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HSBC Germany increases revenues and paves the way for further growth

- Pre-tax profit up 9.3% to €251.3m
- Further increase in net fee income of €8.2m to €482.9m
- Major investments in digitalisation and securities processing in 2018

The HSBC Trinkaus & Burkhardt Group ("HSBC Germany") continued to grow in the 2017 financial year, gaining further market shares in the competitive German banking market. Large mandates and the need to digitalise business processes further, mean the current financial year will see investments. For the first time HSBC Germany will invest more than €100m in 2018 in multi-year programmes.

HSBC Germany increased pre-tax profit by 9.3% to €251.3m in the 2017 financial year. Net profit was up by 11.1% to €172.8m. The return on equity before tax stood at 11.8% as in the previous year.

The results were influenced by two contrasting factors. Firstly, they include disposal revenues of €35.6m generated through the sale of participating interests which are no longer required for operating business activity. Secondly, the results came under pressure from two individually assessed impairments, which are primarily responsible for the significant increase in net loan impairment and other credit risk provisions from €4.4m in 2016 to €23,9m in 2017.

Without these two factors the results were stable and slightly higher than the prior-year. Operating revenues came to €779m (plus 0.5%). The €8.2m growth in net fee income to €482.9m again shows that the Bank is growing from its strong business with clients.

"Fee income is our most important source of income", says Carola von Schmettow, CEO of HSBC Germany. "The strongest arguments we put forward to our clients are our expert solutions to complex requirements, the international network and our capital strength".

There was a 6.4% decline in net interest income to €197.9m, as a result of lower interest income from financial assets, reflecting the unfavourable interest rate environment for banks. Bullet bonds with a comparable risk profile could only be replaced by others with significantly lower coupons. Equities and equity derivatives was mainly responsible for the €5.2m increase in net trading income to €83.9m.

HSBC Germany continues to focus on growth in 2018: "The forward-looking mandates we gained last year will continue to enhance our reputation in the German banking market. We want to accelerate our growth in the years ahead by making far-reaching investments in our digital infrastructure", says Carola von Schmettow.

HSBC Germany is investing more than €100m in multi-year programmes for digitalisation of its processes and the expansion of its securities infrastructure for the first time. This is more than double the amount invested last year, and will be invested

Press release

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on the one hand in the new core bank system. On the other, the Bank is investing in order to be able to take over securities processing for Commerzbank in 20120. It is the largest outsourcing deal in the German securities market.

HSBC Securities Services, which is part of Global Banking & Markets, was extremely successful last year: Net fee income from the securities portfolio business increased by almost 12% to €119.5m in 2017 (2016: €106.8m). The capital management company HSBC INKA has surpassed the €200bn mark in volumes in special funds.

The corporate banking business continued to grow. Client account growth is stronger abroad than it is reflected on the German balance sheet. Our global solutions portfolio and strong advisory expertise continues to attract corporate clients. HSBC Germany has provided equity and debt corporate financing transactions and increased its net fee income by 40% to €42,7m.

Global Banking & Markets again provided the largest contribution to profit in the financial year, with an increase in net fee income of €6.4m to €329.5m. The placement of further alternative investment products was very successful in particular, along with the fixed income business and equity sales.

Net fee income in Private Banking & Asset Management increased by €8.2m to €97.8m. Private Banking assets under management are at a high of €28.5bn, raising almost €2bn in new funds.

As at the balance sheet date, total assets amount to €24.3bn after €23.1bn as at 31 December 2016, an increase of 5.2%. Shareholders' equity stands at €2,296.4m (plus 2.5%). The Tier 1 capital ratio improved slightly from 12.3% to 12.7%.

Outlook

In its base scenario the Bank is expecting an increase in net revenues in the single-digit percentage region and stronger growth than the market for 2018. It is to be assumed, though, that administrative expenses will rise faster than revenues, owing to major investments as well as considerable project expenses for modernising the infrastructure which will lead to higher revenues in the future. The Bank is anticipating a decline in pre-tax profit. The revenues generated through the sale of participating interests in 2017 will also not recur in 2018. Both effects could lead to a decline of up to 10%. The Bank plans to maintain its return on equity before tax at around the 10% mark.

HSBC Trinkaus & Burkhardt Group

Consolidated figures according to International Financial Reporting Standards (IFRS)

Balance sheet figures in €m	**31.12.2017**	**31.12.2016**	**Change in %**
Total assets	24,278.9	23,084.8	5.2
Shareholders' equity	2296.4	2,240.0	2.5
Loans and advances to customers	9,348.9	8,457.9	10.5
Trading assets*	3,702.1	4,462.3	-17.0
Positive market values of derivative financial instruments*	1,420.8	2,099.6	-32.3
Customer accounts**	14,591.7	13,668.7	6.8
Trading liabilities*	2365.2	2,326.7	1.7
Negative market values of derivative financial instruments*	1248.1	2173.1	-42.6

* The derivatives reported under trading assets and trading liabilities the previous year are now reported as separate balance sheet items in accordance with the market standard. The prior-year figures have been adjusted.
** The liabilities reported under certificated liabilities the previous year are now reported under customer accounts. The prior-year figures have been adjusted.

Income statement in €m	**31.12.2017**	**31.12.2016**	**Change in %**
Net fee income	482.9	474.7	1.7
Net interest income	197.9	211.4	-6.4
Net impairment and other credit risk provisions	23.9	4.4	>100
Net trading income	83.9	78.7	6.6
Administrative expenses	559.2	567.9	-1.5
Pre-tax profit	251.3	229.9	9.3
Net profit	172.8	155.5	11.1

Ratios	**31.12.2017**	**31.12.2016**	**Change in %**
Return on equity before tax in % (projected for the full year)	11.8	11.8	–
Net fee income in % of operating revenues	62.0	61.3	–
Tier 1 capital ratio in %	12.7	12.3	–

The final Annual Report for 2018 is scheduled to be published on 27 April 2018.

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HSBC Germany is part of the HSBC Group, one of the world's leading commercial banks. It is the "Leading International Bank" and has a network in 67 countries worldwide which account for more than 90% of global economic output. HSBC Germany's clients are companies, institutional clients, the public sector and high net worth private clients.
The Bank stands for internationality, comprehensive advisory expertise, major placement power, first-class infrastructure and capital strength. The "AA-" (stable) rating is the best Fitch rating of a private commercial bank in Germany. HSBC Germany, which operates as HSBC Trinkaus & Burkhardt AG, was founded in 1785 and has more than 2,800 employees in Düsseldorf and at a further eleven locations.

HSBC Holdings plc
HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 3,900 offices in 67 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US$2,522bn at 31 December 2017, HSBC is one of the world's largest banking and financial services organisations.

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