

HSBC Bank Middle East Limited

Interim Report 2025



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Presentation of information

This document comprises the Interim Condensed Financial Statements 2025 for HSBC Bank Middle East Limited ('the bank') and its subsidiary undertakings (together 'the group'). It contains Interim Condensed Financial Statements, together with the Auditor's review report. References to 'HSBC' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries.

In accordance with IAS 34, the Interim Report is intended to provide an update on the Annual Report and Accounts 2024 and therefore focuses on events during the first six months of 2025 rather than duplicating information previously reported.

Interim condensed financial statements

Consolidated income statement

	Notes	Half-year to	
		30 Jun 2025 US\$000	30 Jun 2024 US\$000
Net interest income		762,378	803,806
– interest income		1,320,406	1,322,761
– interest expense		(558,028)	(518,955)
Net fee income	3	261,422	260,301
– fee income		359,565	339,020
– fee expense		(98,143)	(78,719)
Net income from financial instruments held for trading or managed on a fair value basis		169,252	160,441
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss		3,282	2,576
Gains less losses from financial investments		1,136	(2,196)
Other operating income		57,019	31,353
Net operating income before change in expected credit losses and other credit impairment charges		1,254,489	1,256,281
Change in expected credit losses and other credit impairment charges		(47,514)	(101,772)
Net operating income		1,206,975	1,154,509
Employee compensation and benefits		(323,368)	(296,192)
General and administrative expenses		(261,142)	(249,887)
Depreciation and impairment of property, plant and equipment and right-of-use assets		(14,809)	(13,706)
Amortisation and impairment of intangible assets		(39,100)	(31,446)
Total operating expenses		(638,419)	(591,231)
Operating profit		568,556	563,278
Share of loss in associates		(59)	(42)
Profit before tax		568,497	563,236
Tax expense		(112,661)	(165,492)
Profit for the period		455,836	397,744
Attributable to:			
– shareholder of the parent company		455,836	397,744
Profit for the period		455,836	397,744

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	Half-year to	
	30 Jun 2025	30 Jun 2024
	US\$000	US\$000
Profit for the period	455,836	397,744
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income/(expense)	15,853	(1,852)
– fair value gains	18,783	3,522
– fair value gains transferred to the income statement on disposal	(1,136)	(2,196)
– expected credit losses recognised in income statement	1,333	(1,980)
– income taxes	(3,127)	(1,198)
Cash flow hedges	18,194	(25,235)
– fair value gains/(losses)	18,772	(27,828)
– fair value (gains)/losses reclassified to the income statement	4,388	—
– income taxes	(4,966)	2,593
Exchange differences	10,888	(505)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit liability	(1,905)	(3,063)
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	2,360	(5,924)
Fair value gains on equity instruments designated at fair value through other comprehensive income	1,206	2,273
Other comprehensive income for the period, net of tax	46,596	(34,306)
Total comprehensive income for the period	502,432	363,438
Attributable to:		
– shareholder of the parent company	502,432	363,438
Total comprehensive income for the period	502,432	363,438

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

Consolidated statement of financial position

	Notes	At	
		30 Jun 2025 US\$000	31 Dec 2024 US\$000
Assets			
Cash and balances at central banks		735,017	646,989
Trading assets	6	2,245,343	1,923,099
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	6	42,197	34,127
Derivatives	6	1,079,546	952,893
Loans and advances to banks	7	12,031,126	11,682,290
Loans and advances to customers	7	21,736,443	20,440,155
Reverse repurchase agreements – non-trading	7	8,575,899	7,878,210
Financial investments	6,7	13,601,546	11,592,083
Assets held for sale	11	181,324	—
Prepayments, accrued income and other assets		1,883,382	1,677,151
Current tax assets		717	8
Interests in associates		2,201	2,261
Intangible assets		266,518	265,025
Deferred tax assets		88,608	120,359
Total assets		62,469,867	57,214,650
Liabilities and equity			
Liabilities			
Deposits by banks	7	7,733,734	6,499,507
Customer accounts	7	35,404,663	34,828,268
Repurchase agreements – non-trading	7	5,009,485	2,936,075
Trading liabilities	6	1,027,234	837,253
Financial liabilities designated at fair value	6,8	746,888	1,238,466
Derivatives	6	984,323	785,326
Debt securities in issue	9	767,825	808,480
Liabilities directly associated with assets held for sale	11	826,779	—
Accruals, deferred income and other liabilities		2,872,964	2,511,551
Current tax liabilities		239,879	238,625
Provisions		195,274	233,764
Subordinated liabilities		946,041	945,751
Total liabilities		56,755,089	51,863,066
Equity			
Called up share capital		931,055	931,055
Share premium account		61,346	61,346
Other equity instruments		990,000	990,000
Other reserves		(164,579)	(210,589)
Retained earnings		3,896,956	3,579,772
Total equity		5,714,778	5,351,584
Total liabilities and equity		62,469,867	57,214,650

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

Selim Kervanci
Chief Executive Officer/Director

Daniel Hankinson
Chief Financial Officer/Director

Consolidated statement of changes in equity

	Called up share capital and share premium	Other equity instru- ments	Retained earnings	Other reserves				Total equity
				Financial assets at FVOCI reserves	Cash flow hedging reserve	Foreign exchange reserve	Merger and other reserves ¹	
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
At 1 Jan 2025	992,401	990,000	3,579,772	(40,494)	(10,268)	(144,474)	(15,353)	5,351,584
Profit for the period	—	—	455,836	—	—	—	—	455,836
Other comprehensive income/(expense) (net of tax)	—	—	584	17,213	18,194	10,605	—	46,596
– debt instruments at fair value through other comprehensive income	—	—	—	15,853	—	—	—	15,853
– equity instruments designated at fair value through other comprehensive income	—	—	—	1,206	—	—	—	1,206
– cash flow hedges	—	—	—	—	18,194	—	—	18,194
– changes in fair value of financial liabilities designated at fair value arising from changes in own credit risk	—	—	2,360	—	—	—	—	2,360
– remeasurement of defined benefit liability	—	—	(1,905)	—	—	—	—	(1,905)
– exchange differences	—	—	129	154	—	10,605	—	10,888
Total comprehensive income for the period	—	—	456,420	17,213	18,194	10,605	—	502,432
Dividends	—	—	(133,752)	—	—	—	—	(133,752)
Other movements	—	—	(5,484)	(2)	—	—	—	(5,486)
At 30 Jun 2025	992,401	990,000	3,896,956	(23,283)	7,926	(133,869)	(15,353)	5,714,778
At 1 Jan 2024	992,401	967,500	3,799,973	(57,558)	2,463	(142,280)	(15,353)	5,547,146
Profit for the period	—	—	397,744	—	—	—	—	397,744
Other comprehensive income/(expense) (net of tax)	—	—	(9,624)	417	(25,235)	136	—	(34,306)
– debt instruments at fair value through other comprehensive income	—	—	—	(1,852)	—	—	—	(1,852)
– equity instruments designated at fair value through other comprehensive income	—	—	—	2,273	—	—	—	2,273
– cash flow hedges	—	—	—	—	(25,235)	—	—	(25,235)
– changes in fair value of financial liabilities designated at fair value arising from changes in own credit risk	—	—	(5,924)	—	—	—	—	(5,924)
– remeasurement of defined benefit liability	—	—	(3,063)	—	—	—	—	(3,063)
– exchange differences	—	—	(637)	(4)	—	136	—	(505)
Total comprehensive income/(expense) for the period	—	—	388,120	417	(25,235)	136	—	363,438
Dividends	—	—	(335,186)	—	—	—	—	(335,186)
Other movements	—	—	2,979	—	—	—	—	2,979
At 30 Jun 2024	992,401	967,500	3,855,886	(57,141)	(22,772)	(142,144)	(15,353)	5,578,377

1 The merger reserve pertains to the acquisition of HBME Algeria in 2009.

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

Consolidated statement of cash flows

	Half-year to	
	30 Jun 2025	30 Jun 2024
	US\$000	US\$000
Profit before tax	568,497	563,236
Cash flows from operating activities		
Adjustments for:		
Net (gain)/loss from investing activities	(725)	2,196
Share of loss in associates	59	42
Other non-cash items included in profit before tax	56,102	207,690
Change in operating assets	(1,579,490)	(2,172,425)
Change in operating liabilities	4,099,399	6,488,817
Elimination of exchange differences ¹	(30,156)	12,355
Tax paid	(89,129)	(164,219)
Net cash generated from operating activities	3,024,557	4,937,692
Cash flows from investing activities		
Purchase of financial investments	(5,754,019)	(6,302,597)
Proceeds from the sale and maturity of financial investments	3,851,176	3,957,481
Net cash flows from the purchase and sale of property, plant and equipment	(10,925)	(7,039)
Net investment in intangible assets	(41,494)	(34,446)
Net cash generated (used in) investing activities	(1,955,262)	(2,386,601)
Cash flows from financing activities		
Dividends paid to shareholder of the parent company	(133,752)	(335,186)
Net cash generated (used in) financing activities	(133,752)	(335,186)
Net increase in cash and cash equivalents	935,543	2,215,905
Cash and cash equivalents at 1 Jan	10,129,699	7,026,635
Exchange differences in respect of cash and cash equivalents	14,575	(11,216)
Cash and cash equivalents at 30 Jun	11,079,817	9,231,324

1 Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis, as details cannot be determined without unreasonable expense.

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

Notes on the interim condensed financial Statements

1 Legal status and principal activities

The bank has its place of incorporation and head office in Dubai International Financial Centre ('DIFC'), in the United Arab Emirates, under a category 1 licence issued by the Dubai Financial Services Authority ('DFSA').

The bank's registered office is Level 4, Gate Precinct Building No. 2, Dubai International Financial Centre, Dubai, United Arab Emirates.

The group through its branch network and subsidiary undertakings provides a range of banking and related financial services in the Middle East and North Africa.

The immediate parent company of the group is HSBC Middle East Holdings B.V. and the ultimate parent company of the group is HSBC Holdings plc, which is incorporated in England.

2 Basis of preparation and material accounting policies

(a) Compliance with International Financial Reporting Standards

The interim condensed consolidated financial statements of the group have been prepared on the basis of the policies set out in the 2024 annual financial statements. They have also been prepared in accordance with IAS 34 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standards Board ('IASB') and IAS 34 as adopted by the UK. Therefore they include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the group since the end of 2024. These interim condensed consolidated financial statements should be read in conjunction with the Annual Report and Accounts 2024.

At 30 June 2025, there were no IFRS Accounting Standards effective for the half-year to 30 June 2025 affecting these interim condensed consolidated financial statements that were not approved for adoption in the UK by the UK Endorsement Board. There was no difference between IFRS Accounting Standards adopted by the UK and IFRS Accounting standards issued by the IASB in terms of their application to the group.

Standards applied during the half-year to 30 June 2025

There were no new standards or amendments to standards that had an effect on these interim condensed consolidated financial statements.

(b) Use of estimates and judgements

Management believes that the group's critical estimates and judgements are those which relate to impairment of amortised cost and fair value through other comprehensive income ('FVOCI') financial assets, the valuation of financial instruments, recognition of deferred tax assets, post employment benefit plans and provisions. There were no material changes in the current period to the critical estimates and judgements disclosed in 2024, which are stated in the Annual Report and Accounts 2024.

(c) Composition of the group

The bank entered into a binding agreement to transfer its retail banking business in Bahrain Branch to Bank of Bahrain and Kuwait B.S.C during the first half of 2025 (refer note 11). There were no other material changes in the composition of the group.

(d) Future accounting developments

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'

In May 2024, the IASB issued amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on, or after, 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG related contingencies, and financial assets with certain non-recourse features. The group is undertaking an assessment of the potential impact.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. It will replace IAS 1 'Presentation of Financial Statements' but carries over many requirements from that IFRS Accounting Standard unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information.

While IFRS 18 will not change recognition criteria or measurement bases, it might have a significant impact on presenting information in the financial statements, in particular the income statement. The group is currently assessing impacts and data readiness.

(e) Accounting policies

The accounting policies applied by the group for these interim condensed consolidated financial statements are consistent with those described in the Annual Report and Accounts 2024, as are the methods of computation.

(f) Going concern

The interim condensed financial statements are prepared on a going concern basis, as the Directors are satisfied that the group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements, capital resources and the impact of stressed scenarios on the group's operations.

3 Net fee income

	At	
	30 Jun 2025 US\$000	30 Jun 2024 US\$000
Cards	105,309	98,656
Credit facilities	19,177	28,220
Account services	19,203	22,952
Unit trust	23,653	20,588
Performance/Tender bonds	33,763	33,961
Global custody	22,371	18,525
Remittances	24,538	22,153
Imports/exports	24,226	29,388
Insurance agency commission	8,325	7,737
Corporate/project finance	16,500	6,842
Others	62,500	49,998
Total Fee Income	359,565	339,020
Fee Expense	(98,143)	(78,719)
Net Fee Income	261,422	260,301

4 Dividends

Dividends to shareholder of the parent company

	30 Jun 2025		30 Jun 2024	
	Per share US\$	Total US\$000	Per share US\$	Total US\$000
Dividends paid on ordinary shares				
In respect of:				
– final dividend for 2024	0.11	100,000		
– final dividend for 2023	—	—	0.32	300,000
Total	0.11	100,000	0.32	300,000
Total dividends on undated preference shares including Perpetual Additional Tier 1 preference shares classified as equity	—	33,752	—	35,186
Dividends to shareholder of the parent company	—	133,752	—	335,186

5 Segmental analysis

The HSBC Bank Middle East Limited – Operating Committee ('OpCo') has been identified as the Chief Operating Decision Maker ('CODM') for the purpose of identifying the group's operating segments. The OpCo supports the Chief Executive Officer in the day-to-day management of the group and is responsible for reviewing the performance of the group's reportable segments, allocating resources, and making strategic decisions. Segment information is reported in a manner consistent with the internal management reporting reviewed by the CODM.

Following the reorganisational announcement in October 2024, effective from 1 January 2025, the group's reporting segments under IFRS 8 'Operating Segments' comprise two businesses along with the Corporate Centre. These replace the group's previously reported operating segments up to 31 December 2024:

- Corporate and Institutional Banking ('CIB'): CIB is formed from the integration of group's Commercial Banking business with Global Banking and Markets business; and
- International Wealth and Premier Banking ('IWPB'): IWPB comprises Premier banking, Private Bank, and wealth manufacturing businesses of Asset Management.

Corporate Centre comprises interest in associate and central stewardship costs that support our businesses.

Based on the reorganisation, the reporting segments information is aligned to the revised businesses and accordingly, comparative information has been re-presented to reflect the revised segment structure.

Profit/(loss) for the period

	2025			
	International Wealth and Premier Banking US\$000	Corporate and Institutional Banking US\$000	Corporate Centre ¹ US\$000	Total US\$000
Half-year to 30 Jun				
Net interest income	319,420	428,200	14,758	762,378
Net fee income/(expense)	69,777	192,122	(477)	261,422
Net income from financial instruments held for trading or managed on a fair value basis	34,277	137,924	(2,949)	169,252
Other income	14,577	40,101	6,759	61,437
Net operating income before change in expected credit losses and other credit impairment charges	438,051	798,347	18,091	1,254,489
Change in expected credit losses and other credit impairment charges	(18,343)	(29,150)	(21)	(47,514)
Net operating income	419,708	769,197	18,070	1,206,975
Total operating expenses	(244,873)	(345,805)	(47,741)	(638,419)
Operating profit/(loss)	174,835	423,392	(29,671)	568,556
Share of profit/(loss) in associates	—	—	(59)	(59)
Profit/(loss) before tax	174,835	423,392	(29,730)	568,497
By geographical region				
U.A.E. ²	149,201	312,067	(22,558)	438,710
Qatar	17,800	58,409	(1,455)	74,754
Rest of Middle East	7,834	52,916	(5,717)	55,033
Profit/(loss) before tax	174,835	423,392	(29,730)	568,497

	2024			
Half-year to 30 Jun				
Net interest income	359,406	493,853	(49,453)	803,806
Net fee income/(expense)	73,202	187,266	(167)	260,301
Net income from financial instruments held for trading or managed on a fair value basis	29,596	84,252	46,593	160,441
Other income	7,815	7,026	16,892	31,733
Net operating income before change in expected credit losses and other credit impairment charges	470,019	772,397	13,865	1,256,281
Change in expected credit losses and other credit impairment charges	(6,660)	(95,112)	—	(101,772)
Net operating income	463,359	677,285	13,865	1,154,509
Total operating expenses	(217,282)	(324,705)	(49,244)	(591,231)
Operating profit/(loss)	246,077	352,580	(35,379)	563,278
Share of profit/(loss) in associates	—	—	(42)	(42)
Profit/(loss) before tax	246,077	352,580	(35,421)	563,236
By geographical region				
U.A.E. ²	208,156	243,280	(34,516)	416,920
Qatar	23,964	62,219	1,546	87,729
Rest of Middle East	13,957	47,081	(2,451)	58,587
Profit/(loss) before tax	246,077	352,580	(35,421)	563,236

1 The intra-group elimination items for the global businesses are presented in Corporate Centre.

2 Includes UAE branch and Head office of the group.

Balance sheet information

	2025			
	International Wealth and Premier Banking US\$000	Corporate and Institutional Banking US\$000	Corporate Centre ¹ US\$000	Total US\$000
At 30 Jun				
Total assets	14,351,635	47,831,831	286,401	62,469,867
Total liabilities	19,204,199	37,384,706	166,184	56,755,089
	2024			
At 31 Dec				
Total assets	12,669,701	44,945,829	(400,880)	57,214,650
Total liabilities	16,453,834	35,936,258	(527,026)	51,863,066

1 The intra-group elimination items for the global businesses are presented in Corporate Centre.

6 Fair values of financial instruments carried at fair value

The accounting policies, control framework and the hierarchy used to determine fair values at 30 June 2025 are consistent with those applied in the Annual Report and Accounts 2024.

Financial instruments carried at fair value and bases of valuation

	At 30 Jun 2025				At 31 Dec 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Quoted market price US\$000	Using observable inputs US\$000	With significant unobservable inputs US\$000		Quoted market price US\$000	Using observable inputs US\$000	With significant unobservable inputs US\$000	
Recurring fair value measurements								
Assets								
Trading assets	396,250	1,781,817	67,276	2,245,343	459,899	1,335,099	128,101	1,923,099
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	4,955	19,585	17,657	42,197	10,529	—	23,598	34,127
Derivatives	—	1,046,195	33,351	1,079,546	—	920,866	32,027	952,893
Financial investments	5,988,680	1,284,207	894,914	8,167,801	5,088,163	1,380,265	458,803	6,927,231
Liabilities								
Trading liabilities	151,123	876,111	—	1,027,234	198,545	638,708	—	837,253
Financial liabilities designated at fair value	—	746,888	—	746,888	—	1,238,466	—	1,238,466
Derivatives	—	949,731	34,592	984,323	—	760,569	24,757	785,326

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each semi-annual reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency.

During 2025, US\$48m of Financial investments were transferred from Level 1 to Level 2 (2024: Nil) and US\$681m of Financial investments were transferred from Level 2 to Level 1 (2024: US\$237m).

Fair value valuation bases

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

	Assets				Liabilities		
	Designated and otherwise mandatorily measured at fair value through profit or loss						
	Financial investments US\$000	Trading Assets US\$000	Derivatives US\$000	Total US\$000	Derivatives US\$000	Total US\$000	
Private equity including strategic investments	47,041	—	17,657	64,698	—	—	—
Other derivatives	—	—	33,351	33,351	34,592	34,592	34,592
Other portfolios	847,873	67,276	—	915,149	—	—	—
At 30 Jun 2025	894,914	67,276	17,657	33,351	1,013,198	34,592	34,592
Private equity including strategic investments	45,767	—	23,598	—	69,365	—	—
Other derivatives	—	—	—	32,027	32,027	24,757	24,757
Other portfolios	413,036	128,101	—	—	541,137	—	—
At 31 Dec 2024	458,803	128,101	23,598	32,027	642,529	24,757	24,757

The basis for determining the fair value of the financial instruments in the table above is explained in the Annual Report and Accounts 2024.

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

Movement in Level 3 financial instruments

	Assets				Liabilities	
	Financial investments US\$000	Trading Assets US\$000	Designated and otherwise mandatorily measured at fair value through profit or loss US\$000	Derivatives US\$000	Financial liabilities designated at fair value US\$000	Derivatives US\$000
At 1 Jan 2025	458,803	128,101	23,598	32,027	—	24,757
Total gains/(losses) recognised in profit or loss	—	(358)	(98)	14,598	—	10,689
– net income from financial instruments held for trading or managed on a fair value basis	—	(358)	—	14,598	—	10,689
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	(98)	—	—	—
Total gains recognised in other comprehensive income	5,954	—	—	—	—	—
– financial investments: fair value gains/(losses)	5,886	—	—	—	—	—
– exchange differences	68	—	—	—	—	—
Purchases	481,998	—	—	—	—	—
Sales	(80,355)	—	(5,653)	—	—	—
Settlements	—	(60,467)	(190)	(4,547)	—	(639)
Transfers in	150,227	—	—	627	—	621
Transfers out	(121,713)	—	—	(9,354)	—	(836)
At 30 Jun 2025	894,914	67,276	17,657	33,351	—	34,592
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2025	—	522	—	42,181	—	(41,507)
– net income from financial instruments held for trading or managed on a fair value basis	—	522	—	42,181	—	(41,507)
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	—	—	—	—
At 1 Jan 2024	431,903	385,252	22,516	45,424	—	15,876
Total gains/(losses) recognised in profit or loss	—	(2,322)	2,357	(9,324)	—	6,279
– net income/expense from financial instruments held for trading or managed on a fair value basis	—	(2,322)	—	(9,324)	—	6,279
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	2,357	—	—	—
Total gains recognised in other comprehensive income	8,640	—	—	—	—	—
– financial investments: fair value losses	8,647	—	—	—	—	—
– exchange differences	(7)	—	—	—	—	—
Purchases	43,756	—	—	—	—	—
Sales	—	—	(243)	—	—	—
Settlements	—	(228,403)	—	(1,941)	—	—
Transfers in	—	—	—	—	92,653	—
Transfers out	(3,633)	—	—	(1,540)	—	—
At 30 Jun 2024	480,666	154,527	24,630	32,619	92,653	22,155
Unrealised gains/(losses) recognised in profit or loss relating to assets and liabilities held at 30 Jun 2024	—	(2,322)	2,357	(9,324)	—	6,279
– net income from financial instruments held for trading or managed on a fair value basis	—	(2,322)	—	(9,324)	—	6,279
– changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	—	—	2,357	—	—	—

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions

	At 30 Jun 2025				At 31 Dec 2024			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Derivatives and trading assets ¹	6,966	(6,966)	—	—	15,531	(15,531)	—	—
Financial assets/liabilities designated and otherwise mandatorily measured at fair value through profit or loss	1,236	(1,236)	—	—	1,180	(1,180)	—	—
Financial investments at FVOCI	—	—	9,769	(7,595)	—	—	7,505	(5,382)
Total	8,202	(8,202)	9,769	(7,595)	16,711	(16,711)	7,505	(5,382)

¹ Derivatives and trading assets are presented as one category to reflect the manner in which these instruments are risk-managed.

7 Fair values of financial instruments not carried at fair value

The bases for measuring the fair values of financial instruments not carried at fair value are explained in the Annual Report and Accounts 2024.

Fair values of financial instruments not carried at fair value

	At 30 Jun 2025		At 31 Dec 2024	
	Carrying amount US\$000	Fair value US\$000	Carrying amount US\$000	Fair value US\$000
Assets				
Loans and advances to banks	12,031,126	12,030,910	11,682,290	11,681,930
Loans and advances to customers	21,736,443	21,294,104	20,440,155	20,077,597
Reverse repurchase agreements – non-trading	8,575,899	8,574,879	7,878,210	7,908,746
Financial Investments – at amortised cost	5,433,745	5,471,476	4,664,852	4,621,106
Liabilities				
Deposits by banks	7,733,734	7,765,543	6,499,507	6,528,241
Customer accounts	35,404,663	35,511,504	34,828,268	34,775,457
Repurchase agreements – non-trading	5,009,485	5,009,196	2,936,075	2,936,697
Debt securities in issue	767,825	770,224	808,480	805,745
Subordinated liabilities	946,041	946,527	945,751	957,315

8 Financial liabilities designated at fair value

	At	
	30 Jun 2025 US\$000	31 Dec 2024 US\$000
Deposits by bank and customer accounts	92,697	694,791
Debt securities in issue (Note 9)	654,191	543,675
Total	746,888	1,238,466

At 30 June 2025, the accumulated amount of change in fair value attributable to changes in credit risk was a gain of US\$2.4m (31 December 2024: Nil).

9 Debt securities in issue

	At	
	30 Jun 2025 US\$000	31 Dec 2024 US\$000
Medium-term notes	1,422,016	1,352,155
Total debt securities in issue	1,422,016	1,352,155
Included within:		
Financial liabilities designated at fair value (Note 8)	(654,191)	(543,675)
Total	767,825	808,480

10 Risk management

The interim condensed consolidated financial statements do not include all risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Annual Report and Accounts 2024. There have been no material changes to our policies and practices regarding risk management and governance as described in the Annual Report and Accounts 2024 except for change in scenario weights, driven from heightened level of uncertainty. The Consensus downside and the consensus upside scenarios are constructed to be consistent with a 20% and 10% probability, respectively. The Downside 2 is constructed with a 5% probability. The Central scenario is assigned the remaining 65%. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook is determined to be particularly uncertain and risks are elevated.

Geopolitical and macroeconomic risk

Geopolitical risk remains elevated in the region. Although direct hostilities between Israel and Iran have de-escalated, the risk of renewed tension persists. Macroeconomic conditions across the GCC remain broadly resilient and wholesale asset quality is stable, yet markets remain susceptible to geopolitical escalation. Oil prices remain responsive, driven by uncertainty over regional security and global demand dynamics. For the Gulf, continued stability in investor and consumer sentiment will depend on whether the region can maintain de-escalation and avoid disruption to energy flows or shipping lanes, particularly through the Straits of Hormuz. Insurance and freight costs remain elevated, and strategic sectors like tourism and real estate remain sentiment sensitive. Offsetting this, Gulf economies benefit from strong fiscal buffers, large sovereign wealth funds, and the sustained public-investment – supporting pipelines that underpin resilience.

The Russia-Ukraine war continues to present geopolitical and economic implications. HSBC, including the Group, is monitoring and responding to the sanctions and trade restrictions imposed against Russia by the UK, US and EU, as well as other countries. In response to these restrictions, as well as to asset flight, Russia has implemented certain countermeasures. Globally, economies have largely adapted, with Europe diversifying energy sources away from Russia. In parallel, the GCC is calibrating its response to potential US tariff actions, seeking to mitigate downside via export diversification and regional trade deals, whilst also pursuing upside by deepening US economic ties in high-value areas to reinforce competitiveness and long-term growth.

Summary of credit risk

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

	At 30 Jun 2025		At 31 Dec 2024	
	Gross carrying/ nominal amount US\$000	Allowance for ECL US\$000	Gross carrying/ nominal amount US\$000	Allowance for ECL US\$000
Loans and advances to customers at amortised cost	22,337,512	(601,069)	21,002,563	(562,408)
Loans and advances to banks at amortised cost	12,032,437	(1,311)	11,683,807	(1,517)
Other financial assets measured at amortised cost	16,421,954	(10,063)	14,505,155	(2,153)
– cash and balances at central banks	735,019	(2)	647,013	(24)
– reverse repurchase agreements – non-trading	8,575,899	—	7,878,210	—
– financial investments	5,435,372	(1,627)	4,665,916	(1,064)
– Asset held for sale	187,203	(6,424)	—	—
– prepayments, accrued income and other assets	1,488,461	(2,010)	1,314,016	(1,065)
Total gross carrying amount on balance sheet	50,791,903	(612,443)	47,191,525	(566,078)
Loans and other credit-related commitments	12,008,607	(25,473)	11,325,525	(14,503)
Financial guarantee and similar contract	2,249,291	(5,678)	2,227,829	(2,423)
Total nominal amount off balance sheet	14,257,898	(31,151)	13,553,354	(16,926)

	Fair value US\$000	Memorandum allowance for ECL US\$000	Fair value US\$000	Memorandum allowance for ECL US\$000
Debt instruments measured at FVOCI	8,120,760	(2,851)	6,881,464	(1,483)

The following table provides an overview of the group's credit risk by stage, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

Stage 1: Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.

Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised.

Stage 3: Objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

POCI: Purchased or originated at a deep discount that reflects the incurred credit losses on which a lifetime ECL is recognised.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage at 30 June 2025

	Gross carrying/nominal amount					Allowance for ECL				
	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000	Stage 1 US\$000	Stage 2 US\$000	Stage 3 US\$000	POCI US\$000	Total US\$000
Loans and advances to customers at amortised cost	19,539,249	1,825,732	968,379	4,152	22,337,512	(24,562)	(39,515)	(533,163)	(3,829)	(601,069)
Loans and advances to banks at amortised cost	12,005,049	27,388	—	—	12,032,437	(1,303)	(8)	—	—	(1,311)
Other financial assets measured at amortised cost	16,334,912	79,611	7,431	—	16,421,954	(4,783)	(1,837)	(3,443)	—	(10,063)
Loans and other credit-related commitments	11,606,571	375,406	26,001	629	12,008,607	(2,174)	(6,320)	(16,350)	(629)	(25,473)
Financial guarantee and similar contracts	2,188,564	52,064	8,663	—	2,249,291	(374)	(237)	(5,067)	—	(5,678)
At 30 Jun 2025	61,674,345	2,360,201	1,010,474	4,781	65,049,801	(33,196)	(47,917)	(558,023)	(4,458)	(643,594)

Loans and advances to customers at amortised cost	19,054,403	1,056,954	887,619	3,587	21,002,563	(33,324)	(35,618)	(492,498)	(968)	(562,408)
Loans and advances to banks at amortised cost	11,632,068	51,739	—	—	11,683,807	(1,343)	(174)	—	—	(1,517)
Other financial assets measured at amortised cost	14,451,673	52,371	1,111	—	14,505,155	(1,836)	(209)	(108)	—	(2,153)
Loans and other credit-related commitments	11,001,176	297,633	26,716	—	11,325,525	(5,546)	(993)	(7,964)	—	(14,503)
Financial guarantee and similar contracts	2,180,013	38,251	9,565	—	2,227,829	(205)	(315)	(1,903)	—	(2,423)
At 31 Dec 2024	58,319,333	1,496,948	925,011	3,587	60,744,879	(42,254)	(37,309)	(502,473)	(968)	(583,004)

Concentration of exposure

Gross loans and advances to customers by industry sector

	Gross loans and advances to customers	
	Total US\$000	As a % of total gross loans %
At 30 Jun 2025		
Personal		
– residential mortgages	2,244,555	10.1
– other personal	1,639,050	7.3
Total	3,883,605	17.4
Corporate and commercial		
– commercial, industrial and international trade	10,782,661	48.3
– commercial real estate and other property-related	2,042,157	9.1
– government	940,142	4.2
– other commercial	2,744,204	12.3
Total	16,509,164	73.9
Financial		
– non-bank financial institutions	1,944,743	8.7
Total gross loans and advances to customers	22,337,512	100.0
Impaired loans (%)		
– as a percentage of gross loans and advances to customers	4.4	—
Total impairment allowances (%)		
– as a percentage of gross loans and advances to customers	2.7	—
At 31 Dec 2024		
Personal		
– residential mortgages	2,095,346	10.0
– other personal	1,780,473	8.5
Total	3,875,819	18.5
Corporate and commercial		
– commercial, industrial and international trade	9,842,625	46.9
– commercial real estate and other property-related	2,140,093	10.2
– government	881,291	4.2
– other commercial	2,651,473	12.6
Total	15,515,482	73.9
Financial		
– non-bank financial institutions	1,611,262	7.7
Total gross loans and advances to customers	21,002,563	100.0
Impaired loans (%)		
– as a percentage of gross loans and advances to customers	4.24	—
Total impairment allowances (%)		
– as a percentage of gross loans and advances to customers	2.68	—

Management judgemental adjustments

In the context of IFRS 9, management judgemental adjustments are short-term increases or decreases to the ECL at either a customer or portfolio level to account for late breaking events, model deficiencies and expert credit judgement applied following management review and challenge. Management judgements were applied to reflect credit risk characteristics not captured by our models, driven by certain sectors. The drivers of the management judgemental adjustments reflect the changing economic outlook and evolving risks. Where the macroeconomic and portfolio risk outlook continues to improve, supported by low level of observed defaults, adjustments initially taken to reflect increased risk expectation can be retired or reduced.

At 30 June 2025, the management judgemental adjustments in the wholesale portfolio was US\$30m (31 December 2024: US\$27m) and there was overlay of US\$14m in the retail portfolio (31 December 2024: US\$9m).

11 Assets held for sale

During the period ended 30 June 2025, HSBC Bank Middle East Limited, Bahrain branch, entered into a binding agreement on 18 February 2025 to transfer its retail banking business in Bahrain to Bank of Bahrain and Kuwait B.S.C. The regulatory approval for the transaction has been received on 9 July 2025 and is expected to complete in the second half of 2025.

The group has classified its Bahrain retail banking operations as held for sale and related assets and liabilities are presented separately in the consolidated statement of financial position. The disposal group includes loans and advances to customers, customer deposits, and associated liabilities relating to Bahrain operations.

As at 30 June 2025, the major classes of assets and liabilities classified as held for sale are as follows:

	At 30 Jun 2025 US\$000
Assets held for sale	
Loans and advances to customers	180,779
Other assets	545
Total	181,324

	At 30 Jun 2025 US\$000
Liabilities directly associated with assets held for sale:	
Customer accounts	824,202
Other liabilities	2,577
Total	826,779

12 Contingent liabilities, contractual commitments and guarantees

	At 30 Jun 2025 US\$000	31 Dec 2024 US\$000
Guarantees and other contingent liabilities		
Guarantees	19,324,861	19,277,379
Commitments		
Documentary credits and short-term trade-related transactions	1,328,614	1,097,610
Undrawn formal standby facilities, credit lines and other commitments to lend	23,149,726	23,036,628
Total	24,478,340	24,134,238

The above table discloses the nominal principal amounts, which represent the maximum amounts at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the nominal principal amounts is not indicative of future liquidity requirements.

13 Legal proceedings and regulatory matters

The group is party to legal proceedings and regulatory matters in a number of jurisdictions arising out of its normal business operations. Apart from the matters described below, the group considers that no other matters are material. The recognition of provisions is determined in accordance with the accounting policies set out in Note 2 of the group's Annual Report and Accounts 2024. While the outcome of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 30 June 2025. Where an individual provision is material, the fact that a provision has been made is stated and quantified, except to the extent doing so would be seriously prejudicial. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for the legal proceedings and regulatory matters as a class of contingent liabilities.

US Anti-Terrorism Act Related Litigation

Since November 2014, a number of lawsuits have been filed in federal courts in the US against various HSBC companies including HSBC Bank Middle East Limited and others on behalf of plaintiffs who are, or are related to, victims of terrorist attacks in the Middle East. In each case, it is alleged that the defendants aided and abetted the unlawful conduct of various sanctioned parties in violation of the US Anti-Terrorism Act or provided banking services to customers alleged to have connections to terrorism financing. Seven actions, which seek damages for unspecified amounts, remain pending in federal courts and HSBC's motions to dismiss have been granted in three of these cases. These dismissals are subject to appeals and/or the plaintiffs re-pleading their claims. The four remaining actions are at an early stage.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of these matters, including the timing or any possible impact on HSBC, which could be significant.

14 Related party transactions

There were no changes in the related party transactions described in the Annual Report and Accounts 2024 that have had a significant effect on the financial position or performance of the group in the half-year to 30 June 2025. All related party transactions that took place in the half-year to 30 June 2025 were similar in nature to those disclosed in the Annual Report and Accounts 2024.

15 Events after the balance sheet date

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the interim condensed financial statements as at and for the period ended 30 June 2025.

These accounts were approved by the Board of Directors on 30 July 2025 and authorised for issue.

Independent Review Report to HSBC Bank Middle East Limited

Review report on condensed consolidated interim financial information to the Board of Directors of HSBC Bank Middle East Limited

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of HSBC Bank Middle East Limited and its subsidiaries (the 'Group') as at 30 June 2025 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and as adopted by the United Kingdom. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – 'Interim Financial Reporting' as issued by the IASB and as adopted by the United Kingdom.

PricewaterhouseCoopers Limited

Date: 30 July 2025

Jigesh Ashokkumar Shah

Audit Principal, Reference Number I021019

Dubai, United Arab Emirates

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