HSBC HOLDINGS PLC
Form 6-K
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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-..............).

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1 March 2010

HSBC HOLDINGS PLC
2009 FINAL RESULTS – HIGHLIGHTS

Underlying performance significantly ahead

- Underlying pre-tax profit up US$4.7 billion or 56 per cent to US$13.3 billion, after excluding the goodwill impairment in North America in 2008.
- On a reported basis, pre-tax profit down 24 per cent to US$7.1 billion.
- Reported profit attributable to shareholders up 2 per cent to US$5.8 billion.
  - Positive jaws, with revenues up 8 per cent, costs down 4 per cent, and cost efficiency ratio 47.5 per cent on an underlying basis, after excluding the goodwill impairment in North America in 2008.
- Dividends in respect of 2009 totalled US$5.9 billion, or US$0.34 per ordinary share, with a fourth interim dividend for 2009 declared of US$0.10 per ordinary share.
- One of leading dividend payers in financial services. HSBC has declared dividends in respect of last three years totalling more than US$24 billion.
- Earnings per share down 17 per cent to US$0.34 (2008: US$0.41).

Capital advantage and strong liquidity position maintained

- Generated capital in every quarter. US$10.2 billion added to capital base through underlying profit generation.
- Successful rights issue. US$17.8 billion added to shareholders' equity.
- Enhanced capital position. Tier 1 ratio improved to 10.8 per cent, ahead of target range.
- Distinctive liquidity position maintained. Held over US$1 trillion in deposits and ratio of customer advances-to-deposits was 77.3 per cent at 31 December 2009.

Diversified business model delivering profits through the cycle

- Profitable in all regions excluding North America, but performance constrained by lower demand and deposit spread compression.
  - Loan impairment charges improved in US. In run-off consumer finance business, loan impairment charges fell by US$1.6 billion, offset by a rise in other regions.

- Achieved very strong results in Global Banking and Markets.

- Commercial Banking delivered profits in every region despite economic challenges.

- Built on position as leading international bank in mainland China. Market value of strategic investments increased to US$25.4 billion and expanded our own network to 98 outlets.

- Supported our customers through downturn. In the UK we made available £15 billion of new mortgage lending.

Well positioned for economic recovery

- Two-speed economy. Expect emerging markets to grow three times faster than developed ones in 2010.

- CEO's principal office relocated to Hong Kong, at heart of our most strategically important region.

- Regulatory environment remains uncertain, but HSBC's strong capital and liquidity position and transparent structure position us strongly.

- World's most valuable banking brand and *Euromoney*'s 'Best Global Bank '.

HSBC HOLDINGS REPORTS PRE-TAX PROFIT OF US$7,079 MILLION

HSBC made a profit before tax of US$7,079 million, a decrease of US$2,228 million, or 23.9 per cent, compared with 2008.

Net interest income of US$40,730 million was US$1,833 million, or 4.3 per cent, lower than 2008.

Net operating income before loan impairment charges and other credit risk provisions of US$66,181 million was US$15,501 million, or 19.0 per cent, lower than 2008.

Total operating expenses of US$34,395 million declined by US$4,140 million, or 10.7 per cent, compared with 2008 and excluding goodwill impairment. On an underlying basis[W] and excluding goodwill impairment, operating expenses were down 4 per cent compared with 2008.

HSBC's cost efficiency ratio was 52.0 per cent compared with 47.2 per cent* in 2008.

Loan impairment charges and other credit risk provisions were US$26,488 million in 2009, US$1,551 million higher than 2008.

The core tier 1 ratio and tier 1 ratio for the Group remained strong at 9.4 per cent and 10.8 per cent, respectively, at 31 December 2009.

The Group's total assets at 31 December 2009 were US$2,364 billion, a decrease of US$163 billion, or 6.5 per cent, since 31 December 2008.

* *Excluding goodwill impairment. The 2008 cost efficiency ratio including goodwill impairment was 60.1 per cent.*

W *When reference to 'underlying' or 'underlying basis' is made in tables or commentaries, comparative information has been expressed at constant currency, eliminating the impact of fair value movements in respect of credit spread changes on HSBC's own debt and adjusting for the effects of acquisitions and disposals. A reconciliation of reported and underlying profit before tax is presented in Additional Information.*

Geographical distribution of results

	Year ended 31 December			
	2009		2008	
	US$m	**%**	US$m	%
Europe	**4,009**	**56.7**	10,869	116.7
Hong Kong	**5,029**	**71.0**	5,461	58.7
Rest of Asia-Pacific	**4,200**	**59.3**	4,722	50.7
Middle East	**455**	**6.4**	1,746	18.8
North America	**(7,738)**	**(109.3)**	(15,528)	(166.8)
Latin America	**1,124**	**15.9**	2,037	21.9
Profit before tax	**7,079**	**100.0**	9,307	100.0
Tax expense	**(385)**		(2,809)	
Profit for the year	**6,694**		6,498	
Profit attributable to shareholders of the parent company	**5,834**		5,728	
Profit attributable to minority interests	**860**		770	

Distribution of results by customer group and global business

	Year ended 31 December			
	2009		2008	
	US$m	**%**	US$m	%
Personal Financial Services	**(2,065)**	**(29.2)**	**(10,974)**	**(117.9)**
Commercial Banking	**4,275**	**60.4**	**7,194**	**77.3**
Global Banking and Markets	**10,481**	**148.1**	**3,483**	**37.4**
Private Banking	**1,108**	**15.6**	**1,447**	**15.6**
Other	**(6,720)**	**(94.9)**	**8,157**	**87.6**
Profit before tax	**7,079**	**100.0**	**9,307**	**100.0**

Statement by Stephen Green, Group Chairman

2009: a year of transition

In a number of important respects, 2009 was a year of transition.

It began with further turbulence in global financial markets but, during the year, the markets pulled back from uncertainty and progressively stabilised as a consequence of the continued, extraordinary and timely actions by governments and central banks.

2009 also saw the deepest contraction in the real economy in any year since the second world war. However, it was apparent by year end that the worst was over – even if confidence remained fragile and recovery would be uneven.

The global macro-economic transition from West to East gathered pace during 2009. At HSBC we have long been convinced that the world's economic centre of gravity is shifting, and the financial crisis has only accelerated this trend.

Nevertheless, huge challenges and risks remain for all of us.

While emerging markets are leading global recovery and seem certain to drive the majority of the world's growth in the generation ahead, recovery in developed markets has been slow to start, and unemployment remains high.

Furthermore, the global rebalancing of demand has barely begun. The financial crisis brought into stark relief the extent of the imbalances, especially between over-consuming Western economies and high-saving emerging markets. Rebalancing requires structural change and international co-operation, and it will take time.

There are also important lessons to learn as we seek to reform the financial system. Few of these lessons are quick or simple, but the need for urgent change is clearer than ever.

Supporting customers and delivering results throughout the cycle

Throughout the crisis, HSBC has remained profitable, financially strong and independently owned by our shareholders.

It is testimony to the quality and strength of HSBC's management team that, in 2009, our underlying performance was significantly ahead of 2008. On an underlying basis, and excluding the impact of the goodwill impairment recorded in 2008, pre-tax profit was US$13.3 billion, 56 per cent higher. On a reported basis, profit before tax was US$7.1 billion, down 24 per cent, in part due to the reversal of fair value accounting gains on our own debt.

That HSBC has reported a pre-tax profit in all three years since the onset of the crisis should be a source of great confidence to our shareholders, our depositors and all of our customers. Our track record of delivering results through adversity, and at all stages of the economic cycle, remains intact.

We continued to enhance our financial strength during 2009. We strengthened our capital base by US$10.2 billion through underlying profit generation. This comfortably covers our dividends declared, which total US$5.9 billion in respect of 2009. The directors have announced a fourth interim dividend of 10 cents per ordinary share, payable on 5 May 2010, and we remain one of the leading payers of dividends in financial services, declaring dividends in respect of the last three years of over US$24 billion in total.

The successful completion of our rights issue in April added US$17.8 billion to shareholders' equity and helped to set the tenor for market recovery. Its success demonstrated the strong confidence which you, our shareholders, have in our future and we are profoundly thankful for your support.

We indicated at the time of the rights issue our expectation that, if successful, it would increase our tier 1 ratio by around 150 basis points. I am pleased to report that our tier 1 ratio increased by some 250 basis points to 10.8 per cent at 31 December 2009, largely as a result of the rights issue and internal capital generation. The core tier 1 ratio was 9.4 per cent at the same date, increasing by some 240 basis points.

Throughout the crisis, our strategy has remained clear: to build on our position as the leading international and emerging markets bank. We have also never forgotten that it is our responsibility to make a real contribution to economic and social development, and that our ability to do so is fundamental to our success in delivering sustainable value to our shareholders.

Meeting our commitments to the communities we serve around the world is not some optional extra or by-product of our business – it is part of our *raison d' être*. In Argentina, which was in the midst of the peso crisis ten years ago, we did not abandon our customers and have remained committed to the market ever since. In 2009, our operations there reported their best-ever underlying performance and resumed paying cash dividends to the Group in January 2010. In mainland China, we are proud of our position as the leading international bank, and we continued to build our strong rural presence during the year. In Indonesia, we nearly doubled our network to support the growing financial needs of personal and business banking customers, and we launched our SME fund in the United Arab Emirates in January 2010. These are just a few examples which illustrate our commitment to helping people prepare for the future, building prosperity and security for their families and communities.

Robust corporate governance and unrivalled management experience

In 2009 we announced that, as Group Chief Executive, Michael Geoghegan would take responsibility for developing strategy as part of his overall responsibilities for the performance of the Group's business. We relocated the principal office of the Group Chief Executive to Hong Kong and, on 1 February 2010, he succeeded Vincent Cheng as Chairman of The Hongkong and Shanghai Banking Corporation Limited. This underscores our commitment to our emerging markets businesses and reflects the historic shift now taking place in the global economy.

HSBC's corporate headquarters remain in the UK, where we continue to benefit from being at the heart of one of the world's pre-eminent financial centres. From this base, as Chairman, I spend an increasing amount of my time engaging with policymakers and regulators throughout the world on behalf of the Group, on the growing number of policy issues which are crucial for the banking industry in general and for HSBC in particular.

At HSBC, we have an extremely strong, diverse and engaged Board and the international experience and expertise of our management team is something which sets us apart. We are committed to delivering effective supervision and to compliance with the principles set out in the Walker Review in the UK. During 2009, we also took further steps to strengthen our top management team. Sandy Flockhart was appointed Chairman, Personal and Commercial Banking, with responsibility for Personal Financial Services, Commercial Banking and Insurance, HSBC's Latin American and African businesses, and most Group functions. Stuart Gulliver was appointed Chairman, Europe, Middle East and Global Businesses and assumed responsibility for Private Banking, adding to his responsibilities for Global Banking and Markets. Douglas Flint assumed additional responsibilities for Regulation and Compliance in an expanded role as Chief Financial Officer, Executive Director Risk and Regulation. Peter Wong was appointed Chief Executive of The Hongkong and Shanghai Banking Corporation Limited, succeeding Sandy Flockhart.

I would like to thank Vincent Cheng for his tremendous contribution over the past five years as Chairman of The Hongkong and Shanghai Banking Corporation Limited, and look forward to continuing to work with him as a main Board member and Chairman of HSBC Bank (China) Company Limited.

I would also like to say thank you on behalf of the Board to three of our directors, José Luis Durán, William Fung and Sir Mark Moody-Stuart, who will retire by rotation at the 2010 Annual General Meeting and will not seek re-election. It has been a privilege to work with each of them and all of us on the Board are extremely grateful for their counsel and support.

Learning the lessons from the crisis

In 2009, the G20 set out its clear belief that sustainable globalisation and rising prosperity will require an open world economy based on market principles, effective regulation, and strong global institutions. At HSBC, we agree that these principles are critical for the common good. It is vital that the industry should engage constructively in the debate about how this should work in practice and HSBC is participating fully in these discussions. In our view, the overall objective must be to deliver three effective market mechanisms.

Competitive product provision is fundamental to economic and social development. In the recent past, attempts to drive ever greater profits from the same source resulted in distorted products, lack of transparency and over-complexity. The industry needs to learn the lessons from this and deliver a market which provides financial services that are competitive, transparent and responsive to genuine customer needs.

The market for capital has also suffered from clear distortions in recent years. There has been too great an emphasis on short-term gains, often accompanied by shareholder pressure to increase leverage in order to boost returns, and a dangerous underpricing of risk. This resulted in unsustainable returns, which in some cases proved to be illusory. Banks must be appropriately capitalised, sufficiently liquid and not overstretched, and getting this right will be crucial in delivering the sustainable financial system we need for the future.

Partly because of these problems in other areas of the marketplace, the third area requiring urgent reform is the market for talent. There is understandable public anger in some countries as a result of the practices at certain banks and, in particular, because of the egregious reward of management failure. We have witnessed unacceptable distortions – from rewards linked to unsustainable or

illusory day-one revenues which encouraged excessive risk-taking; to multi-year guaranteed bonuses with no performance criteria. Over the last three years I have spoken publicly about my concerns regarding remuneration and I will set out our principles at HSBC.

Rewarding sustainable performance

First, for any bank to be sustainable it must strike the right balance in serving the long-term interests of its stakeholders. It must deliver sustainable returns to shareholders on their investment; it must maintain the capital strength needed to support the customers and economies it serves; and it must reward its employees appropriately. My own experience is that colleagues want to know that their job makes a difference and contributes to social and economic development; reward is simply not the only motivating factor. Nonetheless it is important, and companies have a clear responsibility to treat their employees appropriately.

It therefore follows that remuneration must be firmly tied to sustainable performance and must not reward failure. It should be properly aligned with risk which remains on the balance sheet, and subject to deferral and to clawback in case performance later proves to be unsatisfactory.

Second, in order to maintain long-term competitive advantage, remuneration must be market-based. Underpaying ultimately results in a company losing some of its best people. HSBC is domiciled in the UK but we have around 300,000 employees in 88 countries and territories. We have to think internationally, and remuneration policy is no exception. Similarly, if pre-eminent financial centres like London are to remain home to firms like HSBC, those of us who care for its future must reflect the reality of the global marketplace in our thinking and approach.

Third, an independent Remuneration Committee should conduct rigorous international benchmarking on compensation and consult appropriately on its conclusions. These are the principles we have followed in determining HSBC's rewards this year.

Our executive Directors have a combined 178 years of service – a track record almost without parallel in the industry. I believe there is no better management team in banking and it is no coincidence that HSBC has remained profitable throughout the financial crisis and paid dividends when few other banks did. Indeed, for 2009, our total dividends to shareholders once again comfortably exceed total bonus awards. We have not needed taxpayers' money; on the contrary, HSBC has contributed nearly £5 billion in tax to the UK economy over the past five years.

At HSBC, we firmly believe that bonuses are a legitimate and proper element of reward providing, of course, awards fully satisfy the principles set out above. The G20 has set out clear guidance which HSBC wholly supports, and we comply with the Financial Services Authority's remuneration code of practice. Indeed, our decision to defer 100 per cent of executive Director bonuses in respect of 2009 over three years exceeds these guidelines.

Proper pay for proper performance includes ensuring market-based pay for employees over time. The Board expects fixed pay in banking to increase as a proportion of total compensation, especially for important risk and supervisory functions. This is a process we intend to see through at HSBC, and our management team is no exception.

The Board fully appreciates that, in these extraordinary times, remuneration is enormously sensitive – and particularly so when the absolute numbers involved are large by any standards, even if they are not in comparison with some other companies of HSBC's standing. Our practice is clear and

transparent and this year's executive awards are set out in the Directors' Remuneration Report published today. We absolutely believe that the decisions we have taken on this year's remuneration awards are right – for all of our stakeholders.

Building a sustainable financial system for the future

As policymakers and industry participants take the necessary steps to improve the way our markets work, there are also some important over-arching challenges which we must address.

It is imperative to strike the right balance between strengthening the financial system and supporting economic growth. 'De-risking' the banking system, if taken too far, will throttle recovery and drive risk into other, unregulated parts of the capital markets. It is in the collective public interest to get this balance right. We must not rush to implement hastily conceived responses and policy must be co-ordinated internationally if we are to manage risk better in a truly global industry.

Policymakers also need to evolve new macroeconomic tools which will assist them to manage the supply of credit, as well as the cost of credit, in the economy. I believe a key element of this involves managing bank capital on a countercyclical basis which strikes the right balance between financial system stability and the prospects for economic growth. We cannot deliver a sustainable financial system without improving the wider framework for macroeconomic management too.

Finally, in the context of a wide-ranging discussion on the appropriate size and shape of banks, we must recognise that corporate structure and liquidity management are at least as important as size *per se*. This debate has sometimes been given the unhelpful shorthand 'too big to fail', but the reality is more complex than the headlines suggest. We believe that the financial system

needs banks which are 'big enough to cope' by having a diversified business portfolio, helping to reduce risk and to generate consistent returns. There has likewise not been enough consideration given to the need for banks to be 'broad enough to serve' those global customers who have increasingly diverse financial needs. In short, it is undesirable and impractical to prescribe some ideal model for a bank. The crisis clearly demonstrated that systemic importance is not a function of size or business focus.

HSBC has always believed in having a transparent structure based on separately capitalised subsidiaries, takes a conservative approach to liquidity management, and has built a business with the scale to provide broad, diversified services to its global customers. While the detail and timing of regulatory change remain uncertain, we are confident that our focus on these fundamentals positions us strongly and competitively to respond to the challenges ahead.

Review by Michael Geoghegan, Group Chief Executive

Diversified business delivering for customers and shareholders

In last year's business review I said that 2009 would be another challenging year for both the economy and the financial sector. It was.

Lower trade volumes, shrinking investment and rising unemployment combined to hurt personal and commercial banking customers everywhere. No region and no industry was untouched. Although improved financial and capital market conditions led to stronger results in wholesale markets, the impact of global recession on the banking industry was broad and deep. Risk appetite remained subdued, deleveraging continued and demand for credit was constrained. Meanwhile, the effect of the low interest rate environment on income was hard for depositors and deposit-takers alike.

In this tough climate, it was our priority to work closely with our customers and to support them through the downturn. Thanks to our strong liquidity and capital position, we continued to make credit available to individuals and to companies. We worked with our wholesale and commercial customers to protect their businesses from foreign exchange and interest rate volatility, and to assist them in raising and refinancing their debt. We continued to meet the financial needs of businesses which depend on international trade, and to support smaller and medium size companies – the lifeblood of so many economies. We also further built our financial strength, ensuring we would continue to provide a safe home for customer deposits.

Despite the many challenges for our customers and our industry, HSBC's underlying performance improved significantly in 2009. Underlying pre-tax profit[W] was US$13.3 billion, some US$4.7 billion ahead of the previous year after excluding the goodwill impairment in North America Personal Financial Services in 2008. This improvement was largely driven by stronger results across our Global Banking and Markets businesses, where we saw exceptional revenues, considerably stronger Balance Sheet Management performance, and a significant decline in write-downs compared with 2008. It also reflected a significant fall in loan impairment charges in our US consumer finance portfolios, offset by higher loan impairment charges elsewhere.

On a reported basis, pre-tax profit was US$7.1 billion, down 24 per cent on the previous year. This reflected the reversal of fair value accounting gains on our own debt, the impact of the gain on the sale of the French regional banks in 2008 and foreign exchange movements, offset by the impact of the goodwill impairment.

These results were ahead of our expectations at the outset of the year, and they underscore the resilience of HSBC throughout the most difficult stages of the economic cycle. In particular, our improved underlying performance highlights the strength of our diversified business model. In 2009, the exceptionally strong results in Global Banking and Markets balanced the headwinds from severe deposit spread compression and lower demand elsewhere in the business. Commercial

[W] *All commentary is on an underlying basis unless otherwise stated.*

Banking remained profitable in all regions and in Personal Financial Services, loan impairment charges improved in the US consumer finance run-off business. Private Banking remained solidly profitable and insurance sales in Asia and Latin America were strongly ahead. Our diversification is also reflected in our global reach and ability to serve customers with international financial needs.

In 2009, while developed economies continued to bear the brunt of the downturn, we reinforced our focus on emerging markets, where we have unrivalled capability to support economic progress.

During 2009 HSBC stuck to its fundamentals and, thanks to this clear focus and our balanced business model, we ended the year as we began: one of the world's strongest and most profitable independent banks.

Performance overview

Public scrutiny of banks understandably intensified during 2009 and the industry's reputation remained under severe challenge. In such a year, we never took for granted the continued support of our customers, and we are grateful for it.

Deposits remained high at US$1,159 billion, despite lower activity and the impact of low interest rates on balances, especially in developed markets. This was in line with the previous year-end, when we benefited from a strong inflow of deposits during the market turmoil. Lending balances also held up well given muted demand in the tougher economic conditions. Commercial Banking customer numbers increased by 10 per cent to 3.2 million. In Personal Financial Services, HSBC continued to win HSBC Premier customers, with numbers increasing to 3.4 million. In February 2010 we launched HSBC Advance which adds to our Premier proposition. Focusing on the needs of upwardly mobile customers, we will launch the product in over 30 markets this year.

At HSBC we have always understood the importance of maintaining our signature financial strength, and I will describe how we put this into practice in 2009. We continued to generate capital in all four quarters of the year. The proceeds from the rights issue further reinforced this position and we will use that capital wisely on behalf of our shareholders. As a result, our tier 1 ratio increased by some 250 basis points, putting us ahead of our target range. This capital position, combined with HSBC's prudent advances-to-deposits ratio of 77.3 per cent, gives us a financial strength which I believe sets us apart in our industry.

In 2009 HSBC also proved its ability to pay dividends to shareholders in the toughest of times. Shareholder return on equity once again fell short of our target range, at 9.2 per cent excluding the effect of fair value movements on our own debt. However at this point in the economic cycle we believe it is an acceptable result. In light of current market conditions and proposed changes to capital requirements currently under consideration, HSBC believes return on average total shareholders' equity over the medium term is more likely to be around the low end of the target range. Once regulatory proposals are in definitive form, we intend to publish a revised target.

In this uncertain climate, we make no apology for having continued to position the balance sheet conservatively. Throughout the crisis, HSBC's banking philosophy has remained unchanged: we take deposits first, then we lend. The past three years have only reinforced our commitment to this approach. In this exceptionally low interest rate environment, it will be painful in the short term.

But I am confident that the liquidity this gives us will prove to be one of our strongest advantages during the next stage of the economic cycle, as new opportunities to grow revenues emerge and a more normal interest rate environment returns.

When I became Group Chief Executive in 2006, I believed that HSBC should be able to write greater revenues from a lower cost base. Despite the obvious challenges that 2009 presented for growth, we increased revenues by 8 per cent during the year, to US$72.4 billion and drove costs down by 4 per cent to US$34.4 billion, excluding the impact of the goodwill impairment in 2008.

On the same basis, our cost efficiency ratio, for which we have set a target range of 48 to 52 per cent, was on course at 47.5 per cent.

Our One HSBC programme is an important initiative in driving our progress on cost efficiency forward. We established this programme in 2007 to join up our products, processes and technologies, improving and simplifying the way we work. In 2009, as we moved to the next phase of the programme, we established regional centres of excellence which will allow us to transform and standardise our business models. By consistently managing products and services at equally high standards across all businesses and regions, our goal is to deliver enhanced and seamless service to our customers, at lower cost.

Credit quality: some early signs of improvement

Loan impairment charges and other credit risk provisions for the Group rose by 9 per cent to US$26.5 billion, and we believe this was acceptable given the severity of the global recession and the rise in unemployment in most developed markets. Loan impairments fell by 16 per cent in our US consumer finance run-off business compared with 2008. We also continued to benefit from actions taken in previous years to restrict growth in unsecured lending in certain markets, to tighten our underwriting criteria, and to reduce our exposure to higher-risk areas.

In our commercial businesses, we lowered our appetite for certain high-risk sectors, and we maintained only a selective appetite for leveraged and acquisition financing. In Global Banking and Markets, where loan impairment charges were significantly higher than in 2008, the increase was concentrated in a small number of individual accounts with losses driven by exposure to real estate, investment companies and the financial sector. In Commercial Banking, loan impairment charges were concentrated in manufacturing, general trading and real estate.

Within our personal portfolios, we continued to focus on our collection processes. We withdrew higher-risk products in those markets which have been most affected by recession. We also continued to reposition towards Premier business in key markets. Loan impairment charges stabilised in many of the worst affected markets in the second half, including Mexico, Brazil and the UK. In India, delinquencies began to moderate in the fourth quarter.

It is likely that improvement in employment levels will continue to lag GDP growth throughout 2010 and possibly into 2011. However, at this stage in the cycle of recovery, we are encouraged by the signals we are seeing. If economic and unemployment trends develop in line with our expectations, and in the absence of unforeseen events, loan impairment charges should decline in 2010.

Positioning the business for the future

In 2007 we articulated a Group strategy built upon three important long-term global forecasts. These were: emerging markets will grow faster than developed ones, global trade will grow faster than GDP, and populations are ageing. Earlier this year the Board reviewed the strategy, to ensure it continues to reflect and anticipate the changing world in which we operate. It was clear to us that each of these three fundamentals remains unchanged.

Over the next ten years, emerging markets will account for the majority of global growth. As a result, we will invest primarily in these faster-growing markets. We also believe that global trade will rebound faster than GDP. In Commercial Banking, developing our capabilities in trade, payments and international connectivity will therefore continue to be a key part of our strategy for both emerging and developed markets. Finally, ageing populations are now a feature of many of our markets, including a number of key emerging countries, leading to greater demand for wealth management products. As a result, our strategy in Personal Financial Services will be wealth-focused and we will continue to deepen our relationships by delivering the products and services our customers need over their lifetime.

As patterns of trade and wealth evolve, we will focus uncompromisingly on those markets, products and areas of business where HSBC has competitive strengths, based on our global reach, our scale and our expertise. As the world changes, it also makes sense to position ourselves at the heart of the world’s economic activity. Last month HSBC moved the principal office of the Group Chief Executive to Hong Kong, the gateway to greater China, and at the centre of Asian trade and growth. This move reflects our deep roots in the region, and also the changing shape of our business. It is a strategic decision for the Group, but also a symbolic one which signals the strength of our commitment to grow HSBC in all of the world’s faster-growing markets.

Global businesses

Global Banking and Markets: sustainable business model and exceptional profits

Global Banking and Markets delivered very strong pre-tax profits of US$10.5 billion, compared with US$3.0 billion in 2008. These results are clear evidence of the success of our distinctive emerging markets-led, financing-focused strategy. Write-downs declined by US$5.1 billion compared with the previous year, and we saw more favourable market conditions, in which greater levels of volatility supported higher trading margins and capital market activity increased significantly from extremely depressed conditions. At the same time, the low interest rate environment constrained revenues in Global Transaction Banking and, as a result of wider economic conditions, loan impairment charges more than doubled to US$1.7 billion.

Profitability was broadly distributed by geography and faster-growing markets accounted for over 50 per cent of the total. Revenues were also distributed across a wide range of customer-facing businesses. In 2009 we saw robust revenues in Rates and Credit. We continued to build our financing capabilities, where we made strong market share gains in debt capital markets. HSBC led or co-led debt issuance in 12 of the 16 euro zone states where governments issued debt during the year. We strengthened those relationships which offer the greatest opportunity to develop broad-based revenues, and we exited various transaction-based relationships.

Even as some industry players were forced to curtail their business, HSBC increased market share in our core businesses. HSBC ranked first in the Bloomberg Euromarket bond league table combining all issuance in the euro zone. For the first time, *Euromoney* named HSBC 'Best Global Debt House' and we won all three emerging markets categories in the *FX Week* Best Banks Awards.

In Balance Sheet Management, we seek to manage the Group's interest rate exposure and, when possible, enhance returns on the investment of our commercial surplus. Revenues were significantly higher at US$5.4 billion as a result of earlier successful positioning for lower interest rates. While we expect these revenues to reduce in 2010 as certain high yield positions mature, the current interest rate environment also offers opportunities to mitigate this.

We are confident that our diversified and customer-focused business model, combined with our scale and international presence, positions Global Banking and Markets to maintain revenues and to consolidate market share.

In our available-for-sale portfolios, greater liquidity led to rising prices and our asset-backed securities portfolios continued to perform in line with our expectations. On a reported basis, we recognised impairments of US$1.4 billion and expected losses of US$378 million in 2009, which is in line with guidance previously given. The carrying value of the portfolio reduced by 9 per cent to US$45.9 billion during the year as a result of repayment and amortisation and the available-for-sale reserve deficit further reduced by US$6.5 billion to US$12.2 billion as liquidity improved and prices rose.

Private Banking: focused on emerging market growth

Faced with a period of considerable uncertainty, private banking clients reduced their risk appetite for investments and demand for credit, leading to lower client revenues. Private Banking delivered pre-tax profits of US$1.1 billion, a decline of 21 per cent on 2008.

We have continued to build our presence and scale in all major emerging regions, in line with shifting patterns of wealth and opportunities for future growth. Driven by the tougher environment in developed markets, net new money fell overall. However, we were encouraged by net inflows of US$6.6 billion from emerging markets and intra-Group referrals.

Reported total client assets increased by 6 per cent to US$460 billion, despite the wider economic trends and our decision not to chase deposits in highly competitive conditions. We completed the merger of HSBC's two Swiss private banks, and we successfully launched a number of niche and alternative market products during the year.

Emerging markets

Building the business in Asia – the world's fastest-growing region

Our operations in the Asia-Pacific region achieved pre-tax profits of US$9.2 billion for the year, of which Hong Kong accounted for 55 per cent and the rest of Asia Pacific accounted for 45 per cent. While this was down 8 per cent overall, it was a strong performance in light of the more challenging economic and interest rate environment, and the region remained the largest contributor to Group profitability.

Many Asian economies were hit hard by falling trade and investment flows in the first part of the year, but economic activity and demand for credit and wealth management improved in the second half. The Chinese economy continued to grow rapidly, stimulus proved effective and employment levels remained healthy. As a result, exports and domestic demand both saw a rebound and trade flows strengthened within and beyond the region.

We continued to execute on our ambitions for growth, both through organic expansion and by building our strategic partnerships. We grew our deposit base by 8 per cent. Lending activity picked up in the second half of the year, and we supported small and medium size businesses by launching our SME fund in Malaysia and increasing our lending commitments in Hong Kong. In insurance, sales and profitability increased significantly across the region.

In Hong Kong we further built on our position as the number one bank. We grew deposits and we were the market leader in cards and in residential mortgage lending, where the strength of our book was underpinned by conservative average loan-to-value ratios of 38 per cent. We also consolidated our position as the largest bancassurer. Loan impairment charges were 35 per cent lower than in 2008, highlighting the quality and resilience of our portfolios.

In mainland China, where HSBC is the leading international bank, we further expanded our network and we soon expect to open our 100th HSBC-branded outlet. Developing our relationships with strategic partners also remains a principal pillar of our ambition for growth. In 2009, the value of our strategic investments, measured by market capitalisation, increased by US$11.3 billion to US$25.4 billion on a reported basis. We launched a new jointly held insurance entity and we announced our intention to establish a joint cards venture with Bank of Communications, to which we will transfer over 11 million cards already in force. We also supported the strategic development of the renminbi as an international trading currency. We were the first international bank to settle cross-border trade in the currency and we launched trade settlement services in seven ASEAN countries.

We continued to integrate and expand our operations in the rest of the region, in line with our positive outlook for the economy. In Vietnam, which is forecast to be one of the fastest-growing ASEAN economies, HSBC was the first foreign bank to incorporate locally, and earlier this year we increased our stake in the country's largest domestic insurer. We successfully completed our acquisition of Bank Ekonomi in Indonesia, nearly doubling our presence in the world's fifth most populous nation, where we now have over 200 outlets. In personal banking, we focused on opportunities in our Premier business, where we saw strong growth in Singapore and Malaysia. In line with this strategy, we exited consumer finance in India and Indonesia.

A difficult year for the Middle East economy

2009 was an extremely challenging year for the Middle East, where HSBC is the leading international bank. The region was significantly affected by falling capital inflows, a sharp decline in oil revenues, lower property prices and concerns over levels of debt in Dubai. Despite a recovery in oil prices in the second half of the year, credit conditions remained difficult.

As a result of these tough conditions, HSBC achieved pre-tax profits of US$0.5 billion, 74 per cent lower than 2008. Deposits and lending portfolios reduced overall. Loan impairment charges rose to unsatisfactory levels, and we took appropriate action to minimise this and to manage risk. Our exposure to the region, and within the region, remains acceptably spread.

HSBC has been doing business in the Middle East for over a century. We remain confident that the authorities in the region will provide the necessary conditions and support for continued growth, and we expect the economy to recover during this year and next. The Middle East will continue to be an important market at the heart of international trade and investment flows. Our commitment to the region is undiminished and in January 2010 we launched our SME fund in the United Arab Emirates to support our business banking customers.

Improved outlook in Latin America

HSBC's Latin American operations delivered pre-tax profits of US$1.1 billion, down 33 per cent on 2008, as a result of tougher economic conditions, the impact of the H1N1 virus in Mexico, and higher loan impairment charges across the region.

In 2009, we took a strategic decision to reposition our retail businesses. We continued to manage down successfully the higher risk personal lending and credit card portfolios where we had seen higher delinquency in 2008. We reduced the number of consumer finance and retail branches in Mexico and Brazil and focused on opportunities in Premier, which was particularly successful in Brazil. We also saw growth in insurance sales.

Economic conditions improved during the year. The Brazilian economy returned to growth in the second quarter and, in Mexico, conditions began to improve in the second half as the impact of the H1N1 virus abated and as trade volumes with the US picked up. Loan impairment charges in the region fell in the latter part of the year. The Group continues to view Latin America as a region of considerable future opportunity and allocated US$1.3 billion of fresh capital to its operations in Mexico and Brazil at the end of 2009. This has enhanced our capital strength and will help us meet the growing needs of our customers as these economies expand.

Developed markets

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US – improvement in consumer finance

The US economy returned to growth in the second half of 2009, although conditions remained difficult, especially in the personal financial services sector. Unemployment rates climbed to double digits and house prices continued to fall generally, although we saw some moderation in the latter half of the year, particularly in the middle and lower price sectors where targeted tax credits and low interest rates helped support housing market activity.

US Personal Financial Services made a loss before tax of US$5.3 billion, an improvement of 22 per cent on 2008, excluding the impact of the goodwill impairment. We completed the closure of all consumer lending branches, and associated restructuring costs of US$150 million were significantly lower than expectations. We continued to make encouraging progress in managing down the run-off business.

At year-end, HSBC Finance aligned its write-off period with the rest of the Group, leading to a significant decline in delinquency balances. Total balances in all parts of the run-off loan portfolio reduced during the year, falling by US$22 billion in total, to US$79 billion.

We also announced the sale of our US vehicle loan servicing operations and US$1 billion in vehicle loans, representing further progress in our run-off strategy. Since we began to run off parts of the portfolio in the first quarter of 2007, we have reduced balances by US$47 billion, or 37 per cent.

Excluding the effect of changing the write-off period, delinquency balances showed the usual seasonal rise in the second half, but the increase was significantly less pronounced than in previous years. The majority of our customers continued to meet their agreed payments, and we supported those in difficulty by modifying over 104,000 loans with an aggregate value of US$14.6 billion during the year. Loan impairments fell by 16 per cent in our US consumer finance run-off business as a result of these trends.

In HSBC Bank USA, we grew deposits in both Commercial Banking and in Personal Financial Services during the year. We sold US$4.5 billion of prime mortgages, and increased the number of Premier customers by 37 per cent. We also achieved encouraging results in cards. This business remained profitable despite the difficult economic environment, and the portfolio reduced overall.

However, we have resumed marketing spend to grow new card originations in some segments as a result of improving conditions.

Resilient performance in Europe

HSBC's European operations remained resilient in the face of severe economic challenges. Pre-tax profits increased by 83 per cent to US$6.6 billion, with Global Banking and Markets contributing 69 per cent of the total. On a reported basis, pre-tax profit was US$4.0 billion in 2009, compared with US$10.9 billion in the previous year.

In the UK, recession tightened its grip on the economy. While the downturn lasted longer than in many other developed markets, low interest rates and quantitative easing helped to moderate its impact for borrowers. However, the low interest rate environment also negatively affected our deposit spreads. HSBC continued to support its customers through this challenging period. We made available £15 billion of new mortgage lending for the year, for which average loan-to-value ratios were less than 55 per cent, and we grew our market share of net new mortgage lending to 11 per cent. Among our business banking customers, demand for credit remained muted and overdraft utilisation was 40 per cent, highlighting the ready availability of credit when demand picks up. We supported over 121,000 new business start-ups and lent £0.8 billion as part of our commitment to smaller and medium size businesses. We also increased trade lending by over 30 per cent.

Our French operations delivered a very strong performance overall, with pre-tax profits of US$827 million, driven by significantly higher Global Markets revenues and resilient performance in Personal Financial Services and Commercial Banking

HSBC also achieved very strong results in Turkey. Pre-tax profits of US$261 million were considerably higher than in 2008, despite a significant contraction in the economy in 2009 and record levels of unemployment. In our view, Turkey remains one of our key opportunities for future growth, and our expansion of the platform in recent years positions us strongly as the economy returns to health.

Outlook

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2010 economic outlook: a two-speed economy

As the world emerges from recession, we anticipate a two-speed recovery. In 2010, we expect GDP in emerging markets to grow by over six per cent, while the developed world struggles to reach two per cent. A bank's performance reflects that of the underlying economies it serves, and this presents both challenges and opportunities for the sector.

It is likely to be another difficult year for developed markets. In both the US and Europe, recovery remains fragile and may well be more modest than we had become used to following previous recessions. Demand will continue to be dampened by the need to rebuild savings. Governments and central banks have some tough calls to make as they balance the need to reduce spending against the need to support recovery and jobs. Low interest rates will likely continue to support recovery but will also constrain deposit spreads for some time. The implications for banks of regulatory change remain uncertain, but these will probably impact developed markets more than those faster-growing regions where our focus lies.

Emerging markets are now increasingly in the driving seat. The latest HSBC Emerging Markets Index suggests that many of these economies will grow strongly in 2010. Over time, these markets will become increasingly connected to each other, and less reliant on the West. The centre of economic gravity will continue to move east and south, and so will the opportunities for growth in financial services.

As industry restructuring inevitably takes place, some banks may consolidate activity and refocus on domestic markets. As they do so, we expect some to sell portfolios of assets, which could present selective opportunities for HSBC. We will remain disciplined in reviewing the opportunities which emerge.

In this uncertain environment, the strength of the HSBC brand remains one of our most important assets. In 2009, we were named the world's most valuable banking brand by Interbrand and last month we were named number one banking brand by *Brand Finance* for the third year running. Thanks to our strong brand, our signature financial strength, our broad and well-balanced business model and our clear strategy, I believe HSBC is positioned strongly and competitively for the next stage of the business cycle – and for the continuing shift in the global economy.

Finally, I am pleased to report that performance in January 2010 was strong and ahead of our expectations.

Thank you to our people

2009 was a year which, once again, made exceptional demands on our people. For many, this meant doing more to support our customers during the downturn. For others it meant working even harder than usual to deliver on their commitments, at a time when external conditions made this doubly challenging. It is proof of their strength and commitment that our employee engagement score increased from 67 to 71 per cent in such a year. It is also encouraging that this is notably higher than the industry average.

My final remarks are therefore reserved for my colleagues. It is because of your professionalism that HSBC can hold its head high at a time when the reputation of the banking industry is at a very low point. It is also because of your unwavering focus on our customers that HSBC is a bank which people want to do business with. Thank you.

Financial Overview

Year ended 31 December	Year ended 31 December	
2009	**2009**	2008

£m	HK$m			US$m	US$m
		For the year			
4,538	**54,876**	Profit before tax		**7,079**	9,307
3,740	**45,224**	Profit attributable to shareholders of the parent company		**5,834**	5,728
3,615	**43,717**	Dividends		**5,639**	11,301
		At the year-end			
79,031	**994,829**	Total shareholders' equity		**128,299**	93,591
95,929	**1,207,523**	Capital resources		**155,729**	131,460
790,886	**9,955,407**	Customer accounts and deposits by banks		**1,283,906**	1,245,411
1,456,499	**18,333,957**	Total assets		**2,364,452**	2,527,465
698,031	**8,786,585**	Risk-weighted assets		**1,133,168**	1,147,974
£	**HK$**			**US$**	US$
		Per ordinary share			
0.22	**2.64**	Basic earnings *		**0.34**	0.41
0.22	**2.64**	Diluted earnings *		**0.34**	0.41
0.22	**2.64**	Basic earnings excluding goodwill impairment *		**0.34**	1.19
0.22	**2.64**	Dividends **		**0.34**	0.93
4.41	**55.57**	Net asset value		**7.17**	7.44
		Share information			
		US$0.50 ordinary shares in issue		**17,408m**	12,105m
		Market capitalisation		**US$199.3bn**	US$114bn
		Closing market price per share		**£7.09**	£6.62
			Over 1 year	**Over 3 years**	**Over 5 years**
		Total shareholder return to 31 December 2009 ***	**128.3**	**103.6**	**120.6**
		Benchmarks: FTSE 100	**127.3**	**98.0**	**135.4**
		MSCI World	**116.7**	**103.6**	**134.9**
		MSCI Banks	**125.2**	**70.6**	**92.3**

82.7

* The effect of the bonus element of the rights issue has been included within the basic and diluted earnings per share.

** Under IFRSs accounting rules, the dividend per share of US$0.34 shown in the accounts is the total of the dividends declared during 2009. This represents the fourth interim dividend for 2008 and the first, second and third interim dividends for 2009. As the fourth interim dividend for 2009 was declared in 2010 it will be reflected in the accounts for 2010.

*** Total shareholder return ('TSR') is as defined in the Annual Report and Accounts 2009.

Year ended 31 December

	2009	2008
	%	%
Performance ratios		
Return on average invested capital[W]	**4.1**	4.0
Return on average total shareholders' equity	**5.1**	4.7
Post-tax return on average total assets	**0.27**	0.26
Post-tax return on average risk-weighted assets	**0.58**	0.55
Efficiency and revenue mix ratios		
Cost efficiency ratio		
– reported	**52.0**	60.1
– excluding goodwill impairment	**52.0**	47.2
As a percentage of total operating income:		
– net interest income	**51.8**	48.1
– net fee income	**22.5**	22.6
– net trading income	**12.5**	7.4
Capital ratios		
– Core tier 1 ratio	**9.4**	7.0
– Tier 1 ratio	**10.8**	8.3
– Total capital ratio	**13.7**	11.4

[W] *Return on invested capital is based on the profit attributable to ordinary shareholders. Average invested capital is measured as average total shareholders' equity after adding back goodwill previously written-off directly to reserves, deducting average equity preference shares issued by HSBC Holdings and deducting/(adding) average reserves for unrealised gains/(losses) on effective cash flow hedges and available-for-sale securities. This measure reflects capital initially invested and subsequent profit.*

Consolidated Income Statement

Year ended 31 December			**Year ended 31 December**	
2009			**2009**	2008
£m	**HK$m**		**US$m**	US$m
39,804	**481,368**	Interest income	**62,096**	91,301
(13,696)	**(165,629)**	Interest expense	**(21,366)**	(48,738)
26,108	**315,739**	**Net interest income**	**40,730**	42,563
13,719	**165,916**	Fee income	**21,403**	24,764
(2,396)	**(28,985)**	Fee expense	**(3,739)**	(4,740)
11,323	**136,931**	**Net fee income**	**17,664**	20,024
3,997	**48,344**	Trading income excluding net interest income	**6,236**	847
2,325	**28,114**	Net interest income on trading activities	**3,627**	5,713
6,322	**76,458**	**Net trading income**	**9,863**	6,560

(4,004)	**(48,426)**	Changes in fair value of long-term debt issued and related derivatives	**(6,247)**	6,679
1,741	**21,056**	Net income/(expense) from other financial instruments designated at fair value	**2,716**	(2,827)
(2,263)	**(27,370)**	**Net income from financial instruments designated at fair value**	**(3,531)**	3,852
333	**4,031**	Gains less losses from financial investments	**520**	197
81	**977**	Dividend income	**126**	272
6,712	**81,171**	Net earned insurance premiums	**10,471**	10,850
–	**–**	Gains on disposal of French regional banks	**–**	2,445
1,787	**21,613**	Other operating income	**2,788**	1,808
50,403	**609,550**	**Total operating income**	**78,631**	88,571
(7,980)	**(96,512)**	Net insurance claims incurred and movement in liabilities to policyholders	**(12,450)**	(6,889)
42,423	**513,038**	**Net operating income before loan impairment charges and other credit risk provisions**	**66,181**	81,682
(16,979)	**(205,335)**	Loan impairment charges and other credit risk provisions	**(26,488)**	(24,937)
25,444	**307,703**	**Net operating income**	**39,693**	56,745
(11,839)	**(143,164)**	Employee compensation and benefits	**(18,468)**	(20,792)
(8,584)	**(103,818)**	General and administrative expenses	**(13,392)**	(15,260)
(1,106)	**(13,372)**	Depreciation and impairment of property, plant and equipment	**(1,725)**	(1,750)
–	**–**	Goodwill impairment	**–**	(10,564)
(519)	**(6,279)**	Amortisation and impairment of intangible assets	**(810)**	(733)
(22,048)	**(266,633)**	**Total operating expenses**	**(34,395)**	(49,099)
3,396	**41,070**	**Operating profit**	**5,298**	7,646
1,142	**13,806**	Share of profit in associates and joint ventures	**1,781**	1,661
4,538	**54,876**	**Profit before tax**	**7,079**	9,307
(247)	**(2,985)**	Tax expense	**(385)**	(2,809)
4,291	**51,891**	**Profit for the year**	**6,694**	6,498
3,740	**45,224**	**Profit attributable to shareholders of the parent company**	**5,834**	5,728

551	**6,667**	Profit attributable to minority interests	**860**	770

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2009	2008
	US$m	US$m
Profit for the year	**6,694**	6,498
Other comprehensive income/(expense)		
Available-for-sale investments:	**10,817**	(21,904)
– fair value gains/(losses)	**9,821**	(23,722)
– fair value gains transferred to income statement on disposal	**(648)**	(1,316)
– amounts transferred to the income statement in respect of impairment losses	**2,391**	1,779
– income taxes	**(747)**	1,355
Cash flow hedges:	**772**	124
– fair value gains/(losses)	**481**	(1,720)
– fair value (gains)/losses transferred to income statement	**808**	1,754
– income taxes	**(517)**	90
Actuarial gains/(losses) on defined benefit plans	**(2,608)**	(1,175)
– before income taxes	**(3,586)**	(1,609)
– income taxes	**978**	434
Share of other comprehensive income/(expense) of associates and joint ventures	**149**	(559)
Exchange differences	**4,975**	(12,123)
Other comprehensive income/(expense) for the year, net of tax	**14,105**	(35,637)
Total comprehensive income/(expense) for the year	**20,799**	(29,139)
Total comprehensive income/(expense) for the year attributable to:		
– shareholders of the parent company	**19,529**	(29,143)
– minority interests	**1,270**	4
	20,799	(29,139)

Consolidated Balance Sheet

At 31 December			At 31 December	
2009			**2009**	2008
£m	**HK$m**		**US$m**	US$m
		ASSETS		

37,363	**470,319**	Cash and balances at central banks	**60,655**	52,396
3,939	**49,587**	Items in the course of collection from other banks	**6,395**	6,003
10,757	**135,407**	Hong Kong Government certificates of indebtedness	**17,463**	15,358
259,570	**3,267,389**	Trading assets	**421,381**	427,329
22,903	**288,301**	Financial assets designated at fair value	**37,181**	28,533
154,546	**1,945,370**	Derivatives	**250,886**	494,876
110,745	**1,394,022**	Loans and advances to banks	**179,781**	153,766
552,078	**6,949,375**	Loans and advances to customers	**896,231**	932,868
227,401	**2,862,450**	Financial investments	**369,158**	300,235
27,432	**345,316**	Other assets	**44,534**	37,822
1,809	**22,773**	Current tax assets	**2,937**	2,552
7,653	**96,328**	Prepayments and accrued income	**12,423**	15,797
8,015	**100,887**	Interests in associates and joint ventures	**13,011**	11,537
18,476	**232,573**	Goodwill and intangible assets	**29,994**	27,357
8,502	**107,021**	Property, plant and equipment	**13,802**	14,025
5,310	**66,839**	Deferred tax assets	**8,620**	7,011
1,456,499	**18,333,957**	Total assets	**2,364,452**	2,527,465

At 31 December 2009			**At 31 December**	
			2009	2008
£m	**HK$m**		**US$m**	US$m
		LIABILITIES AND EQUITY		
		Liabilities		
10,757	**135,408**	Hong Kong currency notes in circulation	**17,463**	15,358
76,921	**968,257**	Deposits by banks	**124,872**	130,084
713,965	**8,987,150**	Customer accounts	**1,159,034**	1,115,327
3,532	**44,461**	Items in the course of transmission to other banks	**5,734**	7,232
165,168	**2,079,080**	Trading liabilities	**268,130**	247,652
49,337	**621,033**	Financial liabilities designated at fair value	**80,092**	74,587
152,550	**1,920,247**	Derivatives	**247,646**	487,060
90,488	**1,139,032**	Debt securities in issue	**146,896**	179,693
42,280	**532,233**	Other liabilities	**68,640**	72,384
1,318	**16,594**	Current tax liabilities	**2,140**	1,822
33,084	**416,444**	Liabilities under insurance contracts	**53,707**	43,683
8,125	**102,275**	Accruals and deferred income	**13,190**	15,448
1,210	**15,237**	Provisions	**1,965**	1,730
1,132	**14,244**	Deferred tax liabilities	**1,837**	1,855
4,292	**54,022**	Retirement benefit liabilities	**6,967**	3,888
18,774	**236,326**	Subordinated liabilities	**30,478**	29,433
1,372,933	**17,282,043**	Total liabilities	**2,228,791**	2,427,236

		Equity		
5,362	**67,499**	Called up share capital	**8,705**	6,053
5,182	**65,234**	Share premium account	**8,413**	8,463
1,314	**16,539**	Other equity instruments	**2,133**	2,133
13,697	**172,418**	Other reserves	**22,236**	(3,747)
53,476	**673,139**	Retained earnings	**86,812**	80,689
79,031	**994,829**	Total shareholders' equity	**128,299**	93,591
4,535	**57,085**	Minority interests	**7,362**	6,638
83,566	**1,051,914**	Total equity	**135,661**	100,229
1,456,499	**18,333,957**	Total equity and liabilities	**2,364,452**	2,527,465

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2009	2008
	US$m	US$m
Cash flows from operating activities		
Profit before tax	**7,079**	9,307
Adjustments for:		
Non-cash items included in profit before tax	**31,384**	41,305
Change in operating assets	**(20,803)**	18,123
Change in operating liabilities	**14,645**	(63,413)
Elimination of exchange differences	**(19,024)**	36,132
Net gain from investing activities	**(1,910)**	(4,195)
Share of profits in associates and joint ventures	**(1,781)**	(1,661)
Dividends received from associates	**414**	655
Contribution paid to defined benefit plans		