

Habib Bank Limited - Bangladesh Branches

Country Office
South Avenue Tower
7 Gulshan Avenue
Gulshan 1, Dhaka 1212

Habib Bank Limited - Bangladesh Branches

Auditors' report and financial statements
for the year ended 31 December 2015

S. F. AHMED & CO

Chartered Accountants

House # 51 (3rd Floor), Road # 9, Block F, Banani, Dhaka 1213, Bangladesh

Telephones (880-2): 9871018, 9870619, 9894258, 58815101 & 58816467

Fax (880-2): 984-5135

E-mails : (i) sfaco@citechco.net (ii) sfaco@sfahmedco.org

Website: www.sfahmedco.org

Habib Bank Limited - Bangladesh Branches

Independent Auditors' Report to the Shareholders
For the year ended 31 December 2015

We have audited the accompanying financial statements of Habib Bank Limited - Bangladesh Branches (the Bank) which comprise a balance sheet as at 31 December 2015, profit and loss statement, statement of changes in equity, cash flow statement and liquidity statement for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto.

Management's responsibility for the financial statements and internal controls

Management is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in the relevant notes and for such internal control as management determines necessary to enable in the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Banking Companies Act 1991 and the Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view 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 financial statements of the Bank.

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

Opinion

In our opinion, the financial statements referred to above which have been prepared in the format prescribed by Bangladesh Bank vide circular no. 14 dated 25 June 2003 and in accordance with relevant Bangladesh Financial Reporting Standards, give a true and fair view of the state of affairs of the Bank as at 31 December 2015 and results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Banking Companies Act 1991, rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.



Report on other legal and regulatory requirements

In accordance with the Companies Act 1994, the Banking Companies Act 1991 and the rules and regulations issued by Bangladesh Bank, we also report the following:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) to the extent noted during the course of our audit work performed on the basis stated under the auditors' responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal control:
 - (i) internal audit, internal control and risk management arrangements of the Bank appeared to be materially adequate;
 - (ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities;
- (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (d) the expenditures incurred during the year were for the purposes of the business of the Bank;
- (e) the balance sheet and profit and loss statement of the Bank dealt with by the report are in agreement with the books of account;
- (f) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- (g) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- (h) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (i) the information and explanations required by us have been received and found to be satisfactory; and
- (j) we have reviewed over 80% of risk-weighted assets of the Bank and we have spent approximately 1,600 person hours for the audit of the books and account of the Bank.



Dhaka, Bangladesh
Dated, 29 March 2016

S. F. AHMED & CO
Chartered Accountants

Habib Bank Limited - Bangladesh Branches

Balance Sheet

As at 31 December 2015

	Notes	2015 BDT	2014 BDT
PROPERTY AND ASSETS			
Cash	4	4,314,086,520	4,214,981,209
In hand (including foreign currencies)		41,463,151	95,749,802
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		4,272,623,369	4,119,231,407
Balance with other banks and financial institutions	5	73,968,555	125,168,004
In Bangladesh		22,687	7,589,765
Outside Bangladesh		73,945,868	117,578,239
Money at call and on short notice	6	441,318,000	742,510,750
Investments			
Government securities	7	1,710,334,217	1,817,850,128
Loans and advances	8	4,921,528,117	4,508,906,322
Loans, cash credits, overdrafts, etc		4,916,977,196	4,460,531,753
Bills purchased and discounted		4,550,921	48,374,569
Fixed assets including premises, furniture and fixtures	9	43,386,621	39,721,083
Other assets	10	1,059,214,182	1,014,891,844
Non-banking assets		-	-
Total assets		12,563,836,212	12,464,029,340
LIABILITIES AND CAPITAL			
Liabilities:			
Borrowings from other banks, financial institutions and agents		230,000,000	-
Deposits and other accounts	11	6,480,936,439	6,594,360,131
Current deposit and other accounts		1,800,163,141	1,779,731,427
Fixed deposits		4,297,563,044	4,395,231,184
Savings bank deposits		367,097,833	364,532,831
Bills payable		16,112,421	54,864,689
Other liabilities	12	1,472,514,031	1,627,428,241
Total liabilities		8,183,450,470	8,221,788,372
Capital/shareholders' equity			
Total shareholders' equity		4,380,385,742	4,242,240,968
Capital fund	13	4,086,887,815	4,062,955,739
Revaluation reserve		155,473,068	68,007,037
Retained earnings	14	138,024,859	111,278,192
Total liabilities and shareholders' equity		12,563,836,212	12,464,029,340



Habib Bank Limited - Bangladesh Branches

Balance Sheet

As at 31 December 2015

	Note	2015 BDT	2014 BDT
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	15		
Acceptances and endorsements		447,292,938	883,093,049
Letters of guarantee		418,295,200	374,872,470
Irrevocable letters of credit		431,714,176	430,879,808
Bills for collection		21,593,147	22,409,813
Other contingent liabilities		507,792,520	525,485,820
Total		1,826,687,981	2,236,740,960
Other commitments			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total		-	-
Total off-balance sheet items including contingent liabilities		1,826,687,981	2,236,740,960

These financial statements should be read in conjunction with annexed notes

for Habib Bank Limited — Bangladesh Branches



Mohammad Nazmul Huq Bhuiyan
Head - Finance



Muniruzzaman Molla
Head -Country Operations



Habib Yousuf
Regional General Manager

See annexed report of the date



Dhaka, Bangladesh
Dated, 29 March 2016



S. F. AHMED & CO
Chartered Accountants

Habib Bank Limited - Bangladesh Branches

Profit and Loss Statement

For the year ended 31 December 2015

	Notes	2015 BDT	2014 BDT
Operating income			
Interest income	16	486,905,957	550,280,942
Less: Interest paid on deposit and borrowings, etc	17	377,042,155	419,909,137
Net interest income		109,863,802	130,371,805
Investment income	18	127,273,342	131,618,168
Commission, exchange and brokerage	19	106,346,335	102,527,507
Other operating income	20	12,447,693	18,334,249
Total operating income (A)		355,931,172	382,851,729
Less: Operating expenses			
Salaries and allowances	21	144,218,420	119,284,347
Rent, taxes, insurance, electricity, etc	22	54,971,068	51,859,141
Legal and professional expenses	23	2,645,154	2,387,106
Postage, stamps, telecommunication, etc	24	1,966,715	1,874,666
Stationery, printing, advertisements, etc	25	6,469,986	7,710,165
Chief executive salary and fees		22,597,167	24,795,070
Auditors' fees		173,000	173,000
Depreciation and repairs of bank's assets	26	17,199,749	16,918,059
Other expenses	27	42,610,920	41,258,856
Total operating expenses (B)		292,852,179	266,260,410
Profit before provision (C=A-B)		63,078,993	116,591,320
Provision against loans and advances			
General provision		5,200,000	(3,595,000)
Specific provision		652,326	61,153,373
Provision for off-balance sheet items		(4,520,000)	3,519,000
Provision for diminution in value of investments		-	-
Other provisions		-	-
Total provision (D)		1,332,326	61,077,373
Total profit before tax (C-D)		61,746,667	55,513,947
Less: Provision for taxation			
Current tax	12.5	35,000,000	53,830,580
Net profit after taxation		26,746,667	1,683,367

These financial statements should be read in conjunction with annexed notes

for Habib Bank Limited — Bangladesh Branches


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Habib Bank Limited - Bangladesh Branches

Cash Flow Statement

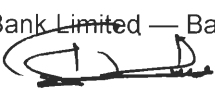
For the year ended 31 December 2015

Notes	2015 BDT	2014 BDT
Cash flows from operating activities (A)		
Interest receipts	487,782,799	550,876,238
Interest payments	(464,067,393)	(351,758,726)
Fee and commission receipts	106,346,335	102,527,507
Income from investments	137,392,735	115,795,423
Payments to employees	(155,916,467)	(139,365,311)
Payments to suppliers	(83,547,421)	(46,586,826)
Recoveries on loans	52,200,000	73,700,000
Receipts from other operating activities	12,447,694	18,334,249
Payments for other operating activities	(42,610,920)	(45,716,265)
Income tax paid	(62,800,662)	(57,947,720)
Operating profit before changes in operating assets and liabilities	(12,773,300)	219,858,569
Increase/decrease in operating assets and liabilities		
Loans and advances to customers	(412,621,795)	(825,983,803)
Other assets	28,406,776	(29,567,887)
Deposits from other banks	44,613,524	(64,201,418)
Deposits from customers	(158,037,215)	1,435,392,147
Other liabilities	(86,380,920)	63,834,902
	(584,019,630)	579,473,941
Net cash from/(used in) operating activities (A)	(596,792,930)	799,332,510
Cash flows from investing activities (B)		
Purchase/sale of property, plant and equipment	(18,632,744)	(17,660,391)
Sales proceed from property, plant and equipment	19,998	1,292,600
Payments for purchase of securities	107,515,911	(792,001,604)
Net cash form/(used in) investing activities	88,903,165	(808,369,395)
Cash flows from financing activities (C)		
Borrowings from other banks	230,000,000	-
Remittance received from Head Office	-	-
Net cash from/(used) in financing activities	-	-
Net increase in cash and cash equivalents (A+B+C)	(277,889,765)	(9,036,885)
Effects of exchange rate changes on cash and cash equivalents	23,932,077	8,453,570
Cash and cash equivalents at the beginning of the year	5,083,449,663	5,084,032,978
Cash and cash equivalents at end of the year	4,829,491,975	5,083,449,663
Cash and cash equivalents:		
Cash	41,463,151	95,749,802
Balance with Bangladesh Bank and its agent bank(s)	4,272,623,369	4,119,231,407
Balance with other banks and financial institutions	73,968,555	125,168,004
Money at call and on short notice	441,318,000	742,510,750
Prize bonds	118,900	789,700
	4,829,491,975	5,083,449,663

These financial statements should be read in conjunction with annexed notes


Mohammad Nazmul Huq Bhuiyan
Head - Finance

for Habib Bank Limited — Bangladesh Branches


Muniruzzaman Molla
Head -Country Operations


Habib Yousuf
Regional General Manager
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Dhaka, Bangladesh
Dated, 29 March 2016


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Habib Bank Limited - Bangladesh Branches

Statement of Changes in Equity
For the year ended 31 December 2015

Particulars	Capital fund BDT	Revaluation reserve BDT	Retained earnings BDT	Total BDT
Balance at 01 Jan 2014	4,054,502,169	1,744,789	109,594,825	4,165,841,783
Capital fund received from Head Office	-	-	-	-
Currency translation differences	8,453,570	-	-	8,453,570
Revaluation of treasury bills and Bonds	-	66,262,248	-	66,262,248
Net profit for the year	-	-	1,683,367	1,683,367
Balance at 31 Dec 2014	4,062,955,739	68,007,037	111,278,192	4,242,240,968
Balance at 01 Jan 2015	4,062,955,739	68,007,037	111,278,192	4,242,240,968
Capital fund received from Head Office	-	-	-	-
Currency translation differences	23,932,077	-	-	23,932,077
Revaluation/ amortisation of treasury bills and bonds	-	87,466,030	-	87,466,030
Net profit for the year	-	-	26,746,667	26,746,667
Balance at 31 Dec 2015	4,086,887,816	155,473,067	138,024,859	4,380,385,742

for Habib Bank Limited — Bangladesh Branches



Mohammad Nazmul Huq Bhuiyan
Head - Finance



Muniruzzaman Molla
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Regional General Manager



Dhaka, Bangladesh
Dated, 29 March 2016

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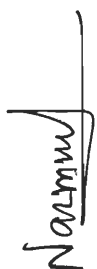
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Habib Bank Limited - Bangladesh Branches

Liquidity Statement (Assets and Liability Maturity Analysis)
For the year ended 31 December 2015

Particulars	Maturity					Total BDT
	Up to 1 month BDT	1-3 months BDT	3-12 months BDT	1-5 years BDT	Above 5 years BDT	
Assets						
Cash in hand	41,463,151	-	-	-	-	41,463,151
Balance with Bangladesh Bank	515,120,790	-	-	-	-	4,272,623,369
Balance with other banks and financial institutions	73,968,555	-	-	-	-	73,968,555
Money at call and on short notice	378,500,416	62,817,584	-	-	-	441,318,000
Investment in treasury bills and others	398,524,614	99,434,282	209,565,889	59,666,342	943,143,091	1,710,334,217
Loans and advances to customers	623,375,403	1,608,614,005	1,574,484,475	1,098,628,491	16,425,744	4,921,528,118
Fixed assets including premises, furniture and fixture:	1,769,877	784,994	13,040,777	25,996,620	1,794,352	43,386,620
Other assets	582,903	6,606,085	110,186,443	12,007,696	929,831,052	1,059,214,180
Non-banking assets	-	-	-	-	-	-
Total assets (A)	2,033,305,709	1,778,256,950	1,907,277,584	1,196,299,149	5,648,696,818	12,563,836,210
Liabilities						
Borrowing from other banks and financial institutions and agents	230,000,000	-	-	-	-	230,000,000
Deposits and other accounts	1,281,460,470	1,904,825,844	1,947,169,609	1,347,480,516	-	6,480,936,439
Other liabilities	6,299,785	16,099,742	270,750,743	255,690,001	923,673,758	1,472,514,028
Total liabilities B	1,517,760,255	1,920,925,586	2,217,920,351	1,603,170,517	923,673,758	8,183,450,467
Net liquidity excess/(shortage) (A-B)	515,545,453	(142,668,636)	(310,642,767)	(406,871,368)	4,725,023,060	4,380,385,743

for Habib Bank Limited — Bangladesh Branches


Mohammad Nazmul Huq Bhuiyan
Head - Finance



Muniruzzaman Molla
Head -Country Operations


Habib Yousuf
Regional General Manager

See annexed report of the date



Dhaka, Bangladesh
Dated, 29 March 2016


S. F. AHMED & CO
Chartered Accountants

Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

1 The Bank and its activities

1.1 Habib Bank Limited, Bangladesh Branches

Habib Bank Limited – Bangladesh Branches (HBL / the Bank) is the Branch of Habib Bank Limited, a banking company incorporated in Pakistan having its Head Office at Habib Bank Plaza, Karachi, Pakistan. The Bank is carrying on banking business in Bangladesh since 1976 with branches in Dhaka (Gulshan, Uttara, Motijheel, Karwanbazar and Nayabazar), Chittagong and Sylhet after obtaining necessary permissions from the regulatory authorities.

1.2 Principal activities

The principal activities of the Bank are to provide conventional banking services to its customers through deposits, loans and advances, trade financing, remittances facilities through its branches, alternate distribution channels namely, ATM booths, VISA debit cards and internet banking in Bangladesh.

2 Basis of preparation

2.1 Statement of compliance

The financial statements of the Bank as at and for the year ended 31 December 2015 have been prepared on accrual basis under the historical cost convention, except investments and defined benefit schemes, and in accordance with the "First Schedule" (para 38) of the Banking Companies Act 1991, as amended by Bangladesh Bank (the Central Bank of Bangladesh) through BRPD circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars and International Financial Reporting Standards (IFRS) as adopted by the Institution of Chartered Accountants of Bangladesh (ICAB) as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) where relevant to the Bank to the extent that these do not contradict with the applicable statutory provisions of Bangladesh Bank. The Bank complied with the requirement of the following regulatory and legal authorities:

- i. Banking Companies Act 1991
- ii. Companies Act 1994
- iii. Rules, regulations and circulars issued by the Bangladesh Bank from time to time
- iv. Income Tax Ordinance and Rules 1984
- v. Value Added Tax Act and Rules 1991

In case any requirement of provisions and circulars issued by Bangladesh Bank differs with those of other regulatory authorities, the provisions and circulars issued by Bangladesh Bank shall prevail. Accordingly the Bank has departed from such requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

i) Investment in shares and securities

BFRS

As per requirements of BAS-39: "Financial Instruments: Recognition and Measurement" investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as measured in accordance with BFRS-13: "Fair Value Measurement") at the year-end is taken to profit and loss account or revaluation reserve respectively.

Bangladesh Bank

As per BRPD circular no. 14 dated 25 June 2003 investment in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; otherwise investments are recognised at cost.



ii) Revaluation gains/losses on Government securities

BFRS

As per requirement of BAS-39:Financial Instruments: Recognition and Measurement" where securities fall under the category of "Held for Trading" (HFT), any change in the fair value (as measured in accordance with BFRS-13:"Fair Value Measurement") of HFT assets is recognised through profit and loss account. Securities designated as "Held to Maturity" (HTM) are measured at amortised cost method and interest income is recognised through the profit and loss account.

Bangladesh Bank

HFT securities are revalued on the basis of marked to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognised in other reserves as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortisation of discount are recognised in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortised at the year end and gains or losses on amortisation are recognised in other reserve as a part of equity.

iii) Provision on loans and advances

BFRS

As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank

As per BRPD circular no.16 dated 18 November 2014, BRPD circular no: 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012 and BRPD circular no. 05 dated 29 May 2013 a general provision @ 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also specific provision for substandard loans, doubtful loans and bad losses has to be provided @ 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Furthermore a general provision @ 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

iv) Other comprehensive income

BFRS

As per BAS-1 : "Presentation of Financial Statements" Other Comprehensive Income (OCI) is a component of financial statements or the elements of other comprehensive income are to be included in a single Comprehensive Income statement.

Bangladesh Bank

Bangladesh Bank has issued templates for financial statements through BRPD circular no. 14 dated 25 June 2003 which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a single (OCI) statement. As such the Bank does not prepare an OCI statement. However elements of OCI, if any, are shown in the statements of changes in equity.

v) Financial instruments – presentation and disclosure

In several cases, Bangladesh Bank guidelines categories, recognise, measure and present financial instruments differently from those prescribed in BAS-39. As such, some disclosure and presentation requirements of BFRS-7 : "Financial Instruments: Disclosures" and BAS-32 : "Financial Instruments: Presentation" cannot be made in the accounts.



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

vi) Repo and reverse repo transactions

BFRS

When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (REPO) (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is treated as a loan and the underlying asset continues to be recognised in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. Same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank

As per DOS circular letter no. 6 dated 15 July 2010 and subsequent clarification in DOS circular no. 02 dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transaction and the financial asset is derecognised in the seller's book and recognised in the buyer's book.

vii) Financial guarantees

BFRS

As per BAS-39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank

As per BRPD circular no. 14, dated 25 June 2003 financial guarantees such as letter of credit, letter of guarantee, etc. will be treated as off-balance sheet items.

viii) Recognition of interest in suspense

BFRS

Loans and advances to customers are generally classified as 'loans and receivables' as per BAS-39 : "Financial Instruments: Recognition and Measurement" and interest income is recognised through effective interest rate method over the life of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank

As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified other than bad and loss, interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to an interest suspense account, which is presented as liability in the balance sheet.

ix) Cash and cash equivalents

BFRS

Cash and cash equivalent items should be reported as cash item as per BAS-7 : "Statement of Cash Flows"

Bangladesh Bank

As per BRPD circular no. 14 dated 25 June 2003, balance with Bangladesh Bank is part of cash and cash equivalents regardless of any restriction. Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, prize bonds are not shown as cash and cash equivalents. Money at call and on short notice is shown as face item in the balance sheet, and treasury bills, prize bonds are shown in investments.



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements

For the year ended 31 December 2015

x) Non-banking asset

BFRS

No indication of non-banking asset is found in any BFRS.

Bangladesh Bank

As per BRPD 14, dated 23 June 2003 there must exist a face item named non-banking asset.

xi) Cash flow statement

BFRS

The cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank

As per BRPD circular no. 14, dated 23 June 2003 cash flow is the mixture of direct and indirect methods.

xii) Balance with Bangladesh Bank (cash reserve requirement)

BFRS

Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per BAS 7.

Bangladesh Bank

As per BRPD circular no. 14, dated 23 June 2003 balance with Bangladesh Bank is treated as cash and cash equivalents.

xiii) Presentation of intangible asset

BFRS

Intangible assets must be identified and recognised, presented in the face of the balance sheet and the disclosure must be given as per BAS-38 : "Intangible Assets".

Bangladesh Bank

As per BRPD circular no. 14, dated 23 June 2003 no intangible asset is presented in the face of the balance sheet.

xiv) Off-balance sheet items

BFRS

There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items.

Bangladesh Bank

As per BRPD circular no. 14, dated 23 June 2003 off balance sheet items (e.g. letter of credit, letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

xv) Loans and advances/Investments net of provision

BFRS

Loans and advances/Investments should be presented net of provision.

Bangladesh Bank

As per BRPD circular no. 14, dated 23 June 2003 provision on loans and advances/investments are presented separately as liability and cannot be netted off against loans and advances.

xvi) Disclosure of appropriation of profit

BFRS

There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

Bangladesh Bank

As per BRPD circular no. 14 dated 25 June 2003, an appropriation of profit should be disclosed in the face of profit and loss account.



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

xvii) Recognition of derivatives
BFRS

As per BAS 39, all derivatives including forward contracts are initially recognised at fair value (as measured in accordance with BFRS 13) which is generally the transaction price. Subsequent to initial recognition, derivatives are classified as "fair value through profit and loss" and changes in fair value are recognised in profit and loss account.

Bangladesh Bank

As per BRPD circular no. 14 dated 25 June 2003, derivative contracts are disclosed outside of balance sheet exposures.

2.2 Basis of measurement

The financial statements of the Bank have been prepared on accrual basis under historical cost convention except for the following:

Government treasury bills and bonds designated as 'Held for Trading (HFT)' which are measured at present value using marked to market. Revaluation gains if any are credited to revaluation reserve account as per DOS circular 05 dated 26 May 2008 and DOS circular 05 dated 28 January 2009

Government treasury bills and bonds designated as 'Held to Maturity (HTM)' are remeasured at present value using amortisation concept as per DOS circular 05 dated 26 May 2008 and DOS circular 05 dated 28 January 2009

2.3 Use of estimates and judgments

The preparation of the financial statements in conformity with BASs/BFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods if affected. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

a) Provisions for loans and advances

The Bank assesses its loans and advances for objective evidence of impairment on a regular basis and particularly at year end. While the primary criteria set out in BRPD circular no. 14 dated 23 September 2012, for determining whether a loan is impaired is objective, being based on borrower's ability to make timely repayments, loans and advances may also be classified based on qualitative judgment. This involves making assessments regarding the economic environment in which borrowers operate in addition to making judgments about a borrower's financial situation and net realizable value of any underlying collateral.

b) Taxation

The estimation of current tax provision involves making judgments regarding admissibility of certain expenses as well as estimating the amount of other expenses for tax purposes. In addition, the recognition of deferred tax assets and liabilities requires the Bank to estimate to which it is probable that future taxable profits or loss will be available against which the deferred tax may be utilized.

c) Depreciation

Depreciation is provided on a straight line basis over the estimated useful lives of each item of property, plant and equipment. The determination of useful life involves the use of estimates regarding expected use of the assets, expected physical wear and tear, technical or commercial obsolescence and legal or similar limits on the use of the asset.

d) Consolidation

The Bank is a branch and does not have any subsidiaries. So, this standard does not have any impact on these financial statements.



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

2.4 Foreign currency transactions

Functional and presentation currency

These financial statements have been presented in Bangladesh Taka (BDT), which is the Bank's functional currency. Except otherwise indicated, financial information presented in Taka has been rounded to the nearest integer.

Foreign currency translation

Foreign currency transactions have been converted into equivalent BDT currency at the ruling exchange rates on the respective date of such transactions as per BAS-21 "The Effects of Changes in Foreign Exchange Rates".

Assets and liabilities in foreign currencies as at 31 December 2015 have been converted into BDT currency at the spot rate for the day taken from Bangladesh Bank.

Differences arising through buying and selling transactions of foreign currencies on different dates of the year have been adjusted by debiting /crediting exchange gain or loss account.

Translation gain and losses

Gains or losses arising out of translation of foreign exchange have been included in the Profit and Loss Statement.

2.5 Cash flow statement

Cash Flow Statement is prepared principally in accordance with BAS-7 under direct method as per the guidelines of BRPD circular no. 14 dated 25 June 2003. The Cash Flow Statement shows the structure of and changes in cash and cash equivalents during the year. Cash flows during the period have been classified as operating activities, investing activities and financing activities.

2.6 Statement of changes in equity

Statement of Changes in Equity has been prepared in accordance with BAS-1 and following the guidelines of Bangladesh Bank BRPD circular no.14 dated 25 June 2003.

2.7 Reporting period

These financial statements cover one calendar year from 1 January to 31 December 2015.



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

3 Significant accounting policies

The accounting policy set out below have applied consistently to all the periods presented in these financial statements and have been applied consistently by the Bank.

3.1 Assets and basis of their valuation

3.1.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with Bangladesh Bank and its agent bank, balances with other banks and financial institutions, money at call and on short notice and prize bonds.

3.1.2 Investments

Investment in securities

All investments in securities (bills and bonds) are initially recognised at purchase price excluding commission and accrued coupon interest. Investments are segregated in two broad categories. These are held to maturity (HTM) and held for trading (HFT).

Held to maturity

Debt securities that the Bank hold until maturity are categorised as HTM. Such securities are reported at amortised cost.

Held for trading

Held for trading securities are those which are held with an intention of selling in order to generate profits. Held for trading securities are revalued at market price on weekly basis.

Revaluation

As per Bangladesh Bank DOS circular letter no. 5 dated 28 January 2009, HFT securities are revalued each week using Marked to Market concept and HTM securities are amortised once a year according to Bangladesh Bank guidelines. The HTM securities are also revalued if these are reclassified to HFT category with the ALCO approval. Value of investment has been shown as under:

Government treasury bills and bonds (HFT)	: At present value (using marked to market concept)
Government treasury bills and bonds (HTM)	: At present value (using amortisation concept)
Prize bonds and other bonds	: At cost
Debentures	: At cost



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

3.1.3 Loans and advances

- a) Loans and advances are stated in the Balance Sheet on gross basis.
- b) Interest/profit is calculated on daily product basis, but charged and accounted for quarterly on accrual basis. Interest/profit on classified loans and advances/investments is kept in interest suspense account as per BRPD circular no. 14 dated 23 September 2012 on Master Circular: Loan Classification and Provisioning, and BRPD circular no 19 dated 27 December 2012. Interest is not charged on bad and loss loans and advances/ investments as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.
- c) Commission and discounts on bills purchased and discounted are recognised at the time of realisation.
- d) Provision for loans and advances/investments is made based on the arrear in equivalent month and reviewed by the management following instructions contained in Bangladesh Bank BRPD circulars no. 14 dated 23 September 2012, 16 of dated 06 December 1998, 9 of 14 May 2001, 9 and 10 of 20 August 2005, 5 of 05 June 2006, 8 of 07 August 2007, 10 of 18 September 2007, 5 of 29 April 2008 and 32 of 27 October 2010.

Rates of provision on loans and advances/investments are given below:

Types of loans and advances		Provision				
		UC	SMA	SS	DF	BL
Consumer	House building and professional	2%	2%	20%	50%	100%
	Other than housing finance & professionals to setup business	5%	5%	20%	50%	100%
Provision for loan to broker house, merchant banks, stock dealers, etc		2%	2%	20%	50%	100%
Short-term agri-credit and micro-credit		5%	0%	5%	5%	100%
Small and medium enterprise finance		0.25%	0.25%	20%	50%	100%
Others		1%	1%	20%	50%	100%

- e) Loans and advances/investments are written-off as per guidelines of Bangladesh Bank. Such write-off however will not undermine/affect the claim amount against the borrower. Detailed memorandum records for all such written-off accounts are meticulously maintained and followed up.



3.1.4 Property, plant and equipment

Recognition and measurement

All property, plant and equipments are stated at cost less accumulated depreciation as per BAS-16: "Property, Plant and Equipment." Land is measured at cost.

The cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of the BFRS.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment comprises:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates
- (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for the purpose other than to produce inventories during that period.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation on addition shall be charged from the month of acquisition whereas no depreciation shall be charged in the month of deletion.

Category of asset	Rate of depreciation
Furniture and fixtures	20.00%
Major repairs and renovation	20.00%
Office equipment and electrical appliances	20.00%
Computer	33.33%
Motor vehicles	10.00%
Intangible asset (software)	33.33%

Gain or loss on sale of property, plant and equipment is recognised in profit and loss statement as per provision of BAS-16 : "Property, Plant and Equipment."

3.1.5 Other assets

Other assets include all other financial assets and include fees and other unrealised income receivable, advance for operating and capital expenditure and stocks of stationery and stamps.

3.2 Liabilities and provisions

3.2.1 Borrowings from other banks, financial institutions and agents

Borrowings from other banks, financial institutions and agents include interest-bearing borrowings redeemable at call and Bangladesh Bank refinance. These items are brought to financial statements at the gross value of the outstanding balance.



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

3.2.2 Other liabilities

As per BAS-37 : "Provisions, Contingent Liabilities and Contingent Assets" the Bank recognises provisions only when it has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Other liabilities comprise items such as provision for loans and advances/investments, provision for taxes, interest payable, interest suspense, accrued expenses etc. Other liabilities are recognised in the balance sheet according to the guidelines of Bangladesh Bank, income tax laws and internal policy of the Bank.

3.3 Reserve

Statutory reserve

As per section 24(1) of the Banking Companies Act 1991, Banks which are incorporated outside Bangladesh do not require to set aside any reserve out of their profits.

Revaluation reserve

Revaluation reserve arises from the revaluation of treasury bills and bonds (HFT and HTM) in accordance with the Bangladesh Bank DOS circular no. 5 dated 26 May 2008. The tax effects on revaluation gain are measured and recognised in the financial statements as per BAS 12: Income Taxes.

3.4 Revenue recognition

Interest income

Interest on loans and advances is calculated on daily product basis, but charged and accounted for on quarterly basis. Interest on loans and advances ceases to be taken into income when such advances fall under classification. It is then kept in interest suspense account. Interest on classified loans and advances is accounted for on a cash receipt basis.

Investment income

Income on investments is recognised on accrual basis. Investment income includes discount on treasury bills, interest on treasury bonds, debentures and fixed deposits with other banks.

Fees and commission income

The Bank earns fees and commissions from diverse range of services provided to its customers. This includes fees and commission income arising on financial and other services provided by the Bank including trade finance, credit cards, debit cards, passport endorsement, loan processing, loan syndication and locker facilities, etc. Fees and commission income is recognised on the basis of realisation.

3.5 Employee benefits

There is a Recognised Provident Fund (RPF) in which each employee contributes @10% of their basic salary which is matched by an equal amount of contribution by the Bank. The accumulated Provident Fund balance including interest thereon are paid to the members at the time of their separation from the employment of the Bank in accordance with Bank's service rules. Contribution to the fund is recognised as and when it accrues.

The Bank operates a funded gratuity scheme which has been approved by the National Board of Revenue as a recognised gratuity fund with effect from January 2001. Employees are entitled to gratuity benefit after completion of minimum 10 (ten) years of service with the Bank. The gratuity is calculated on the basis of last basic pay and is payable at the rate of one month's basic pay for every completed year of service. The Bank's expense related to Gratuity is estimated on a yearly basis and the amount is transferred to the fund and charged to expenses of the Bank.



Habib Bank Limited -Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

3.6 Provision for off-balance sheet exposures

In compliance with Bangladesh Bank guidelines off-balance sheet items have been disclosed under contingent liabilities. As per BRPD circular no. 10 dated 18 September 2007, the Bank is required to maintain provision @ 1% against off-balance sheet exposures.

3.7 Provision for nostro accounts

According to Foreign Exchange Policy Department of Bangladesh Bank (FEPD), Bangladesh Bank circular no 677 dated 13 September 2005, Bank is required to make provision regarding the un-reconciled debit balance as at balance sheet date and these are certified by external auditors.

3.8 Taxation

Income tax expense comprises only current taxes. Current tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provision for income tax has been made @ 42.5% (2013: 42.5%) as prescribed in Finance Act 2015 of the profit made by the Bank by considering taxable add-backs of income and disallowances of expenditures.

The Bank is yet to account for deferred taxation. However, the Bank is planning to introduce deferred taxation from next year.

3.9 Off-setting

Neither any asset nor any liability has been set-off against another asset or liability as on balance sheet date to make separate disclosure in the financial statements.



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements

For the year ended 31 December 2015

3.12 Risk Management at Habib Bank Limited, Bangladesh Branches

The possibility of losses, financial or otherwise, is defined as risk. The assets and liabilities of HBL Bangladesh are managed so as to minimise, to the degree prudently possible, the Bank's exposure to risk, while at the same time attempting to provide a stable and steadily increasing flow of net interest income, an attractive rate of return on an appropriate level of capital and a level of liquidity adequate to respond to the needs of depositors and borrowers and earning enhancement opportunities.

The risk management of the Bank covers all core risk areas of banking i.e. i) Credit Risk Management, ii) Foreign Exchange Risk management, iii) Assets liability Management, iv) Prevention of Money Laundering, v) Internal Control and Compliance, and vi) Information and Communication Technology risk.

i. Credit risk management

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with agreed contract terms. Credit risk makes up the largest part of bank's risk exposures. The bank's credit process is guided by centrally established credit policies, rules and guidelines continuing a close-to-the market approach with an aim to maintain a well-diversified portfolio of credit risk which produces a reliable and consistent return.

The Global Credit Policy of the bank is approved by the Board of Directors which ensures the system of checks and balances are in place while taking credit decisions. Salient features of the risk approval process are delineated below:

- Every extension of credit to any counterparty requires approval by the pre-defined level of authority.
- All business groups must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate/pre-defined level.
- Credit approval authority is assigned to individuals according to their qualifications and experience.

ii. Foreign exchange risk management

Foreign exchange risk refers to the risk that a Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either in the form of a balance sheet asset or liability account, or an off-balance sheet item.

Business line managers are concerned with the consequences of potential exchange rate movements on the domestic currency equivalent value for all foreign currency positions. The goal of foreign exchange risk management is to minimize the losses that the Bank may incur due to adverse exchange rate movements of currencies in which the Bank has an open position.

According to Bangladesh Bank guidelines and the Bank's Treasury Investment Policy Treasury Department is divided in the name of Treasury Front office, Treasury Back office and Treasury Mid office.

Foreign exchange risk is managed by Treasury Front office. The monitoring of Foreign Exchange Exposure Limit (FEEL) is a regulatory requirement, which is being complied with.



Habib Bank Limited- Bangladesh Branches

Notes to the financial statements

For the year ended 31 December 2015

Following limits are being maintained by Treasury Front Office to minimize Foreign Exchange Risk:

1. FEEL sanctioned by Global ALCO
2. Net Open Position Limit prescribed by Bangladesh Bank.
3. Intraday Limits
4. Settlement Limits
5. Dealers Trading Limits
6. Dealers Stop Loss Limits
7. Counter Party Limits

Treasury Mid office (TMO) is a specialized unit created with a view to implement robust market risk Management practices as prescribed by Bangladesh Bank and global policies and. To minimize foreign exchange risk Treasury Mid office analyzes the Market trend and monitors Treasury dealings and exposure and reports to local and global Risk Management. TMO also monitors all limits adopted by Head office and Bangladesh Bank.

Treasury Back office is responsible for settlement of all deals done by front office, its transactions and reporting to Global Treasury and Bangladesh Bank in line with the policies and guidelines.

iii. Asset liability risk management

ALM risk arises in absence of proper mechanism to address the risk of mismatch between assets and liabilities either due to liquidity or changed in interest rate. HBL Bangladesh to ensure better management of Balance Sheet Risk has formulated policies for market risk and liquidity risk management. Besides, Asset Liability Committee (ALCO) of the Bank meets once in a month to analyse the economic indicators, review the liquidity position, pricing/interest rate structure and suggests action plan strategies to manage Balance sheet Risk.

iv. Prevention of money laundering

To ensure implementation of Anti-Money Laundering Policies and regulatory directives, Habib Bank has restructured the Central Compliance Committee (CCC) ensuring member from General Banking, IT, HR as instructed by BFIU circular. The purpose of the CCC is to provide guide lines within which to comply with laws and regulations to safeguard the bank from potential AML/CFT risk. AML/CFT/CDD policy and procedure has been set up with detail guidelines for customer and source of funds clarification, AML/CFT rules while transaction processing, periodic review. A clear process has been implemented for sanction screening for prior account opening and existing customer portfolio on a regular process and transaction monitoring through automated system SSW and Mantas. Similarly, process for customer Risk rating and periodic review also implemented. Training has been taken as a continuous process for creating/developing awareness among the officers.

v. Internal control

HBL Bangladesh ICU prepares its annual monitoring plan as per the approved ICU policy for HBL Bangladesh. The unit carries out reviews of risk management procedures, internal control systems, and governance processes. This also involves periodic review of transactions, testing of control systems, special investigations, and assessments of regulatory compliance. Any identified gaps/discrepancies/weaknesses are followed up till their rectification. All functions/ departments / units of HBL Bangladesh, fall within scope of ICU reviews.



Habib Bank Limited- Bangladesh Branches

Notes to the financial statements

For the year ended 31 December 2015

vi. Information and communication technology risk

The Bank has adopted emerging technologies exponentially to meet the ever changing needs of the customers and the requirements of the environment. At the same time the bank is striving to manage the ICT risks according to the ICT Risk Management Policy and procedures and regulations adopted by the Bank by putting the right controls and practices at the appropriate place.

In the last two years, the Bank has introduced most modern technological protection and control systems including Websense. Bank has established enhanced protection of its customer information, and data/network security framework etc. HBL has also implemented SMS alert service, internet banking, and are in the process of launching e-statements for our customers. Furthermore, the Bank has conducted penetration test and vulnerability assessment of its internal and external services by certified resources and reputed third-party vendors. Bank employees are continuously trained on ICT risk management.

Changes in card management system to comply with Payment Card Industry-Data Security Standard (PCI-DSS) is under process for faster and more reliable services to the customers through high-end hardware systems and Database.

The Bank has up-to-date Business Continuity (BCP) and Disaster Recovery Plans (DRP) to ensure uninterrupted business continuation, ensuring that systems and Procedures are resilient and ready to meet "emergency situations." Banking activities are becoming more diversified, so it is essential to eliminate errors, unethical conducts to protect customer's interest and minimize operational risks.

3.13 Related party transaction

The bank, not being incorporated in Bangladesh, operates in Bangladesh under the banking license issued by Bangladesh Bank and therefore the key management personnel of the bank for the purposes of BAS-24 "Related Party Disclosures" are defined as those persons having authority and responsibility for planning, directing and coordinating the bank, being members of the board of directors of the parent company, its senior management and close members of their families and companies they control or have significant influence. There were no transactions between the bank and the key management personnel (2014: Nil)

3.14 Audit committee

The Bank being a branch of a foreign bank does not have a local Board of Directors. HBL Bangladesh has obtained a dispensation from Bangladesh Bank that the Bank does not need an Audit committee vide letter no. BRPD (R-2) 651/9(47) Kha/2015-1682 dated 02 March 2015. Nevertheless Bangladesh operations are reviewed by the Group Internal Audit Team periodically which submits comprehensive report. Furthermore as per the mandate of the ICU function all departments, branches and functions require to be audited at least once a year.

3.15 Credit rating of the bank

Pursuant to the Bangladesh Bank's BRPD circular no. 06 dated 05 July 2006 and in order to safeguard the interest of investors, depositors, creditors the bank has completed the credit rating by Credit Rating Information and Services Limited (CRISL).

Credit Rating Information and Services Limited assigned "A+" (Pronounced A plus) rating to HBL Bangladesh in the Long term and "ST-2" rating in short term for the year 2014. Commercial banks rated in this category is adjudged to be very good financials, healthy and sustainable franchises and a first rate operating environment. Rating in this category is characterized with commendable position in terms of liquidity, internal fund generation and access to alternative sources of fund. The rating for 2015 is yet to be completed.



Habib Bank Limited- Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

3.16 Events after reporting period

As per BAS-10 : "Events after Reporting Period" events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) those that are indicative of conditions that arose after the reporting period (no adjusting events after the reporting period).



Notes to the financial statements
For the year ended 31 December 2015

4. Cash

In hand (including foreign currencies) (note 4.1)
Balance with Bangladesh Bank and its agent bank (note 4.2)

2015 BDT	2014 BDT
41,463,151	95,749,802
4,272,623,369	4,119,231,407
4,314,086,520	4,214,981,209

4.1 In hand (including foreign currencies)

Local currency
Foreign currencies
Cash in ATM

36,843,047	79,622,389
2,991,104	12,568,913
1,629,000	3,558,500
41,463,151	95,749,802

4.2 Balance with Bangladesh Bank and its agent bank

Balance with Bangladesh Bank
Local currency
Foreign currencies

539,217,122	498,861,371
3,733,406,247	3,620,370,036
4,272,623,369	4,119,231,407

4.3 Cash reserve requirement and statutory liquidity ratio

Cash reserve requirement (CRR) and statutory liquidity ratio (SLR) have been calculated and maintained in accordance with section 33 of the Banking Companies Act 1991 and subsequent BCD circular no. 13 dated 24 May 1992; BRPD circular no. 12 dated 20 September 1999 and BRPD circular no. 22 dated 6 November 2003; Bangladesh Bank DOS circular no. 03 dated 23 March 2005; DOS circular no. 06 dated 05 October 2005 and MPD circular no. 04 dated 01 December 2010 and MPD circular no 04 dated 24 June 2014.

4.3.1 CRR

Conventional banking

As per Bangladesh Bank MPD circular no. 04 dated 24 June 2014, Bank has to maintain CRR @ 6.5% on fortnightly cumulative average basis and minimum @ 6% on daily basis.

Fortnightly Bank's CRR maintenance:

Required reserve (6.5% of demand and time liabilities)
Actual reserve maintained (average)

417,223,910	418,280,620
536,364,606	495,006,812
119,140,696	76,726,192

Surplus

4.3.2 SLR

13% of average demand and time liabilities:

Required reserve
Actual reserve maintained (note 4.3.3)

834,447,810	836,561,230
1,870,939,415	1,990,289,178
1,036,491,605	1,153,727,948

Surplus

4.3.3 Composition of actual reserved held (as per statement submitted to Bangladesh Bank)

Cash in hand
Balance with Bangladesh Bank (including TT in transit)
Unencumbered approved securities (HTM)
Others

41,463,151	95,749,802
-	-
1,710,216,668	1,817,023,484
119,259,596	77,515,892
1,870,939,415	1,990,289,178

5. Balance with other banks and financial institutions

In Bangladesh (note 5.1)
Outside Bangladesh (note 5.2)

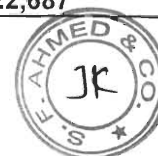
22,687	7,589,765
73,945,868	117,578,239
73,968,555	125,168,004

5.1 In Bangladesh

Current Account with

Bank Asia Ltd
Dutch Bangla Bank Ltd

-	576,387
22,687	7,013,378
22,687	7,589,765



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements

For the year ended 31 December 2015

	2015 BDT	2014 BDT
5.2 Outside Bangladesh (A+B)	73,945,868	117,578,239
5.2.1 A. Non-group nostro		
National Bank of Pakistan, Japan	588,119	1,155,303
Standard Chartered Bank, Mumbai	3,470,025	1,375,780
ICICI Bank Ltd, Mumbai	3,010,778	6,738,414
Habibsons Bank Ltd, UK	8,463,556	1,711,978
Development Credit Bank Ltd, Mumbai	4,830,198	-
	20,362,676	10,981,475
B. Group nostro		
Habib Bank Ltd, Forex. Branch, Karachi	1,617,395	774,523
Habib Bank Ltd, Brussels	102,420	6,877,379
Habib Bank Ltd, New York	51,863,377	98,944,862
	53,583,192	106,596,764
5.3 Maturity grouping of balance with other banks and financial institutions		
Repayable - on demand	73,968,555	125,168,004
- up to 1 month	-	-
- over 1 month but below 3 months	-	-
- over 3 months but below 1 year	-	-
- over 1 year but below 5 years	-	-
	73,968,555	125,168,004
6. Money at call and on short notice		
Southeast Bank Ltd	78,510,000	-
The City Bank Ltd	62,808,000	-
IFIC Bank Ltd	300,000,000	70,000,000
Bank Asia Ltd	-	132,510,750
National Bank of Pakistan	-	540,000,000
	441,318,000	742,510,750
7. Investments		
Government securities (note 7.1)	1,710,334,217	1,817,850,128
Others	-	-
	1,710,334,217	1,817,850,128
7.1 Government securities		
Treasury bills (note 7.1.1.1)	1,542,937,967	1,658,311,008
Treasury bonds (note 7.1.1.2)	167,277,350	158,749,420
Prize bonds	118,900	789,700
	1,710,334,217	1,817,850,128
7.1.1.1 Treasury bills		
91 days	99,433,382	11,493,998
182 days	277,042,342	403,589,431
364 days	1,166,462,243	1,243,227,579
	1,542,937,967	1,658,311,008
7.1.1.2 Treasury bonds		
2 years	3,300,851	10,285,315
5 years	69,969,208	67,490,836
10 years	67,749,801	58,611,088
15 years	13,399,012	11,309,373
20 years	12,858,478	11,052,808
	167,277,350	158,749,420
7.1.1.3 Investments as per Bangladesh Bank circular:		
Held for trading (HFT)	838,463,065	432,214,017
Held to maturity (HTM)	871,752,252	1,384,846,411
Others	118,900	789,700
	1,710,334,217	1,817,850,128

Cost of treasury bills and bonds equivalent to BDT 749,934,772.93 are placed under lien with Bangladesh Bank in compliance with Banking Companies Act 1991, section 13(4).



Notes to the financial statements
For the year ended 31 December 2015

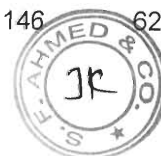
	2015 BDT	2014 BDT
7.1.1.4 Maturity-wise grouping		
On demand	398,524,614	-
Up to 3 months	99,433,382	577,289,699
More than 3 months but not more than 1 year	209,565,888	1,089,500,000
More than 1 year but not more than 5 years	59,666,342	70,087,160
More than 5 years	943,143,091	80,973,269
	1,710,333,317	1,817,850,128
8. Loans and advances		
Loans, cash credits, overdrafts, etc (note 8.1)	4,916,977,196	4,460,531,753
Bills purchased and discounted (note 8.2)	4,550,921	48,374,569
	4,921,528,117	4,508,906,322
8.1 Loans, cash credits, overdrafts, etc/investments		
In Bangladesh		
Term loan *	832,524,042	1,095,362,474
Loans against imported merchandise (LIM)	4,671,146	4,671,146
SME loan	86,843,186	193,685,480
Trust receipts	399,710,639	440,557,642
Staff loans	25,795,815	16,569,291
Cash credit	40,807,357	80,286,156
Payment against documents	14,309,783	30,628,585
Short term loan	1,752,258,641	1,274,862,973
Overdrafts	1,760,056,587	1,323,908,007
	4,916,977,196	4,460,531,753
Outside Bangladesh	-	-
	4,916,977,196	4,460,531,753
8.2 Bills purchased and discounted		
In Bangladesh		
Inland bills purchased	-	45,389,191
Outside Bangladesh		
Foreign bills purchased (FBP)	4,550,921	2,985,378
	4,550,921	48,374,569
8.3 Maturity-wise grouping		
Repayable on demand	326,185,867	407,593,401
Upto 1 month	297,189,536	280,877,814
Over 1 month but below 3 months	1,608,614,005	1,035,893,833
Over 3 month but below 1 year	1,574,484,475	1,464,851,733
Over 1 year but below 5 year	1,098,628,491	1,311,888,891
More than 5 years	16,425,744	7,800,650
	4,921,528,118	4,508,906,322
8.4 Significant concentration		
Advances to officer and staff of the Bank	25,795,815	16,569,291
Advances to customers group	1,673,419,071	1,817,327,448
Industrial advances	3,222,313,231	2,675,009,583
	4,921,528,117	4,508,906,322
8.5 Industry-wise concentration		
Automobile and transportation equipment	3,565,885	3,565,885
Metals and allied	201,579,763	87,314,318
Chemicals and pharmaceuticals	442,027,171	116,470,506
Electronics and electrical appliances	-	211,644,212
Shoes and leather garments	308,420,430	309,899,544
Textile	325,619,032	480,254,428
Foods, tobacco, beverages and sugar	676,912,425	667,466,758
General traders	1,082,006,611	1,003,251,886
Others	1,881,396,800	1,629,038,785
	4,921,528,117	4,508,906,322



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
8.6 Geographical location-wise distribution		
Sylhet Division	90,059,015	77,333,036
Chittagong Division	1,298,212,863	1,179,583,477
Dhaka Division	3,533,256,239	3,251,989,809
	4,921,528,117	4,508,906,322
8.7 Grouping as per classification rules		
Unclassified		
Standard	4,404,371,210	3,589,538,082
Special mention account	41,810,761	291,667,476
Total unclassified loans and advances	4,446,181,971	3,881,205,558
Classified		
Substandard	-	4,972,172
Doubtful	46,448,309	-
Bad/Loss	428,897,837	622,728,592
Total classified loans and advances	475,346,146	627,700,764
Total	4,921,528,117	4,508,906,322
8.8 Large Loan disclosure		
Total no. of customers having facility of 10% of capital of the Bank		
Number of parties	4	3
Total amount outstanding	1,705,424,485	1,504,207,081
Funded	1,538,341,997	988,711,428
Non-funded	167,082,488	515,495,653
8.9 Particulars of loans and advances		
i. Debts considered good in respect of which the Bank is fully secured	2,031,043,727	2,126,032,119
ii. Debts considered good for which the bank holds no security other than the debtors personal guarantee	2,415,138,244	1,755,173,439
iii. Debts considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor	-	-
iv. Debts adversely classified; provision not maintained there against	-	-
	4,446,181,971	3,881,205,558
v. Debts due by Directors or Officers/Executive of the Bank or any of them taken either separately or jointly with any other persons	25,795,815	16,569,291
vi. Debts due by companies or firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents or in the case of private companies, as members	-	-
vii. Maximum total amount of advances including temporary advance made at any time during the year to Directors or Executives or Manager or Officers of the bank or any of them taken severally or jointly with any other persons	25,795,815	16,569,291
viii. Maximum amount of advances including temporary advances made at any time during the year to the companies or firms in which the Directors of the Bank are interested as Directors, Partners, Managing Agents or in case of private companies as members	-	-
ix. Due from other banking companies	-	-
x. Amount of classified loans on which interest has not been charged	475,346,146	627,700,764



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements

For the year ended 31 December 2015

	2015 BDT	2014 BDT
xi. Cumulative amount of written-off debt :		
Opening balance	30,625,993	30,625,993
Amount of debts written-off for the current year	107,993,921	-
	138,619,914	30,625,993
Recovery against write-off loans	-	-
Closing Balance	138,619,914	30,625,993
Lawsuit filed against written-off debts	138,422,390	30,428,469
8.10 Bills purchased and discounted		
Payable outside Bangladesh	4,550,921	2,985,378
Payable in Bangladesh	-	45,389,191
	4,550,921	48,374,569
8.11 Maturity-wise grouping of bills purchased and discounted		
On demand	4,550,921	14,575,640
Payable within 1 month	-	26,111,698
More than 1 month but less than 3 months	-	7,687,231
More than 3 months but less than 6 months	-	-
	4,550,921	48,374,569
9. Fixed assets including premises, furniture and fixtures		
Furniture and fixtures	42,891,597	31,266,483
Office equipment and electrical appliances	50,312,363	44,653,531
Computer	19,199,045	17,982,144
Motor vehicles	20,824,018	18,894,018
	133,227,023	112,796,176
Less: Accumulated depreciation	89,840,402	73,075,093
	43,386,621	39,721,083
Details in Annex A.		
10. Other assets		
Income generating		
Interest receivable	85,759,490	86,636,333
Encashment of sanchaypatras awaiting realisation	349,550	133,770
	86,109,040	86,770,103
Non income generating		
Advance deposits	1,907,300	509,310
Stationery and stamps on hand	582,903	871,285
Prepaid expenses	1,774,886	1,322,686
Capital WIP	12,007,696	-
Advance tax (note 10.1)	929,831,052	867,030,390
Clearing proceeds awaiting account	558,815	2,881,715
Other assets	3,790,420	22,714,188
Advance rent	22,652,067	32,792,167
	973,105,142	928,121,741
	1,059,214,182	1,014,891,844
10.1 Opening balance	867,030,390	809,082,670
Add: Advance income tax paid during the year	48,000,000	57,947,720
Tax deducted at source during the year	14,800,662	-
Addition during the year	62,800,662	57,947,720
Adjustment / reconciled during the year	-	-
Closing balance	929,831,052	867,030,390
11. Deposits and other accounts		
Current deposit and other accounts (note 11.1)	1,800,163,141	1,779,731,427
Fixed deposit (note 11.2)	4,297,563,044	4,395,231,184
Savings bank deposit (note 11.3)	367,097,833	364,532,831
Bills payable	16,112,421	54,864,689
	6,480,936,439	6,594,360,131



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
11.1 Current deposit and other accounts		
Local currency current deposits	831,923,913	889,795,914
Foreign currency current deposits	239,229,472	196,299,377
Special notice time deposit	503,431,829	478,286,433
Current deposits from banks	140,631,925	162,863,238
Sundry deposit	14,033,064	26,512,861
Group vostro (note 11.4)	70,912,938	25,973,605
	1,800,163,141	1,779,731,427
11.2 Fixed deposit		
Deposit from customers	4,297,563,044	4,395,231,184
11.3 Savings deposit	367,097,833	364,532,831
11.4 Group vostro		
Habib Bank Ltd, Oman (BDT)	47,302	873
Habib Bank Ltd, Deira Branch, Dubai (BDT)	384,119	60,281
Habib Bank Ltd, Mauritius (US \$)	291,683	353,001
Habib Bank Ltd, Colombo Branch, Sri Lanka (USD)	972,802	1,644,755
Habib Bank Ltd, Treasury Karachi (ACU \$)	69,217,032	23,914,695
	70,912,938	25,973,605
11.5 Maturity-wise grouping		
Repayable - on demand	1,281,460,470	408,852,525
- up to 1 month	1,904,825,844	2,198,456,310
- over 1 month but below 3 months	1,947,169,609	1,353,866,071
- over 3 months but below 1 year	1,347,480,516	1,866,574,523
- over 1 year but below 5 years	-	766,610,701
- over 5 years but below 10 years	-	-
	6,480,936,439	6,594,360,131
12. Other liabilities		
Specific provision against classified loans and advances (note 12.1)	248,730,538	356,072,133
General provision against unclassified loans and advances (note 12.3)	45,200,000	40,000,000
General provision against off-balance sheet items (note 12.3)	15,500,000	20,020,000
Interest suspense account (note 12.4)	58,141,238	62,570,014
Provision for taxation (note 12.5)	923,573,843	888,573,843
Adjusting account credit balance	-	-
Provision for audit fees	173,000	173,000
Provision for professional fees	2,091,675	1,998,175
Other liabilities (note 12.6)	179,103,737	258,021,076
	1,472,514,031	1,627,428,241
12.1 Specific provision against classified loans and advances		
Movement in specific provision:		
Balance as on 01 January	356,072,133	294,918,760
Less: Fully provided debts written-off during the year	(107,993,921)	-
Add: Recoveries of amounts previously written-off	-	-
Add: Specific provision for the year	58,535,969	118,925,540
Less: Recoveries and provisions no longer required	(57,883,643)	(57,772,167)
Add: Net charge to profit and loss account during the year	652,326	61,153,373
Add: Transfer from general provision	-	-
Balance as on 31 December	248,730,538	356,072,133



Habib Bank Limited - Bangladesh Branches

Notes to financial statements

For the year ended 31 December 2015

		2015 BDT	2014 BDT
12.2 General provision against unclassified loans and advances			
Movement in general provision:			
Balance as on 01 January		40,000,000	43,595,000
Add : Provision made during the year		10,650,000	13,184,000
Less: Recoveries and provisions no longer required		(5,450,000)	(16,779,000)
Add : Net charge to profit and loss account during the year		5,200,000	(3,595,000)
Add/(Less): Transferred from general provision to off-balance sheet items		-	-
Less: Transferred to specific provision		-	-
Balance as on 31 December		45,200,000	40,000,000
Provision for	Required provision	Maintained	Excess/(Shortage)
Un-classified loans and advances	43,947,722	45,200,000	1,252,278
Classified loans and advances	246,984,954	248,730,538	1,745,584
	290,932,676	293,930,538	2,997,862
12.3 Provision for off-balance sheet items			
Movement in general provision:			
Balance as on 01 January		20,020,000	16,501,000
Add : Amount provided during the year		1,848,000	7,619,000
Less: Recoveries and provisions no longer required		(6,368,000)	(4,100,000)
Add : Net charge to profit and loss account during the year		(4,520,000)	3,519,000
Less: Transfer to general provision on unclassified loans		-	-
Add: Transfer to off-balance sheet items from general provision		-	-
Balance as on 31 December		15,500,000	20,020,000
Provision for	Required	Maintained	Excess/(Shortage)
Off-balance sheet items	14,662,220	15,500,000	837,780
12.4 Interest suspense account			
Balance as on 01 January		62,570,013	49,083,030
Add: Amount transferred to interest suspense account during the year		19,609,776	41,095,671
		82,179,789	90,178,701
Less: Amount recovered in interest suspense account during the year		24,038,551	27,608,688
Less: Amount written-off during the year		-	-
		24,038,551	27,608,688
Balance as on 31 December		58,141,238	62,570,013
12.5 Provision for taxation			
Balance as on 01 January		888,573,843	834,743,263
Add: Provision made for the year		35,000,000	53,830,580
Adjustment/ reconciled during the year		-	-
Balance as on 31 December		923,573,843	888,573,843
12.6 Other liabilities			
Provision against BCCI claim (*)		9,299,260	9,299,260
Other payable		18,184,339	7,225,596
Accrued expenses		10,899,122	12,753,080
Routing account		1,597,510	2,580,002
Excess cash		47,815	62,210
Interest payable		139,075,691	226,100,928
		179,103,737	258,021,076

(*) This includes the amount provided as provision against the decreed amount of money suit no. 88/1994 filed by Eastern Bank Ltd, successor of BCCI Overseas Ltd.



Habib Bank Limited - Bangladesh Branches

Notes to financial statements

For the year ended 31 December 2015

13. Capital

	2015 BDT	2014 BDT
Capital fund	4,086,887,815	4,062,955,739
Retained earnings	138,024,859	111,278,192
Revaluation reserve	155,473,068	68,007,037
	4,380,385,742	4,242,240,968

13.1 Capital Adequacy ratio

Tier - I Capital

Funds received from Head Office	4,086,887,815	4,062,955,739
Retained earnings	138,024,859	111,278,191
	4,224,912,674	4,174,233,931

Additional Tier - I

Total eligible Tier - I Capital	4,224,912,674	4,174,233,931
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Tier - II Capital

General provision against unclassified loans and advances	54,405,523	60,020,000
Revaluation reserves	27,188,037	34,003,519
Total eligible Tier - II Capital	81,593,560	94,023,519

Total Regulatory Capital as per Basel - III

	4,306,506,234	4,268,257,450
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13.2 Capital adequacy ratio

Total assets including off-balance sheet items	14,226,978,057	13,833,739,909
Total risk weighted assets	4,972,236,283	7,088,169,153
Capital to Risk weighted assets ratio (CRAR)	86.60%	60.22%
Common equity Tier - I to RWA	84.96%	58.85%
Tier - I Capital to RWA	84.96%	58.85%
Tier - II Capital to RWA	1.64%	1.33%
Minimum capital requirement	4,000,000,000	4,000,000,000
Actual capital maintained	4,306,506,234	4,268,257,450
Surplus Capital as per Basel-III	306,506,234	268,257,450

14. Retained earnings

Balance as on 01 January	111,278,192	109,594,825
Add: Profit for the year	26,746,667	1,683,367
Less: Transferred to capital fund	-	-
Balance as on 31 December	138,024,859	111,278,192

15. Contingent liabilities and commitments

Acceptances and endorsements	447,292,938	883,093,049
Letters of guarantee (note 15.1)	418,295,200	374,872,470
Irrevocable letters of credit	431,714,176	430,879,808
Bills for collection	21,593,147	22,409,813
Other contingent liabilities (note 15.2)	507,792,520	525,485,820
	1,826,687,981	2,236,740,960

15.1 Letters of guarantee

Money for which the Bank is contingently liable in respect of guarantees given favouring:

Government	-	-
Bank and other financial institutions	-	-
Others	418,295,200	374,872,470
	418,295,200	374,872,470

15.2 Other contingent liabilities

Bangladesh Sanchaya Patras (BSPs) and US Dollar Bonds	360,466,000	391,987,000
Other non-accruals	147,326,520	133,498,820
Others	-	-
	507,792,520	525,485,820



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
16. Interest income		
Interest on term loans	226,121,650	261,229,986
Interest on overdraft	160,459,482	163,904,626
Interest on call loans	47,256,441	52,294,774
Interest on payment against documents (PAD/IBP/FBP)	37,578,089	61,181,106
Interest on balance with Bangladesh Bank	5,563,727	3,699,123
Interest on balance with other banks	5,504,878	561,342
Interest on cash credit	3,098,873	5,605,072
Interest on staff loans	1,322,817	1,804,913
	486,905,957	550,280,942
17. Interest paid on deposit and borrowings, etc		
Interest on fixed deposit	347,597,689	391,837,418
Interest on savings deposit	15,215,109	14,512,973
Interest on special notice deposit and short term deposit	12,467,440	10,376,482
Interest on borrowing	1,761,917	3,182,264
Interest on staff cash security	-	-
	377,042,155	419,909,137
18. Investment income		
Interest on government securities (treasury bills and treasury bonds)	134,743,495	133,930,656
Less: loss on revaluation of government securities	7,470,153	2,312,488
	127,273,342	131,618,168
19. Commission, exchange and brokerage		
Exchange earnings	67,729,904	52,496,227
Commission on L/C	14,903,948	16,411,495
Commission on bills	7,212,316	7,084,881
Commission on L/G	5,938,864	6,208,044
Commission on acceptances	3,601,960	5,492,995
Commission on DD/TT/MT/PO	3,381,167	8,581,804
Commission on LIM/PAD	3,125,585	4,811,958
Commission on PSP/NSC	452,591	1,440,103
	106,346,335	102,527,507
20. Other operating income		
Handling and service charges	4,471,889	6,422,798
Incidental charges recoveries	3,118,487	2,300,992
Miscellaneous income	2,074,164	3,660,408
Telegram/Telex/SWIFT charges recoveries	1,565,808	3,240,401
Postage charges recoveries	1,039,847	2,124,549
Rent on savings deposit lockers	157,500	181,000
Profit on sale of fixed assets	19,998	404,101
	12,447,693	18,334,249
21. Salaries and allowances		
Salaries	69,740,654	58,461,992
House rent	29,740,543	23,097,705
Bonus paid to employees	17,578,251	15,637,745
Leave salary	7,912,862	5,381,970
Bank's contribution to provident fund	5,748,014	4,214,256
Medical expenses	3,986,123	3,500,879
Conveyance allowances	3,771,219	3,200,330
Allowances	3,605,089	1,340,490
Others	1,990,468	4,218,197
Electricity and gas charges	79,120	170,198
Telephone charges	66,077	60,585
	144,218,420	119,284,347



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
22. Rent, taxes, insurance, electricity, etc		
Rent for Bank's premises	44,121,560	41,277,407
Insurance charges	5,536,975	5,420,675
Lighting charges	4,290,047	4,088,369
Godown rent	1,022,486	1,072,690
	54,971,068	51,859,141
23. Legal and professional expenses		
Consultancy charges	1,718,800	1,969,257
Legal charges	926,354	417,849
	2,645,154	2,387,106
24. Postage, stamps, telecommunication, etc		
Postage, courier and SWIFT charges	1,951,979	1,852,582
Telegram charges	14,736	22,084
	1,966,715	1,874,666
25. Stationery, printing, advertisement, etc		
Printing	1,842,539	1,613,511
CSR expenses	1,834,000	1,800,000
Advertisement charges	1,814,019	2,983,876
Stationery	979,428	1,233,373
Newspaper expenses	-	79,405
	6,469,986	7,710,165
26. Depreciation and repairs of bank's assets		
Depreciation (Annex A)	14,967,207	12,633,648
Computer and office equipment maintenance	1,920,292	2,758,345
Software maintenance expenses	312,250	1,103,750
Repairs and renovation	-	422,316
	17,199,749	16,918,059
27. Other expenses		
Outsourced charges	15,137,702	12,666,371
Miscellaneous expenses	5,296,709	2,933,444
Lease line rent (online) and e-mail expenses	5,239,100	6,591,113
Traveling expenses	3,280,589	1,647,959
Office maintenance charges	2,351,173	4,753,431
Motor car expenses	1,948,196	1,928,821
Entertainment charges	1,931,181	1,521,702
Subscription	1,589,650	1,657,000
VISA debit card maintenance fee	1,528,776	3,834,461
Telephone charges (office use)	1,218,780	972,950
Training expenses	1,069,895	472,481
Water and diesel expenses	590,446	718,508
Conveyance charges	581,507	512,189
Branch trade license fee	353,013	28,855
Clearing house charges	352,247	336,523
Other revenue expenditure	91,636	214,661
Work permit and visa charges	50,320	204,843
Trunk call charges	-	67,929
Cash handling charges	-	195,615
	42,610,920	41,258,856



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements
For the year ended 31 December 2015

28. Related party transactions:

28.1 Transactions with nostro accounts

Some branches of HBL, Pakistan maintains accounts with HBL, Bangladesh for interbranch transaction settlement. The disclosure of the year end balance is considered as the most meaningful information during the year.

28.2 Transactions with vostro accounts

Some branches of HBL, Pakistan maintains accounts with HBL, Bangladesh for interbranch transaction settlement. The disclosure of the year end balance is considered as the most meaningful information during the year.

29. Coverage of external audit

The external auditors of the Bank, S. F. Ahmed & Co, Chartered Accountants worked about 1,600 person hours. They have reviewed more than 80% of the Bank's risk weighted assets as at the Balance Sheet date.

30. Events after the reporting period

No material events which have occurred after the reporting period that could affect the values stated in the financial statements.

31. Others

- (i) Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.
- (ii) Figures in these notes and in the annexed financial statements have been rounded to the nearest BDT.
- (iii) These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- (iv) The number of employees engaged for the whole year who received a total remuneration of BDT 36,000 or above were 120 (2014: 112)
- (V) Highlights of the overall activities of the Bank have been presented in Annex I.

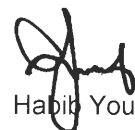
for Habib Bank Limited — Bangladesh Branches



Mohammad Nazmul Huq Bhuiyan
Head - Finance



Muniruzzaman Molla
Head - Country Operations



Habib Yousuf
Regional General Manager

Dhaka, Bangladesh
Dated, 29 March 2016



Highlights on the overall activities

Annex I

For the year ended 31 December 2015

Sl no.	Particulars	2015 BDT	2014 BDT
1	Paid-up capital	N/A	N/A
2	Total capital	4,306,506,234	4,268,257,450
3	Capital (deficit)/surplus	306,506,234	268,257,450
4	Total assets	12,563,836,212	11,596,998,949
5	Total deposits	6,480,936,439	6,594,360,131
6	Total loans and advances	4,921,528,117	4,508,906,322
7	Total contingent liabilities and commitments	1,826,687,981	2,236,740,960
8	Advance deposit ratio	75.94%	68.38%
9	Percentage of classified loans against total loans and advances	9.66%	13.92%
10	Profit after tax and provision	26,746,667	1,683,367
11	Amount of classified loans at end of the year	475,346,146	627,700,764
12	Provisions kept against classified loans	248,730,538	356,072,133
13	Provision surplus against classified loans	1,745,584	591,006
14	Cost of fund	5.67%	7.16%
15	Interest earning assets	11,345,826,391	11,313,666,610
16	Non-interest earning assets	1,218,009,821	283,332,339
17	Return on investment (ROI) [PAT/(Shareholders' equity + Borrowing)]	0.62%	0.04%
18	Return on assets (ROA) [PAT/ Average assets]	0.21%	0.02%
19	Income from investment	127,273,342	131,618,168



Habib Bank Limited - Bangladesh Branches

Annex II

**Schedule of fixed assets including premises, furniture and fixtures
As at 31 December 2015**

Particulars	Cost			Depreciation				Written down value at 31 Dec 2015				
	Balance at 01 Jan 2015	Addition during the year	Cost recovered during the year (*)	Adjustment/ disposal during the year	Total at 31 Dec 2015	Rate (%)	To 01 Jan 2015		Charge for the year	Cost recovered during the year (*)	Adjustment/ disposal during the year	Total to 31 Dec 2015
	BDT	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT	BDT
Furniture and fixtures	31,266,483	11,625,114	-	-	42,891,597	20	21,997,809	4,967,616	-	-	26,965,425	15,926,172
Office equipment and electrical appliances	44,653,531	5,790,730	-	131,898	50,312,363	20	28,165,379	5,768,377	-	131,898	33,801,858	16,510,505
Computer	17,982,144	1,216,901	-	-	19,199,045	33.33	11,788,538	3,149,866	-	-	14,938,405	4,260,640
Motor vehicles	18,894,018	-	1,930,000	-	20,824,018	10	11,123,367	1,081,348	1,929,999	-	14,134,714	6,689,304
As at 31 December 2015	112,796,176	18,632,745	1,930,000	131,898	133,227,023		73,075,093	14,967,207	1,929,999	131,898	89,840,402	43,386,621
As at 31 December 2014	136,568,634	17,660,391	-	41,432,849	112,796,176		97,670,514	12,633,648	-	37,229,069	73,075,093	39,721,083

(*) A motor vehicle costing BDT 1,930,000.00 has been recovered having written down value (WDV) of BDT 1 and has been added as cost recovered during the year and adjusted accordingly as per IAS-8 giving retrospective effect.



Habib Bank Limited - Bangladesh Branches

Balance with other banks (outside Bangladesh)
As at 31 December 2015

Annex III

Name of the bank	Type of account	Foreign currency	2015		2014				
			FC amount	Exchange rate	Equivalent BDT	FC amount	Exchange rate	Equivalent BDT	
Group Nostro									
Habib Bank Ltd, Brussels	Nostro A/C	EUR	1,184	86.5027	102,420	71,948	95.5884	6,877,379	
Habib Bank Ltd, New York	Nostro A/C	USD	660,596	78.5100	51,863,377	1,269,378	77.9475	98,944,862	
Habib Bank Ltd, Forex Branch, Karachi	Nostro A/C	USD	20,601	78.5100	1,617,395	9,936	77.9475	774,523	
			682,381		53,583,192	1,351,263		106,596,764	
Non-Group Nostro									
Habibsons Bank Ltd, London	Nostro A/C	GBP	72,226	117.1822	8,463,556	14,018	122.1311	1,711,978	
National Bank of Pakistan, Tokyo	Nostro A/C	JPY	869,227	0.6766	588,119	1,716,137	0.6732	1,155,303	
ICICI Mumbai	Nostro A/C	USD	38,349	78.5100	3,010,778	86,448	77.9475	6,738,414	
Standard Chartered Bank, Mumbai	Nostro A/C	USD	44,199	78.5100	3,470,025	17,650	77.9475	1,375,780	
Development Credit Bank Ltd, Mumbai	Nostro A/C	USD	61,523	78.5100	4,830,198	-	-	-	
			1,085,523		20,362,676	1,834,253		10,981,475	



Habib Bank Limited - Bangladesh Branches

Balance from other banks (outside Bangladesh)
As at 31 December 2015

Annex IV

Name of the bank	Type of account	Foreign currency	2015			2014		
			FC amount	Exchange rate	Equivalent BDT	FC amount	Exchange rate	Equivalent BDT
Group Vostro								
Habib Bank Ltd, Oman	Vostro A/C	BDT	47,302	1.0000	47,302	873	1.0000	873
Habib Bank Ltd, Dubai	Vostro A/C	BDT	384,119	1.0000	384,119	60,281	1.0000	60,281
Habib Bank Ltd, Colombo	Vostro A/C	USD	12,391	78.5100	972,802	21,101	77.9475	1,644,755
Habib Bank Ltd, Treasury, Head Office	Vostro A/C	USD	881,633	78.5100	69,217,032	306,805	77.9475	23,914,695
Habib Bank Ltd, Mauritius	Vostro A/C	USD	3,715	78.5100	291,683	4,529	77.9475	353,001
			1,329,160		70,912,938	393,589		25,973,605
Non-Group Vostro								
Dubai Islamic Bank Pakistan Ltd, Karachi	Vostro A/C	USD	49,742	78.5100	3,905,280	5,296	77.9475	412,805
Habib Metropolitan Bank Ltd, Karachi	Vostro A/C	USD	473,195	78.5100	37,150,501	634,598	77.9475	49,465,289
Bank Islami Pakistan Ltd, Karachi	Vostro A/C	USD	43,656	78.5100	3,427,404	24,309	77.9475	1,894,841
J S Bank Ltd	Vostro A/C	USD	146,970	78.5100	11,538,597	57,065	77.9475	4,448,105
Silk Bank Ltd, Karachi	Vostro A/C	USD	57,736	78.5100	4,532,875	57,736	77.9475	4,500,399
Soneri Bank Ltd, Karachi	Vostro A/C	USD	133,832	78.5100	10,507,166	138,760	77.9475	10,816,030
The Bank of Punjab	Vostro A/C	USD	5,265	78.5100	413,359	152,419	77.9475	11,880,642
The Bank of Khyber	Vostro A/C	USD	21,131	78.5100	1,658,995	-	77.9475	-
Habibsons Bank Ltd, Karachi	Vostro A/C	BDT	48,779	1.0000	48,779	374,590	1.0000	374,590
United Bank Ltd, Karachi	Vostro A/C	EUR	150,000	86.5027	12,975,405	150,000	95.5884	14,338,260
Bank Alfalah Ltd, Karachi	Vostro A/C	USD	687,610	78.5100	53,984,299	687,610	77.9475	53,597,518
Albaraka Bank Pakistan Ltd	Vostro A/C	USD	6,232	78.5100	489,265	8,669	77.9475	675,713
KASB Bank Ltd	Vostro A/C	USD	-	-	-	8,371	77.9475	652,495
Barclays Bank Plc	Vostro A/C	USD	-	-	-	125,810	77.9475	9,806,550
			1,824,149		140,631,925	2,425,233		162,863,238



Habib Bank Limited - Bangladesh Branches

Details of large loan

As at 31 December 2015

Annex V

No of clients	2015	2014
	BDT	BDT
Total amount outstandings	1,705,424,485	1,504,207,081
	⁴	³

Client wise break up is as follows:

	2015		2014	
	Funded	Non-funded	Funded	Non-funded
	BDT	BDT	BDT	BDT
Name of the Borrower				
PRAN Group	520,000,000	220,000,000	435,926,656	47,388,448
MM Ispahani Group	375,000,000	250,000,000	508,703,747	53,881,681
Kamal Uddin Abdul Aziz Group	166,500,000	297,600,000	243,711,593	65,812,360
Banglalink Digital Communications Limited	350,000,000	350,000,000	350,000,000	-
	1,411,500,000	1,117,600,000	1,538,341,997	167,082,488
		2,529,100,000		1,705,424,485

