creditworthiness review processes, - approval of experts' collateral valuation, - management review and approval of the impairment evaluation results. d) We involved auditor's experts in the areas which required specific expertise. <p>We reviewed the quality of the historical data used in the computation of the risk parameters and recalculated the ECLs on a sample of exposures based on the risk parameters resulted from the models. On a sample of exposures, we evaluated the appropriateness of impairment methodologies and their application.</p> <ul style="list-style-type: none"> e) We formed an independent view on the levels of impairment allowances required by examining available external and internal information. f) We performed detailed substantive procedures on a sample of loans in order to verify the classification of loans and to identify any indications for impairment and whether additional allowances for ECLs should be recorded. g) We applied our professional judgment to assess the inputs used in the calculation of impairment losses and compared our assessment to the estimates applied by the Bank. h) We analyzed the financial condition of the borrowers and inquired about any breaches of contracts and/ or changes from the original terms and conditions of the contract. We have considered the impact of the current economic conditions, the valuation of collaterals, and other factors that may affect the recoverability of loans. i) We assessed the completeness, appropriateness and adequacy of the disclosures in the Bank's financial statements with regard to the measurement of loans.

RAPORTUL AUDITORULUI INDEPENDENT (continuare)**Other information – President's Report**

[5] The Management is responsible for preparation and presentation of the other information. The other information comprises the President's report but does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the year ended December, 31, 2018, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the President's report, we read and report if this has been prepared, in all material respects, in accordance with the article 31 from the Accounting Law nr. 113 as of 27 April 2007.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the president's report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements;
- b) the president's report has been prepared, in all material respects, in accordance with the article 31 from the Accounting Law nr. 113 as of 27 April 2007;

Moreover, based on our knowledge and understanding concerning the Bank and its environment gained during the audit on the financial statements prepared as at December 31, 2018, we are required to report if we have identified a material misstatement of this President's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

[6] Management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS's) and related regulations 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.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

The Supervisory Board and the Audit Committee of the Bank are responsible for overseeing the Bank's financial reporting process.

INDEPENDENT AUDITORS' REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

- [8] 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 aggregated, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- [9] As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 controls 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 Bank'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 Bank'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 Bank 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.
- [10] 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.

INDEPENDENT AUDITORS' REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

[11] We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

[12] From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibits public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

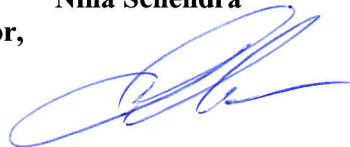
The engagement partner on the audit resulting in this independent auditor's report is Nina Schendra.

April 25, 2019

on behalf of

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Nina Schendra



Audit License: General Audit Series A MMII No
056038 of 13 September 2007, valid until
September 13, 2022

Licensed Auditor
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December 10, 2013

Baker Tilly Klitou and Partners

