The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch
(Incorporated in Hong Kong SAR with limited liability)

Balance Sheet
as at 31 March 2023

(Currency : US Dollars in thousands)

	Schedules	**As at 31 March 2023**	As at 31 March 2022
Capital and liabilities			
Capital	*1*	**20,500**	20,500
Reserves and surplus	*2*	**16,230**	3,067
Deposits	*3*	**12,034**	6,054
Borrowings	*4*	**3,763,389**	2,217,141
Other liabilities and provisions	*5*	**42,415**	5,605
Total		**3,854,568**	2,252,367
Assets			
Cash and balances with Reserve Bank of India	*6*	**-**	-
Balances with banks and money at call and short notice	*7*	**43,107**	28,941
Investments	*8*	**-**	-
Advances	*9*	**3,759,364**	2,220,907
Fixed assets	*10*	**130**	182
Other assets	*11*	**51,967**	2,337
Total		**3,854,568**	2,252,367
Contingent liabilities	*12*	**20,000**	-

Significant accounting policies and notes forming part of the financial statements *18*

Schedules referred to herein form an integral part of this Balance Sheet

As per our report of even date

For Price Waterhouse LLP
Chartered Accountants
Firm Registration Number : 301112E/E300264

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Sharad Agarwal
Partner
Membership No: 118522

Mumbai
29 September 2023

For The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch

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Raj Kumar Jain
Finance Head

The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch

(Incorporated in Hong Kong SAR with limited liability)

Profit And Loss Account

for the year ended 31 March 2023

(Currency : US Dollars in thousands)

	Schedules	**For the year ended 31 March 2023**	**For the period January 27, 2021 to March 31, 2022**
Income			
Interest earned	*13*	**120,726**	8,418
Other income	*14*	**5,697**	2,639
Total		**126,423**	11,057
Expenditure			
Interest expended	*15*	**101,350**	2,933
Operating expenses	*16*	**905**	650
Provisions and contingencies	*17*	**12,160**	4,407
Total		**114,415**	7,990
Net profit for the year/period		**12,008**	3,067
Other Comprehensive Income			
Items that will be reclassified to Profit And Loss Account		**-**	-
Items that will not be reclassified to Profit And Loss Account (net of taxes)		**1,155**	-
Total other comprehensive income for the year/period		**1,155**	-
Total comprehensive income for the year/period		**13,163**	3,067

Significant accounting policies and notes forming part of the financial statements *18*

Schedules referred to herein form an integral part of this Profit and Loss Account

As per our report of even date

For Price Waterhouse LLP
Chartered Accountants
Firm Registration Number : 301112E/E30026

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29 September 2023

For The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch

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Finance Head

The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch

(Incorporated in Hong Kong SAR with limited liability)

Statement of Changes in Equity

as at 31 March 2023

(Currency : US Dollars in thousands)

	Head office capital*	Reserves and surplus (Retained earnings)	Other Comprehensive Income	Total
Opening Balance	**20,500**	**3,067**	**-**	**23,567**
Capital contribution	-	-	-	-
Income for the year	-	**12,008**	**1,155**	**13,163**
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	**-**	**12,008**	**1,155**	**13,163**
As at 31 March 2023	**20,500**	**15,075**	**1,155**	**36,730**

	Head office capital*	Reserves and surplus (Retained earnings)	Other Comprehensive Income	Total
Capital contribution	20,500			20,500
Income for the period	-	3,067	-	3,067
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	3,067	-	3,067
As at 31 March 2022	**20,500**	**3,067**	**-**	**23,567**

*Minimum prescribed capital as per the IFSCA Banking Handbook Prudential Directions is maintained at head office level at all times during the year/period

The accompanying notes are an integral part of these financial statements

ASHISHKUMAR ASHOKKUMAR TRIPATHI Digitally signed by ASHISHKUMAR ASHOKKUMAR TRIPATHI Date: 2023.09.29 22:25:08 +05'30'

For Price Waterhouse LLP
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For The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch

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Sharad Agarwal
Partner
Membership Number: 118522

Ashishkumar Tripathi
Branch Head

Raj Kumar Jain
Finance Head

Mumbai
29 September 2023

The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch
(Incorporated in Hong Kong SAR with limited liability)

Cash Flow Statement
for the year ended 31 March 2023

(Currency : US Dollars in thousands)

		For the year ended 31 March 2023	For the period January 27, 2021 to March 31, 2022
Cash flow from operating activities			
Profit before Income Tax		**23,926**	5,508
Adjustments for:			
Other comprehensive income before tax		**2,108**	-
Depreciation on fixed assets		**55**	56
Provision for advances		**242**	1,953
		26,331	**7,517**
Adjustments for:			
Increase in advances		**(1,538,724)**	(2,222,612)
Increase in borrowings		**1,546,248**	2,217,141
Increase in deposits		**5,980**	6,054
Increase in other assets		**(50,494)**	(1,477)
Increase in other liabilities and provisions		**24,828**	2,056
		(12,162)	1,162
Direct taxes paid (Net)		**-**	-
Net cash from operating activities	*(A)*	**14,169**	8,679
Cash flow from investing activities			
Purchase of fixed assets		**(3)**	(238)
Net cash used in investing activities	*(B)*	**(3)**	(238)
Cash flow from financing activities			
Capital Infusion		**-**	20,500
Net cash used in financing activities	*(C)*	**-**	**20,500**
Net increase in cash and cash equivalents	*(A) + (B) + (C)*	**14,166**	28,941
Cash and cash equivalents as at the beginning of year/period		**28,941**	-
Cash and cash equivalents as at 31 March		**43,107**	28,941

This is the Cash Flow Statement referrred to in our report of even date.

For Price Waterhouse LLP
Chartered Accountants
Firm Registration Number : 301112E/E300264

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Sharad Agarwal
Partner
Membership No: 118522

Mumbai
29 September 2023

For The Hongkong and Shanghai Banking Corporation Limited - GIFT Branch

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Ashishkumar Tripathi
Branch Head

Raj Kumar Jain
Finance Head

The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch

(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Balance Sheet

as at 31 March 2023

(Currency : US Dollars in thousands)

			As at 31 March 2023	As at 31 March 2022
1	**Capital**			
	I	**Capital**		
		Head Office Account		
		Opening balance	**20,500**	-
		Add : Capital Infusion by Head Office	-	20,500
			20,500	20,500
2	**Reserves and surplus**			
	I	**Balance in Profit and Loss Account**	**16,230**	3,067
			16,230	3,067
3	**Deposits**			
	A.	**I. Demand Deposits**		
		i) From banks	-	-
		ii) From others	**12,034**	6,054
		Total i) and ii)	**12,034**	6,054
		II. Savings Bank Deposits	-	-
		III. Term Deposits	-	-
		TOTAL (I+II+III)	**12,034**	6,054
	B.	I. Deposits of branches in India	**12,034**	6,054
		II. Deposits of branches outside India	-	-
		TOTAL (I+II)	**12,034**	6,054

Schedules forming part of the Balance Sheet *(Continued)*
as at 31 March 2023

(Currency : US Dollars in thousands)

			As at 31 March 2023	As at 31 March 2022
4	**Borrowings**			
	I	**Borrowings in India**	-	-
	II	**Borrowings outside India**	**3,763,389**	2,217,141
		TOTAL (I+II)	**3,763,389**	2,217,141
		Secured borrowings included in I and II above	-	-
5	**Other liabilities and provisions**			
	I	Interest accrued	**23,287**	488
	II	Provision towards standard assets	**219**	247
	III	Others (including provisions)	**18,909**	4,870
		TOTAL (I+II+III)	**42,415**	5,605
6	**Cash and balances with Reserve Bank of India**			
	I	Cash in hand and in ATMs (including foreign currency notes)	-	-
	II	Balances with the Reserve Bank of India	-	-
		TOTAL (I+II)	-	-
7	**Balances with banks and money at call and short notice**			
	I	**In India**		
		i) Balances with banks		
		a) in current accounts	**10,110**	-
	II	**Outside India**		
		i) In current accounts	**32,997**	28,941
		TOTAL (I+II)	**43,107**	28,941

Schedules forming part of the Balance Sheet *(Continued)*
as at 31 March 2023

(Currency : US Dollars in thousands)

			As at 31 March 2023	As at 31 March 2022
8	**Investments**			
	I	**Investments in India**		
		TOTAL	**-**	-
	II	**Investments outside India**	**-**	-
		Total (I+II)	**-**	-
9	**Advances**			
	A.	i) Bills purchased and discounted	**-**	-
		ii) Cash credits, overdrafts and loans repayable on demand	**-**	-
		iii) Term loans	**3,759,364**	2,220,907
		TOTAL i), ii) and iii)	**3,759,364**	2,220,907
	B.	i) Secured by tangible assets (including advances against book debt)	**266,153**	108,538
		ii) Covered by Bank / Government guarantees	**-**	-
		iii) Unsecured	**3,493,211**	2,112,369
		TOTAL i), ii) and iii)	**3,759,364**	2,220,907
	CI.	Advances in India		
		i) Priority sectors	**-**	-
		ii) Public sector	**160,549**	-
		iii) Banks	**1,734,068**	1,206,030
		iv) Others	**1,864,747**	1,014,877
		TOTAL i), ii), iii) and iv)	**3,759,364**	2,220,907
	CII.	Advances outside India	**-**	-
		TOTAL CI and CII	**3,759,364**	2,220,907

Schedules forming part of the Balance Sheet *(Continued)*
as at 31 March 2023

(Currency : US Dollars in thousands)

			As at 31 March 2023	As at 31 March 2022
10	**Fixed assets**			
	I	**Premises (including leasehold improvements)**	**-**	-
	II	**Other Fixed Assets (including furniture and fixtures)**		
		Cost at 1 April 2022/27 January 2021	**182**	-
		Additions during the year/period	**3**	238
		Deductions during the year/period	**-**	-
			185	238
		Depreciation to date	**(55)**	(56)
		Net book value of Other Fixed Assets (including furniture and fixtures)	130	182
	III	Capital Work-in-progress	**-**	-
		TOTAL (I+II+III)	**130**	182
11	**Other assets**			
	I	Interest accrued	**23,354**	1,466
	II	Deferred tax (net)	**-**	861
	III	Others	**28,613**	10
		TOTAL (I+II+III)	**51,967**	2,337
12	**Contingent liabilities**			
	I	Guarantees given on behalf of constituents		
		i) In India	**-**	-
		ii) Outside India	**20,000**	-
		Total i) and ii)	**20,000**	-
	II	Other items for which the bank is contingently liable	**-**	-
		TOTAL	**20,000**	-

The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch
(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Profit And Loss Account
for the year ended 31 March 2023

(Currency : US Dollars in thousands)

			For the year ended 31 March 2023	For the period January 27, 2021 to March 31, 2022
13	**Interest earned**			
	I	Interest/discount on advances/bills	**120,726**	8,418
	II	Others	**-**	-
		TOTAL (I+II)	**120,726**	8,418
14	**Other income**			
	I	Commission, exchange and brokerage (net)	**6,228**	2,648
	II	Profit on exchange transactions (net)	**(531)**	(9)
	III	Miscellaneous income	**-**	-
		TOTAL (I+II+III)	**5,697**	2,639
15	**Interest expended**			
	I	Interest on deposits	**-**	-
	II	Interest on Reserve Bank of India/ inter-bank borrowings	**101,346**	2,928
	III	Others	**4**	5
		TOTAL (I+II+III)	**101,350**	2,933
16	**Operating expenses**			
	I	Payments to and provisions for employees	**268**	221
	II	Depreciation on Bank's property	**55**	56
	III	Auditors' fees and expenses	**53**	26
	IV	Law charges		113
	V	Repairs and maintenance	**18**	32
	VI	Other expenditure	**511**	202
		TOTAL	**905**	650
17	**Provisions and contingencies**			
	I	Provision for advances	**242**	1,966
	II	Taxation charge		
		- Current tax expense	**11,057**	3,302
		- Deferred tax charge	**861**	(861)
			11,918	2,441
	III	Other provisions	**-**	-
		TOTAL (I+II+III)	**12,160**	4,407

Schedule 18 – Significant accounting policies and notes to accounts

1 Background

The financial statements for the year ended 31 March 2023 comprise the accounts of the Gift City India Branch of The Hongkong and Shanghai Banking Corporation Limited ('the Bank'), which is incorporated and registered in Hong Kong Special Administrative Region ('SAR'). The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated in the United Kingdom.

The Hongkong and Shanghai Banking Corporation Limited, GIFT City Branch (hereinafter referred to as "HSBC-IBU" or "the Branch"), established as International Banking Unit (IBU) under International Financial Services Centres Authority ("IFSCA") Banking Regulations, 2020, as amended, having its registered office at Gujarat International Finance Tec city (GIFT City), Gandhinagar, Gujarat, India.

The financial statements for the year ended 31 March 2023 comprises of Balance Sheet as at 31 March 2023, Profit and Loss Account, including the cash flow statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Principal activities: Currently, the Branch offers Loans, advances, bill discounting products and fee income from trading account.

2 Basis of preparation

The financial statements together with schedules thereon, presented in United States Dollars ("USD") as required by International Financial Services Centres Authority ("IFSCA") Banking Regulations, 2020, as amended, give the information required by Section 29 of the Banking Regulation Act, 1949 as permitted by the Prudential Directions – V4.0 of The IFSCA Banking Handbook ("the Directions"), in the manner so required for IBUs and are in conformity with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") read with para 1(iv) of Module No. 3 Prudential Reporting, Disclosure and Supervision of the Directions.

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit or loss or measured at fair value through other comprehensive income.

3 Use of estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying HSBC IBU's accounting policies.

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a higher risk of resulting in a material adjustment within the financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

4 Foreign currencies

HSBC-IBU's financial statements are presented in US dollars. The US dollar is HSBC IBU's functional currency because the US dollar and currencies linked to it are the most significant currencies relevant to the underlying transactions, events and conditions, as well as representing a significant proportion of its funds generated from financing activities.

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

5 Going concern

The financial statements are prepared on a going concern basis, as the management is satisfied that the Branch has the resources to continue in business for the foreseeable future. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include stressed scenarios that reflect the increasing uncertainty that the global Covid-19 outbreak has had on HSBC IBU's operations, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

6 Significant accounting policies

6.1 Functional and presentation currency

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the branch operates (the "functional currency"). Taking into account the local regulatory guidelines by the International Financial Services Centres Authority (IFSCA), cash flows, the financing structure and Head office financing arrangements with HSBC Holdings plc, U.S. dollars is considered as the functional and presentation currency of the Branch.

6.2 Foreign currency translation

Monetary assets and monetary liabilities in foreign currencies are translated into U.S. dollars at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the date of the transaction. Any gains or losses arising on translation are taken directly to the Profit and Loss Account .

Non-monetary items denominated in foreign currencies that are stated at historical cost are translated into U.S. dollars at the exchange rate ruling at the date when the transaction was initially 18ecognized.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into U.S. dollars at foreign exchange rates ruling at the dates when the fair values were determined. Translation differences arising on non-monetary items measured at fair value are 18ecognized in the Profit and Loss Account.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

6 Significant accounting policies *(Continued)*

6.3 Financial assets and liabilities

(a) Recognition of financial assets and financial liabilities

The Branch recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

(b) Classification and measurement of financial assets and financial liabilities

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Branch in determining the business model for assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

On initial recognition, financial liabilities are classified as measured at either amortised cost or FVTPL.

(c) Financial assets and financial liabilities measured at amortised cost

Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold to Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). Factors considered by the Branch in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. In making the SPPI assessment, the Branch considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI. As a result of the application of these criteria, only debt financial assets are eligible to be measured at amortised cost.

Financial assets measured at amortised cost include cash and due from banks, term loans and accrued income that are in the Hold to Collect business model.

Financial liabilities are measured at amortised cost unless they are held for trading or are designated as measured at FVTPL. Most of the Branch's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost includes borrowings, trade creditors, amounts owed to the Branch undertakings and certain other liabilities.

Financial assets and financial liabilities measured at amortised cost are initially recognised at fair value including transaction costs (which are explained below). The initial amount recognised is subsequently reduced for principal repayments and adjusted for accrued interest using the effective interest method (see below). In addition, the carrying amount of financial assets is adjusted by recognising an expected credit loss allowance through profit or loss.

6 Significant accounting policies *(Continued)*

6.3 Financial assets and liabilities(Continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability.

Gains and losses arising on the disposal of financial assets measured at amortised cost are recognised in 'trading profit' or other non-interest revenue as relevant.

(d) Financial assets measured at fair value through other comprehensive income ("FVOCI")

Financial assets are measured at FVOCI if they are held under a business model with the objective of both collecting contractual cash flows and selling the financial assets ("Hold to Collect and Sell"), and they have contractual terms under which cash flows are SPPI.

Financial assets measured at FVOCI are initially recognised at fair value, which includes direct transaction costs. The financial assets are subsequently remeasured at fair value with any changes presented in other comprehensive income ("OCI") except for changes attributable to impairment, interest income and foreign currency exchange gains and losses. Impairment losses and interest income are measured and presented in profit or loss on the same basis as financial assets measured at amortised cost (see above).

On disposal of financial assets measured at FVOCI, the cumulative gains or losses in OCI are reclassified from equity and recognised in current period other income.

(e) Impairment of amortised cost and FVOCI financial assets

Expected credit losses (‘ECL’) are recognised for loans and advances to banks and customers, other financial assets held at amortised cost, debt instruments measured at FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months (’12-month ECL’). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets that are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in ‘stage 3’.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

6 Significant accounting policies *(Continued)*

6.3 Financial assets and liabilities(Continued)

HSBC determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due, even where regulatory rules permit default to be defined based on 180 days past due. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk, and these criteria will differ for different types of lending. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, which are typically corporate and commercial customers, and included on a watch or worry list, are included in stage 2.

(f) Impairment of amortised cost and FVOCI financial assets

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default ('PD'), which encompasses a wide range of information including the obligor's customer risk rating ('CRR'), macroeconomic condition forecasts and credit transition probabilities. For origination CRRs up to 3.3, significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at the reporting date.

(Currency: US Dollars)

6 Significant accounting policies *(Continued)*

6.3 Financial assets and liabilities(Continued)

The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	**Significance trigger – PD to increase by**
0.1–1.2	15 bps
2.1–3.3	30 bps

For CRRs greater than 3.3 that are not impaired, a significant increase in credit risk is considered to have occurred when the origination PD has doubled. The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates.

ECL resulting from default events that are possible within the next 12 months (‘12-month ECL’) are recognised for financial instruments that remain in stage 1.

Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 to stage 1, if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability-weighted, and incorporate all available information that is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, HSBC IBU calculates ECL using three main components: a probability of default, a loss given default (’LGD’) and the exposure at default (‘EAD’).

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

6 Significant accounting policies *(Continued)*

6.4 Income and expense

Unless a financial asset is credit-impaired, interest income is recognised by applying the effective interest method to the carrying amount of a financial asset before adjusting for any allowance for expected credit losses. If a financial asset is credit-impaired, interest income is recognised by applying the effective interest rate to the carrying amount of the financial asset including any allowance for expected credit losses.

Interest expense on financial liabilities is recognised by applying the effective interest method to the amortised cost of financial liabilities.

Interest income and expense on financial assets and financial liabilities, excluding those classified at FVTPL, are presented in interest income from financial assets measured at amortised cost and FVOCI and interest expense from financial liabilities measured at amortised cost respectively.

Interest generated as a result of 'negative' interest rates is recognised gross, as interest income or interest expense.

6.5 Fee Income

HSBC IBU recognises fees earned on transaction-based arrangements at a point in time when it has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

6.6 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are determined by reference to observable market prices where available and reliable. Fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Where market prices are unavailable, fair value is based on valuation models that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

6 Significant accounting policies *(Continued)*

6.6 Fair value (Continued)

The Branch classifies its assets and liabilities according to a hierarchy that has been established under IFRS for disclosure of fair value measurements. The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3 inputs).

A financial instrument's categorisation within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Further details on fair value measurements are provided in [refer schedule 11 - (13)] to the financial statements.

6.7 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Branch or the counterparty.

6.8 Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes balances with banks and other short-term deposits with an original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.9 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

Current income tax is computed in accordance with the Indian Income Tax Act, 1961 and applicable laws and rules thereunder. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

6 Significant accounting policies *(Continued)*

6.9 Current and deferred income tax (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Branch has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously and are disclosed on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

6.10 Provisions and contingent liabilities

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the Branch, or a present obligation that arises from past events but is not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the financial statements; however disclosure is made unless the probability of settlement is remote.

6.11 Leases

The Branch recognizes lease right-of-use ("ROU") assets and lease liabilities at the lease commencement date. Lease ROU assets are included in property and equipment, and lease liabilities are included in other liabilities for operating leases in the Branch's balance sheet. The ROU assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The ROU assets are subsequently amortized on a straight-line basis from the commencement date to the end of the lease term. In addition, the ROU assets may be reduced by impairment losses.

6 Significant accounting policies *(Continued)*

6.11 Leases (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Branch's incremental borrowing rate. The lease liability is measured at amortized cost using a constant periodic rate of interest. It is remeasured when there is a change in an index or rate, or if the Branch changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset.

6.12 Segment reporting

The Branch is not in scope of IFRS 8 'Operating segments', as its debt or equity are not traded on a public market, therefore segmental analysis of the Branch's revenue and assets by business is not required.

6.13 Property, Plant and Equipment and depreciation

(a) Property, Plant and Equipment are stated at historical cost less accumulated depreciation.
(b) Depreciation is provided, from the month in which the asset is capitalised, on the straight-line method over the useful life of the asset as estimated by the Management.

Asset Type	Maximum estimated useful life*
Furniture and fixtures	5 years
IT Equipment	5 years

*For these classes of assets, based on internal assessment and technical evaluation, the management believes that the useful lives as given above best represents the maximum period over which management expects to use these assets.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts

(a) Financial Risk Management

Risk is an inherent part of the Branch's business activities. The Branch's risk management framework and governance structure are intended to provide comprehensive controls and an ongoing management of major risks inherent in its business activities.

The Branch's risk management objectives are consistent with those of the head office. The Branch employs a holistic approach to risk management to ensure the broad spectrum of risk types are considered in managing its business activities. It is also intended to create a culture of risk transparency and awareness and personal responsibility throughout the Branch where collaboration, discussion, escalation and sharing of information is encouraged. The Branch's ability to properly identify, measure, monitor/control and report risk is critical to its soundness and profitability.

The Branch's activities expose it to a variety of risks; market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market Risk

Market risk is the risk associated with the effect of changes in market factors, such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term. The Branch doesn’t hold any investments and derivatives as at the year end. Given the current balance sheet of the branch, market risk management is overseen by the head office in Hong Kong.

Foreign currency risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Branch's functional currency. The Branch's foreign currency exposure results primarily from movements of the Non-US Dollar (USD) against the US Dollar (USD). The impact of changes in foreign currency rate is considered insignificant given the nature and size of business.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.Given the financial instrument of the Branch are repriced to current market rates frequently, interest rate is considered insignificant given the nature and size of business.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(a) Financial Risk Management (continued)

Credit Risk

Credit Risk Management, monitors, measures and manages credit risk throughout the HSBC group and defines credit risk policies and procedures. The Hongkong and Shanghai Banking Corporation Limited credit risk management governance includes the following activities:

- Maintaining a credit risk policy framework
- Monitoring, measuring and managing credit risk across all portfolio segments, including transaction and exposure approval
- Setting industry and geographic concentration limits, as appropriate, and establishing underwriting guidelines. Assigning and managing credit authorities in connection with the approval of credit exposure
- Managing criticized exposures and delinquent loans, and
- Estimating credit losses and supporting appropriate credit risk-based capital management.

The Hongkong and Shanghai Banking Corporation Limited has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process for extending credit so that credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The firm-wide policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposures.

Liquidity Risk

Liquidity risk is the risk that the Branch will be unable to meet its contractual and contingent financial obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities. As per IFSCA regulations HSBC IBU needs to maintain adequate liquidity ratios in its parent's head office books as per the requirements of the head office regulator. No separate liquidity requirements are needed at branch level. The branch accordingly submits a quarterly return to IFSCA confirming the LCR maintained by head office.

Funding

The Branch's sources of funding is primarily from the Head-office. The Branch's funding capacity is sufficient to meet its on and off-balance sheet obligations. The table below presents the maturity details of all financial liabilities. Amounts greater than one year represent undiscounted cash flows. Due to the nature and contractual maturity of all other financial liabilities they are presented at the carrying amount, which is not materially different to the undiscounted cash flow.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. As per the requirements of IFSCA, the branch need not maintain any separate NSFR ratios, as long as the head office maintains sufficient NSFR as per the regulations of the head office regulator. The branch accordingly submits a quarterly return to IFSCA confirming the NSFR maintained by head office.

The Branch's financial liabilities, consisting mainly of trade payables which are due within the next 12 months from the reporting date. The Branch has sufficient funds to meet all maturing obligations.

Schedules forming part of the Financial Statements *(Continued)*
for the year ended 31 March 2023

(Currency: US Dollars)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(a) Financial Risk Management (continued)

Capital Management

Minimum prescribed capital as per the IFSCA, is maintained at branch at all times. IFSCA also requires the head office to maintain requisite capital adequacy ratio as prescribed by the head office regulator. The branch accordingly submits a quarterly return to IFSCA confirming the CRR maintained by head office.

Head Office exercise effective oversight over the operations of the Branch and acknowledge that the assets of the Head Office are generally available to the Branch to allow the Branch to meet its financial obligations as they fall due in accordance with the terms of the obligation, including place of payment"

(b) Borrowings

Borrowings are unsecured and have no covenants. The analysis of the borrowing is as per the table below

(USD '000)

			Interest rate range		
	<0%	**0%-2%**	**2%-4%**	**4%-6%**	**Total**
Analysis of borrowings as at 31 March 2023					
Fixed rate	**-**	**44,578**	**243,224**	**2,940,729**	**3,228,531**
Floating rate	**-**	**188,485**	**12,708**	**333,665**	**534,858**
Total on balance sheet	**-**	**233,063**	**255,932**	**3,274,394**	**3,763,389**
Analysis of borrowings as at 31 March 2022					
Fixed rate	75,452	-	-	-	75,452
Floating rate	-	2,141,689	-	-	2,141,689
Total on balance sheet	75,452	2,141,689	-	-	2,217,141

(c) Accruals, deferred income and other liabilities

(USD '000)

Particulars	**As at 31 March 2023**	As at 31 March 2022
Accruals	**407**	515
Deferred Income	**1,227**	999
Lease Liabilities	**40**	54
Income Tax Payable	**15,311**	3,302
Statutory dues payables	**10**	
Other Payables	**1,914**	-
Other liabilities	**18,909**	4,870

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(d) Credit risk disclosures

(i) Summary of credit risk gross financial instruments & ECL

The following disclosure presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

(USD '000)

	As at 31 March 2023		As at 31 March 2022	
	Gross carrying/ nominal amount	**Allowance for ECL**	Gross carrying/ nominal amount	Allowance for ECL
Loans and advances at amortised cost				
- Banks	**966,350**	**(42)**	1,206,174	(144)
- Corporate and commercial	**918,616**	**(872)**	415,680	(638)
- Non bank financial institutions	**1,115,733**	**(1,057)**	600,758	(923)
Total gross carrying amount on balance sheet	**3,000,699**	**(1,971)**	2,222,612	(1,705)
Loans and other related credit commitments				
- Banks	**390,920**	**(70)**	298,718	(90)
- Corporate and commercial	**587,016**	**(105)**	303,634	(91)
- Non bank financial institutions	**248,611**	**(44)**	218,242	(66)
Total nominal amount off balance sheet	**1,226,547**	**(219)**	820,594	(247)

	As at 31 March 2023		As at 31 March 2022	
	Gross carrying/ nominal amount	**Allowance for ECL**	Gross carrying/ nominal amount	Allowance for ECL
Loans and advances measured at FVOCI	**760,636**	-	-	-

Loans and advances measured at FVOCI continue to be measured at fair value. The ECL amounts on these balances are insiginificant.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(d) Credit risk disclosures (continued)

(ii) Summary of credit risk by stage distribution

Summary of credit risk (excluding Loans and advances measured at FVOCI) by stage distribution and ECL coverage:

(USD '000)

	As at 31 March 2023		
		Stage 1	
	Gross carrying/ nominal amount	**Allowance for ECL**	**ECL coverage %**
Loans and advances at amortised cost			
- banks	**966,350**	**42**	**0.00%**
-corporate and commercial	**918,616**	**872**	**0.09%**
- non bank financial institutions	**1,115,733**	**1,057**	**0.09%**
Total gross carrying amount on-balance sheet	**3,000,699**	**1,971**	**0.07%**
Loans and other credit-related commitments			
- banks	**390,920**	**70**	**0.02%**
-corporate and commercial	**587,016**	**105**	**0.02%**
- non bank financial institutions	**248,611**	**44**	**0.02%**
Total gross carrying amount on balance sheet	**1,226,547**	**219**	**0.02%**

(USD '000)

	As at 31 March 2022		
		Stage 1	
	Gross carrying/ nominal amount	Allowance for ECL	ECL coverage %
Loans and advances at amortised cost			
- banks	1,206,174	144	0.01%
-corporate and commercial	415,680	638	0.15%
- non bank financial institutions	600,758	923	0.15%
Total gross carrying amount on-balance sheet	2,222,612	1,705	0.08%
Loans and other credit-related commitments			
- Banks	298,718	90	0.03%
-corporate and commercial	303,634	91	0.03%
- non bank financial institutions	218,242	66	0.03%
Total gross carrying amount on balance sheet	820,594	247	0.03%

There are no loans and advances in Stage 2 and Stage 3. There are no loans and advances in Stage 2 and accordingly, Stage 2 days past due analysis, decomposition has not been presented.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(d) Credit risk disclosures (continued)

(iii) Summary of credit risk –movement table

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

(USD '000)

	Not credit impaired				Credit impaired	
	Stage 1		Stage 2		Stage 3	
	Gross Exposure	Allowance / Provision for ECL	Gross Exposure	Allowance / Provision for ECL	Gross Exposure	Allowance / Provision for ECL
As at 1 April 2022	**3,043,206**	**1,705**	-	-	-	-
Transfers of financial instruments						
Between stages	-	-	-	-	-	-
Net remeasurement of ECL arising from transfer of stage	-	-	-	-	-	-
New financial assets originated or purchased	**3,768,716**	**1,203**	-	-	-	-
Assets derecognised (including final repayments)	**(2,564,676)**	**(937)**	-	-	-	-
Changes to risk parameters – further lending/repayment	-	-	-	-	-	-
Assets written off	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-
As at 31 March 2023	**4,247,246**	**1,971**	-	-	-	-
ECL profit and loss account change for the period		**238**		-		-

(iv) Summary of credit risk –credit quality

The following table provides an overview of the Branch's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

Stage 1: These financial assets are unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.

Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognized

Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(d) Credit risk disclosures (continued)

(iv) Summary of credit risk –credit quality (continued)

Credit quality classification

	Internal credit rating	12-month Basel probability of default %
Quality classification		
Strong	CRR 1 to CRR 2	0 – 0.169
Good	CRR 3	0.170 – 0.740
Satisfactory	CRR 4 to CRR 5	0.741 – 4.914
Sub-standard	CRR 6 to CRR 8	4.915 – 99.999
Credit impaired	CRR 9 to CRR 10	100

Wholesale lending – credit risk profile by obligor grade for loans and advances at amortised cost

(USD '000)

		As at 31 March 2023			As at 31 March 2022		
		Stage 1			Stage 1		
	Basel one-year PD range %	**Gross carrying amount**	**Allowance for ECL**	**ECL Coverage %**	Gross carrying amount	Allowance for ECL	ECL Coverage %
Corporate and commercial							
– CRR 2	0.054 to 0.169	**213,614**	**204**	**0.10%**	152,259	233	0.15%
– CRR 3	0.170 to 0.740	**407,528**	**386**	**0.09%**	169,919	261	0.15%
– CRR 4	0.741 to 1.927	**142,695**	**135**	**0.09%**	59,925	92	0.15%
– CRR 5	1.928 to 4.914	**154,779**	**147**	**0.09%**	33,577	52	0.15%
		918,616	**872**	**0.09%**	415,680	638	0.15%
Non-bank financial institutions							
– CRR 2	0.054 to 0.169	**862,633**	**817**	**0.09%**	575,758	885	0.15%
– CRR 3	0.170 to 0.740	**227,500**	**216**	**0.09%**	25,000	38	0.15%
– CRR 4	0.741 to 1.927	**25,600**	**24**	**0.09%**	-	-	-
		1,115,733	**1,057**	**0.09%**	600,758	923	0.15%
Banks							
– CRR 2	0.054 to 0.169	**956,350**	**42**	**0.00%**	1,206,174	144	0.01%
– CRR 4	0.741 to 1.927	**10,000**	**-**	**-**	-	-	-
		966,350	**42**	**0.00%**	1,206,174	144	0.01%
Total		**3,000,699**	**1,971**	**0.07%**	2,222,612	1,705	0.08%

Schedules forming part of the Financial Statements *(Continued)*
for the year ended 31 March 2023

(Currency: US Dollars)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(e) Maturity of financial assets and liabilities

(USD '000)

	31 March 2023		31 March 2022	
	Less than 12 months	**More than 12 months**	Less than 12 months	More than 12 months
Loans and Advances to banks	**527,608**	**1,193,000**	-	-
Loans and Advances to customers	**758,266**	**1,280,490**	520,007	1,700,900
Borrowings	**3,205,524**	**557,865**	283,000	1,934,141
Deposits	**12,034**	**-**	2,303	-
Off – balance sheet exposure*	**1,226,547**	**-**	872,194	-

* Off balance sheet exposures includes limits sanctioned/undrawn committements by the Branch.

(f) Fair values of financial instruments not carried at fair value

(USD '000)

	Carrying Amount	**Quoted market price level 1**	**Observable inputs level 2**	**Significant unobservable inputs level 3**	**Total**
As at 31 March 2023					
Loans and advances to banks	**-**	**-**	**-**	**966,308**	**966,308**
Loans and advances to customers	**-**	**-**	**-**	**2,032,420**	**2,032,420**
Borrowings	**-**	**-**	**-**	**3,763,389**	**3,763,389**
Deposits	**-**	**-**	**-**	**12,034**	**12,034**
As at 31 March 2022					
Loans and advances to banks	-	-	-	1,206,030	1,206,030
Loans and advances to customers	-	-	-	1,014,877	1,014,877
Borrowings	-	-	-	2,217,141	2,217,141
Deposits	-	-	-	6,054	6,054

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

(g) Payment to Auditors

(USD '000)

Particulars	**For year ended 31 March 2023**	For period ended 31 March 2022
Auditors fees and expenses include auditors remuneration as follows:		
- as statutory auditors	**53**	20
- others	**-**	6
- out of pocket expenses	**-**	-
Total	**53**	26

Auditor's remuneration in relation to the statutory audit amounted to USD 53 thousands, the fees were payable by the Branch to the auditors, Price Waterhouse LLP.

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(h) Tax expense

The income tax return for the Branch would be filed at a consolidated level i.e. The Hongkong and Shanghai Banking Corporation Limited India branches, including the branches regulated by the Reserve the Bank of India (RBI) as there is a single Permanent Account Number (PAN) forThe Hongkong and Shanghai Banking Corporation Limited and its branches.

(USD '000)

Particulars	**For year ended 31 March 2023**	For period ended 31 March 2022
Current Tax (including tax on FVOCI)	**12,010**	3,302
Deferred Tax	**861**	(861)
Total	**12,871**	2,411

Tax reconciliation

(USD '000)

Particulars	**For year ended 31 March 2023**	For period ended 31 March 2022
Profit before Tax (including FVOCI)	**26,034**	5,508
Notional Tax on Profit Before Tax calculated at 43.68%	**11,371**	2,406
Permanent Disallowance	**1,500**	35
Total	**12,871**	2,441

The applicable tax rates for the Branch is 43.68% (31 March 2022 - 43.68%)

Movement of deferred tax assets and liabilities
As at 31 March 2023

(USD '000)

	Opening Balance	**Recognised in the Profit And Loss Account**	**Recognised in Other comprehensive income**	**Closing Balance**
Deferred tax assets – expected credit loss	**861**	**(861)**	**-**	**-**
Total	**861**	**(861)**	**-**	**-**

No deferred tax was recognised on these losses due to the absence of convincing evidence regarding the availability of sufficient future taxable profits against which to recover them.

As at 31 March 2022

(USD '000)

	Opening Balance	Recognised in the Profit And Loss Account	Recognised in Other comprehensive income	Closing Balance
Deferred tax assets– expected credit loss	-	861	-	861
Total	-	861	-	861

Schedules forming part of the Financial Statements *(Continued)*
for the year ended 31 March 2023

(Currency: US Dollars)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(i) Dues to Micro and Small enterprises

(USD '000)

		As at 31 March 2023	As at 31 March 2022
I .	The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the accounting year.	-	-
II .	The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during the accounting year.	-	-
III .	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.	-	-
IV .	The amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-
V .	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Act, 2006.	-	-

The above information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

(j) Employee compensation and benefits

Defined benefit plan

Defined benefit plan pertains to the gratuity payable to the employees as per the Payment of Grtauity Act, 1972. The movement of the total liability is as per the table below. The liability is unfunded.

(USD '000)

Particulars	**For year ended 31 March 2023**	For period ended 31 March 2022
Opening balance	**2**	-
Current service cost	**3**	2
Total	**5**	2

Defined contribution plan

The branch has recognised an amount of USD 7 thousands as an expense for the defined contribution plan of provident fund (previous year: USD 5 thousands).

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(k) Leases

The Branch has taken one office premises on lease. Lease contracts are typically entered into for a fixed period with termination and extension options. These are used to maximize operational flexibility in term of managing the premises used by the Branch. The lease agreements are generally non-cancellable for an initial lock in period and are renewable/cancellable thereafter by mutual consent and on mutually agreeable terms.

Information about leases for which the Branch is a lessee is presented below:

(USD '000)

Particulars	As at 31 March 2023	As at 31 March 2022
I) Amounts recognized in balance sheet		
Right of use assets		
Opening Balance	**56**	-
Additions to RoU assets for the year/period	**-**	76
Less: Amortisation of RoU assets for the year/period	**(15)**	(20)
Closing Balance	**41**	56
Lease liabilities		
Current	**15**	15
Non current	**26**	41
Total lease liabilities	**41**	56
Closing Balance		
Maturity of contractual lease liabilities		
Due within a year	**11**	11
Due between 1 and 2 years	**19**	22
Due between 2 and 3 years	**-**	8
Total	**30**	41
Future interest payable	**11**	15
Lease liabilities	**41**	56
II) Amounts recognized in profit and loss account		
Amortisation of ROU assets	**15**	20
Interest on lease liabilities	**4**	5
	19	25

7 Notes to accounts *(continued)*

(l) Related party transactions

The related parties of the Bank are broadly classified as follows:

a) Parent

The Hongkong and Shanghai Banking Corporation Limited, Hong Kong (HBAP) is the Head office of the Bank and HSBC Holdings plc is the ultimate holding company of the Bank.

b) Branch Offices

Branch offices comprise all branches of The Hongkong and Shanghai Banking Corporation Limited outside India and The Hongkong and Shanghai Banking Corporation Limited, India Branches.

c) Fellow subsidiaries

Fellow subsidiaries comprise companies, which have a common ultimate holding company, HSBC Holdings plc. These are as follows:
HSBC Holdings plc.
HUSI North America
HSBC Global Services (UK) Limited
HSBC Bank USA N.A.
HSBC Electronic Data Processing India Private Limited

d) Key management personnel

The Branch head and the Deputy Branch head are considered the Key Management Personnel (KMP) of the Branch.

The transactions of the Bank with related parties are detailed below

(USD '000)

	For the year ended 31 March 2023		For the period ended 31 March 2022	
Nature	**Transactions**	**Amount outstanding**	Transactions	Amount outstanding
Parent				
Capital Infusion	**-**	**20,500**	20,500	20,500
Borrowings	**5,146,802**	**3,763,389**	3,182,463	2,217,141
Interest Expense	**101,346**	**23,287**	2,927	488
Bank Charges	**-**	**-**	7	-
Services received	**2**		-	-
Branch Offices				
Expense reimbursement				
-Employee benefit expense	**268**	**228**	257	176
-Other expenses including capital expenditure and deposits	**331**	**617**	303	286
Fee payable	**261**	**261**	-	-
Fellow Subsidiaries				
Support Services	**200**	**-**	131	1

The transactions with KMP are remuneration paid (current year: USD 170 thousands, previous year: USD 188 thousands). No balance outstanding as at year end and March 31, 2022.

7 Notes to accounts (Continued)

(m) Disclosure under Rule 11(e) of the Companies (Audit & Auditors) Rules, 2014

The Branch, as part of its normal banking business offers loans including commitments on such loans. These transactions are part of the Branch's normal banking business and are undertaken in accordance with the guidelines prescribed by the International Financial Services Centres Authority ("IFSCA") Banking Regulations, 2020, as amended.

To the best of knowledge and belief of the management, other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or any other sources or kind of funds) by the Branch to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in other persons or entities identified by or on behalf of the Branch (Ultimate Beneficiaries) or provide any guarantee, security or like on behalf of the Ultimate Beneficiaries.

To the best of knowledge and belief of the management, the Branch has also not received any fund from any persons or entities, including foreign entities ('Funding Party') with the understanding, whether recorded in writing or otherwise, that the Branch shall whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(n) Maintenance of Books of Accounts

As required by the Bank under MCA notification dated 5 August 2022, and the Companies (Accounts) Fourth Amendment Rules, 2022, to maintain backups of books of account on servers physically located in India on a daily basis, the Bank has maintained periodic back-ups of information on certain applications and other relevant books and papers maintained in electronic mode on servers physically located in India. This is in addition to the daily backups on the Bank's Global Servers. The Bank is in the process of putting a system in place to take daily back-ups to comply with the requirement of the relevant Rules, which will be in place before end of next financial year.

Schedules forming part of the Financial Statements *(Continued)*
for the year ended 31 March 2023

(Currency: US Dollars)

Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

7 Notes to accounts *(continued)*

(o) Events after the reporting period

There were no material events subsequent to March 31, 2023 and up until the adoption of the financial statements by the Governance Committee, unless otherwise disclosed in these financial statements.

(p) Period ended 31 March 2022

Period ended 31 March 2022 stated in notes above are the balances for the period 27 January 2021 to 31 March 2022.

For Price Waterhouse LLP
Chartered Accountants
Firm Registration Number : 301112E/E300264

SHARAD SHYAMSUNDER AGARWAL
Digitally signed by SHARAD SHYAMSUNDER AGARWAL
Date: 2023.09.29 23:22:38 +05'30'

Sharad Agarwal
Partner
Membership No: 118522
Mumbai
29 September 2023

For The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch

ASHISHKUMAR ASHOKKUMAR TRIPATHI
Digitally signed by ASHISHKUMAR ASHOKKUMAR TRIPATHI
Date: 2023.09.29 22:27:15 +05'30'

Ashishkumar Tripathi
Branch Head

RAJ KUMAR JAIN
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Date: 2023.09.29 22:47:13 +05'30'

Raj Kumar Jain
Finance Head