

Consolidated Balance Sheet at 31 December 2016

	At 2016 US\$m	At 2015 US\$m
Assets		
Cash and balances at central banks	128,009	98,934
Items in the course of collection from other banks	5,003	5,768
Hong Kong Government certificates of indebtedness	31,228	28,410
Trading assets	235,125	224,837
Financial assets designated at fair value	24,756	23,852
Derivatives	290,872	288,476
Loans and advances to banks	88,126	90,401
Loans and advances to customers	861,504	924,454
Reverse repurchase agreements - non-trading	160,974	146,255
Financial investments	436,737	428,955
Assets held for sale	4,389	43,900
Prepayments, accrued income and other assets	59,520	54,398
Current tax assets	1,145	1,221
Interests in associates and joint ventures	20,029	19,139
Goodwill and intangible assets	21,346	24,605
Deferred tax assets	6,163	6,051
Total assets	2,374,986	2,409,656
Liabilities and Equity		
Liabilities		
Hong Kong currency notes in circulation	31,228	28,410
Deposits by banks	59,939	54,371
Customer accounts	1,272,386	1,289,586
Repurchase agreements - non-trading	88,958	80,400
Items in the course of transmission to other banks	5,977	5,638
Trading liabilities	153,691	141,614
Financial liabilities designated at fair value	86,832	66,408
Derivatives	279,819	281,071
Debt securities in issue	65,915	68,949
Liabilities of disposal groups held for sale	2,790	36,840
Accruals, deferred income and other liabilities	41,501	38,116
Current tax liabilities	719	783
Liabilities under insurance contracts	75,273	69,938
Provisions	4,773	5,552
Deferred tax liabilities	1,623	1,760
Subordinated liabilities	20,984	22,702
Total liabilities	2,192,408	2,212,138
Equity		
Called up share capital	10,096	9,842
Share premium account	12,619	12,421
Other equity instruments	17,110	15,112
Other reserves	(1,234)	7,109
Retained earnings	136,795	143,976
Total shareholders' equity	175,386	188,460
Non-controlling interests	7,192	9,058
Total equity	182,578	197,518
Total liabilities and equity at 31 December	2,374,986	2,409,656

Consolidated Income Statement for the year ended 31 December 2016

	2016 US\$m	2015 US\$m
Interest income	42,414	47,189
Interest expense	(12,601)	(14,658)
Net interest income	29,813	32,531
Fee income	15,669	18,016
Fee expense	(2,892)	(3,311)
Net fee income	12,777	14,705
Trading income excluding net interest income	8,066	6,948
Net interest income on trading activities	1,386	1,775
Net trading income	9,452	8,723
Changes in fair value of long-term debt issued and related derivatives	(3,975)	863
Net income from other financial instruments designated at fair value	1,309	669
Net income/(expense) from financial instruments designated at fair value	(2,666)	1,532
Gains less losses from financial investments	1,385	2,068
Dividend income	95	123
Net insurance premium income	9,951	10,355
Other operating income/(expense)	(971)	1,055
Total operating income	59,836	71,092
Net insurance claims and benefits paid and movement in liabilities to policyholders	(11,870)	(11,292)
Net operating income before loan impairment charges and other credit risk provisions	47,966	59,800
Loan impairment charges and other credit risk provisions	(3,400)	(3,721)
Net operating income	44,566	56,079
Employee compensation and benefits	(19,089)	(19,900)
General and administrative expenses	(18,473)	(17,862)
Depreciation and impairment of property, plant and equipment	(1,229)	(1,269)
Amortisation and impairment of intangible assets	(777)	(937)
Goodwill impairment of Global Private Banking - Europe	(3,240)	-
Total operating expenses	(39,808)	(39,768)
Operating profit	4,758	16,311
Share of profit in associates and joint ventures	2,354	2,556
Profit before tax	7,112	18,867
Tax expense	(3,666)	(3,771)
Profit for the year	3,446	15,096
Attributable to:		
- ordinary shareholders of the parent company	1,299	12,572
- preference shareholders of the parent company	90	90
- other equity holders	1,090	860
- non-controlling interests	967	1,574
Profit for the year	3,446	15,096
Basic earnings per ordinary share	US\$ 0.07	US\$ 0.65
Diluted earnings per ordinary share	0.07	0.64

Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

	2016 US\$m	2015 US\$m
Profit for the year	3,446	15,096
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments	(299)	(3,072)
- fair value gains/(losses)	475	(1,231)
- fair value gains reclassified to the income statement	(895)	(2,437)
- amounts reclassified to the income statement in respect of impairment losses	71	(427)
- income taxes	50	469
Cash flow hedges	(68)	(24)
- fair value (losses)/gains	(297)	704
- fair value losses/(gains) reclassified to the income statement	195	(705)
- income taxes	34	(23)
Share of other comprehensive (expense)/income of associates and joint ventures	54	(9)
- share for the year	54	(9)
- reclassified to income statement on disposal	-	-
Exchange differences	(8,092)	(10,945)
- foreign exchange gains reclassified to income statement on disposal of foreign operation	1,894	-
- other exchange differences	(9,791)	(11,112)
- income tax attributable to exchange differences	(195)	167
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	7	101
- before income taxes	(84)	130
- income taxes	91	(29)
Other comprehensive income/(expense) for the year, net of tax	(8,398)	(13,949)
Total comprehensive income/(expense) for the year	(4,952)	1,147
Attributable to:		
- Ordinary shareholders of the parent company	(6,968)	(490)
- preference shareholders of the parent company	90	90
- other equity holders	1,090	860
- non-controlling interests	836	687
Total comprehensive income/(expense) for the year	(4,952)	1,147

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

	2016									
	Called up share capital and share premium US\$m	Other equity instruments US\$m	Retained earnings 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	shareholders' equity US\$m	Non-controlling interests US\$m	Total equity US\$m
At 1 January 2016	22,263	15,112	143,976	(189)	34	(20,044)	27,308	188,460	9,058	197,518
Profit for the year	-	-	2,479	-	-	-	-	2,479	967	3,446
Other comprehensive income (net of tax)	-	-	59	(271)	(61)	(7,994)	-	(8,267)	(131)	(8,398)
- Available-for-sale investments	-	-	-	(271)	-	-	-	(271)	(28)	(299)
- Cash flow hedges	-	-	-	-	(61)	-	-	(61)	(7)	(68)
- Remeasurement of defined benefit asset/liability	-	-	5	-	-	-	-	5	2	7
- Share of other comprehensive income of associates and joint ventures	-	-	54	-	-	-	-	54	-	54
- Foreign exchange reclassified to income statement on disposal of a foreign operation	-	-	-	-	-	1,894	-	1,894	-	1,894
- Exchange differences	-	-	-	-	-	(9,888)	-	(9,888)	(98)	(9,986)
Total comprehensive income for the year	-	-	2,538	(271)	(61)	(7,994)	-	(5,788)	836	(4,952)
Shares issued under employee remuneration and share plans	452	-	(425)	-	-	-	-	27	-	27
Shares issued in lieu of dividends and amounts arising thereon	-	-	3,040	-	-	-	-	3,040	-	3,040
Net increase in treasury shares	-	-	(2,510)	-	-	-	-	(2,510)	-	(2,510)
Capital securities issued	-	1,998	-	-	-	-	-	1,998	-	1,998
Dividends to shareholders	-	-	(11,279)	-	-	-	-	(11,279)	(919)	(12,198)
Cost of share-based payment arrangements	-	-	534	-	-	-	-	534	-	534
Other movements	-	-	921	(17)	-	-	-	904	(1,783)	(879)
At 31 December 2016	22,715	17,110	136,795	(477)	(27)	(28,038)	27,308	175,386	7,192	182,578

	2015									
	Called up share capital and share premium US\$m	Other equity instruments US\$m	Retained earnings 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	shareholders' equity US\$m	Non-controlling interests US\$m	Total equity US\$m
At 1 January 2015	21,527	11,532	137,144	2,143	58	(9,265)	27,308	190,447	9,531	199,978
Profit for the year	-	-	13,522	-	-	-	-	13,522	1,574	15,096
Other comprehensive income (net of tax)	-	-	73	(2,332)	(24)	(10,779)	-	(13,062)	(887)	(13,949)
- Available-for-sale investments	-	-	-	(2,332)	-	-	-	(2,332)	(740)	(3,072)
- Cash flow hedges	-	-	-	-	(24)	-	-	(24)	-	(24)
- Remeasurement of defined benefit asset/liability	-	-	82	-	-	-	-	82	19	101
- Share of other comprehensive income of associates and joint ventures	-	-	(9)	-	-	-	-	(9)	-	(9)
- Exchange differences	-	-	-	-	-	(10,779)	-	(10,779)	(166)	(10,945)
Total comprehensive income for the year	-	-	13,595	(2,332)	(24)	(10,779)	-	460	687	1,147
Shares issued under employee remuneration and share plans	736	-	(589)	-	-	-	-	147	-	147
Shares issued in lieu of dividends and amounts arising thereon	-	-	3,162	-	-	-	-	3,162	-	3,162
Capital securities issued	-	3,580	-	-	-	-	-	3,580	-	3,580
Dividends to shareholders	-	-	(10,660)	-	-	-	-	(10,660)	(697)	(11,357)
Cost of share-based payment arrangements	-	-	757	-	-	-	-	757	-	757
Other movements	-	-	567	-	-	-	-	567	(463)	104
At 31 December 2015	22,263	15,112	143,976	(189)	34	(20,044)	27,308	188,460	9,058	197,518

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	2016 US\$m	2015 US\$m
Profit before tax	7,112	18,867
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	5,212	2,181
Net gain from investing activities	(1,215)	(1,935)
Share of profits in associates and joint ventures	(2,354)	(2,556)
(Gain)/loss on disposal of subsidiaries, businesses, associates and joint ventures	1,743	-
Loan impairment losses gross of recoveries and other credit risk provisions	4,090	4,546
Provisions including pensions	2,482	3,472
Share-based payment expense	534	757
Other non-cash items included in profit before tax	(207)	(191)
Elimination of exchange differences	15,364	18,308
Changes in operating assets and liabilities		
Change in net trading securities and derivatives	4,395	24,384
Change in loans and advances to banks and customers	52,868	32,971
Change in reverse repurchase agreements - non-trading	(13,138)	(3,011)
Change in financial assets designated at fair value	(1,235)	2,394
Change in other assets	(6,591)	9,090
Change in deposits by banks and customer accounts	(8,918)	(65,907)
Change in repurchase agreements - non-trading	8,558	(26,481)
Change in debt securities in issue	(23,034)	960
Change in financial liabilities designated at fair value	17,802	(10,785)
Change in other liabilities	8,792	(4,549)
Dividends received from associates	689	879
Contributions paid to defined benefit plans	(726)	(664)
Tax paid	(3,264)	(3,852)
Net cash from operating activities	68,959	(1,122)
Purchase of financial investments	(457,084)	(438,376)
Proceeds from the sale and maturity of financial investments	430,085	399,636
Net cash flows from the purchase and sale of property, plant and equipment	(1,151)	(1,249)
Net cash inflow/(outflow) from disposal of customer and loan portfolios	9,194	2,023
Net investment in intangible assets	(906)	(954)
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures	4,802	8
Net cash from investing activities	(15,060)	(38,912)
Issue of ordinary share capital and other equity instruments	2,024	3,727
Net sales/(purchases) of own shares for market-making and investment purposes	523	331
Purchase of treasury shares	(2,510)	-
Redemption of preference shares and other equity instruments	(1,825)	(463)
Subordinated loan capital issued	2,622	3,180
Subordinated loan capital repaid	(595)	(2,157)
Dividends paid to shareholders of the parent company and non-controlling interests	(9,157)	(8,195)
Net cash from financing activities	(8,918)	(3,577)
Net increase/(decrease) in cash and cash equivalents	44,981	(43,611)
Cash and cash equivalents at 1 January	243,863	301,301
Exchange differences in respect of cash and cash equivalents	(14,294)	(13,827)
Cash and cash equivalents at 31 December	274,550	243,863
Cash and cash equivalents comprise:		
- cash and balances at central banks	128,009	98,934
- items in the course of collection from other banks	5,003	5,768
- loans and advances to banks of one month or less	77,318	70,985
- reverse repurchase agreements with banks of one month or less	55,551	53,971
- treasury bills, other bills and certificates of deposit less than three months	14,846	19,843
- less: items in the course of transmission to other banks	(5,977)	(5,639)
274,550	243,863	

Contingent Liabilities, Contractual Commitments and Guarantees at 31 December 2016

	2016 US\$m	2015 US\$m
Guarantees and other contingent liabilities		
Financial guarantees and similar contracts	37,072	46,116
Other guarantees	44,394	39,739
Other contingent liabilities	553	490
	82,019	86,345
Commitments		
Documentary credits and short-term trade-related transactions	9,190	10,168
Forward asset purchases and forward deposits placed	5,386	981
Standby facilities, credit lines and other commitments to lend	641,267	655,281
	655,843</	