Interim Report as at 31 March 2015 HSBC Trinkaus & Burkhardt Group

HSBC

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. to 31.03.2015	01.01. to 31.03.2014	Change in %
Income statement in €m			
Operating revenues	187.5	174.3	7.6
Net loan impairment and other credit risk provisions	0.0	–0.8	–100
Administrative expenses	135.3	126.6	6.9
Pre-tax profit	60.6	57.0	6.3
Tax expenses	19.0	18.7	1.6
Net profit	41.6	38.3	8.6
Ratios			
Cost efficiency ratio of usual business activity in %	69.0	69.2	–
Return on equity before tax in % (projected for the full year)	13.1	16.3	–
Net fee income in % of operating revenues	56.1	53.5	–
No. of employees at the reporting date	2,692	2,572	4.7
Share information			
Average number of shares in circulation in million	34.1	28.1	21.4
Earnings per share in €	1.22	1.36	–10.3
Share price at the reporting date in €	73.5	83.0	–11.4
Market capitalisation at the reporting date in € m	2,506.4	2,332.3	7.5

	31.03.2015	31.12.2014	Change in %
Balance sheet figures in €m			
Total assets	26,258.7	22,177.8	18.4
Shareholders' equity	1,986.9	1,916.4	3.7
Regulatory ratios			
Tier 1 capital in €m	1,589.7	1,568.6	1.3
Regulatory capital in €m	1,969.5	1,957.1	0.6
Risk-weighted assets in €m	15,931.5	15,055.0	5.8
Tier 1 ratio in %	10.0	10.4	–
Regulatory capital ratio in %	12.4	13.0	–

Letter from the Management Board

Ladies and Gentlemen,

After a year of mixed fortunes for the Eurozone economy, which grew by only 0.9 % in 2014, the signs are pointing to an economic recovery this year. Private households are benefiting from the rapid fall in the oil price, which is supporting disposable incomes and therefore private consumption in the form of declining inflation. Furthermore, the strong appreciation of the euro as a result of the ECB's € 60 billion monthly bond buying programme will add to the competitive strength of businesses and is expected to have a slightly positive impact on exports given the only restrained growth in world trade overall. Investments will first have to pick up before we see a lasting economic recovery, though. Given the historically low pressure on prices, insufficient scope for passing on price increases and latent political risk (key words: Greece and Russia-Ukraine crisis), companies are likely to be hesitant to build up new capacities in spite of the notably more favourable borrowing conditions. The GDP growth for the entire Eurozone of 1.3 % estimated for this year will probably not be enough for inflation rates to quickly return to normal. Here in Germany the growth prospects are more favourable: the unemployment rate is at a record-breaking low level and is expected to support private consumption. At the same time, companies are anticipating that economic activity will pick up, according to the ifo business confidence index, and that GDP could grow by 1.6 % or even more in Germany this year. In the USA, the signs are still pointing to growth of just below 3 % for 2015. However, the low inflationary pressure and the rather disappointing recent economic data are likely to prevent the Fed from increasing interest rates for the first time until September 2015. Accordingly, we see hardly any potential for the US dollar to appreciate from the current level (EUR/USD: 1.05 at the end of 2015).

The HSBC Trinkaus & Burkhardt Group increased its pre-tax profit to € 60.6 million in this environment in the first quarter of 2015 (Q1 2014: € 57.0 million). Net profit of € 41.6 million was generated after € 38.3 million for the period ending 31 March 2014.

As part of the growth initiative, we are further enhancing our far stronger positioning in the corporate banking business as the leading international bank in Germany by expanding our product offer for internationally operating MMEs and international corporations, extending the definition of our target clients and systematically 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 is continuing to pay off.

Profitability

The earnings components are as follows:

- Net interest income improved by € 1.7 million, from € 41.9 million in the comparable period of 2014 to € 43.6 million. This increase was attributable primarily to the significant improvement in interest income in the client lending business on account of higher volumes, while interest income from financial assets declined again. 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 business are putting pressure on net interest income and a positive interest margin in the Bank's deposit-taking business can almost no longer be achieved.

- Net loan impairment and other credit risk provisions were €0.0 million in the first quarter after a reversal of € 0.8 million in the comparable period of 2014. Our conservative orientation is unchanged in relation to the assessment of default risks.

- There was a favourable improvement in net fee income of € 11.9 million to € 105.1 million (Q1 2014: € 93.2 million). Net fee income from the securities business improved in a year-on-year comparison from € 51.0 million to € 55.6 million. The momentum on the stock markets as well as the steady growth in volume led to higher net fee income above all in our fund management business. Net fee income from foreign exchange and derivatives transactions was up € 11.9 million to € 31.8 million (Q1 2014: € 19.9 million). This shows above all the increase in our clients' hedging requirements in respect of exchange rate fluctuations in the currently more volatile market environment. Net fee income from payments and the international business increased by € 1.5 million. The further increase in net fee income in the lending business from € 5.9 million to € 6.5 million bears witness to the success of our growth strategy. Compared to the previous year, the issuing and structuring business weakened slightly by € 0.5 million to € 2.9 million. Net fee income from investment banking and alternative investments declined significantly in the first quarter compared to the prior-year figure (decline of € 3.7 million), which was reporting date-related.

- Net trading income rose by € 5.4 million to € 40.6 million (Q1 2014: € 35.2 million). An increase in net income from trading with bonds and interest rate derivatives (of € 4.3 million) was set against a decline in net income from trading with equities and equity derivatives (of € 3.9 million). Both foreign exchange trading and trading with derivatives held in the banking book recorded a significantly better result (increase of € 5.0 million). This was attributable above all to the sharp change in the EUR/USD exchange rate alongside higher volumes in our business with clients.

- Administrative expenses rose by € 8.7 million, from € 126.6 million to € 135.3 million. While other administrative expenses were almost unchanged compared to the previous year, staff expenses increased by € 9.2 million, reflecting the growth in the workforce. Depreciation of property, plant and equipment and of intangible assets declined by € 0.4 million. At 69.0 % the cost efficiency ratio was therefore slightly lower in the first three months (Q1 2014: 69.2 %) as there was a stronger increase in income than in administrative expenses.

- Income from financial assets declined from € 8.3 million to € 4.2 million. Gains on the disposal of securities, in particular of corporate bonds, which saw credit spreads narrow further, were set against moderate write-downs on investments.

- Net other income of € 2.3 million (Q1 2014: € 4.1 million) includes above all rental income from our property in Australia, which is set against interest expense from refinancing. The decline versus the comparable period of 2014 is attributable primarily to the significantly lower net result of hedge accounting due to the extraordinary developments in interest rates at the beginning of the quarter.

The asset situation

- Total assets increased compared to the end of 2014 by € 4.1 billion to € 26.3 billion.

- Customer accounts remain our most important source of refinancing and amounted to € 14.4 billion as at 31 March 2015 (31 December 2014: € 13.1 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, HSBC Trinkaus & Burkhardt is still the highest rated private commercial bank in Germany with a 'AA- (Stable)' Fitch rating.

- The € 1.3 billion increase in deposits by banks to € 2.1 billion corresponds with the increase in loans and advances to banks from € 1.5 billion to € 2.2 billion and in the cash reserve from € 0.6 billion to € 0.9 billion and is essentially reporting date-related.

- Loans and advances to customers increased further from € 6.5 billion to € 8.2 billion. Alongside the reporting date-related increase of € 0.4 billion as a result of repurchase transactions with Eurex, the significant increase beyond this reflects the substantial contribution made by our growth strategy in the corporate banking business.

- Trading assets of € 8.7 billion were up by € 1.3 billion compared to 31 December 2014. The increase affects all product categories, but the market values of OTC derivatives recorded the strongest increase of € 0.9 billion.

- This increase in the positive market values of OTC derivatives is set against an increase of € 0.8 billion in the negative market values of OTC derivatives, which are reported under trading liabilities. Furthermore, the overall increase in trading liabilities of € 1.2 billion is attributable to an increase in the bonds, certificates and warrants we issue. This shows among other things the stronger customer demand for trading-oriented retail products and certificates.

- Shareholders' equity of € 1,986.9 million is € 70.5 million higher than the level as at 31 December 2014. The valuation reserve for financial instruments rose by € 47.5 million to € 215.9 million. In contrast, the valuation reserve for the remeasurement of the net pension obligation declined by € 19.5 million to €–111.5 million. This was attributable essentially to the further decline in market interest rates in both cases.

The financial position

The Group's risk-weighted assets stood at € 15,931.5 million as at 31 March 2015 (31 December 2014: € 15,055.0 million). There of € 13,123.5 million refer to credit risk (31 December 2014: € 12,175.6 million), € 1,420 million to market risk (31 December 2014: € 1,502.8 million) and € 1,388.0 million to operational risk (31 December 2014: € 1,376.6 million). This gives a Tier 1 capital ratio of 10.0 % (31 December 2014: 10.4 %) and a regulatory capital ratio of 12.4 % (31 December 2014: 13.0 %).

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

Outlook

HSBC Trinkaus & Burkhardt will continue this year to implement the growth initiative 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 expect this to generate a single-digit percentage increase in revenues in 2015.

There will be up-front expenses for expanding the business activities as a result of a significant increase in the workforce for the business with MME corporate clients and the corresponding extension of the product offers. But the Bank's service divisions and central functions will also be expanded correspondingly. In addition, a large number of projects will be implemented to strengthen IT support of the business and create the necessary capacities. According to plan, this will lead to a substantial increase in administrative expenses. Consequently, the Bank's cost efficiency ratio will rise again and could 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 the risk provisioning requirements to be far higher than in 2014 over time, 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 are expecting a slight increase in pre-tax profit for the full financial year overall, provided there are no surprise loan losses; if the interest, foreign exchange and equity markets are not subjected to any shocks; and if the external influences on the Bank's client-oriented business model remain controllable.

Düsseldorf, May 2015

The Management Board

Andreas Schmitz   Paul Hagen   Norbert Reis   Carola Gräfin v. Schmettow

Consolidated Balance Sheet

Assets in €m	Note	31.03.2015	31.12.2014	Change in %
Cash reserve		862.4	616.4	39.9
Loans and advances to banks	(8)	2,174.4	1,494.8	45.5
Loans and advances to customers	(9)	8,191.4	6,538.9	25.3
Net loan impairment provision	(10)	–29.5	–29.6	–0.3
Trading assets	(11)	8,651.7	7,327.8	18.1
Financial assets	(12)	5,939.4	5,883.4	1.0
Share of profit in associates		20.0	20.3	1.5
Property, plant and equipment		97.2	97.6	–0.4
Intangible assets		9.5	10.6	–10.4
Taxation recoverable		21.8	13.6	60.3
of which current		1.8	1.5	20.0
of which deferred		20.0	12.1	65.3
Other assets		320.4	204.0	57.1
Total assets		**26,258.7**	**22,177.8**	**18.4**

Liabilities in €m	Note	31.03.2015	31.12.2014	Change in %
Deposits by banks	(13)	2,134.7	875.3	> 100
Customer accounts	(14)	14,389.4	13,093.9	9.9
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	6,655.8	5,424.5	22.7
Provisions		199.6	167.2	19.4
Taxation		50.4	32.2	56.5
of which current		50.4	32.2	56.5
of which deferred		0.0	0.0	–
Other liabilities		383.7	210.1	82.6
Subordinated capital		448.2	448.2	0.0
Shareholders' equity		1,986.9	1,916.4	3.7
Subscribed capital		91.4	91.4	0.0
Capital reserve		732.1	731.7	0.1
Retained earnings		867.5	868.2	–0.1
Valuation reserve for financial instruments		215.9	168.4	28.2
Valuation reserve for the remeasurement of the net pension obligation		–111.5	–92.0	21.2
Valuation reserve from currency conversion		3.4	2.2	54.5
Net profit including profit brought forward		188.1	146.5	28.4
Total equity and liabilities		**26,258.7**	**22,177.8**	**18.4**

Consolidated Statement of Income HSBC Trinkaus & Burkhardt

Consolidated Income Statement

in €m	Note	01.01. to 31.03.2015	01.01. to 31.03.2014	Change in %
Interest income		63.1	57.8	9.2
Interest expense		19.5	15.9	22.6
Net interest income	(1)	43.6	41.9	4.1
Net loan impairment and other credit risk provisions	(2)	0.0	−0.8	> 100
Share of profit in associates		0.1	0.1	0.0
Fee income		210.8	175.1	20.4
Fee expenses		105.7	81.9	29.1
Net fee income	(3)	105.1	93.2	12.8
Net trading income	(4)	40.6	35.2	15.3
Administrative expenses	(5)	135.3	126.6	6.9
Income from financial assets		4.2	8.3	−49.4
Net other income	(6)	2.3	4.1	−43.9
Pre-tax profit		**60.6**	**57.0**	**6.3**
Tax expenses		19.0	18.7	1.6
Net profit		**41.6**	**38.3**	**8.6**

Reconciliation from net income to comprehensive income

in €m	01.01. to 31.03.2015	01.01. to 31.03.2014
Net profit	41.6	38.3
Gains/losses after tax reclassified in the income statement	48.7	6.1
of which from financial instruments	47.5	5.4
of which from currency conversion	1.2	0.7
Gains/losses after tax not reclassified in the income statement	−19.5	−4.9
of which from the remeasurement of the net pension obligation	−19.5	−4.9
Total	**70.8**	**39.5**

Earnings per share

in €	01.01. to 31.03.2015	01.01. to 31.03.2014	Change in %
Undiluted earnings per share	1.22	1.36	–10.3
Diluted earnings per share	1.22	1.36	–10.3

Consolidated Statement of Changes in Capital

in €m	2015	2014
Consolidated shareholders' equity as at 01.01.	**1,916.4**	**1,453.7**
Distribution	0.0	0.0
Capital increase	0.0	0.0
Net profit	41.6	38.3
Gains/losses not recognised in the income statement	29.2	1.2
Other changes	–0.3	3.0
Consolidated shareholders' equity as at 31.03.	**1,986.9**	**1,496.2**

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	244.5	–350.3
Cash flow from investing activities	1.5	–4.3
Cash flow from financing activities	0.0	–20.0
Cash and cash equivalents as at 31.03.	**862.4**	**759.1**

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.

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

This Interim Report for the HSBC Trinkaus & Burkhardt Group as at 31 March 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 37 x 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.

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

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, the accounting of provisions as well as other obligations and the assessment of the control of structured units 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. Estimates are linked to forecasting uncertainties. In order to minimise this, we rely on the objective information available in as far as possible, but also on experience. The estimation procedures used are examined regularly and adjusted if required.

The presentation currency is euro. 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. to 31.03.2015	01.01. to 31.03.2014
Interest income	**63.1**	**57.8**
from loans and advances to banks	3.3	4.0
Money market transactions	2.6	2.5
Other interest-bearing receivables	0.7	1.5
from loans and advances to customers	35.1	27.0
Money market transactions	2.4	2.0
Other interest-bearing receivables	32.7	25.0
from financial assets	24.7	26.8
Interest income	24.3	26.3
Dividend income	0.3	0.0
Income from subsidiaries	0.1	0.5
Interest expense	**19.5**	**15.9**
from deposits by banks	6.9	5.7
Money market transactions	0.2	0.1
Other interest-bearing deposits	6.7	5.6
from customer accounts	4.3	5.2
Money market transactions	0.8	0.8
Other interest-bearing deposits	3.5	4.4
from securitised liabilities	0.1	0.1
from subordinated capital	4.3	4.1
Other	3.9	0.8
Net interest income	**43.6**	**41.9**

2 Net loan impairment and other credit risk provisions

in €m	01.01. to 31.03.2015	01.01. to 31.03.2014
Additions	0.0	0.0
Reversals	0.0	0.8
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.0	0.0
Total	**0.0**	**–0.8**

3 Net fee income

in €m	01.01. bis 31.03.2015	01.01. bis 31.03.2014
Securities transactions	55.6	51.0
Foreign exchange transactions and derivatives	31.8	19.9
Lending	6.5	5.9
Payments	3.6	2.5
Issuing and structuring business	2.9	3.4
International business	2.6	2.2
Investment banking	0.5	3.6
Alternative investments	0.4	1.0
Other fee-based business	1.2	3.7
Total	**105.1**	**93.2**

4 Net trading income

in €m	01.01. to 31.03.2015	01.01. to 31.03.2014
Bonds and interest rate derivates	24.4	20.1
Equities and equity/index derivatives	11.1	15.0
Foreign exchange	1.0	–0.1
Derivatives held in the banking book	4.1	0.2
Total	**40.6**	**35.2**

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 31.03.2015	01.01. to 31.03.2014
Staff expenses	83.9	74.7
Wages and salaries	69.3	62.8
Social security costs	8.2	7.6
Expenses for retirement pensions and other employee benefits	6.4	4.3
Other administrative expenses	45.5	45.6
Depreciation of property, plant and equipment and of intangible assets	5.9	6.3
Total	135.3	126.6

6 Net other income

in €m	01.01. to 31.03.2015	01.01. to 31.03.2014
Other operating income	5.3	6.2
Other operating expenses	3.1	2.1
Net other operating income	**2.2**	**4.1**
Other income	0.1	0.1
Other expenses	0.0	0.1
Other net income	**0.1**	**0.0**
Net other income	**2.3**	**4.1**

7 Segment reporting

in €m	GPB	CMB	GB&M	AM	Central/ Consoli- dation	Total
Net interest income						
31.03.2015	3.5	22.4	17.0	0.9	–0.2	43.6
31.03.2014	3.9	19.7	17.4	0.9	0.0	41.9
Net loan impairment and other credit risk provisions						
31.03.2015	0.3	0.1	–0.4	0.0	0.0	0.0
31.03.2014	0.0	0.0	0.0	0.0	–0.8	–0.8
Net interest income after net loan impairment and other credit risk provisions						
31.03.2015	3.2	22.3	17.4	0.9	–0.2	43.6
31.03.2014	3.9	19.7	17.4	0.9	0.8	42.7
Share of profit in associates						
31.03.2015	0.0	0.0	0.1	0.0	0.0	0.1
31.03.2014	0.0	0.0	0.1	0.0	0.0	0.1
Net fee income						
31.03.2015	13.7	13.9	66.2	11.4	–0.1	105.1
31.03.2014	13.7	11.9	58.7	8.9	0.0	93.2
Operating trading income						
31.03.2015	1.1	2.9	34.0	0.8	–2.3	36.5
31.03.2014	0.9	2.2	31.2	0.5	0.2	35.0
Income after net loan impairment and other credit risk provisions						
31.03.2015	18.0	39.1	117.7	13.1	–2.6	185.3
31.03.2014	18.5	33.8	107.4	10.3	1.0	171.0
Administrative expenses						
31.03.2015	13.3	25.9	85.0	7.8	3.3	135.3
31.03.2014	13.2	22.0	78.6	7.5	5.3	126.6
of which depreciation and amortisation						
31.03.2015	0.2	0.5	0.7	0.1	4.4	5.9
31.03.2014	0.2	0.4	0.7	0.1	4.9	6.3
Income from financial assets						
31.03.2015	0.4	0.9	2.6	0.3	0.0	4.2
31.03.2014	0.9	1.6	5.3	0.5	0.0	8.3
Results from derivatives in the banking book						
31.03.2015	0.0	0.0	0.0	0.0	4.1	4.1
31.03.2014	0.0	0.0	0.0	0.0	0.2	0.2
Net other income						
31.03.2015	0.4	0.8	2.5	0.3	–1.7	2.3
31.03.2014	0.2	0.3	1.9	0.1	1.6	4.1
Pre-tax profit						
31.03.2015	**5.5**	**14.9**	**37.8**	**5.9**	**–3.5**	**60.6**
31.03.2014	**6.4**	**13.7**	**36.0**	**3.4**	**–2.5**	**57.0**
Taxation						
31.03.2015	1.7	4.7	11.9	1.8	–1.1	19.0
31.03.2014	2.0	4.3	11.3	1.1	0.0	18.7
Net profit						
31.03.2015	**3.8**	**10.2**	**25.9**	**4.1**	**–2.4**	**41.6**
31.03.2014	**4.4**	**9.4**	**24.7**	**2.3**	**–2.5**	**38.3**

Notes to the segment reporting

The further weakening of the euro versus important trading currencies, the sharp decline in the oil price and the extremely low level of interest rates as a result of the ECB's exceptionally loose monetary policy have led to greater optimism among German companies since the fourth quarter of last year. This, together with the good consumer climate thanks to the favourable situation on the labour market and significant increases in disposable incomes, led to strong economic growth in Germany in the first quarter of this year and contributed to prices on the equity and bond markets soaring. On the other hand, the ECB's low interest rate policy with negative deposit rates and the up-front expenses required in many areas of the Bank for the consistent continuation of the growth strategy are putting pressure on the earnings situation. The increase in net profit achieved in this difficult general setting underlines the Bank's balanced business structure and stability of the client-oriented business model. While the Global Private Banking segment was not able to escape the unfavourable market conditions on the interest rate side and reported a lower result, Asset Management and the Commercial Banking and Global Banking & Markets segments managed to further improve on their prior-year results. Only regulatory costs are essentially reported in Central.

Higher revenues in the mutual and special funds business, buoyed by performance fees as a result of the good performance of several funds, were mainly responsible for the increase in revenues in the Asset Management segment. The largely volume-based growth in interest income in the lending business and high fee income in the lending and foreign exchange business provides evidence of the continuing successes of the growth initiative. Global Banking & Markets also benefited from this with notable improvements in net fee income from the foreign exchange and custody business, reflecting the increasingly more intensive cooperation within the HSBC Group. These improvements were more than able to compensate for the decline in revenues from the generation and placement of fixed-income products due to the yield curve. Global Private Banking reported lower earnings, attributable mainly to the fact that we have not passed on the ECB's negative market interest rates to our private clients.

The cost savings in Central as a result of the discontinuation of activities in Luxembourg, which was largely completed last year, have been more than compensated this year by additional costs for regulatory purposes and for the measures which have already been taken and are still continuing to implement the growth initiative in the corporate banking business. These include in particular investments in both additional employees and the office and technical infrastructure to expand the four new branches established the previous year, as well as the Bank's middle and back office areas, to ensure consistent quality in business processing.

8 Loans and advances to banks

in €m	31.03.2015	31.12.2014
Current accounts	802.0	380.5
Money market transactions	690.9	626.5
of which overnight money	193.0	78.0
of which term deposits	497.9	548.5
Other loans and advances	143.9	155.5
Collateral items in the derivatives trading business	537.6	332.3
Total	**2,174.4**	**1,494.8**
of which to banks	513.4	265.8
of which to foreign banks	1,661.0	1,229.0

9 Loans and advances to customers

in €m	31.03.2015	31.12.2014
Current accounts	1,526.4	1,269.4
Money market transactions	838.2	595.5
of which overnight money	40.4	41.9
of which term deposits	797.8	553.6
Loan accounts	4,603.0	4,139.1
Other loans and advances	914.7	508.1
Collateral items in the derivatives trading business	309.1	26.8
Total	**8,191.4**	**6,538.9**
of which to domestic customers	5,359.1	4,193.1
of which to foreign customers	2,832.3	2,345.8

10 Net loan impairment and other credit risk provisions

in €m	31.03.2015	31.12.2014
Net loan impairment provision	29.5	29.6
Provisions for credit risks	13.1	13.1
Net loan impairment and other credit risk provisions	42.6	42.7

	Impairments / provisions					
	Individually assessed		Collectively assessed		Total	
in €m	2015	2014	2015	2014	2015	2014
As at 01.01	14.4	15.7	28.3	23.6	42.7	39.3
Reversals	0.0	0.8	0.1	0.0	0.1	0.8
Utilisation	0.0	0.2	0.0	0.0	0.0	0.2
Additions	0.0	0.0	0.0	0.0	0.0	0.0
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 31.03	14.4	15.5	28.2	23.6	42.6	39.1

11 Trading assets

in €m	31.03.2015	31.12.2014
Bonds and other fixed-income securities	2,287.3	2,155.0
Equities and other non-fixed-income securities	2,108.1	1,872.3
Tradable receivables	593.2	557.6
Positive market value of derivatives	3,663.1	2,742.9
Derivatives in hedging relationships	0.0	0.0
Total	8,651.7	7,327.8

12 Financial assets

in €m	31.03.2015	31.12.2014
Bonds and other fixed-income securities	5,413.1	5,375.5
Equities and other non-fixed-income securities	41.0	26.9
Investment certificates	204.9	170.1
Promissory note loans	179.2	214.7
Investments	101.2	96.2
Total	**5,939.4**	**5,883.4**

13 Deposits by banks

in €m	31.03.2015	31.12.2014
Current accounts	1,083.1	475.4
Money market transactions	677.6	100.9
of which overnight money	518.5	0.0
of which term deposits	159.1	100.9
Other liabilities	169.4	184.9
Collateral items in the derivatives trading business	204.6	114.1
Total	**2,134.7**	**875.3**
of which domestic banks	887.1	556.1
of which foreign banks	1,247.6	319.2

14 Customer accounts

in €m	31.03.2015	31.12.2014
Current accounts	12,437.6	11,140.4
Money market transactions	1,395.9	1,498.9
of which overnight money	383.5	326.6
of which term deposits	1,012.4	1,172.3
Savings deposits	62.0	58.8
Other liabilities	493.9	395.8
Total	**14,389.4**	**13,093.9**
of which domestic customers	12,747.6	11,678.3
of which foreign customers	1,641.8	1,415.6

15 Trading liabilities

in €m	31.03.2015	31.12.2014
Negative market value of derivatives	3,611.2	2,578.1
Promissory note loans, bonds, certificates and warrants	2,909.9	2,719.2
Delivery obligations arising from securities sold short	13.1	6.9
Derivatives in hedging relationships	115.8	115.1
Derivatives held in the banking book	5.8	5.2
Total	**6,655.8**	**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					
31.03.2015	11,830.6	13,278.6	8,308.8	33,418.0	1,345.9
31.12.2014	11,240.5	11,719.7	7,475.9	30,436.1	1,171.1
Foreign exchange-based transactions					
31.03.2015	42,799.7	4,879.2	221.8	47,900.7	1,456.8
31.12.2014	34,788.4	3,325.4	205.8	38,319.6	749.4
Commodities-based transactions					
31.03.2015	65.1	28.5	0.0	93.6	4.5
31.12.2014	62.7	0.8	0.0	63.5	2.8
Equity/index-related transactions					
31.03.2015	10,377.8	84.5	45.2	10,507.5	6.4
31.12.2014	8,550.0	31.8	26.7	8,608.5	5.3
Total					
31.03.2015	**65,073.2**	**18,270.8**	**8,575.8**	**91,919.8**	**2,813.6**
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

Trading book in €m	31.03.2015	31.12.2014
Type of risk		
Interest-rate risk	3.9	2.6
Currency risk	0.4	0.1
Equity/index risk	0.4	0.4
Credit-spread risk	2.3	3.1
Commodities risk	0.0	0.0
Diversification	2.8	2.5
Overall risk	**4.1**	**3.7**

Banking book in €m	31.03.2015	31.12.2014
Type of risk		
Interest-rate risk	1.1	0.6
Currency risk	1.6	1.7
Equity/index risk	2.6	2.0
Credit-spread risk	2.7	3.0
Commodities risk	–	–
Diversification	3.4	2.9
Overall risk	**4.6**	**4.4**

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 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	31.03.2015	31.12.2014
Contingent liabilities on guarantees and indemnity agreements	2,056.4	2,042.4
Irrevocable loan commitments	8,381.6	8,067.7
Total	**10,438.0**	**10,110.1**

Key Dates

2 June 2015
Annual General Meeting

19 August 2015
Press Conference
on the Interim Report as at 30 June 2015

10 November 2015
Interim Report as at 30 September 2015

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