

**Consolidated Balance Sheet  
at 31 December 2018 and 31 December 2017**

	At 2018 US\$m	At 2017 US\$m
<b>Assets</b>		
Cash and balances at central banks	162,943	180,624
Items in the course of collection from other banks	5,787	6,628
Hong Kong Government certificates of indebtedness	35,859	34,186
Trading assets	238,130	287,995
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	41,111	-
Financial assets designated at fair value	-	29,464
Derivatives	207,825	219,818
Loans and advances to banks	72,167	90,393
Loans and advances to customers	981,696	962,964
Reverse repurchase agreements - non-trading	242,804	201,553
Financial investments	407,433	389,076
Prepayments, accrued income and other assets	110,571	67,191
Current tax assets	684	1,006
Interests in associates and joint ventures	22,407	22,744
Goodwill and intangible assets	24,357	23,453
Deferred tax assets	4,450	4,676
<b>Total assets</b>	<b>2,558,124</b>	<b>2,521,771</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Hong Kong currency notes in circulation	35,859	34,186
Deposits by banks	56,331	69,922
Customer accounts	1,362,643	1,364,462
Repurchase agreements - non-trading	165,884	130,002
Items in the course of transmission to other banks	5,641	6,850
Trading liabilities	84,431	184,361
Financial liabilities designated at fair value	148,505	94,429
Derivatives	205,835	216,821
Debt securities in issue	85,342	64,546
Accruals, deferred income and other liabilities	97,380	45,907
Current tax liabilities	718	928
Liabilities under insurance contracts	87,330	85,667
Provisions	2,920	4,011
Deferred tax liabilities	2,619	1,982
Subordinated liabilities	22,437	19,826
<b>Total liabilities</b>	<b>2,363,875</b>	<b>2,323,900</b>
<b>Equity</b>		
Called up share capital	10,180	10,160
Share premium account	13,609	10,177
Other equity instruments	22,367	22,250
Other reserves	1,996	7,664
Retained earnings	138,191	139,999
<b>Total shareholders' equity</b>	<b>186,253</b>	<b>190,250</b>
Non-controlling interests	7,996	7,621
<b>Total equity</b>	<b>194,249</b>	<b>197,871</b>
<b>Total liabilities and equity</b>	<b>2,558,124</b>	<b>2,521,771</b>

**Consolidated Income Statement  
for the period ended 31 December 2018 and 2017**

	2018 US\$m	2017 US\$m
Interest income	49,609	40,995
Interest expense	(19,120)	(12,819)
<b>Net interest income</b>	<b>30,489</b>	<b>28,176</b>
Fee income	16,044	15,853
Fee expense	(3,424)	(3,042)
<b>Net fee income</b>	<b>12,620</b>	<b>12,811</b>
Net income from financial instruments held for trading or managed on a fair value basis	9,531	8,426
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	(1,488)	2,836
Changes in fair value of long-term debt and related derivatives	(97)	155
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	695	-
Gains less losses from financial investments	218	1,150
Dividend income	75	106
Net insurance premiums income	10,659	9,779
Other operating income/(expense)	885	337
<b>Total operating income</b>	<b>63,587</b>	<b>63,776</b>
Net insurance claims and benefits paid and movement in liabilities to policyholders	(9,807)	(12,331)
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>	<b>53,780</b>	<b>51,445</b>
Change in expected credit losses and other credit impairment charges	(1,767)	-
Loan impairment charges and other credit risk provisions	-	(1,769)
<b>Net operating income</b>	<b>52,013</b>	<b>49,676</b>
Employee compensation and benefits	(17,373)	(17,315)
General and administrative expenses	(15,353)	(15,707)
Depreciation and impairment of property, plant and equipment	(1,119)	(1,166)
Amortisation and impairment of intangible assets and goodwill	(814)	(696)
Goodwill impairment of Global Private Banking - Europe	-	-
<b>Total operating expenses</b>	<b>(34,659)</b>	<b>(34,884)</b>
<b>Operating profit</b>	<b>17,354</b>	<b>14,792</b>
Share of profit in associates and joint ventures	2,536	2,375
<b>Profit before tax</b>	<b>19,890</b>	<b>17,167</b>
Tax expense	(4,865)	(5,288)
<b>Profit for the Period</b>	<b>15,025</b>	<b>11,879</b>
Attributable to:		
- ordinary shareholders of the parent company	12,608	9,683
- preference shareholders of the parent company	90	90
- other equity holders	1,029	1,025
- non-controlling interests	1,298	1,081
<b>Profit for the Period</b>	<b>15,025</b>	<b>11,879</b>
Basic earnings per ordinary share	US\$ 0.63	US\$ 0.49
Diluted earnings per ordinary share	US\$ 0.63	US\$ 0.48

**Consolidated Statement of Comprehensive Income  
for the period ended 31 December 2018 and 2017**

	2018 US\$m	2017 US\$m
Profit for the Period	15,025	11,879
<b>Other comprehensive income/(expense)</b>		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments	-	146
- fair value gains/(losses)	-	1,227
- fair value gains reclassified to the income statement	-	(1,033)
- amounts reclassified to the income statement in respect of impairment losses	-	93
- income taxes	-	(141)
Debt instruments at fair value through other comprehensive income	(243)	-
- fair value losses	(168)	-
- fair value gains transferred to the income statement on disposal	(95)	-
- expected credit losses recognised in income statement	(94)	-
- income taxes	114	-
Cash flow hedges	19	(192)
- fair value (losses)/gains	(267)	(1,046)
- fair value losses/(gains) reclassified to the income statement	317	833
- income taxes	(31)	21
Share of other comprehensive (expense)/income of associates and joint ventures	(64)	(43)
- share for the Period	(64)	(43)
Exchange differences	(7,156)	9,077
- foreign exchange gains reclassified to income statement on disposal of a foreign operation	-	-
- other exchange differences	(7,156)	8,939
- income tax attributable to exchange differences	-	138
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	(329)	2,419
- before income taxes	(388)	3,440
- income taxes	59	(1,021)
Changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	2,847	(2,024)
- before income taxes	3,606	(2,409)
- income taxes	(759)	385
Equity instruments designated at fair value through other comprehensive income	(27)	-
- fair value losses	(71)	-
- income taxes	44	-
Effects of hyperinflation	283	-
<b>Other comprehensive income/(expense) for the period, net of tax</b>	<b>(4,670)</b>	<b>9,383</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>10,355</b>	<b>21,262</b>
Attributable to:		
- Ordinary shareholders of the parent company	8,083	18,914
- preference shareholders of the parent company	90	90
- other equity holders	1,029	1,025
- non-controlling interests	1,153	1,233
<b>Total comprehensive income/(expense) for the period</b>	<b>10,355</b>	<b>21,262</b>

**Consolidated Statement of Changes in Equity  
for the period ended 31 December 2018 and 2017**

	2018									
	Called up share capital and share premium US\$m	Other equity instruments US\$m	Retained earnings US\$m	Financial assets at FVOCI reserve US\$m	Cash flow hedging reserve US\$m	Foreign exchange reserve US\$m	Merger reserve US\$m	shareholder's equity US\$m	Non-controlling interests US\$m	Total equity US\$m
At 31 Dec 2017	20,337	22,250	139,999	(350)	(222)	(19,072)	27,308	190,250	7,621	197,871
Impact on transition to IFRS 9	-	-	(585)	(1,021)	-	-	-	(1,806)	(41)	(1,647)
At 1 Jan 2018	20,337	22,250	139,414	(1,371)	(222)	(19,072)	27,308	188,644	7,580	196,224
Profit for the period	-	-	13,727	-	-	-	-	13,727	1,298	15,025
Other comprehensive income (net of tax)	-	-	2,765	(245)	16	(7,061)	-	(4,525)	(145)	(4,670)
- debt instruments at fair value through other comprehensive income	-	-	-	(245)	-	-	-	(245)	2	(243)
- equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(27)	(27)
- cash flow hedges	-	-	-	-	16	-	-	16	3	19
- changes in fair value of financial liabilities designated at fair value arising from changes in own credit risk	-	-	2,847	-	-	-	-	2,847	-	2,847
- remeasurement of defined benefit asset/liability	-	-	(301)	-	-	-	-	(301)	(28)	(329)
- share of other comprehensive income of associates and joint ventures	-	-	(64)	-	-	-	-	(64)	-	(64)
- effects of hyperinflation	-	-	283	-	-	-	-	283	-	283
- exchange differences	-	-	-	-	-	(7,061)	-	(7,061)	(95)	(7,156)
Total comprehensive income for the period	-	-	16,492	(245)	16	(7,061)	-	9,202	1,153	10,355
Shares issued under employee remuneration and share plans	721	-	(610)	-	-	-	-	111	-	111
Shares issued in lieu of dividends and amounts arising thereon	-	-	1,494	-	-	-	-	1,494	-	1,494
Capital securities issued	-	5,968	-	-	-	-	-	5,968	-	5,968
Dividends to shareholders	-	-	(11,547)	-	-	-	-	(11,547)	(710)	(12,257)
Redemption of securities	-	(5,851)	(237)	-	-	-	-	(6,088)	-	(6,088)
Transfers <sup>3</sup>	-	-	(2,200)	-	-	-	2,200	-	-	-
Cost of share-based payment arrangements	-	-	450	-	-	-	-	450	-	450
Cancellation of shares	2,731	-	(4,998)	-	-	-	269	(1,998)	-	(1,998)
Other movements	-	-	(67)	84	-	-	-	17	(27)	(10)
At 31 Dec 2018	23,789	22,367	138,191	(1,532)	(206)	(26,133)	29,777	186,253	7,996	194,249

  

	2017									
	Called up share capital and share premium US\$m	Other equity instruments US\$m	Retained earnings US\$m	Financial assets at FVOCI reserve US\$m	Cash flow hedging reserve US\$m	Foreign exchange reserve US\$m	Merger reserve US\$m	shareholder's equity US\$m	Non-controlling interests US\$m	Total equity US\$m
At 1 Jan 2017	22,715	17,110	136,795	(477)	(27)	(28,038)	27,308	175,386	7,192	182,578
Profit for the period	-	-	10,798	-	-	-	-	10,798	1,081	11,879
Other comprehensive income (net of tax)	-	-	328	131	(194)	8,966	-	9,231	152	9,383
- available-for-sale investments	-	-	-	131	-	-	-	131	15	146
- cash flow hedges	-	-	-	-	(194)	-	-	(194)	2	(192)
- changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	-	-	(2,024)	-	-	-	-	(2,024)	-	(2,024)
- remeasurement of defined benefit asset/liability	-	-	2,395	-	-	-	-	2,395	24	2,419
- share of other comprehensive income of associates and joint ventures	-	-	(43)	-	-	-	-	(43)	-	(43)
- exchange differences	-	-	-	-	-	8,966	-	8,966	111	9,077
Total comprehensive income for the period	-	-	11,126	131	(194)	8,966	-	20,029	1,233	21,262
Shares issued under employee remuneration and share plans	622	-	(566)	-	-	-	-	56	-	56
Shares issued in lieu of dividends and amounts arising thereon	-	-	3,206	-	-	-	-	3,206	-	3,206
Capital securities issued	-	5,140	-	-	-	-	-	5,140	-	5,140
Dividends to shareholders	-	-	(11,551)	-	-	-	-	(11,551)	(660)	(12,211)
Cost of share-based payment arrangements	-	-	500	-	-	-	-	500	-	500
Cancellation of shares	(3,000)	-	-	-	-	-	-	(3,000)	-	(3,000)
Other movements	-	-	489	(4)	(1)	-	-	484	(144)	340
At 31 Dec 2017	20,337	22,250	139,999	(350)	(222)	(19,072)	27,308	190,250	7,621	197,871

**Consolidated Statement of Cash Flows  
for the period ended 31 December 2018 and 2017**

	2018 US\$m	2017 US\$m
<b>Profit before tax</b>	<b>19,890</b>	<b>17,167</b>
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	1,933	1,862
Net gain from investing activities	(126)	(1,152)
Share of profits in associates and joint ventures	(2,536)	(2,375)
(Gain)/Loss on disposal of subsidiaries, businesses, associates and joint ventures	-	(79)
Change in expected credit losses gross of recoveries and other credit impairment charges	2,280	-
Loan impairment losses gross of recoveries and other credit risk provisions	-	2,603
Provisions including pensions	1,944	917
Share-based payment expense	450	500
Other non-cash items included in profit before tax	(1,303)	(381)
Elimination of exchange differences <sup>1</sup>	7,299	(21,289)
Changes in operating assets and liabilities		
Change in net trading securities and derivatives	10,716	(10,901)
Change in loans and advances to banks and customers	(44,071)	(108,984)
Change in reverse repurchase agreements - non-trading	(40,499)	(37,281)
Change in financial assets designated and otherwise mandatorily measured at fair value	(1,515)	(5,303)
Change in other assets	4,047	(6,570)
Change in deposits by banks and customer accounts	(5,745)	102,211
Change in repurchase agreements - non-trading	35,882	41,044
Change in debt securities in issue	18,806	(1,369)
Change in financial liabilities designated at fair value	4,500	8,508
Change in other liabilities	(2,644)	13,514
Dividends received from associates	910	740
Contributions paid to defined benefit plans	(632)	(685)
Tax paid	(3,417)	(3,175)
<b>Net cash from operating activities</b>	<b>6,469</b>	<b>(10,478)</b>
Purchase of financial investments	(383,454)	(357,264)
Proceeds from the sale and maturity of financial investments	370,357	418,352
Net cash flows from the purchase and sale of property, plant and equipment	(1,195)	(1,167)
Net cash inflow from disposal of customer and loan portfolios	(204)	6,756
Net investment in intangible assets	(1,848)	(1,285)
Net cash flow on disposal subsidiaries, businesses, associates and joint ventures	4	165
<b>Net cash from investing activities</b>	<b>(16,341)</b>	<b>65,557</b>
Issue of ordinary share capital and other equity instruments	6,001	5,196
Cancellation of shares	(1,998)	(3,000)
Net sales/(purchases) of own shares for market-making and investment purposes	133	(67)
Purchase of treasury shares	0	0
Redemption of preference shares and other equity instruments	(6,078)	0
Subordinated loan capital issued	0	0
Subordinated loan capital repaid	(4,077)	(3,574)
Dividends paid to shareholders of the parent company and non-controlling interests	(10,76	