## VISION

TO BE A GLOBALLY-RECOGNISED INTERNATIONAL BANKING GROUP WITH A PRIMARY FOCUS ON EMERGING COUNTRIES, AND DRIVEN BY A MARKET-ORIENTED AND VALUE-CREATION CULTURE FOR THE BETTERMENT OF ALL STAKEHOLDERS.

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# GROUP STRUCTURE

**ICB Financial Group Holdings AG**
(INCORPORATED IN SWITZERLAND)
SUBSIDIARIES, ASSOCIATES & INVESTMENTS

- **International Commercial Bank SH.A.**
  (INCORPORATED IN ALBANIA)
  100% SHAREHOLDING
- **International Commercial Bank Ltd.**
  (INCORPORATED IN GHANA)
  100% SHAREHOLDING
- **International Commercial Bank S.A.**
  (INCORPORATED IN GUINEA)
  77% SHAREHOLDING
- **IC Bank ZRt.**
  (INCORPORATED IN HUNGARY)
  20.9% SHAREHOLDING
- **ICB-Banco Internacional De Comércio S.A.R.L**
  (INCORPORATED IN MOZAMBIQUE)
  99.9% SHAREHOLDING
- **International Commercial Bank (Tanzania) Ltd.**
  (INCORPORATED IN TANZANIA)
  20% SHAREHOLDING
- **International Commercial Bank (Sierra Leone) Ltd.**
  (INCORPORATED IN SIERRA LEONE)
  99.9% SHAREHOLDING
- **Sorak Financial Holdings Pte Ltd.**
  (INCORPORATED IN SINGAPORE)
  20% SHAREHOLDING
  - **PT Bank Internasional Indonesia Tbk**
    (INCORPORATED IN INDONESIA)
    56.8% SHAREHOLDING
- **PT Bank Bumiputera Indonesia Tbk**
  (INCORPORATED IN INDONESIA)
  67% SHAREHOLDING
- **International Commercial Bank (Gambia) Ltd.**
  (INCORPORATED IN GAMBIA)
  99.1% SHAREHOLDING
- **ICB Global Management Sdn. Bhd.**
  (INCORPORATED IN MALAYSIA)
  100% SHAREHOLDING
- **International Commercial Bank Senegal S.A.**
  (INCORPORATED IN SENEGAL)
  20% SHAREHOLDING
- **International Commercial Bank (Djibouti) S.A.**
  (INCORPORATED IN DJIBOUTI)
  99.9% SHAREHOLDING

## CHAIRMAN'S STATEMENT

# ICB BANKING GROUP IS CONTINUING TO MAKE PROGRESS IN LINE WITH OUR PLANS TO STRENGTHEN THE COMPANY FOR CONTINUED GROWTH IN TERMS OF EXPANSION, FINANCIAL STRENGTH, ASSET SIZE AND ASSET QUALITY.

MR MICHAEL HANLON
**CHAIRMAN**

Dear Shareholders,

This is my inaugural statement since assuming the role of Chairman in February 2007. On behalf of the Board of Directors, I am very happy to report to shareholders that ICB Banking Group is continuing to make progress in line with our plans to strengthen the company for continued growth in terms of expansion, financial strength, asset size and asset quality.

I must first pay tribute to Tun Daim Zainuddin who stood down as Chairman of the Group at the end of 2006. The sound progress and development of the Group to date is very much a reflection of the direction and guidance he has provided throughout his Chairmanship, and which has established a strong platform on which we can build further. We are indeed truly grateful to him.

The Board of Directors, consisting of members from various nationalities and backgrounds, has experiences ranging from banking, risk management, law and international relations. It met in Kuala Lumpur in February 2007 to strategise and map out plans for the future of the company; to establish Audit/Risk, Nomination and Remuneration committees as well as to determine the timeline for the admission of the company to the AIM market of the London Stock Exchange.

ICB Banking Group continues to grow in size through the establishment of new banks and the expansion of the branch network at existing banks. In 2006, ICB established its presence in two new countries, Djibouti and Senegal. The opening ceremony in Djibouti was officiated by HE Ismail Omar Guelleh, The President of Djibouti, in Djibouti City on 3rd September 2006.

Meanwhile, the branch network of ICB banks has further expanded in 2006 with new branches in Albania, Tanzania, Mozambique, Ghana and Guinea, bringing the total number of branches within the group to 92. This year also marks the 10th year of our presence in Africa.

2006 was also a year of accolades for ICB Banking Group with ICB Guinea being awarded the prestigious "Bank of the Year" for the third consecutive year and ICB Ghana receiving the "Bank of the Year" award by The Banker for the first time. We are very proud of these achievements and their success speaks volumes for our young banks.

Financially, ICB Banking Group continues its growth in line with the rapid development, strong economic growth, expanding middle class and continued political stability in the countries we operate. In 2006 ICB's total assets grew by 30 percent and profits for the Group by 70 percent. I am happy to report that dividends have been declared in ICB Ghana, ICB Guinea, Bank Bumiputera Indonesia and Bank Internasional Indonesia.

Our current expectation is for ICB Banking Group to be admitted to AIM during the first half of 2007. The much anticipated listing will help raise our Group's profile while expanding our shareholder base and facilitate the raising of additional capital to support future expansion.

Finally, on behalf of the Board of Directors, I would like to extend our sincere appreciation to shareholders, the various regulatory authorities, our valued customers and business associates for their unending support, confidence and trust. I must also take this opportunity to express our thanks to management and staff across the Group whose contribution has once again been significant in the development of the business and for their commitment and enthusiasm towards ensuring the delivery of quality services to our customers.

Looking ahead, we expect to continue our growth pattern in 2007 and are very optimistic that the significant opportunities available to ICB Banking Group will result in another strong performance in 2007.

# BOARD OF DIRECTORS

## MICHAEL HANLON
### INDEPENDENT DIRECTOR / CHAIRMAN

Michael Hanlon has a total of 38 years commercial banking experience, most of this in the retail area. He spent 34 years with Barclays Bank Plc in the UK, where he held a number of Senior Management and Senior Executive appointments, including Regional Director for the Bank's retail banking in Central London. Later, he joined the Raiffeisen Banking Group of Austria as Managing Director for retail banking at the Bank's Polish subsidiary, Raiffeisen Bank Polska SA, where he was responsible for the creation and development of a retail banking capability. Michael joined the Islamic Bank of Britain in April 2003 as Managing Director where he had the responsibility of creating the very first Sharia compliant retail banking business in the UK and Western Europe. Michael led the Bank through a complex process which eventually achieved authorisation by the Industry Regulator, the Financial Services Authority (FSA) in August 2004. He led the team towards admission of the Bank on AIM in 2004 and raised 40 million pounds. The Bank now has an operational network of 7 branches, and also offers a direct banking service through post, telephone and internet banking. Having completed what he set out to achieve, Michael retired from the Bank in 2006. An Associate of the Chartered Institute of Bankers, he regularly speaks at international conferences. Michael is married with two adult children. He enjoys travel, art, music, cycling and swimming.

## JOSEPHINE SIVARETNAM
### NON INDEPENDENT DIRECTOR

Josephine Sivaretnam was appointed to the Board of ICB Financial Group Holdings AG, the holding company of the ICB Banking Group in 2007. A lawyer by profession, Josephine spent her early career in the Malaysian Judicial and Legal Service as a Deputy Public Prosecutor until 1992 when she commenced practice as a Lawyer. In 1994 she was appointed Director of IC Banka, a.s. Praha and subsequently became Director and Chairman of the ICB Banks in Africa, Albania and Hungary. As Chairman and Director she has actively focused her attention on establishing the Banks and driving the business objectives and performances of the ICB Banking Group. She has also been responsible for the strategic mergers and acquisitions within the Group. Josephine is also a Director of Kuala Lumpur City Corporation Berhad a Malaysian public listed company quoted on the Kuala Lumpur Stock Exchange. Josephine graduated from the University of Malaya with a LLB (Hons) and a LLM from the London School of Economics and Political Science. A keen traveler, she has traversed all the continents. Her other interests include a wine collection and running marathons.

## PAUL BRIDGES
### INDEPENDENT DIRECTOR

Paul Bridges, an experienced British banker was with Standard Chartered Bank for 35 years from 1962 to 1998. He held Senior Managerial roles in Credit Risk Management and served in East and South East Asia, USA, Middle East and Africa. Paul was also responsible for the Financial Analysis Expert System, the creation of a global database and was actively involved in the global credit reengineering program. Since retiring from Standard Chartered in 1998, Paul has focused on the development and facilitation of programmes on Credit Risk Management, Total Risk Management, Credit Audit, Problem Loan Management, Debt Recovery and Financial Risk Analysis. These programmes are used by a number of banks. Paul's main expertise is in risk management and he has been a consultant to banks where he has carried out diagnostic studies and training programs in credit risk and debt recovery. His other projects include management of NPLs, analysis and restructuring of assets. He is married and has two adult daughters. Paul also speaks Bahasa Indonesia.

## KEN KWAKU
### INDEPENDENT DIRECTOR

Ken Kwaku was appointed to the Board of ICB Financial Group Holdings AG in January 2007. Ken, who hails from Ghana, speaks English, French, Portuguese and Swahili; holds a Ph.D from University of Toronto and a First Class in Economics and Political Science from McGill. He has also attended Harvard's Graduate School of Business. Since 2004 Ken has been Special Advisor to President MKapa (now retired) of Tanzania, Special Advisor Investment Climate Facility for Africa, Advisor to the Director General UNIDO, Chairman DCDM Africa and Advisor Hifadhi Business Park, East Africa. Ken served with the World Bank Group from 1976 to 2004 and held positions including Chief MIGA Africa Representative 2002–2004 and Manager for Africa 1998–2002. Between 1995 and 1998 he was seconded from the World Bank Group as Advisor to the Namibian Government. Ken, who has numerous Academic and Professional Awards and Publications, regularly speaks at International Conferences.

# BOARD OF DIRECTORS

## RENÉ FRITSCHI

### INDEPENDENT DIRECTOR

René Fritschi was appointed as an independent non-executive Director of ICB Financial Group Holdings AG in 2006. René started his career in 1973 as a trainee at the Handelsbank NW Zurich, Switzerland and in 1978 moved to Manufacturers Hanover Trust Co Zurich, Switzerland. He later worked for Bank Audi in Zurich before joining Fundus Treuhand AG in 1989 where he worked until 1994. René then joined Deutsche Bank in 1994. Since 1998 he has been Chairman of Medio Consult where his profound experience as a senior bank director in international trade, major commercial banking, private banking, estate planning and asset management has been an advantage. René is a Swiss resident and is fully conversant in English, German and French. He was born in 1948 and is married with two adult daughters. He graduated in economics, in 1979. His hobbies include long distance running and cross country skiing. He is familiar with Asia and Africa where he has traveled extensively.

## HARITH HARUN

### CHIEF EXECUTIVE OFFICER

Harith Harun was appointed to the Board of the holding company as CEO in 2006 and has been Executive Director (Strategy and Investment) of ICB's management company prior to this. He has been with ICB Banking Group since 1994 and was extensively involved in the establishment of start-up Banks and Acquisitions. Harith sits on the Board of Commissioners of Bank Bumiputera Indonesia and is Chairman of the Supervisory Board at IC Bank, Budapest. Based in Kuala Lumpur, Harith's entire career has been in the banking sector. He was General Manager at IC Bank Budapest (1994), International Bank Malaysia (1996) and Alliance Bank Malaysia (2000). He has provided leadership, guided the Banks within the Group and led the team in making acquisitions. Harith graduated with a B.Sc from the University of California, has a MBA from University of Arizona and has attended the Asian Institute of Management. He is married with three sons. Harith enjoys reading and traveling.

## ROY GEORGE

### CHIEF FINANCIAL OFFICER

Roy George joined ICB Banking Group in 2006 as Chief Financial Officer responsible for financial reporting, funding and treasury. He was appointed to the Board of ICB Financial Group Holdings AG in 2006 as a Non Independent Executive Director. Prior to this appointment he was an Executive Director (Operations) at a large stock broking company in Malaysia. He has also been an Internal Auditor with responsibilities that included risk management and compliance. Roy has previously served on the Supervisory Board of IC Bank in Budapest and the Audit Committee in ICB Albania. Roy qualified as an Accountant in 1992 and worked with Arthur Andersen for 13 years where he was responsible for the audits of medium and large companies in the financial services sector.

# FINANCIAL STATEMENTS

# STATEMENT BY DIRECTORS

We, Harith Bin Harun and Roy George, 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 10 to 56 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 2006 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

**Harith Bin Harun** **Roy George**
Date: 6th April 2007

# REPORT OF THE AUDITORS

We have audited the accompanying consolidated financial statements set out on pages 10 to 56 of ICB Financial Group Holdings AG, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. Our audit was made solely for the purpose of the Group's intended admission to the AIM market of the London Stock Exchange.

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of ICB FINANCIAL GROUP HOLDINGS AG, as at 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, as indicated in Note 30, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the company are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations by us for that purpose.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification.

**SQ Morison**
**Chartered Accountants**
Dated: 6th April 2007

## CONSOLIDATED INCOME STATEMENT
### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

| | NOTES | 2006 USD'000 | 2005 USD'000 |
|---|---|---|---|
| Interest income | | **83,599** | 55,168 |
| Interest expense | | **(50,112)** | (31,318) |
| **Net interest income** | 4 | **33,487** | 23,850 |
| Fee and commission income | | **7,977** | 6,548 |
| Fee and commission expense | | **(91)** | (383) |
| **Net fee and commission income** | 5 | **7,886** | 6,165 |
| Foreign currency gains | 6 | **1,531** | 2,555 |
| Gains less losses from trading securities | | **2** | 44 |
| Gains less losses from financial investments | | **377** | 280 |
| Other operating income | | **2,003** | 401 |
| Impairment charges for loans and advances to customers | 13 | **(5,281)** | (9,224) |
| Fair value change in foreclosed properties | | **(759)** | (1,522) |
| Operating expenses | 7 | **(35,058)** | (26,577) |
| **Operating profit/(loss)** | | **4,188** | (4,028) |
| Share of results of associates | 16 | **5,655** | 8,169 |
| **Profit before taxation** | | **9,843** | 4,141 |
| Tax expense | 9 | **(1,607)** | 618 |
| **Profit for the year** | | **8,236** | 4,759 |
| **Attributable to:** | | | |
| - Shareholders of the Company | | **7,989** | 7,151 |
| - Minority interest | | **247** | (2,392) |
| | | **8,236** | 4,759 |
| **Earnings per share for profit attributable to shareholders of the Company** | | | |
| - Basic and diluted (Expressed in USD per share) | 10 | **107** | 95 |

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

# CONSOLIDATED BALANCE SHEET

## AS AT 31 DECEMBER 2006

| | NOTES | 2006 USD'000 | 2005 USD'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 11 | **155,449** | 131,530 |
| Trading securities | 12 | **19** | 13 |
| Loans and advances to customers | 13 | **490,716** | 346,015 |
| Financial investments | 14 | **109,505** | 70,044 |
| Foreclosed properties | 15 | **13,678** | 6,962 |
| Investment in associates | 16 | **78,279** | 68,123 |
| Goodwill and other intangible assets | 17 | **5,379** | 4,930 |
| Prepaid lease payments | 18 | **199** | 225 |
| Property and equipment | 19 | **6,836** | 5,762 |
| Other assets | 20 | **22,467** | 15,171 |
| Deferred tax assets | 21 | **2,209** | 2,826 |
| **Total assets** | | **884,736** | 651,601 |
| **LIABILITIES** | | | |
| Deposits from other banks | | **13,758** | 3,955 |
| Customers' accounts | 22 | **647,375** | 492,412 |
| Debt securities in issue | 23 | **–** | 10,038 |
| Other liabilities | 24 | **27,386** | 14,787 |
| Tax liabilities | | **1,152** | 579 |
| Deferred tax liabilities | 21 | **550** | 542 |
| **Total liabilities** | | **690,221** | 522,313 |
| **EQUITY** | | | |
| Paid-up share capital | 25 | **59,549** | 59,549 |
| Shareholder's advances | 26 | **91,618** | 50,869 |
| Retained earnings | 27 | **24,212** | 18,638 |
| Other reserves | 28 | **(372)** | (9,050) |
| **Equity attributable to shareholders of the Company** | | **175,007** | 120,006 |
| Minority interest | | **19,508** | 9,282 |
| **Total equity** | | **194,515** | 129,288 |
| **Total equity and liabilities** | | **884,736** | 651,601 |

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

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | **9,843** | 4,141 |
| Adjustment for: | | |
| Impairment charges for loans and advances to customers | **5,281** | 9,224 |
| Amortisation of prepaid lease rental | **45** | 42 |
| Amortisation of intangible assets | **373** | 305 |
| Depreciation of property and equipment | **2,009** | 1,612 |
| Fair value change in foreclosed properties | **759** | 1,522 |
| Gain on disposal of property and equipment | **(3)** | – |
| Share issue expenses | **156** | – |
| Share of results of associates | **(5,655)** | (8,169) |
| Gain on foreign exchange translation | **(1,531)** | (1,499) |
| **Operating profit before working capital changes** | **11,277** | 7,178 |
| Increase in operating assets | **(147,636)** | (80,154) |
| Increase in operating liabilities | **144,202** | 108,166 |
| **Cash generated from operations** | **7,843** | 35,190 |
| **Tax paid** | **(908)** | (978) |
| **Net cash from operating activities** | **6,935** | 34,212 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of a subsidiary, net of cash acquired (Note 30) | **49** | – |
| Acquisition of an associate (Note 16) | **–** | (8) |
| Purchase of property and equipment | **(2,688)** | (1,724) |
| Purchase of intangible assets | **(401)** | (335) |
| Proceeds from sale of property and equipment | **38** | 78 |
| Dividend received | **5,179** | – |
| Net increase in financial investments | **(36,841)** | (17,063) |
| **Net cash used in investing activities** | **(34,664)** | (19,052) |

# CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net increase in shareholder's advances | **36,699** | 277 |
| Repayment of borrowings | **(124)** | – |
| Payment of share issue expenses | **(233)** | – |
| Dividend paid to minority interest | **–** | (341) |
| Proceeds from issuance of shares to minority interest | **8,080** | – |
| Redemption of debt securities in issue | **(10,960)** | (20,590) |
| **Net cash from/ (used in) financing activities** | **33,462** | (20,654) |
| **Net increase/(decrease) in cash and cash equivalents** | **5,733** | (5,494) |
| Cash and cash equivalents at the beginning of the year | **97,668** | 118,359 |
| Effect of exchange rate changes on cash and cash equivalents | **5,550** | (15,197) |
| **Cash and cash equivalents at the end of the year (Note 29)** | **108,951** | 97,668 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

| | ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | SHARE CAPITAL USD'000 | SHAREHOLDER'S ADVANCES USD'000 | OTHER RESERVES USD'000 | RETAINED EARNINGS USD'000 | MINORITY INTEREST USD'000 | TOTAL USD'000 |
| **At 1 January 2005** | 59,549 | 59,765 | (8,481) | 11,487 | 13,113 | 135,433 |
| Increase in advances during the year | – | 277 | – | – | – | 277 |
| Currency translation differences arising from translation to presentation currency | – | (9,173) | 1,803 | – | (748) | (8,118) |
| Loss in fair value on available-for-sale securities | – | – | (490) | – | (350) | (840) |
| Share of post-acquisition reserves of associates | – | – | (1,882) | – | – | (1,882) |
| Net income and expenses recognised directly in equity | – | (9,173) | (569) | – | (1,098) | (10,840) |
| Profit for the year | – | – | – | 7,151 | (2,392) | 4,759 |
| Total recognised income and expense for the year | – | (9,173) | (569) | 7,151 | (3,490) | (6,081) |
| Dividend paid to minority interest | – | – | – | – | (341) | (341) |
| **At 31 December 2005** | 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 |
| Gains 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 |
| **At 31 December 2006** | **59,549** | **91,618** | **(372)** | **24,212** | **19,508** | **194,515** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2006

## 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 Schulhausstrasse1, 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 30.

These consolidated financial statements have been approved for issue by the Board of Directors on 5th April 2007.

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

| | |
|---|---|
| IFRS 7 | Financial Instruments: Disclosures |
| IFRS 8 | Operating Segments |

### 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 (cont'd)

#### 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 are accounted for by the equity method of accounting and is initially recognised at cost.

The Group's investment in associate includes goodwill (net of any accumulated impairment loss) identifiable on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized 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 recognize 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.

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 SH.A. | Albanian Lek (ALL) |
| International Commercial Bank S.A. | Guinea Francs (GNF) |
| PT Bank Bumiputera Indonesia Tbk | Indonesia Rupiah (IDR) |

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

**i. Functional and Presentation Currency (cont'd)**

**Subsidiaries**

| | |
|---|---|
| International Commercial Bank Limited | Ghana Cedis (GHC) |
| 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 2006, the Bank of Mozambique introduced a new currency of Metical (MZN) replacing the former currency of Metical (MZM)

**ii. 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.

**iii. 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### d. Foreign Currency Translation (cont'd)

#### iii. Group Companies (cont'd)

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 | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| 1 CHF | **0.8009** | 0.8200 | **0.8205** | 0.7600 |
| 1 SGD | **0.6292** | 0.6001 | **0.6516** | 0.6003 |
| 1 MYR | **0.2734** | 0.2600 | **0.2829** | 0.2600 |
| 1 GMD | **0.0357** | 0.0357 | **0.0357** | 0.0357 |
| 1 MZN* | **0.0381** | – | **0.0385** | – |
| 1000 MZM* | **–** | 0.0414 | **–** | 0.0414 |
| 1000 SLL | **0.3448** | 0.3448 | **0.3448** | 0.3448 |
| 1000 ALL | **10.2432** | 10.0130 | **10.6225** | 9.6540 |
| 1000 GNF | **0.1770** | 0.2737 | **0.1770** | 0.2222 |
| 1000 IDR | **0.1095** | 0.1024 | **0.1111** | 0.1017 |
| 1000 GHC | **0.1093** | 0.1098 | **0.1086** | 0.1094 |
| 1000 DJF | **5.6268** | – | **5.6268** | – |
| 1000 HUF | **4.7342** | 4.9749 | **5.2427** | 4.6821 |
| 1000 XOF | **1.9099** | 1.9000 | **2.0080** | 1.8057 |
| 1000 TZS | **0.7774** | 0.8832 | **0.7669** | 0.8580 |

* On 1 July 2006, the Bank of Mozambique introduced a new currency of Metical (MZN) replacing the former currency of Metical (MZM)

### 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.

**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. Were the Group to sell 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**g. Financial Assets (cont'd)**

**iv. Available-for-sale investments (cont'd)**

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.

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 changed 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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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.

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.

#### ii. Assets carried at fair value

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 occuring 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 realized value of Letter of Credits 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 the 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 operatng 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.

**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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 folows:

| | |
|---|---|
| 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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

### 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.

### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**s. Share Capital**

**i. 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.

**ii. 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 details are 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 35 'Defined Benefit Plan'.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONT'D)

### 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 the probability of tax losses being available for offset at a later date.

## 4. NET INTEREST INCOME

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **INTEREST INCOME** | | |
| Loans and advances to customers | **67,638** | 40,791 |
| Investment securities | **13,040** | 12,779 |
| Cash and short term funds | **2,919** | 1,323 |
| Others | **2** | 275 |
| | **83,599** | 55,168 |
| **INTEREST EXPENSE** | | |
| Banks and customers deposits | **45,912** | 26,839 |
| Debt securities in issue | **845** | 2,464 |
| Others | **3,355** | 2,015 |
| | **50,112** | 31,318 |
| **NET INTEREST INCOME** | **33,487** | 23,850 |

## 5. NET FEE AND COMMISSION INCOME

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **FEE AND COMMISSION INCOME** | | |
| Account maintenance and other management fees | **2,751** | 3,196 |
| Credit related fees and commissions | **4,846** | 2,954 |
| Others | **380** | 398 |
| | **7,977** | 6,548 |

## 5. NET FEE AND COMMISSION INCOME (CONT'D)

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **FEE AND COMMISSION EXPENSE** | | |
| Treasury operation and inter-bank transactions | **28** | 344 |
| Others | **63** | 39 |
| | **91** | 383 |
| **NET FEE AND COMMISSION INCOME** | **7,886** | 6,165 |

## 6. FOREIGN CURRENCY GAINS

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

## 7. OPERATING EXPENSES

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Auditors' remuneration | **259** | 156 |
| Amortisation of intangible assets (Note 17) | **373** | 305 |
| Depreciation (Note 19) | **2,009** | 1,612 |
| Employee compensation and benefits (Note 8) | **12,412** | 8,723 |
| Amortisation of prepaid lease rental (Note 18) | **45** | 42 |
| Loss on disposal of foreclosed properties | **295** | – |
| Data communication, rental and related maintenance expense | **7,012** | 4,676 |
| Other general and administrative expenses | **12,653** | 11,063 |
| | **35,058** | 26,577 |

## 8. EMPLOYEE COMPENSATION AND BENEFITS

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Salaries and wages | **8,321** | 5,946 |
| Bonus | **890** | 493 |
| Social security costs | **83** | 91 |
| Pension costs | | |
| - Defined contribution plan | **203** | 137 |
| - Defined benefit plan (Note 35) | **377** | 236 |
| Other staff related expenses | **2,538** | 1,820 |
| | **12,412** | 8,723 |

## 9. TAX EXPENSES

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Current year's provision | **(1,209)** | (855) |
| Transfer (from)/to deferred taxation (Note 21) | **(410)** | 1,506 |
| Over/(under) provision of taxation in prior year | **12** | (33) |
| | **(1,607)** | 618 |

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:

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Profit before taxation | **9,843** | 4,141 |
| Tax calculated at a rate of 16% (2005 : 16%) | **1,575** | 662 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **821** | (670) |
| Impact of profits in associates | **(905)** | (1,307) |
| Expenses not deductible for tax purposes | **128** | 664 |
| (Under)/over provision of income tax expense in prior years | **(12)** | 33 |
| Tax expense for the year | **1,607** | (618) |

## 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 during the year. There are no options or other instruments in issue that would dilute earnings per share.

| | 2006 | 2005 |
|---|---|---|
| Profit attributable to shareholders of the Company (USD'000) | **7,989** | 7,151 |
| Weighted average number of shares in issue | **75,000** | 75,000 |
| Basic and diluted earnings per share (expressed in USD per share) | **107** | 95 |

## 11. CASH AND BANK BALANCES

| | 2006<br>USD'000 | 2005<br>USD'000 |
|---|---|---|
| Cash in hand | **11,559** | 8,553 |
| Placements with other banks | **32,743** | 31,004 |
| Deposits with central banks other than mandatory reserves | **63,076** | 57,755 |
| Included in cash and cash equivalents (Note 29) | **107,378** | 97,312 |
| Mandatory reserve deposits with central banks | **48,071** | 34,218 |
| | **155,449** | 131,530 |

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

| | 2006<br>USD'000 | 2005<br>USD'000 |
|---|---|---|
| Gross loans and advances | **499,462** | 358,473 |
| Less: Allowance for losses on loans and advances | **(8,746)** | (12,458) |
| | **490,716** | 346,015 |

## 13. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

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

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Current | **444,532** | 305,027 |
| Special mention | **24,517** | 22,134 |
| Substandard | **3,681** | 6,189 |
| Doubtful | **5,638** | 3,505 |
| Loss | **21,094** | 21,618 |
| | **499,462** | 358,473 |
| Less: Allowance for losses on loans and advances | **(8,746)** | (12,458) |
| | **490,716** | 346,015 |

Movement in allowance for losses on loans and advances:

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| At 1 January | **12,458** | 4,894 |
| Impairment charges during the year (included in the income statement) | **5,281** | 9,224 |
| Loans written off during the year | **(9,618)** | (1,106) |
| Recoveries of loans written off | **–** | 32 |
| Currency translation differences | **625** | (586) |
| At 31 December | **8,746** | 12,458 |

## 14. FINANCIAL INVESTMENTS

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **SECURITIES HELD-TO-MATURITY** | | |
| Securities - at amortised costs: | | |
| - Unlisted | | |
| Treasury bills | **36,578** | 23,782 |
| Government debt securities | **55,020** | 35,085 |
| Private debt securities | **1,166** | 1,110 |
| | **92,764** | 59,977 |
| Less : Unamortised discount | **(130)** | (130) |
| | **92,634** | 59,847 |

## 14. FINANCIAL INVESTMENTS (CONT'D)

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **SECURITIES AVAILABLE-FOR-SALE** | | |
| Securities - at fair value: | | |
| - Listed | | |
| Equity | **14,072** | – |
| - Unlisted | | |
| Government debt securities | **–** | 10,414 |
| Private debt securities | **2,777** | 1,096 |
| | **16,849** | 11,510 |
| Less : Unrealised gain/(loss) on changes in fair value | **22** | (1,313) |
| | **16,871** | 10,197 |
| **TOTAL** | **109,505** | 70,044 |

## 15. FORECLOSED PROPERTIES

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

## 16. INVESTMENT IN ASSOCIATES

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| At 1 January | **68,123** | 65,700 |
| Dividend received and receivable | **(2,817)** | (2,227) |
| Acquisition of an associate | **–** | 8 |
| Transfer of an associate to subsidiary on acquisition of additional shares | **(10)** | – |
| Share of profits | **5,655** | 8,169 |
| Share of other reserves | **915** | (1,882) |
| Currency translation differences | **6,413** | (1,645) |
| At 31 December | **78,279** | 68,123 |

Investment in associates at 31 December 2006 includes goodwill of USD13,000 (2005 : USD37,000)

## 16. INVESTMENT IN ASSOCIATES (CONT'D)

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 follow:

| NAME | COUNTRY OF INCORPORATION | % EFFECTIVE INTEREST HELD | ASSETS USD'000 | LIABILITIES USD'000 | REVENUE USD'000 | PROFIT/(LOSS) USD'000 |
|---|---|---|---|---|---|---|
| **2006** | | | | | | |
| 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 | 20.00 | 1,694 | 1,086 | 26 | (185) |
| | | | 1,200,203 | 1,121,937 | 78,915 | 5,655 |
| **2005** | | | | | | |
| International Commercial Bank (Tanzania) Limited | TANZANIA | 20.00 | 3,693 | 3,231 | 345 | 37 |
| IC Bank ZRt. | HUNGARY | 20.96 | 19,946 | 17,676 | 1,603 | 197 |
| Sorak Financial Holdings Pte. Ltd. | SINGAPORE | 20.00 | 1,001,859 | 937,211 | 68,439 | 7,933 |
| ICB Global Management Sdn. Bhd. | MALAYSIA | 30.00 | 30 | 46 | 88 | 2 |
| International Commercial Bank Senegal S.A. | SENEGAL | 20.00 | 722 | – | – | – |
| | | | 1,026,250 | 958,164 | 70,475 | 8,169 |

## 17. GOODWILL AND OTHER INTANGIBLE ASSETS

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| a. Goodwill arising on business combination | | |
| **COST** | | |
| At 1 January | **4,011** | 4,529 |
| Acquisition of subsidiaries (Note 30) | **46** | – |
| Subscription of additional shares in subsidiaries | **91** | – |
| Transfer from associates on acquisition of additional shares | **26** | – |
| Currency translation differences | **236** | (518) |
| At 31 December | **4,410** | 4,011 |
| Net Book Value | **4,410** | 4,011 |

## 17. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| b. Purchased software | | |
| **COST** | | |
| At 1 January | **1,727** | 1,602 |
| Additions | **401** | 335 |
| Written off | **–** | (34) |
| Currency translation differences | **60** | (176) |
| At 31 December | **2,188** | 1,727 |
| **ACCUMULATED AMORTISATION** | | |
| At 1 January | **808** | 604 |
| Written off | **–** | (34) |
| Amortisation charge for the year (Note 7) | **373** | 305 |
| Currency translation differences | **38** | (67) |
| At 31 December | **1,219** | 808 |
| **NET BOOK VALUE** | **969** | 919 |
| **TOTAL** | **5,379** | 4,930 |

### 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 2006 as their recoverable values were in excess of their carrying values.

## 18. PREPAID LEASE PAYMENTS

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **COST** | | |
| At 1 January | **275** | 291 |
| Currency translation differences | **23** | (16) |
| At 31 December | **298** | 275 |
| **ACCUMULATED AMORTISATION** | | |
| At 1 January | **50** | 9 |
| Amortisation for the year (Note 7) | **45** | 42 |
| Currency translation differences | **4** | (1) |
| At 31 December | **99** | 50 |
| **NET CARRYING VALUE** | **199** | 225 |

## 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 |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| 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** |
| **ACCUMULATED DEPRECIATION** | | | | | | | |
| 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 | 779 | – | 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** |

## 19. PROPERTY AND EQUIPMENT (CONT'D)

| | 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 |
|---|---|---|---|---|---|---|---|
| **NET BOOK VALUE** | | | | | | | |
| 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 |
| **DEPRECIATION CHARGE FOR 2005** | 9 | 175 | 543 | 193 | 692 | – | 1,612 |

## 20. OTHER ASSETS

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Acceptance receivables | **2,529** | 1,543 |
| Accrued interest receivables | **6,237** | 5,037 |
| Dividend receivable | **–** | 2,234 |
| Prepayments | **257** | 330 |
| Items in the course of collection (Note 29) | **1,573** | 356 |
| Others | **11,871** | 5,671 |
| | **22,467** | 15,171 |

## 21. DEFERRED TAXATION

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| At 1 January | **2,284** | 424 |
| Transfer (to)/from tax charge for the year (Note 9) | **(410)** | 1,506 |
| Transfer (to)/from equity for the year | **(437)** | 396 |
| Currency translation differences | **222** | (42) |
| At 31 December | **1,659** | 2,284 |
| Deferred tax assets | **2,209** | 2,826 |
| Deferred tax liabilities | **(550)** | (542) |
| | **1,659** | 2,284 |

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

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **Deferred tax assets** | | |
| Allowance for losses on loans and advances | **465** | 465 |
| Decelerated tax depreciation | **433** | 278 |
| Tax losses carried forward | **925** | 1,422 |
| Defined benefit plan obligation | **304** | 186 |
| Unrealised (gain)/loss on fair value of financial investments | **82** | 475 |
| | **2,209** | 2,826 |
| **Deferred tax liabilities** | | |
| Accelerated tax depreciation | **542** | 538 |
| Other temporary differences | **8** | 4 |
| | **550** | 542 |

## 22. CUSTOMERS' ACCOUNTS

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Current accounts | **111,908** | 85,628 |
| Savings accounts | **71,920** | 54,943 |
| Time deposits | **458,975** | 349,778 |
| Others | **4,572** | 2,063 |
| | **647,375** | 492,412 |

## 23. DEBT SECURITIES IN ISSUE

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| At 1 January | **10,038** | 31,883 |
| Redemption during the year | **(10,960)** | (20,590) |
| Currency translation differences | **922** | (1,223) |
| | **–** | 10,070 |
| Unamortized discount | **–** | (32) |
| At 31 December | **–** | 10,038 |

On 29 April 2003, Bank Bumiputera, a subsidiary, issued bonds amounting to IDR300 billion (equivalent to approximately USD32 million) with PT Bank Permata Tbk as trustee.

The bonds have a term of 3 years, matured on 25 April 2006, and bears a fixed interest rate of 13.5% per annum which is payable quarterly.

The bonds were guaranteed by receivables from consumer and retail loans, which are classified as current under the Bank Indonesia regulation, at a minimum of 125% of the outstanding principal.

The bank settled the remaining bonds when they matured on 25 April 2006.

## 24. OTHER LIABLITIES

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Acceptance payables | **2,618** | 1,568 |
| Accrued interest payables | **3,471** | 2,439 |
| Accruals | **1,648** | 789 |
| Items in the course of transmission | **1,242** | 591 |
| Guarantee deposits | **498** | 1,898 |
| Defined benefit plan (Note 35) | **1,014** | 620 |
| Others | **16,895** | 6,882 |
| | **27,386** | 14,787 |

## 25. PAID-UP SHARE CAPITAL

| | NO. OF SHARES OF CHF 1,000 EACH 2006 | 2005 | 2006 USD'000 | 2005 USD'000 |
|---|---|---|---|---|
| At 1 January/31 December | **75,000** | 75,000 | **59,549** | 59,549 |

The holders of shares are entitled to one vote per share at meetings of the Company.

## 26. SHAREHOLDER'S ADVANCES

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Subordinated loan | **49,114** | 45,491 |
| Shareholder's loan | **42,504** | 5,378 |
| | **91,618** | 50,869 |

The shareholder's advances are unsecured, interest free and have no fixed terms of repayment.

## 27. RETAINED EARNINGS

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Movements in retained earnings were as follows: | | |
| At 1 January | **18,638** | 11,487 |
| Profit attributable to the shareholders of the Company | **7,989** | 7,151 |
| Capitalisation of retained earnings of subsidiaries | **(2,415)** | – |
| At 31 December | **24,212** | 18,638 |

## 28. OTHER RESERVES

| | CAPITAL RESERVES USD'000 | TRANSLATION RESERVES USD'000 | FAIR VALUE RESERVES USD'000 | SHARE OPTION RESERVES USD'000 | TOTAL USD'000 |
|---|---|---|---|---|---|
| **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** |
| Gains 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 | **2,170** | **(3,914)** | **579** | **793** | **(372)** |
| **2005** | | | | | |
| At 1 January | (56) | (8,425) | – | – | (8,481) |
| Share of post-acquisition reserves of associates | (239) | (1,558) | (827) | 742 | (1,882) |
| Loss in fair value of available-for-sale securities | – | – | (490) | – | (490) |
| Currency translation differences arising from translation to presentation currency | – | 1,803 | – | – | 1,803 |
| At 31 December | (295) | (8,180) | (1,317) | 742 | (9,050) |

## 29. CASH AND CASH EQUIVALENTS

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

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Cash and bank balances (Note 11) | **107,378** | 97,312 |
| Items in the course of collection (Note 20) | **1,573** | 356 |
| | **108,951** | 97,668 |

## 30. SUBSIDIARIES

Details of subsidiaries are as follows:

| NAME OF SUBSIDIARIES | COUNTRY OF INCORPORATION | % EFFECTIVE INTEREST HELD 2006 | 2005 | PRINCIPAL ACTIVITIES |
|---|---|---|---|---|
| International Commercial Bank (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 Bumiputera Indonesia Tbk | INDONESIA | 67.07 | 58.32 | COMMERCIAL BANK |
| International Commercial Bank (Djibouti) S.A. | DJIBOUTI | 99.90 | – | COMMERCIAL BANK |
| ICB Global Management Sdn. Bhd. | MALAYSIA | 89.00 | – | PROVIDING TECHNICAL AND MANAGEMENT SERVICES |

* All subsidiaries are audited by firms of auditors other than SQ Morison.

a. In January 2006, the Company subscribed for a rights entitlement and excess shares in PT Bank Bumiputera Indonesia Tbk ("Bank Bumiputera") which resulted in the Company's equity interest in Bank Bumiputera increased from 58.32% to 67.07%. The goodwill recognised on the subscription amounted to USD89,000.

b. On 18 January 2006, an associate, ICB Global Management Sdn. Bhd. ("ICB Global") became a subsidiary when the Company subscribed for additional shares in ICB Global. The profit after taxation of ICB Global included in the Group's financial statements during the year amounted to USD66,000. There was no material financial impact if the acquisition had occurred on 1 January 2006.

## 30. SUBSIDIARIES (CONT'D)

Details of the fair value of the assets and liabilities acquired are as follows:

| | 2006 USD'000 |
|---|---|
| Property and equipment | 44 |
| Cash and bank balances | 157 |
| Receivable | 41 |
| Payables | (158) |
| Fair value of net assets | 84 |
| Less: Minority interest | (12) |
| Group's share of net assets | 72 |
| Goodwill on acquisition (Note 17) | 46 |
| Total cost of acquisition | 118 |
| Cost of investment acquired previously (Note 16) | (10) |
| Purchase consideration, settled in cash | 108 |
| Cash and cash equivalents in a subsidiary acquired | (157) |
| Cash inflow on acquisition | (49) |

The goodwill is attributable to the synergies expected to arise from the acquired business. The fair value of the assets and liabilities recognised on acquisition are based on management's estimates.

c. Subscription of additional shares in ICB Global

On 30 November 2006, the Company further subscribed for another 140,000 ordinary shares of MYR1.00 each in ICB Global for MYR140,000. Consequently, the Company's equity interest in ICB Global was increased to 89%. The goodwill recognised on the subscription amounted to USD2,000.

## 31. 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 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.

| 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 | | | | 45,286 |
| Segment results | (385) | 3,656 | 917 | 4,188 |
| Share of results of associates | (143) | (151) | 5,949 | 5,655 |
| Profit before taxation | | | | 9,843 |
| Tax expense | | | | (1,607) |
| Profit for the year | | | | 8,236 |
| Segment assets | 60,261 | 139,842 | 606,354 | 806,457 |
| Associates | 2,444 | 1,062 | 74,773 | 78,279 |
| Total assets | | | | 884,736 |
| 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 (Note19) and Goodwill and Other Intangible Assets (Note 17) including additions resulting from acquisitions through business combinations.

## 31. SEGMENT INFORMATION (CONT'D)

| 2005 | EUROPE USD'000 | AFRICA USD'000 | ASIA USD'000 | GROUP USD'000 |
|---|---|---|---|---|
| Net interest income | 1,653 | 6,503 | 15,694 | 23,850 |
| Net fee and commission income | 324 | 1,590 | 4,251 | 6,165 |
| Foreign currency gains | 846 | 767 | 942 | 2,555 |
| Other operating income | – | 277 | 448 | 725 |
| Total operating income | | | | 33,295 |
| Segment results | 896 | 2,422 | (7,346) | (4,028) |
| Share of results of associates | 197 | 37 | 7,935 | 8,169 |
| Profit before taxation | | | | 4,141 |
| Tax expense | | | | 618 |
| Profit for the year | | | | 4,759 |
| Segment assets | 39,201 | 100,587 | 443,690 | 583,478 |
| Associates | 2,279 | 1,184 | 64,660 | 68,123 |
| Total assets | | | | 651,601 |
| Segment liabilities | 21,732 | 82,260 | 418,321 | 522,313 |
| Other segment items | | | | |
| Capital expenditure | 835 | 370 | 854 | 2,059 |
| Depreciation and amortisation | 130 | 502 | 1,327 | 1,959 |
| Loan impairment charges | 515 | 927 | 7,782 | 9,224 |

Capital expenditure comprises additions to Property and Equipment (Note19) and Goodwill and Other Intangible Assets (Note 17).

## 32. 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 99.998% of equity interest in ICBFGH as of 31 December 2006. The remaining 0.002% interest was held by 2 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 2006, 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. Detailed 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.

## 32. RELATED PARTY TRANSACTIONS (CONT'D)

The following transactions were carried out with related parties:

a. Key management compensations

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Directors | | |
| – Fee | **12** | 26 |
| Directors of the subsidiaries | | |
| – Fee | **272** | 224 |
| – Salaries and other short term employee benefits | **583** | 339 |
| Key management personnel other than Directors | | |
| – Salaries and other short term employee benefits | **507** | 512 |
| | **1,374** | 1,101 |

b. Transactions with principal shareholder
Advances from the principal shareholder during the year are disclosed in Consolidated Statements of Changes in Equity.

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

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Support service fee received from ICB Senegal | **6** | – |

d. Transactions with other associates

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Support service fee paid to an associate | **–** | 150 |
| Support service fee received from associates | **–** | 60 |

e. During the year ended 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. The completion of the transfer is pending approval of Bank of Indonesia.

Other than as disclosed above, there are no other significant related party transactions entered into by the Group with any of its related parties.

## 32. 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 26.

b. Amount due from an associate in which the principal shareholder also has a majority shareholding, ICB Senegal.

| | 2006<br>USD'000 | 2005<br>USD'000 |
|---|---|---|
| Amount due from ICB Senegal | 5 | – |

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

c. Amounts due from other associates

| | 2006<br>USD'000 | 2005<br>USD'000 |
|---|---|---|
| Amounts due from other associates | 1 | – |

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

## 33. SIGNIFICANT EVENTS AND EVENTS SUBSEQUENT TO YEAR END

### SIGNIFICANT EVENTS

a. In January 2006, PT Bank Bumiputera Indonesia Tbk ("Bank Bumi"), a subsidiary, increased its issued and paid-up capital to IDR500,000,000,000 by a rights issue of 3,000,000,000 new shares with a par value of IDR100 per share together with 666,666,666 free Series 1 warrants. The Company subscribed for its rights entitlement and excess shares available totalling 2,187,146,500 at the issue price of IDR100 per share. Upon completion of the rights issue, the Company's equity interest in Bank Bumi increased from 58.32% to 67.07%.

b. On 18 January 2006, the Company subscribed for 400,000 ordinary shares of MYR1.00 each in ICB Global Management Sdn. Bhd. ("ICB Global") for a total consideration of MYR400,000. On 30 November 2006, the Company further subscribed for another 140,000 ordinary shares of MYR1.00 each in ICB Global for a total consideration of MYR140,000. Consequently, the Company's equity interest in ICB Global was increased to 89%.

c. On 22 March 2006, the Company incorporated International Commercial Bank (Djibouti) S.A.("ICB Djibouti") in Djibouti with an equity interest of 99.9% at USD1,700,000 in cash. ICB Djibouti commenced operations as a bank in September 2006.

d. On 19 May 2006, the Company acquired a 4.99% equity interest in Bank Thai Plc for a total cash consideration of USD14,050,593.

e. On 25 September 2006, the principal shareholder of the Company entered into an agreement with the Company 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. The completion of the transfer is pending approval of Bank of Indonesia.

f. On 18 October 2006, all the shareholders of IC Bank ZRt. ("ICB Hungary") including the Company entered into a sale and purchase agreement ("SPA") with an Italian banking group in Europe to dispose of its entire equity interest in ICB Hungary, for a total cash consideration of EUR28,050,000. The Company's share of the consideration is EUR5,879,969 and the Company is liable up to 30% of this amount for any breach of warranties given for a period of 12 months from the date of completion of the SPA. Completion of the SPA is pending approval of the relevant authorities. Upon completion of the SPA, the estimated profit from the disposal to the Group based on the financial results of ICB Hungary as of 31 December 2006 is approximately USD5 million.

### EVENTS SUBSEQUENT TO YEAR END

a. On 7 February 2007, the Company disposed of its entire equity interest 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.

b. 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.

## 34. CONTIGENT LIABILITIES AND COMMITMENTS

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

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

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| **COMMITMENT RECEIVABLE** | | |
| Unsettled spot foreign currencies purchased | – | 490 |
| Forward foreign currency purchased | – | 1,000 |
| Total Commitment Receivable | – | 1,490 |
| **COMMITMENT LIABILITIES** | | |
| Unused loan commitments granted to customers | **30,035** | 12,472 |
| Outstanding irrevocable foreign letters of credit (LC) | **4,842** | 6,499 |
| Outstanding irrevocable local letters of credit (LC) | – | 630 |
| Forward foreign currencies sold | – | 1,500 |
| Unsettled spot foreign currencies | **838** | 485 |
| Total Commitment Liabilities | **35,715** | 21,586 |
| **CONTINGENT LIABILITIES** | | |
| Guarantees, indemnities and bonds | **10,620** | 3,215 |
| Letters of credit | **1,431** | 602 |
| Total Contingent Liabilities | **12,051** | 3,817 |

## 35. DEFINED BENEFIT PLAN

Bank Bumiputera, a subsidiary, records its defined benefit plan based on the labour laws of the country. No funding of benefits has been made to date. The number of employees entitled to the benefits in 2006 is 964 (2005:890).

The amounts recognised in income statement is as follows:

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Current service cost | **212** | 167 |
| Interest cost | **87** | 61 |
| Past service cost | **78** | 8 |
| Total | **377** | 236 |

The amounts included in the balance sheet arising from the Group's obligations in respect of these post employment benefits are as follows:

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| Present value of obligations | **935** | 676 |
| Unrecognised actuarial cost | **(43)** | (56) |
| Present value of other liabilities | **122** | – |
| Total | **1,014** | 620 |

Movement in the net liabilities recognised in the balance sheet is as follows:

| | 2006 USD'000 | 2005 USD'000 |
|---|---|---|
| At 1 January | **620** | 479 |
| Charges for the year (Note 8) | **377** | 236 |
| Benefit payments | **(46)** | (115) |
| Currency translation differences | **63** | 20 |
| At 31 December (Note 24) | **1,014** | 620 |

The cost of providing defined benefits is calculated by independent actuaries. The actuarial valuation was carried out using the following key assumptions according to Indonesia's Commissioner's Standard Ordinary table (CSO80):

| | 2006 | 2005 |
|---|---|---|
| Discount rate | **11%** | 13% |
| Future salary increment rate | **6%** | 10% |

## 36. 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 consumers 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 amounts in full when due. 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 one borrower or groups 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 policies including approving credit proposals.

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.

## 36. FINANCIAL RISK MANAGEMENT (CONT'D)

### c. Market risk

The Group takes on exposure to market risk. Market risks arise from open positions in interest rates, 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 risks on interest rates and foreign exchanges.

### 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 Committees will monitor exchange rate risks based on the regulations of the central banks 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 |
|---|---|---|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **AT 31 DECEMBER 2006** | | | | | | | | |
| **ASSETS** | | | | | | | | |
| Cash and bank balances | 50,582 | 54,040 | 8,502 | 2,606 | 1,747 | 19,409 | 18,563 | 155,449 |
| Trading securities | – | 19 | – | – | – | – | – | 19 |
| Loans and advances to customers | 25,173 | 431,908 | 15,607 | 2,183 | 4,996 | 3,806 | 7,043 | 490,716 |
| Financial investments | 30,507 | 25,394 | 36,678 | 8,525 | 4,156 | 1,770 | 2,475 | 109,505 |
| Other assets | 2,504 | 5,491 | 1,385 | – | 351 | 308 | 300 | 10,339 |
| **Total financial assets** | 108,766 | 516,852 | 62,172 | 13,314 | 11,250 | 25,293 | 28,381 | 766,028 |
| **LIABILITIES** | | | | | | | | |
| Deposits from other banks | 500 | 12,863 | – | – | – | – | 395 | 13,758 |
| Customers' accounts | 76,184 | 463,893 | 48,936 | 13,924 | 7,279 | 20,274 | 16,885 | 647,375 |
| Other liabilities | 546 | 4,846 | 9,075 | – | 1,212 | 296 | (26) | 15,949 |
| **Total financial liabilities** | 77,230 | 481,602 | 58,011 | 13,924 | 8,491 | 20,570 | 17,254 | 677,082 |
| **Net balance sheet position** | 31,536 | 35,250 | 4,161 | (610) | 2,759 | 4,723 | 11,127 | 88,946 |

## 36. 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 |
|---|---|---|---|---|---|---|---|---|
| **AT 31 DECEMBER 2005** | | | | | | | | |
| Total financial assets | 102,867 | 354,647 | 41,733 | 9,367 | 8,337 | 19,653 | 17,934 | 554,538 |
| Total financial liabilities | 85,854 | 348,636 | 35,255 | 9,626 | 5,895 | 12,586 | 13,483 | 511,335 |
| **Net balance sheet position** | 17,013 | 6,011 | 6,478 | (259) | 2,442 | 7,067 | 4,451 | 43,203 |

### e. Cash flow and fair value interest rate risk

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

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| | 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 |
|---|---|---|---|---|---|---|---|
| **AT 31 DECEMBER 2006** | | | | | | | |
| **ASSETS** | | | | | | | |
| Cash and bank balances | 107,798 | 2,297 | 6,593 | 2,000 | – | 36,761 | 155,449 |
| Trading securities | 19 | – | – | – | – | – | 19 |
| Loans and advances to customers | 21,146 | 18,443 | 108,781 | 261,922 | 80,424 | – | 490,716 |
| Financial investments | 28,706 | 5,886 | 19,555 | 41,105 | – | 14,253 | 109,505 |
| Other assets | 6,265 | 1,730 | 66 | – | – | 2,278 | 10,339 |
| **Total financial assets** | 163,934 | 28,356 | 134,995 | 305,027 | 80,424 | 53,292 | 766,028 |

## 36. 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 |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | |
| Deposits from other banks | **12,319** | **1,439** | **–** | **–** | **–** | **–** | **13,758** |
| Customers' accounts | **391,286** | **138,175** | **85,900** | **7,294** | **–** | **24,720** | **647,375** |
| Other liabilities | **11,172** | **2,486** | **43** | **–** | **–** | **2,248** | **15,949** |
| **Total financial liabilities** | **414,777** | **142,100** | **85,943** | **7,294** | **–** | **26,968** | **677,082** |
| **Total interest repricing gap** | **(250,843)** | **(113,744)** | **49,052** | **297,733** | **80,424** | **26,324** | **88,946** |
| **AT 31 DECEMBER 2005** | | | | | | | |
| Total financial assets | 174,512 | 20,527 | 241,899 | 67,359 | 29,738 | 20,503 | 554,538 |
| Total financial liabilities | 390,525 | 38,007 | 62,550 | 357 | 3,131 | 16,765 | 511,335 |
| **Total interest repricing gap** | (216,013) | (17,480) | 179,349 | 67,002 | 26,607 | 3,738 | 43,203 |

### 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 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 flows 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 concerntration and profile of debt maturities.

## 36. FINANCIAL RISK MANAGEMENT (CONT'D)

### f. Liquidity risk (cont'd)

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.

| | 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 |
|---|---|---|---|---|---|---|
| **AT 31 DECEMBER 2006** | | | | | | |
| **ASSETS** | | | | | | |
| Cash and bank balances | 134,282 | 11,365 | 7,802 | 2,000 | – | 155,449 |
| Trading securities | 19 | – | – | – | – | 19 |
| Loans and advances to customers | 19,955 | 19,382 | 112,022 | 262,010 | 77,347 | 490,716 |
| Financial investments | 28,694 | 19,957 | 19,251 | 41,603 | – | 109,505 |
| Other assets | 8,190 | 1,952 | 197 | – | – | 10,339 |
| **Total financial assets** | 191,140 | 52,656 | 139,272 | 305,613 | 77,347 | 766,028 |
| **LIABILITIES** | | | | | | |
| Deposits from other banks | 12,319 | 1,439 | – | – | – | 13,758 |
| Customers' accounts | 396,308 | 156,878 | 86,894 | 7,295 | – | 647,375 |
| Other liabilities | 13,310 | 2,516 | 123 | – | – | 15,949 |
| **Total financial liabilities** | 421,937 | 160,833 | 87,017 | 7,295 | – | 677,082 |
| **Net liquidity gap** | (230,797) | (108,177) | 52,255 | 298,318 | 77,347 | 88,946 |
| **AT 31 DECEMBER 2005** | | | | | | |
| Total financial assets | 188,348 | 30,896 | 220,448 | 83,579 | 31,267 | 554,538 |
| Total financial liabilities | 397,864 | 40,456 | 59,049 | 357 | 13,609 | 511,335 |
| **Net liquidity gap** | (209,516) | (9,560) | 161,399 | 83,222 | 17,658 | 43,203 |

## 36. 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 flows 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 flows using interest rates for new debts with similar remaining maturities.

#### 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.