

**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 2016

**Hoda Vasi Chowdhury & Co**

Chartered Accountants

BTMC Bhaban (7th Floor), 7-9 Karwan Bazar, Dhaka-1215

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# Hoda Vasi Chowdhury & Co

## Chartered Accountants

### Independent Auditors' Report to the Management of Habib Bank Limited - Bangladesh Branches

We have audited the accompanying financial statements of Habib Bank Limited - Bangladesh Branches (the "Bank") which comprise the balance sheet as at 31 December 2016, profit and loss account, cash flow statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes and annexure 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 (BFRS) as explained in Note 2.1 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank Company Act 1991 and the local central bank (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

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 or 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 of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in Note 2.1.

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**Report on other legal and regulatory requirements**

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

- (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 during the year ended 31 December 2016;
- (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 and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
- (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 and returns;
- (d) the expenditures incurred during the year were for the purposes of the Bank's business;
- (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 classified loans and advances;
- (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
- (j) we have reviewed over 80% of risk-weighted assets of the Bank and spending over 1,500 person hours; and
- (k) Capital Adequacy Ratio (CAR) as required by the Bangladesh Bank has been maintained adequately during the year.

Dhaka, 27 February 2017

*Hoda Vasi CM1.*

Hoda Vasi Chowdhury & Co  
Chartered Accountants



# Habib Bank Limited - Bangladesh Branches

## Balance Sheet

As at 31 December 2016

	Notes	2016 BDT	2015 BDT
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	4	<b>4,289,481,472</b>	<b>4,314,086,520</b>
In hand (including foreign currencies)		49,094,855	41,463,151
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		4,240,386,617	4,272,623,369
<b>Balance with other banks and financial institutions</b>	5	<b>56,147,781</b>	<b>73,968,555</b>
In Bangladesh		35,282	22,687
Outside Bangladesh		56,112,499	73,945,868
<b>Money at call and on short notice</b>	6	<b>908,740,000</b>	<b>441,318,000</b>
<b>Investments:</b>			
Government securities	7	<b>1,758,079,495</b>	<b>1,710,334,217</b>
<b>Loans and advances :</b>	8	<b>4,792,739,351</b>	<b>4,921,528,117</b>
Loans, cash credits, overdrafts, etc		4,783,688,274	4,916,977,196
Bills purchased and discounted		9,051,077	4,550,921
<b>Fixed assets including premises, furniture and fixtures</b>	9	<b>47,233,699</b>	<b>43,386,621</b>
<b>Other assets</b>	10	<b>1,029,555,152</b>	<b>1,059,214,182</b>
<b>Non - banking assets</b>		-	-
<b>Total assets :</b>		<b>12,881,976,950</b>	<b>12,563,836,212</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities:</b>			
Borrowings from other banks, financial institutions and agents		<b>350,000,000</b>	<b>230,000,000</b>
<b>Deposits and other accounts :</b>	11	<b>6,718,730,711</b>	<b>6,480,936,439</b>
Current deposit and other accounts		1,886,504,920	1,800,163,141
Fixed deposits		4,346,252,569	4,297,563,044
Savings bank deposits		449,302,313	367,097,833
Bills payable		36,670,909	16,112,421
<b>Other liabilities</b>	12	<b>1,567,899,857</b>	<b>1,472,514,031</b>
<b>Total liabilities</b>		<b>8,636,630,568</b>	<b>8,183,450,470</b>
<b>Capital/shareholders' equity</b>			
<b>Total shareholders' equity</b>		<b>4,245,346,382</b>	<b>4,380,385,742</b>
Capital fund	13	4,096,673,375	4,086,887,815
Revaluation reserve		59,254,597	155,473,068
Retained earnings	14	89,418,411	138,024,859
<b>Total liabilities and shareholders' equity</b>		<b>12,881,976,950</b>	<b>12,563,836,212</b>



# Habib Bank Limited - Bangladesh Branches

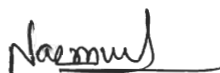
## Balance Sheet

As at 31 December 2016

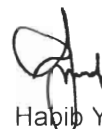
	Note	2016 BDT	2015 BDT
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities :</b>	15		
Acceptances and endorsements		835,589,514	447,292,938
Letters of guarantee		312,217,191	418,295,200
Irrevocable letters of credit		349,344,617	431,714,176
Bills for collection		106,669,887	21,593,147
Other contingent liabilities		673,369,608	507,792,520
<b>Total</b>		<b>2,277,190,817</b>	<b>1,826,687,981</b>
<b>Other commitments :</b>			
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		-	-
<b>Total</b>		<b>-</b>	<b>-</b>
<b>Total Off-Balance Sheet Items Including Contingent Liabilities</b>		<b>2,277,190,817</b>	<b>1,826,687,981</b>

These financial statements should be read in conjunction with annexed notes

for Habib Bank Limited — Bangladesh Branches

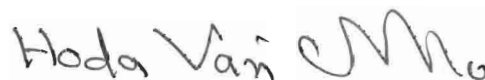


Mohammad Nazmul Huq Bhuiyan  
Head - Finance



Habib Yousuf  
Regional General Manager

As per our report of same date



Hoda Vasi Chowdhury & Co  
Chartered Accountants

Dhaka, 27 February 2017



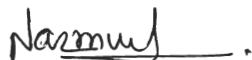
Habib Bank Limited - Bangladesh Branches

**Profit and Loss Statement**  
For the year ended 31 December 2016

	Notes	2016 BDT	2015 BDT
<b>Operating income</b>			
Interest income	16	408,498,734	486,905,957
Less: Interest paid on deposit and borrowing, etc	17	288,636,735	377,042,155
<b>Net interest income</b>		<b>119,861,999</b>	<b>109,863,802</b>
Investment income	18	76,472,183	134,743,495
Commission, exchange and brokerage	19	77,265,063	106,346,335
Other operating income	20	10,185,461	12,447,693
<b>Total operating income (A)</b>		<b>283,784,706</b>	<b>363,401,325</b>
<b>LESS: OPERATING EXPENSES</b>			
Salaries and allowances	21	167,252,678	144,218,420
Rent, taxes, insurance, electricity, etc	22	51,120,483	54,971,068
Legal & Professional charges	23	1,164,232	2,645,154
Postage, stamp, telecommunication, etc	24	2,468,415	1,966,715
Stationery, printing, advertisements, etc	25	6,025,589	6,469,986
Chief executive salary and fees		21,583,259	22,597,167
Auditors' fees		173,000	173,000
Depreciation and repairs of bank's assets	26	20,125,407	17,199,749
Other expenses	27	45,120,933	50,081,073
<b>Total operating expenses (B)</b>		<b>315,033,996</b>	<b>300,322,332</b>
<b>Profit before provision (C=A-B)</b>		<b>(31,249,290)</b>	<b>63,078,993</b>
General provision		(2,850,000)	5,200,000
Specific provision		16,057,158	652,326
Provision for off-balance sheet items		650,000	(4,520,000)
Provision for diminution in value of investments		-	-
Other provisions		-	-
<b>Total provision (D)</b>		<b>13,857,158</b>	<b>1,332,326</b>
<b>Total profit before tax (C-D)</b>		<b>(45,106,448)</b>	<b>61,746,667</b>
Less: Provision for taxation			
Current tax	12.5	3,500,000	35,000,000
<b>Net profit after taxation</b>		<b>(48,606,448)</b>	<b>26,746,667</b>

These financial statements should be read in conjunction with annexed notes

for Habib Bank Limited — Bangladesh Branches

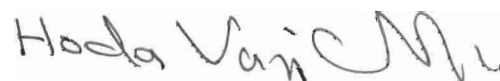


Mohammad Nazmul Huq Bhuiyan  
Head - Finance



Habib Yousuf  
Regional General Manager

As per our report of same date



Hoda Vasi Chowdhury & Co  
Chartered Accountants

Dhaka, 27 February 2017



Habib Bank Limited - Bangladesh Branches

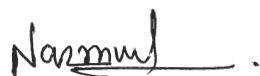
Cash Flow Statement

For the year ended 31 December 2016

	Notes	2016 BDT	2015 BDT
<b>Cash flows from operating activities (A)</b>			
Interest receipts in cash		650,695,670	487,782,799
Interest payments		(471,101,196)	(464,067,393)
Fee and commission receipts in cash		77,265,063	106,346,335
Income from investments		107,575,434	137,392,735
Cash payments to employees		(183,886,265)	(155,916,467)
Cash payments to suppliers		(113,899,652)	(83,547,421)
Recoveries on loans		37,435,000	52,200,000
Income tax paid		(25,703,599)	(62,800,662)
Receipts from other operating activities		8,516,778	12,447,694
Payments for other operating activities		(46,376,600)	(42,610,920)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>40,520,631</b>	<b>(12,773,300)</b>
<b>Increase/decrease in operating assets and liabilities</b>			
Loans and advances to customers		128,788,766	(412,621,795)
Other assets		29,659,030	28,406,776
Deposits from other banks		(28,891,772)	44,613,524
Deposits from customers		208,902,500	(158,037,215)
Other liabilities		(32,068,582)	(86,380,920)
		306,389,942	(584,019,630)
<b>Net cash from operating activities (A)</b>		<b>346,910,574</b>	<b>(596,792,930)</b>
<b>Cash flows from investing activities (B)</b>			
Purchase/sale of property, plant and equipment		(3,847,078)	(18,632,744)
Sale proceeds of property, plant and equipment		-	19,998
Payments for purchase of securities		(47,745,278)	107,515,911
<b>Net cash used in investing activities</b>		<b>(51,592,356)</b>	<b>88,903,165</b>
<b>Cash flows from financing activities (C)</b>			
Borrowings from other banks		120,000,000	230,000,000
Remittance received from Head Office		-	-
<b>Net cash from/(used) in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>		<b>415,318,217</b>	<b>(277,889,765)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>9,785,560</b>	<b>23,932,077</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,829,491,975</b>	<b>5,083,449,663</b>
<b>Cash and cash equivalents at end of the year</b>		<b>5,254,595,753</b>	<b>4,829,491,975</b>
<b>Cash and cash equivalents:</b>			
Cash		49,094,855	41,463,151
Balance with Bangladesh Bank and its agent bank(s)		4,240,386,617	4,272,623,369
Balance with other banks and financial institutions		56,147,781	73,968,555
Money at call and on short notice		908,740,000	441,318,000
Prize bonds		226,500	118,900
		<b>5,254,595,753</b>	<b>4,829,491,975</b>

These financial statements should be read in conjunction with annexed notes

for Habib Bank Limited — Bangladesh Branches



Mohammad Nazmul Huq Bhuiyan  
Head Finance



Habib Yousuf  
Regional General Manager

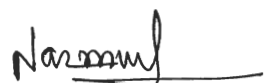


Habib Bank Limited - Bangladesh Branches

Statement of Changes in Equity  
For the year ended 31 December 2016

Particulars	Capital fund BDT	Revaluation reserve BDT	Retained earnings BDT	Total BDT
<b>Balance at 01 Jan 2015</b>	4,062,955,739	68,007,037	111,278,192	4,242,240,967
Capital fund received from Head Office	-	-	-	-
Currency translation differences	23,932,076	-	-	23,932,076
Revaluation of treasury bills and Bonds	-	87,466,031	-	87,466,031
Net profit for the year	-	-	26,746,667	26,746,667
<b>Balance at 31 Dec 2015</b>	<b>4,086,887,815</b>	<b>155,473,068</b>	<b>138,024,859</b>	<b>4,380,385,742</b>
<b>Balance at 01 Jan 2016</b>	4,086,887,815	155,473,068	138,024,859	4,380,385,742
Capital fund received from Head Office	-	-	-	-
Currency translation differences	9,785,560	-	-	9,785,560
Revaluation/ amortisation of treasury bills and Bonds	-	(96,218,471)	-	(96,218,471)
Net profit for the year	-	-	(48,606,448)	(48,606,448)
<b>Balance at 31 Dec 2016</b>	<b>4,096,673,375</b>	<b>59,254,598</b>	<b>89,418,410</b>	<b>4,245,346,383</b>

for Habib Bank Limited — Bangladesh Branches



Mohammad Nazmul Huq Bhuiyan  
Head Finance



Habib Yousuf  
Regional General Manager





Habib Bank Limited - Bangladesh Branches

Liquidity Statement ( Assets and Liability Maturity Analysis)

For the year ended 31 December 2016

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	
<b>Assets</b>						
Cash in hand	49,094,855	-	-	-	-	49,094,855
Balance with Bangladesh Bank	489,649,598	-	-	-	3,750,737,019	4,240,386,617
Balance with other banks and financial institutions	56,147,781	-	-	-	-	56,147,781
Money at call and on short notice	268,740,000	640,000,000	-	-	-	908,740,000
Investment in treasury bills and others	226,500	249,287,878	995,306,695	419,199,253	94,059,170	1,758,079,495
Loans and advances to customers	565,476,081	1,505,295,058	1,854,920,365	837,971,768	29,076,078	4,792,739,351
Fixed assets including premises, furniture and fixtures	212,666	735,753	19,896,713	25,709,464	679,104	47,233,700
Other assets	1,551,483	7,601,087	56,746,972	6,354,159	957,301,451	1,029,555,152
Non-banking assets	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>1,431,098,964</b>	<b>2,402,919,775</b>	<b>2,926,870,745</b>	<b>1,289,234,644</b>	<b>4,831,852,823</b>	<b>12,881,976,951</b>
<b>Liabilities</b>						
Borrowing from other banks and financial institutions	350,000,000	-	-	-	-	350,000,000
and agents						
Deposits and other accounts	2,528,548,458	1,227,672,428	1,404,854,151	1,557,655,674	-	6,718,730,711
Other liabilities	97,315	69,001,731	159,315,356	403,112,353	936,373,103	1,567,899,857
<b>Total liabilities B</b>	<b>2,878,645,773</b>	<b>1,296,674,159</b>	<b>1,564,169,506</b>	<b>1,960,768,027</b>	<b>936,373,103</b>	<b>8,636,630,568</b>
<b>Net liquidity excess/(shortage) (A-B)</b>	<b>(1,447,546,809)</b>	<b>1,106,245,616</b>	<b>1,362,701,238</b>	<b>(671,533,382)</b>	<b>3,895,479,720</b>	<b>4,245,346,383</b>

for Habib Bank Limited — Bangladesh Branches



## Habib Bank Limited - Bangladesh Branches

### Notes to the financial statements

For the year ended 31 December 2016

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#### 1 The Bank and its activities

##### 1.1 Habib Bank Limited, Bangladesh Branches/ Legal Form of the Bank

Habib Bank Limited (HBL) – Bangladesh Branches (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 December 31, 2016 have been prepared on accrual basis under the historical cost convention, except investments and defined benefit schemes, and in accordance with the "First Schedule" (section 38) of the Bank 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 Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institution of Chartered Accountants of Bangladesh (ICAB) into Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) where relevant to the Bank to the extent that these does not contradict the applicable statutory provisions of Bangladesh Bank.

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 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) 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 investments 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 recognized at cost.



**ii) Revaluation gains/losses on Government securities**

**BFRS:** As per requirement of BAS 39 where securities will fall under the category of "Held for Trading" (HFT), any change in the fair value (as measured in accordance with BFRS 13) of Held for Trading assets is recognized through profit and loss account. Securities designated as "Held to Maturity" (HTM) are measured at amortized cost method and interest income is recognized through the profit and loss account.

**Bangladesh Bank:** HFT securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognized 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 amortization of discount are recognized in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortized at the year end and gains or losses on amortization are recognized 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 at 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 at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Furthermore a general provision at 1% is required to be provided for all off-balance sheet exposures.

**iv) Other comprehensive income**

**BFRS:** As per BAS 1 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, recognize, measure and present financial instruments differently from those prescribed in BAS 39. As such, some disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.



**vi) Repo and Reverse Repo transactions**

**BFRS:** When an entity 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 treated as a loan and the underlying asset continues to be recognized 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 derecognized in the seller's book and recognized 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 recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized 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 14, dated 25 June 2003 financial guarantees such as letter of credit, letter of guarantee, etc. will be treated as off-balance sheet items. No liability is recognized for the guarantee except the cash margin.

**viii) Recognition of interest in suspense**

**BFRS:** Loans and advances to customers are generally classified as 'loans and advances' as per BAS 39 and interest income is recognized through effective interest rate method over the life of the loan. Once a loan is impaired, interest income is recognized 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 recognized 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 equivalent**

**BFRS:** Cash and cash equivalent items should be reported as cash item as per BAS 7.

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



**x) Non-banking asset**

**BFRS:** No indication of Non-banking asset is found in any BFRS.

**Bangladesh Bank:** As per BRPD 14, there is a separate balance sheet item named Non-Banking Asset existed in the standard format.

**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 14, dated 23 June 2003 cash flow is the mixture of direct and indirect methods.

**xii) Balance with Bangladesh Banks: (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 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 recognized, presented in the face of the balance sheet and the disclosure must be given as per BAS 38.

**Bangladesh Bank:** As per BRPD 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 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 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.



**xvii) Recognition of derivatives**

**BFRS:** As per BAS 39, all derivatives including forward contracts are initially recognized 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 & loss" and changes in Fair value are recognized in profit and loss accounts.

**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 mark 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.
- Investment in shares of listed companies are valued at market price and unlisted companies at cost or book value of last audited balance sheet whichever is lower.
- Net asset/Liability of the defined benefit scheme which is net of present value of the defined benefit obligations, total plan assets and other related items required by BAS 19

**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.

**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 Taka (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 2016 have been converted into Bangladesh Taka (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 except for the exchange rate differences on funds deposited with BB as capital which is recognized directly in equity.

**2.5 Cash flow statement**

Cash Flow Statement is prepared principally in accordance with BAS 7 "Cash Flow Statement" 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 "Presentation of Financial Statements" and following the guidelines of Bangladesh Bank BRPD circular no.14 dated 25 June 2003. This statement reflects information about the increase or decrease in net assets or wealth.

**2.7 Reporting period**

These financial statements cover one calendar year from 1 January to 31 December 2016.



### 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, reverse repo 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

Investment which have "determinable Payment" and are intended to be held to maturity are classified as HTM.

###### Held for Trading

Investment classified in the category are acquired principally for the purpose of selling or repurchasing in short trading in order to generate profits.

###### 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 2016

#### 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 September 23, 2012, 16 of dated December 06, 1998, 9 of May 14, 2001, 9 and 10 of August 20, 2005, 5 of June 05, 2006, 8 of August 07, 2007, 10 of September 18, 2007, 5 of April 29, 2008 and 32 of October 27, 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 items 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.

<u>Category of asset</u>	<u>Rate of depreciation</u>
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%
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 Deposits and borrowings from other banks, financial institutions and agents

Deposits by customers and 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.



### 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 & 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.

As per BRPD circular no: 6, dated 19 March 2015 and dated 16 February 2016, the Bank is required to identify its good borrowers and to pay 10% rebate on the interest earned from them during the year. This amount is netted off with interest income.

#### 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 2016

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#### 3.6 Interest paid on borrowing and other deposits

Interest paid on deposits and other accounts except fixed deposit is accrued on a monthly basis, but credited to customer account on half yearly basis. Interest on fixed deposit is accrued on a daily basis and credited to customer account on maturity of fixed deposit. Interest on borrowing from other banks is accrued on a daily basis and paid through Bangladesh Bank account on maturity.

#### 3.7 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. 14 dated 23 September 2012, the Bank is required to maintain provision @ 1% against off-balance sheet exposures.

#### 3.8 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 Auditor.

#### 3.9 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% ( 2015: 42.5%) as prescribed in Finance Act 2016 of the profit made by the Bank by considering taxable add-backs of income and disallowances of expenditures.

#### 3.10 Off-setting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under BFRSS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

#### 3.11 Pledge of bank assets against any loan or guarantee

The Bank has not pledged any of its assets as security against any kind of loans taken from any individual or institutions or against any guarantee given to a third party.



### 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, ii) Foreign Exchange Risk, iii) Assets and Liability Management Risk, iv) Money Laundering Risk, v) Internal Control and Compliance Risk, 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 credit portfolio 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

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. Foreign exchange risk arises in the Bank due to (i) structural imbalance between foreign exchange assets and liabilities, (ii) transactions with customers in foreign currencies and (iii) foreign exchange denominated revenues and costs.

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.

Foreign Exchange risk is primarily managed by Treasury Front office through strict compliance with the set limits in different areas such as (i) Foreign Exchange Exposure Limit, (ii) Net open position limit, (iii) Intraday limit, (iv) Settlement limit, (v) Dealers trading limit, (vi) Dealers stop loss limit and (vii) Counter party limits.

Treasury Mid office (TMO) is a specialized unit formed with a view to implement robust market and liquidity risk Management practices as prescribed by internal policies and Bangladesh Bank guidelines. To minimize foreign exchange risk, Treasury Mid office analyzes the Market trend and monitors treasury dealings and exposures and reports to local and global Risk Management. TMO also monitors all limits set by the Bank and Bangladesh Bank.

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



**iii. Asset liability management risk**

ALM risk arises in absence of proper mechanism to address the risk of mismatch between assets and liabilities either due to liquidity or change 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 analyze 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. The purpose of the Central Compliance Committee is to provide a guide line within which to comply with laws and regulations to safeguard the bank from potential AML/CFT CDD risk. AML/CFT/CDD policy and procedure has been set up with detailed guidelines for conducting due diligence on customers end transactions have been established for sanction screening prior to account opening and the periodical review of existing customer portfolio. Transaction monitoring is conducted through automated system SSW and Mantas. Processes for customer Risk rating have also been implemented. Training has been taken as a continuous process for creating/developing awareness among the officers through centralization of account opening , account deactivation and activation etc. HBL Bangladesh has ensured further control on its AML/CFT program. CCC also meet BAMLCOs on quarterly basis to provide guidance and resolutions on issues branches are facing.

**v. Internal control and Compliance Risk**

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.

**vi. Information and communication technology Risk**

The Bank maintains its in-house IT department for the support and services of IT systems where the core system is centralized in Head Office, Karachi, Pakistan. IT department maintains performance level agreement and service level agreement with business lines for service quality assurance which describes all the IT services with target service up time and response time for troubleshooting or any IT related requests. For more tracking on service issue HBL Bangladesh IT has already been introduced Incident Management system to all HBL Bangladesh Users to log the Incident and IT Personnel will generate report in order to submit seniors for performance tracking by IT. IT department reviews and ensures appropriate controls and security standards are in place and are in compliant with group IT and regulatory requirements. It also performs Risk Assessment on various IT systems through Head Office, Karachi, Pakistan and processes to mitigate operational risks. HBL Bangladesh has been recently introduce another Risk based approach which is known as 2 FA (Two Factor Authentication) authentications for Fund Transfer between HBL to HBL. The bank has a business recovery Plan (BRP) in place to ensure business continuity in case of any major disaster. To overcome Risk on SMS, HBL BD IT has been setup local SMS Server to generate transaction SMS alert for their client.



## Habib Bank Limited- Bangladesh Branches

### Notes to the financial statements

For the year ended 31 December 2016

#### 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 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 (2015: Nil)

#### 3.14 Audit committee

The Bank being a branch of a foreign bank does not have a local Board of Directors from whom to select an Audit Committee. HBL Bangladesh has obtained a dispensation from Bangladesh Bank that the Bank does not need an Audit committee as it is incorporated outside Bangladesh vide letter no: BRPD (R-2) 651/9(47) Kha/2015-1682 dated March 02, 2015. Nevertheless in Bangladesh there are seven operating branches which are reviewed by the Head Office based Internal Audit Team periodically and submit comprehensive report which are regularly reviewed and actioned.

#### 3.15 Credit rating of the Bank

Pursuant to the Bangladesh Bank's BRPD Circular No. 06 dated July 05, 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 2015. 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 2016 is yet to be completed.

#### 3.16 Events after reporting period

All material events after the reporting period are considered and where necessary, adjusted for or disclosed in accordance with BAS 10: Events after the reporting period.

#### 3.17 Changes in accounting policies

The Bank has consistently applied the accounting policies as set out in note 3: significant accounting policies. During the year ended 31 December 2016, the Bank has not adopted any new standards and amendments to existing standards, having any material impact on preparing these financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and optional earlier adoption is permissible. However, the Bank has not early adopted these new or amended standards in preparing these financial statements. Some of these new or amended standards relevant to the Bank are disclosed below:

##### (a) *BFRS 9 Financial Instruments*

BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39. BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Bank is assessing the potential impact on its financial statements resulting from the application of BFRS 9.

##### (b) *BFRS 15 Revenue from Contracts with Customers*

BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRS 13 Customer Loyalty Programmes. BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Bank is assessing the potential impact on its financial statements resulting from the application of BFRS 15.



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements  
For the year ended 31 December 2016

	2016 BDT	2015 BDT
<b>4. Cash</b>		
In hand (note 4.1)	49,094,855	41,463,151
Balance with Bangladesh Bank (note 4.2)	4,240,386,617	4,272,623,369
	<b>4,289,481,472</b>	<b>4,314,086,520</b>
<b>4.1 In hand</b>		
Local currency	44,026,189	36,843,047
Foreign currencies	2,372,666	2,991,104
Cash in ATM	2,696,000	1,629,000
	<b>49,094,855</b>	<b>41,463,151</b>
<b>4.2 Balance with Bangladesh Bank and its agent bank</b>		
Balance with Bangladesh Bank		
Local currency	597,388,036	539,217,122
Foreign currencies	3,642,998,581	3,733,406,247
	<b>4,240,386,617</b>	<b>4,272,623,369</b>
<b>4.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)</b>		
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.		
<b>4.3.1 Cash reserve requirement (CRR)</b>		
<b>Conventional banking</b>		
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.		
<b>Fortnightly Bank's CRR maintenance:</b>		
Required reserve (6.5% of demand and time liabilities)	400,671,880	417,223,910
Actual reserve maintained (average)	615,438,010	536,364,606
<b>Surplus</b>	<b>214,766,130</b>	<b>119,140,696</b>
<b>4.3.2 Statutory liquidity ratio (SLR)</b>		
As per the MPD circular nos. 5 dated 01 December 2010, Bank's has maintained 19% Statutory Liquidity Reserve (SLR). On a new MPD circular nos. 2 issued on 1 dated 23 June 2014, 13% SLR has been maintained on the Bank's time & demand liabilities in the form of treasury bills, bonds and debentures including foreign currency balance with Bangladesh Bank. Statutory Liquidity Reserve maintained by the Bank, is shown below:		
13% of average demand and time liabilities:		
Required reserve	801,343,760	834,447,810
Actual reserve maintained (note 4.3.3)	2,021,940,480	1,870,939,415
<b>Surplus</b>	<b>1,220,596,720</b>	<b>1,036,491,605</b>
<b>4.3.3 Composition of actual reserve held (as per statement submitted to Bangladesh Bank)</b>		
Cash in hand	49,094,855	41,463,151
Unencumbered approved securities	1,758,079,498	1,710,216,668
Others	214,766,126	119,259,596
	<b>2,021,940,480</b>	<b>1,870,939,415</b>
<b>5. Balance with other banks and financial institutions</b>		
In Bangladesh (note 5.1)	35,282	22,687
Outside Bangladesh (note 5.2)	56,112,499	73,945,868
	<b>56,147,781</b>	<b>73,968,555</b>
<b>5.1 In Bangladesh</b>		
<b>Current Account with</b>		
Dutch Bangla Bank Ltd	35,282	22,687
	<b>35,282</b>	<b>22,687</b>





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	2016 BDT	2015 BDT
<b>5.2 Outside Bangladesh (A+B)</b>	<b>56,112,499</b>	<b>73,945,868</b>
<b>5.2.1 A. Non-group nostro</b>		
National Bank of Pakistan, Tokyo	745,671	588,119
Standard Chartered Bank, Kolkata	158,125	3,470,025
ICICI Bank Ltd, Kolkata	492,912	3,010,778
Habib Allied International Bank plc, London	705,931	8,463,556
Development Credit Bank Ltd, Mumbai	5,821,336	4,830,198
	<b>7,923,975</b>	<b>20,362,676</b>
<b>B. Group nostro</b>		
Habib Bank Ltd, Karachi	1,143,920	1,617,395
Habib Bank Ltd, Brussels	234,826	102,420
Habib Bank Ltd, New York	46,809,778	51,863,377
	<b>48,188,624</b>	<b>53,583,192</b>
<b>5.3 Maturity grouping of balance with other banks and financial institutions</b>		
Repayable - on demand	56,147,781	73,968,555
- 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	-	-
	<b>56,147,781</b>	<b>73,968,555</b>
<b>6. Money at call and on short notice</b>		
BRAC Bank Limited	190,000,000	-
Southeast Bank Limited	150,000,000	78,510,000
Standard Bank Limited	190,000,000	-
AB Bank Limited	78,740,000	-
IFIC Bank Limited	-	300,000,000
The City Bank Ltd	-	62,808,000
National Bank of Pakistan	300,000,000	-
	<b>908,740,000</b>	<b>441,318,000</b>
<b>7. Investments</b>		
Government securities (note 7.1)	1,758,079,495	1,710,334,217
Others	-	-
	<b>1,758,079,495</b>	<b>1,710,334,217</b>
<b>7.1 Government securities</b>		
Treasury bills (note 7.1.1.1)	1,244,594,572	1,542,937,967
Treasury bonds (note 7.1.1.2)	513,258,423	167,277,350
Prize bonds	226,500	118,900
	<b>1,758,079,495</b>	<b>1,710,334,217</b>
<b>7.1.1.1 Treasury bills</b>		
91 days treasury bills	249,287,878	99,433,382
182 days treasury bills	49,935,753	277,042,342
364 days treasury bills	945,370,942	1,166,462,243
	<b>1,244,594,572</b>	<b>1,542,937,967</b>
<b>7.1.1.2 Treasury bonds</b>		
2 years BGTB	351,370,585	3,300,851
5 years BGTB	67,828,668	69,969,208
10 years BGTB	67,248,537	67,749,801
15 years BGTB	13,621,246	13,399,012
20 years BGTB	13,189,387	12,858,478
	<b>513,258,423</b>	<b>167,277,350</b>
<b>7.1.1.3 Investments as per Bangladesh Bank circular:</b>		
Held for trading (HFT)	275,121,801	838,463,065
Held to maturity (HTM)	1,482,731,194	871,752,252
Others	226,500	118,900
	<b>1,758,079,495</b>	<b>1,710,334,217</b>

Treasury bills and bonds equivalent to BDT 802,480,486.33 are placed under lien with Bangladesh Bank in compliance with Bank Companies Act 1991 requirement on capital maintenance.



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For the year ended 31 December 2016

	2016 BDT	2015 BDT
<b>7.1.1.4 Maturity-wise grouping</b>		
On demand	-	398,524,614
Up to 3 months	249,514,378	99,433,382
More than 3 months but not more than 1 year	995,306,695	209,565,888
More than 1 year but not more than 5 years	419,199,253	59,666,342
More than 5 years	94,059,170	943,143,091
	<b>1,758,079,495</b>	<b>1,710,333,317</b>
<b>8. Loans and advances/investments</b>		
Loans, cash credits, overdrafts, etc/investments (note 8.1)	4,783,688,274	4,916,977,196
Bills purchased and discounted (note 8.2)	9,051,077	4,550,921
	<b>4,792,739,351</b>	<b>4,921,528,117</b>
<b>8.1 Loans, cash credits, overdrafts, etc/investments</b>		
<b>In Bangladesh</b>		
Term loan	490,329,557	832,524,042
Loans against imported merchandise (LIM)	4,671,146	4,671,146
SME loan	289,637,769	86,843,186
Trust receipts	224,533,377	399,710,639
Staff loans	34,483,741	25,795,815
Cash credit	40,807,357	40,807,357
Payment against documents	10,751,639	14,309,783
Short Term Loan	2,025,381,891	1,752,258,641
Overdrafts	1,663,091,799	1,760,056,587
	<b>4,783,688,274</b>	<b>4,916,977,196</b>
<b>Outside Bangladesh</b>	-	-
<b>Including short term loan</b>	<b>4,783,688,274</b>	<b>4,916,977,196</b>
<b>8.2 Bills purchased and discounted</b>		
<b>In Bangladesh</b>		
Inland bills purchased	9,051,077	-
<b>Outside Bangladesh</b>		
Foreign bills purchased (FBP)	-	4,550,921
	<b>9,051,077</b>	<b>4,550,921</b>
<b>8.3 Maturity-wise grouping</b>		
Repayable on demand	350,502,555	326,185,867
Up to 1 month	214,973,526	297,189,536
Over 1 month but below 3 months	1,505,295,058	1,608,614,005
Over 3 month but below 1 year	1,854,920,365	1,574,484,475
Over 1 year but below 5 year	837,971,768	1,098,628,491
More than 5 years	29,076,078	16,425,743
	<b>4,792,739,351</b>	<b>4,921,528,117</b>
<b>8.4 Significant concentration</b>		
Advances to Officers and Staff of the Bank	34,483,741	25,795,815
Advances to Customers Group	1,879,740,380	1,673,419,071
Industrial Advances	2,878,515,230	3,222,313,231
	<b>4,792,739,351</b>	<b>4,921,528,117</b>
<b>8.5 Industry-wise concentration</b>		
Automobile and transportation equipment	3,565,885	3,565,885
Metals and allied	346,289,552	201,579,763
Chemicals and pharmaceuticals	442,480,436	442,027,171
Shoes and leather garments	299,579,155	308,420,430
Textile	226,459,988	325,619,032
Foods, tobacco and beverages, sugar	673,860,017	676,912,425
General traders	860,702,129	1,082,006,611
Others	1,939,802,189	1,881,396,800
	<b>4,792,739,351</b>	<b>4,921,528,117</b>



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**For the year ended 31 December 2016**

	2016 BDT	2015 BDT
<b>8.6 Geographical location-wise distribution</b>		
Sylhet Division	84,004,701	90,059,015
Chittagong Division	1,308,989,294	1,298,212,863
Dhaka Division	3,399,746,356	3,533,256,239
	<b>4,792,739,351</b>	<b>4,921,528,117</b>
<b>8.7 Grouping as per classification rules</b>		
<b>Unclassified</b>		
Standard	4,283,206,415	4,404,371,210
Special mention account	36,535,037	41,810,761
<b>Total unclassified loans and advances</b>	<b>4,319,741,452</b>	<b>4,446,181,971</b>
<b>Classified</b>		
Doubtful	-	46,448,309
Bad/Loss	472,997,899	428,897,837
<b>Total classified loans and advances</b>	<b>472,997,899</b>	<b>475,346,146</b>
<b>Total</b>	<b>4,792,739,351</b>	<b>4,921,528,117</b>
<b>8.8 Large Loan disclosure</b>		
Total no of customers having facility of the 10% of the capital of the Bank		
No of Parties	3	4
Total amount outstanding	1,587,232,129	1,705,424,485
Funded	1,244,480,006	1,538,341,997
Non funded	342,752,124	167,082,488
<b>8.9 Particulars of loans and advances</b>		
i. Debts considered good in respect of which the Bank is fully secured	1,845,579,068	2,031,043,727
ii. Debts considered good for which the bank holds no security other than the debtors personal guarantee.	2,474,162,383	2,415,138,244
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.		
	<b>4,319,741,451</b>	<b>4,446,181,971</b>
v. Debts due by directors or Officers/Executive of the Bank or any of them taken either separately or jointly with any other persons.	34,483,741	25,795,815
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.	34,483,741	25,795,815
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:	472,997,899	475,346,146



**Habib Bank Limited - Bangladesh Branches**

**Notes to the financial statements  
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	2016 BDT	2015 BDT
xi. Cumulative amount of written off debt :		
Opening balance	138,619,914	30,625,993
Amount of debts written off for the current year	138,619,914	107,993,921
	<b>138,619,914</b>	<b>138,619,914</b>
Recovery against write off loans	-	-
Closing Balance	<b>138,619,914</b>	<b>138,619,914</b>
Lawsuit filed against written off debts	<b>138,422,390</b>	<b>138,422,390</b>
<b>8.10 Bills purchased and discounted</b>		
Payable outside Bangladesh	-	4,550,921
Payable in Bangladesh	9,051,077	-
	<b>9,051,077</b>	<b>4,550,921</b>
<b>8.11 Maturity-wise grouping of bills purchased and discounted</b>		
On demand	-	4,550,921
Payable within 1 month	-	-
More than 1 month but less than 3 months	2,936,963	-
More than 3 months but less than 6 months	6,114,114	-
	<b>9,051,077</b>	<b>4,550,921</b>
<b>9. Fixed assets including premises, furniture and fixtures</b>		
Furniture and fixtures	50,401,261	42,891,597
Office equipment and electrical appliances	50,863,178	50,312,363
Computer	24,829,215	19,199,045
Motor vehicles	11,558,968	20,824,018
	<b>137,652,622</b>	<b>133,227,023</b>
<u>Less:</u> Accumulated depreciation/ Amortization	<b>90,418,923</b>	<b>89,840,402</b>
	<b>47,233,699</b>	<b>43,386,621</b>
<b>9.1 Intangible Asset</b>		
Software	3,459,625	-
	<b>3,459,625</b>	-
<u>Less:</u> Amortization	359,935	-
	<b>3,099,690</b>	-
Details in Annex-A		
<b>10. Other assets</b>		
<b>Income generating</b>		
Interest receivable	50,907,029	85,759,490
Encashment of sanchya partrays awaiting realisation	6,214,487	349,550
	<b>57,121,516</b>	<b>86,109,040</b>
<b>Non income generating</b>		
Advance deposits	1,766,800	1,907,300
Stationery and stamps on hand	1,551,483	582,903
Prepaid expenses	791,098	1,774,886
Capital WIP	805,000	12,007,696
Advance Tax (Note 10.1)	955,534,651	929,831,052
Clearing proceeds awaiting account	1,384,258	558,815
Other assets	1,053,209	3,790,420
Advance rent	9,547,137	22,652,067
	<b>972,433,636</b>	<b>973,105,142</b>
	<b>1,029,555,152</b>	<b>1,059,214,182</b>
<b>10.1 Opening balance</b>	<b>929,831,052</b>	<b>867,030,390</b>
Add: Advance Income Tax paid during the year	15,700,000	48,000,000
Tax deducted at source during the year	10,003,599	14,800,662
Addition during the year	25,703,599	62,800,662
Adjustment / reconciled during the year	-	-
<b>Closing balance</b>	<b>955,534,651</b>	<b>929,831,052</b>
<b>11. Deposits and other accounts</b>		
Current deposit and other accounts (note 11.1)	1,886,504,920	1,800,163,141
Fixed deposit (note 11.2)	4,346,252,569	4,297,563,044
Savings bank deposits (note 11.3)	449,302,313	367,097,833
Bills payable	36,670,909	16,112,421
	<b>6,718,730,711</b>	<b>6,480,936,439</b>



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Notes to the financial statements  
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	2016 BDT	2015 BDT
<b>11.1 Current deposit and other accounts</b>		
Local currency current deposits	813,449,309	831,923,913
Foreign currency current deposits	91,819,981	239,229,472
Special notice time deposits	814,783,373	503,431,829
Current deposits from banks	112,147,179	140,631,925
Sundry deposits	12,283,912	14,033,064
Group vostro (note: 11.4)	42,021,166	70,912,938
	<b>1,886,504,920</b>	<b>1,800,163,141</b>
<b>11.2 Fixed deposit</b>		
Deposit from customers	<b>4,346,252,569</b>	<b>4,297,563,044</b>
<b>11.3 Savings Deposits</b>	<b>449,302,313</b>	<b>367,097,833</b>
<b>11.4 Group vostro</b>		
Habib Bank Ltd, Oman (BDT)	184,484	47,302
Habib Bank Ltd, Dubai (BDT)	131,883	384,119
Habib Bank Ltd, Mauritius (US \$)	701,986	291,683
Habib Bank Ltd, Colombo (USD)	394,708	972,802
Habib Bank Ltd, Karachi (ACU \$)	40,608,105	69,217,032
	<b>42,021,166</b>	<b>70,912,938</b>
<b>11.5 Maturity-wise grouping</b>		
Repayable - on demand	1,508,580,254	1,281,460,470
- up to 1 month	1,019,968,204	1,904,825,844
- over 1 month but below 3 months	1,227,672,428	1,947,169,609
- over 3 months but below 1 year	<b>1,404,854,151</b>	<b>1,347,480,516</b>
- over 1 year but below 5 years	1,557,655,674	-
	<b>6,718,730,711</b>	<b>6,480,936,439</b>
<b>12. Other liabilities</b>		
Specific provision against classified loans and advances (note 12.1)	264,787,696	248,730,538
General provision against unclassified loans and advances (note 12.2)	42,350,000	45,200,000
General provision against off balance sheet items (note 12.3)	16,150,000	15,500,000
Interest suspense account (note 12.4)	60,434,709	58,141,238
Provision for taxation (note 12.5)	927,073,843	923,573,843
Provision for audit fees	173,000	173,000
Provision for professional fees	1,405,625	2,091,675
Other liabilities (note 12.6)	255,524,984	179,103,737
	<b>1,567,899,857</b>	<b>1,472,514,031</b>
<b>12.1 Specific provision against classified loans and advances</b>		
Movement in specific provision:		
Provision held at the beginning of the year	248,730,538	356,072,133
<u>Less:</u> Fully provided debts written off during the year	-	(107,993,921)
<u>Add:</u> Recoveries of amounts previously written off	-	-
<u>Add:</u> Specific provision for the year	20,623,876	58,535,969
<u>Less:</u> Recoveries and provisions no longer required	(4,566,718)	(57,883,643)
<u>Add:</u> Net charge to profit and loss account during the year	16,057,158	652,326
Add: Transfer from general provision	-	-
Provision held at the end of the year	<b>264,787,696</b>	<b>248,730,538</b>



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		2016 BDT	2015 BDT
<b>12.2 General provision against unclassified loans and advances</b>			
Movement in general provision:			
Provision held at the beginning of the year		45,200,000	40,000,000
Add: Provision made during the year		4,700,000	10,650,000
Less: Recoveries and provisions no longer required		(7,550,000)	(5,450,000)
Add: Net charge to profit and loss account during the year		(2,850,000)	5,200,000
Add/(Less): Transfer from general provision to off-balance sheet items		-	-
Less: Transfer to specific provision		-	-
Provision held at the end of the year		<b>42,350,000</b>	<b>45,200,000</b>
Provision for	Required provision	Maintained	Excess/(Shortage)
Un-classified loans and advance:	40,992,886	42,350,000	1,357,114
Classified loans and advances	259,781,541	264,787,696	5,006,154
	<u>300,774,427</u>	<u>307,137,696</u>	<u>6,363,269</u>
<b>12.3 Provision for off-balance sheet items</b>			
Movement in general provision:			
Provision held at the beginning of the year		15,500,000	20,020,000
Add: Amount provided during the year		6,820,000	1,848,000
Less: Recoveries and provisions no longer required		(6,170,000)	(6,368,000)
Add: Net charge to profit and loss account during the year		650,000	(4,520,000)
Less: Transfer to general provision on unclassified loans		-	-
Add: Transfer to off-balance sheet items from general provision		-	-
Provision held at the end of the year		<b>16,150,000</b>	<b>15,500,000</b>
Provision for	Required	Maintained	Excess/(Shortage)
Off-balance sheet items	<u>16,038,212</u>	<u>16,150,000</u>	<u>111,788</u>
<b>12.4 Interest suspense account</b>			
Balance at the beginning of the year		58,141,238	62,570,013
Add: Amount transferred to interest suspense during the year		3,641,976	19,609,776
		61,783,214	82,179,789
Less: Amount recovered in interest suspense during the year		1,348,506	24,038,552
Less: Amount written off during the year		-	-
		<u>1,348,506</u>	<u>24,038,552</u>
Balance at the end of the year		<b>60,434,709</b>	<b>58,141,238</b>
<b>12.5 Provision for taxation</b>			
Balance of provision at the beginning of the year		923,573,843	888,573,843
Add: Provision made for the year		3,500,000	35,000,000
Adjustment/ reconciled during the year		-	-
Balance of the end of the year		<u>927,073,843</u>	<u>923,573,843</u>
Income tax assessments for few years are pending with different levels of assessing authority and/or at appeals stage. The Bank's management is regularly monitoring all pending tax assessments and confident that the existing level of provision for tax is adequate to offset any additional claims that may arise from eventual settlement of these tax assessments.			
<b>12.6 Other liabilities</b>			
Provision against BCCI claim <sup>(*)</sup>		9,299,260	9,299,260
Other payable		17,811,323	18,184,339
Accrued expenses		18,964,245	10,899,122
Routing account		50,037,486	1,597,510
Excess cash		97,315	47,815
Interest payable		159,315,356	139,075,691
		<b>255,524,984</b>	<b>179,103,737</b>

(\*) 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.



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	2016 BDT	2015 BDT
<b>13. Capital</b>		
Capital fund	4,096,673,375	4,086,887,815
Retained earnings	89,418,411	138,024,859
Revaluation reserve	59,254,597	155,473,068
	<u>4,245,346,382</u>	<u>4,380,385,742</u>
<b>13.1 Capital Adequacy ratio</b>		
<b>Tier - I Capital</b>		
Funds received from Head Office	4,096,673,375	4,086,887,815
Retained earnings	89,418,411	138,024,859
	<u>4,186,091,786</u>	<u>4,224,912,674</u>
Additional Tier -I	-	-
Total eligible Tier -I Capital	<u>4,186,091,786</u>	<u>4,224,912,674</u>
<b>Tier - II Capital</b>		
General provision against unclassified loans and advances	58,500,000	54,405,523
Revaluation reserves	20,391,028	27,188,037
Total eligible Tier -II Capital	<u>78,891,028</u>	<u>81,593,560</u>
<b>Total Regulatory Capital as per Basel -III</b>	<u>4,264,982,813</u>	<u>4,306,506,234</u>
<b>13.2 Capital adequacy ratio</b>		
Total assets including off-balance sheet items	15,159,167,767	14,226,978,057
Total risk weighted assets	4,833,327,390	4,972,236,283
Capital to Risk weighted assets ratio (CRAR)	88.24%	86.60%
Common equity Tier -I to RWA	86.61%	84.96%
Tier -I Capital to RWA	<u>86.61%</u>	<u>84.96%</u>
Tier -II Capital to RWA	1.63%	1.64%
Minimum Capital Requirement	4,000,000,000	4,000,000,000
Actual Capital Maintained	4,264,982,813	4,306,506,234
Surplus Capital as per Basel-III	264,982,813	306,506,234
<b>14. Retained earnings</b>		
Balance at the beginning of the year	138,024,859	111,278,192
Add: Profit/ Loss for the year after tax brought forward from profit & loss Account	(48,606,448)	26,746,667
Less: Transferred to capital fund	-	-
Balance at the end of the year	<u>89,418,411</u>	<u>138,024,859</u>
<b>15. Contingent liabilities and commitments</b>		
Acceptances and endorsements	835,589,514	447,292,938
Letter of guarantees (note 15.1)	312,217,191	418,295,200
Irrevocable letter of credit	349,344,617	431,714,176
Bills for collection	106,669,887	21,593,147
Other contingent liabilities (note 15.2)	673,369,608	507,792,520
	<u>2,277,190,817</u>	<u>1,826,687,981</u>
<b>15.1 Letter of guarantees</b>		
Money for which the Bank is contingently liable in respect of guarantees given favouring:		
Government	-	-
Bank and other financial institutions	-	-
Others	312,217,191	418,295,200
	<u>312,217,191</u>	<u>418,295,200</u>
<b>15.2 Other contingent liabilities</b>		
Bangladesh Sanchay Patras (BSPs) and US Dollar Bonds	448,195,000	360,466,000
Other non-accruals	225,174,608	147,326,520
	<u>673,369,608</u>	<u>507,792,520</u>



Habib Bank Limited - Bangladesh Branches

Notes to the financial statements

For the year ended 31 December 2016

	2016 BDT	2015 BDT
<b>16. Interest income</b>		
Interest on term loans	170,401,681	226,121,650
Interest on overdraft	151,013,714	160,459,482
Interest on cash credit	-	3,098,873
Interest on call loans	43,723,506	47,256,441
Interest on payment against documents (PAD/IBP/FBP)	27,692,540	37,578,089
Interest on staff loans	1,615,266	1,322,817
Interest on balance with Bangladesh Bank	12,907,265	5,563,727
Interest on balance with other Bank	1,144,762	5,504,878
	<b>408,498,734</b>	<b>486,905,957</b>
<b>17. Interest paid on deposit and borrowings etc</b>		
Interest on savings deposits	14,599,911	15,215,109
Interest on fixed deposits	255,911,660	347,597,689
Interest on special notice deposits and short term deposits	15,862,122	12,467,440
Interest on borrowing	2,263,042	1,761,917
	<b>288,636,735</b>	<b>377,042,155</b>
<b>18. Income from investments</b>		
Interest on Govt. Securities (treasury bills and treasury bonds)	76,472,183	134,743,495
	<b>76,472,183</b>	<b>134,743,495</b>
<b>19. Commission, Exchange and Brokerage</b>		
Commission A/C - Acceptances	4,255,488	3,601,960
Commission on Bills	11,909,653	7,212,316
Commission on DD/TT/MT/PO	1,279,982	3,381,167
Commission on L/G	2,564,323	5,938,864
Commission on L/C	14,655,368	14,903,948
Commission on LIM,PAD	1,658,735	3,125,585
Commission on PSP/NSC	651,291	452,591
Exchange earning	40,290,224	67,729,904
	<b>77,265,063</b>	<b>106,346,335</b>
<b>20. Other operating income</b>		
Postage charges recoveries	565,301	1,039,847
Telegram/Telex/Swift charges recoveries	1,383,642	1,565,808
Rent on savings deposit lockers	263,200	157,500
Handling and service charges	2,014,361	4,471,889
Incidental charges recoveries	1,178,128	3,118,487
Net profit on sale of fixed assets	2,321,394	19,998
Miscellaneous income	2,459,434	2,074,164
	<b>10,185,461</b>	<b>12,447,693</b>
<b>21. Salaries and allowances</b>		
Salaries	70,443,570	69,740,654
House rent for executives other than the Chief Executive's	32,330,455	29,740,543
Allowances	10,509,975	3,605,089
Bonus paid to employees	26,501,268	17,578,251
Bank's contribution to Provident Fund	3,563,088	5,748,014
Bank's contribution to Gratuity Fund	8,000,000	-
Conveyance allowances	2,997,392	3,771,219
Medical expenses	3,611,582	3,986,123
Electricity & Gas charges	14,757	79,120
Telephone charges	-	66,077
Leave salary	7,505,696	7,912,862
Others	1,774,895	1,990,468
	<b>167,252,678</b>	<b>144,218,420</b>





**Habib Bank Limited - Bangladesh Branches**

**Notes to the financial statements**

**For the year ended 31 December 2016**

	2016 BDT	2015 BDT
<b>22. Rent, taxes, rates, insurance, electricity, etc.</b>		
Godown rent	1,478,359	1,022,486
Lighting charges	4,204,561	4,290,047
Insurance charges	4,307,115	5,536,975
Rent on Bank premises	41,130,449	44,121,560
	<b>51,120,483</b>	<b>54,971,068</b>
<b>23. Legal expenses</b>		
Law charges	767,482	1,718,800
Consultancy charges	396,750	926,354
	<b>1,164,232</b>	<b>2,645,154</b>
<b>24. Postage, stamps, telecommunication, etc</b>		
Telegram charges	11,093	14,736
Postage, courier and SWIFT charges	2,457,322	1,951,979
	<b>2,468,415</b>	<b>1,966,715</b>
<b>25. Stationery, printing, advertisement, etc</b>		
Newspaper expenses	55,937	-
CSR expenses	1,927,859	1,834,000
Printing	1,412,575	1,842,539
Stationery	782,082	979,428
Advertisement charges	1,847,137	1,814,019
	<b>6,025,589</b>	<b>6,469,986</b>
<b>26. Depreciation and repairs to bank's assets</b>		
Repairs and renovation	41,150	-
Software maintenance expenses	826,500	312,250
Computer and office equipment maintenance	2,237,531	1,920,292
Depreciation (Annex A)	17,020,226	14,967,207
	<b>20,125,407</b>	<b>17,199,749</b>
<b>27. Other expenses</b>		
Branch trade license fee	158,403	353,013
Work permit and visa charges	301,162	50,320
Other revenue expenditure	-	91,636
Clearing house charges	361,110	352,247
Training expenses	403,936	1,069,895
Conveyance charges	615,071	581,507
Water and diesel expenses	406,639	590,446
Telephone charges (office use)	1,947,304	1,218,780
Entertainment charges	1,857,708	1,931,181
Traveling expenses	1,831,417	3,280,589
Subscription	2,006,548	1,589,650
Motor car expenses	1,352,463	1,948,196
Office maintenance charges	2,209,110	2,351,173
Lease line rent and e-mail expenses	5,067,239	5,239,100
VISA debit card maintenance fee	1,789,631	1,528,776
Miscellaneous expenses	10,407,673	12,766,862
Outsourced charges	14,405,519	15,137,702
	<b>45,120,933</b>	<b>50,081,073</b>



**28. Related Party Transactions:**

**28.1 Transactions with Nostro Accounts**

Some branches of HBL maintains vostro 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. As at year end, the balance with all Vostro accounts (including group) are given in Annexure-III

**28.2 Transactions with Vostro Accounts**

Some branches of HBL maintains vostro 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. As at year end, the balance with all Vostro accounts (including group) are given in Annexure-IV

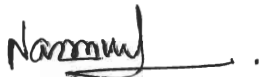
**29. Events after the reporting period**

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


**30. 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 off 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 36,000.00 or above were 113 (2015: 120)
- (V) Highlights of the overall activities of the Bank have been presented in Annexure -I

for Habib Bank Limited — Bangladesh Branches



Mohammad Nazmul Huq Bhuiyan  
Head-Finance



Habib Yousuf  
Regional General Manager



## Highlights on the overall activities

For the year ended 31 December 2016

SI No.	Particulars	2016 BDT	2015 BDT
1	Paid-up capital	N/A	N/A
2	Total capital	4,264,982,813	4,306,506,234
3	Capital (deficit)/surplus	264,982,813	306,506,234
4	Total assets	12,881,976,950	12,563,836,212
5	Total deposits	6,718,730,711	6,480,936,439
6	Total loans and advances	4,792,739,351	4,921,528,117
7	Total contingent liabilities and commitments	2,277,190,817	1,826,687,981
8	Advance deposit ratio	71.33%	75.94%
9	Percentage of classified loans against total loans and advances	9.87%	9.66%
10	Profit after tax and provision	(48,606,448)	26,746,667
11	Amount of classified loans	472,997,899	475,346,146
12	Provisions kept against classified loans	264,787,696	248,730,538
13	Provision surplus against classified loans	5,006,154	1,745,584
14	Cost of fund	4.67%	5.67%
15	Interest earning assets	11,226,947,564	11,345,826,391
16	Non-interest earning assets	1,655,029,387	1,218,009,821
17	Return on investment (ROI) [PAT/(Shareholders' equity + Borrowing)]	-1.06%	0.62%
18	Return on assets (ROA) [PAT/ Average assets]	-0.38%	0.21%
19	Income from investment	76,472,183	127,273,342



Schedule of fixed assets including premises, furniture and fixtures  
For the year ended 31 December 2016

## A) Tangible Assets

	COST				Rate (%)	Depreciation				WDV as at 31, December 2016
	Balance as at 01 January 2016	Addition During the year	Cost recovered during the year	Adjustment / disposal during the year		Total as at December 31, 2016	Charged for the year	Cost recovered during the year	Adjustment / disposal during the year	Total as at December 31, 2016
Furniture & Fixture	42,891,598	13,623,805	-	5,114,142	20.00	50,401,261	5,459,908	-	5,114,097	27,321,236
Office equipment & Electrical Appliance	50,312,364	3,869,776	-	3,318,962	20.00	50,863,178	5,015,056	-	2,986,266	36,830,648
Computers	19,199,044	2,873,263	-	702,719	33.33	21,369,590	3,308,644	-	702,712	17,344,336
Motor Vehicle	20,824,018	-	-	9,265,050	10.00	11,558,968	866,683	-	6,638,630	8,362,758
AS at December 2016	133,227,024	20,366,846	-	19,400,873		134,192,997	16,660,291	-	16,441,705	90,058,988
										23,080,025
										14,032,530
										3,825,254
										3,196,200
										44,134,009

## B) Intangible Assets

	COST				Rate (%)	Amortization				WDV as at 31, December 2016
	Balance as at 01 January 2016	Addition During the year	Cost recovered during the year	Adjustment / disposal during the year		Total as at December 31, 2016	Charged for the year	Cost recovered during the year	Adjustment / disposal during the year	Total as at December 31, 2016
Software	-	3,459,625	-	-	33.33	3,459,625	359,935	-	-	359,935
AS at December 2016	-	3,459,625	-	-		3,459,625	359,935	-	-	359,935
										3,099,690
										3,099,690
AS at December 2016 (A+B)	133,227,024	23,826,471	-	19,400,873	-	137,652,622	17,020,226	-	16,441,705	90,418,923
										47,233,699
AS at December 2015	112,796,178	18,632,744	1,930,000	131,898		133,227,024	14,967,207	1,930,000	131,898	89,840,402
										43,386,622



**Habib Bank Limited**  
Bangladesh Branches

Balance with other banks (Outside Bangladesh)  
as on 31 December 2016

**Group Nostro**

Name of the bank	Account Type	Foreign currency	2016			2015		
			FC amount	Exchange rate	Equivalent taka	FC amount	Exchange rate	Equivalent taka
Habib Bank Ltd, Brussels	Nostro A/C	EUR	2,825	83.1190	234,826	1,184	86.5027	102,420
Habib Bank Ltd, New York	Nostro A/C	USD	594,485	78.7400	46,809,778	660,596	78.5100	51,863,377
Habib Bank Ltd, Karachi	Nostro A/C	USD	14,528	78.7400	1,143,921	20,601	78.5100	1,617,395
					<u>48,188,525</u>			
								<u>53,583,192</u>

**Non-Group Nostro**

Habib Allied International Bank plc, London	Nostro A/C	GBP	7,243	97.4660	705,931	72,226	117.1822	8,463,556
National Bank of Pakistan, Tokyo	Nostro A/C	JPY	1,064,484	0.7005	745,671	869,227	0.6766	588,119
ICICI Kolkatta	Nostro A/C	USD	6,260	78.7400	492,912	38,349	78.5100	3,010,778
Standard Chartered Bank, Kolkatta	Nostro A/C	USD	2,008	78.7400	158,125	44,199	78.5100	3,470,625
Development Credit Bank Ltd, Mumbai	Nostro A/C	USD	73,931	78.7400	5,821,336	61,523	78.5100	4,830,198
					<u>7,923,975</u>			
								<u>20,362,676</u>



**Habib Bank Limited**  
Bangladesh Branches

Balance from other banks (Outside Bangladesh)  
as on 31 December 2016

## Group Vostro

Name of the bank	Account Type	Foreign currency	2016			2015		
			FC amount	Exchange rate	Equivalent taka	FC amount	Exchange rate	Equivalent taka
Habib Bank Ltd, Oman (BDT)	Vostro A/C	BDT	184,484	1.00	184,484	47,302	1.0000	47,302
Habib Bank Ltd, Dubai (BDT)	Vostro A/C	BDT	131,883	1.00	131,883	384,119	1.0000	384,119
Habib Bank Ltd, Colombo (USD)	Vostro A/C	USD	5,013	78.74	394,708	12,391	78.5100	972,802
Habib Bank Ltd, Karachi (ACU \$)	Vostro A/C	USD	515,724	78.74	40,608,105	881,633	78.5100	69,217,032
Habib Bank Ltd, Mauritius (US \$)	Vostro A/C	USD	8,915	78.74	701,986	3,715	78.5100	291,683
					<b>42,021,166</b>			<b>70,912,938</b>

## Non-Group Vostro

Dubai Islamic Bank Limited	Vostro A/C	USD	162,534	78.74	12,797,905	49,742	78.5100	3,905,280
Habib Metropolitan Bank Limited	Vostro A/C	USD	378,974	78.74	29,840,430	473,195	78.5100	37,150,501
Bank Islami Pak	Vostro A/C	USD	107,552	78.74	8,468,674	43,656	78.5100	3,427,404
Js Bank Limited	Vostro A/C	USD	152,430	78.74	12,002,341	146,970	78.5100	11,538,597
Silkbank Limited	Vostro A/C	USD	57,736	78.74	4,546,155	57,736	78.5100	4,532,875
Soneri Bank Limited	Vostro A/C	USD	156,043	78.74	12,286,816	133,832	78.5100	10,507,166
The Bank Punjab Limited	Vostro A/C	USD	29,898	78.74	2,354,133	5,265	78.5100	413,359
The Bank Of Khyber Limited	Vostro A/C	USD	25,789	78.74	2,030,626	21,131	78.5100	1,658,995
Habib Allied International Bank plc, London	Vostro A/C	BDT	104,304	1.00	104,304	48,779	1.0000	48,779
United Bank Limited	Vostro A/C	EUR	150,000	83.12	12,467,850	150,000	86.5027	12,975,405
Bank Al Falah Limited	Vostro A/C	USD	187,610	78.74	14,772,449	687,610	78.5100	53,984,299
Albaraka Bank Limited	Vostro A/C	USD	6,039	78.74	475,497	6,232	78.5100	489,265
					<b>112,147,179</b>			<b>140,631,925</b>



**Habib Bank Limited**  
**Bangladesh Branches**

Details of Large Loan  
as on 31 December 2016

No of clients

Total amount outstandings

2016	2015
Taka	Taka
1,244,480,000	1,705,424,485

Client wise break up is as follows:

Sl.	Name of the Borrower	Funded	Nonfunded	Total	Funded	Non funded	Total
1	Pran Group	520,000,000	220,000,000	740,000,000	520,000,000	220,000,000	740,000,000
2	MM Ispahani Group	375,000,000	250,000,000	625,000,000	375,000,000	250,000,000	625,000,000
3	Bangladesh Still Re-Rolling Mills Limited	357,700,000	250,000,000	607,700,000	166,500,000	297,600,000	464,100,000
4	Banglalink Digital Communications Ltd	-	-	-	350,000,000	350,000,000	700,000,000

