Interim Report as at 30 September 2008

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	1.1. – 30.9.2008	1.1. – 30.9.2007	Change in %
Income statement in €m			
Operating revenues	431.6	421.0	2.5
Net loan impairment and other credit risk provisions	–1.7	3.7	> 100.0
Administrative expenses	296.4	262.5	12.9
Operating profit	133.6	162.2	–17.6
Profit before taxes	117.0	165.6	–29.3
Tax expenses	37.2	54.3	–31.5
Net profit for the period	79.8	111.3	–28.3
Ratios			
Cost:income ratio of usual business activity in %	71.4	61.9	–
Return on equity before tax in % (projected for the year as a whole)	17.0	26.5	–
Net fee income in % of operating revenues	60.5	57.7	–
No of employees at the reporting date*	2,225	2,042	9.0
Share information			
Average number of shares in circulation in million	26.1	26.1	0.0
Earnings per share in €	3.06	4.27	–28.3
Share price at the reporting date in €	105.2	115.5	–8.9
Market capitalisation at the reporting date in €m	2,746	3,015	–8.9

* The number of employees in the comparable period of 2007 includes the employees of ITS GmbH.

	30.9.2008	31.12.2007	Change in %
Balance sheet figures in €m			
Total assets	23,796.5	21,066.9	13.0
Shareholders’ equity	920.6	968.7	–5.0
Ratios pursuant to German Banking Act			
Tier 1 in €m	612	610	0.2
Capital in €m	990	1,030	–3.9
RWAs in €m	9,013	9,606	–6.2
Tier 1 ratio in %	6.8	6.4	–
Capital ratio in %	11.0	10.7	–

Ladies and Gentlemen,

HSBC Trinkaus' virtues have proven themselves and are also highly appreciated by our clients in these turbulent times. By way of example, customer deposits grew by around € 2 billion in the third quarter, therefore reaching a new record level. This means that our liquidity position is better than ever. Both our own financial strength and, in particular, the efficiency and reputation of our majority shareholder, HSBC, are convincing arguments for winning over new clients.

HSBC Trinkaus' financial strength can be seen among other things from the fact that we

- constantly exceeded the minimum liquidity requirements imposed by the banking supervisory authorities by far as we have invested considerable amounts in the HSBC Group and in the secured money market on a very short term basis which are available to us at almost any time,
- did not make use of the refinancing facility at the Deutsche Bundesbank in the third quarter, although we have deposited around € 2.8 billion in eligible assets, and will not resort to the state rescue fund,
- report both positive net trading income and profit before taxes even in the difficult third quarter and
- have not taken advantage of the relaxation of IFRS accounting regarding the reclassification of assets in the balance sheet introduced retrospectively on an ad hoc basis.

Thanks to these financial strengths we have been able to face the challenges presented in recent weeks and months relatively well. We are gaining market shares and are also well positioned for the future.

The most important figures in detail:

- **Net interest income: up 16.0% from € 83.6 million to € 97.0 million**
  We benefit directly from our financial strength in net interest income as the substantial inflows of funds from our professional and private clients are passed on to the HSBC Group and in the secured money market.

- **Net fee income: up 7.4% from € 242.9 million to € 260.9 million**
  In contrast, net fee income was influenced by factors working in opposite directions. On the one hand, the transaction figures are unusually high in these times of hectic trading, but the declines on all important global exchanges will lead to lower average transaction figures for the year. On the other, there has been a sharp decline on both the markets for structured products, particularly of late, and in the demand for investment banking services. It is to be taken into consideration as an extraordinary effect on net fee income that we have fully consolidated International Transaction Services GmbH (ITS) for the first time this year after acquiring the outstanding shares. As a result, net fee income was supported by the net fee income generated by ITS with other clients.

- **Net trading income: down 17.7% from € 84.3 million to € 69.4 million, but also positive in the third quarter**
  There were also diverging trends in the trading business. Income from equities and equity derivatives trading again increased substantially. As we keep a large part of our liquid Treasury investments in bonds with a mark-to-market valuation, the partly dramatic spread widening, in particular in September, led to valuation losses. The sales-trading bond positions were affected in the same way.

- **Administrative expenses: up 12.9% from € 262.5 million to € 296.4 million**
  The first-time inclusion of ITS also means that administrative expenses are only comparable with the previous year to a limited extent. Excluding ITS' administrative expenses,

the increase would have been extremely moderate at 3 %. The remaining rise in costs was the result on the one hand of the increase in the number of employees. On the other, we made further investments in our hardware and software in order to continue to meet the constantly growing requirements on a high level. However, performance-based remuneration declined in line with the overall result. The introduction of the flat tax on capital income will put considerable pressure on our administrative expenses this year as an extraordinary effect.

- **Net income from financial assets: down from € 3.4 million profit to € 16.5 million loss**
  Owing to the drastic deterioration in the credit standings of financial market players, we have had to carry out writedowns on several bonds and debt securities of these issuers. Since our writedowns have resulted in very low residual values, possible defaults have already been largely digested in the income statement in this quarter. Losses were also realised on the sale of financial stocks.

- **Net loan impairment and other credit risk provisions: after a € 3.7 million reversal, now a € 1.7 million addition**
  With an addition of € 1.7 million net loan impairments and other credit risk provisions are still at the lower end of our budget. We remain unaffected by major defaults in the lending business. However, as we are expecting a further slowdown in business activity accompanied by higher default risks, we have increased our portfolio writedowns slightly as a precaution.

- **Operating profit: down 17.6 % from € 162.2 million to € 133.6 million**
  Overall, we were not able to repeat the record result recorded the previous year, but that was also not to be expected given the difficult conditions. Instead, operating profit is slightly below the comparable result for 2006 after nine months. As 2006 was the second best year in our history, we regard this as an extremely solid interim result, also in a market comparison.

Forecast

HSBC Trinkaus has held up well in this extremely difficult period in both absolute terms and in relation to the competition. We will not be able to maintain the level achieved in our record year 2007, but we are confident of being able to generate a result which is presentable given the continuation of the difficult market situation. Not least an efficient and above all resilient business model which is geared towards our clearly defined target groups of wealthy private clients, corporate clients and institutional clients speaks in favour of this. This clear strategic orientation is certainly one reason why we are appreciated by our clients as a "safe haven" in these turbulent times. Outside our client business, we have also not been able to escape writedowns in our investment book on account of the latest and so far most sensitive events to take place in the financial system and the associated financial difficulties being experienced by various financial market players. However, these writedowns do not impair the Bank's sustained earning power.

Düsseldorf, November 2008
The Management Board

Andreas Schmitz   Paul Hagen   Dr. Olaf Huth   Carola Gräfin v. Schmettow

This interim report satisfies the requirement of an interim management statement pursuant to Section 37x German Securities Trading Act (WpHG) and the interim reporting requirements as set out in IAS 34.

Consolidated Income Statement

in €m	Note	1.1. – 30.9.2008	1.1. – 30.9.2007	Change in %
Interest income		296.0	320.3	–7.6
Interest expense		199.0	236.7	–15.9
Net interest income	(1)	97.0	83.6	16.0
Net loan impairment and other credit risk provisions	(2)	–1.7	3.7	> 100.0
Share of profit in associates		0.3	5.0	–94.0
Fee income		450.7	470.6	–4.2
Fee expenses		189.8	227.7	–16.6
Net fee income	(3)	260.9	242.9	7.4
Net trading income	(4)	69.4	84.3	–17.7
Administrative expenses	(5)	296.4	262.5	12.9
Income from financial assets		–16.5	3.4	> 100.0
Other income	(6)	4.0	5.2	–23.1
Profit before taxes		**117.0**	**165.6**	**–29.3**
Tax expenses		37.2	54.3	–31.5
Net profit for the period		**79.8**	**111.3**	**–28.3**

Earnings per share

in €	1.1. – 30.9.2008	1.1. – 30.9.2007	Change in %
Earnings per share	3.06	4.27	–28.3
Undiluted earnings per share	3.06	4.27	–28.3

As in the third quarter of 2007, there were no outstanding option and conversion rights for the purchase of shares in the third quarter of 2008. There was therefore no calculable dilution effect.

Consolidated Income Statement – Quarterly Results

in €m	Q1 2008	Q2 2008	Q3 2008	Q3 2007
Interest income	96.6	101.3	98.1	125.6
Interest expense	68.3	66.3	64.4	96.3
Net interest income	28.3	35.0	33.7	29.3
Net loan impairment and other credit risk provisions	–1.2	0.5	–1.0	1.0
Share of profit in associates	0.0	0.2	0.1	1.8
Fee income	155.8	150.1	144.8	149.7
Fee expenses	65.8	61.5	62.5	71.8
Net fee income	90.0	88.6	82.3	77.9
Net trading income	33.5	28.9	7.0	19.1
Administrative expenses	99.3	105.1	92.0	85.4
Income from financial assets	–1.0	0.8	–16.3	–5.3
Other income	0.8	1.2	2.0	–1.2
Profit before taxes	**51.1**	**50.1**	**15.8**	**37.2**
Tax expenses	16.5	15.2	5.5	10.3
Net profit for the period	**34.6**	**34.9**	**10.3**	**26.9**

Earnings per share

in €m	Q1 2008	Q2 2008	Q3 2008	Q3 2007
Earnings per share	1.33	1.33	0.40	1.03
Undiluted earnings per share	1.33	1.33	0.40	1.03

Consolidated Balance Sheet

Assets in €m	Note	30.9.2008	31.12.2007	Change in %
Cash reserve		749.9	332.3	> 100.0
Loans and advances to banks	(8)	3,355.8	4,117.0	– 18.5
Loans and advances to customers	(9)	4,482.9	4,272.9	4.9
Net loan impairment provision	(10)	– 19.4	– 16.2	19.8
Trading assets	(11)	12,893.6	10,436.8	23.5
Financial assets	(12)	1,843.4	1,568.2	17.5
Interests in associates		9.9	15.2	– 34.9
Property, plant and equipment		200.4	196.3	2.1
Intangible assets		54.0	12.3	> 100.0
Taxation recoverable		30.4	54.8	– 44.5
current		30.4	54.8	– 44.5
deferred		0.0	0.0	0.0
Other assets		195.6	77.3	> 100.0
Total assets		**23,796.5**	**21,066.9**	**13.0**

Liabilities in €m	Note	30.9.2008	31.12.2007	Change in %
Deposits by banks	(13)	3,725.7	2,532.7	47.1
Customer accounts	(14)	12,066.1	10,283.2	17.3
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	6,251.1	6,488.4	–3.7
Provisions		121.7	112.4	8.3
Taxation		112.6	106.0	6.2
current		31.8	48.2	– 34.0
deferred		80.8	57.8	39.8
Other liabilities		130.0	106.8	21.7
Subordinated capital		458.7	458.7	0.0
Shareholders’ equity		920.6	968.7	– 5.0
Share capital		70.0	70.0	0.0
Capital reserve		221.2	216.9	2.0
Retained earnings		549.6	486.7	12.9
Consolidated profit available for distribution in 2007		–	195.1	–
Profit 1.1. - 30.9.2008 incl. profit brought forward		79.8	–	–
Total equity and liabilities		**23,796.5**	**21,066.9**	**13.0**

Breakdown of consolidated shareholders' equity and subordinated capital

in €m	30.9.2008	31.12.2007
Share capital	70.0	70.0
Capital reserve	221.2	216.9
Retained earnings	549.6	486.7
of which: valuation reserve for financial instruments	17.3	76.2
of which: valuation reserve for actuarial gains and losses	–19.8	–11.7
Net profit including profit brought forward/ Consolidated profit available for distribution	79.8	195.1
Consolidated shareholders' equity	**920.6**	**968.7**
Subordinated liabilities	322.9	322.9
Participatory capital	135.8	135.8
Consolidated subordinated capital	**458.7**	**458.7**
Total	**1,379.3**	**1,427.4**

Consolidated statement of changes in equity

in €m	2008	2007
Consolidated shareholders' equity as at 1.1.	**968.7**	**884.9**
Distribution	–65.3	–65.3
Net profit	79.8	111.3
Gains/losses not recognised in the income statement (change in valuation reserves)	–67.0	–11.7
Share-based compensation settled in the form of equity instruments	7.2	3.7
Transfer of shares to employees in connection with share-based remuneration schemes	–2.9	0.1
Other effects	0.0	0.7
Consolidated shareholders' equity as at 30.9.	**920.6**	**923.7**

Other comprehensive income

in €m	1.1. – 30.9.2008	1.1. – 30.9.2007
Net profit for the period	79.8	111.3
Gains/losses not recognised in the income statement	–67.0	–11.7
of which from financial instruments	–58.9	–16.5
of which from actuarial results	–8.1	4.8
Total	12.8	99.6

Consolidated cash flow statement

in €m	2008	2007
Cash and cash equivalents as at 1.1.	**332.3**	**436.3**
Cash flow from operating activities	483.6	–321.2
Cash flow from investing activities	–0.7	–11.7
Cash flow from financing activities	–65.3	–50.1
Cash and cash equivalents as at 30.9.	**749.9**	**53.3**

The cash flow statement calculated according to the indirect method shows the position and movements in cash and cash equivalents of the HSBC Trinkaus & Burkhardt Group. Reported cash and cash equivalents correspond to the "Cash reserve" balance sheet item which comprises cash in hand plus balances at central banks.

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

This Interim Report for the HSBC Trinkaus & Burkhardt Group as at 30 September 2008 was drawn up in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union. In particular, it satisfies the interim reporting requirements as set out in IAS 34. Furthermore, the report takes into consideration the requirement of an interim management statement pursuant to Section 37x German Securities Trading Act (WpHG). No review of the Interim Report was carried out by external auditors.

When drawing up this Interim Report, including the comparable figures for the prior-year periods, we applied the same accounting and valuation methods as in the 2007 consolidated financial statements with the exception of one standard and one interpretation in each case:

IFRS 8, Operating Segments, requires the identification of reportable operating segments based on the “management approach“ and its adoption is obligatory for all financial statements that start on or after 1 January 2009. Its early first-time adoption has not led to any material changes.

IFRIC 11, Group and Treasury Share Transactions, deals with how share-based payments granted by the parent company to the employees of a subsidiary are to be recognised in the financial statements of the subsidiary. The interpretation became applicable in the reporting period and its retrospective application pursuant to IAS 8 led to an increase in shareholders' equity of € 3.6 million for full 2007 as well as additional expenses after tax of € 0.3 million.

All other changes to standards which we did not apply early have no impact on or are only of minor significance for our consolidated financial statements.

(1) Net interest income

in €m	1.1. – 30.9.2008	1.1. – 30.9.2007
Interest income	**296.0**	**320.3**
From loans and advances to banks	95.6	156.4
Money market transactions	83.9	145.1
Other interest-bearing receivables	11.7	11.3
From loans and advances to customers	145.6	114.4
Money market transactions	43.8	37.3
Other interest-bearing receivables	101.8	77.1
From financial assets	54.8	49.5
Interest income	51.5	40.4
Dividend income	1.5	1.1
Income from subsidiaries	1.8	8.0
Interest expense	**199.0**	**236.7**
From deposits by banks	38.8	24.5
Money market transactions	28.7	19.1
Other interest-bearing deposits	10.1	5.4
From customer accounts	142.2	193.7
Money market transactions	66.1	109.2
Other interest-bearing deposits	76.1	84.5
From securitised liabilities	0.3	1.4
From subordinated capital	17.7	17.1
Net interest income	**97.0**	**83.6**

(2) Net loan impairment and other credit risk provisions

in €m	1.1. – 30.9.2008	1.1. – 30.9.2007
Additions	3.7	0.5
Reversals	–1.8	–3.9
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	–0.2	–0.3
Total	**1.7**	**–3.7**

(3) Net fee income

in €m	1.1. – 30.9.2008	1.1. – 30.9.2007
Securities transactions	176.4	155.4
Foreign exchange transactions and derivatives	42.2	39.0
Foreign business	10.4	9.9
Issuing and structuring business	8.8	14.3
Payments	4.2	4.1
Lending	3.4	2.7
Investment banking	2.2	6.4
Real estate	0.1	0.7
Other fee-based business	13.2	10.4
Total	**260.9**	**242.9**

(4) Net trading income

in €m	1.1. – 30.9.2008	1.1. – 30.9.2007
Equities and equity/index derivatives	66.9	59.6
Bonds and interest rate derivatives	–0.2	17.1
Foreign exchange	2.7	7.6
Total	**69.4**	**84.3**

Interest and dividend income attributable to trading activities – shown as the difference between interest and dividend income from trading activities and the corresponding refinancing interest – is included in net trading income.

(5) Administrative expenses

in €m	1.1. – 30.9.2008	1.1. – 30.9.2007
Staff expenses	179.8	165.7
Wages and salaries	157.9	145.9
Social security costs	15.8	13.0
Post-employment benefits	6.1	6.8
Other administrative expenses	101.8	87.5
Depreciation of property, plant and equipment and of intangible assets	14.8	9.3
Total	296.4	262.5

(6) Net other income / expenses

in €m	1.1. – 30.9.2008	1.1. – 30.9.2007
Other operating income	5.6	8.2
Other operating expenses	1.5	3.0
Net other operating income and expenses	**4.1**	**5.2**
Net other non-operating income	–0.1	0.0
Net other non-operating expenses	0.0	0.0
Net other non-operating income and expenses	**–0.1**	**0.0**
Other income	**4.0**	**5.2**

(7) Segment reporting

in €m	Private Banking	Corporate Banking	Institut. Clients	Global Markets	Central Divisions/ Consolidation	Total
Net interest income						
30.9.2008	10.4	32.8	3.3	3.8	46.7	97.0
30.9.2007	10.2	29.4	2.8	4.0	37.2	83.6
Net loan impairment and other credit risk provisions						
30.9.2008	–0.9	–5.0	–0.5	–0.2	4.9	–1.7
30.9.2007	–1.1	–5.8	–0.3	–0.1	11.0	3.7
Share of profit in associates						
30.9.2008					0.3	0.3
30.9.2007					5.0	5.0
Net fee income						
30.9.2008	65.9	66.5	113.2	1.7	13.6	260.9
30.9.2007	68.2	63.9	109.2	9.6	–8.0	242.9
Net trading income						
30.9.2008		–0.2	0.5	74.6	–5.5	69.4
30.9.2007		–0.1	–2.7	83.4	3.7	84.3
Administrative expenses						
30.9.2008	–49.9	–58.3	–68.9	–38.3	–81.0	–296.4
30.9.2007	–45.3	–54.3	–62.2	–39.6	–61.1	–262.5
Net other operating income and expenses						
30.9.2008					4.1	4.1
30.9.2007					5.2	5.2
Operating profit						
30.9.2008	25.5	35.8	47.6	41.6	–16.9	133.6
30.9.2007	32.0	33.1	46.8	57.3	–7.0	162.2
Income from financial assets						
30.9.2008					–16.5	–16.5
30.9.2007					3.4	3.4
Net other non-operating income and expenses						
30.9.2008					–0.1	–0.1
30.9.2007					0.0	0.0
Profit before taxes						
30.9.2008	25.5	35.8	47.6	41.6	–33.5	117.0
30.9.2007	32.0	33.1	46.8	57.3	–3.6	165.6

Despite the severe financial market crisis, the Corporate Banking and Institutional Clients segments again managed to improve on the strong results recorded the previous year. The Private Banking and Global Markets segments were not able to repeat their extraordinarily good prior-year results, though, due to these unfavourable market conditions.

In addition to higher net interest income as a result of the strong increase in sight deposits and lending volume at the same time as an increase in margins on the deposits side, the Corporate Banking segment also improved net fee income in the fixed income, international and foreign exchange business compared to the previous year. Revenue growth in the Institutional Clients segment was particularly strong in the fixed income and custody business. Thanks to the successful Asset Management and fixed income business the Private Banking segment was able to almost make up for the slump in transaction revenues in the securities business owing to the restraint shown by many investors on account of the market environment. The Global Markets segment was affected in particular by the unfavourable general setting and revenues therefore fell short of their outstanding prior-year level, especially in respect to interest products. Nevertheless, Global Markets again reported a good result thanks to its strict risk and limit discipline.

The substantial increase in revenues and administrative expenses in the Central Divisions as well as in overall bank costs compared to the previous year is due to the full repurchase of all shares in our securities settlements subsidiary, ITS, at the end of 2007. While ITS' results were consolidated at equity last year, all of ITS' individual revenue and cost items are reported on a fully-consolidated basis this year. In addition, the lower allocation of costs to the customer segments and Global Markets owing to a decline in the number of transactions as well as the costs for the introduction of the flat tax on capital income had an impact on the development of administrative expenses in the Central Divisions.

(8) Loans and advances to banks

in €m	30.9.2008	31.12.2007
Current accounts	665.0	722.1
Money market transactions	2,487.4	3,313.5
of which overnight money	748.4	0.4
of which term deposits	1,739.0	3,313.1
Other loans and advances	203.4	81.4
Total	**3,355.8**	**4,117.0**
of which domestic banks	1,884.5	1,382.3
of which foreign banks	1,471.3	2,734.7

(9) Loans and advances to customers

in €m	30.9.2008	31.12.2007
Current accounts	1,896.3	1,651.1
Money market transactions	1,124.8	1,025.7
of which overnight money	209.3	279.8
of which term deposits	915.5	745.9
Loan accounts	1,440.8	1,562.5
Other loans and advances	21.0	33.6
Total	**4,482.9**	**4,272.9**
of which domestic customers	3,145.8	3,128.9
of which foreign customers	1,337.1	1,144.0

(10) Net loan impairment and other credit risk provisions

in €m	30.9.2008	31.12.2007
Impairment charges/recoveries for loans and advances	19.4	16.2
Other credit risk provisions	6.0	7.5
Net loan impairment and other credit risk provisions	**25.4**	**23.7**

	Impairments and other credit risk provisions				Total	
	Individually assessed		Collectively assessed			
in €m	2008	2007	2008	2007	2008	2007
As at 1.1.	**19.1**	**21.7**	**4.6**	**6.2**	**23.7**	**27.9**
Reversals	1.8	2.7	0.0	1.2	1.8	3.9
Utilisation	0.1	0.2	0.0	0.0	0.1	0.2
Additions	1.3	0.5	2.4	0.0	3.7	0.5
Currency translation/ transfers	–0.1	0.0	0.0	0.0	–0.1	0.0
As at 30.9.	**18.4**	**19.3**	**7.0**	**5.0**	**25.4**	**24.3**

(11) Trading assets

in €m	30.9.2008	31.12.2007
Bonds and other fixed-income securities	7,306.7	6,241.9
Equities and other non-fixed-income securities	489.7	479.4
Tradable receivables	1,304.9	813.1
Positive market value of derivatives	2,265.3	1,860.6
Reverse repos/securities lending	1,527.0	1,041.8
Total	**12,893.6**	**10,436.8**

(12) Trading liabilities

in €m	30.9.2008	31.12.2007
Bonds and other fixed-income securities	1,336.8	886.1
Equities	39.3	41.5
Investments	202.5	383.3
Promissory note loans	146.0	157.2
Interests in subsidiaries	118.8	100.1
Total	**1,843.4**	**1,568.2**

(13) Deposits by banks

in €m	30.9.2008	31.12.2007
Current accounts	1,654.7	611.2
Money market transactions	1,817.2	1,750.3
of which overnight money	1,206.4	603.2
of which term deposits	610.8	1,147.1
Other liabilities	253.8	171.2
Total	**3,725.7**	**2,532.7**
of which domestic banks	1,206.6	1,346.5
of which foreign banks	2,519.1	1,186.2

(14) Customer accounts

in €m	30.9.2008	31.12.2007
Current accounts	5,403.3	5,283.9
Money market transactions	6,232.1	4,523.4
of which overnight money	945.2	607.1
of which term deposits	5,286.9	3,916.3
Savings deposits	12.1	13.2
Other liabilities	418.6	462.7
Total	**12,066.1**	**10,283.2**
of which domestic customers	8,704.9	7,462.8
of which foreign customers	3,361.2	2,820.4

(15) Trading liabilities

in €m	30.9.2008	31.12.2007
Negative market value of derivatives	2,317.6	1,642.0
Promissory note loans, bonds, certificates and warrants	3,757.9	4,291.8
Delivery obligations arising from securities sold short	175.1	554.6
Repos/securities lending transactions	0.5	0.0
Total	**6,251.1**	**6,488.4**

(16) Derivatives business

in €m	Nominal amounts with a residual maturity of				Positive market values
	Up to 1 year	1–5 years	Over 5 years	Total	
Interest rate transactions					
30.9.2008	13,141	18,972	14,963	47,076	538
31.12.2007	11,303	19,385	18,440	49,128	614
Foreign exchange transactions					
30.9.2008	41,462	3,676	18	45,156	960
31.12.2007	27,542	2,386	98	30,026	632
Equity/index transactions					
30.9.2008	7,308	3,778	314	11,400	90
31.12.2007	6,952	3,677	300	10,929	66
Total					
30.9.2008	**61,911**	**26,426**	**15,295**	**103,632**	**1,588**
31.12.2007	**45,797**	**25,448**	**18,838**	**90,083**	**1,312**

Transactions with both positive and negative market values are taken into account in the determination of the nominal amounts. The stated positive market values of transactions represent the replacement values that may arise in the event of the default of all OTC counterparties, regardless of their individual credit rating. The values consist of current interest, foreign currency and equity/index-related transactions which include a settlement risk as well as corresponding market price risks. Netting agreements are not taken into account. As there is no counterparty risk on exchange traded products and short positions, the market values of these products are not shown. In the derivatives business there are significant concentrations with respect to the HSBC Group due to the close cooperation in the Global Markets segment.

(17) Market risk

in €m	30.9.2008	31.12.2007
Interest rate transactions	8.0	9.2
Equity/index transactions	5.1	3.6
Foreign exchange transactions	0.5	1.0
Overall market risk potential	**10.9**	**10.2**

The market risk potential is calculated for all market risk categories with a standard internal model. To measure market risks in our trading book under normal market conditions we have used for many years a value-at-risk approach. We understand value-at-risk to be the potential loss which will, with 99 % probability, not be exceeded within one trading day, assuming unaltered trading positions, in the event of an unfavourable market trend. By taking correlations into consideration the overall market risk potential is lower than the sum of the risks per risk category.

(18) Contingent liabilities and other obligations

in €m	30.9.2008	31.12.2007
Contingent liabilities on guarantees and indemnity agreements	1,699.3	1,617.2
Irrevocable loan commitments	3,774.7	3,704.3
Total	**5,474.0**	**5,321.5**

(19) Business combinations

With effect from 1 January 2008 HSBC Trinkaus acquired 49.0 % of the shares of International Transaction Services GmbH which provides securities settlement services for HSBC Trinkaus and other companies. HSBC Trinkaus now holds 100 % of the shares of ITS which was set up in 2005 as a joint venture with T-Systems Enterprise Services GmbH. We understand this acquisition as a clear commitment by the Bank to our clients for a high-quality securities settlement service.

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