Interim Report as at 31 March 2014

HSBC Trinkaus

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. – 31.03.2014	01.01. – 31.03.2013	Change in %
Income statement in €m			
Operating revenues	174.3	170.7	2.1
Net loan impairment and other credit risk provisions	–0.8	–0.1	>100
Administrative expenses	126.6	117.1	8.1
Pre-tax profit	57.0	58.8	–3.1
Tax expenses	18.7	19.4	–3.6
Net profit	38.3	39.4	–2.8
Ratios			
Cost efficiency ratio of usual business activity in %	69.2	66.6	–
Return on equity before tax in % (projected for the full year)	16.3	17.9	–
Net fee income in % of operating revenues	53.5	59.6	–
No. of employees at the reporting date	2,572	2,520	2.1
Share information			
Average number of shares in circulation in million	28.1	28.1	0.0
Earnings per share in €	1.36	1.40	–2.8
Share price at the reporting date in €	83.0	88.0	–5.7
Market capitalisation at the reporting date in €m	2,332	2,473	–5.7

	31.03.2014	31.12.2013	Change in %
Balance sheet figures in €m			
Total assets	20,917	19,810	5.6
Shareholders' equity	1,496	1,454	2.9
Regulatory ratios*			
Tier 1 in €m	1,197	1,304	–8.2
Regulatory capital in €m	1,469	1,639	–10.3
Risk-weighted assets in €m	12,077	11,125	8.6
Tier 1 ratio in %	9.9	11.7	–
Regulatory capital ratio in %	12.2	14.7	–

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

Letter from the Management Board

Ladies and Gentlemen,

After a difficult year in 2013, the economy in the Eurozone is starting to regain its stride. The recovery is based on a slight export revival and a less restrictive fiscal policy. While the economic environment within the Eurozone is still characterised by a low propensity to invest and high unemployment, which suggest only weak growth in consumption, the starting situation in Germany is far more positive. Germany is likely to take on a pioneering role as far as growth is concerned supported by an upturn in capital investments and in the construction sector, a further improvement in the situation on the labour market and solid private consumption as a result. As the inflation rate in the Eurozone is likely to clearly exceed the European Central Bank's target this and next year, monetary policy will remain extremely relaxed for the foreseeable future and therefore provide considerable support for German economic activity.

The general economic setting in the emerging markets has clouded over slightly, due partly to home-made structural problems and partly to capital outflows – owing to a less expansive monetary policy on the part of the US central bank. However, other than in the Asian crisis in 1997/1998, the central banks generally have substantial currency reserves, exchange rates are more flexible and many countries are in a comfortable current account position. The foundations for a moderate economic trend in 2014 are therefore likely to have been laid on balance.

The implementation of the new regulatory requirements along with stagnating revenue potential is still presenting the financial sector with major challenges.

Against this backdrop, HSBC Trinkaus generated a slightly lower pre-tax profit of €57.0 million in the first quarter of 2014 (Q1 2013: €58.8 million). The contribution to the consolidated result made by the Luxembourg-based units in the first quarter of 2013 could not be compensated in full. Net profit of €38.3 million was generated after €39.4 million for the period ending 31 March 2013.

Adjusted for the withdrawal from Luxembourg, operating revenues increased by 9.0% to €174.3 million (Q1 2013 adjusted: €159.9 million).

As part of our growth initiative we are broadening HSBC Trinkaus' business model, comprising the Global Banking & Markets, Commercial Banking, Global Private Banking as well as Asset Management divisions, by positioning ourselves far more strongly in the corporate banking business as 'Leading International Bank' in Germany. This is being carried out by extending our product offer for internationally operating MMEs as well as international corporations.

Profitability

The earnings components are as follows:

- Net interest income grew by €2.6 million, despite the withdrawal from Luxembourg, from €39.3 million in the comparable prior-year period to €41.9 million. This was due above all to an increase in net interest income from the client lending business on account of higher volumes. Interest income from financial assets continued to decline, however, as maturing bonds could only be replaced by bonds offering a comparable risk profile with far lower coupons in the current market environment.

- Loan impairment and other credit risk provisions recorded a net release of €0.8 million in the first quarter after €0.1 million in the comparable period of 2013. Our conservative orientation is unchanged in relation to the assessment of risk provisions.

- The share of profit in associates was unchanged at €0.1 million.

- Net fee income was down by €8.6 million to €93.2 million (Q1 2013: €101.8 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 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, however, by €3.5 million to €19.9 million (Q1 2013: €16.4 million). Net fee income in the lending business declined from €7.5 million to €5.9 million. The growth in net fee income from the issuing and structuring business of €0.3 million to €3.4 million shows the still active role played by the bank in a leading position with respect to new issues.

- Net trading income rose by a favourable €8.9 million to €35.2 million (Q1 2013: €26.3 million). There was a significant improvement in net income from trading with bonds and interest rate derivatives as well as equities and equity/index derivatives. In contrast to the previous quarters, client demand for trading-oriented retail products and certificates increased again. Foreign exchange trading recorded a lower result of € –0.1 million (Q1 2013: €1.7 million) while the result from trading with derivatives held in the banking book improved to €0.2 million (Q1 2013: € –1.2 million).

- Administrative expenses increased by €9.5 million, from €117.1 million to €126.6 million, due mainly to the consistent implementation of our growth initiative. Personnel expenses were up by €2.9 million. The €6.5 million increase in other administrative expenses is attributable essentially to higher expenses for advertising and third-party services. The cost efficiency ratio therefore came to 69.2% in the first three months (Q1 2013: 66.6%).

- Income from financial assets improved from €6.3 million to €8.3 million and is mainly the result, as in the comparable prior-year period, of gains realised on the disposal of financial assets, in particular in the area of corporate bonds where credit spreads narrowed further.

- Net other income rose by €2.1 million to €4.1 million. This item includes rental income from a property abroad, which is set against interest expenses for refinancing. Income from the reversal of provisions no longer required also arose in the first quarter.

The asset situation

HSBC Trinkaus' total assets increased compared to the end of 2013 by €1.1 billion to €20.9 billion. Customer accounts of €12.2 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 an 'AA–(Stable)' Fitch rating.

Loans and advances to banks increased from €1.6 billion to €1.9 billion, which was balance sheet date related.

The favourable increase in loans and advances to customers, from €4.9 billion to €5.4 billion, shows further successes with the implementation of our growth strategy in the business with internationally-oriented corporate clients alongside balance sheet date-related effects.

Trading assets increased compared to the end of 2013 by €0.2 billion to €7.0 billion. The increase was brought about above all by equities and other non-fixed-income securities.

Shareholders' equity of €1,496.2 million is €42.5 million higher than the level as at 31 December 2013 (€1,453.7 million). The valuation reserve for financial instruments increased by €5.4 million to €138.0 million while the valuation reserve for the remeasurement of the net pension obligation declined by €4.9 million to € –63.5 million. This is due essentially to the reduction of the technical interest rate used for the valuation of our pension commitments.

The financial position

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. From 2014, we are reporting the regulatory capital ratios based on the provisions of the Capital Requirements Regulation (CRR). Accordingly, the regulatory capital ratio stood at 12.2% and the tier 1 ratio at 9.9% as at 31 March 2014. We therefore fulfil the regulatory capital requirements and also have sufficient capital for the planned business expansion. As the report to the (European) Banking Authority will not be submitted until after the publication of the Interim Report, these are preliminary figures.

Outlook

The 2014 financial year will be characterised by the further implementation of the growth initiative, which focuses on the business with MME corporate clients, but also provides for 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 our withdrawal from Luxembourg, which will affect above all Global Private Banking and is likely to lead to a lower result in this business segment.

The expected slight increase in revenues will be set against higher up-front expenses due to an increase in the workforce within the scope of the expansion of business activities and additional project and IT costs for expanding the product offer. We are also planning to open four additional branches. This will result in significantly higher costs, which will be accompanied by a rising cost efficiency ratio. Our forecast therefore envisages a single-digit percentage decline in the result for the year.

Düsseldorf, May 2014

The Management Board

Andreas Schmitz Norbert Reis Paul Hagen Carola Gräfin v. Schmettow

Consolidated Balance Sheet

Assets in €m	Note	31.03.2014	31.12.2013	Change in %
Cash reserve		759.1	1,133.7	–33.0
Loans and advances to banks	(8)	1,861.0	1,643.8	13.2
Loans and advances to customers	(9)	5,414.5	4,857.6	11.5
Net loan impairment provision	(10)	–33.2	–33.4	–0.6
Trading assets	(11)	7,013.5	6,753.6	3.8
Financial assets	(12)	5,500.4	5,124.8	7.3
Interests in associates		54.0	54.5	–0.9
Property, plant and equipment		87.1	83.8	3.9
Intangible assets		14.0	15.9	–11.9
Taxation recoverable		14.9	10.9	36.7
of which current		5.2	5.2	0.0
of which deferred		9.7	5.7	70.2
Other assets		231.9	164.5	41.0
Total assets		**20,917.2**	**19,809.7**	**5.6**

Liabilities in €m	Note	31.03.2014	31.12.2013	Change in %
Deposits by banks	(13)	2,058.8	1,269.4	62.2
Customer accounts	(14)	12,230.1	12,219.1	0.1
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	4,335.5	4,099.9	5.7
Provisions		137.7	142.7	–3.5
Taxation		51.1	39.9	28.1
of which current		51.1	39.9	28.1
of which deferred		0.0	0.0	0.0
Other liabilities		272.1	229.3	18.7
Subordinated capital		325.7	345.7	–5.8
Shareholders' equity		1,496.2	1,453.7	2.9
Subscribed capital		75.4	75.4	0.0
Capital reserve		367.7	365.8	0.5
Retained earnings		783.0	781.9	0.1
Valuation reserve for financial instruments		138.0	132.6	4.1
Valuation reserve for the remeasurement of the net pension obligation		–63.5	–58.6	8.4
Valuation reserve from currency conversion		2.0	1.3	53.8
Net profit including profit brought forward		193.6	155.3	24.7
Total equity and liabilities		**20,917.2**	**19,809.7**	**5.6**

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Consolidated income statement

in €m	Note	01.01. – 31.03.2014	01.01. – 31.03.2013	Change in %
Interest income		57.8	57.2	1.0
Interest expense		15.9	17.9	– 11.2
Net interest income	(1)	41.9	39.3	6.6
Net loan impairment and other credit risk provisions	(2)	– 0.8	– 0.1	> 100
Share of profit in associates		0.1	0.1	0.0
Fee income		175.1	183.6	– 4.6
Fee expenses		81.9	81.8	0.1
Net fee income	(3)	93.2	101.8	– 8.4
Net trading income	(4)	35.2	26.3	33.8
Administrative expenses	(5)	126.6	117.1	8.1
Income from financial assets		8.3	6.3	31.7
Net other income	(6)	4.1	2.0	> 100
Pre-tax profit		**57.0**	**58.8**	**– 3.1**
Tax expenses		18.7	19.4	– 3.6
Net profit		**38.3**	**39.4**	**– 2.8**

Reconciliation from net income to comprehensive income

in €m	01.01. – 31.03.2014	01.01. – 31.03.2013
Net profit	38.3	39.4
Gains/losses after tax to be reclassified to the income statement	6.1	– 7.3
of which from financial instruments	5.4	– 11.0
of which from currency conversion	0.7	3.7
Gains/losses after tax not to be reclassified to the income statement	– 4.9	7.2
of which from the remeasurement of the net pension obligation	– 4.9	7.2
Total	**39.5**	**39.3**

Earnings per share

in €	01.01. – 31.03.2014	01.01. – 31.03.2013	Change in %
Undiluted earnings per share	1.36	1.40	–2.8
Diluted earnings per share	1.36	1.40	–2.8

Consolidated statement of changes in equity

in €m	2014	2013
Consolidated shareholders' equity as at 01.01.	1,453.7	1,385.0
Distribution	0	0
Capital increase	0	0
Net profit	38.3	39.4
Gains/losses not recognised in the income statement	1.2	–0.1
Other changes	3.0	0.0
Consolidated shareholders' equity as at 31.03.	1,496.2	1,424.3

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	–350.3	283.8
Cash flow from investing activities	–4.3	–9.0
Cash flow from financing activities	–20.0	0.0
Cash and cash equivalents as at 31.03.	759.1	539.8

The cash flow statement calculated according to the indirect method shows the position and movements in cash and cash equivalents of the HSBC Trinkaus Group. Reported cash and cash equivalents correspond to the 'Cash reserve' balance sheet item, 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 2014 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 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.

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. – 31.03.2014	01.01. – 31.03.2013
Interest income	57.8	57.2
from loans and advances to banks	4.0	4.1
Money market transactions	2.5	3.1
Other interest-bearing receivables	1.5	1.0
from loans and advances to customers	27.0	23.9
Money market transactions	2.0	2.2
Other interest-bearing receivables	25.0	21.7
from financial assets	26.8	29.2
Interest income	26.3	28.9
Dividend income	0.0	0.0
Income from subsidiaries	0.5	0.3
Interest expense	15.9	17.9
from deposits by banks	5.7	5.5
Money market transactions	0.1	0.4
Other interest-bearing deposits	5.6	5.1
from customer accounts	5.2	5.1
Money market transactions	0.8	1.6
Other interest-bearing deposits	4.4	3.5
from securitised liabilities	0.1	0.1
from subordinated capital	4.1	4.4
Other	0.8	2.8
Net interest income	41.9	39.3

2 Net loan impairment and other credit risk provisions

in €m	01.01. – 31.03.2014	01.01. – 31.03.2013
Additions	0.0	0.1
Reversals	0.8	0.1
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.0	0.1
Total	–0.8	–0.1

3 Net fee income

in €m	01.01. – 31.03.2014	01.01. – 31.03.2013
Securities transactions	51.0	63.0
Foreign exchange transactions and derivatives	19.9	16.4
Lending	5.9	7.5
Investment banking	3.6	3.2
Issuing and structuring business	3.4	3.1
Payments	2.5	3.4
Foreign business	2.2	2.3
Alternative investments	1.0	0.4
Other fee-based business	3.7	2.5
Total	93.2	101.8

4 Net trading income

in €m	01.01. – 31.03.2014	01.01. – 31.03.2013
Bonds and interest rate derivatives	20.1	16.6
Equities and equity/index derivatives	15.0	9.2
Foreign exchange	–0.1	1.7
Derivatives held in the banking book	0.2	–1.2
Total	35.2	26.3

Interest and dividend income attributable to trading activities – shown as the difference between the interest and dividend revenues of trading positions and the corresponding refinancing interest – is included in trading profit.

5 Administrative expenses

in €m	01.01. – 31.03.2014	01.01. – 31.03.2013
Staff expenses	74.7	71.8
Wages and salaries	62.8	59.8
Social security costs	7.6	7.2
Expenses for retirement pensions and other employee benefits	4.3	4.8
Other administrative expenses	45.6	39.1
Depreciation of property, plant and equipment and amortization of intangible assets	6.3	6.2
Total	126.6	117.1

6 Net other income

in €m	01.01. – 31.03.2014	01.01. – 31.03.2013
Other operating income	6.2	4.1
Other operating expenses	2.1	2.1
Other operating income / expenses	**4.1**	**2.0**
Other income	0.1	0.0
Other expenses	0.1	0.0
Other net income	**0.0**	**0.0**
Net other income	**4.1**	**2.0**

7 Customer groups

in €m	GPB	CMB	GB & M	AM	Central / Consoli-dation	Total
Net interest income						
31.03.2014	3.9	19.7	17.4	0.9	0.0	41.9
31.03.2013	4.7	16.3	16.6	1.4	0.3	39.3
Net loan impairment and other credit risk provisions						
31.03.2014	0.0	0.0	0.0	0.0	–0.8	–0.8
31.03.2013	0.0	–0.1	0.1	0.0	–0.1	–0.1
Net interest income after net loan impairment and other credit risk provisions						
31.03.2014	3.9	19.7	17.4	0.9	0.8	42.7
31.03.2013	4.7	16.4	16.5	1.4	0.4	39.4
Share of profit in associates						
31.03.2014	0.0	0.0	0.1	0.0	0.0	0.1
31.03.2013	0.0	0.0	0.1	0.0	0.0	0.1
Net fee income						
31.03.2014	13.7	11.9	58.7	8.9	0.0	93.2
31.03.2013	17.5	12.3	60.2	11.8	0.0	101.8
Operating trading income						
31.03.2014	0.9	2.2	31.2	0.5	0.2	35.0
31.03.2013	1.3	1.7	23.7	0.8	0.0	27.5
Income after net loan impairment provision						
31.03.2014	18.5	33.8	107.4	10.3	1.0	171.0
31.03.2013	23.5	30.4	100.5	14.0	0.4	168.8
Administrative expenses						
31.03.2014	13.2	22.0	78.6	7.5	5.3	126.6
31.03.2013	18.2	18.0	74.1	8.6	–1.8	117.1
of which depreciation and amortisation						
31.03.2014	0.2	0.4	0.7	0.1	4.9	6.3
31.03.2013	0.2	0.2	0.5	0.1	5.2	6.2
Income from financial assets						
31.03.2014	0.9	1.6	5.3	0.5	0.0	8.3
31.03.2013	0.9	1.2	3.7	0.5	0.0	6.3
Income from derivatives in the banking book						
31.03.2014	0.0	0.0	0.0	0.0	0.2	0.2
31.03.2013	0.0	0.0	0.0	0.0	–1.2	–1.2
Net other income						
31.03.2014	0.2	0.3	1.9	0.1	1.6	4.1
31.03.2013	0.4	0.5	1.3	0.2	–0.4	2.0
Pre-tax profit						
31.03.2014	**6.4**	**13.7**	**36.0**	**3.4**	**–2.5**	**57.0**
31.03.2013	**6.6**	**14.1**	**31.4**	**6.1**	**0.6**	**58.8**
Taxation						
31.03.2014	2.0	4.3	11.3	1.1	0.0	18.7
31.03.2013	2.0	4.4	9.9	1.9	1.2	19.4
Net profit						
31.03.2014	**4.4**	**9.4**	**24.7**	**2.3**	**–2.5**	**38.3**
31.03.2013	**4.6**	**9.7**	**21.5**	**4.2**	**–0.6**	**39.4**

There are growing worries over a global rise in market interest rates in future as a result of the tightening of US monetary policy (tapering) as well as over the further economic trend on account of the Crimean crisis and the relatively weak economic data from China. These, together with the first defaults on bond repayments by Chinese issuers, have led to investors exercising significant restraint on the financial markets, in particular in the fixed income business. At the same time, our growth strategy is accompanied for the time being by start-up expenses in many areas of the Bank. The fact that net income declined only slightly compared to the same period of the previous year under these general conditions documents the Bank's balanced business structure and stability of its client-oriented business model. The Global Private Banking and Commercial Banking segments were able to almost repeat their prior-year results. While Asset Management was not able to escape the unfavourable market environment and reported a lower result, Global Banking & Markets improved on the result generated in the first quarter of 2013. The item Central shows essentially only regulatory costs and the effects still resulting this year from the withdrawal of business activities from Luxembourg, which is almost completed.

The decline in revenues and costs in the Global Private Banking segment was the result of the discontinuation of business with clients in Luxembourg. The positive impact of the growth strategy in Commercial Banking was seen in the mainly volume-based expansion of interest income in the lending business, although administrative expenses are also rising significantly as a result of the business expansion. The decline in net fee income in the fixed-income business was more than compensated by strong revenue growth in equity and equity derivatives trading as well as in the Treasury business in the Global Banking and Markets segment. Alongside the discontinuation of revenues in the mutual fund business as a result of the sale of the Luxembourg funds, the declines in revenues in Asset Management are mainly attributable to one-time effects in the first quarter of the previous year.

The cost-saving effects of the discontinuation of business activity in Luxembourg are exceeded appreciably by higher regulatory costs as well as cost-increasing measures to implement the growth initiative in the corporate banking business. This will continue over the further course of the year as well due among other things to the opening of the four new branches as well as to investments in the Bank's Middle and Back Office areas to secure unchanged processing quality despite higher transaction volumes.

8 Loans and advances to banks

in €m	31.03.2014	31.12.2013
Current accounts	794.0	519.2
Money market transactions	706.9	662.0
of which overnight money	13.5	46.4
of which term deposits	693.4	615.6
Other loans and advances	199.2	259.4
Security in the derivatives business	160.9	203.2
Total	1,861.0	1,643.8
of which domestic banks	345.8	198.7
of which foreign banks	1,515.2	1,445.1

9 Loans and advances to customers

in €m	31.03.2014	31.12.2013
Current accounts	1,580.9	1,229.6
Money market transactions	745.1	529.5
of which overnight money	32.6	63.6
of which term deposits	712.5	465.9
Loan accounts	2,938.3	2,865.5
Other loans and advances	136.4	163.2
Security in the derivatives business	13.8	69.8
Total	5,414.5	4,857.6
of which domestic customers	3,543.6	3,029.5
of which foreign customers	1,870.9	1,828.1

10 Net loan impairment and other credit risk provisions

in €m	31.03.2014	31.12.2013
Net loan impairment provision	33.2	33.4
Provisions for credit risks	5.9	5.9
Net loan impairment and other credit risk provisions	39.1	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	0.0	0.0	0.1	0.8	0.1
Utilisation	0.2	0.0	0.0	0.0	0.2	0.0
Additions	0.0	0.0	0.0	0.1	0.0	0.1
Currency translation / transfers	0.8	0.0	0.0	0.0	0.8	0.0
As at 31.03.	15.5	12.9	23.6	16.4	39.1	29.3

11 Trading assets

in €m	31.03.2014	31.12.2013
Bonds and other fixed-income securities	2,387.8	2,484.0
Equities and other non-fixed-income securities	1,678.0	1,393.4
Tradable receivables	1,471.5	1,420.3
Positive market value of derivatives	1,475.5	1,449.9
Derivatives in hedging relationships	0.7	6.0
Total	7,013.5	6,753.6

12 Financial assets

in €m	31.03.2014	31.12.2013
Bonds and other fixed-income securities	5,068.0	4,693.7
Equities and other non-fixed-income securities	12.6	29.9
Investment certificates	87.0	95.5
Promissory note loans	232.9	209.1
Investments	99.9	96.6
Total	5,500.4	5,124.8

13 Deposits by banks

in €m	31.03.2014	31.12.2013
Current accounts	1,270.7	648.1
Money market transactions	479.9	270.8
of which overnight money	164.1	2.8
of which term deposits	315.8	268.0
Other liabilities	139.3	145.3
Security in the derivatives business	168.9	205.2
Total	2,058.8	1,269.4
of which domestic banks	729.9	439.1
of which foreign banks	1,328.9	830.3

14 Customer accounts

in €m	31.03.2014	31.12.2013
Current accounts	9,264.6	9,149.9
Money market transactions	2,587.9	2,642.4
of which overnight money	577.1	396.4
of which term deposits	2,010.8	2,246.0
Savings deposits	56.2	57.2
Other liabilities	321.4	369.6
Total	12,230.1	12,219.1
of which domestic customers	10,908.0	10,681.7
of which foreign customers	1,322.1	1,537.4

15 Trading liabilities

in €m	31.03.2014	31.12.2013
Negative market value of derivatives	1,902.1	1,881.3
Promissory note loans, bonds, certificates and warrants	2,372.1	2,114.5
Delivery obligations arising from securities sold short	4.2	53.1
Derivatives in hedging relationships	52.9	46.9
Derivatives held in the banking book	4.2	4.1
Total	4,335.5	4,099.9

Other Notes

16 Derivatives business

in €m	Nominal amounts with a residual maturity Up to 1 year	1 – 5 years	Over 5 years	Total	Positive market values
Interest rate transactions					
31.03.2014	7,952	11,830	8,564	28,346	860
31.12.2013	8,263	12,514	8,022	28,799	784
Foreign exchange transactions					
31.03.2014	30,474	2,714	318	33,506	299
31.12.2013	24,793	2,224	176	27,193	348
Equity/index-related transactions					
31.03.2014	3,411	2,667	233	6,311	6
31.12.2013	3,543	2,477	295	6,315	9
Total					
31.03.2014	**41,837**	**17,211**	**9,115**	**68,163**	**1,165**
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. We focus in the derivatives business on transactions with other HSBC units.

17 Market risk

in €m	31.03.2014	31.12.2013
Interest rate risk	3.2	2.9
Credit spread risk	2.8	3.1
Currency risk	0.1	0.1
Equity/index risk	0.9	0.7
Commodities risk	0.0	0.0
Total potential market risk in the trading portfolio	**4.3**	**3.6**

The market risk potential is calculated for all market risk categories using a standardised internal model. We use a value-at-risk approach to measure market risks in our trading book under normal market conditions. We understand value-at-risk to be the potential loss that 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	31.03.2014	31.12.2013
Contingent liabilities on guarantees and indemnity agreements	1,579.0	1,621.4
Irrevocable loan commitments	6,305.0	6,109.4
Total	7,884.0	7,730.8

Key Dates

3 June 2014
Annual General Meeting

27 August 2014
Press conference on the Interim Report as at 30 June 2014

11 November 2014
Interim Report as at 30 September 2014

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HSBC Trinkaus & Burkhardt AG
Königsallee 21/23, 40212 Düsseldorf
Phone: +49 211 910-0
Fax: +49 211 910-616

www.hsbctrinkaus.de

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Locations

Düsseldorf Head Office
Königsallee 21/23
40212 Düsseldorf
Phone: +49 211 910-0
Fax: +49 211 910-616

Branches
Baden-Baden
Maria-Viktoria-Straße 2
76530 Baden-Baden
Phone: +49 7221 9386-0
Fax: +49 7221 26753

Berlin
Joachimstaler Straße 34
10719 Berlin
Phone: +49 30 88581-0
Fax: +49 30 8819304

Frankfurt am Main
Asset Management
Guiollettstraße 24
60325 Frankfurt am Main
Phone: +49 69 71903-0
Fax: +49 69 71903-33

Corporate Banking
Taunusanlage 1
60329 Frankfurt am Main
Phone: +49 69 71903-0
Fax: +49 69 71903-32

Investment Banking
Taunusanlage 1
60329 Frankfurt am Main
Phone: +49 69 71903-0
Fax: +49 69 71903-747

Hamburg
Gänsemarkt 45
20354 Hamburg
Phone: +49 40 35614-0
Fax: +49 40 346557

Cologne
Zeppelinstraße 4–8
50667 Cologne
Phone: +49 221 270578-0
Fax: +49 221 270578-50

Munich
Karl-Scharnagl-Ring 7
80539 Munich
Phone: +49 89 229016-0
Fax: +49 89 297412

Stuttgart
Königstraße 26
70173 Stuttgart
Phone: +49 711 22890-0
Fax: +49 711 22890-43

HSBC Trinkaus & Burkhardt (International) S. A.
8, Rue Lou Hemmer
L-1748 Luxembourg-Findel
Phone: +352 471847-1
Fax: +352 471847-2555

www.hsbctrinkaus.de