

Dear Members,

Assalam-o-Alaikum Warahmatullah Wabarakatuh,

The WB/IMF Group Annual Meetings that were held in Istanbul in early October where the Global Financial Crisis was the main item in the agenda, and the shifting of voting power to the developing countries was amongst the most pertinent subjects. The meetings were as usual accompanied by massive protests some of which were extremely violent. PM Erdoğan asked the meeting to address the issues that are behind the protests.

In this issue, we also report on the 49th Management Committee Meeting that was held concurrently with the WB/IMF Annual Group Meetings. ADFIMI, in addition, hosted the annual meeting of Board of Governors of World Federation of Development Finance Institutions in Istanbul.

ADFIMI organized a seminar in Kosovo, one of the new states in the world for the first time. We report on the seminar as well as on the activities of the members and of the IDB.

Best regards,

Nuri Birtek

Secretary General

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- » WB/IMF Annual Group Meetings held in Istanbul
 - » Turkish Prime Minister expresses sympathy with the protesters
 - » “Islamic Finance: During and After the Global Financial Crisis” held in Istanbul
 - » 49th ADFIMI Management Committee convenes in Istanbul
 - » WFDFI Board of Governors meets in Istanbul
 - » Seminar on “Financial Analysis for Corporate Finance” held in Prishtina, Kosova



Br. Mehmet Emin Özcan

ADFIMI Chairman
Member of the Executive Board
Agricultural Bank of Turkey

Individual Attitudes and the Global Financial Crisis

Many economists and specialists in finance have commonly declared the reason behind the global financial crisis as a collapse of the sub-prime mortgage market in a developed country and the reversal of the housing boom in other industrialized economies have had a ripple effect around the world. Although the commonly-accepted definition for the crisis

is explained with a failure in the market or a bubble in a sub-market, a satisfactory explanation should be based on the attitudes of the individual.

It is common premise in economics that all the agents in the economy are rational who run after their needs and desires and have the ability of making decisions based on a marginal analysis of actions; meaning that they are aware of additional benefits/costs from each new action taken. Could we call the individuals "rational" who caused the financial crisis by getting involved with mortgage credits, in the light of rationality assumption? In theory, individuals behaving rationally are not expected to cause any interruption in economic activity. On the contrary, if rational individuals were to look after their needs and desires, it would help improve social welfare through increasing levels of economic activities. The rationality assumption is still functioning even though it has been loosened and changed little to adapt to the economic crisis experienced. However, individual and social utility are not two things that could work in the same direction through supporting each other; also many times, individual's utility maximization causes inefficiency problem in terms of social utility. Individuals have proven that they could cause disturbances in an economy while trying to reach the best for themselves.

The motives behind individual's economic behavior are essential in the analysis of economic crisis. The people living in the developed countries are inclined to consume as much as possible. The level of consumption is also a sign of individual's status in the society; and social structure, education system and other social factors are supporting this kind of tendency to consume more. In a society with this inclination, an individual tries to reach and keep the position goods in order to preserve and improve his/her social status.¹ Consequently, personal consumption follows a path imposed by the social values and the statistics of the Bureau of Economic Analysis shows that personal consumption increase exceeds that of the increase in personal income.²

The current motives behind the economic behaviors in the Western Society remind us Bernard Mandeville's ideas: "Without their desire for personal gain the colony loses the hive, thus concluding that without private vices there exists no public benefit"³. According to him, even provoking desires to reach the objectives defined in the physiological / social / psychological environment would help improve social welfare more.

Macroeconomic policies could be a response against the current crisis in the short term; however, in the longer term, the solution lies in the change that can be brought about to the "greedy" behaviours of the individuals which can be altered through formal and informal education. Since the global economic crises hit less developed and developing countries more severely, the Western (developed) economies should behave more responsibly in order not to hurt others as well as themselves.

1- Alfred P. Sloan, 2003, Critical Evaluations in Business and Management, Routledge, p.291.
2- <http://www.bea.gov/newsreleases/national/pi/pinewsrelease.htm>
3- <http://pedagogie.actoulouse.fr/philosophie/textes/mandevillethefableofthebees.htm>, 29.09.2009, 15:07



Halkbank in cooperation with Visa has completed the first contactless payment card project, Bank 24 Card in Europe. This card can be used as prepaid debit card as well as transportation card and a card for small amount shopping.

Upon the improvements in the economy, Halkbank has decreased its interest rates for credits.

Halkbank managed to improve its position in the first half of 2009 by implementing proactive policies rather than reactive policies. During the said period, Halkbank's actives reached to 55,7 Billion TL with a 9% increase and credits provided bank has exhibited a 10,2% with respect to the end of 2008.



Bank Respublika has joined the Zolotaya Korona system and extended the list of partners that provide instant money transfer services to individuals. The Zolotaya Korona system allows customers to make payments in USD, Russian Roubles and EUR. There are over 10,000 service points throughout the CIS and China. Low commission fees, security guarantees and speed of transfer make Zolotaya Korona one of the most attractive money transfer systems for the population. As of July 1, 2009, Bank Respublika's assets increased by 19.4% compared to the figures from July 1, 2009 and reached AZN 330,700,000. The credit portfolio grew by 7.3% compared to figures from July 1, 2008, up to AZN 237,800,000.



49th ADFIMI Management Committee convenes in Istanbul, 4 October 2009

Br. Mehmet Emin Özcan, ADFIMI Chairman, Br. Abdullah Çelik, Chairman and CEO of the Development Bank of Turkey, Sr. Dr. Aygün Alasgarova, Head of International Relations and Documentary Credits Development Division, Azerigazbank, Muhammad Imran Malik, President of First Credit Bank Ltd., Pakistan, Br. Jamaluddin Nor Muhammad, Chief Operating Officer of Bank Pembangunan, Malaysia attended the 49th MC Meeting. MC approved the ADFIMI Training programme for 2010 which included 15 seminars. The Chairman hosted a dinner in honour of MC Members. MC Members also visited the Prince Islands.

AGBANK

Founded in 1992, AGBank is a leading bank in Azerbaijan with 80% of its business in corporate finance.

On 1 April, 2009 AGBank made two loan agreements with the OPEC Fund for International Development (OFID) for a total amount of 9.5 million USD for 5 years. The purpose of the loans is the development of the small and medium enterprises and funding of trade operations.

On the 5th May, 2009 AGBank made subordinated loan agreement with the IFC for a total amount of 15 million USD for 8 years.

Till the end of 2009 year AGBank is planning to complete a major project an Automatic Banking System (T24) and will start putting into operation.

At the end of 2009, AGBank will have finalized the second stage of Risk Management's implementation. Project doesn't have analogue in the country and was realized in the frame of IFC's technical assistance.

In 2009, AGBank realized the IP Telephony.

AGBank was rated both by Fitch Ratings and Standard & Poors at (B-).



World Federation of Development Finance Institutions' Board of Governors Meeting held in Istanbul

5 October 2009

This year World Federation of Development Finance Institutions (WFDI)'s Board of Governors (BOG) meeting was held in Istanbul under the chairmanship of Br. Mehmet Emin Özcan, ADFIMI Chairman. Br. Nuri Birtek, Secretary General of ADFIMI, Mr. Octavio Peralta, Secretary General of ADFIAP, Mr. Rommel Acevedo, Secretary General of WFDI and ALIDE and Mr. Ricardo Palma-Valderrama, General Advisor of WFDI attended the BOG meeting. Mr. Rommel Acevedo, Secretary General of WFDI, presented his "Report" followed by the presentation of Mr. Ricardo Palma-Valderrama on the "Action Plan of WFDI". Since Mr. Acevedo has served as the Secretary General of WFDI for seven years, it was the turn of ADFIAP to take over. As a result, BOG also decided this post to be rotated among members for a three-year term. Hence, Mr. Octavio B. Peralta would become the new Secretary General of WFDI for three years which will commence on January 2010. BOG also discussed the membership fee and resolved that subscription fee to be 5,000 USD for the next three years. After the meeting, BOG members attended the IDB Luncheon together.



Octavio B. Peralta

Secretary General of ADFIAP and WFDI

Kalkınma

Development Bank of Turkey(TKB) granted 42 Million USD credit to Armaheş Inc. for Muratlı Hidroelektrik Santrali (Muratlı Hydroelectric Plant - HES). In his speech at the signing ceremony, Abdullah Çelik, CEO of the Bank, emphasized the importance of the future investments that Turkey should make in energy sector for its sustainable economic growth.

Istanbul Venture Capital Initiative (iVCi) which TKB is the founding partner with 10 Million Euro has started its investments. iVCi, founded in 2007, is Turkey's first ever dedicated fund of funds and co-investment programme. The investors in iVCi are the Small and Medium Industry Development Organisation of Turkey (KOSGEB), the Technology Development Foundation of Turkey (TTGV), TKB, Garanti Bank, National Bank of Greece Group (NBG) and the European Investment Fund (EIF). EIF is the adviser to iVCi.

A Loan Agreement of \$180 million between TKB and World Bank was signed on June 9th, 2009, in Ankara, under the aegis of the Turkish Undersecretary of Treasury. TKB will use this loan in the financing of renewable energy and energy efficiency projects.

aktifbank

Japanese Rating Agency, JCR-Eurasia Rating has reaffirmed Aktif Bank's "Long Term National Rating" of high investment grade "A-(Trk)" and revised its long term outlook from "Stable" to "Positive".

Portfolio Management Operations Certificate issued by the Capital Markets Board of Turkey for Aktifbank and this is announced in the Board's newsletter dated July 2009.

Aktifbank issues special bank bonds in the amount of 35 Million TL and buyers, interest rate and maturity of the bonds will be identified at sale.

TSKB

Industrial Development Bank of Turkey (TSKB) made a success in the first half of 2009 by being able to increase its pre-tax profits up to 108,5 Million TL by 22% increase with respect to the same term in 2008.

TSKB provided 42 Million Euro credit to the Essentium Group to support the four new hydroelectricity projects which will be constructed in Turkey.

İş Leasing

İş Leasing has applied to the Capital Markets Board of Turkey to raise its capital stock from 185 Million TL to 250 Million TL.

İş Leasing signed a 15 Million USD contract with ECO Trade and Development Bank to provide credits to the SMEs in Turkey.



Zarai Taraqati Bank Ltd.

Zaka Ashraf, President of Zarai Taraqati Bank Ltd. (ZTBL), Pakistan, stated that "his bank made on unprecedented record recovery during the previous year and recorded an increase in profit of Rs.2 billion while it was only Rs. 50 crore in the previous year" in the Ceremony held in zonal Office, Bahawalpur.

ZTBL signed agreements with Japanese companies, M/s Finetech Japan Ltd. and M/s Waternet Invention Ltd. for soil improvement. These agreements aim at enhancing quality of water and soil for increasing the yield per acre and improve productivity through the introduction of modern agricultural viable machinery.



The Nuro Group including the Nuro Bank won the largest highway tender in the history of the Turkish Republic, worth some \$7 billion with five partner construction companies in a consortium.



Omdurman National Bank

The first Family Forum of Omdurman National Bank(ONB) has recently convened at the branch in the presence of the Bank's General Manager Abdul-Rahman Hassan. The Forum was organized by the Bank's Trade Union as part of its social reactivation program among the staff of the bank's different branches.

Al-Bashir Bridge which ONB provided 90% of all construction cost for the Project has been opened by Omer Al-Bashir, Field Marshal and the President of the Republic. The bridge constitutes a special importance for the citizens of the state as it has been their life dream to achieve economic integration and become a linkage between the production and consumption areas and above all, to be a social bond for the state's various sectors and groups.

ONB provides 50 Million Sudanese Pounds credit for Kordufan State to implement a number of development projects to build water networks, hospitals, roads as well as schools.

Br. Abdelrahman Hassan Abdelrahman Hashim, General Manager of Omdurman National Bank, Sudan visited ADFIMI Headquarters on 22 October 2009.





From G7 to G20

The first meeting of the G7 was held in New York in 1976 that comprised of the seven largest economies in the world has been the world's unofficial economic equivalent to the UN's Security Council. After the collapse of the former Soviet Union, Russia joined the rich countries' club hence the G8 was formed.

G20 was constituted in 1999 in a formation that in addition to G8 also included the promising and significant countries on the global economy. The global crisis starting from the financial crisis of the Asian markets, the G7 required the cooperation of the rising economic powers, the consolidation of the G2.

During the WB/IMF annual meetings in Istanbul, G7 announced the transfer of power to G20 so that in the future it would scrap meetings/official statements in particular, though it might hold unofficial discussions. The G20 has taken the status of the world's economic equivalent to the Security Council. The growing influence of the G20 will be reflected in the handing over of at least five percent of the voting power of traditional industrial states to developing countries at the International Monetary Fund (IMF).



Hugo Chavez initiates Alternative Development Bank: Banco Del Sur (Bank of the South)

After North America slid into economic recession in September 2007, upon Venezuela's President, Hugo Chavez's initiative Banco Del Sur was launched in December 2007. It was intended as a viable alternative monetary fund for Latin American development projects. Unlike the IMF and WB, Banco Del Sur promises credit without structural or economic reform conditions, or the social disruptions. Bank of the South with an initial capital of 7 billion USD became operational in May 2009 in Buenos Aires to finance development and infrastructure projects.



The Development Bank of Turkish Republic of Northern Cyprus



The Development Bank of Turkish Republic of Northern Cyprus (KKTCKB) has moved into its new building which was opened with a ceremony on 16 February 2009 with the attendance of Prime Minister, some other ministers, diplomats, mayors, bureaucrats, academicians and other invitees.

The bank has initiated a Woman and Young Entrepreneurs Training Programme consisting of three stages. After each stage, the successful entrepreneur candidates will be awarded a certificate and move on to the next stage. During the programme, participants will have the opportunity of listening to the lectures about the different aspects of the entrepreneurship.

KKTCKB's new interactive and functional web site was launched serving the investors by providing them easy access to information at www.kktckb.org

KKTCKB's personnel have received Participation Certificate from the Institute of Turkish Standards Institution upon the seminars given to them in relevant fields of Quality Management.



Turkish Prime Minister, Tayyip Erdoğan expresses sympathy with the Protesters

Turkish Prime Minister, Tayyip Erdoğan commented on the recent developments after the Global Financial Crisis during the opening of the IMF-World Bank Annual Meetings. In his speech, he drew attention to the need of the entities to encompass the voices of the protesters who were being kept well away from the summit, "Everyone that steers the global economy, that means you, has to put their heads between their two hands and contemplate carefully on where all these faults stemmed from. Also, we have to lend an ear to the ongoing protest outside this hall" Erdoğan said. The prime minister called on the global community to work together in making a major overhaul of the banking system in favor of regulation.

(Today's Zaman)

WB/IMF Annual Meetings held in Istanbul 6-7 October 2009



The WB/IMF Annual Meetings held in Istanbul were considered "historic"-occurring after the worst global economic crisis in recent times. The main subjects discussed during the meeting were harmonization of macroeconomic policies to correct global imbalances, significant shifts of voting power to emerging countries, reform of the global reserve system, capital increases for the multilateral development banks, a tax on the worldwide financial sector to help fund future rescues.

The meetings in Istanbul ended with the four decisions which WB and IMF will use to guide and construct the "new world order" as follows:

- Mandate of the IMF has been reviewed, to be a part of the solution to the global financial instability by affecting directly or indirectly macroeconomic and financial sector policies,
- IMF is to build a Flexible Credit Line which will enable the Fund to respond more effectively to the evolving challenges of crisis-affected countries, provide insurance to more countries and enhance financial instruments and facilities which might help the Fund increase resources,
- Funds' enhanced financial instruments are to help the countries to increase their reserves to self-insure themselves against global financial instabilities and crisis,
- IMF is to follow mutual assessment of policies with the Group of 20 (G20) which means a new kind of multilateral surveillance for the Fund and after G20 meeting, IMF will shift quota shares to dynamic emerging markets and developing countries.

Seminar on "Islamic Finance: During and After the Global Financial Crisis" held in Istanbul. 5 October 2009

The Islamic Financial Services Board (IFSB), IDB, IMF and the Institute of International Finance (IIF) organized a seminar on Islamic Finance hosted by the Central Bank of Turkey amidst the WB/IMF Meetings in Istanbul. In the inauguration session, Charles Dallara, Managing Director of Institute of International Finance Inc., Dr. A. Mohamed Ali, President of IDB, Durmus Yilmaz, Governor of Central Bank of Turkey, Juan Jose Daboub, Managing Director of WB Operation in 74 Countries, Muhammad al-Jasser, Governor of Central Bank of Saudi Arabia, Tan Sri Dato' Seri Dr. Zeti Akhtar Aziz, Governor of Central Bank of Malaysia spoke on "the stability and resilience of the Islamic Finance Services Industry compared with the conventional finance" and "the expansion of Islamic Financial Services after the Crisis".





ADFIMI Seminar on “Financial Analysis for Corporate Finance” Prishtina, Kosova, 15-17 June 2009

Banka Kombetare as the Host

The seminar was conducted by Br. Dr. D. Ahmet Akinci, Head of the Strategy Development Department, the Banking Regulation and Supervision Agency (BRSA) of Turkey. He has lectured on the technical issues in corporate finance in 10 sessions which took 2 and ½ days. There were 14 participants from member and non-member institutions. Banka Kombëtare Tregtare (BKT), based in Albania and with branches in Kosova,

hosted the seminar. Inauguration speeches were delivered by Br. Nexhat Kryeziu, Vice Governor, Financial Institutions, Central Bank of the Republic of Kosovo; Br. Spiro Brumbulli, Managing Director, Kosova Branch, BKT; Br. Kaan Pekin, Group Head, Treasury & Financial Institutions.



About Kosova

Republic of Kosova has been declared as an independent, sovereign and democratic state on 17 February 2008 by the Prime Minister, Hashim Tachi and recognized by 62 countries including United States of America, European Union Countries and Turkey.

The Central Bank of the Republic of Kosova (CBK), established in November 1999, is an independent body which regulates the banking and insurance sectors. There are eight licensed banks; two pension funds, 16 other financial intermediaries, 27 financial auxiliaries and ten insurance companies in

Kosova, including the Austrian Uniqa and Vienna Insurance Group. Six out of eight banks in Kosova are foreign owned, including the Pro Credit Bank, established upon the initiative of several leading international financial institutions, Raiffeisen Bank of Austria, Nova Ljubljanska Banka, BNP Paribas, Banka Kombetare Tregtare and Komercijalna Banka. All banks and insurance companies are privately run.

Banka Kombetare Tregtare (BKT) hosted the ADFIMI Seminar on “Financial Analysis for Corporate Finance” in Prishtina from 15 to 17 June 2009. BKT is a full-service commercial bank with USD 1,3 billion in assets, ranking as the second largest bank in Albania. BKT provides all banking services to the public sector, private companies and to individuals. The Bank operates through a network of 70 branches and agencies in sixteen main cities of Albania. Established as a state own bank in 1993, BKT completed its privatization process in the year 2000. The bank’s 100 per cent share holder is Çalık Financial Services of Turkey.

For more information about banks in Kosova, you can visit the following web pages:
www.bqk-kos.org www.bkt.com.al





News from the IDB

Dr. Ahmad Mohamed Ali, President of the Islamic Development Bank (IDB) announced that an initiative to create a mega Islamic investment bank has been launched to promote the growth of Islamic financial industry, global reach and liquidity management with initial capital of one billion US dollars. The new bank is also aimed at facilitating the establishment of inter-Islamic banking market in line with Shari'a principles.

The IDB announced the six top award winners of the International Architectural Design Competition for Fael Khair Program in favor of the people who were hit by Cyclone Sidr in Bangladesh, including five winners from Bangladesh and a winner from the U.K. With the intention of providing a long term solution to the hazards faced by the population due to the recurring cyclones which afflict Bangladesh, an anonymous philanthropist (FAEL KHAIR in Arabic) has entrusted to IDB a generous donation of US\$ 130 million for assistance to the cyclone victims which will include construction of about 600 schools to be designed as multi-purpose shelters, and the restoration of livelihoods for the afflicted population in the coastal belt of Bangladesh.

IDB has successfully launched a US\$850 million 5-year sukuk transaction under its recently updated US\$ 1.5 billion Trust Certificate Issuance Programme with BIBD, BNP Paribas, CIMB, Deutsche Bank and HSBC as joint lead managers.

IDB has started its roadshow to market its Sukuk among potential investors in Riyadh on 2 September 2009. 7-day roadshow covered seven countries which included member countries of Saudi Arabia, Malaysia, Brunei and the United Arab Emirates and non-member countries of Singapore, Switzerland and the United Kingdom which will be the last stop on September 8.

IDB organized a symposium on 3 Ramadan 1430H (24/08/2009) for road contractors from Islamic countries at its headquarters in Jeddah as part of its efforts to enhance the role of contractors from Islamic countries in the implementation of projects financed by the IDB in its member countries.

Turkish Export Promotion Centre (IGEME) was declared as the winner of the 1430H Islamic Solidarity Prize for the Promotion of Trade among OIC Member States. The Prize, which provided by the IDB, will be awarded to the winners during the Annual COMCEC Session in November 2009.

The Board of Executive Directors of the Islamic Development Bank which concluded its 261st session at the IDB Headquarters in Jeddah, approved about US\$ 244.4 million for financing a number of development projects in member countries such as Sudan, Jordan, Egypt, Mauritania, Cameroon, Kazakhstan, and Niger. The Board also approved grants from Wafu Fund to support education and vocational training in favor of six Muslim communities in non-member countries in Kenya, China, USA, India, Tanzania and the Republic of Rwanda.

After the visit of H.E. Mr. Birama Boubacar Sidibe, Vice-President (Operations) of IDB to H.E. Mr. Imamoli Rahmonov, the President of the Republic of Tajikistan, it is expected that Tajikistan join the Islamic Solidarity Fund for Development (ISFD) and add to the 36 member countries that have already announced their commitment to contribute to the fund established in 2007 to alleviate poverty.

APPOINTMENTS

ADFIMI congratulates Brother En. Mohd Zafer Mohd Hashim on his appointment as the President/Group Managing Director of Bank Pembangunan, Malaysia Berhad.

Upcoming Events

- ADFIMI Seminar On "The State of Art in Sustainable Development", Sarajevo, Hotel Europe, Bosnia And Herzegovina (B&H), 26-27 October 2009
- ADFIMI-Agrobank Joint Seminar on "Training of Trainers", Maytower Hotel KL, 16-20 November 2009
- ADFIMI-Agrobank Joint Seminar on "High Impact Leadership", Maytower Hotel KL, 7-9 December 2009
- ADFIMI Special Seminar on "Corporate Valuation (Firm Valuation Techniques)", Maytower Hotel KL, 10-11 December 2009
- ADFIMI-IRTI/IDB-BIM Joint Seminar on "SME Finance during Financial Crisis", Evin Hotel, Tehran, 22-24 December 2009
- IDB-ADFIMI-Togo Development Bank Joint Seminar on "Appraisal of Investment Projects", Hotel Ibis, Lome, Togo, 11-12 January 2010 (in French)

About ADFIMI and Membership

Established in 1986, ADFIMI (Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank) is an international association serving 54 members in 15 countries with headquarters in Istanbul. The main field of activity of ADFIMI is capacity building of its member institutions and providing networking among its members. In this context, ADFIMI organizes seminars / workshops / conferences for its members in various cities in its region (like Istanbul, Antalya, Karachi, Kuala Lumpur, Amman, Hammamet, Cairo, Beirut, Khartoum, Gironne, Prishtina, Damascus, Sarajevo, Islamabad, Kampala and Tunis). In its 23 years of existence, ADFIMI has trained over 1600 executives and directors from development finance institutions.

Membership entitles development finance institution to send their executives to ADFIMI ordinary training programmes held in major cities listed above **free of charge**. Subscription fees are based on total assets. (Further information is available at www.adfimi.org.)