

**ICB FINANCIAL GROUP HOLDINGS AG**  
**(Incorporated in Switzerland)**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

**ICB FINANCIAL GROUP HOLDINGS AG**  
**(Incorporated in Switzerland)**

**CONTENTS**

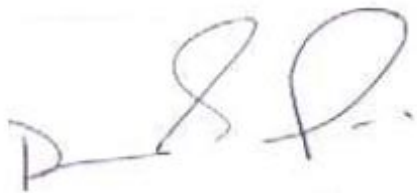
**PAGE**

Statement by Directors	1
Report of the Auditors	2
Consolidated Income Statement	3
Consolidated Balance Sheet	4
Consolidated Cash Flow Statement	5 - 6
Consolidated Statement of Changes In Equity	7 - 8
Notes to the Consolidated Financial Statements	9 - 66

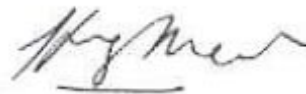
**ICB FINANCIAL GROUP HOLDINGS AG**  
**(Incorporated in Switzerland)**  
**Statement by Directors**

We, Paul Robert Philipps Bridges and Victoria Loui Hoong Mei, being two of the directors of ICB Financial Group Holdings AG, do hereby state that in the opinion of the directors, the consolidated financial statements set out on pages 3 to 66 are drawn up in accordance with applicable International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the results and the cash flow of the Group for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with  
a resolution of the Directors



Paul Robert Philipps Bridges



Victoria Loui Hoong Mei

Date: 22 April 2008

**Report of the group auditors**

to the general meeting of

**ICB Financial Group Holdings AG, Schindellegi**

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flows statement and notes / pages 3 to 56) of ICB Financial Group Holdings AG for the year ended 31 December 2007. The financial statements as of 31 December 2006 were audited by another auditor whose report dated 6 April 2007 expressed an unqualified opinion on those statements.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with International Standards on Auditing (ISA) which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, result of operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 22 April 2008

BDO Visura



Markus Eugster

Auditor in Charge  
Swiss Certified Accountant

Markus Kälin

Swiss Certified Accountant

**ICB FINANCIAL GROUP HOLDINGS AG****(Incorporated in Switzerland)****CONSOLIDATED INCOME STATEMENT****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

		<b>2007</b>	<b>2006</b>
	<b>Notes</b>	<b>USD'000</b>	<b>USD'000</b>
Interest income		96,609	83,599
Interest expense		<u>(48,044)</u>	<u>(50,112)</u>
<b>Net interest income</b>	4	<u>48,565</u>	<u>33,487</u>
Fee and commission income		10,574	7,977
Fee and commission expense		<u>(145)</u>	<u>(91)</u>
<b>Net fee and commission income</b>	5	<u>10,429</u>	<u>7,886</u>
Foreign currency gains	6	3,078	1,531
Gains less losses from trading securities		-	2
Gains less losses from financial investments		1,552	377
Gain on disposal of associate	32	3,670	-
Other operating income		2,570	2,003
Impairment charges for loans and advances to customers	13	(13,051)	(5,281)
Fair value change in foreclosed properties	15	-	(759)
Operating expenses	7	<u>(45,076)</u>	<u>(35,058)</u>
<b>Operating profit</b>		11,737	4,188
Share of results of associates	16	<u>5,823</u>	<u>5,655</u>
<b>Profit before taxation</b>		17,560	9,843
Tax expense	9	<u>(2,702)</u>	<u>(1,607)</u>
<b>Profit for the year</b>		<u>14,858</u>	<u>8,236</u>
<b>Attributable to:</b>			
- Shareholders of the Company		13,988	7,989
- Minority interest		<u>870</u>	<u>247</u>
		<u>14,858</u>	<u>8,236</u>

**Earnings per share for profit attributable to shareholders of the Company**

- Basic and diluted

(Expressed in USD per share)

10

0.090.11

The accompanying notes form an integral part of the financial statements.

**ICB FINANCIAL GROUP HOLDINGS AG**

(Incorporated in Switzerland)

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007**

	Notes	2007 USD'000	2006 USD'000
<b>ASSETS</b>			
Cash and bank balances	11	239,769	155,449
Trading securities	12	-	19
Loans and advances to customers	13	540,683	490,716
Financial investments	14	93,221	109,505
Foreclosed properties	15	21,056	13,678
Investment in associates	16	74,364	78,279
Goodwill and other intangible assets	17	5,341	5,379
Prepaid lease payments	18	165	199
Property and equipment	19	9,251	6,836
Other assets	20	40,489	22,467
Deferred tax assets	21	1,945	2,209
<b>Total assets</b>		<u>1,026,284</u>	<u>884,736</u>
<b>LIABILITIES</b>			
Deposits from other banks		39,157	13,758
Customers' accounts	22	746,734	647,375
Other liabilities	23	39,326	27,386
Tax liabilities		2,093	1,152
Deferred tax liabilities	21	192	550
<b>Total liabilities</b>		<u>827,502</u>	<u>690,221</u>
<b>EQUITY</b>			
Paid-up share capital	24	145,960	59,549
Share premium		782	-
Shareholder's advances	25	-	91,618
Retained earnings	26	34,903	24,212
Other reserves	27	(2,341)	(372)
<b>Equity attributable to shareholders of the Company</b>		<u>179,304</u>	<u>175,007</u>
Minority interest		<u>19,478</u>	<u>19,508</u>
<b>Total equity</b>		<u>198,782</u>	<u>194,515</u>
<b>Total equity and liabilities</b>		<u>1,026,284</u>	<u>884,736</u>

The accompanying notes form an integral part of the financial statements.

**ICB FINANCIAL GROUP HOLDINGS AG****(Incorporated in Switzerland)****CONSOLIDATED CASH FLOW STATEMENT****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	17,560	9,843
Adjustment for :		
Impairment charges for loans and advances to customers	13,051	5,281
Amortisation of prepaid lease rental	46	45
Amortisation of intangible assets	417	373
Depreciation of property and equipment	2,185	2,009
Fair value change in foreclosed properties	-	759
Loss/ (Gain) on disposal of property and equipment	6	(3)
Gain on disposal of associate	(3,670)	-
Negative goodwill	(2)	-
Recovery of loan	(690)	-
Share issue expenses	-	156
Share of results of associates	(5,823)	(5,655)
Gain on foreign exchange translation	(3,078)	(1,531)
<b>Cash flow from operations before working capital changes</b>	<b>20,002</b>	<b>11,277</b>
Increase in operating assets	(106,457)	(147,636)
Increase in operating liabilities	150,004	144,202
<b>Cash generated from operations</b>	<b>63,549</b>	<b>7,843</b>
<b>Tax paid</b>	<b>(2,263)</b>	<b>(908)</b>
<b>Net cash from operating activities</b>	<b>61,286</b>	<b>6,935</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash acquired	-	49
Proceeds from sale of associate	6,068	-
Purchase of property and equipment	(4,570)	(2,688)
Purchase of intangible assets	(374)	(401)
Proceeds from sale of property and equipment	12	38
Dividend received	2,912	5,179
Increase in investment in associate	(982)	-
Decrease in financial investments	29,687	9,029
Increase in financial investments	(14,135)	(45,870)
<b>Net cash from / (used in) investing activities</b>	<b>18,618</b>	<b>(34,664)</b>

**ICB FINANCIAL GROUP HOLDINGS AG****(Incorporated in Switzerland)****CONSOLIDATED CASH FLOW STATEMENT - CONT'D****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in shareholder's advances	-	36,699
Repayment of shareholder's advances	(13,866)	-
Repayment of borrowings	-	(124)
Payment of share issue expenses	-	(233)
Dividend paid to minority interest	(79)	-
Net proceeds received from issuance of shares by Company	9,017	-
Proceeds from issuance of shares to minority interest	-	8,080
Redemption of debt securities in issue	-	(10,960)
<b>Net cash (used in) / from financing activities</b>	<u>(4,928)</u>	<u>33,462</u>
<b>Net increase in cash and cash equivalents</b>	74,976	5,733
Cash and cash equivalents at the beginning of the year	108,951	97,668
Effect of exchange rate changes on cash and cash equivalents	10,297	5,550
<b>Cash and cash equivalents at the end of the year (Note 28)</b>	<u>194,224</u>	<u>108,951</u>

The accompanying notes form an integral part of the financial statements.

**ICB FINANCIAL GROUP HOLDINGS AG**

(Incorporated in Switzerland)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

	<-Attributable to shareholders of the Company->						
	Share Capital	Share Premium	Shareholder's Advances	Other	Retained Reserves	Minority Earnings	Interest
<b>Total</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>At 1 January 2006</b>	59,549	-	50,869	(9,050)	18,638	9,282	129,288
Increase in advances during the year	-	-	36,699	-	-	-	36,699
Currency translation differences arising from translation to presentation currency	-	-	4,050	4,664	-	1,563	10,277
Gain in fair value on available-for-sale securities	-	-	-	684	-	336	1,020
Share of post-acquisition reserves of associates	-	-	-	915	-	-	915
Net income and expenses recognised directly in equity	-	-	4,050	6,263	-	1,899	12,212
Capitalisation of retained earnings of subsidiaries	-	-	-	2,415	(2,415)	-	-
Profit for the year	-	-	-	-	7,989	247	8,236
Total recognised income and expense for the year	-	-	4,050	8,678	5,574	2,146	20,448
Issue of shares	-	-	-	-	-	8,080	8,080
<b>At 31 December 2006</b>	<b>59,549</b>	<b>-</b>	<b>91,618</b>	<b>(372)</b>	<b>24,212</b>	<b>19,508</b>	<b>194,515</b>

**ICB FINANCIAL GROUP HOLDINGS AG**

**(Incorporated in Switzerland)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONT'D  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

<b>Total</b>	<b>&lt;-Attributable to shareholders of the Company-&gt;</b>						
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Shareholder's Advances</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Minority Interest</b>	
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>At 31 December 2006</b>	59,549	-	91,618	(372)	24,212	19,508	194,515
Currency translation differences arising from translation to presentation currency	-	-	424	5,087	-	(783)	4,728
Loss in fair value on available-for-sale securities	-	-	-	(62)	-	(30)	(92)
Transfer of realised translation reserve to retained earnings arising from capitalisation and repayment of shareholder's advances	-	-	-	3,187	(3,187)	-	-
Share of post-acquisition reserves of associates	-	-	-	(10,291)	-	-	(10,291)
Transfer of reserve to retained earnings arising from disposal of associate	-	-	-	110	(110)	-	-
Net income and expenses recognised directly in equity	-	-	424	(1,969)	(3,297)	(813)	(5,655)
Profit for the year	-	-	-	-	13,988	870	14,858
Total recognised income and expense for the year	-	-	424	(1,969)	10,691	57	9,203
Conversion of shareholder's advances to share capital	78,176	-	(78,176)	-	-	-	-
Repayment of shareholder's advances	-	-	(13,866)	-	-	-	(13,866)
Acquisition of minority interest in a subsidiary	-	-	-	-	-	(15)	(15)
Dividend paid to minority interest	-	-	-	-	-	(79)	(79)
Issue of shares	8,235	782	-	-	-	7	9,024

**ICB FINANCIAL GROUP HOLDINGS AG**  
**(Incorporated in Switzerland)**

**At 31 December 2007**

<u>45,960</u>	<u>782</u>	<u>-</u>	<u>(2,341)</u>	<u>34,903</u>	<u>19,478</u>	<u>198,782</u>
---------------	------------	----------	----------------	---------------	---------------	----------------

## **1. CORPORATE INFORMATION**

ICB Financial Group Holdings AG (the "Company") is a limited liability company and is incorporated and domiciled in Switzerland. The address of its registered office is Schulhausstrasse 1, CH-8834 Schindellegi, Switzerland.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are stated in Note 29.

These consolidated financial statements have been approved for issue by the Board of Directors on 22 April 2008.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of Preparation**

The financial statements of the Group have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The Group adopted the amendments in the following IFRS for the year ended 31 December 2007:

IFRS 7 Financial Instruments: Disclosures and a complementary amendment to IAS 1, Presentation of Financial statements - capital disclosures

IFRIC 10 Interim Financial Reporting and Impairment

The Group early adopted the following IFRS, which are relevant to its operations:

IFRS 8 Operating Segments

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (a) Basis of Preparation (cont'd)

The Group has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning 1 January 2007:

IFRS 3 Business Combinations and complementary Amendments to IAS 27, 'Consolidated and separate financial statements' (revised).

IAS 1 Presentation of financial statements (revised)

### (b) Basis of Consolidation

#### (i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to directly or indirectly govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired are fair valued at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains or transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

## **2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

### **(b) Basis of Consolidation**

#### **(ii) Associates**

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% to 50% of the voting rights. Investment in associates is accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identifiable on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### **(c) Segmental Reporting**

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments.

### **(d) Foreign Currency Translation**

#### **(i) Functional and Presentation Currency**

The consolidated financial statements are presented in US dollars (USD), because the currency is more commonly used in international trade. All values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

**ICB FINANCIAL GROUP HOLDINGS AG**

**(Incorporated in Switzerland)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 December 2007**

**2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

(d) Foreign Currency Translation

The functional currency of the Company, subsidiaries and associates are as follows:

The Company

ICB Financial Group Holdings AG Swiss Francs (CHF)

Subsidiaries

ICB-Banco Internacional De Comércio, S.A.R.L Mozambique Metical (MZN)

International Commercial Bank (Gambia) Ltd. Gambian Dalasi (GMD)

International Commercial Bank (Sierra Leone) Limited Sierra Leone Leones (SLL)

International Commercial Bank S.H.A. Albanian Lek (ALL)

International Commercial Bank S.A. Guinea Francs (GNF)

PT Bank Bumiputera Indonesia Tbk Indonesian Rupiah (IDR)

International Commercial Bank Limited Ghana Cedis (GHS)\*

ICB Global Management Sdn. Bhd. Malaysian Ringgit (MYR)

International Commercial Bank (Djibouti) S.A. Djibouti Franc (DJF)

Associates

IC Bank ZRt. Hungarian Forint (HUF)

International Commercial Bank Senegal S.A. Communauté Financière Africaine  
Francs BCEAO (XOF)

International Commercial Bank (Tanzania) Limited Tanzanian Schilings (TZS)

Sorak Financial Holdings Pte. Ltd. Singapore Dollar (SGD)

\* On 1 July 2007, the Bank of Ghana introduced a new currency of Cedis (GHS) replacing the former currency of Cedis (GHC).

**(i) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the prevailing exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of initial transaction.

**2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**(d) Foreign Currency Translation - cont'd**

**(i) Group Companies**

The results and financial position of the holding company, subsidiaries and associates (none of which has the currency of a hyperinflationary economy) that have different functional currencies compared to the presentation currency are translated into the presentation currency as follows:

- i. assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;
- ii. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii. all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken into shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The average and closing rates used in the translation of financial statements from functional currency to presentation currency are as follows :

	Average rate		Closing rate	
	2007	2006	2007	2006
1 CHF	0.8403	0.8009	0.8850	0.8205
1 SGD	0.6641	0.6292	0.6917	0.6516
1 MYR	0.2916	0.2734	0.3021	0.2829
1 GMD	0.0402	0.0357	0.0469	0.0357
1 MZN	0.0388	0.0381	0.0420	0.0385
1000 GHC*	-	0.1093	-	0.1086
1 GHS*	1.0741	-	1.0447	-

**2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**(d) Foreign Currency Translation - cont'd**

**(iii) Group Companies**

	Average rate		Closing rate	
	2007	2006	2007	2006
1000 SLL	0.3407	0.3448	0.3378	0.3448
1000 ALL	11.1200	10.2432	12.0600	10.6225
1000 GNF	0.2418	0.1770	0.2400	0.1770
1000 IDR	0.1091	0.1095	0.1065	0.1111
1000 DJF	5.6268	5.6268	5.6268	5.6268
1000 HUF	-	4.7342	-	5.2427
1000 XOF	2.0998	1.9099	2.2442	2.0080
1000 TZS	0.8081	0.7774	0.8834	0.7669

\* On 1 July 2007, the Bank of Ghana introduced a new currency of Cedis (GHS) replacing the former currency of Cedis (GHC).

**(e) Interest Income and Expenses**

Interest income and expenses for all interest-bearing financial instruments except for those classified as held-for-trading or designated at fair value (other than debt issued by the Group) are recognised in the income statement using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments earned or paid on a financial asset or financial liability through its expected life or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest on impaired financial assets is calculated by applying the original effective interest rate of the financial asset to the carrying amount as reduced by any allowance for impairment.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (f) Non-interest income

#### (i) Fees and Commissions

Fees and commissions are accounted for as follows:

- income earned on the execution of an act is recognised as revenue when the act is completed;
- income earned from the provision of services over a period of time is recognised over the service period during which the related service is provided or credit risk is undertaken; and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised and recorded as interest income.

#### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (g) Financial Assets

The Group determines the classification of its investments at initial recognition and classifies its financial assets as follows:.

#### (i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term if so designated by management.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (g) Financial Assets - cont'd

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group sells other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

#### (iv) Available-for-sale investments

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (g) Financial Assets - cont'd

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

### (h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (i) Impairments of financial assets

#### (i) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (i) Impairments of financial assets - cont'd

#### (i) Assets carried at amortised cost - cont'd

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
- adverse changes in the payment status of borrowers in the Group; or
- national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment if there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (i) Impairments of financial assets - cont'd

#### (i) Assets carried at amortised cost - cont'd

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (i) Impairments of financial assets - cont'd

#### (ii) Assets carried at fair value - cont'd

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement until the investments are sold.

If in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Restructured loans, whose terms have been renegotiated and modified, are accounted for prospectively from the restructuring date. The carrying amount of the loan is not changed, except when the carrying amount exceeds the future cash receipts based on the new terms of the loan, which is, recognised as loss on restructuring. Thereafter, all cash receipts under the new term shall be accounted for as recovery of principal and the related interest revenue is recognized proportionately.

### (j) Acceptance Receivables and Payables

Acceptance receivables and payables are stated at the value of the Letter of Credit or realised value of the Letter of Credit accepted by accepting banks. The acceptance receivables are presented net of allowance for possible losses.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (k) Foreclosed Properties

Foreclosed properties are recorded at the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment allowance) at the date of foreclosure. No depreciation is provided in respect of foreclosed properties. Any subsequent write down of foreclosed properties to fair value (less cost to sell) is recorded as a fair value change and included in the income statement. Any subsequent increase of the fair value (less cost to sell), to the extent this does not exceed the cumulative fair value change, is recognised in the income statement.

### (l) Prepaid Lease Payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

### (m) Intangible Assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. By contrast, if the interest in the fair value of the net identifiable assets of an acquired business is greater than the cost to acquire, the excess (negative goodwill) is recognised immediately in the income statement.

Goodwill is allocated to cash-generating units and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (m) Intangible Assets

#### (ii) Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on straight-line basis over the expected useful lives of three to five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

### (n) Property and Equipment

Buildings comprise mainly of bank branches and offices. All property and equipment are stated at historical cost less any impairment losses and depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Construction in progress is not depreciated. The accumulated costs will be reclassified to the appropriate category at the time the construction is completed and ready for its intended use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	5 to 20 years
Furniture and fittings, office equipment	3 to 15 years
Motor vehicles	4 to 5 years
Computer hardware	5 years
Renovation	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (n) Property and Equipment - cont'd

Property and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

### (o) Income Tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholders' equity.

Current tax is the tax expected to be payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

### (p) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments include cash and non-restricted balances with the central banks, loans and advances to banks and amounts due from other banks.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### (q) Employee Benefits

The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Accumulated unrecognised actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions that exceed 10% of the defined benefit obligations are charged or credited to income on a straight-line basis over the expected average remaining working lives of the participating employees. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

### r) Debt Securities in Issue

Debt securities in issue are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequent measurement is at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the expected life of the debt using the effective interest method.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the debt and the consideration paid is included in the income statement.

### (s) Share Capital

#### (i) Capital

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. The Group's ordinary shares are classified as equity instruments. The Group considers its capital to comprise its ordinary share capital, share premium, accumulated retained earnings, shareholder's advances and other reserves. There have been no changes in what the Group considers to be capital since the previous period. The Group's subsidiaries are subject to their respective countries capital regulatory requirements imposed by the Central Banks and as such must ensure that it has sufficient capital as defined by the Central Banks, to meet its requirements as set out by the Central Banks.

#### (ii) Share Issue Costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

#### (iii) Dividends on Shares

Dividends on shares are recognised in equity in the period in which they are approved by the Company's shareholders.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **(a) Impairment losses on loans and advances**

The Group's accounting policy for losses in relation to the impairment of customer loans and advances is described in Note 2(i). Where there is impairment, the recoverable amount of the loan is estimated by discounting the projected cash flows (including the realisable value of the collateral) at the loan's original effective interest rate. The determination of both the timing and quantum of the projected cash flows including the realisable value of the collateral requires considerable judgement, and the actual outcome may differ from the estimates .

#### **(b) Goodwill impairment**

The Group's accounting policy for goodwill is described in Note 2(m). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Further detail is discussed in Note 17 'Impairment testing for cash-generating unit containing goodwill'.

#### **(c) Valuation of financial instruments**

The Group's accounting policy for valuation of financial instruments is included in Note 2(g).

#### **(d) Pensions**

The assumptions used are disclosed in Note 34 'Defined Benefit Plan'.

#### **(e) Income taxes**

The Group is subject to income taxes in various jurisdictions. Determining income tax provisions involves judgement in determining the tax depreciation and deductibility of certain expenses during the estimation of the provision for income taxes. Deferred tax asset is recognised on unutilised tax losses and temporary differences where it is probable that there will be taxable revenue against which it can be offset. Management has made judgements as to the probability of tax losses being available for offset at a later date.

**4. NET INTEREST INCOME**

	2007	2006
	USD'000	USD'000
<b>Interest Income</b>		
Loans and advances to customers	80,496	67,638
Investment securities	10,484	13,040
Cash and short term funds	5,591	2,919
Others	38	2
	<u>96,609</u>	<u>83,599</u>
<b>Interest Expense</b>		
Banks and customers deposits	45,440	45,912
Debt securities in issue	870	845
Others	1,734	3,355
	<u>48,044</u>	<u>50,112</u>
<b>Net Interest Income</b>	<u>48,565</u>	<u>33,487</u>

**5. NET FEE AND COMMISSION INCOME**

	2007	2006
	USD'000	USD'000
<b>Fee and Commission Income</b>		
Account maintenance and other management fees	4,299	2,751
Credit related fees and commissions	6,124	4,846
Others	151	380
	<u>10,574</u>	<u>7,977</u>
<b>Fee and Commission Expense</b>		
Treasury operation and inter-bank transactions	102	28
Others	43	63
	<u>145</u>	<u>91</u>
<b>Net Fee and Commission Income</b>	<u>10,429</u>	<u>7,886</u>

**6. FOREIGN CURRENCY GAINS**

Foreign currency gains relate to net transaction and translation gains of subsidiaries

**ICB FINANCIAL GROUP HOLDINGS AG****(Incorporated in Switzerland)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 December 2007****7. OPERATING EXPENSES**

	2007	2006
	USD'000	USD'000
Auditors' remuneration	398	259
Amortisation of intangible assets (Note 17)	417	373
Depreciation (Note 19)	2,185	2,009
Employee compensation and benefits (Note 8)	17,163	12,412
Amortisation of prepaid lease rental (Note 18)	46	45
Loss on disposal of foreclosed properties	352	295
Data communication, rental and related maintenance expense	8,444	7,012
Other general and administrative expenses	16,071	12,653
	<u>45,076</u>	<u>35,058</u>

**8. EMPLOYEE COMPENSATION AND BENEFITS**

	2007	2006
	USD'000	USD'000
Salaries and wages	10,258	8,321
Bonus	1,669	890
Social security costs	78	83
Pension costs		
- Defined contribution plan	547	203
- Defined benefit plan (Note 34)	442	377
Other staff related expenses	4,169	2,538
	<u>17,163</u>	<u>12,412</u>

**9. TAX EXPENSE**

	2007	2006
	USD'000	USD'000
Current year's provision	(2,833)	(1,209)
Transfer to/(from) deferred taxation (Note 21)	129	(410)
Over provision of taxation in prior year	2	12
	<u>(2,702)</u>	<u>(1,607)</u>

**9. TAX EXPENSE (CONT'D)**

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2007	2006
	USD'000	USD'000
Profit before taxation	17,560	9,843
Tax calculated at a rate of 16% (2006 : 16%)	2,810	1,575
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,185	821
Impact of profits in associates	(932)	(905)
Expenses not deductible for tax purposes	192	128
Income not subject to tax	(551)	-
(Over) provision of income tax expense in prior years	(2)	(12)
Tax expense for the year	<u>2,702</u>	<u>1,607</u>

**10. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of shares in issue (adjusted for the change in nominal value of shares as stated in Note 32 d) during the year. There are no options or other instruments in issue that would dilute earnings per share.

	2007	2006
Profit attributable to shareholders of the Company (USD'000)	13,988	7,989
Weighted average number of shares in issue ( ' 000)	<u>148,589</u>	<u>75,000</u>
Basic and diluted earnings per share (expressed in USD per share)	<u>0.09</u>	<u>0.11</u>

**11. CASH AND BANK BALANCES**

	2007	2006
	USD'000	USD'000
Cash in hand	14,397	11,559
Placements with other banks	80,849	32,743
Deposits with central banks other than mandatory reserves	97,757	63,076
Included in cash and cash equivalents (Note 28)	<u>193,003</u>	<u>107,378</u>
Mandatory reserve deposits with central banks	46,766	48,071
	<u>239,769</u>	<u>155,449</u>

**11. CASH AND BANK BALANCES - CONT'D**

The Group is required to maintain minimum deposits with central banks of countries where the Group has operations as liquidity/mandatory reserve. Deposits in mandatory reserves are not available for use in the Group's day to day operations.

**12. TRADING SECURITIES**

Trading securities consist of mutual funds held by PT Bank Bumiputera Indonesia Tbk ("Bank Bumiputera"), a subsidiary of the Company.

**13. LOANS AND ADVANCES TO CUSTOMERS**

	2007	2006
	USD'000	USD'000
Gross loans and advances	554,203	499,462
Less: Allowance for losses on loans and advances	(13,520)	(8,746)
	<u>540,683</u>	<u>490,716</u>

As at year end, loans classified according to collectibility are as follows :

	2007	2006
	USD'000	USD'000
Current	478,276	444,532
Special mention	38,828	24,517
Substandard	3,938	3,681
Doubtful	3,612	5,638
Loss	29,549	21,094
	<u>554,203</u>	<u>499,462</u>
Less: Allowance for losses on loans and advances	(13,520)	(8,746)
	<u>540,683</u>	<u>490,716</u>

Movement in allowance for losses on loans and advances:

At 1 January	8,746	12,458
Impairment charges during the year (included in the income statement)	13,051	5,281
Loans written off during the year	(7,367)	(9,618)
Recoveries of loans written off	(690)	-
Currency translation differences	(220)	625
At 31 December	<u>13,520</u>	<u>8,746</u>

14. FINANCIAL INVESTMENTS

	2007 USD'000	2006 USD'000
<b>Securities held-to-maturity</b>		
Securities - at amortised costs:		
- Unlisted		
Treasury bills	28,016	36,578
Government debt securities	38,765	55,020
Private debt securities	-	1,166
	<u>66,781</u>	<u>92,764</u>
Less : Unamortised discount	(189)	(130)
	<u>92,634</u>	<u>66,592</u>
<b>Securities available-for-sale</b>		
Securities - at fair value:		
- Listed		
Equity	-	14,072
- Unlisted		
Government debt securities	15,912	-
Private debt securities	10,717	2,777
	<u>26,629</u>	<u>16,849</u>
Less : Unrealised gain/(loss) on changes in fair value	-	22
	<u>26,629</u>	<u>16,871</u>
	<u>109,505</u>	<u>93,221</u>

**15. FORECLOSED PROPERTIES**

Foreclosed properties are repossessed properties that were pledged as collateral for loans and advances that have defaulted.

	2007	2006
	USD'000	USD'000
<b>Carrying Value</b>		
At 1 January	16,731	9,053
Additions	12,755	7,999
Disposal	(4,312)	(1,151)
Reclassification	(497)	-
Currency translation differences	(694)	830
At 31 December	<u>23,983</u>	<u>16,731</u>
Changes in fair value		
At 1 January	3,053	2,091
Charge for the year	-	759
Currency translation differences	(126)	203
	<u>2,927</u>	<u>3,053</u>
	<u>21,056</u>	<u>13,678</u>

**ICB FINANCIAL GROUP HOLDINGS AG****(Incorporated in Switzerland)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 December 2007****16. INVESTMENT IN ASSOCIATES**

	2007	2006
	USD'000	USD'000
At 1 January	78,279	68,123
Dividend received and receivable	(2,912)	(2,817)
Additional investment in associate	947	-
Disposal of an associate	(2,398)	-
Transfer of an associate to subsidiary on acquisition of additional shares	-	(10)
Share of profits	5,823	5,655
Share of other reserves	(10,291)	915
Currency translation differences	4,916	6,413
At 31 December	<u>74,364</u>	<u>78,279</u>

16. INVESTMENT IN ASSOCIATES – CONT'D

Investment in associates at 31 December 2007 includes goodwill of USD3,000 (2006 : USD13,000).

The Group's share of the results of its associates, all of which are unlisted, and its share of the assets (including goodwill and liabilities) are as follows:

<b>Name 2007</b>	<b>Country of incorporation</b>	<b>% effective interest Held</b>	<b>Assets USD'000</b>	<b>Liabilities USD'000</b>	<b>Revenue USD'000</b>	<b>Profit/ (Loss) USD'000</b>
International Commercial Bank (Tanzania) Limited	Tanzania	20.00	6,628	5,575	432	106
IC Bank ZRt.	Hungary	20.96	-	-	-	(36)
Sorak Financial Holdings Pte. Ltd.	Singapore	20.00	1,172,320	1,045,346	76,451	6,003
International Commercial Bank Senegal S.A.	Senegal	20	4,558	3,564	161	(250)
			<u>1,183,505</u>	<u>1,054,485</u>	<u>77,044</u>	<u>5,823</u>

**ICB FINANCIAL GROUP HOLDINGS AG****(Incorporated in Switzerland)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 December 2007****16. INVESTMENT IN ASSOCIATES – CONT'D**

<b>Name</b>	<b>Country of incorporation</b>	<b>% effective interest held</b>	<b>Assets USD'000</b>	<b>Liabilities USD'000</b>	<b>Revenue USD'000</b>	<b>Profit/ (Loss) USD'000</b>
<b>2006</b>						
International Commercial Bank (Tanzania) Limited	Tanzania	20.00	4,789	4,335	431	34
IC Bank ZRt.	Hungary	20.96	19,802	17,368	1,350	(143)
Sorak Financial Holdings Pte. Ltd.	Singapore	20.00	1,173,918	1,099,148	77,108	5,949
International Commercial Bank Senegal S.A.	Senegal	20	1,694	1,086	26	(185)
			<u>1,200,203</u>	<u>1,121,937</u>	<u>78,915</u>	<u>5,655</u>

## 17. GOODWILL AND OTHER INTANGIBLE ASSETS

	2007 USD'000	2006 USD'000
(a) Goodwill arising on business combination		
<b>Cost</b>		
At 1 January	4,410	4,011
Acquisition of subsidiaries	-	46
Subscription of additional shares in subsidiaries	-	91
Transfer from associates on acquisition of additional shares	-	26
Currency translation differences	(40)	236
At 31 December	<u>4,370</u>	<u>4,410</u>
<b>Net Book Value</b>	<u>4,370</u>	<u>4,410</u>
(b) Purchased software		
<b>Cost</b>		
At 1 January	2,188	1,727
Additions	374	401
Disposal	(7)	-
Reclassification	105	-
Currency translation differences	19	60
At 31 December	<u>2,679</u>	<u>2,188</u>
<b>Accumulated amortisation</b>		
At 1 January	1,219	808
Amortisation charge for the year (Note 7)	417	373
Disposal	(2)	-
Reclassification	60	-
Currency translation differences	14	38
At 31 December	<u>1,708</u>	<u>1,219</u>
<b>Net Book Value</b>	<u>971</u>	<u>969</u>
Total	<u>5,341</u>	<u>5,379</u>

**17. GOODWILL AND OTHER INTANGIBLE ASSETS - CONT'D**

Impairment test for goodwill

Goodwill is allocated to the Group's Cash Generating Units ("CGU") for impairment testing purposes.

The Group considers each individual investment as a separate CGU and measures its recoverable value based either on fair value less costs to sell, which is determined using an observable market price for each CGU, or on value-in-use calculations from a discounted cash flow model using cash flow projections based on financial budgets and forecasts.

No impairment loss was required for goodwill for the year ended 31 December 2007 as their recoverable values were in excess of their carrying values.

**18. PREPAID LEASE PAYMENTS**

	2007	2006
	USD'000	USD'000
<b>Cost</b>		
At 1 January	298	275
Currency translation differences	(12)	23
At 31 December	<u>286</u>	<u>298</u>
<b>Accumulated amortisation</b>		
At 1 January	99	50
Amortisation for the year (Note 7)	46	45
Reclassification	(18)	-
Currency translation differences	(6)	4
At 31 December	<u>121</u>	<u>99</u>
<b>Net Book Value</b>	<u>165</u>	<u>199</u>

ICB FINANCIAL GROUP HOLDINGS AG

(Incorporated in Switzerland)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 December 2007

19. PROPERTY AND EQUIPMENT

	Buildings USD'000	Computer hardware USD'000	Furniture and fittings, Office equipment USD'000	Motor vehicles USD'000	Renovation USD'000	Construction in progress USD'000	Total USD'000
<b>Cost</b>							
At 1 January 2007	1,379	2,210	4,738	1,926	5,362	367	15,982
Additions	1	596	1,195	243	940	1,595	4,570
Disposals	-	(2)	(68)	(76)	(10)	-	(156)
Reclassification	168	56	61	-	(149)	(241)	(105)
Currency translation differences	56	(28)	36	(14)	(106)	(3)	(59)
At 31 December 2007	1,604	2,832	5,962	2,079	6,037	1,718	20,232
<b>Accumulated depreciation</b>							
At 1 January 2007	103	1,713	2,974	1,060	3,296	-	9,146
Change for the year	75	245	750	293	822	-	2,185
Disposals	-	-	(59)	(68)	(7)	-	(134)
Reclassification	-	-	(60)	-	-	-	(60)
Currency translation differences	(2)	(27)	(14)	(18)	(95)	-	(156)
At 31 December 2007	176	1,931	3,591	1,267	4,016	-	10,981
<b>Net Book Value</b>							
At 31 December 2007	1,428	901	2,371	812	2,021	1,718	9,251
At 31 December 2006	1,276	497	1,764	866	2,066	367	6,836
<b>Depreciation charge for 2006</b>	64	193	595	378	779	-	2,009

## 19. PROPERTY AND EQUIPMENT – CONT'D

	<b>Buildings</b>	<b>Computer hardware</b>	<b>Furniture and fittings, Office equipment</b>	<b>Motor vehicles</b>	<b>Renovation</b>	<b>Construction in progress</b>	<b>Total</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>Cost</b>							
At 1 January 2006	196	1,880	3,805	992	4,373	1,290	12,536
Acquisition of a subsidiary	-	-	17	48	7	-	72
Additions	58	166	758	848	653	205	2,688
Disposals	-	(2)	(32)	(38)	(67)	-	(139)
Reclassification	1,113	20	33	-	44	(1,210)	-
Currency translation differences	12	146	157	76	352	82	825
At 31 December 2006	1,379	2,210	4,738	1,926	5,362	367	15,982
<b>Accumulated depreciation</b>							
At 1 January 2006	35	1,406	2,306	653	2,374	-	6,774
Acquisition of a subsidiary	-	-	5	17	3	-	25
Charge for the year	64	193	595	378	799	-	2,009
Disposals	-	(1)	(8)	(32)	(63)	-	(104)
Currency translation differences	4	115	76	44	203	-	442
At 31 December 2006	103	1,713	2,974	1,060	3,296	-	9,146
<b>Net Book Value</b>							
At 31 December 2006	1,276	497	1,764	866	2,066	367	6,836
At 31 December 2005	161	474	1,499	339	1,999	1,290	5,762
<b>Depreciation charge for 2006</b>	9	175	543	193	692	0	1,612

**20. OTHER ASSETS**

	2007	2006
	USD'000	USD'000
Acceptance receivables	3,804	2,529
Accrued interest receivables	9,149	6,237
Prepayments	4,380	257
Items in the course of collection (Note 28)	1,221	1,573
Others	21,935	11,871
	<u>40,489</u>	<u>22,467</u>

**21. DEFERRED TAXATION**

	2007	2006
	USD'000	USD'000
At 1 January	1,659	2,284
Transfer from/(to) tax charge for the year (Note 9)	129	(410)
Transfer from/(to) equity for the year	39	(437)
Currency translation differences	(74)	222
At 31 December	<u>1,753</u>	<u>1,659</u>
Deferred tax assets	1,945	2,209
Deferred tax liabilities	(192)	(550)
	<u>1,753</u>	<u>1,659</u>

Deferred tax assets and liabilities are attributable to the following items:

	2007	2006
	USD'000	USD'000
<b>Deferred tax assets</b>		
Allowance for losses on loans and advances	1,096	465
Decelerated tax depreciation	454	433
Tax losses carried forward	-	925
Defined benefit plan	363	304
Unrealised loss on fair value of financial investments	32	82
	<u>1,945</u>	<u>2,209</u>
<b>Deferred tax liabilities</b>		
Accelerated tax depreciation	183	542
Other temporary differences	9	8
	<u>192</u>	<u>550</u>

**ICB FINANCIAL GROUP HOLDINGS AG**

(Incorporated in Switzerland)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 December 2007**

**22. CUSTOMERS' ACCOUNTS**

	2007	2006
	USD'000	USD'000
Current accounts	155,299	111,908
Savings accounts	96,430	71,920
Time deposits	489,984	458,975
Others	5,021	4,572
	<u>746,734</u>	<u>647,375</u>

**23. OTHER LIABILITIES**

	2007	2006
	USD'000	USD'000
Acceptance payables	4,066	2,618
Accrued interest payables	3,034	3,471
Accruals	2,480	1,648
Items in the course of transmission	550	1,242
Guarantee deposits	1,081	498
Defined benefit plan obligation (Note 34)	1,211	1,014
Others	26,904	16,895
	<u>39,326</u>	<u>27,386</u>

**24. PAID-UP SHARE CAPITAL**

	Note	No. of Shares		Amount	
		2007 ' 000	2006 ' 000	2007 USD'000	2006 USD'000
At 1 January					
Shares of CHF1,000 each		75	75	59,549	59,549
Change in nominal value from CHF1,000 each to CHF1 each	32 (d) (i)	75,000	-	59,549	-
Conversion of shareholder's advances	32 (d) (ii)	95,000	-	78,176	-
Issues of shares	32 (e)	10,000	-	8,235	-
At 31 December		<u>180,000</u>	<u>75</u>	<u>145,960</u>	<u>59,549</u>

**25. SHAREHOLDER'S ADVANCES**

	2007	2006
	USD'000	USD'000
Subordinated loan	-	49,114
Shareholder's loan	-	42,504
	<u>-</u>	<u>91,618</u>

The shareholder's advances were partially capitalized and repaid during the year.

**26. RETAINED EARNINGS**

	2007	2006
	USD'000	USD'000
Movements in retained earnings were as follows:		
At 1 January	24,212	18,638
Profit attributable to the shareholders of the Company	13,988	7,989
Capitalisation of retained earnings of subsidiaries	-	(2,415)
Realisation of translation reserve arising from capitalisation and repayment of shareholder's advances	(3,187)	-
Transfer of reserve arising from disposal of associate	(110)	-
At 31 December	<u>34,212</u>	<u>24,212</u>

## 27. OTHER RESERVES

	<b>Capital Reserves USD'000</b>	<b>Translation Reserves USD'000</b>	<b>Fair Value Reserves USD'000</b>	<b>Share Option Reserves USD'000</b>	<b>Total USD'000</b>
<b><u>2007</u></b>					
At 1 January	2,170	(3,914)	579	793	(372)
Shares of post-acquisition					
Reserves of associates	-	(6,752)	(3,672)	133	(10,291)
Loss in fair value of available-for-sale securities	-	-	(62)	-	(62)
Currency translation differences arising from translation to presentation currency	-	5,087	-	-	5,087
Transfer of realised translation reserve to retained earnings arising from capitalisation and repayment of shareholder's advances	-	3,187	-	-	3,187
Transfer of reserve to retained earnings arising from disposal of associate	-	(135)	-	-	(135)
Disposal of associate	245	-	-	-	245
At 31 December	<u>2,415</u>	<u>(2,527)</u>	<u>(3,155)</u>	<u>926</u>	<u>(2,341)</u>

**27. OTHER RESERVES – CONT'D**

**2006**

At 1 January	(295)	(8,180)	(1,317)	742	(9,050)
Share of post-acquisition reserves of associates	50	(398)	1,212	51	915
Loss in fair value of available-for-sale securities	-	-	684	-	684
Currency translation differences arising from translation to presentation currency	-	4,664	-	-	4,664
Capitalisation of retained earnings of subsidiaries	2,415	-	-	-	2,415
At 31 December	<u>2,170</u>	<u>(3,914)</u>	<u>579</u>	<u>793</u>	<u>(372)</u>

**28. CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2007	2006
	USD'000	USD'000
Cash and bank balances (Note 11)	193,003	107,378
Items in the course of collection (Note 20)	1,221	1,573
	<u>194,224</u>	<u>108,951</u>

**29. SUBSIDIARIES**

Details of subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	% effective interest held		Principal Activities
		2007	2006	
International Commercial Bank (The Gambia) Ltd.	Gambia	99.10	99.10	Commercial bank
International Commercial Bank S. A.	Guinea	97.00	97.00	Commercial bank
International Commercial Bank (Sierra Leone) Ltd.	Sierra Leone	99.98	99.98	Commercial bank
International Commercial Bank SH. A	Albania	100.00	100.00	Commercial bank
ICB-Banco Internacional De Comércio, S.A.R.L	Mozambique	99.99	99.99	Commercial bank
International Commercial Bank Limited	Ghana	100.00	100.00	Commercial bank
PT Bank Bumiputra Indonesia Tbk	Indonesia	67.07	67.07	Commercial bank
International Commercial Bank (Djibouti) S.A.	Djibouti	99.90	99.90	Commercial bank
ICB Global Management Sdn. Bhd.	Malaysia	100.00	89.00	Providing technical and management services

\* All subsidiaries are audited by firms of auditors other than BDO.

- (a) On 28 February 2007, the Company increased its equity interest in ICB Global to 100% by acquiring the remaining 70,000 ordinary shares, representing equity interest of 11% for MYR43,400. The negative goodwill charged on the subscription amounted to USD2,000.

**30. SEGMENT INFORMATION**

The primary segment reporting format is determined to be the geographical segments as the Group's risks and return varies in different economic environment, and the operating business is organised according to the location of the Group's assets in three continents, Europe, Africa and Asia. Hence, the geographical segment information is presented based on the location of the Group's assets. The Company is not an operational unit and has no significant assets.

**30. SEGMENT INFORMATION – CONT'D**

The Group's business segments mainly comprise commercial banking operation. Business segmental information has therefore not been prepared as all the Group's operating income, operating profit, assets employed, liabilities, depreciation and amortisation and non-cash expenses are mainly confined to one business segment.

<b>2007</b>	<b>Europe USD'000</b>	<b>Africa USD'000</b>	<b>Asia USD'000</b>	<b>Group USD'000</b>
Net interest income	2,875	9,787	35,903	48,565
Net fee and commission income	353	3,472	6,604	10,429
Foreign currency gains	535	2,529	14	3,078
Gain on disposal of associate	3,670	-	-	3,670
Other operating income	609	429	3,084	4,122
Total operating income				<u>69,864</u>
Segment results	3,826	4,126	3,785	11,737
Share of results of associates	(36)	(144)	6,003	5,823
Profit before taxation				<u>17,560</u>
Tax expense				(2,702)
Profit for the year				<u>14,858</u>
Segment assets	158,159	177,814	615,947	951,920
Associates	(88)	2,133	72,319	74,364
Total assets				<u>1,026,284</u>
Segment liabilities	44,187	164,985	618,330	827,502
Other segment items				
Capital expenditure	818	2,250	1,876	4,944
Depreciation and amortisation	183	990	1,429	2,602
Loan impairment charges	28	818	12,205	13,051

Capital expenditure comprises additions to Property and Equipment (Note 19) and Goodwill and Other Intangible Assets (Note 17).

30. SEGMENT INFORMATION (CONT'D)

2006	Europe USD'000	Africa USD'000	Asia USD'000	Group USD'000
Net interest income	1,889	8,179	23,419	33,487
Net fee and commission income	269	1,788	5,829	7,886
Foreign currency gains	(101)	1,403	229	1,531
Other operating income	11	876	1,495	2,382
Total operating income				<u>45,286</u>
Segment results	(385)	3,656	917	4,188
Share of results of associates	(143)	(151)	5,949	5,655
Profit before taxation				<u>9,843</u>
Tax expense				<u>(1,607)</u>
Profit for the year				<u>8,236</u>
Segment assets	60,261	139,842	606,354	806,457
Associates	2,444	1,062	74,773	78,279
Total assets				<u>884,736</u>
Segment liabilities	30,950	115,650	543,621	690,221
Other segment items				
Capital expenditure	163	1,619	1,542	3,324
Depreciation and amortisation	218	522	1,687	2,427
Loan impairment charges	407	1,087	3,787	5,281

Capital expenditure comprises additions to Property and Equipment (Note 19) and Goodwill and Other Intangible Assets (Note 17) including additions resulting from acquisitions through business combinations.

### **31. RELATED PARTY TRANSACTIONS**

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) has an interest in the entity that gives it significant influence over the entity; or
  - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Parties related to the Group are as follows:

- (a) Party that directly controls the Company is Tun Daim Zainuddin, the founder and principal shareholder of ICBFGH, who owned 94.4% of equity interest in ICBFGH as of 31 December 2007. The remaining 5.6% interest is held by individual shareholders. By virtue of his interest in shares in the Company, he is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest. As of 31 December 2007, he also has an equity interest of 79.95% in one of the Company's associates, International Commercial Bank Senegal S.A ("ICB Senegal").
- (b) Details relationship of the associates of the Group is disclosed in Note 16.
- (c) Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly, including any director (whether executive or otherwise). The Group refers key management personnel to the members of the Board of Directors and the CEOs of the Company and its subsidiaries.

**31. RELATED PARTY TRANSACTIONS- CONT'D**

The following transactions were carried out with related parties:

(a) Key management compensations

	2007 USD'000	2006 USD'000
Directors		
- Fee	169	12
Directors of the subsidiaries		
- Fee	290	272
- Salaries and other short term employee benefits	756	583
Key management personnel other than Directors		
- Salaries and other short term employee benefits	495	507
	<u>1,710</u>	<u>1,374</u>

(b) Transactions with principal shareholder

Advances from and repayment to the principal shareholder during the year is disclosed in the Consolidated Statements of Changes in Equity

(c) Transactions with an associate in which the principal shareholder also has a majority shareholding, ICB Senegal

	2007 USD'000	2006 USD'000
Support service fee received from ICB Senegal	<u>12</u>	<u>6</u>

(d) Transactions with other associates

Support service fee received from associates	<u>45</u>	<u>60</u>
--	-----------	-----------

**31. RELATED PARTY TRANSACTIONS - CONT'D**

The following are related party balances as at year end:

- (a) Information on outstanding balances of shareholder's advances is disclosed in Note 25.
- (b) Amount due from an associate in which the principal shareholder also has a majority shareholding, ICB Senegal.

	2007 USD'000	2006 USD'000
Amount due from ICB Senegal	4	5

The amount is unsecured, interest free and has no fixed term of repayment.

- (c) Amounts due from other associates

	2007 USD'000	2006 USD'000
Amounts due from other associates	3	1

The amounts are unsecured, interest free and have no fixed term of repayment.

**32. SIGNIFICANT EVENTS AND EVENTS SUBSEQUENT TO YEAR END**

**Significant Events**

- (a) On 18 October 2006, the Company entered into a sale and purchase agreement ("SPA") to dispose of its entire equity interest in ICB Bank ZRt, Hungary, for a total cash consideration of EUR5,360,850. The sale was completed on 9 May 2007 and the Company received the sales proceeds less a retention amount to cover warranties provided for a 12 month period. The Company is only liable up to 30% of the sales proceeds for such warranties. The gain on disposal of USD3,670,000 was arrived at after taking into account potential claims that may arise during the warranty period
- (b) On 7 February 2007, the Company disposed of its entire equity interest of 4.99% in Bank Thai Plc for a total cash consideration of USD14,050,593. The disposal did not give rise to any material financial effect to the Group.
- (c) On 28 February 2007, the Company increased its equity interest in ICB Global Management Sdn. Bhd. to 100% by acquiring the remaining 70,000 ordinary shares, representing an equity interest of 11% for MYR43,400
- (d) On 16 April 2007,
  - i. the nominal value of the share capital of the Company was changed from CHF1,000.00 each to CHF1.00 each bringing the total number of shares to 75,000,000 prior to conversion of the shareholder's advances as mentioned in item (ii) below;
  - ii. shareholder's advances of CHF95,000,000 were converted into 95,000,000 new shares of CHF1.00 each, resulting in an increase in share capital to CHF170,000,000 shares of CHF1.00 each.
- (e) On 11 May 2007, the Company undertook a preadmission placement and issued 10,000,000 new shares of CHF1.00 each to several investors at an issue price of USD1.00 each.
- (f) On 24 July 2007, the Company provided a Corporate Guarantee to INTL Global Currencies Ltd for the purpose of providing fund transfer facilities to certain of its subsidiaries and associated companies. The aggregate amount of the claims shall not exceed USD2,000,000.

**32. SIGNIFICANT EVENTS AND EVENTS SUBSEQUENT TO YEAR END (CONT'D)**

- (g) As at 31 December 2006, the Company entered into an agreement with the principal shareholder to transfer the title of the shares and warrants of Bank Bumiputera of which the Company has a beneficial ownership for a nominal amount of IDR1.00. On 1 May 2007, the Bank of Indonesia granted approval for the transfer of title of the share and warrants and subsequently the transfer was effected on 8 May 2007.

**Events Subsequent To Year End**

- (a) On 5 December 2007, the Company entered into a sale and purchase agreement ("SPA") to dispose of its entire equity interest in Sorak Financial Holdings Pte. Ltd. (Sorak), for a total cash consideration of SGD211,625,592. The disposal has resulted in a gain of USD81,000,000. The disposal was completed on 8 January 2008.
- (b) On 28 February 2008, the Company entered into a share sale and purchase agreement ("SSPA") to acquire a 50.1% equity interest in The Oriental Bank Limited, a bank incorporated in Bangladesh by way of subscription of new ordinary shares amounting to 3,506,743 for a total cash consideration of BDT3,506,743,888. The acquisition was completed on 4 March 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 December 2007

33. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to its customers.

The exposures of the Group as at the end of financial year are as follows:

	2007 USD'000	2006 USD'000
<b>Commitment receivables</b>		
Forward foreign currency purchased	4,951	-
<b>Commitment liabilities</b>		
Unused loan commitments granted to customers	22,721	30,035
Outstanding irrevocable foreign letters of credit (LC)	1,539	4,842
Outstanding irrevocable local letters of credit (LC)	1,532	-
Unsettled spot foreign currencies	1,963	838
Total Commitment Liabilities	<u>27,755</u>	<u>35,715</u>
<b>Contingent liabilities</b>		
Guarantees, indemnities and bonds	16,875	10,620
Letters of credit	903	1,431
Total Commitment Liabilities	<u>17,778</u>	<u>12,051</u>

**34. DEFINED BENEFIT PLAN**

Bank Bumiputera, a subsidiary, records its defined benefit plan based on labour law of the country. No funding of benefits has been made to date. The number of employees entitled to the benefits in 2007 is 1,138 (2006 : 964).

The amounts recognised in income statement is as follows:

	<b>2007</b>	<b>2006</b>
	<b>USD'000</b>	<b>USD'000</b>
Current service cost	332	212
Interest cost	103	87
Past service cost	7	78
Total	<u>442</u>	<u>377</u>

	<b>2007</b>	<b>2006</b>
	<b>USD'000</b>	<b>USD'000</b>
At 1 January	1,014	620
Charges for the year (Note 8)	442	377
Benefits payment	(197)	(46)
Currency translation differences	(48)	63
At 31 December (Note 23)	<u>1,014</u>	<u>1,211</u>

	<b>2007</b>	<b>2006</b>
Discount rate	11%	11%
Future salary increment rate	6%	6%

	2007	2006	2005	2004
	USD'000	USD'000	USD'000	USD'000
Present value of obligations	1,304	935	676	523
Unrecognised actuarial cost	(229)	(43)	(56)	(44)
Present value of other liabilities	136	122	-	-
Total	<u>1,211</u>	<u>1,014</u>	<u>620</u>	<u>479</u>

## 35. FINANCIAL RISK MANAGEMENT

### (a) Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and consumer borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

### (b) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay as per the agreed terms. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to single borrower or group of borrowers and to geographical and industry segments.

The Group's lending activities are guided by the credit policy manual and all personnel involved in the extension of credit are expected to strictly observe the policy. A Loan Committee is established to formulate, implement and review the credit policy including approving credit proposal.

### 35. FINANCIAL RISK MANAGEMENT - CONT'D

#### (b) Credit risk - cont'd

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. The policy outlines the criteria for acceptable collateral and margin of advances.

The Group also provides guarantees and standby letters of credit – which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Such instruments carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The Group has developed an internal rating system used as a basis of classifying the relative risk of exposure to a counterparty. The system assesses the probability of default by considering external market information past experience and financial information provided as part of the loan application process. After the initial grading, the Credit Committee constantly monitors the exposure by considering market conditions, repayment patterns, financial information and other relevant information. The Group is constantly reviewing its exposure and the classification of loans may change subject to conditions arising that would affect the recoverability of a receivable.

35. FINANCIAL RISK MANAGEMENT - CONT'D

(b) Credit risk - cont'd

The rating system used to analyse loans also considers the overdue aging pattern as follows:

Current	1 month or less
Special mention	> 1 month ≤ 3 months
Substandard	> 3 months ≤ 6 months
Doubtful	> 6 months ≤ 1 year
Loss	> 1 year

Exposure to credit risk as at 31 December is as follows:

	Loans and advances to customers		Financial Investments	
	2007	2006	2007	2006
	USD'000	USD'000	USD'000	USD'000
Total Gross	554,203	499,462	93,221	109,505
Individually impaired	(9,082)	(5,368)	-	-
Collectively impaired	<u>(4,438)</u>	<u>(3,378)</u>	<u>-</u>	<u>-</u>
	<u>540,683</u>	<u>490,716</u>	<u>93,221</u>	<u>109,505</u>

As at 31 December 2007, the amount of unimpaired balances stood at USD 473 million (2006: USD 441 million). The maximum exposure to credit risk is the carrying amount of the financial asset receivable balances as at 31 December 2007 and 31 December 2006.

The Group writes off a loan (and any related allowances for impairment) when the Credit Risk department determines that the balance is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the counterparty's financial position such that the counterparty can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay back their entire exposure.

**35. FINANCIAL RISK MANAGEMENT - CONT'D**

**(b) Credit risk - cont'd**

The Group holds collateral against secured advances made to businesses and consumers, in the form of charges over properties, other registered securities over assets and sovereign/other bank's guarantees. Estimates of fair value are based on the value of collateral assessed at the time of financing and are updated on a periodic basis. The estimated fair value of collateral held against financial assets as at 31 December 2007 is USD 525 million (2006: USD474 million).

The Group monitors concentrations of credit risk by sector and geographical location. An analysis of concentrations of credit risk at the reporting date is shown below:

Concentration by sector:

	<b>Loans and advances to customers</b>	
	<b>2007</b>	<b>2006</b>
	<b>USD'000</b>	<b>USD'000</b>
Business loan	178,205	137,304
Consumer loan	<u>362,478</u>	<u>353,412</u>
	<u>540,683</u>	<u>490,716</u>

Concentration by location:

	<b>Loans and advances to customers</b>		<b>Financial Investments</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Asia	468,808	450,212	30,876	40,600
Europe	15,008	12,053	12,562	8,525
Africa	<u>56,867</u>	<u>28,451</u>	<u>49,783</u>	<u>60,380</u>
	<u>540,683</u>	<u>490,716</u>	<u>93,221</u>	<u>109,505</u>

**35. FINANCIAL RISK MANAGEMENT - CONT'D**

**(c) Market risk**

The Group takes on exposure to market risk. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Assets and Liabilities Committee of each country is responsible to manage risk on interest rate and foreign exchange.

35. FINANCIAL RISK MANAGEMENT - CONT'D

(d) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flow. The Assets and Liabilities Committee will monitor its exchange rate risk based on the regulation of the central bank in the respective countries.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

	USD	IDR	GHC	ALL	MZN	GNF	Others	Total
At 31 December 2007	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
ASSETS								
Cash and bank balances	82,275	102,902	4,900	2,356	6,534	6,684	34,118	239,769
Loans and advances								
to customers	40,719	432,123	22,008	3,425	3,265	13,225	25,918	540,683
Financial investments	20,131	10,919	29,375	12,562	6,615	6,696	6,923	93,221
Other assets	13,035	11,901	9,837	100	223	1,688	3,698	40,482
<b>Total financial assets</b>	<b>156,160</b>	<b>557,845</b>	<b>66,120</b>	<b>18,443</b>	<b>16,637</b>	<b>28,293</b>	<b>70,657</b>	<b>914,15</b>

## 35. FINANCIAL RISK MANAGEMENT - CONT'D

## (d) Currency risk- Cont'd

	USD USD'000	IDR USD'000	GHC USD'000	ALL USD'000	MZN USD'000	GNF USD'000	Others USD'000	Total USD'000
<b>LIABILITIES</b>								
Deposits from other banks	-	37,467	-	888	-	-	802	39,157
Customers' accounts	124,767	477,034	59,375	18,754	13,912	14,529	38,363	746,734
Other liabilities	4,252	19,029	6,827	155	14	7,183	1,866	39,326
<b>Total financial liabilities</b>	<u>129,019</u>	<u>533,530</u>	<u>66,202</u>	<u>19,797</u>	<u>13,926</u>	<u>21,712</u>	<u>41,031</u>	<u>825,217</u>
<b>Net balance sheet position</b>	27,141	24,315	(82)	(1,354)	2,711	6,581	29,626	88,938
<b>At 31 December 2006</b>								
Total financial assets	108,766	516,852	62,172	13,314	11,250	25,293	28,381	766,028
Total financial liabilities	<u>77,230</u>	<u>481,602</u>	<u>58,011</u>	<u>13,924</u>	<u>8,491</u>	<u>20,570</u>	<u>17,254</u>	<u>677,082</u>
<b>Net balance sheet position</b>	<u>31,536</u>	<u>35,250</u>	<u>4,161</u>	<u>(610)</u>	<u>2,759</u>	<u>4,723</u>	<u>11,127</u>	<u>88,946</u>

35. FINANCIAL RISK MANAGEMENT - CONT'D

(e) Cash flow and fair value interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows.

	<b>Up to 1 month USD'000</b>	<b>1 - 3 months USD'000</b>	<b>3 - 12 months USD'000</b>	<b>1 - 5 years USD'000</b>	<b>Over 5 years USD'000</b>	<b>Non Interest Bearing USD'000</b>	<b>Total USD'000</b>
<b>At 31 December 2007</b>							
<b>ASSETS</b>							
Cash and bank balances	188,044	9,701	6,175	482	2,000	33,367	239,769
Loans and advances							
to customers	25,172	22,615	121,908	301,471	70,139	(622)	540,683
Financial investments	48,887	7,687	19,605	16,680	-	362	93,221
Other assets	15,425	2,456	42	61	4,506	17,992	40,482
<b>Total financial assets</b>	<u>277,528</u>	<u>42,459</u>	<u>147,730</u>	<u>318,694</u>	<u>76,645</u>	<u>51,099</u>	<u>914,155</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 December 2007

35. FINANCIAL RISK MANAGEMENT - CONT'D

(e) Cash flow and fair value interest rate risk - cont'd

	Up to 1 month USD'000	1 - 3 months USD'000	3 - 12 months USD'000	1 - 5 years USD'000	Over 5 years USD'000	Non Interest Bearing USD'000	Total USD'000
<b>LIABILITIES</b>							
Deposits from other banks	37,112	1,100	940	-	-	5	39,157
Customers' accounts	348,041	116,505	109,431	157,940	-	14,817	746,734
Other liabilities	23,852	3,760	494	160	-	11,060	39,326
<b>Total financial liabilities</b>	<u>409,005</u>	<u>121,365</u>	<u>110,865</u>	<u>158,100</u>	<u>-</u>	<u>25,882</u>	<u>825,217</u>
<b>Total interest repricing gap</b>	<u>(131,477)</u>	<u>(78,906)</u>	<u>36,865</u>	<u>160,594</u>	<u>76,645</u>	<u>25,217</u>	<u>88,938</u>
<b>At 31 December 2006</b>							
Total financial assets	163,934	28,356	134,995	305,027	80,424	53,292	766,028
Total financial liabilities	414,777	142,100	85,943	7,294	-	26,968	677,082
<b>Total interest repricing gap</b>	<u>(250,843)</u>	<u>(113,744)</u>	<u>49,052</u>	<u>297,733</u>	<u>80,424</u>	<u>26,324</u>	<u>88,946</u>

35. FINANCIAL RISK MANAGEMENT - CONT'D

(f) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Group's liquidity management process, as carried out within the Group and monitored by the respective bank's Treasury team, includes:

- Day-to-day funding, managed by monitoring future cash flow to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The table below analyses the Group's financial instruments into relevant maturity groupings based on the remaining period of balance sheet date to the contractual maturity date.

	<b>Up to 1 month USD'000</b>	<b>1 - 3 months USD'000</b>	<b>3 - 12 months USD'000</b>	<b>1 - 5 years USD'000</b>	<b>Over 5 years USD'000</b>	<b>Total USD'000</b>
<b>At 31 December 2007</b>						
<b>ASSETS</b>						
Cash and bank balances	202,422	11,896	4,371	21,031	49	239,769
Loans and advances to customers	29,729	28,896	119,952	291,485	70,621	540,683
Financial investments	39,148	16,366	24,412	11,307	1,988	93,221
Other assets	17,866	10,295	2,484	9,641	196	40,482
<b>Total financial assets</b>	<b>289,165</b>	<b>67,453</b>	<b>151,219</b>	<b>333,464</b>	<b>72,854</b>	<b>914,155</b>

## 35. FINANCIAL RISK MANAGEMENT - CONT'D

## (f) Liquidity risk – cont'd

	Up to 1 month USD'000	1 - 3 months USD'000	3 - 12 months USD'000	1 - 5 years USD'000	Over 5 years USD'000	Total USD'000
<b>LIABILITIES</b>						
Deposit from other banks	37,115	1,100	942	-	-	39,157
Customers' accounts	362,093	116,305	113,558	153,797	981	746,734
Other liabilities	27,709	9,061	760	1,315	481	39,326
<b>Total financial liabilities</b>	<u>426,917</u>	<u>126,466</u>	<u>151,260</u>	<u>155,112</u>	<u>1,462</u>	<u>825,217</u>
<b>Net liquidity gap</b>	<u>(137,752)</u>	<u>(59,013)</u>	<u>35,959</u>	<u>178,352</u>	<u>71,392</u>	<u>88,938</u>
<b>At 31 December 2006</b>						
Total financial assets	191,140	52,656	139,272	305,613	77,347	766,028
Total financial liabilities	421,937	160,833	87,017	7,295	-	677,082
<b>Net liquidity gap</b>	<u>(230,797)</u>	<u>(108,177)</u>	<u>52,255</u>	<u>298,318</u>	<u>77,347</u>	<u>88,946</u>

### 35. FINANCIAL RISK MANAGEMENT - CONT'D

#### **(g) Fair value of financial assets and liabilities**

The fair value of financial instruments is the amount at which the financial asset could be exchanged or financial liability could be settled. The fair value of financial instruments approximates their carrying value. The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

##### **(i) Cash and bank balances**

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

##### **(ii) Loans and advances to customers**

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

##### **(iii) Trading securities and financial investments**

Fair value is based on market prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics or pricing models or discounted cash flow techniques.

##### **(iv) Deposits and borrowings**

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flow using interest rates for new debts with similar remaining maturity.

##### **(v) Debt securities in issue**

The aggregate fair values are calculated based on quoted market price. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.