



INCORPORATED IN SOUTH AFRICA

Habib Overseas Bank Limited

Annual Report and Audited Consolidated Annual Financial
Statements 2016

Habib Overseas Bank Limited

(Registration number 1990/004437/06)

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2016

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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 Directors' report, the statements of financial position at 31 December 2016, the statements of comprehensive income, the statements of changes in equity and the statements 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 maintenance of adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Habib Overseas Bank Group and the 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. They have issued their unqualified report on the annual financial statements which is included on page 5 and 6.

The consolidated and company annual financial statements, as identified in the first paragraph, were approved by the Board of Directors on 30 March 2017 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, 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 2016, 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.



Ms Mashooda Khan
Company Secretary
30 March 2017

Habib Overseas Bank Limited

DIRECTORS AND SECRETARY

DIRECTORS

Habib Mohamed D Habib

(Chairman)

Asgar 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)

COMPANY SECRETARY

Ms Mashooda Khan

mashooda@habiboverseas.co.za

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Habib Overseas Bank Limited

CHAIRMAN'S STATEMENT

Due to dismal performance in the mining and manufacturing sectors, South Africa's economy grew just 0.3% in the full year 2016, which represented the weakest pace of growth since 2009. Slow growth in China and uncertainty in the Euro zone countries contributed to low demand for commodities and consequently softer pricing of the underlying commodities. This affected South Africa's export potential and to allow the Republic to earn mere marginal returns on its commodity export, the primary bulwark of their economy. In the last quarter of 2016, South Africa barely managed to retain its investment grade rating which was a big challenge for the Financial Managers in the country. The South African Rand remained generally stable throughout the year and we expect it to gain further strength during 2017 that would boost the economy and help in reduction of inflation in the country. Due to high cost of imports from China we have also witnessed a revival of our manufacturing sector in the country, particularly clothing and garments industry which will create more employment and country's resources will be fully utilized.

In August 2016, a Share Purchase Agreement (SPA) was signed between the existing shareholders of the bank and a consortium of local businessmen for the sale of the 100% shareholding of the Bank. As part of the approval process for this sale, the South African Competition Commission has already given their approval however, the approval from the South African Reserve Bank is still pending.

It gives me great pleasure to report a satisfactory performance of the Bank during 2016 despite the sluggish economic forces at work. By the Grace of God, the bank posted a pre-tax profit of R18.2 million (2015 – R29.1 million). Sluggish economic conditions in the country forced businesses to utilise their reserves and as a result we witnessed a fall in deposits to R1, 006, 7 million from R1, 170.8 million in 2015. The total advances as on 31 December 2016 stood at R417.1 million as compared to R453.9 million as on 31 December 2015. Capital Adequacy remained high at 18.67%. (2015 – 18.33%).

From a process perspective, 2016 represented a watershed for strengthening of AML, KYC and Compliance implementation throughout the organisation.

I am obliged to our faithful customers for their patronage over the years who have contributed to the growth of the bank. I would also like to extend my sincere thanks to my fellow directors, the management team and the bank staff for their hard work, dedication and support that has led to the bank's performance over the years.



Habib Mohamed D Habib
Chairman

30 March 2017

Habib Overseas Bank Limited
AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements of Habib Overseas Bank Limited and its subsidiaries set out on pages 9 to 50, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *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). We believe that the audit evidence we have obtained is

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Habib Overseas Bank Limited
AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche
Registered Auditor

Per: J Dziruni

Partner

26 April 2017

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer *MJ Jarvis 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 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 Justin Dziruni 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.
- Reviewed 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 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 2016 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 directors' report.

On behalf of the Committee



Brian W Smith
Chairman of the audit committee.
30 March 2017

Habib Overseas Bank Limited

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements for the year ended 31 December 2016.

SHARE CAPITAL

Habib Overseas Bank Limited has an authorised share capital of R25, 000,000 and issued and fully paid issued share 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 12,312,468 (2015: R 22,795,904).

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.

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.

	2016	2015
	R	R
Net profit after taxation for the year	106,967	203,980

CAPITAL ADEQUACY

	2016	2015
Capital adequacy ratio	18.67%	18.33%

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 2016

	Notes	Group		Company	
		2016	2015	2016	2015
		R	R	R	R
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	96,691,587	69,127,439	96,247,335	68,682,152
Investment in subsidiary	4	6,510,281	7,097,850	6,066,028	6,652,562
Long-Term Loans and advances	5	-	-	1	1
Deferred tax asset	20	89,077,487	61,154,327	89,077,487	61,154,327
		1,103,819	875,262	1,103,819	875,262
Current Assets					
Cash and cash equivalents	6	1,037,566,301	1,249,481,869	1,037,536,426	1,249,481,869
Investments and negotiable securities	7	515,468,517	650,957,334	515,468,517	650,957,334
Loans and advances	8	185,654,068	198,315,627	185,654,068	198,315,627
Other assets	9	328,018,412	392,755,351	328,018,412	392,755,351
Receiver of Revenue	27	8,257,897	7,453,557	8,257,897	7,453,557
		167,407	-	137,532	-
Total assets		1,134,257,888	1,318,609,308	1,133,783,761	1,318,164,021
EQUITY AND LIABILITIES					
Capital and Reserves					
Equity attributable to ordinary shareholders					
Share capital	10	116,069,774	111,514,351	113,775,710	109,463,242
Retained earnings		20,000,000	20,000,000	20,000,000	20,000,000
		96,069,774	91,514,351	93,775,710	89,463,242
Liabilities		1,018,188,114	1,207,094,957	1,020,008,051	1,208,700,779
Non-Current Liabilities					
Deferred tax liability	20	69,394	69,320	-	-
		69,394	69,320	-	-
Current Liabilities					
Short-term borrowings	6	1,018,118,720	1,207,025,637	1,020,008,051	1,208,700,779
Deposits and current accounts	11	-	25,125,393	-	25,125,393
Other liabilities	12	1,004,821,241	1,169,058,381	1,006,715,778	1,170,843,493
Receiver of Revenue	27	13,297,479	12,738,277	13,292,273	12,731,893
		-	103,586	-	-
Total equity and liabilities		1,134,257,888	1,318,609,308	1,133,783,761	1,318,164,021

Habib Overseas Bank Limited

Statements of comprehensive income

for the year ended 31 December 2016

	Notes	Group		Company	
		2016 R	2015 R	2016 R	2015 R
Revenue					
Net Interest Income		60,278,894	51,358,224	60,180,515	51,087,662
Interest and similar income	14	88,584,178	76,555,833	88,584,178	76,555,833
Interest expense and similar charges	14	(28,305,284)	(25,197,609)	(28,403,663)	(25,468,171)
Non-interest income	15	19,314,801	22,317,428	19,242,270	22,235,743
Net interest and non-interest income		79,593,695	73,675,652	79,422,785	73,323,405
Dividend income		-	-	-	8,000,000
Impairment charge on loans and advances	16	(2,950,155)	(1,099,828)	(2,950,155)	(1,099,828)
Operating expenditure	17	(58,164,726)	(51,105,459)	(58,187,385)	(51,097,779)
Profit before taxation		18,478,814	21,470,365	18,285,245	29,125,798
Taxation	19	(5,923,391)	(6,470,481)	(5,972,777)	(6,329,894)
Profit for the year		12,555,423	14,999,884	12,312,468	22,795,904
Profit attributable to:		12,555,423	14,999,884	12,312,468	22,795,904
- Owners of the Company		12,555,423	14,999,884	12,312,468	22,795,904
- Non-Controlling interest		-	-	-	-
Total comprehensive income attributable to:		12,555,423	14,999,884	12,312,468	22,795,904
- Owners of the Company		12,555,423	14,999,884	12,312,468	22,795,904
- Non-Controlling interest		-	-	-	-

Habib Overseas Bank Limited

Statements of changes in equity

for the year ended 31 December 2016

	Note	Share capital R	Retained Earnings R	Total R
Group				
Balance as at 1 January 2015		20,000,000	82,514,467	102,514,467
Profit for the year		-	14,999,884	14,999,884
Dividends declared and paid in 2015	21	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2015		20,000,000	91,514,351	111,514,351
Profit for the year		-	12,555,423	12,555,423
Dividends declared and paid in 2016	21	-	(8,000,000)	(8,000,000)
Balance as at 31 December 2016		20,000,000	96,069,774	116,069,774
Company				
Balance as at 1 January 2015		20,000,000	72,667,338	92,667,338
Profit for the year		-	22,795,904	22,795,904
Dividends declared and paid in 2015	21	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2015		20,000,000	89,463,242	109,463,242
Changes in equity in the current year				
Profit for the year		-	12,312,468	12,312,468
Dividends declared and paid in 2016	21	-	(8,000,000)	(8,000,000)
Balance as at 31 December 2016		20,000,000	93,775,710	113,775,710

Habib Overseas Bank Limited

Statements of cash flows

for the year ended 31 December 2016

	Note:	Group		Company	
		2016 R	2015 R	2016 R	2015 R
CASH FLOW FROM OPERATING ACTIVITIES					
Interest income and other income received	22	105,648,482	93,922,663	105,575,950	93,840,978
Interest paid	23	(28,577,016)	(25,101,228)	(28,675,395)	(25,371,790)
Cash paid to suppliers and employees	24	(55,292,285)	(43,554,989)	(55,314,799)	(43,554,974)
		21,779,181	25,266,446	21,585,756	24,914,214
Cash generated from operations					
Increase/ (Decrease) in loans and advances	25	34,980,006	(31,306,759)	34,980,006	(31,306,759)
Increase/ (Decrease) in deposits and current accounts	26	(164,237,139)	100,550,985	(164,127,714)	91,494,749
Taxation paid	27	(6,422,866)	(6,260,550)	(6,338,866)	(6,102,082)
Dividends paid	28	(8,000,000)	(6,000,000)	(8,000,000)	(6,000,000)
		(121,900,818)	82,250,122	(121,900,818)	73,000,122
Net cash (outflow)/inflow from operating activities					
CASH FLOW FROM INVESTING ACTIVITIES					
Dividend income N-77		-	-	-	8,000,000
Additions to property and equipment	3	(1,453,941)	(2,956,780)	(1,453,941)	(2,956,780)
Loan repaid		-	-	-	1,250,000
Proceeds of matured treasury bills		12,991,335	1,386,807	12,991,335	1,386,807
		11,537,394	(1,569,973)	11,537,394	7,680,027
Net cash outflow from investing activities					
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(110,363,424)	80,680,149	(110,363,424)	80,680,149
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	6	625,831,941	545,151,792	625,831,941	545,151,792
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	6	515,468,517	625,831,941	515,468,517	625,831,941

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016

1 ACCOUNTING

1.1 Basis of Accounting and Separate Statement of Compliance

The annual financial statements for the year ended 31 December 2016 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 they 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. IFRS 15 (*Revenue from contracts with customers*) was issued during 2014 but is only effective from annual periods beginning on or after 1 January 2018. IAS 17 (*Leases*) was reissued during 2003 but is only effective from annual periods beginning on or after 1 January 2019. The Group will comply with the applicable standards from their effective dates.

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 the initial carrying amount of an interest-bearing instrument and its value 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.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

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 receipts (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 it 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 2016
(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 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.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

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 2016
(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 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 R185.7 million (2015: R198.3 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 R2,132,481 (2015: R955,946) 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 2016
(continued)

2 STATEMENT OF FINANCIAL POSITION - CLASSIFICATION OF FINANCIAL INSTRUMENTS

Group	2016 R	Held-for- trading R	Held-to-maturity investments R	Loans and receivables R	Non-financial assets and liabilities R
ASSETS					
Non-Current Assets	96,691,587	-	-	89,077,487	7,614,100
Property, plant and equipment	6,510,281	-	-	-	6,510,281
Long-term loans and advances	89,077,487	-	-	89,077,487	-
Deferred tax asset	1,103,819	-	-	-	1,103,819
Current Assets	1,037,566,301	2,132,481	185,654,068	849,612,345	167,407
Cash and cash equivalents	515,468,517	-	-	515,468,517	-
* Investment in negotiable securities	185,654,068	-	185,654,068	-	-
Loans and advances to customers	328,018,412	-	-	328,018,412	-
Derivative financial instruments (Forward exchange contracts)	2,132,481	2,132,481	-	-	-
Other assets	6,125,416	-	-	6,125,416	-
Receiver of Revenue	167,407	-	-	-	167,407
	-	-	-	-	-
Total assets	1,134,257,888	2,132,481	185,654,068	938,689,832	7,781,507
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	96,069,774	-	-	-	96,069,774
Total ordinary equity	116,069,774	-	-	-	116,069,774
Total Liabilities	1,018,188,114	2,104,421	-	1,016,014,299	69,394
Non-Current Liabilities	69,394	-	-	-	69,394
Deferred tax liability	69,394	-	-	-	69,394
Current Liabilities	1,018,118,720	2,104,421	-	1,016,014,299	-
Amount owed to depositors	1,004,821,241	-	-	1,004,821,241	-
Derivative financial instruments (Forward exchange contracts)	2,104,421	2,104,421	-	-	-
Other liabilities	11,193,058	-	-	11,193,058	-
Receiver of Revenue	-	-	-	-	-
Total equity and liabilities	1,134,257,888	2,104,421	-	1,016,014,299	116,139,168

*

The investment in negotiable securities' fair value is R 187,590,000 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 2016

(continued)

2 STATEMENT OF FINANCIAL POSITION - CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Group	2015 R	Held-for- trading R	Held-to- maturity investments R	Loans and receivables R	Non-financial assets and liabilities R
ASSETS					
Non-Current Assets	69,127,439	-	-	61,154,327	7,973,112
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
Current Assets	1,249,481,869	955,946	198,315,627	1,050,210,296	-
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	-
Total assets	1,318,609,308	955,946	198,315,627	1,111,364,623	7,973,112
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	91,514,351	-	-	-	91,514,351
Total ordinary equity	111,514,351	-	-	-	111,514,351
Total Liabilities	1,207,094,957	1,029,213	-	1,205,892,838	172,906
Non-current Liabilities	69,320				69,320
Deferred tax liability	69,320	-	-	-	69,320
Current Liabilities	1,207,025,637	1,029,213	-	1,205,892,838	103,586
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
Total equity and liabilities	1,318,609,308	1,029,213	-	1,205,892,838	111,687,257

* 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 2016
(continued)

2 STATEMENT OF FINANCIAL POSITION - CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

Company	2016 R	Held-for- trading R	Held-to-maturity investments R	Loans and receivables R	Non-financial assets and liabilities R
ASSETS					
Non-Current Assets	96,247,335	-	-	89,077,487	7,169,848
Property, plant and equipment	6,066,028	-	-	-	6,066,028
Investment in subsidiary	1	-	-	-	1
Long-term loans and advances	89,077,487	-	-	89,077,487	-
Deferred tax asset	1,103,819	-	-	-	1,103,819
Current Assets	1,037,536,426	2,132,481	185,654,068	849,612,345	137,532
Cash and cash equivalents	515,468,517	-	-	515,468,517	-
* Investment in negotiable securities	185,654,068	-	185,654,068	-	-
Loans and advances to customers	328,018,412	-	-	328,018,412	-
Derivative financial instruments (Forward exchange contracts)	2,132,481	2,132,481	-	-	-
Other assets	6,125,416	-	-	6,125,416	-
Receiver of Revenue	137,532	-	-	-	137,532
Total assets	1,133,783,761	2,132,481	185,654,068	938,689,832	7,307,380
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	93,775,710	-	-	-	93,775,710
Total ordinary equity	113,775,710	-	-	-	113,775,710
Total Liabilities	1,020,008,051	2,104,421	-	1,017,903,630	-
Non-Current Liabilities	-	-	-	-	-
Deferred tax liability	-	-	-	-	-
Current Liabilities	1,020,008,051	2,104,421	-	1,017,903,630	-
Short-term borrowings	-	-	-	-	-
Amount owed to depositors	1,006,715,778	-	-	1,006,715,778	-
Derivative financial instruments (Forward exchange contracts)	2,104,421	2,104,421	-	-	-
Other liabilities	11,187,852	-	-	11,187,852	-
Total equity and liabilities	1,133,783,761	2,104,421	-	1,017,903,630	113,775,710

*

The investment in negotiable securities' fair value is R 187,590,000 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

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(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
ASSETS					
Non-Current Assets	68,682,152	-	-	61,154,327	7,527,825
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
Current Assets	1,249,481,869	955,946	198,315,627	1,050,210,296	-
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	-	-	-	-	-
Total assets	1,318,164,021	955,946	198,315,627	1,111,364,623	7,527,825
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	89,463,242	-	-	-	89,463,242
Total ordinary equity	109,463,242	-	-	-	109,463,242
Total Liabilities	1,208,700,779	1,029,213	-	1,207,671,566	-
Non-Current Liabilities					
Current Liabilities	1,208,700,779	1,029,213	-	1,207,671,566	-
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	-
Total equity and liabilities	1,318,164,021	1,029,213	-	1,207,671,566	109,463,242

* 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 2016
(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 2015	1,000,000	3,629,286	13,405,371	18,034,657
Additions	-	1,700,084	1,256,696	2,956,780
Disposals	-	(420,541)	(33,661)	(454,202)
Balance as at 1 January 2016	1,000,000	4,908,829	14,628,406	20,537,235
Additions	-	278,350	1,175,591	1,453,941
Disposals	-	(1,320,011)	(1,290,982)	(2,610,993)
Balance as at 31 December 2016	1,000,000	3,867,168	14,513,015	19,380,183

Accumulated Depreciation	Land and buildings	Motor vehicles	Furniture and Office equipment	Total
	R	R	R	R
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)
Disposals	-	274,984	15,617	290,601
Balance as at 1 January 2016	(559,891)	(3,319,498)	(9,559,996)	(13,439,385)
Depreciation expense	-	(437,822)	(1,603,689)	(2,041,511)
Disposals	-	1,320,011	1,290,983	2,610,994
Balance as at 31 December 2016	(559,891)	(2,437,309)	(9,872,702)	(12,869,902)

Carrying amount				
As at 31 December 2015	440,109	1,589,331	5,068,410	7,097,850
As at 31 December 2016	440,109	1,429,859	4,640,313	6,510,281

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 (2015: R3,730,000).

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(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 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)
Balance as at 1 January 2016	4,908,829	14,378,406	19,287,235
Additions	278,350	1,175,591	1,453,941
Disposals	(1,320,011)	(1,290,982)	(2,610,993)
Balance as at 31 December 2016	3,867,168	14,263,015	18,130,183

Accumulated Depreciation	Motor vehicles	Furniture and Office equipment	Total
	R	R	R
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
Balance as at 1 January 2016	(3,319,498)	(9,315,175)	(12,634,673)
Depreciation expense	(437,822)	(1,602,654)	(2,040,476)
Disposals	1,320,011	1,290,983	2,610,994
Balance as at 31 December 2016	(2,437,309)	(9,626,846)	(12,064,155)

Carrying amount

Company

As at 31 December 2015	1,589,331	5,063,231	6,652,562
Balance as at 31 December 2016	1,429,859	4,636,169	6,066,028

	2016	2015
	R	R
4 INVESTMENT IN SUBSIDIARY		
N77 Oriental Plaza (Proprietary) Limited - share at cost	100%	1
		1
	1	1

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

	Group		Company	
	2016 R	2015 R	2016 R	2015 R
NON-CURRENT ASSETS				
5 LONG-TERM LOANS AND ADVANCES				
- Loans to customers	89,077,487	61,154,327	89,077,487	61,154,327
Net maturity analyses				
Maturing after 1 year	89,077,487	61,154,327	89,077,487	61,154,327
Sectoral analyses				
Companies and Close Corporations	84,127,880	58,020,428	84,127,880	58,020,428
Unincorporated businesses	2,269,879	231,003	2,269,879	231,003
Individuals	2,679,728	2,902,896	2,679,728	2,902,896
	89,077,487	61,154,327	89,077,487	61,154,327
Sectoral distribution				
Manufacturing	595,400	1,300,000	595,400	1,300,000
Wholesale and retail trade, repair of specified items, hotel	65,374,062	53,642,760	65,374,062	53,642,760
Transport, storage and communication	-	2,470,669	-	2,470,669
Financial intermediation and insurance	-	838,002	-	838,002
Real estate	14,410,922	-	14,410,922	-
Business services	6,017,375	-	6,017,375	-
Individuals	2,679,728	2,902,896	2,679,728	2,902,896
	89,077,487	61,154,327	89,077,487	61,154,327
CURRENT ASSETS				
6 CASH AND CASH EQUIVALENTS (AND SHORT-TERM BORROWINGS)				
Coin and bank notes	5,419,481	6,013,032	5,419,481	6,013,032
Money at call and short-term notice with banks	478,538,169	618,811,676	478,538,169	618,811,676
Balances with central bank	31,510,867	26,132,626	31,510,867	26,132,626
	515,468,517	650,957,334	515,468,517	650,957,334
Short-term borrowings	-	(25,125,393)	-	(25,125,393)
Net cash and cash equivalents	515,468,517	625,831,941	515,468,517	625,831,941
Net maturity analyses				
Maturing within 1 month	398,268,517	284,831,941	398,268,517	284,831,941
Maturing after 1 month but within 3 months	80,000,000	279,600,000	80,000,000	279,600,000
Maturing after 3 months but within 1 year	37,200,000	61,400,000	37,200,000	61,400,000
Net cash and cash equivalents	515,468,517	625,831,941	515,468,517	625,831,941
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.				
7 INVESTMENTS AND NEGOTIABLE SECURITIES				
Treasury Bills				
Maturing within 1 year	185,654,068	198,315,627	185,654,068	198,315,627
Total investment in Treasury Bills	185,654,068	198,315,627	185,654,068	198,315,627
Market valuation of total investments	187,590,000	188,734,100	187,590,000	188,734,100

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 2016
(continued)

	Group		Company	
	2016	2015	2016	2015
	R	R	R	R
CURRENT ASSETS				
8 LOANS AND ADVANCES				
Advances to customers and bills discounted	424,210,743	458,739,524	424,210,743	458,739,524
Less: Long-term loans and advances	(89,077,487)	(61,154,327)	(89,077,487)	(61,154,327)
Less: Impairment of loans and advances (note 16)	(7,114,844)	(4,829,846)	(7,114,844)	(4,829,846)
Advances to customers and bills discounted net of impairments	328,018,412	392,755,351	328,018,412	392,755,351
Net maturity analyses				
Maturing within 1 month (overdrafts - payable on demand)	298,757,285	370,856,449	298,757,285	370,856,449
Maturing after 1 month but within 3 months	11,742,437	11,486,449	11,742,437	11,486,449
Maturing after 3 months but within 1 year	17,518,690	10,412,453	17,518,690	10,412,453
	328,018,412	392,755,351	328,018,412	392,755,351
Sectoral analyses				
Companies and Close Corporations	298,650,862	356,977,359	298,650,862	356,977,359
Unincorporated businesses	23,925,046	34,320,245	23,925,046	34,320,245
Individuals	1,991,009	787,348	1,991,009	787,348
Non-profit institutions	3,451,495	670,399	3,451,495	670,399
	328,018,412	392,755,351	328,018,412	392,755,351
Sectoral distribution				
Manufacturing	105,612,103	117,501,420	105,612,103	117,501,420
Electricity, gas and water supply	-	7,182,507	-	7,182,507
Wholesale and retail trade, repair of specified items, hotel	152,909,781	188,846,749	152,909,781	188,846,749
Transport, storage and communication	137,000	1,046,295	137,000	1,046,295
Financial intermediation and insurance	12,221,100	13,199,289	12,221,100	13,199,289
Real estate	24,194,101	30,560,191	24,194,101	30,560,191
Business services	16,605,103	2,268,693	16,605,103	2,268,693
Community, social and personal services	1,040,123	23,880,231	1,040,123	23,880,231
Individuals	1,991,009	787,348	1,991,009	787,348
Other	13,308,092	7,482,628	13,308,092	7,482,628
	328,018,412	392,755,351	328,018,412	392,755,351
Geographical distribution				
The loans and advances relate to customers who are SA residents				
9 OTHER ASSETS				
Accrued interest	3,441,300	4,430,211	3,441,300	4,430,211
Other accounts receivable	4,816,597	3,023,346	4,816,597	3,023,346
	8,257,897	7,453,557	8,257,897	7,453,557

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 2016
(continued)

	Group		Company	
	2016 R	2015 R	2016 R	2015 R
10 SHARE CAPITAL				
Authorised				
25,000,000 ordinary shares of R 1 each	25,000,000	25,000,000	25,000,000	25,000,000
Issued				
20,000,000 ordinary shares of R 1 each	20,000,000	20,000,000	20,000,000	20,000,000
CURRENT LIABILITIES				
11 DEPOSITS AND CURRENT ACCOUNTS				
Current and call accounts	698,090,467	781,715,981	699,985,004	783,501,093
Savings accounts	73,973,230	85,536,697	73,973,230	85,536,697
Time deposit accounts	232,757,544	301,805,703	232,757,544	301,805,703
	1,004,821,241	1,169,058,381	1,006,715,778	1,170,843,493
Maturity analyses				
Maturing within 1 month	931,799,000	1,073,984,096	933,693,537	1,075,769,208
Maturing after 1 month but within 6 months	59,816,373	78,404,542	59,816,373	78,404,542
Maturing after 6 months but within 1 year	12,904,368	15,418,243	12,904,368	15,418,243
Maturing after 1 year	301,500	1,251,500	301,500	1,251,500
	1,004,821,241	1,169,058,381	1,006,715,778	1,170,843,493
12 OTHER LIABILITIES				
Accrued interest	1,304,744	1,576,477	1,304,744	1,576,477
Accrued expenses	8,172,373	6,367,995	8,172,373	6,367,995
Other accounts payable	3,820,362	4,793,805	3,815,156	4,787,421
	13,297,479	12,738,277	13,292,273	12,731,893
The carrying amounts of these liabilities approximates their fair value. The fair value of derivative instruments (FEC) are recognised in other liabilities.				
13 CONTINGENT LIABILITIES				
Letters of guarantee	41,046,688	37,415,136	41,046,688	37,415,136
Letters of credit	16,317,221	10,117,986	16,317,221	10,117,986
Acceptances	-	1,420,494	-	1,420,494
	57,363,909	48,953,616	57,363,909	48,953,616

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

	Group		Company	
	2016 R	2015 R	2016 R	2015 R
14 INTEREST INCOME AND EXPENSE				
Interest and similar income comprises interest on				
Loans and advances	43,782,179	36,160,798	43,782,179	36,160,798
Balances with banks	31,646,126	28,362,340	31,646,126	28,362,340
Investments and negotiable securities	13,155,873	12,032,695	13,155,873	12,032,695
	88,584,178	76,555,833	88,584,178	76,555,833
Interest expense and similar charges comprises interest on				
Current and time deposit accounts	(28,017,708)	(24,484,581)	(28,116,087)	(24,755,143)
Savings accounts	(224,169)	(162,609)	(224,169)	(162,609)
Balances with banks	(63,407)	(550,419)	(63,407)	(550,419)
	(28,305,284)	(25,197,609)	(28,403,663)	(25,468,171)
15 NON-INTEREST INCOME				
Commission and foreign exchange earnings	7,936,065	8,821,430	7,936,065	8,821,430
Fee based income	9,323,438	10,682,033	9,323,438	10,682,033
Other income	2,055,298	2,813,965	1,982,767	2,732,280
	19,314,801	22,317,428	19,242,270	22,235,743
Included in commission and foreign exchange earnings is an amount of R28,059 (2015: R73,267 loss) being the profit on derivative financial instruments (forward exchange contracts) at 31 December 2016 and an amount of R55,221 (2015: R8,664) being the exchange rate differences on foreign exchange transactions.				
16 IMPAIRMENT CHARGE ON LOANS AND ADVANCES				
Balance at beginning of year	4,829,846	3,730,018	4,829,846	3,730,018
Specific/General impairment raised during the year	1,833,773	850,056	1,833,773	850,056
Interest suspense raised during the year	1,116,382	249,772	1,116,382	249,772
Charge to income statement	2,950,155	1,099,828	2,950,155	1,099,828
Advances written off against specific provisions	(665,157)	-	(665,157)	-
Balance at end of year	7,114,844	4,829,846	7,114,844	4,829,846
Comprising :				
Specific impairment (including interest suspended)	(4,764,844)	(3,079,790)	(4,764,844)	(3,079,790)
Portfolio impairment reserve	(2,350,000)	(1,750,056)	(2,350,000)	(1,750,056)
Balance at end of year	(7,114,844)	(4,829,846)	(7,114,844)	(4,829,846)

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

	Group		Company	
	2016 R	2015 R	2016 R	2015 R
17 OPERATING EXPENDITURE				
Operating expenses include the following items:				
Staff Costs	(28,953,009)	(20,994,818)	(28,953,009)	(20,994,818)
- Staff cost	(28,953,009)	(20,994,818)	(28,953,009)	(20,994,818)
Provident Fund Contributions	(1,264,310)	(1,151,400)	(1,264,310)	(1,151,400)
Current service costs	(1,264,310)	(1,151,400)	(1,264,310)	(1,151,400)
Auditors' remuneration	(1,036,000)	(945,061)	(1,036,000)	(945,061)
- Audit fee	(1,036,000)	(945,061)	(1,036,000)	(945,061)
Depreciation	(2,041,511)	(1,814,861)	(2,040,476)	(1,813,567)
Motor vehicles	(437,822)	(288,351)	(437,822)	(288,351)
Furniture and office equipment	(1,603,689)	(1,526,510)	(1,602,654)	(1,525,216)
Operating leases	(3,652,622)	(3,627,050)	(4,072,622)	(4,047,050)
Rental - banks premises	(2,110,477)	(1,940,651)	(2,530,477)	(2,360,651)
Rental - staff accommodation	(1,542,145)	(1,686,399)	(1,542,145)	(1,686,399)
- Loss on disposal of assets	-	(163,601)	-	(163,601)

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

	Group		Company	
	2016 R	2015 R	2016 R	2015 R
18 Directors' emoluments				
Total Directors Emoluments	(5,841,023)	(3,301,382)	(5,841,023)	(3,301,382)
Managing Director - Manzar A Kazmi	(3,729,697)	(2,035,234)	(3,729,697)	(2,035,234)
Basic salary (gross)	(1,578,000)	(1,227,500)	(1,578,000)	(1,227,500)
Bonus and performance related payments	(111,500)	(103,000)	(111,500)	(103,000)
Private use of motor vehicle	(239,610)	(221,907)	(239,610)	(221,907)
Medical aid contribution	(80,971)	(54,180)	(80,971)	(54,180)
Pension / provident scheme contributions	(98,812)	(92,653)	(98,812)	(92,653)
Cell phone	(42,000)	(42,000)	(42,000)	(42,000)
Travel passage	(176,098)	(87,689)	(176,098)	(87,689)
Special allowance	(1,200,000)	-	(1,200,000)	-
Housing allowance	(202,706)	(206,305)	(202,706)	(206,305)
Executive Director - A Ansari	(2,111,326)	(1,266,148)	(2,111,326)	(1,266,148)
Basic salary (gross)	(1,053,600)	(861,600)	(1,053,600)	(861,600)
Bonus and performance related payments	(79,300)	(72,300)	(79,300)	(72,300)
Private use of motor vehicle	(68,460)	(68,460)	(68,460)	(68,460)
Medical aid contribution	(54,180)	(54,180)	(54,180)	(54,180)
Pension / provident scheme contributions	(67,975)	(63,726)	(67,975)	(63,726)
Cell phone	(14,000)	(9,000)	(14,000)	(9,000)
Travel passage	(125,145)	-	(125,145)	-
Special allowance	(510,000)	-	(510,000)	-
Housing allowance	(138,666)	(136,882)	(138,666)	(136,882)
Non-executive directors	(223,000)	(203,000)	(223,000)	(203,000)
Non-executive director - M Bramwell	(115,000)	(115,000)	(115,000)	(115,000)
Non-executive director - BW Smith	(108,000)	(88,000)	(108,000)	(88,000)

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

	Group		Company	
	2016 R	2015 R	2016 R	2015 R
19 TAXATION				
South African Normal and Deferred Taxation	(5,923,391)	(6,470,481)	(5,972,777)	(6,329,894)
- Normal Taxation - current year	(6,136,593)	(6,300,511)	(6,082,468)	(6,160,000)
- Normal Taxation - prior years	(15,280)	-	(118,866)	-
- Deferred taxation	228,482	(169,970)	228,557	(169,894)
TAX RATE RECONCILIATION				
Standard rate of taxation	28.00%	28.00%	28.00%	28.00%
Adjustment for :				
- other permanent differences	5.21%	1.35%	5.26%	-5.69%
- (increase)/decrease in deferred tax (asset) / liability	-1.24%	0.79%	-1.25%	-0.58%
- adjustments recognised in the current year in relation to the current tax of prior years	0.08%	0.00%	0.65%	0.00%
Effective rate of taxation	32.06%	30.14%	32.66%	21.73%
20 DEFERRED TAXATION				
Group and Company				
- Deferred tax liability beginning of the year on property & equipment	69,320	69,244	-	-
- Originating temporary difference	74	76	-	-
Deferred tax liability end of the year on property & equipment	69,394	69,320	-	-
Total deferred tax liability at end of the year	69,394	69,320	-	-
Group and Company				
- Deferred tax asset beginning of the year on property & equipment	267,558	(178,556)	267,558	(178,556)
- Originating temporary difference	200,597	446,114	200,597	446,114
Deferred tax (asset) end of the year on property & equipment	468,155	267,558	468,155	267,558
- Deferred tax asset beginning of the year on general debt allowance	(325,500)	(189,000)	(325,500)	(189,000)
- Originating temporary difference	(168,000)	(136,500)	(168,000)	(136,500)
Deferred tax asset end of the year on general debt allowance	(493,500)	(325,500)	(493,500)	(325,500)
- Deferred tax asset beginning of the year on disallowable provisions	(817,320)	(677,600)	(817,320)	(677,600)
- Originating temporary difference	(261,154)	(139,720)	(261,154)	(139,720)
Deferred tax asset end of the year on disallowable provisions	(1,078,474)	(817,320)	(1,078,474)	(817,320)
Total deferred tax (asset) at end of the year	(1,103,819)	(875,262)	(1,103,819)	(875,262)
21 ORDINARY DIVIDENDS				
	8,000,000	6,000,000	8,000,000	6,000,000
- Final dividend of 40cents per share for the year 2016 declared on 4th November 2016 and paid from current earnings distributed to shareholders				
Dividend declared and paid	8,000,000	6,000,000	8,000,000	6,000,000

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

	Group		Company	
	2016 R	2015 R	2016 R	2015 R
22 INTEREST INCOME AND OTHER INCOME RECEIVED				
Accounts receivable at beginning of year	7,453,557	6,057,078	7,453,557	6,057,078
Interest and similar income	88,584,178	76,555,833	88,584,178	76,555,833
Accounts receivable at end of year	(8,257,896)	(7,453,557)	(8,257,897)	(7,453,557)
	87,779,839	75,159,354	87,779,838	75,159,354
Adjustments for :				
Interest accrued on treasury bills in the current year	(329,776)	(3,304,347)	(329,776)	(3,304,347)
Interest suspense	(1,116,382)	(249,772)	(1,116,382)	(249,772)
	86,333,681	71,605,235	86,333,680	71,605,235
Non-interest revenue	19,314,801	22,317,428	19,242,270	22,235,743
	105,648,482	93,922,663	105,575,950	93,840,978
23 INTEREST PAID				
Accrued interest at beginning of year	(1,576,477)	(1,480,095)	(1,576,477)	(1,480,095)
Interest expense and similar charges	(28,305,283)	(25,197,610)	(28,403,662)	(25,468,171)
Accrued interest at end of year	1,304,744	1,576,477	1,304,744	1,576,477
	(28,577,016)	(25,101,228)	(28,675,395)	(25,371,790)
24 CASH PAID TO EMPLOYEES AND SUPPLIERS				
Operating expenditure	(58,164,726)	(51,105,459)	(58,187,385)	(51,097,779)
Adjustments for :				
Depreciation	2,041,511	1,814,861	2,040,476	1,813,567
Loss on disposal of fixed assets	-	163,601	-	163,601
	(56,123,215)	(49,126,997)	(56,146,909)	(49,120,611)
Working capital changes :				
Increase/(decrease) in bills payable	(2,047,475)	1,597,077	(2,047,475)	1,597,077
Increase in other accounts payable	2,878,405	3,974,931	2,879,585	3,968,560
	(55,292,285)	(43,554,989)	(55,314,799)	(43,554,974)
25 INCREASE IN LOANS AND ADVANCES				
Loans and advances net of impairments and interest suspense at beginning of year	453,909,678	423,452,975	453,909,678	423,452,975
Impairment of loans and advances(excluding interest suspended)	(1,833,773)	(850,056)	(1,833,773)	(850,056)
Loans and advances net of impairments and interest suspense at end of year	(417,095,899)	(453,909,678)	(417,095,899)	(453,909,678)
(Increase) in loans and advances	34,980,006	(31,306,759)	34,980,006	(31,306,759)
26 INCREASE IN DEPOSITS AND CURRENT ACCOUNTS				
Deposits and current accounts at beginning of year	1,169,058,380	1,068,507,395	1,170,843,492	1,079,348,742
Deposits and current accounts at end of year	1,004,821,241	1,169,058,380	1,006,715,778	1,170,843,492
Increase/(decrease) in deposits and current accounts	(164,237,139)	100,550,985	(164,127,714)	91,494,750

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
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	2016 R	Group 2015 R	2016 R	Company 2015 R
27 TAXATION PAID				
Amounts (payable)/receivable at beginning of year	(103,586)	(63,625)	-	57,918
Prior year taxation	(15,280)	-	(118,866)	-
Current tax	(6,136,593)	(6,300,511)	(6,082,468)	(6,160,000)
Amounts payable/(receivable) at end of year to SARS	(167,407)	103,586	(137,532)	-
	(6,422,866)	(6,260,550)	(6,338,866)	(6,102,082)

28 DIVIDENDS PAID

Dividends declared and paid	(8,000,000)	(6,000,000)	(8,000,000)	(6,000,000)
	(8,000,000)	(6,000,000)	(8,000,000)	(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

Total current service costs	(1,264,310)	(1,151,400)	(1,264,310)	(1,151,400)
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30 RELATED PARTIES

The subsidiary is a property investment company.

- N77 Oriental Plaza (Proprietary) Limited

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

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 R1,894,537 (2015: R1,785,112). The value of R1,894,537 is recognised in Deposits with current accounts and call accounts. The rentals paid to its subsidiary are on terms more favourable than those arranged with third parties.

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	3,792,926	3,370,198	4,271,726	3,370,198
> 1 - 5 Years	4,749,815	6,218,949	4,749,815	6,218,949
Total	8,542,741	9,589,147	9,021,541	9,589,147

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016

(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 changing 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

	*	*
	2016	2015
	R'000	R'000
Common Equity Tier 1 (CET 1)		
- Issued Capital	20,000	20,000
- Other Reserves	93,776	89,463
Total Common Equity Tier 1 (CET 1)	113,776	109,463
Less: Prescribed deductions against capital	(1,104)	(536)
Aggregate amount of primary share capital & reserves	112,672	108,927
Common Equity Tier 1 Capital Adequacy Ratio	18.37%	18.10%
Tier 2 Capital		
- General allowance for credit impairment standardised approach	2,350	1,750
Total Tier 2 Capital	2,350	1,750
Less: Prescribed deductions against Tier 1 capital	(494)	(368)
Aggregate amount of Tier 2 Share Capital & Reserves	1,856	1,382
Tier 2 Capital Adequacy Ratio	0.30%	0.23%
Total Share Capital		
- Primary capital & reserves (CET 1)	113,776	109,463
- Secondary capital & reserves (Tier 2)	2,350	1,750
Less: Prescribed deductions against Tier 1 capital	(1,598)	(904)
Net Qualifying Capital	114,528	110,309
Total capital adequacy ratio	18.67%	18.33%
Total capital requirement	65,176	62,307
Aggregate amount of capital & reserves	114,528	110,309
Excess	49,352	48,002
Risk weighted exposure		
Credit risk	467,794	471,662
Counterparty credit risk	5,426	1,180
Operational risk	130,706	119,408
Market risk	197	588
Other risk	9,295	9,059
Total risk weighted exposure	613,418	601,897

(*) Unaudited

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

32.1 CAPITAL RISK MANAGEMENT

LEVERAGE RATIO

Components of Capital

	*	*
	2016	2015
	R'000	R'000
Common Equity Tier 1 (CET 1)		
- Issued Capital	20,000	20,000
- Other Reserves	93,776	89,463
Total Common Equity Tier 1 (CET 1)	113,776	109,463
Less: Prescribed deductions against capital	(1,104)	(536)
Aggregate amount of primary share capital & reserves	112,672	108,927
Tier 2 Capital		
- General allowance for credit impairment standardised approach	2,350	1,750
Total Tier 2 Capital	2,350	1,750
Less: Prescribed deductions against Tier 1 capital	(494)	(368)
Aggregate amount of Tier 2 Capital & Reserves	1,856	1,382
Total Share Capital		
- Primary capital & reserves (CET 1)	113,776	109,463
Less: Prescribed deductions against Tier 1 capital	(1,598)	(904)
Total qualifying tier 1 capital	112,178	108,559

EXPOSURE FOR LEVERAGE RATIO

On balance sheet items	1,131,576	1,317,208
Derivative assets	2,132	956
Derivative assets and off-balance sheet items Derivatives	1,072	417
Off-balance sheet exposure with > 0% CCF	27,335	38,312
Off-balance sheet exposure with a 0% CCF	-	11,848
Regulatory adjustments against capital	(1,598)	(904)
Total exposure for leverage ratio	1,160,517	1,367,837

LEVERAGE RATIO

Total qualifying tier 1 capital	112,178	108,559
Total exposures for leverage ratio	1,160,517	1,367,837
Leverage ratio	9.67%	7.94%
Regulatory specified minimum leverage ratio	4.00%	4.00%

(*) Unaudited

Habib Overseas Bank Limited

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for the year ended 31 December 2016
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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 meets normally every month. The committee fully monitors Group exposures, excess 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

	2016		
	Statement of financial position	Off-statement of financial position	Total
Group credit risk analysis			
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	36,930,348	-	36,930,348
Local and foreign cash	5,419,481	-	5,419,481
Manadatory reserve deposits with central banks	14,037,000	-	14,037,000
Other balances with central banks	17,473,867	-	17,473,867
Loans and advances with Banks & Customers	895,634,069	-	895,634,069
Overdrafts and loans	424,210,744		424,210,744
Term loans (Bank Placement)	478,538,169		478,538,169
Less: impairments of loans and advances	(7,114,844)	-	(7,114,844)
Investments and negotiable securities	185,654,068	-	185,654,068
Investment securities	185,654,068	-	185,654,068
Other assets	8,425,304	-	8,425,304
Derivative financial assets (FEC)	2,132,481	-	2,132,481
Other assets	6,292,823	-	6,292,823
Contingent Liabilities	-	57,363,909	57,363,909
Guarantees - irrevocable	-	41,046,688	41,046,688
Letter of credit and acceptances	-	16,317,221	16,317,221
	1,126,643,789	57,363,909	1,184,007,698

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

32 RISK MANAGEMENT (Continued)

32.2 CREDIT RISK IFRS 7 DISCLOSURES

Group credit risk analysis	2015		Total
	Statement of financial position	Off-statement of financial position	
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	32,145,658	-	32,145,658
Local and foreign cash	6,013,032	-	6,013,032
Mandatory reserve deposits with central banks	13,870,143	-	13,870,143
Other balances with central banks	12,262,483	-	12,262,483
Loans and advances with Banks & Customers	1,072,721,354	-	1,072,721,354
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)
Investments and negotiable securities	198,315,627	-	198,315,627
Investment securities	198,315,627	-	198,315,627
Other assets	7,453,557	-	7,453,557
Derivative financial assets (FEC)	955,946	-	955,946
Other assets	6,497,611	-	6,497,611
Contingent Liabilities	-	48,953,616	48,953,616
Guarantees - irrevocable	-	37,415,136	37,415,136
Letter of credit and acceptances	-	11,538,480	11,538,480
	1,310,636,196	48,953,616	1,359,589,812

Habib Overseas Bank Limited

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for the year ended 31 December 2016
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32 RISK MANAGEMENT (Continued)

32.2 CREDIT RISK

Company credit risk analysis	2016		Total
	Statement of financial position	Off-statement of financial position	
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	36,930,348	-	36,930,348
Local and foreign cash	5,419,481	-	5,419,481
Manadatory reserve deposits with central banks	14,037,000	-	14,037,000
Other balances with central banks	17,473,867	-	17,473,867
Loans and advances with Banks & Customers	895,634,069	-	895,634,069
Overdrafts and loans	424,210,744	-	424,210,744
Term loans (Bank Placement)	478,538,169	-	478,538,169
Less: impairments of loans and advances	(7,114,844)	-	(7,114,844)
Investments and negotiable securities	185,654,068	-	185,654,068
Investment securities	185,654,068	-	185,654,068
Other assets	8,395,429	-	8,395,429
Derivative financial assets (FEC)	2,132,481	-	2,132,481
Other assets	6,262,948	-	6,262,948
Contingent Liabilities	-	57,363,909	57,363,909
Guarantees - irrevocable	-	41,046,688	41,046,688
Letter of credit and acceptances	-	16,317,221	16,317,221
	1,126,613,914	57,363,909	1,183,977,823

Habib Overseas Bank Limited

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for the year ended 31 December 2016
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32 RISK MANAGEMENT (Continued)

32.2 CREDIT RISK

Company credit risk analysis	2015		Total
	Statement of financial position	Off-statement of financial position	
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	32,145,658	-	32,145,658
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
Loans and advances with Banks & Customers	1,072,721,354	-	1,072,721,354
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)
Investments and negotiable securities	198,315,627	-	198,315,627
Investment securities	198,315,627	-	198,315,627
Other assets	7,453,557	-	7,453,557
Derivative financial assets (FEC)	955,946	-	955,946
Other assets	6,497,611	-	6,497,611
Contingent Liabilities	-	48,953,616	48,953,616
Guarantees - irrevocable	-	37,415,136	37,415,136
Letter of credit and acceptances	-	11,538,480	11,538,480
	1,310,636,196	48,953,616	1,359,589,812

Habib Overseas Bank Limited

Notes to annual financial statements

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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	2016	
	Value of collateral against credit exposure in R 000's	% of credit exposure to total exposure
Financial Collateral		
Cash collateral	48,316	11.58%
Bank Guarantees	2,794	0.67%
Non-financial collateral		
Mortgage bond	308,217	73.90%
Notarial bond stock & equipment	5,732	1.37%
Insurance policies	721	0.17%
Suretyship	41,217	9.88%
Other / unsecured	10,098	2.43%
Total Exposure	417,095	100.00%

Type of collateral	2015	
	Value of collateral against credit exposure in R 000's	% of credit exposure to total exposure
Financial Collateral		
Cash collateral	92,412	20.36%
Bank Guarantees	5,783	1.27%
Non-financial collateral		
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%
Total Exposure	453,910	100.00%

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016

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32 RISK MANAGEMENT (Continued)

	Group		Company	
	2016	2015	2016	2015
	R	R	R	R

32.4 Impaired loans and advances

The total loans and advances are R 417,095,899 (2015: R 453,909,678) of which R14,022,746 (2015: R 12,707,869) are impaired advances.

Classification categories of advances

Standard	407,837,997	441,201,809	407,837,997	441,201,809
Special Mention	1,506,497	2,013,008	1,506,497	2,013,008
Sub-standard	-	10,461,396	-	10,461,396
Doubtful	6,186,392	-	6,186,392	-
Loss	1,565,013	233,465	1,565,013	233,465
	417,095,899	453,909,678	417,095,899	453,909,678

Collateral held against impaired advances

Special Mention	1,506,498	1,019,658	1,506,498	1,019,658
Sub-standard	-	7,612,750	-	7,612,750
Doubtful	6,186,392	-	6,186,392	-
Loss	-	-	-	-
	7,692,890	8,632,408	7,692,890	8,632,408

Specific provision held against impaired advances

Special Mention	5,338	-	5,338	-
Sub-standard	-	2,846,381	-	2,846,381
Doubtful	2,327,535	-	2,327,535	-
Loss	2,431,971	233,465	2,431,971	233,465
	4,764,844	3,079,846	4,764,844	3,079,846

32.5 Credit enhancements

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

The outstanding loans and advances were secured by the following bank guarantees.

Habibsons bank guarantee	2,843,614	2,432,603	2,843,614	2,432,603
Investec bank guarantee	-	2,490,147	-	2,490,147
BNP Paribas bank guarantee	884,856	26,423	884,856	26,423
	3,728,470	4,949,173	3,728,470	4,949,173

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016

(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:

	2016	Group	2016	Company
	R	2015	R	2015
		R		R
Financial Instruments Level 2				
Notional value				
Derivative financial instrument assets	53,626,881	20,826,594	53,626,881	20,826,594
Derivative financial instrument liabilities	53,598,821	20,899,861	53,598,821	20,899,861
	28,060	(73,267)	28,060	(73,267)
Financial Instruments Level 2				
Fair value TPL				
Derivative financial instrument assets	2,132,481	955,946	2,132,481	955,946
Derivative financial instrument liabilities	2,104,421	1,029,213	2,104,421	1,029,213
	28,060	(73,267)	28,060	(73,267)

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 2016 would decrease by:

	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
			in 000's	
decrease in 1 months	(848)	(481)	(848)	(481)
decrease in 3 months	(848)	(814)	(848)	(814)
decrease in 6 months	(2,543)	(869)	(2,543)	(869)
decrease in 12 months	(4,239)	(1,739)	(4,239)	(1,739)
Total decrease in the year	(8,478)	(3,903)	(8,478)	(3,903)

Habib Overseas Bank Limited

2 RISK MANAGEMENT (Continued)

32.7.2 INTEREST RATE RISK (Continued)

	Group		Company	
	2016	2015	2016	2015
	R	R	R	R
ASSETS				
DISCRETIONARY / ADMINISTERED RATE ITEMS				
FIXED INTEREST ITEMS				
Loans & advances	-	34,228,426	-	34,228,426
CASH & CASH EQUIVALENTS				
Money at call and short-term notice with banks	478,538,169	618,811,676	478,538,169	618,811,676
Maturing within 1 month	361,338,169	277,811,676	361,338,169	277,811,676
Maturing after 1 month but within 3 months	80,000,000	279,600,000	80,000,000	279,600,000
Maturing after 3 months but within 1 year	37,200,000	61,400,000	37,200,000	61,400,000
	478,538,169	618,811,676	478,538,169	618,811,676
Investments				
Other short-term securities	185,654,068	198,315,627	185,654,068	198,315,627
Maturing within 1 month	59,878,174	49,898,781	59,878,174	49,898,781
Maturing after 1 month but within 3 months	67,032,632	118,920,898	67,032,632	118,920,898
Maturing after 3 months but within 1 year	58,743,262	29,495,948	58,743,262	29,495,948
	185,654,068	198,315,627	185,654,068	198,315,627
NON-RATE SENSITIVE ITEMS				
Cash and balances with central bank				
Coin and bank notes	5,419,481	6,013,032	5,419,481	6,013,032
Cash held with central bank	14,037,000	13,870,143	14,037,000	13,870,143
Balances with central bank	17,473,867	12,262,483	17,473,867	12,262,483
	36,930,348	32,145,658	36,930,348	32,145,658
Other assets				
Property, plant and equipment	6,510,281	7,097,850	6,066,028	6,652,562
Investment in subsidiary	-	-	1	1
Derivative financial instruments (Forward exchange contracts)	2,132,481	955,946	2,132,481	955,946
Other assets	7,396,642	7,372,873	7,366,767	7,372,873
	16,039,404	15,426,669	15,565,277	14,981,382
VARIABLE INTEREST RATE ITEMS				
Loans and advances	417,095,899	419,681,252	417,095,899	419,681,252
Maturing within 1 month	298,757,285	336,628,022	298,757,285	336,628,022
Maturing after 1 month but within 3 months	11,423,305	11,486,449	11,423,305	11,486,449
Maturing after 3 months but within 1 year	17,837,822	10,412,454	17,837,822	10,412,454
Maturing after 1 year	89,077,487	61,154,327	89,077,487	61,154,327
	417,095,899	419,681,252	417,095,899	419,681,252
TOTAL ASSETS	1,134,257,888	1,318,609,308	1,133,783,761	1,318,164,021

Habib Overseas Bank Limited

2 RISK MANAGEMENT (Continued)

32.7.2 INTEREST RATE RISK (Continued)

LIABILITIES	Group		Company	
	2016 R	2015 R	2016 R	2015 R
DISCRETIONARY / ADMINISTERED RATE ITEMS	68,899,105	68,436,867	68,899,105	68,436,867
Deposits				
Current deposits	57,445,638	59,126,594	57,445,638	59,126,594
Saving deposits	11,453,467	9,310,273	11,453,467	9,310,273
	68,899,105	68,436,867	68,899,105	68,436,867
AMOUNT OWED TO DEPOSITORS				
FIXED INTEREST ITEMS				
Deposits	155,676,262	153,978,581	155,676,262	153,978,581
Short-term borrowings	-	25,125,393	-	25,125,393
Maturing within 1 month	82,654,021	84,029,689	82,654,021	84,029,689
Maturing after 1 month but within 3 months	59,816,372	65,307,137	59,816,372	65,307,137
Maturing after 3 months but within 1 year	12,904,368	28,515,648	12,904,368	28,515,648
Maturing after 1 year	301,501	1,251,500	301,501	1,251,500
	155,676,262	179,103,974	155,676,262	179,103,974
NON-RATE SENSITIVE ITEMS				
Deposits				
Current deposits	373,727,422	369,423,222	373,727,422	369,517,421
Call deposits	65,944,817	56,566,771	65,944,817	56,566,771
Saving deposits	62,519,763	76,226,424	62,519,763	76,226,424
Lien collateral deposits	27,027,411	35,675,346	27,027,411	35,675,346
Foreign exchange deposits	45,933,367	45,637,866	45,933,367	45,637,866
	575,152,780	583,529,629	575,152,780	583,623,828
Equity & other liabilities				
Shareholder's equity	116,069,774	111,514,351	113,775,710	109,463,242
Derivative financial instruments (Forward exchange contracts)	2,104,421	1,029,213	2,104,421	1,029,213
Other liabilities	11,262,452	11,881,970	11,187,852	11,702,680
	129,436,647	124,425,534	127,067,983	122,195,135
VARIABLE INTEREST RATE ITEMS				
Deposits	205,093,094	363,113,304	206,987,631	364,804,217
Call deposits	155,039,212	252,498,509	156,933,749	254,189,422
Lien collateral deposits	50,053,882	110,614,795	50,053,882	110,614,795
	205,093,094	363,113,304	206,987,631	364,804,217
TOTAL EQUITY AND LIABILITIES	1,134,257,888	1,318,609,308	1,133,783,761	1,318,164,021

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for the year ended 31 December 2016
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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	1,540,861	15,980	85,477	4,020	10,510	-	-	-	-
Due from Banks Demand	52,185,791	32,780	3,476,664	259,549	-	5,112	1,038	4,278	30,511
Loans and Advances	192	-	-	13	-	-	-	-	-
Other assets	-55,413	-	-4,033	-	-	-	-	-	-
Total Assets	53,671,431	48,760	3,558,108	263,582	10,510	5,112	1,038	4,278	30,511

LIABILITIES	ZAR Equivalent	GBP	USD	EURO	SAR	AUD	CHF	CAD	PKR
Deposits	52,266,426	46,936	3,470,193	262,500	-	-	-	-	-
Due to Banks	-	-	-	-	-	-	-	-	-
Other Liabilities	1,266,659	-	92,174	13	-	-	-	-	-
Total Liabilities	53,533,085	46,936	3,562,367	262,513	-	-	-	-	-

Net Open Position	138,346	1,824	-4,259	1,069	10,510	5,112	1,038	4,278	30,511
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Any adverse movement in exchange rate to the extent of 10% would have affected the risk by positive R 13,835 (2015: positive R 54,984).

Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies was a negative R 4,397,196 (2015: positive R 1,283,846).

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

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2 RISK MANAGEMENT (Continued)

32.10 LIQUIDITY RISK (Continued)				(*)
Liquidity coverage ratio (LCR)				in R '000
				2016
High quality liquid assets	Total	Specified factor	Weighted value	
Cash	5,420	100%	5,420	
Balances with SARB	31,511	100%	31,511	
Treasury bills	185,654	100%	185,654	
Total level 1 high-quality liquid assets	222,585		222,585	
Cash Outflows				
Retail deposits	254,811	10%	25,481	
Term deposits > 30days maturity	27,677	0%	-	
Unsecured wholesale funding				
Small business	451,771	10%	45,177	
Term deposits > 30days maturity	48,423	0%	-	
Non-financial corporates	225,339	40%	90,136	
	1,008,021		160,794	
Other expected outflows				
Derivative liabilities	887	100%	887	
Off-balance sheet				
Letters of guarantee	41,090	5%	2,055	
Letters of credit	16,273	5%	814	
Unutilised facilities				
Retail and small business	74,842	2.5%	1,871	
Non-financial corporates	42,481	5%	2,124	
	175,573		7,751	
Total outflows	1,183,594		168,545	
Cash inflows				
Retail and small business	154,128	50%	77,064	
Whole clients other than financial institutions	137,639	50%	68,820	
Financial institutions	358,308	100%	358,308	
	650,075		504,192	
Other inflows				
Derivative assets	898	100.00%	898	
Total inflows	650,973		505,090	
Total outflows			168,545	
Total inflows			505,090	
Total net cash inflows (capped 75% of outflows)			126,409	
Net cash outflows			42,136	
LCR			528.25%	
High level 1 high quality assets			222,585	
Net cash outflows			42,136	
Net stable funding ratio (NSFR)			328.52%	
Total available stable funding			916,359	
Total required stable funding			278,932	
NSFR			328.52%	

(*) Unaudited

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(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%	5,809
Balances with SARB	26,132	100%	26,132
Treasury bills	198,316	100%	198,316
Total level 1 high-quality liquid assets	230,257		230,257
Cash Outflows			
Retail deposits	378,147	10%	37,815
Term deposits > 30days maturity	27,428	0%	-
Unsecured wholesale funding			
Small business	320,790	10%	32,079
Term deposits > 30days maturity	66,991	0%	-
Non-financial corporates	377,487	40%	150,995
Other financial institutions	25,125	100%	25,125
	1,195,968		246,014
Other expected outflows			
Derivative liabilities	1,029	100%	1,029
Off Balance Sheet			
Letters of guarantee	37,414	5%	1,871
Letters of credit	11,538	5%	577
Unutilised facilities			
Retail and small business	98,087	2.5%	2,452
Non-financial corporates	13,397	5%	670
	161,465		6,599
Total outflows	1,357,433		252,613
Cash inflows			
Retail and small business	187,132	50%	93,566
Whole clients other than financial institutions	175,866	50%	87,933
Financial institution	275,555	100%	275,555
	638,553		457,054
Other inflows			
Derivative assets	956	100.00%	956
Total inflows	639,509		458,010
Total outflows			252,613
Total inflows			458,010
Total net cash flows (capped 75% of outflows)			189,460
Net cash outflows			63,153
LCR			
Level 1 high quality assets			230,257
Net cash outflows			63,153
LCR			364.60%
Net stable funding ratio (NSFR)			
Total available stable funding			921,677
Total required stable funding			274,757
NSFR			335.45%

(*) Unaudited

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2016
(continued)

32 RISK MANAGEMENT (Continued)

32.10 LIQUIDITY RISK ANALYSIS

Group	2016 R	Term Maturity					Indeterminate Maturity
		Demand	0 - 7 days	8days - 1 month	2 - 3 months	4 - 12 months	
ASSETS							
Non-Current Assets	96,691,587	-	-	-	-	89,077,487	7,614,100
Property, plant and equipment	6,510,281	-	-	-	-	-	6,510,281
Long-Term loans and advances	89,077,487	-	-	-	-	89,077,487	-
Deferred tax asset	1,103,819	-	-	-	-	-	1,103,819
Current Assets	1,037,566,301	603,421,946	155,615,034	159,908,786	117,764,945	688,183	167,407
Cash and cash equivalents	515,468,517	306,768,517	91,500,000	80,000,000	37,200,000	-	-
Other short-term securities	185,654,068	-	59,878,174	67,032,632	58,743,262	-	-
Loans and advances to customers	328,018,412	296,470,934	2,286,351	11,423,305	17,837,822	-	-
Derivative financial instruments (Forward exchange contracts)	2,132,481	2,435	891,947	944,158	293,941	-	-
Other assets	6,125,416	180,060	1,058,562	508,691	3,689,920	688,183	-
Receiver of Revenue	167,407	-	-	-	-	-	167,407
Total assets	1,134,257,888	603,421,946	155,615,034	159,908,786	117,764,945	89,765,670	7,781,507
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	96,069,774	-	-	-	-	-	96,069,774
Total ordinary equity	116,069,774	-	-	-	-	-	116,069,774
Total Liabilities	1,018,188,114	886,002,639	57,873,404	30,633,633	43,307,544	301,500	69,394
Non-Current Liabilities	69,394	-	-	-	-	-	69,394
Deferred tax liability	69,394	-	-	-	-	-	69,394
Current Liabilities	1,018,118,720	886,002,639	57,873,404	30,633,633	43,307,544	301,500	-
Short-term borrowings	-	-	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	2,104,421	2,290	881,695	930,394	290,042	-	-
Amount owed to depositors	1,004,821,241	874,807,291	56,991,709	29,703,239	43,017,502	301,500	-
Other liabilities	11,193,058	11,193,058	-	-	-	-	-
Receiver of Revenue	-	-	-	-	-	-	-
Total equity and liabilities	1,134,257,888	886,002,639	57,873,404	30,633,633	43,307,544	301,500	116,139,168
REMAINING CONTRACTUAL LIABILITIES							
Balance sheet liabilities	1,018,188,114	886,002,639	57,873,404	30,633,633	43,307,544	301,500	69,394
Non-Current Liabilities	69,394	-	-	-	-	-	69,394
Current Liabilities	1,018,118,720	886,002,639	57,873,404	30,633,633	43,307,544	301,500	-
Short-term borrowings	-	-	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	2,104,421	2,290	881,695	930,394	290,042	-	-
Amount owed to depositors	1,006,125,985	876,112,035	56,991,709	29,703,239	43,017,502	301,500	-
Other liabilities	9,888,314	9,888,314	-	-	-	-	-
Current taxation	-	-	-	-	-	-	-
Off-balance sheet liabilities	57,363,909	57,363,909	-	-	-	-	-
Irrevocable guarantees	41,046,688	41,046,688	-	-	-	-	-
Irrevocable letters of credit and acceptances	16,317,221	16,317,221	-	-	-	-	-
Total liabilities	1,075,552,023	943,366,548	57,873,404	30,633,633	43,307,544	301,500	69,394

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	2015 R	Term Maturity					Indeterminate Maturity
		Demand	8days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	
ASSETS							
Non-Current Assets	69,127,439	-	-	-	-	61,154,327	7,973,112
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
Current Assets	1,249,481,869	624,384,948	107,773,314	410,319,940	102,004,987	4,998,680	-
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	-
Total assets	1,318,609,308	624,384,948	107,773,314	410,319,940	102,004,987	66,153,007	7,973,112
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	91,514,351	-	-	-	-	-	91,514,351
Total ordinary equity	111,514,351	-	-	-	-	-	111,514,351
Total Liabilities	1,207,094,957	1,069,463,591	41,407,605	65,556,585	29,242,770	1,251,500	172,906
Non-Current Liabilities	69,320						69,320
Deferred tax liability	69,320						69,320
Current Liabilities	1,207,025,637	1,069,463,591	41,407,605	65,556,585	29,242,770	1,251,500	103,586
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	-	-	-	-	-
Current taxation	103,586						103,586
Total equity and liabilities	1,318,609,308	1,069,463,591	41,407,605	65,556,585	29,242,770	1,251,500	111,687,257
REMAINING CONTRACTUAL LIABILITIES							
Balance sheet liabilities	1,207,094,957	1,068,268,899	41,512,913	65,872,267	30,000,236	1,267,736	172,906
Non-Current Liabilities	69,320	-	-	-	-	-	69,320
Deferred tax liability	69,320						69,320
Current Liabilities	1,207,025,637	1,068,268,899	41,512,913	65,872,267	30,000,236	1,267,736	103,586
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
Off-balance sheet liabilities	48,953,616	48,953,616	-	-	-	-	-
Irrevocable guarantees	37,415,136	37,415,136	-	-	-	-	-
Irrevocable letters of credit and acceptances	11,538,480	11,538,480	-	-	-	-	-
Total liabilities	1,256,048,573	1,117,222,515	41,512,913	65,872,267	30,000,236	1,267,736	172,906

Habib Overseas Bank Limited

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for the year ended 31 December 2015
(continued)

32 RISK MANAGEMENT (Continued)

32.10 LIQUIDITY RISK ANALYSIS

Company	2016						
	R	Demand			Term Maturity		Indeterminate Maturity
		0 - 7 days	8days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	
ASSETS							
Non-Current Assets	96,247,335	-	-	-	-	89,077,487	7,169,848
Property, plant and equipment	6,066,028	-	-	-	-	-	6,066,028
Investment in subsidiary	1	-	-	-	-	-	1
Long-Term loans and advances	89,077,487	-	-	-	-	89,077,487	-
Deferred tax asset	1,103,819	-	-	-	-	-	1,103,819
Current Assets	1,037,536,426	603,421,946	155,615,034	159,908,786	117,764,945	688,183	137,532
Cash and cash equivalents	515,468,517	306,768,517	91,500,000	80,000,000	37,200,000	-	-
Other short-term securities	185,654,068	-	59,878,174	67,032,632	58,743,262	-	-
Loans and advances to customers	328,018,412	296,470,934	2,286,351	11,423,305	17,837,822	-	-
Derivative financial instruments (Forward exchange contracts)	2,132,481	2,435	891,947	944,158	293,941	-	-
Other assets	6,125,416	180,060	1,058,562	508,691	3,689,920	688,183	-
Receiver of Revenue	137,532	-	-	-	-	-	137,532
Total assets	1,133,783,761	603,421,946	155,615,034	159,908,786	117,764,945	89,765,670	7,307,380
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	93,775,710	-	-	-	-	-	93,775,710
Total ordinary equity	113,775,710	-	-	-	-	-	113,775,710
Total Liabilities	1,020,008,051	887,891,970	57,873,404	30,633,633	43,307,544	301,500	-
Non-Current Liabilities							
Deferred tax liability	-	-	-	-	-	-	-
Current Liabilities	1,020,008,051	887,891,970	57,873,404	30,633,633	43,307,544	301,500	-
Short-term borrowings	-	-	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	2,104,421	2,290	881,695	930,394	290,042	-	-
Amount owed to depositors	1,006,715,778	876,701,828	56,991,709	29,703,239	43,017,502	301,500	-
Other liabilities	11,187,852	11,187,852	-	-	-	-	-
Receiver of Revenue	-	-	-	-	-	-	-
Total equity and liabilities	1,133,783,761	887,891,970	57,873,404	30,633,633	43,307,544	301,500	113,775,710
Remaining contractual maturities							
Balance sheet liabilities	1,019,994,930	887,878,849	57,873,404	30,633,633	43,307,544	301,500	-
Non-Current Liabilities							
Deferred tax liability	-	-	-	-	-	-	-
Current Liabilities	1,019,994,930	887,878,849	57,873,404	30,633,633	43,307,544	301,500	-
Short-term borrowings	-	-	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	2,104,421	2,290	881,695	930,394	290,042	-	-
Amount owed to depositors	1,008,239,525	878,225,575	56,991,709	29,703,239	43,017,502	301,500	-
Other liabilities	9,650,984	9,650,984	-	-	-	-	-
Off-balance sheet liabilities	57,363,909	57,363,909	-	-	-	-	-
Irrevocable guarantees	41,046,688	41,046,688	-	-	-	-	-
Irrevocable letters of credit and acceptances	16,317,221	16,317,221	-	-	-	-	-
Total liabilities	1,077,358,839	945,242,758	57,873,404	30,633,633	43,307,544	301,500	-

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(continued)

32 RISK MANAGEMENT (Continued)

32.10 LIQUIDITY RISK ANALYSIS

Company	Term Maturity						Indeterminate Maturity
	2015	Demand	8days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	
	R	0 - 7 days					
ASSETS							
Non-Current Assets	68,682,152	-	-	-	-	61,154,327	7,527,825
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
Current Assets	1,249,481,869	624,384,948	107,773,314	410,319,940	102,004,987	4,998,680	-
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	-	-	-	-	-	-	-
Total assets	1,318,164,021	624,384,948	107,773,314	410,319,940	102,004,987	66,153,007	7,527,825
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	89,463,242	-	-	-	-	-	89,463,242
Total ordinary equity	109,463,242	-	-	-	-	-	109,463,242
Total Liabilities	1,208,700,779	1,071,242,319	41,407,605	65,556,585	29,242,770	1,251,500	-
Non-Current Liabilities							
Current Liabilities	1,208,700,779	1,071,242,319	41,407,605	65,556,585	29,242,770	1,251,500	-
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	-	-	-	-	-
Total equity and liabilities	1,318,164,021	1,071,242,319	41,407,605	65,556,585	29,242,770	1,251,500	109,463,242
Remaining contractual maturities							
Balance sheet liabilities	1,208,700,779	1,070,047,627	42,512,913	65,872,267	30,000,236	1,267,736	-
Non-Current Liabilities							
Current Liabilities	1,208,700,779	1,070,047,627	42,512,913	65,872,267	30,000,236	1,267,736	-
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	-	-	-	-	-
Off-balance sheet liabilities							
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	-	-	-	-	-
Total liabilities	1,257,654,395	1,119,001,243	42,512,913	65,872,267	30,000,236	1,267,736	-