

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

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. Composition of capital	3
CC1 - Composition of regulatory capital	3-5
CC2 - Reconciliation of regulatory capital to balance sheet	6-7
3. Leverage ratio	8
LR1 - Summary comparison of accounting assets vs leverage ratio exposure	8
LR2 - Leverage ratio common disclosure template	9
4. Liquidity	10
ELAR - Eligible Liquid Assets Ratio	10
ASRR - Advances to Stables Resource Ratio	11
5. Credit risk	12
CR1 - Credit quality of assets	12
CR2 - Changes in the stock of defaulted loans and debt securities	12
CR3 - Credit risk mitigation techniques - overview	13
CR4 - Standardised approach - credit risk exposure and CRM effects	14
CR5 - Standardised approach - exposures by asset classes and risk weights	15
6. Counterparty credit risk (CCR)	16
CCR1 - Analysis of CCR by approach	16
CCR2 - Credit valuation adjustment capital charge	16
CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights	17
CCR5 - Composition of collateral for CCR exposure	18
CCR6 - Credit derivatives exposures	18
7. Market risk	19
MR1 - Market risk under the standardised approach	19

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 Jun 2022

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

Amount (AED'000)

	Available capital (amounts)	Q2'2022	Q1'2022	Q4'2021
1	Common Equity Tier 1 (CET1) - a	14,105,379	12,649,911	13,920,160
1a	Fully loaded ECL accounting model - b	2,806,523	2,880,685	3,616,728
2	Tier 1	14,105,379	12,649,911	13,920,160
2a	Fully loaded ECL accounting model Tier 1	2,806,523	2,880,685	3,616,728
3	Total capital	14,982,319	13,465,171	14,772,507
3a	Fully loaded ECL accounting model total capital	2,806,523	2,880,685	3,616,728
Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA) - c	89,564,479	83,644,634	85,287,846
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%) - d	15.75%	15.12%	16.32%
5a	Fully loaded ECL accounting model CET1 (%)	20%	23%	26%
6	Tier 1 ratio (%)	15.75%	15.12%	16.32%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	20%	23%	26%
7	Total capital ratio (%) - e	16.73%	16.10%	17.32%
7a	Fully loaded ECL accounting model total capital ratio (%)	15.75%	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%	2.50%
9	Countercyclical buffer requirement (%)	0	0	0
10	Bank D-SIB additional requirements (%)	0	0	0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.73%	3.10%	4.13%
Leverage Ratio				
13	Total leverage ratio measure	170,361,196	169,532,390	169,335,954
14	Leverage ratio (%) (row 2/row 13)	8.28%	7.46%	8.22%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13) - f	1.65%	1.70%	2.14%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.28%	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	23,800,734	31,339,964	29,145,175
22	Total liabilities	123,341,490	121,464,895	121,451,021
23	Eligible Liquid Assets Ratio (ELAR) (%)	23.23%	30.96%	28.63%
ASRR				
24	Total available stable funding	96,224,039	96,921,769	90,804,223
25	Total Advances - h	72,514,636	64,423,629	60,219,535
26	Advances to Stable Resources Ratio (%)	75.36%	66.47%	66.32%

Notes :

a,d,e - The increase in CET1 capital and Total capital is primarily driven by following inclusion of ytd Profit

*non repeat of LE deduction occurred in Q1
implementation of CVA, impacted Tier2 capital*

b & f - The reduction in ECL is mainly driven by overall improvement in economic scenarios

c - The increase in RWAs is mainly driven by inclusion of CVA AED2.3bn

g - The reduction is due to UAE CB M-bills

h - The increase is attributed to Corporates & NBF1

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

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

		Amount (AED'000)		
		RWA		Minimum capital requirements
		Q2'2022	Q1'2022	Q2'2022
1	Credit risk (excluding counterparty credit risk) - a	61,458,043	59,138,097	6,453,094
2	Of which: standardised approach (SA)	61,458,043	59,138,097	6,453,094
3				
4				
5				
6	Counterparty credit risk (CCR) - b	6,368,315	6,070,125	668,673
7	Of which: standardised approach for counterparty credit risk	6,368,315	6,070,125	668,673
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	634	12,625	67
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 - c	10,868,621	9,883,110	1,141,205
21	Of which: standardised approach (SA)	10,868,621	9,883,110	1,141,205
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)	87,236,290	83,644,634	9,159,810

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CC1 - Composition of regulatory capital

		Amount (AED'000)	
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	4,495,255	Same as (h) from CC2 template
2	Retained earnings	8,439,127	-
3	Accumulated other comprehensive income (and other reserves)	1,703,609	-
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-	-
5	Common share capital issued by third parties (amount allowed in group CET1)	-	-
6	Common Equity Tier 1 capital before regulatory deductions	14,637,991	-
Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	527,495	CC2 (a) minus (d)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	18,837	-
11	Cash flow hedge reserve	(6,513)	-
12	Securitisation gain on sale	-	-
13	Gains and losses due to changes in own credit risk on fair valued liabilities	(7,208)	-
14	Defined benefit pension fund net assets	-	-
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	-
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	-
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
20	Amount exceeding 15% threshold	-	-
21	Of which: significant investments in the common stock of financials	-	-
22	Of which: deferred tax assets arising from temporary differences	-	-
23	CBUAE specific regulatory adjustments	-	-
24	Total regulatory adjustments to Common Equity Tier 1	532,611	-
25	Common Equity Tier 1 capital (CET1)	14,105,379	-
Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	CC2 (i)
27	Of which: classified as equity under applicable accounting standards	-	-
28	Of which: classified as liabilities under applicable accounting standards	-	-
29	Directly issued capital instruments subject to phase-out from additional Tier 1	-	-
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	-
31	Of which: instruments issued by subsidiaries subject to phase-out	-	-
32	Additional Tier 1 capital before regulatory adjustments	-	-

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CC1 - Composition of regulatory capital

Amount (AED'000)

	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	-
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	CBUAE specific regulatory adjustments	-	-
37	Total regulatory adjustments to additional Tier 1 capital	-	-
38	Additional Tier 1 capital (AT1)	-	-
39	Tier 1 capital (T1= CET1 + AT1)	14,105,379	-
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
41	Directly issued capital instruments subject to phase-out from Tier 2	-	-
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-
43	Of which: instruments issued by subsidiaries subject to phase-out	-	-
44	Provisions	-	-
45	Tier 2 capital before regulatory adjustments	-	-
	Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-	-
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
49	CBUAE specific regulatory adjustments	-	-
50	Total regulatory adjustments to Tier 2 capital	876,940	-
51	Tier 2 capital (T2)	876,940	-
52	Total regulatory capital (TC = T1 + T2)	14,982,319	-
53	Total risk-weighted assets	89,564,479	-
	Capital ratios and buffers		
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.75%	-
55	Tier 1 (as a percentage of risk-weighted assets)	15.75%	-
56	Total capital (as a percentage of risk-weighted assets)	16.73%	-
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.50%	-
58	Of which: capital conservation buffer requirement	2.50%	-
59	Of which: bank-specific countercyclical buffer requirement	-	-
60	Of which: higher loss absorbency requirement (e.g. DSIB)	0.00%	-
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	5.25%	-

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CC1 - Composition of regulatory capital

Amount (AED'000)

The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7.00%	-
63	Tier 1 minimum ratio	8.50%	-
64	Total capital minimum ratio	10.50%	-
Amounts below the thresholds for deduction (before risk weighting)			
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	-
66	Significant investments in common stock of financial entities	-	-
67	Mortgage servicing rights (net of related tax liability)	-	-
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	-
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	-
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
73	Current cap on CET1 instruments subject to phase-out arrangements	-	-
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
75	Current cap on AT1 instruments subject to phase-out arrangements	-	-
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-	-
77	Current cap on T2 instruments subject to phase-out arrangements	-	-
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	-

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CC2 - Composition of capital

	Amount (AED'000)		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and balances at central banks	934,048	8,935,487	-
Items in the course of collection from other banks	709,999	-	-
Trading portfolio assets	7,579,300	-	-
Financial assets designated at fair value	71,592	-	-
Derivative financial instruments	5,692,709	5,692,712	-
Loans and advances to banks	20,090,801	28,746,523	-
Loans and advances to customers	53,922,852	66,809,256	-
Reverse repurchase agreements and other similar secured lending	18,631,757	-	-
Available for sale financial investments (Includes FVOCI)	26,702,139	27,619,154	-
Current and deferred tax assets	648,798	-	-
Prepayments, accrued income and other assets	2,837,952	4,199,264	-
Investments in associates and joint ventures	-	-	-
Goodwill and other intangible assets	527,495	527,495	-
Of which: goodwill	527,495	527,495	(a)
Of which: intangibles (excluding MSRs)	-	-	(b)
Of which: MSRs	-	-	(c)
Property, plant and equipment	892,277	-	-
Total assets	139,241,719	142,529,891	-

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CC2 - Composition of capital

	Amount (AED'000)		
Liabilities			
Deposits from banks	13,190,999	25,789,200	-
Items in the course of collection due to other banks	3,114,071	3,114,072	-
Customer accounts	83,380,837	84,743,486	-
Repurchase agreements and other similar secured borrowing	7,294,657	-	-
Trading portfolio liabilities	1,645,376	-	-
Financial liabilities designated at fair value	4,450,190	-	-
Derivative financial instruments	5,088,511	5,088,513	-
Debt securities in issue	309,692	-	-
Accruals, deferred income and other liabilities	4,718,919	3,863,406	-
Current and deferred tax liabilities	148,245	148,245	-
Of which: DTLs related to goodwill	-	-	(d)
Of which: DTLs related to intangible assets (excluding MSRs)	-	-	(e)
Of which: DTLs related to MSRs	-	-	(f)
Subordinated liabilities	-	-	-
Provisions	189,732	4,073,571	-
Retirement benefit liabilities			-
Total liabilities	123,531,229	126,820,493	-
Shareholders' equity			
Paid-in share capital	4,495,255	4,495,255	-
Of which: amount eligible for CET1	4,495,255	4,495,255	(h)
Of which: amount eligible for AT1	-	-	(i)
Retained earnings	11,215,236	11,808,339	-
Accumulated other comprehensive income	-	(594,196)	-
Total shareholders' equity	15,710,491	15,709,398	-

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 Jun 2022

LR1 - Summary comparison of accounting assets vs leverage ratio exposure

		Amount (AED'000)
		Q2'2022
1	Total consolidated assets as per published financial statements*	139,241,721
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	3,216,867
9	Adjustment for securities financing transactions (ie repos and similar secured lending) - b	1,130,275
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	28,102,952
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(527,495)
12	Other adjustments	(803,123)
13	Leverage ratio exposure measure	170,361,196

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 30 June 2022

LR2 - Leverage ratio common disclosure template

Amount (AED'000)

On-balance sheet exposures		Q2'2022	Q1'2022
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	107,426,068	117,322,409
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)	(527,495)	(491,788)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	106,898,573	116,830,620
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)	1,836,696	1,251,662
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	7,072,883	6,625,039
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)	8,909,579	7,876,701
Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions *	25,315,921	20,935,609
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets -a	1,134,171	4,382,003
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	26,450,092	25,317,612
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount -b	79,936,667	76,171,173
20	(Adjustments for conversion to credit equivalent amounts) -c	(51,833,715)	(49,612,954)
21	Tier 1 capital)	-	-
22	Off-balance sheet items (sum of rows 19 to 21)	28,102,952	26,558,219
Capital and total exposures			
23	Tier 1 capital -d	14,105,379	12,649,911
24	Total exposures (sum of rows 7, 13, 18 and 22)	170,361,196	176,583,153
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.28%	7.16%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.28%	7.16%
26	CBUAE minimum leverage ratio requirement	3%	3%
27	Applicable leverage buffers	-	-

Notes :

a - The reduction is due to reduction in RRP exposure and removal of haircut on Fair value of collaterals

b & c - The movement mainly relates to higher OFF BS exposures with PSE, Banks and Corporates during the period . This is also the main reason for increase in 'Adjustments for conversion to credit equivalent amounts'

d - The increase in Tier1 capital is primarily driven by inclusion of YTD Profit & non repeat of LE deduction occurred in Q1

* These includes Intra Group and third party reverse repo transactions

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 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	8,935,487	
1.2	UAE Federal Government Bonds and Sukuks	14,865,247	
	Sub Total (1.1 to 1.2)	23,800,734	23,800,734
1.3	UAE local governments publicly traded debt securities	552,785	
1.4	UAE Public sector publicly traded debt securities	429	
	Sub total (1.3 to 1.4)	553,214	553,214
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	4,297,415	4,297,415
1.6	Total	28,651,363	28,651,363
2	Total liabilities		123,341,490
3	Eligible Liquid Assets Ratio (ELAR)*		23.2%

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

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

ASRR - Advances to Stables Resource Ratio

			Amount (AED'000)
			Q2'2022
		Items	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	57,126,181
	1.2	Lending to non-banking financial institutions	5,823,768
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	125,783
	1.4	Interbank Placements	9,438,904
	1.5	Total Advances	72,514,636
2		Calculation of Net Stable Ressources	
	2.1	Total capital + general provisions	16,180,800
		Deduct:	
	2.1.1	Goodwill and other intangible assets	527,495
	2.1.2	Fixed Assets	892,277
	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	1,419,772
	2.2	Net Free Capital Funds	14,761,028
	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	7,167,021
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	3,402,601
	2.3.5	Customer Deposits	68,961,237
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	1,932,152
	2.3.7	Total other stable resources	81,463,011
	2.4	Total Stable Resources (2.2+2.3.7)	96,224,039
3		Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)	75.4%

**Should not be >100% at any time*

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the year ended 30 June 2022

CR1 - Credit quality of assets

							Amount (AED'000)
		Gross carrying values of		Allowances/Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	3,907,440	62,009,539	2,651,884	2,320,683	331,201	63,265,095
2	Debt securities	-	27,619,154	1,185	-	1,185	27,617,969
3	Off-balance sheet exposures	552,625	33,851,311	149,161	14,127	135,034	34,254,776
4	Total	4,460,065	123,480,004	2,802,230	2,334,810	467,420	125,137,839

CR2 - Changes in stock of defaulted loans and debt securities

		Amount (AED'000)
		30-Jun-22
1	Defaulted loans and debt securities at the end of the previous reporting period	4,780,548
2	Loans and debt securities that have defaulted since the last reporting period	185,647
3	Returned to non-default status	19,764
4	Amounts written off	671,129
5	Other changes	367,862
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	3,907,440

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CR3 - Credit risk mitigation techniques - overview

		Amount (AED'000)						
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	69,307,075	580,023	579,823	4,576,037	4,576,037	-	-
2	Debt securities	26,773,457	-	-	-	-	-	-
3	Total	96,080,532	580,023	579,823	4,576,037	4,576,037	-	-
4	Of which defaulted	983,902	1,171	1,171	-	-	-	-

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CR4 - Credit risk exposure and Credit Risk Mitigation (CRM) effects

Amount (AED'000)						
Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Sovereigns and their central banks	37,933,630	881,406	37,933,630	20,555	582,849	2%
2 Public Sector Entities	13,140,490	6,460,368	13,140,490	1,863,207	7,902,845	53%
3 Multilateral development banks	2,308,857	-	2,308,857	-	-	0%
4 Banks	13,098,130	7,839,504	13,098,130	4,506,373	5,897,369	33%
5 Securities firms	-	-	-	-	-	0%
6 Corporates	23,211,828	55,831,277	23,211,828	15,181,352	34,434,302	90%
7 Regulatory retail portfolios	4,604,688	5,817,945	4,604,688	4,212	3,595,175	78%
8 Secured by residential property	7,555,216	12,427	7,555,216	-	4,830,511	64%
9 Secured by commercial real estate	-	-	-	-	-	0%
10 Equity Investment in Funds (EIF)	-	-	-	-	-	0%
11 Past-due loans	647,724	481,865	647,724	481,865	1,259,113	111%
12 Higher-risk categories	-	-	-	-	-	0%
13 Other assets	3,510,839	-	3,510,839	-	2,955,879	84%
14 Total	106,011,401	77,324,792	106,011,401	22,057,564	61,458,043	48%

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CR5 - Exposures by asset classes and risk weights

		Amount (AED'000)								
	Risk weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes										
1	Sovereigns and their central banks	35,642,666	2,160,838	-	-	-	150,681	-	-	37,954,185
2	Public Sector Entities	1,718,202	4,300,257	-	3,884,889	-	5,100,349	-	-	15,003,697
3	Multilateral development banks	2,308,857	-	-	-	-	-	-	-	2,308,857
4	Banks	109,140	9,932,876	-	7,303,385	-	259,101	-	-	17,604,502
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	3,092,891	309,527	-	988,332	-	33,174,271	38	828,120	38,393,180
7	Regulatory retail portfolios	14,306	-	-	-	3,997,674	596,919	-	-	4,608,900
8	Secured by residential property	-	-	3,447,602	-	1,935,054	2,172,560	-	-	7,555,216
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	22,062	-	-	-	-	804,354	303,173	-	1,129,589
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	931,903	709,999	-	-	-	1,238,975	-	629,961	3,510,839
14	Total	43,840,027	17,413,497	3,447,602	12,176,606	5,932,728	43,497,211	303,211	1,458,082	128,068,965

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach.

Amount (AED'000)

	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1 SA-CCR (for derivatives)	1,311,926	4,688,283		1.4	8,400,292	4,396,965
2						
3 Simple Approach for credit risk mitigation (for SFTs)						
4 Comprehensive Approach for credit risk mitigation (for SFTs)					27,950,436	1,971,350
5						
6 Total						6,368,315

CCR2 - Counterparty credit risk Credit valuation adjustment capital charge

Amount (AED'000)

	EAD post-CRM	RWA
1 All portfolios subject to the Standardised CVA capital charge*	9,535,834	2,328,189
2 All portfolios subject to the Simple alternative CVA capital charge		

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights

	Amount (AED'000)							
Risk weight	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Regulatory portfolio								
Sovereigns	88,376				902,383			990,759
Public Sector Entities (PSEs)	673,068	55,854	104,966		257,180			1,091,068
Multilateral development banks (MDBs)								-
Banks	22,825,364	2,486,202	5,898,354		571,204			31,781,124
Securities firms								-
Corporates	1,352,467	15	15,642		1,119,654			2,487,778
Regulatory retail portfolios								-
Secured by residential property								-
Secured by commercial real estate								-
Equity Investment in Funds (EIF)								-
Past-due loans								-
Higher-risk categories								-
Other assets								-
Total	24,939,275	2,542,071	6,018,962	-	2,850,420	-	-	36,350,728

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 Jun 2022

CCR5 - Composition of collateral for CCR exposure

Amount (AED'000)

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency						
Cash - other currencies		743,461		46,347		
Domestic sovereign debt					722,529	
Government agency debt*					17,609,115	
Corporate bonds					3,891,287	
Equity securities						
Other collateral					2,627,968	
Total	-	743,461	-	46,347	24,850,900	-

CCR6 - Credit derivative exposures

Amount (AED'000)

	Protection bought	Protection sold
Notionals	-	-
Single-name credit default swaps	596,781	213,005
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total notionals	596,781	213,005
Fair values	-	-
Positive fair value (asset)	5,490	150
Negative fair value (liability)	(1,449)	(4,308)

HSBC Bank Middle East Limited - UAE Operations
Pillar III Disclosures
for the period ended 30 June 2022

MR1 - Market risk under the standardised approach (SA)

		Amount (AED'000)
		RWA
1	General Interest rate risk (General and Specific)	9,160,851
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	1,707,770
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	
7	Scenario approach	
8	Securitisation	
9	Total	10,868,621