

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

HSBC HOLDINGS PLC
Form 6-K
October 29, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the of October, 2007

HSBC Holdings plc

42nd Floor, 8 Canada
Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

HSBC BANK CANADA

THIRD QUARTER 2007 RESULTS^ - HIGHLIGHTS

- Net income attributable to common shares was C\$145 million for the quarter ended 30 September 2007, an increase of 5.1 per cent over the quarter ended 30 September 2006.
- Net income attributable to common shares was C\$419 million for the nine months ended 30 September 2007, an increase of 13.6 per cent over the same period in 2006.
- Return on average common equity was 21.3 per cent for both the quarter and nine months ended 30 September 2007 compared with 23.0 per cent and 21.2 per cent, respectively, for the same periods in 2006.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

- The cost efficiency ratio was 48.9 per cent and 50.8 per cent for the quarter and nine months ended 30 September 2007 compared with 48.2 per cent and 51.3 per cent, respectively, for the same periods in 2006.
- Total assets were C\$63.6 billion at 30 September 2007 compared with C\$55.9 billion at 30 September 2006.
- Total funds under management were C\$27.1 billion at 30 September 2007 compared with C\$22.4 billion at 30 September 2006.

^ Results are prepared in accordance with Canadian generally accepted accounting principles.

Financial Commentary

Overview

HSBC Bank Canada recorded net income attributable to common shares of C\$145 million for the quarter ended 30 September 2007, an increase of C\$7 million, or 5.1 per cent, from C\$138 million for the third quarter of 2006. Net income attributable to common shares for the nine months ended 30 September 2007 was C\$419 million compared with C\$369 million for the same period in 2006, an increase of C\$50 million, or 13.6 per cent.

Net income attributable to common shares in the nine months ended 30 September 2007 benefited from gains of C\$21 million after related income taxes, on the sale of the bank's shares in the Montreal Exchange. Excluding these gains, net income attributable to common shares for the nine months ended 30 September 2007 increased by 7.9 per cent from the same period last year.

Commenting on the results, Lindsay Gordon, President and Chief Executive Officer, said: "HSBC Bank Canada recorded satisfactory results in the third quarter with good growth in revenue and net income compared to previous periods. The strong Canadian economy and strategic investments in key businesses and markets drove growth. The recent volatility in international credit and liquidity markets has provided evidence that we need to continue to manage our businesses prudently.

"For the remainder of 2007 and into 2008, we plan to continue our existing strategy of enhancing sales through careful expansion in key target markets and improving operational efficiencies while maintaining close control over credit quality. We continue to work on global initiatives with the HSBC Group and recently, along with 34 other countries and territories, we launched HSBC Global Premier, a product that offers the world's mass affluent the most comprehensive global banking and wealth management service in the market. Global Premier leverages HSBC's presence in 83 markets to provide customers with seamless international service."

Net interest income

Net interest income was C\$319 million for the quarter ended 30 September 2007 compared with C\$282 million for the same quarter in 2006, an increase of C\$37 million, or 13.1 per cent. The increase was driven by growth in assets in all businesses. Average interest-earning assets were C\$5.9 billion or 12.2 per cent higher compared with the same period in 2006. The net interest margin increased to 2.33 per cent for the quarter compared with 2.31 per cent for the same period in 2006.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Net interest income in the third quarter of 2007 was C\$12 million higher compared with the second quarter of 2007. An increase in the Canadian prime rate during the quarter together with higher commercial loan volumes improved net interest income. This was partly offset by higher interest rates on deposits, as a result of the widening credit spreads recently experienced in international credit and liquidity markets. The net interest margin was four basis points higher than the previous quarter.

On a year-to-date basis, net interest income was C\$920 million compared with C\$824 million for the same period last year, an increase of C\$96 million, or 11.7 per cent. Year-to-date net interest income in 2007 benefited from continued growth in assets across all businesses, partially offset by a decrease in net interest margins to 2.30 per cent compared with 2.34 per cent in 2006.

Non-interest revenue

Non-interest revenue was C\$184 million for the third quarter of 2007 compared with C\$160 million in the same quarter of 2006, an increase of C\$24 million, or 15.0 per cent. Investment administration fees were higher as the bank's funds under management in the wealth management business continued to record strong growth. Deposit and payment service charges and credit fees increased as a result of increased customer activity. Capital market fees were lower arising from lower activity as a result of uncertainties in the markets, particularly from new issue underwriting and advisory mandates. Trading income was higher, mainly due to positive impacts of changes in the carrying values of certain debt obligations recorded at fair value. Investment securities gains were lower due to an increase in the fair value of the bank's investments in private equity funds recorded in the third quarter of 2006, not repeated in the third quarter of 2007.

Non-interest revenue was C\$7 million higher in the third quarter of 2007 compared with the previous quarter, mainly due to higher trading revenues as noted above offset by a reduction in investment securities gains on sale of shares in the Montreal Exchange included in the second quarter and a reduction in capital market fees, particularly from lower market activity impacting underwriting and advisory mandates.

On a year-to-date basis, non-interest revenue was C\$546 million, C\$63 million, or 13.0 per cent, higher compared with C\$483 million for the same period last year. Trading income was higher than the same period in 2006, mainly due to positive impacts of changes in the carrying values of certain debt obligations recorded at fair value. Investment administration fees increased due to growth in funds under management, and deposit and payment service charges were also higher. Investment securities gains were higher due to the sale of the bank's Montreal Exchange shares, partially offset by a lower increase in fair value of the private equity funds than that recorded in 2006.

Non-interest expenses and operating efficiency

Non-interest expenses were C\$246 million for the third quarter of 2007 compared with C\$213 million in the same quarter of 2006, an increase of C\$33 million, or 15.5 per cent. Salaries and employee benefits expenses were higher in 2007 due to an increase in the employee base as a result of strategic growth initiatives in new branches in Alberta and the Greater Toronto Area. Investments were also made in the Direct Bank, Private Banking and Wealth Management and the Payments and Cash Management businesses. Stock-based compensation and pension plan costs were also higher than in the comparative period. Premises and equipment expenses were higher due to the opening of new branches, investments in systems and higher transaction costs arising from increased customer activity. Marketing expenses also increased as we continued to build the HSBC brand in Canada. The cost efficiency ratio of 48.9 per cent increased marginally compared with the same period in 2006.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Non-interest expenses for the third quarter of 2007 were also little changed compared with the second quarter of 2007. Salaries and benefits were lower as a result of decreased variable compensation resulting from lower capital market revenues and lower employee benefit costs seasonally experienced in the third quarter. This was offset by higher other expenses due to increases in corporate capital taxes, marketing and other infrastructure expenses.

On a year-to-date basis, non-interest expenses were C\$744 million compared with C\$670 million for the same period last year, an increase of C\$74 million, or 11.0 per cent. Salaries and benefits expenses were higher due to an increased employee base, increased variable compensation, and higher pension costs. Other expenses were higher due to continued investment in the business, as well as higher costs arising from increased customer transactions. The cost efficiency ratio improved to 50.8 per cent compared with 51.3 per cent for the same period in 2006.

Credit quality and provision for credit losses

The provision for credit losses was C\$21 million for the third quarter of 2007, compared with C\$5 million in the third quarter of 2006, and C\$12 million for the second quarter of 2007. Overall credit quality remains sound, reflecting prudent lending standards and strong economic conditions in Canada. The increased charge in the third quarter of 2007 compared to the same period last year is due to additional provisions related to a single commercial exposure compared to an unusually low loan loss experience in 2006 where corporate default rates were at historically low levels.

Gross impaired credit exposures were C\$206 million, C\$11 million higher compared with C\$195 million at 30 June 2007, and C\$40 million higher compared with C\$166 million at 30 September 2006. Total impaired exposures, net of specific allowances for credit losses, were C\$139 million at 30 September 2007 compared with C\$141 million at 30 June 2007 and C\$117 million at 30 September 2006.

The general allowance for credit losses of C\$269 million remained unchanged from 30 June 2007 and 30 September 2006. The total allowance for credit losses, as a percentage of loans and acceptances outstanding, was 0.75 per cent at 30 September 2007 compared with 0.74 per cent at 30 June 2007 and 0.80 per cent at 30 September 2006. The bank considers the total allowance for credit losses to be appropriate given the credit quality of its portfolios and the current credit environment.

Income taxes

The effective tax rate in the third quarter of 2007 was 35.2 per cent, which was comparable to 34.9 per cent in the same quarter of 2006 and 35.5 per cent in the second quarter of 2007. On a year-to-date basis in 2007, the effective tax rate was 34.5 per cent compared with 36.4 per cent for the same period last year primarily due to a higher level of gains subject to a lower tax rate and higher non-deductible expenses in 2006.

Balance sheet

Total assets at 30 September 2007 were C\$63.6 billion, an increase of C\$6.8 billion from 31 December 2006 and C\$7.7 billion from 30 September 2006. The loan portfolio continues to be a major driver of balance sheet growth. Commercial loans and bankers' acceptances grew C\$3.3 billion since 31 December 2006 on the continued strong economy, particularly in Western Canada. Residential mortgages increased C\$0.9 billion, before securitisation during the period. Balance sheet management activity in the Treasury and Markets business has increased the securities portfolio by C\$1.9 billion although this was offset by slight decreases in balances under reverse repurchase agreements.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Total deposits increased C\$3.3 billion to C\$47.5 billion at 30 September 2007 from C\$44.2 billion at 31 December 2006 and by C\$4.7 billion from C\$42.8 billion at 30 September 2006. Growth in personal deposits resulted largely from the new High Rate and Direct Savings accounts. Commercial deposits were higher due to growth in term products, driven by improved product offerings in the Payments and Cash Management business and growth in commercial banking relationships. Other liabilities increased largely from an increase in short positions in securities resulting from an increase in activities in the Treasury and Markets business.

Compared with the balance at 30 September 2006, total assets were higher largely due to growth in commercial loans and markets activities. Residential mortgages were also higher. Deposit growth benefited from increased cash management balances from corporate customers as well as personal deposit growth from the High Rate and Direct Savings accounts.

Total assets under administration

Funds under management were C\$27.1 billion at 30 September 2007 compared with C\$25.8 billion at 30 June 2007 and C\$22.4 billion at 30 September 2006. Including custody and administration balances, total assets under administration were C\$36.4 billion compared with C\$34.8 billion at 30 June 2007 and C\$31.3 billion at 30 September 2006.

Growth in funds under management in 2007 benefited from strong acquisitions of new clients, strong investment sales and the success of Private Client products assisted by growth in equity markets.

Capital management

The tier 1 capital ratio was 8.5 per cent and the total capital ratio was 10.9 per cent at 30 September 2007. These compare with 8.8 per cent and 11.5 per cent, respectively, at 30 June 2007 and 8.9 per cent and 11.1 per cent, respectively, at 30 September 2006.

In addition to net income, regulatory capital increased from an issuance of C\$400 million in subordinated debentures in the second quarter of 2007. This was partially offset by dividends declared on preferred and common shares and the redemption of C\$100 million and C\$25 million in subordinated debentures in the second and third quarters of 2007 respectively.

Accounting policies adopted in 2007

Effective 1 January 2007, the bank adopted new Canadian Institute of Chartered Accountants (CICA) Handbook Standards relating to the recognition, measurement and disclosure of financial instruments including hedges and comprehensive income. Although these standards were adopted prospectively without restatement of prior year comparatives, the impact on initial adoption as well as the effects of certain transitional adjustments have been recorded as adjustments to opening retained earnings or opening accumulated other comprehensive income. Although there was no material impact on the results for the third quarter arising from the adoption of these new standards, more detailed information on the impact of adopting these standards was included in HSBC Bank Canada's first quarter 2007 report to shareholders.

Dividends

During the third quarter of 2007, C\$65 million in dividends were declared and paid on the bank's common shares.

Regular quarterly dividends of 31.875 cents per share have been declared on HSBC

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Bank Canada Class 1 Preferred Shares - Series C and 31.25 cents per share on Class 1 Preferred Shares - Series D. The dividends will be payable on 31 December 2007, to shareholders of record on 14 December 2007.

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 170 offices. With around 10,000 offices in 83 countries and territories and assets of US\$2,150 billion at 30 June 2007, the HSBC Group is one of the world's largest banking and financial services organisations. Visit the bank's website at hsbc.ca for more information about HSBC Bank Canada and its products and services.

Copies of HSBC Bank Canada's third quarter 2007 report will be sent to shareholders in November 2007.

Caution regarding forward-looking financial statements

This document may contain forward-looking statements, including statements regarding the business and anticipated financial performance of HSBC Bank Canada. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation level and general economic conditions in geographic areas where HSBC Bank Canada operates. Canada is an extremely competitive banking environment and pressures on interest rates and the bank's net interest margin may arise from actions taken by individual banks acting alone. Varying economic conditions may also affect equity and foreign exchange markets, which could also have an impact on the bank's revenues. The factors disclosed above may not be complete and there could be other uncertainties and potential risk factors not considered here which may impact the bank's results and financial condition.

HSBC Bank Canada

Figures in C\$ millions (except per share amounts)	30Sept07	30Jun07	Quarter ended 30Sept06	Nine months 30Sept07	30
Earnings					
Net income attributable to common shares	145	135	138	419	
Basic earnings per share	0.30	0.28	0.28	0.86	
Performance ratios (%)					
Return on average common equity	21.3	20.7	23.0	21.3	
Return on average assets	0.91	0.86	1.01	0.90	
Net interest margin [^]	2.33	2.29	2.31	2.30	
Cost efficiency ratio [^]	48.9	51.2	48.2	50.8	
Non-interest revenue:total revenue ratio	36.6	36.6	36.2	37.2	
Credit information					
Gross impaired credit exposures	206	195	166		

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Allowance for credit losses	336	323	318	
- As a percentage of gross impaired credit exposures	163%	166%	192%	
- As a percentage of gross loans and acceptances	0.75%	0.74%	0.80%	
Average balances				
Assets	62,934	63,286	53,945	62,301
Loans	38,405	37,067	34,144	37,164
Deposits	47,588	46,691	42,206	46,717
Common equity	2,693	2,618	2,387	2,623
Capital ratios (%)				
Tier 1	8.5	8.8	8.9	
Total capital	10.9	11.5	11.1	
Total assets under administration				
Funds under management	27,129	25,795	22,372	
Custody accounts	9,279	9,012	8,973	
Total assets under administration	36,408	34,807	31,345	

^ Net interest margin is net interest income divided by average interest earning assets for the period.

^^ The cost efficiency ratio is defined as non-interest expenses divided by total revenue.

Consolidated Statement of Income (Un

Figures in C\$ millions (except per share amounts)	Quarter ended			Nine month	
	30Sept07	30Jun07	30Sept06	30Sept07	30Sept06
Interest and dividend income					
Loans	663	616	566	1,876	1,876
Securities	70	71	47	199	199
Deposits with regulated financial institutions	61	62	59	182	182
	794	749	672	2,257	2,257
Interest expense					
Deposits	464	431	383	1,308	1,308
Debentures	11	11	7	29	29
	475	442	390	1,337	1,337
Net interest income	319	307	282	920	920
Non-interest revenue					
Deposit and payment service charges	25	25	23	73	73
Credit fees	30	28	28	85	85
Capital market fees	21	29	27	82	82
Investment administration fees	33	33	26	96	96
Foreign exchange	10	9	8	28	28

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Trade finance	6	6	6	18
Trading revenue	40	16	18	70
Investment securities gains	-	10	5	35
Securitisation income	10	9	10	29
Other	9	12	9	30
	184	177	160	546
 Total revenue	 503	 484	 442	 1,466
 Non-interest expenses				
Salaries and employee benefits	132	139	120	414
Premises and equipment	31	32	26	94
Other	83	77	67	236
	246	248	213	744
 Net operating income before provision for credit losses	 257	 236	 229	 722
Provision for credit losses	21	12	5	43
 Income before taxes and non-controlling interest in income of trust	 236	 224	 224	 679
Provision for income taxes	81	77	76	228
 Non-controlling interest in income of trust	 6	 7	 6	 19
Net income	149	140	142	432
Preferred share dividends	4	5	4	13
 Net income attributable to common shares	 145	 135	 138	 419
 Average common shares outstanding (000)	 488,668	 488,668	 488,668	 488,668
Basic earnings per share (C\$)	0.30	0.28	0.28	0.86

Condensed Consolidated Balance Sheet (Unaudited)

	At 30Sept07	At 31Dec06	At 30Sept06
Figures in C\$ millions			
Assets			
Cash and deposits with Bank of Canada	384	368	386
Deposits with regulated financial institutions	4,066	4,346	4,753
	4,450	4,714	5,139
Available for sale securities	4,675	-	-
Investment securities	-	3,604	3,225
Trading securities	1,920	1,162	1,821
Other securities	59	-	-
	6,654	4,766	5,046
Assets purchased under reverse repurchase agreements	4,552	4,760	3,843
Loans			
- Businesses and government	20,995	17,819	17,500
- Residential mortgage	14,220	14,016	13,597
- Consumer	4,612	3,728	3,855
- Allowance for credit losses	(336)	(327)	(318)
	39,491	35,236	34,634
Customers' liability under acceptances	5,237	5,130	4,880
Derivatives	737	308	215
Land, buildings and equipment	136	121	100
Other assets	2,301	1,735	2,037

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Total assets	8,411	7,294	7,232
	63,558	56,770	55,894
Liabilities and shareholders' equity			
Deposits			
- Regulated financial institutions	2,608	1,469	1,889
- Individuals	18,244	17,039	16,648
- Businesses and governments	26,683	25,665	24,278
	47,535	44,173	42,815
Acceptances	5,237	5,130	4,880
Assets sold under repurchase agreements	686	162	290
Derivatives	941	316	208
Securities sold short	1,461	715	1,215
Other liabilities	3,372	2,413	2,700
Non-controlling interest in trust and subsidiary	430	430	430
	12,127	9,166	9,723
Subordinated debentures	799	563	559
Shareholders' equity			
- Preferred shares	350	350	350
- Common shares	1,125	1,125	1,125
- Contributed surplus	205	202	199
- Retained earnings	1,416	1,191	1,123
- Accumulated other comprehensive income	1	-	-
	3,097	2,868	2,797
Total liabilities and shareholders' equity	63,558	56,770	55,894

^Certain prior period amounts have been reclassified to conform with the current period presentation.

Condensed Consolidated Statement of Cash Flows (Un

Figures in C\$ millions	30Sept07	30Jun07	Quarter ended	
			30Sept06	30Sept07
				Nine months
				30
Cash flows provided by/(used in):				
- operating activities	205	389	128	1,060
- financing activities	1,867	62	1,677	3,953
- investing activities	(1,721)	(771)	(1,021)	(4,680)
(Decrease) increase in cash and cash equivalents	351	(320)	784	333
Cash and cash equivalents, beginning of period	4,020	4,340	4,158	4,038
Cash and cash equivalents, end of period	4,371	4,020	4,942	4,371
Represented by:				
Cash resources per balance sheet	4,450	4,851	5,139	
- less non-operating deposits^	(79)	(831)	(197)	
Cash and cash equivalents, end of period	4,371	4,020	4,942	

^Non-operating deposits are comprised primarily of cash which reprices after 90 days and cash restricted for recourse on securitisation transactions.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:

Name: P A Stafford

Title: Assistant Group Secretary

Date: 29 October, 2007