

# HSBC Bank Middle East Limited - UAE Operations

**Pillar 3 Disclosure at 31 March 2024**

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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.

HSBC UAE is regulated by the Central Bank of the UAE ('CBUAE').

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 and governance

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 31 March 2024 comprises of quantitative and qualitative information required. These disclosures are in accordance with the disclosure templates introduced by the CBUAE guidelines on disclosure requirements (CBUAE/BSN/2020/4980 and CBUAE/BSN/2021/5508) published in November 2020 and November 2021 respectively.

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

## Comparatives and references

To give insight into movements during the year, we provide comparative figures and commentary on variances. The regulatory numbers and ratios presented in this document were accurate as at the date of reporting. Small changes may exist between these numbers and ratios and those submitted in regulatory filings. Where differences are significant, we may restate in subsequent periods. Where disclosures have been enhanced, or are new, we do not generally restate or provide comparatives.

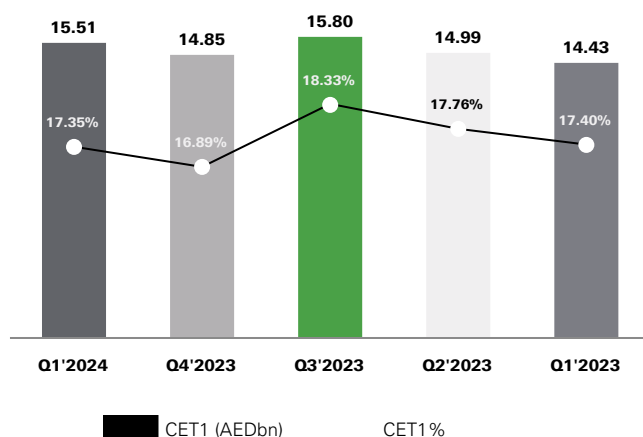
## Applicability of Disclosures

Listed quarterly disclosure templates are not applicable for HSBC UAE, hence these disclosures have not been reported.

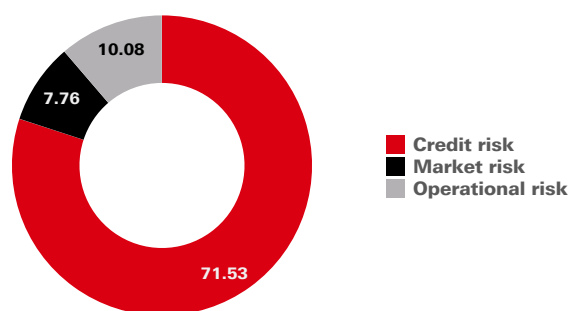
Topic	Table	Information Overview
Liquidity	LIQ1	Liquidity Coverage Ratio

## Highlights

### Common equity tier 1



### Risk-weighted assets by risk type AED 89.38bn (4Q23: AED87.92bn)



At 31 March 2024, our CET1 capital ratio increased to 17.35% (16.89% as at 31 December 2023), resulting from the additional Q1'24 profit (AED 663 million). This was partially offset by the increase in RWAs amounting to AED 1.5 billion. The key drivers were higher Credit risk RWAs (AED 1.9 billion) partially offset by reduction in Market risk RWAs (AED 508 million).

## Overview of risk management, key prudential metrics and RWAs

The table below sets out the key regulatory metrics covering the HSBC UAE's available capital (including buffer requirements and ratios), RWAs, Leverage ratio, ELAR and ASRR. HSBC UAE is not a Domestic Systematically Important Bank (D-SIB), therefore Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are not applicable for HSBC UAE operations.

### Key Metrics (KM1)

	31 Mar 2024 AED000	31 Dec 2023 AED000	30 Sep 2023 AED000	30 Jun 2023 AED000	31 Mar 2023 AED000	
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	15,505,027	14,848,371	15,794,583	14,988,031	14,426,831
1a	Fully loaded ECL accounting model <sup>1</sup>	15,505,027	14,848,371	15,794,583	14,988,031	14,426,831
2	Tier 1	15,505,027	14,848,371	15,794,583	14,988,031	14,426,831
2a	Fully loaded ECL accounting model Tier 1 <sup>1</sup>	15,505,027	14,848,371	15,794,583	14,988,031	14,426,831
3	Total capital	16,399,185	15,717,942	16,675,476	15,835,747	15,262,154
3a	Fully loaded ECL accounting model total capital <sup>1</sup>	16,399,185	15,717,942	16,675,476	15,835,747	15,262,154
<b>Risk-weighted assets (amounts)</b>						
4	<b>Total risk-weighted assets (RWA)<sup>2</sup></b>	<b>89,377,554</b>	<b>87,918,444</b>	<b>86,173,946</b>	<b>84,392,084</b>	<b>82,924,188</b>
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	17.35	16.89	18.33	17.76	17.40
5a	Fully loaded ECL accounting model CET1 (%) <sup>1</sup>	17.35	16.89	18.33	17.76	17.40
6	Tier 1 ratio (%)	17.35	16.89	18.33	17.76	17.40
6a	Fully loaded ECL accounting model Tier 1 ratio (%) <sup>1</sup>	17.35	16.89	18.33	17.76	17.40
7	Total capital ratio (%)	18.35	17.88	19.35	18.76	18.40
7a	Fully loaded ECL accounting model total capital ratio (%) <sup>1</sup>	18.35	17.88	19.35	18.76	18.40
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (%)	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 (%) <sup>3</sup>	7.85	7.38	8.85	8.26	7.90
<b>Leverage Ratio<sup>4</sup></b>						
13	Total leverage ratio measure	183,657,209	166,621,558	173,574,773	169,063,640	166,374,168
14	Leverage ratio (%) (row 2/row 13)	8.44	8.91	9.10	8.87	8.67
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.44	8.91	9.10	8.87	8.67
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.44	8.91	9.10	8.87	8.67
<b>ELAR<sup>5</sup></b>						
21	Total HQLA <sup>2</sup>	36,984,207	27,426,797	35,362,215	32,225,381	33,701,768
22	Total liabilities	135,492,054	119,994,200	128,802,924	126,072,359	121,201,088
23	Eligible Liquid Assets Ratio (ELAR) (%)	27.30	22.86	27.45	25.56	27.81
<b>ASRR<sup>5</sup></b>						
24	Total available stable funding	108,225,203	100,233,728	99,432,561	99,010,299	100,897,171
25	Total Advances	70,168,665	74,965,260	67,511,195	63,641,783	66,516,144
26	Advances to Stable Resources Ratio (%)	64.84	74.79	67.90	64.28	65.92

1 No transitional arrangement has been applied from Q4 2022.

2 The total risk weighted assets (RWA) - Refer to the overview (OV1) disclosure for further details on RWAs.

3 Total capital ratio less 10.5% as per CBUAE regulations.

4 Leverage ratio - Refer to leverage ratio on page 5.

5 ELAR and ASRR - Refer to liquidity on page 7.

Compared to 31 December 2023, available capital increased due to the Q1 profit of AED 663 million.

## Overview of risk management

The table below 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 and represents the minimum capital charge set at 10.5% of RWAs as per CBUAE capital standard issued in 2022.

### Overview of RWA (OV1)

		Minimum capital requirements <sup>1</sup>		Minimum capital requirements <sup>1</sup>
		RWA	RWA	RWA
		31 Mar 2024 AED000	31 Mar 2024 AED000	31 Dec 2023 AED000
1	Credit risk (excluding counterparty credit risk)	66,551,268	6,987,883	64,897,080
2	of which: standardised approach (SA)	66,551,268	6,987,883	64,897,080
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)	3,876,114	406,992	3,532,882
7	of which: standardised approach for counterparty credit risk	3,876,114	406,992	3,532,882
8	of which: Internal Model Method (IMM)	—	—	—
9	of which: other CCR	—	—	—
10	Credit valuation adjustment (CVA)	1,099,098	115,405	1,135,737
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	6,139	645	—
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	7,762,206	815,032	8,270,015
21	of which: standardised approach (SA)	7,762,206	815,032	8,270,015
22	of which: internal models approach (IMA)	—	—	—
23	Operational risk	10,082,730	1,058,687	10,082,730
24	Amounts below thresholds for deduction (subject to 250% risk weight)	—	—	—
25	Floor adjustment	—	—	—
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>89,377,554</b>	<b>9,384,643</b>	87,918,444

<sup>1</sup> The regulatory minimum capital requirement is calculated at 10.5% of the RWA.

Total RWAs increased by AED 1.5 billion mainly due to Credit risk (AED 1.9 billion), partially offset by a decrease in Market risk (AED 508million).

- the increase in Credit risk is mainly driven by exposure to Corporates (AED 885 million), Public Sector Enterprises, including Government Related Enterprises (AED 460 million), Multilateral Development Banks (AED 312 million) and Banks (AED 303 million).
- partially offset by the reduction in Market risk which is mainly driven by higher short position for GCC currencies compared to the prior quarter.

## Leverage ratio

The risk of excessive leverage is managed as part of HSBC UAE risk appetite framework and monitored using the leverage ratio metric. The table below reconciles the total assets in the financial statements to the leverage ratio exposure measures.

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

	<b>31 Mar 2024 AED000</b>	31 Dec 2023 AED000
1 Total consolidated assets as per published financial statements <sup>1</sup>	<b>154,437,614</b>	138,389,289
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	<b>1,611,682</b>	1,237,109
9 Adjustment for securities financing transactions (ie repos and similar secured lending)	<b>254,819</b>	327,204
10 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	<b>28,549,030</b>	27,821,874
11 Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	<b>(1,032,009)</b>	(1,024,938)
12 Other adjustments <sup>2</sup>	<b>(163,927)</b>	(128,980)
<b>13 Leverage ratio exposure measure</b>	<b>183,657,209</b>	166,621,558

<sup>1</sup> HSBC UAE does not publish quarterly financials statements.

<sup>2</sup> Other adjustments consists of asset amounts deducted in determining Tier 1 capital, including Intangible assets and Interest in Suspense (IIS).

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

Leverage ratio common disclosure template (LR2)

		At	
		<b>31 Mar 2024 AED000</b>	31 Dec 2023 AED000
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	<b>121,425,445</b>	106,128,478
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)	<b>(3,361,320)</b>	(3,316,813)
6	(Asset amounts deducted in determining Tier 1 capital)	<b>(748,180)</b>	(753,275)
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>117,315,945</b>	102,058,390
<b>Derivative exposures</b>			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)*1.4	<b>933,655</b>	744,398
9	Add-on amounts for PFE associated with all derivatives transactions*1.4	<b>4,813,940</b>	4,831,568
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	<b>Total derivative exposures (sum of rows 8 to 12)</b>	<b>5,747,595</b>	5,575,966
<b>Securities financing transactions</b>			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	<b>31,789,820</b>	30,838,125
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	—	—
16	CCR exposure for SFT assets	<b>254,819</b>	327,204
17	Agent transaction exposures	—	—
18	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	<b>32,044,639</b>	31,165,329
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	<b>94,433,286</b>	95,391,852
20	(Adjustments for conversion to credit equivalent amounts)	<b>(65,884,255)</b>	(67,569,978)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	—	—
22	<b>Off-balance sheet items (sum of rows 19 to 20)</b>	<b>28,549,030</b>	27,821,874
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	<b>15,505,027</b>	14,848,371
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>183,657,209</b>	166,621,558
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)</b>	<b>8.44</b>	8.91
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	<b>8.44</b>	8.91
26	CBUAE minimum leverage ratio requirement (%)	<b>3</b>	3
27	Applicable leverage buffers	—	—

1 Specific and general provisions which have reduced Tier 1 capital are reported separately from December 2023.

On-balance sheet exposures increased to AED 117 million as at 31 March 2024 (AED 102 million as at 31 December 2023) due to the increase in investments and interbank exposures during the period.

As compared to 31 December 2023, Securities Financing Transactions (SFT's) with Banks have increased.

## Liquidity

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

### Eligible Liquid Assets Ratio (ELAR)

	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset
	31 Mar 2024	31 Mar 2024	31 Dec 2023	31 Dec 2023
	AED000	AED000	AED000	AED000
1 High Quality Liquid Assets				
1.1 Physical cash in hand at the bank + balances with the CB UAE	15,486,653		9,180,177	
1.2 UAE Federal Government Bonds and Sukuks	15,766,304		13,960,844	
Sub Total (1.1 to 1.2)	31,252,957	31,252,957	23,141,021	23,141,021
1.3 UAE local governments publicly traded debt securities	179,078		160,940	
1.4 UAE Public sector publicly traded debt securities	5,169		10,645	
Sub total (1.3 to 1.4)	184,247	184,247	171,585	171,585
1.5 Foreign Sovereign debt instruments or instruments issued by their respective central banks	5,547,003	5,547,003	4,115,335	4,114,191
1.6 Total	36,984,207	36,984,207	27,427,941	27,426,797
2 Total liabilities		135,492,054		119,994,200
3 Eligible Liquid Assets Ratio (ELAR) (%)		27.30		22.86

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

### Advances to Stables Resource Ratio (ASRR)

	At	
	31 Mar 2024	31 Dec 2023
	AED000	AED000
1 <b>Computation of Advances</b>		
1.1 Net Lending (gross loans - specific and collective provisions + interest in suspense)	47,971,587	46,583,977
1.2 Lending to non-banking financial institutions	5,406,684	8,747,291
1.3 Net Financial Guarantees & Stand-by LC (issued - received)	587,732	336,708
1.4 Interbank Placements	16,202,662	19,297,284
1.5 <b>Total Advances</b>	70,168,665	74,965,260
2 <b>Calculation of Net Stable Resources</b>		
2.1 Total capital + general provisions	19,124,452	18,578,347
<b>Deduct:</b>		
2.1.1 Goodwill and other intangible assets	748,180	753,276
2.1.2 Fixed Assets	876,525	880,088
2.1.3 Funds allocated to branches abroad	—	—
2.1.5 Unquoted Investments	547,250	538,945
2.1.6 Investment in subsidiaries, associates and affiliates	—	—
2.1.7 <b>Total deduction</b>	2,171,955	2,172,309
2.2 <b>Net Free Capital Funds</b>	16,952,497	16,406,038
2.3 <b>Other stable resources:</b>		
2.3.1 Funds from the head office	—	—
2.3.2 Interbank deposits with remaining life of more than 6 months	5,314,681	3,667,781
2.3.3 Refinancing of Housing Loans	—	—
2.3.4 Borrowing from non-Banking Financial Institutions	4,072,162	3,991,942
2.3.5 Customer Deposits	81,421,449	75,391,449
2.3.6 Capital market funding/ term borrowings maturing after 6 months from reporting date	464,414	776,518
2.3.7 <b>Total other stable resources</b>	91,272,706	83,827,690
2.4 <b>Total Stable Resources (2.2+2.3.7)</b>	108,225,203	100,233,728
3 <b>Advances to Stable Resources Ratio (1.5/2.4*100) (%)</b>	64.84	74.79



**HSBC Bank Middle East Limited**

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**HSBC Bank Middle East Limited**

Incorporated in the Dubai International Financial Centre.  
Regulated by the Central bank of the U.A.E and  
lead regulated by the Dubai Financial Services Authority

**HSBC Bank Middle East Limited - UAE Operations**