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HSBC's Asia Moves May Make 'Colonial' Standard Chartered Follow
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By Jon Menon

Feb. 26 (Bloomberg) -- HSBC Holdings Plc's decision to move Chief Executive Officer Michael Geoghegan and three more top bankers to Hong Kong from London may force Standard Chartered Plc to follow its example, money managers and analysts said.

Geoghegan, 56, moved to Hong Kong this month, joining Sandy Flockhart, chairman of personal and commercial banking. Standard Chartered CEO Peter Sands, a former British diplomat, said last year he will stay in London.

HSBC is moving the executives to Asia as it focuses on faster-growing emerging markets like China and India, the bank said. The lender reaped more than half of its 2008 pretax profit in Asia, compared with 94 percent for Standard Chartered. HSBC's decision sparked concern in London that more financial firms might follow, jeopardizing the British capital's position as a global financial center.

HSBC's stock has trailed Standard Chartered in the past year: the lender has climbed 65 percent in London trading, compared with Standard Chartered's 127 percent gain in the same period. The U.K.'s FTSE 350 Banks Index advanced 82 percent.

"There's a slight essence of the colonial for Far Eastern banks to have headquarters in the U.K.," said Richard Champion, who helps manage \$2 billion as head of equities at Principal Investment Management Ltd. in London and holds HSBC shares.

"The key point here is proximity to your main markets." Moving top executives "must be under active consideration" for Standard Chartered, he said.

'Skeleton Staff'

"London is a global financial center, and neutral in relation to our network in Asia, Africa and the Middle East," said Jonathan Tracey, a Standard Chartered spokesman. "We have a number of very senior executives, including two group board members" in Asia.

In December, Standard Chartered announced two additions to its board: Jaspal Bindra, an Indian national, became head of Asia, and Han Seung-Soo, former South Korean Prime Minister, became a non-executive director. The appointments would increase "diversity," the lender said at the time.

HSBC is moving executives to the former British territory in southern China. David Fried will become head of insurance, the bank said this week, replacing London-based Clive Bannister, who retires in March. Chris Meares, global head of HSBC's private bank, is moving to Hong Kong from London, as is Antonio Simoes, head of strategy.

"Operationally, Standard Chartered only need a skeleton staff in London," said Simon Maughan, an analyst at MF Global Securities Ltd. in London who has a "sell" rating on the stock. "The case for Standard

Chartered to move to Asia has been pretty strong for many years. They may feel more pressure now that the tax rate has gone up."

Lower Tax

The new arrivals can expect to pay less tax. When the U.K.'s top rate rises in April, London-based bankers making more than 1 million pounds (\$1.54 million) will pay about 491,000 pounds in income tax and social security, three times more than colleagues in Hong Kong, according to accounting firm KPMG.

HSBC has only 25 percent of assets in Asia, even though it traces its roots to the Hongkong and Shanghai Banking Corp., founded in 1865 to finance trade in opium, silk and tea. More than 70 percent of its assets are in Europe and North America, including U.S. subprime lender Household International Inc.

Colonial Expansion

Standard Chartered, whose history dates to banks linked to 19th century British colonial expansion in Africa and India, now has 70,000 employees and in 2007 opened a 200,000-square-foot (18,580-square-meter) headquarters building in the City of London.

"I'm not sure if this would be a sensible thing from a shareholder perspective if they move their head office here,"

said Bill Stacey, an analyst at Aviate Global in Hong Kong.

"With the current CEO and the critical mass of the head office in London" and "an important part of the business in India and Africa, it seems to me unlikely they would go further."

Both banks are considering shares sales in Asia. HSBC plans to sell stock in an initial public offering in Shanghai. The lender wants to raise more than \$5 billion as China opens the exchange to foreign companies, people familiar with the matter said in August.

Standard Chartered may trade its stock in India through an offering of Indian Depositary Receipts in the second quarter of this year and is "exploring the possibility" of listing shares in China, the bank's finance director, Richard Meddings, said in October.

Standard Chartered hired five banks including Goldman Sachs Group Inc. in April to arrange a share sale in India to raise as much as \$1 billion, a person familiar with the plan said at the time.

'Raise Capital'

"At some point Standard Chartered will have to raise more of its capital in Asia than in the U.K.," Maughan said. "Once Asian markets start being a source of capital, the argument for being in London disappears."

HSBC, which reports earnings on March 1, will probably post net income of \$4.4 billion in the second half, compared with a loss of \$1.99 billion in the year earlier period, according to the median estimate of 13 analysts surveyed by Bloomberg. Provisions for bad loans in the period will probably decline to \$12.5 billion from \$14.9 billion, according to the median estimate of three analysts.

Standard Chartered, which is slated to report earnings two days later, will probably post second-half net income of \$1.57 billion, little changed on the \$1.56 billion it reported in the year earlier

period, according to the median estimate of 10 analysts surveyed by Bloomberg.

The table below shows analyst estimates for second half 2009 earnings in millions of dollars, unless otherwise stated.

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	HSBC Second-Half Actual 2008	HSBC Second-Half Estimated	No. of Analysts
Net Income	-1,994	4,411	12
Pretax Profit	-940 million	6,388	12
Bad loan Provisions	-14,879	-12,534	3
Total Assets	2.52 trillion	2.51 trillion	3

Standard Chartered

Net income	1,564	1,570	10
Pretax Profit	2,215	2,254	20
Revenue	6,981	7,242	16

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