Interim Report as at 30 June 2014

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. – 30.06.2014	01.01. – 30.06.2013	Change in %
Income statement in €m			
Operating revenues	347.5	366.5	–5.2
Net loan impairment and other credit risk provisions	3.5	5.2	–32.7
Administrative expenses	252.1	242.7	3.9
Pre-tax profit	108.1	131.9	–18.0
Tax expenses	35.5	43.4	–18.2
Net profit	72.6	88.5	–18.0
Ratios			
Cost efficiency ratio of usual business activity in %	69.3	63.9	–
Return on equity before tax in % (projected for the full year)	15.5	20.1	–
Net fee income in % of operating revenues	53.6	59.9	–
No. of employees at the reporting date	2,606	2,525	3.2
Share information			
Average number of shares in circulation in million	28.1	28.1	0.0
Earnings per share in €	2.58	3.15	–18.1
Share price at the reporting date in €	83.5	86.0	–2.9
Market capitalisation at the reporting date in €m	2,346.4	2,416.6	–2.9

	30.06.2014	31.12.2013	Change in %
Balance sheet figures in €m			
Total assets	21,646.1	19,809.7	9.3
Shareholders' equity	1,471.0	1,453.7	1.2
Regulatory ratios*			
Tier 1 in €m	1,128	1,304	–13.5
Regulatory capital in €m	1,536	1,639	–6.3
Risk-weighted assets in €m	12,884	11,125	15.8
Tier 1 ratio in %	8.8	11.7	–
Regulatory capital ratio in %	11.9	14.7	–

*Preliminary figures (cf. explanations in the section 'The financial position')

Letter from the Management Board

Ladies and Gentlemen

In a challenging environment for the entire sector, HSBC Trinkaus reported a lower pre-tax profit of €108.1 million (H1 2013: €131.9 million) in the first half of 2014. Net profit was €72.6 million after €88.5 million as at 30 June 2013. The decline can be explained by the withdrawal from Luxembourg, which has almost been completed in the meantime, as well as investments in implementing the growth initiative.

Adjusted for the withdrawal from Luxembourg, operating revenues were up by 0.5 % to €347.5 million (2013 adjusted: €345.8 million).

Within the scope of the growth initiative we are expanding the HSBC Trinkaus business model with the Global Banking & Markets, Commercial Banking, Global Private Banking as well as Asset Management segments by positioning ourselves far more strongly in the corporate banking business as 'Leading International Bank' in Germany. In order to achieve this, we are extending our product offer for internationally operating SMEs as well as large corporations. The investments required for this will lead as planned to deterioration of the cost efficiency ratio.

Interim Management Report

Economic Report

General economic and sector-related framework

The cyclical recovery which got under way in the Eurozone over the course of 2013 should continue in the months ahead, but not be very dynamic overall. As a result, it is likely that a lasting improvement on the labour market as well as greater utilisation of overall economic capacity will take longer to set in and that disinflationary tendencies within the Eurozone will strengthen. In order to counter the threat of deflation, which cannot be ignored, and stimulate lending in particular in the peripheral states, the European Central Bank has again decided to take more expansionary measures, including lowering the deposit rate to below zero (–0.1 %) for the first time. The German economy on the other hand is likely to benefit from the extremely expansionary monetary policy and show strong growth of 1.9 % in 2014. The growth is likely to be driven by the domestic economy: Growing industrial utilisation rates will see to a backlog of demand for capital expenditure, the robust labour market combined with notable increases in income will strengthen private consumption and residential construction will benefit from the historically low level of interest rates. After a slump on account of the weather conditions, the US economy should return to growth from the second quarter. The US central bank (Fed) therefore remains on autopilot – the securities repurchase programme, once with a volume of USD 85 billion per month, is likely to expire by October 2014. However, we are not expecting interest rate increases until the second half of 2015. Waning fears of quick interest rate hikes have also seen to currency stabilisation in the emerging markets. The support measures resolved by the Chinese government and the central bank (including export aid and infrastructure programmes) have significantly reduced the risk of an undesirably strong economic slowdown. The Chinese economy should grow by a solid 7.4 % in 2014.

For the financial industry, the implementation of the new regulatory requirements at the same time as declining revenue potential and tougher competition in Germany continue to pose major challenges. The extremely low level of money market interest rates on account of the surplus liquidity made available by the European Central Bank (ECB) in particular means that HSBC Trinkaus, with its solid deposit base, is no longer able to generate an interest margin on the deposit-taking side. The ECB's decision to lower the interest rate for the deposit facility to below zero has strengthened this negative trend.

Business performance and situation

Profitability

- Net interest income improved by €6.2 million, from €81.4 million in the comparable period of 2013 to €87.6 million, due primarily to an increase in net interest income in the customer lending business on account of higher volumes. On the other hand, there was a significant decline in net 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. Low margins in the deposit-taking business are also putting pressure on net interest income.

- Net loan impairment and other credit risk provisions stood at €3.5 million after €5.2 million in the comparable period of 2013. A net addition of €4.1 million had to be made to collectively assessed impairments while there was a net reversal of individually assessed impairments of €0.6 million. Our conservative orientation is unchanged in relation to granting loans and the assessment of risk provisions.

- There was a decline in net fee income of €33.3 million to €186.1 million (H1 2013: €219.4 million). Net fee income from securities transactions came under pressure from the withdrawal from Luxembourg on the one hand. On the other, revenues in the fixed income business with institutional clients were significantly lower than in the previous year as the low returns mean that our clients' medium-term investment goals are not being met. Net fee income from the foreign exchange and derivatives business improved on the other hand by €3.6 million to €42.4 million (H1 2013: €38.8 million). The increase in net fee income in the lending business from €11.6 million to €15.0 million reflects the further success of our growth strategy. The growth in net fee income from the issuing and structuring business shows that the Bank is still in a strong market position as lead manager with respect to new issues. The good results in Investment Banking and the business with alternative investments recorded in the first half of 2013 have not been repeated so far in the current financial year.

- Net trading income grew slightly by €2.6 million to €64.0 million (H1 2013: €61.4 million). Both net income from trading with bonds and interest rate derivatives and from equities and equity/index derivatives improved again. Client demand for trading-oriented retail products and certificates was stronger than in the previous year, at least in the first quarter. Foreign exchange trading recorded a significantly lower result of € 0.5 million (H1 2013: €3.8 million); the result from trading with derivatives held in the banking book deteriorated slightly to €0.7 million (H1 2013: € 1.2 million).

- Administrative expenses increased by €9.4 million, from €242.7 million to €252.1 million, due mainly to the consistent implementation of our growth initiative. On the other hand, significant savings were made as a result of our withdrawal from Luxembourg. While personnel expenses of €150.7 million were unchanged compared to the previous year, other administrative expenses were up by €8.4 million and depreciation of property, plant and equipment and of intangible assets by €1.0 million. The increase in the number of employees in the first half of the year is reflected only proportionately in an increase in staff expenses and was compensated by the discontinuation of staff expenses in Luxembourg as well as lower performance-related remuneration. The increase in other administrative expenses is attributable essentially to higher expenses for advertising and third-party services. The cost efficiency ratio therefore came to 69.3 % in the first six months (H1 2013: 63.9 %).

- Income from financial assets improved from €12.2 million to €15.4 million and is mainly the result, as in the comparable prior-year period, of gains realised on the disposal of financial assets, in particular of corporate bonds, where credit spreads narrowed further.

- Net other income of €10.5 million (H1 2013: €5.2 million) includes above all rental income from our property in Australia, which is set against interest expenses for refinancing. Income from the reversal of provisions no longer required also arose in the first half of the year on balance.

The asset situation

HSBC Trinkaus' total assets increased compared to the end of 2013 by €1.9 billion to €21.7 billion.

Customer accounts of €12.1 billion (31 December 2013: €12.2 billion) are still our most important source of refinancing. We continue to regard this as a clear commitment on the part of the Bank's clients to our solid business policy and high credit standing. As part of the HSBC Group, HSBC Trinkaus is still the highest rated private commercial bank in Germany with a 'AA- (Stable)' Fitch rating.

The increase in loans and advances to banks, from €1.6 billion to 2.2 billion, corresponds with the increase in deposits by banks, from €1.3 billion to €2.5 billion, and is balance sheet date related. This was due above all to short-term deposits by other units of the HSBC Group which we have also invested on a short-term basis.

Loans and advances to customers increased from €4.9 billion to €6.9 billion. Apart from the balance sheet date related increase of €1.0bn on account of securities repurchase agreements with Eurex, the clear increase beyond this reflects the further successes of our growth strategy in the corporate banking business.

Trading assets declined by €0.6 billion compared to the end of 2013 to €6.2 billion. The decline is attributable essentially to bonds and other fixed-income securities as well as promissory note loans.

Trading liabilities increased by €0.6 billion to €4.7 billion, attributable almost entirely to an increase in promissory note loans, bonds, certificates and warrants. This shows among other things the further increase in customer demand for trading-oriented retail products and certificates.

Shareholders' equity of €1,471.0 million is €17.3 million higher than the level as at 31 December 2013. The valuation reserve for financial instruments increased by €23.5 million to €156.1 million while the valuation reserve for the remeasurement of the net pension obligation deteriorated by €12.2 million to €–70.8 5 million. Both were due essentially to the decline in market interest rates.

The dividend for the previous year of €70.3 million was also distributed in the second quarter.

The financial position

In the wake of further implementation of the growth strategy and in order to compensate for expired subordinated liabilities, HSBC Trinkaus strengthened regulatory capital in the second quarter of 2014 via a subordinated capital contribution from HSBC Bank plc amounting to €150 million. From 2014 we report regulatory capital ratios based on the provisions of the

Capital Requirements Regulation (CRR). The regulatory capital ratio therefore stood at 11.9 % as at 30 June 2013 (31 December 2013: 14.7 %) and the Tier 1 ratio at 8.8 % (31 December 2013: 11.7 %). The decline is essentially the result of the application of the new provisions. The increase in risk-weighted assets from €11,125 million as at 31 December 2013 to € 12,884 million is primarily due to the implementation of the growth strategy.

The Bank therefore fulfils the regulatory capital requirements and has scope for further business expansion. As the report will not be submitted to the banking authority until after the date of publication of the Interim Report, these are preliminary figures.

The Bank's financial position is still characterised by excellent liquidity. We continue to invest a substantial part of our surplus liquidity in eligible bonds issued by German federal states.

Supplementary Report

Material events occurring after the balance sheet date

No events materially affecting the assets, financial position and profitability took place between the balance sheet date and the date on which these accounts were prepared.

Outlook and Opportunities

The general economic environment should remain solid and supportive for HSBC Trinkaus owing to its business focus on Germany. However, the low level of interest rates will continue to put pressure on the earnings situation.

We concentrate on the business with clearly defined target client groups supplemented by trading activities which are primarily aimed at satisfying our clients' requirements.

HSBC Trinkaus will continue to implement the growth initiative launched in mid-2013, which focuses on the business with SME corporate clients, but also envisages the expansion of the Global Banking & Markets business.

We are expecting a slight increase in revenues for 2014, although we first have to compensate for the decline in revenues on account of the withdrawal from Luxembourg.

The up-front expenses for expanding business activities are based on a significant increase in the workforce for the business with SME corporate customers and the corresponding expansion of the product offer. But the Bank's service divisions and central functions will also be expanded correspondingly. There will also be a number of projects to expand IT support of the business and create the necessary capacities. According to plan this will lead to an increase in administrative expenses. The Bank's cost efficiency ratio will therefore rise again after the improvement last year and could exceed the 70 % mark.

An expansion strategy means higher risks, but also greater opportunities. This applies above all for the expansion of the credit portfolio with SME corporate clients. We expect risk provisioning requirements to turn out to be significantly higher than in 2013 over the course of time, especially as the growth in lending is associated with higher collectively assessed impairments. The expansion of the target rating in the corporate banking segment will also bring with it increased capital backing alongside higher risk provisioning requirements. We are therefore expecting significant pressure on the Tier 1 and regulatory capital ratio. The HSBC Group has also signalled its willingness to support further capital measures at HSBC Trinkaus beyond the contribution of subordinated liabilities.

Overall we are expecting a single-digit percentage decline in pre-tax profit for the year.

Risk Report

Risk Management at HSBC Trinkaus

One of the key functions of a bank is to consciously accept risk, actively controlling it and systematically transforming it. We regard counterparty, market and liquidity risk, as well as operative and strategic risks, as the principal risks of our banking business. Active risk control entails identifying the nature, amount and extent of any risk and structuring the risk in such a way that it not only conforms to the Group's risk-bearing capacity, but also offers corresponding risk premium and return.

In accordance with these risk principles we are ready to actively enter into market and counterparty credit risk. We want to minimise operational risk if there is a reasonable balance between risk avoidance and the related costs. Furthermore, adequate insurance has been taken out. Avoiding risks to our reputation is one of the basic approaches with respect to our business policy. We avoid liquidity risk as far as possible and are also prepared to accept significantly lower profits as a consequence. The extent of the Bank's overall risk is limited by the Management Board in consultation with the Supervisory Board. The appropriateness of taking on a given risk is also assessed in particular against the backdrop of the Group's risk-bearing capacity on the one hand and the special risk management expertise in our core lines of business on the other. These principles continue to apply.

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

Risk categories

Counterparty credit risk

The maximum default risk after the first six months of 2014 breaks down into the sectors listed below:

	30.06.2014		31.12.2013	
	in €m	in %	in €m	in %
Companies and self-employed professionals	13,707.1	47.5	12,372.4	48.0
Banks and financial institutions	10,455.2	36.2	8,543.0	33.1
Public sector	4,505.4	15.6	4,670.8	18.1
Employed private individuals	202.9	0.7	211.1	0.8
Total	**28,870.6**	**100.0**	**25,797.3**	**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:

	30.06.2014		31.12.2013	
	in €m	in %	in €m	in %
CRR 1	1,746.1	10.1	1,391.6	9.8
CRR 2	5,136.3	29.5	3,963.3	28.0
CRR 3	7,455.0	43.0	6,360.9	44.9
CRR 4	1,884.2	10.9	1,387.9	9.8
CRR 5	845.6	4.9	835.8	5.9
CRR 6	236.4	1.4	177.1	1.2
CRR 7	19.6	0.1	49.7	0.4
CRR 8	20.1	0.1	0.0	0.0
Total	**17,343.3**	**100.0**	**14,166.3**	**100.0**

In order to classify the credit quality of its customers, the Bank uses as 23-stage internal rating scale, the so-called Customer Risk Rating (CRR). The Customer Risk Rating can be condensed into 10 stages (CRR 1–10), whereby overdue and/or impaired loans and advances are assigned to CRR 9 and 10.

Market risk

The overall market risk in the trading book is as follows:

Trading book	2014			
in €m	30.06.	Maximum	Minimum	Average
Type of risk				
Interest rate risk	3.9	4.8	2.6	3.6
Currency risk	0.1	0.3	0.0	0.1
Equity/index risk	0.6	1.7	0.5	0.9
Credit spread risk	2.9	3.5	2.7	3.0
Commodities risk	0.0	0.1	0.0	0.0
Total risk	**4.8**	**5.7**	**3.8**	**4.6**

Trading book	2013			
in €m	31.12.	Maximum	Minimum	Average
Type of risk				
Interest rate risk	2.9	2.9	1.0	1.8
Currency risk	0.1	0.7	0.0	0.1
Equity/index risk	0.7	4.0	0.6	1.5
Credit spread risk	3.1	3.9	2.8	3.4
Commodities risk	0.0	0.1	0.0	0.0
Total risk	**3.6**	**4.7**	**3.2**	**3.9**

The overall market risk is as follows:

Throughout the bank		2014		
in €m	**30.06.**	**Maximum**	**Minimum**	**Average**
Type of risk				
Interest rate risk	4.7	6.0	3.4	4.8
Currency risk	0.0	0.3	0.0	0.1
Equity/index risk	1.4	2.9	1.2	2.0
Credit spread risk	4.2	4.6	3.6	4.1
Commodities risk	0.0	0.1	0.0	0.0
Total risk	**5.8**	**7.3**	**5.0**	**6.1**

Throughout the bank		2013		
in €m	**31.12.**	**Maximum**	**Minimum**	**Average**
Type of risk				
Interest rate risk	4.9	4.9	0.8	2.7
Currency risk	0.1	0.7	0.0	0.1
Equity/index risk	1.8	6.2	1.6	3.1
Credit spread risk	4.7	5.7	4.7	5.3
Commodities risk	0.0	0.1	0.0	0.0
Total risk	**6.5**	**8.3**	**5.0**	**6.6**

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 a 99 % confidence level, not be exceeded within one trading day, assuming unaltered trading positions, in the event of an unfavourable market trend. With correlations taken into consideration the overall market risk potential is lower than the sum of the risks per risk category.

Liquidity risk

The advances/core funding ratio represents a central funding ratio. It relates to a time horizon of one year and puts the volume of customer loans granted in relation to the volume of long-term capital market financing raised and to the customer deposits qualified as core funding. Owing to the difference between core funding and non-core funding, the advances/core funding ratio cannot be derived directly from the balance sheet. This ratio stood at 72.5 % as at 30 June (30 June 2013: 73.0 %).

	Advances / Core Funding Ratio	
in %	2014	2013
30.06.	67.4	72.5
Minimum	64.6	72.5
Maximum	75.8	82.2
Average	68.8	78.0

Overall picture of the risk situation

The overall picture of the Bank's risk position remains balanced.

Report on significant transactions with 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 various HSBC Group companies. All transactions are concluded at normal market prices.

Düsseldorf, August 2014

The Management Board

Andreas Schmitz	Paul Hagen	Norbert Reis	Carola Gräfin v. Schmettow

Consolidated balance sheet

Assets in €m	Note	30.06.2014	31.12.2013	Change in %
Cash reserve		357.5	1,133.7	–68.5
Loans and advances to banks	(8)	2,152.6	1,643.8	31.0
Loans and advances to customers	(9)	6,933.8	4,857.6	42.7
Net loan impairment provision	(10)	–30.5	–33.4	–8.7
Trading assets	(11)	6,188.8	6,753.6	–8.4
Financial assets	(12)	5,618.0	5,124.8	9.6
Share of profit in associates		53.9	54.5	–1.1
Property, plant and equipment		87.9	83.8	4.9
Intangible assets		11.7	15.9	–26.4
Taxation recoverable		13.2	10.9	21.1
current		5.2	5.2	0.0
deferred		8.0	5.7	40.4
Other assets		259.2	164.5	57.6
Total assets		**21,646.1**	**19,809.7**	**9.3**

Liabilities in €m	Note	30.06.2014	31.12.2013	Change in %
Deposits by banks	(13)	2,491.1	1,269.4	96.2
Customer accounts	(14)	12,109.7	12,219.1	–0.9
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	4,662.2	4,099.9	13.7
Provisions		133.1	142.7	–6.7
Taxation		49.0	39.9	22.8
current		49.0	39.9	22.8
deferred		0.0	0.0	–
Other liabilities		259.8	229.3	13.3
Subordinated capital		460.2	345.7	33.1
Shareholders' equity		1,471.0	1,453.7	1.2
Subscribed capital		75.4	75.4	0.0
Capital reserve		367.7	365.8	0.5
Retained earnings		868.2	781.9	11.0
Valuation reserve for financial instruments		156.1	132.6	17.7
Valuation reserve for the remeasurement of the net pension obligation		–70.8	–58.6	20.8
Valuation reserve from currency conversion		1.8	1.3	38.5
Net profit including profit brought forward		72.6	155.3	–53.3
Total equity and liabilities		**21,646.1**	**19,809.7**	**9.3**

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Consolidated income statement

in €m	Note	01.01. – 30.06.2014	01.01. – 30.06.2013	Change in %
Interest income		121.8	116.5	4.6
Interest expense		34.2	35.1	–2.6
Net interest income	(1)	87.6	81.4	7.6
Net loan impairment and other credit risk provisions	(2)	3.5	5.2	–32.7
Share of profit in associates		0.1	0.2	–50.0
Fee income		355.4	394.8	–10.0
Fee expenses		169.3	175.4	–3.5
Net fee income	(3)	186.1	219.4	–15.2
Net trading income	(4)	64.0	61.4	4.2
Administrative expenses	(5)	252.1	242.7	3.9
Income from financial assets		15.4	12.2	26.2
Net other income	(6)	10.5	5.2	>100
Pre-tax profit		**108.1**	**131.9**	**–18.0**
Tax expenses		35.5	43.4	–18.2
Net profit		**72.6**	**88.5**	**–18.0**

Reconciliation from net income to comprehensive income

in €m	01.01. – 30.06.2014	01.01. – 30.06.2013
Net profit	72.6	88.5
Gains/losses after tax reclassified to the income statement	24.0	–27.5
of which from financial instruments	23.5	–28.5
of which from currency conversion	0.5	1.0
Gains/losses after tax not reclassified to the income statement	–12.2	1.6
of which from the remeasurement of the net pension obligation	–12.2	1.6
Total	**84.4**	**62.6**

Earnings per share

in €	01.01. – 30.06.2014	01.01. – 30.06.2013	Change in %
Undiluted earnings per share	2.58	3.15	–18.1
Diluted earnings per share	2.58	3.15	–18.1

Consolidated statement of changes in equity

in €m	2014	2013
Consolidated shareholders' equity as at 01.01.	1,453.7	1,385.3
Distribution	–70.3	–70.3
Net profit	72.6	88.5
Gains/losses not recognised in the income statement	11.8	–25.9
Other changes	3.2	–0.7
Consolidated shareholders' equity as at 31.06.	**1,471.0**	**1,376.9**

Consolidated cash flow statement

in €m	2014	2013
Cash and cash equivalents as at 01.01.	**1,133.7**	**265.0**
Cash flow from operating activities	–796.9	2,726.0
Cash flow from investing activities	–23.5	–23.1
Cash flow from financing activities	44.2	–70.3
Cash and cash equivalents as at 30.06.	**357.5**	**2,897.6**

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 2014	Q1 2014	Q2 2013	Q1 2013
Interest income	64.0	57.8	59.3	57.2
Interest expense	18.3	15.9	17.2	17.9
Net interest income	45.7	41.9	42.1	39.3
Net loan impairment and other credit risk provisions	4.3	−0.8	5.3	−0.1
Share of profit in associates	0.0	0.1	0.1	0.1
Fee income	180.3	175.1	211.2	183.6
Fee expenses	87.4	81.9	93.6	81.8
Net fee income	92.9	93.2	117.6	101.8
Net trading income	28.8	35.2	35.1	26.3
Administrative expenses	125.5	126.6	125.6	117.1
Income from financial assets	7.1	8.3	5.9	6.3
Net other income	6.4	4.1	3.2	2.0
Pre-tax profit	51.1	57.0	73.1	58.8
Tax expenses	16.8	18.7	24.0	19.4
Net profit	**34.3**	**38.3**	**49.1**	**39.4**

Earnings per share

in €m	Q2 2014	Q1 2014	Q2 2013	Q1 2013
Undiluted earnings per share	1.22	1.36	1.75	1.40
Diluted earnings per share	1.22	1.36	1.75	1.40

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

This Interim Report for the HSBC Trinkaus Group as at 30 June 2014 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 2013 consolidated financial statements, apart from the following exceptions.

IFRS 10, IFRS 11 as well as IFRS 12 are to be applied in the EU for the first time in the 2014 financial year as a result of the consolidated project of the International Accounting Standards Board (IASB). Their first-time application resulted in no changes in the group of consolidated companies or in accounting for HSBC Trinkaus.

IFRS 10 centres on the introduction of a single consolidation model for all companies that is based on the parent company having control of the subsidiary. This is to be applied to parent-subsidiary relationships that are based on voting rights as well as parent-subsidiary relationships arising from other contractual agreements. Hence, special-purpose entities that have been consolidated according to the risk and reward concept of SIC-12 so far must also be assessed in this manner. The IFRS 10 control concept comprises the three following elements that must be cumulatively fulfilled:

- power of disposition
- variable returns
- the ability to influence the variable returns by exercising the power of disposition.

All changes to further 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 'Financial instruments'.

Assuming it is endorsed by the EU, IFRS 9 is obligatory for financial years that start on or after 1 January 2018. We are currently examining the possible impact of the implementation of IFRS 9 on our consolidated financial statements. The changes are likely to have a material effect on our accounting.

Within the scope of the growth initiative we have reviewed the model for calculating net loan impairment and other credit risk provisions. As a result of expanding the target ratings in the corporate banking business and the change in the structure of the credit portfolio associated with it, past default rates no longer allow the proper assessment of the current default risks in every case. In the wake of this there has been a shift in the breakdown in net loan impairment and other credit risk provisions between net loan impairment provision and provisions for credit risks with no material change to the overall amount.

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 classification into levels 1–3, 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 this interim report within the scope of generating figures and calculating percentages.

1 Net interest income

in €m	01.01. – 30.06.2014	01.01. – 30.06.2013
Interest income	**121.8**	**116.5**
from loans and advances to banks	7.6	8.3
Money market transactions	5.0	6.3
Other interest-bearing receivables	2.6	2.0
from loans and advances to customers	56.8	47.0
Money market transactions	4.4	4.4
Other interest-bearing receivables	52.4	42.6
from financial assets	57.4	61.2
Interest income	53.8	58.0
Dividend income	2.3	2.1
Income from subsidiaries	1.3	1.1
Interest expense	**34.2**	**35.1**
from deposits by banks	11.8	10.9
Money market transactions	0.2	0.7
Other interest-bearing deposits	11.6	10.2
from customer accounts	11.2	10.5
Money market transactions	1.8	3.2
Other interest-bearing deposits	9.4	7.3
from securitised liabilities	0.2	0.2
from subordinated capital	8.1	8.7
Other	2.9	4.8
Net interest income	**87.6**	**81.4**

2 Net loan impairment and other credit risk provisions

in €m	01.01. – 30.06.2014	01.01. – 30.06.2013
Additions	4.3	5.8
Reversals	0.8	0.5
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.0	0.1
Total	**3.5**	**5.2**

3 Net fee income

in €m	01.01. – 30.06.2014	01.01. – 30.06.2013
Securities transactions	100.0	124.3
Foreign exchange transactions and derivatives	42.4	38.8
Lending	15.0	11.6
Issuing and structuring business	7.8	7.0
Payments	5.7	6.6
Foreign business	4.4	4.7
Investment banking	4.2	12.5
Alternative investments	1.5	9.2
Other fee-based business	5.1	4.7
Total	**186.1**	**219.4**

4 Net trading income

in €m	01.01. – 30.06.2014	01.01. – 30.06.2013
Equities and equity/index derivatives	26.4	22.9
Bonds and interest-rate derivates	36.4	33.6
Foreign exchange	0.5	3.8
Derivatives held in the banking book	0.7	1.1
Total	**64.0**	**61.4**

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

5 Administrative expenses

in €m	01.01. – 30.06.2014	01.01. – 30.06.2013
Staff expenses	150.7	150.7
Wages and salaries	126.0	127.2
Social security costs	15.7	14.6
Expenses for retirement pensions and other employee benefits	9.0	8.9
Other administrative expenses	88.6	80.2
Depreciation of property, plant and equipment and of intangible assets	12.8	11.8
Total	**252.1**	**242.7**

6 Net other income

in €m	01.01. – 30.06.2014	01.01. – 30.06.2013
Other operating income	13.6	12.1
Other operating expenses	3.2	6.9
Other operating income / expenses	**10.4**	**5.2**
Other income	0.2	0.1
Other expenses	0.1	0.1
Other net income	**0.1**	**0.0**
Net other income	**10.5**	**5.2**

7 Customer groups

in €m	GPB	CMB	GB & M	AM	Central/ Consoli-dation	Total
Net interest income						
30.06.2014	8.2	40.6	36.7	2.4	−0.3	87.6
30.06.2013	9.7	32.4	33.7	2.6	3.0	81.4
Net loan impairment and other credit risk provisions						
30.06.2014	0.0	2.9	1.4	0.0	−0.8	3.5
30.06.2013	0.0	5.0	0.5	0.0	−0.3	5.2
Net interest income after net loan impairment and other credit risk provisions						
30.06.2014	8.2	37.7	35.3	2.4	0.5	84.1
30.06.2013	9.7	27.4	33.2	2.6	3.3	76.2
Share of profit in associates						
30.06.2014	0.0	0.0	0.1	0.0	0.0	0.1
30.06.2013	0.0	0.0	0.2	0.0	0.0	0.2
Net fee income						
30.06.2014	26.0	26.6	115.1	18.4	0.0	186.1
30.06.2013	35.5	24.0	137.8	22.1	0.0	219.4
Operating trading income						
30.06.2014	2.4	5.4	54.7	1.4	−0.6	63.3
30.06.2013	2.5	3.0	53.4	1.3	0.1	60.3
Income after net loan impairment provision						
30.06.2014	36.6	69.7	205.2	22.2	−0.1	333.6
30.06.2013	47.7	54.4	224.6	26.0	3.4	356.1
Administrative expenses						
30.06.2014	26.8	45.9	155.3	13.1	11.0	252.1
30.06.2013	35.3	33.1	152.9	15.6	5.8	242.7
of which depreciation and amortisation						
30.06.2014	0.5	0.9	1.4	0.1	10.0	12.9
30.06.2013	0.5	0.6	1.2	0.1	9.4	11.8
Income from financial assets						
30.06.2014	1.7	3.3	9.4	1.0	0.0	15.4
30.06.2013	2.1	2.5	9.4	1.1	−2.9	12.2
Income from derivatives in the banking book						
30.06.2014	0.0	0.0	0.0	0.0	0.7	0.7
30.06.2013	0.0	0.0	0.0	0.0	1.1	1.1
Net other income						
30.06.2014	0.8	1.0	3.5	0.3	4.9	10.5
30.06.2013	2.4	0.4	2.3	0.2	−0.1	5.2
Pre-tax profit						
30.06.2014	**12.3**	**28.1**	**62.8**	**10.4**	**−5.5**	**108.1**
30.06.2013	**16.9**	**24.2**	**83.4**	**11.7**	**−4.3**	**131.9**
Taxation						
30.06.2014	3.8	8.8	19.7	3.3	−0.1	35.5
30.06.2013	5.2	7.6	26.2	3.6	0.8	43.4
Net profit						
30.06.2014	**8.5**	**19.3**	**43.1**	**7.1**	**−5.4**	**72.6**
30.06.2013	**11.7**	**16.6**	**57.2**	**8.1**	**−5.1**	**88.5**

The improvement in the economy in Germany in the first quarter of this year slowed down considerably in the second quarter as a result of the worsening of the Ukraine crisis and the weak economic growth of important trading partners in the southern part of the EU. Nevertheless, the outlook for Germany remains more positive than for the Eurozone as a whole. The extremely low level of interest rates and the low turnover on the financial markets had a negative impact on the trend in earnings in particular in the fixed income business and in Investment Banking – in contrast to the second quarter of last year when these sub-segments still made very high earnings contributions. Within the Bank further implementation of the growth strategy again led to high up-front expenses in many areas. Under these difficult internal and external general conditions, this year it was not possible to repeat the good result realised the previous year. The fact that the trend in earnings was nevertheless in line with the forecast underlines the Bank's balanced business structure and stability of its client-oriented business model. While the Global Banking and Markets, Global Private Banking and Asset Management segments were not able to repeat their prior-year results, the improved result in the Commercial Banking segment documents the first successes of the growth initiative in the corporate banking business. The item Central shows essentially only regulatory costs and the effects still resulting this year from the termination of all business activities in Luxembourg, which is almost completed.

The mainly volume-based increase in interest income in the Commercial Banking lending business compared to the previous year is the result of the expansion of the lending business. On the other hand, the loss of business opportunities brought about by the withdrawal from Luxembourg was mainly responsible for the decline in revenues and costs in the Global Private Banking segment this year. The Global Banking and Markets segment was not able to compensate for the even stronger decline in net fee income in the fixed income and Investment Banking business in the latest quarter after the very successful second quarter of the previous year as a comparable base. Positive one-time effects at the beginning of last year as well as the discontinuation of revenues in the mutual fund business as a result of the sale of the Luxembourg fund business were responsible for the declines in revenues in the Asset Management segment.

The withdrawal from Luxembourg, which is largely completed, has brought major cost savings with it this year. However, these are not enough to offset the higher regulatory costs as well as the cost-increasing measures to implement the growth initiative in the corporate banking business which have already arisen this year and which will continue over the further course of the year. These include investments in additional employees and the office and technical infrastructure for the opening of four new branches as well as in the expansion of the Bank's Middle and Back Office areas to secure unchanged processing quality.

8 Loans and advances to banks

in €m	30.06.2014	31.12.2013
Current accounts	986.5	519.2
Money market transactions	791.4	662.0
of which overnight money	340.3	46.4
of which term deposits	451.1	615.6
Other loans and advances	206.2	259.4
Security in the derivatives business	168.5	203.2
Total	**2,152.6**	**1,643.8**
of which domestic banks	625.2	198.7
of which foreign banks	1,527.4	1,445.1

9 Loans and advances to customers

in €m	30.06.2014	31.12.2013
Current accounts	1,696.4	1,229.6
Money market transactions	760.0	529.5
of which overnight money	39.5	63.6
of which term deposits	720.5	465.9
Loan accounts	3,333.2	2,865.5
Other loans and advances	1,139.6	163.2
Security in the derivatives business	4.6	69.8
Total	**6,933.8**	**4,857.6**
of which domestic customers	4,856.3	3,029.5
of which foreign customers	2,077.5	1,828.1

10 Net loan impairment and other credit risk provisions

in €m	30.06.2014	31.12.2013
Net loan impairment provision	30.5	33.4
Provisions for credit risks	12.2	5.9
Net loan impairment and other credit risk provisions	**42.7**	**39.3**

	Impairments / provisions					
	Individually assessed		Collectively assessed		Total	
in €m	2014	2013	2014	2013	2014	2013
As at 01.01.	15.7	12.9	23.6	16.4	39.3	29.3
Reversals	0.8	0.5	0.0	0.0	0.8	0.5
Utilisation	0.9	0.0	0.0	0.0	0.9	0.0
Additions	0.2	4.6	4.1	1.2	4.3	5.8
Currency translation / transfers	0.8	0.0	0.0	0.0	0.8	0.0
As at 30.06.	15.0	17.0	27.7	17.6	42.7	34.6

11 Trading assets

in €m	30.06.2014	31.12.2013
Bonds and other fixed-income securities	2,069.9	2,484.0
Equities and other non-fixed-income securities	1,453.4	1,393.4
Tradable receivables	1,076.3	1,420.3
Positive market value of derivatives	1,589.2	1,449.9
Derivatives in hedging relationships	0.0	6.0
Total	6,188.8	6,753.6

12 Financial assets

in €m	30.06.2014	31.12.2013
Bonds and other fixed-income securities	5,176.0	4,693.7
Equities and other non-fixed-income securities	24.2	29.9
Investment certificates	81.7	95.5
Promissory note loans	237.6	209.1
Investments	98.5	96.6
Total	5,618.0	5,124.8

13 Deposits by banks

in €m	30.06.2014	31.12.2013
Current accounts	1,619.5	648.1
Money market transactions	563.6	270.8
of which overnight money	439.7	2.8
of which term deposits	123.9	268.0
Other liabilities	224.4	145.3
Security in the derivatives business	83.6	205.2
Total	**2,491.1**	**1,269.4**
of which domestic banks	1,331.1	439.1
of which foreign banks	1,160.0	830.3

14 Customer accounts

in €m	30.06.2014	31.12.2013
Current accounts	8,831.5	9,149.9
Money market transactions	2,793.6	2,642.4
of which overnight money	502.8	396.4
of which term deposits	2,290.8	2,246.0
Savings deposits	56.8	57.2
Other liabilities	427.8	369.6
Total	**12,109.7**	**12,219.1**
of which domestic customers	10,973.0	10,681.7
of which foreign customers	1,136.7	1,537.4

15 Trading liabilities

in €m	30.06.2014	31.12.2013
Negative market value of derivatives	1,935.5	1,881.3
Promissory note loans, bonds, certificates and warrants	2,637.8	2,114.5
Delivery obligations arising from securities sold short	9.2	53.1
Derivatives in hedging relationships	74.8	46.9
Derivatives held in the banking book	4.9	4.1
Total	**4,662.2**	**4,099.9**

Other Notes

16 Fair value of financial instruments

The fair value in accordance with IFRS is the price that would be received or paid when an asset is sold or a liability transferred within the scope of an arm's-length transaction between market participants on the valuation date. The fair value concept is therefore based on a hypothetical transaction on the valuation date. Due to the orientation to representative market participants, the fair value must abstract from an undertaking's individual assumptions. After determining the object to be assessed, which ordinarily equates to an individual financial asset or an individual financial liability, the main market is determined. This is the market with the largest trading volume and the highest market activity for the valuation object. When determining the main market, all information that is accessible without any excessive effort is taken into consideration. As many relevant observable input factors as possible are taken into account when selecting suitable valuation methods. Based on the origins of the input factors used, three levels are differentiated in the fair value hierarchy.

Assessments by the management are necessary when calculating fair value. The areas for which management decisions are necessary to a significant extent are identified, documented and reported to senior management within the scope of valuation controls and the monthly reporting cycles.

Management assessments are only required to a minor extent to determine the fair value of financial instruments, whose prices are quoted in an active market. Similarly, only a small number of subjective measurements or assessments for financial instruments are necessary, which are measured using models that are typical for the industry and whose input parameters originate from active markets.

The necessary measure of subjective measurement and assessment by the management are more important for those financial instruments that are measured using special and complex models and where at least one material input parameter is not observable. The selection and application of appropriate parameters, assumptions and model techniques must be assessed by the management.

Remeasurements are an integral part of the process for determining the fair value that forms the basis for assessments. These take into consideration above all the measurement of credit and model risk, as well as taking reasonable account of market liquidity. These remeasurements are not calculated on the basis of individual transactions but on a net basis in consultation with the steering committee.

Key valuation issues are discussed by the Bank's Valuation Committee.

Risk Control is responsible, among other things, for the fair value measurements of financial instruments and reports to the Chief Financial Officer in this context.

Risk Control carries out the following controls by:

- verifying observable prices
- validating the plausibility of model valuations
- reviewing and releasing new valuation models and updating existing ones
- adjusting to changed input parameters and comparing model results and observable market transactions
- analysing and examining key measurement fluctuations
- verifying significant factors that are not observable on the market, and validating the plausibility of instruments classified as level 3

Risk Control assesses information provided by third parties, such as price offers or pricing services that are used for pricing, to ensure such external information meets the qualitative requirements.

There were no significant changes to the valuation methods used compared with 31 December 2013.

The following overviews show the allocation of the items measured at fair value to the fair value levels.

30.06.2014 in €m	Level 1	Level 2	Level 3	Meas-ured at cost	Total
Trading assets	**1,457.7**	**4,693.8**	**37.3**	**0.0**	**6,188.8**
Bonds and other fixed-income securities	0.0	2,069.9	0.0	0.0	2,069.9
Equities and other non-fixed-income securities	1,416.2	0.0	37.2	0.0	1,453.4
Tradable receivables	0.0	1,076.3	0.0	0.0	1,076.3
Positive market value of derivatives	41.5	1,547.6	0.1	0.0	1,589.2
Derivatives in hedging relationships	0.0	0.0	0.0	0.0	0.0
Financial assets	**137.6**	**5,422.0**	**19.7**	**38.7**	**5,618.0**
Bonds and other fixed-income securities	0.0	5,176.0	0.0	0.0	5,176.0
Equities and other non-fixed-income securities	24.2	0.0	0.0	0.0	24.2
Investment certificates	81.7	0.0	0.0	0.0	81.7
Promissory note loans	0.0	237.6	0.0	0.0	237.6
Investments	31.7	8.4	19.7	38.7	98.5
Promissory note loans, bonds, certificates and warrants	**18.7**	**4,587.8**	**55.7**	**0.0**	**4,662.2**
Delivery obligations arising from securities sold short	0.0	2,593.8	44.0	0.0	2,637.8
Promissory note loans	6.8	2.4	0.0	0.0	9.2
Negative market value of derivatives	11.9	1,911.9	11.7	0.0	1,935.5
Derivatives in hedging relationships	0.0	74.8	0.0	0.0	74.8
Derivatives held in the banking book	0.0	4.9	0.0	0.0	4.9

31.12.2013 in €m	Level 1	Level 2	Level 3	Measured at cost	Total
Trading assets	**1,381.9**	**5,318.9**	**52.8**	**0.0**	**6,753.6**
Bonds and other fixed-income securities	0.0	2,484.0	0.0	0.0	2,484.0
Equities and other non-fixed-income securities	1,340.6	0.0	52.8	0.0	1,393.4
Tradable receivables	0.0	1,420.3	0.0	0.0	1,420.3
Positive market value of derivatives	41.3	1,408.6	0.0	0.0	1,449.9
Derivatives in hedging relationships	0.0	6.0	0.0	0.0	6.0
Financial assets	**156.0**	**4,910.0**	**19.7**	**39.1**	**5,124.8**
Bonds and other fixed-income securities	0.0	4,693.7	0.0	0.0	4,693.7
Equities and other non-fixed-income securities	29.9	0.0	0.0	0.0	29.9
Investment certificates	95.5	0.0	0.0	0.0	95.5
Promissory note loans	0.0	209.1	0.0	0.0	209.1
Investments	30.6	7.2	19.7	39.1	96.6
Promissory note loans, bonds, certificates and warrants	**61.6**	**3,942.6**	**95.7**	**0.0**	**4,099.9**
Delivery obligations arising from securities sold short	0.0	2,028.8	85.7	0.0	2,114.5
Promissory note loans	53.1	0.0	0.0	0.0	53.1
Negative market value of derivatives	8.5	1,862.8	10.0	0.0	1,881.3
Derivatives in hedging relationships	0.0	46.9	0.0	0.0	46.9
Derivatives held in the banking book	0.0	4.1	0.0	0.0	4.1

The three fair value levels provided by IFRS 13 can be distinguished by the input factors used for the measurement.

Where the measurement is based on unadjusted quoted prices on active markets for identical financial instruments, the fair value is allocated to level 1.

The fair value is allocated to level 2 if input factors that are directly or indirectly observable on the market are included in the measurement that cannot be allocated to level 1. The entire fair value may be allocated to level 2, provided all significant input factors for the measurement process are observable.

If unobservable market parameters are included in the measurement, classification is to level 3.

The valuation models and parameters for derivatives and certificates as well as the other transactions in level 2 and Level 3 are unchanged compared to 31 December 2013.

The fair value of some financial instruments is calculated using valuation models, where at least one significant input parameter cannot be observed on the market (level 3). These instruments include amongst other things equity certificates with options on two or more underlyings (multi underlying certificates) or currency-hedged certificates (quanto certificates), which can be measured using an analytical Black-Scholes approach. As a rule, parameters for the correlation between the individual underlyings or the underlying and the foreign currency are not observable on the market. In addition, we also classify illiquid equity investments in level 3.

30.06.2014	Fair value (in €m)	Measurement method	Significant unobservable parameters (level 3)	Uncertainty interval margin (in €m)	Range of estimates for unobservable input factors
Trading assets					
Illiquid equity instruments	37.3	Modified net asset value method	–	–1.9 to1.9	–5 to 5% price change
Financial assets					
Illiquid equity instruments	19.7	Modified net asset value method	–	–1.0 to 1.0	–5 to 5% price change
Trading liabilities					
Asian options	37.6	Analytical Black-Scholes approach	Volatility	–0.1 to 0.1	19 to 23% (22%)
Currency-hedged certificates	18.1	Analytical Black-Scholes approach	Correlation between currency and underlying	0.0 to 0.0	–58 to 23% (–16%)

31.12.2013	Fair value (in €m)	Measurement method	Significant unobservable parameters (level 3)	Uncertainty interval margin (in €m)	Range of estimates for unobservable input factors
Trading assets					
Illiquid equity instruments	52.8	Modified net asset value method	–	–2.6 to 2.6	–5 to 5 % price change
Financial assets					
Illiquid equity instruments	19.7	Modified net asset value method	–	–0.9 to 0.9	–5 to 5 % price change
Trading liabilities					
Asian options	33.3	Analytical Black-Scholes approach	Volatility	–0.3 to 0.3	20 to 23 % (21 %)
Currency-hedged certificates	32.4	Analytical Black-Scholes approach	Correlation between the underlyings	–0.4 to 0.4	21 to 73 % (52 %)
Trading assets	30.0	Analytical Black-Scholes approach	Correlation between the underlyings	0.0 to 0.0	–49 to 1 % (–21 %)

The uncertainty interval margin for correlation-dependent certificates that require a correlation that is not observable on the market is calculated by shifting the estimated correlations by + 10 % or – 10 %. Both the equity/equity correlations as well as the equity/FX correlations are shifted in the same way. The long-term volatility spread is derived from the shift in the volatility of the underlying. The deflection of the volatility is up to +/– 1 and 2 %, respectively.

The portfolio of level 3 financial instruments developed as follows in the year under report:

in €m	Trading assets	Financial assets	Trading liabilities
01.01.2014	**52.8**	**19.7**	**95.7**
Changes in the carrying amount	–1.6	–0.2	–1.4
recognised in the income statement	–1.6	–0.2	–1.4
recognised directly in equity	0.0	0.0	0.0
Purchases/issuance	0.0	0.2	2.2
Sales/maturities	–13.9	0.0	–40.8
Transfers to Level 3	0.0	0.0	0.0
Transfers out of Level 3	0.0	0.0	0.0
30.06.2014	**37.3**	**19.7**	**55.7**

in €m	Trading assets	Financial assets	Trading liabilities
01.01.2013	**73.3**	**20.1**	**58.5**
Changes in the carrying amount	2.5	0.0	1.9
recognised in the income statement	2.5	0.0	1.9
recognised directly in equity	0.0	0.0	0.0
Purchases/issuance	0.0	0.0	60.8
Sales/maturities	–9.4	0.0	–34.0
Transfers to Level 3	0.0	0.0	0.0
Transfers out of Level 3	0.0	0.0	0.0
30.06.2013	**66.4**	**20.1**	**87.2**

A transfer out of level 1 to level 2 takes place if prices on active markets are no longer available for identical financial instruments. Such a transfer is necessary, for example, if market activity is low in the respective financial instrument. If at least one significant market parameter is no longer observable in the level 2 measurement, a transfer is made out of level 2 to level 3.

Level 1 instruments were not reclassified as level 2 during the period under report, neither were level 2 instruments transferred to level 1.

Due to the short maturities for large parts of the loans and advances and liabilities in the business with customers and banks, the difference between fair value and present value is often immaterial for this item. The differences between present values and fair values are derived from the following table:

in €m	30.06.2014		31.12.2013	
	Present value	Fair value	Present value	Fair value
Assets				
Loans and advances to banks	2,152.6	2,159.4	1,643.8	1,653.7
Loans and advances to customers (after net loan impairment provision)	6,903.3	6,907.9	4,824.2	4,795.8
Liabilities				
Deposits by banks	2,491.1	2,491.2	1,269.4	1,269.6
Customer accounts	12,109.7	12,107.5	12,219.1	12,243.8
Certificated liabilities	10.0	9.1	10.0	9.0
Subordinated capital	460.2	500.5	345.7	375.5

The fair value of these items is calculated using the present value method. As the credit spread changes on the market are unobservable, these are classified in level 3. As in the previous year, the present values of the contingent liabilities of € 1,690.1 million (2013: € 1,621.4 million) and irrevocable loan commitments of € 6,587.1 million (2013: € 6,109.47 million) equate to their fair value.

The following table shows the financial instruments for which no price is traded on an active market and their fair values cannot be reliably calculated with the standard market measurement models. These financial instruments are measured on the basis of the acquisition costs, taking into account the necessary write-downs if necessary. These are mainly partnerships or unlisted public limited companies.

in €m	30.06.2014	31.12.2013
	Present value	Present value
Partnerships	14.4	15.3
Holdings in unlisted public limited companies	24.3	23.8
Total	**38.7**	**39.1**

17 Day-1 Profit or Loss

Financial assets in Global Markets measured on the basis of an internal model, where at least one key measurement parameter is unobservable on the market, can be subject to a day-1 profit or loss. The day-1 profit or loss is determined as the difference between the theoretical price and the price actually traded.

The day-1 profit or loss developed as follows during the year under report:

in €m	2014	2013
As at 01.01.	**1.8**	**0.9**
New business	0.0	1.5
Day-1 profit or loss recognised in the income statement	–1.5	–0.8
of which positions closed out	–1.4	–0.2
of which matured transactions	–0.1	–0.6
of which observable market parameters	0.0	0.0
As at 30.06.	**0.3**	**1.6**

18 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					
30.06.2014	9,495	10,523	8,152	28,170	994
31.12.2013	8,263	12,514	8,022	28,799	784
Foreign exchange transactions					
30.06.2014	33,227	2,924	347	36,498	292
31.12.2013	24,793	2,224	176	27,193	348
Equity/index-related transactions					
30.06.2014	3,042	2,618	233	5,893	3
31.12.2013	3,543	2,477	295	6,315	9
Total					
30.06.2014	**45,764**	**16,065**	**8,732**	**70,561**	**1,289**
31.12.2013	**36,599**	**17,215**	**8,493**	**62,307**	**1,141**

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.

19 Contingent liabilities and other obligations

in €m	30.06.2014	31.12.2013
Contingent liabilities on guarantees and indemnity agreements	1,690.1	1,621.4
Irrevocable loan commitments	6,587.1	6,109.4
Total	8,277.2	7,730.8

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, August 2014

The Management Board

Andreas Schmitz	Paul Hagen	Norbert Reis	Carola Gräfin v. Schmettow

Key Dates

11 November 2014
Interim Report as at 30 September 2014

March 2015
Results Press Conference

May 2015
Interim Report as at 31 March 2015

June 2015
Annual General Meeting

August 2015
Interim Report as at 30 June 2015

November 2015
Interim Report as at 30 September 2015

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