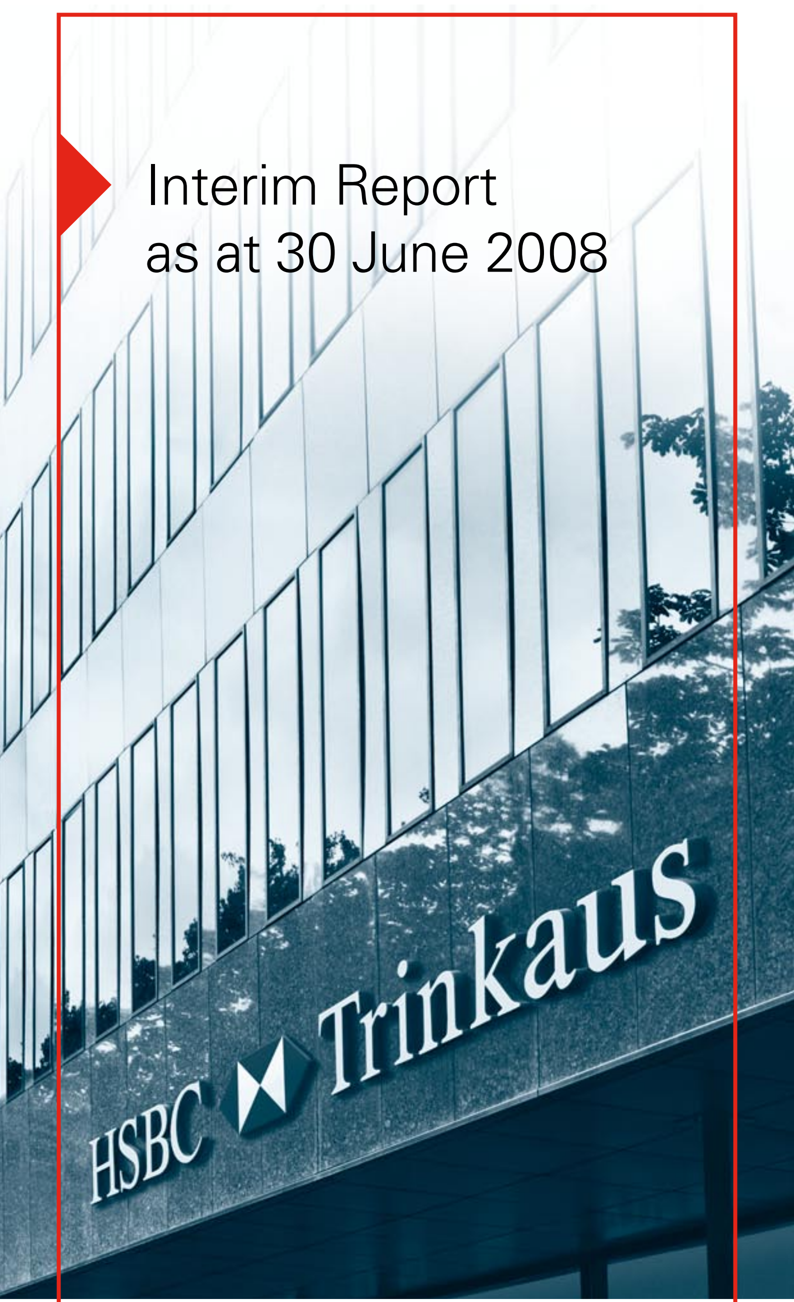
Interim Report as at 30 June 2008



HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	1.1. – 30.6.2008	1.1. – 30.6.2007	Change in %
Income statement in €m			
Operating revenues	306.5	294.1	4.2
Net loan impairment and other credit risk provisions	-0.7	2.7	> 100.0
Administrative expenses	204.4	177.1	15.4
Operating profit	101.4	119.7	-15.3
Profit before taxes	101.2	128.4	-21.2
Tax expenses	31.7	44.0	-28.0
Net profit for the period	69.5	84.4	-17.7
Ratios			
Cost:income ratio in %	66.7	58.5	–
Return on equity before tax in % (projected for the year as a whole)	22.1	30.5	–
Net fee income in % of operating revenues	58.3	56.1	–
No. of employees at the reporting date*	2,185	1,995	9.5
Share information			
Average number of shares in circulation in million	26.1	26.1	0.0
Earnings per share in €	2.66	3.23	-17.7
Share price at the reporting date in €	115.0	108.0	6.5
Market capitalisation at the reporting date in €m	3,002	2,819	6.5

* The number of employees in the first half of 2007 includes the employees of ITS GmbH.

	30.6.2008	31.12.2007	Change in %
Balance sheet figures in €m			
Total assets	20,575.2	21,066.9	-2.3
Shareholders' equity	921.8	968.7	-4.8
Ratios pursuant to German Banking Act			
Tier 1 in €m	613	610	0.5
Capital in €m	989	1,030	-4.0
RWAs in €m	8,813	9,606	-8.3
Tier 1 ratio %	7.0	6.4	–
Capital ratio in %	11.2	10.7	–

Ladies and Gentlemen,

HSBC Trinkaus held up well in a difficult market environment in the first half of 2008. Despite the major turmoil on the money and capital markets, the Bank continued along its path of success and was able to report a favourable result, also compared to the competition.

The following interim management report should be read in conjunction with our group management report for 2007. The organisation, structure and strategic orientation of the Group still correspond to the statements made in the group management report.

Interim Management Report

The money and capital markets were characterised by further, partly substantial turbulence in the first half of 2008. Despite this difficult market environment, HSBC Trinkaus was able to strengthen its position further. As expected, though, operating profit was down compared to the extremely successful prior-year period by around 15 % to € 101.4 million. However, like net profit for the period of € 69.5 million it was on the level of the successful first half of 2006.

General Economic Setting

The global economy is currently exposed to substantial burdens. The situation in many countries has clouded over as a result of the real estate crisis and the problems it has triggered in the financial sector on the one hand and rising raw material prices on the other. The world's largest national economy, the USA, has been affected by this above all and is likely to be heading for a recession despite the major interest rate cuts carried out by the Fed. Business activity in Germany, on the other hand, appears to have been in a robust state in the first half of the year overall despite this headwind. All the same, the economic prospects for the Eurozone for 2009 have clouded over substantially as shown by the latest surveys conducted among companies.

The ECB maintained short-term interest rates up to the end of the first half of the year on an unchanged level of 4.0 % although the inflation rate increasingly exceeded the ECB target. On 3 July 2008, the ECB increased its key interest rate by 0.25 percentage points to the current level of 4.25 % therefore continuing with the cycle of interest rate increases which has been unbroken since mid-2007 on account of the financial crisis. At the same time, the DAX® suffered a substantial decline of over 20 % in the first half of the year.

Report on Profitability, Assets and Financial Position

Profitability

The individual items of the operating result are summarised below:

- Net interest income increased by 16.6 % to € 63.3 million. This was due in particular to lower interest expenses as a result of slightly lower deposits by our customers on the one hand and the expansion of loans and advances to customers resulting in higher interest income on the other. At the same time, interest income from financial assets remained on a favourably high level.

- There was an addition to net loan impairment and other credit risk provisions of € 0.7 million compared to a net reversal of € 2.7 million in the prior-year period. This addition is based above all on the increase in collectively assessed impairments since the beginning of the year. HSBC Trinkaus continues to apply its traditionally conservative default risk assessment policy.

- Net fee income increased by 8.2 % to € 178.6 million. It is to be taken into consideration that the first-time full consolidation of International Transaction Services GmbH (ITS) this year resulted in a positive contribution of € 20.9 million. This contribution from ITS was able to compensate the decline in the issuing and structuring business. It can be observed that the considerable restraint shown by our clients in the light of the uncertainties on the capital markets is putting pressure on net fee income. In the comparable prior-year period, the successful placement of the H.E.A.T Mezzanine III participation rights issue as well as the successful sale of a real estate fund made a substantial contribution to net fee income.

- Net trading income, which declined only marginally in the first six months by 4.3 % to € 62.4 million, remains on a very high level. Income from equities and equity/index derivatives trading, which was able to improve on the already excellent result in the prior-year period by 3.9 % to € 48.5 million, remains the strongest contributor to net trading income. There was a decline in the interest product and foreign exchange trading business in the period under review.

- Administrative expenses were up by 15.4 % to € 204.4 million. In addition to the increase in the number of employees, the increase in staff expenses was due to the first-time full consolidation of ITS which brought about additional expenses of € 8.5 million alone. The increase in other administrative expenses is also result of the additional expenses incurred by ITS of € 8.4 million. Additional fees for IT advisory services preparatory to the introduction of the withholding tax as well as additional group expenses as a result of our stronger cooperation with the HSBC Group were also responsible for the increase. At 66.7 % the cost:income ratio, the main indicator of success for our banking business, is still comfortably within the adequate range for our business model of 65 % to 70 %.

Assets

Total assets were up slightly compared to the 2007 year-end figure by 2.3 % to € 20.6 billion. On the liabilities side, customer deposits remain our main source of refinancing. Furthermore, we were able to expand the portfolio of loans and advances to customers with a good credit standing thanks to an increase in the number of client relationships, above all in the corporate banking business.

At € 921.8 million shareholders' equity was 4.8 % down on the figure at the end of 2007 (€ 968.7 million). The valuation reserve for financial instruments declined from € 76.2 million to

€ 29.1 million. This is due primarily to the turmoil on the money and capital markets which led to lower equity, fund and bond prices. The decline in the valuation reserve in respect of pension obligations of € 5.3 million is essentially the result of the development of plan assets.

Financial position

The Bank's financial position is still characterised by excellent liquidity. The regulatory requirements were exceeded significantly with the key liquidity ratio in accordance with Principle II of the German Banking Act (Grundsatz II) at an average of 1.61 for the end-of-month position. At € 9.9 billion customer accounts were only slightly below the level at the end of 2007. We still invest a substantial portion of this liquidity in short-dated bank securities as well as in the interbank market, giving preference to other HSBC Group companies. We also significantly increased holdings of debt securities issued by public sector agencies. The capital ratio according to the German Banking Act (KWG) increased from 10.7 % at the end of 2007 to 11.2 %. As the figures have been calculated according to Basel II since 1 January 2008, they are only comparable to a limited extent.

Principal opportunities and risks

Our risk management system is geared towards consciously accepting and controlling risk within the scope of the overall management of risks which are customary to banking operations in order to use the resulting yield opportunities. We regard counterparty, market and liquidity risk, operative and strategic risks and not least also risks to our reputation as the principal risks of our banking business. Opportunities exist in both acquiring new clients and expanding existing client relationships and the possible increase in net interest and fee income as a result. Our aim is to continue to generate good net trading income through the targeted use of market fluctuations as well as active product marketing at the same time as maintaining strict limit discipline.

The risk management and risk reporting procedures described in the latest consolidated financial statements still correspond to the current conditions.

Credit and market price risks can be quantified as follows after the first half of 2008:

Credit risk

The maximum credit risk after the first six months of 2008 breaks down into the sectors listed below:

	30.6.2008		31.12.2007	
	in €m	in %	in €m	in %
Risk concentration by sector				
Banks and financial institutions	13,161.7	52.4	12,909.8	51.3
Companies and self-employed professionals	8,855.0	35.2	10,885.3	43.3
Public sector	2,574.3	10.2	736.3	2.9
Employed private individuals	561.1	2.2	635.9	2.5
Total	**25,152.1**	**100.0**	**25,167.3**	**100.0**

The quality of the loans and advances (including contingent liabilities and loan commitments) which are neither overdue, nor impaired can be assessed from the following overview:

	30.6.2008		31.12.2007	
	in €m	in %	in €m	in %
Rating classes 1–2	7,812.4	59.1	8,371.6	61.3
Rating classes 3–4	5,393.0	40.8	5,283.9	38.7
Rating class 5	15.4	0.1	7.8	0.0
Total	**13,220.8**	**100.0**	**13,663.3**	**100.0**

Market risk

The total market risk after the first six months of 2008 is as follows:

in €m	30.6.2008	31.12.2007
Interest-rate-related transactions	7.9	9.2
Equity/index-related transactions	4.6	3.6
Currency-related transactions	0.6	1.0
Total potential market risk in the trading portfolio	**9.8**	**10.2**

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

Forecast

The global economy lost momentum in the first half of 2008. In addition, there are growing signs that there will be a further notable slowdown in cyclical momentum in the months ahead. We believe this is due to the fact that the disturbances on the capital markets, some of which are considerable, could increasingly spill over onto the real economy. Some forecasts for growth rates have already been corrected downwards in recent months. The latest economic forecasts for Germany have also been revised correspondingly as waning impetus from abroad and restraint on the part of domestic consumers owing to the increase in energy prices have to be assumed. The recent increase in key interest rates is putting pressure on the bond markets and volatility on the stock markets is extremely high which will have a negative impact on the number of securities transactions if it continues for some time. The US dollar remains weak and is therefore depressing the export business.

We nevertheless see good earnings opportunities for our Bank in the second half of the year in the scenario outlined above. Despite difficult market conditions, we want to reach the result recorded in the 2006 financial year which would be a very good result, not only in relation to the competition. Should the markets improve contrary to the general expectations, we see ourselves as being in the position, despite the very high starting base, even to repeat the result recorded in the latest financial year. The excellent cooperation with the HSBC Group speaks not least for our positive expectations. This strategic advantage will continue to open up the opportunity for us to expand our market shares in the clearly defined target groups of high net worth private clients, corporate clients and institutional clients. We plan to make further additions to our workforce in the private banking business in all regions in order to meet the growing challenges in the professional servicing of significant assets. In the corporate banking business we will continue in particular with the expansion of our investment banking and banking services. Not least, our institutional clients will benefit substantially through us from the capital strength and global product range of the HSBC Group.

Report on business relationships with companies and persons defined as related parties

HSBC Trinkaus still has significant business relationships with other companies of the HSBC Group. The results of these business relationships are reflected above all in net fee income and net interest income. In the balance sheet significant loans and advances to other HSBC units are set against liabilities to these units. A large number of trading positions are also entered into directly or hedged with the Group's affiliated companies. All transactions are concluded at normal market prices.

It can be seen that our Bank is continuing with its good performance overall. We are therefore convinced that HSBC Trinkaus is well equipped to master the challenges which lie ahead as well.

Düsseldorf, August 2008
The Management Board

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

Consolidated Income Statement

in €m	Note	1.1. – 30.6.2008	1.1. – 30.6.2007	Change in %
Interest income		197.9	194.7	1.6
Interest expense		134.6	140.4	-4.1
Net interest income	(1)	63.3	54.3	16.6
Net loan impairment and other credit risk provisions	(2)	-0.7	2.7	> 100.0
Share of profit in associates		0.2	3.2	-93.8
Fee income		305.9	320.9	-4.7
Fee expenses		127.3	155.9	-18.3
Net fee income	(3)	178.6	165.0	8.2
Net trading income	(4)	62.4	65.2	-4.3
Administrative expenses	(5)	204.4	177.1	15.4
Net income from financial assets		-0.2	8.7	–
Net other income/expenses	(6)	2.0	6.4	-68.8
Profit before taxes		**101.2**	**128.4**	**-21.2**
Tax expenses		31.7	44.0	-28.0
Net profit for the period		**69.5**	**84.4**	**-17.7**

Earnings per share

in €	1.1. – 30.6.2008	1.1. – 30.6.2007	Change in %
Earnings per share	2.66	3.23	-17.7
Undiluted earnings per share	2.66	3.23	-17.7

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

Consolidated Income Statement – Quarterly Results

in €m	Q2 2008	Q1 2008	Q2 2007	Q1 2007
Interest income	101.3	96.6	107.8	86.9
Interest expense	66.3	68.3	74.0	66.4
Net interest income	35.0	28.3	33.8	20.5
Net loan impairment and other credit risk provisions	0.5	-1.2	2.3	0.4
Share of profit in associates	0.2	0.0	1.8	1.4
Fee income	150.1	155.8	152.3	168.6
Fee expenses	61.5	65.8	76.5	79.4
Net fee income	88.6	90.0	75.8	89.2
Net trading income	28.9	33.5	27.7	37.5
Administrative expenses	105.1	99.3	88.5	88.6
Net income from financial assets	0.8	-1.0	3.5	5.2
Net other income/expenses	1.2	0.8	5.3	1.1
Profit before taxes	**50.1**	**51.1**	**61.7**	**66.7**
Tax expenses	15.2	16.5	18.8	25.2
Net profit for the period	**34.9**	**34.6**	**42.9**	**41.5**

Earnings per share

in €	Q2 2008	Q1 2008	Q2 2007	Q1 2007
Earnings per share	1.33	1.33	1.64	1.59
Undiluted earnings per share	1.33	1.33	1.64	1.59

Consolidated Balance Sheet

Assets in €m	Note	30.6.2008	31.12.2007	Change in %
Cash reserve		57.5	332.3	-82.7
Loans and advances to banks	(8)	2,998.9	4,117.0	-27.2
Loans and advances to customers	(9)	4,760.4	4,272.9	11.4
Net loan impairment provision	(10)	-18.4	-16.2	13.6
Trading assets	(11)	10,483.0	10,436.8	0.4
Financial assets	(12)	1,831.8	1,568.2	16.8
Interests in associates		9.8	15.2	-35.5
Property, plant and equipment		196.3	196.3	0.0
Intangible assets		51.0	12.3	> 100.0
Taxation recoverable		30.5	54.8	- 44.3
current		30.5	54.8	- 44.3
deferred		0.0	0.0	0.0
Other assets		174.4	77.3	> 100.0
Total assets		**20,575.2**	**21,066.9**	**-2.3**

Liabilities in €m	Note	30.6.2008	31.12.2007	Change in %
Deposits by banks	(13)	2,714.9	2,532.7	7.2
Customer accounts	(14)	9,941.4	10,283.2	-3.3
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	6,189.9	6,488.4	-4.6
Provisions		104.3	112.4	-7.2
Taxation		110.2	106.0	4.0
current		14.2	48.2	-70.5
deferred		96.0	57.8	66.1
Other liabilities		124.0	106.8	16.1
Subordinated capital		458.7	458.7	0.0
Shareholders' equity		921.8	968.7	-4.8
Share capital		70.0	70.0	0.0
Capital reserve		218.1	216.9	0.6
Retained earnings		564.2	486.7	15.9
Consolidated profit available for distribution in 2007		–	195.1	–
Profit 1.1. – 30.6.2008 incl. profit brought forward		69.5	–	–
Total equity and liabilities		**20,575.2**	**21,066.9**	**-2.3**

Breakdown of consolidated shareholders' equity and subordinated capital

in €m	30.6.2008	31.12.2007
Share capital	70.0	70.0
Capital reserve	218.1	216.9
Retained earnings	564.2	486.7
of which: valuation reserve for financial instruments	29.1	76.2
of which: valuation reserve for actuarial gains and losses	-17.0	-11.7
Net profit including profit brought forward/ Consolidated profit available for distribution	69.5	195.1
Consolidated shareholders' equity	**921.8**	**968.7**
Subordinated liabilities	322.9	322.9
Participatory capital	135.8	135.8
Consolidated subordinated capital	**458.7**	**458.7**
Total	**1,380.5**	**1,427.4**

Consolidated statement of changes in equity

in €m	2008	2007
Consolidated shareholders' equity as at 1.1.	**968.7**	**884.9**
Distribution	-65.3	-65.3
Net profit	69.5	84.4
Gains/losses not recognised in the income statement (change in valuation reserves)	-52.4	-6.2
Share-based compensation settled in the form of equity instruments	4.1	2.0
Transfer of shares to employees in connection with share-based remuneration schemes	-2.8	0.0
Other effects	0.0	0.7
Consolidated shareholders' equity as at 30.6.	**921.8**	**900,5**

Comprehensive income for the period

in €m	1.1. – 30.6.2008	1.1. – 30.6.2007
Net profit for the period	69.5	84.4
Gains/losses not recognised in the income statement	-52.4	-6.2
of which from financial instruments	-47.1	-11.9
of which from actuarial results	-5.3	5.7
Total	**17.1**	**78.2**

Consolidated cash flow statement

in €m	2008	2007
Cash and cash equivalents as at 1.1.	**332.3**	**436.3**
Cash flow from operating activities	-208.6	-145.0
Cash flow from investing activities	-0.9	-10.2
Cash flow from financing activities	-65.3	-50.1
Cash and cash equivalents as at 30.6.	**57.5**	**231.0**

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

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

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

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

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

IFRIC 11, Group and Treasury Share Transactions, deals with how share-based payments granted by the parent company to the employees of a subsidiary are to be recognised in the financial statements of the subsidiary. The interpretation became applicable in the reporting period and its retrospective application pursuant to IAS 8 led to an increase in shareholders' equity of € 3.6 million for full 2007 as well as additional expenses after tax of € 0.1 million up to the end of the first half of 2008.

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

(1) Net interest income

in €m	1.1. – 30.6.2008	1.1. – 30.6.2007
Interest income	**197.9**	**194.7**
From loans and advances to banks	68.7	88.5
Money market transactions	61.0	81.2
Other interest-bearing receivables	7.7	7.3
From loans and advances to customers	95.9	73.6
Money market transactions	28.1	24.0
Other interest-bearing receivables	67.8	49.6
From financial assets	33.3	32.6
Interest income	30.3	24.0
Dividend income	1.3	0.7
Income from subsidiaries	1.7	7.9
Interest expense	**134.6**	**140.4**
From deposits by banks	26.4	13.5
Money market transactions	18.7	10.2
Other interest-bearing deposits	7.7	3.3
From customer accounts	96.3	115.1
Money market transactions	45.4	64.7
Other interest-bearing deposits	50.9	50.4
From securitised liabilities	0.2	0.6
From subordinated capital	11.7	11.2
Net interest income	**63.3**	**54.3**

(2) Net loan impairment and other credit risk provisions

in €m	1.1. – 30.6.2008	1.1. – 30.6.2007
Additions	-2.5	-0.5
Reversals	1.7	2.9
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.1	0.3
Total	**-0.7**	**2.7**

(3) Net fee income

in €m	1.1. – 30.6.2008	1.1. – 30.6.2007
Securities transactions	119.2	104.0
Foreign exchange transactions and derivatives	28.4	27.1
Issuing and structuring business	7.5	12.5
Foreign business	6.7	6.5
Payments	2.9	2.8
Lending	2.1	1.8
Corporate finance	1.9	3.3
Real estate	0.0	0.7
Other fee-based business	9.9	6.3
Total	**178.6**	**165.0**

(4) Net trading income

in €m	1.1. – 30.6.2008	1.1. – 30.6.2007
Equities and equity/index derivatives	48.5	46.7
Bond and interest rate derivatives	10.8	12.9
Foreign exchange	3.1	5.6
Total	**62.4**	**65.2**

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

(5) Administrative expenses

in €m	1.1. – 30.6.2008	1.1. – 30.6.2007
Staff expenses	126.9	115.5
Wages and salaries	111.9	102.4
Social security costs	11.0	8.6
Post-employment benefits	4.0	4.5
Other administrative expenses	67.9	55.2
Depreciation of property, plant and equipment and of intangible assets	9.6	6.4
Total	204.4	177.1

(6) Net other income / expenses

in €m	1.1. – 30.6.2008	1.1. – 30.6.2007
Other operating income	3.1	6.8
Other operating expenses	1.1	0.4
Net other operating income and expenses	**2.0**	**6.4**
Net other non-operating income	0.0	0.1
Net other non-operating expenses	0.0	0.1
Net other non-operating income and expenses	**0.0**	**0.0**
Other income	**2.0**	**6.4**

(7) Segment reporting

in €m	Private Banking	Corporate Banking	Institu-tional Clients	Global Markets	Central Divisions/ Consoli-dation	Total
Net interest income						
30.6.2008	7.0	21.9	2.1	2.6	29.7	63.3
30.6.2007	6.7	18.8	1.7	2.6	24.5	54.3
Net loan impairment and other credit risk provisions						
30.6.2008	-0.6	-3.5	-0.4	-0.1	3.9	-0.7
30.6.2007	-0.8	-3.9	-0.1	-0.1	7.6	2.7
Share of profit in associates						
30.6.2008					0.2	0.2
30.6.2007					3.2	3.2
Net fee income						
30.6.2008	44.3	46.0	75.3	3.2	9.8	178.6
30.6.2007	46.3	43.2	72.4	9.3	-6.2	165.0
Net trading income						
30.6.2008		-0.2	2.6	54.8	5.2	62.4
30.6.2007		-0.1	0.8	59.1	5.4	65.2
Administrative expenses						
30.6.2008	-32.9	-38.6	-46.2	-27.4	-59.3	-204.4
30.6.2007	-30.3	-35.6	-42.2	-27.7	-41.3	-177.1
Net other operating income and expenses						
30.6.2008					2.0	2.0
30.6.2007					6.4	6.4
Operating profit						
30.6.2008	17.8	25.6	33.4	33.1	-8.5	101.4
30.6.2007	21.9	22.4	32.6	43.2	-0.4	119.7
Income from financial assets						
30.6.2008					-0.2	-0.2
30.6.2007					8.7	8.7
Net other non-operating income and expenses						
30.6.2008					0.0	0.0
30.6.2007					0.0	0.0
Profit before taxes						
30.6.2008	17.8	25.6	33.4	33.1	-8.7	101.2
30.6.2007	21.9	22.4	32.6	43.2	8.3	128.4

The balanced business structure at HSBC Trinkaus paid off in the first half of 2008. The Corporate Banking and Institutional Clients segments reported increases in earnings despite the repercussions of the subprime crisis. The burdens resulting from the unfavourable market environment prevented the Private Banking and Global Trading segments from repeating their extraordinarily good prior-year results.

The Corporate Banking segment recorded a particularly strong increase compared to the previous year. This was due on the one hand to higher net interest income as a result of the increase in sight deposits and lending volume at the same time as an increase in the margin on the deposits side. On the other, there was an improvement in net fee income in the securities, international and foreign exchange business. The Institutional Clients segment was extremely successful in comparison with the previous year in the equities, fixed income and custody business. In the Private Banking segment, the increases in revenues in Asset Management and in the business with structured interest products were almost enough to compensate the substantial reduction in transaction revenues in the securities business owing to the restraint shown by many investors on account of the market environment. The Global Markets segment was affected most by the unfavourable general setting and was not able to reach its outstanding prior-year result. There was a significant decline in the business with structured interest and credit products. All the same, net trading income provides impressive evidence of the Bank's strict risk and limit discipline.

In addition to the lower allocation of costs owing to a decline in the number of transactions and the costs for the introduction of the withholding tax, the substantial increase in revenues and administrative expenses in the Central Divisions compared to last year is due to the repurchase of all shares in our securities settlements subsidiary, ITS, at the end of 2007. While consolidated at equity last year, all of ITS' revenue and cost items are reported on a fully-consolidated basis this year.

(8) Loans and advances to banks

in €m	30.6.2008	31.12.2007
Current accounts	753.7	722.1
Money market transactions	2,043.6	3,313.5
of which overnight money	219.7	0.4
of which term deposits	1,823.9	3,313.1
Other loans and advances	201.6	81.4
Total	**2,998.9**	**4,117.0**
of which domestic banks	1,160.3	1,382.3
of which foreign banks	1,838.6	2,734.7

(9) Loans and advances to customers

in €m	30.6.2008	31.12.2007
Current accounts	1,784.2	1,651.1
Money market transactions	1,320.5	1,025.7
of which overnight money	281.9	279.8
of which term deposits	1,038.6	745.9
Loan accounts	1,615.0	1,562.5
Other loans and advances	40.7	33.6
Total	**4,760.4**	**4,272.9**
of which domestic customers	3,451.8	3,128.9
of which foreign customers	1,308.6	1,144.0

(10) Net loan impairment and other credit risk provisions

in €m	30.6.2008	31.12.2007
Impairment charges/recoveries for loans and advances	18.4	16.2
Other credit risk provisions	6.2	7.5
Net loan impairment and other credit risk provisions	**24.6**	**23.7**

	Impairments and other credit risk provisions				Total	
	Individually assessed		Collectively assessed			
in €m	2008	2007	2008	2007	2008	2007
As at 1.1.	**19.1**	**21.7**	**4.6**	**6.2**	**23.7**	**27.9**
Reversals	1.5	2.1	0.0	0.8	1.7	2.9
Utilisation	0.1	0.2	0.0	0.0	0.1	0.2
Additions	0.3	0.5	2.0	0.0	2.5	0.5
Currency translation/ transfers	0.2	0.0	0.0	0.0	0.2	0.0
As at 30.6.	**18.0**	**19.9**	**6.6**	**5.4**	**24.6**	**25.3**

(11) Trading assets

in €m	30.6.2008	31.12.2007
Bonds and other fixed-income securities	7,105.4	6,241.9
Equities and other non-fixed-income securities	395.2	479.4
Tradable receivables	1,045.8	813.1
Positive market value of derivatives	1,783.7	1,860.6
Reverse repos/securities lending	152.9	1,041.8
Total	**10,483.0**	**10,436.8**

(12) Financial assets

in €m	30.6.2008	31.12.2007
Bonds and other fixed-income securities	1,208.1	886.1
Equities	60.0	41.5
Investments	284.3	383.3
Promissory note loans	185.6	157.2
Interests in subsidiaries	93.8	100.1
Total	**1,831.8**	**1,568.2**

(13) Deposits by banks

in €m	30.6.2008	31.12.2007
Current accounts	1,135.5	611.2
Money market transactions	1,252.2	1,750.3
of which overnight money	676.8	603.2
of which term deposits	575.4	1,147.1
Other liabilities	327.2	171.2
Total	**2,714.9**	**2,532.7**
of which domestic banks	932.3	1,346.5
of which foreign banks	1,782.6	1,186.2

(14) Customer accounts

in €m	30.6.2008	31.12.2007
Current accounts	5,136.9	5,283.9
Money market transactions	4,328.7	4,523.4
of which overnight money	574.2	607.1
of which term deposits	3,754.5	3,916.3
Savings deposits	12.9	13.2
Other liabilities	462.9	462.7
Total	**9,941.4**	**10,283.2**
of which domestic customers	7,382.1	7,462.8
of which foreign customers	2,559.3	2,820.4

(15) Trading liabilities

in €m	30.6.2008	31.12.2007
Negative market value of derivatives	1,739.2	1,642.0
Promissory note loans, bonds, certificates and warrants	3,965.5	4,291.8
Delivery obligations arising from securities sold short	485.2	554.6
Repos/securities lending transactions	0.0	0.0
Total	**6,189.9**	**6,488.4**

(16) Derivatives business

in €m	Nominal amounts with a residual maturity of Up to 1 year	1–5 years	Over 5 years	Total	Positive market values
Interest rate transactions					
30.6.2008	15,986	19,821	16,638	52,445	684
31.12.2007	11,303	19,385	18,440	49,128	614
Foreign exchange transactions					
30.6.2008	32,570	3,493	68	36,131	640
31.12.2007	27,542	2,386	98	30,026	632
Equity/index transactions					
30.6.2008	7,358	3,344	233	10,935	48
31.12.2007	6,952	3,677	300	10,929	66
Total					
30.6.2008	**55,914**	**26,658**	**16,939**	**99,511**	**1,372**
31.12.2007	**45,797**	**25,448**	**18,838**	**90,083**	**1,312**

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

(17) Contingent liabilities and other obligations

in €m	30.6.2008	31.12.2007
Contingent liabilities on guarantees and indemnity agreements	1,569.9	1,617.2
Irrevocable loan commitments	3,928.8	3,704.3
Total	5,498.7	5,321.5

(18) Business combinations

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

Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Düsseldorf, August 2008

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

Key dates

13 November 2008
Interim Report as at 30 September 2008

April 2009
Annual Results Press Conference

May 2009
Interim Report as at 31 March 2009

9 June 2009
Annual General Meeting

August 2009
Interim Report as at 30 June 2009

November 2009
Interim Report as at 30 September 2009

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