

HSBC HOLDINGS PLC
Form 6-K
August 04, 2014

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
2014 INTERIM CONSOLIDATED RESULTS - HIGHLIGHTS

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- Profit before tax down 38% to HK\$59,096m (HK\$95,550m in the first half of 2013).
- Attributable profit down 42% to HK\$46,667m (HK\$80,511m in the first half of 2013).
- Return on average shareholders' equity of 19.5% (35.5% in the first half of 2013).
- Total assets increased by 5% to HK\$6,766bn (HK\$6,439bn at the end of 2013).
- Common equity tier 1 ratio of 13.5% (14.1% at the end of 2013), total capital ratio of 15.2% (15.2% at the end of 2013).
- Cost efficiency ratio of 40.3% (27.1% for the first half of 2013).

Reported results in the first half of 2013 included 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

Economic growth in a number of Asian markets including mainland China, Hong Kong, Indonesia and Singapore slowed during the first half of 2014. In contrast, the pace of economic activity picked up in Japan, Australia, India and Malaysia. In mainland China, measures to maintain stable growth are being implemented, including policy reforms, fiscal spending and monetary easing, and we expect GDP growth for the year of 7.5%. Hong Kong suffered a fall in exports, although private consumption and employment levels both remained strong. In India the decisive election result has created the opportunity for a revival in growth through structural reforms.

In the first six months of 2014 The Hongkong and Shanghai Banking Corporation Limited recorded profit before tax of HK\$59,096m, which included a gain of HK\$3,320m on the disposal of our stake in the Bank of Shanghai. This compares with HK\$95,550m in the first half of 2013. Excluding the impacts of the sale of our shares in Ping An, and the accounting gain on the reclassification of Industrial Bank in the first half of 2013, profit before tax was relatively unchanged, as revenue growth was offset by increased costs as we continue to invest in the business. Our capital position remains strong with a total capital ratio of 15.2% at 30 June 2014.

We continued to support our customers' financing needs, and customer loans grew by 7.3% during the period, notably through increased term lending in Global Banking and Markets (GB&M) and in Commercial Banking (CMB). Residential mortgage and other personal balances in Retail Banking and Wealth Management (RBWM) were also higher. We grew deposits, principally through higher Payments and Cash Management balances in GB&M and CMB. At the period-end the loans to deposits ratio stood at 63.6%. The net interest margin increased slightly, primarily from lower funding costs. Asset quality remained strong and loan impairment charges continued to be low in relation to

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both assets and revenues. We continued to invest in growth, including recruiting additional headcount to support business growth, while also increasing spending in Risk and Compliance; the cost efficiency ratio for the period was 40.3%.

In recognition of our strengths in providing a full suite of banking and markets solutions to our clients, we were very pleased to receive a number of awards for a wide range of products and services across all of our businesses, most notably 'Best Bank in Asia' by Euromoney in July.

CMB continued to expand its balance sheet, principally in Hong Kong and mainland China, and to identify and realise collaboration opportunities with GB&M in support of clients, raising significant finance for our clients from debt capital markets. In GB&M we continued to support our clients through our broad and integrated product suite. We maintained our market leadership in Hong Kong dollar bond issuance and Asian local currency bonds, and continued to lead the market in offshore renminbi bond issuance in Hong Kong. In RBWM, the mortgage markets in both Hong Kong and Singapore were subdued by official cooling measures, but we grew mortgage balances and maintained our leading market share in Hong Kong. We implemented the Retail Banking Incentive Framework for relationship managers during the period, removing the formulaic link between sales and remuneration. We invested further in our branch network, and opened our 167th HSBC outlet in mainland China.

We expect mainland China to continue its steady progress in leading Asia's economic growth, and we will pursue investment in growing our business in order to capture the opportunities to serve and support our customers. Our strategic priority remains to leverage our international network to connect customers across borders, and with our strong capital and liquidity we are well placed to gain market share as we help our customers to grow and achieve their 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
Period ended 30 June 2014				
Net interest income	24,767	22,418	2	47,187
Net fee income	15,070	7,351	-	22,421
Net trading income	6,027	4,209	(2)	10,234
Net income from financial instruments designated at fair value	2,495	453	-	2,948
Gains less losses from financial investments	3,366	47	-	3,413
Dividend income	150	5	-	155
Net earned insurance premiums	26,406	3,336	-	29,742
Other operating income	6,094	590	(2,076)	4,608
Total operating income	84,375	38,409	(2,076)	120,708

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Net insurance claims incurred and movement in liabilities to policyholders	(28,775)	(3,398)	-	(32,173)
Net operating income before loan impairment charges and other credit risk provisions	55,600	35,011	(2,076)	88,535
Loan impairment charges and other credit risk provisions	(776)	(818)	-	(1,594)
Net operating income	54,824	34,193	(2,076)	86,941
Operating expenses	(20,659)	(17,083)	2,076	(35,666)
Operating profit	34,165	17,110	-	51,275
Share of profit in associates and joint ventures	194	7,627	-	7,821
Profit before tax	34,359	24,737	-	59,096
Share of profit before tax	58.1%	41.9%	-	100.0%
Cost efficiency ratio	37.2%	48.8%	-	40.3%
Net loans and advances to customers	1,623,743	1,185,636	-	2,809,379
Customer accounts	2,953,407	1,467,043	-	4,420,450
Geographic region	Hong Kong HK\$m	Rest of Asia- Pacific HK\$m	Intra-segment elimination HK\$m	Total HK\$m
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

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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			