

HSBC HOLDINGS PLC
Form 6-K
August 05, 2013

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 month of August
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-.....).

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
2013 INTERIM CONSOLIDATED RESULTS - HIGHLIGHTS

- Profit before tax up 65% to HK\$95,550m (HK\$57,988m in the first half of 2012).
- Attributable profit up 80% to HK\$80,511m (HK\$44,690m in the first half of 2012).
- Return on average shareholders' equity of 35.5% (24.8% in the first half of 2012).
- Total assets decreased by 1% to HK\$5,981bn (HK\$6,065bn at the end of 2012).
- Cost efficiency ratio of 27.1% (40.1% for the first half of 2012).

Reported results include a net gain of HK\$30,747m on the disposal of our shareholding in Ping An Insurance (Group) Company of China Limited and a gain on the reclassification of Industrial Bank Co., Limited of HK\$8,454m before tax (HK\$5,914m attributable profit). Excluding these two gains:

- Return on average shareholders' equity of 19.3% for the first half of 2013.
- Cost efficiency ratio of 39.9% for the first half of 2013.

This document is issued by The Hongkong and Shanghai Banking Corporation Limited ('the Bank') and its subsidiaries (together 'the group'). References to 'HSBC', 'the Group' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. The abbreviations 'HK\$m' and 'HK\$bn' represent millions and billions (thousands of millions) of Hong Kong dollars respectively.

Comment by Stuart Gulliver, Chairman

The pace of economic growth in Asia slowed during the first half of 2013, as China recorded a more modest rate of growth and demand for consumer goods and raw materials reduced. Mainland China's GDP is now expected to grow by 7.4% this year and in 2014. Given its significant economic links to mainland China, forecasts for Hong Kong have also been lowered and GDP is now expected to grow by 2.5% this year. However, we believe that China's reform agenda will provide the basis for more sustainable growth in the medium to long term. Therefore, despite this slowdown in the short term, the long-term economic trends remain intact. The faster-growing markets will continue to account for the majority of global growth in the years to come and trade and capital flows will continue to expand.

Against this backdrop, The Hongkong and Shanghai Banking Corporation Limited continued to perform well as we maintained our focus on deepening and building customer relationships, controlling risk, leveraging our global connectivity and reengineering our business. During the period we completed the sale of our 18% shareholding in Bao Viet Holdings ('Bao Viet') and our insurance businesses in South Korea and Taiwan, and in July we announced plans to wind down our remaining Retail Banking and Wealth Management services in South Korea. Reported profit before tax was HK\$95,550m, an increase of 65% over the first half of 2012. This included the net gain on disposal of our shareholding in Ping An Insurance (Group) Company of China, Limited ('Ping An') of HK\$30,747m and an accounting gain on reclassification of Industrial Bank Co., Limited ('Industrial Bank') as a financial investment of HK\$8,454m.

Customer loans grew by 6% during the period as we continued to support our customers, while deposits declined by 2% and, at the period end, the loans to deposits ratio stood at 65.7%. In competitive markets for both loans and deposits, spreads reduced. Asset quality continued to be strong and loan impairment charges fell. We maintained our focus on improving efficiency, reducing operating expenses by 3% while continuing to invest in growth.

Profits in Commercial Banking ('CMB') were 4% higher than in the first half of 2012, driven by increased revenues as we grew term and trade lending and generated higher fee income from collaboration with Global Banking and Markets. However, asset spreads narrowed due to increased competition. We remained vigilant over asset quality and loan impairment charges remained low. Among several awards, we gained 'Best Cash Management House in Asia' from Euromoney and Asiamoney's 'Best Foreign Commercial Bank in China'.

In Retail Banking and Wealth Management ('RBWM') profits were broadly unchanged, as revenues increased in Hong Kong due to higher deposit and mortgage balances and increased fees from broking and unit trusts, offset in the Rest of Asia-Pacific by the absence of revenues from disposed businesses. We maintained our focus on secured lending at low loan to value ratios. We continued to invest in our distribution channels, including our network in mainland China, and successfully launched mobile banking during the period. We were awarded 'Best Regional Retail Business' and 'Best Foreign Retail Bank in China' by The Asian Banker.

Global Banking and Markets ('GB&M') profits were broadly unchanged. We continued to improve the breadth and balance of our business lines and develop our aim to be the leading international bank. We achieved good results and progress from M&A, Equity Capital Markets and Payments and Cash Management alongside our established leading positions in debt markets. During the half year we won several major industry awards, including Euromoney's 'Best Bank in Hong Kong' and 'Best Debt House in Asia', Asiamoney's 'Best provider of offshore renminbi products and services' and Finance Asia's 'Best Investment Bank in Hong Kong'.

The outlook for Asia's economies is for growth to continue at a reduced pace. With strong capital and liquidity and sound asset quality, we are in good shape to meet any challenges and to grow market share as we continue to invest in our priority growth markets. Our primary focus will remain on supporting our customers through the cycle and helping them to grow their businesses and achieve their personal and corporate ambitions.

Results by Geographic Region

| Geographic region | Hong Kong HK\$m | Rest of Asia-Pacific HK\$m | Intra-segment elimination HK\$m | Total HK\$m |
|-------------------|--------------------|-------------------------------|------------------------------------|----------------|
|-------------------|--------------------|-------------------------------|------------------------------------|----------------|

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Period ended 30 June 2013

| | | | | |
|--|----------|----------|---------|----------|
| Net interest income | 21,735 | 20,288 | (18) | 42,005 |
| Net fee income | 14,880 | 7,938 | (78) | 22,740 |
| Net trading income | 6,125 | 2,215 | 18 | 8,358 |
| Net expense from financial instruments designated at fair value | (1,985) | (14) | - | (1,999) |
| Gains less losses from financial investments | 151 | 21 | - | 172 |
| Dividend income | 123 | 4 | - | 127 |
| Net earned insurance premiums | 24,669 | 3,134 | - | 27,803 |
| Gain on reclassification of Industrial Bank | - | 8,454 | - | 8,454 |
| Gain on sale of Ping An | - | 34,070 | - | 34,070 |
| Other operating income | 6,713 | 1,494 | (2,153) | 6,054 |
| Total operating income | 72,411 | 77,604 | (2,231) | 147,784 |
| Net insurance claims incurred and movement in liabilities to policyholders | (22,826) | (2,437) | - | (25,263) |
| Net operating income before loan impairment charges and other credit risk provisions | 49,585 | 75,167 | (2,231) | 122,521 |
| Loan impairment charges and other credit risk provisions | (354) | (1,017) | - | (1,371) |
| Net operating income | 49,231 | 74,150 | (2,231) | 121,150 |
| Operating expenses | (18,643) | (16,798) | 2,231 | (33,210) |
| Operating profit | 30,588 | 57,352 | - | 87,940 |
| Share of profit in associates and joint ventures | 198 | 7,412 | - | 7,610 |
| Profit before tax | 30,786 | 64,764 | - | 95,550 |

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|-------------------------------------|-----------|-----------|---|-----------|
| Share of profit before tax | 32.2% | 67.8% | - | 100.0% |
| Cost efficiency ratio | 37.6% | 22.3% | - | 27.1% |
| Net loans and advances to customers | 1,415,928 | 1,065,660 | - | 2,481,588 |
| Customer accounts | 2,507,199 | 1,272,376 | - | 3,779,575 |

| Geographic region | Hong Kong HK\$m | Rest of Asia- Pacific HK\$m | Intra-segment elimination HK\$m | Total HK\$m |
|---|--------------------|--------------------------------------|---------------------------------------|----------------|
| Period ended 30 June 2012 | | | | |
| Net interest income | 19,622 | 21,370 | - | 40,992 |
| Net fee income | 11,953 | 7,906 | - | 19,859 |
| Net trading income | 5,027 | 7,117 | - | 12,144 |
| Net income from financial instruments designated at fair value | 645 | 297 | - | 942 |
| Gains less losses from financial investments | 2,185 | 195 | - | 2,380 |
| Dividend income | 329 | | | |