THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

FINANCIAL STATEMENTS TOGETHER WITH AUDITOR'S REPORT

31 DECEMBER 2011

pwc

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 at 31 December 2011 and statement of comprehensive income, statement of changes in equity and statement of cash flows 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of The Economic Cooperation Organization Trade and Development Bank as at 31 December 2011, 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

Talar Gül, SMMM
Partner

Istanbul, 22 March 2012

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

CONTENTS **PAGE**

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

BALANCE SHEET AT 31 DECEMBER 2011

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

	Notes	31 December 2011	31 December 2010
ASSETS			
Loans and advances to banks	7	376,161	314,307
Loans and advances to customers	8	66,496	45,473
Derivative financial instruments	6	425	-
Intangible assets	9	198	46
Property and equipment	10	100	155
Other assets	11	191	145
Total assets		**443,571**	**360,126**
LIABILITIES			
Deposits from banks	12	126,839	98,286
Derivative financial instruments	6	954	-
Retirement benefit obligations	13	944	766
Other liabilities	14	905	497
Total liabilities		**129,642**	**99,549**
EQUITY			
Share capital	15	300,000	252,000
Reserves		10,199	10,199
Retained earnings / (Accumulated losses)		3,730	(1,622)
Total equity		**313,929**	**260,577**
Total liabilities and equity		**443,571**	**360,126**
Commitments and contingent liabilities	19		

The accompanying notes set out on pages 5 to 42 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 2011

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

	Notes	31 December 2011	31 December 2010
Interest income	16	12,790	7,844
Interest expense	16	(2,728)	(770)
Net interest income		**10,062**	**7,074**
Impairment loss on loans, net	7, 8, 18	(303)	90
Net interest income after loan impairment losses		**9,759**	**7,164**
Fee and commission income	17	110	223
Fee and commission expense	17	(5)	(7)
Net fee and commission income		**105**	**216**
Foreign exchange (losses) / gains, net		(603)	(5,389)
Operating income		**9,261**	**1,991**
Operating expenses:			
Personnel expenses	18	(3,234)	(2,959)
Operating lease expenses	18	(158)	(153)
Depreciation and amortization	9, 10, 18	(127)	(135)
Other expenses	18	(390)	(366)
Net profit / (loss) for the period		**5,352**	**(1,622)**
Other comprehensive income		**-**	**-**
Total comprehensive income		**5,352**	**(1,622)**

The accompanying notes set out on pages 5 to 42 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 2011

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

	Share Capital	Reserves	Retained earnings	Total
1 January 2010	**204,000**	**6,335**	**3,864**	**214,199**
Increase in paid-in share capital	48,000	-	-	48,000
Appropriation of profit	-	3,864	(3,864)	-
Total comprehensive income	-	-	(1,622)	(1,622)
31 December 2010	**252,000**	**10,199**	**(1,622)**	**260,577**
Increase in paid-in share capital	48,000	-	-	48,000
Total comprehensive income	-	-	5,352	5,352
31 December 2011	**300,000**	**10,199**	**3,730**	**313,929**

The accompanying notes set out on pages 5 to 42 form an integral part of these financial statements.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Notes	31 December 2011	31 December 2010
Cash flows from operating activities:			
Net profit/(loss) for the period		5,352	(1,622)
Adjustments for:			
Depreciation and amortization	9, 10, 18	127	135
Net impairment loss on loans and advances	7, 8, 18	303	(90)
Accrued interest and expenses		(1,650)	(1,044)
Measurement of derivative financial instruments at fair value	6	529	-
Provision for retirement benefit obligations		237	235
Other non-cash items		710	2,869
Cash flows from operating activities before Changes in operating assets and liabilities		**5,608**	**483**
Changes in operating assets and liabilities:			
Change in loans and advances to banks		(364)	(94,412)
Change in loans and advances to customers		(20,947)	(358)
Change in other assets		(46)	(4)
Change in retirement benefit obligations		(59)	(94)
Change in deposits from banks		28,132	7,607
Change in other liabilities		408	(10)
Net cash from operating activities		**12,732**	**(86,788)**
Cash flows from investing activities:			
Purchase of property and equipment	10	(35)	(53)
Purchase of intangible assets	9	(189)	(32)
Net cash used in investing activities		**(224)**	**(85)**
Cash flows from financing activities:			
Increase in paid-in share capital		48,000	48,000
Net cash from financing activities		**48,000**	**48,000**
Net increase in cash and cash equivalents		**60,508**	**(38,873)**
Effects of exchange-rate changes on cash and cash equivalents		(710)	(2,870)
Cash and cash equivalents at the beginning of the period		49,678	91,421
Cash and cash equivalents at the end of the period	**5**	**109,476**	**49,678**

The accompanying notes set out on pages 5 to 42 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 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 ECO Trade and Development Bank and the Government of the Republic of Turkey (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 3 July 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 programs, 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 information as of and for the year ended 31 December 2011 to the Board of Directors on 22 March 2012.

As of 31 December 2011, the number of employees of the Bank is 42 (31 December 2010: 41).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this financial information 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"). International Financial Reporting Standards ("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 amendments

- IAS 32 (amendment), "Financial instruments: Presentation", is effective for annual periods beginning on or after 1 February 2010. The amendment recognizes that the previous requirement to classify foreign-currency-denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities is not consistent with the substance of the transaction, which represents a transaction with owners acting in their capacity as such. The amendment therefore creates an exception to the 'fixed for fixed' rule in IAS 32 and requires rights issues within the scope of the amendment to be classified as equity. The amendment should be applied retrospectively. Early adoption is permitted.

- IFRIC 19, "Extinguishing financial liabilities with equity instruments", is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a 'debt for equity swap'). Early adoption is permitted. The interpretation should be applied retrospectively from the beginning of the earliest comparative period presented, as adoption in earlier periods would result only in a reclassification of amounts within equity.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2010. The amendment Provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7. Earlier adoption is permitted. Early adoption is required for a first-time adopter that has a first reporting period that begins earlier than 1 July 2010 in order to benefit from the disclosure relief.

- IAS 24 (revised), "Related party disclosures", is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities.

- IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", is effective for annual periods beginning on or after 1 January 2011. The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. The amendment also results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. It will apply from the beginning of the earliest comparative period presented. Earlier adoption is permitted.

  Annual Improvements to IFRSs 2010. Amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34 and IFRIC 13.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Forthcoming requirements

- IFRS 7 (amendment), "Financial instruments: Disclosures", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted.

- IAS 12 (amendment), "Income taxes", is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes - recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.

- IAS 1 (amendment), "Presentation of financial statements", is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.

- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

- IFRS 9, "Financial instruments", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is 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. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- Prepayments of a minimum funding requirement' (amendments to IFRIC 14), the amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

- IFRIC 20, Stripping costs in the production phase of a surface mine.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

'Improvements to IFRS' were issued in May 2008. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The application of these new interpretations will not have a material impact on the Bank's financial statements in the period of initial application.

(d) Foreign Currency Translation

Functional and presentation currency

In accordance with Article 4 of the Agreement the unit of account of the Bank is ECO Unit ("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 recognized in the income statement.

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

		31 December 2011	31 December 2010
1 EU (SDR) =	United States Dollar	1.5353	1.5400
	Euro	1.1865	1.1597
	Japanese Yen	119.3209	125.4359
	Pound Sterling	0.9930	0.9978
	Turkish Lira	2.9220	2.3935

(e) 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 amortized cost.

When impaired financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognized at its fair value (Notes 7 and 8).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments and impairment

Recognition

The Bank initially recognizes loans and advances and deposits from banks 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)

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.

(g) Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured 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 (Note 6).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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

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, capitalized if they result in an enlargement or substantial improvement of the respective assets.

Leasehold improvements comprise primarily the capitalized office floor refurbishment costs (Note 10).

(i) 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 9).

(j) Leasing transactions

Assets acquired under finance lease agreements are capitalized 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 capitalized 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

(l) Financial liabilities

Financial liabilities including 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 12).

(m) 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.

(n) 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), 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:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

The benefit provided will be as a lump sum but with respect to the rates that are linked to the length of the eligible service period for an employee not fulfilling the requirements described above. 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 equal to the balance of employee's account. Similarly in case of death of an employee already drawing pension, the full amount of the standing balance will be paid as a lump sum to employee's legal 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%.

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 13).

ii. Defined contribution plan

The Bank also 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 insurance 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Labor Law. In accordance with existing social legislation and Turkish Labor 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. Therefore these financial statements do not include any provision for employment termination benefit according to Turkish Labor 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 and 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 14).

(o) 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 19).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 16).

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.

(q) 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 are 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 17).

(r) 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 15).

(s) 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).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

(u) 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 (Note 20).

(v) 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".

(w) Comparatives

Comparative figures are reclassified, where necessary, to conform to change, in presentation of the 31 December 2011 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 recognized 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:

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

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.
- The fair value of derivative financial instruments 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 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 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 of prudent lending, the function of credit risk management has become a critical fulcrum of the Bank's 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 credit risk which are inherent to the lending activities of the Bank in order 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 2011 and 31 December 2010 are as follows:

	31 December 2011	**31 December 2010**
Loans and advances to banks	376,161	314,307
Loans and advances to customers	66,496	45,473
Derivative financial instruments	425	-
Total	**443,082**	**359,780**

There are no financial assets that are past due but not impaired at 31 December 2011. There are no collaterals held against such past due financial assets.

As of 31 December 2011, 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 2011		31 December 2010	
	Outstanding disbursement	**Undrawn commitments**	**Outstanding disbursement**	**Undrawn commitments**
Financial institutions	**376,586**	**6,514**	**314,307**	**-**
Turkey (*)	310,784	-	277,843	-
Iran (*)	49,945	-	21,351	-
Pakistan	15,853	6,514	11,513	-
Other	4	-	3,600	-
Power and energy	**19,471**	**13,027**	**22,742**	**-**
Turkey	19,471	-	-	-
Pakistan	-	13,027	22,742	-
Iran	-	-	-	-
Manufacturing	**17,698**	**31,957**	**-**	**-**
Turkey	-	-	-	-
Pakistan	-	13,669	-	-
Iran	17,698	18,288	-	-
Sovereign,Municipal and Environmental infrastructure	**29,327**	**15,170**	**22,731**	**14,565**
Turkey	22,811	-	22,731	-
Pakistan	6,516	-	-	-
Iran	-	15,170	-	14,565
Total	**443,082**	**66,668**	**359,780**	**14,565**

(*) The Money market placements with the banks in Turkey and in Iran amount to EU 263,136 thousand and EU 5,903 thousand respectively (31 December 2010: EU 239,945 thousand for Turkey).

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(ii) Geographical sectors:

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

	31 December 2011		31 December 2010	
	Outstanding disbursement	**Undrawn commitments**	**Outstanding disbursement**	**Undrawn commitments**
Turkey (*)	353,066	-	300,574	-
Iran (*)	67,643	33,458	21,351	14,565
Pakistan	22,369	33,210	34,255	-
Other	4	-	3,600	-
Total	**443,082**	**66,668**	**359,780**	**14,565**

(*) The Money market placements with the banks in Turkey and in Iran amount to EU 263,136 thousand and EU 5,903 thousand respectively (31 December 2010: EU 239,945 thousand for Turkey).

(iii) Segment analysis of credit risk exposures:

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

	31 December 2011	**31 December 2010**
Financial institutions-Bank placements	269,355	243,793
Financial institutions-SME Support Program	55,723	48,477
Financial institutions-Short Term Trade Finance	51,083	22,037
Project finance	29,327	22,731
Corporate loans	37,169	22,742
Derivative financial instruments	425	-
Total	**443,082**	**359,780**

Liquidity risk

Liquidity risk is the risk that the Bank is unable to fund assets or to fulfill 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.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

	31 December 2011				
	Up to 1 month	1 to 3 Months	3 to 12 Months	Over 1 year	Total
Monetary liabilities:					
Deposits from banks	29,694	97,545	-	-	127,239
Other liabilities	20	216	309	360	905
Derivative financial instruments	-	954	-	-	954
Total liabilities	**29,714**	**98,715**	**309**	**360**	**129,098**

	31 December 2010				
	Up to 1 month	1 to 3 Months	3 to 12 Months	Over 1 year	Total
Monetary liabilities:					
Deposits from banks	24,841	17,298	56,567	-	98,706
Other liabilities	48	9	421	19	497
Total liabilities	**24,889**	**17,307**	**56,988**	**19**	**99,203**

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 has been already 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.

(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 SDR basket currencies namely; Euro, US Dollar, British Pound and Japanese Yen. As the functional currency of the Bank is SDR, the financial statements are affected by changes in the foreign exchange rates against SDR.

Considering the appetite of clients in the member countries only for US Dollar and Euro in loan and treasury operations the Bank mostly invests in these two currencies. As a result of SDR being a basket of the four currencies, the Bank carries long positions in US Dollar and Euro subsequently short positions in British Pound and Japanese Yen on Balance Sheet. The Bank hedges these long and short foreign currency positions by using currency forwards and swaps.

By policies in place, the Bank monitors the current status of its assets and liabilities in contrast to SDR in order to ensure that it takes foreign exchange risk within the approved limits.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

In order to monitor the foreign currency exposure in each currency, net foreign currency position figures are adjusted by the currency neutral position amounts for each currency based on the allocation of net SDR position by their weights in SDR as of balance sheet date.

As at 31 December 2011 and 31 December 2010 the foreign currency position of the Bank is as follows:

	31 December 2011	31 December 2010
Foreign currency assets	442,848	359,925
Foreign currency liabilities	(128,688)	(99,549)
Net balance sheet foreign currency position (*)	**314,160**	**260,376**

(*) Net foreign currency position of the Bank includes the Bank's net position in SDR basket currencies as well. However, after the adjustment of net foreign currency position by the SDR currency neutral position amounts, total long positions in Euro and US Dollar is EU 3,591 thousand and total short positions in Japanese Yen, Pound Sterling is EU 3,748 thousand (31 December 2010: EU 62,038 thousand and EU 61,690 thousand).

	31 December 2011					
	US Dollar	**Euro**	**Other (*)**	**Total foreign currency**	**SDR ("EU")**	**Total**
Assets						
Loans and advances to banks	137,229	238,922	10	376,161	-	376,161
Loans and advances to customers	48,798	17,698	-	66,496	-	66,496
Derivative financial instruments	-	-	-	-	425	425
Intangible assets	-	-	-	-	198	198
Property and equipment	-	-	-	-	100	100
Other assets	148	24	19	191	-	191
Total assets	**186,175**	**256,644**	**29**	**442,848**	**723**	**443,571**
Liabilities						
Deposits from banks	-	126,839	-	126,839	-	126,839
Derivative financial instruments	-	-	-	-	954	954
Retirement benefit obligations	944	-	-	944	-	944
Other liabilities	366	166	373	905	-	905
Equity	-	-	-	-	313,929	313,929
Total liabilities	**1,310**	**127,005**	**373**	**128,688**	**314,883**	**443,571**
Net balance sheet position	**184,865**	**129,639**	**(344)**	**314,160**	**(314,160)**	**-**
Off-balance sheet derivative Instruments net notional position	(48,263)	(15,494)	63,253	(504)	-	(504)
Net foreign currency position	**136,602**	**114,145**	**62,909**	**313,656**	**(314,160)**	**(504)**
Currency Neutral Position	**(135,112)**	**(112,044)**	**(67,004)**	**(314,160)**	**314,160**	**-**
FX Exposure in notional Ccy	**1,490**	**2,101**	**(4,095)**	**(504)**	**-**	**(504)**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010					
	US Dollar	Euro	Other (*)	Total foreign currency	SDR ("EU")	Total
Assets						
Loans and advances to banks	91,738	222,561	8	314,307	-	314,307
Loans and advances to customers	45,473	-	-	45,473	-	45,473
Intangible assets	-	-	-	-	46	46
Property and equipment	-	-	-	-	155	155
Other assets	98	36	11	145	-	145
Total assets	**137,309**	**222,597**	**19**	**359,925**	**201**	**360,126**
Liabilities						
Deposits from banks	-	98,286	-	98,286	-	98,286
Retirement benefit obligations	766	-	-	766	-	766
Other liabilities	101	29	367	497	-	497
Equity	-	-	-	-	260,577	260,577
Total liabilities	**867**	**98,315**	**367**	**99,549**	**260,577**	**360,126**
Net balance sheet position	**136,442**	**124,282**	**(348)**	**260,376**	**(260,376)**	**-**
Off-balance sheet derivative Instruments net notional position	-	-	-	-	-	-
Net foreign currency position	**136,442**	**124,282**	**(348)**	**260,376**	**(260,376)**	**-**
Currency Neutral Position	**(106,733)**	**(91,953)**	**(61,690)**	**(260,376)**	**260,376**	**-**
FX Exposure in notional Ccy	**29,709**	**32,329**	**(62,038)**	**-**	**-**	**-**

(*) The total foreign currency exposure in Japanese Yen, Pound Sterling and Turkish Lira EU 1,829 thousand, EU 1,919 thousand and EU347 thousand respectively (31 December 2010: EU 38,152 thousand, EU 23,538 thousand and EU 348 thousand).

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 2011 and 2010 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 2011		31 December 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	1,366	1,366	1,365	1,365
Euro	1,141	1,141	1,243	1,243
Pound	332	332	-	-
Japanese Yen	300	300	-	-
Turkish Lira	(3)	(3)	(3)	(3)
	3,136	**3,136**	**2,605**	**2,605**

(*) 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 avoid from risk/loss by probable market adverse changes in the interest rates of the currencies of the items on the both sides of the balance sheet including those on- and off- balance sheet.

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. For any unmatched items, the Bank may apply derivatives to curb the risk. Secondly, there is the absolute rate earned on the Bank's assets that are funded by equity. The majority of these equity resources are currently invested in Bank's loan portfolio at floating rates; therefore, posing related earnings on these assets to some degree of fluctuation. The Bank needs to simultaneously evaluate the current value of both equity and equity-funded assets by periodical marking to market methodology. By existing policies, the Bank may manage such interest rate risks by applying appropriate derivatives.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for the duration of the liquid portfolio. 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 2011					
	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	102,857	199,281	74,023	-	-	376,161
Loans and advances to customers	-	19,471	47,025	-	-	66,496
Derivative financial instruments	-	-	-	-	425	425
Intangible assets	-	-	-	-	198	198
Property and equipment	-	-	-	-	100	100
Other assets	-	-	-	-	191	191
Total assets	**102,857**	**218,752**	**121,048**	**-**	**914**	**443,571**
Liabilities						
Deposits from banks	29,671	97,168	-	-	-	126,839
Derivative financial instruments	-	-	-	-	954	954
Retirement benefit obligations	-	909	-	-	35	944
Other liabilities	-	-	-	-	905	905
Total liabilities	**29,671**	**98,077**	**-**	**-**	**1,894**	**129,642**
Net repricing gap	**73,186**	**120,675**	**121,048**	**-**	**(980)**	**313,929**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010					
	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	57,798	136,977	119,356	176	-	314,307
Loans and advances to customers	-	-	45,473	-	-	45,473
Intangible assets	-	-	-	-	46	46
Property and equipment	-	-	-	-	155	155
Other assets	-	-	-	-	145	145
Total assets	**57,798**	**136,977**	**164,829**	**176**	**346**	**360,126**
Liabilities						
Deposits from banks	24,837	17,254	56,195	-	-	98,286
Retirement benefit obligations	-	740	-	-	26	766
Other liabilities	-	-	-	-	497	497
Total liabilities	**24,837**	**17,994**	**56,195**	**-**	**523**	**99,549**
Net repricing gap	**32,961**	**118,983**	**108,634**	**176**	**(177)**	**260,577**

Sensitivity analysis

If interest rates had been increased / decreased by 1% and all other variables were held constant, the Bank’s:

Change in interest rate 31 December 2011	**Profit/ loss effect**	**Equity effect**
(+/-) %1	2,618	2,618

Change in interest rate 31 December 2010	**Profit/ loss effect**	**Equity effect**
(+/-) %1	2,268	2,268

The table below summarizes weighted average interest rates for financial instruments by major currencies outstanding at 31 December 2011 and 31 December 2010 based on yearly contractual rates.

	31 December 2011 (%)		31 December 2010 (%)	
	US Dollar	Euro	US Dollar	Euro
Assets				
Loans and advances to banks	3.55	4.12	2.53	2.59
Loans and advances to customers	2.18	3.22	2.01	-
Liabilities				
Deposits from banks	-	2.53	-	1.55

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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. Appropriate measures are taken to achieve a high level of operational risk awareness and to enhance the operational risk management. The Bank adopts market best practices and methods to manage and coordinate its operational risks. Key processes for the management of operational risk include, amongst others; establishing the necessary internal controls such as the 'four eyes principle' and proper segregation of duties within Bank departments; the purchase of corporate and property insurance policies to confront potential losses which may occur as a result of various events and natural disasters; and the approval process of new products to identify and assess the operational risk related to each new product, activity, process and system.

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.

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 realize 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 presentation currency, 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.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2011, the carrying amounts and fair values of financial instruments are as follows (Note 3):

	31 December 2011		31 December 2010	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Financial assets:				
Loans and advances to banks	376,079	376,161	314,243	314,307
Loans and advances to customers	66,516	66,496	45,559	45,473
Derivative financial instruments	425	425	-	-
Other assets	191	191	145	145
Financial liabilities:				
Deposits from banks	126,848	126,839	98,291	98,286
Derivative financial instruments	954	954	-	-
Other liabilities	905	905	497	497

Fair value hierarchy

IFRS 7 requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the observability of data used during fair value calculations, Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

Assets and liabilities measured at fair value

2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading				
- Derivatives	-	425	-	425
Total assets	**-**	**425**	**-**	**425**
Financial liabilities at fair value through profit and loss				
- Derivatives	-	954	-	954
Total liabilities	**-**	**954**	**-**	**954**

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

NOTE 5 - CASH AND CASH EQUIVALENTS

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

	31 December 2011	**31 December2010**
Loans and advances to banks-demand	316	249
Loans and advances to banks-time (with original maturity less than three months)	109,160	49,429
	109,476	**49,678**

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

The Bank utilizes the following derivative instruments:

“Currency forwards” represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions.

“Currency swaps” are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Bank risks are represented by the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Bank’s exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

31 December 2011

	Contract / notional amount	**Fair values**	
		Assets	**Liabilities**
Derivatives held for trading			
Currency swaps	139,308	425	952
Currency forwards	4,557	-	2
Total derivative assets held for trading	**143,865**	**425**	**954**

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

NOTE 7 - LOANS AND ADVANCES TO BANKS

As of 31 December 2011 and 31 December 2010, loans and advances to banks are as follows:

	31 December 2011	31 December 2010
Nostro / demand deposits	316	249
Money market placements (With original maturity less than three months)	109,160	49,429
Included in cash and cash equivalents	**109,476**	**49,678**
Other loans and advances to banks, gross	266,897	264,769
Less: collective allowance for impairment	(212)	(140)
Loans and advances to banks, net	**376,161**	**314,307**

	31 December 2011	31 December 2010
Current	341,458	282,998
Non-current	34,703	31,309

The Bank has started its credit operations by the fourth quarter of 2008. As of 31 December 2011 other loans and advances to banks balance includes loans granted to Small Medium Enterprise Support Program (“SME”) and Short Term Trade Finance Program (“STTF”). The total loan amount for each SME and STTF Loans equals EU 55,835 thousand and EU 51,183 thousand, respectively. The remaining EU 159,879 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:

	31 December 2011	31 December 2010
Balance at 1 January	140	147
Increase in impairment allowances	72	4
Reversal of impairment allowances	-	(11)
At period end	**212**	**140**

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

NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS

As of 31 December 2011 and 31 December 2010, loans and advances to customers are as follows:

	31 December 2011	31 December 2010
Corporate loans	37,400	22,742
Project finance	29,372	22,776
Loans and advances to customers, gross	66,772	45,518
Less: collective allowance for impairment	(276)	(45)
Loans and advances to customers, net	**66,496**	**45,473**

	31 December 2011	31 December 2010
Current	19,346	22,742
Non-current	47,150	22,731

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:

	31 December 2011	31 December2010
Balance at 1 January	45	128
Increase in impairment allowances	231	45
Reversal of impairment allowances	-	(128)
At period end	**276**	**45**

The Bank has collaterals taken against the loans and advances to customers balances. Collaterals include the guarantees given by Governments of Member Countries and financial institutions. The total amount of loans and advances that are collateralized by guarantees amount to EU 24,752 thousand and EU 17,614 thousand respectively (31 December 2010: EU 40,962 thousand and none).

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

NOTE 9 - INTANGIBLE ASSETS

	31 December 2011	31 December 2010
Cost	261	72
Accumulated amortization	(63)	(26)
Net book value	**198**	**46**

Movements of other intangible assets were as follows:

31 December 2011	Software
Net book value at 1 January 2011	**46**
Amortization charge	(37)
Additions	189
Net book amount at 31 December 2011	**198**

31 December 2010	Software
Net book value at 1 January 2010	**25**
Amortization charge	(11)
Additions	32
Net book amount at 31 December 2010	**46**

NOTE 10 - PROPERTY AND EQUIPMENT

	31 December2011	31 December 2010
Cost	591	557
Accumulated depreciation	(491)	(402)
Net book value	**100**	**155**

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

NOTE 10 - PROPERTY AND EQUIPMENT (Continued)

	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Total
31December2011					
Net book value					
1 January 2011	**62**	**67**	**22**	**4**	**155**
Addition	33	-	2	-	35
Depreciation charge	(43)	(29)	(16)	(2)	(90)
31December2011	**52**	**38**	**8**	**2**	**100**
31 December 2010					
Net book value					
1 January 2010	**103**	**55**	**33**	**35**	**226**
Addition	6	37	4	6	53
Depreciation charge	(47)	(25)	(15)	(37)	(124)
31 December 2010	**62**	**67**	**22**	**4**	**155**

As of 31 December 2011, property and equipment excluding the motor vehicles were insured against fire, theft and damage to the extent of EU 394 thousand. Motor vehicles are insured against accident to the extent of their acquisition cost.

At 31 December 2011, there is no impairment provision on property and equipment (31 December 2010: None).

NOTE 11 - OTHER ASSETS

	31 December 2011	31 December 2010
Fee and commission receivables (*)	114	68
Personnel advances	36	30
Representative office advances	18	27
Value added taxes ("VAT") refund	10	4
Private consumption tax refund	7	5
Other advances	4	9
Other tax refunds	2	2
	191	**145**

(*) According to the loan agreements made with the Bank's customers, the Bank receives up-front fees, commitment fees over the undrawn commitments of its loan customers and the expenses related with its loan operations. As of 31 December 2011 the Bank has commitment fee, up-front fees receivables and expenses related with its loan operations amounting to EU 47 thousand, EU 61 thousand and EU 6 thousand respectively according to the signed loan agreements.

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

NOTE 12 - DEPOSITS FROM BANKS

	31 December 2011	31 December 2010
Deposits from banks in member countries	126,839	98,286
Total deposits from banks	**126,839**	**98,286**
Current	126,839	98,286
Non-current	-	-

Deposits from banks in the amount of EUR 150,000 thousand has original maturity of up to three months and weighted average interest rate of 2.53% (31 December 2010: EUR 113,729 and 1.55%) respectively.

NOTE 13 - RETIREMENT BENEFIT OBLIGATIONS

As of 31 December 2011 and 31 December 2010 retirement benefit obligations are as follows:

	31 December 2011	31 December 2010
Pension plan liabilities	909	740
Actuarial gain/losses	35	26
Total	**944**	**766**

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 2011 pension plan liabilities amounting to EU 909 thousand comprised of EU398 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 458 thousand for the second pillar contributions of the Bank and employees that were started to be contributed from 1 October 2008; and of EU 53 thousand for the investment returns regarding the first and second pillar contributions paid by the Bank and the employees.

According to 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.

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

NOTE 13 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

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" ("IAS 19"). As a result of this valuation, the Bank has accounted EU 35 thousand disability pension liability as at 31 December 2011.

Movements for the retirement benefit obligations are as follows:

	31 December 2011	**31 December 2010**
1 January	**766**	**625**
Increase during the year	169	136
Actuarial (gain) / losses for the period	9	5
Total	**944**	**766**

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

	31 December 2011	**31 December 2010**
1 January	**26**	**21**
Current service cost	11	11
Interest cost	1	1
Amortization of unrecognized Actuarial Loss/(Gain)	(3)	(7)
Total	**35**	**26**

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

	31 December 2011 (%)	**31 December 2010 (%)**
Discount rate	4.4	4.8
Price inflation	1.7	2.5
Pay increase	3.2	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 after retiring at age 60 for both men and women on the balance sheet date are as follows:

	31 December 2011	**31 December 2010**
Male	21.48	21.48
Female	24.40	24.40

The sensitivity analysis of defined benefit obligation of excess liabilities as of 31 December 2011 is as follows:

Assumption change	**Pension excluding in-service disability**	**Salary continuation**
Discount rate +1%	(21.1%)	(10.0%)
Discount rate -1%	26.6%	11.7%

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

NOTE 14 - OTHER LIABILITIES

As at 31 December 2011 and 31 December 2010 other liabilities are as follows:

	31 December 2011	31 December 2010
Accrual for income tax of employees (*)	348	357
Unearned income (**)	439	65
Provision for unused vacation (***)	58	35
Other	60	40
Total	**905**	**497**

(*) 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. 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 2011 the Bank deferred the income amounting to EU 439 thousand (31 December 2010: EU 65 thousand) from front-end commissions due to tenor specified in the loan agreements made with credit institutions and customers.

(***) 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 15 - 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.

The Board of Governors of the Bank resolved in its meeting on 25 February 2011 to interpret the article 4 of the Agreement that the initial authorized capital of the Bank amounting to EU 1,000,000 thousand is fully subscribed by the current members of the Bank having equal number of shares.

As of 31 December 2011, the subscribed capital is EU 1,000,000 thousand (31 December 2010: EU 300,000 thousand) comprising 10,000 shares. The paid-in capital of EU 300,000 thousand (31 December 2010: EU 252,000 thousand) is reflected at its cost.

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

NOTE 15 - SHARE CAPITAL AND SHARE PREMIUM (Continued)

The issued share capitals as of 31 December 2011 and 31 December 2010 are as follows:

	31 December 2011	31 December 2010
Authorized share capital	1,050,000	1,000,000
Less: unallocated share capital (*)	(50,000)	(700,000)
Subscribed share capital	**1,000,000**	**300,000**
Less: callable share capital	(700,000)	-
Less: shares called but not yet due	-	(48,000)
Paid-in share capital	**300,000**	**252,000**

(*) The Islamic Republic of Afghanistan presented a Letter of Intent to the Bank on 5 January 2011 in order to become a member to the Bank. Considering this letter of the said ECO member state, the Board of Governors of the Bank resolved in its meeting on 25 February 2011 that the Islamic Republic of Afghanistan may become a new member of the Bank with EU 50,000 thousand share capital.

As at 31 December 2011 and 31 December 2010 share capital structure of the Bank is as follows:

	Shares	Subscribed	31 December 2011 Paid-in	31 December 2010 Paid-in	Voting Power (%)
The Republic of Turkey	3,333	333,333	100,000	84,000	33.33
The Islamic Republic of Iran	3,333	333,333	100,000	84,000	33.33
The Islamic Republic of Pakistan	3,333	333,333	100,000	84,000	33.33
Total	**10,000**	**1,000,000**	**300,000**	**252,000**	**100.00**

NOTE 16 - NET INTEREST INCOME

	31 December 2011	31 December 2010
Interest income on:		
Loans and advances:		
- to financial institutions	11,623	7,072
money market placements	*9,630*	*5,360*
other loans and advances	*1,993*	*1,712*
- to customers	1,167	772
Total interest income	**12,790**	**7,844**
Interest expense on:		
Deposits from banks	(2,697)	(748)
Pension plan liabilities	(31)	(22)
Total interest expense	**(2,728)**	**(770)**
Net interest income	**10,062**	**7,074**

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

NOTE 17 - NET FEE AND COMMISSION INCOME

	31 December 2011	31 December 2010
Fee and commission income on loans	96	207
Other	14	16
Total fee and commission income	**110**	**223**
Commissions paid to banks	(5)	(7)
Total fee and commission expense	**(5)**	**(7)**
Net fee and commission income	**105**	**216**

NOTE 18 - OPERATING EXPENSES

	31 December 2011	31 December 2010
Salaries and benefits	2,332	2,145
Income tax on emoluments	354	370
Pension plan expenses	237	235
Social security contribution expenses	102	89
Travel and accommodation expenses	89	70
Contribution expenses (*)	61	47
Annual leave pay provision	23	-
Other	36	3
Total personnel expenses	**3,234**	**2,959**
Net impairment (gain) / loss on financial assets	303	(90)
Operating lease expenses (**)	158	153
Depreciation and amortization (Notes 9 and 10)	127	135
	3,822	**3,157**
Consultant and third party fees	100	79
Subscription and membership expenses	69	80
BoG and BoD meetings expenses	47	31
Communication expenses	41	41
Other expenses	133	135
Other operating expenses	**390**	**366**
Total operating expenses	**4,212**	**3,523**

(*) 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 Offices in Iran and Pakistan.

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

NOTE 19 - 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 2011	31 December 2010
Credit limit commitments	66,668	14,565
Other commitments	13	8
	66,681	**14,573**

As at 31 December 2011 the Bank has credit limit commitments to the customers and credit institutions due to Project finance, corporate loans and SME Support Program loan agreements are EU 41,866 thousand, EU 18,288 thousand and EU 6,514 thousand respectively.

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 20 - 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.

31 December 2011	**Banking**	**Treasury**	**Total**
Interest income	3,160	9,630	12,790
Fee and commission income	110	-	110
Total segment revenues	**3,270**	**9,630**	**12,900**
Interest expense	(25)	(2703)	(2,728)
Fee and commission expense	-	(5)	(5)
Foreign exchange (losses)/gain,net	-	(603)	(603)
Administrative expenses	(2,713)	(1,069)	(3,782)
Depreciation and amortization	(85)	(42)	(127)
Segment income before impairment	**447**	**5,208**	**5,655**
Net impairment loss	(303)	-	(303)
Net income / (loss) for the period	**144**	**5,208**	**5,352**
Segment assets	**173,840**	**269,731**	**443,571**
Segment liabilities	**1,356**	**128,286**	**129,642**

31 December 2010	**Banking**	**Treasury**	**Total**
Interest income	2,484	5,360	7,844
Fee and commission income	223	-	223
Total segment revenues	**2,707**	**5,360**	**8,067**
Interest expense	(21)	(749)	(770)
Fee and commission expense	-	(7)	(7)
Foreign exchange (losses) / gain,net	-	(5,389)	(5,389)
Administrative expenses	(2,557)	(921)	(3,478)
Depreciation and amortization	(90)	(45)	(135)
Segment income before impairment	**39**	**(1,751)**	**(1,712)**
Net impairment gain	90	-	90
Net income / (loss) for the period	**129**	**(1,751)**	**(1,622)**
Segment assets	**116,385**	**243,741**	**360,126**
Segment liabilities	**1,003**	**98,546**	**99,549**

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

NOTE 21 - RELATED PARTY TRANSACTIONS

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, The Bank is controlled by The Republic of Turkey, The Islamic Republic of Iran and The Islamic Republic of Pakistan.

A number of transactions were entered into with related parties in the normal course of business.

(i) Balances with related parties:

	31 December 2011		31 December 2010	
	Total	Share in total %	Total	Share in total %
Loans and advances to customers, net	6,514	10	-	-
Total assets	**6,514**		**-**	

(ii) Transactions with related parties:

	31 December 2011		31 December 2010	
	Total	Share in total %	Total	Share in total %
Interest income on loans and advances to customers	64	5	-	-
Fee and commission income	1	1	-	-
Total interest and fee income	**65**	**5**	**-**	

Pakistan experienced extraordinary rainfall in mid-July 2010, which continued until September 2010 and the result was unprecedented floods affecting the entire length of the country. Additionally, flash floods and landslides triggered by the rain caused severe damage to infrastructure in the affected areas. The Bank has in its 25th Board of Directors Meeting held on 22 September 2010 approved a project loan facility of USD 10 million for support of post flood recovery and rehabilitation projects. Within this scope, the Bank, as of 30 June 2011 has disbursed USD 10 million to Government of Pakistan in order to finance its "Watan Card" project, cards which have been issued to flood affected people to provide compensation to households affected by the devastating 2010 summer floods. The loan has 10 years tenor including 3 years grace period.

The Bank's key management personnel are comprised of the President and two Vice Presidents. They are entitled to a staff compensation package that includes a salary, covered by medical and life insurance, participate in the Bank's pension plan and are eligible to receive other short term benefits. All amounts are paid in US Dollar. The Salaries and benefits paid to key management personnel amount to EU 423 thousand as of 31 December 2011 (31 December 2010: EU 467 thousand). Key management personnel do not receive post-employment benefits, other long term benefits, termination benefits or any share-based payments.

The members of the Board of Directors are not personnel of the Bank and do not receive any fixed term salaries nor any staff benefits.

NOTE 22 - POST BALANCE SHEET EVENTS

(i) The Republic of Azerbaijan presented a Letter of Intent to the Bank on 23 November 2011 in order to become a member to the Bank. Considering this letter of the said ECO member state, the Board of Governors of the Bank resolved in its meeting on 5 January 2012 that the Republic of Azerbaijan may become a new member of the Bank with EU 32,500 thousand subscribed share capital.

The Board of Governors of the Bank resolved in its meeting on 5 January 2012 that the authorized capital of the Bank has been increased to EU 1,082,500 from EU 1,050,000 thousand for subscription by the Republic of Azerbaijan.

(ii) The Islamic Republic of Afghanistan has signed the Articles of Agreement establishing the ECO Trade and Development Bank in order to become a member of the Bank on 12 March 2012. With the signature of the agreement, the Islamic Republic of Afghanistan is expected to finalize the national procedures for ratification/acceptance of the subject agreement and formally become a member of the Bank.

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