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AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, 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:

- 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;
- 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 of the Bank and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:
 - 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;
- 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;
- the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- 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;
- the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;
- adequate provisions have been made for loans and advances and other assets which are in our opinion, doubtful of recovery;
- the information and explanations required by us have been received and found satisfactory;
- we have reviewed over 80% of the risk weighted assets of the Bank and spent over 2,500-person-hours; and
- Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

sd/

DVC NO: 2504290770AS860164
Dhaka, 29 April 2025

Sabbir Ahmed FCA, Partner
ICAB Enrolment No: 770
Hoda Vasi Chowdhury & Co
Chartered Accountants
Firm Enlistment No: CAF-001-057

Balance Sheet as at 31 December 2024

	Notes	2024 BDT	2023 BDT
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	5	1,680,601,941	1,430,901,785
With Bangladesh Bank and its agent bank(s) (including foreign currencies)		19,408,599,293	25,253,069,970
		21,089,201,234	26,683,971,755
Balance with other banks and financial institutions			
In Bangladesh	6	82,262,903	94,550,260
Outside Bangladesh		6,642,134,949	7,308,307,159
		6,724,397,852	7,402,857,419

	Notes	2024 BDT	2023 BDT
Money at call on short notice	7	30,461,482,100	7,682,500,000
Investments	8		
Government securities		95,920,575,296	116,473,782,805
Others		6,000,000	6,000,000
		95,926,575,296	116,479,782,805
Loans and advances	9		
Loans, cash credits, overdrafts etc.		139,119,999,065	147,345,443,572
Bills purchased and discounted		50,157,561,388	69,744,702,291
		189,277,560,453	217,090,145,863
Fixed assets including premises, furniture and fixtures	10	770,831,284	850,890,905
Other assets	11	2,071,819,121	5,243,252,868
Non - banking assets		-	-
Total assets		346,321,867,340	381,433,401,615
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	12	32,474,106,053	82,827,672,425
Deposits and other accounts	13		
Current accounts and other accounts		95,500,211,308	92,113,847,208
Bills payable		5,952,872,902	4,534,226,511
Saving deposits		38,255,051,397	33,807,882,556
Term deposits		87,256,982,187	89,096,876,563
		226,965,117,794	219,552,832,838
Other liabilities	14	23,866,081,950	20,527,509,065
Total liabilities		283,305,305,797	322,908,014,328
Capital/shareholders' equity			
Fund deposited with Bangladesh Bank	15	4,395,378,331	4,044,976,737
Other reserves	16	3,577,414,811	2,363,240,965
Profit and loss account	17	55,043,768,401	52,117,169,585
Total shareholders' equity		63,016,561,543	58,525,387,287
Total liabilities and shareholders' equity		346,321,867,340	381,433,401,615
OFF BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements	18	31,371,343,613	55,383,768,825
Letters of guarantee		101,874,326,148	105,586,508,870
Irrevocable letters of credit		67,884,173,881	52,628,173,742
Foreign exchange contracts - Spot and Forward		8,165,646,671	665,818,026
Other Contingent liabilities		5,575,846,395	3,371,332,143
Total		214,871,336,708	217,635,601,606
Other commitments			
Undrawn formal standby facilities, credit lines and other commitments		208,730,080,850	237,833,656,075
Total		208,730,080,850	237,833,656,075
Total off balance sheet items		423,601,417,558	455,469,257,681

The annexed notes 1 to 33 form an integral part of these financial statements.

sd/-

Md Mahub ur Rahman
Chief Executive Officer, Bangladesh

As per our report of same date.

sd/

Jignesh Chetan Ruparel
Chief Financial Officer, Bangladesh

sd/

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

DVC NO: 2504290770AS860164
Dhaka, 29 April 2025



AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Bangladesh Branches

Profit and Loss Account for the year ended 31 December 2024

	Notes	2024 BDT	2023 BDT
Interest income	19	19,084,202,887	17,025,686,103
Interest paid on deposits and borrowings	20	(6,153,245,873)	(7,733,702,830)
Net interest income		12,930,957,014	9,291,983,273
Income from investments	21	9,920,164,784	8,064,732,870
Commission, exchange and brokerage	22	6,392,693,385	6,363,721,019
Other operating income	23	139,333,619	24,445,225
Total operating income		29,383,148,802	23,744,882,387
Salaries and allowances	24	3,442,772,489	3,291,137,987
Rent, taxes, insurance, electricity etc.		232,350,565	222,816,565
Legal and professional expenses	25	47,642,508	48,732,329
Postage, stamp, telecommunication etc.		66,925,814	54,189,390
Auditors' fee		1,150,000	1,150,000
Stationery, printings and advertisements etc.		200,942,795	204,900,474
Chief Executive Officer's salary and allowances		54,004,968	49,494,537
Depreciation, impairment and repair of Bank's assets	26	883,703,033	723,806,688
Other operating expenses	27	5,585,693,900	2,382,187,719
Total operating expenses		10,515,186,072	6,978,415,689
Profit before provision		18,867,962,730	16,766,466,698
Specific provision for classified loans and advances	14.4	1,319,746,776	453,055,100
General provision for unclassified loans and advances and off balance sheet exposures	14.4	(248,053,803)	(505,363,478)
Other provision		(1,755,860)	(4,952,510)
Total provision		1,069,937,113	(57,260,888)
Profit before tax		17,798,025,617	16,823,727,586

Tax			
Current year	14.6	6,574,911,543	7,128,445,831
Prior year		(717,969,632)	(212,875,706)
Deferred tax	14.3	1,079,733,587	(82,482,629)
		6,936,675,498	6,833,087,496
Profit after tax for the year	17	10,861,350,119	9,990,640,090

The annexed notes 1 to 33 form an integral part of these financial statements.

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

As per our report of same date.

DVC NO: 2504290770AS860164
Dhaka, 29 April 2025

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

Statement of Changes in Equity for the year ended 31 December 2024				
Particulars	Fund deposited with Bangladesh Bank (Note 15)	Other reserve (Note 16)	Profit and loss account (Note 17)	Total
	BDT	BDT	BDT	BDT
Balance at 01 January 2023	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)	-	(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)
Prior period adjustment	-	-	-	-
Profit remitted to head office	-	-	(1,133,139,055)	(1,133,139,055)
Balance at 31 December 2023	4,044,976,737	2,363,240,965	52,117,169,585	58,525,387,287
Revaluation of Foreign Currency	350,401,594	1,248,944,579	-	1,599,346,173
Net profit for the year	-	-	10,861,350,119	10,861,350,119
Unrealised interest on amortisation of HFT Securities (net of deferred tax assets/liabilities) realised	-	10,370,242	-	10,370,242
Actuarial gain/(loss) (net of deferred tax assets/liabilities)	-	(45,140,975)	-	(45,140,975)
Provision for Start-up Fund 2024	-	-	(108,613,501)	(108,613,501)
Prior years adjustment	-	-	(353,645,953)	(353,645,953)
Profit remitted to head office	-	-	(7,472,491,849)	(7,472,491,849)
Balance at 31 December 2024	4,395,378,331	3,577,414,811	55,043,768,401	63,016,561,543

Cash Flow Statement for the year ended 31 December 2024

	Notes	2024 BDT	2023 BDT
A Cash flow from operating activities			
Interest received		19,092,975,647	17,054,658,781
Interest paid		(6,841,194,440)	(7,151,058,820)
Dividends receipts		6,000,000	6,000,000
Commission, exchange and brokerage received		6,529,861,071	6,362,964,036
Other income		19,129,423	18,569,826
Cash paid to employees		(3,482,750,181)	(3,222,327,617)
Cash paid to suppliers		(388,535,987)	(1,249,824,526)
Cash paid for other operating expenses		(5,590,970,021)	(2,149,132,730)
Operating profit before changes in operating assets and liabilities		9,344,515,512	9,669,848,950
(Increase)/decrease of operating assets:			
Loans and advances to customers		27,812,585,409	8,519,823,340
Other assets		3,010,233,729	3,568,919,857
Increase/(decrease) of operating liabilities:			
Customers deposits		7,412,284,955	12,284,477,163
Borrowing from other banks and financial institutions		(50,353,566,372)	(27,658,356,487)
Other liabilities		2,925,550,750	263,682,402
		(9,192,911,529)	(3,021,453,725)
Cash receipt from operating activities		151,603,983	6,648,395,225
Advance income tax paid	14.6	(6,787,048,357)	(6,632,080,206)
Net cash receipt from operating activities		(6,635,444,374)	1,016,315,019

	Notes	2024 BDT	2023 BDT
B Cash flow from investing activities			
Income from investments		9,914,164,785	8,153,428,782
Investments made during the year		(319,737,322,868)	(77,810,445,695)
Proceeds from sale of investments		371,618,184,182	53,363,832,487
Purchase of property, plant and equipment	10	(204,719,107)	(355,648,897)
Proceeds from sale of property, plant and equipment		633,455	37,667,696
Net cash used in investing activities		61,590,940,447	(16,611,165,627)
C Cash flow from financing activities			
Cash remitted to head office	17	(7,472,491,849)	(1,133,139,055)
Net cash used in financing activities		(7,472,491,849)	(1,133,139,055)
D Net increase in cash and cash equivalents (A+B+C)			
		47,483,004,224	(16,727,989,663)
E Gain/(Loss) on revaluation of foreign currency deposited with Bangladesh Bank as capital and cash and cash equivalents			
	15	350,401,594	233,712,472
F Net increase in cash and cash equivalents (D+E)			
		47,833,405,818	(16,494,277,191)
G Opening cash and cash equivalents			
		104,445,343,060	120,939,620,251
H Closing cash and cash equivalents (F+G)			
	29	152,278,748,878	104,445,343,060

Notes to the Financial Statements as at and for the year ended 31 December 2024

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 which includes Corporate and Institutional Banking (CIB) and International Wealth and Premier Banking (IWPB). CIB Business includes Lending, Markets and Securities Services, Global Payments Solutions and Global Trade Solutions.

3 Basis of preparation

3.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Financial Reporting Council (FRC) under the Financial Reporting Act (FRA), 2015 and the directive of First schedule (sec-38) of the Bank Company Act, 1991 as amended therein 2007, 2013, 2018 and 2023, BRPD Circular no. 14 dated 25 June 2003, other Bangladesh Bank Circulars. In case any requirements of the Bank Company Act 1991 (as amended up to date), and provisions and circulars issued by Bangladesh Bank differ with those of IFRSs, the requirements of the Bank Company Act 1991 (as amended up to date), and provisions and circulars issued by Bangladesh Bank shall prevail.

As per BRPD Circular No. 02 dated 25 February 2019, financial statements of the bank have been prepared on a Solo basis from 2019 where OBU information has been included in equivalent Bangladeshi Taka (BDT) denomination. However, key financial statements of OBU have been provided in Annexures to the solo financial statements of the Bank. Bangladesh Bank issued Offshore Banking Act 2024 through FE Circular letter No. 01 dated 18 March 2024 and subsequently issued Guidelines for Offshore Banking Business of Scheduled Commercial Banks in Bangladesh in FE circular No. 11 dated January 30, 2025.

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

i) Presentation of financial statements

IFRS: As per IAS 1, financial statements shall comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity for the period, a statement of cash flows for the period and notes - comprising significant accounting policies and other explanatory information. As per IAS 1, the entity shall also present current and non-current assets and liabilities as separate classifications in its statement of financial position. In addition the entity also needs to present the details of classifications of the financial statements captions (i.e. current and non-current segment of asset and liabilities) on the main face of the financials.

Bangladesh Bank: Bangladesh Bank directed to present the financial statements in a prescribed format (i.e. balance sheet, profit and loss account, cash flow statement, statement of changes in equity, liquidity statement) and certain disclosures therein as guided by the First Schedule (section 38) of the Bank Company Act 1991 (as amendment up to date) and BRPD circular no. 14 dated 25 June 2003 and subsequent guidelines of Bangladesh Bank. In the prescribed format there is no option to present assets and liabilities under current and non-current classifications.

ii) 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.

iii) 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.

iv) 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.

However, as per DMD circular letter no. 07 dated 29 July 2012, non primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collateralised repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a borrowing, thereby, continuing to recognise the asset.

v) 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). 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.

BRPD Circular No. 15 dated 27 November 2024, Bangladesh Bank provided directives regarding Loan Classification and Provisioning which will supersede the instructions given in BRPD Circular No. 14/2012 and subsequent modifications through any circulars or circular letters. The circular will come into force from 1 April 2025. As part of its continuous efforts to enhance risk management capabilities of banks and strengthen the transparency of the financial reporting, Bangladesh Bank plans to implement Expected Credit Loss (ECL) methodology-based provisioning system for banks in accordance with International Financial Reporting Standard (IFRS 9) by 2027.

vi) 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.

vii) 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.

viii) 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.

ix) 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.

x) 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.

xi) 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.

xii) 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.

xiii) 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.

xiv) 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.

xv) 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.

xvi) 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.

xvii) 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 (vii).



AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Bangladesh Branches

3.2 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.

3.3 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.

3.4 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.

3.5 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 recognized 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 recognized in the financial statements are described below:

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

3.6 Cautionary Statements Regarding Forward-Looking Statements

The financial statements of 2024 contains certain forward-looking statements with respect to the financial condition, environmental, social and governance ('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 HSBC Group's (including the group's) environmental, social and governance ('ESG') ambitions, targets and commitments 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.

3.7 Reporting period

These financial statements cover one calendar year from 01 January 2024 to 31 December 2024. These financial statements are authorised for issue by Management of the Bank on 29 April 2025.

3.8 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.

3.9 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.

3.10 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

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:	2024	2023
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 professionals	2.00%	2.00%
Unclassified agricultural loans	1.00%	1.00%
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.

BRPD Circular No. 15 (27 November 2024), Bangladesh Bank provided directives regarding Loan Classification and Provisioning which will supersede the instructions given in BRPD Circular No. 14/2012 and subsequent modifications through any circulars or circular letters. The circular will come into force from 1 April 2025. As part of its continuous efforts to enhance risk management capabilities of banks and strengthen the transparency of the financial reporting, Bangladesh Bank plans to implement Expected Credit Loss (ECL) methodology-based provisioning system for banks in accordance with International Financial Reporting Standard (IFRS 9) by 2027.

As per BRPD Circular no. 58 (31 December 2024), Bangladesh Bank discontinued the obligation to maintain the provision under 'Special General Provision-Covid-19' which was enforced through BRPD Circular Letter No. 53 (22 December 2022). The provision previously maintained for Covid-19 can be transferred to the General and Specific Provisions maintained against Loans and Advances.

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 No. 04 dated (18 February 2024), 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 Special Credit Unit (SCU)/Credit Control Service (CCS) unit 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 SCU/CCS maintains a separate record for all individual cases written off by each branch. SCU/CCS 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
- Other Contingent liabilities

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 12 April 2022 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. As per IFRS 16 amendments, previously recognized 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 amortization 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 amortized, 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 recognized on the balance sheet. Upon lease commencement, a lessee recognizes 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 recognized assets and liabilities
- More lease expenses recognized 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. 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 recognized 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 Offsetting 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 recognized amounts and there is an intention to settle on a net basis, or realize 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 recognized 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 Interest suspense account instead of income account.

In accordance with BRPD Circular No. 15 (dated 27 November 2024), 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 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 recognized 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 recognized as revenue when the act is completed
- income earned from services provided is recognized as revenue

Exchange income

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

Dividend income

Dividend income is recognized 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 recognized 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 recognized in 'Shareholders' Equity' in the period in which they arise.

4.18 Operating expenses

- Salaries and allowances
- Advertising costs are amortized over the period during which the benefit of the advertising accrues.
- Depreciation
- Amortization of software
- 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 recognized in OBU.

Double Taxation Agreeemnet (DTA) has been in effect between Bangladesh and Hong Kong for the financial year 2024. Under the DTA, HSBC Bangladesh can claim 100% of Head office expense as Tax allowable expenditure instead of 10% of PBT which is mentioned in Income Tax Law 2023.

4.19 Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized 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 admissibility 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 recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. 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.



AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024 which have been duly adopted. 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 is effective from 1 January 2024.

Below are the new standards applicable from 2024:

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1);
- Supplier Finance Arrangement (Amendments to IAS 7 and IFRS 7); and
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

In addition, there are recent changes to the accounting standards that are required to be applied from 2025 onwards and also available for early adoption:

- Lack of Exchangeability (Amendments to IAS 21) (Effective from 1 January 2025)
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (Effective from 1 January 2026)
- IFRS 18 Presentation and disclosure in Financial Statements (Amendments of IAS 1) (Effective from 1 January 2027)

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 favor 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's are 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 Cash

Cash in hand (including foreign currencies)	2024 BDT	2023 BDT
Local currency	1,435,097,097	1,376,128,705
Foreign currencies	245,504,844	54,773,080
	1,680,601,941	1,430,901,785
(ii) Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)		
Bangladesh Bank - Local currency	10,822,983,170	14,562,786,530
Bangladesh Bank Amanah - Local currency	2,500,000	2,500,000
Standing Deposit Facility	4,000,000,000	-
Total - Local currency (Annexure - E)	14,825,483,170	14,565,286,530
Bangladesh Bank - Foreign currencies clearing accounts (Annexure - E)	4,583,116,123	10,687,783,440
	19,408,599,293	25,253,069,970
	21,089,201,234	26,683,971,755

5.1 Cash Reserve Ratio (CRR)

Pursuant to section 33 of Bank Company Act, 1991 (amended upto date), DOS circular no.1(19 January 2014), DOS Circular No 26 (19 August 2019), MPD circular no.1 (23 March 2020), MPD circular no. 03 dated 09 April 2020 (effective from 15 April 2020), and BRPD circular letter no. 31 dated 18 June 2020 issued by Bangladesh Bank, HSBC Bangladesh had been maintaining CRR of 3.5% and 1.5% on daily basis, and of 4.0% and 2.0% on bi-weekly basis for onshore banking operations (DBO) and offshore banking operations (OBO) respectively. CRR requirement is calculated on the basis of weekly average total demand and time liabilities (ATDTL) of a base month which is two months prior to the reporting month (i.e. CRR of December 2024 is maintained on the basis of weekly ATDTL of October 2024).

However, as per FE circular No:7 dated 29 February 2024, Banks are not required to maintain any Cash Reserve Ratio (CRR) with Bangladesh Bank for offshore banking operation. Reserve maintained by the bank as at 31 December 2024 are as follows:

Daily Basis: 3.50% and 1.50% of average total demand and time liabilities of onshore (including Amanah).	2024 BDT	2023 BDT
Required reserve		
- Onshore (including Amanah)	7,317,512,457	7,755,288,461
- Offshore	-	1,313,717,514
	7,317,512,457	9,069,005,975
Actual reserve held with Bangladesh Bank	10,619,288,401	14,661,905,656
Surplus	3,301,775,944	5,592,899,681

Bi-weekly Basis: 4.0% and 2.0% of average total demand and time liabilities of onshore (including Amanah).

Required reserve		
- Onshore (including Amanah)	8,362,871,379	8,863,186,812
- Offshore	-	1,751,623,352
	8,362,871,379	10,614,810,164
Bi-weekly average reserve held with Bangladesh Bank (Annexure - D)	11,388,157,286	14,220,666,170
Surplus	3,025,285,907	3,605,856,006

5.2 Statutory Liquidity Ratio (SLR)

Pursuant to section 33 of Bank Company Act, 1991 (amended upto 2023), MPD circular no. 1 dated 10 December 2013, DOS circular no. 1 dated 19 January 2014 and DOS circular letter no. 26 dated 19 August 2019, issued by Bangladesh Bank, HSBC Bangladesh has been maintaining SLR of 13% for onshore banking operations (DBO) & offshore banking operations (OBO) and 5.5% of Amanah Banking operation on daily average total demand and time liabilities (ATDTL) of a base month which is two months prior to the reporting month (i.e. SLR of December 2024 is based on weekly ATDTL of October 2024). Reserve maintained by the Bank as at 31 December 2024 is as follows:

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)	27,179,149,388	28,805,003,972
- Offshore	5,881,635,288	11,385,551,789
Total	33,060,784,676	40,190,555,761
Actual reserve held with Bangladesh Bank	103,857,413,658	121,951,393,986
Surplus	70,796,628,982	81,760,838,225

5.2.1 Breakdown of Actual reserve held for SLR

	2024 BDT	2023 BDT
Cash held	1,680,601,941	1,430,901,790
Excess cash reserve	2,256,417,021	4,047,095,492
Unencumbered approved securities (HTM)	56,114,989,304	30,426,169,165
Unencumbered approved securities (HFT)	39,805,405,392	86,047,227,540
Standing Deposit Facility	4,000,000,000	-
	103,857,413,658	121,951,393,986

6 Balance with other banks and financial institutions

In Bangladesh - current account

Sonali Bank PLC	588,815	588,815
United Commercial Bank PLC	1,188,175	1,035,850
Standard Chartered Bank	17,920,855	30,404,765
Pubali Bank PLC	49,895,870	49,911,790
	69,593,715	81,941,220

Short term deposit

Prime Bank PLC	7,500,668	7,500,275
United Commercial Bank PLC	5,168,520	5,108,765
	12,669,188	12,609,040
	82,262,903	94,550,260

Outside Bangladesh - current account

HSBC Hong Kong	272,100,767	434,259,256
HSBC Japan	22,410,631	38,437,481
HSBC Singapore	5,382,178	7,394,372
HSBC India	601,608,070	1,553,590,467
Credit Suisse AG Switzerland	476,882,396	224,825,709
HSBC UK	492,604,059	439,798,157
HSBC USA	3,280,437,559	3,537,613,341
SCB Pakistan	20,096,864	119,546,851
HSBC Sri Lanka	441,833	405,784
HSBC Australia	3,734,583	5,422,537
Royal Bank of Canada	2,821,627	6,056,191
HSBC France	1,463,328,868	940,952,742
HSBC Dubai	285,514	4,271
	6,642,134,949	7,308,307,159
	6,724,397,852	7,402,857,419

Details of Foreign currency amounts and exchange rates are presented in **Annexure-B**.

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

Current account (including foreign currency nostro)	6,711,728,664	7,390,248,379
Short term deposit account	12,669,188	12,609,040
	6,724,397,852	7,402,857,419

6.2 Maturity grouping of balance with other banks and financial institutions

Payable on demand	6,711,728,664	7,390,248,379
Payable within one month	12,669,188	12,609,040
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	-	-
	6,724,397,852	7,402,857,419

7 Money at call on short notice

	30,461,482,100	7,682,500,000
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8 Investments

Government Securities	8.1	95,920,575,296	116,473,782,805
Other*		6,000,000	6,000,000
		95,926,575,296	116,479,782,805

* Investment in 3,000,000 shares (including 2,400,000 bonus shares) in Central Depository Bangladesh Limited (CDBL) @ Tk 10 each. As per last audited financial statements of CDBL, book value per share is higher than the cost price of the investment.

8.1 Government Securities

Held to Maturity Securities (HTM)	8.1.1	56,114,989,304	30,426,169,165
Held for Trading Securities (HFT)	8.1.2	39,805,405,392	86,047,227,540
Prize bonds		180,600	386,100
		95,920,575,296	116,473,782,805

8.1.1 Held to Maturity Securities (HTM)

90 day Bangladesh Bank bills	6,331,034,905	-
91 day Treasury bills	49,783,954,399	-
364 day Treasury bills	-	30,426,169,165
	56,114,989,304	30,426,169,165

The cost value of HTM securities is BDT 55,538,672,682 (2023: BDT29,180,432,000). HTM securities liened as capital with Bangladesh Bank as of 2024 is BDT23,208,246,846 (2023: BDT25,106,878,050).

8.1.2 Held for Trading Securities (HFT)

90 days Bangladesh Bank bills	10,762,405,860	-
91 day Treasury bills	27,126,091,927	62,675,627,786
182 day Treasury bills	-	17,204,703,950
364 day Treasury bills	1,916,907,605	6,166,895,804
	39,805,405,392	86,047,227,540

The cost value of HFT securities is BDT 39,325,557,495 (2023: BDT84,963,434,837).

8.2 Maturity grouping of investments

Payable on demand	180,600	4,998,875,417
Payable within one month	25,008,665,869	11,281,437,668
More than one month but less than three months	70,911,728,827	69,045,311,703
More than three month but less than one year	-	31,148,158,017
More than one year but less than five years	-	-
More than five years	6,000,000	6,000,000
	95,926,575,296	116,479,782,805

9 Loans and advances

	2024 BDT	2023 BDT
Loans, cash credits, overdrafts:		
In Bangladesh:		
Staff loans	1,459,242,210	1,425,847,836
Home mortgage loans	523,437,987	616,076,582
Car loans	7,097,705	6,835,244
Personal loans	1,460,895,132	1,765,445,439
Overdraft- Retail	184,298,593	243,064,824
Overdraft- Corporate	5,447,782,553	4,953,869,314
Term loans	46,949,041,246	46,302,478,722
Import loans	29,549,848,745	32,932,394,381
Export Loans	3,767,457,333	3,687,001,929
Working capital	49,770,897,561	55,412,429,301
	139,119,999,065	147,345,443,572
Bills purchased and discounted (note 9.11)	50,157,561,388	69,744,702,291
	189,277,560,453	217,090,145,863

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

Payable on demand	4,361,189,109	10,487,128,643
Payable within one month	28,328,879,883	35,647,072,166
More than one month but less than three months	56,875,472,274	62,860,963,421
More than three months but less than one year	51,344,942,625	62,595,566,355
More than one year but less than five years	35,059,445,882	28,018,686,763
More than five years	13,307,630,680	17,480,728,515
	189,277,560,453	217,090,145,863

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	10,572,210	11,392,749
Advances to other senior executives and staff of the Bank	1,448,669,999	1,414,455,087
Advances to customers' group	85,650,586,883	108,995,520,689
Industrial advances	102,167,721,361	106,668,777,337
	189,277,560,453	217,090,145,862

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	15	18
Amount of outstanding advances	67,920,797,617	84,681,843,462
Large Loan Outstanding		
Total Funded Large Loan Outstanding	67,920,797,617	84,681,843,462
Total Non-Funded Large Loan Outstanding	31,284,241,772	35,132,437,601
Total large Loan Outstanding	99,205,039,389	119,814,281,063
Total Funded Outstanding (A)	189,277,560,453	217,090,145,862
Total Non Funded Outstanding	201,129,843,644	213,598,451,438
Total Non Funded Outstanding eligible for Large Loan calculation (B)	99,635,257,217	105,814,874,813
Total Funded Outstanding & Eligible Non Funded Outstanding (A+B)	288,912,817,670	322,905,020,675
Large Loan Ratio	34.34%	37.11%

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

	4,539,947,189	6,150,918,967
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9.5 Loans and advances including bills purchased and discounted

Loans	183,645,479,306	211,893,211,724
Overdrafts	5,632,081,147	5,196,934,138
	189,277,560,453	217,090,145,862

9.6 Particulars of loans and advances: industry-wise classification

Readymade garments	43,564,961,165	48,458,793,518
Textile industries	43,661,337,648	40,046,817,587
Agriculture and agro processing	21,990,802,420	23,440,418,304
Steel and metal	4,534,123,966	5,001,784,435
Trade	697,402,614	986,413,707
Chemical and pharmaceuticals	22,625,334,998	15,171,177,220
Cement industries	4,394,122,443	7,191,432,535
Telecommunication	-	1,680,741,573
Non Government Organization (NGO)	6,045,192,400	5,451,793,493
Power and energy	14,928,912,801	18,849,279,724
Retail loans	2,174,825,103	2,631,422,088
Staff loans	1,425,242,210	1,425,847,836
Others	23,201,302,685	46,754,223,841
	189,277,560,453	217,090,145,861

9.7 Classification of loans and advances

Unclassified:		
Standard	185,607,112,669	209,727,126,002
Special Mention Account	474,734,894	366,759,572
	186,081,847,563	210,093,885,574

Classified:		
Substandard	301,740,237	1,297,873,846
Doubtful	11,003,932	699,085,105
Bad/Loss	2,882,968,721	4,999,301,337
	3,195,712,890	6,996,260,288
	189,277,560,453	217,090,145,862

9.8 Particulars of loans and advances

i) Loans considered good in respect of which the Bank is fully secured;	66,993,690,665	47,053,374,753
ii) Loans considered good against which the Bank holds no security other than the debtor's personal guarantee;	119,088,156,897	163,



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9.9 Geographical analysis of loans and advances	2024 BDT	2023 BDT
Dhaka division	176,062,657,829	206,657,792,493
Chattogram division	13,214,902,624	10,432,353,369
	<u>189,277,560,453</u>	<u>217,090,145,862</u>

9.10 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 2024 to 31 December 2024, 97.6% (2023: 98.4%) 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% (2023: 100%) of those clients' statutory audit reports have been verified in DVS system.

9.11 Bills purchased and discounted		
Inside Bangladesh	3,972,243,344	3,144,665,141
Outside Bangladesh	<u>46,185,318,044</u>	<u>66,600,037,150</u>
	<u>50,157,561,388</u>	<u>69,744,702,291</u>

9.12 Maturity analysis of bills purchased and discounted		
Payable on demand	173,056,675	984,738,501
Payable within one month	9,426,919,997	20,890,457,155
More than one month but less than three months	18,285,005,800	22,087,063,433
More than three months but less than six months	17,201,294,624	16,731,412,462
More than six months	<u>5,071,284,292</u>	<u>9,051,030,740</u>
	<u>50,157,561,388</u>	<u>69,744,702,291</u>

10 Fixed assets including premises, furniture and fixtures					
2024	Furniture and fixtures	Equipment	Motor vehicles	Computers	Total
Cost	BDT	BDT	BDT	BDT	BDT
Balance as at 1 January	1,213,507,988	628,429,056	19,498,673	42,676,204	1,904,111,921
Addition during the year*	70,407,659	101,797,717	27,184,000	5,329,732	204,719,108
Disposals/adjustment*	(11,830,918)	(2,359,305)	-	-	(14,190,223)
Balance as at 31 December	<u>1,272,084,729</u>	<u>727,867,468</u>	<u>46,682,673</u>	<u>48,005,936</u>	<u>2,094,640,806</u>

Accumulated Depreciation and impairment charges					
Balance as at 1 January	580,859,903	426,094,020	19,498,673	26,768,419	1,053,221,015
Depreciation charge for the year*	180,940,857	93,320,782	1,812,267	7,550,564	283,624,470
Disposals/adjustments*	(10,685,725)	(2,350,238)	-	-	(13,035,963)
Balance as at 31 December	<u>751,115,035</u>	<u>517,064,564</u>	<u>21,310,940</u>	<u>34,318,983</u>	<u>1,323,809,522</u>
Net book value as at 31 December 2024	<u>520,969,694</u>	<u>210,802,904</u>	<u>25,371,733</u>	<u>13,686,953</u>	<u>770,831,284</u>

2023	Furniture and fixtures	Equipment	Motor vehicles	Computers	Total
Cost	BDT	BDT	BDT	BDT	BDT
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	<u>1,213,507,988</u>	<u>628,429,056</u>	<u>19,498,673</u>	<u>42,676,204</u>	<u>1,904,111,921</u>
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	<u>580,859,903</u>	<u>426,094,021</u>	<u>19,498,673</u>	<u>26,768,419</u>	<u>1,053,221,016</u>
Net book value as at 31 December 2023	<u>632,648,085</u>	<u>202,335,035</u>	<u>-</u>	<u>15,907,785</u>	<u>850,890,905</u>

11 Other assets	2024 BDT	2023 BDT
Classification of other assets		
a) Income generating other assets	-	-
b) Non-income generating other assets		
Stamp in hand	2,638,386	4,172,759
Intangible assets (note 11.2)	<u>223,810,629</u>	<u>19,233,384</u>
Other debtors (note 11.3)	83,787,093	2,874,130,216
Deferred tax	-	484,544,861
Rent paid in advance	4,616,953	5,249,183
Other prepayments	93,681,804	94,927,208
Refundable deposits	11,087,933	5,960,614
Accrued interest receivable from Bangladesh Bank	188,907,290	199,486,527
Interest on balance with other banks and financial institutions	6,330,616	4,524,139
Commission receivable	31,705,886	53,155,451
Receivable from Bangladesh Bank for reimbursement of Sanchayapatra	219,094,750	184,887,556
Net surplus asset of defined benefit schemes (Note 24.2.1)	284,815,043	360,049,989
Unrealised gain on foreign exchange contracts	88,252,723	1,941,976
Right of use assets as per IFRS 16 (note 11.1)	833,090,014	950,989,005
	<u>2,071,819,121</u>	<u>5,243,252,868</u>

11.1 Right of use assets as per IFRS 16		
Cost		
Balance as at 1 January	1,662,216,439	1,249,316,072
Addition	145,119,996	461,781,561
De-recognition	(60,643,399)	(48,881,194)
Balance as at 31 December	<u>1,746,693,036</u>	<u>1,662,216,439</u>
Accumulated Depreciation		
Balance as at 1 January	711,227,434	85,773,295
Depreciation/ Interest expenses/adjustments*	231,147,420	630,641,802
De-recognition	(28,771,832)	(5,187,663)
Balance as at 31 December	<u>913,603,022</u>	<u>711,227,434</u>
Net book value as at 31 December	<u>833,090,014</u>	<u>950,989,005</u>

In addition to the above, short term lease expenses of BDT 699,503 (2023: BDT 681,614) is reported under Other operating expenses in profit and loss account (Note 27).

* This includes one off restoration adjustments for leases as per IFRS16. The restoration expense is related from 2016 to till date.

11.2 Intangible assets		
Cost		
Balance as at 1 January	86,551,756	68,518,180
Acquisition during the year	223,622,385	18,033,576
Disposals/adjustment	(367,500)	-
Balance as at 31 December	<u>309,806,641</u>	<u>86,551,756</u>
Accumulated amortisation		
Balance as at 1 January	67,318,373	60,494,302
Charge for the year	18,677,639	6,824,071
Disposals/adjustment	-	-
Balance as at 31 December	<u>85,996,012</u>	<u>67,318,373</u>
Net book value as at 31 December	<u>223,810,629</u>	<u>19,233,383</u>

11.3 Other debtors		
Transitory suspense related to ATM	18,540,711	15,413,112
Trade payment related suspense account	-	2,797,500,998
Others	<u>65,246,382</u>	<u>61,216,106</u>
	<u>83,787,093</u>	<u>2,874,130,216</u>

12 Borrowings from other banks, financial institutions and agents	2024 BDT	2023 BDT
In Bangladesh:		
Borrowings from Bangladesh Bank (note 12.1)	<u>8,213,502,990</u>	<u>16,067,556,438</u>
	<u>8,213,502,990</u>	<u>16,067,556,438</u>
Outside Bangladesh:		
HSBC Hong Kong	24,243,060,490	66,741,449,634
Other deposits-vostro account (note 12.2)	<u>17,542,573</u>	<u>18,666,353</u>
	<u>24,260,603,063</u>	<u>66,760,115,987</u>
	<u>32,474,106,053</u>	<u>82,827,672,425</u>

12.1 Borrowings from Bangladesh Bank		
Export Development Fund	8,213,502,990	16,067,556,438
	<u>8,213,502,990</u>	<u>16,067,556,438</u>

12.2 Other deposits - Vostro account		
Outside Bangladesh:		
HSBC Bank plc	16,599,946	17,708,726
HSBC Singapore	<u>942,627</u>	<u>957,627</u>
	<u>17,542,573</u>	<u>18,666,353</u>

12.3 Classification of borrowing based on type of security		
Secured	-	-
Unsecured	32,474,106,053	82,827,672,425
	<u>32,474,106,053</u>	<u>82,827,672,425</u>

12.4 Maturity grouping of borrowings from other banks, financial institutions and agents		
Payable on demand	791,304,248	34,239,878
Payable within one month	1,582,608,497	6,047,534,337
More than one month but less than three months	1,297,359,566	7,183,235,888
More than three months but less than one year	8,394,003,742	8,684,337,322
More than one year but less than five years	<u>20,408,830,000</u>	<u>60,878,325,000</u>
	<u>32,474,106,053</u>	<u>82,827,672,425</u>

13 Deposits and other accounts		
Current deposits and other accounts		
Current account	76,400,589,984	65,242,884,757
Sundry deposits*	<u>19,099,621,324</u>	<u>26,870,962,451</u>
	<u>95,500,211,308</u>	<u>92,113,847,208</u>
Bills payable		
Cashiers order issued	974,379,694	592,926,680
Drawings payable	<u>4,978,493,208</u>	<u>3,941,299,831</u>
	<u>5,952,872,902</u>	<u>4,534,226,511</u>
Saving deposits	38,255,051,397	33,807,882,556
Term deposits		
Short term deposits	25,593,437,298	23,997,339,551
Fixed deposits	<u>61,663,544,889</u>	<u>65,099,537,012</u>
	<u>87,256,982,187</u>	<u>89,096,876,563</u>
	<u>226,965,117,794</u>	<u>219,552,832,838</u>

* Sundry deposits include BDT 215,389,269 which was unclaimed for more than 10 years as of 31 December 2024 (2023: BDT180,083,590). As per BRPD circular No. 10 (12 September 2018) unclaimed deposits for 10 years or more are required to be deposited to the Bangladesh Bank by April of the following year. Accordingly, the unclaimed amount will be deposited to Bangladesh Bank by April 2025.

13.1 Maturity analysis of deposits and other accounts		
Payable on demand	21,257,648,839	17,230,859,123
Payable within one month	25,351,878,421	30,575,376,118
More than one month but less than three months	37,196,647,942	45,007,653,471
More than three months but less than one year	112,075,259,433	99,483,622,208
More than one year but less than five years	<u>31,083,683,159</u>	<u>27,255,321,918</u>
	<u>226,965,117,794</u>	<u>219,552,832,838</u>

14 Other liabilities		
Accrued interest on customer deposits and borrowings	881,080,788	1,569,029,355
Deferred income	342,071,131	226,353,010
Provisions for liabilities and charges (note 14.2)	2,208,847,521	1,239,517,847
Other creditors	1,626,621,825	1,277,242,748
Items in course of transmission	437,352,822	141,926,739
Provision for loans and advances and off balance sheet exposures (note 14.4)	5,255,766,471	7,869,146,159
Interest suspense account (note 14.5)	562,173,609	1,130,459,563
Interest received on non performing advances	756,089,028	484,618,614
Provision for taxation (note 14.6)	2,696,183,100	3,671,380,948
Deferred tax (note 14.3)	1,758,283,909	-
Provision for start-up fund	359,202,699	250,589,198
Payable to Head Office	6,051,958,668	1,682,372,757
Unrealised loss on foreign exchange contracts	6,438,795	24,492
Leasehold Liabilities under IFRS-16 (14.1)	878,921,584	984,847,635
	<u>23,866,081,950</u>	<u>20,527,509,065</u>

14.1 Leasehold Liabilities under IFRS-16		
Balance as at 1 January	984,847,633	1,200,473,405
Addition	29,898,650	68,716,886
Depreciation/ Interest expenses	103,943,271	109,946,540
De-recognition	(5,373,248)	(169,352,217)
Lease payment	<u>(234,394,722)</u>	<u>(224,936,980)</u>
Net book value as at 31 December	<u>878,921,584</u>	<u>984,847,633</u>

14.2 Provision for liabilities and charges		
Balance as at 1 January	1,239,517,847	1,244,247,462
Net charge to profit and loss account	1,058,932,483	255,686,397
Net release of provision	(89,602,809)	(260,416,012)
Balance as at 31 December	<u>2,208,847,521</u>	<u>1,239,517,847</u>

14.3 Deferred tax asset/(liabilities)	31 December 2024	31 December 2023
Balance at 1 January	484,544,862	752,219,307
Deferred tax expense (recognised in profit or loss)	14.3.1 (1,079,733,587)	82,482,629
Deferred tax income (recognised in OCI)	14.3.1 (809,449,231)	(350,157,074)
Prior period Adjustment for Net employee benefit (Gratuity)	(353,645,953)	-
Balance at 31 December	1,758,283,909	484,544,862

14.3.1. Movement in deferred tax balances						
2024	Balance as at 31 December					
BDT	Net balance at 1 January	Recognised in profit/(loss)	Recognized in Reserve	Deferred tax assets	Deferred tax liabilities	Net
Specific provisions on loans and advances	1,650,146,490	(934,224,228)		- 715,922,262	- 715,922,262	
Fixed assets	214,347,889	32,023,848		- 246,371,737	- 246,371,737	
Right of Use Assets (IFRS 16)	(380,395,602)	47,159,595			- (333,236,007)	(333,236,007)
Lease Liability (IFRS 16)	570,961,324	(219,392,690)		351,568,634	- 351,568,634	

Intangible assets	4,978,738	(5,300,112)	-	-	(321,374)	(321,374)
Net employee benefit (Gratuity)	209,625,954		30,093,982	-	(113,926,017)	(113,926,017)
Foreign exchange translation	(1,785,119,931)	-	(832,629,719)	-	(2,617,749,650)	(2,617,749,650)
Unrealised interest on revaluation of HFT securities	-	-	(6,913,494)	-	(6,913,494)	(6,913,494)
Net deferred tax assets/(liabilities)	484,544,862	(1,079,733,587)	(809,449,231)	1,313,862,633	(3,072,146,542)	(1,758,283,909)

2023	Net balance at 1 January	Recognised in profit/(loss)	Recognized in Reserve	Deferred tax assets	Deferred tax liabilities	Net
BDT						
Specific provisions on loans and advances	1,681,802,947	(31,656,457)		-1,650,146,490		-1,650,146,490
Fixed assets	116,822,718	97,525,171		-	214,347,889	-
Right of Use Assets (IFRS 16)	(465,417,111)	85,021,509		-	(380,395,602)	(380,395,602)
Lease Liability	645,532,723	(74,571,399)		-	570,961,324	-
Intangible assets	(1,185,068)	6,163,806		-	4,978,738	-
Net employee benefit (Gratuity)	296,998,354	-	(87,372,400)	209,625,954		-
Foreign exchange translation	(1,296,346,254)		(488,773,677)		(1,785,119,931)	(1,785,119,931)
Unrealised interest on amortisation of HTM securities	(225,989,003)		-	225,989,003		-
Unrealised interest on revaluation of HFT securities	-		-	-	-	-
Net deferred tax assets/(liabilities)	752,219,307	82,482,629	(350,157,074)	2,650,060,395	(2,165,515,533)	484,544,862

14.3.2. Computation of deferred tax					
2024					
	Accounting base	Tax base	"Deductible/ (taxable)" temporary difference	Applicable tax rate	Deferred tax asset/(liability)
BDT					
Specific provisions on loans and advances	(1,789,805,654)	-	1,789,805,654	40.0%	715,922,262
Fixed assets	770,831,284	1,386,760,627	615,929,343	40.0%	246,371,737
Right of Use Assets (IFRS 16)	833,090,017	-	(833,090,017)	40.0%	(333,236,007)
Lease Liability	(878,921,584)	-	878,921,584	40.0%	351,568,634
Intangible assets	223,810,630	223,007,196	(803,434)	40.0%	(321,374)
Net employee benefit (Gratuity)	284,815,043	-	(284,815,043)	40.0%	(113,926,017)
Foreign exchange translation	6,544,374,125	-	(6,544,374,125)	40.0%	(2,617,749,650)
Unrealised interest on amortisation of HTM securities	-	-	-	40.0%	-
Unrealised interest on revaluation of HFT securities	17,283,736		(17,283,736)	40.0%	(6,913,494)
	(6,005,477,597)	1,609,767,823	(4,395,709,774)		(1,758,283,909)



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14.5 Interest suspense account

	2024 BDT	2023 BDT
Balance as at 1 January	1,130,459,563	1,195,182,122
Recoveries during the year	(4,756,596)	(173,553,349)
Written off during the year	(850,494,737)	(436,791,760)
Provision made during the year	286,965,379	545,622,550
Balance as at 31 December	562,173,609	1,130,459,563

14.6 Provision for tax net of advance income tax paid

	2024 BDT	2023 BDT
Provision for tax		
Balance as at 1 January	7,433,978,619	5,698,206,439
Provision made during the year	6,574,911,543	7,128,445,831
Adjustments made during the year	(7,128,445,831)	(5,392,673,651)
Balance as at 31 December	6,880,444,331	7,433,978,619
Advance income tax paid		
Balance as at 1 January	3,762,597,671	3,310,315,410
Amount paid during the year	6,787,048,357	5,632,080,206
Adjustments made during the year	(6,410,474,797)	(5,179,797,945)
Balance as at 31 December	4,139,171,231	3,762,597,671
Net provision	2,741,273,100	3,671,380,948

14.7 Effective tax rate

Profit before taxation as per profit and loss account	17,798,025,617	16,823,727,586
Tax provisions	6,936,675,498	6,833,087,496
Effective tax rate	38.97%	40.62%

15 Capital

Opening Balance	4,044,976,737	3,811,264,265
Revaluation gain*	350,401,594	233,712,472
Closing Balance	4,395,378,331	4,044,976,737

* Funds deposited with Bangladesh Bank in USD 35,938,625 which is revaluated at year end exchange rate of 119.5 (2023: 109.75)

16 Other reserves

Unrealised interest on revaluation of HFT securities		
Opening balance	-	338,983,504
MTM reserve for HFT during this year	17,283,736	-
MTM reserve for HFT realised during this year	-	(564,972,507)
	17,283,736	(564,972,507)
Deferred tax assets/(liabilities) (note 14.3.1)	(6,913,494)	225,989,003
	10,370,242	(338,983,504)
	10,370,242	-
Actuarial gain/(loss):		
Opening balance	(314,438,930)	(445,497,530)
Actuarial gain/(loss) during this year (note 24.2.3)	(75,234,957)	218,431,000
Deferred tax assets/(liabilities) (note 14.3.1)	30,093,982	(87,372,400)
	(45,140,975)	131,058,600
	(359,579,905)	(314,438,930)

Foreign Exchange Translation Reserve:

Opening balance	2,677,679,895	1,944,519,380
Translation gain/(loss) during this year	2,081,574,298	1,221,934,192
Deferred tax	(832,629,719)	(488,773,677)
	1,248,944,579	733,160,515
	3,926,624,474	2,677,679,895
	3,577,414,811	2,363,240,965

17 Profit and loss account

Opening balance	52,117,169,585	43,359,574,951
Profit for the year	10,861,350,119	9,990,640,090
Provision for Start-up Fund	(108,613,501)	(99,906,401)
Prior period adjustment	(353,645,953)	-
Profit remitted to head office	(7,472,491,849)	(1,133,139,055)
Closing balance	55,043,768,401	52,117,169,585

18 Contingent liabilities

Acceptances and endorsements	31,371,343,613	55,383,768,825
	31,371,343,613	55,383,768,825

Letters of guarantee:

Money for which the Bank is contingently liable in respect of guarantees given favouring Government	71,417,445,508	78,610,848,898
Bank and other financial institutions	3,628,123,186	3,016,447,285
Others	26,828,757,454	23,959,212,687
	101,874,326,148	105,586,508,870

Others

Irrevocable letters of credit	67,884,173,881	52,628,173,742
Foreign exchange contracts - spot and forward	8,165,646,671	665,818,026
Un-drawn formal standby facilities, credit lines and other commitments*	208,730,080,850	237,833,656,075
Others**	5,575,846,395	-
	290,355,747,797	291,127,647,843
	423,601,417,558	452,097,925,538

* 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 non-cancellable has been reported under other commitments as a component of off-balance sheet exposure.

** Others represents pending tax related cases at various stages of the legal procedure. These cases don't create any present obligation as of 31 Dec 2024. Accordingly, these are represented under Contingent liabilities.

19 Interest income

Staff loans	47,211,227	45,104,698
Home mortgage loans	54,238,146	68,707,519
Car loans	14,302	771
Personal loans	136,423,314	133,862,939
Overdraft	535,563,069	360,441,581
Term loans	3,820,110,919	2,971,338,827
Import loans	3,443,473,974	2,168,520,029
Working capital	6,839,320,132	5,000,456,327
Export and import bills	3,087,474,545	5,379,841,442
Money market	523,339,362	354,420,790
Other correspondent bank	93,948	1,144,261
Nostro accounts	306,080,438	284,326,011
Inter-group lending	43,019,224	50,225,942
Bangladesh Bank foreign currency account	247,840,287	207,294,966
	19,084,202,887	17,025,686,103

20 Interest on deposits and borrowings

Saving accounts	577,131,441	617,526,058
Term deposits	2,534,814,558	1,974,376,571
Marginal deposit	107,772,068	78,178,578
Interest paid on lease	103,943,271	109,946,539
Interest on vostro and overdrawn nostro	131,526	681,168
Money market call borrowing	-	8,463,837
Term borrowing from Bangladesh Bank	423,199,403	516,474,094
Borrowing from banks	2,369,131,656	4,421,926,985
Interest on repo	37,121,950	5,897,786
Interest on Euro currency clearing balance	-	231,214
	6,153,245,873	7,733,702,830

21 Income from investment

	2024 BDT	2023 BDT
Interest on treasury bills	9,828,091,388	7,997,469,868
Interest on Repo/ Standing Deposit Facility	86,073,396	61,263,002
Dividend on shares	6,000,000	6,000,000
	9,920,164,784	8,064,732,870

22 Commission, exchange and brokerage

Exchange income/loss	2,313,219,517	1,939,329,286
Commission income:		
Import LC	2,976,346,271	3,570,279,837
Export LC	428,059,288	407,762,292
Remittances	5,089,291	5,071,476
Account services	52,009,502	49,562,906
Credit facilities	310,039,366	163,911,391
Collection bills	6,600	13,551
Global custody	44,110,261	44,737,500
Other commissions and charges	329,475,890	335,508,098
	4,145,136,469	4,576,847,051
Commission paid	(65,662,601)	(152,455,318)
	4,079,473,868	4,424,391,733
	6,392,693,385	6,363,721,019

23 Other operating income

Profit/(loss) on disposals of fixed assets	(520,804)	5,875,399
Other income	139,854,423	18,569,826
	139,333,619	24,445,225

24 Salaries and allowances

Basic salary	1,886,307,236	1,731,525,895
Allowances	276,029,036	306,653,307
Bonus	769,524,654	711,099,252
Others	252,459,499	242,916,071
	3,184,320,425	2,992,194,525

Post employment benefits

Contribution to the defined benefit plan (note 24.1)	91,167,000	146,972,000
Contribution to the defined contribution plan	167,285,064	151,971,462
	258,452,064	298,943,462
	3,442,772,489	3,291,137,987

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

Current service cost	138,838,000	165,833,000
Interest cost	(47,671,000)	(18,861,000)
Expected returns on plan assets	-	-
Past service cost	-	-
Contribution to the defined benefit plan	91,167,000	146,972,000

24.2 Defined benefit plans

The calculation of the net liability under the Bank's defined benefit plan is set out below together with the expected rates of return and plan assets used to measure the net defined benefit plan cost in each subsequent year.

Fair value of plan assets (note 24.2.2)		
Balance with Bank	1,877,620,043	1,943,242,000
	1,877,620,043	1,943,242,000
Defined benefit obligation (note 24.2.1)		
Present value of funded obligations	1,592,805,000	1,583,192,000
Present value of unfunded obligations	-	-
	1,592,805,000	1,583,192,000
Net assets/(liabilities)	284,815,043	360,050,000

24.2.1 Changes in the present value of defined benefit obligations

Balances as at 1 January	1,583,192,000	1,817,381,000
Current service cost	138,838,000	165,833,000
Interest cost	169,929,000	148,497,000
Actuarial (gains)/losses (Note: 24.2.3)	85,864,195	97,217,536
Experience (gains)/losses	(223,291,000)	(478,020,000)
Benefits paid	(161,727,195)	(167,716,536)
Balance as at 31 December	1,592,805,000	1,583,192,000

24.2.2 Changes in the fair value of plan assets

Balances as at 1 January	1,943,242,000	1,959,000,000
Expected returns on plan assets	217,000,000	167,358,000
Contributions by the Bank	91,167,000	146,972,000
Actuarial gains/(losses) (Note: 24.2.3)	(212,661,762)	(162,371,464)
Benefits paid	(161,727,195)	(167,716,536)
Balance as at 31 December	1,877,620,043	1,943,242,000

24.2.3 Summary of actuarial (gains)/losses

Actuarial (gains)/losses against defined benefit obligations (note 24.2.1)	85,864,195	97,217,536
Actuarial (gains)/losses against plan assets (note 24.2.2)	212,661,762	162,371,464
Net actuarial (gains)/losses	298,525,957	259,589,000
Experience (gains)/losses against defined benefit obligations (note 24.2.1)	(223,291,000)	(478,020,000)
Net experience (gains)/losses	(223,291,000)	(478,020,000)
Total actuarial (gains)/losses	75,234,957	(218,431,000)

24.2.4 Post employment defined benefit plan's principal actuarial financial assumptions

Discount rate	12.6%	11.1%
Expected return on plan assets	7.0%	7.0%

25 Legal and professional expenses

Legal expenses	7,427,869	16,172,431
Other professional charges	40,214,639	32,559,898
	47,642,508	48,732,329

26 Depreciation, impairment and repair of Bank's assets

Repair and maintenance	350,253,504	354,292,995
Depreciation on fixed assets (note 10)	283,624,470	247,779,008
Depreciation of ROU assets (note 11.1)	231,147,420	114,910,614
Amortisation of intangible assets (note 11.2)	18,677,639	6,824,071
	883,703,033	723,806,688

27 Other operating expenses

Charitable donation	31,972,087	5,505,192
Subscription of corporate member fees	4,571,606	13,543,717
Training and entertainment expenses	67,741,450	72,716,446
Staff expenses	40,676,192	33,503,378
Outsourced service cost	113,914,529	82,256,279
Security expenses	65,957,352	59,276,100
Staff recruitment costs	3,042,502	2,471,330
Transportation and conveyance expenses	33,118,510	36,601,698
Generator, motor vehicles fuel and other charges	4,782,359	3,123,547
Central storage cost	44,378,478	48,893,737
Short term lease expenses	699,503	681,614
Other office expenses	149,815,534	91,185,556
Head office expense*	4,369,585,911	1,682,372,739
VAT on head office expense	655,437,887	250,056,386
	5,585,693,900	2,382,187,719

* Double Taxation Avoidance Agreement (DTAA) has been in effect between Bangladesh and Hong Kong from financial year 2024. Under the DTAA, HSBC Bangladesh is eligible to claim 100% of Head office expense and accordingly it is reflected in the financial statements.

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).

	2024 BDT	2023 BDT
Total Risk Weighted Assets (RWA) as on 31 December	203,143,054,784	211,772,857,778
12.50% of RWA under Basel III (including capital conservation buffer)	25,392,881,848	26,471,607,222
Required capital: the higher of 12.50% of RWA or BDT5 billion	25,392,881,848	26,471,607,222
Actual Capital maintained		
Common Equity Tier I		
Fund deposited with Bangladesh Bank (Note-15)	4,395,378,331	4,044,976,737
Profit & loss Account (Note-17)	55,043,768,401	52,117,169,585
Actuarial gain/(loss)	(359,579,905)	(314,438,930)
Less: Regulatory adjustment for Goodwill and all other intangible assets as per the Bangladesh Bank guideline	(223,489,256)	(19,233,384)
Less: Regulatory adjustment for Deferred tax assets as per the Bangladesh Bank guideline	(1,278,066,520)	(2,187,157,469)
Less: Regulatory adjustment due to WPPF	(6,344,226,142)	(3,050,873,018)
	51,233,784,909	50,590,443,522

Additional Tier I	-	-
Total Tier I	51,233,784,909	50,590,443,522

Tier II		
General provision	3,414,775,950	3,662,829,753
	3,414,775,950	3,662,829,753
Total capital	54,648,560,859	54,253,273,275
Surplus	29,255,679,011	27,781,666,053

% 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	25.22%	23.89%
Tier - I	25.22%	23.89%
Total	26.90%	25.62%

29 Cash and cash equivalents

Cash in hand	1,680,601,941	1,430,901,785
Balance with Bangladesh Bank	19,408,599,293	25,253,069,970
Balance with other banks and financial institutions	6,724,397,852	7,402,857,419
Money at call on short notice	30,461,482,100	7,682,500,000
Prize bonds	180,600	386,100
90 days Bangladesh Bank bills	17,093,440,766	-
91 day Treasury bills	76,910,046,326	62,675,627,786
	152,278,748,878	104,445,343,060

30 Amanah Banking

The Bank established an Islamic Banking Branch (Amanah branch) based on Islamic



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30.3 Amanah Assets and Liabilities Maturities Analysis as at 31 December 2024

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	-	-	-	-	-	-
Balance with Bangladesh Bank	2,500,000	-	-	-	-	2,500,000
Money at call on short notice	-	-	-	-	-	-
Investment	1,724,240	-	812,303	15,236,210	93,477,225	111,249,978
Other assets	-	-	-	293,618,205	-	293,618,205
Non-banking assets	-	-	-	-	-	-
Total assets	4,224,240	-	812,303	308,854,415	93,477,225	407,368,183
Liabilities						
Placement from other banks and financial institutions	-	-	-	-	-	-
Deposits and other accounts	2,340,138	-	-	-	-	2,340,138
Other liabilities (including capital/shareholders' equity)	-	-	22,876,631	382,151,413	-	405,028,045
Total liabilities	2,340,138	-	22,876,631	382,151,413	-	407,368,183
Net liquidity difference	1,884,101	-	(22,064,328)	(73,296,998)	93,477,225	-

30.4 (i) Amanah Cash Reserve Ratio (CRR):	2024	2023
Daily 3.50% of average total demand and time liabilities	BDT	BDT

Required reserve	85,212	164,812
Actual reserve held with Bangladesh Bank	2,500,000	2,500,000
Surplus	2,414,788	2,335,188

ii) Amanah Cash Reserve Ratio (CRR):		
Bi-weekly 4.00% of average total demand and time liabilities		

Required reserve	97,386	188,356
Bi-weekly average reserve held with Bangladesh Bank	2,500,000	2,500,000
Surplus	2,402,614	2,311,644

(iii) Amanah Statutory Liquidity Ratio (SLR):		
5.50% of average total demand and time liabilities		

Required reserve	133,910	258,990
Bi-weekly actual reserve held with Bangladesh Bank (Excluding Bi-weekly CRR)	2,402,614	2,311,644
Surplus	2,268,704	2,052,654

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 2024 (2023: 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 are disclosed in - i) Note 6: Balance with other banks and financial institutions and ii) 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 in 2024 amounted to BDT965,081,697 (2023: BDT653,571,967) and expense paid to these entities in 2024 amounted to BDT2,475,391,140 (2023: BDT4,559,906,046), both of which are 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 4.17: Employee benefits. There were no balances payable to these schemes or due from these schemes to the Bank as at the 2024 (2023: Nil). The total contribution to these schemes in 2024 by the Bank is disclosed in Note 24: Salaries and allowances.

The responsibility for fund management and administration of these schemes rests 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 2024 the provident fund had placed deposit of BDT63,000,373 (2023: BDT264,973,812) and the gratuity fund had placed deposits of BDT11,874,819,649 (2023: BDT1,942,529,871) 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 2024 amounted to BDT819,021 (2023: BDT355,901) and on deposit placed by the gratuity fund in 2024 amounted to BDT4,925,510 (2023: BDT4,947,283), 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 General

33.1 Reconciliation of books of accounts

The Bank maintains various nostro accounts in order to conduct operations in different currencies including BDT. As at 31 December 2024, the Bank has no unadjusted debit entries exceeding six months. As a result, there is no requirement of nostro provisioning (2023: nil) as per BRPD circular no 04 dated 12 April 2022.

33.2 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. The risk management systems of the Bank are disclosed below.

33.2.1 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 the members of the Executive Committee (EXCO), Asset Liability Committee (ALCO) and other Risk Related Function Heads to manage and oversee 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.

33.2.2 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 the knowledge of 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.

33.2.3 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.

33.2.4 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 CCO, CRCO and 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.

33.2.5 Prevention of money laundering and terrorist financing

HSBC is one of the 12 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 defense.

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 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 (CRCO) 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.

33.2.6 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 HSBC 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 Technology and Cyber Security Policy (approved by Executive Committee of the bank in Jun 2024) as per Bangladesh bank (BB) Information and Communication Technology (ICT) security guideline requirement. The bank also follows BB operational instructions/guidelines for changing/updating infrastructure and IT payments application components to comply regulatory ask. HSBC Bangladesh has DBS Steering Committee, Third Party Governance Forum (TPGF) to look after ICT and Cybersecurity related risk and controls, regulatory and legal requirement related to ICT 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 forum. Bank has obtained ISO-27001 certification for its IT and Cyber security function as recommended by BB. In November 2024, the ISO-27001 certificate has been further renewed for 3 years.

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.

33.2.7 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.

33.2.8 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, recognized 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.

33.3 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.

33.4 Exchange rates

The foreign currency income and expense items of Profit and Loss Statement for the year ended on 31 December 2024 have been converted to presentation currency using the year-to-date average conversion rate of USD/BDT @ 115.4996. The assets and liabilities of the Balance Sheet as at 31 December in foreign currencies have been converted to BDT at the following rates:

	2024 BDT	2023 BDT
USD 1 =	119.50000	109.75000
HKD 1 =	15.39681	14.05070
SGD 1 =	88.03919	83.09043
GBP 1 =	150.30710	139.45384
AUD 1 =	74.38875	74.67939
EUR 1 =	124.68630	121.27375
CHF 1 =	132.49071	130.64699
JPY 1 =	0.75693	0.77351
CAD 1 =	83.03224	82.82081
NOK 1 =	10.52076	10.78682
AED 1 =	32.53560	29.88183
CNY 1 =	16.33384	15.39422
DKK 1 =	16.71644	16.27011

33.5 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 2025:

Long-term AAA (2022: AAA)

Short-term ST - 1 (2022: 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.

33.6 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 2024, HSBC Bangladesh didn't have any risk category wise country exposures in its balance sheet and hence no provisions were required thereagainst.



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Bangladesh Branches

33.7 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. Hence based on the current available facts and considering our financial regulators' general position, management believes that the probability of a legal obligation for pay out of WPPF is low at the current stage and accordingly, no provision was 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 BDT 6,344,266,141 as of 31 December 2024 (BDT 5,454,324,861 as of 31 December 2023).

33.8 Non-Banking Asset (NBA)

As per BRPD Circular No. 22 (20 September 2021) on Policy for Non-Banking Asset (NBA), the 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 2024, HSBC does not hold any NBA (31 December 2023: nil).

33.9 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 (2023: 829)

33.10 The net amount of foreign currency exposure/position as at 31 December 2024 was BDT 4,725,400,590 (2023: BDT 4,013,248,046)

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

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

sd/
Md Mahbub ur Rahman
Chief Executive Officer, Bangladesh

sd/
Jignesh Chetan Ruparel
Chief Financial Officer, Bangladesh

DVC NO: 2504290770AS860164

Annexure - A						
(Assets and Liabilities Maturity Analysis) As at 31 December 2024						
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*	21,089,201,234	-	-	-	-	21,089,201,234
Balance with other banks and financial institutions (note 6.2)	6,724,397,853	-	-	-	-	6,724,397,853
Money at call on short notice (note 8.2)	30,461,482,100	-	-	-	-	30,461,482,100
Investment (note 8.2)	25,008,846,469	70,911,728,827	-	-	6,000,000	95,926,575,296
Loans and advances (note 9.1)	32,690,068,992	56,875,472,274	51,344,942,625	35,059,445,882	13,307,630,680	189,277,560,454
Fixed assets	-	45,152	8,728,350	642,457,996	119,599,786	770,831,284
Other assets	309,656,068	376,177,436	389,119,131	996,294,474	572,010	2,071,819,119
Non-banking assets	-	-	-	-	-	-
Total assets	116,283,652,716	128,163,423,689	51,742,790,106	36,698,198,353	13,433,802,476	346,321,867,340
Liabilities						
Borrowings from other banks and financial institutions (note 12.4)	2,373,912,745	1,297,359,566	8,394,003,742	20,408,830,000	-	32,474,106,053
Deposits and other accounts (note 13.1)	38,484,756,207	26,889,606,525	45,725,002,904	115,865,752,158	-	226,965,117,794
Other liabilities (including capital/shareholders' equity)	2,419,195,348	1,919,644,178	15,820,328,551	7,238,350,324	59,485,125,093	86,882,643,493
Total liabilities	43,277,864,299	30,106,610,270	69,939,335,197	143,512,932,482	59,485,125,093	346,321,867,340
Net liquidity difference	73,005,788,416	98,056,813,420	18,196,545,090	106,814,734,129	46,051,322,617	-

Annexure - B						
Balance with Other Banks and Financial Institutions - Outside Bangladesh (Note -6) As at 31 December 2024						
Bank Name	Currency name	2024		2023		Local currency
		Foreign currency	Rate	Foreign currency	Rate	
HSBC Hong Kong	HKD	1,389,229	15.3968	21,389,686	2,030,172	14.9507
HSBC Hong Kong Global ATM settlement account	HKD	694,597	15.3968	10,694,572	548,533	14.9507
HSBC Hong Kong Settlement account with HSBC Hong Kong	CNY	4,148,175	16.3338	67,755,625	20,392,455	15.3942
HSBC Japan	USD	1,441,514	119.5000	172,260,884	766,294	109.7500
HSBC Singapore	JPY	29,607,351	0.7569	22,410,631	49,692,045	0.7735
HSBC India	SGD	61,134	88.0392	5,382,178	88,992	83.0904
Credit Suisse AG Switzerland	USD	4,310,776	119.5000	515,137,756	13,389,401	109.7500
HSBC Bank PLC UK	CHF	3,599,365	132.4907	476,882,396	1,720,864	130.6470
HSBC Bank USA	GBP	3,277,317	150.3071	492,604,059	3,153,719	139.4538
SCB Pakistan	USD	27,451,360	119.5000	3,280,437,558	32,233,379	109.7500
HSBC Sri Lanka	USD	168,175	119.5000	20,096,864	1,089,265	109.7500
HSBC Bank Australia TT account	USD	3,697	119.5000	441,833	3,697	109.7500
HSBC Bank Australia DD account	AUD	49,757	74.3888	3,701,360	72,164	74.6794
Royal Bank of Canada	AUD	447	74.3888	33,224	447	74.6794
HSBC France	CAD	33,982	83.0322	2,821,627	73,124	82.8208
HSBC India	EUR	11,736,084	124.6863	1,463,328,868	7,758,915	121.2738
HSBC Dubai	EUR	693,503	124.6863	86,470,314	693,503	121.2738
Total	AED	8,775	32.5356	285,514	143	29.8818

Annexure - C				
Financial Highlights (Offshore) As at 31 December 2024				
SI No	Particulars	Currency**/percentage	2024	2023
1	Total assets	BDT	67,449,621,318	111,310,178,018
2	Total deposits	BDT	20,028,428,920	11,153,898,486
3	Total loans and advances	BDT	44,415,961,214	107,205,182,613
4	Total contingent liabilities and Other Commitments	BDT	33,105,039,263	45,347,177,501
5	Classified loans & advances	BDT	-	4,283,367,385
6	Classified advances as a percentage of total advances	%	0.00%	4.00%
7	Profit before tax	BDT	3,001,064,753	3,456,429,440
8	Profit after tax and provisions	BDT	1,922,556,769	1,957,050,603
9	Interest expenses	BDT	2,573,075,013	4,452,006,535
10	Interest bearing assets	BDT	67,174,540,526	101,625,421,643
11	Non interest bearing assets	BDT	5,123,923	13,417,407
12	Return on Assets (ROA)**	%	2.85%	1.63%

Key Financial Highlights (Solo) As at 31 December 2024			
[Figures in BDT]			
SI No	Particulars	2024	2023
1	Total assets	346,321,867,340	381,433,401,615
2	Total deposits	226,965,117,794	219,552,832,838
3	Total loans and advances	189,277,560,453	217,090,145,863
4	Total contingent liabilities and Other Commitments	423,601,417,558	455,469,257,681
5	Net interest income	12,930,957,014	9,291,983,273
6	Non interest income	16,452,191,788	14,452,899,114
7	Total operating income	29,383,148,802	23,744,882,387
8	Profit before tax and provisions	17,798,025,617	16,766,466,698
9	Profit after tax and provisions	10,861,350,119	9,990,640,090
10	Total capital including retained earnings	54,648,560,859	54,253,273,275
11	Surplus capital (above 12.5%)	29,255,679,011	27,781,666,053
12	Capital adequacy ratio (%)	26.90%	25.62%
13	Classified advances as a percentage of total advances (%)	1.69%	3.22%
14	Return on Investment (ROI)**	10.34%	7.93%
15	Return on Assets (ROA)**	3.14%	2.60%
16	Return on Equity (ROE)**	17.24%	18.58%

* 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

Annexure - D				
Bi weekly average balance of Bangladesh Bank statement for the month of December 2024				
[Figures in BDT]				
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-24	13,323,456,386	2,500,000	13,325,956,386	11,388,157,286
16-Dec-24	13,323,456,386	2,500,000	13,325,956,386	
17-Dec-24	11,064,547,562	2,500,000	11,067,047,562	
18-Dec-24	12,268,479,347	2,500,000	12,270,979,347	
19-Dec-24	9,910,239,609	2,500,000	9,912,739,609	
20-Dec-24	9,910,239,609	2,500,000	9,912,739,609	
21-Dec-24	9,910,239,609	2,500,000	9,912,739,609	
22-Dec-24	10,930,769,830	2,500,000	10,933,269,830	
23-Dec-24	12,483,590,598	2,500,000	12,486,090,598	
24-Dec-24	11,175,633,446	2,500,000	11,178,133,446	
25-Dec-24	11,175,633,446	2,500,000	11,178,133,446	
26-Dec-24	11,797,989,449	2,500,000	11,800,489,449	
27-Dec-24	11,797,989,449	2,500,000	11,800,489,449	
28-Dec-24	11,797,989,449	2,500,000	11,800,489,449	
29-Dec-24	11,452,342,883	2,500,000	11,454,842,883	
30-Dec-24	10,616,788,401	2,500,000	10,619,288,401	
31-Dec-24	10,616,788,401	2,500,000	10,619,288,401	

Annexure - E			
Reconciliation between Bangladesh Bank's statement and Bank's statement as at 31 December 2024			
In order to comply with the CRR and SLR requirements, the Bank considers the actual balances held with Bangladesh Bank according to their books of accounts. However, when preparing the statutory accounts the Bank considers the actual balances held with Bangladesh Bank according to the Bank's books of accounts. This results in reconciling differences between the Bank's statutory accounts and CRR and SLR requirements. The reconciling items relates to clearing of the following:			
- Bangladesh Bank cheques - Foreign currency demand drafts - Government bonds			
		As per Bangladesh Bank statement	As per Bank's general ledger
		BDT	BDT
Local currency		BDT	BDT
Bangladesh Bank Dhaka		10,166,285,279	10,372,480,048
Bangladesh Bank Chattogram		419,523,767	419,523,767
Bangladesh Bank Sylhet		30,979,354	30,979,354
Bangladesh Bank Amanah		2,500,000	2,500,000
		10,619,288,401	10,825,483,170
			(206,194,769)

Bank credited but Bangladesh Bank had not debited
Bank debited but Bangladesh Bank had not credited
Bangladesh Bank credited but Bank had not debited
Bangladesh Bank debited but the bank had not credited

	As per Bangladesh Bank statement	As per Bank's general ledger	Reconciling difference
Foreign currency	USD	USD	BDT
USD clearing account	38,620,230	34,624,634	4,137,643,714
Total	38,620,230	34,624,634	4,137,643,714
			3,995,597
Bank credited but Bangladesh Bank had not debited			43,234,894
Bank debited but Bangladesh Bank had not credited			(38,782,859)
Bangladesh Bank credited but Bank had not debited			36,554,311
Bangladesh Bank debited but the bank had not credited			(37,010,748)
			3,995,597

	As per Bangladesh Bank statement	As per Bank's general ledger	Reconciling difference
GBP clearing account	GBP	GBP	BDT
GBP clearing account	1,156,588	1,156,588	173,843,387
			-
Bank credited but Bangladesh Bank had not debited			-
Bank debited but Bangladesh Bank had not credited			-
Bangladesh Bank credited but Bank had not debited			-
Bangladesh Bank debited but the bank had not credited			-
			-

	As per Bangladesh Bank statement	As per Bank's general ledger	Reconciling difference
EUR clearing account	EUR	EUR	BDT
EUR clearing account	2,178,499	2,178,499	271,629,022
			-
Bank credited but Bangladesh Bank had not debited			-
Bank debited but Bangladesh Bank had not credited			-
Bangladesh Bank credited but Bank had not debited			-
Bangladesh Bank debited but the bank had not credited			-
			-

Total (BDT) 4,583,116,123

Disclosures on risk based capital under Pillar - III of Basel III for the year ended 31 December 2024

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 of 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's.
- 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's 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:	2023	2023
	BDT	BDT
The details of capital structure are provided as under:		
Common Equity Tier I		
Fund deposited with Bangladesh Bank	4,395,378,331	4,044,976,737
Profit & Loss accounts	55,043,768,401	52,117,169,585
Actuarial gain/(loss)	(359,579,905)	(314,438,930)
Less: Regulatory adjustment for goodwill and all other intangible assets as per the Bangladesh Bank guideline	(223,489,256)	(19,233,384)
Less: Regulatory adjustment for deferred tax assets as per the Bangladesh Bank guideline	(1,278,066,520)	(2,187,157,469)
Less: Regulatory adjustment due to WPPF	(6,344,226,142)	(3,050,873,018)
	51,233,784,909	50,590,443,522
Additional Tier I	-	-
	-	-
Total Tier I	51,233,784,909	50,590,443,522
Tier II		
General provision	3,414,775,950	3,662,829,753
	3,414,775,950	3,662,829,753
Total capital	54,648,560,859	54,253,273,275



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	2024 BDT	2023 BDT
Surplus Maintenance	29,255,679,011	27,781,666,053
Common Equity Tier I capital	51,233,784,909	50,590,443,522
Total Tier I capital	51,233,784,909	50,590,443,522
Total Tier II capital	3,414,775,950	3,662,829,753
Total regulatory capital	54,648,560,859	54,253,273,275

% 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	25.22%	23.89%
Tier I	25.22%	23.89%
Tier II	1.68%	1.73%
Capital Conservation Buffer	16.90%	15.62%
Total CRAR	26.90%	25.62%

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.

Quantitative disclosures:

Credit Risk Exposure

	2024 BDT	2023 BDT
Claims on sovereigns and central banks	21,089,201,234	26,683,971,755
Claims on banks	37,404,480,142	21,264,613,088
Investments	56,115,169,904	30,426,555,265
Claims on Public Sector Entities (other than Government) in Bangladesh	9,640,858,684	9,619,482,825
Claims on corporate	151,785,617,147	176,839,593,607
Claims on SME	6,045,192,400	3,595,142,660
Claims Under Credit Risk Mitigation	15,148,380,965	10,540,855,689
Claims on consumer	1,597,665,884	1,635,089,159
Claims fully secured by residential property	523,437,987	608,624,698
Past due Claims	1,857,401,909	3,186,864,798
Fixed assets	770,831,284	850,890,905
All other assets	2,723,422,672	3,323,751,066
Total on-balance sheet items	304,701,660,214	288,575,435,513
Off-balance sheet items (after considering the credit conversion factor)	58,680,932,986	51,733,896,479
Total	363,382,593,200	340,309,331,992

Geographical distribution of credit exposures

	Dhaka	Chattogram	Total BDT
2024			
Claims on sovereigns and central banks	20,124,871,181	964,330,053	21,089,201,234
Claims on banks	37,404,480,142	-	37,404,480,142
Investments	56,115,109,904	60,000	56,115,169,904
Claims on Public Sector Entities (other than Government) in Bangladesh	9,640,858,684	-	9,640,858,684
Claims on corporate	144,488,176,368	7,297,440,779	151,785,617,147
Claims on SME	6,045,192,400	-	6,045,192,400
Claims Under Credit Risk Mitigation	15,052,806,214	95,574,751	15,148,380,965
Claims on consumer	1,395,156,796	202,509,088	1,597,665,884
Claims fully secured by residential property	429,365,908	94,072,078	523,437,987
Past due Claims	1,825,524,788	31,877,121	1,857,401,909
Fixed assets	741,432,006	29,399,278	770,831,284
All other assets	2,685,240,299	38,182,373	2,723,422,672
Total on-balance sheet items	295,948,214,692	8,753,445,521	304,701,660,214
Off-balance sheet items (after considering the credit conversion factor)	56,147,822,873	2,533,110,112	58,680,932,986
Total	352,096,037,566	11,286,555,634	363,382,593,200

	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

Industry distribution of credit exposures

	SME	POWER AND ENERGY	NON GOVERNMENT ORGANIZATION	CHEMICAL & PHARMACEUTICALS	NON-METALLIC MINERAL PRODUCTS	AGRICULTURE & AGRO PROCESSING
2024						
Claims on sovereigns and central banks	-	-	-	-	-	-
Claims on banks	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Claims on Public Sector Entities (other than Government) in Bangladesh	-	9,184,335,289	-	-	-	-
Claims on corporate	-	11,970,209,222	-	12,122,054,010	12,202,709,281	21,746,291,816
Claims on SME	6,045,192,400	-	-	-	-	-
Claims Under Credit Risk Mitigation	248,465,269	2,430,648,888	-	1,318,945,700	126,571,336	244,510,604
Claims on consumer	-	-	-	-	-	-
Claims fully secured by residential property	-	-	-	-	-	-
Past due Claims	-	81,692,490	-	-	-	-
Fixed assets	-	-	-	-	-	-
All other assets	-	-	-	-	-	-
Total Assets	6,293,657,669	23,666,885,889	-	13,440,999,710	12,329,280,617	21,990,802,420
Off-balance sheet items	-	-	-	-	-	-
2023						
Claims on sovereigns and central banks	-	-	-	-	-	-
Claims on banks	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-
Claims on corporate	41,942,258,862	697,402,614	4,534,123,965	-	37,375,806,813	9,194,760,563
Claims on SME	-	-	-	-	-	6,045,192,400
Claims Under Credit Risk Mitigation	1,719,049,951	-	-	-	3,803,921,319	5,256,267,898
Claims on consumer	-	-	-	-	-	15,148,380,965
Claims fully secured by residential property	-	-	-	-	-	1,597,665,884
Past due Claims	-	-	-	-	-	523,437,987
Fixed assets	-	-	-	-	-	608,624,698
All other assets	-	-	-	-	-	1,857,401,909
Total Assets	43,661,336,783	697,402,614	4,534,123,965	37,404,480,142	42,291,861,439	98,380,823,966
Off-balance sheet items	-	-	-	1,283,433,645	-	57,397,499,341

Industry distribution of credit exposures

	SME	POWER AND ENERGY	NON GOVERNMENT ORGANIZATION	CHEMICAL & PHARMACEUTICALS	NON-METALLIC MINERAL PRODUCTS	AGRICULTURE & AGRO PROCESSING
2023						
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	-	232,656,698
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						
Claims on sovereigns and central banks	-	-	-	-	-	-
Claims on banks	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-
Claims on corporate	38,628,841,533	986,413,707	5,001,784,435	-	40,361,628,732	22,053,310,807
Claims on SME	-	-	-	-	-	3,595,142,660
Claims Under Credit Risk Mitigation	1,407,483,502	-	-	-	1,959,572,315	4,027,783,094
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
Fixed assets	-	-	-	-	-	850,890,905
All other assets	-	-	-	-	-	3,323,751,066
Total Assets	40,407,008,547	986,413,707	5,001,784,435	21,264,613,088	44,509,748,110	99,857,318,332
Off-balance sheet items	-	-	-	1,410,478,462	-	50,323,418,017

	Within 1 month	Within 1 to 3 months	Within 3 to 12 months	Within 1 to 5 years	Over 5 years	Total BDT
2024						
Claims on sovereigns and central banks	21,089,201,234	-	-	-	-	21,089,201,234
Claims on banks	37,404,480,142	-	-	-	-	37,404,480,142
Investments	14,390,714,365	41,724,455,540	-	-	-	56,115,169,904
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	9,640,858,684	9,640,858,684
Claims on corporate	27,208,509,696	85,082,508,034	7,443,919,689	29,983,036,156	2,067,643,572	151,785,617,147
Claims on SME	-	6,045,192,400	-	-	-	6,045,192,400
Claims Under Credit Risk Mitigation	2,975,720,342	9,311,980,694	340,756,927	2,519,923,001	-	15,148,380,965
Claims on consumer	-	3,878,411	18,716,263	1,575,071,211	-	1,597,665,884
Claims fully secured by residential property	17,025,894	1,178,640	5,048,192	103,615,229	396,570,031	523,437,987
Past due Claims	1,732,573,873	330,122	787,934	31,388,459	92,321,521	1,857,401,909
Fixed assets	-	45,152	8,728,350	642,457,996	119,599,786	770,831,284
All other assets	309,656,068	376,177,436	389,396,414	1,007,723,716	640,469,038	2,723,422,372
Total on-balance sheet items	105,127,881,614	142,545,746,429	8,207,353,769	35,863,215,770	12,957,462,631	304,701,660,214
Off-balance sheet items	5,140,403,092	12,414,213,585	31,309,136,089	4,241,333,825	5,575,846,395	58,680,932,986
Total	110,268,284,706	154,959,960,014	39,516,489,858	40,104,549,595	18,533,309,026	363,382,593,200

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	-	-	-	21,264,613,088
Investments	998,944,352	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	22,691,505,732	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	-	10,540,855,689
Claims on consumer	18,012,782	16,415,906	31,938,091	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	492,492,088	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	850,890,905
All other assets	390,002	100,079,733	467,942,194	1,766,791,254	598,935,253	3,323,751,366
Total on-balance sheet items	82,836,887,429	117,087,711,054	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	12,668,364,191	16,668,333,859	-	51,733,896,491
Total	92,596,391,647	129,707,405,137	49,845,580,687	46,929,831,676	21,232,062,845	340,309,331,992



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9 Operational risk

Qualitative 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 organized 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 Defense (LoD) model to define roles and responsibilities within HSBC and activity to strengthen the first and second lines of defense continued to be a key focus to effectively manage operational risk. The first line of defense owns the risk and is accountable for identifying, assessing, managing key existing and emerging risks. The second line of defense 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 defense 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 defense risk and control owners, and second line of defense 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 defense 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 defense. The risk and control assessment process is designed to provide the first line of defense 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.

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 defense. The first line of defense 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:	2024 BDT	2023 BDT
Capital charge for operational risk	3,664,779,598	2,918,004,406

10 Liquidity Ratio

Qualitative disclosures:

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:

- 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:	2024 BDT	2023 BDT
Liquidity coverage ratio (%)	387.18%	256.91%
Net Stable Funding Ratio (%)	144.37%	141.26%
Stock of High quality liquid assets	89,517,316,421	114,513,097,999
Total net cash outflows over the next 30 calendar days	23,120,518,707	44,574,082,486
Available amount of stable funding	262,972,860,215	299,787,730,795
Required amount of stable funding	182,157,174,439	212,220,690,606

11 Leverage Ratio

Qualitative 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:	2024 BDT	2023 BDT
Leverage ratio	12.31%	11.31%
On balance sheet exposure	336,635,094,900	371,969,821,338
Off balance sheet exposure	79,553,941,071	75,497,183,606
Total exposure	416,189,035,971	447,467,004,944

12 Remuneration

Qualitative disclosures:

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 summarized 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 organization.

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 allowances, 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 not limited to the provision of gratuity, provident fund, medical insurance, life insurance and relocation allowances etc.

Annual Incentive:

HSBC provides annual incentives 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 claw back, 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 behavior. Instances of non-compliance are escalated for consideration in variable pay decisions, including adjustments and claw back 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.

Quantitative disclosures:	2024 BDT	2023 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	765	777
Guaranteed bonuses awarded during the financial year:		
Number of employee	818	831
Total amount of guaranteed bonuses	155,498,856	141,970,141
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) out in the financial year	-	-
Total amount of deferred remuneration paid out in the financial year	21,209,016	15,643,722
Breakdown of amount of remuneration awards for the financial year:		
Fixed and variable	3,496,777,457	3,340,632,524
Variable pay		
Deferred	21,209,016	15,643,722
Non-deferred	614,025,798	553,485,389
	635,234,814	569,129,111

