

**Consolidated Balance Sheet**  
at 30 June 2018 and 31 December 2017

	At 2018 US\$m	At 2017 US\$m
<b>Assets</b>		
Cash and balances at central banks	189,842	180,624
Items in the course of collection from other banks	8,081	6,628
Hong Kong Government certificates of indebtedness	35,754	34,186
Trading assets	247,892	287,995
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	40,678	-
Financial assets designated at fair value	-	29,464
Derivatives	227,972	219,818
Loans and advances to banks	83,924	90,393
Loans and advances to customers	973,443	962,964
Reverse repurchase agreements - non-trading	208,104	201,553
Financial investments	386,436	389,076
Prepayments, accrued income and other assets	153,048	67,191
Current tax assets	1,106	1,006
Interests in associates and joint ventures	22,572	22,744
Goodwill and intangible assets	23,722	23,453
Deferred tax assets	4,740	4,676
<b>Total assets</b>	<b>2,607,314</b>	<b>2,521,771</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Hong Kong currency notes in circulation	35,754	34,186
Deposits by banks	64,792	69,922
Customer accounts	1,356,307	1,364,462
Repurchase agreements - non-trading	158,295	130,002
Items in the course of transmission to other banks	8,086	6,850
Trading liabilities	83,845	184,361
Financial liabilities designated at fair value	151,985	94,429
Derivatives	222,961	216,821
Debt securities in issue	81,708	64,546
Accruals, deferred income and other liabilities	134,774	45,907
Current tax liabilities	1,609	928
Liabilities under insurance contracts	86,918	85,667
Provisions	4,199	4,011
Deferred tax liabilities	2,183	1,982
Subordinated liabilities	22,604	19,826
<b>Total liabilities</b>	<b>2,416,020</b>	<b>2,323,900</b>
<b>Equity</b>		
Called up share capital	10,159	10,160
Share premium account	9,774	10,177
Other equity instruments	20,573	22,250
Other reserves	2,193	7,664
Retained earnings	140,908	139,999
Total shareholders' equity	183,607	190,250
Non-controlling interests	7,687	7,621
<b>Total equity</b>	<b>191,294</b>	<b>197,871</b>
<b>Total liabilities and equity</b>	<b>2,607,314</b>	<b>2,521,771</b>

**Consolidated Income Statement**  
for the period ended 30 June 2018 and 2017

	2018 US\$m	2017 US\$m
Interest income	23,422	19,727
Interest expense	(8,322)	(5,950)
Net interest income	15,100	13,777
Fee income	8,469	7,906
Fee expense	(1,702)	(1,415)
Net fee income	6,767	6,491
Net income from financial instruments held for trading or managed on a fair value basis	4,883	4,232
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	(222)	1,499
Changes in fair value of long-term debt and related derivatives	(126)	204
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	345	691
Gains less losses from financial investments	124	49
Dividend income	41	49
Net insurance premiums income	5,776	4,811
Other operating income/(expense)	359	526
<b>Total operating income</b>	<b>33,047</b>	<b>32,280</b>
Net insurance claims and benefits paid and movement in liabilities to policyholders	(5,760)	(6,114)
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>	<b>27,287</b>	<b>26,166</b>
Change in expected credit losses and other credit impairment charges	(407)	-
Loan impairment charges and other credit risk provisions	-	(663)
<b>Net operating income</b>	<b>26,880</b>	<b>25,503</b>
Employee compensation and benefits	(8,836)	(8,680)
General and administrative expenses	(7,767)	(6,900)
Depreciation and impairment of property, plant and equipment	(568)	(567)
Amortisation and impairment of intangible assets and goodwill	(378)	(296)
Goodwill impairment of Global Private Banking - Europe	-	-
<b>Total operating expenses</b>	<b>(17,549)</b>	<b>(16,443)</b>
<b>Operating profit</b>	<b>9,331</b>	<b>9,060</b>
Share of profit in associates and joint ventures	1,381	1,183
Profit before tax	10,712	10,243
Tax expense	(2,296)	(2,195)
<b>Profit for the Period</b>	<b>8,416</b>	<b>8,048</b>
Attributable to:		
- ordinary shareholders of the parent company	7,173	6,999
- preference shareholders of the parent company	45	45
- other equity holders	530	466
- non-controlling interests	668	538
<b>Profit for the Period</b>	<b>8,416</b>	<b>8,048</b>
Basic earnings per ordinary share	US\$ 0.36	US\$ 0.35
Diluted earnings per ordinary share	US\$ 0.36	US\$ 0.35

**Consolidated Statement of Comprehensive Income**  
for the period ended 30 June 2018 and 2017

	2018 US\$m	2017 US\$m
Profit for the period	8,416	8,048
<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	-	484
- fair value gains/(losses)	-	1,447
- fair value losses/(gains) reclassified to the income statement	-	(648)
- amounts reclassified to the income statement in respect of impairment losses	-	20
- income taxes	-	(135)
Debt instruments at fair value through other comprehensive income	(265)	-
- fair value losses	(658)	-
- fair value gains transferred to the income statement on disposal	329	-
- expected credit losses recognised in income statement	(91)	-
- income taxes	155	-
Cash flow hedges	(68)	24
- fair value (losses)/gains	(276)	(881)
- fair value losses/(gains) reclassified to the income statement	194	894
- income taxes	24	11
Share of other comprehensive income/(expense) of associates and joint ventures	(57)	(6)
- share for the period	(57)	(6)
Exchange differences	(4,252)	5,269
- other exchange differences	(4,252)	5,270
- income tax attributable to exchange differences	-	(1)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	297	1,708
- before income taxes	421	2,253
- income taxes	(124)	(545)
Changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	1,345	(1,156)
- before income taxes	1,653	(1,398)
- income taxes	(308)	242
Equity instruments designated at fair value through other comprehensive income	(30)	-
- fair value losses	(26)	-
- income taxes	(4)	-
Other comprehensive income/(expense) for the period, net of tax	(3,030)	6,323
<b>Total comprehensive income/(expense) for the period</b>	<b>5,386</b>	<b>14,371</b>
Attributable to:		
- Ordinary shareholders of the parent company	4,229	13,241
- preference shareholders of the parent company	45	45
- other equity holders	530	466
- non-controlling interests	582	619
<b>Total comprehensive income/(expense) for the period</b>	<b>5,386</b>	<b>14,371</b>

**Consolidated Statement of Changes in Equity**  
for the period ended 30 June 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	shareholders' 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)	-	-	-	(1,606)	(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	-	-	7,748	-	-	-	-	7,748	668	8,416
Other comprehensive income (net of tax)	-	-	1,589	(273)	(66)	(4,194)	-	(2,944)	(86)	(3,030)
- debt instruments at fair value through other comprehensive income	-	-	-	(264)	-	-	-	(264)	(1)	(265)
- equity instruments designated at fair value through other comprehensive income	-	-	-	(9)	-	-	-	(9)	(21)	(30)
- cash flow hedges	-	-	-	-	(66)	-	-	(66)	(2)	(68)
- changes in fair value of financial liabilities designated at fair value arising from changes in own credit risk	-	-	1,346	-	-	-	-	1,346	(1)	1,345
- remeasurement of defined benefit asset/liability	-	-	300	-	-	-	-	300	(3)	297
- share of other comprehensive income of associates and joint ventures	-	-	(57)	-	-	-	-	(57)	-	(57)
- exchange differences	-	-	-	-	-	(4,194)	-	(4,194)	(58)	(4,252)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>9,337</b>	<b>(273)</b>	<b>(66)</b>	<b>(4,194)</b>	<b>-</b>	<b>4,804</b>	<b>582</b>	<b>5,386</b>
Shares issued under employee remuneration and share plans	582	-	(570)	-	-	-	-	12	-	12
Shares issued in lieu of dividends and amounts arising thereon	-	-	606	-	-	-	-	606	-	606
Capital securities issued	-	4,150	-	-	-	-	-	4,150	-	4,150
Dividends to shareholders	-	-	(6,904)	-	-	-	-	(6,904)	(461)	(7,365)
Redemption of securities	-	(5,827)	(237)	-	-	-	-	(6,064)	-	(6,064)
Cost of share-based payment arrangements	-	-	274	-	-	-	-	274	-	274
Cancellation of shares	(986)	-	(1,014)	-	-	-	-	(2,000)	-	(2,000)
Other movements	-	-	2	83	-	-	-	85	(14)	71
At 30 Jun 2018	19,933	20,573	140,908	(1,561)	(288)	(23,266)	27,308	183,607	7,687	191,294

  

	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	shareholders' 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	-	-	7,510	-	-	-	-	7,510	538	8,048
Other comprehensive income (net of tax)	-	-	536	468	16	5,222	-	6,242	81	6,323
- available-for-sale investments	-	-	-	468	-	-	-	468	16	484
- cash flow hedges	-	-	-	-	16	-	-	16	8	24
- changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	-	-	(1,156)	-	-	-	-	(1,156)	-	(1,156)
- remeasurement of defined benefit asset/liability	-	-	1,698	-	-	-	-	1,698	10	1,708
- share of other comprehensive income of associates and joint ventures	-	-	(6)	-	-	-	-	(6)	-	(6)
- exchange differences	-	-	-	-	-	5,222	-	5,222	47	5,269
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>8,046</b>	<b>468</b>	<b>16</b>	<b>5,222</b>	<b>-</b>	<b>13,752</b>	<b>619</b>	<b>14,371</b>
Shares issued under employee remuneration and share plans	542	-	(535)	-	-	-	-	7	-	7
Shares issued in lieu of dividends and amounts arising thereon	-	-	2,771	-	-	-	-	2,771	-	2,771
Capital securities issued	-	3,720	-	-	-	-	-	3,720	-	3,720
Dividends to shareholders	-	-	(6,795)	-	-	-	-	(6,795)	(420)	(7,215)
Cost of share-based payment arrangements	-	-	267	-	-	-	-	267	-	267
Cancellation of shares	(1,000)	-	-	-	-	-	-	(1,000)	-	(1,000)
Other movements	-	-	288	-	-	-	-	288	(1)	287
At 30 June 2017	22,257	20,830	140,837	(9)	(11)	(22,816)	27,308	188,396	7,390	195,786

**Consolidated Statement of Cash Flows**  
for the period ended 30 June 2018 and 2017

	2018 US\$m	2017 US\$m
<b>Profit before tax</b>	<b>10,712</b>	<b>10,243</b>
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	946	863
Net gain from investing activities	85	(764)
Share of profits in associates and joint ventures	(1,381)	(1,183)
Loss on disposal of associates, joint ventures, subsidiaries and businesses	-	(79)
Change in expected credit losses gross of recoveries and other credit impairment charges	680	-
Loan impairment losses gross of recoveries and other credit risk provisions	-	1,018
Provisions including pensions	1,244	186
Share-based payment expense	274	267
Other non-cash items included in profit before tax	(899)	(157)
Changes in operating assets	(89,986)	(115,324)
Changes in operating liabilities	84,594	109,828
Elimination of exchange differences	(11,816)	(16,208)
Dividends received from associates	126	589
Contributions paid to defined benefit plans	(103)	(351)
Tax paid	(1,116)	(810)
<b>Net cash from operating activities</b>	<b>(6,640)</b>	<b>(11,882)</b>
Purchase of financial investments	(227,256)	(175,346)
Proceeds from the sale and maturity of financial investments	225,295	233,711
Net cash flows from the purchase and sale of property, plant and equipment	(520)	(314)
Net cash inflow from disposal of customer and loan portfolios	(542)	5,044
Net investment in intangible assets	(751)	(514)
Net cash flow on disposal subsidiaries, businesses, associates and joint ventures	(19)	141
<b>Net cash from investing activities</b>	<b>(3,793)</b>	<b>62,722</b>
Issue of ordinary share capital and other equity instruments	4,150	3,727
Cancellation of shares	(986)	(1,000)
Net (purchases)/sales of own shares for market-making and investment purposes	43	(49)
Redemption of preference shares and other equity instruments	(6,078)	-
Subordinated loan capital repaid	(4,020)	(520)
Dividends paid to shareholders of the parent company and non-controlling interests	(4,965)	(3,266)
<b>Net cash from financing activities</b>	<b>(11,856)</b>	<b>(1,108)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(22,289)</b>	<b>49,732</b>
Cash and cash equivalents at the beginning of the period	337,412	274,550
Exchange differences in respect of cash and cash equivalents	(5,415)	11,546
<b>Cash and cash equivalents at the end of the period</b>	<b>309,708</b>	<b>335,828</b>

**Contingent Liabilities, Contractual Commitments and Guarantees**  
at 30 June 2018 and 31 December 2017

	2018 US\$m	2017 US\$m
<b>Guarantees and other contingent liabilities</b>		
- financial guarantees and other similar contracts	91,104	89,762
- other contingent liabilities	796	616
<b>At the end of the period</b>	<b>91,900</b>	<b>90,378</b>
<b>Commitments</b>		
- Documentary credits and short-term trade-related transactions	7,571	8,776
- Forward asset purchases and forward deposits placed	12,235	4,295
- Standby facilities, credit lines and other commitments to lend	691,353	672,518
<b>At the end of the period</b>		