

OJSC PASHA Bank
Unaudited Interim Condensed
Financial Statements

For the six months ended 30 June 2008
Together with Report on Review of Interim Condensed
Financial Statements

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of OJSC PASHA Bank

Introduction

We have reviewed the accompanying interim condensed balance sheet of OJSC PASHA Bank (the "Bank") as at 30 June 2008 and the related interim condensed statements of income, changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Holdings (CIS) B.V.

24 July 2008

INTERIM CONDENSED BALANCE SHEET

As of 30 June 2008

(Thousands of Azerbaijani Manats)

	<i>Notes</i>	<i>30 June 2008 (unaudited)</i>	<i>31 December 2007 (audited)</i>
Assets			
Cash and cash equivalents	4	26,108	14,146
Amounts due from credit institutions	5	50,472	10,773
Investment securities available-for-sale	6	27,903	10,003
Loans to banks	7	7,292	-
Loans to customers	8	36,482	10,316
Property and equipment		718	731
Intangible assets		236	169
Deferred tax assets	9	-	61
Other assets		143	79
Total assets		149,354	46,278
Liabilities			
Amounts due to financial institution	10	21,600	-
Amounts due to customers	11	22,926	11,416
Current tax liabilities	9	749	-
Deferred tax liabilities	9	326	-
Other liabilities		17	116
Advances from shareholders for increase in share capital	12	-	25,000
Total liabilities		45,618	36,532
Equity			
Share capital	12	100,000	10,000
Retained earnings (accumulated losses)		3,736	(254)
Total equity		103,736	9,746
Total liabilities and equity		149,354	46,278

Signed and authorised for release on behalf of the Management Board of the Bank:

Farid Akhundov



Chairman of the Management Board

Olga Rachko

Acting Chief Accountant

24 July 2008

The accompanying notes on pages 6 to 14 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED INCOME STATEMENT**For the six months ended 30 June 2008***(Thousands of Azerbaijani Manats)*

	<i>Notes</i>	<i>2008 (6 months) (unaudited)</i>
Interest income		
Amounts due from credit institutions		2,638
Loans to customers		1,835
Investment securities		1,369
Loans to banks		352
		<u>6,194</u>
Interest expense		
Amounts due to customers		(534)
Net interest income		<u>5,660</u>
Net fee and commission income	14	441
Net gains (losses) from foreign currencies:		
- dealing		143
- translation differences		(46)
Non-interest income		<u>538</u>
Salaries and other employee benefits	15	(553)
General and administrative expenses	15	(412)
Depreciation and amortisation	15	(107)
Non-interest expenses		<u>(1,072)</u>
Income before income tax expense		5,126
Income tax expense	9	(1,136)
Net profit for the period		<u><u>3,990</u></u>

The accompanying notes on pages 6 to 14 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**For the six months ended 30 June 2008***(Thousands of Azerbaijani Manats)*

	<i>Share capital</i>	<i>Retained earnings/ (Accumulated losses)</i>	<i>Total equity</i>
31 December 2007 (audited)	10,000	(254)	9,746
Issuance of additional share capital (Note 12)	90,000	-	90,000
Net profit for the six months ended 30 June 2008 (unaudited)	-	3,990	3,990
30 June 2008 (unaudited)	<u>100,000</u>	<u>3,736</u>	<u>103,736</u>

The accompanying notes on pages 6 to 14 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2008

(Thousands of Azerbaijani Manats)

	<i>Notes</i>	<i>2008 (6 months) (unaudited)</i>
Cash flows from operating activities		
Interest received		5,052
Interest paid		(523)
Fees and commissions received		742
Fees and commissions paid		(160)
Net realised gains from dealing in foreign currencies		143
Salaries and other employee benefits paid		(553)
General and administrative expenses paid		(410)
Cash flows from operating activities before changes in operating assets and liabilities		<u>4,291</u>
<i>Net (increase)/decrease in operating assets</i>		
Amounts due from credit institutions		(39,055)
Loans to banks		(7,100)
Loans to customers		(26,136)
Other assets		(82)
<i>Net increase/(decrease) in operating liabilities</i>		
Amounts due to financial institution		21,600
Amounts due to customers		11,498
Net cash used in operating activities		<u>(34,984)</u>
Cash flows from investing activities		
Purchase of investment securities available-for-sale		(205,793)
Proceeds from sale and redemption of investment securities		187,947
Purchase of property and equipment		(85)
Acquisition of intangible assets		(77)
Net cash used in investing activities		<u>(18,008)</u>
Cash flows from financing activities		
Proceeds from issuance of additional share capital	12	<u>65,000</u>
Net cash from financing activities		<u>65,000</u>
Effect of exchange rates changes on cash and cash equivalents		(46)
Net increase in cash and cash equivalents		<u>11,962</u>
Cash and cash equivalents, beginning	4	<u>14,146</u>
Cash and cash equivalents, ending	4	<u><u>26,108</u></u>

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The accompanying notes on pages 6 to 14 are an integral part of these interim condensed financial statements.

(Thousands of Azerbaijani Manats)

1. Principal activities

OJSC PASHA Bank (the "Bank") was formed on 18 July 2007 as an open joint stock company under the laws of the Republic of Azerbaijan. The Bank operates under a banking licence issued by the National Bank of the Republic of Azerbaijan ("NBA") on 28 November 2007.

The Bank accepts deposits from the public and extends credit, transfers payments, exchanges currencies and provides other banking services to its commercial and retail customers.

The Bank's registered legal address is 15 Yusif Mammadaliyev street, Baku, AZ1005, Azerbaijan.

As of 30 June 2008 the following shareholders owned the outstanding shares:

Shareholder	30 June 2008 (%) (unaudited)	31 December 2007 (%) (audited)
Mr. Arif Pashayev	10	10
Glasgow Investments Ltd. Azerbaijan	30	30
Selmer Investments Ltd. Azerbaijan	30	30
Gusting Consulting Corp.	30	30
Total	100	100

The Bank is ultimately controlled by Mr. Arif Pashayev.

2. Basis of preparation

General

These unaudited interim condensed financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The Bank is required to maintain their records and prepare their financial statements for regulatory purposes in Azerbaijani Manat in accordance with International Financial Reporting Standards ("IFRS"). These unaudited interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of available-for-sale securities.

These unaudited interim condensed financial statements are presented in thousands of Azerbaijani Manats ("AZN") unless otherwise indicated. Transactions in currencies other than the AZN are treated as transactions in foreign currencies.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2007. It also does not present comparative interim period (six months) condensed financial statements as the Bank's commercial operating activities commenced only upon receipt of its banking license on 28 November 2007.

(Thousands of Azerbaijani Manats)

3. Summary of accounting policies

Changes in accounting policies

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Bank's annual financial statements as at 31 December 2007. No significant changes in accounting policies have been adopted since last annual financial report. The Bank however newly adopted policies on repurchase and reverse repurchase agreements in 2008 as follows:

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the balance sheet and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 June 2008</i> <i>(unaudited)</i>	<i>31 December 2007</i> <i>(audited)</i>
Cash on hand	1,335	334
Current accounts with the National Bank of the Republic of Azerbaijan	24,284	2,815
Current accounts with other credit institutions	489	10,997
Cash and cash equivalents	26,108	14,146

As of 30 June 2008 and 31 December 2007 balances of current accounts with other credit institutions included non-interest bearing demand deposits with resident and non-resident banks.

5. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June 2008</i> <i>(unaudited)</i>	<i>31 December 2007</i> <i>(audited)</i>
Obligatory reserve with the National Bank of the Republic of Azerbaijan	1,777	432
Time deposits with other credit institutions	47,692	10,341
Repurchase agreements	800	-
Blocked account	203	-
Amounts due from credit institutions	50,472	10,773

Credit institutions are required to maintain a non-interest bearing cash deposit (obligatory reserve) with the National Bank of Azerbaijan (the "NBA"), the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is restricted by statutory legislation.

As of 30 June 2008, the Bank placed AZN 33,000 (2007 - AZN 7,500) as short term deposits with three Azerbaijani banks with effective annual interest rate of 14% - 16% (2007 - 11% - 14%) and maturing in 2008 (2007 - maturing in 2008).

As of 30 June 2008 as a part of the reverse repurchase securities borrowing agreements, the Bank received securities that are allowed to sell or re-pledge. The fair value of the securities accepted under these terms as at 30 June 2008 is 800 AZN (2007: nil).

As of 30 June 2008 blocked account represents amount placed with an internationally recognized OECD bank in relation to a letter of guarantee issued to a customer.

(Thousands of Azerbaijani Manats)

6. Investment securities available-for-sale

Investment securities available-for-sale comprise:

	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Carrying value	Nominal value	Carrying value	Nominal value
Short-term notes	26,200	26,339	10,003	10,037
Treasury notes	1,703	1,737	-	-
Investment securities available-for-sale	27,903	28,076	10,003	10,037

Short-term notes are Government securities denominated in AZN and issued and guaranteed by the National Bank of the Republic of Azerbaijan with interest rates ranging from 10% to 11% per annum (2007 - 8% - 12%) and have maturities within one month (2007 - one month).

Treasury notes are Government securities denominated in AZN and issued and guaranteed by the Ministry of Finance of the Republic of Azerbaijan with interest rate of 11% per annum and have maturity within three months.

7. Loans to banks

As of 30 June 2008, the Bank granted loans to two local banks for a total amount of AZN 7,292 (2007 - nil) with effective annual interest rate of 16% - 17%, and maturing in August - November 2008.

8. Loans to customers

Loans to customers comprise:

	30 June 2008 (unaudited)	31 December 2007 (audited)
Legal entities	33,177	9,380
Individuals	3,305	936
Loans to customers	36,482	10,316

The Bank has determined no objective evidence of either individual or collective impairment of these loans, and, accordingly, no loan loss allowance is required against the loans outstanding as of 30 June 2008. Moreover, the loans are adequately covered by tangible collateral.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are real estate properties. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As of 30 June 2008, the Bank had a concentration of loans represented by AZN 20,015 or 46% (2007 - AZN 6,793 or 66%) of gross loan portfolio due from one borrower.

Loans are made within Azerbaijan in the following industry sectors:

	30 June 2008 (unaudited)	31 December 2007 (audited)
Real estate construction	20,066	6,793
Trade	7,312	2,415
Industry and manufacturing	4,719	-
Individuals	3,305	936
Telecommunication	908	-
Transportation	172	172
	36,482	10,316

(Thousands of Azerbaijani Manats)

9. Taxation

The corporate income tax expense comprises:

	<i>June 30, 2008</i>
	<i>(unaudited)</i>
Current tax expense	749
Deferred tax expense	387
Income tax expense	1,136

Azerbaijani legal entities must file individual tax declarations. The tax rate for banks for profits other than on state securities is 22% (2007 – 22%).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	<i>30 June 2008</i>
	<i>(unaudited)</i>
Profit before tax	5,126
Statutory tax rate	22%
Theoretical income tax expense at the statutory rate	1,128
Non-deductible expenses	8
Income tax expense	1,136

Deferred tax assets and liabilities as of 30 June and their movements for the respective period comprise:

	<i>31 December 2007</i> <i>(audited)</i>	<i>Origination and</i> <i>reversal of temporary</i> <i>differences in the</i> <i>income statement</i>	<i>30 June 2008</i> <i>(unaudited)</i>
Tax effect of deductible temporary differences			
Tax loss carried forward	126	(126)	-
Accrued expenses	13	(13)	-
Deferred tax assets	139	(139)	-
Tax effect of taxable temporary differences			
Property and equipment	(31)	4	(27)
Loans to customers	(47)	(252)	(299)
Deferred tax liabilities	(78)	(248)	(326)
Net deferred tax assets (liabilities)	61	(387)	(326)

10. Amounts due to financial institution

At 30 June 2008 amounts due to a financial institution of AZN 21,600 represent non-interest bearing demand deposit of a local investment company.

11. Amounts due to customers

The amounts due to customers include the following:

	<i>30 June 2008</i>	<i>31 December 2007</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Time deposits – legal entities and individuals	15,680	2,536
Current accounts – legal entities and individuals	7,246	8,880
Amounts due to customers	22,926	11,416
Held as security against guarantees	-	13

(Thousands of Azerbaijani Manats)

11. Amounts due to customers (continued)

At 30 June 2008 amount due to customers of AZN 12,508 or 55% (2007 - AZN 8,454 or 74%) of total amounts due to customers was due to one customer.

Amounts due to customers include accounts with the following types of customers:

	30 June 2008 (unaudited)	31 December 2007 (audited)
Private enterprises	18,893	8,514
Individuals	4,013	2,902
Other	20	-
Amounts due to customers	22,926	11,416

An analysis of customer accounts by economic sector follows:

	June 30, 2008 (unaudited)	31 December 2007 (audited)
Consulting and investment	12,730	-
Individuals	4,013	2,902
Insurance	2,904	37
Trade	2,383	-
Real estate constructions	757	8,474
Transport and communication	102	2
Manufacturing	34	-
Other	3	1
Amounts due to customers	22,926	11,416

12. Equity

The share capital of the Bank was contributed by the shareholders in AZN and they are entitled to dividends and any capital distribution in AZN. No dividends were declared and paid to the shareholders of the Bank as of 30 June 2008.

On 21 May 2007 the shareholders of the Bank approved an initial issuance of 10,000 ordinary shares. The total consideration received for these shares was comprised of cash for AZN 10,000. This share issue was registered by the State Committee for Securities under the auspices of the President of Azerbaijan on 9 July 2007. As of 31 December 2007, the number of authorised ordinary shares comprised 10,000 with a nominal value of AZN 1,000 each. All authorised shares have been issued and fully paid.

In December 2007, the Bank's shareholders have decided to increase the share capital from AZN 10 million to AZN 35 million and have made cash contribution of AZN 25 million for the increase in share capital. The Bank has applied for state registration of the share capital increase. As of 31 December 2007, the state registration of the increase has not been completed, and accordingly, the cash contributions made by the Bank's shareholders were recognized as advances by shareholders for increase in share capital in the Bank's balance sheet. As of 25 February 2008 the Bank has registered its share capital of AZN 35,000 consisting of 10,000 shares with par value of AZN 3,500 each with the appropriate authorities.

On 18 January 2008, the Bank's shareholders have decided to increase share capital from AZN 35 million to AZN 58 million and have made cash contribution of AZN 23 million for the increase in share capital.

On 21 May 2008 the shareholders further increased its share capital from existing AZN 58 million to AZN 100 million and made cash contribution of AZN 42 million on 22 May 2008. The Bank has completed the registration of the increases in share capital on 20 June 2008, thus, bringing share par value up to AZN 10,000 each and total paid-in share capital to AZN 100 million as of 30 June 2008.

*(Thousands of Azerbaijani Manats)***13. Financial commitments and contingencies**

As of 30 June 2008 the Bank's financial commitments and contingencies comprised:

	<i>30 June 2008</i> <i>(unaudited)</i>	<i>31 December 2007</i> <i>(audited)</i>
Credit related commitments		
Undrawn loan commitments	2,787	-
Guarantees issued	2,568	294
	<u>5,355</u>	<u>294</u>
Less – Cash held as security against guarantees	(203)	(13)
Financial commitments and contingencies	<u><u>5,152</u></u>	<u><u>281</u></u>

14. Net fee and commission income

Net fee and commission income comprises:

	<i>2008 (6 months)</i> <i>(unaudited)</i>
Cash operations	382
Currency conversion operations	131
Settlements operations	80
Guarantees and letters of credit	7
Other	2
Fee and commission income	<u>602</u>
Securities operations	(125)
Settlements operations	(32)
Guarantees	(3)
Plastic card operation	(1)
Fee and commission expense	<u>(161)</u>
Net fee and commission income	<u><u>441</u></u>

(Thousands of Azerbaijani Manats)

15. Salaries and other employee benefits, and general and administrative expenses

Salaries and other employee benefits, and general and administrative expenses comprise:

	<i>2008 (6 months)</i> <i>(unaudited)</i>
Salaries	(426)
Social security costs	(99)
Bonus payments	(28)
Salaries and other employee benefits	(553)
Depreciation charge	(98)
Amortization charge	(9)
Total depreciation and amortization	(107)
Professional fees	(177)
Personnel training	(47)
Insurance	(39)
Occupancy and rent	(35)
Business travel and related expenses	(19)
Security	(13)
Communications	(13)
Membership fees	(11)
Repairs and maintenance of property and equipment	(9)
Printing	(8)
Office supplies	(9)
Utilities	(7)
Operating taxes	(5)
Other	(20)
General and administrative expenses	(412)

16. Fair values of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Republic of Azerbaijan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments. 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.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the interim condensed financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

(Thousands of Azerbaijani Manats)

16. Fair values of financial instruments (continued)

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Financial instruments recorded at fair value

Financial instruments recorded at fair value as at 30 June 2008 are valued based on quoted market price.

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2008			31 December 2007		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
<i>Financial assets</i>						
Cash and cash equivalents	26,108	26,108	-	14,146	14,146	-
Amounts due from credit institutions	50,472	50,472	-	10,773	10,773	-
Investment securities (available-for-sale)	27,903	27,903	-	10,003	10,003	-
Loans to banks	7,292	7,292	-	-	-	-
Loans to customers	36,482	36,482	-	10,316	10,302	(14)
<i>Financial liabilities</i>						
Amounts due to financial institution	21,600	21,600	-	-	-	-
Amounts due to customers	22,926	22,926	-	10,416	10,416	-
Advances by shareholders for the increase in share capital	-	-	-	25,000	25,000	-
Total unrecognised change in unrealised fair value			-			(14)

17. Related party disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

(Thousands of Azerbaijani Manats)

17. Related party disclosures (continued)

The volumes of related party transactions, outstanding balances at the end of the period, and related expense and income for the period are as follows:

	30 June 2008				31 December 2007			
	Entities under common control	Key management personnel	Shareholders	Total	Entities under common control	Key management personnel	Shareholders	Total
Amounts due to customers at 1 January, gross	37	-	2,639	2,676	-	-	-	-
Amounts received during the period	178,001	-	89,879	267,880	37	-	2,639	2,676
Amounts repaid during the period	(164,698)	-	(89,742)	(254,440)	-	-	-	-
Other	-	-	(101)	(101)	-	-	-	-
Amounts due to customers at 30 June, net	13,340	-	2,675	16,015	37	-	2,639	2,676
Interest expense on Amounts due to customers	(387)	-	(121)	(508)	-	-	1	1
Fee and commission income	7	-	-	7	-	-	-	-

Compensation of key management personnel was comprised of the following:

	2008 (6 months) (unaudited)
Salaries and other employee benefits	145
Social security costs	32
Total key management compensation	177

18. Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the ratios established by the NBA in supervising the Bank.

As of 30 June 2008, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

NBA capital adequacy ratio

The NBA requires banks to maintain a minimum capital adequacy ratio of 12% of risk-weighted assets. As of 30 June 2008 the Bank's capital adequacy ratio on this basis was as follows:

	30 June 2008 (unaudited)	31 December 2007 (audited)
Tier 1 capital	99,480	9,480
Tier 2 capital	4,190	212
Less: deductions from capital	(236)	(169)
Total regulatory capital	103,434	9,523
Risk-weighted assets	96,867	32,716
Capital adequacy ratio	107%	29%