

HSBC Bank Middle East Limited - UAE Operations

Pillar 3 Disclosures at 30 June 2023

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Introduction

Legal status and principal activities

HSBC Bank Middle East Limited – United Arab Emirates ('UAE') Operations ('HSBC UAE') is a branch of HSBC Bank Middle East Limited ('HBME'). HBME has its place of incorporation and head office in the Dubai International Financial Centre ('DIFC'), in the United Arab Emirates, under a category 1 license issued by the Dubai Financial Services Authority ('DFSA').

The immediate parent company of HBME is HSBC Middle East Holdings BV and the ultimate parent company of the Bank is HSBC Holdings plc ('HSBC Group' or 'HSBC'), which is incorporated in United Kingdom.

The principal activity of the Bank is to offer a comprehensive range of financial services to personal, commercial, corporate, and institutional clients, which are carried out from its branches.

Pillar 3 disclosures

The Basel III framework is structured around three 'pillars', with the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

Our Pillar 3 Disclosures as at 30 June 2023 comprises of quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with the disclosure templates introduced by the CBUAE guidelines on disclosure requirements (CBUAE/BSN/2020/4980 and CBUAE CBUAE/BSN/2021/5508) published in November 2020 and November 2021 respectively.

Governance

HSBC UAE has operated within a framework of internal controls and procedures for assessing the appropriateness of pillar 3 disclosures.

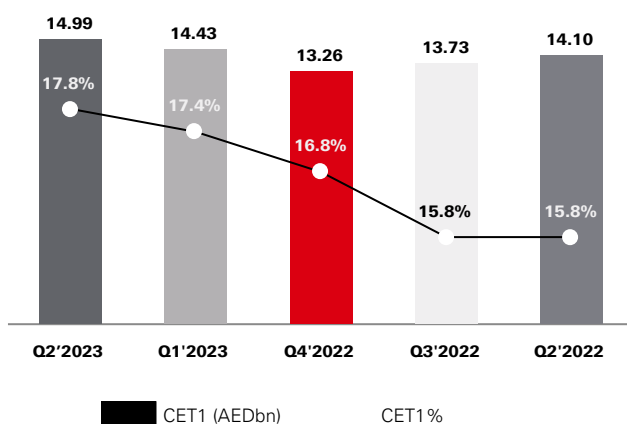
Applicability of Disclosures

The below listed Pillar 3 disclosure templates are not applicable for HSBC UAE, hence these disclosures have not been reported.

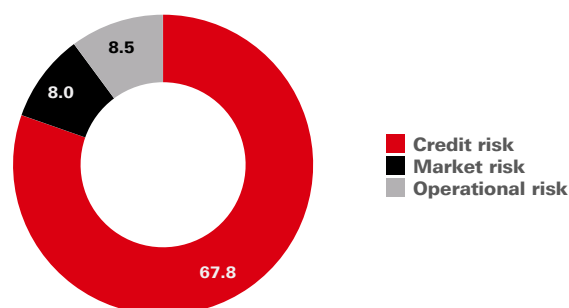
Topic	Table	Information Overview
Macroprudential Supervisory measures	CCyB1	Geographical distribution of credit exposures used in the countercyclical buffer
Liquidity	LIQ1	Liquidity Coverage Ratio
	LIQ2	Net Stable Funding Ratio
Counterparty credit risk (CCR)	CCR8	Exposures to central counterparties
	SEC1	Securitisation exposures in the banking book
	SEC2	Securitisation exposures in the trading book
	SEC3	Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor
Securitisation	SEC4	Securitisation exposures in the trading book and associated capital requirements - bank acting as investor

Highlights

Common Equity Tier 1



Risk-weighted assets by risk type AED 84.4bn (1Q23:AED 82.9bn)



At 30 June 2023, our CET1 capital ratio increased to 17.76% from 17.40% at 31 March 2023, resulting from increased profits in Q2 2023, which is partially offset by an increase in RWAs of AED 1.4bn. The key drivers of this were due to an increase in credit risk amounting to AED 991mn and market risk by AED 476mn.

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Overview of risk management, key prudential metrics and RWA (KM1)

	Q2'2023 AED000	Q1'2023 AED000	Q4'2022 AED000	Q3'2022 AED000	Q2'2022 AED000	
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	14,988,031	14,426,831	13,263,903	13,726,585	14,105,379
1a	Fully loaded ECL accounting model ¹	14,988,031	14,426,831	13,263,903	13,726,585	14,105,379
2	Tier 1	14,988,031	14,426,831	13,263,903	13,726,585	14,105,379
2a	Fully loaded ECL accounting model Tier 1 ¹	14,988,031	14,426,831	13,263,903	13,726,585	14,105,379
3	Total capital	15,835,747	15,262,154	14,076,848	14,581,560	14,982,319
3a	Fully loaded ECL accounting model total capital ¹	15,835,747	15,262,154	14,076,848	14,581,560	14,982,319
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	84,392,084	82,924,188	79,115,793	87,141,808	89,564,479
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	17.76	17.40	16.77	15.75	15.75
5a	Fully loaded ECL accounting model CET1 (%) ¹	17.76	17.40	16.77	15.75	15.75
6	Tier 1 ratio (%)	17.76	17.40	16.77	15.75	15.75
6a	Fully loaded ECL accounting model Tier 1 ratio (%) ¹	17.76	17.40	16.77	15.75	15.75
7	Total capital ratio (%)	18.76	18.40	17.79	16.73	16.73
7a	Fully loaded ECL accounting model total capital ratio (%) ¹	18.76	18.40	17.79	16.73	16.73
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical buffer requirement (%)	—	—	—	—	—
10	Bank D-SIB additional requirements (%)	—	—	—	—	—
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50	2.50	2.50	2.50	2.50
12	CET1 available after meeting the bank's minimum capital requirements (%)	7.26	6.90	6.27	5.25	5.25
Leverage Ratio						
13	Total leverage ratio measure	169,063,640	166,374,168	159,804,017	159,030,190	170,361,196
14	Leverage ratio (%) (row 2/row 13)	8.87	8.67	8.30	8.63	8.28
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13) ¹	8.87	8.67	8.30	8.63	8.28
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.87	8.67	8.30	8.63	8.28
ELAR						
21	Total HQLA ²	32,225,381	33,701,768	25,293,917	21,876,749	28,651,363
22	Total liabilities	126,072,359	121,201,088	118,544,192	115,952,535	123,341,490
23	Eligible Liquid Assets Ratio (ELAR) (%)	25.56	27.81	21.34	18.87	23.23
ASRR						
24	Total available stable funding	99,010,299	100,897,171	97,144,176	91,309,929	96,224,039
25	Total Advances	63,641,783	66,516,144	68,939,311	65,012,526	72,514,636
26	Advances to Stable Resources Ratio (%)	64.28	65.92	70.97	71.20	75.36

1 Transitional arrangement has not been applied since Q2 2022.

2 Total HQLA balances have been restated from Q2 22 to Q3 22 to report full HQLA balance which now includes Local government, UAE public sector and foreign sovereign debt instruments and securities.

The above table provides an overview of the bank's prudential regulatory metrics. HSBC UAE is not a Domestic Systemically Important Bank (DSIB) Liquidity Coverage Ratio and Net Stable Funding Ratio are not applicable for HSBC UAE operations.

The increase in available capital mainly is due to the increase in current year profit. Refer overview (OV1) disclosure for further details on Risk Weighted Assets (RWAs).

For leverage ratio details refer LR2 and ELAR and ASRR details provided in the liquidity section.

Overview of risk management, key prudential metrics and RWA (OV1)

	RWA	Minimum capital requirements ¹	RWA	Minimum capital requirements ¹
	30 Jun 2023	30 Jun 2023	31 Mar 2023	31 Mar 2023
	AED000	AED000	AED000	AED000
1 Credit risk (excluding counterparty credit risk)	62,315,793	6,543,158	60,402,377	6,342,250
2 – of which: standardised approach (SA)	62,315,793	6,543,158	60,402,377	6,342,250
3 – of which: foundation internal ratings-based (F-IRB) approach	–	–	–	–
4 – of which: supervisory slotting approach	–	–	–	–
5 – of which: advanced internal ratings-based (A-IRB) approach	–	–	–	–
6 Counterparty credit risk (CCR)	4,202,763	441,290	4,722,592	495,872
7 – of which: standardised approach for counterparty credit risk	4,202,763	441,290	4,722,592	495,872
8 – of which: Internal Model Method (IMM)	–	–	–	–
9 – of which: other CCR	–	–	–	–
10 Credit valuation adjustment (CVA)	1,298,367	136,329	1,700,797	178,584
11 Equity positions under the simple risk weight approach	–	–	–	–
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	364	38	75	8
16 Securitisation exposures in the banking book	–	–	–	–
17 – of which: securitisation internal ratings-based approach (SEC-IRBA)	–	–	–	–
18 – of which: securitisation external ratings-based approach (SEC-ERBA)	–	–	–	–
19 – of which: securitisation standardised approach (SEC-SA)	–	–	–	–
20 Market risk	8,040,679	844,271	7,564,227	794,244
21 – of which: standardised approach (SA)	8,040,679	844,271	7,564,227	794,244
22 – of which: internal models approach (IMA)	–	–	–	–
23 Operational risk	8,534,119	896,082	8,534,119	896,082
24 Amounts below thresholds for deduction (subject to 250% risk weight)	–	–	–	–
25 Floor adjustment	–	–	–	–
26 Total (1+6+10+11+12+13+14+15+16+20+23)	84,392,084	8,861,169	82,924,188	8,707,040

¹ The regulatory minimum capital requirement is calculated at 10.5% of the RWA.

The above table provides the minimum capital resource requirements for credit risk, counterparty credit risk, market risk and operational risk. These requirements are expressed in terms of RWAs.

Total Risk Weighted Assets increased by AED 1.4bn mainly due to the increase in credit risk by AED 991mn (Including CCR and CCV) and Market Risk by AED 476mn.

- The main increase in credit risk was due to the increase in Corporate exposures by AED 416mn and PSEs treated as claims on corporates by AED 400m.
- Market Risk increased by AED 476mn due to higher interest rates in trading book, mainly driven by higher bond exposure.

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As at 30 June 2023

Composition of regulatory capital (CC1)

	30 Jun 2023 AED000	31 Dec 2022 AED000	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	4,495,255	4,495,255	Same as (a) from CC2 template
2	9,105,632	7,353,949	–
3	1,984,820	1,990,447	–
4	–	–	–
5	–	–	–
6	15,585,707	13,839,651	–
Common Equity Tier 1 capital regulatory adjustments			
7	–	–	–
8	–	–	–
9	697,136	630,608	–
10	490	–	–
11	(96,056)	(48,180)	–
12	–	–	–
13	(3,894)	(6,680)	–
14	–	–	–
15	–	–	–
16	–	–	–
17	–	–	–
18	–	–	–
19	–	–	–
20	–	–	–
21	–	–	–
22	–	–	–
23	–	–	–
24	597,676	575,748	–
25	14,988,031	13,263,903	–
Additional Tier 1 capital: instruments			
26	–	–	–
27	–	–	–
28	–	–	–
29	–	–	–
30	–	–	–
31	–	–	–
32	–	–	–
Additional Tier 1 capital: regulatory adjustments			
33	–	–	–
34	–	–	–
35	–	–	–
36	–	–	–
37	–	–	–
38	–	–	–
39	14,988,031	13,263,903	–
Tier 1 capital (T1= CET1 + AT1)			
Tier 2 capital: instruments and provisions			
40	–	–	–
41	–	–	–
42	–	–	–
43	–	–	–
44	847,716	812,945	–
45	847,716	812,945	–

Composition of regulatory capital (CC1) (continued)

	30 Jun 2023 AED000	31 Dec 2022 AED000	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 capital: regulatory adjustments			
46	—	—	—
47	—	—	—
48	—	—	—
49	—	—	—
50	—	—	—
51	847,716	812,945	—
52	15,835,747	14,076,848	—
53	84,392,084	79,115,793	—
Capital ratios and buffers			
54	17.76	16.77	—
55	17.76	16.77	—
56	18.76	17.79	—
57	2.50	2.50	—
58	2.50	2.50	—
59	—	—	—
60	—	—	—
61	7.26	6.27	—
The CBUAE Minimum Capital Requirement			
62	7.00	7.00	—
63	8.50	8.50	—
64	10.50	10.50	—
Amounts below the thresholds for deduction (before risk weighting)			
65	—	—	—
66	—	—	—
67	—	—	—
68	—	—	—
Applicable caps on the inclusion of provisions in Tier 2			
69	1,017,259	975,534	—
70	847,716	812,945	—
71	—	—	—
72	—	—	—
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2023)			
73	—	—	—
74	—	—	—
75	—	—	—
76	—	—	—
77	—	—	—
78	—	—	—

The above table provides a breakup of the elements constituting the Bank's capital. The capital base primarily consists of Head office assigned capital, accumulated reserves, general and other reserves and capital deductions. Refer KM1 template for reasons for major variances.

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As at 30 June 2023

Composition of capital (CC2)

	Balance sheet	Under	Balance sheet	Under	Reference
	as in	regulatory	as in published	regulatory	
	financial	scope of	financial	scope of	
	statements	consolidation	statements	consolidation	
	30 Jun	30 Jun	31 Dec	31 Dec	
	2023	2023	2022	2022	
	AED000	AED000	AED000	AED000	
Assets					
Cash and balances at central bank	9,941,535	9,941,535	9,185,600	9,185,600	—
Items in the course of collection from other banks	5,787,121	5,787,121	123,252	123,252	—
Trading assets	7,488,191	7,488,191	6,559,399	6,559,399	—
Financial assets designated and otherwise at fair value through profit and loss	38,487	38,487	73,429	73,429	—
Derivatives	5,215,948	5,215,948	6,899,854	6,899,854	—
Loans and advances to banks	9,922,072	9,922,072	16,169,142	16,169,142	—
Loans and advances to customers	45,519,453	45,519,453	50,015,493	50,015,493	—
Reverse repurchase agreements-non trading	20,348,267	20,348,267	22,064,566	22,064,566	—
Financial Investments	32,414,284	32,414,284	19,677,336	19,677,336	—
Prepayments, accrued income and other assets	4,891,198	4,891,198	3,402,442	3,402,442	—
Intangible assets	697,136	697,136	630,608	630,608	—
Deferred tax assets	524,842	524,842	534,007	534,007	—
Total assets	142,788,534	142,788,534	135,335,128	135,335,128	
Liabilities					
Deposits by banks	6,057,209	6,057,209	11,712,584	11,712,584	—
Customer accounts	90,188,332	90,188,332	86,036,533	86,036,533	—
Repurchase agreements – non-trading	10,340,937	10,340,937	3,429,224	3,429,224	—
Items in the course of transmission to other banks	3,005,248	3,005,248	588,896	588,896	—
Trading liabilities	1,829,864	1,829,864	1,351,711	1,351,711	—
Financial liabilities designated at fair value	3,100,577	3,100,577	3,986,253	3,986,253	—
Derivatives	4,735,704	4,735,704	6,416,727	6,416,727	—
Debt securities in issue	—	—	159,647	159,647	—
Accruals, deferred income and other liabilities	6,491,584	6,491,584	4,739,830	4,739,830	—
Current tax liabilities	322,902	322,902	122,789	122,789	—
Provisions	77,408	77,408	155,752	155,752	—
Total liabilities	126,149,765	126,149,765	118,699,946	118,699,946	
Shareholders' equity					
Allocated Capital	4,495,255	4,495,255	4,495,255	4,495,255	(a)
Legal Reserves	2,247,628	2,247,628	2,247,628	2,247,628	—
Other Reserves	768,691	768,691	766,163	766,163	—
Unremitted Profit	9,127,195	9,127,195	9,126,136	9,126,136	—
Total shareholders' equity	16,638,770	16,638,770	16,635,182	16,635,182	—
Total liabilities and Head Office funds	142,788,534	142,788,534	135,335,128	135,335,128	

The above table provides an overview of the differences between the scope of accounting consolidation and the scope of regulatory consolidation and to show the link between the numbers that are used in the composition of capital disclosure template set out in Template CC1.

Summary comparison of accounting assets vs leverage ratio exposure (LR1)

		At	
		30 Jun	31 Mar
		2023	2023
		AED000	AED000
1	Total consolidated assets as per published financial statements ¹	142,788,534	138,833,564
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	810,110	1,048,930
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	298,899	1,278,932
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	25,501,991	25,671,843
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(292,812)	(400,945)
12	Other adjustments	(43,082)	(58,156)
13	Leverage ratio exposure measure	169,063,640	166,374,168

¹ HSBC UAE does not publish interim financial statements, total consolidated assets have been restated in Q1 23 to align with the total assets reported to HSBC group.

The above table reconciles the total assets in the financial statements to the leverage ratio exposure measures.

Leverage ratio common disclosure template (LR2)

		At	
		30 Jun 2023 AED000	31 Mar 2023 AED000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	110,594,546	107,677,774
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)	(292,812)	(400,945)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	110,301,733	107,276,829
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,561,443	1,551,453
9	Add-on amounts for PFE associated with all derivatives transactions	4,464,617	5,304,036
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)	6,026,060	6,855,489
Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	26,934,957	25,291,074
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	—	—
16	CCR exposure for SFT assets	298,899	1,278,932
17	Agent transaction exposures	—	—
18	Total securities financing transaction exposures (sum of rows 14 to 17)	27,233,856	26,570,006
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	88,751,610	86,044,518
20	(Adjustments for conversion to credit equivalent amounts)	(63,249,619)	(60,372,674)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	—	—
22	Off-balance sheet items (sum of rows 19 to 21)	25,501,991	25,671,844
Capital and total exposures			
23	Tier 1 capital	14,988,031	14,426,831
24	Total exposures (sum of rows 7, 13, 18 and 22)	169,063,640	166,374,168
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	8.87	8.67
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.87	8.67
26	CBUAE minimum leverage ratio requirement (%)	3.00	3.00
27	Applicable leverage buffers	—	—

The above table provides a breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements, and buffers.

On-balance sheet exposures improved to AED 110mn as at 30 June 23 (AED 107mn as at 31 Mar 23) due to the increase in investments during the period. The increase in Securities Financing Transactions (SFT's) is due to the increase in reverse repo transactions.

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As at 30 June 2023

Credit quality of assets (CR1)

		Gross carrying values of			of which: ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c) AED000
		Defaulted exposures (a) AED000	Non-defaulted exposures (b) AED000	Allowances/Impairments (c) AED000	Allocated in regulatory category of Specific AED000	Allocated in regulatory category of General AED000	
1	Loans ¹	3,230,440	54,818,358	2,607,272	2,307,072	300,200	55,441,525
2	Debt securities ²	—	32,415,961	1,677	—	1,677	32,414,284
3	Off-balance sheet exposures	48,156	19,728,385	14,133	397	13,736	19,762,407
4	Total at 31 Jun 2023	3,278,595	106,962,703	2,623,083	2,307,469	315,613	107,618,216
1	Loans	3,626,945	65,388,345	2,830,655	2,552,350	278,305	66,184,635
2	Debt securities	—	19,678,356	1,020	—	1,020	19,677,336
3	Off-balance sheet exposures	53,288	20,348,503	15,565	366	15,199	20,386,226
4	Total at 30 Dec 2022	3,680,233	105,415,204	2,847,240	2,552,716	294,524	106,248,197

1 Loans represent loans and advances to customers and Bank's at amortized cost.

2 Debt securities includes financial investments at amortized cost and debt instruments measured at fair value through other comprehensive income.

The above table provides an overview of the credit quality of the bank's (on- and off-balance sheet) assets.

Changes in stock of defaulted loans and debt securities (CR2)

		At	
		30 Jun 2023 AED000	31 Dec 2022 AED000
1	Defaulted loans and debt securities at the end of the previous reporting period	3,626,945	4,050,774
2	Loans and debt securities that have defaulted since the last reporting period	111,359	603,047
3	Returned to non-default status	12,078	29,404
4	Amounts written off	369,140	797,020
5	Other changes	(126,646)	(200,452)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)	3,230,440	3,626,945

The above table identifies the changes in the Bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

Credit risk mitigation techniques – overview (CR3)

		Jun 2023						
		Exposures unsecured: carrying amount AED000	Exposures secured by collateral AED000	Exposures secured by collateral of which: secured amount AED000	Exposures secured by financial guarantees AED000	Exposures secured by financial guarantees, of which: secured amount AED000	Exposures secured by credit derivatives AED000	Exposures secured by credit derivatives, of which: secured amount AED000
1	Loans	52,607,868	467,046	464,938	3,560,754	3,560,754	—	—
2	Debt securities	32,525,724	—	—	—	—	—	—
3	Total	85,133,592	467,046	464,938	3,560,754	3,560,754	—	—
4	<i>– of which: defaulted</i>	773,306	—	4,849	—	—	—	—
		Dec 2022						
1	Loans	63,465,647	423,336	422,141	3,175,709	3,175,709	—	—
2	Debt securities	19,871,428	—	—	—	—	—	—
3	Total	83,337,075	423,336	422,141	3,175,709	3,175,709	—	—
4	<i>– of which: defaulted</i>	842,079	—	443	—	—	—	—

The above table discloses the extent of use of credit risk mitigation (CRM) techniques. The disclosure includes on-balance sheet loans and advances to banks and customers at amortised cost, split into unsecured and secured by CRM techniques.

Exposures secured by financial guarantees have increased during the period due to export credit agency backed loans.

HSBC Bank Middle East Limited – UAE Operations Pillar III Disclosures

As at 30 June 2023

Exposures by asset classes and risk weights (CR4)

Asset classes		Jun 2023					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount AED000	Off-balance sheet amount AED000	On-balance sheet amount AED000	Off-balance sheet amount AED000	RWA AED000	RWA density (%)
1	Sovereigns and their central banks	40,324,786	836,868	40,324,786	5,962	570,741	1.42
2	Public Sector Entities	7,760,481	7,757,299	7,760,481	2,156,827	6,052,840	61.03
3	Multilateral development banks	1,487,501	—	1,487,501	—	—	—
4	Banks	11,206,989	8,047,347	11,206,989	3,917,445	6,201,545	41.00
5	Securities firms	—	—	—	—	—	—
6	Corporates	25,803,082	65,093,713	25,803,082	15,177,372	37,148,262	90.65
7	Regulatory retail portfolios	4,621,977	6,308,022	4,621,977	2,426	3,587,123	77.57
8	Secured by residential property	7,265,687	8,586	7,265,687	—	2,901,345	39.93
9	Secured by commercial real estate	—	—	—	—	—	—
10	Equity Investment in Funds (EIF)	—	—	—	—	—	—
11	Past-due loans	705,251	413,905	705,251	413,905	1,228,701	109.79
12	Higher-risk categories	—	—	—	—	—	—
13	Other assets	9,704,543	—	9,704,543	—	4,625,235	47.66
14	Total	108,880,297	88,465,739	108,880,297	21,673,936	62,315,793	47.73

		Dec 2022					
1	Sovereigns and their central banks	35,725,387	882,062	35,725,387	21,371	379,738	1.06
2	Public Sector Entities	8,508,055	7,602,314	8,508,055	2,476,460	5,475,150	49.84
3	Multilateral development banks	2,289,828	—	2,289,828	—	—	—
4	Banks	12,482,170	7,384,483	12,482,170	3,655,029	6,250,829	38.74
5	Securities firms	—	—	—	—	—	—
6	Corporates	24,242,926	57,223,183	24,242,926	14,897,496	35,295,720	90.18
7	Regulatory retail portfolios	4,645,349	5,624,669	4,645,349	1,963	3,585,618	77.15
8	Secured by residential property	7,721,896	12,533	7,721,896	—	3,163,533	40.97
9	Secured by commercial real estate	—	—	—	—	—	—
10	Equity Investment in Funds (EIF)	—	—	—	—	—	—
11	Past-due loans	736,976	430,339	736,976	430,339	1,291,399	110.63
12	Higher-risk categories	—	—	—	—	—	—
13	Other assets	2,690,011	—	2,690,011	—	2,635,353	97.97
14	Total	99,042,599	79,159,583	99,042,599	21,482,659	58,077,339	48.19

The above table illustrates the effect of CRM on capital requirements' calculations. RWA density provides a synthetic metric on risk level of each portfolio.

Exposures by asset classes and risk weights (CR5)

		Jun 2023								Total credit exposures amount (post CCF and post-CRM) AED000
Risk weight	Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	
		AED000	AED000	AED000	AED000	AED000	AED000	AED000	AED000	
1	Sovereigns and their central banks	37,944,372	2,269,542	—	—	—	116,833	—	—	40,330,747
2	Public Sector Entities	372,402	1,661,602	—	4,325,570	—	3,557,734	—	—	9,917,308
3	Multilateral development banks	1,487,501	—	—	—	—	—	—	—	1,487,501
4	Banks	788	5,669,351	—	8,775,287	—	676,959	2,048	—	15,124,434
5	Securities firms	—	—	—	—	—	—	—	—	—
6	Corporates	2,550,843	536,729	—	1,691,891	—	36,160,846	3	40,141	40,980,454
7	Regulatory retail portfolios	13,148	—	—	—	4,096,523	514,731	—	—	4,624,402
8	Secured by residential property	—	—	6,637,792	—	199,107	428,788	—	—	7,265,687
9	Secured by commercial real estate	—	—	—	—	—	—	—	—	—
10	Equity Investment in Funds (EIF)	—	—	—	—	—	—	—	—	—
11	Past-due loans	26,741	—	—	—	—	819,841	272,573	—	1,119,156
12	Higher-risk categories	—	—	—	—	—	—	—	—	—
13	Other assets	1,236,713	5,786,254	—	—	—	2,157,303	—	524,273	9,704,543
14	Total	43,632,510	15,923,479	6,637,792	14,792,748	4,295,630	44,433,036	274,624	564,414	130,554,233
		Dec 2022								
1	Sovereigns and their central banks	34,457,341	1,137,101	—	—	—	152,317	—	—	35,746,759
2	Public Sector Entities	536,133	4,416,436	—	2,880,169	—	3,151,778	—	—	10,984,516
3	Multilateral development banks	2,289,828	—	—	—	—	—	—	—	2,289,828
4	Banks	98,198	7,536,410	—	7,518,451	—	983,777	363	—	16,137,199
5	Securities firms	—	—	—	—	—	—	—	—	—
6	Corporates	2,907,374	1,374	—	1,832,518	—	34,265,880	33	133,242	39,140,422
7	Regulatory retail portfolios	8,336	—	—	—	4,213,432	425,543	—	—	4,647,312
8	Secured by residential property	—	—	6,921,581	—	237,342	562,973	—	—	7,721,896
9	Secured by commercial real estate	—	—	—	—	—	—	—	—	—
10	Equity Investment in Funds (EIF)	—	—	—	—	—	—	—	—	—
11	Past-due loans	22,333	—	—	—	—	852,148	292,834	—	1,167,315
12	Higher-risk categories	—	—	—	—	—	—	—	—	—
13	Other assets	757,097	123,246	—	—	—	1,275,645	—	534,024	2,690,011
14	Total	41,076,640	13,214,567	6,921,581	12,231,137	4,450,774	41,670,062	293,230	667,266	120,525,258

The above table provides a breakdown of credit risk exposures under the standardised approach by asset class and risk weight.

HSBC Bank Middle East Limited – UAE Operations Pillar III Disclosures

As at 30 June 2023

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

	Jun 2023					
	Replace- ment cost AED000	Potential future exposure AED000	EEPE AED000	Alpha used for computing regulatory EAD	EAD post- CRM AED000	RWA AED000
				AED000		
SA-CCR (for derivatives)	1,115,316	2,923,118	—	1.4	5,653,808	3,130,254
Internal Model Method (for derivatives and SFTs)	—	—	—	—	—	—
Simple Approach for credit risk mitigation (for SFTs)	—	—	—	—	—	—
Comprehensive Approach for credit risk mitigation (for SFTs)	—	—	—	—	27,154,307	1,072,509
VaR for SFTs	—	—	—	—	—	—
Total	—	—	—	—	—	4,202,763
	Dec 2022					
SA-CCR (for derivatives)	1,452,405	3,441,988	—	1.4	6,852,151	3,521,363
Internal Model Method (for derivatives and SFTs)	—	—	—	—	—	—
Simple Approach for credit risk mitigation (for SFTs)	—	—	—	—	—	—
Comprehensive Approach for credit risk mitigation (for SFTs)	—	—	—	—	28,162,455	1,681,024
VaR for SFTs	—	—	—	—	—	—
Total	—	—	—	—	—	5,202,387

The above table provide a comprehensive view of the method used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

Credit valuation adjustment (CVA) capital charge (CCR2)

	At			
	30 Jun 2023		31 Dec 2022	
	EAD post- CRM AED000	RWA AED000	EAD post- CRM AED000	RWA AED000
1 All portfolios subject to the Standardised CVA capital charge	5,952,707	1,298,367	7,838,802	1,755,763
2 All portfolios subject to the Simple alternative CVA capital charge	—	—	—	—

The table provides the CVA regulatory calculations with a breakdown by approach.

Standardised approach – CCR exposures by regulatory portfolio and risk weights (CCR3)

Risk weight	Jun 2023							Total credit exposure
	0%	20%	50%	75%	100%	150%	Others	
Regulatory portfolio	AED000	AED000	AED000	AED000	AED000	AED000	AED000	AED000
Sovereigns	446,649	—	—	—	162,304	—	—	608,953
Public Sector Entities (PSEs)	490,292	40,869	5,558	—	244,689	—	—	781,408
Multilateral development banks (MDBs)	—	—	—	—	—	—	—	—
Banks	17,357,457	2,242,637	3,672,004	—	417,269	—	—	23,689,367
Securities firms	—	—	—	—	—	—	—	—
Corporates	6,614,396	5	61,938	—	1,052,049	—	—	7,728,387
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	5,104,242	—	—	—	—	—	—	5,104,242
Total	30,013,036	2,283,511	3,739,500	—	1,876,310	—	—	37,912,358

Dec 2022								
Sovereigns	71,271	—	—	—	723,940	—	—	795,210
Public Sector Entities (PSEs)	433,461	33,417	8,529	—	264,928	—	—	740,334
Multilateral development banks (MDBs)	—	—	—	—	—	—	—	—
Banks	21,507,396	2,138,114	5,075,926	—	344,663	—	—	29,066,100
Securities firms	—	—	—	—	—	—	—	—
Corporates	3,520,348	—	582	—	892,032	—	—	4,412,962
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	6,080,172	—	—	—	—	—	—	6,080,172
Total	31,612,647	2,171,531	5,085,037	—	2,225,562	—	—	41,094,777

The following table presents information on the risk-weighting of CCR exposures under the standardised approach by regulatory portfolio.

HSBC Bank Middle East Limited – UAE Operations Pillar III Disclosures

As at 30 June 2023

Composition of collateral for CCR exposure (CCR5)

	Jun 2023					
	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		
AED000	AED000	AED000	AED000	AED000	AED000	
Cash – domestic currency	—	—	—	—	—	—
Cash – other currencies	—	713,016	—	91,225	380,917	—
Domestic sovereign debt	—	—	—	—	413,695	—
Government agency debt	—	—	—	—	17,532,969	—
Corporate bonds	—	—	—	—	4,658,514	—
Equity securities	—	—	—	—	—	—
Other collateral	—	—	—	—	1,856,968	—
Total	—	713,016	—	91,225	24,843,062	—
	Dec 2022					
Cash – domestic currency	—	—	—	—	—	—
Cash – other currencies	—	979,933	—	32,281	—	—
Domestic sovereign debt	—	—	—	—	131,696	—
Government agency debt	—	—	—	—	20,646,006	—
Corporate bonds	—	—	—	—	2,681,726	—
Equity securities	—	—	—	—	—	—
Other collateral	—	—	—	—	2,001,777	—
Total	—	979,933	—	32,281	25,461,205	—

The table provides the breakdown of types of collateral posted or received related to derivative transactions.

Credit derivative exposures (CCR6)

	Protection bought	Protection sold	Protection bought	Protection sold
	30 Jun 2023	30 Jun 2023	31 Dec 2022	31 Dec 2022
	AED000	AED000	AED000	AED000
Notionals				
Single-name credit default swaps	—	106,503	16,526	106,503
Index credit default swaps	—	—	—	—
Total return swaps	—	—	—	—
Credit options	—	—	—	—
Other credit derivatives	—	—	—	—
Total notionals	—	106,503	16,526	106,503
Fair values				
Positive fair value (asset)	—	607	469	392
Negative fair value (liability)	—	(826)	—	(853)

The above table shows the credit derivative exposures.

Market risk under the standardised approach (SA) (MR1)

	RWA	RWA
	30 Jun 2023	31 Dec 2022
	AED000	AED000
1 General Interest rate risk (General and Specific)	5,580,346	4,701,903
2 Equity risk (General and Specific)	—	—
3 Foreign exchange risk	2,460,332	844,163
4 Commodity risk	—	—
6 Options	—	—
5 Simplified approach	—	—
6 Delta-plus method	—	—
7 Scenario approach	—	—
8 Securitisation	—	—
9 Total	8,040,679	5,546,066

The above table provides the components of RWAs under the Standardised Approach for market risk.

Liquidity risk management (LIQA)

Eligible Liquid Assets Ratio (ELAR)

	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset
	30 Jun 2023	30 Jun 2023	31 Mar 2023	31 Mar 2023
	AED000	AED000	AED000	AED000
1 High Quality Liquid Assets				
1.1 Physical cash in hand at the bank + balances with the CBUAE	9,942,289		15,752,647	
1.2 UAE Federal Government Bonds and Sukuks	17,353,632		12,734,182	
Sub Total (1.1 to 1.2)	27,295,921	27,295,921	28,486,829	28,486,829
1.3 UAE local governments publicly traded debt securities	95,543		160,318	
1.4 UAE Public sector publicly traded debt securities	—		—	
Sub total (1.3 to 1.4)	95,543	95,543	160,318	160,318
1.5 Foreign Sovereign debt instruments or instruments issued by their respective central banks	4,834,649	4,833,917	5,054,621	5,054,621
1.6 Total	32,226,113	32,225,381	33,701,768	33,701,768
2 Total liabilities		126,072,359		121,201,088
3 Eligible Liquid Assets Ratio (ELAR) (%)		25.56		27.81

The above table presents the breakdown of the Bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

Advances to Stables Resource Ratio (ASRR)

		At	
		30 Jun 2023 AED000	31 Mar 2023 AED000
1	Computation of Advances		
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	45,829,798	51,203,422
1.2	Lending to non-banking financial institutions	9,959,038	4,500,120
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	315,137	293,732
1.4	Interbank Placements	7,537,810	10,518,870
1.5	Total Advances	63,641,783	66,516,144
2	Calculation of Net Stable Resources		
2.1	Total capital + general provisions	17,016,971	17,863,525
	Deduct:		
2.1.1	Goodwill and other intangible assets	697,136	661,861
2.1.2	Fixed Assets	879,637	884,990
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	1,576,773	1,546,851
2.2	Net Free Capital Funds	15,440,198	16,316,674
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	4,190,033	5,272,123
2.3.3	Refinancing of Housing Loans	—	—
2.3.4	Borrowing from non-Banking Financial Institutions	3,012,558	3,281,319
2.3.5	Customer Deposits	75,183,421	74,835,032
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	1,184,089	1,192,023
2.3.7	Total other stable resources	83,570,101	84,580,497
2.4	Total Stable Resources (2.2+2.3.7)	99,010,299	100,897,171
3	Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100) (%)	64.28	65.92

The above table presents the breakdown of the Bank's Advances to Stable Resources Ratio (ASRR), as per the CBUAE Liquidity Regulations.

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