

*The following text is the English version of a news release issued in Germany by HSBC Trinkaus & Burkhardt AG, an 80.7% indirectly owned subsidiary of HSBC Holdings plc.*

19 August 2015

## **HSBC TRINKAUS & BURKHARDT AG 2015 INTERIM RESULTS**

- Strong growth in net fee income at €13.9m (1H14: €186.1m)
- Net interest income increased to €8.9m (1H14: €87.6m)
- Pre-tax profit was down to €102.0m (1H14: €108.1m)
- Operating revenues of €345.7m were broadly unchanged (1H14: €347.5m)

### **Overview**

The growth initiative at HSBC Trinkaus & Burkhardt AG ('the Bank') are gaining momentum. Net fee income grew by 15%, driven by the extension of existing client relationships as well as business with new clients. By expanding our product offering for internationally operating MMEs and multinational corporations, extending the range of our target clients and acquiring new clients, the Bank's strategy of becoming the 'Leading International Bank' has continued.

In the challenging market environment with weaker revenue potential, high regulatory requirements putting pressure on administrative expenses and tougher competition, the Bank generated lower pre-tax profit of €102.0m (1H14: €108.1m). Profit after tax came to €70.2m (1H14: €72.6m). Irrespective of the unfavourable general interest rate environment, the Global Banking & Markets and Retail Banking and Wealth Management segments improved on and maintained their prior-year results, respectively, unlike the Private Banking and Commercial Banking segments.

## HSBC Trinkaus & Burkhardt AG 2015 Interim Results/2

Both the regulatory capital ratio and the Tier 1 capital fell compared to the end of the previous year at 12.6% (31Dec14: 13.0%) and 10.2% (31Dec14: 10.4%), respectively. The Bank maintains a strong and liquid balance sheet. HSBC Trinkaus & Burkhardt AG, the HSBC Group's principal subsidiary in Germany, is rated 'AA- (Stable)' by Fitch Ratings.

### Financial commentary

Net interest income increased marginally by €1.3m, from €87.6m in the first half of 2014 to €88.9m. This increase was primarily due to the improvement in interest income based on higher client lending volumes, but partly offset by ongoing pressure on margins.

Net fee income rose significantly by €7.8m to €13.9m (1H14: €186.1m), driven by net fee income from securities transactions including alternative investments as well as from fund management and custodian bank operations. There was also a strong increase in net fee income from foreign exchange and derivatives transactions due to an increase in client numbers and the increased volatility on the foreign exchange markets, which increased the need for advice on hedging against exchange rate fluctuations on the part of our clients.

Net trading income fell by €20.5m to €13.5m (1H14: €64.0m). The market turbulence on the bond markets in the second quarter put pressure on net income from trading relating to bonds and interest rate derivatives. Net income from trading relating to equities and equity derivatives was stable and the result in foreign exchange trading positive.

Income from financial assets improved from €15.4 million to €22.6 million. Gains realised on the disposal of financial assets were set against moderate impairments on financial assets.

Net loan impairment and other credit risk provisions were €1.2m in the first half of the year (1H14: €3.5m), driven by collectively assessed impairments as a result of the increase in lending volumes. The Bank continues to have a conservative approach in relation to lending and the assessment of default risks.

## **HSBC Trinkaus & Burkhardt AG 2015 Interim Results/3**

Administrative expenses rose by €9.4m, from €52.1m to €71.5m, reflecting the higher costs for implementing the growth strategy like higher staff expenses and the charges resulting from the new bank levy. As expected, the cost efficiency ratio increased to 72.5% in the first six months of 2015 (1H14: 69.3%).

Total assets increased by €2.0 billion compared to the end of 2014 to €4.2bn (31Dec14: €2.2bn). Customer deposits of €4.1bn (31Dec14: €3.1bn) remain our most important source of funding.

### **Outlook**

The Bank is forecasting a small increase in revenues as well as slight improvement in pre-tax profit for 2015. The positive trend in July underlies this forecast. As a result of the increase in staff numbers, the expansion of the product offering and investment in IT systems and the service divisions, we are anticipating a significant increase in administrative expenses and therefore a higher cost efficiency ratio this year. The widening of client target rating in the corporate banking business will lead to stronger capital backing and higher risk provisioning requirements.

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### **Notes to editors:**

#### **1. HSBC Trinkaus & Burkhardt AG**

HSBC Trinkaus & Burkhardt AG is a leading client-oriented commercial bank with now 230 years of experience. It is part of the globally-operating HSBC Group. With more than 2,700 employees the Bank can be found in 12 locations in Germany, in addition to the head office in Duesseldorf. Germany is a priority growth market for HSBC Group. HSBC Trinkaus & Burkhardt's particular strength lies in the comprehensive servicing of its clients, its detailed knowledge of the international markets, mainly the emerging markets, as well as its global network which helps clients grasp international opportunities. HSBC Trinkaus & Burkhardt AG, the HSBC Group's principal subsidiary in Germany, is rated 'AA- (Stable)' by Fitch Ratings. The bank has total assets of €4.2bn and €209.1bn in funds under management and administration. The bank's central target groups are corporate clients, institutional clients and high net worth private clients (all figures as at 30 June 2015).

HSBC Trinkaus & Burkhardt's press releases can be found on the [www.hsbc.de](http://www.hsbc.de) homepage under 'Press'.

#### **2. HSBC Holdings plc**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,100 offices in 72 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,572bn at 30 June 2015, HSBC is one of the world's largest banking and financial services organisations.

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