Interim Report
as at 30 September 2015
HSBC Trinkaus & Burkhardt Group

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. to 30.09.2015	01.01. to 30.09.2014	Change in %
Income statement in €m			
Operating revenues	545.0	515.4	5.7
Net loan impairment and other credit risk provision	1.5	3.4	−55.9
Administrative expenses	407.6	379.5	7.4
Pre-tax profit	166.5	152.5	9.2
Tax expenses	51.9	50.3	3.2
Net profit	114.6	102.2	12.1
Ratios			
Cost efficiency ratio of usual business activity in %	70.8	70.9	–
Return on equity before tax in % (projected for the full year)	11.9	14.5	–
Net fee income in % of operating revenues	60.3	55.8	–
No. of employees at the reporting date	2,785	2,615	6.5
Share information			
Average number of shares in circulation in million	34.1	28.1	21.4
Earnings per share in €	3.36	3.64	−7.7
Share price at the reporting date in €	72.0	74.5	−3.4
Market capitalisation at the reporting date in €m	2,455.2	2,093.5	17.3

	30.09.2015	31.12.2014	Change in %
Balance sheet figures in €m			
Total assets	24,296.5	22,177.8	9.6
Shareholders' equity	1,910.8	1,916.4	−0.3
Regulatory ratios			
Tier 1 capital in €m	1,568.1	1,568.6	0.0
Regulatory capital in €m	1,941.1	1,957.1	−0.8
Risk-weighted assets in €m	15,728.0	15,055.0	4.5
Tier 1 capital ratio in %	10.0	10.4	–
Regulatory capital ratio in %	12.3	13.0	–

Letter from the Management Board

Ladies and Gentlemen,

The Eurozone escaped the effects of the global economic weakness in the first half of 2015 and grew by 0.5 % and 0.4 %, respectively, in the first two quarters. Private consumption, which in turn benefited from the continuing weakness of the oil price, was the driving force behind the upturn. However, this tailwind is already dying down again, as documented by the European Commission's consumer confidence data. The positive effect of lower input costs did not improve sentiment in the corporate sector. Correspondingly, the labour market is recovering only slowly. At 11.0 %, the unemployment rate was still on a high level in August. While Germany saw a new low of 4.5 %, there was a worrying increase in the unemployment rate in France in August to 10.8 %, a new record high since 1999. In addition to weaker global demand, the positive impact of the devaluation of the euro from mid-2014 to March 2015 is also increasingly coming to an end with the recovery of the euro in recent months, which should have a dampening effect on exports. The German economy, just like the whole of the Eurozone, is likely to grow by 1.5 % in 2015, followed by GDP growth of 1.4 % next year. Apart from the economic aspects, the low inflation in the Eurozone above all indicates that the ECB's bond buying programme will continue beyond September 2016. Eurozone inflation is likely to rise year-on-year by 0.1 % in 2015 and by just 0.6 % in 2016. In this environment, the yield on 10-year federal government bonds should remain on an extremely low level in the months ahead as well.

The inflation rate in the USA is also very low and has prevented the US central bank from initiating a cycle of interest rate increases so far. In contrast, the US economy appears to be quite solid in real economic terms, with annualised GDP growth of 3.9 % in the third quarter. However, even the USA with its lower dependence on exports will not be able to completely escape the negative impact of the poor economic climate in many national economies of the emerging markets. This will make itself felt in the processing industry in particular. The cyclical momentum is only likely to slow down slightly, though, from 2.4 % GDP growth this year to 2.3 % in 2016. As the appreciation of the US dollar is slowing and oil prices are already stabilising, weakening their deflationary influence, the Fed will start off with a first key interest rate increase of 25 bp in December 2015, despite low inflation and the risks to the real economy.

The emerging markets will fail to become global growth drivers in the months ahead as well in view of the economic prospects becoming increasingly gloomy. Growth in China is likely to be only slightly weaker this year at just below 7 % thanks to the impetus coming from the central government's economic policy and the expansionary monetary policy.

Moderate global growth, high costs on account of regulatory requirements and the continuing low interest rate environment represent a challenge for the German banking system, and also for HSBC Trinkaus & Burkhardt.

In this environment, HSBC Trinkaus & Burkhardt improved pre-tax profit in the first nine months of 2015 by 9.2 % to €166.5m (9M 2014: €152.5m). Net profit came to €114.6m after €102.2m in the first nine months of 2014.

As part of our growth initiative, we continue to position ourselves far more strongly as the 'Leading International Bank' in Germany by expanding our product offering for internationally operating MMEs and multinational corporations, extending the range of our target clients as well as acquiring new clients. The diversified business model based on continuity, targeted further development and clear client orientation in the Global Banking & Markets, Commercial Banking, Global Private Banking and Asset Management segments continues to pay off.

Profitability

The earnings components are as follows:

- Net interest income improved by €3.3m, from €130.4m the previous year to €133.7m. This increase was attributable primarily to the significant improvement in interest income in the client lending business on account of higher volumes. On the other hand, interest income from financial assets declined again. Maturing bonds could only be replaced by bonds offering a comparable risk profile with a far lower coupon in the current market environment. Lower margins in the lending business are also having a negative impact on net interest income; as interest rates in the interbank business are also negative due to the ECB's deposit facility rate of –20 bp, the margin in the Bank's deposit-taking business is now negative and putting pressure on net interest income.

- Net loan impairment and other credit risk provisions came to €1.5m in the first nine months of the year (9M 2014: €3.4m), attributable to increases in collectively assessed impairments owing to the further growth in business volumes. Our conservative orientation is unchanged in relation to the assessment of default risks.

- There was a favourable improvement in net fee income of €41.0m to €328.7m (9M 2014: €287.7m). This 14.3 % increase demonstrates the Bank's success in expanding the client business. Net fee income from securities transactions (including alternative investments) improved in a year-on-year comparison, from €161.6m to €191.4m. The steady growth in volumes led to higher net fee income above all in our fund management business and custodian bank operations, which we pool under HSBC Securities Services. There was also a significant increase in management fees in the Asset Management business. Furthermore, we were again able to provide our clients with access to interesting asset classes in the area of infrastructure investments and the financing of European corporate clients. Net fee income from foreign exchange and derivatives transactions of €85.2m was substantially higher by €21.9m (9M 2014: €63.3m). This shows above all the greater need on the part of our clients to hedge against exchange rate fluctuations in the currently more volatile forex market environment and the stronger demand from the Bank’s clients for tailor-made solutions. The close cooperation between Private Banking and the MME corporate banking business in the form of reciprocal business procurement is already beginning to bear fruit. We were not able to repeat the good result in the lending business in the prior-year period, which was characterised by a very large number of refinancing transactions, and net fee income declined here by €2.4m to €17.8m. Net fee income from payments and the international business rose by €0.5m. The issuing and structuring business as well as Investment Banking is summarised under net fee income from capital financing, which declined from €18.5m to €12.0m. This decline is attributable to the cautious attitude still being taken by our clients to corresponding capital market and financing measures, while net fee income generated by supporting new bond issues matched the high prior-year level.

- Net trading income was almost unchanged at €82.2m (9M 2014: €82.3m). The extraordinary market turbulence on the bond markets in the second quarter put considerable pressure on net income from trading with bonds and interest rate derivatives, leading to a decline of €24.0m to €24.4m. Net income from trading with equities and equity derivatives improved significantly in the third quarter to €41.5m, €6.4m higher than in the comparable period (9M 2014: €35.1m). The results of both foreign exchange trading and trading with derivatives held in the banking book improved substantially, with increases of €8.6m and €8.9m, respectively. In addition to higher turnover in our business with clients, this was due above all to the major change in the euro exchange rate versus the US dollar.

- Administrative expenses rose by €28.1m, from €379.5m to €407.6m. The increase in the workforce in the wake of the growth strategy is reflected in higher staff expenses. Other administrative expenses rose by €3.5m to €137.6m, due almost entirely to the charges resulting from the new bank levy in accordance with European provisions. Depreciation of property, plant and equipment and of intangible assets declined by €2.5m. The cost efficiency ratio was therefore almost unchanged at 70.8 % in the first nine months (9M 2014: 70.9 %) and slightly above 70 % as expected.

- Income from financial assets rose from €20.6m to €22.3m. Gains realised on the sale of financial assets, in particular of fund units, were set against moderate impairments on financial assets.

- Net other income of €8.6m (9M 2014: €14.2m) includes above all rental income from our property in Australia, which is set against interest expense for refinancing, which we report under net interest income. The lower figure compared to the first nine months of 2014 is the result above all of income from the reversal of provisions included the previous year, which did not accrue in the reporting period.

The asset situation

Total assets rose by €2.1bn compared to 31 December 2014 to €24.3bn.

Customer accounts remain our most important source of refinancing and amounted to €14.2bn as at 30 September 2015 (31 December 2014: €13.1bn). 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, HSBC Trinkaus & Burkhardt is still the highest rated private commercial bank in Germany with a 'AA- (Stable)' Fitch rating.

The increase in deposits by banks, from €0.9bn to €1.8bn, corresponds with the increase in loans and advances to banks, from €1.5bn to €2.2bn, and in the cash reserve, from €0.6bn to €1.9bn, and is mainly reporting date related.

Loans and advances to customers increased further, from €6.5bn to €7.9bn, reflecting the significant contribution being made by our growth strategy with market share gains in the corporate banking business.

Trading assets of €6.2bn were €1.1bn lower compared to 31 December 2014. There were declines in both bonds and other fixed-income securities (€0.3bn) as well as equities and other variable-income securities (€0.4bn) and in the market values of OTC and exchange-traded derivatives (€0.3bn).

Trading liabilities of €5.4bn were unchanged compared to 31 December 2014. A slight increase in the bonds, certificates and warrants we issue owing to greater client demand was set against slight declines in the market values of OTC and exchanged-traded derivatives.

Shareholders' equity of €1.9bn is marginally lower than the level as at 31 December 2014. The valuation reserve for financial instruments declined by €53.4m to €115.0m. On the other hand, the valuation reserve for the remeasurement of the net pension obligation improved slightly by €1.3m to € –90.7m. The decline in the valuation reserve for financial instruments is due to the increase in market interest rates, price fluctuations and disposals. The positive effect of the increase in market interest rates on the valuation reserve for the remeasurement of the net pension obligation was largely reversed by the weaker performance of the plan assets.

The financial position

The Group's risk positions as at 30 September 2015 stood at €15,728.0m (31 December 2014: €15,055.0m), of which risk-weighted assets accounted for €12,918.0m (31 December 2014: €12,175.6m), the market risk equivalent for €1,422.0m (31 December 2014: €1,502.8m) and operational risk for €1,388.0m (31 December 2014: €1,376.6m). This gives a Tier 1 capital ratio of 10.0 % (31 December 2014: 10.4 %) and a regulatory capital ratio of 12.3 % (31 December 2014: 13.0 %).

The Bank's financial position is still characterised by very good liquidity. We continue to invest a substantial part of our surplus liquidity in eligible bonds issued by German federal states. We are currently adapting the calculation of the Liquidity Coverage Ratio (LCR) to the new European provisions.

Outlook

HSBC will continue to implement the growth strategy started in mid-2013, which focuses on the business with MME corporate clients, but also provides for the expansion of the Global Banking & Markets business. We continue to expect a single-digit percentage increase in revenues for the 2015 financial year as a result.

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 offering. But the Bank's service divisions and central functions are also being expanded correspondingly. In addition, there are a large number of projects to strengthen IT support of the business and set up the necessary capacities. According to plan, this will lead to a significant increase in administrative expenses. The Bank's cost efficiency ratio for the first nine months of the financial year stands at 70.8 %. We assume that this ratio could also exceed the 70 % mark for the full 2015 financial year.

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 the risk provisioning requirements to turn out to be higher than in the previous years over time, especially as the growth in lending is already evidently being 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 continue to anticipate a slight increase in pre-tax profit for the full financial year, provided there are no surprise loan losses, the interest, foreign exchange and equity markets are not subjected to any further shocks and the external influences on the Bank's client-oriented business model remain controllable.

Düsseldorf, October 2015

The Management Board

Carola Gräfin v. Schmettow | Dr. Rudolf Apenbrink | Paul Hagen

Stephen Price | Norbert Reis

Consolidated Balance Sheet

Assets in €m	Notes	30.09.2015	31.12.2014	Change in %
Cash reserve		1,897.8	616.4	>100
Loans and advances to banks	(8)	2,231.9	1,494.8	49.3
Loans and advances to customers	(9)	7,914.2	6,538.9	21.0
Net loan impairment provision	(10)	–29.2	–29.6	–1.4
Trading assets	(11)	6,214.5	7,327.8	–15.2
Financial assets	(12)	5,650.7	5,883.4	–4.0
Share of profit in associates		0.4	20.3	–98.0
Property, plant and equipment		101.4	97.6	3.9
Intangible assets		8.2	10.6	–22.6
Taxation recoverable		25.6	13.6	88.2
of which current		2.4	1.5	60.0
of which deferred		23.2	12.1	91.7
Other assets		281.0	204.0	37.7
Total assets		**24,296.5**	**22,177.8**	**9.6**

Liabilities in €m	Note	30.09.2015	31.12.2014	Change in %
Deposits by banks	(13)	1,791.0	875.3	>100
Customer accounts	(14)	14,189.2	13,093.9	8.4
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	5,437.6	5,424.5	0.2
Provisions		161.3	167.2	–3.5
Taxation		39.1	32.2	21.4
of which current		39.1	32.2	21.4
of which deferred		0.0	0.0	–
Other liabilities		309.3	210.1	47.2
Subordinated capital		448.2	448.2	0.0
Shareholders' equity		1,910.8	1,916.4	–0.3
Subscribed capital		91.4	91.4	0.0
Capital reserve		731.6	731.7	0.0
Retained earnings		948.4	868.2	9.2
Valuation reserve for financial instruments		115.0	168.4	–31.7
Valuation reserve for the remeasurement of the net pension obligation		–90.7	–92.0	–1.4
Valuation reserve from currency conversion		0.5	2.2	–77.3
Net profit including profit brought forward		114.6	146.5	–21.8
Total equity and liabilities		**24,296.5**	**22,177.8**	**9.6**

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Consolidated Income Statement

in €m	Note	01.01. to 30.09.2015	01.01. to 30.09.2014	Change in %
Interest income		193.4	185.0	4.5
Interest expense		59.7	54.6	9.3
Net interest income	(1)	133.7	130.4	2.5
Net loan impairment and other credit risk provisions	(2)	1.5	3.4	–55.9
Share of profit in associates		0.1	0.2	–50.0
Fee income		663.6	549.8	20.7
Fee expenses		334.9	262.1	27.8
Net fee income	(3)	328.7	287.7	14.3
Net trading income	(4)	82.2	82.3	–0.1
Administrative expenses	(5)	407.6	379.5	7.4
Income from financial assets		22.3	20.6	8.3
Net other income	(6)	8.6	14.2	–39.4
Pre-tax profit		**166.5**	**152.5**	**9.2**
Tax expenses		51.9	50.3	3.2
Net profit		**114.6**	**102.2**	**12.1**

Reconciliation from net income to comprehensive income

in €m	01.01. to 30.09.2015	01.01. to 30.09.2014
Net profit	114.6	102.2
Gains/losses after tax reclassified in the income statement	–55.1	36.9
of which from financial instruments	–53.4	35.0
of which from currency conversion	–1.7	1.9
Gains/losses after tax not reclassified in the income statement	1.3	–24.3
of which from the remeasurement of the net pension obligation	1.3	–24.3
Total	**60.8**	**114.8**

Earnings per share

in €	01.01. to 30.09.2015	01.01. to 30.09.2014	Change in %
Undiluted earnings per share	3.36	3.64	–7.7
Diluted earnings per share	3.36	3.64	–7.7

Consolidated Statement of Changes in Equity

in €m	2015	2014
Consolidated shareholders’ equity as at 01.01.	**1,916.4**	**1,453.7**
Distribution	–70.3	–70.3
Net profit	114.6	102.2
Gains/losses not recognised in the income statement	–53.8	12.6
Other changes	3.9	1.1
Consolidated shareholders’ equity as at 30.09.	**1,910.8**	**1,499.3**

Consolidated Cash Flow Statement

in €m	2015	2014
Cash and cash equivalents as at 01.01.	**616.4**	**1,133.7**
Cash flow from operating activities	1,354.0	389.4
Cash flow from investing activities	–2.3	–28.7
Cash flow from financing activities	–70.3	32.2
Cash and cash equivalents as at 30.09.	**1,897.8**	**1,526.6**

The cash flow statement calculated according to the indirect method shows the position and movements in cash and cash equivalents of the HSBC Trinkaus & 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 2015	Q2 2015	Q3 2015	Q3 2014
Interest income	63.1	65.7	64.6	63.2
Interest expense	19.5	20.4	19.8	20.4
Net interest income	43.6	45.3	44.8	42.8
Net loan impairment and other credit risk provisions	0.0	1.2	0.3	–0.1
Share of profit in associates	0.1	0.0	0.0	0.1
Fee income	210.8	218.6	234.3	194.4
Fee expenses	105.7	109.8	119.5	92.8
Net fee income	105.1	108.8	114.8	101.6
Net trading income	40.6	2.9	38.7	18.3
Administrative expenses	135.3	136.2	136.1	127.4
Income from financial assets	4.2	18.4	–0.3	5.2
Net other income	2.3	3.4	2.9	3.7
Pre-tax profit	**60.6**	**41.4**	**64.5**	**44.4**
Tax expenses	19.0	12.8	20.1	14.8
Net profit	**41.6**	**28.6**	**44.4**	**29.6**

Earnings per share

in €m	Q1 2015	Q2 2015	Q3 2015	Q3 2014
Undiluted earnings per share	1.22	0.84	1.30	1.06
Diluted earnings per share	1.22	0.84	1.30	1.06

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

This Interim Report for the HSBC Trinkaus & Burkhardt Group as at 30 September 2015 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 2014 consolidated financial statements, apart from the following exceptions.

The implementation of the annual improvements to the IFRS cycle 2011 – 2013 in accordance with Commission Regulation (EU) No 1361 / 2014 of 18 December 2014 has no impact on this Interim Report.

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. This is necessary with regard to the determination of the fair values of financial instruments, the classification in fair value levels 1–3, the impairment of financial instruments and other assets, the recognition of provisions as well as other obligations and the assessment of the control of structured entities within the meaning of IFRS 10. 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. Estimations are subject to uncertainty. In order to minimise it, we rely upon available objective information in as far a possible, but also on experience. The estimation techniques used are subject to regular examination and adjusted if necessary.

The presentation currency is euro. For greater clarity we basically report all amounts in €m. The figures have been rounded commercially, which may result in very small discrepancies in the calculation of totals and percentages in this Interim Report.

1 Net interest income

in €m	01.01. to 30.09.2015	01.01. to 30.09.2014
Interest income	193.4	185.0
from loans and advances to banks	7.1	11.0
Money market transactions	5.7	7.5
Other interest-bearing receivables	1.4	3.5
from loans and advances to customers	108.6	87.7
Money market transactions	7.1	6.9
Other interest-bearing receivables	101.5	80.8
from financial assets	77.7	86.3
Interest income	73.1	81.9
Dividend income	3.2	3.0
Income from subsidiaries	1.4	1.4
Interest expense	59.7	54.6
from deposits by banks	22.4	18.5
Money market transactions	0.9	0.3
Other interest-bearing deposits	21.5	18.2
from customer accounts	13.3	16.2
Money market transactions	3.4	3.0
Other interest-bearing deposits	9.9	13.2
from certificated liabilities	0.3	0.3
from subordinated capital	12.9	12.5
Other	10.8	7.1
Net interest income	133.7	130.4

2 Net loan impairment and other credit risk provisions

in €m	01.01. to 30.09.2015	01.01. to 30.09.2014
Additions	1.6	4.2
Reversals	0.1	0.8
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.0	0.0
Total	**1.5**	**3.4**

3 Net fee income

in €m	01.01. to 30.09.2015	01.01. to 30.09.2014
Securities transactions	191.4	161.6
Foreign exchange transactions and derivatives	85.2	63.3
Lending	17.8	20.2
Capital financing	12.0	18.5
Payments	10.4	10.2
International business	7.0	6.7
Other fee-based business	4.9	7.2
Total	**328.7**	**287.7**

4 Net trading income

in €m	01.01. to 30.09.2015	01.01. to 30.09.2014
Equities and equity/index derivatives	41.5	35.1
Bonds and interest rate derivatives	24.4	48.4
Foreign exchange	8.1	–0.5
Derivatives held in the banking book	8.2	–0.7
Total	**82.2**	**82.3**

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. to 30.09.2015	01.01. to 30.09.2014
Staff expenses	253.6	226.5
Wages and salaries	210.4	189.6
Social security costs	24.1	23.0
Expenses for retirement pensions and other employee benefits	19.1	13.9
Other administrative expenses	137.6	134.1
Depreciation of property, plant and equipment and of intangible assets	16.4	18.9
Total	407.6	379.5

6 Net other income

in €m	01.01. to 30.09.2015	01.01. to 30.09.2014
Other operating income	13.6	18.7
Other operating expenses	5.1	4.6
Net other operating income	8.5	14.1
Other income	0.3	0.3
Other expenses	0.2	0.2
Other net income	0.1	0.1
Net other income	8.6	14.2

7 Customer groups

in €m	GPB	CMB	GB&M	AM	Central/ Consoli-dation	Total
Net interest income						
30.09.2015	10.7	69.9	50.8	2.8	–0.5	133.7
30.09.2014	11.5	62.1	54.1	3.6	–0.9	130.4
Net loan impairment and other credit risk provisions						
30.09.2015	0.4	1.3	–0.3	0.0	0.1	1.5
30.09.2014	0.0	2.7	1.4	0.0	–0.7	3.4
Net interest income after net loan impairment and other credit risk provisions						
30.09.2015	10.3	68.6	51.1	2.8	-0.6	132.2
30.09.2014	11.5	59.4	52.7	3.6	–0.2	127.0
Share of profit in associates						
30.09.2015	0.0	0.0	0.1	0.0	0.0	0.1
30.09.2014	0.0	0.0	0.1	0.0	0.1	0.2
Net fee income						
30.09.2015	40.2	41.3	212.4	34.9	–0.1	328.7
30.09.2014	38.5	40.0	179.5	29.7	0.0	287.7
Operating trading income						
30.09.2015	0.0	1.3	71.2	0.0	1.5	74.0
30.09.2014	2.3	5.8	70.3	1.5	3.1	83.0
Income after net loan impairment and other credit risk provisions						
30.09.2015	50.5	111.2	334.8	37.7	0.8	535.0
30.09.2014	52.3	105.2	302.6	34.8	3.0	497.9
Administrative expenses						
30.09.2015	39.0	77.5	251.8	23.3	16.0	407.6
30.09.2014	39.6	70.2	233.3	20.7	15.7	379.5
of which depreciation and amortisation						
30.09.2015	0.5	1.0	2.2	0.2	12.5	16.4
30.09.2014	0.7	1.3	2.1	0.2	14.6	18.9
Income from financial assets						
30.09.2015	2.1	4.7	14.0	1.6	–0.1	22.3
30.09.2014	2.2	4.5	12.6	1.4	–0.1	20.6
Result from trading with derivatives held in the banking book						
30.09.2015	0.8	1.8	5.3	0.6	–0.3	8.2
30.09.2014	0.0	0.0	0.0	0.0	–0.7	–0.7
Net other income						
30.09.2015	0.8	1.7	5.8	0.7	-0.4	8.6
30.09.2014	1.1	1.6	5.5	0.5	5.5	14.2
Pre-tax profit						
30.09.2015	**15.2**	**41.9**	**108.1**	**17.3**	**–16.0**	**166.5**
30.09.2014	**16.0**	**41.1**	**87.4**	**16.0**	**–8.0**	**152.5**
Taxation						
30.09.2015	4.7	13.1	33.9	5.4	–5.2	51.9
30.09.2014	5.0	12.9	27.5	5.0	–0.1	50.3
Net profit						
30.09.2015	**10.5**	**28.8**	**74.2**	**11.9**	**–10.8**	**114.6**
30.09.2014	**11.0**	**28.2**	**59.9**	**11.0**	**–7.9**	**102.2**

The modest economic upturn in Germany continued in the third quarter, based primarily on the robust domestic demand as a result of the strong increases in real wages and the favourable situation on the labour market. It was also driven by the economic impetus coming from the significantly lower oil price and the weaker euro. This is able to more than compensate for the dampening influence of the weaker growth in several emerging markets owing to falling commodities prices and in China in the wake of it gearing its economy more strongly towards consumption. On the other hand, the ECB's continuing low interest rate policy with negative deposit facility rates and the up-front expenses still required in many areas of the Bank owing to the consistent implementation of the growth strategy put pressure on the Bank's earnings situation. The losses in respect of interest rate positions resulting from the Bank's capital investments as a result of their mark-to-market valuation due to the increase in long-term market interest rates in the second quarter of this year had a further negative impact on the trend in earnings. These interest rate positions still generated valuation gains in the previous year. The improvement in pre-tax profit achieved in this difficult market environment underlines the balanced business structure and stability of our client-oriented business model. The earnings growth was generated in the Global Banking & Markets, Asset Management and Commercial Banking segments. The Private Banking segment, which was affected most strongly by the unfavourable general setting on the interest rate side, was almost able to repeat its prior-year result. Only regulatory costs are essentially still reported in the Central segment.

Thanks to the intensive cooperation within the HSBC Group and the positive impact of the growth strategy, Global Banking & Markets was able to benefit in the form of notable increases in fee income from the fund and custody business, client hedging transactions in the foreign exchange business as well as the placement of alternative products and more than compensate for the declining proceeds from the placement of fixed-income products due to the interest rate structure. The growth in the mutual fund and special fund business was responsible for the improvement in revenues in the Asset Management segment. The mainly volume-based increase in interest and fee income in the lending and international business while risk provisioning remained low provides evidence of the continuing success of the growth initiative in the Commercial Banking segment. This more than made up for the decline in net interest income on sight deposits. On the other hand, amplified by the fact that it refrained from passing on the negative interest rates charged by the ECB to its private clients, the Global Private Banking segment was not able to fully compensate for the lower net interest income on sight deposits due to lower margins and lower net trading income resulting from the Bank's proprietary business due to negative valuation effects.

Alongside the regulatory requirements and the higher bank levy, the additional costs this year were mainly due to the measures to implement the growth initiative which have already been taken and are still continuing. These include in particular investments in both additional employees and in the office and technical infrastructure for the establishment of the four new branches. We have also invested in the expansion of the Bank's middle and back office areas to ensure consistent quality in business processing and implement HSBC's global standards in the client business.

8 Loans and advances to banks

in €m	30.09.2015	31.12.2014
Current accounts	963.3	380.5
Money market transactions	847.7	626.5
of which overnight money	354.9	78.0
of which term deposits	492.8	548.5
Other loans and advances	304.0	155.5
Collateral items in the derivatives trading business	116.9	332.3
Total	**2,231.9**	**1,494.8**
of which to banks	790.0	265.8
of which to foreign banks	1,441.9	1,229.0

9 Loans and advances to customers

in €m	30.09.2015	31.12.2014
Current accounts	1,894.6	1,269.4
Money market transactions	916.8	595.5
of which overnight money	166.9	41.9
of which term deposits	749.9	553.6
Loan accounts	4,671.8	4,139.1
Other loans and advances	331.6	508.1
Collateral items in the derivatives trading business	99.4	26.8
Total	**7,914.2**	**6,538.9**
of which to domestic customers	5,203.1	4,193.1
of which to foreign customers	2,711.1	2,345.8

10 Net loan impairment provision

in €m	30.09.2015	31.12.2014
Net loan impairment provision	29.2	29.6
Provisions for credit risks	14.8	13.1
Net loan impairment and other credit risk provisions	**44.0**	**42.7**

	Impairments/provisions					
	Individually assessed		Collectively assessed		Total	
in €m	2015	2014	2015	2014	2015	2014
As at 01.01.	**14.3**	**15.7**	**28.3**	23.6	**42.6**	**39.3**
Reversals	0.1	0.8	0.0	0.0	0.1	0.8
Utilisation	0.1	0.9	0.0	0.0	0.1	0.9
Additions	0.1	0.1	1.5	4.1	1.6	4.2
Direct write-offs	0.0	0.0	0.0	0.0	0.0	0.0
Currency translation effects/transfers	0.0	0.8	0.0	0.0	0.0	0.8
As at 30.09.	**14.2**	**14.9**	**29.8**	27.7	**44.0**	**42.6**

11 Trading assets

in €m	30.09.2015	31.12.2014
Bonds and other fixed-income securities	1,861.5	2,155.0
Equities and other non-fixed-income securities	1,456.9	1,872.3
Tradable receivables	536.9	557.6
Positive market value of derivatives	2,358.5	2,742.9
Derivatives in hedging relationships	0.0	0.0
Derivatives held in the banking book	0.7	0.0
Total	**6,214.5**	**7,327.8**

12 Financial assets

in €m	30.09.2015	31.12.2014
Bonds and other fixed-income securities	5,214.5	5,375.5
Equities and other non-fixed-income securities	50.1	26.9
Investment certificates	140.6	170.1
Promissory note loans	163.5	214.7
Investments	82.0	96.2
Total	**5,650.7**	**5,883.4**

13 Deposits by banks

in €m	30.09.2015	31.12.2014
Current accounts	1,301.5	475.4
Money market transactions	172.3	100.9
of which overnight money	37.6	0.0
of which term deposits	134.7	100.9
Other liabilities	169.4	184.9
Collateral items in the derivatives trading business	147.8	114.1
Total	**1,791.0**	**875.3**
of which domestic banks	682.9	556.1
of which foreign banks	1,108.1	319.2

14 Customer accounts

in €m	30.09.2015	31.12.2014
Current accounts	11,919.9	11,140.4
Money market transactions	1,907.9	1,498.9
of which overnight money	435.2	326.6
of which term deposits	1,472.7	1,172.3
Savings deposits	61.3	58.8
Other liabilities	300.1	395.8
Total	**14,189.2**	**13,093.9**
of which domestic customers	12,784.6	11,678.3
of which foreign customers	1,404.6	1,415.6

15 Trading liabilities

in €m	30.09.2015	31.12.2014
Negative market value of derivatives	2,475.0	2,578.1
Promissory note loans, bonds, certificates and warrants	2,806.8	2,719.2
Delivery obligations arising from securities sold short	33.3	6.9
Derivatives in hedging relationships	115.9	115.1
Derivatives held in the banking book	6.6	5.2
Total	5,437.6	5,424.5

Other Notes

16 Derivatives business

in €m	Nominal amounts with a residual maturity of up to 1 year	1–5 years	over 5 years	Total	Positive market values
Interest rate transactions					
30.09.2015	7,058.5	12,453.3	7,153.9	26,665.7	1,008.1
31.12.2014	11,240.5	11,719.7	7,475.9	30,436.1	1,171.1
Foreign exchange-based transactions					
30.09.2015	50,505.4	4,256.4	153.6	54,915.4	786.3
31.12.2014	34,788.4	3,325.4	205.8	38,319.6	749.4
Commodities-related transactions					
30.09.2015	94.1	53.1	0.0	147.2	9.9
31.12.2014	62.7	0.8	0.0	63.5	2.8
Equity/index-based transactions					
30.09.2015	10,522.6	56.6	13.7	10,592.9	0.3
31.12.2014	8,550.0	31.8	26.7	8,608.5	5.3
Total					
30.09.2015	**68,180.6**	**16,819.4**	**7,321.2**	**92,321.2**	**1,804.6**
31.12.2014	**54,641.6**	**15,077.7**	**7,708.4**	**77,427.7**	**1,928.6**

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		2015	
in €m	**30.09.**	**Maximum**	**Average**
Type of risk			
Interest rate risk	2.9	5.8	3.1
Currency risk	0.1	0.4	0.1
Equity / index risk	0.4	1.0	0.5
Credit spread risk	1.9	3.2	2.4
Commodities risk	0.0	0.1	0.0
Diversification	2.7	3.4	2.6
Overall risk	**2.6**	**5.6**	**3.5**

Trading book		2014	
in €m	**31.12.**	**Maximum**	**Average**
Type of risk			
Interest rate risk	2.6	4.8	3.6
Currency risk	0.1	0.3	0.1
Equity / index risk	0.4	1.7	0.7
Credit spread risk	3.1	3.5	3.0
Commodities risk	0.0	0.1	0.0
Diversification	2.5	4.4	2.7
Overall risk	**3.7**	**5.9**	**4.7**

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

Banking book		2015	
in €m	30.09.	Maximum	Average
Type of risk			
Interest rate risk	1.1	3.5	1.4
Currency risk	0.4	2.0	1.3
Equity / index risk	3.4	3.5	2.6
Credit spread risk	1.8	3.3	2.4
Commodities risk	(–)	(–)	(–)
Diversification	1.8	4.6	3.1
Overall risk	**4.9**	**6.0**	**4.6**

Banking book		2014	
in €m	31.12.	Maximum	Average
Type of risk			
Interest rate risk	0.6	2.1	1.1
Currency risk	1.7	1.7	0.5
Equity / index risk	2.0	2.0	1.6
Credit spread risk	3.0	3.7	3.0
Commodities risk	(–)	(–)	(–)
Diversification	2.9	3.7	2.1
Overall risk	**4.4**	**5.4**	**4.0**

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. 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	30.09.2015	31.12.2014
Contingent liabilities on guarantees and indemnity agreements	2,179.1	2,042.4
Irrevocable loan commitments	7,928.3	8,067.7
Total	10,107.4	10,110.1

Key Dates

24 February 2016
Results Press Conference

11 May 2016
Interim Report as at 31 March 2016

8 June 2016
Annual General Meeting

31 August 2016
Interim Report as at 30 June 2016

15 November 2016
Interim Report as at 30 September 2016

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

www.hsbc.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 9386-60

Berlin
Joachimsthaler Straße 34
10719 Berlin
Phone: +49 30 88581-0
Fax: +49 30 88581-160

Dortmund
Hafenpromenade 1–2
44263 Dortmund
Phone: +49 231 950279-0
Fax: +49 231 950279-60

Frankfurt am Main
Taunusanlage 1
60329 Frankfurt am Main
Phone: +49 69 71903-0
Fax: +49 69 71903-33

Hamburg
Gänsemarkt 45
20354 Hamburg
Phone: +49 40 35614-0
Fax: +49 40 35614-152

Hanover
Georgstraße 36
30159 Hannover
Phone: +49 511 54520-0
Fax: +49 511 54520-160

Cologne
Christophstraße 19
50670 Köln
Phone: +49 221 270578-0
Fax: +49 221 270578-50

Nuremberg
Ostendstraße 100
90334 Nürnberg
Phone: +49 911 569897-0
Fax: +49 911 569897-60

Mannheim
P3, 1–3
68161 Mannheim
Phone: +49 621 397243-0
Fax: +49 621 397243-60

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

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

www.hsbc.de