Interim Report as at 30 June 2012

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. to 30.06.2012	01.01. to 30.06.2011	Change in %
Income statement in €m			
Operating revenues	386.0	354.4	8.9
Net loan impairment and other credit risk provisions	–1.3	–12.3	–89.3
Administrative expenses	270.6	247.2	9.5
Operating profit	116.7	119.5	–2.4
Pre-tax profit	120.2	127.4	–5.7
Tax expenses	39.7	42.1	–5.7
Net profit for the year	80.5	85.3	–5.6
Ratios			
Cost efficiency ratio of usual business activity in %	69.5	68.2	–
Return on equity before tax in % (projected for the full year)	18.8	21.0	–
Net fee income in % of operating revenues	49.5	54.8	–
No. of employees at the reporting date	2,536	2,522	0.6
Share information			
Average number of shares in circulation in million	28.1	28.1	0.0
Earnings per share in €	2.86	3.03	–5.6
Share price at the reporting date in €	89.2	95.0	–6.1
Market capitalisation at the reporting date in €m	2,507	2,670	–6.1

	30.06.2012	31.12.2011	Change in %
Balance sheet figures in €m			
Total assets	22,695	20,634	10.0
Shareholders' equity	1,314	1,311	0.2
Regulatory ratios			
Tier 1 in €m	1,102	1,100	0.2
Regulatory capital in €m	1,419	1,439	–1.4
Risk-weighted assets in €m	9,550	9,600	–0.5
Tier 1 ratio in %	11.5	11.5	–
Regulatory capital ratio in %	14.9	15.0	–

Letter from the Management Board

Ladies and Gentlemen,

HSBC Trinkaus generated a satisfactory result in the first half of 2012 with net profit of €80.5 million (H1 2011: €85.3 million).

Our business model, which is clearly oriented towards clients in the Private Banking, Corporate Banking and Institutional Clients segments and is supported by risk-aware trading, has continued to prove itself against the backdrop of the still unresolved European debt crisis and, as a result, the further deterioration in the economic trend, which is becoming evident.

The following interim management report should be read in conjunction with our group management report for the 2011 financial year. The organisation, structure and strategic orientation still correspond to the statements made in the group management report.

Interim Management Report

General Economic Setting

The uncertainty over the future economic development in Germany has grown and is reflected in a less optimistic assessment of the situation as well as dampened expectations at the companies. The further escalation of the sovereign debt crisis in the Eurozone and the signs of European and global economic activity slowing down have also continued to dampen the prospects for the German economy.

Furthermore, the uncertainties in the banking market over the regulatory framework and its implementation remain. This is associated with reduced planning security as regards banks' capital requirements, structures and, in the end, earnings opportunities as well.

A sustainable, risk-aware business model which is geared towards the long term is therefore becoming an increasingly decisive factor for banks.

Profitability

- Net interest income showed a very favourable trend in the first half of 2012 with an increase of €14.8 million to €89.2 million. This growth is attributable firstly to the increase in the volume of loans and advances to customers and banks. Secondly, the bank further increased financial assets as a liquidity cushion, also resulting in growth in interest income. On the other hand, the trend towards slightly falling margins continues in both the deposit-taking and lending business.

- Net loan impairment and other credit risk provisions were reduced further overall in the first half of 2012 as well (€–1.3 million; H1 2011: €–12.3 million). An addition to collectively assessed impairments was set against a more than compensatory release of individually assessed impairments. Our conservative orientation is unchanged in relation to the granting of loans and the assessment of default risks.

- The share of profit in associates of €–7.0 million (H1 2011: €0.2 million) is essentially the result of a write-down on an investment which was necessary on account of the changes unfolding above all in the regulatory environment of the investment.

- Net fee income declined from €197.1 million in the comparable prior-year period by €6.2 million to €190.9 million. The number of securities transactions in the first half of the year was disappointing. The €5.7 million decline in net fee income in the securities business to €117.2 million is attributable essentially to the clear restraint exercised by customers on the capital markets. Equity capital market transactions in Investment Banking were affected by this in particular, with net fee income falling here by €8.8 million to €1.3 million. However, the issuing and structuring business reported a major success, with growth in net fee income of €5.1 million to €9.1 million. The foreign exchange and derivatives business gave a very favourable performance with an increase of €5.5 million to €40.4 million. We continue to benefit in this business from the close cooperation with the companies of the HSBC Group, with most of these transactions settled via their trading books.

- There was a strong increase in net trading income of €40.8 million to €112.3 million, due essentially to the extraordinary effect of a subsequent increase in compensation relating to a company merger. On the other hand, the uncertainty on the capital markets and the significantly weaker customer demand associated with it depressed the result in trading with equities and equity-index-linked certificates with respect to both trading-oriented retail products and bonus and discount certificates. However, there was a substantial increase in the result of the fixed income and interest rate derivatives business of €16.2 million to €46.6 million. We reported moderate valuation losses on bonds as a result of credit spread adjustments. On the other hand, money market trading reported a very favourable result owing to our comfortable liquidity position. The result in the foreign exchange business grew significantly from €3.7 million to €6.3 million owing to the greater volatility of the euro versus the US dollar. The result from derivatives held in the banking book is slightly negative and almost unchanged compared to the previous year.

- HSBC Trinkaus dealt intensively with the bank's cost situation and actively took up the HSBC Group's initiative to increase operating efficiency in the first half of the year given the increase in the cost efficiency ratio in 2011. As a consequence of implementing the first steps, the number of our employees was reduced slightly from 2,577 at the end of the previous year to 2,536 as at 30 June 2012 after growth in the headcount of more than 130 in 2011. The number of employees will decline further in the months ahead as well. Provisions of €18.5 million were set up for the adjustment measures resolved in the second quarter which put pressure on the first-half result as one-off expense. Administrative expenses will be reduced correspondingly in future as a result of the reduction in the headcount in the months ahead. Further measures introduced to limit costs are already reflected in the trend in other administrative expenses which we reduced by €1.5 million compared to the previous year to €79.9 million.

- Income from financial assets improved €0.5 million to €4.6 million. Write-downs on investments in the real estate sector are set against higher gains on disposal as well as write-ups on securities.

- At €–0.5 million, net other income/expenses were way below the prior-year level of €15.0 million. This is attributable firstly to high non-recurring items the previous year resulting, among other things, from the sale of real estate property in Germany. Secondly, it was necessary to make higher provisions on balance for expected future charges.

The asset situation

HSBC Trinkaus' total assets increased compared to the end of 2011 by 10.0 % to €22.7 billion.

Customer accounts of €11.9 billion still represent our most important source of refinancing, despite a slight decline. We regard this as a clear commitment on the part of our clients to our solid business policy which is reflected above all in our sustained earnings power and our "AA" rating last confirmed by Fitch in April 2012.

There was a significant reporting-date-related increase in deposits by banks as well as loans and advances to banks of around €2 billion. This was due above all to short-term deposits by other units of the HSBC Group which have been invested at the central bank on a short-term basis as well.

Shareholders' equity of €1,314.1 million is €3.6 million higher than the level as at 31 December 2011. The valuation reserve for financial instruments increased by €29.6 million to €118.1 million, while the valuation reserve for actuarial profits and losses declined further by €25.9 million to €–64.4 million. This is attributable above all to the significant reduction of the technical interest rate used for the valuation of our pension commitments to 3.75 %.

Furthermore, the dividend for the previous year of €70.3 million was distributed in the second quarter.

The financial position

The Bank's financial position is still characterised by excellent liquidity. The minimum regulatory requirements were exceeded by far again with an average of 1.9 for the end-of-month positions. We continue to invest a substantial part of our surplus liquidity in eligible bonds. HSBC Trinkaus' capital ratio stands at 14.9 % after 15.0 % at the end of the year. Its tier 1 ratio is 11.5 % and contains no hybrid capital components. The bank already fulfils the higher capitalisation requirements according to the new Basel III provisions which will apply in the years ahead and there is adequate scope for further business expansion.

Principal opportunities and risks

Our risk management system is geared towards consciously accepting and controlling risk within the scope of the overall management of risks which are customary to banking operations in order to use the resulting yield opportunities. We regard counterparty, market and liquidity risk, operative and strategic risks and, not least, risks to our reputation as the principal risks of our banking business. Opportunities exist in both acquiring new clients and expanding existing client relationships and thus increasing revenues. Our aim is to continue to generate good net trading income through the targeted use of market fluctuations combined with an attractive product offer at the same time as strict limit discipline, although declining market volumes represent a far more challenging environment.

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

Counterparty risk

The maximum default risk after the first six months of 2012 breaks down into the sectors listed below:

	30.06.2012		31.12.2011	
	in €m	in %	in €m	in %
Banks and financial institutions	12,264.1	41.7	10,334.2	39.5
Companies and self-employed professionals	11,550.6	39.3	10,191.0	39.0
Public sector	5,215.9	17.7	5,245.1	20.1
Employed private individuals	370.2	1.3	352.9	1.4
Total	**29,400.8**	**100.0**	**26,123.2**	**100.0**

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

	30.06.2012		31.12.2011	
	in €m	in %	in €m	in %
Rating categories 1–2	9,147.7	60.7	7,399.3	59.6
Rating categories 3–4	5,799.2	38.5	4,942.5	39.8
Rating category 5	122.3	0.8	68.0	0.6
Total	**15,069.2**	**100.0**	**12,409.8**	**100.0**

Market risk

The total market risk after the first six months of 2012 is as follows:

in €m	30.06.2012	31.12.2011
Interest rate risk	0.7	1.0
Credit spread risk	2.5	2.7
Currency risk	0.1	0.1
Equity/index risk	0.9	0.8
Commodities risk	0.0	0.0
Total potential market risk in the trading portfolio	**3.0**	**2.7**

The market risk potential is calculated for all market risk categories using a standardised internal model which we are constantly developing further. To measure market risks in our trading book under normal market conditions, we have been using a value-at-risk approach for many years.

We understand value-at-risk to be the potential loss which will, with 99 % probability, not be exceeded within 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.

Outlook for 2012

Thanks to the diversified business model and its strong capital base, HSBC Trinkaus is in the position to gain market shares in all segments in 2012 as well. We are keeping to the goal of expanding our business in the medium term and will not lose sight of this goal, even given the measures being taken to increase efficiency.

The focus is on the significant expansion of the business with internationally-operating companies. Our international product and service offer available to us through the integration into the HSBC Group creates decisive value added for all customer groups.

Our corporate clients benefit from the fact that they are able to use our services in all of the world's important national economies via HSBC Trinkaus and the HSBC Group network and to manage them from Germany. This enables them to meet the requirements of their global business, be it by keeping foreign currency accounts, for example in Chinese yuan or Argentinean peso, or through the local financing of business units abroad.

The global expertise of local HSBC specialists and their skills in product development are available even more to our clients in the Institutional Clients business. For example, HSBC Trinkaus has direct access to the HSBC Group's global trading books which also enable large-volume transactions and risk assumption and offer financial investments in growth markets.

Our high-net-worth private clients also benefit from the internationality of our business, be it via a fund investment in emerging markets products or keeping Chinese yuan accounts. HSBC was recently voted the best "Global Emerging Markets Bank" at this year's Euromoney Awards for Excellence.

There are shifts in the global economy to be expected during the next few years, which we as Europeans should be careful not to ignore. According to an HSBC study, almost two thirds of the 30 strongest national economies in 2050 will be countries which are emerging markets as of today, leading to a shift in economic power from West to East and from North to South. The growth in the emerging markets remains strong compared to the national economies of the Eurozone – despite the economic slowdown in some countries mentioned.

It is therefore all the more important that the Eurozone states contain the crisis as soon as possible. On this assumption, we are expecting an operating profit more or less on the prior-year level for the 2012 financial year.

This forecast is subject to the crisis in the Eurozone not coming to a critical head again and that a major slump in economic activity in Germany can be avoided, which would be associated with a considerable increase in risk provisioning. Since the environment has clouded over compared with the beginning of the year, we are expecting a weaker second half of the year as was the case last year.

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

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

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

Düsseldorf, July 2012

The Management Board

Andreas Schmitz

Paul Hagen

Dr. Olaf Huth

Manfred Krause

Carola Gräfin v. Schmettow

Consolidated Balance Sheet

Assets in €m	Note	30.06.2012	31.12.2011	Change in %
Cash reserve		55.3	672.2	–91.8
Loans and advances to banks	(8)	3,725.6	1,857.6	>100
Loans and advances to customers	(9)	4,224.2	3,717.2	13.6
Net loan impairment provision	(10)	–24.8	–27.1	–8.5
Trading assets	(11)	9,370.5	9,852.3	–4.9
Financial assets	(12)	4,907.2	4,164.7	17.8
Interests in associates		57.5	65.2	–11.8
Property, plant and equipment		80.6	79.3	1.6
Intangible assets		27.3	31.3	–12.8
Taxation recoverable		7.7	8.6	–10.5
current		1.2	8.6	–86.0
deferred		6.5	0.0	–
Other assets		263.4	213.1	23.6
Total assets		**22,694.5**	**20,634.4**	**10.0**

Liabilities in €m	Note	30.06.2012	31.12.2011	Change in %
Deposits by banks	(13)	2,942.2	749.6	>100
Customer accounts	(14)	11,859.2	12,413.3	–4.5
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	5,737.9	5,426.0	5.7
Provisions		162.8	103.4	57.4
Taxation		65.7	55.6	18.2
current		62.2	48.3	28.8
deferred		3.5	7.3	–52.1
Other liabilities		249.1	212.5	17.2
Subordinated capital		353.4	353.4	0.0
Shareholders' equity		1,314.1	1,310.5	0.3
Share capital		75.4	75.4	0.0
Capital reserve		356.3	360.0	–1.0
Retained earnings		751.5	695.8	8.0
Valuation reserve for financial instruments		118.1	88.5	33.4
Valuation reserve for actuarial profits and losses		–64.4	–38.5	67.3
Valuation reserve from currency conversion		–3.3	–2.8	17.9
Net profit including profit brought forward		80.5	132.1	–39.1
Minority interests		0.1	0.1	0.0
Total equity and liabilities		**22,694.5**	**20,634.4**	**10.0**

Consolidated Statement of Changes in Equity

in €m	2012	2011
Consolidated shareholders' equity as at 01.01.	1,310.5	1,289.7
Distribution	–70.3	–70.3
Net profit	80.5	85.3
Gains/losses not recognised in the income statement	3.2	–29.2
Share-based compensation settled in the form of equity instruments	–3.7	7.4
Transfer of shares to employees in connection with share-based remuneration schemes	–6.1	–7.6
Consolidated shareholders' equity as at 30.06.	1,314.1	1,275.3

Consolidated Income Statement

in €m	Note	01.01. to 30.06.2012	01.01. to 30.06.2011	Change in %
Interest income		132.6	110.0	20.5
Interest expense		43.4	35.6	21.9
Net interest income	(1)	89.2	74.4	19.9
Net loan impairment and other credit risk provisions	(2)	–1.3	–12.3	–89.4
Share of profit in associates		–7.0	0.2	–
Fee income		343.9	348.3	–1.3
Fee expenses		153.0	151.2	1.2
Net fee income	(3)	190.9	197.1	–3.1
Net trading income	(4)	112.3	71.5	57.1
Administrative expenses	(5)	270.6	247.2	9.5
Income from financial assets		4.6	4.1	12.2
Net other income/expenses	(6)	–0.5	15.0	–
Pre-tax profit		**120.2**	**127.4**	**–5.7**
Tax expenses		39.7	42.1	–5.7
Net profit for the year		**80.5**	**85.3**	**–5.6**
Profit/loss attributable to minority shareholders		0.0	0.0	0.0
Profit/loss attributable to HSBC Trinkaus shareholders		80.5	85.3	–5.6

Earnings per share

in €	01.01. to 30.06.2012	01.01. to 30.06.2011	Change in %
Undiluted earnings per share	2.86	3.03	–5.6
Diluted earnings per share	2.86	3.03	–5.6

Comprehensive income for the period

in €m	01.01. to 30.06.2012	01.01. to 30.06.2011
Net profit for the year	80.5	85.3
Gains/losses not recognised in the income statement	3.2	–29.2
of which from financial instruments	29.6	–25.7
of which from actuarial results	–25.9	–3.3
of which from currency conversion	–0.5	–0.2
Total	**83.7**	**56.1**
Attributable to:		
Minority interests	0.0	0.0
HSBC Trinkaus shareholders	83.7	56.1

Consolidated Cash Flow Statement

in €m	2012	2011
Cash and cash equivalents as at 01.01.	**672.2**	**336.1**
Cash flow from operating activities	–522.4	10.3
Cash flow from investing activities	–24.2	–38.0
Cash flow from financing activities	–70.3	–95.3
Cash and cash equivalents as at 30.06.	**55.3**	**213.1**

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.

Consolidated Income Statement – Quarterly Results

in €m	Q2 2012	Q1 2012	Q2 2011	Q1 2011
Interest income	67.2	65.4	58.5	51.5
Interest expense	21.6	21.8	17.4	18.2
Net interest income	45.6	43.6	41.1	33.3
Net loan impairment and other credit risk provisions	–2.2	0.9	–6.8	–5.5
Share of profit in associates	–7.0	0.0	0.1	0.1
Fee income	171.5	172.4	174.1	174.2
Fee expenses	75.4	77.6	72.5	78.7
Net fee income	96.1	94.8	101.6	95.5
Net trading income	67.8	44.5	27.6	43.9
Administrative expenses	143.6	127.0	125.1	122.1
Income from financial assets	2.1	2.5	0.7	3.4
Net other income/expenses	–4.2	3.7	11.5	3.5
Pre-tax profit	**59.0**	**61.2**	**64.3**	**63.1**
Tax expenses	19.8	19.9	21.1	21.0
Net profit for the year	**39.2**	**41.3**	**43.2**	**42.1**
Profit/loss attributable to minority shareholders	0.0	0.0	0.0	0.0
Profit/loss attributable to HSBC Trinkaus shareholders	39.2	41.3	43.2	42.1

Earnings per share

in €	Q2 2012	Q1 2012	Q2 2011	Q1 2011
Undiluted earnings per share	1.39	1.47	1.53	1.50
Diluted earnings per share	1.39	1.47	1.53	1.50

Notes to the consolidated income statement and the consolidated balance sheet

This Interim Report for the HSBC Trinkaus Group as at 30 June 2012 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 a half-year financial report pursuant to Section 37w German Securities Trading Act (WpHG). No review of the Interim Report was carried out by external auditors.

When drawing up this Interim Report including the comparable figures for the prior-year periods we applied the same accounting and valuation methods as in the 2011 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.

The preparation of IFRS financial statements requires the Management to make assessments, assumptions and estimates. Areas in which this is necessary are the determination of the fair value of financial instruments, the impairment of financial instruments and other assets and the accounting of provisions as well as other obligations. These assumptions, estimates and assessments influence the reporting of assets and liabilities as well as income and expenses in the reporting period. The actual results can deviate from the Management's assessments.

For greater clarity all amounts are reported in millions of euros and commercially rounded. This may result in very small discrepancies in the calculation of totals and percentages in this interim report.

1 Net interest income

in €m	01.01. to 30.06.2012	01.01. to 30.06.2011
Interest income	132.6	110.0
from loans and advances to banks	14.9	9.7
Money market transactions	13.4	7.7
Other interest-bearing receivables	1.5	2.0
from loans and advances to customers	50.9	42.1
Money market transactions	7.2	7.9
Other interest-bearing receivables	43.7	34.2
from financial assets	66.8	58.2
Interest income	63.8	55.4
Dividend income	2.1	1.6
Income from subsidiaries	1.0	1.2
Interest expense	43.4	35.6
from deposits by banks	8.6	9.3
Money market transactions	3.6	5.5
Other interest-bearing deposits	5.0	3.8
from customer accounts	25.7	17.3
Money market transactions	15.7	4.8
Other interest-bearing deposits	10.0	12.5
from securitised liabilities	0.2	0.2
from subordinated capital	8.7	8.7
Other	0.2	0.1
Net interest income	89.2	74.4

2 Net loan impairment and other credit risk provisions

in €m	01.01. to 30.06.2012	01.01. to 30.06.2011
Additions	1.4	0.7
Reversals	2.2	12.9
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.5	0.1
Total	–1.3	–12.3

3 Net fee income

in €m	01.01. to 30.06.2012	01.01. to 30.06.2011
Securities transactions	117.2	122.9
Foreign exchange transactions and derivatives	40.4	34.9
Issuing and structuring business	9.1	4.0
Foreign business	8.1	7.3
Lending	6.9	6.2
Payments	3.4	3.3
Investment Banking	1.3	10.1
Alternative Investments	1.3	4.4
Other fee-based business	3.2	4.0
Total	190.9	197.1

4 Net trading income

in €m	01.01. to 30.06.2012	01.01. to 30.06.2011
Equity- and equity-index-linked derivatives	60.8	38.9
Bonds and interest rate derivatives	46.6	30.4
Foreign exchange	6.3	3.7
Derivatives held in the banking book	– 1.4	– 1.5
Total	112.3	71.5

Interest and dividend income attributable to trading activities – minus the corresponding refinancing interest – is included in net trading income.

5 Administrative expenses

in €m	01.01. to 30.06.2012	01.01. to 30.06.2011
Staff expenses	178.7	154.2
Wages and salaries	158.0	134.8
Social security costs	14.0	13.7
Expenses for retirement pensions and other employee benefits	6.7	5.7
Other administrative expenses	79.9	81.4
Depreciation of property, plant and equipment and of intangible assets	12.0	11.6
Total	**270.6**	**247.2**

6 Net other income/expenses

in €m	01.01. to 30.06.2012	01.01. to 30.06.2011
Other operating income	30.0	17.3
Other operating expenses	30.8	7.6
Other operating income/expenses	**–0.8**	**9.7**
Other income	0.3	5.3
Other expenses	0.0	0.0
Other net income	**0.3**	**5.3**
Net other income/expenses	**–0.5**	**15.0**

The increase in other operating income and expenses is essentially the result of the valuation of underlying and hedging transactions in hedge accounting. On balance, the hedging result stands at €0.3 million (H1 2011: €–0.1 million).

7 Segment reporting

in €m	Private Banking	Corporate Banking	Institut. Clients	Global Markets	Central Divisions / Consolidation	Total
Net interest income						
30.06.2012	5.0	33.6	2.1	2.3	46.2	89.2
30.06.2011	4.9	27.9	1.5	5.0	35.1	74.4
Net loan impairment and other credit risk provisions						
30.06.2012	0.3	5.8	0.8	0.0	–8.2	–1.3
30.06.2011	0.4	4.4	0.5	0.1	–17.7	–12.3
Share of profit in associates						
30.06.2012	0.0	0.0	0.0	0.0	–7.0	–7.0
30.06.2011	0.0	0.0	0.0	0.0	0.2	0.2
Net fee income						
30.06.2012	44.1	55.3	88.0	–0.3	3.8	190.9
30.06.2011	50.7	53.9	88.4	0.6	3.5	197.1
Operating trading income						
30.06.2012	0.0	–0.1	5.9	91.6	16.3	113.7
30.06.2011	0.0	–0.1	2.9	52.6	17.6	73.0
Administrative expenses						
30.06.2012	37.2	49.6	61.2	34.7	87.9	270.6
30.06.2011	38.0	47.7	58.4	28.1	75.0	247.2
of which depreciation and amortisation						
30.06.2012	1.0	0.8	0.5	0.6	9.1	12.0
30.06.2011	1.0	0.8	0.5	0.4	8.9	11.6
Other operating income / expenses						
30.06.2012	–0.2	0.0	0.0	0.0	–0.6	–0.8
30.06.2011	0.0	0.0	0.0	0.0	9.7	9.7
Operating profit						
30.06.2012	**11.4**	**33.4**	**34.0**	**58.9**	**–21.0**	**116.7**
30.06.2011	**17.2**	**29.6**	**33.9**	**30.0**	**8.8**	**119.5**
Income from financial assets						
30.06.2012	0.0	0.0	0.0	0.0	4.6	4.6
30.06.2011	0.0	0.0	0.0	0.0	4.1	4.1
Income from derivatives in the bank book						
30.06.2012	0.0	0.0	0.0	0.0	–1.4	–1.4
30.06.2011	0.0	0.0	0.0	0.0	–1.5	–1.5
Other net income						
30.06.2012	0.0	0.0	0.0	0.0	0.3	0.3
30.06.2011	0.0	0.0	0.0	0.0	5.3	5.3
Pre-tax profit						
30.06.2012	**11.4**	**33.4**	**34.0**	**58.9**	**–17.5**	**120.2**
30.06.2011	**17.2**	**29.6**	**33.9**	**30.0**	**16.7**	**127.4**
Taxation						
30.06.2012	3.5	10.4	10.7	18.5	–3.4	39.7
30.06.2011	5.4	9.3	10.7	9.3	7.4	42.1
Net profit for the year						
30.06.2012	**7.9**	**23.0**	**23.3**	**40.4**	**–14.1**	**80.5**
30.06.2011	**11.8**	**20.3**	**23.2**	**20.7**	**9.3**	**85.3**

Growing worries over political developments in Greece, combined with the fear of domino effects in Spain and Italy in the event of Greece leaving the single currency as well as the escalation of the banking crisis in Spain, subdued the economic environment further in the second quarter of this year. The first-half result generated against this difficult general setting is almost on the prior-year level and underlines the balanced structure and stability of the bank's client-oriented business model. The earnings growth in the Corporate Banking segment confirms the success of the bank's growth strategy begun in the 2010 financial year and continued last year. The business with institutional clients stagnated and suffered like the Private Banking segment, which recorded a significant decline in earnings due to the restrained business activity on the part of many clients in view of the uncertain market conditions. Global Markets was able to maintain its result compared to the previous year in the client-oriented trading business and benefited from the subsequent increase in compensation in the wake of the merger of two companies. In the Central Divisions, the decline in the share of profit in associates and in other operating income/expenses was based on the write-down on an investment which was necessary on account of the unfolding changes in the regulatory requirements and on provisioning measures for future charges, while high proceeds from the sale of a property were recorded in other net income last year.

The improvement in the result in the Corporate Banking segment is based in particular on the volume-driven expansion of net interest income and the increase in net fee income in both the lending and international business. This clearly more than compensated for declines in revenues from advisory activities in the investment banking business. Notable revenue growth was achieved in the business with institutional clients with the generation and distribution of fixed income and structured products as well as in client-driven net trading income. This was enough to more than replace the high prior-year proceeds from capital increases which could not be repeated this time and cushion the significant increases in costs which arose through the introduction of a new unit cost system for calculating costs when settling securities transactions. The weaker ordering activity on the part of many private investors as a result of the still uncertain general setting on the capital market led to significant declines in revenues in the securities transaction business in the Private Banking segment. In the Global Markets segment, the strong growth in revenues in money market trading almost compensated for the decline in revenues in equity derivatives trading.

The measures to limit the increase in costs in all of the bank's segments introduced last year and continued in the first quarter of this year were pursued consistently in the second quarter. The resulting slight reduction in the headcount as at the end of the first half of the year compared to the end of last year will continue in the months ahead with a far greater cost-saving effect in the future. The one-off expense of €18.5 million for the adjustment measures required in this context is mainly responsible for the strong increase in administrative expenses in the bank's Central Divisions.

8 Loans and advances to banks

in €m	30.06.2012	31.12.2011
Current accounts	504.2	409.9
Money market transactions	3,048.7	1,230.8
of which overnight money	64.6	76.6
of which term deposits	2,984.1	1,154.2
Other loans and advances	172.7	216.9
Total	**3,725.6**	**1,857.6**
of which to domestic banks	2,617.8	375.7
of which to foreign banks	1,107.8	1,481.9

9 Loans and advances to customers

in €m	30.06.2012	31.12.2011
Current accounts	1,346.1	1,153.6
Money market transactions	689.4	742.1
of which overnight money	131.2	124.1
of which term deposits	558.2	618.0
Loan accounts	2,145.9	1,803.0
Other loans and advances	42.8	18.5
Total	**4,224.2**	**3,717.2**
of which domestic customers	2,668.3	2,331.2
of which foreign customers	1,555.9	1,386.0

10 Net loan impairment and other credit risk provisions

in €m	30.06.2012	31.12.2011
Net loan impairment provision	24.8	27.1
Provisions for credit risks	3.8	3.2
Net loan impairment and other credit risk provisions	**28.6**	**30.3**

	Impairments / provisions					
	Individually assessed		Collectively assessed		Total	
in €m	2012	2011	2012	2011	2012	2011
As at 01.01.	**16.6**	**40.3**	**13.7**	**14.5**	**30.3**	**54.8**
Reversals	2.2	11.0	0.0	1.9	2.2	12.9
Utilisation	0.9	8.8	0.0	0.0	0.9	8.8
Additions	0.0	0.7	1.4	0.0	1.4	0.7
Currency translation / transfers	0.0	0.0	0.0	0.0	0.0	0.0
As at 30.06.	**13.5**	**21.2**	**15.1**	**12.6**	**28.6**	**33.8**

11 Trading assets

in €m	30.06.2012	31.12.2011
Bonds and other fixed-income securities	3,733.5	4,312.0
Equities and other non-fixed-income securities	525.0	561.1
Tradable receivables	1,802.0	1,892.5
Positive market value of derivatives	2,509.7	2,321.0
Reverse repos	72.4	118.5
Securities lending	10.6	0.9
Security in the derivatives business	717.3	644.2
Derivatives in hedging relationships	0.0	0.0
Total	**9,370.5**	**9,852.3**

12 Financial assets

in €m	30.06.2012	31.12.2011
Bonds and other fixed-income securities and interest rate derivatives	4,487.4	3,768.9
Equities and other non-fixed-income securities	47.5	40.2
Investment certificates	60.6	73.9
Promissory note loans	214.8	180.9
Investments	96.9	100.8
Total	**4,907.2**	**4,164.7**

13 Deposits by banks

in €m	30.06.2012	31.12.2011
Current accounts	883.6	598.8
Money market transactions	1,978.2	66.2
of which overnight money	19.0	0.0
of which term deposits	1,959.2	66.2
Other liabilities	80.4	84.6
Total	**2,942.2**	**749.6**
of which domestic banks	336.1	200.3
of which foreign banks	2,606.1	549.3

14 Customer accounts

in €m	30.06.2012	31.12.2011
Current accounts	7,576.5	7,671.7
Money market transactions	3,937.6	4,385.1
of which overnight money	686.7	817.2
of which term deposits	3,250.9	3,567.9
Savings deposits	39.8	40.8
Other liabilities	305.3	315.7
Total	**11,859.2**	**12,413.3**
of which domestic customers	8,754.5	9,152.3
of which foreign customers	3,104.7	3,261.0

15 Trading liabilities

in €m	30.06.2012	31.12.2011
Negative market value of derivatives	2,808.2	2,769.4
Promissory note loans, bonds, certificates and warrants	2,737.3	2,425.1
Delivery obligations arising from securities sold short	27.5	73.1
Securities lending	6.5	9.0
Security in the derivatives business	101.3	107.4
Derivatives in hedging relationships	51.8	39.5
Derivatives held in the banking book	5.3	2.5
Total	**5,737.9**	**5,426.0**

Other Notes

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					
30.06.2012	7,073	12,337	10,926	30,336	1,405
31.12.2011	7,610	14,372	10,844	32,826	1,266
Foreign exchange transactions					
30.06.2012	34,709	1,634	484	36,827	524
31.12.2011	30,304	1,744	487	32,535	652
Equity and index transactions					
30.06.2012	5,022	2,285	399	7,706	125
31.12.2011	4,205	1,638	944	6,787	34
Total					
30.06.2012	**46,804**	**16,256**	**11,809**	**74,869**	**2,054**
31.12.2011	**42,119**	**17,754**	**12,275**	**72,148**	**1,952**

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 Contingent liabilities and other obligations

in €m	30.06.2012	31.12.2011
Contingent liabilities on guarantees and indemnity agreements	1,710.6	1,746.1
Irrevocable loan commitments	5,462.7	5,156.4
Total	7,173.3	6,902.5

Responsibility statement by the Management Board

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

Düsseldorf, July 2012

The Management Board

Andreas Schmitz

Paul Hagen

Dr. Olaf Huth

Manfred Krause

Carola Gräfin v. Schmettow

Key Dates

14 November 2012
Interim Report as at 30 September 2012

March 2013
Results Press Conference

May 2013
Interim Report as at 31 March 2013

4 June 2013
Annual General Meeting

August 2013
Interim Report as at 30 June 2013

November 2013
Interim Report as at 30 September 2013

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