HSBC Holdings plc

Middle East – Risk

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Forward-looking statements

- **This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Interim Report. Past performance cannot be relied on as a guide to future performance.**

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP can be found in HSBC's 2010 Interim Report in the Operating and Financial Review.

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Risk governance

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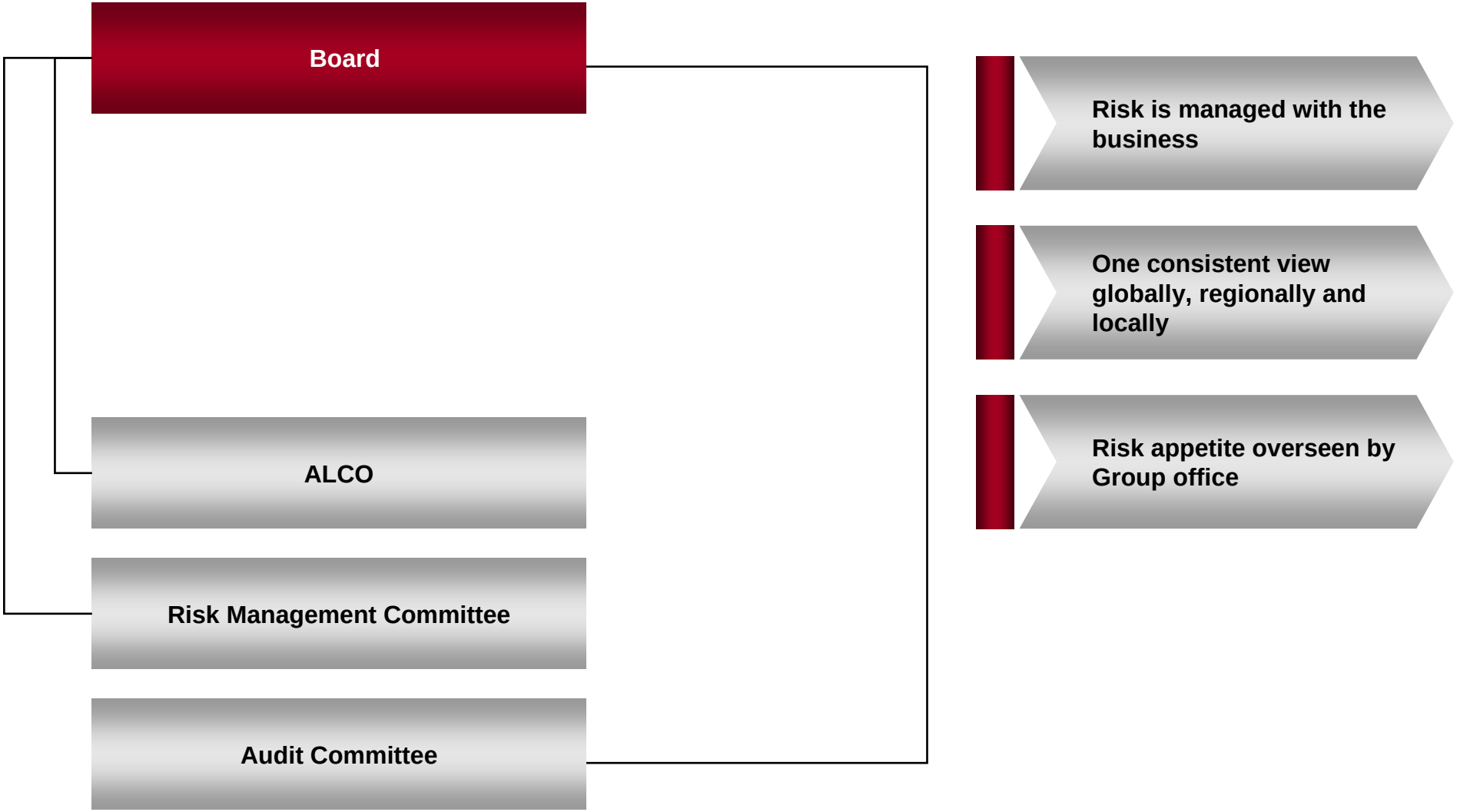
Risk governance

Consistent, holistic and with strong management responsibility



Risk management

Main risks we manage

Credit

Operational

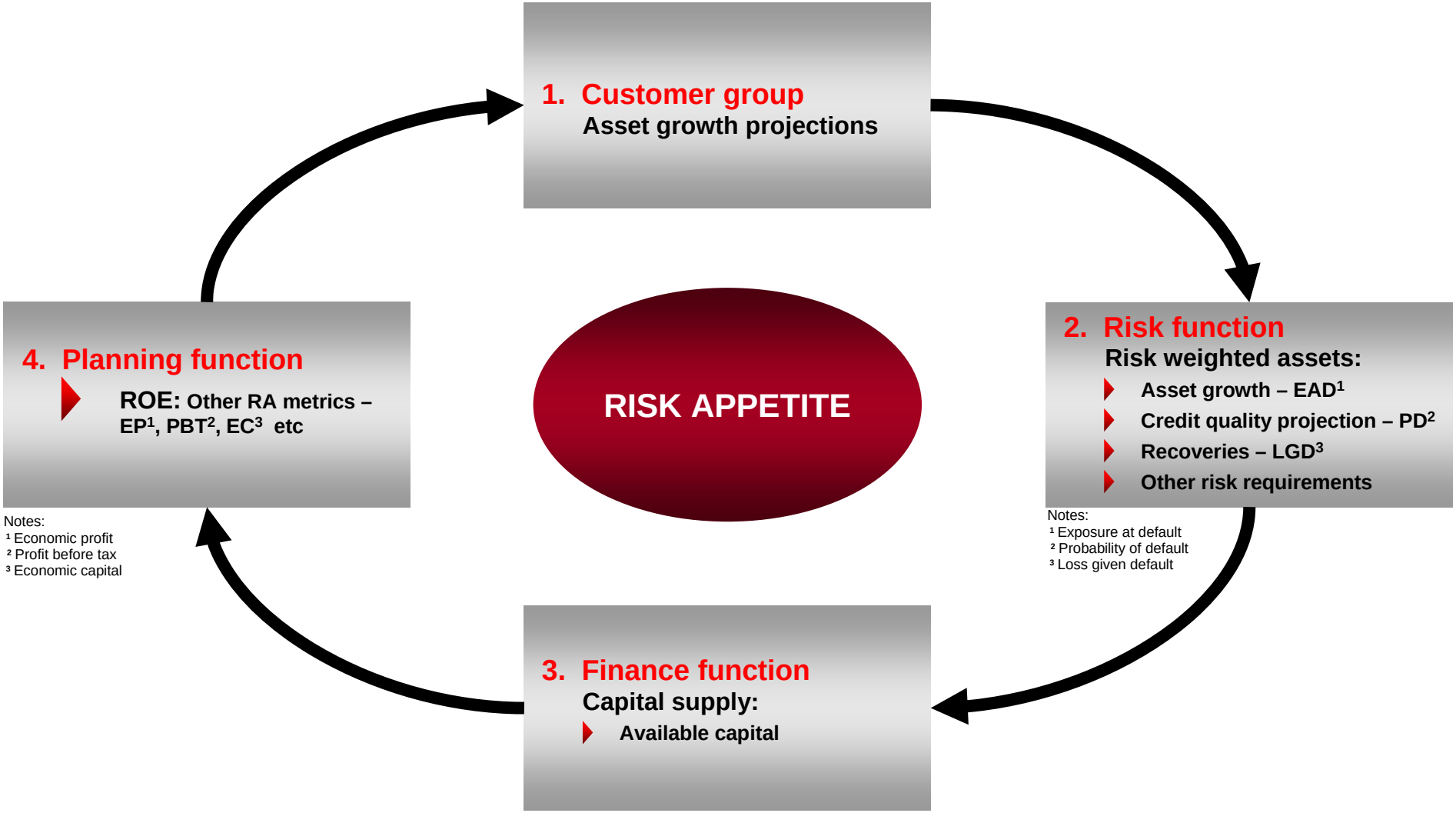
Market

Liquidity

Compliance

Risk appetite

Risk capital and performance are integrated



Risk management

Our philosophy

- **A conservative risk culture following HSBC Group values**
- **Directed by global policy, regional- and country-level limits of authority, and risk appetite**
- **Well-defined process around risk taking with a clear escalation and review process**
- **Helping business grow in a profitable and sustainable way**
- **Long-term commitment to region and customers**

Credit risk profile

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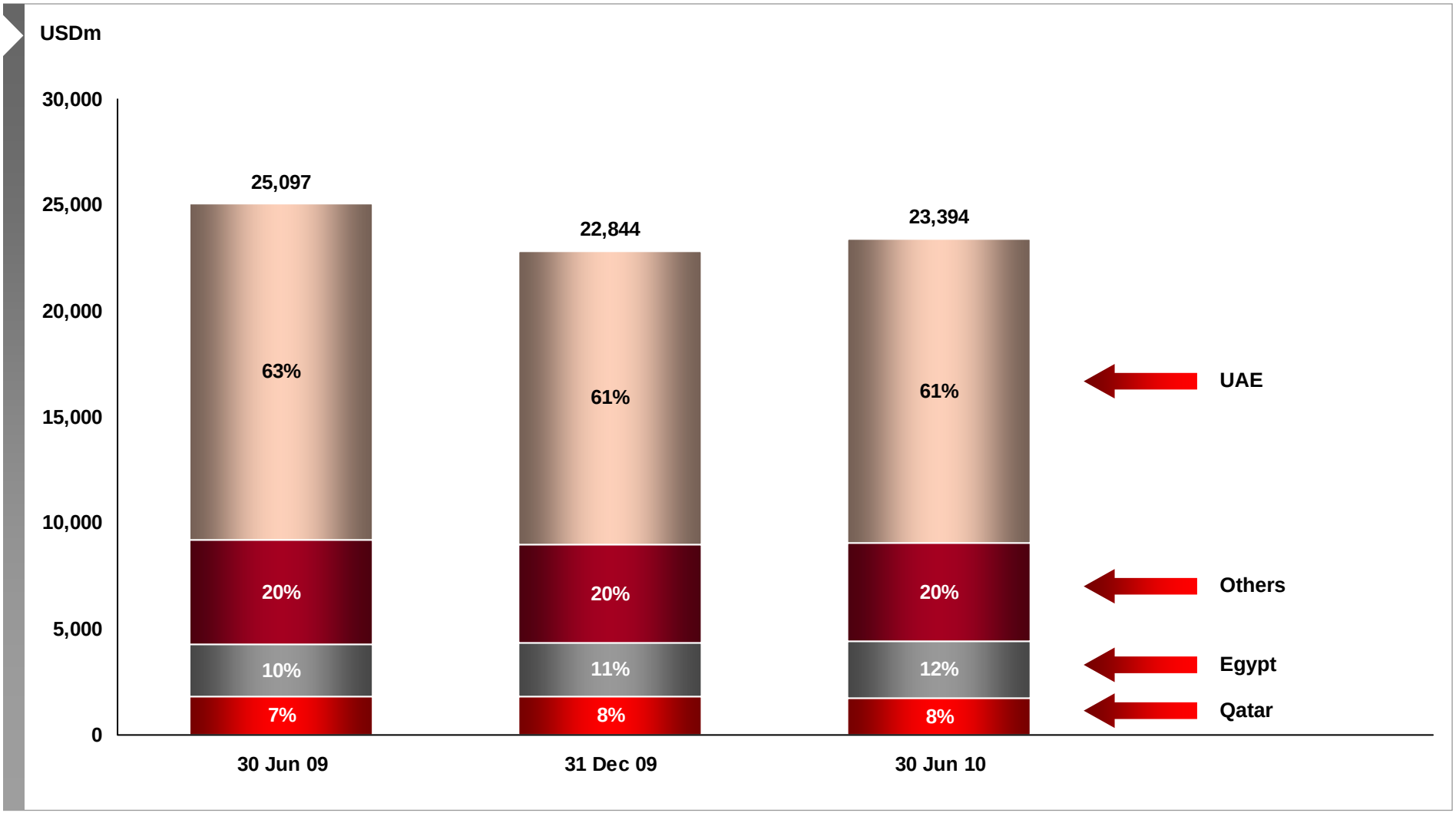
Loans and advances to customers

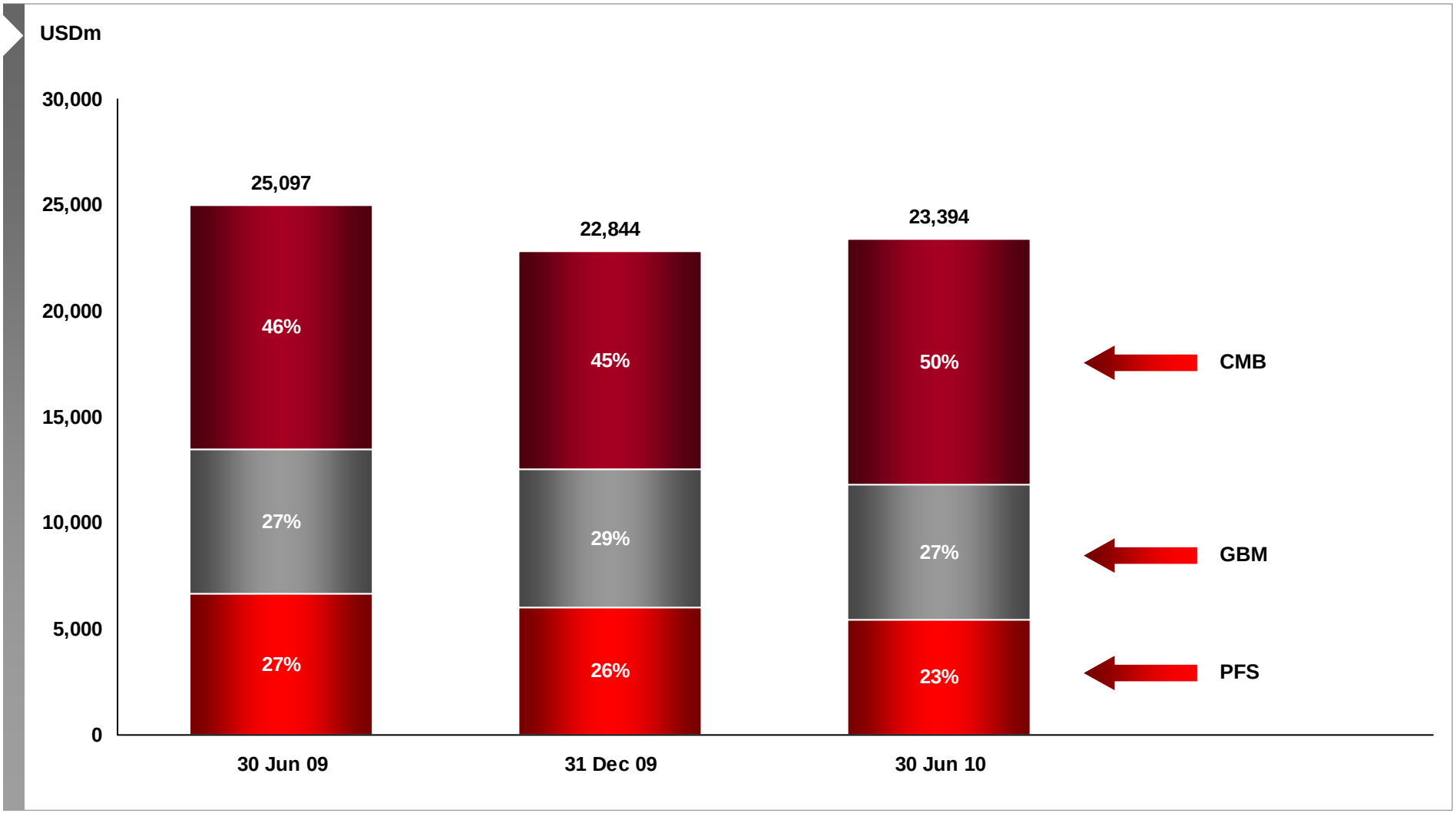
Diversification by country – work in progress



Note:
(1) Net of impairment allowances

Loans and advances to customers

Return to sustainable growth

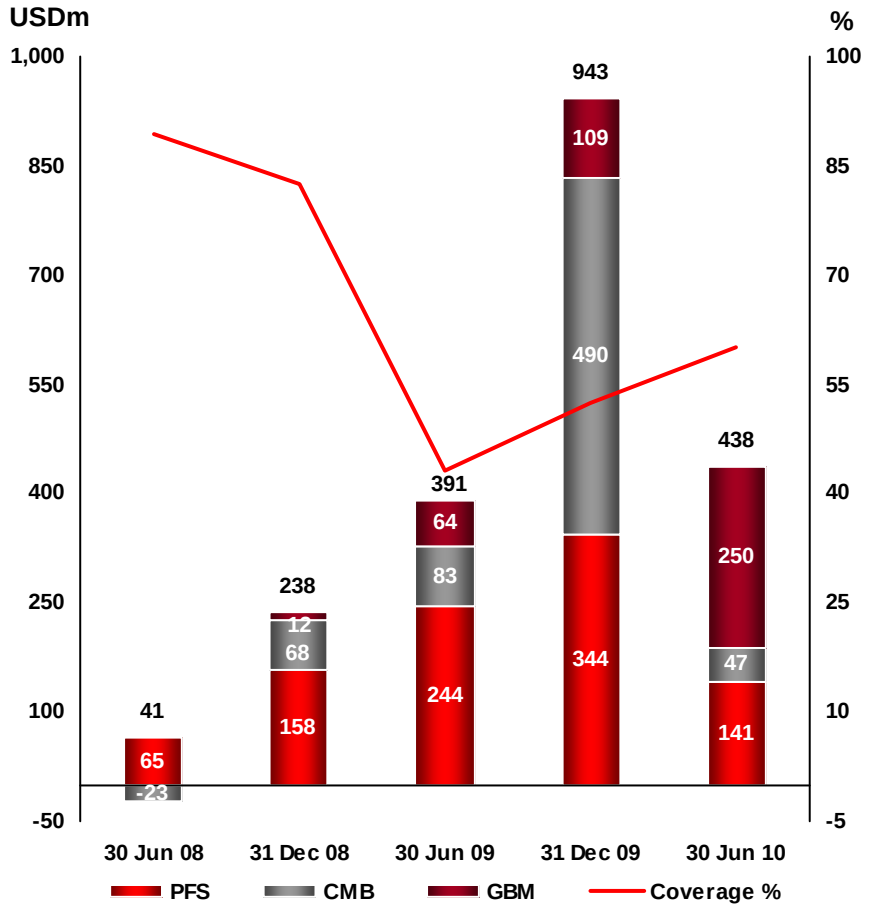


Note:
(1) Net of impairment allowances

Loan impairment charges and non-performing loans

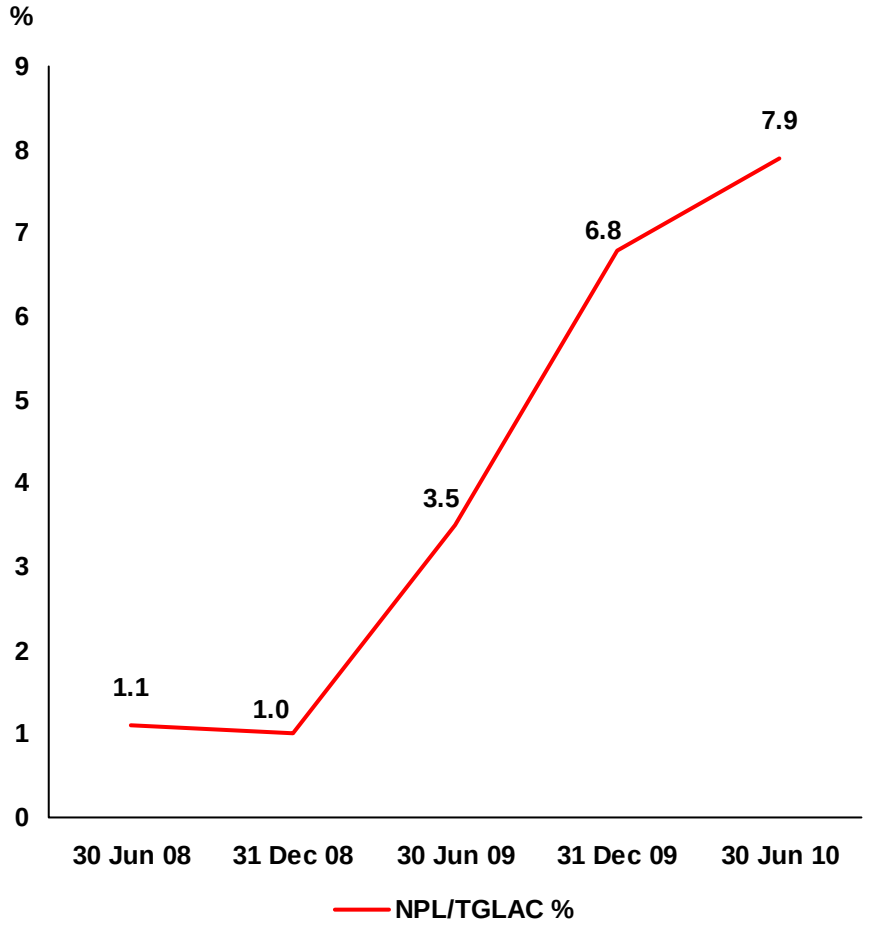
Recent trends – heading in the right direction

Loan impairment charge (and other credit risk provisions) and coverage ratio



Note: Coverage ratio = individually assessed impairment allowances/individually assessed loans and advances

Non-performing loans (NPL) to total gross loans and advances to customers (TGLACC) %



Government of Dubai

Latest update

Dubai World

- Standstill announced in November 2009
- Restructuring proposal announced in March 2010
- Latest developments and outlook

Wider Government of Dubai

- Member of Coordinating Committee
- Holistic view
- Strong supporter

Risk segments

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Wholesale and market risk

Positive outlook

Economic recovery and business confidence

- **Stabilised economic environment**
- **Collections/Recovery strategies**
- **Impairments trending positively**

Vigilant risk monitoring

- **Quality portfolio – corporate/banks/NBFI/sovereigns**
- **Granularity of data – Basel 2**
- **Risk appetite and stress testing**

Conclusion

- **Well positioned for growth**

Retail risk

Cautious growth strategy

Economic recovery and employment	**Proactive account management** **Collections strategies and customer support**
Focus on sustainable customer relationships	**Cautious execution of sustainable growth initiatives** **Credit bureau expected**
Impairments trending positively	**Improving economic environment** **Improving collections performance**
Mortgages	**Legal framework in process of resolution** **'Under construction' mortgages**
Conclusion	**Reasonable outlook for growth**

Operational risk

Continuous improvement and best practices

Operational risk and control framework fully aligned with Group approach

Consistent and effective governance approach in place across the region

Matrix of responsibility involving business management, functional management, and operational risk and control function

Investment in framework enhancements and technology

Forward-looking risk and control assessment methodology

Conclusion

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Conclusion

Strong risk framework, well positioned for growth

Strong through the downturn in supporting customers

Improving economic outlook

Improving impairment trends and outlook

Understand long-term opportunities

Strong risk culture in the business ensures sustainable growth