



Issued by The Hongkong and Shanghai Banking Corporation Limited in Bangladesh.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Bangladesh Branches

Independent auditor's report to the management of The Hongkong and Shanghai Banking Corporation Limited (HSBC), Bangladesh Branches

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Hongkong and Shanghai Banking Corporation Limited (HSBC), Bangladesh Branches (the "Bank") which comprise the balance sheet as at 31 December 2023 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements and internal controls

Management is responsible for the preparation of the financial statements that give a true and fair view 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue

as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Responsibilities 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 Responsibilities for the financial statements and internal control:
 - internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate; and
 - 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 financial statements have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- (vii) adequate provisions have been made for loans and advances and other assets which are in our opinion, doubtful of recovery;
- (viii) the information and explanations required by us have been received and found satisfactory;
- (ix) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 2,500-person-hours; and
- (x) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

DVC NO: 2404210770AS464038
Dhaka, 21 April 2024

sd/-
Sabbir Ahmed FCA, Partner
ICAB Enrolment No: 770
Hoda Vasi Chowdhury & Co
Chartered Accountants

Balance Sheet as at 31 December 2023

PROPERTY AND ASSETS	Notes	2023 BDT	2022 BDT
Cash	5		
In hand (including foreign currencies)		1,430,901,785	1,105,262,177
With Bangladesh Bank and its agent bank(s) (including foreign currencies)		25,253,069,970	28,488,632,822
		26,683,971,755	29,593,894,999
Balance with other banks and financial institutions	6		
In Bangladesh		94,550,260	203,963,793
Outside Bangladesh		7,308,307,159	20,754,064,539
		7,402,857,419	20,958,028,332

	Notes	2023 BDT	2022 BDT
Money at call on short notice	7	7,682,500,000	12,905,862,500
Investments	8		
Government securities		116,473,782,805	86,832,990,131
Others		6,000,000	6,000,000
		116,479,782,805	86,838,990,131
Loans and advances	9		
Loans, cash credits, overdrafts etc.		147,345,443,572	160,924,033,389
Bills purchased and discounted		69,744,702,291	64,685,935,814
		217,090,145,863	225,609,969,203
Fixed assets including premises, furniture and fixtures	10	850,890,905	774,813,314
Other assets	11	5,243,252,868	9,041,511,447
Non - banking assets		-	-
Total assets		381,433,401,615	385,723,069,926

LIABILITIES AND CAPITAL

Liabilities

Borrowings from other banks, financial institutions and agents	12	82,827,672,425	110,486,028,912
Deposits and other accounts	13		
Current accounts and other accounts		92,113,847,208	105,492,592,749
Bills payable		4,534,226,511	7,305,567,088
Saving deposits		33,807,882,556	35,528,575,622
Term deposits		89,096,876,563	58,941,620,216
		219,552,832,838	207,268,355,675
Other liabilities	14	20,527,509,065	18,959,840,769
Total liabilities		322,908,014,328	336,714,225,356

Capital/shareholders' equity	15	4,044,976,737	3,811,264,265
Fund deposited with Bangladesh Bank			
Other reserves	16	2,363,240,965	1,836,005,354
Profit and loss account	17	52,117,169,585	43,359,574,951
Total shareholders' equity		58,525,387,287	49,008,844,570
Total liabilities and shareholders' equity		381,433,401,615	385,723,069,926

OFF BALANCE SHEET ITEMS

Contingent liabilities	18		
Acceptances and endorsements		55,383,768,825	72,944,540,567
Letters of guarantee		105,586,508,870	108,464,001,050
Irrevocable letters of credit		52,628,173,742	79,695,227,199
Foreign exchange contracts - Spot and Forward		665,818,026	1,556,391,160
Total		214,264,269,463	262,660,159,976

Other commitments

Un-drawn formal standby facilities, credit lines and other commitments	237,833,656,075	170,550,148,700
Total	237,833,656,075	170,550,148,700
Total off balance sheet items	452,097,925,538	433,210,308,676

The annexed notes 1 to 34 form an integral part of these financial statements.

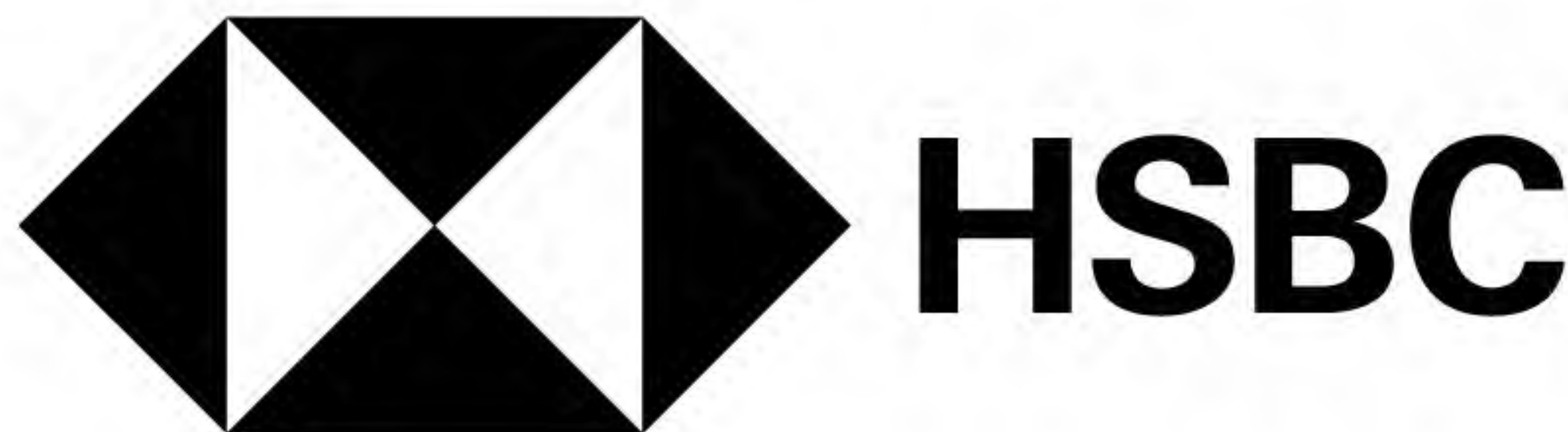
sd/-
Md Mahbub ur Rahman
Chief Executive Officer, Bangladesh

sd/-
Jignesh Chetan Ruparel
Chief Financial Officer, Bangladesh

As per our report of same date.

DVC NO: 2404210770AS464038
Dhaka, 21 April 2024

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Sabbir Ahmed FCA, Partner
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Hoda Vasi Chowdhury & Co
Chartered Accountants



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Bangladesh Branches

Profit and Loss Account for the year ended 31 December 2023

	Notes	2023 BDT	2022 BDT
Interest income	19	17,025,686,103	11,870,729,209
Interest paid on deposits and borrowings	20	(7,733,702,830)	(3,133,726,344)
Net interest income		9,291,983,273	8,737,002,865
Income from investments	21	8,064,732,870	2,125,654,186
Commission, exchange and brokerage	22	6,363,721,019	8,111,319,636
Other operating income	23	24,445,225	(67,167,068)
Total operating income		23,744,882,387	18,906,809,619
Salaries and allowances	24	3,291,137,987	3,207,360,624
Rent, taxes, insurance, electricity etc.		472,872,951	340,763,273
Legal and professional expenses	25	48,732,329	31,705,735
Postage, stamp, telecommunication etc.		54,189,390	53,265,899
Auditors' fee		1,150,000	1,150,000
Stationery, printings and advertisements etc.		204,900,474	151,102,214
Chief Executive Officer's salary and allowances		49,494,537	41,201,939
Depreciation, impairment and repair of Bank's assets	26	723,806,688	848,786,729
Other operating expenses	27	2,132,131,333	1,836,536,362
Total operating expenses		6,978,415,689	6,511,872,775
Profit before provision		16,766,466,698	12,394,936,844
Specific provision for classified loans and advances	14.2	453,055,100	1,607,598,472
General provision for unclassified loans and advances			
and off balance sheet exposures	14.2	(505,363,478)	243,782,075
Other provision		(4,952,510)	11,565,488
Total provision		(57,260,888)	1,862,946,035
Profit before tax		16,823,727,586	10,531,990,809

Tax			
Current year	14.4	7,128,445,831	5,392,673,651
Prior year		(212,875,706)	(3,018,036)
Deferred tax	11.4	(82,482,629)	(736,921,669)
		6,833,087,496	4,652,733,946
Profit after tax for the year	17	9,990,640,090	5,879,256,863

The annexed notes 1 to 34 form an integral part of these financial statements.

sd/-
Md Mahub ur Rahman
Chief Executive Officer, Bangladesh

sd/-
Jignesh Chetan Ruparel
Chief Financial Officer, Bangladesh

As per our report of same date.

DVC NO: 2404210770AS464038
Dhaka, 21 April 2024

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Chartered Accountants

Cash Flow Statement for the year ended 31 December 2023

	Notes	2023 BDT	2022 BDT
A Cash flow from operating activities			
Interest received		17,054,658,781	11,854,586,378
Interest paid		(7,151,058,820)	(2,730,522,726)
Dividends receipts		6,000,000	7,500,000
Commission, exchange and brokerage received		6,362,964,036	8,121,923,398
Other income		18,569,826	(63,301,821)
Cash paid to employees		(3,222,327,617)	(3,141,644,863)
Cash paid to suppliers		(1,249,824,526)	(775,513,939)
Cash paid for other operating expenses		(2,149,132,730)	(1,820,615,862))
Operating profit before changes in operating assets and liabilities		9,669,848,950	11,452,410,565
<i>(Increase)/decrease of operating assets:</i>			
Loans and advances to customers		8,519,823,340	14,267,677,345
Other assets		3,568,919,857	(5,841,435,208)
<i>Increase/(decrease) of operating liabilities:</i>			
Customers deposits		12,284,477,163	50,985,528,449
Borrowing from other banks and financial institutions		(27,658,356,487)	(34,282,619,564)
Other liabilities		263,682,402	5,043,624,791
		(3,021,453,725)	30,172,775,813
Cash receipt from operating activities		6,648,395,225	41,625,186,378
Advance income tax paid	14.4	(5,632,080,206)	(3,553,566,746)
Net cash receipt from operating activities		1,016,315,019	38,071,619,632
B Cash flow from investing activities			
Income from investments		8,153,428,782	2,501,064,004
Investments made during the year		(77,810,445,695)	(37,074,956,460)
Proceeds from sale of investments		53,363,832,487	61,996,544,467
Purchase of property, plant and equipment	10	(355,648,897)	(304,112,831)
Proceeds from sale of property, plant and equipment		37,667,696	1,155,999
Net cash used in investing activities		(16,611,165,627)	27,119,695,179
C Cash flow from financing activities			
Cash remitted to head office	17	(1,133,139,055)	(2,721,723,245)
Net cash used in financing activities		(1,133,139,055)	(2,721,723,245)
D Net increase in cash and cash equivalents (A+B+C)		(16,727,989,663)	62,469,591,566
E Gain/(Loss) on revaluation of foreign currency deposited with Bangladesh Bank as capital and cash and cash equivalents	15	233,712,472	643,488,268
F Net increase in cash and cash equivalents (D+E)		(16,494,277,191)	63,113,079,834
G Opening cash and cash equivalents		120,939,620,251	57,826,540,417
H Closing cash and cash equivalents (F+G)	29	104,445,343,060	120,939,620,251

Statement of Changes in Equity for the year ended 31 December 2023

Particulars	Fund deposited with Bangladesh Bank (Note 15) BDT	Other reserve (Note 16) BDT	Profit and loss account (Note 17) BDT	Total BDT
Balance at 01 January 2022	3,167,775,997	(539,409,005)	40,201,601,175	42,829,968,167
Revaluation of Foreign Currency	643,488,268	1,896,541,910	-	2,540,030,178
Net profit for the year	-	-	5,879,256,863	5,879,256,863
Unrealised interest on amortisation of HTM Securities (net of deferred tax assets/liabilities)	-	395,901,049	-	395,901,049
Actuarial gain/(loss) (net of deferred tax assets/liabilities)	-	84,971,400	-	84,971,400
Provision for Start-up Fund 2022	-	-	(58,792,569)	(58,792,569)
Prior period adjustment	-	-	59,232,727	59,232,727
Profit remitted to head office	-	-	(2,721,723,245)	(2,721,723,245)
Balance at 31 December 2022	3,811,264,265	1,838,005,354	43,359,574,951	49,008,844,570
Revaluation of Foreign Currency	233,712,472	733,160,515	-	966,872,987
Net profit for the year	-	-	9,990,640,090	9,990,640,090
Unrealised interest on amortisation of HTM Securities (net of deferred tax assets/liabilities) realised	-	(338,983,504)	-	(338,983,504)
Actuarial gain/(loss) (net of deferred tax assets/liabilities)	-	131,058,600	-	131,058,600
Provision for Start-up Fund 2023	-	-	(99,906,401)	(99,906,401)
Profit remitted to head office	-	-	(1,133,139,055)	(1,133,139,055)
Balance at 31 December 2023	4,004,976,737	2,363,240,965	52,117,169,585	58,525,387,287

Notes to the Financial Statements as at and for the year ended 31 December 2023

1 Background

The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Bangladesh Branches ("the Bank") commenced its banking operations in Bangladesh on 3 December 1996 after obtaining its banking license from Bangladesh Bank on 17 April 1996. HSBC is incorporated in Hong Kong SAR ("Head Office") with limited liability and its ultimate holding company HSBC Holdings plc ("the Group") is incorporated in England, with limited liability under the UK Companies Act.

HSBC also operates an Offshore Banking Unit (OBU) after obtaining its license from Bangladesh Bank on 18 March 1998.

2 Principal activities

HSBC offers a comprehensive range of financial services in Bangladesh including wholesale banking, wealth & personal banking, markets & securities services, global trade and receivable finance, and global payments solutions.

3 Basis of preparation

3.1 Statement of compliance

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) was formed and has from time to time issued guidance to follow related accounting standards in preparing financial statements. However, financial statements of the Bank continue to be prepared in accordance with, International Financial Reporting Standards (IFRS) as well as, requirements of the Bank Company Act 1991, rules and regulations issued by Bangladesh Bank (BB), and the Companies Act 1994. In case any requirement of the Bank Company Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of IFRS, the requirements of the Bank Company Act 1991, and provisions and circulars issued by Bangladesh Bank have been applied.

Material deviations from the requirements of IFRS in preparing these financial statements of HSBC are as follows:

i) Investment in shares

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

ii) Revaluation gains/losses on Government securities

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

Bangladesh Bank: Held for trading (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 recognised in other reserves as a part of equity. Any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortisation of discount are recognised in the profit and loss account. Held to maturity (HTM) securities which have not matured as at the balance sheet date are amortised at year end and gains or losses on amortisation can be recognised in profit and loss statement from 2023 as per DOS circular no. 27 (04 December 2023) instead of mandatorily recognizing the same under other reserve of shareholder's equity.

iii) 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 liability is recorded in respect of the consideration received. Non trading repos are recognised at amortised cost in the entity's financial statements. The difference between sale price and repurchase price will be treated as an interest expense and recognised over the life of the instrument. The same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank: As per Department of Off-Site Supervision (DOS) Circular letter no. 06 dated 15 July 2010 and subsequent clarification in DOS circular no. 02 dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transaction and the financial asset is derecognised in the seller's book and recognised in the buyer's book.

iv) Provision on loans and advances/investments

IFRS: As per IFRS 9, an entity shall recognise an impairment allowance on loans and advances to banks and customers, non-trading reverse repo agreements, other financial assets held at amortised cost, debt instrument measured at FVOCI and certain loan commitments and financial guarantee contract 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. 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 possible default events on such loans and advances that are possible within 12 months after reporting date.

Bangladesh Bank: As per Bangladesh Bank circulars (mentioned in section 4.2) a general provision at 0.25% to 2% under different categories of unclassified loans (good/standard loans) as well as a special general provision for COVID-19 has to be maintained regardless of objective evidence of impairment. Also specific provision for sub-standard loans, doubtful loans and bad losses has to be provided at 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again as per BRPD circular no.14 dated 25 June 2023, general provision against off-balance sheet exposures need to be maintained. Such provision policies are not specifically in line with those prescribed by IFRS 9.

v) 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. If the loan is subsequently credit-impaired, the entity shall apply the effective interest rate to the amortised cost of these loans and advances (i.e. gross carrying amount of the assets less allowance for expected credit losses).

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

vi) 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 which neither include OCI nor are the elements of OCI allowed to be included in a single other OCI Statement. The Bank does not prepare the OCI statement, however, elements of OCI, if any, are shown in the statement of changes in equity.

vii) Financial instruments – presentation and disclosure

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

viii) 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 an 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 circular no. 06 (25 April 2023), financial guarantees such as standby letter of credit, letter of guarantee etc. are reported as off-balance sheet items.

ix) Cash and cash equivalents

IFRS: Cash and cash equivalent items should be reported as a cash item as per IAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as money at call on short notice, treasury bills with maturity of more than 91 days and prize bond are not shown as cash and cash equivalents. Money at call and short notice is shown separately in the Balance Sheet. Treasury bills with maturity of more than 91 days and prize bond are shown under investments in the Balance Sheet. However, in the cash flow statement, money at call and short notice and prize bonds along with the treasury bills less than 91 days are shown as cash and cash equivalents besides cash in hand, balance with Bangladesh Banks and other banks.

x) Non-banking assets

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

Bangladesh Bank: As per BRPD circular no 14, there is a separate balance sheet disclosure nomenclated as Non-banking assets.

xi) Cash flow statement

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

Bangladesh Bank: As per BRPD circular no 14, the cash flow statement is a mix of both the direct and the indirect methods.

xii) Balance with Bangladesh Bank: Cash Reserve Ratio ("CRR")

IFRS: CRR maintained 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: Balance with Bangladesh Bank including CRR is treated as cash and cash equivalents.

xiii) Presentation of intangible assets

IFRS: Intangible assets must be identified, recognised, and disclosed as per IAS 38.

Bangladesh Bank: There is no regulation for intangible assets in BRPD circular no. 14 dated 25 June 2003 and hence it is shown in other assets.

xiv) Off-balance sheet items

IFRS: As per IFRS, there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD circular no.14 dated 25 June 2023, BRPD circular no.14 dated 25 June 2003, off balance sheet items (e.g. Acceptances & Endorsements, Letters of Guarantee, Irrevocable Letters of Credit, Foreign Exchange Contracts, Other Commitments.) need to 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 circular no.14, provision on loans and advances/investments are presented separately as a liability and cannot be netted off against loans and advances.

xvi) Name of Financial Statements

IFRS: As per IAS 1: Presentation of Financial Statement, components of financial statements are defined as statement of financial position and statement of profit or loss and other comprehensive income (OCI).

Bangladesh Bank: As per BRPD circular no 14, statement of financial position is defined as 'Balance Sheet' whilst statement of profit or loss and other comprehensive income is defined as 'Profit & Loss Account'. The elements of OCI are shown under equity as mentioned in note 3.1 (vi).

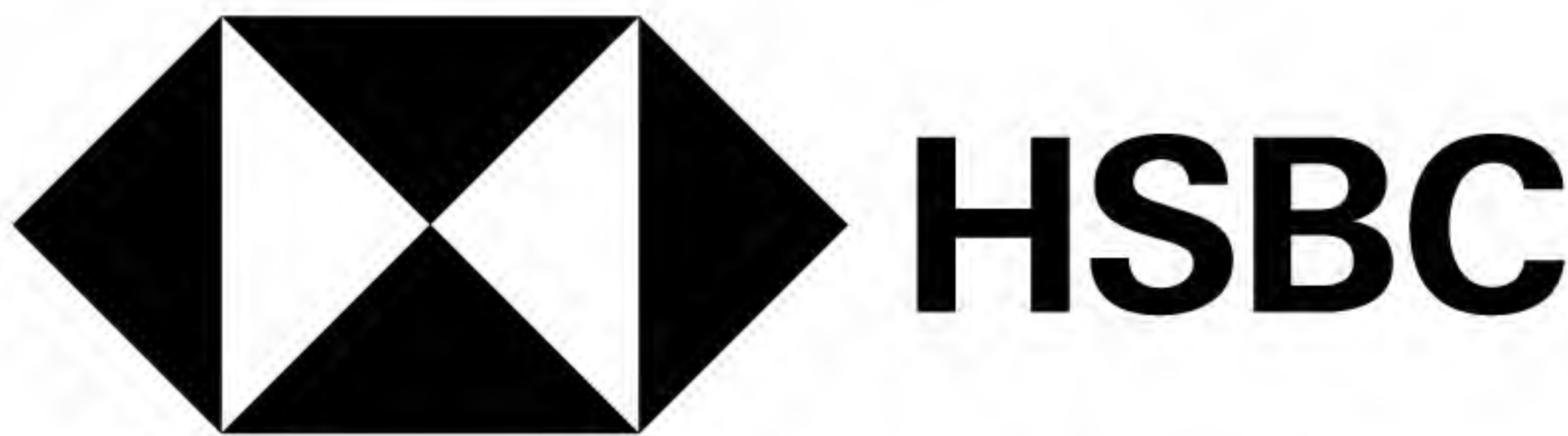
3.2 Regulatory DOS circular adopted during the year ended 31 December 2023

In accordance with DOS circular no.05 dated 26 May 2008, HTM securities which had not matured as at the balance sheet date were amortized at the year end and gains or losses on amortization were accounted for in other reserve as a part of equity. However, as per DOS Circular Letter No. 27 dated 04 December 2023, Bangladesh Bank has allowed banks to recognize amortization gain/loss in current year profit and loss statement. In accordance with the stated new circular, the Bank has accounted for amortized gain from existing HTM securities in profit and loss statement for the year ended 31 December 2023 under "Income from Investment", instead of recognizing the same under "Other Reserves". Details of the change have been presented under note 33.

3.3 Basis of measurement

The financial statements of the Bank are prepared on the basis of historical cost except for investment in treasury bills and treasury bonds which have been "mark to market" in accordance with the Department of Off-Site Supervision (DOS) circular 05 (28 January 2009) and the liability of defined benefit obligations which is recognised at the present value of the defined benefit obligations less the net total of the plan assets and other related items as required by IAS 19 and represents the financial performance and financial position of the branches in operation within Bangladesh.

Balances of all branches including Offshore Banking Unit (OBU) are included in these financial statements.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Bangladesh Branches

3.4 Going Concern

These financial statements have been prepared on the assessment of the bank's ability to continue as a going concern. HSBC Bangladesh branches has neither any intention nor any legal or regulatory compulsion to liquidate or curtail materially the scale of any of its operations. Besides, the management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern.

3.5 Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements of the Bank are presented in Bangladeshi Taka (BDT) which is the Bank's both functional and presentation currency.

According to BRPD circular no. 2 dated 25 February 2019, financial statements of the Bank are prepared on a solo basis where OBU financial information is included in Bangladeshi Taka ("BDT") equivalent amounts. However, key financial information of OBU is provided in Annexure- C to these solo financial statements of the Bank.

3.6 Use of estimates and judgments

The preparation of financial statements 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 periods in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

- Provisions on loans and advances - as explained in note 4.3
- Income tax - as explained in note 4.20
- Post-employment benefits - defined benefit plan - as explained in note 4.18
- Allocation of head office expenses to the Bank
- Allocation of operating expenses to OBU
- Useful life of depreciable assets as explained in note 4.9
- Provision for expenses, lease liabilities

3.7 Cautionary Statements Regarding Forward-Looking Statements

This Financial Statements and accompanying Environmental, Social and Governance (ESG) Disclosure (unaudited) contains certain forward-looking statements with respect to the financial condition, ESG related matters, results of operations and business of the group, including the strategic priorities; financial, investment and capital targets; and the group's ability to contribute to the Group's ESG targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about the group's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore no undue reliance should be placed on them. Forward-looking statements apply only as of the date they are made. The group makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors, including ESG related factors, could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. Additional cautionary statement regarding ESG data, metrics and forward-looking statements are incorporated in the aforementioned ESG disclosure.

3.8 Reporting period

These financial statements cover one calendar year from 01 January 2023 to 31 December 2023. These financial statements are authorised for issue by Management of the Bank on 21 April 2024.

3.9 Cash flow statement

The cash flow statement has been prepared in accordance BRPD circular No. 14 dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank.

3.10 Statement of changes in equity

The statement of changes in equity reflects information about the increase or decrease in net assets or wealth during the year.

3.11 Liquidity statements

The liquidity statement of assets and liabilities as on the reporting date has been prepared on a residual maturity term basis as provided in the statement.

4 Significant accounting policies

The accounting policies set out below have been applied consistently except for the application of DOC Circular no 27 dated 04 December 2023 as explained above.

4.1 Foreign currencies

According to IAS 21 "The Effects of Changes in Foreign Exchange Rates" transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Any resulting exchange differences are included in the profit and loss account except for exchange differences on "Funds deposited with Bangladesh Bank" as capital, which is recognised directly in Equity.

4.2 Loans and advances and Provisions for loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not sell in the normal course of business.

Loans and advances are measured at amortized cost. These are stated gross amounts, with accumulated specific and general provisions for loans and advances being shown under other liabilities.

At each balance sheet date and periodically throughout the year, the Bank reviews loans and advances to assess whether objective evidence that impairment of a loan or portfolio of loans has arisen supporting a change in the classification of loans and advances, which may result in a change in the provision required in accordance with BRPD circular No. 53 (22 December 2022), BRPD circular No. 52 (29 December 2021), BRPD circular No. 50 (14 December 2021), BRPD circular No. 56 (10 December 2020), BRPD circular No. 52 (20 October 2020), BRPD Circular No. 16 (21 July 2020), BRPD circular No. 13 (18 October 2018), BRPD circular No. 07 (21 June 2018), BRPD circular No.15 (27 September 2017), BRPD circular No.12 (20 August 2017), BRPD circular No.16 (18 November 2014), BRPD circular No. 05 (29 May 2013), BRPD circular No. 19 (27 December 2012), BRPD circular No.14 (23 September 2012). The guidance in the circular follows a formulaic approach whereby specified rates are applied to the various categories of loans as defined in the circular. The provisioning rates are as follows:

General provision on:	2023	2022
Unclassified general loans and advances/investments	1.00%	1.00%
Unclassified small and medium enterprise financing	0.25%	0.25%
Unclassified loans/investment for housing finance and on loans for professionals	1.00%	1.00%
Unclassified consumer financing other than housing finance and loans for	2.00%	2.00%
Unclassified agricultural loans	1.00%	1.00%
Special general provision- COVID-19:		
Unclassified CMSME loans & Advances/investment	1.00%	1.00%
Unclassified general loans and advances/investment	2.00%	2.00%
Special Mention Account (SMA) loans and advances/investment	2.00%	2.00%
Specific provision on:		
Substandard loans and advances/investments other than agricultural loans	20%	20%
Doubtful loans and advances /investment other than agricultural loans	50%	50%
Substandard and doubtful agricultural loans	5%	5%
Bad/loss loans and advances/investments	100%	100%

BRPD circular No.14 (23 September 2012) as amended by BRPD circular No. 19 (27 December 2012) also provides scope for further provisioning based on qualitative judgments. In these circumstances impairment losses are calculated on individual loans considered individually significant based on which specific provisions are raised. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach, the higher of the two is recognised in liabilities under "Provision for loans and advances" with any movement in the provision charged/released in the profit and loss account. Classified loans are categorized into sub-standard, doubtful and bad/loss based on the criteria stipulated by Bangladesh Bank guideline.

4.3 Loan write-off

Loans are normally written off, when there is no realistic prospect of recovery of these amounts and in accordance with BRPD Circular Letter No. 01 dated 05 January 2023, BRPD circular No.01 (06 February 2019), BRPD circular No.13 (07 November 2013) and BRPD circular No.02 (13 January 2003). A separate Debt Collection Unit (DCU) monitors

loans written off and legal action taken through the money loan court. These write-offs do not undermine or affect the amount claimed against the borrower by the Bank.

The DCU maintains a separate record for all individual cases written off by each branch. The DCU follow-up on the recovery efforts of these written off loans and reports to management on a periodic basis. Written off loans and advances are reported to the Credit Information Bureau (CIB) of Bangladesh Bank. As per BRPD circular No.17 (28 September 2020).

4.4 Provisions on balances with other banks and financial institutions (Nostro accounts)

Provisions for unsettled transactions on nostro accounts made are reviewed on a monthly basis by management in Risk management meeting (RMM) and certified by the Bank's external auditors on a semi-annual basis in accordance with BRPD circular No. 04 dated 12 April 2022.

4.5 Provisions for off balance sheet exposures

As per BRPD Circular No. 06 dated 25 April 2023, BRPD circular No.14 (23 September 2012), BRPD circular No.10 (24 November 2002) considering the exemption as provided through BRPD circular No.01 (03 January 2018), BRPD circular No.07 (21 June 2018) and BRPD circular No.13 (18 October 2018) the bank has recognized and maintained General Provision on the following off balance sheet exposures and other commitments.

- Acceptances and endorsements
- Letters of guarantee
- Irrevocable letters of credit
- Foreign exchange contracts
- Un-drawn formal standby facilities, credit lines and other commitments

4.6 Investments

In accordance with Bangladesh Bank guideline the Bank has classified investment into the following categories :

- Held to Maturity (HTM)
- Held for Trading (HFT)

In accordance with DOS circular no.05 (26 May 2008) and DOS circular no.05 (28 January 2009), DOS circular no.27 (04 December 2023) treasury securities held for Statutory Liquidity Ratio (SLR) compliance could be classified as either HTM or HFT. HTM securities which have not matured as at the balance sheet date are amortised at the year end and gains or losses on amortisation can be recognised in profit and loss statement as per latest circular. Previously, this gains or losses needed to be recognised in reserve as part of equity. Coupon interest on HTM securities is recognised in profit and loss account. 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 recognised in other reserves as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortisation of discount are recognised in the profit and loss account.

The Bank's investments in shares (unquoted) are recorded at cost and income thereon is accounted for when the right to receive payment is established. Provisions are made for any loss arising from diminution in value of investments. Bonus shares in their own self will have no value as the fair value of each shareholder's interest would be unaffected by the bonus issue, hence no accounting entries are passed in the book for bonus share received.

4.7 Provisions for other assets, listed and non-listed shares, bonds/debentures and mutual funds

The Bank maintains the required provision in line with the BRPD circular no 04 dated 21 April 2024 and DOS Circular No. 01 dated 24 May 2023 unless no provision is required based on an objective assessment.

4.8 Fixed assets (Property, plant and equipment)

Fixed assets are stated at cost less any impairment losses and depreciation calculated on a straight-line basis, from the month in which the asset is recognised to the month prior to the month in which the asset is derecognised so as to write off the assets over their useful lives, which are as follows:

- Furniture and fixtures	3 to 10 years	10% to 33.33% pa
- Equipment	4 to 7 years	14.29% to 25% pa
- Motor vehicles	8 years	12.50% pa
- Computers	4 years	25% pa

Fixed assets are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may be impaired. Repairs and maintenance are charged to the profit and loss account as incurred.

Depreciation is comprised of both from fixed assets and leased assets as per IFRS 16: Leases (note 4.11). As per IFRS 16 amendments, previously recognised rental expenses would be replaced with depreciation expenses.

4.9 Intangible assets

Intangible assets include purchased software which are stated at cost less any impairment losses and amortisation calculated on a straight-line basis. In accordance with the provisions of IAS 38 the cost of purchased software which is not an integral part of the related hardware is booked under intangible assets. Intangible assets with finite useful life are amortised, on a straight-line basis, over their useful lives as follows:

Purchased software	3 to 5 years	20% to 33.33% pa
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Intangible assets are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may be impaired. Modification, up-gradation and maintenance costs are charged to the profit and loss account as incurred.

4.10 Leases

IFRS 16: Leases, defines a lease as "A contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration". In order for such a contract to exist, the user of the asset needs to have the right to:

- obtain substantially all of the economic benefits from the use of asset (identifiable asset); and
- the right to direct the use of asset

As per IFRS 16, from lessee's perspective, leases are recognised on the balance sheet. Upon lease commencement, a lessee recognises a right-of-use (ROU) asset and a lease liability. The ROU asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

The impact of the changes in the standard on lessees' financial statements is:

- An increase in recognised assets and liabilities
- More lease expenses recognised in early periods of lease, and less in the later periods of a lease and
- A shift in lease expense classification from rental expenses to interest expense and depreciation

International Accounting Standards Board (IASB) has adopted IFRS 16 (replacing IAS 17) globally effective from 01 January 2019 a. As Bangladesh Bank (BB) has no other alternative regulation or guidance regarding the same, HSBC Bangladesh has adopted IFRS 16 from the same date in preparing solo financial statements and duly notified BB during 2019.

4.11 Deposits by customers and banks

Deposits by customers and banks are recognised when the Bank enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at the consideration received.

4.12 Provisions for liabilities and charges

As per IAS 37, provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

4.13 Capital adequacy

According to Sub-section 2 of Section 13 of the Bank Company Act 1991, as amended by BRPD circular No.11 dated 14 August 2008, BRPD circular No. 18 dated 21 December 2014 and DOS Circular Letter No. 20, all banks are required to maintain with Bangladesh Bank the higher of BDT 5 billion or the minimum capital requirement calculated as 10% of risk weighted assets (RWA). In addition to the minimum capital requirement, Capital Conservation Buffer (CCB) at the rate of 2.50% of the total RWA is to be maintained in the form of Common Equity Tier-1 Capital (CET-1). The banks incorporated outside Bangladesh are required to deposit the required capital in the form of cash or in unencumbered approved securities. Note 28 demonstrates the Bank's compliance with the overall capital requirements as disclosed above.

4.14 Off setting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.15 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.

4.16 Revenue recognition

Interest income and expense

Interest income and expenses are recognised in the profit and loss account on accrual basis. In the case of Amanah, mark-up on investments is taken into the income account proportionately from profit receivable accounts. Overdue/late payment charge on investment is transferred to charity suspense account instead of income account.

In accordance with BRPD circular No. 14 (23 September 2012) as amended by BRPD circular No. 19 (27 December 2012) interest accrued on sub-standard loans and doubtful loans are credited to an "Interest Suspense Account" which is included within "Other liabilities". Interest from loans and advances ceases to be accrued when they are classified as bad/loss. It is then kept in interest suspense in a memorandum account. Interest received on sub-standard loans, doubtful loans and bad/loss loans are retained in the "Interest Suspense Account" until the loan is no longer considered to be impaired.

Interest income from investment

Interest income on investments in government and other securities and bonds is accounted for on an accrual basis and as per Bangladesh Bank guidelines.

Interest expense on deposits

Interest expenses for all deposits are recognised in the profit and loss account on an accrual basis.

Commission and fee income

The Bank earns commission and fee income from a diverse range of services provided to its customers. Commission and fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed
- income earned from services provided is recognised as revenue

Exchange income

Exchange income includes all gains and losses from foreign currency transactions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

4.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits which fall due wholly within twelve months after the end of the period in which the employees render the related service including salaries, bonuses and other allowances. Payments are charged as an expense in the profit and loss account as they fall due. Payments due are accrued as a liability in "Provisions for liabilities and charges".

Long term employee benefits

Long-term employee benefits are employee benefits other than post-employment benefits, which do not fall due wholly within twelve months after the period in which the employees render the related service. The Bank operates bonus schemes where certain percentage of the bonus are vested on a yearly basis. The period between the award date and the payable date is the vesting period. Payments due are accrued as a liability in "Provisions for liabilities and charges" over the vesting period.

Post-employment benefits

Post-employment benefits are employee benefits, which are payable after the completion of employment. The Bank operates a defined contribution plan, The Hongkong and Shanghai Banking Corporation Limited Staff Provident Fund (PF) and a defined benefit plan, The Hongkong and Shanghai Banking Corporation Limited Employees Gratuity Fund (GF), both of which have been set up under an irrevocable trust deed and recognised by the Commissioner of Taxes and approved by the National Board of Revenue respectively.

Under the PF, the Bank's contribution amounts to 10% of basic salary per month (as defined in the scheme trust deed) for each eligible member. Payments to the PF are charged as an expense in the profit and loss account as they fall due.

Under the GF, the Bank's obligation to members of the scheme is to pay one month/ one and half month's last drawn basic salary based on length of service (as defined in the scheme trust deed) on the termination of employment.

The defined benefit plan costs and the present value of defined benefit obligations are calculated at the balance sheet date by the schemes actuaries using the Projected Unit Credit Method, this involves the use of estimates regarding demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries).

The net charge to the profit and loss account mainly comprises the current service cost, plus the unwinding of the discount rate on plan liabilities, less the expected return on plan assets, and is presented in operating expenses. Past service costs are charged immediately to the profit and loss account to the extent that the benefits have vested, and are otherwise recognised on a straight-line basis over the average period until the benefits vest. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in financial assumptions. Actuarial gains and losses are recognised in 'Shareholders' Equity' in the period in which they arise.

4.18 Operating expenses

- Depreciation is discussed in the accounting policies section on Fixed Assets (refer to note 4.9).
- Amortisation of software is discussed in the accounting policies section on Intangible Assets (refer to note 4.10).
- Salaries and allowances are discussed in the accounting policies section on Employee Benefits (refer to note 4.18).
- Advertising costs are amortised over the period during which the benefit of the advertising accrues.
- All other expenses are accounted for on an accrual basis.

Operating expenses incurred centrally by the Bank are apportioned between the Bangladesh Branches and Offshore banking unit on the basis of total operating income. Group head office expenses (HoE) are recognised in OBU to the extent as allowed through FE circular No.15 (10 June 2018). As per the said circular, foreign banking companies operating in Bangladesh are allowed to remit head office expense up to 10% of the profit before tax in accordance with the Income Tax Ordinance (ITO) 1984.

4.19 Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholders' equity.

Current tax

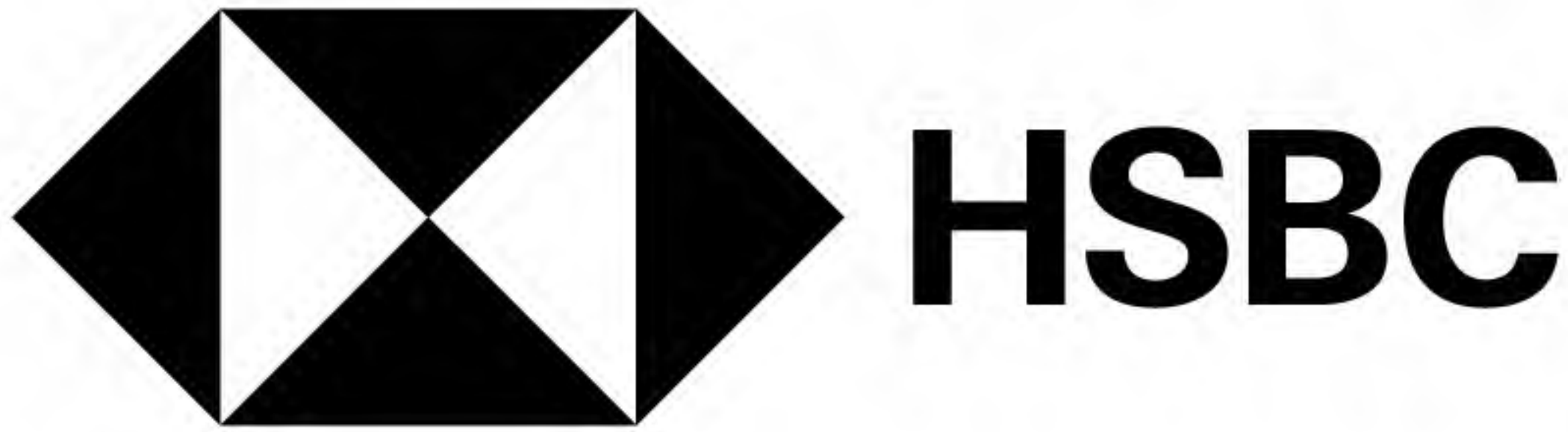
Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates as prescribed in the Income Tax Act (ITA) 2023 and relevant Statutory Regulatory Orders (SRO) and any adjustment to tax payable in respect of previous years. Currently the income tax rate applicable for banks is 40%.

The estimation of current tax provision involves making judgments regarding ambiguity of certain expenses as well as estimating the amount of other expenses for tax purposes.

The Bank adopted IFRIC 23: Uncertainty over Income Tax Treatments, which became effective from 01 January 2019. As the Bank's existing accounting policies for uncertain income tax treatments is consistent with the requirements of IFRIC 23, no further disclosure is required.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using the tax rates as prescribed in the Income Tax Act (ITA) 2023 and relevant Statutory Regulatory Orders (SRO) and BRPD circular No. 11 dated 12 December 2011 issued by the Banking Regulation and Policy Department of Bangladesh Bank.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Bangladesh Branches

4.20 Reconciliation of inter-bank/inter-branch accounts

Books of account with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled and no material differences were found which may affect the financial statements significantly.

4.21 Contingent liabilities

As per IAS 37, contingent liability is:

a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognised in the financial statements as this may results in the recognition of income which may never be realised.

4.22 Standard issued but not yet effective

A number of new standards and amendments to standards are effective for annual period beginning on 1 January 2023 which have been duly adopted. However, none of these new and/or amended standards have any significant impact on the Bank's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 31 December 2023 and earlier application is permitted. However, none of these new and/or amended standards have any significant impact on the Bank's financial statements.

The International Sustainability Standards Board (ISSB) has issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, which are applicable from the financial year starting from 1 January 2024. The Central Bank (Bangladesh Bank) has also issued a guidelines on sustainability and climate related financial disclosure which would be effected from 1 January 2024. The Bank is assessing impact on these standards and guidelines for implementation.

4.23 Creation of own 'Start-up Fund' by transferring 1% of the annual net profit

Pursuant to the SMESPD Circular no 4 dated 29 March 2021, Section 'Kha', all scheduled banks in Bangladesh are instructed to create own 'start-up fund' for disbursement of loan / Investment (for Islamic banks) to 'start-up entrepreneurs'. As per the subsequent amendment through SMESPD Circular no 5 dated 26 April 2021, for five years from 2020 banks shall maintain start-up fund to disburse in favour of 'Start-up entrepreneurs' through mandatory transfer of 1% of net profit after tax as per the audited financial statements. A new account with a heading 'start-up fund' has been created and disclosed in the balance sheet under 'other liabilities'.

4.24 Comparative information

Comparative information including narrative and descriptive one is disclosed in respect of the preceding period where it is relevant to enhance the understanding of the current period's financial statements. Certain comparative amounts in the financial statements are reclassified and rearranged where relevant, to conform to the current year's presentation.

4.25 Materiality and aggregation

Each material class of similar items has been presented separately in the financial statements. Items of dissimilar nature also have been presented separately unless they are immaterial in accordance with IAS 1 'Presentation of Financial Statements'.

5 (i) Cash in hand (including foreign currencies)

	2023 BDT	2022 BDT
Local currency	1,376,128,705	1,067,215,649
Foreign currencies	54,773,080	38,046,528
	1,430,901,785	1,105,262,177

(ii) Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)

Bangladesh Bank - Local currency	14,562,786,530	18,461,645,781
Bangladesh Bank Amanah - Local currency	2,500,000	2,500,000
Total - Local currency (Annexure - E)	14,565,286,530	18,464,145,781
Bangladesh Bank - Foreign currencies clearing and capital accounts (Annexure - E)	10,687,783,440	10,024,487,041
	25,253,069,970	28,488,632,822
	26,683,971,755	29,593,894,999

*As of 31 December 2023, BDT4,493,014,094 is maintained with Bangladesh Bank as paid up capital.

(iii) Cash Reserve Ratio and Statutory Liquidity Ratio

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with the Section 33 of the Bank Company Act 1991 (amended up to 2023), DOS circular no.1(19 January 2014), MPD circular no.1 (23 March 2020), MPD circular no.3 (09 April 2020, effective from 15 April 2020), BRPD circular no.31 (18 June 2020), DOS Circular Letter No. 42 (07 October 2021)

According to Monetary Policy Department (MPD) circular no.3 (09 April 2020), minimum average 4.0% CRR requirement on a bi-weekly basis and no less than 3.5% of Average Total Demand and Time Liabilities (ATDTL) on any given day is to be complied. Based on ATDTL, SLR requirement is set at 13% for conventional and 5.5% for Islamic banking branch/windows respectively.

CRR and SLR requirements are calculated based on the ATDTL of two months prior to the reporting month (e.g. CRR and SLR requirements for the month of December 2022 has been calculated on the basis of ATDTL of the month of October 2023).

According to DOS Circular No 26 (19 August 2019) banks having OBU operations, are required to maintain CRR for both Onshore and Offshore operations. As per BRPD circular no. 31 (18 June 2020), for offshore banking operations (OBO), minimum average 2.0% CRR requirement on a bi-weekly basis and no less than 1.5% of ATDTL on any given day is to be complied.

Portrayed below in note 5 (iv) and (v), the bank's compliance with the CRR requirement on both onshore and offshore basis, based on the cash balances of period end and of the last two weeks of the financial year ended on 31 December 2023. In note 5 (vi), the Bank demonstrates compliance with the SLR requirement on both onshore and offshore basis, based on period end cash balances and holding of government securities on 31 December 2023.

(iv) Cash Reserve Ratio (CRR): Daily 3.50% and 1.50% of average total demand and time liabilities of onshore (including Amanah) and offshore respectively

	2023 BDT	2022 BDT
Required reserve		
- Onshore (including Amanah)	7,755,288,461	6,690,635,246
- Offshore	1,313,717,514	1,608,771,810
	9,069,005,975	8,299,407,056
Actual reserve held with Bangladesh Bank	14,661,905,656	19,246,199,544
Surplus	5,592,899,681	10,946,792,488

(v) Cash Reserve Ratio (CRR): Bi-weekly 4.0% and 2.0% of average total demand and time liabilities of onshore (including Amanah) and offshore respectively

	2023 BDT	2022 BDT
Required reserve		
- Onshore (including Amanah)	8,863,186,812	7,646,440,281
- Offshore	1,751,623,352	2,145,029,080
	10,614,810,164	9,791,469,361
Bi-weekly average reserve held with Bangladesh Bank (Annexure - D)	14,220,666,170	16,279,863,074
Surplus	3,605,856,006	6,488,393,713

(vi) Statutory Liquidity Ratio (SLR): 13.00% and 5.50% of average total demand and time liabilities of Conventional banking (onshore and offshore) and Amanah respectively

Required reserve		
- Onshore (including Amanah)	28,805,003,972	24,850,524,373
- Offshore	11,385,551,789	13,942,689,022
	40,190,555,761	38,793,213,395
Actual reserve held with Bangladesh Bank	121,951,393,986	97,392,729,495
Surplus	81,760,838,225	58,599,516,100

6 Balance with other banks and financial institutions In Bangladesh - current account

Sonali Bank local office	588,815	51,379,454
United Commercial Bank	1,035,850	1,068,083
Standard Chartered Bank	30,404,765	45,081,076
Pubali Bank Limited	49,911,790	49,927,940
	81,941,220	147,456,553

Short term deposit

IFIC Bank Limited	-	13,463,972
Prime Bank Limited	7,500,275	7,500,470
Sonali Bank	-	30,501,833
United Commercial Bank	5,108,765	5,040,965
	12,609,040	56,507,240
	94,550,260	203,963,793

Outside Bangladesh - current account

HSBC Hong Kong - HKD	28,525,327	24,871,821
HSBC Hong Kong Global ATM settlement account - HKD	7,707,266	4,880,384
HSBC Hong Kong - CNY	313,925,899	646,273,163
Settlement account with HSBC Hong Kong USD	84,100,764	58,706,895
HSBC Japan JPY	38,437,481	49,346,229
HSBC Singapore SGD	7,394,372	6,248,228
HSBC India USD	1,469,486,766	666,677,099
Credit Suisse AG Switzerland CHF	224,825,709	418,833,352
HSBC Bank PLC UK GBP	439,798,157	143,227,278
HSBC Bank USA USD	3,537,613,341	17,262,095,105
SCB Pakistan USD	119,546,851	385,297,299
HSBC Sri Lanka USD	405,784	381,903
HSBC Bank Australia TT account AUD	5,389,184	3,242,999
HSBC Bank Australia DD account AUD	33,353	31,033
HSBC Bank Canada CAD	6,056,191	5,245,570
HSBC France EUR	940,952,742	1,002,343,026
Danske Bank Denmark DKK	-	29,779
HSBC India EUR	84,103,701	76,291,961
HSBC Dubai AED	4,271	43,415
(For detail see Annexure - B)	7,308,307,159	20,754,064,539
	7,402,857,419	20,958,028,332

6.1 Segregation of balances with other banks and financial institutions based on types of account

Current account (including foreign currency nostro)	7,390,248,379	20,901,521,092
Short term deposit account	12,609,040	56,507,240
	7,402,857,419	20,958,028,332

6.2 Maturity grouping of balance with other banks and financial institutions

Payable on demand	7,390,248,379	20,901,521,092
Payable within one month	12,609,040	56,507,240
More than one month but less than three months	-	-
More than three months but less than one year	-	-
More than one year but less than five years	-	-
More than five years	-	-
	7,402,857,419	20,958,028,332

7 Money at call on short notice

HSBC Hongkong	7,682,500,000	12,905,862,500
	7,682,500,000	12,905,862,500

8 Investments

Held to Maturity Securities (HTM)

91 day Treasury bills	-	9,911,266,435
182 day Treasury bills	-	3,905,064,407
364 day Treasury bills	30,426,169,165	16,178,462,172
2 year Government bonds	-	6,549,238,039
10 year Government bonds	-	-
	30,426,169,165	36,544,031,053

The cost value of HTM securities is BDT29,180,432,000 (2022: BDT35,979,058,544). HTM securities liened as capital with Bangladesh Bank for 2023 is BDT25,106,878,050 (2022: BDT18,185,502,225).

Held for Trading Securities (HFT)

91 day Treasury bills	62,675,627,786	47,570,314,985
182 day Treasury bills	17,204,703,950	1,968,918,326
364 day Treasury bills	6,166,895,804	-
2 year Government bonds	-	749,472,767
5 year Government bonds	-	-
	86,047,227,540	50,288,706,078

The cost value of HFT securities is BDT84,963,434,837 (2022: BDT49,940,520,067).

Prize bonds	386,100	253,000
Government securities (HTM, HFT, Prize bonds)	116,473,782,805	86,832,990,131
Other investment		
Shares of Central Depository Bangladesh Limited (3,000,000 unquoted ordinary shares including 2,400,000 bonus shares @ Tk 10 each). As per last audited financial statement of CDBL, book value per share is higher than the cost price of the investment.	6,000,000	6,000,000
	6,000,000	6,000,000
	116,479,782,805	86,838,990,131

8.1 Maturity grouping of investments

Payable on demand	4,998,875,417	253,000
Payable within one month	11,281,437,668	23,167,601,355
More than one month but less than three months	69,045,311,703	53,394,281,935
More than three month but less than one year	31,148,158,017	10,270,853,841
More than one year but less than five years	-	-
More than five years	6,000,000	6,000,000
	116,479,782,805	86,838,990,131

8.2 Outstanding repo as at 31 December

			2023 BDT	2022 BDT
Counterparty name	Agreement date	Reversal date	Amount	Amount
n/a	n/a	n/a	-	-

8.3 Outstanding reverse repo as at 31 December

Counterparty name	Agreement date	Reversal date	Amount	Amount
n/a	n/a	n/a	-	-

8.4 Overall transaction of repo and reverse repo

	Minimum Outstanding BDT	Maximum Outstanding BDT	Daily Average Outstanding BDT
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2023

Securities sold under repo:

i) with Bangladesh Bank	986,853,000	2,984,049,000	10,879,184
ii) with other banks and financial institutions	99,446,800	99,446,800	272,457

Securities purchased under reverse repo:

i) with Bangladesh Bank	-	-	-
ii) with other banks and financial institutions	182,108,733	1,997,210,000	210,622,786

2022

Securities sold under repo:

i) with Bangladesh Bank	970,171,000	970,171,000	2,658,003
ii) with other banks and financial institutions	-	-	-

Securities purchased under reverse repo:

i) with Bangladesh Bank	-	-	-
ii) with other banks and financial institutions	-	-	-

9 Loans and advances

Loans, cash credits, overdrafts:

In Bangladesh:

Staff loans	1,425,847,836	1,355,984,545
Home mortgage loans	616,076,582	754,461,673
Car loans	6,835,244	6,547,582
Personal loans	1,765,445,439	1,838,459,582
Overdraft for retail	243,064,824	184,737,750
Overdraft for corporate	4,953,869,314	5,853,286,743
Term loans	46,302,478,722	40,243,285,845
Import loans	32,932,394,381	46,150,583,896
Export Loans	3,687,001,929	2,906,938,706
Working capital	55,412,429,301	61,629,747,067
	147,345,443,572	160,924,033,389

	147,345,443,572	160,924,033,389
Bills purchased and discounted (note 9.10)	69,744,702,291	64,685,935,814
	217,090,145,863	225,609,969,203

9.1 Maturity grouping of loans and advances including bills purchased and discounted

Payable on demand	10,487,128,643	10,346,425,786
Payable within one month	35,647,072,166	30,576,632,804
More than one month but less than three months	62,860,963,421	74,774,625,251
More than three months but less than one year	62,595,566,355	68,160,780,210
More than one year but less than five years	28,018,686,763	27,575,023,458
More than five years	17,480,728,515	14,176,481,694
	217,090,145,863	225,609,969,203

9.2 Analysis of significant concentration of loans and advances including bills purchased and discounted

Advances to allied concerns of directors	-	-
Advances to the chief executive officer	11,392,749	11,687,463
Advances to other senior executives and staff of the Bank	1,414,455,087	1,344,297,081
Advances to customers' group	108,995,520,689	116,527,665,004
Industrial advances	106,668,777,337	107,726,319,655
	217,090,145,862	225,609,969,203

9.3 Number of clients with amount of outstanding and classified loans to whom loans and advances sanctioned more than 10% of total capital of the Bank

Number of Large Borrowers (who/which have availed/ outstanding 10% or More of Capital	18	25
Amount of outstanding advances	84,681,843,462	99,513,138,602
Amount of classified advances	-	-
Large Loan Outstanding		
Total Funded Large Loan Outstanding	84,681,843,462	99,513,138,602
Total Non-Funded Large Loan Outstanding	35,132,437,601	55,389,785,977
Total large Loan Outstanding	119,814,281,063	154,902,924,579
Total Funded Outstanding (A)	217,090,145,862	225,609,969,203
Total Non Funded Outstanding	213,598,451,438	261,103,768,816
Total Non Funded Outstanding eligible for Large Loan calculation (B)	105,814,874,813	128,748,402,733
Total Funded Outstanding & Eligible Non Funded Outstanding (A+B)	322,905,020,675	354,358,371,936
Large Loan Ratio	37.11%	43.71%

9.4 Cash collateral against total outstanding loans and advances as at 31 December

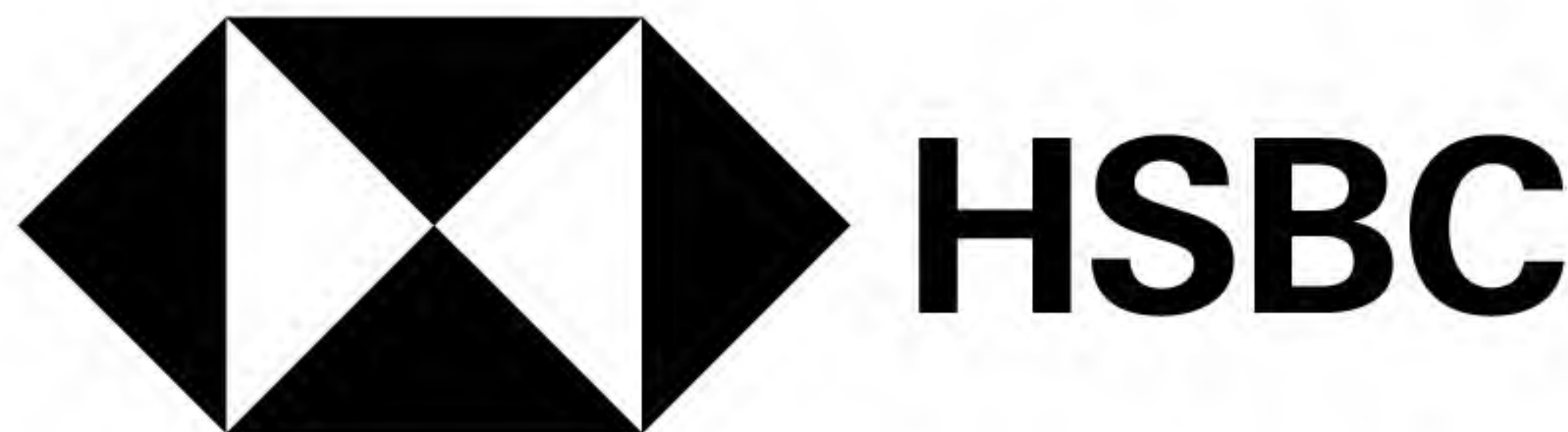
	1,678,338,211	1,266,716,674
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9.5 Loans and advances including bills purchased and discounted

Loans	211,893,211,724	219,571,944,710
Overdrafts	5,196,934,138	6,038,024,493
	217,090,145,862	225,609,969,203

9.6 Particulars of loans and advances: industry-wise classification

Readymade garments	48,458,793,518	54,146,024,441
Textile industries	40,046,817,587	37,374,295,745
Agriculture and agro processing	23,440,418,304	27,386,401,891
Steel and metal	5,001,784,435	9,049,585,410
Trade	986,413,707	944,422,510
Chemical and pharmaceuticals	15,171,177,220	14,924,083,862
Cement industries	7,191,432,535	5,321,400,494
Telecommunication	1,680,741,573	-
Non Government Organization (NGO)	5,451,793,493	9,718,316,590
Power and energy	18,849,279,724	16,679,745,736
Retail loans	2,631,422,088	2,784,206,587
Staff loans	1,425,847,836	1,355,984,545
Others	46,754,223,841	45,925,501,392
	217,090,145,861	225,609,968,203



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Bangladesh Branches

9.8 Particulars of loans and advances

	2023	2022
i) Loans considered good in respect of which the Bank is fully secured;	134,599,877,257	162,149,000,926
ii) Loans considered good against which the Bank holds no security other than the debtor's personal guarantee;	81,064,420,769	62,104,983,732
iii) Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor;	-	-
iv) Loans adversely classified; provision not maintained there against;	-	-
v) Loans due by directors or officers of the banking company or any of these either separately or jointly with any other persons;	1,425,847,836	1,355,984,545
vi) Loans due from companies or firms in which the directors of the Bank have interests as directors, partners or managing agents or in case of private companies as members;	-	-
vii) Maximum total amount of advance including temporary advance made at any time during the year to directors or managers or officers of the Bank or any of them either separately or jointly with any other person;	1,425,847,836	1,373,294,017
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank have interest as directors, partners or managing agents or in case of private companies as members;	-	-
ix) Due from other banking companies;	-	-
x) Classified loans and advances:		
a) Classified loans and advances on which no interest is credited to income:		
Increase/(Decrease) of provision (specific)	(101,334,768)	1,614,084,909
Amount of loans written off	1,364,822,226	33,250,684
Amount realised against the loan previously written off	59,606,291	18,200,061
b) Provision on classified loans and advances (For movement see note 14.2)	4,206,316,407	4,307,651,175
c) Interest creditable to the interest suspense account (note 14.3)	1,130,459,563	1,195,182,122
xi) Cumulative amount of written off loans		
Opening balance	3,135,888,951	3,102,638,267
Amount written off during the year	1,364,822,226	33,250,684
	4,500,711,177	3,135,888,951
The amount of written off loan for which law suit has been filed	4,255,983,160	2,899,383,575

9.9 Geographical analysis of loans and advances

Dhaka division	206,657,792,493	201,849,740,305
Chattogram division	10,432,353,369	23,760,228,898
	217,090,145,862	225,609,969,203

9.10 Bills purchased and discounted

Inside Bangladesh	3,144,665,141	1,179,639
Outside Bangladesh	66,800,037,150	64,684,556,175
	69,744,702,291	64,685,935,814

9.11 Maturity analysis of bills purchased and discounted

Payable on demand	984,738,501	720,669,479
Payable within one month	20,890,457,155	13,645,884,648
More than one month but less than three months	22,087,063,433	22,135,964,876
More than three months but less than six months	16,731,412,462	16,370,562,306
More than six months	9,051,030,740	11,812,854,505
	69,744,702,291	64,685,935,814

10 Fixed assets including premises, furniture and fixtures

2023	Furniture and fixtures	Equipment	Motor vehicles	Computers	Total
	BDT	BDT	BDT	BDT	BDT
Cost					
Balance as at 1 January	756,609,601	613,553,428	29,615,614	320,184,491	1,719,963,134
Addition during the year*	186,576,406	163,034,964	-	6,037,527	355,648,897
Disposals/adjustment*	270,321,981	(148,159,336)	(10,116,941)	(283,545,814)	(171,500,110)
Balance as at 31 December	1,213,507,988	628,429,056	19,498,673	42,676,204	1,904,111,921
Accumulated Depreciation and impairment charges					
Balance as at 1 January	304,021,821	410,530,821	27,482,459	203,114,719	945,149,820
Depreciation charge for the year*	164,757,085	73,539,660	2,133,157	7,349,107	247,779,009
Disposals/adjustments*	112,080,997	(57,976,460)	(10,116,943)	(183,695,407)	(139,707,813)
Balance as at 31 December	580,859,903	426,094,021	19,498,673	26,768,419	1,053,221,016
Net book value as at 31 December 2023	632,648,085	202,335,035	-	15,907,785	850,890,905

2022	Furniture and fixtures	Equipment	Motor vehicles	Computers	Total
	BDT	BDT	BDT	BDT	BDT
Cost					
Balance as at 1 January	519,150,159	626,041,478	29,615,614	317,196,859	1,492,004,110
Addition during the year	275,195,672	14,078,468	-	14,838,691	304,112,831
Disposals/adjustment	(37,736,230)	(26,566,518)	-	(11,851,059)	(76,153,807)
Balance as at 31 December	756,609,601	613,553,428	29,615,614	320,184,491	1,719,963,134
Accumulated Depreciation and impairment charges					
Balance as at 1 January	194,590,962	398,987,280	24,282,725	181,917,175	799,778,142
Depreciation charge for the year	140,115,478	40,140,424	3,199,734	33,048,603	216,504,239
Disposals/adjustments	(30,684,619)	(28,596,883)	-	(11,851,059)	(71,132,561)
Balance as at 31 December	304,021,821	410,530,821	27,482,459	203,114,719	945,149,820
Net book value as at 31 December 2022	452,587,780	203,022,607	2,133,155	117,069,772	774,813,314

* This includes adjustment for reclassification of fixed assets categories as a result of migration to FUSION system

11 Other assets

	2023	2022
Classification of other assets	BDT	BDT
a) Income generating other assets	-	-
b) Non-income generating other assets		
Stamp in hand	4,172,759	1,604,829
Intangible assets (note 11.2)	19,233,384	8,023,878
Other debtors (note 11.3)	2,874,130,216	6,329,766,996
Deferred tax (note 11.4)	484,544,861	752,219,306
Rent paid in advance	5,249,183	8,287,999
Other prepayments	94,927,208	84,235,131
Refundable deposits	5,960,614	5,970,998
Accrued interest receivable from Bangladesh Bank	199,486,527	227,784,226
Accrued coupon interest on Bangladesh government treasury bond	-	94,695,912
Interest on balance with other banks and financial institutions	4,524,139	5,199,118
Commission receivable	53,155,451	44,744,162
Encashment of Bangladesh Sanchayapatra awaiting for reimbursement from Bangladesh Bank	184,887,556	150,009,065
Net surplus asset of defined benefit schemes (Note 24.2.1)	360,049,989	141,619,000
Unrealised gain on foreign exchange contracts	1,941,976	23,808,050
Right of use assets as per IFRS 16 (note 11.1)	950,989,005	1,163,542,777
	5,243,252,868	9,041,511,447
	5,243,252,868	9,041,511,447

11.1 Right of use assets as per IFRS 16

Cost		
Balance as at 1 January	1,249,316,072	1,094,019,502
Addition	461,781,561	920,554,848
De-recognition	(48,881,194)	(765,258,278)
Balance as at 31 December	1,662,216,439	1,249,316,072

Accumulated Depreciation

	2023	2022
Balance as at 1 January	85,773,295	177,683,843
Depreciation/ Interest expenses/adjustments*	630,641,802	195,770,451
De-recognition	(5,187,663)	(287,680,998)
Balance as at 31 December	711,227,434	85,773,295
Net book value as at 31 December	950,989,005	1,163,542,777

In addition to the above, short term lease expenses of BDT681,614 (BDT15,505,860 in 2022) is reported under Other operating expenses in profit and loss account.

* This figure consists one off adjustment resulting from migration of IFRS16 manual calculation process to automated lease engine based solution during 2023.

11.2 Intangible assets (Purchased software)

Cost		
Balance as at 1 January	68,518,180	62,993,113
Acquisition during the year	18,033,576	6,143,125
Disposals/adjustment	-	(618,059)
Balance as at 31 December	86,551,756	68,518,180

Accumulated amortisation

Balance as at 1 January	60,494,302	56,063,884
Charge for the year	6,824,071	5,415,976
Disposals/adjustment	-	(985,558)
Balance as at 31 December	67,318,373	60,494,302

Net book value as at 31 December

	19,233,383	8,023,878
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11.3 Other debtors

Transitory suspense related to ATM	15,413,112	15,670,783
Trade payment related suspense account	2,797,500,998	6,039,394,460
Others	61,216,106	274,701,753
	2,874,130,216	6,329,766,996

11.4 Deferred tax

Deferred tax balances are presented in the balance sheet after offsetting asset and liability balances as HSBC Bangladesh has the legal right to set off each against the other and intends to settle these on a net basis under the local tax jurisdiction. Deferred tax assets and liabilities are attributable to the following:

	Deferred Tax Assets		Deferred Tax Liabilities		Net Deferred Tax	
	2023	2022	2023	2022	2023	2022
	BDT	BDT	BDT	BDT	BDT	BDT
Specific provisions on loans and advances	1,650,146,489	1,681,802,947	-	-	1,650,146,489	1,681,802,947
Fixed assets	214,347,889	116,822,718	-	-	214,347,889	116,822,718
Right of Use Assets (IFRS 16)	190,565,721	180,115,612	-	-	190,565,721	180,115,612
Intangible assets	4,978,739	-	-	(1,185,068)	4,978,739	(1,185,068)
Actuarial (gain)/losses	209,625,954	296,998,354	-	-	209,625,954	296,998,354
Foreign exchange translation	-	-	(1,785,119,931)	(1,296,346,254)	(1,785,119,931)	(1,296,346,254)
Unrealised interest on amortisation of HTM securities	-	-	-	(225,989,003)	-	(225,989,003)
Unrealised interest on revaluation of HFT securities	-	-	-	-	-	-
Total	2,269,664,792,275,739,631	(1,785,119,931)(1,523,520,325)	484,544,861	752,219,306		

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, by the balance sheet date. Following are the descriptions for each individual item of the deferred tax that are recognised by the Bank as a temporary difference with expected time of realisation.

Specific provisions on loans and advances

As per local tax rules, provisions for bad loans are not tax allowable. Hence these impairment charges are added back to income at the time of computation of total income. However, the tax office will allow the loan write off as a tax allowable expense provided that legal action has been initiated. Therefore this item creates a temporary difference, as at some point of time in the future the Bank will either make recovery or write off the loan. In accordance with IAS 12, the Bank recognises the deferred tax on specific provision which creates a deductible temporary difference to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The deferred tax will be reversed as soon as the related bad loan is either recovered or written off. Though the expected time frame of recovery is unknown, the bad loans must be written off within 5 years of being classified as per the central bank directives. So the deferred tax is expected to be reversed within five years. The following table shows the year of origin that the Bank recognised the deferred tax assets on such specific provision. The amount recognised and realised in the current year profit and loss is shown in the note 11.4.

Year of loan classification	Year of deferred tax recognition	Deferred tax amount	
		2023	2022
2011	2012	-	71,837,138
2013	2014	-	86,424,217
2020	2020	-	79,564,033
2021	2021	813,313,172	1,290,320,068
2022	2022	477,006,895	153,657,491
2023	2023	359,826,422	-
Total		1,650,146,489	1,681,802,947

Fixed assets and intangible assets

As per local tax regulation, accounting depreciation (depreciation rates and calculation methodology are given in note 4.9) is not considered as allowable expense for calculation of tax liability. However, the tax authorities allow tax depreciation at different rates as given below:

Furniture and fixtures	10%
Equipment	10%
Motor vehicles	20%
Computers	25%
Intangible assets:	
Software (Developed in Bangladesh)	20%
Software (Imported)	10%

Therefore temporary difference arises due to the different depreciation rates and methodology against which the Bank recognises deferred tax. This is a regular item as there is a difference between the tax depreciation rate and the accounting depreciation rate. However, the outstanding amount of deferred tax will be automatically released with the expiry of the economic useful life of the assets.

ROU Assets IFRS 16

As per local tax regulation, accounting depreciation and interest of ROU assets under IFRS 16 are not tax allowable expense but lease payment is allowable expense. For that reason, depreciation is added back and interest expense and less lease payment amount at the time of calculating taxable profit. This is why a temporary difference arises for which we create deferred tax. However, the outstanding amount of deferred tax will be automatically released with the expiry of the economic useful life of the assets.

Actuarial gains/(losses)

The bank recognises deferred tax assets/(liabilities) on actuarial gain/(loss) arises due to changes in the present value of the defined benefit obligation and fair value of plan assets resulting from experience adjustments and the effect of changes in actuarial assumptions. Deferred tax relating to actuarial gains and losses is recognised directly in other reserve as a part of equity. This is a regular item as the calculation of actuarial gain/loss and deferred tax thereon is recognised on a yearly basis.

Unrealised interest on amortisation of HTM and revaluation of HFT securities

The difference between IFRS and Bangladesh Bank guideline on recognition of unrealised interest on the amortisation of Held to Maturity (HTM) securities and revaluation gain of Held for Trading (HFT) securities creates a temporary difference on which the Bank recognises deferred tax. Deferred tax relating to unrealised interest on the amortisation of HTM securities and revaluation of HFT securities is recognised directly in other reserves as a part of equity and subsequently recognised in the profit and loss account on maturity of the securities. The related deferred tax will be released at the maturity of such securities. As per DOS circular no.27 dated 4 December 2023, amortization gain/loss of HTM securities is recognised in profit and loss account and related deferred tax is released in 2023 (refer to note 21).

11.5 Movement of deferred tax

	2023	2022
	BDT	BDT
Balance as at 1 January	752,219,306	1,600,240,543
(Charge)/credit to profit and loss account (note 11.4.1)	82,482,629	736,921,669
(Charge)/credit to reserves (note 11.4.2)	(350,157,074)	(1,584,942,906)
Balance as at 31 December	484,544,861	752,219,306

11.5.1 Deferred tax (charged)/credited to profit and loss account

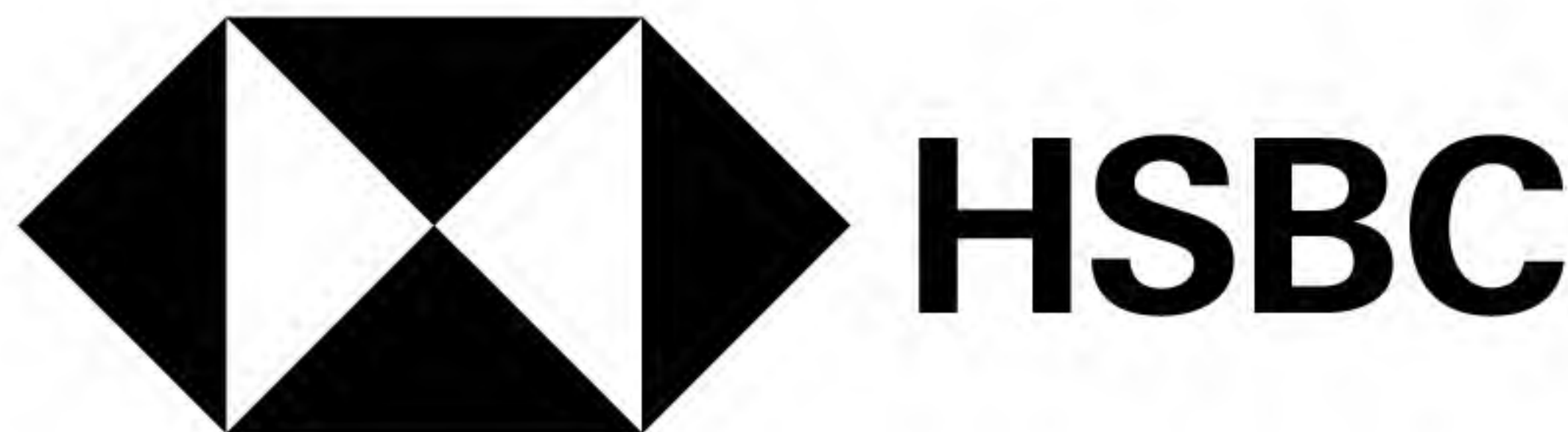
	Difference between tax depreciation and accounting depreciation (fixed assets)	Difference between tax depreciation and accounting depreciation (Right of Use Assets)	Difference between tax amortisation and accounting amortisation (intangible assets)	Specific provision on loans and advances	Total
	BDT	BDT	BDT	BDT	BDT
2023					
Balance as at 1 January	116,822,718	180,115,612	(1,185,068)	1,681,802,947	1,977,556,209
(Charge)/credit to profit and loss account	97,525,171	10,450,109	6,163,807	(31,656,458)	82,482,629
Balance as at 31 December	214,347,889	190,565,721	4,978,739	1,650,146,489	2,060,038,838
2022					
Balance as at 1 January	63,430,678	143,446,954	(991,975)	1,034,748,884	1,240,634,541
(Charge)/credit to profit and loss account	53,392,040	36,668,658	(193,093)	647,054,063	736,921,669
Balance as at 31 December	116,822,718	180,115,612	(1,185,068)	1,681,802,947	1,977,556,210

11.5.2 Deferred tax (charged)/credited to reserves

	Actuarial gains/(losses)	Unrealised interest on amortisation of HTM securities	Unrealised interest on revaluation of HFT securities	Foreign exchange translation	Total
	BDT	BDT	BDT	BDT	BDT
2023					
Balance as at 1 January	296,998,354	(225,989,003)	-	(1,296,346,254)	(1,225,336,903)
(Charge)/credit to reserves	(87,372,400)	225,989,003	-	(488,773,677)	(350,157,074)
Balance as at 31 December	209,625,954	-	-	(1,785,119,931)	(1,575,493,977)
2022					
Balance as at 1 January	353,645,954	37,945,030	-	(31,984,981)	359,606,003
(Charge)/credit to reserves	(56,647,600)	(263,934,032)	-	(1,264,361,273)	(1,584,942,906)
Balance as at 31 December	296,998,354	(225,989,003)	-	(1,296,346,254)	(1,225,336,903)

12 Borrowings from other banks, financial institutions and agents

In Bangladesh:		
Borrowings from Bangladesh Bank (note 12.1)	16,067,556,438	23,612,369,442
Other deposits-vostro account (note 12.2)	-	-
	16,067,556,438	23,612,369,442
Outside Bangladesh:		
HSBC Hong Kong	66,741,449,634	86,811,823,096
Other deposits-vostro account (note 12.2)	18,666,353	61,836,374
	66,760,115,987	86,873,659,470
	82,827,672,425	110,486,028,912



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13.1 Maturity analysis of deposits and other accounts

	2023 BDT	2022 BDT
Payable on demand	17,230,859,123	19,994,870,967
Payable within one month	30,575,376,118	28,945,281,532
More than one month but less than three months	45,007,653,471	39,722,831,563
More than three months but less than one year	99,483,622,208	58,532,881,256
More than one year but less than five years	27,255,321,918	60,072,490,357
	219,552,832,838	207,268,355,675

14 Other liabilities

Accrued interest on customer deposits and borrowings	1,569,029,355	986,385,345
Deferred income	226,353,010	218,698,704
Provisions for liabilities and charges (note 14.1)	1,239,517,847	1,244,247,462
Other creditors	1,277,242,748	1,157,217,198
Items in course of transmission	141,926,739	205,515,785
Provision for loans and advances and off balance sheet exposures (note 14.2)		
- For loans and advances and off balance sheet exposures	7,869,146,159	8,472,847,120
- Special general provision- COVID-19	-	2,997,285
Interest suspense account (note 14.3)	1,130,459,563	1,195,182,122
Interest received on non performing advances	484,618,614	682,889,995
Provision for taxation (note 14.4)	3,671,380,948	2,387,891,029
Provision for start-up fund	250,589,198	150,682,797
Payable to Head Office	1,682,372,757	1,053,199,081
Unrealised loss on foreign exchange contracts	24,492	1,613,441
Leasehold Liabilities under IFRS-16*	984,847,635	1,200,473,405
	20,527,509,065	18,959,840,769

*Summary of Leasehold Liabilities under IFRS-16

Balance as at 1 January	1,200,473,405	788,089,119
Addition	68,716,886	920,601,928
Depreciation/ Interest expenses	109,946,540	70,494,556
De-recognition	(169,352,217)	(403,142,120)
Lease payment	(224,936,980)	(175,570,077)
Net book value as at 31 December	984,847,633	1,200,473,405

14.1 Provision for liabilities and charges

Balance as at 1 January	1,244,247,462	964,677,660
Net charge to profit and loss account	255,686,397	596,085,967
Net release of provision	(260,416,012)	(316,516,165)
Balance as at 31 December	1,239,517,847	1,244,247,462

14.2 Provision for loans and advances and off balance sheet exposures

	General provision on loans and advances BDT	General provision on off balance sheet exposures BDT	Total general provisions BDT	Specific provision on loans and advances BDT	Total provision BDT
2023					
Balance as at 1 January	2,189,875,585	1,978,317,645	4,168,193,230	4,307,651,175	8,475,844,405
Written off (net of recovery) during the year	-	-	-	(554,389,868)	(554,389,868)
Release during the year	-	-	-	(402,247,322)	(402,247,322)
Provision made during the year	(87,802,032)	(417,561,446)	(505,363,478)	855,302,422	349,938,944
Balance as at 31 December	2,102,073,553	1,560,756,199	3,662,829,752	4,206,316,407	7,869,146,159
2022					
Balance as at 1 January	2,371,315,010	1,553,096,145	3,924,411,155	2,693,566,266	6,617,977,421
Written off (net of recovery) during the year	-	-	-	6,486,437	6,486,437
Release during the year	-	-	-	(36,398,062)	(36,398,062)
Provision made during the year	(181,439,425)	425,221,500	243,782,075	1,643,996,534	1,887,778,609
Balance as at 31 December	2,189,875,585	1,978,317,645	4,168,193,230	4,307,651,175	8,475,844,405

14.2.1 Required and maintained provision for loans and advances and off balance sheet exposures

Required general provision		
On loans and advances at 0.25% to 2% under different categories of unclassified loans/investments (standard/SMA)	2,102,073,552	2,186,878,299
Special general provision- COVID-19	-	2,997,285
On off balance sheet exposures @ 1%	1,560,756,200	1,978,317,646
	3,662,829,752	4,168,193,230
Required specific provision		
On substandard loans and advances/investments other than agricultural loans @ 20%	206,363,837	1,961,360
On doubtful loans and advances/investment other than agricultural loans @ 50%	290,736,917	3,160,767
On substandard and doubtful agricultural loans @ 5%	-	-
On bad/loss and advances/investments @ 100%	3,709,215,653	4,302,529,048
	4,206,316,407	4,307,651,175
Total required provision	7,869,146,159	8,475,844,405
Total maintained provision	7,869,146,159	8,475,844,405
Surplus/(Shortfall)	-	-

14.3 Interest suspense account

Balance as at 1 January	1,195,182,122	689,327,579
Recoveries during the year	(173,553,349)	(7,249,919)
Written off during the year	(436,791,760)	(11,670,537)
Provision made during the year	545,622,550	524,774,999
Balance as at 31 December	1,130,459,563	1,195,182,122

14.4 Provision for tax net of advance income tax paid

	2023 BDT	2022 BDT
Provision for tax		
Balance as at 1 January	5,698,206,439	3,818,742,362
Provision made during the year		
Onshore unit	5,745,862,931	4,175,619,359
Offshore unit	1,382,582,900	1,217,054,292
	7,128,445,831	5,392,673,651
Adjustments made during the year		
Onshore unit	(4,175,619,359)	(2,485,321,310)
Offshore unit	(1,217,054,292)	(1,027,888,264)
	(5,392,673,651)	(3,513,209,574)
Balance as at 31 December	7,433,978,619	5,698,206,439
Advance income tax paid		
Balance as at 1 January	3,310,315,410	3,266,940,201
Amount paid during the year	5,632,080,206	3,553,566,746
Adjustments made during the year	(5,179,797,945)	(3,510,191,537)
Balance as at 31 December	3,762,597,671	3,310,315,410
Net provision	3,671,380,948	2,387,891,029

Provision for income tax is on the basis of applicable income tax regulations of Bangladesh. Tax return for the financial year ended 31 December 2023 is expected to be filed with the tax authority by the due date of 15 September 2024.

The dispute for the accounting years 2006, 2007, 2009, 2010, 2011, 2012, 2013, 2016, 2017, 2018 and 2019 are yet to be settled. The tax authority has not accepted the Bank's excess profit computation for the period 2006, 2007, 2009, 2010, 2011 and 2012 on the grounds that they do not consider various other components, including retained earnings to be part of capital of the Bank. For the accounting years 2013, 2016, 2017, 2018 and 2019, tax authority has disallowed some expenses which created tax disputes and yet to be settled.

For accounting year 2006, 2007, 2009, 2010, 2011, 2012 and 2013 the Bank has filed reference application to the High Court against the order of Taxes Appellate Tribunal. For the accounting year 2016 and 2017, the Bank has received CT Appeal order and Appellate Tribunal Order in favor of the Bank. However, the tax authority filed an appeal to the High Court, hence Sub-judice under the High Court Division. For accounting year 2018, Bank has filed an appeal to the Commissioner of the Taxes (Appeal) against the order of DCT and received CT Appeal Order in favor of the bank. However, an appeal has been filed by the tax authority against the order of the Commissioner of Taxes (Appeal) to the Appellate Tribunal. For accounting year 2019, The DCT has finalized the assessment order with an additional claim and the bank has already filed an appeal to the Commissioner of Taxes (Appeal) against the order of the DCT. For the accounting years, 2020, 2021 and 2022 bank is yet to receive an assessment order from the tax authority.

The management believes that general provision, retained earnings and some of the other components that have been disregarded by the tax authority are part of capital and are considered as core capital in the capital adequacy calculation as per the Bank Company Act 1991. During 2013, there were some additional explanation included in the said act relating to the definition of capital and subsequently Bangladesh Bank has also provided some additional clarification to the National Board of Revenue on the issue. In addition, among tax dispute with regards to the expense disallowances some of the expense has strong justification for not to considered as disallowed. Management believes both of these have strengthened the bank's tax position as stated above. The Bank's legal counsel has the same opinion. Hence, no provision is made for the disputed demand except for small expense disallowances. This is notable that the "Excess Profit Tax" related section 16C of the Income Tax Ordinance 1984 has been omitted by Finance Act 2016.

14.5 Effective tax rate

	2023 BDT	2022 BDT
Profit before taxation as per profit and loss account	16,823,727,586	10,531,990,809
Tax provisions	6,833,087,496	4,652,733,946
Effective tax rate	40.62%	44.18%
Tax provisions at Corporate Tax rate @40%	6,729,491,034	4,212,796,324

15 Capital

Fund deposited with Bangladesh Bank at 1 January	3,811,264,265	3,167,775,997
Exchange difference:		
USD 35,938,625 x (109.75 - 103.2469)	233,712,472	643,488,268
Funds deposited with Bangladesh Bank at 31 December	4,044,976,737	3,811,264,265

16 Other reserves

Unrealised interest on amortisation of HTM securities (Refer to note 33)		
Opening balance	338,983,504	(56,917,545)
Unrealised interest on amortisation of HTM securities during this year	-	566,921,205
Unrealised interest on amortisation of HTM securities realised during this year	(564,972,507)	92,913,875
	(564,972,507)	659,835,081
	225,989,003	(263,934,032)
	(338,983,504)	395,901,049
	-	338,983,504
Deferred tax assets/(liabilities) (note 11.4.2)		
Opening balance	-	-
MTM reserve for HFT during this year	-	-
MTM reserve for HFT realised during this year	-	-
	-	-
Deferred tax assets/(liabilities) (note 11.4.2)		
Opening balance	(445,497,530)	(530,468,930)
Actuarial gain/(loss) during this year (note 24.2.4)	218,431,000	141,619,000
	(87,372,400)	(56,647,600)
	131,058,600	84,971,400
	(314,438,930)	(445,497,530)
Foreign Exchange Translation Reserve:		
Opening balance	1,944,519,380	47,977,470
Translation gain/(loss) during this year	1,221,934,192	3,160,903,183
	(488,773,677)	(1,264,361,273)
	733,160,515	1,896,541,910
	2,677,679,895	1,944,519,380
	2,363,240,965	1,838,005,354

17 Profit and loss account

Opening balance	43,359,574,951	40,201,601,175
Profit for the year	9,990,640,090	5,879,256,863
Exchange difference	-	-
Provision for Start-up Fund	(99,906,401)	(58,792,569)
Prior period adjustment	-	59,232,727
Profit remitted to head office	(1,133,139,055)	(2,721,723,245)
Closing balance (note 33.7)	52,117,169,585	43,359,574,951

18 Contingent liabilities

Acceptances and endorsements	55,383,768,825	72,944,540,567
	55,383,768,825	72,944,540,567
Letters of guarantee:		
Money for which the Bank is contingently liable in respect of guarantees given favouring Government Bank and other financial institutions	78,610,848,898	83,889,345,791
	3,016,447,285	2,335,637,067
	23,959,212,687	22,239,018,192
	105,586,508,870	108,464,001,050

Others		
Irrevocable letters of credit	52,628,173,742	79,695,227,199
Foreign exchange contracts - spot and forward	665,818,026	1,556,391,160
Un-drawn formal standby facilities, credit lines and other commitments*	237,833,656,075	170,550,148,700
	291,127,647,843	251,801,767,059
	452,097,925,538	433,210,308,676

As per BRPD circular no. 06 dated 25 April 2023 related to Policy on Off-Balance Sheet (OBS) Exposure, undrawn commitment irrespective of unconditionally cancellable or not cancellable has been reported under other commitments as a component of off-balance sheet exposure.

19 Interest income and profit received

Staff loans	45,104,698	46,746,814
Home mortgage loans	68,707,519	98,749,742
Car loans	771	23,580
Personal loans	133,862,939	138,462,077
Overdraft	360,441,581	390,083,395
Term loans	2,971,338,827	1,984,202,251
Import loans	2,168,520,029	1,753,962,529
Working capital	5,000,456,327	3,708,711,957
Export and import bills	5,379,841,442	3,306,525,265
Income from money market	354,420,790	298,122,405
Other correspondent bank	1,144,261	1,016,006
Income from nostro accounts	284,326,011	21,837,709
Income from inter-group lending	50,225,942	87,772,777
Income from Bangladesh Bank foreign currency account	207,294,966	44,512,702
	17,025,686,103	11,870,729,209

20 Interest and profit paid on deposits and borrowings

	2023 BDT	2022 BDT
Saving accounts	617,526,058	412,455,723
Term deposits	1,974,376,571	934,125,892
Marginal deposit	78,178,578	55,313,137
Interest paid on lease	109,946,539	70,494,556
Interest on vostro and overdrawn nostro	681,168	3,447,960
Money market call borrowing	8,463,837	310,022
Term borrowing from Bangladesh Bank	516,474,094	189,738,454
Borrowing from banks	4,421,926,985	1,460,518,507
Interest on repo	5,897,786	152,835
Interest on Euro currency clearing balance	231,214	7,169,258
	7,733,702,830	3,133,726,344

21 Income from investment

	2023 BDT	2022 BDT
Interest on treasury bills/bonds (Refer to nite 33)	7,997,469,868	2,118,154,186
Interest on Reverse Repo	61,263,002	-
Dividend on shares	6,000,000	7,500,000
	8,064,732,870	2,125,654,186

22 Commission, exchange and brokerage

Exchange income/loss	1,939,329,286	4,498,983,771
Commission income:		
Import LC	3,570,279,837	2,556,888,982
Export LC	407,762,292	472,629,503
Remittances	5,071,476	7,009,542
Account services	49,562,906	59,597,475
Credit facilities	163,911,391	235,228,079
Collection bills	13,551	207,304
Global custody	44,737,500	55,095,358
Other commissions and charges	335,508,098	308,237,274
	4,576,847,051	3,694,893,517
	(152,455,318)	(82,557,652)
	4,424,391,733	3,612,335,865
	6,363,721,019	8,111,319,636
Commission paid		
	5,875,399	(3,865,247)
	18,569,826	(63,301,821)
	24,445,225	(67,167,068)

23 Other operating income

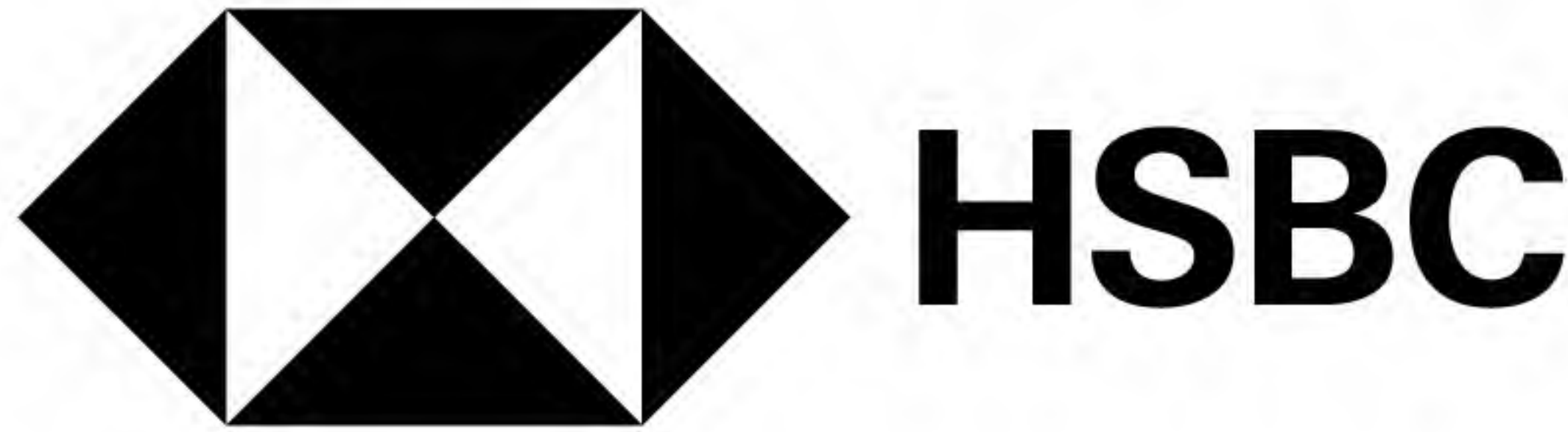
Profit/(loss) on disposals of fixed assets	5,875,399	(3,865,247)
Other income	18,569,826	(63,301,821)
	24,445,225	(67,167,068)

24 Salaries and allowances

Short term employee benefits		
Basic salary	1,731,525,895	1,627,037,396
Allowances	306,653,307	298,537,385
Bonus	695,455,530	581,975,821
Others	242,916,071	363,150,172
	2,976,550,803	2,870,700,774
Long term employee benefits		
Bonus	15,643,722	13,404,684
	15,643,722	13,404,684
Post employment benefits		
Contribution to the defined benefit plan (note 24.1)	146,972,000	180,180,000
Contribution to the defined contribution plan	151,971,462	143,075,166
	298,943,462	323,255,166
	3,291,137,987	3,207,360,624

24.1 Total expense recognised in the profit and oss account in employee benefits relating to the defined benefit plan

Current service cost	165,833,000	186,521,000
Interest cost	(18,861,000)	129,028,000
Expected returns on plan assets	-	(135,369,000)
Contribution to the defined benefit plan (note 24)	146,972,000	180,180,000



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28 Capital adequacy under Basel III

To comply with international best practice and to improve risk management in the banking sector as well as strengthen the ability of the sector to absorb shocks, Bangladesh Bank implemented Basel III capital requirements from 2015 through BRPD circular no. 18 dated 21 December 2014 on revised Risk Based Capital Adequacy Guideline for Banks under BASEL III Accord. As per the directive of Bangladesh Bank all scheduled banks are required to report risk based capital adequacy for banks under Basel III. All scheduled banks are also required to make disclosures in both qualitative and quantitative terms. As a branch of the world's leading financial services institution, HSBC Bangladesh has made disclosures as per Pillar-III, market discipline of the revised capital adequacy framework of Bangladesh Bank (For details see annexure - F) in accordance with DOS circular no. 34 (10 November 2020).

	2023 BDT	2022 BDT
Total Risk Weighted Assets (RWA) as on 31 December	211,772,857,778	221,453,890,451
12.50% of RWA under Basel III (including capital conservation buffer)	26,471,607,222	27,681,736,306
Required capital: the higher of 12.50% of RWA or BDT5 billion	26,471,607,222	27,681,736,306
Actual Capital maintained Common Equity Tier I		
Fund deposited with Bangladesh Bank (Note-15)	4,044,976,737	3,811,264,265
Profit & loss Account (Note-17)	52,117,169,585	43,359,574,951
Actuarial gain/(loss)	(314,438,930)	(445,497,530)
Less: Regulatory adjustment for Goodwill and all other intangible assets as per the Bangladesh Bank guideline	(19,233,384)	(5,061,208)
Less: Regulatory adjustment for Deferred tax assets as per the Bangladesh Bank guideline	(2,187,157,469)	(2,191,649,485)
Less: Regulatory adjustment due to WPPF	(3,050,873,018)	(2,575,128,253)
	50,590,443,522	41,953,502,741
Additional Tier I	-	-
Total Tier I	50,590,443,522	41,953,502,741
Tier II		
General provision	3,662,829,753	4,168,193,230
	3,662,829,753	4,168,193,230
Total capital	54,253,273,275	46,121,695,971
Surplus	27,781,666,053	18,439,959,665
% of Capital adequacy required		
Common Equity Tier - I	7.00%	7.00%
Tier - I	6.00%	6.00%
Total	12.50%	12.50%
% of Capital adequacy maintained		
Common Equity Tier - I	23.89%	18.94%
Tier - I	23.89%	18.94%
Total	25.62%	20.83%

29 Cash and cash equivalents

Cash in hand	1,430,901,785	1,105,262,177
Balance with Bangladesh Bank	25,253,069,970	28,488,632,822
Balance with other banks and financial institutions	7,402,857,419	20,958,028,332
Money at call on short notice	7,682,500,000	12,905,862,500
Prize bonds	386,100	253,000
91 day Treasury bills	62,675,627,786	57,481,581,420
	104,445,343,060	120,939,620,251

30 Amanah Banking

The Bank established an Islamic Banking Branch (Amanah branch) based on Islamic Shariah Principles from 26 February 2004. The Bank no longer offers Shariah compliant products and services in Bangladesh. Under the restructuring procedure, the existing books of Amanah business will run-off up to the maturity as per Bangladesh Bank approval letter ref no. BRPD (P-3)745(37)/2013-1693 dated 10 April 2013.

A separate set of financial statements for Amanah is required to prepare in accordance with the Banking Regulation and Policy Department (BRPD) Circular No 15 (9 November 2009). This is notable that the Bank discontinued Amanah business since 2013 and got dispensation from Bangladesh Bank vide letter ref no. DOS (SR)1153/127/2014-424 dated 28 December 2014 from preparing a separate set of financial statements for Amanah. However, as required by the dispensation letter of Bangladesh Bank, the Bank provided disclosures in note 30.1 to 30.4 to comply the disclosures requirement of Amanah. As there is no Amanah operation at present, operating expense is not allocated to Amanah.

30.1 Amanah Balance Sheet as at 31 December

	2023 BDT	2022 BDT
Assets		
Cash in hand	-	-
Balance with Bangladesh Bank	2,500,000	2,500,000
Investments	133,121,837	152,844,506
Fixed assets	-	-
Other assets	282,397,808	255,851,150
	418,019,645	411,195,656
Liabilities		
Deposits and other accounts	4,720,952	5,486,785
Other liabilities	22,238,931	19,734,382
Retained earnings	391,059,762	385,974,489
	418,019,645	411,195,656

30.2 Amanah Profit and Loss Account for the year ended 31 December 2023

Income from investments	14,091,699	23,511,424
Profit paid on deposits	(47)	(333)
Net investment income	14,091,652	23,511,091
Commission, exchange and brokerage	38,511	71,918
Other operating income	-	-
Total operating income	14,130,163	23,583,009
Salaries and allowances	-	-
Rent, taxes, insurance, electricity etc.	-	-
Legal expenses	-	-
Postage, stamps, telecommunication etc.	-	-
Auditors' fee	-	-
Stationery, printing and advertisement	-	-
Depreciation and repair of Bank's assets	-	-
Other operating expenses	(46,440)	110,567
Total operating expense	(46,440)	110,567
Profit before provision	14,176,603	23,472,442

Specific provision for classified investments	(463,623)	(4,106,042)
General provision for unclassified investments and off balance sheet exposures	(269,822)	(131,646)
Total provision	(733,445)	(4,237,688)
Profit before tax	14,910,048	27,710,130
Current Tax	5,670,641	9,388,977
Profit after tax for the year	9,239,407	18,321,153

30.3 Amanah Assets and Liabilities Maturities Analysis as at 31 December 2023

Particulars	Maturity within 1 month BDT	Maturity within 1 to 3 months BDT	Maturity within 3 to 12 months BDT	Maturity within 1 to 5 years BDT	Maturity over 5 years BDT	Total BDT
Assets						
Cash in Hand	-	-	-	-	-	-
Balance with Bangladesh Bank	2,500,000	-	-	-	-	2,500,000
Money at call on short notice	-	-	-	-	-	-
Investment	1,724,240	119,020	931,209	13,676,384	116,670,984	133,121,837
Fixed assets	-	-	-	-	-	-
Other assets	-	-	-	282,397,808	-	282,397,808
Non-banking assets	-	-	-	-	-	-
Total assets	4,224,240	119,020	931,209	296,074,192	116,670,984	418,019,645
Liabilities						
Placement from other banks and financial institutions	-	-	-	-	-	-
Deposits and other accounts	4,720,952	-	-	-	-	4,720,952
Other liabilities (including capital/shareholders' equity)	-	-	22,238,931	391,059,762	-	413,298,693
Total liabilities	4,720,952	-	22,238,931	391,059,762	-	418,019,645
Net liquidity difference	(496,712)	119,020	(21,307,722)	(94,985,570)	116,670,984	-

30.4 (i) Amanah Cash Reserve Ratio (CRR):

Daily 3.50% of average total demand and time liabilities

	2023 BDT	2022 BDT
Required reserve	164,812	189,719
Actual reserve held with Bangladesh Bank	2,500,000	2,500,000
Surplus	2,335,188	2,310,281

ii) Amanah Cash Reserve Ratio (CRR):

Bi-weekly 4.00% of average total demand and time liabilities

	2023 BDT	2022 BDT
Required reserve	188,356	216,821
Bi-weekly average reserve held with Bangladesh Bank	2,500,000	2,500,000
Surplus	2,311,644	2,283,179

(iii) Amanah Statutory Liquidity Ratio (SLR):

5.50% of average total demand and time liabilities

	2023 BDT	2022 BDT
Required reserve	258,990	298,130
Bi-weekly actual reserve held with Bangladesh Bank	2,311,644	2,283,180
Surplus	2,052,654	1,985,050

31 Related party transactions

The related parties of the Bank include HSBC Holdings plc, other group entities, post-employment benefit plans for HSBC employees, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled or jointly controlled by Key Management Personnel or their close family members. 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 controlling the Bank, being members of the Board of Directors of the Group, Group Managing Directors, and close members of their families and companies they control, or significantly influence, or for which significant voting power is held.

31.1 Transactions with key management personnel

There were no transactions between the Bank and the key management personnel of the Bank in 2023 (2022: nil)

31.2 Transactions, arrangements and agreements involving group entities

The Bank provides and receives certain banking and financial services to/from entities within the Group. As at year end the balances with these entities is disclosed in note 6, Balance with other banks and financial institutions and note 12, Borrowings from other banks, financial institutions and agents.

The disclosure of the year end balance is considered to be the most meaningful information to represent transactions during the year. The outstanding balances include loans made to or deposits by the Bank and arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties. Income received by the Bank from these entities during 2023 amounted to BDT653,571,967 (2022: BDT400,715,625) and expense paid to these entities during 2023 amounted to BDT4,559,906,046 (2022: BDT1,503,414,633), both of which is included in the net interest income disclosed in the profit and loss account.

31.3 Transactions with post employment benefit plans

The Bank has two post employment benefit schemes, the nature of which is disclosed in note 4.18, Employee benefits. There were no balances payable to these schemes or due from these schemes to the Bank as at the end of 2023 (2022: Nil). The total contribution to these schemes in 2023 by the Bank is disclosed in note 24, salaries and allowances.

The responsibility for fund management and administration of these schemes rest with the Trustees of these schemes, however, these functions are delegated to the Bank's Human Resources (HR) department. The Bank does not charge these schemes any fees for the day to day fund management or administrative services.

As allowed by the Trust Deed of these schemes, scheme funds may be deposited with the Bank. As at 31 December 2023 the provident fund had placed deposit of BDT264,973,812 (2022: BDT81,932,912) and the gratuity fund had placed deposits of BDT1,942,529,871 (2022: BDT1,958,624,824) with the Bank.

These transactions arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties. Interest expense incurred by the Bank on deposits placed by the provident fund in 2023 amounted to BDT355,901 (2022: BDT250,229) and on deposit placed by the gratuity fund in 2023 amounted to BDT4,947,283 (2022: BDT4,958,330), both of which are included in the interest expense disclosed in the profit and loss account.

32 Events after the balance sheet date

There were no material events after the balance sheet date that may require adjustment or disclosure.

33 Adoption of DOS Circular Letter No. 27 dated 04 December 2023

As per DOS Circular Letter No. 27 dated 04 December 2023, the Bank has accounted for BDT1,245,737,165 of amortized gain from existing HTM securities in profit and loss statement for the year ended 31 December 2023 under "Income from Investment", instead of recognizing the same under "Other Reserves". Conversely, the amortized gain of BDT 566,921,205 for the year ended 31 December 2022 was accounted for under reserves of Capital/shareholder's equity as per previous applicable circular (DOS circular no.05 dated 26 May 2008). If the same accounting treatment were applied for the year 2022, the major changes in the financials would have been as follows.

Particulars	If Restated 2022 BDT	Reported 2022 BDT	Movement
Income from investments	2,692,575,391	2,125,654,186	566,921,205
Total operating income	19,473,730,824	18,906,809,619	566,921,205
Total operating expenses	6,563,411,067	6,511,872,775	51,538,292
Profit before provision	12,910,319,757	12,394,936,844	515,382,913
Profit before tax	11,047,373,722	10,531,990,809	515,382,913
Profit after tax for the year	6,166,943,604	5,879,256,863	287,686,741
Other assets	9,268,279,908	9,041,511,447	226,768,461
Total assets	385,949,838,387	385,723,069,926	226,768,461
Other liabilities	19,241,952,080	18,959,840,769	282,111,311
Other reserves	1,497,852,630	1,838,005,354	(340,152,724)
Profit and loss account	43,644,384,825	43,359,574,951	284,809,874
Total shareholders' equity	48,953,501,720	49,008,844,570	(55,342,850)

34 General

34.1 Core risk management

BRPD circular no.17 (7 October 2003), BRPD circular no.4 (5 March 2007) and DOS Circular no. 04: Risk Management Guideline (08 October 2018) require banks to put in place an effective risk management system. Bangladesh Bank monitors the progress of implementation of these guidelines through its on-site inspection teams through routine inspection. The risk management systems in place at the Bank are disclosed below.

34.1.1 Credit risk

HSBC has historically sought to maintain a conservative, yet constructive and competitive credit risk culture. This has served the HSBC Group well, through successive economic cycles and remains valid today. This culture is determined and underpinned by the disciplined credit risk control environment which the Group has put in place to govern and manage credit risk, and which is embodied in the formal policies and procedures adopted by HSBC Bangladesh. These are articulated through HSBC Group credit policies supplemented by Regional and Local Area Lending Guidelines, backed up by the Bangladesh Bank's regulations and guidelines. Formal policies and procedures cover all areas of credit lending and monitoring processes including:

- The HSBC credit risk policy framework
- Governance and authorities
- Risk appetite and evaluation of facilities
- Key lending constraints, higher risk sectors and sustainability risk
- Risk rating systems
- Facility structures
- Lending to Banks, Non-Banks and Sovereigns
- Personal lending
- Corporate and commercial lending
- Portfolio management and stress testing
- Monitoring, control and the management of problem exposures
- Impairments and allowances

At the heart of these processes is a robust framework of accountability. HSBC operates a system of personal credit authorities, not credit committee structures. However, the Bank has set up a Risk Management Meeting (RMM) comprising all the members of the Asset Liability Committee (ALCO) and other risk related function heads to manage various risks within the Bank including credit risk. Relationship managers are held accountable for both the profitability and growth of their loan portfolios as well as the losses that may arise within them.

34.1.2 Asset liability management risk

For better management of asset and liability risk, the Bank has an established Asset Liability Management Committee (ALCO) which meets at least once a month.

The Committee's primary function is to formulate policy and guidelines for the strategic management of the Bank using pertinent information that has been provided through the ALCO process, together with knowledge of the individual businesses managed by members of the Committee. The ALCO regularly reviews the Bank's overall asset and liability position, forward looking asset and liability pipeline, overall economic position, liquidity risk, capital adequacy, balance sheet risk, interest rate risk and makes necessary changes in product and balance sheet mix as and when required. Specific responsibilities include reviewing liquidity limits, capital requirements management, managing balance sheet growth, optimising the allocation and utilisation of all resources, understanding balance sheet dynamics, i.e. the interaction between asset and liability portfolios, and issues such as Fund Transfer Pricing, Interest Rate Risk Behaviouralisation, Liquidity Premium and Liquidity Recharges and asset and liability pricing policy.

34.1.3 Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings arising due to change in market price and the position in the currency that is held during the change. Such risk may arise from positions held in various foreign exchange products like spots and forwards. In an effort to ensure such risks are managed efficiently with caution and higher authorities consent, Bangladesh Bank issued a guideline for foreign exchange transactions in 2009, later revised in 2018. The Bank has a Functional Instruction Manual (FIM) covering foreign exchange risk policies and investment policy. The Bank has also developed different strategies to handle foreign exchange risk by setting limits on net open positions by currencies, mismatch limits by currency and time buckets of forward foreign exchange transactions, overall gross limits for forward (FWD) transaction, maximum loss limits per day and per month and Value at Risk (VAR) limits. All the limits mentioned here are monitored and managed on a daily basis. And there is a separate and independent Product control team to monitor and highlight any concerns/issues.

The Bank maintains various nostro accounts in order to conduct operations in different currencies including BDT.

As at 31 December 2023 the Bank has no unadjusted debit entries exceeding six months amounting, as a result, there is no requirement of nostro provisioning (As at 31 December 2022: nil) as per BRPD circular no 04 dated 12 April 2022.

34.1.4 Internal control and compliance

Effective internal controls are the foundation of safe and sound banking. A properly designed and consistently enforced system of operational and financial internal control helps a bank's management to protect the bank's resources, produce reliable assurance over the financial reports and compliance with laws and regulations. Effective internal control system not only reduces the possibility of significant errors and irregularities but also helps to detect and prevent exceptions in a timely manner. The Group policy requires the Bank to comply with the requirements of relevant rules and regulations of the jurisdictions within which, the Bank operates. Therefore, in line with the Bangladesh Bank Guideline on 'Internal Control & Compliance', the Bank has prepared and implemented appropriate Internal Control and Compliance guidelines. In addition, the Group has robust manuals, policy and procedures, entitled Group Standards Manual (GSM), Functional Instruction Manual (FIM), Business Instruction Manual (BIM) and the Compliance Officer's Handbook, which bring together all the standards and principles we use in the conduct of our business, regardless of its location or nature.

HSBC follows a 3 Lines of Defence (LoD) model to define roles and responsibilities within HSBC. This activity-based model delineates accountabilities and responsibilities for risk management and the control environment within each LOD. The model applies to all individuals and all risk types, and supports the delivery of conduct outcomes. The First LOD has ultimate ownership for risk and controls and delivering fair conduct outcomes. Risk Owners are accountable for identifying, assessing, managing and reporting key existing and emerging risks that they own for their business or function in line with the risk appetite set by the Board. The Second LOD review and challenge the First LOD's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes CROs, Risk Stewards and the Global Operational and Resilience Risk function. Risk Stewards are accountable for setting policy and control standards to manage risks, providing advice and guidance to support these policies, and challenging the First LOD to ensure it is managing risk effectively.

Third LOD is Internal Audit. Internal Audit provides independent assurance to management and the non-executive Risk and Audit Committees that our risk management, governance and internal control processes are designed and operating effectively.

34.1.5 Prevention of money laundering and terrorist financing

HSBC is one of the 13 global banks in the 'Wolfsburg Group' which is an internationally acknowledged body setting financial crime risk management standards, especially with respect to anti-money laundering and counter terrorist financing policies. Consequently, HSBC has clear policies and procedures in place to manage money laundering and terrorist financing risks across all its operations around the globe.

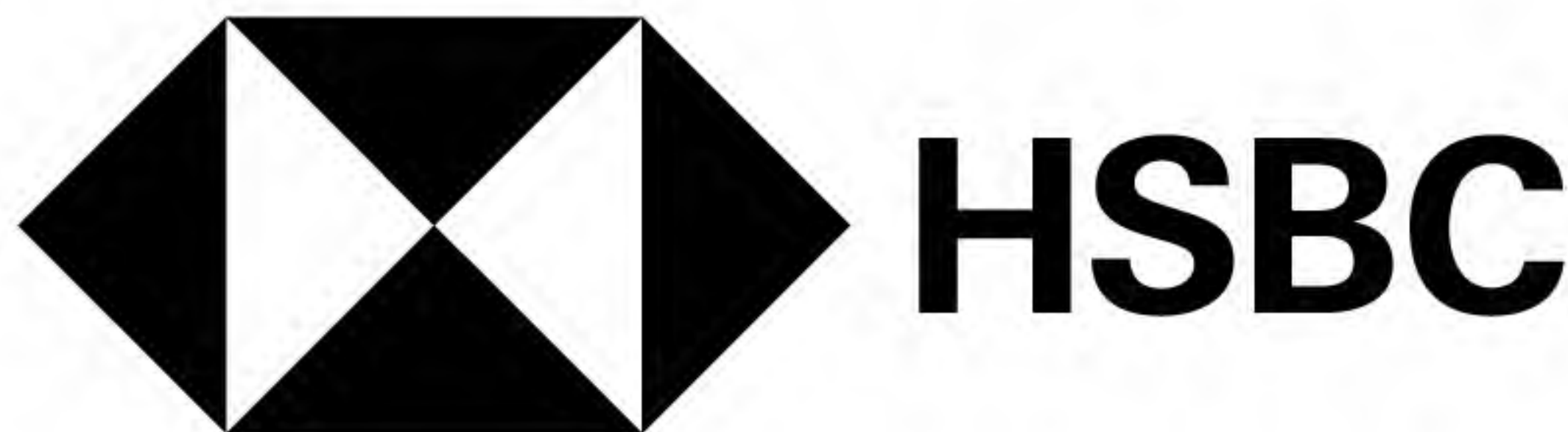
Management of money laundering and terrorist financing risks is part of HSBC's broader operational risk management framework which articulates clear demarcation of roles and responsibilities between the three lines of defence.

More specifically, to manage these risks, the Bank follows relevant risk management policies set by HSBC Group and complies with all the requirements mandated by applicable regulators i.e. Bangladesh Financial Intelligence Unit (BFIU), Hong Kong Monetary Authority (HKMA), Prudential Regulation Authority (PRA). As a result, HSBC Bangladesh has localised policies and procedures which are appropriately governed, and implemented and reinforced through regular oversight and periodic testing.

The Compliance function of HSBC, headed by a Chief Risk and Compliance Officer, who also acts as the Chief Anti-Money Laundering Compliance Officer or the 'CAMLCO', has a dedicated specialized Financial Crime (FC) Risk team that provides the policy framework and oversight to Business lines and Functions by leveraging the specialist capabilities, data and technology to enable the bank to serve the needs of its customers and grow safely.

Compliance maintains enterprise-wide governance and oversight over these risk areas, promptly drawing focus on top and emerging risks and areas of weakness. The team also conducts financial crime risk related investigations and proactively acts on relevant market intelligence to safeguard the Bank. It also operates an Assurance sub-function which performs risk-based independent testing of relevant controls established to manage the aforesaid risks. Additionally oversight is ensured through the quarterly Central Compliance Committee meeting and the monthly Risk Management Meeting, which are chaired by the Chief Risk and Compliance Officer (CRO) and attended by the members of the Executive Committee and Senior Compliance leaders.

The matured organizational framework as described above, together with a consistent tone from the top and a culture of continued investment into staff development/training, has helped the Bank to materially improve its financial crime risk control environment which is also reflected on both local regulatory inspection report rating as well as in internal audit report rating on AML/CTF control. Focus will remain in proactively identifying and acting on issues, further improving the control environment in line with evolving risk landscape and regulation, and maintaining the rigor of risk management which has developed over time.



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34.1.6 Information technology

The Bank has its Information Technology (IT) Department which includes Infrastructure Delivery, Data Centre and Service Management, IT Risk and Governance, Application Development and Maintenance and Cybersecurity team for the Technology support, service, software development and cybersecurity of IT systems where the core banking system is centralised in Hong Kong. Though much of the Bank's systems are built for Group purpose there are some applications developed locally or purchased from third party vendors as and when required following group procurement guideline and Software Development Lifecycle (SDLC) process. The IT department has a Performance Level Agreement (PLA) for all global and local applications 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. The IT department provides monthly reports to DBS Control Environment Management Meeting (CEMM) chaired by in country Chief Operating Officer (COO) for the senior management which covers the following:

- IT Control Environment Summary
- Update on major IT related Risk issues and mitigation plan/timeline
- Internal and external Audit Status and remediation progress related to IT
- System Incident and vulnerability update

HSBC Bangladesh has an approved internal Information and Communication Technology (ICT) Security Policy (approved by Executive Committee of the bank on 23 May 2022) as per Bangladesh bank (BB) ICT security guideline requirement. HSBC Bangladesh has DBS Steering Committee, DBS Compliance Council, Third Party Governance Forum (TPGF) to look after ICT and Cybersecurity related risk and controls, regulatory and legal requirement related to ICT security and IT Outsourcing compliance as mandate by BB ICT Security policy and Outsourcing policy. Besides, various awareness sessions are taken by Cybersecurity team to increase information security awareness among staff and third party vendors. It is to be noted that bank undertakes annual ICT audit as per BB ICT security guideline requirement and open issues are tracked in respective risk forums. In November 2021, bank has obtained ISO-27001 certification for its IT and Cyber security function as recommended by BB.

The Bank has a robust Business Recovery Plan (BRP) in place to ensure business continuity in case of any major disaster and aligned with BB ICT Security policy requirement. There are few applications (BACH, BEFTN, RTGS & NPSB) which do not have fully functional Disaster Recovery (DR) facility due to dependency on BB.

34.1.7 Interest Rate Risk

Interest rate risk may arise either from trading portfolio or from non-trading portfolio. The trading portfolio of the Bank consists of Government treasury bills and bonds of different maturities as far as Interest rate risk is concern. Interest rate risk arises from mismatches between the future yield of an asset and their funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis and the Bank's Markets Treasury team actively manages the Balance Sheet gap to reduce the risk.

34.1.8 Operational Risk

Operational risk is the risk of direct or indirect loss resulting from a wide variety of causes associated with the Bank's processes, people, technology or infrastructure, or from external factors. Operational risk is inherent in the Bank's activities and as with other risk types is managed through an overall framework with checks and balances that include implementation of three line of defense, recognised ownership of the risk by the businesses and independent risk management oversight

The operational risk policy codifies the core governing principles for operational risk management and provides a framework for operational risk. In accordance with the policy, each business area is responsible to identify its key operational risks as well as the controls established to mitigate those risks and to ensure compliance with laws, regulations, regulatory administrative actions and the Bank's policies.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damages to the reputation of the Bank with overall cost effectiveness and innovation. In all cases, the Bank's policy requires compliance with all applicable legal and regulatory requirements.

34.2 Audit Committee

HSBC Bangladesh does not have any Board in Bangladesh and the Bank is operating as a branch office of HSBC Hong Kong. Similarly, being branch office, there is no local audit committee and the regional audit committee in Hong Kong approves the annual audit plan of Bangladesh and the same is also presented to the EXCO in Bangladesh. The Bank also has a "Global Internal Audit Charter" and "Audit Instruction Manual" (AIM) which provides detail guidelines and procedures for conducting an internal audit.

The Group Head of Internal Audit reports functionally to the Chair of the group audit committee and reports administratively to the Group Chief Executive Officer. The Group Head of Internal Audit also provides reports to the Risk Management Meeting of the Group Executive Committee in relation to the work of that function and the disposition of its findings. The Group Head of Internal Audit attends the HSBC Group Executive Committee but does not participate in decision making. Audit-related matters are not subject to approval by the Group Executive Committee or any other Executive Governance body.

34.3 Exchange rates

The foreign currency income and expense items of Profit and Loss Statement for the year ended on 31 December 2023 have been converted to presentation currency using the year-to-date average conversion rate of USD/BDT @ 108.14003. The assets and liabilities of the Balance Sheet as at 31 December in foreign currencies have been converted to BDT at the following rates:

	2023 BDT	2022 BDT
USD 1 =	109.75000	103.24690
HKD 1 =	14.05070	13.24349
SGD 1 =	83.09043	76.58697
GBP 1 =	139.45384	124.45381
AUD 1 =	74.67939	69.48516
EUR 1 =	121.27375	110.00957
CHF 1 =	130.64699	111.79957
JPY 1 =	0.77351	0.77266
CAD 1 =	82.82081	75.98109
NOK 1 =	10.78682	10.43942
AED 1 =	29.88183	28.11275
CNY 1 =	15.39422	14.80890
DKK 1 =	16.27011	14.79320

34.4 Credit ratings

According to BRPD circular no.6 (05 July 2006) it is mandatory from January 2007 for all banks to be credit rated by a credit rating agency. Credit Rating Agency of Bangladesh Limited (CRAB) has issued the following ratings for the Bank which is valid till 30 June 2024:

Long-term AAA (2021: AAA)
Short-term ST - 1 (2021: ST - 1)

According to CRAB, "AAA" is considered as extremely strong capacity to meet the financial commitments, highest quality, with minimal credit risk. "ST-1" is considered as the highest capacity for timely repayment of obligations, excellent position in terms of liquidity, internal fund generation, and access to alternatives sources of funds.

34.5 Country Risk Exposure and Provisioning

As per "Guidelines on Country Risk Management (GCRM) for Banks" issued by Bangladesh Bank vide BRPD Circular Letter No. 07 dated 13 April 2021, all scheduled banks in Bangladesh are required to disclose the risk category-wise country exposures and the extent of aggregate provisions held against the country risk. At the end of 2023, HSBC Bangladesh didn't have any risk category wise country exposures in its balance sheet and hence no provisions were required thereagainst.

34.6 Austerity Measures of the bank as per Bangladesh Bank guideline

As per BRPD circular letter no. 28 dated 26 July 2022 and BRPD circular letter no. 30 dated 27 July 2022, all scheduled banks of Bangladesh are advised to adopt austerity measures and instructed to ensure cost savings by specific percentage of the budget. The subject expense categories are: electricity and fuel, entertainment, travel, computer and accessories, electrical equipment, furniture and other stationeries. All purchases of motor vehicles including replacements have also been prohibited. The circulars also instructed not to spend the saved amount from the aforementioned categories in any other types of expenses.

To comply with these directives, the Bank has taken several austerity measures to feasibly achieve savings in electricity, power and other areas suggested by Bangladesh Bank. The Bank also ensures a rigorous monitoring of the progress of these cost savings initiatives. These measures are being taken despite various external challenges such as price hike of electricity and fuel and after a careful analysis to avoid impact to customer services and other critical bank management activities.

The key austerity measures pursued by HSBC Bangladesh are mentioned below:

- Closure of selected office premises two days every week (full and partial closure)
- Implementing day light savings to best utilize the natural sources of light
- Adherence to strict office timing and power shut down after scheduled timeline, maintenance of temperature, use modern power saving technologies etc in selected premises
- Stop purchasing any motor vehicle and stringent monitoring over the purchase of non-essential computer and accessories, electrical equipment, furniture, and stationeries etc.

- Emphasizing on digital communication.
- Review of different cost drivers and minimizing cost through adoption of alternative sources of supply and efficient methods of delivery.
- Cost monitoring involving senior staff across the bank and regular monitoring of the outcome by EXCO members.

34.7 Composition of Profit and loss account

There is ambiguity around the inclusion of Banking and Non-Banking Financial Institutions within the scope of Chapter XV: Worker's Profit Participation Fund ('WPPF') under The Bangladesh Labor Act, 2006 (the 'Act') and subsequent amendments thereof. As per the Act and amendments thereof, an employer is required to pay 5% of its net profit (as defined under the Act) to the 1) Worker's Participation Fund 2) Worker's Welfare Fund and 3) Labor Trust Foundation Fund for further appropriate disbursement of the funds to all members (i.e. 'Beneficiaries', as defined under the Act) as prescribed under the Act. However, the inclusion of Banks within the scope of the WPPF under the Bangladesh Labor Act, 2006 is in contradiction with certain provisions under The Bank Company Act, 1991. These ambiguities are yet to be clarified; therefore on the basis of the facts currently available and also considering our financial regulators' general position, management believes that the probability of a legal obligation for payments out of WPPF is low at the current stage and hence, no provision has been made for the same. However as long as the issue is not resolved, HSBC Bangladesh is maintaining sufficient retained earnings till date so as to meet any future liability in this regard which is estimated as BDT3,050,873,018 as of 31 December 2023 (BDT2,575,128,253 as of 31 December 2022).

34.8 Preservation of client's audit reports in loan file and verification through Document Verification System (DVS)

Pursuant to BRPD Circular Letter No. 04 dated 06 February 2023, BRPD circular letter no. 04 dated 04 January 2021, Banks are required to preserve the updated statutory audit report of the clients in loan file during approval/renewal of facilities and as per BRPD circular letter no. 35 dated 06 July 2021, these statutory audit reports need to be verified through the documents verification system (DVS) developed by Institute of Chartered Accountants of Bangladesh (ICAB). During 01 January 2023 to 31 December 2023, 98.4% (2022: 97.7%) of the clients' updated statutory audit reports have been preserved in HSBC's Credit Approvals and Risk Management (CARM) system with loan accounts and 100% (2022: 100%) of those clients' statutory audit reports have been verified in DVS system.

34.9 Non-Banking Asset (NBA)

As per BRPD Circular No. 22 (20 September 2021) on Policy for Non-Banking Asset (NBA) bank has been advised to separately disclose the non-banking assets in its financial statements if bank holds any such type of assets. As of 31 December 2023, HSBC does not hold any NBA (31 December 2022: nil).

34.10 Number of employees

The number of employees engaged for the whole year or part thereof who received a total yearly remuneration of Tk 36,000 or above were 829 (2022: 824)

34.11 The net amount of foreign currency exposure/position as at 31 December 2023 was BDT 4,013,248,046 (31 December 2022: BDT1,235,212,018)

34.12 The Bank has no secured liabilities against which assets have been pledged as security.

34.13 The figures appearing in these financial statements have been rounded off to the nearest Taka (BDT).

sd/-	sd/-
Md Mahbub ur Rahman	Jignesh Chetan Ruparel
Chief Executive Officer, Bangladesh	Chief Financial Officer, Bangladesh

Dhaka, 21 April 2024

Statement of Liquidity (Assets and Liabilities Maturity Analysis) As at 31 December 2023							Annexure - A
Particulars	Maturity within 1 month	Maturity within 1 to 3 months	Maturity within 3 to 12 months	Maturity within 1 to 5 years	Maturity over 5 years	Total	
	BDT	BDT	BDT	BDT	BDT	BDT	
Assets							
Cash in hand*	22,190,957,661	-	-	-	4,493,014,094	26,683,971,755	
Balance with other banks and financial institutions (note 6.2)	7,402,857,419	-	-	-	-	7,402,857,419	
Money at call on short notice	7,682,500,000	-	-	-	-	7,682,500,000	
Investment (note 8.1)	16,280,313,085	69,045,311,703	31,148,158,017	-	6,000,000,000	116,479,792,805	
Loans and advances (note 9.1)	46,134,200,909	62,860,963,421	62,395,586,356	28,018,686,763	17,480,735,515	177,000,146,363	
Fixed assets	115,000	2,124,690	748,147,501	100,563,714	950,890,905	950,890,905	
Other assets	1,894,189,433	156,902,946	1,567,783,953	1,624,511,218	9,865,318	5,243,252,868	
Non-banking assets	-	-	-	-	-	-	
Total assets	101,585,133,407	132,063,178,070	95,303,633,015	30,391,345,482	22,090,111,641	381,433,401,615	
Liabilities							
Borrowings from other banks and financial institutions (note 12.4)	6,081,774,215	7,183,235,888	8,684,337,322	60,878,325,000	-	82,827,672,425	
Deposits and other accounts (note 13.1)	47,806,235,241	45,007,653,471	99,483,622,208	27,255,321,918	-	219,552,832,838	
Other liabilities (including capital/shareholders' equity)	1,718,075,062	1,974,662,655	8,494,002,756	10,713,919,557	56,162,146,322	79,052,906,252	
Total liabilities	55,606,084,518	54,165,552,014	116,652,052,286	98,847,566,475	56,162,146,322	381,433,401,615	
Net liquidity difference	45,979,048,889	77,897,626,056	21,348,419,271	(68,456,220,993)	(34,072,034,681)	-	

* Balance over 5 years represents foreign currency deposits with Bangladesh Bank held under lien as capital.

Balance with Other Banks and Financial Institutions - Outside Bangladesh (Note - 6) As at 31 December 2023							Annexure - B
Bank Name	Currency name	2023		2022		Local currency	
		Foreign currency	Rate	Foreign currency	Rate		
HSBC Hong Kong	HKD	2,030,172	14.0507	28,525,327	1,879,041	13.2435	24,871,821
HSBC Hong Kong Global ATM settlement account	HKD	548,533	14.0507	7,707,266	368,512	13.2435	4,880,384
HSBC Hong Kong Settlement account with	CNY	20,392,455	15.3942	313,925,899	43,640,867	14.8089	946,273,163
HSBC Hong Kong	USD	766,294	109.7500	84,100,764	568,607	103.2469	58,706,895
HSBC Japan	JPY	49,692,045	0.7735	38,437,481	63,865,257	0.7727	49,346,229
HSBC Singapore	SGD	88,992	83.0904	7,394,372	81,557	76.5870	6,246,228
HSBC India	USD	13,389,401	109.7500	1,469,496,766	6,457,115	103.2469	666,677,099
Credit Suisse AG Switzerland	CHF	1,720,864	130.6470	224,825,709	3,746,288	111.7996	418,833,352
HSBC Bank PLC UK	GBP	3,153,719	139.4538	439,798,157	1,150,847	124.4538	143,227,278
HSBC Bank USA	USD	32,233,379	109.7500	3,537,613,341	167,192,382	103.2469	17,262,095,105
SCB Pakistan	USD	1,089,265	109.7500	119,546,851	3,731,805	103.2469	385,297,299
HSBC Sri Lanka	USD	3,697	109.7500	405,784	3,699	103.2469	381,903
HSBC Bank Australia TT account	AUD	72,164	74.6794	5,389,184	46,672	69.4852	3,242,999
HSBC Bank Australia DD account	AUD	447	74.6794	33,353	447	69.4852	31,033
HSBC Bank Canada	CAD	73,124	82.8208	6,056,191	69,038	75.9811	5,245,570
HSBC France	EUR	7,758,915	121.2738	940,952,742	9,111,416	110.0096	1,002,343,026
Danske Bank Denmark	DKK	-	16.2701	-	2,013	14.7932	29,779
HSBC India	EUR	693,503	121.2738	84,103,701	693,503	110.0096	76,291,961
HSBC Dubai	AED	143	29.8818	4,271	1,544	28.1128	43,415
Total				7,308,307,159			20,754,064,539

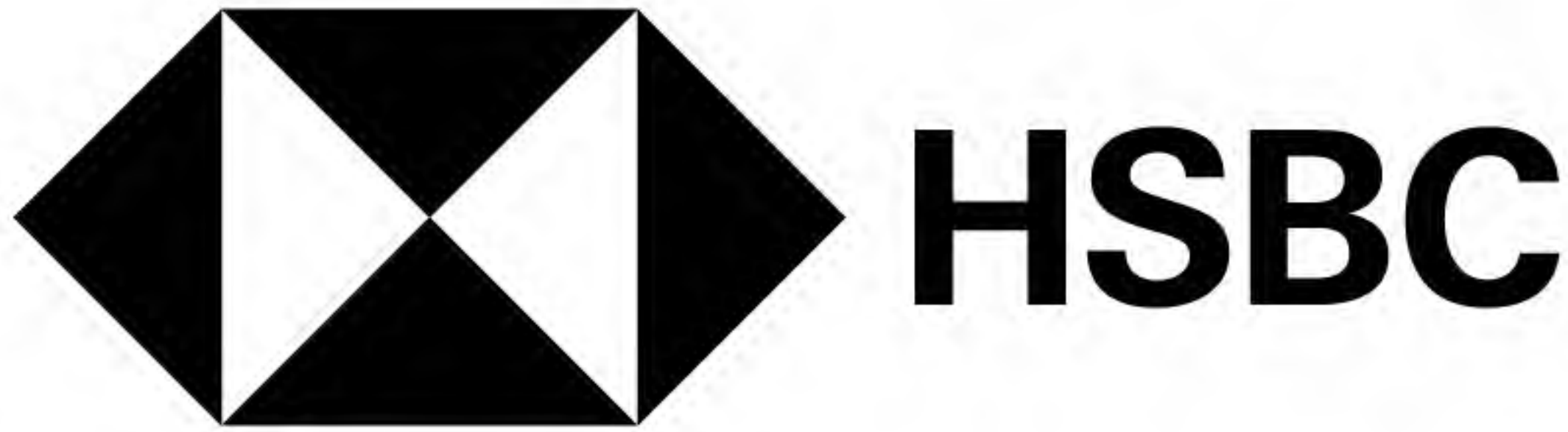
Financial Highlights (Offshore) As at 31 December 2023					[Figures in BDT]	
SI No	Particulars	Currency**/percentage	2023	2022		
1	Total assets	BDT	111,310,178,018	128,779,722,559		
2	Total deposits	BDT	11,153,898,486	9,991,671,070		
3	Total loans and advances	BDT	107,205,182,613	112,769,093,798		
4	Total contingent liabilities and Other Commitments	BDT	45,347,177,501	43,332,178,088		
5	Classified loans & advances	BDT	4,283,367,385	3,703,684,168		
6	Classified advances as a percentage of total advances	%	4.00%	3.28%		
7	Profit before tax	BDT	3,456,429,440	3,042,635,727		
8	Profit after tax and provisions	BDT	1,957,050,603	969,252,596		
9	Interest expenses	BDT	4,452,006,535	1,469,976,544		
10	Interest bearing assets	BDT	101,625,421,643	128,765,768,357		
11	Non interest bearing assets	BDT	13,417,407	13,954,202		
12	Return on Assets (ROA)**	%	1.63%	1.49%		

Key Financial Highlights (Solo) As at 31 December 2023					[Figures in BDT]	
SI No	Particulars	2023	2022			
1	Total assets	381,433,401,615	385,723,069,926			
2	Total deposits	219,552,832,838	207,268,355,675			
3	Total loans and advances	217,090,145,863	225,609,969,203			
4	Total contingent liabilities and Other Commitments	452,097,925,538	433,210,308,676			
5	Net interest income	9,291,983,273	8,737,002,865			
6	Non interest income	14,452,899,114	10,169,806,754			
7	Total operating income	23,744,882,387	18,906,809,619			
8	Profit before tax and provisions	16,766,466,698	12,394,936,844			
9	Profit after tax and provisions	9,990,640,090	5,879,256,863			
10	Total capital including retained earnings	54,253,273,275	46,121,695,971			
11	Surplus capital (above 12.5%)	27,781,666,063	18,439,959,665			
12	Capital adequacy ratio (%)	25.62%	20.83%			
13	Classified advances as a percentage of total advances (%)	3.22%	2.65%			
14	Return on Investment (ROI)**	7.93%	2.78%			
15	Return on Assets (ROA)**	2.60%	1.58%			
16	Return on Equity (ROE)**	18.58%	12.80%			

*Functional Currency of OBU is USD. Key Highlights are presented in equivalent BDT.

**Calculated on the basis of year end investments, assets and equity balances respectively.

Bi weekly average balance of Bangladesh Bank statement For the month of December 2023					[Figures in BDT]		Annexure - D
Date	Actual balance held with Bangladesh Bank (Conventional)	Actual balance held with Bangladesh Bank (Islamic)	Total actual balance held with Bangladesh Bank	Average balance held with Bangladesh Bank			
15-Dec-23	11,911,225,215	2,500,000	11,913,725,215				
16-Dec-23	11,911,225,215	2,500,000	11,913,725,215				
17-Dec-23	12,099,057,728	2,500,000	12,101,557,728				
18-Dec-23	17,208,214,061	2,500,000	17,210,714,061				
19-Dec-23	16,129,130,616	2,500,000	16,131,630,616				
20-Dec-23	16,641,366,075	2,500,000	16,643,866,075				
21-Dec-23	13,613,425,718	2,500,000	13,615,925,718				
22-Dec-23	13,613,425,718	2,500,000	13,615,925,718				
23-Dec-23	13,613,425,718	2,500,000	13,615,925,718	14,220,666,170			



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Bangladesh Branches

1 Disclosure policy

The following detailed qualitative and quantitative disclosures are provided in accordance with Bangladesh Bank rules and Basel III capital regulation under BRPD Circular no. 18 (21 December 2014). The purpose of these requirements is to complement the capital adequacy requirements and the Pillar III – supervisory review process. These disclosures are intended for market participants to assess key information about the Bank’s exposure to various risks and to provide a consistent and understandable disclosure framework as per regulatory requirement. The Bank complies with the disclosure requirements set out by the Bangladesh Bank and International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as approved by the Institute of Chartered Accountants of Bangladesh (ICAB).

The major highlights of the Bangladesh Bank regulations are:

- To maintain Capital Adequacy Ratio (CAR) at a minimum of 12.50% (including capital conservation buffer @2.50%) of Risk Weighted Assets (RWA);
- To adopt the standardised approach for credit risk for implementing Basel III, using national discretion for:
 - adopting the credit rating agencies as External Credit Assessment Institutions (ECAI) for claims on sovereigns and banks;
 - adopting simple/comprehensive approach for Credit Risk Mitigation (CRM).
- all unrated corporate exposures are risk weighted by assigning a risk weighting of 125%.
- To adopt the standardised approach for market risk and basic indicator approach for operational risk.
- Capital adequacy returns must be submitted to Bangladesh Bank on a quarterly basis.

2 Scope of application

The Bank has no subsidiaries or significant investments and Basel III is applied at Bank level only.

3 Capital structure

Qualitative disclosures:

HSBC Bangladesh's capital structure consists of Tier I and Tier II capital which is aligned with regulatory capital structure. Tier I capital is further categorised as Common Equity Tier 1 (CET1) and Additional Tier 1 capital. The computation of the amount of Common Equity Tier I, Additional Tier I and Tier II capital shall be subject to the following conditions:

- The Bank has to maintain at least 4.5% of total Risk Weighted Assets (RWA) as Common Equity Tier I capital.
- Tier I capital will be at least 6% of the total RWA.
- Minimum Capital to Risk-weighted Asset Ratio (CRAR) will be 10% of the total RWA.
- Additional Tier I capital can be maximum up to 1.5% of the total RWA or 33.33% of CET 1, whichever is higher.
- Tier II capital can be maximum up to 4% of the total RWA or 88.89% of CET1, whichever is higher.
- In addition to minimum CRAR, Capital Conservation Buffer (CCB) of 2.50% of the total RWA has to be maintained from 2020 and onwards.

Tier I capital of the Bank includes funds deposited with Bangladesh Bank, actuarial gain/(loss) and retained earnings. Tier 1 capital is also called 'Core Capital' of the Bank. According to BRPD letter ref no. BRPD (BFIS)661/14B(P)/2015-18014 dated 24 December 2015, 5% of deferred tax recognised on specific provision shall be allowable as CET 1 capital whilst all other deferred tax assets created on other items shall be deducted from the retained earnings when calculating the capital adequacy ratio.

Tier II capital consists of general provision. According to BRPD circular no. 05 (31 May 2016) the full general provision maintained against unclassified loans and advances (except Fast Track Electricity Project LC) will be considered as Tier II capital.

Quantitative disclosures:

The details of capital structure are provided as under:

Common Equity Tier I

	2023 BDT	2022 BDT
Fund deposited with Bangladesh Bank	4,044,976,737	3,811,264,265
Retained earnings	52,117,169,585	43,359,574,951
Actuarial gain/(loss)	(314,438,930)	(445,497,530)
Less: Regulatory adjustment for intangible assets as per the Bangladesh Bank guideline	(19,233,384)	(5,061,208)
Less: Regulatory adjustment for deferred tax assets as per the Bangladesh Bank guideline	(2,187,157,469)	(2,191,649,485)
Less: Regulatory adjustment due to WPPF	(3,050,873,018)	(2,575,128,253)
	50,590,443,522	41,953,502,740

Additional Tier I

	-	-
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Total Tier I

	50,590,443,522	41,953,502,740
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Tier II

General provision	3,662,829,753	4,168,193,231
	3,662,829,753	4,168,193,231

Total capital

	54,253,273,275	46,121,695,971
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4 Capital adequacy

Qualitative disclosures:

The Bank has adopted the Standardised Approach for computation of the capital charge for credit risk and market risk, and the Basic Indicator Approach for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank.

The Bank has a capital adequacy ratio of 25.62% (2022: 20.83%) as against the minimum regulatory requirement of 12.50% including capital conservation buffer. Tier I capital adequacy ratio is 23.89% (2022: 18.94%) against the minimum regulatory requirement of 6%. The Bank’s policy is to manage and maintain its capital with the objective of maintaining a strong capital ratio. The Bank maintains capital levels that are sufficient to absorb all material risks. The Bank also ensures that the capital levels comply with all regulatory requirements, satisfy external rating agencies and other stakeholders including depositors. The whole objective of the capital management process in the Bank is to ensure that the Bank remains adequately capitalised at all times.

The Bank has in place a capital adequacy framework by which the Bank’s annual budget projections and the capital required to achieve the business objectives are linked in a cohesive way. Capital requirements are assessed for credit, market and operational risks. The Bank’s capital adequacy ratio is periodically assessed and reviewed by the ALCO and reported to head office. The composition of capital in terms of Tier I and II are also analysed to ensure capital stability and to reduce volatility in the capital structure. The Bank has a profit remittance policy to ensure that the Bank has enough capital to comply with the regulatory requirement. The Bank’s capital plan also ensures that adequate levels of capital are held considering the planned organic growth of the business.

Quantitative disclosures:

Position of various risk weighted assets are presented below:

	2023 BDT	2022 BDT
Risk Weighted Assets		
On balance sheet items	141,609,132,402	151,858,965,579
Off balance sheet items	35,324,006,217	43,297,757,580
Total credit risk	176,933,138,619	195,156,723,159
Market risk	5,659,675,097	1,948,267,406
Operational risk	29,180,044,062	24,348,899,886
Total risk weighted assets	211,772,857,778	221,453,890,451

Detail of capital adequacy

Minimum Capital Requirement (MCR-10%)

Capital requirement for credit risk	17,693,313,862	19,515,672,316
Capital requirement for market risk	565,967,510	194,826,741
Capital requirement for operational risk	2,918,004,406	2,434,889,989
Total Minimum Capital required	21,177,285,778	22,145,389,045
Surplus Maintenance	33,075,987,497	23,976,306,926

	2023 BDT	2022 BDT
Gross Credit Risk Exposure		
Capital requirement for credit risk	22,116,642,327	24,394,590,395
Capital requirement for market risk	707,459,387	243,533,426
Capital requirement for operational risk	3,647,505,508	3,043,612,486
Total Minimum Capital required plus Capital Conservation Buffer	26,471,607,222	27,681,736,306

Surplus Maintenance

	27,781,666,053	18,439,959,665
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Common Equity Tier I capital

	50,590,443,522	41,953,502,740
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Total Tier I capital

	50,590,443,522	41,953,502,740
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Total Tier II capital

	3,662,829,753	4,168,193,231
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Total regulatory capital

	54,253,273,275	46,121,695,971
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% of Capital adequacy required

Minimum Common Equity Tier I (CTE- I)	4.50%	4.50%
Minimum Tier I	6.00%	6.00%
Minimum CET- I + Capital Conservation Buffer	7.00%	7.00%
Minimum Capital to Risk Weighted Asset Ratio (CRAR)/MCR	10.00%	10.00%
Minimum CRAR + Capital Conservation Buffer	12.50%	12.50%

% of Capital adequacy maintained

Common Equity Tier I	23.89%	18.94%
Tier I	23.89%	18.94%
Tier II	1.73%	1.88%
Capital Conservation Buffer	15.62%	10.83%
Total CRAR	25.62%	20.83%

5 Credit Risk

Qualitative disclosures:

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from off balance sheet products such as guarantees and credit derivatives, and from the holdings of debt securities. HSBC Bangladesh has standards, policies and procedures dedicated to measuring controlling and monitoring risk from all such activities. Among the risks the Bank engages in, credit risk generates the largest regulatory capital requirement.

The aims of credit risk management, underpinning sustainably profitable business, are principally

- to maintain a strong culture of responsible lending, supported by a robust risk policy and control framework;
 - to both partner and challenge business originators effectively in defining and implementing risk appetite, and its re-evaluation under actual and scenario based conditions; and
 - to ensure independent, expert scrutiny and approval of credit risks, their costs and their mitigation.
- HSBC has historically been maintaining a conservative, yet constructive and competitive credit risk culture. This has served the Bank well, through successive economic cycles and remains valid today. This culture is determined and underpinned by the disciplined credit risk control environment which the Group has put in place to govern and manage credit risk, and which is embodied in the formal policies and procedures adopted by HSBC Bangladesh in line with Bangladesh Bank and other local regulations. Formal policies and procedures cover all areas of credit lending and monitoring processes including, but not limited to:
- The Group Credit Risk Policy Framework
 - Risk appetite and evaluation of facilities
 - Key lending constraints and higher-risk sectors
 - Risk rating systems
 - Facility structures
 - Lending to banks, non-banks and sovereigns
 - Personal lending
 - Corporate and commercial lending
 - Portfolio management and stress testing
 - Monitoring, control and the management of problem exposures
 - Impairments and allowances

At the heart of these processes is a robust framework of accountability. Business segments are responsible for both the profitability and growth of their loan portfolios as well as the losses that may arise within them. Credit Risk Management function of the Bank is responsible for credit risk assessment and approval process. In addition, as part of overall risk governance framework, the Bank has in place a Risk Management Meeting (RMM) forum chaired by the Chief Risk and Compliance Officer in presence of the Chief Executive Officer and all Business and Function Heads within the Bank.

The Bank also has relevant Departments to look after the loan review mechanism and also to ensure credit compliance with the post-sanction processes/ procedures laid down by the Bank from time to time. This involves taking up independent account-specific reviews of individual credit exposures and also monitoring various credit concentration limits as per the lending guideline. In line with Bangladesh Bank’s guideline, the Bank has credit risk grading system in place for analysing the risk associated with credit.

The standardised approach is applied for risk weighting of exposure as per directive of Bangladesh Bank. It requires banks to use credit rating assigned by External Credit Assessment Institutions (ECAIs), where available, to determine the risk weightings applied to rated counterparties.

The Bank has been maintaining credit risk mitigation under the standardised approach. It is HSBC’s policy to establish that loans are within the customer’s capacity to repay which is also supported by collaterals as an important mitigation of credit risk wherever necessary. The Bank has guidelines on the acceptability of different types of collateral or credit risk mitigation, and determines suitable valuation parameters. Such parameters are being reviewed regularly and supported by empirical evidence.

Past dues and impaired exposures are defined in accordance with the relevant Bangladesh Bank regulations. Specific and general provisions are calculated periodically in accordance with Bangladesh Bank regulations.

Special attention is given to problem loans and appropriate action is initiated to protect the Bank’s position on a timely basis and to ensure that loan impairment methodologies result in losses being recognised when they are incurred. The objective of credit risk management is to minimise the probable losses and maintaining credit risk exposure within acceptable parameters.

Specific provision

The Bank follows Bangladesh Bank guidelines regarding loan classifications, provisioning and any other issues related to Non Performing Loan (NPL). The Bank’s internal credit guidelines also give direction on the management of NPLs, the procedure for reviewing loan provisioning, debt write off, facility grading, reporting requirements and interest recognition. Thus, while dealing with NPLs, the Bank’s decision is always compliant with local rules and regulations as well as Group guidelines.

Specific provision on loans and advances

Specific provision on substandard loans and advances/investments other than agricultural loans

20%

Specific provision on doubtful loans and advances/investment other than agricultural loans

50%

Specific provision on substandard and doubtful agricultural loans

5%

Specific provision on bad/loss and advances/investments

100%

BRPD circular no.14 (23 September 2012) as amended by BRPD circular no. 19 (27 December 2012) also provides scope for further provisioning based on qualitative judgments. In these circumstances, impairment losses are calculated on individual loans considered individually significant based on which specific provisions are raised. If the specific provisions assessed under the qualitative methodology are higher than the specific provisions assessed under the formulaic approach above, the higher of the two is recognised in liabilities under “Provisions for loans and advances” with any movement in the provision charged/released in the profit and loss account.

	2023 BDT	2022 BDT
Credit Risk Exposure		
Claims on sovereigns and central banks	26,683,971,755	29,593,894,998
Claims on banks	21,264,613,088	44,230,402,598
Investments	30,426,555,265	36,544,284,052
Claims on Public Sector Entities (other than Government) in Bangladesh	9,619,482,825	8,651,840,575
Claims on corporate	176,839,593,607	182,028,631,866
Claims on SME	3,595,142,660	4,468,170,810
Claims Under Credit Risk Mitigation	10,540,855,689	10,681,527,969
Claims on consumer	1,635,089,159	1,469,566,253
Claims fully secured by residential property	608,624,698	754,461,673
Past due Claims	3,186,864,798	2,138,644,580
Fixed assets	850,890,905	774,813,312
All other assets	3,323,751,066	9,851,445,778
Total on-balance sheet items	288,575,435,513	331,187,684,464
Off-balance sheet items (after considering the credit conversion factor)	51,733,896,479	60,430,767,287
Total	340,309,331,992	391,618,451,751

Geographical distribution of credit exposures

		Dhaka	Chattogram	Total BDT
2023				
Claims on sovereigns and central banks	25,607,981,402	1,075,990,353	26,683,971,755	
Claims on banks	21,264,613,088	-	21,264,613,088	
Investments	30,426,420,265	135,000	30,426,555,265	
Claims on Public Sector Entities (other than Government) in Bangladesh	9,619,482,825	-	9,619,482,825	
Claims on corporate	174,302,173,165	2,537,420,442	176,839,593,607	
Claims on SME	3,595,142,660	-	3,595,142,660	
Claims Under Credit Risk Mitigation	10,419,896,863	120,958,825	10,540,855,689	
Claims on consumer	1,398,619,018	236,470,141	1,635,089,159	
Claims fully secured by residential property	499,056,639	109,568,059	608,624,698	
Past due Claims	3,162,218,462	24,646,336	3,186,864,798	
Fixed assets	812,465,260	38,425,645	850,890,905	
All other assets	3,280,786,153	42,964,912	3,323,751,066	
Total on-balance sheet items	284,388,855,800	4,186,579,714	288,575,435,513	
Off-balance sheet items (after considering the credit conversion factor)	48,882,646,670	2,851,249,808	51,733,896,479	
Total	333,271,502,470	7,037,829,522	340,309,331,992	

		Dhaka	Chattogram	Total BDT
2022				
Claims on sovereigns and central banks	27,958,324,930	1,635,570,068	29,593,894,998	
Claims on banks	44,230,402,598	-	44,230,402,598	
Investments	36,544,196,052	88,000	36,544,284,052	
Claims on Public Sector Entities (other than Government) in Bangladesh	8,651,840,575	-	8,651,840,575	
Claims on corporate	177,813,712,590	4,214,919,276	182,028,631,866	
Claims on SME	4,468,170,810	-	4,468,170,810	
Claims Under Credit Risk Mitigation	10,559,057,290	122,470,679	10,681,527,969	
Claims on consumer	1,236,963,342	232,602,911	1,469,566,253	
Claims fully secured by residential property	612,350,940	142,110,733	754,461,673	
Past due Claims	2,055,350,803	83,293,777	2,138,644,580	
Fixed assets	722,955,102	51,858,209	774,813,311	
All other assets	9,813,551,747	37,894,032	9,851,445,779	
Total on-balance sheet items	324,666,876,779	6,520,867,685	331,187,684,464	
Off-balance sheet items (after considering the credit conversion factor)	55,507,346,695	4,923,420,592	60,430,767,287	
Total	380,174,223,474	11,444,228,277	391,618,451,751	

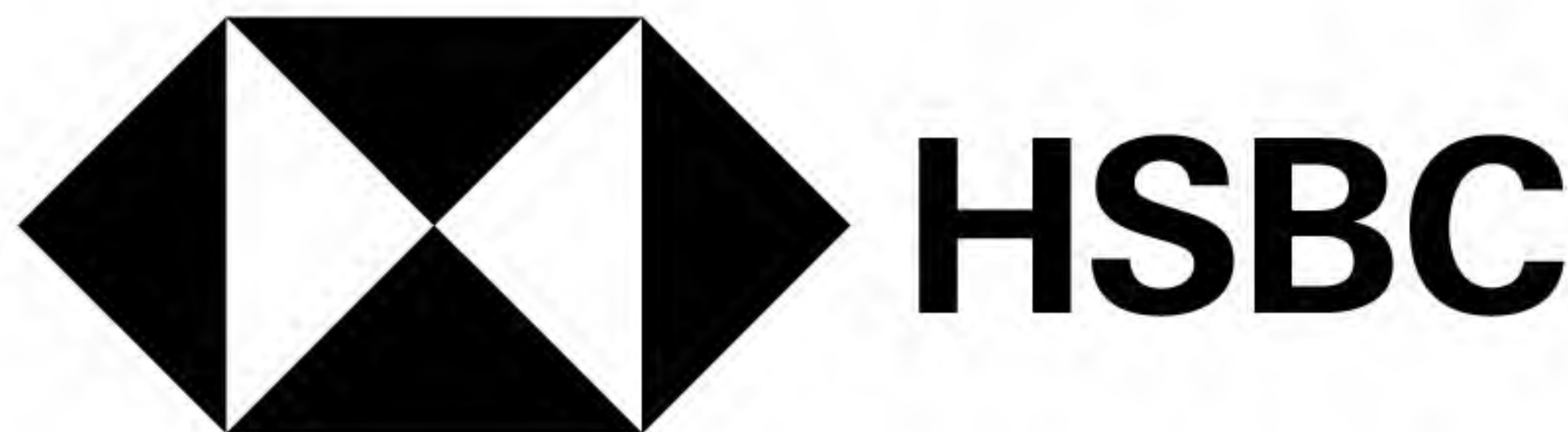
Industry distribution of credit exposures

2023	SME	POWER AND ENERGY	NON GOVERNMENT ORGANIZATION	CHEMICAL & PHARMACEUTICALS	NON-METALLIC MINERAL PRODUCTS	AGRICULTURE & AGRO PROCESSING
Claims on sovereigns and central banks	-	-	-	-	-	-
Claims on banks	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-
Claims on corporate	-	16,788,020,834	701,201,667	13,833,831,634	14,121,349,486	24,363,210,773
Claims on SME	3,595,142,660	-	-	-	-	-
Claims Under Credit Risk Mitigation	-	1,576,004,493	-	1,337,345,586	-	232,656,688
Claims on consumer	-	-	-	-	-	-
Claims fully secured by residential property	-	-	-	-	-	-
Past due Claims	-	359,785,465	-	-	-	-
Fixed assets	-	-	-	-	-	-
All other assets	-	-	-	-	-	-
Total Assets	3,595,142,660	18,723,810,791	701,201,667	15,171,177,220	14,121,349,486	24,595,867,471
Off-balance sheet items	-	-	-	-	-	-

2023	TEXTILE	TRADE	STEEL AND META	Banks & NBFI	READYMADE GARMENTS	Others	Total
Claims on sovereigns and central banks	-	-	-	-	-	-	-
Claims on banks	-	-	-	21,264,613,088	-	-	21,264,613,088
Investments	-	-	-	-	-	-	30,426,555,265
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-	9,619,482,825
Claims on corporate	38,628,841,533	886,413,707	5,001,784,435	-	40,361,628,732	22,063,310,807	176,839,593,607
Claims on SME	-	-	-	-	-	-	3,595,142,660
Claims Under Credit Risk Mitigation	1,407,493,502	-	-	-	1,959,572,315	4,027,783,094	10,540,855,689
Claims on consumer	-	-	-	-	-	-	1,635,089,159
Claims fully secured by residential property	-	-	-	-	-	-	608,624,698
Past due Claims	10,673,512	-	-	-	2,188,547,062	627,858,760	3,186,864,798
Fixed assets	-	-	-	-	-	-	850,890,905
All other assets	-	-	-	-	-	-	3,323,751,066
Total Assets	40,047,008,547	886,413,707	5,001,784,435	21,264,613,088	44,509,748,110	99,867,318,332	288,575,435,513
Off-balance sheet items	-	-	-	1,410,478,462	-	50,323,410,617	51,733,896,479

Industry distribution of credit exposures

2022	SME	POWER AND ENERGY	NON GOVERNMENT ORGANIZATION	CHEMICAL & PHARMACEUTICALS	NON-METALLIC MINERAL PRODUCTS	AGRICULTURE & AGRO PROCESSING
Claims on sovereigns and central banks	-	-	-	-	-	-
Claims on banks	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-
Claims on corporate	-	15,442,021,570	4,390,042,447	13,104,597,734	11,766,149,258	26,755,142,092
Claims on SME	4,468,170,810	-	-	-	-	-
Claims Under Credit Risk Mitigation	-	1,237,724,167	-	1,819,486,128	-	557,111,574
Claims on consumer	-	-	-	-	-	-
Claims fully secured by residential property	-	-	-	-	-	-
Past due Claims	-	-	-	-	573,126,030	550,107,830
Fixed assets	-	-	-	-	-	-
All other assets	-	-	-	-	-	-
Total Assets	4,468,170,810	16,679,745,736	4,390,042,447	14,924,083,862	12,339,275,287	27,862,361,496
Off-balance sheet items	-	-	-	-	-	-



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Bangladesh Branches

Maturity breakdown of credit exposures

2023	Within 1 month	Within 1 to 3 months	Within 3 to 12 months	Within 1 to 5 years	Over 5 years	Total BDT
Claims on sovereigns and central banks	22,190,957,661	-	-	-	4,493,014,094	26,683,971,755
Claims on banks	17,145,008,445	4,119,604,644	-	-	-	21,264,613,089
Investments	988,944,352	4,446,348,700	24,981,262,213	-	-	30,426,555,265
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	9,619,482,825	9,619,482,825
Claims on corporate	36,477,604,858	100,154,030,741	11,588,817,416	22,891,505,732	5,927,634,860	176,839,593,607
Claims on SME	1,021,666,667	2,573,475,993	-	-	-	3,595,142,660
Claims Under Credit Risk Mitigation	1,390,043,444	5,677,696,317	82,968,241	3,390,147,686	-	10,540,865,689
Claims on consumer	18,012,782	16,415,906	31,838,091	1,568,722,379	-	1,635,089,159
Claims fully secured by residential property	17,666,817	119,020	2,163,498	96,183,265	492,492,098	608,624,698
Past due Claims	3,186,864,798	-	-	-	-	3,186,864,798
Fixed assets	115,000	-	2,124,690	748,147,501	100,503,714	850,880,905
All other assets	390,002,606	100,079,733	467,942,219	1,766,791,254	598,935,253	3,323,751,066
Total on-balance sheet items	82,836,887,429	117,087,771,054	37,157,216,368	30,261,497,817	21,232,062,845	288,575,435,514
Off-balance sheet items	9,759,504,218	12,619,694,083	12,686,364,319	16,688,333,859	-	51,733,896,479
Total	92,596,391,647	129,707,465,137	49,843,580,687	46,929,831,676	21,232,062,845	340,309,331,992

2022	Within 1 month	Within 1 to 3 months	Within 3 to 12 months	Within 1 to 5 years	Over 5 years	Total BDT
Claims on sovereigns and central banks	25,367,108,876	-	-	-	4,226,786,122	29,593,894,998
Claims on banks	38,563,782,748	3,443,685,020	2,222,334,830	-	-	44,230,402,598
Investments	8,458,066,526	17,815,363,685	10,270,853,841	-	-	36,544,284,052
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	188,981,830	8,462,858,745	8,651,840,575
Claims on corporate	66,520,134,924	51,873,956,785	38,285,799,476	22,017,272,861	3,331,467,820	182,028,631,866
Claims on SME	1,366,827,556	2,866,185,893	235,357,361	-	-	4,468,170,810
Claims Under Credit Risk Mitigation	3,903,433,622	3,043,988,820	2,246,629,191	1,291,984,198	195,492,139	10,681,527,969
Claims on consumer	1,902,044	4,329,638	32,003,819	1,429,385,061	1,945,691	1,465,566,253
Claims fully secured by residential property	12,836,566	-	9,246,265	100,334,355	632,044,488	754,481,673
Past due Claims	2,138,644,580	-	-	-	-	2,138,644,580
Fixed assets	115,000	17,930	8,100,700	688,000,222	78,579,390	774,813,312
All other assets	6,101,287,645	2,736,355,113	306,049,844	306,908,767	760,844,410	9,851,445,778
Total on-balance sheet items	152,433,940,086	81,423,882,883	53,616,975,397	26,022,867,292	17,690,018,805	331,187,684,464
Off-balance sheet items	8,862,786,844	20,681,118,738	13,547,155,900	17,519,706,006	-	60,430,767,287
Total	161,116,726,930	102,105,001,621	67,164,131,297	43,542,573,298	17,690,018,805	391,618,451,751

Gross Non Performing Assets (NPAs)	2023 BDT	2022 BDT
Non Performing Assets (NPAs) to outstanding loans and advances	6,996,260,288	5,987,079,025

Movement of NPAs

Opening Balance	5,987,079,025	4,448,361,769
Written off during the period	(1,364,822,226)	(33,250,684)
Recoveries during the period	(59,606,291)	(84,103,332)
Addition during the period	2,433,609,779	1,656,071,272
Closing Balance	6,996,260,288	5,987,079,025

Movement of specific provision for NPAs

Opening Balance	4,307,651,175	2,693,566,266
Written off (net off recovery) during the period	(554,389,868)	6,486,437
Recoveries during the period	(402,247,322)	(36,398,062)
Provision made during the period	855,302,422	1,643,996,534
Closing Balance	4,206,316,407	4,307,651,175

6 Equities: Disclosures for banking book positions

The Bank has equity holdings of unquoted shares of BDT6,000,000 of Central Depository Bangladesh Limited. The Bank does not hold trading position in equities. (Refer to note- 8).

7 Interest rate risk in the banking books

Discussed in the next section under Market risk.

8 Market risk

Quantitative disclosures:

Market risk is the risk to the Bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities of those changes.

The Bank uses the standardised (market risk) approach to calculate market risk for trading book exposures. The trading book consists of positions in financial instruments held with trading intent or in order to hedge other elements of the trading book. A capital charge will be applicable for financial instruments which are free from any restrictive covenants on tradability, or able to be hedged completely. Generally, investments in 'Held for Trading' portfolios are focal parts of the trading book.

Capital charge means an amount of regulatory capital which the Bank is required to hold for an exposure to a relevant risk which, if multiplied by 10, becomes the risk-weighted amount of that exposure for that risk.

The Bank has a comprehensive treasury risk policy which inter alia covers assessment, monitoring and management of all the above market risks. The Bank has defined various internal limits to monitor market risk and is computing the capital requirement as per the standardised approach of Basel III.

Details of various market risks faced by the Bank are set out below:

Interest rate exposures

The Bank adopts the maturity method in measuring interest rate risk in respect of securities in the trading book. The capital charge for the entire market risk exposure is computed under the standardised approach using the maturity method and in accordance with guidelines issued by Bangladesh Bank.

Interest rate exposures in the banking book

Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. The immediate impact of changes in interest rates is on the Net Interest Income (NII). A long term impact of changing interest rates is on the Bank's net worth since the economic value of a Bank's assets, liabilities and off-balance sheet positions are affected by a variation in market interest rates. The responsibility of interest rate risk management rests with the Bank's Asset and Liability Management Committee (ALCO). The Bank periodically computes the interest rate risk on the banking book that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities. For the purpose of monitoring such interest rate risk, the Bank has in place a system that tracks the re-pricing mismatches in interest bearing assets and liabilities. For computation of the interest rate mismatches the guidelines of Bangladesh Bank are followed.

Foreign exchange risk

Foreign exchange risk is defined as 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 spot or forward, or a combination of the two, in an individual foreign currency. The responsibility of management of foreign exchange risk rests with the Markets and Securities Services (MSS) department of the Bank. The Bank has set up internal limits to monitor foreign exchange open positions. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank.

Equity position risk

The Bank does not hold a trading position in equities.

Quantitative disclosures:

The capital charge for various components of market risk is presented below:

The capital requirement for:

Interest rate risk	163,728,526	71,305,539
Equity position risk	-	-
Foreign exchange risk	402,238,984	123,521,202
Commodity risk	-	-
	565,967,510	194,826,741

9 Operational risk

Quantitative disclosures:

Operational Risk (also known as Non-financial risk) is the risk to achieving our strategy or objectives as a result of inadequate or failed internal processes, people and systems, or from external events. Sound operational risk management is central to achieving good outcomes for our customers. Operational risk is relevant to every aspect of our business and is broadly

managed through the risk management framework ('RMF') of HSBC group. Operational risk/non-financial risk covers a wide spectrum of risk areas, such as technology and cyber security, transaction processing, data risk, third party risk, facilities availability, safety and security, business interruption and incident risk, financial crime and fraud, regulatory compliance, financial reporting and tax risk, legal risk, model risk and people risk.

Organization and Responsibilities: The RMF sets out our approach to governance and risk appetite and sets the principles for our management of operational risks and associated controls. Progress has been made over the years in enhancing the framework and tools for strengthening the control environment and we will continue to improve practices in the management of nonfinancial risk. Non-financial risk is organised as a specific risk discipline within Global Risk. The Operational and Resilience Risk sub-function helps the business grow safely by driving governance and management of operational risk through the delivery and embedding of effective frameworks and policies. HSBC follows a 3 Lines of Defence (LoD) model to define roles and responsibilities within HSBC and activity to strengthen the first and second lines of defence continued to be a key focus to effectively manage operational risk. The first line of defence owns the risk and is accountable for identifying, assessing, managing key existing and emerging risks. The second line of defence sets the policy and control standards to manage risks, and provides advice and guidance to support these policies. It also challenges the first line to ensure it is managing risk effectively. The third line of defence is Global Internal Audit, which provides independent assurance to the Board and management that our risk management approach and processes are designed and operating effectively. The effectiveness of first line of defence risk and control owners, and second line of defence risk stewards in managing our Non-Financial Risk processes and practices is reported through Risk Management Meetings (RMMs) and Line of Business Risk Forums.

Measurement and Monitoring: The RMF is written as a high-level standard, supplemented by detailed policies. These policies explain our approach to identifying, assessing, monitoring and controlling non-financial risk, and give guidance on mitigating actions to be taken when weaknesses are identified. In order to drive risk awareness in a more forward looking manner, we set out our risk appetite and then regularly monitor nonfinancial risk exposure against that risk appetite. This assists management in determining whether further action is required. The first line of defence are responsible for maintaining an appropriate level of internal control, commensurate with the scale and nature of operations. They are responsible for identifying and assessing risks, designing controls and monitoring the effectiveness of these controls. The RMF helps managers to fulfil these responsibilities by defining a standard risk assessment methodology and providing a tool for the systematic reporting of operational loss data.

In line with the instructions from the Bangladesh Bank, the Bank uses the basic indicator approach to calculate its operational risk capital.

Risk and control assessment approach: Operational risk and control assessments are performed by the first line of defence. The risk and control assessment process is designed to provide the first line of defence with a view of operational risks, an assessment of the effectiveness of controls, and a tracking mechanism for action plans so that they can proactively manage nonfinancial risks within acceptable levels. Appropriate means of mitigation and controls are considered

Recording We use a Group-wide risk management system to record the results of our non-financial risk management process. Non-financial risk and control assessments, as described above, are input and maintained by the first line of defence. The first line of defence monitors and follows up the progress of documented action plans. Operational risk losses are entered into the risk management system and loss against appetite reported to governance on a monthly basis.

Quantitative disclosures:

	2023 BDT	2022 BDT
Capital charge for operational risk	2,918,004,406	2,434,889,989

10 Liquidity Ratio

Liquidity Risk is the risk that the bank does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at excessive cost. The risk arises from mismatch in the timing of cash flows.

The objective of liquidity framework is to allow the Bank to withstand severe stresses. It is designed to be adaptable to changing business modes, markets and regulatory guidelines. The liquidity risk management framework requires:

- liquidity to be managed by Bank on stand-alone basis with no reliance on the Bangladesh Bank;
- to comply with all regulatory limits;
- to maintain positive stressed cash flow;
- monitoring the contingent funding commitments;
- monitoring the structural term mismatch between maturing assets and liabilities;
- maintenance of robust and practical liquidity contingency plan;
- maintain diverse sources of funding and adequate back up lines.

Liquidity management of the Bank is centered on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) based on BASEL III. The Bank has Asset Liability Management (ALM) desk to manage this risk with active monitoring and management from MSS.

The Bank has adopted Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for liquidity risk management. LCR ensures that banks maintain enough high quality unencumbered liquid assets to meet its liquidity needs for 30 calendar day timeline whereas NSFR ensures availability of stable funding greater than required funding over a 1 year period.

Quantitative disclosures:

	2023 BDT	2022 BDT
Liquidity coverage ratio (%)	256.91%	196.34%
Net Stable Funding Ratio (%)	141.26%	140.84%
Stock of High quality liquid assets	114,513,097,999	92,378,615,682
Total net cash outflows over the next 30 calendar days	44,574,082,486	47,051,225,269
Available amount of stable funding	298,787,730,795	297,611,200,507
Required amount of stable funding	212,220,690,606	211,317,207,942

11 Leverage Ratio

Quantitative disclosures:

Leverage ratio is the ratio of tier 1 capital to total on- and off-balance sheet exposures. The leverage ratio was introduced into the Basel III framework as a non-risk based backstop limit, to supplement risk-based capital requirements.

In order to avoid building-up excessive on- and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by the Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives:

- constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- reinforce the risk based requirements with an easy to understand and a non-risk based measure.

The Bank has calculated the regulatory leverage ratio as per the guideline of Basel III. The numerator, capital measure is calculated using the definition of Tier I capital applicable from 01 January 2015. The denominator, exposure measure, is calculated on the basis of the Basel III leverage ratio framework as adopted by the Bangladesh Bank. The exposure measure generally follows the accounting value, adjusted as follows:

- on-balance sheet, non derivative exposures are included in the exposure measure net of specific provision;
- physical or financial collateral is not considered to reduce on-balance sheet exposure;
- loans are not netted with deposits;
- off-balance sheet items are converted into credit exposure equivalents through the use of credit conversion factors (CCFs). Depending on the risk category of the exposure a CCF of 20%, 50% or 100% is applied. Commitments that are unconditionally cancellable at any time by the bank without prior notice, a CCF of 10% is applied;
- item deducted from Tier I capital such as deferred tax assets.

Quantitative disclosures:

	2023 BDT	2022 BDT
Leverage ratio	11.31%	9.24%
On balance sheet exposure	371,969,821,338	376,686,893,401
Off balance sheet exposure	75,497,183,606	77,485,782,157
Total exposure	447,467,004,944	454,172,675,558

12 Remuneration

The Bank has a Group specified remuneration policy which is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people who are committed to maintaining a long-term career with HSBC and performing their role in the long-term interests of shareholders. The Group Remuneration Committee oversees the remuneration policy and are responsible for setting the overarching principles, parameters and governance framework of the remuneration policy. All members of the Committee are independent non-executive Directors of HSBC Holdings plc. The Committee periodically reviews the adequacy and effectiveness of the Group's remuneration policy and ensures that the policy meets the commercial requirement to remain competitive, is affordable, allows flexibility in response to prevailing circumstances and is consistent with effective risk management.

HSBC's reward strategy aims to reward success and be properly aligned with Bank's risk framework and related outcomes. In order to ensure alignment between remuneration and the Bank's business strategy, individual remuneration is determined through assessment of performance delivered against both annual and long term objectives summarised in performance scorecards as well as adherence to the HSBC Values of 'We value difference, We succeed together, We take responsibility and We get it done'. Altogether performance is judged, not only on what is achieved over the short and long term, but also on how it is achieved, as the latter contributes to the sustainability of the organisation.

HSBC's reward package consists of the following key elements:

Fixed Pay:

The purpose of the fixed pay is to attract and retain employees by paying market competitive pay for the role, skills and experience required for the business. This includes salary, fixed pay allowance, and other cash allowances in accordance with local market practices. These payments are fixed and do not vary with performance.

Benefits:

HSBC provides benefits in accordance with local and international market practice. This includes but is not limited to the provision of pensions, medical insurance, life insurance and relocation allowances etc.

Annual Incentive:

HSBC provides annual incentive to drive and reward performance based on annual financial and non-financial measures consistent with the medium to long-term strategy, shareholder interests and adherence to HSBC values. Awards can be in the form of cash and shares. A portion of the annual incentive award is deferred and vests over a period of 3 years. The Bank pays the incentive in the form of cash.

Under the remuneration framework remuneration decisions are made based on a combination of business results, performance against objectives set out in performance scorecards, general individual performance of the role and adherence to the HSBC values, business principles, Group risk-related policies and procedures and Global Standards.

Key features of HSBC's remuneration framework include:

- assessment of performance with reference to clear and relevant objectives set within a performance scorecard framework;
 - a focus on total compensation (fixed plus variable pay) with variable pay (namely annual incentive and the value of long term incentives) differentiated by performance and adherence to HSBC values;
 - the use of discretion to assess the extent to which performance has been achieved; and
 - deferral of a significant proportion of variable pay into HSBC shares to tie recipients to the future performance of the Group and align the relationship between risk and reward.
- Within this framework, risk alignment of our remuneration structure is achieved through the following measures:
- Risk and compliance is a critical part of the assessment process in determining the performance of all employees, especially senior executives and identified staff and material risk takers. All employees are required to have risk measures in their performance scorecards, which ensure that their individual remuneration has been appropriately assessed with regard to risk.
 - Adherence to HSBC values is a pre-requisite for any employee to be considered for variable pay. HSBC values are key to the running of a sound, sustainable bank. Employees have a separate HSBC values rating which directly influences their overall performance rating considered by the Committee for their variable pay determinations.
 - For our most senior employees, the greater part of their reward is deferred and thereby subject to clawback, which allows the awards to be reduced or cancelled if warranted.
 - The Group also carries out regular reviews to assess instances of non-compliance with risk procedures and expected behaviour. Instances of non-compliance are escalated for consideration in variable pay decisions, including adjustments and clawback of unvested awards granted in prior years. For identified staff and Material Risk Takers (MRTs), the Committee has oversight of such decisions.
 - All variable pay awards made to identified staff and material risk takers for the performance year in which they have been identified as MRTs are also subject to the Group Claw back Policy in accordance with the requirements in the Prudential Regulation Authority's Remuneration Code.

	2023 BDT	2022 BDT
Number of meetings held by the main body overseeing remuneration during the financial year	N/A	N/A
Remuneration paid to the main body overseeing remuneration during the financial year	N/A	N/A
Number of employees having received a variable remuneration award during the financial year	777	768
Guaranteed bonuses awarded during the financial year:		
Number of employee	831	838
Total amount of guaranteed bonuses	141,970,141	136,839,332
Sign-on awards made during the financial year:		
Number of employee	-	-
Total amount of sign-on awards	-	-
Severance payments made during the financial year:		
Number of employee	12	-
Total amount of severance payments	51,989,709	-
Total amount of outstanding deferred remuneration (in cash)	-	-
Total amount of deferred remuneration paid out in the financial year (Note 24)	15,643,722	13,404,684
Breakdown of amount of remuneration awards for the financial year:		
Fixed and variable	3,340,632,524	3,248,526,563
Variable pay (Note 24)		
Deferred	15,643,722	13,404,684
Non-deferred	553,485,389	446,136,490
	569,129,111	459,541,174