

Consolidated Balance Sheet at 30 June 2014

	At 30 June 2014 US\$m	At 31 December 2013 US\$m
Assets		
Cash and balances at central banks	132,137	166,599
Items in the course of collection from other banks	8,144	6,021
Hong Kong Government certificates of indebtedness	26,640	25,220
Trading assets	347,106	303,192
Financial assets designated at fair value	31,823	38,430
Derivatives	269,839	282,265
Loans and advances to banks	127,387	120,046
Loans and advances to customers	1,047,241	992,089
Reverse repurchase agreements - non-trading	198,301	179,690
Financial investments	423,710	425,925
Assets held for sale	10,248	4,050
Other assets	53,270	50,939
Current tax assets	1,068	985
Prepayments and accrued income	11,503	11,006
Interests in associates and joint ventures	17,497	16,640
Goodwill and intangible assets	29,740	29,918
Property, plant and equipment	10,747	10,847
Deferred tax assets	7,192	7,456
Total assets	2,753,593	2,671,318
Liabilities and Equity		
Liabilities		
Hong Kong currency notes in circulation	26,640	25,220
Deposits by banks	92,764	86,507
Customer accounts	1,415,705	1,361,297
Repurchase agreements - non-trading	165,506	164,220
Items in the course of transmission to other banks	9,936	6,910
Trading liabilities	228,135	207,025
Financial liabilities designated at fair value	82,968	89,084
Derivatives	263,494	274,284
Debt securities in issue	96,397	104,080
Liabilities of disposal groups held for sale	12,361	2,804
Other liabilities	32,936	30,421
Current tax liabilities	1,434	607
Liabilities under insurance contracts	75,223	74,181
Accruals and deferred income	14,972	16,185
Provisions	4,283	5,217
Deferred tax liabilities	1,091	910
Retirement benefit liabilities	2,974	2,931
Subordinated liabilities	28,052	28,976
Total liabilities	2,554,871	2,480,859
Equity		
Called up share capital	9,535	9,415
Share premium account	11,582	11,135
Other equity instruments	5,851	5,851
Other reserves	28,355	26,742
Retained earnings	134,958	128,728
Total shareholders' equity	190,281	181,871
Non-controlling interests	8,441	8,588
Total equity	198,722	190,459
Total equity and liabilities	2,753,593	2,671,318

Consolidated Income Statement at 30 June 2014

	Half-year to	
	30 June 2014 US\$m	30 June 2013 US\$m
Interest income	25,435	25,740
Interest expense	(8,030)	(7,921)
Net interest income	17,405	17,819
Fee income	10,031	10,148
Fee expense	(1,854)	(1,744)
Net fee income	8,177	8,404
Trading income excluding net interest income	2,362	5,230
Net interest income on trading activities	913	1,132
Net trading income	3,275	6,362
Changes in fair value of long-term debt issued and related derivatives	438	(1,419)
Net income from other financial instruments designated at fair value	1,222	222
Net income/(expense) from financial instruments designated at fair value	1,660	(1,197)
Gains less losses from financial investments	946	1,856
Dividend income	88	107
Net earned insurance premiums	6,137	6,226
Other operating income	538	946
Total operating income	38,226	40,523
Net insurance claims incurred and movement in liabilities to policyholders	(7,059)	(6,151)
Net operating income before loan impairment charges and other credit risk provisions	31,167	34,372
Loan impairment charges and other credit risk provisions	(1,841)	(3,116)
Net operating income	29,326	31,256
Employee compensation and benefits	(9,978)	(9,496)
General and administrative expenses	(7,127)	(7,727)
Depreciation and impairment of property, plant and equipment	(712)	(698)
Amortisation and impairment of intangible assets	(449)	(477)
Total operating expenses	(18,266)	(18,399)
Operating profit	11,060	12,857
Share of profit in associates and joint ventures	1,280	1,214
Profit before tax	12,340	14,071
Tax expense	(2,022)	(2,725)
Profit for the period	10,318	11,346
Profit attributable to shareholders of the parent company	9,746	10,284
Profit attributable to non-controlling interests	572	1,062
	US\$	US\$
Basic earnings per ordinary share	0.50	0.54
Diluted earnings per ordinary share	0.50	0.54

Consolidated Statement of Comprehensive Income for the half-year to 30 June 2014

	Half-year to	
	30 June 2014 US\$m	30 June 2013 US\$m
Profit for the period	10,318	11,346
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments	958	(1,818)
- fair value gains (losses)	2,183	(1,609)
- fair value gain transferred to income statement on disposal	(643)	(1,025)
- amounts transferred to the income statement in respect of impairment losses	15	206
- income taxes	(597)	610
Cash flow hedges	(17)	(198)
- fair value gains/(losses)	(44)	35
- fair value (gains)/losses transferred to the income statement	50	(258)
- income taxes	(23)	25
Share of other comprehensive income/(expense) of associates and joint ventures	(16)	1
- share for the period	(18)	(36)
- reclassified to income statement on disposal	2	-
Exchange differences	670	(4,525)
- foreign exchange gains reclassified to income statement on disposal of a foreign operation	(21)	(290)
- other exchange differences	691	(4,235)
- income tax attributable to exchange differences	-	-
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	316	(959)
- before income taxes	421	(1,223)
- income taxes	(105)	264
Other comprehensive income/(expense) for the period, net of tax	1,911	(7,499)
Total comprehensive income for the period	12,229	3,847
Total comprehensive income for the period attributable to:		
- shareholders of the parent company	11,706	3,072
- non-controlling interests	523	775
	12,229	3,847

Consolidated Statement of Changes in Equity for the half-year to 30 June 2014

	half - year to 30 June 2014										
	Called up share capital US\$m	Share premium US\$m	Other equity instruments US\$m	Retained earnings US\$m	Other reserves						Total equity US\$m
					Available-for-sale fair value reserve US\$m	Cash flow hedging reserve US\$m	Foreign exchange reserve US\$m	Merger reserve US\$m	Total shareholders equity US\$m	Non-controlling interests US\$m	
At 1 January 2014	9,415	11,135	5,851	128,728	97	(121)	(542)	27,308	181,871	8,588	190,459
Profit for the period	-	-	-	9,746	-	-	-	-	9,746	572	10,318
Other comprehensive income (net of tax)	-	-	-	300	956	(16)	720	-	1,960	(49)	1,911
Available-for-sale investments	-	-	-	-	956	-	-	-	956	2	958
Cash flow hedges	-	-	-	-	-	(16)	-	-	(16)	(1)	(17)
Remeasurement of defined benefit asset/liability	-	-	-	316	-	-	-	-	316	-	316
Share of other comprehensive income of associates and joint ventures	-	-	-	(16)	-	-	-	-	(16)	-	(16)
Exchange differences	-	-	-	-	-	-	720	-	720	(50)	670
Total comprehensive income for the period	-	-	-	10,046	956	(16)	720	-	11,706	523	12,229
Shares issued under employee remuneration and share plans	28	539	-	(553)	-	-	-	-	14	-	14
Shares issued in lieu of dividends and amounts arising thereon	92	(92)	-	2,111	-	-	-	-	2,111	-	2,111
Dividends to shareholders	-	-	-	(5,774)	-	-	-	-	(5,774)	(432)	(6,206)
Tax credit on distributions	-	-	-	52	-	-	-	-	52	-	52
Own shares adjustment	-	-	-	(18)	-	-	-	-	(18)	-	(18)
Cost of share-based payment arrangements	-	-	-	333	-	-	-	-	333	-	333
Income taxes on share-based payments	-	-	-	(9)	-	-	-	-	(9)	-	(9)
Other movements	-	-	-	42	(39)	(8)	-	-	(5)	(1)	(6)
Acquisition and disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(12)	(12)
Changes in ownership interests in subsidiaries that did not result in loss of control	-	-	-	-	-	-	-	-	-	(225)	(225)
At 30 June 2014	9,535	11,582	5,851	134,958	1,014	(145)	178	27,308	190,281	8,441	198,722

	half - year to 30 June 2013										
	Called up share capital US\$m	Share premium US\$m	Other equity instruments US\$m	Retained earnings US\$m	Other reserves						Total equity US\$m
					Available-for-sale fair value reserve US\$m	Cash flow hedging reserve US\$m	Foreign exchange reserve US\$m	Merger reserve US\$m	Total shareholders equity US\$m	Non-controlling interests US\$m	
At 1 January 2013	9,238	10,084	5,851	120,347	1,649	13	752	27,308	175,242	7,887	183,129
Profit for the period	-	-	-	10,284	-	-	-	-	10,284	1,062	11,346
Other comprehensive income (net of tax)	-	-	-	(993)	(1,635)	(197)	(4,387)	-	(7,212)	(287)	(7,499)
Available-for-sale investments	-	-	-	-	(1,635)	-	-	-	(1,635)	(183)	(1,818)
Cash flow hedges	-	-	-	-	-	(197)	-	-	(197)	(1)	(198)
Remeasurement of defined benefit asset/liability	-	-	-	(994)	-	-	-	-	(994)	35	(959)
Share of other comprehensive income of associates and joint ventures	-	-	-	1	-	-	-	-	1	-	1
Exchange differences	-	-	-	-	-	-	(4,387)	-	(4,387)	(138)	(4,525)
Total comprehensive income for the period	-	-	-	9,291	(1,635)	(197)	(4,387)	-	3,072	775	3,847
Shares issued under employee remuneration and share plans	50	1,012	-	(893)	-	-	-	-	169	-	169
Shares issued in lieu of dividends and amount arising thereon	25	(25)	-	707	-	-	-	-	707	-	707
Dividends to shareholders	-	-	-	(5,487)	-	-	-	-	(5,487)	(400)	(5,887)
Tax credit on distributions	-	-	-	54	-	-	-	-	54	-	54
Own shares adjustment	-	-	-	(36)	-	-	-	-	(36)	-	(36)
Cost of share-based payment arrangements	-	-	-	355	-	-	-	-	355	-	355
Income taxes on share-based payments	-	-	-	9	-	-	-	-	9	-	9
Other movements	-	-	-	(15)	-	-	-	-	(15)	22	7
Acquisition and disposal of subsidiaries	-	-	-	-	-	-	-	-	-	6	6
Changes in ownership interests in subsidiaries that did not result in loss of control	-	-	-	-	-	-	-	-	-	1	1
At 30 June 2013	9,313	11,071	5,851	124,332	14	(184)	(3,635)	27,308	174,070	8,291	182,361

Consolidated Statement of Cash Flows for the half-year to 30 June 2014

	Half-year to	
	30 June 2014 US\$m	30 June 2013 US\$m
Cash flow from operating activities		
Profit before tax	12,340	14,071
Adjustment for:		
- net gain from investing activities	(979)	(1,426)
- share of profits in associates and joint ventures	(1,280)	(1,214)
- gain on disposal of associates, joint ventures, subsidiaries and businesses	(18)	(9)
- other non-cash items included in profit before tax	4,284	5,091
- change in operating assets	(86,266)	20,321
- change in operating liabilities	59,108	(21,070)
- elimination of exchange differences	(5,486)	4,877
- dividends received from associates	127	665
- contributions paid to defined benefit plans	(315)	(494)
- tax paid	(1,358)	(2,125)
Net cash generated from/(used in) operating activities	(19,843)	19,287
Cash flow from investing activities		
Purchase of financial investments	(187,934)	(171,175)
Proceeds from the sale and maturity of financial investments	194,335	181,706
Purchase of property, plant and equipment	(523)	(1,155)
Proceeds from the sale of property, plant and equipment	55	164
Proceeds from the sale of loan portfolios	950	3,193
Net purchase of intangible assets	(385)	(416)
Net cash inflow/(outflow) from disposal of other subsidiaries and businesses	(140)	287
Net cash outflow from acquisition of or increase in stake of associates	(30)	(25)
Proceeds from disposal of Ping An	-	7,413
Proceeds from disposal of other associates and joint ventures	-	367
Net cash generated from/(used in) investing activities	6,328	20,359
Cash flow from financing activities		
Issue of ordinary share capital	14	169
Net sales/(purchases) of own shares for market making and investment in purposes	(25)	(33)
Redemption of preference shares	234	-
Subordinated loan capital issued	3,500	-
Subordinated loan capital repaid	(3,042)	(45)
Net cash inflow/(outflow) from change in stake in subsidiaries	-	1
Dividends paid to ordinary shareholders of parent company	(1,755)	(2,799)
Dividends paid to non-controlling interests	(350)	(331)
Dividends paid to holders of other equity instruments	(287)	(286)
Net cash used in financing activities	(1,711)	(3,324)
Net increase/(decrease) in cash and cash equivalents	(15,226)	36,322
Cash and cash equivalents at the beginning of period	346,281	315,308
Exchange differences in respect of cash and cash equivalents	3,443	(8,259)
Cash and cash equivalents at the end of period	334,498	343,371

Contingent Liabilities, Contractual Commitments and Guarantees at 30 June 2014

	30 June 2014 US\$m	31 December 2013 US\$m
Guarantees and contingent liabilities		
Guarantees	87,800	84,554
Other contingent liabilities	394	182
	88,194	