KPMG

The Economic Cooperation Organization Trade and Development Bank

Financial Statements as of and for the Year Ended
December 31, 2008
With Independent Auditors'
Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

April 14, 2009

This report includes "Independent Auditors' Report" comprising 1 page and financial statements and their explanatory notes comprising 29 pages.

The Economic Cooperation Organization
Trade and Development Bank

Table of Contents

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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, 2008, and the income statement, statement of changes in members' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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 at December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Istanbul, Turkey
April 14, 2009

KPMG Akis Bağımsız Denetim ve SMMM AŞ

The Economic Cooperation Organization Trade and Development Bank

Balance Sheet

At December 31, 2008

(Currency: In thousand ECO Unit (000' EU) unless otherwise stated)

	Note	December 31, 2008	December 31, 2007
Assets			
Cash and cash equivalents	*9*	106,951	111,007
Loans and advances to credit institutions	*10*	55,541	-
Property and equipment	*12*	322	362
Intangible assets	*13*	17	9
Other assets	*11*	138	475
Total assets		**162,969**	**111,853**
Liabilities			
Employee benefits	*15*	302	105
Other liabilities	*16*	332	305
Total liabilities		**634**	**410**
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*	(144,000)	(192,000)
Paid-in share capital	*14*	156,000	108,000
Reserves		3,443	738
Retained earnings		2,892	2,705
Total members' equity		**162,335**	**111,443**
Total members' equity and liabilities		**162,969**	**111,853**

The notes on pages 5 to 29 are an integral part of these financial statements.

The Economic Cooperation Organization Trade and Development Bank

Income Statement

For the year ended December 31, 2008

(Currency: In thousand ECO Unit (000' EU) unless otherwise stated)

	Note	December 31, 2008	December 31, 2007
Interest and similar income		6,253	3,595
Net interest income		**6,253**	**3,595**
Fee and commission income		3	-
Fee and commission expense		(2)	(1)
Net fee and commission income		**1**	**(1)**
Foreign exchange gain (loss), net		(646)	662
Operating income		**5,608**	**4,256**
Net impairment loss on financial assets	*10*	(6)	-
Personnel expenses	*5*	(2,250)	(1,230)
Operating lease expenses	*6*	(127)	(119)
Depreciation and amortization	*12 and 13*	(101)	(55)
Withholding tax refund/(expense)	*7*	-	88
Other expenses	*8*	(232)	(235)
Operating expenses		**(2,716)**	**(1,551)**
Profit from operations		**2,892**	**2,705**
Net Profit for the period		**2,892**	**2,705**

The notes on pages 5 to 29 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, 2008

(Currency: In thousand ECO Unit (000' EU) unless otherwise stated)

	Share capital				
	Subscribed	**Callable**	**Reserves**	**Retained earnings**	**Total**
At December 31, 2006	**300,000**	**(240,000)**	**-**	**738**	**60,738**
Paid-in share capital	-	48,000	-	-	48,000
Appropriation of profit	-	-	738	(738)	-
Net period income	-	-	-	2,705	2,705
At December 31, 2007	**300,000**	**(192,000)**	**738**	**2,705**	**111,443**
Paid-in share capital	-	48,000	-	-	48,000
Appropriation of profit	-	-	2,705	(2,705)	-
Net period income	-	-	-	2,892	2,892
At December 31, 2008	**300,000**	**(144,000)**	**3,443**	**2,892**	**162,335**

The notes on pages 5 to 29 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, 2008

(Currency: In thousand ECO Unit (000' EU) unless otherwise stated)

	Note	December 31, 2008	December 31, 2007
Cash flows from operating activities:			
Profit for the period		2,892	2,705
Adjustments for:			
Depreciation and amortization	*12 and 13*	101	55
Net impairment loss on loans and advances	*10*	6	-
Accrued interest and expenses		(480)	66
Provision for post employment benefits		159	95
		2,678	2,921
Change in loans and advances to credit institutions		(55,027)	-
Change in other assets		337	(475)
Change in employee benefits		38	-
Change in other liabilities		(13)	231
Net cash provided from (used in) operating activities		(51,987)	2,677
Cash flows from investing activities:			
Acquisition of property and equipment	*12*	(57)	(416)
Acquisition of intangible assets	*13*	(12)	(10)
Net cash used in investing activities		(69)	(426)
Cash flows from financing activities:			
Paid-in share capital		48,000	48,000
Net cash from financing activities		48,000	48,000
Net increase (decrease) in cash and cash equivalents		(4,056)	50,251
Cash and cash equivalents at the beginning of the period		111,007	60,756
Cash and cash equivalents at December 31	*9*	**106,951**	**111,007**

The notes on pages 5 to 29 are an integral part of these financial statements.

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 has started its credit operations by the fourth 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, 2008, the number of employees of the Bank is 37 (December 31, 2007: 25).

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").

The Management Committee of the Bank decided to submit the financial statements as of and for the year ended December 31, 2008, to the Board of Directors for their approval on April 14, 2009. Pursuant to Article 14 of the Agreement, these financial statements shall be subject to approval by the Board of Governors in their Annual Meeting.

(b) *Basis of measurement*

The financial statements have been prepared on a historical cost basis.

(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").

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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 12 – Property and equipment
Note 13 – Intangible assets
Note 15 – Employee benefits

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) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

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

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

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

3 Significant Accounting Policies *(continued)*

(d) 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, 2008	**December 31, 2007**
1 EU (SDR)=	United States Dollar	1.5478	1.5785
	Euro	1.0979	1.0744
	Japanese Yen	140.4640	179.9470
	Pound Sterling	1.0678	0.7893
	Turkish Lira	2.3521	1.8457

(e) 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.

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.

(ii) 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.

3 Significant Accounting Policies *(continued)*

(e) *Financial instruments* *(continued)*

(iii) Subsequent measurement

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

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

(iv) Identification and measurement of impairment

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

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

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

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

(f) *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.

3 Significant Accounting Policies *(continued)*

(f) ***Property and equipment*** *(continued)*

(ii) Subsequent expenditure

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 income statement 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

(g) ***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.

(h) ***Leasing transactions***

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

(i) ***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.

3 Significant Accounting Policies *(continued)*

(j) 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.

(k) 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.

(l) Employee benefits

(i) Pension plan

The Bank operates a pension plan implemented beginning from October 1, 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:

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

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

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

	2008	
	Employer	***Employee***
Pension contributions	***%***	***%***
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%.

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

3 Significant Accounting Policies *(continued)*

(l) Employee benefits (continued)

(i) Pension plan (continued)

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

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

The principal actuarial assumptions used as at December 31, 2008 are as follows:

	2008 (*)
	%
Discount rates at December 31	6.5
Inflation rates	2.5
Future real salary increase rates	1.5

(*) Discount rate of 6.5% by reference to AA corporate bonds in US and the EVK00 standard mortality tables and EVK00 disability table, adjusted by 50%.

(ii) Defined contribution plan

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

(iii) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The Bank's short term employee benefits comprised of annual leave pay.

Annual leave pay liability

The Bank provides annual leave pay 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)*

(m) Provisions, commitments and contingencies

In accordance with IAS 37, "Provision, Contingent Liabilities and Contingent Assets", a provision is recognized when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Bank discloses the related issues in the accompanying notes.

Contingent assets are disclosed in the notes and not recognized unless it is realized.

(n) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Bank has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis.

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.

(o) Subsequent events

Post-balance sheet events that provide additional information about the Bank's position at the balance sheet date (adjusting events) are reflected in the financial statements. Material post-balance sheet events that are not adjusting events are disclosed in the notes to the financial statements.

(p) 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".

(q) Segment reporting

As of December 31, 2008 and December 31, 2007 since the Bank has a single business area and operates in a single geographical segment, segment information disclosure is not considered as necessary.

(r) 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, 2008, and have not been applied in preparing these financial statements.

IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Bank's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Bank's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, the Bank's principal activity is to provide financing services substantially in one geographical segment (member countries). Therefore, it is not expected to have any impact on the financial statements.

Revised IAS 1 Presentation of Financial Statements does not change the recognition measurement or disclosure of transactions and events that are required by other IFRSs. The revised standard introduces as a financial statement the "statement of comprehensive income". The revised standard is effective for annual financial periods beginning on or after January 1, 2009, with early adoption permitted.

3 Significant Accounting Policies *(continued)*

(r) ***New standards and interpretations not yet adopted*** *(continued)*

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. However, it is not expected to have any impact on the financial statements.

IFRS 3 – Business Combinations & IAS 27 Consolidated and Separate Financial Statements; the International Accounting Standards Board ("IASB") has completed the second phase of its business combinations project by issuing a revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements which also brings revisions to IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. The new requirements take effect on July 1, 2009, although entities are permitted to adopt them earlier, is not expected to have any impact 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.

Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of "non vesting conditions", requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2009, with early adoption permitted and are not expected to have any impact on the financial statements.

Amendments to "IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation" improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. The amendments will apply for annual periods beginning on or after January 1, 2009, with earlier application permitted and are not expected to have any impact on the financial statements.

(Currency: In thousand ECO Unit ("000' EU") unless otherwise 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. 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.

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 balance sheet date.

Loans and advances to credit institutions

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

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

	December 31, 2008		**December 31, 2007**	
	Fair value	Carrying value	Fair value	Carrying value
Cash and cash equivalents	107,129	106,951	111,006	111,007
Loans and advances to credit institutions	55,683	55,541	-	-
Other assets	138	138	475	475

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

5 Personnel Expenses

For the years ended December 31, personnel expenses are as follows:

	2008	2007
Salaries and benefits	1,597	784
Income tax on emoluments	267	214
Pension plan expenses	137	95
Social security contribution expenses	93	57
Travel and accommodation expenses	78	46
Contribution expenses*	48	20
Annual leave pay provision	16	10
Other	14	4
	2,250	**1,230**

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

6 Operating Lease Expenses

The Bank has entered into operating lease agreement for headquarters building in Istanbul with Türkiye Halk Bankası AŞ dated December 27, 2006 for the year 2007 (starting from January 2007) and the lease agreement is automatically extended for the year 2008. The Bank's operating lease expenses are EU 127 thousand and EU 119 thousand for the years ended December 31, 2008 and 2007, respectively.

7 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 July 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.

The withholding tax amounting to EU 40 thousand paid in 2006 could not be refunded by the Bank from the Finance Ministry and therefore it is the only unrecovered withholding tax amount of the Bank.

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

8 Other Expenses

For the years ended December 31, other expenses are as follows:

	2008	2007
Subscription & membership expenses	48	28
BoG & BoD meetings expenses	36	54
Consultant and third party fees	36	65
Communication expenses	31	22
Other	81	66
	232	**235**

9 Cash and cash equivalents

As at December 31, 2008 and 2007, cash and cash equivalents are as follows:

	December 31, 2008	December 31, 2007
Balances with banks repayable on demand	159	67
Money market placements having the maturity less than three months	106,792	110,939
Cash	-	1
	106,951	**111,007**

10 Loans and advances to credit institutions

As at December 31, 2008 and 2007, loans and advances are as follows:

	December 31, 2008	December 31, 2007
Loans and advances to credit institutions	55,547	-
Allowance for impairment losses	(6)	-
	55,541	**-**

As at December 31, 2008, EU 52,356 thousand of the loans and advances to credit institutions is money market placements with original maturities of more than three months and with interest rates ranging between 4.50%-7.15% per annum.

The Bank has started its credit operations by the fourth quarter of 2008 and granted an unsecured loan amounting EU 3,191 thousand with a floating rate to a financial institution in one of the Bank's member countries. As at December 31, 2008, the interest rate on the loan granted to the financial institution is 4.33% per annum with a maturity of four years.

The provision for possible loss is comprised of collective impairment amount 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.

Allowance for impairment losses

	2008	2007
Balance on January 1	-	-
Impairment loss for the year		
-Charge for the year	6	-
-Recoveries and reversals	-	-
Balance on December 31	**6**	**-**

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

11 Other Assets

As at December 31, 2008 and 2007, other assets are as follows:

	December 31, 2008	**December 31, 2007**
Value added taxes ("VAT") refund	50	62
Front-end commission receivables (*)	39	-
Social security premium receivables (**)	23	-
Personnel advances	17	-
Private consumption tax refund	5	79
Withholding tax refunds (***)	-	327
Other tax refunds	4	3
Others	-	4
	138	**475**

The Bank was informed of the tax exemptions granted under the Article 12 of Headquarters Agreement dated at December 27, 2006 by the Ministry of Finance of Turkey upon the Bank's application on July 17, 2007. Therefore the Bank records in other assets, the taxes paid but which are exempted and to be refunded later by the Ministry of Finance.

(*) According to the loan agreements made with the Bank's customers, the Bank receives front-end commissions over the commitments of its loan customers. As at December 31, 2008 the Bank has front-end commission receivables amounting to EU 39 thousand according to the agreements signed at December 4, 2008.

(**) Local employees of the Bank, who retrospectively joined to the Bank's pension plan, which was implemented beginning from October 1, 2008 and effective from January 1, 2007, are supposed to pay back their social security employer premiums that were paid to the Turkish Social Security Institution by the Bank. As at December 31, 2008 such social security premium receivables of the Bank from (participant) local employees are amounting to EU 23 thousand.

(***) For the year ended at December 31, 2008 the Bank was refunded the total withholding tax of EU 327 thousand at January 17, 2008.

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

12 Property and Equipment

The movements in property and equipment during the year ended December 31, 2008 and December 31, 2007 are as follows:

	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Total
Cost					
At December 31, 2007	107	106	68	135	416
Acquisitions	57	-	-	-	57
Disposals	-	-	-	-	-
At December 31, 2008	164	106	68	135	473
Accumulated Depreciation					
At December 31, 2007	13	7	12	22	54
Charge for the period	34	22	14	27	97
At December 31, 2008	47	29	26	49	151
Carrying amounts					
At December 31, 2007	**94**	**99**	**56**	**113**	**362**
At December 31, 2008	**117**	**77**	**42**	**86**	**322**

As at December 31, 2008, property and equipment excluding the motor vehicles were insured against fire theft and damage to the extent of EU 291 thousand (TRY 684 thousand). Motor vehicles are insured against accident to the extent of their acquisition cost.

13 Intangible Assets

As at December 31, 2008, intangible assets consist of software amounting to EU 17 thousand (December 31, 2007: 9) which is the net of cost amounting EU 22 thousand and accumulated amortization EU 5 thousand (December 31, 2007:1). Depreciation expense charged for the year ended December 31, 2008 is EU 4 thousand (December 31, 2007: 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, 2008, the subscribed capital is EU 300,000 thousand (December 31, 2007: EU 300,000 thousand) comprising 3,000 shares. The paid-in capital of EU 156,000 thousand (December 31, 2007: EU 108,000 thousand) is reflected at its cost. The remaining total amount of subscribed capital which is equivalent to EU 144,000 thousand (December 31, 2007: EU 192,000 thousand) should be paid in three equal consecutive annual installments.

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

14 Share Capital *(continued)*

The issued share capitals as of December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008	December 31, 2007
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	(144,000)	(192,000)
Paid-in share capital	156,000	108,000

As at December 31, 2008 and December 31, 2007 share capital structure of the Bank is as follows:

			December 31, 2008	December 31, 2007	Voting Power
	Shares	Subscribed	Paid-in	Paid-in	(%)
Turkey	1,000	100,000	52,000	36,000	33,33
Iran	1,000	100,000	52,000	36,000	33,33
Pakistan	1,000	100,000	52,000	36,000	33,33
	3,000	300,000	156,000	108,000	100,00

15 Employee benefits

As at December 31, 2008 and December 31, 2007 employee benefits are as follows:

	December 31, 2008	December 31, 2007
Pension plan liabilities	276	95
Short term employee benefits	26	10
	302	**105**

Pension plan liabilities

According to the Pension Plan Policy of the Bank, which was approved on April 7, 2008 and was implemented beginning from October 1, 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 January 1, 2007.

As at December 31, 2008 pension plan liabilities amounting to EU 265 thousand comprised of EU 140 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 119 thousand for the second pillar contributions of the Bank and employees that were started to be contributed from October 1, 2008; and of EU 6 thousand for the investment returns regarding the first and second pillar contributions paid by the Bank and the employees.

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

15 Employee benefits *(continued)*

Pension plan liabilities (continued)

According to the Pension Plan Policy of the Bank, an employee shall become entitled to a disability pension from the first pillar if the employee suffers a disability before attaining normal retirement age. If such a disability occurs the employee shall become entitled to pension benefits in monthly amounts equals to 25% of the employee's last salary immediately before becoming disabled until the employee's normal retirement age. After the employee's normal retirement age the disability pension will cease and, upon the employee's choice it can be replaced by the pension benefits in accordance with the Pension Plan Policy. The time during which the disability pension has been paid will be included in the employee's service at the Bank when calculating the total pension benefits of the employee after normal retirement age. The disability pension liability as at December 31, 2008 is EU 11 thousand.

Movements for the pension plan liability for the years ended December 31, 2008 and 2007 are as follows:

	December 31, 2008	**December 31, 2007**
At January 1,	95	-
Increase during the year	181	95
Benefits paid by the plan	-	-
Actuarial gain / losses	-	-
At December 31,	**276**	**95**

The sensitivity analysis of defined benefit obligation of excess liabilities is as of December 31, 2008 is as follows:

	2008	
	% change in defined benefit obligation	
	Pension excluding in service disability	***Salary continuation***
Assumption change	***%***	***%***
Discount rate +1%	(18.7)	(9.6)
Discount rate -1%	25.2	11.2

Short term employee benefits

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.

Movements for the annual leave pay liability for the years ended December 31, 2008 and 2007 are as follows:

	December 31, 2008	**December 31, 2007**
At January 1,	10	-
Increase during the year	16	10
At December 31,	**26**	**10**

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

16 Other Liabilities

As at December 31, 2008 and December 31, 2007 other liabilities are as follows:

	December 31, 2008	**December 31, 2007**
Accrual for income tax of employees*	267	214
Unearned income	55	-
Accrued expenses	6	56
Other	4	35
	332	**305**

(*) According to the Article 12 of Headquarters Agreement, the Bank is immune from any obligation for the payment, withholding or collection of any tax. Due to this Article; the local personnel who are not exempted from income taxation declare their own tax statements in respect of salaries and emoluments paid to them by the Bank. First installment of the declared income tax will be paid on March 31, 2009 and the second equal installment will be paid on July 31, 2009.

Unearned income

As at December 31, 2008 the Bank deferred the income amounting to EU 55 thousand from front-end commissions due to commitment periods specified in the loan agreements made with credit institutions.

17 Financial Risk Management

(a) Financial Risk Management Policies

The Bank has exposures to various risks during its operations as follows:

- Credit Risk
- Liquidity Risk
- Market Risk

This note is presented to disclose the Bank's risk management objectives, policies and procedures.

The financial policies of the Bank which is approved by the Bank's Board of Directors establish the guiding principles for sound financial management. The financial policies are built on "the Agreement" and provide the financial framework within which the Bank pursues its mandate as stipulated in "the Agreement".

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

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

17 Financial risk management *(continued)*

(a) Financial Risk Management Policies (continued)

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

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.

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. The Financial Analysis & Risk Management (FARM) department conducts credit analysis based on various sources of information, which are both qualitative and quantitative in nature. The Credit Risk Management reviews lending operations to be offered to clients and manages the main areas of risk that are inherent to lending activities of the Bank in order to ensure that decisions are made in line with the Bank's strategy and that loan applications are prudently reviewed. Lending decisions are made to customers by following guidelines laid down in Bank's policies and through coordination with other business units in order to ensure that the loans are made in line with the Bank's overall risk appetite and strategy. Credit relation is not initiated with customers who do not meet the predetermined criteria as defined in various policies. All credit applications are evaluated by the credit committee which in case of approval elevates the same to the board of directors for final approval.

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

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

17 Financial risk management *(continued)*

(a) ***Financial Risk Management Policies*** *(continued)*

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.

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 50% of the next 12 months net cash requirements including coverage of committed undisbursed project and trade finance loans.

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.

The Bank manages its exposure to market risk by using derivative financial instruments, within the limits determined by the Bank's top management.

(i) Foreign currency risk

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

In order to keep foreign currency risk relatively close to zero guidelines for maintaining exposure in SDR basket currencies forex transactions are followed as ALCO decisions.

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

17 Financial risk management *(continued)*

(a) Financial Risk Management Policies (continued)

Market Risk (continued)

(ii) Interest rate risk

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. In addition the Bank is sensitive to the interest rate fluctuations in the market because of its floating rate (Libor and Euribor) financial instruments. The objective of the Bank's risk management operations is to optimize the return on risk by taking the market interest rates into account.

The interest rate sensitivity analysis of the assets, liabilities and off balance sheet items are evaluated monthly in the ALCO meetings by taking the current market conditions at those dates into consideration.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The ALCO is the monitoring body for compliance with these limits and is assisted by ALM unit in its weekly monitoring activities.

(b) Financial Risk Management Disclosures

Credit risk

The Bank's exposure to credit risk as at December 31, 2008 and 2007 are as follows:

	31 December 2008	**31 December 2007**
Cash and cash equivalents	106,951	111,007
Loans and advances to credit institutions	55,547	-
Total	**162,498**	**111,007**

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

17 Financial risk management *(continued)*

(b) ***Financial Risk Management Disclosures*** *(continued)*

Liquidity risk:

The Bank's liquidity risk as at December 31, 2008 and 2007 are as follows:

	December 31, 2008				
	Up to 1 month	1 to 3 Months	3 to 12 Months	Over 1 year	Total
Monetary assets					
Cash and cash equivalents	43,955	62,996	-	-	106,951
Loans and advances to credit institutions	10,742	39,673	2,399	2,727	55,541
Other assets	16	96	16	10	138
	54,713	**102,765**	**2,415**	**2,737**	**162,630**
Monetary liabilities					
Other liabilities	1	2	10	42	55
	1	**2**	**10**	**42**	**55**
Liquidity position as at December 31, 2008	**54,712**	**102,763**	**2,405**	**2,695**	**162,575**

	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	**-**	**-**	**-**	**-**	**-**
Liquidity position as at December 31, 2007	**33,455**	**77,957**	**70**	**-**	**111,482**

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

17 Financial risk management *(continued)*

(b) *Financial Risk Management Disclosures* (continued)

Market risk

(i) Foreign currency risk:

As at December 31, 2008 and 2007 the foreign currency position of the Bank is as follows (EU equivalents):

	31 December 2008	31 December 2007
A. Foreign currency monetary assets	162,630	111,482
B. Foreign currency monetary liabilities	(634)	(410)
C. Off balance sheet net notional position	-	-
Net foreign currency position (A+B+C)	**161,996**	**111,072**

The Bank is exposed to currency risk through transactions in foreign currencies. The main measurement currencies of its foreign exchange operations are Euro and US Dollar. 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, 2008						
	US Dollar	**Euro**	**Japanese Yen**	**Pound Sterling**	**Turkish Lira**	**SDR ("EU")**	**Total**
Assets							
Cash and cash equivalents	61,285	45,662	-	-	4	-	106,951
Loans and advances to credit institutions	22,196	31,404	-	1,941	-	-	55,541
Property and equipment	-	-	-	-	-	322	322
Intangible assets	-	-	-	-	-	17	17
Other assets	79	-	-	-	59	-	138
Total assets	**83,560**	**77,066**	**-**	**1,941**	**63**	**339**	**162,969**
Liabilities							
Employee benefits	302	-	-	-	-	-	302
Other liabilities	60	-	-	-	272	-	332
Members' equity	-	-	-	-	-	162,335	162,335
Total liabilities	**362**	**-**	**-**	**-**	**272**	**162,335**	**162,969**
Net balance sheet position	83,198	77,066	-	1,941	(209)	(161,996)	-
SDR weights correction	(66,324)	(60,658)	(21,277)	(13,737)	-	161,996	-
Long/(Short) position as at December 31, 2008	**16,874**	**16,408**	**(21,277)**	**(11,796)**	**(209)**	**-**	**-**

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

17 Financial Risk Management *(continued)*

(b) Financial Risk Management Disclosures (continued)

Market risk (continued)

(i)Foreign currency risk: (continued)

	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							
Employee benefits	105	-	-	-	-	-	105
Other liabilities	67	2	-	-	236	-	305
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**	**-**	**-**

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, 2008 and December 31, 2007 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, 2008		**December 31, 2007**	
	Profit or loss	Equity*	Profit or loss	Equity*
US Dollar	832	832	529	529
Euro	771	771	579	579
Pound	19	19	-	-
Turkish Lira	(2)	(2)	2	2
	1,620	**1,620**	**1,110**	**1,110**

*Includes the profit or loss effect.

(Currency: In thousand ECO Unit ("000' EU") unless otherwise stated)

17 Financial Risk Management *(continued)*

(b) ***Financial Risk Management Disclosures*** *(continued)*

(ii) Interest rate risk:

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

	December 31, 2008	December 31, 2007
Financial assets – Fixed rate	159,307	111,006
Financial assets – Floating rate	3,185	-

18 Commitments and Contingencies

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:

	December 31, 2008	December 31, 2007
Credit limit commitments	25,914	-
Other commitments	5	-
	25,919	**-**

As at December 31, 2008 the Bank has credit limit commitments amounting to EU 25,914 thousand to credit institutions.

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

19 Subsequent events

Tax refund

The taxes disclosed in note 12 "Other Assets" were refunded on the dates as follows:

	Amount	Refund Date
Value added taxes (VAT) refund	49	February 18, 2009
Private consumption tax refund	1	February 18, 2009