The Economic Cooperation Organization Trade and Development Bank

Financial Statements As of and for the Year Ended
December 31, 2007
With Independent Auditor's
Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

May 9, 2008

This report includes "Independent Auditor's Report" comprising 1 page; and financial statements and their accompanying notes comprising 20 pages.

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KPMG

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Independent Auditors' Report

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

We have audited the accompanying financial statements of The Economic Cooperation Organization Trade and Development Bank ("the Bank"), which comprise the balance sheet as at December 31, 2007, and the statements of income, changes in equity and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 principles 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of December 31, 2007; and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Istanbul, Turkey
May 9, 2008

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

The Economic Cooperation Organization Trade and Development Bank

Balance Sheet

At December 31, 2007

(Currency: In thousand ECO Unit (000' EU) otherwise not stated)

	Note	December 31, 2007	December 31, 2006
Assets			
Cash and cash equivalents	*10*	111,007	60,756
Property and equipment	*12*	362	-
Intangible assets	*13*	9	-
Other assets	*11*	475	-
Total assets		**111,853**	**60,756**
Liabilities			
Other liabilities	*15*	410	18
Total liabilities		**410**	**18**
Members' equity			
Authorized share capital	*14*	1,000,000	1,000,000
Less: unallocated share capital	*14*	(700,000)	(700,000)
Subscribed share capital	*14*	300,000	300,000
Less: callable share capital	*14*	(192,000)	(240,000)
Paid-in share capital	*14*	108,000	60,000
Reserves		738	-
Retained earnings		2,705	738
Total members' equity		**111,443**	**60,738**
Total members' equity and liabilities		**111,853**	**60,756**

The notes on pages 5 to 20 are an integral part of these financial statements.

The Economic Cooperation Organization Trade and Development Bank

Income Statement

For the year ended December 31, 2007

(Currency: In thousand ECO Unit (000' EU) otherwise not stated)

	Note	December 31, 2007	For the period from August 4, 2006 to December 31, 2006
Interest and similar income		3,595	857
Net interest income		**3,595**	**857**
Foreign exchange gain, net		662	28
Operating income		**4,257**	**885**
Personnel expenses	*6*	(1,230)	(16)
Operating lease expenses	*7*	(119)	-
Depreciation and amortization	*12, 13*	(55)	-
Withholding tax refund/(expense)	*8*	88	(129)
Other expenses	*9*	(236)	(2)
Operating expenses		**(1,552)**	**(147)**
Profit from operations		**2,705**	**738**
Net profit		**2,705**	**738**

The notes on pages 5 to 20 are an integral part of these financial statements.

The Economic Cooperation Organization Trade and Development Bank

Statement of Changes in Members' Equity

For the year ended December 31, 2007

(Currency: In thousand ECO Unit (000' EU) otherwise not stated)

	Share capital					
	Subscribed	**Callable**	**Payable**	**Reserves**	**Retained earnings**	**Total**
At August 4, 2006	**300,000**	**(240,000)**	**(60,000)**	-	-	-
Paid-in share capital	-	-	60,000	-	-	60,000
Net income for the year	-				738	738
At 31 December 2006	**300,000**	**(240,000)**	**-**	**-**	**738**	**60,738**
Paid-in share capital	-	48,000	-	-	-	48,000
Appropriation of profit	-	-	-	738	(738)	-
Net income for the year	-	-	-	-	2,705	2,705
At 31 December 2007	**300,000**	**(192,000)**	**-**	**738**	**2,705**	**111,443**

The notes on pages 5 to 20 are an integral part of these financial statements.

The Economic Cooperation Organization Trade and Development Bank

Statement of Cash Flows

For the year ended December 31, 2007

(Currency: In thousand ECO Unit (000' EU) otherwise not stated)

	December 31, 2007	For the period from August 4, 2006 to December 31, 2006
Cash flows from operating activities:		
Profit for the period	2,705	738
Adjustments for:		
Depreciation and amortization	55	-
Accrued expenses	66	18
Post employment benefits	95	-
	2,921	756
Change in other assets	(475)	-
Change in other liabilities	231	-
Net cash provided from operating activities	2,677	756
Cash flows from investing activities:		
Purchase of property and equipment	(416)	-
Purchase of intangible assets	(10)	-
Net cash used in investing activities	(426)	-
Cash flows from financing activities:		
Paid-in share capital	48,000	60,000
Net cash from financing activities	48,000	60,000
Net increase in cash and cash equivalents	50,251	60,756
Cash and cash equivalents at the beginning of the period	60,756	-
Cash and cash equivalents at December 31	**111,007**	**60,756**

The notes on pages 5 to 20 are an integral part of these financial statements.

The Economic Cooperation Organization Trade and Development Bank

Notes to the Financial Statements
As at and for the year ended December 31, 2007

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

1 Reporting Entity

The Economic Cooperation Organization Trade and Development Bank ("the Bank") was established by the three founding members of the Economic Cooperation Organization ("ECO"); Iran, Pakistan and Turkey under the Articles of Agreement ("the Agreement"). The Articles of Agreement became effective on August 3, 2005 with the parliamentary approvals of all three member countries. The governments of the three member countries appointed all the members of the Board of Governors and Board of Directors in 2006. For the first five years starting from November 2006 the first President of the Bank was appointed from Turkey and the position of the President will pass to other member countries on a four-year rotation basis after the first five years. The Bank is planning to start its credit operations by the second quarter of 2008.

The mission of the Bank is to initiate, to promote and to provide financial facilities to expand intra-regional trade and to promote the economic development of ECO member countries.

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

As of December 31, 2007, the number of employees of the Bank is 25 (2006: 1).

2 Basis of Preparation

(a) Statement of compliance

The accompanying financial statements are complete set of financial statements and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the financial instruments.

(c) Functional and presentation currency

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

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

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

2 Basis of Preparation *(continued)*

(d) Use of estimates and judgments

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, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Interest income

Interest income is recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees 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.

(b) Expenses

Expenses are recognized in the income statement on an accrual basis.

(c) Foreign currency transactions

Foreign currency transactions are initially recorded in SDR by applying to the foreign currency amount the exchange rate between SDR and the foreign currency at the rate prevailing on the date of transaction as provided by the IMF. Exchange gains and losses arising from the translation of monetary assets and liabilities at year end exchange rates are reflected to the income statement.

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

		December 31, 2007	**December 31, 2006**
1 EU (SDR)=	United States Dollar	1.5785	1.5044
	Euro	1.0744	1.1423
	Japanese Yen	179.9470	178.9480
	Pound Sterling	0.7893	0.7664
	Turkish Lira	1.8457	2.1242

3 Significant Accounting Policies *(continued)*

(d) Financial instruments

(i) Recognition

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

(ii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or 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.

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

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(iv) Amortized cost measurement

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 method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Identification and measurement of impairment

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

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

3 Significant Accounting Policies *(continued)*

(d) *Financial instruments* (continued)

(v) Identification and measurement of impairment (continued)

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

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

(e) *Property and equipment*

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

Expenditures incurred to replace a component of an item of property and equipment that are accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the tangible asset item. All other expenditure is recognized in the statement of operations as an expense as incurred.

(iii) Depreciation

Property and equipment are depreciated over the estimated useful lives of the related assets from the date of purchase or the date of installation on straight-line basis. Property and equipment are depreciated at cost.

The depreciation periods for property and equipment which approximate the economic useful lives of such assets (for leasehold improvements; the periods of respective leases) are as follows:

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

3 Significant Accounting Policies *(continued)*

(f) 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 which are 4 and 5 years for software of personnel computers and servers respectively.

(g) Taxation

According to Article 12 of Headquarters Agreement dated at December 27, 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.

(h) 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.

(i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets 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.

Cash and cash equivalents are carried at amortized cost in the balance sheet.

(j) Other assets

Other assets are comprised of all kind of receivables including advances and tax receivables from the Ministry of Finance of Turkey and are stated at their cost, less impairment losses.

(k) Annual leave pay liability

The Bank provides annual leave provision for the employees under its employee Benefit System Policy. According to the policy the Bank's leave year begins on January 1st and ends on December 31st. Full-time professional staff members are entitled to an annual leave of fifteen workdays per year with service of less than and including ten years, twenty workdays per year with service after ten years and more. New professional staff members will be eligible for annual leave after six months of service.

3 Significant Accounting Policies *(continued)*

(l) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2007, and have not been applied in preparing these financial statements.

- IFRS 8, Operating Segments (effective for financial years beginning on or after January 1, 2009) introduces the "management approach" to segment reporting. IFRS 8 will require the disclosure of segment information based on the internal reports regularly reviewed by the Bank's Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

- Revised IAS 23, Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Bank's 2009 financial statements but will not constitute a change in accounting policy for the Bank as the Bank has already elected the accounting policy to capitalize borrowing cost directly attributable to the acquisition, construction, or production of a qualifying asset. Therefore it is not expected to have any effect on the financial statements

- IFRIC 11, IFRS 2-Company and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Bank's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.

- IFRIC 12, Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Bank's 2008 financial statements, is not expected to have any effect on the financial statements.

- IFRIC 13, Customer Loyalty Programs addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits that operate, customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the financial statements.

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Bank's 2008 financial statements, with retrospective application required. It is not expected to have any effect on the financial statements.

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

4 Determination of Fair Values

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.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

5 Financial Risks

Within the context of its operations, the Bank is exposed to three types of financial risks: market risk, liquidity risk and credit risk.

(i) Market risk

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

(ii) Liquidity risk

Liquidity risk is the risk that the Bank is unable to fund assets or to fulfill its financial obligations at a reasonable price as they become due. The management of the liquidity risk is concentrated on the timing of the cash in-flows and out-flows as well as in the adequacy of the available cash and liquidity securities. For this, the Bank estimates and relates all expected cash flows from assets and liabilities.

(iii) Credit risk:

Credit risk is the risk of financial loss to the Bank if counterparty fails to meet its contractual obligations as they fall due and arises principally from the Bank's lending and treasury activities. The Bank pays particular attention to managing credit risks in the course of its core activities and treasury operations. The Bank reviews on a regular basis the credit limits of counterparties and takes actions accordingly.

6 Personnel Expenses

For the year ended December 31, 2007 and for the period from August 4, 2006 to December 31, 2006, personnel expenses comprised the following:

	2007	**2006**
Salaries and benefits	804	16
Income tax on emoluments	214	-
Pension plan provision expense	95	-
Social security expenses	57	-
Travel and accommodation expenses	46	-
Other	14	-
	1,230	**16**

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

7 Operating Lease Expenses

The Bank has entered into operating lease agreement for headquarters building in Istanbul with Türkiye Halk Bankası A.Ş. dated December 27, 2006 for the year 2007 (starting from January 2007) and the lease agreement is automatically extended for 2008.

8 Withholding Tax Refund / (Expense)

As at December 31, 2006, the Bank paid and accrued withholding tax amounting to EU 40 thousand and EU 88 thousand respectively. The Bank also paid withholding tax in 2007, until the Ministry of Finance of Turkey declared the withholding tax exemption for the Bank.

The Bank applied to Ministry of Finance at June 17, 2007 to reimburse these withholding taxes and on July 26, 2007 the Ministry declared that the Bank has been entitled to tax exemption for withholding tax.

As of December 31, 2007, the Bank reversed withholding taxes paid in 2007 through profit or loss including the accrued portion as of December 31, 2006 amounting to EU 88 thousand, since the Bank paid out in 2007.

Regarding the withholding tax amounting to EU 40 thousand paid in 2006, the Bank is waiting for the response to its applications by the Finance Ministry which is the only unrecovered withholding tax amount as of the report date.

9 Other Expenses

For the year ended December 31, 2007 and for the period from August 4, 2006 to December 31, 2006, other expenses comprised the following:

	2007	**2006**
Consultant and third party fees	65	-
BoG & BoD meetings expenses	54	2
Subscription and membership	28	-
Communication expenses	22	-
Other	67	-
	236	**2**

10 Cash and Cash Equivalents

As at December 31, cash and cash equivalents comprised the following:

	December 31, 2007	**December 31, 2006**
Time deposits	110,939	60,756
Demand deposits	67	-
Cash	1	-
	111,007	**60,756**

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

11 Other Assets

As at December 31, other assets comprised the following:

	December 31, 2007	**December 31, 2006**
Withholding tax refunds	327	-
Private consumption tax refund	79	-
Value added taxes ("VAT") refund	62	-
Other tax refunds	3	
Others	4	-
	475	-

The Bank was informed by the Ministry of Finance due to the Bank's application on July 17, 2007 about the tax exemptions granted according to the article 12 of Headquarters Agreement dated at December 27, 2006 and from that date Bank follows in other assets, the taxes paid which are within the scope of the Ministry's declaration.

12 Property and Equipment

The movements in property and equipment during the year ended December 31, 2007 were as follows:

	Machinery and equipment	**Motor vehicles**	**Furniture and fixtures**	**Leasehold improvements**	**Total**
Cost					
At December 31, 2006	-	-	-	-	-
Acquisitions	107	106	68	135	416
Disposals	-	-	-	-	-
At December 31, 2007	107	106	68	135	416
Accumulated Depreciation					
At December 31, 2006	-	-	-	-	-
Charge for the period	13	7	12	22	54
At December 31, 2007	13	7	12	22	54
Carrying amounts					
At December 31, 2006	-	-	-	-	-
At December 31, 2007	**94**	**99**	**56**	**113**	**362**

As at December 31, 2007, property and equipment excluding the motor vehicles were insured against fire and damage to the extent of EU 282 thousand (TRY 520 thousand). Motor vehicles are insured against accident at their cost.

(Currency: In thousand ECO Unit (“000’ EU”) otherwise not stated)

13 Intangible Assets

As at December 31, 2007, intangible assets consist of software amounting to EU 9 thousand (2006: None) which is the net of gross book value EU 10 thousand and accumulated amortization EU 1 thousand.

14 Share Capital

In accordance with Article 4 of the Agreement, the authorized capital of the Bank shall be EU 1,000,000 thousand divided into 10,000 shares each having a par value of EU 100 thousand. Out of the said authorized capital EU 700,000 thousand may become payable, upon an unanimous decision of the Board of Governors, by the member countries in such manner and on such terms as deemed fit by the Board of Governors. All capital contributions by members shall be made in currencies of SDR basket. The authorized capital or the subscribed portion of it may be increased by the vote of the Board of Governors. Each founding member shall subscribe to such increase on equal basis subject to the provisions of Article 3 of the Agreement.

As at December 31, 2007, the subscribed capital is EU 300,000 thousand (2006: EU 300,000 thousand) comprising 3,000 shares. The paid-in capital of EU 108,000 thousand (2006: EU 60,000 thousand) is reflected at its cost. The remaining total amount of subscribed capital which is equivalent to EU 192,000 thousand (2006: EU 240,000 thousand) should be paid in four equal consecutive annual installments.

The issued share capital at the end of the year 2007 and 2006 are analyzed as follows:

	December 31, 2007	**December 31, 2006**
Authorized share capital	1,000,000	1,000,000
Less: unallocated share capital	(700,000)	(700,000)
Subscribed share capital	300,000	300,000
Less: Shares not yet called	(192,000)	(240,000)
Paid-in share capital	108,000	60,000

As at December 31, 2007 and 2006 share capital structure of the Bank is as follows:

			December 31, 2007	**December 31, 2006**	**Voting Power**
	Shares	Subscribed	Paid-in	Paid-in	**(%)**
Turkey	1,000	100,000	36,000	20,000	33,33
Iran	1,000	100,000	36,000	20,000	33,33
Pakistan	1,000	100,000	36,000	20,000	33,33
	3,000	300,000	108,000	60,000	100,00

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

15 Other Liabilities

As at December 31, other liabilities comprised the following:

	December 31, 2007	December 31, 2006
Accrual for income tax of employees*	214	-
Provision for pension plan contributions	95	-
Expense accruals	56	18
Annual leave provision	10	-
Other	35	-
	410	18

(*) According to the article 12 of Headquarters Agreement, the Bank is immune from any obligation for the payment, withholding or collection of any tax. Due to this article; the personnel who are not exempted from taxation declare their own tax statement in respect of salaries and emoluments paid to them by the Bank. Meanwhile, the Bank undertook the responsibility of the payment of the tax debt to the Ministry of Finance on behalf of the related staff. First installment of the declared income tax will be paid on March 31, 2008 and the second equal installment will be paid on July 31, 2008.

Pension plan

According to the Pension Plan Policy which is unapproved as of December 31, 2007, the Bank's liability is limited up to the 19% of each participant's basic salary which is the sum of first and second pillar contribution rates and the retrospective investment returns regarding the first pillar contributions. Since, the Plan is not operative and due to this which employees are to be the participants of the Plan is unclear yet, 20% of each employee's basic salary is reflected as provision in the accompanying balance sheet.

Annual leave liability

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.

16 Financial Risk Management

Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Fair values of other assets are considered to approximate their respective carrying values due to their short-term nature.

The fair values of monetary assets are analyzed below:

	December 31, 2007		December 31, 2006	
	Fair value	Book value	Fair value	Book value
Cash and cash equivalents	111,006	111,007	60,756	60,756
Other assets	475	475	-	-

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

16 Financial Risk Management *(continued)*

Liquidity risk:

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank has access to funding sources from its members.

	December 31, 2007				
	Up to 1 month	1 to 3 Months	3 to 12 Months	Over 1 year	Total
Monetary assets					
Cash and cash equivalents	33,128	77,879	-	-	111,007
Other assets	327	78	70	-	475
	33,455	**77,957**	**70**	**-**	**111,482**
Monetary liabilities					
Other liabilities	101	107	107	95	410
	101	**107**	**107**	**95**	**410**
Liquidity position as at December 31, 2007	**33,354**	**77,850**	**(37)**	**(95)**	**111,072**

	December 31, 2006				
	Up to 1 month	1 to 3 Months	3 to 12 Months	Over 1 year	Total
Monetary assets					
Cash and Cash Equivalents	60,756	-	-	-	60,756
	60,756	**-**	**-**	**-**	**60,756**
Monetary liabilities					
Other liabilities	16	-	2	-	18
	16	**-**	**2**	**-**	**18**
Liquidity position as at December 31, 2006	**60,740**	**-**	**(2)**	**-**	**60,738**

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

16 Financial Risk Management *(continued)*

Foreign currency risk:

The Bank is exposed to currency risk through transactions in foreign currencies. The main measurement currencies of its foreign exchange operations are EURO and USD. As the currency in which the Bank presents its financial statements is EU, the financial statements are affected by movements in the exchange rates against EU.

	December 31, 2007						
	US Dollar	**Euro**	**Japanese Yen**	**Pound Sterling**	**Turkish Lira**	**SDR ("EU")**	**Total**
Assets							
Cash and cash equivalents	53,046	57,956	-	-	5	-	111,007
Property and equipment	-	-	-	-	-	362	362
Intangible assets	-	-	-	-	-	9	9
Other assets	1	2	-	-	472	-	475
Total assets	**53,047**	**57,958**	**-**	**-**	**477**	**371**	**111,853**
Liabilities							
Other liabilities	172	2	-	-	236	-	410
Members' equity	-	-	-	-		111,443	111,443
Total liabilities	**172**	**2**	**-**	**-**	**236**	**111,443**	**111,853**
Net balance sheet position	52,875	57,956	-	-	241	(111,072)	-
SDR weights correction	(44,531)	(42,444)	(11,373)	(12,724)	-	111,072	-
Long/(Short) position as at December 31, 2007	**8,344**	**15,512**	**(11,373)**	**(12,724)**	**241**	**-**	**-**

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

16 Financial Risk Management *(continued)*

Foreign currency risk: (continued)

	December 31, 2006					
	US Dollar	**Euro**	**Japanese yen**	**Pound sterling**	**SDR ("EU")**	**Total**
Assets						
Cash and cash equivalents	29,970	30,786	-	-	-	60,756
Total assets	**29,970**	**30,786**	**-**	**-**	**-**	**60,756**
Liabilities						
Other liabilities	18	-	-	-	-	18
Members' equity	-	-	-	-	60,738	60,738
Total liabilities	**18**	**-**	**-**	**-**	**60,738**	**60,756**
Net balance sheet position	29,952	30,786	-	-	(60,738)	-
SDR weights correction	(25,524)	(21,808)	(6,247)	(7,159)	60,738	-
Long/(Short) position at December 31, 2006	**4,428**	**8,978**	**(6,247)**	**(7,159)**	**-**	**-**

Sensitivity Analysis

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

A 1 percent weakening of the EU against the following currencies at December 31, 2007 and 2006 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.

	December 31, 2007		**December 31, 2006**	
	Profit or loss	Equity	Profit or loss	Equity
US Dollar	529	529	299	299
Euro	579	579	308	308
	1,108	**1,108**	**607**	**607**

(Currency: In thousand ECO Unit ("000' EU") otherwise not stated)

16 Financial Risk Management *(continued)*

Interest rate risk:

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

	December 31, 2007	December 31, 2006
Financial assets – Fixed rate	111,007	60,756

The Bank does not have any floating rate financial assets and liabilities, and financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

17 Commitments and Contingencies

The Bank has given guarantee letter obtained from TC Ziraat Bankası A.Ş. to Türk Telekom A.Ş. amounting to EU 5 thousand (TRY 9 thousand) in order to initiate communication service provided (2006: None).

18 Subsequent Events

New credits

According to the Board of Directors decisions dated February 12, 2008 and April 7, 2008, the Bank has established Treasury and Medium Term Credit Facility Limits for several financial institutions in its member states.

Pension plan

The Board of Directors of the Bank has approved the Pension Plan Policy in April 2008.

Tax Refund

The taxes disclosed in note 11 "Other Assets" were refunded on the dates as follows:

	Amount	Refund Date
Withholding tax refunds	327	January 17, 2008
Private consumption tax refund	79	February 11, 2008