HSBC HOLDINGS PLC
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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of March

HSBC Holdings plc

42nd Floor, 8 Canada Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F X Form 40-F ......

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes....... No X

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-..............).

1 March 2010

HANG SENG BANK LIMITED
2009 RESULTS - HIGHLIGHTS

- Operating profit down 2.9 per cent to HK$13,324 million (HK$13,725 million in 2008).
- Operating profit excluding loan impairment charges and other credit risk provisions down 14.3 per cent to HK$14,136 million (HK$16,501 million in 2008).
- Profit before tax down 2.5 per cent to HK$15,477 million (HK$15,878 million in 2008).
- Attributable profit down 6.2 per cent to HK$13,221 million (HK$14,099 million in 2008).
- Return on average shareholders' funds of 24.6 per cent (26.0 per cent in 2008).
- Assets up 8.4 per cent to HK$826.0 billion (HK$762.2 billion at 31 December 2008).
- Earnings per share down 6.1 per cent to HK$6.92 per share (HK$7.37 per share in 2008).
- Fourth interim dividend of HK$1.90 per share; total dividends of HK$5.20 per share for 2009 (HK$6.30 per share in 2008).
- Capital adequacy ratio of 15.8 per cent (12.5 per cent at 31 December 2008); core capital ratio of 12.8 per cent (9.5 per cent at 31 December 2008).
- Cost efficiency ratio of 32.1 per cent (29.2 per cent in 2008).

Within this document, the Hong Kong Special Administrative Region of the People's Republic of China has been referred to as 'Hong Kong'.

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The financial information in this news release is based on the audited consolidated financial statements of Hang Seng Bank Limited ('the bank') and its subsidiaries and associates ('the group') for the year ended 31 December 2009.

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Comment by Raymond Ch'ien, Chairman

The effects of the global financial crisis continued to dominate operating conditions in 2009.

In the unstable economic environment, we remained focused on our long-term growth objectives, taking steps to support both personal and commercial customers while better aligning our business for future expansion.

We helped promote economic recovery through active involvement in Hong Kong Government-led lending schemes for small and medium-sized enterprises and by facilitating trade with a wide range of cross-border renminbi services.

Capitalising on our strong wealth management capabilities, we developed investment and insurance solutions that provided greater financial peace of mind in uncertain markets.

We leveraged our trusted brand and time-to-market advantage to maintain momentum in core areas of business, serve the diverse needs and interests of investors, and lay the groundwork for future development in new markets.

Our efforts have earned us the continuing loyalty of existing customers and are helping us build bridges to new ones, which will prove important business drivers as the economy returns to a firmer footing.

We remain committed to enhancing shareholder value through careful risk management and cost control while investing in our operations to promote sustainable growth over the long term.

Financial Performance

Operating profit excluding loan impairment charges and other credit risk provisions was down 14.3 per cent at HK$14,136 million. Operating profit declined by 2.9 per cent to HK$13,324 million, with good credit risk management and improving economic conditions in the second half leading to a significant drop in loan impairment charges and other credit risk provisions.

Profit before tax fell by 2.5 per cent to HK$15,477 million.

Profit attributable to shareholders was down 6.2 per cent at HK$13,221 million. Earnings per share were HK$6.92 – a drop of 6.1 per cent compared with a year earlier.

Lower staff-related expenses and further emphasis on cost containment resulted in a 1.8 per cent reduction in operating expenses to HK$6,676 million. However, net operating income before loan impairment charges and other credit risk provisions was down 10.7 per cent at HK$20,812 million, due mainly to the adverse impact of low interest rates on deposit spreads and mortgage portfolio pricing. With the reduction in operating expenses outpaced by the drop in income, our cost efficiency ratio rose to 32.1 per cent.

Return on average shareholders' funds was 24.6 per cent, compared with 26.0 per cent in 2008. Return on average total assets was down 0.2 percentage points at 1.7 per cent.

On 31 December 2009, our capital adequacy and core capital ratios were 15.8 per cent and 12.8 per cent respectively, as calculated using the 'advanced internal ratings-based approach' under Basel II, compared with 12.5 per cent and 9.5 per cent respectively as calculated using the 'foundation internal ratings-based approach' under Basel II at the end of 2008.

After careful consideration of our capital needs for future business opportunities, particularly in mainland China, as well as additional capital requirements under potential changes in the regulatory environment, the Directors have declared a fourth interim dividend of HK$1.90 per share, payable on 31 March 2010. This brings the total distribution for 2009 to HK$5.20 per share.

Outlook

Following the implementation of unprecedented monetary and fiscal stimulus programmes by many of the world's leading economies, we are starting to see tentative signs of broad-based recovery.

Hong Kong's key economic indicators have begun to improve, with the domestic sector taking the lead. Exports registered a year-on-year increase in November 2009 after 12 consecutive months of contraction. However, the pace of expansion in many major economies will be modest at best in 2010 with external demand remaining subdued. A sustained upturn in external sector activity will be crucial in getting Hong Kong's outward-facing economy back on a solid growth track.

Supported by the Central Government's RMB4 trillion package of economic stimulus initiatives, domestic demand has driven continued growth on the Mainland – albeit at a more moderate pace than pre-crisis levels. The relatively loose monetary and fiscal policies in place during 2009 have led to surging asset prices and concerns about overheating. But with economic recovery still in its infancy, the government will likely continue to fine-tune current policies rather than make dramatic changes that may undermine growth.

Against this backdrop, we are cautiously optimistic for 2010. The global recovery will bring new and renewed business opportunities. At the same time, challenges remain. The low interest rates that are likely to persist until at least the second half of this year and keen competition in the financial sector will continue to put pressure on margins.

We will use our competitive strengths – including our widely respected brand, customer service excellence and efficient business model – to deepen customer relationships, reinforce our strong market position and take advantage of new avenues of business growth.

Review by Margaret Leung, Vice-Chairman and Chief Executive

The economic environment in 2009 created both challenges and opportunities for Hang Seng.

Despite difficult operating conditions, our long-term goals continued to guide our strategy. We made good use of our competitive strengths to serve the different financial needs of our customers, maintain momentum in core areas of business and strengthen our platform for future growth.

Competitive pressures grew during the year as banks sought to capture business flows in recovering market segments. New rules on the physical segregation of investment and banking services in Hong Kong necessitated the reorganisation of wealth management services during the second half of the year. Assisted by our strong brand, we emphasised service excellence in differentiating ourselves from our peers.

With continued financial market uncertainty in the first half of the year, we provided enhanced insurance protection offerings and defensive investment opportunities. As the outlook of investors improved during the second half, we capitalised on our time-to-market advantage to launch products in line with changing trends and to tap new areas of business with good growth potential.

Leveraging our strong balance sheet and good credit risk management capabilities, we assisted customers through the prudent expansion of our lending portfolios. Deposits also increased but low interest rates put significant downward pressure on spreads.

Our early actions to tackle the challenges created by the global financial crisis as well as the improving economic conditions resulted in better performances by our core revenue drivers in the second half of 2009 compared with the first half.

We also worked to provide greater choice over when and where customers manage their finances, particularly by enhancing our online and mobile phone platforms. The number of Personal e-Banking and Business e-Banking customers grew by 12.8 per cent and 19.0 per cent respectively.

In mainland China, our subsidiary bank, Hang Seng Bank (China) Limited, extended its service reach by adding outlets and building new business alliances. Close collaboration between colleagues on the Mainland and in Hong Kong led to new wealth management products and the strengthening of cross-border capabilities – supporting good growth in the mainland customer base.

Customer Groups

Personal Financial Services recorded an 11.9 per cent decline in operating profit excluding loan impairment charges to HK$7,457 million and a 13.7 per cent fall in profit before tax to HK$7,258 million.

Operating profit excluding loan impairment charges and profit before tax for the second half of 2009 were up 8.4 per cent and 9.3 per cent respectively compared with the first half.

Although customer deposits and advances to individuals both increased, interest margins on deposits and the mortgage portfolio fell, resulting in a 5.8 per cent reduction in Personal Financial Services' net interest income to HK$8,195 million.

Despite subdued investment sentiment, we kept wealth management income broadly steady at HK$4,672 million – down 2.4 per cent compared with 2008. Revenue from wealth management in the second half of 2009 increased by

14.7 per cent compared with the first half.

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With continuing economic uncertainty in the first half of the year, we emphasised financial security, shifting our sales focus to personal insurance protection and lower-risk investment products.

As market conditions began to stabilise, we used our new Securities Select Customer Trading Centre and attractive IPO investment services to capitalise on renewed interest in securities trading, increasing our market share and the number of securities accounts. We launched new Hang Seng-branded funds with China themes that were well received by customers. These actions helped drive a 36.8 per cent rise in investment income in the second half of the year compared with the first half, with increases across all major revenue streams.

In August, we became the first Hong Kong financial institution to achieve a dual listing of exchange-traded funds (ETFs) in Taiwan, increasing our profile and opening up a new avenue of future business.

Overall, investment income dropped by 23.2 per cent for 2009. The 15.2 per cent growth in revenue from stockbroking and related services was outweighed by declines in income from investment funds and structured investment products, which fell by 49.1 per cent and 57.1 per cent respectively. Private Banking service fee income dropped by 38.9 per cent, reflecting the reduced level of investment activity.

New and enhanced insurance products offered protection strategies for a diverse range of life stages. Total policies in-force increased by 10.1 per cent and annualised premiums rose by 14.7 per cent to HK$13.7 billion.

Life insurance income rose by 46.8 per cent, due mainly to our proactive management of the life insurance funds investment portfolio - which resulted in a HK$17 million investment gain for 2009 compared with a HK$1,063 million loss in 2008 - as well as the increase in net interest income arising from the growth in the portfolio and asset re-allocation.

Effective promotional campaigns drove good all-round growth in our credit card business. The card base increased by 6.5 per cent to 1.85 million cards in use and we increased our market share. Card receivables and spending rose by 7.6 per cent and 9.1 per cent respectively.

A wide range of mortgage loan offers and our convenient e-Mortgage channel helped us retain a strong position in the highly competitive residential mortgage sector.

Commercial Banking's profit before tax was up 6.8 per cent at HK$2,637 million. Operating profit excluding loan impairment charges fell by 15.5 per cent, due mainly to the 16.6 per cent drop in net interest income. Operating profit increased by 14.0 per cent, with effective management of credit risk and improvements in the economic environment supporting a 67.4 per cent reduction in loan impairment charges.

Operating profit excluding loan impairment charges and profit before tax for the second half of 2009 rose by 9.1 per cent and 44.2 per cent respectively compared with the first half.

We continued to assist small and medium-sized enterprises in Hong Kong through our participation in government-guaranteed lending schemes, under which we have now approved over 5,000 applications with loans totalling more than HK$14.2 billion. Advances to customers rose by 12.1 per cent. Along with improved loan spreads, this supported a 15.4 per cent increase in net interest income from lending.

The establishment of a dedicated deposit service team drove a 26.0 per cent increase in deposits, but this only partly offset the effects of narrowing deposit spreads, with net interest income from deposits down by 47.7 per cent.

Income from our strengthened portfolio of corporate life insurance products rose by 103.1 per cent, sustaining corporate wealth management revenue – which fell by just 1.8 per cent despite the less favourable environment for investment business.

Good business synergy between commercial banking teams in Hong Kong and on the Mainland, the launch of renminbi trade settlement services and new business relationships with strategic mainland partners have enhanced our ability to capture an increasing share of cross-border business flows.

Corporate Banking achieved a 20.1 per cent increase in operating profit excluding loan impairment charges to HK$979 million.

A significant improvement in loan impairment charges saw operating profit grow by 46.7 per cent to HK$901 million. Profit before tax was HK$915 million – an increase of 41.9 per cent.

Total operating income grew by 15.4 per cent, supported mainly by the 17.2 per cent growth in net interest income.

Advances to customers declined by 5.6 per cent, reflecting weaker investment appetite and stronger financial discipline by corporate customers during the international financial crisis. We capitalised on our balance sheet strength and good understanding of local markets to assist corporate customers with new and renewed facilities while adjusting pricing in line with the credit environment, resulting in a 41.5 per cent rise in net interest income from customer advances.

The low interest rate environment drove a marked customer preference for greater liquidity, with the increase in current account and savings account deposits more than offset by the drop in time deposits. Net interest income from deposits fell by 36.4 per cent.

Treasury's operating profit excluding credit risk provisions declined by 3.9 per cent to HK$2,918 million.

We continued with our prudent risk management strategy, enhancing the portfolio mix through investment in high-quality debt securities and selectively disposing of negotiable instruments as market conditions changed.

Low interest rates kept the cost of funds down but also limited yields on new deployments of funds and balance sheet management investments. Net interest income fell by 19.4 per cent.

Net trading income grew by 64.4 per cent to HK$1,054 million, due mainly to a net increase in funding swap income.

We enhanced the infrastructure for customer-driven business, strengthening Treasury's product development capabilities and sales synergy with other customer groups. With weak investor demand for equity and interest rate-linked products, we successfully maintained business momentum by enhancing the features of our foreign exchange-linked investment offerings.

Treasury's profit before tax increased by 48.9 per cent, due mainly to the non-recurrence of the HK$1,375 million credit risk provisions booked in 2008.

Mainland Business

Including a cross-location sub-branch that opened in Guangdong province under CEPA VI in January 2010, Hang Seng China now has 37 outlets across 12 cities.

Hang Seng China's profit before tax achieved steady growth, underpinned by an increase in total operating income as well as reductions in both operating expenses and loan impairment charges.

Total operating income grew by 3.9 per cent, supported by a 1.3 per cent rise in net interest income.

We contained costs through effective deployment of resources to record a 0.9 per cent reduction in operating expenses despite expanding our network during the year.

Our attractive range of products and enhancements to service delivery across a variety of channels helped drive an 18.3 per cent year-on-year rise in the mainland customer base. Deposits grew by 35.9 per cent compared with a year earlier, supporting further improvement in our balance sheet strength.

Government policies to promote economic recovery increased opportunities for banks to expand lending, creating downward pressure on pricing. We maintained a prudent approach to credit risk control – focusing on the quality rather than the size of our loans portfolio. Advances to customers rose by 5.2 per cent.

Leveraging in part on our wealth management experience in Hong Kong, we offered new investment products aimed at affluent customers, achieving a 25.2 per cent expansion in the number of mainland Prestige Banking accounts.

Our growing range of cross-border services helped drive a 10.9 per cent increase in the number of commercial customers.

We built new alliances with external partners such as China Export and Credit Insurance Corporation and China UnionPay to good business effect.

Collaborative initiatives with strategic partners Industrial Bank and Yantai Bank continued to provide synergy in key areas of business and extend our reach in regions with strong economic growth potential.

Including the share of profits from mainland associates, our mainland business contributed 13.3 per cent to total profit before tax, compared with 11.9 per cent a year earlier.

Moving Ahead

In a year marked by economic uncertainty, Hang Seng remained committed to a forward-looking strategy that focuses on the long term. We have continued to support customers, sustain the momentum of growth drivers and establish new avenues of revenue generation.

Investors are placing greater emphasis on personalised financial services and the timely provision of information. Businesses facing difficult operating conditions are demanding one-stop financial assistance with fast and efficient delivery channels that can give them an edge over their competitors.

Hang Seng's strengths – including service excellence, time-to-market capabilities and a strong distribution network – will continue to serve us well in meeting these needs, helping us deepen existing customer relationships and acquire new ones.

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Our diverse portfolio of investment and insurance products enables us to provide tailored wealth management solutions for a wide range of market conditions and financial needs. Our wealth management business – particularly sales of investment funds – has gained strong momentum during the first two months of 2010 and we will build on this with new products and services.

With deep roots in our communities, our local knowledge allows us to identify emerging trends ahead of the curve to the mutual benefit of our customers and our business. Following on from our ground-breaking dual listing of ETFs in Taiwan last year, we will work to develop additional new revenue streams that support our core business lines.

Commercial Banking's growing range of cross-border services and corporate wealth management offerings will help us strengthen ties with customers and attract new business. We will further enhance cross-selling and leverage our multi-channel platforms and payment and cash management capabilities in Hong Kong and on the Mainland as part of our new customer acquisition strategy.

Our support of Corporate Banking clients in challenging economic times puts us in a good position to deepen these partnerships as market conditions improve.

We will take advantage of opportunities to expand our renminbi services for commercial and corporate customers in Hong Kong following new measures announced by the Hong Kong Monetary Authority last month that widen the scope of renminbi business.

Treasury will continue to prudently manage its investment portfolio to strike a good balance between risk and return. We will further enhance Treasury's service infrastructure and product development capabilities to strengthen fee-earning potential.

We will upgrade and expand our service delivery channels to provide customers with greater efficiency and convenience in managing their financial needs.

Hang Seng China will further grow its brand on the Mainland, make good use of its strategic alliances and extend its business reach in high-potential locations – including Guangdong under the favourable policies of CEPA VI.

Supported by Hang Seng's strong capabilities in Hong Kong, we will expand our mainland wealth management offerings to attract more customers in target segments. We will promote our comprehensive cross-border services to increase the mainland commercial customer base. These initiatives will help drive deposits growth, providing important support for business expansion.

On top of our investments in Industrial Bank and Yantai Bank, we are actively looking for strategic partners in wealth management industries on the Mainland.

We will continue to invest in staff capabilities, technology and initiatives that enhance our reputation as a leading provider of Greater China financial expertise.

The past year has been a challenging one but we are looking ahead – to identify new opportunities and ensure our strategic decisions best serve our long-term goals.

Supported by our trusted brand and solid financial fundamentals, we will reinforce our leadership in traditional lines, build momentum in areas with good potential for further business expansion, and explore new markets and customer segments in order to deliver sustainable growth.

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Results summary

Hang Seng Bank Limited ('the bank') and its subsidiaries and associates ('the group') reported an audited profit attributable to shareholders of HK$13,221 million for 2009, down by 6.2 per cent compared with 2008. Earnings per share were HK$6.92, down HK$0.45 from 2008. Attributable profit to shareholders for the second half of 2009 rose by HK$319 million, or 4.9 per cent, when compared with the first half.

Operating profit excluding loan impairment charges and other credit risk provisions fell by HK$2,365 million, or 14.3 per cent, to HK$14,136 million. Although the economic environment in Hong Kong began to show signs of gradual recovery and market sentiment improved during the second half of the year, operating conditions in 2009 were challenging. The continuing low interest rate environment had a significant adverse impact on net interest income. Non-interest income also fell although there was notable growth in the second half of the year compared with the first half. Operating expenses were contained at a lower level than in 2008.

Net interest income decreased by HK$2,209 million, or 13.6 per cent. Net interest margin for 2009 was 1.90 per cent – down 46 basis points compared with 2008. Net interest spread dropped by 31 basis points to 1.84 per cent and the contribution from net free funds declined by 15 basis points to 0.06 per cent. Although average interest-earning assets increased by 7.1 per cent, there was a shift towards more liquid assets with a lower yield. Markedly reduced deposit spreads and the reduction in contribution from net free funds in the near-zero interest rate environment outweighed the benefits of improved loan spreads.

Net fees and commissions dropped by HK$648 million, or 13.0 per cent, to HK$4,321 million, as demand for wealth management products was lower than in 2008, reflecting weak investor sentiment. The more buoyant stock market, improving economic conditions and the improvement in investor outlook towards the end of the year helped support the 24.4 per cent growth in net fees and commissions in the second half compared with the first half. Income from sales of retail investment funds and third-party structured investment products fell by 44.3 per cent and 91.8 per cent respectively. There was a reduction in private banking service fee income, reflecting diminished customer appetite for trading and structured products. Fee income from stockbroking and related services rose by 15.2 per cent, driven by the 25.7 per cent increase in turnover, which significantly outperformed the 12.1 per cent drop in Hong Kong market turnover. In the uncertain economic conditions, the group's comprehensive range of health and wealth insurance solutions offered good personal coverage to customers at all life stages. This drove a significant 93.9 per cent rise in insurance fee income, mainly contributed by strong sales of the HSBC Jade Global Universal Life product. Credit card business continued to gain market share in terms of cards in issue, spending and receivables, and achieved a strong 8.4 per cent growth in fee income.

Trading income improved by HK$468 million, or 32.2 per cent, to HK$1,923 million. Foreign exchange income registered significant growth of HK$408 million, or 29.5 per cent, attributable partly to increased net interest income from funding swaps and the continued strong customer demand for foreign exchange-linked structured products. The rise was also driven by reduced losses on the revaluation of certain US dollar capital funds – maintained in the bank's mainland subsidiary bank and subject to regulatory controls – against the renminbi.

Income from insurance business (included within 'net interest income', 'net fee income', 'net income from financial instruments designated at fair value', 'net earned insurance premiums', 'movement in present value of in-force insurance business' within 'other operating income', and after deducting 'net insurance claims incurred and movement in policyholders' liabilities') grew by HK$710 million, or 41.8 per cent, to HK$2,407 million. To cater for the increase in customer concerns about health issues, more emphasis was placed on products offering greater protection and medical coverage. Net interest income and fee income from life insurance business grew by 43.7 per cent, attributable mainly to the increase in the size and asset reallocation of the life insurance funds investment portfolio. The investment return on the life insurance funds investment portfolio also improved significantly from a loss of HK$1,065 million in 2008 to a gain of HK$17 million in 2009.

Net operating income before loan impairment charges and other credit risk provisions decreased by HK$2,484 million, or 10.7 per cent, to HK$20,812 million.

Operating expenses dropped by HK$119 million, or 1.8 per cent, to HK$6,676 million, with costs at the bank's Hong Kong operations and mainland operations falling by 2.0 per cent and 0.3 per cent respectively. The total drop was largely attributable to decreased headcount through natural attrition, reduced performance-related expenses and good cost containment in areas such as marketing expenditure.

Loan impairment charges and other credit risk provisions improved significantly, falling by HK$1,964 million, or 70.7 per cent, to HK$812 million. Individually assessed impairment charges dropped by HK$615 million, or 66.5 per cent, primarily due to lower new and additional impairment charges and a higher net release on the accounts of certain corporate and commercial banking customers. Collectively assessed allowances rose slightly by HK$26 million owing to higher charges on the credit card and personal loans portfolios. There were no impairment losses or provisions against available-for-sale debt securities in 2009, compared with an impairment charge of HK$1,375 million in 2008 when the bank wrote down the carrying value of certain available-for-sale debt securities following the outbreak of the global financial crisis. Compared with the first half of 2009, loan impairment charges and other credit risk provisions fell significantly by HK$430 million, or 69.2 per cent, in the second half as a result of improved economic conditions and the bank's good credit risk management.

Operating profit was down HK$401 million, or 2.9 per cent, at HK$13,324 million.

Profit before tax dropped by 2.5 per cent to HK$15,477 million after taking the following items into account:

- HK$140 million increase in net surplus on property revaluation;
- HK$81 million fall in gains less losses from financial investments and fixed assets; and
- HK$59 million drop in share of profits from associates, mainly from Industrial Bank.

Consolidated financial position and key ratios

Total assets increased by HK$63.8 billion, or 8.4 per cent, to HK$826.0 billion. In light of the weak global economy and the fact that financial markets were still recovering from the credit crisis, Treasury continued to take a highly prudent approach in managing its balance sheet management investments. Surplus funds arising from trading assets that matured in 2009 were redeployed to interbank placements and appropriate available-for-sale debt securities to attain yield enhancement. As a result, financial investments – primarily high-quality debt securities which included government-guaranteed debt securities – rose by 33.3 per cent. Customer advances recorded encouraging growth of 4.7 per cent. Despite intense market competition, the group was able to sustain a leading position and maintained its growth momentum in residential mortgage lending and other personal lending. Mainland lending grew moderately with Hang Seng China continuing to emphasise lending quality over business expansion. Customer deposits and certificates of deposit and other debt securities in issue rose by HK$59.2 billion, or 9.8 per cent, to HK$663.7 billion, reflecting customers' lukewarm attitude towards investment and preference for liquidity in the uncertain market conditions. At 31 December 2009, the advances-to-deposits ratio was 51.9 per cent, compared with 54.4 per cent at the end of 2008.

At 31 December 2009, shareholders' funds (excluding proposed dividends) were HK$54,591 million, an increase of HK$8,701 million, or 19.0 per cent. Retained profits rose by HK$5,201 million, mainly reflecting the growth in 2009 profit after the appropriation of interim dividends and the increase in actuarial gains under the defined benefit scheme. The available-for-sale investments reserve showed a deficit of HK$257 million compared with a deficit of HK$3,823 million in 2008, due mainly to the narrowing of credit spreads as a result of the stabilisation in credit markets.

The return on average total assets was 1.7 per cent (1.9 per cent for 2008). The return on average shareholders' funds was 24.6 per cent (26.0 per cent for 2008).

At 31 December 2009, the capital adequacy ratio was 15.8 per cent, up from 12.5 per cent at the end of 2008. The core capital ratio was 12.8 per cent, up from 9.5 per cent. The ratios were calculated in accordance with the internal ratings-based approach under the Banking (Capital) Rules issued by the Hong Kong Monetary Authority for the implementation of Basel II. Effective 1 January 2009, the bank migrated to the 'advanced internal ratings-based approach' under the Basel II framework to calculate its capital ratios. The capital adequacy ratio and core capital ratio at 31 December 2008 were calculated using the 'foundation internal ratings-based approach'. The strengthening of these ratios largely reflects profit growth after accounting for dividends in the year, the improvement in the available-for-sale debt securities reserve due to the narrowing of credit spreads and the change in calculation methodology.

The bank maintained a strong liquidity position. The average liquidity ratio for 2009 was 48.1 per cent (calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance), compared with 46.4 per cent for 2008.

The cost efficiency ratio for 2009 was 32.1 per cent, compared with 29.2 per cent in 2008.

Dividends

The Directors have declared a fourth interim dividend of HK$1.90 per share, which will be payable on 31 March 2010 to shareholders on the register of shareholders as of 16 March 2010. Together with the interim dividends for the first three quarters, the total distribution for 2009 will be HK$5.20 per share.

Customer group performance

Figures in HK$m	Personal Financial Services	Commercial Banking	Corporate Banking	Treasury	Other	Total reportable segments	Inter-segment elimination	Total
Year ended 31 December 2009								
Net interest income	8,195	2,011	1,158	2,162	497	14,023	—	14,023
Net fee income/(expense)	3,000	1,114	145	(35)	97	4,321	—	4,321
Trading income/(loss)	662	245	8	1,054	(46)	1,923	—	1,923
Net (loss)/income from financial instruments designated at fair value	(54)	—	—	5	(26)	(75)	—	(75)
Dividend income	2	6	—	—	8	16	—	16
Net earned insurance premiums	11,293	225	1	—	—	11,519	–	11,519
Other operating income	898	29	1	—	632	1,560	(471)	1,089
Total operating income	23,996	3,630	1,313	3,186	1,162	33,287	(471)	32,816
Net insurance claims incurred and movement in policyholders' liabilities	(11,868)	(134)	(2)	—	—	(12,004)	—	(12,004)
Net operating income before loan impairment charges and other credit risk provisions	12,128	3,496	1,311	3,186	1,162	21,283	(471)	20,812
Loan impairment charges and other credit risk provisions	(454)	(278)						