

**Habib Bank Limited - Bangladesh Branches**

Country Office

South Avenue Tower

7 Gulshan Avenue

Gulshan 1, Dhaka 1212

**Habib Bank Limited - Bangladesh Branches**

**Auditors' report and financial statements  
for the year ended 31 December 2018**

**Hoda Vasi Chowdhury & Co**

Chartered Accountants

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# Hoda Vasi Chowdhury & Co

## Chartered Accountants

### Independent Auditor's Report to the Management of Habib Bank Limited - Bangladesh Branches For the year ended 31 December 2018

#### 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 2018 and profit and loss account, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies, other explanatory notes and annexures thereto.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 3.

##### Basis for 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) and requirements of 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) By-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 IFRSs as explained in note 3, 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.

#### Auditor's 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 auditor's 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 judgement 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 auditor's 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 auditor's 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 noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:
  - 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 account 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 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 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 1750 person hours; and
- (xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Dhaka, 27 February 2019

*Hoda Vasi Chowdhury*

Hoda Vasi Chowdhury & Co  
Chartered Accountants

## Balance Sheet

As at 31 December 2018

	Notes	2018 BDT	2017 BDT
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	4	<b>4,274,017,357</b>	<b>4,320,310,282</b>
In hand (including foreign currencies)		52,120,460	56,306,316
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		4,221,896,897	4,264,003,966
<b>Balance with other banks and financial institutions</b>	5	<b>640,387,126</b>	<b>817,828,376</b>
In Bangladesh		621,038,225	800,074,993
Outside Bangladesh		19,348,901	17,753,383
<b>Money at call on short notice</b>	6	<b>300,000,000</b>	-
<b>Investments</b>			
Government	7	973,194,104	1,329,097,202
<b>Loans and advances</b>	8	<b>4,431,562,300</b>	<b>4,983,026,300</b>
Loans, cash credits, overdrafts, etc.		4,419,530,469	4,983,026,300
Bills purchased and discounted		12,031,831	-
<b>Fixed assets including premises, furniture and fixtures</b>	9	<b>23,952,747</b>	<b>38,849,241</b>
<b>Other assets</b>	10	<b>981,356,365</b>	<b>975,071,575</b>
<b>Non - banking assets</b>		-	-
<b>Total Assets :</b>		<b>11,624,469,999</b>	<b>12,464,182,976</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities:</b>			
Borrowings from other banks, financial institutions and agents		-	580,000,000
<b>Deposits and other accounts</b>	11	<b>5,740,472,195</b>	<b>6,087,092,855</b>
Current deposit and other accounts		1,071,134,977	2,178,379,721
Fixed deposits		4,019,742,524	3,351,123,165
Savings bank deposits		620,871,795	488,958,353
Bills Payable		28,722,899	68,631,617
<b>Other liabilities</b>	12	<b>1,426,086,110</b>	<b>1,365,137,704</b>
<b>Total Liabilities</b>		<b>7,166,558,304</b>	<b>8,032,230,559</b>
<b>Capital/ Shareholders' equity</b>			
<b>Total Shareholders' Equity</b>		<b>4,457,911,695</b>	<b>4,431,952,417</b>
Fund deposited with Bangladesh Bank	13	4,316,210,283	4,265,155,188
Other reserve		45,692,293	42,219,272
Surplus in profit and loss account	14	96,009,119	124,577,957
<b>Total Liabilities and Shareholders' equity</b>		<b>11,624,469,999</b>	<b>12,464,182,976</b>

**Habib Bank Limited - Bangladesh Branches**

**Hoda Vasi Chowdhury & Co**  
**Chartered Accountants**


**Balance Sheet**  
**As at 31 December 2018**

	<b>Note</b>	<b>2018 BDT</b>	<b>2017 BDT</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>	15		
Acceptances and endorsements		105,888,304	101,890,064
Letters of guarantee		1,546,741,882	286,991,043
Irrevocable letters of credit		325,918,449	433,842,036
Bills for collection		10,599,643	7,992,967
Other contingent liabilities		1,019,302,903	905,260,986
<b>Total</b>		<b>3,008,451,181</b>	<b>1,735,977,096</b>
<b>Other commitments</b>			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
<b>Total</b>		<b>-</b>	<b>-</b>
<b>Total off-balance sheet items including contingent liabilities</b>		<b>3,008,451,181</b>	<b>1,735,977,096</b>

These financial statements should be read in conjunction with annexed notes

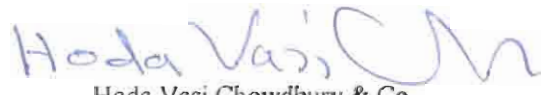
for Habib Bank Limited — Bangladesh Branches

  
Mohammad Nazmul Huq Bhuiyan  
Head - Finance

  
Erslaan Ahmed  
Regional General Manager

See annexed report of the date

Dhaka, 27 February 2019


  
Hoda Vasi Chowdhury & Co  
Chartered Accountants


**Profit and Loss Account**  
**For the year ended 31 December 2018**

	Notes	2018 BDT	2017 BDT
<b>Operating income</b>			
Interest income	16	489,716,289	421,395,194
<b>Less: Interest paid on deposits and borrowings, etc.</b>	17	290,689,924	225,014,809
<b>Net interest income</b>		<b>199,026,365</b>	<b>196,380,385</b>
Investment income	18	49,266,165	69,633,533
Commission, exchange and brokerage	19	41,120,248	77,738,791
Other operating income	20	4,306,510	8,962,880
<b>Total operating income (A)</b>		<b>293,719,288</b>	<b>352,715,590</b>
<b>Less: Operating expenses</b>			
Salary and allowances	21	146,475,666	158,088,095
Rent, taxes, insurance, electricity, etc.	22	55,639,200	55,276,716
Legal expenses	23	2,588,668	2,589,869
Postage, stamp, telecommunication, etc.	24	1,078,388	1,667,549
Stationery, printing, advertisements, etc.	25	2,465,468	4,809,450
Chief Executive's salary and fees		32,754,885	32,643,495
Auditors' fees		173,000	173,000
Depreciation and repairs of bank's assets	26	19,034,129	20,883,963
Other expenses	27	57,178,303	50,590,707
<b>Total operating expenses (B)</b>		<b>317,387,707</b>	<b>326,722,843</b>
<b>Profit/ (Loss) before provision (C=A-B)</b>		<b>(23,668,419)</b>	<b>25,992,747</b>
General provision		7,060,000	(2,879,000)
Specific provision		2,380,580	1,208,800
Provision for off-balance sheet items		(7,341,000)	6,837,000
Provision for diminution in value of investments		-	-
Recovery of Amounts previously written off		-	17,000,000
Other provisions		-	-
<b>Total provision (D)</b>		<b>2,099,580</b>	<b>22,166,800</b>
<b>Total Profit/ (Loss) before taxes (C+D)</b>		<b>(21,568,839)</b>	<b>48,159,547</b>
<b>Less: Provision for taxation</b>			
Current tax	12.5	7,000,000	13,000,000
<b>Net Profit/ (Loss) after taxation</b>		<b>(28,568,839)</b>	<b>35,159,547</b>

These financial statements should be read in conjunction with annexed notes

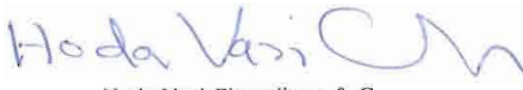
for Habib Bank Limited -- Bangladesh Branches

  
 Mohammad Nazmul Huq Bhuiyan  
 Head - Finance

  
 Erslaan Ahmed  
 Regional General Manager

See annexed report of the date

Dhaka, 27 February 2019


  
 Hoda Vasi Chowdhury & Co  
 Chartered Accountants

**Habib Bank Limited - Bangladesh Branches**

**Cash Flow Statement  
For the year ended 31 December 2018**

	Notes	2018 BDT	2017 BDT
<b>Cash flows from operating activities (A)</b>			
Interest receipts in cash		471,025,973	436,173,512
Interest payments		(151,320,166)	(318,949,116)
Fee and commission receipts in cash		41,120,248	86,701,672
Income from investments		57,176,647	83,944,795
Cash payments to employees		(177,882,779)	(190,731,590)
Cash payments to suppliers		(55,634,033)	(114,934,290)
Recoveries on loans		-	17,000,000
Income tax paid		(24,929,828)	(14,510,619)
Receipts from other operating activities		4,306,510	8,952,315
Payments for other operating activities		(58,558,705)	(50,590,707)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>105,303,867</b>	<b>(56,944,027)</b>
<b>Increase/decrease in operating assets and liabilities</b>			
Loans and advances to customers		551,464,000	(190,286,949)
Other assets		(6,284,790)	54,483,577
Deposits from other banks		-	3,666,843
Deposits from customers		(346,620,662)	(635,304,698)
Other liabilities		(60,948,406)	(127,792,506)
		137,610,142	(895,233,733)
<b>Net cash from operating activities (A)</b>		<b>242,914,009</b>	<b>(952,177,759)</b>
<b>Cash flows from investing activities (B)</b>			
Purchase/sale of property, plant and equipment		(1,572,768)	8,384,458
Sale proceeds of property, plant and equipment		8,040,591	-
Purchase/Sale of investment		-	428,982,294
Payments for purchase of securities		355,903,098	-
<b>Net cash used in investing activities</b>		<b>362,370,921</b>	<b>437,366,752</b>
<b>Cash flows from financing activities (C)</b>			
Borrowings from other banks		(580,000,000)	230,000,000.00
Remittance received from Head Office		-	-
<b>Net cash from/(used) in financing activities</b>		<b>(580,000,000)</b>	<b>230,000,000</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>		<b>25,284,930</b>	<b>(284,811,008)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>51,055,095</b>	<b>168,481,813</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,138,266,558</b>	<b>5,254,595,753</b>
<b>Cash and cash equivalents at end of the year</b>		<b>5,214,606,583</b>	<b>5,138,266,558</b>
<b>Cash and cash equivalents:</b>			
Cash		52,120,460	56,306,316
Balance with Bangladesh Bank and its agent bank(s)		4,221,896,897	4,264,003,966
Balance with other banks and financial institutions		640,387,126	817,828,376
Money at call on short notice		300,000,000	-
Prize bonds		202,100	127,900
		<b>5,214,606,583</b>	<b>5,138,266,558</b>

These financial statements should be read in conjunction with annexed notes

  
Mohammad Nazmul Huq Bhuiyan  
Head Finance

for Habib Bank Limited — Bangladesh Branches


  
Erslaan Ahmed  
Regional General Manager

Dhaka, 27 February 2019


Habib Bank Limited - Bangladesh Branches

Statement of Changes in Equity  
For the year ended 31 December 2018

Particulars	Fund received from Head Office BDT	Other Reserve BDT	Surplus in Profit and Loss Account earnings BDT	Total BDT
Balance at 01 Jan 2017	4,096,673,375	59,254,597	89,418,410	4,245,346,383
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	-	(17,035,325)	-	(17,035,325)
Currency translation differences	168,481,813	-	-	168,481,813
Net profit for the year	-	-	35,159,547	35,159,547
Balance at 31 Dec 2017	4,265,155,188	42,219,272	124,577,957	4,431,952,417
Balance at 01 Jan 2018	4,265,155,188	42,219,272	124,577,957	4,431,952,418
Capital fund received from Head Office	-	-	-	-
Currency translation differences	51,055,095	-	-	51,055,095
Revaluation/ amortisation of treasury bills and Bonds	-	3,473,021	-	3,473,021
Net profit for the year	-	-	(28,568,839)	(28,568,839)
Balance at 31 Dec 2018	4,316,210,283	45,692,293	96,009,119	4,457,911,695

  
Mohammad Nazmul Huq Bhuiyan  
Head Finance

for Habib Bank Limited — Bangladesh Branches

  
Erslaan Ahmed  
Regional General Manager

Dhaka, 27 February 2019

Habib Bank Limited – Bangladesh Branches

Liquidity Statement ( Assets and Liability Maturity Analysis)

For the year ended 31 December 2018

Particulars	Maturity					Total BDT
	Up to 1 month BDT	1-3 months BDT	3-12 months BDT	1-5 years BDT	Above 5 years BDT	
<b>Assets</b>						
Cash in hand	52,120,460	-	-	-	-	52,120,460
Balance with Bangladesh Bank	-	212,262,060	-	-	4,009,634,837	4,221,896,897
Balance with other banks and financial institutions	40,387,126	200,000,000	400,000,000	-	-	640,387,126
Money at call on short notice	300,000,000	-	-	-	-	300,000,000
Investment in treasury bills and others	-	-	339,525,127	61,361,765	572,307,212	973,194,104
Loans and advances to customers	1,390,641,606	1,063,541,089	1,360,875,954	593,456,896	23,046,756	4,431,562,300
Fixed assets including premises, furniture and fixtures	12,415,259	51,027	258,212	10,663,697	564,552	23,952,747
Other assets	22,395,905	1,796,740	529,507	30,912,844	925,721,368	981,356,365
Non-banking assets	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>1,817,960,356</b>	<b>1,477,650,916</b>	<b>2,101,188,800</b>	<b>696,395,202</b>	<b>5,531,274,725</b>	<b>11,624,469,999</b>
<b>Liabilities</b>						
Borrowing from other banks and financial institutions and agents	-	-	-	-	-	-
Deposits and other accounts	782,880,577	1,255,912,431	3,171,785,156	529,894,030	-	5,740,472,193
Other liabilities	-	35,500	180,089,546	373,445,721	872,515,344	1,426,086,109
<b>Total liabilities B</b>	<b>782,880,577</b>	<b>1,255,947,931</b>	<b>3,351,874,702</b>	<b>903,339,750</b>	<b>872,515,344</b>	<b>7,166,558,303</b>
<b>Net liquidity excess/(shortage) (A-B)</b>	<b>1,035,079,779</b>	<b>221,702,985</b>	<b>(1,250,685,902)</b>	<b>(206,944,549)</b>	<b>4,658,759,382</b>	<b>4,457,911,695</b>

for Habib Bank Limited — Bangladesh Branches



Mohammad Nazmul Huq Bhuiyan  
Head Finance

  
Erslan Ahmed  
Regional General Manager

## Habib Bank Limited - Bangladesh Branches

### Notes to the financial statements

For the year ended 31 December 2018

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#### 1 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 Habib Bank Plaza, Karachi, Pakistan. The Bank is carrying on banking business in Bangladesh since 1976 with 6 branches in Dhaka (Gulshan, Uttara, Motijheel, and Karwanbazar), Chittagong and Sylhet after obtaining necessary permissions from the regulatory authorities.

##### 1.2 Principal activities

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

#### 2 Basis of preparation

##### 2.1 Statement of compliance

The financial statements of the Bank as at and for the year ended December 31, 2018 have been prepared on accrual basis under the historical cost convention, except investments and defined benefit schemes, and in accordance with the "First Schedule" (section 38) of the Bank Company Act 1991, as amended by Bangladesh Bank (the Central Bank of Bangladesh) through BRPD Circular No. 14 dated 25 June 2003, other Bangladesh Bank Circulars and International Financial Reporting Standards (IFRS) as approved by the Institution of Chartered Accountants of Bangladesh (ICAB) where relevant to the Bank to the extent that these does not contradict the applicable statutory provisions of Bangladesh Bank. The Bank complied with the requirement of the following regulatory and legal authorities:

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

In case any requirement of provisions and circulars issued by Bangladesh Bank differs with those of other regulatory authorities, the provisions and circulars issued by Bangladesh Bank shall prevail. Accordingly the Bank has departed from such requirements of 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, classification and measurement of investment in shares and securities will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Based on these factors it would generally fall either under "at fair value through profit or loss account" or under "at fair value through other comprehensive income" where any change in the fair value (as measured in accordance with IFRS 13) 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

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

**IFRS:** As per requirement of IFRS 9 where securities will fall under the category of fair value through profit or loss account, any change in the fair value of assets is recognised through the profit and loss account. Securities designated as amortised cost are measured at effective interest rate method and interest income is recognised through the profit and loss account.

**Bangladesh Bank:** HFT securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognized in other reserves as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortization of discount are recognized in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortized at the year end and gains or losses on amortization are recognized in other reserve as a part of equity.

**iii) Provision on loans and advances**

**IFRS:** As per IFRS 9 an entity shall recognise an impairment allowance on loans and advances based on expected credit losses. At each reporting date, an entity shall measure the impairment allowance for loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on these loans and advances has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable information, including that which is forward-looking. For those loans and advances for which the credit risk has not increased significantly since initial recognition, at each reporting date, an entity shall measure the impairment allowance at an amount equal to 12 month expected credit losses that may result from default events on such loans and advances that are possible within 12 months after reporting date.

**Bangladesh Bank:** As per BRPD circular No.16 dated 18 November 2014, BRPD circular no: 14 dated 23 September 2012, BRPD circular No. 19 dated 27 December 2012 and BRPD circular No. 05 dated 29 May 2013 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also specific provision for substandard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Furthermore a general provision at 1% is required to be provided for all off-balance sheet

**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 will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a single (OCI) statement. As such the Bank does not prepare an OCI statement. However elements of OCI, if any, are shown in the statements of changes in equity.

**v) Financial instruments – presentation and disclosure**

In several cases Bangladesh Bank guidelines categories, recognise, measure and present financial instruments differently from those prescribed in IFRS 9. As such full disclosure and presentation requirements of IFRS 7 and IAS 32 cannot be made in the financial statements.

vi) Repo and Reverse Repo transactions

**IFRS:** As per IFRS 9 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), the arrangement is treated as a loan and the underlying asset continues to be recognised at amortised cost in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. The 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 the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The financial guarantee liability is subsequently measured at the higher of the amount of loss allowance for expected credit losses as per impairment requirement and the amount initially recognised less, income recognised in accordance with the principles of IFRS 15. Financial guarantees are included within other liabilities.

**Bangladesh Bank:** As per BRPD 14, dated 25 June 2003 financial guarantees such as letter of credit, letter of guarantee, etc. will be treated as off-balance sheet items.

viii) Recognition of interest in suspense

**IFRS:** Loans and advances to customers are generally classified at amortised cost as per IFRS 9 and interest income is recognised by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently become credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances.

**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 equivalents

**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 on short notice', treasury bills, prize bond are not shown as cash and cash equivalent. Money at call on short notice is shown as face item in the balance sheet, and treasury bills, prize bonds are shown in investments.

**x) Non-banking assets**

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

**Bangladesh Bank:** As per BRPD 14, dated 23 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 14, dated 23 June 2003 cash flow is the mixture of direct and indirect methods.

**xii) Balance with Bangladesh Bank: (Cash Reserve Ratio)**

**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 14, dated 23 June 2003 balance with Bangladesh Bank is treated as cash and cash equivalents.

**xiii) Presentation of intangible assets**

**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 14, dated 23 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 14, dated 23 June 2003 off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

**xv) Loans and advances/Investments net of provision**

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

**Bangladesh Bank:** As per BRPD 14, dated 23 June 2003 provision on loans and advances/investments are presented separately as liability and cannot be netted off against loans and advances.

**xvi) Disclosure of appropriation of profit**

**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.

**2.2 Basis of measurement**

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

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

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

**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 recognised in the period in which the estimate is revised and in any future periods, if affected. Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

**a. Provisions for loans and advances**

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

**b. Taxation**

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

**c. Depreciation**

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

**d. Consolidation**

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

**2.4 Foreign currency transactions**

**Functional and presentation currency**

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

**Foreign currency translation**

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

Assets and liabilities in foreign currencies as at 31 December 2018 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 gain and losses**

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

**2.5 Cash flow statement**

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

**2.6 Statement of changes in equity**

Statement of Changes in Equity has been prepared in accordance with IAS 1 "Presentation of Financial Statements" and following the guidelines of Bangladesh Bank BRPD circular no.14 dated 25 June 2003.

**2.8 Reporting period**

These financial statements cover one calendar year from 1 January 2018 to 31 December 2018.

### 3 Significant accounting policies

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

#### 3.1 Assets and basis of their valuation

##### 3.1.1 Cash and cash equivalents

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, treasury bills and other eligible bills and balances with other banks and financial institutions.

##### 3.1.2 Investments

###### Investment in securities

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

###### Held to Maturity

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

###### Held for Trading

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

###### Revaluation

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

Government treasury bills and bonds (HFT) : At present value (using marked to market concept)

Government treasury bills and bonds (HTM) : At present value (using amortisation concept)

Prize bonds and other bonds : At cost

Debentures : At cost

## Habib Bank Limited - Bangladesh Branches

### Notes to the financial statements

For the year ended 31 December 2018

#### 3.1.3 Loans and advances

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

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

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

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

### 3.1.4 Property, plant and equipment

#### Recognition and measurement

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

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

The cost of an item of property, plant and equipment is recognised as an asset if-

it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.

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

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

#### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss statement 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	10.00%-20.00%
Major Repairs and renovation	20.00%
Office equipment and electrical appliances	10.00%-20.00%
Computer	20.00%-33.33%
Motor vehicles	10.00%
Software	10.00%

Gain or loss on sale of property, plant and equipment is recognised 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 unrealised income receivable, advance for operating and capital expenditure and stocks of stationery and stamps.

### 3.2 Liabilities and provisions

#### 3.2.1 Borrowings from other banks, financial institutions and agents

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

**3.2.2 Other liabilities**

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

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

**3.3 Reserve**

**Statutory reserve**

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

**Revaluation reserve**

Revaluation reserve arises from the revaluation of treasury bills and bonds (HFT and HTM) in accordance with the Bangladesh Bank DOS circular no. 5 dated 26 May 2008.

**3.4 Revenue recognition**

**Interest income**

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

**Investment income**

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

**Fees and commission income**

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

**3.5 Employee benefits**

There is a Recognised Provident Fund (RPF) in which each employee contributes @10% of their basic salary which is matched by an equal amount of contribution by the Bank. Employees are entitled to double contribution after completion of minimum 02 (two) 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 recognised as and when it accrues.

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

**3.6 Provision for off-balance sheet exposures**

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

**3.7 Provision for nostro accounts**

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

**3.8 Taxation**

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

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

Provision for income tax has been made @ 40.00% ( 2017: 42.5%) as prescribed in Finance Act 2018 of the profit made by the Bank by considering taxable add-backs of income 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 minimise, to the degree prudently possible, the Bank's exposure to risk, while at the same time attempting to provide a stable and steadily increasing flow of net interest income, an attractive rate of return on an appropriate level of capital and a level of liquidity adequate to respond to the needs of depositors and borrowers and earning enhancement opportunities.

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

#### i. Credit risk management

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

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

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

#### ii. Foreign exchange risk

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

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

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

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

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

## Habib Bank Limited - Bangladesh Branches

### Notes to the financial statements

#### For the year ended 31 December 2018

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

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

#### iii. Asset liability 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 changed in interest rate. HBL Bangladesh to ensure better management of Balance Sheet Risk has formulated policies for Market Risk and Liquidity Risk Management. Besides, Asset Liability Committee (ALCO) of the Bank meets once in a month to analyze the economic indicators, review the liquidity position, pricing/interest rate structure and suggests action plan strategies to manage Balance sheet Risk.

#### iv. Prevention of money laundering

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

#### v. Internal control and Compliance Risk

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

HBL Bangladesh AML/CFT/CDD policy and procedure has been set up with elaborating guideline and process for Identification, Address Verification, verification of source of fund, transaction monitoring, periodic review etc. HBL Bangladesh has ensured further stringent control on its AML/CFT program by implementation of centralized account opening, account deactivate and activate, remittances processing etc. Also detail process has been established for Sanction screening prior account opening and existing customer portfolio and Transaction monitoring through automated system SSW and Mantas.

Detail process for system base customer Risk rating and periodic review also ensured to be in place by the management as part of commitment on AML/CFT. Refresher and New joiner training has been taken as a continuous process for creating/developing awareness among the officers on regular basis. CCC (Central Compliance committee) also meet BAMLCOs regularly to guide and provide resolutions on issues branches are facing.

## Habib Bank Limited - Bangladesh Branches

### Notes to the financial statements

#### For the year ended 31 December 2018

##### vi. Information and communication technology Risk

The Bank has IT department locally for Local Infrastructure Management, Local Software Management, Support and IT Services purpose. And Core Systems (e.g. Core Banking and related Core Systems) are centralized in Head Office, Karachi, Pakistan. IT department maintains performance level agreement and service level agreement with business lines for service quality assurance which describes all the IT services with target service up time and response time for troubleshooting or any IT related requests. For 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. 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 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 ( 2017: Nil)

##### 3.13 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. Recently an ICU unit has been enriched by recruiting an experienced staff having more than thirty years experience. We expect that our internal control unit will be more functional in this regards.

##### 3.14 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 2017. 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 2018 is yet to be completed.

**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 authorised for issue. Two types of events can be identified:

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

**3.16 New accounting standards not yet adopted**

The Bank has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2019 have been considered. However, these amendments have no material impact on the financial statements of the Bank.

In December 2017, ICAB has decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since currently issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

A number of standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. However, the Bank has not early applied the following new standards in preparing these financial statements.

**(a) IFRS 16 Leases**

IFRS 16, issued in January 2016 replaces existing leases guidance and effective for reporting period beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Bank has not yet assessed any potential impact of IFRS 16 on its financial statements.

**(b) IFRS 17 Insurance Contracts**

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

# Habib Bank Limited - Bangladesh Branches

## Notes to the financial statements

For the year ended 31 December 2018

	2018 BDT	2017 BDT
<b>4. Cash</b>		
In hand (note 4.1)	52,120,460	56,306,316
Balance with Bangladesh Bank and its agent bank (note 4.2)	4,221,896,897	4,264,003,966
	<b>4,274,017,357</b>	<b>4,320,310,282</b>
<b>4.1 In hand</b>		
Local currency	47,253,269	49,795,046
Foreign currencies	1,309,691	2,699,770
Cash in ATM	3,557,500	3,811,500
	<b>52,120,460</b>	<b>56,306,316</b>
<b>4.2 Balance with Bangladesh Bank and its agent bank</b>		
Balance with Bangladesh Bank		
Local currency	424,919,255	454,800,080
Foreign currencies	3,796,977,642	3,809,203,886
	<b>4,221,896,897</b>	<b>4,264,003,966</b>
<b>4.3 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)</b>		
Cash reserve Ratio (CRR) and statutory liquidity ratio (SLR) have been calculated and maintained in accordance with Section 33 of the Bank Company 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, MPD circular no 04 dated 24 June 2014, MPD circular no: 01 dated 03 April, 2018, BRPD circular no 15 dated 26 July 2018 and DOS circular no 23 dated 07 October 2018.		
<b>4.3.1 Cash Reserve Ratio (CRR)</b>		
<b>Conventional banking</b>		
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 on average total demand and time liabilities.		
<b>Fortnightly Bank's CRR maintenance:</b>		
Required reserve (5.5% of demand and time liabilities)	307,027,000	408,376,460
Actual reserve maintained	440,032,790	477,152,604
Surplus	<b>133,005,790</b>	<b>68,776,144</b>
<b>4.3.2 Statutory liquidity ratio (SLR)</b>		
13% of average demand and time liabilities:		
Required reserve	725,700,000	816,752,920
Actual reserve maintained (note 4.3.3)	1,158,209,090	1,453,788,020
Surplus	<b>432,509,090</b>	<b>637,035,100</b>
<b>4.3.3 Composition of actual reserve held (as per statement submitted to Bangladesh Bank)</b>		
Cash in hand	52,120,460	56,306,316
Unencumbered approved securities	972,880,740	1,758,079,498
Others	133,208,100	214,766,126
	<b>1,158,209,300</b>	<b>2,029,151,940</b>
<b>5. Balance with other banks and financial institutions</b>		
In Bangladesh (note 5.1)	621,038,225	800,074,993
Outside Bangladesh (note 5.2)	19,348,901	17,753,383
	<b>640,387,126</b>	<b>817,828,376</b>
<b>5.1 In Bangladesh</b>		
<b>Current Account with</b>		
Southeast Bank Ltd	-	200,000,000
National Bank of Pakistan	600,000,000	600,000,000
Dutch Bangla Bank Ltd	21,038,225	74,993
	<b>621,038,225</b>	<b>800,074,993</b>

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	2018 BDT	2017 BDT
<b>5.2 Outside Bangladesh (A+B)</b>	<b>19,348,901</b>	<b>17,753,383</b>
<b>5.2.1 A. Non-group nostro</b>		
National Bank of Pakistan, Japan	725,968	704,074
Standard Chartered Bank, Kolkata	1,094,572	-
Bangkok Bank Public Company Limited, Thailand	2,195,121	2,242,238
MCB Bank Limited, Mumbai	5,231,814	-
Development Credit Bank Ltd. Mumbai	7,572,131	9,721,724
	<b>16,819,607</b>	<b>12,668,035</b>
<b>B. Group nostro</b>		
Habib Bank Ltd. Foreign Exc. Branch, Karachi	-	1,187,429
Habib Allied Bank, London	1,962,639	3,411,598
Habib Bank Ltd. Brussels	566,655	486,320
	<b>2,529,294</b>	<b>5,085,348</b>
<b>5.3 Maturity grouping of balance with other banks and financial institutions</b>		
Repayable - on demand	19,348,901	17,753,383
- up to 1 month	21,038,225	74,993
- over 1 month but below 3 months	200,000,000	500,000,000
- over 3 months but below 1 year	400,000,000	300,000,000
- over 1 year but below 5 years	-	-
	<b>640,387,126</b>	<b>817,828,376</b>
<b>6. Money at call on short notice</b>		
The City Bank Limited	160,000,000	-
NCC Bank Limited	140,000,000	-
	<b>300,000,000</b>	<b>-</b>
<b>7. Investments</b>		
Government securities (note 7.1)	973,194,104	1,329,097,202
	<b>973,194,104</b>	<b>1,329,097,202</b>
<b>7.1 Government securities</b>		
Treasury bills (note 7.1.1)	635,854,938	579,035,824
Treasury bonds (note 7.1.2)	337,137,066	749,933,478
Prize bonds	202,100	127,900
	<b>973,194,104</b>	<b>1,329,097,202</b>
<b>7.1.1 Treasury bills</b>		
91 days treasury bills	-	-
182 days treasury bills	198,729,620	-
364 days treasury bills	437,125,318	579,035,824
	<b>635,854,938</b>	<b>579,035,824</b>
<b>7.1.2 Treasury bonds</b>		
2 years BGTB	-	348,976,938
5 years BGTB	245,202,305	308,376,529
10 years BGTB	65,713,217	66,056,861
15 years BGTB	13,020,122	13,331,828
20 years BGTB	13,201,422	13,191,322
	<b>337,137,066</b>	<b>749,933,478</b>
<b>7.1.3 Investments as per Bangladesh Bank circular:</b>		
Held for trading (HFT)	69,283,986	99,996,739
Held to maturity (HTM)	903,708,018	1,228,972,563
Others	202,100	127,900
	<b>973,194,104</b>	<b>1,329,097,202</b>

Cost of treasury bills and bonds equivalent to BDT 564,182,891.99 are placed under lien with Bangladesh Bank in compliance with Bank Company Act 1991 section 13(4).

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	2018 BDT	2017 BDT
<b>7.1.4 Maturity-wise grouping</b>		
On demand	-	-
Up to 3 months	-	-
More than 3 months but not more than 1 year	339,525,127	579,035,824
More than 1 year but not more than 5 years	61,361,765	657,481,367
More than 5 years	572,307,212	92,580,011
	<b>973,194,104</b>	<b>1,329,097,202</b>
<b>8. Loans and advances</b>		
Loans, cash credits, overdrafts, etc. (note 8.1)	4,419,530,469	4,983,026,300
Bills purchased and discounted (note 8.2)	12,031,831	-
	<b>4,431,562,300</b>	<b>4,983,026,300</b>
<b>8.1 Loans, cash credits, overdrafts, etc.</b>		
<b>In Bangladesh</b>		
Term loan	340,552,984	447,798,918
Loans against imported merchandise (LIM)	4,671,146	4,671,146
Trust receipts	237,072,701	344,325,889
Staff loans	26,978,827	38,464,436
Cash credit	40,807,357	40,807,357
Payment against documents	115,375,821	10,751,639
Short Term Loan	2,023,276,135	2,288,449,229
Overdrafts	1,630,795,498	1,807,757,685
	<b>4,419,530,469</b>	<b>4,983,026,300</b>
<b>Outside Bangladesh</b>	-	-
	<b>4,419,530,469</b>	<b>4,983,026,300</b>
<b>8.2 Bills purchased and discounted</b>		
<b>In Bangladesh</b>		
Inland bills purchased	-	-
<b>Outside Bangladesh</b>		
Foreign bills purchased (FBP)	12,031,831	-
	<b>12,031,831</b>	<b>-</b>
<b>8.3 Maturity-wise grouping</b>		
Repayable on demand	193,814,673	280,695,288
Upto 1 month	1,196,826,933	892,305,270
Over 1 month but below 3 months	1,063,541,089	1,240,481,419
Over 3 month but below 1 year	1,360,875,954	1,826,927,960
Over 1 year but below 5 year	593,457,211	711,888,442
More than 5 years	23,046,441	30,727,922
	<b>4,431,562,300</b>	<b>4,983,026,300</b>
<b>8.4 Significant concentration</b>		
Advances to Officer and Staff of the Bank	26,978,827	38,464,436
Advances to customers group	1,549,353,072	1,677,643,745
Industrial advances	2,855,230,401	3,266,918,119
	<b>4,431,562,300</b>	<b>4,983,026,300</b>
<b>8.5 Industry-wise concentration</b>		
Automobile and transportation equipment	3,565,885	3,565,885
Metals and allied	289,362,429	352,481,034
Chemicals and pharmaceuticals	284,838,477	415,036,283
Shoes and leather garments	307,295,911	303,534,778
Textile	196,785,884	220,881,608
Foods, tobacco and beverages, sugar	624,049,621	746,278,946
General traders	594,954,142	676,017,185
Others	2,130,709,951	2,265,230,581
	<b>4,431,562,300</b>	<b>4,983,026,300</b>

**Habib Bank Limited - Bangladesh Branches**

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	2018 BDT	2017 BDT
<b>8.6 Geographical location-wise distribution</b>		
Sylhet Division	80,182,123	86,498,690
Chittagone Division	1,120,619,019	1,181,781,525
Dhaka Division	3,230,761,158	3,714,746,085
	<u>4,431,562,300</u>	<u>4,983,026,300</u>
<b>8.7 Grouping as per classification rules</b>		
<b>Unclassified</b>		
Standard	3,897,603,071	4,429,123,325
Special mention account	113,252,914	129,831,840
<b>Total unclassified loans and advances</b>	<u>4,010,855,985</u>	<u>4,558,955,165</u>
<b>Classified</b>		
Substandard	-	-
Doubtful	-	-
Bad/Loss	420,706,315	424,071,135
<b>Total classified loans and advances</b>	<u>420,706,315</u>	<u>424,071,135</u>
<b>Total</b>	<u>4,431,562,300</u>	<u>4,983,026,300</u>
<b>8.8 Large Loan disclosure</b>		
Total number of customers having facility of the 10% of the capital of the Bank		
Number of Parties	3	4
Total amount outstanding	1,217,463,976	1,561,741,482
Funded	1,117,487,421	1,326,866,335
Non funded	99,976,554	234,875,146
<b>8.9 Particulars of loans and advances</b>		
i. Debts considered good in respect of which the Bank is fully secured	1,499,659,154	2,119,030,076
ii. Debts considered good for which the bank holds no security other than the debtors personal guarantee.	2,511,196,831	2,439,925,089
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	-	-
	<u>4,010,855,985</u>	<u>4,558,955,165</u>
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	38,464,436
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	38,464,436
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	420,706,315	424,071,135

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	2018 BDT	2017 BDT
<b>xi. Cumulative amount of written off debt</b>		
Opening balance	138,916,513	138,619,914
Amount of debts written off for the current year	-	494,123
	138,916,513	139,114,037
Recovery against write off loans	-	17,000,000
Closing Balance	138,916,513	122,114,037
Lawsuit filed against written off debts	138,916,513	138,916,513
<b>8.10 Bills purchased and discounted</b>		
Payable outside Bangladesh	12,031,831	-
Payable in Bangladesh	-	-
	12,031,831	-
<b>8.11 Maturity-wise grouping of bills purchased and discounted</b>		
On demand	12,031,831	-
Payable within 1 month	-	-
More than 1 month but less than 3 months	-	-
More than 3 months but less than 6 months	-	-
	12,031,831	-
<b>9. Fixed assets including premises, furniture and fixtures</b>		
Furniture and fixtures	46,121,205	51,128,534
Office equipment and electrical appliances	41,345,816	44,123,869
Computer & Software	33,758,674	26,870,255
Motor vehicles	11,558,968	11,558,968
	132,784,663	133,681,626
Less: Accumulated depreciation/Amortization	108,831,916	98,554,308
	23,952,747	35,127,318
<b>9.1 Intangible Assets</b>	5,810,860	5,570,860
Software	5,810,860	5,570,860
Less: Amortization	2,987,101	1,848,937
	2,823,759	3,721,923
Details in Annexure-II		
<b>10. Other assets</b>		
<b>Income generating</b>		
Interest receivable	21,486,230	36,128,711
Encashment of cinchya portraits awaiting realization	10,101,674	2,784,585
	31,587,904	38,913,296
<b>Non income generating</b>		
Advance deposits	1,660,300	1,661,300
Stationery and stamps on hand	909,676	790,387
Prepaid expenses	469,397	1,362,535
Capital WIP	470,250	-
Advance Tax (Note 10.1)	923,130,030	898,200,202
Clearing proceeds awaiting account	-	392,158
Other assets	234,400	3,165,010
Advance rent	22,894,408	30,586,688
	949,768,461	936,158,279
	981,356,365	975,071,575
<b>10.1 Opening balance</b>	898,200,202	955,534,651
<b>Add: Advance Income Tax paid during the year</b>	13,000,000	9,000,000
<b>Tax deducted at source during the year</b>	11,929,828	5,510,619
<b>Addition during the year</b>	24,929,828	14,510,619
<b>Adjustment / reconciled during the year Annexure-VI</b>	-	(71,845,068)
<b>Closing balance</b>	923,130,030	898,200,202
<b>11. Deposits and other accounts</b>		
Current deposit and other accounts (note 11.1)	1,071,134,977	2,178,379,721
Fixed deposit (note 11.2)	4,019,742,524	3,351,123,165
Savings bank deposits (note 11.3)	620,871,795	488,958,353
Bills payable	28,722,899	68,631,616
	5,740,472,195	6,087,092,855

**Habib Bank Limited - Bangladesh Branches**

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	2018 BDT	2017 BDT
<b>11.1 Current deposit and other accounts</b>		
Local currency current deposits	597,898,405	920,988,560
Foreign currency current deposits	4,413,970	4,361,306
Special notice time deposits	322,353,508	1,030,190,058
Non Group Vostro (Annexure-IV)	99,200,086	164,322,752
Sundry deposits	11,636,364	12,829,035
Group vostro (note: 11.4)	35,632,642	45,688,010
	<b>1,071,134,977</b>	<b>2,178,379,721</b>
<b>11.2 Fixed deposit</b>		
Deposit from customers	<b>4,019,742,524</b>	<b>3,351,123,165</b>
<b>11.3 Savings Deposits</b>	<b>620,871,795</b>	<b>488,958,353</b>
<b>11.4 Group vostro</b>		
Habib Bank Ltd, Oman (BDT)	546,760	546,760
Habib Bank Ltd, UAE (BDT)	43,201	43,201
Habib Bank Ltd, Mauritius (US \$)	-	-
Habib Allied International Bank plc, UK (BDT)	447,103	108,383
Habib Bank Ltd, Sri Lanka (USD)	978,593	964,596
Habib Bank Ltd, Pakistan (ACU \$)	33,616,985	44,025,069
	<b>35,632,642</b>	<b>45,688,010</b>
<b>11.5 Maturity-wise grouping</b>		
Repayable - on demand	383,058,781	1,332,276,965
- up to 1 month	399,821,796	899,451,322
- over 1 month but below 3 months	1,255,912,431	1,102,405,857
- over 3 months but below 1 year	3,171,785,156	1,285,095,803
- over 1 year but below 5 years	529,894,030	1,467,862,909
- over 5 years but below 10 years	-	-
	<b>5,740,472,195</b>	<b>6,087,092,855</b>
<b>12. Other liabilities</b>		
Specific provision against classified loans and advances (note 12.1)	260,715,441	263,096,021
General provision against unclassified loans and advances (note 12.2)	38,169,000	45,229,000
General provision against off balance sheet items (note 12.3)	16,654,000	9,313,000
Interest suspense account (note 12.4)	57,545,545	57,545,545
Provision for taxation (note 12.5)	863,216,084	859,156,903
Provision for audit fees	173,000	173,000
Provision for professional fees	188,735	1,074,235
Other liabilities (note 12.6)	189,424,306	129,550,000
	<b>1,426,086,110</b>	<b>1,365,137,704</b>
<b>12.1 Specific provision against classified loans and advances</b>		
Movement in specific provision:		
Provision held at the beginning of the year	263,096,021	264,787,696
Less: Fully provided debts written off during the year	-	(482,875)
Add: Recoveries of amounts previously written off	-	17,000,000
Add: Specific provision for the year	-	-
Less: Recoveries and provisions no longer required	(2,380,580)	(1,208,800)
Add: Net charge to profit and loss account during the year	-	(17,000,000)
Add: Transfer from general provision	-	-
Provision held at the end of the year	<b>260,715,441</b>	<b>263,096,021</b>

	2018 BDT	2017 BDT
<b>12.2 General provision against unclassified loans and advances</b>		
Movement in general provision:		
Provision held at the beginning of the year	45,229,000	42,350,000
Add : Provision made during the year	6,660,000	13,860,000
Add/(Less): Transfer from general provision to off-balance sheet items	-	-
Less: Recoveries and provisions no longer required	(13,720,000)	(10,981,000)
Less: Transfer to specific provision	-	-
Provision held at the end of the year	38,169,000	45,229,000
Provision for	Required provision	Maintained
Un-classified loans and advances	37,614,670	38,169,000
Classified loans and advances	221,512,960	260,715,441
	259,127,630	298,884,441
<b>12.3 Provision for off-balance sheet items</b>		
Movement in general provision:		
Provision held at the beginning of the year	9,313,000	16,150,000
Add : Amount provided during the year	14,335,000	1,643,000
Less: Recoveries and provisions no longer required	(6,994,000)	(8,480,000)
Less: Transfer to general provision on unclassified loans	-	-
Add: Transfer to off-balance sheet items from general provision	-	-
Provision held at the end of the year	16,654,000	9,313,000
Provision for	Required	Maintained
Off-balance sheet items	16,639,236	16,654,000
<b>12.4 Interest suspense account</b>		
Balance at the beginning of the year	57,545,545	60,434,708
Add: Amount transferred to interest suspense account during the year	-	-
	57,545,545	60,434,708
Less: Amount recovered in interest suspense account during the year	-	2,877,915
	-	11,248
Less: Amount written off during the year	-	2,889,163
Balance at the end of the year	57,545,545	57,545,545
<b>12.5 Provision for taxation</b>		
Balance of provision at the beginning of the year	859,156,903	927,073,843
Add: Provision made for the year	7,000,000	13,000,000
Adjustment/ reconciled during the year	(2,940,819)	(80,916,940)
Balance of the end of the year	863,216,084	859,156,903
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 76.58 million compared to previous years' BDT 120 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.		
<b>12.6 Other liabilities</b>		
Provision against BCCI claim <sup>(*)</sup>	9,299,260	9,299,260
Other payable	21,901,852	26,916,098
Accrued expenses	43,807,256	26,528,471
Routing account	5,500	1,340,914
Excess cash	30,000	84,210
Interest payable	114,380,438	65,381,048
	189,424,306	129,550,000

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

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	2018 BDT	2017 BDT
<b>13. Capital</b>		
Fund deposited with Bangladesh Bank	4,316,210,283	4,265,155,188
Surplus in profit and loss account	96,009,119	124,577,957
Other reserve	45,692,293	42,219,272
	<b>4,457,911,695</b>	<b>4,431,952,417</b>
<b>13.1 Capital Adequacy ratio</b>		
<b>Tier - I Capital</b>		
Funds received from Head Office	4,316,210,283	4,265,155,188
Retained earnings	96,009,119	124,577,957
	<b>4,412,219,402</b>	<b>4,389,733,145</b>
Additional Tier - I	-	-
<b>Total eligible Tier - I Capital</b>	<b>4,412,219,402</b>	<b>4,389,733,145</b>
<b>Less: Regulatory adjustment</b>		
Goodwill and all other intangible assets	(2,823,759)	-
	<b>4,409,395,643</b>	<b>4,389,733,145</b>
<b>Tier - II Capital</b>		
General provision against unclassified loans and advances	54,823,000	54,542,000
Other reserves	6,797,009	13,594,019
<b>Total eligible Tier -II Capital</b>	<b>61,620,009</b>	<b>68,136,019</b>
<b>Total Regulatory Capital as per Basel -III</b>	<b>4,471,015,652</b>	<b>4,457,869,164</b>
<b>13.2 Capital adequacy ratio</b>		
Total assets including off-balance sheet items	14,632,921,180	14,200,160,072
Total risk weighted assets	4,612,093,118	5,290,159,521
Capital to Risk weighted assets ratio (CRAR)	96.94%	84.27%
Common equity Tier -I to RWA	95.61%	82.98%
Tier -I Capital to RWA	95.61%	82.98%
Tier -II Capital to RWA	1.34%	1.29%
Minimum Capital Requirement	4,000,000,000	4,000,000,000
Actual Capital Maintained	4,471,015,652	4,457,869,164
Surplus Capital as per Basel-III	471,015,652	457,869,164
<b>14. Surplus in profit and loss account</b>		
Balance at the beginning of the year	124,577,958	89,418,411
Add: Profit/ Loss for the year after tax brought forward from profit and loss account	(28,568,839)	35,159,547
Less: Transferred to capital fund	-	-
Balance at the end of the year	<b>96,009,119</b>	<b>124,577,958</b>
<b>15. Contingent liabilities</b>		
Acceptances and endorsements	105,888,304	101,890,064
Letters of guarantee (note 15.1)	1,546,741,882	286,991,043
Irrevocable letters of credit	325,918,449	433,842,036
Bills for collection	10,599,643	7,992,967
Other contingent liabilities (note 15.2)	1,019,302,903	905,260,986
	<b>3,008,451,181</b>	<b>1,735,977,096</b>
<b>15.1 Letters of guarantee</b>		
Money for which the Bank is contingently liable in respect of guarantees given favouring:		
Government	-	-
Bank and other financial institutions	-	-
Others	1,546,741,882	286,991,043
	<b>1,546,741,882</b>	<b>286,991,043</b>
<b>15.2 Other contingent liabilities</b>		
Stock in hand	543,020,000	516,245,000
Other non-accruals	360,625,866	289,968,701
Others	113,657,037	99,047,285
	<b>1,019,302,903</b>	<b>905,260,986</b>

**Habib Bank Limited - Bangladesh Branches**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

	2018 BDT	2017 BDT
<b>16. Interest income</b>		
Interest on term loans	207,079,517	186,738,079
Interest on overdraft	145,741,381	143,189,945
Interest on call loans	62,589,306	43,843,903
Interest on payment against documents (PAD/IBP/FBP)	18,984,841	12,259,685
Interest on staff loans	1,324,676	1,732,306
Interest on balance with Bangladesh Bank	49,581,866	28,270,006
Interest on balance with other Bank	4,414,702	5,361,271
	<b>489,716,289</b>	<b>421,395,194</b>
<b>17. Interest paid on deposits and borrowings, etc.</b>		
Interest on savings deposits	19,371,040	16,227,152
Interest on fixed deposits	260,923,717	183,526,052
Interest on special notice deposits and short term deposits	8,052,043	18,545,383
Interest on borrowing	2,343,125	6,716,222
	<b>290,689,924</b>	<b>225,014,809</b>
<b>18. Investment income</b>		
Interest on Govt. Securities (treasury bills and treasury bonds)	49,266,165	69,633,533
	<b>49,266,165</b>	<b>69,633,533</b>
<b>19. Commission, Exchange and Brokerage</b>		
Commission A/C - acceptances	802,119	1,653,021
Commission on bills	10,457,572	11,823,198
Commission on DD/TT/MT/PO	222,804	252,794
Commission on L/G	5,959,305	1,603,794
Commission on L/C	4,031,127	9,364,130
Commission on LIM, PAD	1,770,398	4,479,351
Commission on PSP/NSC	542,207	644,443
Exchange A/c on foreign currency	17,334,716	47,918,061
	<b>41,120,248</b>	<b>77,738,791</b>
<b>20. Other operating income</b>		
Postage charges recoveries	50,708	222,243
Telegram/Telex/Swift charges recoveries	384,557	1,127,481
Rent on savings deposit lockers	242,640	254,200
Handling and service charges	350,828	1,230,894
Rent received on Godown	-	-
Incidental charges recoveries	1,548,967	2,946,280
Net Profit on sale of fixed assets	2,323	10,565
Recoveries of bad and loss loan	-	-
Miscellaneous income	1,726,487	3,171,218
	<b>4,306,510</b>	<b>8,962,880</b>
<b>21. Salary and allowances</b>		
Salaries	59,662,453	63,837,843
House rent for executives other than the Chief Executive officer	29,492,468	29,696,270
Allowances	10,410,000	10,996,679
Bonus paid to employees	16,997,825	20,234,098
Bank's contribution to provident fund	5,485,376	5,531,101
Bank's contribution to Gratuity Fund	7,200,000	12,000,000
Conveyance allowances	2,283,884	2,618,593
School fees paid to employees for their dependents	-	68,503
Medical expenses	1,983,946	3,397,362
Electricity and gas charges	683,844	52,228
Telephone charges	-	-
Leave salary	7,431,769	7,655,418
Others	3,842,101	-
	<b>146,475,666</b>	<b>158,088,095</b>

**Habib Bank Limited - Bangladesh Branches**

**Notes to the financial statements**

**For the year ended 31 December 2018**

	2018 BDT	2017 BDT
<b>22. Rent, taxes, insurance, electricity, etc.</b>		
Godown rent	1,454,322	1,428,899
Lighting charges	3,729,406	3,874,093
Insurance charges	4,057,448	6,728,501
Rent on Bank premises	46,398,024	43,245,224
	<b>55,639,200</b>	<b>55,276,716</b>
<b>23. Legal expenses</b>		
Law charges	876,863	800,478
Consultancy charges	1,711,805	1,789,391
	<b>2,588,668</b>	<b>2,589,869</b>
<b>24. Postage, stamp, telecommunication, etc.</b>		
Telegram charges	6,000	7,058
Postage, courier and SWIFT charges	1,072,388	1,660,491
	<b>1,078,388</b>	<b>1,667,549</b>
<b>25. Stationery, printing, advertisements, etc.</b>		
Newspaper expenses	75,505	116,923
Printing	901,102	1,727,704
Stationery	872,013	1,071,780
Advertisement charges	616,847	1,893,043
	<b>2,465,468</b>	<b>4,809,450</b>
<b>26. Depreciation and repair of bank's assets</b>		
Repairs and renovation	-	-
Software maintenance expenses	1,769,591	817,899
Computer and office equipment maintenance	2,000,575	1,715,498
Depreciation (Annex II)	15,263,963	18,350,566
	<b>19,034,129</b>	<b>20,883,963</b>
<b>27. Other expenses</b>		
Branch trade license fee	144,602	729,164
Work permit and visa charges	222,367	253,690
Clearing house charges	207,872	506,232
Training expenses	208,800	892,134
Conveyance charges	567,080	585,975
Water and diesel expenses	380,351	361,717
Telephone charges (office use)	1,091,115	1,341,269
Entertainment charges	1,013,025	1,812,715
Traveling expenses	1,318,400	1,514,733
Subscription	3,947,292	2,707,452
Motor car expenses	937,851	1,201,018
Office maintenance charges	1,652,296	2,045,023
Lease line rent (online) and e-mail expenses	4,261,412	4,052,000
VISA debit card maintenance fee	1,902,468	2,126,496
Miscellaneous expenses	25,821,568	17,140,315
Outsourced charges	13,501,804	13,320,774
	<b>57,178,303</b>	<b>50,590,707</b>

**28. Related Party Transactions:**

**28.1 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 Vostro accounts (including group) are given in Annexure-III.

**28.2 Transactions with Vostro Accounts**

Some branches of HBL maintains Vostro accounts with HBL Bangladesh for interbranch transaction settlement. The disclosure of the year end balance is considered as the most meaningful information during the year. As at year end, the balance with all Vostro accounts (including group) are given in Annexure-IV.

**29. Coverage of external audit**

The external auditors of the Bank, Hoda Vasi Chowdhury & Co, Chartered Accountants worked about 1,750 person hours. They have reviewed more than 80% of the Bank's risk weighted assets as at the Balance Sheet date.

**30. Events after the reporting period**

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

**31. Others**

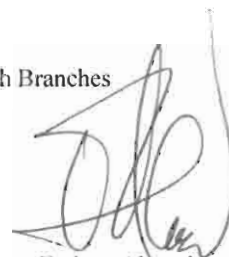
Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.

- (i) Figures in these notes and in the annexed financial statements have been rounded off to the nearest BDT. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- (ii) the number of employees engaged for the whole year who received a total remuneration of BDT 36,000.00 or above were 95 (2017: 103).
- (iii) Highlights of the overall activities of the Bank have been presented in Annexure -I.

for Habib Bank Limited — Bangladesh Branches



Mohammad Nazmul Huq Bhuiyan  
Head Finance



Erslaan Ahmed  
Regional General Manager

**Highlights on the overall activities**  
**For the year ended 31 December 2018**

Sl No.	Particulars	2018 BDT	2017 BDT
1	Paid-up capital/ Fund received from Head Office	4,316,210,283	4,265,155,188
2	Total capital	44,471,015,652	4,457,869,164
3	Capital (deficit)/surplus	471,015,652	457,869,164
4	Total assets	11,624,469,999	12,464,182,976
5	Total deposits	5,740,472,195	6,087,092,855
6	Total loans and advances	4,431,562,300	4,983,026,300
7	Total contingent liabilities and commitments	3,008,451,181	1,735,977,096
8	Credit deposit ratio	75.69%	81.86%
9	Percentage of classified loans against total loans and advances	9.49%	8.51%
10	Profit after tax and provision	(28,568,839)	35,159,547
11	Amount of classified loans during current year	420,706,315	424,071,135
12	Provisions kept against classified loans	260,715,441	263,096,021
13	Provision surplus against classified loans	39,202,481	38,350,581
14	Cost of fund	5.23%	3.57%
15	Interest earning assets	10,146,334,112	10,952,056,332
16	Non-interest earning assets	1,478,135,886	1,512,126,644
17	Return on investment (ROI) [PAT/(Shareholders' equity +	-0.63%	0.70%
18	Return on assets (ROA) [PAT/ Average assets]	-0.25%	0.28%
19	Income from investment	49,266,165	69,633,533

Particulars	Cost										
	Balance as at 01 January 2018	Addition During the year	Transfer/ received from other Head	Adjustment / disposal during the year	Total as at December 31, 2018	Rate (%)	Depreciation				
							Transfer/ received from other Head	Charged for the year	Adjustment / disposal during the year	Total as at December 31, 2018	WDV as at December 31, 2018
Furniture and fixture	51,128,534	91,000	-	5,098,329	46,121,205	10-20	-	6,185,951	4,015,851	36,846,197	9,275,008
Office equipment and electrical appliance	44,128,869	270,780	(166,429)	2,879,404	41,345,816	10-20	(152,020)	4,306,509	2,734,815	36,454,317	4,891,499
Computers	26,879,255	969,560	169,429	61,430	27,017,814	20-33	152,020	3,025,493	84,604	22,921,667	5,026,147
Motor vehicle	11,558,968	-	-	-	11,558,968	10	-	607,845	-	9,622,635	1,936,333
TOTAL AS AT DECEMBER 2018	133,681,626	1,331,340	-	8,039,163	126,973,803	-	-	14,125,798	6,835,291	105,844,815	21,128,988

Particulars	COST					Rate (%)	Amortization					WDV as at December 31, 2018
	Balance as at 01 January 2018	Addition During the year	Transfer/ received from other Head	Adjustment / disposal during the year	Total as at December 31, 2018		Balance as at 01 January 2018	Charged for the year	Transfer/ received from other Head	Adjustment / disposal during the year	Total as at December 31, 2018	
Software	5,570,860	240,000	-	-	5,810,860	10-20	1,848,937	1,138,164	-	2,987,101	2,823,759	
AS at December 2018	5,570,860	240,000	-	-	5,810,860	-	1,848,937	1,138,164	-	2,987,101	2,823,759	
AS at December 2018 (A+B)	139,282,436	1,571,340	-	8,030,163	132,784,663	-	100,403,245	15,263,962	6,835,291	108,831,916	23,952,747	
AS at December 2017	137,652,622	10,068,559	-	8,468,695	139,252,486	-	90,418,923	18,350,566	8,386,344	100,403,245	38,849,241	

Habib Bank Limited  
Bangladesh Branches

Balance with other banks (Outside Bangladesh)  
As at 31 December 2018

Group Nostro		2018				2017			
Name of the bank	Account Type	Foreign currency	FC amount	Exchange rate	Equivalent taka	FC amount	Exchange rate	Equivalent taka	
Habib Bank Ltd, Brussels	Nostro A/C	EUR	5,893.45	96.15	566,655	4,912.75	98.9915	486,320.49	
Habib Bank Ltd, New York	Nostro A/C	USD	-	-	-	-	-	-	
Habib Bank Ltd, Pakistan	Nostro A/C	USD	-	-	-	14,358.27	82.7000	1,187,428.93	
Habib Allied International Bank plc, UK	Nostro A/C	GBP	18,471.72	106.25	1,962,639	30,574.67	111.5825	3,411,598.12	
<b>Non-Group Nostro</b>									
National Bank of Pakistan, Tokyo, Japan	Nostro A/C	JPY	941,227.00	0.77	725,968	935,149.00	0.75	704,073.68	
Muslim Commercial Bank Ltd., Pakistan	Nostro A/C	USD	62,357.74	83.90	5,231,814	-	-	-	
Standard Chartered Bank, Kolkata	Nostro A/C	USD	13,046.15	83.90	1,094,572	-	-	-	
Development Credit Bank Ltd., Mumbai	Nostro A/C	USD	90,251.86	83.90	7,572,131	117,554.10	82.70	9,721,724.07	
Bangkok Bank Public Company Limited, Thailand	Nostro A/C	USD	26,163.54	83.90	2,195,121	27,112.91	82.70	2,242,237.66	

**Habib Bank Limited  
Bangladesh Branches**

Annexure-IV

**Balance from other banks (Outside Bangladesh)  
As at 31 December 2018**

Group Vostro	Name of the bank	Account Type	Foreign currency	2018			2017		
				FC amount	Exchange rate	Equivalent taka	FC amount	Exchange rate	Equivalent taka
	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	-	-	43,201
	Habib Bank Ltd, Sri Lanka (USD)	Vostro A/C	USD	11,664	83.90	978,593	11,664	82.70	964,596
	Habib Bank Ltd, Pakistan (ACU \$)	Vostro A/C	USD	400,679	83.90	33,616,985	532,347	82.70	44,025,069
	Habib Bank Ltd, Mauritius (US \$)	Vostro A/C	USD	-	-	-	-	-	-
	Habib Allied International Bank plc, UK	Vostro A/C	BDT	-	-	447,103	-	-	108,383
<b>Non-Group Vostro</b>									
	Dubai Islamic Bank Limited	Vostro A/C	USD	37,644	83.90	3,158,294	143,503	82.70	11,867,733
	Habib Metropolitan Bank Limited	Vostro A/C	USD	621,218	83.90	52,120,152	729,489	82.70	60,328,754
	Bank Islami Pak	Vostro A/C	USD	2,240	83.90	187,943	438,620	82.70	36,273,900
	Is Bank Limited	Vostro A/C	USD	230,232	83.90	19,316,426	265,096	82.70	21,923,459
	Silkbank Limited	Vostro A/C	USD	48,061	83.90	4,032,289	57,736	82.70	4,774,790
	Soneri Bank Limited	Vostro A/C	USD	19,925	83.90	1,671,713	146,977	82.70	12,155,005
	The Bank Punjab Limited	Vostro A/C	USD	177,603	83.90	14,900,921	91,937	82.70	7,603,230
	The Bank Of Khy Limited	Vostro A/C	USD	27,495	83.90	2,306,831	31,745	82.70	2,625,311
	United Bank Limited	Vostro A/C	EUR	-	-	-	-	-	-
	Bank Al Falah Limited	Vostro A/C	USD	0.48	83.90	40	63,130	82.70	5,220,891
	Albaraka Bank Limited	Vostro A/C	USD	17,944	83.90	1,505,478	18,739	82.70	1,549,679

## Annexure-V

Habib Bank Limited  
Bangladesh BranchesDetails of Large Loan  
As at 31 December 2018

2018

Taka

No of clients

3

Total amount outstandings

1,217,463,976

Client wise break up is as follows

SL	Name of the Borrower	Funded	Non funded	Total
1	A H Akbar Ali Group	310,000,000	250,000,000	560,000,000
2	MM Ispahani Group	375,000,000	250,000,000	625,000,000
3	Pran Group	520,000,000	220,000,000	740,000,000

2017

Taka

No of clients

4

Total amount outstandings

1,326,866,335

Client wise break up is as follows

SL	Name of the Borrower	Funded	Non funded	Total
1	PRAN Group	546,700,000	193,300,000	740,000,000
2	MM Ispahani Group	375,000,000	250,000,000	625,000,000
3	BD Still Re-rolling Mills Ltd	400,900,000	206,800,000	607,700,000
4	Kamal Uddin Abdul Aziz Group	216,900,000	316,300,000	533,200,000

**HABIB BANK LIMITED**  
**Bangladesh Branches**  
**Income Tax Status**  
**As at 31 December 2018**

Income Year	Assessment Year	Latest Status (with stage)	Net liability Amount (In BDT)
1991	1992-1993	This case is against HBL Bangladesh and it is still at high court .	9,523,047
1992	1993-1994	This case is against HBL Bangladesh and it is still at high court .	3,476,715
1993	1994-1995	This case is against HBL Bangladesh and it is still at high court .	4,357,406
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 still the progress is going on.	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
2006	2007-2008	A letter has been issued to LTU to adjust against liability of Financial Year 2005.	(3,848,299)
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 rejected for time lapse. But then HBL Bangladesh went to tribunal and finally they settle it at BDT 4,183,148/-	4,183,148
2010	2011-2012	HBL Bangladesh has appealed at time but rejected . After that, respective tribunal bench has fixed the liability at BDT2,103,654/-.	2,103,654
2011	2012-2013	HBL Bangladesh has appealed at time but rejected. Then HBL Bangladesh went to tribunal and estimated liability stands at BDT 12,044,781/- . ADR has been filed at 5th November, 2018.	12,044,781
2012	2013-2014	HBL Bangladesh has appealed at time but rejected. Then HBL Bangladesh went to tribunal and estimated liability stands at BDT 96,60,247/- . ADR has been filed at 5th November, 2018.	9,660,247
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.	12,539,874
2014	2015-2016	DCT has completed the primary assessment and liability has been fixed at BDT 3,404,436/- finally.	3,404,436
		Total	76,580,947