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Photo: Chittagong Port - located by the Karnaphuli River.



AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 and Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity for the year then ended, and notes to the financial statements, including 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 2025, and of its financial performance and cash flows for the year then ended in accordance with Rules and Regulations issued by Bangladesh Bank and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) as explained in note -03.

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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Bangladesh. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note -03 to the financial statements where management has explained the basis of preparation of financial statements including compliance with Rules and Regulations issued by Bangladesh Bank on classification of loans and advances, and required impairment provision.

Our opinion is not modified in respect of this matter.

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 Rules and Regulation issued by Bangladesh Bank and IFRS Accounting Standards as issued by the IASB as explained in note-03 and for such internal control as management determines is necessary to enable the preparation of the 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 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, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
 - 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.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

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;
- 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 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 advances and other assets which are in our opinion, doubtful of recovery;
- based on our checking of sample, no advance or loan in excess of the amount determined by Bangladesh Bank from time to time has been sanctioned or allowed;
- to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibilities for the Audit of the Financial Statements section in forming the above opinion on the financial statements and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls:
 - internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate;
 - 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 and its related entities;
- 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 8,000 person hours;
- Capital to Risk-weighted Asset Ratio (CRAR), Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) as required by Bangladesh Bank has been maintained adequately as at 31 December 2025;
- as part of our going concern assessment, we reviewed maturity mismatch between assets and liabilities which may negatively affect bank's liquidity position subsequently.

For and on behalf of

A. Qasem & Co.
Chartered Accountants
FRC Enlistment No.: CAF-001-129

sd/

ATM Shamim Reza FCA
Partner

Enrolment No.:1766

DVC NO: 2604291766AS588933

Dhaka, Bangladesh
Dated: 29 April 2026

Balance Sheet as at 31 December 2025

PROPERTY AND ASSETS	Notes	Amount in BDT	
		31-Dec-25	31-Dec-24
Cash	5	2,219,746,702	1,680,601,941
In hand (including foreign currencies)			
With Bangladesh Bank and its agent bank(s)		18,438,796,100	19,408,599,293
(including foreign currencies)		20,658,542,802	21,089,201,234
Balance with other banks and financial institutions	6	84,992,787	82,262,903
In Bangladesh		7,430,216,083	6,642,134,949
Outside Bangladesh		7,515,208,870	6,724,397,852
Money at call on short notice	7	36,894,826,600	30,461,482,100
Investments	8	80,442,288,186	95,920,575,296
Government securities		6,000,000	6,000,000
Others		80,442,288,186	95,920,575,296
Loans and advances	9	119,987,320,566	139,119,999,065
Loans, cash credits, overdrafts etc.		67,287,827,452	50,157,561,388
Bills purchased and discounted		187,275,148,018	189,277,560,453
Fixed assets including premises, furniture and fixtures	10	670,194,853	770,831,284
Other assets	11	1,515,446,037	2,071,819,121
Non - banking assets		-	-
Total assets		<u>334,977,655,366</u>	<u>346,321,867,340</u>
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	13	43,996,640,286	32,474,106,053
Deposits and other accounts	14	90,829,546,229	95,500,211,308
Current accounts and other accounts		10,172,202,178	5,952,872,902
Bills payable		31,673,350,592	38,255,051,397
Saving deposits		61,109,808,986	87,256,982,187
Term deposits		193,784,907,985	226,965,117,794
Other liabilities	15	31,617,485,056	23,866,081,950
Total liabilities		<u>269,399,033,327</u>	<u>283,305,305,797</u>
Capital/shareholders' equity			
Fund deposited with Bangladesh Bank	18	4,491,273,364	4,395,378,331
Other reserves	19	3,143,368,340	3,577,414,811
Profit and loss account		57,943,980,335	55,043,769,401
Total shareholders' equity		<u>65,578,622,039</u>	<u>63,016,561,543</u>
Total liabilities and shareholders' equity		<u>334,977,655,366</u>	<u>346,321,867,340</u>
OFF BALANCE SHEET ITEMS			
Contingent liabilities	20	36,060,098,959	31,371,343,613
Acceptances and endorsements		101,013,701,232	101,874,326,148
Letters of guarantee		65,961,837,420	67,894,173,881
Irrevocable letters of credit		9,293,593,384	8,165,846,671
Foreign exchange contracts - Spot and Forward		5,575,846,395	5,575,846,395
Other contingent liabilities		217,905,077,390	214,871,336,708
Total		<u>217,905,077,390</u>	<u>214,871,336,708</u>
Other Commitments			
Un-drawn formal standby facilities, credit lines and other commitments		241,210,649,662	208,730,080,850
Total		<u>241,210,649,662</u>	<u>208,730,080,850</u>
Total off balance sheet items including contingent liabilities		<u>459,115,727,052</u>	<u>423,601,417,558</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

As per our report on the same date.

sd/-

Md Mahub ur Rahman
Chief Executive Officer, Bangladesh

A. Qasem & Co.
Chartered Accountants
FRC Enlistment No.: CAF-001-129

sd/

ATM Shamim Reza FCA
Partner

Enrolment No.:1766

DVC NO: 2604291766AS588933

sd/

Jignesh Chetan Ruparel
Chief Financial Officer, Bangladesh

Dhaka, Bangladesh
Dated: 29 April 2026

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

Bangladesh Branches

Profit and Loss Account for the year ended 31 December 2025

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
Interest income	21 18,654,948,018	19,084,202,887
Interest paid on deposits and borrowings	22 5,070,450,918	6,153,245,873
Net interest income	13,584,497,100	12,930,957,014
Income from investments	23 8,230,403,656	9,920,164,784
Commission, exchange and brokerage	24 5,925,768,759	6,392,693,385
Other operating income	25 22,939,257	139,333,619
Total operating income	27,763,608,772	29,383,148,802
Salaries and allowances	26 4,558,652,453	3,442,772,489
Rent, taxes, insurance, electricity etc.	242,055,642	232,350,565
Legal and professional expenses	27 38,602,090	47,642,508
Postage, stamp, telecommunication etc.	83,978,880	66,925,814
Auditors' fee	5,750,000	1,150,000
Stationery, printings and advertisements etc.	237,041,357	200,942,795
Chief Executive Officer's salary and allowances	58,947,820	54,004,968
Depreciation, impairment and repair of Bank's assets	28 1,142,038,456	883,703,033
Other operating expenses	29 5,650,003,503	5,585,693,900
Total operating expenses	12,017,070,201	10,515,186,072
Profit/(Loss) before provision	15,746,538,571	18,867,962,730
Provision Expense:		
Specific provision for classified loans and advances	15.4 2,669,669,168	1,319,746,776
General provision for loans and advances and off balance sheet exposures	15.4 (9,044,642)	(248,053,803)
Other provision	(1,018,258)	(1,755,860)
Total provision	2,659,606,269	1,069,937,113
Total profit/(loss) before tax	13,086,932,302	17,798,025,617
Tax Expense	16 4,701,683,694	6,936,675,498
Net profit after taxation	8,385,248,608	10,861,350,119

The annexed notes 1 to 37 form an integral part of these financial statements.
As per our report on the same date.

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

A. Qasem & Co.
Chartered Accountants
FRC Enlistment No.: CAF-001-129

sd/ Dhaka, Bangladesh
ATM Shamim Reza FCA Dated: 29 April 2026
 Partner

Enrolment No.:1766

DVC NO: 2604291766AS588933

Cash Flow Statement for the year ended 31 December 2025

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
A Cash flow from operating activities		
Interest received	18,647,286,545	19,092,975,647
Interest paid	(4,694,367,146)	(6,841,194,440)
Dividends received	6,000,000	6,000,000
Commission, exchange and brokerage received	5,798,002,489	6,529,861,071
Other income	24,677,702	19,129,423
Cash paid to employees	(3,954,828,338)	(3,482,750,181)
Cash paid to suppliers	(155,327,300)	(388,535,987)
Cash paid for other operating expenses	(5,648,592,914)	(5,590,970,021)
Advance income tax paid	16.1 (5,949,411,761)	(6,787,048,357)
Operating profit before changes in operating assets and liabilities	4,073,439,276	2,557,467,155
(Increase)/decrease of operating assets and liabilities:		
Loans and advances to customers	2,002,412,435	27,812,585,409
Other assets	245,473,382	3,010,233,729
Customers deposits	(33,180,209,808)	7,412,284,955
Borrowing from other banks and financial institutions	11,522,534,233	(50,353,566,372)
Other liabilities	4,261,321,392	2,925,550,750
	(15,148,468,366)	(9,192,911,529)
Net cash from operating activities	(11,075,029,089)	(6,635,444,374)
B Cash flow from investing activities		
Income received from investments	8,223,803,656	9,914,164,784
Investments made during the year	(65,662,200,000)	(319,737,322,868)
Proceeds from maturity of investments	35,028,748,586	371,618,184,182
Purchase of property, plant and equipment	10 (303,705,441)	(204,719,107)
Proceeds from sale of property, plant and equipment	1,323,885	633,455
Net cash used in investing activities	(22,712,029,314)	61,590,940,447
C Cash flow from financing activities		
Profit remitted to head office	(5,627,078,069)	(7,472,491,849)
Net cash used in financing activities	(5,627,078,069)	(7,472,491,849)
D Net increase in cash and cash equivalents (A+B+C)	(39,414,136,472)	47,483,004,224
E Gain/(Loss) on revaluation of foreign currency deposited with Bangladesh Bank as capital and cash and cash equivalents	18 95,895,033	350,401,594
F Net increase in cash and cash equivalents (D+E)	(39,318,241,439)	47,833,405,818
G Opening cash and cash equivalents	152,278,748,878	104,445,343,060
H Closing cash and cash equivalents (F+G)	30 112,960,507,439	152,278,748,878

Statement of Changes in Equity for the year ended 31 December 2025

Particulars	Fund deposited with Bangladesh Bank	Other Reserves	Profit and Loss Account	Total
	BDT	BDT	BDT	BDT
Balance at 01 January 2024	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)	-	10,370,242	-	10,370,242
Actuarial gain/(loss) (net of deferred tax assets/liabilities)	-	(45,140,975)	-	(45,140,975)
Start-up Equity Investment 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
Balance at 01 January 2025	4,395,378,331	3,577,414,811	55,043,768,401	63,016,561,543
Revaluation of Foreign Currency	95,895,033	26,458,624	-	122,353,657
Net profit for the year	-	-	8,385,248,608	8,385,248,608
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)	-	(450,134,853)	-	(450,134,853)
Start-up Equity Investment Fund 2025	-	-	(83,852,486)	(83,852,486)
Profit remitted to head office	-	-	(5,627,078,069)	(5,627,078,069)
Balance as at 31 December 2025	4,491,273,364	3,143,368,340	57,943,980,335	65,578,622,039

Liquidity Statement (Assets and Liabilities Maturity Analysis) As at 31 December 2025

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	20,658,542,802	-	-	-	-	20,658,542,802
Balance with other banks and financial institutions	7,515,208,870	-	-	-	-	7,515,208,870
Money at call on short notice	36,894,826,600	-	-	-	-	36,894,826,600
Investment	34,187,294,208	37,441,827,889	8,813,166,089	-	6,000,000	80,448,288,186
Loans and advances	31,118,978,510	58,614,095,021	57,227,393,300	29,074,627,522	11,240,053,664	187,275,148,018
Fixed assets	115,000	250,765	6,240,321	609,900,119	53,688,647	670,194,853
Other assets	190,280,743	151,295,172	727,783,148	445,514,964	572,010	1,515,446,037
Non-banking assets	-	-	-	-	-	-
Total assets	130,565,246,732	96,207,468,848	66,774,582,858	30,130,042,606	11,300,314,223	334,977,655,366
Liabilities						
Borrowings from other banks and financial institutions	1,004,114,385	9,110,261,217	11,027,263,457	22,855,001,227	-	43,996,640,286
Deposits and other accounts	49,837,852,853	37,213,493,689	77,128,214,534	29,605,346,909	-	193,784,907,985
Other liabilities (including capital/shareholders' equity)	4,539,749,262	1,810,776,947	16,352,104,708	11,374,887,558	63,118,588,619	97,196,107,095
Total liabilities	55,381,716,500	48,134,531,854	104,507,582,699	63,835,235,694	63,118,588,619	334,977,655,366
Net liquidity gap	75,183,530,232	48,072,936,994	(37,732,999,841)	(33,705,193,089)	(51,818,274,297)	

Notes to the Financial Statements as at and for the year ended 31 December 2025

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. The Offshore banking unit (OBU) is governed by the rules and regulations of Bangladesh Bank. Key financial information of OBU is presented in Annexure- B.

2 Principal activities

HSBC offers a comprehensive range of CIB (Corporate and Institutional Banking) services in Bangladesh. CIB Business includes Lending, Markets, Securities Services, Global Payments Solutions and Global Trade Solutions.

In July 2025, HSBC announced the exit of its Retail Banking business in Bangladesh via a wind-down. The retail banking business does not constitute a discontinued operation as defined under IFRS 5, as it does not represent a separate major line of business or geographical area of operations.

Winding down costs have been recognized. The impact on financial statements is in loans and advances, deposits, fixed assets, intangible assets and Right of Use (RoU) assets. The discontinuation does not materially impact the Bank's ability to continue its core operations.

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, and 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 and other regulatory authorities, 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: IFRS: As per IAS 1: Presentation of Financial Statements, 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 of section 38 of the Bank Company Act, 1991 (as amended 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: Financial Instruments, 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 the 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 recognized 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 recognized through the profit and loss account. Securities measured as amortized cost are measured at effective interest rate method and interest income is recognized 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 recognized 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 amortization of discount are recognized in the profit and loss account. Held to maturity (HTM) securities which have not matured as at the balance sheet date are amortized at year end and gains or losses on amortization can be recognized 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 recognized at amortized cost in the entity's financial statements. The difference between sale price and repurchase price will be treated as an interest expense and recognized 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 derecognized in the seller's book and recognized 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 recognize the asset.

v) Provision on loans and advances/investments

IFRS: As per IFRS 9, an entity shall recognize an impairment allowance on loans and advances to banks and customers, non-trading reverse repo agreements, other financial assets held at amortized 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 0.5% to 5% of loan outstanding under different categories of unclassified loans. Also specific provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively of base for provision for loans and advances. 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, BRPD circular no. 05 dated 25 June 2025 and BRPD circular No. 22 dated 13 October 2025, and BRPD Circular No. 29 dated 21 December 2025, 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. Moreover, Banks are advised to report according to the updated reporting template from quarter ending 30 September 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 amortized cost as per IFRS 9, and interest income is recognized in the profit and loss account 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 amortized 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 accrued on such loans are not allowed to be recognized 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 needs to be followed by all banks. The templates issued by Bangladesh Bank does not include the components of Other Comprehensive Income (OCI). To note that the components of OCI are shown in the statement of changes in equity.

viii) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorize recognize, 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 recognized initially at their fair value plus transaction costs that are directly attributable to the issue of the financial liabilities, and the initial fair value is amortized over the life of the financial guarantee. 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 recognized less, income recognized in accordance with the principles of IFRS 15. Financial guarantees are included within other liabilities.



AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

Bangladesh Branches

xiv) Presentation of intangible assets

IFRS: Intangible assets must be identified and recognized, and the disclosure must be given as per IAS 38: Intangible Assets.

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 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, complete set of financial statements consists of statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes, comprising significant accounting policies and other explanatory information.

Bangladesh Bank: The forms of financial statements and directives for preparation thereof of the bank companies in Bangladesh are guided by BRPD Circular no. 14, dated 25 June 2003 and subsequent amendments thereof from time to time. BRPD circular no. 14 states the statement of financial position as balance sheet and statement of profit or loss and other comprehensive income as profit and loss account. The elements of OCI are shown under equity as mentioned in note 3.1 (vii).

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 recognized 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 materially curtail 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- B 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 operating expenses to OBU
- Useful life of depreciable assets
- Provision for expenses, lease liabilities
- Impairment

3.6 Cautionary Statements Regarding Forward-Looking Statements

The financial statements of 2025 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 HSCB Group's (including the group's) environmental, social and governance ('ESG') ambitions, targets and commitments described herein.

Cautionary Statements Regarding Forward-Looking Statements are disclosed in the Sustainability and Climate-related Financial Disclosures of HSBC Bangladesh for 2025.

3.7 Reporting period

These financial statements cover one calendar year from 01 January 2025 to 31 December 2025. These financial statements are authorized for issue by Management of the Bank on 29 April 2026.

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 recognized 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. 06 (25 April 2023), BRPD circular No. 15 (27 November 2024), BRPD circular No. 05 (25 June 2025) and BRPD circular No. 22 (13 October 2025). 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. For CMSME and Agricultural Credits, BRPD Circular No. 29 (21 December 2025) further states that instead of considering 1% and 5% rate of provision of Standard and SMA accounts respectively, we are to maintain provision at the rate of 0.5% against all unclassified (Standard and SMA) Short Term Agricultural Credits and Cottage, Micro and Small (CMS) enterprise credits under CMSME sector till 31 December 2026. The provisioning rates are as follows:

General provision on:	Percentage of Loan Outstanding	
Unclassified	2025	2024
General loans and advances	1.00%	1.00%
Small and medium enterprise financing	0.50%	0.25%
Housing finance and loans for professionals	1.00%	1.00%

	2025	2024
Consumer financing other than housing finance and loans for professionals	1.00%	2.00%
Agricultural loans	0.50%	1.00%
CMSME loans & advances/investment	0.50%	1.00%
Special Mention Account		
Loans and advances/investment other than CMSME and Agricultural Loans	5.00%	2.00%
CMSME loans & advances	0.50%	-
Agricultural loans	0.50%	-
Specific provision on:	Percentage of base for provision	
Substandard and doubtful agricultural loans	5%	5%
Substandard loans and advances	20%	20%
Doubtful loans and advances/investment other than agricultural loans	50%	50%
Bad/loss loans and advances	100%	100%

BRPD circular No. 15 (27 November 2024) 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 recognized 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 supersedes the instructions given in BRPD Circular No. 14/2012 and subsequent modifications through any circulars or circular letters. The circular came 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.

In line with the policy support framework, the Bank has undertaken the necessary case-specific actions and continues to progress the relevant cases through the appropriate review and resolution process.

4.3 Loan write-off

Loans are normally written off in accordance with BRPD Circular No. 04 dated 18 February 2024 to the extent that:

- there is no realistic prospect of recovery, and
- against which legal cases are filed and classified as bad/loss as per guidelines of Bangladesh Bank

A separate Special Credit Unit (SCU)/ IWPB Transition and Residual Operations 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/ IWPB Transition and Residual Operations maintains a separate record for all individual cases written off by each branch. SCU/ IWPB Transition and Residual Operations 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 Bangladesh Bank circulars.

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
- Various derivative instruments like forward contracts and options etc.
- 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 account. 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 under cost model 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 recognized to the month prior to the month in which the asset is derecognized 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.

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.

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

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 31 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 recognized 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.

Double Taxation Avoidance Agreement (DTAA) has been in effect between Bangladesh and Hong Kong for the financial year 2024. Under the DTAA, HSBC Bangladesh claimed 100% of Head office expense in the Income Tax Return. Head Office expense can be remitted to the Head office as allowed by Bangladesh Bank.



AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

Bangladesh Branches

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.

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 recognized 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 recognized but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognized in the financial statements as this may result in the recognition of income which may never be realized.

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 2025 which have been duly adopted. However, none of these new and/or amended standards have any significant impact on the Bank's financial statements.

Below are the new standards applicable from 2025:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures;
- Lack of Exchangeability (Amendments to IAS 21)

In addition, there are recent changes to the accounting standards that are required to be applied from 2026 onwards and also available for early adoption:

- IFRS 18 Presentation and Disclosure in Financial Statements; [In the case of this Standard, it is unlikely that it would be possible to assert that the Standard has no material impact on the preparer's financial statements. It is likely that more detailed information relating to this Standard will need to be disclosed.
- Amendments to the Classification and Measurement of Financial Instruments;
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Contracts Referencing Nature-dependent Electricity

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. SMESMP circular no.2 dated 9 July 2025, Bangladesh Bank created 2 start-up funds: 1. Bangladesh Bank Refinancing fund and 2. Bank's own start-up fund which is similar to the SMESPD circular no-4. The bank continues to transfer 1% of its annual net profit to "Start-up equity investment fund" which is disclosed as separate line item 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)	Amount in BDT	
	31-Dec-25	31-Dec-24
Local currency	1,994,255,401	1,435,097,097
Foreign currencies	225,491,301	245,504,844
	2,219,746,702	1,680,601,941

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

Bangladesh Bank - Local currency	Annexure - D	8,927,410,961	10,822,983,170
Bangladesh Bank Amanah - Local currency	Annexure - D	2,500,000	2,500,000
Standing Deposit Facility		3,000,000,000	4,000,000,000
Total - Local currency		11,929,910,961	14,825,483,170
Bangladesh Bank - Foreign currencies clearing accounts	Annexure - D	6,508,885,139	4,583,116,123
		18,438,796,100	19,408,599,293
		20,658,542,802	21,089,201,234

5.1 Cash Reserve Ratio (CRR)

Pursuant to section 33 of Bank Company Act, 1991 (amended up to 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 Unit (DBU) and offshore banking unit (OBU) respectively. As per MPD circular 01 dated 04 Mar 2025, HSBC Bangladesh had been maintaining CRR of 3.0% daily basis effective from 04 Mar 2025. 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 2025 is maintained on the basis of weekly ATDTL of October 2025).

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 unit. Reserve maintained by the bank as at 31 December 2025 are as follows:

Daily Basis: 3.0% and 1.50% of average total demand and time liabilities of onshore (including Amanah).

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
Required reserve		
- Onshore (including Amanah)	5,555,576,468	7,317,512,457
- Offshore	-	-
	5,555,576,468	7,317,512,457
Actual reserve held with Bangladesh Bank	9,097,568,120	10,619,288,401
Surplus	3,541,991,652	3,301,775,944

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

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
Required reserve		
- Onshore (including Amanah)	7,407,435,290	8,362,871,379
- Offshore	-	-
	7,407,435,290	8,362,871,379
Bi-weekly average reserve held with Bangladesh Bank	Annexure - C	8,674,086,108
		11,388,157,286
Surplus	1,266,650,818	3,025,285,907

5.2 Statutory Liquidity Ratio (SLR)

Pursuant to section 33 of Bank Company Act, 1991 (amended up to 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 unit (DBU) & offshore banking unit (OBU) 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 2025 is based on weekly ATDTL of October 2025). Reserve maintained by the Bank as at 31 December 2025 is as follows:

13.00% and 5.50% of average total demand and time liabilities of Conventional banking (onshore and offshore) and Amanah respectively

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
Required reserve		
- Onshore (including Amanah)	24,073,969,549	27,179,149,388
- Offshore	4,971,622,806	5,881,635,288
Total	29,045,592,355	33,060,784,676
Actual reserve held with Bangladesh Bank	85,376,223,203	103,857,413,658
Surplus	56,330,630,848	70,796,628,982

5.2.1 Breakdown of Actual reserve held for SLR

Cash held	2,219,746,702	1,680,601,941
Excess cash reserve	1,687,736,910	2,256,417,021
Unencumbered approved securities (HTM)	27,260,867,044	56,114,989,304
Unencumbered approved securities (HFT)	51,207,872,547	39,805,405,392
Standing Deposit Facility	3,000,000,000	4,000,000,000
	85,376,223,203	103,857,413,658

6 Balance with other banks and financial institutions

Inside Bangladesh		
Current account		
Sonali Bank PLC	588,815	588,815
United Commercial Bank PLC	985,540	1,188,175
Standard Chartered Bank	-	17,920,855
Prime Bank PLC	7,500,692	7,500,668
Eastern Bank PLC	20,810,563	-
Pubali Bank PLC	49,880,180	49,895,870
	79,765,790	77,094,383
Short term deposit		
United Commercial Bank PLC	5,226,997	5,168,520
	84,992,787	82,262,903
Outside Bangladesh - current account		
HSBC Hong Kong	290,165,752	272,100,767
HSBC Japan	106,786,500	22,410,631
HSBC Singapore	6,742,714	5,382,178
HSBC India	637,114,221	601,608,070
Credit Suisse AG Switzerland	164,513,162	476,882,396
HSBC UK*	(934,567,599)	492,604,059
HSBC USA	6,440,642,743	3,280,437,559
SCB Pakistan	156,689,995	20,096,864
HSBC Sri Lanka	451,699	441,833
HSBC Australia	3,247,025	3,734,583
Royal Bank of Canada	7,759,825	2,821,627
HSBC France	549,047,016	1,463,328,868
HSBC Dubai	1,623,030	285,514
	7,430,216,083	6,642,134,949
	7,515,208,870	6,724,397,852

*Not reclassified to liabilities for consistency with Annexure A. Details of foreign currency amounts and exchange rates as submitted on a net basis.

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

Current account (including foreign currency nostro)	7,509,981,873	6,719,229,332
Short term deposit account	5,226,997	5,168,520
	7,515,208,870	6,724,397,852

6.2 Maturity grouping of balance with other banks and financial institutions

Payable on demand	7,509,981,873	6,719,229,332
Payable within one month	5,226,997	5,168,520
More than one month but less than three months	-	-
More than three months but less than one year	-	-
More than one year but less than five years	-	-
More than five years	-	-
	7,515,208,870	6,724,397,852

7 Money at call on short notice

8 Investments		
Government Securities	8.1	80,442,288,186
Other*		6,000,000
		80,448,288,186
		95,926,575,296

* 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	29,234,381,238	56,114,989,304
Held for Trading Securities (HFT)	8.1.2	51,207,872,548	39,805,405,392
Prize bonds		34,400	180,600
		80,442,288,186	95,920,575,296

8.1.1 Held to Maturity Securities (HTM)

90 day Bangladesh Bank bills	-	6,331,034,905
91 day Treasury bills	9,351,556,616	49,783,954,399
182 day Treasury bills	17,908,139,267	-
364 day Treasury bills	1,974,685,355	-
	29,234,381,238	56,114,989,304

The cost value of HTM securities is BDT 28,778,588,731 (2024: BDT 55,538,672,682). HTM securities lien as capital with Bangladesh Bank as of 2025 is BDT 22,079,569,731 (2024: BDT 23,208,246,846).

8.1.2 Held for Trading Securities (HFT)

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
90 days Bangladesh Bank bills	-	10,762,405,860
91 day Treasury bills	38,540,338,151	27,126,091,927
182 day Treasury bills	2,427,467,530	-
364 day Treasury bills	10,240,066,867	1,916,907,605
	51,207,872,548	39,805,405,392

The cost value of HFT securities is BDT 50,492,996,961 (2024: BDT 39,325,557,495).

8.2 Maturity grouping of investments

Payable on demand	34,400	180,600
Payable within one month	34,187,259,808	25,008,665,969
More than one month but less than three months	37,441,827,889	70,911,728,827
More than three months but less than one year	8,813,166,089	-
More than one year but less than five years	-	-
More than five years	6,000,000	6,000,000
	80,448,288,186	95,926,575,296

9 Loans and advances

Loans, cash credits, overdrafts etc.

In Bangladesh:

Staff loans	1,619,978,546	1,459,242,210
Home mortgage loans	449,504,979	523,437,987
Car loans	7,359,449	7,097,705
Personal loans	416,785,550	1,460,895,132
Overdraft- Retail	123,769,647	184,298,593
Overdraft- Corporate	5,007,307,286	5,447,782,553
Term loans	40,815,274,919	46,949,041,246
Import loans	25,362,257,875	29,549,848,745
Export Loans	872,383,472	3,767,457,333
Working capital	45,312,698,843	49,770,897,561
	119,987,320,566	139,119,999,065
Bills purchased and discounted	9.11	67,287,827,452
	187,275,148,018	189,277,560,453

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

Payable on demand	4,114,281,985	4,361,189,109
Payable within one month	27,004,696,525	28,328,879,883
More than one month but less than three months	58,614,095,022	56,875,472,274
More than three months but less than one year	57,227,393,300	51,344,942,625
More than one year but less than five years	29,074,627,522	35,059,445,882
More than five years	11,240,053,664	13,307,630,680
	187,275,148,018	189,277,560,453

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	8,034,871	10,572,210
Advances to other senior executives and staff of the Bank	1,611,943,676	1,448,669,999
Advances to customers' group	94,519,888,423	85,650,596,883
Industrial advances	91,135,281,048	102,167,721,361
	187,275,148,018	189,277,560,453

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)	12	15
Amount of outstanding advances	66,827,144,756	67,



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Bangladesh Branches

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank have interest as directors, partners or managing agents or in case of private companies as members;	-	-
ix) Due from other banking companies;	-	-
x) Classified loans and advances:		
a) Classified loans and advances on which no interest is credited to income:		
Increase/(Decrease) of provision (specific)	2,666,059,656	(2,365,325,885)
Amount of loans written off	3,609,513	4,937,602,707
Amount realised against the loan previously written off	37,355,551	56,963,089
b) Provision on classified loans and advances (For movement see note 17)	4,507,050,177	1,840,990,522
c) Interest creditable to the interest suspense account (note 17.1)	1,105,438,226	562,173,609
xi) Cumulative amount of written off loans		
Opening balance	9,438,313,884	4,500,711,177
Amount written off during the year	3,609,513	4,937,602,707
	<u>9,441,923,397</u>	<u>9,438,313,884</u>

The amount of written off loan for which law suit has been filed

5,477,136,457

6,255,246,185

9.9 Geographical analysis of loans and advances

Dhaka division	177,919,042,499	176,062,657,829
Chattogram division	9,356,105,519	13,214,902,624
	<u>187,275,148,018</u>	<u>189,277,560,453</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 2025 to 31 December 2025, 96.3% (2024: 97.6%) of the clients' updated statutory audit reports have been preserved in HSBC's Credit Approvals and Risk Management (CARM) system with loan accounts and 99.8% (2024: 100%) of those clients' statutory audit reports have been verified in DVS system.

9.11 Bills purchased and discounted

Inside Bangladesh	10,950,425,641	3,972,243,344
Outside Bangladesh	56,337,401,811	46,185,318,044
	<u>67,287,827,452</u>	<u>50,157,561,388</u>

9.12 Maturity analysis of bills purchased and discounted

Payable on demand	251,856,693	173,056,675
Payable within one month	14,582,186,422	9,426,919,997
More than one month but less than three months	26,664,288,231	18,285,005,800
More than three months but less than six months	21,192,655,105	17,201,294,624
More than six months	4,596,841,001	5,071,284,292
	<u>67,287,827,452</u>	<u>50,157,561,388</u>

10 Fixed assets including premises, furniture and fixtures

	Amount in BDT				
	Furniture and fixtures	Equipment	Motor Vehicles	Computers	Total
Cost					
Balance as at 1 January	1,272,084,729	727,867,468	46,682,673	48,005,936	2,094,640,806
Addition during the year*	174,858,113	91,295,500	13,592,000	23,959,828	303,705,441
Disposals/adjustment*	(30,541,353)	(8,387,047)	-	-	(38,928,400)
Balance as at 31 December	1,416,401,489	810,775,921	60,274,673	71,965,764	2,359,417,847
Accumulated depreciation and impairment charges					
Balance as at 1 January	751,115,035	517,064,564	21,310,940	34,318,983	1,323,809,522
Depreciation charge for the year*	218,544,997	84,273,975	7,928,666	7,899,777	318,647,415
Impairment charge for the year	74,064,897	301,976	-	8,265,253	82,632,126
Disposals/adjustments*	(27,663,710)	(8,202,359)	-	-	(35,866,069)
Balance as at 31 December	1,016,061,219	593,438,156	29,239,806	50,484,013	1,689,222,994
Net book value as at 31 December 2025	400,340,270	217,337,765	31,035,067	21,481,751	670,194,853
2024					
Cost					
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*	70,407,859	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	1,272,084,729	727,867,468	46,682,673	48,005,936	2,094,640,806
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	751,115,035	517,064,564	21,310,940	34,318,983	1,323,809,522
Net book value as at 31 December 2024	520,969,694	210,802,904	25,371,733	13,686,953	770,831,284

* The number includes impairment charges related to IWPB exit.

11 Other assets

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
Classification of other assets		
a) Income generating other assets		
b) Non-income generating other assets		
Stamp in hand	2,423,460	2,638,386
Intangible assets	11.2	17,000,931
Other debtors	11.3	172,560,033
Rent paid in advance		3,838,861
Other prepayments		93,942,930
Refundable deposits		8,930,733
Accrued interest receivable from Bangladesh Bank		195,282,534
Interest on balance with other banks and financial institutions		7,616,844
Commission receivable		102,880,935
Receivable from Bangladesh Bank for reimbursement of Sanchay Patra		96,331,707
Net defined benefit asset		-
Unrealised gain on foreign exchange contracts		12,979,459
Right of use assets as per IFRS 16	11.1	801,657,610
		<u>1,515,446,037</u>

11.1 Right of use assets as per IFRS 16

Cost		
Balance as at 1 January	1,746,693,036	1,662,216,439
Addition	211,857,912	145,119,996
De-recognition	(115,192,087)	(60,643,399)
Balance as at 31 December	1,843,358,861	1,746,693,036
Accumulated Depreciation		
Balance as at 1 January	913,603,022	711,227,434
Depreciation/Interest expenses/adjustments*	175,953,558	231,147,420
De-recognition	(47,855,329)	(28,771,832)
Balance as at 31 December	1,041,701,251	913,603,022
Net book value as at 31 December	801,657,610	833,090,014

In addition to the above, short term lease expenses of BDT 703,804 (2024: BDT 699,503) is reported under Other operating expenses in profit and loss account.

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

* The number includes charges related to IWPB exit.

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24
11.2 Intangible assets		
Cost		
Balance as at 1 January	309,806,641	86,551,756
Acquisition during the year	7,056,000	223,622,385
Disposals/adjustment	(210,859,440)	(367,500)
Balance as at 31 December	106,003,201	309,806,641
Accumulated amortization and impairment		
Balance as at 1 January	85,996,012	67,318,373
Amortization for the year	30,775,509	18,677,639
Impairment for the year	183,090,190	-
Disposals/adjustment	(210,859,441)	-
Balance as at 31 December	89,002,270	85,996,012
Net book value as at 31 December	17,000,931	223,810,629

* The number includes impairment charges related to IWPB exit.

11.3 Other debtors

Transitory suspense related to ATM	12,164,625	18,540,711
Others	160,395,408	65,246,382
	<u>172,560,033</u>	<u>83,787,093</u>

12 Deferred tax asset/(liabilities)

Balance at 1 January	(1,758,283,909)	484,544,862
Deferred tax recognised in profit or loss	A 1,129,915,148	(1,079,733,587)
Deferred tax recognised in OCI	A 282,450,777	(809,449,231)
Prior period Adjustment for Net employee benefit (Gratuity)	-	(353,645,953)
Balance at 31 December	(345,917,984)	(1,758,283,909)

A Movement in deferred tax balances

BDT	Balance as at 31 December					
	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	715,922,262	1,086,897,809	-	-1,802,820,071	-	-1,802,820,071
Fixed assets	246,371,737	21,684,985	-	-268,056,722	-	-268,056,722
Right of Use Assets (IFRS 16)	(333,236,007)	12,572,963	-	-	(320,663,044)	(320,663,044)
Lease Liability (IFRS 16)	351,568,634	(6,443,821)	-	-345,124,813	-	-345,124,813
Intangible assets	(321,374)	8,289,718	-	-7,968,344	-	-7,968,344
Net employee benefit (Gratuity)	(113,926,017)	(0)	300,089,905	186,163,888	-	186,163,888
Foreign exchange translation	(2,617,749,650)	(0)	(17,639,128)	-	(2,635,388,778)	(2,635,388,778)
Unrealised interest on revaluation of HFT securities	(6,913,494)	6,913,494	-	-	-	-
Net deferred tax assets/(liabilities)	(1,758,283,909)	1,129,915,148	282,450,777	2,610,133,838	(2,956,051,822)	(345,917,984)

2024

BDT	Balance as at 31 December					
	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)	1,313,882,633	(3,072,146,542)	(1,758,283,909)

B Computation of deferred tax

BDT	Accounting base	Tax base	Deductible/(taxable) temporary difference	Applicable tax rate	Deferred tax asset/(liability)
Specific provisions on loans and advances	(4,507,050,177)	-	4,507,050,177	40.0%	1,802,820,071
Fixed assets	670,194,853	1,340,336,659	670,141,806	40.0%	268,056,722
Right of Use Assets (IFRS 16)	801,657,610	-	(801,657,610)	40.0%	(320,663,044)
Lease Liability (IFRS 16)	(862,812,033)	-	862,812,033	40.0%	345,124,813
Intangible assets	17,000,931	36,921,789	19,920,859	40.0%	7,968,344
Net employee benefit (Gratuity)	(465,409,719)	-	465,409,719	40.0%	186,163,888
Foreign exchange translation	6,588,471,945	-	(6,588,471,945)	40.0%	(2,635,388,778)
Unrealised interest on amortisation of HFT securities	-	-	-	40.0%	-
	<u>2,242,053,410</u>	<u>1,377,258,448</u>	<u>(864,794,961)</u>	<u>40.0%</u>	<u>(345,917,984)</u>

2024

BDT	Accounting base	Tax base	Deductible/(taxable) temporary difference	Applicable tax rate	Deferred tax asset/(liability)
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)
Employee Benefit	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 revaluation of HFT securities	17,283,736	-	(17,283,736)	40.0%	(6,913,494)
	<u>6,005,477,597</u>	<u>1,609,767,823</u>	<u>(4,395,709,774)</u>	<u>40.0%</u>	<u>(1,758,283,909)</u>

13 Borrowings from other banks, financial institutions and agents

Notes	Amount in BDT	
	31-Dec-25	31-Dec-24



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Bangladesh Branches

15.3 Employee benefits

	Notes	Amount in BDT	
		31-Dec-25	31-Dec-24
Net defined benefit asset		(1,671,314,281)	(1,877,620,043)
Net defined benefit liability		2,136,724,000	1,592,805,000
Net defined benefit (asset)/liability		465,409,719	(284,815,043)

Movement in net defined benefit (asset)/liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset)/liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined (asset)/liability	
	2025	2024	2025	2024	2025	2024
Balances as at 1 January	1,592,805,000	1,583,192,000	(1,877,620,043)	(1,943,242,000)	(284,815,043)	(360,050,000)
Included in profit or loss						
Current service cost	136,409,000	138,838,000	-	-	136,409,000	138,838,000
Interest cost	193,418,000	169,929,000	-	-	193,418,000	169,929,000
Settlement (credit)/cost	37,091,000	-	-	-	37,091,000	-
Interest income	-	(237,898,000)	(217,600,000)	(237,898,000)	(217,600,000)	(217,600,000)
	366,918,000	308,767,000	(237,898,000)	(217,600,000)	129,020,000	91,167,000
Included in OCI						
Actuarial (gain)/loss arising from:						
- demographic assumption	(7,773,780)	-	-	-	(7,773,780)	-
- financial assumption	357,944,780	(223,291,000)	237,365,866	212,661,762	595,310,646	(10,629,238)
- experience adjustment	162,687,892	85,864,195	-	-	162,687,892	85,864,195
	512,858,892	(137,426,805)	237,365,866	212,661,762	750,224,758	75,234,957
Other						
Contribution paid by the employer	-	(129,019,996)	(91,167,000)	(91,019,996)	(91,167,000)	(91,167,000)
Benefits paid	(335,857,892)	(161,727,195)	335,857,892	161,727,195	-	-
	(335,857,892)	(161,727,195)	206,837,896	70,560,195	(129,019,996)	(91,167,000)
Balances as at 31 December	2,136,724,000	1,592,805,000	(1,671,314,281)	(1,877,620,043)	465,409,719	(284,815,043)

15.4 Provision for loans and advances and off balance sheet exposures

	General provision on loans and advances		General provision on off balance sheet exposures		Total provisions	Specific provision on loans and advances		Total provision
	BDT	BDT	BDT	BDT		BDT	BDT	
2025								
Balance as at 1 January	1,838,735,824	1,576,040,125	3,414,775,949	1,840,990,522	5,255,766,471			
Written off during the year	-	-	-	(3,609,513)	(3,609,513)			
Released during the year	(961,564,733)	-	(961,564,733)	(517,870,163)	(1,479,434,896)			
Provision made during the year	920,495,968	32,024,123	952,520,091	3,187,539,332	4,140,059,423			
Balance as at 31 December	1,797,667,059	1,608,064,248	3,405,731,307	4,507,050,178	7,912,781,485			
2024								
Balance as at 1 January	2,102,073,553	1,560,756,199	3,662,829,752	4,206,316,407	7,869,146,159			
Written off during the year	-	-	-	(3,685,072,661)	(3,685,072,661)			
Released during the year	(585,058,540)	-	(585,058,540)	(10,403,240)	(595,461,780)			
Provision made during the year	321,720,811	15,283,926	337,004,737	1,330,150,016	1,667,154,753			
Balance as at 31 December	1,838,735,824	1,576,040,125	3,414,775,949	1,840,990,522	5,255,766,471			

16 Income tax expense

	Notes	Amount in BDT	
		31-Dec-25	31-Dec-24
A Amounts recognised in profit or loss			
Current year		6,573,951,097	6,574,911,543
Adjustments made during the year		(742,352,255)	(717,969,632)
		5,831,598,842	5,856,941,911
Deferred tax expense/(income)			
(Origination) and reversal of temporary differences	12	(1,129,915,148)	1,079,733,587
Total income tax expense		4,701,683,694	6,936,675,498

B Reconciliation of effective tax rate

	2025		2024	
	Rate	Amount	Rate	Amount
Profit before tax		13,086,932,302		17,798,025,617
Income tax using tax rate	40.00%	5,234,772,921	40.00%	7,119,210,247
Factors affecting the tax charge for current year:				
Inadmissible expenses	2.12%	277,692,170	4.98%	886,845,017
General provisions (released)/charged	-4.52%	(591,773,958)	-0.37%	(65,241,440)
Loan written off	-0.01%	(1,443,805)	-11.02%	(1,960,840,174)
Specific provisions not allowed for tax purpose	12.65%	1,656,023,769	3.35%	596,137,894
Benefits from income taxed at lower rate	-0.01%	(1,320,000)	-0.01%	(1,200,000)
Prior year adjustment(over)/under provision	-5.67%	(742,352,255)	-4.03%	(717,969,632)
Movement of temporary differences in deferred tax	-8.63%	(1,129,915,148)	6.07%	1,079,733,587
	35.93%	4,701,683,694	38.97%	6,936,675,498

16.1 Net current tax assets

Current tax assets	4,628,660,774	4,139,171,231
Current tax liabilities	(7,097,772,231)	(6,880,444,331)
Net provision	(2,469,111,457)	(2,741,273,100)

A Current tax assets

Balance as at 1 January	4,139,171,231	3,762,597,671
Amount paid during the year	5,949,411,761	6,787,048,357
Adjustments made during the year	(5,459,922,218)	(6,410,474,797)
Balance as at 31 December	4,628,660,774	4,139,171,231

B Current tax liabilities

Balance as at 1 January	6,880,444,331	7,433,978,619
Provision made during the year	6,573,951,097	6,574,911,543
Adjustments made during the year	(6,356,623,197)	(7,128,445,831)
Balance as at 31 December	7,097,772,231	6,880,444,331

C Uncertainty over income tax treatments

Income tax cases are pending at different stages of Tax Authority. The cases are pending at Commissioner of Taxes, Taxes Appellate Tribunal and High Court division of Supreme court of Bangladesh level. Bank management believes that the disallowances are arbitrary in nature and Bank has kept adequate provision against these claims.

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

	Required general provision			Required specific provision	
	2025	2024		2025	2024
On loans and advances at 0.25% to 2% under different categories of unclassified loans/investments (standard/SMA)	1,751,141,321	1,838,735,823			
On off balance sheet exposures	1,654,589,987	1,576,040,126			
	3,405,731,308	3,414,775,949			
Required specific provision					
On substandard loans and advances other than agricultural loans @ 20%	76,795,367	15,265,187			
On doubtful loans and advances other than agricultural loans @ 50%	31,001,351	989,208			
On bad/loss and advances/investments @ 100%	4,399,253,459	1,824,736,127			
	4,507,050,177	1,840,990,522			
Total required provision	7,912,781,485	5,255,766,471			
Total maintained provision	7,912,781,485	5,255,766,471			
Surplus/(Shortfall)	-	-			

17.1 Interest suspense account

	Notes	Amount in BDT	
		31-Dec-25	31-Dec-24
Balance as at 1 January		562,173,609	1,130,459,563
Recoveries during the year		(174,684,829)	(4,756,596)
Written off during the year		(662,473)	(850,494,737)
Provision made during the year		718,611,919	286,965,379
Balance as at 31 December		1,105,438,226	562,173,609

18 Fund deposited with Bangladesh Bank

Opening Balance	4,395,378,331	4,044,976,737
Revaluation gain*	95,895,033	350,401,594
Closing Balance	4,491,273,364	4,395,378,331

* Funds deposited with Bangladesh Bank in BDT 100,712,644, and USD 35,938,625 which is revaluated at year end exchange rate of 122.1683 (2024: 119.5)

19 Other reserves

Unrealised interest on revaluation of HFT securities	
Opening balance	10,370,242
MTM reserve for HFT during this year	-
MTM reserve for HFT realised during this year	(17,283,736)
	17,283,736
	(6,913,494)
	(10,370,242)
	10,370,242
	-
	10,370,242

Actuarial gain/(loss):

Opening balance	(359,579,905)	(314,438,930)
Actuarial gain/(loss) during this year	(750,224,758)	(75,234,957)
Deferred tax assets/(liabilities)	300,089,905	30,093,982
	(450,134,853)	(45,140,975)
	(809,714,758)	(359,579,905)

Foreign Exchange Translation Reserve:

Opening balance	3,926,624,474	2,677,679,895
Translation gain/(loss) during this year	44,097,752	2,081,574,298
Deferred tax	(17,639,128)	(832,629,719)
	26,458,624	1,248,944,579
	3,953,083,098	3,926,624,474
	3,143,368,340	3,577,414,811

20 Contingent liabilities

Acceptances and endorsements	36,060,098,959	31,371,343,613
	36,060,098,959	31,371,343,613

Letters of guarantee:

Money for which the Bank is contingently liable in respect of guarantees given favouring Government Bank and other financial institutions	68,612,995,487	71,417,445,508
Others	2,242,145,127	3,628,123,186
	30,158,560,618	26,828,757,454
	101,013,701,232	101,874,326,148

Others

Irrevocable letters of credit	65,961,837,420	67,884,173,881
Foreign exchange contracts - spot and forward	9,293,593,384	8,165,646,671
Un-drawn formal standby facilities, credit lines and other commitments*	241,210,649,662	208,730,080,850
Others**	5,575,846,395	5,575,846,395
	322,041,926,861	290,355,747,797
	459,115,727,052	423,601,417,558

* 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 do not create any present obligation as of 31 Dec 2025. Accordingly, these are represented under Contingent liabilities.

21 Interest income

Staff loans	53,356,952	47,211,227
Home mortgage loans	43,794,267	54,238,146
Car loans	-	14,302
Personal loans	136,086,239	136,423,314
Overdraft	535,064,210	535,563,069
Term loans	3,194,832,982	3,820,110,919
Import loans	6,111,466,255	3,443,473,974
Working capital	5,344,625,969	6,839,320,132
Export and import bills	1,325,812,415	3,087,474,545
Money market	1,512,779,633	523,339,362
Other correspondent bank	90,681	93,948
Nostro accounts	93,649,767	306,080,438
Inter-group lending	-	43,019,224
Bangladesh Bank foreign currency account	219,388,647	247,840,287
	18,654,948,018	19,084,202,887

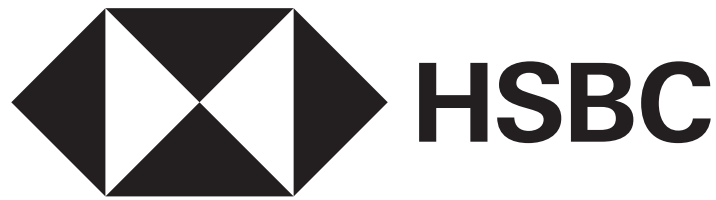
22 Interest on deposits and borrowings

Saving accounts	506,577,864	577,131,441
Term deposits	2,650,631,247	2,534,814,558
Marginal deposit	152,937,549	107,772,068
Interest paid on lease	99,166,890	103,943,271
Interest on vostro and overdrawn nostro	1,194,956	131,526
Term borrowing from Bangladesh Bank	396,908,459	423,199,403
Borrowing from banks	1,027,099,593	2,369,131,656
Interest on repo	235,934,360	37,121,950
	5,070,450,918	6,153,245,873

23 Income from investments

Interest on Treasury Bills	8,036,312,560	9,828,091,388
Interest on Reverse Repo/ Standing Deposit Facility	187,491,096	86,073,396
Dividend on shares	6,600,000	6,000,000
	8,230,403,656	9,920,164,784

24 Commission, exchange and brokerage



AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

Bangladesh Branches

33 Amanah Balance Sheet as at

	Notes		Amount in BDT	
	31-Dec-25	31-Dec-24		
Assets				
Balance with Bangladesh Bank	2,500,000	2,500,000		
Investments	96,177,394	111,249,978		
Other assets	312,537,425	293,618,205		
	<u>411,214,819</u>	<u>407,368,183</u>		
Liabilities				
Deposits and other accounts	2,216,409	2,340,138		
Other liabilities	25,694,321	22,876,631		
Retained earnings	383,304,089	382,151,414		
	<u>411,214,819</u>	<u>407,368,183</u>		

34 Amanah Profit and Loss Account for the year ended

Income from investments	6,914,887	8,110,290
Profit paid on deposits	1,098	9
Net investment income	6,913,789	8,110,281
Commission, exchange and brokerage	5,350	58,759
Other operating income	-	-
Total operating income	6,919,139	8,169,040
Salaries and allowances	-	-
Rent, taxes, insurance, electricity etc.	-	-
Legal expenses	-	-
Postage, stamps, telecommunication etc.	-	-
Auditors' fee	-	-
Stationery, printing and advertisement	-	-
Depreciation and repair of Bank's assets	-	-
Other operating expenses	(41,104)	(47,792)
Total operating expense	(41,104)	(47,792)
Profit before provision	6,960,243	8,216,832
Specific provision for investments	155,508	760,829
General provision for investments and off balance sheet exposures	431,996	(702,662)
Total provision	587,504	58,167
Profit before tax	6,372,740	8,158,665
Current Tax	2,784,097	3,286,733
Profit after tax for the year	3,588,643	4,871,932

34.1 Amanah Assets and Liabilities Maturities Analysis as at 31 December 2025

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	-	365,850	16,581,645	77,505,659	96,177,394
Other assets	-	-	-	312,537,425	-	312,537,425
Non-banking assets	-	-	-	-	-	-
Total assets	4,224,240	-	365,850	329,119,070	77,505,659	411,214,819
Liabilities						
Placement from other banks and financial institutions	-	-	-	-	-	-
Deposits and other accounts	2,216,409	-	-	-	-	2,216,409
Other liabilities (including capital/shareholders' equity)	-	-	25,694,321	383,304,089	-	408,998,410
Total liabilities	2,216,409	-	25,694,321	383,304,089	-	411,214,819
Net liquidity gap	2,007,831	-	(25,328,471)	(54,185,021)	77,505,659	(0)

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

Notes	Amount in BDT	
Daily 3% of average total demand and time liabilities	31-Dec-25	31-Dec-24
Required reserve	78,060	85,212
Actual reserve held with Bangladesh Bank	2,500,000	2,500,000
Surplus	2,421,940	2,414,788

(ii) Amanah Cash Reserve Ratio (CRR): Bi-weekly

Notes	Amount in BDT	
4.00% of average total demand and time liabilities		
Required reserve	104,080	97,386
Actual reserve held with Bangladesh Bank	2,500,000	2,500,000
Surplus	2,395,920	2,402,614

(iii) Amanah Statutory Liquidity Ratio (SLR):

Notes	Amount in BDT	
5.50% of average total demand and time liabilities		
Required reserve	143,116	133,910
Bi-weekly actual reserve held with Bangladesh Bank (Excluding Bi-weekly CRR)	2,395,915	2,402,614
Surplus	2,252,799	2,268,704

35 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.

35.1 Transactions with key management personnel

There were no transactions between the Bank and the key management personnel of the Bank in 2025 (2024: nil)

35.2 Transactions, arrangements and agreements involving group entities

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

The disclosure of the year end balance is considered to be the most meaningful information to represent transactions during the year. The outstanding balances include loans made to or deposits by the Bank and arose in the ordinary course of business and are on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties. Income received by the Bank from these entities during 2025 amounted to BDT1,712,016,010 (2024: BDT965,081,697) and expense paid to these entities during 2025 amounted to BDT720,218,052 (2024: BDT2,475,391,140), both of which is included in the net interest income disclosed in the profit and loss account.

35.3 Transactions related to post employment benefit plans

The Bank has two post employment benefit schemes, the nature of which is disclosed in note 15.3, Employee benefits. There were no balances payable to these schemes or due from these schemes to the Bank as at the end of 2025 (2024: Nil). The total contribution to these schemes in 2025 by the Bank is disclosed in note 27, salaries and allowances.

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

As allowed by the Trust Deed of these schemes, scheme funds may be deposited with the Bank. As at 31 December 2025 the provident fund had placed deposit of BDT470,454,391 (2024: BDT63,000,373) and the gratuity fund had placed deposits of BDT1,678,792,891 (2024: BDT1,874,819,649) 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 2025 amounted to BDT596,758 (2024: BDT819,021) and on deposit placed by the gratuity fund in 2025 amounted to BDT4,626,288 (2024: BDT4,925,510), both of which are included in the interest expense disclosed in the profit and loss account.

36 Events after the balance sheet date

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

37 General

37.1 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 2025, the Bank has no unadjusted debit entries exceeding six months. As a result, there is no requirement of nostro provisioning (2024: nil) as per BRPD circular no 04 dated 12 April 2022.

37.2 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.

37.2.1 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 within a system of individual credit approval 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 asset portfolios as well as the losses that may arise within them.

37.2.2 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, optimizing the allocation and utilization 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 Behaviour, Liquidity Premium and Liquidity Recharges and asset and liability pricing policy.

37.2.3 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 detail Policies and Procedures covering foreign exchange risk management policies and investment policy. As part of foreign exchange risk management, the Bank has set of risk limits including net open position limit, overall gross limits for forward transaction, maximum loss limits per day and per month, value at risk (VAR), stressed value at risk (SVAR), etc. which 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.

37.2.4 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 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, Bank has aligned its internal processes and controls with central bank's 'Guidelines on Internal Control & Compliance in Banks'. HSBC Group has robust manuals, policy and procedures, entitled Group Standards Manual (GSM) and Functional Instruction Manual (FIM) 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 Defense (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 CRCO and 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 and objective assurance as to whether the design and operational effectiveness of the Group's framework of risk management, control and governance processes, as designed and represented by management, is adequate.

37.2.5 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.

37.2.6 Information technology

The Bank has its Group Chief Information Office (GCIO) Department which includes CTO Infrastructure, Third Party Management, Technology 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 centralized 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 GCIO department has a Performance Level Agreement (PLA) for all global and local applications for service quality assurance which describes all the Technology services with target service up-time and response time for troubleshooting or any Technology related requests. The GCIO department provides monthly report to GCIO GCIO Control Environment Management Meeting (CEMM) and bi-monthly report to GCIO GCIO SteeringCo Meeting chaired by in country Chief Operating Officer (COO) for the senior management oversight which covers the following:

- Technology Control Environment Summary
- Update on major Technology related Risk issues and mitigation plan/timeline
- Internal and external Audit Status and remediation progress related to Technology
- 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 GCIO GCIO Steering Committee, Third Party Governance Forum (TPGF) to look after Technology and Cybersecurity related risk and controls, regulatory and legal requirement related to Technology 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 Technology 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 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 (BEFTN, RTGS & NPSB) which do not have fully functional Disaster Recovery (DR) facility due to dependency on BB.

37.2.7 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. 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.

37.2.8 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.

37.3 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 a 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 Senior Management Team (SMT) 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. 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 is an attendee of 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.



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37.4 Exchange rates

The foreign currency income and expense items of Profit and Loss Statement for the year ended on 31 December 2025 have been converted to presentation currency using the closing rate of USD/BDT @ 122.1683. The assets and liabilities of the Balance Sheet as at 31 December in foreign currencies have been converted to BDT at the following rates:

	Amount in BDT	
	31-Dec-25	31-Dec-24
USD 1 =	122.16830	119.50000
HKD 1 =	15.69934	15.39681
SGD 1 =	95.20226	88.03919
GBP 1 =	165.09824	150.30710
AUD 1 =	81.91385	74.38875
EUR 1 =	143.78598	124.68630
CHF 1 =	154.88849	132.49071
JPY 1 =	0.78351	0.75693
CAD 1 =	89.27495	83.03224
NOK 1 =	12.17992	10.52076
AED 1 =	33.26480	32.53560
CNY 1 =	17.49473	16.33384
DKK 1 =	19.25244	16.71644

37.5 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 2026:

Long-term AAA (2024: AAA)
Short-term ST - 1 (2024: 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.

37.6 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 2025, HSBC Bangladesh didn't have any risk category wise country exposures in its balance sheet and hence no provisions were required thereagainst.

37.7 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 by the regulators concerned. 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 6,998,572,757 as of 31 December 2025 (BDT 6,344,226,141 as of 31 December 2024). This is non-distributable amount and needs to be retained until the issue is resolved.

37.8 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 2025, HSBC does not hold any NBA (31 December 2024: nil).

37.9 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 729 (2024: 829)

37.10 Disclosure on Willful Defaulters

Pursuant to the BRPD Circular No. 06 dated 12 March 2024, the Bank has formed the Willful Defaulter Identification Unit to comply with the prescribed regulatory requirements. Based on the reviews undertaken so far, no borrower has been identified as a willful defaulter during the year ended 31 December 2025.

37.11 The net amount of foreign currency exposure/position as at 31 December 2025 was BDT (3,149,480,836) (2024: BDT 4,725,400,590)

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

37.13 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

Bank Name	Currency name	Balance with Other Banks and Financial Institutions (Outside Bangladesh) As at 31 December 2025					
		2025		2024			
		Foreign currency	Rate	Local currency	Foreign currency	Rate	Local currency
HSBC Hong Kong	HKD	1,172,565	15.6993	18,408,495	1,389,229	15.3968	21,389,686
HSBC Hong Kong Global ATM settlement account	HKD	472,379	15.6993	7,416,029	694,587	15.3968	10,694,572
HSBC Hong Kong	CNY	776,833	17.4947	13,590,479	4,148,175	16.3338	67,756,625
Settlement account with HSBC Hong Kong	USD	2,052,503	122.1683	250,750,748	1,441,514	119.5000	172,260,884
HSBC Japan	JPY	136,293,007	0.7835	106,786,500	29,607,351	0.7569	22,410,631
HSBC Singapore	SGD	70,825	95.2023	6,742,714	61,134	88.0392	5,382,178
HSBC India	USD	4,398,835	122.1683	537,398,222	4,310,776	119.5000	515,137,756
Credit Suisse AG Switzerland	CHF	1,062,139	154.8885	164,513,162	3,599,365	132.4907	476,882,396
HSBC Bank PLC UK	GBP	(5,660,676)	165.0982	(934,567,599)	3,277,317	150.3071	(492,604,059)
HSBC Bank USA	USD	52,719,427	122.1683	6,440,642,744	27,451,360	119.5000	3,260,437,559
SCB Pakistan	USD	1,282,575	122.1683	156,689,995	168,175	119.5000	20,096,864
HSBC Sri Lanka	USD	3,697	122.1683	451,699	3,697	119.5000	441,833
HSBC Bank Australia TT account	AUD	39,193	81.9138	3,210,441	49,757	74.3888	3,701,360
HSBC Bank Australia DD account	AUD	447	81.9138	36,584	447	74.3888	33,224
Royal Bank of Canada	CAD	86,921	89.2749	7,759,825	33,982	83.0322	2,821,627
HSBC France	EUR	3,818,502	143.7860	549,047,016	11,736,084	124.6863	1,463,328,868
HSBC India	EUR	693,503	143.7860	99,715,999	693,503	124.6863	86,470,314
HSBC Dubai	AED	48,791	33.2648	1,623,030	8,775	32.5356	286,514
Total				7,430,216,083			6,642,134,950

Financial Highlights (Offshore) As at 31 December 2025				Annexure - B [Amount in BDT]	
SI No	Particulars	Currency**/percentage	2025	2024	
1	Total assets	BDT	70,764,298,744	67,449,621,318	
2	Total deposits	BDT	27,963,864,049	20,028,428,920	
3	Total loans and advances	BDT	33,216,324,279	44,415,961,214	
4	Total contingent liabilities and Other Commitments	BDT	31,905,675,564	33,105,039,263	
5	Classified loans & advances	BDT	74,630,474	-	
6	Classified advances as a percentage of total advances	%	0.22%	0.00%	
7	Profit before tax	BDT	1,785,585,141	3,001,064,753	
8	Profit after tax and provisions	BDT	1,071,351,084	1,922,556,769	
9	Interest expenses	BDT	792,803,329	2,573,075,013	
10	Interest bearing assets	BDT	70,634,684,146	67,174,540,526	
11	Non interest bearing assets	BDT	6,796,351	5,123,923	
12	Return on Assets (ROA)**	%	1.51%	2.85%	

Key Financial Highlights (Solo) As at 31 December 2025				Annexure - B [Amount in BDT]	
SI No	Particulars	2025	2024		
1	Total assets	334,977,655,366	346,321,867,340		
2	Total deposits	193,784,907,985	226,965,117,794		
3	Total loans and advances	187,275,148,018	189,277,560,453		
4	Total contingent liabilities and Other Commitments	459,115,727,052	423,601,417,558		
5	Net interest income	13,584,497,100	12,930,957,014		
6	Non interest income	14,179,111,672	16,452,191,788		
7	Total operating income	27,763,608,772	29,383,148,802		
8	Profit before tax	13,086,932,302	17,798,025,617		
9	Profit after tax and provisions	8,385,248,608	10,861,350,119		
10	Total capital including retained earnings	55,681,867,616	54,648,560,859		
11	Surplus capital (above 12.5%)	28,670,648,987	29,255,679,011		
12	Capital adequacy ratio (%)	25.77%	26.90%		
13	Classified advances as a percentage of total advances (%)	4.00%	1.69%		
14	Return on Investment (ROI)**	10.23%	10.34%		
15	Return on Assets (ROA)**	2.50%	3.14%		
16	Return on Equity (ROE)**	12.79%	17.24%		

* Functional Currency of OBU is USD. Key Highlights are presented in equivalent BDT
** Calculated on the basis of year end investments, assets and equity balances respectively

Bi weekly average balance of Bangladesh Bank statement for the month of December 2025					Annexure - C [Amount 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-25	8,000,608,960	2,500,000	8,003,108,960			
16-Dec-25	8,000,608,960	2,500,000	8,003,108,960			
17-Dec-25	10,486,480,218	2,500,000	10,488,980,218			
18-Dec-25	7,417,673,698	2,500,000	7,420,173,698			
19-Dec-25	7,417,673,698	2,500,000	7,420,173,698			
20-Dec-25	7,417,673,698	2,500,000	7,420,173,698			
21-Dec-25	8,946,621,938	2,500,000	8,949,121,938			
22-Dec-25	12,054,139,164	2,500,000	12,056,639,164			
23-Dec-25	9,982,937,681	2,500,000	9,985,437,681			
24-Dec-25	6,944,043,548	2,500,000	6,946,543,548			
25-Dec-25	6,944,043,548	2,500,000	6,946,543,548			
26-Dec-25	6,944,043,548	2,500,000	6,946,543,548			
27-Dec-25	6,924,946,190	2,500,000	6,927,446,190			
28-Dec-25	10,311,838,788	2,500,000	10,314,338,788			
29-Dec-25	11,433,493,967	2,500,000	11,435,993,967			
30-Dec-25	9,095,068,120	2,500,000	9,097,568,120			
31-Dec-25	9,095,068,120	2,500,000	9,097,568,120	8,674,086,108		

Reconciliation between Bangladesh Bank's statement and Bank's statement as at 31 December 2025

In order to comply with the CRR and SLR requirements, the Bank considers the actual balances held with Bangladesh Bank according to the Bank's books of accounts. However, when preparing the DB-5 returns for Bangladesh Bank, the Bank considers the actual balances held with Bangladesh Bank according to their books of accounts. This results in reconciling differences between the Bank's statutory accounts and DB-5 returns. The reconciling items relates to clearing of the following:

- Bangladesh Bank cheques
- Foreign currency demand drafts
- Government bonds

Local currency	As per Bangladesh Bank statement	As per Bank's general ledger	Reconciling difference
	BDT	BDT	BDT
Bangladesh Bank Dhaka	8,555,349,069	8,387,691,909	167,657,160
Bangladesh Bank Chattogram	508,739,698	508,739,698	-
Bangladesh Bank Sylhet	30,979,354	30,979,354	-
Bangladesh Bank Amanah	2,500,000	2,500,000	-
	9,097,568,121	8,929,910,961	167,657,160

Bank credited but Bangladesh Bank had not debited	21,063,484,656
Bank debited but Bangladesh Bank had not credited	(18,340,486,389)
Bangladesh Bank credited but Bank had not debited	17,940,616,835
Bangladesh Bank debited but the bank had not credited	(20,495,957,943)
	167,657,160

Foreign currency	As per Bangladesh Bank statement	As per Bank's general ledger	Reconciling difference
	USD	USD	USD
USD clearing account	58,707,775	50,390,622	6,156,136,649
Total	58,707,775	50,390,622	6,156,136,649

Bank credited but Bangladesh Bank had not debited	86,151,935
Bank debited but Bangladesh Bank had not credited	(61,443,005)
Bangladesh Bank credited but Bank had not debited	48,640,643
Bangladesh Bank debited but the bank had not credited	(65,032,420)
	8,317,153

As per Bangladesh Bank statement	As per Bank's general ledger	Reconciling difference
	GBP	GBP
GBP clearing account	781,226	128,979,008
		-

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	EUR	BDT
EUR clearing account	1,556,300	1,556,268	223,769,482
Bank credited but Bangladesh Bank had not debited	-	-	-
Bank debited but Bangladesh Bank had not credited	-	-	-
Bangladesh Bank credited but Bank had not debited	-	-	32
Bangladesh Bank debited but the bank had not credited	-	-	-
Total (BDT)			6,508,885,139

Disclosures on risk based capital under Pillar - III of Basel III for the year ended 31 December 2025

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 standardized 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.
 - 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 standardized 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

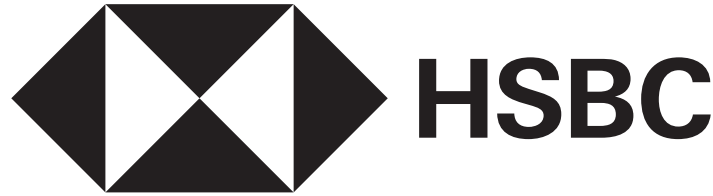
The Bank has no subsidiaries or significant investments and Basel III is applied at a Bank level only.

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 categorized as Common Equity Tier I (CET1) and Additional Tier I 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.
-



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Quantitative disclosures:

Position of various risk weighted assets are presented below:

	Risk Weighted Assets	Risk Weighted Assets
On balance sheet items	136,527,131,969	121,800,817,247
Off balance sheet items	34,653,319,001	39,384,238,645
Total credit risk	171,180,450,970	161,185,055,892

Market risk	3,548,527,874	5,310,202,912
Operational risk	41,360,770,191	36,647,795,980

Total risk weighted assets 216,089,749,036 203,143,054,784

Detail of capital adequacy

	Amount in BDT	
	31-Dec-25	31-Dec-24

Minimum Capital Requirement (MCR-10%)

Capital requirement for credit risk	17,118,045,097	16,118,505,589
Capital requirement for market risk	354,852,787	531,020,291
Capital requirement for operational risk	4,136,077,019	3,664,779,598
Total Minimum Capital required	21,608,974,903	20,314,305,478

Surplus Maintenance 34,072,892,713 34,334,255,381

Minimum Capital Requirement plus Capital Conservation Buffer (12.5%)

Capital requirement for credit risk	21,397,556,371	20,148,131,987
Capital requirement for market risk	443,565,984	663,775,364
Capital requirement for operational risk	5,170,096,274	4,580,974,498
Total Minimum Capital required plus Capital Conservation Buffer	27,011,218,629	25,392,881,848

Surplus Maintenance 28,670,648,986 29,255,679,011

Common Equity Tier I capital 52,276,136,309 51,233,784,909

Total Tier I capital 52,276,136,309 51,233,784,909

Total Tier II capital 3,405,731,307 3,414,775,950

Total regulatory capital 55,681,867,616 54,648,560,859

% of Capital adequacy required

Minimum Common Equity Tier I (CET- 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	24.19%	25.22%
Tier I	24.19%	25.22%
Tier II	1.58%	1.68%
Capital Conservation Buffer	15.77%	16.90%
Total CRAR	25.77%	26.90%

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 analyzing the risk associated with credit.

The standardized 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 standardized 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 recognized when they are incurred. The objective of credit risk management is to minimize 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

Substandard and doubtful agricultural loans	5%
Substandard loans and advances	20%
Doubtful loans and advances/investment other than agricultural loans	50%
Bad/loss loans and advances	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 recognized 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

	Amount in BDT	
	31-Dec-25	31-Dec-24
Claims on sovereigns and central banks	20,658,542,801	21,089,201,234
Claims on banks	44,410,035,471	37,404,480,142
Investments	29,234,415,639	56,115,169,904
Claims on Public Sector Entities (other than Government) in Bangladesh	8,756,331,350	9,640,858,684
Claims on corporate	150,936,059,292	151,785,617,147
Claims on SME	7,001,735,208	6,045,192,400
Claims Under Credit Risk Mitigation	10,155,718,878	15,148,380,965
Claims on consumer	985,270,731	1,597,665,884
Claims fully secured by residential property	449,504,979	523,437,987
Past due Claims	3,929,220,625	1,857,401,909
Fixed assets	670,194,853	770,831,284
All other assets	2,098,379,188	2,723,422,672
Total on-balance sheet items	279,285,409,015	304,701,660,214
Off-balance sheet items (after considering the credit conversion factor)	58,630,621,634	58,680,932,986
Total	337,916,030,649	363,382,593,200

Geographical distribution of credit exposures

	Dhaka	Chattogram	Total BDT
Claims on sovereigns and central banks	20,025,561,304	632,981,497	20,658,542,801
Claims on banks	44,410,035,471	-	44,410,035,471
Investments	29,234,415,639	-	29,234,415,639
Claims on Public Sector Entities (other than Government) in Bangladesh	8,756,331,350	-	8,756,331,350
Claims on corporate	145,356,617,196	5,579,442,096	150,936,059,292
Claims on SME	7,001,735,208	-	7,001,735,208
Claims Under Credit Risk Mitigation	10,154,069,505	1,649,373	10,155,718,878
Claims on consumer	942,005,982	43,264,749	985,270,731
Claims fully secured by residential property	367,819,714	81,685,265	449,504,979
Past due Claims	3,897,817,562	31,403,063	3,929,220,625
Fixed assets	668,597,156	1,597,697	670,194,853
All other assets	2,060,147,320	38,231,868	2,098,379,188
Total on-balance sheet items	272,875,153,407	6,410,255,607	279,285,409,015
Off-balance sheet items (after considering the credit conversion factor)	56,590,943,351	2,039,678,283	58,630,621,634
Total	329,466,096,759	8,449,933,891	337,916,030,649

2024

	Dhaka	Chattogram	Total BDT
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

Industry distribution of credit exposures

	SME	POWER AND ENERGY	NON GOVERNMENT ORGANIZATION	CHEMICAL & PHARMACEUTICALS	NON-METALLIC MINERAL PRODUCTS	AGRICULTURE & AGRO PROCESSING
Claims on sovereigns and central banks	-	-	-	-	-	-
Claims on banks	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-
Claims on corporate	7,001,735,208	11,810,425,393	-	8,813,545,642	11,804,626,005	24,628,565,661
Claims on SME	-	-	-	-	-	-
Claims Under Credit Risk Mitigation	-	500,312,500	4,203	801,293,813	137,264,571	-
Claims on consumer	-	-	-	-	-	-
Claims fully secured by residential property	-	-	-	-	-	-
Past due Claims	-	44,854,106	-	-	-	846,603,370
Fixed assets	-	-	-	-	-	-
All other assets	-	-	-	-	-	-
Total Assets	7,001,735,208	12,355,591,999	4,203	9,614,839,455	11,941,890,576	25,475,169,031
Off-balance sheet items	-	-	-	-	-	-

2025

	TEXTILE	TRADE	STEEL AND META	Banks & NBFI	READYMADE GARMENTS	Others	Total
Claims on sovereigns and central banks	-	-	-	-	-	-	20,658,542,801
Claims on banks	-	-	-	44,410,035,471	-	-	44,410,035,471
Investments	-	-	-	-	-	-	29,234,415,639
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-	8,756,331,350
Claims on corporate	40,867,439,235	1,418,825,253	5,495,011,236	-	37,017,723,623	150,936,059,292	
Claims on SME	-	-	-	-	-	-	7,001,735,208
Claims Under Credit Risk Mitigation	680,957,643	41,281,225	-	-	6,293,628,721	1,700,976,201	
Claims on consumer	-	-	-	-	-	985,270,731	985,270,731
Claims fully secured by residential property	-	-	-	-	-	449,504,979	449,504,979
Past due Claims	161,217,656	-	667,826,623	-	1,197,030,287	1,011,688,584	
Fixed assets	-	-	-	-	-	670,194,853	670,194,853
All other assets	-	-	-	-	-	2,098,379,188	2,098,379,188
Total Assets	41,709,614,534	1,460,106,478	6,162,837,859	44,410,035,471	44,508,382,631	74,645,201,568	279,285,409,015
Off-balance sheet items	-	-	-	-	-	-	58,630,621,634

Industry distribution of credit exposures

	SME	POWER AND ENERGY	NON GOVERNMENT ORGANIZATION	CHEMICAL & PHARMACEUTICALS	NON-METALLIC MINERAL PRODUCTS	AGRICULTURE & AGRO PROCESSING
Claims on sovereigns and central banks	-	-	-	-	-	-
Claims on banks	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-
Claims on corporate	6,045,192,400	11,810,425,393	-	8,813,545,642	11,804,626,005	24,628,565,661
Claims on SME	-	-	-	-	-	-
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	-	81,682,490	-	-	-	-
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	-	-	-	-	-	-

2024

	TEXTILE	TRADE	STEEL AND META	Banks & NBFI	READYMADE GARMENTS	Others	Total
Claims on sovereigns and central banks	-	-	-	-	-	-	21,089,201,234
Claims on banks	-	-	-	37,404,480,142	-	-	37,404,480,142
Investments	-	-	-	-	-	-	56,115,169,904
Claims on Public Sector Entities (other than Government) in Bangladesh	-	-	-	-	-	-	9,640,858,684
Claims on corporate	41,942,258,882	697,402,614	4,534,123,965	-	37,375,806,813	9,194,760,563	
Claims on SME	-	-	-	-	-		

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

Bangladesh Branches

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

Interest rate exposures

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

Interest rate exposures in the banking book

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

Foreign exchange risk

Foreign exchange risk is defined as the risk that a bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in an individual foreign currency. The responsibility of management of foreign exchange risk rests with the Markets and Securities Services (MSS) department of the Bank. The Bank has set up internal limits to monitor foreign exchange open positions. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank.

Equity position risk

The Bank does not hold a trading position in equities.

Quantitative disclosures:

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

	Amount in BDT	
	31-Dec-25	31-Dec-24
Interest rate risk	39,904,704	58,480,232
Foreign exchange risk	314,948,084	472,540,059
	354,852,788	531,020,291

9 Operational risk

Qualitative disclosures:

Operational Risk (also known as Non-financial risk) is the risk to achieve 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:

Capital charge for operational risk	4,136,077,019	3,664,779,598
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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:

	Amount in BDT	
	31-Dec-25	31-Dec-24
Liquidity coverage ratio (%)	282.23%	387.18%
Net Stable Funding Ratio (%)	131.78%	144.37%
Stock of High quality liquid assets	75,611,514,986	89,517,316,421
Total net cash outflows over the next 30 calendar days	26,790,551,454	23,120,518,707
Available amount of stable funding	227,497,426,617	262,972,860,215
Required amount of stable funding	172,632,029,776	182,157,174,439

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 are subject to a CCF of 10%;
- item deducted from Tier I capital such as deferred tax assets.

Quantitative disclosures:

Leverage ratio	12.94%	12.31%
On balance sheet exposure	321,121,202,553	336,635,094,900
Off balance sheet exposure	82,751,686,600	79,553,941,071
Total exposure	403,872,889,153	416,189,035,971

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 summarised in performance scorecards as well as adherence to the HSBC Values of 'We value difference. We succeed together. We take responsibility and We get it done'. Altogether performance is judged, not only on what is achieved over the short and long term, but also on how it is achieved, as the latter contributes to the sustainability of the organisation.

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

Fixed Pay:

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

Benefits:

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

Annual Incentive:

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

Key features of HSBC's remuneration framework include:

- assessment of performance with reference to clear and relevant objectives set within a performance scorecard framework;
- a focus on total compensation (fixed plus variable pay) with variable pay (namely annual incentive and the value of long term incentives) differentiated by performance and adherence to HSBC values;
- the use of discretion to assess the extent to which performance has been achieved; and
- deferral of a significant proportion of variable pay into HSBC shares to tie recipients to the future performance of the Group and align the relationship between risk and reward.

Within this framework, risk alignment of our remuneration structure is achieved through the following measures:

- Risk and compliance is a critical part of the assessment process in determining the performance of all employees, especially senior executives and identified staff and material risk takers. All employees are required to have risk measures in their performance scorecards, which ensure that their individual remuneration has been appropriately assessed with regard to risk.
- Adherence to HSBC values is a pre-requisite for any employee to be considered for variable pay. HSBC values are key to the running of a sound, sustainable bank. Employees have a separate HSBC values rating which directly influences their overall performance rating considered by the Committee for their variable pay determinations.
- For our most senior employees, the greater part of their reward is deferred and thereby subject to clawback, which allows the awards to be reduced or cancelled if warranted.
- The Group also carries out regular reviews to assess instances of non-compliance with risk procedures and expected behaviour. Instances of non-compliance are escalated for consideration in variable pay decisions, including adjustments and clawback of unvested awards granted in prior years. For identified staff and Material Risk Takers (MRTs), the Committee has oversight of such decisions.
- All variable pay awards made to identified staff and material risk takers for the performance year in which they have been identified as MRTs are also subject to the Group Claw back Policy in accordance with the requirements in the Prudential Regulation Authority's Remuneration Code.

Quantitative disclosures:

	Amount in BDT	
	31-Dec-25	31-Dec-24
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	784	765
Guaranteed bonuses awarded during the financial year:		
Number of employee	822	818
Total amount of guaranteed bonuses	177,621,489	155,498,856
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	53	-
Total amount of severance payments	240,816,400	-
Total amount of outstanding deferred remuneration (in cash)	-	-
Total amount of deferred remuneration paid out in the financial year	14,874,057	21,209,016
Breakdown of amount of remuneration awards for the financial year:		
Fixed and variable	3,258,811,184	3,496,777,457
Variable pay		
Deferred	14,874,057	21,209,016
Non-deferred	554,347,521	614,025,798
	569,221,578	635,234,814





SUSTAINABILITY AND CLIMATE-RELATED FINANCIAL DISCLOSURES OF HSBC BANGLADESH FOR 2025 (UNAUDITED)

Bangladesh Branches

Approach to ESG (Environmental, Social and Governance)

HSBC Group's (referred as 'the Group' hereafter) approach to ESG is focused on creating long-term value for its customers and wider stakeholders. The Group aims to support the transition to net zero and a sustainable future in partnership with its customers and other stakeholders. HSBC Bangladesh (referred as 'the bank' hereafter) is a branch of The Hongkong and Shanghai Banking Corporation Limited (referred as 'the group' or 'HBAP' hereafter), continues to align with the Group's net zero ambition and comply with local regulatory requirements. The Group's approach to ESG focuses on three main areas:

- 1. The transition to net zero** - In 2020, the Group set an ambition to become a net zero bank by 2050. The Group wants to be its customers' most trusted international financial partner through the transition, creating long-term value for the customers and its shareholders.
- 2. Building inclusion and resilience** - The Group seeks to foster inclusion and build resilience to help create long-term value for all its stakeholders, and
- 3. Acting responsibly** - The Group's conduct approach guides us to do the right thing and focus on the impact the Group has on its customers and the financial markets in which the Group operates.

The Group publishes updates and data on its performance in relation to ESG matters. This includes updates on activities in support of sustainable finance and its commitments relating to diversity and inclusion. The latest documents related to ESG information can be found on the following web link: <https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre>

Sustainability, Climate, Green Banking and Corporate Social Responsibility at HSBC Bangladesh

The bank undertakes its ESG related activities according to the obligations set under Bangladesh Bank's Sustainable Finance Policy for Banks and Financial Institutions through Bangladesh Bank Sustainable Finance Department (SFD) circular no. 05 dated 30 December 2020, the updated policy through SFD circular no. 03 dated 22 October 2023, as well as the Policy Guidelines on Corporate Social Responsibility for Banks and Financial Institutions through SFD circular no. 01 dated 9 January 2022, Guidelines on Sustainability and Climate Related Financial Disclosure for Banks and Financial Institutions through SFD circular no. 06 dated 26 December 2023, and any other subsequent guidance or instructions published before 31 December 2025.

The bank confirms that the disclosures set out here are for the year 01 January to 31 December 2025 consistent with the requirements stated above. The bank has made limited disclosures (with additional elements) guided by the phase-wise implementation pathway under Bangladesh Bank's 'Guidelines on Sustainability and Climate Related Financial Disclosure for Banks and Financial Institutions' through SFD circular no. 06 dated 26 December 2023.

Corporate Social Responsibility (CSR) Initiatives Highlights

CSR is the philanthropic support by the bank in partnership with non-profit organisations.

Environment | Mitigating Climate Risk through Mangrove Plantation

The bank supports a long-term project, Mangrove Plantation Program, in line with the Group's strategy to support nature and support 'Environment' category as part of Bangladesh Bank's Policy Guidelines on Corporate Social Responsibility for Banks and Financial Institutions. The project aims to sequester emissions of CO2 equivalents, improve biodiversity and support livelihood in Mirsarai, Chattogram.

Environment | Empowering Farmers

As part of HSBC Bangladesh's philanthropic support, the bank has multi-year projects in partnership with leading NGOs for agricultural projects around the most climate vulnerable areas in Bangladesh. Projects support farmers for agricultural production growth, machineries, processing and research. The locations include Haor region of Sylhet, Rajshahi, Noakhali, Khulna, Satkhira, Dewanganj, along with others.

Social | Safe Motherhood

In partnership with SAJIDA Foundation, the bank supports new mothers, focusing on physical and emotional recovery after childbirth, breastfeeding guidance, infant sleep management care and essential newborn care. Additionally, the project also provides equitable access to vital health information to mothers in marginalized communities across the country.

Social | HSBC Asian University of Women (AUW) School of Apparel

As part of HSBC Bangladesh's philanthropic support for employability, the bank has partnered with Asian University for Women (AUW) and launched the HSBC-AUW School of Apparel. The one year programme of Masters in Apparel and Fashion Management programme aims to deliver state-of-the-art knowledge and skill to students in collaboration with reputed international universities, providing partial or full scholarships to meritorious women.

Social | Joy of Giving

Joy of Giving is part of HSBC Bangladesh's philanthropic support along with its staff contribution. Each year, the bank supports programme for a vulnerable community as part of Joy of Giving. In 2025, in the Barind Tract, the programme supported the Participatory Animal Sharing for Sustainability project – an income-generating initiative designed to economically empower marginalised households by providing Garol sheep to communities to support sustainable livelihoods.

Social | Business Case Competition 2025

The Business Case competition is a part of HSBC Bangladesh's flagship future skills development activity in Asia-Pacific. It aims to challenge university students to solve real-world business cases and broaden their global perspectives. Winners of the national round in Bangladesh proceed to the global finals in Hong Kong, competing with other universities worldwide. HSBC Bangladesh, in partnership with BRAC University, organised the competition and crowned the champion in April 2025.

Social | Contribution to support fund for martyrs and injured of the July 2024 movement

HSBC Bangladesh contributed to fund managed by Bangladesh Bank for the injured and martyred of the July 2024 movement. The fund is to be used to provide support to families of the martyred and for treatment costs of the injured.

More information on HSBC Bangladesh CSR activities can be found at <https://www.about.hsbc.com.bd/hsbc-in-bangladesh/community>

Sustainable Finance Initiatives

As a global financial institution, the Group exists to serve its customers. Supporting customers' transition is one of the most significant roles the Group can play in the global transition to net zero. This will help to deliver long-term value for customers and shareholders. The Group has refined its approach to continue to be responsive to the diverse realities faced by different customers across the world, from individuals through to multinational corporates and institutions.

HSBC Bangladesh continues to contribute to HSBC Group's ambition in helping its customers transition to net zero and a sustainable future by providing and facilitating between US\$750bn and US\$1tn of sustainable finance and investment by 2030. Its sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions.

The Group defines sustainable finance and investment as any form of financial service that integrates ESG criteria into business or investment decisions. This includes financing, investing and related activities that support the achievement of the UN Sustainable Development Goals, including but not limited to the aims of the Paris Agreement on climate change. The Group's Sustainable Finance and Investment Data Dictionary 2025 sets out its approach for classifying financing and investment as sustainable for the purpose of tracking and disclosing its performance against its sustainable finance and investment ambition. The Group updates its data dictionary annually, including reviewing its product definitions, adding new qualifying products and removing products that no longer qualify, making enhancements to its internal standards, and developing its reporting and governance. For HSBC Sustainable Finance and Investment Data Dictionary 2025, see <https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre>.

The Group engages in industry initiatives to develop its understanding and approach to 'transition finance'. Whilst the Group does not currently include transition finance as a product label or stand-alone category in the data dictionary and reporting, it will continue to monitor and consider industry guidance for future updates to the data dictionary.

The Group has also refreshed its strategy to support the transitions of its Corporate and Institutional Banking (CIB) customers and deliver on its growth ambition. Lending to corporate and institutional customers makes up the majority of the Group's balance sheet and financial emissions, so the role the Group plays with these customers is critical to achieving its net zero ambition.

The Group supported Apparel Impact Institute (Aii) to convene actors across the supply chain to develop tools and guidance for mobilising finance for decarbonisation investment. In 2025, the Group funded country reports for Bangladesh and China that explored the policy and regulatory landscape and identified potential decarbonisation opportunities for the apparel sector.

Details of the sustainable finance and investment offering at HSBC Bangladesh can be found at <https://www.business.hsbc.com.bd/en-gb/campaigns/sustainability>

Understanding HSBC Group's climate reporting

The Group continues to engage with standard setters to support the development of transparent and consistent climate-related industry standards in areas such as implementation of new International Sustainability Standards across jurisdictions, sustainable finance taxonomy and emissions accounting.

The effective measurement, governance and reporting of progress against its climate ambitions is reliant on the availability of high quality, accessible, comparable and reliable internal and external data. The Group is also reliant on its own ability to collect and process such relevant data as required in timely manner. Newer data sources and topics may be difficult to assure using traditional verification techniques. This, coupled with diverse external data sources and complex structures, further complicates data consolidation.

The Group continues to strengthen its ESG data and analytics capability, working to deliver trusted data assets, dashboards, AI, and advanced analytics solutions that help support initiatives like financed emissions, climate scenario analysis, stress testing, sustainable finance and portfolio optimisation.

Governance

There is no local board given HSBC Bangladesh is a branch of The Hongkong and Shanghai Banking Corporation Limited (HBAP). The HBAP board (Board) has primary responsibility for the oversight of the approach to managing climate risks and opportunities including approval of climate related strategies and the oversight of executive management in developing the approach, execution, risk management and associated reporting. The Board reviewed regular climate risk updates from senior management and reviewed the refreshed Net Zero Transition Plan of the HSBC Group published in November 2025 which included the state of transition in Asia.

Given the wide-ranging remit of climate matters, governance activities are managed through a combination of specialist governance infrastructure and regular meetings and committees, as appropriate. These include certain Board committees, including the Audit Committee and the Risk Committee. Climate matters were also discussed at the Sustainability Management Meeting, the Disclosure Committee and the Environmental Risk Oversight Forum in 2025.

The Risk Committee oversees and advises the Board on risk-related matters, comprising both financial and non-financial risks (including Environmental, Social and Governance risk, which incorporates climate risk). In November 2025, the Group enhanced its climate governance with the establishment of a new Sustainability Management Meeting. The Sustainability Management Meeting, chaired by the Head of Sustainability and Climate Change, Asia and Middle East, oversees the group's contribution to the Group's net zero transition plan. This includes oversight of region-wide activity for the achievement of the Group's net zero transition plan, act as the escalation point for thematic risk and control issues arising across the group, and ensure alignment and compliance of sustainability policies in the group. The Group Environmental Risk Oversight Forum, chaired by the Head of Enterprise Risk Management, Asia and Middle East, provides oversight of all risk activities relating to the group's approach to environmental risk management, including climate risk.

Locally, HSBC Bangladesh Executive Committee (ExCo), consisting of senior management members, executes HBAP Board Strategy in the bank. There are governance forums, ESG Taskforce (Sustainable Finance Unit) and ESG Steering Committee (SteerCo) consisting of EXCO members, established to oversee activities to drive the bank's strategy for sustainable finance prescribed by Bangladesh Bank and to embed HSBC's climate risk approach. The ESG Taskforce, chaired by the Chief Risk and Compliance Officer and consists of representatives from all respective departments, reports to the ESG Steering Committee.

The ESG SteerCo provides strategic direction and oversight for implementation of ESG programmes in Bangladesh. They approve, monitor and assess activities of ESG Taskforce. Besides, the SteerCo ensures availability of necessary support in terms of gathering data and funding to facilitate implementation of ESG programmes and activities of the ESG Taskforce. The Taskforce escalates any challenge or issue to local RMM/EXCO and/or appropriate regional stakeholders/forums as necessary.

Strategy

In 2020, the Group set an ambition to become a net zero bank by 2050. Supporting customers is core to the Group's strategy and financing customers' transition is both critical to them and aligned to the Group's net zero ambition.

The Group's first net zero transition plan, published in January 2024, provides an overview of the Group's net zero strategy and implementation plan for the first time while recognising that the approach will continue to evolve. Since early 2024, the global landscape has shifted markedly, making the pace of transition more uneven. Against this broader landscape, the Group published an updated plan in November 2025, intensifying its efforts to be customer focused, commercial and agile. The Group has also strengthened its associated governance and risk management processes, updated its interim sector-specific financed emissions targets, and published a new Sustainability Risk Policies Framework.

Contributing to HSBC's net zero ambition

Net zero in our own operations

The bank adheres to the climate ambitions set by the HSBC Group and implements relevant policies and procedures at the entity level. For details of HSBC Group's climate ambitions, see HSBC Holdings plc's Annual Report and Accounts at <https://www.hsbc.com/investors/results-and-announcements/annual-report>.

The Group continues to address the emissions from its own operations and supply chain by focusing on reducing its consumption and replacing consumption with low carbon alternatives. The Group will only use high-integrity carbon credits to remove any residual emissions from its own operations that cannot otherwise be reasonably reduced. The Group continues to monitor external guidance, including from the Science Based Targets initiative, to seek to ensure its approach remains credible.

Energy and water consumption

In 2025, the bank has been working to reduce its energy consumption by implementing consumption reduction and other measures. Moreover, awareness communications and assessments are in place to time for both internal and external stakeholders like suppliers, partners, and vendors. The bank is also exploring options of purchasing REC (Renewable Energy Certificate) to meet Group's ambition of achieving 100% renewable electricity across the Group's operations by 2030.

To support the Group's net zero transition plan and to comply with Bangladesh Bank's regulatory requirements, the bank has implemented several key initiatives which are stated below:

- Installed passive infrared sensors for automatic lighting in certain office areas. Light will be switched off when there is no one in that office area.
- Completed integration of central Heating, Ventilation and Air-Conditioning (HVAC) units with fire alarm system at Management Office, Main Office, and Uttara Branch for automatic power shutdown of all AC units when alarm triggers.
- Installed water meters on the bank's office floors at Uttara branch and Dhaka North Branch to monitor and optimise water consumption.
- Upgraded Waste Data logbooks across all premises which help to track waste data across all premises to enhance monitoring and sustainability efforts.
- Supported Earth Hour by switching off all non-essential lights and other electrical loads in support of saving energy.

The Group maintains global policies and procedures for the onboarding and use of third-party suppliers. The Group expects suppliers to meet its third-party risk compliance requirements and assess them to identify any financial stability concerns. Through ongoing engagement and targeted collaboration events, the Group is partnering with some of its suppliers who are more advanced in their sustainability journey to jointly develop innovative ideas on decarbonisation and nature-related topics.

Business travel

Connecting with clients and colleagues remains an important part of how the bank does business. Through guidance on more sustainable ways to travel, the bank encourages ownership and conscious decision making.

Risk Management

Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy. The Group's climate risk approach identifies two primary drivers of climate risk:

- physical risk, which arises from the increased frequency and severity of extreme weather events, such as hurricanes and floods, or chronic gradual shifts in weather patterns or rises in the sea level; and
- transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, action or inaction.

In addition, the Group continues to identify a thematic issue related to climate risk that could manifest as reputational, regulatory compliance, and litigation risks; the risk of greenwashing. This risk arises from knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to its stakeholders.

The Group's climate risk approach aims to effectively manage the material risks that could impact its operations, financial performance and stability, and reputation. It is aligned to the Group-wide risk management framework, which sets out how the group identifies, assesses and manages its risks across its three lines of defence. The Group continues to work to enhance its climate risk capabilities across its businesses by prioritising sectors, portfolios and counterparties with the highest impacts. Recognising this as a long-term iterative process, the Group aims to expand its coverage and integrate more advanced data, climate analytics, frameworks and tools, while adapting to emerging industry best practices and climate-related regulations.

The group's climate risk appetite statement forms part of the group's risk appetite statement and is approved and overseen by the Board. This supports the business in delivering the group's climate strategy effectively and sustainably. Climate risk appetite and associated metrics are reported for oversight by the group Risk Committee.

The group also conducts climate risk materiality assessment annually which helps it to understand how climate risk may impact HSBC's risk taxonomy. It assesses the type of impact, likelihood and severity over a 12-month period, and also considers forward-looking risk impacts.

The Group also uses climate scenario analysis to gain insights into the short-term and long-term effects of transition and physical risks across its wholesale and retail portfolios. Climate scenario analysis supports the Group's strategy by assessing its potential exposures to risks and vulnerabilities under a range of climate scenarios.

The Group-wide internal climate scenario analysis exercises are sufficiently diverse to enable key physical and transition risk vulnerabilities to be explored using a wide range of potential climate outcomes. They provide insights that enhance how the Group understands the various transition and global warming pathways that may unfold, which help to inform how the Group manages the potential financial implications for its customers and shareholders. The group has contributed to the Group-wide internal climate scenario analysis exercises in 2025. The exercises are focused on the following time horizons: Short term: 2025-2027 (0-2 years); Medium term: 2027-2030 (3-5 years); and Long term: 2030-2040 (5-15 years).

Metrics and Targets

HSBC Bangladesh continues to contribute to HSBC Group's ambition in helping its customers transition to net zero and a sustainable future by providing and facilitating between US\$750bn and US\$1tn of sustainable finance and investment by 2030. The Group's sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions. For further details of the Group's approach to transition to net zero, different metrics and targets including greenhouse gas emissions data, please see <https://www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre>.

Challenges

While the Group has continued to develop its climate risk capabilities, key challenges include:

- an increasingly complex and divergent regulatory environment across jurisdictions;
- the diverse range of internal and external data sources and data structures needed for climate-related reporting, which introduces data accuracy and reliability risks;
- industry-wide data gaps on customer emissions and transition plan and methodology gaps, which limit its ability to assess transition risks accurately; and
- data limitations on customer assets and supply chains, and methodology gaps, which hinder its ability to assess physical risks accurately.

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report and Accounts 2025 contains certain forward-looking statements with respect to the Group's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and 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 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, various variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current public information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak 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 statements. Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, offering circulars and prospectuses, press releases and other written and oral statements made by the Group's directors, officers, employees or employees to third parties, including financial analysts. Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which the Group operates, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts; the Russia-Ukraine war, further conflict in the Middle East or elsewhere and their impact on global economies and the markets where the Group operates, which could have a material adverse effect on (among other things) the Group's financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for the Group's ECL measurements (including, without limitation, as a result of the Russia-Ukraine war, further conflict in the Middle East or elsewhere, inflationary pressures, commodity price changes, and ongoing developments in the commercial real estate sector in mainland China and Hong Kong); potential changes in the Group's dividend policy; changes and volatility in foreign exchange rates and interest rates levels, including fluctuations in HBOR and the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets and the risk of disruptive correction stemming from high company valuations; lack of liquidity in wholesale funding or capital markets, which may affect the Group's ability to meet the Group's obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments producing social instability or legal uncertainty, such as the Russia-Ukraine war, the conflict in the Middle East, the US military operation in Venezuela and any potential military action or conflict elsewhere, and the related imposition of sanctions, export-control, trade and investment restrictions, supply chain restrictions and disruptions, sustained increases in energy prices and key commodity prices, claims of human rights violations, diplomatic tensions between China and the US, which may extend to and involve other countries and territories, and developments in Hong Kong and Taiwan and the surrounding maritime region, alongside other potential areas of tension, which may adversely affect the Group by creating regulatory, reputational and market risks; the efficacy of government, customer, and the Group's actions in managing and mitigating ESG-related risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact the Group both directly and indirectly through the Group's customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; the significant depreciation of the US dollar through 2025; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using the Group as a conduit for illegal activities without the Group's knowledge; and price competition in the market segments the Group serves;
- changes in government policy and regulation, as well as monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which the Group operates and the

consequences thereof (including, without limitation, actions taken as a result of changes in government following national elections in the markets where the Group operates); continued volatility in trade and tariff policies, changes in tariff rates, including sector-specific levies, imposed by various nations, including the US, which could further disrupt trade growth and supply chains; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to the Group, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the UK's relationship with the EU, particularly with respect to the potential divergence of UK and EU law on the regulation of financial services; changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets; changes in UK macroeconomic and fiscal policies, which may result in fluctuations in the value of the pound sterling; general changes in government policy (including, without limitation, actions taken as a result of changes in government following national elections in the markets where the Group operates) that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where the Group operates including increased competition from non-bank financial services companies; and

- factors specific to the Group, including its success in adequately identifying the risks the Group faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); the Group's ability to achieve the Group's financial, investment, capital and ESG ambitions, targets and commitments (including the positions set forth in the Group's thermal coal phase-out policy and the Group's energy policy and the Group's targets to reduce the Group's on-balance sheet financed emissions and, where applicable, facilitated emissions in the Group's portfolio of selected high-emitting sectors), which may result in the Group's failure to achieve any of the expected outcomes of the Group's strategic priorities and may result in reputational risks; evolving regulatory requirements and the development of new technologies, including artificial intelligence, affecting how the Group manages risk, including model risk; model limitations or failure, including, without limitation, the impact that high inflationary pressures and interest rates have had on the performance and usage of financial models, which may require the Group to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions the Group bases the Group's financial statements on; changes in the Group's ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to the Group or any of the Group's subsidiaries, which could increase the cost or decrease the availability of the Group's funding and affect the Group's liquidity position and net interest margin; changes to the reliability and security of the Group's data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact the Group's ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; the accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; the Group's dependence on internal and external data sources and data structures needed for climate-related reporting. While the Group's reporting frameworks and accounting standards, which have had and may continue to have a material impact on the way the Group prepares the Group's financial statements; the Group's ability to successfully execute planned strategic acquisitions and disposals; the Group's success in adequately integrating acquired businesses into the Group's business; the Group's ability to successfully execute and implement the announced strategic reorganisation of the Group; changes in the Group's ability to manage third-party, fraud, financial crime and reputational risks inherent in the Group's operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect the Group's ability to recruit and retain senior management and an inclusive and skilled workforce; and changes in the Group's ability to develop sustainable finance and ESG-related products consistent with the evolving expectations of the Group's regulators, and the Group's capacity to measure the environmental and social impacts from the Group's financing activity (including as a result of data limitations and changes in methodologies), which may impact the Group's ability to achieve the Group's ESG ambitions, targets and commitments, including HSBC Bangladesh's net zero ambition, the Group's targets to reduce on-balance sheet financed emissions and, where applicable, facilitated emissions in the Group's portfolio of selected high-emitting sectors and the positions set forth in the Group's thermal coal phase-out policy and the Group's energy policy, and increase the risk of greenwashing.

This Annual Report and Accounts 2025 contains a number of images, graphics, infographics, text boxes and illustrative case studies and credentials which aim to give a high-level overview of certain elements of the Group's disclosures and to improve accessibility for readers. These images, graphics, infographics, text boxes and illustrative case studies and credentials are designed to be read within the context of the Annual Report and Accounts 2025 as a whole.

The information, statements and opinions set out in this Annual Report and Accounts 2025 do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

Additional cautionary statement regarding ESG data, metrics, and forward-looking statements

The Annual Report and Accounts 2025 contains a number of forward-looking statements (as defined above) with respect to the Group's ESG-related ambitions, targets and commitments, climate-related pathways, processes and methodologies used to measure and manage the Group's ESG-related ambitions, targets and commitments in 2025 as a whole. The information, statements and opinions set out in this Annual Report and Accounts 2025 do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

The Annual Report and Accounts 2025 contains a number of forward-looking statements (as defined above) with respect to the Group's ESG-related ambitions, targets and commitments, climate-related pathways, processes and methodologies used to measure and manage the Group's ESG-related ambitions, targets and commitments in 2025 as a whole. The information, statements and opinions set out in this Annual Report and Accounts 2025 do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

In preparing the ESG-related information contained in the Annual Report and Accounts 2025, the Group (including HSBC Bangladesh) has made a number of key judgements, estimations, and assumptions, and the processes and issues involved are complex. The Group (the group) has used ESG (including climate) data, models and methodologies that it considers, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse financed emissions and operational and supply chain emissions, and to assess progress towards its ESG-related ambitions, targets and commitments in the future, update the methodologies it uses or alter its approach to ESG (including climate) analysis and may be required to amend, update and recalculate its ESG-related disclosures and assessments in the future, as market practice and data quality and availability develop.

No assurance can be given by or on behalf of the group as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, ambitions, targets, commitments, prospects, or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to the Group (including HSBC Bangladesh), could cause actual achievements, results, performance or other outcomes to differ, in some instances materially, from those stated, implied and/or reflected in any ESG-related forward-looking statement or metric due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

- Climate change projection risk: this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways, and future risk exposure and limitations of climate scenario forecasts;
- ESG projection risk: ESG-related metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, and the models that analyse them, have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy, and technology-driven outcomes;
- Changes in the ESG regulatory landscape: this involves changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets;
- Variation in reporting standards: ESG reporting standards are still developing and are not standardised or comparable across all sectors and markets, and new reporting standards in relation to different ESG metrics are still emerging;
- Data availability, accuracy, verifiability, and data gaps: the Group's (including HSBC Bangladesh's) disclosures are limited by the availability of high quality data in some areas and the Group's (including HSBC Bangladesh's) own ability to timely collect and process such data as required. Where data is not available for all sectors or consistently year on year, there may be an impact to the Group's (including HSBC Bangladesh's) data quality scores. The Group (including HSBC Bangladesh's) may not be able to fully mitigate financial reporting risks related to its climate and ESG disclosures due to the limited quantity and consistency of available data. The accuracy and reliability of data is also impacted by the diverse range of internal and external data sources and data structures needed for climate-related reporting. While the Group (including HSBC Bangladesh's) expects its data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within sectors year on year, and/or differences between the data quality scores (including between sectors. Any such changes in the availability and quality of data over time, or the Group's (including HSBC Bangladesh's) ability to collect and process such data, could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on-year.
- Developing methodologies and scenarios: the methodologies and scenarios the Group (including HSBC Bangladesh's) uses to assess financed emissions and set ESG-related ambitions, targets and commitments may develop over time in line with market practice, industry standards, regulation and/or developments in science, where applicable. Such developments could result in revisions to reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on-year. Consequently, the Group (including HSBC Bangladesh's) might need to reassess its progress towards ESG-related ambitions, targets, and commitments in the future; and
- Risk management capabilities: global actions, including HSBC Bangladesh's (and the Group's) own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate, nature-related and human rights risks, each of which can impact the Group (including HSBC Bangladesh's) both directly and indirectly through its customers, and which may result in potential financial and non-financial impacts to the Group (including HSBC Bangladesh's). In particular:
 - the Group (including HSBC Bangladesh's) may not be able to achieve its ESG-related ambitions, targets and commitments (including with respect to the positions set forth in the Group's thermal coal phase-out policy and its energy policy, and its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors), which may result in the Group's (including HSBC Bangladesh's) failure to achieve some or all of the expected outcomes of its strategic priorities and raise reputational concerns; and
 - the Group's (including HSBC Bangladesh's) may not be able to develop sustainable finance and ESG-related products consistent with the evolving expectations of its regulators, and its capacity to measure the environmental and social impacts from its financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect its ability to achieve its ESG-related ambitions, targets and commitments, including its net zero ambition, its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors and the positions set forth in its thermal coal phase-out policy and energy policy, and increase the risk of greenwashing. The Group (including HSBC Bangladesh's) may face additional risks if it knowingly or unknowingly makes inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to its stakeholders.

Any forward-looking statements made by or on behalf of the Group (including HSBC Bangladesh) speak only as of the date they are made. The Group (including HSBC Bangladesh) expressly disclaims any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

Written and/or oral ESG-related forward-looking statements may also be made in the Group's (including HSBC Bangladesh's) periodic reports to the US Securities and Exchange Commission and/or any other applicable regulatory authority, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by the Group's (including HSBC Bangladesh's) directors, officers or employees to third parties, including financial analysts. The Group's data dictionaries and methodologies for preparing the above ESG-related metrics and third-party limited assurance reports can be found on: www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.