

**Auditors' Report
and
Audited Financial Statements
of
Habib Bank Limited-Bangladesh
Branches**

For the year ended 31 December 2019

**Independent Auditors' Report
To the Management
of
Habib Bank Limited-Bangladesh Branches**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Habib Bank Limited- Bangladesh Branches ('the Bank'), which comprise the balance sheet as at 31 December 2019 and the profit and loss account, cash flow statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and annexures thereto.

In our opinion and to the best of our information and according to the explanations given to us the accompanying financial statements present fairly, the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the basis for preparation of the financial statements as explained in note 2 of the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with basis of preparation as explained in note 2 of the financial statement, 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 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

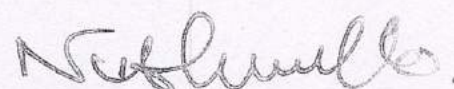
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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:

- I. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- II. to the extent 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 antifraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control we report that:
 - a) internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate;
 - b) 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.
- III. in our opinion, proper books of accounts as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- IV. the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- V. the balance sheet and profit and loss account together with the annexed notes of the Bank dealt with by the report are in agreement with the books of account and returns;
- VI. the expenditures incurred were for the purpose of the Bank's business for the year;
- VII. the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- VIII. adequate provisions have been made for loans and advances and other assets which are in our opinion, doubtful of recovery;
- IX. the information and explanations required by us have been received and found satisfactory;
- X. we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1,800 person hours; and
- XI. Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dhaka, Bangladesh
27 February 2020

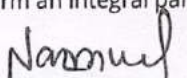


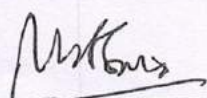
Nurul Faruk Hasan & Co
Chartered Accountants

Habib Bank Limited - Bangladesh Branches
Balance Sheet
As at 31 December 2019


	Notes	Amount in BDT	
		31-Dec-19	31-Dec-18
<u>PROPERTY AND ASSETS</u>			
Cash	4	4,203,073,818	4,274,017,357
Cash In hand (including foreign currencies)		42,078,680	52,120,460
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		4,160,995,138	4,221,896,897
Balance with other banks and financial institutions	5	986,552,422	640,387,126
In Bangladesh		910,747,456	621,038,225
Outside Bangladesh		75,804,966	19,348,901
Money at call and on short notice	6	230,000,000	300,000,000
Investments	7	881,293,046	973,194,104
Government securities			
Loans and advances	8	3,764,755,947	4,431,562,300
Loans, cash credits, overdrafts, etc.		3,758,352,027	4,419,530,469
Bills purchased and discounted		6,403,920	12,031,831
Fixed assets including premises, furniture and fixtures	9	19,645,021	23,952,747
Other assets	10	994,251,415	981,356,365
Non - banking assets		-	-
Total assets		11,079,571,669	11,624,469,999
<u>LIABILITIES AND CAPITAL</u>			
Liabilities		-	-
Borrowings from other banks, financial institutions and agents			
Deposits and other accounts	11	5,137,154,687	5,740,472,195
Current deposit and other accounts		759,483,180	1,071,134,977
Fixed deposits		3,864,028,003	4,019,742,524
Savings bank deposits		494,847,795	620,871,795
Bills payable		18,795,709	28,722,899
Other liabilities	12	1,410,714,802	1,426,086,110
Total liabilities		6,547,869,489	7,166,558,304
Capital/shareholders' equity			
Total shareholders' equity	13	4,531,702,180	4,457,911,695
Fund deposited with Bangladesh Bank		4,358,756,194	4,316,210,283
Other reserve		59,361,858	45,692,293
Surplus in profit and loss account/ Retained earnings	14	113,584,128	96,009,119
Total liabilities and shareholders' equity		11,079,571,669	11,624,469,999

The annexed notes 1 to 32 form an integral part of these financial statements


Mohammad Nazmul Huq Bhuiyan
Head Finance


Muhammad Selim Barkat
Country Manager

Dated, Dhaka
27 February 2020

As per our annexed report of same date

Nurul Faruk Hasan & Co
Chartered Accountants

Habib Bank Limited - Bangladesh Branches
Off Balance Sheet
As at 31 December 2019

OFF-BALANCE SHEET ITEMS

Contingent liabilities

Acceptances and endorsements
Letters of guarantee
Irrevocable letters of credit
Bills for collection
Other contingent liabilities

Notes	Amount in BDT	
	31-Dec-19	31-Dec-18

15	1,513,473,469	3,008,451,181
	96,889,824	105,888,304
15.1	184,254,361	1,546,741,882
	273,448,794	325,918,449
	44,957,731	10,599,643
15.2	913,922,759	1,019,302,903

Other commitments

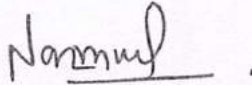
Documentary credits and short term trade-related transactions
Forward assets purchased and forward deposits placed
Undrawn note issuance and revolving underwriting facilities
Undrawn formal standby facilities, credit lines and other commitments

-	-
-	-
-	-
-	-

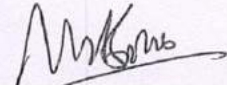
Total Off-Balance Sheet Items Including Contingent Liabilities

1,513,473,469	3,008,451,181
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27 February 2020

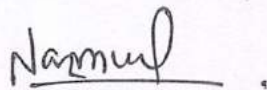


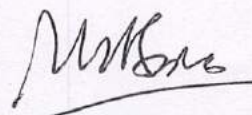

Nurul Faruk Hasan & Co
Chartered Accountants

Habib Bank Limited - Bangladesh Branches
Profit & Loss Account
For the year ended 31 December 2019

	Notes	Amount in BDT	
		31-Dec-19	31-Dec-18
Operating income			
Interest income	16	534,898,652	489,716,289
Less: Interest paid on deposit and borrowing, etc.	17	336,243,272	290,689,924
Net interest income		198,655,380	199,026,365
Investment income	18	48,824,228	49,266,165
Commission, exchange and brokerage	19	38,239,523	41,120,248
Other operating income	20	18,815,060	4,306,510
		105,878,811	94,692,923
Total operating income (A)		304,534,191	293,719,288
Less: Operating Expenses			
Salaries and allowances	21	148,822,392	146,475,666
Rent, taxes, insurance, electricity, etc.	22	56,695,503	55,639,200
Legal expenses	23	4,033,838	2,588,668
Postage, stamp, telecommunication, etc.	24	3,209,048	1,078,388
Stationery, printing, advertisements, etc.	25	3,139,594	2,465,468
Chief executive salary and fees	26	30,153,211	32,754,885
Auditors' fees		575,000	173,000
Depreciation and repairs of bank's assets	27	16,701,852	19,034,129
Other expenses	28	26,355,192	57,178,303
Total operating expenses (B)		289,685,630	317,387,707
Profit / (loss) before provision (C=A-B)		14,848,561	(23,668,419)
Specific provision		8,434,552	(16,100,580)
General provision		(6,925,000)	6,660,000
Provision for off-balance sheet items		(11,086,000)	7,341,000
Provision for diminution in value of investments		-	-
Recovery of Amounts previously written off		-	-
Other provisions		-	-
Total provision (D)		(9,576,448)	(2,099,580)
Total profit before taxes (C+D)		24,425,009	(21,568,839)
Less: Provision for taxation			
Current tax	12.5	6,850,000	7,000,000
		6,850,000	7,000,000
Net profit after taxation		17,575,009	(28,568,839)

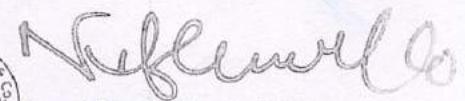

The annexed notes 1 to 32 form an integral part of these financial statements


Mohammad Nazmul Huq Bhuiyan
Head Finance


Muhammad Selim Barkat
Country Manager

As per our annexed report of same date

Dated, Dhaka
27 February 2020


 **Nurul Faruk Hasan & Co**
Chartered Accountants

Habib Bank Limited - Bangladesh Branches
Cash Flow Statement
For the year ended 31 December 2019

Notes	Amount in BDT	
	31-Dec-19	31-Dec-18
A. Cash flows from operating activities		
Interest receipts in cash	521,609,900	471,025,973
Interest payments	(342,843,464)	(151,320,166)
Income from investments	48,824,228	57,176,647
Fee and commission receipts in cash	38,239,523	41,120,248
Cash payments to employees	(174,910,309)	(177,882,779)
Cash payments to suppliers	(70,045,618)	(55,634,033)
Recoveries on loans previously written off	-	-
Income tax paid	(13,052,354)	(24,929,828)
Receipts from other operating activities	18,815,060	4,306,510
Payments for other operating activities	(20,776,150)	(58,558,705)
Cash generated from operating activities before changes in operating assets and liabilities	5,860,816	105,303,867
Increase/decrease in operating assets and liabilities		
Loans and advances to customers	666,806,353	551,464,000
Other assets	(12,895,050)	(6,284,790)
Deposits from other banks	3,322,080	(75,178,034)
Deposits from customers	(606,639,588)	(271,442,626)
Other liabilities	15,371,308	(60,948,406)
	65,965,103	137,610,142
Net cash from operating activities	71,825,919	242,914,009
B. Cash flows from investing activities		
Purchase of property, plant and equipment	(8,079,251)	(1,572,768)
Sale proceeds of property, plant and equipment	6,887,520	8,040,591
Sale/(Purchase) of securities	91,901,058	355,903,098
Net cash from investing activities	90,709,327	362,370,921
C. Cash flows from financing activities		
Borrowings from other banks	-	(580,000,000)
Remittance received from Head Office	-	-
Net cash from/(used) in financing activities	-	(580,000,000)
D. Net increase in cash and cash equivalents (A+B+C)	162,535,246	25,284,930
E. Effects of exchange rate changes on cash and cash equivalents	42,545,911	51,055,095
F. Cash and cash equivalents at the beginning of the year	5,214,606,583	5,138,266,558
G. Cash and cash equivalents at end of the year (D+E+F)	5,419,687,740	5,214,606,583
Cash and cash equivalents at end of the year		
Cash in hand (including foreign currencies)	42,078,680	52,120,460
Balance with Bangladesh Bank and its agent bank (s)(including foreign currencies)	4,160,995,138	4,221,896,897
Balance with other banks and financial institutions	986,552,422	640,387,126
Money at call and on short notice	230,000,000	300,000,000
Prize bonds	61,500	202,100
	5,419,687,740	5,214,606,583

The annexed notes 1 to 32 form an integral part of these financial statements

Nazmul

Mohammad Nazmul Huq Bhuiyan
Head Finance

Muhammad Selim Barkat

Muhammad Selim Barkat
Country Manager

As per our annexed report of same date



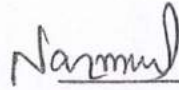
Nurul Faruk Hasan
Nurul Faruk Hasan & Co
Chartered Accountants

Dated, Dhaka
27 February 2020

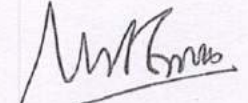
Habib Bank Limited - Bangladesh Branches
Statement of Changes in Equity
For the year ended 31 December 2019

Amount in BDT

Particulars	Fund received from Head Office	Other Reserve	Surplus in Profit & Loss Account earnings	Total
Balance at 01 January 2019	4,316,210,283	45,692,293	96,009,119	4,457,911,695
Changes in Accounting Policy restated balance	-	-	-	-
Capital fund received from Head Office	-	-	-	-
Surplus/deficit on account of revaluation of properties	-	-	-	-
Surplus/deficit on account of revaluation of Investment	-	-	-	-
Revaluation/ amortization of treasury bills and Bonds	-	13,669,565	-	13,669,565
Currency translation differences	42,545,911	-	-	42,545,912
Net profit for the year	-	-	17,575,009	17,575,009
Balance at 31 December 2019	4,358,756,194	59,361,858	113,584,128	4,531,702,180
Balance at 31 December 2018	4,316,210,283	45,692,293	96,009,119	4,457,911,695



Mohammad Nazmul Huq Bhuiyan
Head Finance



Muhammad Selim Barkat
Country Manager

As per our annexed report of same date

Dated, Dhaka
27 February 2020



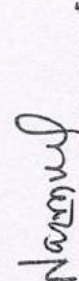

Nurul Faruk Hasan & Co
Chartered Accountants

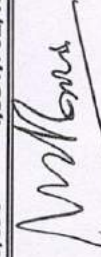
Habib Bank Limited - Bangladesh Branches
Liquidity Statement
(Maturity analysis of assets and liability)
As at 31 December 2019

Amount in BDT

Particulars	Maturity					Total
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	
Assets:						
Cash in hand	42,078,680	-	-	-	-	42,078,680
Balance with Bangladesh Bank	253,747,178	-	-	-	3,907,247,959	4,160,995,138
Balance with other banks and financial institutions	786,552,423	200,000,000	-	-	-	986,552,422
Money at call and on short notice	230,000,000	-	-	-	-	230,000,000
Investment in treasury bills and others	49,987,864	19,693,670	56,696,698	45,247,802	709,667,011	881,293,046
Loans and advances to customers	1,064,857,722	553,481,525	1,630,736,796	473,961,891	41,718,013	3,764,755,947
Fixed assets including premises, furniture and fixtures	127,528	32,002	2,583,901	15,280,028	1,621,562	19,645,021
Other assets	470,250	40,243,787	1,285,799	16,069,195	936,182,384	994,251,415
Non-banking assets	-	-	-	-	-	-
Total assets (A)	2,427,821,645	813,450,984	1,691,303,194	550,558,916	5,596,436,929	11,079,571,669


Liabilities:						
Borrowing from other banks and financial institutions and agents	-	-	-	-	-	-
Deposits and other accounts	1,553,624,882	863,554,438	2,311,869,507	408,105,860	-	5,137,154,687
Other liabilities	29,065,745	17,373,339	143,379,030	335,366,450	885,530,239	1,410,714,802
Total liabilities (B)	1,582,690,627	880,927,777	2,455,248,537	743,472,310	885,530,239	6,547,869,489
Net liquidity excess/(shortage) (A-B)	845,131,019	(67,476,793)	(763,945,343)	(192,913,394)	4,710,906,690	4,531,702,180


Mohammad Nazmul Huq Bhuiyan
Head Finance


Muhammad Selim Barkat
Country Manager

As per our annexed report of same date




Nurul Faruk Hasan & Co
Chartered Accountants

Dated, Dhaka
27 February 2020

Habib Bank Limited - Bangladesh Branches
Notes to the financial statements
For the year ended 31 December 2019

1.0 The Bank and its activities

1.1 Habib Bank Limited, Bangladesh Branches

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 HBL Tower, Karachi, Pakistan. The Bank is carrying on banking business having total six (06) branches in Bangladesh since 1976 with four(04) branches in Dhaka (Gulshan, Uttara, Motijheel, and Karwanbazar), one (01) branch in Chattogram and one (01) branch in 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, remittance facilities through its branches, alternate distribution channels namely, ATM booths, VISA debit cards and Internet Banking in Bangladesh.

2.0 Basis of preparation

2.1 Statement of compliance

The financial statements of the Bank as at and for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Banking Companies Act 1991, the rules and regulations issued by Bangladesh Bank. In case any requirement of the Banking Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Banking Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail.

The Bank complied with the requirements of the following regulatory and legal authorities:

- i. The Companies Act 1994
- ii. The Banking Companies Act 1991
- iii. Rules, regulations and circulars issued by the Bangladesh Bank from time to time
- iv. Income Tax Ordinance and Rules 1984
- v. Value Added Tax and Supplementary Duty Act 2012

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 IFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

i) Investment in shares and securities

IFRS: As per requirements of IFRS 9, financial assets generally fall either under at amortized cost, or at fair value through profit and loss account, fair value through other comprehensive income where any change in the fair value at the year-end is taken to profit and loss account or other comprehensive income 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

IFRS: As per requirement of IFRS 9, an entity shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of following criteria:

- a) the entity's business model for managing the financial assets and
- b) the contractual cash flow characteristics of the financial asset.

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

IFRS: As per IFRS 9 an entity shall recognize a loss allowance for expected credit losses on a financial asset through amortized cost or fair value through other comprehensive income to which impairment requirements apply.

Bangladesh Bank: As per BRPD circular No.16 dated 18 November 2014, BRPD circular no: 14 dated 23 September 2012, BRPD circular No. 03 dated 21 April 2019 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 off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

iv) Other comprehensive income

IFRS: As per IAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements through BRPD circular no. 14 dated 25 June 2003 which is mandatory to 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 IFRS 9. As such full disclosure and presentation requirements of IFRS 7 cannot be made in the financial statements.

vi) Repo and Reverse Repo transactions

IFRS: 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

IFRS: As per IFRS 9, 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 circular no. 14, dated 25 June 2003 financial guarantees such as letter of credit, letter of guarantee, etc. will be treated as off-balance sheet items.

viii) Recognition of interest in suspense

IFRS: Loans and advances to customers are generally classified as 'loans and advances' as per IFRS 9 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

IFRS: Cash and cash equivalent items should be reported as cash item as per IAS 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 in investments.

x) Non-banking asset

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

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003 there must exist a face item named Non-banking asset.

xi) Cash flow statement

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

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003 cash flow is the mixture of direct and indirect methods.

xii) Balance with Bangladesh Bank (Cash Reserve Requirement)

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

Bangladesh Bank: As per BRPD circular no.14, dated 25 June 2003 balance with Bangladesh Bank is treated as cash and cash equivalents.

xiii) Presentation of intangible asset

IFRS: Intangible assets must be identified and recognized, presented in the face of the balance sheet and the disclosure must be given as per IAS 38.

Bangladesh Bank: As per BRPD circular no.14, dated 25 June 2003 no intangible asset is presented in the face of the balance sheet.

xiv) Off-balance sheet items

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

Bangladesh Bank: As per BRPD circular no.14, dated 25 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 net of provision

IFRS: Loans and advances should be presented net of provision.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003 provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

xvi) Disclosure of appropriation of profit

IFRS: 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

IFRS: As per IFRS 9, all derivatives including forward contracts are initially recognized at fair value (as measured in accordance with IFRS 13) which is generally the transaction price. Subsequent to initial recognition, derivatives are classified as "fair value through profit and loss" and changes in Fair value are 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.

xviii) Disclosures related to Financial Instruments:

IFRS 7 Financial instruments: Disclosures and it applies to financial and non-financial institutions and therefore also applies to investment funds, private equity funds, real estate funds and investment managers. The extent of disclosure required depends on the extent of the fund used of financial instruments and its exposure to risk.

Since it is not specifically mentioned in the Bangladesh Bank Circulars/Guidelines, disclosure requirements as per IFRS-7 has not been fulfilled.

xix) IFRS 16 Leases:

IFRS 16 Lease is effective for reporting period on or after 01 January 2019. Per this standard, an asset (the right to use of leased asset) and a financial liability to pay rentals need to be recognized in the books of lessee in respect of lease contracts. However, the bank management has not yet assessed any potential impact of IFRS 16 on the financial information as Bangladesh bank does not specifically requires accounting for leases in compliance with IFRS16.

xx) Deferred taxation:

The bank has provided provision of taxation based on the expected tax payable or receivable on the taxable income or loss for the year applying the applicable tax rate. The bank management has not implemented the income taxes (deferred taxation) as per IAS 12 in the financial information as Bangladesh bank does not specifically require accounting for Deferred Taxes in compliance with IAS 12.

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 premeasured at present value using amortization concept as per DOS circular 05 dated 26 May 2008 and DOS circular 05 dated 28 January 2009. Amortization loss is accounted for on cut-off date and the same is accounted for as income of the year on maturity.

2.3 Use of estimates and judgments

The preparation of the financial statements in conformity with IASs/IFRSs 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 recognized 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 quarterly basis or immediately if required 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.

c. Depreciation

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

d. Consolidation

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

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 transaction and 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 IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Assets and liabilities in foreign currencies as at 31 December 2019 have been converted into 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 gains and losses

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

2.5 Cash flow statement

Cash Flow Statement is prepared principally in accordance with IAS 7 "Cash Flow Statement" and 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 IAS 1 "Presentation of Financial Statements" and following the guidelines of Bangladesh Bank BRPD circular no.14 dated 25 June 2003.

2.7 Reporting period

These financial statements cover one calendar year from 1 January 2019 to 31 December 2019.

3.0 Significant accounting policies

The accounting policy set out below have been 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

For the purpose of the cash flow statement, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and normally those with less than three months maturity from the date of acquisition and include cash and balances at central banks and balances with other banks and financial institutions.

3.1.2 Investments

Investment in securities

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

Held to Maturity

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

Held for Trading

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

Revaluation

As per Bangladesh Bank DOS circular letter no. 5 dated 28 January 2009, HFT securities are revalued each week using Marked to Market concept and HTM securities are amortized 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 amortization concept)
Prize bonds and other bonds	: At cost
Debentures	: At cost

3.1.3 Loans and advances

- a) Loans and advances are stated in the balance sheet on gross basis.
- b) Interest is accrued daily as per the parameter set in the core banking system through shadow accounts. This accrual is system generated entry. The interest receivable is reversed at the time of adjustment or quarterly. 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 recognized at the time of realization.
- 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 and its subsequent modifications on 05 March 2013, BRPD 05 dated 29 May 2013, BRPD 16 dated 18 November 2014, BRPD circular no.08 dated 02 August 2015, BRPD circular no.15 dated 27 September 2017, BRPD circular no. 01 dated 20 February 2018, BRPD circular no. 07 dated 21 June 2018 and BRPD circular no. 03 dated 21 April 2019.

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

Types of loans and advances		Provision				
		Unclassified		Classified		
		Standard	SMA	SS	DF	BL
Consumer	Housing Finance	1%	1%	20%	50%	100%
	Loans for professionals to set up business and credit card	2%	2%	20%	50%	100%
	Other than housing finance & professionals to setup business	5%	5%	20%	50%	100%
Provision for loans to brokerage house, merchant banks, stock dealers, etc.		2%	2%	20%	50%	100%
Short-term agro-credit and micro credit		1.00%	1.00%	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 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

The cost of an item of property, plant and equipment is recognized 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:

- its purchase price, including import duties and non- refundable purchase taxes, after deducting trade discounts and rebates;
- 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;
- 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 recognized 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 derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

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

Category of asset

Rate of depreciation

Furniture and fixtures	10%-20%
Major Repairs and Renovation	10%-20%
Office equipment and electrical appliances	10%-20%
Computer	20%-33.33%
Motor vehicles	10.00%
Software	10%-20%

Gain or loss on sale of property, plant and equipment is recognized in profit and loss statement as per provision of IAS 16: Property, plant and equipment.

3.1.5 Other assets

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

3.2 Liabilities and provisions

3.2.1 Borrowings from other banks, financial institutions and agents

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

3.2.2 Other liabilities

As per IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Bank recognizes 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, provision for taxes, interest payable, interest suspense, accrued expenses etc. Other liabilities are recognized 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.

3.4 Revenue recognition

Interest income

Interest is accrued daily as per the parameter set in the core banking system through shadow accounts. This accrual is system generated entry. The interest receivable is reversed at the time of adjustment or quarterly. Interest on loans and advances ceases to be taken into income when such advances fall under classification. It is then kept in interest suspense account. Interest on classified loans and advances is accounted for on a cash receipt basis.

Investment income

Income on investments is recognized 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, debit cards, passport endorsement, loan processing, loan syndication and locker facilities, etc. Fees and commission income is recognized on the basis of realization.

3.5 Employee benefits

There is a Recognized 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. Employees are entitled to double contribution after completion of minimum two (02) years of continuous service with 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 recognized as and when it accrues.

The Bank operates a funded gratuity scheme which has been approved by the National Board of Revenue as a recognized gratuity fund with effect from January 2001. Employees are entitled to gratuity benefit after completion of minimum five (05) 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 who has completed five (05) years or more but less than ten (10) years, at the rate of one and half month's basic pay for every completed year of service who has completed ten (10) years or more. 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.

3.6 Provision for off-balance sheet exposures

In compliance with Bangladesh Bank guidelines off-balance sheet items have been disclosed under contingent liabilities. As per BRPD circular no. 10 dated 18 September 2007, the Bank is required to maintain provision @ 1% against off-balance sheet exposures. The other contingent liabilities are excluded from the base for provision of Off Balance sheet items as they do not fall under category of off Balance sheet item as defined by the Bangladesh Bank circular in this regard.

3.7 Provision for nostro accounts

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

3.8 Taxation

Income tax expense comprises only current taxes. Current tax are recognized in profit or loss except to the extent that it relates to items recognized 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 @ 40% (2018: 40%) as prescribed in Finance Act 2019 of the profit made by the Bank by considering taxable add-backs of income, allowances and disallowances of expenditures.

3.9 Off-setting

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

3.10 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.

3.11 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 minimize, to the degree prudently possible, the Bank's exposure to risk, while at the same time attempting to provide a stable and steadily increasing flow of net interest income, an attractive rate of return on an appropriate level of capital and a level of liquidity adequate to respond to the needs of depositors and borrowers and earning enhancement opportunities.

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

i. Credit risk management

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

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

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

ii. Foreign exchange risk

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 item (asset or liability account), or an off-balance sheet item.

Front line Business 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 may incur due to adverse exchange rate movements of currencies in which the Bank has an open position.

According to Bangladesh Bank guidelines and Treasury & Global Markets Policy of HBL, Treasury Functions are divided in three parts, namely (i) Treasury Front office, (ii) Treasury Back office and (iii) Treasury Mid office. Foreign exchange risk is managed by Treasury Front office. The monitoring of Foreign Exchange Exposure Limit (FEEL) is a regulatory requirement, which is being complied with.

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

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

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

Treasury Back office is responsible for settlement of all deals done by the front office, its transactions and reporting to Global Treasury 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 analyse the economic indicators, review the liquidity position, pricing/interest rate structure and suggests action plan/strategies to manage Balance sheet Risk.

iv. Prevention of money laundering

A strong control framework is in place to safeguard the Bank against Money Laundering, Terrorist Financing and Know Your Customer (KYC) related risks. HBL Bangladesh has ensured implementation of Regulatory directive pertaining to AML and CFT through having detailed AML CFT & CDD Policy, Procedure and the Central Compliance Committee (CCC) ensuring member from General Banking, IT, HR, Risk & Corporate as directed by BFIU.

CCC provides guide lines 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 detail guideline for Identification, Address Verification, source of fund, transaction processing, periodic review, sanction screening for prior account opening. Detail process for transaction monitoring through automated system SSW & FCCM, customer Risk rating and periodic review also implemented. Centralized data archival system for AOF /KYC along with other relevant documents are in place. Project has been launched from May 2019. This will ensure better control on Record Archival.

Providing and acquiring training has become an integral part of AML CFT unit for creating and developing awareness among the team and other officers throughout the bank.

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 Global Operation Group based functions/ departments / units of HBL Bangladesh, fall within scope of ICU reviews.

HBL has adopted a "zero tolerance" approach for noncompliance. The Bank's internal control structure comprises of different levels of monitoring activities. The Bank follows the "three lines of defence" model with the first line comprising of front-office and customer facing and enabling functions, the second line being Compliance and other Risk and Control Functions and the third line of defence being Internal Audit. Significant meaningful investments have been made for upgrading Compliance and AML technology systems to upgrade the control frameworks and align with international best practices for sanctions screening and transaction monitoring so that ML, TF and KYC risks are adequately identified, assessed, mitigated and managed. "Payment Screening Unit" (PSU) is in place as third layer of control for all cross-border transaction screening.

Building employee capacity remained a key area of focus. Training and human development has been and will continue to remain areas where there will be no compromises. Training includes external training courses offered by BIBM, BBTB etc., In house class room training and e-learning programs. Through these learning programs HBL has covered a wide range of topics.

At centralized level a dedicated Compliance Committee of Management (CCM) was formed to improve governance and oversight of the critical areas such as regulatory directives implementation, comply with regulatory findings, tracking timely submission of regulatory reporting, coordinating regulatory inspection etc.

vi. Information and communication technology Risk

The Bank has separate IT department locally apart from central IT at Head office, Karachi to manage Local IT Infrastructure. To ensure smooth banking business of Bangladesh Operations, HBL Bangladesh looks after Local IT Management, Local Software Management, Vendor Management, IT Governance and Compliance of IT Policy, User Support and Services Management whereas Core Systems (e.g. Core Banking and related Core Systems) are centralized in Head Office, Karachi, Pakistan.

HBL Bangladesh 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. Network management is another major part of HBL Bangladesh IT that ensures smooth and secured data transmission among branches as well as Head Office, Karachi, Pakistan. For tracking on service issue, HBL Bangladesh IT uses Incident Management system to log the Incident and for monitoring and governance Head Office central incident management team publish report monthly. Local IT department reviews and ensures appropriate controls and security standards are in place and in compliance with group IT and regulatory requirements. Moreover, Risk Assessment, vulnerability assessment and penetration testing on various IT systems are performed to identify and mitigate operational risks.

HBL Bangladesh introduced Online Internet Banking along with 2FA authentications for Fund Transfer between HBL to HBL. In terms of Real Time Gross Settlement (RTGS) and National Payment Switch Bangladesh (NPSB), HBL Bangladesh IT developed strong communication structure with central bank. Moreover, HBL Bangladesh payment system is PCI DSS complaint. HBL Bangladesh IT ensures infrastructure e.g. virtual servers, network switches/routers, windows, PC/Laptop, ATM etc. are upgraded time to time to maintain its standard and security and smooth customer service. HBL Bangladesh performs disaster recovery testing yearly to ensure disaster recovery site readiness.

3.12 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 2018. 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 2019 is yet to be completed.

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 IAS 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 (2018: 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 six operating branches which are reviewed by the Head Office based Internal Audit Team periodically and submit comprehensive report which are regularly reviewed and actioned. It is to be noted that HBL Bangladesh has an internal control unit who perform periodic inspection for different head office functions and branches.

3.15 Events after balance sheet date

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

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

Habib Bank Limited - Bangladesh Branches

Notes to the financial statements

As at 31 December 2019

		Amount in BDT	
		31-Dec-19	31-Dec-18
4 Cash			
Cash in hand (note 4.1)		42,078,680	52,120,460
Balance with Bangladesh Bank and its agent banks (note 4.2)		4,160,995,138	4,221,896,897
		4,203,073,818	4,274,017,357
4.1 In hand			
Local currency		39,032,437	47,253,269
Foreign currencies		1,381,743	1,309,691
Cash in ATM		1,664,500	3,557,500
		42,078,680	52,120,460
4.2 Balance with Bangladesh Bank and its agent banks			
Balance with Bangladesh Bank			
Local currency		391,013,663	424,919,255
Foreign currencies		3,769,981,475	3,796,977,642
		4,160,995,138	4,221,896,897
4.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)			
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 and MPD circular no. 01 dated 03 April 2018.			
4.3.1 Cash reserve requirement (CRR)			
Conventional banking			
As per Bangladesh Bank MPD circular no. 01 dated 03 April 2018, Bank has to maintain CRR @ 5.5% on fortnightly cumulative average basis and minimum @ 5% on daily basis.			
Fortnightly Bank's CRR maintenance:			
Required reserve (5.5% of demand and time liabilities)		295,122,666	307,027,000
Actual reserve maintained		391,222,981	440,032,790
Surplus		96,100,315	133,005,790
4.3.2 Statutory liquidity ratio (SLR)			
13% of average demand and time liabilities:			
Required reserve		697,562,670	725,700,000
Actual reserve maintained (note 4.3.3)		1,019,326,470	1,158,209,090
Surplus		321,763,800	432,509,090
4.3.3 Composition of actual reserve held (as per statement submitted to Bangladesh Bank)			
Cash in hand		42,078,680	52,120,460
Unencumbered approved securities		881,147,470	972,880,740
Others		96,100,320	133,208,100
		1,019,326,470	1,158,209,300

		Amount in BDT	
		31-Dec-19	31-Dec-18
5	Balance with other banks and financial institutions		
	In Bangladesh (note 5.1)	910,747,456	621,038,225
	Outside Bangladesh (note 5.2)	75,804,966	19,348,901
		986,552,422	640,387,126
5.1	In Bangladesh		
	Standard Chartered Bank Ltd	56,605	-
	National Bank of Pakistan	800,000,000	600,000,000
	Modhumoti Bank Ltd	67,920,000	-
	Dutch Bangla Bank Ltd	42,770,851	21,038,225
		910,747,456	621,038,225
5.2	Outside Bangladesh (A+B)	75,804,966	19,348,901
5.2.1	A. Non-group nostro (Annexure-III)		
	National Bank of Pakistan, Japan	664,920	725,968
	Standard Chartered Bank, Kolkata	5,756,739	1,094,572
	ICICI Bank Ltd, Kolkata	-	-
	Bangkok Bank Public Company Limited, Thailand	2,535,552	2,195,121
	Habibsons Bank Limited, London	-	-
	MCB Bank Limited, Mumbai	575,133	5,231,814
	Development Credit Bank Ltd, Mumbai	1,221,089	7,572,131
		10,753,433	16,819,607
	B. Group nostro (Annexure-III)		
	Habib Bank Ltd, Foreign Exc. Branch, Karachi	-	-
	Habib Allied Bank, London	860,369	1,962,639
	Habib Bank Ltd, Brussels	1,530,488	566,655
	Habib Bank Ltd, UAE	62,660,676	-
		65,051,533	2,529,294
5.3	Maturity grouping of balance with other banks and financial institutions		
	Repayable - on demand	118,632,423	19,348,901
	- up to 1 month	667,920,000	21,038,225
	- over 1 month but below 3 months	200,000,000	200,000,000
	- over 3 months but below 1 year	-	400,000,000
	- over 1 year but below 5 years	-	-
		986,552,423	640,387,126
6	Money at call and on short notice		
	Southeast Bank Limited	-	-
	The City Bank Limited	100,000,000	160,000,000
	Modhumoti Bank Limited	130,000,000	-
	NCC Bank Limited	-	140,000,000
	National Bank of Pakistan	-	-
		230,000,000	300,000,000
7	Investments		
	Government securities (note 7.1)	881,231,546	972,992,004
	Prize bonds	61,500	202,100
		881,293,046	973,194,104
7.1	Government securities		
	Treasury bills (note 7.1.1)	546,616,733	635,854,938
	Treasury bonds (note 7.1.2)	334,614,813	337,137,066
		881,231,546	972,992,004

7.1.1 Treasury bills

91 days treasury bills
182 days treasury bills
364 days treasury bills

7.1.2 Treasury bonds

2 years BGTB
5 years BGTB
10 years BGTB
15 years BGTB
20 years BGTB

7.1.3 Investments as per Bangladesh Bank circular:

Held for trading (HFT)
Held to maturity (HTM)
Prize bond

7.1.4 Maturity-wise grouping

On demand
Up to 3 months
More than 3 months but not more than 1 year
More than 1 year but not more than 5 years
More than 5 years

8 Loans and advances

Loans, cash credits, overdrafts, etc./investments (note 8.1)
Bills purchased and discounted (note 8.2)

8.1 Loans, cash credits, overdrafts, etc./investments**In Bangladesh**

Term loan
Loans against imported merchandise (LIM)
Trust receipts
Staff loans
Cash credit
Payment against documents
Short Term Loan
Overdrafts

Outside Bangladesh**Including short term loan****8.2 Bills purchased and discounted****In Bangladesh**

Inland bills purchased

Outside Bangladesh

Foreign bills purchased (FBP)

Amount in BDT	
31-Dec-19	31-Dec-18

-	-
169,318,854	198,729,620
377,297,879	437,125,318
546,616,733	635,854,938

-	-
-	245,202,305
310,422,090	65,713,217
12,092,127	13,020,122
12,100,597	13,201,422
334,614,813	337,137,066

60,271,496	69,283,986
820,960,050	903,708,018
61,500	202,100
881,293,046	973,194,104

49,987,864	-
19,693,670	-
56,696,698	339,525,127
45,247,802	61,361,765
709,667,011	572,307,212
881,293,046	973,194,104

3,758,352,027	4,419,530,469
6,403,920	12,031,811
3,764,755,947	4,431,562,300

324,641,947	340,552,984
4,671,146	4,671,146
172,036,101	237,072,701
46,283,643	26,978,827
40,807,357	40,807,357
16,107,140	115,375,821
1,761,788,889	2,023,276,135
1,392,015,804	1,630,795,498
3,758,352,027	4,419,530,469

3,758,352,027	4,419,530,469
----------------------	----------------------

6,403,920	-
-	12,031,811
6,403,920	12,031,811

8.3 Maturity-wise grouping

Repayable on demand
Up to 1 month
Over 1 month but below 3 months
Over 3 month but below 1 year
Over 1 year but below 5 year
More than 5 years

Amount in BDT	
31-Dec-19	31-Dec-18
94,915,087	193,814,673
969,942,635	1,196,826,933
553,481,525	1,063,541,089
1,630,736,796	1,360,875,954
473,961,891	593,457,211
41,718,013	23,046,441
3,764,755,947	4,431,562,300

8.4 Significant concentration

Advances to Officer and Staff of the Bank
Advances to customers group
Industrial advances

46,283,643	26,978,827
1,426,223,446	1,549,353,072
2,292,248,857	2,855,230,401
3,764,755,947	4,431,562,300

8.5 Industry-wise concentration

Automobile and transportation equipment
Metals and allied
Chemicals and pharmaceuticals
Electronics and electrical appliances
Shoes and leather garments
Textile
Foods, tobacco and beverages, sugar
General traders
Others

2,438,374	3,565,885
180,000,000	289,362,429
135,159,897	284,838,477
-	-
306,487,779	307,295,911
86,717,600	196,785,884
527,588,129	624,049,621
395,378,347	594,954,142
2,130,985,821	2,130,709,951
3,764,755,947	4,431,562,300

8.6 Geographical location-wise distribution

Sylhet Division
Chittagong Division
Dhaka Division

82,314,059	80,182,123
1,001,798,859	1,120,619,019
2,680,643,029	3,230,761,158
3,764,755,947	4,431,562,300

8.7 Grouping as per classification rules**Unclassified**

Standard
Special mention account
Total unclassified loans and advances

3,363,324,298	3,897,603,071
-	113,252,914
3,363,324,298	4,010,855,985

Classified

Substandard
Doubtful
Bad/Loss
Total classified loans and advances
Total

-	-
2,852,845	-
398,578,804	420,706,315
401,431,649	420,706,315
3,764,755,947	4,431,562,300

8.8 Large Loan disclosure

Total no of customers having facility of the 10% of the capital of the Bank

No of Parties

3

3

Total amount outstanding

948,325,785

1,217,463,975

Funded

891,798,735

1,117,487,421

Non funded

56,527,050

99,976,554

Amount in BDT	
31-Dec-19	31-Dec-18

8.9 Particulars of loans and advances

i. Debts considered good in respect of which the Bank is fully secured	1,070,815,961	1,499,659,154
ii. Debts considered good for which the bank holds no security other than the debtors personal guarantee.	2,292,508,337	2,511,196,831
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.	-	-
	3,363,324,298	4,010,855,985
v. Debts due by directors or Officers/Executive of the Bank or any of them taken either separately or jointly with any other persons.	-	26,978,827
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.	-	26,978,827
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:	401,431,649	420,706,315
xi. Cumulative amount of written off debt :		
Opening balance	138,916,513	138,916,513
Amount of debts written off for the current year	-	-
	138,916,513	138,916,513
Recovery against write off loans		-
Closing Balance	138,916,513	138,916,513
Lawsuit filed against written off debts	138,916,513	138,916,513

8.10 Bills purchased and discounted

Payable outside Bangladesh	-	12,031,831
Payable in Bangladesh	6,403,920	-
	6,403,920	12,031,831

8.11 Maturity-wise grouping of bills purchased and discounted

On demand	1,996,458	12,031,831
Payable within 1 month	2,239,216	-
More than 1 month but less than 3 months	2,168,246	-
More than 3 months but less than 6 months	-	-
	6,403,920	12,031,831

9 Fixed assets including premises, furniture and fixtures

Furniture and fixtures
Office equipment and electrical appliances
Computer
Software (note 9.1)
Motor vehicles

Less: Accumulated depreciation/Amortization

9.1 Intangible Assets

Software
Less: Amortization

Details in Annex- II

10 Other assets**Income generating**

Interest receivable
Encashment of sanchya partrays awaiting realization

Non income generating

Advance deposits
Stationery and stamps on hand
Prepaid expenses
Capital WIP
Advance Tax (Note 10.1)
Clearing proceeds awaiting account
Other assets
Advance rent

10.1 Opening balance

Add: Advance Income Tax paid during the year
Tax deducted at source during the year

Addition during the year

Adjustment / reconciled during the year

Closing balance**11 Deposits and other accounts**

Current deposit and other accounts (note 11.1)
Fixed deposit (note 11.2)
Savings bank deposits (note 11.3)
Bills payable

11.1 Current deposit and other accounts

Local currency current deposits
Foreign currency current deposits
Special notice time deposits
Non Group Vostro (Annexure-IV)
Sundry deposits
Group vostro (note 11.4)

Amount in BDT	
31-Dec-19	31-Dec-18

46,385,187	46,121,205
37,068,162	41,345,816
32,996,467	27,947,814
5,967,610	5,810,860
11,558,968	11,558,968
133,976,394	132,784,663
114,331,373	108,831,916
19,645,021	23,952,747

5,967,610	5,810,860
4,178,008	2,987,101
1,789,602	2,823,759

34,774,982	21,486,230
3,088,730	10,101,674
37,863,712	31,587,904

1,720,300	1,660,300
740,704	909,676
495,544	469,397
470,250	470,250
936,182,384	923,130,030
-	-
651,152	234,400
16,127,368	22,894,408
956,387,703	949,768,461
994,251,415	981,356,365

923,130,030	898,200,202
6,000,000	13,000,000
7,052,354	11,929,828
13,052,354	24,929,828
-	-
936,182,384	923,130,030

759,483,180	1,071,134,977
3,864,028,003	4,019,742,524
494,847,795	620,871,795
18,795,709	28,722,899
5,137,154,687	5,740,472,195

426,413,094	597,898,405
16,443,775	4,413,970
167,402,322	322,353,508
99,217,270	99,200,086
11,069,180	11,636,364
38,937,539	35,632,642
759,483,180	1,071,134,977

11.2 Fixed deposit

Deposit from customers

11.3 Savings Deposits**11.4 Group vostro (Annexure-IV)**

Habib Bank Ltd, Oman (BDT)

Habib Bank Ltd, UAE (BDT)

Habib Bank Ltd, Mauritius (US \$)

Habib Allied International Bank plc, UK (BDT)

Habib Bank Ltd, Sri Lanka (USD)

Habib Bank Ltd, Pakistan (ACU \$)

11.5 Maturity-wise grouping

Repayable - on demand

- 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

- over 5 years but below 10 years

12 Other liabilities

Specific provision against classified loans and advances (note 12.1)

General provision against unclassified loans and advances (note 12.2)

General provision against off balance sheet items (note 12.3)

Interest suspense account (note 12.4)

Provision for taxation (note 12.5)

Adjusting account credit balance

Provision for audit fees

Provision for professional fees

Other liabilities (note 12.6)

12.1 Specific provision against classified loans and advances

Movement in specific provision:

Provision held at the beginning of the year

Less: Fully provided debts written off during the year

Add: Recoveries of amounts previously written off

Add: Specific provision for the year

Less: Recoveries and provisions no longer required

Add: Net charge to profit and loss account during the year

Add: Transfer from general provision

Provision held at the end of the year

12.2 General provision against unclassified loans and advances

Movement in general provision:

Provision held at the beginning of the year

Add : Provision made during the year

Add/(Less): Transfer from general provision to off-balance sheet items

Less: Recoveries and provisions no longer required

Less: Transfer to specific provision

Provision held at the end of the year

Provision for**Required provision**

Un-classified loans and advances

30,043,090

Classified loans and advances

216,174,852

246,217,942

Amount in BDT	
31-Dec-19	31-Dec-18

3,864,028,003**4,019,742,523****494,847,795****620,871,794**

546,760

546,760

43,201

43,201

-

-

447,104

447,103

990,257

978,593

36,910,217

33,616,985

38,937,539**35,632,642**

333,486,506

383,058,781

1,201,342,666

399,821,796

863,554,438

1,255,912,431

2,311,869,508

3,171,785,156

408,105,860

529,894,030

-

-

5,118,358,978**5,740,472,194**

269,149,993

260,715,441

31,244,000

38,169,000

5,568,000

16,654,000

59,348,836

57,545,545

863,783,887

863,216,084

-

-

729,735

173,000

-

188,735

180,890,351

189,424,306

1,410,714,802**1,426,086,110**

260,715,441

263,096,021

-

-

-

-

21,222,137

-

(12,787,585)

(2,380,580)

-

-

-

-

269,149,993**260,715,441**

38,169,000

45,229,000

5,245,000

6,660,000

-

-

(12,170,000)

(13,720,000)

-

-

31,244,000**38,169,000****Maintained****Excess/(Shortage)**

31,244,000

1,200,910

269,149,993

52,975,141

300,393,993**54,176,051**

12.3 Provision for off-balance sheet items

Movement in general provision:
Provision held at the beginning of the year
Add : Amount provided during the year
Less: Recoveries and provisions no longer required
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

<u>Provision for</u>	<u>Required</u>
Off-balance sheet items	<u>5,545,930</u>

<u>Amount in BDT</u>	
<u>31-Dec-19</u>	<u>31-Dec-18</u>
16,654,000	9,313,000
2,475,000	14,335,000
(13,561,000)	(6,994,000)
-	-
-	-
<u>5,568,000</u>	<u>16,654,000</u>
<u>Maintained</u>	<u>Excess/(Shortage)</u>
<u>5,568,000</u>	<u>22,070</u>

12.4 Interest suspense account

Balance at the beginning of the year
Add: Amount transferred to interest suspense account during the year

Less: Amount recovered in interest suspense account during the year
Less: Amount written off during the year
Balance at the end of the year

57,545,545	57,545,545
8,534,620	-
<u>66,080,165</u>	<u>57,545,545</u>
(6,731,329)	-
-	-
<u>59,348,836</u>	<u>57,545,545</u>

12.5 Provision for taxation

Balance of provision at the beginning of the year
Add: Provision made for the year
Adjustment/ reconciled during the year
Balance of the end of the year

863,216,084	859,156,903
6,850,000	7,000,000
(6,282,197)	(2,940,819)
<u>863,783,887</u>	<u>863,216,084</u>

The tax authority has made some additional demands of taxes relating to earlier years for which the Bank appealed and these appeals are pending at various levels of appeal authority. The aggregate amount of additional tax demand now stands at BDT 62.73 million compared to previous years' BDT 76.58 million. The Bank believes that these additional demands are not justified and upon finalisation of appeal process such additional demand would be eliminated. Details are given in Annexure-VI.

12.6 Other liabilities

Provision against BCCI claim^(*)
Other payable
Accrued expenses
Routing account
Excess cash
Interest payable

9,299,260	9,299,260
22,561,507	21,901,852
41,162,918	43,807,256
86,419	5,500
-	30,000
107,780,247	114,380,438
<u>180,890,351</u>	<u>189,424,306</u>

(*) 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.

13 Capital/shareholder's equity

Fund received from Head Office
Other reserve
Surplus in Profit & Loss account

4,358,756,194	4,316,210,283
59,361,858	45,692,293
113,584,128	96,009,119
<u>4,531,702,180</u>	<u>4,457,911,695</u>

13.1 Capital Adequacy ratio**Tier - I Capital**

Funds received from Head Office

Retained earnings

Additional Tier -I

Total eligible Tier -I Capital

Less: Regulatory adjustment

Goodwill and all other intangible assets

Tier - II Capital

General provision against unclassified loans and advances

Other reserves

Total eligible Tier -II Capital

Total Regulatory Capital as per Basel -III**13.2 Capital adequacy ratio**

Total assets including off-balance sheet items

Total risk weighted assets

Capital to Risk weighted assets ratio (CRAR)

Common equity Tier -I to RWA

Tier -I Capital to RWA

Tier -II Capital to RWA

Minimum Capital Requirement

Actual Capital Maintained

Surplus Capital as per Basel-III

14 Surplus in profit and loss account/ Retained earnings

Balance at the beginning of the year

Add: Profit/ Loss for the year after tax brought forward from profit
& loss Account

Less: Transferred to capital fund

Balance at the end of the year

15 Contingent liabilities and commitments

Acceptances and endorsements

Letter of guarantees (note 15.1)

Irrevocable letter of credit

Bills for collection

Other contingent liabilities (note 15.2)

15.1 Letter of guarantees

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

Government

Bank and other financial institutions

Others

15.2 Other contingent liabilities

Stock in hand

Other non-accruals

Others

Amount in BDT	
31-Dec-19	31-Dec-18
4,358,756,195	4,316,210,283
113,584,128	96,009,119
4,472,340,322	4,412,219,402
-	-
4,472,340,322	4,412,219,402
(1,789,602)	(2,823,759)
4,470,550,720	4,409,395,643
36,812,000	54,823,000
-	6,797,009
36,812,000	61,620,009
4,507,362,720	4,471,015,652
12,593,045,138	14,632,921,180
3,271,285,771	4,612,093,118
137.97%	96.94%
136.66%	95.61%
136.66%	95.61%
1.13%	1.34%
4,000,000,000	4,000,000,000
4,507,362,720	4,471,015,652
507,362,720	471,015,652
96,009,119	124,577,958
17,575,009	(28,568,839)
-	-
113,584,128	96,009,119
96,889,824	155,633,000
184,254,361	1,496,997,186
273,448,794	325,918,449
44,957,731	124,256,681
913,922,759	905,645,865
1,513,473,469	3,008,451,181
167,871,275	185,365,376
839,563	839,563
15,543,523	1,310,792,247
184,254,361	1,496,997,186
484,020,000	545,020,000
427,928,324	360,625,865
1,974,435	-
913,922,759	905,645,865

Habib Bank Limited - Bangladesh Branches

**Notes to the financial statements
For the year ended 31 December 2019**

		Amount in BDT	
		31-Dec-19	31-Dec-18
16 Interest income			
Interest on term loans		215,111,822	207,079,517
Interest on overdraft		132,865,437	145,741,381
Interest on call loans		90,736,556	62,589,306
Interest on payment against documents (PAD/IBP/FBP)		18,355,514	18,984,841
Interest on staff loans		1,767,823	1,324,676
Interest on balance with Bangladesh Bank		68,056,283	49,581,866
Interest on balance with other Bank		8,005,217	4,414,702
		-	-
		534,898,652	489,716,289
17 Interest paid on deposit and borrowings etc.			
Interest on savings deposits		29,461,655	19,371,040
Interest on fixed deposits		299,166,151	260,923,717
Interest on special notice deposits and short term deposits		6,785,464	8,052,043
Interest on staff cash security		-	-
Interest on borrowing		830,002	2,343,125
		336,243,272	290,689,924
18 Income from investments			
Interest on Govt. Securities (treasury bills and treasury bonds)		48,824,228	49,266,165
		48,824,228	49,266,165
19 Commission, Exchange and Brokerage			
Commission A/C - acceptances		558,012	802,119
Commission on bills		4,732,990	10,457,572
Commission on DD/TT/MT/PO		153,800	222,804
Commission on L/G		633,760	5,959,305
Commission on L/C		3,621,725	4,031,127
Commission on LIM,PAD		1,575,989	1,770,398
Commission on PSP/NSC		251,006	542,207
Exchange A/c on foreign currency		26,712,241	17,334,716
		38,239,523	41,120,248
20 Other operating income			
Postage charges recoveries		104,030	50,708
Telegram/Telex/Swift charges recoveries		386,594	384,557
Rent on savings deposit lockers		208,100	242,640
Handling and service charges		291,154	350,828
Rent received on Godown		-	-
Incidental charges recoveries		1,193,077	1,548,967
Net Profit on sale of fixed assets		61,574	2,323
Recoveries of Bad & Loss Loan		-	-
Miscellaneous income		16,570,531	1,726,487
		18,815,060	4,306,510

21 Salaries and allowances

Salaries
House rent for executives other than the Chief Executives
Allowances
Bonus paid to employees
Bank's contribution to provident fund
Bank's contribution to Gratuity Fund
Conveyance allowances
School fees paid to employees for their dependents
Medical expenses
Electricity and gas charges
Telephone charges
Leave salary
Others

Amount in BDT	
31-Dec-19	31-Dec-18
63,063,919	59,662,453
28,028,631	29,492,468
10,061,865	10,410,000
16,587,037	16,997,825
5,826,632	5,485,376
9,600,000	7,200,000
2,220,787	2,285,884
-	-
2,902,349	2,983,946
14,476	683,844
-	-
7,416,064	7,431,769
3,100,632	3,842,101
148,822,392	146,475,666

22 Rent, taxes, insurance, electricity, etc.

Godown rent
Lighting charges
Insurance charges
Rent on Bank premises

1,644,629	1,454,322
3,466,407	3,729,406
3,756,155	4,057,448
47,828,312	46,398,024
56,695,503	55,639,200

23 Legal expenses

Law charges
Consultancy charges

2,911,385	876,863
1,122,453	1,711,805
4,033,838	2,588,668

24 Postage, stamps, telecommunication, etc.

Telegram charges
Postage, courier and SWIFT charges

5,000	6,000
3,204,048	1,072,388
3,209,048	1,078,388

25 Stationery, printing, advertisement, etc.

Newspaper expenses
CSR expenses
Printing
Stationery
Business Promotion
Advertisement charges

59,194	75,505
-	-
918,313	901,102
1,027,863	872,013
257,474	-
876,750	616,847
3,139,594	2,465,468

26 Chief executive salary and fees

Salaries
 Medical Expenses
 House allowance/rent
 Other allowances
 Utilities

Amount in BDT	
31-Dec-19	31-Dec-18
25,861,752	29,887,391
-	2,870
3,446,496	2,196,040
269,640	-
575,323	668,584
30,153,211	32,754,885

27 Depreciation and repairs to bank's assets

Repairs and renovation
 Software maintenance expenses
 Computer and office equipment maintenance
 Depreciation (Annexure -II)

-	-
1,570,944	1,769,591
2,784,008	2,000,575
12,346,900	15,263,963
16,701,852	19,034,129

28 Other expenses

Branch trade license fee
 work permit and visa charges
 Clearing house charges
 Training expenses
 Conveyance charges
 Water and diesel expenses
 Telephone charges (office use)
 Entertainment charges
 Traveling expenses
 Subscription
 Motor car expenses
 Office maintenance charges
 Lease line rent (online) and e-mail expenses
 VISA debit card maintenance fee
 Loss/(Gain)- HFT revaluation
 Loss/(Gain)-HTM revaluation
 Miscellaneous expenses
 Outsourced charges

194,627	144,602
157,942	222,367
241,310	207,872
514,116	208,800
440,689	567,080
371,055	380,351
993,733	1,091,115
1,273,677	1,013,025
2,196,958	1,318,400
3,892,284	3,947,292
1,071,600	937,851
1,631,049	1,652,296
4,104,710	4,261,412
1,708,469	1,902,468
10,608,763	2,824,571
(22,990,234)	12,208,783
6,949,587	10,788,214
12,994,857	13,501,804
26,355,192	57,178,303

29 Related Party Transactions:

29.1 Transactions with Nostro Accounts

Some branches of HBL maintains Nostro 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 Nostro accounts (including group) are given in Annexure-III.

29.2 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.

30 Coverage of external audit

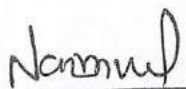
The external auditors of the Bank, Nurul Faruk Hasan & Co, Chartered Accountants worked about 1,800 person hours. They have reviewed more than 80% of the Bank's risk weighted assets as at the Balance Sheet date.

31 Events after the reporting period

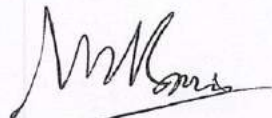
No material events which have occurred after the reporting period which could affect the values stated in the financial statements.

32 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 or above were 88 (2018: 95)
- (v) Highlights of the overall activities of the Bank have been presented in Annexure -I



Mohammad Nazmul Huq Bhuiyan
Head Finance



Muhammad Selim Barkat
Country Manager

Habib Bank Limited - Bangladesh Branches
Highlights on the overall activities
As at 31 December 2019

Annexure-I

Sl No.	Particulars	2019	2018
		BDT	BDT
1	Paid-up capital/ Fund received from Head Office	4,358,756,194	4,316,210,283
2	Total capital	4,507,362,720	4,471,015,652
3	Capital (deficit)/surplus	507,362,720	471,015,652
4	Total assets	11,079,571,669	11,624,469,999
5	Total deposits	5,137,154,687	5,740,472,195
6	Total loans and advances	3,764,755,947	4,431,562,300
7	Total contingent liabilities and commitments	1,513,473,469	3,008,451,181
8	Credit deposit ratio	71.78%	75.69%
9	Percentage of classified loans against total loans and advances	10.66%	9.49%
10	Profit after tax and provision	17,575,009	(28,568,839)
11	Amount of classified loans during current year	401,431,649	420,706,315
12	Provisions kept against classified loans	269,149,993	260,715,441
13	Provision surplus against classified loans	52,975,141	39,202,481
14	Cost of fund	6.90%	5.23%
15	Interest earning assets	9,622,164,905	10,146,334,112
16	Non-interest earning assets	1,457,406,764	1,478,135,887
17	Return on Equity (ROE)	0.34%	-0.63%
18	Return on assets (ROA)	0.16%	-0.25%
19	Income from investment	48,824,228	49,266,165

Habib Bank Limited - Bangladesh Branches
Schedule of fixed assets including premises, furniture and fixtures
As at 31 December 2019

A) Tangible Assets

Particulars	COST				Rate	Depreciation				WDV as at 31 December 2019
	Balance as at 01 January 2019	Addition During the year	Adjustment / disposal during the year	Total as at 31 December 2019		Balance as at 01 January 2019	Charged for the year	Adjustment / disposal during the year	Total as at 31 December 2019	
Furniture & Fixture	46,121,205	368,054	104,072	46,385,187	10%-20%	36,846,197	4,533,719	101,579	41,278,336	5,106,850
Office equipment & Electrical Appliance	41,345,816	180,751	4,458,405	37,068,162	10%-20%	36,454,317	2,354,486	4,420,867	34,387,935	2,680,227
Computers	27,947,814	7,373,696	2,325,043	32,996,467	20%-33.33%	22,921,667	3,793,597	2,324,997	24,390,266	8,606,201
Motor Vehicle	11,558,968	-	-	11,558,968	10%	9,622,635	474,192	-	10,096,827	1,462,141
AS at December 2019	126,973,803	7,922,501	6,887,520	128,008,784		105,844,815	11,155,993	6,847,443	110,153,365	17,855,419

B) Intangible Assets

Particulars	COST				Rate	Amortization				WDV as at 31 December 2019
	Balance as at 01 January 2019	Addition During the year	Adjustment / disposal during the year	Total as at 31 December 2019		Balance as at 01 January 2019	Charged for the year	Adjustment / disposal during the year	Total as at 31 December 2019	
Software	5,810,860	156,750	-	5,967,610	10%-20%	2,987,101	1,190,907	-	4,178,008	1,789,602
AS at 31 December 2019	5,810,860	156,750	-	5,967,610		2,987,101	1,190,907	-	4,178,008	1,789,602
AS at 31 December 2019 (A+B)	132,784,663	8,079,251	6,887,520	133,976,394	-	108,831,916	12,346,900	6,847,443	114,331,373	19,645,021
AS at 31 December 2018	139,252,486	1,571,340	8,039,163	132,784,663	-	100,403,245	15,263,962	6,835,291	108,831,916	23,952,747

Habib Bank Limited - Bangladesh Branches
Balance with other banks-Outside Bangladesh (Nostro Account)
As at 31 December 2019

Annexure-III

Name of the bank	Account Type	Foreign currency	2019		Equivalent BDT	2018		Equivalent BDT
			FC amount	Exchange rate		FC amount	Exchange rate	
Group Nostro								
Habib Bank Ltd, Brussels	Nostro A/C	EUR	15,960	95.90	1,530,488	5,893	96	566,655
Habib Bank Ltd, UAE	Nostro A/C	USD	738,053	84.90	62,660,676	-	-	-
Habib Bank Ltd, New York	Nostro A/C	USD	-	-	-	-	-	-
Habib Bank Ltd, Pakistan	Nostro A/C	USD	-	-	-	-	-	-
Habib Allied International Bank plc, UK	Nostro A/C	GBP	7,720	111.45	860,369	18,472	106	1,962,639
Sub-Total (A)					65,051,533			2,529,294
Non-Group Nostro								
National Bank of Pakistan, Tokyo, Japan	Nostro A/C	JPY	865,105	0.77	664,920	941,227	1	725,968
Muslim Commercial Bank Ltd., Pakistan	Nostro A/C	USD	6,774	84.90	575,133	62,358	84	5,231,814
Standard Chartered Bank, Kolkata	Nostro A/C	USD	67,806	84.90	5,756,739	13,046	84	1,094,572
Development Credit Bank Ltd., Mumbai	Nostro A/C	USD	14,383	84.90	1,221,090	90,252	84	7,572,131
Bangkok Bank Public Company Limited, Thailand	Nostro A/C	USD	29,865	84.90	2,535,552	26,164	84	2,195,121
Sub-Total (B)					10,753,433			16,819,607
Total (A+B)					75,804,966			19,348,901

Habib Bank Limited - Bangladesh Branches
Balance with other banks-Outside Bangladesh (Vostro Account)
As at 31 December 2019

Annexure-IV

Name of the bank	Account Type	Foreign currency	2019			2018		
			FC amount	Exchange rate	Equivalent taka	FC amount	Exchange rate	Equivalent taka
Group Vostro								
Habib Bank Ltd, Oman (BDT)	Vostro A/C	BDT	-	-	546,760	-	-	546,760
Habib Bank Ltd, UAE (BDT)	Vostro A/C	BDT	-	-	43,200.98	-	-	43,200.98
Habib Bank Ltd, Sri Lanka (USD)	Vostro A/C	USD	11,664	84.90	990,257	11,664	83.90	978,593
Habib Bank Ltd, Pakistan (ACU \$)	Vostro A/C	USD	434,749	84.90	36,910,217	400,679	83.90	33,616,985
Habib Bank Ltd, Mauritius (US \$)	Vostro A/C	USD	-	-	-	-	-	-
Habib Allied International Bank plc, UK (BDT)	Vostro A/C	BDT	-	-	447,103	-	-	447,103
Sub-Total (A)					38,937,539			35,632,642
Non-Group Vostro								
Dubai Islamic Bank Limited	Vostro A/C	USD	46,516	84.90	3,949,239	37,644	83.90	3,158,294
Habib Metropolitan Bank Limited	Vostro A/C	USD	485,508	84.90	41,219,633	621,218	83.90	52,120,152
Bank Islami Pak	Vostro A/C	USD	9,498	84.90	806,345	2,240	83.90	187,943
Js Bank Limited	Vostro A/C	USD	90,456	84.90	7,679,730	230,232	83.90	19,316,426
Silkbank Limited	Vostro A/C	USD	21,669	84.90	1,839,666	48,061	83.90	4,032,289
Soneri Bank Limited	Vostro A/C	USD	19,925	84.90	1,691,638	19,925	83.90	1,671,713
The Bank Punjab Limited	Vostro A/C	USD	291,598	84.90	24,756,710	177,603	83.90	14,900,921
The Bank Of Khy Limited	Vostro A/C	USD	655	84.90	55,610	27,495	83.90	2,306,831
United Bank Limited	Vostro A/C	EUR	-	-	-	-	-	-
Bank Al Falah Limited	Vostro A/C	USD	0.48	84.90	41	0.48	83.90	40
Albaraka Bank Limited	Vostro A/C	USD	202,811	84.90	17,218,660	17,944	83.90	1,505,478
Sub-Total (B)					99,217,270			99,200,086
Total (A+B)					138,154,809			134,832,729

Annexure-V

Habib Bank Limited
Bangladesh Branches
Details of Large Loan
As at 31 December 2019

2019
BDT
3
948,325,785

No of clients
Total amount outstanding

Client wise break up is as follows:

SL	Name of the Borrower	Funded o/s	Funded limit	Non-funded o/s	Non funded limit	Total limit
1	A H Akbar Ali Group	180,000,000.00	310,000,000.00	50,732,976.33	250,000,000	560,000,000
2	MM Ispahani Group	314,134,000.76	375,000,000.00	5,794,073.64	250,000,000	625,000,000
3	Pran Group	397,664,734.68	520,000,000.00	-	220,000,000	740,000,000

2018
BDT
3
1,217,463,976

No of clients
Total amount outstanding

Client wise break up is as follows:

SL	Name of the Borrower	Funded o/s	Funded limit	Non-funded o/s	Non funded limit	Total limit
1	A H Akbar Ali Group	289,362,429.14	310,000,000.00	98,513,535.87	250,000,000.00	560,000,000.00
2	MM Ispahani Group	316,237,456.75	375,000,000.00	1,463,018.40	250,000,000.00	625,000,000.00
3	Pran Group	511,887,535.54	520,000,000.00	-	220,000,000.00	740,000,000.00

HABIB BANK LIMITED
Income Tax Status
As at 31 December 2019

Income Year	Assessment Year	Latest Status (with stage)	Net liability Amount (In BDT)
1991	1992-1993	This case is pending at high court .	9,523,047
1992	1993-1994	This case has been revived by Tax authority at high court in 2018 and High court has granted our point. Caveat has been filed. However, High court has not issued any revised order to LTU.	-
1993	1994-1995	This case is pending at high court .	4,357,406
1996	1997-1998	Liability has been found at LTU (Large Tax Payers Unit) by our own efforts but no demand was raised by the Tax department. Our tax consultant is dealing for an amicable closure.	1,455,211
1999	2000-2001	According to LTU, HBL Bangladesh has to pay finally BDT 784,926/- .	784,926
2001	2002-2003	Case# I.T. Ref 112/2005 has been filed for HBL Bangladesh to the High Court and the Bank is waiting for next hearing.	5,227,591
2005	2006-2007	Assessment has been completed at all stages and final liability stands at BDT 96,76,521/-	9,676,521
2007	2008-2009	As per record of the tax office, effect of high court order has been given and the liability should be paid immediately by HBL Bangladesh.	975,816
2008	2009-2010	As per record of the tax office, effect of high court order has been given and the liability should be paid immediately by HBL Bangladesh.	2,471,084
2009	2010-2011	HBL Bangladesh has appealed after nine years and hence the appeal was turned down for time lapse. But then HBL Bangladesh went to tribunal and finally it was settled at BDT 4,183,148/-	4,183,148
2010	2011-2012	HBL Bangladesh has appealed and subsequently respective tribunal bench has fixed the liability at BDT 2,103,145/-	2,103,145
2011	2012-2013	HBL Bangladesh has appealed and then HBL Bangladesh went to tribunal and estimated liability stands at BDT 12,044,781/- . ADR has been filed at 5th November, 2018.	2,840,657
2012	2013-2014	HBL Bangladesh has appealed and then HBL Bangladesh went to tribunal and estimated liability stands at BDT 96,60,247/- . ADR has been filed at 5th November, 2018.	3,441,540
2013	2014-2015	DCT has completed the primary assessment and HBL Bangladesh has appealed against the assessment order. The total liability has been fixed at BDT 12,539,874/- after appeal and tribunal.	12,282,312
2014	2015-2016	DCT has completed the primary assessment and liability has been fixed at BDT 3,404,436/- finally.	3,404,436
Total			62,726,840