

# Habib Overseas Bank Limited

(Registration number 1990/004437/06)

## AUDITED ANNUAL FINANCIAL STATEMENTS 2013

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*These financial statements were prepared by Rizwana Shaik (Company Secretary) under the supervision of Arshad Ansari (Executive Director) and have been prepared 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 statement of financial position at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended; the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes; in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 2008 as amended.

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

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

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

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

The consolidated and company annual financial statements, as identified in the first paragraph, were approved by the Board of Directors on 19 March 2014 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 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 2013, 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.



**Ms Rizwana Shaik**  
Company Secretary  
19 March 2014

# 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**  
(Non-executive Director)

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

**Arshad Ansari**  
(Executive Director)

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

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

### COMPANY SECRETARY

**Ms Rizwana Shaik**  
rshaik@habiboverseas.co.za

### HEAD OFFICE

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### ORIENTAL PLAZA BRANCH

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### DURBAN BRANCH

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### LAUDIUM BRANCH

246 Tangerine Street  
Laudium  
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# Habib Overseas Bank Limited

## CHAIRMAN'S STATEMENT

During 2013 the world economy showed signs of modest recovery. It was led in the developed world by USA & UK followed by stability in the economy of a few Eurozone countries that were battling for the last three years. Although the growth in China and India slowed down substantially during the year, they continue to be an important part of the global economy.

The South African economy has struggled since the 2009 recession, partly because of global factors and domestic problems that include rising unemployment; labour unrest, increase in electricity and petrol prices; reduction in gold prices internationally and infra-structure bottlenecks. The growth during 2013 was only 1.9 % against growth rate of 2.5% achieved in 2012. This was far below the growth rate achieved by other sub – Saharan African and other emerging market countries. The rand remained volatile and depreciated by almost 24% against the US Dollar during the year. The exporters however, could not reap the benefits from this devaluation due to the continued unrest in the labour market and low demand of our goods and products from European trading partners owing to their own sluggish growth. The Johannesburg stock exchange, however, remained buoyant due to continuous overseas support as higher returns were available here. The GDP is expected to expand by 2.7% in 2014. It is a general expectation that if the labour unrest is controlled at the mines without further loss of time and the exchange rate of the Rand remains stable, there would be a turnaround and the economy would perform much better in 2014.

In the back drop of the above economic and market conditions, the bank performed satisfactorily during 2013 and by the Grace of God, achieved a pre-tax profit of R19.7 million (2012 – R21.0 million). Customer deposits stood at R954.9 million (2012 – R998.8 million) and loans and advances increased to R336.8 million (2012 – R300.1 million). The repo rate in the country remained at an all-time low of 5% during the year and our credit / deposit ratio was maintained at about 35%. The bank continued to maintain a high level of liquidity and focus remained on increasing the fee/commission income to boost profitability.

We maintain an optimistic outlook for 2014 and expect that our bank would perform better with the improvement in market conditions. We plan to shift our Durban Branch to a new location very soon which will be helpful in generating new business and introducing new clients to the bank. We would also introduce an Internet Banking facility for our customers during the year in order to upgrade our services and increase our share in the market.

I welcome Mr Brian Smith as Non-Executive member of the Board of Directors and hope that in view of his diversified experience he would make an invaluable contribution in matters of good corporate governance.

I am grateful for the support of our loyal customers and the dedication and zeal of our staff; the sound and informed input of my fellow directors who have all contributed positively to the growth of the bank and place on record my appreciation.



Habib Mohamed D Habib

Chairman

19 March 2014

# Habib Overseas Bank Limited

## AUDITORS' REPORT

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

We have audited the consolidated and separate annual financial statements of Habib Overseas Bank Limited set out on pages 8 to 44, which comprise the consolidated and separate statements of financial position as at 31 December 2013, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Directors' Responsibility for the consolidated financial statements

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Habib Overseas Bank Limited as at 31 December 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2013, we have read the directors' report, the audit committee's report and the certificate from the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Deloitte & Touche  
Registered Auditors

Per Lito Nunes  
Partner  
14 April 2014

National Executive: LL Bam Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit  
DL Kennedy Risk Advisory NB Kader Tax TP Pillay Consulting K Black Client & Industries  
JK Mazzocco Talent & Transformation CR Beukman Finance M Jordan Strategy S Gwala Special Projects  
TJ Brown Chairman of the Board MJ Comber Deputy Chairman of the Board  
A full list of partners and directors is available on request  
B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code  
Member of Deloitte Touche Tohmatsu Limited

# Habib Overseas Bank Limited

## AUDIT COMMITTEE REPORT

The audit committee (the Committee) is a committee appointed by the shareholders. The audit committee comprises of non-executive directors M Bramwell (chairman), BW Smith, Z Habib and A Habib. 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 94 (7)(a) to (i) of the Companies Act 2008.

### **Objectives and scope**

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

### **External audit**

#### **The Committee has:**

- confirmed the continued appointment of Deloitte & Touche as external auditors and Mr Lito Nunes as the designated partner, and determined that in our opinion they are independent of the Company giving due consideration to the provisions of Section 93 of the Companies Act 2008.
- 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 thereof.

### **Internal audit**

- the Committee has also carried out oversight of the internal audit function, discussed the audit plans of the internal auditor and reviewed his reports on head office and branches 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 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 2013 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 Directors' 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



M Bramwell  
Chairman of the audit committee.

# Habib Overseas Bank Limited

## DIRECTORS' REPORT

The directors have pleasure in presenting their annual financial statements for the year ended 31 December 2013.

## 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. The Board appointed Mr Brian Smith as Non-executive director on 1 March 2013.

## 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 R14,281,753 (2012: R15,397,159).

## 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.

	2013	2012
	R	R
Net profit after taxation for the year	275,750	267,462

## CAPITAL ADEQUACY

	2013	2012
Capital adequacy ratio	20.02%	18.97%

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

as at 31 December 2013

	Notes	Group		Company	
		2013 R	2012 R	2013 R	2012 R
<b>ASSETS</b>					
<b>Non-Current Assets</b>		<b>21,375,878</b>	16,617,526	<b>22,593,433</b>	17,835,083
Property, plant and equipment	3	<b>4,726,511</b>	3,231,282	<b>3,744,567</b>	2,249,340
Investment in subsidiary	4	-	-	<b>2,199,499</b>	2,199,499
Long-term loans and advances	5	<b>16,403,588</b>	13,107,299	<b>16,403,588</b>	13,107,299
Deferred tax asset	20	<b>245,779</b>	278,945	<b>245,779</b>	278,945
<b>Current Assets</b>		<b>1,035,431,844</b>	1,074,164,235	<b>1,035,454,552</b>	1,074,164,235
Cash and cash equivalents	6	<b>583,144,665</b>	659,699,837	<b>583,144,665</b>	659,699,837
Investments and negotiable securities	7	<b>129,209,777</b>	126,108,743	<b>129,209,777</b>	126,108,743
Loans and advances	8	<b>316,960,153</b>	283,773,286	<b>316,960,153</b>	283,773,286
Other assets	9	<b>5,690,959</b>	4,358,449	<b>5,690,959</b>	4,358,449
Receiver of Revenue	27	<b>426,290</b>	223,920	<b>448,998</b>	223,920
<b>Total assets</b>		<b>1,056,807,723</b>	1,090,781,761	<b>1,058,047,986</b>	1,091,999,318
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
<b>Equity attributable to ordinary shareholders</b>		<b>82,907,817</b>	74,350,314	<b>82,570,271</b>	74,288,518
Share capital	10	<b>20,000,000</b>	20,000,000	<b>20,000,000</b>	20,000,000
Retained earnings		<b>62,907,817</b>	54,350,314	<b>62,570,271</b>	54,288,518
<b>Liabilities</b>		<b>973,899,906</b>	1,016,431,447	<b>975,477,715</b>	1,017,710,800
<b>Non-Current Liabilities</b>					
<b>Current Liabilities</b>					
Short-term borrowings	6	<b>14,223,644</b>	11,701,609	<b>14,223,644</b>	11,701,609
Deposits and current accounts	11	<b>953,345,814</b>	997,574,016	<b>954,923,634</b>	998,853,369
Other liabilities	12	<b>6,330,448</b>	7,155,822	<b>6,330,437</b>	7,155,822
<b>Total equity and liabilities</b>		<b>1,056,807,723</b>	1,090,781,761	<b>1,058,047,986</b>	1,091,999,318



# Habib Overseas Bank Limited

## Statement of comprehensive income

for the year ended 31 December 2013

	Notes	Group		Company	
		2013 R	2012 R	2013 R	2012 R
<b>Revenue</b>					
<b>Net interest income</b>		<b>38,875,636</b>	37,201,232	<b>38,875,636</b>	37,201,074
Interest and similar income	14	57,482,462	59,324,714	57,482,462	59,324,556
Interest expense and similar charges	14	(18,606,826)	(22,123,482)	(18,606,826)	(22,123,482)
Non-interest income	15	21,265,415	22,654,693	21,204,315	22,478,639
<b>Net interest and non-interest income</b>		<b>60,141,051</b>	59,855,925	<b>60,079,951</b>	59,679,713
Impairment charge on loans and advances	16	(309,609)	(320,388)	(309,609)	(320,388)
Operating expenditure	17	(39,655,921)	(38,159,050)	(40,024,421)	(38,295,366)
<b>Profit before taxation</b>		<b>20,175,521</b>	21,376,487	<b>19,745,921</b>	21,063,959
Taxation	19	(5,618,018)	(5,711,866)	(5,464,168)	(5,666,800)
<b>Profit for the year</b>		<b>14,557,503</b>	15,664,621	<b>14,281,753</b>	15,397,159
<b>Profit attributable to:</b>		<b>14,557,503</b>	15,664,621	<b>14,281,753</b>	15,397,159
- Owners of the Company		14,557,503	15,664,621	14,281,753	15,397,159
- Non-Controlling interest		-	-	-	-
<b>Total comprehensive income attributable to:</b>		<b>14,557,503</b>	15,664,621	<b>14,281,753</b>	15,397,159
- Owners of the Company		14,557,503	15,664,621	14,281,753	15,397,159
- Non-Controlling interest		-	-	-	-

# Habib Overseas Bank Limited

## Statement of changes in equity

for the year ended 31 December 2013

	Note	Share capital R	Retained earnings R	Total R
<b>Group</b>				
<b>Balance as at 01 January 2012</b>		20,000,000	44,685,693	64,685,693
<b>Changes in equity in the current year</b>				
Profit for the year		-	15,664,621	15,664,621
Dividends declared and paid in 2012	21	-	(6,000,000)	(6,000,000)
<b>Balance as at 31 December 2012</b>		<b>20,000,000</b>	<b>54,350,314</b>	<b>74,350,314</b>
<b>Changes in equity in the current year</b>				
Profit for the year		-	14,557,503	14,557,503
Dividends declared and paid in 2013	21	-	(6,000,000)	(6,000,000)
<b>Balance as at 31 December 2013</b>		<b>20,000,000</b>	<b>62,907,817</b>	<b>82,907,817</b>
<b>Company</b>				
<b>Balance as at 01 January 2012</b>		20,000,000	44,891,359	64,891,359
<b>Changes in equity in the current year</b>				
Profit for the year		-	15,397,159	15,397,159
Dividends declared and paid in 2012	21	-	(6,000,000)	(6,000,000)
<b>Balance as at 31 December 2012</b>		<b>20,000,000</b>	<b>54,288,518</b>	<b>74,288,518</b>
<b>Changes in equity in the current year</b>				
Profit for the year		-	14,281,753	14,281,753
Dividends declared and paid in 2013	21	-	(6,000,000)	(6,000,000)
<b>Balance as at 31 December 2013</b>		<b>20,000,000</b>	<b>62,570,271</b>	<b>82,570,271</b>

# Habib Overseas Bank Limited

## Statement of cash flows

for the year ended 31 December 2013

	Notes	2013 R	Group 2012 R	2013 R	Company 2012 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Interest income and other income received	22	77,058,942	82,684,561	76,997,842	82,508,349
Interest paid	23	(18,980,791)	(21,634,148)	(18,980,791)	(21,634,148)
Cash paid to suppliers and employees	24	(39,374,596)	(38,134,054)	(39,743,108)	(38,329,171)
<b>Cash generated from operations</b>		<b>18,703,555</b>	22,916,358	<b>18,273,943</b>	22,545,029
Increase in loans and advances	25	(36,483,156)	(45,937,635)	(36,483,156)	(45,937,635)
(Decrease)/Increase in deposits and current accounts	26	(44,228,205)	64,791,020	(43,929,735)	65,134,814
Taxation paid	27	(5,787,222)	(6,198,234)	(5,656,080)	(6,170,699)
Dividends paid	28	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(73,795,029)</b>	29,571,509	<b>(73,795,029)</b>	29,571,509
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Additions to property and equipment	3	(2,227,960)	(850,643)	(2,227,960)	(850,643)
Proceeds on disposal of property and equipment	22	-	200	-	200
Payments to acquire financial assets - treasury bills		(3,054,218)	(56,257,827)	(3,054,218)	(56,257,827)
<b>Net cash outflow from investing activities</b>		<b>(5,282,178)</b>	(57,108,270)	<b>(5,282,178)</b>	(57,108,270)
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(79,077,207)</b>	(27,536,761)	<b>(79,077,207)</b>	(27,536,761)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	6	<b>647,998,228</b>	675,534,989	<b>647,998,228</b>	675,534,989
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	6	<b>568,921,021</b>	647,998,228	<b>568,921,021</b>	647,998,228

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of accounting and separate statement of compliance

The annual financial statements for the year ended 31 December 2013 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 prepared in accordance with the going concern principle on the historical cost basis and 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 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 2018. The Group will comply with the applicable standard from the year ending 31 December 2015.

#### 1.3 Interest income and expenses recognition

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

#### 1.4 Basis of consolidation

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

#### 1.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instructions 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 2013 (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 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 (FVTPL).
- (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:
  - loans and advances
  - accounts receivable

##### (d) Available for sale

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 income over the relevant period. The effective interest rate is the rate that exactly discounts estimated 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.

##### (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.

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.

No 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 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.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 1. ACCOUNTING POLICIES (CONTINUED)

#### 1.6 Financial instruments (continued)

##### 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.

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

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial Liabilities

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

The Bank has classified the following as financial liabilities:

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

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

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

A financial liability is classified as held for trading if:

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

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

##### (b) Foreign currencies

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

##### (c) Other financial liabilities

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

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (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. 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.

##### (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 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 in 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 2013 (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 reducing balance method.

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:

• 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.

#### 1.12 Post employment benefits

The Bank provides benefits through a provident fund to employees. The provisions 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 the straight-line basis over the term of the lease.

#### 1.14 Areas of judgement and estimation

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

The directors have reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is R129.2 million (2012 : R 126.1 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 instrument is classified as held-for-trading with fair value movement recognised through profit and loss. The carrying amount of the derivatives is R759,508 (2012 : R119,520). The derivative instruments are calculated on the forward exchange rates.



# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 2 STATEMENT OF FINANCIAL POSITION - CLASSIFICATION OF FINANCIAL INSTRUMENTS

Group	2013 R	Held-for- trading R	Held-to-maturity investments R	Carried at amortised cost R	Non-financial assets and liabilities R
<b>ASSETS</b>					
<b>Non-Current Assets</b>	<b>21,375,878</b>	-	-	<b>16,403,588</b>	<b>4,972,290</b>
Property, plant and equipment	4,726,511	-	-	-	4,726,511
Long-term loans and advances	16,403,588	-	-	16,403,588	-
Deferred tax asset	245,779	-	-	-	245,779
<b>Current Assets</b>	<b>1,035,431,844</b>	<b>759,508</b>	<b>129,209,777</b>	<b>905,036,269</b>	<b>426,290</b>
Cash and cash equivalents	583,144,665	-	-	583,144,665	-
* Other short-term securities	129,209,777	-	129,209,777	-	-
** Loans and advances to customers	316,960,153	-	-	316,960,153	-
*** Derivative financial instruments (Forward exchange contracts)	759,508	759,508	-	-	-
*** Other assets	4,931,451	-	-	4,931,451	-
Receiver of Revenue	426,290	-	-	-	426,290
<b>Total assets</b>	<b>1,056,807,723</b>	<b>759,508</b>	<b>129,209,777</b>	<b>921,439,857</b>	<b>5,398,580</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	62,907,817	-	-	-	62,907,817
<b>Total ordinary equity</b>	<b>82,907,817</b>	-	-	-	<b>82,907,817</b>
<b>Total Liabilities</b>	<b>973,899,906</b>	<b>747,819</b>	-	<b>973,152,087</b>	-
<b>Non-Current Liabilities</b>					
<b>Current Liabilities</b>					
Short-term borrowings	14,223,644	-	-	14,223,644	-
*** Derivative financial instruments (Forward exchange contracts)	747,819	747,819	-	-	-
Amount owed to depositors	953,345,814	-	-	953,345,814	-
*** Other liabilities	5,582,629	-	-	5,582,629	-
<b>Total equity and liabilities</b>	<b>1,056,807,723</b>	<b>747,819</b>	-	<b>973,152,087</b>	<b>82,907,817</b>

\* The Short-term securities fair value is R 123,041,650 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.

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

\*\*\* The sum of derivative financial instruments and other assets(liabilities) as shown on the face of the statement of financial position approximates their fair values.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

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

Group	2012 R	Held-for- trading R	Held-to-maturity investments R	Carried at amortised cost R	Non-financial assets and liabilities R
<b>ASSETS</b>					
<b>Non-Current Assets</b>	16,617,526	-	-	13,107,299	3,510,227
Property, plant and equipment	3,231,282	-	-	-	3,231,282
Long-term loans and advances	13,107,299	-	-	13,107,299	-
Deferred tax asset	278,945	-	-	-	278,945
<b>Current Assets</b>	1,074,164,235	119,520	-	947,712,052	223,920
Cash and cash equivalents	659,699,837	-	-	659,699,837	-
* Other short-term securities	126,108,743	-	-	-	-
** Loans and advances to customers	283,773,286	-	-	283,773,286	-
*** Derivative financial instruments (Forward exchange contracts)	119,520	119,520	-	-	-
*** Other assets	4,238,929	-	-	4,238,929	-
Receiver of Revenue	223,920	-	-	-	223,920
<b>Total assets</b>	1,090,781,761	119,520	-	960,819,351	3,734,147
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	54,350,314	-	-	-	54,350,314
<b>Total ordinary equity</b>	74,350,314	-	-	-	74,350,314
<b>Total Liabilities</b>	1,016,431,447	111,909	-	1,016,319,538	-
<b>Non-Current Liabilities</b>					
<b>Current Liabilities</b>	1,016,431,447	111,909	-	1,016,319,538	-
Short-term borrowings	11,701,609	-	-	11,701,609	-
*** Derivative financial instruments (Forward exchange contracts)	111,909	111,909	-	-	-
Amount owed to depositors	997,574,016	-	-	997,574,016	-
*** Other liabilities	7,043,913	-	-	7,043,913	-
<b>Total equity and liabilities</b>	1,090,781,761	111,909	-	1,016,319,538	74,350,314

\* The Short-term securities fair value is R 120,094,405 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.

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

\*\*\* The sum of derivative financial instruments and other assets(liabilities) as shown on the face of the statement of financial position approximates their fair values.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

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

Company	2013 R	Held-for- trading R	Held-to-maturity investments R	Carried at amortised cost R	Non-financial assets and liabilities R
<b>ASSETS</b>					
<b>Non-Current Assets</b>	<b>22,593,433</b>	-	-	<b>16,403,588</b>	<b>6,189,845</b>
Property, plant and equipment	3,744,567	-	-	-	3,744,567
Investment in subsidiary	2,199,499	-	-	-	2,199,499
Long-term loans and advances	16,403,588	-	-	16,403,588	-
Deferred tax asset	245,779	-	-	-	245,779
<b>Current Assets</b>	<b>1,035,454,552</b>	<b>759,508</b>	<b>129,209,777</b>	<b>905,036,269</b>	<b>448,998</b>
Cash and cash equivalents	583,144,665	-	-	583,144,665	-
* Other short-term securities	129,209,777	-	129,209,777	-	-
** Loans and advances to customers	316,960,153	-	-	316,960,153	-
*** Derivative financial instruments (Forward exchange contracts)	759,508	759,508	-	-	-
*** Other assets	4,931,451	-	-	4,931,451	-
Receiver of Revenue	448,998	-	-	-	448,998
<b>Total assets</b>	<b>1,058,047,986</b>	<b>759,508</b>	<b>129,209,777</b>	<b>921,439,857</b>	<b>6,638,843</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	62,570,271	-	-	-	62,570,271
<b>Total ordinary equity</b>	<b>82,570,271</b>	-	-	-	<b>82,570,271</b>
<b>Total Liabilities</b>	<b>975,477,715</b>	<b>747,819</b>	-	<b>974,729,896</b>	-
<b>Non-Current Liabilities</b>					
<b>Current Liabilities</b>					
Short-term borrowings	14,223,644	-	-	14,223,644	-
*** Derivative financial instruments (Forward exchange contracts)	747,819	747,819	-	-	-
Amount owed to depositors	954,923,634	-	-	954,923,634	-
*** Other liabilities	5,582,618	-	-	5,582,618	-
<b>Total equity and liabilities</b>	<b>1,058,047,986</b>	<b>747,819</b>	-	<b>974,729,896</b>	<b>82,570,271</b>

\* The Short-term securities fair value is R 123,041,650 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.

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

\*\*\* The sum of derivative financial instruments and other assets(liabilities) as shown on the face of the statement of financial position approximates their fair values.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

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

Company	2012 R	Held-for- trading R	Held-to-maturity investments R	Carried at amortised cost R	Non-financial assets and liabilities R
<b>ASSETS</b>					
<b>Non-Current Assets</b>	17,835,083	-	-	13,107,299	4,727,784
Property, plant and equipment	2,249,340	-	-	-	2,249,340
Investment in subsidiary	2,199,499	-	-	-	2,199,499
Long-term loans and advances	13,107,299	-	-	13,107,299	-
Deferred tax asset	278,945	-	-	-	278,945
<b>Current Assets</b>	1,074,164,235	119,520	126,108,743	947,712,052	223,920
Cash and cash equivalents	659,699,837	-	-	659,699,837	-
* Other short-term securities	126,108,743	-	126,108,743	-	-
** Loans and advances to customers	283,773,286	-	-	283,773,286	-
*** Derivative financial instruments (Forward exchange contracts)	119,520	119,520	-	-	-
*** Other assets	4,238,929	-	-	4,238,929	-
Receiver of Revenue	223,920	-	-	-	223,920
<b>Total assets</b>	<b>1,091,999,318</b>	<b>119,520</b>	<b>126,108,743</b>	<b>960,819,351</b>	<b>4,951,704</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	54,288,518	-	-	-	54,288,518
<b>Total ordinary equity</b>	<b>74,288,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,288,518</b>
<b>Total Liabilities</b>	<b>1,017,710,800</b>	<b>111,909</b>	<b>-</b>	<b>1,017,598,891</b>	<b>-</b>
<b>Non-Current Liabilities</b>					
<b>Current Liabilities</b>	1,017,710,800	111,909	-	1,017,598,891	-
Short-term borrowings	11,701,609	-	-	11,701,609	-
*** Derivative financial instruments (Forward exchange contracts)	111,909	111,909	-	-	-
Amount owed to depositors	998,853,369	-	-	998,853,369	-
*** Other liabilities	7,043,913	-	-	7,043,913	-
<b>Total equity and liabilities</b>	<b>1,091,999,318</b>	<b>111,909</b>	<b>-</b>	<b>1,017,598,891</b>	<b>74,288,518</b>

\* The Short-term securities fair value is R 120,094,405 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.

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

\*\*\* The sum of derivative financial instruments and other assets(liabilities) as shown on the face of the statement of financial position approximates their fair values.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### NON-CURRENT ASSETS

#### 3 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 2012	1,949,499	3,555,923	11,567,551	17,072,973
Additions	-	462,861	387,782	850,643
Disposals	-	(145,144)	(1,775,796)	(1,920,940)
Balance as at 1 January 2013	1,949,499	3,873,640	10,179,537	16,002,676
Additions	-	-	2,227,960	2,227,960
Disposals	-	-	(78,418)	(78,418)
<b>Balance as at 31 December 2013</b>	<b>1,949,499</b>	<b>3,873,640</b>	<b>12,329,079</b>	<b>18,152,218</b>

Accumulated Depreciation	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2012	(907,288)	(3,017,487)	(9,948,781)	(13,873,556)
Depreciation expense	(70,383)	(249,218)	(463,766)	(783,367)
Disposals	-	145,144	1,740,385	1,885,529
Balance as at 1 January 2013	(977,671)	(3,121,561)	(8,672,162)	(12,771,394)
Depreciation expense	-	(260,730)	(456,559)	(717,289)
Disposals	-	-	62,976	62,976
<b>Balance as at 31 December 2013</b>	<b>(977,671)</b>	<b>(3,382,291)</b>	<b>(9,065,745)</b>	<b>(13,425,707)</b>

#### Carrying amount

As at 31 December 2012	971,828	752,079	1,507,375	3,231,282
<b>As at 31 December 2013</b>	<b>971,828</b>	<b>491,349</b>	<b>3,263,334</b>	<b>4,726,511</b>

#### Properties

##### Johannesburg Property

Premises acquired on 16 July 1998 being section No 46 as shown on sectional plan No SS31 / 85 in the building known as Oriental Plaza, Fordsburg, Johannesburg, in extent 678 square meters and an undivided share in the common property in the land and buildings as apportioned in accordance with the participation quota of the said section. The municipal valuation of the property is R3,730,000 (2012: R2,373,000).

##### 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  
 The municipal valuation of the property is R1,650,000 (2012: R1,650,000).

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### NON-CURRENT ASSETS

#### 3 PROPERTY, PLANT AND EQUIPMENT Company

Cost	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2012	3,555,923	11,317,552	14,873,475
Additions	462,861	387,782	850,643
Disposals	(145,144)	(1,775,796)	(1,920,940)
Balance as at 1 January 2013	3,873,640	9,929,538	13,803,178
Additions	-	2,227,960	2,227,960
Disposals	-	(78,418)	(78,418)
<b>Balance as at 31 December 2013</b>	<b>3,873,640</b>	<b>12,079,080</b>	<b>15,952,720</b>

Accumulated Depreciation	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2012	(3,017,487)	(9,711,427)	(12,728,914)
Depreciation expense	(249,218)	(461,235)	(710,453)
Disposals	145,144	1,740,385	1,885,529
Balance as at 1 January 2013	(3,121,561)	(8,432,277)	(11,553,838)
Depreciation expense	(260,730)	(456,559)	(717,289)
Disposals	-	62,974	62,974
<b>Balance as at 31 December 2013</b>	<b>(3,382,291)</b>	<b>(8,825,862)</b>	<b>(12,208,153)</b>

#### Carrying amount

As at 31 December 2012	752,079	1,497,261	2,249,340
<b>As at 31 December 2013</b>	<b>491,349</b>	<b>3,253,218</b>	<b>3,744,567</b>

	Holding	2013 R	2012 R
<b>4 INVESTMENT IN SUBSIDIARY</b>			
N77 Oriental Plaza (Proprietary) Limited - share at cost	100%	1	1
Loan to subsidiary		2,199,498	2,199,498
		<b>2,199,499</b>	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 is recognised as a long-term loan.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>NON-CURRENT ASSETS</b>				
<b>5 LONG-TERM LOANS AND ADVANCES</b>				
- Loans to customers	16,403,588	13,107,299	16,403,588	13,107,299
<b>Net maturity analyses</b>				
Maturing in excess of 1 year	16,403,588	13,107,299	16,403,588	13,107,299
<b>Sectoral analyses</b>				
Companies and close corporations	14,730,942	11,371,357	14,730,942	11,371,357
Unincorporated businesses	648,521	1,108,932	648,521	1,108,932
Individuals	1,024,125	627,010	1,024,125	627,010
	16,403,588	13,107,299	16,403,588	13,107,299
<b>Sectoral distribution</b>				
Manufacturing	1,575,412	1,445,037	1,575,412	1,445,037
Wholesale and retail trade, repair of specified items, hotel	7,943,542	5,308,478	7,943,542	5,308,478
Transport, storage and communication	927,254	-	927,254	-
Financial intermediation and insurance	648,521	2,270,532	648,521	2,270,532
Real estate	2,702,156	2,353,887	2,702,156	2,353,887
Business services	1,582,578	1,102,355	1,582,578	1,102,355
Individuals	1,024,125	627,010	1,024,125	627,010
	16,403,588	13,107,299	16,403,588	13,107,299
<b>CURRENT ASSETS</b>				
<b>6 CASH AND CASH EQUIVALENTS (AND SHORT-TERM BORROWINGS)</b>				
Coin and bank notes	6,334,365	3,710,631	6,334,365	3,710,631
Money at call and short term notice with banks	566,324,300	646,475,206	566,324,300	646,475,206
Balances with central bank	10,486,000	9,514,000	10,486,000	9,514,000
	583,144,665	659,699,837	583,144,665	659,699,837
Short-term borrowings	(14,223,644)	(11,701,609)	(14,223,644)	(11,701,609)
<b>Net cash and cash equivalents</b>	<b>568,921,021</b>	<b>647,998,228</b>	<b>568,921,021</b>	<b>647,998,228</b>
<b>Net maturity analyses</b>				
Maturing within 1 month	281,921,021	370,998,228	281,921,021	370,998,228
Maturing after 1 month but within 3 months	280,000,000	275,000,000	280,000,000	275,000,000
Maturing after 3 months but within 1 year	7,000,000	2,000,000	7,000,000	2,000,000
<b>Net cash and cash equivalents</b>	<b>568,921,021</b>	<b>647,998,228</b>	<b>568,921,021</b>	<b>647,998,228</b>
The short-term borrowing relates to the foreign advances lending. The cash threshold held with 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 of time under a stress situation.				
<b>7 INVESTMENTS AND NEGOTIABLE SECURITIES</b>				
<b>Treasury Bills</b>				
Maturing within 1 year	129,209,777	126,108,743	129,209,777	126,108,743
<b>Total investment in Treasury Bills</b>	<b>129,209,777</b>	<b>126,108,743</b>	<b>129,209,777</b>	<b>126,108,743</b>
<b>Market valuation of total investments</b>	<b>123,041,650</b>	<b>120,094,405</b>	<b>123,041,650</b>	<b>120,094,405</b>

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

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>CURRENT ASSETS</b>				
<b>8 LOANS AND ADVANCES</b>				
Advances to customers and bills discounted	336,874,678	300,146,664	336,874,678	300,146,664
Less: Long-term loans and advances	(16,403,588)	(13,107,299)	(16,403,588)	(13,107,299)
Less: Impairment of loans and advances	(3,510,937)	(3,266,079)	(3,510,937)	(3,266,079)
<b>Advances to customers and bills discounted net of impairments</b>	<b>316,960,153</b>	<b>283,773,286</b>	<b>316,960,153</b>	<b>283,773,286</b>
<b>Net maturity analyses</b>				
Maturing within 1 month (overdrafts - payable on demand)	282,628,937	263,802,783	282,628,937	263,802,783
Maturing after 1 month but within 3 months	10,738,464	7,497,934	10,738,464	7,497,934
Maturing after 3 months but within 1 year	23,592,752	12,472,562	23,592,752	12,472,562
	<b>316,960,153</b>	<b>283,773,286</b>	<b>316,960,153</b>	<b>283,773,286</b>
<b>Sectoral analyses</b>				
Companies and close corporations	292 325 464	263,826,836	292 325 464	263,826,836
Unincorporated businesses	11,775,018	11,906,000	11,775,018	11,906,000
Individuals	10 428 954	5,867,450	10 428 954	5,867,450
Non-profit institutions	2,430,718	2,173,000	2,430,718	2,173,000
	<b>316,960,153</b>	<b>283,773,286</b>	<b>316,960,153</b>	<b>283,773,286</b>
<b>Sectoral distribution</b>				
Manufacturing	60 405 618	70,507,664	60 405 618	70,507,664
Electricity, gas and water supply	5,176,058	3,888,008	5,176,058	3,888,008
Wholesale and retail trade, repair of specified items, hotel	179,720,388	139,369,309	179,720,388	139,369,309
Transport, storage and communication	2,329,327	1,275,883	2,329,327	1,275,883
Financial intermediation and insurance	16 377 252	7,846,280	16 377 252	7,846,280
Real estate	7 414 958	9,753,066	7 414 958	9,753,066
Business services	5 621 580	10,190,994	5,621,580	10,190,994
Community, social and personal services	7 904 852	11,812,785	7 904 852	11,812,785
Individuals	10,428,954	5,867,450	10,428,954	5,867,450
Other	21,581,166	23,261,847	21,581,166	23,261,847
	<b>316,960,153</b>	<b>283,773,286</b>	<b>316,960,153</b>	<b>283,773,286</b>
<b>9 OTHER ASSETS</b>				
Accrued interest	2,698,148	3,063,244	2,698,148	3,063,244
Other accounts receivable	2,992,811	1,295,205	2,992,811	1,295,205
	<b>5,690,959</b>	<b>4,358,449</b>	<b>5,690,959</b>	<b>4,358,449</b>

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 2013 (continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>10 SHARE CAPITAL</b>				
<b>Authorised</b>				
25,000,000 ordinary shares of R1 each	25,000,000	25,000,000	25,000,000	25,000,000
<b>Issued</b>				
20,000,000 ordinary shares of R1 each	20,000,000	20,000,000	20,000,000	20,000,000
<b>CURRENT LIABILITIES</b>				
<b>11 DEPOSITS AND CURRENT ACCOUNTS</b>				
Current and Call accounts	656,267,078	643,854,315	657,844,898	645,133,668
Savings accounts	61,991,189	38,194,517	61,991,189	38,194,517
Time deposit accounts	235,087,547	315,525,184	235,087,547	315,525,184
	953,345,814	997,574,016	954,923,634	998,853,369
<b>Maturity analyses</b>				
Maturing within 1 month	899,549,508	972,805,860	901,127,328	974,085,213
Maturing after 1 month but within 6 months	45,043,349	22,070,347	45,043,349	22,070,347
Maturing after 6 months but within 1 year	8,752,957	2,697,809	8,752,957	2,697,809
	953,345,814	997,574,016	954,923,634	998,853,369
<b>12 OTHER LIABILITIES</b>				
Accrued interest	738,168	1,112,133	738,168	1,112,133
Accrued expenses	3,332,696	3,958,076	3,332,696	3,958,076
Other accounts payables	2,259,584	2,085,613	2,259,573	2,085,613
	6,330,448	7,155,822	6,330,437	7,155,822
The carrying amounts of these liabilities approximates their fair value. The fair value of derivative instruments (FEC) are recognised in other liabilities.				
<b>13 CONTINGENT LIABILITIES</b>				
Letters of guarantee	37,998,071	45,842,640	37,998,071	45,842,640
Letters of credit	6,577,737	16,758,002	6,577,737	16,758,002
Acceptances	2,675,359	1,295,782	2,675,359	1,295,782
	47,251,167	63,896,424	47,251,167	63,896,424

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>14 INTEREST INCOME AND EXPENSE</b>				
<b>Interest and similar income comprises interest on:</b>				
Loans and advances	26,018,776	24,539,140	26,018,776	24,539,140
Balances with banks	24,977,898	29,078,892	24,977,898	29,078,734
Investments and negotiable securities	6,485,788	5,706,682	6,485,788	5,706,682
	<b>57,482,462</b>	<b>59,324,714</b>	<b>57,482,462</b>	<b>59,324,556</b>
<b>Interest expense and similar charges comprises interest on:</b>				
Current and time deposit accounts	(18,141,966)	(21,766,071)	(18,141,966)	(21,766,071)
Savings accounts	(124,244)	(147,757)	(124,244)	(147,757)
Balances with banks	(340,616)	(209,654)	(340,616)	(209,654)
	<b>(18,606,826)</b>	<b>(22,123,482)</b>	<b>(18,606,826)</b>	<b>(22,123,482)</b>
<b>15 NON-INTEREST INCOME</b>				
Commission and foreign exchange earnings	8,845,167	10,681,625	8,845,167	10,681,625
Fee based income	10,262,234	9,798,424	10,262,234	9,798,424
Other income	2,158,014	2,174,644	2,096,914	1,998,590
	<b>21,265,415</b>	<b>22,654,693</b>	<b>21,204,315</b>	<b>22,478,639</b>
Included in the interest, non-interest and other comprehensive income is an amount of R 11,689 (2012: R 7,611) being the gains on derivative financial instruments (forward exchange contracts) at 31 December 2013 and an amount of R 21,639.89 (2012: R 25,693.42) being the exchange rate differences on foreign exchange transactions.				
<b>16 IMPAIRMENT CHARGE ON LOANS AND ADVANCES</b>				
Balance at beginning of year	3,266,079	2,945,691	3,266,079	2,945,691
Specific impairment raised during the year	-	401,032	-	401,032
Interest suspense (reversed) during the year	309,609	(80,644)	309,609	(80,644)
Charge to income statement	309,609	320,388	309,609	320,388
Advances written off against specific impairments	(64,751)	-	(64,751)	-
<b>Balance at end of year</b>	<b>3,510,937</b>	<b>3,266,079</b>	<b>3,510,937</b>	<b>3,266,079</b>
<b>Comprising:</b>				
Specific impairment (including interest suspended)	(2,610,937)	(2,366,079)	(2,610,937)	(2,366,079)
Portfolio impairment reserve	(900,000)	(900,000)	(900,000)	(900,000)
<b>Balance at end of year</b>	<b>(3,510,937)</b>	<b>(3,266,079)</b>	<b>(3,510,937)</b>	<b>(3,266,079)</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements for the year ended 31 December 2013 (continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>17 OPERATING EXPENDITURE</b>				
Operating expenses include the following items:				
<b>Staff costs</b>	<b>(16,180,154)</b>	(15,810,081)	<b>(16,180,154)</b>	(15,810,081)
- Staff cost	<b>(16,180,154)</b>	(15,810,081)	<b>(16,180,154)</b>	(15,810,081)
<b>Provident Fund Contributions</b>	<b>(937,900)</b>	(901,144)	<b>(937,900)</b>	(901,144)
Current service costs	<b>(937,900)</b>	(901,144)	<b>(937,900)</b>	(901,144)
<b>Auditors' remuneration</b>				
- Audit fee	<b>(573,305)</b>	(655,829)	<b>(573,305)</b>	(655,829)
	<b>(573,305)</b>	(655,829)	<b>(573,305)</b>	(655,829)
<b>Depreciation</b>	<b>(717,289)</b>	(783,367)	<b>(717,289)</b>	(710,453)
Land and buildings	-	(70,383)	-	-
Motor vehicles	<b>(260,730)</b>	(249,218)	<b>(260,730)</b>	(249,218)
Furniture and office equipment	<b>(456,559)</b>	(463,766)	<b>(456,559)</b>	(461,235)
<b>Operating leases</b>	<b>(3,851,488)</b>	(3,262,583)	<b>(4,631,488)</b>	(3,862,583)
Rental - banks premises	<b>(1,988,794)</b>	(1,426,998)	<b>(2,768,794)</b>	(2,026,998)
Rental - staff accommodation	<b>(1,862,694)</b>	(1,835,585)	<b>(1,862,694)</b>	(1,835,585)
Loss on disposal of assets	<b>(15,443)</b>	(35,410)	<b>(15,443)</b>	(35,410)

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>18 Directors' emoluments</b>				
<b>Total Directors Emoluments</b>	<b>(2,689,737)</b>	(2,786,980)	<b>(2,689,737)</b>	(2,786,980)
<b>Managing Director - Manzar A Kazmi</b>	<b>(1,649,993)</b>	(1,670,225)	<b>(1,649,993)</b>	(1,670,225)
Basic salary (gross)	(1,015,000)	(930,000)	(1,015,000)	(930,000)
Bonus and performance related payments	(103,000)	(80,000)	(103,000)	(80,000)
Private use of motor vehicle	(202,819)	(202,819)	(202,819)	(202,819)
Medical aid contribution	(46,656)	(43,608)	(46,656)	(43,608)
Pension / provident scheme contributions	(73,219)	(69,600)	(73,219)	(69,600)
Cell phone	(40,000)	(30,000)	(40,000)	(30,000)
Travel	-	(32,498)	-	(32,498)
Other	-	(48,000)	-	(48,000)
Housing allowance	(169,299)	(234,000)	(169,299)	(234,000)
<b>Executive Director 2 - A Ansari</b>	<b>(1,039,744)</b>	(1,116,455)	<b>(1,039,744)</b>	(1,116,455)
Basic salary (gross)	(662,300)	(651,600)	(662,300)	(651,600)
Bonus and performance related payments	(60,800)	(55,050)	(60,800)	(55,050)
Private use of motor vehicle	(94,353)	(94,353)	(94,353)	(94,353)
Medical aid contribution	(47,192)	(49,848)	(47,192)	(49,848)
Pension / provident scheme contributions	(52,118)	(47,894)	(52,118)	(47,894)
Cell phone	(9,000)	(9,000)	(9,000)	(9,000)
Other	-	(33,030)	-	(33,030)
Housing allowance	(113,981)	(175,680)	(113,981)	(175,680)
<b>Non-executive Directors</b>	<b>(165,000)</b>	(680,081)	<b>(165,000)</b>	(680,081)
Non-executive Director 1 - M Bramwell	(100,000)	(100,000)	(100,000)	(100,000)
Non-executive Directors 2 - BW Smith	(65,000)	-	(65,000)	-
Non-executive Director 3 - Asghar Habib	-	(580,081)	-	(580,081)

The above directors do not hold any shares in the Bank except for Non-executive Director 3.

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>19 TAXATION</b>				
<b>South African Normal Taxation</b>	<b>(5,618,018)</b>	<b>(5,711,866)</b>	<b>(5,464,168)</b>	(5,666,800)
- Current taxation - current year	<b>(6,011,142)</b>	(5,925,066)	<b>(5,880,000)</b>	(5,880,000)
- Current taxation - overpayment during the year	<b>426,290</b>	223,920	<b>448,998</b>	223,920
- Deferred taxation	<b>(33,166)</b>	(10,720)	<b>(33,166)</b>	(10,720)
<b>TAX RATE RECONCILIATION</b>				
Standard rate of taxation	<b>28.00%</b>	28.00%	<b>28.00%</b>	28.00%
Adjustment for permanent differences:				
- other permanent differences	<b>(0.31)%</b>	(1.10)%	<b>(0.33)%</b>	(1.28)%
- permanent differences recognised in the current year in relation to the tax of prior years	<b>0.16%</b>	0.00%	<b>0.00%</b>	0.00%
<b>Effective rate of taxation</b>	<b>27.85%</b>	26.90%	<b>27.67%</b>	26.72%
<b>20 DEFERRED TAXATION</b>				
- Deferred tax asset beginning of the year on property and equipment	<b>(215,945)</b>	(226,665)	<b>(215,945)</b>	(226,665)
- Originating temporary difference	<b>33,166</b>	10,720	<b>33,166</b>	10,720
<b>Deferred tax asset end of the year on property and equipment</b>	<b>(182,779)</b>	(215,945)	<b>(182,779)</b>	(215,945)
- Deferred tax asset beginning of the year on general debt allowance	<b>(63,000)</b>	(63,000)	<b>(63,000)</b>	(63,000)
- Originating temporary difference	-	-	-	-
<b>Deferred tax asset end of the year on general debt allowance</b>	<b>(63,000)</b>	(63,000)	<b>(63,000)</b>	(63,000)
<b>Total deferred tax asset at the end of the year</b>	<b>(245,779)</b>	(278,945)	<b>(245,779)</b>	(278,945)
<b>21 ORDINARY DIVIDENDS</b>				
- Final dividend of 30 cents per share for the year 2013 declared On 9 December 2013 and paid from current earnings distributed to shareholders.	<b>5,100,000</b>	5,100,000	<b>5,100,000</b>	5,100,000
- Dividend withholding tax	<b>900,000</b>	900,000	<b>900,000</b>	900,000
<b>Dividend declared and paid</b>	<b>6,000,000</b>	6,000,000	<b>6,000,000</b>	6,000,000
<b>22 INTEREST INCOME AND OTHER INCOME RECEIVED</b>				
Accounts receivable at beginning of year	<b>4,358,449</b>	5,375,460	<b>4,358,449</b>	5,375,460
Interest and similar income	<b>57,482,462</b>	59,324,714	<b>57,482,462</b>	59,324,556
Accounts receivable at end of year	<b>(5,690,959)</b>	(4,358,449)	<b>(5,690,959)</b>	(4,358,449)
<b>Adjustments for:</b>	<b>56,149,952</b>	60,341,725	<b>56,149,952</b>	60,341,567
Interest accrued on treasury bills in the current year	<b>(46,816)</b>	(392,301)	<b>(46,816)</b>	(392,301)
Interest suspense	<b>(309,609)</b>	80,644	<b>(309,609)</b>	80,644
	<b>55,793,527</b>	60,030,068	<b>55,793,527</b>	60,029,910
Non-interest revenue	<b>21,265,415</b>	22,654,693	<b>21,204,315</b>	22,478,639
<b>Adjustment for:</b>				
Proceeds on sale of property and equipment	-	(200)	-	(200)
	<b>77,058,942</b>	82,684,561	<b>76,997,842</b>	82,508,349

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>23 INTEREST PAID</b>				
Accrued interest at beginning of year	(1,112,133)	(622,799)	(1,112,133)	(622,799)
Interest expense and similar charges	(18,606,826)	(22,123,482)	(18,606,826)	(22,123,482)
Accrued interest at end of year	738,168	1,112,133	738,168	1,112,133
	(18,980,791)	(21,634,148)	(18,980,791)	(21,634,148)
<b>24 CASH PAID TO EMPLOYEES AND SUPPLIERS</b>				
Operating expenditure	(39,655,921)	(38,159,050)	(40,024,421)	(38,295,366)
<b>Adjustments for:</b>				
Depreciation	717,289	783,367	717,289	710,453
Loss on disposal of fixed assets	15,443	35,410	15,443	35,410
	(38,923,189)	(37,340,273)	(39,291,689)	(37,549,503)
Working capital changes:				
(Decrease)/Increase in bills payable	(461,950)	(1,710,703)	(461,950)	(1,696,589)
Increase/(decrease) in other accounts payable	10,543	916,921	10,531	916,921
	(39,374,596)	(38,134,055)	(39,743,108)	(38,329,171)
<b>25 INCREASE / (DECREASE) IN LOANS AND ADVANCES</b>				
Loans and advances net of impairments and interest suspense at beginning of the year	296,880,585	251,343,982	296,880,585	251,343,982
Impairment of loans and advances (excluding interest suspended)	-	(401,032)	-	(401,032)
Loans and advances net of impairments and interest suspense at end of year	(333,363,741)	(296,880,585)	(333,363,741)	(296,880,585)
<b>(Increase)/decrease in loans and advances</b>	<b>(36,483,156)</b>	<b>(45,937,635)</b>	<b>(36,483,156)</b>	<b>(45,937,635)</b>
<b>26 INCREASE IN DEPOSITS AND CURRENT ACCOUNTS</b>				
Deposits and current accounts at beginning of year	997,574,017	932,782,997	998,853,369	933,718,555
Deposits and current accounts at end of year	953,345,812	997,574,017	954,923,634	998,853,369
<b>(Decrease)/increase in deposits and current accounts</b>	<b>(44,228,205)</b>	<b>64,791,020</b>	<b>(43,929,735)</b>	<b>65,134,814</b>
<b>27 TAXATION PAID</b>				
Amounts (payable)/receivable at beginning of year	223,920	(273,168)	223,920	(290,699)
Current years taxation overstated	426,290	223,920	448,998	223,920
Charge for year	(6,011,142)	(5,925,066)	(5,880,000)	(5,880,000)
Amounts (receivable)/payable at end of year to SARS	(426,290)	(223,920)	(448,998)	(223,920)
	(5,787,222)	(6,198,234)	(5,656,080)	(6,170,699)

# Habib Overseas Bank Limited

## Notes to annual financial statements for the year ended 31 December 2013 (continued)

	2013 R	Group 2012 R	2013 R	Company 2012 R
<b>28 DIVIDENDS PAID</b>				
Dividends declared and paid	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>

### 29 RETIREMENT BENEFITS

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

The contributions are as follows:

6% of the cost of employment by the employees

7.25% of the cost of employment by the employer

<b>Total current service costs</b>	<b>(937,900)</b>	<b>(901,144)</b>	<b>(937,900)</b>	<b>(901,144)</b>
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### 30 RELATED PARTIES

The subsidiary is a property investment company.

- N77 Oriental Plaza (Proprietary) Limited

<b>Rental paid to it's subsidiary</b>	-	-	<b>780,000</b>	<b>780,000</b>
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N77 Oriental Plaza (Proprietary) Limited holds a non-interest bearing current account with Habib Overseas Bank Limited of R1,577,821 (2012: R 1,279,352) and a long-term loan of R2,199,498. The value of R 1,577,821 is recognised in Deposits and current accounts.

### 31 COMMITMENTS

#### Operating lease commitments

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

<b>&lt; 1 Year</b>	<b>713,855</b>	238,084	<b>713,855</b>	238,084
<b>&gt; 1-5 Years</b>	<b>7,910,700</b>	4,858,253	<b>7,910,700</b>	4,858,253
<b>Total</b>	<b>8,624,555</b>	5,096,337	<b>8,624,555</b>	5,096,337

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (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. The Bank has always held capital well in excess of the regulatory requirements to ensure that it remains well capitalised in a vastly changed banking world. The internal capital adequacy assessment process approved by the Board of Directors has been reviewed by the South African Reserve Bank.

The quantitative information below illustrates the components of capital in accordance with South African Reserve Bank Regulation 43.

Components of Capital	2013 R	2012 R
<b>Common equity tier 1 (CET 1)</b>		
Issued Capital	20,000	20,000
Other Reserves	62,570	54,288
<b>Total common equity tier 1 (CET 1)</b>	<b>82,570</b>	<b>74,288</b>
Less: Prescribed deductions against capital	(350)	(83)
<b>Aggregate amount of primary share capital &amp; reserves</b>	<b>82,220</b>	<b>74,205</b>
<b>Common equity tier 1 capital adequacy ratio</b>	<b>19.71%</b>	<b>18.79%</b>
<b>Tier 2 capital</b>		
General allowance for credit impairment standardised approach	900	900
<b>Total tier 2 capital</b>	<b>900</b>	<b>900</b>
Less: Prescribed deductions against Tier 1 capital	(189)	(189)
<b>Aggregate amount of tier 2 share capital &amp; reserves</b>	<b>711</b>	<b>711</b>
<b>Tier 2 capital adequacy ratio</b>	<b>0.17%</b>	<b>0.18%</b>
<b>Total share capital</b>		
Primary capital & reserves (CET 1)	82,570	74,288
Secondary capital & reserves (Tier 2)	900	900
Less: Prescribed deductions against Tier 1 capital	(539)	(272)
<b>Net qualifying capital</b>	<b>82,931</b>	<b>74,916</b>
<b>Total capital adequacy ratio</b>	<b>20.02%</b>	<b>18.97%</b>
Total capital requirement	40,385	38,506
Aggregate amount of capital & reserves	82,931	74,916
<b>Excess / (shortfall)</b>	<b>42,546</b>	<b>36,410</b>
<b>Risk weighted exposure</b>		
Credit risk	303,838	291,741
Counter-party credit risk	960	145
Operational risk	100,579	96,658
Market risk	304	338
Equity risk	2,199	-
Other risk	6,323	6,043
<b>Total risk weighted exposure</b>	<b>414,205</b>	<b>394,925</b>



# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.2 CREDIT RISK

All lending operations are governed by the credit policy approved by the Board. Lending activities are administered and monitored by the Credit Committee which consists of five directors of the Bank and 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

2013

Group credit risk analysis	Statement of financial position	Off-Statement of financial position	Total
<b>Maximum exposure to credit risk per Financial assets</b>			
<b>Cash and balances with central bank</b>	38,659,200	-	38,659,200
Local and foreign cash	6,334,365	-	6,334,365
Mandatory reserve deposits with central banks	10,486,000	-	10,486,000
Other balances with central banks	21,838,835	-	21,838,835
<b>Loans and advances with Banks &amp; Customers</b>	877,849,206	-	877,849,206
Overdrafts and loans	336,874,678	-	336,874,678
Term loans (Bank Placement)	544,485,465	-	544,485,465
Less: impairments of loans and advances	(3,510,937)	-	(3,510,937)
<b>Investments and negotiable securities</b>	129,209,777	-	129,209,777
Investment securities	129,209,777	-	129,209,777
<b>Other assets</b>	6,117,249	-	6,117,249
Derivative financial assets (FEC)	759,508	-	759,508
Other assets	5,357,741	-	5,357,741
<b>Contingent Liabilities</b>	-	47,251,167	47,251,167
Guarantees - irrevocable	-	37,998,071	37,998,071
Letters of credit and acceptances	-	9,253,096	9,253,096
	1,051,835,432	47,251,167	1,099,086,599

# Habib Overseas Bank Limited

## Notes to annual financial statements for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.2 CREDIT RISK

2012

Group credit risk analysis	Statement of financial position	Off-Statement of financial position	Total
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	29,599,199	-	29,599,199
Local and foreign cash	3,710,631	-	3,710,631
Mandatory reserve deposits with central banks	9,514,000	-	9,514,000
Other balances with central banks	16,374,568	-	16,374,568
Loans and advances with Banks & Customers	926,981,223	-	926,981,223
Overdrafts and loans	300,146,664	-	300,146,664
Term loans (Bank Placement)	630,100,638	-	630,100,638
Less: impairments of loans and advances	(3,266,079)	-	(3,266,079)
Investments and negotiable securities	126,108,743	-	126,108,743
Investment securities	126,108,743	-	126,108,743
Other assets	4,582,369	-	4,582,369
Derivative financial assets (FEC)	119,520	-	119,520
Other assets	4,462,849	-	4,462,849
Contingent Liabilities	-	63,896,424	63,896,424
Guarantees - irrevocable	-	45,842,640	45,842,640
Letters of credit and acceptances	-	18,053,784	18,053,784
	1,087,271,534	63,896,424	1,151,167,958

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.2 CREDIT RISK

2013

Company credit risk analysis	Statement of financial position	Off-Statement of financial position	Total
<b>Maximum exposure to credit risk per financial assets</b>			
<b>Cash and balances with central bank</b>	38,659,200	-	38,659,200
Local and foreign cash	6,334,365	-	6,334,365
Mandatory reserve deposits with central banks	10,486,000	-	10,486,000
Other balances with central banks	21,838,835	-	21,838,835
<b>Loans and advances with Banks &amp; Customers</b>	877,849,206	-	877,849,206
Overdrafts and loans	336,874,678	-	336,874,678
Term loans (Bank Placement)	544,485,465	-	544,485,465
Less: impairments of loans and advances	(3,510,937)	-	(3,510,937)
<b>Investments and negotiable securities</b>	129,209,777	-	129,209,777
Investment securities	129,209,777	-	129,209,777
<b>Other assets</b>	6,139,957	-	6,139,957
Derivative financial assets (FEC)	759,508	-	759,508
Other assets	5,380,449	-	5,380,449
<b>Contingent Liabilities</b>	-	47,251,167	47,251,167
Guarantees - irrevocable	-	37,998,071	37,998,071
Letters of credit and acceptances	-	9,253,096	9,253,096
	1,051,858,140	47,251,167	1,099,109,307

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.2 CREDIT RISK

2012

Company credit risk analysis	Statement of financial position	Off-Statement of financial position	Total
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	29,599,199	-	29,599,199
Local and foreign cash	3,710,631	-	3,710,631
Mandatory reserve deposits with central banks	9,514,000	-	9,514,000
Other balances with central banks	16,374,568	-	16,374,568
Loans and advances with Banks & Customers	926,981,223	-	926,981,223
Overdrafts and loans	300,146,664	-	300,146,664
Term loans (Bank Placement)	630,100,638	-	630,100,638
Less: impairments of loans and advances	(3,266,079)	-	(3,266,079)
Investments and negotiable securities	126,108,743	-	126,108,743
Investment securities	126,108,743	-	126,108,743
Other assets	4,582,369	-	4,582,369
Derivative financial assets (FEC)	119,520	-	119,520
Other assets	4,462,849	-	4,462,849
Contingent Liabilities	-	63,896,424	63,896,424
Guarantees - irrevocable	-	45,842,640	45,842,640
Letters of credit and acceptances	-	18,053,784	18,053,784
	1,087,271,534	63,896,424	1,151,167,958

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.3 COLLATERAL HELD

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

#### Collateral against loans and advances

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

Type of collateral	2013	
	Value of collateral against credit exposure in R 000's	% of credit exposure to total exposure
<b>Financial Collateral</b>		
Cash collateral	98,043	29.41%
Bank Guarantees	13,608	4.08%
<b>Non-financial collateral</b>		
Mortgage bond	155,997	46.79%
Notarial bond stock & equipment	17,508	5.25%
Insurance policies	1,802	0.54%
Cession on book debt	2,381	0.71%
Suretyship	34,770	10.43%
Other / unsecured	9,255	2.79%
<b>Total Exposure</b>	<b>333,364</b>	<b>100.00%</b>

Type of collateral	2012	
	Value of collateral against credit exposure in R 000's	% of credit exposure to total exposure
<b>Financial Collateral</b>		
Cash collateral	98,777	33.27%
Bank Guarantees	12,169	4.10%
<b>Non-financial collateral</b>		
Mortgage bond	124,995	42.10%
Notarial bond stock & equipment	16,101	5.42%
Insurance policies	2,238	0.75%
Cession on book debt	5,637	1.90%
Suretyship	32,874	11.07%
Other / unsecured	4,090	1.39%
<b>Total Exposure</b>	<b>296,881</b>	<b>100.00%</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

	Group		Company	
	2013 R	2012 R	2013 R	2012 R

#### 32.4 IMPAIRED LOANS AND ADVANCES

The total loans and advances are R 333,363,741 (2012: R 296,880,585) of which R 5,912,530 (2012: R 4,146,084) are impaired advances.

#### Classification categories of advances

Standard	327,451,211	292,734,502	327,451,211	292,734,502
Special Mention	1,275,697	1,001,293	1,275,697	1,001,293
Sub-standard	312,236	2,988,124	312,236	2,988,124
Doubtful	-	-	-	-
Loss	4,324,597	156,666	4,324,597	156,666
	<b>333,363,741</b>	<b>296,880,585</b>	<b>333,363,741</b>	<b>296,880,585</b>

#### Collateral held against impaired advances

Special Mention	1,015,697	749,195	1,015,697	749,195
Sub-standard	182,236	725,462	182,236	725,462
Doubtful	-	-	-	-
Loss	1 246 212	-	1 246 212	-
	<b>2 444 145</b>	<b>1,474,657</b>	<b>2 444 145</b>	<b>1,474,657</b>

#### Provision held against impaired advances

Special Mention	260,000	113,776	260,000	113,776
Sub-standard	130,000	2,095,637	130,000	2,095,637
Doubtful	-	-	-	-
Loss	2,220,937	156,666	2,220,937	156,666
	<b>2,610,937</b>	<b>2,366,079</b>	<b>2,610,937</b>	<b>2,366,079</b>

An amount of R 1,500,000 for one of the accounts of classified as loss above has been received by liquidators subsequent to year end. This amount will be appropriated during the financial year 2014 to reduce the liabilities of the defaulting customer once the final settlement is agreed.

#### 32.5 CREDIT ENHANCEMENTS

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

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

Habibsons bank guarantee	6,832,873	7,195,323	6,832,873	7,195,323
Investec bank guarantee	3,499,272	-	3,499,272	-
BNP Paribas bank guarantee	586,711	602,838	586,711	602,838
SCBL Singapore bank guarantee	1,635,725	1,248,612	1,635,725	1,248,612
HSBC bank guarantee	-	3,122,404	-	3,122,404
	<b>12,554,581</b>	<b>12,169,177</b>	<b>12,554,581</b>	<b>12,169,177</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.6 OPERATIONAL RISK

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

#### 32.7 MARKET RISK

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

##### 32.7.1 FINANCIAL INSTRUMENTS FVTPL

The financial instruments through profit & loss are disclosed below:

	Group		Company	
	2013 R	2012 R	2013 R	2012 R
<b>Financial Instruments Level 2 - Derivative financial instrument</b>				
<b>Notional value</b>				
Derivative financial instrument assets	4,418,418	2,583,838	4,418,418	2,583,838
Derivative financial instrument liabilities	4,406,729	2,576,227	4,406,729	2,576,227
	11,689	7,611	11,689	7,611
<b>Financial Instruments Level 2 - Derivative financial instrument</b>				
<b>Fair value TPL</b>				
Derivative financial instrument assets	759,508	119,520	759,508	119,520
Derivative financial instrument liabilities	747,819	111,909	747,819	111,909
	11,689	7,611	11,689	7,611

##### 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 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 2013 would decrease by:

	in 000's			
	2013 R	2012 R	2013 R	2012 R
Decrease in 1 months time	(189)	(170)	(189)	(170)
Decrease in 3 months time	(379)	(243)	(379)	(243)
Decrease in 6 months time	(568)	(516)	(568)	(516)
Decrease in 12 months time	(1,136)	(1,032)	(1,136)	(1,032)
<b>Cumulative decrease in the year</b>	<b>(2,272)</b>	<b>(1,961)</b>	<b>(2,272)</b>	<b>(1,961)</b>

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

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

##### (b) FOREIGN EXCHANGE RISK

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

##### Foreign currency sensitivity analysis:

ASSETS	ZAR Equivalent	GBP	USD	EURO	SAR	AUD	CHF	CAD	PKR
Cash	2,530,891	4,590	231,912	200	-	-	-	-	-
Due from Banks Demand	19,791,335	27,103	1,793,505	14,252	-	2,078	4,532	5,291	529,786
Loans and Advances	15,291,338	-	1,448,729	-	-	-	-	-	-
Other Assets	1,593,639	45	150,893	12	-	-	-	-	-
<b>Total assets</b>	<b>39,207,203</b>	<b>31,738</b>	<b>3,625,039</b>	<b>14,464</b>	<b>-</b>	<b>2,078</b>	<b>4,532</b>	<b>5,291</b>	<b>529,786</b>

LIABILITIES	ZAR Equivalent	GBP	USD	EURO	SAR	AUD	CHF	CAD	PKR
Deposits	21,608,035	27,761	1,986,479	10,768	-	-	-	-	-
Due to Banks	14,223,446	-	1,347,555	-	-	-	-	-	-
Other Liabilities	3,133,595	9	296,851	12	-	-	-	-	-
<b>Total liabilities</b>	<b>38,965,076</b>	<b>27,770</b>	<b>3,630,885</b>	<b>10,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Net open position</b>	<b>242,127</b>	<b>3,968</b>	<b>(5,846)</b>	<b>3,684</b>	<b>-</b>	<b>2,078</b>	<b>4,532</b>	<b>5,291</b>	<b>529,786</b>
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Any adverse movement in exchange rate to the extent of 10% would have affected the risk by positive R24,212 (2012: negative R 34,182).

Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies was negative R 251,866 (2012: negative R 1,234,037)

#### 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. The bank has also implemented the anti-money laundering software to monitor the terrorist and terrorist organisations as suggested by the South African Reserve Bank .

#### 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 as well a real-time backup site at the Lenasia branch within the bank. The Bank has in place service level agreements with the vendors who have been providing services in different areas of computer operations. Ant-virus softwares has been installed on all computers.

#### 32.10 LIQUIDITY RISK

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



# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK ANALYSIS

Group	2013 R	Term Maturity					
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 Months	1 - 5 years	Indeterminate Maturity
<b>ASSETS</b>							
<b>Non-Current Assets</b>	<b>21,375,878</b>	-	-	-	-	16,403,588	4,972,290
Property, plant and equipment	4,726,511	-	-	-	-	-	4,726,511
Long-term loans and advances	16,403,588	-	-	-	-	16,403,588	-
Deferred tax asset	245,779	-	-	-	-	-	245,779
<b>Current Assets</b>	<b>1,035,431,844</b>	<b>545,708,736</b>	<b>64,730,760</b>	<b>390,245,901</b>	<b>30,820,706</b>	<b>3,499,451</b>	<b>426,290</b>
Cash and cash equivalents	583,144,665	266,144,665	30,000,000	280,000,000	7,000,000	-	-
Other short-term securities	129,209,777	-	29,952,077	99,257,700	-	-	-
Loans and advances to customers	316,960,153	278,177,256	4,451,681	10,738,464	23,592,752	-	-
Derivative financial instruments (Forward exchange contracts)	759,508	46,815	280,002	249,737	182,954	-	-
Other assets	4,931,451	1,340,000	47,000	-	45,000	3,499,451	-
Receiver of Revenue	426,290	-	-	-	-	-	426,290
<b>Total assets</b>	<b>1,056,807,723</b>	<b>545,708,736</b>	<b>64,730,760</b>	<b>390,245,901</b>	<b>30,820,706</b>	<b>19,903,039</b>	<b>5,398,580</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	62,907,817	-	-	-	-	-	62,907,817
<b>Total ordinary equity</b>	<b>82,907,817</b>	-	-	-	-	-	<b>82,907,817</b>
<b>Total liabilities</b>	<b>973,899,906</b>	<b>862,535,104</b>	<b>57,143,624</b>	<b>33,646,823</b>	<b>20,574,355</b>	-	-
<b>Non-Current Liabilities</b>	-	-	-	-	-	-	-
<b>Current Liabilities</b>	<b>973,899,906</b>	<b>862,535,104</b>	<b>57,143,624</b>	<b>33,646,823</b>	<b>20,574,355</b>	-	-
Short-term borrowings	14,223,644	14,223,644	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	747,819	46,440	276,507	245,215	179,657	-	-
Amount owed to depositors	953,345,814	842,682,391	56,867,117	33,401,608	20,394,698	-	-
Other liabilities	5,582,629	5,582,629	-	-	-	-	-
<b>Total equity and liabilities</b>	<b>1,056,807,723</b>	<b>862,535,104</b>	<b>57,143,624</b>	<b>33,646,823</b>	<b>20,574,355</b>	-	<b>82,907,817</b>
<b>REMAINING CONTRACTUAL LIABILITIES</b>							
<b>Balance sheet liabilities</b>	<b>973,899,906</b>	<b>862,009,453</b>	<b>57,273,155</b>	<b>33,822,799</b>	<b>20,794,499</b>	-	-
<b>Non-Current Liabilities</b>	-	-	-	-	-	-	-
<b>Current Liabilities</b>	<b>973,899,906</b>	<b>862,009,453</b>	<b>57,273,155</b>	<b>33,822,799</b>	<b>20,794,499</b>	-	-
Short-term borrowings	14,230,811	14,230,811	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	747,819	46,440	276,507	245,215	179,657	-	-
Amount owed to depositors	954,036,931	842,847,858	56,996,648	33,577,584	20,614,842	-	-
Other liabilities	4,884,344	4,884,344	-	-	-	-	-
<b>Off-balance sheet liabilities</b>	<b>47,251,167</b>	<b>47,251,167</b>	-	-	-	-	-
Irrevocable guarantees	37,998,071	37,998,071	-	-	-	-	-
Irrevocable letters of credit and Acceptances	9,253,096	9,253,096	-	-	-	-	-
<b>Total liabilities</b>	<b>1,021,151,073</b>	<b>909,260,620</b>	<b>57,273,155</b>	<b>33,822,799</b>	<b>20,794,499</b>	-	-

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK ANALYSIS

Group	2012 R	Term Maturity					
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	Indeterminate Maturity
<b>ASSETS</b>							
<b>Non-Current Assets</b>	16,617,526	-	-	-	-	13,107,299	3,510,227
Property, plant and equipment	3,231,282	-	-	-	-	13,107,299	3,231,282
Long-term loans and advances	13,107,299	-	-	-	-	-	-
Deferred tax asset	278,945	-	-	-	-	-	278,945
<b>Current Assets</b>	1,074,164,235	531,708,788	151,391,662	372,218,260	16,230,888	2,390,717	223,920
Cash and cash equivalents	659,699,837	262,699,837	120,000,000	275,000,000	-	2,000,000	-
Other short-term securities	126,108,743	-	29,948,725	96,160,018	-	-	-
Loans and advances to customers	283,773,286	268,200,601	502,182	133,957	14,936,546	-	-
Derivative financial instruments (Forward exchange contracts)	119,520	6,810	54,821	57,889	-	-	-
Other assets	4,238,929	801,540	885,934	866,396	1,294,342	390,717	-
Receiver of Revenue	223,920	-	-	-	-	-	223,920
<b>Total assets</b>	1,090,781,761	531,708,788	151,391,662	372,218,260	16,230,888	15,498,016	3,734,147
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	54,350,314	-	-	-	-	-	54,350,314
<b>Total ordinary equity</b>	74,350,314	-	-	-	-	-	74,350,314
<b>Total liabilities</b>	1,016,431,447	862,893,357	128,971,372	18,176,822	6,389,896	-	-
<b>Non-Current Liabilities</b>							
<b>Current Liabilities</b>	1,016,431,447	862,893,357	128,971,372	18,176,822	6,389,896	-	-
Short-term borrowings	11,701,609	11,701,609	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	111,909	6,711	52,601	52,597	-	-	-
Amount owed to depositors	997,574,016	844,141,124	128,918,771	18,124,225	6,389,896	-	-
Other liabilities	7,043,913	7,043,913	-	-	-	-	-
<b>Total equity and liabilities</b>	1,090,781,761	862,893,357	128,971,372	18,176,822	6,389,896	-	74,350,314
<b>REMAINING CONTRACTUAL LIABILITIES</b>							
<b>Balance sheet liabilities</b>	1,016,431,447	862,110,452	129,500,243	18,342,596	6,478,156	-	-
<b>Non-Current Liabilities</b>							
<b>Current Liabilities</b>	1,016,431,447	862,110,452	129,500,243	18,342,596	6,478,156	-	-
Short-term borrowings	11,704,994	11,704,994	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	111,909	6,711	52,601	52,597	-	-	-
Amount owed to depositors	998,682,764	844,466,967	129,447,642	18,289,999	6,478,156	-	-
Other liabilities	5,931,780	5,931,780	-	-	-	-	-
<b>Off-balance sheet liabilities</b>							
Irrevocable guarantees	63,896,424	63,896,424	-	-	-	-	-
Irrevocable letters of credit and acceptances	45,842,640	45,842,640	-	-	-	-	-
	18,053,784	18,053,784	-	-	-	-	-
<b>Total liabilities</b>	1,080,327,871	926,006,876	129,500,243	18,342,596	6,478,156	-	-

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK ANALYSIS

Company	2013 R	Term Maturity					
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 Months	1 - 5 years	Indeterminate Maturity
<b>ASSETS</b>							
<b>Non-Current Assets</b>	<b>22,593,433</b>	-	-	-	-	16,403,588	6,189,845
Property, plant and equipment	3,744,567	-	-	-	-	-	3,744,567
Investment in subsidiary	2,199,499	-	-	-	-	-	2,199,499
Long-term loans and advances	16,403,588	-	-	-	-	16,403,588	-
Deferred tax asset	245,779	-	-	-	-	-	245,779
<b>Current Assets</b>	<b>1,035,454,552</b>	<b>545,708,736</b>	<b>64,730,760</b>	<b>390,245,901</b>	<b>30,820,706</b>	<b>3,499,451</b>	<b>448,998</b>
Cash and cash equivalents	583,144,665	266,144,665	30,000,000	280,000,000	7,000,000	-	-
Other short-term securities	129,209,777	-	29,952,077	99,257,700	-	-	-
Loans and advances to customers	316,960,153	278,177,256	4,451,681	10,738,464	23,592,752	-	-
Derivative financial instruments (Forward exchange contracts)	759,508	46,815	280,002	249,737	182,954	-	-
Other assets	4,931,451	1,340,000	47,000	-	45,000	3,499,451	-
Receiver of Revenue	448,998	-	-	-	-	-	448,998
<b>Total assets</b>	<b>1,058,047,986</b>	<b>545,708,736</b>	<b>64,730,760</b>	<b>390,245,901</b>	<b>30,820,706</b>	<b>19,903,039</b>	<b>6,638,843</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	62,570,271	-	-	-	-	-	62,570,271
<b>Total ordinary equity</b>	<b>82,570,271</b>	-	-	-	-	-	<b>82,570,271</b>
<b>Total liabilities</b>	<b>975,477,715</b>	<b>864,112,913</b>	<b>57,143,624</b>	<b>33,646,823</b>	<b>20,574,355</b>	-	-
<b>Non-Current Liabilities</b>							
<b>Current Liabilities</b>	<b>975,477,715</b>	<b>864,112,913</b>	<b>57,143,624</b>	<b>33,646,823</b>	<b>20,574,355</b>	-	-
Short-term borrowings	14,223,644	14,223,644	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	747,819	46,440	276,507	245,215	179,657	-	-
Amount owed to depositors	954,923,634	844,260,211	56,867,117	33,401,608	20,394,698	-	-
Other liabilities	5,582,618	5,582,618	-	-	-	-	-
<b>Total equity and liabilities</b>	<b>1,058,047,986</b>	<b>864,112,913</b>	<b>57,143,624</b>	<b>33,646,823</b>	<b>20,574,355</b>	-	<b>82,570,271</b>
<b>REMAINING CONTRACTUAL LIABILITIES</b>							
<b>Balance sheet liabilities</b>	<b>975,477,715</b>	<b>863,587,262</b>	<b>57,273,155</b>	<b>33,822,799</b>	<b>20,794,499</b>	-	-
<b>Non-Current Liabilities</b>							
<b>Current Liabilities</b>	<b>975,477,715</b>	<b>863,587,262</b>	<b>57,273,155</b>	<b>33,822,799</b>	<b>20,794,499</b>	-	-
Short-term borrowings	14,230,811	14,230,811	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	747,819	46,440	276,507	245,215	179,657	-	-
Amount owed to depositors	955,654,634	844,465,561	56,996,648	33,577,584	20,614,842	-	-
Other liabilities	4,844,450	4,844,450	-	-	-	-	-
<b>Off-balance sheet liabilities</b>	<b>47,251,167</b>	<b>47,251,167</b>	-	-	-	-	-
Irrevocable guarantees	37,998,071	37,998,071	-	-	-	-	-
Irrevocable letters of credit and acceptances	9,253,096	9,253,096	-	-	-	-	-
<b>Total liabilities</b>	<b>1,022,728,882</b>	<b>910,838,429</b>	<b>57,273,155</b>	<b>33,822,799</b>	<b>20,794,499</b>	-	-

# Habib Overseas Bank Limited

## Notes to annual financial statements

for the year ended 31 December 2013 (continued)

### 32 RISK MANAGEMENT (Continued)

#### 32.10 LIQUIDITY RISK ANALYSIS

Company	2012 R	Term Maturity					
		Demand 0 - 7 days	8 days - 1 month	2 - 3 Months	4 - 12 months	1 - 5 years	Indeterminate Maturity
<b>ASSETS</b>							
<b>Non-Current Assets</b>	17,835,083	-	-	-	-	13,107,299	4,727,784
Property, plant and equipment	2,249,340	-	-	-	-	-	2,249,340
Investment in subsidiary	2,199,499	-	-	-	-	-	2,199,499
Long-term loans and advances	13,107,299	-	-	-	-	13,107,299	-
Deferred tax asset	278,945	-	-	-	-	-	278,945
<b>Current Assets</b>	1,074,164,235	531,708,788	151,391,662	372,218,260	16,230,888	2,390,717	223,920
Cash and cash equivalents	659,699,837	262,699,837	120,000,000	275,000,000	-	2,000,000	-
Other short-term securities	126,108,743	-	29,948,725	96,160,018	-	-	-
Loans and advances to customers	283,773,286	268,200,601	502,182	133,957	14,936,546	-	-
Derivative financial instruments (Forward exchange contracts)	119,520	6,810	54,821	57,889	-	-	-
Other assets	4,238,929	801,540	885,934	866,396	1,294,342	390,717	-
Receiver of Revenue	223,920	-	-	-	-	-	223,920
<b>Total assets</b>	<b>1,091,999,318</b>	<b>531,708,788</b>	<b>151,391,662</b>	<b>372,218,260</b>	<b>16,230,888</b>	<b>15,498,016</b>	<b>4,951,704</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	54,288,518	-	-	-	-	-	54,288,518
<b>Total ordinary equity</b>	<b>74,288,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,288,518</b>
<b>Total liabilities</b>	<b>1,017,710,800</b>	<b>864,172,710</b>	<b>128,971,372</b>	<b>18,176,822</b>	<b>6,389,896</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>							
<b>Current Liabilities</b>	1,017,710,800	864,172,710	128,971,372	18,176,822	6,389,896	-	-
Short-term borrowings	11,701,609	11,701,609	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	111,909	6,711	52,601	52,597	-	-	-
Amount owed to depositors	998,853,369	845,420,477	128,918,771	18,124,225	6,389,896	-	-
Other liabilities	7,043,913	7,043,913	-	-	-	-	-
<b>Total equity and liabilities</b>	<b>1,091,999,318</b>	<b>864,172,710</b>	<b>128,971,372</b>	<b>18,176,822</b>	<b>6,389,896</b>	<b>-</b>	<b>74,288,518</b>
<b>REMAINING CONTRACTUAL LIABILITIES</b>							
<b>Balance sheet liabilities</b>	1,017,710,800	863,389,805	129,500,243	18,342,596	6,478,156	-	-
<b>Non-Current Liabilities</b>							
<b>Current Liabilities</b>	1,017,710,800	863,389,805	129,500,243	18,342,596	6,478,156	-	-
Short-term borrowings	11,704,994	11,704,994	-	-	-	-	-
Derivative financial instruments (Forward exchange contracts)	111,909	6,711	52,601	52,597	-	-	-
Amount owed to depositors	999,962,117	845,746,320	129,447,642	18,289,999	6,478,156	-	-
Other liabilities	5,931,780	5,931,780	-	-	-	-	-
<b>Off-balance sheet liabilities</b>	63,896,424	63,896,424	-	-	-	-	-
Irrevocable guarantees	45,842,640	45,842,640	-	-	-	-	-
Irrevocable letters of credit and acceptances	18,053,784	18,053,784	-	-	-	-	-
<b>Total liabilities</b>	<b>1,081,607,224</b>	<b>927,286,229</b>	<b>129,500,243</b>	<b>18,342,596</b>	<b>6,478,156</b>	<b>-</b>	<b>-</b>