

Consolidated Balance Sheet at 31 December 2017

	2017 US\$m	2016 US\$m
Assets		
Cash and balances at central banks	180,624	128,009
Items in the course of collection from other banks	6,628	5,003
Hong Kong Government certificates of indebtedness	34,186	31,228
Trading assets	287,995	235,125
Financial assets designated at fair value	29,464	24,756
Derivatives	219,818	290,872
Loans and advances to banks	90,393	88,126
Loans and advances to customers	952,964	861,504
Reverse repurchase agreements - non-trading	201,553	160,974
Financial investments	389,076	436,797
Prepayments, accrued income and other assets	67,191	63,909
Current tax assets	1,006	1,145
Interests in associates and joint ventures	22,744	20,029
Goodwill and intangible assets	23,453	21,346
Deferred tax assets	4,676	6,163
Total assets	2,521,771	2,374,986
Liabilities and Equity		
Liabilities		
Hong Kong currency notes in circulation	34,186	31,228
Deposits by banks	69,922	59,939
Customer accounts	1,364,462	1,272,386
Repurchase agreements - non-trading	130,002	88,358
Items in the course of transmission to other banks	6,850	5,977
Trading liabilities	184,361	153,691
Financial liabilities designated at fair value	94,429	86,832
Derivatives	216,821	279,819
Debt securities in issue	64,546	65,915
Accruals, deferred income and other liabilities	45,907	44,291
Current tax liabilities	928	719
Liabilities under insurance contracts	85,667	75,273
Provisions	4,011	4,773
Deferred tax liabilities	1,982	1,623
Subordinated liabilities	19,826	20,984
Total liabilities	2,323,900	2,192,408
Equity		
Called up share capital	10,160	10,096
Share premium account	10,177	12,619
Other equity instruments	22,250	17,110
Other reserves	7,664	(1,234)
Retained earnings	139,999	136,795
Total shareholders' equity	190,250	175,386
Non-controlling interests	7,621	7,192
Total equity	197,871	182,578
Total liabilities and equity	2,521,771	2,374,986

Consolidated Income Statement for the year ended 31 December 2017

	2017 US\$m	2016 US\$m
Interest income	40,995	42,414
Interest expense	(12,819)	(12,601)
Net interest income	28,176	29,813
Fee income	15,853	15,669
Fee expense	(3,042)	(2,892)
Net fee income	12,811	12,777
Trading income excluding net interest income	6,098	8,066
Net interest income on trading activities	1,621	1,386
Net trading income	7,719	9,452
Changes in fair value of long-term debt issued and related derivatives	672	(3,975)
Net income from other financial instruments designated at fair value	3,026	1,309
Net income/(expense) from financial instruments designated at fair value	3,698	(2,666)
Gains less losses from financial investments	1,150	1,385
Dividend income	106	95
Net insurance premiums income	9,779	9,951
Other operating income/(expense)	337	(971)
Total operating income	63,776	59,836
Net insurance claims and benefits paid and movement in liabilities to policyholders	(12,331)	(11,870)
Net operating income before loan impairment charges and other credit risk provisions	51,445	47,966
Loan impairment charges and other credit risk provisions	(1,769)	(3,400)
Net operating income	49,676	44,566
Employee compensation and benefits	(17,315)	(18,089)
General and administrative expenses	(15,707)	(16,473)
Depreciation and impairment of property, plant and equipment	(1,166)	(1,229)
Amortisation and impairment of intangible assets and goodwill	(696)	(777)
Goodwill impairment of Global Private Banking - Europe	-	(3,240)
Total operating expenses	(34,884)	(39,808)
Operating profit/(loss)	14,792	4,758
Share of profit in associates and joint ventures	2,375	2,354
Profit/(loss) before tax	17,167	7,112
Tax expense	(5,288)	(3,666)
Profit/(loss) for the year	11,879	3,446
Attributable to:		
- ordinary shareholders of the parent company	9,683	1,299
- preference shareholders of the parent company	90	90
- other equity holders	1,025	1,090
- non-controlling interests	1,081	967
Profit/(loss) for the year	11,879	3,446
Basic earnings per ordinary share	US\$ 0.48	US\$ 0.07
Diluted earnings per ordinary share	0.48	0.07

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	2017 US\$m	2016 US\$m
Profit for the year	11,879	3,446
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments	146	(299)
- fair value gains/(losses)	1,227	475
- fair value gains reclassified to the income statement	(1,033)	(895)
- amounts reclassified to the income statement in respect of impairment losses*	93	71
- income taxes	(141)	50
Cash flow hedges	(192)	(68)
- fair value (losses)/gains	(1,046)	(297)
- fair value losses/(gains) reclassified to the income statement	833	195
- income taxes	21	34
Share of other comprehensive (expense)/income of associates and joint ventures	(43)	54
- share for the year	(43)	54
Exchange differences	9,077	(8,092)
- foreign exchange gains reclassified to income statement on disposal of foreign operation	1,894	1,594
- other exchange differences	8,939	(9,791)
- income tax attributable to exchange differences	138	(195)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	2,419	7
- before income taxes	3,440	(84)
- income taxes	(1,021)	91
Changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	(2,024)	-
- before income taxes	(2,409)	-
- income taxes	385	-
Other comprehensive income/(expense) for the year, net of tax	9,383	(8,398)
Total comprehensive income/(expense) for the year	21,262	(4,952)
Attributable to:		
- Ordinary shareholders of the parent company	18,914	(6,968)
- preference shareholders of the parent company	90	90
- other equity holders	1,025	1,090
- non-controlling interests	1,233	836
Total comprehensive income/(expense) for the year	21,262	(4,952)

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

	2017									
	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	Total shareholders' equity US\$m	Non-controlling interests US\$m	Total equity US\$m
At 1 January 2017	22,715	17,110	136,795	(477)	(27)	(28,038)	27,308	175,386	7,192	182,578
Profit for the year	-	-	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 arising from changes 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 year	-	-	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

	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	Total 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 Dec 2016	22,715	17,110	136,795	(477)	(27)	(28,038)	27,308	175,386	7,192	182,578

Consolidated Statement of Cash Flows for the year ended 31 December 2017

	2017 US\$m	2016 US\$m
Profit before tax	17,167	7,112
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	1,862	5,212
Net gain from investing activities	(1,152)	(1,215)
Share of profits in associates and joint ventures	(2,375)	(2,354)
(Gain)/Loss on disposal of associates, joint ventures, subsidiaries and businesses	(79)	1,743
Loan impairment losses gross of recoveries and other credit risk provisions	2,603	4,090
Provisions including pensions	917	2,482
Share-based payment expense	500	534
Other non-cash items included in profit before tax	(381)	(207)
Elimination of exchange differences	(21,289)	15,364
Changes in operating assets and liabilities		
Change in net trading securities and derivatives	(10,901)	4,395
Change in loans and advances to banks and customers	(108,984)	52,868
Change in reverse repurchase agreements - non-trading	(37,281)	(13,138)
Change in financial assets designated at fair value	(5,303)	(1,235)
Change in other assets	(6,570)	(6,591)
Change in deposits by banks and customer accounts	102,211	(8,918)
Change in repurchase agreements - non-trading	41,044	8,558
Change in debt securities in issue	(1,369)	(23,034)
Change in financial liabilities designated at fair value	8,508	17,802
Change in other liabilities	13,514	8,792
Dividends received from associates	740	689
Contributions paid to defined benefit plans	(685)	(726)
Tax paid	(3,175)	(3,264)
Net cash from operating activities	(10,478)	68,959
Purchase of financial investments	(357,264)	(457,084)
Proceeds from the sale and maturity of financial investments	418,352	430,085
Net cash flows from the purchase and sale of property, plant and equipment	(1,167)	(1,151)
Net cash flows from disposal of customer and loan portfolios	6,756	9,194
Net investment in intangible assets	(1,285)	(906)
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures	165	4,802
Net cash from investing activities	65,557	(15,060)
Issue of ordinary share capital and other equity instruments	5,196	2,024
Cancellation of shares	(3,000)	-
Net sales/(purchases) of own shares for market-making and investment purposes	(67)	523
Purchase of treasury shares	-	(2,510)
Redemption of preference shares and other equity instruments	-	(1,825)
Subordinated loan capital issued	-	2,622
Subordinated loan capital repaid	(3,574)	(595)
Dividends paid to shareholders of the parent company and non-controlling interests	(9,005)	(9,157)
Net cash from financing activities	(10,450)	(8,918)
Net increase/(decrease) in cash and cash equivalents	44,629	44,981
Cash and cash equivalents at 1 Jan	274,550	243,863
Exchange differences in respect of cash and cash equivalents	18,233	(14,294)
Cash and cash equivalents at 31 December	337,412	274,550
Cash and cash equivalents comprise:		
- cash and balances at central banks	180,624	128,009
- items in the course of collection from other banks	6,628	5,003
- loans and advances to banks of one month or less	82,771	77,318
- reverse repurchase agreements with banks of one month or less	58,850	55,551
- treasury bills	15,389	14,646
- less: items in the course of transmission to other banks	(6,850)	(5,977)
337,412	274,550	

Contingent Liabilities, Contractual Commitments and Guarantees at 31 December 2017

	2017 US\$m	2016 US\$m
Guarantees and other contingent liabilities:		
Guarantees	89,762	81,466
Other contingent liabilities	616	553
At 31 Dec	90,378 </	