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Independent Auditors' Report

To the Council of Russian-Kyrgyz Development Fund

Opinion

We have audited the financial statements of Russian-Kyrgyz Development Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund 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 (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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund 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 Kyrgyz Republic, 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.

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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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



Auditors' 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 auditors' 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Fund 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.

The engagement partner on the audit resulting in this independent auditors' report is:



Ashley Clarke
Attorney

KPMG Bishkek
KPMG Bishkek LLC

20 March 2019



Russian-Kyrgyz Development Fund
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018


	Notes	2018 USD'000	2017* USD'000
Interest income calculated using effective interest method	6	15,851	14,517
Interest expense	6	(1,243)	(1,133)
Net interest income		14,608	13,384
Net fee and commission income/(expense)		70	(34)
Net foreign exchange (expense)/income		(76)	58
Operating income		14,602	13,408
Impairment losses on debt financial assets	7	(1,655)	(3,974)
General administrative expenses	8	(2,818)	(2,748)
Profit before income tax		10,129	6,686
Income tax expense		-	-
Profit for the year		10,129	6,686
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve			
- Net change in fair value		-	(1,479)
Other comprehensive loss for the year		-	(1,479)
Total comprehensive income for the year		10,129	5,207

*The Fund has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Fund changed presentation of certain captions, comparative information is re-presented accordingly.

The financial statements as set out on pages 5 to 59 were approved by management on 20 March 2019:


 Mr. E. Asrandiyev
 Chairperson of the Board




 Ms. O. Nam
 Chief Accountant

Russian-Kyrgyz Development Fund
Statement of Financial Position as at 31 December 2018

	31 December 2018 USD'000	31 December 2017* USD'000
ASSETS		
Cash and cash equivalents	9	3,771
Investment securities		
- Held by the Fund	10	333,580
- Pledged under sale and repurchase agreement	10	4,413
Deposits with the National Bank of the Kyrgyz Republic	14	35,805
Deposits with commercial banks		-
Loans to banks	11	88,664
Loans to customers	12	92,433
Property, equipment and intangible assets	13	252
Other assets		182
Total assets	559,100	545,487
LIABILITIES		
Loan from the National Bank of the Kyrgyz Republic	14	32,222
Other liabilities	15	3,465
Total liabilities	35,687	36,421
EQUITY		
Charter capital	16	500,000
Revaluation reserve for debt investment securities		
-Net change in fair value		-
Retained earnings and special reserves		9,971
Total equity	523,413	509,066
Total liabilities and equity	559,100	545,487

*The Fund has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Fund changed presentation of certain captions, comparative information is re-presented accordingly.

Russian-Kyrgyz Development Fund
Statement of Cash Flows for the year ended 31 December 2018

	2018 USD'000	2017* USD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	23,461	15,195
Interest payments	(1,233)	(1,225)
Fee and commission payments	(25)	(34)
General administrative expenses payments	(2,754)	(2,554)
(Increase)/decrease in operating assets		
Deposits with the National Bank of the Kyrgyz Republic	(4,645)	(1,136)
Deposits with commercial banks	745	155
Loans to banks	(18,203)	(11,840)
Loans to customers	(6,423)	(56,106)
Increase/(decrease) in operating liabilities		
Loan from the National Bank of Kyrgyz Republic	3,885	1,208
Other liabilities	(4,187)	(6,665)
Cash flows used in operating activities	(9,379)	(63,002)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(236,938)	(210,148)
Sales and repayments of investment securities	211,508	289,536
Purchases of property, equipment and intangible assets	-	(163)
Cash flows from investing activities	(25,430)	79,225
Net (decrease)/increase in cash and cash equivalents	(34,809)	16,223
Effect of changes in exchange rates on cash and cash equivalents	571	20
Cash and cash equivalents as at the beginning of the year	38,009	21,766
Cash and cash equivalents as at the end of the year (Note 9)	3,771	38,009

*The Fund has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Fund changed presentation of certain captions, comparative information is re-presented accordingly.

Russian-Kyrgyz Development Fund
Statement of Changes in Equity for the year ended 31 December 2018

USD'000	Charter capital	Revaluation reserve for debt investment securities	Retained earnings and special reserves	Total equity
Balance as at 1 January 2017	500,000	574	3,285	503,859
Total comprehensive income				
Profit for the year	-	-	6,686	6,686
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for- sale financial assets	-	(1,479)	-	(1,479)
Total comprehensive income for the year	-	(1,479)	6,686	5,207
Balance as at 31 December 2017	500,000	(905)	9,971	509,066
Balance as at 31 December 2017*	500,000	(905)	9,971	509,066
Adjustment on initial application of IFRS 9	-	905	3,313	4,218
Restated balance as at 1 January 2018	500,000	-	13,284	513,284
Total comprehensive income				
Profit for the year	-	-	10,129	10,129
Total comprehensive income for the year	500,000	-	10,129	10,129
Balance as at 31 December 2018	500,000	-	23,413	523,413

*The Fund has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Fund changed presentation of certain captions, comparative information is re-presented accordingly.