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

HSBC

Financial Highlights of the HSBC Trinkaus & Burkhardt Group

	01.01. to 30.06.2015	01.01. to 30.06.2014	Change in %
Income statement in €m			
Operating revenues	345.7	347.5	–0.5
Net loan impairment provision	1.2	3.5	–65.7
Administrative expenses	271.5	252.1	7.7
Pre-tax profit	102.0	108.1	–5.6
Tax expenses	31.8	35.5	–10.4
Net profit	70.2	72.6	–3.3
Ratios			
Cost efficiency ratio of usual business activity in %	72.5	69.3	–
Return on equity before tax in % (projected for the full year)	11.0	15.5	–
Net fee income in % of operating revenues	61.9	53.6	–
No. of employees at the reporting date	2,728	2,606	4.7
Share information			
Average number of shares in circulation in million	34.1	28.1	21.4
Earnings per share in €	2.06	2.58	–20.2
Share price at the reporting date in €	70.0	83.5	–16.2
Market capitalisation at the reporting date in €m	2,387.0	2,346.4	1.7

	30.06.2015	31.12.2014	Change in %
Balance sheet figures in €m			
Total assets	24,230.8	22,177.8	9.3
Shareholders' equity	1,909.0	1,916.4	–0.4
Regulatory ratios			
Tier 1 capital in €m	1,593.3	1,568.6	1.6
Regulatory capital in €m	1,969.2	1,957.1	0.6
Risk positions in €m	15,628.5	15,055.0	3.8
Tier 1 capital ratio in %	10.2	10.4	–
Regulatory capital ratio in %	12.6	13.0	–

Letter from the Management Board

Ladies and Gentlemen,

HSBC Trinkaus & Burkhardt generated a slightly lower pre-tax profit of €102.0m in the first half of 2015 in a market environment that remained challenging for the entire sector (H1 2014: €108.1m). Net profit amounted to €70.2m after €72.6m in the first half of 2014. There was a very favourable trend in our business with clients, which was driven by the intensification of existing client relationships as well as transactions with new clients and signals clear growth in our market share. The increase in interest rates for longer-dated bonds put pressure on net trading income.

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.

Carola Gräfin v. Schmettow took over as Chairwoman of the Management Board from Andreas Schmitz with effect from the end of the Annual General Meeting on 2 June 2015. In addition to her new function as Chairwoman of the Management Board, she remains responsible for the Global Markets and Capital Financing divisions. The existing Executive Committee members Stephen Price, responsible for Corporate Banking, and Dr. Rudolf Apenbrink, responsible for Private Banking and Asset Management, were appointed new members of the Management Board with effect from the same date. Further members of the Management Board are Paul Hagen, responsible for Finance and Risk, and Norbert Reis, responsible for Global Banking, as to date. The Management

Board is still assisted by the two members of the Executive Board Dr. Christian Lindenschmidt as Chief Operating Officer and Head of HSBC Securities Services and Dr. Jan Wilmanns in the Markets segment as Head of Institutional & Corporate Clients.

Dr. Sieghardt Rometsch, the Chairman to date, has left the Supervisory Board and been replaced as Chairman of the Supervisory Board by Andreas Schmitz, who has acted as Chairman of the Management Board of the Bank to date. The former Commerzbank CFO Dr. Eric Strutz and the employee representatives Jochen Schumacher, Christian Schweizer and Dr. Oliver Wendt are new to the Supervisory Board. In addition to Dr. Rometsch, Wolfgang Haupt, former Managing Partner of the Bank, as well as the employee representatives Deniz Erkman, Friedrich-Karl Goßmann and Oliver Popp have also left the Supervisory Board.

Interim Management Report

Economic Report

General economic and sector-related framework

The cyclical recovery in the Eurozone continued over a broader base in the first quarter of 2015 with growth of 0.4% versus the previous quarter and 1.0% compared to the previous year. However, there is good reason to doubt whether the upturn will continue to gain momentum throughout the entire currency zone. Private consumption, which in turn has benefited very strongly from lower oil prices, has made the greatest contribution to the recovery of late. Since this tailwind is likely die down again over the course of this year with a view to the recovery in the oil price, we are expecting the growth to weaken slightly in the second half of the year. We are forecasting GDP growth of 1.3% for the entire Eurozone this year, driven among other things by economic expansion in Germany of 1.5%. In addition to record-low unemployment, Germany is also benefiting from the depreciation of the euro since mid-2014. Investment activity has also been supporting growth in the Eurozone of late. However, still slightly below-average capacity utilisation is preventing a dynamic revival. The tough discussions over further financial aid for Greece are likely to have led to uncertainty among companies and dampened investment activity as well.

The debate over deflation has also calmed down slightly in the wake of inflation returning to the positive range, induced by the oil price. We do not expect a sustained increase in prices, though, in view of the high unemployment in the currency area as a whole. Correspondingly, there are no signs of an early exit of the ECB from the current bond buying programme. Although the ECB has continued to buy bonds, the yield levels of around 5 bp for 10-year federal bonds seen in April have proven to be not sustainable. Yields briefly rose to above 1% in the meantime. The potential for a further yield recovery is limited, though, as there are no indications of the ECB raising interest rates.

After contracting in the first three months of the year, the US economy is gaining slight momentum again, but we are only expecting GDP growth of 2.2% for full 2015 in the meantime. Lower investments in the energy sector and the firm US dollar, which is also reducing inflationary pressure, are creating difficulties for the economy. The situation on the US labour market remains good. Given the weak inflation and growth momentum, the US central bank is not likely to raise key interest rates by 25 bp until the end of the year, followed by only two further steps in 2016 of 25 bp in each case. The growth momentum has also fallen short of the expectations in the emerging markets so far this year. As the supportive measures introduced by the government and the central bank have not led to an economic upturn so far, further economic policy measures are to be anticipated. We are expecting GDP growth of around 7% in China for this year.

The implementation of the new regulatory requirements at the same time as weaker revenue potential and tougher competition in Germany is still presenting the financial sector with major challenges. The extremely low level of money market interest rates owing to the surplus liquidity provided by the ECB in particular has led to HSBC Trinkaus & Burkhardt, with its solid deposit base, no longer being able to generate a positive interest margin in the deposit-taking business. The new bank levy in accordance with European provisions is also leading to far higher costs.

Business performance and situation

Profitability

The earnings components are as follows:

- Net interest income improved by €1.3m, from €87.6m the previous year to €88.9m. 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. Furthermore, lower margins in the lending business are putting pressure on net interest income and the Bank can no longer generate a positive interest margin in the deposit-taking business.

- Net loan impairment and other credit risk provisions came to €1.2m in the first half of the year (H1 2014: €3.5m), attributable to a further increase in collectively assessed impairments owing to the 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 €27.8m to €213.9m (H1 2014: €186.1m). This 14.9% increase demonstrates the strong expansion of the Bank's business with clients. Net fee income from securities transactions improved in a year-on-year comparison, from €100.0m to €110.1m. The momentum on the stock markets as well as the continuous increase in volumes also led to higher net fee income above all in our fund management business and in our custodian bank operations, for which HSBC Securities Services is responsible. Net fee income from foreign exchange and derivatives transactions of €61.0m was substantially higher by €18.6m (H1 2014: €42.4m). This shows above all the greater need on the part of our clients to hedge against exchange rate fluctuations in the currently more volatile foreign exchange market environment. It also reflects the stronger demand from the Bank's clients for tailored solutions. Net fee income from payments and the international business rose by €1.5m. We were not able to repeat the good result in the prior-year period in the lending business, where net fee income declined by €2.8m to €12.2m. The result in the issuing and structuring business declined by €0.8m compared to the previous year to €7.0m. At €1.6m, net fee income in investment banking was €2.6m lower than in the comparable period. Net fee income from alternative investments reached a favourable level of €7.4m and was significantly higher than the prior-year figure of €1.5m. We were again able to provide our clients with access to interesting asset classes here in the area of infrastructure investments and the financing of European MMEs.

- Net trading income fell significantly by €20.5m to €43.5m (H1 2014: €64.0m). 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, which declined by €28.8m to €7.6m. Net income from trading with equities and equity derivatives was almost unchanged at €26.3m (H1 2014: €26.4m). Both foreign exchange trading and trading with derivatives held in the banking book improved substantially with an increase in the result of €8.4m. 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 €19.4m, from €252.1m to €271.5m. The increase in the workforce in the wake of the growth strategy is reflected in €15.4m higher staff expenses. Other administrative expenses rose by €5.7m to €94.3m, due mainly 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 €1.7m. At 72.5% (H1 2014: 69.3%), the cost efficiency ratio was therefore slightly higher in the first half of the year as expected.

- Income from financial assets rose from €15.4m to €22.6m. 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 €5.7m (H1 2014: €10.5m) includes above all rental income from our property in Australia, which is set against interest expense for refinancing. The lower figure compared to the first half of 2014 is the result above all of a decline in the result of hedge accounting as well as income from the reversal of provisions not accrued in the reporting period.

The asset situation

Total assets rose by €2.0bn compared to 31 December 2014 to €24.2bn.

Customer accounts remain our most important source of refinancing and amounted to €14.2bn as at 30 June 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 €1.6bn corresponds with the increase in loans and advances to banks from €1.5bn to €1.9bn and in the cash reserve from €0.6bn to €1.3bn and is mainly reporting date related.

Loans and advances to customers increased further from €6.5bn to €7.6bn, reflecting the significant contribution being made by our growth strategy with market share gains in the corporate banking business.

Trading assets of €7.3bn were almost unchanged compared to 31 December 2014. Growth in bonds and other fixed-income securities as well as in equities and other non-fixed-income securities was set against declines in the market values of OTC and exchange-traded derivatives.

Trading liabilities of €5.5bn were up by €0.1bn compared to 31 December 2014. There was an increase in the bonds, certificates and warrants we issue owing to greater client demand while the market values of OTC and exchange-traded derivatives declined.

Shareholders' equity of €1,909.0m is €7.4m lower than the level as at 31 December 2014. The valuation reserve for financial instruments declined by €24.5m to €143.9m. On the other hand, the valuation reserve for the remeasurement of the net pension obligation improved by €16.6m to € –75.4m. Both are essentially attributable to the increase in market interest rates.

The financial position

The Group's risk positions to be backed by capital stood at €15,628.5m as at 30 June 2015 (31 December 2014:

€15,055.0m), of which risk-weighted assets accounted for €12,554.5m (31 December 2014: €12,175.6m), the market risk equivalent for €1,686.0m (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 10.2% (31 December 2014: 10.4%) and a regulatory capital ratio of 12.6% (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 adapting the calculation of the Liquidity Coverage Ratio (LCR) to the new European provisions.

Supplementary Report

Material Events Occurring After the Balance Sheet Date

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

Outlook and Opportunities

HSBC will continue to implement the growth initiative started in mid-2013, which focuses on the business with SME corporate clients, but also provides for the expansion of the Global Banking & Markets business. We continue to expect a single-digit 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 SME 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 six months of the financial year stands at 72.5%. We assume that the 70% mark will be exceeded for the full 2015 financial year as well.

An expansion strategy means higher risks, but also greater opportunities. This applies above all to the expansion of the lending portfolio with SME corporate clients. We expect the risk provisioning requirements to turn out to be far higher than in 2014 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.

Risk Report

Risk management at HSBC Trinkaus & Burkhardt

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

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

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

Risk categories

Counterparty credit risk

The maximum default risk after the first six months of 2015 breaks down into the sectors listed below:

	30.06.2015		31.12.2014	
	in €m	in %	in €m	in %
Companies and self-employed professionals	17,321.6	54.2	16,627.4	54.5
Banks and financial institutions	9,292.8	29.1	8,639.3	28.3
Public sector	5,092.4	15.9	5,047.6	16.5
Employed private individuals	251.6	0.8	226.4	0.7
Total	**31,958.4**	**100.0**	**30,540.7**	**100.0**

The quality of the loans and advances (including contingent liabilities and loan commitments) which are neither overdue nor impaired can be assessed on the basis of the following overview:

	30.06.2015		31.12.2014	
	in €m	in %	in €m	in %
CRR 1 – CRR 2	7,331.6	38.2	5,848.7	32.6
CRR 3	8,192.9	42.7	8,284.8	46.3
CRR 4 – CRR 5	3,467.5	18.1	3,548.4	19.8
CRR 6 – CRR 8	192.2	1.0	237.2	1.3
CRR 9 – CRR 10	10.2	0.0	10.2	0.0
Total	**19,194.4**	**100.0**	**17,929.3**	**100.0**

The Bank uses a 23-stage rating system, the so-called Customer Risk Rating (CRR), to classify the credit quality of its clients. The Customer Risk Rating can be summarised in a ten-stage rating (CRR 1 – 10), whereby overdue and/or impaired receivables are assigned to CRR 9 and 10.

Market risk

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

Trading book	2015		
in €m	30.06.	Maximum	Average
Type of risk			
Interest rate risk	2.6	5.8	3.5
Currency risk	0.1	0.4	0.1
Equity/index risk	0.6	1.0	0.5
Credit spread risk	2.1	3.2	2.6
Commodities risk	0.0	0.1	0.0
Diversification	2.1	3.4	2.7
Overall risk	**3.3**	**5.6**	**4.0**

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	30.06.	Maximum	Average
Type of risk			
Interest rate risk	2.1	3.5	1.5
Currency risk	1.2	2.0	1.6
Equity/index risk	2.9	2.9	2.4
Credit spread risk	2.3	3.3	2.7
Commodities risk	(–)	(–)	(–)
Diversification	3.6	4.6	3.4
Overall risk	**4.9**	**6.0**	**4.8**

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. We use a value-at-risk approach to measure market risks in our trading book under normal market conditions.

The occasional turbulence on the foreign exchange and interest rate markets led to us finding four backtesting anomalies in the first half of 2015.

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.

Liquidity risk

The advances/core funding ratio represents a central funding ratio. It relates to a time horizon of one year and puts the volume of customer loans granted in relation to the volume of long-term capital market financing raised and to the customer deposits qualified as core funding. Owing to the difference between core funding and non-core funding, the advances/core funding ratio cannot be derived directly from the balance sheet. This ratio stood at 72.3 % as at 30 June 2015 (comparable period: 67.4 %).

	Advances/core funding ratio	
in %	2015	2014
30.06	72.3	67.4
Minimum	65.4	64.6
Maximum	75.2	75.8
Average	71.0	68.8

Overall picture of the risk situation

The overall picture of the Bank's risk situation remains balanced and is in keeping with our risk-bearing capacity.

Report on business relationships with companies and persons defined as related parties

HSBC Trinkaus & Burkhardt still has significant business relationships with other companies of the HSBC Group. The results of these business relationships are reflected above all in net fee income and net interest income. In the balance sheet, significant loans and advances to HSBC units are set against liabilities to these units. A large number of trading positions are also entered into directly or hedged with the HSBC Group's affiliated companies. All transactions are concluded at normal market prices.

Düsseldorf, August 2015

The Management Board

Carola Gräfin v. Schmettow	Dr. Rudolf Apenbrink	Paul Hagen
Stephen Price	Norbert Reis	

Consolidated Balance Sheet

Assets in €m	Note	30.06.2015	31.12.2014	Change in %
Cash reserve		1,282.5	616.4	>100
Loans and advances to banks	(8)	1,850.2	1,494.8	23.8
Loans and advances to customers	(9)	7,595.2	6,538.9	16.2
Net loan impairment provision	(10)	–29.8	–29.6	0.7
Trading assets	(11)	7,288.3	7,327.8	–0.5
Financial assets	(12)	5,689.0	5,883.4	–3.3
Share of profit in associates		0.1	20.3	–99.5
Property, plant and equipment		100.1	97.6	2.6
Intangible assets		8.6	10.6	–18.9
Taxation recoverable		21.0	13.6	54.4
current		2.1	1.5	40.0
deferred		18.9	12.1	56.2
Other assets		425.6	204.0	108.6
Total assets		**24,230.8**	**22,177.8**	**9.3**

Liabilities in €m	Note	30.06.2015	31.12.2014	Change in %
Deposits by banks	(13)	1,589.3	875.3	81.6
Customer accounts	(14)	14,190.6	13,093.9	8.4
Certificated liabilities		10.0	10.0	0.0
Trading liabilities	(15)	5,544.9	5,424.5	2.2
Provisions		169.7	167.2	1.5
Taxation		48.4	32.2	50.3
of which current		48.4	32.2	50.3
of which deferred		0.0	0.0	0.0
Other liabilities		320.7	210.1	52.6
Subordinated capital		448.2	448.2	0.0
Shareholders' equity		1,909.0	1,916.4	–0.4
Subscribed capital		91.4	91.4	0.0
Capital reserve		733.0	731.7	0.2
Retained earnings		943.4	868.2	8.7
Valuation reserve for financial instruments		143.9	168.4	–14.5
Valuation reserve for the remeasurement of the net pension obligation		–75.4	–92.0	–18.0
Valuation reserve from currency conversion		2.5	2.2	13.6
Net profit including profit brought forward		70.2	146.5	–52.1
Total equity and liabilities		**24,230.8**	**22,177.8**	**9.3**

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Consolidated Income Statement

in €m	Note	01.01. to 30.06.2015	01.01. to 30.06.2014	Change in %
Interest income		128.8	121.8	5.7
Interest expense		39.9	34.2	16.7
Net interest income	(1)	88.9	87.6	1.5
Net loan impairment and other credit risk provisions	(2)	1.2	3.5	–65.7
Share of profit in associates		0.1	0.1	0.0
Fee income		429.4	355.4	20.8
Fee expenses		215.5	169.3	27.3
Net fee income	(3)	213.9	186.1	14.9
Net trading income	(4)	43.5	64.0	–32.0
Administrative expenses	(5)	271.5	252.1	7.7
Income from financial assets		22.6	15.4	46.8
Net other income	(6)	5.7	10.5	–45.7
Pre-tax profit		**102.0**	**108.1**	**–5.6**
Tax expenses		31.8	35.5	–10.4
Net profit		**70.2**	**72.6**	**–3.3**

Reconciliation from net income to comprehensive income

in €m	01.01. to 30.06.2015	01.01. to 30.06.2014
Net profit	70.2	72.6
Gains/losses after tax reclassified in the income statement	–24.2	24.0
of which from financial instruments	–24.5	23.5
of which from currency conversion	0.3	0.5
Gains/losses after tax not reclassified in the income statement	16.6	–12.2
of which from the remeasurement of the net pension obligation	16.6	–12.2
Total	**62.6**	**84.4**

Earnings per share

in €	01.01. to 30.06.2015	01.01. to 30.06.2014	Change in %
Undiluted earnings per share	2.06	2.58	–20.2
Diluted earnings per share	2.06	2.58	–20.2

Consolidated Statement of Changes in Equity

in €m	2015	2014
Consolidated shareholders' equity as at 1.1	**1,916.4**	**1,453.7**
Distribution	–70.3	–70.3
Net profit	70.2	72.6
Gains/losses not recognised in the income statement	–7.6	11.8
Other changes	0.3	3.2
Consolidated shareholders' equity as at 30.06	**1,909.0**	**1,471.0**

Consolidated Cash Flow Statement

in €m	2015	2014
Cash and cash equivalents as at 1.1	**616.4**	**1,133.7**
Cash flow from operating activities	722.9	–796.9
Cash flow from investing activities	13.5	–23.5
Cash flow from financing activities	–70.3	44.2
Cash and cash equivalents as at 30.6	**1,282.5**	**357.5**

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	Q2 2015	Q1 2015	Q2 2014	Q1 2014
Interest income	65.7	63.1	64.0	57.8
Interest expense	20.4	19.5	18.3	15.9
Net interest income	45.3	43.6	45.7	41.9
Net loan impairment and other credit risk provisions	1.2	0.0	4.3	–0.8
Share of profit in associates	0.0	0.1	0.0	0.1
Fee income	218.6	210.8	180.3	175.1
Fee expenses	109.8	105.7	87.4	81.9
Net fee income	108.8	105.1	92.9	93.2
Net trading income	2.9	40.6	28.8	35.2
Administrative expenses	136.2	135.3	125.5	126.6
Income from financial assets	18.4	4.2	7.1	8.3
Net other income	3.4	2.3	6.4	4.1
Pre-tax profit	**41.4**	**60.6**	**51.1**	**57.0**
Tax expenses	12.8	19.0	16.8	18.7
Net profit	**28.6**	**41.6**	**34.3**	**38.3**

Earnings per share

in €	Q2 2015	Q1 2015	Q2 2014	Q1 2014
Undiluted earnings per share	0.84	1.22	1.22	1.36
Diluted earnings per share	0.84	1.22	1.22	1.36

Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

This Interim Report for the HSBC Trinkaus & Burkhardt Group as at 30 June 2015 was drawn up in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union. The report takes particular account of the requirements of IAS 34 relating to interim financial reporting. Furthermore, the report satisfies the requirements of a half-year financial report pursuant to Section 37 w 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.

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 30.06.2015	01.01. to 30.06.2014
Interest income	128.8	121.8
from loans and advances to banks	6.0	7.6
Money market transactions	4.8	5.0
Other interest-bearing receivables	1.2	2.6
from loans and advances to customers	70.1	56.8
Money market transactions	4.7	4.4
Other interest-bearing receivables	65.4	52.4
from financial assets	52.7	57.4
Interest income	49.3	53.8
Dividend income	2.5	2.3
Income from subsidiaries	0.9	1.3
Interest expense	39.9	34.2
from deposits by banks	14.3	11.8
Money market transactions	0.6	0.2
Other interest-bearing deposits	13.7	11.6
from customer accounts	8.5	11.2
Money market transactions	1.7	1.8
Other interest-bearing deposits	6.8	9.4
from certificated liabilities	0.2	0.2
from subordinated capital	8.6	8.1
Other	8.3	2.9
Net interest income	88.9	87.6

2 Net Loan Impairment and Other Credit Risk Provisions

in €m	01.01. to 30.06.2015	01.01. to 30.06.2014
Additions	1.3	4.3
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	**1.2**	**3.5**

3 Net Fee income

in €m	01.01. to 30.06.2015	01.01. to 30.06.2014
Securities transactions	110.1	100.0
Foreign exchange transactions and derivatives	61.0	42.4
Lending	12.2	15.0
Alternative investments	7.4	1.5
Issuing and structuring business	7.0	7.8
Payments	6.9	5.7
International business	4.7	4.4
Investment banking	1.6	4.2
Other fee-based business	3.0	5.1
Total	**213.9**	**186.1**

4 Net Trading Income

in €m	01.01. to 30.06.2015	01.01. to 30.06.2014
Equities and equity/index derivatives	26.3	26.4
Bonds and interest rate derivatives	7.6	36.4
Foreign exchange	3.4	0.5
Derivatives held in the banking book	6.2	0.7
Total	**43.5**	**64.0**

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

5 Administrative Expenses

in €m	01.01. to 30.06.2015	01.01. to 30.06.2014
Staff expenses	166.1	150.7
Wages and salaries	137.1	126.0
Social security costs	16.2	15.7
Expenses for retirement pensions and other employee benefits	12.8	9.0
Other administrative expenses	94.3	88.6
Depreciation of property, plant and equipment and of intangible assets	11.1	12.8
Total	**271.5**	**252.1**

6 Net Other Income

in €m	01.01. to 30.06.2015	01.01. to 30.06.2014
Other operating income	9.3	13.6
Other operating expenses	3.8	3.2
Other operating income	**5.5**	**10.4**
Other income	0.3	0.2
Other expenses	0.1	0.1
Other net income	**0.2**	**0.1**
Net other income	**5.7**	**10.5**

7 Customer Groups

in €m	GPB	CMB	GB & M	AM	Central/ Consoli- dation	Total
Net interest income						
30.06.2015	7.3	45.3	34.6	2.0	– 0.3	88.9
30.06.2014	8.2	40.6	36.7	2.4	–0.3	87.6
Net loan impairment provision						
30.06.2015	0.7	1.1	– 0.6	0.0	0.0	1.2
30.06.2014	0.0	2.9	1.4	0.0	–0.8	3.5
Net interest income after net loan impairment provision						
30.06.2015	6.6	44.2	35.2	2.0	– 0.3	87.7
30.06.2014	8.2	37.7	35.3	2.4	0.5	84.1
Share of profit in associates						
30.06.2015	0.0	0.0	0.1	0.0	0.0	0.1
30.06.2014	0.0	0.0	0.1	0.0	0.0	0.1
Net fee income						
30.06.2015	27.7	27.6	136.2	22.5	– 0.1	213.9
30.06.2014	26.0	26.6	115.1	18.4	0.0	186.1
Operating trading income						
30.06.2015	– 0.9	– 0.8	39.8	– 0.6	– 0.2	37.3
30.06.2014	2.4	5.4	54.7	1.4	–0.6	63.3
Income after net loan impairment provision						
30.06.2015	33.4	71.0	211.3	23.9	– 0.6	339.0
30.06.2014	36.6	69.7	205.2	22.2	–0.1	333.6
Administrative expenses						
30.06.2015	25.9	51.2	165.3	15.8	13.3	271.5
30.06.2014	26.8	45.9	155.3	13.1	11.0	252.1
of which depreciation and amortisation						
30.06.2015	0.4	0.8	1.5	0.2	8.2	11.1
30.06.2014	0.5	0.9	1.4	0.1	10.0	12.9
Income from financial assets						
30.06.2015	2.3	4.8	14.0	1.6	– 0.1	22.6
30.06.2014	1.7	3.3	9.4	1.0	0.0	15.4
Result from trading with derivatives held in the banking book						
30.06.2015	0.5	1.0	2.8	0.3	1.6	6.2
30.06.2014	0.0	0.0	0.0	0.0	0.7	0.7
Net other income						
30.06.2015	0.6	1.2	3.8	0.3	-0.2	5.7
30.06.2014	0.8	1.0	3.5	0.3	4.9	10.5
Pre-tax profit						
30.06.2015	**10.9**	**26.8**	**66.6**	**10.3**	**– 12.6**	**102.0**
30.06.2014	**12.3**	**28.1**	**62.8**	**10.4**	**–5.5**	**108.1**
Taxation						
30.06.2015	3.4	8.4	20.9	3.2	– 4.1	31.8
30.06.2014	3.8	8.8	19.7	3.3	–0.1	35.5
Net profit						
30.06.2015	**7.5**	**18.4**	**45.7**	**7.1**	**– 8.5**	**70.2**
30.06.2014	**8.5**	**19.3**	**43.1**	**7.1**	**–5.4**	**72.6**

After getting off to a good start in the new year, Germany experienced a moderate economic upswing in the second quarter of this year on account of the subdued global economic trend. Robust domestic demand as well as the growth impetus coming from the significant decline in the oil price and the weaker euro were mainly were mainly responsible for this. These factors have led to moderately positive expectations overall regarding economic growth in Germany in the second half of the year. On the other hand, the ECB's continuing low interest rate policy with negative deposit interest rates and the up-front expenses still required in many areas of the Bank owing to the consistent implementation of the growth strategy this year continue to put pressure on the Bank's earnings situation. Losses on interest rate positions in the Bank's liquidity portfolio also had a negative impact in the second quarter of this year. These losses are the result of the mark-to-market valuation of the positions since the increase in long-term market interest rates, which started in April and has turned out to be surprisingly strong. In the previous year and in the first quarter of this year, the results still benefited from valuation gains from these interest rate positions. The fact that net profit declined only slightly in such a market environment documents the Bank's balanced business structure and the stability of our client-oriented business model. Despite the unfavourable general setting on the interest rate side, the Global Banking & Markets and Asset Management segments were able to improve on and maintain their prior-year results, respectively, while the Private Banking and Commercial Banking segments were not able to do so. Only regulatory costs are essentially still reported in the Central segment.

Benefiting from the more and more intensive cooperation within the HSBC Group and the positive impact of the growth strategy, notable increases in net fee income from foreign exchange, custody and alternative investment transactions more than compensated for declining proceeds from the generation and placement of fixed income products due to the interest rate structure. Higher proceeds in the mutual fund and special fund business were mainly responsible for improvements in revenues in the Asset Management segment. The continuing successes of the growth strategy were also reflected in the mainly volume-based increase in interest income in the lending business and in higher fee income in the foreign exchange business with commercial banking clients. This more than compensated for the decline in net interest income on sight deposits due to lower margins as a result of rate cuts by the ECB and negative valuation effects in net trading income. The fact that we refrained from passing on the negative market interest rates charged by the ECB to our private clients put net interest income on sight deposits under further pressure. The increase in net fee income was not able to compensate for this effect and the discontinuation of the proportionate valuation gains resulting from interest rate positions the previous year in Private Banking.

Major cost savings in Central as a result of the withdrawal from Luxembourg largely completed the previous year were not able to compensate for the additional costs this year for regulatory purposes and for the measures to implement the growth initiative which have already been taken and are still continuing in the corporate banking business. These are the result in particular of investments in additional employees and the office and technical infrastructure for the establishment of four new branches. We are also investing in the expansion of the Bank’s middle and back office areas to ensure consistently high quality in business processing and in the implementation of HSBC’s global standards, which offer special protection against money laundering and the financing of terrorism in the business with clients.

8 Loans and Advances to Banks

in €m	30.06.2015	31.12.2014
Current accounts	910.5	380.5
Money market transactions	590.6	626.5
of which overnight money	87.0	78.0
of which term deposits	503.6	548.5
Other loans and advances	196.7	155.5
Collateral items in the derivatives trading business	152.4	332.3
Total	**1,850.2**	**1,494.8**
of which to banks	344.7	265.8
of which to foreign banks	1,505.5	1,229.0

9 Loans and Advances to Customers

in €m	30.06.2015	31.12.2014
Current accounts	1.774.6	1,269.4
Money market transactions	758.4	595.5
of which overnight money	55.2	41.9
of which term deposits	703.2	553.6
Loan accounts	4,668.4	4,139.1
Other loans and advances	317.0	508.1
Collateral items in the derivatives trading business	76.8	26.8
Total	**7,595.2**	**6,538.9**
of which to domestic customers	4,767.1	4,193.1
of which to foreign customers	2,828.1	2,345.8

10 Net Loan Impairment and Other Credit Risk Provisions

in €m	30.06.2015	31.12.2014
Net loan impairment provision	29.8	29.6
Provisions for credit risks	13.9	13.1
Net impairment and other credit risk provisions	**43.7**	**42.7**

in €m	Impairments / provisions Individually assessed 2015	2014	Collectively assessed 2015	2014	Total 2015	2014
As at 01.01	14.4	15.7	28.3	23.6	42.7	39.3
Reversals	0.1	0.8	0.0	0.0	0.1	0.8
Utilisation	0.2	0.9	0.0	0.0	0.2	0.9
Additions	0.1	0.2	1.2	4.1	1.3	4.3
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 30.6	14.2	15.0	29.5	27.7	43.7	42.7

11 Trading Assets

in €m	30.06.2015	31.12.2014
Bonds and other fixed-income securities	2,353.6	2,155.0
Equities and other non-fixed-income securities	2,099.2	1,872.3
Tradable receivables	579.4	557.6
Positive market value of derivatives	2,256.1	2,742.9
Derivatives in hedging relationships	0.0	0.0
Total	7,288.3	7,327.8

12 Financial Assets

in €m	30.06.2015	31.12.2014
Bonds and other fixed-income securities	5,216.5	5,375.5
Equities and other non-fixed-income securities	50.4	26.9
Investment certificates	165.5	170.1
Promissory note loans	176.5	214.7
Investments	80.1	96.2
Total	5,689.0	5,883.4

13 Deposits by Banks

in €m	30.06.2015	31.12.2014
Current accounts	695.2	475.4
Money market transactions	615.9	100.9
of which overnight money	437.3	0.0
of which term deposits	178.6	100.9
Other liabilities	172.3	184.9
Collateral items in the derivatives trading business	105.9	114.1
Total	**1,589.3**	**875.3**
of which domestic banks	610.2	556.1
of which foreign banks	979.1	319.2

14 Customer Accounts

in €m	30.06.2015	31.12.2014
Current accounts	12,337.2	11,140.4
Money market transactions	1,324.0	1,498.9
of which overnight money	296.9	326.6
of which term deposits	1,027.1	1,172.3
Savings deposits	62.9	58.8
Other liabilities	466.5	395.8
Total	**14,190.6**	**13,093.9**
of which domestic customers	12,399.8	11,678.3
of which foreign customers	1,790.8	1,415.6

15 Trading liabilities

in €m	30.06.2015	31.12.2014
Negative market value of derivatives	2,504.3	2,578.1
Promissory note loans, bonds, certificates and warrants	2,903.9	2,719.2
Delivery obligations arising from securities sold short	39.1	6.9
Derivatives in hedging relationships	91.4	115.1
Derivatives held in the banking book	6.2	5.2
Total	**5,544.9**	**5,424.5**

Other Notes

16 Fair Value of Financial Instruments

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

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

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

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

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

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

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

Risk Control carries out the following controls by:

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

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

There were no significant changes to the valuation methods used compared with 31 December 2014.

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

30.06.2015 in €m	Level 1	Level 2	Level 3	Mea-sured at cost	Total
Trading assets	**2,532.1**	**4,726.4**	**29.8**	**0.0**	**7,288.3**
Bonds and other fixed-income securities	0.0	2,353.6	0.0	0.0	2,353.6
Equities and other non-fixed-income securities	2,069.4	0.0	29.8	0.0	2,099.2
Tradable receivables	0.0	579.4	0.0	0.0	579.4
Positive market value of derivatives	462.7	1.793.4	0.0	0.0	2.256.1
Derivatives in hedging relationships	0.0	0.0	0.0	0.0	0.0
Financial assets	**249.4**	**5,400.8**	**21.5**	**17.3**	**5,689.0**
Bonds and other fixed-income securities	0.0	5,216.6	0.0	0.0	5,216.6
Equities and other non-fixed-income securities	50.4	0.0	0.0	0.0	50.4
Investment certificates	165.5	0.0	0.0	0.0	165.5
Promissory note loans	0.0	176.5	0.0	0.0	176.5
Investments	33.5	7.7	21.5	17.3	80.1
Trading liabilities	**741.3**	**4,726.1**	**77.5**	**0.0**	**5,538.9**
Promissory note loans, bonds, certificates and warrants	0.0	2,837.6	66.3	0.0	2,903.9
Delivery obligations arising from securities sold short	4.8	34.3	0.0	0.0	39.1
Negative market value of derivatives	736.5	1,756.6	11.2	0.0	2,504.3
Derivatives in hedging relationships	0.0	91.4	0.0	0.0	91.4
Derivatives held in the banking book	0.0	6.2	0.0	0.0	6.2

31.12.2014 in €m	Level 1	Level 2	Level 3	Measured at cost	Total
Trading assets	**2,617.1**	**4,674.5**	**36.2**	**0.0**	**7,327.8**
Bonds and other fixed-income securities	0.0	2,155.0	0.0	0.0	2,155.0
Equities and other non-fixed-income securities	1,836.2	0.0	36.1	0.0	1,872.3
Tradable receivables	0.0	557.6	0.0	0.0	557.6
Positive market value of derivatives	780.9	1,961.9	0.1	0.0	2,742.9
Derivatives in hedging relationships	0.0	0.0	0.0	0.0	0.0
Financial assets	**228.5**	**5,598.4**	**21.5**	**35.0**	**5,883.4**
Bonds and other fixed-income securities	0.0	5,375.5	0.0	0.0	5,375.5
Equities and other non-fixed-income securities	26.9	0.0	0.0	0.0	26.9
Investment certificates	170.1	0.0	0.0	0.0	170.1
Promissory note loans	0.0	214.7	0.0	0.0	214.7
Investments	31.5	8.2	21.5	35.0	96.2
Trading liabilities	**630.5**	**4,710.6**	**83.4**	**0.0**	**5,424.5**
Promissory note loans, bonds, certificates and warrants	0.0	2,645.8	73.4	0.0	2,719.2
Delivery obligations arising from securities sold short	6.9	0.0	0.0	0.0	6.9
Negative market value of derivatives	623.6	1,944.5	10.0	0.0	2,578.1
Derivatives in hedging relationships	0.0	115.1	0.0	0.0	115.1
Derivatives held in the banking book	0.0	5.2	0.0	0.0	5.2

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

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

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

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

The valuation models and parameters for derivatives and certificates as well as other transactions in level 2 and level 3 are unchanged compared to 31 December 2014.

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

30.06.2015	Fair Value (in €m)	Measurement method	Significant non-observable parameters (Level 3)	Uncertainty interval margin (in €m)	Range of estimates for unobservable input factors
Trading assets					
Illiquid equity instruments	29.8	Modified net asset value method	–	–1.5 to 1.5	–5 to 5% price change
Financial assets					
Illiquid equity instruments	21.5	Modified net asset value method	–	–1.1 to 1.1	–5 to 5% price change
Trading liabilities					
Asian options	36.6	Analytical Black-Scholes approach	Volatility	0.0 to 0.0	20 to 34% (28%)
Private equity investment	29.8	Modified net asset value method	–	–1.5 to 1.5	–5 to 5% price change
Currency-hedged certificates	11.1	Analytical Black-Scholes approach	Correlation between currency and underlying	0.0 to 0.0	–59 to 28% (–7%)

31.12.2014	Fair Value (in €m)	Measurement method	Significant non-observable parameters (Level 3)	Uncertainty interval margin (in €m)	Range of estimates for unobservable input factors
Trading assets					
Illiquid equity instruments	36.1	Modified net asset value method	–	–1.8 to 1.8	–5 to 5 % price change
Financial assets					
Illiquid equity instruments	21.5	Modified net asset value method	–	–1.1 to 1.1	–5 to 5 % price change
Trading liabilities					
Asian options	37.9	Analytical Black-Scholes approach	Volatility	0.0 to 0.1	21 to 28 % (24 %)
Private equity certificates	36.0	Modified net asset value method	–	–1.8 to 1.8	–5 to 5 % price change
Currency-hedged certificates	9.5	Analytical Black-Scholes approach	Correlation between the underlyings	–0.1 to 0.1	–65 to 26 % (–20 %)

The uncertainty interval margin for correlation-dependent certificates requiring a correlation that is not observable on the market is calculated by shifting the estimated equity/ FX correlation by + 10 % or – 10 % in absolute terms. The long-term volatility spread is derived from the shift in the volatility of the underlying by up to 2 % up and down in absolute terms.

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

in €m	Trading assets	Financial assets	Trading liabilities
01.01.2015	**36.2**	**21.5**	**83.4**
Changes in the carrying amount	– 1.9	0.0	3.9
recognised in the income statement	– 1.9	0.0	3.9
recognised directly in equity	0.0	0.0	0.0
Purchases/issues	0.0	0.0	9.9
Sales/maturities	4.5	0.0	19.7
Transfers to level 3	0.0	0.0	0.0
Transfers out of level 3	0.0	0.0	0.0
30.06.2015	**29.8**	**21.5**	**77.5**

in €m	Trading assets	Financial assets	Trading liabilities*
01.01.2014	**52.8**	**19.7**	**145.7**
Changes in the carrying amount	– 1.6	– 0.2	– 3.0
recognised in the income statement	– 1.6	– 0.2	– 3.0
recognised directly in equity	0.0	0.0	0.0
Purchases/issues	0.0	0.2	2.2
Sales/maturities	– 13.9	0.0	– 54.2
Transfers to level 3	0.0	0.0	0.0
Transfers out of level 3	0.0	0.0	0.0
30.06.2014	**37.3**	**19.7**	**90.7**

* The previous year's figures have been adjusted; certificates on private equity investments also assigned to level 3 (reported under trading assets) were already assigned to level 3 the previous year.

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

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

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

in €m	30.06.2015		31.12.2014	
	Present value	Fair value	Present value	Fair value
Assets				
Loans and advances to banks	1,850.2	1,857.4	1,494.8	1,506.5
Loans and advances to customers (after loan loss allowance)	7,565.4	7,573.7	6,509.3	6,525.3
Liabilities				
Deposits by banks	1,589.3	1,589.3	875.3	875.5
Customer accounts	14,190.6	14,202.8	13,093.9	13,109.5
Certificated liabilities	10.0	10.6	10.0	10.8
Subordinated capital	448.2	484.6	448.2	490.9

The fair value of these items is calculated using the present value method. As the credit spread changes on the market are unobservable, these are classified in level 3. As in the previous year, the present values of the contingent liabilities of €2,087.8m (31 December 2014: €2,042.4m) and irrevocable loan commitments of €7,907.5m (31 December 2014: €8,067.7m) equate to their fair value.

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

in €m	30.06.2015	31.12.2014
	Present value	Present value
Partnerships	8.6	11.2
Holdings in unlisted public limited companies	8.7	23.8
Total	**17.3**	**35.0**

17 Day-1 Profit or Loss

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

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

in €m	2015	2014
As at 01.01	0.4	1.8
New business	0.1	0.0
Day-1 profit or loss recognised in the income statement	–0.2	–1.5
of which positions closed out	–0.1	–1.4
of which matured transactions	–0.1	–0.1
of which observable market parameters	0.0	0.0
As at 30.6	0.3	0.3

18 Derivatives Business

in €m	Nominal amounts with a residual maturity of up to 1 year	1–5 years	over 5 years	Total	Positive market values
Interest rate transactions					
30.06.2015	7,198.3	11,780.7	8,110.6	27,089.6	966.9
31.12.2014	11,240.5	11,719.7	7,475.9	30,436.1	1,171.1
Foreign exchange-based transactions					
30.06.2015	44,774.1	4,387.3	151.3	49,312.7	815.0
31.12.2014	34,788.4	3,325.4	205.8	38,319.6	749.4
Commodities-related transactions					
30.06.2015	86.8	34.3	0.0	121.1	5.7
31.12.2014	62.7	0.8	0.0	63.5	2.8
Equity/index-based transactions					
30.06.2015	8,844.1	51.0	25.7	8,920.8	8.9
31.12.2014	8,550.0	31.8	26.7	8,608.5	5.3
Total					
30.06.2015	60,903.3	16,253.3	8,287.6	85,444.2	1,796.5
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. Owing to the intensive cooperation in the Global Markets segment, we focus in the derivatives business on transactions with other HSBC units.

19 Contingent Liabilities and Other Obligations

in €m	30.06.2015	31.12.2014
Contingent liabilities on guarantees and indemnity agreements	2.087,8	2.042,4
Irrevocable loan commitments	7.907,5	8.067,7
Total	**9.995,3**	**10.110,1**

Responsibility Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Düsseldorf, August 2015

The Management Board

Carola Gräfin v. Schmettow	Dr. Rudolf Apenbrink	Paul Hagen
Stephen Price	Norbert Reis	

Key Dates

10. November 2015
Interim Report as at 30 September 2015

March 2016
Results Press Conference

May 2016
Interim Report as at 31 March 2016

June 2016
Annual General Meeting

August 2016
Interim Report as at 30 June 2016

November 2016
Interim Report as at 30 September 2016

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