



INCORPORATED IN SOUTH AFRICA

# Habib Overseas Bank Limited

Annual Report and Audited Consolidated Annual Financial  
Statements as at 31 December 2015

# Habib Overseas Bank Limited

(Registration number 1990/004437/06)

## AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2015

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*These financial statements were prepared by Mohamed Chalakta (Manager) under the supervision of Arshad Ansari (Executive Director) and have been audited in compliance with the applicable requirements of the Companies Act, 71 of 2008.*

# Habib Overseas Bank Limited

## Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated and company annual financial statements for Habib Overseas Bank Limited (the "Bank"), comprising the Director's report, the statement of financial position at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended; the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes; in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 2008 as amended.

The directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements, so as to be free from material misstatement, whether owing to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are responsible, reasonable and prudent under the circumstances.

The directors' responsibility also includes ensuring the maintaining of adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Habib Overseas Bank Group and Company's ability to continue as a going concern and there is no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the Group and Company annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated and company annual financial statements, as identified in the first paragraph, were approved by the Board of Directors on 15 March 2016 and are signed on its behalf by:



**Brian W Smith**  
Non - Executive Director



**Manzar A Kazmi**  
Managing Director

## CERTIFICATE OF THE COMPANY SECRETARY

In terms of Section 88 (2)(e) of the Companies Act 2008 as amended, and in the absence of the Company Secretary, I certify that to the best of my knowledge and belief, Habib Overseas Bank Limited has lodged with the Registrar of Companies for the year ended 31 December 2015, all such returns as required of a Public Company in terms of the Companies Act and that all such returns are true, correct and up to date.



**Arshad Ansari**  
Acting Company Secretary

# Habib Overseas Bank Limited

## DIRECTORS AND SECRETARY

### DIRECTORS

**Habib Mohamed D Habib**  
(Chairman)

**Asghar D Habib**  
(Senior Vice Chairman)

**Zain Habib**  
(Vice Chairman)

**Ahmed Habib**  
(Non-executive Director)

**S Manzar Abbas Kazmi**  
(Managing Director)

**Arshad Ansari**  
(Executive Director)

**Martin Bramwell**  
(Independent Non-executive Director)

**Brian W Smith**  
(Independent Non-executive Director)

**Arshad Ansari**  
(Acting Company Secretary)  
[aansari@habiboverseas.co.za](mailto:aansari@habiboverseas.co.za)

### HEAD OFFICE

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### ORIENTAL PLAZA BRANCH

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### LAUDIUM BRANCH

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### CAPE TOWN BRANCH

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### DURBAN BRANCH

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# Habib Overseas Bank Limited

## CHAIRMAN'S STATEMENT

Global growth during 2015 fell slightly short of expectations declining to 2.4% from 2.6% in 2014. This was largely due to a continued deceleration of economic activity in emerging and developing economies, weakening commodity and oil prices, decline in volume of global trade, and capital flows. Continued political unrest and turmoil in the Middle East also substantially contributed to the uncertainty and nervousness in the global markets. However, the shocks seem to have been absorbed now by the leading economies during the last two quarters of 2014 and as a result of measures taken by them to strengthen the world economy, it is expected that the growth will improve in 2016 and better results will be achieved.

South African economy grew by 1.3% in 2015 slightly down from 1.5% in 2014. The main contributor to the slowdown in 2015 was unprecedented severe drought conditions, low supply of electricity, gas and water. Because of these conditions the South African Rand depreciated 34% but it is now gaining strength and the exchange rate has improved. The inflation rate was contained at 6.2% which was closer to the targeted range. In view of these factors a growth rate of 0.9% rate has been proposed for 2016. Efforts are being made by the Government to improve the economic conditions and bring financial stability. We hope that these efforts will bear fruit and we will see far better economic and business conditions in 2016 and South Africa would continue to retain its position as a model state in the entire African continent.

I am pleased to report that the Bank performed satisfactorily during 2015 despite subdued economic conditions and local challenges and by the Grace of God achieved a pre-tax profit of R29,1 million (2014 – R21,1 million). Deposits from customers increased from R1,079,3 million in 2014 to R1,171,0 million in 2015 and loans and advances increased to R453,9 million (2014 - R 423,4 million). Capital adequacy is 18.83%, and as usual owing to our cautious policy a high level of liquidity has been maintained by the bank. In keeping with the practice of the past few years, dividend of 30 cents per share (ZAR 6.0 million) was declared for the shareholders.

Our bank has completed twenty five years of operations in South Africa in 2015. To celebrate this event, gala dinners were hosted by the bank for all its valued clients and well-wishers in Johannesburg and Durban which were very well attended.

The proposed goAML project, full and effective compliance with AML regulations and training of staff on AML and compliance with IFRS 9 are a few matters that are being attended to by the Management of the Bank on priority this year.

I am grateful for the continued support of our loyal and dedicated customers who have been helpful in the growth of the Bank. I would also like to extend my sincere thanks to my fellow directors, management and the staff for their support and contribution towards the growth of the Bank.



Habib Mohamed D Habib  
Chairman

15-Mar-16

# Habib Overseas Bank Limited

## AUDITOR'S REPORT

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HABIB OVERSEAS BANK LIMITED

We have audited the consolidated and separate annual financial statements of Habib Overseas Bank Limited set out on pages 8 to 49, which comprises the consolidated and separate statement of financial position as at 31 December 2015, the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended; and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal controls as the directors determine are necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated and separate 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate 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 and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Habib Overseas Bank Limited as at 31 December 2015, its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Other reports required by the Companies Act*

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the directors' report, the audit committee's report and the certificate from the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

#### *Report on Other Legal and Regulatory Requirements*

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of Habib Overseas Bank Limited for 25 years. We are independent of Habib Overseas Bank Limited in accordance with the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

#### **Deloitte & Touche Registered Auditors**

Per: L Nunes  
Partner  
29 April, 2016

National Executive: \*LL Bam Chief Executive \*AE Swiegers Chief Operating Officer \*GM Pinnock Audit  
\*N Sing Risk Advisory \*NB Kader Tax TP Pillay Consulting S Gwala BPaaS \*K Black Clients & Industries  
\*JK Mazzocco Talent & Transformation \*MJ Jarvis Finance \*M Jordan Strategy \*MJ Comber Reputation & Risk  
\*TJ Brown Chairman of the Board

A full list of partners and directors is available on request

\* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

# Habib Overseas Bank Limited

## AUDIT COMMITTEE REPORT

The audit committee is a Committee appointed by the shareholders. The audit committee comprised independent non-executive directors BW Smith (Chairman) and M Bramwell as well as non executive directors Z Habib and A H Habib. The committee has carried out its functions in accordance with its term of reference specified by the Board and in accordance with the requirements of Section 94(7) (a) to (i) of the Companies Act 2008.

### **Objectives and scope**

- To assist the board in discharging its duties relating to the safeguarding of assets and the operation of adequate systems and control processes.
- To control reporting processes and the preparation of financial statements in compliance with applicable legal and regulatory requirements and accounting standards.
- To provide a forum for the governance of risk including control issues.
- To oversee internal and external audit appointments and functions.
- To perform duties prescribed by the Companies Act 2008 and the Banks Act.

### **External audit**

The committee has:

- Confirmed the continued appointment of Deloitte & Touche as external auditors and Mr Lito Nunes as the designated partner, and determined that in our opinion they are independent of the Company giving due consideration to the provisions of Section 93 of the Companies Act 2008.
- Received and agreed the terms of engagement of Deloitte & Touche.
- Considered and approved the audit fee payable to the external auditors.
- Ascertained that no material non-audit services were provided by the external auditors.
- Provided oversight of the external audit process by reviewing and discussing the audit plan, significant accounting and auditing issues that arose during the audit, and management's responses to issues raised and the adequacy of the responses.

### **Internal audit**

- The committee has also carried out oversight of the internal audit function, discussed the audit plans of the internal auditors and reviewed their reports on head office and branch audits; and management responses thereon.

### **Internal financial controls**

The committee has reviewed the effectiveness of the company's system of internal financial controls, which includes receiving assurances from management and internal and external audit. Nothing had come to the attention of the audit committee to indicate that the internal financial controls were not operating effectively.

Based on its reviews and discussions with management and both internal and external auditors, the committee has satisfied itself of the effectiveness of the systems of internal control and the finance function of the bank.

### **Annual report**

The committee has reviewed the annual financial statements for the year ended 31 December 2015 and has recommended the annual report for approval by the Board.

The Board has subsequently approved the annual report which will be presented for discussion at the annual general meeting.

### **Considerations on King III and Integrated reports**

King III proposes that organisations should produce integrated reports. JSE listing requirements require all JSE listed companies to provide narrative of how each has applied the recommendations of King III. The approach to unlisted companies, such as ours, is advisory rather than compulsory.

Limited guidance on integrated reporting is currently available, especially considering the nature of the business conducted by the bank. The approach will evolve as a framework is developed by interested organisations. Nevertheless, we take cognisance of the issues addressed in King III, and are satisfied that the main proposals are taken into account and the relevant information presented in sections of the annual report.

The main issues relevant to the bank include:

- Strategy: The nature of the business is stated under the principal activities in the directors report.
- Corporate governance: The commitment of the directors and relevant mechanisms, are confirmed in the director's report.
- Risk management: The risks and their management are detailed in note 32 to the annual financial statements.
- Performance: The results of the bank's activities are clearly set out in the annual financial statements and supporting notes.
- Prospects: The directors are satisfied that the company is a going concern for the foreseeable future, as stated in the director's report.

On behalf of the Committee



Brian W Smith  
Chairman of the audit committee.

# Habib Overseas Bank Limited

## DIRECTORS' REPORT

The directors have pleasure in presenting their annual financial statements for the year ended 31 December 2015.

### SHARE CAPITAL

Habib Overseas Bank Limited has an authorised share capital of R25, 000,000 and issued and fully paid capital of 20,000,000 ordinary shares of R1 each.

### DIRECTORS AND SECRETARY

At the end of the financial year and at the date of this report, the directors and secretary are as detailed on page 3.

### PRINCIPAL ACTIVITIES

The Bank is a registered banking institution and provides a range of financial products and services to a diverse customer base which includes individuals, corporates, charitable organisations, clubs, societies and financial institutions.

### FINANCIAL

Total comprehensive income after taxation of Habib Overseas Bank for the year amounted to R 22,795,904 (2014: R 16,097,069).

### GOING CONCERN

The Habib Overseas Bank Group Financial statements have been prepared on the going concern basis.

### SUBSEQUENT EVENTS

The directors are not aware of any other matter or event which is material to the financial affairs of the Group that has occurred between the balance sheet date and the date of the approval of the financial statements.

### MANAGEMENT OF OFF BALANCE SHEET ITEMS

The Bank's philosophy relating to the management of off balance sheet items is subject to the same scrutiny and approval process as on balance sheet items. Contingent exposure is approved and monitored by the Credit Committee in accordance with the credit policy.

### CORPORATE GOVERNANCE

The directors realise that corporate governance constitutes an important component and as such, are committed to applying the principles necessary to ensure that good governance is practised at all levels across the Bank. Necessary mechanisms have been put in place to ensure that these practices are being adhered to and applied fully.

### COMPANY SECRETARY

Our Company Secretary resigned on the 27th January 2016. Mr Arshad Ansari took on the role of Acting Company Secretary, pending the appointment of a new Company Secretary.

### HOLDING COMPANY

Pitcairns Finance S.A. Luxembourg holds 99.9% of the shares in the Bank.

### SUBSIDIARY

The interest of the Bank in the net profit after taxation of its wholly owned subsidiary N77 Oriental Plaza (Proprietary) Limited.

	2015	2014
	R	R
Net profit after taxation for the year	203,980	9,613,170

### CAPITAL ADEQUACY

	2015	2014
Capital adequacy ratio	18.83%	17.73%

The capital adequacy ratio is calculated based on the qualifying capital less capitalised software divided by total risk weighted assets.

# Habib Overseas Bank Limited

## Statements of financial position

at 31 December 2015

	Notes	Group		Company	
		2015	2014	2015	2014
		R	R	R	R
<b>ASSETS</b>					
<b>Non-Current Assets</b>		<b>69,127,439</b>	58,463,353	<b>68,682,152</b>	59,266,771
Property, plant and equipment	3	<b>7,097,850</b>	6,119,532	<b>6,652,562</b>	5,672,950
Investment in subsidiary	4	-	-	<b>1</b>	1,250,000
Long-Term Loans and advances	5	<b>61,154,327</b>	51,298,665	<b>61,154,327</b>	51,298,665
Deferred tax asset	20	<b>875,262</b>	1,045,156	<b>875,262</b>	1,045,156
<b>Current Assets</b>		<b>1,249,481,869</b>	1,147,745,579	<b>1,249,481,869</b>	1,147,803,497
Cash and cash equivalents	6	<b>650,957,334</b>	573,136,104	<b>650,957,334</b>	573,136,104
Investments and negotiable securities	7	<b>198,315,627</b>	196,398,087	<b>198,315,627</b>	196,398,087
Loans and advances	8	<b>392,755,351</b>	372,154,310	<b>392,755,351</b>	372,154,310
Other assets	9	<b>7,453,557</b>	6,057,078	<b>7,453,557</b>	6,057,078
Receiver of Revenue	27	-	-	-	57,918
<b>Total assets</b>		<b>1,318,609,308</b>	1,206,208,932	<b>1,318,164,021</b>	1,207,070,268
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
<b>Equity attributable to ordinary shareholders</b>					
		<b>111,514,351</b>	102,514,467	<b>109,463,242</b>	92,667,338
Share capital	10	<b>20,000,000</b>	20,000,000	<b>20,000,000</b>	20,000,000
Retained earnings		<b>91,514,351</b>	82,514,467	<b>89,463,242</b>	72,667,338
<b>Liabilities</b>		<b>1,207,094,957</b>	1,103,694,465	<b>1,208,700,779</b>	1,114,402,930
<b>Non-Current Liabilities</b>					
		<b>69,320</b>	69,244	-	-
Deferred tax liability	20	<b>69,320</b>	69,244	-	-
<b>Current Liabilities</b>					
		<b>1,207,025,637</b>	1,103,625,221	<b>1,208,700,779</b>	1,114,402,930
Short-term borrowings	6	<b>25,125,393</b>	27,984,312	<b>25,125,393</b>	27,984,312
Deposits and current accounts	11	<b>1,169,058,381</b>	1,068,507,396	<b>1,170,843,493</b>	1,079,348,742
Other liabilities	12	<b>12,738,277</b>	7,069,888	<b>12,731,893</b>	7,069,876
Receiver of Revenue	27	<b>103,586</b>	63,625	-	-
<b>Total equity and liabilities</b>		<b>1,318,609,308</b>	1,206,208,932	<b>1,318,164,021</b>	1,207,070,268

# Habib Overseas Bank Limited

## Statements of comprehensive income

for the year ended 31 December 2015

	Notes	Group		Company	
		2015 R	2014 R	2015 R	2014 R
<b>Revenue</b>					
<b>Net Interest Income</b>		<b>51,358,224</b>	45,081,422	<b>51,087,662</b>	45,065,150
Interest and similar income	14	<b>76,555,833</b>	66,304,837	<b>76,555,833</b>	66,304,836
Interest expense and similar charges	14	<b>(25,197,609)</b>	(21,223,415)	<b>(25,468,171)</b>	(21,239,686)
Non-interest income	15	<b>22,317,428</b>	21,588,203	<b>22,235,743</b>	21,521,605
Gains on disposal of property	15	-	11,468,281	-	-
Net interest and non-interest income		<b>73,675,652</b>	78,137,906	<b>73,323,405</b>	66,586,755
Dividend income		-	-	<b>8,000,000</b>	-
Impairment charge on loans and advances	16	<b>(1,099,828)</b>	(219,081)	<b>(1,099,828)</b>	(219,081)
Operating expenditure	17	<b>(51,105,459)</b>	(45,312,582)	<b>(51,097,779)</b>	(45,247,900)
Profit before taxation		<b>21,470,365</b>	32,606,243	<b>29,125,798</b>	21,119,774
Taxation	19	<b>(6,470,481)</b>	(6,999,590)	<b>(6,329,894)</b>	(5,022,705)
Profit for the year		<b>14,999,884</b>	25,606,653	<b>22,795,904</b>	16,097,069
<b>Profit attributable to:</b>		<b>14,999,884</b>	25,606,653	<b>22,795,904</b>	16,097,069
- Owners of the Company		<b>14,999,884</b>	25,606,653	<b>22,795,904</b>	16,097,069
- Non-Controlling interest		-	-	-	-
<b>Total comprehensive income attributable to:</b>		<b>14,999,884</b>	25,606,653	<b>22,795,904</b>	16,097,069
- Owners of the Company		<b>14,999,884</b>	25,606,653	<b>22,795,904</b>	16,097,069
- Non-Controlling interest		-	-	-	-

# Habib Overseas Bank Limited

## Statements of changes in equity

for the year ended 31 December 2015

	Note	Share capital R	Retained Earnings R	Total R
<b>Group</b>				
<b>Balance as at 1 January 2014</b>		20,000,000	62,907,815	82,907,815
Profit for the year		-	25,606,652	25,606,652
Dividends declared and paid in 2014	21	-	(6,000,000)	(6,000,000)
<b>Balance as at 31 December 2014</b>		<b>20,000,000</b>	<b>82,514,467</b>	<b>102,514,467</b>
Profit for the year		-	14,999,884	14,999,884
Dividends declared and paid in 2015	21	-	(6,000,000)	(6,000,000)
<b>Balance as at 31 December 2015</b>		<b>20,000,000</b>	<b>91,514,351</b>	<b>111,514,351</b>
<b>Company</b>				
<b>Balance as at 1 January 2014</b>		20,000,000	62,570,269	82,570,269
Profit for the year		-	16,097,069	16,097,069
Dividends declared and paid in 2014	21	-	(6,000,000)	(6,000,000)
<b>Balance as at 31 December 2014</b>		<b>20,000,000</b>	<b>72,667,338</b>	<b>92,667,338</b>
<b>Changes in equity in the current year</b>				
Profit for the year		-	22,795,904	22,795,904
Dividends declared and paid in 2015	21	-	(6,000,000)	(6,000,000)
<b>Balance as at 31 December 2015</b>		<b>20,000,000</b>	<b>89,463,242</b>	<b>109,463,242</b>

# Habib Overseas Bank Limited

## Statements of cash flows for the year ended 31 December 2015

	Note:	Group		Company	
		2015 R	2014 R	2015 R	2014 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Interest income and other income received	22	93,922,663	86,845,120	93,840,978	86,778,522
Interest paid	23	(25,101,228)	(20,481,488)	(25,371,790)	(20,497,759)
Cash paid to suppliers and employees	24	(43,554,989)	(44,063,030)	(43,554,974)	(44,001,990)
		<b>25,266,446</b>	<b>22,300,602</b>	<b>24,914,214</b>	<b>22,278,773</b>
<b>Cash generated from operations</b>					
Increase in loans and advances	25	(31,306,759)	(90,089,234)	(31,306,759)	(90,089,234)
Increase in deposits and current accounts	26	100,550,985	115,161,583	91,494,749	124,425,108
Taxation paid	27	(6,260,550)	(7,239,808)	(6,102,082)	(5,431,002)
Dividends paid	28	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
		<b>82,250,122</b>	<b>34,133,143</b>	<b>73,000,122</b>	<b>45,183,645</b>
<b>Net cash inflow/(outflow) from operating activities</b>					
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Dividend income N-77		-	-	8,000,000	-
Additions to property and equipment	3	(2,956,780)	(3,176,779)	(2,956,780)	(3,176,779)
Proceeds on disposal of property and equipment	22	-	12,000,000	-	-
Loan repaid		-	-	1,250,000	949,499
Payments to acquire financial assets - treasury bills		1,386,807	(66,725,592)	1,386,807	(66,725,592)
		<b>(1,569,973)</b>	<b>(57,902,372)</b>	<b>7,680,027</b>	<b>(68,952,873)</b>
<b>Net cash outflow from investing activities</b>					
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		<b>80,680,149</b>	<b>(23,769,229)</b>	<b>80,680,149</b>	<b>(23,769,229)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>					
	6	<b>545,151,792</b>	<b>568,921,021</b>	<b>545,151,792</b>	<b>568,921,021</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>					
	6	<b>625,831,941</b>	<b>545,151,792</b>	<b>625,831,941</b>	<b>545,151,792</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

### for the year ended 31 December 2015

#### 1 ACCOUNTING

##### 1.1 Basis of Accounting and Separate Statement of Compliance

The annual financial statements for the year ended 31 December 2015 and the comparative figures are prepared in accordance with, and comply with the International Financial Reporting Standards (IFRS) and the South African Companies Act of 2008. The financial statements are presented in South African Rand (ZAR) and are prepared in accordance with the going concern principle on the historical cost basis, with derivatives at fair-value.

##### 1.2 Accounting Standards Issued But Not Yet Effective

###### Recent accounting developments

There are standards and interpretations in issue that are not yet effective. These include the following standards and interpretations that could be applicable to the business of the Group and may have an impact on future financial statements. The impact of the initial application has not been assessed as at the date of authorisation of the annual financial statements as will not be early adopted.

IFRS 9 (*Financial Instruments*) was issued during 2009 but is only effective for annual periods beginning on or after 1 January 2018. The Group will comply with the applicable standard from the year ending 31 December 2017.

##### 1.3 Interest Income and expenses Recognition

Interest income and expenses are recognised on a time proportion basis, taking account of the principal amounts outstanding and the effective rate over the period to maturity. Interest income and expenses are recognised on the statement of comprehensive income for all interest bearing instruments using the effective rate of interest method. Interest income and expense include the amortisation of any discount or premium or other differences between initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

##### 1.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

##### 1.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Habib Overseas Bank Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets held for sale and discounted operations, which are recognised and measured at fair value less costs to sell.

## 1 ACCOUNTING POLICIES (CONTINUED)

### 1.6 Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

Financial instruments of the Bank are classified as follows:

#### (i) Financial assets

- (a) financial instruments at Fair Value through Profit or Loss (FVTPL).
- (b) investments held to maturity (HTM). The Bank classifies Treasury Bills (Negotiable securities) as held-to-maturity.
- (c) the Bank has classified the following financial assets as loans and receivables (L&R):

- loans and advances
- accounts receivable

#### (d) Available for sale (AFS)

Investments are recognised and de-recognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated allocated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

#### (e) Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future, or
- It is a derivative that it is not designated and effective as a hedging instrument.

Financial assets have been designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 32 Risk Management.

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

Bills of exchange and debentures with fixed or determined payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

#### (g) Loans and advances

Trade receivables, loans and advances that have fixed or determinable payments that are not quoted in an active market are classified as loans and advances. Loans and advances are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### (h) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial asset have been impacted.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 1 ACCOUNTING POLICIES (CONTINUED)

#### 1.6 Financial instruments (continued)

##### (i) De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### (ii) Financial liabilities and equity instruments issued by the Group

###### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

###### Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

###### Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

The Bank has classified the following as financial liabilities:

- (a) Financial liabilities at FVTPL,
- (b) Foreign currency financial liabilities; and
- (c) Other liabilities.

##### (a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future, or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of profit taking, or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

##### (b) Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction date. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities at fair value, denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising from exchange are included in other comprehensive income for the year in the statement of comprehensive income, and the exchange differences arising on non-monetary assets and liabilities where fair value is recognised directly to equity. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts.

##### (c) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## **1 ACCOUNTING POLICIES (CONTINUED)**

### **1.6 Financial instruments (continued)**

#### **(d) De-recognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire.

#### **1.7 Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **1.8 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### **(a) Current tax**

The tax currently payable is based on taxable income for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in future years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

##### **(b) Deferred income tax**

Deferred income tax is provided, using the balance sheet liability method, for all the temporary differences arising between the tax values of assets and liabilities and their carrying values for financial reporting purposes. Current enacted tax rates are used to determine deferred income tax. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

##### **(c) Current and deferred tax for the period**

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

#### **1.9 Impairments of loans and advances**

Specific impairments are made against identified doubtful advances. Portfolio impairments are maintained to cover potential losses which, although not specifically identified, may be present in the advances portfolio.

Advances which are deemed uncollectible are written-off against the specific impairments. Loans previously written-off which subsequently become fully performing are re-incorporated into the advances portfolio and recoveries are recognised in the Statement of Comprehensive Income. Both specific and portfolio impairments raised during the year less the recoveries of advances previously written-off, are charged to the statement of comprehensive income.

The Bank reviews the carrying amounts of its advances to determine whether there is any indication that those advances have suffered an impairment loss. Where it is not possible to estimate the recoverable amount of an individual advance, the Bank estimates the recoverable amount on a portfolio basis for a group of similar financial assets.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 1 ACCOUNTING POLICIES (CONTINUED)

#### 1.10 Property, plant and equipment

The Group considers land and buildings to be owner occupied and they are depreciated on the straight-line basis.

Furniture and equipment are stated at cost less accumulated depreciation and any recognised impairment losses. Depreciation is provided for on the straight line basis to write off the cost of fixed assets to their residual values over their expected useful lives. Properties and equipment acquired during the year are depreciated from the date when they are available for use to their residual values.

The following straight-line rates are in use:

- Furniture and office equipment	-	10% - 20%
- Motor vehicles	-	20%

#### 1.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### 1.12 Post employment benefits

The Bank provides benefits through a provident fund to employees. The provisions for retirement and survivors benefits are recognised in the statement of comprehensive income when they accrue for payment.

#### 1.13 Lease property

- The Bank only holds lease properties under operating leases arrangements.
- Lease payments are expensed on the straight-line basis over the term of the lease.

#### 1.14 Areas of judgement and estimation

##### (a) Classification of financial assets

The directors have reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is R198.3 million (2014: R196.4 million) as disclosed in note 7.

##### (b) Residual values of property and equipment

The Group reviews the estimated residual values of property and equipment at the end of each annual reporting period.

##### (c) Fair value of derivatives and other financial instruments

The Group uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

The derivative financial instruments are classified as held-for-trading with fair value movements recognised through profit and loss. The carrying amount of the derivatives is R955,946 (2014: R442,328) as disclosed in Note 2. The derivative instruments are valued at forward exchange rates.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 2 Statement of financial position - classification of financial instruments

Group	2015	Held-for-trading	Held-to-maturity investments	Loans and receivables	Non-financial assets and liabilities
	R	R	R	R	R
<b>ASSETS</b>					
<b>Non-Current Assets</b>	<b>69,127,439</b>	-	-	<b>61,154,327</b>	<b>7,973,112</b>
Property, plant and equipment	7,097,850	-	-	-	7,097,850
Long-term loans and advances	61,154,327	-	-	61,154,327	-
Deferred tax asset	875,262	-	-	-	875,262
<b>Current Assets</b>	<b>1,249,481,869</b>	<b>955,946</b>	<b>198,315,627</b>	<b>1,050,210,296</b>	-
Cash and cash equivalents	650,957,334	-	-	650,957,334	-
* Investment in negotiable securities	198,315,627	-	198,315,627	-	-
Loans and advances to customers	392,755,351	-	-	392,755,351	-
Derivative financial instruments (Forward exchange contracts)	955,946	955,946	-	-	-
Other assets	6,497,611	-	-	6,497,611	-
<b>Total assets</b>	<b>1,318,609,308</b>	<b>955,946</b>	<b>198,315,627</b>	<b>1,111,364,623</b>	<b>7,973,112</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	91,514,351	-	-	-	91,514,351
<b>Total ordinary equity</b>	<b>111,514,351</b>	-	-	-	<b>111,514,351</b>
<b>Total Liabilities</b>	<b>1,207,094,957</b>	<b>1,029,213</b>	-	<b>1,205,892,838</b>	<b>172,906</b>
<b>Non-Current Liabilities</b>	<b>69,320</b>	-	-	-	<b>69,320</b>
<b>Deferred tax liability</b>	<b>69,320</b>	-	-	-	<b>69,320</b>
<b>Current Liabilities</b>	<b>1,207,025,637</b>	<b>1,029,213</b>	-	<b>1,205,892,838</b>	<b>103,586</b>
Short-term borrowings	25,125,393	-	-	25,125,393	-
Amount owed to depositors	1,169,058,381	-	-	1,169,058,381	-
Derivative financial instruments (Forward exchange contracts)	1,029,213	1,029,213	-	-	-
Other liabilities	11,709,064	-	-	11,709,064	-
Receiver of Revenue	103,586	-	-	-	103,586
<b>Total equity and liabilities</b>	<b>1,318,609,308</b>	<b>1,029,213</b>	-	<b>1,205,892,838</b>	<b>111,687,257</b>

\* The investment in negotiable securities' fair value is R188,734,100 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price. No impairment was recognised on the investment, since they will be held-to-maturity.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015

(continued)

### 2 Statement of financial position - classification of financial instruments (continued)

Group	2014 R	Held-for- trading R	Held-to- maturity investments R	Loans and receivables R	Non-financial assets and liabilities R
<b>ASSETS</b>					
<b>Non-Current Assets</b>	58,463,353	-	-	51,298,665	7,164,688
Property, plant and equipment	6,119,532	-	-	-	6,119,532
Long-term loans and advances	51,298,665	-	-	51,298,665	-
Deferred tax asset	1,045,156	-	-	-	1,045,156
<b>Current Assets</b>	1,147,745,579	442,328	196,398,087	950,905,164	-
Cash and cash equivalents	573,136,104	-	-	573,136,104	-
* Investment in negotiable securities	196,398,087	-	196,398,087	-	-
Loans and advances to customers	372,154,310	-	-	372,154,310	-
Derivative financial instruments (Forward exchange contracts)	442,328	442,328	-	-	-
Other assets	5,614,750	-	-	5,614,750	-
<b>Total assets</b>	<b>1,206,208,932</b>	<b>442,328</b>	<b>196,398,087</b>	<b>1,002,203,829</b>	<b>7,164,688</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	82,514,467	-	-	-	82,514,467
<b>Total ordinary equity</b>	<b>102,514,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,514,467</b>
<b>Total Liabilities</b>	<b>1,103,694,465</b>	<b>424,042</b>	<b>-</b>	<b>1,103,137,554</b>	<b>132,869</b>
<b>Non-current Liabilities</b>	<b>69,244</b>				<b>69,244</b>
<b>Deferred tax liability</b>	<b>69,244</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,244</b>
<b>Current Liabilities</b>	<b>1,103,625,221</b>	<b>424,042</b>	<b>-</b>	<b>1,103,137,554</b>	<b>63,625</b>
Short-term borrowings	27,984,312	-	-	27,984,312	-
Amount owed to depositors	1,068,507,396	-	-	1,068,507,396	-
Derivative financial instruments (Forward exchange contracts)	424,042	424,042	-	-	-
Other liabilities	6,645,846	-	-	6,645,846	-
Receiver of Revenue	63,625	-	-	-	63,625
<b>Total equity and liabilities</b>	<b>1,206,208,932</b>	<b>424,042</b>	<b>-</b>	<b>1,103,137,554</b>	<b>102,647,336</b>

\* The investment in negotiable securities fair value is R187,017,560 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price. No impairment was recognised on the investment, since they will be held-to-maturity.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 2 Statement of financial position - classification of financial instruments (continued)

Company	2015 R	Held-for- trading R	Held-to-maturity investments R	Loans and receivables R	Non-financial assets and liabilities R
<b>ASSETS</b>					
<b>Non-Current Assets</b>	<b>68,682,152</b>	-	-	<b>61,154,327</b>	<b>7,527,825</b>
Property, plant and equipment	6,652,562	-	-	-	6,652,562
Investment in subsidiary	1	-	-	-	1
Long-term loans and advances	61,154,327	-	-	61,154,327	-
Deferred tax asset	875,262	-	-	-	875,262
<b>Current Assets</b>	<b>1,249,481,869</b>	<b>955,946</b>	<b>198,315,627</b>	<b>1,050,210,296</b>	-
Cash and cash equivalents	650,957,334	-	-	650,957,334	-
* Investment in negotiable securities	198,315,627	-	198,315,627	-	-
Loans and advances to customers	392,755,351	-	-	392,755,351	-
Derivative financial instruments (Forward exchange contracts)	955,946	955,946	-	-	-
Other assets	6,497,611	-	-	6,497,611	-
Receiver of Revenue	-	-	-	-	-
<b>Total assets</b>	<b>1,318,164,021</b>	<b>955,946</b>	<b>198,315,627</b>	<b>1,111,364,623</b>	<b>7,527,825</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	89,463,242	-	-	-	89,463,242
<b>Total ordinary equity</b>	<b>109,463,242</b>	-	-	-	<b>109,463,242</b>
<b>Total Liabilities</b>	<b>1,208,700,779</b>	<b>1,029,213</b>	-	<b>1,207,671,566</b>	-
<b>Non-Current Liabilities</b>	-	-	-	-	-
<b>Deferred tax liability</b>	-	-	-	-	-
<b>Current Liabilities</b>	<b>1,208,700,779</b>	<b>1,029,213</b>	-	<b>1,207,671,566</b>	-
Short-term borrowings	25,125,393	-	-	25,125,393	-
Amount owed to depositors	1,170,843,493	-	-	1,170,843,493	-
Derivative financial instruments (Forward exchange contracts)	1,029,213	1,029,213	-	-	-
Other liabilities	11,702,680	-	-	11,702,680	-
<b>Total equity and liabilities</b>	<b>1,318,164,021</b>	<b>1,029,213</b>	-	<b>1,207,671,566</b>	<b>109,463,242</b>

\* The investment in negotiable securities' fair value is R188,734,100 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price. No impairment was recognised on the investment, since they will be held-to-maturity.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015

(continued)

### 2 Statement of financial position - classification of financial instruments (continued)

Company	2014 R	Held-for- trading R	Held-to- maturity investments R	Loans and receivables R	Non-financial assets and liabilities R
<b>ASSETS</b>					
<b>Non-Current Assets</b>	59,266,771	-	-	51,298,665	7,968,106
Property, plant and equipment	5,672,950	-	-	-	5,672,950
Investment in subsidiary	1,250,000	-	-	-	1,250,000
Long-term loans and advances	51,298,665	-	-	51,298,665	-
Deferred tax asset	1,045,156	-	-	-	1,045,156
<b>Current Assets</b>	1,147,803,497	442,328	196,398,087	950,905,164	57,918
Cash and cash equivalents	573,136,104	-	-	573,136,104	-
* Investment in negotiable securities	196,398,087	-	196,398,087	-	-
Loans and advances to customers	372,154,310	-	-	372,154,310	-
Derivative financial instruments (Forward exchange contracts)	442,328	442,328	-	-	-
Other assets	5,614,750	-	-	5,614,750	-
Receiver of Revenue	57,918	-	-	-	57,918
<b>Total assets</b>	<b>1,207,070,268</b>	<b>442,328</b>	<b>196,398,087</b>	<b>1,002,203,829</b>	<b>8,026,024</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	72,667,338	-	-	-	72,667,338
<b>Total ordinary equity</b>	<b>92,667,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,667,338</b>
<b>Total Liabilities</b>	<b>1,114,402,930</b>	<b>424,042</b>	<b>-</b>	<b>1,113,978,888</b>	<b>-</b>
<b>Current Liabilities</b>	<b>1,114,402,930</b>	<b>424,042</b>	<b>-</b>	<b>1,113,978,888</b>	<b>-</b>
Short-term borrowings	27,984,312	-	-	27,984,312	-
Amount owed to depositors	1,079,348,742	-	-	1,079,348,742	-
Derivative financial instruments (Forward exchange contracts)	424,042	424,042	-	-	-
Other liabilities	6,645,834	-	-	6,645,834	-
<b>Total equity and liabilities</b>	<b>1,207,070,268</b>	<b>424,042</b>	<b>-</b>	<b>1,113,978,888</b>	<b>92,667,338</b>

\* The investment in negotiable securities fair value is R187,017,560 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price. No impairment was recognised on the investment, since they will be held-to-maturity.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### NON-CURRENT ASSETS

#### 3 PROPERTY, PLANT AND EQUIPMENT Group

Cost	Land and buildings	Motor vehicles	Furniture and Office equipment	Total
	R	R	R	R
Balance as at 1 January 2014	1,949,499	3,873,640	12,329,079	18,152,218
Additions	-	-	3,176,779	3,176,779
Disposal's	(949,499)	(244,354)	(2,100,487)	(3,294,340)
Balance as at 1 January 2015	1,000,000	3,629,286	13,405,371	18,034,657
Additions	-	1,700,084	1,256,696	2,956,780
Disposal's	-	(420,541)	(33,661)	(454,202)
<b>Balance as at 31 December 2015</b>	<b>1,000,000</b>	<b>4,908,829</b>	<b>14,628,406</b>	<b>20,537,235</b>

  

Accumulated Depreciation	Land and buildings	Motor vehicles	Furniture and Office equipment	Total
	R	R	R	R
Balance as at 1 January 2014	(977,671)	(3,382,291)	(9,065,745)	(13,425,707)
Depreciation expense	-	(168,194)	(1,054,696)	(1,222,890)
Disposal's	417,780	244,354	2,071,338	2,733,472
Balance as at 1 January 2015	(559,891)	(3,306,131)	(8,049,103)	(11,915,125)
Depreciation expense	-	(288,351)	(1,526,510)	(1,814,861)
Disposal's	-	274,984	15,617	290,601
<b>Balance as at 31 December 2015</b>	<b>(559,891)</b>	<b>(3,319,498)</b>	<b>(9,559,996)</b>	<b>(13,439,385)</b>

  

Carrying amount				
As at 31 December 2014	440,109	323,155	5,356,268	6,119,532
<b>As at 31 December 2015</b>	<b>440,109</b>	<b>1,589,331</b>	<b>5,068,410</b>	<b>7,097,850</b>

#### Properties

##### Johannesburg Property

Premises acquired on 16 July 1998 being section No 46 as shown on sectional plan No SS31 / 85 in the building known as Oriental Plaza, Fordsburg, Johannesburg, in extent 678 square meters and an undivided share in the common property in the land and buildings as apportioned in accordance with the participation quota of the said section. The municipal valuation of the property is R3,730,000 (2014: R3,730,000).

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### NON-CURRENT ASSETS

#### 3 PROPERTY, PLANT AND EQUIPMENT

##### Company

Cost	Motor vehicles	Furniture and Office equipment	Total
	R	R	R
Balance as at 1 January 2014	3,873,640	12,079,080	15,952,720
Additions	-	3,176,779	3,176,779
Disposals	(244,354)	(2,100,488)	(2,344,842)
Balance as at 1 January 2015	3,629,286	13,155,371	16,784,657
Additions	1,700,084	1,256,696	2,956,780
Disposals	(420,541)	(33,661)	(454,202)
<b>Balance as at 31 December 2015</b>	<b>4,908,829</b>	<b>14,378,406</b>	<b>19,287,235</b>

Accumulated Depreciation	Motor vehicles	Furniture and Office equipment	Total
	R	R	R
Balance as at 1 January 2014	(3,382,291)	(8,825,862)	(12,208,153)
Depreciation expense	(168,194)	(1,051,025)	(1,219,219)
Disposals	244,354	2,071,311	2,315,665
Balance as at 1 January 2015	(3,306,131)	(7,805,576)	(11,111,707)
Depreciation expense	(288,351)	(1,525,216)	(1,813,567)
Disposals	274,984	15,617	290,601
<b>Balance as at 31 December 2015</b>	<b>(3,319,498)</b>	<b>(9,315,175)</b>	<b>(12,634,673)</b>

##### Carrying amount

##### Company

As at 31 December 2014	323,155	5,349,795	5,672,950
<b>Balance as at 31 December 2015</b>	<b>1,589,331</b>	<b>5,063,231</b>	<b>6,652,562</b>

2015	2014
R	R
<b>Holding</b>	

#### 4 INVESTMENT IN SUBSIDIARY

N77 Oriental Plaza (Proprietary) Limited - share at cost	100%	1	1
Loan to subsidiary		-	1,249,999
		<b>1</b>	<b>1,250,000</b>

N77 Oriental Plaza (Proprietary) Limited, a property holding company wholly owned by Habib Overseas Bank Limited is incorporated in the Republic of South Africa. The loan to subsidiary was repaid during the 2015 financial year.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	Group		Company	
	2015 R	2014 R	2015 R	2014 R
<b>NON-CURRENT ASSETS</b>				
<b>5 LONG-TERM LOANS AND ADVANCES</b>				
- Loans to customers	61,154,327	51,298,665	61,154,327	51,298,665
<b>Net maturity analyses</b>				
Maturing after 1 year	61,154,327	51,298,665	61,154,327	51,298,665
<b>Sectoral analyses</b>				
Companies and Close Corporations	58,020,428	49,783,536	58,020,428	49,783,536
Unincorporated businesses	231,003	-	231,003	-
Individuals	2,902,896	1,515,129	2,902,896	1,515,129
	<b>61,154,327</b>	<b>51,298,665</b>	<b>61,154,327</b>	<b>51,298,665</b>
<b>Sectoral distribution</b>				
Manufacturing	1,300,000	744,970	1,300,000	744,970
Wholesale and retail trade, repair of specified items, hotel	53,642,760	21,738,719	53,642,760	21,738,719
Transport, storage and communication	2,470,669	701,398	2,470,669	701,398
Financial intermediation and insurance	838,002	521,257	838,002	521,257
Real estate	-	18,715,031	-	18,715,031
Business services	-	7,362,161	-	7,362,161
Individuals	2,902,896	1,515,129	2,902,896	1,515,129
	<b>61,154,327</b>	<b>51,298,665</b>	<b>61,154,327</b>	<b>51,298,665</b>
<b>CURRENT ASSETS</b>				
<b>6 CASH AND CASH EQUIVALENTS (AND SHORT-TERM BORROWINGS)</b>				
Coin and bank notes	6,013,032	4,503,371	6,013,032	4,503,371
Money at call and short-term notice with banks	618,811,676	556,104,590	618,811,676	556,104,590
Balances with central bank	26,132,626	12,528,143	26,132,626	12,528,143
	<b>650,957,334</b>	<b>573,136,104</b>	<b>650,957,334</b>	<b>573,136,104</b>
Short-term borrowings	(25,125,393)	(27,984,312)	(25,125,393)	(27,984,312)
<b>Net cash and cash equivalents</b>	<b>625,831,941</b>	<b>545,151,792</b>	<b>625,831,941</b>	<b>545,151,792</b>
<b>Net maturity analyses</b>				
Maturing within 1 month	284,831,941	287,601,792	284,831,941	287,601,792
Maturing after 1 month but within 3 months	279,600,000	176,650,000	279,600,000	176,650,000
Maturing after 3 months but within 1 year	61,400,000	80,900,000	61,400,000	80,900,000
<b>Net cash and cash equivalents</b>	<b>625,831,941</b>	<b>545,151,792</b>	<b>625,831,941</b>	<b>545,151,792</b>
The short-term borrowing relates to the foreign advances lending.				
The Cash threshold held with the South African Reserve Bank is 2.5% of the bank's total average liabilities.				
The cash placed with banks within a maturity of 3 months can be recalled at any point in time under a stress situation.				
<b>7 INVESTMENTS AND NEGOTIABLE SECURITIES</b>				
<b>Treasury Bills</b>				
Maturing within 1 year	198,315,627	196,398,087	198,315,627	196,398,087
<b>Total investment in Treasury Bills</b>	<b>198,315,627</b>	<b>196,398,087</b>	<b>198,315,627</b>	<b>196,398,087</b>
<b>Market valuation of total investments</b>	<b>188,734,100</b>	<b>187,017,560</b>	<b>188,734,100</b>	<b>187,017,560</b>

No impairments were recognised as treasury bills are held-to-maturity

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
<b>CURRENT ASSETS</b>				
<b>8 LOANS AND ADVANCES</b>				
Advances to customers and bills discounted	458,739,524	427,182,993	458,739,524	427,182,993
Less: Long-term loans and advances	(61,154,327)	(51,298,665)	(61,154,327)	(51,298,665)
Less: Impairment of loans and advances	(4,829,846)	(3,730,018)	(4,829,846)	(3,730,018)
Advances to customers and bills discounted net of impairments	392,755,351	372,154,310	392,755,351	372,154,310
<b>Net maturity analyses</b>				
Maturing within 1 month (overdrafts - payable on demand)	370,856,449	335,538,619	370,856,449	335,538,619
Maturing after 1 month but within 3 months	11,486,449	10,258,146	11,486,449	10,258,146
Maturing after 3 months but within 1 year	10,412,453	26,357,545	10,412,453	26,357,545
	392,755,351	372,154,310	392,755,351	372,154,310
<b>Sectoral analyses</b>				
Companies and Close Corporations	356,977,359	348,530,718	356,977,359	348,530,718
Unincorporated businesses	34,320,245	17,490,838	34,320,245	17,490,838
Individuals	787,348	4,993,659	787,348	4,993,659
Non-profit institutions	670,399	1,139,095	670,399	1,139,095
	392,755,351	372,154,310	392,755,351	372,154,310
<b>Sectoral distribution</b>				
Manufacturing	117,501,420	97,176,117	117,501,420	97,176,117
Electricity, gas and water supply	7,182,507	6,472,295	7,182,507	6,472,295
Wholesale and retail trade, repair of specified items, hotel	188,846,749	200,045,211	188,846,749	200,045,211
Transport, storage and communication	1,046,295	3,194,382	1,046,295	3,194,382
Financial intermediation and insurance	13,199,289	11,173,345	13,199,289	11,173,345
Real estate	30,560,191	16,100,828	30,560,191	16,100,828
Business services	2,268,693	13,964,764	2,268,693	13,964,764
Community, social and personal services	23,880,231	3,622,507	23,880,231	3,622,507
Individuals	787,348	4,993,659	787,348	4,993,659
Other	7,482,628	15,411,202	7,482,628	15,411,202
	392,755,351	372,154,310	392,755,351	372,154,310
<b>Geographical distribution</b>				
The loans and advances relate to customers who are SA residents				
<b>9 OTHER ASSETS</b>				
Accrued interest	4,430,211	3,239,262	4,430,211	3,239,262
Other accounts receivable	3,023,346	2,817,816	3,023,346	2,817,816
	7,453,557	6,057,078	7,453,557	6,057,078

The carrying amounts of these assets approximates their fair value.

The fair value of derivative instruments (FEC) are recognised in other assets.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
<b>10 SHARE CAPITAL</b>				
<b>Authorised</b>				
25,000,000 ordinary shares of R 1 each	25,000,000	25,000,000	25,000,000	25,000,000
<b>Issued</b>				
20,000,000 ordinary shares of R 1 each	20,000,000	20,000,000	20,000,000	20,000,000
<b>CURRENT LIABILITIES</b>				
<b>11 DEPOSITS AND CURRENT ACCOUNTS</b>				
Current and call accounts	781,715,981	684,902,288	783,501,093	695,743,635
Savings accounts	85,536,697	63,797,265	85,536,697	63,797,265
Time deposit accounts	301,805,703	319,807,842	301,805,703	319,807,842
	<b>1,169,058,381</b>	1,068,507,395	<b>1,170,843,493</b>	1,079,348,742
<b>Maturity analyses</b>				
Maturing within 1 month	1,073,984,096	965,684,855	1,075,769,208	976,526,202
Maturing after 1 month but within 6 months	78,404,542	89,834,470	78,404,542	89,834,470
Maturing after 6 months but within 1 year	15,418,243	12,988,070	15,418,243	12,988,070
Maturing after 1 year	1,251,500	-	1,251,500	-
	<b>1,169,058,381</b>	1,068,507,395	<b>1,170,843,493</b>	1,079,348,742
<b>12 OTHER LIABILITIES</b>				
Accrued interest	1,576,477	1,480,095	1,576,477	1,480,095
Accrued expenses	6,367,995	3,004,606	6,367,995	3,004,606
Other accounts payable	4,793,805	2,585,187	4,787,421	2,585,175
	<b>12,738,277</b>	7,069,888	<b>12,731,893</b>	7,069,876
The carrying amounts of these liabilities approximates their fair value. The fair value of derivative instruments (FEC) are recognised in other liabilities.				
<b>13 CONTINGENT LIABILITIES</b>				
Letters of guarantee	37,415,136	23,248,535	37,415,136	23,248,535
Letters of credit	10,117,986	15,671,850	10,117,986	15,671,850
Acceptances	1,420,494	1,484,921	1,420,494	1,484,921
	<b>48,953,616</b>	40,405,306	<b>48,953,616</b>	40,405,306

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
<b>14 INTEREST INCOME AND EXPENSE</b>				
<b>Interest and similar income comprises interest on</b>				
Loans and advances	36,160,798	30,354,423	36,160,798	30,354,423
Balances with banks	28,362,340	27,972,129	28,362,340	27,972,129
Investments and negotiable securities	12,032,695	7,978,284	12,032,695	7,978,284
	<b>76,555,833</b>	<b>66,304,836</b>	<b>76,555,833</b>	<b>66,304,836</b>
<b>Interest expense and similar charges comprises interest on</b>				
Current and time deposit accounts	(24,484,581)	(20,536,136)	(24,755,143)	(20,552,426)
Savings accounts	(162,609)	(148,361)	(162,609)	(148,361)
Balances with banks	(550,419)	(538,918)	(550,419)	(538,899)
	<b>(25,197,609)</b>	<b>(21,223,415)</b>	<b>(25,468,171)</b>	<b>(21,239,686)</b>
<b>15 NON-INTEREST INCOME</b>				
Commission and foreign exchange earnings	8,821,430	8,948,319	8,821,430	8,948,319
Fee based income	10,682,033	10,429,017	10,682,033	10,429,017
Other income	2,813,965	2,210,867	2,732,280	2,144,269.00
Subtotal	22,317,428	21,588,203	22,235,743	21,521,605
Gains on disposal of property	-	11,468,281	-	-
	<b>22,317,428</b>	<b>33,056,484</b>	<b>22,235,743</b>	<b>21,521,605</b>
Included in commission and foreign exchange earnings is an amount of R73,267 (2014: R18,287) being the loss on derivative financial instruments (forward exchange contracts) at 31 December 2015 and an amount of R8,664 (2014: R27,243) being the exchange rate differences on foreign exchange transactions.				
<b>16 IMPAIRMENT CHARGE ON LOANS AND ADVANCES</b>				
Balance at beginning of year	3,730,018	3,510,937	3,730,018	3,510,937
General impairment raised during the year	850,056	-	850,056	-
Interest suspense raised during the year	249,772	219,081	249,772	219,081
Charge to income statement	1,099,828	219,081	1,099,828	219,081
Advances written off against specific provisions	-	-	-	-
<b>Balance at end of year</b>	<b>4,829,846</b>	<b>3,730,018</b>	<b>4,829,846</b>	<b>3,730,018</b>
<b>Comprising :</b>				
Specific impairment (including interest suspended)	(3,079,790)	(2,830,018)	(3,079,790)	(2,830,018)
Portfolio impairment reserve	(1,750,056)	(900,000)	(1,750,056)	(900,000)
<b>Balance at end of year</b>	<b>(4,829,846)</b>	<b>(3,730,018)</b>	<b>(4,829,846)</b>	<b>(3,730,018)</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	Group		Company	
	2015 R	2014 R	2015 R	2014 R
<b>17 OPERATING EXPENDITURE</b>				
Operating expenses include the following items:				
<b>Staff Costs</b>	<b>(20,944,818)</b>	(18,490,105)	<b>(20,944,818)</b>	(18,490,105)
- Staff cost	<b>(20,944,818)</b>	(18,490,105)	<b>(20,944,818)</b>	(18,490,105)
<b>Provident Fund Contributions</b>	<b>(1,151,400)</b>	(1,058,897)	<b>(1,151,400)</b>	(1,058,897)
Current service costs	<b>(1,151,400)</b>	(1,058,897)	<b>(1,151,400)</b>	(1,058,897)
<b>Auditors' remuneration</b>	<b>(945,061)</b>	(796,004)	<b>(945,061)</b>	(796,004)
- Audit fee	<b>(945,061)</b>	(796,004)	<b>(945,061)</b>	(796,004)
<b>Depreciation</b>	<b>(1,814,861)</b>	(1,222,890)	<b>(1,813,567)</b>	(1,219,219)
Land and buildings	-	-	-	-
Motor vehicles	<b>(288,351)</b>	(168,194)	<b>(288,351)</b>	(168,194)
Furniture and office equipment	<b>(1,526,510)</b>	(1,054,696)	<b>(1,525,216)</b>	(1,051,025)
<b>Operating leases</b>	<b>(3,627,050)</b>	(4,061,703)	<b>(4,047,050)</b>	(4,601,703)
Rental - banks premises	<b>(1,940,651)</b>	(2,245,181)	<b>(2,360,651)</b>	(2,785,181)
Rental - staff accommodation	<b>(1,686,399)</b>	(1,816,522)	<b>(1,686,399)</b>	(1,816,522)
- Loss on disposal of assets	<b>(163,601)</b>	(29,177)	<b>(163,601)</b>	(29,177)

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	Group		Company	
	2015 R	2014 R	2015 R	2014 R
<b>18 Directors' emoluments</b>				
<b>Total Directors Emoluments</b>	<b>(3,301,382)</b>	(2,911,750)	<b>(3,301,382)</b>	(2,911,750)
<b>Managing Director - Manzar A Kazmi</b>	<b>(2,035,234)</b>	(1,748,667)	<b>(2,035,234)</b>	(1,748,667)
Basic salary (gross)	<b>(1,227,500)</b>	(1,128,000)	<b>(1,227,500)</b>	(1,128,000)
Bonus and performance related payments	<b>(103,000)</b>	(94,500)	<b>(103,000)</b>	(94,500)
Private use of motor vehicle	<b>(221,907)</b>	(202,819)	<b>(221,907)</b>	(202,819)
Medical aid contribution	<b>(54,180)</b>	(53,118)	<b>(54,180)</b>	(53,118)
Pension / provident scheme contributions	<b>(92,653)</b>	(85,260)	<b>(92,653)</b>	(85,260)
Cell phone	<b>(42,000)</b>	(42,000)	<b>(42,000)</b>	(42,000)
Travel passage	<b>(87,689)</b>	-	<b>(87,689)</b>	-
Housing allowance	<b>(206,305)</b>	(142,970)	<b>(206,305)</b>	(142,970)
<b>Executive Director - A Ansari</b>	<b>(1,266,148)</b>	(1,163,083)	<b>(1,266,148)</b>	(1,163,083)
Basic salary (gross)	<b>(861,600)</b>	(784,600)	<b>(861,600)</b>	(784,600)
Bonus and performance related payments	<b>(72,300)</b>	(66,300)	<b>(72,300)</b>	(66,300)
Private use of motor vehicle	<b>(68,460)</b>	(72,776)	<b>(68,460)</b>	(72,776)
Medical aid contribution	<b>(54,180)</b>	(49,932)	<b>(54,180)</b>	(49,932)
Pension / provident scheme contributions	<b>(63,726)</b>	(57,536)	<b>(63,726)</b>	(57,536)
Cell phone	<b>(9,000)</b>	(9,000)	<b>(9,000)</b>	(9,000)
Housing allowance	<b>(136,882)</b>	(122,939)	<b>(136,882)</b>	(122,939)
<b>Non-executive directors</b>	<b>(203,000)</b>	(203,000)	<b>(203,000)</b>	(203,000)
Non-executive director - M Bramwell	<b>(115,000)</b>	(115,000)	<b>(115,000)</b>	(115,000)
Non-executive director - BW Smith	<b>(88,000)</b>	(88,000)	<b>(88,000)</b>	(88,000)

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	Group		Company	
	2015 R	2014 R	2015 R	2014 R
<b>19 TAXATION</b>				
<b>South African Normal Taxation</b>	<b>(6,470,481)</b>	(6,999,590)	<b>(6,329,894)</b>	(5,022,705)
- Current taxation - current year	<b>(6,300,511)</b>	(5,880,000)	<b>(6,160,000)</b>	(5,880,000)
- Current taxation - overpayment during the year		(63,625)	-	57,918
- Capital gains tax	-	(1,786,098)	-	-
- Deferred taxation	<b>(169,970)</b>	730,133	<b>(169,894)</b>	799,377
<b>TAX RATE RECONCILIATION</b>				
Standard rate of taxation	<b>28.00%</b>	28.00%	<b>28.00%</b>	28.00%
Adjustment for :				
- capital gains tax on companies	<b>0.00%</b>	-5.48%	<b>0.00%</b>	0.00%
- other permanent differences	<b>1.35%</b>	1.12%	<b>-5.69%</b>	-0.44%
- (increase)/decrease in deferred tax (asset) / liability	<b>0.79%</b>	-2.24%	<b>-0.58%</b>	-3.78%
- adjustments recognised in the current year in relation to the current tax of prior years	<b>0.00%</b>	0.07%	<b>0.00%</b>	0.00%
Effective rate of taxation	<b>30.14%</b>	21.47%	<b>21.73%</b>	23.78%
<b>20 DEFERRED TAXATION</b>				
<b>Group and Company</b>				
- Deferred tax liability beginning of the year on property & equipment	<b>69,244</b>	-	-	-
- Originating temporary difference	<b>76</b>	69,244	-	-
<b>Deferred tax liability end of the year on property &amp; equipment</b>	<b>69,320</b>	69,244	-	-
<b>Total deferred tax liability at end of the year</b>	<b>69,320</b>	69,244	-	-
<b>Group and Company</b>				
- Deferred tax asset beginning of the year on property & equipment	<b>(178,556)</b>	(182,779)	<b>(178,556)</b>	(182,779)
- Originating temporary difference	<b>446,114</b>	4,223	<b>446,114</b>	4,223
<b>Deferred tax (asset) end of the year on property &amp; equipment</b>	<b>267,558</b>	(178,556)	<b>267,558</b>	(178,556)
- Deferred tax asset beginning of the year on general debt allowance	<b>(189,000)</b>	(63,000)	<b>(189,000)</b>	(63,000)
- Originating temporary difference	<b>(136,500)</b>	(126,000)	<b>(136,500)</b>	(126,000)
<b>Deferred tax asset end of the year on general debt allowance</b>	<b>(325,500)</b>	<b>(189,000)</b>	<b>(325,500)</b>	<b>(189,000)</b>
- Deferred tax asset beginning of the year on disallowable provisions	<b>(677,600)</b>	-	<b>(677,600)</b>	-
- Originating temporary difference	<b>(139,720)</b>	(677,600)	<b>(139,720)</b>	(677,600)
<b>Deferred tax asset end of the year on disallowable provisions</b>	<b>(817,320)</b>	(677,600)	<b>(817,320)</b>	(677,600)
<b>Total deferred tax (asset) at end of the year</b>	<b>(875,262)</b>	(1,045,156)	<b>(875,262)</b>	(1,045,156)
<b>21 ORDINARY DIVIDENDS</b>				
- Final dividend of 30cents per share for the year 2015 declared on 12 November 2015 and paid from current earnings distributed to shareholders	<b>6,000,000</b>	6,000,000	<b>6,000,000</b>	6,000,000
<b>Dividend declared and paid</b>	<b>6,000,000</b>	6,000,000	<b>6,000,000</b>	6,000,000

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	Group		Company	
	2015 R	2014 R	2015 R	2014 R
<b>22 (a) INTEREST INCOME AND OTHER INCOME RECEIVED</b>				
Accounts receivable at beginning of year	6,057,078	5,690,958	6,057,078	5,690,958
Interest and similar income	76,555,833	66,304,836	76,555,833	66,304,836
Accounts receivable at end of year	(7,453,557)	(6,057,078)	(7,453,557)	(6,057,078)
	<b>75,159,354</b>	<b>65,938,716</b>	<b>75,159,354</b>	<b>65,938,716</b>
<b>Adjustments for :</b>				
Interest accrued on treasury bills in the current year	(3,304,347)	(462,718)	(3,304,347)	(462,718)
Interest suspense	(249,772)	(219,081)	(249,772)	(219,081)
	<b>71,605,235</b>	<b>65,256,917</b>	<b>71,605,235</b>	<b>65,256,917</b>
Non-interest revenue	22,317,428	21,588,203	22,235,743	21,521,605
	<b>93,922,663</b>	<b>86,845,120</b>	<b>93,840,978</b>	<b>86,778,522</b>
<b>22 (b) INCOME FROM INVESTING ACTIVITIES</b>				
Proceeds on sale of property and equipment	-	12,000,000	-	-
	-	12,000,000	-	-
<b>23 INTEREST PAID</b>				
Accrued interest at beginning of year	(1,480,095)	(738,168)	(1,480,095)	(738,168)
Interest expense and similar charges	(25,197,609)	(21,223,415)	(25,468,171)	(21,239,686)
Accrued interest at end of year	1,576,477	1,480,095	1,576,477	1,480,095
	<b>(25,101,228)</b>	<b>(20,481,488)</b>	<b>(25,371,790)</b>	<b>(20,497,759)</b>
<b>24 CASH PAID TO EMPLOYEES AND SUPPLIERS</b>				
Operating expenditure	(51,105,459)	(45,312,611)	(51,097,779)	(45,247,900)
<b>Adjustments for :</b>				
Depreciation	1,814,861	1,222,890	1,813,567	1,219,219
Loss on disposal of fixed assets	163,601	29,177	163,601	29,177
	<b>(49,126,997)</b>	<b>(44,060,544)</b>	<b>(49,120,611)</b>	<b>(43,999,504)</b>
Working capital changes :				
Increase in bills payable	1,597,077	649,380	1,597,077	649,380
Increase in other accounts payable	3,974,931	(651,866)	3,968,560	(651,866)
	<b>(43,554,989)</b>	<b>(44,063,030)</b>	<b>(43,554,974)</b>	<b>(44,001,990)</b>
<b>25 INCREASE IN LOANS AND ADVANCES</b>				
Loans and advances net of impairments and interest suspense at beginning of year	423,452,975	333,363,741	423,452,975	333,363,741
Impairment of loans and advances(excluding interest suspended)	(850,056)	-	(850,056)	-
Loans and advances net of impairments and interest suspense at end of year	(453,909,678)	(423,452,975)	(453,909,678)	(423,452,975)
<b>(Increase) in loans and advances</b>	<b>(31,306,759)</b>	<b>(90,089,234)</b>	<b>(31,306,759)</b>	<b>(90,089,234)</b>
<b>26 INCREASE IN DEPOSITS AND CURRENT ACCOUNTS</b>				
Deposits and current accounts at beginning of year	1,068,507,395	953,345,812	1,079,348,742	954,923,634
Deposits and current accounts at end of year	1,169,058,380	1,068,507,395	1,170,843,492	1,079,348,742
<b>Increase/(decrease) in deposits and current accounts</b>	<b>100,550,985</b>	<b>115,161,583</b>	<b>91,494,750</b>	<b>124,425,108</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

	2015 R	Group 2014 R	2015 R	Company 2014 R
<b>27 TAXATION PAID</b>				
Amounts (payable)/receivable at beginning of year	(63,625)	426,290	57,918	448,998
Prior year taxation over/(under) payment	-	(63,625)	-	57,918
Taxation expense - current year	(6,300,511)	(5,880,000)	(6,160,000)	(5,880,000)
Capital gains tax on disposal of property	-	(1,786,098)	-	-
Amounts payable/(receivable) at end of year to SARS	103,586	63,625	-	(57,918)
	(6,260,550)	(7,239,808)	(6,102,082)	(5,431,002)

## 28 DIVIDENDS PAID

Dividends declared and paid	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)

## 29 RETIREMENT BENEFITS

The Bank has established a provident fund scheme managed by Old Mutual.

The contributions are as follows :

6% of the cost of employment by the employees

7.25% of the cost of employment by the employer

<b>Total current service costs</b>	(1,151,400)	(1,058,897)	(1,151,400)	(1,058,897)
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## 30 RELATED PARTIES

The subsidiary is a property investment company.

- N77 Oriental Plaza (Proprietary) Limited

Loan repaid			1,250,000	(949,499)
Rental paid to it's subsidiary	-	-	(420,000)	(540,000)
	-	-	830,000	(1,489,499)

N77 Oriental Plaza (Proprietary) Limited holds a non-interest bearing current account and an interest bearing call account with Habib Overseas Bank Limited amounting to R1,785,112 (2014: R12,524,108). The value of R1,785,112 is recognised in Deposits with current accounts and call accounts.

## 31 Operating lease commitments

The operating lease commitments are recognised as expenses and calculated in accordance with IFRS on the straight-line basis over the lease term.

< 1 Year	3,370,198	3,336,986	3,370,198	3,336,986
> 1 - 5 Years	6,218,949	7,440,623	6,218,949	7,440,623
<b>Total</b>	9,589,147	10,777,609	9,589,147	10,777,609

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015

(continued)

### 32 RISK MANAGEMENT

The Bank has in place a reliable system of computer hardware and software to provide management with the information required to initiate, manage and monitor various risks undertaken in the course of its business on a prudent basis. The Bank is primarily exposed to Credit Risk, Capital Risk, Operational Risk, Market Risk, Liquidity Risk, Interest Rate Risk, Foreign Exchange Risk and Compliance Risk.

#### 32.1 CAPITAL RISK MANAGEMENT

The Bank's objective in managing capital is to assess the adequacy of the capital in order to safeguard its ability to continue as a going concern to provide return and growth to the shareholders and in accordance with IAS1:134.

The Bank has always held capital well in excess of the regulatory requirements to ensure that it remains well capitalised in a vastly changed banking world. The internal capital adequacy assessment process approved by the Board of Directors has been reviewed by the South African Reserve Bank.

The quantitative information complies with IAS 1:135 and South African Reserve Bank Regulation 43.

Components of Capital	*	in '000
	2015	2014
	R	R
<b>Common Equity Tier 1 (CET 1)</b>		
- Issued Capital	20,000	20,000
- Other Reserves	89,463	72,667
<b>Total Common Equity Tier 1 (CET 1)</b>	<b>109,463</b>	<b>92,667</b>
Less: Prescribed deductions against capital	(536)	(441)
<b>Aggregate amount of primary share capital &amp; reserves</b>	<b>108,927</b>	<b>92,226</b>
<b>Common Equity Tier 1 Capital Adequacy Ratio</b>	<b>18.10%</b>	<b>17.59%</b>
<b>Tier 2 Capital</b>		
- General allowance for credit impairment standardised approach	1,750	900
<b>Total Tier 2 Capital</b>	<b>1,750</b>	<b>900</b>
Less: Prescribed deductions against Tier 1 capital	(368)	(189)
<b>Aggregate amount of Tier 2 Share Capital &amp; Reserves</b>	<b>1,382</b>	<b>711</b>
<b>Tier 2 Capital Adequacy Ratio</b>	<b>0.23%</b>	<b>0.14%</b>
<b>Total Share Capital</b>		
- Primary capital & reserves (CET 1)	109,463	92,667
- Secondary capital & reserves (Tier 2)	1,750	900
Less: Prescribed deductions against Tier 1 capital	(904)	(630)
<b>Net Qualifying Capital</b>	<b>110,309</b>	<b>92,937</b>
<b>Total capital adequacy ratio</b>	<b>18.33%</b>	<b>17.73%</b>
Total capital requirement	62,307	53,744
Aggregate amount of capital & reserves	110,309	92,937
<b>Excess</b>	<b>48,002</b>	<b>39,193</b>
<b>Risk weighted exposure</b>		
Credit risk	471,662	406,168
Counterparty credit risk	1,180	631
Operational risk	119,408	106,963
Market risk	588	606
Equity risk	-	1,250
Other risk	9,059	8,710
<b>Total risk weighted exposure</b>	<b>601,897</b>	<b>524,328</b>

(\*) Unaudited

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32.1 CAPITAL RISK MANAGEMENT

#### LEVERAGE RATIO

Components of Capital	in '000	
	2015 R	2014 R
<b>Common Equity Tier 1 (CET 1)</b>		
- Issued Capital	20,000	20,000
- Other Reserves	89,463	72,667
<b>Total Common Equity Tier 1 (CET 1)</b>	<b>109,463</b>	<b>92,667</b>
Less: Prescribed deductions against capital	(536)	(441)
<b>Aggregate amount of primary share capital &amp; reserves</b>	<b>108,927</b>	<b>92,226</b>
<b>Tier 2 Capital</b>		
- General allowance for credit impairment standardised approach	1,750	900
<b>Total Tier 2 Capital</b>	<b>1,750</b>	<b>900</b>
Less: Prescribed deductions against Tier 1 capital	(368)	(189)
<b>Aggregate amount of Tier 2 Capital &amp; Reserves</b>	<b>1,382</b>	<b>711</b>
<b>Total Share Capital</b>		
- Primary capital & reserves (CET 1)	109,463	92,667
Less: Prescribed deductions against Tier 1 capital	(904)	(630)
<b>Total qualifying tier 1 capital</b>	<b>108,559</b>	<b>92,037</b>

#### EXPOSURE FOR LEVERAGE RATIO

Other assets	-	38,169
On balance sheet items	1,317,208	1,168,459
Derivative assets	956	890
Derivative assets and off-balance sheet items Derivatives	417	-
Off-balance sheet exposure with > 0% CCF	38,312	27,326
Off-balance sheet exposure with a 0% CCF	11,848	13,830
Regulatory adjustments against capital	(904)	(630)
<b>Total exposure for leverage ratio</b>	<b>1,367,837</b>	<b>1,248,044</b>

#### LEVERAGE RATIO

Total qualifying tier 1 capital	<b>108,559</b>	92,037
Total exposures for leverage ratio	<b>1,367,837</b>	1,248,044
<b>Leverage ratio</b>	<b>7.94%</b>	7.37%
Regulatory specified minimum leverage ratio	<b>4.00%</b>	4.00%

(\*) Unaudited

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32.2 CREDIT RISK

All lending operations are governed by the credit policy approved by the Board. Lending activities are administered and monitored by the Credit Committee which consists of five directors of the Bank and over prescribed limits, grading of the advances and industry concentration in accordance with the credit policies. The objective of this policy is to build and maintain a quality advances book. All lending approvals are submitted for review by the next level of authority, which ensures ethical standards as well as accountability. This committee also critically examines prudential policies against identified risk facilities.

#### IFRS 7 DISCLOSURES

	2015		
	Statement of financial position	Off-statement of financial position	Total
<b>Group credit risk analysis</b>			
<b>Maximum exposure to credit risk per financial assets</b>			
<b>Cash and balances with central bank</b>	<b>32,145,658</b>	<b>-</b>	<b>32,145,658</b>
Local and foreign cash	6,013,032	-	6,013,032
Manadatory reserve deposits with central banks	13,870,143	-	13,870,143
Other balances with central banks	12,262,483	-	12,262,483
<b>Loans and advances with Banks &amp; Customers</b>	<b>1,072,721,354</b>	<b>-</b>	<b>1,072,721,354</b>
Overdrafts and loans	458,739,524	-	458,739,524
Term loans (Bank Placement)	618,811,676	-	618,811,676
Less: impairments of loans and advances	(4,829,846)	-	(4,829,846)
<b>Investments and negotiable securities</b>	<b>198,315,627</b>	<b>-</b>	<b>198,315,627</b>
Investment securities	198,315,627	-	198,315,627
<b>Other assets</b>	<b>7,453,557</b>	<b>-</b>	<b>7,453,557</b>
Derivative financial assets (FEC)	955,946	-	955,946
Other assets	6,497,611	-	6,497,611
<b>Contingent Liabilities</b>	<b>-</b>	<b>48,953,616</b>	<b>48,953,616</b>
Guarantees - irrevocable	-	37,415,136	37,415,136
Letter of credit and acceptances	-	11,538,480	11,538,480
	<b>1,310,636,196</b>	<b>48,953,616</b>	<b>1,359,589,812</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.2 CREDIT RISK IFRS 7 DISCLOSURES

Group credit risk analysis	2014		Total
	Statement of financial position	Off-statement of financial position	
<b>Maximum exposure to credit risk per financial assets</b>			
<b>Cash and balances with central bank</b>	29,018,090	-	29,018,090
Local and foreign cash	4,503,371	-	4,503,371
Manadatory reserve deposits with central banks	12,528,143	-	12,528,143
Other balances with central banks	11,986,576	-	11,986,576
<b>Loans and advances with Banks &amp; Customers</b>	967,570,989	-	967,570,989
Overdrafts and loans	427,182,993	-	427,182,993
Term loans (Bank Placement)	544,118,014	-	544,118,014
Less: impairments of loans and advances	(3,730,018)	-	(3,730,018)
<b>Investments and negotiable securities</b>	196,398,087	-	196,398,087
Investment securities	196,398,087	-	196,398,087
<b>Other assets</b>	6,057,078	-	6,057,078
Derivative financial assets (FEC)	442,328	-	442,328
Other assets	5,614,750	-	5,614,750
<b>Contingent Liabilities</b>	-	40,405,306	40,405,306
Guarantees - irrevocable	-	23,248,535	23,248,535
Letter of credit and acceptances	-	17,156,771	17,156,771
	1,199,044,244	40,405,306	1,239,449,550

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.2 CREDIT RISK

Company credit risk analysis	2015		Total
	Statement of financial position	Off-statement of financial position	
<b>Maximum exposure to credit risk per financial assets</b>			
<b>Cash and balances with central bank</b>	<b>32,145,658</b>	-	<b>32,145,658</b>
Local and foreign cash	6,013,032	-	6,013,032
Manadatory reserve deposits with central banks	13,870,143	-	13,870,143
Other balances with central banks	12,262,483	-	12,262,483
<b>Loans and advances with Banks &amp; Customers</b>	<b>1,072,721,354</b>	-	<b>1,072,721,354</b>
Overdrafts and loans	458,739,524	-	458,739,524
Term loans (Bank Placement)	618,811,676	-	618,811,676
Less: impairments of loans and advances	(4,829,846)	-	(4,829,846)
<b>Investments and negotiable securities</b>	<b>198,315,627</b>	-	<b>198,315,627</b>
Investment securities	198,315,627	-	198,315,627
<b>Other assets</b>	<b>7,453,557</b>	-	<b>7,453,557</b>
Derivative financial assets (FEC)	955,946	-	955,946
Other assets	6,497,611	-	6,497,611
<b>Contingent Liabilities</b>	-	<b>48,953,616</b>	<b>48,953,616</b>
Guarantees - irrevocable	-	37,415,136	37,415,136
Letter of credit and acceptances	-	11,538,480	11,538,480
	<b>1,310,636,196</b>	<b>48,953,616</b>	<b>1,359,589,812</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.2 CREDIT RISK

Company credit risk analysis	2014		Total
	Statement of financial position	Off-statement of financial position	
<b>Maximum exposure to credit risk per financial assets</b>			
<b>Cash and balances with central bank</b>	29,018,090	-	29,018,090
Local and foreign cash	4,503,371	-	4,503,371
Manadatory reserve deposits with central banks	12,528,143	-	12,528,143
Other balances with central banks	11,986,576	-	11,986,576
<b>Loans and advances with Banks &amp; Customers</b>	967,570,989	-	967,570,989
Overdrafts and loans	427,182,993	-	427,182,993
Term loans (Bank Placement)	544,118,014	-	544,118,014
Less: impairments of loans and advances	(3,730,018)	-	(3,730,018)
<b>Investments and negotiable securities</b>	196,398,087	-	196,398,087
Investment securities	196,398,087	-	196,398,087
<b>Other assets</b>	6,114,996	-	6,114,996
Derivative financial assets (FEC)	442,328	-	442,328
Other assets	5,672,668	-	5,672,668
<b>Contingent Liabilities</b>	-	40,405,306	40,405,306
Guarantees - irrevocable	-	23,248,535	23,248,535
Letter of credit and acceptances	-	17,156,771	17,156,771
	1,199,102,162	40,405,306	1,239,507,468

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.3 COLLATERAL HELD

The Bank does not have a policy to sell or re-pledge the collateral in the absence of default by the owner of the collateral.

#### Collateral against loans & advances

The bank utilises the following financial and non-financial collateral to mitigate credit risk.

Type of collateral	2015	
	Value of collateral against credit exposure in R 000's	% of credit exposure to total exposure
<b>Financial Collateral</b>		
Cash collateral	92,412	20.36%
Bank Guarantees	5,783	1.27%
<b>Non-financial collateral</b>		
Mortgage bond	277,241	61.08%
Notarial bond stock & equipment	16,180	3.56%
Insurance policies	548	0.12%
Cession on book debt	3,479	0.77%
Suretyship	44,531	9.81%
Other / unsecured	13,736	3.03%
<b>Total Exposure</b>	<b>453,910</b>	<b>100.00%</b>

Type of collateral	2014	
	Value of collateral against credit exposure in R 000's	% of credit exposure to total exposure
<b>Financial Collateral</b>		
Cash collateral	113,523	26.81%
Bank Guarantees	10,687	2.52%
<b>Non-financial collateral</b>		
Mortgage bond	242,641	57.30%
Notarial bond stock & equipment	18,952	4.48%
Insurance policies	1,306	0.31%
Cession on book debt	2,987	0.71%
Suretyship	27,809	6.57%
Other / unsecured	5,548	1.31%
<b>Total Exposure</b>	<b>423,453</b>	<b>100.00%</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015

(continued)

### 32 RISK MANAGEMENT (Continued)

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R

#### 32.4 Impaired loans and advances

The total loans and advances are R 453,909,678 (2014: R 423,452,975) of which R 12,707,869 (2014: R 15,527,005) are impaired advances.

#### Classification categories of advances

Standard	441,201,809	407,925,970	441,201,809	407,925,970
Special Mention	2,013,008	11,252,640	2,013,008	11,252,640
Sub-standard	10,461,396	1,309,065	10,461,396	1,309,065
Doubtful	-	-	-	-
Loss	233,465	2,965,300	233,465	2,965,300
	<b>453,909,678</b>	<b>423,452,975</b>	<b>453,909,678</b>	<b>423,452,975</b>

#### Collateral held against impaired advances

Special Mention	1,019,658	11,252,640	1,019,658	11,252,640
Sub-standard	7,612,750	1,040,831	7,612,750	1,040,831
Doubtful	-	-	-	-
Loss	-	-	-	-
	<b>8,632,408</b>	<b>12,293,471</b>	<b>8,632,408</b>	<b>12,293,471</b>

#### Provision held against impaired advances

Special Mention	-	141,147	-	141,147
Sub-standard	2,846,381	268,235	2,846,381	268,235
Doubtful	-	-	-	-
Loss	233,465	2,420,636	233,465	2,420,636
	<b>3,079,846</b>	<b>2,830,018</b>	<b>3,079,846</b>	<b>2,830,018</b>

#### 32.5 Credit enhancements

The bank did not take possession of any collateral or call for any credit enhancements during the year.

The following outstanding loans and advances were secured by bank guarantees:

Habibsons bank guarantee	2,432,603	5,560,944	2,432,603	5,560,944
Investec bank guarantee	2,490,147	3,499,272	2,490,147	3,499,272
BNP Paribas bank guarantee	26,423	69,298	26,423	69,298
	<b>4,949,173</b>	<b>9,129,514</b>	<b>4,949,173</b>	<b>9,129,514</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015

(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.6 OPERATIONAL RISK

Operational risk arises out of incorrect processing of transactions, errors, fraud and forgery, system failure or other occurrences. Two executive directors monitor this risk as part of routine operations through a system of internal controls which, inter alia, requires segregation of duties and internal audit reviews. In this particular area, internal and external audit play a key role in identifying possible areas of improvement.

#### 32.7 MARKET RISK

All trading operations are customer/transaction driven and, therefore, the potential of any risk arising as a result of movement of exchange rates, commodity prices, share prices or volatility is minimal. The Bank does not trade on its own account.

##### 32.7.1 Financial instruments FVTPL

The financial instruments through profit & loss are disclosed below:

	Group		Company	
	2015	2014	2015	2014
	R	R	R	R
<b>Financial Instruments Level 2</b>				
<b>Notional value</b>				
Derivative financial instrument assets	20,826,594	22,373,419	20,826,594	22,373,419
Derivative financial instrument liabilities	20,899,861	22,355,132	20,899,861	22,355,132
	(73,267)	18,287	(73,267)	18,287
<b>Financial Instruments Level 2</b>				
<b>Fair value TPL</b>				
Derivative financial instrument assets	955,946	442,328	955,946	442,328
Derivative financial instrument liabilities	1,029,213	424,042	1,029,213	424,042
	(73,267)	18,287	(73,267)	18,287

##### 32.7.2 SENSITIVITY ANALYSIS OF MARKET RISK

###### (a) INTEREST RATE RISK

Executive directors regularly monitor rate sensitive assets and liabilities as part of our ongoing process. Almost the entire advances book is prime related which acts as a safeguard against adverse movements in interest rates.

###### Interest rate sensitivity analysis

If the prime interest rate had been 50 basis points lower and all other variables remained constant, the Bank profit for the year ended 31 December 2015 would decrease by:

	in 000's			
	2015	2014	2015	2014
	R	R	R	R
decrease in 1 months	(481)	(261)	(481)	(261)
decrease in 3 months	(814)	(443)	(814)	(443)
decrease in 6 months	(869)	(759)	(869)	(759)
decrease in 12 months	(1,739)	(1,512)	(1,739)	(1,512)
<b>Total decrease in the year</b>	<b>(3,903)</b>	<b>(2,975)</b>	<b>(3,903)</b>	<b>(2,975)</b>

# Habib Overseas Bank Limited

## 2 RISK MANAGEMENT (Continued)

### 32.7.2 INTEREST RATE RISK (Continued)

	Group		Company	
ASSETS	2015 R	2014 R	2015 R	2014 R
<b>DISCRETIONARY / ADMINISTERED RATE ITEMS</b>				
<b>FIXED INTEREST ITEMS</b>				
Loans & advances	34,228,426	38,061,529	34,228,426	38,061,529
<b>CASH &amp; CASH EQUIVALENTS</b>				
Money at call and short-term notice with banks	618,811,676	544,118,014	618,811,676	544,118,014
Maturing within 1 month	277,811,676	286,568,014	277,811,676	286,568,014
Maturing after 1 month but within 3 months	279,600,000	176,650,000	279,600,000	176,650,000
Maturing after 3 months but within 1 year	61,400,000	80,900,000	61,400,000	80,900,000
	<b>618,811,676</b>	<b>544,118,014</b>	<b>618,811,676</b>	<b>544,118,014</b>
<b>Investments</b>				
Other short-term securities	198,315,627	196,398,087	198,315,627	196,398,087
Maturing within 1 month	49,898,781	29,959,441	49,898,781	29,959,441
Maturing after 1 month but within 3 months	118,920,898	166,438,646	118,920,898	166,438,646
Maturing after 3 months but within 1 year	29,495,948	-	29,495,948	-
	<b>198,315,627</b>	<b>196,398,087</b>	<b>198,315,627</b>	<b>196,398,087</b>
<b>NON-RATE SENSITIVE ITEMS</b>				
<b>Cash and balances with central bank</b>				
Coin and bank notes	6,013,032	4,503,371	6,013,032	4,503,371
Cash held with central bank	13,870,143	12,528,143	13,870,143	12,528,143
Balances with central bank	12,262,483	11,986,576	12,262,483	11,986,576
	<b>32,145,658</b>	<b>29,018,090</b>	<b>32,145,658</b>	<b>29,018,090</b>
<b>Other assets</b>				
Property, plant and equipment	7,097,850	6,119,532	6,652,562	5,672,950
Investment in subsidiary	-	-	1	1,250,000
Derivative financial instruments (Forward exchange contracts)	955,946	442,328	955,946	442,328
Other assets	7,372,873	6,659,906	7,372,873	6,717,824
	<b>15,426,669</b>	<b>13,221,766</b>	<b>14,981,382</b>	<b>14,083,102</b>
<b>VARIABLE INTEREST RATE ITEMS</b>				
Loans and advances	419,681,252	385,391,446	419,681,252	385,391,446
Maturing within 1 month	336,628,022	297,477,090	336,628,022	297,477,090
Maturing after 1 month but within 3 months	11,486,449	10,258,146	11,486,449	10,258,146
Maturing after 3 months but within 1 year	10,412,454	26,357,545	10,412,454	26,357,545
Maturing after 1 year	61,154,327	51,298,665	61,154,327	51,298,665
	<b>419,681,252</b>	<b>385,391,446</b>	<b>419,681,252</b>	<b>385,391,446</b>
<b>TOTAL ASSETS</b>	<b>1,318,609,308</b>	<b>1,206,208,932</b>	<b>1,318,164,021</b>	<b>1,207,070,268</b>

# Habib Overseas Bank Limited

## 2 RISK MANAGEMENT (Continued)

### 32.7.2 INTEREST RATE RISK (Continued)

LIABILITIES	Group		Company	
	2015 R	2014 R	2015 R	2014 R
<b>DISCRETIONARY / ADMINISTERED RATE ITEMS</b>	<b>68,436,867</b>	50,770,504	<b>68,436,867</b>	50,770,504
<b>Deposits</b>				
Current deposits	59,126,594	43,112,205	59,126,594	43,112,205
Saving deposits	9,310,273	7,658,298	9,310,273	7,658,298
	<b>68,436,867</b>	50,770,504	<b>68,436,867</b>	50,770,504
<b>AMOUNT OWED TO DEPOSITORS</b>				
<b>FIXED INTEREST ITEMS</b>				
Deposits	153,978,581	168,381,770	153,978,581	179,223,116
Short-term borrowings	25,125,393	27,984,312	25,125,393	27,984,312
Maturing within 1 month	84,029,689	93,543,542	84,029,689	104,384,888
Maturing after 1 month but within 3 months	65,307,137	28,934,356	65,307,137	28,934,356
Maturing after 3 months but within 1 year	28,515,648	73,888,184	28,515,648	73,888,184
Maturing after 1 year	1,251,500	-	1,251,500	-
	<b>179,103,974</b>	196,366,082	<b>179,103,974</b>	207,207,428
<b>NON-RATE SENSITIVE ITEMS</b>				
<b>Deposits</b>				
Current deposits	369,423,222	345,609,067	369,517,421	345,609,067
Call deposits	56,566,771	44,922,706	56,566,771	44,922,706
Saving deposits	76,226,424	56,138,967	76,226,424	56,138,967
Lien collateral deposits	35,675,346	32,795,894	35,675,346	32,795,894
Foreign exchange deposits	45,637,866	50,625,541	45,637,866	50,625,541
	<b>583,529,629</b>	530,092,175	<b>583,623,828</b>	530,092,175
<b>Equity &amp; other liabilities</b>				
Shareholder's equity	111,514,351	102,514,466	109,463,242	92,667,338
Derivative financial instruments (Forward exchange contracts)	1,029,213	424,042	1,029,213	424,042
Other liabilities	11,881,970	6,778,717	11,702,680	6,645,834
	<b>124,425,534</b>	109,717,225	<b>122,195,135</b>	99,737,214
<b>VARIABLE INTEREST RATE ITEMS</b>				
<b>Deposits</b>	<b>363,113,304</b>	319,262,947	<b>364,804,217</b>	319,262,947
Call deposits	252,498,509	218,640,530	254,189,422	218,640,530
Lien collateral deposits	110,614,795	100,622,417	110,614,795	100,622,417
	<b>363,113,304</b>	319,262,947	<b>364,804,217</b>	319,262,947
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,318,609,308</b>	1,206,208,932	<b>1,318,164,021</b>	1,207,070,268

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 2 RISK MANAGEMENT (Continued)

#### 32.7.2 SENSITIVITY ANALYSIS OF MARKET RISK (Continued)

##### (b) FOREIGN EXCHANGE RISK

All forward and spot contracts in foreign exchange are transaction driven and as a policy the Bank does not speculate in currency transactions. Open currency positions are strictly controlled in accordance with the policy approved by the Board.

##### Foreign currency sensitivity analysis:

ASSETS	ZAR Equivalent	GBP	USD	EURO	SAR	AUD	CHF	CAD	PKR
Cash	2,556,190	5,000	152,288	3,000	5,010	-	-	-	-
Due from Banks Demand	39,036,561	28,418	2,389,885	59,376	-	4,880	1,038	6,276	349,883
Loans and Advances	34,228,426	-	2,200,053	-	-	-	-	-	-
Other assets	2,587,615	10,026	143,389	7,412	-	-	-	-	-
<b>Total Assets</b>	<b>78,408,792</b>	<b>43,444</b>	<b>4,885,615</b>	<b>69,788</b>	<b>5,010</b>	<b>4,880</b>	<b>1,038</b>	<b>6,276</b>	<b>349,883</b>

LIABILITIES	ZAR Equivalent	GBP	USD	EURO	SAR	AUD	CHF	CAD	PKR
Deposits	47,789,300	35,105	2,955,706	58,750	-	-	-	-	-
Due to Banks	25,125,393	-	1,614,950	-	-	-	-	-	-
Other Liabilities	4,944,259	9,994	293,579	7,412	-	-	-	-	-
<b>Total Liabilities</b>	<b>77,858,952</b>	<b>45,099</b>	<b>4,864,235</b>	<b>66,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Net Open Position</b>	<b>549,840</b>	<b>(1,655)</b>	<b>21,380</b>	<b>3,626</b>	<b>5,010</b>	<b>4,880</b>	<b>1,038</b>	<b>6,276</b>	<b>349,883</b>
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Any adverse movement in exchange rate to the extent of 10% would have affected the risk by positive R 54,984 (2014: positive R 60,596).

Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies was a negative R 1,283,846 (2014: positive R 7,296)

#### 32.8 COMPLIANCE RISK

To ensure that the Bank manages its regulatory risk, that is, the risk that the Bank does not comply with applicable laws, regulations and supervisory requirements, anti-money laundering, an independent compliance function has been established at Group. A senior executive has been designated as compliance officer to oversee this function.

#### 32.9 INFORMATION TECHNOLOGY RISK

The Information Technology Department manages and monitors access to the computer system. A disaster recovery site has been set up and tested. The Bank has in place service level agreements with the vendors who have been providing services in different areas of computer operations. Antivirus software has been installed on all computers.

#### 32.10 LIQUIDITY RISK

Liquidity has historically been maintained at a very high level in Money Market funds with major banks and treasury bills /government stocks. Executive directors monitor this risk so as to ensure that cash flows are adequate to meet all commitments, current as well as future.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 2 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK (Continued)

Liquidity coverage ratio (LCR)

\*  
in R '000  
2015

High quality liquid assets	Total	Specified factor	Weighted value
Cash	5,809	100.00%	5,809
Balances with SARB	26,132	100.00%	26,132
Treasury bills	198,316	100.00%	198,316
<b>Total level 1 high-quality liquid assets</b>	<b>230,257</b>		<b>230,257</b>
<b>Cash Outflows</b>			
Retail deposits	378,147	10.00%	37,815
Term deposits > 30days maturity	27,428	0.00%	-
<b>Unsecured wholesale funding</b>			
Small business	320,790	10.00%	32,079
Term deposits > 30days maturity	66,991	0.00%	-
Non-financial corporates	377,487	40.00%	150,995
Other financial institutions	25,125	100.00%	25,125
	<b>1,195,968</b>		<b>246,014</b>
<b>Other expected outflows</b>			
Derivative liabilities	1,029	100.00%	1,029
<b>Off-balance sheet</b>			
Letters of guarantee	37,414	5.00%	1,871
Letters of credit	11,538	5.00%	577
<b>Unutilised facilities</b>			
Retail and small business	98,087	2.50%	2,452
Non-financial corporates	13,397	5.00%	670
	<b>161,465</b>		<b>6,599</b>
<b>Total outflows</b>	<b>1,357,433</b>		<b>252,613</b>
<b>Cash inflows</b>			
Retail and small business	187,132	50.00%	93,566
Whole clients other than financial institutions	175,866	50.00%	87,933
Financial institution	275,555	100.00%	275,555
	<b>638,553</b>		<b>457,054</b>
<b>Other inflows</b>			
Derivative assets	956	100.00%	956
<b>Total inflows</b>	<b>639,509</b>		<b>458,010</b>
<b>Total outflows</b>			<b>252,613</b>
<b>Total inflows</b>			<b>458,010</b>
<b>Total net cash inflows (capped 75% of outflows)</b>			<b>189,460</b>
<b>Net cash outflows</b>			<b>63,153</b>
<b>LCR</b>			<b>364.60%</b>
<b>High level 1 high quality assets</b>			<b>230,257</b>
<b>Net cash outflows</b>			<b>63,153</b>
<b>Net stable funding ratio (NSFR)</b>			<b>335.45%</b>
<b>Total available stable funding</b>			<b>921,677</b>
<b>Total required stable funding</b>			<b>274,757</b>
<b>NSFR</b>			<b>335.45%</b>

(\*) Unaudited

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 2 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK (Continued)

##### Liquidity coverage ratio (LCR)

	Total	Specified factor	Weighted value
* in R '000 2014			
High quality liquid assets			
Cash	4,345	100.00%	4,345
Balances with SARB	24,515	100.00%	24,515
Treasury bills	196,398	100.00%	196,398
<b>Total level 1 high-quality liquid assets</b>	<b>225,258</b>		<b>225,258</b>
Cash Outflows			
Retail deposits	258,228	10.00%	25,823
Term deposits > 30days maturity	32,516	0.00%	-
Unsecured wholesale funding			
Small business	372,869	10.00%	37,287
Term deposits > 30days maturity	70,306	0.00%	-
Non-financial corporates	345,428	75.00%	259,071
Other financial institutions	27,996	100.00%	27,996
	<b>1,107,343</b>		<b>350,177</b>
Other expected outflows			
Derivative liabilities	424	100.00%	424
Unutilised facilities			
Retail and small business	119,225	5.00%	5,961
Non-financial corporates	46,406	10.00%	4,641
	<b>166,055</b>		<b>11,026</b>
<b>Total outflows</b>	<b>1,273,398</b>		<b>361,203</b>
Cash inflows			
Retail and small business	150,228	50.00%	75,114
Whole clients other than financial institutions	171,757	50.00%	85,879
Financial institution	283,794	100.00%	283,794
	<b>605,779</b>		<b>444,787</b>
Other inflows			
Derivative assets	442	100.00%	442
<b>Total inflows</b>	<b>606,221</b>		<b>445,229</b>
<b>Total outflows</b>			<b>361,203</b>
<b>Total inflows</b>			<b>445,229</b>
<b>Total net cash flows (capped 75% of outflows)</b>			<b>270,902</b>
<b>Net cash inflows</b>			<b>90,301</b>
LCR			
<u>Level 1 high quality assets</u>			<u>225,258</u>
<u>Net cash outflows</u>			<u>90,301</u>
LCR			249.45%
Net stable funding ratio (NSFR)			
<u>Total available stable funding</u>			<u>840,055</u>
<u>Total required stable funding</u>			<u>265,129</u>
NSFR			316.85%

(\*) Unaudited

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK ANALYSIS

Group	Term Maturity						
	2015	Demand					Indeterminate
	R	0 - 7 days	8days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	Maturity
<b>ASSETS</b>							
<b>Non-Current Assets</b>	<b>69,127,439</b>	-	-	-	-	<b>61,154,327</b>	<b>7,973,112</b>
Property, plant and equipment	7,097,850	-	-	-	-	-	7,097,850
Long-Term loans and advances	61,154,327	-	-	-	-	61,154,327	-
Deferred tax asset	875,262	-	-	-	-	-	875,262
<b>Current Assets</b>	<b>1,249,481,869</b>	<b>624,384,948</b>	<b>107,773,314</b>	<b>410,319,940</b>	<b>102,004,987</b>	<b>4,998,680</b>	-
Cash and cash equivalents	650,957,334	258,457,334	51,500,000	279,600,000	61,400,000	-	-
Other short-term securities	198,315,627	-	49,898,781	118,920,898	29,495,948	-	-
Loans and advances to customers	392,755,351	364,575,168	6,281,280	11,486,449	10,412,454	-	-
Derivative financial instruments (Forward exchange contracts)	955,946	38,550	16,872	258,935	641,589	-	-
Other assets	6,497,611	1,313,896	76,381	53,658	54,996	4,998,680	-
<b>Total assets</b>	<b>1,318,609,308</b>	<b>624,384,948</b>	<b>107,773,314</b>	<b>410,319,940</b>	<b>102,004,987</b>	<b>66,153,007</b>	<b>7,973,112</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	91,514,351	-	-	-	-	-	91,514,351
<b>Total ordinary equity</b>	<b>111,514,351</b>	-	-	-	-	-	<b>111,514,351</b>
<b>Total Liabilities</b>	<b>1,207,094,957</b>	<b>1,069,463,591</b>	<b>41,407,605</b>	<b>65,556,585</b>	<b>29,242,770</b>	<b>1,251,500</b>	<b>172,906</b>
<b>Non-Current Liabilities</b>							
Deferred tax liability	69,320	-	-	-	-	-	69,320
<b>Current Liabilities</b>	<b>1,207,025,637</b>	<b>1,069,463,591</b>	<b>41,407,605</b>	<b>65,556,585</b>	<b>29,242,770</b>	<b>1,251,500</b>	<b>103,586</b>
Short-term borrowings	25,125,393	25,125,393	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	1,029,213	31,051	21,592	249,448	727,122	-	-
Amount owed to depositors	1,169,058,381	1,032,598,083	41,386,013	65,307,137	28,515,648	1,251,500	-
Other liabilities	11,709,064	11,709,064	-	-	-	-	-
Receiver of Revenue	103,586	-	-	-	-	-	103,586
<b>Total equity and liabilities</b>	<b>1,318,609,308</b>	<b>1,069,463,591</b>	<b>41,407,605</b>	<b>65,556,585</b>	<b>29,242,770</b>	<b>1,251,500</b>	<b>111,687,257</b>
<b>REMAINING CONTRACTUAL LIABILITIES</b>							
<b>Balance sheet liabilities</b>	<b>1,207,094,957</b>	<b>1,068,268,899</b>	<b>41,512,913</b>	<b>65,872,267</b>	<b>30,000,236</b>	<b>1,267,736</b>	<b>172,906</b>
<b>Non-Current Liabilities</b>							
Deferred tax liability	69,320	-	-	-	-	-	69,320
<b>Current Liabilities</b>	<b>1,207,025,637</b>	<b>1,068,268,899</b>	<b>41,512,913</b>	<b>65,872,267</b>	<b>30,000,236</b>	<b>1,267,736</b>	<b>103,586</b>
Short-term borrowings	25,138,514	25,138,514	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	1,029,213	31,051	21,592	249,448	727,122	-	-
Amount owed to depositors	1,170,582,129	1,032,927,139	41,491,321	65,622,819	29,273,114	1,267,736	-
Other liabilities	10,172,195	10,172,195	-	-	-	-	-
Current taxation	103,586	-	-	-	-	-	103,586
<b>Off-balance sheet liabilities</b>							
Irrevocable guarantees	48,953,616	48,953,616	-	-	-	-	-
Irrevocable letters of credit and acceptances	37,415,136	37,415,136	-	-	-	-	-
	11,538,480	11,538,480	-	-	-	-	-
<b>Total liabilities</b>	<b>1,256,048,573</b>	<b>1,117,222,515</b>	<b>41,512,913</b>	<b>65,872,267</b>	<b>30,000,236</b>	<b>1,267,736</b>	<b>172,906</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015

(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK ANALYSIS

Group	2014 R	Term Maturity					Indeterminate Maturity
		Demand	0 - 7 days	8days - 1 month	2 - 3 months	4 - 12 months	
<b>ASSETS</b>							
<b>Non-Current Assets</b>	58,463,353	-	-	-	-	51,298,665	7,164,688
Property, plant and equipment	6,119,532	-	-	-	-	-	6,119,532
Long-Term loans and advances	51,298,665	-	-	-	-	51,298,665	-
Deferred tax asset	1,045,156	-	-	-	-	-	1,045,156
<b>Current Assets</b>	1,147,745,579	636,966,733	44,966,441	353,475,332	109,097,323	3,239,750	-
Cash and cash equivalents	573,136,104	282,586,104	33,000,000	176,650,000	80,900,000	-	-
Other short-term securities	196,398,087	19,980,497	9,978,944	166,438,646	-	-	-
Loans and advances to customer	372,154,310	333,850,708	1,687,911	10,258,146	26,357,545	-	-
Derivative financial instruments (Forward exchange contracts)	442,328	23,424	251,586	78,540	88,778	-	-
Other assets	5,614,750	526,000	48,000	50,000	1,751,000	3,239,750	-
Receiver of Revenue	-	-	-	-	-	-	-
<b>Total assets</b>	1,206,208,932	636,966,733	44,966,441	353,475,332	109,097,323	54,538,415	7,164,688
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	82,514,467	-	-	-	-	-	82,514,467
<b>Total ordinary equity</b>	102,514,467	-	-	-	-	-	102,514,467
<b>Total Liabilities</b>	1,103,694,465	940,196,537	60,384,571	29,007,232	73,973,256	-	132,869
<b>Non-Current Liabilities</b>	69,244	-	-	-	-	-	69,244
<b>Deferred tax liability</b>	69,244	-	-	-	-	-	69,244
<b>Current Liabilities</b>	1,103,625,221	940,196,537	60,384,571	29,007,232	73,973,256	-	63,625
Short-term borrowings	27,984,312	27,984,312	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	424,042	22,539	243,555	72,876	85,072	-	-
Amount owed to depositors	1,068,507,396	905,543,840	60,141,016	28,934,356	73,888,184	-	-
Other liabilities	6,645,846	6,645,846	-	-	-	-	-
Current taxation	63,625	-	-	-	-	-	63,625
<b>Total equity and liabilities</b>	1,206,208,932	940,196,537	60,384,571	29,007,232	73,973,256	-	102,647,336
<b>REMAINING CONTRACTUAL LIABILITIES</b>							
<b>Balance sheet liabilities</b>	1,103,694,465	938,931,358	60,531,761	29,295,310	74,803,167	-	132,869
<b>Non-Current Liabilities</b>	69,244	-	-	-	-	-	69,244
<b>Deferred tax liability</b>	69,244	-	-	-	-	-	69,244
<b>Current Liabilities</b>	1,103,625,221	938,931,358	60,531,761	29,295,310	74,803,167	-	63,625
Short-term borrowings	27,996,390	27,996,390	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	424,042	22,539	243,555	72,876	85,072	-	-
Amount owed to depositors	1,069,975,413	905,746,678	60,288,206	29,222,434	74,718,095	-	-
Other liabilities	5,165,751	5,165,751	-	-	-	-	-
Current taxation	63,625	-	-	-	-	-	63,625
<b>Off-balance sheet liabilities</b>	40,405,306	40,405,306	-	-	-	-	-
Irrevocable guarantees	23,248,535	23,248,535	-	-	-	-	-
Irrevocable letters of credit and acceptances	17,156,771	17,156,771	-	-	-	-	-
<b>Total liabilities</b>	1,144,099,771	979,336,664	60,531,761	29,295,310	74,803,167	-	132,869

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK ANALYSIS

Company	2015						
	R	Demand			Term Maturity		Indeterminate
		0 - 7 days	8days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	Maturity
<b>ASSETS</b>							
<b>Non-Current Assets</b>	<b>68,682,152</b>	-	-	-	-	<b>61,154,327</b>	<b>7,527,825</b>
Property, plant and equipment	6,652,562	-	-	-	-	-	6,652,562
Investment in subsidiary	1	-	-	-	-	-	1
Long-Term loans and advances	61,154,327	-	-	-	-	61,154,327	-
Deferred tax asset	875,262	-	-	-	-	-	875,262
<b>Current Assets</b>	<b>1,249,481,869</b>	<b>624,384,948</b>	<b>107,773,314</b>	<b>410,319,940</b>	<b>102,004,987</b>	<b>4,998,680</b>	-
Cash and cash equivalents	650,957,334	258,457,334	51,500,000	279,600,000	61,400,000	-	-
Other short-term securities	198,315,627	-	49,898,781	118,920,898	29,495,948	-	-
Loans and advances to customers	392,755,351	364,575,168	6,281,280	11,486,449	10,412,454	-	-
Derivative financial instruments (Forward exchange contracts)	955,946	38,550	16,872	258,935	641,589	-	-
Other assets	6,497,611	1,313,896	76,381	53,658	54,996	4,998,680	-
Receiver of Revenue	-	-	-	-	-	-	-
<b>Total assets</b>	<b>1,318,164,021</b>	<b>624,384,948</b>	<b>107,773,314</b>	<b>410,319,940</b>	<b>102,004,987</b>	<b>66,153,007</b>	<b>7,527,825</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	89,463,242	-	-	-	-	-	89,463,242
<b>Total ordinary equity</b>	<b>109,463,242</b>	-	-	-	-	-	<b>109,463,242</b>
<b>Total Liabilities</b>	<b>1,208,700,779</b>	<b>1,071,242,319</b>	<b>41,407,605</b>	<b>65,556,585</b>	<b>29,242,770</b>	<b>1,251,500</b>	-
<b>Non-Current Liabilities</b>							
<b>Current Liabilities</b>	<b>1,208,700,779</b>	<b>1,071,242,319</b>	<b>41,407,605</b>	<b>65,556,585</b>	<b>29,242,770</b>	<b>1,251,500</b>	-
Short-term borrowings	25,125,393	25,125,393	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	1,029,213	31,051	21,592	249,448	727,122	-	-
Amount owed to depositors	1,170,843,493	1,034,383,195	41,386,013	65,307,137	28,515,648	1,251,500	-
Other liabilities	11,702,680	11,702,680	-	-	-	-	-
<b>Total equity and liabilities</b>	<b>1,318,164,021</b>	<b>1,071,242,319</b>	<b>41,407,605</b>	<b>65,556,585</b>	<b>29,242,770</b>	<b>1,251,500</b>	<b>109,463,242</b>
<b>Remaining contractual maturities</b>							
<b>Balance sheet liabilities</b>	<b>1,208,700,779</b>	<b>1,070,047,627</b>	<b>41,512,913</b>	<b>65,872,267</b>	<b>30,000,236</b>	<b>1,267,736</b>	-
<b>Non-Current Liabilities</b>							
<b>Current Liabilities</b>	<b>1,208,700,779</b>	<b>1,070,047,627</b>	<b>41,512,913</b>	<b>65,872,267</b>	<b>30,000,236</b>	<b>1,267,736</b>	-
Short-term borrowings	25,138,514	25,138,514	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	1,029,213	31,051	21,592	249,448	727,122	-	-
Amount owed to depositors	1,172,367,241	1,034,712,251	41,491,321	65,622,819	29,273,114	1,267,736	-
Other liabilities	10,165,811	10,165,811	-	-	-	-	-
<b>Off-balance sheet liabilities</b>	<b>48,953,616</b>	<b>48,953,616</b>	-	-	-	-	-
Irrevocable guarantees	37,415,136	37,415,136	-	-	-	-	-
Irrevocable letters of credit and acceptances	11,538,480	11,538,480	-	-	-	-	-
<b>Total liabilities</b>	<b>1,257,654,395</b>	<b>1,119,001,243</b>	<b>41,512,913</b>	<b>65,872,267</b>	<b>30,000,236</b>	<b>1,267,736</b>	-

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2015  
(continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK ANALYSIS

Company	Term Maturity						
	2014	Demand	8days - 1	2 - 3 months	4 - 12 months	1 - 5 years	Indeterminate
	R	0 - 7 days	month				Maturity
<b>ASSETS</b>							
<b>Non-Current Assets</b>	59,266,771	-	-	-	-	51,298,665	7,968,106
Property, plant and equipment	5,672,950	-	-	-	-	-	5,672,950
Investment in subsidiary	1,250,000	-	-	-	-	-	1,250,000
Long-Term loans and advances	51,298,665	-	-	-	-	51,298,665	-
Deferred tax asset	1,045,156	-	-	-	-	-	1,045,156
<b>Current Assets</b>	1,147,803,497	636,966,733	44,966,441	353,475,332	109,097,323	3,239,750	57,918
Cash and cash equivalents	573,136,104	282,586,104	33,000,000	176,650,000	80,900,000	-	-
Other short-term securities	196,398,087	19,980,497	9,978,944	166,438,646	-	-	-
Loans and advances to customers	372,154,310	333,850,708	1,687,911	10,258,146	26,357,545	-	-
Derivative financial instruments (Forward exchange contracts)	442,328	23,424	251,586	78,540	88,778	-	-
Other assets	5,614,750	526,000	48,000	50,000	1,751,000	3,239,750	-
Receiver of Revenue	57,918	-	-	-	-	-	57,918
<b>Total assets</b>	1,207,070,268	636,966,733	44,966,441	353,475,332	109,097,323	54,538,415	8,026,024
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	72,667,338	-	-	-	-	-	72,667,338
<b>Total ordinary equity</b>	92,667,338	-	-	-	-	-	92,667,338
<b>Total Liabilities</b>	1,114,402,930	951,037,871	60,384,571	29,007,232	73,973,256	-	-
<b>Non-Current Liabilities</b>							
Deferred tax liability	-	-	-	-	-	-	-
<b>Current Liabilities</b>	1,114,402,930	951,037,871	60,384,571	29,007,232	73,973,256	-	-
Short-term borrowings	27,984,312	27,984,312	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	424,042	22,539	243,555	72,876	85,072	-	-
Amount owed to depositors	1,079,348,742	916,385,186	60,141,016	28,934,356	73,888,184	-	-
Other liabilities	6,645,834	6,645,834	-	-	-	-	-
<b>Total equity and liabilities</b>	1,207,070,268	951,037,871	60,384,571	29,007,232	73,973,256	-	92,667,338
<b>Remaining contractual maturities</b>							
<b>Balance sheet liabilities</b>	1,114,402,930	949,772,692	60,531,761	29,295,310	74,803,167	-	-
<b>Non-Current Liabilities</b>							
Deferred tax liability	-	-	-	-	-	-	-
<b>Current Liabilities</b>	1,114,402,930	949,772,692	60,531,761	29,295,310	74,803,167	-	-
Short-term borrowings	27,996,390	27,996,390	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	424,042	22,539	243,555	72,876	85,072	-	-
Amount owed to depositors	1,080,816,759	916,588,024	60,288,206	29,222,434	74,718,095	-	-
Other liabilities	5,165,739	5,165,739	-	-	-	-	-
<b>Off-balance sheet liabilities</b>	40,405,306	40,405,306	-	-	-	-	-
Irrevocable guarantees	23,248,535	23,248,535	-	-	-	-	-
Irrevocable letters of credit and acceptances	17,156,771	17,156,771	-	-	-	-	-
<b>Total liabilities</b>	1,154,808,236	990,177,998	60,531,761	29,295,310	74,803,167	-	-