

Video transcript

3Q 2016 update: Iain Mackay video

Overall the results for the third quarter were good.

We had reported profit before tax down but that was largely driven by the impact of fair value on debt, which is a usual movement that we see each quarter; the sale of our Brazilian business, which was a significant effect in the third quarter; the continued inclusion of cost to achieve, which is the transformation of the firm; and then some further costs from a customer redress perspective in the United Kingdom.

On an adjusted basis, the profits were good. Revenues were up and I think that reflects the strength of the network internationally, which continues to perform quite well in difficult trading conditions; very strong performance from a cost perspective, where we continue to control and manage costs very effectively and deliver the targets from a cost-savings perspective; and loan impairment charges were lower than the second quarter of this year.

So I think overall we have made good progress in the third quarter and it certainly continues to demonstrate the strength of the network internationally.

What was the highlight of the quarter?

So certainly one of the key features of the third quarter was the strength of our key capital ratio, the Common Equity Tier 1 Ratio, which is probably regarded as one of our most important ratios from a strength perspective. That increased to 13.9 per cent.

That was driven by the sale of our Brazilian business. Also impacted, most notably, by the change in the regulatory treatment of our investment in Bank of Communications in China. And another feature of the capital this quarter is the impact of the buy-back that we started in the third quarter and which is now almost 60 per cent complete.

So all of those features are reflected within the Common Equity Tier 1 Ratio of 13.9 per cent, which puts us in a very strong position from a capital perspective.

Where else has HSBC made progress?

I think some areas where we have made notable progress over the course of the third quarter was continued development of our Mexican business, as that continues to rebuild after very significant restructuring over recent years. We have grown personal lending, mortgage lending and built market share in Mexico so that's very encouraging.

Within the UK, we have focused strongly on mortgage lending and made good progress in that regard.

Commercial Banking has been a strong feature throughout the course of the year. We have grown revenues there 2 per cent on a year-to-date basis. And again Commercial Banking performed well in the third quarter.

Again I think this goes to the strength of our network. The ability to grow revenues in a very difficult operating environment is very encouraging.

I think another feature is the continued progress on cost management. We set out a target in 2015 of delivering USD4.5 billion to USD5 billion of cost-savings. And our teams around the world have continued to deliver very nicely in that respect in the third quarter. And we have got every expectation that we will reach the top end of that range as we move through 2017.

What is HSBC's focus for the future?

Our priorities are very much about delivering against the strategic actions that we set out in June of 2015: growing revenues across the international network; delivering the cost-saving targets against which we are making very good progress, and continuing to deliver the capital actions, which really go to the strength of the group and provide great assurance around the sustainability of our dividends.