HSBC HOLDINGS PLC
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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 X 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 X

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-.............).

HANG SENG BANK LIMITED
2014 INTERIM RESULTS - HIGHLIGHTS

- Operating profit up 6% to HK$9,496m (HK$8,934m for the first half of 2013).
- Operating profit excluding loan impairment charges and other credit risk provisions up 8% to HK$9,833m (HK$9,132m for the first half of 2013).

- Attributable profit down 54% to HK$8,468m (HK$18,468m for the first half of 2013). Excluding the Industrial Bank reclassification in the first half of 2013, attributable profit down 5%.

- Profit before tax down 47% to HK$9,877m (HK$18,773m for the first half of 2013). Excluding the Industrial Bank reclassification in the first half of 2013, profit before tax down 4%.

- Return on average shareholders' funds of 15.9% (35.9% for the first half of 2013). Excluding the Industrial Bank reclassification in the first half of 2013, return on average shareholders' funds of 16.6% (19.0% for the first half of 2013).

- Earnings per share down 54% to HK$4.43 per share (HK$9.66 per share for the first half of 2013). Excluding the Industrial Bank reclassification in the first half of 2013, earnings per share down 5%.

- Second interim dividend of HK$1.10 per share; total dividends of HK$2.20 per share for the first half of 2014 (HK$2.20 per share for the first half of 2013).

- Total capital ratio of 14.2%, both common equity tier 1 ('CET1') and tier 1 ('T1') capital ratios of 11.8% at 30 June 2014; (total capital ratio of 15.8%, both CET1 and T1 capital ratios of 13.8% at 31 December 2013).

- Cost efficiency ratio of 32.1% (32.2% for the first half of 2013).

Industrial Bank Co., Ltd. ('Industrial Bank') reclassification in 2013

Reported results for the first half of 2013 include a non-distributable accounting gain on the reclassification of Industrial Bank from an associate to a financial investment of HK$8,454m before tax (HK$9,517m attributable profit). Figures quoted as 'excluding the Industrial Bank reclassification' have been adjusted for the above items.

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

The abbreviations 'HK$m' and 'HK$bn' represent millions and billions of Hong Kong dollars respectively.

Contents

The financial information in this news release is based on the unaudited consolidated financial statements of Hang Seng Bank Limited ('the bank') and its subsidiaries ('the group') for the six months ended 30 June 2014.

Comment by Raymond Ch'ien, Chairman

With developments in the global and regional economies continuing to create uncertain market conditions - particularly in the early part of the year - Hang Seng Bank maintained good growth momentum in the first half of 2014. We reinforced our reputation for service excellence and further strengthened customer relationships by enhancing our portfolio of products and services, leveraging the close cross-border connectivity of our network and improving service channels and operational efficiency.

Operating profit increased by 6% to HK$9,496m. However, the impact of our reclassification of Industrial Bank in 2013 saw profit attributable to shareholders and earnings per share both fall by 54% to HK$8,468m and HK$4.43 respectively. Excluding the Industrial Bank reclassification, profit attributable to shareholders and earnings per share were both down 5%, reflecting a HK$769m decrease in the net surplus on property revaluation.

Return on average shareholders' funds was 15.9%, compared with 35.9% in the first half of 2013. Excluding the Industrial Bank reclassification, return on average shareholders' funds was 16.6%, compared with 19.0% in the first half of last year.

The Directors have declared a second interim dividend of HK$1.10 per share, bringing the total distribution for the first half of 2014 to HK$2.20 per share, the same as in the first half of 2013.

Economic environment

The global economy recorded a slow start in 2014, with emerging market equities and currencies falling sharply in January and harsh winter conditions in the US contributing to a first-quarter contraction in its economy. Looking ahead, improved economic conditions in the second quarter and ongoing recovery in the eurozone region are providing cause for cautious optimism, although the European Central Bank continues to take action to prevent inflation from falling further below its target.

Hong Kong's economy expanded by 2.5% in the first quarter, compared with a 2.9% increase for 2013. Domestic demand continued to be a major growth driver, although household spending appears to have slowed after years of outpacing overall economic expansion. With the recent improvement in the global economy, trade activity is likely to rebound in the second half of the year and we expect Hong Kong's real GDP to grow by 3.3% for the year.

After first-quarter GDP growth of 7.4%, mainland China's economy achieved growth of 7.5% in the second quarter, suggesting that targeted measures by the government are succeeding in stimulating growth. While property investment may remain weak for some time, a recovery in developed economies should see demand for exports increase in the second half and we expect the mainland economy to expand by 7.4% for 2014.

Challenges such as the rolling back of quantitative easing measures in the US will continue to create downside risks, but closer economic integration in the Greater China region and Hong Kong's position as a primary centre for offshore renminbi financial services will create new business opportunities.

We will continue with initiatives to leverage our competitive strengths and to improve efficiency across our business to generate increasing value for our customers and shareholders.

Review by Rose Lee, Vice-Chairman and Chief Executive

Under challenging operating conditions, Hang Seng Bank achieved good growth, with increases in income and profit across all business groups, in the first half of 2014.

Operating profit excluding loan impairment charges rose by 8% to HK$9,833m compared with the first half of 2013. Operating profit increased by 6% to HK$9,496m. Compared with the second half of last year, which benefited from HK$995m in dividend income from Industrial Bank, operating profit excluding loan impairment charges and operating profit were both broadly unchanged. Excluding the dividend impact from Industrial Bank, operating profit grew by 12%.

The accounting gain on Industrial Bank's reclassification in 2013 and lower gains from property disposal and revaluation resulted in a 54% drop in profit attributable to shareholders to HK$8,468m and a 47% decline in profit before tax to HK$9,877m. Compared with the second half of 2013, profit attributable to shareholders and profit before tax increased by 3% and 2% respectively.

Leveraging our trusted brand and strong market position, we strategically deployed resources and implemented customer-focused initiatives to support sustainable growth in our core business lines and enhance our cross-border and renminbi-related propositions.

In April, we further enriched our wealth management proposition with the signing of an exclusive 10-year distribution agreement with international healthcare company Bupa, under which a range of bespoke medical insurance products and services will be offered to Hang Seng customers.

We upgraded our branch network and increased our number of Prestige and Preferred Banking Centres to better serve the needs of targeted commercial and wealth clients.

The new Hang Seng Bank (China) Ltd outlets in Chengdu and the Shanghai Free Trade Zone extended our cross-border network, strengthening our ability to capture new business opportunities in mainland China. In June, Hang Seng China successfully raised RMB1bn in Hong Kong through its debut offshore renminbi bond issue with a positive response from a diverse group of investors.

Net interest income increased by 8% to HK$9,671m, underpinned by a 4% increase in average interest-earning assets and an 8-basis-point improvement in net interest margin to 1.92%. In competitive market conditions, we continued to focus on quality assets and good balance sheet management, recording a 5% increase in average customer deposits and an 8% rise in average customer loans and advances.

Non-interest income grew by 7% to HK$4,802m, benefiting from the 4% increase in net fee income. Our diverse range of products and swift response to the changing market generated a 4% rise in wealth management income amidst uncertain market conditions.

Our cost efficiency ratio improved to 32.1% - down 10 basis points and 50 basis points compared with the first and second halves of 2013 respectively.

On 30 June 2014, our total capital ratio under Basel III was 14.2% and our common equity tier 1 and tier 1 capital ratios were both 11.8%, compared with 15.8% and 13.8% respectively at 2013 year end.

Aligned for sustainable growth

We are committed to driving long-term business growth by upholding service excellence. We will continue to provide a premium customer experience and remain well positioned to respond effectively to new business opportunities, proactively manage emerging risks and maintain high standards of corporate governance.

We will build on our strong brand and market leadership to generate balanced growth with further investments in technology, staff development and our cross-border network and capabilities.

Our long-term success is closely aligned with the economic growth and well-being of our communities. We will continue to emphasise long-term relationships and our commitment to corporate responsibility.

I would like to take this opportunity to thank our staff for their dedication and contribution to our business success. Their commitment and drive will ensure that we will continue to sustain quality growth in our core businesses to the benefit of our customers and shareholders.

Results summary

Hang Seng Bank Limited ('the bank') and its subsidiaries ('the group') reported an unaudited profit attributable to shareholders of HK$8,468m for the first half of 2014, down 54.1% compared with the first half of 2013 which benefited from the HK$9,517m accounting gain on the reclassification of Industrial Bank Co., Ltd ('Industrial Bank'). Earnings per share were down 54.1% at HK$4.43. Excluding the Industrial Bank reclassification, attributable profit fell by 5.4% mainly due to lower property revaluation gains. Attributable profit rose by 3.1% when compared with the second half of 2013.

Operating profit excluding loan impairment charges and other credit risk provisions grew by HK$701m, or 7.7%, to HK$9,833m. This reflected growth in net interest income, driven by balance sheet growth and increased non-interest income from wealth management businesses. Under challenging operating conditions, the bank achieved good growth, with increases in income and profit across all business groups in the first half of 2014. Compared with the second half of 2013, operating profit excluding loan impairment charges and other credit risk provisions remained broadly unchanged. Excluding the dividend received from Industrial Bank, operating profit excluding loan impairment charges and other credit risk provisions grew by 11.5%, driven by the growth in both net interest income and non-interest income together with lower operating expenses.

Net interest income rose by HK$702m, or 7.8%, to HK$9,671m compared with the first half of 2013, driven by growth in average interest-earning assets and a widening of the net interest margin. The 3.6% increase in average interest-earning assets was supported by the 8.0% growth in average customer lending. Net interest margin improved by eight basis points to 1.92% while net interest spread and contribution from net free funds rose by six basis points and two basis points to 1.79% and 0.13% respectively. Average loan spreads in Hong Kong improved, notably in term lending, though the benefit of this growth was partly offset by spread compression in mortgages and trade-related lending. Average customer deposits grew by 5.1%, reflecting our flexible deposit acquisition strategy to support growth, the benefit of which was broadly offset by narrower deposit spreads. There was encouraging growth in Balance Sheet Management income as Treasury enhanced the portfolio yield with a larger commercial surplus for investment. In mainland China, higher average interest-earning assets coupled with a less volatile interbank market and improved deposit spreads outweighed the narrowing of loan spreads.

Net fee income grew by HK$126m, or 4.3%, to HK$3,062m, reflecting the group's continuous efforts in expanding its service capabilities. Retail investment fund sales income grew by 5.4%, notwithstanding the weakening of market sentiment. Credit card fee income rose by 3.4%, benefiting from increased cardholder spending and merchant acquiring business in Hong Kong. Fee income from remittances grew by 22.2% as business volumes increased. Insurance-related fee income rose by 11.7%, reflecting growth in life re-insurance income as well as distribution commission from non-life insurance business. Income from stockbroking and related services dropped by 4.5%, as a result of the reduced stock market trading activity.

Net trading income decreased by HK$143m, or 11.9%, to HK$1,061m. Foreign exchange income decreased by HK$195m compared with the first half of 2013. Decreased revenue from lower customer activity and demand for foreign exchange-linked structured treasury products was partly offset by the increase in net interest income from funding swap activities.

Dividend income was broadly in line with first half of 2013 but decreased significantly from HK$1,010m to HK$5m when compared with the second half of 2013, due mainly to the dividend received from Industrial Bank.

Income from insurance business (included under 'net interest income', 'net fee income', 'net trading income', 'net income/(loss) from financial instruments designated at fair value', 'net earned insurance premiums', 'movement in present value of in-force long-term insurance business' and 'other' within 'other operating income', 'share of profits from associates' and after deducting 'net insurance claims incurred and movement in policyholders' liabilities') increased by HK$332m, or 18.2%, to HK$2,159m. Net interest income and fee income from the life insurance business grew marginally when compared with the same period last year. Under the low interest rate environment, the life insurance investment portfolios have been re-balanced with a modest shift from debt securities to equities and other assets. The investment return on life insurance benefited from the favourable movement in equity markets, though this was partly offset by lower property revaluation gains. To the extent that these investment returns were attributable to policyholders, there was an offsetting movement in net insurance claims incurred and movement in policyholders' liabilities. Net earned insurance premiums rose by 3.5% as a result of increased renewals of existing policies, partly offset by lower new business premiums written. The growth in insurance premiums resulted in a corresponding increase in 'net insurance claims incurred and movement in policyholders' liabilities'. The increase in the movement in present value of in-force long-term insurance business was driven by new sales with higher profit margins and a favourable change in market conditions. General insurance income increased by 10.5%, reflecting higher distribution commission income.

Operating expenses rose by HK$295m, or 6.8%, to HK$4,640m, compared with the first half of 2013, reflecting the bank's continued investment in new business platforms and mainland operations to support long-term business growth. Staff costs increased by 5.8%, due mainly to the annual salary increment and performance-related remuneration. General and administrative expenses rose by 8.2% as a result of an increase in rental expenses, marketing expenditure and processing charges. Mainland-related operating expenses increased by 6.9%, reflecting the network expansion of Hang Seng China.
With the increase in net operating income before loan impairment charges and other credit risk provisions outpacing the growth in operating expenses, the cost efficiency ratio improved to 32.1% when compared with 32.2% and 32.6% for the first and second halves of 2013.

Operating profit grew by HK$562m, or 6.3%, to HK$9,496m, after accounting for the increase of HK$139m in loan impairment charges and other credit risk provisions, reflecting a broad-based increase in core banking business income.

Profit before tax decreased by 47.4% to HK$9,877m after taking the following major items into account:

- the non-recurrence of the gain of HK$8,454m on the reclassification of Industrial Bank in January 2013;
- a HK$178m decrease in gains less losses from financial investments and fixed assets, due mainly to property disposals in the first half of 2013;
- a 77.0% (or HK$769m) decrease in net surplus on property revaluation; and
- a 26.8% (or HK$57m) decrease in share of profits from associates, mainly due to the reclassification of Yantai Bank in December 2013.

Consolidated balance sheet and key ratios

Total assets grew by HK$52.2bn, or 4.6%, to HK$1,196.0bn when compared with the year end, reflecting the group's balanced growth strategy to enhance profitability. Customer loans and advances increased by HK$46.7bn, or 8.0%, to HK$632.9bn, largely through growth in corporate and commercial lending. Amidst lower property market turnover, we maintained our market share in underwriting new mortgage business. Residential mortgage lending increased by 2.4% when compared with the year end. Hang Seng China lending portfolios increased by 1.9%, mainly to corporate customers. Overall loan quality remained sound with total loan impairment allowances as a percentage of gross loans and advances to customers improving to 0.23% at 30 June 2014. Customer deposits, including certificates of deposit and other debt securities in issue, rose by HK$51.1bn, or 5.9%, to HK$920.8bn. In June, Hang Seng China successfully raised RMB1bn in Hong Kong through its debut offshore renminbi bond issue with a positive response from a diverse group of investors. At 30 June 2014, the advances-to-deposits ratio was 68.7%, compared with 67.4% at 31 December 2013.

At 30 June 2014, shareholders' funds (excluding proposed dividends) were HK$107.4bn, an increase of HK$3.8bn, or 3.7%, against last year end. Retained profits grew by HK$4.5bn, resulting from the growth in attributable profit after the appropriation of interim dividends. The premises revaluation reserve increased by HK$296m, or 2.0%, reflecting an increase in the fair value of the bank's premises. The available-for-sale investment reserve recorded a revaluation deficit of HK$2,460m, compared with a deficit of HK$1,618m at the end of 2013, primarily reflecting the unrealised revaluation deficit on the bank's investment in Industrial Bank. Available-for-sale financial investments are tested for impairment when there is an indication that the investment may be impaired. The group's policy is to recognise an impairment loss where there is a 'significant' or 'prolonged' decline in the fair value of an equity investment.

The return on average total assets was 1.5%, compared with 3.4% and 1.4% for the first and second halves of 2013. The return on average shareholders' funds was 15.9%, compared with 35.9% in the first half of 2013 and 15.3% in the second half.Excluding the Industrial Bank reclassification in 2013, return on average total assets was 1.5%, compared with 1.7% and 1.4% for the first and second halves of 2013. On the same basis, return on average shareholders' funds was 16.6%, compared with 19.0% and 16.3% for the first and second halves of last year. The decrease in return on average shareholders' funds when compared with the first half of 2013 was mainly the combined effect of lower property revaluation gains and the increase in average shareholders' funds which outpaced the growth in annualised profit. Higher average shareholders' funds mainly reflected the increase in attributable profit and business premises revaluation reserve during the first half of 2014.

At 30 June 2014, the total capital ratio was 14.2%, down from 15.8% at the end of last year, mainly from an increase in risk-weighted assets. The overall capital base remained broadly the same as last year end as the benefit of profit growth after accounting for dividends declared in the first half of the year was offset by the discounting of non-Basel III compliant subordinated debts. The increase of 11.3% in risk-weighted assets was driven by loan growth and regulatory model changes.

The CET1 and T1 capital ratios stood at 11.8%, down from 13.8% as a result of the combined effect of the reduction in CET1 and T1 capital and the increase in risk-weighted assets. The effect of the phasing-in of Basel III requirements on significant capital investments in unconsolidated financial sector entities has also affected the CET1 and T1 capital but has no impact on the total capital base.

The bank has been maintaining liquidity at a comfortable level. The average liquidity ratio for the first half of 2014 was 34.5% (calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance) compared with 35.8% for the first half of 2013.

Dividends

The Directors have declared a second interim dividend of HK$1.10 per share, which will be payable on 4 September 2014 to shareholders on the register of shareholders as of 20 August 2014. Together with the first interim dividend, the total distribution for the first half of 2014 will amount to HK$2.20 per share, the same as in the first half of 2013.

Segmental analysis

	Hong Kong and other businesses							
Figures in HK$m	Retail Banking and Wealth Management	Commercial Banking	Global Banking and Markets	Other	Total	Mainland China business	Inter-segment elimination	Total
Half-year ended 30 June 2014								
Net interest income/(expense)	4,888	2,228	1,764	(75)	8,805	866	__	9,671
Net fee income/(expense)	2,030	787	120	72	3,009	53	__	3,062
Net trading income/(loss)	140	266	579	__	985	76	__	1,061
Net income/(loss) from financial instruments designated at fair value	429	(1)	__	__	428	__	__	428
Dividend income	1	__	__	4	5	__	__	5
Net earned insurance premiums	5,950	54	__	__	6,004	__	__	6,004
Other operating income	903	45	__	223	1,171	1	(41)	1,131
Total operating income	14,341	3,379	2,463	224	20,407	996	(41)	21,362
Net insurance claims incurred and movement in policyholders' liabilities	(6,847)	(42)	__	__	(6,889)	__	__	(6,889)
Net operating income before loan impairment charges and other credit risk provisions	7,494	3,337	2,463	224	13,518	996	(41)	14,473
Loan impairment (charges)/ releases and other credit risk provisions	(247)	12	__	__	(235)	(102)	__	(337)
Net operating income	7,247	3,349	2,463	224	13,283	894	(41)	14,136
Operating expenses W	(2,750)	(861)	(287)	(52)	(3,950)	(731)	41	(4,640)
Operating profit	4,497	2,488	2,176	172	9,333	163	__	9,496
Gains less losses from financial investments and fixed assets	__	__	3	(7)	(4)	(1)	__	(5)
Net surplus on property revaluation	__	__	__	230	230	__	__	230
Share of profits from associates	155	1	__	__	156	__	__	156
Profit before tax	4,652	2,489	2,179	395	9,715	162	__	9,877
Share of profit before tax	47.1%	25.2%	22.1%	4.0%	98.4%	1.6%	__	100.0%
Share of profit before tax as a % of	47.9%	25.6%	22.4%	4.1%	100.0%			

Hong Kong and other businesses								
Operating profit excluding loan impairment charges and other credit risk provisions	4,744	2,476	2,176	172	9,568	265	__	9,833
W Depreciation/amortisation included in operating expenses	(23)	(14)	(2)	(373)	(412)	(49)	__	(461)
At 30 June 2014								
Total assets	324,699	239,280	443,493	87,449	1,094,921	125,434	(24,391)	1,195,964
Total liabilities	663,013	189,121	115,121	20,563	987,818	115,308	(16,663)	1,086,463
Interest in associates	2,137	12	__	__	2,149	29	__	2,178

	Hong Kong and other businesses							
Figures in HK$m	Retail Banking and Wealth Management	Commercial Banking	Global Banking and Markets	Other	Total	Mainland China business	Inter-segment elimination	Total
Half-year ended 30 June 2013 (restated)								
Net interest income/(expense)	4,917	2,008	1,508	(113)	8,320	649	__	8,969
Net fee income/(expense)	1,955	793	83	66	2,897	39	__	2,936
Net trading income/(loss)	89	327	689	(9)	1,096	108	__	1,204
Net income/(loss) from financial instruments designated at fair value	(108)	(3)	__	__	(111)	__	__	(111)
Dividend income	__	__	__	4	4	__	__	4
Net earned insurance premiums	5,761	39	__	__	5,800	__	__	5,800
Other operating income	956	25	__	140	1,121	__	(26)	1,095
Total operating income	13,570	3,189	2,280	88	19,127	796	(26)	19,897
Net insurance claims incurred and movement in policyholders' liabilities	(6,381)	(39)	__	__	(6,420)	__	__	(6,420)
Net operating income before								

loan impairment charges and other credit risk provisions	7,189	3,150	2,280	88	12,707	796	(26)	13,477
Loan impairment (charges)/ releases and other credit risk provisions	(280)	59	6	__	(215)	17	__	(198)
Net operating income	6,909	3,209	2,286	88	12,492	813	(26)	13,279
Operating expenses W	(2,615)	(787)	(250)	(35)	(3,687)	(684)	26	(4,345)
Operating profit	4,294	2,422	2,036	53	8,805	129	__	8,934
Gains less losses from financial investments and fixed assets	(1)	__	1	173	173	__	__	173
Gain on reclassification of Industrial Bank	__	__	__	__	__	8,454	__	8,454
Net surplus on property revaluation	__	__	__	999	999	__	__	999
Share of profits from associates	162	1	__	__	163	50	__	213
Profit before tax	4,455	2,423	2,037	1,225	10,140	8,633	__	18,773
Share of profit before tax	23.8%	12.9%	10.8%	6.5%	54.0%	46.0%	__	100.0%
Share of profit before tax as a % of Hong Kong and other businesses	43.9%	23.9%	20.1%	12.1%	100.0%			
Operating profit excluding loan impairment charges and other credit risk provisions	4,574	2,363	2,030	53	9,020	112	__	9,132
W Depreciation/amortisation included in operating expenses	(24)	(12)	(2)	(345)	(383)	(50)	__	(433)
At 30 June 2013								
Total assets	307,081	215,914	392,251	98,429	1,013,675	118,176	(25,194)	1,106,657
Total liabilities	621,704	162,820	83,686	46,569	914,779	109,913	(20,116)	1,004,576
Interest in associates	1,769	9	__	__	1,778	975	__	2,753

	Hong Kong and other businesses							
Figures in HK$m	Retail Banking and Wealth Management	Commercial Banking	Global Banking and Markets	Other	Total	Mainland China business	Inter-segment elimination	Total

Half-year ended
31 December 2013 (restated)

Net interest income/(expense)	5,042	2,163	1,728	(108)	8,825	810	__	9,635
Net fee income/(expense)	1,894	772	148	78	2,892	59	__	2,951
Net trading income/(loss)	211	179	433	(5)	818	23	__	841
Net income/(loss) from financial instruments designated at fair value	458	(1)	(1)	__	456	__	__	456
Dividend income	__	7	__	1,003	1,010	__	__	1,010
Net earned insurance premiums	4,164	41	__	__	4,205	__	__	4,205
Other operating income	656	14	1	194	865	7	(31)	841
Total operating income	12,425	3,175	2,309	1,162	19,071	899	(31)	19,939
Net insurance claims incurred and movement in policyholders' liabilities	(5,321)	(33)	__	__	(5,354)	__	__	(5,354)
Net operating income before loan impairment charges and other credit risk provisions	7,104	3,142	2,309	1,162	13,717	899	(31)	14,585
Loan impairment (charges)/ releases and other credit risk provisions	(202)	(97)	(14)	__	(313)	(25)	__	(338)
Net operating income	6,902	3,045	2,295	1,162	13,404	874	(31)	14,247
Operating expenses W	(2,700)	(834)	(265)	(195)	(3,994)	(795)	31	(4,758)
Impairment loss on intangible assets	(11)	(2)	__	__	(13)	__	__	(13)
Operating profit	4,191	2,209	2,030	967	9,397	79	__	9,476
Gains less losses from financial investments and fixed assets	__	1	3	3	7	(1)	__	6
Loss on reclassification of Yantai Bank	__	__	__	__	__	(297)	__	(297)
Net surplus on property revaluation	__	__	__	189	189	__	__	189
Share of profits from associates	293	1	__	__	294	55	__	349
Profit before tax	4,484	2,211	2,033	1,159	9,887	(164)	__	9,723
Share of profit before tax	46.1%	22.7%	20.9%	12.0%	101.7%	(1.7%)	__	100.0%
Share of profit before tax as a % of Hong Kong and other businesses	45.4%	22.4%	20.6%	11.6%	100.0%			
Operating profit excluding loan	4,393	2,306	2,044	967	9,710	104	__	9,814

impairment charges and other credit risk provisions								
W Depreciation/amortisation included in operating expenses	(25)	(16)	(3)	(350)	(394)	(48)	__	(442)
At 31 December 2013								
Total assets	309,758	211,747	426,288	104,027	1,051,820	118,476	(26,564)	1,163,730
Total liabilities	650,309	173,675	105,484	16,924	946,392	108,495	(18,935)	1,035,952
Interest in associates	2,022	10	__	__	2,032	30	__	2,062

Hong Kong and other businesses segment

Retail Banking and Wealth Management ('RBWM') in Hong Kong reported profit before tax of HK$4,652m in the first half of 2014, a 4.4% increase compared with the first half of 2013. Operating profit excluding loan impairment charges reached HK$4,744m, an increase of 3.7%. Operating profit grew by 4.7% to HK$4,497m.

Net interest income was maintained at HK$4,888m, in line with the first half of 2013, despite downward pressure on deposit margin as a result of increased competition and moderate growth in mortgage lending.

Non-interest income grew strongly by 14.7% to HK$2,606m, reflecting a growth in net fee income and trading income as well as an improvement in net income from financial instruments at fair value whereas a loss was recorded in the first half of 2013. We sustained our momentum in wealth management business, with income growing by 10.7% to HK$3,495m.

Unsecured lending business continued to be a key growth driver. Supported by effective marketing campaigns and a good quality credit card customer base, card spending achieved year-on-year growth of 9.4%. Total cards in circulation rose by 3.2% to 2.48 million year-on-year and we were the third largest card issuer of VISA and MasterCard in the first half of 2014. We were able to reach more targeted customers from our existing customer base to grow our personal loan portfolios. Compared to last year end, the personal loan portfolio rose by 11.7%.

Our mortgage business maintained third position in the market, with a market share of 16.2% in terms of new mortgage registrations. Mortgage balances grew by 2.1% compared to 2013 year end.

Investment funds income rose year-on-year by 6.2% with turnover increasing by 9.4% compared with last year. However, reduced transaction turnover in the stock market impacted our securities business. Securities turnover and income recorded reductions of 6.4% and 4.0% respectively.

Total operating income for insurance business achieved growth of 19.0%, reflecting an improvement in investment portfolio return and our effective distribution effort. Supported by the initiative to broaden our protection plans offerings, we diversified the life insurance product mix to create higher business value. In addition, we have entered into an exclusive 10 year distribution agreement with international healthcare company Bupa in providing medical insurance products and services.

With multiple efforts in strengthening Prestige and Preferred propositions and China connectivity, Prestige and Preferred Banking customers grew 7.0% year-on-year. We launched an awareness campaign to communicate our enhanced customer propositions and product features based on customer's wealth management needs. We accelerated our pace in the development of Prestige and Preferred Banking Centres to enhance customer experience. During the first half of 2014, five more Prestige and Preferred Banking Centres were established in strategic locations, bringing a total of 17 centres in our portfolio.

We continued to drive sustainable business growth with environmentally friendly initiatives. We deployed the e-signature pads at our branches to facilitate an efficient and paperless transactions environment. Efforts were also made to encourage customers to adopt the e-statement / e-advices services, with over half of our e-Banking customers utilising the services in the first half of 2014. Furthermore, we enhanced our capabilities to support paperless billing process through the Electronic Bill Presentment and Payment (EBPP) platform.

Commercial Banking ('CMB') in Hong Kong reported a 2.7% increase in profit before tax to HK$2,489m. Operating profit excluding loan impairment charges grew by 4.8% to HK$2,476m. Operating profit grew by 2.7% to HK$2,488m.

Net interest income increased by 11.0% to HK$2,228m, supported by balanced growth in both customer advances and deposits compared with last year end. Customer advances increased by 13.2% with targeted marketing and cross-border collaborations leading to diversified growth in different industry sectors. Deposits increased by 9.2%, driven by continuing acquisition of quality mainland customers and propositions targeting professional firms, listed companies, property developers and retailers.

Non-interest income decreased by 2.9% to HK$1,109m, primarily because customers have reduced renminbi hedging activities with the depreciation of renminbi and our strategic repositioning of trade finance business to support the needs of core corporate customers.

Remittance income grew by 21.9% year-on-year, underpinned by cross-border business collaboration and initiatives.

Insurance income rose by 12.9% comparing with the first half of 2013, reflecting balanced growth in key-person and general insurance businesses. We strengthened our collaboration with QBE Insurance, resulting in good growth in general insurance income. Increased penetration of the SME sector led to a 16.1% increase in life insurance income.

We maintained good asset quality and recorded a net release in loan impairment charges as a result of proactive credit risk management and improved post-approval monitoring of loan assets. We continued to enhance our portfolio management to improve overall returns on risk assets.

We maintained our strong position for syndicated lending. According to Thomson Reuters LPC data, we ranked second and third in the Mandated Arranger and Bookrunner League Tables respectively for Hong Kong and Macau Syndicated Loans in terms of number of transactions in the first half of 2014.

We continued to tap cross-border business opportunities. We successfully completed the first renminbi cross-border loan to a customer in the Shanghai Free Trade Zone in the first half of 2014.

We have enriched our service propositions and enhanced our Business Banking Centres network to attract and retain quality SME customers. Mainland companies continued to be one of our targeted segments, representing 44.9% of newly acquired SME customers in the first half. New customers were the primary drivers of growth in SME customer deposits and the 9.5% increase in non-interest income from SME business.

Our SME banking services continued to receive independent recognition. For the ninth consecutive year, Hang Seng Bank has received the SME's Best Partner Award from the Hong Kong General Chamber of Small and Medium

Business.

Global Banking and Markets ('GBM') in Hong Kong recorded a 7.0% increase in profit before tax to HK$2,179m. Operating profit excluding loan impairment charges grew by 7.2% to HK$2,176m. Operating profit rose 6.9% to HK$2,176m.

Global Banking ('GB') in Hong Kong achieved a 14.5% increase in profit before tax to HK$821m. Operating profit excluding loan impairment charges grew by 15.4% to HK$819m. Operating profit grew 14.4% to HK$819m.

Net interest income rose by 13.9% to HK$813m, driven primarily by good loan growth, whilst maintaining strong credit quality. At the same time, we maintained robust credit risk management. Customer deposits increased by 41.6% compared with last year end as we stepped up our marketing efforts to acquire more new deposits and offer payment and cash management solutions to grow account balances.

Non-interest income recorded strong growth of 25.3% mainly due to increased transactional banking business.

To drive business opportunities in mainland China and Hong Kong, GB will continue to work closely with Hang Seng China in promoting renminbi-related services including deposit, loan and trade finance to take advantage of the liberalisation of renminbi business and opportunities arising from the development of new economic zones in Qianhai and Hengqin as well as the Shanghai Free Trade Zone.

Global Markets ('GM') in Hong Kong recorded a 2.9% increase in profit before tax to HK$1,358m. Operating profit excluding loan impairment charges grew by 2.8% to HK$1,357m. Operating profit increased by 2.8% to HK$1,357m.

Net interest income increased by 19.8% to HK$951m. The balance sheet management team has been actively managing the interest rate risk and assessing different market opportunities for better yield enhancement of the commercial surplus.

Non-interest income decreased by HK$97m to HK$580m. Total trading income decreased by HK$111m, or 16.1%, to HK$579m. Foreign exchange trading income decreased due to lower market volatility. Income from structured products was also impacted by reduced customer demand for renminbi products due to the depreciation of the renminbi.

Front-line channels (including e-Banking) and trading systems were enhanced to facilitate straight-through processing, enabling better position management. To support client clearing directly and strengthen market standing as a leading local bank, the bank will join OTC Clearing Hong Kong Limited as a direct member for central clearing of its over-the-counter derivatives in 2014.

To diversify revenue sources, GM has increased cross-selling of Global Markets products to RBWM and CMB customers. Strategic actions were set for identifying RBWM and CMB customer needs and cross-selling opportunities through collaboration schemes.

Going forward, GM will continue to position itself to capture yield enhancement opportunities by investing in Hong Kong and mainland bonds and capturing yield curves of selected currencies. As the renminbi market in Hong Kong evolves, GM will continue to develop renminbi-denominated hedging and investment products to meet customer needs as well as explore new business opportunities for cross-selling treasury products with other customer groups.

Mainland China business

The operating results of Hang Seng China improved in the first half of 2014. Operating profit excluding loan impairment charges and other credit risk provisions grew by 136.6%, mainly from the 33.4% increase in net interest income. Solid progress with expanding trade-related business and treasury product sales drove 35.9% growth in net fee and commission income. Trading income declined, reflecting the impact of market interest rate changes on the fair value of structured deposits. Overall, non-interest income fell by 11.6%. Operating profit increased by 26.4%, reflecting higher impairment charges in the first half of 2014 compared with a net release in same period last year. Asset quality remains stable with impaired loan ratios at 0.42% at the end of 30 June 2014. Profit before tax decreased by 98.1% when compared with the first half of 2013, which benefited from the HK$8,454m accounting gain on the reclassification of Industrial Bank and a HK$52m share of profit from Yantai Bank. Excluding these items, profit before tax rose by 27.6%.

Backed by enhanced cross-border collaboration, Hang Seng China achieved a 5.8% rise in customer deposits compared to 2013 year end. In June, Hang Seng China successfully raised RMB1bn in Hong Kong through its debut offshore renminbi bond issue with a positive response from a diverse group of investors. Lending grew by 1.9% with continuing emphasis on sound credit risk management.

	As reported		Constant currencyW	
Half-year ended 30 June 2014 compared with 30 June 2013				
Total operating income	25.1%		23.1%	
Operating profit excluding loan impairment charges and other credit risk provisions	136.6%		134.5%	
Operating profit	26.4%		24.4%	
Profit before tax	-98.1%		n.a	
At 30 June 2014 compared with 31 December 2013				
Gross loans and advances to customers	1.9%		3.7%	
Customer deposits and debt securities in issue	5.8	%	7.7	%

Given the growing economic ties between Hong Kong and the Mainland, Hang Seng China has enhanced the cooperation and connectivity with Hang Seng Hong Kong, aiming to create more synergy and to seize new opportunities. In this regard, the Shanghai Free Trade Zone Sub-branch was opened in February 2014 to provide the latest available solutions to our clients. In April, the Greater China Prestige programme was launched to serve clients with banking needs in both mainland China and Hong Kong. Hang Seng China will continue to capture opportunities generated by increasing cross-border economic integration and renminbi internationalisation.

The Chengdu Branch was also opened in February to serve and develop our clients in the fast growing central and western region to supplement our coverage in the Pearl River Delta, Yangtze River Delta and Bohai Rim. Meanwhile, Hang Seng China continues to invest in direct channels including call centres, e-Banking and SMS services to enhance our customers' experience.

W Constant currency comparatives for 2013 referred to in the tables above are computed by translating into Hong Kong dollars the functional currency (renminbi) of Hang Seng's mainland China business:

- the income statement for the half year to 30 June 2013 at the average rates of exchange for the half year to 30 June 2014; and
- the balance sheet at 31 December 2013 at the prevailing rates of exchange on 30 June 2014.

Consolidated Income Statement (unaudited)

Figures in HK$m	Half-year ended 30 June 2014	Half-year ended 30 June 2013	Half-year ended 31 December 2013
Interest income	12,774	11,459	12,366
Interest expense	(3,103))	(2,490))	(2,731))
Net interest income	9,671	8,969	9,635
Fee income	3,757	3,637	3,692
Fee expense	(695))	(701))	(741))
Net fee income	3,062	2,936	2,951
Net trading income	1,061	1,204	841
Net income/(loss) from financial instruments designated at fair value	428	(111))	456
Dividend income	5	4	1,010
Net earned insurance premiums	6,004	5,800	4,205
Other operating income	1,131	1,095	841
Total operating income	21,362	19,897	19,939
Net insurance claims incurred and movement in policyholders' liabilities	(6,889))	(6,420))	(5,354))
Net operating income before loan impairment charges and other credit risk provisions	14,473	13,477	14,585
Loan impairment charges and other credit risk provisions	(337)	(198)	(338)
Net operating income	14,136	13,279	14,247
Employee compensation and benefits	(2,295))	(2,170))	(2,262))
General and administrative expenses	(1,884))	(1,742))	(2,054))
Depreciation of premises, plant and equipment	(406))	(376))	(386))
Amortisation of intangible assets	(55))	(57))	(56))
Operating expenses	(4,640))	(4,345))	(4,758))
Impairment loss on intangible assets	—	—	(13))
Operating profit	9,496	8,934	9,476
Gains less losses from financial investments and fixed assets	(5)	173	6
Gain on reclassification of Industrial Bank	—	8,454	—
Loss on reclassification of Yantai Bank	—	—	(297)
Net surplus on property revaluation	230	999	189
Share of profits from associates	156	213	349
Profit before tax	9,877	18,773	9,723
Tax expense	(1,409))	(305))	(1,513))
Profit for the period	8,468	18,468	8,210

Profit attributable to shareholders	8,468	18,468	8,210
Earnings per share (in HK$)	4.43	9.66	4.29

Details of dividends payable to shareholders of the bank attributable to the profit for the half year are set out on page 36.

Consolidated Statement of Comprehensive Income (unaudited)

Figures in HK$m	Half-year ended 30 June 2014	Half-year ended 30 June 2013	Half-year ended 31 December 2013
Profit for the period	8,468	18,468	8,210
Other comprehensive income			
Items that will be reclassified subsequently to the income statement when specific conditions are met:			
Available-for-sale investment reserve:			
- fair value changes taken to equity:			
-- on debt securities	350	(685)	(228)
-- on equity shares	(417)	(3,458)	820
- fair value changes transferred to income statement:			
-- on hedged items	29	461	228
-- on disposal	2	__	(1)
- share of changes in equity of associates:			
-- fair value changes	__	4	(5)
-- fair value changes transferred to income statement on reclassification of Industrial Bank and Yantai Bank	__	94	17
- deferred taxes	(76)	42	15
- exchange difference and other	(730)	431	420
Cash flow hedging reserve:			
- fair value changes taken to equity	(74)	498	(66)
- fair value changes transferred to income statement	70	(516)	71
- deferred taxes	1	3	(1)
Exchange differences on translation of:			
- financial statements of overseas branches, subsidiaries and associates	(170)	338	100
- cumulative foreign exchange reserve transferred to income statement on reclassification of Industrial Bank and Yantai Bank	__	(2,039)	(111)
- other	__	(3)	5
Others	__	30	__

Items that will not be reclassified subsequently to the income statement:			
Premises:			
- unrealised surplus on revaluation of premises	612	1,526	577
- deferred taxes	(103)	(241)	(96)
- exchange difference	(1)	2	1
Defined benefit plans:			
- actuarial gains/(losses) on defined benefit plans	75	855	(77)
- deferred taxes	(12)	(141)	13
Share-based payments	(1)	(1)	(2)
Other comprehensive income for the period, net of tax	(445)	(2,800)	1,680
Total comprehensive income for the period	8,023	15,668	9,890
Total comprehensive income for the period attributable to shareholders	8,023	15,668	9,890

Consolidated Balance Sheet (unaudited)

Figures in HK$m	At 30 June 2014	At 30 June 2013 (restated)	At 31 December 2013
ASSETS			
Cash and balances at central banks	7,721	9,798	22,717
Placings with and advances to banks	142,975	141,012	141,940
Trading assets	26,213	34,509	31,996
Financial assets designated at fair value	10,331	10,150	6,987
Derivative financial instruments	6,296	4,752	6,646
Reverse repurchase agreements - non trading	2,309	—	—
Loans and advances to customers	632,947	579,705	586,240
Financial investments	297,303	263,369	282,845
Interest in associates	2,178	2,753	2,062
Investment properties	11,108	10,547	10,918
Premises, plant and equipment	21,594	20,690	21,000
Intangible assets	8,779	7,403	7,974
Other assets	26,210	21,969	22,405
Total assets	1,195,964	1,106,657	1,143,730
LIABILITIES AND EQUITY			
Liabilities			
Current, savings and other deposit accounts	860,092	779,884	824,996

Repurchase agreements - non trading	1,837	1,625	—
Deposits from banks	11,335	14,165	11,826
Trading liabilities	65,713	67,749	62,117
Financial liabilities designated at fair value	493	466	489
Derivative financial instruments	5,825	4,817	5,246
Certificates of deposit and other debt securities in issue	9,904	11,022	8,601
Other liabilities	24,451	20,874	20,467
Liabilities to customers under insurance contracts	89,049	86,584	85,844
Current tax liabilities	1,830	1,928	692
Deferred tax liabilities	4,114	3,633	3,850
Subordinated liabilities	11,820	11,829	11,824
Total liabilities	1,086,463	1,004,576	1,035,952
Equity			
Share capital	9,658	&#16	