Interim Report as at 30 September 2011

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. to 30.09.2011	01.01. to 30.09.2010	Change in %
Income statement in €m			
Operating revenues	516.5	505.9	2.1
Net loan impairment and other credit risk provisions	– 12.8	1.3	–
Administrative expenses	367.2	337.8	8.7
Operating profit	162.1	166.9	– 2.9
Pre-tax profit	172.7	161.6	6.9
Tax expenses	57.2	52.2	9.6
Net profit for the year	115.5	109.4	5.6
Ratios			
Cost efficiency ratio of usual business activity in %	69.7	67.5	–
Return on equity before tax in % (projected for the full year)	18.9	20.8	–
Net fee income in % of operating revenues	57.3	57.3	–
No. of employees at the reporting date	2,566	2,371	8.2
Share information			
Average number of shares in circulation in million	28.1	26.8	4.9
Earnings per share in €	4.11	4.09	0.5
Share price at the reporting date in €	86.98	100.00	– 13.0
Market capitalisation at the reporting date in €m	2,444	2,810	– 13.0

	30.09.2011	31.12.2010	Change in %
Balance sheet figures in €m			
Total assets	25,104	18,584	35.1
Shareholders' equity	1,273	1,290	– 1.3
Regulatory ratios			
Tier 1 in €m	1,044	1,058	– 1.3
Regulatory capital in €m	1,391	1,397	– 0.4
Risk-weighted assets in €m	8,250	8,113	1.7
Tier 1 ratio in %	12.7	13.0	–
Regulatory capital ratio in %	16.9	17.2	–

Ladies and Gentlemen,

The global economy has continued to recover in 2011, but the prospects for the future economic development have become increasingly dismal of late due among other things to the sovereign debt crisis spreading to further states in the Eurozone and the USA. As an export-oriented nation, Germany has benefited in particular from the recovery to date, putting it in an exceptional position in the Eurozone. This can be seen not least from its still low unemployment rate. Nevertheless, the general economic prospects have clouded over significantly and the forecasts for German economic growth in 2012 have been lowered considerably.

HSBC Trinkaus again succeeded in presenting a convincing quarterly result in this ambivalent environment. Pre-tax profit rose in the first nine months of the financial year by 6.9 % from € 161.6 million the previous year to € 172.7 million. At € 162.1 million, operating profit in the same period was only marginally below the prior-year figure of € 166.9 million.

Profitability

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

- Net interest income was up by 12.7 % to € 109.3 million (first nine months of 2010: € 97.0 million). This was the result of increased lending volumes, although margins are weakening significantly here. This trend is also attributable to higher margins in the deposit-taking business. We continued to invest our surplus liquidity, which grew further, in first-class, highly liquid financial investments as a result of which we recorded increased interest income on account of higher volumes.

- Loan impairment and other credit risk provisions recorded a net release of € 12.8 million (first nine months of 2010: net charge of € 1.3 million). Thanks to the economic recovery, the average credit rating of our credit portfolio improved further. We were also able to release or reduce individually assessed impairments carried out previously. No additions to individually assessed impairments were required in the third quarter. Our conservative orientation is unchanged in relation to the assessment of default risks. No impairments against country risk are required as the bank has no exposure to countries assessed as critical, accepting lower income.

- At € 296.0 million net fee income was slightly higher by 2.2 % compared to the figure of € 289.7 million in the first nine months of 2010. Revenues in the securities business, the key factor of success in our fee-based business, remained on a favourably high level. This was largely the result of the trend in fee income from the placement of foreign exchange and derivates business for our clients with other companies within the HSBC network. Our clients' hedging requirements were increased on account of volatile exchange rates in particular. In Investment Banking, we were not able to repeat our extremely favourable prior-year result, which was based on our involvement in all important equity capital markets transactions, yet we successfully completed several projects in the quarter under report.

- Net trading income declined by 10.6 % to € 96.3 million (first nine months of 2010: € 107.7 million), mainly due to lower trading volumes in bonds and interest rate derivatives. The widening of credit spreads led to valuation losses, whereas valuation gains had been recorded in the first nine months of 2010 on account of credit spread narrowing. Money market trading again achieved a favourable result owing to our still excellent liquidity position. The result of trading with equities and equity index-linked derivatives, our most important source of earnings in net trading income, was increased slightly compared to the first nine months of 2010. We reported lower valuation losses on derivatives in the bank book for hedging strategic interest rate positions in a year-on-year comparison. We see the strong positive result as convincing evidence of our prudent and risk-aware trading activities.

- Net other income, at €18.6 million, was way above the prior-year level of €7.5 million, due largely to one-time effects in the first half of 2011, including a significant gain on the sale of real estate property in Germany.

- Administrative expenses were 8.7 % higher at €367.2 million (first nine months of 2010: €337.8 million). This increase was largely due to an increased headcount, which exceeded the 2,500 mark for the first time in 2011, as part of HSBC Trinkaus' growth strategy. Moreover, the expenses to further improve working processes are also a cost driver, which we consciously accept as it enables us to create the conditions for the lasting success of our growth strategy. Finally, the bank levy payable for the first time this year also led to higher administrative expenses. At 69.7 %, the cost efficiency ratio remains just within the adequate range for our business model of 65 % to 70 %. We are therefore following this development very closely and have taken various measures to limit the increase in costs.

- Income from financial assets increased significantly to €6.5 million (first nine months of 2010: loss of €1.6 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 year under report. Instead, we reported net gains on the sale of individual financial assets in the reporting period.

The asset situation

There was a strong increase in total assets of 35.1 % compared to 31 December 2010 to €25.1 billion. Accounting for over 50 % of total assets, customer deposits still represent the bank's main source of financing. We regard this as evidence of the trust that our clients place in us in these times of major uncertainty and growing general scepticism vis-à-vis financial institutions. Thanks 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, we are perceived as a safe haven in turbulent market conditions. The increase in loans and advances to customers reflects the planned expansion of our lending business in particular with large SMEs as part of our growth strategy. The increase in loans and advances to banks and deposits by banks is exclusively balance sheet related. At € 1,273.5 million, shareholders' equity was slightly below the level at the end of 2010 (€ 1,290 million). The valuation reserve for financial instruments was reduced by € 49.3 million to € 76.0 million. Actuarial losses relating to the reporting of pension provisions of € 16.0 million were also recorded in the same period.

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 2.1 for the end-of-month positions. Customer accounts at € 12.8 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 our surplus liquidity in highly liquid bonds as well as in repo transactions on Eurex. HSBC Trinkaus' capital ratio stands at 16.9 % (31 December 2010: 17.2 %) and its tier 1 capital ratio at 12.7 %, still containing no hybrid capital components. In addition to already fulfilling the higher capitalisation requirements mandatory in the years ahead under the new Basel III provisions, we also have enough scope for further business expansion.

Outlook

HSBC Trinkaus has again proven in the first three quarters of 2011 that its business model based on continuity and sustainability continues to pay off. The bank therefore sees 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.

Despite this favourable competitive position, which we want to use to further increase our market shares across all lines of business, the first negative indicators for the future global economic development can be identified. The discussions over an orderly insolvency procedure for Greece and the expansion of the Euro bail-out scheme are unnerving not only companies and consumers. The tensions in the financial sector have also grown substantially, giving rise to fears that the sovereign debt crisis could turn into a new banking crisis and then have a negative impact on the real economy. These conditions make it appear difficult to give a valid earnings outlook. We aim to repeat our good prior-year result, but also see growing risks in the global economy as well as the continuation of volatile and unpredictable markets which can, if they take a drastic turn for the worse, have an adverse impact on the bank's earnings trend at any time.

Düsseldorf, November 2011

The Management Board

Andreas Schmitz

Paul Hagen

Dr. Olaf Huth

Manfred Krause

Carola Gräfin v. Schmettow

Consolidated Balance Sheet

Assets in €m	Note	30.09.2011	31.12.2010	Change in %
Cash reserve		703.2	336.1	> 100.0
Loans and advances to banks	(8)	3,512.8	1,402.9	> 100.0
Loans and advances to customers	(9)	3,978.1	3,089.6	28.8
Net loan impairment provision	(10)	–25.1	–49.1	–48.9
Trading assets	(11)	12,715.5	10,130.6	25.5
Financial assets	(12)	3,788.9	3,305.9	14.6
Interests in associates		50.4	38.0	32.6
Property, plant and equipment		77.1	83.1	–7.2
Intangible assets		31.7	38.9	–18.5
Taxation recoverable		4.3	4.3	0.0
current		4.0	4.3	–7.0
deferred		0.3	0.0	–
Other assets		266.6	203.7	30.9
Total assets		**25,103.5**	**18,584.0**	**35.1**

Liabilities in €m	Note	30.09.2011	31.12.2010	Change in %
Deposits by banks	(13)	4,870.5	1,180.4	> 100.0
Customer accounts	(14)	12,801.0	10,148.0	26.1
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	5,413.7	5,200.1	4.1
Provisions		98.9	96.5	2.5
Taxation		96.1	66.7	44.1
current		84.4	52.6	60.5
deferred		11.7	14.1	–17.0
Other liabilities		186.3	214.1	–13.0
Subordinated capital		353.4	378.4	–6.6
Shareholders' equity		1,273.5	1,289.7	–1.3
Share capital		75.4	75.4	0.0
Capital reserve		356.8	354.0	0.8
Retained earnings		697.1	627.2	11.1
Valuation reserve for financial instruments		76.0	125.3	–39.3
Valuation reserve for actu-arial profits and losses		–45.8	–29.8	53.7
Valuation reserve from cur-rency conversion		–1.5	–1.8	–16.7
Net profit including profit brought forward		115.5	139.4	–17.1
Minority interests		0.1	0.1	0.0
Total equity and liabilities		**25,103.5**	**18,584.0**	**35.1**

Consolidated Income Statement

in €m	Notes	01.01. to 30.09.2011	01.01. to 30.09.2010	Change in %
Interest income		169.9	146.9	15.7
Interest expense		60.6	49.9	21.4
Net interest income	(1)	109.3	97.0	12.7
Net loan impairment and other credit risk provisions	(2)	– 12.8	1.3	–
Share of profit in associates		0.4	0.4	0.0
Fee income		521.5	486.1	7.3
Fee expenses		225.5	196.4	14.8
Net fee income	(3)	296.0	289.7	2.2
Net trading income	(4)	96.3	107.7	– 10.6
Administrative expenses	(5)	367.2	337.8	8.7
Income from financial assets		6.5	– 1.6	–
Net other income	(6)	18.6	7.5	> 100.0
Pre-tax profit		**172.7**	**161.6**	**6.9**
Tax expenses		57.2	52.2	9.6
Net profit for the year		**115.5**	**109.4**	**5.6**
Profit/loss attributable to minority shareholders		0.0	0.0	0.0
Profit/loss attributable to HSBC Trinkaus shareholders		115.5	109.4	5.6

Earnings per share

in €m	01.01. to 30.09.2011	01.01. to 30.09.2010	Change in %
Undiluted earnings per share	4.11	4.09	0.5
Diluted earnings per share	4.11	4.09	0.5

Comprehensive income for the period

in €m	01.01. to 30.09.2011	01.01. to 30.09.2010
Net profit for the year	115.5	109.4
Gains/losses not recognised in the income statement	−65.0	−3.5
of which from financial instruments	−49.3	23.4
of which from actuarial results	−16.0	−26.1
of which from currency conversion	0.3	−0.8
Comprehensive income for the period	**50.5**	**105.9**
Attributable to:		
Minority interests	0.0	0.0
HSBC Trinkaus shareholders	50.5	105.9

Consolidated statement of changes in equity

in €m	2011	2010
Consolidated shareholders' equity as at 01.01.	**1,289.7**	**1,062.5**
Distribution	−70.3	−65.3
Capital increase	0.0	150.6
Net profit	115.5	109.4
Gains/losses not recognised in the income statement	−65.0	0.7
Share-based compensation settled in the form of equity instruments	8.6	2.2
Transfer of shares to employees in connection with share-based remuneration schemes	−5.0	−6.4
Consolidated shareholders' equity as at 30.09.	**1,273.5**	**1,253.7**

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	512.9	−226.7
Cash flow from investing activities	−50.5	−4.8
Cash flow from financing activities	−95.3	79.3
Cash and cash equivalents as at 30.09.	**703.2**	**24.8**

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, which comprise cash in hand plus balances held with central banks.

Consolidated Income Statement – Quarterly Results

in €m	Q1 2011	Q2 2011	Q3 2011	Q3 2010
Interest income	51.5	58.5	59.9	48.7
Interest expense	18.2	17.4	25.0	16.7
Net interest income	33.3	41.1	34.9	32.0
Net loan impairment and other credit risk provisions	−5.5	−6.8	−0.5	−0.7
Share of profit in associates	0.1	0.1	0.2	0.2
Fee income	174.2	174.1	173.2	167.4
Fee expenses	78.7	72.5	74.3	74.2
Net fee income	95.5	101.6	98.9	93.2
Net trading income	43.9	27.6	24.8	28.8
Administrative expenses	122.1	125.1	120.0	109.7
Income from financial assets	3.4	0.7	2.4	0.3
Net other income	3.5	11.5	3.6	1.5
Pre-tax profit	**63.1**	**64.3**	**45.3**	**47.0**
Tax expenses	21.0	21.1	15.1	15.6
Net profit for the year	**42.1**	**43.2**	**30.2**	**31.4**
Profit/loss attributable to minority shareholders	0.0	0.0	0.0	0.0
Profit/loss attributable to HSBC Trinkaus shareholders	42.1	43.2	30.2	31.4

Earnings per share

in €	Q1 2011	Q2 2011	Q3 2011	Q3 2010
Undiluted earnings per share	1.50	1.53	1.08	1.10
Diluted earnings per share	1.50	1.53	1.08	1.17

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

This Interim Report for the HSBC Trinkaus Group as at 30 September 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 satisfies the requirements 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.

The IASB has published the Standard IFRS 9, Financial Instruments, step by step. The aim of the standard is to completely revise the accounting of financial instruments and thus replace the standard IAS 39 applicable to date. The adoption of the standard is mandatory for financial years starting on or after 1 January 2015 and will have a substantial influence on HSBC Trinkaus' accounting. The IASB published IFRS Standards 10 to 12 in May 2011. These standards deal among other things with the question of when a company is to be consolidated and extend corresponding reporting obligations. The Board also published at the same time IFRS Standard 13 which specifies in detail the term "fair value". These provisions could have a significant influence on our accounting and their application is mandatory for financial years starting on or after 1 January 2013.

The early application of the above-mentioned standards is not possible as the EU has not yet completed the endorsement process for these standards.

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 30.09.2011	01.01. to 30.09.2010
Interest income	**169.9**	**146.9**
From loans and advances to banks	16.9	15.3
Money market transactions	13.5	12.4
Other interest-bearing receivables	3.4	2.9
From loans and advances to customers	66.4	55.7
Money market transactions	12.3	11.1
Other interest-bearing receivables	54.1	44.6
From financial assets	86.6	75.9
Interest income	83.8	73.1
Dividend income	1.6	1.8
Income from subsidiaries	1.2	1.0
Interest expense	**60.6**	**49.9**
From deposits by banks	14.5	13.1
Money market transactions	9.0	7.0
Other interest-bearing deposits	5.5	6.1
From customer accounts	32.6	23.1
Money market transactions	12.6	5.1
Other interest-bearing deposits	20.0	18.0
From securitised liabilities	0.3	0.3
From subordinated capital	13.2	13.4
Net interest income	**109.3**	**97.0**

2 ▸ Net loan impairment and other credit risk provisions

in €m	01.01. to 30.09.2011	01.01. to 30.09.2010
Additions	0.9	5.4
Reversals	13.7	4.1
Direct write-offs	0.1	0.0
Recoveries on loans and advances previously written off	0.1	0.0
Total	**–12.8**	**1.3**

3 Net fee income

in €m	01.01. to 30.09.2011	01.01. to 30.09.2010
Securities transactions	187.0	188.0
Foreign exchange transactions and derivatives	50.3	40.5
Investment Banking	17.3	19.4
Foreign business	10.9	10.1
Lending	8.8	7.9
Issuing and structuring business	6.4	10.6
Alternative Investments	4.9	3.9
Payments	4.8	4.7
Other fee-based business	5.6	4.6
Total	**296.0**	**289.7**

4 Net trading income

in €m	01.01. to 30.09.2011	01.01. to 30.09.2010
Equity and equity index-linked derivatives	56.4	55.4
Bonds and interest rate derivatives	34.7	48.6
Foreign exchange	6.5	7.3
Derivatives held in the banking book	–1.3	–3.6
Total	**96.3**	**107.7**

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 30.09.2011	01.01. to 30.09.2010
Staff expenses	228.1	207.8
Wages and salaries	199.2	180.5
Social security costs	20.4	19.0
Expenses for retirement pensions and other employee benefits	8.5	8.3
Other administrative expenses	121.7	113.2
Depreciation of property, plant and equipment and of intangible assets	17.4	16.8
Total	367.2	337.8

6 Net other income

in €m	01.01. to 30.09.2011	01.01. to 30.09.2010
Other operating income	28.9	22.7
Other operating expenses	15.7	15.2
Other operating income	**13.2**	**7.5**
Other income	5.5	0.1
Other expenses	0.1	0.1
Other net income	**5.4**	**0.0**
Net other income	**18.6**	**7.5**

7 Segment reporting

in €m	Private Banking	Corporate Banking	Institut. Clients	Global Markets	Central Divisions/ Consolidation	Total
Net interest income						
30.09.2011	7.7	43.6	2.4	4.2	51.4	109.3
30.09.2010	8.4	37.6	1.8	2.3	46.9	97.0
Net loan impairment and other credit risk provisions						
30.09.2011	0.6	6.1	0.8	0.1	–20.4	–12.8
30.09.2010	0.9	8.1	1.1	0.1	–8.9	1.3
Share of profit in associates						
30.09.2011	0.0	0.0	0.0	0.0	0.4	0.4
30.09.2010	0.0	0.0	0.0	0.0	0.4	0.4
Net fee income						
30.09.2011	74.8	84.0	130.1	0.4	6.7	296.0
30.09.2010	69.7	81.3	119.3	4.2	15.2	289.7
Operative trading profit						
30.09.2011	0.0	–0.1	2.0	73.1	22.6	97.6
30.09.2010	0.0	–0.2	3.8	75.7	32.0	111.3
Administrative expenses						
30.09.2011	57.2	74.7	87.2	40.1	108.0	367.2
30.09.2010	54.4	64.7	76.5	41.1	101.1	337.8
of which depreciation and amortisation						
30.09.2011	1.6	1.3	0.9	0.6	13.0	17.4
30.09.2010	1.5	1.1	1.0	0.6	12.6	16.8
Other operating income						
30.09.2011	0.0	0.0	0.0	0.0	13.2	13.2
30.09.2010	0.0	0.0	0.0	0.0	7.5	7.5
Operating profit						
30.09.2011	**24.7**	**46.7**	**46.5**	**37.5**	**6.7**	**162.1**
30.09.2010	**22.8**	**45.9**	**47.3**	**41.0**	**9.8**	**166.8**
Income from financial assets						
30.09.2011	0.0	0.0	0.0	0.0	6.5	6.5
30.09.2010	0.0	0.0	0.0	0.0	–1.6	–1.6
Income from derivatives in the bank book						
30.09.2011	0.0	0.0	0.0	0.0	–1.3	–1.3
30.09.2010	0.0	0.0	0.0	0.0	–3.6	–3.6
Other net income						
30.09.2011	0.0	0.0	0.0	0.0	5.4	5.4
30.09.2010	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit						
30.09.2011	**24.7**	**46.7**	**46.5**	**37.5**	**17.3**	**172.7**
30.09.2010	**22.8**	**45.9**	**47.3**	**41.0**	**4.6**	**161.6**
Taxation						
30.09.2011	7.7	14.6	14.6	11.7	8.6	57.2
30.09.2010	7.0	14.4	14.9	12.8	3.1	52.2
Net profit for the year						
30.09.2011	**17.0**	**32.1**	**31.9**	**25.8**	**8.7**	**115.5**
30.09.2010	**15.8**	**31.5**	**32.4**	**28.2**	**1.5**	**109.4**

The sovereign debt crisis in Europe and the USA coming to a head in the third quarter causes lasting uncertainty and major restraint by players on the financial markets. Against this backdrop, our stable results on the prior-year level underline the balanced nature of our client-oriented business model. We regard it as a particular success that the earnings contribution made by our trading departments declined by only 8.5 % compared to the previous year.

The favourable increase in the result in the Private Banking segment is based on higher revenues in the core lines of business of traditional asset management as well as asset management structures. The continuing increase in volumes documents the trust that our clients place in the bank's strength and the quality of its investment strategies.

The growth in revenues in the Corporate Banking business was the result above all of interest and fee income in the lending business, fee income from advisory mandates and the asset management business together with an increase in net interest income from sight deposits on account of higher margins. This more than compensated for the discontinuation of extraordinarily high prior-year revenues from our lead management of capital increases for several DAX companies. This is impressive evidence of the bank's growth strategy, which includes steadily broadening the corporate client base.

The Institutional Clients segment reported a strong increase in revenues in asset management and the equities business as well as from capital increases, which more than made up for declining revenues in client-oriented trading and the sale of fixed income products.

The Global Markets segment was not able to fully balance out the decline in earnings in equities and foreign exchange trading with higher revenues in equity derivatives and money market trading. Nevertheless, the segment's contribution to the bank's overall result remains very significant and its earnings stability is to be regarded as a success of gearing trading activities to supporting the client business.

The measures to limit the increase in costs in all of the bank's segments introduced against the backdrop of the worsening Eurozone crisis were continued. Nevertheless, this can only dampen the increase in administrative expenses throughout the bank compared to the previous year, which is a result of the increase in the headcount as part of the growth strategy, stronger investment in IT to improve the Bank's competitive position and higher regulatory costs. Further recruitments are being carried out only on a selective basis.

8 Loans and advances to banks

in €m	30.09.2011	31.12.2010
Current accounts	411.2	328.3
Money market transactions	2,956.5	955.8
of which overnight money	200.5	78.6
of which term deposits	2,756.0	877.2
Other loans and advances	145.1	118.8
Total	**3,512.8**	**1,402.9**
of which to domestic banks	2,576.3	398.4
of which to foreign banks	936.5	1,004.5

9 Loans and advances to customers

in €m	30.09.2011	31.12.2010
Current accounts	1,348.5	1,024.2
Money market transactions	986.4	631.9
of which overnight money	132.5	67.2
of which term deposits	853.9	564.7
Loan accounts	1,625.5	1,412.4
Other loans and advances	17.7	21.1
Total	**3,978.1**	**3,089.6**
of which to domestic customers	2,692.3	1,811.1
of which to foreign customers	1,285.8	1,278.5

10 ▸ Net loan impairment and other credit risk provisions

in €m	30.09.2011	31.12.2010
Net loan impairment provision	25.1	49.1
Provisions for credit risks	5.2	5.7
Net loan impairment and other credit risk provisions	**30.3**	**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	11.8	2.0	1.9	2.1	13.7	4.1
Utilisation	11.7	1.5	0.0	0.0	11.7	1.5
Additions	0.9	3.6	0.0	1.8	0.9	5.4
Currency translation/transfers	0.0	–0.1	0.0	0.0	0.0	–0.1
As at 30.09.	**17.7**	**32.7**	**12.6**	**16.7**	**30.3**	**49.4**

11 ▸ Trading assets

in €m	30.09.2011	31.12.2010
Bonds and other fixed-income securities	4,544.3	4,590.7
Equities and other non-fixed-income securities	400.6	1.004.4
Tradable receivables	1,855.5	2,334.8
Positive market value of derivatives	2,377.8	1,828.7
Reverse repos	2,878.4	72.3
Securities lending	3.3	0.0
Security in the derivatives business	654.8	296.2
Derivatives in hedging relationships	0.0	0.9
Derivatives held in the banking book	0.8	2.6
Total	**12,715.5**	**10,130.6**

12 ▸ Financial assets

in €m	30.09.2011	31.12.2010
Bonds and other fixed-income securities and interest rate derivatives	3,319.2	2,776.3
Equities	49.4	24.3
Investment certificates	68.5	100.1
Promissory note loans	249.2	293.6
Investments	102.6	111.6
Total	**3,788.9**	**3,305.9**

13 ▸ Deposits by banks

in €m	30.09.2011	31.12.2010
Current accounts	1,673.0	394.4
Money market transactions	2,979.2	583.5
of which overnight money	1.0	3.0
of which term deposits	2,978.2	580.5
Other liabilities	218.3	202.5
Total	**4,870.5**	**1,180.4**
of which domestic banks	2,876.1	352.7
of which foreign banks	1,994.4	827.7

14 ▸ Customer accounts

in €m	30.09.2011	31.12.2010
Current accounts	8,198.7	6,488.3
Money market transactions	4,269.0	3,332.0
of which overnight money	481.4	439.0
of which term deposits	3,787.6	2,893.0
Savings deposits	45.2	43.0
Other liabilities	288.1	284.7
Total	**12,801.0**	**10,148.0**
of which domestic customers	9,593.5	7,167.0
of which foreign customers	3,207.5	2,981.0

15 ▸ Trading liabilities

in €m	30.09.2011	31.12.2010
Negative market value of derivatives	2,849.5	2,196.4
Promissory note loans, bonds, certificates and warrants	2,373.2	2,852.7
Delivery obligations arising from securities sold short	61.9	84.1
Repos	0.0	0.0
Securities lending	4.6	4.1
Security in the derivatives business	103.6	57.0
Derivatives in hedging relationships	20.9	5.8
Total	**5,413.7**	**5,200.1**

16 Derivatives business

in €m	Nominal amounts with a residual maturity of: Up to 1 year	1–5 years	Over 5 years	Total	Positive market values
Interest rate transactions					
30.09.2011	8,956	14,905	11,278	35,139	1,186
31.12.2010	6,505	18,614	10,602	35,721	954
Foreign exchange transactions					
30.09.2011	36,499	2,551	191	39,242	644
31.12.2010	28,586	1,780	69	30,435	450
Equity and index-related transactions					
30.09.2011	3,974	2,908	674	7,555	67
31.12.2010	4,454	1,912	342	6,708	35
Total					
30.09.2011	**49,429**	**20,364**	**12,142**	**81,935**	**1,897**
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	30.09.2011	31.12.2010
Credit spread risk	1.9	2.6
Equity/index risk	1.2	3.7
Interest rate risk	1.1	0.3
Currency risk	0.1	1.8
Commodities risk	0.0	0.2
Overall market risk potential	**2.2**	**4.9**

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

18 ▸ Contingent liabilities and other obligations

in €m	30.09.2011	31.12.2010
Contingent liabilities on guarantees and indemnity agreements	1,790.2	1,305.4
Irrevocable loan commitments	4,613.1	3,751.9
Total	6,403.3	5,057.3

Key Dates

12 March 2012	Annual Results Press Conference
15 May 2012	Interim Report as at 31 March 2012
5 June 2012	Annual General Meeting
1 August 2012	Interim Report as at 30 June 2012
14 November 2012	Interim Report as at 30 September 2012

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