

Pillar III Reports

1. Overview of risk management and RWA	1
KM1 - Overview of risk management, key prudential metrics and RWA	1
OV1 - Overview of risk management, key prudential metrics and RWA	2
2. Leverage ratio	3
LR1 - Summary comparison of accounting assets vs leverage ratio	3
LR2 - Leverage ratio common disclosure template	4
3. Liquidity	5
ELAR - Eligible Liquid Assets Ratio	5
ASRR - Advances to Stables Resource Ratio	6

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 31 Mar 2022

KM1 - Overview of risk management, key prudential metrics and RWA

Amount (AED'000)

	Available capital (amounts)	Q1'2022	Q4'2021
1	Common Equity Tier 1 (CET1) - a	12,649,911	13,920,160
1a	Fully loaded ECL accounting model - b	2,880,685	3,616,728
2	Tier 1	12,649,911	13,920,160
2a	Fully loaded ECL accounting model Tier 1	2,880,685	3,616,728
3	Total capital	13,465,171	14,772,507
3a	Fully loaded ECL accounting model total capital	2,880,685	3,616,728
Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA) - c	83,644,634	85,287,846
Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%) - d	15.12%	16.32%
5a	Fully loaded ECL accounting model CET1 (%)	23%	26%
6	Tier 1 ratio (%)	15.12%	16.32%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	23%	26%
7	Total capital ratio (%) - e	16.10%	17.32%
7a	Fully loaded ECL accounting model total capital ratio (%)	15.12%	16.32%
Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0	0
10	Bank D-SIB additional requirements (%)	0	0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.10%	4.13%
Leverage Ratio			
13	Total leverage ratio measure	169,532,390	169,335,954
14	Leverage ratio (%) (row 2/row 13)	7.46%	8.22%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13) - f	1.70%	2.14%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	7.46%	8.22%
Liquidity Coverage Ratio			
15	Total HQLA	-	
16	Total net cash outflow		
17	LCR ratio (%)		
Net Stable Funding Ratio			
18	Total available stable funding		
19	Total required stable funding		
20	NSFR ratio (%)		
ELAR			
21	Total HQLA - g	31,339,964	29,145,175
22	Total liabilities	121,464,895	121,451,021
23	Eligible Liquid Assets Ratio (ELAR) (%)	30.96%	28.63%
ASRR			
24	Total available stable funding	96,921,769	90,804,223
25	Total Advances	64,423,629	60,219,535
26	Advances to Stable Resources Ratio (%)	66.47%	66.32%

Notes :

a,d,e - The reduction in CET1 capital is primarily driven by regulatory deductions as well as revaluation of securities due to increase in USD rates

b & f - The reduction in ECL is mainly driven by overall improvement in economic scenario and write offs

c - The reduction in RWAs is mainly driven by change from Simplified to Comprehensive approach in calculating RWAs

g - The increase is due to higher investment in UAE CB M-bills

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 31 Mar 2022

OV1 - Overview of risk management, key prudential metrics and RWA

		Amount (AED'000)		
		RWA		Minimum capital requirements
		Q1'2022	Q4'2021	Q1'2022
1	Credit risk (excluding counterparty credit risk) - a	59,138,097	58,509,389	6,209,500
2	Of which: standardised approach (SA)	59,138,097	58,509,389	6,209,500
3				
4				
5				
6	Counterparty credit risk (CCR) - b	6,070,125	9,678,257	637,363
7	Of which: standardised approach for counterparty credit risk	6,070,125	9,678,257	637,363
8				
9				
10				
11				
12	Equity investments in funds - look-through approach			-
13	Equity investments in funds - mandate-based approach			-
14	Equity investments in funds - fall-back approach			-
15	Settlement risk - c	12,625	95	1,326
16	Securitisation exposures in the banking book			-
17				
18	Of which: securitisation external ratings-based approach (SEC-ERBA)			-
19	Of which: securitisation standardised approach (SEC-SA)			-
20	Market risk - d	9,883,110	8,559,429	1,037,727
21	Of which: standardised approach (SA)	9,883,110	8,559,429	1,037,727
22				
23	Operational risk	8,540,678	8,540,678	896,771
24				
25				
26	Total (1+6+10+11+12+13+14+15+16+20+23) - e	83,644,634	85,287,847	8,782,687

Notes :

a - Increase in RWA is mainly in Sovereign and Retail asset class partially offset by reduction in RWAs with Banks and corporates

b & e - The reduction in RWAs is mainly driven by change from Simplified to Comprehensive approach in calculating RWAs

c- Increase in settlement risk RWAs is mainly with Banks

d - Increase in Market risk RWAs is mainly driven by higher FX risk and Interest Rate risk relating to Trading book positions

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 31 Mar 2022

LR1 - Summary comparison of accounting assets vs leverage ratio exposure

		Amount (AED'000)
		Q1'2022
1	Total consolidated assets as per published financial statements *	137,020,882
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments - a	2,889,140
9	Adjustment for securities financing transactions (ie repos and similar secured lending) - b	4,382,003
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	26,558,219
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(491,788)
12	Other adjustments	(826,066)
13	Leverage ratio exposure measure	169,532,390

Notes :

**Bank do not publish interim financials. The numbers included are as per reporting to Group*

a - CCR exposure for Derivatives transactions after adjusting fair value on derivatives

b - SFT transactions ie, repos and similar secured lending transactions

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 31 Mar 2022

LR2 - Leverage ratio common disclosure template

Amount (AED'000)

On-balance sheet exposures		Q1'2022	Q4'2021
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	117,322,409	117,381,124
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(491,788)	(467,584)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	116,830,620	116,913,540
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,251,662	1,275,305
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	6,625,039	6,764,174
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	7,876,701	8,039,479
Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions *	20,935,609	20,573,582
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets - <i>a</i>	4,382,003	2,731,723
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	25,317,612	23,305,305
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount - <i>b</i>	76,171,173	78,789,998
20	(Adjustments for conversion to credit equivalent amounts) - <i>c</i>	(49,612,954)	(52,080,480)
21	determining Tier 1 capital)	-	-
22	Off-balance sheet items (sum of rows 19 to 21)	26,558,219	26,709,518
Capital and total exposures			
23	Tier 1 capital -<i>d</i>	12,649,911	13,920,160
24	Total exposures (sum of rows 7, 13, 18 and 22)	176,583,153	174,967,842
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	7.16%	7.96%
25a	reserves)	7.16%	7.96%
26	CBUAE minimum leverage ratio requirement	3%	3%
27	Applicable leverage buffers	-	-

Notes :

a - The increase is mainly due to higher exposure in Reverse Repo transactions

b & *c* - The decrease in overall Off BS exposure relates to the reduction in the unconditionally cancellable exposure under Corporates. This is also the main reason of decrease in 'Adjustments for conversion to credit

d - The reduction in CET1 capital is primarily driven by regulatory deductions as well as revaluation of securities due to increase in USD rates

* These includes Intra Group and third party reverse repo transactions

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 31 Mar 2022

ELAR - Eligible Liquid Assets Ratio

			Amount (AED'000)
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	11,824,127	
1.2	UAE Federal Government Bonds and Sukuks	19,515,837	
	Sub Total (1.1 to 1.2)	31,339,964	31,339,964
1.3	UAE local governments publicly traded debt securities	633,756	
1.4	UAE Public sector publicly traded debt securities	442	
	Sub total (1.3 to 1.4)	634,198	634,198
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	5,627,843	5,627,843
1.6	Total	37,602,005	37,602,005
2	Total liabilities		121,464,895
3	Eligible Liquid Assets Ratio (ELAR)*		31.0%

**Should not be < 10% at any time*

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 31 Mar 2022

ASRR - Advances to Stables Resource Ratio

Amount (AED'000)

		Q1'2022
Items		Amount
1	Computation of Advances	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	53,785,879
1.2	Lending to non-banking financial institutions	4,121,959
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	(289,639)
1.4	Interbank Placements	6,776,251
1.5	Total Advances	64,394,450
2	Calculation of Net Stable Ressources	
2.1	Total capital + general provisions	15,927,809
	Deduct:	
2.1.1	Goodwill and other intangible assets	491,788
2.1.2	Fixed Assets	899,129
2.1.3	Funds allocated to branches abroad	-
2.1.5	Unquoted Investments	-
2.1.6	Investment in subsidiaries, associates and affiliates	-
2.1.7	Total deduction	1,390,917
2.2	Net Free Capital Funds	14,536,892
2.3	Other stable resources:	
2.3.1	Funds from the head office	-
2.3.2	Interbank deposits with remaining life of more than 6 months	9,045,316
2.3.3	Refinancing of Housing Loans	-
2.3.4	Borrowing from non-Banking Financial Institutions	4,478,833
2.3.5	Customer Deposits	66,720,928
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	2,139,800
2.3.7	Total other stable resources	82,384,877
2.4	Total Stable Resources (2.2+2.3.7)	96,921,769
3	Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)	66.4%

*Should not be >100% at any time