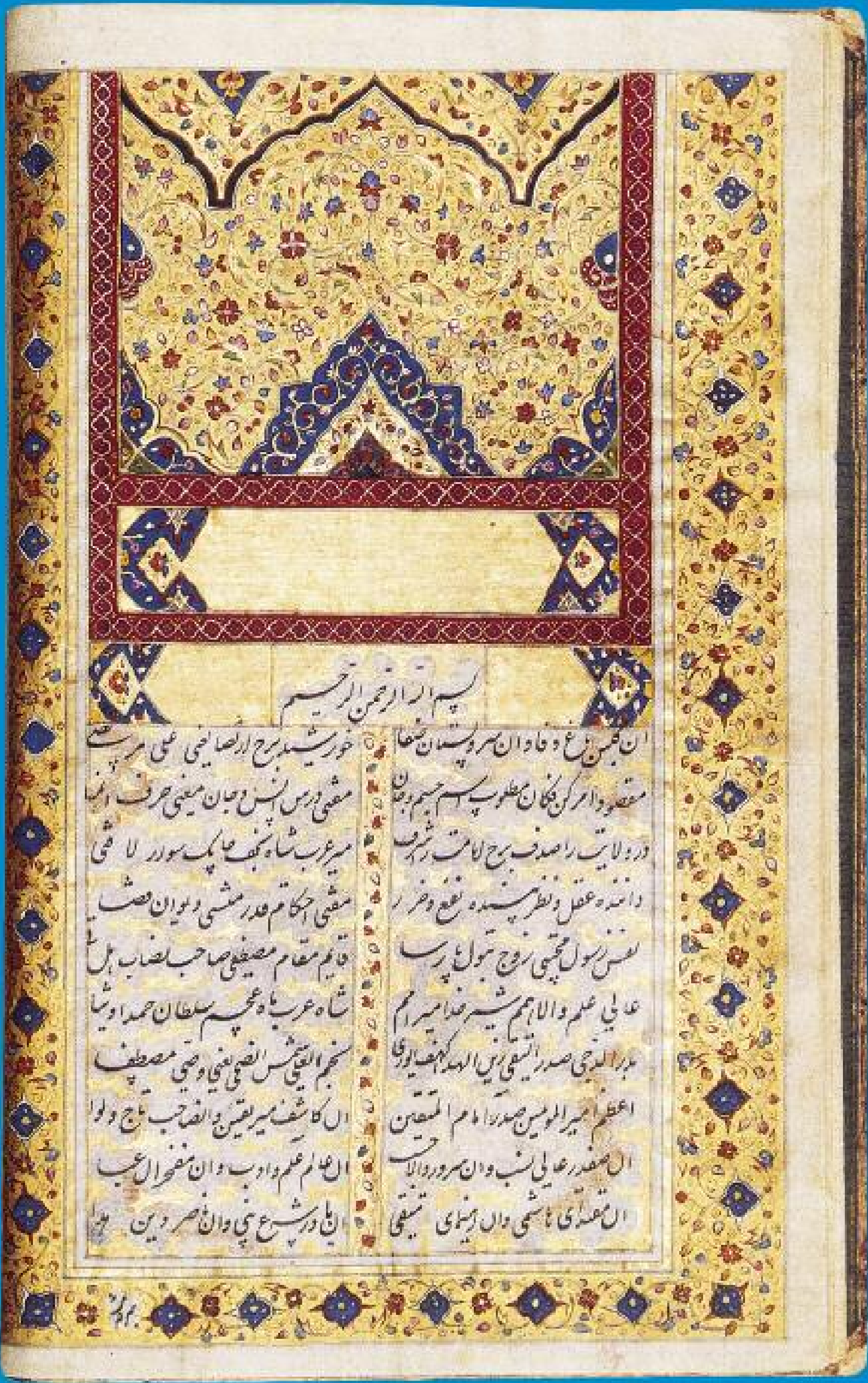

Above ***Illuminated page from manuscript of Hafez, in the Zand period style***
12.2x20cm folio, Dated 1790
Private Collection, Tehran

Management Team

Board of Directors

Dr A Divandari, Chairman
Dr R Davari, Vice-Chairman
Dr R Raei, Non-executive Director
G. Penny, Non-executive Director
D. R. Curtis, Non-executive Director
M. R. Meskarian, Chief Executive Officer
A. Akhondi, Executive Director

Company Secretary

J. L. Bridger

Auditors

Mazars LLP
London

Executive Management

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Telex: +44 (0) 885426
Website: www.persiabank.co.uk

Dubai (Difc) Branch

General Manager Mr. S. Tarassoli

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Level 4, The Gate Building
PO Box 119871
Dubai
United Arab Emirates

Tel: +9714 362 0811
Fax: +9714 362 0812
SWIFT: PIBPAEAD

Tehran Representative Office

Representative: Mrs. F. Mazda

Address:
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Tehran
Iran

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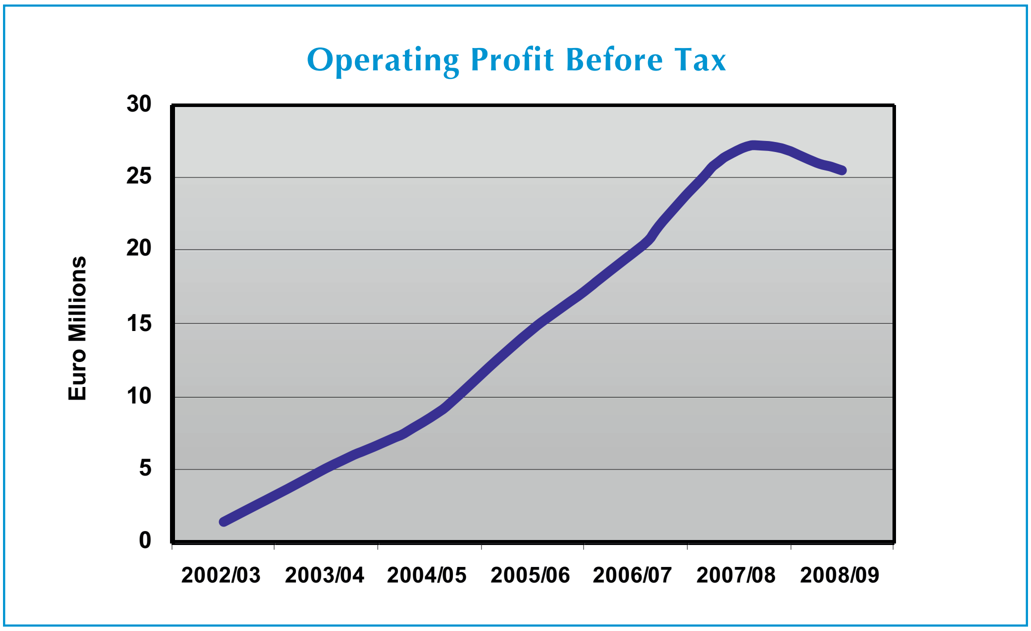
Fax: +9821 88889827

Contents

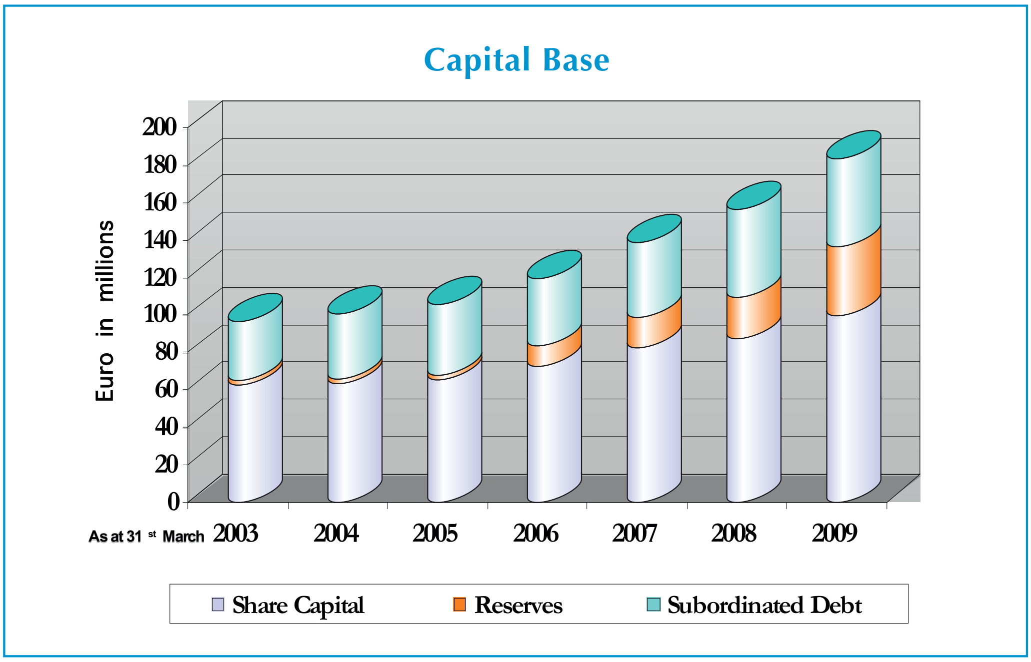
Financial Review of the year

Results

Operating profit on ordinary activities before tax was Euro25.5million just slightly below the Euro 27million in 2007/08. This was purely due to the Bank's first credit impairment loss of Euro 1.8million, following the write down of its one available for sale security. This interrupted the increasing profit trend seen since the Bank opened. The graph below shows the growth and progress achieved since the inception of the Bank.



The Bank's paid-up capital was increased from Euros 88 to 100 million during the last year through the conversion into Euros of the remaining part of the Bank's paid-up US Dollars capital, plus a small cash injection. This, coupled with the retained earnings, increased the Shareholders' equity by 24.5%, as compared to last year.

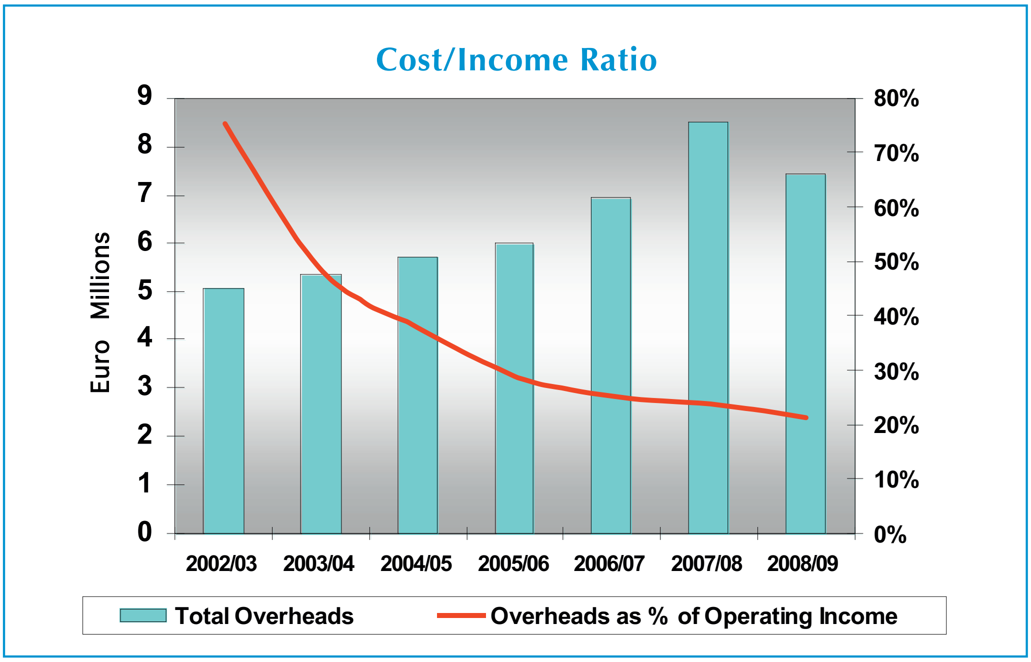


Financial Review of the year - Continued

The Banks' capital base is quite strong and even though, we are planning to pay a dividend of Euro 20million during the first quarter of the next financial year, it will still leave us a significant surplus in respect of the Banks' regulatory capital ratio and its medium term plan requirements. The graph below shows the increase in the capital base of the Bank since its inception.

Although global interest rates fell dramatically through the second half of the year which reduced the earnings from the capital portfolio; the Euro share capital conversion benefited the Bank, as the Euro interest rate remained above the US dollar rate throughout, although it dropped to 1.25% on 2nd April.

The cost / income ratio reduced further from 24% to 21.5%; this resulted solely from the reduced overhead figure, as revenues were almost unchanged. The continued control over costs, which has been a feature of the bank since it first opened, was assisted by the strength of the Euro against Sterling during the second half. The graph bellow shows the overheads and cost/income ratio, since the bank opened.



Net interest income overall showed little change from last year, just 2.5% down. This is due to two main reasons, first the impact of the lower interest rates on the free capital, and second the small shrinkage of our credit portfolio, thanks to repayments and reduced lending opportunities

Due to the continuing global financial crisis, and its consequences on the embedded risk of medium term financings, the Bank's balance sheet activity has been varied. We are now concentrating more on short term trade finance rather than medium term corporate lending. As a result of this, the reduced income from the loan portfolios was compensated by increased revenue from the shorter term trade finance facilities. .

Whilst the Bank has been focused on short term trade related credit facilities, these reduced slightly towards the end of last year as the market shifted away from usance, more towards sight, LC's.

Fees and commissions were down 15% from last year, but this was still a creditable performance, because it should be seen against a 50% increase in 2007/8. These were derived mainly from trade finance, the focus on which over the last two years has produced the increased business and revenues expected. The Dubai (DIFC) branch, already fully established after just two years, was seemingly unaffected by the adverse events in the financial markets and maintained its contribution within trade finance. The branch again produced 50% of the bank's total LC fees. The trade between Dubai and Iran remained vibrant and the branch benefited accordingly.

Financial Review of the year - Continued

Trade Finance

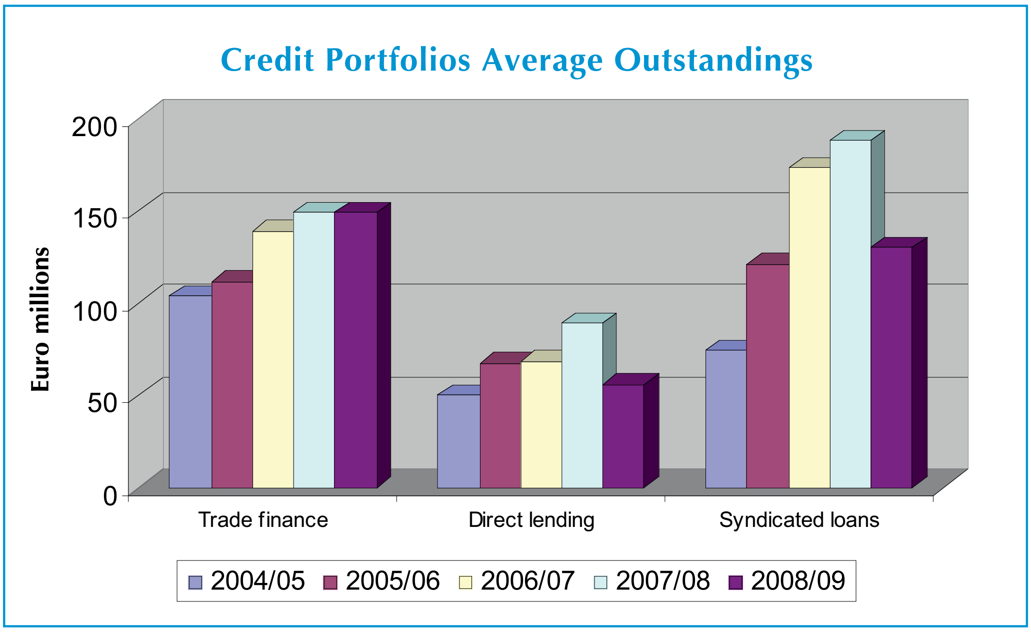
Trade finance is the Bank's prime business and it continually strives to maintain and improve its reputation for providing a quality client service. The operation's efficiency has been tested through the past years by the increasing demands and it is coping well. The international trade flows in and out of Iran may have dropped slightly last year but the Bank's transaction volumes have been largely maintained. The service fees from letters of credit were down only 6% from last year's high. This in turn led to the demand for short term financing being maintained close to the previous year's high.

Lending

The loan portfolios decreased further from last year end. A quality loan portfolio was one of the fundamental pillars of the bank's medium term strategy. However,the severe downturn in credit markets generally exacerbated the reduction as the Bank focused on short term exposures rather than medium term loans.

There have been no problem loans in any of the portfolios since the Bank commenced trading in 2002, an enviable position and even more impressive given the current economic concerns. Consequently there was once again no loan provision charge in the P&L and the bank does not maintain a general provision.

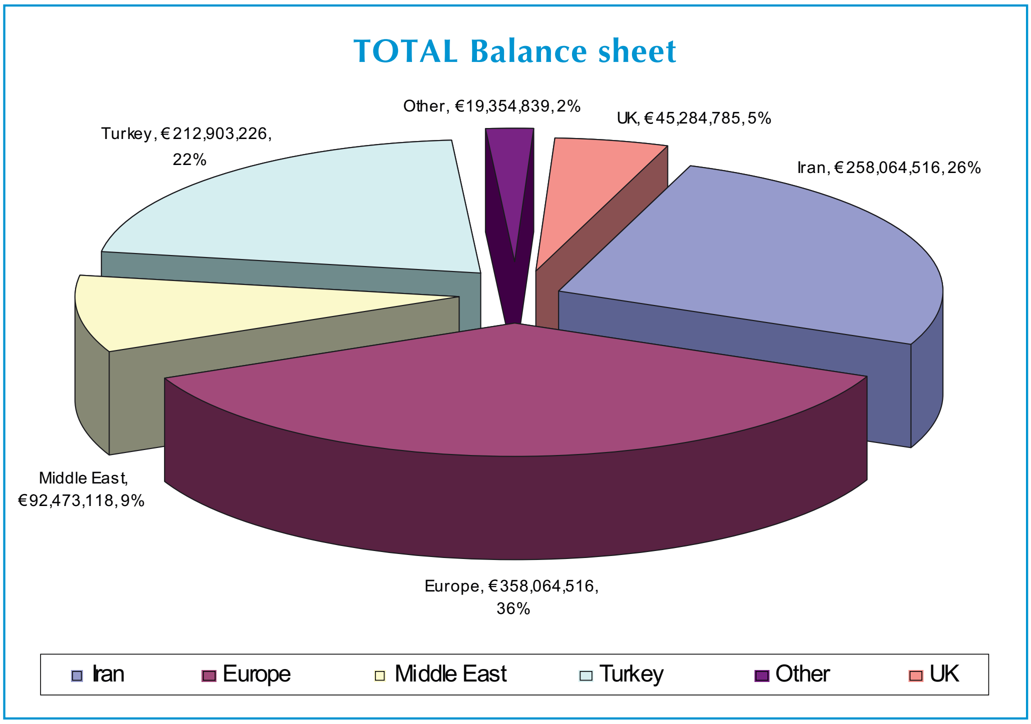
The average balance sheet was 16% higher than last year. However, in the absence of reliable credit opportunities the surplus funds were placed in the money markets. The balance sheet at the end of the year was similarly higher than the previous year. The average loan outstandings fell for the first time as can be seen below.



The loan portfolios are split approximately 60%/40% between (primary) market syndicated loans and term lending to relationship customers.

Financial Review of the year - Continued

The Bank's total assets geographical distribution was even more diversified than last year, so that at the yearend, only 26% of our total assets were related to Iran. The graph below shows the total assets geographic distribution of the Bank as at the year end.



Treasury

The bank's funding sources were little changed from previous years. While our customer accounts increased about 23%, deposits from banks including shareholder banks and Central Bank of Iran were predominantly the biggest contributors to our financial resources. The bank comfortably maintained its short term liquidity ratios throughout the year. The Bank's continued profitability and its increasing capital base have enabled it to present a strong and healthy picture to the market. The Bank will diversify its funding sources as soon as it is practically possible and it will pursue a concentrated campaign once the market returns to normal.

The bank does not take or hold any proprietary trading positions. Foreign exchange profits are earned from customer related business. The deal flow dropped in the previous two years but improved considerably through 2008/09. This in turn resulted in a Euro1million contribution to the Bank's profits.

Customer Services

The bank offers banking services both to its customers and to banks in Iran, including its two shareholders, and other private, as well as, state-owned, banks. These services are offered from either the head office in London or the Dubai branch. Transaction volumes and the resulting profits were steady throughout the bank's first four years; however, there was a marked reduction in the number of payment orders at the end of 2005/06. The transaction numbers have now stabilised at the lower levels. The revenues earned from this activity reflect the Bank's objective of providing a quality service to its customers.

Financial Review of the year - Continued

Capital Base & Balance Sheet

The capital base as at 31 March 2009 including this year's profit totalled Euro 184million. The capital base is continually under review and is significantly in excess of the minimum regulatory requirements. A small dividend, of only Euro3 million, was paid during 2008/2009. In the light of current capital surplus, a further dividend of Euros 20 Million was also paid in June 2009.

The year end balance sheet total was up 33% from the previous year end. However, all of the increase was in money market placements; the shift away from medium term lending continued from the previous year and short term trade finance discounting saw a small reduction at the year end. One result of this has been the maintenance of its very strong short term liquidity ratios.

Future Strategy

Our strategy for the next 12 months, which is part of our rolling five year plan, is every bit as cautious as it was a year ago. While we will continue to put more emphasis on the short term trade related credit facilities, we will also continue providing medium term financial facilities to reliable customers to maintain a suitable credit portfolio for the Bank. A return to the balance sheet growth scenario cannot happen in the current economic environment. We will however, continue to explore new horizons through the expansion of our presence in new markets. We will also expand upon our role within the Mellat and Tejarat groups but the focus will remain on trade finance services. The diversification of our funding and asset base has been put on hold until the present uncertainties in the market are resolved.

Privatization of both our shareholder banks in Iran, were also an encouraging development, which should lead to greater efficiency and improved decision-making processes.

Chairman's Statement

The financial year 2008/09 was an extremely challenging and difficult year for all, as the impact of the credit crisis spread across all sectors and industries. The global financial sector in particular came under immense pressure and banks' results suffered accordingly, with the continued existence of a number of banks coming under serious threat.

However, I am very pleased to report another excellent result from Persia International Bank. Profit before tax of €25.5million was only 5.5% down from the previous year. Whilst the Bank has been able to maintain its unblemished record in respect of loan losses, it has been necessary to write down one security holding, to reflect a credit impairment. This €1 .85million charge to the profit and loss account, accounts for effectively the whole of the shortfall compared to last year. It was the Bank's prudent approach to credit risk which enabled it to come through this most testing period of financial challenges with what is a very small impairment cost compared to almost every other financial institution. Profit after tax was almost the same as last year at €18.5million, resulting in a return on average equity of 15%.

According to the Bank League tables 2009/10, published by Searchline Publishing, Persia International Bank was ranked 23rd amongst all UK incorporated banks in terms of the return on capital ratio achieved in 2008, and I am confident that the Bank's position will be even better in the future.

The Bank paid a relatively small divided of €3million in 2008. This in turn meant that its capital base was maintained at a somewhat higher level, so further improving the Bank's underlying strength. This is particularly important in the current economic climate but also gives the Bank a solid foundation for its future plans. The current benefits of a strong capital base far outweigh the relatively insignificant 3% drop in the return on equity from last year.

The cost/income ratio improved further still, falling from 24% last year to 21.5%. This improvement was entirely due to lower costs. In a year when trading operations and revenues came under increasing pressure, the Bank was able to maintain its rigorous, but realistic controls over its overhead expenses, which were further contained by Sterling's weakness against the Euro in the second half of the year.

The dramatic falls in interest rates, also through the second half of the year, adversely affected the Bank's income. The 3% fall in the Euro rate significantly reduced the earnings from the Bank's free capital and the negative impact will be bigger still through the current year.

After the impairment write down on the security holding, the next adverse feature of the year was the reduction in trade finance commission revenues, which fell by 6%. However, this appears disappointing only when viewed in isolation, since the previous year was up 53% over 2006/07, the slight reduction is akin to no more than a short term correction following such a rapid expansion. The Bank's increased focus on this core business activity continued throughout last year, but Iranian trade finance business was not immune to the general slowdown in world trade, and hence the Bank experienced a reduction in its trade finance transaction volumes.

The Bank's loan portfolios continued their problem-free record, although a few borrowers did require some assistance. This was not surprising, given the worldwide pressure on credit over the past year, which still persists. Only a few loans have been or are in the process of being renegotiated. These have required a significant amount of time and effort, but that effort seems to have been worthwhile, given the so far successful outcomes. The loan portfolios showed a significant net reduction for the second year. The rapid growth seen previously came to an end, as the downturn in the international credit markets coupled with the Bank's prudent credit risk approach resulted in the Bank redirecting its resources, concentrating more on shorter term trade finance facilities.

Trade finance discounting has remained one of the Bank's core business lines, both through the London Head Office and its Dubai branch. It is a logical extension to the Letter of Credit services offered by the Bank, and has become the biggest revenue generator over the last two years.

During the previous year, 2007/08, the Bank commenced the process of converting its share capital from US Dollars into Euros. It issued €50million of new Euro shares to the shareholders in November 2007 and used the proceeds to buy back from them US$70million of US$ shares. The second half of the share capital conversion was completed in December 2008 with the issue of a further €50million of new Euro shares and the cancellation of the remaining US$ shares. This brought the issued share capital of the Bank to €100 million.

Chairman's Statement - Continued

The Bank is in an extremely well capital position, the capital base is made up of tier 1 capital of €137million plus tier 2 capital of €46.5million. This totals €184million, which exceeds by a substantial margin the Bank's regulatory capital requirement, both at present and in the medium term.

In line with the privatization policy of the government of the Islamic Republic of Iran and in the light of the Article 44 of the Iranian Constitution, Bank Mellat, the 60 percent shareholder of Persia International Bank Plc. was privatized in February 2009. Bank Tejarat, the other shareholder of the Bank, was also privatized later in May 2009. It is my belief that this is a progresive development which will result in more efficiency and faster decision-making processes for both our shareholders and us.

The Future Prospects

The Bank's increased focus on trade finance services has produced revenues closer to expectations. However, a further step change is now required and the Bank has introduced a new executive role, appointing a Trade Finance Director, whose objective will be to ensure that this line of business continues to grow. The Bank's capability and reputation in this market is very strong and we will maintain and improve these strengths. This in turn should lead the Bank to play a more effective role in the expansion of its trade finance markets. We are also continuing to examine global markets, both established and emerging, and our medium term plan incorporates a review of our operating presence, including further branches. The Bank opened its first overseas branch in Dubai within the DIFC (Dubai International Financial Centre) in August 2005. The branch is fully established in Dubai and will move into larger offices probably in 2010, so assisting its expansion plans; it has been a significant contributor towards the Bank's revenues over the last three years.

Much of our existing business is, naturally, derived from Iran, both from customers based in Iran and customers trading with Iran. Despite external pressures on the Iranian economy, the business flows have not been adversely affected to the extent which might have been otherwise expected. High oil and gas prices contributed to a significant increase in Iran's hard currency reserves, until the dramatic price reduction in the second half of the year. The demand for imports remains strong and Iran's economy will continue to strengthen. The Bank, primarily through its trade finance services, will benefit accordingly.

I wish to thank my Board colleagues and the staff for their continuing hard work and dedication, without which these results would not have been achieved.

Likewise, the Board is very grateful for the support of our two Shareholder Banks. They remain a major source of deposits, but just as importantly they refer significant volumes of trade finance business to us from their Iranian and other branch networks. Not only is this a great help to the Bank, it also gives tangible recognition to the Bank's competence and the importance of the London markets.

I expect conditions in the global economy to remain difficult for at least the next year. However, I remain optimistic that they will begin to return to normal, perhaps towards the end of 2010. This in turn may coincide with the Bank once again being able to access international financial markets. The Board and I are confident that the Bank will continue to prosper and will maintain its strength and market standing, so that in time it will be able to return to its growth strategy and achieve its long term objectives.

A. Divandari

Chairman

Divandari

20 June 2009

Directors' Report

The directors present their annual report and the audited financial statements of Persia International Bank Plc (the "Company") for the year ended 31 March 2009.

The financial statements have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Principal Activities

The Company is an authorised institution under the Financial Services and Markets Act 2000.

The principal activity of the Company is the provision of commercial banking services. The Company offers a comprehensive service in all aspects of trade finance including providing short-term finance through bill discounting. In addition it provides traditional bank lending either through banking relationships or the syndications market. The major proportion of the Company's customer base is conducting business within Iran or trading with Iran. The Company has been trading for seven years and has seen steady progress throughout that period both in terms of business volumes and results. It opened its first overseas branch in the Dubai International Financial Centre (DIFC) in August 2005, which further expanded its trade finance capabilities.

Business Review

The Company is required by the Companies Act to set out in this report a fair view of the business of the Company during the financial year ended 31 March 2009 and of the position of the Company at the end of the year and a description of the principal risks and uncertainties facing the company.

The balance sheet total was up from last year; however, this was largely due to increased money market activity. The credit portfolios did not grow and the Company does not anticipate a return to its medium term growth strategy until the global markets begin to return to normal. However, it will consider opening further overseas branches. The capital base is sufficient for the current and near-term business levels and it has comfortably accommodated the changes resulting from the introduction of the Basel II regulations. The principal risk facing the Company comes from the continuing political pressure on Iran, United Nations sanctions and the potential restriction of services of some large global banks. This situation has persisted for almost three years. Mitigating actions against this risk are set out in note 24. Note 24 - Risk management - includes the majority of the Pillar III disclosures required by the FSA. Please refer also to the Chairman's Statement for a more detailed review of the business and the future developments.

Share Capital

Due to restrictions imposed by the US Government, the Company is no longer entering into business transactions denominated in US Dollars. Whilst this has caused the Company to redirect its business towards other currencies, mainly Euros, it has not adversely impacted significantly the Company's underlying transaction flows nor its income. However, it resulted in a change of functional currency of the Company from US Dollars to Euros as at 31 March 2008. At this date the Company committed to redeem the remaining element of its US Dollar denominated capital. The remaining US Dollar capital amounting to US$60million was redenominated into Euros, 46,736,000 new ordinary shares of Euro 1 each in December 2008. Also in December a further Euro3,264,000 share capital was issued for cash. This brought the total issued share capital up to Euro 100 million.

Results and Dividends

The results for the year are set out in detail in the income statement on page 17. The profit before tax amounted to Euro 25,494,000 (2008: Euro 27,007,000) and the profit attributable to shareholders for the financial year amounted to Euro 18,538,000, an 18% return on average shareholders' equity; (2008: Euro 18,828,000, 18%); this has been transferred to reserves.

The directors paid a dividend of Euro 2,985,000 in November 2008 (US$20,000,000, June 2007).

Directors' Report - Continued

Directors

The directors throughout the year were:

Chairman (Non-executive Director)	Dr A. Divandari
Vice Chairman (Non-executive Director)	Dr M Davari
Non-executive Director	Dr R Raei
Chief Executive Officer	Mr. M. R. Meskarian
Executive Director	Mr. A. Akhondi
Non-executive Director	Mr. D. R. Curtis
Non-executive Director	Mr. G. Penny

Directors' Shareholdings and Interests in Contracts

None of the directors of the Company at the end of the financial year had an interest in the share capital of the Company at any point during the year. No director had a material interest at any time during the year in any contract of significance, other than a service contract, with the Company. There have been no changes in directors' interests from 31 March 2009 to the date of this report.

Supplier Payment Policy

Our policy is to pay suppliers' invoices within 30 days of invoice date or as otherwise agreed. The amount due to trade creditors by the Company at 31 March 2009 represents 20 days' (2008: 20 days) average daily purchases of goods and services received from such creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 1997/571.

Directors' Indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and the director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

Mazars LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

M Meskarian

Chief Executive Officer

18 June 2009

Page from a manuscript of Ferdowsi's Shahnameh, commissiond by Shah Tahmasp

Painting in opaque watercolour, ink and gold on paper
Manuscript size 47x31.5cm, Illustration 21.5x20.6cm, Dated 1530s, From Tabriz
Reza Abbasi Museum, Tehran

Statement of Directors' Responsibilities

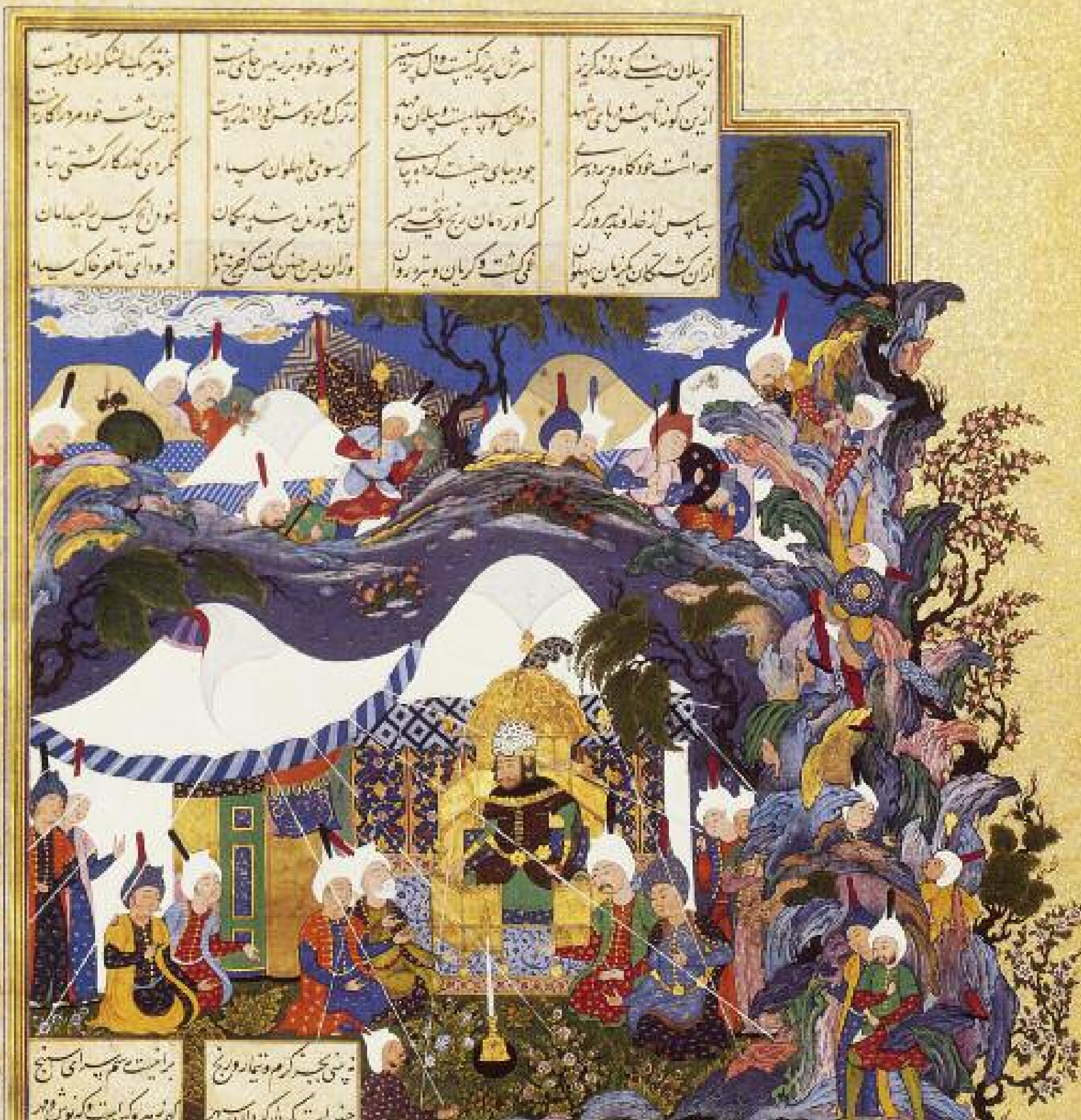
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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Manuscript size 47x31.5cm, Illustration 27.3x26.5cm, Dated 1520s, From Tabriz
Tehran Museeum of Contemporary Art

Independent auditors' report to the members of Persia International Bank Plc

We have audited the financial statements of Persia International Bank Plc for the year ended 31 March 2009 which comprise the income statement, the balance sheet, the cash flow and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Chartered Accountants and Registered Auditors

Tower Bridge House, St Katharine's Way, London E1W 1DD

25 June 2009

Income Statement for the year ended 31 March 2009

	Note	2009 Euro '000	2008 Euro '000
Interest receivable and similar income			
Interest receivable and similar income arising from debt securities available for sale		161	1,649
Other interest receivable and similar income	2	47,597	49,867
		47,758	51,516
Interest expense and similar charges	3	(24,305)	(27,450)
Net interest income		23,453	24,066
Fees and commissions receivable		9,413	11,071
Fees and commissions payable		(124)	(125)
Other operating income	4	2,017	367
Operating income		34,759	35,379
Administrative expenses	5	(7,289)	(8,259)
Depreciation and amortisation	11	(132)	(252)
Gain/(Impairment loss) on available-for-sale securities		(1,844)	139
Profit on ordinary activities before tax		25,494	27,007
Tax on profit on ordinary activities	9	(6,956)	(8,179)
Profit on ordinary activities after tax		**18,538**	**18,828**
Profit attributable to the equity shareholders of the parent		**18,538**	**18,828**

Balance Sheet as at 31 March 2009

	Note	2009 Euro '000	2008 Euro '000
Assets			
Cash and balances at Central banks		1,335	5,758
Loans and advances to banks	22	794,141	470,045
Loans and advances to customers	22	177,213	239,580
Debt securities	10	2,031	16,588
Property, plant and equipment	11	4,118	2,292
Deferred tax asset	13	202	213
Derivative assets	21	-	25
Other assets	12	1,339	266
Prepayments and accrued income	14	466	126
Total assets		**980,845**	**734,893**
Liabilities			
Due to other banks	22	631,324	441,586
Customer accounts	22	159,889	130,852
Derivative liabilities	21	-	984
Other liabilities	15	2,401	3,899
Current tax		3,283	921
Subordinated debt liabilities	16	46,582	46,672
		843,479	624,914
Called up share capital	17	100,000	88,166
Retained earnings	18	37,366	21,813
Total shareholders' equity	18	137,366	109,979
Total equity and liabilities		**980,845**	**734,893**
Memorandum items			
Contingent liabilities:			
Guarantees	23	39,571	67,265
Import LC's issued/confirmed	23	77,511	84,014
Commitments			
Other credit commitments	23	29,507	38,333

These financial statements were approved by the Board of Directors on 18 June 2009
Signed on behalf of the Board of Directors

Statement of Recognised Income and Expense for the year ended 31 March 2009

	Note	2009 Euro '000	2008 Euro '000
Available for sale investments			
Valuation losses taken to equity		-	-
Transferred to profit and loss on sale		-	-
Tax on items taken directly to equity		-	-
Net expense recognised directly in equity		-	-
Profit for the year		18,538	18,828
Total recognised income and expense for the year		**18,538**	**18,828**
Attributable to:			
Equity holders of the parent		18,538	18,828
		18,538	**18,828**

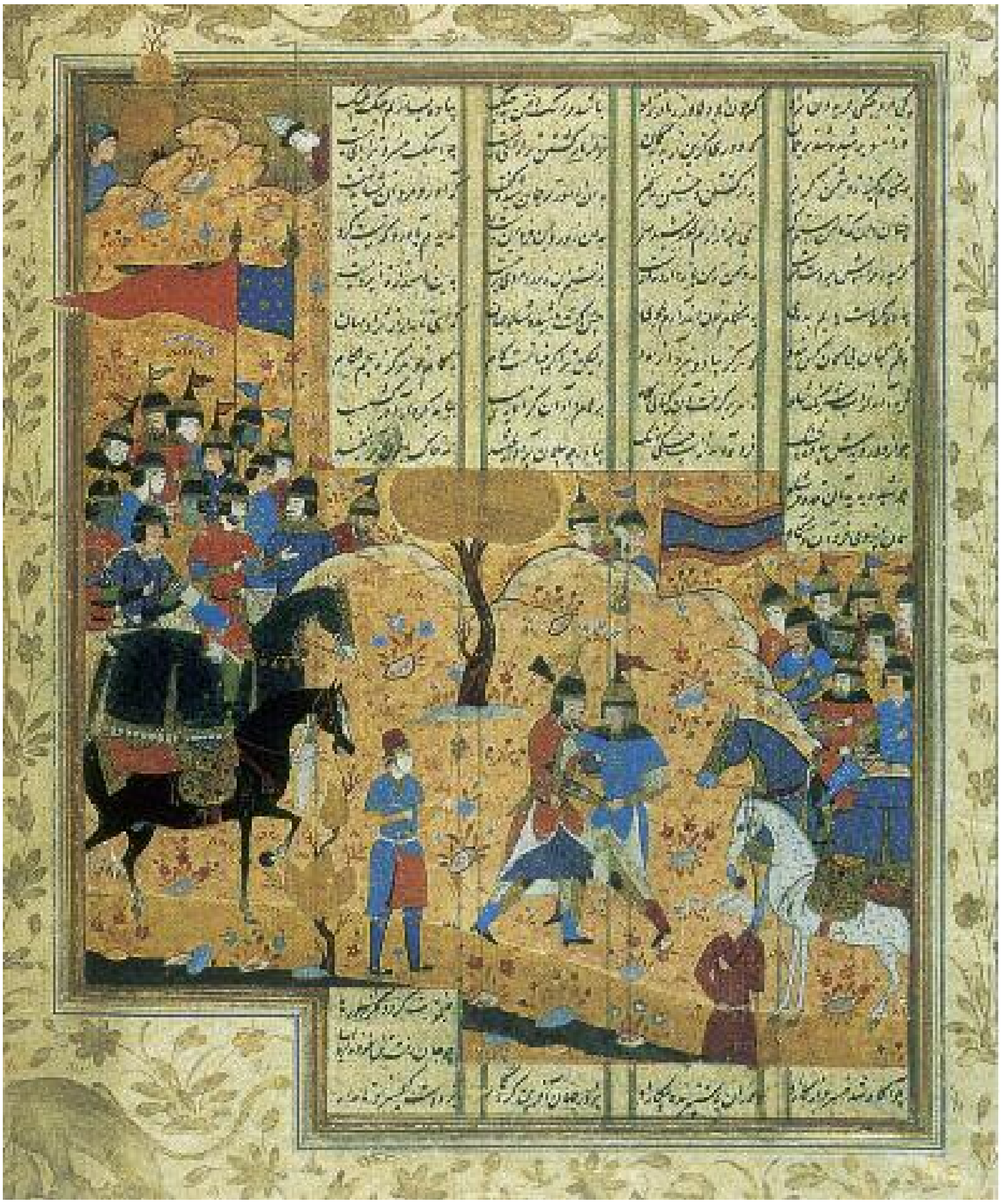
Cash Flow Statement for the year ended 31 March 2009

	Note	2009 Euro '000	2008 Euro '000
Cash flows from operating activities			
Profit on ordinary activities before tax		25,494	27,007
Depreciation and amortisation	11	132	252
Other non-cash movements		12	(182)
Interest on subordinated loan added back		1,214	2,552
Cash flows from operating profits before changes in operating assets and liabilities		26,852	29,629
Net decrease/(increase) in amounts due from banks and loans to customers		139,433	87,583
Net decrease/(increase) in debt securities		14,557	12,642
Net increase/(decrease) in derivative financial instruments		(959)	944
Net decrease/(increase) in other assets		(1,073)	22
(Increase)/decrease in prepayments and accrued income	14	(340)	(43)
Net increase/(decrease) in other liabilities		(1,498)	1,303
Foreign exchange differences		(418)	10,507
Net (decrease)/increase in other borrowed funds		218,775	(19,183)
Taxation		(4,594)	(10,010)
Net cash flow from operating activities		390,735	113,394
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(1,540)	(2,189)
Net cash flow from investing activities		(1,540)	(2,189)
Cash flows from financing activities			
Interest paid on subordinated loan		(1,305)	(2,532)
Issue of ordinary shares	18	11,834	2,183
Dividends paid	18	(2,985)	(12,721)
Net cash flow from financing activities		7,544	(13,070)
Effects of exchange rate changes on cash & cash equivalents		(1,911)	(11,094)
Net (decrease)/increase in cash and cash equivalents		394,828	87,041
Cash and cash equivalents at the beginning of the year		**321,663**	**234,622**
Cash and cash equivalents at the end of the year		**716,491**	**321,663**

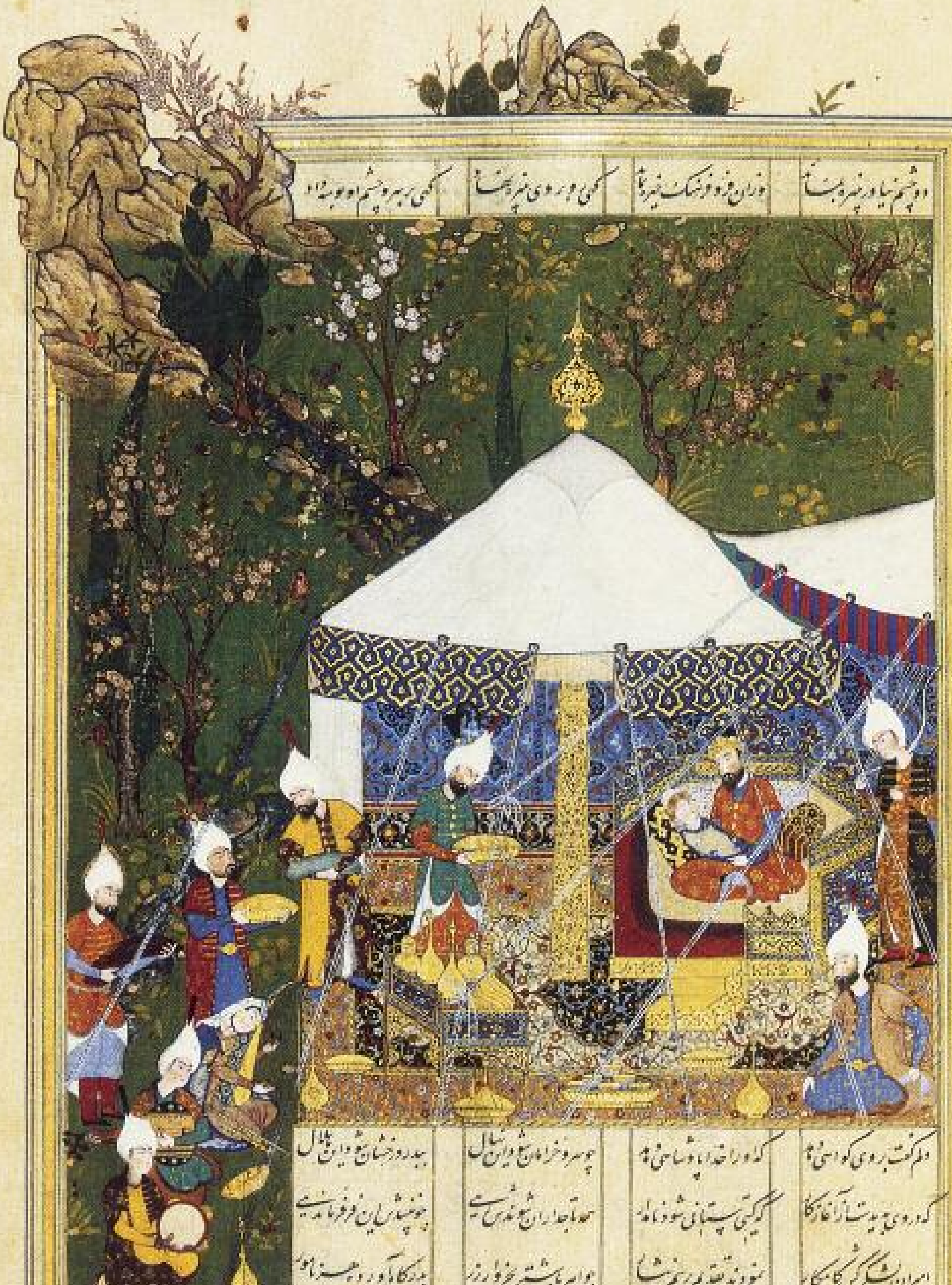
Cash Flow Statement for the year ended 31 March 2009 - Continued

For the purpose of the cash flow statement, cash and cash equivalents comprise:

	Note	2009 Euro '000	2008 Euro '000
Company			
Cash and balances with central banks		1,335	5,758
Amounts due from banks with maturity less than three months		715,157	315,905
		716,491	**321,663**



Left ***Detached page from a Shahnameh manuscript***
Manuscript size 23.5x18.7cm
Early 16th century
From Shiraz
Reza Abbasi Museum, Tehran



A page from Zafar-nameh by Sharaf od-Din Ali Yazdi,
copied by Soltan Mohammad Nur
Painting in opaque watercolour, ink and gold on paper
Manuscript size 37x23.5cm, Illustration 26x18.2cm, Dated 1529
From Tabriz or Herat
Golestan Place Library, Tehran

Notes to the Accounts for the year ended 31 March 2009

1 SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

		Effective for annual periods beginning on or after:
IFRS2	Share based payment - amendment relating to vesting conditions and cancellations	1 January 2009
IFRS3	Business Combinations - comprehensive review on applying the acquisition method	1 July2009
IFRS7	Financial Instruments: disclosures - amendments enhancing disclosures about fair value and liquidity risk.	1 January 2009
IFRS8	Operating segments	1 January 2009
IAS1	Presentation of Financial Statements - comprehensive revision incl. requiring a statement of comprehensive income	1 January 2009
IAS1	- amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2009
IAS23	Borrowing costs - comprehensive revision to prohibit immediate expensing	1 January 2009
IAS27	Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS3	1 July2009
	- amendment relating to cost of an investment on first-time adoption	1 January 2009
IAS28	Investments in associates - Consequential amendments arising from amendments to IFRS3	1 July2009
IAS31	Interests in Joint ventures - Consequential amendments arising from amendments to IFRS3	1 July2009
IAS32	Financial Instruments: Presentation - amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2009
IAS39	Financial Instruments: recognition and measurement - amendments for eligible hedged items.	1 July2009
	- amendments for embedded derivatives when reclassifying financial instruments.	Period ending on or after 30 June 2009.
IFRIC13	Customer Loyalty Programmes	1 July2008
IFRIC15	Agreements for the construction of real estate.	1 January 2009
IFRIC16	Hedges of a net investment in a foreign operation.	1 October 2008
IFRIC17	Distributions of non-cash assets to owners.	1 July2008
IFRIC18	Transfers of assets from customers.	1 July2009

It is anticipated that the IAS1revisions and the IFRS7 amendments will have a small effect on the accounts disclosures and presentation. However, the directors anticipate that the adoption of the other Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

Notes to the Accounts for the year ended 31 March 2009

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentational currency

A change in the functional currency from US Dollars to Euros was recognised on 31st March 2008 and the presentational currency was changed on that date. The Bank's access to US Dollar markets has been restricted since the end of 2006 and the majority of its business is now transacted in Euros. In December 2008 the remaining US$60million of issued share capital was redenominated into Euros (€47.6million)

Basis of preparation

The accounts are prepared in Euros, as this is the currency of the primary economic environment in which the Company operates.

The accounts are prepared under the historical cost convention, except for available-for-sale financial assets and derivatives that are carried at fair value.

Interest income and expense

Interest income and expense on financial assets and liabilities measured at amortised cost is recognised in the income statement using the effective interest rate method, which allocates the income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability.

Fee and commission income

Fees receivable which represent a return for services provided are credited to income when the related service is performed. Fees receivable, which represent a return for risk borne and are in the nature of interest, are taken to the income statement using the effective interest rate method over the expected life of the transaction to which they relate.

Financial assets

Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss: a financial asset is classified as such if it is held principally for the purpose of selling in the short term. Derivatives are also categorised at fair value through profit or loss;
- loans and receivables: are non-derivative financial assets with fixed or determinable payments not quoted in an active market and
- available for sale: are financial assets not classified in one of the above categories.

Loans and receivables are initially recognised at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Financial assets at fair value through profit or loss are initially and subsequently measured at fair value with changes in fair value taken to the income statement.

Available for sale financial assets are initially and subsequently measured at fair value, with changes in fair value recognised directly in equity until disposal, when the cumulative gain or loss is recognised in the income statement. Foreign exchange gains and losses, interest under the effective interest rate method and impairment losses arising on available-for-sale securities are recognised in the income statement.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial liabilities comprise amounts due to other banks, customer accounts and subordinated debt liabilities. They are measured at amortised cost using the effective interest method.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Accounts for the year ended 31 March 2009

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment, as a result of events that occurred after initial recognition of the financial asset.

The amount of the loss is measured, for financial assets held at amortised cost and as available-for-sale, as the difference between the carrying amount of the asset and the discounted value of the revised estimated future cash flows, discounted at the asset's original effective interest rate.

Financial assets are written off only when it is reasonably certain that any future cash flows are irrecoverable.

Operating lease rentals

Rentals payable under operating leases are accounted for on a straight-line basis over the lease term.

Property plant and equipment

Tangible fixed assets are stated at cost less provision for depreciation and any impairment in value. Depreciation of tangible fixed assets is provided on a straight-line basis over estimated useful lives - 3 years.

Taxation

Provision is made for taxation at current enacted rates on taxable profits.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions and other post-retirement benefits

The company operates a defined contribution scheme, charging contributions to the income statement as they become payable in accordance with the rules of the scheme.

Derivatives and other financial instruments

The Company uses derivative financial instruments to reduce exposures to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative instruments for trading purposes.

The Company has not adopted a policy of applying hedge accounting. As a result, all derivatives are measured both initially and subsequently at fair value, with changes in fair value recognised in the income statement.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. A monetary item is a right to receive or an obligation (contractual or constructive) to deliver a fixed or determinable number of units of currency. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Translation differences on monetary items are recognised in the income statement.

Critical accounting judgements and key sources of estimation uncertainty

In application of the Company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The directors have not made any material estimates and assumptions in the process of applying the Company's accounting policies that are considered to have a significant effect on the amounts recognised in the financial statements.

Notes to the Accounts for the year ended 31 March 2009

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 Euro '000	2008 Euro '000
Interest receivable from banks	32,996	28,817
Interest receivable from customers	14,599	21,048
Other interest income	2	2
	47,597	**49,867**

All income included above has arisen from financial instruments that are classified as loans and receivables in accordance with IAS 39.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2009 Euro '000	2008 Euro '000
Interest payable to banks	8,320	9,206
Interest payable to customers	2,709	4,045
Interest payable on deposits from shareholders	10,626	11,640
Interest payable on subordinated debt	2,650	2,559
	24,305	**27,450**

All expense included above has arisen from financial instruments classified as other financial liabilities in accordance with IAS 39.

4 OTHER OPERATING INCOME

	2009 Euro '000	2008 Euro '000
Foreign exchange income	1,007	(55)
Gain/(loss) on derivatives measured at fair value through P&L	181	(334)
Other banking charges	829	756
	2,017	**367**

5 ADMINISTRATIVE EXPENSES

	2009 Euro '000	2008 Euro '000
Wages and salaries	4,054	4,412
Social security costs	465	459
Other pension costs	280	347
Other administrative expenses	2,490	3,041
	7,289	**8,259**

Notes to the Accounts for the year ended 31 March 2009

6 DIRECTORS' EMOLUMENTS

	2009 Euro '000	2008 Euro '000
Emoluments	**602**	**927**
Highest paid director's emoluments		
Salary and bonus	128	131
Remuneration in relation to prior years	-	50
Housing allowance	29	34
Car allowance	8	9
Travel allowance	1	3
Membership of medical scheme	3	4
UK income tax and national insurance	108	147
	277	**378**

The directors are remunerated in Sterling.

None of the directors are members of pension schemes, share option schemes or long-term incentive schemes in respect of their services to Persia International Bank Plc.

7 INFORMATION REGARDING EMPLOYEES

The average number of persons employed by the company, including executive directors, within each area of the business was:

	2009	2008
Banking operations	25	24
Trade finance	33	28
Administration	10	8
	68	**60**

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2009 Euro '000	2008 Euro '000
Profit on ordinary activities before tax is stated after charging the following:		
Depreciation	132	252
Operating lease charges	625	532
The analysis of auditors' remuneration is as follows:		
Fees payable to the company's auditors for the audit of the company's annual accounts	95	101
Fees payable to the company's auditors and their associates for other services		
Other services	**68**	**6**

Notes to the Accounts for the year ended 31 March 2009

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 Euro '000	2008 Euro '000
(i) Analysis of tax charge on ordinary activities United Kingdom Corporation tax at 28% (2008- 30%) based on the profit for the year.	7,152	8,215
	7,152	8,215
Deferred tax		
- timing differences, origination and reversal (note 15)	(3)	(36)
Adjustment in respect of prior years	(193)	-
	6,956	**8,179**
(ii) Factors affecting tax charge for the year. The tax assessed for the year (& 2008) is higher than that resulting from applying the standard rate of corporation tax in the UK.		
Profit on ordinary activities before tax	**25,494**	**27,007**
Tax at 28% (2008- 30%) thereon	7,138	8,102
Effects of:		
Expenses not deductible for tax purposes	11	77
Adjustment in respect of prior years	(193)	-
	6,956	**8,179**

10 DEBT SECURITIES

	2009 Euro '000	2008 Euro '000
Issued by other than public bodies		
Available for sale securities		
- other debt securities	2,031	16,588
	2,031	**16,588**
Due within one year	89	13,408
Due one year and over	1,942	3,180
	2,031	**16,588**
Debt securities		
- listed other than on a recognised UK exchange	-	13,403
- unlisted	2,031	3,185
	2,031	**16,588**

The unlisted investment securities are promissory notes purchased on the secondary market and the fair value has been calculated by discounting the cash flows at prevailing interest rates.

Notes to the Accounts for the year ended 31 March 2009

11 PROPERTY, PLANT AND EQUIPMENT

	Equipment fixtures and fittings 2009 Euro '000	Equipment fixtures and fittings 2008 Euro '000
Cost		
At 1 April	3,880	2,076
Additions	1,540	2,189
Disposals	-	(385)
Exchange rate movement	270	-
At 31 March	**5,690**	**3,880**
Depreciation		
At 1 April	1,588	1,747
Charge for the year	132	252
Disposals	-	(385)
Exchange rate movement	(148)	(26)
At 31 March	**1,572**	**1,588**
Net Book Value		
At 31 March	**4,118**	**2,292**

12 OTHER ASSETS

	2009 Euro '000	2008 Euro '000
Trade receivables	1,264	147
Staff loans	75	75
Amounts due from shareholders	-	44
	1,339	**266**

Notes to the Accounts for the year ended 31 March 2009

13 DEFERRED TAX ASSET AND ANALYSIS

	2009 Euro '000	2008 Euro '000
At 1 April	213	184
(Debit)/Credit to income statement	3	36
Adjustments re AFS prior years		7
Amortisation of deferred tax resulting from implementation of IFRS	(14)	(14)
At 31 March	**202**	**213**
Analysis of deferred tax balance		
Short-term timing differences	105	119
Capital allowances in excess of depreciation	97	94
As at 31 March	**202**	**213**

In accordance with the provisions of IAS12, the company has recognised the deferred tax asset as being receivable as it is expected that there will be sufficient future tax profits from which the future reversal of the underlying timing differences can be deducted. The directors have made this assessment based on the results for the year ended 31 March 2009.

14 PREPAYMENTS AND ACCRUED INCOME

	2009 Euro '000	2008 Euro '000
Prepayments	466	126
	466	**126**

15 OTHER LIABILITIES

	2009 Euro '000	2008 Euro '000
Other liabilities	2,401	3,899
	2,401	**3,899**

16 SUBORDINATED DEBT LIABILITIES

	2009 Euro '000	2008 Euro '000
Dated loan capital	46,582	46,672
	46,582	**46,672**

All of the above loan capital consists of floating rate notes, redeemable in 2043, and listed on the Luxembourg stock exchange. Interest is payable at a margin of 1% over six month EURIBOR.

Notes to the Accounts for the year ended 31 March 2009

17 CALLED UP SHARE CAPITAL

	2009 Euro '000	2008 Euro '000
Authorised		
150,000,000 (2008- 150,000,000) ordinary shares of €uro1 each	150,000	150,000
160,000,000 (2008- 160,000,000) ordinary shares of US$1 each	121,157	101,775
50,000 (2008- 50,000) ordinary shares of £1 each	54	63
Allotted, called up and fully paid:		
100,000,000 (2008- 50,000,000) ordinary shares of €uro1 each	100,000	50,000
nil (2008- 60,000,000) ordinary shares of US$1 each	-	38,166
	100,000	**88,166**

During the year, the company issued 50million ordinary shares of €uro 1each at par for a consideration of €50million. This completed the settlement of the commitment made the previous year in respect of the conversion of the share capital.

From the proceeds, the bank bought back 60million of the US$ ordinary shares at par. These were subsequently cancelled.

18 MOVEMENTS IN SHAREHOLDERS' FUNDS AND RESERVES

	Issued share capital Euro '000	Retained earnings Euro '000	Total shareholders funds Euro '000
As at 31 March 2008	88,166	21,813	109,979
Profit attributable to the members	-	18,538	18,538
Dividend paid	-	(2,985)	(2,985)
New share capital	50,000	-	50,000
US$ share buy-back	(38,166)	-	(38,166)
Net movement	11,834	15,553	27,387
As at 31 March 2009	**100,000**	**37,366**	**137,366**

	Issued share capital Euro '000	Retained earnings Euro '000	Total shareholders funds Euro '000
As at 31 March 2007	82,692	15,706	98,398
Profit attributable to the members	-	18,828	18,828
Dividend paid	-	(12,721)	(12,721)
New share capital	50,000	-	50,000
US$ share buy-back	(44,526)	-	(44,526)
Net movement	5,474	6,107	11,581
As at 31 March 2008	**88,166**	**21,813**	**109,979**

Notes to the Accounts for the year ended 31 March 2009

19 INTEREST RATE GAP SENSITIVITY ANALYSIS

The following table provides the interest rate profile of the Company by allocating assets and liabilities into time bands by reference to the earliest of the next repricing date or the contractual maturity date.

As at 31 March 2009	Not more than three months Euro '000	More than three months but not more than six months Euro '000	More than six months but not more than one year Euro '000	More than one year but not more than five years Euro '000	More than five years Euro '000	Non-interest bearing Euro '000	Total Euro '000
Assets							
Cash and balances at Central banks	1,335	-	-	-	-	-	1,335
Loans and advances to banks	715,174	38,624	40,343	-	-	-	794,141
Loans and advances to customers	162,141	15,072	-	-	-	-	177,213
Debt securities	89	1,942	-	-	-	-	2,031
Property, plant and equipment	-	-	-	-	-	4,118	4,118
Derivative assets	-	-	-	-	-	-	-
Other assets	5	26	44	-	-	1,466	1,541
Prepayments and accrued income	-	-	-	-	-	466	466
Total assets	878,744	55,664	40,387	-	-	6,050	980,845
Liabilities							
Deposits by banks	590,536	788	40,000	-	-	-	631,324
Customer accounts	151,818	8,043	28	-	-	-	159,889
Subordinated liabilities	-	46,582	-	-	-	-	46,582
Derivative liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	2,401	2,401
Current tax	-	-	-	-	-	3,283	3,283
Shareholders' funds	-	-	-	-	-	137,366	137,366
Total liabilities & equity	742,354	55,413	40,028	-	-	143,050	980,845
Interest rate sensitivity gap	136,390	251	359	-	-	(137,000)	
Cumulative gap	**136,390**	**136,641**	**137,000**	**137,000**	**137,000**	**-**	

Notes to the Accounts for the year ended 31 March 2009

19 INTEREST RATE GAP SENSITIVITY ANALYSIS (continued)

As at 31 March 2008	Not more than three months Euro '000	More than three months but not more than six months Euro '000	More than six months but not more than one year Euro '000	More than one year but not more than five years Euro '000	More than five years Euro '000	Non-interest bearing Euro '000	Total Euro '000
Assets							
Cash and balances at Central banks	5,758	-	-	-	-	-	5,758
Loans and advances to banks	325,299	43,001	101,745	-	-	-	470,045
Loans and advances to customers	213,544	26,036	-	-	-	-	239,580
Debt securities	10,236	6,352	-	-	-	-	16,588
Property, plant and equipment	-	-	-	-	-	2,292	2,292
Derivative assets	-	-	-	-	-	25	25
Other assets	10	-	18	47	-	404	479
Prepayments and accrued income	-	-	-	-	-	126	126
Total assets	554,847	75,389	101,763	47	-	2,847	734,893
Deposits by banks	420,030	-	21,556	-	-	-	441,586
Customer accounts	117,503	8,605	4,744	-	-	-	130,852
Subordinated liabilities	-	46,672	-	-	-	-	46,672
Derivative liabilities	-	-	-	-	-	984	984
Other liabilities	-	-	-	-	-	4,820	4,820
Shareholders' funds	-	-	-	-	-	109,979	109,979
Total liabilities & equity	537,533	55,277	26,300	-	-	115,783	734,893
Interest rate sensitivity gap	17,314	20,112	75,463	47	-	(112,936)	
Cumulative gap	**17,314**	**37,426**	**112,889**	**112,936**	**112,936**	**-**	

Notes to the Accounts for the year ended 31 March 2009

20 NET CURRENCY POSITION ANALYSIS AND GEOGRAPHIC CONCENTRATIONS

The following analysis gives details of the assets and liabilities of the Company as at 31 March 2009 in Euros based on the currencies in which they are denominated to identify the extent to which the foreign currency exposures of the company are matched or unmatched.

As at 31 March 2009	Euro Euro '000	Sterling Euro'000	Other currencies Euro '000	Total Euro '000
Assets				
Cash and balances at Central banks	106	839	390	1,335
Loans and advances to banks	675,593	76,503	42,045	794,141
Loans and advances to customers	133,561	4,119	39,533	177,213
Debt securities	-	-	2,031	2,031
Property, plant and equipment	44	69	4,005	4,118
Other assets	514	279	748	1,541
Prepayments and accrued income	305	37	124	466
Total assets	810,123	81,846	88,876	980,845
Liabilities				
Deposits by banks	474,859	71,210	85,255	631,324
Customer accounts	147,279	6,461	6,149	159,889
Subordinated debt liabilities	46,582	-	-	46,582
Other liabilities	2,376	3,290	18	5,684
Shareholders' funds	137,366	-	-	137,366
Total liabilities and equity	808,462	80,961	91,422	980,845
Net assets/(liabilities) Currency position at 31 March 2009	**1,661**	**885**	**(2,546)**	

The following table incorporates credit risk and geographic concentrations of assets and liabilities.

As at 31 March 2009	Total assets Euro 'mln	Total liabilities Euro 'mln	Credit commitments Euro 'mln
Europe	411	69	1
Middle East	559	774	29
Far East	11	-	-
	981	**843**	**30**

Notes to the Accounts for the year ended 31 March 2009

20 NET CURRENCY POSITION ANALYSIS AND GEOGRAPHIC CONCENTRATIONS (continued)

As at 31 March 2008	US dollar Euro '000	Euro Euro '000	Sterling Euro '000	Other currencies Euro '000	Total Euro '000
Assets					
Cash and balances at Central banks	958	3,287	1,081	432	5,758
Loans and advances to banks	381,533	38,599	14,872	35,041	470,045
Loans and advances to customers	181,618	38,775	9,568	9,619	239,580
Debt securities	10,196	6,392	-	-	16,588
Property, plant and equipment	-	27	95	2,170	2,292
Derivative assets	25	-	-	-	25
Other assets	414	15	-	50	479
Prepayments and accrued income	19	4	31	72	126
Total assets	574,763	87,099	25,647	47,384	734,893
Liabilities					
Deposits by banks	332,409	48,451	20,445	40,281	441,586
Customer accounts	115,562	4,476	10,301	513	130,852
Subordinated debt liabilities	46,672	-	-	-	46,672
Derivative liabilities	-	984	-	-	984
Other liabilities	14,856	4,668	6,723	1,355	4,820
Shareholders' funds	68,828	41,151	-	-	109,979
Total liabilities and equity	578,327	90,394	24,023	42,149	734,893
Net assets/(liabilities)	(3,564)	(3,295)	1,624	5,235	
Foreign exchange contracts	0	3,601	-	(3,601)	
Currency position at 31 March 2008	**(3,564)**	**306**	**1,624**	**1,634**	

The following table incorporates credit risk and geographic concentrations of assets and liabilities.

As at 31 March 2008	Total assets Euro 'mln	Total liabilities Euro 'mln	Credit commitments Euro 'mln
Europe	281	162	2
Middle East	409	457	36
Far East	45	-	-
	735	**619**	**38**

Notes to the Accounts for the year ended 31 March 2009

21 FAIR VALUES

Set out below is a year-end comparison of fair value and book values of all the company's financial assets and liabilities by category. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated for financial instruments by discounting cash flows at prevailing interest rates.

Category	Book Value 2009 Euro '000	Fair Value 2009 Euro '000	Book Value 2008 Euro '000	Fair Value 2008 Euro '000
Assets				
Cash and balances at central banks	1,335	1,335	5,758	5,758
Loans and receivables				
Loans and advances to banks	794,141	794,141	470,045	470,045
Loans and receivables				
Loans and advances to customers	177,213	177,213	239,580	239,580
Loans and receivables				
Debt securities	2,031	2,031	16,588	16,588
Available for sale				
Derivative assets	-	-	25	25
Fair value through P&L				
Other financial assets	1,805	1,805	392	392
Loans and receivables				
Deferred tax asset	202	202	213	213
Non-financial asset				
	976,727	**976,727**	**732,601**	**732,601**
Liabilities				
Due to other banks	631,324	631,324	441,586	441,586
Other financial liabilities				
Customer accounts	159,889	159,889	130,852	130,852
Other financial liabilities				
Derivative liabilities	-	-	984	984
Fair value through P&L				
Other financial liabilities	2,401	2,401	3,899	3,899
Other financial liabilities				
Corporation tax	3,283	3,283	921	921
Non-financial liability				
Subordinated debt liabilities	46,582	46,582	46,672	46,672
Other financial liabilities				
	843,479	**843,479**	**624,914**	**624,914**

Notes to the Accounts for the year ended 31 March 2009

21 FAIR VALUES (continued)

Open derivative positions at the end of the year were as follows:

	Notional principal amount 2009 Euro '000	Fair value 2009 Euro '000	Notional principal amount 2008 Euro '000	Fair value 2008 Euro '000
Interest rate derivatives				
Interest rate swaps	-	-	12,680	(181)
Foreign exchange derivatives				
Foreign currency swaps	-	-	5,168	(550)
	-	**-**	**17,848**	**(731)**

22 MATURITY ANALYSIS

The following assets and liabilities of the Company are repayable as detailed below:

As at 31 March 2009	Not more than three months Euro '000	More than three months but not more than one year Euro '000	More than one year but not more than five years Euro '000	More than five years Euro '000	No fixed maturity Euro '000	Total Euro '000
Assets						
Cash and balances at Central banks	1,335	-	-	-	-	1,335
Loans and advances to banks	715,157	68,236	10,748	-	-	794,141
Loans and advances to customers	56,015	59,348	43,587	18,263	-	177,213
Debt securities	-	89	1,942	-	-	2,031
Other assets	-	-	-	-	5,659	5,659
Prepayments and accrued income	-	-	-	-	466	466
Total assets	**772,507**	**127,673**	**56,277**	**18,263**	**6,125**	**980,845**
Liabilities						
Due to other banks	525,550	105,774	-	-	-	631,324
Customer accounts	151,818	8,071	-	-	-	159,889
Other liabilities	-	-	-	-	5,684	5,684
Subordinated debt liabilities	-	-	-	46,582	-	46,582
Total liabilities	**677,368**	**113,845**	**-**	**46,582**	**5,684**	**843,479**
Net liquidity gap	**95,139**	**13,828**	**56,277**	**(28,319)**	**441**	**137,366**

Of the above loans and advances to banks, Euro622million are repayable on demand or short notice and are classified as cash and cash equivalents for the purposes of the cash flow statement.

Notes to the Accounts for the year ended 31 March 2009

22 MATURITY ANALYSIS (continued)

As at 31 March 2008	Not more than three months Euro '000	More than three months but not more than one year Euro '000	More than one year but not more than five years Euro '000	More than five years Euro '000	No fixed maturity Euro '000	Total Euro '000
Assets						
Cash and balances at Central banks	5,758	-	-	-	-	5,758
Loans and advances to banks	315,905	139,779	14,361	-	-	470,045
Loans and advances to customers	53,975	71,900	102,062	11,643	-	239,580
Debt securities	-	13,408	3,180	-	-	16,588
Other assets	-	-	-	-	2,796	2,796
Prepayments and accrued income	-	-	-	-	126	126
Total assets	375,638	225,087	119,603	11,643	2,922	734,893
Liabilities						
Due to other banks	204,380	237,206	-	-	-	441,586
Customer accounts	117,475	13,377	-	-	-	130,852
Other liabilities	-	-	-	-	5,804	5,804
Subordinated debt liabilities	-	-	-	46,672	-	46,672
Total liabilities	321,855	250,583	-	46,672	5,804	624,914
Net liquidity gap	**53,783**	**(25,496)**	**119,603**	**(35,029)**	**(2,882)**	**109,979**

Of the above loans and advances to banks, Euro 256 million were repayable on demand or short notice, and are classified as cash and cash equivalents for the purposes of the cash flow statement.

Notes to the Accounts for the year ended 31 March 2009

22 MATURITY ANALYSIS (continued)

As at 31 March 2009	2009 Euro '000	2008 Euro '000
Contingent Liabilities		
Guarantees	39,571	67,265
Import LC's Issued/confirmed	77,511	84,014
	117,082	151,279
Commitments		
Credit lines and other commitments to lend		
- less than one year	28,031	31,304
- over one year	1,476	7,029
	29,507	38,333
	146,589	**189,612**

24 RISK MANAGEMENT

In transacting its normal business the Company is exposed to the following principal risks: liquidity, credit, operational and market risk. Overall responsibility for managing these risks is delegated by the Company's Board to its Asset and Liabilities Committee ("ALCO") and the detailed risk management is delegated to the Management Committee ("MC").

ALCO is responsible for determining the Company's risk universe and the appropriate risk management policies. These latter are recommended to the Board for their review and approval. The Board has delegated responsibility for market, credit and operational risks to the MC. There are three members of the Management Committee - the CEO, the CFO and the COO. Regular reports of exposures and risks are presented at the ALCO

ALCO's principal role is to monitor and control the Company's balance sheet - its size, structure and risk composition. It comprises the Company's senior management and is attended by representatives of the business as necessary. It meets formally each month but can meet more regularly if required, eg. to consider the impact of significant changes in market circumstances.

The monthly meeting follows a fixed agenda but it also reviews additional material as necessary, eg. qualitative risks such as reputation or political risk. The agenda includes reports on the four prime risks above, the bank's monthly management accounts and comparison to budget, the regulatory (FSA) requirements and new business. The directors review the ALCO minutes at the quarterly board meetings.

Liquidity risk

Liquidity represents one of the most significant risks for the Company. The extreme scenario would be the Company being unable to meet its obligations arising out of its financial liabilities as they fall due.

Liquidity is monitored on a maturity mismatch basis and various stress scenarios are tested regularly.

Notes to the Accounts for the year ended 31 March 2009

24 RISK MANAGEMENT (continued)

Management of liquidity risk

The Board of Directors has set liquidity limits for the bank based upon the 8 days and 30 days liquidity ratios. These ratios are calculated as the net asset / liability positions as a percentage of total deposit liabilities; these are the same ratios as reported to the FSA. The total of all call balances and deposits maturing within 30 days must not exceed the total of maturing assets; negotiable assets (eg. marketable securities) are included as short term cash inflows but their values are discounted in order to recognise the possibility that full realisation of book value may not be possible in the event of a liquidity crisis.

The Company's liquidity is managed by its treasury function. The Treasurer must ensure that the Company can meets its obligations to its customers and also fully comply with the FSA's requirements. The Treasurer works closely with the CFO (executive director) who has full knowledge of potential new assets and can influence their timing or negotiate additional shareholder funding accordingly. Senior management receives daily reports which include a detailed maturity profile for all assets and liabilities.

New business/assets will not be taken on unless the bank is confident of its ability to fund.

The asset and liability maturity profile is shown in note 22. The following table shows the liquidity ratios and exposure:

		Euro'000	Euro '000	Euro '000	Euro '000
31 March 2009	Sight to:	8 days	30 days	6 months	one year
Assets		663,123	720,772	821,116	900,180
Liabilities		511,159	618,033	676,763	791,213
Mis-match		151,964	102,739	144,353	108,967
Ratio		19.6%	13.2%	18.6%	14.0%
31 March 2008	Sight to:	8 days	30 days	6 months	one year
Assets		309,197	346,715	434,425	600,725
Liabilities		290,606	307,327	552,335	572,438
Mis-match		18,591	39,388	(117,910)	28,287
Ratio		3.4%	7.1%	-21.4%	5.1%

Credit risk

Credit risk arises where the possibility exists of a counterparty defaulting on its obligations. Credit risk exposures are controlled through close monitoring of positions and credit ratings. Day-to-day management of credit risk is carried out by the credit department. The credit committee meets at least weekly; it considers all new credit applications; it can approve those up to Euro 5 million and recommends those above Euro 5 million for board approval. The credit exposure reports and credit committee minutes are reviewed at the ALCO meetings. The Company normally takes collateral; this may be security over a customer's assets, or in some instances cash. A number of loans are secured against the borrowers' portfolio of shares listed on the Tehran stock exchange. The Company has not yet suffered a non-performing loan which would require a provision; therefore it has not needed to use any form of allowance account for credit losses.

Notes to the Accounts for the year ended 31 March 2009

24 RISK MANAGEMENT (continued)

The Company uses the FSA 'standardised approach to credit risk' within its determination of its regulatory capital requirement. The table below shows the "regulatory capital" - 8% of risk weighted exposures - for each standardised credit risk exposure class.

As at 31 March 2009	2009 Euro '000	2008 Euro '000
Central government/bank	25	1,047
Credit institutions	8,141	23,073
Corporates	11,823	27,806
Securities	162	509
Retail	8	5
Short term claims	17,989	10,711
Other	328	233
	38,476	**63,385**

Concentrations of credit risk

The table below shows the company's geographic concentrations of credit risk as at 31 March 2009.

	Iran Euro'000	UK Euro'000	Europe Euro '000	Other Euro'000	Total Euro'000
Loans and advances to banks	131,605	8,385	354,880	299,271	794,141
Loans and advances to customers	118,070	50,530	-	8,613	177,213
Debt securities	-	-	-	2,031	2,031
Guarantees, LC's issued & other credit commitments	146,589	-	-	-	146,589
	396,264	**58,915**	**354,880**	**309,915**	**1,119,974**

At March 2008

	Iran Euro'000	UK Euro'000	Europe Euro '000	Other Euro'000	Total Euro'000
Loans and advances to banks	176,464	22,934	208,936	61,711	470,045
Loans and advances to customers	173,272	28,621	3,407	34,280	239,580
Debt securities	10,197	3,206	-	3,185	16,588
Guarantees, LC's issued & other credit commitments	189,611	-	-	-	189,611
	549,544	**54,761**	**212,343**	**99,176**	**915,824**

Notes to the Accounts for the year ended 31 March 2009

24 RISK MANAGEMENT (continued)

Non-bank credit exposures by industrial sector

As at 31 March 2009	2009 Euro '000	2008 Euro '000
Banking and financial services	-	2,368
Investment company	31,245	48,530
Manufacturing	52,666	50,697
Transport	18,315	10,810
Food and beverages	5,007	5,928
Oil	33,715	77,301
Trading company	23,649	19,294
Others	12,616	24,652
	177,213	**239,580**

Collateral management

The Company uses collateral as one of its fundamental credit management tools. Collateral is taken to provide additional security against exposures where it is considered appropriate and warrants a greater degree of prudence. This collateral may take the form of listed shares, other securities, cash or guarantees. Where listed shares or other securities are taken as collateral, the market value of the collateral is regularly monitored by management. In the event of default by the borrower and under the terms of the respective loan agreement, the Company may take possession of the collateral and apply it towards settlement of the outstanding debt.The following table shows the level of cover from the security held against Euro44million of loans and advances to customers which are collateralised by shares listed on the Tehran Stock Exchange.

Loans	Total exposure Euro '000	% cover
3	18,767	250
4	25,133	150

The Company does not use an internal credit rating system. The loan portfolios remain relatively small, having not grown over the past year due to the continuing political pressure on Iran, United Nations sanctions and the restriction of services of a number of large global banks. Therefore all new credit exposures are subject to a full credit analysis.

Notes to the Accounts for the year ended 31 March 2009

24 RISK MANAGEMENT (continued)

Impairment

Impaired loans and advances are those where the Company has determined that it is probable that it will be unable to recover all principal and interest due through the default of the borrower and the inability to realise sufficient collateral. The Company makes a provision for the amount determined to be irrecoverable and reduces the balance sheet value accordingly. At 31 March 2009 Euro10.2million was overdue in respect of 4 customer loans; all four are currently being renegotiated and all amounts are expected to be recovered during the coming year and all are covered by collateral security. Hence there were no loans at 31 March 2009(2008 nil) considered to be in default and so no provisions required.During the year one customer loan (US$3.4million)was extended by two years to December 2010.

Operational risk

Operational risk arises from inadequate or failed internal processes, systems and personnel or from events external to the company. The Management Committee reviews and considers all operational risks. Where operational risks have been identified, controls and procedures have been put in place to mitigate against these risks. Regular reports are made to senior management, to ALCO and to the Board. The Company measures its operational risk capital requirement using the FSA 'basic indicator approach'. This has increased each year in line with the Company's increasing profitability and revenues. The operational risk capital requirement at the year end was Euro 5.1 million (2008, Euro 4.2 million).

Political risk

As referred to in the Directors' report, the Company faces the risk of continuing political pressure being applied on Iran, further UN / EU sanctions being introduced and /or the withdrawal of services of some large global banks and the impact this would have on its business. In such circumstances, the Company has put in place mitigating actions that include continued support from its two shareholder banks and switching business into currencies for which facilities continue to be made available to it. The Company now has almost no dealings in US Dollars due to the US restrictions and its functional and reporting currency has been the Euro since March 2008.

Non-trading market risk

The Company does not trade either interest rate or exchange rate risk.

Interest rate and currency risk arises in the Company's banking book through the holding of financial instruments, including loans and deposits. Exposure to movements in interest rates arises from mismatches between interest rate sensitive assets and liabilities. The risk is monitored and managed on a daily basis by the Company's Treasury function. Details of interest rate risk exposures are presented in note 19. The Company similarly does not take (trading) open positions in foreign currencies and so is exposed to very little FX risk, see note 21. Any positions arising out of client services or loan related transactions are covered through compensating external transactions.

Interest rate risk

The Company does not have interest rate gaps in excess of one year. Non-interest bearing assets and liabilities are included with capital funds which are also undated. The potential effect of a 2% adverse movement in interest rates across all currencies and all dates at 31 March 2009 was Euro 830,000; the profit for the following year, 2009/10 would be reduced accordingly (2008 Euro 1.4million). This calculation is determined by closing all interest rate gaps through compensating market deals at rates 2% above or below the existing gap rates.

Notes to the Accounts for the year ended 31 March 2009

24 RISK MANAGEMENT (continued)

Currency risk

The exposure to currency risk is measured and monitored daily. The small remaining open positions resulting from banking operating transactions are closed out in the market as soon as it is practical to do so. The effect of an adverse 5% movement in the rates of exchange between the short and long currencies would not be significant but would result in a loss of approximately Euro 40,000 which would reduce the year's profit accordingly, (2008, Euro 180,000). The method and assumptions used to determine the sensitivity to exchange rate movements was the same for both years.

Derivative instruments/hedging

The Company does not hold derivative instruments for trading purposes. Exposures to interest rate risk, eg. fixed rate security or loan, are limited through the use of hedging instruments; an interest rate swap would be used to convert the interest flows from a fixed rate asset to floating rates so matching the associated funding. However, the Company has not adopted hedge accounting and so, for example, the interest rate element of the revaluation of a held for sale fixed rate security would not be differentiated in the P&L account and so would not offset the revaluation of the hedging derivative which is fair valued through the income statement.

Capital management

The Company manages its capital base in order to provide a return to its shareholders that is at least in line with their opportunity cost of funding their investment. The FSA also sets and monitors a minimum capital requirement based upon the ratio of capital to total risk weighted exposures. These exposures include all assets plus off-balance sheet exposures and other risks, eg. operational risk.

The Company's capital comprises the following;

	2009 Euro '000	2008 Euro '000
Tier one		
Ordinary share capital	100,000	88,166
Retained earnings	37,366	21,813
	137,366	109,979
Tier two		
Subordinated loan	46,500	46,500
Total regulatory capital base	**183,866**	**156,479**

The regulatory capital base is stated before the declaration of a dividend payable from the earnings of the year.The share capital was redenominated from US$ into Euros in two stages - November 2007 and November 2008 (see Directors' report).The risk weighted exposures are determined according to specified requirements which reflect the degree of risk attached to the respective risk categories.

Notes to the Accounts for the year ended 31 March 2009

24 RISK MANAGEMENT (continued)

On 1st January 2008 the Basel II methodology came into effect. The composition of the regulatory capital remains unchanged; however, its allocation and usage has changed significantly. The risk weightings of a number of assets have increased and operational and other risks, not previously covered by Basel I, are now included in the capital requirement calculations. The Company's regulatory capital ratio was always considerably in excess of the previous FSA minimum of 18%. The new FSA reporting requirements include the determination of a (capital) solvency ratio. The ratio at 31 March 2009 was 379% (2008, 25 1%) which was equivalent to surplus capital of Euro122million (2008, Euro 82million).

25 OPERATING LEASE COMMITMENTS

	2009 Euro '000	2008 Euro '000
Commitment under non-cancellable operating leases for the Bank's premises		
within one year	673	459
two to five years	1,394	2,025
over five years	-	-

26 CAPITAL COMMITMENTS

The company has entered into an agreement to purchase two units in a Dubai building, which is currently under construction; it is expected to be finished during 2009 at which time the Dubai branch will relocate. Nine stage payments have been paid up to 31 March 2009 totalling Euro 3,850,000 (AED 18.6million), (2008 Euro 2,154,000). One final instalment AED 2million (Euro428,000) will be paid on completion.

27 IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate and ultimate parent undertaking is Bank Mellat, which owns 60% of the share capital of the Company. Bank Mellat is the parent of the smallest and largest groups into which the results of the Company are consolidated. Copies of the Group financial statements of Bank Mellat are available from its principal place of business at No.327, Taleghani Avenue, 15817 Tehran, Iran. The Company's other major shareholder is Bank Tejarat which owns 40%.

28 RELATED PARTIES

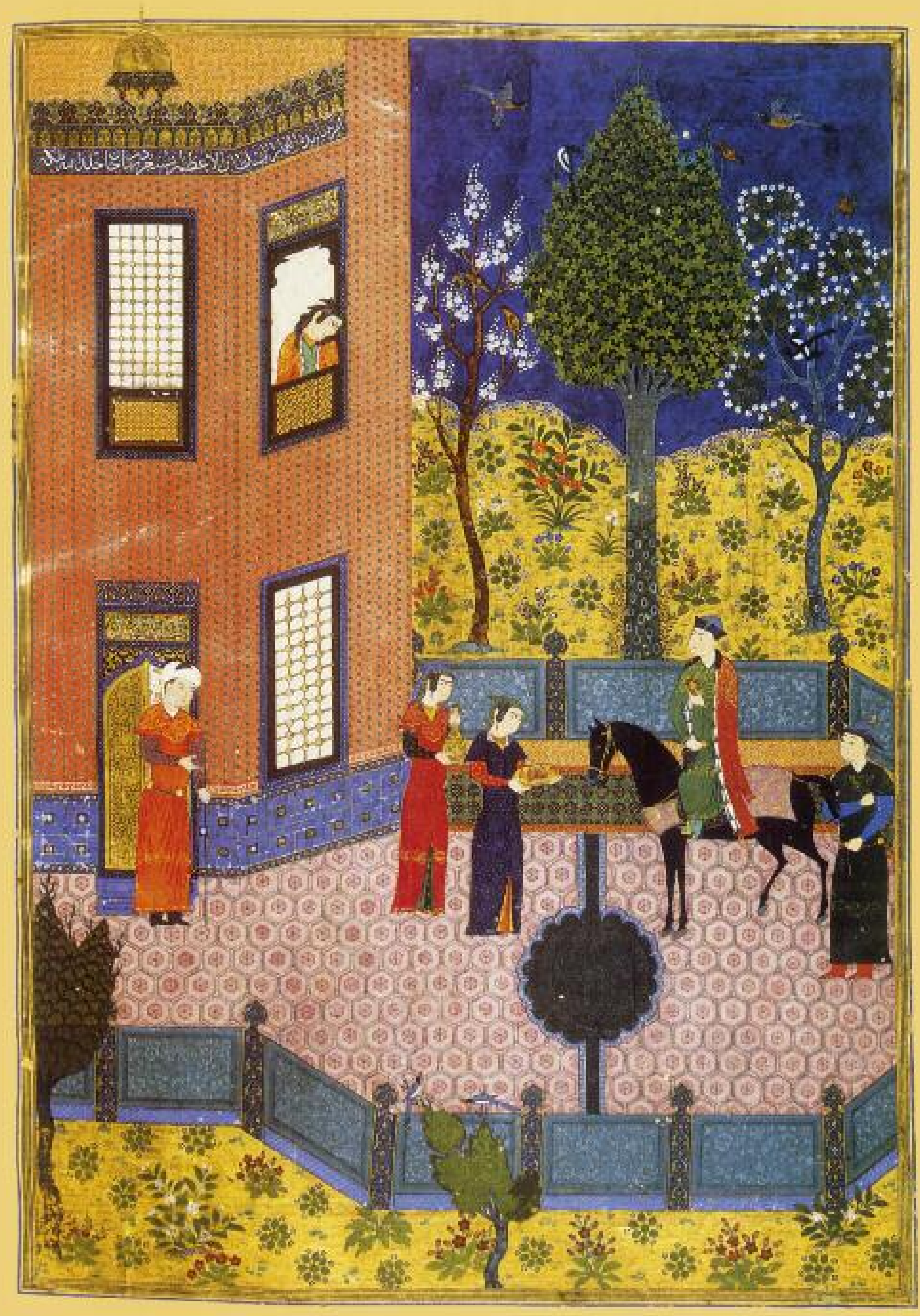
The Company is controlled by Bank Mellat which owns 60% of the share capital; Bank Tejarat owns the remaining 40% and is a related party with significant influence.

Significant numbers of transactions are entered into with related parties in the normal course of the company's business. The Company takes deposits from its shareholder banks through the money markets; these can be for any periods up to one year including regular overnight placements. One of the Company's client services is discounting term LC's. A large number of discounts are LC's originally issued by the Company's shareholders.

		2009 Euro '000	2008 Euro '000
The totals outstanding at the year end were:			
Deposits	Bank Mellat	206,553	167,645
	Bank Tejarat	73,968	109,540
Bills discounted	Bank Mellat	11,964	13,459
	Bank Tejarat	8,456	24,802

Interest payable to Bank Mellat and Bank Tejarat during the year is shown in note 3.

There was no other related party income. The only other related party expense was in respect of premises rental (see note 25). The remuneration of key management of the company is disclosed in note 6.



A page from the Baisonqor's Shahnameh *copied by ja'far Tabrizi*
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