

# ANNUAL REPORT 2010



# Corporate Information

## **DIRECTORS**

### **Michael Robert Hanlon**

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

### **Josephine Premla Sivaretnam**

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

### **René Fritschi**

Independent Director  
(Chairman of Nomination Committee)

### **Kenneth Kwami Kwaku**

Independent Director  
(Chairman of Remuneration Committee)

### **Lim Teong Liat**

Independent Director  
(Chairman of Audit and Risk Management Committee)

### **Zakaria Abd Hamid**

Independent Director  
(Member of Audit and Risk Management Committee)

## **OFFICES**

### **Registered Office (Switzerland)**

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CH-8834 Schindellegi  
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Tel: +41 44 687 4550  
Fax: +41 44 687 4551

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Taman Sri Hartamas  
50480 Kuala Lumpur  
Malaysia  
Tel: +603 6201 6051  
Fax: +603 6201 6053

## **WEBSITE**

[www.icbankingroup.com](http://www.icbankingroup.com)

## **NOMINATED ADVISER**

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

Level 15, QV1 Building  
250 St Georges Terrance  
Perth WA 6000, Australia

## **BROKER**

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

## **COMPANY AUDITOR**

**BDO Ltd**  
Fabrikstrasse 50  
CH-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

# Synergising with emerging markets for Business Opportunities

## Inside

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# Chairman's Statement

Dear Shareholder,  
 In 2010 the Group returned to profitable trading and I am pleased to report to shareholders a profit before tax for the year of USD8.5 million, compared to the 2009 result of a loss of USD7.6 million.



The African Region did particularly well, contributing USD7.5 million profit before tax, followed by Albania, our presence in Europe, which delivered a sound USD1.3 million. The contribution from the Asian Region totaled USD2.1 million although the results were depressed as a result of the lackluster return from the Indonesian investment, Bank ICB Bumiputera.

However, I am particularly pleased to report that ICB Islamic Bank of Bangladesh (ICBIB) achieved profitable trading during the year under review, delivering a pre tax contribution of USD1 million.

Of the 14 Banks which form the Group, only two were unable to report profitable trading. Zambia recorded a loss of USD767,000, which was expected as ICB's presence in the country was only established in June of 2010. However, the business there is growing well and it is expected to become profitable by the end of the 2011 financial year. Senegal, where the Group only has a 20% interest, recorded a small loss of USD38,000.

The Group's Key Performance Indicators all improved during the year such as the Return on Equity which strengthened to 2.6% compared to -2.05% in 2009. With the exception of ICBIB, capital ratios in all Banks remain at or above levels set by Country Regulators.

At the point the Group made the original investment in ICBIB, the Central Bank of Bangladesh approved as part of a re-structuring scheme a period of grace in the meeting of minimum capital adequacy. However, in June 2010 the Group announced a sale of the investment for BDT3.8 billion (equivalent USD55 million). Whilst completion of the sale was expected to take place by the end of 2010, the final approval of the Central Bank of Bangladesh is still pending. Upon completion, the Group's cash resources will be strengthened, enabling ICB to further build the investment support across the Group as well as fund investment opportunities arising in new markets.



# positive signs

In 2010, the Group continued to invest USD35.7 million as additional capital funds in its subsidiary Banks. The largest capital increase was in Bank ICB Bumiputera, Indonesia, where additional capital of USD22 million was injected into the Bank to further strengthen the capital ratio and support future business growth. Further, recognising the growth opportunities and potential of the Tanzanian economy, the Group also invested USD4 million in ICB Tanzania to support expansion. With this capital increase, ICB Tanzania is now a 57% owned subsidiary of the Group, compared to 20% previously.

The Group's Cost/Income ratio has reduced to 82% compared to 85% previously and while this is still a high figure, notwithstanding the cost of the new Zambian presence in the year, the objective continues to be to have this ratio operating below 60% in the medium/short term.

The Group is still in the early stages of a major business re-structuring programme, although the benefits have begun flowing and have already contributed to the strengthened trading results of the year under review. Under guidance from the Global Management team in Kuala Lumpur, the Group completed the segmentation of its commercial business into the distinct operations of Business Banking and Consumer Banking in 2010.

For both segments, investment and growth strategies have been developed to complement the on-going delivery, offering customers a greater range of products and improved access to banking services. The effectiveness of these initial steps has been reflected in a very satisfying growth in customer volumes in the past year.

The ICB Group continues to maintain a strong industry profile and recognition, which was reflected by the number of awards in 2010. ICB Albania and ICB Guinea received the "Best Bank" awards in their respective countries from Global Finance, while ICB Djibouti,

ICB Sierra Leone and ICB Mozambique were awarded "The Bank of the Year" in their countries by The Banker. EMEA Finance, meanwhile awarded ICB Djibouti and ICB Sierra Leone as the "Best Bank" in their respective countries while ICB Mozambique was given the "Honourable Mention" award. I extend my congratulations to the Management and staff of these Banks for achieving such significant industry recognition, which plays an important part in maintaining the profile of the ICB Group on the world stage.

Whilst the world economy regained momentum and strength in 2010, optimism for 2011 is inevitably tempered by record oil prices and political unease which has engulfed a number of countries mainly in North Africa and the Middle East. However, the geographic diversity of ICB's presence, coupled with the on-going business re-structuring, will enable us to build strongly on the progress of 2010. We have a very clear objective of delivering shareholder value and whilst 2010 was a positive step in this direction after the disappointing results of 2009, the Group Board remains confident that the strategy embarked upon will enable the Group to more rapidly build its presence and profitability in the markets it serves. We recognise that there is still much to be done but the continued support of our shareholders is very much valued as we progress these plans.

On behalf of the Group Board I also extend our appreciation to the Management and staff in the 14 Banks which form the ICB Group. Their commitment to the delivery of a high quality service to customers in an environment of major change is challenging but the positive feedback I have received from many customers validates the success they are achieving, for which they are to be commended.

**Michael R Hanlon**  
Group Chairman

## GCEO's Review

I am delighted to report, in my inaugural year as the Group Chief Executive, that the Group recorded a pre-tax profit of USD8.5 million in 2010 compared to a loss of USD7.6 million previously. More significantly, the turnaround in profit was achieved against a backdrop of an overall improvement of business in all our banks.



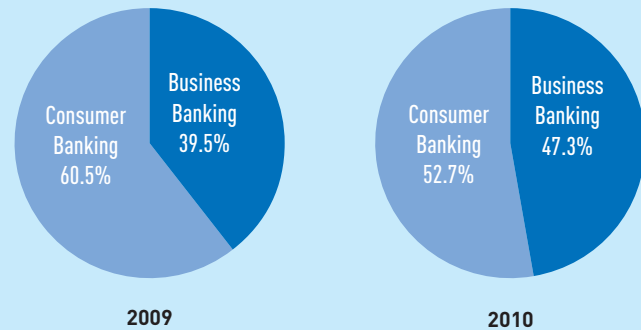
The ICB Banking Group has a significant footprint, operating in 14 countries across three continents and is well represented in the emerging markets that have now been identified as the new engine of global growth. These markets presented the Group with tremendous opportunities to leverage its expertise and create more value for our shareholders.

To grasp the opportunities, the Group embarked on a strategic reorganisation of its business structure from mid-2009. Following this, further new management processes and discipline were introduced in 2010 to enable the Group to respond swiftly to market place changes and establish stronger management accountability to the bottom-line.

The introduction of new management practices also concurrently underpins the strong passion of the Group to increase value for all stakeholders in the Group, primarily our customers, employees and shareholders. The journey towards creating a Group that is committed to providing quality banking services and seeking value for all stakeholders has indeed begun.

2010 will stand out as the watershed year in which the strategic transformation begins.

Loans by segment



# value banking

## GROUP'S FINANCIAL PERFORMANCE

The Group's 2010 pre-tax profit of USD8.5 million was driven mainly by higher net interest margin arising from higher loans growth, higher fee and commission income coupled with lower loan impairment charges.

On a regional basis, the African region recorded a pre-tax profit of USD7.5 million compared to USD2.2 million in the previous corresponding period. A large portion of this was contributed by our flagship bank in Africa, ICB Ghana, which recorded a pre-tax profit of USD5.1 million compared to USD0.6 million previously.

The Asian region as a whole contributed a pre-tax profit of USD2.1 million compared with a USD11.7 million loss previously, with the sharp turnaround attributed to the improved performance by ICB Islamic Bangladesh Limited (ICBIB).

The 2010 turnaround of ICBIB is a significant milestone for the Group since it took over the loss-making bank two years ago when it was confronted with a high level of impaired assets, weak operating systems and processes, as well as poor work morale. Numerous changes were initiated to strengthen management and staff, operational processes and systems, while inculcating a performance culture which is congruent to the Group's values and principles.

The new pace of changes in 2010 enabled the Bank to grow its new loans by USD22 million to USD96 million, which contributed to higher net interest income. The improvements in asset quality and higher recoveries resulted in lower impairment charges incurred during the period under review. These changes resulted in a monthly operating profit from June 2010, leading to a profit of USD1 million in 2010 compared to a loss of USD11.7 million in 2009.

## CAPITAL INCREASE

In 2010, the Group continued to inject further capital into the banks to strengthen capital adequacy in anticipation of expanding business and to meet the expectations of banking regulators for stronger capitalised banks in the light of the global financial crisis.

The Group invested USD35.7 million as additional capital funds for the banks in 2010 with the largest capital increase being in Bank ICB Bumiputera, Indonesia, where an additional USD22 million was injected to further strengthen capital adequacy and support future business growth. The Group also invested an additional USD4 million into ICB Tanzania, increasing the Group's stake to 57% from 20% previously and making it into a subsidiary of the Group. A further USD2.5 million was injected into ICB Laos to stay in-step with the country's capital requirements.



## BUSINESS INITIATIVES

Having structured the Group business into two major lines - Business and Consumer Banking - in 2009, the Group continued to pursue this strategic intent with a stronger vigour and focus. In 2010, ICB adopted a more holistic Group marketing and product programme strategy as a means to expeditiously roll out new products to the markets.

The product programmes in both Business and Consumer Banking are also customised to the unique characteristics of each market in order for the product features to better meet the unique customer needs and expectations. We have since been able to reduce the turnaround time and improve time-to-market of new products to improve competitiveness.

Notable marketing and product programmes include the innovative low cost savings deposit campaign with compelling propositions, which include attractive gifts, strategic partnerships with housing developers to finance housing loans, renewed focus on growing loans to small and medium scale enterprises including lending to the small traders and micro-banking segment in Indonesia and Albania.

Meanwhile, greater effort was expanded on increasing the volume of trade financing and remittance to improve fee and commission based income. The Group also escalated the remittance business to the Group level to facilitate better coordination and more coherent implementation of strategies across the Group. As a result, the banks have been able to have better remittance flows from money transfer organisations and non-governmental organisations, which rose to USD71.3 million from USD48.5 million in 2009.

To enhance our customer reach, additional delivery channels in the form of new branches and ATMs were added in 2010. A total of 52 new branches and sales-points were opened during the year, bringing the Group's network of branches to 217 while 18 new ATMS were added, bringing the total number to 121.

The strong achievements of 2010 were also reflected in the loans and deposits growth of 25% and 30% respectively while commission income grew by 28%. These early gains are encouraging and will certainly motivate the Group to strive for better growth going forward.

## HUMAN CAPITAL

Since mid-2009, the Group has embarked on an ambitious transformational journey to restructure and transform itself into an efficient, customer focused and high performance orientated organisation to support future growth and bolster our franchise.

The most important building block in this transformation process is our human capital – our competency and skills sets. The recrafting of the Group's human resources strategy began in 2010 and has reviewed key aspects that include developing and retaining talent, while attracting new ones and introducing new performance management and measurement tools. The implementation of the new strategies has already delivered changes in the workplace and work culture, with improvements in the overall results of the banks.

The new paradigm is also about creating oneness in the Group given its diversity which comes from being in 14 countries spread across 3 continents. Greater communication between the banks and within the Group has been introduced and encouraged, opening up channels to facilitate communication. The Group's e-Newsletter is now entrenched, providing updates to all employees on happenings across the Group, whilst video-conferencing capabilities have been expanded to complement tele-conferencing in more countries. Regional and Group meetings and trainings have also been expanded to increase interaction and involvement of our people at both professional and social level.

We have successfully implanted a new concept of ICB Banking Group – of more people involvement.



## INFORMATION TECHNOLOGY

Throughout 2010, the Group invested in several IT and process improvement initiatives to create a more robust framework that supports growth in the medium term. These process improvements will also enable the Group to meet the increasingly demanding customer expectations in terms of service delivery while establishing more efficient operations in the banks. This endeavour continues as we also commence to assess strategies that could radically enhance our IT support and maintenance across the Group because of our large network.

## RISK MANAGEMENT AND INTERNAL CONTROLS

As the businesses expand, the oversight roles have also been increased in the banks to mitigate the overall risk of doing business in the Group. The Group Risk Management introduced a new internal rating structure and methodology under the Business Risk Analysis and Evaluation (BRAE) programme in 2010 to deal with key risk elements the Group faces as well as other initiatives under the Basel II programme, in order to establish best practices and enhance KYC procedures in the banks. Going forward, the Group will further instil the integrated risk management approach through the adoption of the Group Enterprise Risk Management (ERM) process with the objective of aligning strategies, policies, processes, people and innovation to enhance stakeholders' value.

## OUTLOOK

The business and transformation initiatives implemented across the Group have begun to show positive results and we envisage that this trend will not only continue but accelerate into the coming years. The Group plans to scale up business in all areas immediately

by leveraging on our core competencies in Consumer and Business Banking by pursuing the middle and small market segments. We will also improve and expand our reach into the target markets through the conventional branch channels as well as by adding new distribution platforms through the Internet and mobile phones to improve accessibility and market penetration.

In June 2010, the Group announced the sale of ICBBIB for BDT3.8 billion (equivalent USD55 million), in line with the on-going rationalization in the Group to further strengthen profitability and strategic focus. At the time of this report, the Group is still awaiting approval from the Central Bank of Bangladesh to complete the sale. Upon completion, the Group's cash resources will be in a stronger position to undertake additional capital increases in ICB banks and also to fund investment opportunities in new markets.

The above mentioned measures are expected to bring further improvements in business volumes and operational efficiencies, both of which are expected to contribute to a better financial performance in the medium term.

## APPRECIATION

I take this opportunity to express my sincere gratitude to the shareholders and the Group Board for their confidence in me and my team and their valuable support in my mission to take the Group to the next level. My appreciation also goes out to all the staff of the Group for their contributions and hard work in making the changes that are beginning to show encouraging results.

**Tai Terk Lin**  
Group CEO

# Board of Directors

**front from left:** Michael Robert Hanlon (chairman), Lim Teong Liat, René Fritschi

**back from left:** Josephine Premla Sivaretnam, Zakaria Abd Hamid, Kenneth Kwami Kwaku



## Directors' Profile

**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 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.

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**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.

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**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 to the ECOWAS Bank for Investment and Development (EBID) and to the Secretary General of Africa-Caribbean and Pacific Organization (ACP), Chairman of BDO/DCDM Africa, Chairman, Bayport Financial Services (Tz) Ltd and Executive Chairman, the Kwaku Group. Ken served with the World Bank from 1976 to 2004 and held several senior 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.

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**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 the Chairman of the Audit and Risk Management Committee. A Fellow of The Institute Of Chartered Accountants in England and Wales, Mr Lim has more than 25 years of banking experience in areas of operations, internal audit, marketing and general management. He was appointed as an 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 served as an independent member of the Board of Commissioners of PT Bank Bumiputera, Indonesia and as Chairman of the Audit Committee from 2007 to 2009.

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**Zakaria Abd Hamid** Independent Director

Zakaria Abd Hamid was appointed to the Board of ICB Financial Group Holdings AG since 19 May 2010. He is also a member of the Audit and Risk Management Committee. He has more than 34 years of extensive experience in banking, corporate finance and advisory services. He has held senior positions in various organizations including Maybank Berhad, Bumiputra Merchant Bankers Bhd, Technology Resources Industries Bhd, Malaysia Helicopters Services Bhd, Natwide Group of Companies and KYM Holdings Bhd. He sits on the Boards of Alliance Investment Bank Berhad, Alliance Bank Malaysia Berhad and Alliance Islamic Bank Berhad as an Independent Non-Executive Director. Zakaria holds a Bachelor of Economics degree from University of Malaya.

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# Management Team



George Koshy, Sashidharan Nair, Tai Terk Lin, Al Alagappan, Muniandy R Krishnan

**Tai Terk Lin** was appointed Group CEO in October 2009, having gained a wide range of banking experience covering retail, commercial, private and investment banking. He was previously an executive director and head of Asian business development at Platinum Capital Management, a London-based hedge fund, having commenced in banking in 1984 at Supreme Finance before experience at PricewaterhouseCoopers as a consulting manager in its Corporate Care Division, and at the Hong Leong Group of companies where he left in 2001 as Chief Executive Officer of Hong Leong Unit Trust and joined AmInvestment Bank as Director/Head of Private Banking. Subsequently he became Senior Vice President, Private Banking of DBS Bank in Singapore.

Tai holds a Master of Business Administration from Cranfield University, United Kingdom and a Bachelor of Science (Honours) in Mathematics and Physics from the University of Malaya, Kuala Lumpur. He also holds the FICP (Singapore) and CFP®.

**Muniandy R Krishnan** is the Group Chief Financial Officer. He has more than 25 years' experience in the banking and financial services industry. He started his career with PriceWaterhouseCoopers after which he joined a banking group in Malaysia in 1985. He has served in various capacities and has wide experience in the financial services industry. Prior to joining the ICB Group, he served as the Head of Financial Control and Risk Management at Auto Finance Division of the CIMB Group and before that as Vice President of Finance Division at CIMB Bank. He joined PT Bank Bumiputera Indonesia in 2006 as the Finance Director/Chief Financial Officer. In 2009, he was appointed as the Group CFO for the ICB Group. He is responsible for the overall Group's accounting and financial management. He is a qualified accountant from the Chartered Institute of Management Accountants, United Kingdom. He also holds an honours degree in Accounting from the University of Malaya.

**George Koshy** is the Managing Director of Business Banking and Regional CEO for West Africa. He has 25 years of banking experience in Asia, Africa and Eastern Europe. He began his career with ICB as the CEO of ICB-Tanzania in 1997 and later CEO of ICB-Ghana in 1999. In 2001, he was transferred to ICB Global Management as General Manager and currently is Managing Director of Business Banking and Regional CEO of ICB-West Africa. Prior to this he was with a Malaysian bank for a period of 14 years. His educational qualifications include MBA from University of Stirling(UK), Bachelor of Commerce from University of Melbourne (Australia) and Diploma in Banking and Finance from Institute of Banks, Malaysia.

**Al Alagappan** is Managing Director for Consumer Banking and Regional CEO for Asia and Eastern Europe, has over 25 years of experience in the banking and finance industry. He has a strong niche in the Retail banking space including Credit Cards, Mortgages, Auto Finance, Deposits Management, Internet banking and Mobile banking. His earlier corporate position was as the President of MBF Holdings Berhad which has a presence in over 10 countries and concurrently President and CEO of MBF Cards Sdn Bhd in Malaysia, which is one of the largest Credit Card issuers and acquirers in Malaysia. With over 20 years of pure ASEAN wealth experience particularly Singapore, Philippines and Malaysia, he brings tremendous wealth of experience. He has also held responsible positions with Citibank N.A. in the region, where he rose from a financial analyst to be the President and CEO of Citicorp Financial Services in the Philippines. Al is also a Six Sigma Black Belt and has specialized in the DMAIC methodology.

**Sashidharan Nair** is the Regional CEO for East Africa. He has 20 years of banking experience in various countries including USA, Malaysia and Africa. From 2001 to 2005, he was the CEO of ICB-Guinea and later helmed the position of Regional Director West Africa from 2004 to 2008. In August 2008, he was transferred to ICB Global Management where he currently holds the position of Regional CEO for ICB East Africa. Mr. Nair graduated with a Bachelor of Science Degree (Management) from the University of the Ozarks, Arkansas, USA and MBA (Finance) from Central State University, Oklahoma, USA.

## Our Global Presence

The Group is committed to creating synergistic trade and investment opportunities amongst its customers around the globe

### Holding Company

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

### Europe

2. **100%**  
International Commercial Bank SH.A.  
(Incorporated in Albania)

### Africa

3. **100%**  
International Commercial Bank Ltd.  
(Incorporated in Ghana)
4. **99.9%**  
International Commercial Bank (Djibouti) S.A.  
(Incorporated in Djibouti)
5. **99.9%**  
International Commercial Bank (Sierra Leone) Ltd  
(Incorporated in Sierra Leone)
6. **99.1%**  
International Commercial Bank (Gambia) Ltd.  
(Incorporated in Gambia)
7. **99.9%**  
International Commercial Bank (Mozambique) S.A.  
(Incorporated in Mozambique)
8. **97%**  
International Commercial Bank S.A.  
(Incorporated in Guinea)

9. **100%**  
International Commercial Bank Ltd. – Malawi  
(Incorporated in Malawi)
10. **57.7%**  
International Commercial Bank (Tanzania) Ltd.  
(Incorporated in Tanzania)
11. **20%**  
International Commercial Bank Senegal S.A.  
(Incorporated in Senegal)
12. **100%**  
International Commercial Bank Zambia Ltd  
(Incorporated in Zambia)

### Asia

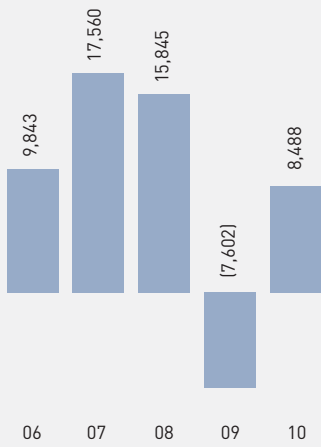
13. **100%**  
ICB Global Management Sdn. Bhd.  
(Incorporated in Malaysia)
14. **69.9%**  
PT Bank ICB Bumiputera Tbk  
(Incorporated in Indonesia)
15. **100%**  
International Commercial Bank Lao Ltd.  
(Incorporated in Lao)
16. **50.1%**  
ICB Islamic Bank Ltd.  
(Incorporated in Bangladesh)

## Financial Highlights

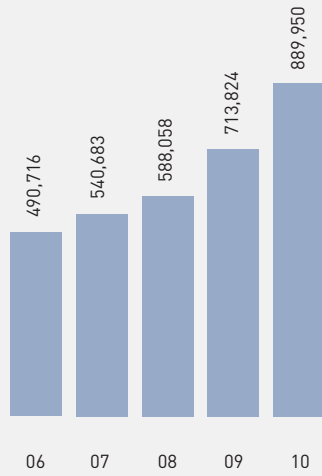
# Establishing strong partnerships in growing markets

	2006 USD'000	2007 USD'000	2008 USD'000	2009 USD'000	2010 USD'000
Net interest income	33,487	48,565	48,815	49,390	<b>68,666</b>
Net fee and commission income	7,886	10,429	11,197	11,148	<b>14,285</b>
Impairment charges for loans and advances to customers	(5,281)	(13,051)	(14,422)	(16,605)	<b>(8,171)</b>
Operating expenses	(35,058)	(45,076)	(63,752)	(58,456)	<b>(77,434)</b>
Profit / (loss) before taxation	9,843	17,560	15,845	(7,602)	<b>8,488</b>
Loans and advances to customers	490,716	540,683	588,058	713,824	<b>889,950</b>
Deposit from customers	647,375	746,734	777,652	951,796	<b>1,238,678</b>
Equity attributable to owners of the company	175,007	179,304	189,099	200,362	<b>207,790</b>

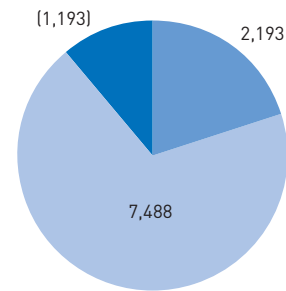
**Profit / (loss) before taxation (USD'000)**



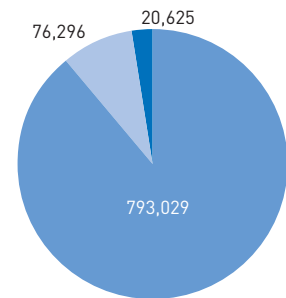
**Loans and advances to customers (USD'000)**



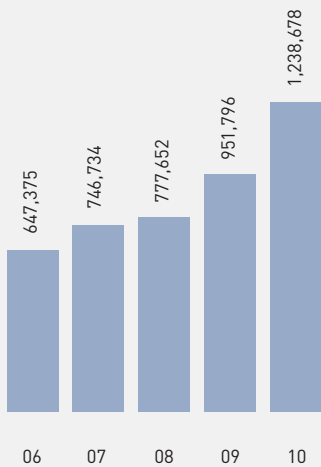
**Profit before taxation by region (USD'000)**



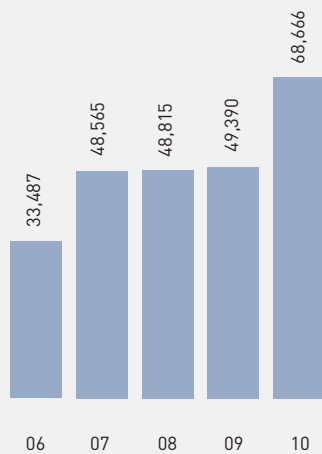
**Loans by region (USD'000)**



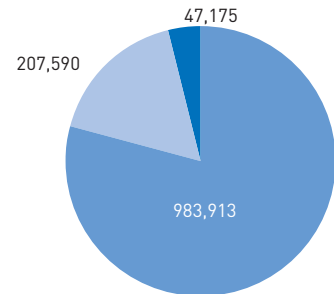
**Deposit from customers (USD'000)**



**Net interest income (USD'000)**



**Deposit by region (USD'000)**



■ Asia   ■ Africa   ■ Europe



# Creating Value

## Value Banking

Enabling our customers to achieve a *distinctive banking* experience is the very essence of our philosophy to create value propositions for them. This essence is embodied in our concept of *value banking* where the goal is to provide solutions to the essential needs of our stakeholders and primarily those of our customers. We aspire to understand the essential needs of our customers in consideration of the environment in which they live and operate.

## People Appreciation

Our customer-centric organizational culture is underpinned by our core values in appreciating the people around us – our customers, our employees, our shareholders and the regulators.



## Customer centricity is also about providing the right solutions to meet core needs

As customers' progress and their lifestage needs change, we aspire to be the bank that will stay with them through these changes..... and to offer them the financial solutions that fulfill their needs optimally. We believe in strong customer engagement.....



## Honing the processes is a continuous journey

We recognize that change is not only inevitable but necessary to stay relevant to our customers and other stakeholders alike. We constantly adapt to changes - in how we interface with our people, how we operate, streamline and improve our processes.

## Broad and international market spectrum

We operate in 14 banks across emerging countries in 3 continents. Our appreciation of multi-ethnicity and diversity is deep-rooted, allowing us to tailor innovative products and introduce them efficiently across the Group. Amongst the initiatives we have carried out include special promotions to inculcate savings habit in different communities, senior citizen savings programme, special fund remittance schemes, establishing micro-banking for small traders and priority banking for the affluent in relevant markets, and provision of Islamic products.

We also engage with local authorities and businesses to ensure that our services continue to stay relevant and provide value in markets that we are in. To achieve this, we conduct workshops for SMEs and promote trade and businesses amongst our customers in different markets and in different locations through our *Group Total Effort* initiatives, as well as co-sponsoring investment forums to target countries jointly with national trade missions to promote the markets that we are operating in.

We have undertaken these initiatives as part of our corporate responsibility and to be recognized as a responsible corporate citizen of the community. It is on this reputation and foundation that we will continue to build our business, in which our success is intricately linked with the well being of the communities that we serve.

Internally, our talent pool of versatile and experienced international bankers across the Group has regular dialogues to share their experiences and knowledge. We also conduct regular training programme for all our employees to ensure they are well equipped, in both knowledge and service standards, to attend to customers.

*Value Banking* upholds the principles on which we operate. Ultimately, we seek to provide our customers with a distinctive banking experience, assuring them of trust, security and a peace of mind.



## Corporate Responsibility

At ICB, Corporate Responsibility (CR) is embodied in how we conduct our business to incorporate enriching the communities where we are present as we strive to bring positive change by providing affordable services which improve their lives and transform their future.

ICB's presence in emerging markets allows us to make a meaningful difference by helping to develop local communities in a manner which enriches their lives and future through education and engagement programmes for the less fortunate.

The programmes we carry out go beyond ad hoc contributions to various charities, as we are also involved in the sponsorship of the arts and local cultures, and promoting them to an international audience.

Our CR activities also carry a strong element of employee involvement, who contribute their time and are involved in the organization and identification of projects, as well as donations and community engagement. In 2010, these included festive season contributions, food aid and education programmes initiated by our staff.

We firmly believe that employee engagement provides the platform to explore and acquire new skills, enhance personal development, develop teambuilding spirit and be involved in community building. These are skills that will enhance their contributions to the banking business as well as their levels of service to their customers.

ICB Banks in each country have their own unique community requirements, with each one having their own strategies and approach to community relations and building. We strongly advocate the sharing of knowledge, and we strongly believe that sharing the strategies and acquired skill sets among the Group will strengthen the capabilities of each individual bank.

CR will continue to be an integral part of our long-term business strategies, as we seek new ways to grow our customer base by enriching the communities we operate in.

# 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 each quarter 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	4	4
Josephine Sivaretnam	4	4
Ken Kwaku	4	3
René Fritschi	4	4
Lim Teong Liat	4	4
Zakaria Abd Hamid	3	2

## Corporate Governance Report

### THE BOARD (CONT'D)

#### 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:

Lim Teong Liat (Chairman)  
 Michael Hanlon  
 Zakaria Abd Hamid

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;

## Corporate Governance Report

### THE BOARD (CONT'D)

#### 4. Delegation of Authority and Function (Cont'd)

##### *Nomination Committee (Cont'd)*

- 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 2010.

# 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 23 to 73 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 2010 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**

7 April 2011

# 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 statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes for the year ended 31 December 2010.

## **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 2010 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 Statutory Auditors on the Consolidated Financial Statements

TO THE GENERAL MEETING OF ICB FINANCIAL GROUP HOLDINGS AG, SCHINDELLEGI

### 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 article 11 AOA) 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, 7 April 2011

**BDO Ltd.**

**Markus Eugster**

Licensed Audit Expert

**Thomas Reisser**

Auditor in Charge

Licensed Audit Expert

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 USD'000	2009 USD'000
Interest income		130,748	106,010
Interest expense		(62,082)	(56,620)
<b>Net interest income</b>	4	<b>68,666</b>	49,390
Fee and commission income		14,489	11,300
Fee and commission expense		(204)	(152)
<b>Net fee and commission income</b>	5	<b>14,285</b>	11,148
Foreign currency gain	6	4,200	3,258
Gains less losses from financial investments		4,613	3,116
Gains less losses from trading securities		22	72
Gain on re-measurement of investment		795	–
Other operating income		2,391	1,831
Impairment charges for loans and advances to customers	12	(8,171)	(16,605)
Fair value change in foreclosed properties	14	(389)	(1,297)
Operating expenses	7	(77,434)	(58,456)
<b>Operating profit/(loss)</b>		<b>8,978</b>	(7,543)
Share of results of associates	15	(490)	(59)
<b>Profit/(loss) before taxation</b>		<b>8,488</b>	(7,602)
Tax expense	9	(2,257)	(1,856)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>6,231</b>	(9,458)
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		2,570	15,808
Available-for-sale financial assets		(1,191)	3,174
<b>Other comprehensive income for the year</b>		<b>1,379</b>	18,892
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>7,610</b>	9,524
Profit/(loss) of the year attributable to:			
– Owners of the parent		5,253	(4,119)
– Non-controlling interests		978	(5,339)
		<b>6,231</b>	(9,458)
Total comprehensive income attributable to:			
– Owners of the parent		5,535	11,263
– Non-controlling interests		2,075	(1,739)
		<b>7,610</b>	9,524
<b>Earnings per share</b>			
– Basic and diluted (Expressed in USD per share)	10	0.03	(0.02)

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

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

	Notes	2010 USD'000	2009 USD'000
<b>ASSETS</b>			
Cash and bank balances	11	<b>396,204</b>	267,247
Loans and advances to customers	12	<b>889,950</b>	713,824
Financial investments	13	<b>185,810</b>	190,966
Foreclosed properties	14	<b>11,692</b>	15,490
Investment in associates	15	<b>2,351</b>	1,791
Goodwill and other intangible assets	16	<b>61,861</b>	62,308
Prepaid lease payments	17	<b>41</b>	79
Property and equipment	18	<b>24,221</b>	24,584
Other assets	19	<b>56,955</b>	44,016
Deferred tax assets	20	<b>4,278</b>	3,377
<b>Total assets</b>		<b>1,633,363</b>	1,323,682
<b>LIABILITIES</b>			
Deposits from other banks		<b>172,801</b>	172,338
Deposit from customers	21	<b>1,238,678</b>	951,796
Other liabilities	22	<b>51,124</b>	39,592
Tax liabilities		<b>1,455</b>	998
Deferred tax liabilities	20	<b>255</b>	232
<b>Total liabilities</b>		<b>1,464,313</b>	1,164,956
<b>EQUITY</b>			
Paid up share capital	23	<b>145,960</b>	145,960
Share premium		<b>782</b>	782
Retained earnings	24	<b>44,750</b>	37,808
Other reserves	25	<b>16,298</b>	15,812
<b>Equity attributable to owners of the Company</b>		<b>207,790</b>	200,362
Non-controlling interests		<b>(38,740)</b>	(41,636)
		<b>169,050</b>	158,726
<b>Total equity and liabilities</b>		<b>1,633,363</b>	1,323,682

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

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	2010 USD'000	2009 USD'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	8,488	(7,602)
Adjustment for :		
Impairment charges for loans and advances to customers	8,171	16,605
Amortisation of prepaid lease rental	39	36
Amortisation of intangible assets	2,103	1,481
Depreciation of property and equipment	4,378	3,342
Loss/(Gain) on disposal of property and equipment	59	(24)
Gain on re-measurement of investment	(795)	-
Fair value changes in foreclosed properties	389	1,297
Share of results of associates	490	59
Gain on foreign exchange translation	(4,200)	(3,258)
<b>Cash flow from operations before working capital changes</b>	<b>19,122</b>	<b>11,936</b>
Increase in operating assets	(184,780)	(89,390)
Increase in operating liabilities	234,480	126,444
<b>Cash generated from operations</b>	<b>68,822</b>	<b>48,990</b>
<b>Tax paid</b>	<b>(1,921)</b>	<b>(2,663)</b>
<b>Net cash from operating activities</b>	<b>66,901</b>	<b>46,327</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of a subsidiary, net of cash acquired	25,454	-
Purchase of property and equipment	(7,382)	(7,451)
Purchase of intangible assets	(1,051)	(8,469)
Proceeds from sale of property and equipment	88	22
Increase investment in associate	(1,717)	-
Proceeds from sale of foreclosed property	511	2,888
Decrease in financial investments	36,632	5,081
Increase in financial investments	(21,835)	(73,420)
<b>Net cash from/(used in) investing activities</b>	<b>30,700</b>	<b>(81,349)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	(82)	-
<b>Net cash used in financing activities</b>	<b>(82)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>97,519</b>	<b>(35,022)</b>
Cash and cash equivalents at the beginning of the year	214,262	228,644
Effect of exchange rate changes on cash and cash equivalents	(6,932)	20,640
Cash and cash equivalents at the end of the year (Note 26)	<b>304,849</b>	<b>214,262</b>

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

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Share Capital USD'000	Share Premium USD'000	Other Reserves USD'000	Retained Earnings USD'000	Total Equity Attributable To Owners Of The Parent USD'000	Non- Controlling Interests USD'000	Total Equity USD'000
<b>At 1 January 2010</b>	<b>145,960</b>	<b>782</b>	<b>15,812</b>	<b>37,808</b>	<b>200,362</b>	<b>(41,636)</b>	<b>158,726</b>
Profit for the year	-	-	-	5,253	5,253	978	6,231
Other comprehensive income:							
Currency translation differences arising from translation to presentation currency	-	-	1,081	-	1,081	1,489	2,570
Loss in fair value on available-for-sale securities	-	-	(799)	-	(799)	(392)	(1,191)
Transfer of reserve to retained earnings arising from re-measurement of associate	-	-	204	(204)	-	-	-
Total comprehensive income for the year	-	-	486	5,049	5,535	2,075	7,610
Non-controlling interest from business combination	-	-	-	-	-	2,796	2,796
Dividend paid to non-controlling interests	-	-	-	-	-	(82)	(82)
Acquisition of non-controlling interests	-	-	-	1,893	1,893	(1,893)	-
<b>At 31 December 2010</b>	<b>145,960</b>	<b>782</b>	<b>16,298</b>	<b>44,750</b>	<b>207,790</b>	<b>(38,740)</b>	<b>169,050</b>
<b>At 1 January 2009</b>	145,960	782	(2,655)	45,012	189,099	(39,897)	149,202
Loss for the year	-	-	-	(4,119)	(4,119)	(5,339)	(9,458)
Other comprehensive income:							
Currency translation differences arising from translation to presentation currency	-	-	13,253	-	13,253	2,555	15,808
Gain in fair value on available-for-sale securities	-	-	2,129	-	2,129	1,045	3,174
Capitalisation of retained earnings of subsidiary	-	-	3,085	(3,085)	-	-	-
Total comprehensive income for the year	-	-	18,467	(7,204)	11,263	(1,739)	9,524
<b>At 31 December 2009</b>	145,960	782	15,812	37,808	200,362	(41,636)	158,726

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

# Notes to the Consolidated Financial Statements

31 DECEMBER 2010

## 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 7 April 2011.

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.

The Group adopted the amendments in the following IFRS for the year ended 31 December 2010:

- IFRS 2	Group Cash-settled Share-based Payment Transactions (Amendment)
- IFRS 3	Business Combinations (Revised)
- IFRS 9	Financial Instruments
- IAS 24	Related Party Disclosures (Revised)
- IAS 27	Consolidated and Separate Financial Statements (Amendment)
- IAS 32	Classification of Rights Issues
- IAS 39	Financial Instruments: Recognition and Measurement: Eligible Hedged Items (Amendment)
- IFRIC 14	Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 17	Distributions of Non-cash Assets to Owners
- IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (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. Identifiable assets acquired are fair valued at the acquisition date, irrespective of the extent of any non-controlling 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 profit or loss.

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.

##### (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 profit or loss, 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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(c) Segmental Reporting**

Segment reporting is based on the Group's internal management reporting reflective of the organizations management reporting structure. The Group has three main reportable segments, based on the location of their operations. These have been chosen because each segment displays similar characteristics in terms of risk and growth potential.

**(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**

International Commercial Bank (Mozambique), S.A.

Mozambique Metical (MZN)

International Commercial Bank (Gambia) Ltd.

Gambian Dalasi (GMD)

International Commercial Bank (Sierra Leone) Limited  
Commercial Bank SH.A.

Sierra Leone Leones (SLL) International  
Albanian Lek (ALL)

International Commercial Bank S.A.

Guinea Francs (GNF)

PT Bank ICB Bumiputera Tbk

Indonesian Rupiah (IDR)

(formerly known as PT Bank Bumiputera Indonesia Tbk)

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)

International Commercial Bank Zambia Ltd

Zambian Kwacha (ZMK)

International Commercial Bank (Tanzania) Limited

Tanzanian Schilings (TZS)

**Associates**

International Commercial Bank Senegal S.A.

Communauté Financière  
Africaine Francs BCEAO (XOF)

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 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 statement of financial position presented are translated at the closing rate at the statement of financial position date;
- ii. income and expenses for each statement of comprehensive income 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 in other comprehensive income and 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 profit or loss 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

31 DECEMBER 2010

**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	
	2010	2009	2010	2009
1 CHF	<b>0.9589</b>	0.9204	<b>1.0372</b>	0.9725
1 MYR	<b>0.3112</b>	0.2838	<b>0.3243</b>	0.2920
1 GMD	<b>0.0357</b>	0.0376	<b>0.0352</b>	0.0372
1 MZN	<b>0.0294</b>	0.0360	<b>0.0307</b>	0.0343
1 GHS	<b>0.6991</b>	0.7078	<b>0.6881</b>	0.6974
1000 SLL	<b>0.2556</b>	0.2989	<b>0.2500</b>	0.2597
1000 ALL	<b>9.6212</b>	10.5123	<b>9.5283</b>	10.4373
1000 GNF	<b>0.1731</b>	0.2101	<b>0.1644</b>	0.2031
1000 IDR	<b>0.1102</b>	0.0967	<b>0.1110</b>	0.1064
1000 DJF	<b>5.6268</b>	5.6268	<b>5.6268</b>	5.6268
1000 XOF	<b>2.0099</b>	2.0359	<b>2.0370</b>	2.1962
1000 TZS	<b>0.7325</b>	0.7579	<b>0.7162</b>	0.7663
1000 BDT	<b>14.3485</b>	14.5085	<b>14.3485</b>	14.5085
1000 LAK	<b>0.1215</b>	0.1174	<b>0.1244</b>	0.1179
1000 MWK	<b>6.6297</b>	7.0526	<b>6.6313</b>	6.9118
1000 ZMK	<b>0.2068</b>	0.1977	<b>0.2085</b>	0.2155

**(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 profit or loss 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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 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 incom

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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (g) Financial Assets (Cont'd)

##### (a) Classification

##### (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.

##### (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 profit or loss.

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 profit or loss.

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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (g) Financial Assets (Cont'd)

##### (b) Recognition and Derecognition (Cont'd)

##### (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.

##### (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 profit or loss 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 profit or loss 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 other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss 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 statement of financial position 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

31 DECEMBER 2010

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

#### (i) Impairments of financial assets

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

The Group assesses at each statement of financial position 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 profit or loss.

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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (i) Impairments of financial assets (Cont'd)

##### (ii) *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 profit or loss.

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 profit or loss.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (i) Impairments of financial assets (Cont'd)

##### (ii) *Assets carried at fair value*

The Group assesses at each statement of financial position 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 other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss 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 profit or loss.

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 profit or loss. 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 profit or loss.

#### (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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 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 profit or loss.

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 profit or loss 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	3 – 5 years
Renovation	5 years

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (n) Property and Equipment (Cont'd)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

#### (o) Income Tax

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

Current tax is the tax expected to be payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the statement of financial position 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 statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is not recognised if the temporary differences arises from goodwill which are not deductible for tax purposes or from the initial recognition of assets or liabilities that at the time of transaction affects neither accounting nor taxable profit. 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 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 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 other comprehensive income and is subsequently recognised in profit or loss together with the deferred gain or loss.

#### (p) Cash and Cash Equivalents

For the purposes of the statement of cash flows, 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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (q) Employee Benefits

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

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

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

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

#### (r) Leases

##### (i) Group as a lessee

The leases entered by the Group are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease. When operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period which termination takes place.

Where the Group is a lessee under finance leases, the leased assets are capitalised and included in "Property, plant and equipment" with a corresponding liability to the lessor recognised in 'Other Liabilities'. Finance charges are recognised over the period of the lease based on the interest rate implicit in the lease to give a constant periodic rate of return. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (r) Leases (cont'd)

##### *(ii) Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease and are included in "Property, plant and equipment" and depreciated over their useful lives. Rental income on the leased assets is recognised in the income statement on a straight-line basis. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

When assets are leased to customers under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return ignoring tax cash flows.

#### (s) Share Capital

##### *(i) Capital*

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. The Group's ordinary shares are classified as equity instruments. The Group considers its capital to comprise its ordinary share capital, share premium, accumulated retained earnings, 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 relevant Central Banks and as such must ensure that it has sufficient capital as defined by the relevant Central Banks, to meet its requirements as set out by the relevant Central Banks. All banks have sufficient capital as per the respective countries Central Banks requirement except for ICB Islamic Bank Ltd ("ICBIB") whereby as part of the restructuring scheme of ICB Islamic Bank Ltd the Central Bank of Bangladesh has allowed the bank a grace period in meeting the minimum capital adequacy. The Group has entered into a sale and purchase agreement ("SPA") to dispose of its entire equity interest in ICBIB and the completion of the disposal is subject to the approval of Bank of Bangladesh.

##### *(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

31 DECEMBER 2010

### 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 an 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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**4. NET INTEREST INCOME**

	2010 USD'000	2009 USD'000
<b>Interest Income</b>		
Loans and advances to customers	103,032	80,617
Investment securities	20,701	16,344
Cash and short term funds	7,015	9,038
Others	-	11
	<b>130,748</b>	106,010
<b>Interest Expense</b>		
Banks and customers deposits	53,856	49,796
Debt securities in issue	78	112
Others	8,148	6,712
	<b>62,082</b>	56,620
<b>Net Interest Income</b>	<b>68,666</b>	49,390

**5. NET FEE AND COMMISSION INCOME**

	2010 USD'000	2009 USD'000
<b>Fee and Commission Income</b>		
Account maintenance and other management fees	3,964	3,949
Credit related fees and commissions	8,983	6,088
Others	1,542	1,263
	<b>14,489</b>	11,300
<b>Fee and Commission Expense</b>		
Treasury operation and inter-bank transactions	168	107
Others	36	45
	<b>204</b>	152
<b>Net Fee and Commission Income</b>	<b>14,285</b>	11,148

**6. FOREIGN CURRENCY GAINS**

Foreign currency gains relate to net transaction and translation gains arising from foreign currency transactions settlement and translation at year end exchange rates.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 7. OPERATING EXPENSES

	2010 USD'000	2009 USD'000
Auditors' remuneration	751	574
Amortisation of intangible assets (Note 16)	2,103	1,481
Depreciation (Note 18)	4,378	3,342
Employee compensation and benefits (Note 8)	35,329	26,651
Amortisation of prepaid lease rental (Note 17)	39	36
Loss/(Gain) on disposal of foreclosed properties	543	(5)
Data communication, rental and related maintenance expense	8,904	5,561
Other provisions	187	–
Other general and administrative expenses	25,199	20,816
	<b>77,434</b>	<b>58,456</b>

### 8. EMPLOYEE COMPENSATION AND BENEFITS

	2010 USD'000	2009 USD'000
Salaries and wages	22,081	16,970
Bonus	3,114	2,496
Pension costs		
– Defined contribution plan	1,066	1,068
– Defined benefit plan (Note 32)	822	565
Other staff related expenses	8,246	5,552
	<b>35,329</b>	<b>26,651</b>

### 9. TAX EXPENSE

	2010 USD'000	2009 USD'000
Current year's provision	(2,709)	(1,383)
Deferred taxation (Note 20)	452	(473)
	<b>(2,257)</b>	<b>(1,856)</b>

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

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

	2010 USD'000	2009 USD'000
Profit/(Loss) before taxation	<b>8,488</b>	(7,602)
Tax calculated at a rate of 16% (2009: 16%)	<b>1,358</b>	(1,216)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>1,309</b>	(2,301)
Utilisation of previously unrecognised tax losses	<b>(1,499)</b>	(198)
Expenses not deductible for tax purposes	<b>1,104</b>	4,947
Income not subject to tax	<b>(124)</b>	-
Effect of changes in tax rate of subsidiaries	-	141
Deferred tax asset not recognised in respect of current year tax losses	<b>109</b>	496
Over provision of income tax	-	(13)
Tax expense for the year	<b>2,257</b>	1,856

**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.

	2010	2009
Profit/(Loss) of the year attributable to owners of the parent (USD'000)	<b>5,253</b>	(4,119)
Weighted average number of shares in issue ('000)	<b>180,000</b>	180,000
Basic and diluted earnings per share (expressed in USD per share)	<b>0.03</b>	(0.02)

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 11. CASH AND BANK BALANCES

	2010 USD'000	2009 USD'000
Cash in hand	78,138	37,605
Placements with other banks	178,827	117,402
Deposits with central banks other than mandatory reserves	46,101	58,342
Included in cash and cash equivalents (Note 26)	303,066	213,349
Mandatory reserve deposits with central banks	93,138	53,898
	<b>396,204</b>	<b>267,247</b>

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

	2010 USD'000	2009 USD'000
Gross loans and advances	987,577	835,102
Less: Impairment charges on loans and advances	(97,627)	(121,278)
	<b>889,950</b>	<b>713,824</b>

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

	2010 USD'000	2009 USD'000
Current	789,736	612,931
Special mention	49,546	32,848
Substandard	5,038	6,665
Doubtful	6,620	10,166
Loss	136,637	172,492
	<b>987,577</b>	<b>835,102</b>
Less: Impairment charges on loans and advances	(97,627)	(121,278)
	<b>889,950</b>	<b>713,824</b>

Movement in impairment charges on loans and advances:

At 1 January	121,278	125,616
Acquisition of subsidiary during the year	539	-
Impairment charges during the year (included in profit or loss)	8,171	16,605
Loans written off during the year	(31,471)	(21,943)
Currency translation differences	(890)	1,000
At 31 December	<b>97,627</b>	<b>121,278</b>

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**13. FINANCIAL INVESTMENTS**

	2010 USD'000	2009 USD'000
<b>Securities held-to-maturity</b>		
Treasury bills	66,476	120,932
Government debt securities	91,084	33,344
	<b>157,560</b>	154,276
Less: Unamortised discount	(255)	(491)
	<b>157,305</b>	153,785
<b>Securities available-for-sale</b>		
Securities - at fair value:		
Government debt securities (Level 1)	28,505	37,181
	<b>185,810</b>	190,966

**Fair value by hierarchy**

The group determines the fair value of its financial instruments on the basis of the following hierarchy:

**(i) Level 1**

The fair value of financial instruments quoted in active markets is based on their quoted closing price at the statement of financial position date.

**(ii) Level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters, dealer quotes for similar instruments and use of comparable arm's length transactions.

**(iii) Level 3**

The fair value of a small number of instruments are determined on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable input). When fair value of unquoted instruments cannot be measured with sufficient reliability, the Group carries such instruments at cost less impairment, if applicable.

As at 31 December 2010 the group had no financial instruments attributable to Level 2 and Level 3.

## Notes to the Consolidated Financial Statements

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### 14. FORECLOSED PROPERTIES

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

	2010 USD'000	2009 USD'000
<b>Carrying Value</b>		
At 1 January	15,490	17,728
Additions	–	2,209
Disposal	(6,977)	(2,327)
Transfer from property, plant and equipment (Note 18)	3,452	(3,310)
Fair value adjustments	(389)	(1,297)
Currency translation differences	116	2,487
At 31 December	<b>11,692</b>	15,490

### 15. INVESTMENT IN ASSOCIATES

	2010 USD'000	2009 USD'000
At 1 January	1,791	1,846
Additional investment in Associate	1,717	–
Gain on re-measurement of Associate	795	–
Transfer of fair value of interest held to subsidiary arising from change in control	(1,306)	–
Share of loss	(490)	(59)
Currency translation differences	(156)	4
At 31 December	<b>2,351</b>	1,791

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**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
<b>2010</b>						
International Commercial Bank (Tanzania) Limited	Tanzania	20%	-	-	-	(452)
International Commercial Bank Senegal S.A.	Senegal	20%	11,740	9,391	513	(38)
			<b>11,740</b>	<b>9,391</b>	<b>513</b>	<b>(490)</b>
<b>2009</b>						
International Commercial Bank (Tanzania) Limited	Tanzania	20%	9,472	8,452	473	28
International Commercial Bank Senegal S.A.	Senegal	20%	8,900	8,128	316	(87)
			<b>18,372</b>	<b>16,580</b>	<b>789</b>	<b>(59)</b>

**16. GOODWILL AND OTHER INTANGIBLE ASSETS**

	2010 USD'000	2009 USD'000
<b>(a) Goodwill arising on business combination</b>		
<b>Cost</b>		
At 1 January	104,452	104,055
Transfer of associate from acquisition of additional shares	1,539	-
Currency translation differences	(1,138)	397
At 31 December	<b>104,853</b>	104,452
Impairment	<b>(50,000)</b>	(50,000)
<b>Net Book Value</b>	<b>54,853</b>	54,452

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

	2010 USD'000	2009 USD'000
<b>(b) Purchased software</b>		
Cost		
At 1 January	11,300	2,844
Additions	1,051	8,469
Acquisition of subsidiary	301	–
Currency translation differences	135	[13]
At 31 December	<b>12,787</b>	11,300
<b>Accumulated amortisation</b>		
At 1 January	3,444	1,863
Amortisation charge for the year (Note 7)	2,103	1,481
Acquisition of subsidiary	223	
Currency translation differences	9	100
At 31 December	<b>5,779</b>	3,444
<b>Net Book Value</b>	<b>7,008</b>	7,856
<b>Total</b>	<b>61,861</b>	62,308

#### 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 values less costs to sell, which is determined using an observable market price for each CGU, or 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:

	2010 USD'000	2009 USD'000
PT Bank ICB Bumiputera Tbk	3,740	3,587
International Commercial Bank (Mozambique), S.A.	287	350
International Commercial Bank S.A	210	259
ICB Islamic Bank Ltd	49,060	50,165
International Commercial Bank (Tanzania) Ltd	1,464	–
Others	92	91
	<b>54,853</b>	54,452

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**16. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)****Impairment test for goodwill (Cont'd)**

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.

For each significant CGU, the VIU is calculated by discounting management's cash flow projections for each CGU based on the 2011 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% (2009: 20%) 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. Based on this review, there is no evidence of impairment on the Group's goodwill.

**17. PREPAID LEASE PAYMENTS**

	2010 USD'000	2009 USD'000
<b>Cost</b>		
At 1 January	276	244
Currency translation differences	9	32
At 31 December	<b>285</b>	276
<b>Accumulated amortisation</b>		
At 1 January	197	137
Amortisation for the year (Note 7)	39	36
Currency translation differences	8	24
At 31 December	<b>244</b>	197
<b>Net Book Value</b>	<b>41</b>	79

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**18. PROPERTY AND EQUIPMENT**

	Land USD'000	Buildings USD'000	Computer hardware USD'000	Furniture and fittings, Office equipment USD'000	Motor vehicles USD'000	Renovation USD'000	Construction in progress USD'000	Total USD'000
<b>Cost</b>								
At 1 January 2010	6,149	5,694	4,654	13,615	2,918	8,553	1,512	43,095
Additions	-	3	861	2,884	355	1,731	1,548	7,382
Acquisition	-	-	246	578	66	221	-	1,111
Disposals	-	-	(2)	(78)	(239)	(252)	(44)	(615)
Reclassification	-	108	476	267	452	1,049	(2,352)	-
Transfer from foreclosed properties (Note 14)	(1,498)	(1,954)	-	-	-	-	-	(3,452)
Currency translation differences	11	(70)	96	(220)	(9)	152	(40)	(80)
At 31 December 2010	4,662	3,781	6,331	17,046	3,563	11,454	624	47,441
<b>Accumulated depreciation</b>								
At 1 January 2010	-	468	2,737	7,804	1,956	5,546	-	18,511
Charge for the year	-	169	667	1,829	441	1,272	-	4,378
Acquisition	-	-	189	277	49	151	-	666
Disposals	-	-	(2)	(34)	(229)	(112)	-	(377)
Currency translation differences	-	(11)	29	(65)	(11)	100	-	42
At 31 December 2010	-	626	3,620	9,811	2,206	6,957	-	23,220
<b>Net Book Value</b>								
At 31 December 2010	4,662	3,155	2,711	7,235	1,337	4,497	624	24,221
At 31 December 2009	6,149	5,226	1,917	5,811	962	3,007	1,512	24,584
<b>Depreciation charge for 2009</b>	-	131	480	1,330	355	1,046	-	3,342

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

	Land USD'000	Buildings USD'000	Computer hardware USD'000	Furniture and fittings, Office equipment USD'000	Motor vehicles USD'000	Renovation USD'000	Construction in progress USD'000	Total USD'000
<b>Cost</b>								
At 1 January 2009	4,646	3,934	3,101	10,476	2,580	6,594	496	31,827
Additions	70	-	1,153	3,007	391	1,669	1,161	7,451
Disposals	-	-	(23)	(22)	(276)	(104)	-	(425)
Reclassification	-	-	55	48	129	(92)	(189)	(49)
Transfer from foreclosed properties (Note 14)	1,436	1,874	-	-	-	-	-	3,310
Currency translation differences	(3)	(114)	368	106	94	486	44	981
At 31 December 2009	6,149	5,694	4,654	13,615	2,918	8,553	1,512	43,095
<b>Accumulated depreciation</b>								
At 1 January 2009	-	333	2,085	6,413	1,703	4,210	-	14,744
Charge for the year	-	131	480	1,330	355	1,046	-	3,342
Disposals	-	-	(22)	(4)	(290)	(139)	-	(455)
Reclassification	-	-	-	(105)	105	-	-	-
Currency translation differences	-	4	194	170	83	429	-	880
At 31 December 2009	-	468	2,737	7,804	1,956	5,546	-	18,511
<b>Net Book Value</b>								
At 31 December 2009	6,149	5,226	1,917	5,811	962	3,007	1,512	24,584
At 31 December 2008	4,646	3,601	1,016	4,063	877	2,384	496	17,083
<b>Depreciation charge for 2008</b>	-	175	375	1,409	346	791	-	3,096

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 19. OTHER ASSETS

	2010 USD'000	2009 USD'000
Acceptance receivables	6,323	2,074
Accrued interest receivables	6,237	8,695
Prepayments	9,367	8,644
Items in the course of collection (Note 26)	1,783	913
Others	33,245	23,690
	<b>56,955</b>	<b>44,016</b>

### 20. DEFERRED TAXATION

	2010 USD'000	2009 USD'000
At 1 January	3,145	4,234
Acquisition of subsidiary	12	–
Transfer from/(to) tax charge for the year (Note 9)	452	(473)
Transfer from/(to) equity for the year	376	(1,058)
Currency translation differences	38	442
At 31 December	<b>4,023</b>	<b>3,145</b>
Deferred tax assets	<b>4,278</b>	3,377
Deferred tax liabilities	<b>(255)</b>	(232)
	<b>4,023</b>	<b>3,145</b>

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

	2010 USD'000	2009 USD'000
<b>Deferred tax assets</b>		
Allowance for losses on loans and advances	1,436	1,111
Decelerated tax depreciation	334	346
Tax losses carried forward	1,981	1,447
Defined benefit plan	550	495
Unrealised loss on fair value of financial investments	(23)	(22)
	<b>4,278</b>	<b>3,377</b>
<b>Deferred tax liabilities</b>		
Accelerated tax depreciation	195	215
Other temporary differences	60	17
	<b>255</b>	<b>232</b>

## Notes to the Consolidated Financial Statements

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**21. DEPOSIT FROM CUSTOMERS**

	2010 USD'000	2009 USD'000
Current accounts	175,172	126,937
Savings accounts	206,056	152,428
Time deposits	838,704	659,224
Others	18,746	13,207
	<b>1,238,678</b>	<b>951,796</b>

**22. OTHER LIABILITIES**

	2010 USD'000	2009 USD'000
Acceptance payables	6,348	2,434
Accrued interest payables	4,254	4,679
Accruals	6,504	1,935
Items in the course of transmission	2,869	1,383
Defined benefit plan obligation (Note 32)	2,587	1,964
Others	28,562	27,197
	<b>51,124</b>	<b>39,592</b>

**23. PAID-UP SHARE CAPITAL**

	No. of Shares		Amount	
	2010 '000	2009 '000	2010 USD'000	2009 USD'000
At 1 January/31 December	<b>180,000</b>	180,000	<b>145,960</b>	145,960

**24. RETAINED EARNINGS**

	2010 USD'000	2009 USD'000
Movements in retained earnings were as follows:		
At 1 January	<b>37,808</b>	45,012
Profit/(Loss) attributable to the owners of the parent	<b>5,253</b>	[4,119]
Capitalisation of retained earnings of subsidiary	-	[3,085]
Acquisition of non-controlling interests	<b>1,893</b>	-
Transfer of reserve to retained earnings arising from re-measurement of associate	<b>(204)</b>	-
At 31 December	<b>44,750</b>	37,808

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 25. OTHER RESERVES

	Capital Reserves <sup>(a)</sup> USD'000	Translation Reserves <sup>(b)</sup> USD'000	Fair Value Reserves <sup>(c)</sup> USD'000	Total USD'000
<b>2010</b>				
At 1 January	5,500	9,803	509	15,812
Gain in fair value of available-for-sale securities	-	-	(799)	(799)
Currency translation differences arising from translation to presentation currency	-	1,081	-	1,081
Transfer of reserve to retained earnings arising from re-measurement of associate	-	204	-	204
At 31 December	5,500	11,088	(290)	16,298
<b>2009</b>				
At 1 January	2,415	(3,450)	(1,620)	(2,655)
Gain in fair value of available-for-sale securities	-	-	2,129	2,129
Currency translation differences arising from translation to presentation currency	-	13,253	-	13,253
Capitalisation of retained earnings subsidiary	3,085	-	-	3,085
At 31 December	5,500	9,803	509	15,812

a) Capital reserves are non-distributable reserves arising from capitalisation of retained earnings approved by the relevant authorities.

b) Translation reserve are exchange differences arising from translation of results and financial position of investments that have different functional currencies into presentation currency as stated in Note 2 (d) (iii).

c) Fair value reserve are gain and losses arising from changes in fair value of available-for-sale financial investment as stated in Note 2 (g) (b).

### 26. CASH AND CASH EQUIVALENTS

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

	2010 USD'000	2009 USD'000
Cash and bank balances (Note 11)	303,066	213,349
Items in the course of collection (Note 19)	1,783	913
	304,849	214,262

## Notes to the Consolidated Financial Statements

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**27. SUBSIDIARIES**

Details of subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	% effective interest held		Principal Activities
		2010	2009	
International Commercial Bank (Gambia) Ltd.	Gambia	<b>99.10</b>	99.10	Commercial bank
International Commercial Bank S. A.	Guinea	<b>97.00</b>	97.00	Commercial bank
International Commercial Bank (Sierra Leone) Ltd.	Sierra Leone	<b>99.98</b>	99.98	Commercial bank
International Commercial Bank SH. A	Albania	<b>100.00</b>	100.00	Commercial bank
International Commercial Bank (Mozambique) S.A.	Mozambique	<b>99.99</b>	99.99	Commercial bank
International Commercial Bank Limited	Ghana	<b>100.00</b>	100.00	Commercial bank
PT Bank ICB Bumiputera Tbk (formerly known as PT Bank Bumiputera Indonesia Tbk)	Indonesia	<b>69.90</b>	67.07	Commercial bank
International Commercial Bank (Djibouti) S.A.	Djibouti	<b>99.90</b>	99.90	Commercial bank
ICB Global Management Sdn. Bhd.	Malaysia	<b>100.00</b>	100.00	Providing technical and management services
ICB Islamic Bank Ltd	Bangladesh	<b>50.10</b>	50.10	Islamic bank
International Commercial Bank Lao Ltd	Laos	<b>100.00</b>	100.00	Commercial bank
International Commercial Bank Ltd – Malawi	Malawi	<b>100.00</b>	100.00	Commercial bank
International Commercial Bank Zambia Ltd	Zambia	<b>100.00</b>	100.00	Commercial Bank
International Commercial Bank (Tanzania) Ltd	Tanzania	<b>57.68</b>	–	Commercial Bank

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

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 27. SUBSIDIARIES (CONT'D)

On 31 July 2010, an associate International Commercial Bank (Tanzania) Ltd ("ICB Tanzania") became a subsidiary when the Company subscribed for additional 5,553,567 ordinary share of TZS1,000 each at ICB Tanzania for a consideration of USD4,000,000 which resulted in the Company's equity interest in ICB Tanzania to increase from 20% to 57.68%. As required by IFRS3 – "Business Combinations" the Company recognised a gain of USD795k from re-measuring the 20% held by the Company to fair value. Following this transaction the goodwill recognised was USD1,539,000.

For the year ending 31 December 2010 the acquired subsidiary contributed a profit for the year of USD885 million in the Group's consolidated financial statements. If the acquisition has occurred on 1 January 2010 the acquired subsidiary would have contributed USD1.01 million and USD1.04 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 at the date of acquisition are as follows:

	2010 USD'000
Cash and bank balances	29,454
Financial investments held to maturity	16,063
Loans and advances to customers	6,450
Property and equipment	523
Other assets	3,503
Deferred tax assets	12
Deposit from customers	(46,856)
Other liabilities	(2,619)
Fair value of net assets	6,530
Minority interest	(2,763)
Group's share of net assets	3,767
Goodwill on acquisition (Note 16)	1,539
Purchase consideration	5,306

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:

	2010 USD'000
Total purchase consideration	5,306
Transfer from associate fair value of interest held arising from change in control	(1,306)
Purchase consideration settled in cash	4,000
Cash and cash equivalents in subsidiaries acquired	(29,454)
Cash inflow on acquisition	(25,454)

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**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. All transactions between segments are recorded within segments as if they are conducted on arm's length basis, with intra-segment revenue and costs being eliminated on consolidation.

2010	Europe USD'000	Africa USD'000	Asia USD'000	Group USD'000
Net interest income	5,641	17,819	45,206	68,666
Net fee and commission income	269	4,096	9,920	14,285
Foreign currency gains	(2,198)	6,431	(33)	4,200
Gain on re-measurement of investment	795	-	-	795
Other operating income	109	1,742	5,175	7,026
<b>Total operating income</b>	<b>4,616</b>	<b>30,088</b>	<b>60,268</b>	<b>94,972</b>
Segment results	(704)	7,488	2,194	8,978
Share of results of associate				(490)
Profit before taxation				8,488
Tax expense				(2,257)
Profit for the year				6,231
Segment Assets	88,453	324,182	1,217,960	1,630,595
Associates	-	2,351	-	2,351
Total Assets				1,632,946
Segment liabilities				
Other segment items				
Capital expenditure	83	2,384	4,938	7,405
Depreciation and amortisation	268	1,800	4,453	6,521
Loan impairment charges	(137)	1,477	6,831	8,171

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 28. SEGMENT INFORMATION (CONT'D)

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

2009	Europe USD'000	Africa USD'000	Asia USD'000	Group USD'000
Net interest income	4,126	12,499	32,765	49,390
Net fee and commission income	327	3,799	7,022	11,148
Foreign currency gains	(1,536)	3,964	830	3,258
Other operating income	50	784	4,185	5,019
<b>Total operating income</b>	<b>2,967</b>	<b>21,046</b>	<b>44,802</b>	<b>68,815</b>
Segment results	(499)	2,202	(9,246)	(7,543)
Share of results of associate	-	(59)	-	(59)
Loss before taxation				(7,602)
Tax expense				(1,856)
Loss for the year				(9,458)
Segment Assets	332,251	162,471	827,169	1,321,891
Associates	-	1,791	-	1,791
<b>Total Assets</b>				<b>1,323,682</b>
Segment liabilities	53,696	163,440	947,820	1,164,956
Other segment items				
Capital expenditure	700	2,031	13,189	15,920
Depreciation and amortisation	246	1,612	3,001	4,859
Loan impairment charges	(141)	2,486	14,260	16,605

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

No revenue from transaction with a single customer or counterparty amounted to 10% or more of total revenue.

## Notes to the Consolidated Financial Statements

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### 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 61.3% of equity interest in ICB Financial Group Holdings AG through Daim Limited, as of 31 December 2010. The remaining 38.7% 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, Daim Limited is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest. As of 31 December 2010, Tun Daim Zainuddin has an equity interest of 79.95% in the Company's associate, International Commercial Bank Senegal S.A ("ICB Senegal").
- (b) Details about the 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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

The following transactions were carried out with related parties:

#### (a) Key management compensations

	2010 USD'000	2009 USD'000
Directors		
– Fee	211	177
Directors of the subsidiaries		
– Fee	457	236
– Salaries and other short term employee benefits	1,529	991
Key management personnel other than Director		
– Salaries and other short term employee benefits	1,288	1,024
	<b>3,485</b>	<b>2,428</b>

Remuneration of the directors for the year are as follows:

Michael Robert Hanlon	50	50
Josephine Premla Sivaretnam	30	30
Rene Fritschi	34	30
Kenneth Kwami Kwaku	30	30
Lim Teong Liat	46	30
Zakaria Abd Hamid	21	–
Paul Robert Philipps Bridges	–	7
	<b>211</b>	<b>177</b>

The directors did not receive any share options or other long term incentive plans, nor did the Company or Group make any contributions on their behalf to a pension scheme.

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

	2010 USD'000	2009 USD'000
Support service fee received from ICB Senegal	60	24

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**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.**

	2010 USD'000	2009 USD'000
Amount due from ICB Senegal	<b>2,242</b>	3

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

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

	2010 USD'000	2009 USD'000
Amounts due from other associates	-	25

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

- (c)** Included in other assets is the loan offered by the Group to the principal shareholder of ICB Financial Group Holdings AG, Tun Daim Zainuddin amounting to CHF6,503,900. The loan is unsecured, bearing interest at 2.25% and is repayable in full on 8 December 2013.

**30. SIGNIFICANT EVENTS AND EVENTS AFTER THE REPORTING PERIOD****Significant Events**

- (a)** On 3 June 2010, the Company announced that it has entered into a sale and purchase agreement ("SPA") to dispose of its entire equity interest in Islamic Bank Ltd ("ICBIB"), for a total cash consideration of BDT3.8 billion (equivalent USD55 million). The expected gain on disposal upon completion of this sale is approximately USD60 million. The disposal completion is subject to the approval of Bank of Bangladesh and is expected to be completed by December 2011.
- (b)** On 31 July 2010, an associate International Commercial Bank (Tanzania) Ltd ("ICB Tanzania") became a subsidiary when the Company subscribed for additional 5,553,567 ordinary share of TZS1,000 each at ICB Tanzania for a consideration of USD4,000,000 which resulted in the Company's equity interest in ICB Tanzania to increase from 20% to 57.68%. As required by IFRS3 – "Business Combinations" the Company recognised a gain of USD795k from re-measuring the 20% held by the Company to fair value. Following this transaction the goodwill recognised was USD1,539,000.
- (c)** On 9 December 2010, the Company exercised its entitlement to the Series I warrants of 481,171,770 number of shares at an issue price of IDR120 per share. Consequently, upon completion of the warrants exercise, the Company's equity interest in PT Bank ICB Bumiputera Tbk increased from 67.1% to 69.9%.

There are no significant events after the reporting period.

## Notes to the Consolidated Financial Statements

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### 31. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

	2010 USD'000	2009 USD'000
<b>Commitment receivables</b>		
Forward foreign currency purchased	24,979	7,917
<b>Commitment liabilities</b>		
Unused loan commitments granted to customers	53,387	53,143
Outstanding irrevocable foreign letters of credit (LC)	3,853	1,501
Outstanding irrevocable local letters of credit (LC)	6,817	1,944
Unsettled spot foreign currencies	28,480	8,422
<b>Total Commitment Liabilities</b>	<b>92,537</b>	<b>65,010</b>
<b>Contingent liabilities</b>		
Guarantees, indemnities and bonds	28,447	23,301
Letters of credit	1,297	1,209
<b>Total Contingent liabilities</b>	<b>29,744</b>	<b>24,510</b>

### 32. DEFINED BENEFIT PLAN

PT Bank ICB Bumiputera Tbk, 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 2010 is 1,394 (2009: 1,112).

The amounts recognised in profit or loss is as follows:

	2010 USD'000	2009 USD'000
Current service cost	630	347
Interest cost	178	171
Past service cost	14	47
<b>Total</b>	<b>822</b>	<b>565</b>

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**32. DEFINED BENEFIT PLAN (CONT'D)**

Movement in the net liabilities recognised in the statement of financial position is as follows:

	2010 USD'000	2009 USD'00
At 1 January	1,964	1,405
Charges for the year (Note 8)	822	565
Benefits payment	(287)	(133)
Currency translation differences	88	127
<b>Total</b>	<b>2,587</b>	<b>1,964</b>

	2010	2009
Discount rate	8%	11%
Future salary increment rate	9%	7.75%

	2010 USD'000	2009 USD'000	2008 USD'000	2007 USD'000
Present value of obligations	3,229	1,748	1,472	1,304
Unrecognised actuarial cost	(880)	74	(67)	(229)
Present value of other liabilities	238	142	-	136
<b>Total</b>	<b>2,587</b>	<b>1,964</b>	<b>1,405</b>	<b>1,211</b>

**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-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 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 statement of financial position 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 statement of financial position 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 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

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**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	
	2010 USD'000	2009 USD'000	2010 USD'000	2009 USD'000
Total Gross	<b>987,577</b>	835,102	<b>185,810</b>	190,966
Individual impairment charges	<b>(90,030)</b>	(113,656)	-	-
Collective impairment charges	<b>(7,597)</b>	(7,622)	-	-
	<b>889,950</b>	713,824	<b>185,810</b>	190,966

As at 31 December 2010, the amount of unimpaired balances stood at USD790 million (2009: USD613 million). The maximum exposure to credit risk is the carrying amount of the financial asset receivable balances as at 31 December 2010 and 31 December 2009.

**(ii) Write-off policy**

The Group writes off a loan (and any related allowances for impairment) when 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 2010 is USD1,488 million (2009: USD1,168 million).

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 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	
	2010 USD'000	2009 USD'000
Business loan	421,213	281,850
Consumer	468,737	431,974
	<b>889,950</b>	<b>713,824</b>

##### Concentration by location:

	Loans and advances to customers		Financial Investments	
	2010 USD'000	2009 USD'000	2010 USD'000	2009 USD'000
Asia	793,029	642,413	32,522	56,643
Europe	20,625	22,836	30,556	23,537
Africa	76,296	48,575	122,732	110,786
	<b>889,950</b>	<b>713,824</b>	<b>185,810</b>	<b>190,966</b>

#### (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.

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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**33. FINANCIAL RISK MANAGEMENT (CONT'D)****(c) Market risk (Cont'd)****(i) Currency risk**

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2010. 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
<b>Assets</b>									
Cash and bank balances	70,097	214,877	13,154	2,355	5,052	14,805	48,048	27,816	396,204
Loans and advances to customers	94,357	609,085	27,850	4,243	5,435	4,575	96,057	48,348	889,950
Financial investments	26,282	13,327	68,942	27,948	4,274	9,154	193	35,690	185,810
Other assets	7,335	4,651	444	843	192	336	206	337	14,344
<b>Total financial assets</b>	<b>198,071</b>	<b>841,940</b>	<b>110,390</b>	<b>35,389</b>	<b>14,953</b>	<b>28,870</b>	<b>144,504</b>	<b>112,191</b>	<b>1,486,308</b>
<b>Liabilities</b>									
Deposit from other banks	19,706	36,021	7,946	4,867	-	-	103,098	1,163	172,801
Customers' accounts	141,620	724,207	68,843	23,442	10,533	22,424	159,376	88,233	1,238,678
Other liabilities	6,743	2,732	813	464	293	1,059	-	1,369	13,473
<b>Total financial liabilities</b>	<b>168,069</b>	<b>762,960</b>	<b>77,602</b>	<b>28,773</b>	<b>10,826</b>	<b>23,483</b>	<b>262,474</b>	<b>90,765</b>	<b>1,424,952</b>
	<b>30,002</b>	<b>78,980</b>	<b>32,788</b>	<b>6,616</b>	<b>4,127</b>	<b>5,387</b>	<b>[117,970]</b>	<b>21,426</b>	<b>61,356</b>
<b>At 31 December 2009</b>									
Total financial assets	142,519	612,801	105,100	30,574	17,942	23,072	136,703	115,009	1,183,720
Total financial liabilities	121,374	569,219	66,910	28,455	12,683	16,936	257,514	59,540	1,132,631
	21,145	43,582	38,190	2,119	5,259	6,136	[120,811]	55,469	51,089

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

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

#### (c) Market risk (Cont'd)

##### (i) Currency risk- Cont'd

There are material exposures in IDR, GHS and BDT in the statement of financial position 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 statement of financial position 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% USD'000	IDR -10% USD'000	GHS +10% USD'000	GHS -10% USD'000	BDT +10% USD'000	BDT -10% USD'000
31 December 2010	6,128	6,128	(6,128)	3,549	(3,549)	11,797
31 December 2009	3,625	3,625	(3,625)	2,726	(2,726)	12,081

##### (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 as at 31 December 2010.

	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 EARNINGS USD'000	TOTAL USD'000
<b>Assets</b>							
Cash and bank balances	259,805	13,562	9,756	-	-	113,081	396,204
Loans and advances to customers	43,112	31,970	180,458	428,866	189,633	15,911	889,950
Financial investments	16,984	42,072	48,709	53,707	23,484	854	185,810
Other assets	5,473	2,302	5,167	142	-	1,260	14,344
<b>Total financial assets</b>	<b>325,374</b>	<b>89,906</b>	<b>244,090</b>	<b>482,715</b>	<b>213,117</b>	<b>131,106</b>	<b>1,486,308</b>
<b>Liabilities</b>							
Deposit from other banks	57,499	12,681	24,723	4,261	32	73,605	172,801
Customers' accounts	668,329	179,317	189,813	54,412	62,703	84,104	1,238,678
Other liabilities	3,943	2,108	5,586	49	-	1,787	13,473
<b>Total financial liabilities</b>	<b>729,771</b>	<b>194,106</b>	<b>220,122</b>	<b>58,722</b>	<b>62,735</b>	<b>159,496</b>	<b>1,424,952</b>
	<b>(404,397)</b>	<b>(104,200)</b>	<b>23,968</b>	<b>423,993</b>	<b>150,382</b>	<b>(28,390)</b>	<b>61,356</b>
<b>At 31 December 2009</b>							
Total financial assets	224,772	54,503	255,302	344,788	168,210	136,145	1,183,720
Total financial liabilities	504,387	197,765	143,345	47,103	180,072	59,959	1,132,631
	<b>(279,615)</b>	<b>(143,262)</b>	<b>111,957</b>	<b>297,685</b>	<b>(11,862)</b>	<b>76,186</b>	<b>51,089</b>

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

**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 profit or loss sensitivity to an increase or decrease in effective rates (assuming no asymmetrical movement and a constant statement of financial position) is as follows:

	1% parallel increase USD'000	1% parallel decrease USD'000
31 December 2010	<b>323</b>	<b>(323)</b>
31 December 2009	984	(984)

**(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 statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of deposit and debt maturities.

The table below analyses the Group's financial instruments into relevant maturity groupings based on the remaining period of statement of financial position date to the contractual maturity date as at 31 December 2010.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 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
<b>Assets</b>						
Cash and bank balances	346,894	34,561	4,497	8,552	1,700	396,204
Loans and advances to customers	43,659	39,976	184,863	414,378	207,074	889,950
Financial investments	17,002	35,895	51,306	56,880	24,727	185,810
Other assets	7,899	3,601	2,844	–	–	14,344
<b>Total financial assets</b>	<b>415,454</b>	<b>114,033</b>	<b>243,510</b>	<b>479,810</b>	<b>233,501</b>	<b>1,486,308</b>
<b>Liabilities</b>						
Deposit from other banks	76,781	7,366	16,030	126	72,498	172,801
Customers' accounts	691,443	208,716	221,256	54,560	62,703	1,238,678
Other liabilities	6,102	3,213	4,026	132	–	13,473
<b>Total financial liabilities</b>	<b>774,326</b>	<b>219,295</b>	<b>241,312</b>	<b>54,818</b>	<b>135,201</b>	<b>1,424,952</b>
	<b>(358,872)</b>	<b>(105,262)</b>	<b>2,198</b>	<b>424,992</b>	<b>98,300</b>	<b>61,356</b>
<b>At 31 December 2009</b>						
Total financial assets	308,607	87,381	242,179	335,989	209,564	1,183,720
Total financial liabilities	557,370	185,230	151,868	44,644	193,519	1,132,631
	<b>(248,763)</b>	<b>(97,849)</b>	<b>90,311</b>	<b>291,345</b>	<b>16,045</b>	<b>51,089</b>

#### (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.

## Notes to the Consolidated Financial Statements

31 DECEMBER 2010

### 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.

### 34. COMPARATIVES

Certain comparative have been restated to conform with current years presentation. This change in presentation has had no impact to current year and comparative totals.

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