

HSBC HOLDINGS PLC
Form 6-K
August 04, 2008

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, 2008

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-.....).

4 August 2008

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

2008 INTERIM CONSOLIDATED RESULTS - HIGHLIGHTS

- Net operating income before loan impairment charges and other credit risk provisions up 5.6 per cent to HK\$63,567 million (HK\$60,177 million in the first half of 2007).
- Pre-tax profit down 1.9 per cent to HK\$38,273 million (HK\$39,003 million in the first half of 2007).
- Pre-tax profit, excluding dilution gains arising in 2007, up 11.4 per cent (HK\$34,371 million in 2007).
- Attributable profit down 4.5 per cent to HK\$27,697 million (HK\$28,987 million in the first half of 2007).
- Attributable profit, excluding dilution gains arising in 2007, up 11.2 per cent (HK\$24,910 million in 2007).
- Return on average shareholders' funds of 26.3 per cent (38.0 per cent in the first half of 2007 on a reported basis and 32.7 per cent excluding the dilution gains recognised).
- Assets up 4.4 per cent to HK\$4,125 billion (HK\$3,952 billion at the end of 2007).
- Cost efficiency ratio of 40.9 per cent (34.1 per cent for the first half of 2007).

Within this document, the Hong Kong Special Administrative Region of the People's Republic of China has been referred to as 'Hong Kong'.

The Hongkong and Shanghai Banking Corporation Limited

Results

Comment by Vincent Cheng, Chairman

The Hongkong and Shanghai Banking Corporation Limited reported solid results for the first half of 2008, despite difficult global economic conditions, particularly in the US, and increasing turmoil in international financial markets.

In summary, the group reported pre-tax profit growth of 11.4 per cent, excluding dilution gains arising in 2007, mainly from strong profit growth in the Asia-Pacific region outside Hong Kong. Asia ex-Hong Kong pre-tax profit rose 60.0 per cent, compared to the first half of 2007, on strong business volume growth across all our customer groups. Hong Kong recorded a modest decline in pre-tax profit, down 8.3 per cent, resulting mainly from write-downs of long-term strategic equity investments held by the group and due to lower insurance investment returns in difficult equity market conditions.

In the period, the group successfully launched insurance joint ventures in Korea and India and acquired the assets, liabilities and operations of The Chinese Bank in Taiwan, the first major banking acquisition by HSBC in Asia since Hang Seng Bank in 1965. We continued to expand our branch network to over 600 outlets. We also opened our state-of-the art regional IT processing centre in Tseung Kwan O in Hong Kong in March.

Looking ahead, although credit conditions remained benign in the period, in the second half the group is carefully assessing portfolios for any signs of deterioration from worldwide economic conditions. Management will also remain focused on controlling cost growth as revenue becomes less predictable.

For the first six months to 30 June 2008, the group pre-tax profit was up 11.4 per cent to HK\$38,273 million, on a like-for-like basis, excluding the dilution gains arising last year from domestic A-share capital raising by the group's strategic partnerships in mainland China. Including the dilution gains, pre-tax profit was down 1.9 per cent.

Outside Hong Kong, the group recorded pre-tax profit growth of 60.0 per cent, on a like-for-like basis, to HK\$15,820 million. Including dilution gains of HK\$4,632 million, pre-tax profit was up by 8.9 per cent. Our key geographies outside Hong Kong reported strong double digit profit growth. In Hong Kong, pre-tax profit was down 8.3 per cent to HK\$22,453 million. Our costs rose 20 per cent in the territory mainly due to wage inflation and a 9.1 per cent increase in staff, with the addition of some 2,300 in headcount, including some 500 at Hang Seng Bank. There were also additional costs related to the opening of the Tseung Kwan O centre. In the rest of Asia-Pacific, costs rose 32.8 per cent, mainly due to organic growth and investments in our business platform and an increase of 20.4 per cent more staff, or more than 6,200 employees.

In Taiwan, the acquisition of the assets, liabilities and operations of The Chinese Bank extended our network from eight to 44 branches, with licences to open a further three. Our personal banking customer base has increased by 1 million to 1.7 million and deposits grew by HK\$19.6 billion on the date of acquisition.

In insurance, HSBC launched joint ventures with Hana Financial Group in Korea and Canara Bank and Oriental Bank of Commerce in India. The India joint venture partners have a combined branch network of 4,000 outlets and 40 million customers. Also in India, HSBC announced the takeover of IL&FS Investsmart, the country's largest retail brokerage with 138,000 customers and 278 outlets, including agencies, in 133 cities. The transaction is subject to

regulatory approval.

Customer group operations in the region continued to do well. Personal Financial Services pre-tax profit was up 4.6 per cent to HK\$15,867 million, supported by strong deposit growth in Hong Kong, and card growth and higher asset margins in the rest of Asia-Pacific. The group continued to invest in key markets including India, mainland China and Taiwan. The business grew its flagship Premier customer base in the region by 28.6 per cent to over 624,000. Card growth was strong, with total cards in issue in the region rising by 10.1 per cent to over 12 million. The business recognised a HK\$1,245 million gain on the sale of shares in MasterCard and Visa. However, this was offset by the lower insurance investment returns as equity markets fell.

Commercial Banking pre-tax profit was up 32.0 per cent to HK\$11,482 million on strong balance sheet growth from deposit and loan growth. The business benefited from the strong trade conditions in the region in the first half of the year. Initiatives to benefit from the strengthening economic ties between Hong Kong and mainland China paid off with business referrals from Hong Kong to the Mainland rising 44.5 per cent in the period.

Global Banking and Markets pre-tax profit rose 46.0 per cent to HK\$16,428 million, largely on higher net interest income, which rose by 81.4 per cent in the period. Net interest income was supported by the reductions in US and Hong Kong interest rates. Particularly strong profit growth was recorded in mainland China, India and Korea from foreign exchange trading, interest rates-linked trading and balance sheet management. A decline in IPO-related fees in Hong Kong was offset by rising custody-related fees in the region, resulting in net fee income growth of 9.0 per cent. Net trading income rose 12.1 per cent on higher foreign exchange income from greater sales activity generated by volatility in regional currency markets and investment flows.

In the period, there was a significant fall in the market price of long-term strategic equity investments held by the group, compared to cost. In accordance with accounting standards this resulted in a write-down of HK\$2,313 million recognised in the income statement.

It is not customary to include non-financial events in this commentary, but the exceptional circumstances of the human tragedy as a result of the Sichuan Province earthquake deserves mention. I would like to thank the employees, customers and members of the general public who donated generously to the bank's fund raising following this dreadful natural disaster.

While the global economic outlook remains uncertain, Asia is well placed to weather the anticipated fallout from the continuing economic slowdown in the US. Management continues to watch credit quality for signs of deterioration. Rising inflation represents a significant challenge for economies in the region and management is maintaining a strong focus on operational costs. As the leading international bank in the region our strategy continues to be to position our businesses to capture fully the opportunities arising from Asia's growing mass affluent wealthy and its growing international trade and investment flows. The acquisition in Taiwan strengthens our Greater China strategy to realise the opportunities arising from the growing economic integration of the Hong Kong SAR, the Mainland and Taiwan.

The Hongkong and Shanghai Banking Corporation Limited

Results by Customer Group

<i>Figures in HK\$m</i>	<i>Personal Financial Services</i>	<i>Commercial Banking</i>	<i>Global Banking and Markets</i>	<i>Private Banking</i>	<i>Other</i>	<i>Intra- segment elimination</i>	<i>Total</i>
Half-year ended 30 June 2008							
Net interest income/(expense)	19,003	9,002	11,823	34	(3,416)	(2,190)	34,256
Net fee income	8,905	3,413	4,502	49	95	–	16,964
Net trading income/(expense)	930	774	6,547	66	(1,303)	2,165	9,179
Net income/(loss) from financial instruments designated at fair value	(4,207)	109	47	–	482	25	(3,544)
Gains less losses from financial investments	1,245	262	123	–	(2,352)	–	(722)
Dividend income	17	9	58	–	452	–	536
Net earned insurance premiums	12,918	811	74	–	–	–	13,803
Other operating income	976	185	405	11	3,659	(2,990)	2,246
Total operating income	39,787	14,565	23,579	160	(2,383)	(2,990)	72,718
Net insurance claims incurred and movement in policyholders' liabilities	(8,554)	(557)	(40)	–	–	–	(9,151)
Net operating income before loan impairment charges and other credit risk provisions	31,233	14,008	23,539	160	(2,383)	(2,990)	63,567
Loan impairment charges and other credit risk provisions	(2,491)	(251)	(247)	–	11	–	(2,978)
Net operating income	28,742	13,757	23,292	160	(2,372)	(2,990)	60,589
Operating expenses	(13,314)	(4,372)	(7,864)	(154)	(3,307)	2,990	(26,021)

Operating profit	15,428	9,385	15,428	6	(5,679)	-	34,568
Share of profit in associates and joint ventures	439	2,097	1,000	-	169	-	3,705
Profit/(loss) before tax	15,867	11,482	16,428	6	(5,510)	-	38,273
Share of profit before tax	41.5	%30.0	% 42.9	% -	(14.4)	% -	100.0 %

The Hongkong and Shanghai Banking Corporation Limited**Results by Customer Group**
(continued)

<i>Figures in HK\$m</i>	<i>Personal Financial Services</i>	<i>Commercial Banking</i>	<i>Global Banking Markets</i>	<i>Private Banking</i>	<i>Other</i>	<i>Intra- segment elimination</i>	<i>Total</i>
Half-year ended 30 June 2007							
Net interest income/(expense)	17,040	7,985	6,519	24	(2,165)	(152)	29,251
Net fee income	7,976	2,830	4,131	67	79	-	15,083
Net trading income/(expense)	719	494	5,838	15	(10)	(102)	6,954
Net income/(loss) from financial instruments designated at							

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fair value	2,563	(253) 45	-	(322) 254	2,287
Gains less losses from financial investments	18	-	151	-	251	-	420
Gains arising from dilution of investments in associates	-	-	-	-	4,632	-	4,632
Dividend income	6	3	57	-	280	-	346
Net earned insurance premiums	11,458	534	66	-	-	-	12,058
Other operating income	846	121	320	7	3,233	(2,451) 2,076
Total operating income	40,626	11,714	17,127	113	5,978	(2,451) 73,107
Net insurance claims incurred and movement in							