HSBC HOLDINGS PLC
Form 6-K
February 22, 2016

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 February
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-.............).

22 February 2016

HSBC HOLDINGS PLC
2015 RESULTS HIGHLIGHTS

· Reported PBT up 1% in 2015 at $18,867m, compared with $18,680m in 2014. This primarily reflected a favourable movement in significant items.

· Adjusted PBT down 7% at $20,418m, compared with $21,976m in 2014.

· Adjusted revenue up 1% at $57,765m, compared with $57,227m in 2014. The increase was mainly in client-facing GB&M (7%), CMB (3%) and Principal RBWM (2%).

· Adjusted loan impairment charges up 17% at $3,721m, compared with $3,168m in 2014. The increases were across a number of countries, reflective of local themes and characteristics.

· Adjusted operating expenses up 5% at $36,182m reflecting wage inflation, business growth and investment in regulatory programmes and compliance. Excluding the UK bank levy, adjusted operating expenses in the half of 2015 were broadly in line with the first half of the year reflecting strong cost management and the initial effect of our cost saving programmes.

· Return on equity of 7.2%, compared with 7.3% in 2014.

· Earnings per share and dividends per ordinary share in respect of the year were $0.65 and $0.51, respectively, compared with $0.69 and $0.50 for 2014.

· Strong capital base with a CRD IV end point CET1 capital ratio of 11.9% at 31 December 2015, up from 11.1% at 31 December 2014.

· Leverage ratio remained strong at 5.0%.

· Clearly defined actions to capture value from our network and connecting our customers to opportunities.
- Progress on reducing Group RWAs with a $124bn reduction or 45% of our 2017 target achieved.
- Signed agreement to sell operations in Brazil.
- Revenue from transaction banking products up 4% highlighting value and potential of our international network.
- Development of Asia Business gaining momentum. Revenue growth in excess of GDP in majority of Asian markets.

Stuart Gulliver, Group Chief Executive said:

'Targeted investment, prudent lending and our diversified, universal banking business model helped us achieve revenue growth in a difficult market environment, whilst also reducing risk-weighted assets. Strict cost management slowed cost growth and our cautious approach to credit helped keep loan impairment charges low. We made a good start in implementing the plans that we announced at our Investor Update in June. Delivering against these plans remains our primary focus.'

	Year ended 31 December		
	2015	2014	Change
	$m	$m	%
Financial highlights and key ratios1			
Reported profit before tax	18,867	18,680	1.0
Adjusted profit before tax	20,418	21,976	(7.1)
Return on average ordinary shareholders' equity	7.2%	7.3%	
Adjusted jaws	(3.7%)	n/a	
	At 31 December		
	2015	2014	Change

	%	%	
Capital and balance sheet			
Common equity tier 1 ratio (transitional)2	11.9	10.9	
Common equity tier 1 ratio (end point)2	11.9	11.1	
Leverage ratio	5.0	4.8	
	$m	$m	$m
Loans and advances to customers	924,454	974,660	(50,206)
Customer accounts	1,289,586	1,350,642	(61,056)
Risk-weighted assets	1,102,995	1,219,765	(116,770)
	$bn	$bn	$bn
Leverage exposure measure	2,794	2,953	(159)

For footnotes, see page 2.

	Year ended 31 December	
	2015	2014
	$m	$m
Reported		
Revenue3	59,800	61,248
Loan impairment charges and other credit risk provisions	(3,721)	(3,851)
Operating expenses	(39,768)	(41,249)
Profit before tax	18,867	18,680
Adjusted		
Revenue3	57,765	57,227
Loan impairment charges and other credit risk provisions	(3,721)	(3,168)
Operating expenses	(36,182)	(34,576)
Profit before tax	20,418	21,976
Significant items affecting adjusted performance - (gains)/losses		
Revenue		
Disposal costs of Brazilian operations	18	–
Debit valuation adjustment on derivative contracts	(230)	332
Fair value movements on non-qualifying hedges	327	541
(Gain)/loss on sale of several tranches of real estate secured accounts in the US	214	(168)
Gain on sale of shareholding in Bank of Shanghai	-	(428)
Gain on the partial sale of shareholding in Industrial Bank	(1,372)	–
Impairment of our investment in Industrial Bank	-	271
Own credit spread	(1,002)	(417)
Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	10	632

Gain and trading results from disposals and changes in ownership levels	-	(9)
Operating expenses		
Disposal costs of Brazilian operations	110	–
Charge in relation to the settlement agreement with Federal Housing Finance Authority	-	550
Costs-to-achieve	908	–
Costs to establish UK ring-fenced bank	89	–
Regulatory provisions in Global Private Banking	172	65
Restructuring and other related costs	117	278
Settlements and provisions in connection with legal matters	1,649	1,187
UK customer redress programmes	541	1,275
Trading results from disposals and changes in ownership levels	-	40

1 Adjusted performance is computed by adjusting reported results for the year-on-year effects of foreign currency translation differences and significant items which distort year-on-year comparisons.
2 From 1 January 2015 the CRD IV transitional CET1 and end point CET1 capital ratios became aligned for HSBC Holdings plc due to the recognition of unrealised gains on investment property and available-for-sale securities.
3 Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.

Group Chairman's Statement

Statement by Douglas Flint, Group Chairman

We enter 2016 with a clear strategy and with a plan for its implementation already well under way. Our diversified business model and balance sheet strength form the foundation for our future progress, and position HSBC well to deal with today's challenging economic and financial conditions.

2015 was marked by some seismic shifts in global economic conditions, most notably the continuation of a sharp decline in commodity and oil prices, in part attributable to growing concerns over China's slowing economic growth. As a consequence, monetary policy remained accommodative throughout the major developed economies and key currency interest rates remained at historically low levels. Fiscal priorities continued to focus on controlling spending, an emphasis replicated in the private sector as weak revenue growth persisted in many industries.

Against this backdrop, the Group's financial performance in 2015 was broadly satisfactory, with reported profit before tax rising 1% to $18.9bn. On the adjusted basis used to measure management and business performance, profit before tax of $20.4bn was 7% lower than that achieved in 2014, driven by higher costs and credit charges.

Earnings per share of $0.65 compared with $0.69 in 2014. Sound management of capital, accelerated run-off of legacy books and shrinking the balance sheet in areas that can no longer support the expanded capital requirements now in force, contributed to the common equity tier 1 ratio increasing by 0.8 percentage points to 11.9%. This capital released from managing the asset base, together with that generated from operations, allowed the Board to approve a fourth interim dividend in respect of 2015 of $0.21 per ordinary share. This took dividends per ordinary share in respect of the year to $0.51, $0.01 higher than 2014. Total dividends in respect of 2015 amounted to $10.0bn, $0.4bn higher than in respect of 2014.

In approving the dividend increase, the Board noted that prospective dividend growth remained dependent upon the long-term overall profitability of the Group and delivering further release of less efficiently deployed capital. Actions to address these points are core elements of the Investor Update provided last June.

Sound progress on strategic initiatives

The Strategic Report highlights delivery to date against the strategic objectives laid out in last June's Investor Update.

When assessing management performance during 2015, outside of the financial results, the Board took particular account of the following aspects.

The successful negotiation of a majority stake in a new nationally licensed securities joint-venture in mainland China is the culmination of more than a decade of seeking out an appropriate platform through which to participate in the country's fast-developing securities markets. Once final approvals have been received, we believe this will establish a landmark opportunity for HSBC to contribute to the development of China's capital markets.

During 2015, the Group maintained, reinforced and broadened its leadership position in all aspects of the internationalisation of the renminbi. This position has been built over the past five years to establish a highly competitive platform to service China's international trade and investment flows as it pursues the financial liberalisation and outgoing investment priorities laid out in the recent 13th five-year plan. The recent highly successful State visit to the UK, following an equally successful Economic and Financial dialogue in China, served to illustrate the huge potential for mutually beneficial cooperation between the UK and China from which HSBC is uniquely positioned to benefit in the realm of financial services.

The disposal of our Brazilian operations, which is expected to complete shortly, was both timely and well executed. This divestment was a key element of the Board's desire to simplify the Group and redeploy capital to geographic areas where we have greater competitive strength, most particularly in Asia.

Our three major businesses generated higher revenue, notwithstanding the uncertain economic environment and the considerable reshaping necessitated by regulatory changes. Global Banking and Markets and Retail Banking and Wealth Management, in particular, have made significant changes to their business models and are now beginning to see the benefits. Commercial Banking continued to leverage the value of the Group's international network and product capabilities. Global Private Banking, chastened by the exposure of historical failings in Switzerland, accelerated disposal of a number of customer portfolios as it refocused its business model on core customer segments within a fully transparent operating model.

Across all businesses, the Board recognised a heightened emphasis on customer focus, which permeated recruitment, training, product design and incentives. This is essential to the restoration of trust.

Finally, and underpinning the above, we made further progress embedding the standards now expected to protect customers and the financial system from bad actors and financial crime. We are, however, not yet where we need to be. There is still more investment to make with ever greater urgency as more and more activity takes place digitally through multiple channels and via increasingly sophisticated mobile devices. HSBC's determination to address emerging risks and identify bad actors remains resolute. The Board has made it one of its top priorities to oversee and ensure management's delivery of the necessary enhancements to customer and transaction screening systems.

The regulatory landscape has become clearer

The second half of 2015 saw completion of some of the most important and complex initiatives undertaken to repair the fault lines that contributed to the global financial crisis. International agreement was reached on the amount of total loss-absorbing capacity that global systemically important banks, such as HSBC, need for orderly resolution, without risks to public funds. This allowed the Financial Stability Board to report to G20 leaders that they had finalised the tools needed to end 'too big to fail' in the banking sector. There is still much to do to build these tools into national legislative and regulatory frameworks; however, this international agreement is an important step forward towards finally settling the capital base against which we can assess our target returns.

There is now broad agreement that the implementation of the suite of regulatory reforms introduced post-crisis has made the financial system more resilient. Accordingly, public policy priorities are now focusing on harnessing this greater strength and resilience to support economic growth, which we welcome.

Concentration within the current regulatory agenda is increasingly on new and emerging risks and vulnerabilities. There is growing industry participation in dialogue around these emerging threats, most notably regarding cyber risk, the changing liquidity dynamics resulting from more market-based finance and financial exclusion stemming from excessive risk aversion.

Likewise, addressing the root causes of the misconduct issues that have bedevilled our industry in recent years has led to growing cooperation arising out of the multiplicity of joint working groups and enquiries that have examined the most serious failings. 2016 sees the introduction of the new Senior Managers' Regime in the UK, which will reinforce individual responsibility and accountability, which we welcome.

Also in the UK, 2015 saw further clarity given to the operation of the 'ring-fenced' bank structure and a welcome announcement of a reduction in the scope and rate of the bank levy going forward.

It is too early to say whether this amounts to a new understanding between the industry and the public, but it is encouraging that the industry is once again gaining a voice at a time of great economic and geopolitical uncertainty. We can only fulfil our essential role if we have regained trust, a fact that is now fully understood.

Review of headquarters' location

As we announced last week, the Board concluded its review of domicile alternatives and decided unanimously to remain headquartered in the UK. As we evaluated jurisdictions against the specified criteria, it became clear that the combination of our strategic focus on Asia and maintaining our hub in one of the world's leading international financial centres, London, was not only compatible, but offered the best outcome for our customers and shareholders. This decision was taken after some 10 months of careful analysis and assessment of geopolitical, economic, regulatory and financial factors. Advice was taken from internationally respected experts and from leading financial advisers. After considering all the relevant factors, the Board concluded that having our headquarters in the UK and our significant business in Asia Pacific led from Hong Kong, delivers the best of both worlds to our stakeholders. The completion of this review closes out one of the 10 strategic actions set out at our Investor Update last June.

Board changes

Subsequent to the changes announced with our interim results, we have made further changes to the Board. Safra Catz stepped down from the Board at the end of 2015 and Sir Simon Robertson, our Deputy Chairman, and Rona Fairhead will retire at the forthcoming Annual General Meeting.

Safra served on the Board for nearly eight years while Simon and Rona are HSBC's longest serving non-executive Directors, having served for close to 10 and 12 years, respectively. Over their respective periods of service, they have made invaluable contributions to the Group, not least during the global financial crisis, for which the Board is extremely grateful. Their combined expertise and experience in matters of governance, audit and risk, remuneration, technology, and international business affairs has been invaluable to HSBC and they will, upon their retirement, be sorely missed. On behalf of shareholders and the Board, I want to take this further opportunity to recognise their immense contributions to HSBC.

The Board was delighted to announce the appointments of Paul Walsh and Henri de Castries as independent non-executive Directors. Paul joined the Board on 1 January 2016 and Henri's appointment takes effect from 1 March 2016.

Paul Walsh was Group CEO of Diageo plc between 2000 and 2013. Under his leadership, Diageo was refocused from a diversified food, beverage and hotels conglomerate into one of the world's leading global alcoholic beverage businesses. In building this position, Paul took Diageo from a largely European and US business into emerging markets and to global leadership through the acquisition of many of the world's leading brands.

Henri de Castries has more than 25 years of international experience in the finance industry. Henri has been Chairman and Chief Executive Officer of AXA, one of the world's leading global insurance and asset management companies since April 2010 after serving as Chairman of its Management Board from May 2000.

Their international experience and track record in leading the reshaping of growing businesses, including undertaking business portfolio realignments, will be of great value to the Board as we address the opportunities and challenges ahead.

Looking back - our 150th anniversary

In 2015, HSBC marked its 150th anniversary by recognising its staff for their essential contributions through the ages, and its customers for their shared commitment and loyalty. As we enter the next period of our history, I want to reiterate these messages of gratitude and underline our recognition that such commitment and loyalty have to be earned.

HSBC has also always recognised its responsibilities to the communities it serves and so in this special year committed $150m of additional funding to community projects around the world over three years.

We also wanted to identify a distinctive cause with global significance to mark our special anniversary.

We were delighted, therefore, to announce a partnership with Cancer Research UK to support the scientific leaders of tomorrow through a $25m contribution towards the development and construction of the Francis Crick Institute. This state-of-the-art biomedical research facility will open in the heart of London in 2016 and support more than 1,200 scientists, collaborating to tackle the diseases that pose the greatest threat to humanity - cancer, heart disease, lung disease and infectious diseases, including HIV and malaria.

To mark HSBC's support, 150 PhD students, selected from across the world, will have the opportunity to conduct vital research at the new institute.

Looking ahead

Current market conditions are inevitably concentrating attention on the risks that exist within the global economy. It is, however, important also to recognise again the resilience that our diversified business model and balance sheet strength provide, as well as noting the many counterbalances that should help to underpin the global economy.

China's slower economic growth will undoubtedly contribute to a bumpier financial environment, but it is still expected to be the largest contributor to global growth as its economy transitions to higher added value manufacturing and services and becomes more consumer driven. This transition is driving our focus on the Pearl River Delta as a priority growth opportunity given its concentration of high tech, research focused and digital businesses.

There is a real possibility of meaningful stimulus for the global economy to come from further trade liberalisation initiatives such as the Trans-Pacific Partnership agreement, which was signed earlier this month.

The global focus on infrastructure development, most notably the Belt and Road initiative in China and the Juncker plan in Europe will expand public/ private financing opportunities.

Similarly, the agreements reached on climate change at the recent COP21 conference in Paris will require further significant infrastructure renewal. They will also greatly expand the market for sustainable financing options such as green bonds where HSBC is a leading participant. Reinforcing this position, the Group recently committed $1bn to a green bond portfolio to fund projects in sectors such as renewable energy, energy efficiency, clean transportation and climate change adaption as well as SME financing in sectors such as public transport, education and healthcare.

Technology advancements in financial services are broadening access, improving customer service and lowering the costs of service delivery. At the same time, the amount of data held digitally is exploding, reinforcing the need to bolster cyber security. There is an urgent public policy need to clarify how responsibility is to be shared, given the growing number of routes through which customers can authorise movement of money from their accounts or the sharing of data within these accounts.

We enter 2016 with a clear strategy and with much of the Group's required reshaping completed or under way. Our 264,000 staff, like their predecessors, went the extra mile consistently throughout 2015 to meet the demands placed on them by our customers, regulators and the public. I want to place on the record the Board's appreciation of that commitment and our gratitude for what they have achieved to make HSBC fit for the next 150 years.

Group Chief Executive’s Review

Review by Stuart Gulliver, Group Chief Executive
HSBC is better balanced, better connected and better placed to capitalise on higher return businesses than it was 12 months ago.

Business performance

Our performance in 2015 again demonstrated the fundamental strength of our business. Targeted investment, prudent lending and our diversified, universal banking business model helped us achieve revenue growth in a difficult market environment whilst also reducing risk-weighted assets. We also started to implement the actions that we announced at our Investor Update in June to adapt HSBC to new operating conditions. Completing these plans will refocus the business to achieve stronger, sustainable growth and we are acting on them quickly and efficiently.

On an adjusted basis, we grew revenue over the course of the year. Global Banking and Markets performed strongly and Commercial Banking grew steadily in spite of slower trade. Principal Retail Banking and Wealth Management also grew following a strong Wealth Management performance in the first half. Global Private Banking grew in Asia, but was down overall due to the impact of the continued repositioning of the business.

Our adjusted operating expenses increased as we continued to strengthen our compliance capability whilst also investing for growth. However, a combination of strict cost management and the cost reduction programmes that we started in the middle of the year helped us keep second half costs flat relative to the first half, excluding the bank levy.

Loan impairment charges remained generally low despite an increase in provisions towards the end of the year. This demonstrates again our prudent approach to lending and the benefit of our de-risking measures since 2011.

In total, we generated $11.3bn of capital in 2015, which enabled us to increase the dividend and strengthen the common equity tier 1 ratio.

Adapting HSBC

The plans that we announced at our Investor Update are designed to grow income, reduce costs and thereby increase our return on equity. There is a lot to do to achieve our targets but we have made a good start.

Reducing our risk-weighted assets ('RWAs') is vital to achieving a better return for shareholders. In 2015, management action reduced RWAs by $124bn, which takes us nearly half-way towards our target to be achieved by the end of 2017. Much of this reduction came from Global Banking and Markets, although a large proportion also came from Commercial Banking, accelerated asset sales in our US Consumer and Mortgage Lending portfolio and the sale of our investment in Industrial Bank. We expect to deliver further RWA reductions in 2016, in addition to a decrease of around $33bn from the sale of our business in Brazil.

We have received a number of offers for our business in Turkey since June, none of which were deemed to be in the best interests of shareholders. We have therefore decided to retain and restructure our Turkish operations, maintaining our wholesale banking business and refocusing our retail banking network. This will provide better value for shareholders and continue to allow our clients to capitalise on HSBC's international footprint.

Our cost-reduction measures are already having an impact on our cost base and HSBC is now a leaner business than at the half-year. All of our initiatives to reduce costs are under way and we expect further progress in 2016.

We continued to redevelop our businesses in the US and Mexico over the course of 2015. These are important businesses in the context of the wider Group and we are committed to turning them around. An increase in cross-border business across the NAFTA area and improved collaboration between global businesses helped to generate increased revenue. They remain works in progress.

We are investing in areas of the business that extract the greatest gain from our international network and market-leading strength in Asia.

Investment in flagship transaction banking products helped to increase our market share, particularly in Payments and Cash Management, Foreign Exchange and Securities Services.

The development of our Asia businesses is gaining momentum and we achieved growth in excess of GDP in seven out of eight of our priority Asia markets.

We continue to expand our business in the Pearl River Delta and reached a number of milestones in 2015, including the signing of an agreement to form the first majority foreign-owned securities company in mainland China. When approved, this will allow us to engage in the full spectrum of securities business in the country.

We remain the world's number one bank for offshore renminbi services and increased revenue by 3% year-on-year in this vitally important growth market.

Summary and outlook

HSBC is better balanced, better connected and better placed to capitalise on higher return businesses than it was 12 months ago. Our universal banking model is generating higher income from collaboration between businesses and our operating expenses and capital ratio are trending in the right direction. Maintaining these trends while boosting revenue will be the principal challenge in the year ahead.

The current economic environment is uncertain, but our diversified banking model, low earnings volatility and strong capital generation give us strength and resilience that will stand us in good stead.

We remain focused on delivering our nine remaining strategic actions by the end of 2017.

Consolidated Income Statement

	Year ended 31 December	
	2015	2014
	$m	$m
For the year		
Profit before tax	18,867	18,680
Profit attributable to shareholders of the parent company	13,522	13,688
Dividends declared on ordinary shares	9,710	9,320
At the year-end		
Total shareholders' equity	188,460	190,447
Total regulatory capital	189,833	190,730
Customer accounts	1,289,586	1,350,642
Total assets	2,409,656	2,634,139
Risk-weighted assets	1,102,995	1,219,765
	$	$
Per ordinary share		
Basic earnings	0.65	0.69
Dividends1	0.50	0.49
Net asset value	8.73	9.28
Share information		
$0.50 ordinary shares in issue	19,685m	19,218m

1 Dividends per ordinary share declared in the year.

Distribution of results by geographical region

Profit/(loss) before tax

	Year ended 31 December			
	2015		2014	
	$m	%	$m	%
Europe	643	3.4	596	3.2

Asia	15,763	83.5	14,625	78.3
Middle East and North Africa	1,537	8.1	1,826	9.8
North America	614	3.3	1,417	7.6
Latin America	310	1.7	216	1.1
Profit before tax	18,867	100.0	18,680	100.0
Tax expense	(3,771)		(3,975)	
Profit for the year	15,096		14,705	
Profit attributable to shareholders of the parent company	13,522		13,688	
Profit attributable to non-controlling interests	1,574		1,017	

Distribution of results by global business
Profit/(loss) before tax

	Year ended 31 December			
	2015		2014	
	$m	%	$m	%
Retail Banking and Wealth Management1	4,967	26.3	5,581	29.9
Commercial Banking1	7,973	42.3	8,814	47.2
Global Banking and Markets	7,910	41.9	5,889	31.5
Global Private Banking	344	1.8	626	3.4
Other	(2,327)	(12.3)	(2,230)	(12.0)
Profit before tax	18,867	100.0	18,680	100.0

1 In the first half of 2015, a portfolio of customers was transferred from CMB to RBWM in Latin America in order to better align the combined banking needs of the customers with our established global businesses. Comparative data have been re-presented accordingly.

Consolidated Income Statement

for the year ended 31 December 2015

	2015	2014
	$m	$m
Interest income	47,189	50,955
Interest expense	(14,658)	(16,250)
Net interest income	32,531	34,705
Fee income	18,016	19,545
Fee expense	(3,311)	(3,588)

Net fee income	14,705	15,957
Trading income excluding net interest income	6,948	4,853
Net interest income on trading activities	1,775	1,907
Net trading income	8,723	6,760
Changes in fair value of long-term debt issued and related derivatives	863	508
Net income from other financial instruments designated at fair value	669	1,965
Net income from financial instruments designated at fair value	1,532	2,473
Gains less losses from financial investments	2,068	1,335
Dividend income	123	311
Net insurance premium income	10,355	11,921
Other operating income	1,055	1,131
Total operating income	71,092	74,593
Net insurance claims and benefits paid and movement in liabilities to policyholders	(11,292)	(13,345)
Net operating income before loan impairment charges and other credit risk provisions	59,800	61,248
Loan impairment charges and other credit risk provisions	(3,721)	(3,851)
Net operating income	56,079	57,397
Employee compensation and benefits	(19,900)	(20,366)
General and administrative expenses	(17,662)	(18,565)
Depreciation and impairment of property, plant and equipment	(1,269)	(1,382)
Amortisation and impairment of intangible assets	(937)	(936)
Total operating expenses	(39,768)	(41,249)
Operating profit	16,311	16,148
Share of profit in associates and joint ventures	2,556	2,532
Profit before tax	18,867	18,680
Tax expense	(3,771)	(3,975)
Profit for the year	15,096	14,705

Profit attributable to shareholders of the parent company	13,522	13,688
Profit attributable to non-controlling interests	1,574	1,017
	$	$
Basic earnings per ordinary share	0.65	0.69
Diluted earnings per ordinary share	0.64	0.69

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015

	2015 $m	2014 $m
Profit for the year	15,096	14,705
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments	(3,072)	2,972
- fair value gains/(losses)	(1,231)	4,794
- fair value gains reclassified to the income statement	(2,437)	(1,672)
- amounts reclassified to the income statement in respect of impairment losses	127	374
- income taxes	469	(524)
Cash flow hedges	(24)	188
- fair value gains	704	1,512
- fair value gains reclassified to the income statement	(705)	(1,244)
- income taxes	(23)	(80)
Share of other comprehensive income/(expense) of associates and joint ventures	(9)	80
- share for the year	(9)	78
- reclassified to income statement on disposal	-	2
Exchange differences	(10,945)	(8,903)
- foreign exchange gains reclassified to income statement on disposal of a foreign operation	-	(21)
- other exchange differences	(11,112)	(8,917)
- income tax attributable to exchange differences	167	35
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	101	1,985
- before income taxes	130	2,419
- income taxes	(29)	(434)

Other comprehensive income for the year, net of tax	(13,949)	(3,678)
Total comprehensive income for the year	1,147	11,027
Attributable to:		
- shareholders of the parent company	460	9,245
- non-controlling interests	687	1,782
Total comprehensive income for the year	1,147	11,027

Consolidated Balance Sheet

at 31 December 2015

	2015	2014
	$m	$m
Assets		
Cash and balances at central banks	98,934	129,957
Items in the course of collection from other banks	5,768	4,927
Hong Kong Government certificates of indebtedness	28,410	27,674
Trading assets	224,837	304,193
Financial assets designated at fair value	23,852	29,037
Derivatives	288,476	345,008
Loans and advances to banks	90,401	112,149
Loans and advances to customers	924,454	974,660
Reverse repurchase agreements - non-trading	146,255	161,713
Financial investments	428,955	415,467
Assets held for sale	43,900	7,647
Prepayments, accrued income and other assets	54,398	67,529
Current tax assets	1,221	1,309
Interests in associates and joint ventures	19,139	18,181
Goodwill and intangible assets	24,605	27,577
Deferred tax assets	6,051	7,111
Total assets at 31 December	2,409,656	2,634,139
Liabilities and equity		
Liabilities		
Hong Kong currency notes in circulation	28,410	27,674
Deposits by banks	54,371	77,426
Customer accounts	1,289,586	1,350,642
Repurchase agreements - non-trading	80,400	107,432
Items in the course of transmission to other banks	5,638	5,990
Trading liabilities	141,614	190,572
Financial liabilities designated at fair value	66,408	76,153

Derivatives	281,071	340,669
Debt securities in issue	88,949	95,947
Liabilities of disposal groups held for sale	36,840	6,934
Accruals, deferred income and other liabilities	38,116	46,462
Current tax liabilities	783	1,213
Liabilities under insurance contracts	69,938	73,861
Provisions	5,552	4,998
Deferred tax liabilities	1,760	1,524
Subordinated liabilities	22,702	26,664
Total liabilities at 31 December	2,212,138	2,434,161
Equity		
Called up share capital	9,842	9,609
Share premium account	12,421	11,918
Other equity instruments	15,112	11,532
Other reserves	7,109	20,244
Retained earnings	143,976	137,144
Total shareholders' equity	188,460	190,447
Non-controlling interests	9,058	9,531
Total equity at 31 December	197,518	199,978
Total liabilities and equity at 31 December	2,409,656	2,634,139

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	2015 $m	2014 $m
Cash flows from operating activities		
Profit before tax	18,867	18,680
Adjustments for:		
- net gain from investing activities	(1,935)	(1,928)
- share of profits in associates and joint ventures	(2,556)	(2,532)
- gain on disposal of associates, joint ventures, subsidiaries and businesses	-	9
- other non-cash items included in profit before tax	10,765	11,262
- change in operating assets	65,828	25,877
- change in operating liabilities	(106,762)	(93,814)
- elimination of exchange differences	18,308	24,571
- dividends received from associates	879	757
- contributions paid to defined benefit plans	(664)	(681)
- tax paid	(3,852)	(3,573)
Net cash used in operating activities	(1,122)	(21,372)

Cash flows from investing activities		
Purchase of financial investments	(438,376)	(384,199)
Proceeds from the sale and maturity of financial investments	399,636	382,837
Purchase of property, plant and equipment	(1,352)	(1,477)
Proceeds from the sale of property, plant and equipment	103	88
Net cash inflow/(outflow) from disposal of customer and loan portfolios	2,023	(1,035)
Net investment in intangible assets	(954)	(903)
Net cash inflow/(outflow) from disposal of other subsidiaries, businesses, associates and joint ventures	8	(272)
Net cash used in investing activities	(38,912)	(4,961)
Cash flows from financing activities		
Issue of ordinary share capital	147	267
Net sales/purchases of own shares for market-making and investment purposes	331	(96)
Issue of other equity instruments	3,580	5,681
Redemption of preference shares and other equity instruments	(463)	(234)
Subordinated loan capital issued	3,180	3,500
Subordinated loan capital repaid	(2,157)	(3,163)
Dividends paid to shareholders of the parent company	(6,548)	(6,611)
Dividends paid to non-controlling interests	(697)	(639)
Dividends paid to holders of other equity instruments	(950)	(573)
Net cash used in financing activities	(3,577)	(1,868)
Net decrease in cash and cash equivalents	(43,611)	(28,201)
Cash and cash equivalents at 1 January	301,301	346,281
Exchange differences in respect of cash and cash equivalents	(13,827)	(16,779)
Cash and cash equivalents at 31 December	243,863	301,301

Consolidated statement of changes in equity

for the year ended 31 December 2015

					Other reserves				
	Called up share capital $m	Share premium $m	Other equity instruments1 $m	Retained earnings $m	Available-for-sale fair value reserve2 $m	Cash flow hedging reserve2 $m	Foreign exchange reserve2 $m	Merger reserve $m	share- equity
At 1 January 2015	9,609	11,918	11,532	137,144	2,143	58	(9,265)	27,308	

Profit for the year	-	-	-	13,522	-	-	-	-
Other comprehensive income (net of tax)	-	-	-	73	(2,332)	(24)	(10,779)	-
- available-for-sale investments	-	-	-	-	(2,332)	-	-	-
- cash flow hedges	-	-	-	-	-	(24)	-	-
- remeasurement of defined benefit asset/liability	-	-	-	82	-	-	-	-
- share of other comprehensive income of associates and joint ventures	-	-	-	(9)	-	-	-	-
- exchange differences	-	-	-	-	-	-	(10,779)	-
Total comprehensive income for the year	-	-	-	13,595	(2,332)	(24)	(10,779)	-
Shares issued under employee remuneration and share plans	45	691	-	(589)	-	-	-	-
Shares issued in lieu of dividends and amounts arising thereon	188	(188)	-	3,162	-	-	-	-
Capital securities issued	-	-	3,580	-	-	-	-	-
Dividends to shareholders	-	-	-	(10,660)	-	-	-	-
Cost of share-based payment arrangements	-	-	-	757	-	-	-	-
Other movements	-	-	-	567	-	-	-	-
At 31 December 2015	9,842	12,421	15,112	143,976	(189)	34	(20,044)	27,308

Consolidated statement of changes in equity (continued)

	Called up share capital $m	Share premium $m	Other equity instruments1 $m	Retained earnings $m	Other reserves: Available for-sale fair value reserve $m	Other reserves: Cash flow hedging reserve $m	Other reserves: Foreign exchange reserve $m	Other reserves: Merger reserve $m	T
At 1 January 2014	9,415	11,135	5,851	128,728	97	(121)	(542)	27,308	
Profit for the year	–	–	–	13,688	–	–	–	–	
Other comprehensive income (net of tax)	–	–	–	2,066	2,025	189	(8,723)	–	
- available-for-sale investments	–	–	–	–	2,025	-	–	–	
- cash flow hedges	–	–	–	–	–	189	–	–	
- remeasurement of defined benefit asset/liability	–	–	–	1,986	–	–	–	–	
- share of other comprehensive income of associates and joint ventures	–	–	–	80	–	–	–	–	
- exchange differences	–	–	–	–	–	–	(8,723)	–	
Total comprehensive income for the year	–	–	–	15,754	2,025	189	(8,723)	–	
Shares issued under employee remuneration	60	917	–	(710)	–	–	–	–	

and share plans								
Shares issued in lieu of dividends and amounts arising thereon	134	(134)	–	2,709	–	–	–	–
Capital securities issued	–	–	5,681	–	–	–	–	–
Dividends to shareholders	–	–	–	(9,893)	–	–	–	–
Cost of share-based payment arrangements	–	–	–	732	–			