

Annual Results 2016: Iain Mackay video

The 2016 operating environment was difficult for us. But we generated USD7.1 billion of reported profit before tax, USD19.3 billion of adjusted profit before tax. That number was very much in line with 2015. The difference between the two was driven by significant items, of which in the fourth quarter of 2016 the most notable item was the write-off of the goodwill in the Private Bank in Europe. That's a non-cash, non-capital item. So overall a good year for 2016 in terms of operating profitability.

What are the highlights?

In 2016 we will pay out over USD10 billion in dividends to our shareholders, that's more than any other bank in Europe.

In the second half of 2016 we completed a USD2.5 billion buy-back and today we've announced that we will start, in the next day or two, another USD1 billion buy-back from our shareholders.

The balance sheet strength of HSBC is absolutely outstanding. In 2016 we ended the year with a common equity tier 1 ratio of 13.6 per cent. That puts us in a very strong position to continue to invest and support the business. It clearly puts us in a strong position to deal with any regulatory uncertainty and obviously to continue to support the dividend to our shareholders.

So from a cost management perspective again 2016 was a good year. We are very much on track not only to achieve the target that we set out in 2015, but to beat it.

Today we announced that we would generate annualised cost savings by the end of 2017 of USD6 billion. That's USD1 billion more than the top end of the range that we highlighted in our 2015 investor day. That's been across the board. So great progress in that regard during 2016. And we'll continue that into 2017 and beyond.

Has HSBC made progress against its strategic actions?

In terms of progress across our strategic actions the improvement in our Mexican business, in terms of re-growing that business particularly in retail banking and consumer finance products, it has been a significant feature. The profitability of that business has improved significantly in 2016 over 2015.

The strength of our network is something that has developed again in 2016 – 70 countries covering more than 90 per cent of the world's trade. It is clearly a very, very strong differentiating feature for us in terms of supporting our Commercial Banking, and Global Banking and Markets customers in terms of trading internationally and investing internationally.


What are HSBC's key areas of focus?

Overall since 2015 we've been investing heavily in the digital capabilities of our business. That's noted most importantly in Retail Banking and Wealth Management but it's equally the case in Global Banking and Markets, and Commercial Banking as well as the core operating capability of the firm in terms of cybersecurity and the operational efficiency of the firm from a technology perspective.

So the investments we've made over the last couple of years and which we will continue to make over the next few years are extremely important.

Another area has been the development of green financing products. That again is focused on supporting our Commercial Banking, and Global Banking and Markets customers as they think about how they risk-manage and how they deal with climate change and support the goals from a climate change perspective within their businesses.

What are the challenges for the future?



I think like every bank that we face regulatory uncertainty, we face geopolitical uncertainty. But the capital strength, the balance sheet strength, the liquidity of HSBC puts us in an ideal position to support our customers across that international network – an ability to deal with that uncertainty.

I think one of the great strengths of HSBC over the last six or seven years has been that ability to deal with regulatory uncertainty, geopolitical uncertainty, market upheaval and continue to generate capital, pay dividends to our shareholders and move the organisation forward in terms of its overall capital strength.