

2 August 2017

HSBC Germany reports double-digit growth and increased market share

- Pre-tax profit up 31.5%
- Operating profit grows by 14.1%
- Net fee income increases by 8.7% to €259.2m

The HSBC Trinkaus & Burkhardt Group ("HSBC Germany") continued its successful momentum in the first half of 2017. In what remains a challenging environment for banks and their earnings, the Bank improved its result and further expanded its business with clients.

HSBC Germany generated pre-tax profit of €153.2m in the first half of 2017 (H1 2016: €116.5m), an increase of €36.7m or 31.5%. This significant increase is partly attributable to €20.3m of revenues generated through the sale of participating interests which are no longer required for operating business activity. Excluding these revenues from pre-tax profit, there was an increase of 14.1%, reflecting the Bank's operating strength.

The 8.7% growth in net fee income to €259.2m, around €20m more than in the first half of 2016, shows that the Bank continues to grow strongly its business with clients. As a result, net fee income as a percentage of operating income also increased by three percentage points to 63%.

'Our business model, which is based strongly on services for our clients, has again proven to be efficient', says Carola von Schmettow, Chief Executive Officer of HSBC Germany. 'We are establishing ourselves as an advisor and provider of solutions to complex challenges for our clients due to our comfortable capitalisation and our positioning as 'Leading International Bank' in the German market.'

Net interest income presents a mixed picture, remaining almost unchanged at €101.5m (€101.4m). Net interest income from the lending business is rising whilst the burdening factors have remained the same. These range from negative interest rates on the Bank's surplus liquidity to the further decline in interest income from securities in the liquidity reserve. 'We have again been able to gain market share in the corporate banking business', says Carola von Schmettow, 'and we continue to provide our corporate clients with loans due our strong capitalisation.'

Net trading income was down by €4.7m to €45.2m (H1 2016: €49.9m). While equity trade has grown, bond trading decreased. Net income from trading equities and equity derivatives in the first half of the current financial year was up to €28.1m (H1 2016: €23.5m). With €13.6m net income from trading bonds, money market transactions and interest rate derivatives was down by €7.0m due to higher yields on the bond market. Net income from foreign exchange trading was down by €0.9m to €3.2m.

The low level of net loan impairment and other credit risk provisions reflects our balanced risk approach. No net additions to credit risk provisions had to be made in the income statement in the first half of 2017.

The Bank's strict cost discipline was a further success factor in the first half of the year, leading to a slight reduction in administrative expenses of 0.6%.

The Bank generated its strongest growth in the Global Banking & Markets segment in the first half of the year. Pre-tax profit was up by €23.7m to €88.0m, attributable to our success in the area of alternative investments: with committed capital of EUR 1.2bn, HSBC has moved up to become market leader in the asset class Private Debt in the German-speaking region. Large individual transactions in the capital market and refinancing business again contributed to this success.

The Commercial Banking segment improved its results slightly compared to the first half of 2016 despite the difficult market interest rate environment. There was an increase in interest income in the lending business at the same time as a reduction in net loan impairment and other credit risk provisions and costs. This compensated for the decline in lending fees, which were extremely high the previous year owing to several new syndicated loans.

The segment affected most by the current interest rate environment, Private Banking & Asset Management, generated slightly higher income. The 8.9% growth in net fee income more than offsets the decline in net interest income. Both segments benefited from a more favourable environment on the capital markets compared to the prior-year period. Negative interest rates are putting pressure on the business, with high net worth private clients making significant deposits of late. Private Banking already exceeded the prior-year growth in volume in the first half of 2017 with inflows of more than €1bn. In addition, Asset Management benefited from the increase in fee income from management and distribution fees as well as from high net inflows into pension fund concepts.

As at the balance sheet date, total assets amount to €27.3bn, an increase of 18.5% from €23.1bn as at 31 December 2016. Shareholders' equity stands at €2,253.8m (up 0.6%). The Tier 1 capital ratio improved slightly from 12.3% to 12.6% and the regulatory capital ratio increased from 14.4% to 14.6%. The return on equity before tax was up by 2.5 percentage points to 14.6%.

Outlook

The Bank is optimistic for the second half of 2017 in its base scenario and will continue along chosen path of earnings-oriented growth. It is also investing strongly in IT infrastructure with the aim of positioning itself for the future and strengthening its platforms for securities infrastructure even further. This includes transaction settlement, the custodian bank function and fund administration. HSBC Germany is raising the earnings forecast and is now expecting an increase in pre-tax profit in the upper single-digit range.

The final Interim Report for 2017 is scheduled to be published on 31 August 2017.

HSBC Trinkaus & Burkhardt Group

Consolidated figures according to International Financial Reporting Standards (IFRS)

Balance sheet figures in €m	30.06.2017	31.12.2016	Change in %
Total assets	27,345.7	23,084.8	18.5
Shareholders' equity	2,253.8	2,240.0	0.6
Loans and advances to customers	9,830.4	8,457.9	16.2
Trading assets	4,736.6	4,462.3	6.1
Derivatives assets*	1,744.8	2,099.6	- 16,9
Customer accounts**	16,397.2	13,668.7	20,0
Trading liabilities*	2,432.0	2,326.7	4.5
Derivatives liabilities*	1,591.4	2,173.1	- 26,8

* The derivatives reported under trading assets and trading liabilities the previous year are shown 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	01.01.2017 to 30.06.2017	01.01.2016 to 30.06.2016	Change in %
Net fee income	259.2	238.4	8.7
Net interest income	101.5	101.4	0.1
Net loan impairment and other credit risk provisions	-0.1	-1.0	- 90.0
Net trading income	45.2	49.9	- 9.4
Administrative expenses	285.6	287.2	- 0.6
Pre-tax profit	153.2	116.5	31.5
Net profit	102.3	79.9	28.0

Ratios	01.01.2017 to 30.06.2017	01.01.2016 to 30.06.2016	Change in %
Return on equity before tax in % (projected for the full year)	14.7	12.1	-
Net fee income in % of operating revenues	63.0	60.0	-
Tier 1 ratio in %	12.6	12.3	-
Regulatory capital ratio in %	14.6	14.4	-

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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 more than 70 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, which operates as HSBC Trinkaus & Burkhardt AG, stands for internationality, comprehensive advisory expertise, major placement power, first-class infrastructure and capital strength. With its "AA- (stable)" rating, it has the highest Fitch rating of all private commercial banks in Germany. HSBC Germany was founded in 1785 and has more than 2,800 employees in Düsseldorf and at a further eleven locations.

Notes to editors:

HSBC Trinkaus & Burkhardt AG's press releases can be found on the www.hsbc.de homepage under "Press".