Interim Report as at 30 September 2014 HSBC Trinkaus & Burkhardt Group

HSBC

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01.– 30.09.2014	01.01.– 30.09.2013	Change in %
Income statement in €m			
Operating revenues	515.4	536.6	–4.0
Net loan impairment and other credit risk provisions	3.4	5.1	–33.3
Administrative expenses	379.5	381.0	–0.4
Pre-tax profit	152.5	163.5	–6.7
Tax expenses	50.3	45.8	9.8
Net profit	102.2	117.7	–13.2
Ratios			
Cost efficiency ratio of usual business activity in %	70.9	69.3	–
Return on equity before tax in % (projected for the full year)	14.5	16.5	–
Net fee income in % of operating revenues	55.8	57.5	–
No. of employees at the reporting date	2,615	2,534	3.2
Share information			
Average number of shares in circulation in million	28.1	28.1	0.0
Earnings per share in €	3.64	4.19	–13.1
Share price at the reporting date in €	74.5	86.0	–13.4
Market capitalisation at the reporting date in €m	2,093.5	2,416.6	–13.4

	30.09.2014	31.12.2013	Change in %
Balance sheet figures in €m			
Total assets	23,995.4	19,809.7	21.1
Shareholders’ equity	1,499.3	1,453.7	3.1
Regulatory ratios			
Tier 1 capital in €m	1,115	1,304	–14.5
Regulatory capital in €m	1,514	1,639	–7.6
Risk-weighted assets in €m	14,345	11,125	28.9
Tier 1 capital ratio in %	7.8	11.7	–
Regulatory capital ratio in %	10.6	14.7	–

Letter from the Management Board

Ladies and Gentlemen,

GDP in the Eurzone grew by an average of only 0.1 % quarter on quarter in the first half of 2014. Confidence among businesses and consumers has fallen again even of late and there are growing signs of a renewed cyclical downturn. It appears that Germany, the driving force behind the Eurozone so far, is also now having to shift down a gear. Apart from weak demand from its most important trading partners in the Eurozone, geopolitical risks are also creating uncertainty. There is a growing risk that companies will become more reluctant to make new investments in reaction to the adverse impact on exports. The deterioration in sentiment has not yet impacted the German labour market, though, and the fundamental prospects for private consumption therefore remain reasonable. The downward trend in the Eurozone and the further easing of the pressure on prices are causing the ECB concern in the meantime, to which it has reacted by lowering the repo rate in two steps to only 0.5 %. The deposit rate has also been pushed further into the negative range. In addition, the ECB plans to extend its balance sheet by around €3 trillion by offering 4-year open market operations and also buy ABS and covered bonds. Government bond purchases are also only a matter of time. In terms of monetary policy, the Fed is heading in the opposite direction, which should put pressure on the Euro/USD exchange rate. As the US central bank's bond buying programme comes to an end, it is focusing more on increasing interest rates. However, the Fed Funds Rate is not likely to be raised for the first time until June 2015 as the US economy is not immune to the global slowdown in growth either. This has also become obvious of late in China, where further incentives will be required if this year's growth target of 7.5 % is to be reached.

In this challenging environment for the whole sector, the Bank generated a slightly lower pre-tax profit of €152.5 million in the first nine months of 2014 (first nine months 2013: €163.5 million). Net profit of €102.2 million was generated after €117.7 million for the period ending 30 September 2013.

Adjusting for the impact of the withdrawal from Luxembourg, operating revenues increased slightly by 1.6 % to €515.4 million (first nine months 2013 adjusted: €507.3 million).

The Management Board of HSBC Trinkaus & Burkhardt AG resolved 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 has been increased making partial use of the existing authorised capital by around €16 million through the issue of 5,980,360 new no-par value ordinary bearer shares (no-par value shares). As a result, the regulatory capital ratio and the Tier 1 capital ratio have each increased by around 3 percentage points.

Proceeds from the capital increase are to be used in particular for the planned rapid expansion of the Bank's business within the scope of its growth strategy.

Each new share is fully entitled to dividends as of 1 January 2015.

As part of our growth initiative we are broadening the Bank's 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. The expenditure required for this will lead first of all to the deterioration of the cost efficiency ratio as planned.

Profitability

The earnings components are as follows:

- Net interest income improved by €6.1 million, from €124.3 million in the comparable period of 2013 to €130.4 million. This increase was attributable primarily to an improvement in net interest income in the client lending business on account of higher volumes. On the other hand, net interest income from financial assets declined significantly as maturing bonds could only be replaced by bonds offering a comparable risk profile with far lower coupons in the current market environment. Furthermore, lower margins in the lending and deposit-taking business are putting pressure on net interest income.

- Net loan impairment and other credit risk provisions were €3.4 million after €5.1 million in the comparable period of 2013. An increase in collectively assessed impairments of €4.1 million was required. On the other hand, individually assessed impairments featured reversals of €0.7 million on balance. Our conservative orientation is unchanged in relation to the granting of loans and the assessment of default risks.

- The share of profit in associates came to €0.2 million as in the comparable period of 2013.

- Net fee income was down by €21.0 million to €287.7 million (first nine months 2013: €308.7 million). Net fee income from securities transactions declined to €154.5 million (first nine months 2013: €168.8 million) mainly as a result of the withdrawal from Luxembourg. Furthermore, revenues in the fixed income business with institutional clients were 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 foreign exchange and derivatives transactions was on the prior-year level at €63.3 million (first nine months 2013: €64.4 million). The further increase in net fee income in the lending business from €18.9 million to €20.2 million bears witness to the success of our growth strategy. Net fee income from the issuing and structuring business grew from €7.9 million to €9.7 million, showing the Bank's still strong market position as lead manager with respect to new issues. Net fee income generated by supporting our customers with their capital increases came to €8.8 million (first nine months 2013: €12.5 million). Net fee income from the business with alternative investments improved substantially in the third quarter, but declined compared to the prior-year period to €7.1 million (first nine months 2013: €11.6 million). Net fee income from payments and the international business was essentially unchanged.

- Net trading income rose slightly by €4.0 million to €82.3 million (first nine months 2013: €78.3 million). Income from trading in equities and equity/index derivatives improved again in particular. There was stronger customer demand for trading-oriented retail products and certificates than in the previous year, at least in the first quarter. Foreign exchange trading recorded a significantly lower result of €–0.5 million (first nine months 2013: €5.1 million) while the result from trading with derivatives held in the banking book deteriorated slightly to €–0.7 million (first nine months 2013: €–0.1 million).

- Administrative expenses declined by €1.5 million, from €381.0 million to €379.5 million. While staff expenses were up by €9.2 million compared to the previous year, other administrative expenses were reduced by €12.1 million. Staff expenses rose in particular as a result of the increase in the number of employees in Germany in the first nine months, despite the discontinuation of staff costs in Luxembourg. Depreciation of property, plant and equipment and of intangible assets increased from €17.5 million the previous year to €18.9 million, primarily as a result of the implementation of the growth initiative. Other administrative expenses within the scope of the growth initiative in the first nine months of the year did not exceed the high costs which arose in the comparable period of 2013 in connection with the withdrawal from

Luxembourg. The cost efficiency ratio therefore came to 70.9 % in the first nine months (first nine months 2013: 69.3 %).

- Income from financial assets improved from €13.1 million to €20.6 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 of €14.2 million (first nine months 2013: €25.5 million) includes above all rental income from our property in Australia, which is set against interest expense from refinancing. On balance, income also arose from the reversal of provisions no longer required, but it was significantly lower than in the comparable period of 2013.

The asset situation

The Bank's total assets increased by €4.2 billion compared to 31 December 2013 to €24.0 billion.

Customer accounts remain our most important source of refinancing and amounted to €13.7 billion as at 30 September 2014 (31 December 2013: €12.2 billion). We continue to regard this as a clear commitment on the part of the Bank's clients to its solid business policy and high credit standing. As part of the HSBC Group, the Bank is still the highest rated private commercial bank in Germany with a 'AA–(Stable)' Fitch rating.

The increase in deposits by banks from €1.3 billion to €2.4 billion corresponds with the increase in loans and advances to banks from €1.6 billion to €2.0 billion and with the cash reserve of €1.1 billion and is reporting date related.

Loans and advances to customers increased from €4.9 billion to €6.9 billion. Alongside the reporting date-related increase of €1.0 billion as a result of repurchase transactions with Eurex, the significant increase beyond this further reflects the success of our growth strategy in the corporate banking business.

Trading assets of €6.8 billion were almost unchanged compared to 31 December 2013. A substantial increase in the market values of OTC derivatives was set against an equally strong decline in tradable receivables.

The increase in trading liabilities from €1.4 billion to €5.5 billion is attributable mainly to an increase in promissory note loans, bonds and warrants alongside an increase in the market values of OTC derivatives of €0.7 billion. This shows among other things the further increase in customer demand for trading-oriented retail products and certificates.

Shareholders' equity of €1,499.3 million is €45.6 million higher than the level as at 31 December 2013. The valuation reserve for financial instruments increased by €35.0 million to €167.6 million while the valuation reserves for the remeasurement of the net pension obligation deteriorated by €24.3 million to €– 82.9 million. This was attributable in both cases to the decline in market interest rates. Furthermore, the dividend for the previous year of €70.3 million was distributed in the second quarter.

The financial position

In the wake of the further implementation of the growth strategy and to compensate for expired subordinated liabilities, the Bank strengthened its regulatory capital in the second quarter of 2014 by means of a subordinated capital contribution from HSBC Bank plc. of €150 million.

From 2014 we are reporting the regulatory liquidity and capital ratios based on the provisions of the Capital Requirements Regulation (CRR). The decline in Tier 1 capital from €1,304 million as at 31 December 2013 to €1,115 million at present and in regulatory capital from €1,639 million as at 31 December 2013 to €1,514 million at present is essentially the result of the application of the new provisions. The implementation of the growth strategy is mainly responsible for the increase in risk-weighted assets from €11,125 million as at 31 December 2013 to €14,345 million. The regulatory capital ratio stood at 10.6 % (31 December 2013: 14.7 %) and the Tier 1 capital ratio at 7.8 % (31 December 2013: 11.7 %) as at 30 September 2014. We therefore fulfil the regulatory capital requirements and also have sufficient capital for the planned business expansion. 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.

Outlook

The implementation of the growth initiative started in mid-2013, which focuses on the business with MME corporate clients and expanding the Global Banking & Markets business, continues as planned.

We are still expecting only slight revenue growth as we first have to compensate for the decline in revenues on account of the withdrawal from Luxembourg.

The up-front expenses for expanding the business activities are the result of a significant increase in the workforce for the business with MME corporate clients and the corresponding extension of the product offers. The Bank's service areas and central functions are also being expanded correspondingly, though, and there are a variety of projects to strengthen the IT support of our business and create the necessary capacities. According to plan this will lead to a sustained increase in administrative expenses. Consequently, the Bank's cost efficiency ratio will rise again after the improvement last year and is likely to continue to exceed the 70 % mark.

An expansion strategy means higher risks, but also greater opportunities. This applies above all to the expansion of the lending portfolio with MME corporate clients. We expect future risk provisioning requirements to be far higher than at present, especially as the growth in lending will be accompanied by higher collectively assessed impairments. The expansion of the target ratings in the corporate banking business will also involve stronger capital backing alongside higher risk provisioning requirements. We already met these higher capital requirements in the second quarter of the year by increasing capital through the issue of subordinated liabilities. The increase in subscribed capital resolved by the Management Board of HSBC Trinkaus & Burkhardt AG in September 2014 and successfully carried out in October has also strengthened the capital base significantly.

Overall, we continue to expect the transformation of the business to result in a single-digit percentage decline in pre-tax profit for the year.

Düsseldorf, November 2014

The Management Board

Andreas Schmitz | Paul Hagen | Norbert Reis | Carola Gräfin v. Schmettow

Consolidated Balance Sheet

Assets in €m	Note	30.09.2014	31.12.2013	Change in %
Cash reserve		1,526.6	1,133.7	34.7
Loans and advances to banks	(8)	2,035.4	1,643.8	23.8
Loans and advances to customers	(9)	6,943.1	4,857.6	42.9
Net loan impairment provision	(10)	−30.3	−33.4	−9.3
Trading assets	(11)	6,776.2	6,753.6	0.3
Financial assets	(12)	6,315.0	5,124.8	23.2
Interests in associates		33.9	54.5	−37.8
Property, plant and equipment		91.0	83.8	8.6
Intangible assets		9.9	15.9	−37.7
Taxation recoverable		8.6	10.9	−21.1
of which current		0.1	5.2	−98.1
of which deferred		8.5	5.7	49.1
Other assets		286.0	164.5	73.9
Total assets		**23,995.4**	**19,809.7**	**21.1**

Liabilities in €m	Note	30.09.2014	31.12.2013	Change in %
Deposits by banks	(13)	2,357.6	1,269.4	85.7
Customer accounts	(14)	13,699.3	12,219.1	12.1
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	5,487.9	4,099.9	33.9
Provisions		149.9	142.7	5.0
Taxation		47.4	39.9	18.8
of which current		47.4	39.9	18.8
of which deferred		0.0	0.0	–
Other liabilities		295.8	229.3	29.0
Subordinated capital		448.2	345.7	29.6
Shareholders' equity		1,499.3	1,453.7	3.1
Subscribed capital		75.4	75.4	0.0
Capital reserve		365.7	365.8	0.0
Retained earnings		868.1	781.9	11.0
Valuation reserve for financial instruments		167.6	132.6	26.4
Valuation reserve for the remeasurement of the net pension obligation		−82.9	−58.6	41.5
Valuation reserve from currency conversion		3.2	1.3	>100
Net profit including profit brought forward		102.2	155.3	−34.2
Total equity and liabilities		**23,995.4**	**19,809.7**	**21.1**

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Consolidated income statement

in €m	Note	01.01. – 30.09.2014	01.01. – 30.09.2013	Change in %
Interest income		185.0	176.7	4.7
Interest expense		54.6	52.4	4.2
Net interest income	(1)	130.4	124.3	4.9
Net impairment and other credit risk provisions	(2)	3.4	5.1	−33.3
Share of profit in associates		0.2	0.2	0.0
Fee income		549.8	565.9	−2.8
Fee expenses		262.1	257.2	1.9
Net fee income	(3)	287.7	308.7	−6.8
Net trading income	(4)	82.3	78.3	5.1
Administrative expenses	(5)	379.5	381.0	−0.4
Income from financial assets		20.6	13.1	57.3
Other net income	(6)	14.2	25.0	−43.2
Pre-tax profit		**152.5**	**163.5**	**−6.7**
Tax expenses		50.3	45.8	9.8
Net profit		**102.2**	**117.7**	**−13.2**

Reconciliation from net income to comprehensive income

in €m	01.01. – 30.09.2014	01.01. – 30.09.2013
Net profit	102.2	117.7
Gains/losses after tax reclassified to the income statement	36.9	−26.5
of which from financial instruments	35.0	−27.5
of which from currency conversion	1.9	1.0
Gains/losses after tax not reclassified to the income statement	−24.3	5.0
of which from the remeasurement of the pension obligations	−24.3	5.0
Total	**114.8**	**96.2**

Earnings per share

in €	01.01. – 30.09.2014	01.01. – 30.09.2013	Change in %
Undiluted earnings per share	3.64	4.19	– 13.1
Diluted earnings per share	3.64	4.19	– 13.1

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	102.2	117.7
Gains/losses not recognised in the income statement	12.6	– 21.5
Other changes	1.1	5.2
Consolidated shareholders' equity as at 30.09.	**1,499.3**	**1,416.4**

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	389.4	1,782.2
Cash flow from investing activities	– 28.7	– 24.8
Cash flow from financing activities	32.2	– 78.0
Cash and cash equivalents as at 30.09.	**1,526.6**	**1,944.4**

The cash flow statement calculated according to the indirect method shows the position and movements in cash and cash equivalents of the HSBC Trinkaus & Burkhardt 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	Q1 2014	Q2 2014	Q3 2014	Q3 2013
Interest income	57.8	64.0	63.2	60.2
Interest expense	15.9	18.3	20.4	17.4
Net interest income	41.9	45.7	42.8	42.9
Net impairment and other credit risk provisions	–0.8	4.3	–0.1	–0.1
Share of profit in associates	0.1	0.0	0.1	0.0
Fee income	175.1	180.3	194.4	171.1
Fee expenses	81.9	87.4	92.8	81.8
Net fee income	93.2	92.9	101.6	89.3
Net trading income	35.2	28.8	18.3	16.9
Administrative expenses	126.6	125.5	127.4	138.3
Income from financial assets	8.3	7.1	5.2	0.9
Other net income	4.1	6.4	3.7	19.8
Pre-tax profit	**57.0**	**51.1**	**44.4**	**31.6**
Tax expenses	18.7	16.8	14.8	2.4
Net profit	**38.3**	**34.3**	**29.6**	**29.2**

Earnings per share

in €m	Q1 2014	Q2 2014	Q3 2014	Q3 2013
Undiluted earnings per share	1.36	1.22	1.06	1.04
Diluted earnings per share	1.36	1.22	1.06	1.04

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

This Interim Report for the HSBC Trinkaus & Burkhardt Group as at 30 September 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 and
- 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.

We have examined the model used to calculate net loan impairment and other credit risk provisions within the scope of the growth initiative. As a result of the expansion of 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 an appropriate assessment of the current default risk in each case. In the wake of this, there has been a shift in the breakdown of net loan impairment and other credit risk provisions into net loan impairment provision and provisions for credit risks with no material change in 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 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. – 30.09.2014	01.01. – 30.09.2013
Interest income	**185.0**	**176.7**
from loans and advances to banks	11.0	12.7
Money market transactions	7.5	9.5
Other interest-bearing receivables	3.5	3.2
from loans and advances to customers	87.7	71.5
Money market transactions	6.9	6.6
Other interest-bearing receivables	80.8	64.9
from financial assets	86.3	92.5
Interest income	81.9	88.8
Dividend income	3.0	2.6
Income from subsidiaries	1.4	1.1
Interest expense	**54.6**	**52.4**
from deposits by banks	18.5	16.7
Money market transactions	0.3	0.9
Other interest-bearing deposits	18.2	15.8
from customer accounts	16.2	15.4
Money market transactions	3.0	4.3
Other interest-bearing deposits	13.2	11.1
from securitised liabilities	0.3	0.3
from subordinated capital	12.5	13.2
Other	7.1	6.8
Net interest income	**130.4**	**124.3**

2 Net loan impairment and other credit risk provisions

in €m	01.01. – 30.09.2014	01.01. – 30.09.2013
Additions	4.2	5.7
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	**3.4**	**5.1**

3 Net fee income

in €m	01.01. – 30.09.2014	01.01. – 30.09.2013
Securities transactions	154.5	168.8
Foreign exchange transactions and derivatives	63.3	64.4
Lending	20.2	18.9
Payments	10.2	9.8
Issuing and structuring business	9.7	7.9
Investment banking	8.8	12.5
Alternative investments	7.1	11.6
International business	6.7	7.2
Other fee-based business	7.2	7.6
Total	**287.7**	**308.7**

4 Net trading income

in €m	01.01. – 30.09.2014	01.01. – 30.09.2013
Equities and equity/index-linked derivatives	48.4	31.5
Bonds and interest-rate derivatives	35.1	41.8
Foreign exchange	–0.5	5.1
Derivatives held in the banking book	–0.7	–0.1
Total	**82.3**	**78.3**

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. – 30.09.2014	01.01. – 30.09.2013
Staff expenses	226.5	217.3
Wages and salaries	189.6	183.2
Social security costs	23.0	22.0
Expenses for retirement pensions and other employee benefits	13.9	12.1
Other administrative expenses	134.1	146.2
Depreciation of property, plant and equipment and of intangible assets	18.9	17.5
Total	379.5	381.0

6 Net other income

in €m	01.01. – 30.09.2014	01.01. – 30.09.2013
Other operating income	18.7	32.5
Other operating expenses	4.6	7.6
Other operating income / expenses	**14.1**	**24.9**
Other income	0.3	0.2
Other expenses	0.2	0.1
Other net income	**0.1**	**0.1**
Net other income	**14.2**	**25.0**

7 Customer groups

in €m	GPB	CMB	GB&M	AM	Central / Consolidation	Total
Net interest income						
30.09.2014	11.5	62.1	54.1	3.6	–0.9	130.4
30.09.2013	14.8	50.7	51.2	4.0	3.6	124.3
Net loan impairment and other credit risk provisions						
30.09.2014	0.0	2.7	1.4	0.0	–0.7	3.4
30.09.2013	0.0	5.0	0.5	0.0	–0.4	5.1
Net interest income after net loan impairment and other credit risk provisions						
30.09.2014	11.5	59.4	52.7	3.6	–0.2	127.0
30.09.2013	14.8	45.7	50.7	4.0	4.0	119.2
Share of profit in associates						
30.09.2014	0.0	0.0	0.1	0.0	0.1	0.2
30.09.2013	0.0	0.0	0.2	0.0	0.0	0.2
Net fee income						
30.09.2014	38.5	40.0	179.5	29.7	0.0	287.7
30.09.2013	51.2	34.5	191.5	31.5	0.0	308.7
Operating trading income						
30.09.2014	2.3	5.8	70.3	1.5	3.1	83.0
30.09.2013	3.5	4.4	69.1	1.8	–0.4	78.4
Income after net loan impairment and other credit risk provisions						
30.09.2014	52.3	105.2	302.6	34.8	3.0	497.9
30.09.2013	69.5	84.6	311.5	37.3	3.6	506.5
Administrative expenses						
30.09.2014	39.6	70.2	233.3	20.7	15.7	379.5
30.09.2013	52.3	50.9	222.1	21.8	33.9	381.0
of which depreciation and amortisation						
30.09.2014	0.7	1.3	2.1	0.2	14.6	18.9
30.09.2013	0.7	0.9	1.7	0.2	14.0	17.5
Income from financial assets						
30.09.2014	2.2	4.5	12.6	1.4	–0.1	20.6
30.09.2013	2.3	2.9	10.1	1.2	–3.4	13.1
Income from derivatives in the banking book						
30.09.2014	0.0	0.0	0.0	0.0	–0.7	–0.7
30.09.2013	0.0	0.0	0.0	0.0	–0.1	–0.1
Net other income						
30.09.2014	1.1	1.6	5.5	0.5	5.5	14.2
30.09.2013	3.0	1.1	5.5	0.5	14.9	25.0
Pre-tax profit						
30.09.2014	**16.0**	**41.1**	**87.4**	**16.0**	**–8.0**	**152.5**
30.09.2013	**22.5**	**37.7**	**105.0**	**17.2**	**–18.9**	**163.5**
Taxation						
30.09.2014	5.0	12.9	27.5	5.0	–0.1	50.3
30.09.2013	6.9	11.9	32.9	5.4	–11.3	45.8
Net profit						
30.09.2014	**11.0**	**28.2**	**59.9**	**11.0**	**–7.9**	**102.2**
30.09.2013	**15.6**	**25.8**	**72.1**	**11.8**	**–7.6**	**117.7**

Growing worries over the worsening of the crises in Ukraine and the Middle East as well as the recovery in economic growth failing to materialise in the Eurozone led German companies to exercise restraint in respect of new investments and therefore to lower borrowing requirements in the second and third quarter of this year. Domestic demand remains robust owing to the favourable situation on the German labour market and the Euro has weakened significantly against important trading currencies, justifying hopes of only a temporary dip in economic growth this year and a moderate recovery in Germany in the months ahead. The extreme low-interest-rate policy with negative deposit rates being pursued by the ECB is putting major pressure on earnings. Within the Bank the implementation of the growth strategy is still giving rise to high up-front expenses in many areas. Despite this difficult internal and external general setting, the Bank is keeping to its earnings target for this year, again confirming the balanced nature of the business structure and the stability of its client-oriented business model. Earnings in the Commercial Banking segment increased, providing evidence of the first successes of the growth initiative in the corporate banking business, while the Global Banking & Markets, Global Private Banking and Asset Management segments remained below their prior-year results. The Central segment shows essentially only regulatory costs and the items still arising this year from the withdrawal of business activities from Luxembourg, which is almost completed.

In Commercial Banking the positive impact of the growth strategy is reflected in the mainly volume-based increase in interest income in the lending business. The withdrawal from Luxembourg and the resulting loss of business opportunities were mainly responsible for the decline in revenues and costs in the Global Private Banking segment this year. Global Banking & Markets was able to reduce its earnings shortfall compared to the previous year as a result of the very successful third quarter in the Investment Banking and Alternative Investment business. The decline in revenues in the Asset Management segment was brought about by positive non-recurring items at the beginning of last year as well as the discontinuation of revenues in the mutual fund business owing to the sale of the Luxembourg fund business.

Major cost savings as a result of the withdrawal from Luxembourg, which is largely completed, have been compensated by additional costs for regulatory purposes and for the measures to implement the growth initiative already taken and still continuing in the corporate banking business. These include in particular investments in both additional employees and the office and technical infrastructure for the establishment of four new branches as well as the expansion of the Bank's Middle and Back Office to ensure consistent quality in business processing.

8 Loans and advances to banks

in €m	30.09.2014	31.12.2013
Current accounts	642.2	519.2
Money market transactions	771.1	662.0
of which overnight money	310.0	46.4
of which term deposits	461.1	615.6
Other loans and advances	182.4	259.4
Collateral items in the derivatives trading business	439.7	203.2
Total	**2,035.4**	**1,643.8**
of which to banks	566.7	198.7
of which to foreign banks	1,468.7	1,445.1

9 Loans and advances to customers

in €m	30.09.2014	31.12.2013
Current accounts	1,500.0	1,229.6
Money market transactions	709.8	529.5
of which overnight money	48.4	63.6
of which term deposits	661.4	465.9
Loan accounts	3,490.5	2,865.5
Other loans and advances	1,238.1	163.2
Collateral items in the derivatives trading business	4.7	69.8
Total	**6,943.1**	**4,857.6**
of which to domestic customers	5,007.0	3,029.5
of which to foreign customers	1,936.1	1,828.1

10 Net loan impairment and other credit risk provisions

in €m	30.09.2014	31.12.2013
Net loan impairment provision	30.3	33.4
Provisions for credit risks	12.3	5.9
Net loan impairment and other credit risk provisions	42.6	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	0.1	4.5	4.1	1.2	4.2	5.7
Currency translation/ transfers	0.8	0.0	0.0	0.0	0.8	0.0
As at 30.09.	14.9	16.9	27.7	17.6	42.6	34.5

11 Trading assets

in €m	30.09.2014	31.12.2013
Bonds and other fixed-income securities	2,289.6	2,484.0
Equities and other non-fixed-income securities	1,567.0	1,393.4
Tradable receivables	615.4	1,420.3
Positive market value of derivatives	2,303.9	1,449.9
Derivatives in hedging relationships	0.3	6.0
Total	6,776.2	6,753.6

12 Financial assets

in €m	30.09.2014	31.12.2013
Bonds and other fixed-income securities	5,805.3	4,693.7
Equities and other non-fixed-income securities	26.4	29.9
Investment certificates	156.2	95.5
Promissory note loans	229.6	209.1
Investments	97.5	96.6
Total	**6,315.0**	**5,124.8**

13 Deposits by banks

in €m	30.09.2014	31.12.2013
Current accounts	1,946.4	648.1
Money market transactions	147.6	270.8
of which overnight money	21.1	2.8
of which term deposits	126.5	268.0
Other liabilities	171.0	145.3
Collateral items in the derivatives trading business	92.6	205.2
Total	**2,357.6**	**1,269.4**
of which domestic banks	1,599.2	439.1
of which foreign banks	758.4	830.3

14 Customer accounts

in €m	30.09.2014	31.12.2013
Current accounts	10,867.9	9,149.9
Money market transactions	2,468.6	2,642.4
of which overnight money	545.9	396.4
of which term deposits	1,922.7	2,246.0
Savings deposits	55.7	57.2
Other liabilities	307.1	369.6
Total	**13,699.3**	**12,219.1**
of which domestic customers	12,351.1	10,681.7
of which foreign customers	1,348.2	1,537.4

15 Trading liabilities

in €m	30.09.2014	31.12.2013
Negative market value of derivatives	2,525.7	1,881.3
Promissory note loans, bonds, certificates and warrants	2,828.8	2,114.5
Delivery obligations arising from securities sold short	27.5	53.1
Derivatives in hedging relationships	101.1	46.9
Derivatives held in the banking book	4.8	4.1
Total	**5,487.9**	**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					
30.09.2014	12,156	10,421	8,646	31,223	1,080
31.12.2013	8,263	12,514	8,022	28,799	784
Foreign exchange-based transactions					
30.09.2014	36,746	3,492	209	40,447	871
31.12.2013	24,793	2,224	176	27,193	348
Equity/index-based transactions					
30.09.2014	3,544	3,188	232	6,964	3
31.12.2013	3,543	2,477	295	6,315	9
Total					
30.09.2014	**52,446**	**17,101**	**9,087**	**78,634**	**1,954**
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

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

Trading book		2014		
in €m	**30.09.**	**Maximum**	**Minimum**	**Average**
Type of risk				
Interest rate risk	3.9	4.8	2.6	3.6
Currency risk	0.2	0.3	0.0	0.1
Equity/index risk	0.4	1.7	0.4	0.8
Credit spread risk	3.3	3.5	2.7	3.0
Commodities risk	0.1	0.1	0.0	0.0
Overall risk	**5.5**	**5.7**	**3.8**	**4.7**

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
Overall risk	**3.6**	**4.7**	**3.2**	**3.9**

The overall market risk is as follows:

Throughout the Bank in €m	2014 30.09.	Maximum	Minimum	Average
Type of risk				
Interest rate risk	4.9	6.1	3.4	4.8
Currency risk	0.8	1.2	0.0	0.1
Equity/index risk	1.6	2.9	1.2	1.8
Credit spread risk	4.6	4.7	3.6	4.2
Commodities risk	0.1	0.1	0.0	0.0
Overall risk	**7.6**	**7.6**	**5.0**	**6.2**

Throughout the Bank in €m	2013 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
Overall 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 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	30.09.2014	31.12.2013
Contingent liabilities on guarantees and indemnity agreements	1,872.3	1,621.4
Irrevocable loan commitments	7,558.4	6,109.4
Total	9,430.7	7,730.8

Key Dates

5 March 2015
Results Press Conference

12 May 2015
Interim Report as at 31 March 2015

2 June 2015
Annual General Meeting

19 August 2015
Interim Report as at 30 June 2015

10 November 2015
Interim Report as at 30 September 2015

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