



Global Banking and Markets

Investor update

Prepared by: **Samir Assaf** – Group Managing Director, Chief Executive, Global Banking and Markets
Date: 14 March 2013

HSBC 



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 HSBC Holdings plc Annual Report and Accounts 2012. 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 are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.



Introduction

HSBC's Global Banking and Markets' business model and strategy are well established:

- We are emerging markets led, financing focused and internationally connected
- By executing our strategy we are delivering strong financial results
- We are positioned for future growth, thanks to our:
 - Unique geographical network, which connects developed and emerging markets
 - Long-standing and diversified client franchise, geared towards growth opportunities
 - Strength in products that will benefit from powerful economic trends
 - Collaboration with HSBC's other global businesses, allowing us to deliver GBM products to more customers

GBM core to HSBC strategy



HSBC 2012 results financial highlights¹

HSBC Group summary financial highlights

	2011	2012	% Better/(worse)
Reported PBT (USDbn)	21.9	20.6	(6)
Underlying PBT (USDbn)	13.9	16.4	18
EPS (USD)	0.92	0.74	(20)
Dividends (USD) ²	0.41	0.45	10

Key ratios %

	2011	2012	KPI
Return on average ordinary shareholders' equity	10.9	8.4	12-15
Cost efficiency ratio	57.5	62.8	48-52
Advances-to-deposits ratio	75.0	74.4	<90
Core tier 1 ratio	10.1	12.3	9.5-10.5
Common equity tier 1 ratio ³	na	9.0	9.5-10.5
Common equity tier 1 ratio, post management actions ^{3,4}	na	10.3	9.5-10.5

Notes:

1 All figures are as reported unless otherwise stated

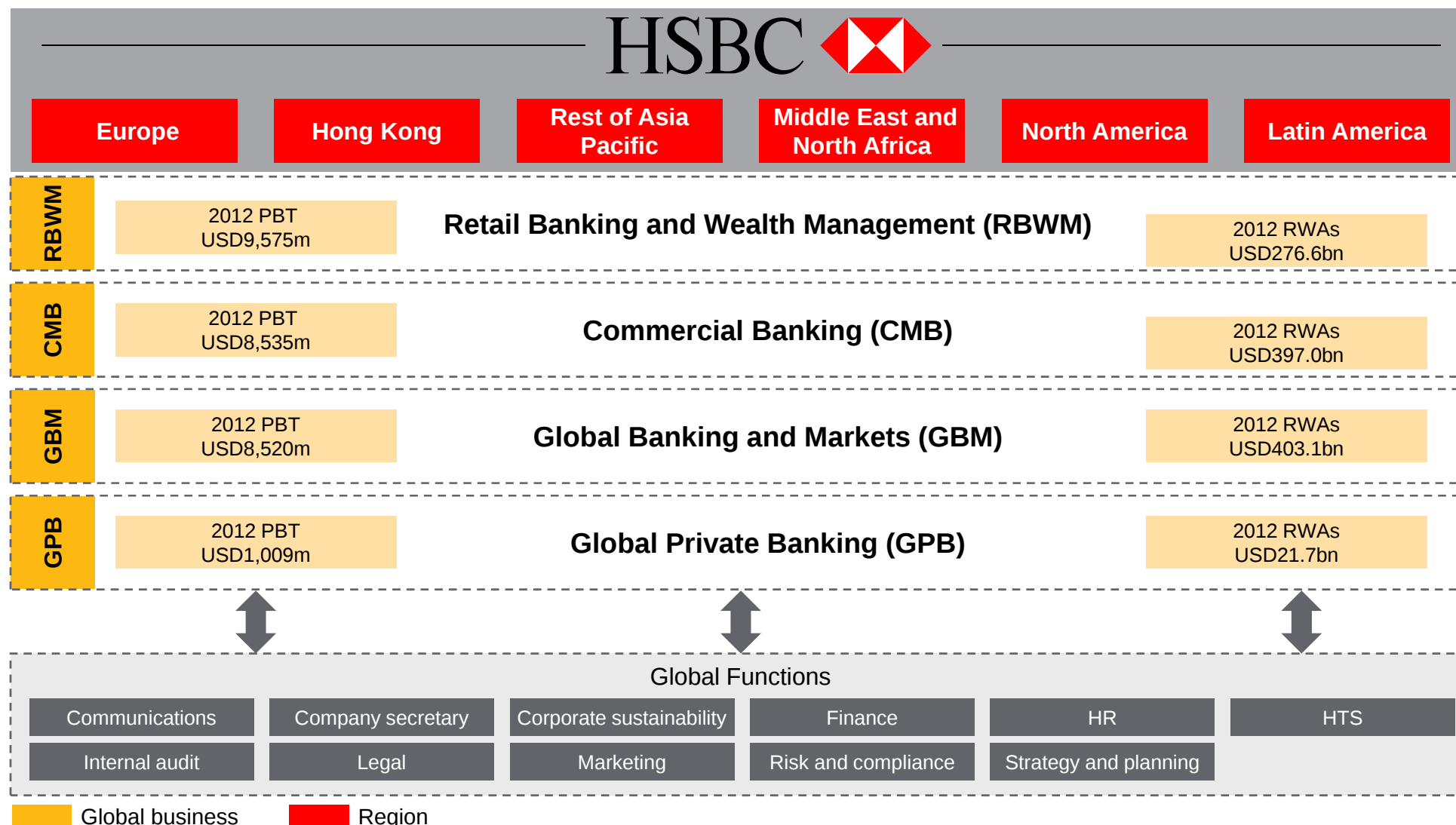
2 Declared in respect of the period

3 Estimated Basel III end point CET1 ratio based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by FSA guidance

4 See slide 14 of the HSBC Holdings Plc Annual Results 2012 Presentation to Investors and Analysts

GBM core to HSBC strategy¹

Franchise of four global businesses offering an integrated service



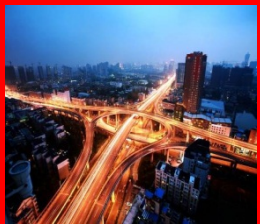
Note:
1 All figures are as reported

GBM core to HSBC strategy

Group strategy delivered through GBM

Group strategy

International trade and capital flows



- International network in markets that matter
- Build on international trade and commercial banking heritage

Economic development and wealth creation



- Most relevant markets for wealth creation
- Retail banking only where we can achieve profitable scale

GBM strategy

Emerging markets led

- International network connecting emerging and mature markets, covering key growth areas
- 4 main hubs and 6 strategic hubs
- Operating in more than 60 countries and territories

Financing focused

- Simple financing led product set, including:
 - Credit and Lending
 - Debt Capital Markets/Equity Capital Markets
 - Project and Export Finance
 - Asset and Structured Finance

Connectivity emphasis

- Franchise client focus including:
 - Global Banking: more than 4,000 mastergroup clients¹
 - CMB
 - RBWM
 - GPB

Note:

¹ HSBC internal management information as at 31 December 2012

GBM core to HSBC strategy

Geared for future growth opportunities

In the future, there will be no more markets waiting to emerge

- By 2050, emerging market countries will make up more than 50% of world GDP¹
- China will be the world's largest economy accounting for more than one-fifth of world output¹
- Emerging markets' economies will grow 4.4% per annum until 2050, 2.8x faster than the developed world¹

In the future, it will take many imports to make an export

- World trade is predicted to grow 36% faster than GDP between now and 2020²
- New trade patterns between emerging markets (South-South flows) will revolutionise the global economy
- 9 of the 10 fastest growing trade routes will be within Asia, growing on average 15% per year over 2021-30²

In the future, even the smallest business will be multinational

- Globalisation is creating diverse supply chains for every company
- Many more billion dollar companies will be created, the majority in Asia and Latin America³
- Foreign companies paying Chinese suppliers can expect discounts of up to 3% if they are willing to pay in RMB⁴

Notes:

1 HSBC Research "The World in 2050"

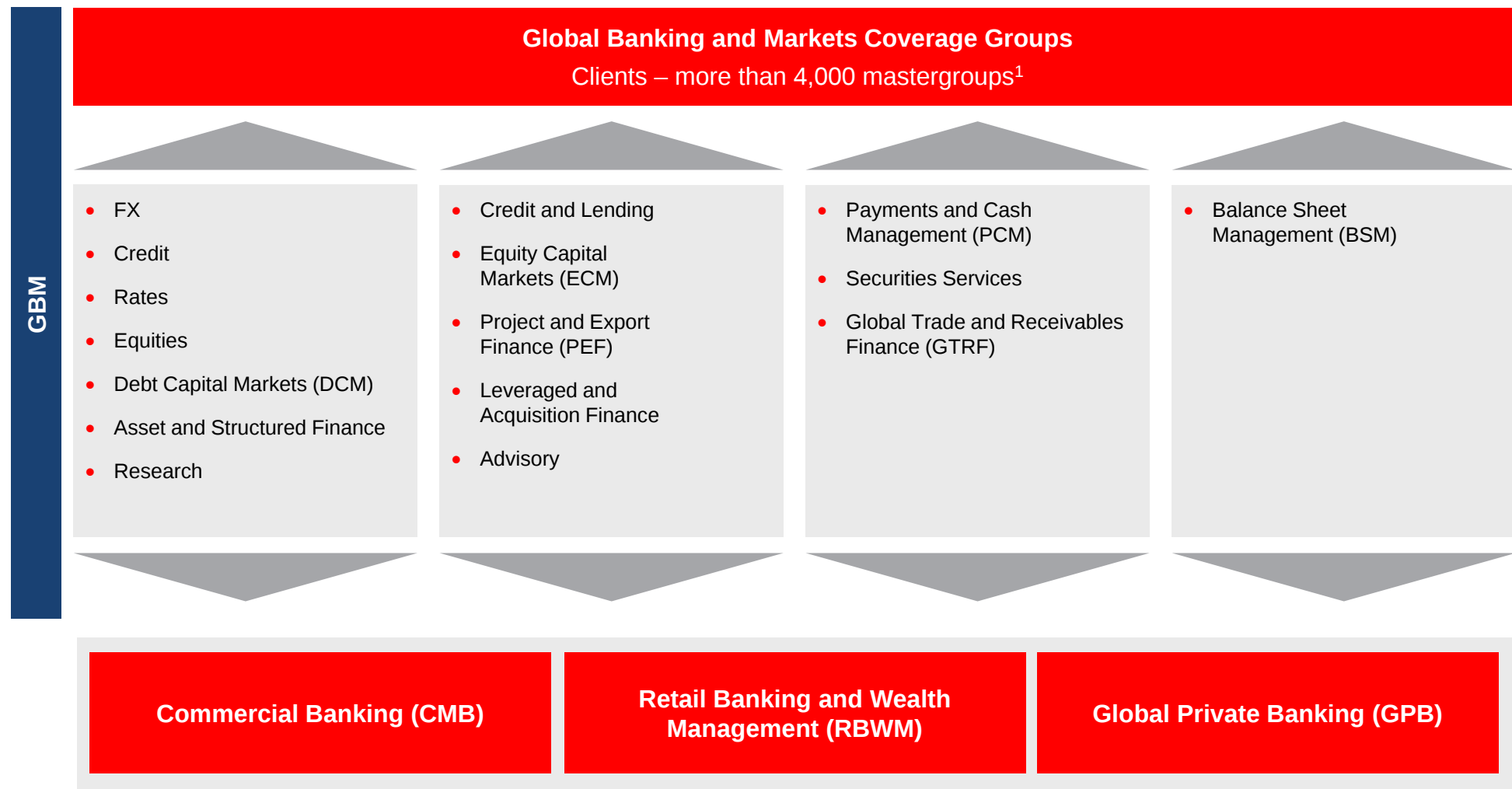
2 HSBC Global Connections, February 2013 and Oxford Economics

3 BCG

4 HSBC Survey. See "RMB maturing as cross-border usage broadens," HSBC media release, 24 October 2012

GBM core to HSBC strategy

Diverse range of products aligned with client need



■ Clients ■ Products/business

Note:

¹ HSBC internal management information as at 31 December 2012

Delivering the strategy



Delivering the strategy

Strong 2012 performance

Achieving growth

- Underlying revenue growth for GBM, +10%
- Record reported revenues in Hong Kong, Rest of Asia-Pacific and Latin America
- Strong performance from Rates and Credit
- Record reported revenues from corporate and institutional debt issuance
- Additional gross revenues, USD0.7bn, from closer collaboration between GBM and CMB since 2010, of which USD0.1bn was in 2012

Simplifying and restructuring the business

- Delivered further sustainable cost savings of USD0.2bn through implementation of organisational design announced in 2011:
 - Implementing consistent business models
 - Re-engineering global functions
 - Re-engineering operational processes
 - Streamlining IT
- Continue resource optimisation through re-engineering

Financial results

- Reported profit before tax USD8.5bn, up 21% on 2011
- Underlying¹ profit before tax USD8.4bn, up 24% on 2011, despite a significant net charge of USD 0.4bn relating to credit and debit derivative valuation adjustments and customer redress provision of USD0.3bn relating to interest rate protection products in the UK
- Reported RoRWA² 2.1% up from 1.8%, reflecting decrease in RWAs³ and higher profitability vs. 2011

Notes:

1 Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses

2 Return on risk weighted assets

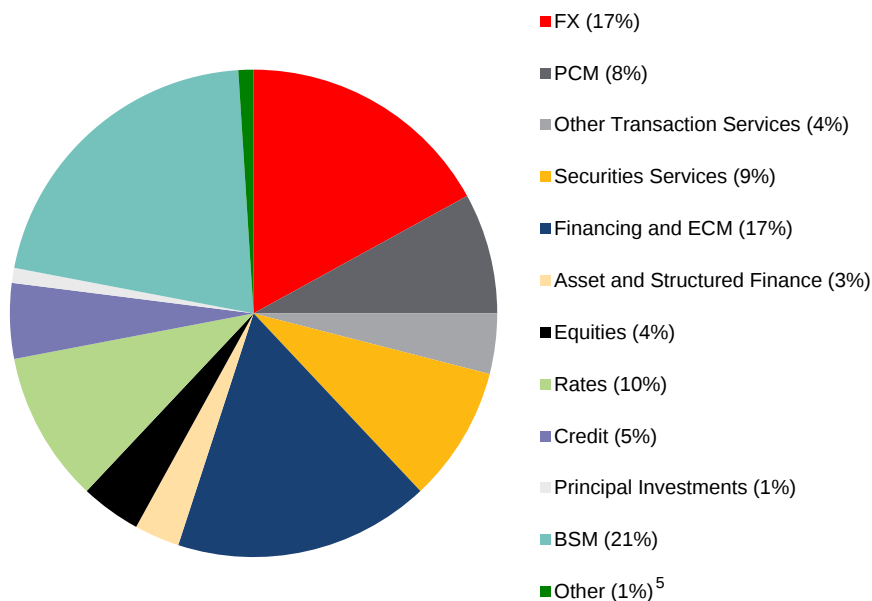
3 Risk Weighted Assets

Delivering the strategy

Stable and predictable performance, diversified by business line and geography

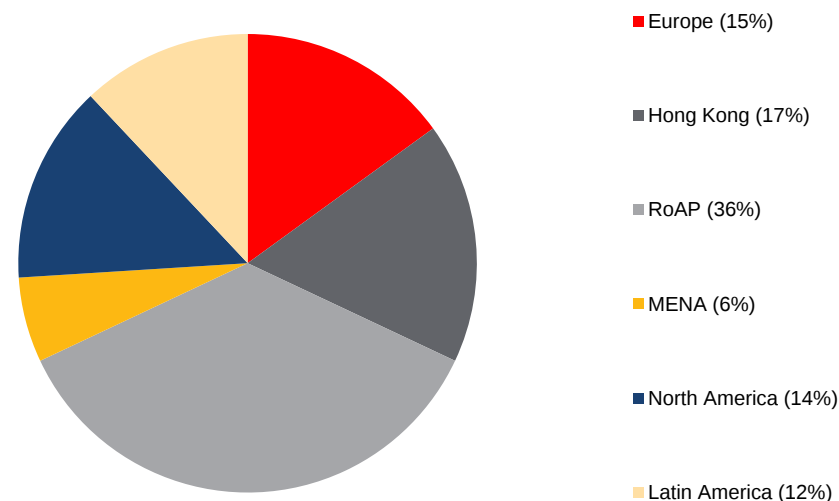
Managed view of operating income^{1, 4}
% average 2010-2012

Total: USD18.1bn



Profit before tax²
% average 2010-2012

Total: USD8.3bn



FY 2012 Cost Efficiency Ratio: 54%
FY 2011 Cost Efficiency Ratio: 57%
FY 2010 Cost Efficiency Ratio: 49%

FY 2012 Return on RWAs³: 2.1%
FY 2011 Return on RWAs³: 1.8%
FY 2010 Return on RWAs³: 2.5%

FY 2012 RWAs³: USD403bn
FY 2011 RWAs³: USD423bn
FY 2010 RWAs³: USD353bn

Notes:

1 On a reported basis and before loan impairment charges and other credit risk provisions

2 On a reported basis

3 FSA, Basel 2 basis. Return on RWAs is calculated using reported pre-tax profits and reported average RWAs

4 A charge of USD(903)m is included in 2012 relating to the change in credit valuation estimation methodology: Credit USD(52)m, Rates USD(837)m, Foreign Exchange USD(7)m and Equities USD(7)m

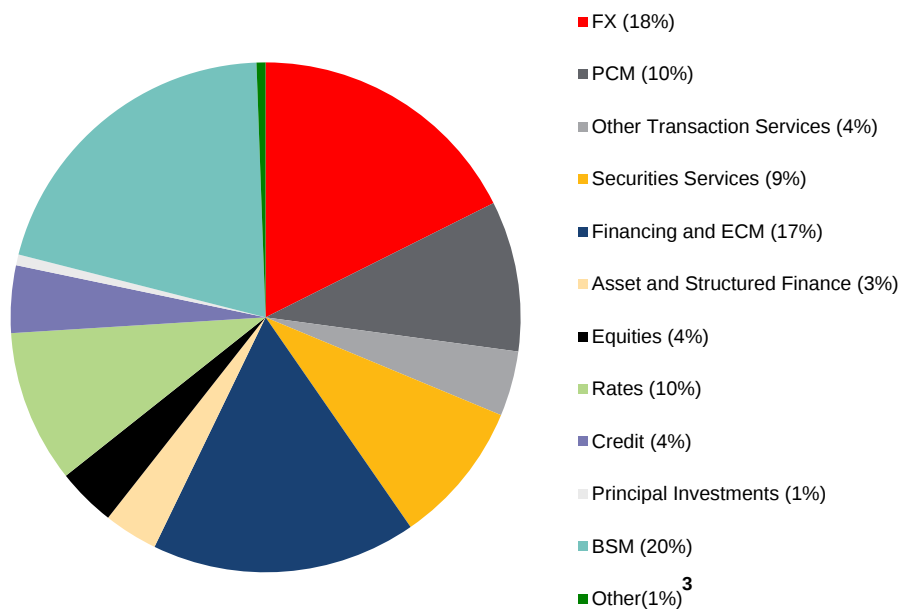
5 Other in 2012 includes debit valuation adjustment (DVA)

Delivering the strategy

Stable and predictable performance, diversified by business line and geography

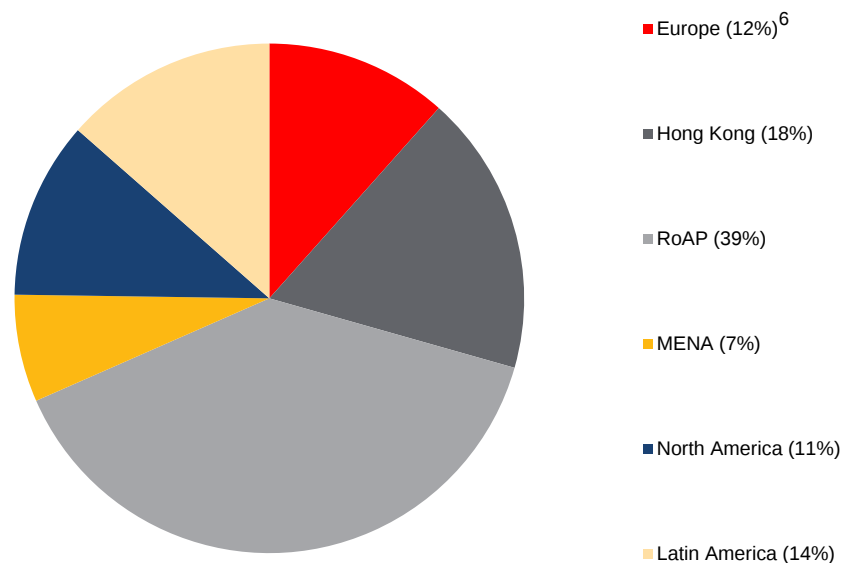
Management view of operating income^{1, 4}
% FY 2012

Total: USD18.3bn



Profit before tax²
% FY 2012

Total: USD8.5bn



Cost Efficiency Ratio: 54.2%

Return on RWAs⁵: 2.1%

Notes:

1 On a reported basis and before loan impairment charges and other credit risk provisions

2 On a reported basis

3 Other includes debit valuation adjustment (DVA)

4 A charge of USD(903)m is included in the above relating to the change in credit valuation estimation methodology: Credit USD(52)m, Rates USD(837)m, Foreign Exchange USD(7)m and Equities USD(7)m

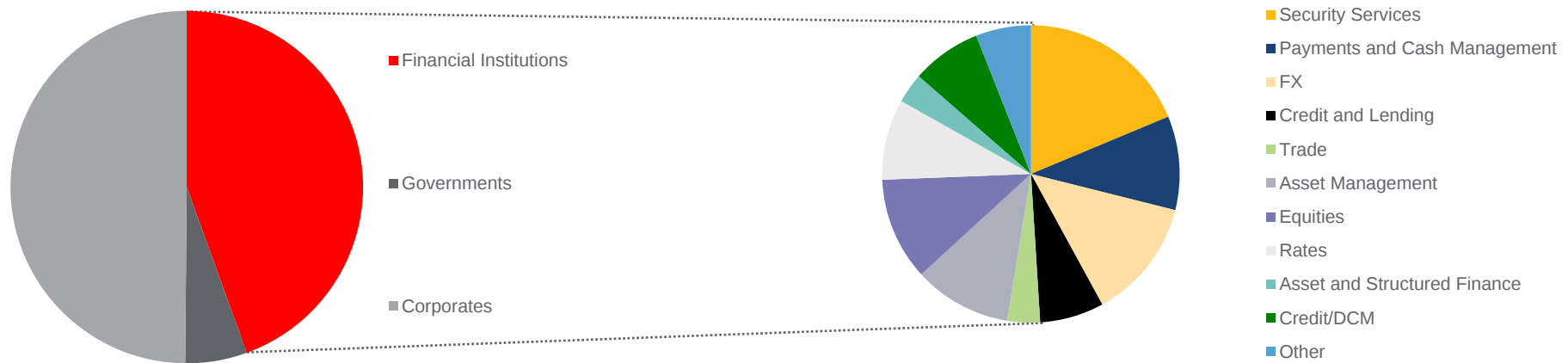
5 FSA, Basel 2 basis. Return on RWAs is calculated using reported pre-tax profits and reported average RWAs. GBM ex Legacy RWAs were USD364bn and RoRWA was 2.4%

6 Europe included net charges of USD(330)m and USD(312)m relating to interest rate protection products in the UK and the change in credit and debit valuation methodology, respectively

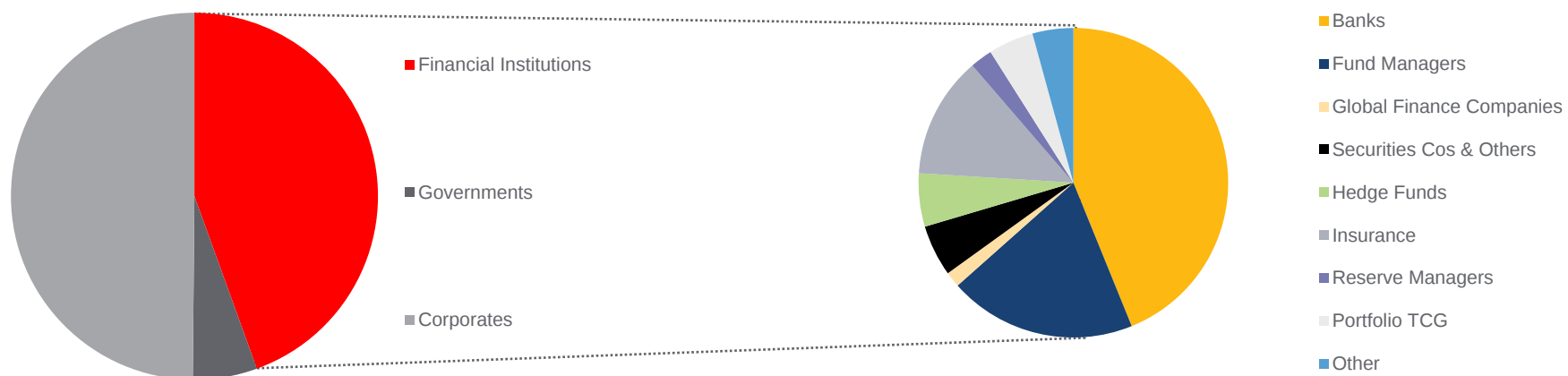
Delivering the strategy

Financial institutions' revenues are well diversified

Financial institutions relationship revenue – diversified by product¹



Financial institutions relationship revenue – diversified by client¹



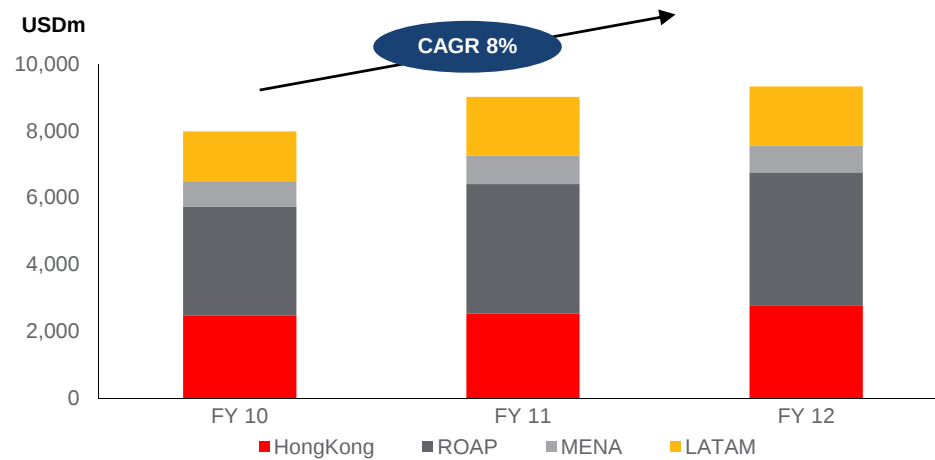
Note:

¹ HSBC internal management information of customer revenues for FY2012

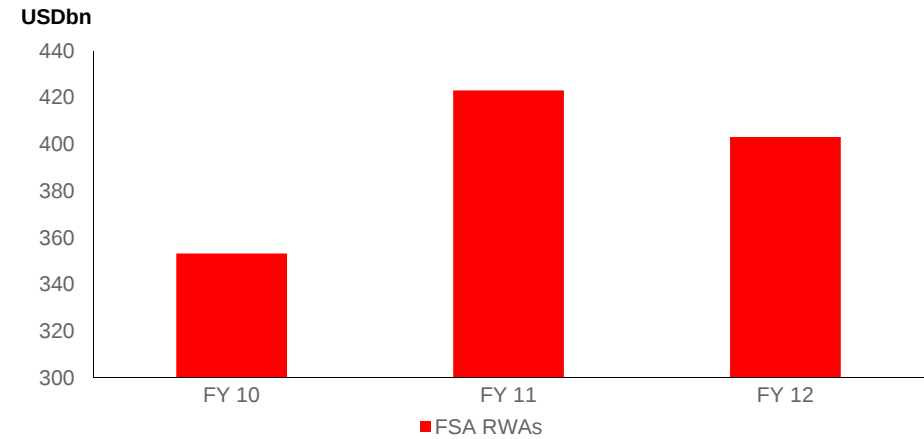
Delivering the strategy

Focused on hitting targets

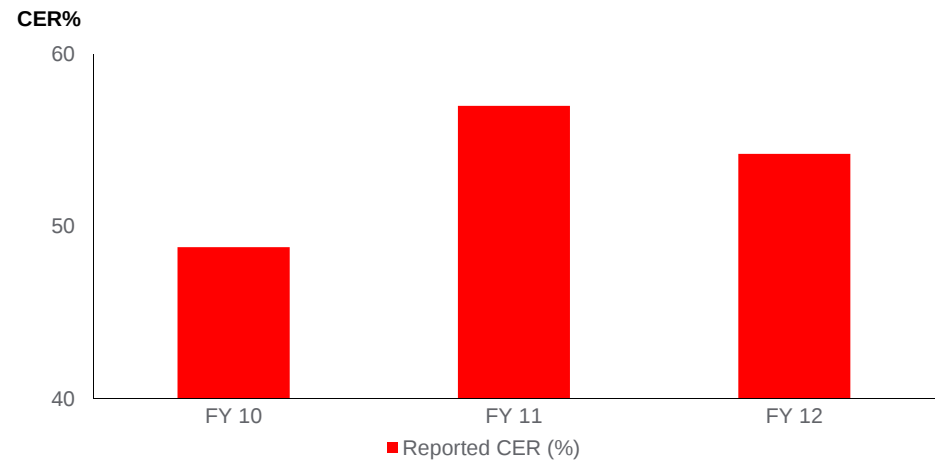
Strong revenue performance in faster growing regions¹



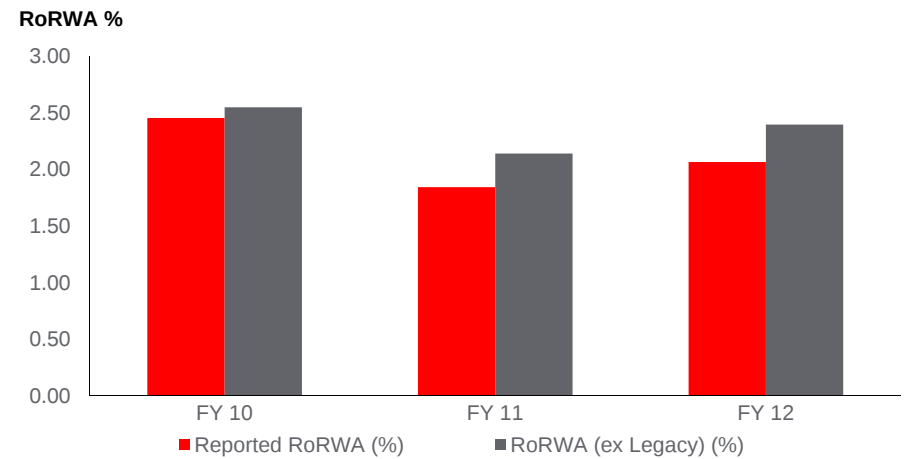
RWAs being closely managed¹



CER trend¹



RoRWA trend¹



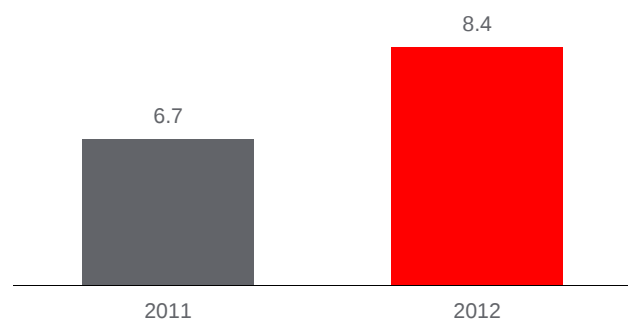
Note:
1 All figures are as reported

Delivering the strategy

Profits up, revenue up, cost-efficiency improved¹

GBM Profit Before Tax

USDbn



Metrics

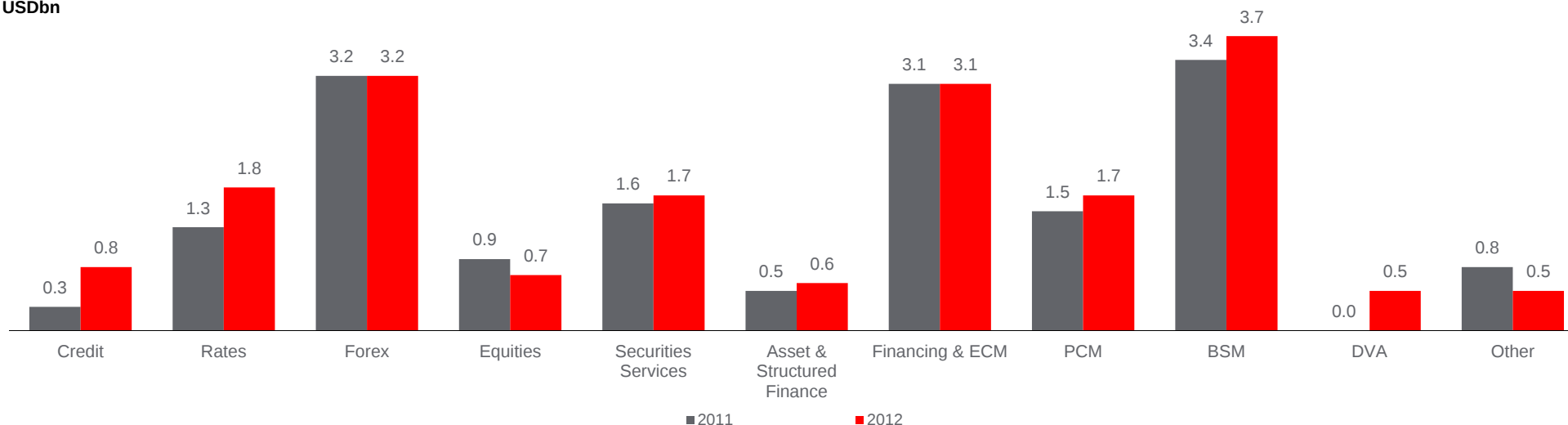
	2011	2012
CER (%)	57.3	54.4
Period-end RWAs ³ (USDbn)		
GBM, ex. legacy credit portfolio	373	364
Legacy credit portfolio ⁴	50	39
GBM total	423	403
RoRWA ⁵ (%)		
GBM, ex. legacy credit portfolio	2.1	2.4
Legacy credit portfolio ⁴	(1.3)	(0.6)
GBM total	1.8	2.0

CVA estimation impact

USDm	2012
Credit	(52)
Rates	(837)
Foreign Exchange	(7)
Equities	(7)
Total	(903)

GBM Revenue²

USDbn



Notes:

1 All data on an underlying basis except where otherwise stated

2 Management view of operating income on a constant currency basis. Credit Valuation Adjustment (USD(0.9)bn) included in individual business revenues

3 On a reported basis

4 The legacy credit portfolio is a separately identifiable, discretely managed business comprising Solitaire Funding Limited, the securities investment conduits, the asset-backed securities trading portfolios and credit correlation portfolios, derivative transactions entered into directly with monoline insurers, and certain other structured credit transactions

5 RoRWAs are calculated using underlying PBT and reported average RWAs at constant currency, adjusted for disposals

Delivering the strategy

Market leaders by both product and region

	Global Markets					Transaction Banking			Global Banking		
	FX ¹	DCM ²	Rates ³	Credit ⁴	Equities ⁵	PCM ⁶	Securities Services ⁷	Trade and Receivable Finance ⁸	Project and Export Finance ⁹	ECM ¹⁰	M&A ¹¹
Hong Kong	#2	#1	#1	#1	#2	#1	#1	#1	#1	#8	#4
RoAP ex Japan	#4	#1				#1	#1			#9	#7
MENA	#5	#1	#1	n/a	#1	#1	#1			#8	#5
Latam	#3	#2	#2	n/a	n/a	#2	n/a			#13	#14
UK	#6	#4	#4	#11	#6	#2	#1			n/m	#11
Cont. Europe	#5	#2				n/a	#5			#11	#12
North America	#10	#6	#11	#15	n/a	#2	#11			n/a	n/a

Top 5
Top 10
Outside Top 10
Not available/not meaningful

Sources:

1 FX – Euromoney 2012

2 DCM – Bloomberg 2012

3 Rates – Greenwich 2012, Bloomberg 2012

4 Credit – Greenwich 2012

5 Equities – Asiamoney Brokers Poll 2012, Extel 2012

6 PCM – Euromoney 2012: Euromoney awards for Europe are divided into Western Europe (HSBC placed 5th) Nordic and Baltic (HSBC placed 5th), and Central and Eastern (HSBC placed 4th); MENA derived from Regional Middle East award excluding North Africa

7 HSS – Global Custodian Global Custody, Mutual Fund and Hedge Fund Administration Survey, Hedge fund next administrator survey, Clearstream, CMU HK

8 Global Trade and Receivable Finance – Oliver Wyman Global Transaction Banking Survey 2012

9 Project and Export Finance – Dealogic 2012 – based on International Bank on advisories closed

10 ECM – Dealogic

11 M&A – Dealogic (Announced/Completed)

Positioned for growth





Positioned for growth

Business model will continue to deliver returns for shareholders

- We are well equipped to respond to regulatory changes.
- We have a unique capacity to meet clients' changing needs, including:
 - Broader and more diverse sources of funding
 - Services to underpin accelerating trade and investment flows
 - Expertise in the emergence of a new world currency, the Chinese RMB
- We will continue to leverage HSBC's international network to provide a seamless service to clients and build collaborative revenues

Positioned for growth

Well equipped for regulatory changes

	Impact	Concerns	Strengths
Structural Reform – ICB/Volcker	• Leverage in ring-fenced bank • Minimum loss absorbing capital requirements • Prohibited activities	• Precise composition of ring-fenced bank • Geographic reach • Liquidity impact • Cost and compliance implications	• Ability to service customers from subsidiary balance sheets
Execution and clearing	• Clearing mandated for liquid OTC contracts • Risk mitigation for un-cleared trades • Trading of liquid OTC contracts on exchange-like venues	• Central counterparty exposure • Extra-territoriality • Market requirement for liquid assets	• Scale of existing custody and execution businesses • Strong balance sheet • Derivative business is customer focused
Capital and liquidity changes	• Higher capital charges for market and credit risk • 'G-SIFI' surcharge based on resolvability	• Increased CVA charges • Uneven playing field	• HSBC at forefront of liquidity management • Subsidiary structure facilitates orderly resolution • Extremely well-placed with regard to Basel III compliance^{1,2}
Robust regulatory change programme in operation			

Notes:

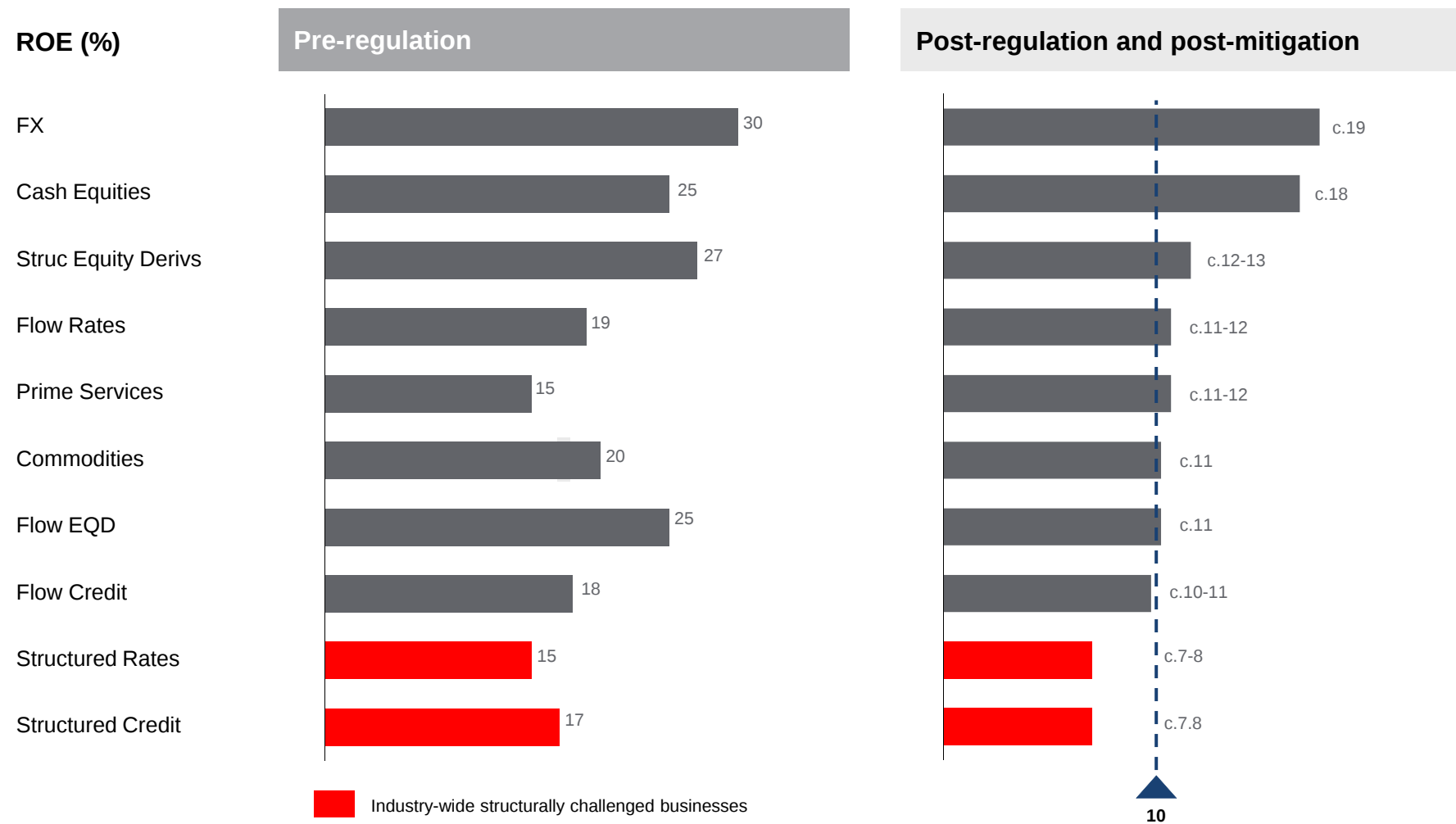
1 Estimated Basel III end point CET1 ratio based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by FSA guidance

2 See slide 14 of the HSBC Holdings Plc Annual Results 2012 Presentation to Investors and Analysts

Positioned for growth

Wholesale banking industry is changing and facing profitability challenges

Industry changes in product profitability

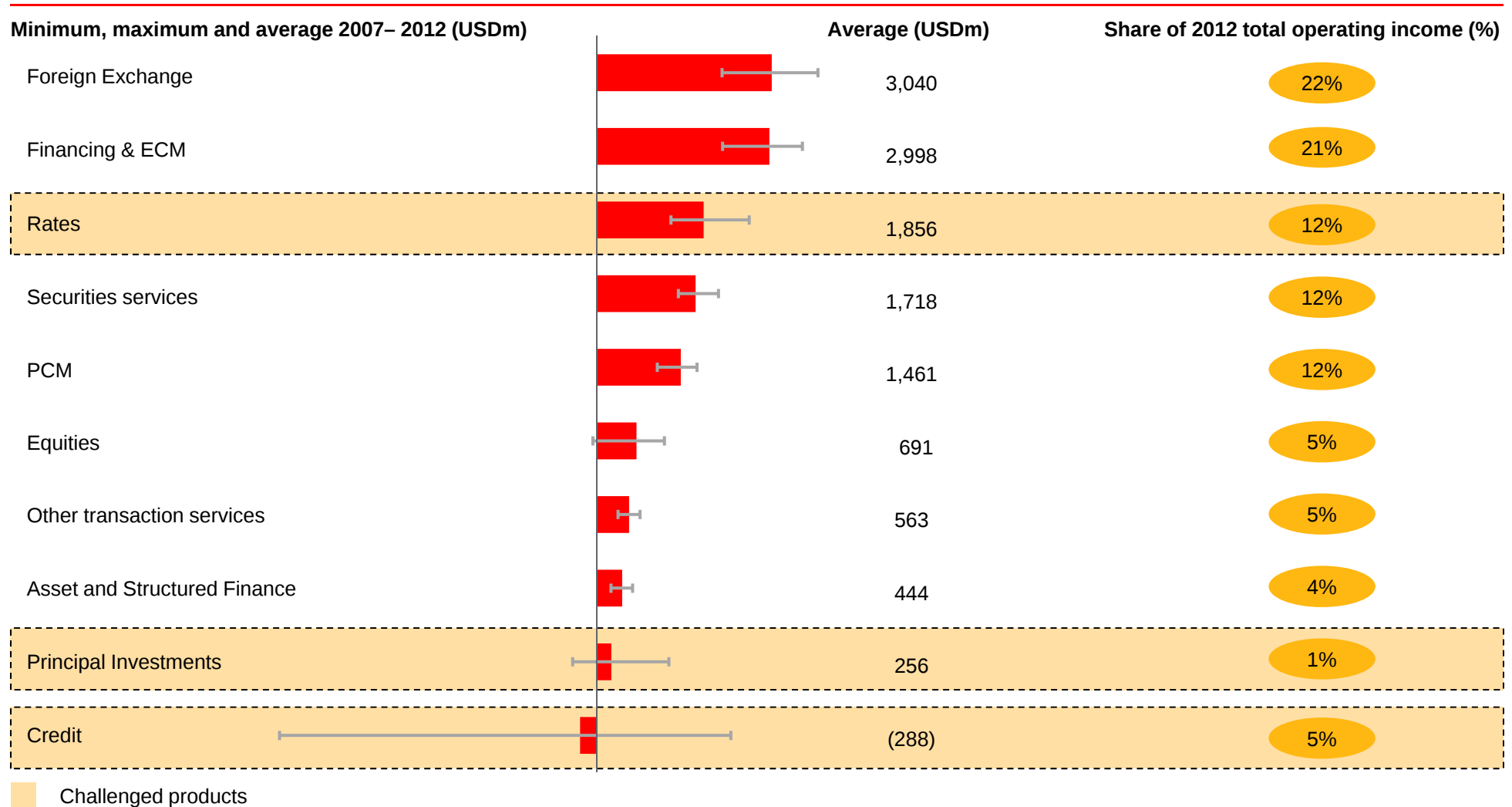


Source: McKinsey report "Day of Reckoning? New Regulation and Its Impact on Capital-Markets Businesses", September 2011

Positioned for growth

A well-diversified business means low exposure to regulatory challenged products e.g. Rates and Credit

GBM total operating income¹ ex BSM and Other



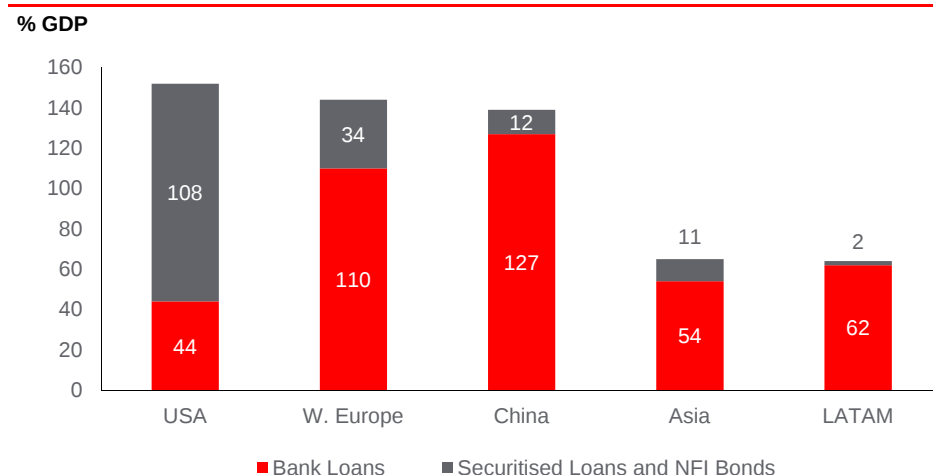
Notes:

1 Before loan impairment charges and other credit risk provisions

Positioned for growth

Leading position to capture capital market growth in Europe and Asia

Global variation in composition of debt financing¹



DCM at HSBC

- Leadership in Western Europe and Global Emerging Markets DCM
- Diverse and multi-currency Global EM DCM platform
- EM market share gains²: 6.1% FY 2012, up from 5.8% in FY2011
- Ranked #1 in Emerging Markets, Asia Pacific ex-Japan, Asian Local Currency, Offshore RMB, and Islamic bonds



Best Global Emerging Markets Debt House

Notes:

¹ McKinsey

² Bloomberg as at 19 February 2013

Market trends

- Bank balance sheet constraints will force corporates to replace bank financing with capital markets debt financing
- If Western Europe and China shifted their debt financing mix to resemble the US, the amount of securitised loans and NFI bonds in circulation would increase 3x and 8x in those markets
- Rest of Asia and Latin America have room to both increase the number of financial assets relative to GDP and increase the mix of capital markets debt financing

Bloomberg key league tables ²	2011	2012
All International Bonds	4	5
Euromarket Corporates	3	3
Sterling	3	4
Emerging Markets	1	1
Asia-Pacific ex Japan	2	1
Asian Local Currency	1	1
Offshore RMB	1	1
Islamic Bonds	4	1
Latin America Bonds	1	2

Positioned for growth

Market leader in fast-growing project finance sector

Global Infrastructure Market

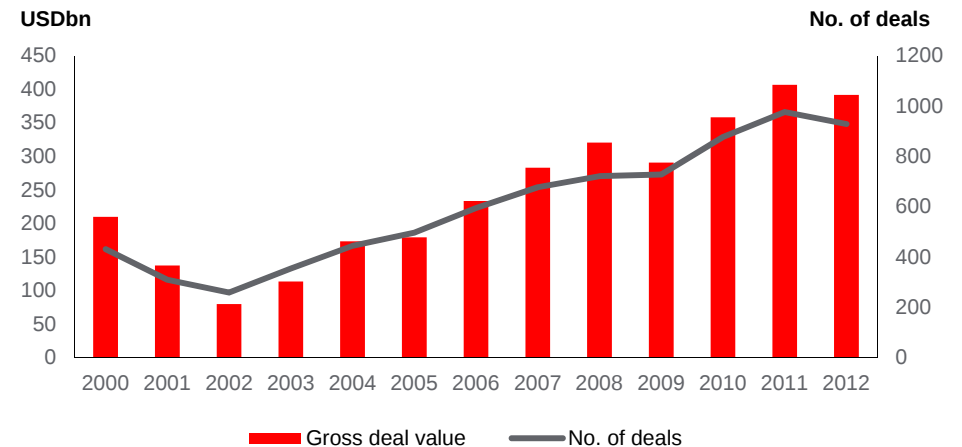
- Global annual spending on infrastructure continues at high levels (est. USD2.4 trillion¹)
- Project financing (est. USD0.4 trillion²) increasing as government and corporate balance sheets become constrained
- Banks lead in arranging and structuring roles
- Pension, insurance and other institutional funds interested in increasing participation in infrastructure investments

Project and Export Finance at HSBC

- A leading international bank in PF advisory and arranging
- HSBC PF closed 47 deals – 18 advisory and 29 arranging across 25 countries in 2012
- PEF revenue growing over 20% annually (2010-2012)
- Significant ancillary revenue (project bonds, interest rate swaps, etc)
- c. 20% of PF deals closed globally in 2012 involved CMB clients

Notes:
1 OECD estimate
2 Dealogic

Global project finance volumes²



Dealogic League Table

	2011	2012
Latin American and Caribbean Project Finance Loans – MLA	2	1
Middle East and African Project Finance Loans – MLA	1	1
Financial Advisor of Global PFI/PPP Project Finance Deals	3	2
Export Credit Agency Financing – MLA	2	2
COFACE – MLA	2	1



Global Advisor of the
Year 2011
Asia-Pacific Bank of
the Year 2012

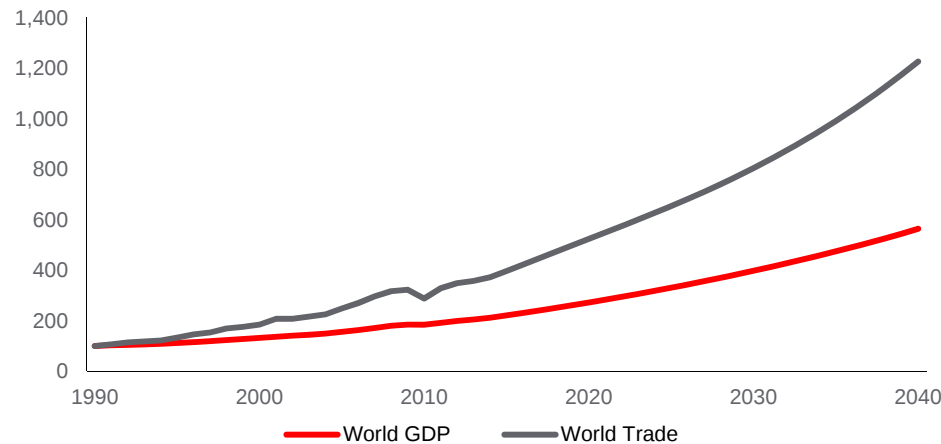


Best Project Finance
House Award – Asia,
Middle East, Latin
Americas
2012

Positioned for growth

World's largest global trade finance bank¹, increasing market share

Trade grows faster than GDP²



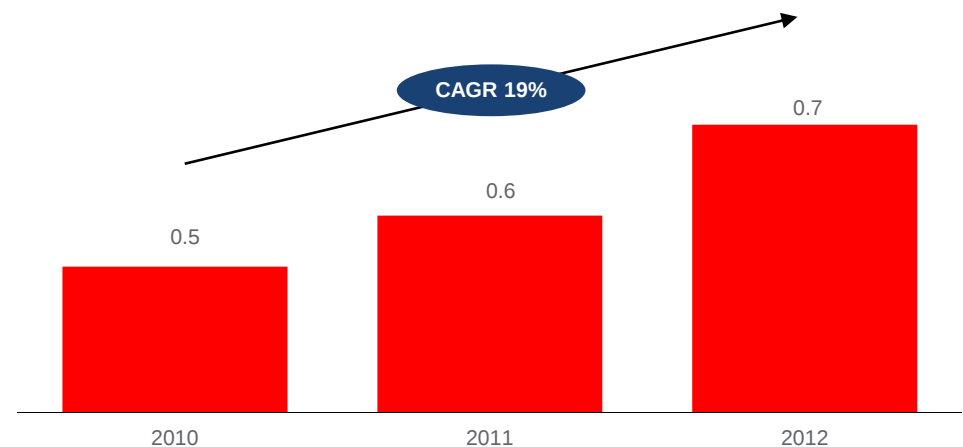
Globalisation drives trade

- Between 1990 and 2010, the average annual growth rate in world trade was 1.9 times that of GDP²
- Trade is predicted to continue to grow c. 30% faster than GDP until 2040²
- The patterns of trade will also change. Over the period 2021-2030, 9 of the 10 fastest growing trade routes will be within Asia, growing on average 15% per year²

Trade Finance at HSBC

- HSBC was founded nearly 150 years ago to finance trade between China, India and Europe
- It is the world's largest global trade finance bank with 10% global market share¹
- Our network provides access to 77% of world trade flows³
- Trade finance provides access to the wider corporate relationship and often generates ancillary FX revenue
- Voted "Best Global Trade Finance Bank" by Global Trade Review

Trade revenue contribution to GBM³ (USDbn)



Notes:

- 1 Oliver Wyman Global Transaction Banking survey 2012
- 2 HSBC Global Connections, February 2013 and Oxford Economics
- 3 Global Insight 2011
- 4 GBM revenues on a reported basis

Positioned for growth

Number one cash management bank¹, growing faster than the market

Foundation of the global economy

- Payments and Cash Management underpins the world's financial system
- It moves money around the globe for investment and trade
- A product set that anchors relationships, increases franchise value and creates an annuity income stream
- Strong franchise value and annuity revenue stream with ancillary FX revenues

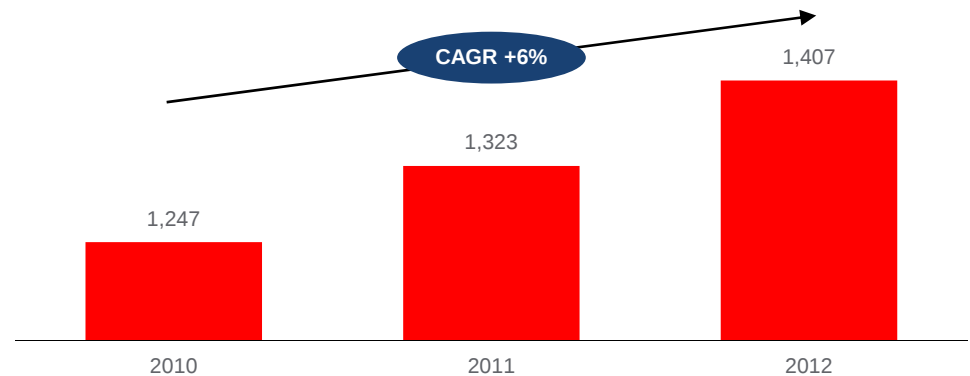
Payments and Cash Management at HSBC

- #1 Global cash management bank¹
- Continued strong growth in GBM's contribution to PCM revenues – USD1.7bn in 2012
- Revenue growing at 24% CAGR 2010-12
- First foreign bank to gain approval to establish an automated, cross-border pooling structure in mainland China

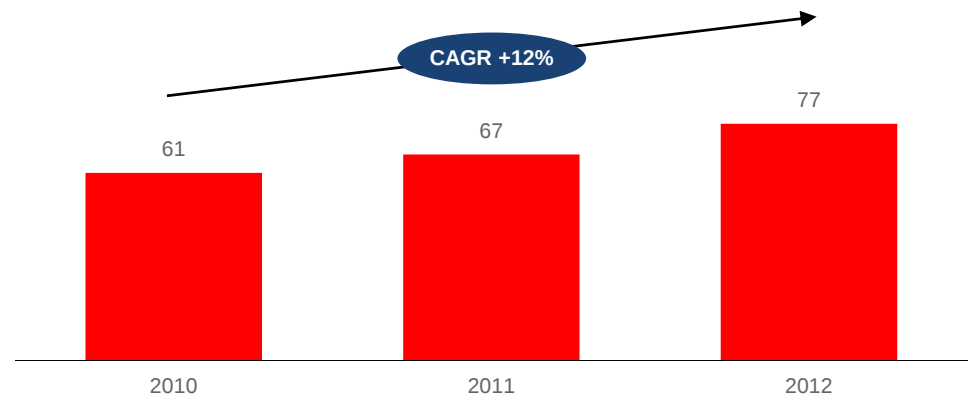


Best Cash Management Bank globally for Corporates and Financial Institutions (2012)

Global payment volumes (m) growing rapidly²



HSBC's payment volume (m) is growing 2x faster than market³



Notes:

1 Euromoney Cash Management Survey 2012

2 Number of SWIFT payment messages sent and received between different banks

3 Number of SWIFT payment messages sent and received between HSBC and a 3rd party bank

Positioned for growth

The leading international bank for RMB products and services

RMB usage is growing

- China initiated the internationalisation of RMB in July 2009 by permitting some cross-border transactions
- RMB Qualified Foreign Institutional Investors (QFII) quota limit expanded more than 10x since inception
- Over 2010-2012 its use in trade settlement grew 137% annually¹
- By 2015, China will settle 30% of its trade, or USD2 trillion, in RMB¹
- Its adoption will affect a diverse array of products including FX, Trade, PCM and DCM

HSBC is at the forefront

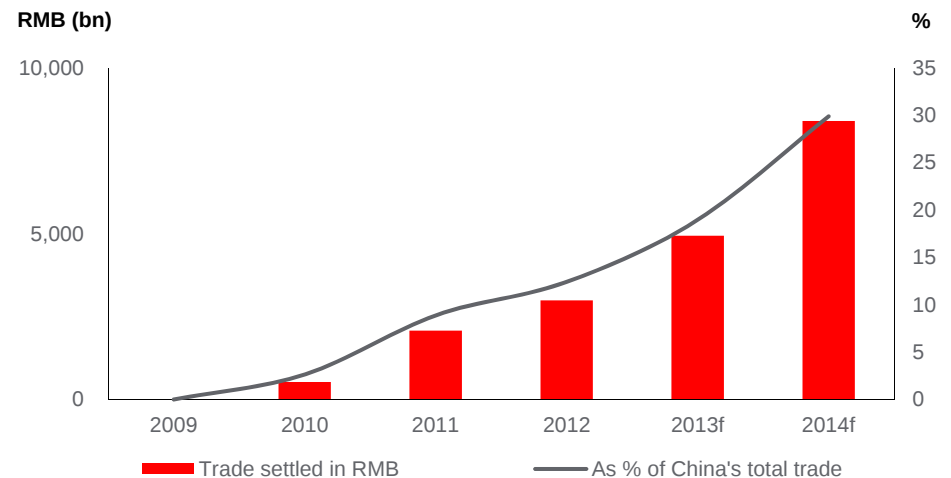
- First foreign bank to underwrite RMB government bonds
- Ranked #1 in Dim Sum bond market with 24% market share²
- Dominant market share (c.50%) among RMB (QFII) custody banks
- First ever to issue a RMB bond outside of Chinese territory
- First ever to execute a RMB repo trade
- Tier 1 market maker in RMB FX. Support six new currency crosses

Notes:

1 PBoC and HSBC Economics

2 Bloomberg

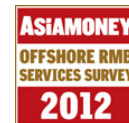
Global RMB trade settlement¹



AsiaRisk

**Asia Risk Awards 2012:
RMB House of the Year**

AsiaRisk wrote, "With its roots in Hong Kong and China, HSBC has been at the forefront of developing the renminbi market both onshore and offshore."



**Best for overall
products/services**

AsiaMoney declared, "HSBC is considered the clear leader for offshore renminbi products."

Positioned for growth

Continuing to target opportunities in Equities and Event business

Equities - business highlights

- **Cash Equities** has been refocused on Emerging Markets where we are gaining wallet share in most markets
- **Global Research** specialise in Emerging Markets – 70% of our analysts are dedicated to Emerging Markets and/or Asia
- **Prime Finance** is a successful business driven by the recent build up of its Emerging Market capability and now led by the development of the Prime franchise
- **Equity Derivatives** is a Top 3 global retail structured product franchise



Asiamoney Best Bank Awards 2012

Best Domestic Equity House in Hong Kong
Source: Asiamoney, July 2012



Extel Survey 2012

Sales

- #1 Multi Asset Sales
- #1 MENA (for Sales & Research)
- #3 Sector Sales (every sector in top 10)
- #3 Small and Mid Cap Sales overall
- #5 Emerging Europe (for Sales & Research)
- #6 Global Sales
- #6 Leading Pan-European Brokerage Firm – Equity & Equity Linked Sales

Research

Top 10 ranking in 7 out of 10 sectors for Economics & Strategy
Top 10 ranking in 14 out of 28 sectors for EMEA
Top 10 ranking for Emerging EMEA in 10 out of 15 sectors
Source: Thomson Reuters, June 2012

Event products - business highlights

- Our **Equity Capital Markets** team transacted some of the largest IPOs and rights issues in EMEA, Asia and Latin America in 2012
- **Leveraged and Acquisition Finance** continues to capitalise on our balance sheet strength to win business from competitors
- **M&A** continues its momentum in cross-border, emerging markets transactions

Rankings	FY2012
Equity Capital Markets ¹	9
M&A (cross border EM to EM) ²	3
Project Finance ³	1
Export Finance ⁴	1

October 2012



EUR1,449m

IPO
Germany

Joint Bookrunner

August 2012



SGD2,800m

Financial Advisor, MLA,
Bookrunner and Underwriter
on ThaiBev's proposed
acquisition of a 22% stake in
Fraser and Neave

July 2012



USD1.5bn

HSBC acted as the Sole
Financial Adviser to Sinopec
on the acquisition of a 49%
equity interest in Talisman's
UK subsidiary
Sole Financial Adviser

Notes:

1 Dealogic. Global view excluding North American, Australian and Japanese issuers and Chinese A-share transactions

2 Dealogic

3 Dealogic (International Bank in number of Advisories closed)

4 Dealogic (Global Mandated Lead Arrangers of ECA Financing in number of deals closed)

Positioned for growth

Increasing collaborative revenues by connecting HSBC's global businesses

	Initiatives	Potential upside in the medium term
Commercial Banking	• Aspiration: increase incremental CMB collaboration revenues in the medium term – Delivered nearly USD0.7bn in incremental gross revenue since 2010¹ – Of which USD0.1bn was in 2012¹ • Global initiative for FX • Referrals for Event products • Joint Client-led Planning	A significant proportion of the potential USD2bn group collaboration revenues upside will be driven by CMB and GBM collaboration ²
Retail Banking and Wealth Management	• Foreign Exchange offering to RBWM customers	
Global Private Banking	• Institutional Private Client Group within GBM and the Global Priority Client structure within GPB to jointly cover Ultra High Net Worth Individuals • GBM referrals to GPB	

Notes:

1 As reported

2 As presented at May 2012 Investor Day

Summary





Summary

Committed to delivering on our financial targets

- GBM business model and strategy are well established
- GBM is delivering strong results
 - Made good progress in 2012
 - Good pipeline of sustainable cost saving opportunities
- Well positioned for growth with a disciplined approach to cost and capital
- Extremely well-placed with regard to Basel III compliance

Summary

Why you should own HSBC

The world is changing . . .

Long-term trends

- Increasing imbalances in international trade and capital flows
- Rebalancing of the world economy towards faster growing markets

Regulation

- Recovery and Resolution
- Dodd Frank, ICB, ...

HSBC's distinctive position

1. Privileged access to growth opportunities (cohesive portfolio)

- International network supporting our Commercial Banking and Global Banking and Markets businesses
- Exposure and meaningful presence in the most attractive growth markets for Wealth and Retail Banking

2. Four global businesses sharing strong commercial linkages

3. Lean and values driven organisation fit for the new environment

4. Strong balance sheet supported by diversified deposit base and generating resilient stream of earnings

GBM's competitive advantage

1. International network concentrating 85-90% of international trade and capital flows

2. Deep and diversified client base. 4,000 client mastergroups spanning a diversified range of corporate and financial counterparties in GBM with further access to the client base across the group

3. Product capabilities and balance sheet strength. Market leader in PCM, GTRF, FX, Rates and HSS

Appendix



Appendix

GBM financials¹

(USDm)	FY 2012 ⁴	FY 2012 CVA/DVA estimation change	FY 2011
Credit	779	(52)	335
Rates	1,771	(837)	1,341
Foreign Exchange	3,215	(7)	3,272
Equities	679	(7)	961
Securities Services	1,663		1,673
Asset and Structured Finance	626		516
Global Markets	8,733	(903)	8,098
Financing and Equity Capital Markets	3,071		3,233
Payments and Cash Management	1,744		1,534
Other transaction services ²	753		634
Global Banking	5,568		5,401
Balance Sheet Management	3,738		3,488
Principal Investments	125		209
DVA	518	518	-
Other³	(409)		(139)
Total operating income before loan impairment charges and other credit risk provisions	18,273	(385)	17,057
Loan impairment Charges and other credit risk provisions	(670)		(984)
Net operating income	17,603		16,073
Total operating expenses	(9,907)		(9,722)
Operating profit	7,696		6,351
Share of profit in associates and joint ventures	824		698
Profit before tax	8,520		7,049
Cost efficiency ratio	54.2%		57.0%
Pre-tax return on average risk-weighted assets (annualised)	2.1%		1.8%

Notes:

1 On a reported basis

2 Global Trade and Receivables Finance, Bank Notes and Other

3 Includes net interest earned on free capital not assigned to products, allocated funding costs, gains resulting from business disposals and the offset to notional tax credits

4 In the fourth quarter a net charge of USD(385)m was reported as a result of a change in estimation methodology in respect of a credit valuation and debit valuation adjustments