

Habib Overseas Bank Limited

(Registration number 1990/004437/06)

ANNUAL FINANCIAL STATEMENTS 2008

CONTENTS	Page
Directors' responsibilities for and approval of the annual financial statements	2
Certificate of the Company Secretary	2
Directors and secretary	3
Chairman's statement	4
Independent auditor's report	5
ANNUAL FINANCIAL STATEMENTS	
- Directors' report	6
- Balance sheets	7
- Income statements	8
- Statements of changes in equity	9
- Cash flow statements	10
- Accounting policies	11 - 18
- Group Balance sheet classification of financial instruments	19 - 20
- Company Balance sheet classification of financial instruments	21 - 22
- Notes to the annual financial statements	23 - 39

Habib Overseas Bank Limited

DIRECTORS' RESPONSIBILITIES FOR AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the Company and Group annual financial statements for Habib Overseas Bank Limited, comprising the Director's report, the balance sheets at 31 December 2008; the income statements, the statements of changes in equity and cash flow statements for the year then ended; the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 61 of 1973, as amended. The directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements, so as to be free from material misstatement, whether owing to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are responsible under the circumstances.

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

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

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

The Group and Company annual financial statements, as identified in the first paragraph, were approved by the Board of Directors on 21st April 2009 and are signed on its behalf by:



Martin Bramwell
Non - Executive Director



Anjum Zaheer
Managing Director

CERTIFICATE OF THE COMPANY SECRETARY

In terms of Section 268G(d) of the Companies Act 61 of 1973 as amended, I certify that to the best of my knowledge and belief, Habib Overseas Bank Limited has lodged with the Registrar of Companies for the year ended 31 December 2008, 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.

R.S.M. Betty & Dickson Corporate Services C.C.
Company Secretary
RSM BETTY & DICKSON CORPORATE SERVICES C.C.
21st April 2009

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

Anjum Zaheer
(Managing Director)

S Manzar Abbas Kazmi
(Executive Director)
(Appointed 05.03.2008)

Martin Bramwell

Bande Hasan

SECRETARY

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Executive City
Corner Cross Street & Charmaine Avenue
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Habib Overseas Bank Limited

CHAIRMAN'S STATEMENT

In my statement last year, I had mentioned that the year ahead was unlikely to match the growth of 2007. Although we were expecting slower growth in 2008, the severity and magnitude of the global economic downturn was unprecedented. Many large financial institutions were caught in the sub-prime crisis and had to be bailed out by their governments.

South Africa also experienced a tumultuous 2008 with inflation rate soaring to 13.6% and the prime interest rate peaking at 15.5%. Both of these factors coupled with significant slowdown in exports and decline in commodity prices contributed to a negative growth of 1.8% in GDP in the final quarter of 2008. The current consensus view for South Africa is that it is expected to slow down from 3% last year to 0.5% in 2009.

It seems clear that despite a universal initiative to address this challenge, there will be no early resolution of these problems and our planning for the coming year reflects this.

Against this background I am pleased to report that by the Grace of God, our bank had another good year with total assets increasing by 20,67% to R647 million. Loans and advances increased by 19,28% to R176 million. Our loans to deposits ratio is still a conservative figure of 31,98%. The profit from operations before taxation of the bank grew to R22.9 million (2007: R16.4 million) and profit after tax was R16.1 million (2007: R11.4 million). The directors have recommended a dividend of 20% (2007: 10%) and the balance taken to retained earnings.

For the future, the bank will continue to maintain a cautious and conservative approach and further refinement will be made in our risk management process. We recognise that the majority of our customers share our prudence and we will continue to select our business with care. I strongly believe that there will always be new opportunities in the market place in our preferred segments of the business. As usual, we will continue to foster a close relationship with our customers and upgrade the quality of service to meet competition and challenges.

I would like to place on record my gratitude to the staff who have worked hard and with devotion. I also thank my colleagues on the Board for their valuable advice and guidance.



Habib Mohamed D Habib

Chairman

21 April 2009

Habib Overseas Bank Limited

INDEPENDENT AUDITORS' REPORT

TO MEMBERS OF HABIB OVERSEAS BANK LIMITED

We have audited the annual financial statements of Habib Overseas Bank Limited ("the Company") and the Group, which comprise the directors' report, the balance sheet as at 31 December 2008, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 39.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

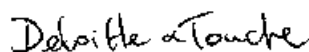
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

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 financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



Deloitte & Touche

Per: Mgcinisihlalo Jordan
Partner
21 April 2009

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

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

A full list of partners and directors is available on request

Habib Overseas Bank Limited

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the annual financial statements for the year ended 31 December 2008.

SHARE CAPITAL

Habib Overseas Bank Limited ("The Bank" or "Company") has an authorised share capital of R25,000,000 and issued and fully paid capital of 20,000,000 ordinary shares of R1 each.

DIRECTORS AND SECRETARY

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

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

Profit before taxation of the Company for the year amounted to R22,951,552 (2007: R16,449,045).

GOING CONCERN

The Company and the Group financial statements have been prepared on the going concern basis.

SUBSEQUENT EVENTS

The directors are not aware of any other matter or event which is material to the financial affairs of the Company and 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. The holding company is incorporated in Luxembourg.

SUBSIDIARY

The interest of the Bank in the net profit after taxation of its subsidiary is as follows:

	2008	2007
	R	R
Net profit after taxation for the year	126 291	161 038

CAPITAL ADEQUACY

	2008	2007
Capital adequacy ratio	17.58%	24.09%

Habib Overseas Bank Limited

BALANCE SHEETS

as at 31 December 2008

	Notes	Group		Company	
		2008 R	2007 R	2008 R	2007 R
ASSETS					
Cash and cash equivalents	3	427,466,256	348,592,140	426,798,900	348,127,334
Investments and negotiable securities	4	29,682,083	29,725,498	29,682,083	29,725,498
Loans and advances	6	176,662,408	148,113,456	176,662,408	148,113,456
Other assets	7	7,538,836	3,898,519	7,538,836	3,898,519
Receiver of revenue	17	229,939		229,939	
Deferred tax asset	18	214,339	175,954	214,339	175,954
Investment in subsidiary	5			2,199,499	2,199,499
Property and equipment	8	5,279,979	5,541,011	4,001,917	4,186,690
Total assets		647,073,840	536,046,578	647,327,921	536,426,950
EQUITY AND LIABILITIES					
Capital and Reserves					
Equity attributable to ordinary shareholders					
Share capital	9	20,000,000	20,000,000	20,000,000	20,000,000
Retained earnings		31,040,559	18,808,592	31,294,665	19,188,989
Liabilities		596,033,281	497,237,986	596,033,256	497,237,961
Short-term borrowings	3	39,133,551	19,839,455	39,133,551	19,839,455
Deposits and current accounts	10	552,341,924	474,208,973	552,341,924	474,208,973
Receiver of revenue	25		83,333		83,333
Other liabilities	11	4,557,806	3,106,225	4,557,781	3,106,200
Total equity and liabilities		647,073,840	536,046,578	647,327,921	536,426,950

Habib Overseas Bank Limited

INCOME STATEMENTS

for the year ended 31 December 2008

	Notes	Group		Company	
		2008 R	2007 R	2008 R	2007 R
Net interest income		34,538,657	26,119,014	34,538,657	26,119,014
Interest income	13	62,402,069	42,901,671	62,402,069	42,901,671
Interest expense	13	(27,863,412)	(16,782,657)	(27,863,412)	(16,782,657)
Non-interest income	14	14,709,519	14,484,724	14,667,018	14,325,733
Net interest and non-interest income		49,248,176	40,603,738	49,205,675	40,444,747
Impairment charges on loans and advances	15	(105,819)	(264,698)	(105,819)	(264,698)
Operating expenditure	16	(26,064,514)	(23,728,957)	(26,148,304)	(23,731,004)
Profit from operations before taxation		23,077,843	16,610,083	22,951,552	16,449,045
Taxation	17	(6,845,876)	(4,992,635)	(6,845,876)	(4,992,635)
Profit for the year		16,231,967	11,617,448	16,105,676	11,456,410

Habib Overseas Bank Limited

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Note	Share capital R	Retained earnings R	Total R
Group				
Balance as at 01 January 2007		20,000,000	9,191,144	29,191,144
Profit for the year			11,617,448	11,617,448
Dividends declared and paid in 2007	19		(2,000,000)	(2,000,000)
Balance as at 31 December 2007		20,000,000	18,808,592	38,808,592
Profit for the year			16,231,967	16,231,967
Dividends declared and paid in 2008	19		(4,000,000)	(4,000,000)
Balance as at 31 December 2008		20,000,000	31,040,559	51,040,559
Company				
Balance as at 01 January 2007		20,000,000	9,732,579	29,732,579
Profit for the year			11,456,410	11,456,410
Dividends declared and paid in 2007	19		(2,000,000)	(2,000,000)
Balance as at 31 December 2007		20,000,000	19,188,989	39,188,989
Profit for the year			16,105,676	16,105,676
Dividends declared and paid in 2008	19		(4,000,000)	(4,000,000)
Balance as at 31 December 2008		20,000,000	31,294,665	51,294,665

Habib Overseas Bank Limited

CASH FLOW STATEMENTS

for the year ended 31 December 2008

	Notes	Group 2008 R	2007 R	Company 2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES					
Income received	20	73,433,625	59,797,563	73,391,124	59,638,572
Interest paid	21	(27,313,134)	(16,656,210)	(27,313,134)	(16,656,210)
Cash paid to suppliers and employees	22	(23,791,798)	(24,834,609)	(23,951,847)	(24,914,459)
Operating income before changes in operating assets		22,328,693	18,306,744	22,126,143	18,067,903
Increase in loans and advances	23	(28,627,820)	(13,978,257)	(28,627,820)	(13,978,257)
Increase in deposits and current accounts	24	78,132,951	44,926,425	78,132,951	44,926,425
Taxation paid	25	(7,197,533)	(4,956,000)	(7,197,533)	(4,956,000)
Dividends paid	26	(4,000,000)	(2,000,000)	(4,000,000)	(2,000,000)
Net cash inflow from operating activities		60,636,291	42,298,912	60,433,741	42,060,071
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property and equipment	8	(1,110,381)	(1,441,531)	(1,110,381)	(1,441,531)
Proceeds on the sale of property and equipment	20		63,510		63,510
Sale of treasury bills		54,110	148,592	54,110	148,592
Net cash outflow from investing activities		(1,056,271)	(1,229,429)	(1,056,271)	(1,229,429)
NET INCREASE IN CASH AND CASH EQUIVALENTS		59,580,020	41,069,483	59,377,470	40,830,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	328,752,685	287,683,202	328,287,879	287,457,237
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	388,332,705	328,752,685	387,665,349	328,287,879

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1. ACCOUNTING POLICIES

1.1 Basis of accounting and statement of compliance

The consolidated Annual Financial Statements for the year ended 31 December 2008 and the comparative figures are prepared in accordance with, and comply with the International Financial Reporting Standards (IFRS) and the South African Companies Act of 1973.

The financial statements are presented in South African Rand (ZAR) and prepared in accordance with the going concern principle on the historical cost basis.

1.2 Accounting standards issued but not yet effective

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 adopted early.

IFRS 2 (Share Based Payments) was issued during 2008 but is only effective for annual periods beginning on or after 1 January 2009. The Group will comply with the applicable standard from the year ending 31 December 2009.

IFRS 3 (Business Combinations) was issued during 2008 but is only effective for business combinations concluded on or after 1 July 2009. The Group will comply with the applicable standard from the year ending 31 December 2009.

IFRS 8 (Operating Segments) was issued during 2006 but is only effective for annual periods beginning on or after 1 January 2009. The Group will comply with the applicable standard from the year ending 31 December 2009.

IFRIC 13 (Customer loyalty programs) was issued during 2007 but is only effective for annual periods beginning on or after 1 July 2008. The Group will apply IFRIC 13 from the year ending 31 December 2009.

IFRIC 15 (Agreements for the Construction of Real Estate) was issued during 2008 but is only effective for annual periods beginning on or after 1 January 2009. The Group will comply with the applicable standard from the year ending 31 December 2009.

IFRIC 17 (Distributions of Non-cash Assets to Owners) was issued during 2008 but is only effective for annual periods beginning on or after 1 July 2009. The Group will comply with the applicable standard from the year ending 31 December 2010.

IAS 1 (Presentation of Financial Statements) was issued during 2008 but is only effective for annual periods beginning on or after 1 January 2009. The Group will comply with the applicable standard from the year ending 31 December 2009.

IAS 23 (Borrowing costs) was issued during 2008 but is only effective for annual periods beginning on or after 1 January 2009. The Group will comply with the applicable standard from the year ending 31 December 2009.

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

1.2 Accounting standards issued but not yet effective (Continued)

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

IAS 28 (Investments in Associates) was issued during 2008 but is only effective for annual periods beginning on or after 1 July 2009. The Group will comply with the applicable standard from the year ending 31 December 2010.

IAS 31 (Interest in Joint Ventures) was issued during 2008 but is only effective for annual periods beginning on or after 1 July 2009. The Group will comply with the applicable standard from the year ending 31 December 2010.

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

On 22 May 2008, the International Accounting Standards Board issued its latest standard, titled Improvements to International Financial Reporting Standards 2008. The Standard included 35 amendments to various current Standards. The following amendments have not been applied in the 2008 financial year as they are not yet effective.

Standard	Annual periods beginning on or after
IFRS 1 (AC 138) - First-time adoption of International Financial Reporting Standards	01 January 2009
IFRS 5 (AC 142) - Non-current Assets Held for Sale and Discounted Operations	01 July 2009
IAS 1 (AC 101) - Presentation of Financial Statements	01 January 2009
IAS 16 (AC 123) - Property, Plant and Equipment	01 January 2009
IAS 19 (AC 116) - Employee Benefits	01 January 2009
IAS 20 (AC 134) - Accounting for Government Grants and Disclosure of Government Assistance	01 January 2009
IAS 27 (AC 132) - Consolidated and Separate Financial Statements	01 January 2009
IAS 28 (AC 110) - Investments in Associates	01 January 2009
IAS 29 (AC 124) - Financial Reporting in Hyperinflationary Economics	01 January 2009
IAS 31 (AC 119) - Interests in Joint Ventures	01 January 2009
IAS 32 (AC 125) - Financial Instruments: Presentation	01 January 2009
IAS 36 (AC 128) - Impairment of Assets	01 January 2009
IAS 38 (AC 129) - Intangible Assets	01 January 2009
IAS 39 (AC 133) - Financial Instruments: Recognition and Measurement	01 January 2009
IAS 40 (AC 135) - Investment Property	01 January 2009
IAS 41 (AC 137) - Agriculture	01 January 2009

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

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 Income Statement for all interest bearing instruments using the effective rate of interest method. Interest income and expense include the amortisation of any discount or premium or other differences between initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

1.4 Basis of consolidation

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

1.5 Business combinations

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

Subsidiaries are the entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.6 Financial instruments

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

Financial instruments of the Bank are classified as follows:

(i) Financial assets

- (a) Financial instruments at Fair Value through Profit or Loss.
- (b) Investments held to maturity. The Bank classifies Government Securities as held to maturity.
- (c) The Bank has classified the following financial assets as loans and receivables originated by the entity:
 - Loans and Advances
 - Accounts receivable

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Financial instruments (continued)

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated allocating future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

(b) Held-to-maturity investments

Bills of exchange and debentures with 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 receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables 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 THE FINANCIAL STATEMENTS

31 DECEMBER 2008

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 its 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 recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Classification as debt or equity

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

Equity instruments

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

Financial Liabilities

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

The Bank has classified the following as financial liabilities:

- (a) Financial liabilities at FVTPL;
- (b) Foreign currency financial liabilities;
- (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. No financial liabilities have been 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.

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Financial instruments (continued)

(b) Foreign currencies financial liabilities

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

(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 amortized cost using the effective interest method, with interest expense on an effective yield basis. The effective interest method is a method of calculating the amortized 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.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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.

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

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

(b) Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, for all the temporary difference 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

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

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

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

1.10 Property and equipment

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

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1. ACCOUNTING POLICIES (CONTINUED)

1.10 Property and equipment (Continued)

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

The following straight-line methods are in use:

• Land and Buildings	-	4%
• Furniture and office equipment	-	10% - 20%
• Motor vehicle	-	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 provision for retirement and survivor's benefits are recognised in the income statement when they accrue for payment.

1.13 Lease property

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

1.14 Areas of judgment and estimation

(a) Classification of financial assets

The directors have reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is R 29.7 million (2007:R 29.7 million).

(b) Useful lives of property and equipment

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

(c) Fair value of derivatives and other financial instruments

The directors use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The carrying amount of the derivatives are R1.8 million (2007:R1.2 million).

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

2 BALANCE SHEET CLASSIFICATION OF FINANCIAL INSTRUMENTS			Designated as at fair value through profit or loss		Non-financial assets and liabilities
Group	2008 R	Held-for- trading R	R	At amortised cost R	R
ASSETS					
Cash and cash equivalents	427,466,256			427,466,256	
* Other short-term securities	29,682,083			29,682,083	
Derivative financial instruments	1,808,314	1,808,314			
** Loans and advances to customers	176,662,408			176,662,408	
Other assets	5,730,522			5,730,522	
Receiver of revenue	229,939				229,939
Deferred taxation	214,339				214,339
Property and equipment	5,279,979				5,279,979
Total assets	647,073,840	1,808,314		639,541,269	5,724,257
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000				20,000,000
Reserves	31,040,559				31,040,559
Total ordinary equity	51,040,559				51,040,559
Total Liabilities					
Short-term borrowings	39,133,551			39,133,551	
Derivative financial instruments	1,727,111	1,727,111			
Amount owed to depositors	552,341,924			552,341,924	
Other liabilities	2,830,695			2,830,695	
Total equity and liabilities	647,073,840	1,727,111		594,306,170	51,040,559

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

* The fair value of the Short-term securities is R 28,271,400 as per the market price from the Samos system.

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

2 BALANCE SHEET CLASSIFICATION OF FINANCIAL INSTRUMENTS

Group	2007 R	Held-for- trading R	Designated as at fair value through profit or loss R	At amortised cost R	Non-financial assets and liabilities R
ASSETS					
Cash and cash equivalents	348,592,140			348,592,140	
* Other short-term securities	29,725,498			29,725,498	
Derivative financial instruments	1,173,906	1,173,906			
** Loans and advances to customers	148,113,456			148,113,456	
Other assets	2,724,613			2,724,613	175,954
Deferred taxation	175,954				
Property and equipment	5,541,011				5,541,011
Total assets	536,046,578	1,173,906		529,155,707	5,716,965
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000				20,000,000
Reserves	18,808,592				18,808,592
Total ordinary equity	38,808,592				38,808,592
Total Liabilities	497,237,986	993,009		496,161,644	83,333
Short-term borrowings	19,839,455			19,839,455	
Derivative financial instruments	993,009	993,009			
Amount owed to depositors	474,208,973			474,208,973	
Other liabilities	2,113,216			2,113,216	
Current taxation	83,333				83,333
Total equity and liabilities	536,046,578	993,009		496,161,644	38,891,925

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

* The fair value of the Short-term securities is R 30,000,000 as per the market price from the Samos system.

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

2 BALANCE SHEET CLASSIFICATION OF FINANCIAL INSTRUMENTS

Company	2008 R	Held-for- trading R	Designated as at fair value through profit or loss R	At amortised cost R	Non-financial assets and liabilities R
ASSETS					
Cash and cash equivalents	426,798,900			427,466,256	
* Other short-term securities	29,682,083			29,682,083	
Derivative financial instruments	1,808,314	1,808,314			
** Loans and advances to customers	176,662,408			176,662,408	
Other assets	5,730,522			5,730,522	
Receiver of revenue	229,939				229,939
Deferred taxation	214,339				214,339
Investment in subsidiary	2,199,499				2,199,499
Property and equipment	4,001,917				4,001,917
Total assets	647,327,921	1,808,314		638,873,913	6,645,694
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000				20,000,000
Reserves	31,294,665				31,294,665
Total ordinary equity	51,294,665				51,294,665
Total Liabilities					
Short-term borrowings	39,133,551	1,727,111		39,133,551	
Derivative financial instruments	1,727,111	1,727,111			
Amount owed to depositors	552,341,924			552,341,924	
Other liabilities	2,830,670			2,830,670	
Total equity and liabilities	647,327,921	1,727,111		594,306,145	51,294,665

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

* The fair value of the Short-term securities is R 28,271,400 as per the market price from the Samos system.

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

2 BALANCE SHEET CLASSIFICATION OF FINANCIAL INSTRUMENTS

Company	2007 R	Held-for- trading R	Designated as at fair value through profit or loss R	At amortised cost R	Non-financial assets and liabilities R
ASSETS					
Cash and cash equivalents	348,127,334			348,127,334	
* Other short-term securities	29,725,498			29,725,498	
Derivative financial instruments	1,173,906	1,173,906			
** Loans and advances to customers	148,113,456			148,113,456	
Other assets	2,724,613			2,724,613	
Receiver of revenue					
Deferred taxation	175,954				175,954
Investment in subsidiary	2,199,499				2,199,499
Property and equipment	4,186,690				4,186,690
Total assets	536,426,950	1,173,906		529,690,901	6,562,143
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	20,000,000				20,000,000
Reserves	19,188,989				19,188,989
Total ordinary equity	39,188,989				39,188,989
Total Liabilities					
Short-term borrowings	19,839,455			19,839,455	
Derivative financial instruments	993,009	993,009			
Amount owed to depositors	474,208,973			474,208,973	
Other liabilities	2,113,191			2,113,191	
Current taxation	83,333				83,333
Total equity and liabilities	536,426,950	993,009		496,161,619	39,272,322

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

* The fair value of the Short-term securities is R 30,000,000 as per the market price from the Samos system.

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	Group		Company	
	2008 R	2007 R	2008 R	2007 R
3 CASH AND BALANCES WITH BANKS				
Coin and bank notes	3,677,940	2,742,084	3,677,940	2,742,084
Money at call and short term notice with banks	417,720,316	341,350,056	417,052,960	340,885,250
Balances with central bank	6,068,000	4,500,000	6,068,000	4,500,000
Cash and cash equivalents	427,466,256	348,592,140	426,798,900	348,127,334
Short-term borrowings (Refer to note 28)	(39,133,551)	(19,839,455)	(39,133,551)	(19,839,455)
Net cash and cash equivalents	388,332,705	328,752,685	387,665,349	328,287,879

Net maturity analysis

Maturing within 1 month	172,413,765	190,831,197	171,746,409	190,366,391
Maturing after 1 month but within 6 months	214,882,058	133,421,488	214,882,058	133,421,488
Maturing after 6 months but within 1 year	1,036,882	4,500,000	1,036,882	4,500,000
	388,332,705	328,752,685	387,665,349	328,287,879

4 INVESTMENTS AND NEGOTIABLE SECURITIES

Treasury Bills

Maturing within 1 year	29,682,083	29,725,498	29,682,083	29,725,498
Total investment in Treasury Bills	29,682,083	29,725,498	29,682,083	29,725,498
Market valuation of total investments	28,271,400	30,000,000	28,271,400	30,000,000

	Holding	2008 R	2007 R
5 INVESTMENT IN SUBSIDIARY			
N77 Oriental Plaza (Proprietary) Limited - share at cost	100%	1	1
Loan to subsidiary		2,199,498	2,199,498
		2,199,499	2,199,499

N77 Oriental Plaza (Proprietary) Limited, a property holding company wholly owned by Habib Overseas Bank Limited has been incorporated in the Republic of South Africa.
The loan to subsidiary is interest free and has no fixed terms of maturity.

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	2008 R	Group 2007 R	2008 R	2007 R
6 LOANS AND ADVANCES				
Advances to customers and bills discounted	178,785,679	150,130,908	178,785,679	150,130,908
Less: Credit Impairments (Refer to note 15)	(2,123,271)	(2,017,452)	(2,123,271)	(2,017,452)
Advances to customers and bills discounted net of impairments	176,662,408	148,113,456	176,662,408	148,113,456
Net maturity analysis				
Maturing within 1 month (overdrafts - payable on demand)	161,781,408	137,185,456	161,781,408	137,185,456
Maturing after 1 month but within 6 months	3,393,000	1,350,000	3,393,000	1,350,000
Maturing after 6 months but within 1 year	357,000	444,000	357,000	444,000
Maturing after 1 year	11,131,000	9,134,000	11,131,000	9,134,000
	176,662,408	148,113,456	176,662,408	148,113,456
Sectorial analysis				
Companies and Close Corporations	162,992,408	133,077,778	162,992,408	133,077,778
Unincorporated businesses	5,299,000	4,427,798	5,299,000	4,427,798
Individuals	7,200,000	7,532,441	7,200,000	7,532,441
Non-profit institutions	1,171,000	3,075,439	1,171,000	3,075,439
	176,662,408	148,113,456	176,662,408	148,113,456
Sectorial distribution				
Agriculture, hunting, forestry and fishing		52,909		52,909
Manufacturing	31,030,953	39,477,066	31,030,953	39,477,066
Electricity, gas and water supply	2,507,839	3,262,317	2,507,839	3,262,317
Wholesale and retail trade, repair of specified items, hotel	78,477,592	53,405,423	78,477,592	53,405,423
Transport, storage and communication	846,482	1,240,963	846,482	1,240,963
Financial intermediation and insurance	16,458,852	10,719,394	16,458,852	10,719,394
Real estate	3,716,968	10,806,770	3,716,968	10,806,770
Business services	18,316,601	7,736,860	18,316,601	7,736,860
Community, social and personal services	4,021,023	3,430,645	4,021,023	3,430,645
Private households (individuals)	9,439,778	8,183,751	9,439,778	8,183,751
Other	11,846,320	9,850,266	11,846,320	9,850,266
	176,662,408	148,113,456	176,662,408	148,113,456
7 OTHER ASSETS				
Accrued interest	4,884,828	2,194,047	4,884,828	2,194,047
Other accounts receivable	2,654,008	1,704,472	2,654,008	1,704,472
The carrying amounts of these assets approximates their fair value.				
	7,538,836	3,898,519	7,538,836	3,898,519

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

8 PROPERTY AND EQUIPMENT Group

Cost	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2007	1,949,499	2,397,460	9,134,009	13,480,968
Additions		470,690	970,841	1,441,531
Disposals		(219,887)	(25,803)	(245,690)
Balance as at 1 January 2008	1,949,499	2,648,263	10,079,047	14,676,809
Additions		482,902	627,479	1,110,381
Balance as at 31 December 2008	1,949,499	3,131,165	10,706,526	15,787,190

Accumulated depreciation	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2007	(555,965)	(1,417,566)	(5,799,010)	(7,772,541)
Depreciation expense	(70,085)	(437,189)	(855,983)	(1,363,257)
Balance as at 1 January 2008	(626,050)	(1,854,755)	(6,654,993)	(9,135,798)
Depreciation expense	(70,085)	(361,384)	(939,944)	(1,371,413)
Balance as at 31 December 2008	(696,135)	(2,216,139)	(7,594,937)	(10,507,211)

Carrying amount

As at 31 December 2007	1,323,449	R 793,508	R 3,424,054	R 5,541,011
As at 31 December 2008	1,253,364	R 915,026	R 3,111,589	R 5,279,979

Property

Johannesburg Property

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

Durban Property

Premises acquired on 31 August 2000 situated at 444 Smith Street, Durban consisting of:

Portion 5 (of 1) of ERF 11003 Durban in extent 390 square meters

Portion 7 (of 6) of ERF 11003 Durban in extent 195 square meters

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

8 PROPERTY AND EQUIPMENT Company

Cost	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2007		2,397,460	8,884,009	11,281,469
Additions		470,690	970,841	1,441,531
Disposals		(219,887)	(25,803)	(245,690)
Balance as at 1 January 2008		2,648,263	9,829,047	12,477,310
Additions		482,902	627,479	1,110,381
Balance as at 31 December 2008		3,131,165	10,456,526	13,587,691

Accumulated depreciation	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
Balance as at 1 January 2007		(1,417,566)	(5,587,600)	(7,005,166)
Depreciation expense		(437,189)	(848,265)	(1,285,454)
Balance as at 1 January 2008		(1,854,755)	(6,435,865)	(8,290,620)
Depreciation expense		(361,384)	(933,770)	(1,295,154)
Balance as at 31 December 2008		(2,216,139)	(7,375,635)	(9,585,774)

Carrying amount

As at 31 December 2007		793,508	3,393,182	4,186,690
As at 31 December 2008		915,026	3,086,891	4,001,917

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	2008 R	Group 2007 R	2008 R	Company 2007 R
9 SHARE CAPITAL				
Authorised				
25,000,000 ordinary shares of R1 each	25,000,000	25,000,000	25,000,000	25,000,000
Issued				
20,000,000 ordinary shares of R1 each	20,000,000	20,000,000	20,000,000	20,000,000
There are no shares to be issued under the control of the directors until the next AGM.				
10 DEPOSITS AND CURRENT ACCOUNTS				
Current accounts	335,482,212	295,506,740	335,482,212	295,506,740
Savings accounts	18,307,327	17,999,835	18,307,327	17,999,835
Time deposit accounts	198,552,385	160,702,398	198,552,385	160,702,398
	552,341,924	474,208,973	552,341,924	474,208,973
Maturity analysis				
Maturing within 1 month	511,893,924	448,394,484	511,893,924	448,394,484
Maturing after 1 month but within 6 months	37,454,000	22,586,522	37,454,000	22,586,522
Maturing after 6 months but within 1 year	2,994,000	3,227,967	2,994,000	3,227,967
	552,341,924	474,208,973	552,341,924	474,208,973
11 OTHER LIABILITIES				
Accrued interest	1,255,938	705,660	1,255,938	705,660
Accrued expenses	426,002	782,688	426,002	782,688
Other accounts payables	2,875,866	1,617,877	2,875,841	1,617,852
The carrying amounts of these liabilities approximates their fair value				
	4,557,806	3,106,225	4,557,781	3,106,200
12 CONTINGENT LIABILITIES				
Letters of guarantee	24,800,025	35,098,003	24,800,025	35,098,003
Letters of credit	20,309,427	12,229,971	20,309,427	12,229,971
Acceptances	948,902	624,219	948,902	624,219
	46,058,354	47,952,193	46,058,354	47,952,193

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	Group		Company	
	2008 R	2007 R	2008 R	2007 R
13 INTEREST INCOME AND EXPENSE				
Interest income comprises interest on:				
Loans and advances	24,758,271	17,009,187	24,758,271	17,009,187
Cash and balances with banks	34,446,692	23,300,004	34,446,692	23,300,004
Investments and negotiable securities	3,197,106	2,592,480	3,197,106	2,592,480
	62,402,069	42,901,671	62,402,069	42,901,671
Interest expense comprises interest on:				
Current and time deposit accounts	(26,341,686)	(15,774,789)	(26,341,686)	(15,774,789)
Savings accounts	(299,607)	(205,336)	(299,607)	(205,336)
Short-term borrowings	(1,222,119)	(802,532)	(1,222,119)	(802,532)
	(27,863,412)	(16,782,657)	(27,863,412)	(16,782,657)
14 NON-INTEREST INCOME				
Commission and foreign exchange earnings	7,190,539	6,482,582	7,190,539	6,482,582
Fee based income	5,654,940	5,161,403	5,654,940	5,161,403
Other income	1,864,040	2,840,739	1,821,539	2,681,748
	14,709,519	14,484,724	14,667,018	14,325,733
15 IMPAIRMENT CHARGES ON LOANS AND ADVANCES				
Balance at beginning of year	2,017,452	1,758,290	2,017,452	1,758,290
Portfolio impairment raised		400,000		400,000
Specific provisions (raised)/reversed during the year	78,868	(140,000)	78,868	(140,000)
Interest suspense raised during the year	26,951	4,698	26,951	4,698
Charge to income statement	105,819	264,698	105,819	264,698
Advances written off against provisions		(5,536)		(5,536)
Balance at end of year	2,123,271	2,017,452	2,123,271	2,017,452
Comprising:				
Specific provision (including interest suspended)	(193,271)	(87,452)	(193,271)	(87,452)
Portfolio impairment reserve	(1,930,000)	(1,930,000)	(1,930,000)	(1,930,000)
	(2,123,271)	(2,017,452)	(2,123,271)	(2,017,452)

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	Group		Company	
	2008 R	2007 R	2008 R	2007 R
16 OPERATING EXPENDITURE				
Operating expenses includes the following items:				
Staff costs	(10,539,522)	(8,949,416)	(10,539,522)	(8,949,416)
- Staff cost - current year	(10,539,522)	(8,949,416)	(10,539,522)	(8,949,416)
Auditors' remuneration	(508,000)	(395,250)	(508,000)	(395,250)
- Audit fee - current year	(508,000)	(395,250)	(508,000)	(395,250)
Depreciation	(1,371,413)	(1,363,257)	(1,295,154)	(1,285,454)
Property	(70,085)	(70,085)		
Motor vehicles	(361,384)	(437,189)	(361,384)	(437,189)
Furniture and office equipment	(939,944)	(855,983)	(933,770)	(848,265)
Provident Fund Contributions	(565,763)	(498,772)	(565,763)	(498,772)
Current service costs	(565,763)	(498,772)	(565,763)	(498,772)
Operating leases	(1,877,711)	(1,768,522)	(2,537,711)	(2,308,522)
Rental - banks premises	(662,570)	(724,251)	(1,322,570)	(1,264,251)
Rental - staff accomodation	(1,215,141)	(1,044,271)	(1,215,141)	(1,044,271)
Directors' emoluments				
Executive directors	(1,439,870)	(1,005,492)	(1,439,870)	(1,005,492)
Basic salary (gross)	(916,600)	(729,171)	(916,600)	(729,171)
Bonus	(200,000)	(48,300)	(200,000)	(48,300)
Private use of motor vehicle	(135,080)	(97,510)	(135,080)	(97,510)
Medical aid contribution	(51,894)	(28,515)	(51,894)	(28,515)
Entertainment		(3,500)		(3,500)
Cell phone	(36,000)		(36,000)	
Housing allowance	(165,296)	(98,496)	(165,296)	(98,496)
Non-executive directors	(1,800,136)	(1,346,118)	(1,800,136)	(1,346,118)
Directors' fees	(1,800,136)	(1,346,118)	(1,800,136)	(1,346,118)

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	Group		Company	
	2008 R	2007 R	2008 R	2007 R
17 TAXATION				
South African Normal Taxation	(6,845,876)	(4,992,635)	(6,845,876)	(4,992,635)
- Current taxation	(6,720,000)	(4,756,000)	(6,720,000)	(4,756,000)
- Overpayment of prior years taxation	5,800		5,800	
- Overpayment / (underprovision) during the year	229,939	(94,719)	229,939	(94,719)
- Secondary taxation on companies	(400,000)	(200,000)	(400,000)	(200,000)
- Deferred taxation	38,385	58,084	38,385	58,084
TAX RATE RECONCILIATION				
Standard rate of taxation	28.00%	29.00%	28.00%	29.00%
Adjustment for:				
- Secondary tax on companies	1.74%	1.19%	1.74%	1.20%
- temporary differences on property and equipment	0.03%	0.17%	0.03%	0.17%
- temporary differences impairments on loan and advances	(0.02%)	(0.80%)	(0.02%)	(0.80%)
- permanent differences	0.11%	0.66%	0.11%	0.66%
- adjustments recognised in the current year in relation to the current prior years	(0.03%)	0.00%	(0.03%)	0.00%
- utilisation of assessed loss in subsidiary	(0.16%)	0.28%	0.00%	0.00%
Effective rate of taxation	29.66%	30.06%	29.83%	30.23%
18 DEFERRED TAXATION				
Deferred tax asset - beginning of the year	(175,954)	(117,870)	(175,954)	(117,870)
Originating temporary difference - furniture and office equipment	(38,385)	(58,084)	(38,385)	(58,084)
Deferred tax asset - end of the year	(214,339)	(175,954)	(214,339)	(175,954)
19 ORDINARY DIVIDENDS				
Final dividend of 20 cents per share for the year 2008 declared on 3 December 2008 and paid from current earnings.	4,000,000	2,000,000	4,000,000	2,000,000
	4,000,000	2,000,000	4,000,000	2,000,000
20 INCOME RECEIVED				
Other assets at beginning of year	3,898,519	6,358,229	3,898,519	6,358,229
Interest income	62,402,069	42,901,671	62,402,069	42,901,671
Other assets at end of year	(7,538,836)	(3,898,519)	(7,538,836)	(3,898,519)
	58,761,752	45,361,381	58,761,752	45,361,381
Adjustments for:				
Movement in interest accrued on treasury bills in the current year	(10,695)	19,666	(10,695)	19,666
Interest suspense	(26,951)	(4,698)	(26,951)	(4,698)
	58,724,106	45,376,349	58,724,106	45,376,349
Non-interest income	14,709,519	14,484,724	14,667,018	14,325,733
Profit on sale of property and equipment		(63,510)		(63,510)
	73,433,625	59,797,563	73,391,124	59,638,572

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	Group		Company	
	2008	2007	2008	2007
	R	R	R	R
21 INTEREST PAID				
Accrued interest at beginning of year	(705,660)	(579,213)	(705,660)	(579,213)
Interest expense	(27,863,412)	(16,782,657)	(27,863,412)	(16,782,657)
Accrued interest at end of year	1,255,938	705,660	1,255,938	705,660
	(27,313,134)	(16,656,210)	(27,313,134)	(16,656,210)
22 CASH PAID TO SUPPLIERS AND EMPLOYEES				
Operating expenditure	(26,064,514)	(23,728,957)	(26,148,304)	(23,731,004)
Adjustments for:				
Depreciation	1,371,413	1,363,257	1,295,154	1,285,454
	(24,693,101)	(22,365,700)	(24,853,150)	(22,445,550)
Working capital changes:				
Increase in bills payable	523,887	433,264	523,887	433,264
Increase/(decrease) in accounts payable (other than accrued interest)	377,416	(2,902,173)	377,416	(2,902,173)
	(23,791,798)	(24,834,609)	(23,951,847)	(24,914,459)
23 DECREASE/(INCREASE) IN LOANS AND ADVANCES				
Loans and advances net of provisions and interest suspense at beginning of the year	148,113,456	134,395,199	148,113,456	134,395,199
Impairment of loan and advances (excluding interest suspense)	(78,868)	(260,000)	(78,868)	(260,000)
Loans and advances net of provisions and interest suspense at end of year	(176,662,408)	(148,113,456)	(176,662,408)	(148,113,456)
(Increase) in loans and advances	(28,627,820)	(13,978,257)	(28,627,820)	(13,978,257)
24 INCREASE IN DEPOSITS AND CURRENT ACCOUNTS				
Deposits and current accounts at beginning of year	474,208,973	429,282,548	474,208,973	429,282,548
Deposits and current accounts at end of year	552,341,924	474,208,973	552,341,924	474,208,973
Increase in deposits and current accounts	78,132,951	44,926,425	78,132,951	44,926,425
25 TAXATION PAID				
Amounts owing/(receivable) at beginning of year	83,333	(11,386)	83,333	(11,386)
(Overprovision) of prior years taxation	(5,800)		(5,800)	
Charge for year	6,490,061	4,850,719	6,490,061	4,850,719
Secondary tax paid	400,000	200,000	400,000	200,000
Amounts receivable/(owing) at end of year to the Receiver of revenue	229,939	(83,333)	229,939	(83,333)
	7,197,533	4,956,000	7,197,533	4,956,000

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

	2008 R	Group	2007 R	2008 R	Company	2007 R
26 DIVIDENDS PAID						
Dividends declared	(4,000,000)		(2,000,000)	(4,000,000)		(2,000,000)
	(4,000,000)		(2,000,000)	(4,000,000)		(2,000,000)

27 RETIREMENT BENEFITS

The Bank has established a defined contribution plan managed by Old Mutual.
The contributions are as follows:

6% of the cost of employment by the employees
7.25% of the cost of employment by the employer

Total current service costs	(565,763)		(498,772)	(565,763)		(498,772)
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28 RELATED PARTIES

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

The exposures at year end are as follows:

Fixed deposit - Euro denominated	1,489,277	5,259,358	1,489,277	5,259,358
Fixed deposit - GBP denominated	596,563	1,000,005	596,563	1,000,005
Favourable bank balances - USD denominated	136,916	1,990,352	136,916	1,990,352
Unfavourable bank balances - USD denominated	(38,570,201)	(19,296,464)	(38,570,201)	(19,296,464)

In addition, Habibsons Bank Limited (London and Zurich Branch) issued guarantees to Habib Overseas Bank Limited totaling R 30,379,000 in respect of facilities granted by the bank to its customers in South Africa.

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

Directors' emoluments (Refer to note 16)

The rentals paid to N77 (Pty) Ltd			660,000	660,000
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29 COMMITMENTS

Operating lease commitments

<1 Year	2,488,600	1,313,175	2,488,600	1,313,175
1-5 Years	2,033,430	4,182,957	2,693,430	4,182,957

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

30 RISK MANAGEMENT

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

30.1 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 six 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.

Group credit risk analysis	2008			2007		
	Balance sheet	Off Balance sheet	Total	Balance sheet	Off Balance sheet	Total
Maximum exposure to credit risk per financial assets						
Cash and balances with central bank	33,568,986		33,568,986	11,023,396		11,023,396
Local and foreign cash	3,677,940		3,677,940	2,742,084		2,742,084
Mandatory reserve deposits with central banks	6,068,000		6,068,000	4,500,000		4,500,000
Other balances with central banks	23,823,046		23,823,046	3,781,312		3,781,312
Loans and advances	570,559,678		570,559,678	485,682,200		485,682,200
Overdrafts	178,785,679		178,785,679	150,130,908		150,130,908
Term loans	393,897,270		393,897,270	337,568,744		337,568,744
Less: impairments of loans and advances	(2,123,271)		(2,123,271)	(2,017,452)		(2,017,452)
Investments and securities	29,682,083		29,682,083	29,725,498		29,725,498
Investment securities	29,682,083		29,682,083	29,725,498		29,725,498
Derivative financial assets	1,808,314		1,808,314	1,173,906		1,173,906
Guarantees - irrevocable		24,800,025	24,800,025		35,098,003	35,098,003
Letter of credits		21,257,329	21,257,329		12,854,190	12,854,190
Other assets	6,174,800		6,174,800	2,900,567		2,900,567
Fixed assets	5,279,979		5,279,979	5,541,011		5,541,011
	647,073,840	46,057,354	691,131,194	536,046,578	47,952,193	583,998,771

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

30 RISK MANAGEMENT (Continued)

30.1 CREDIT RISK (Continued)

Company credit risk analysis	2008			2007		
	Balance sheet	Off Balance sheet	Total	Balance sheet	Off Balance sheet	Total
Maximum exposure to credit risk per financial assets						
Cash and balances with central bank	33,568,986		33,568,986	11,023,396		11,023,396
Local and foreign cash	3,677,940		3,677,940	2,742,084		2,742,084
Mandatory reserve deposits with central banks	6,068,000		6,068,000	4,500,000		4,500,000
Other balances with central banks	23,823,046		23,823,046	3,781,312		3,781,312
Loans and advances	569,892,322		569,892,322	485,217,394		485,217,394
Overdrafts	178,785,679		178,785,679	150,130,908		150,130,908
Term loans	393,229,914		393,229,914	337,103,938		337,103,938
Less: impairments of loans and advances	(2,123,271)		(2,123,271)	(2,017,452)		(2,017,452)
Investments and securities	29,682,083		29,682,083	29,725,498		29,725,498
Investment securities	29,682,083		29,682,083	29,725,498		29,725,498
Derivative financial assets	1,808,314		1,808,314	1,173,906		1,173,906
Guarantees - irrevocable		24,800,025	24,800,025		35,098,003	35,098,003
Letter of credits		21,257,329	21,257,329		12,854,190	12,854,190
Other assets	6,174,800		6,174,800	2,900,567		2,900,567
Investment property	2,199,499		2,199,499	2,199,499		2,199,499
Fixed assets	4,001,917		4,001,917	4,186,690		4,186,690
	647,327,921	46,057,354	693,385,275	536,426,950	47,952,193	584,379,143

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

30 RISK MANAGEMENT (Continued)

30.2 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 audit plays a key role in identifying possible areas of improvement.

30.3 MARKET RISK

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

30.4 INTEREST RATE RISK

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

30.5 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 balances at year end include:

ASSETS	ZAR EQUIVALENT	GBP	USD	EURO
Cash	911,304	4,070	86,027	3,910
Due from Banks Demand	2,965,121	43,688	93,940	115,274
Due from Banks Time	14,876,147		1,589,332	
Loans and Advances	39,896,961		4,120,748	102,694
LIABILITIES				
Deposits	20,024,469	307,448	1,497,058	225,375
Due to Banks	39,038,201		4,170,748	

30.6 COMPLIANCE RISK

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

30.7 INFORMATION TECHNOLOGY RISK

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

30.8 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 THE FINANCIAL STATEMENTS

31 DECEMBER 2008

30 RISK MANAGEMENT (Continued)

30.8 LIQUIDITY RISK (Continued)

Group	2008 R	Term Maturity					Non-Cash
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	
ASSETS							
Cash and cash equivalents	427,466,256	125,460,232	87,123,966	214,882,058			
Other short-term securities	29,682,083			29,682,083			
Derivative financial instruments	1,808,314				1,808,314		
Loans and advances to customers	176,662,408	161,398,408	214,000	2,056,000	1,694,000	11,300,000	
Other assets	5,730,522						5,730,522
Receiver of revenue	229,939						229,939
Deferred taxation	214,339						214,339
Property and equipment	5,279,979						5,279,979
Total assets	647,073,840	286,858,640	87,337,966	246,620,141	3,502,314	11,300,000	11,454,779
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000						20,000,000
Reserves	31,040,559						31,040,559
Total ordinary equity	51,040,559						51,040,559
Total liabilities	596,033,281	487,892,475	63,135,000	34,321,111	7,854,000		2,830,695
Short-term borrowings	39,133,551	39,133,551					
Derivative financial instruments	1,727,111			1,727,111			
Amount owed to depositors	552,341,924	448,758,924	63,135,000	32,594,000	7,854,000		
Other liabilities	2,830,695						2,830,695
Total equity and liabilities	647,073,840	487,892,475	63,135,000	34,321,111	7,854,000		53,871,254
Remaining contractual maturities							
Balance sheet liabilities	596,033,281	489,148,413	63,135,000	34,321,111	7,854,000		1,574,757
Short-term borrowings	39,143,439	39,143,439					
Derivative financial instruments	1,727,111			1,727,111			
Amount owed to depositors	553,587,974	450,004,974	63,135,000	32,594,000	7,854,000		
Other liabilities	1,574,757						1,574,757
Off-balance sheet liabilities	46,058,351	24,800,025		21,258,326			
Irrevocable guarantees	24,800,025	24,800,025					
Irrevocable letters of credit	21,258,326			21,258,326			
Total liabilities	642,091,632	513,948,438	63,135,000	55,579,437	7,854,000		1,574,757

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

30 RISK MANAGEMENT (Continued)

30.8 LIQUIDITY RISK (Continued)

Group	2007 R	Term Maturity					Non-Cash
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	
ASSETS							
Cash and cash equivalents	348,592,140	139,031,140	76,139,000	133,422,000			
Other short-term securities	29,725,498		19,842,000	9,883,498			
Derivative financial instruments	1,173,906				1,173,906		2,724,613
Loans and advances to customers	148,113,456	136,723,456	457,000	617,000	1,174,000	9,142,000	
Other assets	2,724,613						175,954
Deferred taxation	175,954						
Property and equipment	5,541,011						5,541,011
Total assets	536,046,578	275,754,596	96,438,000	143,922,498	2,347,906	9,142,000	8,441,578
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000						20,000,000
Reserves	18,808,592						18,808,592
Total ordinary equity	38,808,592						38,808,592
Total liabilities	497,237,986	411,935,428	56,298,000	15,453,000	11,355,009		2,196,549
Short-term borrowings	19,839,455	19,839,455					
Derivative financial instruments	993,009				993,009		
Amount owed to depositors	474,208,973	392,095,973	56,298,000	15,453,000	10,362,000		
Other liabilities	2,113,216						2,113,216
Current taxation	83,333						83,333
Total equity and liabilities	536,046,578	411,935,428	56,298,000	15,453,000	11,355,009		41,005,141
Remaining contractual maturities							
Balance sheet liabilities	497,237,986	412,641,088	56,298,000	15,453,000	11,355,009		1,490,889
Short-term borrowings	19,858,996	19,858,996					
Derivative financial instruments	993,009				993,009		
Amount owed to depositors	474,895,092	392,782,092	56,298,000	15,453,000	10,362,000		
Other liabilities	1,407,556						1,407,556
Current taxation	83,333						83,333
Off-balance sheet liabilities	47,952,193		35,098,003	12,854,190			
Irrevocable guarantees	35,098,003		35,098,003				
Irrevocable letters of credit	12,854,190			12,854,190			
Total liabilities	545,190,179	412,641,088	91,396,003	28,307,190	11,355,009		1,490,889

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

30 RISK MANAGEMENT (Continued)

30.8 LIQUIDITY RISK (Continued)

Company	2008 R	Term Maturity					Non-Cash
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months	1 - 5 years	
ASSETS							
Cash and cash equivalents	426,798,900	124,792,876	87,123,966	214,882,058			
Other short-term securities	29,682,083			29,682,083			
Derivative financial instruments	1,808,314				1,808,314		
Loans and advances to customers	176,662,408	172,698,408	214,000	2,056,000	1,694,000		
Other assets	5,730,522						5,730,522
Receiver of revenue	229,939						229,939
Deferred taxation	214,339						214,339
Investments in subsidiary	2,199,499						2,199,499
Property and equipment	4,001,917						4,001,917
Total assets	647,327,921	297,491,284	87,337,966	246,620,141	3,502,314		12,376,216
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000						20,000,000
Reserves	31,294,665						31,294,665
Total ordinary equity	51,294,665						51,294,665
Total liabilities	596,033,256	487,892,475	63,135,000	32,594,000	9,581,111		2,830,670
Short-term borrowings	39,133,551	39,133,551					
Derivative financial instruments	1,727,111				1,727,111		
Amount owed to depositors	552,341,924	448,758,924	63,135,000	32,594,000	7,854,000		
Other liabilities	2,830,670						2,830,670
Total equity and liabilities	647,327,921	487,892,475	63,135,000	32,594,000	9,581,111		54,125,335
Remaining contractual maturities							
Balance sheet liabilities	596,033,256	489,148,413	63,135,000	32,594,000	9,581,111		1,574,732
Short-term borrowings	39,143,439	39,143,439					
Derivative financial instruments	1,727,111				1,727,111		
Amount owed to depositors	553,587,974	450,004,974	63,135,000	32,594,000	7,854,000		
Other liabilities	1,574,732						1,574,732
Off-balance sheet liabilities	46,058,351	24,800,025		21,258,326			
Irrevocable guarantees	24,800,025	24,800,025					
Irrevocable letters of credit	21,258,326			21,258,326			
Total liabilities	642,091,607	513,948,438	63,135,000	53,852,326	9,581,111		1,574,732

Habib Overseas Bank Limited

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

30 RISK MANAGEMENT (Continued)

30.8 LIQUIDITY RISK (Continued)

Company	2007 R	Term Maturity					1 - 5 years	Non- Cash
		Demand 0 - 7 days	8 days - 1 month	2 - 3 months	4 - 12 months			
ASSETS								
Cash and cash equivalents	348,127,334	139,566,334	76,139,000	133,422,000				
Other short-term securities	29,725,498		19,842,000	9,883,498				
Derivative financial instruments	1,173,906				1,173,906			
Loans and advances to customers	148,113,456	145,865,456	457,000	617,000	1,174,000			
Other assets	2,724,613							2,724,613
Deferred taxation	175,954							175,954
Investments in subsidiary	2,199,499							2,199,499
Property and equipment	4,186,690							4,186,690
Total assets	536,426,950	284,431,790	96,438,000	143,922,498	2,347,906			9,286,756
EQUITY AND LIABILITIES								
Equity								
Ordinary share capital	20,000,000							20,000,000
Reserves	19,188,989							19,188,989
Total ordinary equity	39,188,989							39,188,989
Total liabilities	497,237,961	411,935,428	56,298,000	15,453,000	10,362,000	993,009		2,196,524
Short-term borrowings	19,839,455	19,839,455						
Derivative financial instruments	993,009					993,009		
Amount owed to depositors	474,208,973	392,095,973	56,298,000	15,453,000	10,362,000			
Other liabilities	2,113,191							2,113,191
Current taxation	83,333							83,333
Total equity and liabilities	536,426,950	411,935,428	56,298,000	15,453,000	10,362,000	993,009		41,385,513
Remaining contractual maturities								
Balance sheet liabilities	497,237,961	412,641,088	56,298,000	15,453,000	10,362,000	993,009		1,490,864
Short-term borrowings	19,858,996	19,858,996						
Derivative financial instruments	993,009					993,009		
Amount owed to depositors	474,895,092	392,782,092	56,298,000	15,453,000	10,362,000			
Other liabilities	1,407,531							1,407,531
Current taxation	83,333							83,333
Off-balance sheet liabilities	47,952,193	35,098,003		12,854,190				
Irrevocable guarantees	35,098,003	35,098,003						
Irrevocable letters of credit	12,854,190			12,854,190				
Total liabilities	545,190,154	447,739,091	56,298,000	28,307,190	10,362,000	993,009		1,490,864