

Financial Analysis of HSBC



Internship Report
On HSBC

Submitted To

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Subject: Submission of the internship report

Dear Madam,

I am submitting my internship report “Financial Analysis of HSBC 2008-2012” as partial requirement of internship program under BBA curriculum.

I would like to thank you for assigning me on this topic and providing all the necessary support and help. This report gave me an opportunity to dig into the financial data and hone my skills in calculating and interpreting them. I have tried my best on this report and I hope that my work will come up with the level of your expectations.

I hope you would go through this report and I would be grateful if you have any questions or queries.

Sincerely yours,

Md Ishtiaque Shams

(09304048)

Acknowledgement

I would not have been able to put together this report without the help of few peoples. Their support and help have motivated me to finish this report.

I would like to thank my academic super visor Ms Tasneema Afrin for her relentless support, patience and effort. She guided me through all the difficulties and has been very prompt in giving me solutions when I had any troubles while calculating the financial data. I would also like to thank the marketing and communications team of HSBC for their guidance and support throughout the four months of my internship period. I would like to thank Mr Moniruzzaman (Head of Marketing), Mr Noman Anwar Talukdar (Head of Communications), Mr Saifur, Mr Jubayer, Ms Amrita, Ms Afza, Ms Rifat and all the people I came across in HSBC (especially all the facilitators of the 'Right Here Right Now' event) for their unbelievable support and friendship and for making my stay at HSBC very special and memorable.

Finally I would like to thank BRAC University Career Services Office for their support and help in finding me an internship position in HSBC.

Executive Summary

This report elaborates some key financial findings of HSBC from the 2008 to 2012 and tries to give a meaningful interpretation of the major findings. The findings will provide a snap shot of HSBCs performance over the last couple of years and how they have been doing as a global bank. The report also contains my role as an intern in HSBC Bangladesh and what I have done in these four months of my stay in the management office of HSBC. I have tried to relate my academic learning in the practicality of an office premises and also used the opportunities to learn the things outside the theories of academic books. The report is broken down into several parts for the ease of reading. This report showcases my four months experience in HSBC.

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Chapter 1

Introduction

1.1 Introduction

The history of banks dates back to the fourteenth century in the wealthy cities of the renaissance Italy. Throughout history hundreds of banks came into existence however their main objective has remained the same ‘to link together customers that have capital deficits and customers with capital surpluses’. Based upon this principles banks have come up with innovative products and services fulfilling the demands of time and coping with the changes of globalization in the twentieth and twenty-first centuries.

Among hundreds of banks in the world today HSBC stands out as one of the biggest financial institutions of the world. Popularly known for their tag line ‘worlds local bank’ HSBC has had a paradigm shift in their strategy and follows the tag line ‘as the World’s Leading International’. HSBC has over millions of customers spread throughout the world geography and have over thousands of employees who cater to the needs of the customers. HSBC had grown over the years by consistently buying and acquisition of other key banks and have increased their threshold whenever it found the opportunity. And today it thrives and continues to still grow in times of world financial crisis.

However it is also important for HSBC to look out for potential future customers and retain the existing customers by providing superior services and reaching out to them through marketing and promotional activities. The motivating factor for doing my internship in HSBC corporate banking marketing division is that I wanted to know how a bank promotes its products and services. How it does branding and how it communicates its values and imperatives through its corporate sustainability measures. This internship program not only helped me put my marketing knowledge and theories in to action but also made me be very professional in my approach and has given me a small aperture to view how it’s like to work in a major global organization; its environment, culture, values and how it works.

1.2 Origin of the report

A three months internship program with a particular organization and a report assigned by the academic supervisor is mandatory for every student of Bachelor of Business Administration of BRAC University. I got the opportunity to do my internship in HSBC Bangladesh's Management office in Tejgaon. I started my internship on 1st June 2013 and ended it on 30th September 2013. Throughout my internship period Tasnima Afrin, Lecturer of BRAC Business School was my academic supervisor and Mr Moniruzzaman Head of Marketing HSBC Bangladesh and Amrita Nandi Biswas, Marketing manager was my field supervisor. A report on a particular topic is a mandatory part of the internship program. I was authorized to make a report on the "Financial analysis of HSBC 2008-2012". In this whole report I tried to connect my own financial knowledge to the financial data of HSBC. I tried my level best to produce a quality report on "Financial Analysis of HSBC 2008-2012".

1.3 Objective of the report

Broad Objective:

- To get an overall idea about the financial performance of HSBC over the last five years.
- To relate the theoretical knowledge with the financial findings and interpret key figures.

Specific Objective:

- To know the financial performance of HSBC in the last five years.
- To present my observation and suggestion to the bank.

1.4 Methodology

This report contains both primary and secondary data. The sources that have been used to gather and collect data is given below-

Primary Source

- Personal interview

Secondary Sources

- Annual Report of HSBC from 2008-2012
- Official Web site
- HSBC Banglanet
- HSBC intranet

1.5 Limitations of the report

Although it was a privilege to work as an intern in HSBC but there were limitations and red tapes that caused trouble while preparing this report. They are:

- HSBC is a very conservative bank and they are very strict at providing their internal information. So the data used while preparing this report came from sources that are already disclosed to the public through annual reports and newspaper.
- I did my internship in the marketing division and the findings of the report were financial so the difference in the two departments made it difficult to obtain key information.

Chapter Two

Company overview

2.1 A snapshot of HSBC

HSBC started its journey in 1865 with a small idea – a local bank serving international needs. It was founded by a Scottish gentleman named Sir Thomas Sutherland. Today HSBC has around 7,200 offices in 85 countries and territories across Africa, Asia, Europe, North America and South America, and around 89 million customers. As of 31 December 2012 it had total assets of \$2.693 trillion, of which roughly half were in Europe, the Middle East and Africa, and a quarter in each of Asia-Pacific and the Americas.

With its diversified human resource and technological acumen in the twenty first century HSBC provides the following financial services throughout the globe: personal, commercial, corporate, investment and private banking; trade services; cash management; treasury and capital markets services; insurance; consumer and business finance; pension and investment fund management; trustee services; and securities and custody services. The current Group chairman is Douglas Flint and the Group Chief Executive is Stuart Gulliver.

2.2 HSBC vision and Governing Objectives

HSBC Group Vision

To Become the world's leading financial services company.

HSBC Group Values

Long term ethical client service

High productivity through team work

International character, conservative orientation

Confident and ambitious sense of excellence

2.3 A brief history of HSBC

After the British established Hong Kong as a colony in the aftermath of the First Opium War, local merchants felt the need for a bank to finance the growing trade between China and Europe (with traded products including opium). They established the Hongkong and Shanghai Banking Company Limited in Hong Kong (March 1865) and Shanghai (one month later).

In 1991 HSBC Holdings plc was established in the United Kingdom as the parent company to the Hongkong and Shanghai Banking Corporation. Their acquisition of the Midland Bank gave HSBC a strong foothold in the UK.

Major acquisitions in South America started with the purchase of the Banco Bamerindus of Brazil for \$1bn in March 1997 and the acquisition of Roberts SA de Inversiones of Argentina for \$600m in May 1997.^[1] In May 1999, HSBC expanded its presence in the United States with the purchase of Republic National Bank of New York for \$10.3bn. these acquisitions gave HSBC a strong presence in both North and South America.

HSBC expanded their operations in Europe with acquisition of Crédit Commercial de France, a large French bank for £6.6bn and buying Demirbank, an insolvent Turkish bank in 2001.

In September 2003 HSBC bought Polski Kredyt Bank SA of Poland for \$7.8m.^[22] In June 2004 HSBC expanded into China buying 19.9% of the Bank of Communications of Shanghai.^[23] In the United Kingdom HSBC acquired Marks & Spencer Retail Financial Services Holdings Ltd for £763m in December 2004.

Under the leadership of the Group Chief Executive Stuart Gulliver HSBC show a paradigm shift in its strategy and it is no longer to be as the 'Worlds Local Bank' as the cost associated with this was spiralling and US\$3.5bn needed to be saved by 2013. Further to CEO Stuart Gulliver's plan to cut \$3.5 billion in costs over the next 2 years, HSBC announced that it will cut 25,000 jobs and exit from 20 countries by 2013 in addition to 5,000 job- cuts announced earlier in the year. The consumer banking division of HSBC will focus on the UK, Hong Kong, high-growth markets such as Mexico, Singapore, Turkey and Brazil, and smaller countries where it has a leading market share.

2.4 HSBC's major acquisitions

HSBC came to become one of the biggest financial institutions of the 21st Century through a number of acquisitions and aggressive growth throughout the globe. Few major acquisitions of HSBC are presented in the table below.

Bank Acquired	Country
The British Bank of the Middle East (1959) The Mercantile Bank (1959)	India Persia (Present day Iran)
Marine Midland Bank	United States of America
Bank of British Columbia (1986), Lloyds Bank Canada (1990), ANZ Bank of Canada (1993), Barclays Bank of Canada (1996), and National Westminster Bank of Canada (1998)	Canada
Midland Bank (1987)	United Kingdom
Grupo Financiero Bital, S.A. de C.V. of Mexico (2002)	Mexico
Banco Bamerindus (1997)	Brazil
Roberts SA de Inversiones (1997)	Argentina
Crédit Commercial de France (2000)	France

2.5 HSBC in Bangladesh

The headquarters of HSBC Bangladesh is Anchor Tower and the management office is SPL in Tejgaon industrial area. These are the two major establishments which heads HSBCs operation in Bangladesh. In Bangladesh, HSBC started its operations in 1996 and today, it serves customers in Dhaka, Chittagong and Sylhet through a network of 13 offices, 39 ATMs and 9 Customer Service Centers (CSC). HSBC is the only bank to be present in 7 Export Processing Zones (EPZs) of Bangladesh.

2.6 The HSBC management team in Bangladesh

Designation	Name
Chief executive officer	Andrew Tilke
Chief Financial officer	Steve Ball
Head of Human Resource	Robert Hermalin
Chief Risk officer	Johnson Chang
Head of Corporate Banking	Mahbub-Ur-Rahman
Chief Operating Officer	Saiful Islam
Head of Marketing	Md Moniruzzaman
Head of Communications	Noman Talukder Anwar

2.7 Awards and accolades of HSBC in Bangladesh

Awards and accolades of HSBC in Bangladesh
Best International Islamic Bank 2011 by Euro money
Best Employer Award 2010 by Bdjobs.com
Best Domestic Cash Management Bank in Bangladesh 2010 by Euro money

Best Emerging Markets Bank of the Year 2012 by Euro money

Best Emerging Markets Debt House by Euro money

The World's Most Valuable Banking Brand by The Banker Magazine

2.8 HSBC operation in Bangladesh

Retail Banking and Wealth Management: With a network of 13 offices, 38 ATMs, 9 Customer Service Centers, an offshore banking unit, and offices in 7 EPZs, HSBC offers a full range of personal banking and related financial services including current and savings accounts, personal loans, time deposits, travelers cheques and inward and outward remittances. However HSBC is curtailing RBWM (for example the termination of Amanah) and focusing more on Corporate Banking. The only personal account a person can have is HSBC select, which requires a minimum of BDT 1 million to be deposited while opening an account.

Commercial banking: Commercial banking is a traditional strength of the HSBC Group. In Bangladesh, HSBC is a popular choice for customers because of the Group's international reach and a wide range of financial services and products. HSBC has an offshore banking unit (OBU) license and can therefore also provide foreign currency financing to qualifying customers. In addition, there are 7 business development centers in the country's major 7 EPZ areas including Dhaka, Chittagong, Adamjee, Mongla, Comilla, Karnaphuli and Ishwardi.

Corporate and institutional banking: Corporate and institutional banking provides dedicated relationship management services to HSBC's clients in major corporate and financial institutions. The Bank's focus is on fostering long-term relationship based on its international connections and extensive knowledge of Asia and Asian business.

Trade and Supply Chains: Trade finance and related services are a long-standing core business of HSBC based on the depth and spread of its corporate customer base, highly automated trade processing systems and extensive geographic reach.

Payments and cash management: HSBC is one of the leading providers of payments and related services to financial institutions, corporate and personal customers in Bangladesh. Underpinned by the Group's extensive network of offices and capabilities, payments and cash management assists companies in efficient cash management through the provision of payments, collections, and liquidity and account services.

Custody and clearing: HSBC is a leader in custody and clearing in the Asia Pacific region and the Middle East. The network uses advanced securities clearing system, which was developed in-house and provides round-the-clock online real-time access to clients' securities portfolios.

Investment banking and markets: This division brings together the advisory, financing, asset management, equity securities, private banking, trustee, private equity, and treasury and capital market activities of the HSBC Groups.

Treasury and capital markets: HSBC's treasury and capital markets business ranks among the largest in the world and serves the requirements of supranational, central banks, international and local corporations, institutional investors, and financial institutions as well as other market participants.

Chapter Three

Job Description at HSBC

3.1 Digital Documents and Photo Archiving

I was assigned to archive all the documents and photos of the Corporate Banking (CMB), Retail Banking and Wealth Management (RBWM), Corporate Sustainability (CS) and Communications (COMMS) departments in the database from CDs and DVDs. I had to make sure all CDs and DVDs are labeled correctly. I also created an excel worksheet showcasing all the documents I have archived and which can be accessed through the worksheet via hyperlinks.

Digital Archiving gave me an opportunity to go through all the marketing campaigns that HSBC initiated in Bangladesh since its inception in 1996. It gave me a complete idea of the marketing and promotional tools that HSBC has used in order to establish themselves as a premier Bank in Bangladesh. Some major events HSBC has launched over the years are:

- **HSBC Export Excellence Awards:** An award ceremony to acknowledge the outstanding exporters of Bangladesh who are representing Bangladesh in global market and contributing in the GDP of Bangladesh.
- **HSBC-Prothom-alo Bhasha Protijog:** A country wide competition for school going children to demonstrate their skill in Bengali language and bond with their mother language with fun.
- **HSBC Kali O Kolom:** An imitative to acknowledge the works of young passionate writers and providing them a platform to highlight their excellent works.
- **HSBC Climate Awards:** An award ceremony to acknowledge organizations who are making an extra effort to preserve the nature and taking all the measures to not to degrade the environment.
- **HSBC – The Daily Star Junior Climate Awards:** A new initiative of HSBC starting from this year. It is a competition for the young children of Dhaka, Chittagong and Sylhet to showcase their creativity through painting and extempore speech and demonstrating the harms of global warming, carbon emission.
- **HSBC Young Entrepreneurs Challenge:** A completion for university students to come up with innovative business idea and present them to a panel of judges to show their creativity and entrepreneurial spirit.

- **HSBC Business Case Competitions:** A new initiative of HSBC starting from this year for university students to demonstrate their analytical skills to come up with solutions for a problem.

HSBC has also published books acknowledging the history and heritage of Bangladesh. Some of the books published are:

- **The Mogul Monuments**
- **Birjoddha**
- **Songs of Tagore**
- **Photo album of the pictures of the internationally acclaimed artist Shahabuddin**

During my four month internship in HSBC I have been lucky enough to participate in some of the above mentioned events. Some of the events I have participated are the 4th HSBC Export Excellence Awards which was held on September 28 2013; HSBC-Prothom alo Bhasha Protijog, HSBC Junior Climate Awards.

3.2 A photographic survey

I conducted a survey covering all the main roads of Dhaka and taking photos of all the billboards, banners, monuments and bus stand sheds sponsored by any other banks. The purpose of this survey was to show a comparison between HSBC's marketing presence in the streets of Dhaka compared to other banks and ask for additional fund for billboard space for HSBC. I presented my findings in a power point slide mentioning the locations I covered in Dhaka and the location of all the billboard photos I took. I ripped all my findings in a CD and presented to the Head of Marketing.

3.3 Writing summaries and translating news articles for HSBC

banglanet:

I was assigned on couple of occasions to write summaries of the HSBC events I visited for the HSBC internal website or Banglanet. I also translated some news published in Bengali newspaper concerning banks and translated them in English so that it can be viewed by non Bengali speaking individuals.

3.4 Supporting in organizing the Export Excellence Awards:

Export Excellence Awards is the biggest event of HSBC in Bangladesh with a budget of USD \$ 3,21,000. It is an award night to recognize the eminent exporters of the country and their contribution to promote Bangladeshi products in the global market. It was broken down in five categories

Award Category	Winner
Group A RMG and Textiles, (Annual export turnover of US \$50 million or more)	DBL Group: Textile and RMG Division
Group B RMG and Textiles, (Annual export turnover less than US \$50 million)	S M Group of Companies Ltd
Enterprises in the Export Processing Zones (EPZ) of Bangladesh	Pacific Jeans Group
Exporters in the Traditional and Emerging sectors (annual turnover of US \$3 million or more)	Uniglory Cycle Industries Limited
Small and Medium Enterprises (annual export turnover less than US \$3 million)	Brain Station - 23

I have had the opportunity to be part of the team responsible for organizing the 4th HSBC Export Excellence Awards. I formatted the power point slides and made sure the correct information are administered when the winner (Audio-Visuals) AV were made which was shown in the awards night.

I was present in the in the interview shoot of the winners. I participated in the interview of the Managing Director of DBL group, the winner in Group A category of RMG and Textiles division and I was also present in the interviewing of CEO of Brain Station – 23, winner of SME division. Being present in this interview shoot outs gave me an opportunity to get know some real life successful entrepreneurs of Bangladesh. It was also great to see how these local companies are doing so well and providing great working environment for its employees.

3.5 Being a facilitator in the HSBC midyear staff program ‘Right Here Right Now’

‘Right Here Right Now’ was a thematic midyear staff program of HSBC held in Dhaka Regency Hotel for four consecutive days where each day around 180 staffs of HSBC participated where a theme of the event was to restore ‘Shield’ a power source of a global city by accomplishing various tasks. Participants was divided into Green, Grey, Brown, Black, Blue, Red, Yellow and Blue teams representing eight neighborhoods in a city and had to play four different games. With the completion of each game the towns energy source ‘Shield’ reaches its full potential. I was one of the fifteen facilitators who were in charge of ensuring the event is organized smoothly. This event gave me to connect and interact with various staffs of HSBC coming from various departments. I gave me a great opportunity for networking and making some new friends.

Chapter Four

Financial Analysis of HSBC

2008-2012

4.1 Return on Assets (With Breakdowns)

Return on Assets ratio (ROA) of a bank gives an idea of how efficiently a bank is using its assets to generate profit. We can also divide the bank's ROA into its components part. Components of a bank's ROA are net interest margin, net non interest margin and special transaction. The sum total of this components results in ROA of a bank. Such a breakdown of the components of a bank's earning can be very helpful in explaining some of the recent changes that bank have experienced in a particular financial position.

ROA of HSBC with its breakdown is given below:

	Net Interest margin	Net Non- interest Margin	Special Transaction	ROA
2008 in %	0.061	0.017	0.011	0.067
2009 in %	0.090	0.007	0.011	0.086
2010 in %	0.154	0.009	0.008	0.155
2011 in %	0.176	0.008	0.006	0.178
2012 in %	0.149	0.007	0.005	0.151

ROA interpretation

The ROA of HSBC have seen ups and downs over the last five years with the lowest in 2008 and the highest in 2011 of 0.067% and 0.178% respectively. The main reason for the rise of ROA in the year 2011 is due to the increas of the newt profit margin which rose to a substantial percentage of 0.176%. Net non-interest margin was highest in 2008 at 0.017%.

ROA graph from 2008-2012

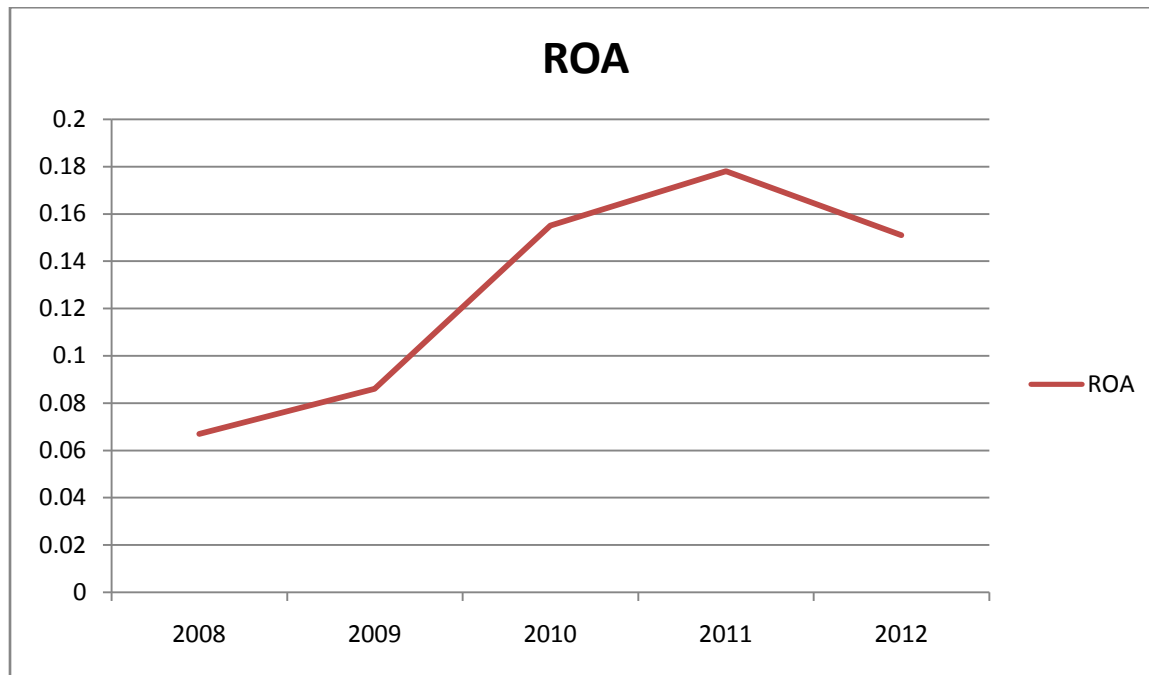


Fig 1: ROA from 2008-2012

4.2 ROE (With Breakdowns)

Return on Equity is a ratio that measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage. It also has several components which are net profit margin, asset utilization and equity multiplier. Each component of this simple equation is a telltale indicator of a different aspect of the bank's operation.

ROE breakdown

Year	NPM	The Degree of Asset Utilization	Equity Multiplier	ROE
2008	0.06	0.042	25.22	0.065 %
2009	0.09	0.031	17.50	0.049 %
2010	0.154	0.037	15.845	0.092 %
2011	0.176	0.040	15.386	0.108 %
2012	0.149	0.038	14.703	0.084 %

Fig 2: ROE from 2008-2012

ROE interpretation

ROE has three components, clearly when any of these four ratios begins to drop, the overall ratio drops. The product of NPM, the degree of asset utilization and equity multiplier gives the ROE ratio. The ROE of HSBC peaked at 2011 when it rose to a 0.108 %. And the lowest was in 2009 when it got stuck at 0.049%.The equity multiplier was highest in 2008 and lowest on 2012 which is good for the organization. The equity multiplier is a way of examining how a company uses debt to finance its assets. This ratio shows a company's total assets per dollar of stockholders' equity. A higher equity multiplier indicates higher financial leverage, which means the company is relying more on debt to finance its assets. The banks performance was best in 2011 when the net profit margin was highest at 0.176% and equity multiplier was relatively low at 15.386%. The equity multiplier went down on 2012 at 14.703% however the net profit margin also went down at 0.149%.

ROE graph

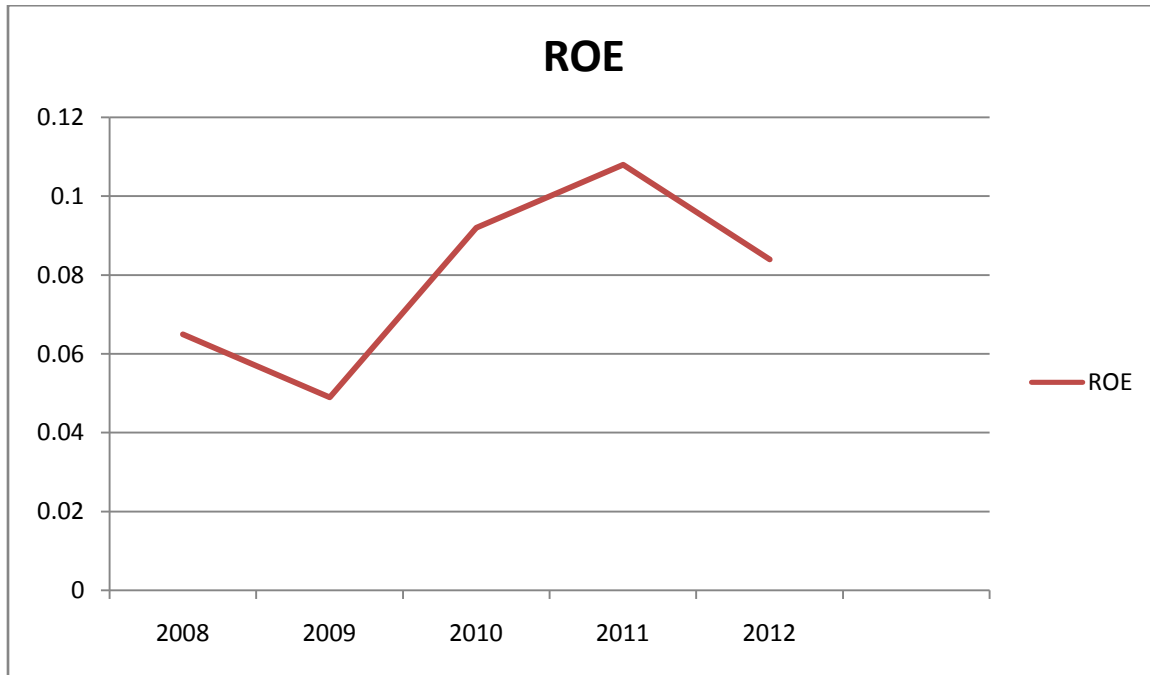


Fig 2: ROE from 2009-2012

4.3 Net Interest Margin

Net Interest Margin is a ratio that examines how efficiently an organization can manage its investment decision to its debt situation.

The Net Interest Margin of HSBC of last five years is given below:

2008	2009	2010	2011	2012
1.70%	1.70%	1.60%	1.60%	1.40%

Net Interest Margin Interpretation

The interest margins have been positive throughout the five years. However it is going down gradually. The organization should take measures to increase the net interest margin.

Net Interest Margin Graph

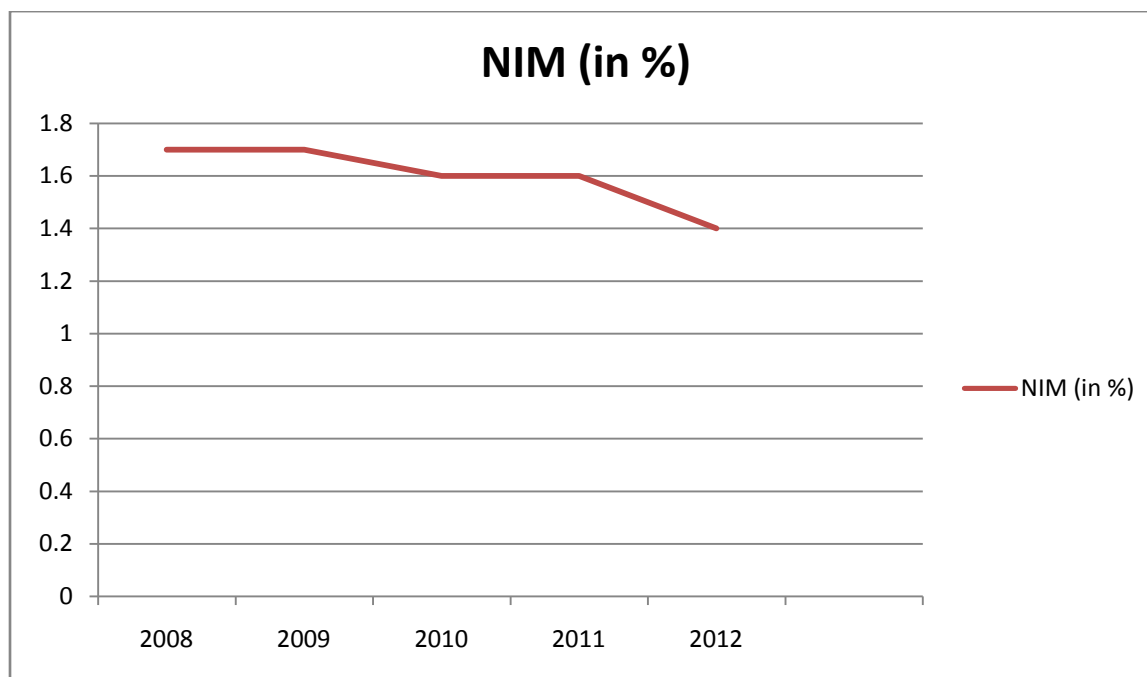


Fig 3: Net Interest Margin 2008-2012

4.4 Earnings per Share

Earnings per share (EPS) are the dollar value of earnings per each outstanding share of a company's common stock.

Earnings per Share of HSBC from 2008-2012 is given below:

2008 (in usd \$)	2009 (in usd \$)	2010 (in usd \$)	2011 (in usd \$)	2012 (in usd \$)
0.41	0.34	0.73	0.92	0.74

EPS interpretation

The earnings per share of HSBC peaked at 2011 and it hit its lowest in 2009 at \$ 0.92 and \$ 0.34 respectively. The overall average of the EPS over the five years was at \$0.61 which is quite good. However the EPS is on the decline again at \$ 0.74 in 2012 after \$0.92 in 2011.

EPS graph

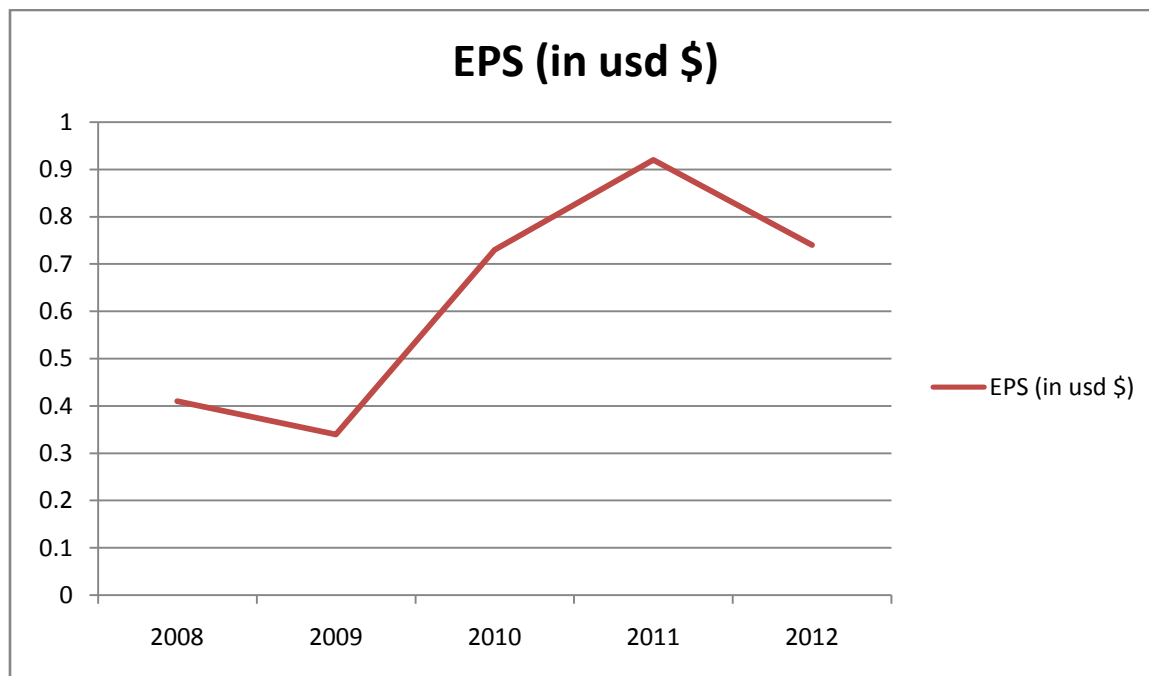


Fig 4: EPS of 2008-2012

4.5 Earnings Spread

Another traditional measure of the earning efficiency with which a bank is managed is called the earning spread. It is calculated from:

Earnings Spread= (Total Interest income/Total Earning assets) – (Total Interest expense/ Total interest bearing bank liabilities)

Earning Spread of HSBC 2008-2012

2008	2009	2010	2011	2012
2.91%	2.72 %	2.32 %	2.58 %	2.40 %

Earnings Spread Chart

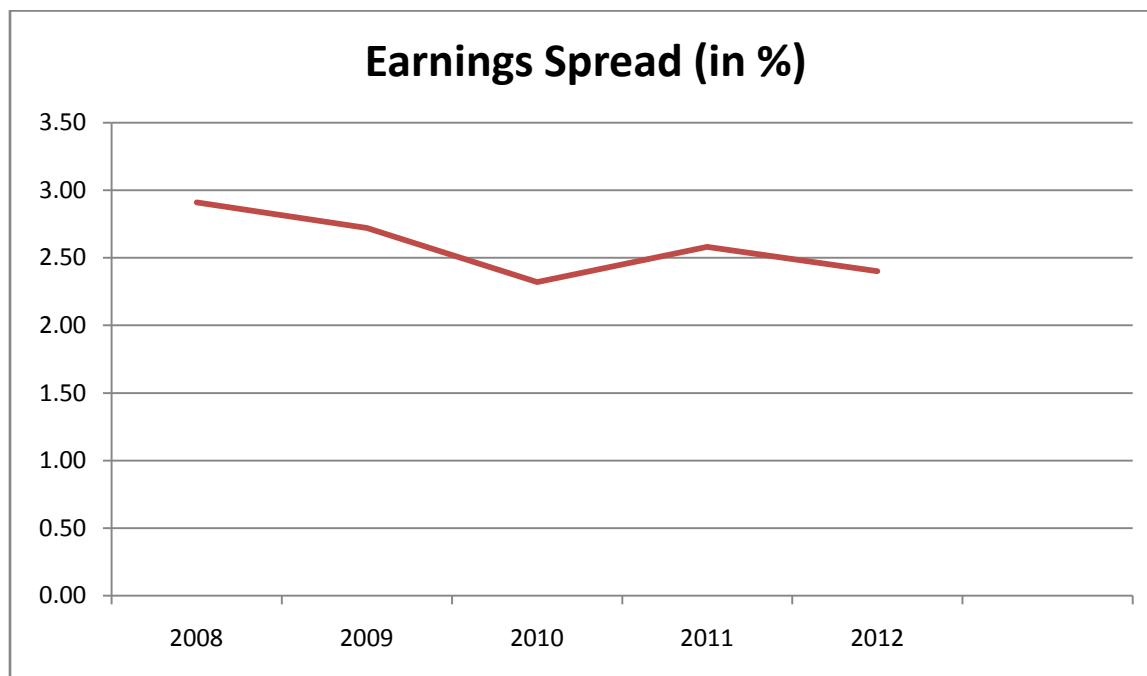


Fig 5: Earning Spread 2008-2012

Earnings Spread Interpretation

The earnings spread has been positive for the last five years which is a good sign however it has not grown over the years rather it has been declining.

4.6 Interest Sensitive Gap

A gap exists between interest sensitive assets and interest sensitive liabilities are called Interest Sensitive Gap. If interest sensitive assets in each planning period exceed the volume of interest sensitive liabilities subject to reprising, the bank is said to have a positive gap and to be assets sensitive. In the opposite situation, when interest sensitive liabilities are larger than interest sensitive assets, the bank then has a negative gap as well as said to be liability sensitive.

Interest Sensitive Gap 2008 - 2012

2008 (in US \$)	2009 (in US \$)	2010 (in US \$)	2011 (in US \$)	2012 (in US \$)
-91,023	-129,776	-95,232	-94,507	-132,999

Interest Sensitive Gap 2008- 2012

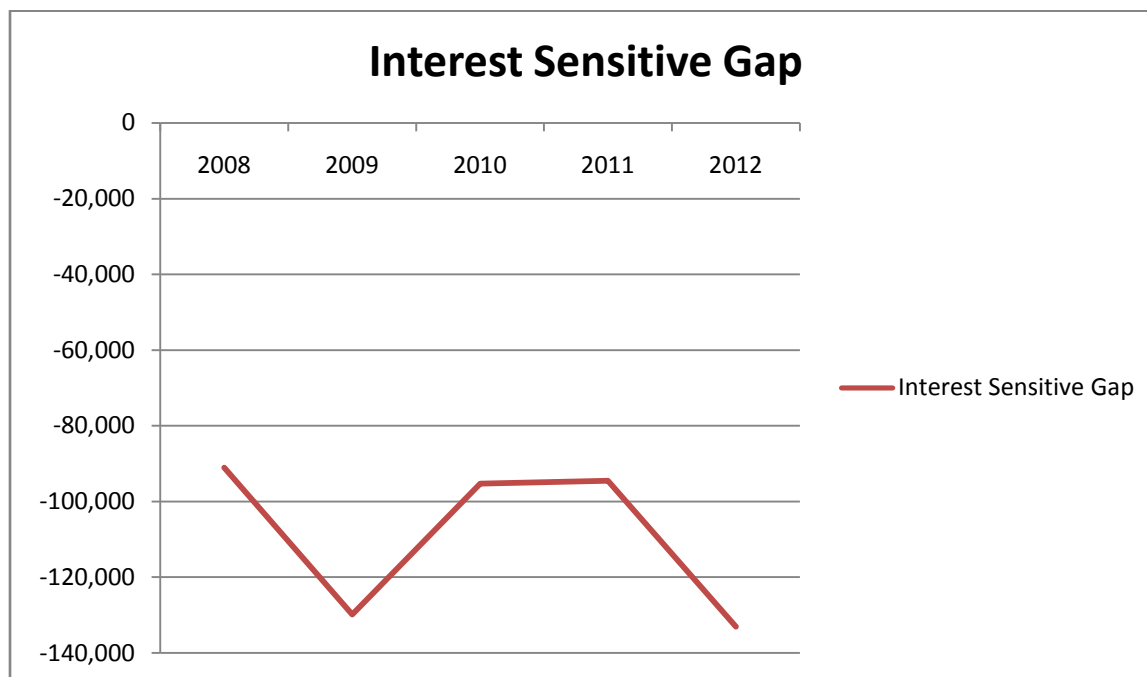


Fig 6 Interest Sensitive Gap 2008 - 2012

Interest Sensitive Gap Interpretation:

HSBC has always had more interest sensitive liabilities than interest sensitive assets throughout the last five years. As of 2012 the interest sensitive liabilities are increasing and in its highest. If there is a substantial amount of change in the interest rates then it will have a negative affect on the bank.

4.7 Relative IS Gap

Relative IS Gap is the ratio of IS Gap and bank size. A Relative IS Gap greater than zero means the bank is asset sensitive, while a negative relative IS Gap describes a liability sensitive bank.

Relative IS Gap

2008 (in %)	2009 (in %)	2010 (in %)	2011 (in %)	2012 (in %)
-0.05	-0.04	-0.04	-0.05	-0.04

Relative IS Gap Graph

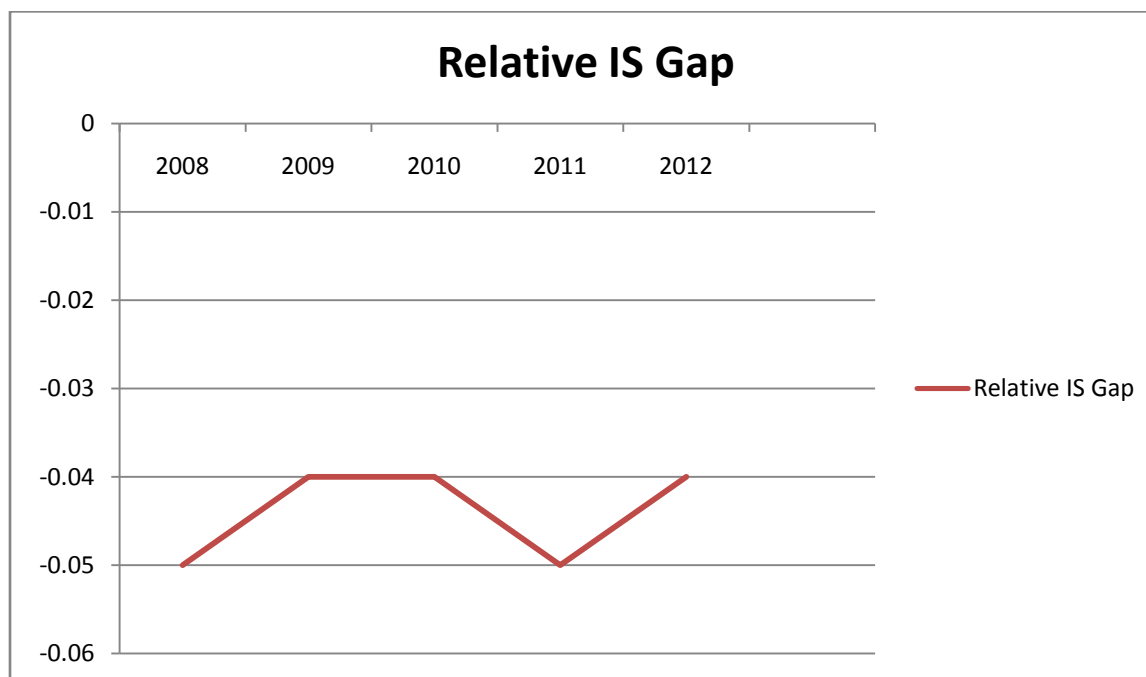


Fig 7: Relative IS Gap 2008-2012

Relative IS Gap Interpretation

The negative percentage in the IS gap makes HSBC a liability sensitive bank. However it has not gone down below -0.05 % and as of 2012 it is going up at -0.04 %.

Interest Sensitivity Ratio

The comparison between ISA and ISL, sometimes called the Interest Sensitivity Ratio. In this instance an ISR of less than 1 tells us we are looking at a liability sensitive bank while an ISR greater than unity points to an asset sensitive bank.

Interest Sensitive Ratio 2008-2012

2008 (in %)	2009 (in %)	2010 (in %)	2011 (in %)	2012 (in %)
0.93	0.90	0.93	0.93	0.91

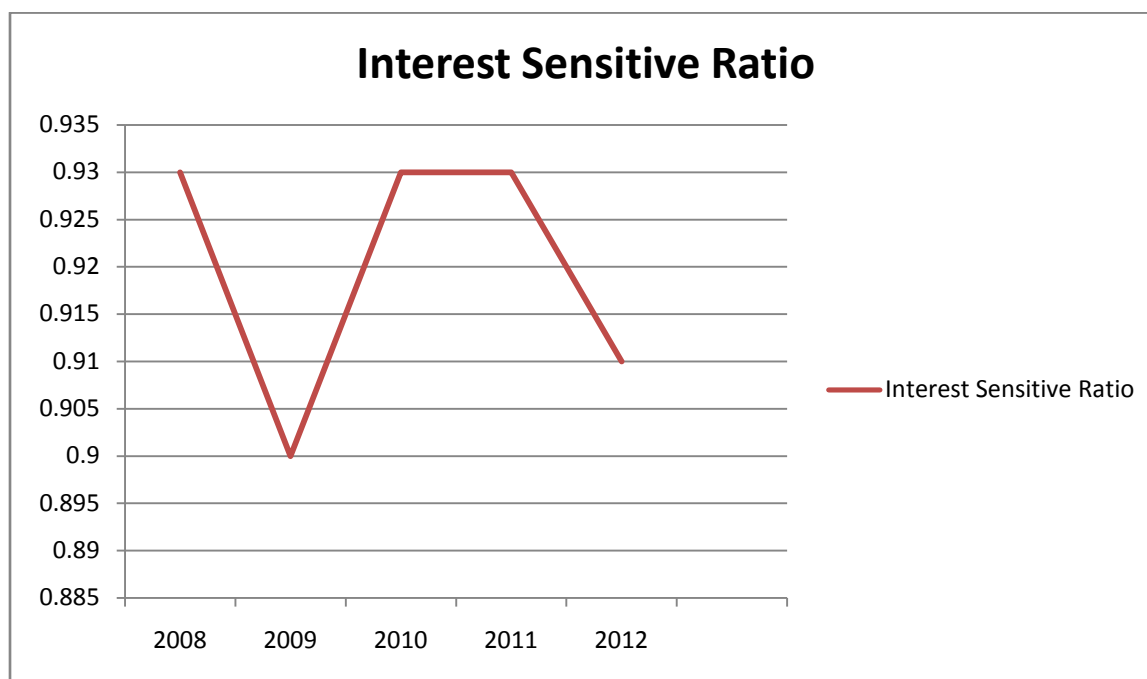


Fig: 8 Interest Sensitive ratios 2008-2012

4.9 Cash Position Indicator

Cash and deposits due from depository institutions divided by total assets, where a greater proportion of cash implies the bank is in a stronger position to handle immediate cash needs.

Cash position indicator implies the how the bank efficiently handle immediate cash needs.

Cash Position Indicator 2008 -2012

2008	2009	2010	2011	2012
60%	80%	80%	70%	60%

Cash Position Indicator interpretation

Cash position indicator implies the how the bank efficiently handle immediate cash needs. HSBC has maintained an average of 70% of cash position which is quite good however at 2012 it was 60% which is the joint lowest with the 60% of 2008 in these five year period.

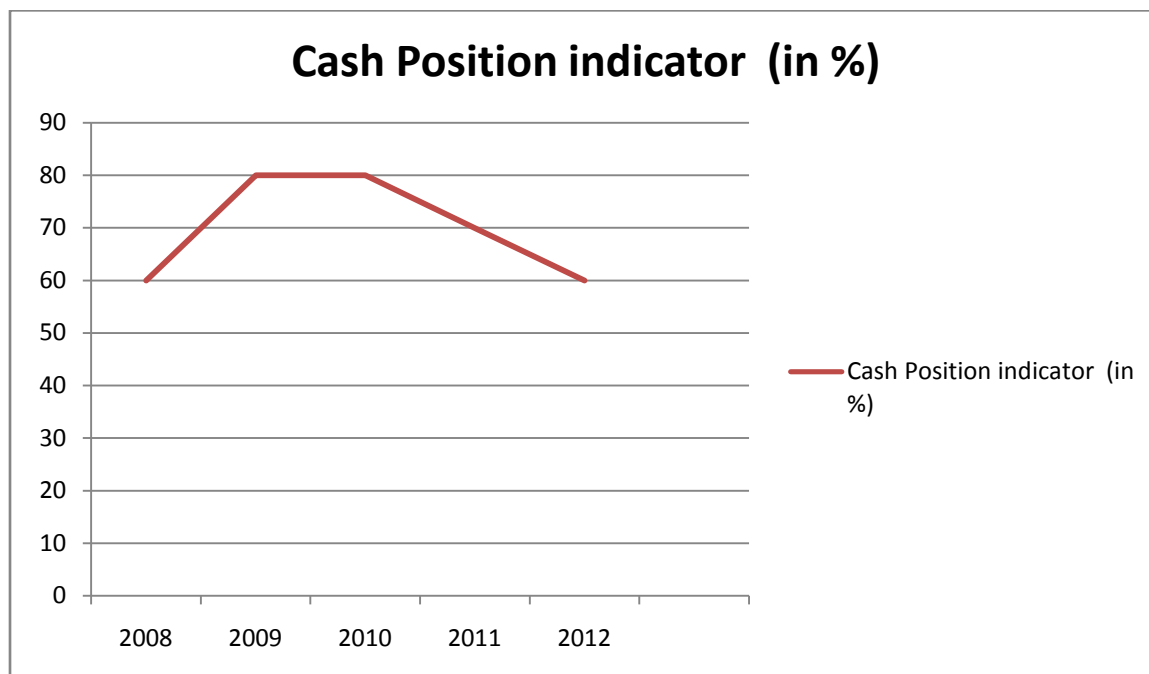


Fig 9 Cash Position 2008 -2012

4.10 Liquid Securities Indicator

Government securities divided by total assets implies liquid securities indicator. It compares the most marketable securities a bank can hold with the overall size of its assets portfolio. The greater the proportion of government securities the more liquid the bank's position tends to be.

Liquid Securities Indicator 2008-2012

2008	2009	2010	2011	2012
0.01 %	0.01 %	0.01 %	0.01 %	0.01 %

Liquid securities indicator interpretation

HSBC has lot most nonexistent percentage of liquid securities. This means they do not rely on marketable securities for liquidity. They have maintained 0.01 % throughout the last five years.

Liquid Securities graph

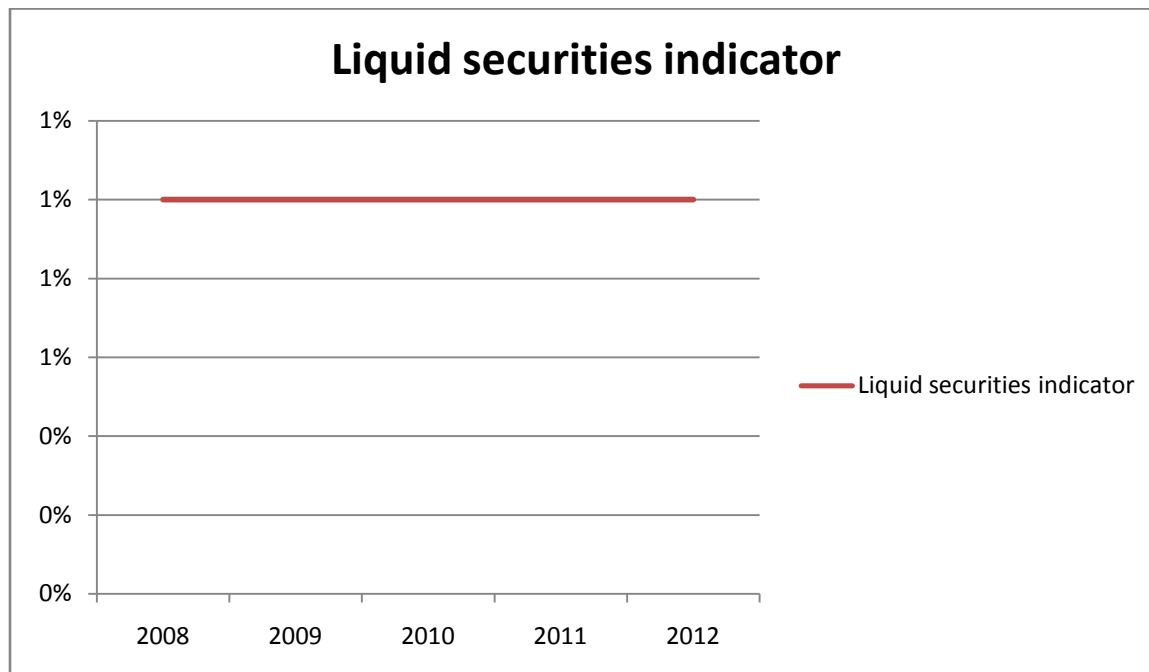


Fig 10: Liquid Securities Indicator 2008 - 2012

4.11 Capacity Ratio

It implies the ratio between net loan and total assets. It is a negative liquid indicator because loan and lease are considered as most illiquid assets a bank can hold.

2008	2009	2010	2011	2012
43%	46%	48%	44%	43%

Capacity ratio interpretation

HSBC has been very consistent in keeping their capacity just below fifty percent. For a bank of HSBC's size it's good to have the figures they have been able to maintain. However they should investment money in instruments which can quickly be liquidated.

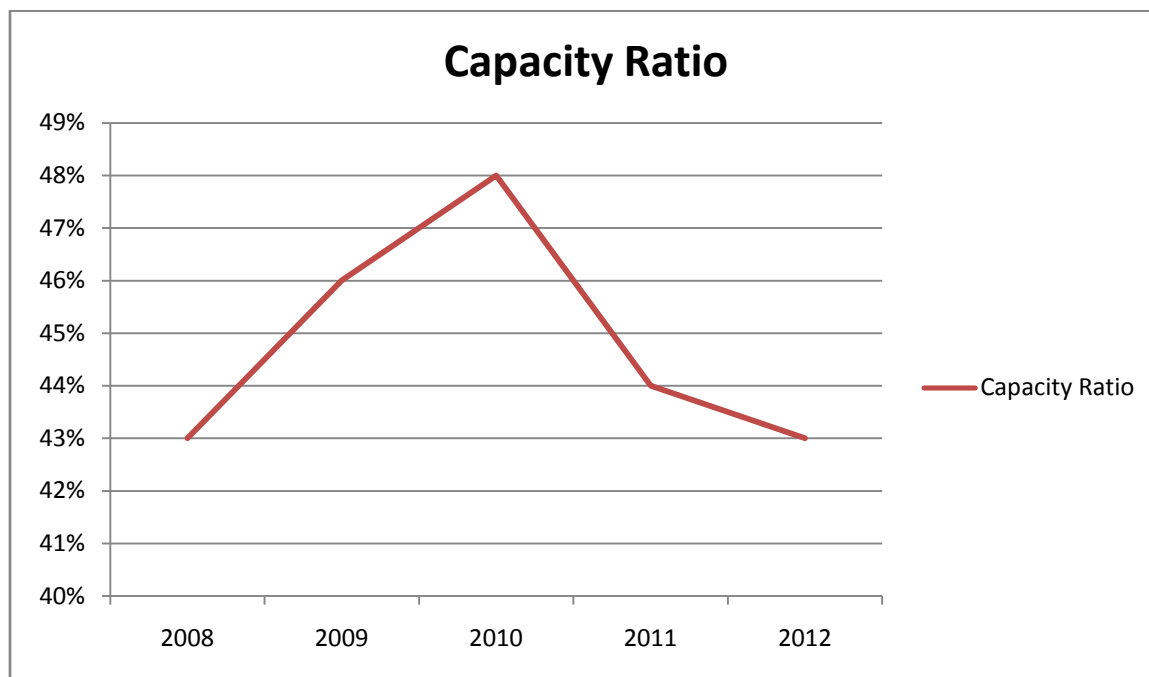


Fig11 Capacity Ratio 2008 -2012

4.12 Leverage Ratio

Leverage Ratio is measured by dividing core capital and total assets. This ratio is measured to identify whether the bank is well capitalized or not. A leverage ratio greater than 5% would be considered as well capitalized. A leverage ratio of 4% or more would be considered adequate capitalization. Below 4% is considered as undercapitalized. If the leverage ratio falls below 3%, it is called significantly undercapitalized and when it falls below 2%, considered as critically undercapitalized.

2008	2009	2010	2011	2012
3.77 %	4.74 %	5.43 %	5.46 %	5.61 %

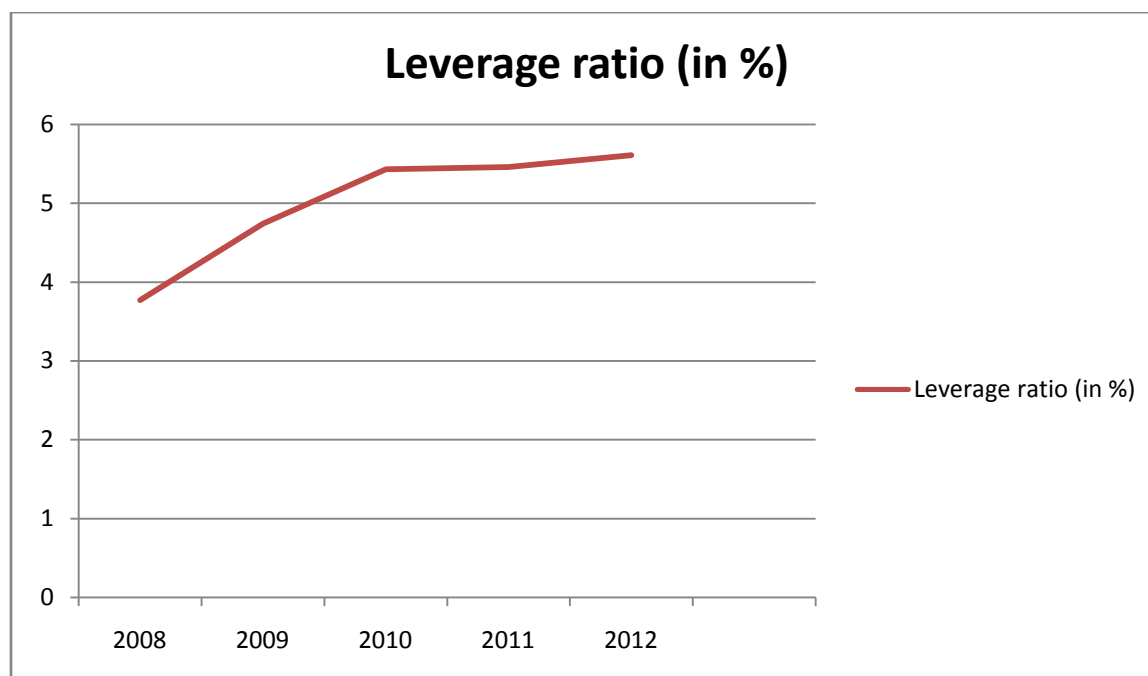


Fig 12 Leverage Ratio 2008-2012

Leverage ratio interpretation

HSBC stands strong as a well capitalized bank as its leverage ratio is higher than 5 for the last three years. The ratio is also increasing from 2008 when it was below 4 %. The bank has performed well as a well capitalized financial institution over the last five years.

4.13 Tier 1 core capital

For regulatory purposes, the capital base is divided into three main categories, namely core tier 1, other tier 1 and tier. Depending on the degree of permanency and loss absorbency exhibited.

The core tier 1 capital comprises shareholders' equity and related non-controlling interests. The book values of goodwill and intangible assets are deducted from core tier 1 capital and other regulatory adjustments are made for items reflected in shareholders' equity which are treated differently for the purposes of capital adequacy.

2008 (US \$m)	2009 (US \$m)	2010 (US \$m)	2011 (US \$m)	2012 (US \$m)
95,336	112,169	133,179	139,590	151,048

Tier 1 core capital interpretation

Tier 1 or Core capital includes common stock and surplus, retained earnings, qualifying non cumulative perpetual stock, minority interest and intangible assets. Tier 1 core capital shows a bank's financial strength. Over the last five years HSBC tier 1 core capital have increased by \$ 55,712 million; this makes it one of the most financially largest bank in the world.

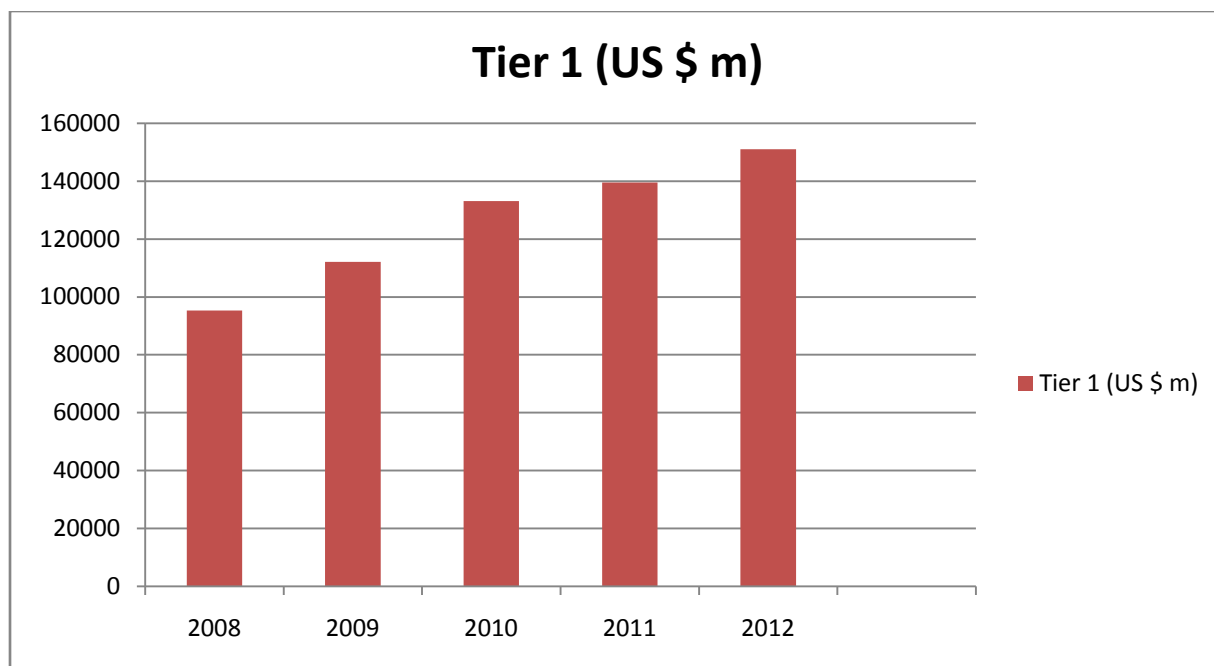


Fig 13 Tier 2008-2012

4.14 Tier 2 supplementary capital

The tier 2 capitals comprises qualifying subordinated loan capital, related non-controlling interests, allowable collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale. Tier 2 capital also includes reserves arising from the revaluation of properties.

2008 (US \$m)	2009 (US \$m)	2010 (US \$m)	2011 (US \$m)	2012 (US \$m)
36,124	34,345	34,376	30,744	29,758

Tier 2 interpretation

HSBC's tier 2 capital have gone down from 2008 still in 2012 it's very strong at \$ 29,758 m. HSBC focus on Tier 1 resulted in the decline of Tier 2 capital.

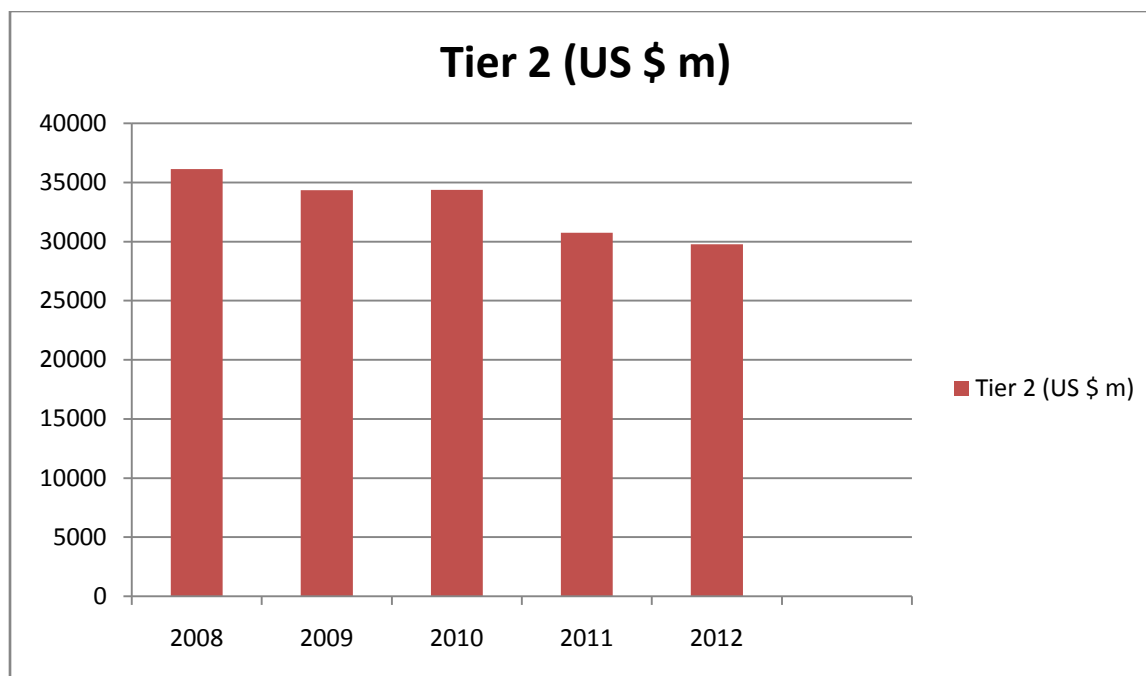


Fig 4.14 Tier 2 2008-2012

4.15 Internal Capital Growth Rate (ICGR)

Internal Capital Growth rate measures of how fast a bank can allow its assets to grow so that its capital to assets ratio does not decline. It is measured by multiplying ROE and retention ratio. Retention ratio is measured by dividing retained earnings and net income after taxes.

2008	2009	2010	2011	2012
0.81%	0.02%	0.64%	0.67%	0.66%

ICGR interpretation

ICGR is the highest level of growth achievable for a business without obtaining outside financing. The ICGR of HSBC fell very sharply at 0.02% from 0.81% in 2008. However the bank recovered in the very next year in 2010 and the rate has been steady for the next three years. However it is still very vulnerable at 0.66% as of 2012.

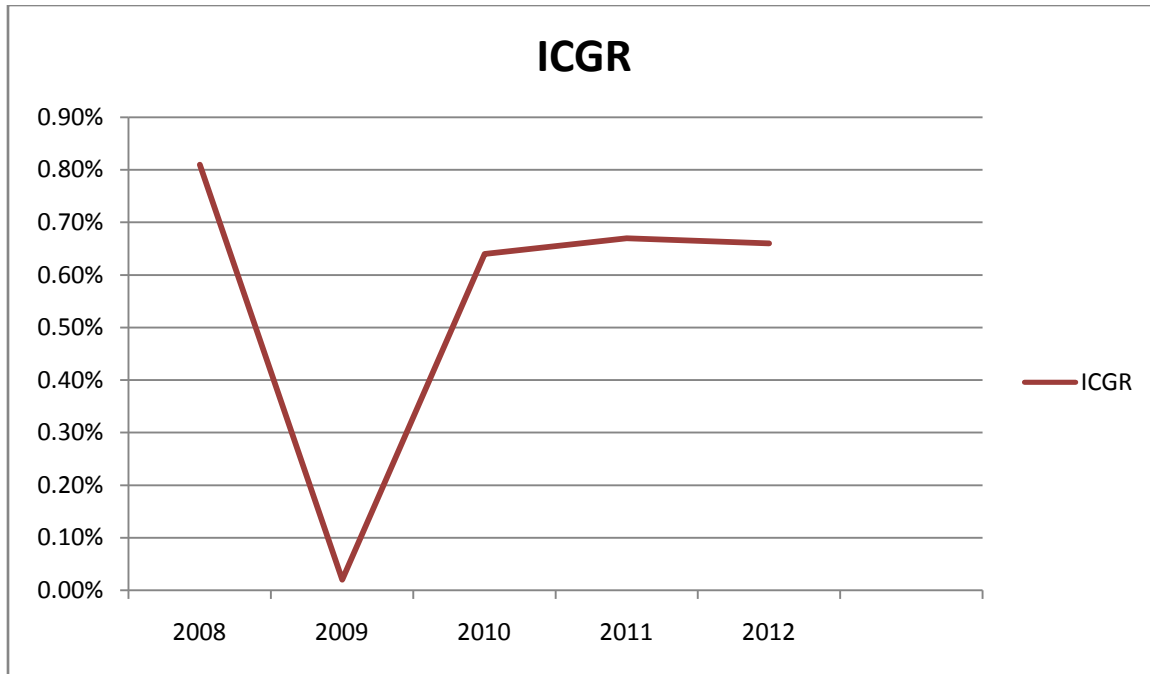


Fig 4.15 ICGR 2008-2012

Chapter Five

Findings and Recommendations

5.1 The financial crisis of 2007-2008

Over the span of the last five years the performance of 2009 has been the worst. The ROA was the lowest in five years. ROE was also at the lowest at 0.049 %. Earnings per share fell to \$ 0.34 which is lowest of the five years. This shows the impact of the stark global financial crisis that occurred in the 2007-2008 period. It was the worst financial crisis after the Great Depression of the 1930s and it was very much manifested itself in the financial performance of HSBC in 2009. Financial analysts and economists still debate over the cause of this global financial calamity. But some common theories are the bursting of the U.S. housing bubble, which peaked in 2006, caused the values of securities tied to U.S. real estate pricing to plummet, damaging financial institutions globally. The financial crisis was triggered by a complex interplay of policies that encouraged home ownership, providing easier access to loans for subprime borrowers, overvaluation of bundled sub-prime mortgages based on the theory that housing prices would continue to escalate, questionable trading practices on behalf of both buyers and sellers, compensation structures that prioritize short-term deal flow over long-term value creation, and a lack of adequate capital holdings from banks and insurance companies to back the financial commitments they were making.

A lot of HSBC loans went as bad debts and HSBC could not retrieve this money this also had an adverse effect on their performance.

5.2 Proper Work -life balance

Although HSBC provides a very friendly and congenial atmosphere for its employees however working long hours can take its toll. In my four months stay at HSBC I have observed some departments working long before the working hours specially Financial Control Department (FSD), Compliance Department, and Commercial Banking Department (CMB). I am sure all the employees are passionate and sincere about their work however I also think maintaining a healthy social life outside the office is equally important to motivate and eradicate boredom of the routine work. Maintaining a proper work – life balance is important and the management

should make sure that the employees finish their work within office hours and have some time to spend with family and friends.

5.3 More Storage facility for inventories

The marketing department should have a dedicated space for storing its temporary inventories. All the CDs and DVDs marketing department are stacked inside paper cartons. These CDs and DVDs contain valuable data, photos, videos of HSBC Bangladesh and should be properly stored for future use but there are not any place for properly showcasing these CDs. HSBC organizes frequent events and entertains its customers and sends invitation cards; it also sends clothing materials and various gifts to charity organizations and sometimes there is an influx of items which becomes hard to store and eats up office space and reduces the office's ambience so there should be a dedicated store room which should be shared by commercial marketing, rbwm marketing, corporate sustainability and communications department.

5.4 Reduce Bureaucratic red tapes

In their quest to become world's leading international bank HSBC has shrouded itself with a bureaucracy red tapes which hinders the efficient flow of work unnecessarily. For example checking CIB report (a report to see if somebody has a loan) for intern is pretty useless and time consuming.

Chapter Six

Conclusion

Conclusions

HSBC wants to establish itself as the Leading International Bank in the world and their goal is to connect business with new opportunities around the globe. It wants to pave a smooth avenue for businesses who wants to reach where it was unreachable. While focusing on commercial banking they have made the strategic move of reducing their operations in the retail banking in Bangladesh. While people comprehends that this is a step backwards HSBC is focusing in reaching something even bigger where stakes are high in a competitive world environment. My experience in the management office was very revealing and it gave in an hands on experience on how a multination organizations work, its climate, environment and most importantly how the people in it thinks and work. This internship process has also helped me to network with some very brilliant individuals both inside and outside work and being acquainted with these individuals would definitely benefit me later in my professional career. I hope I can apply and demonstrate all the learning s in HSBC at my next work place!

6.1 Appendix

Questions to the CEO/MD/Chairman for the Export Excellence Awards AVs

Introduction and Financials:

1. How did the journey of your company begin?
2. Please tell us about the company today?

Business diversity and Success Story:

3. How many countries do you export to?
4. How many brands do you work for and what are they?
5. Please tell us about your company's achievement in brief.
6. Please tell us about the key success factors for your company.

Complaiant and Sustainable Business Practice:

7. Please tell us about the complaint business practices you follow in your company.
8. Please tell us about the sustainable business practices you follow in your company.

CSR initiatives:

9. What kind of social responsibilities do you think a company should take?
10. Please tell us about the CSR initiatives of your company

Future Outlook

11. Where do you see your company heading?

6.2 Reference

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