THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

FINANCIAL STATEMENTS TOGETHER WITH AUDITOR'S REPORT

31 DECEMBER 2009

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Economic Cooperation Organization Trade and Development Bank

1. We have audited the accompanying financial statements of The Economic Cooperation Organization Trade and Development Bank ("the Bank") which comprise the balance sheet as of 31 December 2009 and statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Z. Alper Önder, SMMM
Partner

Istanbul, 5 April 2010

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

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THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

BALANCE SHEET AT 31 DECEMBER 2009

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

	Notes	31 December 2009	31 December 2008
ASSETS			
Loans and advances to banks	6	260,436	162,492
Loans and advances to customers	7	44,968	-
Intangible assets	8	25	17
Property and equipment	9	226	322
Other assets	10	140	138
Total assets		**305,795**	**162,969**
LIABILITIES			
Deposits from banks	11	90,464	-
Retirement benefit obligations	12	625	276
Other liabilities	13	507	358
Total liabilities		**91,596**	**634**
EQUITY			
Share capital	14	204,000	156,000
Reserves		6,335	3,443
Retained earnings		3,864	2,892
Total equity		**214,199**	**162,335**
Total liabilities and equity		**305,795**	**162,969**

The accompanying notes set out on pages 5 to 34 form an integral part of these financial statements.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

	Notes	31 December 2009	31 December 2008
Interest income	15	7,587	6,253
Interest expense	15	(507)	-
Net interest income		**7,080**	**6,253**
Impairment losses on loans, net		(269)	(6)
Net interest income after loan impairment losses		**6,811**	**6,247**
Fee and commission income	16	222	3
Fee and commission expense	16	(7)	(2)
Net fee and commission income		**215**	**1**
Foreign exchange gain/(losses), net		128	(646)
Operating income		**7,154**	**5,602**
Operating expenses:			
Personnel expenses	17	(2,748)	(2,250)
Operating lease expenses	17	(124)	(127)
Depreciation and amortization expense	8,9,17	(136)	(101)
Other expenses	17	(282)	(232)
Net profit		**3,864**	**2,892**
Other comprehensive income		**-**	**-**
Total comprehensive income		**3,864**	**2,892**

The accompanying notes set out on pages 5 to 34 form an integral part of these financial statements.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

	Share Capital	Reserves	Retained earnings	Total
31 December 2007	**108,000**	**738**	**2,705**	**111,443**
Paid-in share capital	48,000	-	-	48,000
Appropriation of profit	-	2,705	(2,705)	-
Total comprehensive income	-	-	2,892	2,892
31 December 2008	**156,000**	**3,443**	**2,892**	**162,335**
Paid-in share capital	48,000	-	-	48,000
Appropriation of profit	-	2,892	(2,892)	-
Total comprehensive income	-	-	3,864	3,864
31 December 2009	**204,000**	**6,335**	**3,864**	**214,199**

The accompanying notes set out on pages 5 to 34 form an integral part of these financial statements.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

	Notes	31 December 2009	31 December 2008
Cash flows from operating activities:			
Net profit		3,864	2,892
Adjustments for:			
Depreciation and amortization	8, 9	136	101
Net impairment loss on loans and advances	6, 7	269	6
Accrued interest and expenses		(1,056)	(480)
Provision for retirement benefit obligations	12	221	159
Other non-cash items		(276)	(123)
Cash flows from operating profits before changes in operating assets and liabilities		**3,158**	**2,555**
Changes in operating assets and liabilities:			
Change in loans and advances to banks		(112,628)	(55,027)
Change in loans and advances to customers		(44,814)	-
Change in other assets		(2)	337
Change in retirement benefit obligations		128	38
Change in deposits from banks		90,251	-
Change in other liabilities		149	(13)
Net cash used in operating activities		**(63,758)**	**(52,110)**
Cash flows from investing activities:			
Purchase of property and equipment	9	(31)	(57)
Purchase of intangible assets	8	(17)	(12)
Net cash used in investing activities		**(48)**	**(69)**
Cash flows from financing activities:			
Paid-in share capital		48,000	48,000
Net cash from financing activities		**48,000**	**48,000**
Effects of exchange-rate changes on cash and cash equivalents		276	123
Net decrease in cash and cash equivalents		(15,806)	(4,179)
Cash and cash equivalents at the beginning of the year	5	106,951	111,007
Cash and cash equivalents at the end of the year	**5**	**91,421**	**106,951**

The accompanying notes set out on pages 5 to 34 form an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

The Economic Cooperation Organization Trade and Development Bank ("the Bank") was established by the three founding members of the Economic Cooperation Organization ("ECO"); the Islamic Republic of Iran, the Islamic Republic of Pakistan and the Republic of Turkey under the Articles of Agreement ("the Agreement"). The Articles of Agreement became effective on 3 August 2005 with the parliamentary approvals of all three member countries. The governments of the three member countries appointed all the members of the Board of Governors and Board of Directors in 2006. The Bank has started its credit operations by the fourth quarter of 2008.

The status, privileges and immunities of the Bank and persons connected therewith in the Republic of Turkey are defined in the Headquarters Agreement between the Government of the Republic of Turkey and the ECO Trade and Development Bank (the "Headquarters Agreement") signed on 27 December 2006. The Headquarters Agreement was ratified by the Grand National Assembly and the President of the Republic of Turkey by Law No.5638 and was published in Official Gazette dated July 3, 2007 with No. 26571.

The mission of the Bank is to promote and facilitate private and public sector investment, cooperation, development and job creation in member states through joint programmes, to foster the growth of intra-regional trade, to contribute to the economic and social development for the welfare of the people in member states and promote good governance and environment consciousness in all efforts and projects.

The headquarters address of the Bank is "Meclis-i Mebusan Caddesi No: 13 Kat: 6 - 7, 34427 Salıpazarı Beyoğlu - Istanbul Turkey".

The Management Committee of the Bank decided to submit the financial statements as of and for the year ended 31 December 2009 to the Board of Directors on 5 April 2010.

As of 31 December 2009, the number of employees of the Bank is 41 (31 December 2008: 37).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards and interpretations

The following amendments to published standards and interpretations to existing standards effective from 1 January 2009 are relevant to the Bank's operations.

IAS 1, "Presentation of financial statements" (Revised). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Bank has selected to present one statement: a statement of comprehensive income.

IFRS 7, "Financial instruments: Disclosures" (Amendment). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Bank.

IFRS 8, "Operating segments". IFRS 8 was issued in November 2006 and excluding early adoption would first be required to be applied to the Bank's accounting period beginning on 1 January 2009. The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments. Under the requirements of the revised standard, the Banks external segment reporting will be based on the internal reporting to the Bank executive board (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assess the performance of the reportable segments.

The following amendments to published standards and interpretations to existing standards effective from 1 January 2009 are not relevant to the Bank's operations.

IFRS 2, "Share-based payment - Vesting conditions and cancellations" (Amendment). The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the bank. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled.

IAS 23, "Borrowing costs" (Revised). The revised standard eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use.

IAS 32, "Financial instruments: Presentation" (Amendment). The amendment requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation.

IFRIC 16, "Hedges of a net investment in a foreign operation". This interpretation clarifies the accounting treatment in respect of net investment hedging.

IFRIC 13, "Customer loyalty programmes". IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards and interpretations (Continued)

Interpretations and amendments to existing standards that are relevant to the Bank's operations and are not yet effective and have not been early adopted by the Bank

IFRS 9, "Financial instruments part 1: Classification and measurement" (Effective from 1 January 2013). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

IAS 39, "Financial instruments: Recognition and measurement - Eligible hedged items" (Amendment) (Effective from 1 July 2009). The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations.

Interpretations and amendments to existing standards that are not yet effective and not relevant for the Bank's operations

IFRS 3, "Business combinations" (Revised) (Effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 27, "Consolidated and separate financial statements" (Revised) (Effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards and interpretations (Continued)

IFRS 1 and IAS 27, "Cost of an investment in a subsidiary, jointly-controlled entity or associate" (Amendment) (Effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.

IFRIC 17, "Distribution to non-cash assets to owners" (Effective from 1 July 2009). The standard addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 18, "Transfers of assets from customers" (Effective from 1 July 2009). The standard clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services.

(c) Foreign Currency Translation

Functional and presentation currency

In accordance with Article 4 of the Agreement the unit of account of the Bank is EU that is equivalent to one Special Drawing Right ("SDR") of the International Monetary Fund ("IMF").

In accordance with the Article 11 of the Agreement, the Bank's "functional currency" is the SDR and all transactions are recorded in SDR. The Bank's "presentation currency" is ECO Unit ("EU").

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions as provided by the IMF. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Exchange rates used by the Bank at the balance sheet dates were as follows:

		31 December 2009	31 December 2008
1 EU (SDR)=	United States Dollar	1.5619	1.5478
	Euro	1.0894	1.0979
	Japanese Yen	143.7970	140.4640
	Pound Sterling	0.9853	1.0678
	Turkish Lira	2.365	2.3521

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Loans and advances

Loans and advances are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances are carried at amortised cost.

When impaired financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognised at its fair value (Note 6 and 7).

(e) Financial instruments and impairment

Recognition

The Bank initially recognizes loans and advances and borrowings on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Subsequent measurement

Subsequent to initial recognition, financial assets designated at fair value through profit or loss are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arms' length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

All non-trading financial liabilities, loans and receivables and held-to-maturity investment securities are measured at amortized cost less impairment losses. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments and impairment (Continued)

Identification and measurement of impairment

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(f) Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The fair values of derivative financial instruments that are quoted in active markets are determined from quoted market prices in active markets including recent market transactions. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques, including discounted cash flow models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. Fair values of derivatives are carried as assets when positive and as liabilities when negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Derivative financial instruments are classified as held for trading.

(g) Property and equipment

All property and equipment are carried at cost less accumulated depreciation and permanent impairment if any. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life as follows:

	Useful lives
Machinery and equipment	4-5 years
Motor vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property and equipment (Continued)

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account for the determination of net profit.

Expenses for the repair of property and equipment are charged against income. They are, however, capitalised if they result in an enlargement or substantial improvement of the respective assets.

Leasehold improvements comprise primarily the capitalised office floor refurbishment costs (Note 9).

(h) Intangible assets

Intangible assets consist of computer software program and licenses. Intangible assets are measured at cost, less accumulated amortization and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets not exceeding period of five years (Note 8).

(i) Leasing transactions

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset, which is the amount of cash consideration given for the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

Other leases are operating leases and are recognized in the income statement in the period they incur.

(j) Impairment of assets

At each reporting date, the Bank evaluates whether there is any impairment indication on the asset. When an indication of impairment exists, the Bank estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in the income statement. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as income in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial liabilities

Financial liabilities including other deposits from banks are recognized initially at cost which represents their fair values. Subsequently, financial liabilities are stated at amortized cost, including transaction costs, and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the financial liability using the effective interest method (Note 10).

(l) Taxation

According to Article 12 of Headquarters Agreement dated 27 December 2006, within the scope of its official activities the Bank, its property, movable and immovable, assets income, of whatever nature such as interests, capital gains, currency gains, profits as well as its operations and transactions, purchase of goods and services shall be exempt from all present and future, direct and indirect taxation and duties, including but not limited to Value Added Tax ("VAT"), income tax, withholding tax, stamp duties, be it of a local or governmental nature.

(m) Employee benefits

i. Pension plan

The Bank operates a pension plan implemented beginning from 1 October 2008, which includes first pillar as hybrid plan that is comprised of a defined benefit plan and defined contribution plan and second pillar as defined contribution plan. The expatriate employees are automatically enrolled in the first pillar whereas participation in the second pillar is at their will. The local employees can also opt for the Bank's pension plan voluntarily in lieu of Turkish State Social Security Plan.

The requirements for the defined benefit part of the first pillar are attaining normal retirement age (which is 60 in accordance with the Pension Plan Policy of the Bank), participating in the second pillar and transferring at least the amount equal to 90% of the first pillar account balance excluding the investment returns from the second pillar account to the first pillar account. If these requirements are met then the (participant) employee shall be entitled to the following benefits:

- Immediate pension equal to the amount of 1% of the average net basic salary of the eligible service period multiplied by number of years in service of the Bank;
- One twelfth of the immediate pension according to the previous paragraph that shall be paid to the employee every month.

If an employee does not fulfill the requirements described above or in case of death before normal retirement age, the benefit will be provided to employee or his/her legal beneficiary as a lump sum up to the balance of employee's account. Similarly in case of death of an employee drawing pension, the full amount of the standing balance will be paid as a lump sum to employee's beneficiary.

The pension plan is funded by contributions from employees and by the Bank depending on the type of the plan and with respect to the provisions of the Bank's Pension Plan Policy. Contribution rates to the pension plan are as follows:

Pension contributions	**Employer %**	**Employee %**
First pillar	12	-
Second pillar	up to 7 (*)	up to 7

(*) The Bank contributes to the second pillar if and only if employee contributes but at the same matching rate up to 7%.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

For the defined benefit part of the hybrid plan, the pension liability is calculated by using the "projected unit credit method" by an independent actuary annually. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees.

The pension liability is measured at the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximately the terms of the related liability. All actuarial gains and losses are recognized in income over the average remaining service lives of the employees (Note 12).

ii. Defined contribution plan

The Bank pays contributions to Turkish State Social Security Plan on a mandatory basis for the local employees who did not opt for the Bank's pension plan and pays contributions voluntarily to insured plans (medical and life insurance) by third party organizations. Obligations for contributions to defined contribution plans are recognized as personnel expense in the income statement when they are due. The Bank has no further payment obligations once the contributions have been paid.

iii. Reserve for employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of entities arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labour Law in Turkey, entities are required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method.

However, because of being a multilateral development bank which shall be operative in different jurisdictions, the necessity of immunity from judicial proceedings has been recognized for the Bank by the Government of Turkey under the provision of the Article 4 of the Headquarters Agreement. Consequently, it is not possible for the Bank as well as the Bank's staff to submit a labour case to Turkish courts. The Bank enjoys the immunity from judicial proceedings in Turkey and consequently, the Bank and its staff members are unable to submit a labour case to Turkish law. Therefore these financial statements do not include any provision for employment termination benefit according to Turkish Labour Law.

iv. Annual leave pay liability

The Bank provides annual leave pay provision for the employees under its employee Benefit System Policy. Full-time professional staff members are entitled to an annual leave of fifteen workdays per year with service of less than and including ten years, twenty workdays per year with service after ten years and more. New professional staff members will be eligible for annual leave after six months of service (Note 13).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions, commitments and contingencies

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

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank are not included in these financial statements and are treated as contingent assets or liabilities (Note 18).

(o) Interest income and expense

Interest income and expense are recognized in the income statement for all instruments measured at amortized cost 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 and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts (Note 15).

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

(p) Fee and commission income and expense

Fees and commissions are generally recognized in the income statement on an accrual basis over the life of the transaction to which they refer or on a cash basis at the time the service is received/ the transaction is performed, whichever is more appropriate.

Other fees and commission income including commitment fees and management fees are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received (Note 16).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Share capital and dividends

In accordance with Article 27 of the Agreement, the Board of Governors shall determine annually what part of the net income of the Bank from ordinary capital operations shall be allocated to reserves, provided that no part of the net income of the Bank shall be distributed to members by way of profit until the General Reserves of the Bank shall have attained the level of 25% of the subscribed capital (Note 14).

(r) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash and balances with banks repayable on demand and money market placements with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments (Note 5).

(s) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle liability simultaneously.

(t) Segment reporting

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Bank has chosen business segments as the Bank's primary segment reporting format. The Bank manages its business through two business units: Banking and Treasury.

(u) Earnings per share

Since the Bank's shares are not traded in a public market and the Bank's financial statements are not filed or not in the process of filing with a securities commission or other regulatory organization for the purpose of issuing shares in a public market, the Bank is not required to disclose basic earnings per share (EPS) information in accordance with IAS 33 "Earnings Per Share".

(v) Comparatives

Comparative figures are reclassified, where necessary, to conform to change, in presentation of the 31 December 2009 financial statements.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 4). Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances, The Bank reviews its loan portfolios to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Fair value of assets and liabilities, A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Management has estimated that the fair value of certain financial instruments is not materially different than their carrying values due to their short term nature.

- The fair value of loans and advances is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.
- The fair value of deposits from banks is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

NOTE 4 - FINANCIAL RISK MANAGEMENT

The Bank is committed to actively identify and manage all risks inherent in its activities in order to support its objective and safeguard its capital base. The Bank pays particular attention to managing credit risks in the course of its core activities, market risks in its treasury as along with compliance and operational risks.

The Bank's risk management policies are established for the identification and assessment of the risks, which the Bank may be exposed to and also to set appropriate risk limit controls for monitor the same.

The financial policies of the Bank approved by the Bank's Board of Directors establish the guiding principles for sound financial management and provide the framework within which the Bank pursues its mandate.

The Board of Directors has established the Asset and Liability Management Committee (ALCO) which is responsible for setting strategic direction in ALM risk management and establishes specific numerical limits, targets, and guidelines within which tactical and operational ALM decision-making must take place.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk of a financial loss to the Bank in case the counterparty fails to meet its contractual obligations as they fall due and arises principally from the Bank's lending and treasury activities.

In view of the Bank's philosophy for prudent lending, the function of credit risk management has become a critical fulcrum of its long term vision and success. Credit analysis is conducted using various information sources and applying qualitative and quantitative methodologies.

The Credit Risk Management reviews lending operations and manages the main areas of risk which are inherent to the lending activities of the Bank to ensure that decisions are made in line with the Bank's strategy and that loan applications are prudently reviewed. Lending decisions are made to customers by following guidelines laid down in various policies and through coordination with other business units to ensure that the loans are made in line with the Bank's overall risk appetite and strategy. All credit applications are evaluated by the Credit Committee which in case of approval elevates the same to the Board of Directors for final approval.

In addition to internal compliance, the Bank's management also provides oversight and direction to the activities of risk management to ensure that the Bank's risk profile is in line with its strategy and the operating environment, in a manner which ensures protection to the shareholder.

The Bank's maximum credit risk is the carrying amounts of each financial asset shown on the balance sheet.

The Bank's exposure to credit risk as at 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	**31 December 2008**
Loans and advances to banks	260,436	162,492
Loans and advances to customers	44,968	-
Total	**305,404**	**162,492**

There are no financial assets that are past due but not impaired at 31 December 2009 and 2008. There are no collaterals held against such past due financial assets.

As of 31 December 2009 and 2008, the Bank has no assets held for resale.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(i) Industry sectors:

The following table breaks down the main Banking credit exposures in their carrying amounts by the industry sector of the counterparty.

	31 December 2009		31 December 2008	
	Outstanding Disbursement	**Undrawn Commitments**	**Outstanding Disbursement**	**Undrawn Commitments**
Financial institutions	**260,436**	**22,851**	**162,492**	**25,914**
Turkey	216,099	-	104,400	6,532
Pakistan	12,795	6,402	-	19,382
Iran	12,298	16,449	34,725	-
Other (*)	19,244	-	23,367	-
Oil and gas	**44,968**	**-**	**-**	**-**
Pakistan	32,285	-	-	-
Turkey	12,683	-	-	-
Iran	-	-	-	-
Total	**305,404**	**22,851**	**162,492**	**25,914**

(*) Includes the money market placements with the branches of member countries' banks that are located in the Gulf Cooperation Council countries. As of 31 December 2009, EU 19,239 thousand (31 December 2008: EU 16,269 thousand) part of this amount is located in Bahrain.

(ii) Geographical sectors:

The following table breaks down geographical concentrations of the main Banking credit exposures.

	31 December 2009		31 December 2008	
	Outstanding Disbursement	**Undrawn Commitments**	**Outstanding Disbursement**	**Undrawn Commitments**
Turkey	228,782	-	104,400	6,532
Pakistan	45,080	6,402	-	19,382
Iran	12,298	16,449	34,725	-
Other (*)	19,244	-	23,367	-
Total	**305,404**	**22,851**	**162,492**	**25,914**

(*) Includes the money market placements with the branches of member countries' banks that are located in the Gulf Cooperation Council countries. As of 31 December 2009, EU 19,239 thousand (31 December 2008: EU 16,269 thousand) part of this amount is located in Bahrain.

(iii) Segment analysis of credit risk exposures:

The following table breaks down the segment distribution of credit risk exposures.

	31 December 2009	**31 December 2008**
Financial institutions-Bank placements	186,503	159,307
Financial institutions-SME Support Program	53,823	3,185
Large corporate	44,968	-
Financial institutions-Short Term Trade Finance	20,110	-
Total	**305,404**	**162,492**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Bank is unable to fund assets or to fulfil its financial obligations at a reasonable price as they become due. The management of the liquidity risk is concentrated on the timing of the cash in-flows and out-flows as well as in the adequacy of the available cash and liquidity securities. The Bank's commitment in maintaining strong liquidity position is established in policies that are approved by the Board of Directors.

According to the ALCO approved procedures at all times, the Bank must have at its disposal a liquidity pool large enough to finance new assets or refinance existing assets. The Bank's liquidity is maintained at a minimum of 12% of the total equity plus long term borrowing with remaining maturity greater than six month. The Bank's liquid assets are maintained in short term placements.

The following table presents the undiscounted cash flows payable by the Bank:

	31 December 2009				
	Up to 1 month	**1 to 3 Months**	**3 to 12 Months**	**Over 1 year**	**Total**
Monetary liabilities:					
Deposits from banks	26,067	55,321	9,254	-	90,642
Other liabilities	19	17	470	1	507
Total liabilities	**26,086**	**55,338**	**9,724**	**1**	**91,149**

	31 December 2008				
	Up to 1 month	**1 to 3 Months**	**3 to 12 Months**	**Over 1 year**	**Total**
Monetary liabilities:					
Other liabilities	6	142	143	67	358
Total Liabilities	**6**	**142**	**143**	**67**	**358**

Market risk

Market risk is the Bank's exposure to market variables such as interest rates, exchange rates and equity market prices. Since the Bank's ordinary operations are inherently relatively risky, a conservative and comprehensive risk management framework addressing market risk is established.

The bank aims to match, wherever possible, the currencies, tenor and interest rate characteristics of its borrowing with those of its lending portfolios. When necessary, the Bank uses derivative instruments to reduce its exposure to exchange rate and interest rate risk.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(i) Foreign currency risk:

The Bank is exposed to currency risk through transactions (such as financing operations and borrowings) in foreign currencies. The main measurement currencies of its foreign exchange operations are Euro and US Dollar. As the functional currency of the Bank is SDR, the financial statements are affected by changes in the foreign exchange rates against SDR.

The Bank monitors its assets and liabilities in the SDR basket currencies in order to ensure that it takes no significant foreign exchange risk.

As at 31 December 2009 and 31 December 2008 the foreign currency position of the Bank is as follows:

	31 December 2009	**31 December 2008**
Foreign currency assets	305,544	162,630
Foreign currency liabilities	(91,596)	(634)
Net foreign currency position	**213,948**	**161,996**

	31 December 2009						
	US Dollar	**Euro**	**Pound Sterling**	**Turkish Lira**	**Total Foreign Currency**	**SDR ("EU")**	**Total**
Assets							
Loans and advances to banks	65,729	189,202	5,500	5	260,436	-	260,436
Loans and advances to customers	44,968	-	-	-	44,968	-	44,968
Property and equipment	-	-	-	-	-	226	226
Intangible assets	-	-	-	-	-	25	25
Other assets	132	-	-	8	140	-	140
Total assets	**110,829**	**189,202**	**5,500**	**13**	**305,544**	**251**	**305,795**
Liabilities							
Deposits from banks	3,048	87,416	-	-	90,464	-	90,464
Retirement benefit obligations	625	-	-	-	625	-	625
Other liabilities	129	-	-	378	507	-	507
Members' equity	-	-	-	-	-	214,199	214,199
Total liabilities	**3,802**	**87,416**	**-**	**378**	**91,596**	**214,199**	**305,795**
Net balance sheet position	**107,027**	**101,786**	**5,500**	**(365)**	**213,948**	**(213,948)**	**-**
Off-balance sheet derivative instruments net notional position	-	-	-	-	-	-	-
Net foreign currency position	**107,027**	**101,786**	**5,500**	**(365)**	**213,948**	**(213,948)**	**-**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2008						
	US Dollar	Euro	Pound Sterling	Turkish Lira	Total Foreign Currency	SDR ("EU")	Total
Assets							
Loans and advances to banks	83,481	77,066	1,941	4	162,492	-	162,492
Loans and advances to customers	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	322	322
Intangible assets	-	-	-	-	-	17	17
Other assets	79	-	-	59	138	-	138
Total assets	**83,560**	**77,066**	**1,941**	**63**	**162,630**	**339**	**162,969**
Liabilities							
Deposits from banks	-	-	-	-	-	-	-
Retirement benefit obligations	276	-	-	-	276	-	276
Other liabilities	86	-	-	272	358	-	358
Members' equity	-	-	-	-	-	162,335	162,335
Total liabilities	**362**	**-**	**-**	**272**	**634**	**162,335**	**162,969**
Net balance sheet position	**83,198**	**77,066**	**1,941**	**(209)**	**161,996**	**(161,996)**	**-**
Off-balance sheet derivative instruments net notional position	-	-	-	-	-	-	-
Net foreign currency position	**83,198**	**77,066**	**1,941**	**(209)**	**161,996**	**(161,996)**	**-**

Sensitivity Analysis

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies.

A 1 percent weakening of the EU against the following currencies at 31 December 2009 and 31 December 2008 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2009		31 December 2008	
	Profit or loss	Equity (*)	Profit or loss	Equity*
US Dollar	1,072	1,072	832	832
Euro	1,018	1,018	771	771
Pound	55	55	19	19
Turkish Lira	(4)	(4)	(2)	(2)
	2,141	**2,141**	**1,620**	**1,620**

(*) Includes the profit or loss effect.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(ii) Interest rate risk:

Interest rate risk is defined as "the potential variability in a Bank's net interest income and market value of equity due to changes in the level of market interest rates." The Bank is exposed to the interest rate risk to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different time periods or in different amounts. The objective of the Bank's risk management operations is to optimize the return on risk by taking the market interest rates into account.

The Bank interest rate risk sensitivity comprises of two elements. Firstly, there is a differential between the interest rate that bank earns on its assets and the cost of borrowing to fund these assets. For this, the Bank does, as closely as possible, match the interest periods, thus minimizing the interest rate risk. Secondly, there is the absolute rate earned on the Bank's assets that are funded by equity. The majority of these equity resources is currently invested in Bank's loan portfolio at floating rates; therefore, related earnings on these assets to some degree of fluctuation. As Bank grows and its operations mature, it is intended that earning on equity resources be stabilized by an increased investment in fixed rate assets.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The goal of interest rate risk management is to reduce effect of interest rate change on its Net Interest Income (NII). ALCO is the monitoring body for compliance with these limits and is assisted by ALM unit in its weekly monitoring activities.

The interest rate profile of the Bank's interest-bearing financial instrument was:

	31 December 2009					
	Up to 1 month	**1 to 3 Months**	**3 to 12 Months**	**Over 1 year**	**Non-interest bearing**	**Total**
Assets						
Loans and advances to banks	66,104	127,914	63,964	2,454	-	260,436
Loans and advances to customers	12,008	-	32,960	-	-	44,968
Intangible assets	-	-	-	-	25	25
Property and equipment	-	-	-	-	226	226
Other assets	93	19	28	-	-	140
Total assets	**78,205**	**127,933**	**96,952**	**2,454**	**251**	**305,795**
Liabilities						
Deposits from banks	26,064	55,194	9,206	-	-	90,464
Retirement benefit obligations	-	604	-	-	21	625
Other liabilities	19	17	470	1	-	507
Total liabilities	**26,083**	**55,815**	**9,676**	**1**	**21**	**91,596**
Net Interest repricing gap	**52,122**	**72,118**	**87,276**	**2,453**	**230**	**214,199**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2008					
	Up to 1 month	**1 to 3 Months**	**3 to 12 Months**	**Over 1 year**	**Non-interest bearing**	**Total**
Assets						
Loans and advances to banks	54,539	102,669	5,125	-	159	162,492
Loans and advances to customers	-	-	-	-	-	-
Intangible assets	-	-	-	-	17	17
Property and equipment	-	-	-	-	322	322
Other assets	16	96	16	10	-	138
Total assets	**54,555**	**102,765**	**5,141**	**10**	**498**	**162,969**
Liabilities						
Retirement benefit obligations	-	232	23	10	11	276
Other liabilities	6	142	143	41	26	358
Total liabilities	**6**	**374**	**166**	**51**	**37**	**634**
Net Interest repricing gap	**54,549**	**102,391**	**4,975**	**(41)**	**461**	**162,335**

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at 31 December 2009 and 2008 based on yearly contractual rates.

	2009 (%)			2008 (%)		
	US Dollar	**Euro**	**Pound**	**US Dollar**	**Euro**	**Pound**
Assets						
Loans and advances to banks	2.37	2.70	2.00	5.85	5.93	7.15
Loans and advances to customers	2.48	-	-	-	-	-
Liabilities						
Deposits from banks	0.43	1.25	-	-	-	-

Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as a market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as the main methods.

Capital risk management

The Bank is not subject to any regulatory requirements concerning the level of capital it must maintain, however the Agreement sets out how the statutory annual net profit for the year shall be allocated. The principal sources of capital increase are through payments of the subscribed capital by the shareholders and the retention of the undistributed element of the profit.

In accordance with Article 27 of the Agreement, the Board of Governors shall determine annually what part of the net income of the Bank from ordinary capital operations shall be allocated to reserves, provided that no part of the net income of the Bank shall be distributed to members by way of profit until the General Reserves of the Bank shall have attained the level of 25% of the subscribed capital.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Fair value of assets and liabilities

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 a quoted market price, should one exist.

The Bank has estimated fair values of financial instruments by using available market information and appropriate valuation methodologies which include credit risk as well. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank can realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in other than reporting currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

The fair values of certain assets carried at cost, including cash and other assets amounts are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The fair values of loans and advances are determined by discounting contractual cash flows with current market interest rate.

Monetary liabilities

The fair values of deposits from banks are determined by discounting contractual cash flows with current market interest rate.

As of 31 December 2009, the carrying amounts and fair values of financial instruments are as follows (Note 3):

	31 December 2009		31 December 2008	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Financial assets:				
Loans and advances to banks	260,431	260,436	162,812	162,492
Loans and advances to customers	44,976	44,968	-	-
Other assets	140	140	138	138
Financial liabilities:				
Deposits from banks	90,466	90,464	-	-

Since the Bank does not have any financial assets carried at fair value, no additional disclosure of fair value measurements by level of fair value hierarchy has been presented.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 5 - CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	31 December 2009	31 December 2008
Loans and advances to banks-demand	167	159
Loans and advances to banks-time (with original maturity less than three months)	91,254	106,792
	91,421	**106,951**

NOTE 6 - LOANS AND ADVANCES TO BANKS

As of 31 December 2009 and 31 December 2008, loans and advances to banks are as follows:

	31 December 2009	31 December 2008
Nostro/ demand deposits	167	159
Money market placements (with original maturity less than three months)	91,254	106,792
Included in cash and cash equivalents	91,421	106,951
Other loans and advances to banks, gross	169,162	55,547
Less: collective allowance for impairment	(147)	(6)
Loans and advances to banks, net	**260,436**	**162,492**

	31 December 2009	31 December 2008
Current	217,405	159,765
Non-current	43,031	2,727

The Bank has started its credit operations by the fourth quarter of 2008. As of 31 December 2009 other loans and advances to banks balance includes loans granted to Small Medium Enterprise Support Program ("SME") and Short Term Trade Finance ("STTF"). The total loan amount for each SME and STTF Loans are EU 53,930 thousand and EU 20,150 thousand respectively. The remaining EU 95,082 thousand of the loans and advances to banks balance represents the placements with other banks with original maturity greater than three months.

The Bank has no impaired loans in the loans and advances to banks portfolio. Collective allowance for impairment losses considered adequate to cover the residual inherent risk of loss present in the lending relationship presently performing in accordance with agreement made with the borrower and with the Bank's credit risk policy.

Movement in the collective allowance for loan losses for banks is as follows:

	2009	2008
Balance at 1 January	6	-
Increase in impairment allowances	141	6
At 31 December	**147**	**6**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 7 - LOANS AND ADVANCES TO CUSTOMERS

As of 31 December 2009 and 31 December 2008, loans and advances to customers are as follows:

	31 December 2009	31 December 2008
Corporate entities:		
Large corporate customers	45,096	-
Loans and advances to customers, gross	45,096	-
Less: collective allowance for impairment	(128)	-
Loans and advances to customers, net	**44,968**	**-**

	31 December 2009	31 December 2008
Current	44,968	-
Non-current	-	-

The Bank has Corporate Loans ("CL") in the loans and advances to customers balances that are granted to large corporate customers mainly operate in oil and gas industry.

The Bank has no impaired loans in the loans and advances to customers portfolio. Collective allowance for impairment losses considered adequate to cover the residual inherent risk of loss present in the lending relationship presently performing in accordance with agreement made with the borrower and with the Bank's credit risk policy.

Movement in the collective allowance for loan losses for customers is as follows:

	2009	2008
Balance at 1 January	-	-
Increase in impairment allowances	128	-
At 31 December	**128**	**-**

The Bank has collaterals taken against the loans and advances to customers balances. Collaterals mainly include the guarantees given by Governments of Member Countries. The total amount of loans and advances that are collateralized by guarantees amount to EU 32,285 thousand (31 December 2008: None).

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 8 - INTANGIBLE ASSETS

	31 December 2009	31 December 2008
Cost	40	22
Accumulated amortization	(15)	(5)
Net book value	**25**	**17**

Movements of other intangible assets were as follows:

31 December 2009

Net book value at 1 January 2009	**17**
Amortization charge	(9)
Additions	17
Net book amount at 31 December 2009	**25**

31 December 2008

Net book value at 1 January 2008	**9**
Amortization charge	(4)
Additions	12
Net book value at 31 December 2008	**17**

NOTE 9 - PROPERTY AND EQUIPMENT

	31 December 2009	31 December 2008
Cost	504	473
Accumulated depreciation	(278)	(151)
Net book value	**226**	**322**

31 December 2009	**Machinery and equipment**	**Motor vehicles**	**Furniture and fixtures**	**Leasehold improvements**	**Total**
Net book value					
1 January 2009	**117**	**77**	**42**	**86**	**322**
Addition	26	-	5	-	31
Depreciation charge	(40)	(22)	(14)	(51)	(127)
31 December 2009	**103**	**55**	**33**	**35**	**226**
31 December 2008					
Net book value					
1 January 2008	**94**	**99**	**56**	**113**	**362**
Addition	57	-	-	-	57
Depreciation charge	(34)	(22)	(14)	(27)	(97)
31 December 2008	**117**	**77**	**42**	**86**	**322**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 9 - PROPERTY AND EQUIPMENT (Continued)

As of 31 December 2009, property and equipment excluding the motor vehicles were insured against fire, theft and damage to the extent of EU 386 thousand (TL 913 thousand). Motor vehicles are insured against accident to the extent of their acquisition cost.

At 31 December 2009, there is no impairment provision on property and equipment (31 December 2008: None).

NOTE 10 - OTHER ASSETS

	31 December 2009	31 December 2008
Front-end commission receivables (*)	29	39
Personnel advances	94	17
Social security premium receivables (**)	10	23
Private consumption tax refund	4	5
Value added taxes ("VAT") refund	2	50
Other tax refunds	1	4
	140	**138**

(*) According to the loan agreements made with the Bank's customers, the Bank receives front-end commissions over the commitments of its loan customers. As of 31 December 2009 the Bank has front-end commission receivables amounting to EU 29 thousand according to the signed loan agreements.

(**) Local employees of the Bank, who retrospectively joined to the Bank's pension plan, which was implemented beginning from 1 October 2008 and effective from 1 January 2007, are supposed to pay back their social security employer premiums that were paid to the Turkish Social Security Institution by the Bank.

NOTE 11 – DEPOSITS FROM BANKS

	31 December 2009	31 December 2008
Deposits from banks in member countries	90,464	-
Total deposits from banks	**90,464**	**-**
Current	90,464	-
Non-current	-	-

Deposits from banks in the amount of EUR 95,000 thousand and USD 4,760 thousand has original maturity of up to six months and weighted average interest rate of 1.25% (31 December 2008: None) and 0.43% (31 December 2008: None) respectively.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 12 - RETIREMENT BENEFIT OBLIGATIONS

As of 31 December 2009 and 31 December 2008 retirement benefit obligations are as follows:

	31 December 2009	31 December 2008
Pension plan liability	604	265
Disability pension liability	21	11
	625	**276**

Pension plan liabilities

According to the Pension Plan Policy of the Bank, which was approved on 7 April 2008 and was implemented beginning from 1 October 2008 the Bank's liability is limited up to the 19% of each employee's basic salary which is the sum of first and second pillar contribution rates. The Pension Plan is retrospectively effective from 1 January 2007.

As at 31 December 2009 pension plan liabilities amounting to EU 604 thousand comprised of EU 277 thousand for the Bank's contributions to the first pillar that is the sum of 12% of each employee's basic salary from the pension plan's effectiveness day; and of EU 306 thousand for the second pillar contributions of the Bank and employees that were started to be contributed from 1 October 2008; and of EU 21 thousand for the investment returns regarding the first and second pillar contributions paid by the Bank and the employees.

According to the first pillar of the Pension Plan Policy of the Bank, an employee shall become entitled to a disability pension from the first pillar if the employee suffers a disability before attaining normal retirement age. If such a disability occurs the employee shall become entitled to pension benefits in monthly amounts equals to 25% of the employee's last salary immediately before becoming disabled until the employee's normal retirement age. After the employee's normal retirement age the disability pension will cease and, upon the employee's choice it can be replaced by the pension benefits in accordance with the Pension Plan Policy. The time during which the disability pension has been paid will be included in the employee's service at the Bank when calculating the total pension benefits of the employee after normal retirement age.

In this framework, actuarial valuation of the disability pension liability of the Bank has been performed by an independent advisory firm. Actuarial valuations have been performed in accordance with the methods and estimations determined in "International Accounting Standard for Employee Rights" ("IAS19"). As a result of this valuation, the Bank has accounted EU 21 thousand disability pension liability as at 31 December 2009.

Movements for the retirement benefit obligations are as follows:

	31 December 2009	31 December 2008
1 January	**276**	**95**
Increase during the year	339	170
Actuarial losses of disability pension liability	10	11
	625	**276**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 12 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

The movement in the defined benefit obligation (disability pension liability) over the year is as follows:

	31 December 2009
1 January	**11**
Current service cost	12
Interest cost	1
Amortisation of unrecognised actuarial loss/(Gain)	(3)
	21

The principal actuarial assumptions used were as follows (denominated in USD):

	2009 (%)	2008 (%)
Discount rate	5.5	6.5
Price inflation	2.0	2.5
Pay increase	3.5	4.0

Mortality rate

EVK00 standard mortality rates for males and females are used for pre and after retirement mortality.

The average life expectancy in years of a pensioner retiring at age 60 for both men and women on the balance sheet date are as follows:

	2009	2008
Male	21.48	21.48
Female	24.40	24.40

The sensitivity analysis of defined benefit obligation of excess liabilities as of 31 December 2009 is as follows:

Assumption change	**% change in Disability Pension Liability**
Discount rate +1%	(10.4%)
Discount rate -1%	12.2%

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 13 - OTHER LIABILITIES

As at 31 December 2009 and 31 December 2008 other liabilities are as follows:

	31 December 2009	31 December 2008
Accrual for income tax of employees (*)	363	267
Unearned income (**)	64	55
Provision for unused vacation (Note 17) (***)	66	26
Accrued expenses	-	6
Other	14	4
	507	**358**

(*) According to the Article 12 of Headquarters Agreement, the Bank is immune from any obligation for the payment, withholding or collection of any tax. Due to this Article; the local personnel who are not exempted from income taxation declare their own tax statements in respect of salaries and emoluments paid to them by the Bank and the declared tax amount is paid by the Bank as per the Benefit System Policy. Declared income tax amounts as of each year end are paid in two equal installments on 31 March and 31 July of each consecutive financial year.

(**) As of 31 December 2009 the Bank deferred the income amounting to EU 64 thousand from front-end commissions due to commitment periods specified in the loan agreements made with credit institutions.

(***) The Bank's liability is the sum of the monetary values of each full-time professional staff member's annual leave entitlement which is calculated based on the monthly basic salaries.

NOTE 14 - SHARE CAPITAL AND SHARE PREMIUM

In accordance with Article 4 of the Agreement, the authorized capital of the Bank shall be EU1,000,000 thousand divided into 10,000 shares each having a par value of EU100 thousand. Out of the said authorized capital EU700,000 thousand may become payable, upon an unanimous decision of the Board of Governors, by the member countries in such manner and on such terms as deemed fit by the Board of Governors. All capital contributions by members shall be made in currencies of SDR basket. The authorized capital or the subscribed portion of it may be increased by the vote of the Board of Governors. Each founding member shall subscribe to such increase on equal basis subject to the provisions of Article 3 of the Agreement.

As of 31 December 2009, the subscribed capital is EU300,000 thousand (31 December 2008: EU300,000 thousand) comprising 3,000 shares. The paid-in capital of EU 204,000 thousand (31 December 2008: EU156,000 thousand) is reflected at its cost. The remaining total amount of subscribed capital which is equivalent to EU 96,000 thousand (31 December 2008: EU144,000 thousand) should be paid in two equal consecutive annual installments.

The issued share capitals as of 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	31 December 2008
Authorized share capital	1,000,000	1,000,000
Less: unallocated share capital	(700,000)	(700,000)
Subscribed share capital	**300,000**	**300,000**
Less: Callable share capital	(96,000)	(144,000)
Paid-in share capital	**204,000**	**156,000**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 14 - SHARE CAPITAL AND SHARE PREMIUM (Continued)

As at 31 December 2009 and 31 December 2008 share capital structure of the Bank is as follows:

	Shares	Subscribed	31 December 2009 Paid-in	31 December 2008 Paid-in	Voting Power (%)
The Islamic Republic of Iran	1,000	100,000	68,000	52,000	33.33
The Islamic Republic of Pakistan	1,000	100,000	68,000	52,000	33.33
The Republic of Turkey	1,000	100,000	68,000	52,000	33.33
	3,000	**300,000**	**204,000**	**156,000**	**100,00**

NOTE 15 - NET INTEREST INCOME

	31 December 2009	31 December 2008
Interest income on:		
Loans and advances:		
- to banks	6,750	6,253
- to customers	837	-
Total interest income	**7,587**	**6,253**
Interest expense on:		
Deposits from banks	(507)	-
Total interest expense	**(507)**	**-**
Net interest income	**7,080**	**6,253**

NOTE 16 - NET FEE AND COMMISSION INCOME

	31 December 2009	31 December 2008
Fee and commission income on loans	215	3
Other	7	-
Total fee and commission income	**222**	**3**
Commissions paid to banks	(7)	(2)
Total fee and commission expense	**(7)**	**(2)**
Net fee and commission income	**215**	**1**

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 17 - OPERATING EXPENSES

	31 December 2009	31 December 2008
Salaries and benefits	1,940	1,597
Income tax on emoluments	363	267
Pension plan expenses	231	137
Annual leave pay provision	40	16
Contribution expenses (*)	44	48
Social security contribution expenses	67	93
Travel and accommodation expenses	56	78
Other	7	14
Total personnel expenses	**2,748**	**2,250**
Operating lease expenses (**)	124	127
Depreciation and amortization (Notes 6 and 8)	136	101
Net impairment loss on financial assets	269	6
	3,277	**2,484**
Subscription and membership expenses	71	48
Consultant and third party fees	51	36
Communication expenses	35	31
BoG and BoD meetings expenses	29	36
Other expenses	96	81
Other operating expenses	**282**	**232**
Total operating expenses	**3,559**	**2,716**

(*) Contribution expenses are comprised of life insurance and medical insurance contributions made by the Bank on behalf of the employees.

(**) The Bank has entered into operating lease agreement for headquarters building in Istanbul and Representative Office in Iran.

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	31 December 2009	31 December 2008
Credit limit commitments	22,851	25,914
Other commitments	9	5
	22,860	**25,919**

As at 31 December 2009 the Bank has credit limit commitments amounting to EU22,851 thousand to the credit institutions due to SME Support Program loan agreements.

Other commitments comprised of rent guarantees of the Bank for the expatriate staff members.

(Amounts expressed in thousands of ECO Unit ("EU") unless otherwise indicated.)

NOTE 19 - SEGMENT ANALYSIS

The Bank is a multilateral financial institution dedicated to promoting and facilitating private and public sector investments, cooperation and development in member states and fostering the growth of intra-regional trade. The Bank operates in a specific geographical area and the primary reporting format for business segments includes Banking and Treasury operations. Banking activities represent loans to financial institutions for SME support and trade finance, loans to customers for projects and trade finance. Treasury activities include raising debt finance, investing surplus liquidity, managing the Bank's foreign exchange and interest rate risk.

2009	**Banking**	**Treasury**	**Total**
Interest income	1,931	5,656	7,587
Fee and commission income	222	-	222
Total Segment Revenues	**2,153**	**5,656**	**7,809**
Interest expense	(15)	(492)	(507)
Fee and commission expense	-	(7)	(7)
Foreign exchange gain/(losses) and other	-	128	128
Administrative expenses	(2,316)	(838)	(3,154)
Depreciation and amortization	(90)	(46)	(136)
Segment income before impairment	**(268)**	**4,401**	**4,133**
Net impairment loss	(269)	-	(269)
Net income for the year	**(537)**	**4,401**	**3,864**
Segment assets	**119,273**	**186,522**	**305,795**
Segment liabilities	**839**	**90,757**	**91,596**

2008	**Banking**	**Treasury**	**Total**
Interest income	3	6,250	6,253
Fee and commission income	3	-	3
Total Segment Revenues	**6**	**6,250**	**6,256**
Interest expense	-	-	-
Fee and commission expense	-	(2)	(2)
Foreign exchange gain/(losses) and other	-	(646)	(646)
Administrative expenses	(1,888)	(721)	(2,609)
Depreciation and amortization	(67)	(34)	(101)
Segment income before impairment	**(1,949)**	**4,847**	**2,898**
Net impairment loss	(6)	-	(6)
Net income for the year	**(1,955)**	**4,847**	**2,892**
Segment assets	**3,609**	**159,360**	**162,969**
Segment liabilities	**465**	**169**	**634**

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