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PART A

1.0 Introduction

The aim of this report is to provide an understanding of financial management of a public listed bank whose shares are traded on the London Stock Exchange and how it contributes towards performance and the achievement of business objectives by examining its most recent annual reports (Financial Statement) for the past five years. In this case, Hongkong and Shanghai Banking Corporation Limited (HSBC) is chosen for the purpose of this report to provide a financial analysis. The first section consists of Part A of the report, which examines a brief history of HSBC, covering key elements such as change of directors, increase / decrease of earnings, corporate governance and challenges faced by the bank. The following section presents a brief history of HSBC.

1.1 Brief History of Hongkong and Shanghai Banking Corporation Limited (HSBC)

HSBC is one of the world's largest banking and financial services organisations with approximately 3,900 offices in both emerging and established markets worldwide. HSBC was founded in March 1865 with its primary objective to serve international needs. HSBC is listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges with its shares held by more than 200,000 shareholders in 131 countries and territories (HSBC Annual Report, 2017). For a period of over 150 years the bank has linked customers with opportunities to meet their day-to-day personal and business financial goals, assisting businesses to flourish and economies to grow and assisting individuals to recognize their ambitions.

Therefore, the experiences for the past 150 years shaped the character of HSBC, which enables the bank to meet the challenges of the 21st century, since the bank believes in capital strength, cost control and in building long-term relationships with customers in order to keep them satisfied and loyal. Presently, HSBC serves approximately 38 million customers internationally through its four Global Businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking, including both personal and business customers in 67 countries and territories worldwide, including territories in Europe, Asia, the

Middle East and Africa, North America and Latin America. (HSBC Annual Report, 2017). HSBC core values include; standing firm for what is right and delivering on commitments and to maintain trust and integrity (dependable).

Over the years, HSBC has witnessed several Board director changes. Currently, Mark Tucker is the Director and Group Chairman of HSBC, taking over from Douglas Flint on 1st September, 2017. In addition, Rachel Lomax went on retirement in April 2017 and was replaced by Jonathan Symonds as Senior Independent Director (HSBC Nomination Committee Report, 2017). Before these changes occurred, HSBC has gone through a several difficulties early as the 1931 where its two main branches in Hong Kong and Shanghai, which led to a significant decline in earnings and losses in branches within India, Japan, China, Sri Lanka and Indonesia. Furthermore, the World War II significantly negatively affected the bank since it retreated and shut down most branches in the East. The office was transferred to London, UK on 16 December 1941. However, the Chief Manager; Vandeleur Grayburn who was appointed in 1930 designed drastic measures by cutting on staff bonuses, shareholder dividends while focusing on meeting China's exchange banking obligations (HSBC Holdings Plc report, 2013).

Nevertheless, Michael Turner later introduced diversification and expansion as business strategies through a series of alliances and acquisitions that turned things around. HSBC learnt a number of important lessons in these early years. Economic downswings, business collapses and the decline in the value of silver encouraged tight internal controls, prudent lending and strong reserves. By putting these principles into practice, HSBC has restructured and refocused its business to meet the challenges of the post-crisis world. The following section will critically provide an analysis of HSBC's financial performance over a five year period (2013 – 2017).

PART B

Calculation of HSBC holding plc performance ratios of profitability, capitalisation, asset quality and capital adequacy ratio

2.0 Introduction

Part B of this report presents a critical review of HSBC's key performance using ratios of capitalisation, liquidity and asset quality for a 5 year period (2013-2017). After calculating the ratios, a critical appraisal of the ratios is discussed. Next, these ratios are then compared with the most recent financial year of Barclays Banks Plc as a competitor. Finally, a review of some current issues in the banking sector and how these issues might influence the performance of HSBC in the near future. The following paragraphs will critically examine the banking ratios, interpretation and discussion closely follow.

Calculation HSBC Bank for the 5 years:

2.2 Profitability Ratio

Profitability acts as a source of increase in capital base. Besides, profitability helps to sustain present and future operations of companies. Return on Assets (ROA) has been widely used in the banking literature as the single best indicator to measure the profitability ratio. Other measures include Return on Equity (ROE) and Net Interest Margin (NIM) which are considered in this study. The importance of these ratios cannot be overemphasised because profitability has the capacity to absorb losses and pay dividends to its shareholders. However, when compared with other indicators, profitability can be more complicated to interpret, for instance unusual high profits can reflect too much risk taking.

2.2.1 Return on Asset (ROA)

In line with profitability, ROA is one of the most fundamental measure of success of a business (Tracy, 2012). ROA provides the notion of how sufficient management is utilising its assets to generate earnings and displayed as a percentage. Therefore, ROA is the most rigorous and excessive test of return to shareholders. The formula for calculating ROA is provided below:

2.2.2 Return on Equity (ROE)

This ratio is similar to ROA, although the difference lay in the fact that ROE focuses on the returns generated for the business owners (stockholders). Thus, ROE measures the performance over time and between businesses.

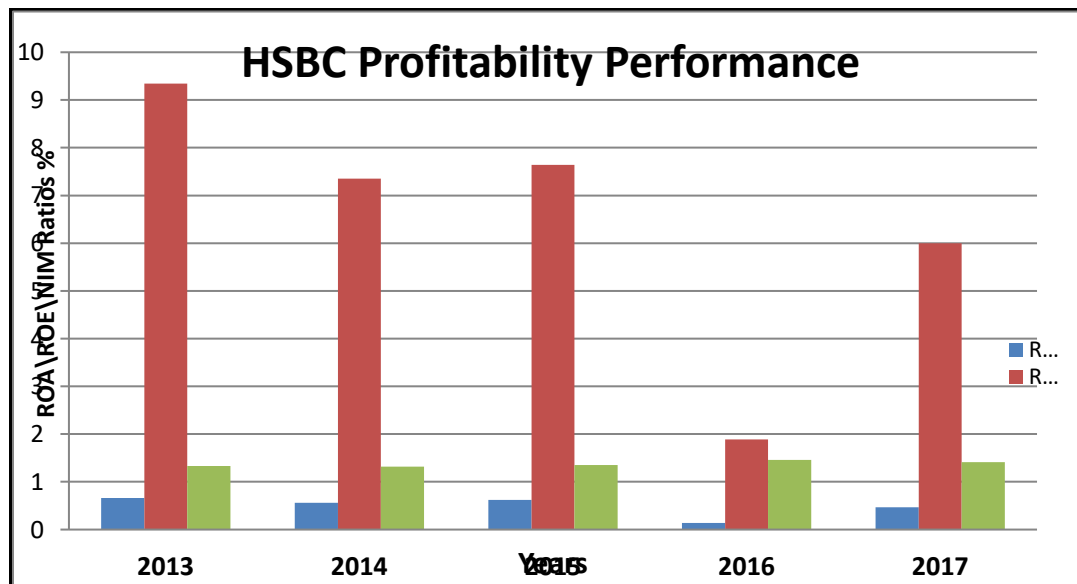
2.2.3 Net Interest Margin (NIM)

The net interest margin ratio refers to the difference between the interest earnings and expenses of a company expressed as a percent average of interest earning assets (Nassar et al., 2014, p. 10).

Thus, this ratio is a better measure of a company's long-term revenue structure. The tables and bar chart below demonstrates the profitability ratio performance using ROA and ROE respectively, and discussion of the results.

2.5 Table 1: Calculation of Profitability Ratios of HSBC Holding Plc For (2013-2017)

Year	2013	2014	2015	2016	2017	
ROE (%)	9.35%	7.35%	7.64%	1.89%	6.00%	
ROA (%)	0.44%	0.13%	0.63%	0.62%	0.71%	
NIM (%)	1.33%	1.32%	1.35%	1.46%	1.41%	



Source: (Annual Reports of HSBC from 2013 – 2017)

Discussion

Looking at the profitability ratio results of ROA and ROE, HSBC has shown outstanding ROA over 5 years. The findings revealed that 2013, 2015 and 2017 performed very well with regards to ROA and ROE. 2017 appears to be the highest closely followed by 2015, then 2013. This may be due to the fact that an increase in any percentage (0.66%) or cents for every dollar of stockholder funds, HSBC is returning 0.66 % of its profit for the owners of the business. The higher the ROA number, the better, due to the fact that the company is earning more funds for less investment. For instance, in 2017 HSBC has the highest number in net income of 17million and total assets of 25million with its ROA of 0.71%. Based on this result, HSBC was better at converting its investment into profit in 2017 than any other year.

On the other hand, a rising ROE indicates a positive sign that HSBC the overall performance of the business significantly due to management effort and this benefits the Stockholders. As a result, ROE for 2013, 2015 and 2017 is enough to attract Stockholders on a year to year basis. In relation to NIM, 2013 witness the highest percentage of NIM for HSBC while since then there is a steady decrease after 2013. A possible reason for this difference is that HSBC locally located branches rely more on non-interest income. As a result, there is a variation in net interest margin between HSBC domestic and foreign branches due to informational advantage derived by the bank.

The next HSBC performance ratio is Capitalization.

2.3 Capitalization (Risk Ratios)

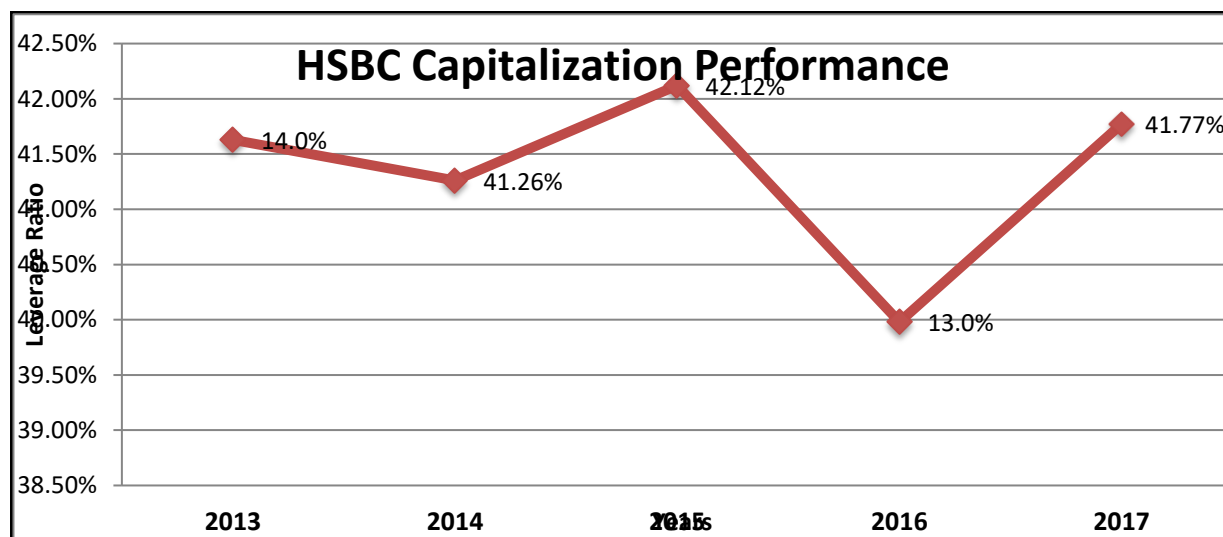
This ratio considers the significant debt measure to total assets of a company. It is widely measured using the leverage ratio.

2.3.1 Leverage Ratio

Another significant ratio to examine the performance of companies is the leverage ratio. The leverage ratio is designed to examine the extent to which a company uses debt to finance its assets. In other words, the leverage ratio is expressed in terms of liabilities to assets utilized as a measure for influencing the capital structure of a company and also an indicator of financial risk and ability to pay debt (Nouravesh and Deilami, 2005). The following formula is used to calculate the leverage ratio in examining the performance of HSBC:

Table 2 : Calculation of Leverage ratios of HSBC Holdings PLC for (2013-2017)

Year	2013	2014	2015	2016	2017	
Leverage Ratios	14.0	13.2	12.2	13.0	12.7	



Source: (Annual Reports of HSBC Banks from 2013 – 2017)

Discussion

The banking rule of January 2014 with regards to the Basel III on the leverage ratio was approximated on the basis of the revised Basel III leverage ratio based on the tier 1 instruments. The results as seen in the table above indicate a higher leverage ratio of 41.77% in 2017 and only 13% in 2016. The following section discusses asset quality as a measure of nonperforming loans.

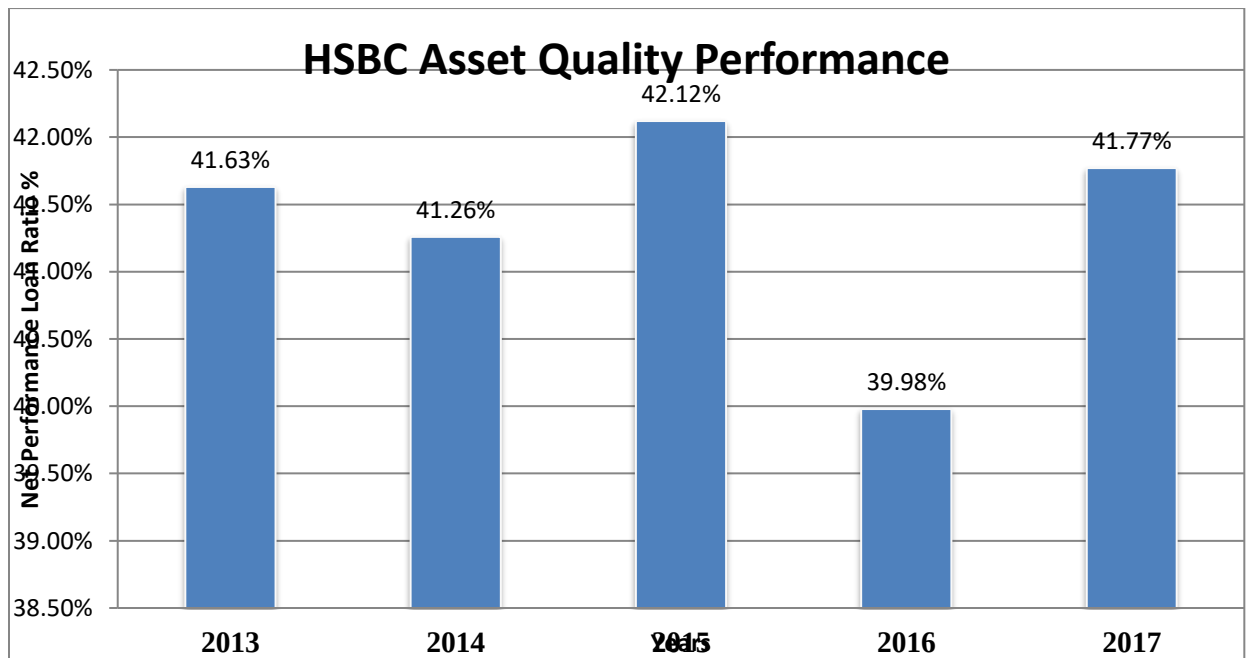
2.4 Asset Quality

Asset quality determines the robustness of banks such as HSBC against loss of value in their assets. One significant reason for bank failures is poor asset quality. Asset quality indicators include nonperforming loans and provision for loan losses. A loan is considered as nonperforming if default on interest payments occur for a period of 90 consecutive days. As a rule of thumb, a high nonperforming rating of 1 signifies a strong asset quality and minimal risks. In this case, net

nonperforming loans. A high net performing loan ratio indicates high probability of a large number of credit defaults that impact profitability. Thus, the higher the ratio the higher the credit risk.

Table 3: Calculation of Assets quality ratios of HSBC Holdings PLC for (2013-2017)

Year	2013	2014	2015	2016	2017	
Loan Ratio (%)	42%	41.26%	42.12%	39.98%	41.77%	
Provision for loan loss ratios%	0.53%	0.35%	0.37%	0.36%	0.17%	



Discussion

As indicated in the table above, the renewal of the banking sector is revealed in the fact that the allocate of nonperforming in the total loan portfolio decreased from 41.71 in 2017 to 39.98% in 2016 than any other year. However, the potentials to to improve portfolio quality was observed in other years after 2016. In addition, an increase in 2017 HSBC profitability might be due an increased in the loan loss reserves compared to the previous year.

In other words, the results indicate a steady number of net performing loans over time. The highest percentage was in 2015 (42.12%) closely followed by 2017 (41.77%). This implies that there is a probability of a large number of credit defaults that affected profitability between these years. Unlike in 2016 which appear to have the smallest percentage (39.98%) indicating less credit defaults. However, the higher the risk, the higher the profit and vice versa.

3.0 Comparison of Key Performance Ratios of HSBC with Barclays Bank UK

The following section presents a comparison between HSBC and Barclays Bank for the most recent financial year, 2017. An examination of profitability, capitalization, asset quality and liquidity ratios are employed for comparison.

Profitability ratios of HSBC Holdings PLC PLC for (2017) VS Barclays bank Plc (2017)

Year	HSBC Holding Plc 2017	BARCLAYS Bank PLC 2017
ROE %	6.00%	2.9%
ROA%	0.71%	0.7%
NIM%	1.41%	0.17%

Leverage ratios of HSBC Holdings PLC for (2017) VS Barclays bank plc (2017)

Year	HSBC Holding Plc 2017	BARCLAYS Bank PLC 2017
Leverage ratio%	12.7%	17.2%

Assets quality ratios of HSBC Holdings PLC for (2017) VS Barclays bank plc (2017)

Year	HSBC Holding Plc 2017	BARCLAYS Bank PLC 2017
Loan Ratio (%)	41.77%	35.40%
Provision for loan loss ratios%	0.17%	0.58%

3.1 Requirement and Regulations

3.1 Capital Adequacy Ratio

The main purpose of the capital adequacy framework also called Basel II enhances the management of and more proficient use of capital than under the earlier framework known as Basel I. The rationale of Basel II is to make sure that the risk that banks allocated to their exposures in calculating their capital ratios replicates actual risk than under Basel I. These capital requirements are placed on banks and computed as a percentage of their risk-weighted assets. A bank's Tier 1 capital must equal at least 4% and total regulatory capital at least 8% of these risk-weighted assets. The following table illustrates the results of capital adequacy ratio of HSBC and Barclays bank for the recent financial year 2017.

Capital Adequacy ratios of HSBC for (2013-2017) and for Barclays Bank (2017)

HSBC	2013	2014	2015	2016	2017	2017 Barclays Bank
Common equity tier 1 %	10.8	10.9	11.9	13.6	14.5	13.3
Tier 1 %	12.5	12.5	11.9	16.1	17.4	17.2
Total Capital Ratios %	15.6	15.6	15.5	20.1	21.0	21.5

Discussion

According to research on banking, the Basel II framework leans on three main pillars: That is, Pillar 1 (comprises the least capital requirements), Pillar 2 (supervisory review) and Pillar 3 (market discipline). Since the Tier 1 capital requirement should be at least 8% as stipulated by the regulatory body, the capital adequacy of HSBC and Barclays bank were well above the industry average of 21% for HSBC and 21.5 % of Barclays bank in 2017. This indicates that both banks performed above the industry norm. In terms of liquidity position, HSBC gradually increased over the last five years at a steady rate between 10.5% to 14 %. Thus, both banks were in a secure position to absorb losses. The following section presents a review of contemporary issues in the banking sector and how they affect HSBC's future performance.

3.2 A Review of Contemporary Issues in Banking Sector and the Impact on HSBC and Barclays Future Performance

This section discusses the contemporary issues facing the banking sector and the effect on HSBC's future performance. Changes in the macro environment and other macro factors are some of the contemporary issues in the banking sector, which have led to drastic changes with regards to HSBC and Barclays future performance. After the recent financial crisis of 2007 – 2009 which led to the failure of some giant financial institutions in the UK (Northern Rock) and US (Lehman Brothers), much have been done by the Bank of England and World Bank to prevent future crisis by implementing new regulations to limit more failures.

Another significant issue is the geopolitical risk nature of Europe, such as the impacts of Brexit or tensions in Korea, Syria and in other parts of the world. In addition, there are transformation in government programs like the structural reform program in the UK. As a result, future performance of HSBC and Barclays banks have been impacted significantly. Furthermore, climate change, both physically and transitionally, has not been favorable. During 2017 the Committee of Risk Management Executives accepted a structure for measuring evolution risks across the loan portfolio of the company. Due to this, HSBC recognized higher risk sectors including, automobiles, construction, metals and mining and chemicals just to mention a few (HSBC Annual Reports, 2017).

With the above contemporary concerns impacting the banking sector, HSBC banking group has devised measures to mitigate their occurrence from 2019 hence forth. HSBC has positioned specific focus on the Brexit from the EU in this section. Before Britain finally leaves the EU by 2019 as anticipated, measures have been put in place by HSBC to manage the situation. This will therefore

impact on the future performance of HSBC since the bank might be considering moving its headquarters from London, UK's capital city. By 2019, this will greatly impact the way in which HSBC will perform in the near future since London happens to be the hub of most financial markets in the world (HSBC Annual Reports, 2017 p. 66).

In relation to developing markets and competition in the banking sector, HSBC's strategy by 2019 and beyond is to link bank clients to openings across a varied range of products and services they offer. With regards to climate change and sustainability risk policies, HSBC's performance in this area near future is expected to improve. A reduction in the carbon concentration of the portfolio of the bank is also taken into consideration. HSBC has committed over \$100bn of financing and investing to reduce carbon by the year 2025 (HSBC Annual Reports, 2017 p. 27). The aforementioned factors will significantly affect the HSBC's future performance by 2019 since the bank has to make readjustments.

For Barclays Bank, looking ahead Barclays and Trustees have decided that BBPLC will remain the sponsoring employer of the UKRF post the date of ring-fencing on 1 April 2018. BBUKPLC (the new ring-fenced bank) will participate in the UKRF until 2025, on terms which mean that it will automatically take on all of BBPLC's responsibilities with respect to the UKRF in the unlikely event of a BBPLC failure during this period. Barclays and the Trustee also agreed a package of additional procedures designed to give continued security to the UKRF, in particular the establishment of a pool of up to £9bn of high quality assets as security for the UKRF's deficit and recovery plan contributions in the near future (Barclays Annual Reports, 2017). In summation, the impact of the banking sector on future performance of HSBC and Barclays Bank cannot be emphasised since it will affect the way they operate by 2019 and beyond. For example, Brexit and ring-fencing of the banking sector have significant impact on the future performance of banks. The subsequent section presents a critical discussion of a financial instrument (bonds) and how they are traded and priced in financial and capital

PART C

4.0 Introduction

This section critically examines a specific financial instrument which is traded in the stock exchange market. In this case, the author of this study chooses a bond and how it is priced and

exchanged in international markets. A critical review of the literature is presented in the following paragraphs.

4.1 Bond Pricing and Trading in the International Market

In the international capital markets, there exist both domestic and international Bonds, which are characterised into Foreign and Euro Bond. With regards a Euro bond, a foreign company issues a bond in a denomination or currency which is not the home currency of the investors. For instance, a UK company issue bonds and raises capital in US denominated in British Pounds. This is an example of a Euro Sterling bond. During the 1970s and 1980s, the bond market was principally an over the counter (OTC) market consist of government bonds and quasi government bonds. The government bonds were issued on an open end basis. By this era, the literature on bond markets did not have basic infrastructure such as a government gauge and bonds regulated body, or a yield curve. Nevertheless, in the early 2000s, the corporate bond began to experience high levels of growth. The rationale for the growth was due to lower interest rates, underleveraged corporate, reduction in the fiscal deficit and an implementation of Basel II standards (Rand Merchant Bank, 2001). To begin, it is important to provide the definition of a bond.

A bond can be defined as certificate issued by a borrower promising to repay borrowed funds to a lender or owner of the certificate at fixed times (De La Grandville, 2003). In other words, a bond refers to a security that gives the investor a sequence of fixed interest payments throughout its lifetime along with a fixed payment of principal at the time of maturity. According to Thau (2010) a bond is a loan or an IOU where the bondholder lends their funds to a larger borrower such as a corporation or a government body. Similarly, a bond is a simply a debt instrument symbolizing the obligation of the issuer to satisfy the holders claim (Wilson and Fabozzi, 1995).

Consequently, the bond issuer enters into a legal agreement to compensate the bold holder through periodic interest payment in the form of coupons or repay the full original amount known as the principal payment on a specific date known as the maturity date.

When a bond is first issued, they usually with maturities ranging between 2 and 30 years. Those bonds issued with less than 10 years of maturity are normally referred to as ‘notes’. To understand the financial characteristics of a bond, the bond yield measures provide a basis to achieve this. Two basis yield measures of a bond comprise of a coupon rate and current yield.

The coupon rate of a bond refers to its annual coupon amount divided by its par value or face value, in other words, its annual coupon expressed as a percentage of face value (Takahashi, Kobayashi and Nakagawa, 2001).

Before examining how bonds are traded and priced in the financial markets, it is essential to understanding how the financial market works for bonds. To give a clear picture or definition what a financial market has been a controversial area, both in the business world and in academic settings. A possible reason for this controversy could be because of the idea that, the financial market time and again is related to the capital markets. Therefore, the literature identifies two main concepts and which are specific to each country. According to (Anghelache, 2004) these two concepts are the Anglo-Saxon concept and designed of continental Europe. In line with Anghelache (2004) argument, the Anglo-Saxon theory comprises of that the capital market and insurance market. As a result, the Anglo-Saxon theory claims that the financial market includes the stock market. Unlike the capital market which deals with financial instruments and provides investments of capital in both medium and long-term basis. On the other hand, the stock market attracts and places short-term capital. In relation to the continental European conception, the capital market comprises of the mortgage market, money market and the financial market. According to the continental European conception, the financial markets are recognized with long-term capital markets. The main objective of the financial markets is placing financial securities such as stocks and bonds held by some investors who are looking for capital. In line with the study conducted by Bako (2006, p. 35), investors are classified into three main categories; financial institutions, companies and individuals. A major component of the financial market is the bond market, which is the focus of this study.

The bond market lies in the connection between the real economy and financial markets. In line with the economy, the risk-free Treasury yield curve reacts to shocks in inflation and growth expectations of the economy. Whereas, the standard provided by the yield curve supports all other interest rates in the economy, and thus determines the supply and price of credit. There is a strong association between the yield curve and the business cycle. Consequently, the bond market plays a significant role in the valuation of all financial instruments in different financial markets.

The bond market is a developed market and uses long-term capital, in terms of value traded. An important characteristic of a bond is whether are sold at face value, discount or at a premium compared to its par value. Bonds are considered to be sold at a premium when the price of the

bond is greater than the face or par value. This implies that the yield of maturity of a premium bond is less than its coupon rate. On the other hand, a bond is said to be sold at Par when the price is equal to the face value. Thus, if the coupon rate is more than the yield, the bond will be sold at a premium, but if the coupon rate is less than the yield, the bond will be sold at a discount.

The yield curve determines the time value of money and the short end of a yield curve is influenced by the monetary policy, meanwhile the supply of a bond is determined by fiscal policy in any economy (Nelson and Siegel, 1985). Cash flows of any given financial instrument are considered as a bond option.

Therefore, the movement the funds to and from the domestic bond market comprises of a vital determinant of capital accounts in the balance of payments of an economy. In terms of bond pricing, the risk-free yield curve sets the discount factors by which all financial instruments are priced in the financial markets.

Some early studies have attempted to fit a range of parametric methods to examine the yield curve. For example, Cohen, Kramer, and Waugh (1966), Echols and Elliott (1976), Dobson (1978), Heller and Khan (1979) and Waldman (1984). These studies employed models to determine the yield curve.

4.1.1 Bond Pricing

This section discusses how bonds are priced and exchanged in the international financial market. At the center of the bond market is the pricing mechanism whereby investors assign a value to a risky set of cash flows that are linked to fixed income securities.

Bonds can be bought and sold in the secondary market. After they are issued, they are mostly traded over-the-counter between broker dealers acting on behalf. Thus, the price of a bond determines its value in the secondary market. These prices are quoted as a percentage of the bond's face value. As interest rate rise, new bonds will pay investors higher interest rates than old bonds tend to decrease in prices and sold at a premium. The price of a bond equals the present value of its expected future cash flows. The rate of interest used to discount the bond's cash flows is called the yield to maturity (YTM). The pricing of a bond will depend on the type of bond in question. For example, a coupon bond is priced differently and may be priced using the following formula:

Bond Pricing Formula

Where:

C = the periodic coupon payment

y = the yield to maturity (YTM)

F = the bond's par or face value

t = time

T = the number of periods until the bond's maturity date

From the formula, the literature also demonstrates that there is an inverse relationship exist between the yield and the prices of a bond. That means, when yields rise, bond prices fall. On the other hand, when yields fall, bond prices rise.

Purchase price = PV of the redemption price + PV of the sum of interest payments

$$\text{Purchase price} = FV (1 + p)^{-n} + PMT [1 - (1 + p)^{-n}]$$

Where $p = (1 + i)^c - 1$

FV = principal of the bond

PMT = periodic interest payment (a.k.a. coupon)

PMT = Face value x bond rate

n = the # of outstanding interest payments (or compounding periods)

i = the yield rate per payment interval

In addition, there exist different types of yield measures that may be used to represent the estimated return to a bond. Among others include the yield to maturity (YTM), yield to call and current yield. Yield to maturity is the discount rate used in the bond pricing formula, which equals the rate of return earned by a bondholder.

To understand how bonds are traded and exchanged on the financial market, this section provides an explanation. Once the bonds have been positioned in the financial market for the public through the Initial Public Offering, the investors are free to buy and sell bonds in the secondary market - on the stock exchange, as well as on OTC markets. Consequently, the stock exchange gets certain fees for each transaction carried out in the secondary market, which depends on the type of financial security and on the trade channel through which the transaction was done. Since some investors such as banks, creating a substantial part of a bond trading on the stock exchange market, they prefer to reduce their transaction costs, by using the channels with lower fees (Andrijanić and Vidaković, 2015). For an investor, the yield is not the only element they depend on. The investor is also keen on the bond price, since it is in direct function of the annual the investor intend to

attain. Therefore, for investors to determine the bond price, they should take into consideration the amount of cash flows, interest or discount rates to compute the present value of the bond.

4.2 Conclusion

The main objective of this study was to critically review HSBC's key bank performance. Part A of this study presented a brief history of HSBC while Part B computed the performance ratios that measure capitalisation, liquidity and asset quality for the past 5 years. In addition, these ratios of HSBC were compared with Barclays Bank as a competitor in the banking sector for the recent financial year 2017. Likewise, a critical evaluation of the aforementioned performance ratios was examined with the use of tables and graphs. Part C concluded by choosing a bond as a financial instrument and discussing how they are priced and traded in the international financial market. This was done by conducting a critical literature review to support the discussion.

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APPENDIX

Retun on Equity (ROE)

Formula: Net income after Taxes / Total Equity

HSBC	Net Income Millions)	Total equity Millions)	ROE%
2013	17800	190459	9.35%
2014	14705	199978	7.35%
2015	15096	197518	7.64%
2016	3446	182578	1.89%
2017	11879	197871	6.00%
Barclays 2017	1922	66016	2.91%

Retun on Asset (ROA)

Formula: Net income After Tax / Total Assets

HSBC	Net Income (Millions)	Total Assets (Millions)	ROA%
2013	11879	2671318	0.44%
2014	3446	2634139	0.13%
2015	15096	2409656	0.63%
2016	14705	2374986	0.62%
2017	17800	2521771	0.71%
Barclays 2017	1922	1133248	0.17%

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Net Interest Margin (NIM)

Formula: $\frac{\text{Total Interest Income} - \text{Total Interest Expenses}}{\text{Total assets}}$

Financial year was not included Total interest Expenses

HSBC	Total Interest Income		Total Assets (Millions)	NIM%
2013	35539		2671318	1.33%
2014	34705		2634139	1.32%
2015	32531		2409656	1.35%
2016	34705		2374986	1.46%
2017	35539		2521771	1.41%
Barclays 2017	1922		1133248	0.17%

Capitalisation Leverage Ratios :

Formula: $\frac{\text{Total Equity}}{\text{Total Assets}}$

HSBC	Total Assets Millions)	Total Equity Millions)	Leverage Ratios%
2013	2671318	190459	14.0
2014	2634139	199978	13.2
2015	2409656	197518	12.2
2016	2374986	182578	13.0
2017	2521771	197871	12.7
Barclays 2017	1133248	66016	17.2

Assets Quality Ratios

Loan Ratios : Formula: $\frac{\text{Net Loans}}{\text{Total Assets}}$

HSBC	Net Loan	Total Assets	Loan Ratios
2013	1112135	2671318	41.63%
2014	1086809	2634139	41.26%
2015	1014855	2409656	42.12%
2016	949630	2374986	39.98%
2017	1053357	2521771	41.77%
Barclays 2017	401215	1133248	35.40%

Provision for loan Loss Assets

: Formula: Provision for Loan losses/ Total loans and leases

HSBC	PLL	Total Loans	PLL
2013	5849	1112135	0.53%
2014	3851	1086809	0.35%
2015	3721	1014855	0.37%
2016	3400	949630	0.36%
2017	1769	1053357	0.17%
Barclays 2017	2336	401215	0.58%