

HSBC Bank Middle East Limited - UAE Operations

Pillar 3 Disclosures at 31 March 2025

Contents

2	Introduction
3	Highlights
4	Overview of risk management, key prudential metrics and RWAs
4	Key Metrics (KM1)
5	Risk Weighted Assets
5	Overview of Risk Weighted Assets (OV1)
6	Leverage ratio
6	Summary comparison of accounting assets vs leverage ratio exposure (LR1)
7	Leverage ratio common disclosure template (LR2)
8	Liquidity
8	Eligible Liquid Assets Ratio (ELAR)
8	Advances to Stable Resource Ratio (ASRR)

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 Committee on Banking Supervision ('Basel') III framework is structured around three 'pillars', with Pillar 1 minimum capital requirements and the 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 resources, risk exposures and risk management processes, and hence their capital adequacy.

Our Pillar 3 disclosures as at 31 March 2025 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/BSD/N/2020/4980 and CBUAE CBUAE/BSD/N/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 period, we may provide comparative figures and commentary on material 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. Wherever specific rows and columns in the tables prescribed are not applicable or are immaterial to our activities, we omit them and follow the same approach for comparatives.

Applicability of Disclosures

The below listed Pillar 3 disclosure is not applicable for HSBC UAE, hence have not been reported.

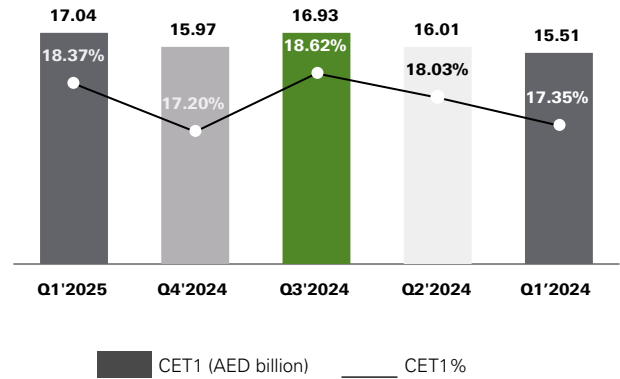
Topic	Table	Information Overview
Liquidity	LIQ1	Liquidity Coverage Ratio

Highlights

CET1 capital and ratio

Our Common Equity Tier 1 ('CET1') capital was AED 17.04 billion as of 31 March 2025 and our ratio was 18.37%, up by 117 basis points compared with 17.20% as at 31 December 2024. This was mainly driven by Q1 2025 profit of AED 703 million, partially offset by a decrease in RWAs amounting to AED 99 million.

CET1 capital and ratio

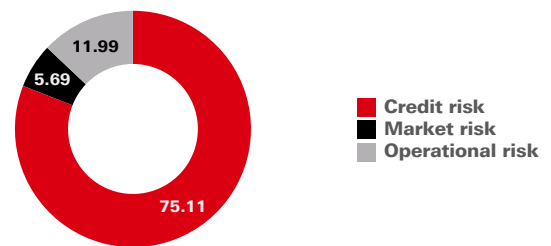


Risk Weighted Assets ('RWAs')

Our RWAs were AED 92.79 billion at 31 March 2025, a decrease of AED 99 million compared with 31 December 2024. This was driven by a decrease in Market risk RWAs due to lower FX short positions in GCC currencies, partially offset by an increase in credit risk RWAs by AED 1.25 billion mainly under the Corporates and Banks exposure classes.

RWAs by risk type

AED 92.79 billion (4Q24 – AED 92.89 billion)



Leverage

The Bank's leverage ratio was 8.66% at 31 March 2025, above the minimum regulatory requirement of 3%. The increase is due to the increase in the underlying On-balance sheet exposures.

Leverage

	Q1 2025	Q4 2024	Q3 2024
Leverage ratio (%)	8.66	8.62	9.29

Liquidity

The Bank's Eligible Liquid Asset Ratio ('ELAR') was 26.66% as at 31 March 2025, above the minimum regulatory requirement of 10%.

The Bank's Advance to Stable Resources Ratio ('ASRR') was 67.98% as at 31 March 2025, which is below regulatory maximum of 100%.

Liquidity

	Q1 2025	Q4 2024
ELAR (%)	26.66	23.77
ASRR (%)	67.98	64.98

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 2025 AED000	31 Dec 2024 AED000	30 Sep 2024 AED000	30 Jun 2024 AED000	31 Mar 2024 AED000	
Available capital (amounts)						
1	Common Equity Tier 1 ('CET1')	17,043,049	15,971,920	16,929,229	16,006,068	15,505,027
1a	Fully loaded ECL accounting model ¹	17,043,049	15,971,920	16,929,229	16,006,068	15,505,027
2	Tier 1	17,043,049	15,971,920	16,929,229	16,006,068	15,505,027
2a	Fully loaded ECL accounting model Tier 1 ¹	17,043,049	15,971,920	16,929,229	16,006,068	15,505,027
3	Total capital	17,981,870	16,895,160	17,846,815	16,919,986	16,399,185
3a	Fully loaded ECL accounting model total capital ¹	17,981,870	16,895,160	17,846,815	16,919,986	16,399,185
Risk-weighted assets (amounts)						
4	Total risk-weighted assets ('RWA') ²	92,787,507	92,886,818	90,925,070	88,765,559	89,377,554
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	18.37	17.20	18.62	18.03	17.35
5a	Fully loaded ECL accounting model CET1 (%) ¹	18.37	17.20	18.62	18.03	17.35
6	Tier 1 ratio (%)	18.37	17.20	18.62	18.03	17.35
6a	Fully loaded ECL accounting model Tier 1 ratio (%) ¹	18.37	17.20	18.62	18.03	17.35
7	Total capital ratio (%)	19.38	18.19	19.63	19.06	18.35
7a	Fully loaded ECL accounting model total capital ratio (%) ¹	19.38	18.19	19.63	19.06	18.35
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical buffer requirement (%) ³	0.06	0.05	0.05	0.04	—
10	Bank D-SIB additional requirements (%)	—	—	—	—	—
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.56	2.55	2.55	2.54	2.50
12	CET1 available after meeting the bank's minimum capital requirements (%) ⁴	8.88	7.69	9.13	8.56	7.85
Leverage Ratio⁵						
13	Total leverage ratio measure	196,823,003	185,389,140	182,229,244	186,868,572	183,657,209
14	Leverage ratio (%) (row 2/row 13)	8.66	8.62	9.29	8.57	8.44
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.66	8.62	9.29	8.57	8.44
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.66	8.62	9.29	8.57	8.44
Eligible Liquid Assets Ratio ('ELAR')⁶						
21	Total HQLA	38,106,657	31,890,718	34,507,587	35,612,405	36,984,207
22	Total liabilities	142,922,615	134,190,447	130,680,571	137,312,430	135,492,054
23	Eligible Liquid Assets Ratio ('ELAR') (%)	26.66	23.77	26.41	25.94	27.30
Advances to Stable Resources Ratio ('ASRR')⁶						
24	Total available stable funding	112,687,272	112,190,284	106,211,991	105,749,366	108,225,203
25	Total Advances	76,601,310	72,899,575	69,928,474	71,265,780	70,168,665
26	Advances to Stable Resources Ratio ('ASRR') (%)	67.98	64.98	65.84	67.39	64.84

1 No transitional arrangement has been applied from Q4 2022 onwards.

2 Refer to the overview (OV1) disclosure for further details on RWAs.

3 CCyB has been disclosed from 30 June 2024, comparatives have not been restated.

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

5 Leverage ratio – Refer to leverage ratio common disclosure template (LR2) for further details (page 6).

6 ELAR and ASRR – Refer to Eligible Liquid Assets Ratio ('ELAR') and Advances to Stables Resource Ratio ('ASRR') sections for further details (page 8).

Risk Weighted Assets

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 Risk Weighted Assets (OV1)

	RWA	Minimum capital requirements ¹	RWA	Minimum capital requirements ¹	
	31 Mar 2025	31 Mar 2025	31 Dec 2024	31 Dec 2024	
	AED000	AED000	AED000	AED000	
1	Credit risk (excluding counterparty credit risk)	70,126,961	7,363,331	68,823,767	7,226,496
2	of which: standardised approach ('SA')	70,126,961	7,363,331	68,823,767	7,226,496
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')	3,983,387	418,255	4,052,586	425,521
7	of which: standardised approach for counterparty credit risk	3,983,387	418,255	4,052,586	425,521
8	of which: Internal Model Method ('IMM')	—	—	—	—
9	of which: other CCR	—	—	—	—
10	Credit valuation adjustment ('CVA')	994,257	104,397	976,084	102,489
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	1,091	115	6,761	710
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	5,691,105	597,566	7,036,914	738,876
21	of which: standardised approach ('SA')	5,691,105	597,566	7,036,914	738,876
22	of which: internal models approach ('IMA')	—	—	—	—
23	Operational risk	11,990,706	1,259,024	11,990,706	1,259,024
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)	92,787,507	9,742,688	92,886,818	9,753,116

1 The regulatory minimum capital requirement is calculated at 10.5% of the RWA. This excludes regulatory minimum capital and countercyclical buffer requirement.

The quarter-on-quarter RWA movements in the table above are explained by risk type below.

Credit risk

Credit risk RWAs increased mainly due to the increase under the Corporates and Banks exposure classes.

Market risk

Market risk RWAs decreased mainly due to lower FX short positions in GCC currencies.

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)

	31 Mar 2025	31 Dec 2024
	AED000	AED000
1 Total consolidated assets as per published financial statements ¹	163,273,093	153,904,015
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	2,390,355	1,633,561
9 Adjustment for securities financing transactions (ie repos and similar secured lending)	652,624	593,887
10 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	32,578,406	31,420,659
11 Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(1,299,297)	(1,387,701)
12 Other adjustments ²	(772,178)	(775,281)
13 Leverage ratio exposure measure	196,823,003	185,389,140

1 HSBC UAE does not publish quarterly financials statements.

2 Other adjustments consists of assets deducted in determining Tier 1 capital, including Intangible assets and Interest in Suspense ("IIS").

Pillar 3 Disclosures at 31 March 2025

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	
		31 Mar 2025	31 Dec 2024
		AED000	AED000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions ('SFTs'), but including collateral) ¹	124,480,172	117,931,247
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) ²	(55,822)	(107,972)
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) ¹	(3,214,804)	(3,238,436)
6	(Asset amounts deducted in determining Tier 1 capital)	(772,233)	(775,306)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	120,437,313	113,809,534
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) ^{1,4}	594,795	1,005,338
9	Add-on amounts for PFE associated with all derivatives transactions ^{1,4}	4,856,003	4,313,328
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)	5,450,798	5,318,666
Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	37,703,862	34,246,395
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	—	—
16	CCR exposure for SFT assets	652,624	593,887
17	Agent transaction exposures	—	—
18	Total securities financing transaction exposures (sum of rows 14 to 17)	38,356,486	34,840,282
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	106,655,338	104,440,939
20	(Adjustments for conversion to credit equivalent amounts)	(74,076,932)	(73,020,281)
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)	32,578,406	31,420,659
Capital and total exposures			
23	Tier 1 capital	17,043,049	15,971,920
24	Total exposures (sum of rows 7, 13, 18 and 22)	196,823,003	185,389,140
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	8.66	8.62
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.66	8.62
26	CBUAE minimum leverage ratio requirement (%)	3.00	3.00
27	Applicable leverage buffers	—	—

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

2 Cash variation margin has been disclosed from 31 December 2024.

The quarter-on-quarter movements in the table above are explained by the following comments.

- Leverage exposures increased to AED 196.82 billion as at 31 March 2025 (AED 185.39 billion as at 31 December 2024) primarily due to higher On-balance sheet exposures, driven by higher balances due from other banks, and Securities Financing Transactions ('SFTs') compared to last quarter.

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 2025	31 Mar 2025	31 Dec 2024	31 Dec 2024
	AED000	AED000	AED000	AED000
1 High Quality Liquid Assets				
1.1 Physical cash in hand at the bank + balances with the CBUAE	17,429,415		14,159,581	
1.2 UAE Federal Government Bonds and Sukuks	14,221,769		12,241,475	
Sub Total (1.1 to 1.2)	31,651,184	31,651,184	26,401,056	26,401,056
1.3 UAE local governments publicly traded debt securities	738,447		705,894	
1.4 UAE Public sector publicly traded debt securities	—		—	
Sub total (1.3 to 1.4)	738,447	738,447	705,894	705,894
1.5 Foreign Sovereign debt instruments or instruments issued by their respective central banks	5,723,877	5,717,026	4,784,840	4,783,768
1.6 Total	38,113,508	38,106,657	31,891,790	31,890,718
2 Total liabilities		142,922,615		134,190,447
3 Eligible Liquid Assets Ratio ('ELAR') (%)		26.66		23.77

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

Advances to Stable Resource Ratio (ASRR)

	At	
	31 Mar 2025	31 Dec 2024
	AED000	AED000
1 Computation of Advances		
1.1 Net Lending (gross loans – specific and collective provisions + interest in suspense)	51,192,365	50,364,456
1.2 Lending to non-banking financial institutions	10,366,964	11,448,956
1.3 Net Financial Guarantees & Stand-by LC (issued – received)	(808,516)	(553,931)
1.4 Interbank Placements	15,850,497	11,640,094
1.5 Total Advances	76,601,310	72,899,575
2 Calculation of Net Stable Resources		
2.1 Total capital + general provisions	20,262,872	19,411,712
Deduct:		
2.1.1 Goodwill and other intangible assets	772,233	775,306
2.1.2 Fixed Assets	866,373	863,876
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	1,638,606	1,639,182
2.2 Net Free Capital Funds	18,624,266	17,772,530
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	4,305,427	4,931,424
2.3.3 Refinancing of Housing Loans	—	—
2.3.4 Borrowing from non-Banking Financial Institutions	5,997,379	4,418,137
2.3.5 Customer Deposits	83,120,069	84,548,703
2.3.6 Capital market funding/term borrowings maturing after 6 months from reporting date	640,131	519,490
2.3.7 Total other stable resources	94,063,006	94,417,754
2.4 Total Stable Resources (2.2+2.3.7)	112,687,272	112,190,284
3 Advances to Stable Resources Ratio (1.5/2.4*100) (%)	67.98	64.98

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

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