HSBC

News Release

The following text is the English version of a news release issued in Germany by HSBC Trinkaus & Burkhardt AG, an 80.7% indirectly owned subsidiary of HSBC Holdings plc.

11 November 2014

HSBC TRINKAUS & BURKHARDT AG: GROWTH INITIATIVE ON SCHEDULE – GOOD RESULT AFTER THREE QUARTERS

- Pre-tax profit down slightly after nine months ('9M') to €152.5m (nine months to 30 September 2013 ('9M13'): €163.5m)
- Operating revenues increased to €515.4m (9M13 adjusted: €507.3m)
- Net interest income improved to €130.4m (9M13: €124.3m)
- Net fee income declined to €287.7m (9M13: €308.7m)

Overview

The implementation of the growth initiative launched by HSBC Trinkaus & Burkhardt AG ('the Bank') in mid-2013 is proceeding according to plan; the credit portfolio with internationally operating MMEs has been expanded further. As expected, up-front expenses were correspondingly higher as the Bank continued to invest in its workforce, product offering and IT infrastructure.

The Management Board of the Bank approved a capital increase against cash contributions with subscription rights for the company's shareholders on 23 September 2014 which was successfully carried out in October. Share capital was increased by around €16m and shareholders' equity by around €380m overall, with both major shareholders exercising their subscription rights. HSBC Germany Holdings GmbH, an indirect wholly owned subsidiary of HSBC Holdings plc, now holds 80.7% (previously 80.6%) while Landesbank Baden-Wuerttemberg's share

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remains unchanged at 18.7%. The issue proceeds will be used primarily for the expansion of the business and maintaining adequate capital levels through the growth initiative.

In the still challenging market environment of geopolitical crises, uncertainty over further economic growth and the ECB's extremely low interest rate policy, the Bank's pre-tax profit declined by 6.7% to €152.5m (9M13: €163.5m), in line with expectations. Net profit came to €102.2m (9M13: €117.7m). Adjusting for the impact of the withdrawal from Luxembourg, operating revenues increased by 1.6% to €515.4m (9M13 adjusted: €507.3m). The significant increase in revenues in the corporate banking business in particular reflects the initial success of the growth initiative. This increase was partially offset by reduced revenues in Global Banking & Markets and Asset Management, reflecting the market situation, and in Global Private Banking, on account of the withdrawal from Luxembourg.

The regulatory capital ratio was 10.6% as at 30 September 2014 compared to 14.7% at the end of the previous year and the tier 1 capital ratio was 7.8% (31 December 2013: 11.7%). These reductions in the capital ratios are primarily due to the implementation of CRD IV from 1 January 2014 as well as the increase in business volume as a consequence of the growth initiative. The Bank continues to exceed all current minimum capital requirements and has sufficient capital for planned business expansion following the recent capital increase. HSBC Trinkaus & Burkhardt AG, the HSBC Group's principal subsidiary in Germany, is rated 'AA- (Stable)' by Fitch Ratings.

Financial commentary

Net interest income was up by €6.1m to €130.4m (9M13: €124.3m) primarily due to an improvement in net interest income earned in the client lending business, partially offset by lower levels of interest income from financial assets as a result of adverse market conditions.

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The profit and loss result of changes in net loan impairment and other credit risk provisions was €3.4m after €5.1m in the comparable period of 2013. This reflects collectively assessed impairments of €4.1m offset by a €0.7m reversal of individually assessed impairments. The Bank's conservative orientation is unchanged in relation to the granting of loans and the assessment of default risks.

Net fee income, impacted by the Bank's withdrawal from Luxembourg and the low transaction level in the fixed income business, declined by €21.0m to €287.7m (9M13: €308.7m). This was partially offset by an increase in net fee income from lending.

Net trading income increased by €4.0m to €82.3m (9M13: €78.3m), reflecting in particular a further improvement in income from trading with equities and equity/index derivatives.

Administrative expenses declined by €1.5m to €379.5m (9M13: €381.0m). Although administrative expenses increased due to the growth initiative, primarily due to higher staff costs, this was offset by one off costs in 2013 relating to the Bank's withdrawal from Luxembourg. The cost efficiency ratio was 70.9 % in the first nine months of 2014 (9M13: 69.3%).

Income from financial assets increased from €13.1m to €20.6m, primarily due to gains realised on the disposal of financial assets.

The Bank's total assets increased by €4.2bn compared to 31 December 2013, to €24.0bn. Customer deposits of €13.7bn (31 December 2013: €12.2bn) are still the most important source of funding – demonstrating the appreciation on the part of the Bank's clients of its solid business model and high credit standing.

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Outlook

A slight increase in revenues is still expected for 2014 despite the withdrawal from Luxembourg. The Bank still expects that the decline in pre-tax profit can be limited to a single-digit percentage in spite of the transformation and investment process. An ongoing planned increase in administrative expenses will result in a higher cost efficiency ratio in an initial period of investment. The risk provisioning requirement is likely to be higher in future especially as the credit growth will be accompanied by higher collectively assessed impairments.

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Notes to editors:

1. HSBC Trinkaus & Burkhardt AG

HSBC Trinkaus & Burkhardt AG is a leading client-oriented commercial bank with more than 230 years of experience. It is part of the globally-operating HSBC Group. With more than 2,600 employees the Bank can be found in eleven locations in Germany, in addition to the head office in Düsseldorf, and has access to the network of the HSBC Group, one of the world's largest banks. At the same time Germany is one of the most important growth markets upon which the HSBC Group concentrates. HSBC Trinkaus & Burkhardt's particular strength lies in the comprehensive servicing of its clients, its detailed knowledge of the international markets, mainly the emerging markets, as well as its global network which helps clients grasp international opportunities. With total assets of €24.0bn and €160.9bn in funds under management and administration and a AA- (Stable) rating, the bank, as part of the HSBC Group, still has the highest Fitch rating of any of the German private commercial banks. The bank's central target groups are corporate clients, institutional clients and high net worth private clients. (all figures as at 30 September 2014)

HSBC Trinkaus & Burkhardt's press releases can be found on the www.hsbc.de homepage under 'Press'.

2. HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from over 6,200 offices in 74 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US$2,729bn at 30 September 2014, HSBC is one of the world's largest banking and financial services organisations.

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