



The Best of Both Worlds

About us and our 2009 financial year



HSBC  Trinkaus

Committed to values. For 225 years.

This stance which we have maintained since 1785 is more in keeping with the times than ever nowadays.

HSBC Trinkaus stands for personal integrity and client proximity combined with internationality and efficiency as HSBC in Germany.

Corporate clients, institutional clients and high net worth private clients benefit from these values.

Five-year Comparison of Consolidated Figures in €m

IFRS consolidated financial statements in €m	2009	2008	2007	2006	2005*
Total assets	18,728.6	22,205.7	21,066.9	18,676.4	15,948.1
Assets					
Cash reserve	177.0	139.5	332.3	436.3	798.6
Loans and advances to banks	2,429.4	2,979.7	4,117.0	4,440.1	4,561.9
Loans and advances to customers	2,687.5	4,082.6	4,272.9	3,173.1	2,554.0
Net loan impairment and other credit risk provisions	-42.9	-21.4	-16.2	-17.0	-26.1
Trading assets	10,005.7	12,482.6	10,436.8	9,044.0	6,470.6
Financial assets	3,126.1	2,118.8	1,568.2	1,437.6	1,472.2
Interests in associates	10.6	10.1	15.2	1.5	0.0
Property, plant and equipment	83.3	81.1	196.3	80.4	78.0
Intangible assets	44.1	56.0	12.3	9.3	7.9
Taxation recoverable	13.0	17.5	54.8	2.5	1.8
current	13.0	13.0	54.8	2.5	1.4
deferred	0.0	4.5	0.0	0.0	0.4
Other assets	194.8	259.2	77.3	68.6	29.2
Liabilities					
Deposits by banks	2,697.6	2,709.1	2,532.7	1,495.7	1,424.7
Customer accounts	9,062.1	11,592.8	10,283.2	8,861.4	7,139.6
Certificated liabilities	10.0	10.0	10.0	29.8	34.6
Trading liabilities	5,196.7	6,152.9	6,488.4	6,683.6	5,883.9
Provisions	152.2	117.4	112.4	113.0	103.5
Taxation**	67.7	85.1	106.0	62.0	128.1
current**	61.1	81.5	48.4	25.7	80.7
deferred	6.6	3.6	57.6	36.3	47.4
Other liabilities	95.3	108.2	106.8	105.4	91.0
Subordinated capital	384.4	458.7	458.7	440.6	308.1
Shareholders' equity**	1,062.5	955.0	968.7	884.9	834.6
Minority interests	0.1	16.5	0.0	0.0	0.0
Income statement					
Net interest income	143.3	139.5	110.0	88.6	73.7
Net loan impairment and other credit risk provisions	22.4	4.5	-3.5	-5.2	-9.7
Share of profit in associates	0.6	0.5	6.4	2.5	0.9
Net fee income	346.2	347.6	318.1	281.8	264.4
Net trading income	117.9	98.2	100.1	104.0	74.3
Administrative expenses**	400.8	384.2	334.0	298.6	287.6
Other operating income / expenses	11.6	3.5	1.3	-1.0	0.8
Operating profit	196.4	200.6	205.4	182.5	136.2
Income from financial assets	-24.0	-50.0	1.9	6.5	49.1
Income from derivatives in the bank book	5.1	-11.1	0.0	0.0	0.0
Other net income	-13.8	-1.3	-0.1	0.5	8.2
Pre-tax profit	163.7	138.2	207.2	189.5	193.5
Tax expenses**	54.5	48.6	63.2	74.9	76.1
Net profit for the year	109.2	89.6	144.0	114.6	117.4

* Up to and including 2005 inflows and outflows of liquidity from repo and securities lending transactions are reported under loans and advances to banks or customers / deposits by banks.
** The prior-year figures were adjusted retrospectively in 2008 pursuant to IAS 8 as a result of the first-time application of IFRIC 11, Group and Treasury Share Transactions.

Financial Highlights of the HSBC Trinkaus Group

	2009	2008	Change in %
Results in €m			
Operating revenues	619.6	589.3	5.1
Net loan impairment and other credit risk provisions	22.4	4.5	> 100.0
Administrative expenses	400.8	384.2	4.3
Operating profit	196.4	200.6	-2.1
Pre-tax profit	163.7	138.2	18.5
Tax expenses	54.5	48.6	12.1
Net profit for the year	109.2	89.6	21.9
Balance sheet figures in €m			
Total assets	18,728.6	22,205.7	-15.7
Shareholders' equity	1,062.5	955.0	11.3
Ratios			
Cost:income ratio of usual business activity in %	68.3	72.9	-
Return on equity before tax in %	17.1	15.2	-
Net fee income in % of operating revenues	55.9	59.0	-
Funds under management and administration in €bn	99.1	87.2	13.6
Employees	2,280	2,238	1.9
Share information			
Number of shares issued in million	26.1	26.1	0.0
Dividend per share in €	2.50	2.50	0.0
Earnings per share in €	4.12	3.49	18.0
Share price as at 31.12. in €	98.0	89.0	10.1
Market capitalisation in €m	2,557.8	2,323.9	-
Regulatory ratios*			
Tier 1 in €m	817	754	8.4
Regulatory capital in €m	1,160	1,151	0.8
Risk-weighted assets in €m	7,850	8,588	-8.6
Tier 1 ratio in %	10.4	8.8	-
Regulatory capital ratio in %	14.8	13.4	-

* following confirmation of the balance sheet

About us and our 2009 financial year

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About us

04 ▶ Committed to values. For 225 years.

06 ▶ Letter from the Management Board

08 ▶ Corporate Profile

10 ▶ Clients and Markets | Private Banking

12 Dr. Olaf Huth: About trust

14 An individual and sustainable asset advisory service

18 Family Office: Increased demand for specialised services

20 ▶ Clients and Markets | Corporate Banking

22 Andreas Schmitz: About continuity

24 A reliable partner with global competence

28 Well positioned in the German M&A market

32 Security with respect to international transactions

34 ▶ Clients and Markets | Institutional Clients – Global Markets

36 Carola Gräfin v. Schmettow: About dynamism and energy

38 Holding up well in turbulent times

40 Retail derivatives business expanding market shares

44 ▶ Clients and Markets | Risk Management

46 Paul Hagen: About responsibility

48 Risk management has proven itself in the crisis

50 ▶ Professional Services

52 Continuing growth in the Securities Services business

56 Stable Asset Management

58 An outstanding year in Institutional Sales

60 A year full of highs and lows for equities

62 Treasury Management: Individual advisory approach pays off

64 Debt Capital Markets: In an outstanding market position

68 Issuing business remains on a high level

70 Closed-end real estate funds – largest fund volume placed to date

72 ▶ Organisation and Personnel

74 Powerful technology and efficient processes

78 State-of-the art and reliable information technology

80 Competent and committed: Our staff

84 ▶ Corporate Responsibility

86 Acting responsibly means acting sustainably

The 2009 Financial Year

92 ▶ The Bank in figures

- 94 The 2009 Financial Year
- 99 Outlook for 2010
- 102 Consolidated Balance Sheet
- 103 Consolidated Income Statement
- 105 Consolidated Statement of Changes in Equity
- 106 Segment Reporting
- 107 Selected Notes to the Consolidated Financial Statements
- 111 Notes to the Income Statement

113 ▶ The Group

- 113 Structure and Management
- 116 The Business Divisions
- 118 Shareholders and Shares
- 119 Strategic Direction
- 122 Report of the Supervisory Board

125 ▶ Corporate Governance

130 ▶ Executive Bodies

134 ▶ Obituary: Dr. Otto Graf Lambsdorff (1926 – 2009)

136 ▶ Locations

138 ▶ Imprint

139 ▶ Key Dates

▶ Committed to values. For 225 years.

2010 is a year of particular importance for HSBC Trinkaus as the Bank celebrates its 225th anniversary.

When Christian Gottfried Jäger took up his trading and banking activities in Düsseldorf in 1785, Germany was still divided into countless principalities, America had declared independence just nine years earlier and the French Revolution had not even taken place. Industrialisation was still in its infancy and Europe and the world, trade and industry and the banks still had many wars, crises and challenges ahead of them.

Whoever has successfully survived all of the vicissitudes of history and preserved their values over such a period of time may be proud of it. When the Bank was established, the concept of values was not limited to asset values: the principle of the honourable businessman and responsibility to society was regarded as equally important. Maintaining this stance is even more important than ever nowadays.

The global financial crisis has shown that seemingly steadfast principles have been lost over the years. Trust in particular has been destroyed. This applies not only to the banks and markets, but even to our basic social order as a whole. But the banking business is inconceivable without trust. It is therefore of fundamental importance that the correct lessons are drawn from past errors and failures and that morals and ethics are the main consideration again.

For HSBC Trinkaus values have always been an integral part of our corporate culture and the basis for our business activities. True to the motto for our anniversary year: "Committed to values. For 225 years".

However, we have taken not only a retrospective view, but have also asked our staff what values are important for the Bank today. Our findings confirm that the basis of our values remains stable: responsibility, trust and honesty, dynamism, commitment and continuity are mentioned most frequently, values which determine our day-to-day activities. For us, focusing on our clients is the key to gaining and maintaining their confidence. In their contributions to this report, the members of our Management Board express what our central values mean for us in concrete terms.

Banks keep money circulating in the economy, playing an essential role in our society and therefore also serving the public interest. Their responsibility to society derives from this. We need to refocus on this responsibility so that society places its trust in the banks again. The word "credit", remember, is derived from "credere", the Latin word for "believe".



We want to take on the debate over morals and ethics and actively promote public discussion. In our anniversary year, we have invited personalities from politics and business, from cultural, religious and scientific circles and from the media to discuss with us and our clients what the “values of the future” will be. We are also supporting the exhibition “Parallel Processes” presented by Kunstsammlung Nordrhein-Westfalen – a retrospective look at the lifework of the artist Joseph Beuys, who very deliberately addressed values in a provocative manner.

We are thus carrying on the Bank’s tradition. Our founders and Managing Partners in the Bank’s history were already aware not only of their responsibility to their clients and employees, but also to society. We still foster patronage and civil commitment today, much of which can now be found under the heading of Corporate Responsibility.

Future needs tradition – in this respect HSBC Trinkaus is well positioned: we know where we come from and maintain traditional values. But over the centuries, the Bank has also cultivated the ability to adapt to changes early on. With these principles, we have always succeeded not only in surviving countless crises, but also in coming out of them in a stronger position. We continue to look ahead in order to achieve sustainable success for the Bank.



Ladies and Gentlemen,

The economic trend in Germany was influenced by the global financial and economic crisis last year. There was a dramatic slump in German industrial exports, and Germany had to suffer a decline in gross domestic product of around 5%. HSBC Trinkaus was able to uncouple itself from this negative trend and closed the year with a satisfactory result, which was favourable compared to the relevant competition. At € 196.4 million, operating profit was almost on the prior-year level while net profit for the year even grew by 21.9% to € 109.2 million. We again stood out clearly from the sector average with our return on equity of 17.1% before tax. This success is based on the Bank's solid business model which is characterised in particular by long-term relationships to our clearly-defined target customers. At the same time it is flexible enough to adapt to changing market conditions in time.

Based on HSBC Trinkaus' consistent and risk-aware strategy, the resulting earnings strength and integration into the HSBC Group, the rating agency Fitch again confirmed our outstanding AA rating at the end of 2009. HSBC Trinkaus is therefore still the best-rated private commercial bank in Germany.

In light of these good results, the Management Board and the Supervisory Board will propose to the Annual General Meeting the payment of a dividend of € 2.50 as in previous years.

Especially in the current situation, with many banks withdrawing from individual areas of business and looking for a sustainable business model, our result is the best confirmation of our strategy. The Bank's long-term orientation and strong risk awareness have proven themselves in the crisis. Our customers appreciate that with HSBC Trinkaus they have a reliable partner at their side. International service capacity through integration into the HSBC Group, together with continuity in terms of strategy and the client servicing expected of a private

bank, still offer a unique combination in the German banking landscape which is very popular with clients. The close cooperation with HSBC means that for more and more clients, we are one of the few competent addresses for international business in the German market.

The individual business segments can also look back at very good results and therefore confirm the balanced nature of our business model. In the Corporate Banking business we were able to develop further into a core bank for our existing client base and also acquire new clients. Here, access to our global network often acts as a door opener to new business relationships. The Private Banking segment was also able to expand its business with existing clients and acquire new clients. Significant net inflows in asset management show that private clients are also placing great trust in the Bank in times of financial crisis. Despite a decline in earnings as a result of lower revenues the segment can look back on a successful business year, especially compared to the competition. In the Institutional Clients segment we were able to achieve extraordinary successes, in particular in the business with fixed-income products. We benefited not least from tighter organisation geared even more



closely to our clients and their requirements. In the Issuing Business we benefited from the established cooperation with HSBC's global debt capital markets centres and an excellent market position in Germany and Austria, where we lead-managed a number of transactions. We were able to improve our market position in the traditionally strong retail derivatives trading business; money market trading also gave an extremely positive performance.

Although Asset Management was faced with a difficult market environment, we were able to maintain the volume of assets managed for our institutional clients on a stable level. In addition to our liquidity funds, the investment categories Emerging Markets Debt and Corporate Bonds experienced strong inflows of funds. Far-reaching expertise and a strong performance convinced our clients here in particular.

We want to use the opportunities arising above all from the weakness being experienced by several market competitors in 2010 and beyond. In close cooperation with HSBC and based on our proven business model, we aim to grow significantly in the German market, focusing on the upper SME segment and wealthy private clients. With our approach of offering clients "the best of both worlds", namely personal integrity and client proximity combined with internationality and efficiency, we are sure that we will be able to win over many new clients.

Our successes are based on our employees. The competence, commitment and initiative of each and every one of them form the basis of our business activity. In order to enhance this further, we plan to make comprehensive investments in training and offer advanced training measures again this year as well. While we were anxious to keep our staff numbers constant during the crisis, we now want to expand the number of employees substantially within the scope of our growth targets. In this context, we would also like to further intensify our exchange programme with the HSBC Group. On the one hand, we want to open up global career opportunities for our employees. On the other, though, we also want to increasingly integrate employees from the HSBC network into the German organisation.

Finally, we would like to thank our clients and shareholders for the trust they have placed in us, our business partners for their support and our employees for their constructive cooperation and outstanding loyalty.

Yours sincerely,

The Management Board



▶ The best of both worlds.
As the name suggests.



Management Board

Andreas Schmitz, Chairman

Carola Gräfin v. Schmettow

Paul Hagen

Dr. Olaf Huth

Düsseldorf

Baden-Baden Berlin Frankfurt am Main

Hamburg Munich Stuttgart



Executive Committee

Florian Fautz
 Manfred Krause
 Trevor Gander

HSBC Trinkaus is in a unique position among the German banks: in a global network as HSBC in Germany and with local connections as a private bank since 1785.

Our target groups – high net worth private clients, corporate clients and institutional clients – are offered “the best of both worlds”. We combine a highly-personalised and individual service characterised by our traditional values and experience going back 225 years with the financial security and international significance of one of the world’s best capitalised and most profitable banks. You are guaranteed access to sophisticated financial services, exclusive market information and first-class contacts in 88 countries.

We pursue a lasting business model, maintain long-term client relationships across generations and deal with risks very responsibly. The virtues played out in our corporate culture have always proven themselves

even in difficult times. This philosophy allows us to come out of the financial crisis in a stronger position now as well. The trust our clients place in us is based on this.

The quality of our offerings makes us stand out in the traditional banking business. Furthermore, we offer you tailor-made concepts for complex tasks which we combine with innovative products and services – worldwide. The assertion of this major claim is guaranteed by our employees. They are creative, highly committed and solution-oriented with outstanding product and servicing expertise which is constantly being promoted further.

Our business model has proven itself and is geared towards the future. We show major expertise in our core lines of business. Our goal is to grow further with our clients and steadily expand our market position. We face the future well prepared and with optimism.



▶ Clients and Markets | Private Banking

HSBC Trinkaus is in a unique position among the German banks: private bank since 1785 and at the same time part of the globally operating HSBC Group. This business model has proven itself for many years and is appreciated by our clients.

We provide high net worth individuals, entrepreneurs, families and foundations with an independent and professional service for their significant assets offering every client the highest degree of individuality. The maxims of stability, security and trust determine the day-to-day dealings with our clients.

HSBC Trinkaus can be found in eight locations. In addition to our head office in Düsseldorf we have six further branches in Germany and a subsidiary in Luxembourg.

Our ultimate ambition is to meet the expectations of our sophisticated clients. Many families have had a client relationship with us for several generations. We are always aware of the responsibility for the assets entrusted to us and regard sustainability as one of the Bank's outstanding virtues. Our advisory service is geared towards the long term and consistently oriented to our clients' requirements and objectives. Our continuity can also be seen from the fact that most of our employees have already been serving our clients for more than ten years.

Our responsibility goes far beyond the management of the liquid parts of the assets. We see ourselves as an institution which can provide its clients with comprehensive support in all issues relating to assets. We cooperate closely with our specialists in the different areas of the Bank enabling us to offer our clients optimum solutions in all aspects of total asset management.

These include in particular all Family Office services – strategic asset planning and asset succession, the execution of wills, foundations and asset controlling. We see ourselves as a Trusted Advisor at our clients' side with the sound judgment required to make the right decisions together.

Our flat organisational structures enable us to make decisions quickly; at the same time we cooperate closely with the HSBC Group, one of the best capitalised and most profitable banks internationally. This means that we can offer our clients access to all important capital markets at all times and present them with opportunities to diversify their investments even better and optimise their asset structures.

Our values: Trust

Our business is based on trust. However, the underlying conditions for this have seldom been as difficult as last year. Many banks have lost their clients' trust on account of the short-term nature of their business model; the public image of the banks has therefore suffered further overall.

We are proud that our clients have continued to place their trust in us, even during the difficult years. Our primary objective is to justify, maintain and strengthen this trust again and again.

Our business model combines various aspects to create a successful overall concept: continuity in respect of the acting persons, professionalism in dealing with the assets entrusted to us as well as individuality in service. It is not least our self-image as a traditional Trusted Advisor that makes us stand out from less successful market participants. Our clients again experienced us as a reliable partner in the difficult year 2009 as well. As a result, we expanded our market position and even acquired new clients for the Bank.

At the same time, we used the past year to further develop internal processes and adjust the business structure even more closely to our clients' requirements. The continuous management of assets geared towards the long term includes being able to take rapid action as soon as new information and valuations are available. Our advisors continuously examine the structure and the development of their clients' asset allocation so that it is always in keeping with their personal situation and the respective market conditions. Thanks to our flat hierarchies we make rapid and reliable decisions.

Many components contribute to this: the latest software and mathematical models as well as the comprehensive know-how of our specialists. We attach the greatest importance to the constant further training of our employees, not only to ensure precision and quality, but also to offer new ideas and creative solutions for all areas of integral asset management.

By taking this approach our advisors find the best solution for each of their clients on an individual basis. Our employees are objective and independent when selecting and recommending financial products. The care and integrity of our advisors on the one hand as well as the lasting success of our wealth management on the other are the main components of a growing relationship of trust between our clients and advisors over many years, often across generations.

It is these virtues of the traditional private banker which determine our day-to-day actions and with which we will be a reliable and efficient partner for our clients in future as well. We remain committed to these values.



“Our business is based on trust.

*We are proud that our clients
continue to place their trust in us.*

*We will justify, maintain
and strengthen this trust
again and again.”*



Dr. Olaf Huth
Management Board

- ▶ An individual and sustainable asset advisory service



The markets proved to be extremely turbulent in 2009 as well. Against this backdrop, we achieved the best possible result for our clients, but were not able to fully escape the general trend.

Client relationships expanded

Our stable and sustainable business model proved itself again. We continued to concentrate on our target segment and were able not only to expand existing client relationships, but also to acquire new clients. This proves that the Bank's strength and good credit standing is particularly appreciated in the business with high net worth private clients given the turmoil on the capital markets. The Private Banking segment can look back on a successful year in particular in comparison with the competition. The volume serviced increased in the period under review from € 17.2 billion to € 19.7 billion.

Again above the average

While fixed-income investments – with the exception of corporate bonds – failed to produce outstanding yields in 2009, equities recorded significant gains. However, this growth was not sufficient on the whole to compensate the losses suffered on the equity markets the previous year. Our asset management again achieved far better results than the German market average in 2009. The performance of the portfolios we manage in the three traditional strategies was as follows: conservatively-managed portfolios yielded 1.4 % more than the market on average, balanced management exceeded the average by 2.7 %, while the dynamic management strategy recorded a return which was 2.5 % higher than the average. Our strategy funds, which invest according to the same criteria as our asset management, gave a similarly good performance.

On the other hand, the advisory accounts we manage gave a mixed performance. While in the conservative segment the asset management results were not reached on the whole, advisory accounts with a high equity weighting performed better in many cases.

Awards

Best rating of all German commercial banks:

Fitch Ratings AA

Asset management for high demands:

Fuchs-Report 2010, 11/2009

The elite among the asset managers:

Elite Report 2004–2009

“Very good asset management” in the bank test:

Focus Money/n-tv, 10/2009

Best portfolio in “Studie Vermögensverwalter”:

Deutsches Institut für Servicequalität, 10/2009

Committed to values. For 225 years.



Personal and lasting

Whoever wanted to be someone in Düsseldorf was a customer at C. G. Trinkaus. Holding an account with the renowned private bank was already considered the proper thing to do in the 19th century. This was due not least to the fact that C. G. Trinkaus made high demands with respect to the selection of his private clients. In 1875 the minimum deposit for a current account was 1,000 Reichsmarks which only wealthy citizens as well as customers from the middle classes, civil servants or liberal professions could afford.

The market conditions changed with the turn of the 20th century. The competition among banks grew. Incorporated banks, savings banks, credit cooperatives and mortgage banks were courting the private clients and increasingly representing competition for the private banks.

The generation of partners at that time chose the right strategy for standing out from the major banks, which were growing in strength, by emphasising that the relationship between the private banker and the customer had a personal note. In order to emphasise this image, all correspondence from the Bank – irrespective of its respective author – was still signed until the IPO in 1985 “Your C. G. Trinkaus”.

Integral servicing still in strong demand

Integral servicing is increasingly gaining in importance in the business with high net worth private clients. Demand for asset structure analysis and comprehensive financial planning grew in the difficult year 2009. Clients see our analysis as the basic component of strategic asset allocation. There is increasing demand for the professional coordination and management of their assets. Our expertise in this area is recognised and highly esteemed.

In order to find optimum solutions, our advisors also work closely together with specialists such as lawyers and tax experts. This is required not least due to the fact that the number of regulatory provisions is constantly growing and the legislative framework becoming more and more complex. The detailed analysis takes not only the parameters of return, risk and liquidity into consideration, but focuses additional attention on taxes and succession. Risk control remains the central element of the advisory service.

The detailed picture of the client's overall financial situation forms the basis for strategic planning and is therefore a precondition for lasting financial success. We will therefore continue to offer these opportunities for analysis to a large range of clients in the coming year as well and would like to expand them further.

At the same time we are pursuing the “Best in Class” approach in the Alternative Investments segment. As in all other years as well, we offered our clients exclusively third-party products having satisfied ourselves of their efficiency in a lengthy examination process. This is part of our advisory philosophy. We saw growing demand and favourable growth in this segment as well.

Forecast

We held up well in the competition in a difficult market environment in 2009. Our clients appreciate the stability and security we offer them thanks to our solid business model. The success of our advisory service for high net worth private clients confirms that we are on the right path.

We will dedicate 2010 to growth, having optimised structures and processes correspondingly and acquired staff members.

We want to grow with our clients and avoid risks in our books and are therefore consistently pursuing our proven business model. We are still concentrating on our target segment and plan to considerably expand our market position. At the same time, investments are envisaged which will enable us to reach a larger client group than to date with the traditional virtues of the private banker. We see ourselves as Trusted Advisor to our clients and will offer them a highly individual asset management service in future as well, despite far-reaching regulatory documentation requirements and therefore increased costs. This is where we see the greatest benefits for our clients.

In addition, we will make our good name and our offer even more well known in the cities and regions where our branches are located. We want to continuously expand and strengthen our locations Baden-Baden, Berlin, Frankfurt am Main, Hamburg, Munich and Stuttgart with the clear goal of being perceived in the whole of Germany as an important and reliable asset manager.

Facts and Figures

Private Banking

Owing to the difficult underlying conditions last year, our transaction revenues in the securities business declined slightly. Since the markets have not yet fully recovered and investors are still acting rather cautiously, our volume-based net fee income also declined by around 15 % compared to the previous year. This was compensated on the one hand by higher net interest income. On the other, the Bank attached major importance to cost discipline and control and reduced its expenses.

in €m	2009	2008
Net interest income	14.4	13.6
Net loan impairment and other credit risk provisions	1.8	1.3
Net interest income after net loan impairment and other credit risk provisions	12.6	12.3
Net fee income	83.1	96.7
Net trading income	0	0
Income after net loan impairment and other credit risk provisions	95.7	109.0
Administrative expenses	64.4	67.9
Operating profit	29.1	41.1

- ▶ Family Office: Increased demand for specialised services



We advise our clients on an integral basis and with our specialists offer all services for optimising the structure of major assets and administering them in the interests of the owner. The individual services are strategic asset and asset succession planning as well as the analysis of third-party products, in particular closed-end funds in the area of alternative investments. We also execute wills and support clients in setting up and managing foundations. Our internal specialist unit is broken down into the three areas of strategic asset planning, fund analysis as well as law & taxation. There was greater demand for our services from our clients in all segments in 2009 with fund analysis generating particularly favourable growth.

HSBC Family Office GmbH, a subsidiary of the Bank, offers an integral advisory service for major family assets. The external servicing concept also proved itself in the crisis year 2009 and is to be expanded significantly in 2010. Family Office GmbH looks after major assets and provides their owners with an all-round service under one roof, cooperating with external specialists such as lawyers, auditors and tax consultants. Family Office GmbH analyses the status quo of the respective assets, puts the asset management mandates out to tender and controls the asset managers appointed. It also offers the principal standard reporting and in this context draws up a report on all asset components which can be called up at any time.

In profile

Family Office

Good advice is more valuable than ever before in difficult times. HSBC Trinkaus' Family Office sees itself as a Trusted Advisor providing its clients with an independent and trustworthy advisory service. We look after major family assets professionally in all investment, legal and tax contexts. Demand for these special services is growing. The stand-alone feature of our Family Office is independence combined with access to the entire expertise pooled in the Bank.



Clients and Markets | Corporate Banking





HSBC Trinkaus offers its clients all the popular products and services of a globally operating universal bank. We see our particular strengths in payments & cash management, international business, foreign exchange management and asset management. In addition, our clients benefit from the unique international network of the HSBC Group which is represented on five continents and in 88 countries.

We support in particular internationally operating companies from the upper SME segment as well as large corporations from the production, trading and services sectors. In addition to these traditional corporate clients, we also gear our Corporate Banking business towards

capital investing institutions such as pension funds and church organisations. We carry out a wide range of direct business with securities for these client groups and also have a number of individual and benchmark-oriented mandates for managing medium- and long-term investments. The offering is rounded off by asset liability/overlay management.

Experienced advisors serve our clients at our head office in Düsseldorf and at five further locations in Germany. They are the central contacts and manage the deployment of the product specialists. They also coordinate the clients' global business relationships with other units of the HSBC Group.



*“For us continuity
does not mean being at a standstill.*



*We are constantly expanding our
business model and want to grow
further – together with our
existing and new clients.”*

Andreas Schmitz
Chairman of the Management Board

Our values: Continuity

The financial industry has a turbulent year behind it and it is not yet foreseeable for 2010 whether the sector can return to business as usual. Many banks and companies will continue to suffer from the repercussions of the financial crisis this year as well. HSBC Trinkaus has come through these turbulent times safely and we expect to be able to continue to cope well with the offshoots of the crisis. The main reason for this lies in our business model which is geared towards the long term – and not just since yesterday.

Our clients appreciate this continuity. Especially now they see in us not only a product provider, but the reliable partner at their side. While other banks have parted with clients and withdrawn from fields of business, we have proven by maintaining our commitment to our clients in a difficult market environment that we stand out through a clear line and continuity and remain unswervingly true to the proven principles of our business activity.

We can be proud to look back on 225 years of company history this year. Our business model has of course been developed over many decades and is constantly being critically questioned, but the main elements remain unchanged:

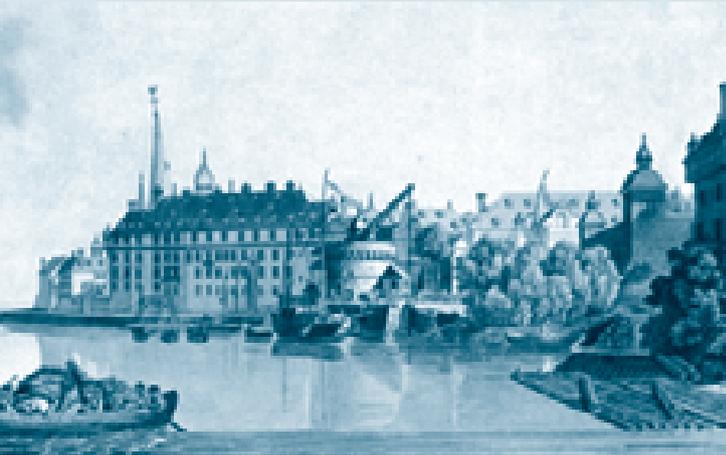
Continuity in management comprises not only many years of loyalty to the Bank, but also means that the basic business philosophy is passed on by every management generation to the next. Continuity in client relationships means that we accompany our clients over many years, in most cases with the same advisor. Continuity in our strategic orientation includes the commitment to our conservative stance of only entering into risks on a narrowly limited basis. Continuity in our values describes our commitment to responsibility, trust, dynamism and drive as the underlying maxims for our actions.

For us continuity does not mean being at a standstill. True to the guiding principle "Tradition is not admiring the ashes, but maintaining the fire", we are actively engaged in continuously expanding our business model and are lined up for further growth. We are intensifying our existing business relationships, but are also actively looking for contact to target clients who have not worked together with us so far. At the same time, we will introduce new products and thus further increase our attractiveness as a core bank. With HSBC we have a strong, globally operating partner at our side enabling us to expand our business true to our principles and giving us the financial security now to accelerate our growth.

For our clients this means that we will continue to provide them with a unique quality of service. We offer them individually tailored solutions around the world and therefore the certainty that they can rely on our consistently high level of service in future as well.

▶ A reliable partner with global competence

Committed to values. For 225 years.



Early promoter of the region

More and more companies, primarily from the textiles industry to begin with followed later on by metal processing companies, established themselves in Düsseldorf from the 1840s. They all needed one thing above all: capital. Many of the companies became customers of the bank house C. G. Trinkaus. Like Trinkaus, other former trading companies also concentrated on the banking business in order to meet the companies' financing requirements, pay out cash for the workers and carry out foreign exchange for the different currencies of the German states.

The establishment of the German Reich in 1871 and the introduction of a standard currency led to the foundation of many new businesses. But soon afterwards in the founding epoch crisis (Gründerkrise) large incorporated banks also collapsed. C.G. Trinkaus held up well on the other hand and continued to provide companies with reliable capital. Almost the entire local metal and machinery industry was among its customers along with many businesses from the Ruhr region, often with their head offices in Düsseldorf. Trinkaus established stable client relationships, some of which lasted beyond the two World Wars. After 1945 the Bank covered the borrowing requirements of the up-and-coming SME segment as well as many mining companies. In Düsseldorf, the most important financial centre in North Rhine-Westphalia, Trinkaus remained well positioned for the regional corporate banking business.

2009 impressively showed the complexity of the global financial markets. The pace of change accelerated at a breathtaking rate. Many respected German and global financial institutions with an immaculate credit standing to date became bail-out candidates in a short space of time. A large number of them were only able to avoid insolvency thanks to far-reaching government support. Especially under these general conditions our proven business model turned out to be the key to success – for our clients and for us ourselves.

The best of both worlds

Our business model is based on two pillars. These include firstly our clear orientation towards our clients as well as our conservative and risk-aware stance. Sustainability and trust characterise the relationship to our business partners. Secondly, our clients benefit from the Bank's integration into the sound and profitable HSBC Group. This enables us to offer them "the best of both worlds": the personal service of a traditional private bank combined with the resources of one of the world's largest banking groups. This model has proven itself, especially in the financial market crisis.

Further growth in the international business

Although global economic growth slowed down in 2009, global trade will continue to grow in importance driven above all by the emerging markets. Large German corporations as well as the upper SME segment will benefit from this. Many of them are becoming more and more international and are already present today in numerous countries as exporters or with their own locations.

This also applies to HSBC Trinkaus. Thanks to our integration into the HSBC Group with its 8,000 branches on five continents in 88 countries, we can accompany our clients in all of the world's important economic regions. Each client is given access to this global network via one personal trusted advisor in Germany, supported by experienced product specialists.

These are decisive arguments for internationally operating large corporations and companies in the upper SME segment and motivate them to actively establish contact to us. They are choosing us more and more as the long-term partner for their international business.

As simple as our business model may be at the core, as demanding our day-to-day responsibilities. We accompany our clients in markets which are constantly changing. We also have to continually change. Developing new financial products and services tailored to our clients' individual needs is one of our strengths.

From niche provider to core bank

More and more clients no longer see us as a niche provider, but as a core bank. This reason for this positive development lies in the intensive international servicing of our clients in the HSBC network. At the same time, we have also strengthened and intensified business connections to the parent companies of international groups in Germany. Furthermore, we have consistently used the opportunities presented by the process of change in the German banking landscape. Many companies have recomposed their banking circles as a number of foreign institutions have withdrawn from Germany and domestic institutions have had to consolidate.

Our professed aim is to be or become a core bank for our clients. In order to achieve this, we have to remain successful in servicing our clients' international business. German companies in particular will grow further as a result of globalisation – we can support our clients effectively in the process.

Comprehensive product range

Our ambition of acting as a core bank is based not only on our international service capacity, but also on our comprehensive and high-quality product range. Reliable banking services and products, for example payments or international and foreign exchange business, form the backbone of our business alongside our unchanged willingness to grant loans. Our proven and recognised



Manfred Krause
Member of the Executive Committee
Corporate Banking and International Business

strengths lie in direct securities investment and asset management. With our financial and strategic advice, we also support our clients in structuring their financing and balance sheet.

Corporate Banking holds up well in 2009

Our Corporate Banking business generated slightly higher revenues overall and therefore held up well in the tough competition for our target clients and in the adverse market conditions throughout 2009. This performance again proves that we are in a stable position thanks to our business model with its broad and high-quality range of products and services. The results in the various product segments vary considerably, though. We recorded rising revenues in the credit business and as a result of the increase in our direct securities and bond issuing business. This was set against lower revenues from the deposit-taking business on account of weaker business activity on the part of our clients and the substantial decline in margins.

The volume of deposits by corporate customers reached a new record level. One of the reasons for this certainly lies in the “flight to quality” and is clear evidence of our clients’ trust in the capital strength and earnings power of the HSBC Group.

We increased net loan impairment and other credit risk provisions significantly owing to the dramatic deterioration in part of the economic and financial situation of several of our clients.

There was also further strong growth in the business with German corporate clients abroad for which we are responsible within the HSBC Group.

Forecast

It is not yet precisely foreseeable what impact the government assistance and the associated requirements in the wake of the crisis will have on competitive conditions nationally and internationally. However, there are already signs that there will be lasting changes on the banking landscape. The efforts to consolidate the Landes-

Facts and Figures

Corporate Banking

In the 2009 financial year revenues in the Corporate Banking business were slightly up on the prior-year level at € 136.9 million. This is to be regarded as a success in view of the cyclical market environment and the considerable erosion in margins on the deposit-taking side. The credit business as well as the direct securities and bond issuing business contributed to the increase in revenues above all. Our traditionally strong international business as well as asset management again proved to be mainstays. The good trend in these business segments more than compensated for the negative trend in the deposit-taking and foreign exchange business on account of the market conditions. In addition to the domestic earnings contribution, there was again further strong growth in the business with German corporate clients abroad, for which we are responsible within the HSBC Group. Domestic segment reporting therefore also reflects only part of global revenues with German corporate clients.

in €m	2009	2008
Net interest income	44.8	43.6
Net loan impairment and other credit risk provisions	8.7	6.7
Net interest income after net loan impairment and other credit risk provisions	36.1	36.9
Net fee income	92.4	91.4
Net trading income	-0.2	0.1
Income after net loan impairment and other credit risk provisions	128.3	128.4
Administrative expenses	74.3	76.7
Operating profit	54.0	51.7



banken, the concentration of domestic competitors on the domestic market and the partial withdrawal of foreign banks are indicative of this.

German companies are also faced with a major challenge as a result of these developments. Many of them will have to reconsider and realign the composition of their banking circles, including how they want to manage their banking relationships and transactions and secure their liquidity in future.

HSBC Trinkaus has coped well with the storm of the financial crisis, and more than that: we continued to work hard on the basis for future growth last year, supported above all by our business model which is geared towards sustainability and the long term. Together with the strength of the global HSBC Group, this makes us particularly attractive for our target customers. We still aim to be the most important bank for our clients' international business.

We want to use the opportunities which are opening up especially in the current market environment on account of our outstanding position. We have not lost sight of the fact, though, that the overall economic environment will remain difficult especially for individual sectors. We will carry on controlling and managing our credit risks cautiously and with foresight. At the same time, we continue to bid for our clients' trust and are prepared to discuss with them what is economically practicable and possible.

While we concentrated in the Corporate Banking business on standing by our clients and providing them with competent advice in the 2009 financial year, we are now working on growth strategies for the future again. We are confident of being able to expand our market shares significantly.

▶ Well positioned in the German M&A market



Florian Fautz
Member of the Executive Committee
Investment Banking

There was a further decline in the volume of transactions on the German M&A market in 2009. The distortions on the financial markets and the associated restraint shown by banks with respect to the financing of acquisitions as well as buyers' and sellers' often still very differing ideas on valuations contributed to this decline. A large number of M&A processes were therefore discontinued or postponed equally affecting strategic buyers and financial investors.

Potential sellers are still awaiting a better environment and higher valuations as they could only have sold in 2009 with major mark-downs on the actual company values on account of the market conditions. Transactions which were nevertheless carried out often required far more time and were characterised by continuing uncertainty as to whether the contracts would actually be concluded.

HSBC Trinkaus was not completely able to escape these market conditions either. Nevertheless, we succeeded in increasing revenues in the Investment Banking (Advisory and Equity Capital Markets) segment compared to 2008.

Advisory unit expanding strategic client relationships

The Advisory unit further strengthened the position with our target customers from the large corporations and upper SME segments in 2009.

In particular, we successfully concluded M&A mandates for two large German groups. This included advising the Metro Group on the sale of the Adler fashion stores as well as supporting EnBW (Energie Baden-Württemberg) in setting up a joint venture in the area of renewable energies with the Turkish Borusan Group. Further successfully concluded mandates include a considerable number of transactions in which we advised clients intensively, but which could not be realised for various reasons.

We countered the market changes actively and adjusted our range of services accordingly in 2009 as well. For example, we expanded our business unit in the direction of an M&A advisory service for

companies in restructuring or insolvency situations. A first mandate in this segment was successfully concluded with the sale of the business activities of the insolvent Ruwel group.

Our clients are increasingly perceiving us as a strategic partner on all company levels. Thanks to the global network and comprehensive portfolio of the HSBC Group we are in the position to make our M&A services available world-wide and tailor them individually to our clients. In order that we can offer these sophisticated advisory services in future as well, we added to our workforce again and established even closer links with other business segments at HSBC Trinkaus and in the HSBC Group in 2009.

Positive expectations for 2010

We assume that the general economic data will develop positively in 2010 and that this will have an advantageous impact on our Advisory unit. The trend towards consolidation in individual sectors will get stronger in the new financial year. The experience from the current economic crisis has shown that large companies with corresponding capital strength and liquidity can deal far better with cyclical fluctuations than smaller competitors. We are expecting a more positive environment also for private equity fund investments as soon as credit institutions have increased their general willingness to take on risk to finance this type of transaction.

We will continue to concentrate on our target clients whom we service in close cooperation with other business segments of HSBC Trinkaus and the HSBC Group. In doing so, we will use our excellent relationships to clients who already have connections with the Bank, in particular in Corporate Banking and Global Banking and Markets.

The Bank also wants to strengthen its position as advisor for M&A transactions with an international background and to be perceived by its target clients correspondingly. Our excellent connections to M&A units of the HSBC Group in other countries provide the basis for this; they are a key factor for a successful year in 2010.

In profile

Investment Banking

The Investment Banking segment consists of two units: Advisory and Equity Capital Markets.

The Advisory unit offers a broad range of sophisticated investment banking services. These include all services in connection with Mergers & Acquisitions (M&A), in particular advice on and structuring of company acquisitions and divestments as well as mergers. Privatisations, public takeovers or acquisitions of minority shares in listed companies are also part of the service offering. In addition, we support family-owned enterprises in working out viable succession plans.

The Equity Capital Markets team has proven expertise with respect to company IPOs. The same applies to the organisation and placement of capital increases and convertible bonds of companies which are already listed. We also provide advice on share buybacks and replacements. Our integration into HSBC's global network also allows us to accompany professionally large and cross-border transactions of all kinds.

Equity Capital Markets extends its business focus

Stock market quotations declined substantially again in the first quarter of 2009, but recovered significantly from the second quarter. The volatility of the leading DAX index reached an extent not previously seen at the beginning of 2009, but fell to a third of its highs at the end of the year.

Although many institutional investors still reported very low equity weightings in their portfolios in the year under report, demand for equities and activity on the capital market increased compared to the previous year. The limited funds available flowed mainly into capital increases and convertible bonds. The market environment for IPOs remained weak. Apart from one smaller IPO, no IPO was successfully carried out in the regulated market. There was therefore also no listing for the two planned IPOs in which the Bank was represented prominently in the syndicate.

The Equity Capital Markets unit further expanded its activities for which additions were also made to the workforce. Our work remains focused on the comprehensive servicing of our clients in all capital market issues.

Expansion of market position

For the 2010 financial year we are expecting an improvement in market sentiment as well as further slight increase in index levels. The well-filled pipeline of candidates for an IPO among financial investors in particular could already lead to a revival of this segment in the first half of 2010. Still high demands made with respect to companies' credit standings as well as the financing of external growth should lead to an increase in capital increasing activities this year as well. As a result of our far-reaching structuring and placement expertise as well as the expansion of our business focus, we expect that HSBC Trinkaus will be able to expand its market position.



▶ Security with respect to international transactions



Committed to values. For 225 years.

Cross-border connections

Christian Gottfried Jäger, the founder of the Bank, already cultivated a large number of relations abroad with his original trading house. From 1785 he traded among other things with coloured wood and colonial products which were imported from South America or South-East Asia. And even within Germany, with its numerous states and dominions, the trading house carried out cross-border transactions since there were high customs barriers and numerous different currencies. An overview of prices, incomings and outgoings was not always guaranteed on commercial journeys and doing business in cash could very quickly end in a loss. In order to finance trading, book money on current accounts and foreign exchange were therefore on the agenda. The original trading house – like so many others – quickly developed into a bank under these general conditions.

Our clients' need for security was greater in 2009 than it had been in a long time. We made allowance for this and offered structured trade finance solutions which were tailored individually to the corresponding delivery transactions. Convinced by our experience which has grown over decades, in particular with respect to hedging complex export letters of credit, our clients appreciate us as a reliable and efficient partner for all of their international transactions.

Focus on Asia

As in 2008, the Asian countries were our most important markets. The focus was on China, followed by India, South Korea and Thailand. Middle Eastern countries also played an important role.

Although quantities declined on the import side, we were able to increase our revenues slightly, mainly by hedging difficult country risks. We expanded our activities in the Supply Chain Business and fulfilled the strong demand from our clients for web-based solutions with the new product Internet Trade Services from the HSBCnet world. Thanks to our prudent risk management we reported no losses in 2009 either.

Owing to the economic situation, individual deliveries of capital goods planned by our clients to companies in the emerging markets were postponed or cancelled. Nevertheless, we were able to expand our position with respect to ECA-covered buyer credits. We realised transactions with buyers in Brazil, Kazakhstan, Mexico and Turkey and already have a promising deal pipeline for 2010.

Well-founded knowledge of commodities markets

One of our core areas of competence is advising and financing international trading companies in transaction-related import and export business. We can support our customers with well-founded knowledge of the commodities markets and a high service quality in structuring complex third-party deals.

Forecast

All experts are in agreement that the global economic crisis has peaked and that the import and export figures which declined significantly last year will recover again. The growth is likely to be felt clearly in the Asian developing countries in particular while a moderate upward trend is anticipated rather in most advanced national economies. This is due to the fact not least that many government support measures are limited in time and will expire at the beginning of 2011 at the latest.

Although our assessment of the overall economic situation is still rather pessimistic, we see further growth potential for our international business, in particular in hedging risks. The global presence of the HSBC Group and continuous dialogue with our colleagues means that we are always informed about developments in the most important trade markets and use this knowledge to our clients' advantage.

In profile

Foreign Business

The Foreign Business comprises the Trade and Supply Chain, Export Finance as well as the Foreign Banks teams.

The Trade team works with the traditional instruments for securing payments and deliveries in international trade, for example documentary letters of credit, collections and international guarantees. The Supply Chain business offers companies with high import revenues the opportunity to settle their documentary business quickly and cheaply online via HSBCnet.

Our specialists in the Export Finance team are responsible for structured forms of risk hedging. These include for example the confirmation of export letters of credit, forfeiting, buyer credit or the purchase of insurance-covered receivables.

The Foreign Banks team looks after the relationships to correspondent banks in other countries and markets our expertise in the foreign business.

Our foreign customer service offers acquire corporate clients and service them in the areas of trade finance / supply chain business, export finance and risk management.



Clients and Markets | Institutional Clients – Global Markets

In the Global Markets division, we service institutional clients such as insurance companies, pension funds, asset management companies, banks and the public sector. We offer them high-performing products from the HSBC Group's comprehensive product range.

This includes both the origination and sale of traditional fixed-income products such as bonds, Pfandbriefe and promissory note loans as well as the structuring of products in the interest rate, credit and equity segment. We provide our clients in the institutional equities business with an advisory service for structuring and positioning their equity investments. We also offer a strictly needs-oriented service covering all aspects of alternative investments for which we develop tailor-made derivatives strategies and individual solutions. We also support institutional investors with our strong market position in the foreign exchange business – in both flow transactions and with individually-tailored and integrated solutions, such as our currency overlay management.

Our subsidiary HSBC Global Asset Management (Deutschland) GmbH offers our institutional clients a broad product range comprising tailor-made special funds and sophisticated mutual funds together with other units of the HSBC Group covering all main asset classes. We also offer individual solutions in Asset Liability/Overlay Management segment.

The Global Custody team supports institutional clients in safekeeping and managing their securities using the resources of the HSBC Group as a globally operating bank with local expertise.



HSBC 香港分行
HONG KONG



Our values: Dynamism and energy

The international money and capital markets on which we operate have always been fast-moving. However, there has been a major increase again in the pace and extent of market movements in the past two years. Entire market segments experienced fundamental shake-ups and we found out that basic trust and stability no longer existed in many areas. Even though the general economic setting has improved notably in the meantime, it is anticipated that the markets will stabilise only slowly in 2010.

HSBC Trinkaus is in an excellent position to remain successful in future as well under these market conditions. We are active for our clients in all of the world's important financial centres and have a feel for the markets, not least in the Asian growth regions. Close cooperation with the HSBC Group secures us direct access to the local competence of experts who are best able to assess the special features and the latest developments on the spot. This means that we are always up to date and informed in detail, can identify market trends immediately and quickly make the best possible decisions in the interests of our clients.

This constellation provides our business with dynamism thanks to which we were also able to achieve notable success in the latest 2009 financial year. The motivation, energy and entrepreneurial commitment of our employees in Düsseldorf are also important reasons for this favourable trend in business. They assert themselves on a day-to-day basis with their many years of experience and supremacy in the international finance business, from which our clients also benefit to a high degree.

Dynamism and continuity do not form a contrast at HSBC Trinkaus, but complement each other perfectly – dynamism as regards its actions, continuity with respect to personnel and in client relationships. This business model has proven itself extremely well over decades and in the most different market situations. Our financial strength and stability form the solid base for our dynamic business activity. This is confirmed by our AA rating from Fitch Ratings, making us the best rated private commercial bank in Germany. Financial reliability strengthens the trust our clients place in us especially in turbulent times, which was particularly evident last year.

We are extremely well positioned for the 2010 financial year as well. The Global Markets division has been geared towards further growth with respect to both organisation and personnel. We have therefore made preparations for intensifying business relations with existing customers and convincing new clients of our high-performance products. We are confident that we will succeed in gaining further market shares in the central product categories.



We are active for our clients in all of the world's important financial centres and have a feel for the markets, not least in the Asian growth regions.

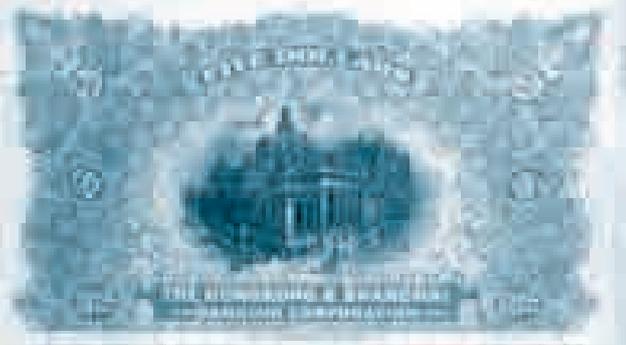
Our financial strength and stability form the solid base for our dynamic business activity.



Carola Gräfin v. Schmettow
Management Board

▶ Holding up well in turbulent times

Committed to values. For 225 years.



The global HSBC network

The gravitational centre of the global financial industry is shifting inexorably towards Asia. HSBC is making allowance for this trend. By relocating its Group Chief Executive to Hong Kong at the beginning of 2010, the Bank has underlined its claim to being the leading financial institution world-wide for the dynamically growing emerging markets.

For HSBC, this represents a return to its own roots. The Bank's Asian head office can still be found today where it was located when set up in 1865: Queen's Road 1, Hong Kong. It was already involved at that time in providing capital and financial services for new, up-and-coming companies. The HSBC network extended early on to Europe and North America, but its closest connections were in the Far East. As a pioneer of the modern financial world, HSBC left its mark everywhere in the region: For example, the Bank was involved in the issue of around 80 % of the Hong Kong dollars in circulation at the end of the 19th century; in Thailand, it was not only the first bank at all, but also printed the country's first bank notes. HSBC made a name for itself world-wide through the placement of Chinese government bonds.

True to its self-image as "the world's local bank", HSBC expanded its presence throughout the world in the following decades. Our clients benefit today from HSBC's international network with local units in 88 countries and territories.

We look back at a year which was influenced by the financial market crisis, as was already the case in 2008. Nevertheless, our business with institutional clients gave a very positive performance. We again recorded higher revenues – thanks not least to our sustained business policy. Our clients honour the stability of HSBC and HSBC Trinkaus by continuing to place their trust in us. In addition to intensifying existing client relationships, we succeeded in acquiring chosen new clients, proving how convincing our product range is.

Extraordinary success in the fixed income business

Our business with institutional clients once again benefited from the fact that we can access the global trading books of the HSBC Group in London, New York, Hong Kong, Paris and our own offices in Düsseldorf. This gives us the opportunity to offer our clients in both the primary and the secondary market the sophisticated product range of a globally leading major bank.

We were able to achieve extraordinary successes in the business with fixed-income products in 2009. After restructuring the previous year the advantages of a tighter organisational structure geared even more strongly to our clients and their requirements were fully available to us here for the first time. As a result, we were able to approach and service our clients even more efficiently. Revenues increased significantly in particular in the traditional fixed income business with government and corporate bonds, promissory note loans, Pfandbriefe and registered bonds, while demand for structured products was weaker.

In the issuing business we benefited from an excellent market position in Germany and Austria as well as the established cooperation with HSBC's global debt capital markets centres, where we lead-managed a number of transactions for industrial companies as well as financial institutions and the public sector.

The result in the equities business declined on the other hand due to the reduction in our institutional clients' risk-bearing capacity.

More detailed information on the divisions specialising on the individual products can be found on pages 56 to 67.

Asset management continues to make an important contribution to revenues

Our Asset Management business was of major importance for our institutional clients in 2009 as well. Although the environment remained characterised by market distortions, we were able to keep the volume of assets we manage stable compared to the previous year. Our clients showed particular interest in liquidity funds as well as the promising asset classes of emerging markets debt and corporate bonds. Thanks to our outstanding expertise, we recorded inflows into these asset classes and gave a convincing performance. Our clients also benefited from our Asset Liability/Overlay Management.

We continued our expansion into Switzerland, to Austria and Eastern Europe and reached important milestones in 2009. More information on this can be found in the detailed presentation of our Asset Management business on pages 56 to 57.

Custody business reports strong growth

As in the previous years, the custody business grew in 2009 as well. In the depositary bank business we expanded our client base and further improved our technical infrastructure. HSBC Trinkaus is one of the largest and most professional providers on the German market in this business. We again acquired many new clients for HSBCfast, a globally leading fund trading platform, both nationally and internationally. Further information on custody can be found on pages 53 to 54.

Facts and Figures

Institutional Clients

We can look back on a very successful financial year. Under market conditions which presented us with major challenges, we were again able to improve our operating profits, which grew by 9% to € 67.1 million. We owe this not least to the strong commitment of our employees. At the same time, we see it as clear evidence of the trust our clients place in our business model and the stability of HSBC and HSBC Trinkaus.

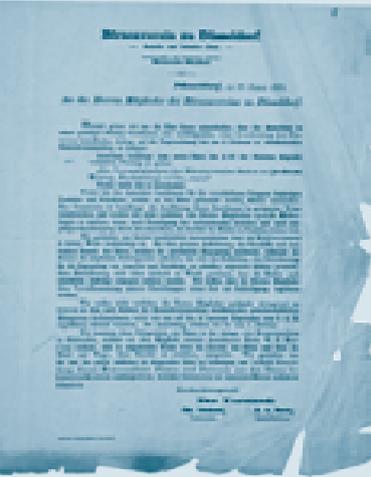
in €m	2009	2008
Net interest income	1.9	4.2
Net loan impairment and other credit risk provisions	1.3	0.8
Net interest income after net loan impairment and other credit risk provisions	0.6	3.4
Net fee income	146.1	145.5
Net trading income	11.0	3.5
Income after net loan impairment and other credit risk provisions	157.7	152.4
Administrative expenses	90.6	91.0
Operating profit	67.1	61.4



▶ Retail derivatives business expanding market shares

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Capital for industry



After the establishment of the German Reich in 1871, the founding epoch crisis (Gründerkrise) was soon in full swing when Christian Trinkaus brought the Düsseldorf stock exchange into being in November 1874. The aim of the founders was to bring "the business world [...] in the Rhineland and Westphalia" and the neighbouring countries together and promote domestic industry, by providing it

with a continuous supply of capital. The idea was for trade and industry and investors to come together in one place and to restore confidence in the economy and the financial system after the founding epoch crisis.

In the first meeting of the stock exchange association, Christian Trinkaus was elected chairman, a post he held until his death in 1891. As Trinkaus' co-partner Wilhelm Pfeiffer senior had acted as president of the Chamber of Commerce since 1886, the two most important institutions in the Düsseldorf economy at the end of the 19th century were influenced by leading members of the Bank.

The Stock Exchange Act of 1896 brought hardship for many private banks as it admitted only companies with capital of more than 1 million Reichsmarks to listing on the stock exchange. C. G. Trinkaus was of the few private banks to fulfil this pre-requisite.

This close connection continued: since the start of the stock exchange almost all of its presidents have been provided by Trinkaus – including its current president, Andreas Schmitz.

Global Markets can look back on a satisfactory year in a challenging market environment. In addition to the equity derivatives business, which is traditionally very strong at HSBC Trinkaus, money market trading in particular stood out with a record result.

Further innovations

There was a divided trend in the crisis year of 2009 on the German retail derivatives market. On the one hand, demand for investment certificates collapsed almost completely in the first half of the year and only showed slight signs of recovery again in the second half of the year – thanks to the increased offer of more transparent structures. On the other, there was a



stronger-than-average increase in sales with leveraged trading products over the entire course of the year compared to 2008. In the wake of this trend, we improved our market share with respect to stock exchange turnover with trading products to a position among the top 5.

Based on our investor service, which has been honoured several times, we introduced several highly-regarded product and process innovations to the German retail derivatives market in 2009. The development of an intraday issuing process for knock-out products is to be pointed out in particular. We also offered Day Turbos for the first time. The publication of our off-floor trading

volumes and the call/put ratio of DAX knockout products on our www.hsbc-zertifikate.de website was also of major importance.

In the wake of our transparency initiative already started in 2004, we developed and published the handbook "Trading strategies with leverage products" and made it available to interested parties free of charge and advertising. It is part of a series with the highly-regarded handbooks for private investors already published, "Certificates and Warrants" (2004) as well as "Questions and answers on investment certificates and leverage products" (2008). We intensified our personal contact to investors in almost 50 seminars with a total of around 4,000 participants.



In profile

Global Markets

Our Equity Derivatives Trading issues derivative securities and is responsible for market making. The range of securities on offer comprises standard warrants along with discount, bonus, express and index certificates as well as speculative knockout products. We also develop tailor-made, structured products for the Bank's sales partners and institutional clients.

Securities Lending ensures that the Bank is always able to deliver securities and offers clients securities lending and repos for hedging or financing purposes.

Although our Equity Trading business consists largely of executing client orders, we also carry out risk-aware proprietary trading. Designated Sponsoring has the principal task of quoting prices for stocks of our contractual partners.

The Treasury team manages the Bank's risks with respect to liquidity, interest rate changes and currencies. This team is divided into the Short-Term Desk, which is responsible for money market business, nostro account and minimum reserve management, and the FX-Desk, which controls the Bank's foreign exchange trading.



We were voted "Certificate Issuer of 2009" by the magazine "Börse Online" and were one of only five issuers to receive the top mark of five stars by the magazine "Capital". We regard this as confirmation of our method of successfully combining product transparency, investor requirements and profit orientation.

Designated Sponsoring remains on a high level

Our proprietary trading activities grew again in 2009 in a challenging market environment. Also part of equity trading is Designated Sponsoring, with which we service over 40 companies listed mainly on the MDAX, SDAX or TecDAX. Our outstanding service quality was confirmed by the "AA" rating given by Deutsche Börse, which ranks us in third place on the German market. This quality is also the reason why we were able to maintain the number of our mandates on a high level in 2009. Our securities lending business, which focuses on equities, also held up extremely well and closed the year with major success.

Treasury records a record result

We basically pursue a strategy of caution in the Treasury business. Under this premise, we took advantage of the decline in interest rates in 2009, both directly and via opportunities for arbitrage. We also benefited from the major volatility on the interest markets by deliberately entering into market risks to a slightly above-average extent and positioning ourselves flexibly.

Through close cooperation with the HSBC Group's trading centres, we contributed towards the efficient use of liquidity within the Group and thus minimising credit risks in particular. The Bank is in an impressive liquidity position – evidence of the trust our clients placed in us in 2009 as well. Below the line, we maintained business activity in the Treasury business on a very high level and were able to increase revenues again compared to the already strong previous year.

Movements on the foreign exchange markets were slightly more restrained in 2009, with the final quarter turning out to be comparatively quiet in particular. In the corresponding prior-year period, price moves of historic dimensions in numerous currency pairs had led to revenue potential which our experienced foreign exchange traders were able to use. In the latest financial year on the other hand, we recorded slight declines in foreign exchange business which is essentially client-related.

Facts and Figures

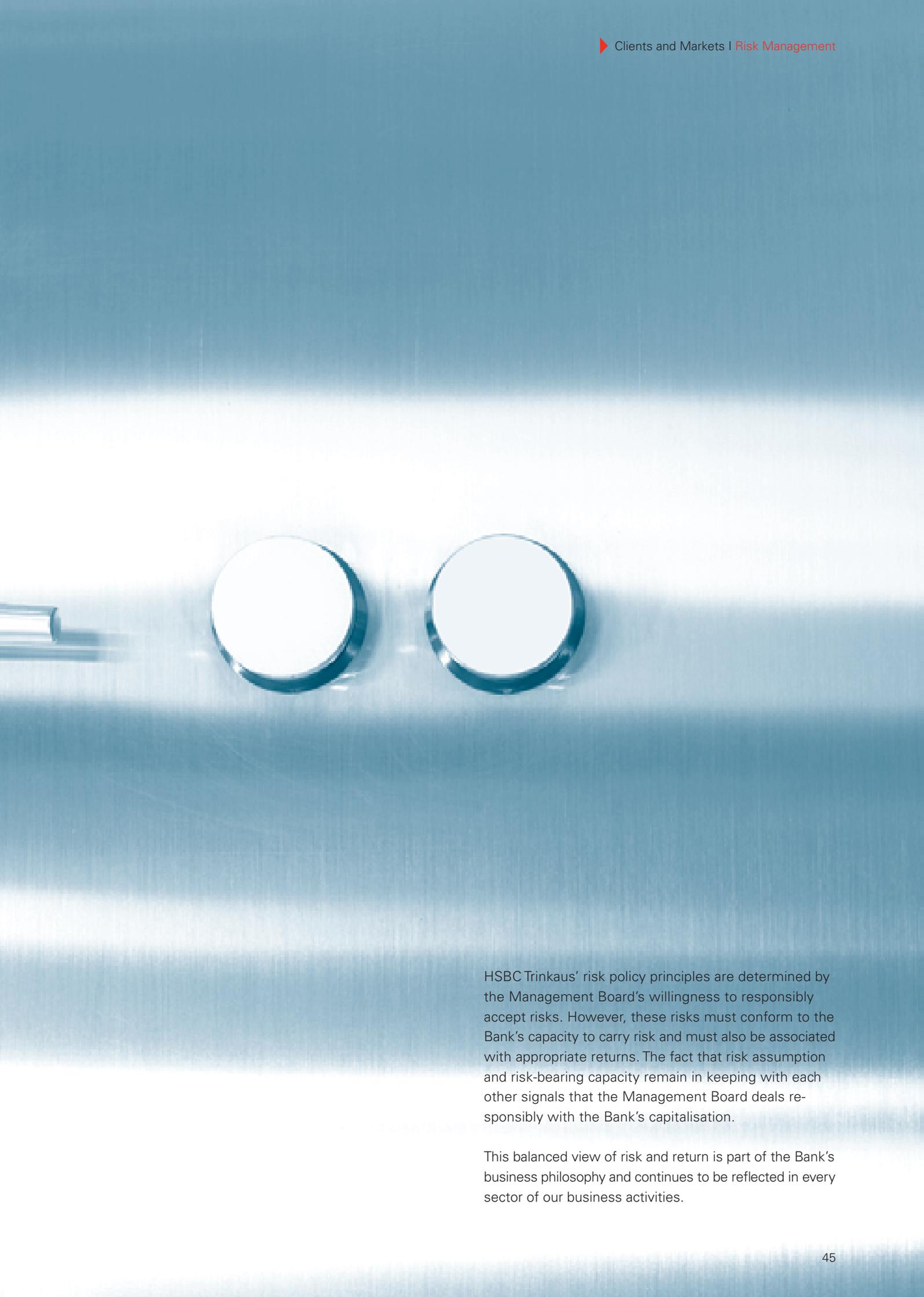
Global Markets

Under difficult market conditions our trading departments were able to generate a satisfactory operating profit in the 2009 financial year with a decline of just less than 9%. The tense situation on the German retail derivatives market had a depressive impact in particular. However, compared to our competitors we were able to improve here and gain market shares. The money market business gave a thoroughly positive performance.

in €m	2009	2008
Net interest income	10.6	10.3
Net loan impairment and other credit risk provisions	0.2	0.3
Net interest income after net loan impairment and other credit risk provisions	10.4	10.0
Net fee income	2.5	4.6
Net trading income	105.4	112.9
Income after net loan impairment and other credit risk provisions	118.3	127.5
Administrative expenses	52.6	55.5
Operating profit	65.7	72.0

▶ Clients and Markets | Risk Management





HSBC Trinkaus' risk policy principles are determined by the Management Board's willingness to responsibly accept risks. However, these risks must conform to the Bank's capacity to carry risk and must also be associated with appropriate returns. The fact that risk assumption and risk-bearing capacity remain in keeping with each other signals that the Management Board deals responsibly with the Bank's capitalisation.

This balanced view of risk and return is part of the Bank's business philosophy and continues to be reflected in every sector of our business activities.



*“Responsibility means first of all
ensuring the Bank’s continued existence
at all events even in turbulent phases.*



*For us risk management means
using highly-developed systems
and processes combined
with professional management
and common sense.”*

Paul Hagen
Management Board

Our values: Responsibility

Responsibility is a main pillar of our business model. It works in two different directions: firstly towards our clients and shareholders, secondly towards our employees and society. We are constantly aware of the obligation associated with this.

The periods of crisis in the past two years have shown strikingly what responsible management means. For us this means first of all ensuring the Bank's continued existence at all events even in turbulent phases. This is the basic requirement for us to be able to do lasting justice to our responsibility towards clients, employees and society.

Responsible management is based on deliberate decisions which in turn require expertise and power of judgment. We possess these characteristics thanks to our many years of experience and the major expertise of our employees and use them to define the right course for the Bank based on all available information. The framework for this is provided by our business model which has proven itself over many years with its clear and conservative risk strategy.

A differentiated management risk system supports us in making decisions and continuously keeps the Management Board up to date on the profitability of our products, client relationships and organisational units. This enables us to identify undesirable activities in our business activities and react immediately.

Further important support is provided by our highly developed systems and processes for risk management. They guarantee the continuous monitoring and control of all of the Bank's risks.

With the help of our risk strategy we determine what risks we avoid and which ones we want to enter into consciously and at what risk premium. A central principle applies here which in turn highlights our understanding of responsibility: all unexpected negative developments must conform to the Bank's capacity to carry risk. If unexpected developments arise, they may not endanger the Bank's existence.

We are convinced: it is not the opportunities we do not take, but the risks we avoid that are decisive for our success in the end. Whereas some institutions have only remained in existence recently as they were supported by government bail-out funds or other institutions, we have always heeded this simple principle to the advantage of our clients, employees and shareholders.

The economic crisis will accompany us further in 2010 and beyond and continue to put pressure on the banks. We will therefore continue to act with major caution and particular attention. In this way we stand by our responsibility in 2010 as well and are convinced that we can do justice to it in every respect.

► Risk management has proven itself in the crisis



Committed to values. For 225 years.

Founding epoch crisis of 1873 successfully overcome

Royal Prussian Commercial Councillor – this is the title that Christian Gottfried Jäger, the founder of the Bank, was allowed to award himself. Prussia awarded the sonorous title only after carefully examining the financial circumstances. Whoever was allowed to call himself commercial councillor was therefore officially certified by the state as being creditworthy.

Financial strength was important for Trinkaus in the following decades as well. Whether a company obtained a loan from the Bank was not so much a question of the balance sheet in the 19th century, but of the personal assessment by the banker. C. G. Trinkaus was obviously very good at making this assessment. The Bank was able to hold up well in the founding epoch crisis of 1873 and remained one of the most important financiers for the young capital-hungry companies on the Rhine and the Ruhr.

HSBC Trinkaus is still ready to enter into market and counterparty risk in order to achieve two central goals: we want to continue to fulfil the economic function of a universal bank and generate an adequate return for the shareholders who provide the risk capital. At the same time, we avoid liquidity risk as far as possible, also paying the price of lower profits, and minimise operational risks maintaining the related costs on a reasonable level.

Since Global Markets and market risk management stood the acid test the previous year, we further refined the calculation of liquidity risks and stress scenarios in 2009. Our results in trading for clients and proprietary trading prove that we have never exceeded our capacity to carry risk. We can thank the experience of our traders as well as our strict discipline in adhering to limits and our integrated risk management for this.

In the lending business, we will keep to the principle in future as well that full reduction of the exposure must be ensured within the expected economic lifetime of

the commitment. Our assessment of the market viability and sustainability of our borrowers is more important to us here than static balance sheet analysis.

Risk principles remain decisive

The Bank has three committees which are of particular importance for its risk management organisation:

- the Asset and Liability Management Committee for market and liquidity risk,
- the Credit Committee for counterparty risk as well as
- the Operational Risks Committee, which is also responsible for legal and reputational risks.

The members of the Management Board are represented on all three committees. They will continue to ensure the implementation of the Bank's risk policy principles. The Bank's overall risk positions are limited with the scope of the "Internal Capital Adequacy Assessment Process" (ICAAP).

Risk management will remain a central element of governance in the Bank. We will carefully ensure that the risks we enter into are in line with the Group's capacity to carry risk as well as the expected opportunities in future as well.



Trevor Gander
Member of the Executive Committee
Credit & Operational Risk



▶ Professional Services



Our services are also as varied as our clients' requirements. We develop individual solutions and tailor-made products for private and institutional investors alike.

The focus is always on the client. Starting with careful analysis, our experts draw up integral strategies which meet our clients' high demands. Personal servicing, which we maintain in the tradition of a private bank going back 225 years, is the foundation of our successful business model.

We also access the global network of the HSBC Group. At "The World's Local Bank", which is represented in 88 countries with around 8,000 branches, we find partners who support us with their expertise in almost every task. Our integration into one of the world's largest banks offers our clients the internationality they expect for their business.

▶ Continuing growth

HSBC INKA

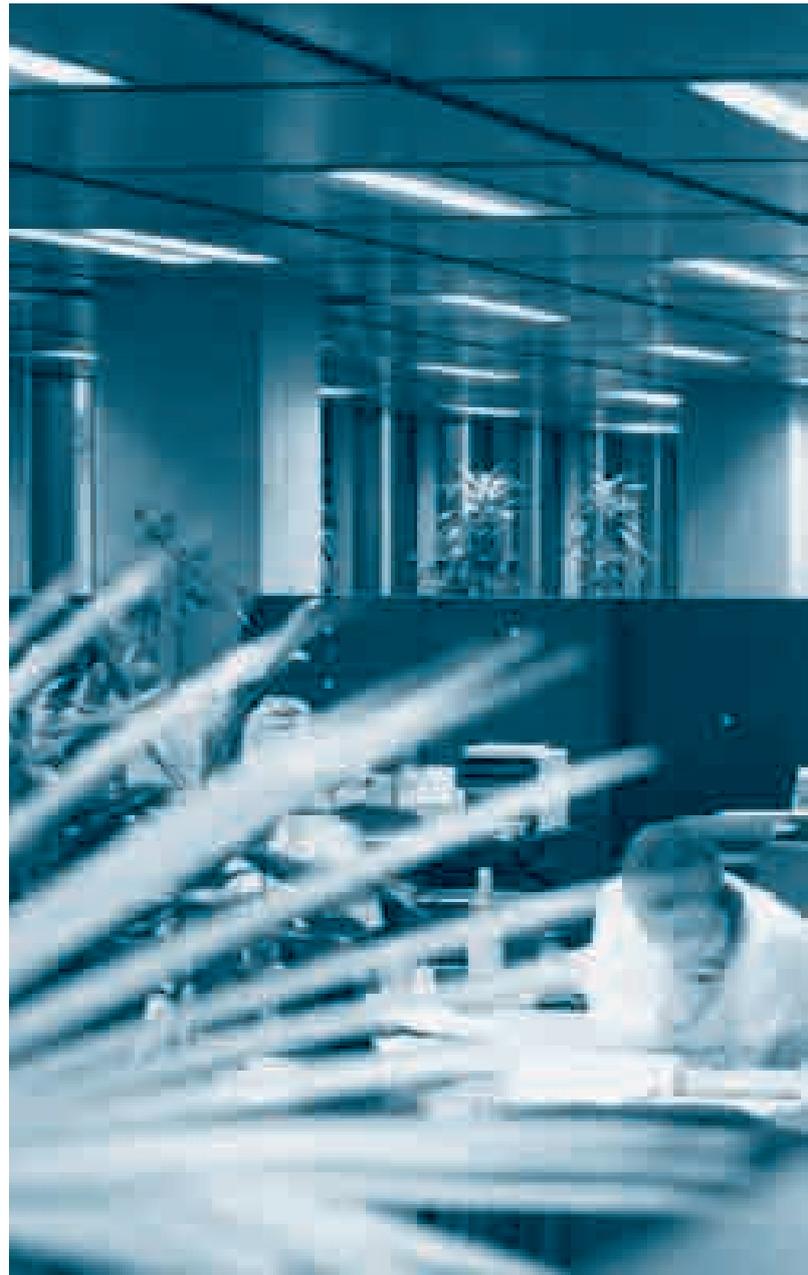
Internationale Kapitalanlagegesellschaft mbH (HSBC INKA) again gained large mandates in 2009 and was able to increase the volume of assets managed in funds and Investment AGs on a net basis by € 5.4 billion to € 64.3 billion. The number of direct client investments grew significantly at the same time. Its continuing popularity with our clients confirms how competitive our service offer is.

Fund management for institutional investors remains highly complex as in the previous years in respect of both the asset categories and financial instruments and investment strategies used. There was an overall change in risk awareness in 2009 on account of the economic climate clouding over. In light of this, many investors reoriented their asset allocation. HSBC INKA offers its clients maximum flexibility in this process by cooperating with around 120 asset managers.

HSBC INKA already expanded its services covering all aspects of Investment AGs the previous year. As an experienced, established provider in this segment, we enable investors to participate in HSBC INKA Investment-AG TGV with subsidiary company assets or use us as an administrator for externally-managed investment AGs. Together with our Luxembourg-based sister company, we also supported clients with respect to the establishment of a Luxembourg-registered SICAV (an investment company under statute). The volume of investment AGs serviced by HSBC INKA stood at around € 11.9 billion at the end of 2009 spread between 27 subsidiary company assets. HSBC INKA also acts as administrator for self-managed investment AGs.

As in previous years, we made wide-ranging and sustainable investments in the further development of our IT infrastructure in 2009 as well in order to expand our leading position in fund accounting, reporting and in particular in risk management. HSBC INKA's degree of automation is well advanced in a market comparison. In addition to major cost discipline and the economies of scale already achieved, this contributes to an outstanding competitive position.

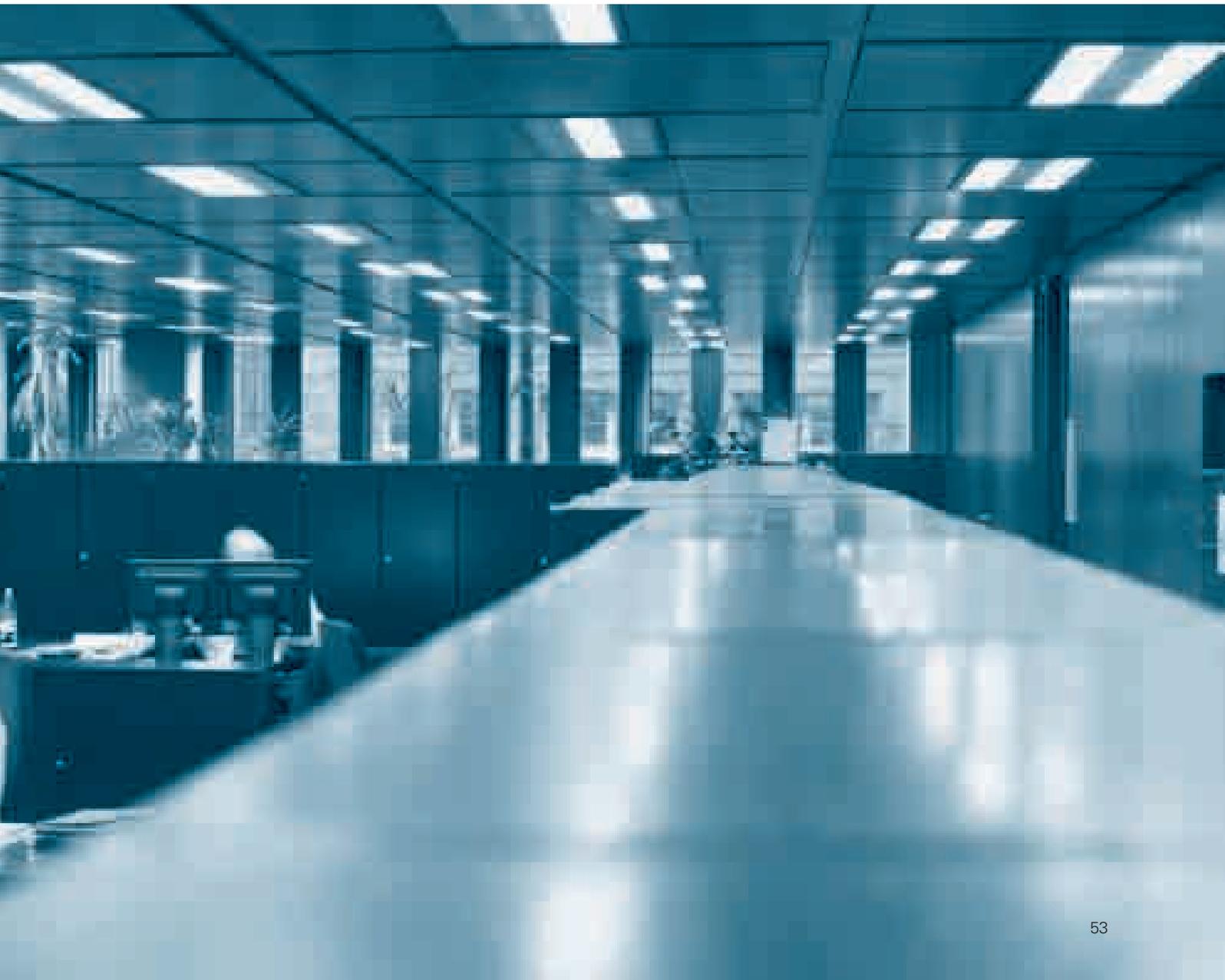
We are expecting the upturn in demand in the final quarter of 2009 to continue in 2010. There should be a positive trend in volumes as a result of both inflows of funds from existing clients and new mandates from sophisticated clients. As an innovative, flexible and specialised provider of middle and back office services, HSBC INKA is well positioned for 2010 as well.



Custody Services

Our Custody Services experienced further strong growth in 2009. In our German sub-custody business, there was a double-digit billion increase in assets under custody over the course of the year. We also expanded our offer substantially, for example by increasing our SWIFT capacities or introducing our new collateral management. Our services were honoured by the international trade press (ICFA) and in December 2009 we were awarded the prize “Custodian of the Year: Germany”.

Thanks to its excellent technical and personnel resources, HSBC Trinkaus has also established itself as one of the leading providers in the German depository bank market. We expanded our market position significantly in particular with respect to large-volume fund assets. In order to further improve the service for our clients we



strengthened the account management and client service team responsible for the operational enquiries from our depositary bank and custody clients.

We also acquired comprehensive mandates, both in Germany and abroad, with our HSBCfast product, an Internet-based fund trading platform with integrated solutions for fund order routing, custody and follow-up sales commission. In the meantime HSBCfast is the leading system in the HSBC Group and is one of the largest fund order systems worldwide. HSBCfast was successful not least due to the fact that we concentrated on the further expansion of our client service and minimised operating risks.

HSBC Transaction Services GmbH

International Transaction Services GmbH (ITS) has been wholly owned by the HSBC Trinkaus Group again since 1 January 2008. After being renamed HSBC Transaction Services GmbH in spring 2010, this affiliation is also clear from its name. The new name reaffirms the unchanged claim of offering our clients the highest service quality and being the best service provider for securities (settlement) services on the German market.

HSBC Transaction Services GmbH offers tailor-made services covering all aspects of securities settlement, administration and safekeeping and has established its-



elf as a leading provider on the market five years after being founded. It successfully faced up to the challenges presented by the financial crisis in the 2009 financial year.

In a very difficult market, HSBC Transaction Services GmbH settled around 46.3 million transactions resulting from trading activities and delivery in 2009, around 23 % fewer than in the previous year. The uncertainty still felt on the financial markets was expressed in particular at the beginning of the year and in December 2009 by relatively low transaction volumes.

Already gearing processes in the securities custody business more towards technology and automation since 2008 has proven to be the right move. In contrast to trading activities and delivery, the number of due dates and events settled here stabilised on the high prior-year level with 27,150 being settled in December 2009 alone, the strongest month since the company was established.

We are consistently developing our product range further and therefore acquired more than 70 employees from the HSBC Trinkaus Securities Services division at the beginning of 2009. They will help us to strengthen and expand our service, true to our philosophy of offering clients everything under one roof. For example, we have supplemented our existing product portfolio with new depositary bank and middle office services.

It paid off over the course of the financial year that we had prepared ourselves well in 2008 for the statutory requirements made of our clients by the flat-rate withholding tax. We offer our clients further services in connection with this. For example, we take the tax implications of other areas of business such as term deposits and derivatives transactions into consideration for an overall view of the client.

We expect the volume of transactions to be slightly above the prior-year level in 2010 owing to the general economic situation. However, particularly volatile trading days can lead to new records considered in isolation. Coping with such active trading phases is one of our strengths based on experience. This is due to our highly qualified and motivated employees on the one hand and to our efficient settlement software on the other. The technological advantages lie above all in the straight-through real-time ability of the systems used and in consistent straight-through processing (STP). We therefore remain confident that HSBC Transaction Services will perform better than the competition in close cooperation with its partners.

In profile

Securities Services

The Securities Services business consists of HSBC Internationale Kapitalanlagegesellschaft mbH (HSBC INKA), Custody Services as well as HSBC Transaction Services (formerly ITS).

As a capital investment company HSBC INKA has a volume under management in mutual and special funds of € 64.3 billion. In its core fund management business, it offers accounting, risk management, tax analysis and reporting. It manages individual and master funds, investment AGs as well as direct investments by institutional investors.

The Global Custody Team supports institutional clients in safekeeping and managing their securities using the resources of the HSBC Group. HSBC Trinkaus services mutual and special funds as a custodian bank, its clients including banks, companies, insurers, pension funds, family offices, capital investment companies and asset managers.

HSBC Transaction Services offers tailor-made services based on leading technologies in all matters relating to the settlement, management and safekeeping of securities. As a business enabler it provides its clients with all services for securities-related middle office and back office processes, including above all order routing, transaction settlement and custodian services.

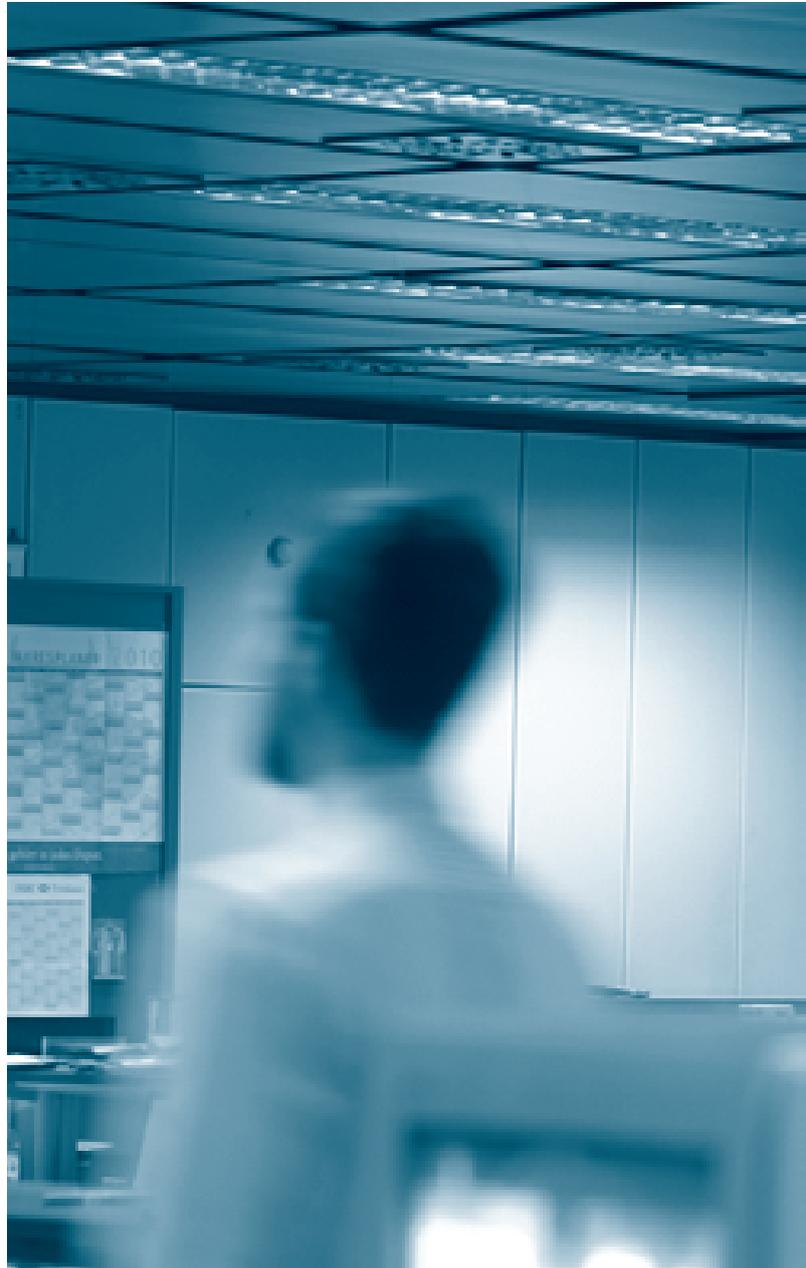
▶ Stable Asset Management

Despite the still difficult market environment, HSBC Global Asset Management (Deutschland) GmbH succeeded in maintaining the volume of assets it manages on the prior-year level in 2009. As was already the case in 2008, our liquidity funds were perceived by our clients as a safe refuge and experienced significant inflows. Moreover, institutional investors again showed growing interest in profitable asset classes. The focus was on emerging markets debt and corporate bonds in particular. Thanks to our far-reaching expertise, these products were in strong demand and justified this interest by giving a convincing performance. Our clients also benefited from our Asset Liability/Overlay Management.

Switzerland, Austria and Eastern Europe in focus

Since the beginning of October 2009 we have been represented by a company in Switzerland having already established HSBC Global Asset Management (Austria) GmbH in April 2008. Our new company HSBC Global Asset Management (Switzerland) AG is a joint venture between HSBC Global Asset Management (Deutschland) and HSBC Global Asset Management (France). The company has sales teams in Zurich and Geneva and concentrates on institutional clients on the one hand and financial intermediaries on the other. We systematically expanded our sales in Eastern Europe, thus increasing our market shares in Poland and Hungary as well as the Czech Republic, Slovakia and the Baltic.

2009 was a satisfactory year for HSBC Global Asset Management (Deutschland) GmbH overall. We held up well in absolute terms and also compared to the competition, which we put down to our stable business with special funds in particular. In addition, we manage costs efficiently and concentrate on our core areas of competence in Düsseldorf and the HSBC Group.



Forecast

We are cautiously optimistic for the trend in business at HSBC Global Asset Management (Deutschland) GmbH. Institutional investors above all have started to increasingly invest in higher-risk asset classes again. We should benefit from this trend, which we assume



In profile

Asset Management

Our asset management activities combine global presence and local know-how. Thanks to our cooperation with the HSBC Group, we have access to a global network and excellent expertise. A further advantage is the mature portfolio of products and services which, combined with our detailed knowledge of the domestic market, creates the basis for our success.

HSBC Global Asset Management (Deutschland) GmbH deals with all activities related to portfolio management. HSBC Trinkaus acts as custodian bank while HSBC INKA concentrates on fund administration. We offer our clients these individual asset management components on a combined basis, but also separately and at competitive conditions.

We service institutional clients, corporate clients and financial intermediaries in Germany and Eastern Europe from Düsseldorf. Our primary focus is tailor-made institutional special funds and attractive mutual funds. The products offered by HSBC Global Asset Management (Deutschland) and the HSBC Group's other asset management companies cover all significant asset classes. Our product ranges are under continuous development.

will continue, thanks to our outstanding expertise with respect to spread products and emerging market bonds. We are also assuming greater demand for our multi-asset product which meets the increased demand from investors for stable returns combined with a limited risk.

An outstanding year in Institutional Sales

2009 was an extremely successful year for the Institutional Sales team. Our business was driven by so-called flow products, traditional fixed-income products such as government and corporate bonds, promissory note loans, Pfandbriefe and registered bonds. Owing to the major increase in the refinancing requirements of the public sector and numerous companies as well as HSBC's outstanding position as one of the world's leading new issue houses, excellent growth was achieved in particular in this segment, the so-called primary market. The secondary market business in these products also gave a positive performance.

While structured credit products no longer played a role – as was already the case in 2008 – structured interest, currency and equity products remained more or less on the prior-year level in terms of revenues. This is to be regarded as a success with a view to the difficult market environment, in particular in the area of structured products. We owe this not least to the Client Solutions Group, which develops tailor-made solutions with a high level of expertise for institutional investors. The Alternative Investments Group enjoyed similar success. Although our fundraising for Alternative Investment funds was below the prior-year level, the placement of two external funds as well as the HSBC Environmental Infrastructure Fund is to be regarded as a success, especially compared to the competition. The latter invests in renewable energy projects and therefore also fits in very well with the HSBC Group's strategy of sustainability.

The fact that there were no negative surprises with respect to the private equity and hedge funds we placed in recent years was also particularly favourable. A positive performance was recorded for our clients.

Strategic initiatives stimulate growth

Various strategic initiatives have made a significant contribution to the team's success and stand for major revenue potential in the years ahead as well. For example, we have set ourselves the goal of intensifying the business relationships to our most important clients as well as expanding business with the large German fund management companies. These strategic points of emphasis contributed to strong growth above all in the area of flow products last year. At the same time, we believe this puts us in a very good position for the years ahead. We are expecting similarly favourable results in the coming years from the stronger global marketing of the German promissory note loan product as a possible means of public sector refinancing. We were already extremely successful here last year and were able to win over various Spanish regions among others as issuers of promissory note loans for German investors. The global presence of the HSBC Group with its outstanding expertise in new issues and the close international network within the HSBC Group are key factors of success for us here.

Greenwich Report again positive

The internationally renowned 2009 Greenwich Report again showed good results for our division. We were able to improve in all important market share rankings and are now among the top 5 in Germany and Austria with respect to government bonds. As regards corporate bonds, in tenth place we were among the top 10 for the first time. These successes are accompanied by an excellent placing in the Greenwich Quality Index: sixth place for government bonds, fourth place for both emerging markets and interest rate derivatives and an outstanding second place for corporate bonds. These results provide impressive evidence of our clients' satisfaction with our business model with its focus on intensive servicing and client service.

Forecast

We are optimistic and confident for 2010, even though we are aware that 2009 was extraordinarily successful and that it will not be possible to repeat the results in this form – at least not this year. We assume that the flow business will dominate in 2010 as well with the primary market business also having a very positive influence on the overall result. We also see major revenue potential in the area of structured equity products and increased demand for simple interest rate derivatives again this year. HSBC's competence in emerging market products will in any case play a greater role with the growing significance of the emerging markets in the global economy in 2010.

In profile

Institutional Sales

As a sales platform of the HSBC Group for Germany and Austria, the Institutional Sales team unites the sales activities for Global Markets products with German and Austrian institutional clients.

The product range comprises traditional fixed-income products such as government and corporate bonds, Pfandbriefe and promissory note loans as well as derivatives and structured products. Furthermore, we offer solutions for capital investment or hedging across all product and asset classes which are tailored to the clients' regulatory and balance sheet requirements. The offer is rounded off by the structuring and sale of alternative investments such as hedge funds, private equity and infrastructure investments.

We have geared this business segment in organisational terms to the needs-oriented and integrated marketing and servicing of our clients. Both generalist client teams and product-oriented teams are available, especially for liquid products, enabling us to use comprehensive synergies between the product lines.

▶ A year full of highs and lows for equities

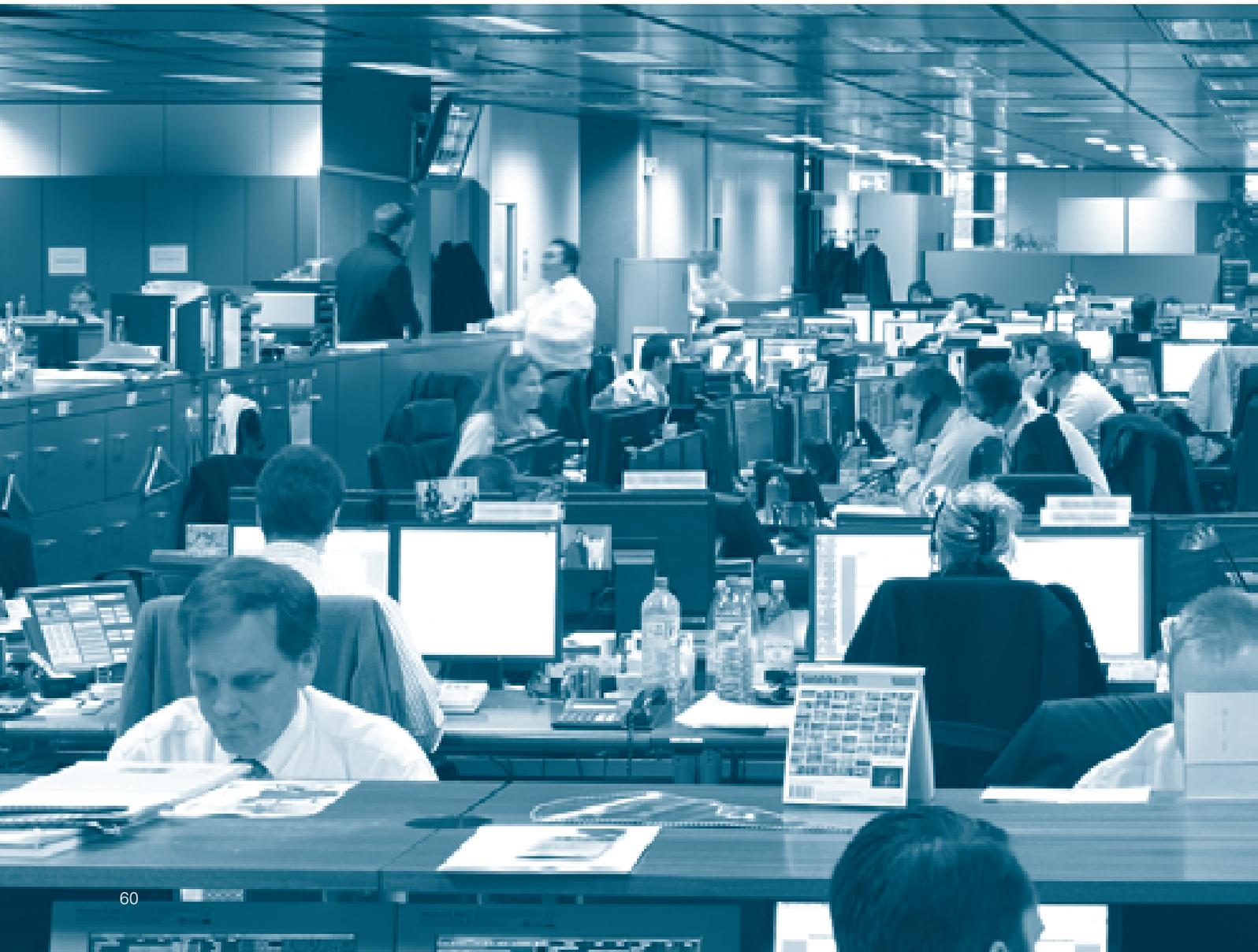
We were able to observe sharp falls on all significant stock markets up until early 2009 followed by partly rapid recoveries over the further course of the year. There was not much difference between light and shade in this asset class.

Research strengthened further

In such volatile times, reliable equity research is decisive for institutional investors. HSBC and HSBC Trinkaus have therefore further strengthened their equity research in the past twelve months. The HSBC strategy was focused above all on the further expansion of research in the emerging markets as well as sector re-

search in Europe. The core area of competence of our Equity Research Team in Düsseldorf is German small and mid-caps. In addition, we offer global quantitative equity analysis which we expanded in terms of content and marketed internationally in 2009. The expansion of our coverage by selected larger stocks in Germany as well as the introduction of analysis of a number of Austrian companies was important for the further development of our research offer.

Our Equity Sales team in Düsseldorf markets HSBC's global equity product with the regional focus on the emerging markets and Europe. It also offers an advisory service for small and mid-caps as well as special market segments such as SRI (Socially Responsible In-



vestments). The reduction in our institutional clients' risk-bearing capacity led to a decline in the result in the equities business at the bottom line.

Consistent client trust in Corporate Broking

In Corporate Broking we actively market our clients' stocks. We carried out around 170 roadshows and organised several large investor conferences in 2009, providing over 300 institutional investors with contact to interesting and promising companies. The specialist conferences on SRI, Real Estate and Health Care as well as the regional Austria Conference are to be pointed out in particular.

In profile

Equities business

The Equities business is one of HSBC Trinkaus' core areas of competence. Together with HSBC we offer our institutional clients our global research via our Equity Sales team and advise them on the structuring and positioning of their global equity investments.

In Equity Sales Trading we support our clients in executing European equities orders.

Finally, the Corporate Broking team services listed companies in all issues relating to the secondary market and is responsible for Designated Sponsoring.



► Treasury Management: Individual advisory approach pays off



The interest rate, foreign exchange and equity markets were highly volatile in 2009. We supported our clients in using opportunities and minimising risks. Our individual advisory approach, which is geared towards sustainability and under continuous development, plays a central role here. Our product range comprises various asset classes and maturity segments allowing us to serve our clients' needs on an individual basis. Thanks to the outstanding credit standing enjoyed by HSBC and HSBC Trinkaus, we were regarded as a preferred counterparty for interest rate and foreign exchange hedging transactions and also as a highly esteemed issuer in the year under review as well.

Focus on security

Security was of the utmost importance for clients in the interest rate products business in the first half of the year. The global trading capacities of the HSBC Group allowed our clients access to government and

corporate bonds as well as tailor-made solutions despite the significant reduction in liquidity in many securities.

The markets recovered in the second half of the year which meant that clients were more eager again to generate returns in the environment of low interest rates. Corporate bonds were in strong demand. Non-directional trading strategies independent of general market trends also enjoyed major popularity. It was also important to use historically low interest rates and optimise outstanding obligations at an early stage.

Intensive local servicing

Many corporate customers went for short-term hedging transactions in the foreign exchange business in the light of the changeable global economic trend. Derivative solutions played an important role for exporters in particular on account of the persistently strong euro. The volati-

lities of the currencies underlying the foreign exchange options experienced a real roller coaster ride, with the traded annual volatilities of euro/US dollar fluctuating between 11 % and 20 %, for example. The demand from our clients for sustainable and conservative instruments remained unbroken in 2009 as well. In the emerging markets we further strengthened our global network, opening up access to a large number of local currency markets for our clients.

Our foreign exchange business offers asset management companies, insurers and banks intensive local servicing together with access to global products and prices as well as our multi-award-winning global currency research. We therefore take full account of the requirements of our institutional clients. The FX Institutional Sales team is supported by the long-standing experience of the client service officers in the Financial Institutions Group. Our integrated team approach ensures that our currency specialists are deployed wherever their particular expertise is required for balance sheet hedging, for intercontinental currency transactions or other specialist transactions.

Hedging high volatilities

Our Currency Overlay Management is used by institutional investors, internationally operating companies and high net worth private clients to manage currency risks. High volatilities led to strong interest in our quantitative approach, resulting in a slight increase in assets under management to \$ 9.5 billion. Capital investors still represent the largest client group.

Precious metals business in development

HSBC is one of the largest traders of precious metals world-wide and global market leader in physical gold trading. Our Treasury Management Group has built on this know-how, starting step-by-step and in cooperation with the HSBC units to make it possible for our corporate clients, institutional clients and high net worth private clients to trade individual precious metals. From Metal Lease to Investment Gold and ETFs, the entire precious metals product range is to be offered here in future.

In profile

Treasury Management Group

As product specialist in the Corporate Banking segment, our Treasury Management Group is the central contact for individually-tailored and integrated solutions in the area of interest rates and foreign exchange. Our clients also include public-sector bodies, foundations as well as high net worth private clients. The client base is rounded off by institutional clients for whom we provide a service in the foreign exchange business.

We analyse and evaluate the development of international interest rate and foreign exchange markets on an on-going basis also using the expertise of the economists from the Treasury Research division. For our clients we create individually-tailored trading strategies according to the respective situation on the markets, for example for hedging their transactions, optimising their balance sheet positions or for using opportunities to generate profits. Our direct access to the HSBC Group's development and trading capacities guarantees our clients an optimum service.

▶ Debt Capital Markets: In an outstanding market position

Committed to values. For 225 years.

Innovative and dynamic



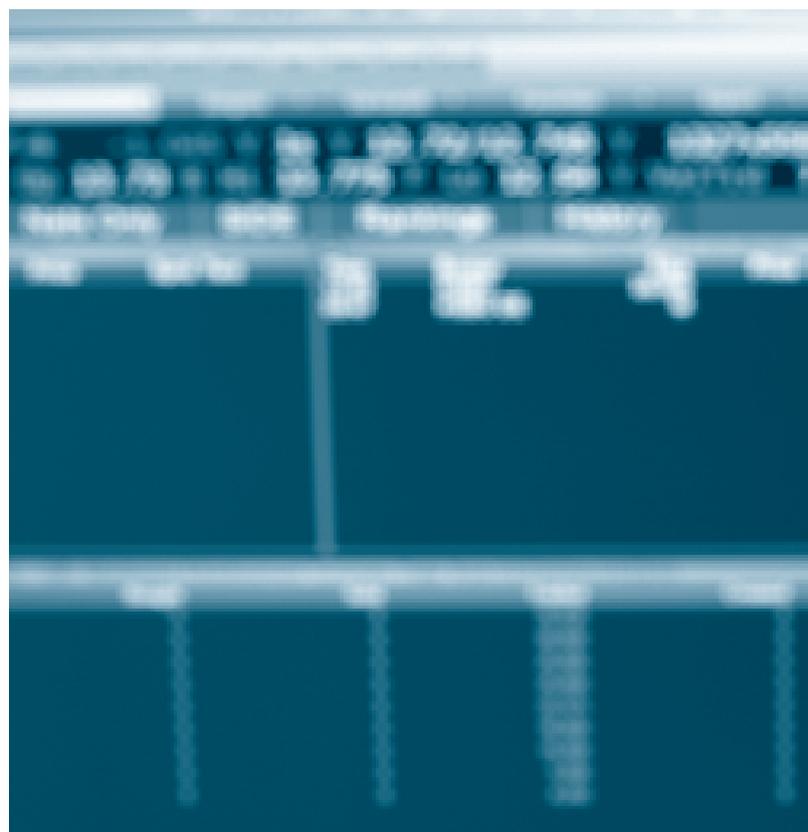
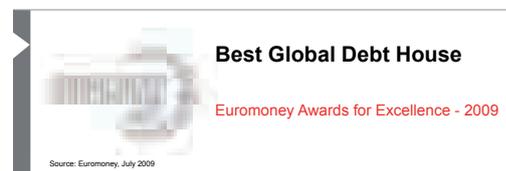
The Bank had already been carrying out lively syndicate business for some time when, in the mid-1980s, we decided to pursue a more ambitious goal and aimed for syndicate leadership in bond placements.

What is no longer possible nowadays for smaller banks without larger partners was already a major challenge at that time: Trinkaus & Burkhart was competing with major banks and Landesbanken which shared the lion's share of a bond issue on the domestic market between them. Subsidiaries of foreign banks were also among the competitors with respect to D-Mark foreign bonds. Companies or corporations which raised funds on the capital market by means of bonds relied on traditional banking connections and tried and tested placement opportunities.

But Trinkaus & Burkhart already debuted as a lead managing institution for three bond issues in 1986. The Bank was syndicate leader for international bond placements seven times each in 1987 and 1988, therefore going straight into sixth place among the issuing houses for D-Mark foreign bonds. The recipe for success was called innovation. The Bank devised new products such as warrants, variable-interest bonds, double currency bonds and bonds with currency options. The aim in each case was to design securities which brought advantages for both the issuers and the investors. The Bank succeeded in doing so, with all bonds selling with equal success.

The Bank can look back on an extremely successful year in the Debt Capital Markets business. Our long-standing experience paid off in the often turbulent markets, our clients benefiting from our market expertise and our excellent access to investors throughout the world. The close and established cooperation with the HSBC Group's Debt Capital Market centres in London, Hong Kong and New York proved itself extremely well.

We were one of the leading arrangers for debt issues in the latest financial year as well and were honoured as part of the HSBC Group with numerous awards from the international financial press, for example "Best Global Debt House 2009" by the professional journal "Euromoney". Overall we arranged 82 issues in Germany and Austria with an aggregate volume of € 60 billion for industrial companies, financial institutions and public-sector companies. With a total of 13 benchmark transactions HSBC Trinkaus positioned itself as the leading issue house for German and Austrian agencies.



Bonds for industrial companies

2009 was a record year for corporate bonds with the greatest issuing activity since the market has existed. The issue volume in euros of bonds for industrial companies almost doubled compared to the previous year to € 280 billion. In this environment, we benefited from our outstanding market position and lead-managed a number of transactions. Not least due to our international orientation we arranged a number of bonds for well-known German companies in all three main currencies of the bond market.

In the euro segment we were bookrunner over the course of the year for bond issues by BASF, Henkel, ThyssenKrupp, Deutsche Lufthansa, EWE, Metro, GrenkeLeasing and BMW with an overall volume of around € 7 billion. The arrangement of the bond for Evonik Industries with a volume of over € 750 million, the company's debut on the public capital market, is to be pointed out in particular.

We provided evidence of our strength in the sterling market by successfully placing bonds with a volume of over £ 1.05 billion for E.ON. This transaction, which was arranged in two tranches, was

In profile

Debt Capital Markets

Debt Capital Markets – Corporates offers industrial companies the entire range of debt market financing. For example, we advise our clients on corporate bonds on the European and global level, promissory note loans, private placements in the USA and Asia, hybrid bonds and syndicated loans. We also offer the structuring of liability management transactions. The spectrum ranges from 10 million to several billion euros. We find the needs-oriented issuing instrument, whether it be for acquisitions, growth financing or refinancing existing obligations.

Debt Capital Markets – Financial Institutions & Public Sector advises banks and financial institutions on issues and placements, including (jumbo) Pfandbriefe, unsecured bonds and MTN drawings in various currencies. Our offer is rounded off with bank capital and securitisation solutions. Public-sector clients such as federal states and development banks benefit from our expertise with respect to the issue of benchmark bonds and MTN drawings.

Both teams cooperate closely with Strategic Financing Advisory. This cooperation enables us to work out the optimum financing structure and choice of product for our clients.



one of the largest ever carried out in the sterling segment. We also accompanied BASF's sterling debut bond with a volume of £ 400 million.

The Bank was also active in the US dollar segment accompanying a Eurodollar bond issued by Linde with a volume of \$ 400 million.

Several placements of medium-term notes in various currencies for DAX companies with Asian and European investors rounded off our successful presence on the public-sector bond market.

The promissory note loan market for industrial companies calmed down slightly after the record year 2008 in which numerous foreign issuers also serviced this instrument. The market is now being used primarily by companies from German-speaking countries. There were also several debutants among small and medium-sized companies issuing promissory note loans. We successfully accompanied transactions for Palfinger, Wacker Chemie and Boehringer Ingelheim. The latter transaction, with a volume of € 900 million, represents the largest promissory note for German industrial companies in 2009. We also arranged promissory note loans for Metro, GrenkeLeasing and Fraport among others.

Issues for financial institutions

The market for issues by German banks had almost dried up at the end of 2008. The picture was different in 2009 from the beginning on. The first half of the year was characterised worldwide by large-volume, state-guaranteed benchmark issues by the financial industry. HSBC Trinkaus secured itself bookrunner mandates for the SOFFIN-guaranteed securities issued by BayernLB, Aareal Bank and HSH Nordbank with an overall volume of € 13 billion. In addition there was a € 2 billion issue guaranteed by the state of Lower Saxony from NordLB. We were also able to position ourselves in Austria with bonds for RZB and Erste Bank with an overall volume of € 4 billion. Both were guaranteed by the Austrian government.

With the introduction of the ECB buying programme for covered bonds, refinancing via Pfandbriefe also returned to centre stage again. Over the course of the

year Dexia Kommunalbank, Deutsche Pfandbriefbank, Deutsche Postbank and Eurohypo appointed us as lead manager for benchmark issues and top-ups with an overall volume of around € 7 billion. The market for bank capital bonds opened again towards the end of the year. HSBC Trinkaus was able to secure itself the only two mandates from Germany in this segment: a hybrid Tier I transaction with a volume of \$ 500 million for NordLB as well as a subordinated bond with a volume of € 500 million for Landesbank Berlin.

Bonds for public-sector issuers

With government debt having risen to a record level world-wide, issuing activity in the public sector also reached its peak in 2009. We placed benchmark issues for the Republic of Austria with a volume of € 3 billion and \$ 1.5 billion, respectively. A further US Dollar benchmark bond with a volume of \$ 4 billion was placed for the Federal Republic of Germany.

HSBC Trinkaus was bookrunner for five benchmark bonds for the German federal states. The starting point at the beginning of the year was the largest bond issued by a federal state to date with a volume of € 3.25 billion in two tranches (five and ten years) for the state of Baden-Württemberg, followed by a mandate for North Rhine-Westphalia. Furthermore, we again took on the function of bookrunner for federal states community loan no. 32, for the state of Lower Saxony and again for North Rhine-Westphalia with a US Dollar benchmark bond.

HSBC Trinkaus positioned itself as the leading issue house for German and Austrian agencies in 2009 with a total of 13 benchmark transactions. In addition to bonds for the German Reconstruction Loan Corporation (KfW) in euro, US dollar and British pound sterling, bonds were issued in all three currencies for L-Bank, NRW. Bank, OeKB and Asfinag. The sterling issue at NRW. Bank was the first benchmark bond in this currency for this issuer.



▶ Issuing business remains on a high level

Committed to values. For 225 years.

Pioneer in the young derivatives market



At the end of the 1980s the market for derivative financial products was still young. Trinkaus & Burkhardt proved to be a particularly innovative issuer and saw to a number of premiers. For example, it was the first bank to issue covered share warrants as well as interest rate warrants in 1989.

The new financial instruments met with lively interest from investors. In addition, Trinkaus & Burkhardt

introduced a representative performance index for traditional warrants in 1990: Turbos. It examined the market for warrants, which were used primarily for company financing. Moreover, Trinkaus & Burkhardt was one of the founder members of the Deutsche Terminbörse (today EUREX), the central trading platform for futures and options, also established in 1990.

The award "Warrant House of the Year 1992" underlined that Trinkaus & Burkhardt's know-how in the field of financial innovations was unparalleled anywhere. When the Bank had already reached a leading position in the business with share and interest rate warrants, certificates came along, including the first discount certificate in Germany in 1995 and the first multi-discount-certificate in 1999. The name HSBC Trinkaus became a trademark for innovative financial products.

We were able to issue almost as many structured securities as in the previous year in 2009. With more than 50,000 warrant, certificate and structured bond issues (previous year: around 55,000), the number of products issued was far above the figure in 2007 (around 23,000) and 2006 (more than 14,000). Most of these issues, as in the previous year, were leverage products as well as comparatively simple structured securities.

We are expecting strong issuing activity with respect to our proprietary products for 2010 as well.

Innovative concepts

One of the focal points of product development in 2009 was innovative time-to-market concepts, another the technical implementation of products with an extremely short maturity.

For example, we were the first issuer to introduce intraday-issues with major success. These are products which can be offered during the day on a very short term basis and which therefore allow for the latest market movements to an even greater extent. We also set standards as the first issuer with our listed Day Turbos with a maturity of only one day.

Our product range was also expanded further with new offers such as barrier warrants, quanto open end participation certificates on Brent oil or memory express certificates.

In addition, we supported the Marketing Retail Products team in developing new and trend-setting client information tools, including product portraits for discount certificates, which show all essential information as well as current data and ratios in real time. We plan to expand the portraits, which we offer as the first issuer in this form, to other product groups. They have also been available for reverse convertible bonds and index-linked bonds as well as capped bonus certificates since the beginning of 2010.

The number of issues we introduced on the Swiss exchange (SIX Swiss Exchange) for public sale in Switzerland developed positively. We were able to set a new

record here last year with 1,058 products (previous year: 849). We discontinued our issuing activity on the Paris stock exchange (NYSE Euronext).

Structured promissory note loans

HSBC issued or restructured promissory note loans in accordance with its clients' needs in terms of maturity or structural elements in 2009 as well. We were also again able to arrange and offer to our clients various registered bonds for HSBC Bank plc last year.

Stock issues

The equity capital markets basically developed positively last year, yet business on the equity primary market in Germany remained sluggish. The market environment for IPOs remained weak while capital increases and convertible bonds showed a slight upward trend. We were able to accompany and successfully implement the capital increase with subscription rights by K+S Aktiengesellschaft in 2009.

There are some signs that the primary market is recovering in 2010 and that the business with capital increases and IPOs is growing with it.

In profile

Issuing business

Our issuing business provides a large and qualified range of services covering all aspects of capital market products. These include, for example, products such as equities, bonds, warrants and certificates, the issue and initial public offering of which we structure, coordinate, document and implement taking legal and technical aspects into consideration in close cooperation with other divisions of the Bank.

The issuing business also covers the main functions in the issue follow-up business for Treasury and third-party issues. We also deal with products as varied as stock option programmes, promissory note loans, registered bonds, tender offers, capital increases or also issuing, paying agent, custodian and listing mandates.

- ▶ Closed-end real estate funds – largest fund volume placed to date



HSBC Trinkaus Real Estate GmbH already brought the Trinkaus Europe Property Fund series into existence in 1996. It comprises closed-end funds with selected European properties and its aim is solid property investments in national and international locations. Diversification within the scope of the overall investment strategy is a substantial element. We work with German and international property, tax and legal experts to define the necessary structures for the investments. Together with local partners we ensure that the properties are managed professionally during the planning phase. Trinkaus Europa Immobilien-Fonds Nr. 10 Luxemburg KG, with which we were the first initiator to invest in the Grand Duchy of Luxembourg in 2004, is one of our 14 funds to date. This was followed in 2005 by the first fund outside of Europe with two properties in Toronto, Canada's economic capital.

With the launch of Trinkaus Europa Immobilien-Fonds Nr. 12 Luxemburg/Airport GmbH & Co. KG, we reached an important milestone in our history in 2008 – in which HSBC Trinkaus Real Estate GmbH celebrated its 30th anniversary. This fund, which involves an overall investment of around € 81.5 million (previous average around € 40 million) and capital of around € 52.5 million, is by far the largest to be set up so far. HSBC Trinkaus & Burkhardt (International) SA, a subsidiary of the Bank, has moved into its new headquarters in the newly constructed office building. After the very rapid placement of fund units with a value of around € 20 million in only six weeks up to the end of 2008, we placed the remaining fund units of around € 30 million in 2009 as planned, due among other things to our cooperation with two major German banks for the first time.

In profile

Real Estate

The issuing house HSBC Trinkaus Real Estate GmbH, a 100 % subsidiary of HSBC Trinkaus & Burkhardt AG, offers as a fund initiator investments in carefully selected closed-end real estate funds. By managing the funds and properties ourselves, we guarantee our investors a high degree of quality and service. Our criteria when selecting the fund properties consistently support medium- and long-term investment strategies. We basically only invest in sustainable locations. In addition, the buildings must be of high quality with sophisticated architecture and competitive rental agreements must be concluded with tenants with a first-rate credit standing.

We have set up a total of 14 funds so far. Six of them invest in properties in Germany, four in the Netherlands, one in Switzerland, two in Luxembourg and one in Canada. After the very successful dissolution of two funds, HSBC Trinkaus Real Estate GmbH managed twelve funds with around 4,000 subscriptions from around 3,000 clients and an investment volume of approximately € 540 million in the 2009 financial year.



► Organisation and Personnel

We are aware of the major responsibility that we bear not only for our clients, but also for our employees. Mutual trust is the basis for working together successfully.

The selection and commitment of our employees as well as the promotion of their individual abilities are particularly important to us. Every single one of them contributes through their expertise, openness, service orientation and professionalism to achieving the extraordinary high level of performance and quality that our clients expect of us.

A further aspect in a client relationship is reliability. The constant improvement of the efficiency of our IT systems is required to meet not only our clients' needs, but also the growing regulatory requirements. One of our strengths is the clearing and transactions business which requires a high degree of perfection and flexibility.



▶ Powerful technology and efficient processes

IT systems were developed further, new functions created and work processes amended in the latest financial year in order to do justice not only to the various requirements of our clients, but also to the legislative requirements. One area of focus was the introduction of new products and the optimisation of processes in order to further increase the ratio for the fully automatic processing of transactions.

Service in payments and cash management

In order to offer a professional service in payments and cash management, our offer was expanded and optimised in the latest financial year. With effect from November 2009 we introduced the European direct debiting system (SEPA Direct Debit) and in addition implemented further fully automatic processes for



communication with our clients and counterparties which cover all popular national and international data formats.

The IT systems and processes therefore also cope with extraordinary requirements, as we were able to prove in the latest financial year by successfully carrying out direct debit settlement for a leading Internet mail order company within Germany with 2 to 3 million transactions per month.

We extended our product portfolio in electronic banking by a new Internet portal and, for our internationally operating corporate clients, planned and realised individual cash management projects on schedule. Our local HSBC colleagues in Asia as well as North and South America supported us in these projects.

Various changes in the data and communication formats could again be observed in 2009, for example in the SWIFT environment. The same applies to new statutory provisions as well as the introduction of the EU Payment Service Directive with effect from 1 November 2009. The Bank successfully implemented all changes.

Prepared for emergencies

Within the scope of the Bank's risk management, we made systematic preparations for maintaining business operations in technical and organisational terms even in the event of an emergency, for example after a possible fire at our business premises.

Among other things, we practiced the rapid evacuation of buildings and resumption of business operations in our so-called "Hot Stand-by" provisional offices. We also simulated various emergency scenarios for the cross-divisional crisis support functions.

The threat of swine flu in the second half of 2009 was the first serious test for our precautionary measures, which we passed successfully, enabling us to compensate for the loss of personnel in the event of a pandemic.

Reliable and flexible in Treasury Clearing

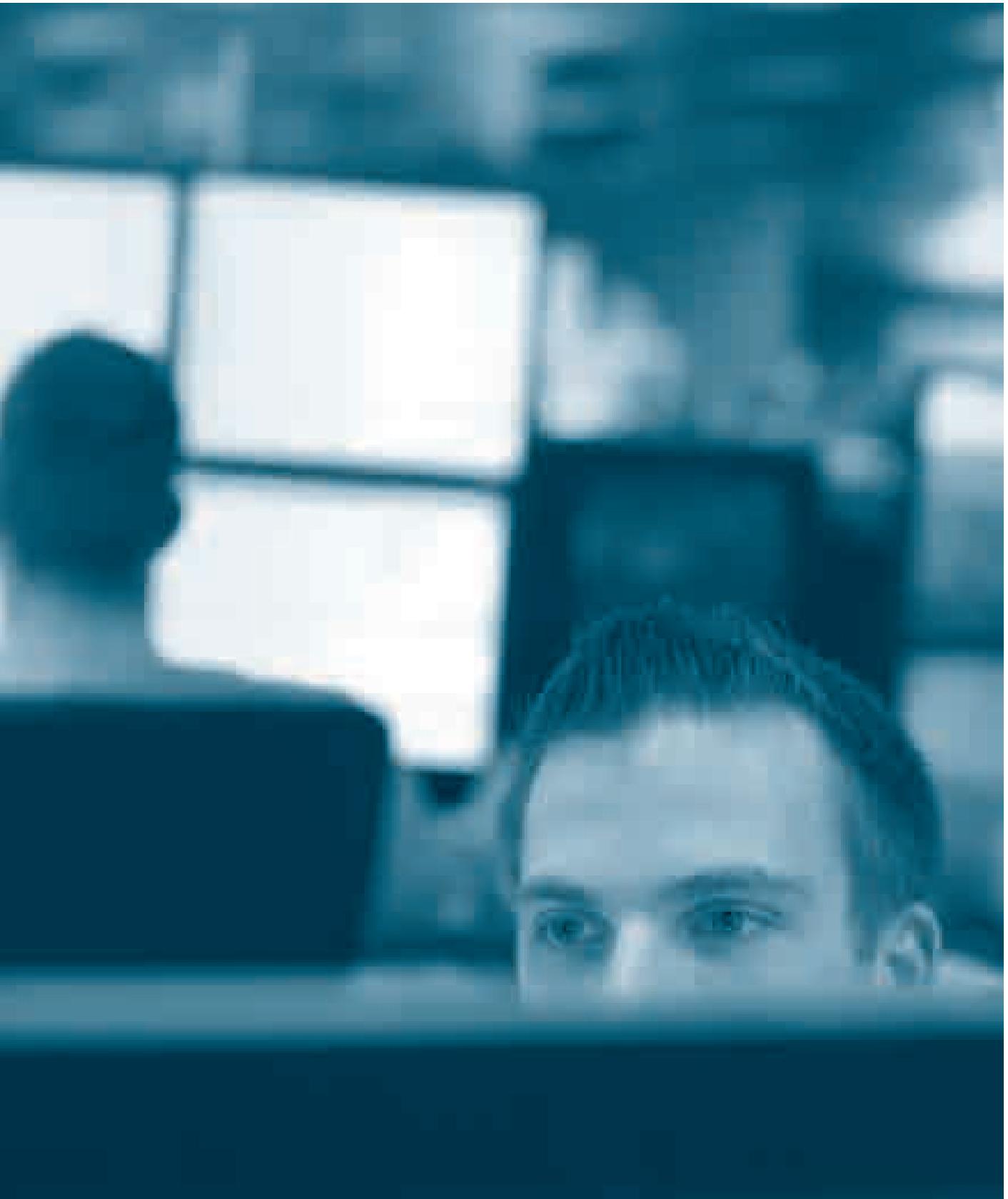
The Treasury & Derivatives team – traditionally a strong partner and flexible service provider for our Global Markets and all client divisions – settled just less than 200,000 foreign exchange transactions in all global currencies in 2009. The non-convertible currencies of Asia and South America are also popular Treasury products for our international clients.

Our business has proven to be robust in the financial market crisis over the past two years and we expect our growth to continue, in particular in the foreign exchange and Treasury environment. For example, we reliably maintained and serviced a triple-digit number of revolving credit lines for our corporate clients in the latest financial year. The Bank is also a traditionally good address in money market trading. We use intra-day SWIFT confirmations for these transactions and have therefore successfully adjusted to the requirements of our sophisticated institutional clients.

Momentum and competition in derivatives settlement

Supervisory provisions are developing dynamically as a direct reaction to the financial crisis, in particular in the area of OTC derivatives. The provisions have led to greater expenditure for IT and organisation, but also fortunately to greater operating security and even leaner processes. For example, the German Accounting Law Modernisation Act (BilMoG) simplifies the accounting of derivatives.

The regulatory provisions are based on the procedures relating to exchange-traded derivatives. HSBC Trinkaus combines the best of both worlds here. It offers for all Eurex products the major flexibility of a local clear and, thanks to the HSBC Group's membership in futures and options exchanges worldwide, is in the position at the same time to seamlessly settle all transactions on the global futures and options exchanges. More than 4 million transactions with futures and options were settled in the 2009 financial year. The expansion of the Eurex activities on American options exchanges will play an important role in the current financial year.



Continuous optimisation of the offer

In the field of exchange-traded derivatives it is already common today to separate execution and clearing broker from each other – global foreign exchange transactions are going in the same direction. The Bank is supporting this development in the interest of its institutional clients. On the one hand, we carry out an active clearing-only business as a depositary bank for several hundred fund segments and, on the other, are the execution broker of their choice for many clients.

It is confirmed every day here how correct our strategic decision was to provide our clients with both highly competitive brokerage and efficient local settlement processes. The constant optimisation of this offer requires permanent investments in our IT processes, in the expertise of our employees as well as in our innovative strength. We therefore remain committed to our values, in keeping with our tradition.

In profile

Operations

Our Operations settle IT-based transactions from payments to securities and derivatives business. This area of activity is constantly changing as a result of changes in technology, the markets and statutory provisions, presenting both employees and technology with major challenges.

We have many years of experience in electronic banking where we combine industry-wide standards with special solutions for individual clients. Based on the unique global opportunities of the HSBC Group we offer our clients a comprehensive product range.

At the same time we act as custodian bank, clearing house for the futures and options exchange and capital market counterparty. The conditions for our success are perfection and reliability in executing and confirming our transactions.

We also concentrate in all activities on considering the possible impact on the environment, on saving resources and avoiding negative effects in as far as possible. We participate in HSBC's numerous environmental protection programmes, which are regarded as exemplary.

▶ State-of-the art and reliable information technology

Committed to values. For 225 years.

Venturing into the information age

Ten megabytes – a single digital photo can be of this size today. In 1983, such a photo would have taken up the entire hard drive of the first personal computer purchased by Trinkaus & Burkhardt – for which it also paid a high price: the IBM computer cost 30,000 D-Mark.

Trinkaus had already taken the first steps into the information age at that time. Together with the experts of the American Citibank, which was the Bank's majority shareholder in the 1970s, Trinkaus & Burkhardt's specialists developed a completely new, tailor-made IT system. Its efficiency was unprecedented at that time; even Citibank itself adopted it in part.

EDP not only made accounting easier. It led in several bank divisions such as foreign exchange trading to a substantial upturn in business. Parallel to the new IT system, Trinkaus set up the settlement control department which has proven itself to this day as the examining body for overall account management and bookkeeping.

The first PC was followed by many others; Trinkaus built up networks and system landscapes and experimented with the new opportunities. The traditional private bank joined the technical avant-garde, already offering its clients the first electronic banking system throughout Germany, TransCash, in 1985.

Business processes are increasingly dependent on the security and availability of IT systems. Based on this, we kept to our strategy and modernised and expanded our IT processes, tools and infrastructure in 2009 as well. We also made additional infrastructure components highly available.

The Bank already started to move its two computing centres to new locations, which satisfy the most up-to-date security standards, in 2008 with the aim of secur-



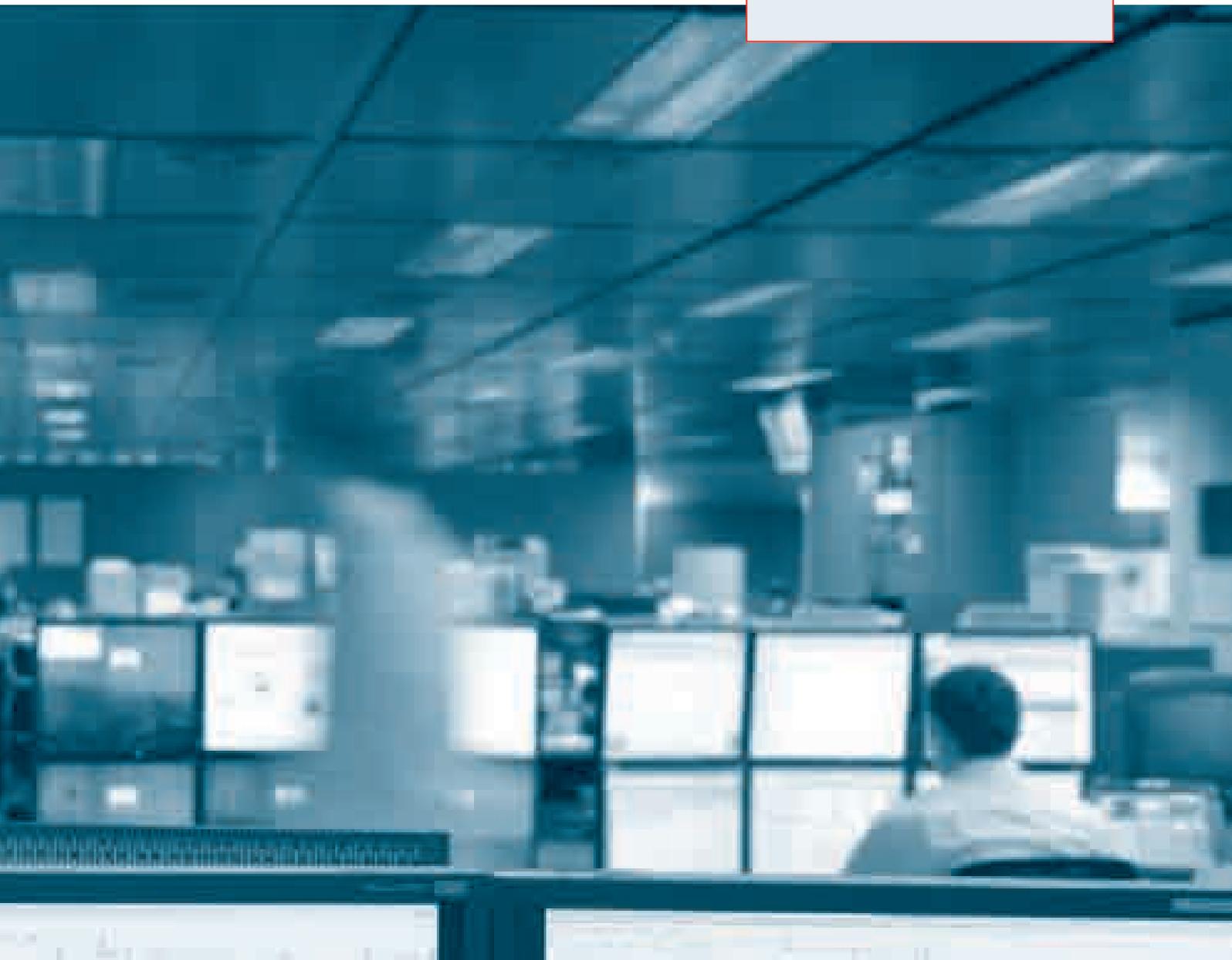
ing the availability of the IT systems and avoiding operational risks. This project has now been completed with the relocation of our second computing centre.

We have adjusted our IT applications systems above all to new statutory and regulatory requirements, for example the German Accounting Law Modernisation Act, the VAT Ordinance as well as the measures to support the Single European Payment Area. We also drew up new concepts and applications with which we expanded business areas and optimised business processes.

In profile

Information Technology

Information Technology (IT) is essentially divided into IT Development and IT Operations. IT Development develops efficient individual software and combines standard software with in-house solutions. IT Operations operates the application systems – including individual and standard software – and provides the necessary infrastructure.



▶ Competent and committed: Our staff

Committed to values. For 225 years.



From the Bank to the school desk

Constant further training has already been not only a claim, but reality at HSBC Trinkaus for decades. The business success of the Bank is based essentially on the expertise and specialist knowledge of the people working for it.

In 1986 the Bank established the Trinkaus Academy, which is still the centre of advanced vocational training today offering individual, needs-oriented in-house events. The Bank's own specialists regularly provided the client service officers acting as generalists with regular up-to-date information on topics such as trading, taxes or innovative products for the first time here.

The Bank also developed a team-oriented servicing approach, pooling the knowledge of the client service officers and product specialists in order to guarantee even more comprehensive and more competent servicing of the Bank's clients.

Advanced training already paid off for the employees at that time, opening up professional scope and career opportunities. At the same time, the Bank gave its employees more responsibility and independence. Working with sole responsibility and the opportunity to realise ideas became central features of Trinkaus & Burkhardt's personnel policy.

HSBC Trinkaus had a total of 2,280 employees at the end of 2009 with an unchanged average age of 38. The age structure of the Bank therefore remains balanced and corresponds to the market requirements.

Our employees stand out through their professional skills, careful working methods and strong service mentality. All of this has made us a valued business partner for our demanding clients and is an important condition for meeting our high quality standards.

As has been proved, our employees are highly committed and loyal. This shows us that we are going about recruitment and personnel development the right way. The low fluctuation rate at HSBC Trinkaus declined again in 2009 and now stands at 4.6 %. This as well as the extremely long average period of service of our employees of 8.5 years enables the personnel continuity the Bank aims for in servicing our clients. The longer and better our employees know our clients, the easier it is for them to find and implement the ideal solution for each individual.

HSBC Trinkaus attaches major importance to the annual employee survey, the results of which are meant to lead to concrete and noticeably positive changes. It is therefore extremely favourable that the overwhelming majority of HSBC Trinkaus' employees are of the view that the results of previous employee surveys have been intensively followed up and that the improvement measures based on them make us an even more attractive employer.

Continuous personnel development

Our employees secure the Bank's success with their expertise and willingness to perform. One of our strengths is reacting quickly and flexibly to changing requirements in our highly specialised and competitive market environment. However, we can only do this if our employees are prepared as best as possible. Intensive encouragement as well as qualified training have therefore been firm parts of our personnel policy for years.

A total of 3,883 participants attended 706 internal and external training programmes last year. We used the available know-how of our in-house experts as well as the expertise of external trainers. In addition to the constant offer of PC and IT training, acquisition and language courses, we again organised internal product-specific training events in the corporate and private banking business as well as training for specialists in the areas of credit, finance as well as sales and trading in 2009.

Managerial training, which is attuned to the requirements of the different management levels, has become a firm part of our training offer. Individually tailored training and coaching is dedicated to topics such as communication, presentation, negotiation skills as well as personal development and the optimisation of management skills. These offers improve our employees' qualifications and career opportunities.

Important partners for the advanced training of our employees are still the Frankfurt School of Finance & Management, the European Business School (ebs), the Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA), the CFA-Institute, Deutsche Börse as well as further specialist organisers and universities.

In addition to various Bachelor and Master occupational study courses, we again offered broad practical training courses at the Frankfurt School from bank clerk (IHK) to degree-level professional banking qualifications in 2009. We also offered a number of specialised training courses such as International Certified Accountant (ICA), Certified Internal Auditor (CIA) and Certified Investor Relations Officer (CIRO) as well as Certified Alternative Investment Analyst (CAIA) and Certified Credit Analyst (CCrA). The titles listed here make it clear how important it is to the Bank to train our employees in accordance with their responsibilities and appoint renowned contractual partners to carry out this training.

A total of 84 employees took part in HSBC seminars and global advanced training programmes at various locations abroad last year.

Furthermore, several employees of our Bank took up placements at HSBC locations in Great Britain, Switzerland, Luxembourg, Spain, the United Arab Emirates, Hong Kong and China within the scope of growing international cooperation. The length of these placements varies between several weeks and several years.



Prospects for our junior staff

For us, training is one of the strategic responsibilities of our Human Resources work. It is important to us to offer young people sound training and good career prospects. A total of 35 highly motivated apprentices are currently working at the Bank towards professional qualifications in banking, office communication and IT. In addition, six are working towards investment fund specialist qualifications at our HSBC INKA subsidiary and a further six towards professional office communication qualifications at HSBC Transaction Services. We are proud to report that a total of 20 apprentices in the HSBC Trinkaus Group successfully completed their training in 2009 as well, most of them passing their final exams with good to very good grades.

We took on six former office communications apprentices and both IT apprentices as firm employees after the completion of their training last year. HSBC Transaction Services also took on its two qualified apprentices. On the other hand, most qualified bank officers decided to enter full-time studies to begin with, as in previous years. We keep close contact to these former apprentices during their studies, for example by offering them internships or student trainee programmes with the Bank.

With effect from 1 August 2010 our training offer will be extended by two bank officer training positions which will be combined with a parallel part-time Bachelor study course in "Business Administration" at the Fachhochschule für Oekonomie und Management.

We will remain strongly committed to the qualified training of young people and trust that we are following the right path with an offer consisting of theory, in-house practical training, workshops and online media as well as providing intensive support.

Successful university marketing

Targeted university marketing is still of particular importance to us for recruiting qualified junior executive staff. In the past we concentrated on offering practical seminars by specialists from our Bank as well as being present at various recruitment fairs organised by top-flight

universities. Both representatives of the Management and the Human Resources team answer students' questions at these fairs and inspire them with workshops and case studies. The aim is to make talented students and graduates aware of HSBC Trinkaus as an interesting employer. Those who attend the university recruitment fairs find out about professional opportunities with the Bank and can take up contact with us early on.

Qualified students can also gain an insight into the various specialist areas of HSBC Trinkaus as interns or student trainees. Based on this, with our "HSBC Trinkaus-return" programme we keep in touch with our selected students after the initial contact so that they can possibly join the Bank as graduates later on.

Outstanding graduates have the chance to start at the Bank as direct entrants or trainees. The trainee programmes are structured for graduates individually and can involve periods abroad within the HSBC Group as well as targeted advanced training programmes. After this, the graduates can look forward to various opportunities within the Bank.

We are pleased that we were able to welcome around 40 university graduates as trainees or direct entrants in 2009 as well.

Our responsibility

HSBC Trinkaus' corporate culture is characterised by the awareness of our common social obligation. The Bank is committed to appreciating and respecting the individuality of its employees. Our vision and our values are formulated in the Bank's code of practice together with further important rules of conduct for all employees. This also includes the principle of equal treatment and the obligation to respect the dignity, privacy and personal rights of all employees. The obligation of all employers to create a "culture of anti-discrimination" as expressed by the legislature in the explanatory notes on the general law on equal treatment has always been and is a matter of course for us.

We want to consciously use our diversity and internationality to support internal processes and procedures. Irrespective of factors such as age, sex or nationality, all employees should have the same opportunities to develop within the Bank. The basis of our corporate culture is therefore open communication, trust and mutual respect. We also place great value on employees' being able to easily combine work and personal life as only then can creativity and innovation at work develop.

HSBC Trinkaus therefore provides the right setting for a healthy work-life balance and the compatibility of working and private life. We offer part-time and teleworking jobs and last year set up a company kindergarten called "TuB-Zwerge" which was already attended by eleven children in 2009.

Thanks

We would like to thank our employees for the commitment and solidarity they have shown to the Bank.

HSBC Trinkaus continues to reward their initiative and their trusting cooperation with adequate, performance-related remuneration supplemented by a wide range of selected fringe benefits, in particular for pension schemes.

Thanks are also due to the members of the Employees' Council as the success of our company can only be guaranteed in the long term with their trusting and constructive cooperation in the joint interests of the Bank and its staff.

In profile

Human Resources

The activities of our Human Resources team are focused on the individual support of current, potential as well as former Bank employees. This includes personnel recruitment as well as personnel deployment planning and personnel administration. Values such as continuity, trust and service are given the greatest priority in our work. The motivation, know-how and loyalty of our employees are our most important assets. They will carry the success of our Bank into the future.

We prepare the employees of our Human Resources team for the requirements of their area of responsibility systematically through special training and advanced training measures. Our specialist teams are responsible for the exchange programme within the globally operating HSBC Group and are involved in national and international projects. They draw up complex management information and reports and are responsible for service-oriented salary accounting and staff account management.

▶ Corporate Responsibility

HSBC Trinkaus is committed to sustainable company management. It is at the foundation of our business activity. This commitment is rooted on the one hand in our 225-year tradition as a private bank, and on the other in our affiliation to the global HSBC Group, which is regarded as one of the world's leading sustainable companies. We therefore also combine the best of both worlds in our Corporate Responsibility (CR).

We pursue an integrated CR strategy according to which corporate responsibility comprises economical, ecological and social responsibility. It applies in particular with a view to the coming generations. We are convinced that corporate responsibility is a prerequisite for long-term economic success.





▶ Acting responsibly means acting sustainably

Committed to values. For 225 years.



Responsibility based on tradition

If you enter the Königsallee from the south of Düsseldorf, you cannot overlook the bronze lion, the city's proud heraldic animal. It has been watching over the city since 1963, donated by Bankhaus C. G. Trinkaus, which presented the city with the sculpture on the occasion of its 675th birthday.

The bronze lion therefore also stands for the social responsibility that the Bank and its partners have always observed. Christian Gottfried Trinkaus already made a donation to the evangelical parish of Düsseldorf when he took over the banking business from his uncle in 1852. In the 19th century Wilhelm Pfeiffer set up various foundations for communal purposes. The Pfeiffer Bridge, which was erected in 1906, reminds us of him today. It leads to the Grafenberg Woods, the development of which as a local recreation area for Düsseldorf citizens was always one of Pfeiffer's wishes.

HSBC Trinkaus has special links with Düsseldorf and was also co-founder of the stock exchange and the theatre, for example. The largest auditorium in K20, the original building of Kunstsammlung NRW, has also been called the Trinkaus-Auditorium since 1985. For a good reason: the Bank supported the museum with a donation on the occasion of its 200th birthday.

Sustainability in the core business

The financial and economic crisis has impressively highlighted the significance of Corporate Responsibility (CR) in the core banking business. Our business model, which is geared towards sustainability, has proven itself again. It stands out through its conservative stance within the scope of a proven business model, stable target client definition over decades as well as continuity of service combined with low employee fluctuation. This puts us in the position to meet our stakeholders' requirements: as a reliable business partner for our clients, an attractive employer providing training for our employees, solid and profitable investments for our shareholders and a significant and reliable taxpayer of the City of Düsseldorf, with which we have been linked since our foundation in 1785.

Socially Responsible Investments (SRI)

HSBC Trinkaus offers comprehensive equity research for listed companies from the SRI/Renewables segment (solar, wind, waste management and water industries). We have been putting the HSBC Climate Change logo on all publications focusing on the topic of climate change since September 2008.

Since 2006 we have been organising the annual HSBC Small/Mid Cap SRI Conference "Responsible Growth – Investments for the Future" in Frankfurt am Main. With over 270 participants, of which 110 investors, it was the largest global conference of its kind in 2009. During the two-day event, over 430 individual meetings were held between companies and investors. There were also 18 group presentations on the agenda. We were also able to present a large number of companies from the SRI sector to clients at our two Austria Companies Conferences in London and Frankfurt am Main. In addition, we organised meetings with investors for a large number of SRI/environmental companies at the equity capital forum in Frankfurt am Main and the European photovoltaics trade fair PVSEC in Hamburg. This was supplemented last year by 63 days of roadshows with SRI/environmental companies for international investors.

HSBC Trinkaus brings to the market investment certificates on equity baskets with SRI-oriented investment strategies which are geared towards the long term and aimed at private and institutional investors. We currently offer five participation certificates on the underlying assets Ökodax, Sustainable Water, Sustainable Healthy Living, Alternative Energies and Climate Protection.

In the field of Alternative Investments we placed the HSBC Environmental Infrastructure Fund (HEIF) with a volume of € 49.4 million in the first closing in 2009. HEIF invests in Greenfield infrastructure projects in the regenerative energies, water treatment and waste disposal segments and other environmental services. Greenfield investments are understood as the development and construction of projects as opposed to investments in already existing assets. The fund has already invested in a regenerative energy and a water recycling project and also has the exclusive rights for two further regenerative energy generation projects.

HSBC Global Asset Management (Deutschland) GmbH has been servicing sustainable special and mutual funds for many years. It has been cooperating since 2003 with SAM AG in Zurich, one of the leading providers of sustainable investments world-wide. Together with SAM AG, it develops and sells products and concepts which also take ecological, ethical and social criteria alongside economic criteria into consideration.

HSBC Global Asset Management (Deutschland) GmbH and HSBC INKA are among the signatories of the Carbon Disclosure Project. Via HSBC we have also recognised the United Nations Principles for Responsible Investment (UNPRI). In order to give a further clear signal in the market, HSBC Trinkaus is 2010 sponsor of the Portfolio Professional Award in the category "Best sustainable investor".

Sustainability with respect to lending

HSBC Trinkaus examines all loan commitments and enquiries with respect to its sustainability and reputation risk. Moreover, HSBC has applied a standardised worldwide Sustainability Risk Rating in certain sectors since the beginning of 2008. We have already been using special rules for certain sectors for several years, including chemicals, defence, energy, forest land & forest products, freshwater as well as mining & metals, for which so-called Sector Policies are defined. On this basis, we assess the client's commitment, capacity and experience, product liability and social commitment and assess the possible impact on the environment, regional communities and other issues. The Sector Policies are revised constantly and published. All of our loan agreements also include environmental clauses.

Furthermore, we have undertaken to observe the Equator Principles (EP), the international standards for the management of social and ecological risks in project financing. The 15 criteria, which apply for all project financing in excess of € 10 million, were drawn up by the World Bank subsidiary IFC among others and essentially correspond to the World Bank's ecological and social standards.

We continue to train our employees intensively and systematically in order to ensure that they observe the parameters described in the risk assessment and authorisation process. Special risk managers are also responsible for adherence to the processes.



Ecological responsibility

HSBC was the world's first CO₂-neutral major bank in 2005 and the first CO₂-neutral company within the FTSE 100. This was achieved through the HSBC Group's Carbon Management Plan into which we are fully integrated as HSBC Trinkaus. The plan comprises four components.

Firstly, we continuously determine and monitor our company's CO₂-emissions. Secondly, we are reducing energy consumption. For this purpose, we have implemented an improvement process which forces us to consistently use economical and ecological savings potential.

The purchase of green electricity represents the third component. Our agreement with the public services for our head office in Düsseldorf envisages the purchase of around 8.7 million kW hours per annum and is certified within the scope of the internationally recognised Renewable Energy Certificate System (RECS). The ok power label issued by the energy association Energie Vision e. V., with profits from the electricity tariff are in-

vested in new plants for regenerative power generation, confirms an additional environmental benefit. Green energy accounts for around 95 % of our entire power consumption.

The fourth and final component is the compensation of the remaining CO₂-emissions produced by our business activities. For this purpose we acquire emissions certificates from recognised projects to reduce emissions. This compensation is carried out centrally for the entire HSBC Group from London.

HSBC Climate Partnership

HSBC Trinkaus has been involved since 2008 in the HSBC Climate Partnership, an initiative launched by HSBC to fight the negative impact of climate change. HSBC Trinkaus employees also support the programme which is based on a five-year partnership between HSBC and four globally leading environmental protection organisations: The Climate Group, Earthwatch Institute, Smithsonian Tropical Research Institute (STRI) and WWF.

Ecological ratios	Unit	HSBC Trinkaus 2009	HSBC Trinkaus 2008	HSBC 2009
CO₂ emissions				
total	tonnes	4,276	8,191	991,000
from energy consumption*	tonnes	1,261	5,015	866,000
from business travel	tonnes	3,014	3,175	125,000
per employee total	tonnes	1.92	3.67	3.42
per employee from energy consumption	tonnes	0.57	2.25	2.99
per employee from business travel	tonnes	1.35	1.42	0.43
per m ²	tonnes	0.09	0.17	0.16
Utilisation of ecological resources				
Energy consumption per employee	kWh/full-time employee	6,481	7,537	6,593
Energy consumption per m ²	kWh/m ²	313	357	299
Water consumption total	thousand m ³	17.0	17.5	4,474
Water consumption per employee	m ³ /full-time employee	7.5	7.8	16.3
Business travel				
total	millionen km	17.9	17	872
per person	km/full-time employee	7,845	7,622	3,175

* the conversion to green energy only became fully effective in 2009.

Within the scope of the HSBC Climate Partnership, more than 2,000 HSBC employees are being trained as so-called Climate Champions to become a Green Task Force and made aware of the problems of climate change. HSBC is investing \$ 100 million in this project, the largest of its kind worldwide. The programme includes, for example, cleaner and greener townscapes in Hong Kong, London, Mumbai, New York and Shanghai. The programme focuses on the largest field study of its kind in which the long-term impact of climate change on the earth's forests is examined. It also includes the protection of the world's largest rivers and other environmental issues.

Social responsibility

Our social responsibility with respect to our staff is documented by a large number of employee benefits. These include comprehensive pension schemes, our benevolent fund for employees in need of assistance, the company season ticket for local public transport as

well as the family service, which helps in finding external care for children or elderly relatives. Our company kindergarten, "TuB-Zwerge", opened its doors in Düsseldorf in January 2009 offering 20 places for children under 3. It has gone down very well with our employees and is contributing to improving the compatibility of family and working life.

We also carry out a comprehensive annual employee survey at the Bank in order to obtain a picture of our employees' needs and wishes and initiate positive changes. Based on the results of this survey, plans of action with concrete measures for each division are worked out, the implementation of which is evaluated in turn the following year.

Social commitment

Social and cultural commitment is firmly anchored in our 225-year company history. Our commitment to art and culture, with the focus on Düsseldorf, is part of this tra-

HSBC Trinkaus Schulprojekt

Our motivation

- HSBC Trinkaus promotes the voluntary commitment of its employees. One of the topics focussed on is "Youth and Education"
- Financial education is indispensable in our modern society, in both day-to-day and working life. However, knowledge of financial matters is not systematically passed on in the general-education schools.
- Within our school project, our employees pass on their business know-how to pupils in all types of schools. The goal is long-term cooperation with schools to show financial correlations, discuss current business topics and make them aware of environmental issues.

Our offer

- Experts in the classroom: employees of the Bank act as advisors or partners for discussions on specific educational business topics which are coordinated individually.
- Training events "Knowledge of financial matters for teachers": we invite interested teachers to attend our seminars three to four times a year. We choose the topics based on the schools' requests.
- Special events: workshops and similar events conceived individually with the respective schools.

dition. Our Bank has (co)founded many institutions and helped to shape cultural life in Düsseldorf. For example, we have long-standing connections to the Düsseldorf Academy of Arts, the NRW Art Collection, the Robert-Schumann University of Music Düsseldorf, the Düsseldorf Concert Hall and the Deutsche Oper am Rhein. Beyond the city limits, we are also involved in the Folkwang Museum Essen, the Bach Academy Stuttgart and the Society of Friends of Bayreuth. We also support many other cultural, social and ecclesiastical establishments in Düsseldorf and the cities in which our branches are located.

HSBC Trinkaus promotes the voluntary commitment of its employees. We set up a Christmas fund-raising campaign in 2008 for which our employees propose and select projects. The donations went to the following social projects in 2009: the suicide prevention project "ANNA – junge Menschen in Krisen", Darmstadt, Düsseldorfer Tafel e. V. and Evangelischer Waisenhausverein e. V., Munich. Employees of the Bank were involved personally in all three projects.

Since 2008 we have been participating in the voluntary service day organised by the Düsseldorf Diakonie welfare organisation. Last year our employees helped to set up a soup kitchen for needy people in the district of Flin-ger, renovated a children's day care centre in the district of Lichtenbroich and were involved in biography work with people suffering from dementia in an old people's home.

Our employees were also involved in many other initiatives and fund-raising activities. We will continue to support and expand this commitment.

Focus on youth and education

Financial knowledge is indispensable in our modern society, in both private and working life. Economic education strengthens the understanding of our economic system and makes us realise that the logic of economics cannot be evaded without consequences. However, knowledge of financial matters is not systematically taught in the general-education schools.

For this reason, Management Board members and employees of our Bank have already been giving regular guest lectures at schools and universities for years. In order to expand this commitment, we set up the HSBC Trinkaus school project in 2009. In schools in the Düsseldorf region and the cities in which our branches are located, our employees pass on their financial knowledge as "experts in the classroom". The aim of this is to do even greater justice to our social responsibility.

In addition, educational cooperation programmes have been set up with three schools in the Düsseldorf region which have an economic and/or scientific focus. We would like to give interested pupils an initial insight into the responsibilities and working environment of a bank early on with the help of practical talks in the classroom, via the offer of pupil work experience at the Bank and targeted application training.

Since 2006 HSBC Trinkaus has been cooperating with the globally active student organisation SIFE (Students in Free Enterprise). It was set up in the United States in 1975, with the basic idea of combining successful entrepreneurship with social commitment, and in the meantime has over 38,000 members at 1,800 universities in 50 countries.

HSBC Trinkaus has been supporting SIFE Germany for many years. Employees of the Bank get involved as coaches for student teams or as jury members in annual state competitions in which the respective university teams present their projects. Executive Committee member Manfred Krause represented HSBC Trinkaus on the jury at the SIFE World Cup in Berlin in October 2009.

Since 2008 female senior management members of the Bank have been acting as mentors in the Selma Meyer mentoring programme at the Heinrich Heine University in Düsseldorf and in the regional mentoring programme KIM (competence in management). We will pay greater attention to the topic of "Gender Diversity" at HSBC Trinkaus in future.



As one of the main sponsors, HSBC Trinkaus is involved in setting up the Christian youth welfare centre the "Arche" in the Düsseldorf suburb of Wersten.

"Die Arche e. V." was set up in Berlin in 1995 by Pastor Bernd Siggelkow with the aim of fighting child poverty. Children are given a warm lunch, receive help with their homework, coaching, varied and meaningful leisure activities and can participate in holiday camps. All offers cost nothing. In addition, the "Arche" makes people aware of the issue of child poverty through its presence in the media. After a few initial difficulties, the Düsseldorf "Arche" was able to take up its work in the suburb of Wersten at the beginning of 2010.

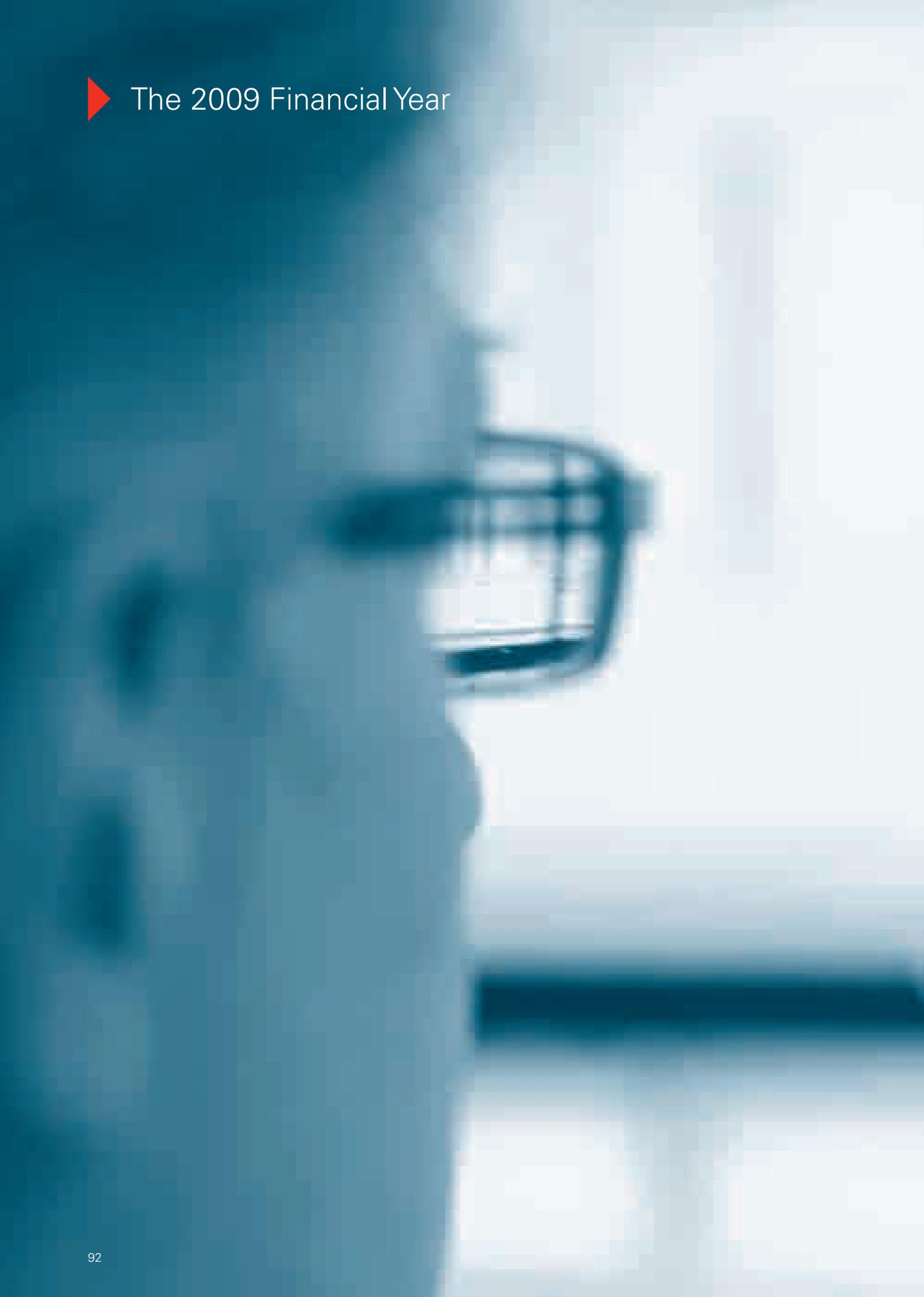
2009 was a year full of highs and lows for the "Arche": The new building approved by the City of Düsseldorf should have been ready to move into in the spring. However, the plans were delayed as the City as developer gave preference to school renovations. Building will now not start until the end of 2010 with completion envisaged for summer 2012.

HSBC Trinkaus handed over a minibus within the scope of a press conference on 14 July which makes the "Arche" employees mobile and will be used for excursions with the children in future. Once the "Arche" team consisting of three employees headed up by social educationalist Tatjana Schneider had been formed, it was finally meant to start working with the children in autumn 2009. However, the opening planned for 10 November had to be cancelled as there were problems with handing over the premises promised by the City of Düsseldorf on account of difficult discussions with the residents. An agreement was then reached at a tenants' meeting at the end of the year, albeit with adjusted opening times.

The "Arche" Düsseldorf took over a former municipal children's club in Leichlinger Straße at the beginning of 2010 which is in the immediate vicinity of the future new "Arche" building. After the premises have been renovated, up to 30 children between the ages of six and thirteen will be looked after here Monday to Friday between midday and 5.30 p.m. To show consideration for the neighbours, the children will be looked after off the premises on two afternoons.

The building plot for the new building is located on the corner of Werstener Feld/Benninghauser Straße, right next to a primary school. Two areas will be created on just less than 1,000 m²: a children's club for 60 to 90 children between 6 and 13 years old as well as a children's day care centre with three groups and 57 places.





▶ The 2009 Financial Year

General Economic Setting

The global economy got off to anything but a successful start in 2009. The major loss of confidence in the economy as a result of the financial crisis brought about a breakdown in investment activity and a slump in world trade in the months around the turn of the year. The latter made itself felt in particular in Germany, which suffered a decline in gross domestic product (GDP) compared to the previous quarter of 3.5 % in the first quarter of 2009 owing to its major dependence on the export sector. There were even fears at the time that the global economy was facing a depression. However, the international coordination of monetary and fiscal policy was able to halt the downward spiral. For example, the European Central Bank (ECB) lowered the key interest rate to 1.0 % until May and made unlimited liquidity available to the banking system over the entire year. The promise to prevent the insolvency of further system-relevant banks made within the scope of the G20 meeting in London at the beginning of April in particular made a significant contribution to restoring confidence.

The Asian region, which was the quickest to return to its growth path thanks to high savings ratios, a solid banking system and major government economic aid, turned out to be the driving force behind the ensuing upswing. The German economy was also able to grow again in the second quarter, thereby putting an end to its recession. The Eurozone only managed to return to its expansion path in the third quarter. In addition to the stabilisation of world trade, the increase in sales in the automotive industry as a result of the wrecking bonus made a particular impact in Germany. The labour market was a further reason for the relatively solid private consumption in Germany. Considering the strength of the economic slump, there was only a moderate increase in unemployment. The short-time working benefits introduced by the government made a significant contribution to this development. The expenditure resulting from this and other measures to support the economy led to a major budget deficit in relation to GDP of 3.2 % in 2009. Below the line there remains a sobering balance for the 2009 business year with a decline in German GDP of around 5 %. The pressure on prices remained weak in this environment, with consumer prices increasing by only 0.4 % on average for the year.

The rescue packages introduced by governments and central banks throughout the world also left their mark on the financial markets. After getting off to a weak start, greater investor confidence led to the DAX ending 2009 with an increase of around 24 %. Significant price gains were also achieved with corporate bonds owing to a significant reduction in risk premiums. Driven by low central bank and money market rates among other things, European government bonds also ended the year with a clearly positive performance.

Profitability

With an increase in net profit for the year of 21.9 % to € 109.2 million, HSBC Trinkaus achieved a very solid result in the year under report providing evidence of the strength of our effective and client-oriented business model. This result enables us to pay an unchanged dividend compared to the previous year of € 2.50 per share and further strengthen reserves. Operating profit including net loan impairment and other credit risk provisions was down slightly on the previous year by 2.1 % to € 196.4 million. At 68.3 % the cost:income ratio as the main indicator of success remained within the adequate range for our business model of 65 % to 70 %.

The impact of our business model on the 2009 result varied considerably. On the one hand we were able to grow further in the business with corporate and institutional clients as well as trading, in some cases expanding our market position significantly. Benefiting from our financial strength, we were able to use the opportunities resulting from the major changes in the banking landscape. We want to remain firmly on this path, especially as the consolidation of the banking markets has only just begun. But we will continue to carefully weigh up the risks and opportunities and ensure that each client relationship is profitable.

On the other hand, we suffered a decline in revenues in the private banking business and had to make a considerable addition to net loan impairment and other credit risk provisions in the corporate banking business again for the first time in many years. Revenues in the private banking business declined due above all to the low interest rate policy pursued by the central banks, the sharp reduction in margins in the deposit business resulting as well as the restraint shown by investors in this uncertain

stock market environment. Nevertheless, with our sustained client orientation and deliberately cautious market operations, we see good opportunities for us to grow further in this client segment as well, benefiting at the same time from changes in the competition. We continued to apply strict standards to net loan impairment and other credit risk provisions, carefully considering the still difficult economic environment in Germany with a further addition to collectively assessed impairments.

The individual items of the income statement developed as follows:

Net interest income was up 2.7 % to € 143.3 million. This is the result of widely varying trends in our business:

- There was a sharp decline in margins in the deposit business on account of the central banks counteracting the economic crisis with an easy money policy. We deliberately reduced the volume of deposits as we make no compromises with respect to the profitability of our business given our extremely good liquidity situation.
- On the other hand, margins in the lending business improved significantly owing to a clear move towards risk-adequate prices. Credit volumes declined slightly on average for the year as our clients have only relatively minor borrowing requirements in the current cyclical phase and have significantly tightened their working capital management. Order intake picking up again will lead to significantly greater borrowing requirements. We were able to increase our market share as we further expanded the business with clients with a good financial standing on a targeted basis thanks to our good capitalisation.
- Interest income from financial assets benefited in particular from our extremely good liquidity position.

We had to make a substantial addition to net loan impairment and other credit risk provisions again for the first time in several years. Both individually assessed impairments and collectively assessed impairment were increased significantly. On the other hand, we were able to reverse several individual impairments again in the year under report as well. Overall, we continue to apply strict standards to the assessment of default risks. The further course of the economic crisis will present a particular challenge to risk management in the lending business in the entire banking sector since the number of insolvencies is a lagging economic indicator. Thanks to the generally cautious approach we take to entering into risks, we see ourselves as relatively well equipped for the challenges that lie ahead.

At € 346.2 million in the year under report (2008: € 347.6 million) net fee income remains high and is by far the most important earnings component. Widely varying trends in our business are reflected here as well:

- In the securities business we were able to increase our result in a year-on-year comparison by 2.2 % to € 236.7 million despite a weak first half of the year. The consistent expansion of our depositary bank business made a significant contribution to this success. On the other hand, there was a substantial reduction in asset management revenues as the willingness of wealthy private clients to take risk and the risk-bearing capacity of institutional investors were not very pronounced.
- Net fee income from foreign exchange transactions and derivatives declined notably. The achievable margins in both the foreign exchange business and the business with interest rate and equity derivatives were significantly below the high prior-year level.
- In the traditional banking business such as credit business and payments there was a substantial increase in net fee income as we were able to use changes in the competition to our benefit. On the other hand, in the foreign business we were only able to partly compensate for the decline in the German economy's foreign trade with more risk-adequate margins.

- There was strong growth in the results in the issuing and structuring business in the year under report as we were represented very prominently in a large number of bond syndicates thanks not least to the strong placement power of the HSBC Group.
- The successful placement of a closed-end real estate fund is reflected positively in the real estate business.

Operative trading profit grew significantly by 20.1 % to € 117.9 million. Our proprietary trading activities remain focused on trading with equity-related products. We were once more able to gain market shares here in the retail business under our HSBC Trinkaus brand. The market for these products has become far smaller overall, above all with respect to products with a capital guarantee and other investment certificates. However, as we are traditionally very strong with respect to products for investors who are very close to the market and participate actively in trading, this decline only affected us far less than proportionately. In foreign exchange trading we were not able to repeat the very good prior-year result as the margins tended to weaken again after the rise the previous year. Interest rate trading on the other hand generated an extremely good result of € 46.2 million compared to € 2.4 million. Firstly, money market trading was again able to achieve a very good result on account of our liquidity position and client-related trading with registered Pfandbriefe and promissory note loans also did far better than in the previous year. Secondly, the bond portfolios also gave a particularly pleasing performance. The spread widening with respect to public-sector bonds, Pfandbriefe and bank bonds the previous year was now followed by significant spread narrowing to a large extent. The resulting strong valuation gains led to extraordinarily good net trading income. Since the markets have largely calmed down in the meantime, we see the past two years as characterised by crisis and therefore not representative of our result from interest rate trading.

Net trading income according to IFRS also includes profits from derivatives in the bank book of € 5.1 million resulting primarily from the hedging of a loan within the scope of our real estate business.

Administrative expenses were up 4.3 % to € 400.8 million. This includes a 2.4 % increase in personnel expenses to € 237.9 million, the result on the one hand of the slight increase in the number of employees in order to continue our growth strategy. On the other, the contribution to the Pension Security Association was significantly greater than in the past in the wake of the economic crisis. Thanks to our consistent cost management other administrative expenses rose moderately by 2.2 % to € 137.4 million. The increase was due mainly to the significantly higher contribution to the deposit guarantee fund in light of the financial market crisis. There was also a substantial increase in the depreciation of intangible assets. As weaker synergies made it necessary to adjust the business planning, partial goodwill amortisation was required.

Income from financial assets includes both realised losses of € 9.5 million and unrealised valuation losses of € 25.7 million. These are set against realised gains of € 9.4 million as well as write-ups on bonds of € 1.8 million. This means that income from financial assets was considerably better than in the previous year, but not satisfactory. As regards the valuation of our strategic financial assets, we have made no compromises in terms of our strict valuation standards. Instead, we have used the market value on the balance sheet date as a valuation rate for all equity holdings in the Annual Financial Statements if there has been a reduction in value of more than 20 % or for longer than nine months. However, an impairment reversal, as already began in the second quarter and continued to the end of the year, is not reported in the income statement, but in retained earnings according to IFRS. For bonds we have assessed the respective issuer risk individually and applied stringent standards, as is the case with net loan impairment and other credit risk provisions. An impairment can only be reversed where the original reason for impairment ceases to apply. Market values are calculated predominantly on the basis of market data taken from active markets, either directly based on market prices or using valuation models, which resort exclusively to observable parameters. As this is not possible only in individual cases, we have estimated individual parameters ourselves instead.

The asset situation

Total assets declined by 15.7 % in the year under report to € 18.7 billion. On the assets side, there was a decline in particular in trading assets compared to the previous year of 19.8 % to € 10.0 billion. Loans and advances to customers were down by 34.2 % to € 2.7 billion and loans and advances to banks by 18.5 % to € 2.4 billion. On the other hand, financial assets increased by 47.5 % to € 3.1 billion.

The decline in trading assets is the result firstly of a decline in the positive market values of derivatives which corresponds with a commensurate decline in the negative market values of derivatives in trading liabilities. This reflects market movements of foreign exchange transactions and interest rate derivatives above all. Secondly, there was a substantial decline in trading assets as investments were reduced significantly in the HSBC Group. These were mainly of a very short-term nature and served primarily the temporary investment of the extremely high volume of customer deposits at the previous year-end. Instead, we continue to strengthen our financial assets in the year under report. These consist largely of eligible bonds or promissory note loans issued by German federal states and can therefore be used for creating liquidity on a very short-term basis. Short-term realisability and eligibility is also an important decision criterion in the trading books. Our interest rate trading books include no positions resulting from acquisition financing or other transactions for which there is no longer a market today. The Bank has constantly avoided so-called toxic products.

There are various reasons for the decline in loans and advances to customers. The lower lending requirements of our clients were a significant factor here first of all since we continued to pursue our strategy in the client lending business of growing with our clients and dispensing with synthetic lending business. Even as times have become difficult, HSBC Trinkaus is a reliable partner for its clients and will remain so even in the event of a cyclical recovery and the higher borrowing requirements associated with it. The discontinuation of special transactions as well as the balance-sheet-date-related decline in the volume held on current accounts strengthened the effect with respect to loans and advances to customers. The decline in loans and advances

to banks was mainly balance-sheet-date-related, with a large part of the decline attributable to deposits at other HSBC units.

On the liabilities side, customer accounts declined by 21.8 % to € 9.1 billion and trading liabilities by 15.5 % to € 5.2 billion. The recovery of the capital markets led to an increase in the level of investment of the investment funds clearly at the expense of short-term deposits. The decline in trading assets is the result firstly of the shrinking certificates market in Germany and secondly of the decline in the negative market value of derivatives already commented on above. Our balance sheet is nevertheless still characterised by very high levels of customer deposits which account for more than three times our client lending business and almost 50 % of total assets. Thanks to this excellent liquidity position, we were able to easily compensate for the further slight decline in the volume of certificate and warrant placements.

The financial position

The Bank's liquidity position was very good throughout 2009. We deliberately hold large safety buffers with respect to the quantitative regulatory requirements relating to minimum liquidity with an average of 1.84 for the end-of-month positions according to the Liquidity Ordinance. In addition, we developed our monthly simulation calculations for the management of liquidity under normal and under stress conditions in close cooperation with the HSBC Group in the year under report. We have documented the main guidelines of our liquidity risk management in a comprehensive liquidity risk strategy.

Since 1 January 2008 we have been calculating the regulatory capital requirements according to the rules of the German Solvency Regulation (Solvabilitätsverordnung), via which the Basel II framework was adopted into national law. We continue to make use of the transitional provision under Section 64h para. 4 German Commercial Code (HGB) and when determining the adequacy of the capitalisation of the HSBC Trinkaus Group apply the procedure pursuant to Section 10a para. 6 German Banking Act (KWG). HSBC Trinkaus uses the internal-rating-based approach for counterparty risk and the basic-indicator-risk

approach for operational risk. We further improved processes and attached greater importance to the consideration of security in the year under report.

In a reporting date comparison, the HSBC Trinkaus Group's positions requiring equity backing according to the regulatory provisions declined overall by 8.6 % to € 7.8 billion. The credit risk positions requiring equity backing declined by 13.2 % to € 5.9 billion. This is the result above all of the optimisation of our credit portfolio as well as the extended use of techniques of credit risk mitigation. The backing for market risks remains almost unchanged while a significant increase in backing for operational risks of 18.4 % to € 1.1 billion was needed in accordance with the regulatory requirements owing to our positive trend in earnings in recent years.

No capital increases were carried out in the HSBC Trinkaus group in 2009, not even for supplementary capital. However, HSBC Trinkaus & Burkhardt AG transferred € 130 million from the previous year's profit available for distribution to retained earnings in the year under report. We therefore see ourselves as still well equipped for the challenges presented by the banking business in Germany on the one hand and for further growth on the other. After the appropriation of profit we show a capital ratio of 14.8 % and a Tier 1 ratio of 10.4 %, which by far exceeds the banking supervisory requirements. We are in an excellent position even against the backdrop of the proposals to tighten the capital requirements for loan security currently being discussed in reaction to the financial market crisis. It is to be taken into consideration here in particular that the Bank raised no hybrid capital, but strengthened the Tier 1 ratio exclusively from capital and reserves.

▶ Outlook for 2010

The global economy started out on the road to recovery over the course of 2009 and will continue along it this year. It will be propelled along in particular by the global continuation of expansionary monetary and fiscal policy. Positive impetus should also come from the inventory cycle since inventories are still at a very low level. The role of growth driver will be taken on by the emerging markets, where economic output is likely to grow by 6.2 % in 2010. But developed economies should also expand by 1.9 % after suffering a decline in gross domestic product last year.

The German economy is likely to benefit primarily in the export sector from the recovery of the global economy in 2010, leaving the other major economic regions of the Eurozone behind it with seasonally and calendar-adjusted growth of 1.6 %. We are expecting aggregate GDP growth of 1.2 % in the Eurozone. In this respect, there is no sign of a rapid return to the level of economic output reached before the crisis. The utilisation rate will therefore remain low. As we are also assuming a further rise in the unemployment rate and a higher external value of the euro, we expect the low pressure on prices to continue. There is therefore no need for the ECB to take immediate action. Against this backdrop we are not expecting a significant increase in capital market yields.

The German banking sector is in the middle of a crisis of unforeseen proportions which several leading institutions will only be able to survive with the help of the federal government and federal states. Some banks have only been saved from insolvency because the government has provided them with support in the form of taxpayers' money going into billions. The collapse of Lehman Brothers exemplifies the extent of the systemic risk in the global banking system. The support measures adopted by governments worldwide have prevented the collapse of further banks at risk and therefore the exacerbation of the crisis.

There is intense discussion at present over the regulatory measures with which governments want to prevent such a financial crisis arising again. These measures will have a far-reaching impact on several banks' business models. HSBC Trinkaus will be affected by this to a lesser extent. This is because we concentrate on business with three clearly defined client target groups, supplemented by trading activities which are geared primarily to their requirements. This business model comes far

closer to the objective of the global regulators than those of banks with strong investment banking activities and major dependence on proprietary trading.

We see our business strategy as confirmed by the current discussion. Since our overall client-focused orientation is not being questioned, HSBC Trinkaus' fundamental strategy will not be affected by the expected adjustments to the new regulations.

We therefore want to use 2010 and the years ahead to gain additional market shares in all business segments. The focus is on the significant expansion of business with SME corporate clients. But we will by no means neglect market opportunities presented to us in the private banking and institutional clients segments as well as in the business with warrants and certificates for independently operating private investors.

The basis for this expansion strategy is:

- qualified and committed employees who live the Bank's values and take the clients' requirements as the starting point for their activities.
- integration in the HSBC group, one of the world's largest and most financially sound banking groups which, like HSBC Trinkaus, did not have to resort to support from government bailout packages.
- a strong own balance sheet with solid capitalisation and a good refinancing base.

An expansion strategy in an economic crisis means higher risks, but also greater opportunities. The drastic economic downturn has put pressure on the earnings situation and the capital position in several, particularly export-oriented, industries. We are convinced, though, that there are companies even in difficult sectors with major innovative power, clearly focused business models and ambitious management which will emerge from the crisis in a stronger position. We know that expanding the portfolio in particular with SME corporate clients entails risks in the current economic situation and could lead to greater risk provisioning expenditure. On the other hand, the credit margins already reflect this situation today at least in part. As other banks tend to withdraw, we are confident that we can grow in the market without lowering our credit standards.

We experienced favourable price gains on the stock markets and a good bond market performance especially in the corporate bond segment from the beginning of the second quarter of 2009. Both had a positive impact on bank income statements. However, we do not believe that this trend will repeat itself in 2010.

There will be a decline in the overall volume of bank revenues in Germany in 2010 which will also continue in the following years. We can therefore only increase our revenues by realising the targeted gain in market shares. Net interest income will play a more important role than in 2009 as income from fees and commissions will remain under pressure. The reasons for this are the uncertainties on the equity markets as well as the restraint and reduced willingness to take on risk shown by the clients. Strict cost management is decisive in this situation. We are expecting only a moderate increase in our administrative expenses in the years ahead, but will make sure at the same time that the infrastructure is lastingly strengthened by sufficient investments. We plan to increase our operating profit compared to 2009 and assume that we can experience a positive trend in operating profit in the following years as well.

The precondition for this is that stock market prices do not fall sharply again, for example as the result of a double dip which the economy could suffer when the government economic support programmes come to an end. In addition, the pressure arising from credit risks is not likely to grow significantly beyond the level of risk provisioning in 2009. We anticipate that the credit ratings of individual companies to which we are linked via medium- and long-term financing commitments will deteriorate in 2010. This applies in particular to the export-oriented sectors. As our credit portfolio is characterised by differing levels of concentration, a small number of problem cases can already lead to significant individual impairments. Furthermore, several member states of the Eurozone experiencing refinancing problems could dramatically change the backdrop to our current forecast. Firstly, negative repercussions on the money and capital markets with a corresponding decline in our securities commission would then be expected. Secondly, doubts over the stability of banks with a high exposure in problem countries could develop into a systemic risk.

We regard a target cost:income ratio ranging between 65 % and 70 % as adequate for our business model as a universal bank with a wide range of products. With a ratio of 68.3 % we were in the target corridor in 2009. For the current financial year and for 2011 we again anticipate a ratio in the upper half of the corridor.

We are expecting differing trends in each of our client segments. Revenues in the business with wealthy private clients declined in 2009. We hope that our efforts to acquire new clients will lead to higher revenues. The performance we are expecting in important assets classes will presumably make broad diversification of assets even more important than to date. We are confident that we will be able to expand our market position and are open to acquisitions in this client segment. Based on the good performance of our clients' assets, the concentration on the professional management of large assets and our broad service offerings, we have strong arguments on our side.

HSBC Trinkaus' collaboration with the globally active HSBC Group puts the Bank in a unique position in the Corporate Banking business. In recent years HSBC Trinkaus & Burkhardt has proven itself a reliable partner for the German Mittelstand and has thus been able to acquire new clients. Foreign competitors are withdrawing from the market as the capital support they received has made them dependent on their governments and they are having to concentrate on business in their domestic market as a result. This withdrawal presents a particular challenge for the supply of loans to the German Mittelstand. Our new expansion strategy, which also includes an extended service offer, will enable us to further increase our credibility as a reliable partner in the corporate banking business. The procyclicality of Basel II, as well as the expected further deterioration in the credit ratings of export-oriented clients in particular, will lead to an increase in capital backing in the lending business. We have already made allowance for this in our strategy. The growth in our client base in recent years together with our new expansion strategy suggests that we will be able to further increase earnings in the corporate banking business.

We have only dampened expectations for the institutional clients business for this year. The currently low interest-rate environment is making it difficult for many institutional investors to achieve their target returns. We only stand out as a trusted advisor for our institutional clients if we provide them with individual solutions and products which are tailor-made to their requirements and which illustrate the targeted risk-return profile. As we have taken a cautious approach to high-risk structures, the trust placed in us by our institutional clients is not questioned. The product development competence of the entire HSBC Group is available to our clients. We also have direct access to the global trading books, which also enable large-volume transactions and the assumption of risk, and can thus offer added value. We can only offer our clients limited risk capital for new investments in 2010. Owing to this and the slow-down in momentum in the debt capital market business, we expect transaction volumes and the associated earnings contribution to decline.

Thanks to our integration into the HSBC Group, we can gear our interest rate and foreign exchange trading activities exclusively to our clients' requirements. We benefit from the liquidity and capacity to assume risk of the HSBC Group's trading books. On the other hand, our equity trading and equity derivatives activities are being expanded further in the wake of the division of labour. A broad product range is expected to further increase our market share in certificates and warrants trading. Our excellent rating and the continuous tradability of the products are increasingly important differentiators for private investors. However, the demand for investment certificates is far below the high volume seen in previous years and is limiting the earnings opportunities. Our goal is to at least come close to the favourable earnings contribution generated in 2009. The earnings contribution in the Treasury business is likely to be significantly weaker as further interest rate cuts are hardly to be expected.

We plan to continue to invest in our IT systems on a clearly defined scale in order to further increase efficiency in different areas of the Bank. We will also make adjustments necessary for the integration into the HSBC Group. In order to avoid operational risk, we will introduce additional business process controls, even if this is

accompanied by further costs. It is obvious, though, that we have to put strict limits on our spending as the increase in regulatory controls will involve substantial additional costs. We therefore want to make greater use of the service centres of the HSBC Group in 2010 and the following years also for other areas of the Bank based on our very positive experience in IT.

The Bank is in a good liquidity and capital position. Our Tier 1 ratio of over 10 % of risk assets enables the return-oriented expansion of our business. At the same time, we are in the position if need to be able to carry out a capital increase for earnings-oriented growth. We will carefully observe the effects of regulatory changes which could lead to increased capital requirements. Where necessary, we will adjust our business activities to the new regulatory requirements on a flexible basis in the next two years.

We will also keep a close eye on opportunities to make acquisitions if they offer synergies with our existing lines of business. We are particularly interested in asset management, fund administration and our depository bank activities.

State intervention is not likely to lastingly distort competition in the banking market and put pressure on market participants who responsibly carry out their business without government assistance. We therefore hope we will be able to pay our shareholders an appropriate dividend in the years ahead as well.

Consolidated Balance Sheet HSBC Trinkaus & Burkhardt

Assets in €m	(Notes)	31.12.2009	31.12.2008	Change	
				in €m	in %
Cash reserve	(20)	177.0	139.5	37.5	26.9
Loans and advances to banks	(5, 21)	2,429.4	2,979.7	-550.3	-18.5
Loans and advances to customers	(5, 22)	2,687.5	4,082.6	-1,395.1	-34.2
Net loan impairment provision	(7, 23)	-42.9	-21.4	-21.5	> 100.0
Trading assets	(5, 24)	10,005.7	12,482.6	-2,476.9	-19.8
Financial assets	(5, 27)	3,126.1	2,118.8	1,007.3	47.5
Interests in associates	(26)	10.6	10.1	0.5	5.0
Property, plant and equipment	(10, 27)	83.3	81.1	2.2	2.7
Intangible assets	(11, 27)	44.1	56.0	-11.9	-21.3
Taxation recoverable	(15, 28)	13.0	17.5	-4.5	-25.7
current		13.0	13.0	0.0	0.0
deferred		0.0	4.5	-4.5	-100.0
Other assets	(29)	194.8	259.2	-64.4	-24.8
Total assets		18,728.6	22,205.7	-3,477.1	-15.7

Liabilities in €m	(Notes)	31.12.2009	31.12.2008	Change	
				in €m	in %
Deposits by banks	(5, 32)	2,697.6	2,709.1	-11.5	-0.4
Customer accounts	(5, 33)	9,062.1	11,592.8	-2,530.7	-21.8
Certificated liabilities	(34)	10.0	10.0	0.0	0.0
Trading liabilities	(5, 35)	5,196.7	6,152.9	-956.2	-15.5
Provisions	(14, 36)	152.2	117.4	34.8	29.6
Taxation	(15, 37)	67.7	85.1	-17.4	-20.4
current		61.1	81.5	-20.4	-25.0
deferred		6.6	3.6	3.0	83.3
Other liabilities	(38)	95.3	108.2	-12.9	-11.9
Subordinated capital	(39)	384.4	458.7	-74.3	-16.2
Shareholders' equity	(40)	1,062.5	955.0	107.5	11.3
Share capital		70.0	70.0	0.0	0.0
Capital reserve		216.9	218.5	-1.6	-0.7
Retained earnings		654.7	566.8	87.9	15.5
Consolidated profit available for distribution		120.9	99.7	21.2	21.3
Minority interests	(41)	0.1	16.5	-16.4	-99.4
Total equity and liabilities		18,728.6	22,205.7	-3,477.1	-15.7

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Income statement in €m	(Notes)	2009	2008	Change	
				in €m	in %
Interest income		235.1	397.6	-162.5	-40.9
Interest expense		91.8	258.1	-166.3	-64.4
Net interest income	(42)	143.3	139.5	3.8	2.7
Net loan impairment and other credit risk provisions	(7, 44)	22.4	4.5	17.9	>100.0
Share of profit in associates	(43)	0.6	0.5	0.1	20.0
Fee income		575.1	606.5	-31.4	-5.2
Fee expenses		228.9	258.9	-30.0	-11.6
Net fee income	(45)	346.2	347.6	-1.4	-0.4
Net trading income	(46)	123.0	87.1	35.9	41.2
Administrative expenses	(47)	400.8	384.2	16.6	4.3
Income from financial assets	(48)	-24.0	-50.0	26.0	52.0
Net other income/expenses	(49)	-2.2	2.2	-4.4	>100.0
Profit before taxes		163.7	138.2	25.5	18.5
Tax expenses	(50)	54.5	48.6	5.9	12.1
Net profit for the year		109.2	89.6	19.6	21.9
Group profit/loss attributable to minority interests		1.6	-1.6	3.2	>100.0
Group profit/loss attributable to HSBC Trinkaus shareholders		107.6	91.2	16.1	18.0

Reconciliation from Net Income to Comprehensive Income

in €m	2009	2008
Net profit for the year	109.2	89.6
Gains/losses not recognised in the income statement	62.1	-41.2
of which from financial instruments	61.1	-28.7
of which from actuarial results	1.1	-12.5
of which from currency conversion	-0.1	0.0
(Total) comprehensive income	171.3	48.4
Attributable to:		
Minority interests	1.6	-1.6
HSBC shareholders	169.7	50.0

Earnings per share

	2009	2008
Net income after tax in €m	109.2	89.6
Minority interests in €m	1.6	-1.6
Net profit after tax and minority interests in €m	107.6	91.2
Average number of shares in circulation in million	26.1	26.1
Earnings per share in €	4.12	3.49
Undiluted earnings per share in €	4.12	3.49

Consolidated Statement of Changes in Capital HSBC Trinkaus & Burkhardt

in €m	Share capital	Capital reserve	Retained earnings	Consolidated profit available for distribution	Shareholders' equity	Minority interests	Total including minority interests
At 31 December 2007	70.0	216.9	486.7	195.1	968.7	0.0	968.7
Dividend distribution				-65.3	-65.3		-65.3
Retention from 2007 profit available for distribution			121.3	-121.3	0.0		0.0
Addition from net profit for the year				91.2	91.2	-1.6	89.6
Changes in the group of consolidated companies						18.1	18.1
Share-based payments		1.6			1.6		1.6
Other changes			-41.2		-41.2		-41.2
At 31 December 2008	70.0	218.5	566.8	99.7	955.0	16.5	971.5
Dividend distribution				-65.3	-65.3		-65.3
Retention from 2008 profit available for distribution			20.9	-20.9	0.0		0.0
Addition from net profit for the year				107.6	107.6	1.6	109.2
Changes in the group of consolidated companies				-0.2	-0.2	-18.0	-18.2
Share-based payments		-1.6	4.9		3.3		3.3
Other changes			62.1		62.1		62.1
At 31 December 2009	70.0	216.9	654.7	120.9	1,062.5	0.1	1,062.6

Segment Reporting

		Private Banking	Corpo- rate Banking	Institu- tional Clients	Global Markets	Central Divi- sions	Economic Group results	Consoli- dation/ Recon- ciliation	Total
in €m									
Net interest income	2009	14.4	44.8	1.9	10.6	71.6	143.3	0.0	143.3
	2008	13.6	43.6	4.2	10.3	67.8	139.5	0.0	139.5
Net loan impairment and other credit risk provisions	2009	1.8	8.7	1.3	0.2	0.7	12.7	9.7	22.4
	2008	1.3	6.7	0.8	0.3	1.8	10.9	-6.4	4.5
Net interest income after net loan impairment and other credit risk provisions	2009	12.6	36.1	0.6	10.4	70.9	130.6	-9.7	120.9
	2008	12.3	36.9	3.4	10.0	66.0	128.6	6.4	135.0
Share of profit in associates	2009	0.0	0.0	0.0	0.0	0.6	0.6	0.0	0.6
	2008	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.5
Net fee income	2009	83.1	92.4	146.1	2.5	22.1	346.2	0.0	346.2
	2008	96.7	91.4	145.5	4.6	9.4	347.6	0.0	347.6
Net trading income	2009	0.0	-0.2	11.0	105.4	1.7	117.9	0.0	117.9
	2008	0.0	0.1	3.5	112.9	-18.3	98.2	0.0	98.2
Income after loan impairment and other credit risk provisions	2009	95.7	128.3	157.7	118.3	95.3	595.3	-9.7	585.6
	2008	109.0	128.4	152.4	127.5	57.6	574.9	6.4	581.3
Administrative expenses	2009	64.4	74.3	90.6	52.6	118.9	400.8	0.0	400.8
	2008	67.9	76.7	91.0	55.5	93.1	384.2	0.0	384.2
Of which depreciation and amortisation	2009	1.5	1.1	0.6	0.6	21.7	25.5	0.0	25.5
	2008	1.4	1.0	0.9	0.6	13.6	17.5	0.0	17.5
Other operating income/ expenses	2009	-2.2	0.0	0.0	0.0	13.8	11.6	0.0	11.6
	2008	0.0	0.0	0.0	0.0	3.5	3.5	0.0	3.5
Operating profit	2009	29.1	54.0	67.1	65.7	-9.8	206.1	-9.7	196.4
	2008	41.1	51.7	61.4	72.0	-32.0	194.2	6.4	200.6
Income from financial assets	2009	0.0	0.0	0.0	0.0	-24.0	-24.0	0.0	-24.0
	2008	0.0	0.0	0.0	0.0	-50.0	-50.0	0.0	-50.0
Income from derivatives in the bank book	2009	0.0	0.0	0.0	0.0	5.1	5.1	0.0	5.1
	2008	0.0	0.0	0.0	0.0	-11.1	-11.1	0.0	-11.1
Other net income	2009	0.0	0.0	0.0	0.0	-13.8	-13.8	0.0	-13.8
	2008	0.0	0.0	0.0	0.0	-1.3	-1.3	0.0	-1.3
Profit before taxes	2009	29.1	54.0	67.1	65.7	-42.5	173.4	-9.7	163.7
	2008	41.1	51.7	61.4	72.0	-94.4	131.8	6.4	138.2
Taxation	2009	9.1	17.3	21.5	21.0	-14.4	54.5	0.0	54.5
	2008	12.8	16.5	19.6	23.0	-25.3	46.6	2.0	48.6
Net profit for the year	2009	20.0	36.7	45.6	44.7	-28.1	118.9	-9.7	109.2
	2008	28.3	35.2	41.8	49.0	-69.1	85.2	4.4	89.6
Change versus previous year in %		-29.3	4.3	9.1	-8.8	-59.3	39.6	> 100.0	21.9

▶ Selected Notes to the Consolidated Financial Statements

Notes to the Balance Sheet

Loans and advances to banks

in €m	31.12.2009	31.12.2008
Current accounts	361.2	865.6
Money market transactions	1,923.8	2,049.6
of which overnight money	109.8	0.0
of which term deposits	1,814.0	2,049.6
Other loans and advances	144.4	64.5
Total	2,429.4	2,979.7
of which to domestic banks	1,442.0	1,768.0
of which to foreign banks	987.4	1,211.7

Loans and advances to customers

in €m	31.12.2009	31.12.2008
Current accounts	980.9	1,481.2
Money market transactions	620.9	1,023.3
of which overnight money	79.3	190.8
of which term deposits	541.6	832.5
Loan accounts	1,063.4	1,573.5
Other loans and advances	22.3	4.6
Total	2,687.5	4,082.6
of which domestic customers	1,933.0	2,902.4
of which foreign customers	754.5	1,180.2

Net loan impairment and other credit risk provisions

in €m	31.12.2009	31.12.2008
Net loan impairment provision	42.9	21.4
Provisions for credit risks	6.8	6.8
Net loan impairment and other credit risk provisions	49.7	28.2

Trading assets

in €m	31.12.2009	31.12.2008
Bonds and other fixed-income securities	4,839.7	6,945.4
Equities and other non-fixed-income securities	832.4	383.7
Tradable receivables	1,917.2	2,001.6
Positive market value of derivatives	1,992.6	2,758.2
Reverse repos	72.3	72.3
Securities lending	0.3	2.1
Security in the derivatives business	346.6	319.3
Derivatives held in the banking book	4.4	0.0
Derivatives in hedging relationships	0.2	0.0
Total	10,005.7	12,482.6

Financial assets

in €m	31.12.2009	31.12.2008
Bonds and other fixed-income securities	2,567.4	1,720.1
Equities	29.8	21.4
Investment certificates	145.3	142.6
Promissory note loans	277.3	127.6
Investments	106.3	107.1
Total	3,126.1	2,118.8

Deposits by banks

in €m	31.12.2009	31.12.2008
Current accounts	563.5	625.3
Money market transactions	1,961.3	1,869.5
of which overnight money	11.9	26.4
of which term deposits	1,949.4	1,843.1
Other liabilities	172.8	214.3
Total	2,697.6	2,709.1
of which domestic banks	741.5	858.0
of which foreign banks	1,956.1	1,851.1

Customer accounts

in €m	31.12.2009	31.12.2008
Current accounts	5,686.8	6,064.5
Money market transactions	3,040.4	5,066.4
of which overnight money	346.4	685.8
of which term deposits	2,694.0	4,380.6
Savings deposits	33.6	12.9
Other liabilities	301.3	449.0
Total	9,062.1	11,592.8
of which domestic customers	6,193.1	8,707.4
of which foreign customers	2,869.0	2,885.4

Trading liabilities

in €m	31.12.2009	31.12.2008
Negative market value of derivatives	2,452.9	3,190.8
Discount certificates, promissory note loans, bonds and warrants	2,637.1	2,852.4
Delivery obligations arising from securities sold short	17.7	39.5
Securities lending	11.4	20.9
Security in the derivatives business	74.4	47.2
Derivatives held in the banking book	0.0	2.1
Derivatives in hedging relationships	3.2	0.0
Total	5,196.7	6,152.9

Shareholders' equity in accordance with the German Banking Act (KWG) following confirmation of the balance sheet

in €m	2009	2008
Core capital (Tier I)		
Consolidated, core capital as disclosed on the balance sheet	858	803
Intangible assets	-41	-49
Total core capital	817	754
Supplementary capital (Tier II)		
Subordinated liabilities	263	294
Participatory capital	100	100
Unrealised profits from listed securities	47	31
Consolidation	-15	-14
Total supplementary capital	395	411
Adjustment items	-52	-14
Regulatory capital excluding ancillary capital	1,160	1,151
Ancillary capital (Tier III)	0	0
Total regulatory capital	1,160	1,151

▶ Notes to the Income Statement

Net interest income

in €m	2009	2008
Interest income	235.1	397.6
From loans and advances to banks	36.4	127.0
From loans and advances to customers	95.9	190.6
From financial assets	102.8	80.0
Interest income	99.4	77.2
Dividend income	2.2	0.6
Income from subsidiaries	1.2	2.2
Interest expense	91.8	258.1
From deposits by banks	17.2	60.0
from customers accounts	53.9	174.0
From securitised liabilities	0.4	0.4
From subordinated capital	20.2	23.6
Other	0.1	0.1
Net interest income	143.3	139.5

Net loan impairment and other credit risk provisions

in €m	2009	2008
Additions	27.9	7.0
Reversals	5.5	2.4
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.0	0.1
Total	22.4	4.5

Net fee income

in €m	2009	2008
Securities transactions	236.7	231.6
Foreign exchange transactions and derivatives	51.6	61.0
Issuing and structuring business	13.7	10.9
Foreign business	12.5	13.5
Lending	8.8	5.0
Payments	6.6	6.0
Investment banking	3.1	2.7
Real estate	1.2	0.3
Other fee-based business	12.0	16.6
Total	346.2	347.6

Net trading income

in €m	2009	2008
Equities and equity/index derivatives	63.9	87.0
Bonds and interest rate derivatives	46.2	2.4
Foreign exchange	7.8	8.8
Derivatives held in the banking book	5.1	-11.1
Total	123.0	87.1

Administrative expenses

in €m	2009	2008
Staff expenses	237.9	232.3
Wages and salaries	205.4	202.8
Social security costs	21.9	21.5
Expenses for retirement pensions and other employee benefits	10.6	8.0
Other administrative expenses	137.4	134.4
Depreciation of property, plant and equipment and of intangible assets	25.5	17.5
Total	400.8	384.2

Net other income / expenses

in €m	2009	2008
Other operating income	20.0	10.0
Other operating expenses	8.4	6.5
Other operating income/expenses	11.6	3.5
Other income	2.4	0.1
Other expenses	16.2	1.4
Other net income	-13.8	-1.3
Net other income/expenses	-2.2	2.2

The annual financial statements and the consolidated financial statements in the legal form as well as the Management Report and the Group Management Report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, and given an unqualified opinion. They can be found in the 2009 Annual Report, which can be obtained from HSBC

Trinkaus & Burkhardt, Corporate Communications, phone +49 211 910-0. In addition, the annual financial statements and consolidated financial statements as well as the Management Report and the Group Management Report are announced in the Federal Gazette and disclosed at the county court in Düsseldorf.

▶ Structure and Management

The Group

The HSBC Trinkaus & Burkhardt Group comprises 17 active companies. The parent company is HSBC Trinkaus & Burkhardt AG.

HSBC Trinkaus & Burkhardt AG		
HSBC Trinkaus & Burkhardt (International) SA Luxembourg	HSBC Global Asset Management (Deutschland) GmbH Düsseldorf	Grundstücksgesellschaft Trinkausstraße KG Düsseldorf
HSBC Trinkaus Investment Managers SA Luxembourg	HSBC Global Asset Management (Österreich) GmbH Vienna	Joachim Hecker Grundbesitz KG Düsseldorf
HSBC Trinkaus Investment Management Ltd. Hong Kong	HSBC Global Asset Management (Switzerland) AG** Zurich	HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH Düsseldorf
Internationale Kapitalanlagegesellschaft mbH Düsseldorf	HSBC Trinkaus Real Estate GmbH Düsseldorf	Gesellschaft für industrielle Beteiligungen und Finanzierungen mbH Düsseldorf
HSBC INKA Investment-AG TGV Düsseldorf	HSBC Trinkaus Family Office GmbH Düsseldorf	
HSBC Transaction Services GmbH* Düsseldorf	Trinkaus Private Equity Management GmbH Düsseldorf	

* renamed, formerly International Transaction Services GmbH (ITS)

** joint venture with HSBC Global Asset Management (France), Paris, established in 2009

A number of other companies belong to the Group, but they are not engaged in any significant business activity at present. Seven companies acting as the managing partners of closed-end property funds and of private equity funds also form part of the Group.

The Group is managed as a single entity by the Management Board of HSBC Trinkaus & Burkhardt AG. Supervision of executives managing Group subsidiaries is carried out as a rule by the relevant Supervisory Board, Board of Directors, and Advisory Board. Notwithstanding their independent legal status, all companies are managed within the framework of an overall strategy.

Constitution of the Company

In accordance with the Articles of Association, the Management Board of the Bank must consist of at least two members. However, the Supervisory Board may appoint additional members of the Management Board in excess of this number. The Management Board currently consists of four persons.

The members of the Management Board are appointed and dismissed in accordance with the legal provisions of Section 84 German Stock Corporation Act (AktG).

Resolutions to amend the Articles of Association are passed by the Annual General Meeting with two-thirds of the share capital represented upon adoption of the resolution, provided no greater majority is required by law. The Supervisory Board is authorised to amend the Articles of Association insofar as such amendments merely relate to the wording.

The Annual General Meeting can decide upon capital procurement measures only in accordance with the statutory provision in Section 119 German Stock Corporation Act (AktG). Please see Note 40 "Shareholders' Equity" in our Consolidated Financial Statements in respect of the Management Board's current authorisation to issue shares.

In accordance with the resolution passed by the Annual General Meeting 9 June 2009, the Management Board has the right to buy and sell its own shares for the purpose of securities trading, but only at prices which exceed or fall below the average closing price for the shares on the Düsseldorf stock exchange (or, if this cannot be determined, on the Baden-Württemberg securities exchange, Stuttgart) on the ten preceding trading sessions by no more than 10 %. The number of shares bought for this purpose may not amount to more than 5 % of the company's share capital at the end of each day. This authorisation is valid until 30 November 2010.

The company has entered into no significant agreements which are subject to a change in the control of the company as a result of a takeover bid. The company has also not concluded any compensation agreements with employees or members of the Management Board in the event of a takeover bid.

Basic Features of the Compensation System for the Executive Bodies

The Supervisory Board has delegated its responsibility for determining the compensation of Management Board members to the Personnel Sub-committee of the Supervisory Board. The members of the Personnel Sub-committee of the Supervisory Board in the 2009 financial year were Dr. Sieghardt Rometsch (Chairman) and Harold Hörauf. The Personnel Sub-committee met four times in the 2009 financial year. With the Act on the

Appropriateness of Management Board Compensation (VorstAG) the German Stock Corporation Act (AktG) has been amended to the effect that the entire Supervisory Board must now decide on the compensation of the Management Board. The rules of procedure for the Supervisory Board were adapted to the amended legislation in November 2009. As a result, the Personnel Sub-committee now only has an advisory function with a view to the compensation of the members of the Management Board.

The compensation of the members of the Management Board is laid down in contracts of employment which the Bank, represented by the Supervisory Board's Personnel Sub-committee, concludes individually with the various Management Board members.

The compensation of members of the Management Board comprises a fixed salary element plus a variable compensation component. Each member of the Management Board is also given an individual pension commitment. The extent of the annual variable compensation is determined on a discretionary basis by the Supervisory Board and can be paid in cash, as an allocation of shares in HSBC Holdings plc or a combination of both. The cash component amounts to at least 50 % of the variable compensation. The shares allocated as variable compensation for 2007 will be transferred in three equal amounts in 2009, 2010 and 2011, in each case after the announcement of the HSBC Group's result for the year. This practice has been modified for 2008. The allocated shares will no longer be paid in three instalments, but in one amount in early 2012. 50 % of the shares allocated as variable compensation in 2010 for 2009 will be transferred in each of the second and third year after being committed, in other words in 2012 and 2013.

Price risks and opportunities arising from the shares allocated in the period up until transfer lie exclusively with the respective Management Board members.

Individual information on the extent and composition of the payments made to the members of the Management Board during the 2009 financial year can be found in Note 68 "Business Relationships with Companies and Persons Defined as Related Parties".

The Annual General Meeting decided with the required three-quarters majority on 5 June 2007 that the individual emoluments of the members of the Management Board are not to be published.

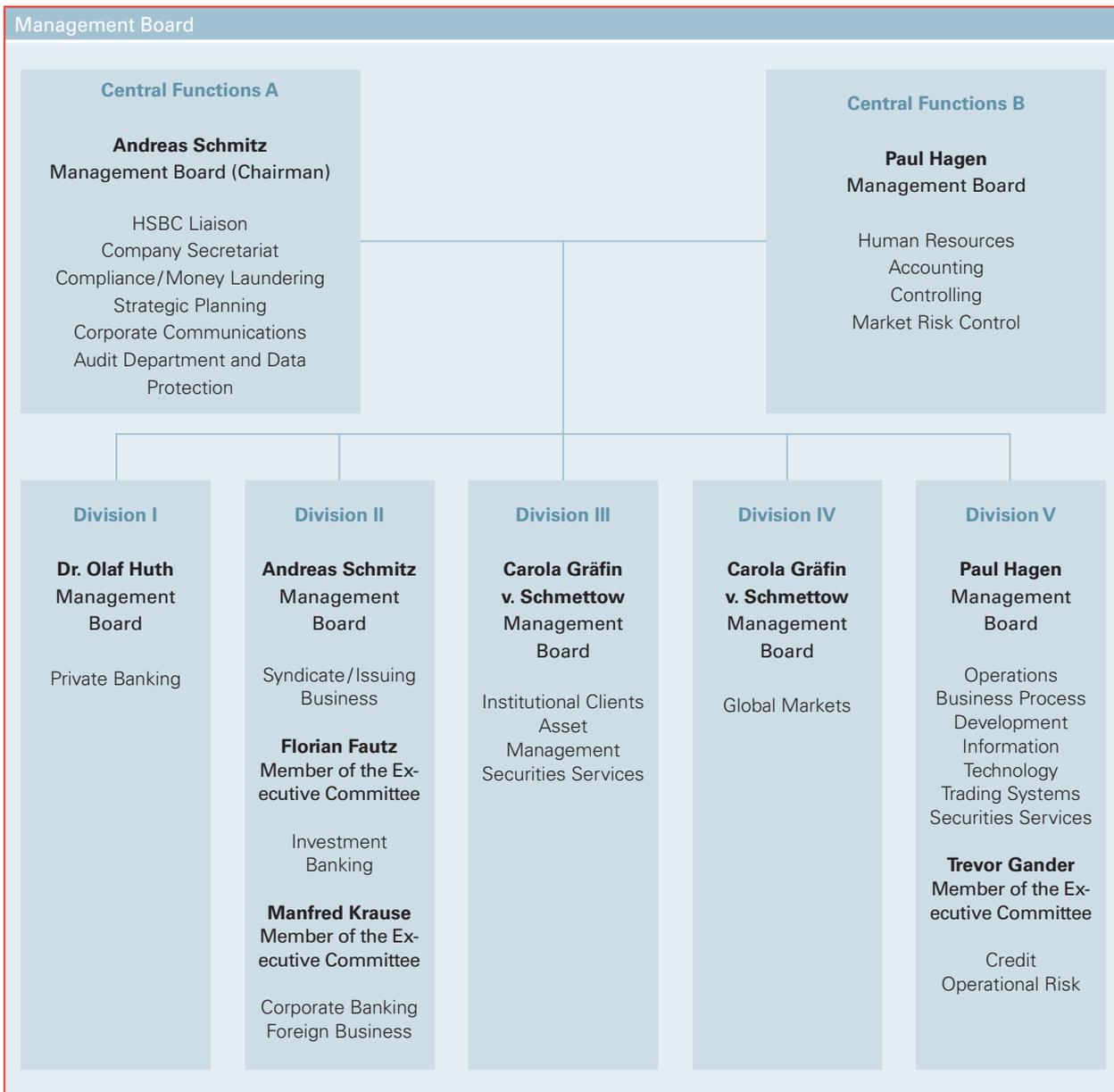
The compensation for members of the Supervisory Board is governed in the Articles of Association. Each Supervisory Board member is thereby entitled to receive fixed compensation of € 25,000 plus variable compensation of € 100.00 for every 1 cent of dividend distributed per share. The Chairman receives two-and-a-half times and the deputy chairman double this sum. The Chairman of a Supervisory Board committee receives double and members of a sub-committee receive one-and-a-half times the aforementioned compensation of a Supervisory Board member. If a member of the Supervisory Board holds several offices, he/she is only compensated for the office with the highest compensation. Should a member of the Supervisory Board or a sub-committee not be in office for the full financial year, the compensation is reduced proportionately to the period.

The compensation of members of the Supervisory Board in the 2009 financial year is reported under Note 68 of our consolidated accounts "Business Relationships with Companies and Persons Defined as Related Parties".

▶ The Business Divisions

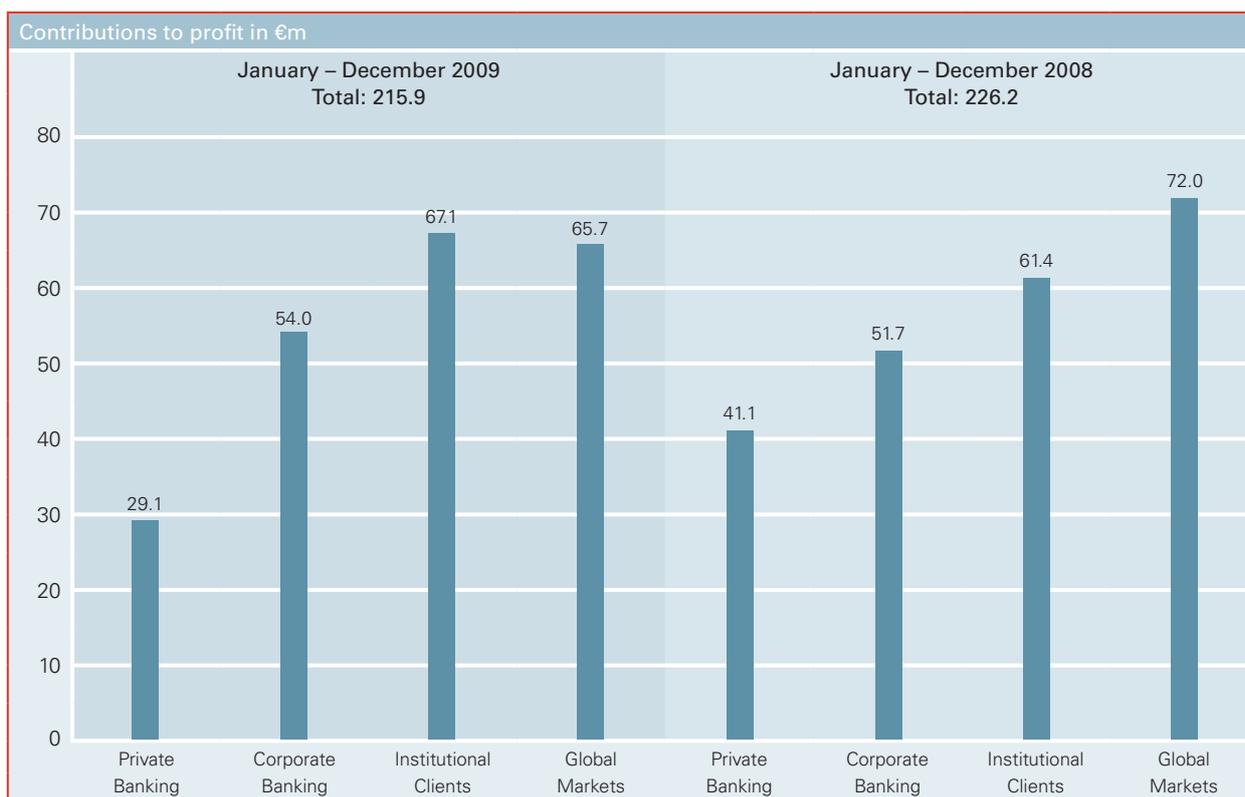
Notwithstanding their joint overall responsibility, all Management Board members are also assigned individual responsibility for specific business areas and central functions. The Management Board members are assisted by Florian Fautz, Trevor Gander and

Manfred Krause as members of the Executive Committee. The assignment of responsibilities applies not only to the parent company and its branches, but also to the operations of its subsidiaries.



Within the business divisions, individual departments are defined as either profit centres or cost centres. The costs of Division V are mainly apportioned as unit costs

to the client-oriented Divisions I, II and III and also to Global Markets. Divisional profits are calculated on the basis of partial cost allocation.



After deduction of the € 19.5 million net costs incurred by head office functions during 2009, as against € 25.6 million for 2008, the 2009 operating profit was € 196.4

million (2008: € 200.6 million*). Mean contributions to profits over the last five years reveal a balanced picture:



Shareholders and Shares

Capital

At 31 December 2009 the Bank's issued share capital was unchanged at € 70.0 million divided into 26.1 million no-par value shares. 52 % of the share capital was listed on the Düsseldorf and Stuttgart stock exchanges.

All shares have uniform rights and are bearer shares. Each no-par value share carries one vote. The Management Board knows of no limitations affecting voting rights or the transfer of shares.

As of the balance sheet date, HSBC Holdings plc, London, indirectly held an unchanged share of 78.6 % of this share capital and Landesbank Baden-Württemberg in Stuttgart directly held an unchanged share of 20.3 %.

Share price and market value

During 2009 our share price rose 10.1 % to € 98.00. The lowest fixing price of the year was € 77.00 and the highest € 100.00. From the initial issue price of DM 190 per DM 50 nominal share (25 October 1985) the exchange price and market capitalisation have developed as follows:

Date	Number of shares	Share price* in €	Market capitalisation in €m
31.12.1985	18,000,000	17.60	317.50
31.12.1990	22,000,000	19.80	435.30
31.12.1995	23,500,000	30.60	718.50
31.12.2000	26,100,000	110.00	2,871.00
31.12.2005	26,100,000	87.50	2,283.80
31.12.2006	26,100,000	105.00	2,740.50
31.12.2007	26,100,000	114.00	2,975.40
31.12.2008	26,100,000	89.00	2,322.90
31.12.2009	26,100,000	98.00	2,557.80

* Adjusted for 1 for 10 stock split on 27 July 1998.

Dividends

For the 2009 financial year we propose paying a dividend of € 2.50 per share (2008: € 2.50 per share). With a dividend total of € 65.3 million we wish to ensure that

our shareholders participate suitably in the profits we generated in 2009.

▶ Strategic Direction

The ongoing crisis continues to put major pressure on the economy and the financial markets in the 225th year of our history. However, the focus of crisis management is now being shifted away from short-term bailout measures towards a long-term reorientation of the financial markets that can even include major shakeups.

Governments and central banks had to act primarily as a rapid deployment force last year and, in order to stabilise the system, save banks irrespective of the quality of their business model. In Germany, this even led to the nationalisation of one individual institution which attracted major media attention. The primary task of governments, regulators and central banks will now be to create an internationally valid framework which allows the banks with a functioning business model to place themselves on a stable foundation again and which forces the banks without a sustainable business model to consolidate or wind up. This framework will have to guarantee at the same time that an incipient crisis of this dimension can be identified and prevented in future. A second major challenge the central banks will have to face is the controlled withdrawal of the large amounts of liquidity which were pumped into the markets last year.

Even though the banks appear to be gradually recovering, economic indicators are already giving off positive signals again and there has been no sharp increase in unemployment so far, we nevertheless do not expect the German economy to declare the crisis over in 2010.

The slump in overall economic output of around 5% in the year of crisis in 2009 is reflected in the financial statements of many companies now being published. In regional terms, the percentage is far higher in individual cases.

This of course feeds through to the companies' credit standing, which in turn has repercussions for the banks' capital requirements with respect to lending. Consequently, their ability to grant new loans will be limited precisely at the moment when a possible upswing has to be financed. Politicians and bankers will accordingly have to continue to work hand in hand to avoid a credit squeeze and provide the basis for an economic recovery.

HSBC Trinkaus' position proved itself again in 2009. This shows that the business model functions not only in good times, but also – in contrast to many other financial institutions – in the severest financial and economic crisis since the Great Depression of 1929.

Based on a traditionally conservative stance, HSBC Trinkaus has developed and cultivated the ability to adapt to changes in the markets in good time and adjust its business model accordingly.

The overall economic environment will remain a challenge for HSBC Trinkaus and the entire sector in the months ahead and beyond as well. But it is exactly in this market situation that our strengths come into their own more than ever before. Our proven business model with its consistent orientation to clearly defined target groups and risk-aware trading will continue to form the basis for successful business performance. In addition, as a member of the HSBC Group we offer "the best of both worlds", namely the continuity, professionalism and individuality of a private bank together with the international service capacity and capital strength of a global financial services provider.

With this unique combination in the German banking landscape, we have been able to position ourselves especially in the financial market crisis as a trustworthy and solid partner, strengthen the commitment of our existing clients and acquire many new clients.

We want not only to consistently continue on this path, but also to use the opportunities arising for a globally operating bank on account of the distortions on the German banking landscape even more selectively through targeted investments in the market. The focus here lies on growth in the business with the upper and in particular the internationally oriented SME segment as well as the business with wealthy private clients. In addition, we will make targeted efforts to strengthen our product range in the institutional business so that we can do even more justice to our claim of being a core bank in this client segment as well.

Irrespective of this, we will continue to pursue our proven, conservative risk policy during this growth – true to the motto: we grow with our clients, not with our risks.

On the product side, naturally we offer our clients all the services of the traditional banking business, but we also distinguish ourselves in particular by the fact that we stand by them in solving complex problems on the national and international level. We are traditionally strong in the entire product range of the securities business, in interest rate and currency management, in international services and asset management as well as in the individual servicing of wealthy private clients. Our expertise in the capital and credit markets is also appreciated and used by our clients. By continuously updating our information and communication system, we ensure the most advanced banking technology and services of the highest quality in all product segments.

Our strategy is characterised by continuity and is based on the following six key considerations:

- We concentrate on the target groups of wealthy private clients, corporate clients and institutional clients, and we aim to expand our activities with existing and new clients in all of these segments, provided there is a balanced risk/earnings profile.
- We continuously analyse our activities as to whether they are geared towards optimally meeting the national and international needs of our existing and new clients from our target groups. Our decisions are made with the focus on our clients, and we attach the greatest importance to personnel continuity in servicing our clients.
- Our trading activities serve primarily to support the client segments and provide a comprehensive product range. When determining risk limits and trading strategies, the focus is always on the Bank's risk-bearing capacity.
- Innovative and client-related solutions are our strength, because the application of wide-ranging expertise is the only way to realise value-added for our clients and for the Bank. The basis of every good client relationship is nonetheless the careful, flexible and service-oriented execution of standard transactions and is therefore of major importance for us.

- We are constantly expanding our service offerings in the securities business for clients and for other financial institutions. With our two securities settlement and fund administration subsidiaries – HSBC Transaction Services GmbH (formerly ITS) and Internationale Kapitalanlagegesellschaft mbH (HSBC INKA) – we offer highly qualified services at competitive prices. Both subsidiaries show significant strength in their respective markets. Furthermore, the Bank has been able to position itself successfully in recent years as an important provider of depositary bank services and global custody services as well as in asset management in Germany and Austria with HSBC Global Asset Management.

- We draw on the resources of one of the largest and strongest banking groups in the world, the HSBC Group. This applies to both the powerful product range and the respective regional networks in 88 countries.

The success of this strategy depends on whether we continue to satisfy the following conditions:

- We must offer our clients unlimited access to the global HSBC network, without having to make compromises in terms of their requirement of individualised servicing on a private-bank level.
- We must continue to focus the business relationship with our clients on trust and sustainability. Only on this basis can clients and advisors work together to find optimum solutions against the backdrop of a growing variety of products.
- We must provide a cutting-edge systems technology infrastructure to meet the most demanding requirements throughout the entire value-added chain so that we can offer our services at a competitive price and in a client-friendly manner.

- We must invest in the qualification of our employees through targeted training and advanced-training measures in order to do justice to the growing complexity and internationalisation of our business.
- We must use a precise management information system to record data on the performance of our employees as individuals and as team members, so that they receive fair compensation which is in line with the market.

Future needs tradition. In this respect we are very pleased to be able to celebrate the 225th anniversary of the Bank's foundation this year. Our anniversary motto is at the same time an expression of the stance we take: Committed to values.

Report of the Supervisory Board

Management

In four meetings conducted by the Management Board, the Supervisory Board received comprehensive reports on the development of business at the Bank, its major subsidiaries and individual business areas during the 2009 financial year.

At each meeting, the reports to the Supervisory Board covered the current results of the financial year to date in comparison with the budget and the results of the corresponding period of the previous year. Financial assets and their valuation as well as the Bank's liquidity situation were presented to the Supervisory Board. The reports on significant events of the 2009 financial year related among other things to the Bank's strategy of further developing the business with corporate clients in the upper SME segment and the implementation of the supervisory authority's new Minimum Requirements for Risk Management (MaRisk) for banks and financial services institutions.

In one meeting, the Supervisory Board focused on the presentation and discussion of the strategic positioning of the Bank, its business policy and principles of corporate planning for the 2010 financial year. The external auditors attended the Supervisory Board meeting in which the financial statements for the previous year were discussed. The Supervisory Board delegated the appointment of the external auditors for the audit of the annual financial statements and of the consolidated accounts to its Audit Committee. The external auditors attended the Committee meeting concerned and gave detailed information on the objectives, methods and key points of emphasis of the 2009 audit plan. As a result of this discussion, the auditors were mandated with the audit of the annual financial statements and of the consolidated accounts based on the agreed appropriate fee structure.

The Activities of the Committees Formed by the Supervisory Board

In order to deal more efficiently with selected and important management aspects, the Supervisory Board has formed three Committees from its members:

- the Personnel and Nominations Committee, which is responsible among other things for preparing the Supervisory Board's resolutions over matters relating to the Management Board, long-term succession planning together with the Management Board, proposing candidates to the Annual General Meeting for nomination to the Supervisory Board, dealing with conflicts of interest between Management Board or Supervisory Board members and the approval of connected party loans to Bank employees and members of the Supervisory Board;
- the Audit Committee, which is responsible among other things for mandating the external auditors to audit the annual financial statements and consolidated accounts, determining the focus of the audit, monitoring the independence of the external auditors, arranging the fee contract with them, accounting and basic risk management issues as well as regularly dealing with the audit findings of the internal audit department and the external auditors;
- the Credit Committee, to which the Supervisory Board has transferred among other things its right of veto in respect of loans which require the approval of the Supervisory Board either in accordance with the Bank's internal rules or pursuant to the German Banking Act (KWG), in particular decisions over connected party loans to companies. Furthermore, the Credit Committee discusses with the Management Board the risk management strategy to be drawn up by the Management Board.

All Committees each comprise three members of the Supervisory Board. The chairman of the Supervisory Board is also chairman only of the Personnel and Nominations Committee in accordance with the recommendation of the Corporate Governance Code.

The Personnel and Nominations Committee as well as the Credit Committee met four times and the Audit Committee seven times, of which three times in the form of a telephone conference, during the 2009 financial year.

In addition to matters relating to the Management Board and the implementation of the new requirements under the Act on the Appropriateness of Management Board Compensation (VorstAG), the Personnel and Nominations Committee was concerned in particular with the issues relating to the deferred payment of variable compensation and the ratio of cash payments to remuneration in shares. It proposed the appointment of Mark McCombe as successor to Supervisory Board member David Hodgkinson, who resigned from his office effective at the end of 2008, and of Hans-Jörg Vetter as successor to Supervisory Board member Dr. Siegfried Jaschinski, who resigned from his office effective from June 2009. The County Court in Düsseldorf complied with the corresponding applications to appoint Mr. McCombe and Mr. Vetter.

Net loan impairment and other credit risk positions was an important topic in the Credit Committee meetings. This included both the general credit risk strategy, which was also discussed by the Supervisory Board itself, and the discussion of individual exposures. The Credit Sub-committee was also occupied in all meetings with the regularly recurring duties transferred to it by the Supervisory Board.

The Audit Committee received and discussed reports from the internal audit department, from the Compliance Officer and the Anti-Money-Laundering Officer in four meetings and in two meetings also reports from the auditors. In the three telephone conferences it dealt with the drafts of the quarterly reports in each case before publication.

Corporate Governance

In its meetings in February and November, the Supervisory Board discussed the German Corporate Governance Code and its implementation within the company. The Report on Corporate Governance in 2009, which lists and comments on the individual divergences from the recommendations of the Government Commission

on the German Corporate Governance Code, can be found in this Annual Report and, like the Declaration of Conformity pursuant to Section 161 German Stock Corporation Act (AktG), can also be downloaded from the Bank's website.

The Supervisory Board concluded in its efficiency examination that in view of the personal professional qualifications of individual members of its body, it had no concerns as to their suitability. The efficiency of the Supervisory Board was examined and ascertained by means of the self-evaluation recommended by the German Corporate Governance Code.

The information given to the Supervisory Board satisfied all legal requirements and, with regard in particular to the depth of information provided on risks and to the supplementary presentations on new products, services and the activities of selected business areas, exceeded the requirements of the German Stock Corporation Act (AktG). The Supervisory Board therefore concluded that comprehensive information had been provided. The external auditors' report contained no findings which had not previously been reported on and examined in Supervisory Board meetings. The Supervisory Board therefore concluded that it had carried out its business efficiently.

During the 2009 financial year, no conflicts of interest were ascertained between the Bank and members of the Supervisory Board or others for whom a member of the Supervisory Board acted in an advisory or executive capacity. The Supervisory Board satisfied itself of the independence of the external auditors and the individual persons acting on their behalf.

Annual Financial Statements

The Supervisory Board has examined and approved in its meeting of 14 April 2010 the annual financial statements of the Bank for the year ended 31 December 2009, as well as the 2009 Management Report and the proposal of the Management Board for the appropriation of profit. KPMG AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, were appointed as external auditors to the Bank and its Group at the Annual General Meeting on 9 June 2009. On 22 September 2009, they were mandated by the Audit Committee of the Supervisory

Board to audit the annual financial statements and consolidated accounts. KPMG have audited the Bank's books, its annual accounts and the Management Report for the year ended 31 December 2009 and have given their unqualified audit opinion. The audit report was submitted to the Supervisory Board; no objections were raised.

The consolidated accounts for the year ended 31 December 2009 were prepared under International Financial Reporting Standards (IFRS) in a manner which also addressed the requirements of the German Commercial Code (HGB). These accounts were also audited by the external auditors and given an unqualified opinion. The consolidated accounts and the audit report were submitted to the Supervisory Board and approved by it in its meeting of 14 April 2010.

Dealings with Affiliated Companies

In compliance with Section 312 German Stock Corporation Act (AktG), the Management Board has prepared a report on the Bank's dealings with affiliated companies for the 2009 financial year. The auditors have issued the



following certification of this report under article 313 of the above Law: "Following our statutory examination and evaluation performed in accordance with professional standards, we hereby confirm that (1) the factual content of the report is correct; and (2) the payments made by the Company in the transactions listed in the report were not inappropriately high." The Board examined and noted with approval this report.

Organisational Changes on the Supervisory Board

In its resolution of 27 March 2009 the County Court in Düsseldorf appointed Mark McCombe as member of the Supervisory Board to succeed David Hodgkinson, who resigned from his office effective December 2009, and in its resolution of 30 September 2009 appointed Hans-Jörg Vetter as member of the Supervisory Board to succeed Dr. Siegfried Jaschinski, who resigned from his office effective June 2009.

Dr. Otto Graf Lambsdorff passed away on 5 December 2009. This position will be filled again within the scope of the scheduled re-election of the entire Supervisory Board at the Annual General Meeting on 8 June 2010.

Thanks

The Supervisory Board thanks the members of the Management Board for their open and trustworthy cooperation. It is also grateful to the staff whose work in the past year made a contribution to the Bank's success.

Düsseldorf, April 2010

The Supervisory Board

A handwritten signature in cursive script, reading "Sieghardt Rometsch".

Dr. Sieghardt Rometsch
Chairman

▶ Report on Corporate Governance in 2009

Corporate Governance, an integral part of our corporate culture

The German Corporate Governance Code, as adopted by the Bank in the following Declaration of Compliance pursuant to section 161 German Stock Corporation Act (AktG), is integral to the corporate culture of HSBC Trinkaus. An open information policy toward our shareholders, clear management structures, transparent financial accounting and the strict avoidance of conflicts of interest are all indispensable conditions for winning and retaining the trust of our investors and business partners on domestic and international financial markets. We have expressed our understanding of values and our behavioural standards in a code of conduct which the Management Board and all employees have undertaken to observe in writing.

The management and representation of the Bank is the responsibility of the Management Board, which consists of four persons, supported by the three members of the Executive Committee responsible for Corporate Banking and International Business, Investment Banking as well as Credit and Operational Risk. The organisational structure of the Bank including the responsibilities of the individual board members for the respective business divisions and support functions are presented in the chapter entitled "The Business Divisions".

The Management Board is overseen by the Supervisory Board elected with it. The Supervisory Board has 15 members, five of whom are chosen from the workforce. The Supervisory Board has formed three committees from its members:

- the Personnel and Nominations Committee, which is responsible among other things for preparing the Supervisory Board's resolutions over matters relating to the Management Board, long-term succession planning together with the Management Board, proposing candidates to the Annual General Meeting for nomination to the Supervisory Board, dealing with conflicts of interests between Management Board or Supervisory Board members and the approval of connected party loans to Bank employees and members of the Supervisory Board;
- the Audit Committee, which is responsible among other things for mandating the external auditors to audit the annual financial statements and consolidated accounts, determining the focus of the audit, monitoring the independence of the external auditors, arranging the fee contract with them, accounting and basic risk management issues as well as regularly dealing with the audit findings of the internal audit department and the external auditors;
- the Credit Committee, to which the Supervisory Board has transferred among other things its right of veto in respect of loans which require the approval of the Supervisory Board either in accordance with the Bank's internal rules or pursuant to the German Banking Act (KWG), in particular decisions over connected party loans to companies. Furthermore, the Credit Committee discusses with the Management Board the risk management strategy to be drawn up by the Management Board.

Resolutions of the Supervisory Board and of the Committees are passed with the simple majority of the votes cast, provided no other procedure is required by law. All Supervisory Board Committees comprise three members. The Chairman of the Supervisory Board is also Committee chairman only of the Personnel and Nominations Committee. The members of the Management Board, Supervisory Board and Supervisory Board Committees are listed in the Annual Report in the section entitled "Executive Bodies". The report of the Supervisory Board on its activities during the latest financial year also included in the Annual Report contains more detailed information on the frequency of the meetings of the Supervisory Board and its Committees as well as the concrete issues dealt with in the latest financial year.

Compensation structures

The compensation of the members of the Management Board is laid down in contracts of employment which the Bank, represented by the Supervisory Board's Personnel Committee, concludes individually with the various Management Board members.

The compensation of members of the Management Board comprises a fixed salary element plus a variable compensation component. Each member of the Management Board is also given an individual pension commitment. The extent of the annual variable compensation is determined on a discretionary basis by the Supervisory Board and can be paid in cash, as an allocation of shares in HSBC Holdings plc or a combination of both. The cash component amounts to at least 50 % of the variable compensation. The shares allocated as variable compensation for 2007 will be transferred in three equal amounts in 2009, 2010 and 2011, in each case after the announcement of the HSBC Group's result for the year. This practice has been modified for 2008. The allocated shares will no longer be paid in three instalments, but in one amount in early 2012. 50 % of the shares allocated as variable compensation in 2010 for 2009 will be transferred in each of the second and third year after being committed, in other words in 2012 and 2013. Price risks and opportunities arising from the shares allocated in the period up until transfer lie exclusively with the respective Management Board members. In addition, we refer with respect to the compensation system for the Management Board members to the corresponding explanations in the Management Report as well as in Note 68 of the consolidated financial statements of HSBC Trinkaus & Burkhardt AG.

The Annual General Meeting decided with the required three-quarters majority on 5 June 2007 that the individual emoluments of the members of the Management Board are not to be published.

The compensation of members of the Supervisory Board – including fees paid for advisory services – is also reported under Note 68 of our consolidated accounts. The compensation for members of the Supervisory Board is governed in the Articles of Association. Each Supervisory Board member is thereby entitled to receive fixed compensation of € 25,000 plus variable compensation of € 100.00 for every 1 cent of dividend distributed per share. The Chairman receives two-and-a-half times and the Deputy Chairman double this sum. The Chairman of a Supervisory Board committee receives double and members of a committee one-and-a-half times the aforementioned compensation of a Supervisory Board member. If a member of the Supervisory Board holds several offices, he/she is only compensated for the office with the highest compensation. Should a member of the Supervisory Board or a committee not be in office for the full financial year, the compensation is reduced proportionately to the period in office.

The employee compensation system is stipulated by the Management Board. A Compensation Committee was also set up in 2009 which monitors the appropriateness of the compensation systems for the employees. In addition to employees of the Human Resources department, employees of the business-initiating organisational units as well as the control units are also members of the Compensation Committee. The Chairman of the Compensation Committee reports to the Supervisory Board on its work in the first meeting of the year.

Reportable dealings in HSBC Trinkaus & Burkhardt shares or in rights to those shares under Section 15 a of the Securities Trading Law (WpHG)

No dealings in HSBC Trinkaus & Burkhardt shares, or in rights to those shares which require reporting in accordance with Section 15 of the Securities Trading Act or Code no. 6.6 of the Corporate Governance Code, were carried out in 2009 by persons obliged to report such dealings.

Day-to-day monitoring

We have entrusted the Head of the Company Secretariat of our Bank with the day-to-day monitoring of the strict observance of the Corporate Governance rules in our daily business. During the 2009 financial year no infringements of these rules were identified, in terms of the form, content or spirit of the Corporate Governance Code.

Declaration of compliance with the German Corporate Governance Code pursuant to section 161 German Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of HSBC Trinkaus & Burkhardt AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of 18 June 2009 announced in the official part of the electronic Federal Gazette were complied with, with the following exceptions, and that this code will be complied with in future.

The recommendation of the Government Commission contained in Code no. 2.3.2 to send notification of the convening of the Annual General Meeting together with the convention documents to all domestic and foreign financial service providers, shareholders and shareholders' associations by electronic means if the approval requirements are fulfilled, has not been adopted. Implementing the recommendation in accordance with the law presents considerable practical difficulties in respect of bearer shares and presumably also involves considerable costs. In view of the Company's shareholder struc-

ture, there is no practical need to propose the resolution of approval required for implementation to the Annual General Meeting.

Code no. 5.4.1 is not applied in that it recommends an age limit for Supervisory Board members which would needlessly reduce the Company's flexibility. A fixed age limit would oblige the Company to make a change in Supervisory Board membership even when a member, notwithstanding his or her age, still makes very valuable contributions to the Bank.

The recommendation contained in Code no. 5.4.2, according to which no more than two former Management Board members may sit on the Supervisory Board, is not applied. HSBC Trinkaus has maintained its status as a private bank even after the change of legal form to a German stock corporation, the most fundamental strategic characteristic of which is the long-term and personal nature of the client relationship. In the past, the transition from the executive management of the Bank to the Supervisory Board has also prevented the disruption of client relationships and ensured continuity, for which the former Managing Partners or Management Board members also stand surety as members of the Supervisory Board. The rigid restriction of the number of former Management Board members to two does not do justice to this concept.

Code no. 5.4.3 of the Corporate Governance Code is applied subject to the proviso that individual elections to the Supervisory Board take place not as a rule, but only if an application is made by a shareholder to this effect at the Annual General Meeting at which the elections are to take place. This upholds all protective interests at the same time as preserving the necessary flexibility.

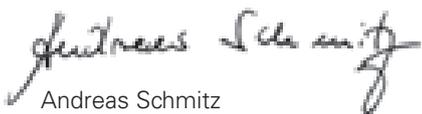
The recommendation of the Government Commission contained in sentence 3 of Code no. 5.4.3, according to which proposals for candidates for the Chairman of the Supervisory Board are to be announced to the shareholders in respect of upcoming Supervisory Board elections, is not applied. Re-elections of the Supervisory Board take place at HSBC Trinkaus for the entire Supervisory Board in each case for which a standard closing date for the election period applies according to the Articles of Association. In the event of complete re-election of the Supervisory Board, it meets after the Annual

General Meeting at which it was elected for a constituent meeting and elects the Chairman from among its members. The announcement of the proposed candidates for the new Supervisory Board by the old Board would be an unjustifiable burden on the new Supervisory Board in its discretionary powers. Even though the newly elected Supervisory Board is not legally bound to the candidates announced by the old Board, any deviation by the new Supervisory Board from these proposals would be associated with negative publicity which could harm the Company.

The recommendation contained in Code no. 5.4.6 on the publication of the individual emoluments of the members of the Supervisory Board, including emoluments for advisory or agency services provided individually, in the Corporate Governance Report have not been complied with. In accordance with the statutory provisions, details of the compensation of members of the Supervisory Board are published in the Notes to the individual financial statements and in Note 68 of the Consolidated Financial Statements of HSBC Trinkaus & Burkhardt AG. The provisions of the Articles of Association relating to the compensation of members of the Supervisory Board are presented in the Corporate Governance Report. As regards payments for personal services provided, such as advisory services, this would encroach extensively upon the personal rights of the Supervisory Board member with no absolute necessity.

Düsseldorf, February 2010

For the
Management Board:



Andreas Schmitz
– Chairman –

The recommendation of the Government Commission contained in Code no. 6.3 is applied with the clarifying references that the equal treatment of shareholders, financial analysts and similar addressees in respect of information is limited to price-relevant information. We do not define expressions of opinion by members of executive bodies in the press and other media, or background discussions with financial analysts and rating agencies as "new facts" within the meaning of Code no 6.3 in the interest of the clear determination of the extent of the information communicated.

Only such information which is relevant for the HSBC Trinkaus & Burkhardt AG share price is regarded as information on the enterprise which the company discloses within the meaning of Code no. 6.8. The above references relating to Code no. 6.3 apply analogously.

By way of deviation from Code no. 7.1.2, HSBC Trinkaus & Burkhardt AG adheres to the statutory deadlines in the interest of greater timing flexibility concerning the production of its consolidated financial statements and interim reports.

HSBC Trinkaus & Burkhardt AG complies with the recommendation contained in Code no. 7.1.4 insofar as statutory publication thresholds are reached. By making reference to the statutory publication thresholds, misinterpretations are avoided.

For the
Supervisory Board:



Dr. Sieghardt Rometsch
– Chairman –



Executive Bodies

Düsseldorf

Baden-Baden Berlin Frankfurt am Main

Hamburg Munich Stuttgart

Management Board

Andreas Schmitz, Chairman

Carola Gräfin v. Schmettow

Paul Hagen

Dr. Olaf Huth

Executive Committee

Florian Fautz

Trevor Gander

Manfred Krause

Supervisory Board

Herbert H. Jacobi, Düsseldorf
Honorary Chairman,
former Managing Partner,
HSBC Trinkaus & Burkhardt KGaA

Dr. Sieghardt Rometsch, Düsseldorf
Chairman,
former Managing Partner,
HSBC Trinkaus & Burkhardt KGaA

Stuart Gulliver,
Deputy Chairman,
Executive Director,
Chairman, Europe and the Middle East,
HSBC Holdings plc, London

Professor Dr. h. c. Ludwig Georg Braun, Melsungen
Chairman of the Management Board,
B. Braun Melsungen AG

Deniz Erkman*, Krefeld
Bank employee

Dr. Hans Michael Gaul, Düsseldorf

Friedrich-Karl Goßmann*, Essen
Bank employee

Birgit Hasenbeck*, Düsseldorf
Bank employee

Wolfgang Haupt, Düsseldorf
former Managing Partner,
HSBC Trinkaus & Burkhardt KGaA

Harold Hörauf, Eggstätt
former Managing Partner,
HSBC Trinkaus & Burkhardt KGaA

Oliver Honée*, Essen
Bank employee

Dr. Siegfried Jaschinski (up to 19 June 2009)
Chairman of the Management Board,
Landesbank Baden-Württemberg, Stuttgart
(up to 10 June 2009)

Dr. Otto Graf Lambsdorff, Bonn (passed away
5 December 2009)
Lawyer

Professor Dr. Ulrich Lehner, Düsseldorf
Member of the Shareholders' Committee,
Henkel AG & Co. KGaA

Mark McCombe,
Chief Executive Officer Hong Kong,
The Hongkong and Shanghai Banking Corporation Ltd,
Hong Kong

Hans-Jörg Vetter (from 30 September 2009)
Chairman of the Management Board,
Landesbank Baden-Württemberg, Stuttgart

Jörn Wölken*, Lohmar
Bank employee

* Employees' Representative

Advisory Board

Dr. Otto Graf Lambsdorff (passed away
5 December 2009),
Chairman

Professor Dr. Gerd Assmann, FRCP,
Chairman of the Management Board,
Assmann-Stiftung für Prävention

Dr. Simone Bagel-Trah,
Chairman of the Supervisory Board
and Shareholders' Committee,
Henkel AG & Co. KGaA

Dr. Olaf Berlien,
Member of the Management Board,
ThyssenKrupp AG

Professor Dr. rer. nat. Dr. med. Dr. h. c. Uwe Bicker,
Chairman of the Supervisory Board,
Siemens Healthcare Diagnostics Holding GmbH

Christian Brand,
Chairman of the Management Board,
Landeskreditbank Baden-Württemberg

Baron Wolf von Buchholtz

Albert H. K. Büll,
Entrepreneur and shareholder,
B&L Group

Walter P. J. Droege,
Droege International Group AG

Heinrich Johann Essing,
Managing Director,
HEC Vermögensverwaltung GmbH

Henning von der Forst,
Member of the Management Board,
Nürnberger Versicherungsgruppe

Dipl.-Kfm. Bruno Gantenbrink,
Managing Partner,
BEGA Gantenbrink-Leuchten KG

Professor Dr. Michael Hoffmann-Becking, Lawyer,
Rechtsanwälte Hengeler Mueller

Dr. Franz Wilhelm Hopp

Professor Dr. Dr. h. c. Anton Kathrein,
Managing Partner,
KATHREIN-Werke KG

Dipl.-Kfm. Sigmund Kiener (from August 2009),
Owner,
S. K. Management- und Beteiligungs GmbH

Dr. Karl-Ludwig Kley,
Managing Partner,
Chairman of the Managing Committee,
Merck KGaA

Professor Dr. Renate Köcher,
Executive Director,
Institut für Demoskopie Allensbach

Professor Dr.-Ing. E. h. Dipl.-Ing. Berthold Leibinger,
Chairman of the Supervisory Board,
Trumpf GmbH + Co. KG

Professor Dr. Dirk Lepelmeier,
Managing Director,
Nordrheinische Ärzteversorgung,
Einrichtung der Ärztekammer Nordrhein

Professor Dr. Jörg-Andreas Lohr (from September 2009),
Chairman of the Management Board,
Flick Privatstiftung,
Managing Partner,
Lohr + Company GmbH Wirtschaftsprüfungsgesellschaft

Udo van Meeteren

Dr. Claus Meier,
Dipl.-Volkswirt, Senior Church Councillor,
Member of the Ecclesiastical Council, Evangelical
Lutheran Church of Bavaria

Ludwig Merckle
Merckle Group

Dr. Markus Michalke,
Managing Director,
MIC Asset Management GmbH

Hildegard Müller (from July 2009),
Member of the Presidium,
Chairman of the Executive Board,
BDEW Bundesverband der Energie-
und Wasserwirtschaft e. V.

Karsten Müller-Uthoff,
Managing Director,
Ärzteversorgung Niedersachsen

Werner Nicoll,
Member of the Management Board,
ARAG Allgemeine Rechtsschutz-
Versicherungs-AG

Dr. Christoph Niemann,
former Managing Partner,
HSBC Trinkaus & Burkhardt KGaA

Hartmut Retzlaff,
Chairman of the Management Board,
STADA Arzneimittel AG

Petra Schadeberg-Herrmann,
Shareholder of Krombacher Brauerei
Bernhard Schadeberg GmbH & Co. KG

Dr. Marcus Schenck,
Member of the Management Board,
E.ON AG

Dr. Ulrich Schröder,
Chairman of the Management Board,
KfW Bankengruppe

Dr. Botho von Schwarzkopf,
Managing Partner,
Pfeifer & Langen IHKG

Professor Dr. Klaus Schweinsberg (from June 2009),
INTES Akademie für Familienunternehmen GmbH

Professor Dennis J. Snower, Ph. D.,
President of the Kiel Institute for the World Economy

Helmut Späth,
Deputy Chairman of the Management Board,
Versicherungskammer Bayern

Thomas Unger,
Deputy Chairman of the Management Board,
Metro AG

Professor Dr.-Ing. Dieter H. Vogel,
Managing Partner,
Lindsay Goldberg Vogel GmbH

Hartmuth Wiesemann,
Member of the Advisory Board,
ALDI Einkauf GmbH & Co. OHG

► Obituary: Dr. Otto Graf Lambsdorff (1926 – 2009)



HSBC Trinkaus lost its highly esteemed Chairman of the Advisory Board and member of the Supervisory Board, Dr. Otto von der Wenge Graf Lambsdorff, in December 2009.

Graf Lambsdorff was appointed Chairman of the Bank's newly-created Advisory Board in 1986 and member of the Supervisory Board in 1988. By assuming these offices, Graf Lambsdorff continued his personal commitment to the Bank for which he worked for over a decade in the syndicate business and Management Secretariat, finally in the position of Chief Representative.

After his Doctorate of Law, his Assessor examination and completing the initial years of his career, Graf Lambsdorff joined C. G. Trinkaus in 1960. Among other things, he was responsible for building up the business with institutional clients which became an important source of earnings for the Bank. He left the Bank in 1971 and in the following years played an active role in key economic and political positions, in particular as Federal Minister of Economics, in shaping the *res publica* in Germany.

As Chairman of the Advisory Board and member of the Supervisory Board, Graf Lambsdorff was a highly esteemed interlocutor for the members of these two bodies as well as for the Management Board, Employees' Council and employees of the Bank. With his comprehensive wealth of experience and sharp analytical skills, he brought results to the point and provided thought-provoking impetus which decisively furthered the Bank.

In Graf Lambsdorff we have lost a huge personality who, with his advocacy of the firm establishment of ethical values as obligatory goals of corporate management, had a decisive influence on the lasting culture of our Bank and our responsibility to the common good over many years. We and our employees feel committed to the continuation of this tradition and guiding principle as an expression of our thanks.

We will remember Otto Graf Lambsdorff as a trusted friend of the Bank.



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Interpretation and evaluation of statements about the future

This Annual Report provides information on the results of the HSBC Trinkaus & Burkhardt Group for the past financial year. The information is based on the consolidated figures at the close of the 2009 financial year in accordance with International Financial Reporting Standards and as audited by the auditors of our Consolidated Statements. To allow you to evaluate our consolidated financial statements, general economic data and data in relation to financial markets as they evolved during the past year have also been included. In addition, this publication contains statements of our expectations concerning our Group's progress during 2010. Such statements about the future can be found in particular in the Letter from the Management Board to our shareholders in the 'Outlook for 2010' section, in the section on our company's strategy and also in many other places throughout this Annual Report. These statements about the future are based on our expectations of future economic and political developments and on our assumptions about

the effects these will have on business progress and our related business plans. All statements about the future in the form of assumptions, expectations and future plans represent our assessments and forecasts up to the date on which we formulated them. Any changes subsequent to that date in macroeconomic data, in the political or regulatory environment, or in the foreign exchange or capital markets, as well as unexpected losses in lending business or with counterparties in trading activities, or the occurrence of other events, may lead to our forecasts and expectations for the financial year 2010 becoming obsolete or outdated. We accept no obligation to adjust our forecasts, assumptions and expectations in the light of new information or in line with subsequent events to reflect the new level of knowledge, nor to update our Annual Report through subsequent publication of such changes.



Key Dates

15 April 2010

Results Press Conference

12 May 2010

Interim Report as at 31 March 2010

8 June 2010

Annual General Meeting

12 August 2010

Press conference

Interim Report as at 30 June 2010

11 November 2010

Interim Report as at 30 September 2010

