Above ***Jewelled Table Globe 1870.***
On display at the National Jewellery Museum of the Islamic Republic of Iran.

Management Team

Board of Directors

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

Company Secretary

J. L. Bridger

Auditors

Mazars LLP
London

Executive Management

M. R. Meskarian
Chief Executive Officer
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R. Ajdari
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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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PO Box 119871
Dubai
United Arab Emirates

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

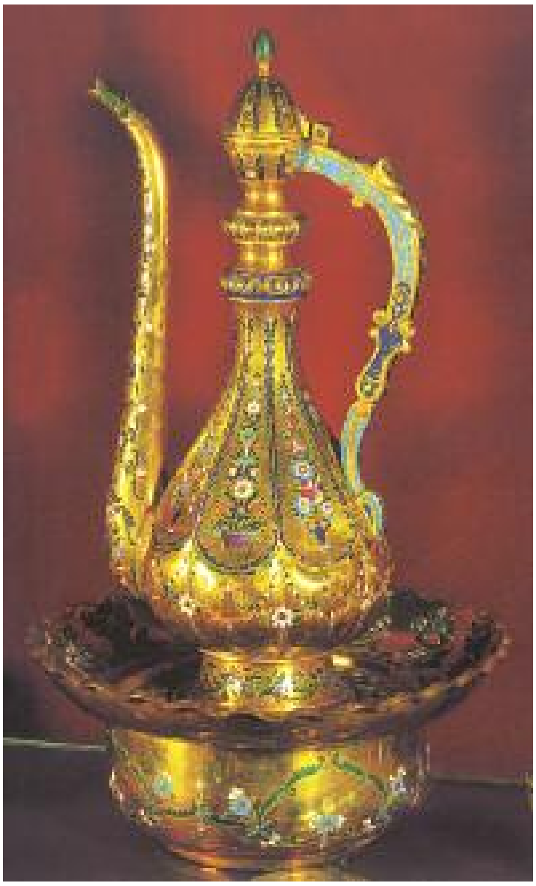
Tehran Representative Office

Representative: Mrs. F. Mazda

Address:
4th Floor, Navak Building
244 Africa Boulevard
Tehran
Iran

Tel: +9821 88889826
Fax: +9821 88889827

Contents



Jewelled Pitcher and Ewer, early 19th century
On display at the National Jewellery Museum of the Islamic Republic of Iran.

Above ***Three Pearl Brooches 19th century.***
On display at the National Jewellery Museum of the Islamic Republic of Iran.

Chairman's Statement

The financial year 2009/10 was a challenging year for the Bank. In spite of the growing political pressures on Iran, which have restricted its trade finance activities and its ability to operate internationally, the Bank has nevertheless reported very respectable results.

The Bank could not escape entirely the impact of the credit crisis, and so has had to recognize some impairment to its participations in two syndicated loans, neither of which was Iranian. Those apart, the loan portfolio remains sound.

Profit before tax and impairment charges was €22.2million, 17.7% below the previous year's profit of €23.7million. An impairment charge of €7.2million (2008/9, €1.8million) reduced this to €15.0million. Profit after tax amounted to €10.8million, resulting in a return on average equity of 13%, which is still a respectable rate of return in the difficult circumstance which prevailed during the past year.

During this year, the Bank paid a dividend of €20.0million in respect of 2008/9, which has had the effect of reducing its capital base to €175.0million, which is still greatly in excess of its regulatory capital requirement.

The maintenance of a low interest rate regime throughout the year continued to affect the Bank's interest income adversely, but the cost/income ratio remained healthy at 24%. Trade finance commission revenues held up well.

The Bank's Iranian loan portfolio performed well, with only three borrowers requiring some modest assistance. Although this is masked by a reduction in short-term deposits with banks, overall, the loan portfolio has increased, thanks mainly to the discounting of trade finance paper, which remained one of the Bank's core business lines, both through the London Head office and its Dubai branch. The discounting of such paper is a logical extension to the trade finance services offered by the Bank.

In line with the privatization policy of the government of the Islamic Republic of Iran and in the light of Article 44 of the Iranian Constitution, Bank Mellat, the 60 percent shareholder of the Bank, had been privatised in February 2009, and, in continuation of that process, the privatization of Bank Tejarat, the other (40 per cent) shareholder of the Bank, was completed in May 2009.

In October 2009, H.M. Treasury issued a Notice, which prohibited UK financial institutions from any dealings with Bank Mellat and had the effect of freezing its UK assets. This is due for review in October 2010. In spite of this, Bank Mellat remains committed to the future of the Bank, and meanwhile the Bank continues to receive strong support from its other shareholder, Bank Tejarat as well as other Iranian banks.

Chairman's Statement - Continued

The Future

The increasing international political pressure on Iran may begin to take its toll on the Bank's operations, particularly trade finance services in both London and Dubai, which will have an inevitable effect on its revenues and profits. This has led the Bank to lay greater emphasis on developing short-to medium-term loan financing. The Bank's strong capital ratio will easily accommodate a substantial shift from commission-based activity, which utilises little capital, towards lending activity which depends to a much greater extent on the balance sheet.

Much of our existing business is, naturally, derived from Iran, both from customers based in Iran and customers trading with Iran, and this will remain the case for the foreseeable future.

I wish warmly to thank my Board colleagues and the staff of the Bank for their continuing hard work and dedication.

Likewise, the Board is very grateful for the support of our two Shareholder Banks.

I expect the general international climate in which the Bank operates to remain cloudy and difficult for at least the next year. However, I remain optimistic that they may begin to return to normal, perhaps towards the end of 2011. The Board and I are confident that the Bank will continue to 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

20 June 2010

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 2010.

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 eight 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 2010 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 down from last year due to both decreased money market activity and a further decrease in the commercial loan portfolio. The credit portfolios increased overall as a result of a significant increase in the shorter term discounting portfolio; these latter exposures are included within bank lending. The Company does not anticipate a return to its medium term growth strategy until the global markets begin to return to normal. 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 four years.

The Bank's business has been increasingly restricted as the various sanctions have been introduced and applied. However, the Bank has remained profitable and the current business plan similarly projects a reasonable operating profit target which in turn supports the Bank's going concern status.

Note 24 - Risk management - includes the majority of the Pillar III disclosures required by the FSA. These disclosures cover the financial instrument risk management objectives and policies of the Company in relation to the exposures to currency risk, credit risk, liquidity risk and interest rate risk.

Please refer also to the Chairman's Statement for a more detailed review of the business and the future developments.

Share Capital

The total issued share capital is Euro 100 million. There were no changes in the year.

Results and Dividends

The results for the year are set out in detail in the income statement on page 13. The profit before tax amounted to Euro 15,039,000 (2009: Euro 25,494,000) and the profit attributable to shareholders for the financial year amounted to Euro 10,825,000, a 13% return on average shareholders' equity (2009: Euro 18,538,000, 18%) this has been transferred to reserves. The directors paid a dividend during the period of Euro20,000,000 (€0.2 per share) in June 2009 (2009: €2,985,000; €0.03 per share).

Directors' Report - Continued

Directors

The directors throughout the year except as noted below were :

Chairman (Non-executive Director)	Dr A. Divandari
Vice Chairman (Non-executive Director)	Dr M Davari
Non-executive Director	Dr R Raei (resigned 18 June 2009)
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 2010 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 2010 represents 20 days' (2009: 20 days) average daily purchases of goods and services received from such creditors.

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.
- 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 section 418 of the Companies Act 2006.

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

30 June 2010

Above ***Brooch early 19th century.*** *On display at the National Jewellery Museum of the Islamic Republic of Iran.*

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 2006.

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'. Additionally in accordance with Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for that period.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. In preparing these financial statements, the directors are 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 2006. 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.

Above ***One of a pair of royal audience candlesticks made during, or just before, the reign of Fath-Ali Shah***
Gold encrusted with precious stones
Height 40cm, weight 5kg
The National Jewellery Treasury, Tehran

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 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Goldsworthy *(Senior statutory auditor)*

for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)

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

30 June 2010

Statement of Comprehensive Income for the year ended 31 March 2010

	Note	2010 Euro '000	2009 Euro '000
INTEREST RECEIVABLE AND SIMILAR INCOME			
Interest receivable and similar income arising from debt securities available for sale		-	161
Other interest receivable and similar income	2	26,246	47,597
		26,246	47,758
INTEREST EXPENSE AND SIMILAR CHARGES	3	(6,408)	(24,305)
NET INTEREST INCOME		19,838	23,453
Loan impairment charges	8	(7,181)	-
NET INTEREST INCOME after loan impairment charges		12,657	23,453
Fees and commissions receivable		8,458	9,413
Fees and commissions payable		(78)	(124)
Other operating income	4	2,071	2,017
OPERATING PROFIT		23,108	34,759
Administrative expenses	5	(7,994)	(7,289)
Depreciation and amortisation	12	(75)	(132)
Gain / (Impairment loss) on available-for-sale securities		-	(1,844)
OPERATING PROFIT BEFORE TAX		15,039	25,494
Tax on profit on ordinary activities	10	(4,214)	(6,956)
PROFIT FOR THE YEAR		**10,825**	**18,538**
Other comprehensive income		-	-
Total comprehensive income attributable to the equity shareholders of the parent entity		**10,825**	**18,538**

Statement of Financial Position as at 31 March 2010

	Note	2010 Euro '000	2009 Euro '000
ASSETS			
Cash and balances at Central banks		6,760	1,335
Loans and advances to banks	22	628,576	794,141
Loans and advances to customers	22	134,291	177,213
Debt securities	11	1,908	2,031
Property, plant and equipment	12	4,111	4,118
Deferred tax asset	14	174	202
Other assets	13	472	1,339
Prepayments and accrued income	15	262	466
TOTAL ASSETS		**776,554**	**980,845**
LIABILITIES			
Due to other banks	22	461,459	631,324
Customer accounts	22	135,515	159,889
Other liabilities	16	3,286	2,401
Current tax		1,547	3,283
Subordinated debt liabilities	17	46,556	46,582
TOTAL LIABILITIES		**648,363**	**843,479**
SHAREHOLDERS' EQUITY			
Called up share capital	18	100,000	100,000
Retained earnings		28,191	37,366
TOTAL SHAREHOLDERS' EQUITY	18	128,191	137,366
TOTAL EQUITY AND LIABILITIES		**776,554**	**980,845**
MEMORANDUM ITEMS			
Contingent liabilities:			
Guarantees	23	44,793	39,571
Import LC's issued/confirmed	23	19,691	77,511
Commitments			
Other credit commitments	23	44,424	29,507

These financial statements were approved by the Board of Directors on 30 June 2010.

Signed on behalf of the Board of Directors

Mr M Meskarian

Chief Executive Officer

Mr A Akhondi Asl

Chief Financial Officer

Statement of changes in equity for the year ended 31 March 2010

	Issued share capital Euro '000	Retained earnings Euro '000	Total shareholders funds Euro '000
As at 31 March 2009	100,000	37,366	137,366
Profit attributable to the members	-	10,825	10,825
Dividend paid	-	(20,000)	(20,000)
Net movement	-	(9,175)	(9,175)
As at 31 March 2010	**100,000**	**28,191**	**128,191**

	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**

Statement of Cash Flows for the year ended 31 March 2010

	Note	2010 Euro '000	2009 Euro '000
Cash flows from operating activities			
Operating profit		15,039	25,494
Depreciation and amortisation	12	75	132
Other non-cash movements		(7,058)	12
Interest on subordinated loan added back		1,191	1,214
Cash flows from operating profits before changes in operating assets and liabilities		9,247	26,852
Net decrease/(increase) in amounts due from banks and loans to customers		(73,696)	139,433
Net decrease/(increase) in debt securities		-	14,557
Net increase/(decrease) in derivative financial instruments		-	(959)
Net decrease /(increase) in other assets		867	(1,073)
(Increase)/decrease in prepayments and accrued income	15	204	(340)
Net increase/(decrease) in other liabilities		859	(1,498)
Foreign exchange differences		70	(418)
Net (decrease)/ increase in other borrowed funds		(194,239)	218,775
Taxation		(5,948)	(4,594)
Net cash flow from operating activities		(262,636)	390,735
Cash flows from investing activities		-	-
Proceeds from sales of property, plant and			
Purhase of property, plant and equipment	12	(138)	(1,540)
Net cash flow from investing activities		(138)	(1,540)
Cash flows from financing activities			
Interest paid on subordinated loan		(1,165)	(1,305)
Issue of ordinary shares	19	-	11,834
Dividends paid	19	(20,000)	(2,985)
Net cash flow from financing activities		(21,165)	7,544
Effects of exchange rate changes on cash & cash equivalents		2,010	(1,911)
Net (decrease) / increase in cash and cash equivalents		(281,929)	394,828
Cash and cash equivalents at the beginning of the year		716,491	321,663
Cash and cash equivalents at the end of the year		**434,562**	**716,491**

Statement of Cash Flows for the year ended 31 March 2010 - Continued

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

	Note	2010 Euro '000	2009 Euro '000
Company			
Cash and balances with central banks		6,760	1,335
Amounts due from banks with maturity less than three months		427,802	715,156
		434,562	**716,491**

Left ***Bottle encrusted with jewels and decorated with enamel, from the collection of the Crown Jewels of Iran***
Gold, height 44cm
c. 18th century
Probably from Shiraz
The National Jewellery Treasury, Tehran

Above ***Brooch early 19th century.***
On display at the National Jewellery Museum of the Islamic Republic of Iran.

Notes to the Accounts for the year ended 31 March 2010

1 SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Business review on page 7.

Standards, amendments and interpretations effective on or after 1 April 2009

The following standards, amendments and interpretations, which became effective in 2009/10 are relevant to the Company:

Standard	Content	Applicable for financial years beginning on/after
IFRS 7 (amendment)	Improving disclosures about financial instruments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

The adoption of both of the above has no impact on the results or financial position of the Company. The impact is purely in respect of presentation and additional disclosures.

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

		Applicable for financial years beginning on/after
IFRS 2 (amendment)	Share based payment	1 July 2009
IFRS 3	Business combinations	1 July 2009
IAS 24 (amendment)	Related party disclosures	1 Jan 2011
IAS 28 (amendment)	Investments in Associates	1 July 2009
IAS 32 (amendment)	Financial instruments presentation	1 Feb 2010
IAS 36 (amendment)	Impairment of assets	1 July 2009
IAS 39 (amendment)	Financial instruments : recognition and measurement -	
	eligible hedged items	1 July 2009
	embedded derivatives when reclassifying financial instruments	30 June 2009
	amendments resulting from April 2009 Annual improvements to IFRSs	1 Jan 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

The directors anticipate that the adoption of the other Standards, amendments and interpretations in future periods will have no material impact on the financial statements of the Company.

IFRS 9	Financial instruments part 1 : Classification & measurement

The Company is considering the implications of the standard, its impact and the timing of its adoption.

Notes to the Accounts for the year ended 31 March 2010

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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. In accordance with the provisions of section 402 of the Companies Act 2006, the Company is not required to prepare group accounts as its subsidiary, Moorgate Admin Services Ltd, is immaterial.

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 to the balance sheet carrying value, 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 2010

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 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

(a) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehhensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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.

The average rate for Euro/£ applied during the year was 0.88.

Notes to the Accounts for the year ended 31 March 2010

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fair value of the available for sale securities has been calculated by discounting the cash flows at prevailing interest rates. This has required the use of estimates and assumptions regarding credit risks and recoverable cash flows (note 11).

Similarly the directors have used estimations in order to calculate the impaired value of the two loans. Refer to note 24 for further details.

The directors have not made any other 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.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 Euro '000	2009 Euro '000
Interest receivable from banks	17,949	32,996
Interest receivable from customers	8,295	14,599
Other interest income	2	2
	26,246	**47,597**

All income included above has arisen from financial instruments that are classified as loans and receivables in accordance with IAS 39. Interest is not accrued on impaired assets.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2010 Euro '000	2009 Euro '000
Interest payable to banks	2,788	8,320
Interest payable to customers	522	2,709
Interest payable on deposits from shareholders	1,959	10,626
Interest payable on subordinated debt	1,139	2,650
	6,408	**24,305**

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

Notes to the Accounts for the year ended 31 March 2010

4 OTHER OPERATING INCOME

	2010 Euro '000	2009 Euro '000
Foreign exchange income	1,116	1,007
Gain/(loss) on derivatives measured at fair value through P&L	-	181
Other banking charges	955	829
	2,071	**2,017**

5 ADMINISTRATIVE EXPENSES

	2010 Euro '000	2009 Euro '000
Wages and salaries	4,436	4,054
Social security costs	387	465
Other pension costs	280	280
Other administrative expenses	2,891	2,490
	7,994	**7,289**

6 DIRECTORS' EMOLUMENTS

	2010 Euro '000	2009 Euro '000
Emoluments	621	602
Highest paid director's emoluments		
Salary and bonus	138	128
Housing allowance	30	29
Car allowance	8	8
Travel allowance	-	1
Membership of medical scheme	4	3
UK income tax and national insurance	113	108
	293	**277**

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.

Notes to the Accounts for the year ended 31 March 2010

7 INFORMATION REGARDING EMPLOYEES

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

	2010 Euro '000	2009 Euro '000
Banking operations	30	25
Trade finance	30	33
Administration	10	10
	70	**68**

8 IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES

	2010 Euro '000	2009 Euro '000
As at 31 March 2009	-	-
Charge for the year	7,181	-
Impairment allowance as at 31 March 2010	**7,181**	**-**

Prior to 2009/10 the Bank had not charged any amounts in respect of credit provisions.

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2010 Euro '000	2009 Euro '000
Profit on ordinary activities before tax is stated after charging the following:		
Depreciation	75	132
Operating lease charges	631	625
The analysis of auditors' remuneration is as follows:		
Fees payable to the company's auditors for the audit of the company's annual accounts	99	95
Fees payable to the company's auditors and their associates for other services	12	68

Left **Jewelled Decanter mid 19th century.**
On display at the National Jewellery Museum of the Islamic Republic of Iran.

Notes to the Accounts for the year ended 31 March 2010

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

		2010 Euro '000	2009 Euro '000
(i)	Analysis of tax charge on ordinary activities United Kingdom Corporation tax at 28% (2009 - 28%) based on the profit for the year.	4,200	7,152
		4,200	7,152
	Deferred tax - temporary differences, origination and reversal (note 16)	14	(3)
	Adjustment in respect of prior years	-	(193)
		4,214	**6,956**
(ii)	Factors affecting tax charge for the year. The tax assessed for the current and prior year is higher than that resulting from applying the standard rate of corporation tax in the UK.		
	Profit on ordinary activities before tax	**15,039**	**25,494**
	Tax at 28% (2009 - 28%) thereon	4,211	7,138
	Effects of: Expenses not deductible for tax purposes	3	11
	Adjustment in respect of prior years	-	(193)
		4,214	**6,956**

Notes to the Accounts for the year ended 31 March 2010

11 DEBT SECURITIES

	2010 Euro '000	2009 Euro '000
Issued by other than public bodies		
Available for sale securities		
- other debt securities	1,908	2,031
	1,908	**2,031**
Due within one year	-	89
Due one year and over	1,908	1,942
	1,908	**2,031**
Debt securities		
- listed other than on a recognised UK exchange	-	-
- unlisted	1,908	2,031
	1,908	**2,031**

The change in the debt securities balance is due to the revised impairment calculation.

The unlisted investment security is a bond purchased on the secondary market and the fair value has been calculated by discounting the expected cash flows at prevailing interest rates.

12 PROPERTY, PLANT AND EQUIPMENT

	Equipment fixtures and fittings 2010 Euro '000	Equipment fixtures and fittings 2009 Euro '000
Cost		
At 1 April	5,690	3,880
Additions	138	1,540
Disposals	-	-
Exchange rate movement	(21)	270
At 31 March	**5,807**	**5,690**
Depreciation		
At 1 April	1,572	1,588
Charge for the year	75	132
Disposals	-	-
Exchange rate movement	49	(148)
At 31 March	**1,696**	**1,572**
Net Book Value		
At 31 March	**4,111**	**4,118**

Notes to the Accounts for the year ended 31 March 2010

13 OTHER ASSETS

	2010 Euro '000	2009 Euro '000
Trade receivables	386	1,264
Staff loans	86	75
Amounts due from shareholders	-	-
	472	**1,339**

14 DEFERRED TAX ASSET AND ANALYSIS

	2010 Euro '000	2009 Euro '000
At 1 April	202	213
(Debit) / Credit to income statement	(14)	3
Amortisation of deferred tax resulting from implementation of IFRS	(14)	(14)
At 31 March	**174**	**202**
Analysis of deferred tax balance		
Short-term timing differences	91	105
Capital allowances in excess of depreciation	83	97
As at 31 March	**174**	**202**

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 temporary differences can be deducted. The directors have made this assessment based on the results for the year ended 31 March 2010.

15 PREPAYMENTS AND ACCRUED INCOME

	2010 Euro '000	2009 Euro '000
Prepayments	262	466
	262	466

Notes to the Accounts for the year ended 31 March 2010

16 OTHER LIABILITIES

	2010 Euro '000	2009 Euro '000
Other liabilities	3,286	2,401
	3,286	**2,401**

17 SUBORDINATED DEBT LIABILITIES

	2010 Euro '000	2009 Euro '000
Dated loan capital	46,556	46,582
	46,556	**46,582**

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.

18 CALLED UP SHARE CAPITAL

	2010 Euro '000	2009 Euro '000
Authorised		
150,000,000 (2009 - 150,000,000) ordinary shares of €uro1 each	150,000	150,000
160,000,000 (2009 - 160,000,000) ordinary shares of US$1 each	119,056	121,157
50,000 (2009 - 50,000) ordinary shares of £1 each	54	54
Allotted, called up and fully paid:		
100,000,000 (2009 - 100,000,000) ordinary shares of €uro1 each	**100,000**	**100,000**

Notes to the Accounts for the year ended 31 March 2010

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 2010	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	6,760	-	-	-	-	-	6,760
Loans and advances to banks	428,016	71,450	129,110	-	-	-	628,576
Loans and advances to customers	107,324	26,967	-	-	-	-	134,291
Debt securities	-	1,908	-	-	-	-	1,908
Property, plant and equipment	-	-	-	-	-	4,111	4,111
Derivative assets	-	-	-	-	-	-	-
Other assets	-	11	25	-	-	610	646
Prepayments and accrued income	-	-	-	-	-	262	262
Total assets	542,100	100,336	129,135	-	-	4,983	776,554
Liabilities							
Deposits by banks	461,459	-	-	-	-	-	461,459
Customer accounts	132,136	3,379	-	-	-	-	135,515
Subordinated liabilities	-	46,556	-	-	-	-	46,556
Derivative liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	3,286	3,286
Current tax	-	-	-	-	-	1,547	1,547
Shareholders' funds	-	-	-	-	-	128,191	128,191
Total liabilities & equity	593,595	49,935	-	-	-	133,024	776,554
Interest rate sensitivity gap	(51,495)	50,401	129,135	-	-	(128,041)	
Cumulative gap	**(51,495)**	**1,094**	**128,041**	**128,041**	**128,041**	**-**	

Notes to the Accounts for the year ended 31 March 2010

19 INTEREST RATE GAP SENSITIVITY ANALYSIS (continued)

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	-	-	-	798,141
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
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
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 2010

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 2010 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 2010	Euro Euro '000	Sterling Euro'000	Other currencies Euro '000	Total Euro '000
Assets				
Cash and balances at Central banks	5,263	737	760	6,760
Loans and advances to banks	438,945	78,569	111,062	628,576
Loans and advances to customers	111,950	2,194	20,147	134,291
Debt securities	-	-	1,908	1,908
Property, plant and equipment	37	151	3,923	4,111
Other assets	478	122	46	646
Prepayments and accrued income	181	58	23	262
Total assets	556,854	81,831	137,869	776,554
Liabilities				
Deposits by banks	256,162	70,977	134,320	461,459
Customer accounts	124,134	8,396	2,985	135,515
Subordinated debt liabilities	46,556	-	-	46,556
Other liabilities	2,182	2,214	437	4,833
Shareholders' funds	128,191	-	-	128,191
Total liabilities and equity	557,225	81,587	137,742	776,554
Net assets/(liabilities) Currency position at 31 March 2010	**(371)**	**244**	**127**	

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

As at 31 March 2010	Total assets Euro 'mln	Total liabilities Euro 'mln	Credit commitments Euro 'mln
Europe	203	68	2
Middle East	565	580	42
Far East	8	-	-
	776	**648**	**44**

Notes to the Accounts for the year ended 31 March 2010

20 NET CURRENCY POSITION ANALYSIS AND GEOGRAPHIC CONCENTRATIONS (continued)

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 2008	**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 2010

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 expected 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 *Loans and receivables*	6,760	6,760	1,335	1,335
Loans and advances to banks *Loans and receivables*	628,576	628,576	794,141	794,141
Loans and advances to customers *Loans and receivables*	134,291	134,291	177,213	177,213
Debt securities *Available for sale*	1,908	1,908	2,031	2,031
Derivative assets *Fair value through P&L*	-	-	-	-
Other financial assets *Loans and receivables*	734	734	1,805	1,805
Deferred tax asset *Non-financial asset*	174	174	202	202
	772,443	**772,443**	**976,727**	**976,727**
Liabilities				
Due to other banks *Other financial liabilities*	461,459	461,459	631,324	631,324
Customer accounts *Other financial liabilities*	135,515	135,515	159,889	159,889
Derivative liabilities *Fair value through P&L*	-	-	-	-
Other financial liabilities *Other financial liabilities*	3,286	3,286	2,401	2,401
Corporation tax *Non-financial liability*	1,547	1,547	3,283	3,283
Subordinated debt liabilities *Other financial liabilities*	46,556	46,556	46,582	46,582
	648,363	**648,363**	**843,479**	**843,479**

Fair value hierarchy

The only financial instruments carried at fair value are level 2 instruments.

The fair value is calculated based on the value of the estimated future cash flows, discounted at the assets' original effective interest rates. This relates only to the debt securities classified in AFS.

Mid 19th century Brooch, which adorned the headdress of Nader Shah. The Central emerald weighs 175.5 carats and is surrounded by 145 rose diamonds and another 60 diamonds.
Now in the national museum of the Islamic Republic of Iran.

Notes to the Accounts for the year ended 31 March 2010

22 MATURITY ANALYSIS

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

As at 31 March 2010	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	6,760	-	-	-	-	6,760
Loans and advances to banks	427,802	197,676	3,098	-	-	628,576
Loans and advances to customers	7,725	15,246	105,580	5,740	-	134,291
Debt securities	-	-	1,908	-	-	1,908
Other assets	-	-	-	-	4,757	4,757
Prepayments and accrued income	-	-	-	-	262	262
Total assets	**442,287**	**212,922**	**110,586**	**5,740**	**5,019**	**776,554**
Liabilities						
Due to other banks	400,898	60,561	-	-	-	461,515
Customer accounts	132,136	3,379	-	-	-	135,515
Other liabilities	-	-	-	-	4,833	4,833
Subordinated debt liabilities	-	-	-	46,556	-	46,556
Total liabilities	**533,034**	**63,940**	**-**	**46,556**	**4,833**	**648,363**
Net liquidity gap	**(90,747)**	**148,982**	**110,586**	**(40,816)**	**186**	**128,191**

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 2010

22 MATURITY ANALYSIS (continued)

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, Euro256million 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 2010

23 MEMORANDUM ITEMS

As at 31 March 2010	2010 Euro '000	2009 Euro '000
Contingent Liabilities		
Guarantees	44,793	39,571
Import LC's Issued/confirmed	19,691	77,511
	64,484	117,082
Commitments		
Credit lines and other commitments to lend		
- less than one year	33,417	28,031
- over one year	11,007	1,476
	44,424	29,507
	108,908	**146,589**

Documentary credits commit the Company to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

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 Risk Committee ("RC"). The RC comprises three members : the CEO and the two non-executive directors. The RC normally meets at least four times a year and is responsible for evaluating the Bank's risk principles, risk policies, risk capacity and appetite and makes appropriate recommendations to the full Board. The Committee also monitors the effectiveness of the Bank's risk policies in practice.

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 Management Committee. 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. The Bank's Audit Committee is comprised of the non-executive directors only. The executive directors and other senior management are invited to attend but have no voting rights. The committee normally meets four times a year and is responsible for transparency in the financial performance of the Bank, including timely reporting and disclosure in line with regulatory requirements, corporate governance and recognised best practice. The committee also reviews the internal audit program and the effectiveness of internal control, compliance, and risk management.

Notes to the Accounts for the year ended 31 March 2010

24 RISK MANAGEMENT (continued)

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.

Management of liquidity risk

The Board of Directors has set liquidity limits for the bank based upon the 8 days, 30 days and 60 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 them.

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 2010	Sight to:	8 days	30 days	6 months	one year
Assets		377,026	394,145	510,843	655,210
Liabilities		322,755	342,798	590,364	596,974
Mis-match		54,271	51,347	(79,521)	58,236
Ratio		9.1%	8.6%	-13.4%	9.8%
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%

The bank is following the latest FSA requirements regarding liquidity and is currently engaged in a project to expand its regulatory reporting. This is targeted to be live for the new reports to be submitted starting in the fourth quarter.

Notes to the Accounts for the year ended 31 March 2010

24 RISK MANAGEMENT (continued)

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 is chaired by the Chief Executive Officer and includes all the senior credit managers. This is the principal forum below board level for agreeing lending proposals. All credit facilities, other than those which require board approval, are approved by the full Credit Committee. The Committee also makes recommendations on credit policy issues, monitors loan quality, possible concentration risk and is responsible for identifying problem loans and the need for provisions. It meets at least weekly; it considers all new credit applications; it can approve those up to €5million. 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 charged two provisions to the profit & loss account in respect of non-performing loans. These are specific provisions. 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 2010	2010 Euro '000	2009 Euro '000
Central government/bank	467	25
Credit institutions	15,679	8,141
Corporates	13,883	11,845
Securities	130	140
Retail	39	8
Past due	92	-
Short term claims	11,768	17,989
Other	329	328
	42,387	**38,476**

Concentrations of credit risk

The table below shows the company's geographic concentrations of credit risk as at 31 March 2010.

	Iran Euro'000	UK Euro'000	Europe Euro '000	Other Euro'000	Total Euro'000
Loans and advances to banks	253,564	4,370	164,057	206,585	628,576
Loans and advances to customers	120,663	2,155	-	11,473	134,291
Debt securities	-	-	-	1,908	1,908
Guarantees, LC's issued & other credit commitments	108,908	-	-	-	108,908
	483,135	**6,525**	**164,057**	**219,966**	**873,683**

Enamelled Flagon
18th century.
On display at the National Jewellery Museum of the Islamic Republic of Iran.

Notes to the Accounts for the year ended 31 March 2010

24 RISK MANAGEMENT (continued)

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**

Non-bank credit exposures by industrial sector

As at 31 March 2010	2010 Euro '000	2009 Euro '000
Banking and financial services	3,841	-
Investment company	22,759	31,245
Manufacturing	59,493	52,666
Transport	21,323	18,315
Food and beverages	-	5,007
Oil	-	33,715
Trading company	16,993	23,649
Others	9,882	12,616
	134,291	**177,213**

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 Euro84million of loans and advances to customers which are collateralised by shares listed on the Tehran Stock Exchange.

Loans	Total exposure Euro '000	% cover
8	73,295	200
4	11,095	150/170

Notes to the Accounts for the year ended 31 March 2010

24 RISK MANAGEMENT (continued)

The Company does not use an internal credit rating system. The loan portfolios remain relatively small, having further reduced 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.

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 2010 Euro5.7million was overdue in respect of 3 customer loans. Two of the loans are collateralised by TSE shares.

The remaining loan is subject to creditor action; however, this is not expected to recover the loan in full and hence a provision has been established. The bank charged a second provision against another loan which, though technically not overdue, is not expected to be repaid. During the year three customer loans, totalling €11.1million were rescheduled; in each case repayments were deferred by at least two years.

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 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 had been increasing each year in line with the Company's increasing profitability and revenues. The operational risk capital requirement at the year end was almost unchanged at Euro 5 million (2009, Euro 5.1 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. However, the bank's majority shareholder, Bank Mellat was placed under a "financial restriction order" by the UK Treasury in October 2009. This would currently prohibit any financial assistance in the event of a lilquidity problem for the bank. 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.

Notes to the Accounts for the year ended 31 March 2010

24 RISK MANAGEMENT (continued)

Interest rate risk

The Company does not have interest rate gaps in excess of one year. Non-interest bearing assets and liabilities are treated the same as 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 2010 was Euro 2.7million; the profit for the following year, 2010/11 would be reduced accordingly (2009 Euro 830,000). This calculation is determined by closing all interest rate gaps through compensating market deals at rates 2% above or below the existing gap rates.

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 44,000 which would reduce the year's profit accordingly, (2009, Euro 40,000). The method and assumptions used to determine the sensitivity to exchange rate movements were 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;

	2010 Euro '000	2009 Euro '000
Tier one		
Ordinary share capital	100,000	100,00
Retained earnings	28,191	37,366
	128,191	137,366
Tier two		
Subordinated loan	46,500	46,500
Total regulatory capital base	**174,691**	**183,866**

The regulatory capital base is stated before the declaration of a dividend payable from the earnings of the year.

Notes to the Accounts for the year ended 31 March 2010

24 RISK MANAGEMENT (continued)

The risk weighted exposures are determined according to specified requirements which reflect the degree of risk attached to the respective risk categories.

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 2010 was 345% (2009, 379%) which was equivalent to surplus capital of Euro11 6million (2009, Euro 122million).

25 OPERATING LEASE COMMITMENTS

	2010 Euro '000	2009 Euro '000
Commitment under non-cancellable operating leases for the Bank's premises		
within one year	668	673
two to five years	1,392	1,394
over five years	-	-

The operating lease for the Bank's London premises will expire in 2014. The Bank expects to renew on similar terms.

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 2010 at which time the Dubai branch will relocate. Nine stage payments have been paid up to 31 March 2010 totalling Euro 3,919,000 (AED 19.3million), (2009 Euro 3,850,000). One final instalment AED 2.1million (€ 419,000) 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 POST BALANCE SHEET EVENT

Subsequent to the year end the Bank has decided to no longer carry out any transactions which include dual-usage goods.

This will remain in place until such time as the level of documentation required by the appropriate authorities is more clearly defined. The impact on the Bank's income will be seen within commissions and fees. However, at this time the impact can only be estimated and is not currently expected to exceed 50% of fees and commissions received, ie. €4million.

Notes to the Accounts for the year ended 31 March 2010

29 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.

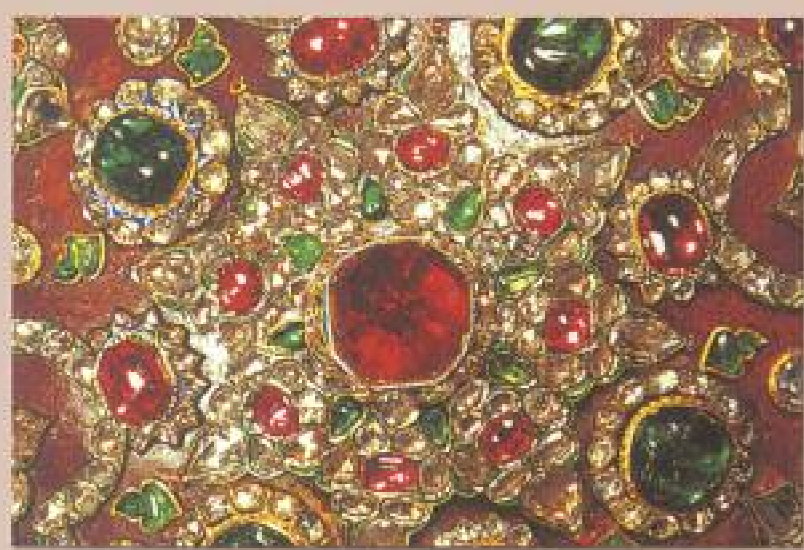
Significant numbers of transactions are entered into with related parties in the normal course of the Company's business. The Company takes deposits from its shareholder banks through the money markets; these can be for any periods up to one year including regular overnight placements. One of the Company's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

		2010 Euro '000	2009 Euro '000
The totals outstanding at the year end were:			
Deposits	Bank Mellat	181,519	206,553
	Bank Tejarat	91,863	73,968
Bills discounted	Bank Mellat	18,228	11,964
	Bank Tejarat	35,742	8,456

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 personnel, who are considered to be the directors of the company is disclosed in note 6.



Jewelled Shield belonging to Nader Shah early 19th century.
On display at the National Jewellery Museum of the Islamic Republic of Iran.