CLOSED JOINT-STOCK COMPANY

Demir Kyrgyz International Bank

Financial Statements
For the year ended 31 December 2007

and Independent Auditors' Report

CLOSED JOINT-STOCK COMPANY DEMIR KYRGYZ INTERNATIONAL BANK

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CLOSED JOINT-STOCK COMPANY DEMIR KYRGYZ INTERNATIONAL BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 1-2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Closed Joint-Stock Bank Demir Kyrgyz International Bank (hereinafter - the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank at 31 December 2007, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the consolidated financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Kyrgyz Republic and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- detecting and preventing fraud and other irregularities.

The financial statements for the year ended 31 December 2007 were authorized for issue on 17 March 2008.

On behalf of the Management Board:

Ahmet Parmaksiz	Gulbara Djakypbaeva
General Manager	Chief Accountant
17 March 2008	17 March 2008
Bishkek	Bishkek
Kyrgyz Republic	Kyrgyz Republic

CLOSED JOINT-STOCK COMPANY DEMIR KYRGYZ INTERNATIONAL BANK

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007
(in KGS and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Interest income	5,24	145,450	84,702
Interest expenses	5,24	(10,293)	(3,931)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		135,157	80,771
Provision for impairment losses on interest bearing assets	6	(7,288)	(2,743)
NET INTEREST INCOME		127,869	78,028
Net gain on foreign exchange operations		32,627	20,662
Fee and commission income	7	63,022	60,720
Fee and commission expense	7	(6,827)	(4,999)
Other income	8	4,123	4,047
NET NON-INTEREST INCOME		92,945	80,430
OPERATING INCOME		220,814	158,458
OPERATING EXPENSES	9	(121,977)	(83,390)
OPERATING PROFIT		98,837	75,068
Recovery of provision for impairment losses on other assets	6	-	964
PROFIT BEFORE INCOME TAX		98,837	76,032
Income tax expense	10	(10,278)	(7,661)
NET PROFIT		88,559	68,371
EARNINGS PER SHARE (KGS)	11	668	516

On behalf of the Management Board:

Ahmet Parmaksiz	Gulbara Djakypbaeva
General Manager	Chief Accountant
17 March 2008	17 March 2008
Bishkek	Bishkek
Kyrgyz Republic	Kyrgyz Republic

The notes on pages 8 to 33 form an integral part of these financial statements. The Independent Auditors' Report is presented on page 1-2.

CLOSED JOINT-STOCK COMPANY DEMIR KYRGYZ INTERNATIONAL BANK

BALANCE SHEET
AS OF 31 DECEMBER 2007
(in KGS and in thousands)

	Notes	31 December 2007	31 December 2006
ASSETS:			
Cash on hand	12	140,977	268,309
Balances with the National Bank of the Kyrgyz Republic	12	406,105	290,515
Due from banks	13,24	779,080	516,897
Loans to customers	14	705,006	378,539
Investments held-to-maturity	15	118,188	11,296
Fixed assets	16	91,627	78,533
Intangible assets	17	8,400	10,218
Other assets	18	43,310	8,940
TOTAL ASSETS		2,292,693	1,563,247
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	19	3,819	1,280
Customer accounts	20	1,879,107	1,243,347
Income tax liabilities	10	6,481	5,780
Other liabilities	21	10,896	9,009
Total liabilities		1,900,303	1,259,416
EQUITY:			
Share capital	22	132,540	132,540
Reserves		259,850	171,291
Total equity		392,390	303,831
TOTAL LIABILITIES AND EQUITY		2,292,693	1,563,247

On behalf of the Management Board:

Ahmet Parmaksiz
General Manager

17 March 2008

Bishkek
Kyrgyz Republic

Gulbara Djakypbaeva
Chief Accountant

17 March 2008

Bishkek
Kyrgyz Republic

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CLOSED JOINT-STOCK COMPANY DEMIR KYRGYZ INTERNATIONAL BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
(in KGS and in thousands)

	Share capital	Additional paid in capital	Revenue reserve	Revaluation reserve	Total equity
Balance 1 January 2006	132,540	1	102,919	116	235,576
Net profit	-	-	68,371	-	68,371
Gains on investments available-for-sale	-	-	-	(116)	(116)
Balance 31 December 2006	132,540	1	171,290	-	303,831
Net profit	-	-	88,559	-	88,559
Balance 31 December 2007	132,540	1	259,849	-	392,390

On behalf of the Management Board:

Ahmet Parmaksiz	Gulbara Djakypbaeva
General Manager	Chief Accountant
17 March 2008	17 March 2008
Bishkek	Bishkek
Kyrgyz Republic	Kyrgyz Republic

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CLOSED JOINT-STOCK COMPANY DEMIR KYRGYZ INTERNATIONAL BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007
(in KGS and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		140,091	78,741
Interest paid		(9,967)	(3,841)
Fees and commissions received		63,022	60,720
Fees and commissions paid		(6,827)	(4,999)
Foreign exchange gains		25,082	19,272
Other operating income		4,123	4,047
Salaries and employment benefits		(52,750)	(36,659)
Administrative expenses		(49,069)	(29,910)
Cash flows from operating activities before changes in operating assets and liabilities		113,705	87,371
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Loans to customers		(331,426)	(177,887)
Other assets		(9,310)	(1,044)
Increase/(decrease) in operating liabilities:			
Due to banks		58,517	(79,444)
Customer accounts		635,434	317,754
Other liabilities		411	277
Cash inflow from operating activities before income taxes		467,331	147,027
Income taxes paid		(9,577)	(6,549)
Net cash inflow from operating activities		457,754	140,478
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities		(443,529)	(54,703)
Sale of investment securities		339,409	98,149
Fixed assets purchased		(33,806)	(6,890)
Fixed assets sold		125	11
Intangible assets purchased		(21,337)	(4,330)
Net cash (outflow)/inflow from investing activities		(159,138)	32,237
Effects of exchange rate changes on cash and cash equivalents		7,545	(923)
NET INCREASE IN CASH AND CASH EQUIVALENTS		306,161	171,792
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	12	989,789	817,997
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	1,295,950	989,789

On behalf of the Management Board:

Ahmet Parmaksiz	Gulbara Djakypbaeva
General Manager	Chief Accountant
17 March 2008	17 March 2008
Bishkek	Bishkek
Kyrgyz Republic	Kyrgyz Republic

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(in KGS and in thousands)

1. ORGANISATION

Demir Kyrgyz International Bank (the "Bank") is a closed joint-stock bank, which was incorporated in the Kyrgyz Republic on 2 May 1997. The address of its registered office is 245 Chui Avenue, Bishkek 720001, Kyrgyz Republic. The Bank's head office is located in Bishkek and the Bank has three branches located in the cities of Osh, Bishkek and Manas. The number of employees of the Bank at 31 December 2007 and 2006 was 184 and 134, respectively.

The Bank is regulated by the National Bank of the Kyrgyz Republic ("NBKR") and conducts its business under license number 35 issued on 11 March 1999 and re-issued on 20 April 2005. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies instruments, originating loans and guarantees.

As of 31 December 2007 and 2006, the Bank's ownership structure was as follows:

Shareholders	**31 December 2007 %**	**31 December 2006 %**
Halit Cingillioglu	70	70
International Finance Corporation (IFC)	15	15
European Bank for Reconstruction and Development (EBRD)	15	15
	100	100

These financial statements were authorized for issue by the Bank's Management Board on 17 March 2008.

2. OPERATING ENVIRONMENT

The Kyrgyz Republic continues to undergo substantial political, economic and social changes. As an emerging market, the Kyrgyz Republic does not possess a well-developed business and regulatory infrastructure that would generally exist in a more mature market economy. Furthermore, the Government of the Kyrgyz Republic has not yet fully implemented the reforms necessary to create banking, judicial, taxation and regulatory systems that usually exist in more developed markets.

As a result, operations in the Kyrgyz Republic involve risks that are not typically associated with those in developed markets.

The Bank could be affected, for the foreseeable future, by these risks and their consequences. As a result, there are significant uncertainties that may affect future operations, the recoverability of the Bank's assets, and the ability of the Bank to maintain or pay its debts as they mature. The accompanying financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Bank's financial statements in the period when they become known and estimable.

3. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee.

The present financial statements are stated in thousands of Kyrgyz Soms ("KGS"), unless otherwise stated. The financial statements are prepared on the basis of accrual method and "historical cost" principle, excluding certain financial instruments, stated at fair value. The Bank maintains its accountings records in accordance with Kyrgyz legislation which stipulates preparation of financial statements in conformity with IFRS.

Functional currency and presentation currency

The functional and the presentation currency of these financial statements is the Kyrgyz Som.

4. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent with the National Bank of the Kyrgyz Republic and advances to banks with original maturities within 90 days, which may be converted to cash within a short period of time.

Due from banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Repurchase and reverse repurchase agreements

In the normal course of business the Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements of financial assets ("reverse repos"). Repos and reverse repos are utilized by the Bank as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collaterized deposit received within balances due to banks/customer accounts.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collaterized by securities and other assets and are classified within balances due from banks/loans to customers.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active mark other than those classified in other categories of financial assets.

Loans to customers granted by the Bank are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral.

Non-accrual loans

As soon as financial asset or the group of similar assets are written-off (partially written-off) in the result of loss from impairment, interest income is consequently recognized on the basis of interest rate basis used for discounting of the future cash flows in the purpose of determination of loss from impairment.

Fixed and intangible assets

Fixed and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss. Depreciation is charged on the carrying value of property, plant and equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated in accordance with the following useful lives:

Buildings	2 %
Computers & office equipment	20 %
Motor vehicles	20 %
Intangible assets	20 %

Expenses related to repairs and renewals are charged when incurred and included in other administrative and operating expenses unless they qualify for capitalization.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

In the Kyrgyz Republic where the Bank operates also have various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the income statement.

Due to banks, customer accounts

Due to banks, customer accounts are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Share capital and share premium

Contributions to share capital are recognized at their cost. Share premium represents the excess of contributions over the nominal value of the shares issued.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

In accordance with the legal requirements of the Kyrgyz Republic, the Bank withholds pension contributions from employee salaries and transfers them into state pension funds. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Bank does not have any pension arrangements separate from the State pension system of the Kyrgyz Republic. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

Contingencies

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period with the help of which expected future payments or additions of cash are brought to the net current value of financial asset or financial liability. Whereby discounting is carried out for the period of expected term of life of the financial instrument or, it applicable, for the shorter period.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income also includes income earned on investments in securities. Other income is credited to income statement when the related transactions are completed.

Loan origination fees are deferred, together with the related direct costs relating to credit granting, are recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the profit and loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KGS at the appropriate rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2007	31 December 2006
KGS/1 US Dollar	35.4988	38.1238
KGS/1 Euro	52.0111	50.1805

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Bank's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Bank's financial condition.

Allowance for impairment of loans

The Bank regularly reviews its loans to assess for impairment. The Bank's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans. The Bank considers accounting estimates related to allowance for impairment of loans a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The Bank uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Bank uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the Kyrgyz Republic and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Bank considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its balance sheet as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Bank's reported net income.

Adoption of new standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for reporting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years except for the effect of application of IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7").

IFRS 7 is effective for the annual period beginning on or after 1 January 2007. IFRS 7 establishes new requirements and recommendations on financial instrument disclosure. Adoption of IFRS 7 did not affect the classification and measurement of Bank's financial instruments in the financial statements. Additional information was disclosed in the financials statements for the current and comparative reporting periods as required by IFRS 7.

5. NET INTEREST INCOME

Net interest income comprises:

	Year ended 31 December 2007	Year ended 31 December 2006
Interest income comprises:		
Interest income on assets recorded at amortized cost:		
- interest income on impaired assets	94,674	52,162
- interest income on unimpaired assets	50,776	32,540
Total interest income	145,450	84,702
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	94,674	52,162
Interest on due from banks	44,792	27,358
Interest on reverse repurchase transactions	3,212	3,818
Interest on investment securities	2,772	1,364
Total interest income on financial assets recorded at amortized cost	145,450	84,702
Interest expense comprises:		
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on customer accounts	10,293	3,931
Total interest expense on financial assets recorded at amortized cost	10,293	3,931
Net interest income before provision for impairment losses on interest bearing assets	135,157	80,771

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on loans to customers were as follows:

	2007	2006
1 January	8,152	5,409
Provision	7,288	2,743
31 December	15,440	8,152

The movements in provision for guarantees and other commitments and allowances for other assets were as follows:

	Guarantees and other commitments	Other assets
31 December 2005	1,071	3,280
Reversal of provision	(964)	(244)
31 December 2006	107	3,036
Reversal of provision	(24)	(203)
31 December 2007	83	2,833

Allowances for impairment losses on assets are deducted from the related assets. Provisions for claims, guarantees and commitments are recorded in liabilities.

7. FEES AND COMMISSIONS INCOME AND EXPENSE

Fees and commissions income and expense comprise:

	Year ended 31 December 2007	Year ended 31 December 2006
Fee and commission income:		
Settlements	25,553	25,753
Cash operations	21,248	21,095
Plastic card service	2,947	2,267
Account maintenance	2,518	2,551
Guarantee and letter of credit issuance	1,932	1,879
Account opening	1,355	1,238
Other	7,469	5,937
Total fee and commission income	63,022	60,720
Fee and commission expense:		
Correspondent bank services	3,435	2,508
Cash operations	1,354	1,200
Customs' charges on cash delivery	131	9
Other	1,907	1,282
Total fees and commissions expense	6,827	4,999

8. OTHER INCOME

	Year ended 31 December 2007	Year ended 31 December 2006
Gain from rent of Bank's property	3,359	3,433
Income from sale of fixed assets	159	-
Other	605	614
Total other income	4,123	4,047

9. OPERATING EXPENSES

	Year ended 31 December 2007	Year ended 31 December 2006
Salaries and Social Security Costs	52,681	37,957
Depreciation and amortization	18,682	13,103
Taxes, other than income tax	8,090	5,407
Training	7,184	1,761
Entertainment/business promotions	5,173	2,069
Insurance charges	3,812	3,919
Professional services fees	3,281	1,720
Fixed assets maintenance (buildings, furniture, etc.)	3,163	838
Marketing expenses	3,124	1,292
Office rent	2,501	1,780
Equipment services	2,468	2,883
Office security	2,434	2,216
Communications	2,395	2,306
Vehicle maintenance	1,269	1,042
Business trip	1,237	1,500
Utilities	975	780
Stationers and supplies	699	609
Other	2,809	2,208
Total operating expenses	121,977	83,390

10. INCOME TAXES

The Bank provides for taxes based on the statutory tax accounts maintained and prepared in accordance with the Kyrgyz Republic's statutory tax regulations which may differ from IFRS. During the years ended 31 December 2007 and 2006, the Kyrgyz Republic's tax rate for corporations' profits was 10%.

	31 December 2007	31 December 2006
Deferred income tax liabilities	2,353	2,204
Current income tax liabilities	4,128	3,576
Income tax liabilities	6,481	5,780

The Bank is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime under local tax regulations. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2007 and 2006 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as of 31 December 2007 and 2006 comprise:

	31 December 2007	31 December 2006
Deferred tax assets		
Amortization of intangible assets	181	175
Total deferred tax assets	181	175
Deferred tax liabilities:		
Depreciation of fixed assets	2,534	2,379
Total deferred tax liabilities	2,534	2,379
Net deferred tax liability	2,353	2,204

Relationships between tax expenses and accounting profit for the 31 December 2007 and 2006 are explained as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Profit before income tax	98,837	76,032
Tax at the statutory tax rate (10%)	9,884	7,603
Tax effect of permanent differences	394	168
Overprovided in prior years		(110)
Income tax expense	10,278	7,661
Current tax expense	10,129	7,400
Deferred tax expense	149	261
Income tax expense	10,278	7,661

Deferred income tax liabilities	**2007**	**2006**
1 January	2,204	1,943
Increase in income tax liability for the period	149	261
31 December	2,353	2,204

11. EARNINGS PER SHARE

	Year ended 31 December 2007	Year ended 31 December 2006
Net profit for the year	88,559	68,371
Weighted average number of ordinary shares	132,540	132,540
Earnings per share (KGS)	668	516

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2007	31 December 2006
Cash on hand	140,977	268,309
Balances with the NBKR	406,105	290,515
Due from banks (Note 13)	748,868	430,965
Cash and cash equivalents	1,295,950	989,789

The balances with the NBKR of 406,205 thousand KGS and 290,515 thousand KGS as of 31 December 2007 and 2006 include 190,562 thousand KGS and 116,784 thousand KGS, respectively, which represent the minimum reserve deposit required by the NBKR. The NBKR requires commercial banks to maintain reserves on the Bank's correspondent account with the NBKR, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw from such accounts is not restricted by statutory legislation.

13. DUE FROM BANKS

Due from banks comprise:

	31 December 2007	31 December 2006
Loans to banks	672,099	347,748
Advances to banks	76,769	83,217
Securities purchased under agreement to resell	30,212	85,932
	779,080	516,897

As of 31 December 2007 and 2006, the Bank had a significant exposure to Citibank USA. The total balance with this bank was 298,190 thousand KGS and 99,465 thousand KGS, respectively.

Included in loans to banks is accrued interest in the amount of 482 thousand KGS and 222 thousand KGS as at 31 December 2007 and 2006, respectively.

As at 31 December 2007 and 2006 the Bank had 3 and 2 loans to banks, respectively, which individually exceeded 10% of the Bank's equity.

As at 31 December 2007 and 2006 the maximum credit risk exposure on due from banks amounted to 298,190 thousand KGS and 99,465 thousand KGS, respectively.

14. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2007	31 December 2006
Loans to customers	720,446	386,691
Less allowance for impairment losses	(15,440)	(8,152)
	705,006	378,539

As at 31 December 2007 and 2006 accrued interest income included in loans to customers amounted to 5,402 thousand KGS and 3,056 thousand KGS, respectively.

	31 December 2007	31 December 2006
Loans collateralized by real estate	598,570	313,554
Loans collateralized by equipment	93,900	37,290
Loans collateralized by vehicles	6,528	27,087
Loans collateralized by others	13,899	4,849
Unsecured loans	7,549	3,911
	720,446	386,691
Less allowance for impairment losses	(15,440)	(8,152)
Total loans to customers	705,006	378,539

Loans secured by guarantees are considered as unsecured loans.

Movements in provision for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

As of 31 December 2007 and 2006 all of the Bank's loans were issued to the residents of the Kyrgyz Republic.

Analysis by sector

	31 December 2007	31 December 2006
Trading	267,707	163,012
Production	233,416	108,835
Individuals	97,792	34,701
Services	82,028	23,421
Staff loans	4,948	2,329
Other	34,555	54,393
	720,446	386,691
Less allowance for impairment losses	(15,440)	(8,152)
Total loans to customers	705,006	378,539

As at 31 December 2007 and 2006 all of the credit portfolio is granted to customers operating in the Kyrgyz Republic, which represents a significant geographical concentration in one region.

As at 31 December 2007 and 2006 a maximum credit risk exposure of loans to customers amounted to 8,697 thousand KGS and 8,387 thousand KGS, respectively.

15. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal %	31 December 2007	Interest to nominal %	31 December 2006
NBKR notes	-	70,360	-	8,995
T-bills	-	47,828	-	2,301
		118,188		11,296

16. FIXED ASSETS

	Building	CIP	Computers & Office equipment	Motor vehicles	Equipment for installation	Total
At cost						
31 December 2006	60,170	-	43,561	5,829	2,306	111,866
Additions	76	1,924	17,982	5,445	3,003	28,430
Transfers	-	-	2,504	-	(2,504)	-
Disposals	(9)	-	(856)	(2,332)	-	(3,197)
At 31 December 2007	60,237	1,924	63,191	8,942	2,805	137,099
Accumulated depreciation						
At 31 December 2006	9,603	-	20,016	3,714	-	33,333
Charge for the period	1,599	-	11,602	2,010	-	15,211
Disposals	-	-	(848)	(2,224)	-	(3,072)
At 31 December 2007	11,202	-	30,770	3,500	-	45,472
Net book value						
At 31 December 2007	49,035	1,924	32,421	5,442	2,805	91,627
At 31 December 2006	50,567	-	23,545	2,115	2,306	78,533

17. INTANGIBLE ASSETS

	2007	2006
At cost		
At 1 January	16,415	12,414
Additions	1,655	4,364
Disposals	(245)	(363)
At 31 December	17,825	16,415
Accumulated depreciation		
At 1 January	6,197	3,948
Charge for the period	3,473	2,578
Disposals	(245)	(329)
At 31 December	9,425	6,197
Net book value		
At 31 December	8,400	10,218

18. OTHER ASSETS

Other assets comprise:

	31 December 2007	31 December 2006
Prepayments	31,086	3,723
Inventory	4,416	3,084
Traveler's cheques for sale	-	1,125
Other	10,641	4,044
	46,143	11,976
Less allowance for impairment losses for others	(2,833)	(3,036)
Total other assets	43,310	8,940

As at 31 December 2007 prepayments include prepayments for intangible and fixed assets amounting to 19,683 thousand KGS and 5,377 thousand KGS, respectively.

19. DUE TO BANKS

As at 31 December 2007 due to banks for 3,819 thousand KGS included correspondent account from EBRD, Great Britain for 3,746 thousand KGS.

20. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2007	31 December 2006
Repayable on demand	1,830,045	1,216,583
Time deposits	49,062	15,670
Cash collateral	-	11,094
Total customer accounts	1,879,107	1,243,347

As at 31 December 2007 and 2006 accrued interest expense is included in customer accounts amounting to 465 thousand KGS and 140 thousand KGS, respectively.

21. OTHER LIABILITIES

	31 December 2007	31 December 2006
Accrued expenses	8,693	7,000
Accounts payable	946	1,163
Collateral for safety boxes	472	444
Deferred income	199	191
Provision on guarantees	83	107
Other	503	104
Total other liabilities	10,896	9,009

Movements in provision for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

22. EQUITY

At 31 December 2007 and 2006 share capital authorised, issued and fully paid was comprised of 132,540 ordinary shares, with par value of 1,000 KGS. In addition the Bank's share capital includes

1 thousand KGS of additional paid in capital at 31 December 2007 and 2006. All ordinary shares are ranked equally and carry one vote.

No dividends were declared as at 31 December 2007 and 2006.

23. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2007 and 2006, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	Year ended 31 December 2007		Year ended 31 December 2006	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
Guarantees issued and similar commitments	2,155	2,155	9,319	2,021
Commitments on credits and unused credit lines	6,643	6,643	36,493	36,493
Letters of credit and other transaction related contingent obligations	11,504	9,310	9,458	-
Total contingent liabilities and credit commitments	20,302	18,108	55,270	38,514

The Bank has made a provision of 83 thousand KGS and 107 thousand KGS against commitments under guarantees issued as of 31 December 2007 and 2006, respectively.

Capital commitments - The Bank had no material commitments for capital expenditures outstanding as of 31 December 2007 and 2006.

Legal proceedings - From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes - Provisions of the Kyrgyz tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Kyrgyz tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the Kyrgyz tax authorities often interpret the tax legislation not in favour of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities.

The management of the Bank is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates.

Pensions and retirement plans - Employees receive pension benefits from the Kyrgyz Republic in accordance with the laws and regulations of the country. As of 31 December 2005 and 2004, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

24. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by IAS 24, are those counter parties that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

(d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and

(e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties:

	31 December 2007		31 December 2006	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Due from banks	24,999	748,868	38,166	430,965
Loans to customers	1,741	720,446	745	386,691
Allowance for impairment losses	(35)	(15,440)	(15)	(8,152)
Due to banks	3,768	3,819	1,233	1,280

Included in the profit and loss account for the years ended 31 December 2007 and 2006 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	965	145,450	201	84,702
Interest expense	7	(10,293)	-	(3,931)

All transactions with related parties entered by the Bank during the years ended 31 December 2007 and 2006 and outstanding as of 31 December 2007 and 2006 were made in the normal course of business and under arm-length conditions.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Bank’s financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

	31 December 2007		31 December 2006	
	Current amount	**Fair value**	**Current amount**	**Fair value**
Balances with the National Bank of the Kyrgyz Republic	406,105	406,105	290,515	290,515
Due from banks	779,080	779,080	516,897	516,897
Investments held-to-maturity	118,188	118,188	11,296	11,296
Due to banks	3,819	3,819	1,280	1,280
Customer accounts	1,879,107	1,879,107	1,243,347	1,243,347

The fair value of loans to customers can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

26. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses.

The Bank's actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	Actual Amount	For Capital Adequacy purposes	Ratio For Capital Adequacy purposes %	Minimum Required Ratio %
As of 31 December 2007				
Total capital	392,390	392,390	33	8
Tier 1 capital	392,390	392,390	33	4
As of 31 December 2006				
Total capital	306,087	306,087	50	8
Tier 1 capital	306,087	306,087	50	4

27. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages the risks in the following manner:

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Bank's Management Board. Monitoring is performed by the Monitoring Department.

The Bank has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Bank's credit risk. The Bank's credit policy is reviewed and approved by the Board of Directors. The bank establishes limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring.

The Bank monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum Exposure

The Banks maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

31 December 2007

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**Net exposure after offset and collateral**
Due from banks	779,080	172,813	606,267	107,514	498,753
Loans to customers	705,006	-	705,006	1,238,261	-
Investments held-to-maturity	118,188	-	118,188	-	118,188

31 December 2006

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**Net exposure after offset and collateral**
Due from banks	516,897	42,262	474,635	165,621	309,014
Loans to customers	378,539	-	378,539	571,976	-
Investments held-to-maturity	11,296	-	11,296	-	11,296

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. In its business activity the Bank follows to ratings set by Moody's Rating Agency.

The following table details the credit ratings of financial assets held by the Bank:

	AAA	**AA3**	**A2**	**Not rated**	**31 December 2007 Total**
Due from banks	312,158	13,312	15,739	437,871	779,080
Loans to customers	-	-	-	705,006	705,006
Investments held-to-maturity	-	-	-	118,188	118,188

	AAA	**AA3**	**A2**	**Not rated**	**31 December 2006 Total**
Due from banks	103,337	-	55,288	358,272	516,897
Loans to customers	-	-	-	378,539	378,539
Investments held-to-maturity	-	-	-	11,296	11,296

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Bank is concentrated within the Kyrgyzstan Republic. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's credit and risk management policy are not breached.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

	Neither past due nor impaired	Financial assets past due and impaired 0-3 months	3-6 months	6 months to 1 year	Greater than one year	31 December 2007 Total
Due from banks	779,080	-	-	-	-	779,080
Loans to customers	705,006	-	596	396	-	704,014
Investments held-to-maturity	118,188	-	-	-	-	118,188

	Neither past due nor impaired	Financial assets past due and impaired 0-3 months	3-6 months	6 months to 1 year	Greater than one year	31 December 2006 Total
Due from banks	516,897	-	-	-	-	516,897
Loans to customers	378,539	-	442	-	14	378,083
Investments held-to-maturity	11,296	-	-	-	-	11,296

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Kyrgyz Republic. The Bank's Management Board sets up country limits, which mainly applies to banks of the Commonwealth of Independent States and Baltic countries.

The geographical concentration of assets and liabilities is set out below:

	Kyrgyz Republic	Other non-OECD countries	OECD countries	31 December 2007 Total
FINANCIAL ASSETS				
Cash on hand	140,977	-	-	140,977
Balances with the NBKR	406,105	-	-	406,105
Due from banks	259,568	119,398	400,114	779,080
Loans to customers, net	705,006	-	-	705,006
Investments held-to-maturity	118,188	-	-	118,188
Other assets, net	2,122	2	5,684	7,808
TOTAL FINANCIAL ASSETS	1,631,966	119,400	405,798	2,157,164
FINANCIAL LIABILITIES				
Due to banks	42	31	3,746	3,819
Customer accounts	1,879,107	-	-	1,879,107
Income tax liabilities	4,128	-	-	4,128
Other liabilities	10,813	-	-	10,813
TOTAL FINANCIAL LIABILITIES	1,894,090	31	3,746	1,897,867
NET BALANCE SHEET POSITION	(262,124)	119,369	402,052	

	Kyrgyz Republic	Other non-OECD countries	OECD countries	31 December 2006 Total
FINANCIAL ASSETS				
Cash on hand	268,309	-	-	268,309
Balances with the NBKR	290,515	-	-	290,515
Due from banks	433,681	984	82,232	516,897
Loans to customers, net	378,539	-	-	378,539
Investments held-to-maturity	11,296	-	-	11,296
Other assets, net	1,905	-	228	2,133
TOTAL FINANCIAL ASSETS	1,384,245	984	82,460	1,467,689
FINANCIAL LIABILITIES				
Due to banks	1,280	-	-	1,280
Customer accounts	1,243,347	-	-	1,243,347
Income tax liabilities	3,576	-	-	3,576
Other liabilities	8,902	-	-	8,902
TOTAL FINANCIAL LIABILITIES	1,257,105	-	-	1,257,105
NET BALANCE SHEET POSITION	127,140	984	82,460	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The ALMC controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimisation.
In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The analysis of interest rate and liquidity risk on is presented in the following table:

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Overdue	31 December 2007 Total
FINANCIAL ASSETS								
Due from banks	4,9%	558,879	84,869	135,332	-	-	-	779,080
Loans to customers	17,4%	9,006	20,010	107,001	568,989	-	-	705,006
Investments held-to maturity	-	65,373	28,209	24,606	-	-	-	118,188
Total interest bearing financial assets		633,258	133,088	266,939	568,989	-	-	1,602,274
Cash on hand	-	140,977	-	-	-	-	-	140,977
Balances with the NBKR	3,5%	406,105	-	-	-	-	-	406,105
Other assets, net	-	4,005	-	132	-	-	3,671	7,808
TOTAL FINANCIAL ASSETS		1,184,345	133,088	267,071	568,989	-	3,671	2,157,164
FINANCIAL LIABILITIES								
Due to banks	-	3,819	-	-	-	-	-	3,819
Customer accounts	3,4%	323,368	-	49,016	-	-	-	372,384
Total interest bearing financial liabilities		327,187	-	49,016	-	-	-	376,203
Customer accounts	-	1,506,723	-	-	-	-	-	1,506,723
Income tax liability	-	4,128	-	-	-	-	-	4,128
Other liabilities	-	10,813	-	-	-	-	-	10,813
TOTAL FINANCIAL LIABILITIES		1,848,851	-	49,016	-	-	-	1,897,867
Liquidity gap		(664,506)	133,088	218,055	568,989	-		
Interest sensitivity gap		306,071	133,088	217,923	568,989	-		
Cumulative interest sensitivity gap		306,071	439,159	657,082	1,226,071	1,226,071		
Cumulative interest sensitivity gap as a percentage of total assets		14%	20%	30%	57%	57%		

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Overdue	31 December 2006 Total
FINANCIAL ASSETS								
Due from banks	5,5%	320,719	-	59,062	-	-	-	516,897
Loans to customers	16,5%	5,596		83,210	241,452	-	-	378,539
Investments held-to-maturity	-	8,995	-	-	-	-	-	11,296
Total interest bearing financial assets		335,310	664,492	142,272	241,452	-	-	906,732
Cash on hand	-	268,309	-	-	-	-	-	268,309
Balances with the NBKR	2,3%	290,515	-	-	-	-	-	290,515
Other assets, net	-	2,133	-	-	-	-	-	2,133
TOTAL FINANCIAL ASSETS		896,267	187,698	142,272	241,452	-	-	1,467,689
FINANCIAL LIABILITIES								
Due to banks	-	1,280	-	-	-	-	-	1,280
Customer accounts	2,6%	171,939	59,726	6,302	2,993	-	-	240,960
Total interest bearing financial liabilities		173,219	59,726	6,302	2,993	-	-	242,240
Customer accounts	-	1,002,387	-	-	-	-	-	1,002,387
Income tax liability	-	3,576	-	-	-	-	-	3,576
Other liabilities	-	8,902	-	-	-	-	-	8,902
TOTAL FINANCIAL LIABILITIES		1,188,084	59,726	6,302	2,993	-	-	1,257,105
Liquidity gap		(291,817)	127,972	135,970	238,459	-		
Interest sensitivity gap		162,091	127,972	135,970	238,459	-		
Cumulative interest sensitivity gap		162,091	290,063	426,033	664,492	664,492		
Cumulative interest sensitivity gap as a percentage of total assets		11%	20%	29%	45%	45%		

Substantially all of the Bank's interest earning assets and interest bearing liabilities are at fixed rates of interest.

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Bank's liquidity and its susceptibility to fluctuation of interest rates and exchange rate.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Bank's previous experience indicate that these deposits are a stable and long-term source of finance for the Bank.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The following table presents an analysis of interest rate risk and thus the potential of the Bank for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Bank.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. The Bank's expected repricing and maturity dates do not differ significantly from the contract dates, which are disclosed in the liquidity risk table above. Interest rate risk is managed by increasing or decreasing positions within limits specified by the Bank's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest-sensitive assets and liabilities. The Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Management Committee.

	31 December 2007 %		31 December 2006 %	
	KGS	USD	KGS	USD
FINANCIAL ASSETS				
Due from banks	9	5	6	6
Loans to customers	26	20	24	16
Investments held-to-maturity	7	-	8	-
FINANCIAL LIABILITIES				
Due to banks	-	-	-	-
Customer accounts	6	1	4	1

As disclosed in maturity analysis above, the maturity dates applicable to the majority of the Bank's assets and liabilities are relatively short-term. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currencies (primarily USD), by branches and in total. These limits also comply with the minimum requirements of the NBKR. The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	KGS	USD 1USD= KGS 35.4988	EURO 1EURO= KGS 52.0111	Other currency	31 December 2007 Total
FINANCIAL ASSETS					
Cash on hand	71,115	60,508	7,391	1,963	140,977
Balances with the NBKR	406,105	-	-	-	406,105
Due from banks	224,069	334,708	158,143	62,160	779,080
Loans to customers	42,524	661,203	1,279	-	705,006
Investments held-to-maturity	118,188	-	-	-	118,188
Other assets	399	7,268	67	74	7,808
TOTAL FINANCIAL ASSETS	862,400	1,063,687	166,880	64,197	2,157,164
FINANCIAL LIABILITIES					
Due to banks	25	3,794	-	-	3,819
Customer accounts	581,491	1,096,918	167,464	33,234	1,879,107
Deferred income tax liabilities	4,128	-	-	-	4,128
Other liabilities	5,165	5,483	64	101	10,813
TOTAL FINANCIAL LIABILITIES	590,809	1,106,195	167,528	33,335	1,897,867
OPEN BALANCE SHEET POSITION	271,591	(42,508)	(648)	30,862	

	KGS	USD 1USD= KGS 38.1238	EURO 1EURO = KGS 50.1805	Other currency	31 December 2006 Total
FINANCIAL ASSETS					
Cash on hand	47,976	209,587	-	10,746	268,309
Balances with the NBKR	290,515	-	-	-	290,515
Due from banks	219,174	197,265	-	100,458	516,897
Loans to customers	17,913	360,626	-	-	378,539
Investments held-to-maturity	11,296	-	-	-	11,296
Other assets, net	1,415	430	288	-	2,133
TOTAL FINANCIAL ASSETS	588,289	767,908	288	111,204	1,467,689
FINANCIAL LIABILITIES					
Due to banks	26	1,254	-	-	1,280
Customer accounts	371,759	758,988	-	112,600	1,243,347
Income tax liabilities	3,576	-	-	-	3,576
Other liabilities	2,784	6,007	-	111	8,902
TOTAL FINANCIAL LIABILITIES	378,145	766,249	-	112,711	1,257,105
OPEN BALANCE SHEET POSITION	210,144	1,659	288	(1,507)	

The off-balance sheet currency position represents the difference between the notional amounts of foreign currency derivative instruments, which are principally used to reduce the Bank's exposure to currency movements, and their fair values reported on the balance sheet.

The Bank has extended loans and advances denominated in foreign currencies. Although these loans are generally funded by the same currencies, their appreciation against the Kyrgyz Som can adversely affect the borrowers' repayment ability and therefore increases the likelihood of future loan losses.

The maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. The table is based upon these accounts' entitlement to withdraw on demand.

Currency risk sensitivity

The following table details the Bank's Sensitivity to a 5% increase and decrease in the foreign currency against the som. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans issued within the Bank where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 31 December 2007			
	KGS/USD		**KGS/EUR**	
	35,4988		52,0111	
	5%	(5)%	5%	(5)%
Impact on profit and loss	(2,125)	2,125	(32)	32

	As at 31 December 2006			
	KGS/USD		**KGS/EUR**	
	35,1238		50,1805	
	5%	(5)%	5%	(5)%
Impact on profit and loss	83	(83)	14	(14)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty.