Interim Report as at 31 March 2013

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. to 31.03.2013	01.01. to 31.03.2012*	Change in %
Income statement in €m			
Operating revenues	170.7	185.9	−8.2
Net loan impairment and other credit risk provisions	−0.1	0.9	–
Administrative expenses	117.1	127.5	−8.2
Pre-tax profit	58.8	60.7	−3.1
Tax expenses	19.4	19.7	−1.5
Net profit	39.4	41.0	−3.9
Ratios			
Cost efficiency ratio of usual business activity in %	66.6	67.4	–
Return on equity before tax in % (projected for the full year)	17.9	18.4	–
Net fee income in % of operating revenues	59.6	51.0	–
No. of employees at the reporting date	2,520	2,568	−1.9
Share information			
Average number of shares in circulation in million	28.1	28.1	0.0
Earnings per share in €	1.40	1.46	−4.1
Share price at the reporting date in €	88.0	88.0	0.0
Market capitalisation at the reporting date in €m	2,473	2,473	0.0

* Prior year's figures adjusted. The adjustments are explained on page 12 f.

	31.03.2013	31.12.2012	Change in %
Balance sheet figures in €m			
Total assets	21,205	20,048	5.8
Shareholders' equity	1,424	1,385	2.8
Regulatory ratios			
Tier 1 in €m	1,283	1,193	7.5
Regulatory capital in €m	1,520	1,535	−1.0
Risk-weighted assets in €m	9,950	9,238	7.7
Tier 1 ratio in %	12.9	12.9	–
Regulatory capital ratio in %	15.3	16.6	–

Letter from the Management Board

Ladies and Gentlemen,

While the general economic trend in Germany was characterised by a downturn in the last two quarters of the previous year, companies are gradually becoming more optimistic again. The perspectives for the USA and some of the emerging markets have also improved slightly. On the other hand, the recession continues in large parts of the Eurozone.

The financial sector continues to battle with low revenue growth and the implementation of the growing regulatory requirements will involve significantly higher costs.

Against this backdrop, HSBC Trinkaus generated a solid quarterly result that was moderately below the comparable prior-year period. Net profit declined by €1.6 million, from €41.0 million in the first quarter of 2012 to €39.4 million. Owing to the change in provisions relating to the recognition of our pension obligations (IAS 19) the prior-year figures had to be adjusted (cf. explanations on page 12 f.).

HSBC Trinkaus' stable and sustainable business model, which is clearly oriented towards clients in our Commercial Banking, Global Banking & Markets, Private Banking and Asset Management segments, has continued to prove itself. Thanks to our integration into the international network we offer our customers the global financial services portfolio of the HSBC Group, in particular in the emerging markets as well.

Profitability
The earnings components are as follows:

- Net interest income was down by €4.3 million, from €43.6 million in the comparable period of 2012, to €39.3 million, this was attributable to a decline in interest income from financial assets. Maturing bonds could only be replaced by bonds offering a comparable risk profile with far lower coupons in the current market environment. On the other hand, low margins in the deposit-taking business are putting pressure on net interest income. In contrast, further growth in volumes in the lending business and also the factoring business led to a favourable increase in interest income.

- After a net charge of €0.9 million in the first quarter of 2012, there was a net release of loan impairment and other credit risk provisions of €0.1 million in the quarter under report relating in particular to recoveries on loans and advances previously written off. Neither collectively nor individually assessed impairments had to be carried out. Our conservative orientation is unchanged in relation to the assessment of default risks.

- Net fee income improved significantly by €7.0 million, to €101.8 million, compared to the first three months of 2012 (€94.8 million). At €63.0 million the result in the securities business, the key factor of success in our fee-based business, was around 6% higher than the prior-year figure of €59.7 million. The foreign exchange and derivatives business was not able to repeat the high figure recorded the previous year. There was very strong growth in net fee income in our lending business from €3.1 million to €7.5 million, due not least to fees earned from the lead arrangement of large syndicated loans within the scope of our growth strategy in the corporate banking business. Lower net fee income from the issuing and structuring business was set against an improvement in net fee income from investment banking.

- Net trading income declined substantially by €18.2 million to €26.3 million. The decrease is primarly tied to trading with bonds and interest rate derivatives. The very high treasury gains recorded in the previous year could not be repeated. Foreign exchange trading also recorded a lower result. In trading in equity and equity/index derivatives the restraint exercised by customers on account of the uncertainties on the capital markets led to weak demand for both trading-oriented retail products and certificates and a correspondingly lower earnings contribution.

- Net other income of €2.0 million (first three months of 2012: €3.7 million) includes above all rental income from our property in Australia which is set against interest expense from refinancing. The decline was due among other things to the lower hedge result of €–0.4 million versus €0.4 million the previous year.

- Administrative expenses declined by around 8%, or €10.4 million, to €117.1 million (first three months of 2012: €127.5 million). The prior-year figures had to be adjusted as a result of the change in the provisions relating to the recognition of pension obligations (IAS 19) (see explanations on page 12 f.); the change in the provisions led to higher expenses in the comparable prior-year period of €0.4 million. The decline in administrative expenses is largely the result of lower personnel expenses as well as a reduction in the number of employees in a year-on-year comparison. The measures to reduce costs introduced the previous year are also reflected in the trend in other administrative expenses, which we reduced by €1.2 million compared to the previous year, to €39.1 million. We were therefore able to lower the cost efficiency ratio again from 67.4% in the comparable period to 66.6% which means that we remain within the adequate range for our business model of 65% to 70%.

- Income from financial assets of €6.3 million was €3.8 million higher than in the comparable period of 2012 due essentially to gains on disposals.

The asset situation

Total assets were up 5.8% compared to the end of 2012 to €21.2 billion. Accounting for almost 60% of total assets, customer deposits still represent the bank's main source of refinancing. 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 "AA- (Stable)" Fitch rating as part of the HSBC Group. At €1,424.3 million, shareholders' equity was up on the level at the end of 2012 (€1,385.0 million). The valuation reserve for financial instruments declined by €11.0 million in the first quarter to €149.6 million. The valuation reserve for the remeasurement of the net pension obligation rose by €7.2 million in the same period. This is attributable essentially to the increase in the technical interest rate used for the valuation of our pension commitments, while income from plan assets was below the forecast.

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. We continue to invest a substantial part of our surplus liquidity in eligible bonds issued by German federal states. HSBC Trinkaus' capital ratio stands at 15.3% after 16.6% at the end of the year. Its Tier 1 ratio is 12.9% 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
Surplus liquidity and the continuing low interest rate policy will put the bank's net interest income under further pressure in 2013. With limited growth in bank revenues in the client business, we want to use the 2013 financial year to gain additional market shares in all business segments. The focus is on the significant expansion of the business with SME corporate clients without neglecting the market opportunities presented to us in the business with institutional clients, internationally operating corporations as well as private clients.

Strict cost management is decisive in this situation. The increase in administrative expenses is to remain limited by measures to increase efficiency. However, growing regulatory costs are increasingly preventing this goal from being reached.

The planned further expansion of the lending portfolio with SME clients in particular is associated with higher risks alongside revenue growth. It is especially important here to achieve adequate risk premiums and carry out a consistent risk management.

Düsseldorf, May 2013

The Management Board

Andreas Schmitz

Paul Hagen

Dr. Olaf Huth

Manfred Krause

Carola Gräfin v. Schmettow

Consolidated Balance Sheet

Assets in €m	Notes	31.03.2013	31.12.2012	Change in %
Cash reserve		539.8	265.0	>100
Loans and advances to banks	(8)	1,446.4	1,075.3	34.5
Loans and advances to customers	(9)	4,706.3	4,079.1	15.4
Net loan impairment provision	(10)	–25.1	–25.2	–0.4
Trading assets	(11)	8,880.6	9,212.6	–3.6
Financial assets	(12)	5,199.7	5,068.3	2.6
Share of profit in associates		54.3	55.1	–1.5
Property, plant and equipment		86.8	80.6	7.7
Intangible assets		21.3	23.7	–10.1
Taxation recoverable		2.2	1.2	83.3
current		2.2	1.2	83.3
deferred		0.0	0.0	–
Other assets		292.3	212.1	37.8
Total assets		**21,204.6**	**20,047.8**	**5.8**

Liabilities in €m	Notes	31.03.2013	31.12.2012*	Change in %
Deposits by banks	(13)	1,782.9	1,052.7	69.4
Customer accounts	(14)	12,274.5	11,894.5	3.2
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	4,914.4	4,874.6	0.8
Provisions		127.3	136.9	–7.0
Taxation		72.5	65.7	10.4
current		62.5	53.4	17.0
deferred		10.0	12.3	–18.7
Other liabilities		245.2	274.9	–10.8
Subordinated capital		353.4	353.4	0.0
Shareholders' equity		1,424.3	1,385.0	2.8
Share capital		75.4	75.4	0.0
Capital reserve		355.7	354.3	0.4
Retained earnings		732.5	733.9	–0.2
Valuation reserve for financial instruments		149.6	160.6	–6.8
Valuation reserve for the remeasurement of the net pension obligation		–61.2	–68.4	10.5
Valuation reserve from currency conversion		0.9	–2.8	–
Net profit including profit brought forward		171.4	132.0	29.8
Minority interests		0.1	0.1	0.0
Total equity and liabilities		**21,204.6**	**20,047.8**	**5.8**

* Prior year's figures adjusted. The adjustments are explained on page 12 f.

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Consolidated income statement

in €m	Note	01.01. to 31.03.2013	01.01. to 31.03.2012*	Change in %
Interest income		57.2	65.4	– 12.5
Interest expense		17.9	21.8	– 17.9
Net interest income	(1)	39.3	43.6	– 9.9
Net loan impairment and other credit risk provisions	(2)	– 0.1	0.9	–
Share of profit in associates		0.1	0.0	–
Fee income		183.6	172.4	6.5
Fee expenses		81.8	77.6	5.4
Net fee income	(3)	101.8	94.8	7.4
Net trading income	(4)	26.3	44.5	– 40.9
Administrative expenses	(5)	117.1	127.5	– 8.2
Income from financial assets		6.3	2.5	>100.0
Net other income	(6)	2.0	3.7	– 45.9
Pre-tax profit		**58.8**	**60.7**	**– 3.1**
Tax expenses		19.4	19.7	– 1.5
Net profit		**39.4**	**41.0**	**– 3.9**
Profit/loss attributable to minority shareholders		0.0	0.0	0.0
Profit/loss attributable to HSBC Trinkaus shareholders		39.4	41.0	– 3.9

* Prior year's figures adjusted. The adjustments are explained on page 12 f.

Reconciliation from net income to comprehensive income

in €m	01.01. to 31.03.2013	01.01. to 31.03.2012*
Net profit	39.4	41.0
Gains/losses after tax not recognised in the income statement until disposal	– 7.3	26.5
of which from financial instruments	– 11.0	26.4
of which from currency conversion	3.7	0.1
Gains/losses after tax not recognised in the income statement even upon disposal	7.2	– 6.6
of which from the remeasurement of the net pension obligation	7.2	– 6.6
Total	**39.3**	**60.9**
Attributable to:		
Minority interests	0.0	0.0
HSBC Trinkaus shareholders	39.3	60.9

* Prior year's figures adjusted. The adjustments are explained on page 12 f.

Earnings per share

in €	01.01. to 31.03.2013	01.01. to 31.03.2012*	Change in %
Undiluted earnings per share	1.40	1.46	–4.1
Diluted earnings per share	1.40	1.46	–4.1

* Prior year's figures adjusted. The adjustments are explained on page 12 f.

Consolidated statement of changes in equity

in €m	2013	2012*
Consolidated shareholders' equity as at 01.01.	**1,385.0**	**1,310.5**
Distribution	0.0	0.0
Capital increase	0.0	0.0
Net profit	39.4	41.0
Gains/losses not recognised in the income statement	–0.1	19.9
Share-based payments settled in the form of equity instruments	21.8	20.1
Transfer of shares to employees in connection with share-based payment schemes	–21.8	–22.6
Consolidated shareholders' equity as at 31.03.	**1,424.3**	**1,368.9**

* Prior year's figures adjusted. The adjustments are explained on page 12 f.

Consolidated cash flow statement

in €m	2013	2012
Cash and cash equivalents as at 01.01.	**265.0**	**672.2**
Cash flow from operating activities	283.8	–590.1
Cash flow from investing activities	–9.0	–22.0
Cash flow from financing activities	0.0	0.0
Cash and cash equivalents as at 31.03.	**539.8**	**60.1**

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 balance sheet item "Cash reserve", 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 2013 was drawn up in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union. 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 2012 consolidated financial statements, apart from the following exceptions.

Owing to the mandatory changes to be applied retrospectively from the 2013 financial year in accordance with IAS 19 "Employee Benefits", the expected interest income from the plan assets is calculated taking into consideration the underlying interest rate of the defined benefit plan. The retrospective reduction in the return on plan assets will increase staff expenses in the first quarter of 2012 on the one hand and improve the actuarial results by around €0.5 million on the other.

Several of the terms used have also been changed with the amendment of IAS 19. For example, the term actuarial gains and losses has been used in relation to both the gross pension obligation and plan assets so far. This term now relates only to the effects of changed assumptions and estimates with respect to the measurement of the gross pension obligation and no longer to the deviation between the actual and expected income from the plan assets. We therefore use the new term "Valuation reserve for the remeasurement of the net pension obligation" in shareholders' equity in this report in place of "Valuation reserve for actuarial profits and losses" used to date.

The application of the new standard IFRS 13 "Fair value measurement" is mandatory as of the 2013 financial year. IFRS 13 establishes a single standard guideline for fair value measurement, including a definition of the term fair value and an illustration of the methods which can be used to determine it. The application of the standard involves no major measurement changes for HSBC Trinkaus.

Furthermore, the valuation reserves in the statement of comprehensive income are to be divided into two categories in accordance with the amendments to IAS 1. The valuation reserves from financial instruments and currency conversion belong to the category in which the valuation reserves are recognised in the income statement upon disposal. The valuation reserve for the remeasurement of the net pension obligation, on the other hand, is not recognised in the income statement even upon disposal.

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 with the exception of IFRS 9. We are currently examining the possible impact of implementing IFRS 9 on our consolidated financial statements.

The preparation of IFRS financial statements requires the management to provide 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 reported amounts of assets and liabilities, as well as the income and expenses of the reporting period. The actual results may deviate from the management's assessment.

For greater clarity we basically report all amounts in € million. The figures have been rounded commercially, which may result in marginal deviations in the consolidated financial statements to hand within the scope of generating figures and calculating percentages.

1 Net interest income

in €m	01.01. to 31.03.2013	01.01. to 31.03.2012
Interest income	**57.2**	**65.4**
From loans and advances to banks	4.1	7.8
Money market transactions	3.1	7.0
Other interest-bearing receivables	1.0	0.8
From loans and advances to customers	23.9	24.8
Money market transactions	2.2	3.8
Other interest-bearing receivables	21.7	21.0
From financial assets	29.2	32.8
Interest income	28.9	32.1
Dividend income	0.0	0.0
Income from subsidiaries	0.3	0.7
Interest expense	**17.9**	**21.8**
From deposits by banks	5.5	3.9
Money market transactions	0.4	1.9
Other interest-bearing deposits	5.1	2.0
From customer accounts	5.1	12.9
Money market transactions*	1.6	5.9
Other interest-bearing deposits	3.5	7.0
From securitised liabilities	0.1	0.1
From subordinated capital	4.4	4.5
Other*	2.8	0.4
Net interest income	**39.3**	**43.6**

* The effect of transferring the Global Markets refinancing result from net interest income to net trading income was reclassified within interest expenses from the line “From customer accounts/money market transactions“ into the line “Other“. The previous year’s figures were adjusted accordingly.

2 Net loan impairment and other credit risk provisions

in €m	01.01. to 31.03.2013	01.01. to 31.03.2012
Additions	0.1	1.2
Reversals	0.1	0.0
Direct write-offs	0.0	0.1
Recoveries on loans and advances previously written off	0.1	0.4
Total	**–0.1**	**0.9**

3 Net fee income

in €m	01.01. to 31.03.2013	01.01. to 31.03.2012
Securities transactions	63.0	59.7
Foreign exchange transactions and derivatives	16.4	20.2
Lending	7.5	3.1
Payments*	3.4	3.3
Investment banking	3.2	0.2
Issuing and structuring business	3.1	3.9
International business*	2.3	2.5
Alternative investments	0.4	0.3
Other fee-based business	2.5	1.6
Total	**101.8**	**94.8**

* According to management reporting, we reclassified the result from international payments, from international business to payments. The previous year's figures were adjusted accordingly.

4 Net trading income

in €m	01.01. to 31.03.2013	01.01. to 31.03.2012
Bonds and interest rate Derivates	16.6	29.9
Equities and equity/index derivatives	9.2	11.5
Foreign exchange	1.7	2.6
Derivatives held in the banking book	– 1.2	0.5
Total	**26.3**	**44.5**

Interest and dividend income attributable to trading activities is included in trading profit.

5 Administrative expenses

in €m	01.01. to 31.03.2013	01.01. to 31.03.2012*
Staff expenses	71.8	80.9
Wages and salaries	59.8	69.6
Social security costs	7.2	7.1
Expenses for retirement pensions and other employee benefits	4.8	4.2
Other administrative expenses	39.1	40.3
Depreciation of property, plant and equipment and of intangible assets	6.2	6.3
Total	117.1	127.5

* Prior year's figures adjusted. The adjustments are explained on page 12 f.

6 Net other income

in €m	01.01. to 31.03.2013	01.01. to 31.03.2012
Other operating income	4.1	5.0
Other operating expenses	2.1	1.5
Other operating income/expenses	**2.0**	**3.5**
Other income	0.0	0.2
Other expenses	0.0	0.0
Other net income	**0.0**	**0.2**
Net other income	**2.0**	**3.7**

The hedge result is reported as net income/expenses from the 2013 financial year. The comparable figures have been adjusted accordingly.

7 Segment reporting*

in €m	PB	CMB	GB&M	AM	Central/ Consolida- tion	Total
Net interest income						
31.03.2013	4.7	16.3	16.6	1.4	0.3	39.3
31.03.2012	7.9	15.8	15.2	1.7	3.0	43.6
Net loan impairment and other credit risk provisions						
31.03.2013	0.0	–0.1	0.1	0.0	–0.1	–0.1
31.03.2012	–0.1	0.0	1.0	–0.1	0.1	0.9
Net interest income after net loan impairment and other credit risk provisions						
31.03.2013	4.7	16.4	16.5	1.4	0.4	39.4
31.03.2012	8.0	15.8	14.2	1.8	2.9	42.7
Share of profit in associates						
31.03.2013	0.0	0.0	0.1	0.0	0.0	0.1
31.03.2012	0.0	0.0	0.0	0.0	0.0	0.0
Net fee income						
31.03.2013	17.5	12.3	60.2	11.8	0.0	101.8
31.03.2012	17.8	9.5	61.8	11.3	–5.6	94.8
Operating trading income						
31.03.2013	1.3	1.7	23.7	0.8	0.0	27.5
31.03.2012	1.9	1.9	39.4	1.2	–0.4	44.0
Income after net loan impairment provision						
31.03.2013	23.5	30.4	100.5	14.0	0.4	168.8
31.03.2012	27.7	27.2	115.4	14.3	–3.1	181.5
Administrative expenses						
31.03.2013	18.2	18.0	74.1	8.6	–1.8	117.1
31.03.2012	19.8	16.4	80.3	8.6	2.4	127.5
of which depreciation and amortisation						
31.03.2013	0.2	0.2	0.5	0.1	5.2	6.2
31.03.2012	0.3	0.2	0.8	0.1	4.9	6.3
Income from financial assets						
31.03.2013	0.9	1.2	3.7	0.5	0.0	6.3
31.03.2012	0.3	0.3	1.1	0.2	0.6	2.5
Income from derivatives in the bank book						
31.03.2013					–1.2	–1.2
31.03.2012					0.5	0.5
Net other income						
31.03.2013	0.4	0.5	1.3	0.2	–0.4	2.0
31.03.2012	0.1	0.3	1.2	0.2	1.9	3.7
Pre-tax profit						
31.03.2013	**6.6**	**14.1**	**31.4**	**6.1**	**0.6**	**58.8**
31.03.2012	**8.3**	**11.4**	**37.4**	**6.1**	**–2.5**	**60.7**
Taxation						
31.03.2013	2.0	4.4	9.9	1.9	1.2	19.4
31.03.2012	2.5	3.6	11.7	1.9	0.0	19.7
Net profit						
31.03.2013	**4.6**	**9.7**	**21.5**	**4.2**	**–0.6**	**39.4**
31.03.2012	**5.8**	**7.8**	**25.7**	**4.2**	**–2.5**	**41.0**

* Prior year's figures adjusted. The adjustments are explained on page 12 f.

The structure of segment reporting corresponded for the first time in March 2013, and adjusted retrospectively for the first quarter of the previous year, to the new organisational structure of HSBC Trinkaus, which is geared to HSBC. It divides the Bank into the four global businesses Private Banking (PB), Commercial Banking (CMB), Global Banking and Markets (GB&M), Asset Management (AM) as well as Central. Private Banking is largely congruent with the private banking business to date, Commercial Banking is responsible for business with SME corporate clients. In addition to servicing large, international corporate clients and institutional clients, Global Banking and Markets is responsible for investment banking and global markets activities. Global Markets includes the origination, sales and trading activities for capital market products. The Asset Management business is now reported separately having been included in the private clients, corporate clients and institutional clients segments in previous years. In the HSBC Group it is part of the Global Business Line Retail Banking Wealth Management. Only regulatory and other costs and reconciliation items between the total of the four core segment results and the overall amount in the respective sub-items of the income statement are essentially shown in Central.

HSBC Trinkaus was not able to fully escape the weak economic trend in Europe and the USA in the first quarter, coupled with the continuing low level of market interest rates in the main currencies US dollar, Yen and Euro as a result of the easing of monetary policy implemented by the respective central banks. The fact that net profit declined only slightly under these difficult general conditions documents the bank's balanced business structure and stability of its client-oriented business model. The success of the bank's growth strategy implemented in the 2010 financial year is reflected in the strong growth in earnings in the Commercial Banking segment in the first quarter. Asset Management repeated its prior-year result while the Private Banking and Global Banking and Markets segments were not able to escape the adverse market conditions and reported declines in earnings.

The successful implementation of the growth strategy in Commercial Banking was evident in particular in the steady expansion of interest and fee income in the lending and foreign business. Notable revenue growth in Investment Banking from Mergers & Acquisitions transactions as well as from capital increases and IPOs was not sufficient in the Global Banking and Markets segment to compensate for the major declines in revenues in Treasury, which was able to benefit from falling interest rates the previous year as a result of the surplus liquidity made available by the ECB. The Private Banking segment was not able to fully offset the decline in net interest income in the deposit-taking business on account of the lower level of market interest rates through higher revenues from asset and custody account management. Asset Management was able to compensate for the decline in net interest income in the deposit-taking business with funds owing to changes in market interest rates thanks to higher fees earned in particular with multi-asset funds.

Despite a significant increase in regulatory costs in the Central segment and cost allocations for services availed from the HSBC Group, administrative expenses declined versus the previous year. The restructuring measures to increase efficiency implemented the previous year and the decline in performance-related remuneration this year will bring down costs.

8 Loans and advances to banks

in €m	31.03.2013	31.12.2012
Current accounts	569.0	400.0
Money market transactions	743.1	544.6
of which overnight money	78.8	73.2
of which term deposits	664.3	471.4
Other loans and advances	134.3	130.7
Total	**1,446.4**	**1,075.3**
of which domestic banks	316.5	96.8
of which foreign banks	1,129.9	978.5

9 Loans and advances to customers

in €m	31.03.2013	31.12.2012
Current accounts	1,548.1	1,104.8
Money market transactions	626.1	574.8
of which overnight money	60.5	77.0
of which term deposits	565.6	497.8
Loan accounts	2,512.8	2,374.7
Other loans and advances	19.3	24.8
Total	**4,706.3**	**4,079.1**
of which domestic customers	2,926.7	2,459.9
of which foreign customers	1,779.6	1,619.2

10 Net loan impairment and other credit risk provisions

in €m	31.03.2013	31.12.2012
Net loan impairment provision	25.1	25.2
Provisions for credit risks	4.2	4.1
Net loan impairment and other credit risk provisions	29.3	29.3

	Impairments / provisions					
	Individually assessed		Collectively assessed		Total	
in €m	2013	2012	2013	2012	2013	2012
As at 01.01	12.9	16.6	16.4	13.7	29.3	30.3
Reversals	0.0	0.0	0.1	0.0	0.1	0.0
Utilisation	0.0	0.0	0.0	0.0	0.0	0.0
Additions	0.0	0.0	0.1	1.2	0.1	1.2
Currency translation effects / transfers	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.03.	12.9	16.6	16.4	14.9	29.3	31.5

11 Trading assets

in €m	31.03.2013	31.12.2012
Bonds and other fixed-income securities	3,285.7	3,853.2
Equities and other non fixed-income securities	1,270.0	807.9
Tradable receivables	1,469.7	1,770.9
Positive market value of derivatives	1,904.6	1,829.5
Reverse repos	72.3	113.5
Securities lending	11.1	9.7
Security in the derivatives business	867.0	827.9
Derivatives in hedging relationships	0.2	0.0
Total	8,880.6	9,212.6

12 Financial assets

in €m	31.03.2013	31.12.2012
Bonds and other fixed-income securities and interest rate derivatives	4,747.6	4,612.9
Equities	28.9	38.9
Investment certificates	84.5	80.2
Promissory note loans	237.8	235.6
Investments	100.9	100.7
Total	5,199.7	5,068.3

13 Deposits by banks

in €m	31.03.2013	31.12.2012
Current accounts	898.1	561.5
Money market transactions	801.9	402.4
of which overnight money	15.3	22.9
of which term deposits	786.6	379.5
Other liabilities	82.9	88.8
Total	**1,782.9**	**1,052.7**
of which domestic banks	297.0	297.1
of which foreign banks	1,485.9	755.6

14 Customer accounts

in €m	31.03.2013	31.12.2012
Current accounts	8,510.1	8,163.3
Money market transactions	3,419.1	3,394.9
of which overnight money	851.9	750.0
of which term deposits	2,567.2	2,644.9
Savings deposits	60.2	53.6
Other liabilities	285.1	282.7
Total	**12,274.5**	**11,894.5**
of which domestic customers	9,289.8	8,898.8
of which foreign customers	2,984.7	2,995.7

15 Trading liabilities

in €m	31.03.2013	31.12.2012
Negative market value of derivatives	2,539.8	2,408.3
Promissory note loans, bonds, certificates and warrants	2,164.3	2,195.2
Delivery obligations arising from securities sold short	6.0	41.5
Securities lending	9.0	2.1
Security in the derivatives business	130.4	150.6
Derivatives in hedging relationships	59.5	70.4
Derivatives held in the bank book	5.4	6.5
Total	**4,914.4**	**4,874.6**

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					
31.03.2013	6,048	10,961	9,112	26,121	1,104
31.12.2012	6,183	12,464	8,934	27,581	1,220
Foreign exchange transactions					
31.03.2013	32,602	1,379	448	34,429	480
31.12.2012	31,633	1,238	463	33,334	355
Equity/index-related transactions					
31.03.2013	4,562	2,470	0	7,032	18
31.12.2012	3,005	2,151	116	5,272	20
Total					
31.03.2013	**43,212**	**14,811**	**9,560**	**67,583**	**1,602**
31.12.2012	**40,821**	**15,853**	**9,513**	**66,187**	**1,595**

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	31.03.2013	31.12.2012
Interest rate risk	1.1	1.0
Credit spread risk	3.3	3.3
Currency risk	0.1	0.5
Equity/index risk	1.8	0.5
Commodities risk	0.1	0.0
Overall market risk potential	**3.6**	**3.8**

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 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	31.03.2013	31.12.2012
Contingent liabilities on guarantees and indemnity agreements	1,734.2	1,805.6
Irrevocable loan commitments	5,160.8	5,253.7
Total	**6,895.0**	**7,059.3**

Key Dates

4 June 2013
Annual General Meeting

22 August 2013
Interim Report as at 30 June 2013

12 November 2013
Interim Report as at 30 September 2013

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