Registration Document dated 3 January 2024
(the "**Registration Document**")

pursuant to Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**")

in conjunction with Article 7 and Annex 6 to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (the "**Delegated Regulation**")

of

HSBC Trinkaus & Burkhardt GmbH
Düsseldorf
(the "**Issuer**")

The validity of the Registration Document of the Issuer dated 3 January 2024 commences at the approval of the Registration Document and ends on 3 January 2025. The end of the validity of the Registration Document on 3 January 2025 shall not affect the validity of a base prospectus of which it is a constituent part. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Registration Document is no longer valid.

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I. Risk factors

Risks which are specific to HSBC Trinkaus & Burkhardt GmbH (the "**Issuer**") and material for taking an informed investment decision are presented below. The materiality of a risk is determined on the basis of the negative impact on the Issuer and the securities as well as the probability of its occurrence.

The risks are presented in the following categories:
Category 1: Issuer default risk (insolvency risk) and
Category 2: Risks in connection with the Issuer's dependence on the Guarantor or HBCE

These risks may occur separately or collectively. In each category, one material risk is listed and described.

Category 1: Issuer default risk (insolvency risk)

The security holder bears the Issuer default risk, i.e., the risk of the Issuer's insolvency. The Issuer's obligations to the security holders under the securities are guaranteed by HSBC Continental Europe S.A., Paris, France (the "**Guarantor**" or "**HBCE**"). The Guarantor acts under the legal name of its branch (*Zweigniederlassung*), HSBC Continental Europe S.A., Germany ("**HBCE Germany**"), with its registered office at Hansaallee 3, 40549 Düsseldorf, Germany.

In the event of the Issuer's insolvency, however, the investor is exposed to the risk of total loss of the capital employed (purchase price plus other costs associated with the purchase – hereinafter together the "**Capital Employed**"), as well as the loss of interest payments or other income payments, if such payments are provided for.

The occurrence of this risk would result in the Issuer being unable to meet its payment obligations to the security holders under the securities issued, or to meet them when due, or in the full amount. This may occur if the Issuer is insolvent (*zahlungsunfähig*) or overindebted (*überschuldet*), or is likely to become insolvent or overindebted.

If insolvency proceedings are opened against the Issuer, security holders can only register their claims in the schedule of creditors (*Insolvenztabelle*) in accordance with the German Insolvency Code (*Insolvenzordnung*). Security holders then receive an amount of money, which is calculated based on the insolvency rate (*Insolvenzquote*). Such an amount will regularly be substantially less than the Capital Employed.

The securities do not benefit from any protection against the risk of insolvency by the Deposit Protection Fund of the Association of German Banks (*Einlagensicherungsfonds des Bundesverbandes deutscher Banken*), the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken – EdB) or comparable institutions. Security holders are not protected against the total loss of the Capital Employed in the event of the Issuer's insolvency.

Category 2: Risks in connection with the Issuer's dependence on the Guarantor or HBCE

By virtue of its business model, the Issuer is dependent on HBCE continuously performing its contractual obligations to the Issuer and the security holders, in particular, under the Hedging and Fiduciary Framework Agreement (as defined in section II. 4.1.5) and as Guarantor under the Guarantee (as defined below). As a result of the guarantee, the Guarantor is obliged vis-à-vis the security holders to satisfy all claims of the security holders against the Issuer to the extent they become due under the securities (the "**Guarantee**"). The terms and conditions of the securities provide that upon performance by the Guarantor under the Guarantee the corresponding claims of the security holders under the securities will be reduced by the respective amount. Therefore, recourse against the Issuer is limited to proceeds not actually received. Against this background, the fulfilment of the Issuer's obligations under the securities is directly linked to the Guarantor's solvency. If the Guarantor is insolvent, the security holders may therefore lose their entire Capital Employed. In addition, the terms and conditions of the securities provide that the claims of the security holders under the securities against the Issuer may be written down in the event that the competent supervisory authority of the Guarantor exercises its creditor participation authorisation (as defined in the terms and conditions of the securities). Furthermore, the Issuer is dependent on smooth liquidity management on the part of the Guarantor, as the Issuer does not receive any proceeds from the Issuance Activity (as defined in section II. 5.1.1 a)).

The purpose of the Hedging and Fiduciary Framework Agreement is to ensure that HBCE Germany, as service provider for the security holders, satisfies all obligations of the Issuer towards the security holders on behalf and in the name of the Issuer and thereby the Issuance Activity can be operated. As a result, the functioning of the Issuance Activity depends on HBCE Germany providing the required services. The Issuer has no control over operational processes related to the Issuance Activity, i.e., in particular, the personnel and information system.

II. General information

The end of the validity of the Registration Document on 3 January 2025 shall not affect the validity of a base prospectus of which it is a constituent part. The validity of the corresponding base prospectus ends when the validity of the corresponding securities note ends.

1. Responsible persons, third party information, expert reports and competent authority approval

1.1. Responsibility for the information contained in the Registration Document

HSBC Continental Europe S.A., Paris, France, acting under the legal name of its branch (*Zweigniederlassung*), HSBC Continental Europe S.A., Germany, ("**HBCE Germany**") with domicile at Hansaallee 3, 40549 Düsseldorf, Germany assumes responsibility for the information contained in the Registration Document.

1.2. Declaration for those responsible for the Registration Document

HBCE Germany declares that to the best of its knowledge, the information contained in the Registration Document is in accordance with the facts and that the Registration Document makes no omission likely to affect its import.

1.3. Statements or reports by experts

Statements or reports by experts are not included in this Registration Document.

1.4. Third party information

Third-party information has not been used in this Registration Document.

1.5. Statement of approval of the Registration Document

HBCE Germany declares that

a) the Registration Document has been approved by the German Federal Financial Supervisory Authority ("**BaFin**") as the competent authority under the Prospectus Regulation,

b) BaFin only approves this Registration Document regarding the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation,

c) such approval should not be considered as an endorsement of the Issuer that is the subject of this Registration Document.

2. Statutory auditor

2.1. Name and address

The auditor of the Issuer for the period covered by the historical financial information is PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Moskauer Strasse 19, 40227 Düsseldorf, Germany, tel. +49 (0)211 981 0 (the "**Auditor**"). The Auditor is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*). It is also a member of the German Institute of Public Accountants (*Institut der Wirtschaftsprüfer* - IDW).

2.2. Change of auditor

The Auditor was neither removed nor not reappointed, nor did it resign during the period covered by the historical financial information.

3. Risk factors

Details of the risk factors relating to the Issuer may be found in section I. of the Registration Document.

4. Information about the Issuer

4.1 History and development of the Issuer

4.1.1. Legal and commercial name of the Issuer

The legal name of the Issuer is HSBC Trinkaus & Burkhardt GmbH. Its commercial name is HSBC Germany.

4.1.2. Place of registration of the Issuer, its registration number and legal entity identifier (LEI)

The Issuer was created from the conversion of the limited partnership (*Kommanditgesellschaft* - KG) Trinkaus & Burkhardt into a partnership limited by shares (*Kommanditgesellschaft auf Aktien* - KGaA). It was entered as a KGaA in the commercial register of the Düsseldorf Local Court on 13 June 1985 under number HRB 20 004.

The company name was changed from "Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien" to "HSBC Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien", by resolution of the shareholders' meeting on 2 June 1999. This was entered in the commercial register on 17 June 1999.

A resolution to convert HSBC Trinkaus & Burkhardt KGaA into a stock corporation (*Aktiengesellschaft* - AG) was adopted at the annual general meeting on 30 May 2006. This was entered in the commercial register on 31 July 2006 under number HRB 54447.

A resolution to convert HSBC Trinkaus & Burkhardt AG into a limited liability company (*Gesellschaft mit beschränkter Haftung* - GmbH) was adopted at the annual general meeting on 3 May 2022. This was entered in the commercial register on 25 May 2022 under the number HRB 97562.

The Issuer's legal entity identifier (LEI) is: JUNT405OW8OY5GN4DX16.

4.1.3. Date of incorporation of the Issuer

The Issuer's origins go back to the trading house Christian Gottfried Jäger founded in Düsseldorf in 1785, which later became the bank C. G. Trinkaus, and to the Simon Hirschland bank, founded in Essen in 1841, whose legal successor was Bankhaus Burkhardt & Co.

The banks C. G. Trinkaus, Düsseldorf, and Bankhaus Burkhardt & Co., Essen, operated as limited partnerships, merged in 1972 to form the limited partnership Trinkaus & Burkhardt.

4.1.4. Domicile and legal form of the Issuer; legislation

The Issuer's domicile is Hansaallee 3, 40549 Düsseldorf, Germany, tel.: +49 (0)211 910 0.

The Issuer operates in the legal form of a German limited liability company (GmbH).

It primarily operates under German legislation.

The Issuer was founded in Germany.

The Issuer's website is: www.hsbc-zertifikate.de/emittent. The information on the website does not form part of the Registration Document unless that information is incorporated by reference into the Registration Document.

4.1.5. Details of any recent events

For regulatory reasons, banking groups domiciled outside the EU must establish a parent company domiciled in the EU for their EU business activities by the end of 2023, if their assets in the EU total €40 billion or more. Due to these mandatory requirements and other reasons, the HSBC Group decided to pool its European business activities under HBCE. As regards the Issuer, a change of ownership from HSBC Bank plc, London, to HBCE took place at the end of November 2022. Furthermore, the entire operating business of the Issuer was transferred to HBCE around 30 of June 2023 with a few exceptions, such as, in particular, a few shareholdings and the Issuance Activity. Moreover, a domination and profit and loss transfer agreement is in place between the Issuer as the dominated company and HBCE as the dominating company. Under this agreement, HBCE is obliged to compensate any annual loss of the Issuer. In addition, HBCE (as legal successor of HSBC Titan GmbH & CO. KG as a result of the Accretion (as defined in section II. 13.1)) is obliged under the spin-off and takeover agreement entered into between the Issuer and HSBC Titan GmbH & Co. KG (the "**Spin-off Agreement**") and under the hedging and fiduciary framework agreement entered into with the Issuer to ensure the continued functioning of the Issuance Activity (the "**Hedging and Fiduciary Framework Agreement**") to indemnify the Issuer against all liabilities arising under the securities. Further, HBCE as guarantor is obliged towards the security holders to fulfil all liabilities of the Issuer arising under the securities. In return, HBCE receives all proceeds from the Issuance Activity. Against this background, the Issuer's ability to meet its payment and delivery obligations is dependent on HBCE's performance. As part of the restructuring within the HSBC Group the Issuer has returned its banking license and the Issuer's supervisory board was eliminated in the course of the year 2023.

4.1.6. The Issuer's Rating

There are no ratings that either have been requested by the Issuer or that have been created in cooperation with the Issuer as part of the rating process.

4.1.7. Information on the material changes in the Issuer's borrowing and funding structure since the last financial year (information based on the stand-alone financial statements in accordance with German Commercial Code (HGB))

Total assets of HSBC Trinkaus & Burkhardt GmbH as at 31 December 2022 amounted to € 37.7 billion compared with € 31.5 billion as at 31 December 2021, and thus increased by € 6.2 billion. As for the financial year 2022, customer accounts remain the Issuer's most important source of refinancing. They amounted to € 27.6 billion as at 31 December 2022 (31 December 2021: € 20.2 billion), that is, around 73 % of total assets.

The risk-weighted assets of HSBC Trinkaus & Burkhardt GmbH amounted to € 12.8 billion as at 31 December 2022 (31 December 2021: € 14.1 billion). € 10.7 billion thereof is attributable to credit risk (31 December 2021: € 12.0 billion), € 0.5 billion to market risk (31 December 2021: € 0.6 billion) and € 1.7 billion to operational risk (31 December 2021: € 1.5 billion). This results in a Tier 1 capital ratio of 18.9 % as of 31 December 2022 (31 December 2021: 14.7 %) and a regulatory capital ratio of 21.7 % (31 December 2021: 16.9 %).

Around 30 June 2023, all assets and liabilities of HSBC Trinkaus & Burkhardt GmbH were transferred to HBCE Germany with a few exceptions, such as, in particular, a few shareholdings and the Issuance Activity. Since all proceeds from the Issuance Activity flow directly to HBCE Germany, from the time the aforementioned transfer takes effect only liabilities remain with HSBC Trinkaus & Burkhardt GmbH with regard to the Issuance Activity. Possible losses of HSBC Trinkaus & Burkhardt are being compensated under the domination and profit and loss transfer agreement with HBCE. HBCE is also obliged under the Hedging and Fiduciary Framework Agreement to indemnify HSBC Trinkaus & Burkhardt GmbH against all liabilities arising under the Issuance Activity.

4.1.8. Description of the expected financing of the Issuer's activities.

The Issuer does not have its own source of refinancing. With respect to the provision of liquidity, the Issuer is entirely dependent on funding from HBCE.

5. Business overview

5.1. Principal activities

5.1.1. Principal activities of the Issuer

a) Description of the main categories of products sold and/or services performed

The Issuer's object is the administration of its assets as well as the issuance of securities. Within the scope of its business activities, the Issuer issues structured securities such as warrants, certificates and notes to HBCE Germany for further distribution (the "**Issuance Activity**"). The Issuer does not distribute the products itself. Investors can order them through their principal bank, various direct banks or via the stock exchanges specified in the Final Terms.

Pursuant to the Hedging and Fiduciary Framework Agreement it is HBCE Germany's responsibility to ensure that the liabilities under the securities are discharged and that all necessary distribution, settlement and other services are provided on behalf of the Issuer. In return, HBCE Germany receives all proceeds from the Issuance Activity. As a result, the Issuer is dependent on a seamless liquidity management by HBCE Germany.

b) Indication of any significant new products or activities

There have not been any newly introduced significant products or services of the Issuer since the date of the Issuer's last published audited financial statements.

As a result of the restructuring of the German business within the HSBC Group, the Issuer transferred its entire operating business to HBCE Germany with a few exceptions, such as, in particular, a few shareholdings and the Issuance Activity. Moreover, a domination and profit and loss transfer agreement is in place between the Issuer as the dominated company and HBCE as the dominating company. HBCE is obliged to indemnify the Issuer against all liabilities arising under the securities. Furthermore, HBCE Germany has to provide all necessary distribution, settlement and other services in connection with the Issuance Activity. In addition, the Guarantor is obliged under the Guarantee towards the security holders to fulfil all liabilities of the Issuer arising under the securities.

c) Description of the principal markets in which the Issuer competes

The Issuer's principal activity listed in item 5.1.1 above is primarily focused on the German market. The market conditions in the German banking market have remained unchanged since publication of the Issuer's last published audited financial statements.

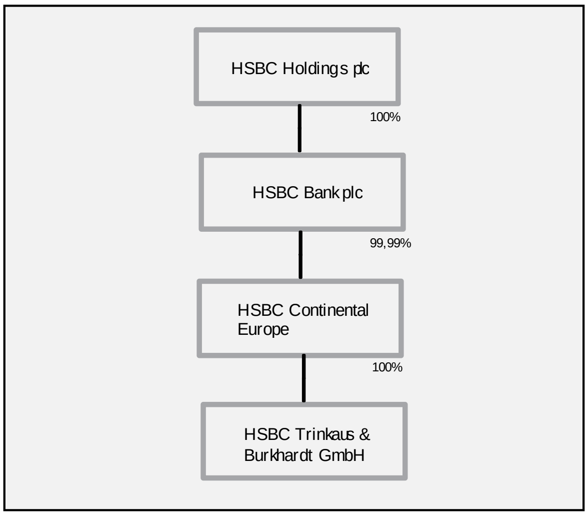
5.2. Statements made by the Issuer regarding its competitive position

As the Issuer makes no statements regarding its competitive position, no basis therefor has to be stated.

6. Organisational structure

6.1. The Issuer's membership in a group

The Issuer is part of the HSBC Group.



The HSBC Group considers itself to be one of the largest banking and financial services groups in the world. It operates subsidiaries and branch offices in Europe and the regions Asia-Pacific, North, Central and South America, the Middle East and Africa.

Within its international network, the HSBC Group is active, in particular,

- in general banking,
- in corporate banking,
- in investment banking and
- in supporting private clients.

The Issuer's financial statements are included in the consolidated financial statements of HBCE.

The Issuer holds 100% of the shares of HSBC Trinkaus Real Estate GmbH, Düsseldorf.

6.2. The Issuer's dependence upon other members of the group

The Issuer is part of the HSBC Group. It is under the direct control of HSBC Continental Europe S.A., Paris, France ("**HBCE**"), acting under the legal name of its branch (*Zweigniederlassung*), HSBC Continental Europe S.A., Germany, which holds 100% of the shares of the Issuer, within the meaning of section 17 of the German Stock Corporation Act (*Aktiengesetz* –"**AktG**").

The majority shareholder of HBCE with a shareholding of approx. 99.99% is HSBC Bank plc with its registered office in London, whose sole shareholder is HSBC Holdings plc, the parent company of the HSBC Group, with its registered office in London.

The Issuer is consequently a company indirectly controlled by HSBC Holdings plc and HSBC Bank plc and directly controlled by HBCE within the meaning of section 17 AktG.

There is a domination and profit and loss transfer agreement in place between the Issuer as dominated company and HBCE as the dominating company, placing the Issuer's management under the control of HBCE. The Issuer is obliged to transfer 100% of its profit to HBCE, and HBCE is required to compensate the Issuer for any annual loss. The existing Hedging and Fiduciary Framework Agreement as well as the Guarantee between the Issuer and HBCE are ensuring the ongoing functioning of the Issuance Activity.

7. Trend information

7.1. Material adverse change in the prospects of the Issuer; significant change in the financial performance of the Issuer

(a) There has been no material adverse change in the prospects of the Issuer since the date of its last published audited annual financial statements, 31 December 2022.

(b) Significant changes in the financial performance of the Issuer since the date of its last published audited annual financial statements, 31 December 2022, become apparent from transferral of the Issuer's operating business to HBCE leading to the Issuer only having liabilities, since the proceeds from the Issuance Activity directly flow to HBCE, as illustrated in section II. 11.5.1. In return, the Issuer and HBCE entered into a Hedging and Fiduciary Framework Agreement as well as the Guarantee. Furthermore, there is a domination and profit and loss transfer agreement in place between the Issuer and HBCE, according to which HBCE has the duty to compensate the Issuer for any annual loss.

7.2. Information on any known trends, uncertainties, demands, commitments or events

In addition to the traditionally keen competition in the German banking market, the high level of regulation and the rising although still relatively low interest rates, high inflation, in particular, and therefore the economic situation remain a challenge. Due to the war in Ukraine and the ongoing supply chain shortages, global economic growth is likely to contract by about 50% year on year in 2023. The German economy was weakened even before the COVID crisis. A gloomy outlook for German economic growth given the consequences of the economic sanctions in connection with the Ukraine war and smouldering global trade conflicts is exacerbating the economic conditions for globally oriented banks. Moreover, digital platforms are gaining increasing importance. This applies both to competition with new market participants and within established financial institutions. With digital business models increasingly exposed to cyber risks, a modern and secure IT infrastructure is a distinguishing factor.

Beyond this, the Issuer is not aware of any demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects, for at least the current financial year.

8. Profit forecasts or estimates

No profit forecasts or estimates are included.

9. Administrative, management and supervisory bodies
9.1. Supervisory Board and Management Board
a) Members of the supervisory body (Supervisory Board) and the management body (Management Board)
Supervisory Board
The Issuer does not have a Supervisory Board. With the end of the shareholders' meeting held on 9 August 2023, the status procedure (initiated with the announcement in the Federal Gazette on 6 July 2023) has ended. Since this date, HSBC Trinkaus & Burkhardt GmbH has no longer a Supervisory Board. The appointment of the remaining members of the Supervisory Board has therefore ended.

Management Board
The Issuer is legally represented by two managing directors or one managing director together with a registered agent holding a general power of attorney with a statutorily defined scope (*Prokurist*).

All managing directors can be reached at the Issuer's business address, Hansaallee 3, 40549 Düsseldorf.

Several managing directors exercise supervisory board and advisory board functions at subsidiaries. Within the scope of relevant statutory provisions, they hold supervisory board and advisory board mandates at non-group companies.

The current managing directors are:

Carsten **Hennies**, Düsseldorf
Mandates in supervisory bodies comparable to the Supervisory Board:
- HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg
  (Vice-Chairman of the Supervisory Board)

Dr. Detlef **Irmen**, Mönchengladbach
Supervisory board mandates:
- sino AG, Düsseldorf

Georg **Krull**, Meerbusch

b) Partner with unlimited liability, in the case of a limited partnership with a share capital
Not applicable.

9.2. Administrative, management, and supervisory bodies' conflicts of interests
In accordance with the provisions of the Issuer's internal policies, each managing director is personally obliged to disclose potential conflicts of interest.

There are currently no potential conflicts of interest between the obligations to the Issuer of the managing directors and their private interests or other obligations (as of the date of this Registration Document).

10. Major shareholders
10.1 Statement as to whether the Issuer is directly or indirectly owned or controlled
The Issuer is part of the HSBC Continental Europe S.A., Paris, France ("**HBCE**"), acting under the legal name of its branch (*Zweigniederlassung*), HSBC Continental Europe S.A., Germany. The Issuer is a wholly owned subsidiary of HBCE. The majority shareholder of HBCE with a shareholding of approx. 99.99% is HSBC Bank plc, with its registered office in London, whose sole shareholder is HSBC Holdings plc, the parent company of the HSBC Group, with its registered office in London.

The Issuer is consequently a company indirectly controlled by HSBC Holdings plc and HSBC Bank plc and directly controlled by HBCE, which holds 100% of the shares of the Issuer, within the meaning of section 17 AktG.

There is a domination and profit and loss transfer agreement in place between the Issuer as dominated company and HBCE as the dominating company, placing the Issuer's management under the control of HBCE. The Issuer is obliged to transfer 100% of its profit to HBCE, and HBCE is required compensate the Issuer for any annual loss. The ongoing functioning of the Issuance Activity is ensured by the Hedging and Fiduciary Framework Agreement entered into between the Issuer and HBCE and by the Guarantee entered into with the Guarantor for the benefit of the security holders.

10.2 Arrangements regarding potential changes in control

As a result of the corporate restructuring outlined in section II. 5.1.1 b) within the HSBC Group, HBCE became the direct sole shareholder of the Issuer. A domination and profit and loss transfer agreement was concluded between the Issuer as the dominated company and HBCE as the dominating company.

11. Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses

11.1. Historical financial information

11.1.1. Audited historical financial information

The Registration Document contains the following audited historical financial information covering the last two financial years:

- Annual financial statements 2022 (stand-alone financial statements in accordance with HGB),
- Annual financial statements 2021 (stand-alone financial statements in accordance with HGB)

The financial information was originally prepared in German. The financial information contained in the registration form is a non-binding convenience translation into English.

The annual financial statements for the years ending 31 December 2022 and 31 December 2021 (each stand-alone financial statements in accordance with HGB) were issued an unqualified audit opinion by the Auditor.

11.1.2. Change of accounting reference date

The Issuer did not change its accounting reference date during the period for which historical financial information is required.

11.1.3. Accounting standards

The financial information has been prepared in accordance with national accounting principles based on HGB.

11.1.4. Change of accounting framework

The last audited historical financial information, containing comparative information for the previous year, was presented and prepared in a form consistent with the accounting standards framework that will be adopted in the Issuer's next published annual financial statements.

11.1.5. Balance sheet, income statement, cash flow statement, accounting policies and explanatory notes

The audited financial information:

- Annual financial statements 2022 (stand-alone financial statements in accordance with HGB), and
- Annual financial statements 2021 (stand-alone financial statements in accordance with HGB)

were prepared in accordance with national accounting principles.

The financial information includes:

a) the annual balance sheet (stand-alone financial statements),
b) the income statement (stand-alone financial statements),
c) the cash flow statement,
d) the accounting policies and explanatory notes.

11.1.6. Annual financial statements

The Issuer has prepared:

- the annual financial statements 2022 (stand-alone financial statements in accordance with HGB), and
- the annual financial statements 2021 (stand-alone financial statements in accordance with HGB).

11.1.7. Age of financial information

The balance sheet date of the last year of audited financial information are not older than18 months from the date of this Registration Document.

11.2. Interim and other financial information

11.2.1. Publication of half yearly financial information

The Issuer has not published a semi-annual report since the date of its last published audited annual financial statements, 31 December 2022.

11.3. Auditing of historical annual financial information

11.3.1. Statement on auditing of annual historical financial information

The annual financial statements for the years ending 31 December 2022 and 31 December 2021 (each stand-alone financial statements in accordance with HGB) were audited by the Auditor. The Auditor's opinion was issued in accordance with Directive 2014/56/EU and Regulation (EU) No 537/2014.

The annual financial statements for the years ending 31 December 2022 and 31 December 2021 (each stand-alone financial statements in accordance with HGB) were issued an unqualified audit opinion by the Auditor.

11.3.2. Indication of other information in the Registration Document which has been audited by the Auditor

No other information in this Registration Document was audited by the Auditor.

11.3.3. Other financial information

This Registration Document does not contain any financial information not taken from the audited financial statements.

11.4. Legal and arbitration proceedings

11.4.1. Information on any governmental, legal or arbitration proceedings

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering at least the previous twelve months (as at the date of the Registration Document) which have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.

However, the shareholder action under German company law originally conducted between HSBC Germany Holdings GmbH and the former minority shareholders of the Issuer, has been passed on to the Issuer by way of the merger. This action concerns a review of the appropriateness of the cash settlement determined by HSBC Germany Holdings GmbH in accordance with section 327b (1) sentence 1 AktG, which was paid to the former shareholders of the Issuer based on the squeeze-out under company law. The outcome and the further course of the action are not yet foreseeable at this time. HBCE is obliged to indemnify the Issuer against all possible costs and liabilities in connection with these proceedings.

11.5. Significant change in the Issuer's financial position

11.5.1. Significant change in the financial position of the Issuer

As a result of the restructuring within the HSBC Group, the Issuer transferred its entire operating business to HBCE with a few exceptions, such as, in particular, a few shareholdings and the Issuance Activity, around 30 June 2023. From the perspective of the Issuer, there are only liabilities emerging from the Issuance Activity existing vis-à-vis the security holders. These liabilities are covered by the domination and profit and loss transfer agreement entered into between the Issuer as the dominated company and HBCE as the dominating company. Under this agreement, HBCE is obliged to compensate the Issuer for any annual loss, thus, the Issuer's income statement is going to show a result of zero for each financial year. In addition, HBCE (as legal successor of HSBC Titan GmbH & Co. KG) is obliged under the Spin-off Agreement as well as under the Hedging and

Fiduciary Framework Agreement to indemnify the Issuer against all liabilities arising under the securities. Furthermore, HBCE is obliged as guarantor vis-à-vis the security holders to discharge all liabilities of the Issuer arising under the securities. In return, HBCE receives all proceeds from the Issuance Activity. Against this background, the Issuer's ability to meet its payment and delivery obligations is dependent on HBCE's performance.

Pursuant to Section 133 (1) and (3) of the German Transformation Act (*Umwandlungsgesetz* – "**UmwG**"), the Issuer is jointly and severally liable together with HBCE for all liabilities of the Issuer which were created prior to the effective date of the spin-off ("**Spin-off**"). The Issuer is only liable for liabilities of the Issuer which have been allocated to HSBC Titan GmbH & Co. KG in the Spin-off Agreement, if they mature before the expiry of five years (in case of pension obligations based on the German Company Pensions Act (*Betriebsrentengesetz*): 10 years) upon the Spin-off and claims against the Issuer are determined pursuant to the manner specified in Section 133 (1) sentence 1 UmwG, whereas the liability of the Issuer shall be limited to the value of the net assets allocated to it on the effective date of the Spin-off. In contrast, under the Spin-off Agreement HBCE is obliged to indemnify the Issuer if a claim is made against it by a third party on the basis of the provisions of Section 133 UmwG or other provisions for a liability allocated to HSBC Titan GmbH & Co. KG under the Spin-off Agreement.

The balance sheet structure of the Issuer is therefore characterised by a yet to be defined amount of required regulatory capital, matched by corresponding liquid funds, and liabilities from the Issuance Activity, which in turn are matched by claims for compensation against HBCE.

12. Additional information

12.1. Share capital

The Issuer's share capital currently amounts to €91,423,897.00. It is divided into 91,423,897 company shares with a nominal value of €1.00 each. The shares are fully paid. During the financial year, the share capital is going to be considerably reduced.

12.2. Memorandum and articles of association of the Issuer

The Issuer was created from the conversion of the limited partnership (*Kommanditgesellschaft* - KG) Trinkaus & Burkhardt into a partnership limited by shares (*Kommanditgesellschaft auf Aktien* - KGaA). It was entered as a KGaA in the commercial register of the Düsseldorf Local Court on 13 June 1985 under number HRB 20 004.

The company name was changed from "Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien" to "HSBC Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien", by resolution of the shareholders' meeting on 2 June 1999. This was entered in the commercial register on 17 June 1999.

A resolution to convert HSBC Trinkaus & Burkhardt KGaA into a stock corporation (*Aktiengesellschaft* - AG) was adopted at the annual general meeting on 30 May 2006. This was entered in the commercial register on 31 July 2006 under number HRB 54447.

A resolution to convert HSBC Trinkaus & Burkhardt AG into a limited liability company (*Gesellschaft mit beschränkter Haftung* - GmbH) was adopted at the annual general meeting on 3 May 2022. This was entered in the commercial register on 25 May 2022 under the number HRB 97562.

According to the memorandum and articles of association (Section 2 Object of the Company), object of the Issuer is the administration of its own assets as well as the issuance of securities.

13. Material contracts

13.1. Material contracts that are not entered into in the ordinary course of the Issuer's business

The Issuer has entered into the Spin-off Agreement and a share purchase and transfer agreement on 6 April 2023 for the purpose of transferring its entire operating business, with a few exceptions, such as, in particular, a few shareholdings and the Issuance Activity, to HBCE. The Spin-off Agreement, the subject matter of which is the transfer of the aforementioned operating business of the Issuer, was entered into between the Issuer as the transferring company and HSBC Titan GmbH

& Co. KG as the acquiring company. The Spin-off became effective at around 30 June 2023, upon registration in the commercial register of the Issuer. The share purchase and transfer agreement was entered into between the Issuer as sole general partner of HSBC Titan GmbH & Co. KG and HBCE as sole limited partner of HSBC Titan GmbH & Co. KG. Its object is the sale and transfer of the Issuer's interest in HSBC Titan GmbH & Co. KG to HBCE. This transfer became effective immediately (i.e., one logical second) after the Spin-off became effective. As a result of this transfer, the entire assets of HSBC Titan GmbH & Co. KG, i.e., in particular, the aforementioned operating business of the Issuer, was transferred to HBCE as the last remaining shareholder of HSBC Titan GmbH & Co. KG by way of universal succession ("**Accretion**").

On 4 January 2023, a domination and profit and loss transfer agreement was entered into between HBCE as dominating company and the Issuer as dominated company.

With effect from the effective date of the Spin-off, the Hedging and Fiduciary Framework Agreement was entered into between the Issuer and HSBC Titan GmbH & Co. KG. The position of HSBC Titan GmbH & Co. KG as a party to this agreement has passed to HBCE in the course of the Accretion. In addition, the Guarantee was concluded between HBCE and the Issuer for the benefit of the security holders when the Spin-off became effective.

14. Documents available

14.1. Documents available for inspection

The following documents are available for inspection during the validity of the Registration Document, which commences at the approval of the Registration Document on 3 January 2024 and ends on 3 January 2025:

a) the up to date memorandum and articles of association of the Issuer

The up to date memorandum and articles of association are available via the Issuer's website www.hsbc-zertifikate.de/emittent.

b) Statements or reports by experts

Statements or reports by experts are not included in this Registration Document.

FINANCIAL INFORMATION CONTENTS

Annual Financial Statements 2022

The Annual Financial Statements 2022 were originally prepared in German. This is a nonbinding convenience translation into English.

Annual Balance Sheet of HSBC Trinkaus & Burkhardt GmbH

as at 31 December 2022

Assets				31/12/2022	31/12/2021
	in €	in €	in €	in €	in € thousand
1. Cash reserve					
a) Cash on hand			589,835.43		719
b) Credit balance with central banks			1,394,313,707.00		15,055,388
of which: with Deutsche Bundesbank	1,394,313,707.00				(15,055,388)
c) Credit balance with girobanks			0.00		0
				1,394,903,542.43	**15,056,107**
2. Public-sector debt instruments and bills of exchange eligible for refinancing with central banks					
a) Treasury bills, discountable treasury notes and similar debt instruments of public-sector issuers			0.00		0
of which: eligible for refinancing with Deutsche Bundesbank	0.00				(0)
b) Bills of exchange			0.00		0
				0.00	0
3. Receivables from banks					
a) Repayable on demand			20,395,349,392.11		548,485
b) Other receivables			492,465,797.86		593,225
				20,887,815,189.97	**1,141,710**
4. Receivables from customers				7,009,562,950.16	7,074,449
of which: secured by mortgages on real estate	277,053,161.58				(234,030)
loans to or guaranteed by public-sector entities	50,161,831.46				(94,135)
5. Bonds and other fixed-income securities					
a) Money market instruments					
aa) Public sector issuers		0.00			0
ab) Other issuers		0.00			0
			0.00		0
b) Bonds and debentures					
ba) Public sector issuers		1,690,883,277.25			1,542,127
of which: eligible as collateral for Deutsche Bundesbank advances	1,347,323,487.22				(1,446,413)
bb) Other issuers		1,729,479,672.02			1,122,409
			3,420,362,949.27		**2,664,536**
of which: eligible as collateral for Deutsche Bundesbank advances	1,576,346,769.61				**(1,042,503)**
c) Own debt instruments			0.00		0
Principal amount	0.00				(0)
				3,420,362,949.27	**2,664,536**

Assets				31/12/2022	31/12/2021
	in €	in €	in €	in €	in € thousand
6. Shares and other variable yield securities				82,982,850.06	181,548
6a. Trading portfolio				3,933,159,715.59	4,630,000
7. Equity holdings				20,780,815.08	21,569
of which: in banks	0.00				(0)
in financial institutions	271,218.92				(271)
8. Holdings in affiliated companies				147,972,900.46	145,335
of which: in banks	0.00				(0)
in financial institutions	12,402,428.63				(7,002)
9. Fiduciary assets				107,160,000.00	107,145
of which: fiduciary loans	0.00				(0)
10. Equalisation claims against the public sector including debt instruments arising from conversion of such claims				0.00	0
11. Intangible fixed assets					
a) Self-developed industrial rights and similar rights and assets			0.00		0
b) Purchased concessions, industrial rights, similar rights and assets and licences in such rights and assets			5,525,514.87		8,163
c) Goodwill			0.00		0
d) Prepayments			9,299,398.76		9,777
				14,824,913.63	**17,940**
12. Tangible fixed assets				41,878,232.61	44,589
13. Unpaid contributions to subscribed capital				0.00	0
of which called	0.00				(0)
14. Other assets				369,274,490.88	215,417
15. Prepaid expenses				32,196,685.20	14,675
16. Deferred tax assets				188,211,802.61	122,196
17. Active difference from asset offsetting				4,902,916.28	56,330
18. Deficit not covered by equity				0.00	0
Total assets				**37,655,989,954.23**	**31,493,546**

Liabilities and equity				31/12/2022	31/12/2021
	in €	in €	in €	in €	in € thousand
1. Liabilities to banks					
a) Repayable on demand			876,727,798.88		683,819
b) With agreed maturity or notice period			1,228,280,731.30		3,576,313
				2,105,008,530.18	**4,260,132**
2. Liabilities to customers					
a) Savings deposits					
aa) With agreed notice period of three months		2,458,678.93			2,569
ab) With agreed notice period of more than three months		0.00			0
			2,458,678.93		**2,569**
b) Other liabilities					
ba) Repayable on demand		23,365,048,364.35			18,823,194
bb) With agreed maturity or notice period		4,225,903,247.95			1,396,080
			27,590,951,612.30		**20,219,274**
				27,593,410,291.23	**20,221,843**
3. Securitised liabilities					
a) Debt instruments issued			0.00		0
b) Other secured debt instruments			31,157,449.00		33,000
of which: own acceptances and promissory notes outstanding	31,157,449.00				(33,000)
				31,157,449.00	**33,000**
3a. Trading portfolio				4,469,907,603.52	3,486,433
4. Fiduciary liabilities				107,160,000.00	107,145
of which: fiduciary loans					(0)
5. Other liabilities				228,635,041.59	170,484
6. Deferred income				24,124,508.79	25,110
6a. Deferred tax liabilities				0.00	0
7. Provisions					
a) Provisions for pensions and similar obligations			32,001,711.60		18,496
b) Provisions for taxes			33,313,085.61		45,864
c) Other provisions			130,512,992.68		135,530
				195,827,789.89	**199,890**

Liabilities and equity				**31/12/2022**	**31/12/2021**
	in €	**in €**	**in €**	**in €**	**in € thousand**
9. Subordinated liabilities				844,925,247.27	854,636
10. Profit participation capital				0.00	0
of which: maturing within two years	0.00				(0)
11. Fund for general banking risks				65,800,000.00	65,800
12. Equity					
a) Subscribed capital	91,423,897.00		91,423,897.00		91,424
– Conditional capital –	0.00				(45,712)
b) Capital reserves			866,270,287.22		720,941
c) Revenue reserves					
cb) Reserve for shares in a controlling company or a company in which a majority interest is held		0.00			0
cd) Other revenue reserves		1,110,129,130.19			1,108,324
			1,110,129,130.19		**1,108,324**
d) Net retained profits/net accumulated losses			-77,789,821.65		148,384
				1,990,033,492.76	**2,069,073**
Total liabilities and equity				**37,655,989,954.23**	**31,493,546**
1. Contingent liabilities					
a) Contingent liabilities from endorsement of discounted bills of exchange			0.00		0
b) Contingent liabilities from guarantees and indemnity agreements			3,890,445,819.15		3,414,503
c) Contingent liabilities from the granting of security for third-party liabilities			0.00		0
				3,890,445,819.15	**3,414,503**
2. Other commitments					
a) Repurchase commitments under sales with an option to repurchase			0.00		0
b) Placement and underwriting commitments			0.00		0
c) Irrevocable loan commitments			6,414,999,076.57		8,436,762
				6,414,999,076.57	**8,436,762**

Income Statement of HSBC Trinkaus & Burkhardt GmbH

for the period from 1 January to 31 December 2022

				31/12/2022	**31/12/2021**
	in €	**in €**	**in €**	**in €**	**in € thousand**
1. Interest income from					
a) Lending and money market transactions		314,064,154.84			125,296
of which: negative interest income	54,934,399.00				(74,936)
b) Fixed-income securities and registered government debt		26,551,853.31			11,602
of which: negative interest income	792,657.00				(1,066)
			340,616,008.15		136,898
2. Interest expenses			104,014,186.68		-49,152
of which: negative interest expenses	75,526,735.33				(119,889)
				236,601,821.47	186,050
3. Current income from					
a) Shares and other variable yield securities			53,588.70		54
b) Equity holdings			3,418,342.74		83
c) Holdings in affiliated companies			0.00		126,012
				3,471,931.44	126,149
4. Income from profit pooling, profit transfer, or partial profit transfer agreements				88,296,877.80	17,139
5. Commission income			521,944,520.48		572,879
6. Commission expenses			326,486,266.64		358,321
				195,458,253.84	214,558
7. Net trading income				157,498,509.10	189,866
of which: release of special reserve according to section 340e (4) HGB	0.00				(0)
8. Other operating income				73,924,259.52	78,227
10. General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		225,941,494.82			244,188
ab) Social security, post-employment and other employee benefit expenses		46,444,987.25			36,151
of which:			272,386,482.07		280,339
in respect of post-employment benefits	21,160,120.86				(10,914)
b) Other administrative expenses			347,981,589.40		252,289
				620,368,071.47	532,628
11. Depreciation, amortisation and write-downs of tangible and intangible fixed assets				26,294,793.38	20,387
12. Other operating expenses				78,475,540.03	14,411

				31/12/2022	31/12/2021
	in €	**in €**	**in €**	**in €**	**in € thousand**
13. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions			154,134,615.37		0
14. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions			0.00		3,892
				154,134,615.37	3,892
15. Write-downs of and valuation allowances on equity holdings, holdings in affiliated companies and securities treated as fixed assets			0.00		24,914
16. Income from reversals of write-downs of equity holdings, holdings in affiliated companies and securities treated as fixed assets			0.00		0
				0.00	24,914
17. Loss absorption expenses				2,115,352.70	0
19. Result from ordinary activities				-126,136,719.78	223,541
20. Extraordinary income			0.00		0
21. Extraordinary expenses			0.00		0
22. Extraordinary result				0.00	0
23. Taxes on income			-48,345,433.16		75,157
24. Other taxes not recognised under item no. 12			-1,464.97		0
				-48,346,898.13	75,157
25. Income from loss absorption				0.00	0
26. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements				0.00	0
27. Net income/net loss for the financial year				-77,789,821.65	148,384
28. Retained profits brought forward				0.00	0
				-77,789,821.65	148,384
29. Withdrawals from capital reserves				0.00	0
30. Withdrawals from revenue reserves				0.00	0
31. Withdrawals from profit participation capital				0.00	0
32. Appropriation to revenue reserves				0.00	0
33. Replenishment of profit participation capital				0.00	0
34. Net retained profits/net accumulated losses				-77,789,821.65	148,384

Cash flow statement

in €m	2022	2021
1. Net income or loss for the period (Net income/net loss for the financial year including minority interests)	-77.8	148.4
2. +/– Write-downs of and valuation allowances/reversals of write-downs on receivables and fixed assets	76.3	53.8
3. +/– Increase/decrease in provisions	96.0	78.3
4. +/– Other non-cash expenses/income	26.0	-94.1
5. –/+ Gain/loss from the disposal of fixed assets	-2.3	0.4
6. –/+ Other adjustments (net)	0.0	0.0
7. –/+ Increase/decrease in receivables from banks	-19,741.4	300.3
8. –/+ Increase/decrease in receivables from customers	35.5	1,004.4
9. –/+ Increase/decrease in securities (not classified as long-term financial assets)	940.7	853.5
10. –/+ Increase/decrease in other operating assets	-27.3	93.4
11. –/+ Increase/decrease in liabilities to banks	-2,200.9	533.1
12. –/+ Increase/decrease in liabilities to customers	7,340.9	2,075.6
13. –/+ Increase/decrease in securitised liabilities	-2.0	-4.5
14. –/+ Increase/decrease in other operating liabilities	-57.7	-43.4
15. +/– Interest expenses/interest income	-170.8	-186.0
16. +/– Expenses/income from extraordinary items	0.0	0.0
17. +/– Income tax expense/income	-48.3	75.2
18. + Interest and dividend payments received	510.4	299.5
19. – Interest paid	-212.3	-117.1
20. + Extraordinary proceeds	0.0	0.0
21. – Extraordinary payments	0.0	0.0
22. +/– Income taxes paid	-82.7	-147.0
23. = Cash flow from operating activities (total of 1 to 22)	**-13,597.7**	**4,923.8**

24. + Proceeds from disposal of long-term financial assets	3.6	1.1
25. – Payments to acquire long-term financial assets	-5.5	-2.1
26. + Proceeds from disposal of tangible fixed assets	3.6	3.7
27. – Payments to acquire tangible fixed assets	-13.6	-17.6
28. + Proceeds from disposal of intangible fixed assets	0.0	8.9
29. – Payments to acquire intangible fixed assets	-8.4	-11.1
30. + Proceeds from disposal of companies from the consolidated group	0.0	0.0
31. – Payments for additions of companies to the consolidated group	0.0	0.0
32. +/– Changes in funds from other investing activities (net)	0.0	0.0
33. + Proceeds from extraordinary items	0.0	0.0
34. – Payments for extraordinary items	0.0	0.0
35. = Cash flow from investing activities (total of 24 to 34)	**-20.3**	**-17.1**
36. + Proceeds from capital contributions by shareholders of the parent company	145.3	0.0
37. + Proceeds from capital contributions by other shareholders	0.0	0.0
38. – Payments from reduction in equity to shareholders of the parent company	0.0	0.0
39. – Payments from reduction in equity to other shareholders	0.0	0.0
40. + Proceeds from extraordinary items	0.0	0.0
41. – Payments for extraordinary items	0.0	0.0
42. – Dividends paid to shareholders of the parent company	-146.6	-136.4
43. – Dividends paid to other shareholders	0.0	0.0
44. +/– Changes in funds from other capital (net)	-41.9	-168.4
45. = Cash flow from financing activities (total of 36 to 44)	**-43.2**	**-304.8**
	0	
46. Net changes in funds (total of 23, 35, 45)	-13,661.2	4,601.7
47. +/– Changes in funds due to exchange rate movements and remeasurements	0.0	0.0
48. +/– Changes in funds due to changes in the consolidated group	0.0	0.0
49. + Funds at beginning of period	15,056.1	10,454.4
50. = Funds at end of period (total of 46 to 49)	**1,394.9**	**15,056.1**

Notes to the Annual Financial Statements 2022 of HSBC Trinkaus & Burkhardt GmbH

1. Basic Principles

The annual financial statements of HSBC Trinkaus & Burkhardt GmbH as at 31 December 2022 were prepared in accordance with the provisions set out in the German Commercial Code (*Handelsgesetzbuch* - HGB) – taking into account the requirements specific to the company's legal form set out in the Limited Liability Companies Act (*Gesetz über die GmbH* - GmbHG) – in conjunction with the German Ordinance on Accounting Policies for Banks and Financial Services Institutions (*Kreditinstituts-Rechnungslegungsverordnung* - RechKredV).

The figures in brackets relate to the 2021 financial year. HSBC Trinkaus & Burkhardt GmbH has its registered office in Düsseldorf. The Company is entered in the Commercial Register of the Düsseldorf Local Court (*Amtsgericht*) under the number HRB 97562.

Effective January 2021, HSBC Trinkaus & Burkhardt GmbH (operating as HSBC Trinkaus & Burkhardt AG until 24 May 2022) became an indirect wholly-owned subsidiary of HSBC Holdings plc as a result of a squeeze-out performed under stock corporation law pursuant to section 327a (1) sentence 1 AktG. Since the admission of the shares to trading on the regulated market of the Düsseldorf and Stuttgart stock exchanges was revoked on 27 January 2021, HSBC Trinkaus & Burkhardt GmbH has no longer been required to prepare consolidated financial statements or a group management report.

HSBC Holdings plc held an indirect stake of 100.0% in the share capital of HSBC Trinkaus & Burkhardt GmbH via HSBC Continental Europe as at 31 December 2022 (previous year: indirect stake of 100.0% via HSBC Germany Holdings GmbH).

Due to Brexit and related implementation of the Capital Requirements Directive (2013/36/EU), it has become necessary to bundle HSBC Group's EU banking business into an intermediate holding company domiciled in the EU. Against this backdrop, HSBC Continental Europe, a société anonyme under French law (public limited company) with registered office in Paris, France, took over the HSBC Group banking business for the majority of the states in which HSBC operates in the EU, from its majority shareholder, HSBC Bank plc. domiciled in the UK; however the German business was excluded until the end of November 2022. HSBC Trinkaus & Burkhardt GmbH including all its subsidiaries was transferred from HSBC Bank plc. to HSBC Continental Europe effective midnight on 30 November 2022, to its newly established branch with registered office in Düsseldorf, HSBC Continental Europe S.A., Germany.

The direct parent company from 30 November 2022 is HSBC Continental Europe, 38 Avenue Kleber, 75116 Paris, France, registration number 775 670 284. The exempting consolidated financial statements and exempting group management report are prepared by HSBC Continental Europe, 38 Avenue Kleber, 75116 Paris, France, registration number 775 670 284, and are published in English. The consolidated financial statements of HSBC Continental Europe are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union.

The parent company that prepares the consolidated financial statements for the largest group of companies is HSBC Holdings plc, 8 Canada Square, London, E14 5HQ, United Kingdom, registration number 14259. The financial statements are filed in English with United Kingdom Companies House. The consolidated financial statements of HSBC Holdings plc are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the United Kingdom (UK).

2. Accounting and Valuation Methods

Assets, liabilities and executory contracts are measured in accordance with sections 340 et seq. HGB in conjunction with sections 252 et seq. HGB.

2.1 Foreign currency translation

All items denominated in foreign currency, irrespective of when they are incurred or fall due, are translated at the official reference rate of the European Central Bank or at other appropriate spot exchange rates as of the last business day of the year. Forward transactions are translated at the forward rate.

The provisions relating to special cover pursuant to section 340h HGB are taken into account when measuring foreign currency-related instruments. All foreign currency risks are actively managed as part of the relevant trading activities. Foreign currency risks are managed centrally in Trading (responsibility for positions), monitored centrally in Wholesale Credit and Market Risk, and reconciled on a daily basis independently of Trading within the overall position for each currency (central risk monitoring and position reconciliation). There are no currency risks outside of Trading. All expenses and income from currency translation in accordance with section 340h HGB are reported in the income statement as foreign exchange gains/losses in net trading expense or net trading income.

2.2 Cash reserve

The cash reserve is recognised at nominal value.

2.3 Receivables

Receivables from the banking business are generally carried at their nominal amount. Amounts relating to premiums and discounts are recognised *pro rata temporis* in net interest income.

Receivables are measured based on unchanged standards. Accordingly, specific valuation allowances are recognised for acute credit risks and global valuation allowances for latent credit risks. The carrying amount of the receivables is reduced by the valuation allowances recognised.

The risk of claims being asserted in relation to contingent assets (assumption of guarantees and letters of credit, bill discounting, loan commitments) is assessed in the same way that the default risk for receivables is estimated. Individual and general provisions are set up in appropriate amounts for risks.

2.3.1 Global valuation allowances

The Bank determines and accounts for the need for risk provisions in accordance with the requirements for calculating the global valuation allowance in accordance with accounting practice statement IDW RS BFA 7 promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer* - IDW) and thus in line with the provisions set out in IFRS 9 on the basis of expected credit losses (expected loss model).Impairments are recognised based on a three-stage model. Pursuant to IFRS 9, a risk provision is recognised in the amount of the twelve-month expected credit losses for financial instruments whose credit risk has not increased significantly between initial recognition and the balance sheet date and which do not already meet the definition of default at initial recognition (stage 1). A risk provision corresponding to the lifetime expected losses is recognised for financial assets whose credit risk has increased significantly since initial recognition (stage 2) and for financial assets that have defaulted by the balance sheet date (stage 3).

We use both quantitative and qualitative criteria to assess whether a financial instrument has an increased risk of default compared to the time of initial recognition. When it comes to determining a move from stage 1 to stage 2, we use the quantitative criterion of the relative change in the forecast probability of default since the initial recognition of the financial instrument concerned as the primary indicator alongside qualitative criteria, such as the 30 days past due backstop indicator for interest or principal payments, forbearance of an exposure and inclusion in the list of exposures to be monitored more closely.

In quantitative terms, we determine changes in the credit risks associated with individual financial instruments on the basis of cumulative probabilities of default. In order to identify a credit risk that has increased since initial recognition, we compare the average one-year expected probability of default at the time of initial recognition against that on the reporting date (residual average term forward point-in-time PD). Information on past events, the prevailing circumstances and forecasts of future overall economic conditions are included in the calculations in the form of various economic scenarios that are weighted depending on their expected probability of occurrence.

A significant increase in credit risk leading to a financial instrument previously assigned to stage 1 being moved to stage 2 occurs when pre-defined thresholds, which are based on expert estimates and validated at least once a year, are reached or exceeded. In the case of customer risk ratings (CRRs) of 0.1 to 1.2 at the time of initial recognition, this threshold, if the probability of default is increased by 15 basis points, lies in the range of 2.1 to 3.3, while for an increase by 30 basis points and for CRRs of more than 3.3 that are not considered a default, a significant increase in credit risk is assumed if the probability of default has doubled since initial recognition..

In qualitative terms, all loan exposures that are added to the list of credit exposures to be monitored more closely (watch/worry/monitor list) in the “watch” or “worry” categories are no longer considered to fall under stage 1, and are transferred to stage 2 or, if necessary, stage 3. This applies to all exposures that have to be transferred from normal loan management to special management because defined indicators for early risk detection, such as negative industry trends or negative news flow on a borrower, point to increased credit risks at an early stage. In addition, interest or principal payments that are overdue by more than 30 days are used as an additional backstop to determine a significant increase in the credit risk. We do not generally make use of the option of rebutting this assumption as provided for in the accounting standards. Nor do we make use of the low credit risk exemption.

While instruments can be transferred back from stage 3 to a better stage in principle, this requires the definition of default to no longer be met for an uninterrupted period of up to twelve consecutive months. The assessment of counterparty risks is based on appropriate and reliable information about past events, prevailing circumstances and forecasts of future overall economic conditions, insofar as they are significant for the purposes of assessing expected credit defaults. Four forward-looking scenarios have been applied. The central scenario is the average expected development in overall economic conditions. Three alternative scenarios are also taken into account in general: one scenario in which the overall economic conditions develop more favourably than expected (upside scenario), one in which they develop less favourably (downside scenario) and a much more unfavourable one (severe downside scenario). Additional scenarios are developed if circumstances require, and are used to assess counterparty default risks. Experience from the COVID crisis has demonstrated that the potential non-linear development of overall economic conditions can be adequately represented by these four scenarios.

Overall, the implementation of the accounting standards for impairments in the amount of expected credit losses in methods, processes and systems is also based to a large extent on the expertise within the HSBC Group. The scenarios on which the risk measurement is based are developed using various forecasts obtained from independent sources (e.g. central banks, Moody's) by a team of experts from the HSBC Group, also involving independent consultants from outside the Group. This includes determining the relative importance/weighting of these scenarios for the next steps to be taken. This weighting can be adjusted by the Bank later in the process if necessary.

The scenarios tend to be based on a forecast period of five years from the balance sheet date (point in time approach). The central scenario is developed in two stages. The first stage involves defining key economic indicators for HSBC's main markets, specifically the growth in gross domestic product (GDP growth), the unemployment rate, inflation and property price growth. Taking this as a basis, the second stage uses established economic and also industry-specific models to define a large number of further key figures. Finally, the expected development required for risk measurement is modelled taking country-specific features into account. The upside, downside and severe downside scenarios are then developed on this basis. The opportunities and risks associated with a potential development tend to be overstated in positive/negative terms in this process, and possible non-linear developments are also taken into account on the basis of model calculations, empirical values and risk assessments. The central scenario is updated on a quarterly basis, with the other scenarios being updated on an annual basis, unless macroeconomic or political developments require an interim update. In order to take account of the uncertainties and the associated greater significance of stage 1 and 2 risk provisions, all scenarios were updated on a quarterly basis in 2022.

We take forward-looking scenarios for key economic indicators into account when measuring the risk provisions for these stages. For the Bank, these indicators are currently gross domestic product, the unemployment rate and stock market trends. At the same time, the uncertainty associated with the forecasts is currently unusually high due to a number of factors. These include geopolitical issues, the effects of supply chain disruptions in global trade, the energy crisis and the reactions of states and central banks to changes in these factors. The forecasts of future economic conditions have an impact on the calculation of PDs and LGDs. When calculating the PD, the forecast economic trend is reflected in the probabilities of default of certain sectors in each country. In the LGD calculation, this has an impact on the recoverability of collateral and its realisation options, in particular. The scenarios used to measure risk provisions in the financial statements as at 31 December 2022 are described below:

The scenario assigned the highest weighting is the central scenario (weighting: 60%), which reflects how we believe the parameters are most likely to develop. In this scenario, we expect, as at the reporting date, to see an average annual growth rate in gross domestic product of -0.6% in 2023, +1.8% in 2024 and +1.6% on average for the period from 2025 to 2027. The unemployment rate is expected to average 5.54% in 2023, 5.38% in 2024 and 5.07% from 2025 to 2027. In this scenario, the stock markets are expected to report an average annual growth rate of -5.4% in 2023, +1.2% in 2024 and 3.57% between 2025 and 2027. The upside scenario (weighting: 5%) assumes slightly more favourable development in economic conditions than in the central scenario. In this scenario, we predict an average annual growth rate in gross domestic product of 0.0% in 2023 and 3.3% in 2024 as at the reporting date. The unemployment rate is assumed to average 5.15% in 2023 and 4.92% in 2024. The stock markets are subject to average annual growth of +7.3% in 2023 and +5.6% in 2024.

The downside scenario (weighting: 25%) assumes comparatively less favourable development in economic conditions than in the central scenario. In this scenario, we predict an average annual growth rate in gross domestic product of -2.1% in 2023 and +0.2% in 2024 as at the reporting date. The unemployment rate is assumed to average 5.96% in 2023 and 5.83% in 2024. The stock markets are subject to average annual growth of -20.2% in 2023 and -8.1% in 2024.

By contrast, the severe downside scenario (weighting: 10%) assumes a significantly later economic recovery and is based on more extreme potential risks to further economic development. This scenario is based on the assumption there will be a very severe long-term global recession and that it will take many years for the economy to recover. In this scenario, we predict an average annual growth rate in gross domestic product of -6.1% in 2023 and -3.3% in 2024 as at the reporting date. The unemployment rate is assumed to average 7.11% in 2023 and 8.81% in 2024. The stock markets are subject to average annual growth of -40.2% in 2023 and -4.6% in 2024.

The weighting of the individual scenarios is expert-based.

The management has considered other possible weightings for the scenarios applied in order to better assess the impact on the amount of loan loss provisions. A 100% weighting assigned to the respective scenarios would result in the following loan loss provision requirement, with stage 3 credit exposures being disregarded for the purposes of this sensitivity analysis:

- Central scenario: €33.5 million
- Upside scenario: €27.6 million
- Downside scenario: €45.1 million
- Severe downside scenario: €86.9 million

The potential need for loan loss provisions shown here is not to be interpreted as a maximum or minimum requirement for loan loss provisions. Rather, this information is designed to help assess the possible impact that changes in overall conditions would have on loan loss provisions.

The calculation of expected credit losses is, by its very nature, a sub-area of accounting that is subject to significant estimation uncertainties and judgements. Particularly against the backdrop of the energy crisis and the incipient recession, the degree of estimation uncertainty associated with the measurement of risk provisions, as well as the exercise of discretionary decisions in this regard, has increased significantly compared to the preceding periods. This is due primarily to the fact that the models developed for measuring loan loss provisions on the basis of expected credit losses were unable to take account of the current, previously largely unknown impact of a global pandemic, in the absence of any empirical values in this regard.

When measuring the risk provisions as at 31 December 2022, we did not make any post-model adjustment to the amount of the loan loss provisions. This type of adjustment is made only if new circumstances or changes in overall conditions arise, or are expected to arise, that could no longer be adequately reflected in the model-based quantification of counterparty default risks, or if situations occur that cannot be adequately reflected using the existing credit risk models, for example because no sufficient empirical values relating to comparable situations are yet available. Post-model adjustments are used in line with existing in-house regulations and wherever possible, their use is reduced, or rendered entirely obsolete, by enhancing and recalibrating the credit risk models.

The global valuation allowances amount to €39.2 million in the 2022 financial year (previous year: €34.3 million).

2.3.2 Hedge accounting in the lending business

Hedge accounting was not applied with respect to any loans in the financial year under review.

2.4 Securities

2.4.1 Trading portfolios

Debt instruments, as well as shares and other variable yield securities, if they are held for trading, are measured using the risk-adjusted fair value approach (see also: section 2.5 Trading activities).

2.4.2 Liquidity reserve

Securities not held in the trading portfolio are measured in accordance with the strict lower-of-cost-or-market principle pursuant to section 253 (3) HGB.

2.4.3 Fixed assets

The Bank has no holdings of securities classified as fixed assets.

2.4.4 Hedge accounting

Bonds held as liquidity reserve with a market value of €2,105.2 million (previous year: €1,536.8 million) are hedged using interest rate swaps in accordance with section 254 HGB in the form of micro hedges. The bonds and the swaps have terms until 2032 at the latest (previous year: 2031).

In the financial year under review, gains from hedged items compensated for losses arising from market interest rate-induced fluctuations of €202.3 million (previous year: €40.2 million) in the swaps. Fluctuations in market value due to risk or liquidity spreads are not hedged. The Bank uses the gross hedge presentation method. The result attributable to the ineffective portion of the hedging relationship is calculated by offsetting the changes in fair value due to the hedged risk at the level of the underlying and hedging instrument. They are recognised in the income statement and, together with the changes in value due to risks that are not covered, amounted to €51.4 million (previous year: €2.1 million). Gains in excess of acquisition costs are not taken into account.

The recognition of hedging relationships pursuant to section 254 HGB is subject to a number of conditions. These relate primarily to the documentation of the hedge and its effectiveness. At the time hedge accounting is applied, the identification of the hedge and the underlying hedged item, the designation of the hedged risk and the procedure for checking the effectiveness of the hedge must be documented.

The Bank uses a linear regression model to assess the prospective effectiveness of the hedge. The model investigates the linear relationship between the cumulative changes in value due to the hedged risk associated with the hedged item, and the cumulative changes in the value of the hedge. An indicator known as the coefficient of determination (R squared) provides information on the quality of the regression, while the slope of the regression line indicates the direction of the correlation. Evidence of effectiveness requires that the hedging relationship can be expected to be highly effective in the future (prospective effectiveness). Sufficient effectiveness as part of the prospective test requires an R squared of more than 0.9 and a slope that is between –0.9 and –1.1. In the year under review, the hedges met the requirements that apply under the prospective effectiveness test at the end of every month.

2.4.5 Securities lending and repurchase transactions

Securities lent are shown as securities on the balance sheet, as are securities sold under repurchase agreements. Securities borrowed are not reported as securities, as with securities purchased under repurchase agreements. Buy-in obligations under short sales are shown under the trading portfolio on the liabilities side, even if these transactions were settled using securities borrowed or purchased under repurchase agreements.

2.5 Trading assets and liabilities

2.5.1 Recognition

The positive and negative market values of derivative financial instruments in the trading book are reported in the trading portfolios on the asset and liabilities sides.

Trading assets comprise debt instruments; shares and other variable yield securities; registered bonds and promissory note loans, as well as precious metals, forward transactions and derivatives.

Trading liabilities comprise promissory note loans, derivatives, discount certificates, warrants, reverse convertibles and buy-in obligations under short sales.

In the year under review, there were no changes in the institution’s internal criteria for including financial instruments in the trading portfolio. No financial instruments held for trading were reclassified.

2.5.2 Measurement

All holdings in the trading portfolios are recognised using the risk-adjusted fair value approach.

All financial instruments are measured at fair value when they are recognised for the first time. At the time of initial recognition, this generally equates to the transaction price, i.e. to the fair value of the consideration.

Subsequent measurement is based on publicly quoted market prices in an active market. If no such prices are available, measurement is based on recognised valuation methods.

The Bank mainly uses standard measurement models. These essentially include present value methods and option pricing models. Specific valuation methods have been developed for certain complex products. Due to the broad product range, the valuation parameters used are as differentiated as possible, for example based on maturities and strike prices.

The values resulting from the market valuation are reduced by value adjustments, in particular to reflect model risks, as well as liquidity and counterparty risks, and a value-at-risk discount. The value-at-risk discount is designed to adequately reflect the risk of a short-term change in market prices. The calculation is based on a holding period of ten days and a confidence level of 99%. The value-at-risk model is based on a historical simulation of the risk factors over a period of 500 equally weighted trading days. The discounts are calculated for each portfolio and are reported in the trading portfolio on the asset or liabilities side of the balance sheet.

As part of the IBOR reform, the most important reference rates (e.g. EONIA) were replaced by new reference rates or their calculation methodology was modified. The EONIA reference rate was replaced by the new euro short-term rate. When determining the fair value of derivatives, the interest rate applicable to the interest on the cash collateral is used.

2.6 Equity holdings and holdings in affiliated companies

Equity holdings and holdings in affiliated companies are measured at cost or at permanently lower values.

2.7 Intangible fixed assets

The Bank reports software under intangible fixed assets. The balance sheet item of €14.8 million (previous year: €17.9 million) includes licences of €5.5 million (previous year: €8.2 million) and prepayments of €9.3 million (previous year: €9.7 million).

Finished intangible fixed assets are measured at cost, less amortisation. Amortisation is applied using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. If a reduction in value is likely to be permanent, a write-down has to be recognised. A reduction in value is assumed likely to be permanent if the fair value of an intangible fixed asset is expected to remain below the amortised residual carrying amount for a considerable portion of its remaining useful life. The carrying amounts are tested to determine any need for write-downs or write-ups on an annual basis and if there are specific reasons potentially suggesting that a reduction in value will be permanent, or that a previously recognised reduction in value no longer applies. Such tests are often prompted by particular indications, such as the technical obsolescence of the intangible fixed asset or a change in its planned use, which suggest that the fair value of the intangible fixed asset has been permanently reduced compared with the planned residual carrying amount, or that the benefits that can be derived from it have been permanently reduced. If such a reduction in value is likely to be permanent, the asset is written down to the lower value to be attributed to the intangible fixed asset. If the reasons for a lower valuation no longer apply, the value is written up again. The Bank capitalised prepayments of €7.8 million in the 2022 financial year (previous year: €9.7 million) as part of the planned migration to the HSBC group systems. Write-downs in the amount of €8.2 million were recognised in the 2022 financial year for prepayments relating to the roll-out of additional HSBC IT group systems. As in the past, in-house development work relating to software projects was not capitalised.

2.8 Tangible fixed assets

Tangible fixed assets are capitalised at cost and – to the extent that they are subject to wear-and-tear – are depreciated using the straight-line method. Low-value assets with costs of up to €250.00 are written off in full in the year of acquisition. Low-value assets with costs of between €250.01 and €1,000.00 are recognised as a pooled item and are subject to depreciation over a period of five years in line with the applicable tax regulations. Write-downs are recognised where a reduction in value is likely to be permanent. The wear-and-tear associated with buildings is taken into account by applying straight-line depreciation over a period of 50 years or any expected shorter remaining useful life. Leasehold improvements are depreciated using the straight-line method over the term of the leases. Depreciation for office equipment is calculated based on the useful life that is accepted for tax purposes.

2.9 Other assets

Other assets are recognised at nominal values less write-downs to the lower attributable value, if applicable.

2.10 Liabilities

Liabilities are stated at their settlement amount. If a discount or premium has been agreed, this is recognised as prepaid expenses or deferred income and is recognised pro rata temporis in net interest income. Non-interest-bearing liabilities, e.g. zero-coupon promissory note loans, are compounded to the balance sheet date using the issue yield.

2.10.1 Hedge accounting

Liabilities to customers with a nominal value of €17.3 million (previous year: €75.7 million) include FX options that are hedged using options in accordance with section 254 HGB in the form of micro hedges. The liabilities and options have terms of one year or less.

As at the balance sheet date, the options compensated for foreign currency-induced fluctuations of €2.1 million (previous year: €2.1 million). As identical measurement-related parameters apply to the derivative and the hedging transaction, the hedges are fully effective, meaning that they have no impact on profit or loss.

One hedge relates to a registered debt instrument. The liability with a carrying amount of €37.3 million (previous year: €37.3 million) is hedged using an interest rate swap in accordance with section 254 HGB in the form of a micro hedge. The registered bond and the swap have terms until 2031 (previous year: 2031). The Bank uses the gross hedge presentation method to present hedges. The result attributable to the ineffective portion of the hedging relationship of €13.5 thousand (previous year: €0.00 thousand) is calculated by offsetting the changes in fair value due to the hedged risk at the level of the underlying and hedging instrument. They are recognised in the income statement.

As at the balance sheet date, the swap compensated for interest-induced fluctuations of €8.3 million (previous year: €2.2 million). The Bank uses the gross hedge presentation method. The result attributable to the ineffective portion of the hedging relationship is calculated by offsetting the changes in fair value due to the hedged risk at the level of the underlying and hedging instrument.

The recognition of hedging relationships pursuant to section 254 HGB is subject to a number of conditions. These relate primarily to the documentation of the hedge and its effectiveness. At the time hedge accounting is applied, the identification of the hedge and the underlying hedged item, the designation of the hedged risk and the procedure for checking the effectiveness of the hedge must be documented.

In order to assess the prospective effectiveness of the hedge, the Bank uses the critical term match method or a linear regression model (see section 2.4.4).

In the year under review, the hedges met the requirements of the critical term match method/the requirements of the linear regression model at all times.

2.10.2 European Central Bank refinancing operations

The Governing Council of the European Central Bank resolved in March 2019 to provide incentives for banks' lending, offering them a series of targeted longer-term refinancing operations III (TLTRO III), in order to improve monetary transmission. The terms for carrying out the operations were declared in the TLTRO III decision adopted in July 2019. A total of ten TLTRO III operations have been carried out since September 2019 on a quarterly basis. Each TLTRO III runs for a period of three years and features a voluntary repayment option. The Bank participated in the fourth

TLTRO III with a total volume of €2.2 billion, and in the eighth TLTRO III with a total volume of €0.5 billion. The refinancing operations were created with an interest rate of 50 basis points below the average deposit facility for the period from 24 June 2020 to 23 June 2022. This interest rate takes into account receipt of a premium in the form of an additional interest rate reduction if certain conditions are met for granting of the loan. The resulting interest-rate advantage was claimed in 2022 unless it had already been utilised in previous periods due to sufficiently certain fulfilment of these conditions. For the period from 24 June 2022 to 22 November 2022, the interest rate was equal to the average deposit facility over the entire TLTRO III period since 2020. For the final interest rate period from 23 November 2022, the interest rate was the same as the then average deposit facility. The Bank terminated its participation in TLTRO III on 21 December 2022 and repaid the funds borrowed. The interest income of 16.4 million (previous year: €30.8 million) received from the TLTRO in 2022 is offset by interest expenses on our account with Deutsche Bundesbank.

2.11 Provisions

2.11.1 Provisions for pensions

2.11.1.1 Pension obligations

Provisions for pensions and similar obligations are set up based on actuarial expert opinions in the amount of the DBO (defined benefit obligation). The calculation is based on the projected unit credit method.

The interest rates applied to the provisions for pensions and similar obligations are determined in a differentiated manner depending on the type of provision. The following remaining maturities have been assumed:

Type of provision	Remaining maturity in years
Pensions	15
Long-service bonuses and transitional allowances	10
Phased-in early retirement (*Altersteilzeit*) and early retirement	3

The average market interest rates for the past seven/ten years published by Deutsche Bundesbank at the end of October 2022, which result from the assumed remaining maturities of 3, 10 or 15 years (section 253 (2) sentence 2 HGB), are taken as a basis. These interest rates have been extrapolated to the end of the year in accordance with IDW RS HFA 30 note 65. The measurement of pension and similar obligations in the year under review was based on the RT 2018 G Heubeck mortality tables and the following parameters:

Due to changes in the overall economic conditions, the salary trend valuation parameter was increased from 3.25% to 3.75% in the reporting year 2022. It includes a parameter of 1.5% for the career trend. The parameter for the pension trend and the rate of inflation increased from 1.75% to 2.25% in the year under review. These changes in estimates are accounting-related and the effects are recognised in profit or loss in the period under review.

in %	2022	2021
Long-term actuarial interest rate		
Pensions	1.8	1.8
Long-service bonuses and transitional allowances	1.2	1.0
Phased-in early retirement (*Altersteilzeit*) and early retirement	0.6	0.4
Expected salary trend	3.75	3.25
Expected pension adjustment	2.25	1.75
Expected inflation rate	2.25	1.75
Expected increase in the contribution assessment ceiling that applies in the social security system	3.0	3.0
Average staff turnover rate	4.0	4.0

The changes to these three parameters increased the obligation by a total of €.19.7 million.

2.11.1.2 Plan assets for pensions and similar obligations and active difference from asset offsetting

The Bank maintains plan assets separately for pensions, early retirement, long-service bonus obligations and transitional allowances on the one hand, and for phased-in early retirement obligations on the other. The assets meet the requirements set out in section 246 (2) sentence 2, 1st half-sentence, HGB. Measurement is at fair value, normally at market value in accordance with measurement of the trading portfolio (see: section 2.5.2). In accordance with section 253 (1) sentence 4 HGB, the value of the plan assets was offset against the provisions for pensions and similar obligations. If the offsetting of plan assets against the provisions for pensions or phased-in early retirement created for this purpose results in overfunded plan assets, this is reported in the item active difference from asset offsetting. In the 2022 financial year, the compounding effect from the offsetting will be initially reported in the income statement under other operating income and no longer in net interest income.

An amendment to the measurement rules for pension provisions came into force in March 2016. The period for calculating the average market interest rate for pension provisions was extended from 7 to 10 years. The difference resulting from the change is barred from distribution and amounts to €16.3 million in the 2022 financial year (previous year: €24.8 million). The shortfall (previous year: excess) is reported in the balance sheet under provisions. The offsetting of the phased-in early retirement provision against the corresponding plan assets results in a shortfall in cover, and is still reported under provisions.

2.11.2 Provisions for long-term working-hours accounts

The Bank's employees have the option of participating in a long-term working-hours account model. In line with the principles of pre-tax deferred compensation, salary credits in the form of salary or flexitime balances can be used to finance paid time off work. The amounts converted are protected against insolvency under a CTA (contractual trust agreement). In addition to the amounts converted, a lump sum amounting to 20% of the contribution made is transferred to the asset trustee to cover the employer's share of the total social security contributions that falls due later on.

The Bank guarantees a minimum interest rate as a promised benefit. If, when the account capital is invested, the investment income exceeds the total amount of the interest credits, 50% of the difference is credited to the long-term working-hours account. The provisions that apply to unit-linked pension commitments pursuant to IDW AcPS HFA 30 are applied. The social security contributions to be borne by the employer are recognised at the present value of the expected payments.

2.11.2.1 Obligations from long-term working-hours accounts

The unit-linked pension commitments are measured in accordance with section 253 (1) sentence 3 HGB. The amount of the provision is calculated based on the fair value of the securities underlying the long-term working-hours accounts to the extent that this is equal to, or exceeds, the guaranteed minimum amount. The guaranteed minimum amount is to be regarded as the settlement amount of the guaranteed benefits. It is subject to discounting pursuant to section 253 (2) HGB. The discount rate is determined in the same way as the discount rate for the provisions for long-service bonuses and transitional allowances.

The following parameters were used as a basis:

in %	31/12/2022	31/12/2021
Long-term actuarial interest rate	1.18	1.04
Guaranteed interest rate	0.25	0.25
Expected salary trend	3.75	3.25
Expected increase in the contribution assessment ceiling that applies in the social security system	2.97	2.98

2.11.2.2 Plan assets for long-term working-hours accounts

The investment in funds qualifies as plan assets. The fund units are measured at fair value. In accordance with section 246 (2) sentence 2 HGB, the provision obligation is offset against the plan assets. In accordance with section 246 (2) sentence 3 HGB in conjunction with section 266 (2) HGB, any difference is recognised as a provision or as an active difference from asset offsetting.

2.11.3 Provision for phased-in early retirement

In accordance with IDW AcPS HFA 3, the top-up contributions are recognised as severance payments or remuneration depending on their economic content. Top-up contributions classed as remuneration are accumulated pro rata up to the passive phase of phased-in early retirement and are charged to personnel expenses.

2.11.4 Other provisions

In accordance with section 253 (1) sentence 2 HGB, provisions are recognised at the settlement amount that is considered necessary based on reasonable commercial judgement. Future price and cost increases are taken into account.

Provisions with a remaining term of more than one year are discounted using the interest rates in accordance with section 253 (2) HGB. Discounting for the relevant term is calculated based on the Bundesbank yield curve rates as at 31 October 2022. This yield curve is a zero-coupon interest rate swap curve calculated based on €-denominated fixed interest rate swaps.

The Bank applies the requirements set out in the IDW accounting practice statement on individual issues relating to the loss-free valuation of interest-bearing transactions in the banking book (IDW AcPS BFA 3). The present value measurement of interest-bearing transactions in the banking book, taking into account administrative expenses, risk costs and notional refinancing costs, did not result in the need to set up any provision for anticipated losses in accordance with section 340a HGB in conjunction with section 249 (1) HGB.

In accordance with IDW RS HFA 34, provisions for tax liabilities are classified as liability provisions within the meaning of section 249 (1) HGB. Provisions for taxes and the provision for interest on tax back-payments are discounted.

The Bank sets up provisions for client complaints in accordance with section 249 (1) sentence 2 no. 2 HGB. The general provision for client complaints is based on the Bank's complaints book. Provisions are also set up for specific individual cases. The amount of the provisions is based on the empirical complaint and settlement ratios.

2.12 Fund for general banking risks

Additions to the fund for general banking risks are charged to net trading expense in accordance with section 340e (4) HGB. Reversals are recognised in net trading income.

2.13 Other liabilities

The other liabilities are stated at their settlement amount in accordance with section 253 (1) sentence 2 HGB.

2.14 Prepaid expenses and deferred income

Prepaid expenses and deferred income include items from the issuing and lending business in accordance with section 340e (2) HGB and other prepaid expenses and deferred income. The items are reversed in accordance with the term of the underlying transactions or, in the case of other prepaid expenses/deferred income, on a straight-line basis over the term of the underlying consideration obligation.

2.15 Deferred taxes

Deferred taxes are recognised for temporary differences between the commercial-law valuations of the reported assets, liabilities and prepaid expenses/deferred income and their tax valuations. Deferred tax liabilities arising from the tax differences in the recognition of trading liabilities, liabilities to customers, securitised debt instruments and intangible assets are offset against deferred tax assets on the tax differences in risk provisions, trading assets, receivables from customers, tangible fixed assets, shares and other variable-yield securities and pension provisions.

2.16 Fiduciary receivables and liabilities

Fiduciary assets are recognised at nominal values.

2.17 Income statement

2.17.1 Offsetting in the income statement

The expenses and income relating to risk provisions are offset for the purposes of presentation in the income statement.

2.17.2 Reporting of negative interest

The Bank reports negative interest in net interest income in accordance with the requirements imposed by the IDW. Negative interest paid on receivables is reported under interest income, while negative interest received on deposits is reported under interest expense.

Furthermore, negative interest from trading portfolios on the asset and liability sides is reported in net trading income.

3. Balance Sheet Disclosures

3.1 Breakdown by residual maturity

Receivables from banks

in €m	31/12/2022	31/12/2021
a) Repayable on demand	20,395.4	548.5
b) Other receivables	492.4	593.2
With residual maturities of		
up to three months	397.7	501.3
more than three months and up to one year	3.0	4.1
more than one year and up to five years	7.7	5.0
more than five years	84.0	82.8
Total	**20,887.8**	**1,141.7**

Receivables from customers

in €m	31/12/2022	31/12/2021
With residual maturities of		
up to three months	2,844.4	2,858.2
more than three months and up to one year	614.7	902.8
more than one year and up to five years	2,676.7	2,356.1
more than five years	873.8	957.4
Total	**7,009.6**	**7,074.5**

Liabilities to banks

in €m	31/12/2022	31/12/2021
a) Repayable on demand	876.7	683.8
b) Other liabilities	1,228.3	3,576.3
With residual maturities of		
up to three months	295.2	1.0
more than three months and up to one year	6.7	17.9
more than one year and up to five years	276.3	2,799.0
more than five years	650.1	758.4
Total	**2,105.0**	**4,260.1**

Liabilities to customers

in €m	31/12/2022	31/12/2021
a) Savings deposits	2.4	2.6
With residual maturities of		
up to three months	2.4	2.6
more than three months and up to one year	0.0	0.0
more than one year and up to five years	0.0	0.0
more than five years	0.0	0.0
b) Other liabilities	27,591.0	20,219.2
ba) repayable on demand	23,365.1	18,823.2
bb) with agreed maturity or notice period	4,225.9	1,396.0
With residual maturities of		
up to three months	3,948.5	1,322.0
more than three months and up to one year	236.9	32.0
more than one year and up to five years	3.3	4.0
more than five years	37.2	38.0
Total	**27,593.4**	**20,221.8**

Securitised liabilities

in €m	31/12/2022	31/12/2021
a) Debt instruments issued	0.0	0.0
b) Other securitised liabilities with a residual maturity of		
up to three months	0.0	0.0
more than three months and up to one year	0.0	0.0
more than one year and up to five years	0.0	0.0
more than five years	31.2	33.0
Total	**31.2**	**33.0**

3.2 Affiliated companies – receivables and liabilities

in €m	31/12/2022	31/12/2021
Receivables from banks	579.9	679.7
Receivables from customers	5.1	33.6
Shares	0.0	0.0
Debt instruments	0.0	0.0
Trading portfolio - asset side	0.0	0.0
Liabilities to banks	559.8	117.5
Liabilities to customers	172.0	224.7
Securitised liabilities	0.0	0.0
Trading portfolio - liabilities side	0.0	0.0
Subordinated liabilities	785.0	785.0

Receivables from banks includes €0.4 million (previous year: €0.1 million) from HSBC Continental Europe. Liabilities to banks includes liabilities to HSBC Continental Europe of €19.4 million (previous year: €4.0 million).

3.3 Associates – receivables and liabilities

in €m	31/12/2022	31/12/2021
Receivables from banks	0.0	0.0
Receivables from customers	21.7	44.3
Debt instruments	0.0	0.0
Liabilities to banks	0.0	0.0
Liabilities to customers	16.8	117.8
Securitised liabilities	0.0	0.0
Subordinated liabilities	0.0	0.0

3.4 Foreign currency

As at 31 December 2022, assets denominated in foreign currencies amounted to €3,734.2 million (previous year: €4,467.1 million). The total amount of debt denominated in foreign currencies was €9,122.7 million (previous year: €6,638.0 million).

3.5 Receivables from customers

This item includes receivables with no stated maturity of €79.4 million (previous year: €30.9 million). Receivables with a nominal value of €413.0million (previous year: €528.5 million) were deposited with the Bundesbank as collateral at the end of 2022. As at the reporting date, there are no open market transactions with Deutsche Bundesbank (previous year: two).

3.6 Bonds and other fixed-income securities

As at 31 December 2022, the Bank's liquidity reserve amounted to €3,420.4 million (previous year: €2,664.5 million). Securities with a carrying amount of €38.8 million (previous year: €10.1 million) are marketable, but are not listed on the stock exchange. Bonds with a nominal value of €2,117.4 million were available as at the balance sheet date as collateral for marginal lending facilities (previous year: €0.0 million). As at the reporting date, there are no open market transactions with Deutsche Bundesbank (previous year: two).

Fixed-income securities with a nominal value of €109.2 million (previous year: €92.5 million) were deposited as collateral for transactions on Eurex and for securities lending transactions.

Bonds and debt instruments with a carrying amount of €287.7 million (previous year: €74.5 million) will fall due in the 2023 financial year.

3.7 Shares and other variable yield securities

As at 31 December 2022, the Bank's liquidity reserve amounted to €83.0 million (previous year: €181.5 million)

The balance sheet item includes marketable securities in the amount of €1.1 million (previous year: €0.0 million). Non-marketable securities totalled €81.9 million (previous year: €181.5 million).

3.8 Investment funds

Fund type in €m	2022 Market value	2022 Carrying amount	2022 Difference	2021 Market value	2021 Carrying amount	2022 Distribution	2021 Distribution	Daily redemption possible
Special funds								
PRT fund (plan assets)	320.1	320.1	0.0	370.3	370.3	0.0	0.0	No
HSBC Trinkaus LAZK (plan assets)	35.4	35.4	0.0	46.6	46.6	0.0	0.0	Yes
Select INKA	81.9	81.9	0.0	193.7	180.4	0.0	0.0	No

In the year under review, no write-downs pursuant to section 253 (3) sentence 4 HGB were dispensed with. All funds whose current market value is below the carrying amount were written down to their market value.

No income distributions were made in respect of the investment funds during the financial year under review. All investment assets are held in the liquidity reserve.

3.9 Trading portfolio - asset side

in €m	31/12/2022	31/12/2021
Positive market value of derivative financial instruments	1,915.0	1,512.3
Tradable receivables	255.6	734.8
Bonds and other fixed-income securities*	393.8	590.3
Shares and other variable yield securities*	541.0	1,434.0
Collateral in the derivatives business	838.0	376.6
Reverse repos	0.0	0.0
Precious metals	1.4	0.0
Discounts	-11.6	-18.0
Total	**3,933.2**	**4,630.0**

*Adjustment of previous year's figures due to reclassification of warrants.

The portfolio includes marketable debt instruments with a nominal value of €405.8 million (previous year: €616.2 million) and non-marketable debt instruments with a nominal value of €59.9 million (previous year: €189.5 million). As in the previous year, there are no marketable, unlisted debt instruments in the portfolio.

As at the reporting date, there are no open market transactions with Deutsche Bundesbank (previous year: two).

Debt instruments and receivables in the trading portfolio with a nominal value of €184.3 million were available as at the balance sheet date as collateral for marginal lending facilities (previous year: €143.5 million).

No securities had been sold under repurchase agreements as at the balance sheet date (previous year: €0.0 million). Fixed-income securities with a nominal value of €48.1 million (previous year: €105.0 million) were deposited as collateral for transactions on Eurex and for securities lending transactions.

Credit balances with a nominal amount of €2.6 million (previous year: €15.3 million) had been pledged as collateral for securities lending transactions on the balance sheet date.

Bonds and debt instruments with a carrying amount of €32.9 million (previous year: €0.8 million) will fall due in the 2023 financial year.

Shares and other variable yield securities include marketable securities in an amount of €480.3 million (previous year:

€1,217.6 million). Of the marketable securities, securities worth €60.7 million (previous year: €0.1 million) are not listed on the stock market. Non-marketable securities totalled €1.0 million (previous year: €1.0 million).

Shares with a carrying amount of €1.7 million (previous year: €9.3 million) were deposited as collateral for securities lending transactions. As at the balance sheet date, shares with a carrying amount of €23.2 million (previous year: €264.3 million) had been lent.

As in the previous year, there were no transactions involving shares and other variable yield securities sold under repurchase agreements.

3.10 Subordinated assets

in €m	31/12/2022	31/12/2021
Receivables from banks	0.0	0.0
Receivables from customers	6.0	6.0
Debt instruments		
Other issuers	0.0	0.0
Own debt instruments	0.0	0.0
Shares and other variable yield securities	0.0	0.0
Trading portfolio - asset side		
Bonds and other fixed-income securities	0.0	0.0
Shares and other variable yield securities	0.5	0.4

3.11 Equity holdings and holdings in affiliated companies

As in the previous year, equity holdings do not include any listed or marketable securities. The balance sheet item “Holdings in affiliated companies” does not include any marketable shares, as in the previous year.

3.12 Shareholdings

HSBC Trinkaus & Burkhardt GmbH holds a direct or indirect stake of at least 20% in the following companies, most of which are fully consolidated:

	Registered office	Capital share (%)	Company's equity in € thousand	Result for 2022 in € thousand
Banks and bank-related companies				
HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH	Düsseldorf	100.0	118,502	0[1)]
HSBC Trinkaus & Burkhardt (International) S.A.	Luxembourg	100.0	24,164	241
Internationale Kapitalanlagegesellschaft mbH	Düsseldorf	100.0	59,000	0[1)]
HSBC INKA Investment-AG TGV i.L.[2)3)]	Düsseldorf	0.0	0	0
HSBC Transaction Services GmbH	Düsseldorf	100.0	15,000	0[1)]
HSBC Operational Services GmbH	Düsseldorf	90.1	1,000	0[1)]
HSBC Service Company GmbH	Düsseldorf	100.0	1,000	0[1)]
HSBC Trinkaus Family Office GmbH	Düsseldorf	100.0	25	0[1)]
Trinkaus Private Equity Management GmbH	Düsseldorf	100.0	344	14
Trinkaus Private Equity Verwaltungs GmbH	Düsseldorf	100.0	40	3
HSBC Global Asset Management (Deutschland) GmbH	Düsseldorf	100.0	12,401	0[1)]
HSBC Global Asset Management (Österreich) GmbH i. L.[3)]	Vienna	0.0	0	0
HSBC Global Asset Management (Switzerland) AG	Zurich	50.0	2,963[4)]	320[4)]
Companies with a special mandate				
HSBC Trinkaus Real Estate GmbH	Düsseldorf	100.0	167	0[1)]
Trinkaus Europa Immobilien-Fonds Nr. 3 GmbH	Düsseldorf	100.0	55	6
HSBC Trinkaus Europa Immobilien-Fonds Nr. 5 GmbH	Düsseldorf	100.0	31	6
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	Düsseldorf	100.0	39	14
Trinkaus Australien Immobilien-Fonds Nr. 1 Treuhand-GmbH[3)]	Düsseldorf	100.0	0	0
Trinkaus Immobilien-Fonds Geschäfts-Führungs-GmbH	Düsseldorf	100.0	21	0
Real estate companies				
Grundstücksgesellschaft Trinkausstraße KG[5)]	Düsseldorf	0.0	0	0
Other companies				
Sino AG	Düsseldorf	24.9	143,949[6)]	138,704[6)]

1) Profit and loss transfer agreement

2) Company shares

3) The company was liquidated in 2022.

4) Values as at 31 December 2021

5) Merged into HSBC Trinkaus & Burkhard GmbH at that time still in the legal form of a German stock corporation (*Aktiengesellschaft*) as at 1 January 2022

6) Values as at 30 September 2021

3.13 Fiduciary transactions

Fiduciary assets and liabilities are broken down into the following balance sheet items:

Fiduciary assets

in €m	31/12/2022	31/12/2021
Receivables from banks	0.0	0.0
Receivables from customers	0.0	0.0
Fiduciary participations	107.2	107.1
Total	**107.2**	**107.1**

Fiduciary liabilities

in €m	31/12/2022	31/12/2021
Liabilities to banks	0.0	0.0
Liabilities to customers	107.2	107.1
Total	**107.2**	**107.1**

3.14 Fixed assets

Tangible fixed assets include operating and office equipment with a carrying amount of €40.5 million (previous year: €44.2 million).

Prepayments of €7.8 million (previous year: €9.7 million) were capitalised in the financial year as part of the planned IT connection to the HSBC group systems. The statement of changes in fixed assets is shown in Appendix 1.

Write-downs in the amount of €8.2 million were recognised in the 2022 financial year for prepayments relating to the Marco project.

3.15 Other assets

The “Other assets” item mainly includes tax refund claims amounting to €155.4 million (previous year: €24.1 million). Receivables from affiliated companies amounted to €90.2 million as at the reporting date (previous year: €158.4 million). The Federal Agency for Financial Market Stabilisation (FMSA) and the Compensation Scheme of German Banks (EDB) allowed HSBC Trinkaus & Burkhardt, at such time still in the legal form of a German stock corporation (*Aktiengesellschaft*), in the context of the collection of annual contributions, to pay part of the annual contribution in the form of fully secured payment claims (irrevocable payment commitment). The partial amount of the bank levy/the EDB contribution of €5.4 million (previous year: €5.4 million) is reported as an irrevocable payment commitment under other assets. There are initial margin receivables from various stock exchanges in the amount of €53.4 million (previous year: €22.1 million).

3.16 Deferred tax refund claims

This item includes netted deferred tax refund claims amounting to €188.2 million (previous year: €122.2 million) resulting from the differing valuation approaches in financial and tax accounting. As in the previous year, the tax rate for deferred taxes is 31.4%. Deferred tax liabilities in the amount of €12.1 million (previous year: €24.7 million) result from the differing valuation of plan assets and securities in the liquidity reserve in financial and tax accounting. They have been offset against deferred tax assets. Any deferred tax assets in excess of this amount have been capitalised.

Deferred tax assets mainly result from different values recognised under tax law for receivables from customers, shares and debt instruments in the amount of €65.7 million (previous year: €35.1 million), as well as for pension and long-service bonus obligations in the amount of €61.3 million (previous year: €61.4 million).

3.17 Trading portfolio - liabilities side

in €m	31/12/2022	31/12/2021
Negative market value of derivative financial instruments	1,843.3	1,023.6
Discount certificates, promissory note loans, debt instruments and warrants	1,255.4	2,095.9
Collateral in the derivatives business	1,319.5	218.9
Buy-in obligations under short sales	54.0	148.8
Discounts	-2.3	-0.8
Total	**4,469.9**	**3,486.4**

3.18 Other liabilities

Other liabilities mainly include trade payables of €107.8 million (previous year: €76.6 million) and tax liabilities in the amount of 80.9 million (previous year: €: 65.3 million). The item also includes liabilities of €18.2 million (previous year: €11.5 million) in connection with the restructuring measures.

3.19 Prepaid expenses / Deferred income

Prepaid expenses primarily include prepaid IT invoice amounts totalling €24.8 million (previous year: €5.2 million) and accrued amounts from discounts totalling €0.3 million (previous year: €0.5 million).

Deferred income primarily includes loan commissions totalling €14.1 million (previous year: €15.8 million).

3.20 Provisions

3.20.1 Provisions for pensions and similar obligations

Legal framework

There are various retirement/pension schemes in place for employees depending on when they joined the Bank. The occupational pension scheme commitments are direct commitments made to employees as collective arrangements in the form of works council/employer agreements.

Schemes open to new hires

Under the employer-funded scheme (VO2013) currently open to new hires, the Bank promises its employees, as eligible beneficiaries, benefit amounts upon retirement, or in the event of invalidity and death. The commitment is structured as a defined contribution plan; the benefit amount components are derived from the committed contributions via a guaranteed interest rate. The guaranteed interest rate can be adjusted for future components to reflect changes in the interest rate environment. The contribution period is ten years after the end of each reporting year. The Bank can decide whether or not, and how, the contribution period is to be extended at any time. If the Bank has not made any declaration by the end of a particular financial year, the contribution period is considered to have been extended by a further year.

Closed schemes

Employees who joined the Bank between 1 January 2001 and 1 July 2013 benefit from a scheme similar to that governed by the 2013 pension rules (VO 2001), which differs from the current scheme primarily with regard to the level of the guaranteed interest rate. This pension scheme provides vested entitlements for employees who have left the Bank, but does not pay any current pension benefits. For employees who joined the Bank on or before 31 December 2000, as well as for former employees of the Hamburg branch, there are two additional pension plans which have been closed to new hires. Beneficiaries of these schemes receive benefits in the form of life-long retirement, invalidity and surviving dependants' pensions. These are final salary schemes based on length of service with a divided benefit formula. In addition to the employees who are still working for the Bank today, there are also eligible beneficiaries under these schemes who have left the Bank and have vested entitlements to life-long pensions, as well as pension recipients. These individuals receive life-long pensions that have to be checked to determine any need for adjustment pursuant to section 16 (1) of the Act on the Improvement of Occupational Pension Schemes (*Gesetz zur Verbesserung der betrieblichen Altersversorgung* - BetrAVG). There is a defined contribution capital commitment in place for a closed group of eligible individuals. The Bank has taken out reinsurance policies for these schemes with leading German insurance companies to ensure that employees receive the exact benefit resulting from the reinsurance policy.

Individual commitments

There are individual final salary-based commitments for life-long benefits in place for former and active members of the Management Board and Executive Committee members, as well as former managing partners. Defined contribution plan commitments were agreed individually for recently appointed members of the Management Board. In addition, some former Management Board and Executive Committee members, as well as former managing partners, received a capital commitment from deferred compensation. The guaranteed return on the contributed conversion amount is defined; the capital is paid out in instalments.

The works council/employer agreement of June 2013 setting the age limits for the closed pension schemes provides for the payment of a transitional allowance for certain employees who draw a pension immediately after leaving the Bank. The transitional allowance is granted for a maximum period of six months.

The parameters used for measurement purposes were those referred to in section 2.9.1.1.

Development of phased-in early retirement obligations

in €m	**2022**	**2021**
Phased-in early retirement obligations as at 1 January*	6.0	5.3
Addition (service cost)/reversal (service income)	-0.8	0.0
Interest expense	0.0	0.0
Reclassification	0.2	0.0
Phased-in early retirement obligations as at 31 December	5.4	5.3

* The amount as at 1 January was adjusted due to a change of accounting process.

Development of plan assets for phased-in early retirement obligations

in €m	**2022**	**2021**
Plan assets as at 1 January	3.4	3.2
Write-ups/write-downs	-0.5	0.2
Additions/withdrawals	0.0	0.0
Plan assets as at 31 December	2.9	3.4
Income from plan assets	0.0	0.0

The shortfall is reported under provisions.

Development in pension and similar obligations

in €m	2022	2021
Pension obligations as at 1 January incl. transitional allowance	321.4	301.7
Addition (service cost)/reversal (service income)	5.5	-5.3
Interest expense	9.8	24.8
Employee turnover	-1.8	0.2
Pension obligations as at 31 December	334.9	321.4

Development of plan assets for pension obligations

in €m	2022	2021
Plan assets as at 1 January	371.0	350.3
Write-ups/write-downs	-49.9	20.7
Additions/withdrawals	0.0	0.0
Plan assets as at 31 December	321.1	371.0
Income from plan assets	0.2	0.2

The shortfall of €13.8 million (previous year: excess of €49.6 million) is shown under provisions.

In addition, the claims under pension reinsurance policies of €11.7 million (previous year: €12.9 million) from a group life insurance policy are offset against the provision for pension obligations as part of the “Pension payments instead of cash remuneration” model in the amount of €18.4 million (previous year: €20.3 million).

The offsetting of income and expenses results in a net balance of €58.8 million (previous year: € 2.1 million). This will be reported under other operating income for the first time in the 2022 financial year.

In the 2022 financial year, the difference resulting from the change in the determination of the average market interest rate for pension provisions amounted to €16.3 million (previous year: €24.8 million) (see section 2.11.1.2).

3.20.2 Provisions for long-term working-hours accounts (LAZK)

Development in LAZK obligations

	2022		2021	
in €m	LAZK	Social security contribution	LAZK	Social security contribution
LAZK obligation as at 1 January	68.4	6.9	65.2	7.0
Interest expense	-5.1	0.1	0.9	0.1
Effects due to changes in the actuarial interest rate	0.0	0.1	0.0	0.2
Deposits	11.2	2.2	7.3	1.4
Other income/expenses	0.0	0.0	0.0	-0.8
Payments	-8.4	-1.7	-5.0	-1.0
Employees changing scheme	-1.1	-0.2	0.0	0.0
LAZK obligation as at 31 December	65.0	7.4	68.4	6.9

Development in plan assets (LAZK)

in €m	2022 LAZK	2022 Social security contribution	2021 LAZK	2021 Social security contribution
Plan assets as at 1 January	68.4	13.7	64.4	12.9
Income/expenses from plan assets	-5.2	-1.0	1.3	0.3
Allocations to plan assets	11.2	2.2	7.7	1.5
Employees changing scheme	-1.1	-0.2	0.0	0.0
Disposals of plan assets	-8.9	-1.8	-5.0	-1.0
Plan assets as at 31 December	64.4	12.9	68.4	13.7

The excess amount of €4.9 million (previous year: €6.8 million) is shown under the item “Active difference from asset offsetting”.

A provision of €8.9 million was set up in the 2022 financial year for annual leave entitlement under the long-term working-hours account system (previous year: €9.1 million).

No interest income (previous year: €2.4 million) was offset against interest expenses of €6.6 million (previous year: €0.2 million). Interest expenses of €6.6 million are reported under other operating income.

3.20.3 Amount barred from distribution

Pursuant to section 268 (8) HGB in conjunction with section 246 (2) sentence 2 and section 253 (1) sentence 4 HGB, the amount barred from distribution is as follows:

in €m	Fair value		Historical cost		Deferred taxes		Amount barred from distribution	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Plan assets for pensions	321.1	371.0	308.2	308.2	1.3	16.9	11.6	45.9
Plan assets for phased-in early retirement	2.9	3.4	2.7	2.7	0.0	0.1	0.2	0.6
LAZK plan assets	77.3	82.1	76.7	74.2	0.4	12.4	0.2	5.5
Total	**401.3**	**456.5**	**387.6**	**385.1**	**1.7**	**19.4**	**12.0**	**52.0**

Measurement is at fair value, normally at market value (see: section 2.11.1.2).

3.20.4 Provisions for taxes

Deferred tax liabilities in the amount of €6.3 million (previous year: €24.7 million) result from the differing valuation of plan assets and securities in the liquidity reserve in financial and tax accounting. They have been offset against deferred tax assets.

Provisions for taxes amount to €33.3 million (previous year: €45.9 million). The item mainly includes provisions for the years prior to 2022 in the amount of €10.1 million (previous year: €11.5 million), provisions for tax liabilities for the risk associated with company tax audits in the amount of €19.2 million (previous year: €27.0 million) and the expected interest on these tax back-payments in the amount of €2.3 million (previous year: €5.6 million).

In accordance with the IDW accounting practice statement on IDW RS HFA 34 on accounting for tax provisions, the Bank has discounted the provisions for tax liabilities, as well as the provisions for interest on tax back-payments.

An interest rate of 1.8% p.a. was used to calculate the provisions for tax liabilities for interest periods from 1 January 2019, due to the Second Act Amending the German Fiscal Code and the Introductory Act to the German Fiscal Code dated 12 July 2022.

The interest income resulting from the compounding of these provisions amounts to €0.2 million (previous year: €0.0 million).

3.20.5 Other provisions

in €m	31/12/2022	31/12/2021
Loan loss provisions	13.2	14.2
Personnel provisions	57.5	71.7
Provisions for efficiency programme		
Restructuring plan	34.4	25.9
Individual measures	0.0	1.1
Other provisions	25.5	22.6
Total	**130.6**	**135.5**

As in the previous year, the Bank did not generate any interest income from the discounting of provisions.

HSBC Germany continued its programmes launched in 2019, 2020 and 2021 to improve internal efficiency in 2022. These programmes provide for fundamental restructuring and in particular the relocation of certain business activities.

In addition to the programmes already implemented, a further efficiency programme and a related redundancy programme with reconciliation of interests were negotiated with the works councils during 2022. A communication on the extent and the essential content of this programme was issued in December 2022.

In this respect, the restructuring provisions reported in the 2022 annual financial statements include not only effects from the staffing measures of the 2019, 2020 and 2021 efficiency programmes yet to be implemented, but also new provisions to address the financial effects of the current programme. The majority of the programme's staffing measures will not be implemented until 2023 and thereafter.

The other provisions amount to €25.5 million in the year under review (previous year: €22.6 million). They primarily include provisions for property vacancies on Hansaallee and two branch offices in the amount of €8.1 million (previous year: €0.0 million), provisions for intragroup transactions with HSBC entities (€3.1 million (previous year: €12.0 million)) and provisions for anticipated losses for bond portfolios in hedge accounting of €5.0 million (previous year: €0.6 million).

3.21 Subordinated liabilities

Liabilities include subordinated debt instruments, promissory note loans and two loans amounting to a total of €820.0 million (previous year: €830.0 million). The two loans and the bonds each exceed 10% of the total amount of subordinated liabilities.

in €m	Nominal amount	Interest rate		Maturity	
Loan	150.0	variable	Euribor +1.49%	28/08/2029	cannot be called early by the lender
Loan	200.0	variable	Euribor +2.32%	11/12/2028	cannot be called early by the lender
Debt instrument AT-1	235.0	fixed; interest rate adjusted after five years	5.65%	unlimited	can be called by the issuer every five years
Debt instrument AT-1	200.0	fixed; interest rate adjusted after five years	5.04%	unlimited	can be called by the issuer every five years
Total	785.0				

There are no early repayment obligations. The subordinated liabilities rank junior to the non-subordinated repayment claims of other creditors. This subordination applies in the event of liquidation, insolvency or other proceedings to avert insolvency. There are no rights of conversion into capital or into another form of debt.

In the 2022 financial year, all subordinated liabilities accounted for interest expenses of €32.2 million (previous year: €32.4 million).

In the year under review, accrued interest not yet due in the amount of €24.9 million (previous year: €24.6 million) was reported under subordinated liabilities on the balance sheet.

Interest on subordinated liabilities

in €m	2022 Nominal amount	2021 Nominal amount
4% to less than 5%	15.0	15.0
5% to less than 6%	455.0	465.0
Fixed rates	470.0	480.0
Variable	350.0	350.0
Total	**820.0**	**830.0**

Repayment of subordinated liabilities

in €m	2022 Nominal amount	2021 Nominal amount
Up to one year	10.0	10.0
More than one year and up to five years	15.0	25.0
More than five years	360.0	360.0
Unlimited maturity	435.0	435.0
Total	**820.0**	**830.0**

Subordination agreement

All subordinated liabilities rank junior to the non-subordinated repayment claims of other creditors. This subordination applies in the event of liquidation, insolvency or other proceedings to avert insolvency. Subordinated liabilities are included in the calculation of liable capital in accordance with Part 2 of EU Regulation 575/2013 in the amount of €362.3 million (previous year: €368.1 million).

3.22 Fund for general banking risks

As in the previous year, there were no allocations to, or reversals of amounts allocated to, the fund for general banking risks in the 2022 financial year.

3.23 Equity

3.23.1 Subscribed capital

By resolution passed by the Annual General Meeting held on 3 May 2022, the share capital of the company (formerly HSBC Trinkaus & Burkhardt AG until 30 May 2022) was increased by €0.05, from €91,423,896.95 to €91,423,897.00, in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz* - AktG) on capital increases from capital reserves and revenue reserves (sections 204 et seq. AktG). This increase was effected by converting an amount of €0.05 of the other revenue reserves reported under revenue reserves into share capital. The capital increase from capital reserves and revenue reserves was carried out without issuing any new bearer shares, in accordance with section 207 (2) sentence 2, 1st half-sentence AktG.

Furthermore, by resolution passed by the Annual General Meeting held on 3 May 2022, the legal form of HSBC Trinkaus & Burkhardt AG was converted to a limited liability company (*Gesellschaft mit beschränkter Haftung* - GmbH) under the new name HSBC Trinkaus & Burkhardt GmbH with registered office in Düsseldorf, in accordance with sections 190 et seq. 226 et seq., and 238 et seq. of the German Transformation Act (*Umwandlungsgesetz* - UmwG). The share capital of the former HSBC Trinkaus & Burkhardt AG became the same amount of share capital of HSBC Trinkaus & Burkhardt GmbH. The share capital of HSBC Trinkaus & Burkhardt GmbH, created through a change in legal form, is divided into 91,423,897 company shares consecutively numbered 1 to 91,423,897 with a nominal value of €1.00 each, and amounts to €91,423,897.00 as at 31 December 2022.

The authorised capital of the former HSBC Trinkaus & Burkhardt AG was also maintained with entry of the company's new legal form in the commercial register by resolution passed by the Annual General Meeting held on 3 May 2022.

3.23.2 Capital reserves

The capital reserves amount to €866.3 million as at 31 December 2022 (previous year: €720.9 million). The increase in the capital reserves in the reporting year 2022 of €145.3 million is attributable in the amount of €145.1 million to the merger of HSBC Germany Holdings GmbH with HSBC Trinkaus & Burkhardt GmbH as of 1 July 2022. The absorption of Trinkaus Australien Immobilien Fonds Nr. 1 Brisbane GmbH & Co. KG yielded €0.2 million.

3.23.3 Revenue reserves

In accordance with the resolution passed by the Annual General Meeting held on 3 May 2022, an amount of €146.6 million (previous year: €136.3 million) was distributed from the net retained profits for 2021 of €148.4 million (previous year: €173.1 million). The distribution corresponded to the payment of a dividend of €4.30 per share (previous year: €4.00) on the dividend-bearing share capital of €91.4 million. An amount of €1.8 million (previous year: €36.8 million) was allocated to revenue reserves.

The revenue reserves amount to €1,110.1 million as at 31 December 2022 (previous year: €1,108.3 million).

Maximum distributable amount (in €m)	**2022**	**2021**
Equity shares available to cover amounts within the meaning of section 268 (8) HGB	1,032.3	1,256.7
Total of amounts barred from distribution	195.0	219.1
Maximum distributable amount	837.3	1,037.6

4. Disclosures on Contingent Liabilities

4.1 Contingent liabilities

in €m	2022	2021
Contingent liabilities from endorsement of discounted bills of exchange	0.0	0.0
Contingent liabilities from guarantees and indemnity agreements	3,890.4	3,414.5
Contingent liabilities from the granting of security for third-party liabilities	0.0	0.0
Total	**3,890.4**	**3,414.5**

The contingent liabilities from guarantees and indemnity agreements include ten material guarantees and letters of credit in a total amount of €1,056.1 million (previous year: €815.8 million) relating to overall activity. The individual amounts range from €67.2 million (previous year: €52.5 million) to €260.8 million (previous year: €210.0 million).

4.2 Other commitments

in €m	2022	2021
Repurchase commitments under sales with an option to repurchase	0.0	0.0
Placement and underwriting commitments	0.0	0.0
Irrevocable loan commitments	6,415.0	8,436.8
Total	**6,415.0**	**8,436.8**

The outsourced areas do not have any material impact on the Bank's financial position.

The quality of the contingent liabilities and loan commitments is subject to permanent monitoring using internal rating procedures. Having assessed the risk situation associated with guarantees and indemnity agreements, the Bank does not currently expect any claims to be asserted. The Bank has outsourced the central registry for card payments, electronic banking services, system administration and IT operations for the Invoice Finance Application International system, as well as the establishment and operation of a central accounts registry, to third parties in accordance with section 24c of the German Banking Act (KWG). Furthermore, services relating to securities settlement and administration are outsourced to the subsidiary HSBC Transaction Services GmbH.

The irrevocable loan commitments include ten material individual commitments in a total amount of €1,448.3 million (previous year: €1,864.2 million) relating to overall activity. The individual amounts range from €100.0 million (previous year: €125.0 million) to €250.0 million (previous year: €353.4 million).

5. Other Contingent Liabilities and Financial Commitments

The following transactions, contingent liabilities and financial commitments are not shown in the balance sheet:

The FMSA and the Compensation Scheme of German Banks (EDB) allowed HSBC Trinkaus & Burkhardt at such time still in the legal form of a German stock corporation (*Aktiengesellschaft*), in the context of the collection of annual contributions, to pay part of the annual contribution in the form of fully secured payment claims (irrevocable payment commitment). Please refer to our comments in this regard in the section on “Other assets". In the leasing business, the Bank acts exclusively as a lessee. All leases concluded are operating leases. Under these agreements, the risks and rewards incidental to ownership remain with the lessor, which also recognises the leased assets in its accounts. The lease payments are reported as rent payments under administrative expenses.

Obligations from rental and lease agreements

in €m	**2022**	**2021**
Up to one year	10.1	10.2
More than one year and up to five years	32.3	32.3
More than five years	16.9	22.1
Total	**59.3**	**64.6**
thereof to affiliated companies	0.0	0.0

6. Transactions Subject to Market Risk

6.1 Market risks

Market risk is defined as the extent to which the market value of a financial instrument could change to the Bank's detriment due to changes in market price parameters. Market risk includes foreign exchange risk, interest rate risk (including credit spread risk), and equity and other price risks. Market risks result primarily from trading in interest rate, equity and foreign exchange products and, to a lesser extent, in commodity products that do not involve physical delivery.

Value-at-risk approaches are used to measure market risks in the trading book. Value-at-risk is understood as the potential loss amount that will not be exceeded with a probability of 99% for a holding period of one trading day and based on an unchanged position. The value-at-risk model is based on a historical simulation of the risk factors over a period of 500 equally weighted trading days and covers interest rate, equity, foreign exchange and volatility risks. All positions are completely remeasured taking changed market parameters into account. As far as interest rate risks are concerned, both general interest rate risks resulting from a change in the market interest rate level and spread risks associated with various issuers or issuer categories are taken into account.

The following risk factors are taken into account in particular:

1. Equity spot prices and equity indices
2. Spot exchange rates including gold rates
3. Commodity prices
4. Zero interest rates for ideal-typical maturities from swap yield curves
5. Credit spreads for various categories, such as Pfandbriefe, federal state bonds and bank bonds with further differentiation by credit rating and/or maturity
6. Equity and equity index option volatilities for ideal-typical maturities
7. Foreign exchange option volatilities for ideal-typical maturities
8. Volatilities of options on German government bonds for ideal-typical maturities
9. Cap/floor volatilities for ideal-typical maturities
10. Swaption volatilities for ideal-typical maturities

This results in the following value-at-risk figures in the trading book:

in €m	**2022**	**2021**
Interest rate risks	0.5	0.4
Currency risks	0.1	0.1
Equity/index risks	0.8	1.5
Credit spread risks	0.2	0.5
Commodities risks	0.1	0.6
Overall market risk potential	**1.0**	**2.2**

6.2 Transactions involving derivative financial instruments

in €m		Nominal amounts with a residual maturity of: up to 1 year	more than 1 year and up to 5 years	> 5 years	Nominal amount 2022	Nominal amount 2021	Market value Positive 2022	Market value Positive 2021	Market value Negative 2022	Market value Negative 2021
Interest rate-related transactions										
OTC products	FRAs, CAPs, FLOORs	606	1,528	111	2,245	865	40	2	40	2
	Interest rate swaps	963	2,617	1,130	4,710	5,026	89	105	88	122
	Interest rate options	765	190	402	1,357	563	18	1	19	1
	Forward transactions	150	130	0	280	988	33	7	3	1
Exchange-traded products	Interest rate futures	5	0	0	5	14	0	0	0	0
	Interest rate options	0	0	0	0	0	0	0	0	0
	Total	**2,489**	**4,465**	**1,643**	**8,597**	**7,456**	**180**	**115**	**150**	**126**
Currency-related transactions										
OTC products	Currency forwards	102,161	3,266	0	105,427	105,414	1,443	721	1,545	700
	Cross-currency swaps	4	170	112	286	392	20	19	20	19
	Currency options	4,287	1,301	0	5,588	4,147	43	37	43	37
Exchange-traded products	Currency futures	0	0	0	0	0	0	0	0	0
	Total	**106,452**	**4,737**	**112**	**111,301**	**109,953**	**1,506**	**777**	**1,608**	**756**
Equity/index-based transactions										
OTC products	Equity/index options	0	0	0	0	0	0	0	0	0
	Forward transactions	0	0	0	0	0	0	0	0	0
	Equity swaps	0	0	0	0	0	0	0	0	0
Exchange-traded products	Equity/index futures	598	445	0	1,043	2,508	0	0	0	0
	Equity/index options	5,030	1,539	0	6,569	7,199	171	517	37	56
	Total	**5,628**	**1,984**	**0**	**7,612**	**9,707**	**171**	**517**	**37**	**56**
Commodity-based transactions										
OTC products	Commodity swaps	429	205	0	634	716	46	85	46	85
	Total	**429**	**205**	**0**	**634**	**716**	46	**85**	46	**85**
Total financial derivatives		**114,998**	**11,391**	**1,755**	**128,144**	**127,832**	**1,903**	**1,494**	**1,841**	**1,023**

Breakdown of market values by counterparty

in €m		2022 Positive	2022 Negative	2021 Positive	2021 Negative
OECD	Banks	1,357	502	438	615
	Financial institutions	67	853	177	65
	Other	287	441	345	277
Non-OECD	Banks	20	6	15	8
	Financial institutions	0	0	0	0
	Other	172	39	519	58
Total		**1,903**	**1,841**	**1,494**	**1,023**

The Bank also uses certain derivatives (generally interest rate swaps) to hedge the market interest rate risks associated with long-term financial assets, selected loans and registered debt instruments that have been issued. These hedging relationships result in positive market values of €191.3 million as at 31 December 2022 (previous year: €14.5 million) and negative market values of €7.5 million (previous year: €12.7 million).

The presentation of the derivatives business pursuant to section 36 of the German Ordinance on Accounting Policies for Banks and Financial Services Institutions is consistent with the recommendations made by the Accounting Committee of the Association of German Banks (*Bundesverband deutscher Banken*). In line with the international standard, the market values stated correspond to the replacement costs on the balance sheet date in the event of default by the counterparties, irrespective of their credit rating and any netting agreements.

7. Income Statement Disclosures

7.1 Breakdown of income items by geographical market

The total of the components interest income, current income, commission income, net trading income and other operating income amounts to €1,097.5 million (previous year: €1,104.0 million). All income was generated in Germany. The information presented is based on the assumption that the location of the branch where income was generated is decisive for the purposes of assigning income to a geographical market.

7.2 Administrative and brokerage services provided to third parties

At HSBC Trinkaus & Burkhardt GmbH, the range of management and brokerage services provided for third parties is largely limited to asset and securities account management and advisory services.

7.3 Net interest income

The Bank collected negative interest of €75.5 million (previous year: €119.9 million) on liabilities, and paid negative interest of €55.7 million (previous year: €76.0 million) on receivables. Of the interest paid, €48.8 million relates to our account with Deutsche Bundesbank (previous year: €69.5 million).

7.4 Current income from holdings in affiliated companies

Current income from holdings in affiliated companies amounted to €3.5 million in the 2022 financial year (previous year: €126.0 million).

7.5 Net commission income

Net commission income declined by €19.1 million or 8.9% to €195.5 million (previous year: €214.6 million). Net commission income from foreign exchange transactions increased by €21.4 million to €87.4 million (previous year: €66.0 million). The increase was the result of higher income on foreign exchange transaction brokerage for our customers in the HSBC Group. In the lending business, net commission income rose by €7.6 million to €34.9 million (previous year: €27.3 million). The increase was the result of higher loan processing fees and surety commissions. Net commission income from asset management was down by €6.9 million to €28.3 million (previous year: €35.2 million). The volume of domestic/international payments and documentary business at €21.7 million fell by €2.0 million compared to the previous year (previous year: €23.7 million). In capital financing, net commission income fell by €18.2 million to €16.1 million (previous year: €34.3 million). The decline is largely due to lower income in the equity and debt-based corporate financing transactions business. At €4.0 million, net commission income from transactions on securities and financial instruments was €21.6 million lower than the previous year's net commission income on such transactions of €25.6 million. The decline is due to the lower commission income in the securities portfolio and securities transaction business, where the company recorded a significant decline in portfolio commissions and custody fees due to the market value. In addition, expenses for securities settlement by our subsidiary HSBC Transaction Services GmbH increased year on year.

7.6 Net trading income

With reference to the IDW accounting practice statement BFA 2 dated 3 March 2010, interest income and interest expenses from trading, dividend income and fees and commission are recognised under “Net trading income” in accordance with the Bank's internal management.

Net trading income amounted to €157.5 million (previous year: €189.9 million).

A breakdown of net trading income is shown below:

in €m	2022	2021
Equities and equity derivatives	143.4	175.0
Foreign exchange and foreign exchange derivatives	0.7	0.7
Bonds and bond derivatives	5.5	16.0
Precious metals	0.0	-0.1
Reversals of/allocations to discounts	7.9	-1.6
Reversals of/allocations to provision for general banking risks	0.0	0.0
Total	**157.5**	**189.9**

7.7 Other operating income

Other operating income of €73.9 million (previous year: €78.2 million) mainly includes cost transfers to group companies of €50.0 million (previous year: €55.4 million) and to third parties in the amount of €0.3 million (previous year: €0.7 million), and €18.7 million (previous year: €18.1 million) in income relating to other periods from the reversal of provisions that are no longer required.

7.8 Other operating expenses

Other operating expenses of €78.5 million (previous year: €14.4 million) primarily include the compounding effects from asset offsetting reported for the first time in 2022 in the amount of €65.9 million (previous year: €2.4 million). This item also contains €11.8 million (previous year: €7.1 million) in group service expenses (investment services), €0.3 million (previous year: €5.2 million) from operating losses and €0.2 million in losses from the disposal of operating and office equipment (previous year: €2.1 million).

7.9 Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions

Net expenses from offsetting amounted to €154.1 million as at the balance sheet date after net income of €3.9 million the previous year. The outbreak of war in Ukraine, global economic problems and rising interest rates on the capital markets weighed heavily on results in the year under review. This development was largely reflected in a significant interest-induced need for write-downs on the securities portfolio in the reporting year. Moreover, the default of a borrower, in particular, led to a significantly higher risk provisioning requirement in the lending business compared to the previous year.

7.10 Loss absorption expenses

Expenses from the absorption of losses from two subsidiaries amounted to €2.1 million in the financial year (previous year: €0.0 million).

7.11 Taxes on income

Income from income taxes includes corporate income tax, trade tax and the solidarity surcharge in the amount of €48.3 million (previous year: expense of €75.2 million). Income from income taxes includes deferred taxes.

	2022	2022	2021	2021
in €m	**Amount**	**Tax rate**	**Amount**	**Tax rate**
Result before income taxes	-126.1		223.5	
Expected tax expense (statutory tax rate)	-39.6	**31.4%**	70.2	**31.4%**
Reconciliation:				
Differences in the tax assessment base	-2.3		7.2	
Switch to the deduction method where withholding tax has been paid	1.4		1.8	
Taxes relating to other periods	-7.9		0.7	
Recognition and measurement of deferred tax assets	0.1		-4.7	
Actual tax expense	-48.3		75.2	
Effective tax rate		**38.3%**		**33.6%**

8. Other Notes

8.1 Employees

Annual average	**2022**	**2021**
Employees covered by collective pay-scale agreements	395	482
Employees not covered by collective pay-scale agreements	1,175	1,250
Trainees	10	23
Total	**1,580**	**1,755**
of which:		
Female employees	633	695
Male employees	947	1,060

8.2 Liability from letters of comfort

HSBC Trinkaus & Burkhardt GmbH undertakes to ensure that the companies HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg, Internationale Kapitalanlagegesellschaft mbH, Dusseldorf, HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf and HSBC Transaction Services GmbH, Dusseldorf are in a position to fulfil their contractual obligations.

Moreover, HSBC Trinkaus & Burkhardt GmbH regularly indemnifies the current general partners or managing partners of those fully consolidated companies having the legal form of a KG (limited partnership), as well as those of the Trinkaus real estate fund companies and Trinkaus private equity companies, against all third-party claims that are made against them in their legal capacity or activities as general partners in the respective companies, provided they are natural persons.

8.3 Related party disclosures

In the year under review, no transactions that were not considered to be at arm’s length were concluded with related parties.

8.4 Executive bodies of HSBC Trinkaus & Burkhardt GmbH

The members of the Management Board and the members of the Supervisory Board are listed in Appendix 2. The supervisory board mandates of these individuals are shown in Appendix 3.

8.5 Advances and loans granted to members of executive bodies

As at the balance sheet date, no member of the Supervisory Board had overdraft facilities, as in the previous year. As in the previous year, one member had a credit card limit. No rent guarantees or loans were granted to members of the Management Board during the financial year under review. As in the previous year, one member of the Management Board had a credit card limit. The only other contingent liabilities vis-à-vis third parties in favour of members of executive bodies related to the indemnification of natural persons referred to in section 8.2.

8.6 Remuneration paid to members of the executive bodies and committees of HSBC Trinkaus & Burkhardt GmbH

The main features of the remuneration system are described in the management report. The information provided below explains the components of the remuneration paid to members of the Management Board and complies with German Accounting Standard no. 17 (DRS 17). Taking into account the changes in the composition of the Management Board, the fixed remuneration paid to all members of the Management Board in 2022 of €3,716.2 thousand was below that of the previous year (€3,980.4 thousand). The variable component of the remuneration amounted to €2,630.9 thousand (previous year: €2,814.1 thousand). The variable remuneration of the Management Board for the 2022 financial year includes a long-term remuneration component of €1,632.9 thousand (previous year: €1,749.1 thousand). The remuneration paid to the Supervisory Board amounted to €1,010.3 thousand in the 2022 financial year (previous year: €1,025.0 thousand). The general rules for employees, former general partners and former members of the Management Board apply to pension obligations vis-à-vis employee representatives and vis-à-vis former general partners and former members of the Bank's Management Board.

Remuneration was paid to former general partners of HSBC Trinkaus & Burkhardt KGaA and Trinkaus & Burkhardt KG as the legal predecessors of HSBC Trinkaus & Burkhardt AG and their surviving dependants, as well as to former members of the Management Board of Trinkaus & Burkhardt, at such time still in the legal form of a German stock corporation (*Aktiengesellschaft*), in the amount of €4.1 million (previous year: €4.0 million). Provisions for pension obligations in accordance with the German Commercial Code (HGB) have been set up for this group of individuals in the amount of €51.8 million (previous year: €41.6 million).

8.7 Auditors' fees

Fees including expenses in the amount of €3.1 million (previous year: €2.4 million) for the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, were recorded as an expense. Expenses of €2.9 million were recorded for the audit of the annual financial statements (previous year: €2.3 million) and of €0.2 million (previous year: €0.1 million) for auditor's report and valuation services (controls reports, agreed-upon procedures and auditor's reports).

8.8 Disclosure

HSBC Trinkaus & Burkhardt GmbH fulfils its duty of full disclosure under pillar 3 by disclosure at group level of HSBC Continental Europe, Paris (Art. 6 (3) of the Capital Requirements Regulation - CRR). Please refer to HSBC Group publications in this regard in the Investor Relations section on the Group's website (www.hsbc.fr).

8.9 Report on post-balance sheet date events

Material events occurring after the balance sheet date

No events with a material impact on the net assets, financial position and results of operations occurred between the balance sheet date and the date on which these annual financial statements were prepared.

8.10 Proposal for appropriation of profits

The income statement for the 2022 financial year closes with a net accumulated loss of €77,789,821.65 (previous year: net retained profit of €148,384,114.74). The Management Board proposes to the shareholders' meeting that the net accumulated loss be offset by a release of revenue reserves in the same amount.

Düsseldorf, 6 March 2023

The Management Board

Nicolo Salsano	Dr Rudolf Apenbrink	Dr Andreas Kamp	Nikolas Speer

Appendix 1

Statement of Changes in Fixed Assets

Tangible fixed assets

in € thousand	Cost 01/01/2022	Additions	Disposals	Transfers	Cost 31/12/2022
Land rights	300.4	0.0	300.4	0.0	0.0
Tangible fixed assets	103,178.4	12,347.9	11,689.8	0.0	103,836.5
Assets under construction	196.1	1,225.8	0.0	0.0	1,421.9
Standard software	1,937.8	0.0	0.0	0.0	1,937.8
Intangible fixed assets	34,778.6	667.0	0.0	79.2	35,524.8
Prepayments	9,776.6	7,760.9	0.0	-79.2	17,458.3
Total	**150,167.9**	**22,001.6**	**11,990.2**	**0.0**	**160,179.3**

in € thousand	Cumulative depreciation, amortisation and write-downs 01/01/2022	Additions	Disposals	Transfers	Cumulative depreciation, amortisation and write-downs 31/12/2022	Residual carrying amount 31/12/2022	Residual carrying amount 31/12/2021
Land rights	140.4	1.5	141.9	0.0	0.0	0.0	160.0
Tangible fixed assets	58,945.6	14,747.8	10,313.2	0.0	63,380.2	40,456.3	44,232.8
Assets under construction	0.0	0.0	0.0	0.0	0.0	1,421.9	196.1
Standard software	1,937.8	0.0	0.0	0.0	1,937.8	0.0	0.0
Intangible fixed assets	26,615.1	3,384.2	0.0	0.0	29,999.3	5,525.5	8,163.5
Prepayments	0.0	8,158.9	0.0	0.0	8,158.9	9,299.4	9,776.6
Total	**87,638.9**	**26,292.4**	**10,455.1**	**0.0**	**103,476.2**	**56,703.1**	**62,529.0**

Long-term financial assets

in € thousand	Cost 01/01/2022	Additions	Disposals	Transfers	Cost 31/12/2022	Cumulative depreciation, amortisation and write-downs 01/01/2022	Additions	Disposals	Reversals of write-downs	Cumulative depreciation, amortisation and write-downs 31/12/2022	Residual carrying amount 31/12/2022	Residual carrying amount 31/12/2021
Equity holdings	21,574.6	64.3	852.8	0.0	20,786.1	5.3	0.0	0.0	0.0	5.3	20,780.8	21,569.3
Holdings in affiliated companies	170,248.7	5,400.0	27,675.8	0.0	147,972.9	24,914.2	0.0	24,914.2	0.0	0.0	147,972.9	145,334.5
Total	**191,823.3**	**5,464.3**	**28,528.6**	**0.0**	**168,759.0**	**24,919.5**	**0.0**	**24,914.2**	**0.0**	**5.3**	**168,753.7**	**166,903.8**

Opening balances were adjusted due to an incorrect disclosure.

INDEPENDENT AUDITOR’S REPORT

To HSBC Trinkaus & Burkhardt GmbH, Düsseldorf

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of HSBC Trinkaus & Burkhardt GmbH, consisting of the balance sheet as at 31 December 2022, the income statement and cash flow statement for the financial year from 1 January to 31 December 2022, and the notes, including the presentation of the accounting policies. We have also audited the management report of HSBC Trinkaus & Burkhardt GmbH for the financial year from 1 January to 31 December 2022. We have not audited the statement on corporate governance pursuant to section 289f (4) HGB, in accordance with German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the provisions of German commercial law and, in accordance with German generally accepted accounting principles, give a true and fair view of the net assets and financial position of the company as at 31 December 2022 and its results of operations for the financial year from 1 January to 31 December 2022 and,

- the accompanying management report as a whole provides an appropriate view of the company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with the German statutory provisions, and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those parts of the management report listed in the “Other information” section.

Pursuant to section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as the “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer* - IDW). Our responsibilities under those requirements and principles are further described in the section entitled “Auditors’ Responsibilities for the Audit of the Annual Financial

Statements and the Management Report" of our auditor's report. We are independent of the company in accordance with the requirements of European law and the German commercial and professional regulations, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, pursuant to Article 10 (2) (f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5 (1) EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon. We do not provide a separate audit opinion on these matters.

In our view, the following matters were most significant to our audit:

❶ Loan loss provisions in the customer lending business

❷ Presentation of net commission income

❸ Presentation of restructuring provisions

Our presentation of the key audit matters has been structured as follows in each case:

① Matter and issue

② Audit approach and findings

③ Reference to further information

We present the key audit matters below:

❶ **Loan loss provisions in the customer lending business**

① Loan receivables amounting to €7,009.6 million (18.6% of total assets) are reported under the balance sheet item "Receivables from customers" in the company's annual financial statements. As at the balance sheet date, provisions consisting of specific and global valuation allowances have been set up in the balance sheet. The measurement of loan loss provisions in the customer lending business is determined in particular by the structure and quality of the loan portfolios, general economic factors and estimates by the executive directors with respect to future loan defaults, also against the backdrop of the expected impact of the current macroeconomic situation on the customer lending business. The amount of the specific valuation allowances for receivables from customers corresponds to the difference between the outstanding loan amount and its lower fair value on the reporting date. Existing collateral is taken into account. Global valuation allowances are created for foreseeable counterparty risks in the lending business of credit institutions that have not yet been specified for individual borrowers. This involves creating a global valuation allowance in the amount of the expected loss for an observation period of 12 months for loans for which specific valuation allowances have not been created, unless the loan default risk has risen significantly since addition. In the event of a significant increase in the loan default risk since addition, a global valuation allowance is created for loans for which no specific valuation allowance has been created for the losses expected on the relevant loans over the residual maturity. The valuation allowances in the customer lending business are of significant importance for the Bank’s net assets and results of operations in terms of their amount and also involve considerable scope for judgement on the part of the executive directors. In addition, the valuation parameters applied, which are also subject to significant uncertainty due to the effects of the current macroeconomic situation, have a significant impact on the recognition/amount of any necessary valuation allowances. Against this background, this matter was of particular significance in the context of our audit.

② For the purposes of our audit, we first assessed the design of the company’s relevant internal control system and tested whether the controls functioned effectively. We included the business organisation, the IT systems and the relevant measurement models in our assessment. In addition, we assessed the measurement of receivables from customers, including the extent to which estimated values were appropriate, based on a sample of loan exposures. For the purposes of this exercise, among other things we reviewed the available documentation of the company in order to assess the economic circumstances and the recoverability of the related collateral. With respect to real estate as collateral for which the company has submitted expert appraisals to us, we obtained an understanding of the underlying source data, the valuation parameters used and assumptions made, evaluated those factors critically and assessed whether they lay within a reasonable range. In addition, for the purpose of assessing the specific and global valuation allowances recognised, we evaluated the calculation methodology applied by the company together with the underlying assumptions and parameters. We also reviewed in particular the estimates by the executive directors with respect to the effects of the current macroeconomic situation on the economic circumstances of borrowers and the recoverability of the related collateral and verified the application of these factors in the measurement of receivables from customers. On the basis of the audit procedures we carried out, we satisfied ourselves overall that the assumptions made by the executive directors for the purpose of reviewing the recoverability of the loan portfolio are appropriate.

③ The company's disclosures regarding provisions for the customer lending business are contained in Notes 2.17.1, 2.3 and 7.9 of the notes to the annual financial statements

❷ **Presentation of net commission income**

① The income statement shows net commission income of €195.5 million, resulting from commission income of €521.9 million and commission expenses of €326.5 million. This significant item is subject to particular accounting related risk due to the complexity of the systems necessary for accurately recording it, the large number and heterogeneous nature of transactions requiring processing and the earnings contributions in certain areas attributable to transactions involving non-recurring effects. The non-recurring effects resulted from individual transactions concluded during the reporting year. Against this background, this matter was of particular significance in the context of our audit.

② For the purposes of our audit, we first assessed the appropriateness and effectiveness of the controls in the business processes for specific products and the relevant controls established within the company's internal control system from the initial recording of the various transactions in the company's portfolio management systems through to the reporting of the resulting income and expenses in the general ledger. In addition, we verified, among other things, the calculation and accounting treatment of various components of income and expense on a test basis based on the documents provided to us. This also involved comparing the commission rates charged against the contractually agreed fee rates and verifying the arithmetical accuracy of the commission statements. Furthermore, we verified the allocation of commission income and expenses to the correct periods, as well as the consistency of the methods used by the company to recognise commission income and expenses. We were able to satisfy ourselves that the systems and processes in place, as well as the established controls, are appropriate overall for the purpose of ensuring that net commission income is presented correctly.

③The company's disclosures regarding net commission income are contained in Notes 7.1 and 7.5 of the notes to the annual financial statements

❸ **Presentation of restructuring provisions**

① The company continued its programmes launched in 2019, 2020 and 2021 to improve internal efficiency. These programmes provide for fundamental restructuring and in particular the relocation of certain business activities. In addition to the programmes already implemented, a further efficiency programme entitled "Titan" and a related redundancy programme with reconciliation of interests were negotiated with the works councils during 2022. A communication on the extent and the essential content of this programme was issued to employees at the beginning of December 2022. In this respect, the restructuring provisions reported in the 2022 annual financial statements include not only effects from the staffing measures of the 2019, 2020 and 2021 efficiency programmes yet to be implemented, New provisions to take the financial effects of the "Titan" into account were also recognised in the 2022 annual financial statements. The majority of the programme will not be implemented until 2023 and subsequent years.
Provisions are to be set up for uncertain liabilities in accordance with section 249 (1) sentence 1 HGB. For such provisions to be set up, there has to be an external obligation that has arisen in legal terms or has been triggered in economic terms, and the assertion of claims must be seriously expected. If the necessary recognition criteria are met, a restructuring provision has to be set up. From our point of view, this matter was of particular importance for our audit, as the recognition of restructuring provisions is based to a large extent on estimates and assumptions by the executive directors.

② In our audit, we have assessed, among other things, whether the necessary inclusion criteria have been met. For this purpose, we have obtained the relevant evidence from the executive directors of the company.
We have also assessed the valuation carried out by the Bank in terms of its suitability, methodology and comprehensibility of the assessment of value. This has enabled us to obtain an understanding of the underlying source data, valuation parameters and assumptions made in the

reporting year, to critically evaluate them and to assess whether they are within a reasonable range.
We were able to satisfy ourselves that the circumstances, as well as the estimates and assumptions made by the executive directors for the recognition and measurement of a restructuring provision, are sufficiently documented and justified. The valuation parameters and assumptions applied by the executive directors are generally in line with our expectations and are also within the ranges that we consider to be acceptable.

③The company's disclosures on restructuring provisions are included in Note 3.20.5 of the notes to the annual financial statements.

Other information

The executive directors are responsible for the other information. The other information includes the following parts of the management report, which have not been audited:

- the statement on corporate governance pursuant to section 289f (4) HGB (disclosures on the proportion of women in management)
- the “Sustainable corporate governance” and “Employees” sections of the management report

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information listed above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the audited content of the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for preparing the annual financial statements which comply, in all material respects, with the provisions of German commercial law, and for ensuring that the annual financial statements, in accordance with the generally accepted accounting principles in Germany, give a true and fair view of the assets, liabilities, financial position and financial performance of the company. In addition, the executive directors are responsible for such internal control as they determine is necessary, in line with the German generally accepted accounting principles, to enable the preparation of annual financial statements that are free from material misstatement due to fraudulent acts (i.e. manipulation of accounts and misappropriation of assets) or to error.

In preparing the annual financial statements, the executive directors are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless actual or legal circumstances preclude this.

Furthermore, the executive directors are responsible for the preparation of the management report which, as a whole, provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misrepresentation whether due to fraudulent acts or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraudulent acts or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatements in the annual financial statements and the management report, whether due to fraudulent acts or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraudulent acts is greater than for one resulting from error, as fraudulent acts may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- draw conclusions as to the appropriateness of use of the going concern basis of accounting by the executive directors and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in accordance with the generally accepted accounting principles in Germany.

- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant impartiality requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our impartiality, and where relevant, the actions taken or safeguards put in place to eliminate the risks to impartiality.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor by the Annual General Meeting held on 3 May 2022. We were engaged by the Supervisory Board on 10 November 2022. We have been engaged as auditor of HSBC Trinkaus & Burkhardt GmbH, Düsseldorf, without interruption since the 2015 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Lehmann.

Düsseldorf, 7 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
WIRTSCHAFTS-
PRÜFUNGS-
GESELLSCHAFT
SIEGEL
FRANKFURT AM MAIN
Zweigniederlassung Düsseldorf

Christoph Lehmann
Auditor

p.p. Matthias Türck
Auditor

Financial Statements prepared in accordance with the German Commercial Code (HGB)

The Annual Financial Statements 2021 were originally prepared in German. This is a non-binding convenience translation into English.

Annual balance sheet of HSBC Trinkaus & Burkhardt AG

as at 31 December 2021

Assets				31/12/2021	31/12/2020
	in €	in €	in €	in €	in € thousand
1. Cash reserve					
a) Cash on hand			718,832.76		1,691
b) Credit balance with central banks			15,055,387,935.50		10,452,731
of which: with Deutsche Bundesbank	15,055,387,935.50				(10,452,731)
c) Credit balance with girobanks			0.00		0
				15,056,106,768.26	**10,454,422**
2. Public-sector debt instruments and bills of exchange eligible for refinancing with central banks					
a) Treasury bills, discountable treasury notes and similar debt instruments of public-sector issuers			0.00		0
of which: eligible for refinancing with Deutsche Bundesbank	0.00				(0)
b) Bills of exchange			0.00		0
				0.00	**0**
3. Receivables from banks					
a) Repayable on demand			548,484,957.00		1,279,332
b) Other receivables			593,224,540.41		157,820
				1,141,709,497.41	**1,437,152**
4. Receivables from customers				7,074,449,436.82	8,079,042
of which: secured by mortgages on real estate	234,030,436.74				(238,922)
loans to or guaranteed by public-sector entities	94,134,973.11				(135,552)
5. Bonds and other fixed-income securities					
a) Money market instruments					
aa) Public sector issuers		0.00			0
ab) Other issuers		0.00			0
			0.00		**0**
b) Bonds and debentures					
ba) Public sector issuers		1,542,127,410.48			1,976,262
of which: eligible as collateral for Deutsche Bundesbank advances	1,446,413,093.56				(1,844,076)
bb) Other issuers		1,122,408,425.36			1,578,903
			2,664,535,835.84		**3,555,165**
of which: eligible as collateral for Deutsche Bundesbank advances	1,042,503,493.05				**(1,537,562)**
c) Own debt instruments			0.00		0
Principal amount	0.00				(0)
				2,664,535,835.84	**3,555,165**

Assets				31/12/2021	31/12/2020
	in €	in €	in €	in €	in € thousand
6. Shares and other variable yield securities				181,547,851.12	228,081
6a. Trading portfolio				4,630,000,388.39	4,862,109
7. Equity holdings				21,569,334.42	22,551
of which: in banks	0.00				(0)
in financial institutions	271,218.92				(194)
8. Holdings in affiliated companies				145,334,490.17	168,249
of which: in banks	0.00				(0)
in financial institutions	7,002,428.63				(5,002)
9. Fiduciary assets				107,145,000.00	107,145
of which: fiduciary loans	0.00				(0)
10. Equalisation claims against the public sector including debt instruments arising from conversion of such claims				0.00	0
11. Intangible fixed assets					
a) Self-developed industrial rights and similar rights and assets			0.00		0
b) Purchased concessions, industrial rights, similar rights and assets and licences in such rights and assets			8,163,531.13		10,186
c) Goodwill			0.00		0
d) Prepayments			9,776,643.31		79
				17,940,174.44	**10,265**
12. Tangible fixed assets				44,588,867.75	47,156
13. Unpaid contributions to subscribed capital				0.00	0
of which called	0.00				(0)
14. Other assets				215,417,429.87	181,818
15. Prepaid expenses				14,674,439.31	16,439
16. Deferred tax assets				122,195,606.69	104,415
17. Active difference from asset offsetting				56,330,426.16	53,687
18. Deficit not covered by equity				0.00	0
Total assets				**31,493,545,546.65**	**29,327,696**

Liabilities and equity				31/12/2021	31/12/2020
	in €	**in €**	**in €**	**in €**	**in € thousand**
1. Liabilities to banks					
a) repayable on demand			683,818,841.30		701,340
b) with agreed maturity or notice period			3,576,312,725.50		3,063,639
				4,260,131,566.80	**3,764,979**
2. Liabilities to customers					
a) Savings deposits					
aa) with agreed notice period of three months		2,569,033.01			2,726
ab) with agreed notice period of more than three months		0.00			0
			2,569,033.01		**2,726**
b) Other liabilities					
ba) repayable on demand		18,823,193,521.49			17,272,250
bb) with agreed maturity or notice period		1,396,079,900.26			865,558
			20,219,273,421.75		**18,137,808**
				20,221,842,454.76	**18,140,534**
3. Securitised liabilities					
a) Debt instruments issued			0.00		0
b) Other securitised liabilities			33,000,000.00		37,500
of which: own acceptances and promissory notes outstanding	33,000,000.00				(37,500)
				33,000,000.00	**37,500**
3a. Trading portfolio				3,486,432,805.97	3,816,035
4. Fiduciary liabilities				107,145,000.00	107,145
of which: fiduciary loans	0.00				(0)
5. Other liabilities				170,484,295.51	89,596
6. Deferred income				25,110,385.75	29,617
6a. Deferred tax liabilities				0.00	0
7. Provisions					
a) Provisions for pensions and similar obligations			18,495,382.91		16,328
b) Provisions for taxes			45,863,928.92		75,572
c) Other provisions			135,530,329.87		139,040
				199,889,641.70	**230,940**

Liabilities and equity				31/12/2021	31/12/2020
	in €	in €	in €	in €	in € thousand
9. Subordinated liabilities				854,636,422.39	895,138
10. Profit participation capital				0.00	93,371
of which: maturing within two years	0.00				(89,000)
11. Fund for general banking risks				65,800,000.00	65,800
12. Equity					
a) Subscribed capital	91,423,896.95		91,423,896.95		91,424
– Conditional capital –	45,711,948.47				(45,712)
b) Capital reserves			720,941,318.68		720,941
c) Revenue reserves					
cb) Reserve for shares in a controlling company or a company in which a majority interest is held		0.00			0
cd) Other revenue reserves		1,108,323,643.40			1,071,538
			1,108,323,643.40		**1,071,538**
d) Net retained profits			148,384,114.74		173,138
				2,069,072,973.77	**2,057,041**
Total liabilities and equity				**31,493,545,546.65**	**29,327,696**

1. Contingent liabilities					
a) Contingent liabilities from endorsement of discounted bills of exchange			0.00		0
b) Contingent liabilities from guarantees and indemnity agreements			3,414,503,474.48		2,876,985
c) Contingent liabilities from the granting of security for third-party liabilities			0.00		0
				3,414,503,474.48	**2,876,985**
2. Other commitments					
a) Repurchase commitments under sales with an option to repurchase			0.00		0
b) Placement and underwriting commitments			0.00		0
c) Irrevocable loan commitments			8,436,762,034.53		11,112,172
				8,436,762,034.53	**11,112,172**

Income statement of HSBC Trinkaus & Burkhardt AG

for the period from 1 January to 31 December 2021

				31/12/2021	31/12/2020
	in €	in €	in €	in €	in € thousand
1. Interest income from					
a) Lending and money market transactions		125,296,101.97			172,536
of which: negative interest income	74,936,338.77				(50,236)
b) Fixed-income securities and registered government debt		11,601,817.91			18,904
of which: negative interest income	1,066,441.00				(931)
			136,897,919.88		191,440
2. Interest expenses			-49,151,707.94		18,963
of which: negative interest expenses	119,889,219.01				(82,993)
				186,049,627.82	172,477
3. Current income from					
a) Shares and other variable yield securities			53,588.70		530
b) Equity holdings			83,364.71		587
c) Holdings in affiliated companies			126,011,985.53		2,315
				126,148,938.94	3,432
4. Income from profit pooling, profit transfer, or partial profit transfer agreements				17,138,816.94	131,625
5. Commission income			572,879,200.49		594,234
6. Commission expenses			358,320,911.44		321,125
				214,558,289.05	273,109
7. Net trading income				189,866,206.73	158,111
of which: release of special reserve according to section 340e (4) HGB	0.00				(0)
8. Other operating income				78,227,324.64	66,868
10. General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		244,188,328.05			249,791
ab) Social security, post-employment and other employee benefit expenses		36,150,905.71			39,766
of which:			280,339,233.76		289,557
in respect of post-employment benefits	10,914,088.67				(10,759)
b) Other administrative expenses			252,288,634.41		199,707
				532,627,868.17	489,264
11. Depreciation, amortisation and write-downs of tangible and intangible fixed assets				20,386,641.10	30,466
12. Other operating expenses				14,411,276.87	20,814

				31/12/2021	31/12/2020
	in €	in €	in €	in €	in € thousand
13. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions			0.00		34,757
14. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions			3,891,891.87		0
				3,891,891.87	34,757
15. Write-downs of and valuation allowances on equity holdings, holdings in affiliated companies and securities treated as fixed assets			24,914,165.61		0
16. Income from reversals of write-downs of equity holdings, holdings in affiliated companies and securities treated as fixed assets			0.00		0
				24,914,165.61	0
17. Loss absorption expenses				0.00	563
19. Result from ordinary activities				223,541,144.24	229,758
20. Extraordinary income			0.00		0
21. Extraordinary expenses			0.00		0
22. Extraordinary result				0.00	0
23. Taxes on income			75,157,029.50		56,620
24. Other taxes not recognised under item no. 12			0.00		0
				75,157,029.50	56,620
25. Income from loss absorption				0.00	0
26. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements				0.00	0
27. Net income for the financial year				148,384,114.74	173,138
28. Retained profits brought forward				0.00	0
				148,384,114.74	173,138
29. Withdrawals from capital reserves				0.00	0
30. Withdrawals from revenue reserves				0.00	0
31. Withdrawals from profit participation capital				0.00	0
32. Appropriation to revenue reserves				0.00	0
33. Replenishment of profit participation capital				0.00	0
34. Net retained profits				148,384,114.74	173,138

Notes to the Annual Financial Statements 2021 of HSBC Trinkaus & Burkhardt AG

1. Basic Principles

The annual financial statements of HSBC Trinkaus & Burkhardt AG as at 31 December 2021 were prepared in accordance with the provisions set out in the German Commercial Code (*Handelsgesetzbuch* - HGB) – taking into account the requirements specific to the company's legal form set out in the German Stock Corporation Act (*Aktiengesetz* - AktG) – in conjunction with the German Ordinance on Accounting Policies for Banks and Financial Services Institutions (*Kreditinstituts-Rechnungslegungsverordnung* - RechKredV).

The figures in brackets relate to the 2020 financial year.

HSBC Trinkaus & Burkhardt AG has its registered office in Düsseldorf. The Company is entered in the Commercial Register of the Düsseldorf Local Court (*Amtsgericht*) under the number HRB 54447.

Effective January 2021, HSBC Trinkaus & Burkhardt AG became an indirect wholly-owned subsidiary of HSBC Bank plc and of the parent HSBC Holdings plc as a result of a squeeze-out performed under stock corporation law pursuant to section 327a (1) sentence 1 AktG. The admission of the shares to trading on the regulated market of the Düsseldorf and Stuttgart stock exchanges was revoked on 27 January 2021. As a result, HSBC Trinkaus & Burkhardt AG now exercises the option to be exempted from preparing its own consolidated financial statements pursuant to section 292 (1) no. 1c HGB. The Bank is therefore no longer required to prepare consolidated financial statements or a group management report in accordance with the provisions of section 315e HGB.

The exempting consolidated financial statements and exempting group management report are prepared by HSBC Bank plc, 8 Canada Square, London, E14 5HQ, United Kingdom, registration number 14259, and filed in English with Companies House, the United Kingdom's registrar of companies. The consolidated financial statements of HSBC Bank plc are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the United Kingdom (UK). The exempting consolidated financial statements do not apply any accounting, valuation or consolidation methods that deviate significantly from German law.

The financial statements of HSBC Trinkaus & Burkhardt AG are also included in the consolidated financial statements of HSBC Holdings plc, 8 Canada Square, London, E14 5HQ, United Kingdom, registration number 617987. The consolidated financial statements of HSBC Holdings plc are filed with Companies House, the United Kingdom's registrar of companies.

2. Accounting and Valuation Methods

The measurement provisions pursuant to sections 252 et seq. HGB were applied.

2.1 Foreign currency translation

All items denominated in a foreign currency are translated at the mean spot exchange rate on the balance sheet date, irrespective of when they are incurred or fall due. Forward transactions are translated at the forward rate.

The provisions relating to special cover pursuant to section 340h HGB are taken into account when measuring foreign currency-related instruments. All foreign currency risks are actively managed as part of the relevant trading activities. Foreign currency risks are managed centrally in Trading (responsibility for positions), monitored centrally in Wholesale Credit and Market Risk, and reconciled on a daily basis independently of Trading within the overall position for each currency (central risk monitoring and position reconciliation). There are no currency risks outside of Trading.

2.2 Receivables

Receivables from the banking business are generally carried at their nominal amount. Amounts relating to premiums and discounts are recognised *pro rata temporis* in net interest income.

Receivables are measured based on unchanged standards. Accordingly, specific valuation allowances are recognised for acute credit risks and global valuation allowances for latent credit risks. The carrying amount of the receivables is reduced by the valuation allowances recognised.

The risk of claims being asserted in relation to contingent assets (assumption of guarantees and letters of credit, bill discounting, loan commitments) is assessed in the same way that the default risk for receivables is estimated. Individual and general provisions are set up in appropriate amounts for specific risks.

2.2.1 Global valuation allowances

The Bank determines and accounts for the need for risk provisions in accordance with the requirements for calculating the global valuation allowance in accordance with accounting practice statement IDW RS BFA 7 promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer* - IDW) and thus in line with the provisions set out in IFRS 9 on the basis of expected credit losses (expected loss model).

Impairments are recognised based on a three-stage model. Pursuant to IFRS 9, a risk provision is recognised in the amount of the twelve-month expected credit losses for financial instruments whose credit risk has not increased significantly between initial recognition and the balance sheet date and which do not already meet the definition of default at initial recognition (stage 1). A risk provision corresponding to the lifetime expected losses is recognised for financial assets whose credit risk has increased significantly since initial recognition (stage 2) and for financial assets that have defaulted by the balance sheet date (stage 3).

We use both quantitative and qualitative criteria to assess whether a financial instrument has an increased risk of default compared to the time of initial recognition. When it comes to determining a move from stage 1 to stage 2, we use the quantitative criterion of the relative change in the forecast probability of default since the initial recognition of the financial instrument concerned as the primary indicator alongside qualitative criteria, such as the 30 days past due backstop indicator for interest or principal payments and inclusion in the list of exposures to be monitored more closely.

In quantitative terms, we determine changes in the credit risks associated with individual financial instruments on the basis of cumulative probabilities of default. In order to identify a credit risk that has increased since initial recognition, we compare the average one-year expected probability of default at the time of initial recognition against that on the reporting date (residual average term forward point-in-time PD). Information on past events, the prevailing circumstances and forecasts of future overall economic conditions are included in the calculations in the form of various economic scenarios that are weighted depending on their expected probability of occurrence.

A significant increase in credit risk leading to a financial instrument previously assigned to stage 1 being moved to stage 2 occurs when pre-defined thresholds, which are based on expert estimates and validated at least once a year, are reached or exceeded. In the case of customer risk ratings (CRRs) of 0.1 to 1.2 at the time of initial recognition, the probability of default is increased by 15 basis points, and for ratings in the range of 2.1 to 3.3 by 30 basis points. For CRRs of more than 3.3 that are not considered a default, a significant increase in credit risk is assumed if the probability of default has doubled since initial recognition.

In qualitative terms, all loan exposures that are added to the list of credit exposures to be monitored more closely (watch/worry/monitor list) in the “watch” or “worry” categories are no longer considered to fall under stage 1, and are transferred to stage 2 or, if necessary, stage 3. This applies to all exposures that have to be transferred from normal loan management to special management because defined indicators for early risk detection, such as negative industry trends or negative news flow on a borrower, point to increased credit risks at an early stage.

In addition, interest or principal payments that are overdue by more than 30 days are used as an additional backstop to determine a significant increase in the credit risk. We do not generally make use of the option of rebutting this assumption as provided for in the accounting standards. Nor do we make use of the low credit risk exemption.

While instruments can be transferred back from stage 3 to a better stage in principle, this requires the definition of default to no longer be met for an uninterrupted period of up to twelve consecutive months.

The assessment of counterparty risks is based on appropriate and reliable information about past events, prevailing circumstances and forecasts of future overall economic conditions, insofar as they are significant for the purposes of assessing expected credit defaults. Four forward-looking scenarios have been applied here since last year. The central scenario is the average expected development in overall economic conditions. Three alternative scenarios are also taken into account in general: one scenario in which the overall economic conditions develop more favourably than expected (upside scenario), one in which they develop less favourably (downside scenario) and a much more unfavourable one (severe downside scenario). Additional scenarios are developed if circumstances require, and are used to assess counterparty default risks. The COVID crisis has shown that the potential non-linear development of overall economic conditions can be adequately represented by these four scenarios.

Overall, the implementation of the accounting standards for impairments in the amount of expected credit losses in methods, processes and systems is also based to a large extent on the expertise within the HSBC Group. The scenarios on which the risk measurement is based are developed using various forecasts obtained from independent sources (e.g. central banks, Moody's) by a team of experts from the HSBC Group, also involving independent consultants from outside the Group. This includes determining the relative importance/weighting of these scenarios for the next steps to be taken. This weighting can be adjusted by the Bank later in the process if necessary.

The scenarios tend to be based on a forecast period of five years from the balance sheet date (point in time approach). The central scenario is developed in two stages. The first stage involves defining key economic indicators for HSBC’s main markets, specifically the growth in gross domestic product (GDP growth), the unemployment rate, inflation and property price growth. Taking this as a basis, the second stage uses established economic and also industry-specific models to define a large number of further key figures. Finally, the expected development required for risk measurement is modelled taking country-specific features into account. The upside, downside and severe downside scenarios are then developed on this basis. The opportunities and risks associated with a potential development tend to be overstated in positive/negative terms in this process, and possible non-linear developments are also taken into account on the basis of model calculations, empirical values and risk assessments.

The central scenario is updated on a quarterly basis, with the other scenarios being updated on an annual basis, unless macroeconomic or political developments require an interim update. In order to take account of the uncertainties and the associated greater significance of stage 1 and 2 risk provisions, all scenarios were updated on a quarterly basis in 2021.

Forward-looking scenarios for key economic indicators are taken into account when measuring the risk provisions for these stages. For the Bank, these indicators are currently gross domestic product, the unemployment rate and stock market trends.

At the same time, the uncertainty associated with the forecasts is currently unusually high due to a number of factors. These include the further spread of COVID-19, geopolitical issues and the effects of supply chain disruptions in global trade, as well as the reactions of states and central banks to changes in these factors.

The forecasts of future economic conditions have an impact on the calculation of PDs and LGDs. When calculating the PD, the forecast economic trend is reflected in the probabilities of default of certain sectors in each country. In the LGD calculation, this has an impact on the recoverability of collateral and its realisation options, in particular.

The scenarios used to measure risk provisions in the financial statements as at 31 December 2021 are described below:

The scenario assigned the highest weighting is the central scenario (weighting: 60%), which reflects how we believe the parameters are most likely to develop. In this scenario, we expect, as at the reporting date, to see an average annual growth rate in gross domestic product of 4.4% in 2022, 2.1% in 2023 and 1.5% on average for the period from 2024 to 2026. The unemployment rate is expected to average 5.27% in 2022, 5.11% in 2023 and 5.04% from 2024 to 2026. In this scenario, the stock markets are expected to report an average annual growth rate of 5.4% in 2022, 1.2% in 2023 and 0.0% between 2024 and 2026.

The upside scenario (weighting: 10%) assumes slightly more favourable development in economic conditions than in the central scenario. In this scenario, we predict an average annual growth rate in gross domestic product of 6.0% in 2022 and 3.5% in 2023 as at the reporting date. The unemployment rate is assumed to average 5.05% in 2022 and 4.64% in 2023. The stock markets are subject to average annual growth of 17.1% in 2022 and 9.2% in 2023.

The downside scenario (weighting: 15%) assumes comparatively less favourable development in economic conditions than in the central scenario. In this scenario, we predict an average annual growth rate in gross domestic product of 2.7% in 2022 and 0.8% in 2023 as at the reporting date. The unemployment rate is assumed to average 5.51% in 2022 and 5.73% in 2023. The stock markets are subject to average annual growth of -24.7% in 2022 and -25.3% in 2023.

By contrast, the severe downside scenario (weighting: 15%) assumes a significantly later economic recovery and is based on more extreme potential risks to further economic development. This scenario is based on the assumption that the economic slump, triggered in particular by the COVID-19 pandemic, will lead to a very severe long-term global recession and that it will take many years for the economy to recover. In this scenario, we predict an average annual growth rate in gross domestic product of 2.2% in 2022 and 0.0% in 2023 as at the reporting date. The unemployment rate is assumed to average 7.32% in 2022 and 8.07% in 2023. The stock markets are subject to average annual growth of 21.7% in 2022 and 13.2% in 2023.
The weighting of the individual scenarios is expert-based.

The management has considered other possible weightings for the scenarios applied in order to better assess the impact on the amount of loan loss provisions. A 100% weighting assigned to the respective scenarios would result in the following loan loss provision requirement, with stage 3 credit exposures being disregarded for the purposes of this sensitivity analysis:

- Central scenario: €30.1 million
- Upside scenario: €25.6 million
- Downside scenario: €45.8 million
- Severe downside scenario: €70.6 million

The potential need for loan loss provisions shown here is not to be interpreted as a maximum or minimum requirement for loan loss provisions. Rather, this information is designed to help assess the possible impact that changes in overall conditions would have on loan loss provisions.

The calculation of expected credit losses is, by its very nature, a sub-area of accounting that is subject to significant estimation uncertainties and judgements. Particularly against the backdrop of the COVID-19 pandemic and its impact on global trade, the degree of estimation uncertainty associated with the measurement of risk provisions, as well as the exercise of discretionary decisions in this regard, has increased significantly compared to the preceding periods. This is due primarily to the fact that the models developed for measuring loan loss provisions on the basis of expected credit losses were unable to take account of the current, previously largely unknown impact of a global pandemic, in the absence of any empirical values in this regard.

When measuring the risk provisions as at 31 December 2021, the Bank made a post-model adjustment to the amount of its loan loss provisions.
This type of adjustment is made if new circumstances or changes in overall conditions arise, or are expected to arise, that could no longer be adequately reflected in the model-based quantification of counterparty default risks, or if situations occur that cannot be adequately reflected using the existing credit risk models, for example because no sufficient empirical values relating to comparable situations are yet available. Post-model adjustments are used in line with existing in-house regulations and wherever possible, their use is reduced, or rendered entirely obsolete, by enhancing and recalibrating the credit risk models.

The current COVID-19 pandemic and its effects represent a situation in which both the lack of observable empirical data for comparable situations and the erratic course of the pandemic may require the use of post-model adjustments. After the counterparty risks as at 31 December 2021 were quantified based on the existing credit risk models, the quality assurance measures performed revealed that the latest developments in the COVID-19 pandemic associated with the rapid spread of the Omicron variant, and the existing supply chain problems were not sufficiently reflected in the scenarios on which the risk provisions are based. These circumstances were taken into account ex-post based on expert estimates and scenario calculations.

All in all, compared to the original quantification of loan loss provisions, the need for loan loss provisions increases by €10.8 million. This effect is primarily related to the calculation of loan loss provisions for credit exposures to corporate clients, and increases the need for loan loss provisions by €13.2 million. The adjustments resulted in an additional need for risk provisioning of €2.6 million for exposures to banks and financial institutions, as well as to public-sector entities. In contrast, an adjustment of €5.0 million to reflect guarantees and collateral provided by credit institutions and public-sector entities reduced the need for risk provisioning.

The global valuation allowances amount to €34.3 million in the 2021 financial year (previous year: €40.6 million).

2.2.2 Hedge accounting

Hedge accounting was not applied with respect to any loans in the financial year under review.

2.3 Securities

2.3.1 Trading portfolios

Debt instruments, as well as shares and other variable yield securities, if they are held for trading, are measured using the risk-adjusted fair value approach (see also: section 2.4 Trading activities).

2.3.2 Liquidity reserve

Securities not held in the trading portfolio are measured in accordance with the strict lower-of-cost-or-market principle pursuant to section 253 (3) HGB.

2.3.3 Fixed assets

The Bank has no holdings of securities classified as fixed assets.

2.3.4 Hedge accounting

Bonds held as liquidity reserve with a market value of €1,536.8 million (previous year: €1,760.9 million) are hedged using interest rate swaps in accordance with section 254 HGB in the form of micro hedges. The bonds and the swaps have terms until 2031 at the latest (previous year: 2040).

In the financial year under review, the bonds compensated for market interest rate-induced fluctuations of €40.2 million (previous year: €16.4 million) in the swaps. Fluctuations in market value due to risk or liquidity spreads are not hedged. The Bank uses the gross hedge presentation method. The result attributable to the ineffective portion of the hedging relationship is calculated by offsetting the changes in fair value due to the hedged risk at the level of the underlying and hedging instrument. They are recognised in the income statement and, together with the changes in value due to risks that are not covered, amounted to €2.1 million (previous year: €2.8 million). Gains in excess of acquisition costs are not taken into account. The recognition of hedging relationships pursuant to section 254 HGB is subject to a number of conditions. These relate primarily to the documentation of the hedge and its effectiveness. At the time hedge accounting is applied, the identification of the hedge and the underlying hedged item, the designation of the hedged risk and the procedure for checking the effectiveness of the hedge must be documented.

The Bank uses a linear regression model to assess the prospective effectiveness of the hedge. The model investigates the linear relationship between the cumulative changes in value due to the hedged risk associated with the hedged item, and the cumulative changes in the value of the hedge. An indicator known as the coefficient of determination (R squared) provides information on the quality of the regression, while the slope of the regression line indicates the direction of the correlation.

Evidence of effectiveness requires that the hedging relationship can be expected to be highly effective in the future (prospective effectiveness). Sufficient effectiveness as part of the prospective test requires an R squared of more than 0.9 and a slope that is between –0.9 and –1.1.

In the year under review, the hedges met the requirements that apply under the prospective effectiveness test at the end of every month.

2.3.5 Securities lending and repurchase transactions

Securities lent are shown as securities on the balance sheet, as are securities sold under repurchase agreements. Securities borrowed are not reported as securities, as with securities purchased under repurchase agreements. Buy-in obligations under short sales are shown under the trading portfolio on the liabilities side, even if these transactions were settled using securities borrowed or purchased under repurchase agreements.

2.4 Trading activities

2.4.1 Recognition

The trading portfolios comprise debt instruments, shares and other variable yield securities, registered bonds and promissory note loans, as well as precious metals, forward transactions and derivatives, including warrants and certificates.

The positive and negative market values of derivative financial instruments in the trading book are reported in the trading portfolios on the asset and liabilities sides.

In the year under review, there were no changes in the institution's internal criteria for including financial instruments in the trading portfolio. No financial instruments held for trading were reclassified.

2.4.2 Measurement

All holdings in the trading portfolios are recognised using the risk-adjusted fair value approach.

All financial instruments are measured at fair value when they are recognised for the first time. At the time of initial recognition, this generally equates to the transaction price, i.e. to the fair value of the consideration.

Subsequent measurement is based on publicly quoted market prices in an active market. If no such prices are available, measurement is based on recognised valuation methods. The Bank mainly uses standard measurement models. These essentially include present value methods and option pricing models. Specific valuation methods have been developed for certain complex products. Due to the broad product range, the valuation parameters used are as differentiated as possible, for example based on maturities and strike prices.

The values resulting from the market valuation are reduced by value adjustments, in particular to reflect model risks, as well as liquidity and counterparty risks, and a value-at-risk discount. The value-at-risk discount is designed to adequately reflect the risk of a short-term change in market prices. The calculation is based on a holding period of ten days and a confidence level of 99%. The value-at-risk model is based on a historical simulation of the risk factors over a period of 500 equally weighted trading days. The discounts are calculated for each portfolio and are reported in the trading portfolio on the asset or liabilities side of the balance sheet.

As part of the IBOR reform, the most important reference rates (e.g. EONIA) were replaced by new reference rates or their calculation methodology was modified. The EONIA reference rate was replaced by the new euro short-term rate. When determining the fair value of derivatives, the interest rate applicable to the interest on the cash collateral is used. The compensation payments made in the 2021 financial year using other or modified reference interest rates for derivatives in the trading portfolio were immaterial. No compensation payments were made in the previous year.

2.5 Equity holdings and holdings in affiliated companies

Equity holdings and holdings in affiliated companies are measured at cost or at permanently lower values.

2.6 Intangible fixed assets

The Bank reports software under intangible fixed assets.

The balance sheet item of €17.9 million (previous year: €10.3 million) includes licences of €8.2 million (previous year: €10.2 million) and prepayments of €9.7 million (previous year: €0.1 million).

Finished intangible fixed assets are measured at cost, less amortisation. Amortisation is applied using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. If a reduction in value is likely to be permanent, a write-down has to be recognised. A reduction in value is assumed likely to be permanent if the fair value of an intangible fixed asset is expected to remain below the amortised residual carrying amount for a considerable portion of its remaining useful life. The carrying amounts are tested to determine any need for write-downs or write-ups on an annual basis and if there are specific reasons potentially suggesting that a reduction in value will be permanent, or that a previously recognised reduction in value no longer applies. Such tests are often prompted by particular indications, such as the technical obsolescence of the intangible fixed asset or a change in its planned use, which suggest that the fair value of the intangible fixed asset has been permanently reduced compared with the planned residual carrying amount, or that the benefits that can be derived from it have been permanently reduced. If such a reduction in value is likely to be permanent, the asset is written down to the lower value to be attributed to the intangible fixed asset. If the reasons for a lower valuation no longer apply, the value is written up again.

The Bank capitalised prepayments of €9.7 million in the 2021 financial year as part of the planned migration to the HSBC group systems.

As in the past, in-house development work relating to software projects was not capitalised.

2.7 Tangible fixed assets

Tangible fixed assets are capitalised at cost and – to the extent that they are subject to wear-and-tear – are depreciated using the straight-line method.

Low-value assets with costs of up to €250.00 are written off in full in the year of acquisition.

Low-value assets with costs of between €250.01 and €1,000.00 are recognised as a pooled item and are subject to depreciation over a period of five years in line with the applicable tax regulations.

Write-downs are recognised where a reduction in value is likely to be permanent.

The wear-and-tear associated with buildings is taken into account by applying straight-line depreciation over a period of 50 years or any expected shorter remaining useful life. Leasehold improvements are depreciated using the straight-line method over the term of the leases.

Depreciation for office equipment is calculated based on the useful life that is accepted for tax purposes.

2.8 Liabilities

Liabilities are stated at their settlement amount. If a discount or premium has been agreed, this is recognised as prepaid expenses or deferred income and is recognised pro rata temporis in net interest income. Non-interest-bearing liabilities, e.g. zero-coupon promissory note loans, are compounded to the balance sheet date using the issue yield.

2.8.1 Hedge accounting

Liabilities to customers with a nominal value of €75.7 million (previous year: €45.3 million) include FX options that are hedged using options in accordance with section 254 HGB in the form of micro hedges. The liabilities and options have terms of one year or less.

As at the balance sheet date, the options compensated for foreign currency-induced fluctuations of €2.1 million (previous year: €0.8 million). As identical measurement-related parameters apply to the derivative and the hedging transaction, the hedges are fully effective, meaning that they have no impact on profit or loss.

One hedge relates to a registered debt instrument. The liability with a carrying amount of €37.3 million (previous year: €37.4 million) is hedged using an interest rate swap in accordance with section 254 HGB in the form of a micro hedge. The registered bond and the swap have terms until 2031 (previous year: 2031).

As at the balance sheet date, the swap compensated for interest-induced fluctuations of €2.2 million (previous year: €2.0 million). The Bank uses the gross hedge presentation method. The result attributable to the ineffective portion of the hedging relationship is calculated by offsetting the changes in fair value due to the hedged risk at the level of the underlying and hedging instrument.

The recognition of hedging relationships pursuant to section 254 HGB is subject to a number of conditions. These relate primarily to the documentation of the hedge and its effectiveness. At the time hedge accounting is applied, the identification of the hedge and the underlying hedged item, the designation of the hedged risk and the procedure for checking the effectiveness of the hedge must be documented.

In order to assess the prospective effectiveness of the hedge, the Bank uses the critical term match method or a linear regression model (see section 2.3.4). In the year under review, the hedges met the requirements of the critical term match method/the requirements of the linear regression model at all times.

2.8.2 European Central Bank refinancing operations

The Bank has participated in the “Targeted Longer-Term Refinancing Operations III” (TLTRO III) launched by the European Central Bank.

The Governing Council of the ECB adjusted the terms of the TLTRO III in the 2021 financial year by applying a 50-basis-point discount to the average main refinancing rate during the special interest rate period from June 2020 to June 2022, subject to appropriate developments in net lending. The Bank participated in the fourth TLTRO III with a total volume of €2.2 billion, and in the eighth TLTRO III with a total volume of €0.5 billion. The interest income of €30.8 million (previous year: €7.7 million) received from the TLTRO in 2021 is offset by corresponding interest expenses on our account with Deutsche Bundesbank.

2.9 Provisions

2.9.1 Provisions for pensions

2.9.1.1 Pension obligations

Provisions for pensions and similar obligations are set up based on actuarial expert opinions in the amount of the DBO (defined benefit obligation). The calculation is based on the projected unit credit method.

The interest rates applied to the provisions for pensions and similar obligations are determined in a differentiated manner depending on the type of provision. The following remaining maturities have been assumed:

Type of provision	Remaining maturity in years
Pensions	15
Long-service bonuses and transitional allowances	10
Phased-in early retirement (*Altersteilzeit*) and early retirement	3

The average market interest rates for the past seven/ten years published by Deutsche Bundesbank at the end of October 2021, which result from the assumed remaining maturities of 3, 10 or 15 years (section 253 (2) sentence 2 HGB), are taken as a basis. These interest rates have been extrapolated to the end of the year due to the marked drop in interest rates in accordance with IDW RS HFA 30 note 65. The measurement of pension provisions in the year under review was based on the RT 2018 G Heubeck mortality tables and the following parameters:

Parameters

in %	**31/12/2021**	**31/12/2020**
Long-term actuarial interest rate		
Pensions	1.8	2.3
Long-service bonuses and transitional allowances	1.0	1.3
Phased-in early retirement (*Altersteilzeit*) and early retirement	0.4	0.5
Expected salary trend	3.25	2.5
Expected pension adjustment	1.75	1.5
Expected inflation rate	1.75	1.75
Expected increase in the contribution assessment ceiling that applies in the social security system	3.0	2.9
Average staff turnover rate	4.0	4.0

Due to changes in the overall economic conditions, the salary trend valuation parameter was increased from 2.5% to 3.25% in the reporting year 2021. It includes a parameter of 1.5% for the career trend. The pension trend parameter increased from 1.5% to 1.75% in the year under review. These changes in estimates are accounting-related and the effects are recognised in profit or loss in the period under review.

The changes to these two parameters increased the obligation by a total of €.2.4 million.

2.9.1.2 Plan assets for pensions and similar obligations

The Bank maintains plan assets separately for pensions, early retirement, long-service bonus obligations and transitional allowances on the one hand, and for phased-in early retirement obligations on the other. The assets meet the requirements set out in section 246 (2) sentence 2, 1st half-sentence, HGB. Measurement is at fair value.

In accordance with section 253 (1) sentence 4 HGB, the value of the plan assets was offset against the provisions for pensions and similar obligations.

An amendment to the measurement rules for pension provisions came into force in March 2016. The period for calculating the average market interest rate for pension provisions was extended from 7 to 10 years.

The difference resulting from the change is barred from distribution and amounts to €24.8 million in the 2021 financial year (previous year: €31.4 million).

The excess cover is shown in the balance sheet under the item “Active difference from asset offsetting”.

The offsetting of the phased-in early retirement provision against the corresponding plan assets results in a shortfall in cover, and is still reported under provisions.

2.9.2 Provisions for long-term working-hours accounts

The Bank’s employees have the option of participating in a long-term working-hours account model. In line with the principles of pre-tax deferred compensation, salary credits in the form of salary or flexitime balances can be used to finance paid time off work. The amounts converted are protected against insolvency under a CTA (Contractual Trust Agreement). In addition to the amounts converted, a lump sum amounting to 20% of the contribution made is transferred to the asset trustee to cover the employer’s share of the total social security contributions that falls due later on.

The Bank guarantees a minimum interest rate as a promised benefit. If, when the account capital is invested, the investment income exceeds the total amount of the interest credits, 50% of the difference is credited to the long-term working-hours account. The provisions that apply to unit-linked pension commitments pursuant to IDW RS HFA 30 are applied.

The social security contributions to be borne by the employer are recognised at the present value of the expected payments.

2.9.2.1 Obligations from long-term working-hours accounts

The unit-linked pension commitments are measured in accordance with section 253 (1) sentence 3 HGB. The amount of the provision is calculated based on the fair value of the securities underlying the long-term working-hours accounts to the extent that this is equal to, or exceeds, the guaranteed minimum amount. The guaranteed minimum amount is to be regarded as the settlement amount of the guaranteed benefits.

It is subject to discounting pursuant to section 253 (2) HGB. The discount rate is determined in the same way as the discount rate for the provisions for long-service bonuses and transitional allowances.

2.9.2.2 Plan assets for long-term working-hours accounts

The investment in funds qualifies as plan assets. The fund units are measured at fair value. In accordance with section 246 (2) sentence 2 HGB, the provision obligation is offset against the plan assets. In accordance with section 246 (2) sentence 3 HGB in conjunction with section 266 (2) HGB, any difference is recognised as a provision or as an active difference from asset offsetting.

2.9.3 Provision for phased-in early retirement

In accordance with IDW RS HFA 3, the top-up contributions are recognised as severance payments or remuneration depending on their economic content. Top-up contributions classed as remuneration are accumulated pro rata up to the passive phase of phased-in early retirement and are charged to personnel expenses.

2.9.4 Other provisions

In accordance with section 253 (1) sentence 2 HGB, provisions are recognised at the settlement amount that is considered necessary based on reasonable commercial judgement. Future price and cost increases are taken into account.

Provisions with a remaining term of more than one year are discounted using the interest rates in accordance with section 253 (2) HGB. Discounting for the relevant term is calculated based on the Bundesbank yield curve rates as at 31 October 2021. This yield curve is a zero-coupon interest rate swap curve calculated based on €-denominated fixed interest rate swaps.

The Bank applies the requirements set out in the IDW accounting practice statement on individual issues relating to the loss-free valuation of interest-bearing transactions in the banking book (IDW RS BFA 3). The present value measurement of interest-bearing transactions in the banking book, taking into account administrative expenses, risk costs and notional refinancing costs, did not result in the need to set up any provision for anticipated losses in accordance with section 340a HGB in conjunction with section 249 (1) HGB.

In accordance with IDW RS HFA 34, provisions for tax liabilities are classified as liability provisions within the meaning of section 249 (1) HGB. Provisions for taxes and the provision for interest on tax back-payments are discounted.

The Bank sets up provisions for client complaints in accordance with section 249 (1) sentence 2 no. 2 HGB. The general provision for client complaints is based on the Bank’s complaints book. Provisions are also set up for specific individual cases. The amount of the provisions is based on the empirical complaint and settlement ratios.

2.10 Income statement

2.10.1 Offsetting in the income statement

The expenses and income relating to risk provisions are offset for the purposes of presentation in the income statement.

2.10.2 Reporting of negative interest

The Bank reports negative interest in net interest income in accordance with the requirements imposed by the IDW. Negative interest paid on receivables is reported under interest income, while negative interest received on deposits is reported under interest expense.

Furthermore, negative interest from trading portfolios on the asset and liability sides is reported in net trading income.

3. Balance Sheet Disclosures

3.1 Breakdown by residual maturity

Receivables from banks

in €m	31/12/2021	31/12/2020
a) Repayable on demand	548.5	1,279.3
b) Other receivables	593.2	157.9
With residual maturities of		
up to three months	**501.3**	60.8
more than three months and up to one year	4.1	9.4
more than one year and up to five years	5.0	6.3
more than five years	82.8	81.4
Total	**1,141.7**	**1,437.2**

Receivables from customers

in €m	31/12/2021	31/12/2020
With residual maturities of		
up to three months	2,858.2	3,022.5
more than three months and up to one year	902.8	716.7
more than one year and up to five years	2,356.1	3,241.3
more than five years	957.4	1,098.5
Total	**7,074.5**	**8,079.0**

Liabilities to banks

in €m	31/12/2021	31/12/2020
a) Repayable on demand	683.8	701.3
b) with agreed maturity or notice period	3,576.3	3,063.7
With residual maturities of		
up to three months	1.0	2.0
more than three months and up to one year	17.9	0.8
more than one year and up to five years	2,799.0	2,319.4
more than five years	758.4	741.5
Total	**4,260.1**	**3,765.0**

Liabilities to customers

in €m	31/12/2021	31/12/2020
a) Savings deposits	2.6	2.7
With residual maturities of		
up to three months	2.6	2.7
more than three months and up to one year	0.0	0.0
more than one year and up to five years	0.0	0.0
more than five years	0.0	0.0
b) Other liabilities	20,219.2	18,137.8
ba) repayable on demand	18,823.2	17,272.2
bb) with agreed maturity or notice period	1,396.0	865.6
With residual maturities of		
up to three months	1,322.0	777.5
more than three months and up to one year	32.0	44.5
more than one year and up to five years	4.0	3.3
more than five years	38.0	40.3
Total	**20,221.8**	**18,140.5**

Securitised liabilities

in €m	31/12/2021	31/12/2020
a) Debt instruments issued	0.0	0.0
b) Other securitised liabilities with a residual maturity of		
up to three months	0.0	0.0
more than three months and up to one year	0.0	0.0
more than one year and up to five years	0.0	0.0
more than five years	33.0	37.5
Total	**33.0**	**37.5**

3.2 Affiliated companies – receivables and liabilities

in €m	31/12/2021	31/12/2020
Receivables from banks	679.7	968.7
Receivables from customers	33.6	53.2
Shares	0.0	0.0
Debt instruments	0.0	0.0
Trading portfolio - asset side	0.0	0.0
Liabilities to banks	117.5	296.1
Liabilities to customers	224.7	156.5
Securitised liabilities	0.0	0.0
Trading portfolio - liabilities side	0.0	0.0
Subordinated liabilities	785.0	785.0

3.3 Associates – receivables and liabilities

in €m	31/12/2021	31/12/2020
Receivables from banks	0.0	0.0
Receivables from customers	44.3	46.7
Debt instruments	0.0	0.0
Liabilities to banks	0.0	0.0
Liabilities to customers	117.8	14.9
Securitised liabilities	0.0	0.0
Subordinated liabilities	0.0	0.0

3.4 Foreign currency

As at 31 December 2021, assets denominated in foreign currencies amounted to €4,467.1 million (previous year: €3,826.6 million). The total amount of debt denominated in foreign currencies was €6,638.0 million (previous year: €6,186.7 million).

3.5 Receivables from customers

This item includes receivables with no stated maturity of €30.9 million (previous year: €26.5 million).

Receivables with a nominal value of €528.5 million (previous year: €837.4 million) were deposited with the Bundesbank as collateral for TLTRO III at the end of 2021.

As at the reporting date, there are two (previous year: one) open market transactions with Deutsche Bundesbank in the amount of €2,700.0 million (previous year: €2,200.0 million). The Bank made use of the ECB's TLTRO III (Targeted Longer-Term Refinancing Operations III) programme to refinance long-term customer receivables.

3.6 Debt instruments

As at 31 December 2021, the Bank’s liquidity reserve amounted to €2,664.5 million (previous year: €3,555.2 million).

Securities with a carrying amount of €10.1 million (previous year: €10.1 million) are marketable, but are not listed on the stock exchange.

There were no debt instruments available as at the balance sheet date as collateral for marginal lending facilities (previous year: 256.0 million).

The Bank has deposited €2,127.2 million (previous year: €1,362.6 million) with the ECB as collateral for the TLTRO III programme.

Fixed-income securities with a nominal value of €92.5 million (previous year: €359.8 million) were deposited as collateral for transactions on Eurex and for securities lending transactions.

Bonds and debt instruments with a carrying amount of €74.5 million (previous year: €205.7 million) will fall due in the 2022 financial year.

3.7 Shares and other variable yield securities

As at 31 December 2021, the Bank’s liquidity reserve amounted to €181.5 million (previous year: €228.1 million).

As in the previous year, the balance sheet item does not include any marketable securities. Non-marketable securities totalled €181.5 million (previous year: €228.1 million).

3.8 Investment funds

Fund type in €m	2021 Market value	2021 Carrying amount	2021 Difference	2020 Market value	2020 Carrying amount	2021 Distribution	2020 Distribution	Daily redemption possible
Special funds								
PRT fund (plan assets)	370.3	370.3	0.0	349.5	349.5	0.0	0.0	No
HSBC Trinkaus LAZK (plan assets)	46.6	46.6	0.0	46.7	46.7	0.0	0.0	Yes
Select INKA	193.7	180.4	13.3	242.5	227.0	0.0	0.0	No

In the year under review, no write-downs pursuant to section 253 (3) sentence 4 HGB were dispensed with. All funds whose current market value is below the carrying amount were written down to their market value.

No income distributions were made in respect of the investment funds during the financial year under review. All investment assets are held in the liquidity reserve.

3.9 Trading portfolio - asset side

in €m	31/12/2021	31/12/2020
Positive market value of derivative financial instruments	1,512.3	1,561.0
Tradable receivables	734.8	1,165.3
Bonds and other fixed-income securities	805.7	808.6
Shares and other variable yield securities	1,218.6	826.1
Collateral in the derivatives business	376.6	513.1
Reverse repos	0.0	0.0
Precious metals	0.0	4.9
Discounts	-18.0	-16.9
Total	**4,630.0**	**4,862.1**

The portfolio includes marketable debt instruments with a nominal value of €616.2 million (previous year: €664.9 million) and non-marketable debt instruments with a nominal value of €189.5 million (previous year: €143.7 million). There are no marketable, unlisted debt instruments in the portfolio (previous year: €0.0 million).

The Bank has deposited debt instruments with a nominal value of €44.4 million (previous year: €0.0 million) with the ECB as collateral for the TLTRO III programme.

Debt instruments and receivables in the trading portfolio with a nominal value of €143.5 million were available as at the balance sheet date as collateral for marginal lending facilities (previous year: €187.8 million).

No securities had been sold under repurchase agreements as at the balance sheet date (previous year: €0.0 million). Fixed-income securities with a nominal value of €105.0 million (previous year: €116.5 million) were deposited as collateral for transactions on Eurex and for securities lending transactions.

Credit balances with a nominal amount of €15.3 million (previous year: €6.7 million) had been pledged as collateral for securities lending transactions on the balance sheet date.

Bonds and debt instruments with a carrying amount of €0.8 million (previous year: €150.0 million) will fall due in the 2022 financial year.

Shares and other variable yield securities include marketable securities in an amount of €1,217.6 million (previous year: €823.3 million). Of the marketable securities, securities worth €0.1 million (previous year: €0.2 million) are not listed on the stock market. Non-marketable securities totalled €1.0 million (previous year: €3.0 million).
Shares with a carrying amount of €9.3 million (previous year: €10.8 million) were deposited as collateral for securities lending transactions. As at the balance sheet date, shares with a carrying amount of €264.3 million (previous year: €164.3 million) had been lent.

As in the previous year, there were no transactions involving shares and other variable yield securities sold under repurchase agreements.

3.10 Subordinated assets

in €m	31/12/2021	31/12/2020
Receivables from banks	0.0	0.0
Receivables from customers	6.0	6.0
Debt instruments		
Other issuers	0.0	5.4
Own debt instruments	0.0	0.0
Shares and other variable yield securities	0.0	0.0
Trading portfolio - asset side		
Bonds and other fixed-income securities	0.0	0.0
Shares and other variable yield securities	0.4	0.6

3.11 Equity holdings and holdings in affiliated companies

As in the previous year, equity holdings do not include any listed securities. The balance sheet item “Holdings in affiliated companies” does not include any marketable shares, as in the previous year.

3.12 Shareholdings

HSBC Trinkaus & Burkhardt AG holds a direct or indirect stake of at least 20% in the following companies, most of which are fully consolidated:

	Registered office	Capital share (%)	Company's equity in € thousand	Result for 2021 in € thousand
Banks and bank-related companies				
HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH	Düsseldorf	100.0	118,502	0[1]
HSBC Trinkaus & Burkhardt (International) S.A.	Luxembourg	100.0	23,923	-180
Internationale Kapitalanlagegesellschaft mbH	Düsseldorf	100.0	54,000	0[1]
HSBC INKA INVESTMENT-AG TGV I.L.[2]	Düsseldorf	100.0	1,835	-9
HSBC Transaction Services GmbH	Düsseldorf	100.0	15,000	0[1]
HSBC Operational Services GmbH	Düsseldorf	90.1	1,000	0[1]
HSBC Service Company GmbH	Düsseldorf	100.0	1,000	0[1]
HSBC Trinkaus Family Office GmbH	Düsseldorf	100.0	25	0[1]
Trinkaus Private Equity Management GmbH	Düsseldorf	100.0	317	10
Trinkaus Private Equity Verwaltungs GmbH	Düsseldorf	100.0	37	3
HSBC Global Asset Management (Deutschland) GmbH	Düsseldorf	100.0	7,001	0[1]
HSBC Global Asset Management (Österreich) GmbH i. L.	Vienna	100.0	346[3]	31[3]
HSBC Global Asset Management (Switzerland) AG	Zurich	50.0	2,532[4]	354[4]
Companies with a special mandate				
HSBC Trinkaus Real Estate GmbH	Düsseldorf	100.0	167	0[1]
HSBC Trinkaus Immobilien Beteiligungs – KG[5]	Düsseldorf	0.0	0	0
Trinkaus Europa Immobilien-Fonds Nr. 3 GmbH	Düsseldorf	100.0	49	6
HSBC Trinkaus Europa Immobilien-Fonds Nr. 5 GmbH	Düsseldorf	100.0	31	6
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	Düsseldorf	100.0	57	32
Trinkaus Australien Immobilien-Fonds Nr. 1 Treuhand-GmbH	Düsseldorf	100.0	30	5
Trinkaus Immobilien-Fonds Geschäftsführungs-GmbH	Düsseldorf	100.0	21	0
Real estate companies				
Grundstücksgesellschaft Trinkausstraße KG ¤	Düsseldorf	100.0	139,131	126,012
Other companies				
Sino AG	Düsseldorf	24.9	12,070[6]	9,460[6]

[1] Profit and loss transfer agreement
[2] Company shares
[3] Values as at 31 July 2020
[4] Values as at 31 December 2020
[5] Merged into HSBC Trinkaus Real Estate GmbH effective 28 December 2020
[6] Values as at 30 September 2020

3.13 Fiduciary transactions

Fiduciary assets and liabilities are broken down into the following balance sheet items:

Fiduciary assets

in €m	31/12/2021	31/12/2020
Receivables from banks	0.0	0.0
Receivables from customers	0.0	0.0
Fiduciary participations	107.1	107.1
Total	**107.1**	**107.1**

Fiduciary liabilities

in €m	31/12/2021	31/12/2020
Liabilities to banks	0.0	0.0
Liabilities to customers	107.1	107.1
Total	**107.1**	**107.1**

3.14 Fixed assets

Tangible fixed assets include operating and office equipment with a carrying amount of €44.2 million (previous year: €47.0 million). The Bank sold the 20 parking spaces in the garage facility located in the Kö-Center, Düsseldorf, that it owned, with a carrying amount of €0.2 million (previous year: €0.2 million), in an agreement dated 28 December 2021. The economic transfer of the parking spaces to the buyer will take place in the first half-year of 2022.

The Bank wrote off tangible fixed assets with a carrying amount of €1.6 million upon its sale of the business premises in Königsallee.

Prepayments of €9.7 million (previous year: €0.0 million) were capitalised in the 2021 financial year as part of the planned IT connection to the HSBC group systems.

The statement of changes in fixed assets is shown in Appendix 1.

3.15 Other assets

The “Other assets” item mainly includes receivables from affiliated companies in the amount of €158.4 million (previous year: €145.0 million). Tax refund claims amounted to €24.1 million as at the reporting date (previous year: €1.2 million).

The Federal Agency for Financial Market Stabilisation (FMSA) and the Compensation Scheme of German Banks (EDB) have allowed HSBC Trinkaus & Burkhardt AG, in the context of the collection of annual contributions, to pay part of the annual contribution in the form of fully secured payment claims (irrevocable payment commitment). The partial amount of the bank levy/the EDB contribution of €5.4 million (previous year: €5.4 million) is reported as an irrevocable payment commitment under other assets.

There are initial margin receivables from various stock exchanges in the amount of €22.1 million (previous year: €20.4 million).

3.16 Deferred tax refund claims

This item includes netted deferred tax refund claims amounting to €122.2 million (previous year: €104,4 million) resulting from the differing valuation approaches in financial and tax accounting. As in the previous year, the tax rate for deferred taxes is 31.4%.

Deferred tax liabilities in the amount of €24.7 million (previous year: €16.3 million) result from the differing valuation of plan assets and securities in the liquidity reserve in financial and tax accounting. They have been offset against deferred tax assets. Any deferred tax assets in excess of this amount have been capitalised. Deferred tax assets mainly result from different values recognised under tax law for receivables from customers, shares and debt instruments in the amount of €35.1 million (previous year: €34.7 million), as well as for pension and long-service bonus obligations in the amount of €61.4 million (previous year: €56.4 million).

3.17 Trading portfolio - liabilities side

in €m	31/12/2021	31/12/2020
Negative market value of derivative financial instruments	1,023.6	1,368.3
Discount certificates, promissory note loans, debt instruments and warrants	2,095.9	1,882.8
Collateral in the derivatives business	218.9	544.1
Buy-in obligations under short sales	148.8	21.9
Discounts	-0.8	-1.1
Total	**3,486.4**	**3,816.0**

3.18 Other liabilities

Other liabilities mainly include trade payables of €76.6 million (previous year: €28.3 million) and tax liabilities in the amount of 65.3 million (previous year: €: 21.1 million). The item also includes liabilities of €11.5 million (previous year: €13.0 million) in connection with the restructuring measures.

3.19 Prepaid expenses / Deferred income

Prepaid expenses include:

in €m	31/12/2021	31/12/2020
Discount from liabilities	0.5	0.6
Premium from receivables	0.0	0.0

Deferred income includes:

in €m	31/12/2021	31/12/2020
Discount from receivables	0.0	0.0
Premium from liabilities	0.1	0.2

3.20 Provisions

3.20.1 Provisions for pensions and similar obligations

Legal framework

There are various retirement/pension schemes in place for employees depending on when they joined the Bank. The occupational pension scheme commitments are direct commitments made to employees as collective arrangements in the form of works council/employer agreements.

Schemes open to new hires

Under the employer-funded scheme (VO2013) currently open to new hires, the Bank promises its employees, as eligible beneficiaries, benefit amounts upon retirement, or in the event of invalidity and death. The commitment is structured as a defined contribution plan; the benefit amount components are derived from the committed contributions via a guaranteed interest rate. The guaranteed interest rate can be adjusted for future components to reflect changes in the interest rate environment. The contribution period is ten years after the end of each reporting year. The Bank can decide whether or not, and how, the contribution period is to be extended at any time. If the Bank has not made any declaration by the end of a particular financial year, the contribution period is considered to have been extended by a further year.

Closed schemes

Employees who joined the Bank between 1 January 2001 and 1 July 2013 benefit from a scheme similar to that governed by the 2013 pension rules (VO 2001), which differs from the current scheme primarily with regard to the level of the guaranteed interest rate. This pension scheme provides vested entitlements for employees who have left the Bank, but does not pay any current pension benefits. For employees who joined the Bank on or before 31 December 2000, as well as for former employees of the Hamburg branch, there are two additional pension plans which have been closed to new hires. Beneficiaries of these schemes receive benefits in the form of life-long retirement, invalidity and surviving dependants' pensions. These are final salary schemes based on length of service with a divided benefit formula. In addition to the employees who are still working for the Bank today, there are also eligible beneficiaries under these schemes who have left the Bank and have vested entitlements to life-long pensions, as well as pension recipients. These individuals receive life-long pensions that have to be checked to determine any need for adjustment pursuant to section 16 (1) of the Act on the Improvement of Occupational Pension Schemes (*Gesetz zur Verbesserung der betrieblichen Altersversorgung* - BetrAVG). There is a defined contribution capital commitment in place for a closed group of eligible individuals. The Bank has taken out reinsurance policies for these schemes with leading German insurance companies to ensure that employees receive the exact benefit resulting from the reinsurance policy.

Individual commitments

There are individual final salary-based commitments for life-long benefits in place for former and active members of the Management Board and Executive Committee members, as well as former managing partners. Defined contribution plan commitments were agreed individually for recently appointed members of the Management Board. In addition, some former Management Board and Executive Committee members, as well as former managing partners, received a capital commitment from deferred compensation. The guaranteed return on the contributed conversion amount is defined; the capital is paid out in instalments.

The works council/employer agreement of June 2013 setting the age limits for the closed pension schemes provides for the payment of a transitional allowance for certain employees who draw a pension immediately after leaving the Bank. The transitional allowance is granted for a maximum period of six months.

The parameters used for measurement purposes were those referred to in section 2.9.1.1.

Development of plan assets for pension obligations

in €m	**31/12/2021**	**31/12/2020**
Phased-in early retirement obligations as at 1 January	5.3	4.4
Addition (service cost)/reversal (service income)	0.0	0.8
Interest expense	0.0	0.1
Phased-in early retirement obligations as at 31 December	5.3	5.3

Development of plan assets for phased-in early retirement obligations

in €m	31/12/2021	31/12/2020
Plan assets as at 1 January	3.2	2.2
Write-ups/write-downs	0.2	0.0
Additions/withdrawals	0.0	1.0
Plan assets as at 31 December	3.4	3.2
Income from plan assets	0.0	0.0

The shortfall is reported under provisions.

Development in pension obligations

in €m	31/12/2021	31/12/2020
Pension obligations as at 1 January incl. transitional allowance	301.7	284.2
Addition (service cost)/reversal (service income)	– 5.3	– 5.2
Interest expense	24.8	23.4
Employee turnover	0.2	-0.7
Pension obligations as at 31 December	321.4	301.7

Development of plan assets for pension obligations

in €m	31/12/2021	31/12/2020
Plan assets as at 1 January	350.3	351.0
Write-ups/write-downs	20.7	-0.7
Additions/withdrawals	0.0	0.0
Plan assets as at 31 December	371.0	350.3
Income from plan assets	0.2	0.2

The excess amount of €49.6 million (previous year: €48.6 million) is shown under the item “Active difference from asset offsetting”.

In addition, the claims under pension reinsurance policies of €12.9 million (previous year: €14.5 million) from a group life insurance policy are offset against the provision for pension obligations as part of the “Pension payments instead of cash remuneration” model in the amount of €20.3 million (previous year: €20.2 million).

The offsetting of income and expenses results in interest expense of €2.1 million (previous year: € 22.2 million).

In the 2021 financial year, the difference resulting from the change in the determination of the average market interest rate for pension provisions amounted to €24.8 million (previous year: €31.4 million) (see section 2.9.1.2).

3.20.2 Provisions for long-term working-hours accounts (LAZK)

Development in LAZK obligations

in €m	2021		2020	
	LAZK	Social security contribution	LAZK	Social security contribution
LAZK obligation as at 1 January	65.2	7.0	59.0	6.1
Interest expense	0.9	0.1	1.1	0.1
Effects due to changes in the actuarial interest rate	0.0	0.2	0.0	0.2
Deposits	7.3	1.4	10.4	2.1
Other income/expenses	0.0	-0.8	0.0	– 0.4
Payments/employees changing scheme	– 5.0	– 1.0	– 5.3	-1.1
LAZK obligation as at 31 December	68.4	6.9	65.2	7.0

Development in plan assets (LAZK)

in €m	2021		2020	
	LAZK	Social security contribution	LAZK	Social security contribution
Plan assets as at 1 January	64.4	12.9	59.0	11.9
Income/expenses from plan assets	1.3	0.3	0.6	0.1
Allocations to plan assets	7.7	1.5	10.1	1.9
Employees changing scheme	0.0	0.0	– 1.7	– 0.3
Disposals of plan assets	– 5.0	– 1.0	– 3.6	-0.7
Plan assets as at 31 December	68.4	13.7	64.4	12.9

The excess amount of €6.8 million (previous year: €5.1 million) is shown under the item “Active difference from asset offsetting”.

A provision of €9.1 million was set up in the 2021 financial year for annual leave entitlement under the long-term working-hours account system (previous year: €8.5 million).

Interest income of €2.4 million (previous year: €0.6 million) was offset against interest expenses of €0.2 million (previous year: €0.1 million).

3.20.3 Amount barred from distribution

Pursuant to section 268 (8) HGB in conjunction with section 246 (2) sentence 2 and section 253 (1) sentence 4 HGB, the amount barred from distribution is as follows:

in €m	Fair value		Historical cost		Deferred taxes		Amount barred from distribution	
	2021	2020	2021	2020	2021	2020	2021	2020
Plan assets for pensions	371.0	350.3	308.2	308.2	16.9	10.4	45.9	31.7
Plan assets for phased-in early retirement	3.4	3.2	2.7	2.7	0.1	0.1	0.6	0.4
LAZK plan assets	82.1	77.4	74.2	70.2	12.4	1.6	5.5	5.6
Total	**456.5**	**430.9**	**385.1**	**381.1**	**19.4**	**12.1**	**52.0**	**37.7**

3.20.4 Provisions for taxes

Deferred tax liabilities in the amount of €24.7 million (previous year: €16.3 million) result from the differing valuation of plan assets and securities in the liquidity reserve in financial and tax accounting. They have been offset against deferred tax assets.

Provisions for taxes amount to €45.9 million (previous year: €75.6 million). The item mainly includes provisions for the years prior to 2021 in the amount of €11.5 million (previous year: €6.6 million), provisions for tax liabilities for the risk associated with company tax audits in the amount of €27.0 million (previous year: €26.0 million) and the expected interest on these tax back-payments in the amount of €5.6 million (previous year: €9.0 million).
In accordance with the IDW accounting practice statement on IDW RS HFA 34 on accounting for tax provisions, the Bank has discounted the provisions for tax liabilities, as well as the provisions for interest on tax back-payments.

An interest rate of 2.5% p.a. was used for the first time in the 2021 financial year, to calculate the provisions for tax liabilities for interest periods from 1 January 2019, due to the interest rate previously used of 6.0% p.a. having been declared unconstitutional in accordance with section 233a, in conjunction with section 238 (1) of the German Fiscal Code (*Abgabenordnung* - AO) (ruling dated 8 July 2021 case ref.: 1 BvR 2237/14, 1 BvR 2422/17).

The interest expense resulting from the compounding of these provisions amounts to €0.0 million (previous year: €0.7 million).

3.20.5 Other provisions

in €m	**31/12/2021**	**31/12/2020**
Loan loss provisions	14.2	13.1
Personnel provisions	71.7	62.9
Provisions for efficiency programme		
Restructuring plan	25.9	16.4
Individual measures	1.1	2.6
Other provisions	22.6	44.0
Total	**135.5**	**139.0**

As in the previous year, the Bank did not generate any interest income from the discounting of provisions.

HSBC Germany continued its programmes launched in 2019 and 2020 to improve internal efficiency in 2021. These programmes provide for fundamental restructuring and in particular the relocation of certain business activities.

In addition to the programmes already underway, a further efficiency programme entitled “Germany Transformation” and a related redundancy programme with reconciliation of interests were negotiated with the works councils during 2021. A communication on the extent and the essential content of this programme was issued at the beginning of December 2021.

In this respect, the restructuring provisions reported in the 2021 annual financial statements include not only effects from the staffing measures of the 2019 and 2020 efficiency programmes yet to be implemented, but also new provisions to address the financial effects of “Germany Transformation”. The majority of the programme’s staffing measures will not be implemented until 2022 and thereafter.

3.21 Subordinated liabilities

Liabilities include subordinated debt instruments, promissory note loans and two loans amounting to a total of €830.0 million (previous year: €895.1 million).

The two loans and the bonds each exceed 10% of the total amount of subordinated liabilities.

in €m	Nominal amount	Interest rate		Maturity	
Loan	150.0	variable	Euribor + 1.091%	28/08/2029	cannot be called early by the lender
Loan	200.0	variable	Euribor + 1.928%	11/12/2028.	cannot be called early by the lender
Debt instrument AT-1	235.0	fixed, interest rate adjusted after five years	5.65%	unlimited	can be called by the issuer every five years
Debt instrument AT-1	200.0	fixed, interest rate adjusted after five years	5.04 %	unlimited	can be called by the issuer every five years
Total	**785.0**				

There are no early repayment obligations. The subordinated liabilities rank junior to the non-subordinated repayment claims of other creditors. This subordination applies in the event of liquidation, insolvency or other proceedings to avert insolvency. There are no rights of conversion into capital or into another form of debt.

In the 2021 financial year, all subordinated liabilities accounted for interest expenses of €32.4 million (previous year: €32.8 million).

In the year under review, accrued interest not yet due in the amount of €24.6 million (previous year: €25.1 million) was reported under subordinated liabilities on the balance sheet.

Interest on subordinated liabilities

in €m	2021 Nominal amount	2020 Nominal amount
4% to less than 5%	15.0	55.0
5% to less than 6%	465.0	465.0
Fixed rates	480.0	520.0
Variable	350.0	350.0
Total	**830.0**	**870.0**

Repayment of subordinated liabilities

Maturity in €m	2021 Nominal amount	2020 Nominal amount
Up to one year	10.0	40.0
More than one year and up to five years	25.0	35.0
More than five years	360.0	360.0
Unlimited maturity	435.0	435.0
Total	**830.0**	**870.0**

Subordination agreement

All subordinated liabilities rank junior to the non-subordinated repayment claims of other creditors. This subordination applies in the event of liquidation, insolvency or other proceedings to avert insolvency.

Subordinated liabilities are included in the calculation of liable capital in accordance with Part 2 of EU Regulation 575 / 2013 in the amount of €368.1 million (previous year: €378.7 million).

Profit participation capital

In accordance with the authorisation granted by the Annual General Meeting held on 30 May 2006, HSBC Trinkaus & Burkhardt AG issued registered profit participation certificates in the amount of €100.0 million in four tranches in September 2006. The term of two tranches ended on 31 December 2016. The term of the remaining two tranches of the registered profit participation certificates, amounting to €52.0 million and €37.0 million respectively, ends on 31 December 2020, with an annual distribution of 4.89% and 4.91% respectively. The certificates are repaid, in each case, six months after the end of the term at their nominal value, subject to the provisions on participation in net accumulated losses. The second tranche including interest was repaid during the current 2021 financial year.

On 9 June 2020, the Annual General Meeting agreed to grant authorisation to the Management Board to issue profit participation certificates, debt instruments and other hybrid instruments without option or conversion rights, or option or conversion obligations, on one or more occasions in such a manner that it includes the authorisation to exclude subscription rights. This authorisation applies until 31 May 2025.

If subscription rights are not excluded, the profit participation certificates, debt instruments or other hybrid instruments can also be taken over by credit institutions determined by the Management Board with the obligation to offer them to the Bank’s shareholders (indirect subscription right).

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the issue and the terms and conditions, in particular the volume, timing, interest rate, issue price and maturity.

3.22 Fund for general banking risks

As in the previous year, there were no allocations to, or reversals of amounts allocated to, the fund for general banking risks in the 2021 financial year.

3.23 Equity

The subscribed capital amounts to €91.4 million (previous year: €91.4 million) and consists of 34,088,053 (previous year: 34,088,053) no-par value shares. The capital reserves amounted to €720.9 million on the balance sheet date (previous year: €720.9 million).

By way of a resolution passed by the Annual General Meeting held on 9 June 2020, the Management Board is authorised to increase the company’s share capital by up to €45.7 million on or before 31 May 2025, with the Supervisory Board’s approval, through one or more issues of new bearer shares against cash contributions or contributions in kind (authorised capital).

In accordance with the resolution passed by the Annual General Meeting held on 1 December 2021, an amount of €136.3 million (previous year: €0.0 million) was distributed from the net retained profits for 2020 of €173.1 million (previous year: €79.8 million). An amount of €36.8 million (previous year: €79.8 million) was allocated to revenue reserves.

The revenue reserves amount to €1,108.3 million (previous year: €1,071.5 million).

The share capital is subject to a conditional capital increase of up to €45.7 million (previous year: €45.7 million) by means of issuing no-par value bearer shares. The conditional capital increase will only be executed to the extent that the holders of conversion and option rights under the debt instruments carrying such conversion and option rights or profit participation rights carrying such conversion and option rights to be issued until 31 May 2025 exercise their option or conversion rights (conditional capital).

The total of amounts barred from distribution within the meaning of section 268 (8) HGB is €219.1 million (previous year: €185.6 million). This includes €52.0 million barred from distribution resulting from the fair value measurement of the CTA plan assets (previous year: €37.7 million), the difference resulting from the change in determination of the market interest rate for pension provisions of €24.8 million (previous year: €31.4 million) and from the capitalisation of deferred taxes in the amount of €146.9million (previous year: €120.7 million).

Maximum distributable amount (in €m)	**31/12/2021**	**31/12/2020**
Equity shares available to cover amounts within the meaning of section 268 (8) HGB	1,256.7	1,244.7
Total of amounts barred from distribution	219.1	185.6
Maximum distributable amount	**1,037.6**	**1,059.1**

3.24 Treasury shares

Treasury shares are no longer traded.

Effective January 2021, HSBC Trinkaus & Burkhardt AG became an indirect wholly-owned subsidiary of HSBC Bank plc and of the parent HSBC Holdings plc as a result of a squeeze-out performed under stock corporation law pursuant to section 327a (1) sentence 1 AktG. The admission of the shares to trading on the regulated market of the Düsseldorf and Stuttgart stock exchanges was revoked on 27 January 2021.

4. Disclosures on Contingent Liabilities

4.1 Contingent liabilities

in €m	31/12/2021	31/12/2020
Contingent liabilities from endorsement of discounted bills of exchange	0.0	0.0
Contingent liabilities from guarantees and indemnity agreements	3,414.5	2,877.0
Contingent liabilities from the granting of security for third-party liabilities	0.0	0.0
Total	**3,414.5**	**2,877.0**

4.2 Other commitments

in €m	31/12/2021	31/12/2020
Repurchase commitments under sales with an option to repurchase	0.0	0.0
Placement and underwriting commitments	0.0	0.0
Irrevocable loan commitments	8,436.8	11,112.2
Total	**8,436.8**	**11,112.2**

The quality of the contingent liabilities and loan commitments is subject to permanent monitoring using internal rating procedures. Having assessed the risk situation associated with guarantees and indemnity agreements, the Bank does not currently expect any claims to be asserted.

The irrevocable loan commitments include ten material individual commitments in a total amount of €1,864.2 million (previous year: €2,460.3 million) in relation to overall activity. The individual amounts range from €125.0 million (previous year: €183.0 million) to €353.4 million (previous year: €375.0 million).

5. Other Contingent Liabilities and Financial Commitments

The following transactions, contingent liabilities and financial commitments are not shown in the balance sheet:

The Federal Agency for Financial Market Stabilisation (FMSA) and the Compensation Scheme of German Banks (EDB) have allowed HSBC Trinkaus & Burkhardt AG, in the context of the collection of annual contributions, to pay part of the annual contribution in the form of fully secured payment claims (irrevocable payment commitment). Please refer to our comments in this regard in the section on “Other assets”.

In the leasing business, the Bank acts exclusively as a lessee. All leases concluded are operating leases. Under these agreements, the risks and rewards incidental to ownership remain with the lessor, which also recognises the leased assets in its accounts. The lease payments are reported as rent payments under administrative expenses.

Obligations from rental and lease agreements

in €m	**31/12/2021**	**31/12/2020**
Up to one year	10.2	16.3
More than one year and up to five years	32.3	30.1
More than five years	22.1	27.1
Total	**64.6**	**73.5**
thereof to affiliated companies	0.0	4.3

The Bank has outsourced the central registry for card payments, electronic banking services, system administration and IT operations for the Invoice Finance Application International system, as well as the establishment and operation of a central accounts registry, to third parties in accordance with section 24c of the German Banking Act (KWG). Furthermore, services relating to securities settlement and administration are outsourced to the subsidiary HSBC Transaction Services GmbH.

The outsourced areas do not have any material impact on the Bank’s financial position.

6. Transactions Subject to Market Risk

6.1 Market risks

Market risk is defined as the extent to which the market value of a financial instrument could change to the Bank's detriment due to changes in market price parameters. Market risk includes foreign exchange risk, interest rate risk (including credit spread risk), and equity and other price risks. Market risks result primarily from trading in interest rate, equity and foreign exchange products and, to a lesser extent, in commodity products that do not involve physical delivery.

Value-at-risk approaches are used to measure market risks in the trading book. Value-at-risk is understood as the potential loss amount that will not be exceeded with a probability of 99% for a holding period of one trading day and based on an unchanged position. The value-at-risk model is based on a historical simulation of the risk factors over a period of 500 equally weighted trading days and covers interest rate, equity, foreign exchange and volatility risks. All positions are completely remeasured taking changed market parameters into account. As far as interest rate risks are concerned, both general interest rate risks resulting from a change in the market interest rate level and spread risks associated with various issuers or issuer categories are taken into account.

The following risk factors are taken into account in particular:

1. Equity spot prices and equity indices
2. Spot exchange rates including gold rates
3. Commodity prices
4. Zero interest rates for ideal-typical maturities from swap yield curves
5. Credit spreads for various categories, such as Pfandbriefe, federal state bonds and bank bonds with further differentiation by credit rating and/or maturity
6. Equity and equity index option volatilities for ideal-typical maturities
7. Foreign exchange option volatilities for ideal-typical maturities
8. Volatilities of options on German government bonds for ideal-typical maturities
9. Cap/floor volatilities for ideal-typical maturities
10. Swaption volatilities for ideal-typical maturities

This results in the following value-at-risk figures in the trading book:

in €m	**31/12/2021**	**31/12/2020**
Interest rate risks	0.4	0.8
Currency risks	0.1	0.2
Equity/index risks	1.5	0.9
Credit spread risk	0.5	1.9
Commodities risks	0.6	0.1
Overall market risk potential	**2.2**	**2.7**

6.2 Transactions involving derivative financial instruments

		Nominal amounts with a residual maturity of			
in €m		up to 1 year	more than 1 year and up to 5 years	> 5 years	
Interest rate-related transactions					
OTC products	FRAs, CAPs, FLOORs	46	817	2	
	Interest rate swaps	1,340	2,039	1,647	
	Interest rate options	25	175	363	
	Forward transactions	688	300	0	
Exchange-traded products	Interest rate futures	14	0	0	
	Interest rate options	0	0	0	
	Total	**2,113**	**3,331**	**2,012**	
Currency-related transactions					
OTC products	Currency forwards	102,501	2,913	0	
	Cross-currency swaps	121	159	112	
	Currency options	2,760	1,387	0	
Exchange-traded products	Currency futures	0	0	0	
	Total	**105,382**	**4,459**	**112**	
Equity/index-based transactions					
OTC products	Equity/index options	0	0	0	
	Forward transactions	0	0	0	
	Equity swaps	0	0	0	
Exchange-traded products	Equity/index futures	1,655	853	0	
	Equity/index options	4,755	2,444	0	
	Total	**6,410**	**3,297**	**0**	
Commodity-based transactions					
OTC products	Commodity swaps	522	194	0	
	Total	**522**	**194**	**0**	
Total financial derivatives		**114,427**	**11,281**	**2,124**	

Breakdown of market values by counterparty

		31/12/2021		31/12/2020	
in €m		**Positive**	**Negative**	**Positive**	**Negative**
OECD	Banks	438	615	788	519
	Financial institutions	177	65	71	333
	Other	345	277	308	414
Non-OECD	Banks	15	8	9	12
	Financial institutions	0	0	0	1
	Other	519	58	368	88
Total		**1,494**	**1,023**	**1,544**	**1,367**

	Nominal amount		Market value			
			Positive		Negative	
	2021	2020	2021	2020	2021	2020
	865	1,494	2	1	2	1
	5,026	7,425	105	238	122	216
	563	1,528	1	1	1	0
	988	1,907	7	8	1	16
	14	11	0	0	0	0
	0	0	0	0	0	0
	7,456	**12,365**	**115**	**248**	**126**	**233**
	105,414	83,506	721	756	700	870
	392	415	19	25	19	25
	4,162	7,078	37	88	37	89
	0	0	0	0	0	0
	109,968	**90,999**	**777**	**869**	**756**	**984**
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	1	0	0	0	0
	2,508	1,682	0	0	0	0
	7,199	5,968	517	370	56	93
	9,707	**7,651**	**517**	**370**	**56**	**93**
	716	503	85	57	85	57
	716	**503**	**85**	**57**	**85**	**57**
	127,847	**111,518**	**1,494**	**1,544**	**1,023**	**1,367**

The Bank also uses certain derivatives (generally interest rate swaps) to hedge the market interest rate risks associated with long-term financial assets, selected loans and registered debt instruments that have been issued. These hedging relationships result in positive market values of €14.5 million as at 31 December 2021 (previous year: €3.7 million) and negative market values of €12.7 million (previous year: €51.3 million).

The presentation of the derivatives business pursuant to section 36 of the German Ordinance on Accounting Policies for Banks and Financial Services Institutions is consistent with the recommendations made by the Accounting Committee of the Association of German Banks (*Bundesverband deutscher Banken*). In line with the international standard, the market values stated correspond to the replacement costs on the balance sheet date in the event of default by the counterparties, irrespective of their credit rating and any netting agreements.

7. Income Statement Disclosures

7.1 Breakdown of income items by geographical market

The total of the components interest income, current income, commission income, net trading income and other operating income amounts to €1,104.0 million (previous year: €1,014.1 million). All income was generated in Germany. The information presented is based on the assumption that the location of the branch where income was generated is decisive for the purposes of assigning income to a geographical market.

7.2 Administrative and brokerage services provided to third parties

At HSBC Trinkaus & Burkhardt AG, the range of management and brokerage services provided for third parties is largely limited to asset and securities account management and advisory services.

7.3 Net interest income

The Bank collected negative interest of €119.9 million (previous year: €83.0 million) on liabilities, and paid negative interest of €76.0 million (previous year: €51.2 million) on receivables. Of the interest paid, €69.5 million relates to our account with Deutsche Bundesbank (previous year: €47.4 million).

7.4 Current income from holdings in affiliated companies

Current income from holdings in affiliated companies increased by €123.7 million to €126.0 million in the 2021 financial year (previous year: €2.3 million). The main reason for this increase was non-recurring income from a subsidiary in connection with the disposal of a property.

7.5 Net commission income

Net commission income declined by €58.5 million or 21.4% to €214.6 million (previous year: €273.1 million). At €25.6 million, net commission income from transactions involving securities and financial instruments was €23.5 million lower than and thus substantially down on the previous year's net commission income of €49.1 million. The reason for the decrease was significantly higher commission expenses in the securities business, which are partly connected to the positive development of equity-related net trading income. This decline was not offset in the reporting year by higher commission income in the portfolio-related securities business or the renewed increase in income from client business referrals to the HSBC Group. However, the lower expenses for securities settlement by our subsidiary HSBC Transaction Services GmbH in 2021 had a positive effect.

Net commission income from foreign exchange transactions decreased slightly by €3.9 million to €66.0 million (previous year: €69.9 million).

Net commission income from asset management in the reporting year improved by €3.4 million to €35.2 million (previous year: €31.8 million) in what remained a competitive environment.

In capital financing, net commission income fell from €27.5 million to €34.3 million (previous year: €61.8 million).

In the lending business, net commission income was down by €8.4 million to €27.3 million (previous year: €35.7 million).

The volume of domestic/international payments and documentary business at €23.7 million rose by €2.1 million compared to the previous year (previous year: €21.6 million).

7.6 Net trading income

With reference to the IDW accounting practice statement BFA 2 dated 3 March 2010, interest income and interest expenses from trading, dividend income and fees and commission are recognised under “Net trading income” in accordance with the Bank's internal management.

Net trading income amounted to €189.9 million (previous year: €158.1 million).

A breakdown of net trading income is shown below:

in €m	2021	2020
Equities and equity derivatives	175.0	135.9
Foreign exchange and foreign exchange derivatives	0.7	0.8
Bonds and bond derivatives	16.0	25.1
Precious metals	-0.1	0.6
Reversals of/allocations to discounts	-1.6	-4.3
Reversals of/allocations to provision for general banking risks	0.0	0.0
Total	**189.9**	**158.1**

7.7 Other operating income

Other operating income of €78.2 million (previous year: €66.9 million) mainly includes cost transfers to group companies of €55.4 million (previous year: €48.2 million) and to third parties in the amount of €0.7 million (previous year: €0.9 million), and €18.1 million (previous year: €14.8 million) in income relating to other periods from the reversal of provisions that are no longer required.

7.8 Other operating expenses

Other operating expenses of €14.4 million (previous year: €20.8 million) include €7.1 million (previous year: €11.6 million) in group service expenses (investment services), €5.2 million (previous year: €7.5 million) from operating losses and €2.1 million in losses from the disposal of operating and office equipment (previous year: €1.7 million).

7.9 Taxes on income

Income tax expense includes corporate income tax, trade tax and the solidarity surcharge in the amount of €75.2 million (previous year: €56.6 million). The tax expense includes deferred taxes.

Tax reconciliation

in €m	2021 Amount	2021 Tax rate	2020 Amount	2020 Tax rate
Result before income taxes	223.5		229.8	
Expected tax expense (statutory tax rate)	70.2	**31.4%**	72.1	**31.4%**
Reconciliation: Differences in the tax assessment base	7.2		-17.0	
Switch to the deduction method where withholding tax has been paid	1.8		1.7	
Taxes relating to other periods	0.7		0.0	
Recognition and measurement of deferred tax assets	-4.7		-0.2	
Actual tax expense	75.2		56.6	
Effective tax rate		**33.6%**		**24.6%**

8. Other Notes

8.1 Employees

Annual average	31/12/2021	31/12/2020
Employees covered by collective pay-scale agreements	482	584
Employees not covered by collective pay-scale agreements	1,250	1,358
Trainees	23	26
Total	**1,755**	**1,968**
of which:		
Female employees	695	777
Male employees	1,060	1,191

8.2 Liability from letters of comfort

HSBC Trinkaus & Burkhardt AG undertakes to ensure that the companies HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg, Internationale Kapitalanlagegesellschaft mbH, Dusseldorf, HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf and HSBC Transaction Services GmbH, Dusseldorf are in a position to fulfil their contractual obligations.

Moreover, HSBC Trinkaus & Burkhardt AG regularly indemnifies the current general partners or managing partners of those fully consolidated companies having the legal form of a KG (limited partnership), as well as those of the Trinkaus real estate fund companies and Trinkaus private equity companies, against all third-party claims that are made against them in their legal capacity or activities as general partners in the respective companies, provided they are natural persons.

8.3 Related party disclosures

In the year under review, no transactions that were not considered to be at arm's length were concluded with related parties.

8.4 Executive bodies of HSBC Trinkaus & Burkhardt AG

The members of the Management Board and the members of the Supervisory Board are listed in section II. 9. of the Registration Document. The supervisory board mandates of these individuals are shown in section II. 9. of the Registration Document.

8.5 Advances and loans granted to members of executive bodies

As at the balance sheet date, no member of the Supervisory Board had overdraft facilities, as in the previous year. As in the previous year, one member had a credit card limit.

No rent guarantees or loans were granted to members of the Management Board during the financial year under review. As in the previous year, one Management Board member had a credit card limit. The only other contingent liabilities vis-à-vis third parties in favour of members of executive bodies related to the indemnification of natural persons referred to in section 8.2.

8.6 Remuneration paid to members of the executive bodies and committees of HSBC Trinkaus & Burkhardt AG

The main features of the remuneration system are described in the management report. The information provided below explains the components of the remuneration paid to members of the Management Board and complies with German Accounting Standard no. 17 (DRS 17).

Taking into account the changes in the composition of the Management Board, the fixed remuneration paid to all members of the Management Board in 2021 of

€3,980.4 thousand was below that of the previous year (€5,212.1 thousand). The variable component of the remuneration amounted to €2,814.1 thousand (previous year: €2,623.7 thousand). The variable remuneration of the Management Board for the 2021 financial year includes a long-term remuneration component of €1,749.1 thousand (previous year: €1,619.8 thousand).

The remuneration paid to the Supervisory Board amounted to €1,025.0 thousand in the 2021 financial year (previous year: €1,096.0 thousand).

The general rules for employees, former general partners and former members of the Management Board apply to pension obligations vis-à-vis employee representatives and vis-à-vis former general partners and former members of the Bank’s Management Board.

Remuneration was paid to former general partners of HSBC Trinkaus & Burkhardt KGaA and Trinkaus & Burkhardt KG as the legal predecessors of HSBC Trinkaus & Burkhardt AG and their surviving dependants, as well as to former members of the Management Board of Trinkaus & Burkhardt AG, in the amount of €4.0 million (previous year: €4.5 million). Provisions for pension obligations in accordance with the German Commercial Code (HGB) have been set up for this group of individuals in the amount of €41.6 million (previous year: €42.9 million).

8.7 Auditors' fees

Fees including expenses in the amount of €2.4 million (previous year: €2.4 million) for the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, were recorded as an expense. Expenses of €2.3 million (previous year: €2.3 million) for the audit and €0.1 million (previous year: €0.1 million) for the auditor’s report and valuation services were recorded.

8.8 Disclosure

HSBC Trinkaus & Burkhardt AG fulfils its duty of full disclosure under pillar 3 by disclosure at group level of HSBC Holdings plc, London (Art. 6 (3) of the Capital Requirements Regulation - CRR). Please refer to HSBC Group publications in this regard in the Investor Relations section on the Group’s website (www.hsbc.com).

8.9 Report on post-balance sheet date events

Material events occurring after the balance sheet date

In conjunction with Commerzbank’s early termination of the project to outsource its securities settlement to our Bank, the parties reached a post-balance sheet date agreement resulting in a compensation payment to HSBC, which was higher than the receivable accounted for as at the balance sheet date.

8.10 Proposal for the appropriation of profits

in €	2021	2020
The income statement closes with net retained profits of	148,348,114.74	173,137,908.17
The Management Board proposes the following appropriation:		
Payment of a dividend of €4.30 (previous year: €4.00) per share on the share capital, carrying dividend rights in full, of €91,423,896.95 (previous year: €91,423,896.95).		
This corresponds to a total dividend of	146,578,627.90	136,352,212.00
Allocation to revenue reserves of	1,769,486.84	36,785,696.17
Allocation to profit carried forward of	0.0	0.00
	148,348,114.74	173,137,908.17

Düsseldorf, 2 March 2022

The Management Board

Nicolo Salsano **Dr Rudolf Apenbrink** **Dr Andreas Kamp**

Thomas Runge **Nikolas Speer**

Appendix 1

Statement of Changes in Fixed Assets

Tangible fixed assets

in € thousand	Cost 01/01/2021	Additions	Disposals	Transfers	Cost 31/12/2021
Land rights	300.4	0.0	0.0	0.0	300.4
Tangible fixed assets	114,448.6	17,387.7	28,657.9	0.0	103,178.4
Assets under construction	0.0	196.1	0.0	0.0	196.1
Standard software	1,937.8	0.0	0.0	0.0	1,937.8
Intangible fixed assets	42,290.9	1,370.5	8,882.8	0.0	34,778.6
Prepayments	79.2	9,697.4	0.0	0.0	9,776.6
Total	**159,056.9**	**28,651.7**	**37,540.7**	**0.0**	**150,167.9**

Long-term financial assets

in € thousand	Cost 01/01/2021	Additions	Disposals	Transfers	Cost 31/12/2021
Equity holdings	22,555.9*	76.9	1,058.2	0.0	21,574.6
Holdings in affiliated companies	168,248.7*	2,000.0	0.0	0.0	170,248.7
Total	**190,804.6**	**2,076.9**	**1,058.2**	**0.0**	**191,823.3**

* Opening balances were adjusted due to an incorrect disclosure.

	Cumulative depreciation, amortisation and write-downs	Additions	Disposals	Transfers	Cumulative depreciation, amortisation and write-downs	Residual carrying amount	Residual carrying amount
	01/01/2021				31/12/2021	31/12/2021	31/12/2020
	134.3	6.1	0.0	0.0	140.4	160.0	166.1
	67,459.3	16,987.3	25,501.0	0.0	58,945.6	44,232.8	46,989.3
	0.0	0.0	0.0	0.0	0.0	196.1	0.0
	1,937.8	0.0	0.0	0.0	1,937.8	0.0	0.0
	32,104.7	3,393.2	8,882.8	0.0	26,615.1	8,163.5	10,186.2
	0.0	0.0	0.0	0.0	0.0	9,776.6	79.2
	101,636.1	**20,386.6**	**34,383.8**	**0.0**	**87,638.9**	**62,529.0**	**57,420.8**

	Cumulative depreciation, amortisation and write-downs	Additions	Disposals	Write-ups	Cumulative depreciation, amortisation and write-downs	Residual carrying amount	Residual carrying amount
	01/01/2021				31/12/2021	31/12/2021	31/12/2020
	5.3*	0.0	0.0	0.0	5.3	21,569.3	22,550.7
	0.0*	24,914.2	0.0	0.0	24,914.2	145,334.5	168,248.6
	5.3	**24,914.2**	**0.0**	**0.0**	**24,919.5**	**166,903.8**	**190,799.3**

Independent Auditor's Report

To HSBC Trinkaus & Burkhardt AG, Düsseldorf

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of HSBC Trinkaus & Burkhardt AG, consisting of the balance sheet as at 31 December 2021 and the income statement for the financial year from 1 January to 31 December 2021, as well as the notes, including the presentation of the accounting policies. We have also audited the management report of HSBC Trinkaus & Burkhardt AG for the financial year from 1 January to 31 December 2021. We have not audited the content of those parts of the management report listed in the "Other information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the provisions of German commercial law and, in accordance with German generally accepted accounting principles, give a true and fair view of the net assets and financial position of the company as at 31 December 2021 and its results of operations for the financial year from 1 January to 31 December 2021 and,

- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with the German statutory provisions, and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those parts of the management report listed in the "Other information" section.

Pursuant to section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as the "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer* - IDW). Our responsibilities under those requirements and principles are further described in the section entitled "Auditors' Responsibilities for the Audit of the Annual Financial Statements and the Management Report" of our auditor's report. We are independent of the company in accordance with the requirements of European law and the German commercial and professional regulations, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, pursuant to Article 10 (2) (f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5 (1) EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon. We do not provide a separate audit opinion on these matters.

In our view, the following matters were most significant to our audit:

1. **Loan loss provisions in the customer lending business**

2. **Presentation of net commission income**

3. **Presentation of intangible assets**

4. **Presentation of restructuring provisions**

Our presentation of the key audit matters has been structured as follows in each case:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

We present the key audit matters below:

1. **Loan loss provisions in the customer lending business**

1. Loan receivables amounting to €7,074.4 million (22.5% of total assets) are reported under the balance sheet item “Receivables from customers” in the company’s annual financial statements. As at the balance sheet date, provisions consisting of specific and global valuation allowances have been set up in the balance sheet. The measurement of loan loss provisions in the customer lending business is determined in particular by the structure and quality of the loan portfolios, general economic factors and estimates by the executive directors with respect to future loan defaults, also against the backdrop of the expected impact of the ongoing COVID-19 crisis on the customer lending business. The amount of the specific valuation allowances for receivables from customers corresponds to the difference between the outstanding loan amount and its lower fair value on the reporting date. Existing collateral is taken into account. The Bank has recognised post-model adjustments when setting up risk provisions. These reflect the expectations of the executive directors that have not yet been taken into account in the models. Global valuation allowances are created for foreseeable counterparty risks in the lending business of credit institutions that have not yet been specified for individual borrowers. This involves creating a global valuation allowance in the amount of the expected loss for an observation period of 12 months for loans for which specific valuation allowances have not been created, unless the loan default risk has risen significantly since addition. In the event of a significant increase in the loan default risk since addition, a global valuation allowance is created for loans for which no specific valuation allowance has been created for the losses expected on the relevant loans over the residual maturity. The valuation allowances in the customer lending business are of significant importance for the Bank’s net assets and results of operations in terms of their amount and also involve considerable scope for judgement on the part of the executive directors. In addition, the valuation parameters applied, which are also subject to significant uncertainty due to the effects of the COVID-19 crisis, have a significant impact on the recognition/amount of any necessary valuation allowances. Against this background, this matter was of particular significance in the context of our audit.

2. For the purposes of our audit, we first assessed the design of the company’s relevant internal control system and tested whether the controls functioned effectively. We included the business organisation, the IT systems and the relevant measurement models in our assessment. In addition, we assessed the measurement of receivables from customers, including the extent to which estimated values were appropriate, based on a sample of loan exposures. For the purposes of this exercise, among other things we reviewed the available documentation of the company in order to assess the economic circumstances and the recoverability of the related collateral. With respect to real estate as collateral for which the company has submitted expert appraisals to us, we obtained an understanding of the underlying source data, the valuation parameters used and assumptions made, evaluated those factors critically and assessed whether they lay within a reasonable

range. In addition, for the purpose of assessing the specific and global valuation allowances recognised, we evaluated the calculation methodology applied by the company together with the underlying assumptions and parameters. We also reviewed in particular the estimates by the executive directors with respect to the effects of the COVID-19 crisis on the economic circumstances of borrowers and the recoverability of the related collateral and verified the application of these factors in the measurement of receivables from customers. In addition, we examined the necessity of recognising post-model adjustments and verified calculation of their amounts. On the basis of the audit procedures we carried out, we satisfied ourselves overall that the assumptions made by the executive directors for the purpose of reviewing the recoverability of the loan portfolio are appropriate, and that the controls implemented by the company are appropriate and effective.

3. The company's disclosures regarding provisions for the customer lending business are contained in Note 2.2 of the notes to the annual financial statements

2. Presentation of net commission income

1. The income statement shows net commission income of €214.6 million, resulting from commission income of €572.9 million and commission expenses of €358.3 million. This significant item is subject to particular accounting related risk due to the complexity of the systems necessary for accurately recording it, the large number and heterogeneous nature of transactions requiring processing and the earnings contributions in certain areas attributable to transactions involving large non-recurring effects. The large non-recurring effects resulted from individual transactions concluded during the reporting year. Against this background, this matter was of particular significance in the context of our audit.

2. For the purposes of our audit, we first assessed the appropriateness and effectiveness of the controls in the business processes for specific products and the relevant controls established within the company's internal control system from the initial recording of the various transactions in the company's portfolio management systems through to the reporting of the resulting income and expenses in the general ledger. In addition, we verified, among other things, the calculation and accounting treatment of various components of income and expense on a test basis based on the documents provided to us. This also involved comparing the commission rates charged against the contractually agreed fee rates and verifying the arithmetical accuracy of the commission statements. Furthermore, we verified the allocation of commission income and expenses to the correct periods, as well as the consistency of the methods used by the company to recognise commission income and expenses. We were able to satisfy ourselves that the systems and processes in place, as well as the established controls, are appropriate overall for the purpose of ensuring that net commission income is presented correctly.
3. The company's disclosures regarding net commission income are contained in Note 7.5 of the notes to the annual financial statements.

3. Presentation of intangible assets

1. In the company's annual financial statements, the balance sheet item "Intangible assets" (€17.9 million, 0.1% of total assets) includes licences in the amount of €8.2 million and prepayments in the amount of €9.8 million. The Bank capitalised prepayments of €9.7 million in the 2021 financial year as part of the planned migration to the HSBC group systems in order to ready the software for operation. The HSBC Group issued

an invoice to HTDE for the large majority of expenses. Intangible assets ready for use are recognised and measured at cost, less amortisation and any write-downs. Amortisation is applied using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. If a reduction in value is likely to be permanent, a write-down has to be recognised. A reduction in value is assumed likely to be permanent if the fair value of an intangible fixed asset is expected to remain below the amortised residual carrying amount for a considerable portion of its remaining useful life. The carrying amounts are tested to determine any need for write-downs or write-ups on an annual basis and if there are specific reasons potentially suggesting that a reduction in value will be permanent, or that a previously recognised reduction in value no longer applies. Such tests are often prompted by particular indications, such as the technical obsolescence of the intangible fixed asset or a change in its planned use, which suggest that the fair value of the intangible fixed asset has been permanently reduced compared with the planned residual carrying amount, or that the benefits that can be derived from it have been permanently reduced. If such a reduction in value is likely to be permanent, the asset is written down to the lower value to be attributed to the intangible fixed asset. If the reasons for a lower valuation no longer apply, the value has to be written up again. As there are considerable discretionary powers when assessing the obligation to capitalise internal and external expenses and capitalisation has a significant impact on the earnings situation, this matter was of particular significance in the context of our audit.

2. For the purposes of our audit, we assessed, among other things, the processes and controls established within the company that ensure compliance with the principles for reporting of intangible assets according to the German commercial law provisions. This also included assessing the details of the guidelines drawn up regarding the recognition of internal and external expenses. In addition, we verified, among other things, the application of the valuation provisions on a test basis based on the documents provided to us. By asking questions, we assessed whether there are indications for impairment. We were able to satisfy ourselves that the processes and controls are appropriate overall for the purpose of ensuring that intangible assets are presented correctly.

3. The company’s disclosures on intangible assets are included in Note 2.6 and Appendix 1 of the notes to the annual financial statements.

4. Presentation of restructuring provisions

1. The company continued its programmes launched in 2019 and 2020 to improve internal efficiency. These programmes provide for fundamental restructuring and in particular the relocation of certain business activities. In addition to the programmes already implemented, a further efficiency programme entitled "Germany Transformation" and a related redundancy programme with reconciliation of interests were negotiated with the works councils during 2021. A communication on the extent and the essential content of this programme was issued at the beginning of December 2021. In this respect, the restructuring provisions reported in the 2021 annual financial statements include not only effects from the staffing measures of the 2019 and 2020 efficiency programmes yet to be implemented, New provisions to take the financial effects of the “Germany Transformation” into account were also recognised in the 2021 annual financial statements as well. The majority of the programme will not be implemented until 2022 and subsequent years.

   Provisions are to be set up for uncertain liabilities in accordance with section 249 (1) sentence 1 HGB. For such provisions to be set up, there has to be an external obligation that has arisen in legal terms or has been triggered in economic terms, and the assertion of claims must be seriously expected. If the necessary recognition criteria are met, a restructuring provision has to be set up. From our point of view, this matter was of particular importance for our audit, as the recognition of restructuring provisions is based to a large extent on estimates and assumptions by the executive directors.

2. In our audit, we have assessed, among other things, whether the necessary inclusion criteria have been met. For this purpose, we have obtained the relevant evidence from the executive directors of the company.

   We have also assessed the valuation carried out by the Bank in terms of its suitability, methodology and comprehensibility of the assessment of value. This has enabled us to obtain an understanding of the underlying source data, valuation parameters and assumptions made in the reporting year, to critically evaluate them and to assess whether they are within a reasonable range.

   We were able to satisfy ourselves that the circumstances, as well as the estimates and assumptions made by the executive directors for the recognition and measurement of a restructuring provision, are sufficiently documented and justified. The valuation parameters and assumptions applied by the executive directors are generally in line with our expectations and are also within the ranges that we consider to be acceptable.

3. The company's disclosures on restructuring provisions are included in Note 3.20.5 of the notes to the annual financial statements.

Other information
The executive directors are responsible for the other information. The other information includes the following parts of the management report, which have not been audited:

- the statement on corporate governance pursuant to section 289f (4) HGB (disclosures on the proportion of women in management)

- the “Sustainable corporate governance” and “Employees” sections of the management report

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information listed above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the audited content of the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report
The executive directors are responsible for preparing the annual financial statements which comply, in all material respects, with the provisions of German commercial law, and for ensuring that the annual financial statements, in accordance with the generally accepted accounting principles in Germany, give a true and fair view of the assets, liabilities, financial position and financial performance of the company. In addition,

the executive directors are responsible for such internal control as they determine is necessary, in line with the German generally accepted accounting principles, to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless actual or legal circumstances preclude this.

Furthermore, the executive directors are responsible for the preparation of the management report which, as a whole, provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and the management report
Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- draw conclusions as to the appropriateness of use of the going concern basis of accounting by the executive directors and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in accordance with the generally accepted accounting principles in Germany.

- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company s position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant impartiality requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our impartiality, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor by the Annual General Meeting held on 16 April 2021. We were engaged by the Supervisory Board on 20 April 2021. We have been engaged as auditor of HSBC Trinkaus & Burkhardt AG, Düsseldorf, without interruption since the 2015 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Lehmann.

Düsseldorf, 25 March 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christoph Lehmann	p.p. Susanne Beurschgens
Auditor	Auditor

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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To
HSBC Trinkaus & Burkhardt GmbH
(formerly: HSBC Trinkaus & Burkhardt AG)

Auditor's report according to IDW AuPS 9.960.2
(Convenient Translation – the German text is authoritative)

We have audited the cash flow statement for the financial year 2021 derived by the company from the annual financial statements for the financial year 2021 as well as the underlying bookkeeping system. The cash flow statement supplements the annual financial statements of HSBC Trinkaus & Burkhardt AG for the financial year 2021 that have been prepared on the basis of the provisions of German commercial law.

The preparation of the cash flow statement for financial year 2021 in accordance with the provisions of German commercial law is the responsibility of the company's management.

Our responsibility is to express an opinion, based on our audit, as to whether the cash flow statement for the financial year 2021 has been properly derived from the annual financial statements for financial year 2021 as well as the underlying bookkeeping system in accordance with the provisions of German commercial law. The subject matter of this engagement does neither include the audit of the underlying annual financial statements nor the underlying bookkeeping system.

We have planned and performed our audit in accordance with the IDW Auditing Practice Statement: Audit of Additional Elements of Financial Statements *(IDW AuPS 9.960.2)* in such a way that material errors in the derivation of the cash flow statement from the annual financial statements as well as the underlying bookkeeping system are detected with reasonable assurance. In our opinion, based on the findings of our audit, the cash flow statement for the financial year 2021 has been properly derived from the annual financial statements for the financial year 2021 as well

...

as the underlying bookkeeping system in accordance with the provisions of German commercial law.

Düsseldorf, October 4, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Christoph Lehmann)	(sgd. ppa. Matthias Türck)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Appendices

Cash flow statement as of December 31, 2021

General Engagement Terms for Wirtschaftsprüfer (German Public Auditor) and Wirtschaftsprüfungsgesellschaften (Public Audit Firms) as of January 1, 2017

Cash Flow Statement of HSBC Trinkaus und Burkhardt AG for financial year 2021	2021 in €m	2020 in €m
1. Profit/loss for the period (net income/loss for the financial year including interests of other shareholders)	148.4	173.1
2. +/– Depreciation, amortisation, write-downs/reversals of write-downs of receivables and fixed assets	53.8	96.9
3. +/– Increase/decrease in provisions	78.3	117.0
4. +/– Other non-cash expenses/income	-94.1	-141.6
5. –/+ Gain/loss from the disposal of fixed assets	0.4	0.9
6. –/+ Other adjustments (net)	0.0	0.0
7. –/+ Increase/decrease in receivables from banks	300.3	329.9
8. –/+ Increase/decrease in receivables from customers	1,004.4	2,656.2
9. –/+ Increase/decrease in securities (not classified as long-term financial assets)	853,5	-169.6
10. –/+ Increase/decrease in other operating assets	93.4	-28.0
11. +/– Increase/decrease in liabilities to banks	533.1	1,275.9
12. +/– Increase/decrease in liabilities to customers	2,075.6	448.8
13. +/– Increase/decrease in securitised liabilities	-4.5	-12.5
14. +/– Increase/decrease in other operating liabilities	-43.4	-62.1
15. +/– Interest expenses/interest income	-186.0	-172.5
16. +/– Expenses/income from extraordinary items	0.0	0.0
17. +/– Income tax expense/income	75.2	56.6
18. + Interest and dividend payments received	299.5	304.4
19. – Interest paid	-117.1	-64.4
20. + Extraordinary proceeds	0.0	0.0
21. – Extraordinary payments	0.0	0.0
22. –/+ Income taxes paid	-147.0	7.5
23. = Cash flow from operating activities (total of 1 to 22)	**4,923.8**	**4,816.5**
24. + Proceeds from disposal of long-term financial assets	1.1	1.0
25. – Payments to acquire long-term financial assets	-2.1	-10.1
26. + Proceeds from disposal of tangible fixed assets	3.7	1.9
27. – Payments to acquire tangible fixed assets	-17.6	-24.9
28. + Proceeds from disposal of intangible fixed assets	8.9	0.0
29. – Payments to acquire intangible fixed assets	-11.1	-3.2
30. + Proceeds from disposal of companies from the consolidated group	0.0	0.0
31. – Payments for additions of companies to the consolidated group	0.0	0.0
32. +/– Changes in funds from other investing activities (net)	0.0	0.0
33. + Proceeds from extraordinary items	0.0	0.0
34. – Payments for extraordinary items	0.0	0.0
35. = Cash flow from investing activities (total of 24 to 34)	**-17.1**	**-36.2**
36. + Proceeds from capital contributions by shareholders of the parent company	0.0	0.0
37. + Proceeds from capital contributions by other shareholders	0.0	0.0
38. – Payments from reduction in equity to shareholders of the parent company	0.0	0.0
39. – Payments from reduction in equity to other shareholders	0.0	0.0
40. + Proceeds from extraordinary items	0.0	0.0
41. – Payments from extraordinary items	0.0	0.0
42. – Dividends paid to shareholders of the parent company	-136.4	0.0
43. – Dividends paid to other shareholders	0.0	0.0
44. +/– Changes in funds from other capital (net)	-168.4	-57.6
45. = Cash flow from financing activities (total of 36 to 44)	**-304.8**	**-57.6**
46. Net changes in funds (total of 23, 35, 45)	4,601.7	4,722.9
47. +/– Changes in funds due to exchange rate movements and remeasurements	0.0	0.0
48. +/– Changes in funds due to changes in the consolidated group	0.0	0.0
49. + Funds at beginning of period	10,454.4	5,731.5
50. = Funds at end of period (total of 46 to 49)	**15,056.1**	**10,454.4**

RESTRICTED

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- **a)** preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- **b)** examination of tax assessments in relation to the taxes referred to in (a)
- **c)** negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- **d)** support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- **e)** participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- **a)** work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**
- **b)** support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- **c)** advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- **d)** support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

LAST PAGE

Registration Document dated 3 January 2024

of

HSBC Trinkaus & Burkhardt GmbH
Düsseldorf

Düsseldorf, 3 January 2024

HSBC Trinkaus & Burkhardt GmbH

Appendix

Key information on the Issuer

Who is the issuer of the securities?

HSBC Trinkaus & Burkhardt GmbH, Hansaallee 3, 40549 Düsseldorf; LEI: JUNT405OW8OY5GN4DX16; the Issuer is subject to German law; it is entered in the commercial register of Düsseldorf Local Court, Federal Republic of Germany.

The Issuer's principal activities

The object of the Issuer is the administration of its assets as well as the issuance of securities. The Issuer's activities are predominantly focused on the German market.

The Issuer's main shareholders

The Issuer is part of the HSBC Group, of which HSBC Holdings plc, London is the parent company, which in turn is the sole shareholder of HSBC Bank plc. HSBC Bank plc is the majority shareholder with a shareholding of approx. 99.99% in HSBC Continental Europe S.A., Paris, France ("**HBCE**"). HBCE, acting under the legal name of its branch (*Zweigniederlassung*), HSBC Continental Europe S.A., Germany, is the sole shareholder of the Issuer. The Issuer is therefore a company directly controlled by HBCE, and indirectly controlled by HSBC Holdings plc and HSBC Bank plc. A domination and profit and loss transfer agreement was entered into between the Issuer as the dominated company and HBCE, as the dominating company.

The identity of its key managing directors

Carsten Hennies, Dr. Detlef Irmen, Georg Krull

The identity of its statutory auditors

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Moskauer Str. 19, 40227 Düsseldorf, Germany, Tel. +49 (0)211/981 0

What is the key financial information regarding the Issuer?

Table 1

Income statement for credit institutions

	31 Dec 2022	31 Dec 2021
Net interest income (in €m)	236.60	186.05
Net fee income (in €m)	195.46	214.56
Net loan impairment provisions in the lending and securities business (in €m)	154.13	0
Net trading income (in €m)	157.50	189.87
Pre-tax profit (in €m)	-126.10	223.50
Net profit (in €m)	-77.79	148.38

Table 2

Balance sheet for credit institutions

	31 Dec 2022	31 Dec 2021	Value as outcome from the most recent Supervisory Review and Evaluation Process ("SREP")
Total assets (in €m)	37,655.99	31,493.55	–
Loans and advances to banks and customers (in €m)	27,897.38	8,216.16	–
Subordinated debt	–	–	–
Loans and advances to customers (in €m)	7,009.56	7,074.45	–
Customer accounts (in €m)	27,593.41	20,221.84	–
Shareholders' equity (in €m)	1,990.03	2,069.07	–

Common Equity Tier 1 capital (CET1) ratio	18.9%	14.7%	
Regulatory capital ratio	21.7%	16.9%	12.2%*
Regulatory leverage ratio	5.0%	4.8%	–

*HSBC Germany is subject to banking supervision by the European Central Bank as a consequence of the change of ownership and is subject to an annual Supervisory Review and Evaluation Process ("SREP"). BaFin last notified the Bank of the result of this process at the end of 2022. As a result, a 12.2% minimum equity ratio is to be maintained.

What are the key risks that are specific to the Issuer?

Issuer default risk (insolvency risk)

The security holder bears the risk of the Issuer's insolvency. This may occur if the Issuer is insolvent (*zahlungsunfähig*) or overindebted (*überschuldet*), or is likely to become insolvent or overindebted. The Issuer's obligations to the security holders under the securities are guaranteed by HSBC Continental Europe S.A., Paris, France (the "**Guarantor**" or "**HBCE**"). The Guarantor acts under the legal name of its branch (*Zweigniederlassung*), HSBC Continental Europe S.A., Germany, with its registered office at Hansaallee 3, 40549 Düsseldorf, Germany ("**HBCE Germany**"). In the event of the Issuer's insolvency, the investor, however, is exposed to the risk of total loss of the Capital Employed.

Risks in connection with the Issuer's dependence on the Guarantor or HBCE

By virtue of its business model, the Issuer is dependent on the Guarantor continuously fulfilling its contractual obligations towards the Issuer and the security holders. The Issuer and Guarantor have entered into a Hedging and Fiduciary Framework Agreement, pursuant to which the Guarantor is obliged to indemnify the Issuer against all liabilities arising under the securities. Pursuant to the guarantee the Guarantor is obliged vis-à-vis the security holders to satisfy all claims of the security holders against the Issuer to the extent they become due and payable under the securities. The terms and conditions of the securities provide that upon performance by the Guarantor, the corresponding claims of the security holders under the securities will be reduced by the respective amount. Therefore, recourse against the Issuer is limited to proceeds not actually received. Against this background, the performance of the Issuer's obligations under the securities is directly linked to the Guarantor's solvency. The security holders may therefore lose their entire Capital Employed in the event of the Guarantor's insolvency.

Information for the purposes of Art. 26(4) of the Regulation (EU) 2017/1129

French language version (non-binding translation of the English language version):

Informations clés sur l'Émetteur

Qui est l'émetteur des valeurs mobilières ?
HSBC Trinkaus & Burkhardt GmbH, Hansaallee 3, 40549 Düsseldorf ; IEJ : JUNT405OW8OY5GN4DX16 ; l'Émetteur est soumis au droit allemand ; il est inscrit au registre de commerce auprès du tribunal de Düsseldorf, République fédérale d'Allemagne.

Activités principales de l'Émetteur
L'Émetteur a pour objet la gestion de ses actifs ainsi que l'émission de titres. Les activités de l'Émetteur sont essentiellement axées sur le marché allemand.

Actionnaires principaux de l'Émetteur
L'Émetteur fait partie du Groupe HSBC, dont la société mère est HSBC Holdings plc, Londres, unique actionnaire de HSBC Bank plc. HSBC Bank plc est l'actionnaire majoritaire, avec une participation d'environ 99,99% dans HSBC Continental Europe S.A., Paris, France (« **HBCE** »). HBCE, qui exerce ses activités sous la raison sociale de sa succursale (*Zweigniederlassung*), HSBC Continental Europe S.A., Allemagne, est l'unique actionnaire de l'Émetteur. Ainsi, l'Émetteur est contrôlé directement par HBCE, et indirectement par HSBC Holdings plc et HSBC Bank plc. Un accord de contrôle et de transfert de profits et pertes a été conclu entre l'Émetteur, en tant que société soumise au contrôle, et HBCE, en tant que société exerçant le contrôle.

Identité des principaux dirigeants
Carsten Hennies, Dr. Detlef Irmen, Georg Krull

Identité des contrôleurs légaux des comptes
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Moskauer Str. 19, 40227 Düsseldorf, Allemagne, Tél. +49 (0)211/981 0

Quelles sont les informations financières clés concernant l'Émetteur ?
Tableau 1
Compte de résultat pour les établissements de crédit

	31 déc. 2022	31 déc. 2021
Revenus nets d'intérêts (en millions EUR)	236,60	186,05
Revenus nets de commissions (en millions EUR)	195,46	214,56
Provisionnement pour risque lié à l'activité de crédit et aux opérations sur titres (en millions EUR)	154,13	0
Revenus nets des opérations (en millions EUR)	157,50	189,87
Résultat avant impôts (en millions EUR)	-126,10	223,50
Résultat net (en millions EUR)	-77,79	148,38

Tableau 2
Bilan pour les établissements de crédit

	31 déc. 2022	31 déc. 2021	Valeur telle qu'elle ressort du dernier processus de contrôle et

			d’évaluation prudentiels (« SREP »)
Total de l’actif (en millions EUR)	37.655,99	31.493,55	–
Prêts et avances aux banques et aux clients (en millions EUR)	27.897,38	8.216,16	–
Dette subordonnée	–	–	–
Prêts et avances aux clients (en millions EUR)	7.009,56	7.074,45	–
Comptes clients (en millions EUR)	27.593,41	20.221,84	–
Capitaux propres (en millions EUR)	1.990,03	2.069,07	–
Ratio de fonds propres Common Equity Tier 1 (CET1)	18,9%	14,7%	
Ratio de fonds propres réglementaires	21,7%	16,9%	12.2%*
Ratio d’endettement réglementaire	5,0%	4,8%	–

*HSBC Germany est soumise à la supervision bancaire de la Banque centrale européenne en raison du transfert de propriété, ainsi qu'à un processus de contrôle et d’évaluation prudentiels (Supervisory Review and Evaluation Process, « SREP ») annuel. La BaFin a informé la Banque du résultat de ce processus pour la dernière fois fin 2022. Par conséquent, un ratio de fonds propres de 12,2% minimum doit être maintenu.

Quels sont les risques spécifiques à l’Émetteur ?

Risque de défaut de l’émetteur (risque d’insolvabilité)

Le détenteur de titres est exposé au risque d’insolvabilité de l’Émetteur. Cet événement peut se produire lorsque l’Émetteur est insolvable (*zahlungsunfähig*) ou surendetté (*überschuldet*), ou qu’il risque de le devenir. Les obligations de l'Émetteur afférentes aux titres vis-à-vis des détenteurs sont garanties par HSBC Continental Europe S.A., Paris, France (le « **Garant** » ou « **HBCE** »). Le Garant exerce ses activités sous la raison sociale de sa succursale (*Zweigniederlassung*), HSBC Continental Europe S.A., Allemagne, dont le siège social est sis Hansaallee 3, 40549 Düsseldorf, Allemagne (« **HBCE Germany** »). En cas d’insolvabilité de l’Émetteur, l’investisseur peut toutefois perdre l’intégralité du Capital investi.

Risques liés à la dépendance de l'Émetteur vis-à-vis du Garant ou de HBCE

En vertu de son modèle d'entreprises, l'Émetteur dépend du Garant, en cela que ce dernier doit remplir en tout temps ses obligations contractuelles envers l'Émetteur et les détenteurs de titres. L'Émetteur et le Garant ont conclu un Accord-cadre de fiduciaire et de couverture en vertu duquel le Garant est tenu d'indemniser l'Émetteur de tout passif en lien avec les titres. Conformément à la garantie donnée, le Garant est tenu de satisfaire toutes les créances des détenteurs de titres réclamées à l'Émetteur, dans la mesure où elles deviennent exigibles et payables en vertu des titres. Les conditions applicables aux titres prévoient que, après règlement par le Garant, les créances concernées des détenteurs seront réduites du montant correspondant. Les recours introduits à l'encontre de l'Émetteur se limitent donc aux produits non perçus. Dans un tel contexte, l'exercice des obligations de l'Émetteur afférentes aux titres dépend directement de la solvabilité du Garant. Les détenteurs de titres peuvent par conséquent perdre la totalité de leur Capital investi en cas d'insolvabilité du Garant.