

Habib Overseas Bank Limited

(Registration number 1990/004437/06)

ANNUAL FINANCIAL STATEMENTS 2010

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Habib Overseas Bank Limited

Directors' responsibilities for and approval of the annual financial statements

The directors are responsible for the preparation and fair presentation of the Group and Company annual financial statements for Habib Overseas Bank Limited ("the Bank"), comprising the Director's report, the statement of financial position at 31 December 2010; the statement of comprehensive income, the statement of changes in equity and statement of cash flow 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, 61 of 1973, 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 under the circumstances.

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

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

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

The Group and Company annual financial statements, as identified in the first paragraph, were approved by the Board of Directors on 22nd March 2011 and are signed on its behalf by:



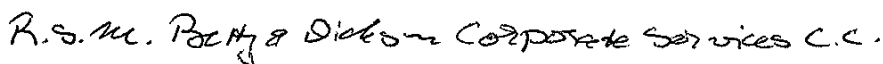
Martin Bramwell
Non - Executive Director



Manzar A Kazmi
Managing Director

CERTIFICATE OF THE COMPANY SECRETARY

In terms of Section 268G(d) of the Companies Act 61 of 1973 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 2010, all such returns as are required of a Public Company in terms of the Companies Act and that all such returns are true, correct and up to date.



Company Secretary
RSM BETTY & DICKSON CORPORATE SERVICES C.C.

22 March 2011

Habib Overseas Bank Limited

DIRECTORS AND SECRETARY

DIRECTORS

Habib Mohamed D Habib
(Chairman)

Asgar D Habib
(Senior Vice Chairman)

Zain Habib
(Vice Chairman)

Ahmed H Habib

S Manzar Abbas kazmi
(Managing Director)

Anjum Zaheer
(Executive Director)

Martin Bramwell

B Hasan

SECRETARY

RSM Betty & Dickson Services c.c.
Executive City
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Habib Overseas Bank Limited

CHAIRMAN'S STATEMENT

During 2010 the global economic outlook remained uncertain. The recovery in the developed economies remained slow owing to tightening of the monetary policy, crisis in US and some euro zone countries with high sovereign debt ratios, above target inflation and the resultant austerity measures adopted by the developed world. The emerging market economies however recorded robust economic growth and largely performed well despite the global economic turmoil. The South African economy in 2010 remained positive led by strong growth in the mining and agriculture sectors. The Rand continued to remain strong against other currencies for most of the year and some changes made by the South African Reserve Bank in exchange control also contributed positively to the economy. Large capital inflows from overseas were witnessed during the year which showed the confidence level of the overseas investors in our economy.

By the Grace of God the bank, during 2010 performed well and achieved most of its budgeted figures. The customer deposits increased by R56.9 million to R719.3 million (2009 : R662.4 million) and loan and advances increased by R48.1 million to R242.9 million (2009 : R194.8 million). Despite the historically low interest rates and an increase in our operating expenses, the pre-tax profit was R15.8 million as compared to R21.9 million for the previous year. Bank's liquidity continued to remain at healthy levels and capital adequacy ratio was maintained well above the minimum requirement. Advances were handled with the utmost care and caution as in the past years.

Looking forward, the global banking system is now on the road to recovery as concerted measures taken by governments in this behalf are yielding positive results. The ongoing turbulence in North Africa and Middle East is likely to have an adverse impact on the world economies in 2011 as prices of commodities and oil may continue to remain high and create uncertainty and nervousness in world markets. The natural disaster in Japan and its after effects will have global impacts which are not well understood as yet. These factors could slow down the recovery process in fragile economies.

During 2011 the bank will maintain a high level of liquidity and remain focused on planned marketing. We aim to introduce new business customers at all the branches and continue to pursue our cautious lending policy with a positive approach. Emphasis will be on increasing the foreign exchange business and fee based income of the bank.

I acknowledge with appreciation the cooperation and support extended by our customers and thank them for the confidence that they have reposed in us over the years.

I would like to express my deep appreciation to the members of staff for their dedication and hard work and thank my colleagues on the Board for their continued support.



Habib Mohamed D Habib
Chairman
22 March 2011

Habib Overseas Bank Limited

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HABIB OVERSEAS BANK LIMITED

We have audited the consolidated annual financial statements of Habib Overseas Bank Limited, which comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 7 to 42.

Directors' responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Auditor's Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Habib Overseas Bank Limited as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche

Per: Mgcinisihlalo Jordan

Partner

22 March 2011

Deloitte & Touche
Registered Auditors
Building 8, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead Sandton 2196

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Tax & Legal and Financial Advisory L Geeringh Consulting L Bam Corporate Finance
CR Beukman Finance TJ Brown Clients & Markets NT Mtoba Chairman of the Board

A full list of partners and directors is available on request

Habib Overseas Bank Limited

AUDIT COMMITTEE REPORT

The audit committee appointed by the Board for the year ended 31 December 2010 comprised non-executive directors M Bramwell (chairman), B Hasan, Z Habib, and executive director A Zaheer (the Committee).

The committee has carried out its functions in accordance with its terms of reference specified by the Board and in accordance with the requirements of Section 270A(1) (a) to (h) of the Companies Act.

External audit

The Committee has:

confirmed the continued appointment of Deloitte & Touche as external auditors and Mr Mgcinisihlalo Jordan as the designated partner and determined that in our opinion they are independent of the Company giving due consideration to the provisions of Section 270A(5) (a) to (d) of the Companies Act.

- received and agreed the terms of engagement of Deloitte & Touche
- considered and approved the audit fee payable to the external auditors
- confirmed that non-audit services had not been provided by the external auditors
- provided oversight of the external audit process by receiving 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 thereof.

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 branches, and management responses.

Based on its reviews and discussions with management and both internal and external auditors, the Committee has satisfied itself of the effectiveness of internal controls, the finance function of the bank and has recommended the annual financial statements for approval by the Board.

On behalf of the Committee



M Bramwell
Chairman

Habib Overseas Bank Limited

DIRECTORS' REPORT

The directors have pleasure in presenting their annual financial statements for the year ended 31 December 2010.

SHARE CAPITAL

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

DIRECTORS AND SECRETARY

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

PRINCIPAL ACTIVITIES

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

FINANCIAL

Profit before taxation of the Company for the year amounted to R15,809,642 (2009: R21,990,673).

GOING CONCERN

The 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 subsidiary N77 Oriental Plaza (Proprietary).

	2010	2009
	R	R
Net profit after taxation for the year	87 136	84 086

CAPITAL ADEQUACY

	2010	2009
Capital Adequacy ratio	16.76%	16.44%

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

Habib Overseas Bank Limited

Statement of financial position

at 31 December 2010

	Notes	Group		Company	
		2010 R	2009 R	2010 R	2009 R
ASSETS					
Cash and cash equivalents	3	485,653,547	514,954,606	484,665,310	514,127,841
Investments and negotiable securities	4	59,417,790	29,692,718	59,417,790	29,692,718
Loans and advances	6	242,928,208	194,797,611	242,928,208	194,797,611
Other assets	7	5,328,109	6,403,737	5,328,109	6,403,737
Receiver of Revenue	17	607,739	315,485	607,739	315,485
Deferred tax asset	18	283,070	269,477	283,070	269,477
Investment in subsidiary	5	-	-	2,199,499	2,199,499
Property, plant and equipment	8	3,533,069	4,561,649	2,404,667	3,358,911
Total assets		797,751,532	750,995,283	797,834,392	751,165,279
EQUITY AND LIABILITIES					
Capital and Reserves					
Equity attributable to ordinary shareholders					
Share capital	9	20,000,000	20,000,000	20,000,000	20,000,000
Retained earnings		37,785,134	33,647,024	37,868,019	33,817,045
Liabilities		739,966,398	697,348,259	739,966,373	697,348,234
Short-term borrowings	3	14,165,332	29,331,302	14,165,332	29,331,302
Deposits and current accounts	10	719,335,172	662,402,114	719,335,172	662,402,114
Other liabilities	11	6,465,894	5,614,843	6,465,869	5,614,818
Total equity and liabilities		797,751,532	750,995,283	797,834,392	751,165,279

Habib Overseas Bank Limited

Statement of comprehensive income

for the year ended 31 December 2010

	Notes	Group		Company	
		2010 R	2009 R	2010 R	2009 R
Net interest income		31,348,597	31,959,704	31,348,597	31,959,704
Interest and similar income	13	51,577,978	57,285,660	51,577,978	57,285,660
Interest expense and similar charges	13	(20,229,381)	(25,325,956)	(20,229,381)	(25,325,956)
Non-interest income	14	17,796,341	17,567,663	17,744,915	17,520,912
Net interest and non-interest income		49,144,938	49,527,367	49,093,512	49,480,616
Impairment charge on loans and advances	15	(250,365)	47,149	(250,365)	47,149
Operating expenditure	16	(32,950,867)	(27,490,351)	(33,033,505)	(27,537,092)
Profit before taxation		15,943,706	22,084,165	15,809,642	21,990,673
Taxation	17	(5,005,596)	(7,277,701)	(4,958,668)	(7,268,295)
Profit for the year		10,938,110	14,806,464	10,850,974	14,722,378

Included in the interest and similar income is an amount of R 90,038 (2009 : R 140,164) being the gains on derivative financial instruments (forward exchange contracts) at 31 December 2010.

Habib Overseas Bank Limited

Statement of changes in equity

for the year ended 31 December 2010

	Note	Share capital R	Retained earnings R	Total R
Group				
Balance as at 01 January 2009		20,000,000	31,040,560	51,040,560
Profit for the year			14,806,464	14,806,464
Dividends declared and paid in 2009	19		(12,200,000)	(12,200,000)
Balance as at 31 December 2009		20,000,000	33,647,024	53,647,024
Profit for the year			10,938,110	10,938,110
Dividends declared and paid in 2010	19		(6,800,000)	(6,800,000)
Balance as at 31 December 2010		20,000,000	37,785,134	57,785,134
Company				
Balance as at 01 January 2009		20,000,000	31,294,667	51,294,667
Profit for the year			14,722,378	14,722,378
Dividends declared and paid in 2009	19		(12,200,000)	(12,200,000)
Balance as at 31 December 2009		20,000,000	33,817,045	53,817,045
Profit for the year			10,850,974	10,850,974
Dividends declared and paid in 2010	19		(6,800,000)	(6,800,000)
Balance as at 31 December 2010		20,000,000	37,868,019	57,868,019

Habib Overseas Bank Limited

Statement of cash flows

for the year ended 31 December 2010

	Notes	Group 2010 R	2009 R	Company 2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES					
Interest income and other income received	20	69,996,585	76,264,702	69,945,159	76,217,951
Interest paid	21	(20,450,225)	(25,589,550)	(20,450,225)	(25,589,550)
Cash paid to suppliers and employees	22	(30,592,099)	(24,800,546)	(30,749,073)	(24,922,609)
Operating income before changes in operating assets		18,954,261	25,874,606	18,754,861	25,705,792
Increase in loans and advances	23	(48,106,597)	(18,100,203)	(48,106,597)	(18,100,203)
Increase in deposits and current accounts	24	56,933,058	110,060,190	56,933,058	110,060,190
Taxation paid	25	(5,311,443)	(7,418,385)	(5,264,515)	(7,408,979)
Dividends paid	26	(6,800,000)	(12,200,000)	(6,800,000)	(12,200,000)
Net cash inflow from operating activities		15,669,279	98,216,208	15,507,807	98,056,800
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property and equipment	8	(258,293)	(650,846)	(258,293)	(650,846)
Proceeds on the sale of property and equipment	20	-	4,100	-	4,100
(Purchase) of treasury bills		(29,546,075)	(278,866)	(29,546,075)	(278,866)
Net cash outflow from investing activities		(29,804,368)	(925,612)	(29,804,368)	(925,612)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(14,135,089)	97,290,596	(14,296,561)	97,131,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	485,623,304	388,332,708	484,796,539	387,665,351
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	471,488,215	485,623,304	470,499,978	484,796,539

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010

1. ACCOUNTING POLICIES

1.1 Basis of accounting and statement of compliance

The consolidated Annual Financial Statements for the year ended 31 December 2010 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 1973. The financial statements are presented in South African Rand (ZAR) and prepared in accordance with the going concern principle on the historical cost basis.

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 initial application has not been assessed as at the date of authorisation of the annual financial statements and 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 2013. The Group will comply with the applicable standard from the year ending 31 December 2013.

IAS 24 (Related Party Disclosures) was issued during 2009 but is only effective for annual periods beginning on or after 1 January 2011. The Group will comply with the applicable standard from the year ending 31 December 2011.

IAS 27 (Consolidated and Separate Financial Statements) was issued during 2008 but is only effective for annual periods beginning on or after 1 July 2009. The Group is compliant with the applicable standard from the year ending 31 December 2010.

IAS 39 (Financial instruments: Recognition and measurement) was issued during 2008 but is only effective for annual periods beginning on or after 1 July 2009. The Group is compliant with the applicable standard from the year ending 31 December 2010.

1.3 Interest income and expenses recognition

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

1.4 Basis of consolidation

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

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

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 instructions issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3. Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5. Non current Assets held for sale and discounted operations, which are recognised and measured at fair value less costs to sell.

1.6 Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Bank becomes a party to the contractual provision 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.
- (b) Investments held to maturity. The Bank classifies Treasury Bills (Negotiable securities) as held to maturity.
- (c) The Bank has classified the following financial assets as loans and receivables originated by the Bank:
 - Loans and Advances
 - Accounts receivable

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.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated allocating 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 asset, 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.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Financial instruments (continued)

(a) 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. No financial assets have been designated as at FVTPL.

A financial asset is classified as held for trading if:

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

Financial assets 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 30 in Risk Management.

(b) 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.

(c) 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.

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 investment have been impacted.

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 collateralized borrowing for the proceeds received.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Financial instruments (continued)

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

Classification as debt or equity

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

Equity instruments

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

Financial Liabilities

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

The Bank has classified the following as financial liabilities:

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

(a) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

(b) Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction date. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities at fair value, denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising from exchange are included in net profit or loss for the year, except for 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.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Financial instruments (continued)

(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, with interest expense on an effective yield basis. 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.

(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 other 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. Currently 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.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Taxation (continued)

(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, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

1.9 Impairments

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 in the advances portfolio and recoveries are recognised in the Income Statement. Both specific and portfolio impairments raised during the year less the recoveries of advances previously written-off, are charged to the income statement.

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.

1.10 Property, plant and equipment

The Group considers land and buildings to be owner occupied and "depreciated". The subsidiary considers land and buildings to be an investment property and adopts the carrying value at cost less accumulated depreciation.

Furniture and equipment are stated at cost less accumulated depreciation and any recognised impairment losses. Depreciation is provided for on a 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.

The following straight-line methods are in use:

• Land and Buildings	-	4%
• 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.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Post employment benefits

The Bank provides benefits through a provident fund to employees. The provision for retirement and survivor's 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 lease arrangements.
- Lease payments are expensed on a straight-line basis over the term of the lease.

1.14 Areas of judgement and estimation

(a) Classification of financial assets

The directors have reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is R 59.4 million (2009 : R 29.69 million).

(b) Useful lives of property and equipment

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

(c) Fair value of derivatives and other financial instruments

The directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in the 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 carrying amount of the derivatives is R2 million (2009:R1.9 million).

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

2 STATEMENT OF FINANCIAL POSITION CLASSIFICATION OF FINANCIAL INSTRUMENTS

Group	2010 R	Held-for- trading R	Held-to-maturity investments R	Loans and advances at amortised cost R	Non-financial assets and liabilities R
ASSETS					
Cash and cash equivalents	485,653,547			485,653,547	
* Other short-term securities	59,417,790		59,417,790		
** Loans and advances to customers	242,928,208			242,928,208	
*** Derivative financial instruments (Forward exchange contracts)	2,000,673	2,000,673			
*** Other assets	3,327,436			3,327,436	
Receiver of Revenue	607,739				607,739
Deferred tax asset	283,070				283,070
Property, plant and equipment	3,533,069				3,533,069
Total assets	797,751,532	2,000,673	59,417,790	731,909,191	4,423,878
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000				20,000,000
Reserves	37,785,134				37,785,134
Total ordinary equity	57,785,134	-	-	-	57,785,134
Total Liabilities					
Short-term borrowings	14,165,332			14,165,332	
Derivative financial instruments (Forward exchange contracts)	1,910,635	1,910,635			
Amount owed to depositors	719,335,172			719,335,172	
Other liabilities	4,555,259			4,555,259	
Total equity and liabilities	797,751,532	1,910,635	-	738,055,763	57,785,134

* The Short-term securities designated at fair value is R 56,506,800 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price.

** The carrying amount (amortised less impairments) of loans and advances is a reasonable approximation of the fair value.

*** The sum of other assets (liabilities) and derivative financial instruments equal to other assets (liabilities) as shown on the face of the statement of financial position.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

2 STATEMENT OF FINANCIAL POSITION CLASSIFICATION OF FINANCIAL INSTRUMENTS

Group	2009 R	Held-for- trading R	Held-to-maturity investments R	Loans and advances at amortised cost R	Non-financial assets and liabilities R
ASSETS					
Cash and cash equivalents	514,954,606			514,954,606	
* Other short-term securities	29,692,718		29,692,718		
** Loans and advances to customers	194,797,611			194,797,611	
*** Derivative financial instruments (Forward exchange contracts)	1,951,259	1,951,259			
*** Other assets	4,452,478			4,452,478	
Receiver of Revenue	315,485				315,485
Deferred tax asset	269,477				269,477
Property, plant and equipment	4,561,649				4,561,649
Total assets	750,995,283	1,951,259	29,692,718	750,995,283	5,146,611
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000				20,000,000
Reserves	33,647,024				33,647,024
Total ordinary equity	53,647,024	-	-	-	53,647,024
Total Liabilities					
Short-term borrowings	29,331,302			29,331,302	
Derivative financial instruments (Forward exchange contracts)	1,811,095	1,811,095			
Amount owed to depositors	662,402,114			662,402,114	
Other liabilities	3,803,748			3,803,748	
Total equity and liabilities	750,995,283	1,811,095	-	695,537,164	53,647,024

* The Short-term securities designated at fair value is R 28,264,000 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price.

** The carrying amount (amortised less impairments) of loans and advances is a reasonable approximation of the fair value.

*** The sum of other assets (liabilities) and derivative financial instruments equal to other assets (liabilities) as shown on the face of the statement of financial position.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

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

Company	2010 R	Held-for- trading R	Held-to-maturity investments R	Loans and advances at amortised cost R	Non-financial assets and liabilities R
ASSETS					
Cash and cash equivalents	484,665,310			484,665,310	
* Other short-term securities	59,417,790		59,417,790		
** Loans and advances to customers	242,928,208			242,928,208	
*** Derivative financial instruments (Forward exchange contracts)	2,000,673	2,000,673			
*** Other assets	3,327,436			3,327,436	
Receiver of Revenue	607,739				607,739
Deferred tax asset	283,070				283,070
Investment in subsidiary	2,199,499				2,199,499
Property, plant and equipment	2,404,667				2,404,667
Total assets	797,834,392	2,000,673	59,417,790	730,920,954	5,494,975
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000				20,000,000
Reserves	37,868,019				37,868,019
Total ordinary equity	57,868,019	-	-	-	57,868,019
Total Liabilities					
Short-term borrowings	14,165,332			14,165,332	
Derivative financial instruments (Forward exchange contracts)	1,910,635	1,910,635			
Amount owed to depositors	719,335,172			719,335,172	
Other liabilities	4,555,234			4,555,234	
Total equity and liabilities	797,834,392	1,910,635	-	738,055,738	57,868,019

* The Short-term securities designated at fair value is R 56,506,800 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price.

** The carrying amount (amortised less impairments) of loans and advances is a reasonable approximation of the fair value.

*** The sum of other assets (liabilities) and derivative financial instruments equal to other assets (liabilities) as shown on the face of the statement of financial position.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

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

Company	2009 R	Held-for- trading R	Held-to-maturity investments R	Loans and advances at amortised cost R	Non-financial assets and liabilities R
ASSETS					
Cash and cash equivalents	514,127,841			514,127,841	
* Other short-term securities	29,692,718		29,692,718		
** Loans and advances to customers	194,797,611			194,797,611	
*** Derivative financial instruments (Forward exchange contracts)	1,951,259	1,951,259			
*** Other assets	4,452,478			4,452,478	
Receiver of Revenue	315,485				315,485
Deferred tax asset	269,477				269,477
Investment in subsidiary	2,199,499				2,199,499
Property, plant and equipment	3,358,911				3,358,911
Total assets	751,165,279	1,951,259	29,692,718	713,377,930	6,143,372
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000				20,000,000
Reserves	33,817,045				33,817,045
Total ordinary equity	53,817,045	-	-	-	53,817,045
Total Liabilities					
Short-term borrowings	29,331,302			29,331,302	
Derivative financial instruments (Forward exchange contracts)	1,811,095	1,811,095			
Amount owed to depositors	662,402,114			662,402,114	
Other liabilities	3,803,723			3,803,723	
Total equity and liabilities	751,165,279	1,811,095	-	695,537,139	53,817,045

* The Short-term securities designated at fair value is R 28,264,000 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price.

** The carrying amount (amortised less impairments) of loans and advances is a reasonable approximation of the fair value.

*** The sum of other assets (liabilities) and derivative financial instruments equal to other assets (liabilities) as shown on the face of the statement of financial position.

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2010 (continued)

	2010 R	Group 2009 R	2010 R	Company 2009 R
3 CASH AND CASH EQUIVALENTS (AND SHORT-TERM BORROWINGS)				
Coin and bank notes	3,056,570	3,788,981	3,056,570	3,788,981
Money at call and short term notice with banks	475,953,977	506,081,625	474,965,740	505,254,860
Balances with central bank	6,643,000	5,084,000	6,643,000	5,084,000
	485,653,547	514,954,606	484,665,310	514,127,841
Short-term borrowings	(14,165,332)	(29,331,302)	(14,165,332)	(29,331,302)
Net cash and cash equivalents	471,488,215	485,623,304	470,499,978	484,796,539

Net maturity analyses

Maturing within 1 month	236,488,215	265,646,422	235,499,978	264,819,657
Maturing after 1 month but within 6 months	224,000,000	218,940,000	224,000,000	218,940,000
Maturing after 6 months but within 1 year	11,000,000	1,036,882	11,000,000	1,036,882
	471,488,215	485,623,304	470,499,978	484,796,539

The Cash threshold held with South African Reserve Bank is 2.5% of the bank's total average liabilities.

4 INVESTMENTS AND NEGOTIABLE SECURITIES

Treasury Bills

Maturing within 1 year	59,417,790	29,692,718	59,417,790	29,692,718
Total investment in Treasury Bills	59,417,790	29,692,718	59,417,790	29,692,718
Market valuation of total investments	56,506,800	28,264,000	56,506,800	28,264,000

	Holding	2010 R	2009 R
5 INVESTMENT IN SUBSIDIARY			
N77 Oriental Plaza (Proprietary) Limited - share at cost	100%	1	1
Loan to subsidiary		2,199,498	2,199,498
		2,199,499	2,199,499

N77 Oriental Plaza (Proprietary) Limited, a property holding company wholly owned by Habib Overseas Bank Limited has been incorporated in the Republic of South Africa.

The loan to subsidiary is interest free and has no fixed terms of maturity.

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2010 (continued)

	2010 R	Group 2009 R	2010 R	Company 2009 R
6 LOANS AND ADVANCES				
Advances to customers and bills discounted	245,254,695	196,873,733	245,254,695	196,873,733
Less: Impairments of loans and advances	(2,326,487)	(2,076,122)	(2,326,487)	(2,076,122)
Advances to customers and bills discounted net of impairments	242,928,208	194,797,611	242,928,208	194,797,611
Net maturity analyses				
Maturing within 1 month (overdrafts - payable on demand)	219,978,845	184,228,611	219,978,845	184,228,611
Maturing after 1 month but within 6 months	9,685,783	7,132,000	9,685,783	7,132,000
Maturing after 6 months but within 1 year	3,440,412	2,539,000	3,440,412	2,539,000
Maturing after 1 year	9,823,168	898,000	9,823,168	898,000
	242,928,208	194,797,611	242,928,208	194,797,611
Sectorial analyses				
Companies and Close Corporations	207,804,208	167,044,611	207,804,208	167,044,611
Unincorporated businesses	16,968,000	13,035,000	16,968,000	13,035,000
Individuals	17,338,000	12,706,000	17,338,000	12,706,000
Non-profit institutions	818,000	2,012,000	818,000	2,012,000
	242,928,208	194,797,611	242,928,208	194,797,611
Sectorial distribution				
Agriculture, hunting, forestry & fishing	2,263,314	-	2,263,314	-
Manufacturing	36,734,143	54,510,000	36,734,143	54,510,000
Electricity, gas and water supply	3,890,582	-	3,890,582	-
Wholesale and retail trade, repair of specified items, hotel	111,242,231	80,473,000	111,242,231	80,473,000
Transport, storage and communication	837,027	1,096,000	837,027	1,096,000
Financial intermediation and insurance	23,945,727	17,842,000	23,945,727	17,842,000
Real estate	12,665,415	5,861,000	12,665,415	5,861,000
Business services	13,787,890	15,691,000	13,787,890	15,691,000
Community, social and personal services	3,070,198	4,013,000	3,070,198	4,013,000
Private households (individuals)	17,290,932	13,854,000	17,290,932	13,854,000
Other	17,200,749	1,457,611	17,200,749	1,457,611
	242,928,208	194,797,611	242,928,208	194,797,611
7 OTHER ASSETS				
Accrued interest	2,688,899	3,461,731	2,688,899	3,461,731
Other accounts receivable	2,639,210	2,942,006	2,639,210	2,942,006
The carrying amounts of these assets approximates their fair value.				
	5,328,109	6,403,737	5,328,109	6,403,737

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

8 PROPERTY, PLANT AND EQUIPMENT Group

Cost	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2009	1,949,499	3,131,165	10,706,525	15,787,189
Additions	-	407,432	243,414	650,846
Disposal	-	-	(17,998)	(17,998)
Balance as at 1 January 2010	1,949,499	3,538,597	10,931,941	16,420,037
Additions	-	-	258,293	258,293
Disposal	-	-	-	-
Balance as at 31 December 2010	1,949,499	3,538,597	11,190,234	16,678,330

Accumulated depreciation	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2009	(696,135)	(2,216,139)	(7,594,937)	(10,507,211)
Depreciation expense	(70,384)	(350,320)	(948,471)	(1,369,175)
Disposal	-	-	17,998	17,998
Balance as at 1 January 2010	(766,519)	(2,566,459)	(8,525,410)	(11,858,388)
Depreciation expense	(74,336)	(332,491)	(880,046)	(1,286,873)
Disposal	-	-	-	-
Balance as at 31 December 2010	(840,855)	(2,898,950)	(9,405,456)	(13,145,261)

Carrying amount

As at 31 December 2009	1,182,980	972,138	2,406,531	4,561,649
As at 31 December 2010	1,108,644	639,647	1,784,778	3,533,069

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.

Durban Property

Premises acquired on 31 August 2000 situated at 444 Smith Street, Durban consisting of:
Portion 5 (of 1) of ERF 11003 Durban in extent 390 square meters
Portion 7 (of 6) of ERF 11003 Durban in extent 195 square meters

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2010 (continued)

8 PROPERTY AND EQUIPMENT Company

Cost	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2009	-	3,131,165	10,456,526	13,587,691
Additions	-	407,432	243,414	650,846
Disposal	-	-	(17,998)	(17,998)
Balance as at 1 January 2010	-	3,538,597	10,681,942	14,220,539
Additions	-	-	258,293	258,293
Disposal	-	-	-	-
Balance as at 31 December 2010	-	3,538,597	10,940,235	14,478,832

Accumulated depreciation	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2009	-	(2,216,139)	(7,369,635)	(9,585,774)
Depreciation expense	-	(350,320)	(943,532)	(1,293,852)
Disposal	-	-	17,998	17,998
Balance as at 1 January 2010	-	(2,566,459)	(8,295,169)	(10,861,628)
Depreciation expense	-	(332,491)	(880,046)	(1,212,537)
Disposal	-	-	-	-
Balance as at 31 December 2010	-	(2,898,950)	(9,175,215)	(12,074,165)

Carrying amount Company

As at 31 December 2009	-	972,138	2,386,773	3,358,911
As at 31 December 2010	-	639,647	1,765,020	2,404,667

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

	2010 R	Group 2009 R	2010 R	Company 2009 R
9 SHARE CAPITAL				
Authorised				
25,000,000 ordinary shares of R1 each	25,000,000	25,000,000	25,000,000	25,000,000
Issued				
20,000,000 ordinary shares of R1 each	20,000,000	20,000,000	20,000,000	20,000,000
There are no shares to be issued under the control of the directors until the next AGM.				
10 DEPOSITS AND CURRENT ACCOUNTS				
Current accounts	481,435,137	402,377,509	481,435,137	402,377,509
Savings accounts	41,291,228	20,188,401	41,291,228	20,188,401
Time deposit accounts	196,608,807	239,836,204	196,608,807	239,836,204
	719,335,172	662,402,114	719,335,172	662,402,114
Maturity analyses				
Maturing within 1 month	689,653,078	634,911,114	689,653,078	634,911,114
Maturing after 1 month but within 6 months	28,126,786	26,661,000	28,126,786	26,661,000
Maturing after 6 months but within 1 year	1,555,308	830,000	1,555,308	830,000
	719,335,172	662,402,114	719,335,172	662,402,114
11 OTHER LIABILITIES				
Accrued interest	771,500	992,344	771,500	992,344
Accrued expenses	2,092,718	1,042,014	2,092,718	1,042,014
Other accounts payables	3,601,676	3,580,485	3,601,651	3,580,460
The carrying amounts of these liabilities approximates their fair value.				
	6,465,894	5,614,843	6,465,869	5,614,818
12 CONTINGENT LIABILITIES				
Letters of guarantee				
Letters of credit	17,659,234	47,912,485	17,659,234	47,912,485
Acceptances	26,975,491	27,810,296	26,975,491	27,810,296
	482,519	1,079,955	482,519	1,079,955
	45,117,244	76,802,736	45,117,244	76,802,736

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2010 (continued)

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
13 INTEREST INCOME AND EXPENSE				
Interest and similar income comprises interest on:				
Loans and advances	21,134,692	19,950,520	21,134,692	19,950,520
Balances with banks	27,302,315	34,892,215	27,302,315	34,892,215
Investments and negotiable securities	3,140,971	2,442,925	3,140,971	2,442,925
	51,577,978	57,285,660	51,577,978	57,285,660
Interest expense and similar charges comprises interest on:				
Current and time deposit accounts	(19,511,585)	(24,572,510)	(19,511,585)	(24,572,510)
Savings accounts	(238,744)	(286,163)	(238,744)	(286,163)
Balances with banks	(479,052)	(467,283)	(479,052)	(467,283)
	(20,229,381)	(25,325,956)	(20,229,381)	(25,325,956)
14 NON-INTEREST INCOME				
Commission and foreign exchange earnings	8,656,629	9,434,569	8,656,629	9,434,569
Fee based income	7,513,647	6,739,951	7,513,647	6,739,951
Other income	1,626,065	1,393,143	1,574,639	1,346,392
	17,796,341	17,567,663	17,744,915	17,520,912
15 IMPAIRMENT CHARGES ON LOANS AND ADVANCES				
Balance at beginning of year	2,076,122	2,123,271	2,076,122	2,123,271
Specific impairment (reversed)/raised during the year	1,006,000	(35,000)	1,006,000	(35,000)
Portfolio impairment (reversed)/raised during the year	(1,030,000)	-	(1,030,000)	-
Interest suspense raised during the year	274,365	(12,149)	274,365	(12,149)
Charge to income statement	250,365	(47,149)	250,365	(47,149)
Balance at end of year	2,326,487	2,076,122	2,326,487	2,076,122
Comprising:				
Specific impairment (including interest suspended)	(1,426,487)	(146,122)	(1,426,487)	(146,122)
Portfolio impairment reserve	(900,000)	(1,930,000)	(900,000)	(1,930,000)
	(2,326,487)	(2,076,122)	(2,326,487)	(2,076,122)

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
16 OPERATING EXPENDITURE				
Operating expenses includes the following items:				
Staff costs	(12,944,800)	(11,509,169)	(12,944,800)	(11,509,169)
- Staff cost	(12,944,800)	(11,509,169)	(12,944,800)	(11,509,169)
Auditors' remuneration	(521,622)	(476,362)	(521,622)	(476,362)
- Audit fee	(521,622)	(476,362)	(521,622)	(476,362)
Depreciation	(1,286,873)	(1,369,175)	(1,212,537)	(1,293,852)
Land and buildings	(74,336)	(70,384)	-	-
Motor vehicles	(332,491)	(350,320)	(332,491)	(350,320)
Furniture and office equipment	(880,046)	(948,471)	(880,046)	(943,532)
Provident Fund Contributions	(749,925)	(667,966)	(749,925)	(667,966)
Current service costs	(749,925)	(667,966)	(749,925)	(667,966)
Operating leases	(2,497,530)	(1,877,711)	(3,157,530)	(2,537,711)
Rental - banks premises	(887,331)	(662,570)	(1,547,331)	(1,322,570)
Rental - staff accommodation	(1,610,199)	(1,215,141)	(1,610,199)	(1,215,141)
Directors' emoluments				
Executive directors	(2,348,627)	(2,012,734)	(2,348,627)	(2,012,734)
Basic salary (gross)	(1,535,000)	(1,380,000)	(1,535,000)	(1,380,000)
Bonus and performance related payments	(127,500)	(115,000)	(127,500)	(115,000)
Private use of motor vehicle	(210,349)	(186,407)	(210,349)	(186,407)
Medical aid contribution	(86,682)	(80,116)	(86,682)	(80,116)
Pension / provident scheme contributions	(90,300)	(81,000)	(90,300)	(81,000)
Cell phone	(60,000)	(59,000)	(60,000)	(59,000)
Housing allowance	(238,796)	(111,211)	(238,796)	(111,211)
Non-executive directors	(100,000)	(100,000)	(100,000)	(100,000)
Directors' fees	(100,000)	(100,000)	(100,000)	(100,000)

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2010 (continued)

	Group		Company	
	2010 R	2009 R	2010 R	2009 R
17 TAXATION				
South African Normal Taxation	(5,005,596)	(7,277,701)	(4,958,668)	(7,268,295)
- Current taxation - current year	(4,946,928)	(6,428,324)	(4,900,000)	(6,418,918)
- Current taxation - overpayment during the year	607,739	315,485	607,739	315,485
- Secondary taxation on companies	(680,000)	(1,220,000)	(680,000)	(1,220,000)
- Deferred taxation	13,593	55,138	13,593	55,138
TAX RATE RECONCILIATION				
Standard rate of taxation	28.00%	28.00%	28.00%	28.00%
Adjustment for:				
- secondary tax on companies	3.91%	5.55%	3.94%	5.55%
- temporary differences on property and equipment	0.49%	0.25%	0.50%	0.25%
- temporary differences on impairments on advances	(1.28%)	(0.59%)	(1.29%)	(0.59%)
- permanent differences	0.01%	0.09%	0.01%	0.09%
- adjustments recognised in the current year in relation to the current tax of prior years	0.00%	0.00%	0.00%	0.00%
- utilisation of assessed loss in subsidiary	0.14%	(0.16%)	0.00%	(0.00%)
Effective rate of taxation	31.27%	33.14%	31.16%	33.31%
18 DEFERRED TAXATION				
Deferred tax asset - beginning of the year	(269,477)	(214,339)	(269,477)	(214,339)
Originating temporary difference - furniture and office equipment	(13,593)	(55,138)	(13,593)	(55,138)
Deferred tax asset - end of the year	(283,070)	(269,477)	(283,070)	(269,477)
19 ORDINARY DIVIDENDS				
Final dividend of 34 cents per share for the year 2010 declared on 3 December 2010 and paid from current earnings.	6,800,000	12,200,000	6,800,000	12,200,000
	6,800,000	12,200,000	6,800,000	12,200,000
20 INCOME RECEIVED				
Accounts receivable at beginning of year	6,403,737	7,538,836	6,403,737	7,538,836
Interest and similar income	51,577,978	57,285,660	51,577,978	57,285,660
Accounts receivable at end of year	(5,328,109)	(6,403,737)	(5,328,109)	(6,403,737)
	52,653,606	58,420,759	52,653,606	58,420,759
Adjustments for:				
Interest accrued on treasury bills in the current year	(178,997)	268,231	(178,997)	268,231
Interest suspense	(274,365)	12,149	(274,365)	12,149
	52,200,244	58,701,139	52,200,244	58,701,139
Non-interest revenue	17,796,341	17,567,663	17,744,915	17,520,912
Profit on sale of fixed assets	-	(4,100)	-	(4,100)
	69,996,585	76,264,702	69,945,159	76,217,951

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2010 (continued)

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
21 INTEREST PAID				
Accrued interest at beginning of year	(992,344)	(1,255,938)	(992,344)	(1,255,938)
Interest expense and similar charges	(20,229,381)	(25,325,956)	(20,229,381)	(25,325,956)
Accrued interest at end of year	771,500	992,344	771,500	992,344
	(20,450,225)	(25,589,550)	(20,450,225)	(25,589,550)
22 CASH PAID TO EMPLOYEES AND SUPPLIERS				
Operating expenditure	(32,950,867)	(27,490,351)	(33,033,505)	(27,537,092)
Adjustments for:				
Depreciation	1,286,873	1,369,174	1,212,537	1,293,852
	(31,663,994)	(26,121,177)	(31,820,968)	(26,243,240)
Working capital changes:				
Increase in bills payable	(78,348)	620,635	(78,348)	620,635
Increase in other accounts payable	1,150,243	699,996	1,150,243	699,996
	(30,592,099)	(24,800,546)	(30,749,073)	(24,922,609)
23 INCREASE IN LOANS AND ADVANCES				
Loans and advances net of impairments and interest suspense at beginning of the year	194,797,611	176,662,408	194,797,611	176,662,408
Impairment of loans and advances (excluding interest suspended)	24,000	35,000	24,000	35,000
Loans and advances net of impairments and interest suspense at end of year	(242,928,208)	(194,797,611)	(242,928,208)	(194,797,611)
Increase in loans and advances	(48,106,597)	(18,100,203)	(48,106,597)	(18,100,203)
24 INCREASE IN DEPOSITS AND CURRENT ACCOUNTS				
Deposits and current accounts at beginning of year	662,402,114	552,341,924	662,402,114	552,341,924
Deposits and current accounts at end of year	719,335,172	662,402,114	719,335,172	662,402,114
Increase in deposits and current accounts	56,933,058	110,060,190	56,933,058	110,060,190
25 TAXATION PAID				
Amounts receivable at beginning of year	(315,485)	(229,939)	(315,485)	(229,939)
Overpayment of current years taxation	(607,739)	(315,485)	(607,739)	(315,485)
Charge for year	4,946,928	6,428,324	4,900,000	6,418,918
Secondary tax paid	680,000	1,220,000	680,000	1,220,000
Amounts receivable at end of year	607,739	315,485	607,739	315,485
	5,311,443	7,418,385	5,264,515	7,408,979

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2010 (continued)

	2010 R	Group 2009 R	2010 R	Company 2009 R
26 DIVIDENDS PAID				
Dividends declared	(6,800,000)	(12,200,000)	(6,800,000)	(12,200,000)
	(6,800,000)	(12,200,000)	(6,800,000)	(12,200,000)

27 RETIREMENT BENEFITS

The Bank has established a defined contribution plan 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	(749,925)	(667,996)	(749,925)	(667,996)
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28 RELATED PARTIES

The Bank holds foreign currency deposits and bank balances with Habibsons Bank Limited.

The exposures at year end are as follows:

Fixed deposit - Euro denominated	878,008	1,248,928	878,008	1,248,928
Fixed deposit - GBP denominated	92,889	417,026	92,889	417,026
Favourable bank balances - USD denominated	142,883	392,908	142,883	392,908
	1,113,779	2,058,862	1,113,779	2,058,862
Unfavourable bank balances - USD denominated	(13,741,350)	(28,867,444)	(13,741,350)	(28,867,444)

In addition, Habibsons Bank Limited (London and Zurich Branch) issued guarantees to the Bank totaling R 18,450,570 in respect of facilities granted by the bank to its customers in South Africa.

Habibsons Bank Limited and the Bank share common directors. All transactions have taken place at arms length.

Rentals paid to N77 Oriental Plaza (Proprietary) Limited	-	-	660,000	660,000
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29 COMMITMENTS

Operating lease commitments

<1 Year	923,350	2,495,966	923,350	2,495,966
1-5 Years	4,787,353	6,002,644	4,787,353	6,002,644

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 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, Operational Risk, Market Risk, Liquidity Risk, Interest Rate Risk, Foreign Exchange Risk and Compliance Risk.

30.1 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. The capital management has become more important as a consequence of the global financial crisis. The Bank has always held capital well in excess of the regulatory requirements to ensure that it remains well capitalised in a vastly changed banking world. The internal capital adequacy assessment process approved by the Board of Directors has been reviewed by the South African Reserve Bank.

30.2 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. This committee fully monitors Group exposures, industry 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

Group credit risk analysis	2010		
	Statement of financial position	Off-Statement of financial position	Total
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	28,925,821	-	28,925,821
Local and foreign cash	3,056,570	-	3,056,570
Mandatory reserve deposits with central banks	6,643,000	-	6,643,000
Other balances with central banks	19,226,251	-	19,226,251
Loans and advances	699,655,934	-	699,655,934
Overdrafts	245,254,695	-	245,254,695
Term loans	456,727,726	-	456,727,726
Less: impairments of loans and advances	(2,326,487)	-	(2,326,487)
Investments and negotiable securities	59,417,790	-	59,417,790
Investment securities	59,417,790	-	59,417,790
Derivative financial assets (Forward exchange contracts)	2,000,673	-	2,000,673
Guarantees - irrevocable	-	17,659,234	17,659,234
Letter of credit and acceptances	-	27,458,010	27,458,010
Other assets	4,218,245	-	4,218,245
Property, plant and equipment	3,533,069	-	3,533,069
	797,751,531	45,117,244	842,868,775

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2010 (continued)

IFRS 7 DISCLOSURES

Group credit risk analysis	2009		
	Statement of financial position	Off-Statement of financial position	Total
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	30,491,082	-	30,491,082
Local and foreign cash	3,788,981	-	3,788,981
Mandatory reserve deposits with central banks	5,084,000	-	5,084,000
Other balances with central banks	21,618,101	-	21,618,101
Loans and advances	679,261,135	-	679,261,135
Overdrafts	196,873,733	-	196,873,733
Term loans	484,463,524	-	484,463,524
Less: impairments of loans and advances	(2,076,122)	-	(2,076,122)
Investments and negotiable securities	29,692,718	-	29,692,718
Investment securities	29,692,718	-	29,692,718
Derivative financial assets (Forward exchange contracts)	1,951,259	-	1,951,259
Guarantees - irrevocable	-	47,912,485	47,912,485
Letter of credit and acceptances	-	28,890,251	28,890,251
Other assets	5,037,440	-	5,037,440
Property, plant and equipment	4,561,650	-	4,561,649
	750,995,283	76,802,736	827,798,019

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 RISK MANAGEMENT (Continued)

30.2 CREDIT RISK (Continued)

Company credit risk analysis	2010		
	Statement of financial position	Off-Statement of financial position	Total
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	28,925,821	-	28,925,821
Local and foreign cash	3,056,570	-	3,056,570
Mandatory reserve deposits with central banks	6,643,000	-	6,643,000
Other balances with central banks	19,226,251	-	19,226,251
Loans and advances	698,667,697	-	698,667,697
Overdrafts	245,254,695	-	245,254,695
Term loans	455,739,489	-	455,739,489
Less: impairments of loans and advances	(2,326,487)	-	(2,326,487)
Investments and negotiable securities	59,417,790	-	59,417,790
Investment securities	59,417,790	-	59,417,790
Derivative financial assets (Forward exchange contracts)	2,000,673	-	2,000,673
Guarantees - irrevocable	-	17,659,234	17,659,234
Letter of credit and acceptances	-	27,458,010	27,458,010
Other assets	4,218,245	-	4,218,245
Investment in subsidiary	2,199,499	-	2,199,499
Property, plant and equipment	2,404,667	-	2,404,667
	797,834,392	45,117,244	842,951,636

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 RISK MANAGEMENT (Continued)

30.2 CREDIT RISK (Continued)

Company credit risk analysis	2009		
	Statement of financial position	Off-Statement of financial position	Total
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	30,491,082	-	30,491,082
Local and foreign cash	3,788,981	-	3,788,981
Mandatory reserve deposits with central banks	5,084,000	-	5,084,000
Other balances with central banks	21,618,101	-	21,618,101
Loans and advances	678,434,370	-	678,434,370
Overdrafts	196,873,733	-	196,873,733
Term loans	483,636,759	-	483,636,759
Less: impairments of loans and advances	(2,076,122)	-	(2,076,122)
Investments and negotiable securities	29,692,718	-	29,692,718
Investment securities	29,692,718	-	29,692,718
Derivative financial assets (Forward exchange contracts)	1,951,259	-	1,951,259
Guarantees - irrevocable	-	47,912,485	47,912,485
Letter of credit and acceptances	-	28,890,251	28,890,251
Other assets	5,037,440	-	5,037,440
Investment in subsidiary	2,199,499	-	2,199,499
Property, plant and equipment	3,358,911	-	3,358,911
	751,165,279	76,802,736	827,968,015

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 RISK MANAGEMENT (Continued)

30.3 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.

30.4 IMPAIRED LOANS AND ADVANCES

The total loans and advances are R 242,928,208 (2009 : R 194,797,611) of which R 8,956,571 (2009 : R 154,393) are impaired advances.

30.5 CREDIT ENHANCEMENTS

The bank did not take possession of any collateral or call for any credit enhancements during the year. The following outstanding loans and advances were secured by the bank guarantees:

	2010 R	2009 R
Habibsons bank guarantee	16,006,945.07	13,495,656.54
Imperial bank guarantee	-	6,932,464.00
Investec bank guarantee	3,000,000.00	-
BNP Paribas bank guarantee	2,263,314.00	1,842,500.00
HSBC bank guarantee	3,075,004.00	3,531,291.00
	24,345,263.07	25,801,911.54

30.6 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 plays a key role in identifying possible areas of improvement.

30.7 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.

30.7.1 FINANCIAL INSTRUMENTS FVTPL

The fair value of financial instruments through profit & loss are disclosed below:

2010

	Financial Instruments Level 2	
	Carrying value R	Fair value TPL R
Derivative financial instrument assets	23,987,445	21,986,773
Derivative financial instrument liabilities	23,897,407	21,986,773

2009

	Financial Instruments Level 2	
	Carrying value R	Fair value TPL R
Derivative financial instrument assets	37,845,593	39,796,852
Derivative financial instrument liabilities	37,844,762	39,655,857

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 RISK MANAGEMENT (Continued)

30.7.2 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 rate.

Interest rate sensitivity analysis

If interest rate had been 50 basis points lower and all other variables remained constant, the Bank profit for the year ended 31 December 2010 would decrease by:

	in 000's	
R 144	(2009 : decrease R 115)	in 1 months time
R 289	(2009 : decrease R 118)	in 3 months time
R 433	(2009 : decrease R 251)	in 6 months time
R 867	(2009 : decrease R 384)	in 12 months time

(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
Cash	870,851	6,565	120,275	750	140
Due from Banks Demand	24,213,799	9,080	3,508,363	99,701	-
Due from Banks Time	8,605,672	-	1,298,969	-	-
Loans and Advances	13,741,350	-	2,074,166	-	-
Other Assets	2,219,292	10	140,324	146,432	-
Total Assets	49,650,964	15,655	7,142,097	246,883	140
LIABILITIES	ZAR EQUIVALENT	GBP	USD	EURO	SAR
Deposits	31,711,841	16,405	4,626,402	101,529	-
Due to Banks	14,072,600	-	2,124,166	-	-
Other Liabilities	3,896,429	8	393,480	146,432	-
Total Liabilities	49,680,870	16,413	7,144,049	247,961	-
Net Open Position	(29,906)	(758)	(1,951)	(1,078)	140

Any adverse movement in exchange rate to the extent of 10% would have affected the risk by negative R29,906.00 (2009 : positive R 19,200.00). Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies was positive R 1,147,312 (2009 : negative R 2,227,660)

30.8 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, an independent compliance function has been established at Group. A senior executive has been designated as compliance officer to oversee this function.

30.9 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 softwares have been installed on all computers.

30.10 LIQUIDITY RISK

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

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 RISK MANAGEMENT (Continued)

30.10 LIQUIDITY RISK ANALYSIS (Continued)

Group	2010 R	Term Maturity					Indeterminate Maturity
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	
ASSETS							
Cash and cash equivalents	485,653,547	229,874,635	20,236,712	224,300,301	11,241,899		
Other short-term securities	59,417,790			49,604,316	9,813,474		
Loans and advances to customers	242,928,208	219,971,352	7,493	1,698,588	11,427,607	9,823,168	
Derivative financial instruments (Forward exchange contracts)	2,000,673	190,205	443,258	301,092	1,066,118		
Other assets	3,327,436						3,327,436
Receiver of Revenue	607,739						607,739
Deferred tax asset	283,070						283,070
Property, plant and equipment	3,533,069						3,533,069
Total assets	797,751,532	450,036,192	20,687,463	275,904,297	33,549,098	9,823,168	7,751,314
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000						20,000,000
Reserves	37,785,134						37,785,134
Total ordinary equity	57,785,134	-	-	-	-	-	57,785,134
Total liabilities							
Short-term borrowings	14,165,332	14,165,332					
Derivative financial instruments (Forward exchange contracts)	1,910,635	174,950	409,816	291,849	1,034,020		
Amount owed to depositors	719,335,172	605,742,431	83,910,647	19,390,756	10,291,338		
Other liabilities	4,555,259						4,555,259
Total equity and liabilities	797,751,532	620,082,713	84,320,463	19,682,605	11,325,358	-	57,450,771
Remaining contractual maturities							
Balance sheet liabilities							
Short-term borrowings	14,169,595	14,169,595					
Derivative financial instruments (Forward exchange contracts)	1,910,635	174,950	409,816	291,894	1,034,020		
Amount owed to depositors	720,102,409	606,084,560	84,094,966	19,413,339	10,509,544		
Other liabilities	3,783,759						3,783,759
Off-balance sheet liabilities	45,117,244	45,117,244		-	6,844,000	-	
Irrevocable guarantees	17,659,234	17,659,234					
Irrevocable letters of credit and acceptances	27,458,010	20,614,010			6,844,000		
Total liabilities	785,083,642	658,702,349	84,504,782	19,705,188	18,387,564	-	3,783,759

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 RISK MANAGEMENT (Continued)

30.10 LIQUIDITY RISK ANALYSIS (Continued)

Group	2009 R	Term Maturity					
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	Indeterminate Maturity
ASSETS							
Cash and cash equivalents	514,954,606	273,872,606	40,578,000	189,247,000	11,257,000		
Other short-term securities	29,692,718		9,926,814	19,765,904			
Loans and advances to customers	194,797,611	184,228,611	272,000	2,482,000	6,917,000	898,000	
Derivative financial instruments (Forward exchange contracts)	1,951,259				1,951,259		
Other assets	4,452,478						4,452,478
Receiver of Revenue	315,485						315,485
Deferred tax asset	269,477						269,477
Property, plant and equipment	4,561,649						4,561,649
Total assets	750,995,283	458,101,217	50,776,814	211,494,904	20,125,259	898,000	9,599,089
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000						20,000,000
Reserves	33,647,024						33,647,024
Total ordinary equity	53,647,024	-	-	-	-	-	53,647,024
Total liabilities							
Short-term borrowings	29,331,302	29,331,302					
Derivative financial instruments (Forward exchange contracts)	1,811,095				1,811,095		
Amount owed to depositors	662,402,114	556,940,114	77,971,000	16,784,000	9,877,000	830,000	
Other liabilities	3,803,748						3,803,748
Total equity and liabilities	750,995,283	586,271,416	77,971,000	16,784,000	11,688,095	830,000	57,450,772
Remaining contractual maturities							
Balance sheet liabilities							
Short-term borrowings	29,331,302	29,331,302					
Derivative financial instruments (Forward exchange contracts)	1,811,095				1,811,095		
Amount owed to depositors	663,389,795	557,320,795	78,208,000	16,934,000	10,084,000	843,000	
Other liabilities	2,816,067						2,816,067
Off-balance sheet liabilities	76,802,736	68,663,736	-	510,000	6,356,000	1,273,000	-
Irrevocable guarantees	47,912,485	47,912,485					
Irrevocable letters of credit and acceptances	28,890,251	20,751,251		510,000	6,356,000	1,273,000	
Total liabilities	774,150,995	655,315,833	78,208,000	17,444,000	18,251,095	2,116,000	2,816,067

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 RISK MANAGEMENT (Continued)

30.10 LIQUIDITY RISK ANALYSIS (Continued)

Company	2010 R	Term Maturity					Indeterminate Maturity
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	
ASSETS							
Cash and cash equivalents	484,665,310	228,886,398	20,236,712	224,300,301	11,241,899		
Other short-term securities	59,417,790		-	49,604,316	9,813,474		
Loans and advances to customers	242,928,208	219,971,352	7,493	1,698,588	11,427,607	9,823,168	
Derivative financial instruments (Forward exchange contracts)	2,000,673	190,205	443,258	301,092	1,066,118		
Other assets	3,327,436						3,327,436
Receiver of Revenue	607,739						607,739
Deferred tax asset	283,070						283,070
Investment in subsidiary	2,199,499						2,199,499
Property, plant and equipment	2,404,667						2,404,667
Total assets	797,834,392	449,047,955	20,687,463	275,904,297	33,549,098	9,823,168	8,822,411
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000						20,000,000
Reserves	37,868,019						37,868,019
Total ordinary equity	57,868,019	-	-	-	-	-	57,868,019
Total liabilities	739,966,373	619,907,763	83,910,647	19,390,756	12,201,973	-	4,555,234
Short-term borrowings	14,165,332	14,165,332					
Derivative financial instruments (Forward exchange contracts)	1,910,635				1,910,635		
Amount owed to depositors	719,335,172	605,742,431	83,910,647	19,390,756	10,291,338	-	
Other liabilities	4,555,234						4,555,234
Total equity and liabilities	797,834,392	619,907,763	83,910,647	19,390,756	12,201,973	-	62,423,53
Remaining contractual maturities							
Balance sheet liabilities							
Short-term borrowings	14,169,595	14,169,595					
Derivative financial instruments (Forward exchange contracts)	1,910,635				1,910,635		
Amount owed to depositors	720,102,409	606,084,560	84,094,966	19,413,339	10,509,544	-	
Other liabilities	3,783,734						3,783,734
Off-balance sheet liabilities	45,117,244	45,117,244	-	-	6,844,000	-	-
Irrevocable guarantees	17,659,234	17,659,234					
Irrevocable letters of credit and acceptances	27,458,010	20,614,010	-	-	6,844,000	-	
Total liabilities	785,083,617	658,527,399	84,094,966	19,413,339	19,264,179	-	3,783,734

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2010 (continued)

30 RISK MANAGEMENT (Continued)

30.10 LIQUIDITY RISK ANALYSIS (Continued)

Group	2009 R	Term Maturity					
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	Indeterminate Maturity
ASSETS							
Cash and cash equivalents	514,127,841	273,045,841	40,578,000	189,247,000	11,257,000		
Other short-term securities	29,692,718		9,926,814	19,765,904			
Loans and advances to customers	194,797,611	184,228,611	272,000	2,482,000	6,917,000	898,000	
Derivative financial instruments (Forward exchange contracts)	1,951,259				1,951,259		
Other assets	4,452,478						4,452,478
Receiver of Revenue	315,485						315,485
Deferred tax asset	269,477						269,477
Investment in subsidiary	2,199,499						2,199,499
Property, plant and equipment	3,358,911						3,358,911
Total assets	751,165,279	457,274,452	50,776,814	211,494,904	20,125,259	898,000	10,595,850
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000						20,000,000
Reserves	33,817,045						33,817,045
Total ordinary equity	53,817,045	-	-	-	-	-	53,817,045
Total liabilities	697,348,234	586,271,416	77,971,000	16,784,000	11,688,095	830,000	3,803,723
Short-term borrowings	29,331,302	29,331,302					
Derivative financial instruments (Forward exchange contracts)	1,811,095				1,811,095		
Amount owed to depositors	662,402,114	556,940,114	77,971,000	16,784,000	9,877,000	830,000	
Other liabilities	3,803,723						3,803,723
Total equity and liabilities	751,165,279	586,271,416	77,971,000	16,784,000	11,688,095	830,000	57,620,768
Remaining contractual maturities							
Balance sheet liabilities	697,348,234	586,652,097	78,208,000	16,934,000	11,895,095	843,000	2,816,042
Short-term borrowings	29,331,302	29,331,302					
Derivative financial instruments (Forward exchange contracts)	1,811,095				1,811,095		
Amount owed to depositors	663,389,795	557,320,795	78,208,000	16,934,000	10,084,000	843,000	
Other liabilities	2,816,042						2,816,042
Off-balance sheet liabilities	76,802,736	68,663,736	-	510,000	6,356,000	1,273,000	-
Irrevocable guarantees	47,912,485	47,912,485					
Irrevocable letters of credit and acceptances	28,890,251	20,751,251	-	510,000	6,356,000	1,273,000	
	774,150,970	655,315,833	78,208,000	17,444,000	18,251,095	2,116,000	2,816,042

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