

ICB Financial Group Holdings AG

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ANNUAL REPORT 2008



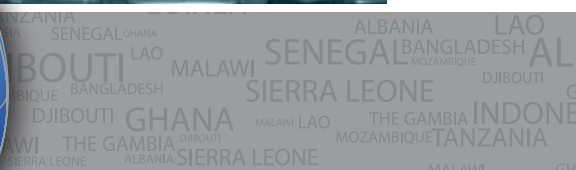
INDONESIA
SIERRA LEONE
GHANA
LAO
TANZANIA
MALAWI
MOZAMBIQUE
THE GAMBIA
SIERRA LEONE
INDONESIA
ALBANIA
BANGLADESH
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MOZAMBIQUE
TANZANIA



ICB FINANCIAL GROUP HOLDINGS AG

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Extend your reach

Vision

To be a globally-recognised international banking group with a primary focus on emerging economies.

Group's Global Presence



HOLDING COMPANY

- 1** ICB Financial Group Holdings A.G.
(Incorporated in Switzerland)

EUROPE

- 2** International Commercial Bank S.H.A.
(Incorporated in Albania)
100%

AFRICA

- 3** International Commercial Bank Ltd.
(Incorporated in Ghana)
100%

- 4** International Commercial Bank (Djibouti) S.A.
(Incorporated in Djibouti)
99.9%

- 5** International Commercial Bank (Sierra Leone) Ltd.
(Incorporated in Sierra Leone)
99.9%

- 6** International Commercial Bank (Gambia) Ltd.
(Incorporated in Gambia)
99.1%

- 7** International Commercial Bank (Mozambique) S.A.
(Incorporated in Mozambique)
99.9%

- 8** International Commercial Bank S.A.
(Incorporated in Guinea)
97%

- 9** International Commercial Bank Ltd.
(Incorporated in Malawi)
100%

- 10** International Commercial Bank (Tanzania) Ltd.
(Incorporated in Tanzania)
20%

- 11** International Commercial Bank Senegal S.A.
(Incorporated in Senegal)
20%

ASIA

- 12** ICB Global Management Sdn. Bhd.
(Incorporated in Malaysia)
100%

- 13** PT Bank Bumiputera Indonesia Tbk
(Incorporated in Indonesia)
67.1%

- 14** International Commercial Bank Lao Ltd.
(Incorporated in Lao)
100%

- 15** ICB Islamic Bank Ltd.
(Incorporated in Bangladesh)
50.1%



Corporate Information

DIRECTORS

MICHAEL ROBERT HANLON

*Chairman/Independent Director
(Member of Audit and
Risk Management Committee)*

KENNETH KWAMI KWAKU

*Independent Director
(Chairman of Remuneration
Committee)*

JOSEPHINE PREMLA SIVARETNAM

*Non-Independent Director
(Member of Nomination Committee
and Remuneration Committee)*

PAUL ROBERT PHILIPPS BRIDGES

*Independent Director
(Chairman of Audit and
Risk Management Committee)*

RENÉ FRITSCHI

*Independent Director
(Chairman of Nomination
Committee)*

LIM TEONG LIAT

*Independent Director
(Member of Audit and
Risk Management Committee)*

OFFICES

Registered Office (Switzerland)
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WEBSITE

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NOMINATED ADVISER

RFC Corporate Finance Limited
Level 14, 19-31 Pitt Street
Sydney NSW 2000
Australia

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250 St Georges Terrace
Perth WA 6000, Australia

BROKER

Keith, Bayley, Rogers & Co. Limited
2nd Floor Finsbury Tower
103-105 Bunhill Row
London EC1Y 8LZ

COMPANY AUDITOR

BDO Visura
Fabrikstrasse 50
8031 Zurich
Switzerland

SHARE REGISTRAR

In Switzerland (Shares)

ShareCommService AG
Europastrasse 29
CH-8152 Glattbrugg, Switzerland
Tel: +044 809 5858
Fax: +044 809 5859

In the UK

(CREST Depositary Interests)

Euroclear UK & Ireland Limited
33 Cannon Street
London EC4M 5SB, United Kingdom

LISTING

AIM Market, London Stock Exchange
Listed on 17th May 2007

STOCK CODE

ICB

Board of Directors



MICHAEL ROBERT HANLON

Chairman/Independent Director

Michael Hanlon was appointed as the Chairman of ICB Financial Group Holdings AG, the holding company of the ICB Banking Group since 7 March 2007. He is also a member of the Audit and Risk Management Committee. He has a total of 44 years commercial banking experience, most of which was 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 Polksa 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. He 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 PREMLA SIVARETNAM

Non-Independent Director

Josephine Sivaretnam was appointed as a Non-Independent Non-Executive Director of ICB Financial Group Holdings AG on 7 March 2007. She is also a member of both the Nomination and Remuneration Committees. Through Panhelligan Investments Limited, she is a substantial shareholder in the Company. A lawyer by profession, Josephine spent her early career in the Malaysian Judicial and Legal Services as a Deputy Public Prosecutor until 1992 after which she commenced private practice. Josephine was responsible for the early establishment of the ICB Banks in Europe, Africa and for acquisitions made by the Group. She is a Non-Executive Director of a Malaysian listed company, The Nomad Group Bhd. Josephine graduated with a LLB (Hons) from University of Malaya and a LLM from the London School of Economics and Political Science.



RENÉ FRITSCHI

Independent Director

René Fritschi was appointed as an Independent Non-Executive Director of ICB Financial Group Holdings AG since 20 July 2006. He is also the Chairman of the Nomination Committee. 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. René then joined Deutsche Bank in 1994. Since 1998 he has been Chairman of Medio Consult where his 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 travelled extensively.

Board of Directors



KENNETH KWAMI KWAKU

Independent Director

Ken Kwaku was appointed as an Independent Non-Executive Director of ICB Financial Group Holdings AG since 7 March 2007. He is also the Chairman of the Remuneration Committee. Ken, who hails from Ghana, speaks English, French, Portuguese and Swahili; holds a PhD from University of Toronto and a First Class in Economics and Political Science from McGill University. 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.



PAUL ROBERT PHILIPPS BRIDGES

Independent Director

Paul Bridges was appointed as an Independent Non-Executive Director of ICB Financial Group Holdings AG since 7 March 2007. He is also the Chairman of the Audit and Risk Management Committee. He is an experienced banker and was with Standard Chartered Bank 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 programme. Since retiring from Standard Chartered, 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 for several 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 programmes 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.



LIM TEONG LIAT

Independent Director

Lim Teong Liat was appointed as an Independent Non-Executive Director of ICB Financial Group Holdings AG since 18 December 2007. He is also a member of the Audit and Risk Management Committee. He is a Fellow member of The Institute Of Chartered Accountants in England and Wales. Mr Lim started his banking career in 1986 as a Management Accountant at Standard Chartered Bank, Malaysia, working his way up to senior management roles in Internal Control and Audit. He later worked from 1994 to 2001 for the Hong Leong Banking Group, a Malaysian bank as General Manager Operations and subsequently General Manager Consumer Division. He was then appointed as Independent Director of Alliance Bank Berhad, Malaysia from 2004 to 2006 where he also served as a member of the Risk Management and Audit Committee. Mr Lim is also presently a member of the Board of Commissioners of PT Bank Bumiputera, Indonesia.



Dear Shareholders,

2008 has been a year which has seen unprecedented turmoil in world financial markets. The reach of the global economic decline has been such that trading across the Group has not escaped impact, although I am pleased to say that the influence of this has been limited as a consequence of the geographic spread of business and the fact that operations are centred exclusively on the provision of retail banking services.

Profit after tax amounted to US\$13m, marginally down from the 2007 result of US\$14.8m. Trading in all the countries has been challenging, but most of the operations in Africa did well, the region delivering a contribution of US\$6.3m, compared to US\$4.1m in 2007. Elsewhere, Europe and Asia, results were well down on the achievements of 2007. Performances by the Asian region were seriously affected by poor results from ICB Islamic Bank, Bangladesh (formerly the Oriental Bank in which the Group acquired a 50.1% interest in March 2008) and Bank Bumiputera in Indonesia. Difficult trading conditions in Indonesia resulted in lower loan growth in Bank Bumiputera leading to a much reduced contribution for the year. Within ICB Islamic Bank Bangladesh, it was necessary to make additional provisions of US\$17m for loan loss impairment and contingent liabilities. Overall the performance for Asia was that of a negative result of US\$16.4m. The European region, which is represented by Albania, also delivered a negative result of US\$2.1m. This was primarily due to accounting adjustments required to achieve conformity with IFRS reporting requirements.

Group net interest income amounted to US\$48.8m (US\$48.5m in 2007). With the notable exception of Indonesia most countries within the Group reported

increased income in comparison to 2007. In addition, recent investments, Bangladesh, Malawi and Laos provided added contributions.

In contrast, Group expenses increased by 41%, rising to US\$63.7m (US\$45.0 in 2007). Much of this increase reflects the cost of consolidating the Bangladesh operation within the Group, which in turn has been primarily responsible for the deterioration in the cost/income ratio for the Group to 84% (65% in 2007).

Impairment charges for loans amounted to US\$14.4m (US\$13.0m in 2007). In 2007 the figures were adversely affected by a high level of provisions arising within Bank Bumiputera, Indonesia. I am pleased to report that the position here has much improved during the past year with the charge being reduced from US\$12.2m in 2007 to US\$3.4m for 2008. However, this improvement was off-set by a new charge arising within ICB Islamic Bank, Bangladesh at US\$10.1m.

As anticipated, the downturn in the world economies has resulted in loan growth slowing in all the regions. I have mentioned above the difficulties that were experienced in the Indonesian market which resulted in a reduction of some US\$39.4m in loans. Taking into consideration the contribution of US\$86.5m from recent investments in Bangladesh, Laos and Malawi, the year end total for the Group is US\$588.0m as at December 2008 compared to US\$540.6m at the end of 2007.

“Most of the operations in Africa did well, the region delivering a contribution of US\$6.3m, compared to US\$4.1m in 2007.”

Chairman's Statement

Another feature of the economic uncertainty has been seen within deposit growth with a more cautious market approach being adopted by consumers. The Group results reflect an overall increase in deposits of 4.1%, although here again the recent investments, Bangladesh, Laos and Malawi have added US\$152.9m new deposits for the year.

In June 2008, I reported to shareholders the successful sale of the Group's investment in an associate, Sorak Financial Holdings Pte, which was completed in March. This resulted in an extraordinary gain of US\$77.5m, although the benefit of this has been reduced through a charge of US\$50m reflecting an impairment of 'goodwill' arising on the acquisition of the 50.1% stake in ICB Islamic Bank. After consideration the Group Board concluded that the level of goodwill at US\$100.6m was unlikely to be adequately supported by future expected cash flows and in recognition of this it was considered prudent to make an impairment charge of US\$50m.

The Group continues to develop and expand its delivery channel capability to meet customer needs. The branch network remains the preferred customer point of contact and in support of this the ATM network is being rapidly expanded. During 2008 the network of branches has increased with additions in Ghana, Mozambique, Djibouti, Guinea, Sierra Leone, Albania and Indonesia. These together with the new investments have added further to the overall branch network, taking the total Group operating network to 141 branches at the end of 2008.

I am delighted to once again inform shareholders of the Group's success in the Banker and Global Finance Awards for 2008. ICB Albania, ICB Djibouti and ICB Guinea all received 'Bank of the Year' awards; for ICB Guinea this was the 5th consecutive year that such an award has been received and this represents a truly remarkable achievement. Our congratulations go to the Management and staff of each country for this success.



In March 2009 the Board appointed Mr. Prem Kumar as Group CEO. He takes over from Mr. Harith Harun who has, for an extended period, held the responsibility as Acting CEO of the Group. Mr. Kumar, who graduated from the Asia Pacific Institute, New Zealand and is an Associate of the Australian Institute of Bankers, is a banker of some 35 years experience. Prior to joining ICB he was with the HSBC Group where he held Senior Management positions covering a wide range of business disciplines. I take this opportunity to welcome him to the Group and at the same time I extend to Mr. Harun our appreciation for his services as Acting CEO. I am pleased to say that Mr. Harun remains as a senior member of the Group's management team.

With unfavourable world economic conditions likely to continue, the year ahead will remain one of uncertainty. However, I believe that the geographical diversity of the Group coupled with the conservative nature of its business model, position it well to respond to the challenges ahead. Whilst the strategy of building a wider geographic presence in countries with emerging economies remains, the immediate emphasis for the year ahead is to concentrate efforts towards a strengthening of performances particularly in the Asian region. The new investment in Bangladesh holds much potential and whilst there remains much to be done towards achieving such a goal, good progress is being made in both integrating ICB Islamic Bank within the Group and re-positioning it within its domestic market.

In conclusion, I must extend gratitude on behalf of the Board to our shareholders, customers, business associates and the various regulatory authorities who have all provided sound support in a year of unprecedented uncertainty. We are indeed most grateful for this. The Board's sincere appreciation is also extended to the Management and staff employed across the Group. Their commitment and dedication to satisfying customer needs is very much reflected in the overall growth of the Group and its growing prominence as an international retail banking business.

MICHAEL R. HANLON
Chairman

Corporate Governance Report

ICB Financial Group Holdings AG (“the Company”) has in place a Policy Statement on Corporate Governance (“the Policy Statement”) with the objective of promoting a culture of accountability, transparency and practice of sound judgment in the Company’s pursuit of generating stakeholders’ value amidst an increasingly competitive global market.

The implementation of this Policy Statement is aimed at providing an operational framework for good corporate governance in the following areas:

- (a) provides guidance in defining the roles and responsibilities of the Board of Directors (“the Board”);
- (b) implements the operational framework of the Board;
- (c) establishment of appropriate committees to undertake the tasks and responsibilities of Board;
- (d) ensures strategic and business plans are developed;
- (e) implements risk management framework to cultivate a risk awareness culture within the organisation;
- (f) provides transparency in disseminating financial and non-financial information;
- (g) provides transparency in managing conflict of interest involving both internal and external parties;
- (h) provides guidance in developing key control mechanisms to ensure that both financial and non-financial information are accurate, adequate, complete and timely.

This report describes how the Board has implemented the policies and provisions as set out in the Policy Statement.

THE BOARD

1. Composition

- 1.1 As at the date of this report, the Board comprises six (6) members who are all Non-Executive Directors. Members of the Board are appointed for a one-year term until the next annual general meeting. Members may be re-elected.
- 1.2 The Board periodically reviews its composition in terms of the balance of Independent and Non-Independent Directors and the professional qualifications, experience and the necessary skills expected of its members to enable the Board to carry out its roles and responsibilities effectively.

2. Duties and Responsibilities

- 2.1 The Board is principally responsible for the overall business performance and corporate governance strategy of the Company. It provides stewardship in the development of the Company’s strategic and business plans.
- 2.2 The Board is led by the Chairman, Mr Michael Hanlon, Independent Non-Executive Director.

3. Board Meetings

- 3.1 The Board meets at least twice a year (in 2008 the Board met eight (8) times) to review business performance, strategies, business plans and significant policies as well as to consider business and other proposals which require the Board’s approval.
- 3.2 The number of Board meetings and the attendance for the financial year in review are set out below:

DIRECTORS	HELD DURING TENURE	
	IN OFFICE	ATTENDED
Michael Hanlon	8	8
Josephine Sivaretnam	8	8
Paul Bridges	8	8
Ken Kwaku	8	3
René Fritschi	8	8
Lim Teong Liat	8	8

4. Delegation of Authority and Function

4.1. In order to support the effectiveness of the implementation of its roles and responsibilities, the Board has set up the following committees:

- (i) Audit and Risk Management Committee;
- (ii) Nomination Committee; and
- (iii) Remuneration Committee.

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee are:

Paul Bridges (Chairman)

Michael Hanlon

Lim Teong Liat

The principal duties and responsibilities of the Audit and Risk Management Committee include the following:

Audit

- Approve the appointments of the internal auditors; review the adequacy of the scope of audits conducted by internal audit as well as its functions and resources, and evaluate the performance of the audit staff;
- Assess and recommend the appointment of the external auditors; review their audit plan, scope of their audits and their audit reports;
- Assess the performance of the external auditors and makes recommendations to the Board on their re-appointment or removal;
- Review the internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by management on significant lapses and controls and procedures that are identified;
- Review the financial statements of the Company for recommendation to the Board for approval.

Risk

- Review the adequacy and effectiveness of risk management, internal control and governance system;
- Review management's strategies and plans for mitigation of all types of risks faced by the business units;
- Ensure risk management framework for various risks are set up and documented;
- Approve risk management policies, risk management measurements and methodologies, risk exposures, tolerance limits and risk management processes.

Nomination Committee

The members of the Nomination Committee are:

René Fritschi (Chairman)

Josephine Sivaretnam

The principal duties and responsibilities of the Nomination Committee are as follows:

- Establish the policy and guidelines in regard to the appointment and re-appointment of members of the Board, appointments of chief executive officer and senior management and determining the requirements on their skills, experience, qualifications and other core competencies;
- Assess and recommend candidates to fill vacancies for directors, chief executive officer and senior management;
- Review the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Independent and Non-Independent Directors;
- Ensure that proper recruitment processes, training programmes as well as performance appraisal systems are established for employees at all levels.

Remuneration Committee

Members of the Remuneration Committee comprise the following:

Ken Kwaku (Chairman)

Josephine Sivaretnam

The principal duties and responsibilities of the Remuneration Committee are:

- Establish the remuneration policy for directors, chief executive officer and senior management;
- Periodically review the terms and conditions of employment of directors, chief executive officer and senior management and when necessary, recommend changes.

5. Financial Reporting and Internal Control

- 5.1 The Board is responsible for ensuring the proper maintenance of accounting records of the Company. The Board is to ensure that the financial reports are prepared in accordance with the accounting policies, standards and guidelines of the relevant authorities.
- 5.2 The Board is to provide a balanced, clear and meaningful assessment of the financial position and prospects of the Company in all disclosure to shareholders, investors and the regulatory authorities.
- 5.3 The Board has the responsibility to develop, assess, review and maintain a system of internal controls covering financial controls as well as controls relating to operational, compliance and risk management.
- 5.4 The Board approves the annual business plans and budgets and periodically reviews reports from the management covering financial performances and key business indicators to monitor any significant variances of actual performances and budgets.

6. Remuneration of Directors

The remuneration of Directors during the financial year is disclosed in Note 29 of the Audited Financial Statements.

7. Compliance Statement

The Board considers that it has complied with the Company's Policy Statement on Corporate Governance for the financial year ended 31 December 2008.

Statement by Directors

We, Michael Robert Hanlon and Lim Teong Liat, 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 15 to 69 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 2008 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

MICHAEL ROBERT HANLON

LIM TEONG LIAT

31 March 2009

Report of the Statutory Auditors

on the consolidated financial statements to the general meeting
of ICB Financial Group Holdings AG, Schindellegi

As statutory auditor, we have audited the accompanying consolidated financial statements of ICB Financial Group Holdings AG, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes (pages 15 to 69) for the year ended 31 December 2008.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we 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 auditor's judgment, 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 the internal control system 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.

OPINION

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report of the Group Auditors

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation and fair presentation of consolidated financial statements according to the instructions of the Board of Directors.

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

Zurich, 31 March 2009

BDO Visura

MARKUS EUGSTER

Auditor in Charge
Swiss Certified Accountant
Licensed Audit Expert

MARKUS EGLI

Swiss Certified Accountant
Licensed Audit Expert

Consolidated Income Statement

for the financial year ended 31 December 2008

	NOTES	2008 USD'000	2007 USD'000
Interest income		101,707	96,609
Interest expense		(52,892)	(48,044)
Net interest income	4	48,815	48,565
Fee and commission income		11,360	10,574
Fee and commission expense		(163)	(145)
Net fee and commission income	5	11,197	10,429
Foreign currency gain	6	3,593	3,078
Gains less losses from financial investments		1,247	1,552
Gain on disposal of associate	30	77,584	3,670
Other operating income		1,616	2,570
Impairment charges for loans and advances to customers	12	(14,422)	(13,051)
Impairment of goodwill	16	(50,000)	–
Operating expenses	7	(63,752)	(45,076)
Operating profit		15,878	11,737
Share of results of associates	15	(33)	5,823
Profit before taxation		15,845	17,560
Tax expense	9	(2,840)	(2,702)
Profit for the period		13,005	14,858
Attributable to:			
– Shareholders of the Company		21,282	13,988
– Minority interests		(8,277)	870
		13,005	14,858
Earnings per share attributable to shareholders of the Company			
– Basic and diluted (Expressed in USD per share)	10	0.12	0.09

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

Consolidated Balance Sheet

as at 31 December 2008

	NOTES	2008 USD'000	2007 USD'000
ASSETS			
Cash and bank balances	11	276,738	239,769
Loans and advances to customers	12	588,058	540,683
Financial investments	13	122,539	93,221
Foreclosed properties	14	17,728	21,056
Investment in associates	15	1,846	74,364
Goodwill and other intangible assets	16	55,036	5,341
Prepaid lease payments	17	107	165
Property and equipment	18	17,083	9,251
Other assets	19	36,443	40,489
Deferred tax assets	20	4,537	1,945
Total assets		1,120,115	1,026,284
LIABILITIES			
Deposits from other bank		133,470	39,157
Deposits from customers	21	777,652	746,734
Other liabilities	22	56,442	39,326
Tax liabilities		3,046	2,093
Deferred tax liabilities	20	303	192
Total liabilities		970,913	827,502
EQUITY			
Paid up share capital	23	145,960	145,960
Share premium		782	782
Retained earnings	24	45,012	34,903
Other reserves	25	(2,655)	(2,341)
Equity attributable to shareholders of the Company		189,099	179,304
Minority interest		(39,897)	19,478
		149,202	198,782
Total equity and liabilities		1,120,115	1,026,284

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2008

	2008 USD'000	2007 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	15,845	17,560
Adjustment for:		
Impairment charges for loans and advances to customers	14,422	13,051
Amortisation of prepaid lease rental	37	46
Amortisation of intangible assets	397	417
Depreciation of property and equipment	3,096	2,185
Loss on disposal of property and equipment	20	6
Gain on disposal of associate	(77,584)	(3,670)
Negative goodwill	–	(2)
Impairment of goodwill	50,000	–
Recovery of loan	(601)	(690)
Share of results of associates	33	(5,823)
Gain on foreign exchange translation	(3,593)	(3,078)
Cash flow from operations before working capital changes	2,072	20,002
Increase in operating assets	(21,778)	(106,457)
(Decrease)/increase in operating liabilities	(34,009)	150,004
Cash (used in)/generated from operations	(53,715)	63,549
Tax paid	(1,994)	(2,263)
Net cash (used in)/from operating activities	(55,709)	61,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	(38,474)	–
Proceeds from sale of associate	142,006	6,068
Purchase of property and equipment	(5,376)	(4,570)
Purchase of intangible assets	(489)	(374)
Proceeds from sale of property and equipment	24	12
Dividend received	2,086	2,912
Increase in investment in associate	–	(982)
Decrease in financial investments	38,159	29,687
Increase in financial investments	(30,998)	(14,135)
Net cash from investing activities	106,938	18,618

Consolidated Cash Flow Statement

	2008 USD'000	2007 USD'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of shareholder's advances	–	(13,866)
Dividend paid to minority interest	(156)	(79)
Net proceeds received from issuance of shares by Company	–	9,017
Net cash used in financing activities	(156)	(4,928)
Net increase in cash and cash equivalents	51,073	74,976
Cash and cash equivalents at the beginning of the year	194,224	108,951
Effect of exchange rate changes on cash and cash equivalents	(16,653)	10,297
Cash and cash equivalents at the end of the year (Note 26)	228,644	194,224

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2008

	ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	RETAINED EARNINGS	MINORITY INTEREST	TOTAL
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2008	145,960	782	(2,341)	34,903	19,478	198,782
Currency translation differences arising from translation to presentation currency	-	-	(9,734)	-	(2,471)	(12,205)
Loss in fair value on available-for-sale securities	-	-	(1,753)	-	(861)	(2,614)
Transfer of reserve to retained earnings arising from disposal of associate	-	-	11,173	(11,173)	-	-
Net income and expenses recognised directly in equity	-	-	(314)	(11,173)	(3,332)	(14,819)
Profit for the year	-	-	-	21,282	(8,277)	13,005
Total recognised income and expense for the period	-	-	(314)	10,109	(11,609)	(1,814)
Minority interest from business combination	-	-	-	-	(47,610)	(47,610)
Dividend paid to minority interest	-	-	-	-	(156)	(156)
At 31 December 2008	145,960	782	(2,655)	45,012	(39,897)	149,202

Consolidated Statement of Changes in Equity

	ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY						
	SHARE	SHARE	SHARE-	OTHER	RETAINED	MINORITY	TOTAL
	CAPITAL	PREMIUM	HOLDER'S	RESERVES	EARNINGS	INTEREST	
USD'000	USD'000	ADVANCES	USD'000	USD'000	USD'000	USD'000	USD'000
At 31 December 2006	59,549	–	91,618	(372)	24,212	19,508	194,515
Currency translation differences arising from translation to presentation currency	–	–	424	5,087	–	(783)	4,728
Loss in fair value on available-for-sale securities	–	–	–	(62)	–	(30)	(92)
Transfer of realised translation reserve to retained earnings arising from capitalisation and repayment of shareholder's advances	–	–	–	3,187	(3,187)	–	–
Share of post-acquisition reserves of associates	–	–	–	(10,291)	–	–	(10,291)
Transfer of reserve to retained earnings arising from disposal of associate	–	–	–	110	(110)	–	–
Net income and expenses recognised directly in equity	–	–	424	(1,969)	(3,297)	(813)	(5,655)
Profit for the year	–	–	–	–	13,988	870	14,858
Total recognised income and expense for the year	–	–	424	(1,969)	10,691	57	9,203
Conversion of shareholder's advances to share capital	78,176	–	(78,176)	–	–	–	–
Repayment of shareholder's advances	–	–	(13,866)	–	–	–	(13,866)
Acquisition of minority interest in a subsidiary	–	–	–	–	–	(15)	(15)
Dividend paid to minority interest	–	–	–	–	–	(79)	(79)
Issue of shares	8,235	782	–	–	–	7	9,024
At 31 December 2007	145,960	782	–	(2,341)	34,903	19,478	198,782

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

Notes to the Consolidated Financial Statements

31 December 2008

1. CORPORATE INFORMATION

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

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are stated in Note 27.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2009.

In conjunction with the implementation of the new provisions governing control processes during the preparation of financial statements and consolidated financial statements according to the Swiss Code of Obligations, existing control processes that are performed as part of operational business processes and in connection with the preparation of financial statements and consolidated financial statements have been reviewed and further optimized. As well as ensuring compliance with legal/regulatory requirements, the focus is on ensuring the effectiveness, efficiency and reliability of business processes as well as the adequacy of financial flows and financial information. All controls are reviewed regularly, “key controls” on an annual basis and are adjusted if necessary, the results reported to the Audit Committee.

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.

As of 1 January 2008 different new interpretations stepped into force (Amendments to IAS 39 and IFRS 7, IFRIC (International Financial Reporting Interpretation Committee) 11, IFRIC 12 and IFRIC 14). These did not have any influence on the consolidated financial statements of the Company.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(a) Basis of Preparation – cont'd

The Company has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning 1 January 2008:

- IAS 23 Borrowing Costs (Amendment)
- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations (Amendment)
- IAS 1 Presentation of Financial Statements: A Revised Presentation (Amendment)
- IAS 27 IAS 27 Consolidated and Separate Financial Statements (Amendment)
- IAS 32 & IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)
- IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled entity or association (Amendment)
- IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (Amendment)
- IFRS 7 Improving Disclosures about Financial Instruments (Amendment)
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfer of Assets from Customers

The Company has considered these amendments and does not expect them to have a significant effect on the financial statements.

(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 is accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identifiable on acquisition.

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

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

(c) Segmental Reporting

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

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(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 S.H.A. Albanian Lek (ALL)

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

PT Bank Bumiputera Indonesia Tbk Indonesian Rupiah (IDR)

International Commercial Bank Limited Ghana Cedis (GHS)

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

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

ICB Islamic Bank Ltd Bangladeshi Taka (BDT)

International Commercial Bank Ltd (Malawi) Malawi Kwacha (MWK)

International Commercial Bank (Lao) Ltd Lao Kip (LAK)

Associates

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)

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(d) Foreign Currency Translation – cont'd

(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.

Notes to the Consolidated Financial Statements

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	
	2008	2007	2008	2007
1 CHF	0.9235	0.8403	0.8724	0.8850
1 SGD	–	0.6641	–	0.6917
1 MYR	0.2997	0.2916	0.2887	0.3021
1 GMD	0.0450	0.0402	0.0373	0.0469
1 MZN	0.0411	0.0388	0.0416	0.0420
1 GHS	0.9416	1.0741	0.8241	1.0447
1000 SLL	0.3376	0.3407	0.3333	0.3378
1000 ALL	11.9366	11.1200	11.3753	12.0600
1000 GNF	0.2155	0.2418	0.1938	0.2400
1000 IDR	0.1027	0.1091	0.0917	0.1065
1000 DJF	5.6268	5.6268	5.6268	5.6268
1000 XOF	2.2239	2.0998	2.1216	2.2442
1000 TZS	0.8321	0.8081	0.7811	0.8834
1000 BDT	14.5499	–	14.5191	–
1000 LAK	0.1170	–	0.1175	–
1000 MWK	7.1429	–	7.1429	–

(e) Interest Income and Expense

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 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:

(a) Classification

(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.

Financial assets may be designated at fair value through profit or loss when:

- a) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets on a different basis, or
- b) a group of financial assets are managed and its performance evaluated on a fair value basis.

(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 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. If the Group sells other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale Investments

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

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(g) Financial Assets – cont'd

(b) *Recognition and Derecognition*

(i) *Initial Recognition*

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, for those financial assets not carried at fair value through profit or loss, directly attributable transaction costs.

(ii) *Subsequent Measurement*

Financial assets held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the income statement.

Available-for sale financial investments are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to a separate component of equity until the asset is sold or is impaired, when the cumulative gain or loss is transferred to the income statement.

Loans and receivables and held to maturity financial assets are subsequently carried at amortised cost using the effective interest method.

The fair values of quoted financial assets in active markets are based on current 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.

(iii) *Reclassifications*

Reclassification of financial assets other than as disclosed below between categories are not permitted following their initial recognition.

Held-to-maturity assets are reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than and insignificant amount of held-to-maturity assets prior to their maturity.

(iv) *Renegotiated Loans*

Loans whose original terms have been modified are considered renegotiated loans. If the renegotiation occurs before a customer is either past due or impaired and the revised terms are consistent with those readily available on the market, the account will not be considered past due. If the renegotiations are on terms that are not consistent with those readily available on the market, this provides objective evidence of impairment and the loan will remain past due until the customer complies with the revised terms.

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(g) Financial Assets – cont'd

(b) *Recognition and Derecognition – cont'd*

(v) *Derecognition*

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. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

(vi) *Income Recognition*

For available-for-sale investments and financial assets held at amortised cost, interest income and interest expense is recognised in the income statement using the effective interest method. Gains and losses arising from changes in fair value of financial assets at fair value through profit or loss are included in the income statement in the period which they arise. Contractual interest income and expense on financial assets designated at fair value through profit or loss is recognised within net interest income.

Gains and losses arising from changes in the fair value of available-for sale financial investments, other than foreign exchange gains and losses from monetary items, 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. Dividends on equity instruments are recognised in the income statement when the Group's right to receive payment is established.

(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.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment if there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(i) Impairments of Financial Assets – cont'd

(i) *Assets Carried at Amortised Cost – cont'd*

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.

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.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(i) Impairments of Financial Assets – cont'd

(ii) *Assets Carried at Fair Value*

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

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

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

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

(j) Acceptance Receivables and Payables

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

(k) Foreclosed Properties

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

(l) Prepaid Lease Payments

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

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(m) Goodwill and Other 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 'goodwill and other 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.

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

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

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

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.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(o) Income Tax

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

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

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

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

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

(p) Cash and Cash Equivalents

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D

(q) Employee Benefits – cont'd

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) Share Capital

(i) Capital

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

(ii) Share Issue Costs

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

(iii) Dividends on Shares

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

Notes to the Consolidated Financial Statements

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment Losses on Loans and Advances

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

(b) Goodwill Impairment

The Group's accounting policy for goodwill is described in Note 2(m). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Further detail is discussed in Note 16 '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 32 'Defined Benefit Plan'.

(e) Income taxes

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

4. NET INTEREST INCOME

	2008 USD'000	2007 USD'000
Interest Income		
Loans and advances to customers	82,044	80,496
Investment securities	12,685	10,484
Cash and short term funds	6,967	5,591
Others	11	38
	101,707	96,609
Interest Expense		
Banks and customers deposits	48,019	45,440
Debt securities in issue	3,397	870
Others	1,476	1,734
	52,892	48,044
Net Interest Income	48,815	48,565

5. NET FEE AND COMMISSION INCOME

	2008 USD'000	2007 USD'000
Fee and Commission Income		
Account maintenance and other management fees	3,678	4,299
Credit related fees and commissions	6,061	6,124
Others	1,621	151
	11,360	10,574
Fee and Commission Expense		
Treasury operation and inter-bank transactions	117	102
Others	46	43
	163	145
Net Fee and Commission Income	11,197	10,429

Notes to the Consolidated Financial Statements

6. FOREIGN CURRENCY GAINS

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

7. OPERATING EXPENSES

	2008 USD'000	2007 USD'000
Auditors' remuneration	555	398
Amortisation of intangible assets (Note 16)	397	417
Depreciation (Note 18)	3,096	2,185
Employee compensation and benefits (Note 8)	22,504	17,163
Amortisation of prepaid lease rental (Note 17)	37	46
Loss on disposal of foreclosed properties	1,670	352
Data communication, rental and related maintenance expense	6,506	8,444
Provision for contingent liability	1,964	–
Other provisions	5,598	–
Other general and administrative expenses	21,425	16,071
	63,752	45,076

8. EMPLOYEE COMPENSATION AND BENEFITS

	2008 USD'000	2007 USD'000
Salaries and wages	15,941	10,258
Bonus	1,054	1,669
Social security costs	–	78
Pension costs		
– Defined contribution plan	670	547
– Defined benefit plan (Note 32)	510	442
Other staff related expenses	4,329	4,169
	22,504	17,163

9. TAX EXPENSE

	2008	2007
	USD'000	USD'000
Current year's provision	(3,137)	(2,833)
Transfer to deferred taxation (Note 20)	297	129
Over provision of taxation in prior year	–	2
	(2,840)	(2,702)

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:

	2008	2007
	USD'000	USD'000
Profit before taxation	15,845	17,560
Tax calculated at a rate of 16% (2007: 16%)	2,535	2,810
Effect of different tax rates of subsidiaries operating in other jurisdictions	(17,734)	1,185
Impact of profits in associates	–	(932)
Expenses not deductible for tax purposes	10,487	192
Income not subject to tax	(217)	(551)
Deferred tax asset not recognised in respect of current year tax losses	1,975	–
Deferred tax asset not recognised in respect of temporary differences	5,794	–
Over provision of income tax	–	(2)
Tax expense for the year	2,840	2,702

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.

	2008	2007
Profit attributable to shareholders of the Company (USD'000)	21,282	13,988
Weighted average number of shares in issue ('000)	180,000	148,589
Basic and diluted earnings per share (expressed in USD per share)	0.12	0.09

Notes to the Consolidated Financial Statements

11. CASH AND BANK BALANCES

	2008	2007
	USD'000	USD'000
Cash in hand	34,169	14,397
Placements with other banks	170,207	80,849
Deposits with central banks other than mandatory reserves	23,600	97,757
Included in cash and cash equivalents (Note 26)	227,976	193,003
Mandatory reserve deposits with central banks	48,762	46,766
	276,738	239,769

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. LOANS AND ADVANCES TO CUSTOMERS

	2008	2007
	USD'000	USD'000
Gross loans and advances	713,674	554,203
Less: Allowance for losses on loans and advances	(125,616)	(13,520)
	588,058	540,683

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

	2008	2007
	USD'000	USD'000
Current	481,364	478,276
Special mention	34,290	38,828
Substandard	9,114	3,938
Doubtful	15,674	3,612
Loss	173,232	29,549
	713,674	554,203
Less: Allowance for losses on loans and advances	(125,616)	(13,520)
	588,058	540,683

12. LOANS AND ADVANCES TO CUSTOMERS – CONT'D

Movement in allowance for losses on loans and advances:

	2008 USD'000	2007 USD'000
At 1 January	13,520	8,746
Acquisition of subsidiary during the year	103,432	–
Impairment charges during the year (included in the income statement)	14,422	13,051
Loans written off during the year	(2,674)	(7,367)
Recoveries of loans written off	(601)	(690)
Currency translation differences	(2,483)	(220)
At 31 December	125,616	13,520

13. FINANCIAL INVESTMENTS

	2008 USD'000	2007 USD'000
Securities Held-to-maturity		
Treasury bills	47,781	28,016
Government debt securities	45,108	38,765
	92,889	66,781
Less: Unamortised discount	(106)	(189)
	92,783	66,592
Securities Available-for-sale		
Securities – at fair value:		
Government debt securities	29,756	15,912
Private debt securities	–	10,717
	29,756	26,629
	122,539	93,221

Notes to the Consolidated Financial Statements

14. FORECLOSED PROPERTIES

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

	2008 USD'000	2007 USD'000
Carrying Value		
At 1 January	23,983	16,731
Additions	3,244	12,755
Disposal	(3,716)	(4,312)
Reclassification	–	(497)
Currency translation differences	(3,203)	(694)
At 31 December	20,308	23,983
Changes in Fair Value		
At 1 January	2,927	3,053
Reclassification	56	–
Currency translation differences	(403)	(126)
	2,580	2,927
	17,728	21,056

15. INVESTMENT IN ASSOCIATES

	2008 USD'000	2007 USD'000
At 1 January	74,364	78,279
Dividend received	(2,086)	(2,912)
Additional investment in associate	–	947
Disposal of an associate (Note 30a)	(70,231)	(2,398)
Share of profits	(33)	5,823
Share of other reserves	–	(10,291)
Currency translation differences	(168)	4,916
At 31 December	1,846	74,364

15. 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 follows:

NAME	COUNTRY OF INCORPORATION	EFFECTIVE INTEREST HELD %	ASSETS USD'000	LIABILITIES USD'000	REVENUE USD'000	PROFIT/ (LOSS) USD'000
2008						
International Commercial Bank (Tanzania) Limited	Tanzania	20	6,603	5,594	657	83
International Commercial Bank Senegal S.A.	Senegal	20	6,316	5,483	351	(116)
			12,919	11,077	1,008	(33)
2007						
International Commercial Bank (Tanzania) Limited	Tanzania	20	6,628	5,575	432	106
International Commercial Bank Senegal S.A.	Senegal	20	4,558	3,564	161	(250)
IC Bank ZRT	Hungary	20.96	–	–	–	(36)
Sorak Financial Holdings Pte. Ltd.	Singapore	20	1,172,320	1,045,346	76,451	6,003
			1,183,506	1,054,485	77,044	5,823

Notes to the Consolidated Financial Statements

16. GOODWILL AND OTHER INTANGIBLE ASSETS

	2008 USD'000	2007 USD'000
(a) Goodwill arising on business combination		
Cost		
At 1 January	4,370	4,410
Acquisition of subsidiary	100,698	–
Currency translation differences	(1,013)	(40)
At 31 December	104,055	4,370
Impairment	(50,000)	–
Net Book Value	54,055	4,370
(b) Purchased software		
Cost		
At 1 January	2,679	2,188
Additions	489	374
Acquisition of subsidiary	5	–
Disposal	–	(7)
Reclassification	–	105
Currency translation differences	(329)	19
At 31 December	2,844	2,679
Accumulated Amortisation		
At 1 January	1,708	1,219
Amortisation charge for the year (Note 7)	397	417
Disposal	–	(2)
Reclassification	–	60
Currency translation differences	(242)	14
At 31 December	1,863	1,708
Net Book Value	981	971
Total	55,036	5,341

16. GOODWILL AND OTHER INTANGIBLE ASSETS – CONT'D

Impairment Test for Goodwill

Goodwill is allocated to the Group's Cash Generating Units ("CGU") for impairment testing purposes. The Group considers each individual investment as a separate CGU and measures its recoverable value based either on fair value less costs to sell, which is determined using an observable market price for each CGU, or on value-in-use calculations from a discounted cash flow model using cash flow projections based on financial budgets and forecasts.

Goodwill has been allocated to the Group's CGU as follows:

	2008 USD'000	2007 USD'000
PT Bank Bumiputera Indonesia TBK	3,092	3,587
ICB-Banco Internacional De Comércio, S.A.R.L	389	384
International Commercial Bank S.A	247	304
ICB Islamic Bank Ltd	50,238	–
Others	89	95
	54,055	4,370

For impairment testing of goodwill for the year, the Group measures the recoverable value of the CGU based on value-in-use ("VIU") calculations from a discounted cash flow model using cash flow projections based on financial budgets and forecasts.

During the year, the Group carried out a review of the recoverable amount of goodwill. The review has led to the recognition of an impairment loss of USD50,000,000 in relation to ICB Islamic Bank Ltd CGU as the goodwill was not sufficiently supported by future expected cash flows.

For each significant CGU, the VIU is calculated by discounting management's cash flow projections for each CGU based on the 2009 financial budget and projected cash flow for the next 10 years based on country and industry specific growth rates covering a 10 year period. Estimated growth rate is used to extrapolate the cash flows in perpetuity beyond the 10 year period and discounted using discount rate which reflect the specific risks relating to the CGU, because of the long-term perspective within the Group of the business units making up the CGUs.

The following describes each key assumption on which management has based its cash flow projections for VIU calculations of ICB Islamic Bank Ltd CGU:

- (i) Growth rate used to extrapolate cash flow projections is estimated to be 0%; and
- (ii) The discount rate applied to the cash flow projections is estimated to be at 18% per annum.

Changes to the assumptions used by management, particularly the discount rate and the growth rate, may not significantly affect the results of the impairment.

Notes to the Consolidated Financial Statements

17. PREPAID LEASE PAYMENTS

	2008 USD'000	2007 USD'000
Cost		
At 1 January	286	298
Currency translation differences	(42)	(12)
At 31 December	244	286
Accumulated Amortisation		
At 1 January	121	99
Amortisation for the year (Note 7)	37	46
Reclassification	–	(18)
Currency translation differences	(21)	(6)
At 31 December	137	121
Net Book Value	107	165

18. PROPERTY AND EQUIPMENT

	LAND USD'000	BUILD- INGS USD'000	COM- PUTER HARD- WARE USD'000	FURNI- TURE AND FITTINGS, OFFICE EQUIP- MENT USD'000	MOTOR VEHICLES USD'000	RENOVA- TION USD'000	CON- STRUCTION IN PROGRESS USD'000	TOTAL USD'000
Cost								
At 1 January 2008	–	1,604	2,832	5,962	2,079	6,037	1,718	20,232
Additions	–	416	497	2,411	458	1,315	279	5,376
Acquisition of subsidiary	4,667	1,094	–	2,916	417	–	–	9,094
Disposals	–	–	(1)	(33)	(67)	(2)	(461)	(564)
Reclassification	–	837	78	38	(4)	12	(981)	(20)
Currency translation differences	(21)	(17)	(305)	(818)	(303)	(768)	(59)	(2,291)
At 31 December 2008	4,646	3,934	3,101	10,476	2,580	6,594	496	31,827
Accumulated Depreciation								
At 1 January 2008	–	176	1,931	3,591	1,267	4,016	–	10,981
Charge for the year	–	175	375	1,409	346	791	–	3,096
Acquisition of subsidiary	–	–	–	2,018	365	–	–	2,383
Disposals	–	–	–	(22)	(63)	(2)	–	(87)
Reclassification	–	–	9	(14)	5	(14)	–	(14)
Currency translation differences	–	(18)	(230)	(569)	(217)	(581)	–	(1,615)
At 31 December 2008	–	333	2,085	6,413	1,703	4,210	–	14,744
Net Book Value								
At 31 December 2008	4,646	3,601	1,016	4,063	877	2,384	496	17,083
At 31 December 2007	–	1,428	901	2,371	812	2,021	1,718	9,251
Depreciation charge for 2007								
	–	75	245	750	293	822	–	2,185

Notes to the Consolidated Financial Statements

18. PROPERTY AND EQUIPMENT – CONT'D

	BUILDINGS	COM- PUTER HARD- WARE	FURNI- TURE AND FITTINGS, OFFICE EQUIP- MENT	MOTOR VEHICLES	RENOVA- TION	CON- STRUCTION IN PROGRESS	TOTAL
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost							
At 1 January 2007	1,379	2,210	4,738	1,926	5,362	367	15,982
Additions	1	596	1,195	243	940	1,595	4,570
Disposals	–	(2)	(68)	(76)	(10)	–	(156)
Reclassification	168	56	61	–	(149)	(241)	(105)
Currency translation differences	56	(28)	36	(14)	(106)	(3)	(59)
At 31 December 2007	1,604	2,832	5,962	2,079	6,037	1,718	20,232
Accumulated Depreciation							
At 1 January 2007	103	1,713	2,974	1,060	3,296	–	9,146
Charge for the year	75	245	750	293	822	–	2,185
Disposals	–	–	(59)	(68)	(7)	–	(134)
Reclassification	–	–	(60)	–	–	–	(60)
Currency translation differences	(2)	(27)	(14)	(18)	(95)	–	(156)
At 31 December 2007	176	1,931	3,591	1,267	4,016	–	10,981
Net Book Value							
At 31 December 2007	1,428	901	2,371	812	2,021	1,718	9,251
At 31 December 2006	1,276	497	1,764	866	2,066	367	6,836
Depreciation charge for 2006							
	64	193	595	378	779	–	2,009

19. OTHER ASSETS

	2008 USD'000	2007 USD'000
Acceptance receivables	3,448	3,804
Accrued interest receivables	6,439	9,149
Prepayments	3,891	4,380
Items in the course of collection (Note 26)	668	1,221
Others	21,997	21,935
	36,443	40,489

20. DEFERRED TAXATION

	2008 USD'000	2007 USD'000
At 1 January	1,753	1,659
Acquisition of subsidiary	1,621	–
Transfer from/(to) tax charge for the year (Note 9)	297	129
Transfer from/(to) equity for the year	841	39
Currency translation differences	(278)	(74)
At 31 December	4,234	1,753
Deferred tax assets	4,537	1,945
Deferred tax liabilities	(303)	(192)
	4,234	1,753

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

	2008 USD'000	2007 USD'000
Deferred Tax Assets		
Allowance for losses on loans and advances	1,171	1,096
Decelerated tax depreciation	405	454
Tax losses carried forward	1,674	–
Defined benefit plan	393	363
Unrealised loss on fair value of financial investments	894	32
	4,537	1,945
Deferred Tax Liabilities		
Accelerated tax depreciation	295	183
Other temporary differences	8	9
	303	192

Notes to the Consolidated Financial Statements

21. DEPOSITS FROM CUSTOMERS

	2008 USD'000	2007 USD'000
Current accounts	103,771	155,299
Savings accounts	106,367	96,430
Time deposits	522,583	489,984
Others	44,931	5,021
	777,652	746,734

22. OTHER LIABILITIES

	2008 USD'000	2007 USD'000
Acceptance payables	4,355	4,066
Accrued interest payables	3,021	3,034
Accruals	985	2,480
Items in the course of transmission	1,400	550
Guarantee deposits	501	1,081
Defined benefit plan obligation (Note 32)	1,405	1,211
Others	44,775	26,904
	56,442	39,326

23. PAID-UP SHARE CAPITAL

	NO. OF SHARES		AMOUNT	
	2008 '000	2007 '000	2008 USD'000	2007 USD'000
At 1 January				
Shares of CHF1 each	180,000	–	145,960	–
Shares of CHF1,000 each	–	75	–	59,549
Change in nominal value from CHF1,000 each to CHF1 each	–	75,000	–	59,549
Conversion of shareholder's advances	–	95,000	–	78,176
Issues of shares	–	10,000	–	8,235
At 31 December	180,000	180,000	145,960	145,960

24. RETAINED EARNINGS

	2008 USD'000	2007 USD'000
Movements in retained earnings were as follows:		
At 1 January	34,903	24,212
Profit attributable to the shareholders of the Company	21,282	13,988
Realisation of translation reserve arising from capitalisation and repayment of shareholder's advances	–	(3,187)
Transfer of reserve arising from disposal of associate	(11,173)	(110)
At 31 December	45,012	34,903

25. OTHER RESERVES

	CAPITAL RESERVES USD'000	TRANSLA- TION RESERVES USD'000	FAIR VALUE RESERVES USD'000	SHARE OPTION RESERVES USD'000	TOTAL USD'000
2008					
At 1 January	2,415	(2,527)	(3,155)	926	(2,341)
Loss in fair value of available-for-sale securities	–	–	(1,753)	–	(1,753)
Currency translation differences arising from translation to presentation currency	–	(9,734)	–	–	(9,734)
Disposal of associate	–	8,811	3,288	(926)	11,173
At 31 December	2,415	(3,450)	(1,620)	–	(2,655)
2007					
At 1 January	2,170	(3,914)	579	793	(372)
Shares of post-acquisition reserves of associates	–	(6,752)	(3,672)	133	(10,291)
Loss in fair value of available-for-sale securities	–	–	(62)	–	(62)
Currency translation differences arising from translation to presentation currency	–	5,087	–	–	5,087
Transfer of realised translation reserve to retained earnings arising from capitalisation and repayment of shareholder's advances	–	3,187	–	–	3,187
Transfer of reserve to retained earnings arising from disposal of associate	–	(135)	–	–	(135)
Disposal of associate	245	–	–	–	245
At 31 December	2,415	(2,527)	(3,155)	926	(2,341)

Notes to the Consolidated Financial Statements

26. CASH AND CASH EQUIVALENTS

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

	2008	2007
	USD'000	USD'000
Cash and bank balances (Note 11)	227,976	193,003
Items in the course of collection (Note 19)	668	1,221
	228,644	194,224

27. SUBSIDIARIES

Details of subsidiaries are as follows:

NAME OF SUBSIDIARIES	COUNTRY OF INCORPORATION	% EFFECTIVE INTEREST HELD		PRINCIPAL ACTIVITIES
		2008	2007	
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	67.07	Commercial bank
International Commercial Bank (Djibouti) S.A.	Djibouti	99.90	99.90	Commercial bank
ICB Global Management Sdn. Bhd.	Malaysia	100.00	100.00	Providing technical and management services
ICB Islamic Bank Ltd	Bangladesh	50.10	–	Islamic bank
International Commercial Bank Lao Ltd	Laos	100.00	–	Commercial bank
International Commercial Bank Ltd – Malawi	Malawi	100.00	–	Commercial bank

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

27. SUBSIDIARIES – CONT'D

On 28 February 2008, the Company entered into a share sale and purchase agreement (“SSPA”) to acquire a 50.1% equity interest in ICB Islamic Bank Ltd (formerly The Oriental Bank Limited), a bank incorporated in Bangladesh by way of subscription of new ordinary shares amounting to 3,506,743 for a total cash consideration of BDT3,506,743,888 (USD51,148,000). The acquisition was completed on 27 March 2008. The goodwill recognised on the subscription amounted to USD100,698,000.

For the year ending 31 December 2008 the acquired subsidiary contributed a loss for the year of USD16.8 million in the Group’s consolidated financial statements. If the acquisition have occurred on 1 January 2008 the acquired subsidiary would have contributed USD9.2 million and USD89.2 million of revenue and loss for the year respectively to the Group’s consolidated financial statements.

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

	2008
	USD’000
Cash and bank balances	12,674
Financial investments held to maturity	51,043
Loans and advances to customers	104,162
Property and equipment	6,711
Other assets	1,309
Deferred tax assets	1,621
Deposit from customers	(272,753)
Other liabilities	(3,670)
Fair value of net assets	(98,903)
Minority interest	49,353
Group’s share of net assets	(49,550)
Goodwill on acquisition (Note 16)	100,698
Purchase consideration	51,148

The goodwill recognised on the acquisitions is mainly 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.

The following are the effects on cash flows arising from the acquisition:

	2008
	USD’000
Purchase consideration settled in cash	51,148
Cash and cash equivalents in subsidiaries acquired	(12,674)
Cash inflow on acquisition	38,474

Notes to the Consolidated Financial Statements

28. SEGMENT INFORMATION

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

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.

2008	EUROPE USD'000	AFRICA USD'000	ASIA USD'000	GROUP USD'000
Net interest income	4,021	11,371	33,423	48,815
Net fee and commission income	373	4,282	6,542	11,197
Foreign currency gains	(997)	4,631	(41)	3,593
Gain on disposal of associate	77,584	–	–	77,584
Other operating income	8,116	591	(5,844)	2,863
Total operating income	89,097	20,875	34,080	144,052
Segment results	84,191	6,308	(24,621)	65,878
Share of results of associate	(33)	–	–	(33)
Impairment of goodwill	–	–	–	(50,000)
Profit before taxation				15,845
Tax expense				(2,840)
Profit for the year				13,005
Segment Assets	306,433	163,974	647,862	1,118,269
Associates	–	1,846	–	1,846
Total Assets				1,120,115
Segment liabilities	43,495	152,151	775,267	970,913
Other segment items				
Capital expenditure	371	2,063	2,942	5,376
Depreciation and amortisation	190	1,256	2,047	3,493
Loan impairment charges	148	660	13,614	14,422

Capital expenditure comprises additions to Property and Equipment (Note 18) and Goodwill and Other Intangible Assets (Note 16).

28. SEGMENT INFORMATION – CONT'D

2007	EUROPE USD'000	AFRICA USD'000	ASIA USD'000	GROUP USD'000
Net interest income	2,875	9,787	35,903	48,565
Net fee and commission income	353	3,472	6,604	10,429
Foreign currency gains	535	2,529	14	3,078
Gain on disposal of associate	3,670	–	–	3,670
Other operating income	609	429	3,084	4,122
Total operating income	8,042	16,217	45,605	69,864
Segment results	3,826	4,126	3,785	11,737
Share of results of associates	(36)	(144)	6,003	5,823
Profit before taxation				17,560
Tax expense				(2,702)
Profit for the year				14,858
Segment assets	158,159	177,814	615,947	951,920
Associates	(88)	2,133	72,319	74,364
Total assets				1,026,284
Segment liabilities	44,187	164,985	618,330	827,502
Other segment items				
Capital expenditure	818	2,250	1,876	4,944
Depreciation and amortisation	183	990	1,429	2,602
Loan impairment charges	28	818	12,205	13,051

Capital expenditure comprises additions to Property and Equipment (Note 18) and Goodwill and Other Intangible Assets (Note 16) including additions resulting from acquisitions through business combinations.

Notes to the Consolidated Financial Statements

29. 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 ICB Financial Group Holdings AG who owned 71.3% of equity interest in ICB Financial Group Holdings AG as of 31 December 2008. The remaining 28.7% interest is held by individual shareholders of which, 13.1% is held by a director related company. 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 2008, he also has an equity interest of 79.95% in one of the Company's associates, International Commercial Bank Senegal S.A ("ICB Senegal").
- (b) Details relationship of the associates of the Group is disclosed in Note 15.
- (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.

29. RELATED PARTY TRANSACTIONS – CONT'D

The following transactions were carried out with related parties:

(a) Key management compensations

	2008 USD'000	2007 USD'000
Directors		
– Fee	190	169
Directors of the subsidiaries		
– Fee	282	290
– Salaries and other short term employee benefits	986	756
Key management personnel other than Directors		
– Salaries and other short term employee benefits	827	495
	2,285	1,710

(b) Transactions with principal shareholder

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

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

	2008 USD'000	2007 USD'000
Support service fee received from ICB Senegal	24	12

(d) Transactions with other associates

	2008 USD'000	2007 USD'000
Support service fee received from associates	120	45

Notes to the Consolidated Financial Statements

29. RELATED PARTY TRANSACTIONS – CONT'D

The following are related party balances as at year end:

- (a) **Amount due from an associate in which the principal shareholder also has a majority shareholding, ICB Senegal.**

	2008 USD'000	2007 USD'000
Amount due from ICB Senegal	2	4

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

- (b) **Amounts due from other associates**

	2008 USD'000	2007 USD'000
Amounts due from other associates	33	3

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

30. SIGNIFICANT EVENTS AND EVENTS SUBSEQUENT TO YEAR END

Significant Events

- (a) On 5 December 2007, the Company entered into a sale and purchase agreement (“SPA”) to dispose of its entire equity interest in Sorak Financial Holdings Pte. Ltd. (Sorak), for a total cash consideration of SGD211,625,592. The disposal has resulted in a gain of USD77,584,000. The disposal was completed on 8 January 2008.
- (b) On 28 February 2008, the Company entered into a share sale and purchase agreement (“SSPA”) to acquire a 50.1% equity interest in ICB Islamic Bank Ltd (formerly The Oriental Bank Limited), a bank incorporated in Bangladesh by way of subscription of new ordinary shares amounting to 3,506,743 for a total cash consideration of BDT3,506,743,888. The acquisition was completed on 27 March 2008.
- (c) On 2 October 2008, the Company incorporated International Commercial Bank (Lao) Ltd (“ICB Laos”) in Laos with an equity interest of 100% at USD11,593,144 in cash. ICB Laos commenced operations as a bank in October 2008.
- (d) On 26 October 2007, the Company incorporated International Commercial Bank Ltd – Malawi (“ICB Malawi”) in Malawi with an equity interest of 100%. On 7 July 2008, an amount of USD3,000,000 in cash was transferred as share capital. ICB Malawi commenced operations as a bank in December 2008.
- (e) On 12 September 2008, the Company provided a Corporate Guarantee to INTL Global Currencies Ltd for the purpose of providing fund transfer facilities to certain of its subsidiaries and associated companies. The aggregate amount of the claims shall not exceed USD2,000,000.

There are no significant events subsequent to year end.

31. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

	2008	2007
	USD'000	USD'000
Commitment Receivables		
Forward foreign currency purchased	6,568	4,951
Commitment Liabilities		
Unused loan commitments granted to customers	43,899	22,721
Outstanding irrevocable foreign letters of credit (LC)	2,011	1,539
Outstanding irrevocable local letters of credit (LC)	73	1,532
Unsettled spot foreign currencies	1,761	1,963
Total Commitment Liabilities	47,744	27,755
Contingent Liabilities		
Guarantees, indemnities and bonds	13,517	16,875
Letters of credit	2,051	903
Total Contingent Liabilities	15,568	17,778

32. DEFINED BENEFIT PLAN

Bank Bumiputera, a subsidiary, records its defined benefit plan based on labour law of the country. No funding of benefits has been made to date. The number of employees entitled to the benefits in 2008 is 1,249 (2007: 1,138).

The amounts recognised in income statement is as follows:

	2008	2007
	USD'000	USD'000
Current service cost	366	332
Interest cost	133	103
Past service cost	11	7
Total	510	442

Notes to the Consolidated Financial Statements

32. DEFINED BENEFIT PLAN – CONT'D

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

	2008	2007		
	USD'000	USD'000		
At 1 January	1,211	1,014		
Charges for the year (Note 8)	510	442		
Benefits payment	(105)	(197)		
Currency translation differences	(211)	(48)		
Total	1,405	1,211		
	2008	2007		
Discount rate	12%	11%		
Future salary increment rate	7.75%	6%		
	2008	2007	2006	2005
	USD'000	USD'000	USD'000	USD'000
Present value of obligations	1,472	1,304	935	676
Unrecognised actuarial cost	(67)	(229)	(43)	(56)
Present value of other liabilities	–	136	122	–
Total	1,405	1,211	1,014	620

33. FINANCIAL RISK MANAGEMENT

(a) Strategy in Using Financial Instruments

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

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

33. FINANCIAL RISK MANAGEMENT – CONT'D

(b) Credit Risk

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

33. FINANCIAL RISK MANAGEMENT – CONT'D

(b) Credit Risk – cont'd

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

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

(i) Exposure to Credit Risk

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

	LOANS AND ADVANCES TO CUSTOMERS		FINANCIAL INVESTMENTS	
	2008 USD'000	2007 USD'000	2008 USD'000	2007 USD'000
Total gross	713,674	554,203	122,539	93,221
Specific allowances for impairment	(122,353)	(9,082)	–	–
Collective allowances for impairment	(3,263)	(4,438)	–	–
	588,058	540,683	122,539	93,221

As at 31 December 2008, the amount of unimpaired balances stood at USD481 million (2007: USD473 million). The maximum exposure to credit risk is the carrying amount of the financial asset receivable balances as at 31 December 2008 and 31 December 2007.

(ii) Write-off Policy

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

(iii) Collateral

The Group holds collateral against secured advances made to businesses and consumers, in the form of charges over properties, other registered securities over assets and sovereign/other bank's guarantees. Estimates of fair value are based on the value of collateral assessed at the time of financing and are updated on a periodic basis. The estimated fair value of collateral held against financial assets as at 31 December 2008 is USD467 million (2007: USD525 million).

33. FINANCIAL RISK MANAGEMENT – CONT'D

(b) Credit Risk – cont'd

(iv) Concentration of Credit Risk

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

Concentration by Sector:

	LOANS AND ADVANCES TO CUSTOMERS	
	2008 USD'000	2007 USD'000
Business loan	232,786	178,205
Consumer	355,272	362,478
	588,058	540,683

Concentration by Location:

	LOANS AND ADVANCES TO CUSTOMERS		FINANCIAL INVESTMENTS	
	2008 USD'000	2007 USD'000	2008 USD'000	2007 USD'000
Asia	515,892	468,808	49,235	30,876
Europe	19,330	15,008	17,199	12,562
Africa	52,836	56,867	56,105	49,783
	588,058	540,683	122,539	93,221

Notes to the Consolidated Financial Statements

33. FINANCIAL RISK MANAGEMENT – CONT'D

(c) Market Risk

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

(i) 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 banks treasury division will monitor their exchange rate risk based on the regulation of the central bank in their 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 USD'000	IDR USD'000	GHS USD'000	ALL USD'000	MZN USD'000	GNF USD'000	BDT USD'000	OTHERS USD'000	TOTAL USD'000
Assets									
Cash and bank balances	102,278	37,886	8,843	2,289	2,113	9,194	41,226	72,909	276,738
Loans and advances to customers	50,780	392,723	23,241	3,652	2,038	12,840	85,381	17,403	588,058
Financial investments	20,070	17,684	31,413	17,200	6,712	–	15,199	14,261	122,539
Other assets	9,437	11,484	6,811	138	355	1,828	9,909	(3,519)	36,443
Total financial assets	182,565	459,777	70,308	23,279	11,218	23,862	151,715	101,054	1,023,778
Liabilities									
Deposit from other banks	–	26,265	–	–	–	–	107,205	–	133,470
Customers' accounts	98,746	392,565	51,595	18,989	6,525	17,399	151,376	40,457	777,652
Other liabilities	900	12,023	2,392	132	1,617	222	37,229	1,927	56,442
Total financial liabilities	99,646	430,853	53,987	19,121	8,142	17,621	295,810	42,384	967,564
	82,919	28,924	16,321	4,158	3,076	6,241	(144,095)	58,670	56,214

33. FINANCIAL RISK MANAGEMENT – CONT'D

(c) Market Risk – cont'd

(i) Currency Risk – cont'd

	USD USD'000	IDR USD'000	GHS USD'000	ALL USD'000	MZN USD'000	GNF USD'000	BDT USD'000	OTHERS USD'000	TOTAL USD'000
At 31									
December									
2007									
Total financial assets	156,160	557,845	66,120	18,443	16,637	28,293	–	70,657	914,155
Total financial liabilities	129,019	533,530	66,202	19,797	13,926	21,712	–	41,031	825,217
	27,141	24,315	(82)	(1,354)	2,711	6,581	–	29,626	88,938

There are material exposures in IDR, GHS and BDT in the balance sheet so standard scenarios that are considered on a regular basis include a 10.00% rise or fall of these rates against the USD. An analysis at the balance sheet date of the components of the shareholder's equity sensitivity to an increase or decrease in these rates, all other variables constant, is as follows:

	IDR +10%	IDR -10%	GHS +10%	GHS -10%	BDT +10%	BDT -10%
31 December 2008	2,662	(2,662)	812	(812)	14,410	(14,410)
31 December 2007	2,978	(2,978)	204	(204)	n/a	n/a

Notes to the Consolidated Financial Statements

33. FINANCIAL RISK MANAGEMENT – CONT'D

(c) Market Risk – cont'd

(ii) Cash Flow and Fair Value Interest Rate Risk

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

	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
Assets							
Cash and bank balances	178,301	28,556	10,991	–	–	58,890	276,738
Loans and advances to customers	25,740	29,425	92,157	217,922	222,814	–	588,058
Financial investments	24,879	18,079	26,288	27,780	24,505	1,008	122,539
Other assets	4,381	60	901	6,611	7,642	16,848	36,443
Total financial assets	233,301	76,120	130,337	252,313	254,961	76,746	1,023,778
Liabilities							
Deposit from other banks	24,863	328	887	75,187	–	32,205	133,470
Customers' accounts	236,539	68,003	150,028	131,787	292	191,003	777,652
Other liabilities	9,729	119	4,991	22,376	29	19,198	56,442
Total financial liabilities	271,131	68,450	155,906	229,350	321	242,406	967,564
	(37,830)	7,670	(25,569)	22,963	254,640	(165,660)	59,214
At 31 December 2007							
Total financial assets	277,528	42,459	147,730	318,694	76,645	51,099	914,155
Total financial liabilities	409,005	121,365	110,865	158,100	–	25,882	825,217
	(131,477)	(78,906)	36,865	160,594	76,645	25,217	88,938

33. FINANCIAL RISK MANAGEMENT – CONT'D

(c) Market Risk – cont'd

(ii) Cash Flow and Fair Value Interest Rate Risk – cont'd

Standard scenarios that are considered on a regular basis include a 1.00% rise or fall in effective average rates. An analysis of the Company's income statement sensitivity to an increase or decrease in effective rates (assuming no asymmetrical movement and a constant balance sheet position) is as follows:

	1% PARALLEL INCREASE	1% PARALLEL DECREASE
31 December 2008	1,428	(1,428)
31 December 2007	632	(632)

(d) Liquidity Risk

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

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

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

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

Notes to the Consolidated Financial Statements

33. FINANCIAL RISK MANAGEMENT – CONT'D

(d) Liquidity Risk – cont'd

	UP TO 1 MONTH USD'000	1 – 3 MONTHS USD'000	3 – 12 MONTHS USD'000	1 – 5 YEARS USD'000	OVER 5 YEARS USD'000	TOTAL USD'000
Assets						
Cash and bank balances	117,712	39,059	8,893	110,827	247	276,738
Loans and advances to customers	23,159	40,342	138,196	198,463	187,898	588,058
Financial investments	18,408	25,406	26,255	27,965	24,505	122,539
Other assets	10,707	3,448	5,613	8,826	7,849	36,443
Total financial assets	169,986	108,255	178,957	346,081	220,499	1,023,778
Liabilities						
Deposit from other banks	24,863	328	914	75,318	32,047	133,470
Customers' accounts	278,838	72,149	179,084	167,267	80,314	777,652
Other liabilities	10,439	2,375	7,209	32,818	3,601	56,442
Total financial liabilities	314,140	74,852	187,207	275,403	115,962	967,564
	(144,154)	33,403	(8,250)	70,678	104,537	56,214
At 31 December 2007						
Total financial assets	289,165	67,453	151,219	333,464	72,854	914,155
Total financial liabilities	426,917	126,466	115,260	155,112	1,462	825,217
	(137,752)	(59,013)	35,959	178,352	71,392	88,938

(e) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks.

The Group's objective in managing operational risk is to implement an integrated internal control structure that supports process efficiency and customer needs, whilst effectively reducing the risk of error and financial loss in a cost effective manner. The overall operational risk framework is set by the Board of Directors. Primary responsibility for the development and implementation of internal controls is assigned to senior management within each business department. Adherence to overall operational risk policies and procedures is regularly reviewed by Internal Audit and findings are reported to the Audit Committee.

33. FINANCIAL RISK MANAGEMENT – CONT'D

(f) Fair Value of Financial Assets and Liabilities

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

(i) *Cash and Bank Balances*

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

(ii) *Loans and Advances to Customers*

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

(iii) *Trading Securities and Financial Investments*

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

(iv) *Deposits and Borrowings*

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

(v) *Debt Securities in Issue*

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

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