The Economic Cooperation Organization
Trade and Development Bank

Financial Statements
As at and for the year ended 31 December 2014
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

24 April 2015

This report contains the "Independent Auditors' Report on Financial Statements" comprising 2 page and; the "Financial statements and their explanatory notes" comprising 43 pages

The Economic Cooperation Organization Trade and Development Bank

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Economic Cooperation Organization Trade and Development Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2014, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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.

Auditors' Responsibility

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 about 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2013 was audited by another auditor who expressed an unmodified opinion on those statements on 6 May 2014.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Erdal Tıkmak
Partner

24 April 2015
Istanbul, Turkey

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

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

	Notes	31 December 2014	31 December 2013
ASSETS			
Loans and advances to banks	7	336,998	332,720
Loans and advances to customers	8	85,290	88,670
Investment securities: Available-for-sale	9	26,676	21,793
Derivative financial instruments	6	34	1,065
Intangible assets	10	238	122
Property and equipment	11	9,945	10,101
Other assets	12	219	216
Total assets		**459,400**	**454,687**
LIABILITIES			
Deposits from banks	13	116,015	124,566
Derivative financial instruments	6	3,438	1,238
Retirement benefit obligations	14	1,899	1,358
Other liabilities	15	958	971
Total liabilities		**122,310**	**128,133**
EQUITY			
Share capital	16	306,510	301,950
Revaluation reserve			
- Reserve for available-for-sale investment securities		328	(555)
Other reserves		25,159	20,719
Retained earnings		5,093	4,440
Total equity		**337,090**	**326,554**
Total liabilities and equity		**459,400**	**454,687**

The accompanying notes form an integral part of these financial statements.

THE ECONOMIC COOPERATION ORGANIZATION TRADE AND DEVELOPMENT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	31 December 2014	31 December 2013
Interest income	17	10,981	9,359
Interest expense	17	(1,278)	(1,238)
Net interest income		**9,703**	**8,121**
Impairment (loss)/gain on loans, net	7, 8, 19	107	(44)
Net interest income after loan impairment losses		**9,810**	**8,077**
Fee and commission income	18	500	274
Fee and commission expense	18	(4)	(6)
Net fee and commission income		**496**	**268**
Foreign exchange gain/(loss), net		(805)	340
Other operating income		-	7
Operating income		**9,501**	**8,692**
Operating expenses			
Personnel expenses	19	(3,482)	(3,531)
Operating lease expenses	19	(45)	(173)
Depreciation and amortization	10, 11, 19	(223)	(100)
Other expenses	19	(658)	(448)
Net profit for the period		**5,093**	**4,440**
Items that will never be classified to profit or loss			
Re-measurement of employee termination benefits		-	-
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of available for sale financial assets transferred to profit or loss		883	(557)
Other comprehensive income		**883**	**(557)**
Total comprehensive income		**5,976**	**3,883**

The accompanying notes 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 2014

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

	Share Capital	**Reserve for available-for-sale investment securities**	**Other reserves**	**Retained earnings**	**Total**
1 January 2013	**300,000**	**2**	**13,929**	**6,790**	**320,721**
Increase in paid-in share capital	1,950	-	-	-	1,950
Appropriation of profit	-	-	6,790	(6,790)	-
Fair value gains on available-for-sale financial assets	-	(557)	-	-	(557)
Net profit for the period	-	-	-	4,440	4,440
31 December 2013	**301,950**	**(555)**	**20,719**	**4,440**	**326,554**
1 January 2014	**301,950**	**(555)**	**20,719**	**4,440**	**326,554**
Increase in paid-in share capital	4,560	-	-	-	4,560
Appropriation of profit	-	-	4,440	(4,440)	-
Fair value gains on available-for-sale financial assets	-	883	-	-	883
Net profit for the period	-	-	-	5,093	5,093
31 December 2014	**306,510**	**328**	**25,159**	**5,093**	**337,090**

The accompanying notes 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 2014

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

	Notes	31 December 2014	31 December 2013
Cash flows from operating activities:			
Net profit for the period		5,093	4,440
Adjustments for:			
Depreciation and amortization	10, 11, 19	223	100
Net impairment loss on loans and advances	7, 8, 19	(107)	44
Accrued interest and expenses		(2,329)	(2,592)
Measurement of derivative financial instruments at fair value	6	3,231	(1,826)
Provision for retirement benefit obligations		321	284
Other non-cash items		1,542	(1,093)
Cash flows from/(used in) operating activities before Changes in operating assets and liabilities		**7,974**	**(643)**
Changes in operating assets and liabilities:			
Change in loans and advances to banks		18,833	19,653
Change in loans and advances to customers		3,765	1,831
Change in other assets		(3)	(60)
Change in retirement benefit obligations		220	7
Change in deposits from banks		(8,663)	715
Change in other liabilities		(13)	158
Net cash from operating activities		**22,113**	**21,661**
Cash flows from/(used in) investing activities:			
Purchase of investment securities		(3,070)	(19,784)
Purchase of property and equipment	11	(18)	(10,063)
Purchase of intangible assets	10	(165)	(25)
Net cash (used in) investing activities		**(3,253)**	**(29,872)**
Cash flows from financing activities:			
Increase in paid-in share capital		4,560	1,950
Net cash from financing activities		**4,560**	**1,950**
Net decrease in cash and cash equivalents		**23,420**	**(6,261)**
Effects of exchange-rate changes on cash and cash equivalents		(1,542)	1,093
Cash and cash equivalents at the beginning of the period		53,422	58,590
Cash and cash equivalents at the end of the period	**5**	**75,300**	**53,422**

The accompanying notes form an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

The Economic Cooperation Organization Trade and Development Bank ("the Bank") is a multilateral development finance institution established under the Articles of Agreement ("the Agreement") with the mission; 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 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 headquarters address of the Bank is "Bomonti Business Center, Cumhuriyet Mah. Silahşör Caddesi, Yeniyol Sk. No: 18 Kat: 14, 34380 Bomonti Şişli - Istanbul Turkey".

The Management Committee of the Bank decided to submit the financial information for the year ended 31 December 2014 to the Board of Directors on 14 April 2015.

As of 31 December 2014, the number of employees of the Bank is 42 (31 December 2013: 40).

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

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- Amendments to IFRS 10,11, IAS 27 Investment entities,
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities,
- Amendments to IAS 36 Recoverable amount Disclosures for Non-Financial Assets,
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting,
- IFRIC 21 Levies,

(c) New and revised IFRSs in issue but not yet effective

- IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual Improvements to IFRSs 2010–2012 Cycle.
- Annual Improvements to IFRSs 2011–2013 Cycle.

The application of these new interpretations will not have a material impact on the Bank's financial statements in the period of initial application.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 reporting dates were as follows:

		31 December 2014	31 December 2013
1 EU (SDR) =	United States Dollar	1.4488	1.5400
	Euro	1.1913	1.1173
	Japanese Yen	174.7330	162.1618
	Pound Sterling	0.9282	0.9351
	Turkish Lira	3.3712	3.2867
	Iranian Rial	39,317.6000	38,151.9000
	Pakistani Rupee	145.5450	162.6910

(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 financial assets and financial liabilities on the date that they are originated.

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 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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Identification and measurement of impairment

At each reporting 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 differential 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 the 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 instance, 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).

(h) Available-for-sale investment securities

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates, are classified as available-for-sale.

Available-for-sale investment securities are initially recognised at fair value, which is the cash consideration including any transaction costs. Subsequently, the interest calculated using effective interest method is recognized in the income statement and the gains and losses being the difference between the amortized cost and the fair value of the Available-for-sale investment securities are recognised under the equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised.

If an available-for-sale investment security is determined to be impaired, the cumulative gain or loss previously recognised under the equity is recognised in the income statement.

(i) Property and equipment

Property and equipment excluding construction in progress 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	5-10 years
Buildings (Shell and core)	50 years
Buildings (Interior fit-out)	15 years

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property and equipment

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 11).

(j) 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 10).

(k) 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)

(l) 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 which 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.

(m) 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 13).

(n) 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.

(o) 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 annual average net basic salary of the employee during his/her 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 14).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii. Defined contribution plans

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.

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 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 is 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 15).

(p) 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 20).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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 17).

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.

(r) Fee and commission income and expense

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

Other fees and commission income including commitment fees and front-end 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 18).

(s) 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 16).

(t) 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)

(u) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position 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.

(v) 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 21).

(w) 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".

(x) Comparatives

Comparative figures are reclassified, where necessary, to conform to change, in presentation of the 31 December 2014 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:

Impairment losses on loans and advances, The Bank reviews its loan portfolio 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 group of loans before the decrease can be identified with an individual loan in that group. 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 reporting 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 reporting 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 reporting date.

NOTE 4 - FINANCIAL RISK MANAGEMENT

The Bank is committed to actively identify and manage all risks inherent in its activities in order to achieve its mandate 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 monitoring 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 business objectives.

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

The Board of Directors has established Credit Committee (CC) which is responsible to guide the Operation Teams through the approval process from Concept Clearance to Final Review, in conformity with the Bank's Operations Cycle Policy. It considers all matters related to the financing operations of the Bank and expresses opinions with respect to the appropriateness of the due diligence and appraisal process.

Credit risk

Credit risk is the probability 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 by using various information sources and applying qualitative and quantitative methodologies.

The Bank 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 the 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 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 operating environment, in a manner which ensures protection to the shareholders.

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The Bank's exposure to credit risk as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Loans and advances to banks	336,998	332,720
Loans and advances to customers	85,290	88,670
Investment securities: Available-for-sale	26,676	21,793
Derivative financial instruments	34	1,065
Total	**448,998**	**444,248**

There are no financial assets that are past due but not impaired as at 31 December 2014 (31 December 2013: EU 1,514). There are no collaterals held against such past due financial assets.

As of 31 December 2014, the Bank has no assets held for resale (31 December 2013: None).

(i) Industry sectors:

The following table breaks down the Bank's credit risk exposure by the industry sector and geographical location of the counterparty.

	31 December 2014		31 December 2013	
	Outstanding	**Undrawn commitments**	**Outstanding**	**Undrawn commitments**
Financial institutions	**363,708**	**6,902**	**349,945**	**-**
Turkey (*)	240,734	-	258,686	-
Iran (*)	48,542	-	39,153	-
Pakistan (*)	61,284	6,902	10,785	-
Azerbaijan	2,067	-	-	-
Other (*)	11,081	-	41,321	-
Sovereign, Municipal and Environmental infrastructure	**66,089**	**24,189**	**51,899**	**29,414**
Pakistan	26,686	-	12,129	-
Turkey	20,106	-	22,737	-
Iran	19,297	24,189	17,033	29,414
Power and energy	**11,220**	**15,530**	**11,550**	**-**
Pakistan	11,220	15,530	11,550	-
Manufacturing	**7,981**	**-**	**30,854**	**-**
Pakistan	7,981	-	12,021	-
Iran	-	-	18,833	-
Total	**448,998**	**46,621**	**444,248**	**29,414**

(*) The Money market placements with the banks in Turkey, Iran, Pakistan and other countries amount to EU 155,482 thousand, EU 45,278 thousand, EU 30,876 thousand and EU 11,079 thousand respectively (31 December 2013: EU 162,380 thousand, EU 29,717 thousand, None and EU 41,319 thousand respectively).

(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 Bank's credit risk exposure.

	31 December 2014		31 December 2013	
	Outstanding	**Undrawn commitments**	**Outstanding**	**Undrawn commitments**
Turkey (*)	260,840	-	281,423	-
Pakistan (*)	107,171	22,432	46,485	-
Iran (*)	67,839	24,189	75,019	29,414
Azerbaijan	2,067	-	-	-
Other (*)	11,081	-	41,321	-
Total	**448,998**	**46,621**	**444,248**	**29,414**

(*) The Money market placements with the banks in Turkey, Iran, Pakistan and other countries amount to EU 155,482 thousand, EU 45,278 thousand, EU 30,876 thousand and EU 11,079 thousand respectively (31 December 2013: EU 162,380 thousand, EU 29,717 thousand, None and EU 41,319 thousand respectively).

(iii) Segment analysis of credit risk exposures:

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

	31 December 2014	31 December 2013
Financial institutions-Bank placements	243,465	234,784
Financial institutions-SME Support Program	76,277	85,158
Project finance	64,571	69,837
Investment securities: Available for sale	26,676	21,793
Corporate loans	20,719	18,833
Financial institutions-Short Term Trade Finance	17,256	12,778
Derivative financial instruments	34	1,065
Total	**448,998**	**444,248**

Liquidity risk

Liquidity risk is the probability that the Bank is unable to fund assets or to fulfill its financial obligations on time and/or completely and/or at a reasonable price. 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 and the due strategic decisions by ALCO.

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 minus total property and equipment and intangible assets plus long term borrowing with remaining time to maturity greater than six months. 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 table below analyses assets and liabilities of the Bank, putting them into relevant maturity groupings based on the remaining period as of reporting date to contractual maturity date:

	31 December 2014					
	Up to 1 month	1 to 3 Months	3 to 12 Months	Over 1 year	No maturity	Total
Assets						
Loans and advances to banks	62,963	161,461	53,407	59,167	-	336,998
Loans and advances to customers	672	-	29,823	54,795	-	85,290
Investment securities	7	386	1,000	25,283	-	26,676
Derivative financial instruments	-	27	7	-	-	34
Intangible assets	-	-	-	-	238	238
Property and equipment	-	-	-	-	9,945	9,945
Other assets	1	173	20	25	-	219
Total assets	**63,643**	**162,047**	**84,257**	**139,270**	**10,183**	**459,400**
Liabilities						
Deposits from banks	28,147	79,320	8,548	-	-	116,015
Derivative financial instruments	1,715	1,723	-	-	-	3,438
Retirement benefit obligations	-	-	-	-	1,899	1,899
Other liabilities	54	45	206	653	-	958
Total liabilities	**29,916**	**81,088**	**8,754**	**653**	**1,899**	**122,310**
Net liquidity gap	**33,727**	**80,959**	**75,503**	**138,617**	**8,284**	**337,090**

	31 December 2013					
	Up to 1 month	1 to 3 Months	3 to 12 Months	Over 1 year	No maturity	Total
Assets						
Loans and advances to banks	66,188	161,029	35,731	69,772	-	332,720
Loans and advances to customers	2,246	-	27,076	59,348	-	88,670
Investment securities	106	363	718	20,606	-	21,793
Derivative financial instruments	387	645	33	-	-	1,065
Intangible assets	-	-	-	-	122	122
Property and equipment	-	-	-	-	10,101	10,101
Other assets	1	187	18	10	-	216
Total assets	**68,928**	**162,224**	**63,576**	**149,736**	**10,223**	**454,687**
Liabilities						
Deposits from banks	22,592	92,936	9,038	-	-	124,566
Derivative financial instruments	883	355	-	-	-	1,238
Retirement benefit obligations	-	-	-	-	1,358	1,358
Other liabilities	43	114	275	539	-	971
Total liabilities	**23,518**	**93,405**	**9,313**	**539**	**1,358**	**128,133**
Net liquidity gap	**45,410**	**68,819**	**54,263**	**149,197**	**8,865**	**326,554**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Market risk

Market risk is the Bank's exposure to market variables such as interest rates and exchange rates as well as bond 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 with market-standard matching practices.

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 appropriate derivative instruments to manage 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. The currency swap and forward transaction are mostly held to provide more liquidity in US Dollar and Euro against British Pound and Japanese Yen.

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. ALCO has set a limit of ±0.5% of the equity for currency open positions resulted from continuous market movements and/or current cash flow, in order to prevent from repetitive FX transactions which bring unnecessary cost and operational risk. Treasury department is duly responsible to monitor, report to ALCO and regularize any breach of the aforesaid limit.

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 reporting date.

As at 31 December 2014 and 31 December 2013 the foreign currency position of the Bank is as follows:

	31 December 2014	**31 December 2013**
Foreign currency assets	449,183	443,399
Foreign currency liabilities	(118,872)	(126,895)
Net balance sheet foreign currency position	**330,311**	**316,504**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2014					
	US Dollar	**Euro**	**Other (*)**	**Total foreign currency**	**SDR ("EU")**	**Total**
Assets						
Loans and advances to banks	162,343	174,642	13	336,998	-	336,998
Loans and advances to customers	65,991	19,299	-	85,290	-	85290
Investment securities	25,813	863	-	26,676	-	26,676
Derivative financial instruments	-	-	-	-	34	34
Intangible assets	-	-	-	-	238	238
Property and equipment	-	-	-	-	9,945	9,945
Other assets	81	87	51	219	-	219
Total assets	**254,228**	**194,891**	**64**	**449,183**	**10,217**	**459,400**
Liabilities and Equity						
Deposits from banks	414	115,601	-	116,015	-	116,015
Derivative financial instruments	-	-	-	-	3,438	3,438
Retirement benefit obligations	1,899	-	-	1,899	-	1,899
Other liabilities	753	166	39	958	-	958
Equity	-	-	-	-	337,090	337,090
Total liabilities and Equity	**3,066**	**115,767**	**39**	**118,872**	**340,528**	**459,400**
Net balance sheet position	**251,162**	**79,124**	**25**	**330,311**	**(330,311)**	**-**
Off-balance sheet derivative Instruments net notional position	(102,374)	38,706	60,259	(3,409)	-	(3,409)
Net foreign currency position	**148,788**	**117,830**	**60,284**	**326,902**	**(330,311)**	**(3,409)**
Currency Neutral Position	**(150,650)**	**(117,226)**	**(62,435)**	**(330,311)**	**330,311**	**-**
FX Exposure in notional Ccy (*)	**(1,862)**	**604**	**(2,151)**	**(3,409)**	**-**	**(3,409)**

(*) The total foreign currency exposure in Japanese Yen, Pound Sterling and Turkish Lira are EU (927) thousand, EU (1,241) thousand, EU 17 thousand respectively.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2013					
	US Dollar	Euro	Other (*)	Total foreign currency	SDR ("EU")	Total
Assets						
Loans and advances to banks	153,923	178,782	15	332,720	-	332,720
Loans and advances to customers	52,803	35,867	-	88,670	-	88,670
Investment securities	21,793	-	-	21,793	-	21,793
Derivative financial instruments	-	-	-	-	1,065	1,065
Intangible assets	-	-	-	-	122	122
Property and equipment	-	-	-	-	10,101	10,101
Other assets	132	52	32	216	-	216
Total assets	**228,651**	**214,701**	**47**	**443,399**	**11,288**	**454,687**
Liabilities and Equity						
Deposits from banks	-	124,566	-	124,566	-	124,566
Derivative financial instruments	-	-	-	-	1,238	1,238
Retirement benefit obligations	1,358	-	-	1,358	-	1,358
Other liabilities	603	348	20	971	-	971
Equity	-	-	-	-	326,554	326,554
Total liabilities and Equity	**1,961**	**124,914**	**20**	**126,895**	**327,792**	**454,687**
Net balance sheet position	**226,690**	**89,787**	**27**	**316,504**	**(316,504)**	**-**
Off-balance sheet derivative Instruments net notional position	(91,733)	29,884	61,691	(158)	-	(158)
Net foreign currency position	**134,957**	**119,671**	**61,718**	**316,346**	**(316,504)**	**(158)**
Currency Neutral Position	**(135,581)**	**(119,767)**	**(61,156)**	**(316,504)**	**316,504**	**-**
FX Exposure in notional Ccy (*)	**(624)**	**(96)**	**562**	**(158)**	**-**	**(158)**

(*) The total foreign currency exposure in Japanese Yen, Pound Sterling Turkish Lira and Pakistani Rupee are EU 72 thousand, EU 472 thousand, EU 17 thousand and EU 1 thousand respectively.

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.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A 1 percent weakening of the EU against the following currencies at 31 December 2014 and 31 December 2013 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 2014		31 December 2013	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
US Dollar	1,488	1,488	1,350	1,350
Euro	1,178	1,178	1,197	1,197
Pound	383	383	380	380
Japanese Yen	220	220	237	237
Turkish Lira	-	-	-	-
	3,269	**3,269**	**3,164**	**3,164**

(*) Includes the profit or loss effect.

(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 as well as 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 Treasury department in its periodical monitoring activities which is reviewed and discussed by ALCO during its monthly meetings and, if necessary, emergency ALCO Meetings which could be held at very short notice.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

	31 December 2014					
	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	78,708	179,126	79,164	-	-	336,998
Loans and advances to customers	11,220	-	74,070	-	-	85,290
Investment securities	7	386	1,000	25,283	-	26,676
Derivative financial instruments	-	-	-	-	34	34
Intangible assets	-	-	-	-	238	238
Property and equipment	-	-	-	-	9,945	9,945
Other assets	-	-	-	-	219	219
Total assets	**89,935**	**179,512**	**154,234**	**25,283**	**10,436**	**459,400**
Liabilities						
Deposits from banks	28,147	79,320	8,548	-	-	116,015
Derivative financial instruments	-	-	-	-	3,438	3,438
Retirement benefit obligations	-	1,825	-	-	74	1,899
Other liabilities	-	2	-	-	956	958
Total liabilities	**28,147**	**81,147**	**8,548**	**-**	**4,468**	**122,310**
Net repricing gap	**61,788**	**98,365**	**145,686**	**25,283**	**5,968**	**337,090**

	31 December 2013					
	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	82,853	175,734	71,541	2,592	-	332,720
Loans and advances to customers	13,049	-	75,621	-	-	88,670
Investment securities	106	363	718	20,606	-	21,793
Derivative financial instruments	-	-	-	-	1,065	1,065
Intangible assets	-	-	-	-	122	122
Property and equipment	-	-	-	-	10,101	10,101
Other assets	-	-	-	-	216	216
Total assets	**96,008**	**176,097**	**147,880**	**23,198**	**11,504**	**454,687**
Liabilities						
Deposits from banks	22,592	92,935	9,039	-	-	124,566
Derivative financial instruments	-	-	-	-	1,238	1,238
Retirement benefit obligations	-	1,306	-	-	52	1,358
Other liabilities	-	-	-	-	971	971
Total liabilities	**22,592**	**94,241**	**9,039**	**-**	**2,261**	**128,133**
Net repricing gap	**73,416**	**81,856**	**138,841**	**23,198**	**9,243**	**326,554**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity analysis

As of 31 December 2013, for the assessment of the interest rate sensitivity of the Bank -0.10% and +0.50% shift in the market interest rates were applied to the statement of financial position items which are subject to calculation.

Taking into account the historically low levels of the base interest rates (i.e. LIBOR, EURIBOR, etc.), -0.10% and +0.10% shocks have been applied to the statement of financial position items which are subject to calculation as of 31 December 2014 and 31 December 2013.

As of reporting date it is assumed that the interest rates of all interest bearing statement of financial position items are shifted. Hence, the calculated figures do not reflect the effect on current profit or loss and equity if the interest rates during the period would have been different. The table below analyses the effects of -0.10% and +0.10% shift in interest rates on profit or loss and equity at the reporting.

		31 December 2014		31 December 2013	
	Applied shock	**Profit or loss**	**Equity (*)**	**Profit or loss**	**Equity (*)**
US Dollar	- 0.10%	**(43)**	**8**	**(43)**	**4**
US Dollar	+ 0.10%	**43**	**(8)**	**43**	**(3)**
Euro	- 0.10%	**(12)**	**(8)**	**(15)**	**(11)**
Euro	+ 0.10%	**12**	**8**	**15**	**11**
Total (for negative shocks)		**(55)**	**-**	**(58)**	**(7)**
Total (for positive shocks)		**55**	**-**	**58**	**8**

(*) Includes the profit or loss effect.

The table below summarizes weighted average interest rates for financial instruments by major currencies outstanding at 31 December 2014 and 31 December 2013 based on yearly contractual rates.

	31 December 2014 (%)		31 December 2013 (%)	
	US Dollar	**Euro**	**US Dollar**	**Euro**
Assets				
Loans and advances to banks	2.64	1.62	2.83	1.85
Loans and advances to customers	2.55	1.95	2.54	3.30
Investment securities	5.08	-	4.48	-
Liabilities				
Deposits from banks	0.65	0.85	-	0.99

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.

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.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Monetary liabilities

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

As of 31 December 2014 and 31 December 2013, the carrying amounts and fair values of financial instruments are as follows:

	31 December 2014		31 December 2013	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Financial assets:				
Loans and advances to banks	336,953	336,998	332,683	332,720
Loans and advances to customers	85,362	85,290	88,653	88,670
Investment securities	26,676	26,676	21,793	21,793
Derivative financial instruments	34	34	1,065	1,065
Other assets	219	219	216	216
Financial liabilities:				
Deposits from banks	116,015	116,015	124,552	124,566
Derivative financial instruments	3,438	3,438	1,238	1,238
Other liabilities	958	958	971	971

Fair value hierarchy

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

Level 1: Assets or liabilities; with prices recorded (unadjusted) in active markets for similar instruments.

Level 2: Assets or liabilities; that are excluded in the Level 1 of recorded prices directly observable in active markets.

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:

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities measured at fair value

31 December 2014	Level 1	Level 2(*)	Level 3	Total
Investment Securities: Available-for-sale	26,676	-	-	26,676
Financial assets held for trading				
- Derivatives	-	34	-	34
Total assets	**26,676**	**34**	**-**	**26,710**
Financial liabilities at fair value through profit and loss				
- Derivatives	-	3,438	-	3,438
Total liabilities	**-**	**3,438**	**-**	**3,438**

31 December 2013	Level 1	Level 2(*)	Level 3	Total
Investment Securities: Available-for-sale	21,793	-	-	21,793
Financial assets held for trading				
- Derivatives	-	1,065	-	1,065
Total assets	**21,793**	**1,065**	**-**	**22,858**
Financial liabilities at fair value through profit and loss				
- Derivatives	-	1,238	-	1,238
Total liabilities	**-**	**1,238**	**-**	**1,238**

(*) Benchmark interest rates and yield curves are used for calculating the fair values of forward positions.

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 2014	31 December 2013
Loans and advances to banks-demand (Note 7)	749	918
Loans and advances to banks-time		
(with original maturity less than three months) (Note 7)	74,551	52,504
Total	**75,300**	**53,422**

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

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 economical 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 2014

	Contract / notional amount	Fair values	
		Assets	**Liabilities**
Derivatives held for trading			
Currency swaps	220,151	34	3,438
Total derivative assets held for trading	**220,151**	**34**	**3,438**

31 December 2013

	Contract / notional amount	Fair values	
		Assets	**Liabilities**
Derivatives held for trading			
Currency swaps	199,678	1,065	1,238
Total derivative assets held for trading	**199,678**	**1,065**	**1,238**

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

NOTE 7 - LOANS AND ADVANCES TO BANKS

As of 31 December 2014 and 31 December 2013, loans and advances to banks are as follows:

	31 December 2014	**31 December 2013**
Nostro/demand deposits	749	918
Money market placements (With original maturity less than three months)	74,551	52,504
Included in cash and cash equivalents	**75,300**	**53,422**
Other loans and advances to banks, gross	261,884	279,492
Less: collective allowance for impairment	(186)	(194)
Loans and advances to banks, net	**336,998**	**332,720**

	31 December 2014	**31 December 2013**
Current	277,830	262,949
Non-current	59,168	69,771

As of 31 December 2014 and 31 December 2013, other loans and advances to banks balance include loans granted under Small Medium Enterprise Support Program ("SME") and Short Term Trade Finance Program ("STTF"). The total loan amount for SME and STTF Loans equals EU 76,429 thousand and EU 17,290 thousand (31 December 2013: EU 85,328 thousand and EUR 12,802 thousand), respectively. The remaining EU 168,165 thousand (31 December 2013: EU 181,362 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 (31 December 2013: None). 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 2014	**31 December 2013**
Balance at 1 January	194	137
Increase in impairment allowances	10	62
Reversal of impairment allowances	(18)	(5)
At period end	**186**	**194**

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

NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS

As of 31 December 2014 and 31 December 2013, loans and advances to customers are as follows:

	31 December 2014	**31 December 2013**
Project finance	64,790	70,117
Corporate loans	20,719	18,871
Loans and advances to customers, gross	85,509	88,988
Less: collective allowance for impairment	(219)	(318)
Loans and advances to customers, net	**85,290**	**88,670**

	31 December 2014	**31 December 2013**
Non-current	54,658	60,877
Current	30,632	27,793

The Bank has no impaired loans in the loans and advances to customers portfolio (31 December 2013: None). 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 2014	**31 December 2013**
Balance at 1 January	318	331
Increase in impairment allowances	-	22
Reversal of impairment allowances	(99)	(35)
At period end	**219**	**318**

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 as well as pledged items. The total amount of loans and advances that are collateralized by guarantees of member countries amount to EU 43,826 thousand and pledged items amount to EU 19,312 thousand (31 December 2013: EU 41,680 thousand, EU 18,169 thousand respectively, guarantees of financial institutions amount to EU 18,706 thousand).

NOTE 9 - INVESTMENT SECURITIES

	31 December 2014	**31 December 2013**
Debt securities - at fair value:		
Eurobonds	26,676	21,793
Total available-for-sale securities	**26,676**	**21,793**

Available-for-sale investment securities are measured at their fair value. In assessing the fair value of the trading securities, the average of bid and ask prices quoted as of the reporting date is used.

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

NOTE 10 - INTANGIBLE ASSETS

	31 December 2014	31 December 2013
Cost	420	255
Accumulated amortization	(182)	(133)
Net book value	**238**	**122**

Movements of other intangible assets were as follows:

	31 December 2014	31 December 2013
Net book value at 1 January	122	144
Amortization charge	(49)	(47)
Disposal	-	(5)
Depreciation of Disposals	-	5
Additions	165	25
Net book value at period end	**238**	**122**

NOTE 11 - PROPERTY AND EQUIPMENT

	31 December 2014	31 December 2013
Cost	10,470	10,587
Accumulated depreciation	(525)	(486)
Net book value	**9,945**	**10,101**

	Machinery and equipment	Motor vehicles	Furniture and fixtures	Buildings	Total
31 December 2014					
Net book value					
at 1 January 2014	142	82	2	9,875	10,101
Addition	8	-	10	-	18
Disposal	-	-	-	-	-
Depreciation of Disposals	-	-	-	-	-
Depreciation charge	(47)	(25)	(1)	(101)	(174)
Net book value at period end	**103**	**57**	**11**	**9,774**	**9,945**
31 December 2013					
Net book value					
at 1 January 2013	**39**	**48**	**4**	**-**	**91**
Addition	131	57	-	9,875	10,063
Disposal	(8)	(41)	-	-	(49)
Depreciation of Disposals	8	41	-	-	49
Depreciation charge	(28)	(23)	(2)	-	(53)
Net book value at period end	**142**	**82**	**2**	**9,875**	**10,101**

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

NOTE 11 - PROPERTY AND EQUIPMENT (Continued)

As of 31 December 2014, property and equipment excluding the motor vehicles were insured against fire, theft and damage to the extent of EU 3,639 thousand. Motor vehicles are insured against accident to the extent of their acquisition cost.

At 31 December 2014, there is no impairment provision on property and equipment (31 December 2013: None).

NOTE 12 - OTHER ASSETS

	31 December 2014	31 December 2013
Receivables from clients (*)	162	180
Pre-paid expenses	20	15
Tax refunds	34	15
Other	3	6
Total	**219**	**216**

(*) According to the loan agreements made with the Bank's clients, the Bank receives over-due interest, front-end fees and commitment fees over the undrawn commitments to its loan customers and the expenses related with its loan operations. As of 31 December 2014 the Bank has over-due interest and fee receivables amounting to EU 68 thousand and EU 95 thousand respectively according to the signed loan agreements (31 December 2013: EU 128 thousand and EU 28 thousand respectively).

NOTE 13 - DEPOSITS FROM BANKS

	31 December 2014	31 December 2013
Deposits from banks in member countries	116,015	124,566
Total deposits from banks	**116,015**	**124,566**
Current	116,015	124,566
Non-current	-	-

Deposits from banks in the amount of EUR 137,815 thousand and USD 600 thousand has original maturity of up to three months and weighted average interest rate of 0.85 % and 0.65% respectively (31 December 2013: EUR 139,018 thousand and 0.99% respectively).

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

NOTE 14 - RETIREMENT BENEFIT OBLIGATIONS

As of 31 December 2014 and 31 December 2013 retirement benefit obligations are as follows:

	31 December 2014	31 December 2013
Pension plan liabilities	1,827	1,306
Actuarial (gain)/losses	72	52
Total	**1,899**	**1,358**

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 2014 pension plan liabilities amounting to EU 1,827 thousand comprised of EU 815 thousand (31 December 2013: EU 577 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 867 thousand (31 December 2013: EU 634 thousand) for the second pillar contributions of the Bank and employees that were started to be contributed from 1 October 2008; and of EU 145 thousand (31 December 2013: EU 95 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 contribution in monthly amounts equals to 25% of the employee's last salary immediately before becoming disabled until the employee's normal retirement age. After reaching 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 reaching normal retirement age.

In this framework, actuarial valuation of the disability pension liability of the Bank has been performed by an independent advisory firm. Actuarial valuations have been performed in accordance with the methods and estimations determined in "International Accounting Standard for Employee Benefits" ("IAS 19"). As a result of this valuation, the Bank has accounted EU 72 thousand disability pension liability as at 31 December 2014.

Movements for the retirement benefit obligations are as follows:

	31 December 2014	31 December 2013
1 January	**1,358**	**1,067**
Increase during the year	538	428
Benefits paid	(13)	(143)
Actuarial (gain)/losses for the period	16	6
At period end	**1,899**	**1,358**

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

NOTE 14 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

	31 December 2014
1 January	**52**
Current service cost	17
Interest cost	4
Amortization of Unrecognized Actuarial Loss / (Gain)	(1)
At period end	**72**

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

	31 December 2014 (%)	**31 December 2013 (%)**
Discount rate	4.7	5.6
Price inflation	2.0	2.2
Pay increase	1.5	1.5

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 reporting date are as follows:

	31 December 2014	**31 December 2013**
Male	21.48	21.48
Female	24.40	24.40

The sensitivity analysis of defined benefit obligation of excess liabilities as of 31 December 2014 is as follows:

Assumption change	**Pension excluding in-service disability**	**Salary continuation**
Discount rate +1%	(20.4%)	(9.3%)
Discount rate -1%	27.3%	10.7%

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

NOTE 15 - OTHER LIABILITIES

As at 31 December 2014 and 31 December 2013 other liabilities are as follows:

	31 December 2014	31 December 2013
Unearned income (*)	786	784
Short-term employee benefits (**)	122	99
Payables for the building under construction	-	65
Other	50	23
Total	**958**	**971**

(*) As of 31 December 2014 the Bank deferred the income amounting to EU 786 thousand (31 December 2013: EU 784 thousand) from front-end commissions during the tenor specified in the loan agreements made with financial 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 16 - SHARE CAPITAL AND SHARE PREMIUM

In accordance with Article 4 of the Agreement, the initial authorized capital of the Bank is EU 1,000,000 thousand divided into 10,000 shares each having a par value of EU 100 thousand and all capital contributions by members shall be made in currencies of SDR basket.

The Board of Governors of the Bank increased the authorized capital of the Bank to EU 1,089,100 thousand for subscription by the Islamic Republic of Afghanistan, the Republic of Azerbaijan and Kyrgyz Republic with EU 50,000 thousand, EU 32,500 thousand and EU 6,600 thousand respectively.

On 15 February 2013, Articles of Agreement have been ratified by the Milli Mejlis of the Republic of Azerbaijan. The payment of the paid-in shares of the Republic of Azerbaijan, equivalent to EU 9,750 thousand shall be made in one initial payment of EU 1,950 thousand which is already paid and five equal consecutive annual installments of EU 1,560 thousand each.

The Islamic Republic of Afghanistan declared the acceptance of the Articles of Agreement on 15 March 2014 and agreed to become a new member of the Bank with EU 50,000 thousand subscribed share capital. The payment of the paid-in shares of the Islamic Republic of Afghanistan, equivalent to EU 15,000 thousand shall be made in one initial payment of EU 3,000 thousand which is already paid and five equal consecutive annual installments of EU 2,400 thousand each.

As of 31 December 2014, the subscribed capital is EU 1,082,500 thousand (31 December 2013: EU 1,032,500 thousand) comprising 10,825 shares. The paid-in capital of EU 306,510 thousand (31 December 2013: EU 301,950 thousand) is reflected at its cost.

Out of the said subscribed capital EU 757,750 thousand may become callable, upon a 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.

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

NOTE 16 - SHARE CAPITAL AND SHARE PREMIUM (Continued)

The issued share capitals as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Authorized share capital	1,089,100	1,082,500
Less: unallocated share capital	(6,600)	(50,000)
Subscribed share capital	**1,082,500**	**1,032,500**
Less: callable share capital	(757,750)	(722,750)
Less: shares called but not yet due	(18,240)	(7,800)
Paid-in share capital	**306,510**	**301,950**

As at 31 December 2014 share capital structure of the Bank showing the number of shares, the amount subscribed by each member, including their respective callable and payable as well as the amount paid-in is as follows:

	Shares	Subscribed	Callable	Payable	Paid-in
The Islamic Republic of Iran	3,333	333,333	233,333	-	100,000
The Islamic Republic of Pakistan	3,333	333,333	233,333	-	100,000
The Republic of Turkey	3,333	333,333	233,333	-	100,000
The Republic of Azerbaijan	325	32,500	22,750	6,240	3,510
The Islamic Republic of Afghanistan	500	50,000	35,000	12,000	3,000
Total	**10,825**	**1,082,500**	**757,750**	**18,240**	**306,510**

NOTE 17 - NET INTEREST INCOME

	31 December 2014	31 December 2013
Interest income on:		
Loans and advances:		
- to financial institutions	7,399	6,167
money market placements	*4,211*	*4,243*
other loans and advances	*3,188*	*1,924*
- to customers	2,508	2,334
Investment securities	1,074	858
Total interest income	**10,981**	**9,359**
Interest expense on:		
Deposits from banks	(1,235)	(1,202)
Pension plan liabilities	(43)	(36)
Total interest expense	**(1,278)**	**(1,238)**
Net interest income	**9,703**	**8,121**

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

NOTE 18 - NET FEE AND COMMISSION INCOME

	31 December 2014	31 December 2013
Fee and commission income on loans	500	251
Other	-	23
Total fee and commission income	**500**	**274**
Commissions paid to banks	(4)	(6)
Total fee and commission expense	**(4)**	**(6)**
Net fee and commission income	**496**	**268**

NOTE 19 - OPERATING EXPENSES

	31 December 2014	31 December 2013
Salaries and benefits	2,831	2,869
Pension plan expenses	321	284
Social security contribution expenses	108	125
Travel and accommodation expenses	100	104
Contribution expenses (*)	73	63
Annual leave pay provision	15	44
Income tax on emoluments	12	16
Other	22	26
Total personnel expenses	**3,482**	**3,531**
Depreciation and amortization (Notes 10 and 11)	223	100
Operating lease expenses (**)	45	173
Net impairment (gain)/loss on financial assets	(107)	44
	3,643	**3,848**
Maintenance and repair expenses	192	77
Consultant and third party fees	182	131
Subscription and membership expenses	92	75
BoG and BoD meetings expenses	48	36
Communication expenses	43	42
Audit Committee expenses	20	18
Other expenses	81	69
Other operating expenses	**658**	**448**
Total operating expenses	**4,301**	**4,296**

(*) 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 Representative Offices in Iran and Pakistan.

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

NOTE 20 - 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 2014	31 December 2013
Credit limit commitments	46,621	29,415
Other commitments	7	6
Total	**46,628**	**29,421**

As at 31 December 2014 the Bank has credit limit commitments to the financial institutions and customers due to SME Support Program and Project finance are EU 6,902 and EU 39,719 thousand respectively (31 December 2013: None and EU 29,415 thousand).

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

NOTE 21 - 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 market risk.

31 December 2014	Banking	Treasury	Total
Interest income	5,696	5,285	10,981
Fee and commission income	500	-	500
Total segment revenues	**6,196**	**5,285**	**11,481**
Interest expense	-	(1,278)	(1,278)
Fee and commission expense	-	(4)	(4)
Foreign exchange gains, net	-	(805)	(805)
Administrative expenses	(3,061)	(1,124)	(4,185)
Depreciation and amortization	(149)	(74)	(223)
Segment income before impairment	**2,986**	**2,000**	**4,986**
Net impairment reversal	107	-	107
Net income for the period	**3,093**	**2,000**	**5,093**
Segment assets	**185,758**	**273,642**	**459,400**
Segment liabilities	**639**	**121,671**	**122,310**

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

NOTE 21 - SEGMENT ANALYSIS (Continued)

31 December 2013	Banking	Treasury	Total
Interest income	4,258	5,101	9,359
Fee and commission income	274	-	274
Total segment revenues	**4,532**	**5,101**	**9,633**
Interest expense	-	(1,238)	(1,238)
Fee and commission expense	-	(6)	(6)
Foreign exchange gains, net	-	347	347
Administrative expenses	(3,062)	(1,090)	(4,152)
Depreciation and amortization	(67)	(33)	(100)
Segment income before impairment	**1,403**	**3,081**	**4,484**
Net impairment loss	(44)	-	(44)
Net income for the period	**1,359**	**3,081**	**4,440**
Segment assets	**194,177**	**260,510**	**454,687**
Segment liabilities	**971**	**127,162**	**128,133**

NOTE 22 - 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, The Islamic Republic of Pakistan, The Republic of Azerbaijan and The Islamic Republic of Afghanistan.

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

(i) Balances with related parties:

	31 December 2014		31 December 2013	
	Total	Share in Total %	Total	Share in Total %
Loans and advances to customers, net	26,686	31	6,496	7
Investment Securities: Available-for-sale	8,321	31	5,633	26
Total assets	**35,007**	**8**	**12,129**	**3**

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

NOTE 22 - RELATED PARTY TRANSACTIONS (Continued)

(ii) Transactions with related parties:

	31 December 2014		31 December 2013	
	Total	Share in Total %	Total	Share in Total %
Interest income on:				
- Loans and advances to customers	352	14	130	6
- Investment securities	533	50	466	54
Fee and commission income	56	1	1	-
Total interest and fee income	**941**	**8**	**597**	**6**

Balances with related parties are comprised of the Eurobonds issued by Government of Pakistan with face value of USD 11,741 thousands, project finance of USD 8,645 thousands made 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 and USD 30,000 thousand made to Government of Pakistan in order to finance oil import.

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 549 thousand as of 31 December 2014 (31 December 2013: EU 524 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 23 – SUBSEQUENT EVENTS

The Kyrgyz Republic has signed the Articles of Agreement establishing the ECO Trade and Development Bank in order to become a member of the Bank on 12 February 2015. With the signature of the agreement, the Kyrgyz Republic is expected to finalize the national procedures for ratification/acceptance of the subject agreement and formally become a member of the Bank.