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 2009

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- ....).

2 March 2009

HANG SENG BANK LIMITED

2008 RESULTS - HIGHLIGHTS

- Operating profit down 22.8 per cent to HK$13,725 million (HK$17,789 million in 2007).

- Operating profit excluding loan impairment charges and other credit risk provisions down 10.1 per cent to HK$16,501 million (HK$18,365 million in 2007).

- Profit before tax down 26.0 per cent to HK$15,878 million (HK$21,471 million in 2007). Excluding the gain on dilution of strategic investment in 2007, profit before tax down 20.6 per cent.

- Attributable profit down 22.7 per cent to HK$14,099 million (HK$18,242 million in 2007). Excluding the gain on dilution of strategic investment in 2007, attributable profit down 16.0 per cent.

- Return on average shareholders' funds of 26.0 per cent (35.4 per cent in 2007). Excluding the gain on dilution of strategic investment in 2007, return on average shareholders' funds down 6.6 percentage points.

- Assets up 2.2 per cent to HK$762.2 billion (HK$746.0 billion at 31 December 2007).

- Earnings per share down 22.7 per cent to HK$7.37 per share (HK$9.54 per share in 2007).

- Fourth interim dividend of HK$3.00 per share; total dividends of HK$6.30 per share for 2008 (HK$6.30 per share in 2007).

- Capital adequacy ratio^ of 12.5 per cent (11.2 per cent at 31 December 2007); core capital ratio^ of 9.5 per cent (8.4 per cent at 31 December 2007).

· Cost efficiency ratio of 29.2 per cent (26.6 per cent in 2007).

^ *The capital adequacy and core capital ratios at 31 December 2008 were calculated in accordance with Basel II - foundation internal ratings-based approach which became effective on 1 January 2008, while those at 31 December 2007 were calculated in accordance with Basel II - standardised approach.*

Within this document, the Hong Kong Special Administrative Region of the People's

Republic of China has been referred to as 'Hong Kong'.

Comment by Raymond Ch'ien, Chairman

Hang Seng recorded good results in the first half of 2008, but the deepening of the global financial crisis posed significant challenges during the second half, leading to a 16.0 per cent drop in attributable profit for the full year after excluding the dilution gain recorded in 2007 on our strategic investment in Industrial Bank Co. Ltd.

Net interest income rose by 10.3 per cent on the back of higher margins on Treasury's balance sheet management portfolio, steady growth in average customer advances and improved pricing on lending. However, this was outweighed by the decline in non-interest income, particularly net fee income which fell by 27.8 per cent with reduced customer appetite for investments.

Wealth management income grew during the first six months of the year, but declined sharply in the volatile market conditions of the second half. Encouraging broad-based growth in Commercial Banking income and a strong rise in Treasury earnings were offset by significantly higher loan impairment charges and other credit risk provisions.

The expanding network and service capabilities of our mainland China operations underpinned a rise in total operating income, although investment in business development, currency revaluation losses and increased loan impairment charges resulted in a drop in profit before tax. Our mainland associate, Industrial Bank Co. Ltd, increased its contribution to pre-tax profits.

Operating profit excluding loan impairment charges and other credit risk provisions fell by 10.1 per cent to HK$16,501 million. The deteriorating economic conditions led to a 381.9 per cent increase in loan and certain debt securities impairment allowances to HK$2,776 million. Operating profit was down 22.8 per cent at HK$13,725 million.

Attributable profit for 2008 was HK$14,099 million, a drop of 22.7 per cent. Earnings per share were down 22.7 per cent at HK$7.37.

Net operating income before loan impairment charges and other credit risk provisions fell by HK$1,719 million, or 6.9 per cent. Operating expenses rose by 2.2 per cent, due to investment in our mainland business.

Excluding mainland operations, tighter cost control and lower performance-related payments saw operating expenses fall by 2.7 per cent. Our cost efficiency ratio was 29.2 per cent.

Profit before tax fell by 26.0 per cent to HK$15,878 million. Excluding the 2007 dilution gain, profit before tax was down 20.6 per cent.

Return on average shareholders' funds was 26.0 per cent, compared with 35.4 per cent (32.6 per cent excluding the dilution gain) a year earlier. Return on average total assets was 1.9 per cent, down 0.7 percentage points.

On 31 December 2008, our capital adequacy ratio and core capital ratio were 12.5 per cent and 9.5 per cent respectively, as calculated in accordance with the 'foundation internal ratings-based approach' under Basel II.

The Directors have declared a fourth interim dividend of HK$3.00 per share, payable on 31 March 2009. This brings the total distribution for 2008 to HK$6.30 per share, the same as in 2007.

In the worsening global financial crisis, many major economies are experiencing sharp downturns.

Declining exports and a slowdown in consumer spending has led to quarter-on-quarter economic contraction in Hong Kong since the second quarter of 2008 and unemployment is on an upward trend.

Export demand will continue to fall over the short to medium term. Domestic demand is also likely to further weaken, although this should be moderated by government-led fiscal stimulus initiatives such as investment in infrastructure and other supportive measures.

Hang Seng is a well-capitalised bank with solid fundamentals and a prudent approach to business that provides a strong anchor in the current financial storm.

Looking ahead, we will focus on leveraging our competitive advantages, including our trusted brand, strong customer relationships and comprehensive portfolio of products and services. We will take steps to enhance our leading market position and strengthen our operating capabilities to support the long-term growth of our business.

Review by Raymond Or, Vice-Chairman and Chief Executive

Hang Seng's results for 2008 reflect the increasingly difficult operating environment, particularly in the second half of the year.

Our well-considered strategy, strong brand and prudent approach to business have helped cushion the impact of the global financial storm. We strengthened our balance sheet through early action to manage credit risk in customer lending and Treasury's balance sheet management portfolio, and significantly reduced equity risk through disposal of our equity portfolios. We maintained good cost control while investing in the long-term development of our business. We achieved income growth across three of our four core customer groups but profitability was adversely affected by increased loan impairment charges and other credit risk provisions.

Our wealth management business performed well against the backdrop of declining markets, but income growth slowed in the second half. This had an adverse impact on Personal Financial Services revenue.

Strong customer relationships and successful initiatives to strengthen and promote our seamless financial services helped Commercial Banking achieve more diversified revenue streams, with year-on-year increases in every major income category. However, the unfavourable economic environment led to higher loan impairment charges.

Corporate Banking grew average customer advances and deposits, and took good advantage of opportunities to improve loan pricing.

Favourable interest rates and an encouraging increase in trading income helped Treasury record strong income growth. This was partly offset by credit risk provisions against certain investments under the balance sheet management portfolio.

We extended our mainland China network under Hang Seng Bank (China) Limited and introduced new products, helping support significant increases in the customer and deposit bases. Our investment in Industrial Bank continued to yield good returns.

Customer Groups

Personal Financial Services maintained good earnings for the first half of 2008, but recorded a 29.4 per cent decline in profit before tax to HK$8,410 million for the full year, due to a drop in wealth management income during the second half. Operating profit excluding loan impairment charges was down 30.2 per cent at HK$8,467 million.

Wealth management income was up 2.2 per cent at HK$3,518 million for the first half of 2008, but down 37.6 per cent at HK$5,389 million for the year.

As markets grew more uncertain, our diverse wealth management portfolio and time-to-market strength helped us rapidly shift our sales focus to more defensive products. The expansion of our multi-channel trading platform helped us capitalise on increased interest in foreign exchange and gold margin trading to record an increase in related revenue. Supported by our well-respected brand, we increased the number of customer investment accounts by 5.0 per cent. However, these positive developments were outweighed by the overall drop in investor activity, with investment income declining by 40.8 per cent. Private banking income fell by 75.4 per cent.

We were Hong Kong's number one life insurance provider in terms of new annualised regular premiums for first three quarters of 2008 and increased our market share, achieving good growth of HK$2,629 million, or 28.0 per cent, in net earned insurance premiums. Steps taken in the second quarter to defend the life insurance funds portfolio against the market downturn resulted in significantly reduced losses on investment returns during the second half as compared with the first. Overall, insurance income fell by 29.4 per cent.

Net interest income remained stable. A series of card acquisition and utilisation campaigns drove increases in the card base, spending and receivables. We progressed with the judicious expansion of our personal loans portfolio, which registered year-on-year growth of 18.9 per cent to HK$3.3 billion. These developments helped offset narrowing margins on deposits and mortgage lending.

Commercial Banking achieved growth in both net interest income and non-interest income. Operating profit excluding loan impairment charges rose by 6.5 per cent to HK$2,354 million. Profit before tax was down 8.6 per cent at HK$2,470 million, due to an increase in loan impairment charges.

Leveraging our large base of business customers, we selectively grew average customer advances by 14.5 per cent. Falling commodity prices and the slowdown in international trade led to a year-on-year decline in trade finance, while factoring advances grew by 2.8 per cent. Falling interest rates dragged down deposit spreads, offsetting in part the 14.7 per cent growth in net interest income from advances. Overall, net interest income rose by 2.0 per cent.

Other operating income grew by 11.8 per cent year on year. Revenue from corporate wealth management increased by 4.5 per cent and contributed 10.4 per cent of total operating income. We improved corporate life insurance product offerings and sales training, leading to a 96.6 per cent rise in revenue.

The successful launch of express China remittance services underpinned an encouraging improvement in our outward remittance market share. Our total financial solutions for retailers helped support a 27.2 per cent rise in fee income from card merchant-acquiring business. Our card merchant services were a continuing source of new customer acquisitions.

We achieved a 5.5 per cent year-on-year increase in the number of new commercial customers.

Corporate Banking's operating profit excluding loan impairment charges rose by 36.3 per cent. We attained a 37.4 per cent increase in net interest income, with increases in average customer advances and deposits of 7.9 per cent and 5.4 per cent respectively. Having exercised restraint in asset growth leading up to 2008, we were able to support Corporate Banking customers with new or renewed facilities at good risk-adjusted returns. Net interest income from advances was up 45.3 per cent. Profit before tax grew by 35.8 per cent to HK$645 million.

Treasury recorded a 98.0 per cent rise in operating profit excluding credit risk provisions to reach HK$3,037 million. Operating profit increased by 8.3 per cent to HK$1,662 million.

The balance sheet management portfolio benefited from favourable interest rate movements, with net interest income increasing by 104.4 per cent to HK$2,682 million. Beginning in late 2007 as signs of the global financial crisis began to emerge, we took steps to reduce the credit risk of our balance sheet management portfolio. Throughout 2008, we enhanced the credit quality of the debt securities portfolio through the active disposal of some negotiable instruments. During the last quarter of 2008, we made selective investments in high-quality debt securities, most of which were triple-A rated papers. However, the growing credit crunch and deteriorating economic conditions in the second half had a negative impact on some of Treasury's balance sheet management portfolio investments. With reduced investor appetite for equities, we expanded trading income by successfully promoting foreign exchange-linked products and capital-protected investments.

Profit before tax, including share of profits from associates, increased by 24.6 per cent to HK$2,279 million.

Mainland Business

Hang Seng China opened two branches and eight sub-branches in 2008, bringing its mainland network to 33 outlets across 11 cities. Full-time equivalent staff increased by 32.2 per cent to 1,450. Improved relationship management helped drive the development of our wealth management business.

These developments underpinned encouraging growth of 73.6 per cent in the customer base and 91.8 per cent in deposits. Customer advances increased by 3.7 per cent as we tailored our lending to the prevailing economic conditions.

Total operating income rose by 63.7 per cent, but further investment in Hang Seng China's network, exchange losses on US dollar capital funds upon revaluation against the Chinese renminbi and an increase in loan impairment charges led to a fall in profit before tax.

Including our share of profit from Industrial Bank, mainland business contributed 11.9 per cent of total profit before tax, compared with 6.5 per cent a year earlier.

In the last quarter of 2008, we completed a RMB800 million deal to acquire 20 per cent of the enlarged share capital of Yantai City Commercial Bank - one of the largest city commercial banks in Shandong province. This investment will strengthen our foothold in the Mainland's rapidly developing Bohai Economic Rim region.

Rising to the Challenge

The international financial crisis created new challenges in 2008 and the year ahead is likely to be equally demanding. The global downturn may lead to further deterioration in our operating environment. Hong Kong's economy is expected to continue to contract in 2009.

Our solid financial fundamentals, strong franchise and culture of service excellence provide a good platform from which to overcome obstacles and continue to grow our business.

Our trusted brand has proved a valuable tool in deepening existing customer relationships and establishing new ones. We will continue to leverage our strong reputation to increase our market share in core business areas and in key customer segments.

Aided by our diverse portfolio of products and services and time-to-market competitive advantage, we will remain proactive in providing customised wealth management solutions in changing economic conditions.

Our Commercial Banking teams in Hong Kong, the Mainland and Macau will work together to offer our business customers the advantage of efficient one-stop financial services. We will continue to grow our corporate wealth management capabilities.

Treasury will actively manage its well-diversified portfolio and prudently expand non-interest income by offering customer-driven products and efficient service delivery.

Additional outlet openings and enhanced relationship management will help Hang Seng China attract new customers and expand its deposit bases to provide a springboard for future growth. We will build on the synergies created by our strategic partnerships.

Supported by our strong brand and dedicated staff, Hang Seng is well positioned to tackle the challenges that lie ahead, enhance our competitive strengths, and capitalise on future business opportunities.

Results summary

Hang Seng Bank Limited ('the bank') and its subsidiaries and associates ('the group') reported an audited profit attributable to shareholders of HK$14,099 million for 2008, down by 22.7 per cent compared with 2007. Earnings per share were HK$7.37, down HK$2.17 from 2007. Excluding the dilution gain arising from the bank's strategic investment in Industrial Bank Co., Ltd. ('Industrial Bank') in 2007, profit attributable to shareholders fell by 16.0 per cent. Attributable profit to shareholders for the second half of 2008 decreased by HK$4,029 million, or 44.5 per cent, when compared with the first half, adversely affected by lower wealth management income and higher loan impairment charges following the deepening of the global credit crisis and liquidity crunch.

- **Operating profit excluding loan impairment charges and other credit risk provisions** declined by HK$1,864 million, or 10.1 per cent, to HK$16,501 million. Although net interest income grew by 10.3 per cent as a result of asset and liability growth and improved net interest margin, this was more than offset by declining non-interest income in the second half of the year resulting from the worldwide economic downturn and deteriorating operating conditions.

- **Net interest income** increased by HK$1,513 million, or 10.3 per cent. The 6.8 per cent growth in average customer deposits (notably in lower cost savings accounts and foreign currency time deposits), the 11.6 per cent rise in average customer advances, improved yields on Treasury's balance sheet management portfolios and an increase in interest earned from long-term insurance funds, compensated for squeezed mortgage pricing and narrowed deposit spreads. **Net interest margin** improved by 13 basis points to 2.36 per cent - net interest spread rose by 31 basis points while contribution from net free funds fell by 18 basis points to 0.21 per cent as a result of the decrease in market interest rates.

- **Net fees and commissions** fell by HK$1,917 million, or 27.8 per cent, largely affected by the global financial crisis which dampened customer appetite for investment. Net fees and commissions for the first half of 2008 rose by 5.8 per cent against same period in 2007 but declined sharply in the second half of 2008 as customers reacted conservatively to the international financial turmoil. Income from equities-related business fell due to the contraction in transaction volume and stock prices - the 41.0 per cent drop in stock broking and related services turnover contributed to a 31.5 per cent dip in income, while retail investment fund turnover and income were down by 69.6 per cent and 35.3 per cent respectively. Private Banking investment services fees fell by 76.6 per cent. Commission on sales of structured investment products declined by 48.4 per cent. These declines were somewhat offset by good momentum in the bank's credit card business, which achieved excellent income growth of 24.4 per cent, riding on the success of the Hang Seng enJoy card launched in 2008 as well as increases in card spending and merchant sales.

- **Trading income** fell by 13.3 per cent to HK$1,455 million. Foreign exchange income rose by 60.7 per cent, attributable to the strong growth in foreign exchange profit and the sales of foreign exchange-linked products as customers shifted their investment focus away from stock markets, and lower exchange losses on forward contracts used in 'funding swap' activities in the balance sheet management portfolio. However, this was partly offset by the increase in revaluation losses on certain US dollar capital funds - maintained in the bank's mainland subsidiary bank and subject to regulatory controls - against the Chinese renminbi. Derivatives and other trading income fell by 91.3 per cent, affected by the decline in demand for equity-linked investment products and lower trading results.

- Income from insurance business, including **net earned insurance premiums, net interest income, net fee income and net income from financial instruments designated at fair value, the change in present value of in-force business,** and after deducting **net insurance claims incurred and movement in policyholders' liabilities,** fell by 29.4 per cent to HK$1,697 million. Despite weak investment sentiment in the market, the bank's life insurance business continued to gain market share and was ranked first in Hong Kong in terms of new annualised regular life insurance premiums in the first nine months of 2008. Life business sustained its growth momentum and net earned insurance premiums rose by HK$2,629 million, or 28.0 per cent, compared with 2007. In response to the volatile global stock market, the equity component of the investment portfolios has been largely replaced by debt securities. As a result, net interest income from life insurance business rose significantly by 47.5 per cent due to the growth in investment portfolio size. Investment loss was contained at a relatively small HK$35 million in the second half when compared with the first-half loss of HK$1,030 million.

- **Net operating income before loan impairment charges and other credit risk provisions** decreased by HK$1,719 million, or 6.9 per cent, to HK$23,296 million.

- **Operating expenses** increased by HK$145 million, or 2.2 per cent, to HK$6,795 million, which was mainly attributable to further investment in Mainland and business development in Hong Kong. Mainland-related operating expenses rose by HK$308 million, reflecting the expansion of the network of the bank's wholly owned mainland banking subsidiary, Hang Seng Bank (China) Limited ('Hang Seng China'), from 23 to 33 outlets as well as the increase in net headcount from 1,097 to 1,450 compared with the end of 2007. Given the difficult operating environment for the year, the bank has always maintained strict cost controls. Excluding mainland operations, operating expenses fell by 2.7 per cent, with lower performance-related pay helping offset a headcount increase of 223 and the annual salary increment.

- **Loan impairment charges and other credit risk provisions** rose significantly by HK$2,200 million, or 381.9 per cent, to HK$2,776 million. Individually assessed impairment charges increased by HK$675 million, or 270.0 per cent, due to credit downgrades in the weakening economy. Collectively assessed allowances rose by HK$150 million, attributable to higher charges on the card and personal loans portfolios and the update of historical loss rates on loans not individually identified as impaired. Given the current credit turmoil, the bank wrote down the carrying value of certain available-for-sale debt securities and made an impairment charge of HK$1,375 million during 2008. To align with the International Accounting Standards Board, the Council of the Hong Kong Institute of Certified Public Accountants has revised Hong Kong Accounting Standard 39 ('HKAS 39'), to permit, inter alia, reclassification, in limited circumstances, of trading assets to other categories - in particular, to 'loans and advances'. The group did not make any reclassification under the revised HKAS 39 during 2008.

- Operating profit was down by HK$4,064 million, or 22.8 per cent, to HK$13,725 million, after accounting for the HK$2,200 million increase in **loan impairment charges and other credit risk provisions** in the deteriorating economic conditions.

- Profit before tax dropped by 26.0 per cent to HK$15,878 million after taking the following items into account:

· a HK$1,465 million **gain on dilution of investment in an associate** related to the listing of Industrial Bank in 2007;

· a 79.2 per cent (or HK$300 million) decrease in **net surplus on property revaluation**;

· a 62.7 per cent (or HK$449 million) fall in **gains less losses from financial investments and fixed assets**; and

· a 61.1 per cent (or HK$685 million) rise in **share of profits from associates**, mainly contributed by Industrial Bank.

Balance sheet and key ratios

Total assets increased by HK$16.2 billion, or 2.2 per cent, to HK$762.2 billion. Customer advances rose by 6.7 per cent. In line with the bank's strategy to diversify its loan portfolio, encouraging growth was recorded in mainland lending, commercial lending, cards and personal loans. The bank took good advantage of opportunities to grow its residential mortgage lending in the active property market during the first half of 2008. In light of the unprecedented turbulence in the financial market and the interventions by the government and central bank to stabilise the financial system, the bank has continued reducing its available-for-sale debt securities holdings and shifted to debt securities issued or guaranteed by the government and central bank. Customer deposits increased by HK$13.9 billion, or 2.3 per cent, to HK$604.5 billion. At 31 December 2008, the advances-to-deposits ratio was 54.4 per cent, compared with 52.2 per cent at the end of 2007.

Shareholders' funds (excluding proposed dividends) as at 31 December 2008 were down by HK$4,830 million, or 9.5 per cent, at HK$45,890 million. This was due largely to the unrealised deficit on the revaluation reserve of available-for-sale debt securities investment as a result of wider credit spreads. The available-for-sale equities investment reserve also decreased due to the disposal of a substantial portion of the equity portfolio during the year. Retained profits fell by HK$355 million reflecting the increase in actuarial losses on the defined benefit scheme.

The **return on average total assets** was 1.9 per cent (2.6 per cent for 2007), while the **return on average shareholders' funds** was 26.0 per cent (35.4 per cent for 2007).

On 31 December 2008, the **capital adequacy ratio** was 12.5 per cent and the **core capital ratio** was 9.5 per cent, as calculated in accordance with the foundation internal ratings-based approach under Basel II which came into effect on

1 January 2008. The capital adequacy ratio and core capital ratio on 31 December 2007, calculated using the standardised approach under Basel II, were 11.2 per cent and 8.4 per cent respectively.

The bank maintained a strong liquidity position. The **average liquidity ratio** for 2008 was 46.4 per cent (calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance), compared with an average liquidity ratio of 52.9 per cent for 2007.

The cost efficiency ratio for 2008 was 29.2 per cent, compared with 26.6 per cent for 2007.

Dividends

The Directors have declared a fourth interim dividend of HK$3.00 per share, which will be payable on 31 March 2009 to shareholders on the register of shareholders as of 18 March 2009. Together with the interim dividends for the first three quarters, the total distribution for 2008 will be HK$6.30 per share - the same as in 2007.

Customer group performance

Figures in HK$m	*Personal Financial Services*	*Commercial Banking*	*Corporate Banking*	*Treasury*	*Other*	*Inter-segment elimination*	*Total*
Year ended 31 December 2008							
Net interest income	**8,700**	**2,411**	**988**	**2,682**	**1,451**	**_**	**16,232**
Net fee income/(expense)	**3,696**	**1,066**	**127**	**(33)**	**113**	**_**	**4,969**
Trading income/(loss)	**743**	**245**	**18**	**641**	**(192)**	**_**	**1,455**
Net (loss)/income from financial instruments designated at fair value	**(1,043)**	**(2)**	**_**	**(10)**	**24**	**_**	**(1,031)**
Dividend income	**25**	**10**	**_**	**_**	**47**	**_**	**82**
Net earned insurance premiums	**12,135**	**213**	**3**	**_**	**_**	**_**	**12,351**
Other operating income	**439**	**54**	**2**	**4**	**202**	**_**	**701**
Inter-segment income	**_**	**_**	**_**	**_**	**469**	**(469)**	**_**
Total operating income	**24,695**	**3,997**	**1,138**	**3,284**	**2,114**	**(469)**	**34,759**
Net insurance claims incurred and movement in policyholders' liabilities	**(11,349)**	**(113)**	**(1)**	**_**	**_**	**_**	**(11,463)**
Net operating income before loan impairment charges and other credit risk provisions	**13,346**	**3,884**	**1,137**	**3,284**	**2,114**	**(469)**	**23,296**
Loan impairment charges and other credit risk provisions	**(347)**	**(853)**	**(201)**	**(1,375)**	**_**	**_**	**(2,776)**
Net operating income	**12,999**	**3,031**	**936**	**1,909**	**2,114**	**(469)**	**20,520**
Total operating expenses^	**(4,490)**	**(1,470)**	**(314)**	**(235)**	**(286)**	**_**	**(6,795)**
Inter-segment expenses	**(389)**	**(60)**	**(8)**	**(12)**	**_**	**469**	**_**

Operating profit	**8,120**	**1,501**	**614**	**1,662**	**1,828**	_	**13,725**
Gains less losses from financial investments and fixed assets	**156**	**85**	**31**	**(84)**	**79**	_	**267**
Net surplus on property revaluation	_	_	_	_	**79**	_	**79**
Share of profits from associates	**134**	**884**	_	**701**	**88**	_	**1,807**
Profit before tax	**8,410**	**2,470**	**645**	**2,279**	**2,074**	_	**15,878**
Share of profit before tax	**52.9%**	**15.6%**	**4.1%**	**14.4%**	**13.0%**	**0.0%**	**100.0%**
Operating profit excluding inter-segment transactions	**8,509**	**1,561**	**622**	**1,674**	**1,359**	_	**13,725**
Operating profit excluding loan impairment charges and other credit risk provisions	**8,467**	**2,354**	**815**	**3,037**	**1,828**	_	**16,501**
^*Depreciation/amortisation included in total operating expenses*	**(140)**	**(24)**	**(7)**	**(3)**	**(318)**	_	**(492)**
At 31 December 2008							
Total assets	**211,092**	**85,791**	**93,570**	**345,920**	**25,795**	_	**762,168**
Total liabilities	**508,596**	**96,905**	**41,981**	**34,575**	**28,485**	_	**710,542**
Investments in associates	**501**	**3,194**	_	**2,784**	**2,391**	_	**8,870**
Capital expenditure incurred during the year	**374**	**52**	**14**	**3**	**223**	_	**666**

Figures in HK$m	*Personal Financial Services*	*Commercial Banking*	*Corporate Banking*	*Treasury*	*Other*	*Inter-segment elimination*	*Total*
Year ended 31 December 2007							
Net interest income	8,701	2,364	719	1,312	1,623	_	14,719
Net fee income/(expense)	5,726	1,005	109	(25)	71	_	6,886
Trading income/(loss)	1,086	173	9	468	(57)	_	1,679
Net income from financial instruments designated at fair value	1,901	2	_	4	_	_	1,907
Dividend income	14	1	_	_	37	_	52
	9,519	181	2	—	—	—	9,702

Net earned insurance premiums							
Other operating income/(loss)	543	47	_	(3)	160	_	747
Inter-segment income	_	_	_	_	373	(373)	_
Total operating income	27,490	3,773	839	1,756	2,207	(373)	35,692
Net insurance claims incurred and movement in policyholders' liabilities	(10,584)	(92)	(1)	_	_	_	(10,677)
Net operating income before loan impairment charges and other credit risk provisions	16,906	3,681	838	1,756	2,207	(373)	25,015
Loan impairment charges and other credit risk provisions	(277)	(165)	(134)	_	_	_	(576)
Net operating income	16,629	3,516	704	1,756	2,207	(373)	24,439
Total operating expenses^	(4,442)	(1,437)	(234)	(214)	(323)	_	(6,650)
Inter-segment expenses	(325)	(34)	(6)	(8)	_	373	_
Operating profit	11,862	2,045	464	1,534	1,884	_	17,789
Gain on dilution of investment in an associate	_	_	_	_	1,465	_	1,465
Gains less losses from financial investments and fixed assets	4	1	11	_	700	_	716
Net surplus on property revaluation	_	_	_	_	379	_	379
Share of profits from associates	52	655	_	295	120	_	1,122
Profit before tax	11,918	2,701	475	1,829	4,548	_	21,471
Share of profit before tax	55.5%	12.6%	2.2%	8.5 %	21.2%	_	100.0%
Operating profit excluding inter-segment transactions	12,187	2,079	470	1,542	1,511	_	17,789
Operating profit excluding loan impairment charges and other credit risk provisions	12,139	2,210	598	1,534	1,884	_	18,365
^Depreciation/amortisation included in total operating expenses	(118)	(21)	(5)	(3)	(234)	_	(381)

At 31 December 2007

Total assets	190,696	80,479	79,419	358,306	37,099	_	745,999
Total liabilities	459,756	100,857	53,373	42,486	33,071	_	689,543
Investments in associates	201	2,520	_	1,138	2,318	_	6,177
Capital expenditure incurred during the year	226	76	21	3	215	_	541

Personal Financial Services ('PFS') reported a profit before tax of HK$8,410 million for 2008, 29.4 per cent lower than last year, due largely to the adverse impact of the global economic downturn on wealth management business in the second half of the year. Operating profit excluding loan impairment charges was down 30.2 per cent at HK$8,467 million.

Net interest income remained at the same level as last year, supported mainly by the strong performance of unsecured lending, which offset narrowing margins on deposits and secured lending caused by falling interest rates.

Unsecured lending business recorded a significant year-on-year growth of 31.5 per cent in total operating income, underpinned by the satisfactory growth of credit cards-in-force as well as cards spending and receivables. The launch of a new credit card employing contactless payment technology and a series of promotional campaigns helped increase the number of cards in issue to 1.73 million, representing year-on-year growth of 13.4 per cent. Card receivables rose by 13.1 per cent year-on-year to reach HK$12.8 billion, attributable mainly to successful card utilisation campaigns. Personal lending also registered impressive growth with an 18.9 per cent year-on-year increase in loan balances to HK$3.3 billion.

Residential mortgage business paralleled the property market slow down in the second half of the year, but the bank maintained its market share in terms of total mortgage loans, which stood at 15.3 per cent as of 31 December 2008.

Non-interest income fell by 43.4 per cent. With increasingly negative investor sentiment, fee income from the selling of investment products, securities trading and private banking declined significantly. Investment returns on life insurance business were badly hit by the troubled financial markets. Nevertheless, sales of life insurance broke new record of over HK$3 billion in new annualised premiums - representing year-on-year growth of 45.0 per cent and resulting in a number one ranking in Hong Kong in terms of new business for the first three quarters of the year with a market share of 13.4 per cent.

PFS continued to strengthen its positioning in young customer segments and promote self-directed banking behaviours with the launch of a Green Banking account, a new account for tertiary students that offers secure online banking services and Hong Kong's first virtual identity bank card to facilitate secured online payment using digital certificate.

Personal e-banking continued its steady growth in 2008 with over 870,000 registered customers. The Internet channel was further developed in line with its position as a major transaction media and accounted for 75 per cent of total securities trading transactions.

Commercial Banking ('CMB') reported year-on-year increases in every major income category despite the challenging market conditions, with operating profit excluding loan impairment charges rising by 6.5 per cent to HK$2,354 million. However, with increased loan impairment charges in the deteriorating business environment, profit before tax dropped by 8.6 per cent to HK$2,470 million. CMB contributed 15.6 per cent to the bank's total profit before tax in 2008, up 3.0 percentage points on a year earlier.

Average customer advances rose by 14.5 per cent. Falling commodity prices and international trade caused a 15.3 per cent year-on-year decline in trade finance, while factoring advances grew by 2.8 per cent. The overall reduction in interest rates dragged down deposit spreads, offsetting a 14.7 per cent increase in net interest income from advances to result in a 2.0 per cent overall increase in net interest income.

Other operating income achieved year-on-year growth of 11.8 per cent with increases seen in all major non-interest income categories. Despite challenging market conditions, Corporate Wealth Management income achieved a 4.5 per cent increase and contributed 10.4 per cent of CMB's total operating income. Following good growth in the first half of 2008, investment and treasury business was affected by weak investment sentiment and volatile market conditions in the second half, leading to a moderate income growth of 2.7 per cent for the year. Corporate life insurance business benefited from improved product offerings and sales training, leading to a 96.6 per cent increase in income.

The successful launch of express China remittance services in cooperation with Hang Seng Bank (China) Limited, Industrial Bank and Bank of Communications underpinned encouraging improvements in our outward remittance market share. Through these strengthened services, our customers can now make same-day remittances to about 100 key cities on the Mainland.

Alongside increased collaboration among the Hong Kong, Mainland and Macau teams, a branding programme was rolled out in September 2008 to establish the bank as the financial institution of choice for middle-market enterprises ('MMEs') which are in need of one-stop cross-border financial services.

CMB continued to improve its position in the merchant-acquiring business by offering total banking solutions to retailers. Fee income from card merchant-acquiring saw good growth of 27.2 per cent. Octopus card merchant services remained an important source of new customer acquisitions, with around 70 per cent of Octopus card merchants acquired in 2008 being new customers for the bank. The overall number of new commercial customers acquired in 2008 rose by 5.5 per cent.

As of 31 December 2008, more than 64,000 customers had registered for Business e-Banking services, a year-on-year increase of 26.5 per cent. Business e-Banking securities trading services were introduced in August 2008 to provide commercial customers with an efficient and convenient trading platform. The number of online business banking transactions grew by 27.8 per cent compared with 2007. To further expand service channels, the services of two Business Banking Centres were extended to offer automated banking and counter services for commercial customers.

Corporate Banking ('CIB') achieved an increase of 36.3 per cent in operating profit excluding loan impairment charges, driven largely by satisfactory growth of 37.4 per cent in net interest income. Average customer deposits rose by 5.4 per cent. Average customer advances were up 7.9 per cent, due mainly to increased lending to property development and building & construction companies. Profit before tax rose strongly by HK$170 million, or 35.8 per cent, to HK$645 million.

Our restraint in asset growth leading up to 2008 has served us well. Throughout 2008, CIB has been able to support its customers with new or renewed facilities at good risk-adjusted returns. Net interest income from advances grew by 45.3 per cent.

CIB remained active in financing mainland projects of Hong Kong-based corporations during 2008 and continued to expand its mainland customer base. Average customer deposits on the Mainland recorded encouraging growth of 50.9 per cent while loan balances remained flat due to macro-economic control and repayments.

Treasury ('TRY') reported a strong growth of 87.0 per cent in operating income, due mainly to improved interest margins on the balance sheet management portfolio under low global interest rates.

In the face of slowing economic activity and the growing credit crisis, Treasury further strengthened its prudent risk management strategy. By rebalancing its investment portfolio with a particular focus on investing in high quality papers, Treasury achieved an impressive HK$1,370 million, or 104.4 per cent, increase in net interest income from balance sheet management portfolios.

Net trading income also recorded encouraging growth of 37.0 per cent, or HK$173 million. Income from foreign exchange spot and derivative trading remained the central pillar of trading income. In the uncertain market conditions, sales of capital-protected investment instruments and other foreign exchange linked products enjoyed strong growth.

The financial turmoil that took hold of markets in the second half of the year affected the credit quality of some investments under the balance sheet management portfolio, resulting in an impairment provision of HK$1,375 million, which partly offset the growth in operating income.

Despite the credit challenges, profit before tax taking into account the increase in share of profits from associates grew by 24.6 per cent to HK$2,279 million, contributing 14.4 per cent to the group's total profit before tax.

Mainland business

Headquartered in Shanghai, the bank's mainland subsidiary, Hang Seng Bank (China) Limited ('Hang Seng China'), marked its first anniversary in May 2008. At the end of 2008, Hang Seng China operated a network of 33 outlets in Beijing, Shanghai, Guangzhou, Dongguan, Shenzhen, Fuzhou, Nanjing, Hangzhou, Ningbo, Tianjin and Kunming. The bank has a branch in Shenzhen for foreign currency wholesale business and a representative office in Xiamen.

To strengthen its foothold in the rapidly developing Bohai Economic Rim region, in January 2008 the bank signed an agreement to subscribe for 20 per cent of the enlarged share capital of Yantai City Commercial Bank ('YTCCB') - one of the largest city commercial banks in Shandong Province - for a consideration of RMB800 million. The bank obtained formal approval for the deal from the China Banking Regulatory Commission on 5 December 2008 and paid the purchase consideration to YTCCB on 31 December 2008.

Hang Seng China set up strategic business collaborations during 2008, working with various insurance companies to enrich its insurance product offerings, expanding its mortgage loan business by cooperating with a guarantee company and property agencies, providing additional Chinese renminbi depository channels and express China remittance services through partnering with mainland banks, and preparing for the issuance of a debit card and expanding its service channel coverage by joining China UnionPay.

These developments helped solidify relationships with existing customers and reach out to new ones, with the number of Prestige Banking customers and corporate customers up by 154 per cent and 20 per cent respectively. Under the current economic turmoil, balance sheet structure was further improved by successful efforts to build a stronger deposit base. Total operating income rose by 63.7 per cent, benefiting from impressive increases in both non-interest income and net interest income, supported by a 3.7 per cent increase in customer advances and a strong 91.8 per cent growth in customer deposits. Profit before tax fell substantially, affected by the cost of investments in human resources and branch network, an exchange loss on US dollar capital funds upon revaluation against the Chinese renminbi, and an increase in loan impairment charges.

Including the bank's share of profit from Industrial Bank, mainland business contributed 11.9 per cent of total profit before tax, compared with 6.5 per cent in 2007.

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 2008.

	Year ended 31 December	
Figures in HK$m	***2008***	*2007*
Interest income	**26,172**	34,406
Interest expense	**(9,940)**	(19,687)
Net interest income	**16,232**	14,719
Fee income	**5,704**	7,682
Fee expense	**(735)**	(796)
Net fee income	**4,969**	6,886
Trading income	**1,455**	1,679
Net (loss)/income from financial instruments designated at fair value	**(1,031)**	1,907
Dividend income	**82**	52
Net earned insurance premiums	**12,351**	9,702
Other operating income	**701**	747
Total operating income	**34,759**	35,692
Net insurance claims incurred and movement in policyholders' liabilities	**(11,463)**	(10,677)
Net operating income before loan impairment charges and other credit risk provisions	**23,296**	25,015
Loan impairment charges and other credit risk provisions	**(2,776)**	(576)
Net operating income	**20,520**	24,439
Employee compensation and benefits	**(3,452)**	(3,585)
General and administrative expenses	**(2,851)**	(2,684)
Depreciation of premises, plant and equipment	**(432)**	(348)

Amortisation of intangible assets	**(60)**	(33)
Total operating expenses	**(6,795)**	(6,650)
Operating profit	**13,725**	17,789
Gain on dilution of investment in an associate	_	1,465
Gains less losses from financial investments and fixed assets	**267**	716
Net surplus on property revaluation	**79**	379
Share of profits from associates	**1,807**	1,122
Profit before tax	**15,878**	21,471
Tax expense	**(1,779)**	(2,865)
Profit for the year	**14,099**	18,606
Profit attributable to shareholders	**14,099**	18,242
Profit attributable to minority interests	—	364
	14,099	18,606
Dividends	**12,045**	12,045
Earnings per share (in HK$)	**7.37**	9.54

The HSBC Group reports interest income and interest expense arising from financial assets and financial liabilities held for trading as 'Net trading income' and arising from financial instruments designated at fair value through profit and loss as 'Net income from financial instruments designated at fair value' (other than for debt securities in issue and subordinated liabilities, together with derivatives managed in conjunction with them).

The table below presents the interest income and interest expense of Hang Seng, as included within the HSBC Group accounts:

Figures in HK$m	***2008***	*2007*
	25,599	*33,701*

Interest income		
Interest expense	***(8,366)***	*(17,343)*
Net interest income	***17,233***	*16,358*
Net interest income and expense reported as 'Net trading income'	***(1,211)***	*(1,753)*
Net interest income and expense reported as 'Net income from financial instruments designated at fair value'	***210***	*114*

Consolidated Balance Sheet

Figures in HK$m	***At 31 December 2008***	*At 31 December 2007*
Assets		
Cash and balances with banks and other financial institutions	**24,822**	16,864
Placings with and advances to banks and other financial institutions	**69,579**	113,029
Trading assets	**108,389**	10,390
Financial assets designated at fair value	**7,798**	13,892
Derivative financial instruments	**7,104**	4,702
Advances to customers	**329,121**	308,356
Financial investments	**181,159**	244,294
Investments in associates	**8,870**	6,177
Investment properties	**2,593**	2,581
Premises, plant and equipment	**7,090**	6,794
Interest in leasehold land held for own use under operating lease	**551**	565
Intangible assets	**3,385**	2,889
Other assets	**11,506**	15,465
Deferred tax assets	**201**	1
	762,168	745,999
Liabilities		
Current, savings and other deposit accounts	**562,183**	546,653
Deposits from banks	**11,556**	19,736
Trading liabilities	**48,282**	48,151
Financial liabilities designated at fair value	**1,407**	1,498
Derivative financial instruments	**14,945**	4,683
Certificates of deposit and other debt securities in issue	**2,772**	5,685
Other liabilities	**15,448**	17,850
Liabilities to customers under insurance contracts	**43,835**	33,089

Current tax liabilities	**94**	1,479
Deferred tax liabilities	**711**	1,365
Subordinated liabilities	**9,309**	9,354
	710,542	689,543
Capital resources		
Share capital	**9,559**	9,559
Retained profits	**32,518**	32,873
Other reserves	**3,813**	8,288
Proposed dividends	**5,736**	5,736
Shareholders' funds	**51,626**	56,456
	762,168	745,999

Consolidated Statement of Recognised Income and Expense

	Year ended 31 December	
Figures in HK$m	***2008***	*2007*
Unrealised surplus on revaluation of premises, net of tax	**143**	443
Tax on realisation of revaluation surplus on disposal of premises	**4**	45
Available-for-sale investments reserve, net of tax:		
- fair value changes taken to equity		
-- on debt securities	**(3,367)**	(429)
-- on equity shares	**(1,905)**	2,023
- fair value changes transferred to income statement:		
-- on impairment	**543**	—
-- on hedged items	**(418)**	(181)
-- on disposal	**(568)**	(444)
Cash flow hedges reserve, net of tax:		
- fair value changes taken to equity	**735**	146
- fair value changes transferred to income statement	**(317)**	218
Actuarial (losses) on defined benefit plans, net of tax	**(2,518)**	(1,243)
Exchange differences on translation of financial statements of overseas branches, subsidiaries and associates	**627**	527
Effect of decrease in tax rate in deferred tax balance at 1 January	**30**	—
Net (expense)/income recognised directly in equity	**(7,011)**	1,105
Profit for the year	**14,099**	18,606
Total recognised income and expense for the year	**7,088**	19,711
Attributable to shareholders	**7,088**	19,347
Attributable to minority interests	—	364
	7,088	19,711

Consolidated Cash Flow Statement

Figures in HK$m	***Year ended 31 December*** ***2008***	*2007*
Net cash (outflow)/inflow from operating activities	**(86,830)**	21,070
Cash flows from investing activities		
Dividends received from associates	**287**	207
Purchase of an interest in an associate	**(909)**	_
Purchase of available-for-sale investments	**(79,103)**	(90,693)
Purchase of held-to-maturity debt securities	**(198)**	(504)
Proceeds from sale or redemption of available-for-sale investments	**136,534**	91,813
Proceeds from redemption of held-to-maturity debt securities	**123**	43
Purchase of fixed assets and intangible assets	**(666)**	(540)
Proceeds from sale of fixed assets and assets held for sale	**272**	1,130
Interest received from available-for-sale investments	**8,188**	9,756
Dividends received from available-for-sale investments	**80**	49
Net cash outflow from increase in stake of subsidiaries	**_**	(2,409)
Net cash inflow from investing activities	**64,608**	8,852
Cash flows from financing activities		
Dividends paid	**(12,045)**	(9,942)
Interest paid for subordinated liabilities	**(396)**	(473)
Proceeds from subordinated liabilities	**_**	2,342
Net cash outflow from financing activities	**(12,441)**	(8,073)
(Decrease)/increase in cash and cash equivalents	**(34,663)**	21,849
Cash and cash equivalents at 1 January	**113,474**	90,275
Effect of foreign exchange rate changes	**(2,695)**	1,350
Cash and cash equivalents at 31 December	**76,116**	113,474

Financial Review

Net interest income

Figures in HK$m	***2008***	*2007*
Net interest income/(expense) arising from:		
- financial assets and liabilities that are not at fair value		

through profit and loss	**17,277**	16,404
- trading assets and liabilities	**(1,211)**	(1,753)
- financial instruments designated at fair value	**166**	68
	16,232	14,719
Average interest-earning assets	**688,252**	661,469
Net interest spread	**2.15%**	1.84%
Net interest margin	**2.36%**	2.23%

Net interest income rose by HK$1,513 million, or 10.3 per cent, to HK$16,232 million with a 4.0 per cent increase in average interest-earning assets.

Average customer advances rose 11.6 per cent, with notable increases in higher yielding personal loans, card advances, trade finance and mainland loans. The active property market in first half of 2008 drove strong growth in average mortgage lending, but this was partly offset by compressed mortgage pricing in the intensely competitive and low interest rate environment. Overall, the total loan portfolio contributed HK$846 million to the growth in net interest income.

Benefiting from low market interest rates, Treasury balance sheet management income registered strong growth, contributing HK$1,370 million to the increase in net interest income. The interest earned from the life insurance funds investment portfolio also recorded encouraging growth of HK$473 million, reflecting the increase in the size of the portfolio.

Average customer deposits grew by 6.8 per cent, mainly reflecting increases in savings and foreign currency time deposits. However, the favourable impact of the growth in deposits and low-cost savings balances were more than offset by narrower time deposit spreads with little room to reduce customer rates under the low interest rate environment. Net interest income from deposit products fell by HK$270 million.

The contribution from net free funds fell by HK$906 million due to the decrease in market interest rates, but this was partly offset by the increase in level of net free funds (including non-interest-bearing account balances and net shareholders' funds).

Net interest margin rose by 13 basis points to 2.36 per cent. Net interest spread increased by 31 basis points to 2.15 per cent, benefiting from growth in low cost customer deposits, better yields on the Treasury balance sheet management portfolios and the lagged effect of asset re-pricing following several prime interest rate cuts in 2008. Contribution from net free funds, however, fell by 18 basis points to 0.21 per cent as a result of the fall in market interest rates. Including the net decrease of HK$305 million in funding swap costs - which were recognised as foreign exchange losses under trading income - net interest income increased by HK$1,818 million, or 12.8 per cent, and net interest margin improved by 18 basis points to 2.34 per cent.

The HSBC Group reports interest income and interest expense arising from financial assets and financial liabilities held for trading as 'Net trading income'. Income arising from financial instruments designated at fair value through profit and loss is reported as 'Net income from financial instruments designated at fair value' (other than for debt securities in issue and subordinated liabilities, together with derivatives managed in conjunction with them).

The table below presents the net interest income of Hang Seng, as included within the HSBC Group accounts:

Figures in HK$m	***2008***	*2007*
Net interest income	**17,233**	16,358
Average interest-earning assets	**664,750**	643,655
Net interest spread	**2.34%**	1.98%
Net interest margin	**2.59%**	2.54%

Net fee income

Figures in HK$m	***2008***	*2007*
- Stockbroking and related services	**1,359**	1,985
- Retail investment funds	**1,084**	1,676
- Structured investment products	**341**	661
- Insurance	**98**	115
- Account services	**282**	284
- Private banking	**234**	1,000
- Remittances	**212**	193
- Cards	**1,304**	1,048
- Credit facilities	**132**	110
- Trade services	**409**	406
- Other	**249**	204
Fee income	**5,704**	7,682

Fee expense	**(735)**	(796)
	4,969	6,886

Net fee income fell by HK$1,917 million, or 27.8 per cent, to HK$4,969 million, compared with 2007.

Hang Seng achieved good growth in stockbroking and related services, retail investment funds and sales of structured investment products in the first half of 2008. However, the worldwide economic downturn drove a sharp deterioration in the operating environment in the second half of 2008, adversely affecting many business activities that generate fee-based income. Revenue from stockbroking and related services, retail investment funds and sales of structured investment products fell by 31.5 per cent, 35.3 per cent and 48.4 per cent respectively for the full year. Private banking investment services fee income dropped by 76.6 per cent as customers become more conservative towards investment.

Card services income sustained good growth momentum, rising by 24.4 per cent on the back of the increase in number of cards in circulation as well as the 15.9 per cent rise in card spending and the 38.6 per cent growth in merchant sales. The launch of the Hang Seng enJoy card, which employs contactless payment technology, was well received by the market and helped to boost the number of cards in issue by about 13.4 per cent.

Remittances and credit facilities rose by 9.8 per cent and 20.0 per cent respectively.

Compared with the first half of 2008, net fee income in the second half fell by HK$1,085 million, or 35.8 per cent, due mainly to declines in income from stockbroking and related services, retail investment funds and private banking.

Trading income

Figures in HK$m	***2008***	*2007*
Trading income:		
- foreign exchange	**1,384**	861
- securities, derivatives and other trading activities	**71**	818
	1,455	1,679

Trading income dropped by HK$224 million, or 13.3 per cent, to HK$1,455 million, compared with 2007. The HK$523 million increase in foreign exchange income takes into account two specific items not related to normal foreign exchange trading. First, an exchange loss of HK$156 million was incurred in 2008 (HK$461 million in 2007) on forward contracts employing 'funding swap' activities^ in the balance sheet management portfolios. Also, the revaluation loss on the US dollars capital funds of Hang Seng China amounted to HK$194 million in 2008

(HK$171 million in 2007). The capital funds were injected in US dollars and pending regulatory approval for conversion into Chinese renminbi, and the revaluation against Chinese renminbi was recognised as a foreign exchange loss. Excluding these two unfavourable items, normal foreign exchange trading registered encouraging growth of HK$241 million, or 16.1 per cent, reflecting the bank's ability to capture good opportunities to sustain its income from proprietary trading and customer-driven business (particularly foreign exchange-linked products) in volatile financial market conditions. The bank will work to further develop sustainable competitive advantages in this area by enhancing product pricing, sales synergy and system support when launching innovative products in both Hong Kong and the Mainland.

Income from securities, derivatives and other trading activities fell by HK$747 million, or 91.3 per cent, due to lower demand for equity-linked structured products and unfavourable trading results.

^Treasury from time to time employs foreign exchange swaps for its funding activities, which in essence involve swapping a currency ('original currency') into another currency ('swap currency') at the spot exchange rate for short-term placement and simultaneously entering into a forward exchange contract to convert the funds back to the original currency on maturity of the placement. In accordance with HKAS39, the exchange difference of the spot and forward contracts is required to be recognised as foreign exchange gain/loss, while the corresponding interest differential between the original and swap funding is reflected in net interest income.

Net (loss)/income from financial instruments designated at fair value

Figures in HK$m	***2008***	*2007*
Net (loss)/income on assets designated at fair value		
which back insurance and investment contracts	**(1,045)**	1,903
Net change in fair value of other financial instruments		
designated at fair value	**14**	4
	(1,031)	1,907

Financial instruments designated at fair value reported a net loss of HK$1,031 million, compared with a HK$1,907 million gain in 2007, reflecting the weak performance of the investment assets of the life insurance portfolio in the turbulent market conditions of 2008. In response to the volatile global stock market, the equity component of the investment portfolios has been replaced substantially by high quality debt securities. As a result, the investment loss was contained at a relatively low level of HK$15 million in the second half of 2008 when compared with a loss of HK$1,030 million in the first half.

Other operating income

Figures in HK$m	***2008***	*2007*

Rental income from investment properties	**138**	139
Movement in present value of in-force long-term		
insurance business	**382**	397
Other	**181**	211
	701	747

Analysis of income from wealth management business

Figures in HK$m	***2008***	*2007*
Investment income:		
- retail investment funds	**1,084**	1,676
- structured investment products^	**882**	1,492
- private banking^^	**248**	1,009
- securities broking and related services	**1,359**	1,985
- margin trading and others	**119**	78
	3,692	6,240
Insurance income:		
- life insurance	**1,383**	2,055
- general insurance and others	**314**	348

	1,697	2,403
Total	**5,389**	8,643

^ *Income from structured investment products includes income reported under net fee income on the sales of third-party structured investment products. It also includes profit generated from the selling of structured investment products in issue, reported under trading income.*

^^ *Income from private banking includes income reported under net fee income on investment services and profit generated from selling of structured investment products in issue, reported under trading income.*

Wealth management business remained strong and maintained balanced growth in the first half of 2008, but was subsequently affected by the global economic turmoil and deteriorating economic environment in the second half of the year. Investment income and insurance income for 2008 fell by 40.8 per cent and 29.4 per cent respectively when compared with a year earlier.

While the operating environment deteriorated rapidly and many financial institutions were impacted in the second half of 2008, the bank's adaptable wealth management strategy proved successful in maintaining its leadership position in the market by providing diversified income streams from a wide product range. To offer greater peace of mind to customers amid the financial market turmoil, the focus of wealth management sales was shifted to highly defensive products, such as capital-protected investments and life insurance. The bank's reputation for stringent risk control in the development and selection of the suitable products for customers proved an important competitive advantage and further strengthened the bank's position as one of the most preferred financial institutions in Hong Kong.

The worldwide economic downturn that took hold in the second half of 2008 adversely affected financial markets-related income. Although the bank offers a wide variety of investment funds to meet the changing risk appetites of investors, investment fund income (including sales commissions and management fees) fell by 35.3 per cent to HK$1,084 million with turnover down by 69.6 per cent. Funds under management (excluding private banking) declined by 37.3 per cent to HK$51.5 billion compared with the end of 2007, due mostly to a decline in the market value of the funds resulting from declining financial market values.

Throughout the year, equity markets remained difficult and market values trended sharply downward. The bank continued to distribute a wide range of structured products offering flexibility of investment options and potential returns, but with increasing investor caution, income from structured investment products declined by 40.9 per cent. The sluggish equity markets also affected securities broking and related services income, which fell by 31.5 per cent to HK$1,359 million.

Following strong growth in 2007, Private Banking was adversely affected by weak investment sentiment. This led to lower customer transactions and a 75.4 per cent decrease in wealth management income for 2008. Private banking's customer base maintained stable growth, which will help support a solid recovery in income growth once financial markets stabilise and investor confidence returns. Assets under management dropped by 42.0 per cent, due largely to the fall in the market value of assets under the volatile financial conditions.

Life insurance income declined by HK$672 million, or 32.7 per cent, to HK$1,383 million (analysed in the table below). Despite poor investment sentiment, the bank was able to sustain its robust growth in life insurance, topping the league in terms of new annualised regular life insurance premiums for the first three quarters of the year and gaining market share. The bank continued to enhance its strong position in providing retirement savings and protection products to its banking customers. New features were added to the bank's flagship life insurance product - the Income Select Life Insurance Plan. Net earned insurance premiums were up by HK$2,629 million, or 28.0 per cent. In response to the volatile global stock markets, the equity component of the life insurance funds investment portfolio has been replaced substantially by debt securities. As a result, net interest income from life insurance business rose significantly by 47.5 per cent due to the growth in investment portfolio size. In addition, the loss on investment returns on life insurance funds was significantly contained at a low level of HK$35 million in second half when compared with the loss of HK$1,030 million in the first half of the year.

General insurance income dropped by 9.8 per cent to HK$314 million.

Figures in HK$m	***2008***	*2007*
Life insurance:		
- net interest income and fee income	**1,400**	943
- investment returns on life insurance		
funds	**(1,065)**	1,903
- net earned insurance premiums	**12,023**	9,394
- claims, benefits and surrenders paid	**(676)**	(609)
- movement in policyholders' liabilities^	**(10,703)**	(9,991)
- reinsurers' share of claims incurred and		
movement in policyholders' liabilities	**22**	18
- movement in present value of in-force		
long-term insurance business	**382**	397
	1,383	2,055
General insurance and others	**314**	348
	1,697	2,403

Total

^ *Including premium and investment reserves*

Loan impairment charges and other credit risk provisions

Figures in HK$m	***2008***	*2007*
Loan impairment charges:		
- individually assessed	**(925)**	(250)
- collectively assessed	**(476)**	(326)
	(1,401)	(576)
Of which:		
- new and additional	**(1,505)**	(702)
- releases	**48**	64
- recoveries	**56**	62
	(1,401)	(576)
Other provision	**(1,375)**	—
Loan impairment charges and other credit risk provisions	**(2,776)**	(576)

Loan impairment charges and other credit risk provisions increased substantially by HK$2,200 million, or 381.9 per cent, to HK$2,776 million. The charge for individually assessed impairment provisions increased by HK$675 million, or 270.0 per cent, due mainly to the downgrading of certain corporate and commercial banking customers in the weakening credit environment. However, these provisions were partly offset by a net release on the mortgage portfolio.

Collectively assessed provisions rose by HK$150 million, or 46.0 per cent, reflecting the combined effect of the HK$81 million rise in allowances on card and personal loan portfolios and the HK$69 million increase in allowances for loans not individually identified as impaired as a result of the periodical update of historical loss rates to reflect the turbulence of the global credit markets.

Other credit risk provisions registered an impairment charge of HK$1,375 million in 2008. During the third quarter, growing volatility in major financial markets had an adverse impact on Hang Seng's investment securities. The bank wrote down the carrying value of certain available-for-sale debt securities and made an impairment charge of HK$1,375 million.

Operating expenses

Figures in HK$m	***2008***	*2007*
Employee compensation and benefits:		
- salaries and other costs	**2,817**	2,443
- performance-related pay	**462**	1,095
- retirement benefit costs	**173**	47

	3,452	3,585
General and administrative expenses:		
- rental expenses	**423**	379
- other premises and equipment	**926**	820
- marketing and advertising expenses	**516**	601
- other operating expenses	**986**	884
	2,851	2,684
Depreciation of business premises and equipment	**432**	348
Amortisation of intangible assets	**60**	33
	6,795	6,650
Cost efficiency ratio	**29.2%**	26.6%

Staff numbers^ by region	***2008***	*2007*
Hong Kong	**8,256**	8,033
Mainland	**1,450**	1,097
Others	**58**	60
Total	**9,764**	9,190

^ *Full-time equivalent*

Operating expenses rose slightly by HK$145 million, or 2.2 per cent, to HK$6,795 million, reflecting the bank's traditional cost discipline in the difficult economic environment. Excluding mainland operations, operating expenses fell slightly by 2.7 per cent.

Employee compensation and benefits declined by HK$133 million. Salaries and other costs increased by 15.3 per cent, reflecting the annual salary increment and an increase in the number of full-time equivalent staff. Performance-related pay expenses were down 57.8 per cent while retirement benefit costs increased due to the change in actuarial assumptions made on the expected rate of salary increases at the end of 2007. General and administrative expenses rose by 6.2 per cent. Increasing rental costs for branches in Hong Kong, new branches in the Mainland and the bank's large office premises in Kowloon Bay resulted in higher rental costs. IT costs also rose. These expenses were partly offset by controlled spending in marketing and advertising. Depreciation was up by HK$84 million due to the acquisition of equipment, fixtures and fittings for the bank's Kowloon Bay office and Headquarters building in Central.

The number of full-time equivalent staff rose by 574 compared with 2007 year-end. New hires to support Hang Seng China's mainland expansion accounted for 61.5 per cent of the total rise. The remaining increase was due to investment in the expansion of CMB's relationship management and wealth management teams as well as IT systems development needs.

The cost efficiency ratio for 2008 was 29.2 per cent, compared with 26.6 per cent in 2007.

Gains less losses from financial investments and fixed assets

Figures in HK$m	***2008***	*2007*
Net gains from disposal of available-for-sale equity securities	**646**	449
Net losses from disposal of available-for-sale debt securities	**(83)**	—
Impairment of available-for-sale equity securities	**(284)**	—
Gains less losses on disposal of investment properties	—	208
Gains less losses on disposal of fixed assets	**(12)**	59
	267	716

Gains less losses from financial investments and fixed assets fell by HK$449 million, or 62.7 per cent, to HK$267 million. Net gains from the disposal of available-for-sale equity securities rose by HK$197 million, or 43.9 per cent, to HK$646 million, and comprised primarily profit realised from the partial disposal of shares held in MasterCard Inc. and the redemption of shares in Visa Inc. following its IPO early in 2008. In accordance with Hong Kong accounting standards, an impairment charge of HK$284 million was made for certain available-for-sale equity securities. Gains less losses on disposal of investment properties was lower due to fewer property disposals.

Gain on dilution of investment in an associate

In 2007, the group recorded a dilution gain of HK$1,465 million resulting from its investment in Industrial Bank. No such gain was made in 2008.

Tax expense

Taxation in the consolidated income statement represents:

Figures in HK$m	***2008***	*2007*
Current tax - provision for Hong Kong profits tax		
Tax for the year	**2,167**	2,912
Adjustment in respect of prior year	**(350)**	(141)
Current tax - taxation outside Hong Kong		
Tax for the year	**(21)**	29
Deferred tax		
Origination and reversal of temporary differences	**31**	65
Effect of decrease in tax rate on deferred tax balances at 1 January	**(48)**	—
Total tax expense	**1,779**	2,865

The current tax provision is based on the estimated assessable profit for 2008, and is determined for the bank and its subsidiaries operating in Hong Kong by using the Hong Kong profits tax rate of 16.5 per cent (17.5 per cent as in

2007). For subsidiaries and branches operating in other jurisdictions, the appropriate tax rates prevailing in the relevant countries are used. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Earnings per share

The calculation of earnings per share in 2008 is based on earnings of HK$14,099 million (HK$18,242 million in 2007) and on the weighted average number of ordinary shares in issue of 1,911,842,736 shares (unchanged from 2007).

Dividends per share

		2008		*2007*
	HK$ per share	***HK$m***	*HK$ per share*	*HK$m*
First interim	**1.10**	**2,103**	1.10	2,103
Second interim	**1.10**	**2,103**	1.10	2,103
Third interim	**1.10**	**2,103**	1.10	2,103
Fourth interim	**3.00**	**5,736**	3.00	5,736
	6.30	**12,045**	6.30	12,045

Segmental analysis

Segmental information is presented in respect of business and geographical segments. Business by customer group information, which is more relevant to the group in making operating and financial decisions, is chosen as the primary reporting format.

For the purpose of segmental analysis, the allocation of revenue reflects the benefits of capital and other funding resources allocated to the customer groups or geographical segments by way of internal capital allocation and fund transfer-pricing mechanisms. Cost allocation is based on the direct costs incurred by the respective customer groups and apportionment of management overheads. Rental charges at market rates for usage of premises are reflected as inter-segment income for the 'Other' customer group and inter-segment expenses for the respective customer groups.

(a) By customer group

The group's business comprises five customer groups. Personal Financial Services provides banking (including deposits, credit cards, mortgages and other retail lending) and wealth management services (including private banking, investment and insurance) to personal customers. Commercial Banking manages middle market and smaller corporate relationships and specialises in trade-related financial services. Corporate Banking handles relationships with large corporate and institutional customers. Treasury engages in balance sheet management and proprietary trading. Treasury also manages the funding and liquidity positions of the group and other market risk positions arising from banking activities. 'Other' mainly represents management of shareholders' funds and investments in premises, investment properties and equity shares.

Profit before tax contributed by the customer groups in 2008 compared with 2007 is set out in the table below. More customer group analysis and discussions are set out in the 'Customer group performance' section on page 12.

Personal

Figures in HK$m	***Financial Services***	***Commercial Banking***	***Corporate Banking***	***Treasury***	***Other***	***Total***
Year ended 31 December 2008						
Profit before tax	**8,410**	**2,470**	**645**	**2,279**	**2,074**	**15,878**
Share of profit before tax	**52.9%**	**15.6%**	**4.1%**	**14.4%**	**13.0%**	**100.0%**
Year ended 31 December 2007						
Profit before tax	11,918	2,701	475	1,829	4,548	21,471
Share of profit before tax	55.5%	12.6%	2.2%	8.5%	21.2%	100.0%

(b) By geographical region

The geographical regions in this analysis are classified by the location of the principal operations of the subsidiary companies or, in the case of the bank itself, by the location of the branches responsible for reporting the results or advancing the funds.

Figures in HK$m	***Hong Kong***	***Americas***	***Mainland and other***	***Total***
Year ended 31 December 2008				
Income and expense				
Total operating income	**31,381**	**2,378**	**1,000**	**34,759**
Profit before tax	**12,834**	**1,771**	**1,273**	**15,878**
Capital expenditure incurred	**545**	_	**121**	**666**
At 31 December 2008				
Total assets	**656,411**	**55,365**	**50,392**	**762,168**
Total liabilities	**680,296**	**1,238**	**29,008**	**710,542**
	196,778	—		**210,242**

Contingent liabilities and commitments			**13,464**	
Year ended 31 December 2007				
Income and expense				
Total operating income	33,259	1,782	651	35,692
Profit before tax	17,150	1,748	2,573	21,471
Capital expenditure incurred	432	–	109	541
At 31 December 2007				
Total assets	630,989	71,082	43,928	745,999
Total liabilities	663,333	4,020	22,190	689,543
Contingent liabilities and commitments	200,462	–	15,007	215,469

Analysis of assets and liabilities by remaining maturity

The maturity analysis is based on the remaining period at the balance sheet date to the contractual maturity date, with the exception of the trading portfolio that may be sold before maturity and is accordingly recorded as 'Trading'.

Figures in HK$m	***Repayable on demand***	***One month or less but not on demand***	***One month to three months***	***Three months to one year***	***One year to five years***	***Over five years***	***Trading***	***No contractual maturity***	***Total***
Assets									
Cash and balances with banks and other financial institutions	**24,822**	–	–	–	–	–	–	–	**24,822**
Placings with and advances to banks and other financial institutions	**6,440**	**40,585**	**15,934**	**6,620**	–	–	–	–	**69,579**
Trading assets	–	–	–	–	–	–	**108,389**	–	**108,389**

Financial assets designated at fair value	_	35	91	1,052	6,004	230	_	38698
Derivative financial instruments	_	129	252	744	285	_	5,694	7,104
Advances to customers	19,056	14,830	22,376	47,777	121,586	103,496	_	329,121
Financial investments	5	9,921	15,718	28,041	101,512	25,379	_	18813,59
Investments in associates	_	_	_	_	_	_	_	8,88070
Investment properties	_	_	_	_	_	_	_	2,52593
Premises, plant and equipment	_	_	_	_	_	_	_	7,07090
Interest in leasehold land held for own use under operating lease	_	_	_	_	_	_	_	555151
Intangible assets	_	_	_	_	_	_	_	3,38585
Other assets	4,224	1,781	1,636	3,570	51	8	_	123,606
Deferred tax assets	_	_	_	_	_	_	_	202101
At 31 December 2008	54,547	67,281	56,007	87,804	229,438	129,113	114,083	2376,8295,168
Liabilities								
Current, savings and other deposit accounts	358,976	128,083	60,146	13,916	777	285	_	562,183
Deposits from banks	5,712	4,274	1,279	291	_	_	_	11,556
Trading liabilities	_	_	_	_	_	_	48,282	48,282
Financial liabilities designated at fair value	3	_	_	_	998	_	_	401,607
Derivative financial								

instruments	_	**1**	_	**5**	**304**	**259**	**14,376**	_	**14,945**
Certificate of deposit and other debt securities in issue	_	**295**	_	**1,082**	**1,395**	_	_	_	**2,772**
Other liabilities	**4,657**	**2,154**	**1,225**	**2,996**	**69**	**116**	_	**4,231**	**15,448**
Liabilities to customers under insurance contracts	_	_	_	_	_	_	_	**43,835**	**43,835**
Current tax liabilities	_	**1**	_	**93**	_	_	_	_	**94**
Deferred tax liabilities	_	_	_	_	_	_	_	**711**	**711**
Subordinated liabilities	_	_	_	_	**9,309**	_	_	_	**9,309**
At 31 December 2008	**369,348**	**134,808**	**62,650**	**18,383**	**12,852**	**660**	**62,658**	**49,183**	**710,542**

Figures in HK$m	*Repayable on demand*	*One month or less but not on demand*	*One month to three months*	*Three months to one year*	*One year to five years*	*Over five years*	*Trading*	*No contractual maturity*	*Total*
Assets									
Cash and balances with banks and other financial institutions	16,864	_	_	_	_	_	_	_	16,864
Placings with and advances to banks and other financial institutions	30,427	62,943	18,374	1,285	_	_	_	_	113,029

Trading assets	_	_	_	_	_	_	10,390	_	10,390
Financial assets designated at fair value	_	_	305	146	2,481	4,963	_	5,997	13,892
Derivative financial instruments	5	115	210	392	210	3	3,767	_	4,702
Advances to customers	19,863	15,111	24,885	50,290	93,575	104,632	_	_	308,356
Financial investments	300	19,371	22,458	55,071	126,395	16,462	_	4,237	244,294
Investments in associates	_	_	_	_	_	_	_	6,177	6,177
Investment properties	_	_	_	_	_	_	_	2,581	2,581
Premises, plant and equipment	_	_	_	_	_	_	_	6,794	6,794
Interest in leasehold land held for own use under operating lease	_	_	_	_	_	_	_	565	565
Intangible assets	_	_	_	_	_	_	_	2,889	2,889
Other assets	6,476	4,200	2,630	1,492	262	8	_	397	15,465
Deferred tax assets	_	_	_	_	_	_	_	1	1
At 31 December 2007	73,935	101,740	68,862	108,676	222,923	126,068	14,157	29,638	745,999
Liabilities									
Current, savings and other deposit accounts	312,427	177,361	42,612	13,055	913	285	_	_	546,653
Deposits from banks	1,791	12,994	2,640	2,311	_	_	_	_	19,736
Trading liabilities	_	_	_	_	_	_	48,151	_	48,151
Financial liabilities	41	—	—	—	997	—	—	460	1,498

designated at fair value									
Derivative financial instruments	_	7	11	25	47	58	4,535	_	4,683
Certificate of deposit and other debt securities in issue	_	8	_	2,857	2,820	_	_	_	5,685
Other liabilities	8,433	4,996	1,718	1,352	124	12	_	1,215	17,850
Liabilities to customers under insurance contracts	_	_	_	_	_	_	_	33,089	33,089
Current tax liabilities	_	_	_	1,479	_	_	_	_	1,479
Deferred tax liabilities	_	_	_	_	_	_	_	1,365	1,365
Subordinated liabilities	_	_	_	_	9,354	_	_	_	9,354
At 31 December 2007	322,692	195,366	46,981	21,079	14,255	355	52,686	36,129	689,543

Cash and balances with banks and other financial institutions

Figures in HK$m	***At 31 December 2008***	*At 31 December 2007*
Cash in hand	**3,696**	3,308
Balances with central banks	**2,426**	6,004
Balances with banks and other financial institutions	**18,700**	7,552
	24,822	16,864

Placings with and advances to banks and other financial institutions

Figures in HK$m	***At 31 December 2008***	*At 31 December 2007*
Placings with and advances to banks and		

other financial institutions maturing within one month	**47,025**	93,370
Placings with and advances to banks and other financial institutions maturing after one month	**22,554**	19,659
	69,579	113,029

Trading assets

Figures in HK$m	***At 31 December 2008***	*At 31 December 2007*
Treasury bills	**103,621**	6,303
Other debt securities	**4,750**	4,058
Debt securities	**108,371**	10,361
Equity shares	—	2
Total trading securities	**108,371**	10,363
Other^	**18**	27
Total trading assets	**108,389**	10,390
Debt securities:		
- listed in Hong Kong	**3,631**	2,564
- listed outside Hong Kong	**269**	796
	3,900	3,360
- unlisted	**104,471**	7,001
	108,371	10,361
Equity shares:		
- listed in Hong Kong	—	2
Total trading securities	**108,371**	10,363
Debt securities:		
Issued by public bodies:		
- central governments and central banks	**107,428**	9,061
- other public sector entities	**378**	387
	107,806	9,448
Issued by other bodies:		
- banks and other financial institutions	**306**	562
- corporate entities	**259**	351
	565	913
	108,371	10,361
Equity shares:		
Issued by corporate entities	—	2
Total trading securities	**108,371**	10,363

^ *This represents amount receivable from counterparties on trading transactions not yet settled.*

Trading assets rose substantially by HK$97,999 million, or 943.2 per cent when compared with the end of 2007. In light of the unprecedented turbulence in the financial markets and the interventions by various governments and central banks to stabilize the financial system, the bank has further strengthened its prudent risk management strategy and preserved its liquidity and yield by deploying its surplus funds from matured available-for-sale securities and short term interbank placement to high quality debt securities. These trading securities are mostly in the form of treasury bills with short tenors issued by governments.

Financial assets designated at fair value

Figures in HK$m	***At 31 December 2008***	*At 31 December 2007*
Certificates of deposit	**163**	52
Other debt securities	**7,273**	7,860
Debt securities	**7,436**	7,912
Equity shares	**362**	5,980
	7,798	13,892
Debt securities:		
- listed in Hong Kong	**834**	1,113
- listed outside Hong Kong	**1,004**	1,377
	1,838	2,490
- unlisted	**5,598**	5,422
	7,436	7,912
Equity shares:		
- listed in Hong Kong	**26**	1,976
- listed outside Hong Kong	**57**	1,600
	83	3,576
- unlisted	**279**	2,404
	362	5,980
	7,798	13,892
Debt securities:		
Issued by public bodies:		
- central governments and central banks	**924**	2,004
- other public sector entities	**564**	395
	1,488	2,399
Issued by other bodies:		
- banks and other financial institutions	**5,317**	4,682
- corporate entities	**631**	831
	5,948	5,513
	7,436	7,912
Equity shares:		
Issued by corporate entities	**362**	5,980
	7,798	13,892

Financial assets are designated at fair value, usually together with the related liabilities or derivative financial instruments, primarily for the purpose of eliminating or significantly reducing the accounting mismatch. The figures also include those financial assets of life insurance funds designated at fair value for backing policyholders' liabilities.

Advances to customers

Figures in HK$m	***At 31 December 2008***	*At 31 December 2007*
Gross advances to customers	**331,164**	309,409
Less:		
Loan impairment allowances:		
- individually assessed	**(1,241)**	(417)
- collectively assessed	**(802)**	(636)
	329,121	308,356
Included in advances to customers are:		
- trade bills	**2,899**	3,690
- loan impairment allowances		