Interim Report as at 31 March 2011

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. to 31.03.2011	01.01. to 31.03.2010	Change in %
Income statement in €m			
Operating revenues	176.6	156.7	12.7
Net loan impairment and other credit risk provisions	−5.5	−0.7	> 100.0
Administrative expenses	122.1	112.4	8.6
Operating profit	60.0	53.4	12.4
Pre-tax profit	63.1	55.0	14.7
Tax expenses	21.0	17.8	18.0
Net profit for the year	42.1	37.2	13.2
Ratios			
Cost:income ratio of usual business activity in %	68.0	67.4	–
Return on equity before tax in % (projected for the full year)	21.1	22.1	–
Net fee income in % of operating revenues	54.1	52.8	–
No. of employees at the reporting date	2,504	2,287	9.5
Share information			
Average number of shares in circulation in million	28.1	26.1	7.7
Earnings per share in €	1.50	1.43	4.9
Share price at the reporting date in €	94.0	103.5	−9.2
Market capitalisation at the reporting date in €m	2,641	2,701	−2.2

	31.03.2011	31.12.2010	Change in %
Balance sheet figures in €m			
Total assets	20,169	18,584	8.5
Shareholders’ equity	1,301	1,290	0.9
Regulatory ratios			
Tier 1 in €m	1,042	1,058	−1.5
Regulatory capital in €m	1,379	1,397	−1.3
Risk-weighted assets in €m	8,175	8,113	0.8
Tier 1 ratio in %	12.8	13.0	–
Regulatory capital ratio in %	16.9	17.2	–

Ladies and Gentlemen,

After the severe recession in 2009, the notable recovery made by the global economy last year continued in the first quarter of this year as well. Since Germany continues to benefit in particular from this favourable trend as an export-oriented nation, it is to be assumed that the economic upswing will continue in the months ahead. Alongside the export sector, stronger domestic demand is also contributing to the persistently positive trend.

At the same time, there is a threat of inflationary pressure increasing worldwide as a result of higher commodity prices, to which the European Central Bank (ECB) reacted at the beginning of April with an initial 25 bp increase in the key interest rate to 1.25%. It remains to be seen to what extent this step will have a lasting influence on the performance of the capital markets in particular. The economic repercussions of the catastrophic earthquake in Japan and the political unrest in North Africa and the Middle East are not yet completely foreseeable either.

HSBC Trinkaus again reported a good quarterly result. Operating profit for the first three months of the financial year was increased by 12.4% from €53.4 million the previous year to €60.0 million. Pre-tax profit grew in the same period by 14.7% from €55.0 million to €63.1 million. This performance is essentially attributable to our stable and successful business model which, with its clear focus on our target groups "high net worth private clients", "corporate clients" and "institutional clients" supported by risk-aware trading, continues to prove itself. It also shows that our accelerated growth strategy has started to translate into success. We were able to create a solid base for our plans for growth last summer with our successful capital increase. Our integration into the HSBC Group continues to provide our client-oriented strategy with significant support.

Profitability

The earnings components of the operating result can be summarised as follows:

- Net interest income improved 6.7% to €33.3 million (2010: €31.2 million) mainly as a result of the increase in volumes in the lending business. At the same time, the effect of slightly lower margins in the lending business was almost compensated by higher deposit margins.

- Net loan impairment and other credit risk provisions recorded a release of €5.5 million (2010: €0.7 million). Thanks to the economic recovery, the credit rating of our credit portfolio improved further. We also sold a problematic exposure and we were able to release or reduce impairments carried out previously. No further additions to individually assessed impairments were required. We made no changes to collectively assessed impairments. Our conservative orientation is therefore unchanged in relation to the assessment of default risks.

- At €95.5 million, net fee income was up 9.6% on the prior-year result of €87.1 million. Our extraordinarily good performance in the foreign exchange and derivatives business was mainly responsible for this increase. The increase in transactions arranged in the HSBC Group had a particular impact here. We were also able to improve our result again in the securities business, the key factor of success in our fee-based business, benefiting in particular from an increase in transaction revenues on account of higher volumes.

- Net trading income grew by 6.6% to €43.9 million (2010: €41.2 million), due essentially to gains on bond holdings and interest rate derivatives. The constant tightening of credit spreads contributed to the good result. Money market trading was also able to achieve a favourable result owing to our still outstanding liquidity position. We also recorded growth in trading with equities and equity/index derivatives, our most important source of earnings in net trading income, compared to the prior period. Our retail products made the most significant contribution to this growth. Risk management in trading with knock-out products has proven itself given the strong stock market fluctuations on account of the earthquake catastrophe in Japan. Our business with discount and bonus certificates benefited from strong demand. In trading with index futures and options, we were again able to improve on the prior-year result. On the other hand, we reported slight valuation losses on derivatives in the bank book for hedging strategic interest rate positions.

- Other operating income includes significant rental income from our real estate development project in Australia, although this is set against corresponding interest expense. Net other income, at €3.5 million, was almost at the prior-year level of €3.9 million.

- Administrative expenses were up 8.6% to €122.1 million (2010: € 112.4m), mainly reflecting the increase in the headcount, which exceeded the 2,500 mark for the first time within the scope of our growth strategy. Moreover, the improved result against the previous year also led to higher performance-related remuneration. At 68.0%, the cost:income ratio remains within the adequate range for our business model of 65% to 70%.

- Income from financial assets was almost at the prior-year level of a gain of €3.4 million (2010: €3.2 million). Whereas isolated minor write-downs on financial assets still had to be carried out the previous year, there were no further write-down requirements in the quarter under review.

The asset situation

Total assets were up 8.5% compared to the end of 2010 to €20.2 billion. Accounting for over 50% of total assets, customer deposits still represent the Bank's main source of financing. We regard this as a clear commitment on the part of our clients to our solid business policy, which is reflected not least in our sustained earnings power and our extraordinarily good "AA" rating confirmed by Fitch in April 2011. At €1,301 million, shareholders' equity was slightly up on the level reported at the end of 2010 (€1,290 million). The valuation reserve for financial instruments declined in the first quarter by €22 million to €103 million and in the same period, actuarial losses resulting from the valuation of pension provisions stood at €2 million. The increase in loans and advances to customers reflects the expansion of our lending business in particular with MME clients as part of our growth strategy.

The financial position

The Bank's financial position is still characterised by excellent liquidity. The minimum regulatory requirements were exceeded by far with an average of 2.2 for the end-of-month positions. Customer accounts at €11.1 billion – still our most important source of financing – are far higher than the year-end figure of €10.1 billion. We continue to invest a substantial part of this liquidity in eligible bonds issued by German federal states. HSBC Trinkaus' capital ratio stands at 16.9% after 17.2% at the end of the year. Its Tier 1 ratio is 12.8% and contains no hybrid capital components. In addition to the fact that we already fulfil the higher capitalisation requirements which will apply in the years ahead according to the new Basel III provisions, there is adequate scope for further business expansion.

Outlook

The persistently positive signals coming from the economy despite the recent catastrophes on the one hand, and the good starting position enjoyed by German companies on the other make us quite optimistic for the future. With its successful business model, HSBC Trinkaus regards itself as being in an ideal position in this environment. We see the unique combination in the German banking landscape of the traditional values of the honourable businessman, such as trust, responsibility and sustainability, and the international service capacity and capital strength of a global financial services provider, the HSBC Group, as a guarantee for our success. We want to use this position of strength in the years ahead to accelerate growth and increase market share further across all our operating divisions. The proceeds from the capital increase carried out last summer will also be used for this. Our processes and structures have already been geared towards this and are constantly being optimised. In order to reach this goal, we also want to further increase the number of our employees, even though we want to take tighter control of the growth in administrative expenses. The new regulatory provisions, which also envisage a number of new regulatory reports alongside increased capital backing and larger liquidity cushions, will reduce the profitability of the banking sector overall. We are aware that our growth strategy can entail higher risks in this environment, but we also see greater opportunities for the Bank. In any case, we remain guided by the proven principle of growing with our clients, not with our risks.

Düsseldorf, May 2011

The Management Board

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

Consolidated Balance Sheet

Assets in €m	Notes	31.03.2011	31.12.2010	Change in %
Cash reserve		136.0	336.1	–59.5
Loans and advances to banks	(8)	1,690.0	1,402.9	20.5
Loans and advances to customers	(9)	3,567.5	3,089.6	15.5
Net loan impairment provision	(10)	–36.0	–49.1	–26.7
Trading assets	(11)	10,840.3	10,130.6	7.0
Financial assets	(12)	3,545.9	3,305.9	7.3
Interests in associates		38.1	38.0	0.3
Property, plant and equipment		83.7	83.1	0.7
Intangible assets		36.8	38.9	–5.4
Taxation recoverable		4.3	4.3	0.0
current		4.3	4.3	0.0
deferred		0.0	0.0	0.0
Other assets		262.7	203.7	29.0
Total assets		**20,169.3**	**18,584.0**	**8.5**

Liabilities in €m	Notes	31.03.2011	31.12.2010	Change in %
Deposits by banks	(13)	1,901.9	1,180.4	61.1
Customer accounts	(14)	11,072.0	10,148.0	9.1
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	5,136.4	5,200.1	–1.2
Provisions		90.4	96.5	–6.3
Taxation		102.8	66.7	54.3
current		100.8	52.6	91.6
deferred		2.1	14.1	–85.1
Other liabilities		201.5	214.1	–5.9
Subordinated capital		353.4	378.4	–6.6
Shareholders' equity		1,300.7	1,289.7	0.9
Share capital		75.4	75.4	0.0
Capital reserve		347.5	354.0	–1.8
Retained earnings		626.8	627.2	–0.1
Valuation reserve for financial instruments		103.4	125.3	–17.5
Valuation reserve for actuarial profits and losses		–32.1	–29.8	7.7
Valuation reserve from currency conversion		–1.8	–1.8	0.0
Net profit including profit brought forward		181.5	139.4	–
Minority interests		0.1	0.1	0.0
Total equity and liabilities		**20,169.3**	**18,584.0**	**8.5**

Breakdown of consolidated shareholders' equity and subordinated capital

in €m	31.03.2011	31.12.2010
Share capital	75.4	75.4
Capital reserve	347.5	354.0
Retained earnings	626.8	627.2
Valuation reserve for financial instruments	103.4	125.3
Valuation reserve for actuarial profits and losses	–32.1	–29.8
Valuation reserve from currency conversion	–1.8	–1.8
Net profit including profit brought forward	181.5	139.4
Consolidated shareholders' equity	**1,300.7**	**1,289.7**
Subordinated liabilities	253.4	284.4
Participatory capital	100.0	100.0
Consolidated subordinated capital	**353.4**	**384.4**
Total	**1,654.0**	**1,674.1**

Consolidated statement of changes in equity

in €m	2011	2010
Consolidated shareholders' equity as at 01.01.	**1,289.7**	**1,062.5**
Distribution	0.0	0.0
Capital increase	0.0	0.0
Net profit	42.1	37.2
Gains/losses not recognised in the income statement	–24.2	18.1
Share-based compensation settled in the form of equity instruments	–0.4	6.8
Transfer of shares to employees in connection with share-based remuneration schemes	–6.5	–6.4
Consolidated shareholders' equity as at 31.03.	**1,300.7**	**1,118.2**

Consolidated Income Statement

in €m	Notes	01.01. to 31.03.2011	01.01. to 31.03.2010	Change in %
Interest income		51.5	48.0	7.3
Interest expense		18.2	16.8	8.3
Net interest income	(1)	33.3	31.2	6.7
Net loan impairment and other credit risk provisions	(2)	–5.5	–0.7	> 100.0
Share of profit in associates		0.1	0.1	0.0
Fee income		174.2	142.3	22.4
Fee expenses		78.7	55.2	42.6
Net fee income	(3)	95.5	87.1	9.6
Net trading income	(4)	43.9	41.2	6.6
Administrative expenses	(5)	122.1	112.4	8.6
Income from financial assets		3.4	3.2	6.2
Net other income	(6)	3.5	3.9	–10.3
Pre-tax profit		**63.1**	**55.0**	**14.7**
Tax expenses		21.0	17.8	18.0
Net profit for the year		**42.1**	**37.2**	**13.2**
Profit/loss attributable to minority shareholders		0.0	0.0	0.0
Profit/loss attributable to HSBC Trinkaus shareholders		42.1	37.2	13.2

Earnings per share

in €	01.01. to 31.03.2011	01.01. to 31.03.2010	Change in %
Undiluted earnings per share	1.50	1.43	4.9
Diluted earnings per share	1.50	1.43	4.9

Comprehensive income for the period

in €m	01.01. to 31.03.2011	01.01. to 31.03.2010
Net income for the year	42.1	37.2
Gains/losses not recognised in the income statement	– 24.2	18.1
of which from financial instruments	– 21.9	22.1
of which from actuarial results	– 2.3	– 3.9
of which from currency conversion	– 0.0	– 0.1
Total	**18.0**	**55.3**
Attributable to		
Minority interests	0.0	0.0
HSBC Trinkaus shareholders	18.0	55.3

Consolidated cash flow statement

in €m	2011	2010
Cash and cash equivalents as at 01.01.	**336.1**	**177.0**
Cash flow from operating activities	– 139.8	– 18.3
Cash flow from investing activities	– 35.3	– 1.3
Cash flow from financing activities	– 25.0	0.0
Cash and cash equivalents as at 31.03.	**136.0**	**157.4**

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

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

This Interim Report for the HSBC Trinkaus Group as at 31 March 2011 was drawn up in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union. The report takes particular account of the requirements of IAS 34 relating to interim financial reporting. Furthermore, the report takes into consideration the requirement of an interim management statement pursuant to Section 37x German Securities Trading Act (WpHG). No review of the Interim Report was carried out by external auditors.

When drawing up this Interim Report, including the comparable figures for the prior-year periods, we applied the same accounting and valuation methods as in the 2010 consolidated financial statements.

All changes to standards and interpretations, the early application of which we have dispensed with, are of no or only minor significance for our consolidated financial statements.

1 ▸ Net interest income

in €m	01.01. to 31.03.2011	01.01. to 31.03.2010
Interest income	**51.5**	**48.0**
from loans and advances to banks	4.2	6.0
Money market transactions	3.3	5.1
Other interest-bearing receivables	1.0	0.9
from loans and advances to customers	19.8	17.7
Money market transactions	3.6	3.6
Other interest-bearing receivables	16.2	14.1
from financial assets	27.5	24.3
Interest income	**27.2**	**23.9**
Dividend income	0.1	0.2
Income from subsidiaries	0.2	0.2
Interest expense	**18.2**	**16.8**
from deposits by banks	3.7	4.0
Money market transactions	2.0	2.7
Other interest-bearing deposits	1.8	0.8
from customer accounts	10.0	8.2
Money market transactions	3.1	2.2
Other interest-bearing deposits	7.0	6.0
From securitised liabilities	0.1	0.1
From subordinated capital	4.4	4.5
Net interest income	**33.3**	**31.2**

2 ▸ Net loan impairment and other credit risk provisions

in €m	01.01. to 31.03.2011	01.01. to 31.03.2010
Additions	0.0	0.0
Reversals	5.5	0.7
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.0	0.0
Total	**–5.5**	**–0.7**

3 ▶ Net fee income

in €m	01.01. to 31.03.2011	01.01. to 31.03.2010
Securities transactions	62.6	60.5
Foreign exchange transactions and derivatives	19.9	9.3
Issuing and structuring business	1.9	3.7
Foreign business	3.4	3.3
Lending	2.9	2.3
Payments	1.6	1.5
Investment banking	0.7	3.9
Alternative investments	0.4	0.4
Other fee-based business	2.1	2.2
Total	95.5	87.1

4 ▶ Net trading income

in €m	01.01. to 31.03.2011	01.01. to 31.03.2010
Equity and equity/index derivatives	18.7	16.0
Bonds and interest rate derivatives	23.3	22.9
Foreign exchange	2.2	3.9
Derivatives held in the banking book	–0.4	–1.6
Total	43.9	41.2

Interest and dividend income attributable to trading activities – shown as the difference between the interest and dividend revenues of trading positions and the corresponding refinancing interest – is included in trading profit.

5 Administrative expenses

in €m	01.01. to 31.03.2011	01.01. to 31.03.2010
Staff expenses	75.3	68.2
Wages and salaries	65.3	59.3
Social security costs	7.1	6.3
Expenses for retirement pensions and other employee benefits	2.9	2.6
Other administrative expenses	40.9	38.4
Depreciation of property, plant and equipment and of intangible assets	6.0	5.8
Total	122.1	112.4

6 Net other income / expenses

in €m	01.01. to 31.03.2011	01.01. to 31.03.2010
Other operating income	4.2	7.4
Other operating expenses	0.8	3.5
Other operating income	**3.4**	**3.9**
Other income	0.1	0.0
Other expenses	0.1	0.0
Other net income	**0.1**	**0.0**
Net other income	**3.5**	**3.9**

7 Segment reporting

in €m	Private Banking	Corporate Banking	Institut. Clients	Global Markets	Central Divisions/ Consolidation	Total
Net interest income						
31.03.2011	2.2	13.5	0.7	−0.2	17.1	33.3
31.03.2010	3.0	12.5	0.6	0.7	14.4	31.2
Net loan impairment and other credit risk provisions						
31.03.2011	0.2	2.3	0.2	0.1	−8.3	−5.5
31.03.2010	0.3	2.6	0.4	0.0	−4.0	−0.7
Share of profit in associates						
31.03.2011	0.0	0.0	0.0	0.0	0.1	0.1
31.03.2010	0.0	0.0	0.0	0.0	0.1	0.1
Net fee income						
31.03.2011	25.2	26.2	41.7	0.3	2.1	95.5
31.03.2010	21.6	24.2	34.0	2.0	5.3	87.1
Operative trading income						
31.03.2011	0.0	−0.1	1.3	27.5	15.6	44.3
31.03.2010	0.0	−0.1	3.6	23.9	15.4	42.8
Administrative expenses						
31.03.2011	19.2	23.1	28.4	14.0	37.4	122.1
31.03.2010	17.4	20.6	24.6	13.6	36.2	112.4
of which depreciation and amortisation						
31.03.2011	0.5	0.4	0.2	0.2	4.7	6.0
31.03.2010	0.4	0.3	0.2	0.1	4.8	5.8
Other operating income						
31.03.2011	0.0	0.0	0.0	0.0	3.4	3.4
31.03.2010	0.1	0.0	0.0	0.0	3.8	3.9
Operating profit						
31.03.2011	**8.0**	**14.2**	**15.1**	**13.5**	**9.1**	**59.9**
31.03.2010	**7.0**	**13.4**	**13.2**	**13.0**	**6.8**	**53.4**
Income from financial assets						
31.03.2011	0.0	0.0	0.0	0.0	3.4	3.4
31.03.2010	0.0	0.0	0.0	0.0	3.2	3.2
Income from derivatives in the bank book						
31.03.2011	0.0	0.0	0.0	0.0	−0.4	−0.4
31.03.2010	0.0	0.0	0.0	0.0	−1.6	−1.6
Other net income						
31.03.2011	0.0	0.0	0.0	0.0	0.1	0.1
31.03.2010	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit						
31.03.2011	**8.0**	**14.2**	**15.1**	**13.5**	**12.2**	**63.0**
31.03.2010	**7.0**	**13.4**	**13.2**	**13.0**	**8.4**	**55.0**
Taxation						
31.03.2011	2.5	4.5	4.8	4.2	5.0	21.0
31.03.2010	2.2	4.3	4.2	4.2	2.9	17.8
Net profit for the year						
31.03.2011	**5.5**	**9.7**	**10.3**	**9.3**	**7.2**	**42.0**
31.03.2010	**4.8**	**9.1**	**9.0**	**8.8**	**5.5**	**37.2**

Against the backdrop of the favourable economic trend in Germany, all segments were able to further improve on their good prior-year results. The growth strategy which the Bank embarked upon in 2010 has therefore also started to translate into success.

The highest percentage increase in results was recorded by the Private Banking and Institutional Clients segments. In addition to a strong improvement in revenues in the securities business, the Private Banking business also reported major revenue growth in the asset management business. The Institutional Clients segment increased revenues significantly in its core lines of business asset management, fixed income and equities business, more than compensating for the decline in client-oriented trading and in the sale of structured products. The strong prior-year results in the Corporate Clients segment, which resulted in particular from the lead management of capital increases, could not be repeated. However, stronger revenues in asset management and the foreign exchange business as well as an increase in net interest income in the lending business as a result of higher volumes more than compensated for this decline. Thanks to the favourable trend in earnings in equity derivatives and equities trading, as well as the still extremely successful Treasury activities, the trading departments reported a stronger result than in the previous year.

The increase in the Bank's administrative expenses is due to the growth in the workforce to 2,504 employees as well as IT investments, which are expected to further improve the Bank's competitive position. Accruals for performance-related remuneration were also higher as a result of the growth in earnings. The Bank has taken measures to limit the growth in expenses in 2011.

We show standardised risk expenses in the segments (mark-ups on credit risks depending on credit rating). The difference compared with the income statement is taken into consideration in the Central Divisions/Consolidation column.

8 ▸ Loans and advances to banks

in €m	31.03.2011	31.12.2010
Current accounts	670.9	328.3
Money market transactions	846.8	955.8
of which overnight money	66.9	78.6
of which term deposits	779.9	877.2
Other loans and advances	172.3	118.8
Total	**1,690.0**	**1,402.9**
of which to domestic banks	538.9	398.4
of which to foreign banks	1,151.1	1,004.5

9 ▸ Loans and advances to customers

in €m	31.03.2011	31.12.2010
Current accounts	1,211.4	1,024.2
Money market transactions	902.6	631.9
of which overnight money	63.8	67.2
of which term deposits	838.8	564.7
Loan accounts	1,406.7	1,412.4
Other loans and advances	46.8	21.1
Total	**3,567.5**	**3,089.6**
of which domestic customers	2,376.0	1,811.1
of which foreign customers	1,191.5	1,278.5

10 ▸ Net loan impairment and other credit risk provisions

in €m	31.03.2011	31.12.2010
Net loan impairment provision	36.0	49.1
Provisions for credit risks	5.6	5.7
Net loan impairment and other credit risk provisions	**41.6**	**54.8**

	Impairments/provisions					
	Individually assessed		Collectively assessed		Total	
in €m	2011	2010	2011	2010	2011	2010
As at 01.01.	40.3	32.7	14.5	17.0	54.8	49.7
Reversals	5.5	0.7	0.0	0.0	5.5	0.7
Utilisation	7.7	0.0	0.0	0.0	7.7	0.0
Additions	0.0	0.0	0.0	0.0	0.0	0.0
Currency translation / transfers	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.03.	27.1	32.0	14.5	17.0	41.6	49.0

11 Trading assets

in €m	31.03.2011	31.12.2010
Bonds and other fixed-income securities	3,963.1	4,590.7
Equities and other non-fixed-income securities	880.8	1,004.4
Tradable receivables	2,101.2	2,334.8
Positive market value of derivatives	1,656.8	1,828.7
Reverse repos	2,037.7	72.3
Securities lending	0.0	0.0
Security in the derivatives business	189.8	296.2
Derivatives in hedging relationships	8.7	0.9
Derivatives held in the banking book	2.2	2.6
Total	10,840.3	10,130.6

12 Financial assets

in €m	31.03.2011	31.12.2010
Bonds and other fixed-income securities and interest rate derivatives	3,033.9	2,776.3
Equities	65.6	24.3
Investment certificates	104.8	100.1
Promissory note loans	230.9	293.6
Investments	110.7	111.6
Total	3,545.9	3,305.9

13 ▸ Deposits by banks

in €m	31.03.2011	31.12.2010
Current accounts	916.7	394.4
Money market transactions	783.3	583.5
of which overnight money	207.9	3.0
of which term deposits	575.4	580.5
Other liabilities	201.9	202.5
Total	**1,901.9**	**1,180.4**
of which domestic banks	673.1	352.7
of which foreign banks	1,228.8	827.7

14 ▸ Customer accounts

in €m	31.03.2011	31.12.2010
Current accounts	7,356.9	6,488.3
Money market transactions	3,343.2	3,332.0
of which overnight money	458.5	439.0
of which term deposits	2,884.7	2,893.0
Savings deposits	47.4	43.0
Other liabilities	324.6	284.7
Total	**11,072.1**	**10,148.0**
of which domestic customers	8,408.4	7,167.0
of which foreign customers	2,663.7	2,981.0

15 ▸ Trading liabilities

in €m	31.03.2011	31.12.2010
Negative market value of derivatives	2,019.0	2,196.4
Promissory note loans, bonds, certificates and warrants	2,871.1	2,852.7
Delivery obligations arising from securities sold short	51.7	84.1
Repos	0.0	0.0
Securities lending	13.6	4.1
Security in the derivatives business	177.8	57.0
Derivatives in hedging relationships	3.2	5.8
Total	**5,136.4**	**5,200.1**

16 Derivatives business

in €m	Nominal amounts with a residual maturity of: Up to 1 year	1 – 5 years	More than 5 years	Total	Positive market values
Interest rate transactions					
31.03.2011	10,164	15,577	11,011	36,752	743
31.12.2010	6,505	18,614	10,602	35,721	954
Foreign exchange transactions					
31.03.2011	30,721	1,833	67	32,621	498
31.12.2010	28,586	1,780	69	30,435	450
Equity and index transactions					
31.03.2011	5,189	2,134	427	7,750	426
31.12.2010	4,454	1,912	342	6,708	35
Total					
31.03.2011	**46,074**	**19,544**	**11,505**	**77,123**	**1,667**
31.12.2010	**39,545**	**22,306**	**11,013**	**72,864**	**1,439**

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

17 ▸ Market Risk

in €m	31.03.2011	31.12.2010
Interest rate risk	1.4	2.6
Credit spread risk	2.7	3.7
Currency risk	0.2	0.3
Equity/index risk	1.2	1.8
Commodities risk	0.0	0.2
Overall market risk potential	**4.5**	**4.9**

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

18 ▸ Contingent liabilities and other obligations

in €m	31.03.2011	31.12.2010
Contingent liabilities on guarantees and indemnity agreements	1,531.0	1,305.4
Irrevocable loan commitments	3,972.9	3,751.9
Total	**5,503.9**	**5,057.3**

Key Dates

7 June 2011	Annual General Meeting
15 August 2011	Interim Report as at 30 June 2011
9 November 2011	Interim Report as at 30 September 2011

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