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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 2017, 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 2017, 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:


Yelena Kim
Attorney (Audit Partner)
of KPMG Bishkek LLC
Power of Attorney No.1/00007
of 28 July 2017

KPMG Bishkek LLC

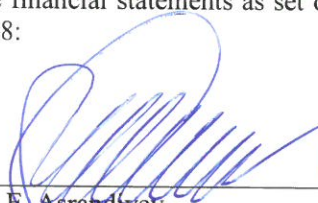
5 March 2018



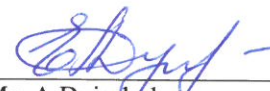
Russian-Kyrgyz Development Fund
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

	Notes	2017 USD'000	2016 USD'000
Interest income	4	14,517	12,497
Interest expense	4	(1,133)	(952)
Net interest income		13,384	11,545
Net fee and commission expense		(34)	(131)
Net foreign exchange income		58	515
Operating income		13,408	11,929
Impairment losses	5	(3,974)	(6,382)
General administrative expenses	6	(2,748)	(2,969)
Profit before income tax		6,686	2,578
Income tax expense		-	-
Profit for the year		6,686	2,578
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(1,479)	1,253
Other comprehensive loss for the year		(1,479)	1,253
Total comprehensive income for the year		5,207	3,831

The financial statements as set out on pages 5 to 50 were approved by management on 5 March 2018:


 Mr. E. Asrandiyev
 Chairperson of the Board




 Ms. A. Duisokulova
 Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

Russian-Kyrgyz Development Fund
Statement of Financial Position as at 31 December 2017

	Note	2017 USD'000	2016 USD'000
ASSETS			
Cash and cash equivalents	7	38,009	21,766
Available-for-sale financial assets			
- Held by the Fund	8	271,076	272,560
- Pledged under sale and repurchase agreement	8	-	5,086
Deposits with the National Bank of the Kyrgyz Republic	14	31,160	30,024
Deposits with commercial banks	9	745	900
Loans to banks	10	70,491	58,775
Loans to customers	11	86,798	34,043
Held-to-maturity investments and other investment in securities	12	46,637	121,744
Property, equipment and intangible assets	13	414	378
Other assets		157	233
Total assets		545,487	545,509
LIABILITIES			
Loan from the National Bank of the Kyrgyz Republic	14	28,337	27,221
Other liabilities	15	8,084	14,429
Total liabilities		36,421	41,650
EQUITY			
Charter capital	16	500,000	500,000
Revaluation reserve for available-for-sale financial assets		(905)	574
Retained earnings and special reserves		9,971	3,285
Total equity		509,066	503,859
Total liabilities and equity		545,487	545,509

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

Russian-Kyrgyz Development Fund
Statement of Cash Flows for the year ended 31 December 2017

	31 December 2017	31 December 2016
	USD'000	USD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	15,195	15,439
Interest payments	(1,225)	(913)
Fee and commission payments	(34)	(125)
General administrative expenses payments	(2,554)	(2,889)
(Increase)/decrease in operating assets		
Deposits with the National Bank of the Kyrgyz Republic	(1,136)	(10,730)
Deposits with commercial banks	155	84,100
Loans to banks	(11,840)	(42,794)
Loans to customers	(56,106)	(34,553)
Increase/(decrease) in operating liabilities		
Loan from the National Bank of Kyrgyz Republic	1,208	9,431
Other liabilities	(6,665)	12,409
Cash flows (used in)/from operating activities	(63,002)	29,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(210,148)	(163,878)
Sales and repayments of available-for-sale financial assets	214,009	-
Purchases of held-to-maturity investments	-	(49,991)
Sales and repayments of held-to-maturity investments	75,527	-
Purchases of property, equipment and intangible assets	(163)	(94)
Cash flows from/(used in) investing activities	79,225	(213,963)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other borrowed funds	-	(195)
Receipts from contributions to the charter capital	-	150,000
Cash flows from financing activities	-	159,236
Net increase/decrease in cash and cash equivalents	16,223	(34,783)
Effect of changes in exchange rates on cash and cash equivalents	20	1,503
Cash and cash equivalents as at the beginning of the year	21,766	55,046
Cash and cash equivalents as at the end of the year (Note 7)	38,009	21,766

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

Russian-Kyrgyz Development Fund
Statement of Changes in Equity for the year ended 31 December 2017

USD'000	Charter capital	Revaluation reserve for available-for- sale financial assets	Retained earnings and special reserves	Total equity
Balance as at 1 January 2016	350,000	(679)	707	350,028
Total comprehensive income				
Profit for the year	-	-	2,578	2,578
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	-	1,253	-	1,253
Total comprehensive income for the year	-	1,253	2,578	3,831
Transactions with owners, recorded directly in equity				
Contributions to the charter capital	150,000	-	-	150,000
Total transactions with owners	150,000	-	-	150,000
Balance as at 31 December 2016	500,000	574	3,285	503,859
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

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.