The Hongkong and Shanghai Banking Corporation Limited – GIFT City Branch

Financial statements together with Independent Auditor's Report for the year ended 31 March 2024

The Hongkong and Shanghai Banking Corporation Limited – GIFT City Branch

Financial Statements together with the Independent Auditor's Report

For the year ended 31 March 2024

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Independent Auditor's Report

To the Executive Committee of The Hongkong and Shanghai Banking Corporation Limited – Gift City Branch

Report on Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of The Hongkong and Shanghai Banking Corporation Limited – Gift City Branch ("the Branch"), which comprise the Balance Sheet as at March 31, 2024 and the Profit and Loss Account (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement for the year ended March 31, 2024 and schedules to the financial statements including material accounting policies and notes forming part of the financial statements which we have signed under reference to this report.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 – V5.0 of The IFSCA Banking Handbook ("the Directions"), in the manner so required for International Financial Services Centres Banking Units ("IBU") 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 and give a true and fair view of the state of affairs of the Branch as at March 31, 2024, and its total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year ended March 31, 2024.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act, 2013 (the "Act"). Our responsibilities under those Standards are further described in the "Auditor's responsibilities for the audit of Financial Statements" section of our report. We are independent of the Branch in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

4. The Branch's management is not required to prepare an annual report. Accordingly, the requirement for our reporting on such Other Information is not applicable.

Responsibilities of management and those charged with governance for the Financial Statements

5. The Branch's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Branch presented in USD as required by IFSCA Banking Regulations, 2020, as amended, and give the information required by Section 29 of the Banking Regulation Act, 1949 as permitted by the Directions, in the manner so required for IBU and are in conformity with IFRS issued by the IASB, read with para 1(iv) of Module No. 3 Prudential Reporting, Disclosure and Supervision of the Directions. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Branch and for preventing and detecting frauds and other irregularities; selection and application of appropriate

accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so. The management is also responsible for overseeing the Branch's financial reporting process.

Auditor's responsibilities for the audit of the Financial Statements

7. 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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
8. As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism 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. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Branch has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
   - 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 Branch'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 Branch 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.
9. 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.

10. 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, related safeguards.

Report on other legal and regulatory requirements

11. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Branch so far as it appears from our examination of those books except that the back-up of the books of account and other books and papers maintained in electronic mode has not been maintained on a daily basis on servers physically located in India for the period April 01, 2023 to September 24, 2023 and backup of certain books of account and other books and papers maintained in electronic mode has not been maintained on a daily basis on servers physically located in India during the period September 25, 2023 to March 31, 2024 and for the matters stated in paragraph 11(h)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 (as amended).

(c) The Balance Sheet, the Profit and Loss Account (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this report are in agreement with the books of account.

(d) In our opinion, the aforesaid financial statements comply with the IFRS issued by IASB read with para 1(iv) of Module No. 3 Prudential Reporting, Disclosure and Supervision of the IFSCA regulations and Directions.

(e) The requirements of Section 164(2) of the Act are not applicable considering that no directors are required to be appointed as it is a Branch of The Hongkong and Shanghai Banking Corporation Limited which is incorporated and registered in the Hong Kong Special Administrative Region with limited liability. The Branch's ultimate holding company is HSBC Holdings Plc, which is incorporated in the United Kingdom.

(f) With respect to the maintenance of accounts and other matters connected therewith, reference is made to our remarks in paragraph 11(b) above on reporting under Section 143(3)(b) and paragraph 11(h)(vi) below on reporting under Rule 11(g) of the Rules.

(g) With respect to the adequacy of the internal financial controls with reference to financial statements of the Branch and the operating effectiveness of such controls, refer to our separate report in "Annexure A".

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. The Branch does not have any pending litigation which would impact its financial position.

ii. The Branch has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Schedule 18 Note 6(d), 6(h)and 6(i) to the financial statements;

iii. There were no amounts, which were required to be transferred to the Investor Education and Protection Fund by the Branch for the year ended March 31, 2024;

iv. (a) The management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Branch to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Branch ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer Schedule 18 Note 6(p) to the financial statements);

(b) The management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts, no funds have been received by the Branch from any person(s) or entity(ies), including foreign entities ("Funding Parties"), 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 (Refer Schedule 18 Note 6(p) to the financial statements); and

(c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. The requirements of Section 123 of the Act are not applicable to the Branch considering it is a Branch of The Hongkong and Shanghai Banking Corporation Limited which is incorporated and registered in the Hong Kong Special Administrative Region with limited liability. Hence, reporting under Rule 11(f) of the Companies (Audit and Auditors) Rules, 2014 (as amended) is not applicable.

vi. Based on our examination, which included test checks, the Branch has used three accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and that has operated throughout the year for all relevant transactions recorded in the software, except the audit trail has not been preserved by the Branch as per the statutory requirements for record retention for two accounting software. Accordingly, in the absence of adequate evidence of necessary controls and documentation regarding audit trail for these two-accounting software, we are unable to comment whether audit trail feature of the aforesaid software was enabled and operated throughout the year for all relevant transactions recorded in these software or whether there were any instances of the audit trail feature been tampered with. With respect to the third software which is hosted by third party service providers, in the absence of the service organisation auditor's controls report, we are unable to comment whether, at the database level, the audit trail feature was enabled. During the course of performing our procedures, other than the aforesaid instances of audit trail not maintained where the question of our commenting does not arise, we did not notice any instance of the audit trail feature being tampered with.

12. The provisions of Section 197 read with Schedule V to the Act are applicable only to public companies. Accordingly, reporting under Section 197(16) of the Act is not applicable to the Branch.

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

Sharad Agarwal
Partner
Membership Number 118522

UDIN: 24118522BKFUBQ6643
Place: Mumbai

Date: September 09, 2024

Annexure A to Independent Auditor's Report

Referred to in paragraph 11(g) of the Independent Auditor's Report of even date to the Executive Committee of The Hongkong and Shanghai Banking Corporation Limited, GIFT City Branch on the financial statements for the year ended March 31, 2024

Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of The Hongkong and Shanghai Banking Corporation Limited, GIFT City Branch ("the Branch") as at March 31, 2024 in conjunction with our audit of the financial statements of the Branch for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Branch's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Branch considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Branch's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Branch's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Branch's internal financial controls system with reference to financial statements.

Annexure A to Independent Auditor's Report

Referred to in paragraph 11(g) of the Independent Auditor's Report of even date to the Executive Committee of The Hongkong and Shanghai Banking Corporation Limited, GIFT City Branch on the financial statements for the year ended March 31, 2024

Meaning of Internal Financial Controls with reference to financial statements

6. A Branch's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Branch's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Branch; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Branch are being made only in accordance with authorisations of management of the Branch; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Branch's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Branch has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2024, based on the internal control over financial reporting criteria established by the Branch considering the essential components of internal control stated in the Guidance Note issued by ICAI.

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

Sharad Agarwal
Partner
Membership Number 118522

UDIN: 24118522BKFUBQ6643

Place: Mumbai
Date: September 09, 2024

The Hongkong and Shanghai Banking Corporation Limited - GIFT City Branch

(Incorporated in Hong Kong SAR with limited liability)

Balance Sheet

as at 31 March 2024

(Currency : US Dollars in thousands)

	Schedules	**As at 31 March 2024**	As at 31 March 2023
Capital and liabilities			
Capital	*1*	**20,500**	20,500
Reserves and surplus	*2*	**46,281**	16,230
Deposits	*3*	**38,020**	12,034
Borrowings	*4*	**6,181,211**	3,763,389
Other liabilities and provisions	*5*	**130,418**	42,415
Total		**6,416,430**	3,854,568
Assets			
Cash and balances with Reserve Bank of India	*6*	**-**	-
Balances with banks and money at call and short notice	*7*	**73,740**	43,107
Investments	*8*	**571,643**	-
Advances	*9*	**5,713,086**	3,759,364
Fixed assets	*10*	**103**	130
Other assets	*11*	**57,858**	51,967
Total		**6,416,430**	3,854,568
Contingent liabilities	*12*	**1,392,091**	20,000
Material 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

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

Sharad Agarwal
Partner
Membership No: 118522

Ashishkumar Tripathi
Branch Head

Raj Kumar Jain
Finance Head

Mumbai
9 September 2024

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 2024

(Currency : US Dollars in thousands)

	Schedules	**For the year ended 31 March 2024**	For the year ended 31 March 2023
Income			
Interest earned	*13*	**292,337**	120,726
Other income	*14*	**7,312**	5,697
Total		**299,649**	126,423
Expenditure			
Interest expended	*15*	**243,535**	101,350
Operating expenses	*16*	**1,088**	905
Provisions and contingencies	*17*	**24,975**	12,160
Total		**269,598**	114,415
Net profit for the year		**30,051**	12,008
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		**-**	1,155
Total comprehensive income for the year		**30,051**	13,163
Balance carried over to balance sheet		**30,051**	13,163
Material 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/E300264

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

Sharad Agarwal
Partner
Membership No: 118522

Ashishkumar Tripathi
Branch Head

Raj Kumar Jain
Finance Head

Mumbai
9 September 2024

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 2024

(Currency : US Dollars in thousands)

	Head office capital*	Reserves and surplus (Retained earnings)	Other Comprehensive Income	Total
Opening Balance	**20,500**	**15,075**	**1,155**	**36,730**
Capital contribution	-	-	-	-
Income for the year	-	**30,051**	-	**30,051**
Other comprehensive income for the year	-	-		-
Total comprehensive income for the year	-	**30,051**	-	**30,051**
As at 31 March 2024	**20,500**	**45,126**	**1,155**	**66,781**

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

*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

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

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

Sharad Agarwal
Partner
Membership Number: 118522

Ashishkumar Tripathi
Branch Head

Raj Kumar Jain
Finance Head

Mumbai
9 September 2024

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 2024

(Currency : US Dollars in thousands)

		For the year ended 31 March 2024	For the year ended 31 March 2023
Cash flow from operating activities			
Profit before Income Tax		**53,401**	23,926
Adjustments for:			
Other comprehensive income before tax		**-**	2,108
Depreciation on fixed assets		**45**	55
Provision for advances		**1,625**	242
		55,071	**26,331**
Adjustments for:			
Increase in advances		**(1,955,084)**	(1,538,724)
Increase in borrowings		**2,417,822**	1,546,248
Increase in deposits		**25,986**	5,980
Increase in other assets		**(5,891)**	(50,494)
Increase in other liabilities and provisions		**99,979**	24,828
		582,812	(12,162)
Direct taxes paid (Net)		**(35,589)**	-
Net cash from operating activities	*(A)*	**602,294**	14,169
Cash flow from investing activities			
Purchase of fixed assets		**(18)**	(3)
Increase in investments		**(571,643)**	-
Net cash used in investing activities	*(B)*	**(571,661)**	(3)
Net increase in cash and cash equivalents	*(A) + (B)*	**30,633**	14,166
Cash and cash equivalents as at the beginning of year		**43,107**	28,941
Cash and cash equivalents as at 31 March		**73,740**	43,107

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

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

Sharad Agarwal
Partner
Membership No: 118522

Ashishkumar Tripathi
Branch Head

Raj Kumar Jain
Finance Head

Mumbai
9 September 2024

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 2024

(Currency : US Dollars in thousands)

			As at 31 March 2024	As at 31 March 2023
1	**Capital**			
	I	**Capital**		
		Head Office Account		
		Opening balance	**20,500**	**20,500**
		Add : Capital Infusion by Head Office	**-**	**-**
			20,500	20,500
2	**Reserves and surplus**			
	I	**Balance in Profit and Loss Account**	**46,281**	16,230
			46,281	16,230
3	**Deposits**			
	A.	**I. Demand Deposits**		
		i) From others	**38,020**	**12,034**
		Total	**38,020**	12,034
	B.	I. Deposits of branches in India	**38,020**	12,034
		TOTAL	**38,020**	12,034

Schedules forming part of the Balance Sheet *(Continued)*
as at 31 March 2024

(Currency : US Dollars in thousands)

			As at 31 March 2024	As at 31 March 2023
4	**Borrowings**			
	I	**Borrowings in India**	**-**	-
	II	**Borrowings outside India (*Refer Schedule 18 Note 6 (b)*)**	**6,181,211**	3,763,389
		TOTAL (I+II)	**6,181,211**	3,763,389
		Secured borrowings included in I and II above	**-**	-
5	**Other liabilities and provisions**			
	I	Interest accrued	**36,259**	23,287
	II	Provision towards standard assets *(Refer Schedule 18 Note 6 (d))*	**481**	219
	III	Others (including provisions) *(Refer Schedule 18 Note 6 (c))*	**93,678**	18,909
		TOTAL (I+II+III)	**130,418**	42,415
6	**Cash and balances with Reserve Bank of India**		**-**	-
7	**Balances with banks and money at call and short notice**			
	I	**In India**		
		i) Balances with banks		
		a) in current accounts	**381**	10,110
	II	**Outside India**		
		i) In current accounts	**42,386**	32,997
		ii) Money at call and short notice	**30,973**	
		Total i), ii) and iii)	**73,359**	32,997
		TOTAL (I+II)	**73,740**	43,107

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 *(Continued)*
as at 31 March 2024

(Currency : US Dollars in thousands)

			As at 31 March 2024	As at 31 March 2023
8	**Investments**			
	I	**Investments in India**		
		i) Government securities	**157,087**	-
		ii) Debentures and bonds	**414,556**	-
		TOTAL	**571,643**	-
	II	**Investments outside India**	**-**	-
		Total (I+II)	**571,643**	-
9	**Advances**			
	A.	i) Term loans	**5,713,086**	3,759,364
		TOTAL	**5,713,086**	3,759,364
	B.	i) Secured by tangible assets (including advances against book debt)	**386,765**	266,153
		ii) Unsecured	**5,326,321**	3,493,211
		TOTAL i) and ii)	**5,713,086**	3,759,364
	CI.	Advances in India		
		i) Public sector	**433,809**	160,549
		ii) Banks	**2,470,261**	1,734,068
		iii) Others	**2,809,016**	1,864,747
		TOTAL i), ii) and iii)	**5,713,086**	3,759,364

Schedules forming part of the Balance Sheet *(Continued)*
as at 31 March 2024

(Currency : US Dollars in thousands)

			As at 31 March 2024	As at 31 March 2023
10	**Fixed assets**			
	I	**Other Fixed Assets (including furniture and fixtures)**		
		Cost at 1 April 2023	**185**	182
		Additions during the year	**18**	3
		Deductions during the year	**-**	-
			203	185
		Depreciation to date	**(100)**	(55)
		Net book value of Other Fixed Assets (including furniture and fixtures)	**103**	130
11	**Other assets**			
	I	Interest accrued	**54,582**	23,354
	II	Others	**3,276**	28,613
		TOTAL (I+II)	**57,858**	51,967
12	**Contingent liabilities**			
	I	Liability on account of outstanding forward exchange and derivative contracts		
		i) Derivative contracts	**1,372,091**	-
		Total	**1,372,091**	-
	II	Guarantees given on behalf of constituents		
		i) In India	**-**	-
		ii) Outside India	**20,000**	20,000
		Total i) and ii)	**20,000**	**20,000**
		TOTAL	**1,392,091**	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 2024

(Currency : US Dollars in thousands)

			For the year ended 31 March 2024	For the year ended 31 March 2023
13	**Interest earned**			
	I	Interest/discount on advances/bills	**283,197**	120,726
	II	Income on investments	**8,266**	-
	III	Interest on balances with Reserve Bank of India and other inter-bank funds	**874**	-
		TOTAL (I+II+III)	**292,337**	120,726
14	**Other income**			
	I	Commission, exchange and brokerage (net)	**7,040**	6,228
	II	Profit / (Loss) on sale/maturity of investments (net)	**129**	-
	III	Profit / (Loss) on revaluation of investments (net)	**488**	-
	IV	Profit on exchange transactions (net)	**(345)**	(531)
		TOTAL (I+II+III+IV)	**7,312**	5,697
15	**Interest expended**			
	I	Interest on deposits	**18**	-
	II	Interest on Reserve Bank of India/ inter-bank borrowings	**243,492**	101,346
	III	Others	**25**	4
		TOTAL (I+II+III)	**243,535**	101,350
16	**Operating expenses**			
	I	Payments to and provisions for employees	**434**	268
	II	Rent, taxes and lighting	**44**	-
	III	Depreciation on Bank's property	**45**	55
	IV	Auditors' fees and expenses	**89**	53
	V	Law charges	**11**	18
	VI	Other expenditure	**465**	511
		TOTAL	**1,088**	905
17	**Provisions and contingencies**			
	I	Provision for advances	**1,625**	242
	II	Taxation charge *(refer to schedule 18 note 6 (k))*		
		- Current tax expense	**23,350**	11,057
		- Deferred tax charge	**-**	861
			23,350	11,918
	III	Other provisions	**-**	-
		TOTAL (I+II+III)	**24,975**	12,160

Schedule 18 – Material accounting policies and notes to accounts

1 Background

The financial statements for the year ended 31 March 2024 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 2024 comprises of Balance Sheet as at 31 March 2024, 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 material accounting policies and other explanatory information.

Principal activities: Currently, the Branch offers Loans, advances, bill discounting products, investments in securities, and Customer deposits.

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 – V5.0 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.

Standards adopted during the year ended March 31, 2024

The Branch has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:
• Definition of Accounting Estimates – amendments to IAS 8
• Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New or revised standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the Branch. These standards, amendments or interpretations are not expected to have a material impact to the Branch in the current or future reporting periods and on foreseeable future transactions.

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

3 Use of Critical estimates and judgements

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.

The areas involving significant estimates or judgements are:
• estimation of current tax payable and current tax expense in relation to an uncertain tax position – note 6(k)
• estimation of defined benefit pension obligation – note 6(m)
• impairment of financial assets – note 5 (f), and
• fair Value of Investments and Derivatives – notes 6 (e).
Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances

4 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.

5 Material accounting policies

5.1 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.

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

5 Material accounting policies *(Continued)*

5.2 Foreign currency translation

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.
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 recognized.

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 recognized in the Profit and Loss Account.

5.3 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.

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

5 Material accounting policies *(Continued)*

5.4 Financial assets and liabilities (Continued)

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

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 Loans and Advances to Banks, Loans and Advances to Customers, Borrowings and Deposits 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.

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.

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

5 Material accounting policies *(Continued)*

5.4 Financial assets and liabilities (Continued)

(e) Financial instruments designated at fair value through profit or loss ("FVTPL")

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- The use of the designation removes or significantly reduces an accounting mismatch.
- A group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Bank enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Bank enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in the Profit and Loss Account.

(f) 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 (Unfunded Sanctioned Amount) 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’.

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.

(Currency: US Dollars)

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

5 Material accounting policies *(Continued)*

5.4 Financial assets and liabilities (Continued)

(f) Impairment of amortised cost and FVOCI financial assets (continued)

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.

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.

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.

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

5 Material accounting policies *(Continued)*

5.4 Financial assets and liabilities (Continued)

(f) Impairment of amortised cost and FVOCI financial assets (continued)

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.

5.4 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.

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

5 Material accounting policies *(Continued)*

5.4 Income and expense (Continued)

Interest income, Income on Investments and expense on financial assets and financial liabilities, are presented in interest income from financial assets measured at amortised cost, FVTPL 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.

5.5 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.

5.6 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.

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.

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

5 Material accounting policies *(Continued)*

5.7 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.

5.8 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5.9 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.

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.

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

5 Material accounting policies *(Continued)*

5.10 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.

5.11 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.

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.

5.12 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.

5.13 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 – Material accounting policies and notes to accounts *(Continued)*

6 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’s exposure to debt securities price risk arises from investments held by the branch and classified in the Profit and Loss Account at fair value through profit or loss (FVTPL) (note 6(h)). To manage its price risk arising from investments in debt securities, the branch diversifies its portfolio. Given the current balance sheet of the branch, market risk management is overseen by the head office in Hong Kong.

Sensitivity

The table below summarises the impact of increases/decreases in MTM if price fluctuates by 100 bps for the period.

Fair Value of Investments	100 bps +ve	100 bps -ve
571,643	5,718	(5,718)

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

6 Notes to accounts *(continued)*

(a) Financial Risk Management (continued)

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 branch's exposure to foreign currency risk at the end of the reporting period, expressed in USD was as follows :

(USD '000)

	AUD	EUR	GBP	SGD	INR
Balances with banks and money at call and short notice	265	946	118	5,868	8,133
Investments	-	-	-	-	571,643
Advances	24,005	310,692	34,221		
Deposits	-	-	-	(5,868)	-
Borrowings	(24,002)	(311,278)	(34,222)	-	-

The branch operates internationally and is exposed to foreign exchange risk, primarily AUD, EUR, GBP, SGD and INR.
Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the functional currency of the Branch. The risk in Investments is mitigated with derivative products with the objective of minimising the volatility in currency exchange.

All Foreign Currency Exposure risks are mitigated by taking forward contracts *(Refer note 6(h))*. Any change in the exchange rate of Financial iabilities has equivalent corresponding change in the Financial Assets, having no or insignificant impact.

INR Fluctuates by 100 bps the impact of increase/decrease resulting in insignificant exposure of positive / negative USD 5,798.

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. The Branch's main interest rate risk arises from long-term borrowings and advances with variable rates, which expose the branch to cash flow interest rate risk. The Branch's business model is to borrow funds from its Parent to disburse the borrowed funds in the form of loans to the Customers. The branch's borrowings and receivables are carried at amortised cost. The borrowings and advances are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

Considering the above noted business model, the net exposure towards interest rate risk is minimal on an ongoing basis.

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

6 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
- 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 (Net Stable Funding Ratio) 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 borrowings and 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 2024

(Currency: US Dollars)

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

6 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.

The Branch's capital consists of Head-office capital and Reserves and surplus (Retained earnings) accumulated over a period of time.

(b) Borrowings

Borrowings from Parent 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 2024					
Fixed rate	**-**	**-**	**10,245**	**1,527,990**	**1,538,235**
Floating rate	**-**	**-**	**300,243**	**4,342,733**	**4,642,976**
Total on balance sheet	**-**	**-**	**310,488**	**5,870,723**	**6,181,211**
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

(c) Accruals, deferred income and other liabilities

(USD '000)

Particulars	**As at 31 March 2024**	As at 31 March 2023
Settlement Payable	**65,854**	-
Deferred Income	**12,456**	1,227
Margin monies payable	**5,032**	-
Inter Company Payable	**3,080**	-
Income Tax Payable	**3,073**	15,311
Accruals	**2,154**	407
Gratuity Payable	**50**	5
Statutory dues payables	**14**	10
Other Payables	**1,965**	1,949
Other liabilities	**93,678**	18,909

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

6 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 2024		As at 31 March 2023	
	Gross carrying/ nominal amount	**Allowance for ECL**	Gross carrying/ nominal amount	Allowance for ECL
Loans and advances at amortised cost				
- Banks	**2,470,261**	**(569)**	966,350	(42)
- Corporate and commercial	**1,301,950**	**(1,141)**	918,616	(872)
- Non bank financial institutions	**1,944,110**	**(1,525)**	1,115,733	(1,057)
Total gross carrying amount on balance sheet	**5,716,321**	**(3,235)**	3,000,699	(1,971)
Loans and other related credit commitments				
- Banks	**30,000**	**(20)**	390,920	(70)
- Corporate and commercial	**229,043**	**(14)**	587,016	(105)
- Non bank financial institutions	**97,800**	**(447)**	248,611	(44)
Total nominal amount off balance sheet	**356,843**	**(481)**	1,226,547	(219)

	As at 31 March 2024		As at 31 March 2023	
	Gross carrying/ nominal amount	**Allowance for ECL**	Gross carrying/ nominal amount	Allowance for ECL
	923,390	**(141)**	760,636	-
Loans and advances measured at FVOCI	**923,390**	**(141)**	760,636	-

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

6 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 2024					
	Gross carrying/ nominal amount		**Allowance for ECL**		**ECL coverage %**	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Loans and advances at amortised cost						
- banks	**2,470,261**	**-**	**569**	**-**	**0.02%**	**0.00%**
-corporate and commercial	**1,288,476**	**13,474**	**1,084**	**58**	**0.08%**	**0.43%**
- non bank financial institutions	**1,944,110**	**-**	**1,524**	**-**	**0.08%**	**0.00%**
Total gross carrying amount on-balance sheet	**5,702,065**	**13,474**	**3,177**	**58**	**0.06%**	**0.43%**
Loans and other credit-related commitments						
- Banks	**30,000**	**-**	**20**	**-**	**0.07%**	**0.00%**
-corporate and commercial	**229,043**	**-**	**14**	**-**	**0.01%**	**0.00%**
- non bank financial institutions	**97,800**	**-**	**447**	**-**	**0.46%**	**0.00%**
Total gross carrying amount on balance sheet*	**356,843**	**-**	**481**	**-**	**0.13%**	**-**

	As at 31 March 2024					
	Gross carrying/ nominal amount		**Allowance for ECL**		**ECL coverage %**	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Loans and advances measured at FVOCI	**923,390**	**-**	**(141)**	**-**	**-**	**-**

Provision towards Standard assets included in Schedule 5.II amounting to USD 481 consists of to ECL on Other credit-related commitments as noted in the table above.

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

6 Notes to accounts *(continued)*

(d) Credit risk disclosures (continued)

(USD ‘000)

	As at 31 March 2023					
	Gross carrying/ nominal amount		Allowance for ECL		ECL coverage %	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
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%	-
	As at 31 March 2023					
	Gross carrying/ nominal amount		**Allowance for ECL**		**ECL coverage %**	
	Stage 1	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Loans and advances measured at FVOCI	**760,636**	-	-	-	-	-

There are no loans and advances in Stage 2 and Stage 3.

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

6 Notes to accounts *(continued)*

(d) Credit risk disclosures (continued)

(ii) Stage 2 Past due analysis

(USD' 000)

As at 31 March 2024	**Gross carrying/ nominal amount**				**Allowance for ECL**				**ECL coverage %**			
	Stage 2	**Up-to-date**	**Of which : <30 DPD**	**Of which : 30 and > DPD**	**Stage 2**	**Up-to-date**	**Of which: <30 DPD**	**Of which: 30 and > DPD**	**Stage 2**	**Up-to-date**	**Of which : <30 DPD**	**Of which: 30 and > DPD**
Loans and advances at amortised cost												
- banks	-	-	-	-	-	-	-	-	0%	0%	0%	0%
-corporate and commercial	13,474	13,474	-	-	58	-	-	-	0.43%	0%	0%	0%
- non bank financial institutions	-	-	-	-	-	-	-	-	0%	0%	0%	0%
Total gross carrying amount on-balance sheet	13,474	13,474	-	-	58	-	-	-				

Previous year there are no loans and advances in Stage 2.

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

6 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 2023	**4,247,246**	**(1,971)**	-	-	-	-
Transfers of financial instruments						
Between stages	**(13,474)**	**(58)**	**13,474**	**(58)**	-	-
Net remeasurement of ECL arising from transfer of stage	-	-	-	-	-	-
New financial assets originated or purchased	**5,140,903**	**5,784**	-	-	-	-
Assets derecognised (including final repayments)	**(3,314,985)**	**(582)**	-	-	-	-
Changes to risk parameters – further lending/repayment	-	-	-	-	-	-
Assets written off	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-
As at 31 March 2024	**6,059,690**	**(3,173)**	**13,474**	**(58)**	-	-
ECL profit and loss account change for the period (including off Balance Sheet Exposure)		**(1,625)**		-		-

(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.

(Currency: US Dollars)

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

6 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

Quality classification definitions

- ‘Strong’ exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.
- ‘Good’ exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.
- ‘Satisfactory’ exposures require closer monitoring and demonstrate an average-to-fair capacity to meet financial commitments, with moderate default risk.
- ‘Sub-standard’ exposures require varying degrees of special attention and default risk is of greater concern.
- ‘Credit-impaired’ exposures have been assessed as described on Note 1.2(i) on the financial statements.

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

6 Notes to accounts *(continued)*

(d) Credit risk disclosures (continued)

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

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

(USD '000)

		As at 31 March 2024					
		Stage 1			Stage 2		
	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	**716,953**	**250**	**0.03%**	**-**	**-**	**0.00%**
– CRR 3	0.170 to 0.740	**130,004**	**204**	**0.16%**	**-**	**-**	**0.00%**
– CRR 4	0.741 to 1.927	**214,938**	**245**	**0.11%**	**3600**	**9**	**0.25%**
– CRR 5	1.928 to 4.914	**226,581**	**384**	**0.17%**	**9,874**	**49**	**0.50%**
		1,288,476	**1,083**	**0.08%**	**13,474**	**58**	**0.43%**
Non-bank financial institutions							
– CRR 2	0.054 to 0.169	**1,084,700**	**582**	**0.05%**	-	-	**0.00%**
– CRR 3	0.170 to 0.740	**728,810**	**521**	**0.07%**	-	-	**0.00%**
– CRR 4	0.741 to 1.927	**130,600**	**422**	**0.32%**	-	-	**0.00%**
		1,944,110	**1,525**	**0.08%**	**-**	**-**	**0.00%**
Banks							
– CRR 2	0.054 to 0.169	**2,400,261**	**554**	**0.02%**	**-**	**-**	**0.00%**
– CRR 3	0.741 to 1.927	**70,000**	**15**	**0.02%**	**-**	**-**	**0.00%**
		2,470,261	**569**	**0.02%**	**-**	**-**	**0.00%**
Total		**5,702,847**	**3,177**	**0.06%**	**13,474**	**58**	**0.43%**

(Currency: US Dollars)

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

6 Notes to accounts *(continued)*

(d) Credit risk disclosures (continued)

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

		As at 31 March 2023					
		Stage 1			Stage 2		
	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%	-	-	-
– CRR 3	0.170 to 0.740	407,528	386	0.09%	-	-	-
– CRR 4	0.741 to 1.927	142,695	135	0.09%	-	-	-
– CRR 5	1.928 to 4.914	154,779	147	0.09%	-	-	-
		918,616	872	0.09%	-	-	-
Non-bank financial institutions							
– CRR 2	0.054 to 0.169	862,633	817	0.09%	-	-	-
– CRR 3	0.170 to 0.740	227,500	216	0.09%	-	-	-
– CRR 4	0.741 to 1.927	25,600	24	0.09%	-	-	-
		1,115,733	1,057	0.09%	-	-	-
Banks							
– CRR 2	0.054 to 0.169	956,350	42	0.00%	-	-	-
– CRR 4	0.741 to 1.927	10,000	-	-	-	-	-
		966,350	42	0.00%	-	-	-
Total		3,000,699	1,971	0.07%	-	-	-

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

6 Notes to accounts *(continued)*

(e) Financial instruments by category

(USD '000)

	As at 31 March 2024			As at 31 March 2023		
	FVTPL	**Amortised Cost**	**FVOCI**	FVTPL	Amortised Cost	FVOCI
Balances with banks and money at call and short notice	**-**	**73,740**	**-**	-	43,107	-
Investments	**571,643**	**-**	**-**	-	-	-
Advances	**-**	**4,789,837**	**923,249**	-	3,000,699	760,636
Derivatives	**2,839**	**-**	**-**	-	-	-
Total Financial Assets	**574,482**	**4,863,577**	**923,249**	-	3,043,806	760,636
Deposits	**-**	**38,020**	**-**	-	12,034	-
Borrowings	**-**	**6,181,211**	**-**	-	3,763,389	-
Derivatives	**1,585**	**-**	**-**	-	-	-
Total Financial Liabilities	**1,585**	**6,219,231**	**-**	-	3,775,423	-

(f) Maturity of financial assets and liabilities

(USD '000)

Contractual maturities of financial liabilities at 31 March 2024	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Loans and Advances to banks	2,268,811	201,450	-	-	-	2,470,261
Loans and Advances to customers	3,101,077	126,045	5,764	13,174	-	3,246,060
Borrowings	2,635,099	751,628	829,094	1,867,997	97,393	6,181,211
Deposits	38,020	-	-	-	-	38,020
Off - balance sheet exposure*	356,843	-	-	-	-	356,843

Contractual maturities of financial liabilities at 31 March 2023	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Loans and Advances to banks	318,924	208,683	650,000	543,000	-	1,720,608
Loans and Advances to customers	588,388	169,878	639,693	597,297	43,500	2,038,756
Borrowings	2,825,050	380,474	223,950	323,574	10,341	3,763,389
Deposits	12,034	-	-	-	-	12,034
Off - balance sheet exposure*	1,226,547	-	-	-	-	1,226,547

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

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

6 Notes to accounts *(continued)*

(g) 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 2024					
Loans and advances to banks	-	-	-	**1,581,500**	**1,581,500**
Loans and advances to customers	-	-	-	**3,211,431**	**3,211,431**
Borrowings	-	-	-	**6,181,216**	**6,181,216**
Deposits	-	-	-	**38,020**	**38,020**
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

	Carrying Amount	Quoted market price level 1	Observable inputs level 2	Significant unobservable inputs level 3	Total
As at 31 March 2024					
Loans and advances measured at FVOCI	-	-	**923,390**	-	**923,390**

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.

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

6 Notes to accounts *(continued)*

(h) Fair values of financial instruments carried at fair value

(USD '000)

As at 31 March 2024	Quoted market price level 1	Observable inputs level 2	Significant unobservable inputs level 3	Total
Investments	**284,060**	**287,583**	**-**	**571,643**
Derivatives	**-**	**2,839**	**-**	**2,839**

(i) Notional Contract Amounts and Fair Value of Derivatives

(USD '000)

As at 31 March 2024	Notional Amount	Fair Value of Assets	Fair Value of Liabilities
Derivatives	**1,372,091**	**1,585**	**2,839**

(j) Payment to Auditors

(USD '000)

Particulars	**For year ended 31 March 2024**	For period ended 31 March 2023
Auditors fees and expenses include auditors remuneration as follows:		
- as statutory auditors	**53**	53
- others	**-**	-
- out of pocket expenses	**-**	-
Total	**53**	53

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

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

6 Notes to accounts *(continued)*

(k) 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 2024**	For period ended 31 March 2023
Current Tax (including tax on FVOCI)	**23,350**	12,010
Deferred Tax	**-**	861
Total	**23,350**	12,871

Tax reconciliation

(USD '000)

	For the year ended 31 March 2024		For the year ended 31 March 2023	
	USD'000	**%**	USD'000	%
Profit before Tax (including FVOCI)	**53,401**		26,034	
Tax Expense				
Taxation at India tax rate (43.68%) (2023: 43.68%)	**23,326**	**43.68**	11,371	43.68
Impact of differently taxed profits	**(704)**	**(1.32)**	-	-
Items increasing tax charge				
- permanent disallowances	**728**	**1.37**	1,500	5.76
	-	**-**	-	-
Year ended 31 March	**23,350**	**43.73**	12,871	49.44
	-	**-**	-	-

HSBC IBU has split its business into two separate divisions for tax computation purposes: (1) Banking division ['Offshore Banking Unit (OBU)']; and (2) Investment division of an OBU having FPI Category I license [Foreign Portfolio Investment (FPI)]. There are different tax regimes for both these divisions.

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

6 Notes to accounts *(continued)*

(l) Dues to Micro and Small enterprises

(USD '000)

		As at 31 March 2024	As at 31 March 2023
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.

(m) 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 2024**	For period ended 31 March 2023
Opening balance	**5**	2
Current service cost	**42**	-
Net interest cost	**3**	3
Total	**50**	5

Defined contribution plan

The branch has recognised an amount of USD 14 thousands as an expense for the defined contribution plan of provident fund (previous year: USD 7 thousands).

Schedules forming part of the Financial Statements *(Continued)*
for the year ended 31 March 2024

(Currency: US Dollars)

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

6 Notes to accounts *(continued)*

(n) 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 2024**	As at 31 March 2023
I) Amounts recognized in balance sheet		
Right of use assets		
Opening Balance	**41**	56
Additions to RoU assets for the year/period	**-**	-
Less: Amortisation of RoU assets for the year/period	**(18)**	(15)
Closing Balance	**23**	41
Lease liabilities		
Current	**15**	15
Non current	**8**	26
Total lease liabilities	**23**	41
Closing Balance		
Maturity of contractual lease liabilities		
Due within a year	**11**	11
Due between 1 and 2 years	**8**	19
Due between 2 and 3 years	**-**	-
Total	**19**	30
Future interest payable	**4**	11
Lease liabilities	**23**	41
II) Amounts recognized in profit and loss account		
Amortisation of ROU assets	**18**	15
Interest on lease liabilities	**8**	4
	26	19

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

6 Notes to accounts *(continued)*

(o) 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 2024		For the period ended 31 March 2023	
Nature	**Transactions**	**Amount outstanding**	Transactions	Amount outstanding
Parent				
Capital Infusion	**-**	**20,500**	-	20,500
Borrowings	**13,786,801**	**6,181,211**	5,146,802	3,763,389
Interest Expense	**243,492**	**36,259**	101,346	23,287
Bank Charges	-	-	-	-
Services received	**13**	**12**	2	-
Branch Offices				
Expense reimbursement				
-Employee benefit expense	**434**	**-**	268	228
-Other expenses including capital expenditure and deposits	-	-	331	617
Fee payable	**4,901**	**3,080**	261	261
Other payable	**256,010**	**208,427**		
Fellow Subsidiaries				
Support Services	**159**	**82**	200	-

The transactions with KMP are remuneration paid (current year: USD 145 thousands, previous year: USD 188 thousands).

(Currency: US Dollars)

There is a single Permanent Account Number (PAN) for all the branches of The Hongkong and Shanghai Banking Corporation Limited (Head office of the Branch) in India (including for the IBU). Accordingly, The income tax liability of the IBU is settled with the The Hongkong and Shanghai Banking Corporation Limited, India Branches, which in turn settles it with the tax authorities.

(p) 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.

(q) 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, proper books of account as required by law have been kept by the Branch except that for the back-up of the books of account and other books and papers maintained in electronic mode has not been maintained on a daily basis on servers physically located in India for the period April 01, 2023 to September 24, 2023 and backup of certain books of account and other books and papers maintained in electronic mode has not been maintained on a daily basis on servers physically located in India during the period September 25, 2023 to March 31, 2024.

Further, as per the definition of MCA, the Company has identified applications which meet the definition of books of accounts. All these applications have a feature of recording audit trail (edit log) facility. This has operated throughout the year for all transactions recorded in these applications, except the audit trail has not been preserved by the Branch as per the statutory requirements for record retention for two accounting software.

At a database level the audit trail does not contain the pre-modified values i.e old value and new value of the changes made to the masters/transactions. Access to inscope databases is controlled via privilege access management tool – "Total Privilege Access Management Tool" (TPAM) and access is granted on need basis only which is controlled through the access management process of the Bank. All activities performed on databases are recorded through privilege session monitoring via IBM Guardium. In addition, while the backend update in this database is not frequent, the Guardium logs capture the details around user who got the access, the query executed by the user and date of execution.

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

6 Notes to accounts (Continued)

Notes to accounts *(continued)*

(r) Events after the reporting period

There were no material events subsequent to 31 March 2024 and up until the adoption of the financial statements by the Governance Committee, unless otherwise disclosed in these financial statements.

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

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

Sharad Agarwal
Partner
Membership No: 118522
Mumbai
9 September 2024

Ashishkumar Tripathi
Branch Head

Raj Kumar Jain
Finance Head