

Habib Overseas Bank Limited

(Registration number 1990/004437/06)

AUDITED ANNUAL FINANCIAL STATEMENTS 2014

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These financial statements were prepared by Rizwana Shaik (Manager) 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 2014, 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 a going concern in the year ahead.

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

The consolidated and company annual financial statements, as identified in the first paragraph, were approved by the Board of Directors on 24 March 2015 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 2014, 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
24 March 2015

Habib Overseas Bank Limited

DIRECTORS AND SECRETARY

DIRECTORS

Habib Mohamed D Habib
(Chairman)

Asghar 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

N-77 North Mall
Oriental Plaza
Fordsburg 2092
P O Box 62369
Marshalltown, 2107
Tel: (011) 834-7441
Fax: (011) 834-7446
E-mail: habib@habiboverseas.co.za
Website: www.habiboverseas.co.za

ORIENTAL PLAZA BRANCH

N-77 Oriental Plaza
Fordsburg
P O Box 62369
Marshalltown, 2107
Tel: (011) 834-7441/838-3670
Fax: (011) 834-7446/838-3672
Telex: 430 073
E-mail: sshaikh@habiboverseas.co.za

LENASIA BRANCH

53 Gembok Street
Lenasia
P O Box 62369
Marshalltown, 2107
Tel: (011) 854-5998
Fax: (011) 854-6308
Telex: 420 032
E-mail: lenasiabr@habiboverseas.co.za

LAUDIUM BRANCH

246 Tangerine Street
Laudium
P O Box 14573
Laudium, 0037
Tel: (012) 374-2355/374-6993
Fax: (012) 374-5561
Telex: 320 088
E-mail: laudiumbranch@habiboverseas.co.za

CAPE TOWN BRANCH

12 Mavis Road
Rylands
P O Box 38382
Gatesville, 7766
Tel: (021) 637-2090/637-2093
Fax: (021) 637-2099
Telex: 521 033
E-mail: cptbranch@habiboverseas.co.za

DURBAN BRANCH

534 Peter Mokaba Ridge
Durban
P O Box 49409
Qualbert, 4078
Tel: (031) 275-7800
Fax: (031) 275-7801
Telex: 620 040
E-mail: dbnbranch@habiboverseas.co.za

Habib Overseas Bank Limited

CHAIRMAN'S STATEMENT

The world economy, with the exception of a few countries, experienced subdued growth during 2014. Under-performance in the economy was observed across almost all regions and major economic groups. A number of emerging economies, which had already experienced a notable slowdown in the past two years encountered new headwinds during 2014 on both international and domestic fronts. The situation in Russia and Ukraine, a sharp drop in the oil and commodity prices globally, an end to quantitative easing programme and expectations of increase in interest rates in USA, unsettled economic growth of most of the economies during 2014.

South Africa, like all other emerging economies faced multiple problems in 2014. Widespread strikes in the mining sector, electricity shortage in the country, drop in price of its commodities in the international market, rising unemployment and trade deficit kept pressure on its economy throughout the year. As a result, a growth rate of 1.5% only could be achieved in 2014 down from 2.2% in 2013. The inflation in the country however dropped substantially and remained within the targeted figure of 3% - 6%. The drop in oil price may bring some relief to the consumers but, the expected increase in electricity tariffs in the country is likely to offset the relief derived out of the cheaper oil prices. The South African Rand, like all other emerging market currencies, continued to remain under pressure during the year and depreciated by about 10%. At the present level of exchange value of Rand, exports are expected to increase substantially during 2015, giving some boost to the economic growth. I hope 2015 would prove to be a much better year for South African economy as positive results are expected both from mining and manufacturing sectors.

The bank performed satisfactorily during 2014 and by the Grace of God achieved a pre-tax profit of R21.1 million (2013 – R19.7 million). Deposits from customers stood at R1,079.3 million (2013 – R954.9 million) and loans and advances increased to R423.4 million (2013 – R333.4 million). We continued to maintain a conservative credit / deposit ratio and high level of liquidity during the year. The credit portfolio is healthy and well managed. As in the past year, dividend of 30cents per share (ZAR 6.0 million) was declared for the shareholders.

We would endeavour to increase our market share by opening new branches and introducing new products during the next two years. Our Durban Branch has moved to a new location in 2014. We expect that with the change in location, this branch will be able to get a bigger share in the market. The bank also successfully launched Internet Banking facility during the year, which would be very helpful in securing new customers and meet the requirements of our existing customers.

The bank will be celebrating its 25th Anniversary in 2015. We are proud and privileged to be a part of the Banking fraternity in South Africa during the last twenty five years. I am grateful for the support of our loyal and dedicated customers since the inception of the bank. I would also like to thank my fellow Directors, Management and Staff for their continuous support and contribution towards the growth of the Bank.



Habib Mohamed D Habib

Chairman

24 March 2015

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 48, which comprise the consolidated and separate statements of financial position as at 31 December 2014, 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 2014, 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 2014, 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
29 April 2015

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 *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services
*TJ Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board
A full list of partners and directors is available on request * Partner and Registered Auditor
B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code
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 H 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 branch audits, and management responses thereon.

Internal financial controls

The committee has reviewed the effectiveness of the company's system of internal financial controls, which includes receiving assurances from management and internal and external audit. Nothing had come to the attention of the 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 2014 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 2014.

SHARE CAPITAL

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

DIRECTORS AND SECRETARY

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

PRINCIPAL ACTIVITIES

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

FINANCIAL

Total comprehensive income after taxation of Habib Overseas Bank for the year amounted to R16,097,069 (2013: R14,281,752).

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.

	2014	2013
	R	R
Net profit after taxation for the year	9,509,584	275,750

CAPITAL ADEQUACY

	2014	2013
Capital adequacy ratio	17.73%	20.02%

The minimum reserve bank requirement for capital adequacy ratio is 10.25%.

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 2014

	Notes	Group		Company	
		2014 R	2013 R	2014 R	2013 R
ASSETS					
Non-Current Assets		58,463,353	21,375,878	59,266,771	22,593,433
Property, plant and equipment	3	6,119,532	4,726,511	5,672,950	3,744,567
Investment in subsidiary	4	-	-	1,250,000	2,199,499
Long-term loans and advances	5	51,298,665	16,403,588	51,298,665	16,403,588
Deferred tax asset	20.2	1,045,156	245,779	1,045,156	245,779
Current Assets		1,147,745,579	1,035,431,843	1,147,803,497	1,035,454,551
Cash and cash equivalents	6	573,136,104	583,144,665	573,136,104	583,144,665
Investments and negotiable securities	7	196,398,087	129,209,777	196,398,087	129,209,777
Loans and advances	8	372,154,310	316,960,153	372,154,310	316,960,153
Other assets	9	6,057,078	5,690,958	6,057,078	5,690,958
Receiver of Revenue	27	-	426,290	57,918	448,998
Total assets		1,206,208,932	1,056,807,721	1,207,070,268	1,058,047,984
EQUITY AND LIABILITIES					
Capital and Reserves					
Equity attributable to ordinary shareholders		102,514,467	82,907,815	92,667,338	82,570,269
Share capital	10	20,000,000	20,000,000	20,000,000	20,000,000
Retained earnings		82,514,467	62,907,815	72,667,338	62,570,269
Liabilities		1,103,694,465	973,899,906	1,114,402,930	975,477,715
Non-Current Liabilities					
Deferred tax liability	20.1	69,244	-	-	-
Current Liabilities		1,103,625,221	973,899,906	1,114,402,930	975,477,715
Short-term borrowings	6	27,984,312	14,223,644	27,984,312	14,223,644
Deposits and current accounts	11	1,068,507,396	953,345,814	1,079,348,742	954,923,634
Other liabilities	12	7,069,888	6,330,448	7,069,876	6,330,437
Receiver of Revenue	27	63,625	-	-	-
Total equity and liabilities		1,206,208,932	1,056,807,721	1,207,070,268	1,058,047,984

Habib Overseas Bank Limited

Statement of comprehensive income

for the year ended 31 December 2014

	Notes	Group 2014 R	2013 R	Company 2014 R	2013 R
Revenue					
Net interest income		45,081,421	38,875,635	45,065,150	38,875,635
Interest and similar income	14	66,304,836	57,482,461	66,304,836	57,482,461
Interest expense and similar charges	14	(21,223,415)	(18,606,826)	(21,239,686)	(18,606,826)
Non-interest income	15	21,588,203	21,265,415	21,521,605	21,204,315
Gains on disposal of property	15	11,468,281	-	-	-
Net interest and non-interest income		78,137,905	60,141,050	66,586,755	60,079,950
Impairment charge on loans and advances	16	(219,081)	(309,609)	(219,081)	(309,609)
Operating expenditure	17	(45,312,582)	(39,655,921)	(45,247,900)	(40,024,421)
Profit before taxation		32,606,242	20,175,520	21,119,774	19,745,920
Taxation	19	(6,999,590)	(5,618,018)	(5,022,705)	(5,464,168)
Profit for the year		25,606,652	14,557,502	16,097,069	14,281,752
Profit attributable to:		25,606,652	14,557,502	16,097,069	14,281,752
- Owners of the Company		25,606,652	14,557,502	16,097,069	14,281,752
Total comprehensive income attributable to:		25,606,652	14,557,502	16,097,069	14,281,752
- Owners of the Company		25,606,652	14,557,502	16,097,069	14,281,752

Habib Overseas Bank Limited

Statement of changes in equity

for the year ended 31 December 2014

	Note	Share capital R	Retained earnings R	Total R
Group				
Balance as at 01 January 2013		20,000,000	54,350,313	74,350,313
Changes in equity in the current year				
Profit for the year		-	14,557,502	14,557,502
Dividends declared and paid in 2013	21	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2013		20,000,000	62,907,815	82,907,815
Changes in equity in the current year				
Profit for the year		-	25,606,652	25,606,652
Dividends declared and paid in 2014	21	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2014		20,000,000	82,514,467	102,514,467
Company				
Balance as at 01 January 2013		20,000,000	54,288,517	74,288,517
Changes in equity in the current year				
Profit for the year		-	14,281,752	14,281,752
Dividends declared and paid in 2013	21	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2013		20,000,000	62,570,269	82,570,269
Changes in equity in the current year				
Profit for the year		-	16,097,069	16,97,069
Dividends declared and paid in 2014	21	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2014		20,000,000	72,667,338	92,667,338

Habib Overseas Bank Limited

Statement of cash flows

for the year ended 31 December 2014

	Notes	Group		Company	
		2014 R	2013 R	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES					
Interest income and other income received	22 (a)	86,845,120	77,058,942	86,778,522	76,997,842
Interest paid	23	(20,481,488)	(18,980,791)	(20,497,759)	(18,980,791)
Cash paid to suppliers and employees	24	(44,063,030)	(39,374,596)	(44,001,990)	(39,743,108)
Cash generated from operations		22,300,602	18,703,555	22,278,773	18,273,943
Increase in loans and advances	25	(90,089,234)	(36,483,156)	(90,089,234)	(36,483,156)
Increase/(decrease) in deposits and current accounts	26	115,161,583	(44,228,205)	124,425,108	(43,929,735)
Taxation paid	27	(7,239,808)	(5,787,222)	(5,431,002)	(5,656,080)
Dividends paid	28	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Net cash inflow/(outflow) from operating activities		34,133,143	(73,795,029)	45,183,645	(73,795,029)
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property and equipment	3	(3,176,779)	(2,227,960)	(3,176,779)	(2,227,960)
Proceeds on disposal of property and equipment	22 (b)	12,000,000	-	-	-
Loan repaid		-	-	949,499	-
Payments to acquire financial assets - treasury bills		(66,725,592)	(3,054,218)	(66,725,592)	(3,054,218)
Net cash (outflow) from investing activities		(57,902,372)	(5,282,178)	(68,952,873)	(5,282,178)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(23,769,229)	(79,077,207)	(23,769,229)	(79,077,207)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	568,921,021	647,998,228	568,921,021	647,998,228
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	545,151,792	568,921,021	545,151,792	568,921,021

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014

1. ACCOUNTING POLICIES

1.1 Basis of accounting and separate statement of compliance

The annual financial statements for the year ended 31 December 2014 and the comparative figures are prepared in accordance with, and comply with the International Financial Reporting Standards (IFRS) and the South African Companies Act of 2008. The financial statements are presented in South African Rand (ZAR) and are prepared in accordance with the going concern principle on the historical cost basis, with derivatives at fair-value.

1.2 Accounting standards issued but not yet effective

Recent accounting developments

There are standards and interpretations in issue that are not yet effective. These include the following standards and interpretations that could be applicable to the business of the Group and may have an impact on future financial statements. The impact of the initial application has not been assessed as at the date of authorisation of the annual financial statements 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 2017.

IFRS 15 (*Revenue from contracts with customers*) was issued during 2014 but is only effective for annual periods beginning on or after 1 January 2017. The Group will comply with the applicable standard from the year ending 31 December 2017.

1.3 Interest income and expenses recognition

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

1.4 Basis of consolidation

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

1.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity 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 2014 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Financial instruments

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

Financial instruments of the Bank are classified as follows:

(i) Financial assets

- (a) Financial instruments at Fair Value through Profit or Loss (FVTPL).
- (b) Investments held to maturity. 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.

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 on 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 2014 (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 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) 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) 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.

Financial asset and liabilities - 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.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (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 2014 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

1.10 Property, plant and equipment

The Group considers land and buildings to be owner occupied and they are depreciated on the straight-line 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 R196.4 million (2013 : R 129.2 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 R442,328 (2013 : R759,508). 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 2014 (continued)

2 STATEMENT OF FINANCIAL POSITION - CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

* The Short-term securities fair value is R 187,017,560 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price. No impairment was recognised on the investment, since they will be held-to-maturity.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

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

Group	2013 R	Held-for- trading R	Held-to-maturity investments R	Loans and receivables R	Non-financial assets R
ASSETS					
Non-Current Assets	21,375,878	-	-	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
Current Assets	1,035,431,843	759,508	129,209,777	905,036,268	426,290
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	4,931,450	-	-	4,931,450	-
Receiver of Revenue	426,290	-	-	-	426,290
Total assets	1,056,807,721	759,508	129,209,777	921,439,856	5,398,580
EQUITY AND LIABILITIES					
Equity				Carried at amortised cost	Non-financial liabilities
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	62,907,815	-	-	-	62,907,815
Total ordinary equity	82,907,815	-	-	-	82,907,815
Total Liabilities	973,899,906	747,819	-	973,152,087	-
Non-Current Liabilities	-	-	-	-	-
Current Liabilities	973,899,906	747,819	-	973,152,087	-
Short-term borrowings	14,223,644	-	-	14,223,644	-
Amount owed to depositors	953,345,814	-	-	953,345,814	-
Derivative financial instruments (Forward exchange contracts)	747,819	747,819	-	-	-
Other liabilities	5,582,629	-	-	5,582,629	-
Total equity and liabilities	1,056,807,721	747,819	-	973,152,087	82,907,815

* 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.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

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

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

* The Short-term securities fair value is R 187,017,560 which is obtained from the South African Multiple Option Settlement (Samos) system at the market price. No impairment was recognised on the investment, since they will be held-to-maturity.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

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

Company	2013 R	Held-for- trading R	Held-to-maturity investments R	Loans and receivables R	Non-financial assets R
ASSETS					
Non-Current Assets	22,593,433	-	-	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
Current Assets	1,035,454,551	759,508	129,209,777	905,036,268	448,998
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	4,931,450	-	-	4,931,450	-
Receiver of Revenue	448,998	-	-	-	448,998
Total assets	1,058,047,984	759,508	129,209,777	921,439,856	6,638,843
EQUITY AND LIABILITIES					
Equity				Carried at amortised cost	Non-financial liabilities
Ordinary share capital	20,000,000	-	-	-	20,000,000
Reserves	62,570,269	-	-	-	62,570,269
Total ordinary equity	82,570,269	-	-	-	82,570,269
Total Liabilities	975,477,715	747,819	-	974,729,896	-
Non-Current Liabilities	-	-	-	-	-
Current Liabilities	975,477,715	747,819	-	974,729,896	-
Short-term borrowings	14,223,644	-	-	14,223,644	-
Amount owed to depositors	954,923,634	-	-	954,923,634	-
Derivative financial instruments (Forward exchange contracts)	747,819	747,819	-	-	-
Other liabilities	5,582,618	-	-	5,582,618	-
Total equity and liabilities	1,058,047,984	747,819	-	974,729,896	82,570,269

* 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.

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (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 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)
Balance as at 1 January 2014	1,949,499	3,873,640	12,329,079	18,152,218
Additions	-	-	3,176,779	3,176,779
Disposals	(949,499)	(244,354)	(2,100,487)	(3,294,340)
Balance as at 31 December 2014	1,000,000	3,629,286	13,405,371	18,034,657

Accumulated Depreciation	Land and buildings R	Motor vehicles R	Furniture and office equipment R	Total R
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
Balance as at 1 January 2014	(977,671)	(3,382,291)	(9,065,745)	(13,425,707)
Depreciation expense	-	(168,194)	(1,054,696)	(1,222,890)
Disposals	417,780	244,354	2,071,338	2,733,472
Balance as at 31 December 2014	(559,891)	(3,306,131)	(8,049,103)	(11,915,125)

Carrying amount

As at 31 December 2013	971,828	491,349	3,263,334	4,726,511
As at 31 December 2014	440,109	323,155	5,356,268	6,119,532

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 (2013: R3,730,000).

Durban Property- Disposed 24 December 2014

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 metres
Portion 7 (of 6) of ERF 11003 Durban in extent 195 square metres. The municipal valuation of the property is R1,650,000 (2013: R1,650,000). The property for 444 Smith Street was disposed in December 2014.

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (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 2013	3,873,640	9,929,538	13,803,178
Additions	-	2,227,960	2,227,960
Disposals	-	(78,418)	(78,418)
Balance as at 1 January 2014	3,873,640	12,079,080	15,952,720
Additions	-	3,176,779	3,176,779
Disposals	(244,354)	(2,100,488)	(2,344,842)
Balance as at 31 December 2014	3,629,286	13,155,371	16,784,657

Accumulated Depreciation	Motor vehicles R	Furniture and office equipment R	Total R
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
Balance as at 1 January 2014	(3,382,291)	(8,825,862)	(12,208,153)
Depreciation expense	(168,194)	(1,051,025)	(1,219,219)
Disposals	244,354	2,071,311	2,315,665
Balance as at 31 December 2014	(3,306,131)	(7,805,576)	(11,111,707)

Carrying amount

As at 31 December 2013	491,349	3,253,218	3,744,567
As at 31 December 2014	323,155	5,349,795	5,672,950

	Holding	2014 R	2013 R
4 INVESTMENT IN SUBSIDIARY			
N77 Oriental Plaza (Proprietary) Limited - share at cost	100%	1	1
Loan to subsidiary		1,249,499	2,199,498
		1,250,000	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 loans to subsidiary is interest free and is recognised as a long-term loan. The loan of R 949,499 for 444 Smith Street Durban Property was repaid when the property was sold in December 2014.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

	Group		Company	
	2014 R	2013 R	2014 R	2013 R
NON-CURRENT ASSETS				
5 LONG-TERM LOANS AND ADVANCES				
- Loans to customers	51,298,665	16,403,588	51,298,665	16,403,588
Net maturity analyses				
Maturing in excess of 1 year	51,298,665	16,403,588	51,298,665	16,403,588
Sectoral analyses				
Companies and close corporations	49,783,536	14,730,942	49,783,536	14,730,942
Unincorporated businesses	-	648,521	-	648,521
Individuals	1,515,129	1,024,125	1,515,129	1,024,125
	51,298,665	16,403,588	51,298,665	16,403,588
Sectoral distribution				
Manufacturing	744,970	1,575,412	744,970	1,575,412
Wholesale and retail trade, repair of specified items, hotel	21,738,719	7,943,542	21,738,719	7,943,542
Transport, storage and communication	701,398	927,254	701,398	927,254
Financial intermediation and insurance	521,257	648,521	521,257	648,521
Real estate	18,715,031	2,702,156	18,715,031	2,702,156
Business services	7,362,161	1,582,578	7,362,161	1,582,578
Individuals	1,515,129	1,024,125	1,515,129	1,024,125
	51,298,665	16,403,588	51,298,665	16,403,588
CURRENT ASSETS				
6 CASH AND CASH EQUIVALENTS (AND SHORT-TERM BORROWINGS)				
Coin and bank notes	4,503,371	6,334,365	4,503,371	6,334,365
Money at call and short term notice with banks	556,104,590	566,324,300	556,104,590	566,324,300
Balances with central bank	12,528,143	10,486,000	12,528,143	10,486,000
	573,136,104	583,144,665	573,136,104	583,144,665
Short-term borrowings	(27,984,312)	(14,223,644)	(27,984,312)	(14,223,644)
Net cash and cash equivalents	545,151,792	568,921,021	545,151,792	568,921,021
Net maturity analyses				
Maturing within 1 month	287,601,792	281,921,021	287,601,792	281,921,021
Maturing after 1 month but within 3 months	176,650,000	280,000,000	176,650,000	280,000,000
Maturing after 3 months but within 1 year	80,900,000	7,000,000	80,900,000	7,000,000
Net cash and cash equivalents	545,151,792	568,921,021	545,151,792	568,921,021
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.				
7 INVESTMENTS AND NEGOTIABLE SECURITIES				
Treasury Bills				
Maturing within 1 year	196,398,087	129,209,777	196,398,087	129,209,777
Total investment in Treasury Bills	196,398,087	129,209,777	196,398,087	129,209,777
Market valuation of total investments	187,017,560	123,041,650	187,017,560	123,041,650

No impairments were recognised as treasury bills are held-to-maturity. There is no objective evidence that an impairment has occurred.

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

	Group		Company	
	2014 R	2013 R	2014 R	2013 R
CURRENT ASSETS				
8 LOANS AND ADVANCES				
Advances to customers and bills discounted	427,182,993	336,874,678	427,182,993	336,874,678
Less: Long-term loans and advances	(51,298,665)	(16,403,588)	(51,298,665)	(16,403,588)
Less: Impairment of loans and advances	(3,730,018)	(3,510,937)	(3,730,018)	(3,510,937)
Advances to customers and bills discounted net of impairments	372,154,310	316,960,153	372,154,310	316,960,153
Net maturity analyses				
Maturing within 1 month (overdrafts - payable on demand)	335,538,619	282,628,937	335,538,619	282,628,937
Maturing after 1 month but within 3 months	10,258,146	10,738,464	10,258,146	10,738,464
Maturing after 3 months but within 1 year	26,357,545	23,592,752	26,357,545	23,592,752
	372,154,310	316,960,153	372,154,310	316,960,153
Sectoral analyses				
Companies and close corporations	348,530,720	292 325 464	348,530,718	292 325 464
Unincorporated businesses	17,490,838	11,775,018	17,490,838	11,775,018
Individuals	4,993,659	10 428 954	4,993,659	10 428 954
Non-profit institutions	1,139,095	2,430,717	1,139,095	2,430,717
	372,154,310	316,960,153	372,154,310	316,960,153
Sectoral distribution				
Manufacturing	97,176,117	60 405 618	97,176,117	60 405 618
Electricity, gas and water supply	6,472,295	5,176,058	6,472,295	5,176,058
Wholesale and retail trade, repair of specified items, hotel	200,045,211	179,720,388	200,045,211	179,720,388
Transport, storage and communication	3,194,382	2,329,327	3,194,382	2,329,327
Financial intermediation and insurance	11,173,345	16 377 252	11,173,345	16 377 252
Real estate	16,100,828	7 414 958	16,100,828	7 414 958
Business services	13,964,764	5 621 580	13,964,764	5 621 580
Community, social and personal services	3,622,507	7 904 852	3,622,507	7 904 852
Individuals	4,993,659	10,428,954	4,993,659	10,428,954
Other	15,411,202	21,581,166	15,411,202	21,581,166
	372,154,310	316,960,153	372,154,310	316,960,153
9 OTHER ASSETS				
Accrued interest	3,239,262	2,698,148	3,239,262	2,698,148
Other accounts receivable	2,817,816	2,992,810	2,817,816	2,992,810
	6,057,078	5,690,958	6,057,078	5,690,958

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 2014 (continued)

	Group		Company	
	2014 R	2013 R	2014 R	2013 R
10 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
CURRENT LIABILITIES				
11 DEPOSITS AND CURRENT ACCOUNTS				
Current and call accounts	684,902,289	656,267,078	695,743,635	657,844,898
Savings accounts	63,797,265	61,991,189	63,797,265	61,991,189
Time deposit accounts	319,807,842	235,087,547	319,807,842	235,087,547
	1,068,507,396	953,345,814	1,079,348,742	954,923,634
Maturity analyses				
Maturing within 1 month	965,684,856	899,549,508	976,526,202	901,127,328
Maturing after 1 month but within 6 months	89,834,470	45,043,349	89,834,470	45,043,349
Maturing after 6 months but within 1 year	12,988,070	8,752,957	12,988,070	8,752,957
	1,068,507,396	953,345,814	1,079,348,742	954,923,634
12 OTHER LIABILITIES				
Accrued interest	1,480,095	738,168	1,480,095	738,168
Accrued expenses	3,004,606	3,332,696	3,004,606	3,332,696
Other accounts payables	2,585,187	2,259,584	2,585,175	2,259,573
	7,069,888	6,330,448	7,069,876	6,330,437
The carrying amounts of these liabilities approximates their fair value. The fair value of derivative instruments (FEC) are recognised in other liabilities.				
13 CONTINGENT LIABILITIES				
Letters of guarantee	23,248,535	37,998,071	23,248,535	37,998,071
Letters of credit	15,671,850	6,577,737	15,671,850	6,577,737
Acceptances	1,484,921	2,675,359	1,484,921	2,675,359
	40,405,306	47,251,167	40,405,306	47,251,167

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

	Group		Company	
	2014 R	2013 R	2014 R	2013 R
14 INTEREST INCOME AND EXPENSE				
Interest and similar income comprises interest on:				
Loans and advances	30,354,423	26,018,776	30,354,423	26,018,776
Balances with banks	27,972,129	24,977,897	27,972,129	24,977,897
Investments and negotiable securities	7,978,284	6,485,788	7,978,284	6,485,788
	66,304,836	57,482,461	66,304,836	57,482,461
Interest expense and similar charges comprises interest on:				
Current and time deposit accounts	(20,536,136)	(18,141,966)	(20,552,426)	(18,141,966)
Savings accounts	(148,361)	(124,244)	(148,361)	(124,244)
Balances with banks	(538,918)	(340,616)	(538,899)	(340,616)
	(21,223,415)	(18,606,826)	(21,239,686)	(18,606,826)
15 NON-INTEREST INCOME				
Commission and foreign exchange earnings	8,948,319	8,845,167	8,948,319	8,845,167
Fee based income	10,429,017	10,262,234	10,429,017	10,262,234
Other income	2,210,867	2,158,014	2,144,269	2,096,914
Subtotal	21,588,203	21,265,415	21,521,605	21,204,315
Gains on disposal of property	11,468,281	-	-	-
	33,056,484	21,265,415	21,521,605	21,204,315
Included in the interest, non-interest and other comprehensive income is an amount of R 18,287 (2013: R 11,689) being the gains on derivative financial instruments (forward exchange contracts) at 31 December 2014 and an amount of R 27,243 (2013: R 21,639) being the exchange rate differences on foreign exchange transactions.				
16 IMPAIRMENT CHARGE ON LOANS AND ADVANCES				
Balance at beginning of year	3,510,937	3,266,079	3,510,937	3,266,079
Specific impairment raised during the year	-	-	-	-
Interest suspense raised during the year	219,081	309,609	219,081	309,609
Charge to income statement	219,081	309,609	219,081	309,609
Advances written off against specific impairments	-	(64,751)	-	(64,751)
Balance at end of year	3,730,018	3,510,937	3,730,018	3,510,937
Comprising:				
Specific impairment (including interest suspended)	(2,830,018)	(2,610,937)	(2,830,018)	(2,610,937)
Portfolio impairment reserve	(900,000)	(900,000)	(900,000)	(900,000)
Balance at end of year	(3,730,018)	(3,510,937)	(3,730,018)	(3,510,937)

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

	Group		Company	
	2014 R	2013 R	2014 R	2013 R
17 OPERATING EXPENDITURE				
Operating expenses include the following items:				
Staff costs	(18,490,105)	(16,180,154)	(18,490,105)	(16,180,154)
- Staff cost	(18,490,105)	(16,180,154)	(18,490,105)	(16,180,154)
Provident Fund Contributions	(1,058,897)	(937,900)	(1,058,897)	(937,900)
Current service costs	(1,058,897)	(937,900)	(1,058,897)	(937,900)
Auditors' remuneration				
- Audit fee	(796,004)	(573,305)	(796,004)	(573,305)
Depreciation	(1,222,890)	(717,289)	(1,219,219)	(717,289)
Land and buildings	-	-	-	-
Motor vehicles	(168,194)	(260,730)	(168,194)	(260,730)
Furniture and office equipment	(1,054,696)	(456,559)	(1,051,025)	(456,559)
Operating leases	(4,061,703)	(3,851,488)	(4,601,703)	(4,631,488)
Rental - banks premises	(2,245,181)	(1,988,794)	(2,785,181)	(2,768,794)
Rental - staff accommodation	(1,816,522)	(1,862,694)	(1,816,522)	(1,862,694)
Loss on disposal of assets	(29,177)	(15,443)	(29,177)	(15,443)

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

	Group		Company	
	2014 R	2013 R	2014 R	2013 R
18 Directors' emoluments				
Total Directors Emoluments	(2,911,750)	(2,689,737)	(2,911,750)	(2,689,737)
Managing Director - Manzar A Kazmi	(1,748,667)	(1,649,993)	(1,748,667)	(1,649,993)
Basic salary (gross)	(1,128,000)	(1,015,000)	(1,128,000)	(1,015,000)
Bonus and performance related payments	(94,500)	(103,000)	(94,500)	(103,000)
Private use of motor vehicle	(202,819)	(202,819)	(202,819)	(202,819)
Medical aid contribution	(53,118)	(46,656)	(53,118)	(46,656)
Pension / provident scheme contributions	(85,260)	(73,219)	(85,260)	(73,219)
Cell phone	(42,000)	(40,000)	(42,000)	(40,000)
Housing allowance	(142,970)	(169,299)	(142,970)	(169,299)
Executive Director - A Ansari	(1,163,083)	(1,039,744)	(1,163,083)	(1,039,744)
Basic salary (gross)	(784,600)	(662,300)	(784,600)	(662,300)
Bonus and performance related payments	(66,300)	(60,800)	(66,300)	(60,800)
Private use of motor vehicle	(72,776)	(94,353)	(72,776)	(94,353)
Medical aid contribution	(49,932)	(47,192)	(49,932)	(47,192)
Pension / provident scheme contributions	(57,536)	(52,118)	(57,536)	(52,118)
Cell phone	(9,000)	(9,000)	(9,000)	(9,000)
Housing allowance	(122,939)	(113,981)	(122,939)	(113,981)
Non-executive Directors	(203,000)	(165,000)	(203,000)	(165,000)
Non-executive Director 1 - M Bramwell	(115,000)	(100,000)	(115,000)	(100,000)
Non-executive Director 2 - BW Smith	(88,000)	(65,000)	(88,000)	(65,000)
Non-executive Director 3 - Asghar D Habib	-	-	-	-

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 2014 (continued)

	Group		Company	
	2014	2013	2014	2013
	R	R	R	R
19 TAXATION				
South African Normal Taxation	(6,999,590)	(5,618,018)	(5,022,705)	(5,464,168)
- Taxation paid - current year	(5,880,000)	(6,011,142)	(5,880,000)	(5,880,000)
- Taxation - overpayment(underpayment) - current year	(63,625)	426,290	57,918	448,998
- Capital gains tax	(1,786,098)	-	-	-
- Deferred taxation	730,133	(33,166)	799,377	(33,166)
TAX RATE RECONCILIATION				
Standard rate of taxation	28.00%	28.00%	28.00%	28.00%
Adjustment for permanent differences:				
- capital gains tax on companies	(5.48)%	-	-	-
- other permanent differences	1.12%	(0.31)%	(0.44)%	(0.33)%
- (increase)/decrease in deferred tax (asset) / liability	(2.24)%	-	(3.78)%	-
- permanent differences recognised in the current year in relation to the tax of prior years	0.07%	0.16%	0.00%	0.00%
Effective rate of taxation	21.47%	27.85%	23.78%	27.67%
20 DEFERRED TAXATION				
20.1 Group				
- Deferred tax asset beginning of the year on property and equipment	-	-	-	-
- Originating temporary difference	69,244	-	-	-
Deferred tax liability end of the year on property and Equipment	69,244	-	-	-
Total deferred tax liability at the end of the year	69,244	-	-	-
20.2 Group and company				
- Deferred tax asset beginning of the year on property and equipment	(182,779)	(215,945)	(182,779)	(215,945)
- Originating temporary difference	4,223	33,166	4,223	33,166
Deferred tax liability/(asset) end of the year on property and Equipment	(178,556)	(182,779)	(178,556)	(182,779)
- Deferred tax asset beginning of the year on general debt allowance	(63,000)	(63,000)	(63,000)	(63,000)
- Originating temporary difference	(126,000)	-	(126,000)	-
Deferred tax (asset) end of the year on general debt allowance	(189,000)	(63,000)	(189,000)	(63,000)
- Deferred tax asset beginning of the year on disallowable provisions	-	-	-	-
- Originating temporary difference	(677,600)	-	(677,600)	-
Deferred tax (asset) end of the year on disallowable provisions	(677,600)	-	(677,600)	-
Total deferred tax (asset) at the end of the year	(1,045,156)	(245,779)	(1,045,156)	(245,779)
21 ORDINARY DIVIDENDS				
- Final dividend of 30 cents per share for the year 2014 declared on 14 November 2014 and paid from current earnings distributed to shareholders.	5,100,000	5,100,000	5,100,000	5,100,000
- Dividend withholding tax	900,000	900,000	900,000	900,000
Dividend declared and paid	6,000,000	6,000,000	6,000,000	6,000,000

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

	Group		Company	
	2014 R	2013 R	2014 R	2013 R
22 (a) INTEREST INCOME AND OTHER INCOME RECEIVED				
Accounts receivable at beginning of year	5,690,958	4,358,448	5,690,958	4,358,448
Interest and similar income	66,304,836	57,482,462	66,304,836	57,482,462
Accounts receivable at end of year	(6,057,078)	(5,690,958)	(6,057,078)	(5,690,958)
	65,938,716	56,149,952	65,938,716	56,149,952
Adjustments for:				
Interest accrued on treasury bills in the current year	(462,718)	(46,816)	(462,718)	(46,816)
Interest suspense	(219,081)	(309,609)	(219,081)	(309,609)
	65,256,917	55,793,527	65,256,917	55,793,527
Non-interest revenue	21,588,203	21,265,415	21,521,605	21,204,315
	86,845,120	77,058,942	86,778,522	76,997,842
22 (b) INCOME FROM INVESTING ACTIVITIES				
Proceeds on sale of property	12,000,000	-	-	-
	12,000,000	-	-	-
23 INTEREST PAID				
Accrued interest at beginning of year	(738,168)	(1,112,133)	(738,168)	(1,112,133)
Interest expense and similar charges	(21,223,415)	(18,606,826)	(21,239,686)	(18,606,826)
Accrued interest at end of year	1,480,095	738,168	1,480,095	738,168
	(20,481,488)	(18,980,791)	(20,497,759)	(18,980,791)
24 CASH PAID TO EMPLOYEES AND SUPPLIERS				
Operating expenditure	(45,312,611)	(39,655,921)	(45,247,900)	(40,024,421)
Adjustments for:				
Depreciation	1,222,890	717,289	1,219,219	717,289
Loss on disposal of fixed assets	29,177	15,443	29,177	15,443
	(44,060,544)	(38,923,189)	(43,999,504)	(39,291,689)
Working capital changes:				
Increase/(decrease) in bills payable	649,380	(461,950)	649,380	(461,950)
(Decrease)/increase in other accounts payable	(651,866)	10,543	(651,866)	10,531
	(44,063,030)	(39,374,596)	(44,001,990)	(39,743,108)
25 INCREASE IN LOANS AND ADVANCES				
Loans and advances net of impairments and interest suspense at beginning of the year	333,363,741	296,880,585	333,363,741	296,880,585
Impairment of loans and advances (excluding interest suspended)	-	-	-	-
Loans and advances net of impairments and interest suspense at end of year	(423,452,975)	(333,363,741)	(423,452,975)	(333,363,741)
(Increase) in loans and advances	(90,089,234)	(36,483,156)	(90,089,234)	(36,483,156)
26 INCREASE IN DEPOSITS AND CURRENT ACCOUNTS				
Deposits and current accounts at beginning of year	953,345,812	997,574,017	954,923,634	998,853,369
Deposits and current accounts at end of year	1,068,507,395	953,345,812	1,079,348,742	954,923,634
Increase/(decrease) in deposits and current accounts	115,161,583	(44,228,205)	124,425,108	(43,929,735)

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

	Group		Company	
	2014	2013	2014	2013
	R	R	R	R
27 TAXATION PAID				
Amounts receivable at beginning of year	426,290	223,920	448,998	223,920
Taxation - overpayment (underpayment) - current year	(63,625)	426,290	57,918	448,998
Taxation paid - current year	(5,880,000)	(6,011,142)	(5,880,000)	(5,880,000)
Capital gains tax on disposal of property	(1,786,098)	-	-	-
Amounts payable/(receivable) at end of year to SARS	63,625	(426,290)	(57,918)	(448,998)
	(7,239,808)	(5,787,222)	(5,431,002)	(5,656,080)

28 DIVIDENDS PAID

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

29 RETIREMENT BENEFITS

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

The contributions are as follows:

6% of the cost of employment by the employees

7.25% of the cost of employment by the employer

Total current service costs	(1,058,897)	(937,900)	(1,058,897)	(937,900)
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30 RELATED PARTIES

The subsidiary is a property investment company.

- N77 Oriental Plaza (Proprietary) Limited

Loan repaid from subsidiary	-	-	(949,499)	-
Rental paid to it's subsidiary	-	-	(540,000)	(780,000)
	-	-	(1,489,499)	(780,000)

N77 Oriental Plaza (Proprietary) Limited holds a non-interest bearing current account with Habib Overseas Bank Limited of R10,841,347 (2013: R 1,577,821) and a long-term loan of R1,250,000. The value of R 10,841,347 is recognised in Deposits and current accounts. The loan of R 949,499 was repaid to Habib Overseas Bank Limited. The rent escalation of 8% has been waived for the next two years.

31 COMMITMENTS

Operating lease commitments

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

1 Year	3,336,986	2,485,394	3,336,986	2,485,394
> 1 - 5 Years	7,440,623	6,139,161	7,440,623	6,139,161
Total	10,777,609	8,624,555	10,777,609	8,624,555

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (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	2014 R	in '000 2013 R
Common equity tier 1 (CET 1)		
Issued Capital	20,000	20,000
Other Reserves	72,667	62,570
Total common equity tier 1 (CET 1)	92,667	82,570
Less: Prescribed deductions against capital	(441)	(350)
Aggregate amount of primary share capital & reserves	92,226	82,220
Common equity tier 1 capital adequacy ratio	17.59%	19.85%
Tier 2 capital		
General allowance for credit impairment standardised approach	900	900
Total tier 2 capital	900	900
Less: Prescribed deductions against Tier 1 capital	(189)	(189)
Aggregate amount of tier 2 share capital & reserves	711	711
Tier 2 capital adequacy ratio	0.14%	0.17%
Total share capital		
Primary capital & reserves (CET 1)	92,667	82,570
Secondary capital & reserves (Tier 2)	900	900
Less: Prescribed deductions against Tier 1 capital	(630)	(539)
Net qualifying capital	92,937	82,931
Total capital adequacy ratio	17.73%	20.02%
Total capital requirement	53,744	40,385
Aggregate amount of capital & reserves	92,937	82,931
Excess	39,193	42,546
Risk weighted exposure		
Credit risk	406,168	303,838
Counter-party credit risk	631	960
Operational risk	106,963	100,579
Market risk	606	304
Equity risk	1,250	2,199
Other risk	8,710	6,323
Total risk weighted exposure	524,328	414,205

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT

32.1 CAPITAL RISK MANAGEMENT (Continued)

LEVERAGE RATIO

The leverage ratio is calculated in accordance with the Basel III Regulatory Framework. It is defined as the capital measure (the numerator) divided by the exposure measure (the denominator) and is expressed as a percentage.

	in '000	
	2014 R	2013 R
Common equity tier 1 (CET 1)		
Issued Capital	20,000	20,000
Other Reserves	72,667	62,570
Total common equity tier 1 (CET 1)	92,667	82,570
Less: Prescribed deductions against capital	(441)	(350)
Aggregate amount of primary share capital & reserves	92,226	82,220
Tier 2 capital		
General allowance for credit impairment standardised approach	900	900
Total tier 2 capital	900	900
Less: Prescribed deductions against Tier 1 capital	(189)	(189)
Aggregate amount of tier 2 share capital & reserves	711	711
Total share capital		
Primary capital & reserves (CET 1)	92,667	82,570
Less: Prescribed deductions against Tier 1 capital	(630)	(539)
Total qualifying tier 1 capital	92,037	82,031
Exposure for leverage ratio		
Other assets	38,169	45,332
On balance sheet	1,168,459	1,053,777
Derivative assets	890	760
Off-balance sheet exposure with > 0% credit conversion factor (CCF)	27,326	20,423
Off-balance sheet exposure with a 0% credit conversion factor (CCF)	13,830	13,584
Regulatory adjustments against capital	(630)	(539)
Total exposure for leverage ratio	1,248,044	1,133,337
LEVERAGE RATIO		
Total qualifying tier 1 capital	92,037	82,031
Total exposure for leverage ratio	1,248,044	1,133,337
Leverage ratio	7.37%	7.24%
* Regulatory specified minimum leverage ratio	4.00%	4.00%

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (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

2014

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

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT (Continued)

32.2 CREDIT RISK

2013

Group credit risk analysis	2013		Total R
	Statement of financial position R	Off-Statement of financial position R	
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	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
Loans and advances with Banks & Customers	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)
Investments and negotiable securities	129,209,777	-	129,209,777
Investment securities	129,209,777	-	129,209,777
Other assets	6,117,248	-	6,117,248
Derivative financial assets (FEC)	759,508	-	759,508
Other assets	5,357,740	-	5,357,740
Contingent Liabilities	-	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
	1,051,835,431	47,251,167	1,099,086,598

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT (Continued)

32.2 CREDIT RISK

2014

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

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT (Continued)

32.2 CREDIT RISK

2013

Company credit risk analysis	Statement of financial position R	Off-Statement of financial position R	Total R
Maximum exposure to credit risk per financial assets			
Cash and balances with central bank	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
Loans and advances with Banks & Customers	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)
Investments and negotiable securities	129,209,777	-	129,209,777
Investment securities	129,209,777	-	129,209,777
Other assets	6,117,248	-	6,117,248
Derivative financial assets (FEC)	759,508	-	759,508
Other assets	5,357,740	-	5,357,740
Contingent Liabilities	-	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
	1,051,835,431	47,251,167	1,099,086,598

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (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 the outstanding credit risk exposure.

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

Type of collateral	2013	
	Value of collateral against credit exposure in R 000's	% of credit exposure to total exposure
Financial Collateral		
Cash collateral	98,043	29.41%
Bank Guarantees	13,608	4.08%
Non-financial collateral		
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	2.78%
Total Exposure	333,364	100.00%

Habib Overseas Bank Limited

Notes to annual financial statements for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT (Continued)

	Group		Company	
	2014 R	2013 R	2014 R	2013 R

32.4 IMPAIRED LOANS AND ADVANCES

The total loans and advances are R 423,452,975 (2013: R 333,363,741) of which R 15,527,005 (2013: R5,912,530) are impaired advances.

Classification categories of advances

Standard	407,925,970	327,451,211	407,925,970	327,451,211
Special Mention	11,252,640	1,275,697	11,252,640	1,275,697
Sub-standard	1,309,065	312,236	1,309,065	312,236
Doubtful	-	-	-	-
Loss	2,965,300	4,324,597	2,965,300	4,324,597
	423,452,975	333,363,741	423,452,975	333,363,741

Collateral held against impaired advances

Special Mention	11,252,640	1,015,697	11,252,640	1,015,697
Sub-standard	1,040,831	182,236	1,040,831	182,236
Doubtful	-	-	-	-
Loss	-	1 246 212	-	1 246 212
	12,293,471	2 444 145	12,293,471	2 444 145

Provision held against impaired advances

Special Mention	141,147	260,000	141,147	260,000
Sub-standard	268,235	130,000	268,235	130,000
Doubtful	-	-	-	-
Loss	2,420,636	2,220,937	2,420,636	2,220,937
	2,830,018	2,610,937	2,830,018	2,610,937

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	5,560,944	6,832,873	5,560,944	6,832,873
Investec bank guarantee	3,499,272	3,499,272	3,499,272	3,499,272
BNP Paribas bank guarantee	69,298	586,711	69,298	586,711
SCBL Singapore bank guarantee	-	1,635,725	-	1,635,725
	9,129,515	12,554,581	9,129,515	12,554,581

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (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 valuation technique used to calculate the fair value of the derivative financial instrument was the comparison between the strike price and the forward price.

The financial instruments through profit & loss are disclosed below:

	Group		Company	
	2014 R	2013 R	2014 R	2013 R
Financial Instruments Level 2 - Derivative financial instrument				
Notional value				
Derivative financial instrument assets	22,373,419	4,418,418	22,373,419	4,418,418
Derivative financial instrument liabilities	22,355,132	4,406,729	22,355,132	4,406,729
	18,287	11,689	18,287	11,689
Financial Instruments Level 2 - Derivative financial instrument				
Fair value TPL				
Derivative financial instrument assets	442,328	759,508	442,328	759,508
Derivative financial instrument liabilities	424,042	747,819	424,042	747,819
	18,287	11,689	18,287	11,689

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 2014 would decrease by:

	2014 R	2013 R	2014 R	in 000's 2013 R
Decrease in 1 months	(261)	(189)	(261)	(189)
Decrease in 3 months	(443)	(379)	(443)	(379)
Decrease in 6 months	(759)	(568)	(759)	(568)
Decrease in 12 months	(1,512)	(1,136)	(1,512)	(1,136)
Total decrease in the year	(2,975)	(2,272)	(2,975)	(2,272)

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

32.7.2 RISK MANAGEMENT (Continued)

INTEREST RATE RISK ASSETS	Group		Company	
	2014 R	2013 R	2014 R	2013 R
DISCRETIONARY / ADMINISTERED RATE ITEMS				
Advances	-	-	-	-
FIXED INTEREST RATE ITEMS				
Loans & advances	38,061,529	15,291,338	38,061,529	15,291,338
CASH & CASH EQUIVALENTS				
Money at call and short-term notice with banks	544,118,014	544,485,465	544,118,014	544,485,465
Maturing within 1 month	286,568,014	257,485,465	286,568,014	257,485,465
Maturing after 1 month but within 3 months	176,650,000	280,000,000	176,650,000	280,000,000
Maturing after 3 months but within 1 year	80,900,000	7,000,000	80,900,000	7,000,000
	544,118,014	544,485,465	544,118,014	544,485,465
Investments				
Other short-term securities	196,398,087	129,209,777	196,398,087	129,209,777
Maturing within 1 month	29,959,441	29,952,077	29,959,441	29,952,077
Maturing after 1 month but within 3 months	166,438,646	99,257,700	166,438,646	99,257,700
Maturing after 3 months but within 1 year	-	-	-	-
	196,398,087	129,209,777	196,398,087	129,209,777
NON-RATE SENSITIVE ITEMS				
Cash and balances with central bank				
Coin and bank notes	4,503,371	6,334,365	4,503,371	6,334,365
Cash held with central bank	12,528,143	10,486,000	12,528,143	10,486,000
Balances with central bank	11,986,576	21,838,835	11,986,576	21,838,835
	29,018,090	38,659,200	29,018,090	38,659,200
OTHER ASSETS				
Property, plant and equipment	6,119,532	4,726,511	5,672,950	3,744,567
Investment in subsidiary	-	-	1,250,000	2,199,499
Derivative financial instruments (Forward exchange contracts)	442,328	759,508	442,328	759,508
Other assets	6,659,906	5,603,519	6,717,824	5,626,227
	13,221,766	11,089,538	14,083,102	12,329,801
VARIABLE INTEREST RATE ITEMS				
Loans and advances	385,391,446	318,072,403	385,391,446	318,072,403
Maturing within 1 month	297,477,090	267,337,599	297,477,090	267,337,599
Maturing after 1 month but within 3 months	10,258,146	10,738,464	10,258,146	10,738,464
Maturing after 3 months but within 1 year	26,357,545	23,592,752	26,357,545	23,592,752
Maturing after 1 year	51,298,665	16,403,588	51,298,665	16,403,588
	385,391,446	318,072,403	385,391,446	318,072,403
TOTAL ASSETS	1,206,208,932	1,056,807,721	1,207,070,268	1,058,047,984

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

32.7.2 RISK MANAGEMENT (Continued)

INTEREST RATE RISK LIABILITIES	Group		Company	
	2014 R	2013 R	2014 R	2013 R
DISCRETIONARY / ADMINISTERED RATE ITEMS	50,770,504	57,819,668	50,770,504	57,819,668
Deposits				
Current deposits	43,112,205	49,478,996	43,112,205	49,478,996
Saving deposits	7,658,298	8,340,672	7,658,298	8,340,672
	50,770,504	57,819,668	50,770,504	57,819,668
AMOUNT OWED TO DEPOSITORS				
FIXED INTEREST RATE ITEMS				
Deposits	168,381,771	119,504,681	179,223,117	121,082,501
Short-term borrowings	27,984,312	14,223,644	27,984,312	14,223,644
	196,366,083	133,728,325	207,207,429	135,306,145
Maturing within 1 month	93,543,543	79,932,019	104,384,889	81,509,839
Maturing after 1 month but within 3 months	28,934,356	33,401,608	28,934,356	33,401,608
Maturing after 3 months but within 1 year	73,888,184	20,394,698	73,888,184	20,394,698
	196,366,083	133,728,325	207,207,429	135,306,145
NON-RATE SENSITIVE ITEMS				
Deposits				
Current deposits	345,609,067	361,272,216	345,609,067	361,272,216
Call deposits	44,922,706	40,122,680	44,922,706	40,122,680
Saving deposits	56,138,967	53,650,517	56,138,967	53,650,517
Lien collateral deposits	32,795,894	40,628,832	32,795,894	40,628,832
Foreign exchange deposits	50,625,541	16,594,991	50,625,541	16,594,991
	530,092,174	512,269,236	530,092,174	512,269,236
Equity & other liabilities				
Shareholder's equity	102,514,467	82,907,815	92,667,338	82,570,269
Derivative financial instruments (Forward exchange contracts)	424,042	747,819	424,042	747,819
Other liabilities	6,778,716	5,582,629	6,645,834	5,582,618
	109,717,225	89,238,263	99,737,214	88,900,706
VARIABLE INTEREST RATE ITEMS				
Deposits	319,262,947	263,752,229	319,262,947	263,752,229
Call deposits	218,640,530	190,889,093	218,640,530	190,889,093
Lien collateral deposits	100,622,417	72,863,136	100,622,417	72,863,136
	319,262,947	263,752,229	319,262,947	263,752,229
TOTAL LIABILITIES	1,206,208,932	1,056,807,721	1,207,070,268	1,058,047,984

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (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	1,975,722	8,405	156,655	1,100	10	-	-	-	-
Due from Banks Demand	37,931,134	18,083	2,543,423	569,087	-	1,403	3,233	7,719	771,740
Loans and Advances	38,061,529	-	3,296,797	-	-	-	-	-	-
Other Assets	9,087,435	43	787,050	12	-	-	-	-	-
Total assets	87,055,820	26,531	6,783,925	570,209	10	1,403	3,233	7,719	771,740

LIABILITIES	ZAR Equivalent	GBP	USD	EURO	SAR	AUD	CHF	CAD	PKR
Deposits	52,229,735	24,401	3,793,386	567,036	-	-	-	-	-
Due to Banks	23,705,393	-	2,053,304	-	-	-	-	-	-
Other Liabilities	10,514,730	10	910,730	12	-	-	-	-	-
Total liabilities	86,449,858	24,411	6,757,420	567,048	-	-	-	-	-

Net open position	605,962	2,120	26,505	3,161	10	1,403	3,233	7,719	771,740
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Any adverse movement in exchange rate to the extent of 10% would have affected the risk by positive R60,596 (2013: negative R 24,212).

Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies was negative R 7,296 (2013: negative R 251,866).

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. Anti-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 2014 (continued)

32 RISK MANAGEMENT

32.10 LIQUIDITY RISK MANAGEMENT (Continued)

LIQUIDITY COVERAGE RATIO (LCR)

The liquidity coverage ratio is calculated in accordance with the Basel III Regulatory Framework. It is defined as the total high quality level 1 liquid assets (the numerator) divided by the net cash outflows (the denominator) and is expressed as a percentage.

	Total	Specified factor	in '000 2014 Weighted value
High quality liquid assets			
Cash	4,345	100%	4,345
Balances with SARB	24,515	100%	24,515
Treasury bills	196,398	100%	196,398
	225,258		225,258
Cash outflows			
Retail	258,228	10%	25,823
Term deposits > 30 days maturity	32,516	0%	-
Unsecured wholesale funding			
Small business	372,869	10%	37,287
Term deposits >30days	70,306	0%	-
Non-financial corporates	345,428	75%	259,071
Other financial institutions	27,996	100%	27,996
	1,107,343		350,177
Other expected outflows			
Derivative liabilities	424	100%	424
Unutilised facilities			
Retail and small business	119,225	5%	5,961
Non-financial corporates	46,406	10%	4,641
	166,055		11,026
Total outflows	1,273,398		361,203
Cash inflows			
Retail and small business	150,228	50%	75,114
Wholesale clients other than financial institutions	171,757	50%	85,879
Financial institution	283,794	100%	283,794
	605,779		444,787
Other inflows			
Derivative assets	442	100%	442
Total inflows	606,221		445,229
Total outflows			361,203
Total inflows			445,229
Total net cash outflows (capped 75% of outflows)			270,902
Net cash flows			90,301
LCR			249.45%
Level 1 high quality assets			225,258
Net cash flows			90,301
LCR			249.45%
Net stable funding ratio (NSFR)			316.85%
Total available stable funding			840,055
Total required stable funding			265,129
NSFR			316.85%

Refer to "Annexure A" for prior year comparative figures.

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT (Continued)

32.10 LIQUIDITY RISK ANALYSIS

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

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Notes to annual financial statements

for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT (Continued)

32.10 LIQUIDITY RISK ANALYSIS

Group	2013 R	Term Maturity					Indeterminate Maturity
		Demand 0 - 7 days	8 days - 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 5 years	
ASSETS							
Non-Current Assets	21,375,878	-	-	-	-	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
Current Assets	1,035,431,843	545,708,736	64,730,760	390,245,901	30,820,705	3,499,451	426,290
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	4,931,450	1,340,000	47,000	-	44,999	3,499,451	-
Receiver of Revenue	426,290	-	-	-	-	-	426,290
Total assets	1,056,807,721	545,708,736	64,730,760	390,245,901	30,820,705	19,903,039	5,398,580
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	62,907,815	-	-	-	-	-	62,907,815
Total ordinary equity	82,907,815	-	-	-	-	-	82,907,815
Total liabilities	973,899,906	862,535,104	57,143,624	33,646,823	20,574,355	-	-
Non-Current Liabilities							
Current Liabilities	973,899,906	862,535,104	57,143,624	33,646,823	20,574,355	-	-
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	-	-	-	-	-
Total equity and liabilities	1,056,807,721	862,535,104	57,143,624	33,646,823	20,574,355	-	82,907,815
REMAINING CONTRACTUAL LIABILITIES							
Balance sheet liabilities	973,899,906	862,009,453	57,273,155	33,822,799	20,794,499	-	-
Non-Current Liabilities							
Current Liabilities	973,899,906	862,009,453	57,273,155	33,822,799	20,794,499	-	-
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	-	-	-	-	-
Off-balance sheet liabilities	47,251,167	47,251,167	-	-	-	-	-
Irrevocable guarantees	37,998,071	37,998,071	-	-	-	-	-
Irrevocable letters of credit and acceptances	9,253,096	9,253,096	-	-	-	-	-
Total liabilities	1,021,151,073	909,260,620	57,273,155	33,822,799	20,794,499	-	-

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT (Continued)

32.10 LIQUIDITY RISK ANALYSIS

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

Habib Overseas Bank Limited

Notes to annual financial statements

for the year ended 31 December 2014 (continued)

32 RISK MANAGEMENT (Continued)

32.10 LIQUIDITY RISK ANALYSIS

Company	2013 R	Term Maturity					Indeterminate Maturity
		Demand 0 - 7 days	8 days - 1 month	> 1 - 3 Months	> 3 - 12 months	> 1 - 5 years	
ASSETS							
Non-Current Assets	22,593,433	-	-	-	-	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
Current Assets	1,035,454,551	545,708,736	64,730,760	390,245,901	30,820,705	3,499,451	448,998
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	4,931,450	1,340,000	47,000	-	44,999	3,499,451	-
Receiver of Revenue	448,998	-	-	-	-	-	448,998
Total assets	1,058,047,984	545,708,736	64,730,760	390,245,901	30,820,705	19,903,039	6,638,843
EQUITY AND LIABILITIES							
Equity							
Ordinary share capital	20,000,000	-	-	-	-	-	20,000,000
Reserves	62,570,269	-	-	-	-	-	62,570,269
Total ordinary equity	82,570,269	-	-	-	-	-	82,570,269
Total liabilities	975,477,715	864,112,913	57,143,624	33,646,823	20,574,355	-	-
Non-Current Liabilities							
Current Liabilities	975,477,715	864,112,913	57,143,624	33,646,823	20,574,355	-	-
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	-	-	-	-	-
Total equity and liabilities	1,058,047,984	864,112,913	57,143,624	33,646,823	20,574,355	-	82,570,269
REMAINING CONTRACTUAL LIABILITIES							
Balance sheet liabilities	975,477,715	863,587,262	57,273,155	33,822,799	20,794,499	-	-
Non-Current Liabilities							
Current Liabilities	975,477,715	863,587,262	57,273,155	33,822,799	20,794,499	-	-
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	-	-	-	-	-
Off-balance sheet liabilities	47,251,167	47,251,167	-	-	-	-	-
Irrevocable guarantees	37,998,071	37,998,071	-	-	-	-	-
Irrevocable letters of credit and acceptances	9,253,096	9,253,096	-	-	-	-	-
Total liabilities	1,022,728,882	910,838,429	57,273,155	33,822,799	20,794,499	-	-

Habib Overseas Bank Limited

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for the year ended 31 December 2014 (continued)
Unaudited "Annexure A"

32 RISK MANAGEMENT

32.10 LIQUIDITY RISK MANAGEMENT

LIQUIDITY COVERAGE RATIO (LCR)

The liquidity coverage ratio is calculated in accordance with the Basel III Regulatory Framework. It is defined as the total high quality level 1 liquid assets (the numerator) divided by the net cash outflows (the denominator) and is expressed as a percentage.

	Total	Specified factor	in '000 2013 Weighted value
High quality liquid assets			
Cash	6,132	100%	6,132
Balances with SARB	32,325	100%	32,325
Treasury bills	129,210	100%	129,210
	167,667		167,667
Cash outflows			
Retail	267,912	10%	26,791
Term deposits > 30 days maturity	12,659	0%	-
Unsecured wholesale funding			
Small business	291,261	10%	29,126
Term deposits >30days	41,137	0%	-
Non-financial corporates	308,800	25%	77,200
Non-financial corporates	33,154	75%	24,866
Other financial institutions	14,230	100%	14,230
	969,152		172,213
Other expected outflows			
Derivative liabilities	748	100%	748
Unutilised facilities			
Retail and small business	115,906	5%	5,795
Non-financial corporates	40,358	10%	4,036
	157,012		10,579
Total outflows	1,126,165		182,792
Cash inflows			
Retail and small business	183,855	50%	91,928
Wholesale clients other than financial institutions	147,107	50%	73,554
Financial institution	256,496	100%	256,496
	587,458		421,977
Other inflows			
Derivative assets	760	100%	760
Total inflows	588,218		422,737
Total outflows			182,792
Total inflows			422,737
Total net cash outflows (capped 75% of outflows)			137,094
Net cash flows			45,698
LCR			
Level 1 high quality assets			167,667
Net cash flows			45,698
LCR			366.90%
Net stable funding ratio (NSFR)			
Total available stable funding			736,351
Total required stable funding			240,845
NSFR			305.74%