The Best of Both Worlds

About Us and our 2008 Financial Year

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus Group

	2008	2007	Change in %
Results in €m			
Operating revenues	589.3	535.9	10.0
Net loan impairment and other credit risk provisions	4.5	–3.5	>100.0
Administrative expenses	384.2	334.0	15.0
Operating profit	200.6	205.4	–2.3
Profit before taxes	138.2	207.2	–33.3
Tax expenses	48.6	63.2	–23.1
Net profit for the year	89.6	144.0	–37.8
Balance sheet figures in €m			
Total assets	22,205.7	21,066.9	5.4
Shareholders' equity	955.0	968.7	–1.4
Ratios			
Cost:income ratio of usual business activity in %	72.9	62.1	–
Return on equity before tax in %	15.2	24.1	–
Net fee income in % of operating revenues	59.0	59.4	–
Funds under management and administration in €bn	87.2	90.1	–3.2
Employees	2,238	2,101*	6.5
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 €	3.49	5.52	–36.8
Share price as at 31.12. in €	89.0	114.0	–21.9
Market capitalisation in €m	2,323.9	2,975.4	–21.9
Regulatory ratios/ratios pursuant to BIS**			
Tier 1 in €m	754	636	18.6
Regulatory capital in €m	1,151	1,056	9.0
Risk-weighted assets in €m	8,588	9,606	–10.6
Tier 1 ratio in %	8.8	6.6	–
Regulatory capital ratio in %	13.4	11.0	–

* Including ITS
** After the adoption of the accounts

Five-Year Comparison of Consolidated Figures in €m

Figures according to IFRS	2008	2007	2006	2005*	2004
Total assets	**22,205.7**	**21,066.9**	**18,676.4**	**15,948.1**	**13,323.1**
Assets					
Cash reserve	139.5	332.3	436.3	798.6	157.9
Loans and advances to banks	2,979.7	4,117.0	4,440.1	4,561.9	2,531.0
Loans and advances to customers	4,082.6	4,272.9	3,173.1	2,554.0	2,636.7
Net loan impairment and other credit risk provisions	–21.4	–16.2	–17.0	–26.1	–52.3
Trading assets	12,482.6	10,436.8	9,044.0	6,470.6	6,215.6
Financial assets	2,118.8	1,568.2	1,437.6	1,472.2	1,678.2
Interests in associates	10.1	15.2	1.5	0.0	0.0
Property, plant and equipment	81.1	196.3	80.4	78.0	74.9
Intangible assets	56.0	12.3	9.3	7.9	35.4
Taxation recoverable	17.5	54.8	2.5	1.8	0.0
current	13.0	54.8	2.5	1.4	0.0
deferred	4.5	0.0	0.0	0.4	0.0
Other assets	259.2	77.3	68.6	29.2	45.7
Liabilities					
Deposits by banks	2,709.1	2,532.7	1,495.7	1,424.7	913.6
Customer accounts	11,592.8	10,283.2	8,861.4	7,139.6	5,927.1
Certificated liabilities	10.0	10.0	29.8	34.6	16.9
Trading liabilities	6,152.9	6,488.4	6,683.6	5,883.9	4,956.4
Provisions	117.4	112.4	113.0	103.5	220.5
Taxation**	85.1	106.0	62.0	128.1	146.5
current**	81.5	48.4	25.7	80.7	76.2
deferred	3.6	57.6	36.3	47.4	70.3
Other liabilities	108.2	106.8	105.4	91.0	81.4
Subordinated capital	458.7	458.7	440.6	308.1	273.2
Shareholders' equity**	955.0	968.7	884.9	834.6	787.5
Minority interests	16.5	0.0	0.0	0.0	0.0
Income statement					
Net interest income	139.5	110.0	88.6	73.7	69.3
Net loan impairment and other credit risk provisions	4.5	–3.5	–5.2	–9.7	1.6
Share of profit in associates	0.5	6.4	2.5	0.9	0.0
Net fee income	347.6	318.1	281.8	264.4	226.4
Operative trading profit	98.2	100.1	104.0	74.3	54.4
Administrative expenses**	384.2	334.0	298.6	287.6	249.3
Net other operating income and expenses	3.5	1.3	–1.0	0.8	3.8
Operating profit	200.6	205.4	182.5	136.2	103.0
Income from financial assets	–50.0	1.9	6.5	49.1	21.8
Income from derivatives held to maturity	–11.1	0.0	0.0	0.0	0.0
Net other non-operating income and expenses	–1.3	–0.1	0.5	8.2	–2.6
Profit before taxes	138.2	207.2	189.5	193.5	122.2
Tax expenses**	48.6	63.2	74.9	76.1	43.8
Net profit for the year	89.6	144.0	114.6	117.4	78.4

* 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.

About Us and Our 2008 Financial Year

Date of issue: April 2009

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Ladies and Gentlemen,

2008 was a satisfactory year for HSBC Trinkaus, a good one even compared to the relevant competition. We can say this despite the fact that the 2008 financial year will forever remain associated with the term "financial crisis". The result achieved by our Bank shows that gearing our business model towards sustainability has paid off. For us, conscientious management means being aware of the risks not only in bad times, but to the same degree in good times.

At € 200.6 million, operating profit was only just lower than the record level reached the previous year, namely by 2.3 %. It is remarkable that we were able to report the best quarterly result for the year in the fourth quarter with an operating profit of € 67.0 million.

Profit before taxes for the full year fell by 33.3 % to € 138.2 million as a result of various impairments – but without any accounting aids – corresponding to a return on equity of 15.2 %.

The Management Board and the Supervisory Board proposed to the Annual General Meeting the distribution of an unchanged dividend of € 2.50. Allowing for the allocation to retained earnings, the capital ratio and Tier 1 ratio was 13.4 % and 8.8 %, respectively. This means that the Bank clearly exceeds the levels required by the market and the supervisory authorities.

HSBC Trinkaus is traditionally in a very good liquidity position and has even been able to improve it substantially in these difficult market conditions. HSBC Trinkaus & Burkhardt AG has an AA rating, making it, as in the previous year, the best rated private commercial bank in Germany. This was last confirmed by the Fitch Ratings agency in January 2009.

As the situation on the German banking market gets worse, the virtues and strengths shown by HSBC Trinkaus come into their own more than ever: consistent strategy and personnel together with proven relationship management geared exclusively to the clients' benefit as well as pronounced risk awareness. True to our claim that we want to grow with our clients and not with our risks.

We shall continue to offer our clients the "best of both worlds" within the framework of the HSBC Group: the continuity, professionalism and individualism of a private bank combined with the international service capacity of one of the few really global financial services providers. Thanks to this unique combination in the German banking landscape, we have succeeded not only in strengthening the commitment of many of our clients in recent years, but also in gaining a large number of new clients. Our clients are now benefiting from the relative strength of HSBC Trinkaus in difficult times as well.

A look at the individual segments confirms the success of our business model. In the Private Banking segment, where we acquired both new customers and expanded existing client relationships, we were able to clearly benefit from the fact that we are regarded as a safe haven. It can be seen that the owners of large family assets appreciate our solidity and financial standing in particular. Our corporate clients, who are internationally oriented as a rule, recognise how valuable the combination of our global network and personal service is to them. We have been able to win over a large number of new clients and increase the volume of deposits not least due to HSBC's capital strength. In the Institutional Clients segment we have intensified the links between the various institutional sales teams, thus guaranteeing the improved and integral servicing of our institutional clients and making it

easier to market the HSBC product range. We were particularly successful in turbulent areas such as the money market and forex trading, and our retail derivatives business also gave an extremely positive performance.

In the Asset Management segment, there was a stable trend in business with institutional investors, despite the difficult environment. The HSBC Group's liquidity funds, which are characterised by a high degree of security and attractive returns, experienced a strong inflow of funds. In Austria and the countries of Central and Eastern Europe we are concentrating on the sale of HSBC's global mutual funds.

In view of the distortions on the financial markets, we are anticipating no growth, or low growth at best, for the banking services market in Germany and the large western industrial nations for the years ahead. It will be seen in the coming months whether the measures and bailout packages introduced by the governments and communities of states are sufficient. However, one thing is certain: a recessionary real economy as well as unstable stock markets which are quoting way below their highs seen in the previous cycle will make the earnings situation in the German finance and credit industry even tighter.

Thanks to our conservative stance within the framework of a proven business model and our integration into HSBC's global network, we are well prepared for these changes. We are convinced that we will be able to gain additional market shares, despite the surplus capacities in the market. We will focus primarily on the existing customer base in order to master the difficult times which lie ahead of us together on a partnership basis.

New client relationships are in order if they are geared towards long-term cooperation in the sense of a core banking connection which is profitable on both sides.

Our employees are the authors of our success. The competence, commitment and initiative of each and every one of them form the basis of our business activity. We plan to promote them in a difficult environment by again making wide-ranging investments in our employees' qualifications. The success of our business activity is based on significantly lower fluctuation compared to the industry average as well as the strong identification of our employees with the Bank and its business model. Whereas the past five years were also characterised by the continuing increase in the number of our employees on account of the growth in business, HSBC Trinkaus is now concerned with coming through this crisis well with the existing workforce. Not only lasting client relationships, but also lasting employment relationships represent the best preventive measure in times of crisis and the guarantee for profitable growth in what will hopefully soon be better market conditions.

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 commitment.

Yours sincerely,

The Management Board

The Best of Both Worlds As the Name Suggests




Düsseldorf
Baden-Baden Berlin Frankfurt am Main
Hamburg Munich Stuttgart

Management Board
Andreas Schmitz, Chairman
Carola Gräfin v. Schmettow
Paul Hagen
Dr. Olaf Huth

HSBC Trinkaus enjoys a unique position in the German banking landscape: a private bank since 1785 and at the same time part of one of the world's largest banking groups – HSBC.

The highly personalised service of a private bank meets here the financial security and global network provided by one of the world's best capitalised and most profitable banks, the HSBC Group. We guarantee direct local access to sophisticated financial services, exclusive market information and not least first-class contacts in 86 countries.

Executive Committee
Florian Fautz
Manfred Krause
Trevor Gander

Whether wealthy private clients, discerning corporate clients or experienced institutional clients – personal continuity, expertise, individual servicing and flat hierarchies characterise the service offered by our Bank. This claim is and shall remain our maxim.

Our virtues as a bank with a history going back more than 220 years prove themselves in difficult times in particular: the sustainability of our business model, the long-term client relationships extending over generations and not least the responsible handling of risks. The trust our clients place in us is based on this philosophy.

We excel in the traditional banking business. We also focus on ambitious financial services for solving complex problems, both nationally and internationally. We develop individually tailored concepts for our clients and combine them with innovative products and services.

The assertion of this claim is guaranteed by our employees. They are creative, highly committed and have outstanding product and servicing expertise which is constantly being further promoted. The motivation and loyalty of our staff create the basis for our success.

Our business model has proven itself and we can show major expertise in our core lines of business. We face the future well prepared. It is and shall remain our goal to further expand our market position and grow with our clients. We remain who we are. Our clients can rely on this at all times.

Clients and Markets I Private Banking

Our business philosophy is the result of our private banking tradition going back more than 220 years. We provide high net worth clients, entrepreneurs, families and foundations with an individual, independent and highly professional service for their significant assets. This comprehensive service is offered from our head office in Düsseldorf, from our six German branches and from our subsidiary in Luxembourg.

Our aim is to satisfy our customers on a long-term and continuing basis; we have already been servicing some families for generations. Most of our asset managers have been working for our Bank for ten years or more. Personnel continuity in our customer advisory service is of particular importance to us.

We concentrate not only on the management of liquid assets. In close cooperation with specialists from other areas of our Bank, we offer a comprehensive range of services including private asset management and planning in addition to Family Office and foundation management services. Our flat organisational structure guarantees fast decisions. HSBC Trinkaus develops individually tailored solutions for its clients using all asset categories.

We also cooperate closely with the HSBC Group, one of the most profitable and important international banking groups. This gives our investors access to all of the world's important capital markets and the chance to diversify their assets further as well as to optimise their returns.

Trust is valuable.
Our business has been based for centuries on the trust our clients place in us.
Therefore we do not disappoint it.

Dr. Olaf Huth
Management Board

Trust is valuable. You can give it and withdraw it, win it and earn it.

But you can also lose it. This is exactly what has happened in the financial markets in recent months. The crisis affecting the financial markets has shaken many people's confidence and the entire industry will have to work hard to restore it again.

We are confident that it will succeed in doing so bit by bit. And we are making an important contribution to this. Business at HSBC Trinkaus has been based for centuries on the trust our clients place in us. Therefore we do not disappoint it.

In this year of crisis private clients as well as institutional and corporate clients have experienced HSBC Trinkaus as a habitually reliable partner. As a result, we have been able to strengthen existing client relationships, and have even gained new ones.

Trust grows between people. Our clients and our advisors have in many cases known and respected each other for many years, with some of our client relationships going back generations. We do not rely on standard solutions, but solve each problem individually. Our advisors of course use the latest software and mathematical models for this, but the computers do not make the decisions. People remain responsible for this at our Bank. Our advisors have the necessary professional experience and competence as they have precise knowledge of our client's requirements and adjust their recommendations to them on an integral basis.

"We are conservative in the literal sense. We preserve value."

We see to it at all times that our advisory service is first class, also creating the right strategic and organisational framework. We can advise customers objectively as we have made systematic arrangements for making possible conflicts of interest transparent, or avoiding them in the first place.

No decision is made without at least two colleagues conferring. We continuously analyse and optimise our processes and constantly improve our quality.

We have built risk controls into our portfolio management which are among the most modern in the industry. In this way we guarantee that possible individual human errors remain of no consequence. What we do for our clients is made transparent and comprehensible by our reporting, which is leading in the market. This means that they always have an overview.

Our clients have a clear idea of what our ultimate ambition is: maintaining assets. We are conservative in the literal sense – we preserve value. Certainly, this principle is sometimes underestimated in boom times.

But it is the basis for thriving trust.

An Individual and Sustainable Asset Advisory Service

There were major fluctuations in the market trends in the 2008 financial year. Against this backdrop, we achieved the best possible result for both the Bank and our clients. At € 41.1 million our operating profit was only slightly below target. As this figure is only just below the record result achieved in 2007 (€ 42.2 million), we were able in 2008 to follow on seamlessly from the good figures recorded in previous years. In regional terms, the earnings contribution from our Luxembourg business declined whereas the result in Germany even exceeded that recorded in 2007. The Private Banking division accounted for a share of the Bank's overall result of around 19.7 %.

Client relationships expanded

We can attribute the relatively good results in the Private Banking business in particular to our strength and our lasting business model. This has enabled us to successfully acquire new clients and expand existing client relationships.

The owners of large family assets in particular appreciate the security provided by the Bank and its extremely good financial standing. The net growth of € 714 million in the Private Banking division exceeded our forecasts.

Benchmark surpassed

The capital markets suffered enormous price losses world wide across almost all asset categories last year. HSBC Trinkaus was not able to fully escape this trend, but did far better than the market as a whole. The average performance of the portfolios we manage in the three traditional strategies again clearly exceeded the respective benchmark indices in 2008, with the respective portfolios outperforming as follows: 2.2 % (conservative management), 3.5 % (balanced management) and 3.7 % (dynamic management). The mandates we manage were able to achieve better results than those mandates for which we act only in an advisory capacity.

Awards

Best rating of all German commercial banks:
Fitch Ratings AA

Asset management for high demands:
Fuchs-Report 2009, 11/2008

The elite among the asset managers:
Elite Report 2004–2008

Best performance in the bank test:
Focus Money/n-tv, 10/2008

Second place in the performance test:
Capital, 12/2008

Best portfolio in the service test:
Dt. Institut für Servicequalität, 9/2008

Solutions for the flat-rate withholding tax

Secure and tax-optimised forms of investment were particularly important to investors in 2008. We reacted to this by developing individually tailored solutions for our clients. For example, many investors made inquiries about the best possible way of dealing with the flat-rate withholding tax. HSBC Trinkaus set up two strategy funds specifically for this issue in which our clients invested € 128 million in the final months of 2008. In the real estate business we offered investors geared towards the long term the opportunity of participating in the new closed-end fund HSBC Trinkaus Europa Immobilien-Fonds Nr. 12 set up by HSBC Trinkaus Real Estate GmbH last year.

Integral servicing in strong demand

The demand from customers for an integral service offer increased in 2008. The growing number of regulatory provisions and the more and more complex statutory framework has increased client demand for professional and coordinated overall wealth management. In the interests of our clients, we act in close concert with experienced legal and tax professionals. We are therefore able to provide comprehensive advice on issues relating to the structure of their assets and offer services to foundations.

The diversity of the range of services offered by HSBC Trinkaus also includes a comprehensive offer of solid and fair investments. In addition, we offer the transparent and clear management of the risks to which assets are exposed. Our work is rounded off by regular and detailed accounting.

Forecast

We positioned ourselves well in the competition and increased our share of the private clients market in 2008. Our major success in looking after high net worth private clients is confirmation of the path we have taken. As part of a private banking tradition going back more than 220 years, we regard an individual and sustainable advisory service as the greatest benefit we can offer our clients in 2009.

Facts & Figures

Private Banking

Our transaction revenues in the securities business declined on account of the restraint shown by many investors due to the market environment and our volume-based commission on account of falling price levels (–12 %). However, this was compensated by increases in revenues in asset management, the real estate business and business with structured interest products. Net fee income was up 5.2 % on the previous year, while net interest income declined by 3.5 %.

Cost increases were due on the one hand to modestly budgeted personnel growth in the customer servicing segments. On the other, costs in the asset management and structured interest product segments grew on account of the revenue growth.

in €m	2008	2007
Net interest income	13.6	14.1
Loan impairment and other credit risk provisions	1.3	1.1
Net interest income after loan impairment and other credit risk provisions	12.3	13.0
Net fee income	96.7	91.9
Trading profit	0	0
Income after loan impairment and other credit risk provisions	109.0	104.9
Administrative expenses	67.9	62.7
Operating profit	**41.1**	**42.2**

Successful Trend in the Family Office Business

Our team of Family Office specialists offers various services for managing our clients' assets that can be used individually and complementary to each other. These include strategic asset planning incorporating asset succession. Furthermore, we advise customers on important issues relating to asset structure, for example when setting up and managing a holding company as a framework for asset management or financial transactions. We offer asset controlling that comprises a consolidated overview of all assets and makes it possible to continuously observe wealth development. Our services include analysing 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.

In addition, Family Office GmbH offers a comprehensive service for high net worth private clients, from asset analysis to defining the suitable strategic asset allocation. Regular reporting keeps our clients up to date at all times. The services provided by Family Office GmbH also include the selection and control of asset managers. They also take on activities from the areas of Family Management and Family Government.

Independence and expertise

The 2008 financial year was an outstanding success for both Family Office units. This trend has confirmed our assessment that clients do not regard an individual service from a banking group as a contradiction in itself. On the contrary, they are guided here as well by our maxim "The Best of Both Worlds" and are aware of the added value on offer to them from one of the world's largest banking groups on the one hand and the expertise of experienced advisors on the other.

In Profile

Family Office

HSBC Trinkaus' Family Office comprises two units. These include on the one hand a team of specialists offering the Bank's clients Family Office services within the scope of the integral servicing approach that serve to optimise the management of the performance of large assets.

On the other hand, Family Office GmbH, a subsidiary of HSBC Trinkaus, looks after major family assets independently of the other services offered by the Bank.

HSBC Trinkaus offers the services of a global universal bank supporting companies in the upper SME segment and internationally operating large corporations.

Our clients have access to all popular banking products and financial services. We see our particular strengths in payments and cash management, in international business, in foreign exchange management and in asset management. In addition, our clients benefit from the unique international network of the HSBC Group which is represented on five continents and in 86 countries.

Our Corporate Banking business is geared towards clients from the production, trading and services sectors on the one hand and capital investing institutions on the other, 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 and overlay management.

In addition to our head office in Düsseldorf, experienced advisors service our clients at five further locations in Germany. They are the central contacts, manage the deployment of the local product specialists and also coordinate the clients’ business relationships with other units of the HSBC Group.

We offer our clients 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.

Andreas Schmitz
Chairman of the Management Board

The atmosphere in the financial markets can be extremely turbulent, as we have experienced notably in recent months. In such uncertain times, it is advisable to focus on the essentials. A solid and lasting business model is all the more important.

We offer our clients 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.

That is the essential. Our business model is the key to success for our clients and for the Bank in the often difficult financial markets, where it is difficult to gain an overview. This model has proven itself, especially in the financial market crisis.

International relationships are continuing to gain in importance. Even though the global economy is currently slowing down, global trade should grow further, driven above all by the emerging markets. Large German corporations as well as companies in the upper SME segment, which are operating more and more internationally with exports or their own locations, will benefit from this. Many of them are already represented today in a large number of countries.

Just like us. It is precisely because of this that we are being chosen more and more often as the long-term partner to globally operating enterprises for their international business. For each of our clients our close collaboration with the HSBC Group means: around 10,000 branches worldwide, bank presence in 86 countries – but only one personal trusted advisor here in Germany who opens up this world.

As simple as our business model may be at the core, as demanding is our day-to-day responsibility. We accompany our clients in constantly changing markets.

We also have to change constantly. That is why we have made a virtue out of individualised servicing. Developing new financial products and services tailored to our clients' needs is one of our strengths.

"Our aim is to be one of the most important, if not the most important, banks for our clients in international business."

More and more clients no longer see us as a niche provider, but as a core bank. As a number of foreign institutions are withdrawing from the German banking landscape, which is going through a process of change, and others are consolidating, many companies are having to recompose their banking circle. This presents a major opportunity for us.

Our aim is to be one of the most important, if not the most important, banks for our clients in international business. We are confident of being able to expand our market share. German companies in particular will grow further as a result of globalisation. We can support those who are our clients in doing so. With the best of both worlds.

A Reliable Partner with Global Competence

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

The global financial system was affected by turmoil in 2008 to an extent not hitherto regarded as possible. Many respected local and global financial institutions with an immaculate credit standing to date became bailout candidates within a short space of time. A large number of them were only able to avoid final insolvency thanks to far-reaching government support. It cannot be foreseen at present when the financial markets will return to normal again. Furthermore, the financial market crisis is being accompanied by global weakness of the real economy.

German companies are also faced with a major challenge as a result of this development. This also involves the future management of their banking relationships and transactions, in particular cash flow and cash management.

A large number of companies are having to seriously review and realign the composition of their banking circle given the continuing consolidation in the banking landscape. Numerous foreign banks are also withdrawing from Germany. We are confident of being able to steadily expand our market share against this backdrop. The strengths of the HSBC Group combined with its unique global position makes us particularly attractive for our still hotly contested target customers. We still aim to be the most important bank for our clients' international business.

Customer proximity, global presence

Our integration into the HSBC Group with its global network – five continents, 86 countries, 10,000 branches – is an important reason for our clients and potential clients to do or take up business with us. This is due on the one hand to the fact that HSBC has proven itself as one of the world's most significant and stable banking groups in the turmoil in the financial markets. On the other, we offer responsible servicing out of Germany. Both factors are decisive arguments for internationally operating large corporations and companies in the upper SME segment for actively establishing contact to us.

Local advisors offer global concepts and products which are specifically tailored to these sophisticated clients, putting us in a special position among the German banks. This unique combination has been rewarded by a further increase in business assigned to us.

From niche provider to core bank

We again provided many customers with access to the international units of the HSBC Group last year, also proving the service capacity of the HSBC network. In return, the business connections to the parent companies in Germany were also strengthened and intensified. Our professed aim is to be or become a core banking connection for our clients.

Comprehensive product range

Our ambition of developing HSBC Trinkaus into a core bank is not based on international service capacity alone. It is accompanied by a comprehensive and high-quality product offering. Reliable banking services and products such as payments or international and foreign exchange business form the backbone of our business. Our proven and recognised strengths lie in the areas of direct securities investment and asset management. Within the scope of providing financial and strategic advice, we also support our clients in structuring their financing and balance sheet.

Our advisors are also continuously trained to give clients a comprehensive picture of the benefits of our products and services.

Corporate Banking gives a good performance in 2008

2008 was a successful year for the Corporate Banking business despite the difficult market environment, especially in the second half of the year. Our business model makes HSBC Trinkaus a stable partner, as the SME segment is clearly appreciating more and more. The competition for clients remains tough, irrespective of which we also generated higher revenues in the domestic market.

The volume of deposits by corporate clients reached new record levels, one of the reasons for this certainly also being the "flight into quality". This is clear evidence of our clients' trust in the capital strength and earnings power of the HSBC Group.

There was also further strong growth in the business with German corporate clients abroad within the HSBC Group, for which we are responsible. Domestic business trend reporting has reflected only the smaller share of global revenues with German corporate clients for some time.

Outlook

Many governments have set up bailout programmes to support the banks in the global financial crisis. It is not yet precisely foreseeable what impact this assistance and the associated requirements will have on the national and international competitive conditions. We anticipate that state intervention could keep the intensity of the competition in our target group artificially high. Nevertheless, we are again expecting growth impetus in our domestic business for 2009.

Our clients are rewarding HSBC Trinkaus as a stable anchor by giving it additional business.

We also plan to increasingly benefit from additional business from the HSBC Group with its 2.9 million corporate clients using the established Group Global Business, a team of experienced advisors and product specialists. With its support we will expand the cross-border banking business within the HSBC Group to and from Germany.

The overall economic environment suggests a substantial increase in insolvencies. We will therefore pay even greater attention to controlling and managing the credit risks accordingly. With our Financial Structuring & Advisory Team we can offer our clients expertise for structured financing and our financial strength for a variety of transactions. We continue to bid for our clients' trust and are prepared to discuss with them what is economically practicable and possible.

It may come as a surprise at first glance that the Corporate Banking business has started the crisis year 2009 with optimism. However, our business model has successfully proven to be lastingly successful and resilient in the past. We are therefore confident that we will reach our growth targets in 2009 as well.

Facts & Figures

Corporate Banking

2008 was a successful year for the Corporate Banking business despite the difficult market environment, especially in the second half of the year. Our traditionally strong foreign exchange and international business as well as asset management and the direct securities business contributed above all to the increase in revenues. The good performance in these business segments was able to more than compensate for the decline in revenues in the Investment Banking business on account of market conditions, as a result of which net fee income was increased by 10.5 % to € 91.4 million. After an already strong increase the previous year, net interest income was up again by 8.7 % to € 43.6 million having benefited from an increased margin level in the second half of the year. In addition to the domestic earnings contribution, there was also further strong growth in the business with German corporate clients abroad for which we are responsible within the HSBC Group. As a result, domestic segment reporting only reflects the smaller share of global revenues with German corporate clients.

in €m	2008	2007
Net interest income	43.6	40.1
Loan impairment and other credit risk provisions	6.7	5.2
Net interest income after loan impairment and other credit risk provisions	36.9	34.9
Net fee income	91.4	82.7
Trading profit	0.1	–0.2
Income after loan impairment and other credit risk provisions	128.4	117.4
Administrative expenses	76.7	71.3
Operating profit	51.7	46.1

One of the Leading Advisors in the German M&A Market

Florian Fautz
Member of the Executive Committee
Investment Banking

Position successfully expanded in a difficult market environment

There was a decline in the volume and the overall number of transactions carried out in the German M&A market in 2008, the result of the tensions on the credit markets and the weaker economic trend. Transaction processes are becoming increasingly time-consuming and more complex. Several transaction processes were made more difficult by financing problems or even had to be abandoned. It was still to be anticipated at the beginning of 2008 that industrial companies would use the opportunity to make cheap acquisitions. However, the exercise of greater restraint became apparent here as well with the economic situation clouding over further in the second half of the year.

HSBC Trinkaus was not able to fully escape this general trend. For this reason, the overall result in the Investment Banking segment was down on the previous year. On the other hand, we succeeded in increasing Advisory revenues compared to 2007 despite the external and internal changes.

Perceived as a leading advisor

We already started the internal restructuring of our segment in 2007. Despite the imponderables on the market, we have continued to make these changes consistently, adjusting the pace of the steady and selective expansion of the Advisory Team to the market trend. The Advisory Team succeeded in winning two mandates from DAX30 groups in the latest financial year, thanks to the systematic and focused servicing of our target clients. In addition to large corporations, these of course also still include German companies from the upper SME segment. The Advisory Team is being perceived publicly more and more clearly as one of the leading advisors in the German M&A market. This is reflected in particular in its substantially improved placings in the ranking lists.

Scarcely any new impetus for M&A

It will remain difficult to finance large-volume M&A transactions in 2009, especially for financial investors. Against the backdrop of the weaker overall economic trend, we are expecting a comparatively difficult market environment. There will be new impetus for the M&A market at best where financing bottlenecks make it necessary for companies or parts of companies to be sold.

In view of the market changes, we will adjust our Advisory product range and intensify our lasting customer relationships to our mutual advantage. We will be able to do justice to the more difficult market conditions, not least on account of our excellent connections to the top addresses among German companies resulting from the Corporate Banking business. We are convinced that we will be able to benefit from the market changes in relative terms and come out of the reconstitution of the sector which is emerging even stronger. The clearly improved position of the HSBC Group in the M&A sector should allow us to win even more cross-border mandates. We will work even more closely with the HSBC network and focus to an even greater extent on international business.

Among the top 10 on the equity capital markets

The equity capital markets deteriorated again compared to the previous year in 2008. There was a major decline in IPOs in particular with only two new issues on the regulated market. Although both halves of the year were balanced with respect to transaction volumes, the second half of the year was dominated by capital increases at financial institutions and placements guaranteed by existing shareholders.

Given the market trend, HSBC Trinkaus held up well relative to the market in the first half of the year with two successful capital increases. Despite the extremely adverse market conditions, we even managed to successfully place a further capital increase in the second half of the year. HSBC Trinkaus has therefore defended its position among the top 10 in the German equity capital market. At the same time, the unfavourable market trend meant we were not able to reach our prior-year result in the equity capital market business.

Outlook

We are expecting no significant change in market sentiment for the 2009 financial year. Nevertheless, companies will continue to raise funds via the capital market despite the difficult capital market environment. The reasons for this will be, for example, growth and investment projects which cannot be postponed, the realisation of acquisitions as well as the increasing demands made by the banks with respect to companies' credit standings. We are anticipating new IPOs towards the end of the second half of the year at the earliest. This depends on how the economy and the secondary markets develop. In these difficult times in particular, HSBC Trinkaus lends itself as a strong placement partner for equity capital market transactions. We therefore anticipate that we will benefit from the market environment in the medium term.

In Profile

Investment Banking

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

The Advisory unit offers a broad range of sophisticated investment banking services. These include all services in the area of 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 entrepreneurs in working out viable succession plans for family-owned enterprises.

The Equity Capital Markets Team has proven expertise with respect to both company IPOs and the organisation and placement of capital increases by 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.

Security with Respect to International Transactions

There was strong demand for hedging insolvency and country risks last year on account of the increase in bad debt losses and delayed incoming payments at exporting companies. In this context, the letter of credit as a traditional hedging instrument – which had only played a minor rule in several trading divisions in the years before – was able to gain in significance again. The focus was on confirmations and forfeiting of export letters of credit.

Revenues increased

We assisted our clients as usual as a reliable and efficient partner in international transactions and were again able to expand our position in international business. Despite the difficult general economic setting, we succeeded in significantly increasing the fees earned in international business again. We achieved further successes thanks to the close cooperation with the product segments of the HSBC Group, in particular in the area of medium and long-term export finance. The focus here was on buyer credit for projects in Kazakhstan, Brazil, Mexico and South Korea.

China remains Germany's most important Asian trading partner, followed by Japan and Korea. In 2008 trade between Germany and China developed more dynamically than overall Chinese foreign trade. Exports to India increased more than threefold in the period from 2003 to 2007 and this rapid increase continued in the first half of 2008. The outstanding significance of these two countries for the German economy is also reflected in our portfolio for risk hedging short-term trading operations. A further focal point was accompanying export transactions with buyers in the Middle East.

Well-founded knowledge of commodities markets

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

Forecast

German export companies expect important sales markets to show a significantly weaker trend than to date, at least in the short term, as a result of the financial market crisis. All sectors are more pessimistic about their future export business. However, the emerging markets continue to offer opportunities for German companies. For example, the BRIC states (Brazil, Russia, India and China) together have become more important as a sales market for German products than the USA. Despite the global economic problems, we are expecting further growth potential for our international business in the coming years, thanks to the global positioning of the HSBC Group.

In Profile

International Business

International business comprises trade, export finance as well as business with foreign banks. The Trade and Supply Chain team works with the traditional instruments for securing payments and deliveries in international trade, for example documentary letters of credit, collections and international guarantees. Supply Chain Solutions offers importers with significant volumes the opportunity to use HSBCnet as a faster and cheaper alternative to the traditional documentary business.

Our specialists for structured forms of risk hedging work in the Export Finance Team. 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 a large number of the foreign correspondent banks and markets our expertise in the international business to these addresses.

The foreign customer service officers are responsible for the acquisition and servicing of corporate clients in the areas of trade and supply chain, export finance and risk management.

Clients and Markets | Institutional Clients – Global Markets

We offer institutional clients such as banks, asset management companies, insurance companies and pension schemes the broad and up-market product range of the HSBC Group.

Our services include the sale of traditional fixed income products such as bonds, Pfandbriefe and promissory note loans, as well as the structuring of products and derivatives in the interest rate, credit and equity segment. We also offer a competent service in the area of equities and alternative investments such as hedge funds and private equity. Always focusing on our client's interests, we offer individually tailored derivatives strategies as well as individual solutions. Our expertise in currency overlay management, which serves the active management of currency risk positions for institutional investors, is also to be pointed out in this context.

Together with the HSBC Group's other asset management companies, our asset management business offers our institutional clients a strong product range which covers all significant asset classes. It comprises tailor-made special funds and mutual funds.

Our 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.

Internationality means opportunities,
but also risks.
It is paramount that they are
balanced in our clients'
investments –
in accordance with
their individual
requirements.
We thus create
significant added value.

Carola Gräfin v. Schmettow
Management Board

As the name already suggests, our business is based on internationality in the Global Markets division. Day-to-day collaboration with HSBC colleagues in London, Paris or Hong Kong is a challenge and profitable at the same time. However, it is important to understand internationality correctly and deal with it responsibly. It is a question of carefully keeping the balance between the effortlessness of the technical facilities and the real value of the sums traded worldwide on a daily basis.

The importance of the experience and supremacy of HSBC Trinkaus' employees in the international finance business was seen in the global crisis last year. Our presence on the world's important markets, and particularly in Asia, is also valuable. Thanks to our close cooperation with the HSBC Group, we have access everywhere to the competence of experts who have precise knowledge of the local particularities.

While major losses were recorded on the financial market as a whole, we were able to win market shares. In particularly turbulent areas – such as the money and foreign exchange market or the equity derivative business – we were even able to improve again on the revenues generated in the record year 2007. Overall, HSBC Trinkaus' Global Markets division gave an extremely satisfactory performance in 2008.

We also benefited from the fact that HSBC Trinkaus is in an excellent position as a whole. Our AA rating (Fitch Ratings) makes us the best rated private commercial bank in Germany.

Our clients rightly rely upon our financial strength and stability. The strong net liquidity inflows last year are a clear and outstanding example of this. Our business with retail derivatives is also benefiting from our rating to a high degree. In these times, our financial standing is for many investors a significant argument for investing in HSBC Trinkaus certificates and warrants.

> "Our clients rightly rely upon our financial strength and stability."

In order to be well equipped for the challenges facing us in the years ahead, we have scrutinised our organisational structure and adjusted it to the changing requirements in decisive areas. For example, we have intensified the links between the various institutional sales teams in a newly formed business segment, thus guaranteeing the improved and integral servicing of our institutional clients.

The Bank owes its success to the experience, supremacy and commitment of our employees, especially in these hectic times. They may be extremely proud of their performance in the latest financial year. At the same time, this achievement impressively confirms our business model, in which continuity in terms of personnel and client relationships plays a central role.

A Year Full of Challenges

2008 was characterised by difficult market conditions on account of the crisis affecting global financial markets. This, of course, had an impact on the business with institutional client groups, such as banks, insurance companies and asset management companies. Nevertheless, we were again able to increase revenues in this area of business – certainly an extraordinary result in this context and one which is due not least to the continuously strong commitment of our employees. At the same, this is also clear evidence of the trust our clients place in our business model and the stability of HSBC and HSBC Trinkaus.

Institutional Sales defies the difficult market environment

A further special feature in the latest financial year was the creation of the Institutional Sales team, which groups together our formerly product-oriented sales teams for institutional clients. The new client-oriented organisational structure has led to a more efficient sales approach and improved marketing of the global HSBC product range.

We again benefited strongly from the HSBC Group's broad offer and specialised trading books in 2008. They enable us to offer our clients an unusually broad and sophisticated range of products. To the advantage of our clients, we combine product know-how with detailed knowledge of the regulatory requirements in Germany and the necessary structuring expertise.

On the product side, we were able to achieve favourable gains in particular in the Structured Rates and Structured Equity segments. While our Alternative Investments team was able to maintain its results at a consistently high level, despite the difficult market situation, Structured Credit products were only of minor significance in the latest financial year.

The internationally renowned 2008 Greenwich Report again showed good results for our division, proving that our clients are satisfied with our business model with its focus on intensive servicing.

Asset Management remains important for our institutional clients

Asset Management was again one of the most important products for our institutional clients in the last financial year. Although this area of business was not able to completely escape the market distortions either, an only moderate decline in the funds managed for institutional clients of just 5 % shows the relevance of our products in particular in difficult market phases. Asset and Liability Management as well as Overlay Risk Management again gave a very positive performance. Our approach of supporting institutional investors in implementing a strategic asset allocation as well as in integral risk control via these assets paid off well in the crisis year 2008. The major widening of credit spreads also increased interest in corporate bonds. We assume that investor interest will be focused on this asset class in 2009 as well.

On the other hand, the hope that funds could experience exceptional strong demand owing to the introduction of the flat-rate withholding tax was not fulfilled. The distortions on the capital markets as well as the lack of tax transparency in the end prevented investors from investing further funds before 2009.

Details of our Asset Management business can be found on pages 48 to 49.

No slowdown in growth in Custody Services

We were able to present innovations and gain comprehensive new business in all product segments. New clients were acquired in numerous countries with HSBCfast, which has become one of Europe's leading fund trading platforms. At the same time, with HSBCfast we have become the centre of competence for fund trading within the HSBC Group. In the custodian bank segment, not only the customer base but also the technical infrastructure was expanded significantly, making HSBC Trinkaus one of the most professional providers in this business segment on the German market. Further information on Custody Services can be found on pages 46 to 47.

Facts & Figures

Institutional Clients

We were again able to grow our operating profit in an extremely challenging market environment. With an increase of just less than 4 % to € 61.4 million, we can look back on a very successful year. This is due not least to the consistently strong commitment of our employees and clear evidence of the trust placed by our clients in our business model and the stability of HSBC and HSBC Trinkaus.

in €m	2008	2007
Net interest income	4.2	3.9
Loan impairment and other credit risk provisions	0.8	0.5
Net interest income after loan impairment and other credit risk provisions	3.4	3.4
Net fee income	145.5	141.2
Trading profit	3.5	– 1.9
Income after loan impairment and other credit risk provisions	152.4	142.7
Administrative expenses	91.0	83.6
Operating profit	**61.4**	**59.1**

Turbulent Times for Equities

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 and advise them on the structuring and positioning of their global equity investments.

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

The Corporate Broking team is responsible for advising listed companies on all secondary market issues and for the Designated Sponsoring product.

2008 can be described as an extremely turbulent year as far as equities are concerned, with sharp falls in prices and major volatility in all important stock indices.

Particular importance is attached to reliable and trustworthy equity research in these uncertain times. Our institutional clients can rely here on our global research, currently covering some 1,000 companies, which we offer together with our colleagues at HSBC. The regional strengths of the HSBC research lie in Europe and the global emerging markets. Our advisory service is focused on generating ideas which can be reflected in both structural and long-term analysis and short-term recommendations. Our key areas of competence are small and mid-cap companies from selected industries. We have therefore expanded this area further. For example, we offer for the entire HSBC Group the Pan-European Small & Mid-Cap Product providing research on British, French, Greek and German companies.

The Equity Sales team in Düsseldorf offers an advisory service for small and mid-caps in special market segments such as SRI (Socially Responsible Investments) and the general global equity product. While the team still showed significant growth in revenues in the first half of the year, we were no longer able to completely escape the distortions on the international equity markets in the second half of the year. In this respect, the result, which is more or less at the level of 2007, can be described as extremely satisfactory.

In Corporate Broking we can look back on a successful year in which we actively marketed our clients' stocks with over 300 roadshows and major investor conferences. Our SRI, Real Estate and Healthcare conferences met with major investor interest and we were able to bring together 400 institutional clients with interesting companies. At the same time, the number of mandates in designated sponsoring was kept at a constant high level of around 60.


Index GPC
5528.11 −4.78
Prev 5532.89
1/10
At 11:05 Op 5533.25 Hi 5534.04 Lo 5516.24
Candle Chart
Base Currency: EUR
Period D Daily
Moving Averages
1) News
Upper Chart: 2 Candle Chart
Lower Chart: N No additional graph(s) Moving Average
Graph Worksheets
Moving Averages

Retail Derivatives Business Again Records a Very Positive Result

Facts & Figures
Global Markets

Despite an extremely difficult market environment, operating profit increased again by 10 % exceeding expectations. This is a major success in view of the tense situation on the capital markets and compared to our competitors.

The retail derivatives business, which was expanded further in 2008, was again mainly responsible for this.

in €m	2008	2007
Net interest income	10.3	3.4
Loan impairment and other credit risk provisions	0.3	0.1
Net interest income after loan impairment and other credit risk provisions	10.0	3.3
Net fee income	4.6	13.3
Trading profit	112.9	98.2
Income after loan impairment and other credit risk provisions	127.5	114.8
Administrative expenses	55.5	50.3
Operating profit	**72.0**	**64.5**

Global Markets can look back on a satisfactory year in an extremely difficult environment. As in the previous years, the equity derivatives business was also a success in 2008. Money market and foreign exchange trading was also extremely successful, recording a substantial increase in revenues.

Retail derivatives business successful again

After a roaring performance in the first half of 2008, the German retail derivatives market was influenced by an unfavourable market environment from the third quarter, to which the considerable public criticism of the derivatives sector also contributed. Nevertheless, we were also able to significantly increase both the number of our issues and our revenues with retail derivatives in 2008. With more than 55,000 new issues, the number of certificates and leverage products we issued increased by more than 140 % compared to the previous year. This means that HSBC Trinkaus was again one of the most actively issuing banks on the market-leading German derivatives exchange EUWAX (European Warrant Exchange) in Stuttgart. At just less than 14,000, new issues in October alone were on a scale similar to that in the whole of 2006.

An important decision criterion for our clients is our excellent AA credit rating (Fitch Ratings) as well as our investor service, which has been recognised several times. Our standard handbook "Certificates and Warrants" has appeared in its tenth edition. We supplemented it last year with the handbook "Questions and Answers Relating to Investment Certificates and Leverage Products", which deals with practical questions relating to derivatives trading. Both handbooks can be obtained from us free of charge.

We held almost 60 investor seminars, each lasting around three hours, throughout Germany in 2008 enabling us to establish personal contact to more than 3,000 private investors. Our client service, which has already been honoured several times in specialist publications, received the Handelsblatt Service Award from the German Institute for Service Quality in January and the Service Award from the Berlin-based rating agency Scope in November.

Designated sponsoring remains constant

Given the difficult market conditions, our proprietary trading was not able to follow on in 2008 from its success in previous years. On the other hand, Designated Sponsoring, which is also part of Equity Trading, remained constant. We have around 60 mandates in Designated Sponsoring overall, which are mainly listed on the MDAX, SDAX and TecDAX. Thanks above all to our excellent service quality, we were able to maintain the number of mandates on a constant level. HSBC Trinkaus therefore remains one of the leading designated sponsors in Germany. The top AA rating awarded by Deutsche Börse underlines our high quality and has put us since the beginning of 2008 in second place in its ranking. Our securities lending business (Securities Lending & Repo) with its focus on equities can also look back on a very successful year.

Due to the critical trend on the securitisation market, our Structured Solutions Group was not able to place further H.E.A.T Mezzanine transactions for the SME segment in 2008. On the other hand, we succeeded in realising a tailor-made hybrid capital project for a large German SME company. We also developed numerous solutions to specific problems for banks, insurance companies and large corporations.

Treasury Management achieves an outstanding result

We basically pursue a risk-free strategy in the Treasury Management business. As we exercised major caution, we were not driven by the market crisis in 2008, but were able to use the opportunities for arbitration which arose. The cooperation with the HSBC Group's trading centres was used intensively, especially during the crisis, in order to use as much liquidity as possible within the Group in particular and thus minimise credit risks. Our clients gave us a clear signal during 2008 of the trust they place in us, to which the significant net liquidity inflows bear witness. The strong growth in business activity can also be seen from the doubling of tickets in the money market business which led to a substantial increase in revenues in this segment.

The foreign exchange markets were also not spared by the financial crisis, as is evident for example from historical rate movements in numerous currency pairs. Thanks to the long-standing experience of our foreign exchange traders, together with an infrastructure which has been vastly improved over the years, here as well we were able to achieve outstanding results which even exceeded the very good figures recorded the previous year.

In Profile
Global Markets

Equity Derivatives Trading issues warrants, certificates and structured products 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 our Bank's sales partners and institutional clients.

Securities Lending & Repo ensures that the Bank is 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. The Equity Trading team's main responsibility is the Bank's nostro business. Designated Sponsoring has the principal task of quoting buying and selling prices in the Xetra electronic trading system for the stocks of our contractual partners.

The Treasury Management team controls 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 all of the Bank's transactions relating to foreign exchange (forex trading).

Clients and Markets I Risk Management

HSBC Trinkaus' risk policy principles are determined by the Management Board's willingness to responsibly accept risks. However, these risks must conform primarily to the Bank's capacity to carry risk and must also be associated with an appropriate risk premium and return. The fact that risk assumption and risk-bearing capacity remain in keeping with each other is a sign that the Management Board deals responsibly with the Bank's equity. The correct determination of the extent of the risks that the Bank can assume should exclude the recourse to government assistance.

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.

Decisive, ultimately, is not the opportunities that are not taken, but the risks that are avoided.

Paul Hagen
Management Board

HSBC Trinkaus is willing to accept risks responsibly. However, the sum of the risks, in other words the sum of 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.

That sounds quite simple. Nevertheless, we experienced a financial market crisis in 2008 which has now become a threat for the global economy. How could that happen?

The reasons are, of course, complex, but can be put in a nutshell. All too many players on the financial markets paid too much attention to the opportunities and neglected the risks.

Many of them even entered into risks which they could not cope with alone. Once-renowned financial institutions collapsed within a few days, while others had to resort to taxpayers' money.

It becomes clear in the light of this what one of the core functions of banks is: managing risks. Banks have the responsibility of assessing risks realistically and only assuming them if they can carry them. This is what we see as our duty.

"Many clients have rediscovered our Bank as a safe haven."

HSBC Trinkaus' conservative strategy has paid off in this market situation. We traditionally make sure that risks are manageable and remain sustainable. We have a strategy within the scope of which we determine what risks we avoid and which ones we enter into consciously and at what risk premium.

Our basic principle is: liquidity before profitability. Our liquidity position improved even further in 2008 contrary to the market trend. This is because we have our clients' trust. Many of them – both institutional and corporate customers – have rediscovered HSBC Trinkaus as a safe haven. The volume of deposits we receive is therefore far greater than the loans we grant. Liquidity risk, which many market participants fear, is as good as ruled out for us. We put liquidity first, even at the expense of returns. And HSBC Trinkaus has very good capital resources.

Our risk management was faced with the greatest of challenges in 2008, and it paid off. The decisive success factor was that we remained true to our philosophy: we use modern quantitative models to control risk, but we also make decisions with the help of experience and common sense.

Banks have to continue to anticipate considerable pressure in 2009, above all with respect to corporate loans. We are therefore proceeding cautiously this year, but also with confidence and trust in our experience and power of judgment.

Risk Management Has Proven Itself during the Crisis

HSBC Trinkaus is still ready to actively enter into market and counterparty risk in order 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, even at the expense of lower profits. We minimise operational risks to an extent consistent with maintaining the related costs at a reasonable level.

The volatility on the markets was a hard practical test for trading and risk management in 2008. This applied all the more for an active trading house such as HSBC Trinkaus, which focuses on equity and equity derivatives trading. Our trading results show that we have not exceeded our capacity to carry risk in trading for clients or in own account trading. We can thank the experience of our traders, our strict discipline in adhering to limits, as well as our integrated risk management for this.

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

Risk principles remain decisive

The Bank has three committees which are of particular importance for its risk management organisation: firstly, the Asset and Liability Management Committee for market and liquidity risk, secondly the Credit Committee for counterparty risk, and thirdly, the Operational Risks Committee, which is also responsible for legal as well as 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.

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 2009.

Trevor Gander
Member of the Executive Committee
Credit & Operational Risk

Professional Services

Our services are 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 more than 220 years, is the foundation of our successful business model.

We also have access to the global network of the HSBC Group. At "The World's Local Bank", which is represented in 86 countries with around 10,000 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.

Growth Despite Difficult Markets

HSBC INKA

The market conditions were extremely difficult for the fund industry in 2008. Nevertheless, our subsidiary Internationale Kapitalanlagegesellschaft mbH (HSBC INKA) again succeeded in gaining several large new mandates. Owing to the distortions on the capital markets, the volume of assets managed in funds and investment AGs grew only slowly on a net basis, by € 2.7 billion to € 59.3 billion. However, as in the previous years, it therefore gave a better performance than the market as a whole in 2008. We see this as confirming the major competitive strength of our service offer.

Fund management for institutional investors remains highly diversified in respect of both the asset categories and financial instruments and investment strategies used. HSBC INKA currently works with around 120 asset managers worldwide, therefore giving its clients maximum flexibility.

We expanded our offering for institutional investors decisively in the second half of 2008 with HSBC INKA Investment-AG TGV. HSBC INKA operates as an administrator for externally managed investment AGs. The volume of investment AGs it services stood at around € 12 billion at the end of 2008 spread between 26 subsidiary company assets. HSBC INKA also acts as administrator for two self-managed investment AGs with several subsidiary company assets.

Very well positioned

Together with its investors, HSBC INKA has also set up liberalised special funds and funds of special funds. They make use of the new legal option of investing in other special funds with a special fund, making investors' capital management far more effective than to date.

As in the previous years, we also made wide-ranging and sustainable investments in the further development of our IT infrastructure in 2008 in order to expand our leading position in the areas of fund accounting, reporting and, in particular, in risk management. HSBC INKA's degree of automation is already very advanced in a market comparison. This, along with our strict cost discipline and the economies of scale we have already achieved – puts us in a very good position against the competition.

The continuing crisis on the capital markets makes it hardly possible to forecast the trend in volumes in the fund business in 2009. Volume-based fee models have a negative impact on the company's performance in falling markets. However, as a flexible, specialised provider of middle- and back-office services, HSBC INKA expects to gain further mandates from sophisticated clients in 2009.

Custody Services

Our Custody Services experienced further strong growth in 2008. HSBC Trinkaus has firmly established itself as one of the leading providers in the German custodian bank segment relying on excellent technical and human resources. We were able to significantly expand our market position, in particular with respect to extremely large-volume fund assets last year, making our Bank one of the largest providers in Germany.

Custodian of the Year

In our German sub-custody business, there was a double-digit billion increase in assets under custody over the course of the year and product capacities were expanded substantially. We have become one of the largest service providers in this segment as well, with assets under custody of over € 165 billion. Our services were honoured by the international trade press (ICFA) and in December 2008 we were awarded the prize "Custodian of the Year: Germany".

We further developed our Internet-based fund trading platform HSBCfast significantly in 2008; it is now the leading system within the HSBC Group and with customers from 31 different countries has long been one of the world's largest fund order systems. Discerning domestic banks and banks from Europe were again acquired as clients in 2008. Our concentration on reducing operating risks for our clients was the guarantee for the success of HSBCfast in the difficult year 2008. The fact that our growth is based on quality is proven by

HSBCfast's outstanding performance in the Capco Benchmark Study, in which 16 fund platforms throughout Europe were analysed by neutral experts.

International Transaction Services

For International Transaction Services (ITS) the 2008 financial year was much influenced by the financial crisis. In this market environment, we settled around 60 million transactions resulting from trading activities and delivery, around 10 % fewer than in the record year 2007. The volume of transactions rose strongly in the second half of 2008, though, as a result of the market volatility. At peak times we processed significantly more than 400,000 trading transactions on several consecutive days in each case, more than 85 % above the annual average. We reached a new record with 148,000 settled due dates and events – 23 % more than in the record year 2007. In fund trading we processed way more than 100,000 client orders per day and over 4,000 resulting market orders.

The settlement software used by our highly qualified and motivated employees proved its efficiency in particular in the most active phases. In technological terms our strengths lie in the straight-through real-time ability of the system landscape and in consistent straight-through processing (STP).

Flat-rate withholding tax remains an important issue

ITS was able to implement all statutory requirements for the flat-rate withholding tax on time and at the usual high level of quality in close cooperation with clients and external software providers. Alongside pure securities settlement, we also now offer our clients further services which have risen in connection with the flat-rate withholding tax. This includes taking the tax implications of other areas of business (e.g. term deposits and derivatives transactions) into consideration for an overall view of the client. This area of activity will remain important for us in 2009 as well. Among other things, we will implement further legal specifications and client-specific requirements.

Owing to the dismal economic situation, we are expecting transaction volumes to decline in 2009. At the same time, we are confident that ITS can perform better than the market in close cooperation with our partners.

In Profile

Securities Services

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

With a volume under management in mutual and special funds of over € 60 billion, HSBC INKA is one of the established capital investment companies in Germany. In its core fund management business, it offers accounting, risk management, tax analysis as well as reporting. It manages individual and master funds as well as direct investments by institutional investors.

Our Global Custody Team supports institutional clients in safekeeping and managing their securities using the resources of the HSBC Group. HSBC Trinkaus has been servicing mutual and special funds as a custodian bank since 1969, its clients including banks, companies, pension funds, capital investment companies and asset managers.

ITS offers tailor-made services based on leading technologies in all matters relating to the settlement, management and safekeeping of securities. As a business enabler ITS provides its clients with all services for securities-related middle-office and back-office processes, such as order routing, transaction settlement and custodian services, via electronic interfaces.

Special Funds Far More Stable than Mutual Funds

HSBC Global Asset Management (Germany)

The volume of assets we manage declined in 2008 after growing steadily in recent years. Some mutual funds suffered not only price losses in the global financial market crisis; increasingly risk-aware investors withdrew funds in particular from the more volatile asset classes. Our emerging markets products were affected by this in particular. On the other hand, our liquidity funds were not only able to hold up well as a safe haven, but even recorded significant inflows. There was a far more stable trend in our special fund business than in the mutual fund business. General price losses were compensated largely by new business as well as additions to existing mandates.

As was already the case in previous years, Asset Liability/Overlay Management proved to be a significant area of our business operations in 2008. This success is based on our integrated approach of implementing the concepts developed in asset-liability analysis through our overlay management activities as professional capital market-oriented solutions.

Austria, Eastern Europe and Switzerland in focus

We systematically strengthened our distribution activities in Austria and Eastern Europe in 2008. For this purpose, we established a subsidiary in Austria, HSBC Global Asset Management (Österreich) GmbH. It began operations with four employees in April 2008. We have been marketing our fund products actively and successfully in the Czech Republic, Poland, Hungary and in the Baltic States since 2008. Overall, our assets in Eastern Europe have remained largely stable, albeit on a comparatively low level, despite the financial market crisis. We made preparations for the active marketing of our funds in Slovakia. We believe this initiative, which we want to expand to other countries in Eastern Europe, will already bear fruits in 2009. HSBC Global Asset Management's presence on the Swiss market is to be strengthened systematically, for the purpose of which we are involved in establishing distribution activities in Switzerland.

2008 was a satisfactory year for HSBC Global Asset Management (Deutschland) GmbH overall. We were not able to maintain the record result achieved in 2007, but we held up well both in absolute terms and compared with the competition. We attribute this in particular to the stable trend in our special fund business. It is also due to the fact that we manage costs efficiently and concentrate on our core areas of competence in Düsseldorf.

Forecast

2009 started in a still difficult environment, characterised by the continuing loss of confidence in the banking market as well as global recessionary worries. Nevertheless, we are cautiously optimistic for the trend in business at HSBC Global Asset Management (Deutschland) GmbH. Institutional investors above all are currently interested in carrying out investments in credit

products on a high spread level. Our major expertise in this segment puts us in a good starting position here. The spread products we developed in previous years were not able to fully escape the global market distortions in 2008 in terms of their performance, but on the other hand no notable funds were withdrawn from them either. By setting up our new Multi Asset Team and restructuring our equity products, we have made the preparations for adequately meeting the greater demand from investors for stable returns with a limited risk.

In Profile

Asset Management

We manage our global asset management activities through an effective combination of global presence and local know-how. Thanks to our cooperation with the HSBC Group, we have access to a global network, excellent expertise, as well as a mature portfolio of products and services. Combined with our detailed knowledge of the domestic market, this creates the basis for our long-term success.

HSBC Global Asset Management (Deutschland) GmbH, which operated until mid-2008 under the name HSBC Investments Deutschland GmbH, deals with all activities related to portfolio management. HSBC Trinkaus acts as custodian bank while HSBC INKA concentrates on fund administration. In this way, we offer our clients the individual components of asset management as a separate and competitive entity.

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

Treasury Management: Security Plus Flexibility in Volatile Markets

Our strategy of a long-term advisory offer geared towards sustainability in the area of interest and currency management has paid off, in particular given the increase in volatility in the second half of 2008. We as the Treasury Management Group combine for our clients the greatest possible security and flexibility in order to be able to react adequately and quickly to the challenges. We are supported by the continuing financial strength of the HSBC Group.

Demand in the interest rate business was concentrated on security and liquidity in the second half of 2008 owing to the crisis on the financial markets and the market and company evaluations it triggered. Interest in structured or leveraged products clearly took a back seat.

Above-average products

Only equity-linked products met with stronger demand from investors as the major increase in volatility enabled them to achieve above-average returns here with a moderate risk structure. Vice versa, there was a strong rise in the number of hedging transactions for equity positions with respect to both direct holdings and hedging stock option programmes.

The increasingly uncertain trend in central bank interest rates as well as the distortions on the money market in the second half of the year had a strong influence on the interest rate hedging business. Alongside traditional hedging transactions, many customers used the opportunities available to them for optimising existing positions.

Targeted hedging

The Foreign Exchange division continued with its extremely favourable trend in 2008. In addition to spot and forward exchange transactions, we significantly expanded the business with FX derivatives in particular. This provides clients with the opportunity to manage their hedging requirements and carry out active risk management with a precisely tailored opportunity/risk profile. Most of them also gave preference to conservative and sustainable instruments.

The Emerging Markets segment has established itself as a firm component of the Foreign Exchange division. Our clients benefit here from HSBC's unique expertise in these markets and are given active support from Düsseldorf in planning and implementing operative and strategic foreign exchange transactions. We were once again able to clearly optimise the quality of our advisory service by establishing structuring experts who are geared specifically towards these topics.

Managing currency risks

With our currency overlay management we actively manage currency risk positions for institutional investors, internationally operating companies, as well as high net worth private clients. We again experienced inflows here in 2008 and now manage positions of over $ 9.4 billion with our quantitative approach. The significant increase in volatility on the forex markets last year has led to steadily growing interest on the part of our clients in this innovative risk management strategy. The primary focus is hedging asset management positions.

Forecast

The positive performance in 2008 makes us optimistic for the year ahead despite the financial market crisis. Especially in anticipation of the growing uncertainty on the capital markets, we believe we are in a good position in all product areas with our individual, risk-management-oriented approach. Our aim is to further expand our position in the German market.

In Profile

Treasury Management Group

The Treasury Management Group offers its clients individually tailored and integrated solutions in the area of interest rates and foreign exchange and provides support in operative and strategic issues.

In addition to corporate clients in Germany, Austria and Switzerland, the steadily growing client base includes institutional clients, public-sector bodies, foundations as well as private wealth management.

We analyse and evaluate the development of international interest rate and foreign exchange markets on an ongoing basis also using the expertise of the economists from the Treasury Research division. In concert with our clients, we develop 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 market opportunities. Our direct access to the HSBC Group's development and trading capacities guarantees our clients optimum service during the entire process.

One of the Leading Arrangers in the Debt Market

The global financial market crisis presented issuers and arrangers with new challenges with respect to financing in the debt capital markets in 2008. Thanks to our proven Debt Finance & Advisory approach, we mastered these challenges and can look back on a successful year.

It was more important than ever to always focus our advisory service on the individual client benefits. In a partner-based dialogue, we basically select from a large number of financing alternatives those which lead to the best possible solution for our clients. In addition, our clients benefit substantially from our longstanding experience and market expertise and our close cooperation with the HSBC Group's Debt Capital Market centres in London, New York and Hong Kong.

Overall, we arranged 75 issues with an aggregate volume of € 38.8 billion for industrial companies, financial institutions and public-sector companies.

With our strategic approach of offering our clients the "best of both worlds", we were once again one of the leading arrangers for debt issues.

Issues for industrial companies

In the corporate bond market, we strengthened our market position and accompanied a large number of transactions as lead manager. Our success in the automotive sector is to be pointed out in particular. We arranged three bonds for Daimler with an aggregate volume of € 2.35 billion and also acted as bookrunner for a € 1.25 billion bond issued by Volkswagen. Not to be overlooked are numerous private placements within the scope of medium-term note programmes for several DAX30 companies as well as the € 325 million increase to an existing bond issued by E.ON AG.

The promissory note loan market was the star among the debt markets in 2008. Based on its conservative character and major flexibility for the issuers, it experienced a real boom with issue volume rocketing to over € 20 billion at the end of the year.

We were extremely successful in this market segment as well, and are among the top five arrangers, accompanying transactions for well-known large German corporations and leading SME companies among others. The promissory note loans we arrange for international customers, which are based on the continuous and excellent cooperation with our colleagues in Paris and London, are also to be pointed out. Together we arranged several promissory note loans for French CAC40 companies as well as other European groups.

Bonds for financial institutions

As was already the case in the second half of 2007, the international capital market was hardly attractive for German financial institutions compared to the domestic market throughout the whole of 2008. Individual Jumbo Pfandbriefe were still issued by various institutions in the first half of the year, with HSBC again acting as forerunner in this market segment by issuing the first ship Jumbo Pfandbrief for HSH Nordbank. The increasingly defensive stance taken by market makers over the course of the year then crippled the international market and Pfandbriefe were sold exclusively in the domestic market. There were also no senior, unsecured or bank capital benchmark issues by German financial institutions throughout the whole year.

Bonds for public-sector issuers

The focus was clearly on public-sector issues with the increasing volatility in respect of financial securities. The issuers serviced by HSBC Trinkaus played a significant role worldwide and overall we expanded our market share still further.

HSBC Trinkaus positioned itself as the leading issuing house for the Reconstruction Loan Corporation (KfW) in particular with a total of five benchmark transactions. For three issues in US dollars, two in euros and additional smaller issues in pounds sterling we were able to use the global network of the HSBC Group successfully. The first lead management of a benchmark issue by the Austrian Kontrollbank as well as the introduction of the short-term programme (STERM) by NRW.BANK are also worth mentioning. HSBC also acted as joint bookrunner in benchmark issues for Landwirtschaftliche Rentenbank, the community of German federal states and the state of Lower Saxony.

In Profile

Debt Finance & Advisory

Debt Finance & Advisory consists of the Debt Capital Markets and Strategic Financing Advisory teams. Debt Capital Markets is divided into Corporates and Financials & Public Sector.

Corporates offers industrial companies a wide range of debt market financing. We advise our clients, for example, in the areas of corporate bonds and promissory note loans and also support them in private placements abroad, with convertible and hybrid bonds and in structuring syndicated loans. In a dialogue with our clients we find an adequate issuing instrument for every financing requirement, for example for acquisitions, growth financing or the refinancing of existing liabilities.

Financials & Public Sector is geared towards banks, financial institutions and public-sector clients. We advise on the issue and placement of Jumbo and other Pfandbriefe, unsecured bonds and MTN drawings, and also offer bank capital and securitisation solutions.

There is close cooperation with the Strategic Financing Advisory team which is concerned with the analysis and optimisation of companies' capital structure. Our clients are convinced by our global distribution power and local know-how as part of the HSBC Group.

Record Figures in the Issuing Business

The dynamic trend in our own structured securities issues continued in 2008 irrespective of the turbulent market environment, leading to a record in respect of our issuing activity in the latest financial year. With more than 55,000 warrant, certificate and structured bond issues, the number of products issued was more than doubled compared to the previous year (around 23,000) and almost four times higher than in 2006 (more than 14,000). Most of these issues were leverage products as well as comparatively simple structured securities.

Numerous products developed

In addition to expanding our product range substantially in 2008, the diversity of product variations, distribution profiles and underlyings in the individual product families was also increased. We were able to use the structuring expertise of the entire HSBC Group for this. We would like to point out new products such as the FIX & WIN bond, various open-end participation certificates on the optimised indices developed by HSBC as well as our open-end participation certificate on the HSBC Trinkaus DAX® proSeason index. Our Safe certificates, Corridor Bonus certificates, Recovery Bonus certificates or Bonus Bull certificates are also to be mentioned here.

We also introduced additional issues on the Swiss stock exchange (SIX Swiss Exchange) for public distribution in Switzerland, also setting a new record here in 2008 with 849 products (2007: 319). On the other hand, we did not expand our issuing activity on the Paris stock exchange further (NYSE Euronext).

Structured promissory note loans

HSBC structured or restructured its own promissory note loans issued in accordance with our clients' needs in terms of maturity or structural elements in 2008 as well. We were also again able to arrange and offer to our clients various structured promissory note loans and registered bonds for HSBC Bank plc and HSBC France last year.

Negative trend on the equity capital markets

The negative trend on the equity capital markets last year led to far fewer IPOs, capital increases, replacements and equity-linked transactions being carried out in Germany compared to the previous year. Correspondingly, we were not able to reach the high number of transactions recorded in 2007. Irrespective of this negative market trend, we successfully accompanied and placed capital increases for the CENTROSOLAR Group AG, Phoenix Solar AG and SAF-HOLLAND S.A. as lead manager in 2008.

In Profile

Issuing business

We provide a large range of qualified services in connection with a variety of capital market products. These services are focused on structuring, coordinating, documenting and implementing the issue and IPO of securities, such as equities and bonds, warrants and certificates. We take both legal and technical aspects into consideration working closely together with other divisions. These include Equity Derivatives Group, Investment Banking Advisory and Equity Capital Markets, Primary Market Business, Marketing Retail Products, Institutional Sales, Alternative Investments and the Company Secretariat.

Our issuing and syndicate business also covers all 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 issuing, paying agent, custodian and listing mandates.

New Real Estate Fund in the Anniversary Year

HSBC Trinkaus Real Estate GmbH celebrated its 30th anniversary in 2008 in which we set up by far the largest fund in the company's history. Trinkaus Europe Property Fund No. 12 Luxembourg/ Airport involves an overall investment of around € 81.5 million compared to the previous average of around € 40 million per fund. The new fund has capital of around € 52.5 million including agio, more than double the average to date of around € 22 million. The fund invests in a newly constructed office building in which HSBC Trinkaus & Burkhardt (International) SA, a 100 % subsidiary of HSBC Trinkaus, will set up its new headquarters. The special quality of this fund can be seen from the placement result which remained totally unaffected by the general market situation: fund units of over € 20 million were subscribed in only six weeks up to the end of 2008.

A further highlight in 2008 was the sale of the properties in the Trinkaus Europe Property Fund No. 2 launched in 1997. Two properties in Amsterdam and ´s-Hertogenbosch, the Netherlands, were sold to a company belonging to Canadian Homburg Invest Inc. Including distributions the investors were paid around 183 % of the original sum invested giving the investors an annual return over the entire term of 7.2 %.

Forecast

We are aiming to fully place our Luxembourg funds in 2009. The € 30 million still remaining so far represents one-and-a-half times the capital volume in terms of the average of our funds to date. Despite the sector's lower expectations overall, we anticipate that the placement of the fund will be completed over the course of the first half of 2009.

In Profile

Real Estate

The issuing house HSBC Trinkaus Real Estate GmbH was founded in 1978 as a 100% subsidiary of the present-day HSBC Trinkaus & Burkhardt AG, making it one of the oldest initiators still operating in Germany today. HSBC Trinkaus Real Estate GmbH currently manages an investment volume of around € 610 million.

Our philosophy centres on an international, conscientious and balanced investment strategy for sophisticated private investors. We offer investments in carefully selected closed-end real estate funds which we have initiated. By managing the funds and properties ourselves, we guarantee our investors a high degree of quality and service.

Our criteria when selecting the properties for our funds are clearly defined and consistently support medium- and long-term investment strategies. We basically only invest in first-class locations. 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. We would like to continue the successful Trinkaus property fund series and are therefore analysing innovative markets in order to develop them for our clients.

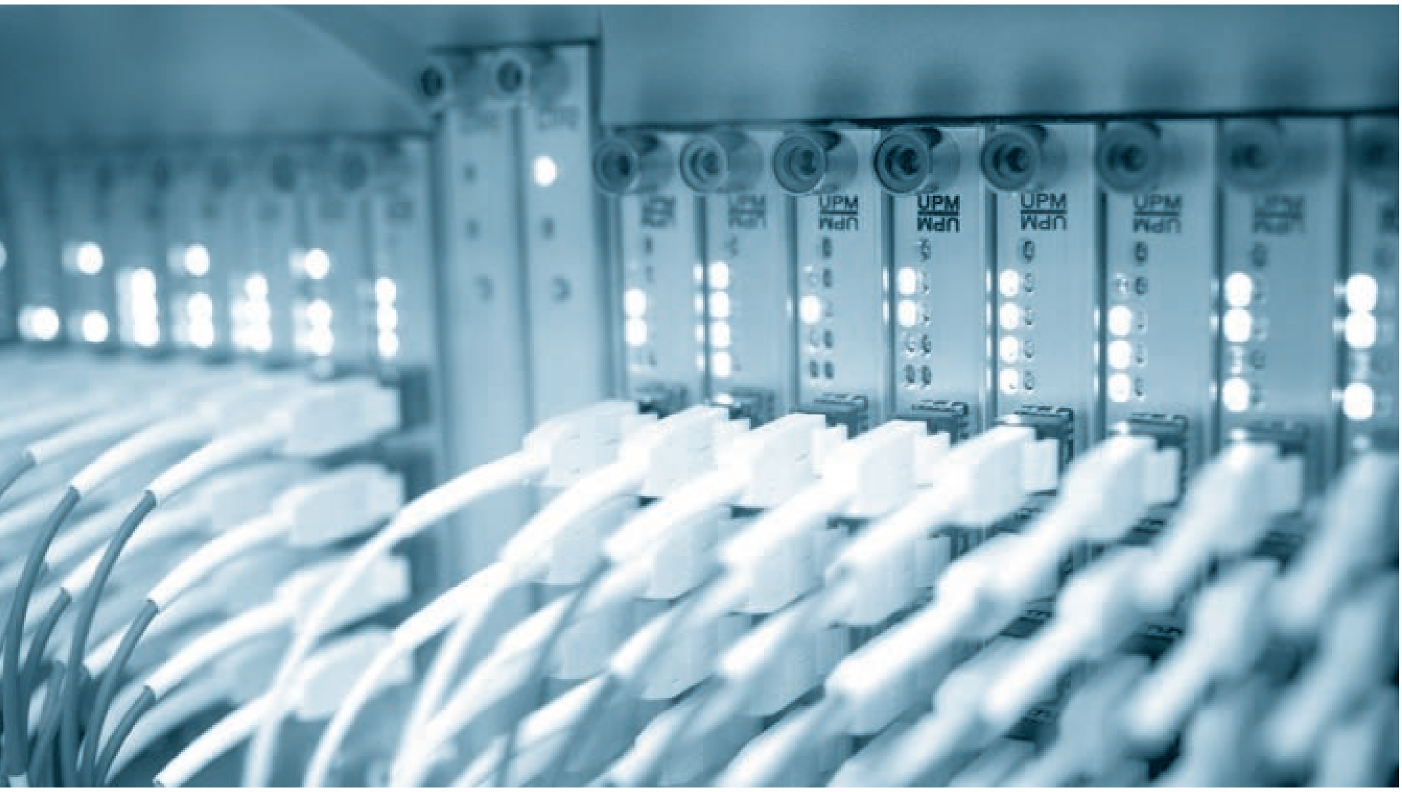
Organisation and Personnel

We stand by our responsibility for our clients and for our employees alike. A client relationship can only function if it is based on mutual trust. This is the basis for working together successfully.

We therefore invest in the quality of our employees. Their strong commitment and major loyalty are an expression of this alongside their professional expertise. This is also evident from the long average period of service at our Bank. Our clients also benefit from this – not least from the satisfaction of our employees.

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



Our Operations division modernised and expanded its IT systems and working processes with which national and international payments are settled in the latest financial year. This primarily involved optimising processes in order to be able to process the growing volume of transactions on a fully automated basis as far as possible. We also implemented new statutory provisions, such as new Bundesbank statistics.

In January 2008 we successfully introduced cross-border transfers in SEPA format (Single Euro Payments Area). We then began to make preparations for the introduction of the European direct debit scheme (SEPA Direct Debit) in the second half of 2009 and to implement the associated statutory changes in payments transactions.

Efficient contingency management

Being prepared for emergency situations is an important part of risk management at HSBC Trinkaus. This includes, for example, the loss of IT systems, business premises or even personnel. Even then, it must be possible for business operations to be continued without interruption. We are constantly optimising the planning and implementation of contingency measures and have successfully proven by means of tests under production conditions that the corresponding back-up systems and alternative premises fulfil their function.

The Bank as clearing house – stable and reliable

We showed how reliable HSBC Trinkaus is in the highly volatile markets in 2008: as custodian bank, as clearing house for the derivatives exchange and as capital market counterparty when executing and confirming our Treasury and derivatives trading activities. This was evident in two respects.

When the volume of transactions constantly reached new records in the autumn months of 2008, our clearing operations coped smoothly with the rush of business, providing clear evidence of our efficiency.

However, many established capital market addresses as well as large counterparties in the interbank market quickly and surprisingly broke away. Despite the partly rapid developments in the area of OTC derivatives, we avoided all casualties. We were able to settle the transactions correctly, which was in no way to be taken for granted, as could be seen from the reports in the press.

HSBC Trinkaus settled as general clearer for Eurex a total of 6.5 million transactions in 2008 with a volume of over 80 million exchange and customer contracts. The additional business on all other futures and options exchanges is characterised by partly complex delivery processes between the clearing banks.

Our strength feeds on the major professional expertise and experience of our product specialists in the clearing teams together with their above-average flexibility and willingness to perform in the interest of our clients. This is accompanied by robust basic processes and their economies of scale with a steady increase in the degree of automation (straight through processing – STP). We are working continuously to further improve the efficiency of these processes. For example, we are in the position to confirm foreign exchange transactions via the global SWIFT network on a neartime basis within one to three hours. We also carry out the custodian bank clearing of the foreign exchange transactions executed by our clients' asset managers with global third-party counterparties by means of SWIFT in STP processes.

Printed confirmations also modernised

In the 2008 financial year we radically modernised all paper-based forms of confirmation for treasury flow transactions in the foreign exchange and money market business. At the same time, we adjusted them to the new processes based on the account statement in A4 format which can be divided into periods. With the support of printers specialising on these account statements, controlling their dispatch has improved and become more flexible than before. We already comprehensively updated the fixing confirmations for interest rate derivatives in 2007.

A further highlight for us in the 2008 financial year was the successful settlement of a large number of syndicated promissory notes for leading European industrial groups for whom we syndicated and placed promissory note loans with an aggregate nominal value of € 1.2 billion. HSBC Trinkaus also took on the mandate of paying agent for all of these transactions.

In Profile

Operations

Our Operations division settles 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, as clearing house for the derivatives exchange and as 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 as far as possible. We participate in HSBC's numerous environmental protection programmes, which are regarded as exemplary.

Greater Security Thanks to New Computing Centres

Business processes are increasingly dependent on the security and availability of the IT systems. We therefore continued in 2008 with our strategy of investing in the expansion of our IT infrastructure and making IT components highly available. In this context, we decided to move our two computing centres to new locations which satisfy the most up-to-date security standards, thus avoiding operational risks. We have already completed the first relocation project.

IT systems adjusted to flat-rate withholding tax

A primary focus of our work with the IT application systems in 2008 was adjusting them to the requirements of the flat-rate withholding tax which came into force on 1 January 2009. The activities required for this, such as the conception and development of applications, placed major strains on our available resources. We used the remaining scope to expand areas of business and optimise business processes.

In Profile

Information Technology

Information Technology is divided into IT Development and IT Operations. IT Development is mainly responsible for developing the Bank's own efficient software – so-called individual software. The main task of IT Operations on the other hand is operating IT application systems with both individual and standard software. We also provide the necessary IT infrastructure.

Highly Qualified, Highly Motivated: Our Staff

Our success is based on the strong commitment and loyalty of our staff. HSBC Trinkaus had a total of 2,238 employees at the end of 2008. The mean age of our employees has remained constant at 38, an expression of a balanced age structure which corresponds to market requirements.

The professional skills of our employees, their careful and efficient working methods as well as their strong service mentality have made us a valued business partner for our demanding clientele. Satisfying our staff is a further important prerequisite for maintaining the quality of our work on the highest level. They again confirmed their satisfaction in 2008 in our second global employee survey conducted in the form of an online questionnaire and covering topics such as client orientation, leadership and remuneration. A pleasing 86 % of all employees took part in the survey. The index for employee commitment at the Bank stands at 69 % and is therefore higher than the average.

A similar result is shown by fluctuation at HSBC Trinkaus, which has been below the average for years and was again on a low level of 6.1 % in 2008. Both

figures underline the commitment, major satisfaction and loyalty of our staff. The low fluctuation also enables the personnel continuity we aim for in servicing our clients.

Our personnel development

The requirements in our highly specialised and competitive market environment are growing all the time. Our employees have to be as well-prepared as possible for the daily challenges facing them. Intensive encouragement as well as qualified training have therefore been firm elements of our personnel policy for years.

We held 330 internal training events as well as 571 external advanced training programmes last year with a total of 4,909 participants, using both the know-how of our specialists within the Bank and the expertise of external trainers. In addition to the constant offer of PC and IT training, acquisition and language courses, we organised product-specific training events for our sales teams in 2008, in which 268 employees took part. The managerial training we started in 2007 was intensified in 2008 and supplemented with individual coaching.

The Frankfurt School of Finance & Management as well as other universities remain important partners for the long-term qualification of our staff. They offer degree-level banking qualifications and qualifications such as Certified Financial Planner (CFP), Chartered Financial Analyst (CFA) and Certified International Investment Analyst (CIIA). There was also a trend towards specialised measures, for example the certificates course "Processes and Systems of Deutsche Börse Group", training to become a Certified Investor Relations Officer (CIRO) or specialist banking and capital market lawyer.

A total of 85 employees also took part in global HSBC advanced training programmes abroad. At the same time, several employees of our Bank took up placements at various locations of the HSBC Group, in particular in Great Britain, but also in Switzerland, France, Luxembourg, Spain, the United Arab Emirates, Hong Kong and China. These placements involved or involve periods abroad of a few weeks to several years.

Our new generation

A total of 38 highly motivated apprentices are currently working at the Bank towards professional qualifications in banking, office communication and IT. In addition, five are working towards investment fund specialist qualifications at our Internationale Kapitalanlagegesellschaft mbH subsidiary and a further five towards professional office communication qualifications at International Transaction Services GmbH. Overall, 19 young people successfully completed their training within the Group in 2008 and we are proud to report that they passed their final exams with the grade of "good" or "very good" as in the previous years.

While we again took on all qualified office communications and IT trainees as permanent employees last year, most qualified bank officers decided to enter full-time studies to begin with. We keep close contact with these former trainees during their studies, for example by offering them internships or student trainees programmes in various areas of activity. As in the previous year, organising reunions paid off in particular, thanks to which we were already able to offer fiver former banking trainees a job after completing their studies as direct entrants or trainees for the Bank.

Securing new generations of employees is a priority for us, and we will therefore remain strongly committed to the qualified training of our employees and supporting our former trainees.

University marketing

We continue to attach major importance to university marketing and the recruitment of highly qualified junior executive staff. In addition to carrying out various external workshops, we again arranged for specialists from our Bank to hold practical seminars and were represented at various contact fairs at top-flight universities in 2008. The aim was to present HSBC Trinkaus as an interesting employer. Those who attended the contact fairs were able to find out about opportunities for entering positions at our Bank and take up contact with us early on.

Internships and student trainee activities allow suitably qualified students to gain an insight into the various specialist areas of HSBC Trinkaus. Based on this, we keep in contact with selected students after they have completed their training activities both personally and by sending out regular newsletters.

As well as direct working opportunities, we also offer outstanding university graduates trainee programmes with the Bank. These programmes are structured for graduates individually and include compulsory periods abroad within the HSBC Group as well as targeted advanced training programmes. Once these programmes have been completed, we offer graduates a number of highly interesting and challenging recruitment and career opportunities. Twenty four qualified trainees were taken on in permanent positions after completing their programmes last year alone. At the same time, we took on around 60 new university graduates as trainees and direct entrants in 2008.

Our responsibility

We are aware of our major responsibility for our clients and for our employees alike. The principle of equal treatment as well as the obligation to respect the dignity, privacy and personal rights of all employees is firmly anchored in the Bank's code of practice for everyone as important rules of conduct. 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. Our working environment is characterised by diversity and internationality, with employees from over 30 nations working together within our Bank. The basis of our corporate culture is open communication, trust and mutual respect.

Our contribution to work-life balance

We take a particular interest in how our employees reconcile work and personal life. Creativity and innovation at work can only develop if there is the right balance between working and private life. Providing the right setting for the creation of a healthy work-life balance is therefore of major importance at HSBC Trinkaus.

The topic of work-life balance was taken up in many workshops held within the scope of the employee survey, and further optimisation possibilities were worked out in the various areas of the Bank. In addition to supporting employees by offering more flexible part-time and teleworking jobs, the Bank cooperates with a recognised external firm which provides our employees with free advice if required on organising day care for children or older family members.

We decided in 2008 to set up a company kindergarten close to the Bank, which opened on 1 January 2009, offering a total of 20 places for children under three. The positive response from our employees shows that this has made an important contribution to reconciling work and family obligations. If parents know that their children will receive optimum care, they can return to work sooner and wholeheartedly.

Thanks

The Bank owes its success to the strong motivation and major commitment of all of our employees, and we would like to take this opportunity to thank them all. We continue to reward their initiative and the contributions they make with adequate, performance-related remuneration supplemented by a wide range of selected fringe benefits, in particular for pension schemes.

We would also like to thank all employees for their loyalty and trust. Thanks are also due to the members of the Employees' Council as the success of our company is only guaranteed with their responsible and constructive cooperation in the joint interests of the Bank and its staff.

In Profile

Human Resources

Our employees are our most important asset as the long-term success of the Bank depends on them. Values such as continuity, trust and service are given the greatest priority also in our Human Resources work.

The activities of our Human Resources team are focused on the individual support of current, future, potential and former Bank employees. This includes personnel recruitment as well as personnel deployment planning and personnel administration.

Our employees are prepared for the requirements of their area of responsibility individually through tailor-made training and advanced training measures. Teams of specialists ensure optimum personnel-related communication, are responsible for the exchange of staff within the HSBC Group and are involved in national and international projects. Our activities are rounded off by complex personnel controlling, service-oriented salary accounting as well as 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 in our tradition as a private bank going back to 1785, whose orientation has always extended over several generations. At the same time we are part of the global network operated by the HSBC Group. Thanks to its convincing commitment to Corporate Responsibility (CR), it is regarded as one of the leading companies worldwide for sustainable corporate responsibility. We bring together the "best of both worlds" in our CR as well.

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

Last year we transformed our numerous individual activities to date into an integrated corporate responsibility concept. All projects have since been coordinated on a centralised basis by our CR representative. The commitment and ideas of our employees are important prerequisites for the successful implementation of these measures.

Acting Responsibly Means Acting Sustainably

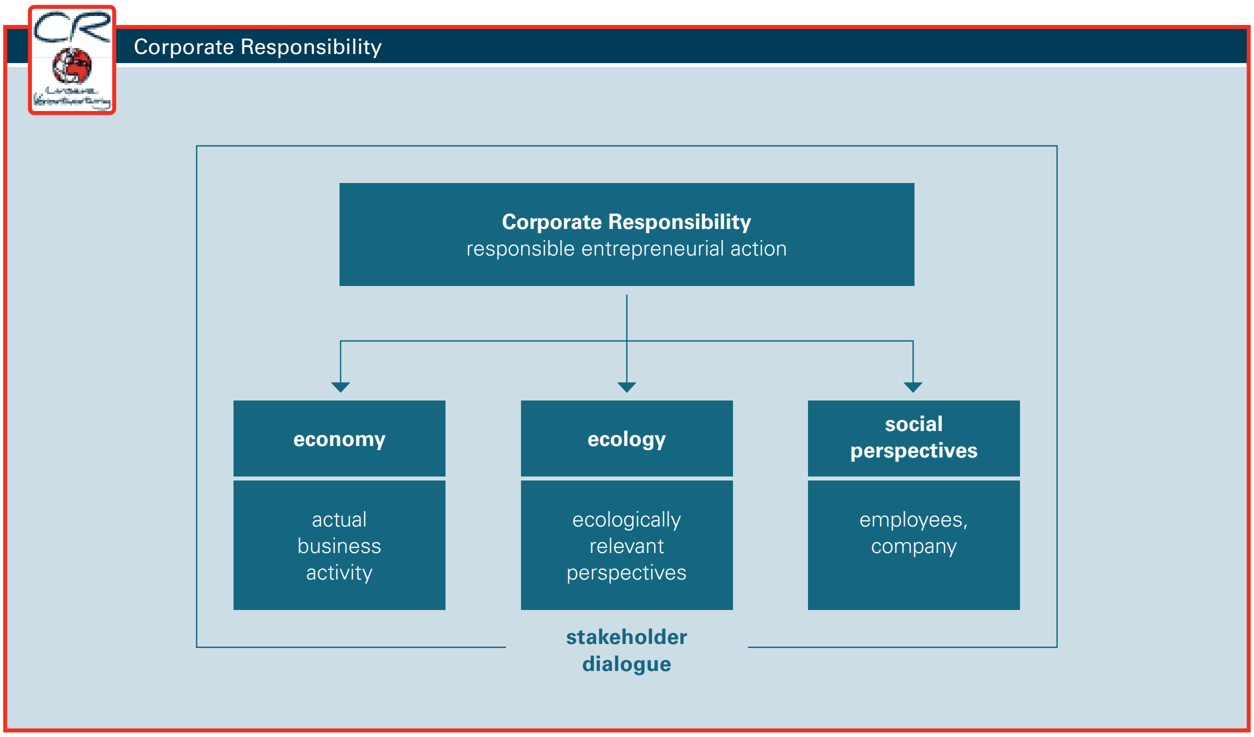
Socially Responsible Investments (SRI)

HSBC Trinkaus offers comprehensive equity research for listed companies from the solar, wind, waste management and water industries. Since 2006 we have been organising the annual two-day HSBC Small/Mid-Cap Socially Responsible Investment Conference in Frankfurt am Main. With 50 companies from the sector and over 220 participants, it was one of the world's largest conferences in 2008. We have also been putting the HSBC Climate Change logo on all publications from the HSBC Research division focusing on the topic of climate change since September 2008.

At present we offer private and institutional investors seven listed strategy certificates on water, bioenergy and solar equity baskets. In the area of Alternative Investments, we provide a globally investing infrastructure fund which invests in unlisted projects covering all aspects of renewable energies, water supply and waste management.

HSBC Global Asset Management (Deutschland) GmbH has been managing sustainable special and mutual funds for many years and has been cooperating since 2003 with Sustainable Asset Management AG (SAM) in Zurich, one of the world's leading providers of sustainable investments. The cooperation with SAM comprises both the development and distribution of products and concepts which also take ecological and ethical, alongside economic, criteria into consideration.

In February 2008 we continued with the series of special SRI events which we established in 2006. One event held jointly with the Protestant-Lutheran Regional Church of Bavaria dealt with strategies for sustainable investments against the backdrop of climate change. It was followed in 2008 by an event entitled "Investment Opportunities in Climate Change", which was aimed at our high net worth private clients. The HSBC GIF Climate Change mutual fund, which uses the reference index relating to climate change set up by HSBC in 2007, was also presented at this event.



Our activities also included 53 days of roadshows with SRI companies, an SRI Solar Field Trip with four companies, an Automechanica event with an SRI background and five further reverse roadshows where we also visited SRI companies.

Sustainable Risk Rating

When granting loans we carry out a risk assessment within the scope of the Sustainable Risk Rating according to HSBC standards. These standards are defined for the chemicals, defence, energy, forest land and forest product, freshwater as well as mining and metals sectors and comprise among others environmental risks, product liability and social commitment in standardised rating categories.

HSBC Trinkaus also examines all loan commitments with respect to its sustainability and reputation risk.

Ecological responsibility

HSBC was the world's first CO_2-neutral major bank in 2005 and the first CO_2-neutral company within the FTSE 100. This is ensured by 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 CO_2 emissions. Secondly, we are reducing energy consumption and have implemented an improvement process which consistently forces us to use economic and ecological savings potential. As the third component, we purchase green electricity from hydro-electric and wind power plants in Scandinavia for the Düsseldorf locations Königsallee, Wilhelm-Marx-Haus and Georg-Glock-Straße. Our agreement with the Düsseldorf public services envisages the purchase of around 11.4 million kwh per annum and is certified within the scope of the internationally recognised Renewable Energy Certificate System (RECS). The fourth and final component is the offsetting of the remaining CO_2 emissions via emissions certificates which 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 employee commitment initiative launched by HSBC with the aim of fighting the negative impact of climate change. HSBC Trinkaus employees have also supported 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. Within the scope of this programme 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 programme, the largest of its kind worldwide, which includes projects for clean, greener townscapes, for example in Hong Kong, London, Mumbai, New York and Shanghai. The programme focuses on the largest field study of its kind for examining the long-term impact of climate change on the earth's forests. It also includes the protection of the world's largest rivers and other environmental issues.

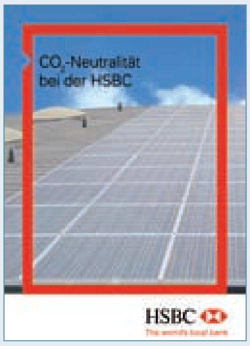
Employee commitment in environmental education

We also want to do justice to our ecological responsibility in environmental education. The employees committed to the HSBC Climate Partnership carried out an environmental workshop for 25 grade-four primary school pupils in Düsseldorf-Lichtenbroich in 2008. Based on the theme "Environmental detective – are you ready to save the earth?!" the pupils came up with environmental protection measures relating to water, waste and energy. The environmental workshops, which were designed to last for one morning, gave rise to an environmental teaching unit covering ten double periods. It is offered by further members of our staff as part of an environmental protection project at a Düsseldorf full-day primary school and has already been tested in practice. We will support our staff in expanding this commitment.

Effective CO_2 management

"The scientific evidence is now overwhelming: climate change is a serious global threat and requires an urgent global response."

"Stern" report on the economic aspects of climate change, 2007



CO_2 neutrality

Carbon dioxide is the greenhouse gas which makes the greatest contribution to climate change. To be CO_2-neutral in this context means that HSBC causes no net increase in carbon dioxide emissions to the atmosphere in its global business activity.

The greatest challenge of the century

From our point of view climate change is the greatest environmental, social and economic challenge of the century. With our CO_2 neutrality, we express our wish to operate our business more sustainably.

Be being CO_2-neutral, we also hope to gain a better understanding of the effects that an increasingly CO_2-regulated economy will have on both us and our clients. We are expecting rising CO_2 costs as a result of regulations and environmental charges and are convinced that financial institutions should and will play an important role in converting to a low carbon economy.

The trigger for change

CO_2 neutrality promotes organisational efficiency. Higher green electricity tariffs and costs resulting from the purchase of carbon offset certificates will have the effect to begin with of increasing costs, which will be countered in turn by consistent energy saving.

However, CO_2 neutrality may not be reduced to the costs side. It should also be regarded as an investment. The purchase of green electricity and credible carbon offset certificates promotes the global offer of energy-efficient technologies and the willingness to invest in these technologies. We are aware of the advantages of these investments for our business partners, shareholders and clients.

We were already able to promote the discussion with institutional investors in November 2007 with our highly regarded Petersberg Conference on the topic of "Climate change – the financial sector's Achilles heel?". In order to give a clear signal here as well, we offset the CO_2 emissions arising from the conference. We are continuing the discourse.

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, our Family Service, which helps in finding external care for children or elderly relatives, as well as the company season ticket for local public transport. Our company kindergarten, "TuB-Zwerge", opened its doors in Oststraße in January 2009 offering 20 places for children under three.

An educational cooperation programme has linked us since 2006 with the Adam-Josef-Cüppers-Berufskolleg in Ratingen. Further partnerships were added to the programme in 2008 with the Theodor-Fliedner-Gymnasium Düsseldorf and the Berufsbildungszentrum Grevenbroich. All schools participating in the cooperation programme have an economic and/or scientific focus which we are expanding via practical talks given by our employees in the classroom, pupil work experience at the Bank and application training.

Since 2006 HSBC Trinkaus has been cooperating with the globally operating student organisation SIFE (Students in Free Enterprise), which has existed in Germany since 2003. SIFE Germany currently consists of over 20 partner universities which, with the help of a large number of German and international partner companies, initiate projects to open up economic prospects for third parties. SIFE emphasises sustainability and defines responsible action as the key to long-term success in the economy. Accordingly, acting sustainably means harmonising economic, social and ecological perspectives when pursuing entrepreneurial goals. SIFE wants to support teams of students in applying the knowledge they have gained from all specialist areas in practice and developing into responsible entrepreneurial personalities. Its maxim is: "A head for business. A heart for the World = Creating Responsible Leadership".

Promoting culture

Social and cultural commitment is firmly anchored in our company history. Christian Gottfried Trinkaus made a "considerable donation" to the evangelical parish of Düsseldorf when he took over the banking business in 1852, followed by numerous further gifts and donations from him and his successors.

Our commitment to art and culture, with the focus on Düsseldorf, the city we have been connected with since 1785, is part of this tradition. We have long-standing connections in particular to the Düsseldorf Academy of Arts, the NRW Art Collection, the Robert-Schumann University of Music Düsseldorf, the Düsseldorf Concert Hall, the Deutsche Oper am Rhein and the Heinrich Heine University of Düsseldorf. But we also have links to the Folkwang Museum Essen, the Bach Academy in Stuttgart and the Society of Friends of Bayreuth.

In October 2008, the Procedere exhibition by the class of Professor Markus Lüpertz was held at our Düsseldorf Königsallee offices, upon the occasion of which grants were awarded to students of the Academy of Arts by the Ernst Forberg Foundation. Like many others, the Foundation goes back to a former owner of our Bank.

We also support a large number of other cultural, social and ecclesiastical establishments in Düsseldorf and the cities in which our branches are located.

We set up a Christmas fund-raising campaign last year, making donations to three social projects proposed by our staff: the children's hospice Regenbogenland Düsseldorf e.V., A.T.E. – the Association Thérapie Équestre in Luxembourg – offering riding for the disabled and the Altstadt-Armenküche e.V. Düsseldorf, which provides food for the homeless.

As one of the main sponsors, we are also involved in setting up a new youth welfare centre in the Düsseldorf suburb of Wersten, the "Arche". We were impressed by the work carried out by the "Arche" Christian children's fund, which is already active in Berlin, Hamburg and Munich: it helps children living in poverty, gets them off the streets, offers them a warm meal and meaningful leisure activities and a place to feel secure. We are accompanying the establishment of the Düsseldorf "Arche" from its beginning. Apart from making donations we want to participate actively in the long term by offering help and advice.

In 2008 we participated for the first time in the voluntary service day organised by the Düsseldorf Diakonie welfare organisation. We intend to strengthen this commitment, borne essentially by our employees, in the future as well.

Focus on youth and education

Financial knowledge is indispensable in our modern society, in both private and working life. However, knowledge of financial matters is not systematically passed on in the general-education schools. Furthermore, embedding our social market economy positively in people's minds is a central prerequisite for the stability of our democracy.

Management Board members and employees of our Bank have already given regular guest lectures at schools and universities in the past. We will gradually expand this commitment to all types of school, doing even greater justice to our social responsibility.

The "Arche"

HSBC Trinkaus is involved as one of the main sponsors in establishing the "Arche" Christian youth welfare centre in the Düsseldorf suburb of Wersten Süd-Ost.

Wersten Süd-Ost, which lies to the south of the city of Düsseldorf, is home to many with low incomes, single parents and families with a migration background. More than half of the inhabitants receive social security benefits and the percentage of young people with no vocational training is very high. Many are not in the position to secure their existence. The housing and the living environment in the suburb, in which over 5,000 people live, is partly in need of redevelopment. This is the reality of the children and young people living in Wersten Süd-Ost.

A study sponsored by the state of NRW at the Düsseldorf University of Applied Sciences on the subject of "Child poverty in problem suburbs" shows that Wersten Süd-Ost ranks 154 out of 166 social areas examined in Düsseldorf and is therefore one of the areas with the greatest social problems. The consequences of the formation of problem suburbs – the experts talk about "spatial segregation" – mentioned in the study include stigmatisation, major pressure on families, low resources as well as the social exclusion of children and young people with the result that they have no chances.

The aim of the "Arche" youth welfare centre is to actively fight child poverty and its consequences. A new building is to be erected by the city of Düsseldorf for this purpose and the facts show that the location at Benninghausener Straße / Werstener Feld has been well chosen.

The organisation supporting the centre is the Christian children's fund Christliche Kinder- und Jugendwerk e.V., which set up its first "Arche" in Berlin in 1995. The aim of the fund is to get children off the streets, offer them meaningful leisure activities, reduce social deficits and integrate children into the centre of society again.

Pastor Bernd Siggelkow, who has in the meantime been awarded the Federal Cross of Merit for his commitment, is founder of the fund. Its goal and vision is to anchor the "Arche" youth centre as a permanent institution throughout Germany. Düsseldorf will now follow on from Berlin, Hamburg, Munich and Potsdam and there are plans for further centres in Cologne, Frankfurt, Leipzig and Memmingen. Poverty, especially child poverty, is growing in our society. And this also applies to Düsseldorf.

The "Arche" in Wersten Süd-Ost will look after around 60 children up to the age of six in a day care centre, of which nine children are under three. 70 to 80 older children and teenagers will be catered for in children's and youth clubs offering various leisure activities.

The idea of supporting the "Arche" came from our employees. We want to accompany the establishment of the Düsseldorf "Arche" from its beginning, not just with financial support, but also with the voluntary commitment of our staff and donations in kind. With our help the "Arche" will become a place full of hope and optimism for the children and young people living in Wersten Süd-Ost.

The 2008 Financial Year

The economic environment

The global economy in 2008 was not able to come anywhere near the growth momentum seen in the two previous years. Expansive forces were weakened on the one hand by the rise in raw material prices, which continued until mid-2008. On the other, the escalating crisis on the financial markets left deep marks. The collapse in September of the US investment bank Lehman Brothers in particular proved to be a catalyst for the turmoil on the capital market, which from then on also affected the emerging markets, giving the crisis a global character.

The weakening of global demand, which had a particularly hard impact on the export-oriented industrial sectors, was the main growth inhibitor for the German economy. Correspondingly, external trade had a dampening effect on growth in 2008. Private consumption was also not able to generate any positive growth impetus owing to the oil price shock. The overall economy grew by 1.0 % in 2008 based on solid investment activity. However, the economy has already been shrinking, compared to the previous period, since the second quarter, which means that Germany is in a recession according to the classical definition. At the beginning of November the federal government felt impelled to support the economy by introducing an initial rescue package. The German banking system has not been able to escape the global downward spiral, either. Several institutions have only been able to avoid insolvency thanks to government support.

The rise in energy prices also left its mark on inflation. The rate of inflation reached its peak in mid-2008 at 3.3 % in Germany, and even 4.0 % in the Eurozone. Despite disappointing economic data, the ECB was prompted by this trend to increase the repo rate in July by 25 bp to 4.25 %. Owing to the sharp decline in inflation in the second half of the year and the increasingly more dismal prospects for the financial system and the economy overall, the ECB did a U-turn in October and lowered the key interest rate to 2.5 % until the end of the year. This is likely to have contributed to the value of the euro falling from $ 1.60 at times to $ 1.40 at the end of the year. Capital market rates also benefited from the interest rate cuts with the yield on ten-year Bunds falling as far as below 3.0 %. However, there was little reason for joy among investors on the German stock market. The DAX30 lost around 40 % in a year-on-year comparison.

Profitability

The financial market crisis led to extremely differing trends in our income statement in 2008. On the one hand, there were substantial burdens on our financial assets. On the other, we were able to use the trust placed in us by our clients to expand our business in many areas of our operating business. Proprietary trading was also almost able to repeat the extremely good prior-year result. At € 200.6 million, operating profit was only 2.3 % lower than the record level of € 205.4 million reached the previous year. This is proof that we are able to implement our strategy very successfully not only in good times, but even and especially in difficult times.

The good results in our client business and in proprietary trading have been reduced in part by the impact of the financial market crisis on our financial assets. Substantial value adjustments on the Bank's securities positions were required in the 2008 financial year leading to a loss of € 50.0 million from securities held as financial assets on balance. These losses affect mainly bonds as well as equities and subordinated capital of banks and insurance companies, and also mutual funds. As is the case with net loan impairment and other credit risk provisions, we apply extremely stringent standards for calculating the necessary impairments. In addition, net trading income includes losses of € 11.1 million resulting from derivatives in the bank book which do not satisfy the hedge criteria. We do not report these losses under operative trading profit in the calculation of operating profit, but after income from financial assets. We have not made use of the facility of reclassifying financial instruments for the purpose of avoiding write-downs with an effect on income.

This means that profit before taxes declined by one-third to € 138.2 million and net income after tax by 37.8 % to € 89.6 million, a result which enables us to pay an unchanged dividend versus the previous year of € 2.50 per share. This corresponds to a dividend total of € 65.3 million, which was fully earned in the operating business.

The individual items of the income statement developed as follows:

Net interest income was up 26.8 % to € 139.5 million. We benefited in particular here from the major trust placed in us by our clients, as can be seen from the further increase in customer deposits of € 1.3 billion or 12.7 % in a year-on-year comparison. The prior-year figure of more than € 10 billion was already the highest level of customer deposits in the history of HSBC Trinkaus. This meant that we did not have to carry out any expensive refinancing transactions, but were able to invest the major surplus funds at significantly better terms and conditions. The selection of suitable addresses for this presented our risk management with a particular challenge at times.

As regards net loan impairment and other credit risk provisions, we made an addition of € 4.5 million again on balance for the first time in several years. While additions and reversals for individually assessed impairments were almost balanced despite still stringent standards, HSBC Trinkaus added € 3.4 million to collectively assessed impairments. This takes into consideration the poor economic prospects which typically only make themselves felt in the loan books with a time delay.

Net fee income was up 9.3 % to € 347.6 million. However, it is to be taken into consideration that we fully consolidated International Transaction Services GmbH (ITS) for the first time in 2008. Adjusted for this extraordinary effect, net fee income would have been down 5.0 % compared to the previous year. As expected, there was a significant decline in adjusted net fee income from the securities business as our clients are showing restraint on account of the financial market crisis and the dramatic reduction in share prices. On the other hand, the foreign exchange, derivatives and international business, lending as well as payments were very successful as both volumes and margins were expanded. This was due on the one hand to the trust placed by our clients in our financial strength; on the other, we were able to use the liquidity and capacity to assume risk of the HSBC Group's large global trading books to the major benefit of our clients. We were also able to increase net fee income in traditional banking transactions such as the foreign and lending business as well as payments. This is because the choice of banking partner has taken on new significance in particular for our corporate clients, a trend from which we have been able to benefit significantly. On the other hand, our issuing and structuring business as well as Investment Banking clearly suffered from the major plunge in the markets in the year under report.

Despite the major market turmoil, our operative trading profit fell only just short of the extraordinary good prior-year figure with a decline of 1.9 % to € 98.2 million. Our proprietary trading activities remain focused on trading with equity-related products. We were once again able to gain market shares here in the retail business under our HSBC Trinkaus brand. With the issue of more than 55,000 certificates and warrants we reached a new high in 2008. The issuer risk in these products had a major impact for an issuer in the German market for the first time in the 2008 financial year. This meant that the market for these products declined significantly overall, above all with respect to products with a capital guarantee. However, as we focus traditionally on products for investors who are very close to the market and participate actively in trading, this decline only affected us far less than proportionately.

We were almost able to repeat the prior-year result in foreign exchange trading as margins were widened in the second half of the year, therefore almost compensating for the decline in volumes for the full year. By contrast, we reported a substantially lower result in interest rate trading, although there was a very significant increase in the result in the money market business owing to our excellent liquidity position. Client-related trading with registered Pfandbriefe and promissory note loans also did better than in the previous year. These positive results are set against losses in the bond portfolios and interest rate derivatives, the result mainly of spread widening with respect to bonds, Pfandbriefe and bank bonds. As a result, we were able to report trading profits of only € 2.4 million on balance versus € 10.9 million the previous year. Since the year under report was influenced by changes in credit and liquidity spreads to an extent never seen before, we by no means take a positive trading result in interest rate trading for granted, especially as we did not make use of the new option according to IFRS of reclassifying positions. Net trading income according to IFRS also includes losses from derivatives in the bank book of € 11.1 million, resulting primarily from the hedging of a loan within the scope of our real estate business.

Administrative expenses were up 15.0 % to € 384.2 million. The first-time full consolidation of ITS means that comparability with the previous year is limited here as well. Without conversion the increase would have turned out to be far lower at 5.3 %. Administrative expenses for the 2008 financial year also include considerable expenses for implementing the flat-rate withholding tax as an extraordinary effect. There was also a further significant increase in other regulatory costs. The number of employees increased by more than 20 % compared to the previous year to 2,238. This figure includes the 279 employees of ITS for the first time. It also highlights our growth course, which we adjusted to the new conditions in the banking sector, and therefore restricted significantly, in particular in the second half of the year. Performance-related remuneration declined significantly in line with the result for the year. Alongside regulatory costs, IT costs increased above all within material expenses. This increase was the result of our unreserved efforts to keep up with the constantly growing requirements in the banking business by making targeted investments in our IT infrastructure as well as rationalising work processes, therefore increasing their efficiency. This will ensure HSBC Trinkaus' future efficiency and is therefore of major strategic importance.

Income from financial assets includes on balance realised losses of € 6.3 million on the one hand as well as unrealised valuation losses of € 43.7 million on the other. As regards the valuation of our strategic financial assets, HSBC Trinkaus has made no compromises in terms of its 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 where there has been a reduction in value of more than 20 % or for longer than nine months. For bonds we have assessed the respective issuer and issue risk individually and applied extremely stringent standards, as is the case with net loan impairment and other risk provisions. Market values are calculated predominantly on the basis of market data taken from active markets, either directly using prices observed on these markets or using valuation models, which resort exclusively to observable parameters. As this is not possible only in individual cases, we have alternatively estimated individual parameters ourselves.

The asset situation

Total assets rose by 5.4 % in the year under report to € 22.2 billion. On the assets side, there was an increase in particular in trading assets of 19.6 % to € 12.5 billion as well as financial assets of 35.1 % to € 2.1 billion. On the other hand, loans and advances to banks declined by 27.6 % to € 3.0 billion and there was a reduction in the cash reserve to € 0.1 billion, which was balance-sheet-date-related. Loans and advances to customers were down by 4.5 % year-on-year to € 4.1 billion. This decline, which was balance-sheet-date-related, resulted from loans and advances held on the current accounts, which means that lines of credit approved, but not drawn on by clients, amounted to € 3.5 billion. On the liabilities side, there was an increase above all in customer accounts of 12.7 % to € 11.6 billion as our clients appreciate the financial strength of our Bank and the HSBC Group especially now in view of the crisis on the financial markets. There was an increase in loans and advances to banks, which was balance-sheet-date-related, of 7.0 % to € 2.7 billion while the 5.2 % reduction in trading assets to € 6.2 billion reflects the shrinking certificates market in Germany.

HSBC Trinkaus' balance sheet is still characterised by very high levels of customer deposits which account for more than 50 % of total assets and almost three times our client lending business. Thanks to this outstanding liquidity position, we can easily compensate the decline in trading assets. We are faced with completely new challenges in the interbank market as many institutions have only been able to secure their survival by means of government rescue measures, and not all of the problems have yet been revealed. We have therefore invested part of our growing liquidity surplus in our financial assets. 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. Nevertheless, the final quarter of the year under report and the beginning of 2009 in particular show clearly that the financial market crisis has led to enormous spread widening, also with respect to bonds of German public-sector issuers, as governments worldwide are having a substantial influence on the valuation of other public-sector securities via state-guaranteed bank bonds. The market values of both foreign exchange transactions and interest rate derivatives in the trading book rose significantly in the year under report on account of the major moves in the markets.

In the client lending business, we continue to pursue our strategy of growing with our clients and dispensing with synthetic lending business. HSBC Trinkaus is a reliable partner for its clients, even and especially as times have become more difficult. We pay constant attention here to the profitability of each individual client relationship as a mandatory requirement for a lasting partnership.

The financial position

The Bank's liquidity position was very good throughout 2008. We deliberately hold large safety buffers with respect to the quantitative regulatory requirements relating to minimum liquidity with an average of 1.61 for the end-of-month positions according to the Liquidity Ordinance. In addition, we continued to refine our structural liquidity management in the year under report.

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. HSBC Trinkaus uses the IRB approach for this. According to Basel II, it is required for the first time that liable equity capital is committed for operational risks as well. This burden is set against relief with respect to the inclusion of loans, also in the trading books, in particular where there is good credit quality.

In a reporting date comparison, the HSBC Trinkaus Group's positions requiring equity backing according to the regulatory provisions declined overall by 10.6 % to € 8.6 billion. In addition to the effects of converting to the German Solvency Regulation (Solvabilitätsverordnung), this also reflects the measures we have introduced to ensure the optimum management of equity capital. We have invested to a greater extent in securities issued by public-sector borrowers with a risk weighting of 0 %, thereby deliberately foregoing higher yields. In doing so, we are consistently following our principle that security has priority over profitability. This has proven to be of enormous value in the past and especially in the year under report.

No capital increases were carried out in the HSBC Trinkaus group in 2008, not even for supplementary capital. However, we also valued trading portfolios in the Bank's individual financial statements in accordance with HGB – in the same way as IFRS – with market values that were corrected by a value-at-risk discount for the first time in the year under report. This enables a high allocation to reserves at HSBC Trinkaus & Burkhardt AG to improve capital funding. We therefore remain well equipped for the challenges presented by the banking business in Germany in difficult times as well. After the appropriation of profit HSBC Trinkaus shows a capital ratio of 13.4 % and a Tier 1 ratio of 8.8 %, which by far exceeds the banking supervisory requirements. It is to be taken into consideration here that the Bank raised no hybrid capital, but strengthened the Tier 1 ratio exclusively from capital and reserves. Our dividend remains unchanged compared to the previous year at € 2.50 per share.

Outlook for 2009

The turmoil on the international financial markets slackened the pace of growth significantly at the end of 2008, supposably creating an unfavourable starting base for economic growth in 2009. We do not anticipate a significant cyclical recovery over the further course of the year despite the rescue packages introduced by various national governments and central banks. With the banking system still beleaguered, the growth impetus generated cannot develop freely. In this respect, there is a threat of a decline in economic performance not only in the USA, but also in the Eurozone in 2009.

Owing to its major dependence on exports, the German economy will suffer in particular. The slump in order intake will lead to capacities lying idle, an environment in which companies are likely to slash their capital expenditure. A significant increase in unemployment with corresponding pressure on private consumption also is to be expected. We assume on balance that gross domestic product will decline by at least 2.5 % in Germany. The decline in the Eurozone is likely to be only slightly weaker at 2.0 %. The ECB will probably ease its monetary policy further in this environment and lower the repo rate to 1.5 %. With a view to this general setting, we are not anticipating a significant increase in capital market rates.

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. The support provided with taxpayers' money running into billions has saved several banks from insolvency. The collapse of Lehman Brothers exemplifies the particular significance of systemic risk in the global banking system. The investment bank based on the US model has disappeared. As it has become obvious that a large number of institutions wrongly assessed the risks they entered into and their capacity to assume these risks, many of them will have to embark on strategic reorientation. It is to be taken into consideration here that the losses reported in 2007 and 2008 resulted largely from the balance sheet adjustment of purchased assets, and less from the original client business. As the current drop in economic activity will presumably already entail a heavy risk burden from the client lending business in 2009, the pressure on earnings will not be reduced. It is not clear how the institutions benefiting from the government support measures could repay them.

In this environment, in which new challenges present themselves every day, we plan to use our target client orientation and strong balance sheet to gain further market shares. We should succeed in this as we are able to concentrate on the business with our clients and valuable resources are not tied up by internal restructuring measures. However, there is a risk of considerable competitive distortions in favour of those banks that have shifted responsibility for the errors they made in the past on to the state and are now competing for clients with state guarantees, in other words with borrowed financial standing.

There is no need for us to change our business strategy. We remain a client-oriented bank with risk-aware proprietary trading activities and want to remain a reliable partner for our private banking, corporate banking and institutional clients.

We are expecting greater pressure on earnings in 2009 than in the latest financial year, which we concluded successfully compared to the competition. Revenues of banks in Germany will continue to decline in 2009. It is uncertain whether the gain in market shares we are aiming for will be enough for us to maintain revenues at the high level seen in previous years. Net interest income will play a more important role as there will be a substantial decline in fee income owing to the low level of share prices, expected lethargy and the clients' unwillingness to take on risk. It is particularly important to keep costs strictly in check in this scenario. Administrative expenses are not expected to increase in a year-on-year comparison, but we will make sure at the same time that the Bank's infrastructure is not lastingly weakened by insufficient investments. We are therefore expecting a decline in our operating profit.

This scenario is subject to the proviso that there is no major slump in share prices again and no strong increase in credit risks. The solid quality of the entire credit portfolio represents a good starting base for us. We expect the credit standing of individual companies to deteriorate substantially in 2009, especially in export-oriented sectors. As our portfolio shows differing concentrations, a small number of problem cases can already lead to significant individual impairments.

In the past, we always regarded a cost:income ratio ranging between 65 % and 70 % in terms of operating profit as adequate for our business model as a universal bank with a wide range of products for our clients. The more favourable ratios seen in recent years are a sign of our unusually strong earnings power in these financial years. For the current financial year we are expecting a ratio at the upper end of the range.

The client segments are likely to show differing trends. The trading activities of our wealthy private clients were far weaker in 2008 owing to the extremely poor performance of the stock markets. As we had significantly underweighted equities in the asset portfolios we manage on behalf of our clients, we were able to avoid major asset losses. We hope that this achievement will support our acquisition efforts. The performance of important asset categories will presumably require the use of structured products in 2009, such as discount certificates, in order to realise optimum risk-return profiles for the portfolios. Asset diversification will continue to be of major importance. Based on the good performance, the concentration on the professional management of large assets and our broad service offer, we are confident that we can expand our market position and limit the decline in the earnings contribution. We are open to acquisitions in this client segment.

HSBC Trinkaus' collaboration with the globally active HSBC Group gives the Bank 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. International competitors, which have become dependent on capital support from their governments and will therefore have to concentrate on their domestic market, will withdraw from Germany. This will present a particular challenge for the supply of loans to the German Mittelstand. HSBC Trinkaus will remain a reliable partner in the corporate banking business. The procyclicality of Basel II will lead to an increase in capital backing in the lending business as the credit ratings of export-oriented clients in particular will presumably deteriorate. This will make it more difficult to expand the portfolio. We want to use the basis of trust we have developed with our clients through long-term cooperation to broaden our service offer. As there has been significant growth in the number of our clients in recent years, we assume that we will be able to increase the earnings contribution in the corporate banking business.

Our expectations for this year are also cautious as regards our business with institutional clients. The expected low interest rate environment will make it difficult for many institutional investors to achieve their target returns. Individual solutions and products which are tailor-made to the requirements of the institutional clients and which illustrate the targeted risk-return profile are mandatory requirements for standing out as a trusted advisor for our clients. Thanks to our 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 for this; we 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. As clients will only be able to make limited risk capital available for new investments in 2009, we are expecting declining transaction volumes and a lower earnings contribution.

In the wake of our integration into the HSBC Group, we reorganised our trading activities so that our interest rate and foreign exchange trading activities are geared exclusively to supporting our clients' requirements and we benefit from the liquidity and capacity to assume risk of the HSBC Group's trading books. On the other hand, the equity derivatives activities will be expanded at HSBC Trinkaus in the wake of the division of labour. A broad product range is expected to support our sales initiative and contribute to increasing our market share in certificates and warrants trading. Our excellent rating is growing in importance as a decision criterion for private investors. Even given an unexpectedly favourable general setting, it will scarcely be possible to reach the high earnings contribution recorded in 2008.

The investments in IT systems will be continued on a clearly defined scale in 2009 in order to further increase efficiency in different areas of the Bank. These will be accompanied by adjustments to effectively support integration into the HSBC Group. We completed the flat-rate withholding tax project on time at the end of 2008, but the ongoing activity of deducting tax and paying it over to the tax office constantly involves increased costs.
In order to avoid operative risks, we will introduce additional business process controls, even if this is accompanied by further cost burdens. The challenge of strictly limiting costs is obvious.

The Bank's capital position is good and the Tier 1 ratio after allocations to reserves of over 8 % of risk assets will enable the targeted and return-oriented expansion of our market shares.

We will keep a close eye on opportunities to make acquisitions if they offer synergies with the existing lines of business, paying particular interest to asset management as well as fund administration and the depositary bank activities.

Like the HSBC Group, we do not want to make use of the offers of government support. We hope that the state intervention will not lastingly distort competition in the banking market at the expense of market participants who responsibly carry out their business without government assistance. If this hope does not fail us, we will be able to continue to pay our shareholders an appropriate dividend.

Consolidated Balance Sheet HSBC Trinkaus & Burkhardt

Assets in €m	31.12.2008	31.12.2007	Change	
			in €m	in %
Cash reserve	139.5	332.3	–192.8	–58.0
Loans and advances to banks	2,979.7	4,117.0	–1,137.3	–27.6
Loans and advances to customers	4,082.6	4,272.9	–190.3	–4.5
Net loan impairment provision	–21.4	–16.2	–5.2	32.1
Trading assets	12,482.6	10,436.8	2,045.8	19.6
Financial assets	2,118.8	1,568.2	550.6	35.1
Interests in associates	10.1	15.2	–5.1	–33.6
Property, plant and equipment	81.1	196.3	–115.2	–58.7
Intangible assets	56.0	12.3	43.7	> 100.0
Taxation recoverable	17.5	54.8	–37.3	–68.1
current	13.0	54.8	–41.8	–76.3
deferred	4.5	0.0	4.5	100.0
Other assets	259.2	77.3	181.9	> 100.0
Total assets	**22,205.7**	**21,066.9**	**1,138.8**	**5.4**

Liabilities in €m	31.12.2008	31.12.2007	Change	
			in €m	in %
Deposits by banks	2,709.1	2,532.7	176.4	7.0
Customer accounts	11,592.8	10,283.2	1,309.6	12.7
Certificated liabilities	10.0	10.0	0.0	0.0
Trading liabilities	6,152.9	6,488.4	–335.5	–5.2
Provisions	117.4	112.4	5.0	4.4
Taxation	85.1	106.0	–20.9	–19.7
current	81.5	48.4	33.1	68.4
deferred	3.6	57.6	–54.0	–93.8
Other liabilities	108.2	106.8	1.4	1.3
Subordinated capital	458.7	458.7	0.0	0.0
Shareholders' equity	955.0	968.7	–13.7	–1.4
Share capital	70.0	70.0	0.0	0.0
Capital reserve	218.5	216.9	1.6	0.7
Retained earnings	566.8	486.7	80.1	16.5
Consolidated profit available for distribution	99.7	195.1	–95.4	–48.9
Minority interests	16.5	0.0	16.5	100.0
Total equity and liabilities	**22,205.7**	**21,066.9**	**1,138.8**	**5.4**

Consolidated Income Statement HSBC Trinkaus & Burkhardt

Income statement in €m	2008	2007	Change	
			in €m	in %
Interest income	397.6	448.4	–50.8	–11.3
Interest expense	258.1	338.4	–80.3	–23.7
Net interest income	139.5	110.0	29.5	26.8
Net loan impairment and other credit risk provisions	4.5	–3.5	8.0	> 100.0
Share of profit in associates	0.5	6.4	–5.9	–92.2
Fee income	606.5	620.7	–14.2	–2.3
Fee expenses	258.9	302.6	–43.7	–14.4
Net fee income	347.6	318.1	29.5	9.3
Net trading income	87.1	100.1	–13.0	–13.0
Administrative expenses	384.2	334.0	50.2	15.0
Income from financial assets	–50.0	1.9	–51.9	> 100.0
Other income	2.2	1.2	1.0	83.3
Profit before taxes	**138.2**	**207.2**	**–69.0**	**–33.3**
Tax expenses	48.6	63.2	–14.6	–23.1
Net profit for the year	**89.6**	**144.0**	**–54.4**	**–37.8**
Group profit/loss attributable to minority interests	–1.6	0.0	–1.6	> 100.0
Group profit/loss attributable to HSBC Trinkaus shareholders	91.2	144.0	–52.8	–36.7

Earnings per Share

	2008	2007
Net income after tax in €m	89.6	144.0
Minority interests in €m	–1.6	0.0
Net profit after tax and minority interests in €m	91.2	144.0
Average number of shares in circulation in million	26.1	26.1
Earnings per share in €	**3.49**	**5.52**
Undiluted earnings per share in €	**3.49**	**5.52**

Consolidated Statement of Changes in Equity 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 31.12.2006	70.0	211.4	481.8	121.7	884.9	0.0	884.9
Dividend distribution				−65.3	−65.3		−65.3
Retention from 2006 profit available for distribution			5.3	−5.3	0.0		0.0
Changes in value resulting from currency translation					0.0		0.0
Addition from net profit for the year*				144.0	144.0		144.0
Gains/losses not recognised in the income statement			−1.0		−1.0		−1.0
Effect on capital of first-time consolidation at equity			0.6		0.6		0.6
Share-based payments*		5.5			5.5		5.5
At 31.12.2007	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
Changes in the group of consolidated companies					0.0	18.1	18.1
Changes in value resulting from currency translation					0.0		0.0
Addition from net profit for the year				91.2	91.2	−1.6	89.6
Gains/losses not recognised in the income statement			−41.2		−41.2		−41.2
Share-based payments		1.6			1.6		1.6
At 31.12.2008	70.0	218.5	566.8	99.7	955.0	16.5	971.5

* The retrospective adjustment of the prior-year figures pursuant to IAS 8 in connection with the first-time application of IFRIC 11, Group and Treasury Share Transactions, led to a decline in net profit for the year of € 0.4 million and to an increase in the capital reserve of € 4.0 million.

Comprehensive Income for the Period

in €m	2008	2007
Net profit for the year	89.6	144.0
Gains/losses not recognised in the income statement	−41.2	−1.0
of which from financial instruments	−28.7	−12.4
of which from actuarial results	−12.5	11.4
Total	48.4	143.0
Attributable to:		
Minority interests	−1.6	0.0
HSBC shareholders	50.0	143.0

Segment Reporting

In €m		Private Banking	Corporate Banking	Institutional Clients	Global Markets	Central Divisions	Economic group profit	Consolidation / transition	Total
Net interest income	2008	13.6	43.6	4.2	10.3	67.8	139.5	0.0	139.5
	2007	14.1	40.1	3.9	3.4	48.5	110.0	0.0	110.0
Net loan impairment and other credit risk provisions	2008	1.3	6.7	0.8	0.3	1.8	10.9	–6.4	4.5
	2007	1.1	5.2	0.5	0.1	0.7	7.6	–11.1	–3.5
Net interest income after loan impairment and other credit risk provisions	2008	12.3	36.9	3.4	10.0	66.0	128.6	6.4	135.0
	2007	13.0	34.9	3.4	3.3	47.8	102.4	11.1	113.5
Share of profit in associates	2008	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.5
	2007	0.0	0.0	0.0	0.0	6.4	6.4	0.0	6.4
Net fee income	2008	96.7	91.4	145.5	4.6	9.4	347.6	0.0	347.6
	2007	91.9	82.7	141.2	13.3	–11.0	318.1	0.0	318.1
of which effect of consolidation of ITS	2008	0.0	0.0	0.0	0.0	45.4	45.4	0.0	45.4
	2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operative trading profit	2008	0.0	0.1	3.5	112.9	–18.3	98.2	0.0	98.2
	2007	0.0	–0.2	–1.9	98.2	4.0	100.1	0.0	100.1
Income after loan impairment and other credit risk provisions	2008	109.0	128.4	152.4	127.5	57.6	574.9	6.4	581.3
	2007	104.9	117.4	142.7	114.8	47.2	527.0	11.1	538.1
Administrative expenses	2008	67.9	76.7	91.0	55.5	93.1	384.2	0.0	384.2
	2007	62.7	71.3	83.6	50.3	66.1	334.0	0.0	334.0
of which depreciation and amortisation	2008	1.4	1.0	0.9	0.6	13.6	17.5	0.0	17.5
	2007	1.1	0.8	0.6	1.3	7.5	11.3	0.0	11.3
of which effect of consolidation of ITS	2008	0.0	0.0	0.0	0.0	47.5	47.5	0.0	47.5
	2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net other operating income and expenses	2008	0.0	0.0	0.0	0.0	3.5	3.5	0.0	3.5
	2007	0.0	0.0	0.0	0.0	1.3	1.3	0.0	1.3
Operating profit	**2008**	**41.1**	**51.7**	**61.4**	**72.0**	**–32.0**	**194.2**	**6.4**	**200.6**
	2007	**42.2**	**46.1**	**59.1**	**64.5**	**–17.6**	**194.3**	**11.1**	**205.4**
Income from financial assets	2008	0.0	0.0	0.0	0.0	–50.0	–50.0	0.0	–50.0
	2007	0.0	0.0	0.0	0.0	1.9	1.9	0.0	1.9
Income from derivatives in the bank book	2008	0.0	0.0	0.0	0.0	–11.1	–11.1	0.0	–11.1
	2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net other non-operating income and expenses	2008	0.0	0.0	0.0	0.0	–1.3	–1.3	0.0	–1.3
	2007	0.0	0.0	0.0	0.0	–0.1	–0.1	0.0	–0.1
Profit before taxes	**2008**	**41.1**	**51.7**	**61.4**	**72.0**	**–94.4**	**131.8**	**6.4**	**138.2**
	2007	**42.2**	**46.1**	**59.1**	**64.5**	**–15.8**	**196.1**	**11.1**	**207.2**
Taxation	2008	12.8	16.5	19.6	23.0	–25.3	46.6	2.0	48.6
	2007	15.6	18.6	23.8	11.4	–10.7	58.7	4.5	63.2
Net profit for the year	**2008**	**28.3**	**35.2**	**41.8**	**49.0**	**–69.1**	**85.2**	**4.4**	**89.6**
	2007	**26.6**	**27.5**	**35.3**	**53.1**	**–5.1**	**137.4**	**6.6**	**144.0**
% change on previous year		6.4	28.0	18.4	–7.7	> 100.0	–38.0	–33.3	–37.8

Selected Notes to the Consolidated Financial Statements

Notes to the Balance Sheet

Loans and advances to banks

in €m	31.12.2008	31.12.2007
Current accounts	865.6	722.1
Money market transactions	2,049.6	3,313.5
of which overnight money	0.0	0.4
of which term deposits	2,049.6	3,313.1
Other loans and advances	64.5	81.4
Total	**2,979.7**	**4,117.0**
of which domestic banks	1,768.0	1,382.3
of which foreign banks	1,211.7	2,734.7

Loans and advances to customers

in €m	31.12.2008	31.12.2007
Current accounts	1,481.2	1,651.1
Money market transactions	1,023.3	1,025.7
of which overnight money	190.8	279.8
of which term deposits	832.5	745.9
Loan accounts	1,573.5	1,562.5
Other loans and advances	4.6	33.6
Total	**4,082.6**	**4,272.9**
of which domestic customers	2,902.4	3,128.9
of which foreign customers	1,180.2	1,144.0

Net loan impairment and other credit risk provisions

in €m	31.12.2008	31.12.2007
Net loan impairment provision	21.4	16.2
Other credit risk provisions	6.8	7.5
Net loan impairment and other credit risk provisions	**28.2**	**23.7**

Trading assets

in €m	31.12.2008	31.12.2007
Bonds and other fixed-income securities	6,945.4	6,241.9
Equities and other non-fixed-income securities	383.7	479.4
Tradable receivables	2,001.6	813.1
Positive market value of derivatives	2,758.2	1,860.6
Reverse repos	72.3	214.6
Securities lending	2.1	827.2
Security in the derivatives business	319.3	0.0
Total	**12,482.6**	**10,436.8**

Financial assets

in €m	31.12.2008	31.12.2007
Bonds and other fixed-income securities and interest rate derivatives	1,720.1	886.1
Equities	21.4	41.5
Investments	142.6	383.3
Promissory note loans	127.6	157.2
Interests in subsidiaries	107.1	100.1
Total	**2,118.8**	**1,568.2**

Deposits by banks

in €m	31.12.2008	31.12.2007
Current accounts	625.3	611.2
Money market transactions	1,869.5	1,750.3
of which overnight money	26.4	603.2
of which term deposits	1,843.1	1,147.1
Other liabilities	214.3	171.2
Total	**2,709.1**	**2,532.7**
of which domestic banks	858.0	1,346.5
of which foreign banks	1,851.1	1,186.2

Customer accounts

in €m	31.12.2008	31.12.2007
Current accounts	6,064.5	5,283.9
Money market transactions	5,066.4	4,523.4
of which overnight money	685.8	607.1
of which term deposits	4,380.6	3,916.3
Savings deposits	12.9	13.2
Other liabilities	449.0	462.7
Total	**11,592.8**	**10,283.2**
of which domestic customers	8,707.4	7,462.8
of which foreign customers	2,885.4	2,820.4

Trading liabilities

in €m	31.12.2008	31.12.2007
Negative market value of derivatives	3,190.8	1,642.0
Discount certificates, promissory note loans, bonds and warrants	2,852.4	4,291.8
Delivery obligations arising from securities sold short	39.5	554.6
Repos	0.0	0.0
Securities lending	20.9	0.0
Security in the derivatives business	47.2	0.0
Derivatives in the bank book	2.1	0.0
Total	**6,152.9**	**6,488.4**

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

in €m	2008	2007
Core capital (Tier I)		
Consolidated core capital as disclosed on the balance sheet	803	687
Intangible assets	– 49	– 51
Total core capital	**754**	**636**
Supplementary capital (Tier II)		
Subordinated liabilities	294	297
Participatory capital	100	100
Unrealised profits from listed securities	31	35
Consolidation	– 14	– 2
Total supplementary capital	**411**	**430**
Adjustment items	– 14	– 10
Regulatory capital excluding ancillary capital	**1,151**	**1,056**
Ancillary capital (Tier III)	0	0
Total regulatory capital	**1,151**	**1,056**

Notes to the Income Statement

Net interest income

in €m	2008	2007
Interest income	**397.6**	**448.4**
From loans and advances to banks	127.0	227.2
From loans and advances to customers	190.6	155.7
From financial assets	80.0	65.5
Interest income	77.2	55.7
Dividend income	0.6	1.6
Income from subsidiaries	2.2	8.2
Interest expense	**258.1**	**338.4**
From deposits by banks	60.0	36.7
From customer accounts	174.0	276.6
From securitised liabilities	0.4	2.1
From subordinated capital	23.6	23.0
Other	0.1	0.0
Net interest income	**139.5**	**110.0**

Net loan impairment and other credit risk provisions

in €m	2008	2007
Additions	7.0	3.6
Reversals	2.4	6.7
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.1	0.4
Total	**4.5**	**–3.5**

Net fee income

in €m	2008	2007
Securities transactions	231.6	203.7
Foreign exchange transactions and derivatives	61.0	48.2
Issuing and structuring business	10.9	19.8
International business	13.5	13.0
Investment banking	2.7	9.1
Payments	6.0	5.6
Lending	5.0	4.3
Real estate	0.3	0.7
Other fee-based business	16.6	13.7
Total	**347.6**	**318.1**

Net trading income

in €m	2008	2007
Equities and equity/index derivatives	87.0	79.0
Foreign exchange	8.8	10.2
Bonds and interest rate derivatives	2.4	10.9
Derivatives in the bank book	– 11.1	0.0
Total	87.1	100.1

Administrative expenses

in €m	2008	2007
Staff expenses	232.3	203.9
Wages and salaries	202.8	181.6
Social security costs	21.5	17.2
Expenses for retirement pensions and other employee benefits	8.0	5.1
Other administrative expenses	134.4	118.8
Depreciation of property, plant and equipment and of intangible assets	17.5	11.3
Total	384.2	334.0

Other income

in €m	2008	2007
Other operating income	10.0	11.0
Other operating expenses	6.5	9.7
Net other operating income and expenses	**3.5**	**1.3**
Net other non-operating income	0.1	0.1
Net other non-operating expenses	1.4	0.2
Net other non-operating income and expenses	**– 1.3**	**– 0.1**
Other income	2.2	1.2

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 2008 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 Ffinancial 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 [1)] 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 Trinkaus Real Estate GmbH [2)] Düsseldorf	Dr. Helfer Verwaltungsgebäude Luxemburg KG Düsseldorf
Internationale Kapitalanlagegesellschaft mbH Düsseldorf	HSBC Trinkaus Family Office GmbH Düsseldorf	HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH Düsseldorf
HSBC INKA Investment-AG TGV Düsseldorf	Trinkaus Private Equity Management GmbH Düsseldorf	Gesellschaft für industrielle Beteiligungen und Finanzierungen mbH Düsseldorf
International Transaction Services GmbH Düsseldorf		

1) previously HSBC Investments Deutschland GmbH
2) previously HSBC Trinkaus & Burkhardt Immobilien GmbH

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 legal independent 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 on 17 June 2008, 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 2009.

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 Committee of the Supervisory Board. The members of the Personnel Committee of the Supervisory Board in the 2008 financial year were Dr. Sieghardt Rometsch (Chairman), Harold Hörauf and Stuart Gulliver. The Personnel Committee met five times in the 2008 financial year.

In accordance with the Articles of Association, the compensation of the Management Board includes fixed amounts and a variable component as well as individual guaranteed pension payments. The fixed amounts are paid in twelve equal monthly instalments and examined annually by the Personnel Committee. There is no obligation to adjust the fixed compensation. The variable component is stipulated by the Personnel Committee of the Supervisory Board and can be paid in cash, by way of an allocation of shares in HSBC Holdings plc or as 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 shares allocated will no longer be transferred in three equal amounts, but in one amount in early 2012. The payment of the variable compensation is subject to continued service for the Bank at the time of transfer. No share options are granted to the members of the Management Board of the Bank.

Individual information on the extent and composition of the payments made to the members of the Management Board during the 2008 financial year can be found in Note 68 "Business Relationships with Companies and Persons Defined as Related Parties".

The compensation structure for members of the Supervisory Board is governed in the Articles of Association of HSBC Trinkaus & Burkhardt AG. In addition to the reimbursement of their expenses and the turnover tax accruing on Supervisory Board activities, 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 compensation. The Chairman of a Supervisory Board Committee receives double and members of a Committee one-and-a-half times the amounts stated, provided the respective committee has met at least once in the financial year. 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. The compensation of members of the Supervisory Board in the 2008 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 Mr. Florian Fautz, Mr. Trevor Gander and Mr. 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.

Management Board

Central Functions A

Andreas Schmitz
Management Board (Chairman)

HSBC Liaison
Company Secretariat
Compliance/Money Laundering
Corporate Communications
Audit Department and Data Protection

Central Functions B

Paul Hagen
Management Board

Human Resources
Accounting
Controlling
Market Risk Control

Division I

Dr. Olaf Huth
Management Board

Private Banking

Division II

Andreas Schmitz
Management Board

Syndicate/Issuing Business

Florian Fautz
Member of the Executive Committee

Investment Banking

Manfred Krause
Member of the Executive Committee

Corporate Banking
International Business

Division III

Carola Gräfin v. Schmettow
Management Board

Institutional Clients
Asset Management
Securities Services

Division IV

Carola Gräfin v. Schmettow
Management Board

Global Markets

Division V

Paul Hagen
Management Board

Operations
Business Process Development
Information Technology
Trading Systems
Securities Services

Trevor Gander
Member of the Executive Committee

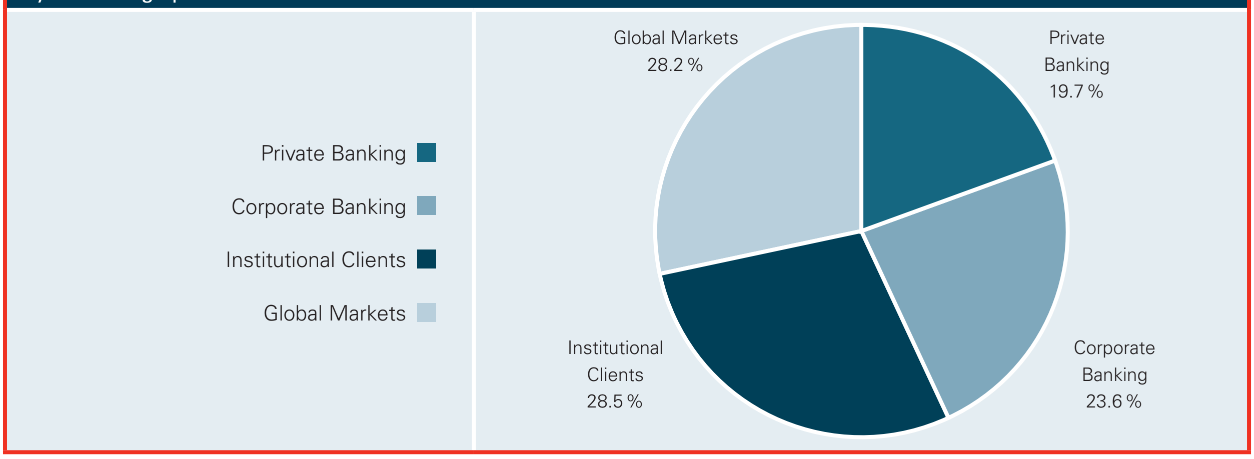
Credit
Operational Risk

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.

Contributions to profit in €m

After deduction of the € 25.6 million net costs incurred by head office functions during 2008, as against € 6.5 million for 2007, the 2008 operating profit was € 200.6 million (2007: € 205.4 million).* The mean contributions to profits over the last five years reveal a very balanced picture:

5-year average profit contributions



* Owing to the retrospective application of FRIC 11 (cf. Note 48 of our Consolidated Financial Statements), the costs incurred by head office functions increased by € 0.6 million in the previous year. Correspondingly, the previous year's operating profit was reduced by € 0.6 million.

Shareholders and Shares

Capital

At 31 December 2008 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 2008 our share price fell by 21.9 % to € 89.00. The lowest fixing price of the year was € 85.00 and the highest € 117.00. 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

* adjusted for 1 for 10 stock split on 27 July 1998

Dividends

For the 2008 financial year we propose paying a dividend of € 2.50 per share (2007: € 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 2008.

Strategic Direction

The previous, rather cautionary, statements we made at this point regarding the situation in the German financial and credit industry have not only been confirmed. The reality of the situation goes way beyond them. German financial institutions also entered into on- and off-balance-sheet risks to the extent never seen before as they were lacking viable client-based business models. They therefore became part of a global problem characterised by very high debt-equity ratios as well as a credit and risk bubble. Its bursting almost resulted in the collapse of the banking system and has led to a severe global recession.

Ill-considered lending, a lack of risk awareness, an almost unlimited supply of liquidity and blind trust in rating agencies led to this over-leveraging worldwide – affecting not only the banks, but also other market participants.

This partly excessive expansionary environment has given way to total risk aversion and the liquidity that was available previously completely drying up.

As a result, the state is suddenly omnipresent. Enormous rescue packages introduced by governments and central banks brought the downward spiral to a standstill in October 2008. However, the state aid provides only initial support so that the institutions can regain their capacity to act through sound equity funding again and the stimulation of the interbank market. Also, the balance sheets still conceal problem assets, and the traditional credit risks will grow as well owing to the negative cyclical trend. We therefore forecast that the value adjustments required and the need for government support will increase further.

With the aid it provides the government first of all indiscriminately safeguards banks with bad and good business models. It buys time for both. However, confidence and stability will only return to the financial market when the oversized balance sheets in the German banking sector have again been returned to a reasonable size which is in keeping with the German economy. This requires that institutions whose business model is not lastingly viable will first have to be resized and then merged or wound up.

As the situation on the German banking market gets worse, the virtues and strengths shown by HSBC Trinkaus come into their own more than ever: These include consistent strategy and personnel together with proven relationship management geared exclusively to the clients and their benefit as well as risk awareness, not only in bad but also in good times.

We shall continue to offer our clients the "best of both worlds" within the framework of the HSBC Group: continuity, professionalism and individuality of a private bank together with the international service capacity of a global financial services provider. Thanks to this unique combination in the German banking landscape, we have been able not only to strengthen the commitment of many of our clients in recent years, but also gain a large number of new clients. These clients are now benefiting from the relative strength of HSBC Trinkaus in difficult times as well.

We offer our clients not only the full range of traditional banking services, but also focus on sophisticated financial services for complex problems, on both the national and international level. We have always attached importance to incorporating our investment banking operations into the Bank as a whole and gearing them towards the clients. We are especially strong in the entire product range of the securities business, in interest rate and currency management as well as in international services and asset management. But our knowledge of the capital and credit markets' capacity to absorb is also in demand. We use financial derivatives systematically in order to offer our clients meaningful solutions and products. By continuously updating our information and communication system we ensure the most advanced banking technology and services of the highest quality.

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

- We concentrate on the target groups of high net worth private clients, corporate clients and institutional clients and we aim to become a core banking connection for all our clients, 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 future clients. 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 offer. Risk limits and trading strategies are constantly geared towards the Bank's capacity to assume risk.
- Financial innovation 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 offer in the securities business for clients and for other financial institutions. We offer highly qualified services at competitive prices via our subsidiaries International Transaction Services GmbH (ITS) for securities settlement as well as Internationale Kapitalanlagegesellschaft mbH (HSBC INKA) for fund administration. Both subsidiaries have significant market shares. Added to this are the Bank's services as a depositary bank and in global custody, as well as HSBC Global Asset Management's asset management offers in Germany and Austria.
- We draw on the resources of one of the largest banking groups in the world, the HSBC Group. This applies to both the powerful product range and the respective regional network.

The success of this strategy depends on whether we will manage to satisfy the following conditions in future as well:

- We must systematically use the global network, the regional links and the local know-how of the HSBC Group for our clients without having to make compromises in terms of their requirement of individualised private bank servicing.
- We must find and develop useful solutions in the spectrum of ever more complex financial services on the basis of long-term client relationships which are based on trust.
- We must develop with our clients on a partnership basis risk/return profiles which are adjusted to their interests and requirements within the scope of our capacity to assume risk.
- We must ensure that we have a cutting-edge systems technology infrastructure to meet the most demanding requirements throughout the entire value chain, and we must 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 on the international level.
- 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 line with the market.

We firmly believe that this strategy offers us a broad base for ensuring our long-term future business success, even in the German financial marketplace which is undergoing major changes.

Report of the Supervisory Board

Management

In exercising its monitoring function, the Supervisory Board received comprehensive reports on the development of business at the Bank, its major subsidiaries and individual business areas in four meetings conducted by the Management Board during the 2008 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. The reports on significant events of the 2008 financial year related to the Bank's preparations for the introduction of the flat-rate withholding tax, the recording and control of operational risks, the credit risk strategy as well as the Bank's strategic regional planning.

The situation on the banking market, the crisis on the international financial markets and in the global economy as well as the conclusions to be drawn from them for the Group were discussed in detail in all Supervisory Board meetings. The Bank's risk situation was also considered in particular. Financial assets and their valuation as well as the Bank's liquidity situation were presented to the Supervisory Board.

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 2009 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 2008 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 Committee 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 personnel matters relating to the Management Board (with the exception of the appointment and removal of its members), long-term succession planning together with the Management Board, proposing candidates to the Annual General Meeting for the nominations for the Supervisory Board, dealing with conflicts of interests between Management Board or Supervisory Board members as well as the approval of connected party loans to Bank employees and members of the Supervisory Board;

- the Audit Committee, which in addition to mandating the external auditors to audit the Annual Financial Statements and Consolidated Accounts, is responsible among other things for determining the focus of the audit, monitoring the independence of the external auditors, arranging the fee contract with them as well as accounting and basic risk management issues;

- 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). The Credit Committee is responsible furthermore for deciding upon the risk management strategy to be drawn up by the Management Board as well as upon connected party loans to companies.

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

The Personnel and Nominations Committee met five times and the Audit Committee four times during the 2008 financial year.

In addition to personnel matters relating to the Management Board, the Personnel and Nominations Committee was concerned in particular with the various changes in the management of the Bank's subsidiaries. It proposed to the Supervisory Board the re-election of the Management Board. The Supervisory Board followed the proposal in February 2008.

The crisis on the financial markets and the conclusions to be drawn from it were a major topic of discussion in the Credit Committee meetings. The Credit 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 compliance/ money laundering prevention in four meetings and in two meetings also reports from the auditors. In one meeting it was concerned with the draft report on the third quarter of 2008.

Corporate Governance

In its meeting on 13 February 2008 the Supervisory Board discussed the Corporate Governance Code of the Bank and issued the Declaration of Conformity under Section 161 German Stock Corporation Act (AktG). The Report on Corporate Governance in 2008, which lists and comments on the individual divergences from the recommendations of the Government Commission, can be found in this Annual Report and, like the Declaration of Conformity, 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 stipulated by the 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 2008 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 the Annual Financial Statements of the Bank for the year ended 31 December 2008, as well as the 2008 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 company group at the Annual General Meeting on 17 June 2008. On 3 September 2008, they were mandated by the Audit Committee of the Supervisory Board to audit the Annual Financial Statements and Consolidated Accounts. The external auditors have audited the Bank's books, its annual accounts and the Management Report for the year ended 31 December 2008 and have given their unqualified audit opinion. The audit report was submitted to the Supervisory Board, where no objections were raised.

The consolidated accounts for the year ended 31 December 2008 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.

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 2008 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

Mr. David Hodgkinson, Group Chief Operating Officer of HSBC, retired at the end of 2008. In this context, he resigned from his office of Supervisory Board member in a letter received by the Bank on 17 November 2008. His resignation became effective after 15 December 2008. The county court in Düsseldorf has been asked to appoint a Supervisory Board member after the waiting period of three months prescribed by law for the period up to the Annual General Meeting on 9 June 2009.

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.

The Supervisory Board also thanks Mr. David Hodgkinson for his constructive cooperation.

Düsseldorf, April 2009

The Supervisory Board

Dr. Sieghardt Rometsch
Chairman

Report on Corporate Governance in 2008

Corporate Governance, an integral part of our corporate culture

The German Corporate Governance Code, as adopted by us in our Declaration of Compliance, 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.

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, Investment Banking as well as Credit & Operational Risk.

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 for personnel matters relating to the Management Board (with the exception of the appointment and removal of its members), long-term succession planning together with the Management 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 as well as proposing candidates to the Annual General Meeting for the nominations for the Supervisory Board;
- the Audit Committee, which is responsible in addition to mandating the external auditors to audit the Annual Financial Statements and Consolidated Accounts for determining the focus of the audit, monitoring the independence of the external auditors, arranging the fee contract with them as well as accounting and basic risk management issues;
- the Credit Committee, to which the Supervisory Board has transferred 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). The Credit Committee is responsible furthermore for deciding upon the risk management strategy to be drawn up by the Management Board.

All Supervisory Board Committees comprise three members. The Chairman of the Supervisory Board is also Committee Chairman of the Personnel and Nominations Committee.

We have not adopted the recommendation of the Government Commission contained in Code no. 2.3.2 of the Corporate Governance Code 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. 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 our shareholder structure, we see no practical need to propose the resolution of approval required for implementation to our Annual General Meeting.

The recommendation of the Government Commission contained in Code no. 3.8 that a suitable deductible shall be agreed if the Bank takes out a directors' and officers' liability insurance policy (D&O) for the members of the Management Board and the Supervisory Board has not been complied with. D&O insurance exists for the Management Board and Supervisory Board via HSBC's Group insurance policy. In addition, the Bank has taken out insurance for the claims not covered by the Group insurance. No deductible has been agreed for the Management Board and Supervisory Board. The insurance policies only cover damage caused by negligence, not damage caused with intent. A deductible does therefore appear to be appropriate.

Based on our experience to date, we have decided only to adopt the recommendations of the Government Commission contained in Code no. 5.4.3 of the Corporate Governance Code subject to the proviso that Supervisory Board elections only take place as individual elections if an application is made by a shareholder to this effect at the Annual General Meeting concerned. This upholds all protective interests at the same time as preserving the necessary flexibility. We have decided further not to apply the ruling in sentence 3 of this Code no., according to which proposals for candidates for the Chairman of the Supervisory Board are to be announced to the shareholders. Re-elections of the Supervisory Board take place at the Bank for the entire Supervisory Board in each case for which a standard closing date for the election period applies according to our Articles of Association. In the event of the 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 its members. The announcement of the proposed candidates for the new Supervisory Board by the old Board would in our view 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 would be associated with negative publicity which could harm the company.

There is no limitation on the number of former Managing Partners or Management Board members who may sit on our Supervisory Board, nor any limitation on the age of Supervisory Board members; to this extent we have not complied with the recommendations of the Government Commission contained in Code nos. 5.4.1 and 5.4.2 of the Corporate Governance Code. We have taken this decision in the light of the Bank's status as a private bank, which continues to apply even after the change of legal form to a German stock corporation, whose most fundamental strategic characteristic is the long-term and personal nature of the Management Board members' client relationships. Their transition from the executive management of the Bank to the Supervisory Board prevents the disruption of client relationships and ensures continuity, for which the former Managing Partners or Management Board members also stand surety as members of the Supervisory Board.

We have chosen not to limit the age of Supervisory Board members because we take the view that to do so would needlessly reduce our flexibility. A fixed age limit would oblige us to make a change in Supervisory Board membership even when a member, notwithstanding his or her age, is still indispensable to the Bank.

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 Personnel and Nominations Committee 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 shares allocated will no longer be transferred in three equal amounts, but in one amount in early 2012. 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 recommendation of the Government Commission on the disclosure of the total compensation of each member of the Management Board Code no. 4.2.4 is therefore not applied.

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.

The recommendations of the Government Commission on the publication of the individual emoluments of the members of the Supervisory Board contained in Code no. 5.4.6 have not been complied with. As regards payments for personal services provided, such as advisory services, the Management Board and the Supervisory Board are of the opinion that this would encroach extensively upon the personal rights of the Supervisory Board member with no absolute necessity.

Information, disclosure and transparency

Code nos. 6.3 and 6.8 of the Corporate Governance Code contain recommendations on the equal treatment of shareholders with regard to communications and the disclosure of information about the company. For purposes of clarity and to avoid misinterpretation, we apply this recommendation exclusively in relation to facts relevant to our share price. 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" or "information" within the meaning of Code nos. 6.3 and 6.8 of the Corporate Governance Code.

As before, we shall publish our Consolidated Financial Accounts and our interim reports with the deadlines prescribed by law. In the interest of greater timing flexibility concerning the production of our reports, we shall not adopt the Government Commission recommendations on the tightening of deadlines contained in Code no. 7.1.2 of the Corporate Governance Code.

The list of third-party companies in which the Bank holds a material interest is published in our Annual Report under Note 63. We have adopted the recommendation on publication contained in Code no. 7.1.4 of the Corporporate Governance Code, subject to the proviso that we only report those investments whose amount exceeds a legal disclosure threshold.

Reportable dealings in HSBC Trinkaus & Burkhardt shares or in rights to those shares under Section 15a 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 Law or Code no. 6.6 of the Corporate Governance Code, were carried out in 2008 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 2008 financial year no infringements of these rules were identified, in terms of the form, content or spirit of the Corporate Governance Code, and our external auditors have confirmed this finding.

Düsseldorf, February 2009

For the
Management Board:

Andreas Schmitz
– Chairman –

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

Member of the 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,
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

David H. Hodgkinson (until 15.12.2008),
Group Chief Operating Officer,
HSBC Holdings plc, London

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

Oliver Honée*, Essen
Bank employee

Dr. Siegfried Jaschinski, Stuttgart
Chairman of the Management Board,
Landesbank Baden-Württemberg

Dr. jur. Otto Graf Lambsdorff, Bonn
Lawyer

Professor Dr. Ulrich Lehner, Düsseldorf
Chairman of the Managing Committee,
Henkel KGaA (until April 2008),
Member of the Shareholders' Committee,
Henkel AG & Co. KGaA (from April 2008)

Jörn Wölken*, Lohmar
Bank employee

* Employees' representative

Advisory Board

Dr. jur. Otto Graf Lambsdorff,
Chairman

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

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

Dr. Olaf Berlien (from April 2008),
Member of the Management Board,
ThyssenKrupp AG,
Chairman of the Management Board,
ThyssenKrupp Technologies AG

Professor Dr. rer. nat. Dr. med. Dr. h.c. Uwe Bicker
(from March 2008),
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

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

Udo van Meeteren

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

Ludwig Merckle,
Managing Director,
VEM Vermögensverwaltung GmbH

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

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 (from February 2008),
Member of the Management Board,
E.ON AG

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

Dr. Botho von Schwarzkopf (from February 2008),
Managing Partner,
Pfeifer & Langen IHKG

Professor Dennis J. Snower, Ph.D. (from April 2008),
President of the Kiel Institute for the World Economy

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

Thomas Unger,
Member of the Management Board,
Metro AG

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

Werner Wenning (until July 2008),
Chairman of the Management Board,
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Imprint

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Overall production
DigitalAgentur mpm, Mainz

Layout
Ogilvy & Mather GmbH, Düsseldorf

Printed by
Service-Druck Kleinherne GmbH & Co KG, Neuss

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 2008 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 2009. Such statements about the future can be found in particular in the Letter from the Management Board to our shareholders in the "Outlook for 2009" 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 2009 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

2 April 2009
Results Press Conference

14 May 2009
Interim Report as at 31 March 2009

9 June 2009
Annual General Meeting

13 August 2009
Press Conference
Interim Report as at 30 June 2009

12 November 2009
Interim Report as at 30 September 2009