

### Consolidated Balance Sheet at 31 December 2013

	2013 US\$m	2012 US\$m
<b>Assets</b>		
Cash and balances at central banks	166,599	141,532
Items in the course of collection from other banks	6,021	7,303
Hong Kong Government certificates of indebtedness	25,220	22,743
Trading assets	303,192	408,811
Financial assets designated at fair value	38,430	33,582
Derivatives	282,265	357,450
Loans and advances to banks	211,521	152,546
Loans and advances to customers	1,080,304	997,623
Financial investments	425,925	421,101
Assets held for sale	4,050	19,269
Other assets	50,939	54,716
Current tax assets	985	515
Prepayments and accrued income	11,006	9,502
Interests in associates and joint ventures	16,640	17,834
Goodwill and intangible assets	29,918	29,853
Property, plant and equipment	10,847	10,588
Deferred tax assets	7,456	7,570
<b>Total assets</b>	<b>2,671,318</b>	<b>2,692,538</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Hong Kong currency notes in circulation	25,220	22,742
Deposits by banks	129,212	107,429
Customer accounts	1,482,812	1,340,014
Items in the course of transmission to other banks	6,910	7,138
Trading liabilities	207,025	304,563
Financial liabilities designated at fair value	89,084	87,720
Derivatives	274,284	358,886
Debt securities in issue	104,080	119,461
Liabilities of disposal groups held for sale	2,804	5,018
Other liabilities	30,421	33,862
Current tax liabilities	607	1,452
Liabilities under insurance contracts	74,181	68,195
Accruals and deferred income	16,185	13,184
Provisions	5,217	5,252
Deferred tax liabilities	910	1,109
Retirement benefit liabilities	2,931	3,905
Subordinated liabilities	28,976	29,479
<b>Total liabilities</b>	<b>2,480,859</b>	<b>2,509,409</b>
<b>Equity</b>		
Called up share capital	9,415	9,238
Share premium account	11,135	10,084
Other equity instruments	5,851	5,851
Other reserves	26,742	29,722
Retained earnings	128,728	120,347
<b>Total shareholders' equity</b>	<b>181,871</b>	<b>175,242</b>
Non-controlling interests	8,588	7,887
<b>Total equity</b>	<b>190,459</b>	<b>183,129</b>
<b>Total equity and liabilities</b>	<b>2,671,318</b>	<b>2,692,538</b>

### Consolidated Income Statement for the year ended 31 December 2013

	2013 US\$m	2012 US\$m
Interest income	51,192	56,702
Interest expense	(15,653)	(19,030)
<b>Net interest income</b>	<b>35,539</b>	<b>37,672</b>
Fee income	19,973	20,149
Fee expense	(3,539)	(3,719)
<b>Net fee income</b>	<b>16,434</b>	<b>16,430</b>
Trading income excluding net interest income	6,643	4,408
Net interest income on trading activities	2,047	2,683
<b>Net trading income</b>	<b>8,690</b>	<b>7,091</b>
Changes in fair value of long-term debt issued and related derivatives	(1,228)	(4,327)
Net income from other financial instruments designated at fair value	1,996	2,101
Net income/(expense) from financial instruments designated at fair value	768	(2,226)
Gains less losses from financial investments	2,012	1,189
Dividend income	322	221
Net earned insurance premiums	11,940	13,044
Gains on disposal of US branch network, US cards business and Ping An Insurance (Group) Company of China, Ltd (Ping An)	-	7,024
Other operating income	2,632	2,100
<b>Total operating income</b>	<b>78,337</b>	<b>82,545</b>
Net insurance claims incurred and movement in liabilities to policyholders	(13,692)	(14,215)
<b>Net operating income before loan impairment charges and other credit risk provisions</b>	<b>64,645</b>	<b>68,330</b>
Loan impairment charges and other credit risk provisions	(5,849)	(8,311)
<b>Net operating income</b>	<b>58,796</b>	<b>60,019</b>
Employee compensation and benefits	(19,196)	(20,491)
General and administrative expenses	(17,065)	(19,983)
Depreciation and impairment of property, plant and equipment	(1,364)	(1,484)
Amortisation and impairment of intangible assets	(931)	(969)
<b>Total operating expenses</b>	<b>(38,556)</b>	<b>(42,927)</b>
Operating profit	20,240	17,092
Share of profit in associates and joint ventures	2,325	3,557
<b>Profit before tax</b>	<b>22,565</b>	<b>20,649</b>
Tax expense	(4,765)	(5,315)
<b>Profit before tax</b>	<b>17,800</b>	<b>15,334</b>
Profit attributable to shareholders of the parent company	16,204	14,027
Profit attributable to non-controlling interests	1,596	1,307

### Consolidated Statement of Comprehensive Income for the year ended 31 December 2013

	2013 US\$m	2012 US\$m
Profit for the year	17,800	15,334
<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	(1,718)	5,070
- fair value gains (losses)	(1,787)	6,396
- fair value gains transferred to the income statement on disposal	(1,277)	(1,872)
- amounts transferred to the income statement in respect of impairment losses	286	1,002
- income taxes	1,060	(456)
Cash flow hedges	(128)	109
- fair value gains/(losses)	776	552
- fair value (gains)/losses transferred to the income statement	(894)	(423)
- income taxes	(10)	(20)
Share of other comprehensive income/(expense) of associates and joint ventures	(71)	533
- share for the year	(35)	311
- reclassified to income statement on disposal	(36)	222
Exchange differences	(1,444)	1,017
- foreign exchange gains reclassified to income statement on disposal of a foreign operation	(290)	(1,128)
- other exchange differences	(1,154)	2,145
Income tax attributable to exchange differences	72	72
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit liability/asset	(458)	(195)
- before income taxes	(601)	(381)
- income taxes	143	196
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>(3,747)</b>	<b>6,534</b>
<b>Total comprehensive income for the year</b>	<b>14,053</b>	<b>21,868</b>
<b>Total comprehensive income for the year attributable to:</b>		
- shareholders of the parent company	12,644	20,455
- non-controlling interests	1,409	1,413
	<b>14,053</b>	<b>21,868</b>

### Consolidated Statement of Changes in Equity for the year ended 31 December 2013

	2013										Total equity US\$m
	Called up share capital US\$m	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	Total shareholders' equity US\$m	Non-controlling interests US\$m	
At 1 January	9,238	10,084	5,851	120,347	1,649	13	752	27,308	175,242	7,887	183,129
Profit for the year	-	-	-	16,204	-	-	-	-	16,204	1,596	17,800
Other comprehensive income (net of tax)	-	-	-	(561)	(1,577)	(128)	(1,294)	-	(3,560)	(187)	(3,747)
Available-for-sale investments	-	-	-	-	(1,577)	-	-	-	(1,577)	(141)	(1,718)
Cash flow hedges	-	-	-	-	-	(128)	-	-	(128)	-	(128)
Remeasurement of defined benefit liability/asset	-	-	-	(490)	-	-	-	-	(490)	32	(458)
Share of other comprehensive income of associates and joint ventures	-	-	-	(71)	-	-	-	-	(71)	-	(71)
Exchange differences	-	-	-	-	-	-	(1,294)	-	(1,294)	(78)	(1,372)
<b>Total comprehensive income for the year</b>	-	-	-	15,643	(1,577)	(128)	(1,294)	-	12,644	1,409	14,053
Shares issued under employee remuneration and share plans	60	1,168	-	(931)	-	-	-	-	297	-	297
Shares issued in lieu of dividends and amounts arising thereon	117	(117)	-	2,523	-	-	-	-	2,523	-	2,523
Dividends to shareholders	-	-	-	(9,510)	-	-	-	-	(9,510)	(718)	(10,228)
Tax credit on distributions	-	-	-	42	-	-	-	-	42	-	42
Own shares adjustment	-	-	-	(36)	-	-	-	-	(36)	-	(36)
Cost of share-based payment arrangements	-	-	-	630	-	-	-	-	630	-	630
Income taxes on share-based payments	-	-	-	2	-	-	-	-	2	-	2
Other movements	-	-	-	18	25	(6)	-	-	37	19	56
Acquisition and disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(24)	(24)
Changes in ownership interests in subsidiaries that did not result in loss of control	-	-	-	-	-	-	-	-	-	15	15
<b>At 31 December</b>	<b>9,415</b>	<b>11,135</b>	<b>5,851</b>	<b>128,728</b>	<b>97</b>	<b>(121)</b>	<b>(542)</b>	<b>27,308</b>	<b>181,871</b>	<b>8,588</b>	<b>190,459</b>

	2012										Total equity US\$m
	Called up share capital US\$m	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	Total shareholders' equity US\$m	Non-controlling interests US\$m	
At 1 January	8,934	8,457	5,851	111,868	(3,361)	(95)	(237)	27,308	158,725	7,368	166,093
Profit for the year	-	-	-	14,027	-	-	-	-	14,027	1,307	15,334
Other comprehensive income (net of tax)	-	-	-	321	5,010	108	989	-	6,428	106	6,534
Available-for-sale investments	-	-	-	-	5,010	-	-	-	5,010	60	5,070
Cash flow hedges	-	-	-	-	-	108	-	-	108	1	109
Remeasurement of defined benefit liability/asset	-	-	-	(212)	-	-	-	-	(212)	17	(195)
Share of other comprehensive income of associates and joint ventures	-	-	-	533	-	-	-	-	533	-	533
Exchange differences	-	-	-	-	-	-	989	-	989	28	1,017
<b>Total comprehensive income for the year</b>	-	-	-	14,348	5,010	108	989	-	20,455	1,413	21,868
Shares issued under employee remuneration and share plans	119	1,812	-	(1,337)	-	-	-	-	594	-	594
Shares issued in lieu of dividends and amount arising thereon	185	(185)	-	2,429	-	-	-	-	2,429	-	2,429
Dividends to shareholders	-	-	-	(8,042)	-	-	-	-	(8,042)	(707)	(8,749)
Tax credit on distributions	-	-	-	32	-	-	-	-	32	-	32
Own shares adjustment	-	-	-	2	-	-	-	-	2	-	2
Cost of share-based payment arrangements	-	-	-	988	-	-	-	-	988	-	988
Income taxes on share-based payments	-	-	-	42	-	-	-	-	42	-	42
Other movements	-	-	-	(26)	-	-	-	-	(26)	(20)	(46)
Acquisition and disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(108)	(108)
Changes in ownership interests in subsidiaries that did not result in loss of control	-	-	-	43	-	-	-	-	43	(59)	(16)
<b>At 31 December</b>	<b>9,238</b>	<b>10,084</b>	<b>5,851</b>	<b>120,347</b>	<b>1,649</b>	<b>13</b>	<b>752</b>	<b>27,308</b>	<b>175,242</b>	<b>7,887</b>	<b>183,129</b>

### Consolidated Statement of Cash Flows for the year ended 31 December 2013

	2013 US\$m	2012 US\$m
<b>Cash flow from operating activities</b>		
Profit before tax	22,565	20,649
Adjustment for:		
- net gain from investing activities	(1,458)	(2,094)
- share of profits in associates and joint ventures	(2,325)	(3,557)
- gain on disposal of US branch network, US cards business and Ping An	(1,173)	(7,024)
- other non-cash items included in profit before tax	11,995	19,778
- change in operating assets	(148,899)	(116,521)
- change in operating liabilities	164,757	89,070
- elimination of exchange differences	4,479	(3,626)
- dividends received from associates	694	489
- contributions paid to defined benefit plans	(962)	(733)
- tax paid	(4,696)	(5,587)
<b>Net cash generated from/(used in) operating activities</b>	<b>44,977</b>	<b>(9,156)</b>
<b>Cash flow from investing activities</b>		
Purchase of financial investments	(363,979)	(342,974)
Proceeds from the sale and maturity of financial investments	342,539	329,926
Purchase of property, plant and equipment	(1,952)	(1,318)
Proceeds from the sale of property, plant and equipment	441	241
Proceeds from the sale of loan portfolios	6,518	241
Net purchase of intangible assets	(834)	(1,008)
Net cash inflow from disposal of US branch network and US cards business	-	20,905
<b>Net cash inflow/(outflow) from disposal of other subsidiaries and business</b>	<b>2,918</b>	<b>(863)</b>
Net cash outflow from acquisition of or increase in stake of associates	(26)	(1,804)
Proceeds from disposal of Ping An	7,413	1,954
Proceeds from disposal of other associates and joint ventures	377	594
<b>Net cash (used in)/generated from investing activities</b>	<b>(6,585)</b>	<b>5,653</b>
<b>Cash flow from financing activities</b>		
Issued of ordinary share capital	297	594
Net sales/(purchase) of own shares for market-making and investment purposes	(32)	(25)
Subordinated loan capital issued	1,989	37
Subordinated loan capital repaid	(1,662)	(1,754)
Net cash inflow/(outflow) from change in stake in subsidiaries	-	(14)
Dividends paid to shareholders of parent company	(6,414)	(5,925)
Dividends paid to non-controlling interests	(586)	(572)
Dividends paid to holders of other equity instruments	(573)	(573)
<b>Net cash used in financing activities</b>	<b>(6,981)</b>	<b>(8,232)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>31,411</b>	<b>(11,735)</b>
Cash and cash equivalents at 1 January	315,308	325,449
Exchange differences in respect of cash and cash equivalents	(438)	1,594
<b>Cash and cash equivalents at 31 December</b>	<b>346,281</b>	<b>315,308</b>

### Contingent Liabilities, Contractual Commitments and Guarantees at 31 December 2013

	2013 US\$m	2012 US\$m
<b>Guarantees and contingent liabilities</b>		
Guarantees	84,554	80,364
Other contingent liabilities	182	209
	<b>84,736</b>	<b>80,573</b>
<b>Commitments</b>		
Documentary credits and short-term trade-related transactions	12,154	13,359
Forward asset purchases and forward deposits placed	1,005	419
Undrawn formal standby facilities, credit lines and other commitments to lend	574,444	565,691
	<b>587,603</b>	<b>579,469</b>