Registration Document dated 31 March 2022
(the "**Registration Document**")

pursuant to Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**")

in conjunction with Article 7 and Annex 6 to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (the "**Delegated Regulation**")

of

HSBC Trinkaus & Burkhardt AG
Düsseldorf
(the "**Issuer**")

The validity of the Registration Document of the Issuer dated 31 March 2022 commences at the approval of the Registration Document and ends on 31 March 2023. The end of the validity of the Registration Document on 31 March 2023 shall not affect the validity of a base prospectus of which it is a constituent part. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Registration Document is no longer valid.

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Financial information:

Annual Financial Statements 2020 (Stand-alone Financial Statements in accordance with HGB)
HSBC Trinkaus & Burkhardt AG F I. 1

Consolidated Financial Statements 2020 (Consolidated Financial Statements in accordance with IFRS)
HSBC Trinkaus & Burkhardt Group F II. 1

Consolidated Financial Statements 2019 (Consolidated Financial Statements in accordance with IFRS)
HSBC Trinkaus & Burkhardt Group F III. 1

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I. Risk factors

Risks which are specific to the Issuer and material for taking an informed investment decision are presented below. The materiality of a risk is determined on the basis of the negative impact on the Issuer and the securities as well as the probability of its occurrence.

The risks are presented in the following categories:
1. category: Issuer default risk (insolvency risk) and
2. category: Risks relating to resolution measures imposed on the Issuer by the resolution authority, creditor participation.

These risks may occur separately or collectively. In each category, one material risk is listed and described.

1st category: Issuer default risk (insolvency risk)

The security holder bears the Issuer default risk, i.e. the risk of the Issuer's insolvency.

In the event of the Issuer's insolvency, the investor is exposed to the risk of total loss of the capital employed (purchase price plus other costs associated with the purchase – hereinafter together the "**Capital Employed**"), as well as the loss of interest payments or other income payments, if such payments are provided for.

The occurrence of this risk would result in the Issuer being unable to meet its payment obligations to the security holders under the securities issued, or to meet them when due, or in the full amount. This may occur if the Issuer is insolvent (*zahlungsunfähig*) or overindebted (*überschuldet*), or is likely to become insolvent or overindebted.

If insolvency proceedings are opened against the Issuer, security holders can only register their claims in the schedule of creditors (*Insolvenztabelle*) in accordance with the German Insolvency Code (*Insolvenzordnung*). Security holders then receive an amount of money, which is calculated based on the insolvency rate (*Insolvenzquote*). Such an amount will regularly be substantially less than the Capital Employed.

The securities do not benefit from any protection against the risk of insolvency by the Deposit Protection Fund of the Association of German Banks (*Einlagensicherungsfonds des Bundesverbandes deutscher Banken*), the Compensation Scheme of German Banks (*Entschädigungseinrichtung deutscher Banken* – EdB) or comparable institutions. Security holders are not protected against the total loss of the Capital Employed in the event of the Issuer's insolvency.

2nd category: Risks relating to resolution measures imposed on the Issuer by the resolution authority, creditor participation

Provisions in the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, "**SAG**") and in Regulation (EU) No. 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (**"SRM Regulation"**) enable the competent resolution authority to undertake resolution measures with respect to the Issuer if certain conditions are met.

In accordance with the provisions of the SAG and the SRM Regulation, security holders may, among other things, be required to participate in the losses and costs of the Issuer's resolution (so-called creditor participation (*Gläubigerbeteiligung*)).

The securities to be issued by the Issuer are consequently subject to regulatory bail-in by the competent resolution authority. The authority is entitled to write the security holders' claims under the securities down, for example, to zero (i.e. in full) or in part, or convert them into shares of the Issuer as potential resolution measures.

The resolution authority is entitled to undertake the resolution measures even before an insolvency of the Issuer.

Security holders are subject to the risk of losing all their claims to the rights conferred by the securities. They may lose, in particular, their claims to the redemption or repayment of the securities as well as to interest payments or other income payments, if such payments are provided for.

Such resolution measures create a considerable risk of loss for the security holder, up to and including the risk of total loss of the Capital Employed and the loss of interest payments or other income payments, if such payments are provided for.

II. General information

The end of the validity of the Registration Document on 31 March 2023 shall not affect the validity of a base prospectus of which it is a constituent part. The validity of the corresponding base prospectus ends when the validity of the corresponding securities note ends.

1. Responsible persons, third party information, expert reports and competent authority approval

1.1. Responsibility for the information contained in the Registration Document

HSBC Trinkaus & Burkhardt AG (the "**Issuer**") with domicile in Hansaallee 3, 40549 Düsseldorf, Germany, (together with its consolidated subsidiaries of the "**HSBC Trinkaus & Burkhardt Group**") assumes responsibility for the information contained in the Registration Document.

1.2. Declaration for those responsible for the Registration Document

The Issuer declares that to the best of its knowledge, the information contained in the Registration Document is in accordance with the facts and that the Registration Document makes no omission likely to affect its import.

1.3. Statements or reports by experts

Statements or reports by experts are not included in this Registration Document.

1.4. Third party information

Third-party information has been used in this Registration Document. The Issuer obtained the information directly from rating agency Fitch Ratings Ltd. (source of the information).

The Issuer confirms that this information has been accurately reproduced. As far as the Issuer is aware and is able to ascertain from information published by this third party, no facts have been omitted which would render the reproduced information incorrect or misleading.

1.5. Statement of approval of the Registration Document

The Issuer declares that

a) the Registration Document has been approved by the German Federal Financial Supervisory Authority ("**BaFin**") as the competent authority under the Prospectus Regulation,

b) BaFin only approves this Registration Document regarding the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation,

c) such approval should not be considered as an endorsement of the Issuer that is the subject of this Registration Document.

2. Statutory Auditor

2.1. Name and address

The auditor of the Issuer for the period covered by the historical financial information is PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Moskauer Strasse 19, 40227 Düsseldorf, Germany, tel. +49 (0)211 981 0 (the "**Auditor**"). The Auditor is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*). It is also a member of the German Institute of Public Accountants (*Institut der Wirtschaftsprüfer* - IDW).

2.2. Change of auditor

The Auditor was neither removed nor not reappointed, nor did it resign during the period covered by the historical financial information.

3. Risk Factors

Details of the risk factors relating to the Issuer may be found in section I. of the Registration Document.

4. Information about the Issuer

4.1 History and development of the Issuer

4.1.1. Legal and commercial name of the Issuer

The legal name of the Issuer is HSBC Trinkaus & Burkhardt AG. Its commercial name is HSBC Deutschland.

4.1.2. Place of registration of the Issuer, its registration number and legal entity identifier (LEI)

The Issuer was created from the conversion of the limited partnership (*Kommanditgesellschaft* - KG) Trinkaus & Burkhardt into a partnership limited by shares (*Kommanditgesellschaft auf Aktien* - KGaA). It was entered as a KGaA in the commercial register of the Düsseldorf Local Court on 13 June 1985 under number HRB 20 004.

The company name was changed from "Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien" to "HSBC Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien", by resolution of the shareholders' meeting on 2 June 1999. This was entered in the commercial register on 17 June 1999.

A resolution to convert HSBC Trinkaus & Burkhardt KGaA into a stock corporation (*Aktiengesellschaft* - AG) was adopted at the annual general meeting on 30 May 2006. This was entered in the commercial register on 31 July 2006 under number HRB 54447.

The Issuer's legal entity identifier (LEI) is: JUNT405OW8OY5GN4DX16.

4.1.3. Date of incorporation of the Issuer

The Issuer's origins go back to the trading house Christian Gottfried Jäger founded in Düsseldorf in 1785, which later became the bank C. G. Trinkaus, and to the Simon Hirschland bank, founded in Essen in 1841, whose legal successor was Bankhaus Burkhardt & Co.

The banks C. G. Trinkaus, Düsseldorf, and Bankhaus Burkhardt & Co., Essen, operated as limited partnerships, merged in 1972 to form the limited partnership Trinkaus & Burkhardt.

4.1.4. Domicile and legal form of the Issuer; legislation

The Issuer's domicile is Hansaallee 3, 40549 Düsseldorf, Germany, tel.: +49 (0)211 910 0.

The Issuer operates in the legal form of a German stock corporation (AG). Its legal form is planned to be changed to a limited liability company (*GmbH*) by mid-2022.

It primarily operates under German legislation.

The Issuer was founded in Germany.

The Issuer's website is: www.hsbc.de. The information on the website does not form part of the Registration Document unless that information is incorporated by reference into the Registration Document.

4.1.5. Details of any recent events

There are no recent events particular to the Issuer and which are to a material extent relevant to an evaluation of the Issuer’s solvency (i.e. its ability to meet its payment obligations).

4.1.6. Issuer credit rating

The rating agency Fitch Ratings Ltd. (the "**Rating Agency**") has set the long-term rating requested by the Issuer at "AA-". Outlook: negative.

The Rating Agency has set the short-term rating requested by the Issuer at "F1+".

Source of above information: www.fitchratings.com. Status of above information: as of the date of this Registration Document.

The Rating Agency has its domicile in the European Community. It is registered in accordance with Article 14(1) in conjunction with Article 2(1) of "REGULATION (EC) No 1060/2009 of the EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 September 2009 on credit rating agencies".

The rating of "AA-" for long-term borrowings means that Fitch attaches a very low credit risk to these liabilities.

The rating of "F1+" for short-term borrowings means that Fitch believes the Issuer is in an excellent position to repay its short-term borrowings.

The outlook offers an indication of the direction in which the rating can be expected to develop over a one-to-two-year period.

Fitch Ratings' possible long-term and short-term rating categories are the following:

Fitch Ratings' long-term rating categories (Long-Term (LT) Issuer Default Rating (IDR)):	***Fitch Ratings' short-term rating categories (Short-Term Rating):***
AAA	***F1***
AA	***F2***
A	***F3***
BBB	***B***
BB	***C***
B	***RD***
CCC	***D***
CC	
C	
RD	
D	

"+" or "-" signs are assigned to a rating to indicate their standing within the main rating category.

4.1.7. Information on the material changes in the Issuer's borrowing and funding structure since the last financial year (Disclosures according to the Consolidated Financial Statements in accordance with IFRS)

Total assets of HSBC Trinkaus & Burkhardt Group as at 31 December 2020 amounted to €29.5 billion compared with €26.6 billion as at 31 December 2019, and thus increased by €2.9 billion. Customer accounts remain the Issuer's most important source of refinancing. They amounted to €18.1 billion as at 31 December 2020 (31 December 2019: €17.7 billion), that is, around 62% of total assets.

The risk-weighted assets of HSBC Trinkaus & Burkhardt Group amounted to €15.4 billion as at 31 December 2020 (31 December 2019: €15.9 billion). €13.2 billion thereof is attributable to credit risk (31 December 2019: €13.6 billion), €0.8 billion to market risk (31 December 2019: €0.8 billion) and €1.4 billion to operational risk (31 December 2019: €1.4 billion). This results in a Tier 1 capital ratio of 13.9% as of 31 December 2020 (31 December 2019: 12.6%) and a regulatory capital ratio of 15.7% (31 December 2019: 14.6%).

4.1.8. Description of the expected financing of the Issuer's activities.

Customer accounts remain the Issuer's most important source of refinancing. Its financial position is characterised by high liquidity.

5. Business overview
5.1. Principal activities
5.1.1. Principal activities of the Issuer
a) Description of the main categories of products sold and/or services performed

As a universal bank, the Issuer offers financial services for corporate customers, institutional clients and high net worth private clients.

The Issuer's corporate customer business is aimed at larger medium-sized companies, international trading companies and large corporations. The companies receive strategy advice and support in all financial and financing matters (equity and debt). This also applies to investment topics. The Issuer supports its international business customers in export financing, in the documentary business with document processing and in the supply chain business. In addition to payment transactions (Global Liquidity &Cash Management), hedging – also in the interest and foreign exchange business – and trade receivables financing (Global Trade and Receivable Finance) are offered.

In the business with institutional investors, the Issuer also counts the public sector in Germany and Austria as a customer. For this group as well, emphasis is on strategy advice and support in market transactions. The focus is on capital market-oriented investment and financing solutions. Services include the sale of conventional fixed-income products such as notes, covered bonds and promissory note loans. The Issuer also offers structuring of products and derivatives in the asset classes interest rates, currencies, loans and equities. The Issuer also supports its customers in equity investments and alternative investments. The advice is based on fundamental, technical and quantitative research (analysis and assessment) conducted in-house and within the HSBC Group.

The focus of the private client business is on providing comprehensive advice and support to high net worth private clients and entrepreneurs as well as to families and foundations on the basis of tiered asset management and administration service packages. The range includes total asset management, investment management and miscellaneous services. Total asset management services offered include strategic asset planning, succession planning advice and asset controlling. Investment management includes, for example, asset management and advice in all asset classes. Basic services such as account management, custody services and payment transactions round off the offering.

The Issuer offers its customers additional financial services for all target groups. The portfolio management activities are concentrated in the subsidiary HSBC Global Asset Management (Deutschland) GmbH. The advice in this area, too, is based on research (analysis and assessment) conducted in-house and within the HSBC Group. Solutions in short-term investment (for example, money market funds available in various currencies on a daily basis) and long-term investment (for example, via special and mutual funds) are developed for customers. Advisory services for various aspects of asset management are also offered.

Securities services are provided by three different units: The Issuer's Custody Services offer institutional and corporate clients the functions of depositary bank (*Depotbank/Verwahrstelle*) and custodian. As a custodian, the unit supports clients in the administration and safekeeping of securities in Germany. It also makes available to clients the global custodian network with one of the largest group-owned sub-custodians. As a supplementary service, the unit is responsible for a fund order routing platform that automates the fund order process.

The subsidiary Internationale Kapitalanlagegesellschaft mbH ("**HSBC INKA**") is responsible, as a master capital management company (capital management company with a full range of services, Master-KVG), for fund administration. It offers combined back and middle office services of the fund business. In addition to its core business – the administration of master, hedge, special and mutual funds in particular, the master capital management company structures funds and assists in establishing and administering them. The reporting services also include direct holdings. HSBC INKA clients comprise both institutional as well as corporate clients.

HSBC Transaction Services GmbH is active in securities settlement. This Issuer subsidiary offers middle and back office services (settlement services) in the settlement, administration and safekeeping of securities. These include migrations, order management, administration, disposition and routing, as well as transaction processing. Also included are securities account services such as scheduled processing, custody account transfers, and reconciliation services.

The Issuer's primary market activities include advising and supporting companies, financial institutions and the public sector in equity and debt capital market transactions.

In particular, block trades, stock option plan design, and convertible bonds, share buybacks, capital increases, and IPOs are offered as equity capital market transactions.

Debt Capital Markets offers public issues and private placements in all major currencies. The product range includes corporate bonds, medium-term note drawdowns (notes from issuance programmes), promissory note loans and hybrid financial instruments.

The Issuer also offers advisory services in mergers and acquisitions. This includes acquisition and disposal of companies, corporate mergers, privatisations and support in public takeovers. The Issuer also assists customers in cross-border projects.

For listed companies, the Issuer provides secondary market support in the area of corporate broking & global investor access.

The trading division comprises all the Issuer's securities trading and treasury activities. The Issue trades equities and equity derivatives, fixed-income securities and interest rate derivatives, as well as foreign currencies and currency options for its own account on stock exchanges and over-the-counter markets. Treasury activities play a central role in the management of the Issuer's liquidity and foreign exchange position. The securities lending and repo business (repurchase agreements) provides significant support, for one thing, to fulfilling delivery obligations in trading and, for another, to the Issuer's liquidity management.

The Issuer issues warrants, certificates and notes in the only product class eligible for retail sale, that is, in structured securities. The Issuer does not distribute the products itself. Investors can order them through their principal bank, different direct banks or via the market places specified in the Final Terms.

b) Indication of any significant new products or activities

There have not been any newly introduced significant products or services of the Issuer since the date of the Issuer's last published audited financial statements.

The Issuer adopted the new Country Strategic Plan 2023 (CSP) in June 2019, which, in addition to systematic continuation of the "Leading International Bank" long-term strategy, focuses in particular on increasing efficiency, process optimisation and cost savings. The "Germany Transformation" programme announced in autumn 2020 accentuates these core elements. With the acquisition of the share held by Landesbank Baden-Württemberg, Stuttgart, and the buy-out of the minority shares under a squeeze-out, the HSBC Group has increased its stake in HSBC Germany to 100% and thereby concluded a logical step in transforming the Issuer into a full member of the HSBC Group. As part of HSBC Europe's strategy to become the leading international wholesale bank in Europe - specifically supplemented by wealth and private banking - an internal feasibility study was commissioned in March 2021. The aim of this study was to find the best structure for the business in Europe including Germany. The result of this study was available in September 2021. The business operations of HSBC Germany are to be transferred to a branch of HSBC Continental Europe. Implementation is targeted for 2023, subject to a consultation phase with employee representatives and the necessary regulatory approvals.

The issuer's change of legal form to a limited liability company (*Gesellschaft mit beschränkter Haftung*) is one step in achieving the envisaged corporate structure. This change in legal form is planned for mid-2022. However, the change in legal form is insignificant for the security holders.

The strategy update also includes the following focal areas:

Expansion of the Leading International Bank: HSBC Germany is continuing its return-driven growth. The profitable business of the HSBC Group as a whole with globally oriented German customers is to be further expanded. Expansion of the event business and the strong commission business are sources of support for the Issuer in the negative interest rate environment.

Optimisation of capital use: The Issuer is continuing systematic optimisation of its risk-weighted asset portfolio, selectively investing them in profitable and strategically relevant customer relationships.

Transaction banking transformation, i.e. the expansion of the Global Trade and Receivable Finance (GTRF), Global Liquidity & Cash Management (GLCM) and HSBC Securities Services (HSS) products: In GLCM, the service offering is to be provided on an innovative IT infrastructure to allow acquisition of new mandates for the HSBC network. An upgrade of the new Receivable Finance system is intended to strengthen both the local market position of GTRF and its role as a pan-European hub for the business. In HSS, further growth is to be advanced by building on Custody and Business Process Outsourcing projects.

Improving operational efficiency: Optimising processes while reducing costs is aimed at improving operational efficiency. This is to be achieved – in addition to the initiated move to a uniform Group IT infrastructure – with the logical transition to group processes and group systems.

Processes are constantly being optimised in order to relieve both customers and the functional areas of standardised administrative tasks while also cutting costs. Steps have already been taken to streamline and to increase efficiency by means of nearshoring to the HSBC service centre in Krakow. The Issuer will systematically assess options for further nearshoring.

c) Description of the principal markets in which the Issuer competes

The Issuer's principal activities listed in item 5.1.1 above are primarily focused on the German market. The market conditions in the German banking market have remained unchanged since publication of the Issuer's last published audited financial statements.

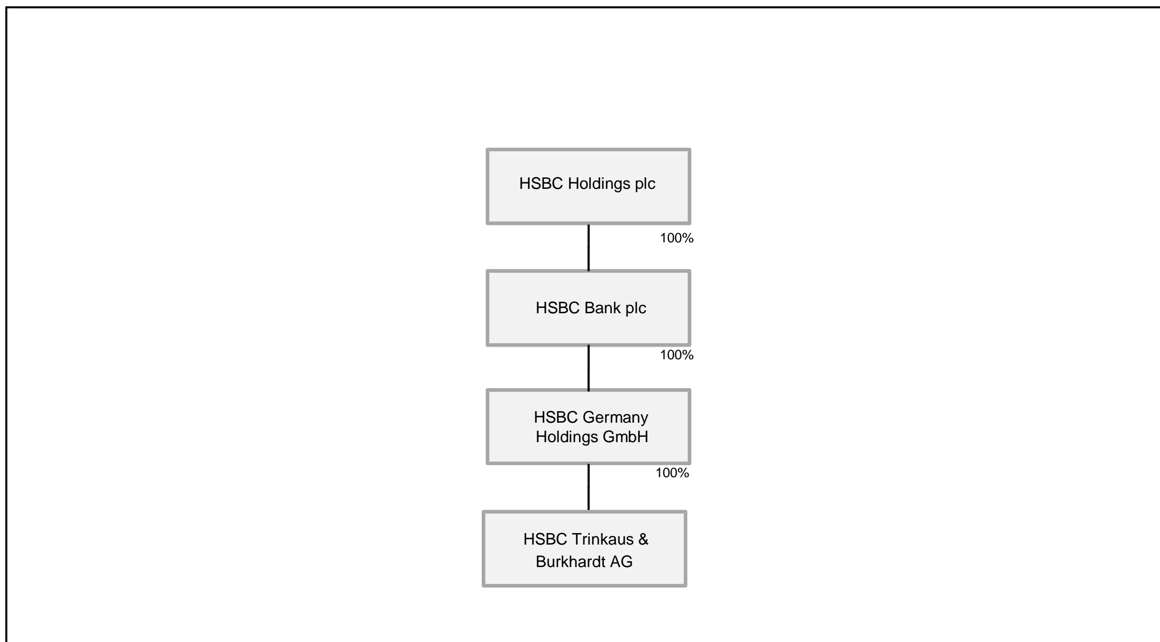
5.2. Statements made by the Issuer regarding its competitive position

As the Issuer makes no statements regarding its competitive position, no basis therefor has to be stated.

6. Organisational structure

6.1. The Issuer's membership in a group

The Issuer is part of the HSBC Group.



The HSBC Group considers itself to be one of the largest banking and financial services groups in the world. It operates subsidiaries and branch offices in Europe and the regions Asia-Pacific, North, Central and South America, the Middle East and Africa.

Within its international network, the HSBC Group is active, in particular,

- in general banking,
- in corporate banking,
- in investment banking and
- in supporting private clients.

The Issuer concluded cooperation and agency agreements with various HSBC Group companies. The Issuer's consolidated financial statements are included in the consolidated financial statements of HSBC Holdings plc, London.

The Issuer, together with its consolidated subsidiaries, also forms the HSBC Trinkaus & Burkhardt Group.

The HSBC Trinkaus & Burkhardt Group comprises 10 active companies. HSBC Trinkaus & Burkhardt AG is the parent company.

HSBC Trinkaus & Burkhardt AG

Internationale Kapitalanlagegesellschaft mbH Düsseldorf	HSBC Global Asset Management (Deutschland) GmbH Düsseldorf	Trinkaus Private Equity Management GmbH Düsseldorf
HSBC INKA Investment-AG TGV in Abwicklung Düsseldorf	HSBC Global Asset Management (Switzerland) AG Zürich	HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH Düsseldorf
HSBC Transaction Services GmbH Düsseldorf	HSBC Trinkaus Real Estate GmbH Düsseldorf	HSBC Service Company Germany GmbH
HSBC Operational Services GmbH Düsseldorf		

6.2. The Issuer's dependence upon other members of the group

The Issuer is part of the HSBC Group. It is under the direct control of HSBC Germany Holdings GmbH, Düsseldorf, which holds 100% of the shares of the Issuer, within the meaning of section 17 of the German Stock Corporation Act (*Aktiengesetz* - AktG).

The object of HSBC Germany Holdings GmbH is the acquisition and administration of holdings in German companies. It currently only holds shares in the Issuer.

The sole shareholder of HSBC Germany Holdings GmbH is HSBC Bank plc, London. HSBC Bank plc is in turn a wholly owned subsidiary of HSBC Holdings plc, the parent company of the HSBC Group, domiciled in London.

Due to the exit of the United Kingdom from the European Union (EU) (so-called Brexit), it is no longer possible for HSBC Bank plc, London, to remain the owner of the Issuer. Banks headquartered outside the EU must set up an EU-based parent company for their EU business activities if their assets in the EU are €40 billion or more. This European intermediate holding company of HSBC Holdings plc, London, is HSBC Continental Europe, Paris. A change of ownership from HSBC Bank plc, London, to HSBC Continental Europe, Paris, is mandatory for regulatory reasons and must take place by the end of 2023. However, it is planned to change ownership until end of 2022.

The Issuer is, consequently, a company indirectly controlled by HSBC Holding plc and HSBC Bank plc within the meaning of section 17 AktG, although there are no control and profit and loss transfer agreements in place. There are such agreements and/or letters of comfort in place between the Issuer and its subsidiaries, including HSBC Trinkaus Real Estate GmbH, HSBC Global Asset Management (Deutschland) GmbH, Internationale Kapitalanlagegesellschaft mbH and HSBC Transaction Services GmbH.

The control and profit transfer agreements subject the management of the respective subsidiary to the Issuer's control. The subsidiary is obliged to transfer 100% of its profit to the Issuer, which must compensate for any net loss for the year of the respective subsidiaries. The letters of comfort oblige the Issuer to manage and fund its respective subsidiaries in such a way that they are able to meet their present and future liabilities.

The Issuer is subject to the provisions of sections 311 et seq. AktG.

7. Trend information

7.1. Material adverse change in the prospects of the Issuer; significant change in the financial performance of the HSBC Trinkaus & Burkhardt Group

(a) There has been no material adverse change in the prospects of the Issuer since the date of its last published audited consolidated financial statements, 31 December 2020.

(b) There has been no significant change in the financial performance of HSBC Trinkaus & Burkhardt Group since the date of its last published audited consolidated financial statements, 31 December 2020.

7.2. Information on any known trends, uncertainties, demands, commitments or events

In addition to the traditionally keen competition in the German banking market, the high level of regulation and the low interest rates, the economy, in particular, remains a challenge. As a result of the COVID-19 pandemic, the global economy is expected to have contracted in 2020 for the first time since 2009, and only the second time ever since the end of World War II. The German economy was weakened even before the COVID crisis. A gloomy outlook for German economic growth against the backdrop of smouldering global trade conflicts is exacerbating the economic conditions for globally oriented banks. Moreover, digital platforms are gaining increasing importance. This applies both to competition with new market participants and within established financial institutions. With digital business models increasingly exposed to cyber risks, a modern and secure IT infrastructure is a distinguishing factor.

Beyond this, the Issuer is not aware of any demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects, for at least the current financial year.

8. Profit forecasts or estimates

No profit forecasts or estimates are included.

9. Administrative, management and supervisory bodies

9.1. Supervisory board; management board

a) Members of the supervisory body (supervisory board) and the management body (management board)

Supervisory Board

The Supervisory Board consists of 16 members, with shareholders and employees represented by eight members each.

All members of the Supervisory Board can be reached at the Issuer's business address, Hansaallee 3, 40549 Düsseldorf.

Several Supervisory Board members exercise supervisory board and advisory board functions at subsidiaries. Within the scope of relevant statutory provisions, they hold supervisory board and advisory board mandates at non-group companies.

Supervisory Board members, their function at the Issuer and an indication of the principal activities performed by them outside of that issuer where these are significant with respect to that issuer:

Paul **Hagen**, Düsseldorf
Chairman
Former member of the Management Board of HSBC Trinkaus & Burkhardt AG, Düsseldorf
Supervisory board mandates:

- BVV Versicherungsverein des Bankgewerbes a.G., Berlin
- BVV Versorgungskasse des Bankgewerbes e.V., Berlin
- HSBC Transaction Services GmbH, Düsseldorf

Jochen **Schumacher**, Krefeld (employee representative)
Deputy Chairman
Bank employee

Colin William **Bell**
Chief Executive Officer, HSBC Bank plc and HSBC Europe, London/UK
Mandates in supervisory bodies comparable to the Supervisory Board:

- Serai, Hong Kong
- Quantexa, UK

Sigrid **Betzen,** Meerbusch (employee representative)
German Association of Bank Employees, DBV (Managing Director)
Trade union representative

Anna **Dimitrova**, Düsseldorf
Chief Finance Officer & Director Strategy, Vodafone GmbH, Düsseldorf
Mandates in supervisory bodies comparable to the Supervisory Board:
- Tonies SE, Luxembourg (Chairman of the Supervisory Board)

Stefan **Fuchs**, Düsseldorf (employee representative)
Employee of HSBC Transaction Services GmbH

Igor **Ilievski**, Düsseldorf (employee representative)
Bank employee

Siglinde **Klaußner**, Meerbusch (court-appointed substitute by order of the Local Court of Düsseldorf dated 13 August 2019, issued by hand-over to the office on 14 August 2019) (employee representative)
Independent Chairperson of the Employees' Council
Supervisory board mandates:
- HSBC Transaction Services GmbH, Düsseldorf

Dr Christiane **Lindenschmidt**, London/UK (court-appointed substitute by order of the Local Court of Düsseldorf dated 9 September 2020, issued by hand-over to the office on 10 September 2020)
Chief Digital and Data Officer, HSBC Bank Plc, London/UK
Mandates in supervisory bodies comparable to the Supervisory Board:
- Symphony Communications Services LLC, Palo Alto (CA), USA

Dr Eric **Strutz**, Berg
Full-time supervisory board member,
former member of the Board of Managing Directors of Commerzbank AG
Mandates in supervisory bodies comparable to the Supervisory Board:
- HSBC Bank plc, London, UK
- Global Blue Group Holding AG, Brüttisellen, Switzerland
- Luxembourg Investment Company 261 S.a.r.l., Luxembourg

Sandra Jessica **Stuart**, Vancouver/Canada
Former President and Chief Executive Officer, HSBC Bank Canada, Vancouver
Mandates in supervisory bodies comparable to the Supervisory Board:
- TELUS International (Cda) Inc., Vancouver/Canada
- DRI Healthcare Trust, Toronto/Canada
- Canfor Corporation, Vancouver/Canada
- Canfor Pulp Products Inc., Vancouver/Canada
- Belkorp Industries Inc., Vancouver/Canada

Carsten **Thiem**, Düsseldorf (employee representative)
Bank employee
Trade union representative

Marc **Vogel**, Mülheim an der Ruhr (employee representative)
Bank employee

Daniela **Weber-Rey**, LL.M., Frankfurt am Main
Lawyer
Mandates in supervisory bodies comparable to the Supervisory Board:
- FNAC Darty S.A., Ivry-sur-Seine, France

Dr Oliver **Wendt**, Cologne (employee representative)
Bank employee
Executive representative

Andrew Merlay **Wright**, London/UK (court-appointed substitute by order of the Local Court of Düsseldorf dated 9 December 2020, issued by hand-over to the office on 10 December 2020)
Independent Non-Executive Director, HSBC Bank plc, London/UK
Mandates in supervisory bodies comparable to the Supervisory Board:
- HSBC Bank plc, London, UK

Management Board
The Issuer is legally represented by two members of the Management Board or by one member of the Management Board together with a registered agent holding a general power of attorney with a statutorily defined scope (*Prokurist*).

Notwithstanding their joint overall responsibility, all Management Board members are also assigned individual responsibility for certain areas.

All members of the Management Board can be reached at the Issuer's business address, Hansaallee 3, 40549 Düsseldorf.

Several Management Board members exercise supervisory board and advisory board functions at subsidiaries. Within the scope of relevant statutory provisions, they hold supervisory board and advisory board mandates at non-group companies.

The current members of the Management Board are:

Nicolo **Salsano**, Düsseldorf
Chairman of the Management Board
Areas of responsibility:
- CEO-Functions
- Markets & Securities Services
- Corporate & Institutional Banking

Dr Rudolf **Apenbrink**, Ratingen
Member of the Management Board
Areas of responsibility:
- Private Banking
- Asset Management / HSBC Global Asset Management (Deutschland) GmbH

Supervisory board mandates:
- HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf (Chairman of the Supervisory Board)

Mandates in supervisory bodies comparable to the Supervisory Board:
- HSBC Global Asset Management (UK) Limited (Chair)

Dr Andreas **Kamp**, Düsseldorf
Member of the Management Board
Areas of responsibility:
- Finance

Mandates in supervisory bodies comparable to the Supervisory Board:
- HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg (Chairman of the Supervisory Board)

Thomas **Runge**, Düsseldorf
Member of the Management Board
Areas of responsibility:
- Digital Business Services (DBS)
- GB&M COO

Supervisory board mandates:
- HSBC Transaction Services GmbH, Düsseldorf (Chairman of the Supervisory Board)

Nikolas **Speer**, Düsseldorf
Member of the Management Board
Areas of responsibility:
- Risk
- Compliance

b) Partner with unlimited liability, in the case of a limited partnership with a share capital
Not applicable.

9.2. Administrative, management, and supervisory bodies' conflicts of interests
In accordance with the provisions of the Issuer's internal policies, each of the members of the Management Board and the Supervisory Board are personally obliged to disclose potential conflicts of interest.

There are currently no potential conflicts of interest between the obligations to the Issuer of the members of the Issuer's Supervisory Board and Management Board and their private interests or other obligations (as of the date of this Registration Document).

10. Major shareholders
10.1 Statement as to whether the Issuer is directly or indirectly owned or controlled
The Issuer is a wholly owned subsidiary of HSBC Germany Holdings GmbH. The sole shareholder of HSBC Germany Holdings GmbH is HSBC Bank plc, London. HSBC Bank plc is a wholly owned subsidiary of HSBC Holdings plc domiciled in London.

The Issuer is, consequently, a company directly controlled by HSBC Germany Holdings GmbH and indirectly controlled by HSBC Bank plc and HSBC Holdings plc within the meaning of section 17 AktG.

There is no control or profit and loss transfer agreement between the Issuer and HSBC Germany Holdings GmbH, Düsseldorf, or HSBC Bank plc, London, or HSBC Holdings plc, London. There are such agreements and/or letters of comfort in place between the Issuer and its subsidiaries, including HSBC Trinkaus Real Estate GmbH, HSBC Global Asset Management (Deutschland) GmbH, Internationale Kapitalanlagegesellschaft mbH and HSBC Transaction Services GmbH.

The control and profit transfer agreements subject the management of the respective subsidiary to the Issuer's control. The subsidiary is obliged to transfer 100% of its profit to the Issuer, which must compensate for any net loss for the year of the respective subsidiaries. The letters of comfort oblige the Issuer to manage and fund its respective subsidiaries in such a way that they are able to meet their present and future liabilities. In order to prevent abuse of the control relationships described above, the Issuer's Management Board prepares an annual report on relationships with affiliated enterprises (*Abhängigkeitsbericht*) in accordance with section 312 AktG. This report is audited by the company's Auditor.

10.2 Arrangements regarding potential changes in control
The Issuer is not aware of any arrangements, which, if triggered, could at a subsequent date result in a change in control of the Issuer.

11. Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses
11.1. Historical financial information
11.1.1. Audited historical financial information
The Registration Document contains the following audited historical financial information covering the last two financial years:
- annual financial statements 2020 (stand-alone financial statements in accordance with HGB),
- consolidated financial statements in accordance with IFRS for financial year 2020 and
- consolidated financial statements in accordance with IFRS for financial year 2019

The annual financial statements for the year ending 31 December 2020 (stand-alone financial statements in accordance with HGB) and the consolidated financial statements for the years 2019 and 2020 were issued an unqualified audit opinion by the Auditor.

11.1.2. Change of accounting reference date

The Issuer did not change its accounting reference date during the period for which historical financial information is required.

11.1.3. Accounting standards

The financial information has been prepared according to International Financial Reporting Standards as endorsed in the Union based on Regulation (EC) No 1606/2002.

11.1.4. Change of accounting framework

The last audited historical financial information, containing comparative information for the previous year, was presented and prepared in a form consistent with the accounting standards framework that will be adopted in the Issuer's next published annual financial statements.

11.1.5. Balance sheet, income statement, cash flow statement, accounting policies and explanatory notes

The audited financial information:

- annual financial statements 2020 (stand-alone financial statements in accordance with HGB),
- consolidated financial statements in accordance with IFRS for financial year 2020 and
- consolidated financial statements in accordance with IFRS for financial year 2019

were prepared in accordance with national accounting principles and the International Financial Reporting Standards ("**IFRS**").

The financial information includes:

(a) the annual balance sheet (stand-alone financial statements) or the consolidated balance sheet (consolidated financial statements),

b) the income statement (stand-alone financial statements) or the consolidated statement of comprehensive income (consolidated income statement),

(c) the consolidated cash flow statement (consolidated financial statements),

d) the accounting policies and explanatory notes.

11.1.6. Consolidated financial statements

The Issuer has prepared:

- the annual financial statements 2020 (stand-alone financial statements in accordance with HGB),
- consolidated financial statements in accordance with IFRS for financial year 2020 and
- consolidated financial statements in accordance with IFRS for financial year 2019

11.1.7. Age of financial information

The balance sheet date of the last year of audited financial information are not older than18 months from the date of this Registration Document.

11.2. Interim and other financial information

11.2.1. Publication of half yearly financial information

The Issuer has not published a semi-annual report since the date of its last published audited consolidated financial statements, 31 December 2020.

11.3. Auditing of historical annual financial information

11.3.1. Statement on auditing of annual historical financial information

The annual financial statements for the year ending 31 December 2020 (stand-alone financial statements in accordance with HGB) and the consolidated financial statements for the years 2019 and 2020 were audited by the Auditor. The Auditor's opinion was issued in accordance with Directive 2014/56/EU and Regulation (EU) No 537/2014.

The annual financial statements for the year ending 31 December 2020 (stand-alone financial statements in accordance with HGB) and the consolidated financial statements for the years 2019 and 2020 were issued an unqualified audit opinion by the Auditor.

11.3.2. Indication of other information in the Registration Document which has been audited by the Auditor
No other information in this Registration Document was audited by the Auditor.

11.3.3. Other financial information
This Registration Document does not contain any financial information not taken from the audited financial statements.

11.4. Legal and arbitration proceedings
11.4.1. Information on any governmental, legal or arbitration proceedings
There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering at least the previous twelve months (as at the date of the Registration Document) which have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or HSBC Trinkaus & Burkhardt Group.

11.5. Significant change in the Issuer's financial position
11.5.1. Significant change in the financial position of the HSBC Trinkaus & Burkhardt Group
There have been no significant changes in the financial position of HSBC Trinkaus & Burkhardt Group since the date of its last published audited consolidated financial statements, 31 December 2020.

12. Additional information
12.1. Share capital
The Issuer's share capital currently amounts to € 91,423,896.95. It is divided into 34,088,053 shares. The shares are fully paid and are registered in the bearer's name.

Admission of the shares to trading on the regulated market of the Düsseldorf and Stuttgart stock exchanges was revoked on 27 January 2021.

12.2. Memorandum and articles of association of the Issuer
The Issuer was created from the conversion of the limited partnership (*Kommanditgesellschaft* - KG) Trinkaus & Burkhardt into a partnership limited by shares (*Kommanditgesellschaft auf Aktien* - KGaA). It was entered as a KGaA in the commercial register of the Düsseldorf Local Court on 13 June 1985 under number HRB 20 004.

The company name was changed from "Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien" to "HSBC Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien", by resolution of the shareholders' meeting on 2 June 1999. This was entered in the commercial register on 17 June 1999.

A resolution to convert HSBC Trinkaus & Burkhardt KGaA into a stock corporation (*Aktiengesellschaft* - AG) was adopted at the annual general meeting on 30 May 2006. This was entered in the commercial register on 31 July 2006 under number HRB 54447.

According to the memorandum and articles of association (Section 2 Object of the Company), object of the Issuer is to conduct banking business and provide all manner of financial services. The Issuer is authorised, in Germany and abroad, to set up, acquire or hold interests in companies, and to set up branch offices.

13. Material contracts
13.1. Material contracts that are not entered into in the ordinary course of the Issuer's business
There are no material contracts that were not entered into in the ordinary course of the Issuer's business, which could result in any member of the HSBC Trinkaus & Burkhardt Group being under

an obligation or an entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the securities being issued.

14. Documents available

14.1. Documents available for inspection

The following documents are available for inspection during the validity of the Registration Document, which commences at the approval of the Registration Document on 31 March 2022 and ends on 31 March 2023:

a) the up to date memorandum and articles of association of the Issuer

The up to date memorandum and articles of association are available via the Issuer's website https://www.about.hsbc.de/de-de/hsbc-in-germany/financial-and-regulatory-reports.

b) Statements or reports by experts

Statements or reports by experts are not included in this Registration Document.

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NON-BINDING CONVENIENCE TRANSLATION

Annual Balance Sheet of HSBC Trinkaus & Burkhardt AG

as at 31 December 2020

Assets				31/12/2020	31/12/2019
	in €	in €	in €	in €	in € thousand
1. Cash reserve					
a) Cash on hand			1,691,496.77		1,350
b) Credit balance with central banks			10,452,730,995.66		**5,730,164**
of which: with Deutsche Bundesbank	10,452,730,995.66				(5,730,164)
c) Credit balance with girobanks			0.00		
				10,454,422,492.43	**5,731,514**
2. Public-sector debt instruments and bills of exchange eligible for refinancing with central banks					
a) Treasury bills, discountable treasury notes and similar debt instruments of public-sector issuers			0.00		0
of which: eligible for refinancing with Deutsche Bundesbank	0.00				(0)
b) Bills of exchange			0.00		0
				0.00	0
3. Receivables from banks					
a) repayable on demand			1,279,332,026.78		1,480,750
b) Other receivables			157,820,049.76		298,473
				1,437,152,076.54	**1,779,223**
4. Receivables from customers				8,079,042,366.74	10,769,059
of which: secured by mortgages on real estate	238,922,476.28				(190,572)
loans to or guaranteed by public-sector entities	135,551,780.07				(138,922)
5. Bonds and other fixed-income securities					
a) Money market instruments					
aa) Public sector issuers		0.00			0
ab) Other issuers		0.00			0
			0.00		**0**
b) Bonds and debentures					
ba) Public sector issuers		1,976,261,862.25			1,709,921
of which: eligible as collateral for Deutsche Bundesbank advances	1,844,075,959.28				(1,677,274)
bb) Other issuers		1,578,903,341.39			1,187,426
			3,555,165,203.64		**2,897,347**
of which: eligible as collateral for Deutsche Bundesbank advances	1,537,562,058.60				(1,102,217)
c) Own debt instruments			0.00		0
Principal amount	0.00				(0)
				3,555,165,203.64	**2,897,347**

Assets				31/12/2020	31/12/2019
	in €	in €	in €	in €	in € thousand
6. Shares and other variable yield securities				228,080,738.76	462,929
6a. Trading portfolio				4,862,108,562.50	4,278,628
7. Equity holdings				22,550,674.35	12,513
of which: in banks	0.00				(0)
in financial institutions	194,323.92				(194)
8. Holdings in affiliated companies				168,248,655.78	168,249
of which: in banks	0.00				(0)
in financial institutions	5,002,428.63				(5,002)
9. Fiduciary assets				107,145,000.00	107,170
of which: fiduciary loans	0.00				(0)
10. Equalisation claims against the public sector including debt instruments arising from conversion of such claims				0.00	0
11. Intangible fixed assets					
a) Self-developed industrial rights and similar rights and assets			0.00		0
b) Purchased concessions, industrial rights, similar rights and assets and licences in such rights and assets			10,186,180.69		9,759
c) Goodwill			0.00		0
d) Prepayments			79,223.81		13,864
				10,265,404.50	**23,623**
12. Tangible fixed assets				47,155,438.96	39,046
13. Unpaid contributions to subscribed capital				0.00	0
of which called	0.00				(0)
14. Other assets				181,818,224.05	133,040
15. Prepaid expenses				16,438,731.43	7,583
16. Deferred tax assets				104,415,412.87	81,592
17. Overfunded plan assets				53,687,202.76	72,602
18. Deficit not covered by equity				0.00	0
Total assets				**29,327,696,185.31**	**26,564,118**

Liabilities and equity				31/12/2020	31/12/2019
	in €	in €	in €	in €	in € thousand
1. Liabilities to banks					
a) repayable on demand			701,339,986.63		358,839
b) with agreed maturity or notice period			3,063,638,942.29		2,128,326
				3,764,978,928.92	**2,487,165**
2. Liabilities to customers					
a) Savings deposits					
aa) with agreed notice period of three months		2,725,814.64			2,921
ab) with agreed notice period of more than three months		0.00			
			2,725,814.640		**2,921**
b) Other liabilities					
ba) repayable on demand		17,272,249,892.18			15,906,784
bb) with agreed maturity or notice period		865,557,665.57			1,766,947
			18,137,807,557.75		**17,673,731**
				18,140,533,372.39	**17,676,652**
3. Securitised liabilities					
a) Bonds in issue			0.00		0
b) Other secured debt instruments			37,500,000.00		50,000
of which: own acceptances and promissory notes outstanding	37,500,000.00				(50,000)
				37,500,000.00	**50,000**
3a. Trading portfolio				3,816,034,680.49	2,987,832
4. Fiduciary liabilities				107,145,000.00	107,170
of which: fiduciary loans	0.00				(0)
5. Other liabilities				89,596,217.33	59,942
6. Deferred income				29,617,784.82	27,741
6a. Deferred tax liabilities				0.00	0
7. Provisions					
a) Provisions for pensions and similar obligations			16,328,220.10		16,081
b) Provisions for taxes			75,572,289.40		41,803
c) Other provisions			139,039,552.01		151,126
				230,940,061.51	**209,010**

Liabilities and equity				31/12/2020	31/12/2019
	in €	in €	in €	in €	in € thousand
9. Subordinated liabilities				895,137,624.98	915,543
10. Profit participation capital				93,371,443.84	93,360
of which: maturing within two years	89,000,000.00				(89,000)
11. Fund for general banking risks				65,800,000.00	65,800
12. Equity					
a) Subscribed capital	91,423,896.95		91,423,896.95		91,424
– Conditional capital –	45,711,948.47				(45,712)
b) Capital reserves			720,941,318.68		720,941
c) Revenue reserves					
cb) Reserve for shares in a controlling company or a company in which a majority interest is held		0.00			0
cd) Other revenue reserves		1,071,537,947.23			991,730
			1,071,537,947.23		**991,730**
d) Net retained profits			173,137,908.17		79,808
				2,057,041,071.03	**1,883,903**
Total liabilities and equity				**29,327,696,185.31**	**26,564,118**

1. Contingent liabilities					
a) Contingent liabilities from endorsement of discounted bills of exchange			0.00		0
b) Contingent liabilities from guarantees and indemnity agreements			2,876,985,032.76		2,989,420
c) Contingent liabilities from the granting of security for third-party liabilities			0.00		0
				2,876,985,023.76	**2,989,420**
2. Other commitments					
a) Repurchase commitments under sales with an option to repurchase			0.00		0
b) Placement and underwriting commitments			0.00		0
c) Irrevocable loan commitments			11,112,171,822.17		9,843,771
				11,112,171,822.17	**9,843,771**

Income Statement of HSBC Trinkaus & Burkhardt AG

for the period from 1 January to 31 December 2020

				31/12/2020	31/12/2019
	in €	in €	in €	in €	in € thousand
1. Interest income from					
a) Lending and money market transactions		172,536,408.23			252,704
of which: negative interest income	50,236,448.44				(31,665)
b) Fixed-income securities and registered government debt		18,903,944.83			24,338
of which: negative interest income	931,151.80				(738)
			191,440,353.06		277,042
2. Interest expenses			18,963,398.57		73,445
of which: negative interest expenses	82,992,654.97				(42,918)
				172,476,954.49	203,597
3. Current income from					
a) Shares and other variable yield securities			529,907.40		482
b) Equity holdings			586,851.24		567
c) Holdings in affiliated companies			2,315,224.97		3,171
				3,431,983.61	4,220
4. Income from profit pooling, profit transfer, or partial profit transfer agreements				131,624,523.60	37,754
5. Commission income			594,234,141.21		510,974
6. Commission expenses			321,124,678.72		254,583
				273,109,462.49	256,391
7. Net trading income				158,110,894.46	76,432
of which: release of special reserve according to section 340e (4) HGB:	0.00				(0)
8. Other operating income				66,868,260.21	73,607
10. General and administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		249,790,649.57			260,610
ab) Social security, post-employment and other employee benefit expenses		39,765,846.69			35,302
of which:			289,556,496.26		295,912
in respect of post-employment benefits	10,759,161.07				(6,206)
b) Other administrative expenses			199,707,377.18		174,022
				489,263,873.44	469,934
11. Depreciation, amortisation and write-downs of tangible and intangible fixed assets				30,466,687.16	21,332
12. Other operating expenses				20,814,280.77	12,023

				31/12/2020	31/12/2019
	in €	in €	in €	in €	in € thousand
13. Write-downs of and valuation allowances on receivables and certain securities, and additions to loan loss provisions			34,756,870.85		19,823
14. Income from reversals of write-downs of receivables and certain securities and from the reversal of loan loss provisions			0.00		0
				34,756,870.85	19,823
15. Write-downs of and valuation allowances on equity holdings, holdings in affiliated companies and securities treated as fixed assets			0.00		0
16. Income from reversals of write-downs of equity holdings, holdings in affiliated companies and securities treated as fixed assets			0.00		0
				0.00	0
17. Loss absorption expenses				562,808.10	1,951
19. Result from ordinary activities				229,757,558.54	126,938
20. Extraordinary income			0.00		0
21. Extraordinary expenses			0.00		0
22. Extraordinary result				0.00	0
23. Taxes on income			56,619,650.37		51,131
24. Other taxes not recognised under item no. 12			0.00		- 185
				56,619,650.37	50,946
25. Income from loss absorption				0.00	0
26. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements				0.00	0
27. Net income for the financial year				173,137,908.17	75,992
28. Retained profits brought forward				0.00	3,816
				173,137,908.17	79,808
29. Withdrawals from capital reserves				0.00	0
30. Withdrawals from revenue reserves				0.00	0
31. Withdrawals from profit participation capital				0.00	0
32. Appropriation to revenue reserves				0.00	0
33. Replenishment of profit participation capital				0.00	0
34. Net retained profits				173,137,908.17	79,808

Notes to the Annual Financial
Statements 2020 of HSBC
Trinkaus & Burkhardt AG

1. Basic Principles

The annual financial statements of HSBC Trinkaus & Burkhardt AG as at 31 December 2020 were prepared in accordance with the provisions set out in the German Commercial Code (*Handelsgesetzbuch* - HGB) – taking into account the requirements specific to the company's legal form set out in the German Stock Corporation Act (*Aktiengesetz* - AktG) – in conjunction with the German Ordinance on Accounting Policies for Banks and Financial Services Institutions (*Kreditinstituts-Rechnungslegungsverordnung* - RechKredV).

The figures in brackets relate to the 2019 financial year.

HSBC Trinkaus & Burkhardt AG has its registered office in Düsseldorf. The Company is entered in the Commercial Register of the Düsseldorf Local Court (*Amtsgericht*) under the number HRB 54447.

The annual financial statements of HSBC Trinkaus & Burkhardt AG are included in the consolidated financial statements of HSBC Trinkaus & Burkhardt AG. The consolidated financial statements are published in the Electronic Federal Gazette (*elektronischer Bundesanzeiger*).

The consolidated financial statements of HSBC Trinkaus & Burkhardt AG are included in the consolidated financial statements of HSBC Holdings plc, 8 Canada Square, London, E14 5HQ, United Kingdom, registration number 617987. The consolidated financial statements of HSBC Holdings plc are filed with Companies House, the United Kingdom's registrar of companies.

HSBC Holdings plc held an indirect stake of 99.3% in the share capital of HSBC Trinkaus & Burkhardt AG via HSBC Germany Holdings GmbH as at 31 December 2020 (previous year: 80.7%). The stake was increased by 18.6 percentage points in May 2020. At the same time as the announcement on the increase in its participating interest, HSBC Holdings plc announced its intention to also take over the remaining shares still in free float as part of a squeeze-out procedure under stock corporation law pursuant to section 327a (1) sentence 1 AktG, and then to delist HSBC Trinkaus & Burkhardt AG. As the statutory threshold for a squeeze-out in Germany is 95% and HSBC owns more than 99% as a result of the increase in its stake, the stock corporation law requirements for implementing a squeeze-out procedure were met. The resolution on the transfer of the shares held by the minority shareholders to the majority shareholder in return for an adequate cash settlement was passed at an extraordinary general meeting of HSBC Trinkaus & Burkhardt AG held in November 2020. The transfer of the shares held by the minority shareholders took effect upon entry of the transfer resolution in the commercial register on 26 January 2021. As a result, HSBC Trinkaus & Burkhardt AG has become a wholly-owned indirect subsidiary of HSBC Holdings plc. The admission of the shares to trading on the regulated market of the Düsseldorf and Stuttgart stock exchanges was revoked on 27 January 2021.

2. Accounting and Valuation Methods

The measurement provisions pursuant to sections 252 et seq. HGB were applied.

2.1 Foreign currency translation

All items denominated in a foreign currency are translated at the mean spot exchange rate on the balance sheet date, irrespective of when they are incurred or fall due. Forward transactions are translated at the forward rate.

The provisions relating to special cover pursuant to section 340h HGB are taken into account when measuring foreign currency-related instruments. All foreign currency risks are actively managed as part of the relevant trading activities. Foreign currency risks are managed centrally in Trading (responsibility for positions), monitored centrally in Wholesale Credit and Market Risk, and reconciled on a daily basis independently of Trading within the overall position for each currency (central risk monitoring and position reconciliation). There are no currency risks outside of Trading.

2.2 Receivables

Receivables from the banking business are generally carried at their nominal amount. Amounts relating to premiums and discounts are recognised *pro rata temporis* in net interest income.

Receivables are measured based on unchanged standards. Accordingly, specific valuation allowances are recognised for acute credit risks and global valuation allowances for latent credit risks. The carrying amount of the receivables is reduced by the valuation allowances recognised.

The risk of claims being asserted in relation to contingent assets (assumption of guarantees and letters of credit, bill discounting, loan commitments) is assessed in the same way that the default risk for receivables is estimated. Individual and general provisions are set up in appropriate amounts for specific risks.

In the 2020 financial year, there was a change in the method used to calculate the global valuation allowance in accordance with accounting practice statement IDW AcPs BFA 7 promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer* - IDW). The calculation is based on the risk provisions calculated for the purposes of consolidated accounting in accordance with IFRS 9 on the basis of expected credit losses (expected loss model). The calculation of valuation allowances is based on a three-stage model. A risk provision is recognised in the amount of the twelve-month expected credit losses for financial instruments whose credit risk has not increased significantly between initial recognition and the balance sheet date and which do not already meet the definition of default at initial recognition (stage 1). A risk provision corresponding to lifetime expected losses is recognised for financial assets whose credit risk has increased significantly (stage 2) and for financial assets that have defaulted by the balance sheet date (stage 3).

The global valuation allowances amount to €40.6 million in the 2020 financial year. The change in the global valuation allowance increased the global valuation allowance by €5.0 million.

2.2.1 Global valuation allowances

In the 2020 financial year, there was a change in the method used to calculate the global valuation allowance in accordance with accounting practice statement IDW AcPs BFA 7 promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer* - IDW). The need for risk provisions is determined in accordance with the provisions set out in IFRS 9 on the basis of expected credit losses (expected loss model), with the corresponding provisions being recognised in the balance sheet.

Impairments are recognised based on a three-stage model. Pursuant to IFRS 9, a risk provision is recognised in the amount of the twelve-month expected credit losses for financial instruments whose credit risk has not increased significantly between initial recognition and the balance sheet date and which do not already meet the definition of default at initial recognition (stage 1). A risk provision corresponding to the lifetime expected losses is recognised for financial

assets whose credit risk has increased significantly since initial recognition (stage 2) and for financial assets that have defaulted by the balance sheet date (stage 3).

Both quantitative and qualitative criteria are used to assess whether a financial instrument has an increased risk of default compared to the time of initial recognition. When it comes to determining a move from stage 1 to stage 2, the quantitative criterion of the relative change in the forecast probability of default since the initial recognition of the financial instrument concerned is used as the primary indicator alongside qualitative criteria, such as the 30 days past due backstop indicator for interest or principal payments and inclusion in the list of exposures to be monitored more closely.

In quantitative terms, changes in the credit risks associated with individual financial instruments are determined on the basis of cumulative probabilities of default. In order to identify a credit risk that has increased since initial recognition, the average one-year expected probability of default at the time of initial recognition is compared against that on the reporting date (residual average term forward point-in-time PD). Information on past events, the prevailing circumstances and forecasts of future overall economic conditions are included in the calculations in the form of various economic scenarios that are weighted depending on their expected probability of occurrence. A significant increase in credit risk leading to a financial instrument previously assigned to stage 1 being moved to stage 2 occurs when pre-defined thresholds, which are based on expert estimates and validated at least once a year, are reached or exceeded. In the case of customer risk ratings (CRRs) of 0.1 to 1.2 at the time of initial recognition, the probability of default is increased by 15 basis points, and for ratings in the range of 2.1 to 3.3 by 30 basis points. For CRRs of more than 3.3 that are not considered a default, a significant increase in credit risk is assumed if the probability of default has doubled since initial recognition.

In qualitative terms, all loan exposures that are added to the list of credit exposures to be monitored more closely (watch/worry/monitor list) in the “watch” or “worry” categories are no longer considered to fall under stage 1, and are transferred to stage 2 or, if necessary, stage 3. This applies to all exposures that have to be transferred from normal loan management to special management because defined indicators for early risk detection, such as negative industry trends or negative news flow on a borrower, point to increased credit risks at an early stage.

In addition, interest or principal payments that are overdue by more than 30 days are used as an additional backstop to determine a significant increase in the credit risk. We do not generally make use of the option of rebutting this assumption as provided for in the accounting standards. Nor do we utilise relief provisions for financial instruments with low credit risk (low credit risk exemption). While instruments can be transferred back from stage 3 to a better stage in principle, this requires the definition of default to no longer be met for an uninterrupted period of up to twelve consecutive months.

The assessment of counterparty risks is based on appropriate and reliable information about past events, prevailing circumstances and forecasts of future overall economic conditions, insofar as they are significant for the purposes of assessing expected credit defaults. As a general rule, three forward-looking scenarios are taken into account. The central scenario is the average expected development in overall economic conditions. Two alternative scenarios are also taken into account in general: one scenario in which the overall economic conditions develop more favourably than expected (upside scenario) and one in which they develop less favourably (downside scenario). Additional scenarios are developed if circumstances require, and are used to assess counterparty default risks. As a rule, it is assumed that the potential non-linear development of overall economic conditions is adequately represented by these three scenarios.

Overall, the implementation of the accounting standards for impairments in the amount of expected credit losses in methods, processes and systems is also based to a large extent on the expertise within the HSBC Group. The scenarios on which the risk measurement is based are developed using various forecasts obtained from independent sources (e.g. central banks, Oxford Economics) by a team of experts from the HSBC Group, also involving independent consultants from outside the Group. This includes determining the relative importance/weighting of these scenarios for the next steps to be taken.

The scenarios tend to be based on a forecast period of five years from the balance sheet date (point in time approach). The central scenario is developed in two

stages. The first stage involves defining key economic indicators for HSBC's main markets, specifically the growth in gross domestic product (GDP growth), the unemployment rate, inflation and property price growth. Taking this as a basis, the second stage uses established economic and also industry-specific models to define a large number of further key figures. Finally, the expected development required for risk measurement is modelled taking country-specific features into account. The upside and downside scenarios are then developed on this basis. The opportunities and risks associated with a potential development tend to be overstated in positive/negative terms in this process, and possible non-linear developments are also taken into account on the basis of model calculations, empirical values and risk assessments.

The central scenario is updated on a quarterly basis, with the two other scenarios being updated on an annual basis, unless macroeconomic or political developments require an interim update. In order to take account of the uncertainties and the associated greater significance of stage 1 and 2 risk provisions, all scenarios were updated on a quarterly basis in 2020.

Forward-looking scenarios for key economic indicators are taken into account when measuring the risk provisions for these stages. For the Bank, these indicators are currently gross domestic product, the unemployment rate and stock market trends. At the same time, the uncertainty associated with the forecasts is currently unusually high due to a number of factors. These include further development in the spread of COVID-19, the medium-term impact on global trade and the effectiveness of government aid measures to combat the economic impact of COVID-19.

The forecasts of future economic conditions have an impact on the calculation of PDs and LGDs. When calculating the PD, the forecast economic trend is reflected in the probabilities of default of certain sectors in each country. In the LGD calculation, this has an impact on the recoverability of collateral and its realisation options, in particular.

The scenarios used to measure risk provisions in the annual financial statements as at 31 December 2020 are described below:

The scenario assigned the highest weighting is the central scenario (weighting: 65%), which reflects how we believe the parameters are most likely to develop. This is based on the assumption of a relatively pronounced decline due to global efforts to contain the COVID-19 pandemic and the many associated restrictions, followed by a relatively rapid economic recovery based on the assumption that any further constraints imposed will be less restrictive and will apply to more limited geographical areas, allowing for a swift economic recovery. In this scenario, the Bank expects, as at the reporting date, to see an average annual growth rate in gross domestic product of +4.2% in 2021, +2.6% in 2022 and +1.6% on average for the period from 2023 to 2025. The Bank expects the worst average growth in gross domestic product to be -1.5% in the first quarter of 2021. The unemployment rate is expected to average 6.17% in 2021, 5.91% in 2022 and 5.64% from 2023 to 2025. The Bank predicts that the highest unemployment rate will be 6.26% in the first quarter of 2021. In this scenario, the stock markets are expected to report an average annual growth rate of +4.5% in 2021, +1.7% in 2022 and 3.0% between 2023 and 2025. The worst average annual rate of stock market growth in this scenario is -0.5% in the third quarter of 2021.

The upside scenario (weighting: 10%) assumes slightly more favourable development in economic conditions than in the central scenario. This scenario is based on the assumption that the economic recovery will be faster in comparison in the first two years following the outbreak of the COVID-19 pandemic before returning to the long-term pre-pandemic trends. Among other things, this scenario includes the development of a COVID-19 vaccine, continued general political support for the economy and a de-escalation in global trade conflicts. In this scenario, the Bank predicts an average annual growth rate in gross domestic product of +6.1% in 2021 and +4.1% in 2022 as at the reporting date. The unemployment rate is assumed to average 5.57% in 2021 and 5.18% in 2022. The stock markets are subject to average annual growth of +21.2% in 2021 and +10.5% in 2022.

The downside scenario (weighting: 15%) assumes comparatively less favourable development in economic conditions than in the central scenario. This scenario is based on the assumption that the economic slump triggered by the COVID-19 pandemic will be more pronounced in comparison and that the process of

economic recovery will take longer before returning to the long-term pre-pandemic trends. Among other things, this scenario sees the economic recovery being delayed by further COVID-19 outbreaks, constraints being imposed for longer and becoming more restrictive compared to in the central scenario, and global trade conflicts becoming more widespread. In this scenario, the Bank predicts an average annual growth rate in gross domestic product of +1.2% in 2021 and +1.1% in 2022 as at the reporting date. The unemployment rate is assumed to average 6.61% in 2021 and 6.67% in 2022. The stock markets are subject to average annual growth of -21.3% in 2021 and -20.4% in 2022.

By contrast, the severe downside scenario (weighting: 10%) developed due to the COVID-19 pandemic assumes a significantly later economic recovery and is based on more extreme potential risks to further economic development. This scenario is based on the assumption that the economic slump, triggered in particular by the COVID-19 pandemic, will lead to a very severe long-term global recession and that it will take many years for the economy to recover. In this scenario, the Bank predicts an average annual growth rate in gross domestic product of -3.5% in 2021 and +2.4% in 2022 as at the reporting date. The unemployment rate is assumed to average 8.23% in 2021 and 8.87% in 2022. The stock markets are subject to average annual growth of -39.5% in 2021 and -11.4% in 2022.

The weighting of the individual scenarios is expert-based. On the basis of this weighting, the loan loss provisions for stages 1 and 2 amounted to €40.6 million as at the reporting date.

The management has considered other possible weightings for the scenarios applied in order to better assess the impact on the amount of loan loss provisions. A 100% weighting assigned to the respective scenarios would result in the following loan loss provision requirement, with stage 3 credit exposures being disregarded for the purposes of this sensitivity analysis:

- Central scenario: €36.7 million;
- Upside scenario: €32.8 million;
- Downside scenario: €49.2 million;
- Severe downside scenario: €115.5 million.

The potential need for loan loss provisions shown here is not to be interpreted as a maximum or minimum requirement for loan loss provisions. Rather, this information is designed to help assess the possible impact that changes in overall conditions would have on loan loss provisions.

The calculation of expected credit losses is, by its very nature, a sub-area of accounting that is subject to significant estimation uncertainties and judgements. Particularly against the backdrop of the COVID-19 pandemic, the degree of estimation uncertainty associated with the measurement of risk provisions, as well as the exercise of discretionary decisions in this regard, has increased significantly in a year-on-year comparison. This is due primarily to the fact that the models developed for measuring loan loss provisions on the basis of expected credit losses were unable to take account of the current, previously largely unknown impact of a global pandemic, in the absence of any empirical values in this regard. The current support measures for the economy taken by policymakers and central banks are equally new.

In order to take account of the uncertainties and the associated greater significance of stage 1 and 2 risk provisions, all scenarios were updated on a quarterly basis in 2020.

When measuring the risk provisions as at 31 December 2020, the Bank made a post-model adjustment to the amount of its loan loss provisions. This type of adjustment is made if new circumstances or changes in overall conditions arise, or are expected to arise, that could no longer be adequately reflected in the model-based quantification of counterparty default risks, or if situations occur that cannot be adequately reflected using the existing credit risk models, for example because no sufficient empirical values relating to comparable situations are yet available. Post-model adjustments are used in line with existing in-house regulations and wherever possible, their use is reduced, or rendered entirely obsolete, by enhancing and recalibrating the credit risk models.

The current COVID-19 pandemic and its effects represent a situation in which both the lack of observable empirical data for comparable situations and the erratic course of the pandemic may require the use

of post-model adjustments. After the counterparty risks as at 31 December 2020 were quantified based on the existing credit risk models, the quality assurance measures performed revealed that the latest political restrictions imposed in an attempt to contain the pandemic (lockdown), as well as their economic impact, were not sufficiently reflected in the scenarios on which the risk provisions are based. These circumstances were taken into account ex-post based on expert estimates and scenario calculations. They primarily affect the calculation of the loan loss provisions for stage 1 and 2 credit exposures to corporate clients. The impact on exposures to banks and financial institutions, as well as to public-sector entities, are comparatively small. All in all, compared to the original quantification of loan loss provisions, the need for loan loss provisions increases by €9.2 million. Of this amount, credit exposures to corporate clients account for €6.7 million (stage 1: €2.7 million, stage 2: €4.0 million), exposures to banks and financial institutions for €1.8 million (stage 1: €1.5 million, stage 2: €0.3 million) and exposures to public-sector entities for €0.7 million (stage 1: €0.7 million, stage 2: €0.0 million).

The global valuation allowances amount to €40.6 million in the 2020 financial year. The change in the global valuation allowance increased the global valuation allowance by €5.0 million.

2.2.2 Hedge accounting

Two loans (previous year: two) subject to hedge accounting were terminated in the financial year under review.

As in the previous year, no market interest rate-induced fluctuations were compensated for using swaps in the 2020 financial year. Fluctuations in market value due to risk or liquidity spreads are not hedged. The Bank uses the gross hedge presentation method. The result attributable to the ineffective portion of the hedging relationship is calculated by offsetting the changes in fair value due to the hedged risk at the level of the underlying and hedging instrument.

The recognition of hedging relationships pursuant to section 254 HGB is subject to a number of conditions. These relate primarily to the documentation of the hedge and its effectiveness. At the time hedge accounting is applied, the identification of the hedge and the underlying hedged item, the designation of the hedged risk and the procedure for checking the effectiveness of the hedge must be documented.

The Bank uses a linear regression model to assess the prospective effectiveness of the hedge. The model investigates the linear relationship between the cumulative changes in value due to the hedged risk associated with the hedged item, and the cumulative changes in the value of the hedge. An indicator known as the coefficient of determination (R squared) provides information on the quality of the regression, while the slope of the regression line indicates the direction of the correlation.

Evidence of effectiveness requires that the hedging relationship can be expected to be highly effective in the future (prospective effectiveness). Sufficient effectiveness as part of the prospective test requires an R squared of more than 0.9 and a slope that is between –0.9 and –1.1.

In the year under review, the hedges met the requirements that apply under the prospective effectiveness test at the end of every month.

2.3 Securities

2.3.1 Trading portfolios

Debt instruments, as well as shares and other variable yield securities, if they are held for trading, are measured using the risk-adjusted fair value approach (see also: section 2.4 Trading activities).

2.3.2 Liquidity reserve

Securities not held in the trading portfolio are measured in accordance with the strict lower-of-cost-or-market principle pursuant to section 253 (3) HGB.

2.3.3 Fixed assets

The Bank has no holdings of securities classified as fixed assets.

2.3.4 Hedge accounting

Bonds held as liquidity reserve with a market value of €1,760.9 million (previous year: €821.7 million) are hedged using interest rate swaps in accordance with section 254 HGB in the form of micro hedges. The bonds and the swaps have terms until 2040 at the latest (previous year: 2029).

In the financial year under review, the bonds compensated for market interest rate-induced fluctuations of €16.4 million (previous year: €14.1 million) in the swaps. Fluctuations in market value due to risk or liquidity spreads are not hedged. The Bank uses the gross hedge presentation method. The result attributable to the ineffective portion of the hedging relationship is calculated by offsetting the changes in fair value due to the hedged risk at the level of the underlying and hedging instrument. They are recognised in the income statement and, together with the changes in value due to risks that are not covered, amounted to €2.8 million (previous year: €0.3 million). Gains in excess of acquisition costs are not taken into account.

The recognition of hedging relationships pursuant to section 254 HGB is subject to a number of conditions. These relate primarily to the documentation of the hedge and its effectiveness. At the time hedge accounting is applied, the identification of the hedge and the underlying hedged item, the designation of the hedged risk and the procedure for checking the effectiveness of the hedge must be documented.

The Bank uses a linear regression model to assess the prospective effectiveness of the hedge. The model investigates the linear relationship between the cumulative changes in value due to the hedged risk associated with the hedged item, and the cumulative changes in the value of the hedge. An indicator known as the coefficient of determination (R squared) provides information on the quality of the regression, while the slope of the regression line indicates the direction of the correlation.

Evidence of effectiveness requires that the hedging relationship can be expected to be highly effective in the future (prospective effectiveness). Sufficient effectiveness as part of the prospective test requires an R squared of more than 0.9 and a slope that is between –0.9 and –1.1.

In the year under review, the hedges met the requirements that apply under the prospective effectiveness test at the end of every month.

2.3.5 Securities lending and repurchase transactions

Securities lent are shown as securities on the balance sheet, as are securities sold under repurchase agreements. Securities borrowed are not reported as securities, as with securities purchased under repurchase agreements. Buy-in obligations under short sales are shown under the trading portfolio on the liabilities side, even if these transactions were settled using securities borrowed or purchased under repurchase agreements.

2.4 Trading activities

2.4.1 Recognition

The trading portfolios comprise debt instruments, shares and other variable yield securities, registered bonds and promissory note loans, as well as precious metals, forward transactions and derivatives, including warrants and certificates.

The positive and negative market values of derivative financial instruments in the trading book are reported in the trading portfolios on the asset and liabilities sides.

In the year under review, there were no changes in the institution’s internal criteria for including financial instruments in the trading portfolio. No financial instruments held for trading were reclassified.

2.4.2 Measurement

All holdings in the trading portfolios are recognised using the risk-adjusted fair value approach.

All financial instruments are measured at fair value when they are recognised for the first time. At the time of initial recognition, this generally equates to the transaction price, i.e. to the fair value of the consideration.

Subsequent measurement is based on publicly quoted market prices in an active market. If no such prices are available, measurement is based on recognised valuation methods. The Bank mainly uses standard measurement models. These essentially include present value methods and option pricing models. Specific valuation methods have been developed for certain complex products. Due to the broad product range, the valuation parameters used are as differentiated as possible, for example based on maturities and strike prices.

The values resulting from the market valuation are reduced by value adjustments, in particular to reflect model risks, as well as liquidity and counterparty risks,

and a value-at-risk discount. The value-at-risk discount is designed to adequately reflect the risk of a short-term change in market prices. The calculation is based on a holding period of ten days and a confidence level of 99%. The value-at-risk model is based on a historical simulation of the risk factors over a period of 500 equally weighted trading days. The discounts are calculated for each portfolio and are reported in the trading portfolio on the asset or liabilities side of the balance sheet.

As part of the EU Benchmarks Regulation, the most important reference rates (e.g. EURIBOR, LIBOR and EONIA) were replaced by a new reference rate or their calculation methodology was modified (IBOR reform). The EONIA reference rate was replaced by the new euro short-term rate. When determining the fair value of derivatives, the interest rate applicable to the interest on the cash collateral is used. No compensation payments were made in the 2020 financial year due to the use of other or modified reference rates for derivatives in the trading portfolio.

2.5 Equity holdings and holdings in affiliated companies

Equity holdings and holdings in affiliated companies are measured at cost or at permanently lower values.

2.6 Intangible fixed assets

The Bank reports standard software under intangible fixed assets.

The balance sheet item of €10.3 million (previous year: €23.6 million) includes licences of €10.2 million (previous year: €9.7 million) and prepayments of €0.1 million (previous year: €13.9 million).

Finished intangible fixed assets are measured at cost, less amortisation. Amortisation is applied using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. If a reduction in value is likely to be permanent, a write-down has to be recognised. A reduction in value is assumed likely to be permanent if the fair value of an intangible fixed asset is expected to remain below the amortised residual carrying amount for a considerable portion of its remaining useful life. The carrying amounts are tested to determine any need for write-downs or write-ups on an annual basis and if there are specific reasons potentially suggesting that a reduction in value will be permanent, or that a previously recognised reduction in value no longer applies. Such tests are often prompted by particular indications, such as the technical obsolescence of the intangible fixed asset or a change in its planned use, which suggest that the fair value of the intangible fixed asset has been permanently reduced compared with the planned residual carrying amount, or that the benefits that can be derived from it have been permanently reduced. If such a reduction in value is likely to be permanent, the asset is written down to the lower value to be attributed to the intangible fixed asset. If the reasons for a lower valuation no longer apply, the value is written up again.

As part of the introduction of the new core banking system, a significant amount of internal and external expenses required to get the software ready for operation were capitalised in the period leading up to 2019. In the 2020 financial year, the Bank's abandoned its previous IT strategy of introducing the SAP core banking system. Instead, the Bank opted to migrate to the HSBC Group systems. As a result of this change in IT strategy, write-downs in the amount of €11.8 million were made to intangible fixed assets in the financial year under review. The useful life of the SAP module in operation was also adjusted from 10 years to 5 years.

As in the past, in-house development work relating to software projects was not capitalised.

2.7 Tangible fixed assets

Tangible fixed assets are capitalised at cost and – to the extent that they are subject to wear-and-tear – are depreciated using the straight-line method.

In the current 2020 financial year, the useful life of the IBM mainframe was increased from 4 to 5 years

due to the delayed commissioning of the mainframe in the project to assume responsibility for securities settlement from Commerzbank.

Low-value assets with costs of up to €250.00 are written off in full in the year of acquisition.

Low-value assets with costs of between €250.01 and €1,000.00 are recognised as a pooled item and are subject to depreciation over a period of five years in line with the applicable tax regulations.

Write-downs are recognised where a reduction in value is likely to be permanent.

The wear-and-tear associated with buildings is taken into account by applying straight-line depreciation over a period of 50 years or any expected shorter remaining useful life. Leasehold improvements are depreciated using the straight-line method over the term of the leases.

Depreciation for office equipment is calculated based on the useful life that is accepted for tax purposes.

2.8 Liabilities

Liabilities are stated at their settlement amount. If a discount or premium has been agreed, this is recognised as prepaid expenses or deferred income and is recognised pro rata temporis in net interest income. Non-interest-bearing liabilities, e.g. zero-coupon promissory note loans, are compounded to the balance sheet date using the issue yield.

2.8.1 Hedge accounting

Liabilities to customers with a nominal value of €45.3 million (previous year: €41.0 million) include FX options that are hedged using options in accordance with section 254 HGB in the form of micro hedges. The liabilities and options have terms of one year or less.

As at the balance sheet date, the options compensated for foreign currency-induced fluctuations of €0.8 million (previous year: €1.4 million). As identical measurement-related parameters apply to the derivative and the hedging transaction, the hedges are fully effective, meaning that they have no impact on profit or loss.

One hedge relates to a registered debt instrument. The liability with a carrying amount of €37.4 million (previous year: €37.5 million) is hedged using an interest rate swap in accordance with section 254 HGB in the form of a micro hedge. The registered bond and the swap have terms until 2031 (previous year: 2031).

As at the balance sheet date, the swap compensated for interest-induced fluctuations of €2.0 million (previous year: €3.3 million). The Bank uses the gross hedge presentation method. The result attributable to the ineffective portion of the hedging relationship is calculated by offsetting the changes in fair value due to the hedged risk at the level of the underlying and hedging instrument.

The recognition of hedging relationships pursuant to section 254 HGB is subject to a number of conditions. These relate primarily to the documentation of the hedge and its effectiveness. At the time hedge accounting is applied, the identification of the hedge and the underlying hedged item, the designation of the hedged risk and the procedure for checking the effectiveness of the hedge must be documented.

In order to assess the prospective effectiveness of the hedge, the Bank uses the critical term match method or a linear regression model (see section 2.3.4).

In the year under review, the hedges met the requirements of the critical term match method/the requirements of the linear regression model at all times.

2.8.2 European Central Bank refinancing operations

The Bank has participated in the “Targeted Longer-Term Refinancing Operations III” (TLTRO III) launched by the European Central Bank. In the current interest rate environment, the refinancing operations in which the Bank has participated will bear interest at a rate 50 basis points below the average main refinancing rate for the period from June 2020 to June 2021. The resulting interest income is reported as interest income from liabilities to banks. In order to provide incentives for lending, banks also receive a premium in the form of an additional interest rate reduction if certain conditions are met. As the fulfilment of these conditions is not sufficiently certain, this interest rate advantage is currently not recognised in profit or loss.

All allocations from the former “Targeted Longer-Term Refinancing Operations II” (TLTRO II) in the amount of €1,100 million were repaid in the current financial year. The interest income of €7.7 million received from the TLTRO in 2020 is offset by corresponding interest expenses on our account with Deutsche Bundesbank.

2.9 Provisions

2.9.1 Provisions for pensions

2.9.1.1 Pension obligations

Provisions for pensions and similar obligations are set up based on actuarial expert opinions in the amount of the DBO (defined benefit obligation). The calculation is based on the projected unit credit method.

The interest rates applied to the provisions for pensions and similar obligations are determined in a differentiated manner depending on the type of provision. The following remaining maturities have been assumed:

Type of provision	**Remaining maturity in years**
Pensions	15
Long-service bonuses and transitional allowances	10
Phased-in early retirement (*Altersteilzeit*) and early retirement	3

The average market interest rates for the past seven/ten years published by Deutsche Bundesbank at the end of October 2020, which result from the assumed remaining maturities of 3, 10 or 15 years (section 253 (2) sentence 2 HGB), are taken as a basis. These interest rates have been extrapolated to the end of the year due to the marked drop in interest rates in accordance with the Statement on Accounting Practices released by the Main Technical Committee of the German Institute of Auditors IDW AcPS HFA 30 note 65. The measurement of pension provisions in the year under review was based on the RT 2018 G Heubeck mortality tables and the following parameters:

Parameters

in %	31/12/2020	31/12/2019
Long-term actuarial interest rate		
Pensions	2.3	2.7
Long-service bonuses and transitional allowances	1.3	1.6
Phased-in early retirement (*Altersteilzeit*) and early retirement	0.5	0.7
Expected salary trend	2.5	2.5
Expected pension adjustment	1.5	1.5
Expected inflation rate	1.75	1.75
Expected increase in the contribution assessment ceiling that applies in the social security system	2.9	2.9
Average staff turnover rate	4.0	4.0

2.9.1.2 Plan assets for pensions and similar obligations

The Bank maintains plan assets separately for pensions, early retirement, long-service bonus obligations and transitional allowances on the one hand, and for phased-in early retirement obligations on the other. The assets meet the requirements set out in section 246 (2) sentence 2, 1st half-sentence, HGB. Measurement is at fair value.

In accordance with section 253 (1) sentence 4 HGB, the value of the plan assets was offset against the provisions for pensions and similar obligations.

The amendment to the measurement rules for pension provisions came into force in March 2016. The period for calculating the average market interest rate for pension provisions was extended from 7 to 10 years. The difference resulting from the change is barred from distribution and amounts to €31.4 million in the 2020 financial year (previous year: €30.8 million).

The excess cover is shown in the balance sheet under the item “Overfunded plan assets”.

The offsetting of the phased-in early retirement provision against the corresponding plan assets results in a shortfall in cover, and is still reported under provisions.

2.9.2 Provisions for long-term working-hours accounts

The Bank’s employees have the option of participating in a long-term working-hours account model. In line with the principles of pre-tax deferred compensation, salary credits in the form of salary or flexitime balances can be used to finance paid time off work. The amounts converted are protected against insolvency under a CTA (Contractual Trust Agreement). In addition to the amounts converted, a lump sum amounting to 20% of the contribution made is transferred to the asset trustee to cover the employer’s share of the total social security contributions that falls due later on.

The Bank guarantees a minimum interest rate as a promised benefit. If, when the account capital is invested, the investment income exceeds the total amount of the interest credits, 50% of the difference is credited to the long-term working-hours account. The provisions that apply to unit-linked pension commitments pursuant to IDW AcPS HFA 30 are applied.

The social security contributions to be borne by the employer are recognised at the present value of the expected payments.

2.9.2.1 Obligations from long-term working-hours accounts

The unit-linked pension commitments are measured in accordance with section 253 (1) sentence 3 HGB. The amount of the provision is calculated based on the fair value of the securities underlying the long-term working-hours accounts to the extent that this is equal to, or exceeds, the guaranteed minimum amount. The guaranteed minimum amount is to be regarded as the settlement amount of the guaranteed benefits. It is subject to discounting pursuant to section 253 (2) HGB. The discount rate is determined in the same way as the discount rate for the pension provision.

2.9.2.2 Plan assets for long-term working-hours accounts

The investment in funds qualifies as plan assets. The fund units are measured at fair value. In accordance with section 246 (2) sentence 2 HGB, the provision obligation is offset against the plan assets. In accordance with section 246 (2) sentence 3 HGB in conjunction with section 266 (2) HGB, any difference is recognised as a provision or as an excess of plan assets over pension liability.

2.9.3 Provision for phased-in early retirement

In accordance with IDW AcPS HFA 3, the top-up contributions are recognised as severance payments or remuneration depending on their economic content. Top-up contributions classed as remuneration are accumulated pro rata up to the passive phase of phased-in early retirement and are charged to personnel expenses.

2.9.4 Other provisions

In accordance with section 253 (1) sentence 2 HGB, provisions are recognised at the settlement amount that is considered necessary based on reasonable commercial judgement, Future price and cost increases are taken into account.

Provisions with a remaining term of more than one year are discounted using the interest rates in accordance with section 253 (2) HGB. Discounting for the relevant term is calculated based on the Bundesbank yield curve rates as at 31 October 2020. This yield curve is a zero-coupon interest rate swap curve calculated based on €-denominated fixed interest rate swaps.

The Bank applies the requirements set out in the IDW accounting practice statement on individual issues relating to the loss-free valuation of interest-bearing transactions in the banking book (IDW AcPS BFA 3). The present value measurement of interest-bearing transactions in the banking book, taking into account administrative expenses, risk costs and notional refinancing costs, did not result in the need to set up any provision for anticipated losses in accordance with section 340a HGB in conjunction with section 249 (1) HGB.

In accordance with IDW AcPS HFA 34, provisions for tax liabilities are classified as liability provisions within the meaning of section 249 (1) HGB. Provisions for taxes and the provision for interest on tax back-payments are discounted.

The Bank sets up provisions for client complaints in accordance with section 249 (1) sentence 2 no. 2 HGB. The general provision for client complaints is based on the Bank’s complaints book. Provisions are also set up for specific individual cases. The amount of the provisions is based on the empirical complaint and settlement ratios.

2.10 Income statement

2.10.1 Offsetting in the income statement

The expenses and income relating to risk provisions are offset for the purposes of presentation in the income statement.

2.10.2 Reporting of negative interest

The Bank reports negative interest in net interest income in accordance with the requirements imposed by the IDW. Negative interest paid on receivables is reported under interest income, while negative interest received on deposits is reported under interest expense.

Furthermore, negative interest from trading portfolios on the asset and liability sides is reported in net trading income.

3. Balance Sheet Disclosures

3.1 Breakdown by residual maturity

Receivables from banks

in €m	31/12/2020	31/12/2019
a) Repayable on demand	1,279.3	1,480.8
b) Other receivables	157.9	298.4
With residual maturities of		
up to three months	**60.8**	170.3
more than three months and up to one year	9.4	40.1
more than one year and up to five years	6.3	12.6
more than five years	81.4	75.4
Total	**1,437.2**	**1,779.2**

Receivables from customers

in €m	31/12/2020	31/12/2019
With residual maturities of		
up to three months	3,022.5	4,809.4
more than three months and up to one year	716.7	972.9
more than one year and up to five years	3,241.3	3770.6
more than five years	1,098.5	1,216.2
Total	**8,079.0**	**10,769.1**

Liabilities to banks

in €m	31/12/2020	31/12/2019
a) Repayable on demand	701.3	358.8
b) with agreed maturity or notice period	3,063.7	2,128.4
With residual maturities of		
up to three months	2.0	264.6
more than three months and up to one year	0.8	315.7
more than one year and up to five years	2,319.4	837.4
more than five years	741.5	710.7
Total	**3,765.0**	**2,487.2**

Liabilities to customers

in €m	31/12/2020	31/12/2019
a) Savings deposits	2.7	2.9
With residual maturities of		
up to three months	2.7	2.9
more than three months and up to one year	0.0	0.0
more than one year and up to five years	0.0	0.0
more than five years	0.0	0.0
b) Other liabilities	18,137.8	17,673.8
ba) repayable on demand	17,272.2	15,906.8
bb) with agreed maturity or notice period	865.6	1,767.0
With residual maturities of		
up to three months	777.5	1,617.4
more than three months and up to one year	44.5	108.8
more than one year and up to five years	3.3	0.0
more than five years	40.3	40.8
Total	**18,140.5**	**17,676.7**

Securitised liabilities

in €m	31/12/2020	31/12/2019
a) Bonds in issue	0.0	0.0
b) Other secured debt instruments with a residual maturity of		
up to three months	0.0	0.0
more than three months and up to one year	0.0	10.0
more than one year and up to five years	0.0	0.0
more than five years	37.5	40.0
Total	**37.5**	**50.0**

3.2 Affiliated companies – receivables and liabilities

in €m	31/12/2020	31/12/2019
Receivables from banks	968.7	1,365.4
Receivables from customers	53.2	71.9
Shares	0.0	0.0
Debt instruments	0.0	0.0
Trading portfolio - asset side	0.0	0.0
Liabilities to banks	296.1	400.7
Liabilities to customers	156.5	89.7
Securitised liabilities	0.0	0.0
Trading portfolio - liabilities side	0.0	0.0
Subordinated liabilities	785.0	785.0

3.3 Associates – receivables and liabilities

in €m	31/12/2020	31/12/2019
Receivables from banks	0.0	0.0
Receivables from customers	46.7	52.6
Debt instruments	0.0	0.0
Liabilities to banks	0.0	0.0
Liabilities to customers	14.9	10.1
Securitised liabilities	0.0	0.0
Subordinated liabilities	0.0	0.0

3.4 Foreign currency

As at 31 December 2020, assets denominated in foreign currencies amounted to €3,826.6 million (previous year: €4,714.5 million). The total amount of debt denominated in foreign currencies was €6,186.7 million (previous year: €5,576.9 million).

3.5 Receivables from customers

This item includes receivables with no stated maturity of €26.5 million (previous year: €18.6 million).

Receivables with a nominal value of €837.4 million (previous year: €1,181.7 million) were deposited with the Bundesbank as collateral for the TLTRO programme at the end of 2020.

As at the reporting date, there was one (previous year: two) open market transaction with Deutsche Bundesbank in the amount of €2,200.0 million (previous year: €1,100.0 million). The Bank made use of the ECB's TLTRO (Targeted Longer-Term Refinancing Operations) programme to refinance long-term customer receivables.

3.6 Debt instruments

As at 31 December 2020, the Bank's liquidity reserve amounted to €3,555.2 million (previous year: €2,897.3 million).

Securities with a carrying amount of €10.1 million (previous year: €60.3 million) are marketable, but are not listed on the stock exchange.

Debt instruments with a nominal value of €256.0 million were available as at the balance sheet date as collateral for marginal lending facilities (previous year: €479.6 million).

The Bank has deposited €1,362.6 million (previous year: €0.0 million) with the ECB as collateral for the TLTRO programme.

Fixed-income securities with a nominal value of €359.8 million (previous year: €278.3 million) were deposited as collateral for transactions on Eurex and for securities lending transactions.

Bonds and debt instruments with a carrying amount of €205.7 million (previous year: €364.5 million) will fall due in the 2021 financial year.

3.7 Shares and other variable yield securities

As at 31 December 2020, the Bank's liquidity reserve amounted to €228.1 million (previous year: €462.9 million).

The balance sheet item does not contain any marketable securities (previous year: €9.7 million). Non-marketable securities totalled €228.1 million (previous year: €453.2 million).

3.8 Investment funds

Fund type in €m	2020 Market value	2020 Carrying amount	2020 Difference	2019 Market value	2019 Carrying amount	2020 Distribution	2019 Distribution	Daily redemption possible
Special funds								
PRT fund (plan assets)	349.5	349.5	0.0	349.2	349.2	0.0	0.0	No
HSBC Trinkaus LAZK (plan assets)	46.7	46.7	0.0	43.2	43.2	0.0	0.0	Yes
Select INKA	242.5	227.0	15.5	333.2	317.9	0.0	0.0	No
IGC INKA	0.0	0.0	0.0	143.4	134.2	0.0	0.0	No

The Select INKA and IGC INKA special funds were merged in the 2020 financial year.

In the year under review, no write-downs pursuant to section 253 (3) sentence 4 HGB were dispensed with. All funds whose current market value is below the carrying amount were written down to their market value.

No income distributions were made in respect of the investment funds during the financial year under review. All investment assets are held in the liquidity reserve.

3.9 Trading portfolio - asset side

in €m	31/12/2020	31/12/2019
Positive market value of derivative financial instruments	1,561.0	1,124.3
Tradable receivables	1,165.3	1,121.8
Bonds and other fixed-income securities	808.6	904.1
Shares and other variable yield securities	826.1	826.5
Collateral in the derivatives business	513.1	309.6
Reverse repos	0.0	0.0
Precious metals	4.9	3.6
Discounts	- 16.9	- 11.3
Total	**4,862.1**	**4,278.6**

The portfolio includes marketable debt instruments with a nominal value of €664.9 million (previous year: €872.7 million) and non-marketable debt instruments with a nominal value of €143.7 million (previous year: €31.4 million). There are no marketable, unlisted debt instruments in the portfolio (previous year: €0.0 million).

Debt instruments and receivables in the trading portfolio with a nominal value of €187.8 million were available as at the balance sheet date as collateral for marginal lending facilities (previous year: €194.2 million).

No securities had been sold under repurchase agreements as at the balance sheet date (previous year: €0.0 million). Fixed-income securities with a nominal value of €116.5 million (previous year: €101.7 million) were deposited as collateral for transactions on Eurex and for securities lending transactions.

Credit balances with a nominal amount of €6.7 million (previous year: €42.1 million) had been pledged as collateral for securities lending transactions on the balance sheet date.

Bonds and debt instruments with a carrying amount of €150.0 million (previous year: €54.9 million) will fall due in the 2021 financial year.

Shares and other variable yield securities include marketable securities in an amount of €823.2 million (previous year: €823.3 million). Of the marketable securities, securities worth €0.2 million (previous year: €0.2 million) are not listed on the stock market. Non-marketable securities totalled €3.0 million (previous year: €3.2 million).

Shares with a carrying amount of €10.8 million (previous year: €11.7 million) were deposited as collateral for securities lending transactions. As at the balance sheet date, shares with a carrying amount of €164.3 million (previous year: €119.1 million) had been lent.

As in the previous year, there were no transactions involving shares and other variable yield securities sold under repurchase agreements.

3.10 Subordinated assets

in €m	**31/12/2020**	**31/12/2019**
Receivables from banks	0.0	0.0
Receivables from customers	6.0	6.0
Debt instruments		
Other issuers	5.4	22.3
Own debt instruments	0.0	0.0
Shares and other variable yield securities	0.0	0.0
Trading portfolio - asset side		
Bonds and other fixed-income securities	0.0	0.0
Shares and other variable yield securities	0.6	0.3

3.11 Equity holdings and holdings in affiliated companies

As in the previous year, equity holdings do not include any listed securities. The balance sheet item “Holdings in affiliated companies” does not include any marketable shares, as in the previous year.

3.12 Shareholdings

HSBC Trinkaus & Burkhardt AG holds a direct or indirect stake of at least 20% in the following companies, most of which are fully consolidated:

	Registered office	Capital share (%)	Company's equity in € thousand	Result for 2020 in € thousand
Banks and bank-related companies				
HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH	Düsseldorf	100.0	118,502	0[1]
HSBC Trinkaus & Burkhardt (International) S.A.	Luxembourg	100.0	24,102	3,900
Internationale Kapitalanlagegesellschaft mbH	Düsseldorf	100.0	49,000	0[1]
HSBC INKA Investment-AG TGV[3]	Düsseldorf	100.0	1,847	- 8
HSBC Transaction Services GmbH	Düsseldorf	100.0	15,000	0[1]
HSBC Operational Services GmbH	Düsseldorf	90.1	1,000	0[1]
HSBC Service Company GmbH	Düsseldorf	100.0	1,000	0[1]
HSBC Trinkaus Family Office GmbH	Düsseldorf	100.0	25	0[1]
Trinkaus Private Equity Management GmbH	Düsseldorf	100.0	298	24
Trinkaus Private Equity Verwaltungs GmbH	Düsseldorf	100.0	30	5
HSBC Global Asset Management (Deutschland) GmbH	Düsseldorf	100.0	5,001	0[1]
HSBC Global Asset Management (Österreich) GmbH	Vienna	100.0	314[2]	- 46[2]
HSBC Global Asset Management (Switzerland) AG	Zurich	50.0	2,172	288
Companies with a special mandate				
HSBC Trinkaus Real Estate GmbH	Düsseldorf	100.0	167	0[1]
HSBC Trinkaus Immobilien Beteiligungs-KG	Düsseldorf	100.0	3,022	12
Trinkaus Europa Immobilien-Fonds Nr. 3 GmbH	Düsseldorf	100.0	36	7
HSBC Trinkaus Europa Immobilien-Fonds Nr. 5 GmbH	Düsseldorf	100.0	31	6
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	Düsseldorf	100.0	44	19
Trinkaus Australien Immobilien-Fonds Nr. 1 Treuhand-GmbH	Düsseldorf	100.0	26	1
Trinkaus Immobilien-Fonds Geschäftsführungs-GmbH	Düsseldorf	100.0	22	0
Real estate companies				
Grundstücksgesellschaft Trinkausstraße KG	Düsseldorf	100.0	13,119	2,315
Other companies				
Sino AG	Düsseldorf	24.9	4,660	- 125[4]

1) Profit and loss transfer agreement
2) Values as at 31 December 2019
3) Company shares
4) Values as at 30 September 2019

3.13 Fiduciary transactions

Fiduciary assets and liabilities are broken down into the following balance sheet items:

Fiduciary assets

in €m	31/12/2020	31/12/2019
Receivables from banks	0.0	0.0
Receivables from customers	0.0	0.0
Fiduciary participations	107.1	107.2
Total	**107.1**	**107.2**

Fiduciary liabilities

in €m	31/12/2020	31/12/2019
Liabilities to banks	0.0	0.0
Liabilities to customers	107.1	107.2
Total	**107.1**	**107.2**

3.14 Fixed assets

Tangible fixed assets include operating and office equipment with a carrying amount of €47.0 million (previous year: €38.9 million). The Bank is the owner of 20 parking spaces in the garage facility located in the Kö-Center, Düsseldorf, which it uses for its own purposes.

Write-downs in the amount of €11.8 million were made to intangible fixed assets in the financial year under review. We refer to section 2.6.

The statement of changes in fixed assets is shown on pages F I. 45 and F I. 46.

3.15 Other assets

The “Other assets” item mainly includes receivables from affiliated companies in the amount of €145.0 million (previous year: €50.0 million). Tax refund claims amounted to €1.2 million as at the reporting date (previous year: €56.8 million).

The Federal Agency for Financial Market Stabilisation (FMSA) and the Compensation Scheme of German Banks (EDB) have allowed HSBC Trinkaus & Burkhardt AG, in the context of the collection of annual contributions, to pay part of the annual contribution in the form of fully secured payment claims (irrevocable payment commitment). The partial amount of the bank levy/the EDB contribution of €5.4 million (previous year: €5.4 million) is reported as an irrevocable payment commitment under other assets.

There are initial margin receivables from various stock exchanges in the amount of €20.4 million (previous year: €6.6 million).

3.16 Deferred tax refund claims

This item includes the netted deferred tax refund claims amounting to €104.4 million (previous year: €91.6 million) resulting from the recognition of different values in financial and tax accounting.

Deferred tax liabilities in the amount of €16.3 million (previous year: €12.1 million) result from the recognition of different values for the CTA plan assets, the pension and long-service bonus obligations and securities in the liquidity reserve in financial and tax accounting. They have been offset against deferred tax assets. Any deferred tax assets in excess of this amount have been capitalised. Deferred tax assets mainly result from different values recognised under tax law for receivables from customers, shares and debt instruments in the amount of €34.7 million (previous year: €14.9 million), as well as for pension and long-service bonus obligations in the amount of €56.4 million (previous year: €41.9 million).

3.17 Trading portfolio - liabilities side

in €m	31/12/2020	31/12/2019
Negative market value of derivative financial instruments	1,368.3	1,047.4
Discount certificates, promissory note loans, debt instruments and warrants	1,882.8	1,792.8
Collateral in the derivatives business	544.1	127.6
Buy-in obligations under short sales	21.9	20,2
Discounts	- 1.1	- 0.2
Total	**3,816.0**	**2,987.8**

3.18 Other liabilities

Other liabilities mainly include trade payables of €28.3 million (previous year: €17.5 million) and tax liabilities in the amount of €21.1 million (previous year: €23.9 million). The item also includes liabilities of €13.0 million (previous year: €2.5 million) in connection with the restructuring measures. The liabilities from securities with bullet maturity and certificates amount to €11.6 million (previous year: €5.0 million).

3.19 Prepaid expense / Deferred income

Prepaid expenses include:

in €m	31/12/2020	31/12/2019
Discount from liabilities	0.6	0.8
Premium from receivables	0.0	0.2

Deferred income includes:

in €m	31/12/2020	31/12/2019
Discount from receivables	0.0	0.0
Premium from liabilities	0.2	0.2

3.20 Provisions

3.20.1 Provisions for pensions and similar obligations

Legal framework

There are various retirement/pension schemes in place for employees depending on when they joined the Bank. The occupational pension scheme commitments are direct commitments made to employees as collective arrangements in the form of works council/employer agreements.

Schemes open to new hires

Under the employer-funded scheme (VO2013) currently open to new hires, the Bank promises its employees, as eligible beneficiaries, benefit amounts upon retirement, or in the event of invalidity and death. The commitment is structured as a defined contribution plan; the benefit amount components are derived from the committed contributions via a guaranteed interest rate. The guaranteed interest rate can be adjusted for future components to reflect changes in the interest rate environment. The contribution period is ten years after the end of each reporting year. The Bank can decide whether or not, and how, the contribution period is to be extended at any time. If the Bank has not made any declaration by the end of a particular financial year, the contribution period is considered to have been extended by a further year.

Closed schemes

Employees who joined the Bank between 1 January 2001 and 1 July 2013 benefit from a scheme similar to that governed by the 2013 pension rules (VO 2001), which differs from the current scheme primarily with regard to the level of the guaranteed interest rate. This pension scheme provides vested entitlements for employees who have left the Bank, but does not pay any current pension benefits. For employees who joined the Bank on or before 31 December 2000, as well as for former employees of the Hamburg branch, there are two additional pension plans which have been closed to new hires. Beneficiaries of these schemes receive benefits in the form of life-long retirement, invalidity and surviving dependants' pensions. These are final salary schemes based on length of service with a divided benefit formula. In addition to the employees who are still working for the Bank today, there are also eligible beneficiaries under these schemes who have left the Bank and have vested entitlements to life-long pensions, as well as pension recipients. These individuals receive life-long pensions that have to be checked to determine any need for adjustment pursuant to section 16 (1) of the Act on the Improvement of Occupational Pension Schemes (*Gesetz zur Verbesserung der betrieblichen Altersversorgung* - BetrAVG). There is a defined contribution capital commitment in place for a closed group of eligible individuals. The Bank has taken out reinsurance policies for these schemes with leading German insurance companies to ensure that employees receive the exact benefit resulting from the reinsurance policy.

Individual commitments

There are individual final salary-based commitments for life-long benefits in place for former and active members of the Management Board and Executive Committee members, as well as former managing partners. Defined contribution plan commitments were agreed individually for recently appointed members of the Management Board. In addition, some former Management Board and Executive Committee members, as well as former managing partners, received a capital commitment from deferred compensation. The guaranteed return on the contributed conversion amount is defined; the capital is paid out in instalments.

The works council/employer agreement of June 2013 setting the age limits for the closed pension schemes provides for the payment of a transitional allowance for certain employees who draw a pension immediately after leaving the Bank. The transitional allowance is granted for a maximum period of six months.

The parameters used for measurement purposes were those referred to in section 2.9.1.1.

Development of phased-in early retirement obligations

in €m	2020	2019
Phased-in early retirement obligations as at 1 January	4.4	3.6
Addition (service cost)/reversal (service income)	0.8	0.7
Interest expense	0.1	0.1
Phased-in early retirement obligations as at 31 December	5.3	4.4

Development of plan assets for phased-in early retirement obligations

in €m	2020	2019
Plan assets as at 1 January	2.2	2.0
Write-ups/write-downs	0.0	0.2
Additions/withdrawals	1.0	0.0
Plan assets as at 31 December	3.2	2.2
Income from plan assets	0.0	0.0

The shortfall is reported under provisions.

Development in pension obligations

in €m	2020	2019
Pension obligations as at 1 January incl. transitional allowance	284.2	275.5
Addition (service cost)/reversal (service income)	- 5.2	- 20.8
Interest expense	23.4	26.2
Employee turnover	- 0.7	3.3
Pension obligations as at 31 December	301.7	284.2

Development of plan assets for pension obligations

in €m	2020	2019
Plan assets as at 1 January	351.0	258.1
Write-ups/write-downs	- 0.7	22.9
Additions/withdrawals	0.0	70.0
Plan assets as at 31 December	350.3	351.0
Income from plan assets	0.2	0.2

The excess amount of €48.6 million (previous year: €66.8 million) is shown under the item “Overfunded plan assets”.

In addition, the claims under pension reinsurance policies of €14.5 million (previous year: €16.0 million) from a group life insurance policy are offset against the provision for pension obligations as part of the “Pension payments instead of cash remuneration” model in the amount of €20.2 million (previous year: €21.9 million).

The offsetting of income and expenses results in interest expense of €22.2 million (previous year: €1.3 million).

In the 2020 financial year, the difference resulting from the change in the determination of the average market interest rate for pension provisions amounted to €31.4 million (previous year: €30.8 million).

3.20.2 Provisions for long-term working-hours accounts (LAZK)

Development in LAZK obligations

in €m	2020		2019	
	LAZK	Social security contribution	LAZK	Social security contribution
LAZK obligation as at 1 January	59.0	6.1	48.7	4.9
Interest expense	1.1	0.1	4.4	0.1
Effects due to changes in the actuarial interest rate	0.0	0.2	0.0	0.2
Deposits	10.4	2.1	8.0	1.6
Other income/expenses	0.0	- 0.4	0.0	- 0.3
Payments/employees changing scheme	- 5.3	- 1.1	-2.1	- 0.4
LAZK obligation as at 31 December	65.2	7.0	59.0	6.1

Development in plan assets (LAZK)

in €m	2020		2019	
	LAZK	Social security contribution	LAZK	Social security contribution
Plan assets as at 1 January	59.0	11.9	47.3	9.7
Income/expenses from plan assets	0.6	0.1	4.4	0.9
Allocations to plan assets	10.1	1.9	9.4	1.6
Employees changing scheme	- 1.7	- 0.3	- 0.1	0.0
Disposals of plan assets	- 3.6	- 0.7	- 2.0	- 0.4
Plan assets as at 31 December	64.4	12.9	59.0	11.9

The excess amount of €5.1 million (previous year: €5.8 million) is shown under the item “Overfunded plan assets”.

A provision of €8.5 million was set up in the 2020 financial year for annual leave entitlement under the long-term working-hours account system (previous year: €7.8 million).

3.20.3 Amount barred from distribution

Pursuant to section 268 (8) HGB in conjunction with section 246 (2) sentence 2 and section 253 (1) sentence 4 HGB, the amount barred from distribution is as follows:

The offsetting of income and expenses results in interest income of €0.5 million (previous year: interest income of €5.8 million).

in €m	Fair value		Historical cost		Deferred taxes		Amount barred from distribution	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Plan assets for pensions	350.3	351.0	308.2	308.2	10.4	10.6	31.7	32.2
Plan assets for phased-in early retirement	3.2	2.2	2.7	1.7	0.1	0.1	0.4	0.4
LAZK plan assets	77.4	70.8	70.2	63.5	1.6	1.4	5.6	5.9
Total	**430.9**	**424.0**	**381.1**	**373.4**	**12.1**	**12.1**	**37.7**	**38.5**

3.20.4 Provisions for taxes

Deferred tax liabilities in the amount of €16.3 million (previous year: €12.1 million) result from the recognition of different values for plan assets and securities in the liquidity reserve in financial and tax accounting. They have been offset against deferred tax assets.

Provisions for taxes amount to €75.6 million (previous year: €41.8 million). The item mainly includes provisions for income tax for the 2020 financial year in the amount of €33.6 million and for the years prior to 2020 in the amount of €6.6 million (previous year: €6.7 million), provisions for tax liabilities for the risk associated with company tax audits in the amount of €26.0 million (previous year: €25.5 million) and the expected interest on these tax back-payments in the amount of €9.0 million (previous year: €9.3 million).

In accordance with the IDW accounting practice statement on IDW RS HFA 34 on accounting for tax provisions, the Bank has discounted the provisions for tax liabilities, as well as the provisions for interest on tax back-payments. The interest expense resulting from the compounding of these provisions amounts to €0.7 million (previous year: €0.8 million).

3.20.5 Other provisions

in €m	31/12/2020	31/12/2019
Loan loss provisions	13.1	22.8
Personnel provisions	62.9	75.3
Provision for efficiency programme		
Restructuring plan	16.4	4.4
Individual measures	2.6	10.2
Other provisions	44.0	38.4
Total	**139.0**	**151.1**

The Bank did not generate any interest income from the discounting of provisions (previous year: €0.1 million).

In light of the difficult economic conditions for banks, the management of HSBC Germany launched a group-wide, multi-year programme to improve internal efficiency in 2019. This programme provides for fundamental restructuring in parts of the Group and in particular the relocation of certain business activities. After all the preparations for the launch of the efficiency programme subject to a co-determination requirement (e.g. negotiation of a redundancy programme) had been completed and communicated within the Bank during 2020, provisions for severance payments were already set up as part of the programme in the annual financial statements as at 31 December 2019.

As a result of the COVID-19 pandemic, the management of HSBC Germany made the decision in March 2020 to temporarily suspend the planned reduction in staff to a large extent and not to resume the measures in full until the summer of 2020. In order to counteract the expected negative economic impact of the pandemic, additional measures to boost efficiency were adopted and negotiated with the employee representatives later in the year. These also fall within the overall financial framework of the efficiency programme. As a result, further provisions for severance payments were set up in the course of 2020. At the same time, a large number of individual personnel measures for which provisions had been set up in 2019 were completed and the corresponding provisions utilised. All in all, the implementation of the various measures of the partially expanded programme to improve internal efficiency is progressing as planned, taking into account the temporary interruption due to COVID-19.

3.21 Subordinated liabilities

Liabilities include subordinated debt instruments, promissory note loans and two loans amounting to a total of €895.1 million (previous year: €915.5 million).

The two loans and the bonds each exceed 10% of the total amount of subordinated liabilities.

in €m	Nominal amount	Interest rate		Maturity	
Loan	150.0	variable	Euribor + 1.49%	28/08/2029	cannot be called early by the lender
Loan	200.0	variable	Euribor + 2.32%	11/12/2028.	cannot be called early by the lender
Debt instrument AT-1	235.0	fixed, interest rate adjusted after five years	5.65%	unlimited	can be called by the issuer every five years
Debt instrument AT-1	200.0	fixed, interest rate adjusted after five years	5.04 %	unlimited	can be called by the issuer every five years
Total	**785.0**				

There are no early repayment obligations. The subordinated liabilities rank junior to the non-subordinated repayment claims of other creditors. This subordination applies in the event of liquidation, insolvency or other proceedings to avert insolvency. There are no rights of conversion into capital or into another form of debt.

In the 2020 financial year, all subordinated liabilities accounted for interest expenses of €32.8 million (previous year: €34.1 million).

In the year under review, accrued interest not yet due in the amount of €25.1 million (previous year: €25.5 million) was reported under subordinated liabilities in the balance sheet.

Interest on subordinated liabilities

in €m	2020 Nominal amount	2019 Nominal amount
4% to less than 5%	55.0	75.0
5% to less than 6%	465.0	465.0
Fixed rates	520.0	540.0
Variable	350.0	350.0
Total	**870.0**	**890.0**

Repayment of subordinated liabilities

Maturity in €m	2020 Nominal amount	2019 Nominal amount
Up to one year	40.0	20.0
More than one year and up to five years	35.0	60.0
More than five years	360.0	375.0
Unlimited maturity	435.0	435.0
Total	**870.0**	**890.0**

Subordination agreement

All subordinated liabilities rank junior to the non-subordinated repayment claims of other creditors. This subordination applies in the event of liquidation, insolvency or other proceedings to avert insolvency.

Subordinated liabilities are included in the calculation of liable capital in accordance with Part 2 of EU Regulation 575 / 2013 in an amount of €378.7 million (previous year: €393.9 million).

Profit participation capital

In accordance with the authorisation granted by the Annual General Meeting held on 30 May 2006, HSBC Trinkaus & Burkhardt AG issued registered profit participation certificates in the amount of €100.0 million in four tranches in September 2006. The term of two tranches ended on 31 December 2016. The term of the remaining two tranches of the registered profit participation certificates, amounting to €52.0 million and €37.0 million respectively, ends on 31 December 2020, with an annual distribution of 4.89% and 4.91% respectively. The certificates are repaid, in each case, six months after the end of the term at their nominal value, subject to the provisions on participation in net accumulated losses.

Accrued interest not yet due amounts to €4.4 million (previous year: €4.4 million).

Profit participation capital of €0.0 million (previous year: €17.8 million) meets the conditions set out in Part 2 of EU Regulation 575 / 2013 and is therefore recognised as Tier 2 capital for regulatory purposes.

The terms and conditions of all issues state that the claims arising from the securities rank junior to the non-subordinated claims of all other creditors of HSBC Trinkaus & Burkhardt AG. They rank pari passu with all other subordinated claims existing against HSBC Trinkaus & Burkhardt AG. The registered profit participation certificates participate in net accumulated losses in accordance with their terms and conditions.

HSBC Trinkaus & Burkhardt AG has the right to terminate the profit participation certificates in the event of a change in tax legislation. Holders of profit participation certificates are not entitled to terminate the certificates and request early repayment.

On 9 June 2020, the Annual General Meeting agreed to grant authorisation to the Management Board to issue profit participation certificates, debt instruments and other hybrid instruments without option or conversion rights, or option or conversion obligations, on one or more occasions in such a manner that it includes the authorisation to exclude subscription rights. This authorisation applies until 31 May 2025.

If subscription rights are not excluded, the profit participation certificates, debt instruments or other hybrid instruments can also be taken over by credit institutions determined by the Management Board with the obligation to offer them to the Bank's shareholders (indirect subscription right).

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the issue and the terms and conditions, in particular the volume, timing, interest rate, issue price and maturity.

3.22 Fund for general banking risks

As in the previous year, there were no allocations to, or reversals of amounts allocated to, the fund for general banking risks in the 2020 financial year.

3.23 Equity

The subscribed capital amounts to €91.4 million (previous year: €91.4 million) and consists of 34,088,053 (previous year: 34,088,053) no-par value shares. The capital reserves amounted to €720.9 million on the balance sheet date (previous year: €720.9 million).

By way of a resolution passed by the Annual General Meeting held on 9 June 2020, the Management Board is authorised to increase the company's share capital by up to €45.7 million on or before 31 May 2025, with the Supervisory Board's approval, through one or more issues of new bearer shares against cash contributions or contributions in kind (authorised capital).

In accordance with the resolution passed by the Annual General Meeting held on 9 June 2020, the net retained profits for 2019 of €79.8 million (previous year: €89.0 million) were allocated to revenue reserves (previous year: €31.3 million).

Profit of €0.0 million (previous year: €3.8 million) was carried forward to new account.

The revenue reserves amount to €1,071.5 million (previous year: €991.7 million).

The share capital is subject to a conditional capital increase of up to €45.7 million (previous year: €45.7 million) by means of issuing no-par value bearer shares. The conditional capital increase will only be executed to the extent that the holders of conversion and option rights under the debt instruments carrying such conversion and option rights or profit participation rights carrying such conversion and option rights to be issued up until 31 May 2025 exercise their option or conversion rights (conditional capital).

The total of amounts barred from distribution within the meaning of section 268 (8) HGB is €185.6 million (previous year: €150.8 million). It includes an amount barred from distribution resulting from the fair value measurement of the CTA plan assets in the amount of €37.7 million (previous year: €38.5 million), the difference resulting from the change in the determination of the market interest rate for pension provisions of €31.4 million (previous year: €30.8 million) and from the capitalisation of deferred taxes in the amount of €120.7 million (previous year: €81.6 million).

Maximum distributable amount (in €m)	**31/12/2020**	**31/12/2019**
Equity shares available to cover amounts within the meaning of section 268 (8) HGB	1,244.7	1,071.5
Total of amounts barred from distribution	185.6	150.8
Maximum distributable amount	**1,059.1**	**920.7**

3.24 Treasury shares

As in the previous years, HSBC Trinkaus & Burkhardt AG did not hold any treasury shares at the end of the 2020 financial year.

HSBC Trinkaus & Burkhardt AG is authorised to acquire and resell treasury shares based on the authorisation issued by the Annual General Meeting as part of its market management activities. As in the previous year, the Bank did not exercise this right in the 2020 financial year.

4. Disclosures on Contingent Liabilities

4.1 Contingent liabilities

in €m	31/12/2020	31/12/2019
Contingent liabilities from endorsement of discounted bills of exchange	0.0	0.0
Contingent liabilities from guarantees and indemnity agreements	2,877.0	2,989.4
Contingent liabilities from the granting of security for third-party liabilities	0.0	0.0
Total	**2,877.0**	**2,989.4**

4.2 Other commitments

in €m	31/12/2020	31/12/2019
Repurchase commitments under sales with an option to repurchase	**0.0**	0.0
Placement and underwriting commitments	0.0	0.0
Irrevocable loan commitments	11,112.2	9,843.8
Total	**11,112.2**	**9,843.8**

The quality of the contingent liabilities and loan commitments is subject to permanent monitoring using internal rating procedures. Having assessed the risk situation associated with guarantees and indemnity agreements, the Bank does not currently expect any claims to be asserted.

The irrevocable loan commitments include ten material individual commitments in a total amount of €2,460.3 million (previous year: €2,203.0 million) in relation to overall activity. The individual amounts range from €183.0 million (previous year: €166.7 million) to €375.0 million (previous year: €356.3 million).

5. Other Contingent Liabilities and Financial Commitments

The following transactions, contingent liabilities and financial commitments are not shown in the balance sheet:

The Federal Agency for Financial Market Stabilisation (FMSA) and the Compensation Scheme of German Banks (EDB) have allowed HSBC Trinkaus & Burkhardt AG, in the context of the collection of annual contributions, to pay part of the annual contribution in the form of fully secured payment claims (irrevocable payment commitment). Please refer to our comments in this regard in the section on “Other assets”.

In the leasing business, the Bank acts exclusively as a lessee. All leases concluded are operating leases. Under these agreements, the risks and rewards incidental to ownership remain with the lessor, which also recognises the leased assets in its accounts. The lease payments are reported as rent payments under administrative expenses.

Obligations from rental and lease agreements

in €m	31/12/2020	31/12/2019
Up to one year	16.3	17.0
More than one year and up to five years	30.1	35.7
More than five years	27.1	33.0
Total	**73.5**	**85.7**
thereof to affiliated companies	4.3	5.9

The Bank has outsourced the central registry for card payments, electronic banking services, system administration and IT operations for the Invoice Finance Application International system, as well as the establishment and operation of a central accounts registry, to third parties in accordance with section 24c of the German Banking Act (KWG). Furthermore, services relating to securities settlement and administration are outsourced to the subsidiary HSBC Transaction Services GmbH.

The outsourced areas do not have any material impact on the Bank’s financial position.

6. Transactions Subject to Market Risk

6.1 Market risks

Market risk is defined as the extent to which the market value of a financial instrument could change to the Bank's detriment due to changes in market price parameters. Market risk includes foreign exchange risk, interest rate risk (including credit spread risk), and equity and other price risks. Market risks result primarily from trading in interest rate, equity and foreign exchange products and, to a lesser extent, in commodity products that do not involve physical delivery.

Value-at-risk approaches are used to measure market risks in the trading book. Value-at-risk is understood as the potential loss amount that will not be exceeded with a probability of 99% for a holding period of one trading day and based on an unchanged position. The value-at-risk model is based on a historical simulation of the risk factors over a period of 500 equally weighted trading days and covers interest rate, equity, foreign exchange and volatility risks. All positions are completely remeasured taking changed market parameters into account. As far as interest rate risks are concerned, both general interest rate risks resulting from a change in the market interest rate level and spread risks associated with various issuers or issuer categories are taken into account.

The following risk factors are taken into account in particular:

1. Equity spot prices and equity indices
2. Spot exchange rates including gold rates
3. Commodity prices
4. Zero interest rates for ideal-typical maturities from swap yield curves
5. Credit spreads for various categories, such as Pfandbriefe, federal state bonds and bank bonds with further differentiation by credit rating and/or maturity
6. Equity and equity index option volatilities for ideal-typical maturities
7. Foreign exchange option volatilities for ideal-typical maturities
8. Volatilities of options on German government bonds for ideal-typical maturities
9. Cap/floor volatilities for ideal-typical maturities
10. Swaption volatilities for ideal-typical maturities

This results in the following value-at-risk figures in the trading book:

in €m	31/12/2020	31/12/2019
Interest rate risks	0.8	0.4
Currency risks	0.2	0.1
Equity/index risks	0.9	0.8
Credit spread risk	1.9	0.8
Commodities risks	0.1	0.0
Overall market risk potential	**2.7**	**1.0**

6.2 Transactions involving derivative financial instruments

in €m		Nominal amounts with a residual maturity of up to 1 year	more than 1 year and up to 5 years	> 5 years
Interest rate-related transactions				
OTC products	FRAs, CAPs, FLOORs	887	485	122
	Interest rate swaps	1,691	3,595	2,139
	Interest rate options	1,034	177	317
	Forward transactions	975	932	0
Exchange-traded products	Interest rate futures	11	0	0
	Interest rate options	0	0	0
	Total	**4,598**	**5,189**	**2,578**
Currency-related transactions				
OTC products	Currency forwards	80,257	3,249	0
	Cross-currency swaps	39	263	113
	Currency options	5,985	1,093	0
Exchange-traded products	Currency futures	0	0	0
	Total	**86,281**	**4,605**	**113**
Equity/index-based transactions				
OTC products	Equity/index options	0	0	0
	Forward transactions	0	0	0
	Equity swaps	0	1	0
Exchange-traded products	Equity/index futures	1,247	435	0
	Equity/index options	4,069	1,899	0
	Total	**5,316**	**2,335**	**0**
Commodity-based transactions				
OTC products	Commodity swaps	320	183	0
	Total	**320**	**183**	**0**
Total financial derivatives		**96,515**	**12,256**	**2,747**

Breakdown of market values by counterparty

		31/12/2020		**31/12/2019**	
in €m		**Positive**	**Negative**	**Positive**	**Negative**
OECD	Banks	788	519	604	479
	Financial institutions	71	333	81	234
	Other	308	414	275	183
Non-OECD	Banks	9	12	6	3
	Financial institutions	0	1	2	1
	Other	368	88	145	147
Total		**1,544**	**1,367**	**1,113**	**1,047**

	Nominal amount		Market value			
			Positive		Negative	
	2020	2019	2020	2019	2020	2019
	1,494	2,402	1	2	1	2
	7,425	9,396	238	277	216	216
	1,528	1,332	1	1	0	1
	1,907	1,027	8	16	16	14
	11	7	0	0	0	0
	0	0	0	0	0	0
	12,365	**14,164**	**248**	**296**	**233**	**233**
	83,506	86,354	756	601	870	593
	415	526	25	15	25	15
	7,078	7,646	88	40	89	40
	0	0	0	0	0	0
	90,999	**94,526**	**869**	**656**	**984**	**648**
	0	0	0	0	0	0
	0	0	0	0	0	0
	1	13	0	0	0	1
	1,682	895	0	0	0	0
	5,968	6,939	370	142	93	146
	7,651	**7,847**	**370**	**142**	**93**	**147**
	503	819	57	19	57	19
	503	**819**	**57**	**19**	**57**	**19**
	111,518	**117,356**	**1,544**	**1,113**	**1,367**	**1,047**

The Bank also uses certain derivatives (generally interest rate swaps) to hedge the market interest rate risks associated with long-term financial assets, selected loans and registered debt instruments that have been issued. These hedging relationships result in positive market values of €3.7 million as at 31 December 2020 (previous year: €3.9 million) and negative market values of €51.3 million (previous year: €29.8 million).

The presentation of the derivatives business pursuant to section 36 of the German Ordinance on Accounting Policies for Banks and Financial Services Institutions is consistent with the recommendations made by the Accounting Committee of the Association of German Banks (*Bundesverband deutscher Banken*). In line with the international standard, the market values stated correspond to the replacement costs on the balance sheet date in the event of default by the counterparties, irrespective of their credit rating and any netting agreements.

7. Income Statement Disclosures

7.1 Breakdown of income items by geographical market

The total of the components interest income, current income, commission income, net trading income and other operating income amounts to €1,014.1 million (previous year: €942.3 million). All income was generated in Germany. The information presented is based on the assumption that the location of the branch where income was generated is decisive for the purposes of assigning income to a geographical market.

7.2 Administrative and brokerage services provided to third parties

At HSBC Trinkaus & Burkhardt AG, the range of management and brokerage services provided for third parties is largely limited to asset and securities account management and advisory services.

7.3 Net interest income

The Bank collected negative interest of €83.0 million (previous year: €42.9 million) on liabilities, and paid negative interest of €51.2 million (previous year: €32.4 million) on receivables. €47.4 million of the interest paid relates to our account with Deutsche Bundesbank (previous year: €29.8 million).

7.4 Net commission income

Net commission income rose by €16.7 million or 6.5% to €273.1 million (previous year: €256.4 million). At €49.1 million, net commission income from transactions involving securities and financial instruments was €27.4 million lower than and thus substantially down on the previous year's net commission income of €76.5 million. Higher commission income was generated in the business with equities and equity derivatives in a year-on-year comparison, also this was also associated with higher commission expenses. Income from the mediation of client business in the HSBC Group, and the result from the alternative investment business were down as against the previous year. As a result, net commission income from transactions involving securities and financial instruments fell to €99.6 million (previous year: €104.7 million). At €35.4 million, the result from the securities portfolio business was down year-on-year (previous year: €40.9 million). In addition, expenses for securities settlement by the subsidiary HSBC Transaction Services GmbH were €16.8 million higher in 2020 at €85.9 million.

Net commission income from foreign exchange transactions rose by €6.9 million to €69.9 million (previous year: €63.0 million). Net commission income from asset management fell by €1.8 million to €31.8 million (previous year: €33.6 million). In capital financing, on the other hand, net commission income rose by €34.3 million to €61.8 million (previous year: €27.5 million).

In the lending business, net commission income was up by €10.7 million to €35.7 million (previous year: €25.0 million). The volume of domestic/international payments and documentary business remained practically unchanged compared to the previous year at €21.6 million (previous year: €21.7 million).

7.5 Net trading income

With reference to the IDW accounting practice statement BFA 2 dated 3 March 2010, interest income and interest expenses from trading, dividend income and fees and commission are recognised under "Net trading income" in accordance with the Bank's internal management.

Net trading income amounted to €158.1 million (previous year: €76.4 million).

A breakdown of net trading income is shown below:

in €m	2020	2019
Equities and equity derivatives	135.9	50.7
Foreign exchange and foreign exchange derivatives	0.8	- 0.4
Bonds and bond derivatives	25.1	24.4
Precious metals	0.6	0.9
Reversals of/allocations to discounts	- 4.3	0.8
Reversals of/allocations to provision for general banking risks	0.0	0.0
Total	**158.1**	**76.4**

7.6 Other operating income

Other operating income of €66.9 million (previous year: €73.6 million) mainly includes cost transfers to group companies of €48.2 million (previous year: €40.7 million) and to third parties in the amount of €0.9 million (previous year: €0.6 million), €1.2 million (previous year: €1.6 million) in income from subletting office premises, €0.7 million (previous year: €1.7 million) in income from own work capitalised as part of the SAP project, and €14.8 million (previous year: €11.6 million) in income relating to other periods from the reversal of provisions that are no longer required.

7.7 Other operating expenses

Other operating expenses of €20.8 million (previous year: €12.0 million) include €11.6 million (previous year: €10.7 million) in group service expenses (investment services), €7.5 million (previous year: €0.9 million) from operating losses and €1.7 million in losses from the disposal of operating and office equipment.

7.8 Taxes on income

Income tax expense includes corporate income tax, trade tax and the solidarity surcharge in the amount of €56.6 million (previous year: €51.1 million). The tax expense includes deferred taxes.

Tax reconciliation

in €m	2020 Amount	2020 Tax rate	2019 Amount	2019 Tax rate
Result before income taxes	229.8		127.1	
Expected tax expense (statutory tax rate)	72.1	**31.4%**	39.9	**31.4%**
Reconciliation: Differences in the tax assessment base	- 17.0		5.1	
Switch to the deduction method where withholding tax has been paid	1.7		1.6	
Taxes relating to other periods	0.0		4.3	
Recognition and measurement of deferred tax assets	- 0.2		0.2	
Actual tax expense	56.6		51.1	
Effective tax rate		**24.6%**		**40.2%**

8. Other Disclosures

8.1 Employees

Annual average	31/12/2020	31/12/2019
Employees covered by collective pay-scale agreements	584	636
Employees not covered by collective pay-scale agreements	1,358	1,396
Trainees	26	27
Total	**1,968**	**2,059**
of which:		
Female employees	777	810
Male employees	1,191	1,249

8.2 Liability from letters of comfort

HSBC Trinkaus & Burkhardt AG undertakes to ensure that the companies HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg, Internationale Kapitalanlagegesellschaft mbH, Dusseldorf, HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf and HSBC Transaction Services GmbH, Dusseldorf are in a position to fulfil their contractual obligations.

Moreover, HSBC Trinkaus & Burkhardt AG regularly indemnifies the current general partners or managing partners of those fully consolidated companies having the legal form of a KG (limited partnership), as well as those of the Trinkaus real estate fund companies and Trinkaus private equity companies, against all third-party claims that are made against them in their legal capacity or activities as general partners in the respective companies, provided they are natural persons.

8.3 Related party disclosures

In the year under review, no transactions that were not considered to be at arm's length were concluded with related parties.

8.4 Executive bodies of HSBC Trinkaus & Burkhardt AG

The members of the Management Board and the members of the Supervisory Board are listed in section II. 9. of the Registration Document. The supervisory board mandates of these individuals are shown in section II. 9. of the Registration Document.

8.5 Advances and loans granted to members of executive bodies

As at the balance sheet date, no member of the Supervisory Board had overdraft facilities, as in the previous year.

No rent guarantees or loans were granted to members of the Management Board during the financial year under review. The only other contingent liabilities vis-à-vis third parties in favour of members of executive bodies related to the indemnification of natural persons referred to in section 8.2.

8.6 Remuneration paid to members of the executive bodies and committees of HSBC Trinkaus & Burkhardt AG

The main features of the remuneration system are described in the management report. The information provided below explains the components of the remuneration paid to members of the Management Board and complies with German Accounting Standard no. 17 (DRS 17). In accordance with the resolution passed by the Annual General Meeting held on 14 June 2017, no information pursuant to section 285 no. 9a sentences 5 to 8 HGB has been reported relating to the individualised disclosure of Management Board remuneration.

Taking into account the changes in the composition of the Management Board, the fixed remuneration paid to all members of the Management Board in 2020 came to €5,212.1 thousand, down slightly on the previous year (€5,675.0 thousand). The variable component of the

remuneration amounted to €2,623.7 thousand (previous year: €3,438.1 thousand). The variable remuneration of the Management Board for the 2020 financial year includes a long-term remuneration component of €1,619.8 thousand (previous year: €2,140.5 thousand).

In the financial year under review, as in the previous year, no member of the Supervisory Board received remuneration for consultancy services rendered.

The remuneration paid to the Supervisory Board amounted to €1,096.0 thousand in the 2020 financial year (previous year: €1,165.0 thousand).

The general rules for employees, former general partners and former members of the Management Board apply to pension obligations vis-à-vis employee representatives and vis-à-vis former general partners and former members of the Bank's Management Board.

Remuneration was paid to former general partners of HSBC Trinkaus & Burkhardt KGaA and Trinkaus & Burkhardt KG as the legal predecessors of HSBC Trinkaus & Burkhardt AG and their surviving dependants, as well as to former members of the Management Board of Trinkaus & Burkhardt AG, in the amount of €4.5 million (previous year: €4.3 million).

Provisions for pension obligations in accordance with the German Commercial Code (HGB) have been set up for this group of individuals in the amount of €42.9 million (previous year: €39.4 million).

8.7 Auditors' fees

With regard to the auditors' fees, reference is made to the IFRS consolidated financial statements of the Bank as the group parent company. Other assurance services mainly include fees for statutory and regulatory audit and consultancy services.

8.8 Report on post-balance sheet date events

Material events occurring after the balance sheet date

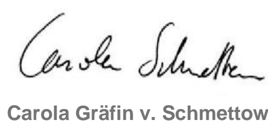
No events with a material impact on the net assets, financial position and results of operations occurred between the balance sheet date and the date on which these annual financial statements were prepared.

8.9 Proposal for the appropriation of profits

in €	2020	2019
The income statement closes with net retained profits of	173,137,908.17	79,807,947.23
The Management Board proposes the following appropriation:		
Payment of a dividend of €4.00 (previous year: €0.00) per share on the share capital, carrying dividend rights in full, of €91,423,896.95 (previous year: €91,423,896.95)		
This corresponds to a total dividend of	136,352,212.00	0.00
Allocation to revenue reserves of	36,785,696.17	79,807,947.23
Allocation to profit carried forward of	0.0	0.00
	173,137,908.17	79,807,947.23

Düsseldorf, 24 February 2021

The Management Board


Carola Gräfin v. Schmettow

Dr Rudolf Apenbrink

Fredun Mazaheri

Thomas Runge

Nicolo Salsano

Statement of Changes in Fixed Assets

Tangible fixed assets

in € thousand	Cost 1/1/2020	Additions	Disposals	Transfers	Cost 31/12/2020
Land rights	300.4	0.0	0.0	0.0	300.4
Tangible fixed assets	112,204.1	24,932.3	24,076.1	1,388.3	114,448.6
Assets under construction	1,388.3	0.0	0.0		0.0
Standard software	1,937.8	0.0	0.0	0.0	1,937.8
Intangible fixed assets	26,429.0	2,865.4	532.6	13,529.1	42,290.9
Prepayments	13,863.9	367.9	623.5	-13,529.1	79.2
Total	**156,123.5**	**28,165.6**	**25,232.2**	**0.0**	**159,056.9**

Long-term financial assets

in € thousand	Cost 1/1/2020	Additions	Disposals	Transfers	Cost 31/12/2020
Equity holdings	16,748.1	10,103.8	66.2	0.0	26,785.7
Holdings in affiliated companies	168,522.2	0.0	0.0	0.0	168,522.2
Total	**185,270.3**	**10,103.8**	**66.2**	**0.0**	**195,307.9**

	Cumulative depreciation, amortisation and write-downs	Additions	Disposals	Transfers	Cumulative depreciation, amortisation and write-downs	Residual carrying amount	Residual carrying amount
	1/1/2020				31/12/2020	31/12/2020	31/12/2019
	128.1	6.2	0.0	0.0	134.3	166.1	172.3
	74,719.0	13,870.0	21,129.7	0.0	67,459.3	46,989.3	37,485.1
	0.0	0.0	0.0	0.0	0.0	0.0	1,388.3
	1,937.8	0.0	0.0	0.0	1,937.8	0.0	0.0
	16,670.3	16,590.6	1,156.2	0.0	32,104.7	10,186.2	9,758.7
	0.0	0.0	0.0	0.0	0.0	79.2	13,863.9
	93,455.2	**30,466.8**	**22,285.9**	**0.0**	**101,636.1**	**57,420.8**	**62,668.3**

	Cumulative depreciation, amortisation and write-downs	Additions	Disposals	Write-ups	Cumulative depreciation, amortisation and write-downs	Residual carrying amount	Residual carrying amount
	1/1/2020				31/12/2020	31/12/2020	31/12/2019
	4,235.0	0.0	0.0	0.0	4,235.0	22,550.7	12,513.1
	273.6	0.0	0.0	0.0	273.6	168,248.6	168,248.6
	4,508.6	**0.0**	**0.0**	**0.0**	**4,508.6**	**190,799.3**	**180,761.7**

Independent Auditor’s Report

To HSBC Trinkaus & Burkhardt AG, Düsseldorf

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of HSBC Trinkaus & Burkhardt AG, consisting of the balance sheet as at 31 December 2020 and the income statement for the financial year from 1 January to 31 December 2020, as well as the notes, including the presentation of the accounting policies. We have also audited the management report of HSBC Trinkaus & Burkhardt AG for the financial year from 1 January to 31 December 2020. We have not audited the content of those parts of the management report listed in the “Other information” section of our auditor’s report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the provisions of German commercial law and, in accordance with German generally accepted accounting principles, give a true and fair view of the net assets and financial position of the company as at 31 December 2020 and its results of operations for the financial year from 1 January to 31 December 2020 and,

- The accompanying management report as a whole provides an appropriate view of the company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with the German statutory provisions, and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those parts of the management report listed in the “Other information” section.

Pursuant to section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred to as the “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer (IDW)]. Our responsibilities under those requirements and principles are further described in the section entitled “Auditors’ Responsibilities for the Audit of the Annual Financial Statements and the Management Report” of our auditor’s report. We are independent of the company in accordance with the requirements of European law and the German commercial and professional regulations, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, pursuant to Article 10 (2) (f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5 (1) EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon. We do not provide a separate audit opinion on these matters.

In our view, the following matters were most significant to our audit:

1. **Loan loss provisions in the customer lending business**
2. **Presentation of net commission income**
3. **Presentation of intangible assets**
4. **Presentation of restructuring provisions**

Our presentation of the key audit matters has been structured as follows in each case:

(a) Matter and issue

(b) Audit approach and findings

(c) Reference to further information

We present the key audit matters below:

1. Loan loss provisions in the customer lending business

(a) Loan receivables amounting to €8,079.0 million (27.55% of total assets) are reported under the balance sheet item “Receivables from customers” in the company’s annual financial statements. As at 31 December 2020, provisions consisting of specific and global valuation allowances have been set up in the balance sheet. The measurement of loan loss provisions in the customer lending business is determined in particular by the structure and quality of the loan portfolios, general economic factors and estimates by the executive directors with respect to future loan defaults, also against the backdrop of the expected impact of the ongoing COVID-19 crisis on the customer lending business. The amount of the specific valuation allowances for loan receivables from customers corresponds to the difference between the outstanding loan amount and its lower fair value on the reporting date. Proceeds from existing collateral are taken into account. In accordance with IDW AcPs BFA 7, which was applied for the first time, the global valuation allowance was calculated and recognised in the balance sheet on the basis of expected credit losses (expected loss model) in accordance with the IFRS 9 methodology. Risk provisions are calculated using a three-stage model, with loan receivables generally being allocated to stage 1. Twelve-month expected credit losses are to be recognised for these receivables. In the event of a significant increase in the default risk compared to the time of initial recognition (stage 2), the amount of the lifetime expected credit losses is recognised as a risk provision. This also applies to loan receivables that are considered credit-impaired (stage 3). The Bank has recognised post-model adjustments when setting up risk provisions. These reflect the expectations of the executive directors that have not yet been taken into account in the models. The valuation allowances in the customer lending business are of significant importance for the Bank’s results of operations in terms of their amount and also involve considerable scope for judgement on the part of the executive directors. In addition, the valuation parameters applied, which are also subject to significant uncertainty due to the effects of the COVID-19 crisis, have a significant impact on the recognition/amount of any necessary valuation allowances. Against this background, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we first of all assessed whether the design of the controls in the company’s relevant internal control system was appropriate and tested whether the controls functioned effectively. We included the business organisation, the IT systems and the relevant measurement models in our assessment. In addition, we assessed the measurement of loan receivables from customers, including the extent to which estimated values were appropriate, based on a sample of loan exposures. For the

purposes of this exercise, among other things we reviewed the documentation available to the company in order to assess the economic circumstances of its borrowers and the recoverability of the related collateral. With respect to real estate as collateral for which the company has submitted expert appraisals to us, we obtained an understanding of the underlying source data, the valuation parameters used and assumptions made, evaluated those factors critically and assessed whether they lay within a reasonable range. In addition, for the purpose of assessing the specific and global valuation allowances recognised, we evaluated the calculation methodology applied by the company together with the underlying assumptions and parameters. This also applied to calculation of the global valuation allowance in accordance with the IFRS 9 methodology. On the basis of the audit procedures we carried out, we satisfied ourselves overall that the assumptions made by the executive directors for the purpose of reviewing the recoverability of the loan portfolio are appropriate, and that the processes implemented by the company are appropriate and effective.

(c) The company's disclosures regarding provisions for the customer lending business are contained in Note 2.2 of the notes to the annual financial statements

2. Presentation of net commission income

(a) The income statement shows net commission income of €273.1 million, resulting from commission income of €594.2 million and commission expenses of €321.1 million. This significant item is subject to particular accounting related risk due to the complexity of the systems necessary for accurately recording it, the large number and heterogeneous nature of transactions requiring processing and the earnings contributions in certain areas attributable to transactions involving large non-recurring effects. The large non-recurring effects resulted from individual transactions concluded during the reporting year. Against this background, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we first assessed the appropriateness and effectiveness of the controls in the business processes for specific products and the relevant controls established within the company’s internal control system from the initial recording of the various transactions in the company’s portfolio management systems through to the reporting of the resulting income and expenses in the general ledger. In addition, we verified, among other things, the calculation and accounting treatment of various components of income and expense on a test basis based on the documents provided to us. This also involved comparing the commission rates charged against the contractually agreed fee rates and verifying the arithmetical accuracy of the commission statements. Furthermore, we verified the allocation of commission income and expenses to the correct periods, as well as the consistency of the methods used by the company to recognise commission income and expenses. We were able to satisfy ourselves that the systems and processes in place, as well as the established controls, are appropriate overall for the purpose of ensuring that net commission income is presented correctly.

(c) The company's disclosures regarding net commission income are contained in Note 7.4 of the notes to the annual financial statements.

3. Presentation of intangible assets

(a) In the company's annual financial statements, the balance sheet item "Intangible assets" (€10.3 million, 0.04% of total assets) includes licences in the amount of €10.2 million and prepayments in the amount of €0.1 million. As part of the introduction of the new core banking system, a significant amount of internal and external expenses required to get the software ready for operation were capitalised in the period leading up to 2019. In the 2020 financial year, the Bank's abandoned its previous IT strategy of introducing the SAP core banking system. Instead, the Bank opted to migrate to the HSBC Group systems. As a result of this change in IT strategy, write-downs in the amount of €11.8 million were made to intangible fixed assets in the financial year under review. The useful life of the SAP module in operation was also adjusted from ten to five years. Intangible assets ready for use are recognised and measured at cost, less amortisation and any write-downs to be made. Amortisation is applied using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. If a reduction in value is likely to be permanent, a write-down has to be recognised. A reduction in value is assumed likely to be permanent if the fair value of an intangible fixed asset is expected to remain below the amortised residual carrying amount for a considerable portion of its remaining useful life. The carrying amounts are tested to determine any need for write-downs or write-ups on an annual basis and if there are specific reasons potentially suggesting that a reduction in value will be permanent, or that a previously recognised reduction in value no longer applies. Such tests are often prompted by particular indications, such as the technical obsolescence of the intangible fixed asset or a change in its planned use, which suggest that the fair value of the intangible fixed asset has been permanently reduced compared with the planned residual carrying amount, or that the benefits that can be derived from it have been permanently reduced. If such a reduction in value is likely to be permanent, the asset is written down to the lower value to be attributed to the intangible fixed asset. If the reasons for a lower valuation no longer apply, the value has to be written up again. As there are considerable discretionary powers when assessing the obligation to capitalise internal and external expenses and capitalisation has a significant impact on the earnings situation, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we assessed, among other things, the processes and controls established within the company that ensure compliance with the principles for reporting of intangible assets according to the German commercial law provisions. This also included assessing the details of the guidelines drawn up regarding the recognition of internal and external expenses. In addition, we verified, among other things, the application of the valuation provisions on a test basis based on the documents provided to us. By asking questions, we assessed whether there are indications for impairment. We were able to satisfy ourselves that the processes and controls are appropriate overall for the purpose of ensuring that intangible assets are presented correctly.

(c) The company's disclosures on intangible assets are included in Note 2.6 and Appendix 1 of the notes to the annual financial statements.

4. Presentation of restructuring provisions

(a) In the previous year, the company launched a group-wide, multi-year programme to improve internal efficiency. This programme provides for fundamental restructuring in parts of the Bank, and in particular the relocation of certain business activities. After all preparations for the implementation of the efficiency programme subject to a co-determination requirement had been completed and communicated within the Bank in the course of 2019, provisions for severance payments were already set up as part of the programme in the annual financial statements as at 31 December 2019. As a result of the COVID-19 pandemic, the company made the decision in March 2020 to temporarily suspend the planned reduction in staff to a large extent and not to resume the measures in full until the summer of 2020. In order to counteract the expected negative economic impact of the COVID-19 pandemic, additional measures to boost efficiency were adopted later in the year. These also fall within the overall financial framework of the efficiency programme. As a result, further provisions for severance payments were set up in the course of 2020. At the same time, a large number of individual personnel measures for which provisions had been set up in the 2019 financial year were completed and the corresponding provisions utilised. All in all, the implementation of the various measures of the partially expanded programme to improve internal efficiency is progressing as planned, taking into account the temporary interruption due to the COVID-19 pandemic.

Provisions are to be set up for uncertain liabilities in accordance with section 249 (1) sentence 1 HGB. For such provisions to be set up, there has to be an external obligation that has arisen in legal terms or has been triggered in economic terms, and the assertion of claims must be seriously expected. If the necessary recognition criteria are met, a restructuring provision has to be set up. The restructuring provision amounts to €16.4 million as at 31 December 2020. From our point of view, this matter was of particular importance for our audit, as the recognition of restructuring provisions is based to a large extent on estimates and assumptions by the executive directors.

(b) In our audit, we have assessed, among other things, whether the necessary inclusion criteria have been met. For this purpose, we have obtained the relevant evidence from the executive directors of the company. We have also assessed the valuation carried out by the Bank in terms of its suitability, methodology and comprehensibility of the assessment of value. This has enabled us to obtain an understanding of the underlying source data, valuation parameters and assumptions made in the reporting year, to critically evaluate them and to assess whether they are within a reasonable range. We were able to satisfy ourselves that the circumstances, as well as the estimates and assumptions made by the executive directors for the recognition and measurement of a restructuring provision, are sufficiently documented and justified. The valuation parameters and assumptions applied by the executive directors are generally in line with our expectations and are also within the ranges that we consider to be acceptable.

(c) The company's disclosures on restructuring provisions are included in Note 3.20.5 of the notes to the annual financial statements.

Other information

The executive directors are responsible for the other information. The other information includes the following parts of the management report, which have not been audited:

- the statement on corporate governance pursuant to section 289f HGB and section 315d HGB included in section "Statement on corporate governance" of the management report
- the "Sustainable corporate governance" and "Employees" sections of the management report

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for preparing the annual financial statements which comply, in all material respects, with the provisions of German commercial law, and for ensuring that the annual financial statements, in accordance with the generally accepted accounting principles in Germany, give a true and fair view of the assets, liabilities, financial position and financial performance of the company. In addition, the executive directors are responsible for such internal control as they determine is necessary, in line with the German generally accepted accounting principles, to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless actual or legal circumstances preclude this.

Furthermore, the executive directors are responsible for the preparation of the management report which, as a whole, provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- draw conclusions as to the appropriateness of use of the going concern basis of accounting by the executive directors and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors’ report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in accordance with the generally accepted accounting principles in Germany.

- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company s position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant impartiality requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our impartiality, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor by the Annual General Meeting held on 9 June 2020. We were engaged by the Supervisory Board on 10 June 2020. We have been engaged as auditor of HSBC Trinkaus & Burkhardt AG, Düsseldorf, without interruption since the 2015 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Lehmann.

Düsseldorf, 1 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christoph Lehmann
Auditor

p.p. Susanne Beurschgens
Auditor

Consolidated Balance Sheet HSBC Trinkaus & Burkhardt

Assets in €m	**(Note)**	**31.12.2020**	**31.12.2019**	**Change**	
				in €m	**in %**
Cash reserve	(20)	10,454.4	5,731.5	4,722.9	82.4
Loans and advances to banks	(6), (21), (38)	1,567.5	1,987.0	−419.5	−21.1
Loans and advances to customers	(6), (22), (38)	8,516.8	10,866.5	−2,349.7	−21.6
of which pledged as collateral		1,601.0	1,871.4	−270.4	−14.4
Trading assets	(6), (23)	2,639.0	2,801.9	−162.9	−5.8
of which pledged as collateral		110.1	120.9	−10.8	−8.9
Positive market values of derivative financial instruments	(6), (24)	1,713.3	1,164.2	549.1	47.2
Other financial assets that must be measured at fair value through profit or loss	(6), (25)	84.4	120.9	−36.5	−30.2
Financial assets	(6), (26), (38)	4,050.6	3,509.4	541.2	15.4
of which pledged as collateral		1,792.2	241.7	1,550.5	> 100.0
Property plant and equipment	(10), (12), (27)	134.5	137.3	−2.8	−2.0
Intangible assets	(11), (27)	77.8	86.3	−8.5	−9.8
Taxation recoverable	(15), (28)	89.5	119.1	−29.6	−24.9
of which current		6.8	61.9	−55.1	−89.0
of which deferred		82.7	57.2	25.5	44.6
Other assets	(29)	66.5	68.7	−2.2	−3.2
Non-current assets held for sale	(30)	72.7	n/a	n/a	n/a
Total assets		**29,467.0**	**26,592.8**	**2,874.2**	**10.8**

Liabilities in €m	(Note)	31.12.2020	31.12.2019	Change	
				in €m	in %
Deposits by banks	(6), (33)	4,303.6	2,608.1	1,695.5	65.0
Customer accounts	(6), (34)	18,131.6	17,650.8	480.8	2.7
Trading liabilities	(6), (35)	1,902.8	1,793.8	109.0	6.1
Negative market values of derivative financial instruments	(6), (36)	1,414.5	1,070.0	344.5	32.2
Provisions	(8), (14), (37), (38)	166.3	128.9	37.4	29.0
Taxation	(15),(39)	67.3	34.9	32.4	92.8
of which current		67.3	34.8	32.5	93.4
of which deferred		0.0	0.1	−0.1	−100.0
Other liabilities	(40)	355.5	266.4	89.1	33.4
Subordinated capital	(41)	530.9	551.3	−20.4	−3.7
Shareholders’ equity	(3), (42)	2,594.5	2,488.6	105.9	4.3
Share capital		91.4	91.4	0.0	0.0
Capital reserve		720.9	720.9	0.0	0.0
Additional Tier 1 capital		435.0	435.0	0.0	0.0
Retained earnings		1,393.2	1,282.9	110.3	8.6
Valuation reserve for debt instruments recognised at fair value through other comprehensive income		64.1	47.8	16.3	34.1
Valuation reserve for equity instruments recognised at fair value through other comprehensive income		4.6	6.6	−2.0	−30.3
Valuation reserve for the remeasurement of the net pension obligation		−114.8	−96.3	−18.5	−19.2
Valuation reserve from currency conversion		0.0	0.2	−0.2	−100.0
Total before non-controlling interests		2,594.4	2,488.5	105.9	4.3
Non-controlling interests		0.1	0.1	0.0	0.0
Total liabilities		**29,467.0**	**26,592.8**	**2,874.2**	**10.8**

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Consolidated Income Statement

in €m	(Note)	2020	2019	Change	
				in €m	in %
Interest income from financial instruments recognised at amortised cost and at fair value through other comprehensive income		313.6	331.4	−17.8	−5.4
Interest income from other financial instruments mandatorily recognised at fair value through profit or loss		3.1	4.7	−1.6	−34.0
Interest income		316.7	336.1	−19.4	−5.8
Interest expense		90.2	108.0	−17.8	−16.5
Net interest income	(43)	226.5	228.1	−1.6	−0.7
Net loan impairment provisions in the lending and securities business	(44)	83.7	45.1	38.6	85.6
Fee income		749.2	660.2	89.0	13.5
Fee and commission expenses		255.2	207.1	48.1	23.2
Net fee income	(45)	494.0	453.1	40.9	9.0
Net trading income	(46)	159.8	70.4	89.4	> 100.0
Gains and losses from the disposal of financial assets measured at amortised cost	(48)	0.0	−0.9	0.9	100.0
Net profit from other financial assets mandatorily measured at fair value through profit or loss	(47)	9.9	11.9	−2.0	−16.8
Income from financial assets	(50)	18.8	10.3	8.5	82.5
Administrative Expenses	(49)	646.4	618.9	27.5	4.4
Net other income	(51)	8.1	35.9	−27.8	−77.4
Pre-tax profit		187.0	144.8	42.2	29.1
Income tax	(52)	57.5	47.3	10.2	21.6
Net profit		**129.5**	**97.5**	**32.0**	**32.8**
Consolidated profit/loss attributable to minority shareholders		0.0	0.0	0.0	–
Consolidated profit/loss attributable to HSBC Trinkaus & Burkhardt shareholders		129.5	97.5	32.0	32.8

Earnings per share in €	(Note)	2020	2019
Undiluted	(54)	3.34	2.41
Diluted	(54)	3.34	2.41
Average number of shares in circulation in million	(54)	34.1	34.1

Reconciliation from net income to comprehensive income

in €m	(Note)	2020	2019
Net profit		129.5	97.5
Gains/losses after tax reclassified in the income statement		16.1	22.5
of which from debt instruments recognised at fair value through other comprehensive income	(42)	16.3	22.6
of which from currency conversion		−0.2	−0.1
Gains/losses after tax not reclassified in the income statement		−20.5	4.4
of which from equity instruments recognised at fair value through other comprehensive income	(42)	−2.0	0.0
of which from the remeasurement of the net pension obligation	(37)	−18.5	4.4
Other income for the period		−4.4	26.9
Comprehensive income		**125.1**	**124.4**
Attributable to:			
the minority shareholders		0.0	0.0
HSBC Trinkaus & Burkhardt shareholders		125.1	124.4

Consolidated Statement of Changes in Capital HSBC Trinkaus & Burkhardt

in €m	Share capital	Capital reserve	Additional Tier 1 capital	Retained earnings*	Valuation reserve: for debt instruments recognised at fair value through other comprehensive income	Valuation reserve: for equity instruments recognised at fair value through other comprehensive income	Valuation reserve: for the remeasurement of the net pension obligation	Valuation reserve: from currency conversion	Total before non-controlling interests	Non-controlling interests	Total incl. non-controlling interests
As at 1.1.2019	**91.4**	**720.9**	**235.0**	**1,283.9**	**25.2**	**6.6**	**−100.7**	**0.3**	**2,262.6**	**0.1**	**2,262.7**
Available profit distribution**				−98.5					−98.5		−98.5
Addition from net profit for the year				97.5					97.5		97.5
Capital increase			200.0						200.0		200.0
Other income for the period					22.6	0.0	4.4	−0.1	26.9		26.9
Other changes									0.0		0.0
As at 31.12.2019	**91.4**	**720.9**	**435.0**	**1,282.9**	**47.8**	**6.6**	**−96.3**	**0.2**	**2,488.5**	**0.1**	**2,488.6**

* incl. consolidated profit available for distribution
** incl. distribution on additional Tier 1 capital of € 13.3 million

in €m	Share capital	Capital reserve	Additional Tier 1 capital	Retained earnings*	Valuation reserve: for debt instruments recognised at fair value through other comprehensive income	Valuation reserve: for equity instruments recognised at fair value through other comprehensive income	Valuation reserve: for the remeasurement of the net pension obligation	Valuation reserve: from currency conversion	Total before non-controlling interests	Non-controlling interests	Total incl. non-controlling interests
As at 1.1.2020	**91.4**	**720.9**	**435.0**	**1,282.9**	**47.8**	**6.6**	**−96.3**	**0.2**	**2,488.5**	**0.1**	**2,488.6**
Available profit distribution**				−22.5					−22.5		−22.5
Addition from net profit for the year				129.5					129.5		129.5
Capital increase											
Other income for the period					16.3	−2.0	−18.5	−0.2	−4.4		−4.4
Other changes***				3.3					3.3		3.3
As at 31.12.2020	**91.4**	**720.9**	**435.0**	**1,393.2**	**64.1**	**4.6**	**−114.8**	**0.0**	**2,594.4**	**0.1**	**2,594.5**

* incl. consolidated profit available for distribution
** incl. distribution on additional Tier 1 capital of € 22.5 million
*** Due to the derecognition of shares in a strategic investment, € 3.3 million were reclassified from the valuation reserves for equity instruments measured at fair value recognised through other comprehensive income to retained earnings in the reporting period.

Consolidated Cash Flow Statement HSBC Trinkaus & Burkhardt

in €m	(Note)	2020	2019
Net profit		129.5	97.5
Non-cash items in net profit, and adjustments to reconcile net profit with net cash from operating activities			
Write-downs, depreciations, write-backs and changes to provisions		188.1	133.8
Net profit from the sale of investments and property, plant and equipment		–19.1	–11.2
Other adjustments (net)		–167.1	–208.0
Sub-total		131.4	12.1
Changes to assets and liabilities from operating activities after adjustment for non-cash components			
Loans and advances to banks	(21)	419.4	–526.3
Loans and advances to customers	(22)	2,294.6	–116.8
Trading positions and derivatives	(23,24,34,35)	67.4	235.4
Other assets		–470.1	148.4
Liabilities	(32,33)	2,176.2	2,078.7
Other liabilities		–18.0	–9.2
Total adjustments		4,469.5	1,810.2
Interest receipts		311.7	336.7
Dividend receipts		2.6	3.3
Interest payments		–72.6	–87.1
Income taxes paid		8.0	–91.9
Cash flow from operating activities		**4,850.6**	**1,983.3**
Proceeds from the sale of			
equity-linked financial investment instruments		8.1	0.3
Property plant and equipment	(27)	2.3	1.5
Payments for the acquisition of			
equity-linked financial investment instruments		–10.1	0.0
Property plant and equipment	(27)	–46.5	–46.2
Cash flow from investing activities		**–46.2**	**–44.4**
Dividends/interest paid to HSBC Trinkaus shareholders		–22.5	–98.5
Adjustments to subordinated capital (incl. interest)		–33.7	–43.6
Adjustments to Additional Tier 1 capital	(41)	0.0	200.0
Net cash provided by the capital increase		0.0	0.0
Principal from lease payments		–25.3	–15.8
Cash flow from financing activities		**–81.5**	**42.1**
Cash and cash equivalents at end of prior period	**(20)**	**5,731.5**	**3,750.5**
Cash flow from operating activities		4,850.6	1,983.3
Cash flow from investing activities		–46.2	–44.4
Cash flow from financing activities		–81.5	42.1
Cash and cash equivalents at end of period	**(20)**	**10,454.4**	**5,731.5**

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Fundamental Accounting Policies

HSBC Trinkaus & Burkhardt AG (the Bank) is a public limited company under German law with registered offices in Düsseldorf. Together with the companies over which HSBC Trinkaus exercises dominant influence, HSBC Trinkaus engages in banking business and provides all manner of financial services.

The consolidated financial statements of HSBC Trinkaus & Burkhardt AG, Düsseldorf, for the 2020 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU). Additional provisions pursuant to section 315e (1) of the German Commercial Code (HGB) have also been taken into consideration. The Group Management Report that must also be prepared also includes the report on the opportunities and risks associated with future development (Risk Report). The information contained in the Management Report complements the details given about the nature and extent of risks arising from financial instruments in the Notes.

Approval of the financial statements is carried out in accordance with the legal provisions and – based on a proposal by the Management Board – is in principle the function of the Supervisory Board. Following approval, the Annual General Meeting passes the resolution on the appropriation of distributable profit.

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 minor deviations in the calculation of totals and percentages in these consolidated financial statements.

The preparation of IFRS financial statements requires 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 to 3, the impairment of financial instruments and other assets, the recognition of provisions (including provisions for current taxes) and other obligations, the net loan impairment provision in the lending and securities business, the calculation of deferred taxes, the assessment of the control of structured entities within the meaning of IFRS 10 and the estimation of the expected duration of lease agreements. 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 subject to forecast uncertainties. In order to keep these to a minimum, available objective information, as well as experience, is drawn upon as much as possible. The estimation procedures used are reviewed regularly and adjusted if necessary.

The consolidated financial statements were prepared and valued on a going concern basis.

The consolidated financial statements include the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated cash flow statement and the Notes. Segment reporting takes place in the Notes.

As at 31 December 2020, HSBC Holdings plc had an indirect interest of 99.3 % (previous year: 80.7 %) in the share capital of HSBC Trinkaus & Burkhardt AG via HSBC Germany Holdings GmbH. The share increase of 18.7 percentage points took place in May 2020. Parallel to the announcement of the increase in its shareholding, HSBC had announced that it also intended to take over the remaining shares still in free float as part of a squeeze-out procedure under stock corporation law pursuant to section 327a (1) sentence 1 AktG. HSBC Trinkaus & Burkhardt AG is then to be delisted from the stock exchange. Since the legal threshold for a squeeze-out in Germany is 95 % and HSBC owns more than 99 % as a result of the share increase, the requirements under stock corporation law for the implementation of a squeeze-out procedure were met. The resolution to transfer the shares of the minority shareholders to the majority shareholder in return for an appropriate cash compensation was

passed at an Extraordinary General Meeting of HSBC Trinkaus & Burkhardt AG held in November 2020. The transfer of the shares of the minority shareholders became effective with the entry of the transfer resolution in the commercial register on 26 January 2021. HSBC Trinkaus & Burkhardt AG has thus become a 100 % indirect subsidiary of HSBC Holdings plc. The admission of the shares to trading on the regulated market of the stock exchanges in Düsseldorf and Stuttgart was revoked on 27 January 2021.

The consolidated financial statements of HSBC Trinkaus & Burkhardt AG are included in the published consolidated financial statements of HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom, registration number 617987.

Accounting, Valuation and Consolidation Methods

1 Scope of Consolidation

The consolidated financial statements include as subsidiaries all affiliate enterprises in which the parent company, HSBC Trinkaus & Burkhardt AG, directly or indirectly holds the majority of the voting rights or over which it can exercise a controlling influence.

The Group exerts control over a company if it has decision-making powers to manage the relevant activities, has a right to the significant variable returns from the affiliate enterprises and may use its decision-making powers to influence the amount of the significant variable returns.

To determine whether a company is to be consolidated, the company's purpose and structure must be reviewed initially, after which the company's relevant activities and those that are defined as such are assessed.

The scope of consolidation has changed compared to 31 December 2019 in that the newly founded HSBC Service Company Germany GmbH is included in the consolidated financial statements. Furthermore, the two special funds included in the consolidated financial statements were merged with effect from 1 November 2020.

A detailed list of the companies included in the consolidated financial statements can be found in the Note "Participating Interests". We also fully consolidated one special fund (previous year: two) and one closed-end real estate fund.

2 Consolidation Principles

Consistent accounting policies were applied for similar business transactions and other events in similar circumstances throughout the Group.

Differences arising from the consolidation of investments are calculated on the basis of the value of the new companies on the date on which control was assumed.

Intra-group claims and liabilities, income and expenses have been offset against each other; inter-company profits have been eliminated.

3 Foreign Currency Translation

For the purposes of foreign currency translation, pursuant to IAS 21 (IAS: International Accounting Standards), we distinguish all assets and liabilities denominated in foreign currency in monetary and non-monetary items. Monetary items denominated in foreign currency are calculated on the balance sheet date using the reporting date. Revaluations resulting from the currency translation of monetary items are recognised at fair value through profit or loss. Non-monetary items, which are valued at historical acquisition or production cost, are converted at the rate on the date of the transaction. Non-monetary items measured at their fair value are converted at the exchange rate on the date on which the fair value is calculated. In the case of non-monetary items, the treatment of currency conversion results depends on how the other revaluation results of the corresponding item are treated.

Forward exchange transactions are measured at fair value. The measurement parameter is the relevant for-ward rate on the balance sheet date. Spot foreign exchange trades, and assets and liabilities denominated in foreign currencies, are translated at the official reference rate of the European Central Bank or at other suitable spot rates of the last trading day of the year.

Transactions carried out by foreign subsidiaries are translated in accordance with the modified reporting date method; balance sheet items are translated using the exchange rate applicable at the respective reporting date (closing rate), while income and expenditure are translated at the relevant average rate. The equity capital available at initial consolidation must be converted at the reporting rate on the date of initial consolidation and maintained at a constant level. Additions to retained earnings must be converted at the conversion rate of the respective year in which the corresponding net profit was generated. Translation gains or losses arising from capital consolidation are presented separately in shareholders' equity.

The translation differences recognised through other comprehensive income are reported in equity under the item valuation reserve from currency translation. They refer to a closed-end real estate fund.

4 Business Combinations

IFRS 3 determines the application of the acquisition method for business combinations where the buyer takes control of the company acquired. After the buyer's procurement costs are calculated, the assets and liabilities acquired must be measured at their fair value at the time of acquisition, within the scope of the business combination.

The extensive recognition and measurement provisions of IFRS 3 for tangible and intangible assets purchased, as well as for contingent liabilities and other items on the balance sheet, are applied. This also includes assets that did not qualify previously for recognition in the financial statements.

If goodwill is to be recognised, because the purchase costs exceed the fair value of the net assets acquired, it must be reviewed for impairment (impairment test) at least once a year or as required on an ad hoc basis in accordance with IAS 36 (cf. Notes "Intangible Assets" and "Investment Overview").

5 Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations

In accordance with IFRS 5, non-current assets and disposal groups held for sale or determined for distribution to shareholders, including the liabilities directly associated with these (groups of) assets, are subject to special reporting and valuation principles. IFRS 5 is also applicable in relation to discontinued operations. A discontinued operation is defined as a component of an entity that represents a separate major line of business or geographical area of operations, that has been disposed of or classified as held for sale, or is available for distribution to the shareholders.

As at the balance sheet date, we report one property including related fixtures and fittings as a non-current asset held for sale, since the criteria for accounting in accordance with IFRS 5 are met. No circumstances existed as at 31 December 2019 that needed to comply with IFRS 5 accounting policies.

6 Financial Instruments

Classification and measurement of financial instruments

Recognition

In accordance with IFRS 9, financial instruments are initially recognised in the balance sheet when the Group becomes a contractual party to the corresponding agreement. Recognition for spot transactions (regular way contracts) is uniform on the trading day, otherwise on the settlement date.

Financial instruments are derecognised fully, provided the contractual rights of the Group to receive the cash flows from the financial instrument are met, cancelled or have expired, or the Group has transferred all material risks and opportunities related to the financial instrument. If not all opportunities and risks are transferred, recognition is at the amount of the residual risk item if we continue to exercise control over the financial instrument (continuing involvement). No transfers were made during the reporting period that would have led to recognition in the amount of the residual risk items. Transferred financial instruments that do not qualify for derecognition comprise securities pledged as collateral within the scope of repurchase transactions or shares borrowed under securities lending transactions. Owing to the legal obligation to retransfer securities, all opportunities and risks incurred in relation to the genuine repurchase transactions and securities lending transactions remain largely with the transferor.

Reporting

Reporting of financial instruments, as well as the corresponding classes, are included in the following overview.

Measurement approach	Categories pursuant to IFRS 7 / Balance sheet items	Measurement categories pursuant to IFRS 9
Measurement at amortised cost	Cash reserve	Measurement at amortised cost (AC)
	Loans and advances to banks	Measurement at amortised cost (AC)
	Loans and advances to customers	Measurement at amortised cost (AC)
	Deposits by banks	Measurement at amortised cost (AC)
	Customer accounts	Measurement at amortised cost (AC)
	Subordinated capital	Measurement at amortised cost (AC)
	Contingent liabilities on guarantees and indemnity agreements	
	Irrevocable loan commitments	
Measurement at fair value	Trading assets/liabilities	Measurement at fair value through profit or loss (HfT)
	Positive/negative market values from derivative financial instruments	Measurement at fair value through profit or loss (HfT)
	Other financial assets mandatorily recognised at fair value through profit or loss	Measurement at fair value through profit or loss (mFVPL)
	Financial assets	Measurement at fair value through other comprehensive income with or without recycling (FVOCImR or FVOCIoR)

We deal with the information on risks arising from financial instruments within the Risk Report as part of the audited consolidated financial statements.

Measurement

All financial instruments are measured at fair value at acquisition. This generally equates to the transaction price upon initial recognition.

In addition, we allocate all financial instruments at initial recognition to the categories as defined in IFRS 9, which are decisive for the subsequent measurement. The allocation of financial assets to the measurement categories under IFRS 9 is based on the one hand on the business model underlying the management of these assets (business model criteria) and on the structure of the contractual cash flows of the respective financial assets (cash flow criteria) on the other. The allocation of financial liabilities depends on whether the liabilities were included in conjunction with the trading activities or designated at fair value through profit or loss or not at the time of recognition.

We have implemented the rules of IFRS 9 as follows at the HSBC Trinkaus & Burkhardt Group:

Measurement at amortised cost

Both of the following conditions must be met for financial assets to be allocated to the class for financial instruments measured at amortised cost:

1. The financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows ("hold" business model).

2. The contractual terms of the financial asset provide for cash flows at set times which represent exclusively principal and interest on the outstanding capital.

The aforementioned criteria of the loans and receivables in the classic lending business are met at the HSBC Trinkaus & Burkhardt Group. These financial instruments are reported under loans and advances to banks and loans and advances to customers. We recognise interest from the lending business in net interest income. Discounts and premiums are collected using the effective interest method. Impairments on loans and receivables are recognised as net loan impairment provision, and reduce the book value shown in the

balance sheet accordingly. In the event of an isolated unscheduled sale of financial instruments (for example, as a result of a transfer) despite the general intention to hold these financial assets, we report the resulting results in the item "Gains and losses from the disposal of assets measured at amortised cost".

In addition, we allocate all financial liabilities that are not entered into in conjunction with the trading activities to this measurement category. We report these financial liabilities in "deposits by banks", "customer accounts" and "subordinated capital". Interest from these liabilities are included in net interest income. Discounts and premiums are recorded using the effective interest method. Non-interest bearing liabilities, such as zero coupon instruments, are measured at their interest rate as at the balance sheet date.

Please refer to Note 8 "Net Loan Impairment Provision in the Lending and Securities Business" for information on the regulations on impairment of the financial assets measured at amortised cost.

Fair value measurement through other comprehensive income

For financial assets to be allocated to the class of financial assets recognised at fair value through other comprehensive income, the following conditions have to be met cumulatively:

1. The business model of the division in which the financial asset is held provides for the holding as well as the sale of the financial assets ("hold and sell" business model).

2. The contractual terms of the financial asset provide for cash flows at set times which represent exclusively principal and interest on the outstanding capital.

Within the HSBC Trinkaus & Burkhardt Group, this concerns the bonds and other fixed-income securities held from a financial asset and liquidity security perspective, as well as promissory note loans. We report these debt instruments in the item financial assets. We report interest from these financial assets in net interest income. The subsequent measurement of these financial instruments is at fair value. The same valuation methods are used for the fair value measurement of these financial instruments as for financial instruments measured at fair value through profit or loss (see following section). Changes in the value vis-à-vis the amortised costs are recognised at fair value through other comprehensive income in shareholders' equity in the valuation reserve for debt instruments recognised at fair value through other comprehensive income. The impairment provisions of IFRS 9 that are also applicable to these holdings do not have any consequences for balance sheet reporting at fair value, as the net loan impairment provision for these financial instruments is recognised as an expense as an adjustment to the valuation reserves reported within shareholders' equity. Upon disposal of these financial assets, the valuation reserves reported within shareholders' equity until then are reclassified in the income statement (recycling) and reported in income from financial assets.

Furthermore, because of a special regulation of IFRS 9, we allocate selected equity instruments to the measurement category of financial assets recognised at fair value through other comprehensive income. In doing so, we apply an option whereby individual equity instruments not held for trading can be allocated voluntarily and irrevocably to this measurement category at the time of recognition or initial application of IFRS 9. HSBC Trinkaus & Burkhardt Group makes use of this special regulation, as these selected equity instruments are not held primarily for value enhancement reasons. We report the profit distribution received from these equity instruments held as strategic investments in net interest income. Subsequent measurement is at fair value, whereby the changes in value are recognised at fair value through other comprehensive income in shareholders' equity in the valuation reserve for debt instruments recognised at fair value through other comprehensive income. When these financial assets are sold, we report the valuation reserves recognised in shareholders' equity up until that point in retained earnings as part of shareholders' equity and do not recycle these valuation reserves to the income statement. Due to the derecognition of the shares in a strategic investment, €3.3 million were reclassified from the valuation reserves for equity instruments measured at fair value through other comprehensive income to retained earnings in the reporting period.

Financial liabilities cannot be allocated to the measurement category financial assets recognised at fair value through other comprehensive income.

Please refer to "Net Loan Impairment Provision in the Lending and Securities Business" (Note 8) for information on the regulations on impairment of the financial assets recognised at fair value through other comprehensive income.

Measurement at fair value through profit or loss

All other financial instruments shall be recognised at fair value through profit or loss. This concerns the financial assets that are allocated to a business model other than the "hold" and "hold and sell" models or whose contractual cash flows do not exclusively represent principal and interest on the outstanding capital at set times. We report as trading assets or trading liabilities all non-derivative financial instruments that were purchased or entered into with the intention of selling them or repurchasing them in the short term, or are part of a portfolio of clearly and jointly managed financial instruments at initial application in which short-term profit taking has been demonstrated in the recent past. In addition, we allocate to this measurement category all derivatives, including embedded derivatives that are required to be separated, and all non-derivative financial assets that are not attributable to trading activities but do not meet the cash flow requirement. We show these holdings in the balance sheet as positive or negative market values from derivative financial instruments or as financial assets mandatorily recognised at fair value through profit or loss.

Subsequent measurement of financial instruments in this category is at fair value. Publicly traded market prices – where available – are based on the assumption of an active market; measurement is otherwise determined using recognised measurement methods. For the most part, standard measurement models are used. These are mainly present value methods and option price models. We have cooperated closely with the HSBC Group to develop in-house valuation routines for specific complex products. Owing to the broad product spectrum, the measurement parameters are as differentiated as possible, such as according to lifetime and strike prices. The choice of data sources used plus the allocation of the measurement parameters and applicable measurement method for the financial instruments in question are independent of trading. Provided all material measurement parameters cannot be observed for specific products, the measurement results from new transactions (day-1 profit or loss) in these products are not recognised at fair value through profit or loss until maturity or when the position is closed out. There is no distribution over the transaction term.

All realised gains and losses, the unrealised measurement results and the trade-related net interest income are reported under net trading income, provided the earnings effects result from financial instruments held for trading or from derivatives. Earnings effects from non-derivative financial instruments that are recognised at fair value through profit or loss, but not assigned to the trading activities, are reported as regards the current rate of return in net interest income and as regards the other earnings components in net profit from other financial assets mandatorily recognised at fair value through profit or loss.

We continue not to avail of the option of irrevocably designating financial instruments at the time of recognition in the category of financial instruments recognised at fair value through profit or loss (fair value option).

Reclassification

Reclassifications of financial liabilities are not permitted. A financial asset is to be reclassified if the business model under which the financial asset is held changes. No financial assets were reclassified during the period under report.

Financial guarantees and loan commitments

Financial guarantees are agreements whereby the guarantor is obliged to make certain payments that compensate the guarantee taker for any loss incurred because a certain borrower is unable to meet its payment obligations in due time. At the time the guarantee is concluded, a financial guarantee must be recognised at fair value. This comprises the present value of the expected benefits and the counter present value of the future premiums and is regularly zero if the present value of obligation and the present value of the premium correspond to one another.

Loan commitments are obligations of a lender to provide a loan to a potential borrower at predetermined contractual conditions.

The Group does not know in detail to what extent the financial guarantees and loan commitments will be called upon. Financial guarantees and loan commitments are subject to the impairment provisions of IFRS 9 as described below in "Net Loan Impairment Provision in the Lending and Securities Business" (Note 8).

7 Hedge Accounting

In order to hedge the market risk of fixed-income bonds, loans and issued registered bonds, the Bank applies the provisions for the reporting of hedge accounting. We exercise the option under IFRS 9 and continue to use the provisions pursuant to IAS 39 for hedge accounting. The fair value of the fixed-income financial instruments depends on changes in the market interest rate on the one hand, and on liquidity and risk premiums for the issuer on the other. The Bank hedges against market-interest-rate-induced volatility by concluding interest rate swaps with other banks, which largely compensate for the fluctuations in the fair value of the underlying transactions. With this hedging of fair value fluctuations (so-called fair value hedges), the interest rate-induced volatility of the underlying transactions is recognised at fair value through profit or loss in accordance with IAS 39. The spread-related fair value fluctuations of the bonds are not hedged. These are transferred to the valuation reserve for financial instruments in line with the subsequent recognition of securities in the non-trading portfolio through other comprehensive income.

The reporting of hedge accounting in the balance sheet in accordance with IFRS is linked to a series of requirements. These are related in particular to the documentation of the hedging relationships and effectiveness of the hedging measures. The following data in particular must be documented at the time of entering into a hedging relationship: the identification of the underlying transaction and the hedging instrument, flagging the hedged risk and the procedure for reviewing the effectiveness of the hedge transaction.

The Bank uses a linear regression model to assess the effectiveness of the hedging relationship. The model examines the linear correlation between the cumulative changes in value in the underlying transaction and the cumulative changes in value of the hedge transaction. The so-called coefficient of determination (R-square) provides information about the direction of the correlation through the quality of the regression and the steepness of the linear regression line (slope).

The proof of effectiveness requires higher expected effectiveness for a hedging relationship in the future (prospective effectiveness) on the one hand. On the other hand, proof of the high effectiveness of the hedging relationship during the reporting period must be submitted regularly (retrospective effectiveness). Sufficient effectiveness within the scope of the prospective test requires an R-square of greater than 0.9 and a slope of between −0.9 and −1.1. An R-square of greater than 0.8 and a slope of between −0.8 and −1.2 are adequate for the retrospective effectiveness test.

8 Net Loan Impairment Provision in the Lending and Securities Business

Financial assets (debt instruments) recognised at amortised cost or at fair value through other comprehensive income, as well as financial guarantees and loan commitments, are impacted by the regulations on impairments under IFRS 9. This also includes trade receivables, lease receivables and contract receivables pursuant to IFRS 15. Pursuant to the provisions of IFRS 9, the net loan impairment provision requirements are calculated and recognised on the basis of expected credit losses (expected credit loss model).

The reporting of impairments under IFRS 9 is based on a three-stage model. Accordingly, net loan impairment provision up to the amount of the 12-month expected credit losses (Level 1) is recognised for financial instruments whose credit risk has not increased significantly from the time of recognition to the balance sheet date and whose creditworthiness is not already impaired at acquisition or provision. In the case of financial assets whose credit risk has increased significantly since initial recognition (stage 2) and financial assets that have been defaulted by the balance sheet date, a net

loan impairment provision in the amount of the lifetime expected credit losses (stage 3) is recognised. Purchased or originated credit impaired (POCI) financial assets are recognised at initial application, after deduction of the lifetime expected credit losses.

Our definition of default, including for balance-sheet purposes, is based on the regulatory definition of default as per the Capital Requirements Regulation. Accordingly, an event of default, and hence an impairment within the meaning of the accounting standards occurs, where it is unlikely that the borrower can meet its obligations in full without having to resort to measures such as the realisation of collateral, or if one of the borrower's substantial receivables is more than 90 days past due.

Indications of the unrecoverability and hence the impairment of financial assets include, in particular,

- substantial financial difficulties on the part of the debtor,
- a breach of contract, such as default or arrears in respect of interest and redemption payments,
- increased probability that the borrower will enter bankruptcy or other restructuring procedure,
- the disappearance of an active market for these financial asset because of financial difficulties or
- concessions that the lender makes to the borrower for economic or legal reasons in conjunction with the borrower's financial difficulties that the lender would otherwise not consider.

In order to assess if a financial asset is at an increased risk of default risk compared with at recognition, we use the criteria of the relative change in the expected probabilities of default since initial application of the respective financial instrument, in addition to financial assets more than 30 days overdue and inclusion in the list of exposures subject to closer monitoring (watch-worry list).

We do not exercise the option to apply simplified procedures for the calculation and recognition of the net loan impairment provision for financial instruments (low credit risk exemption) and for trade receivables, lease receivables and contract receivables pursuant to IFRS 15.

Write downs/provisions in relation to receivables recognised in the balance sheet and off-balance sheet transactions are determined individually for each borrower entity. To this effect, all borrowers are assigned a so-called customer risk rating (CRR) on the basis of a uniform, Group-wide 23-stage internal rating scale. The customer risk rating can be summarised in ten steps (CRR 1 – 10), whereas receivables that are in default or impaired are classified in CRR 9 and 10. Net loan impairment provision is generally calculated on a book value basis as the product from the book values or credit equivalent amount, the probability that the exposure default within one year (Level 1) or within the residual term (Levels 2 and 3) and the individual loss ratio taking into account appropriate and reliable information about previous events, prevailing conditions and forecasts about the future economic environment. The borrower's country of domicile is also relevant. Net loan impairment provision thus created covers the credit loss expected within one year or within the residual term.

Net loan impairment provision is offset against receivables on the assets side on the one hand and shown as provisions for risks from the off-balance sheet lending business on the liabilities side on the other. Interest and impairments of Levels 1 and 2 financial assets are recognised independent of one another. On the other hand, interest income from impaired financial assets (Level 3) are recognised only using the original effective interest rate on the gross book value of the respective financial asset, reduced by the net loan impairment provision. Purchased or originated credit impaired (POCI) financial assets are recognised at initial application, after deduction of the lifetime expected credit losses.

We also calculate and recognise net loan impairment provision for financial assets recognised at fair value through other comprehensive income, depending on the allocation to the levels under IFRS 9. Risk classification is also made on the basis of a uniform, Group-wide 23-stage internal rating scale. Unlike the financial assets recognised at amortised cost, net loan impairment provision does not reduce the book value of the financial instrument. The respective financial asset continues to be recognised at fair value. Net loan loss impairment is recognised instead as an expense as an adjustment to the valuation reserves reported for this financial instrument within shareholders' equity.

With regard to the management of counterparty default risks, as well as the methodical, process and systems-based implementation of the impairment requirements under IFRS 9, we refer to the information on counterparty default risk in the Risk Report of the Group Management Report. Compared to the previous year, the presentation in the notes to the consolidated financial statements and in the Group management report was supplemented by explanations on the effects of the COVID-19 pandemic on the measurement of net loan impairment provisions.

If all efforts to assert our claims have failed and there is no real prospect of outstanding amounts being repaid, we derecognise financial assets that are in default in full or in part against the existing net loan impairment provision and, in severe cases, also as a direct impairment against the income statement. This shall be assumed if, after exhausting all the appropriate measures for repayment of the outstanding loans, no further efforts to this end will be taken and further realisable collateral is no longer available.

9 Repurchase Agreements and Securities Lending Transactions

The securities sold under repurchase agreements (genuine repurchase agreements) are still reported and valued as securities stock in the consolidated balance sheet. The repayment obligations from the liquidity inflows are generally reported under the balance sheet items "deposits by banks" or "customer accounts".

Similarly, the repayment obligations arising from the outflow of liquidity from reverse repos is reported under the balance sheet item items "loans and advances to banks" or "loans and advances to customers". Securities purchased under agreements to resell are not reported.

The Bank does not enter into non-genuine repurchase transactions.

Securities lending transactions are reported in the balance sheet in the same way as genuine repurchase transactions. Rights and obligations arising from liquidity inflows and outflows from collateral pledged for securities lending transactions are reported under the balance sheet items "deposits by banks" and "customer accounts".

10 Property, Plant and Equipment

The balance sheet item "property, plant and equipment" comprises property and buildings, hardware and other operational and business equipment, as well as right-of-use assets (leases).

Property, plant and equipment are valued at amortised cost, less regular depreciation. Factors such as physical life expectancy and technological progress, as well as contractual and legal restrictions, are applied when calculating the useful life of an asset. Regular depreciation is on a straight-line basis over the respective expected useful life.

	Useful life in years
Hardware	3
Motor vehicles	6
Fixtures/operating facilities	10
Furniture	13
Buildings	50

Right-of-use assets are measured pursuant to the cost model. Accordingly, right-of-use assets are subject over time to regular depreciation over the term of the lease agreement and may also be subject to unscheduled impairments.

Depreciation that exceeds wear and tear-related erosion is taken into consideration under non-scheduled write-downs. An impairment loss is recognised in the amount in which the book value exceeds the recoverable amount. The recoverable amount is the higher of the two amounts of the fair value of the asset, less the cost to sell and value in use. At each balance sheet date, property, plant and equipment for which impairment was recognised in the past is examined to determine whether the impairment losses possibly have to be reversed.

11 Intangible Assets

Items disclosed under intangible assets include standard software. In-house development work carried out within the scope of software projects is capitalised in accordance with IAS 38. Intangible assets are valued at

purchase or production cost, less regular depreciation. The regular depreciation recorded in administrative expenses is distributed over the expected useful life of the asset of three to ten years on a straight-line basis. In addition to regular depreciation, impairment tests are also carried out to value fixed assets. This assessment comprises the review whether there is evidence that suggests an impairment of the intangible asset. Internal and external sources of information are drawn on for this purpose. If there is evidence on an impairment, such as a technical obsolescence of the intangible asset or changed utilisation planning that suggests a reduced value compared with the book value or use of the software, a recoverable amount is determined from the intangible asset. A write-down is recognised in the amount by which the recoverable amount falls short of the book value of the intangible asset. If the reasons for an impairment no longer exist, a write-up shall be made for software.

Intangible assets also include the goodwill resulting from company acquisitions, which is attributable to a subsidiary as a cash generating unit that is assigned to the Global Banking & Markets segment. The goodwill is not subject to any scheduled amortisation. An impairment test is carried out instead at least once a year in accordance with IAS 36 or on an ad hoc basis as required. The impairment test is based on the recognised net income value method. The future expected surpluses from the most recent management planning are used and discounted by an interest rate that adequately reflects the risks involved, in order to calculate the recoverable amount, which is comparable to the book value of the goodwill. A recoverable amount that is less than the book value is depreciated.

The earnings forecasts are determined on the basis of the management's financial plans that are drawn up for a five-year period. Earnings forecasts that extend beyond the five-year period are oriented on the level of earnings for the last years of the planning period.

The realisable amount generally reacts sensitively to the estimation of future earnings as well as the discount rate applied.

The assumptions on which the cash flow forecasts are based are subject to uncertainties. The estimation of future earnings not only takes into account the current business situation, but also an estimation of the future development of business operations, the relevant markets and the overall economic environment. The management's past experience is incorporated into the planning, and the opportunities and risks from the forecasts are weighed up. Despite a conservative management approach in assessing the earnings forecasts, the following circumstances could impact negatively on the earnings forecasts and therefore lead to an impairment of goodwill in the future:

- worse than expected performance of the securities markets
- worse than expected development of the macroeconomic environment
- changes to the regulatory environment and its implementation
- negative development of the competitive situation

The applied discount rate of 5.6% (previous year: 5.1%) includes a risk-free interest rate, a market risk premium and a factor for the systematic market risk (beta factor). All three components are based on external or HSBC Group data.

12 Leasing

IFRS 16 is applicable for leases — contractual agreements by way of which a lessor grants a lessee the right to use an identified asset for a defined period of time and the lessor receives consideration in return from the lessee. A right of use to a leased asset exists if the lessee is entitled to make decisions regarding the use of the leased asset and is generally the recipient of the full economic benefit from the leased asset during the term of the lease agreement.

Pursuant to IFRS 16, lessees must recognise a right-of-use asset and a lease liability in the balance sheet upon the conclusion of a lease.

The amount of the lease liability upon initial recognition corresponds primarily to the present value of the lease payments not yet made at that point in time. The amount is to be discounted using the underlying interest rate for the lease agreement. If the underlying interest rate for the lease agreement cannot be

determined, the lessee's incremental borrowing rate for the property and term should be used for discounting. Along with the non-cancellable period, periods resulting from the exercise of options (such as extension options) that have been deemed to be reasonably certain must be taken into consideration in the term of a lease agreement.

The right-of-use asset is to be measured at cost upon initial recognition. The cost comprises the amount of the initial measurement of the lease liability and the initial direct costs incurred by the lessee. Any lease incentives, any lease payments made before or at the start of the term of the lease agreement, and the estimated cost of restoration and similar obligations must also be taken into account.

Within the HSBC Trinkaus & Burkhardt Group, we have exercised the option to recognise the lease payments associated with short-term lease agreements with a term of less than twelve months (short-term leases) that do not contain a purchase option for the leased asset as an expense on a pro rata basis over the term of the lease agreement. At the same time, we do not recognise right-of-use assets and lease liabilities for lease agreements where the underlying assets have a low value (low-value assets). We consider low-value assets to be those whose value when new usually does not exceed €5,000. The lease payments associated with this group of leased assets are also recognised as an expense on a pro rata basis over the term of the lease agreement. Furthermore, we have exercised within the HSBC Trinkaus & Burkhardt Group the option to recognise non-lease components (such as service components) tied into lease components in a lease agreement as a single lease component rather than recognising them separately.

Right-of-use assets are measured pursuant to the cost model at a later stage. Accordingly, the rights of use are consequently subject to corresponding write-downs over the term of the lease agreement, as well as any unscheduled impairments and remeasurements of the corresponding lease liabilities. Lease liabilities are subject to continuous compounding. Their book value, however, is decreased primarily by the lease payments made over time. Reassessments and changes in lease agreements, such as modifications and index adjustments, may also lead to the remeasurement of lease obligations. In particular, write-downs and any impairments on right-of-use assets, as well as compounding on the lease liability, are recognised as an expense in the income statement.

Because the right-of-use assets recognised in the consolidated financial statements of HSBC Trinkaus & Burkhardt relate solely to rented properties and motor vehicles, said right-of-use assets are reported as property, plant and equipment. Lease liabilities are reported under the item "Other liabilities". Write-downs and any impairments on right-of-use assets are reflected in administrative expenses, whereas interest expense from compounding on lease liabilities are presented in net interest income.

Lessors must classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

Lessors in a finance lease relationship must write off the leased asset upon lease commencement and recognise a lease receivable at an amount equal to the net investment in the lease to be reduced by the lessee's lease payments over the term of the lease. The lessor also recognises interest income in line with the underlying interest on the lease agreement.

Lessors in operating lease relationships continue to recognise the leased asset in the balance sheet and write it off accordingly over time. The lessee's lease payments are recognised as income on a pro rata basis.

Special provisions must be observed for sale and lease-back transactions and for subleasing agreements. Under the provisions for the recognition of subleasing relationships, all rights of use associated with leased assets must be written off if they have been transferred to third parties within the scope of a finance lease. In this case, receivables from subleasing agreements that are subject to the impairment requirements under IFRS 9 are to be reported in the place of right-of-use assets.

13 Treasury Bonds and Shares

The Bank holds its treasury bonds only to a limited extent and, in accordance with the IFRS requirements, offsets them against the liability items arising from the issuance of bonds.

As at the end of 2020, the Bank held no shares in HSBC Trinkaus & Burkhardt AG. As in the previous year, the results of this trading in treasury shares had no material effect. The portfolio of treasury shares reached a maximum of 0.00% (previous year: 0.00%) of the subscribed capital.

14 Provisions

Provisions for pensions and similar obligations, for credit risks and uncertain liabilities are reported under provisions. Provisions for uncertain liabilities are created in amounts equal to the present value of the expected expenditure.

Provisions for pensions and similar obligations are created on the basis of actuarial reports in the amount of the DBO (defined benefit obligation). The calculation is performed using the projected unit credit method. Within the scope of a contractual trust arrangement (CTA), certain assets were transferred into a trust corporation as collateral for pension obligations and therefore qualified as plan assets within the meaning of IAS 19. Net interest income from plan assets is offset against expected pension expenses in the income statement. Actual income excluding interest income from the plan assets, as well as actuarial gains and losses from the performance of the pensions, are reported under shareholders' equity and in the statement of comprehensive income through other comprehensive income after the deduction of deferred taxes.

Provisions for legal risks are created for legal disputes where, following a thorough review of the circumstances of the individual case, type and extent of a possible claim and settlement, we conclude there is a probability of more than 50% that the Bank will be called upon. We refer to the Note "Provisions".

In case of material legal disputes and process risks where it is unlikely the Bank will be called upon, but is not classified as unlikely, we carry out the instructions in the Note "Contingent Liabilities and Other Obligations".

15 Taxation Recoverable and Taxation

The accounting and measurement of income tax are in accordance with IAS 12. Current taxation recoverable and taxation are calculated in accordance with the tax rates applicable for each individual company and offset against the expected payment or compensation amount. Current taxation recoverable is offset against current taxation, provided the offsetting requirements specified in IAS 12 are fulfilled.

Deferred taxation recoverable and taxation are formed on temporary differences by comparing the balance sheet valuations of the assets and liabilities with the valuations that are relevant for the taxation of the Group company in question. The deferred taxation continues to be calculated on the basis of the tax rates which, to the best of our current knowledge and based on existing and clearly expected tax legislation, will be used for the adjustment of the valuation methods. Deferred tax liabilities are created for temporary differences that result in a tax charge when reversed. Deferred tax assets are recognised, provided tax relief is expected at the point at which temporary differences are reversed, and if it is probable that they can be utilised. Deferred tax assets are only recognised for tax losses carried forward if future utilisation can be assumed with sufficient probability. Should actual tax

rates differ from these estimates, the balance sheet entries for deferred taxation recoverable and deferred taxation will be adjusted accordingly.

Tax expenses or income are reported in the consolidated income statement in the tax expenses item. Depending on the treatment of the underlying circumstances, deferred income tax assets and liabilities are recognised and reversed either in the income statement in the tax expenses item or in the corresponding shareholders' equity through profit or loss. Discounts are not taken into account.

Deferred taxation recoverable is offset against the deferred taxation where a right to offset exists and the deferred tax assets and liabilities relate to tax expenses that are charged by the same tax authority on the same taxable entity. As a result of the consolidated tax-filing status that exists and a tax obligation that relates almost exclusively to the German tax authorities, taxation recoverable and taxation can be largely offset within the Group.

16 Share-Based Payments

The performance-related remuneration components for certain employees (material risk takers) and the Management Board are, over a defined volume, paid partly in cash and partly in the form of an allocation of shares in HSBC Holdings plc. The performance-related components can be paid either in full in the following year or in different tranches over several years. Payment of these performance-related remuneration components in HSBC Holdings plc shares is made indirectly by a trustee on the basis of the cash funds transferred for this purpose by the HSBC Trinkaus & Burkhardt Group. This type of remuneration is reported as a cash-settled share-based payment transaction pursuant to IFRS 2.30 et seqq. Upon performance of the services by the respective beneficiary, staff expenses are recognised already in full as an expense for the period, as these kinds of remuneration claim are generally non-forfeitable according to the Federal Labour Court (Bundesarbeitsgericht – BAG).

17 Recognition of Income and Expenses

Interest income and expense are recognised on an accrual basis. Interest income includes income from loans and advances to banks and customers, and income from financial assets, as well as from other financial assets mandatorily recognised at fair value through profit or loss. Interest expense includes in particular expenses arising from deposits by banks and customer accounts, as well as subordinated capital. Negative interest rates for financial instruments carried as assets are reported in interest expense and for financial instruments carried as liabilities in interest income.

The Group participated in the "Targeted Longer-Term Refinancing Operations III" (GLRG III) issued by the European Central Bank. In the current interest rate environment, the refinancing operations in which the Bank has participated will bear interest at a rate of 50 basis points below the average main refinancing rate for the period from June 2020 to June 2021. We disclose the resulting interest income as interest income from financial instruments on the liabilities side. In order to provide incentives for lending, credit institutions also receive a premium in the form of an additional discount on the interest rate if certain conditions are met. As the fulfilment of these conditions is not sufficiently certain, this interest benefit is currently not recognised in profit or loss.

The Bank generally recognises dividends at the time of the legal creation of the dividend entitlement at fair value through profit or loss. The only exceptions to this are capital repayments on equity instruments recognised at fair value through other comprehensive income, which are recognised at fair value through other comprehensive income.

Net loan impairment provision in the lending and securities business comprises the earnings effects from the application of the impairment provisions of IFRS 9. These also include expenses and income from the creation or reversal of provisions for off-balance sheet commitments in the lending business, any direct write-offs and recovery payments from previously written-off loans and advances.

Fee income and expenses from securities business, asset management, the foreign exchange business, capital financing, payments/documentary business, the lending business and from other services are reported under net fee income.

Revenue from contracts with customers is recognised in accordance with the provisions of IFRS 15. In line with the five-stage model that is decisive for the recognition of revenues, we allocate corresponding, pro rata if necessary (individual) transaction prices to our contracts with customers or the individual performance obligations contained therein and collect the associated revenues on fulfilment of our respective performance obligation(s) through profit or loss. Transaction prices are determined by the consideration a company expects to receive from the customer for the transfer of goods or provision of services. The service performed is accompanied by the invoicing and generally by a prompt due date of payment. Generally speaking, subsequent chargebacks or refunds are not planned. We recognise period-based, revenue collected on a pro rata basis from contracts with customers at a point in time if the customer is provided with the service over a period of time and has also availed evenly of the benefits. Because of the period-related parallelism of the provision of services and economic life, we find this to be appropriate.

We recognise fees relating to services that we provide in full already at the start of a transaction but do not receive until at a later stage over a determined period in the future on a present value basis as a direct result of the provision of services in fee income. Pursuant to IFRS 15, the outstanding fee payments are receivables, as the payments depend solely on the passage of time.

If the Group assumes the role of agent in the provision of services, the service-related fee is passed on to third parties outside the Group, without reporting the corresponding income and expenses in the consolidated income statement. This concerns fees for portfolio management services provided by third parties outside the Group for special assets, where the capital management is assumed by a group company under the German Investment Code (Kapitalanlagegesetzbuch – KAGB).

Pursuant to IFRS 15.B35 et seqq, if the Group operates independently (principal) in providing the customer with a service or as an intermediary (agent), we assess if our Group controls the service before it is transferred to the customer. The Group operates as an agent, for example, if it does not have primary responsibility for providing the service.

All realised and unrealised income from financial assets held for trading, including the interest and dividend income attributable to trading activities, is recognised in net trading income. This also includes the hedge result and the result from banking book derivatives.

Income from the valuation and disposal of non-derivative financial instruments that are measured at fair value through profit or loss, but not assigned to the trading activities, are reported in the current reporting period in net profit from other financial assets mandatorily recognised at fair value through profit or loss.

We recognise gains and losses from the disposal of assets measured at amortised cost in the item of the same name within the income statement.

Income from financial assets includes income from the disposal of debt instruments recognised up to then at fair value through comprehensive income.

18 Change in Accounting Policies

(a) For reporting periods presented

The accounting and valuation methods applied in preparing these consolidated financial statements are in line with those applied in the 2019 financial year, except with regard to the following:

First-time application of amended standards and interpretations

Following the G20 request to the Financial Stability Board, a fundamental review and reform of the main reference interest rates (Interbank Offered Rates, abbreviated form: IBOR) are taking place in the world's largest financial markets. As a result, the reference interest rates that have been customary in the market up to now are being adjusted or replaced by newly developed, alternative interest rates. In the euro area, for example, a new reference interest rate has been introduced in the form of the Euro Short Term Rate (€STR), which replaces the reference rate EONIA (Euro OverNight Index Average). €STR is based on the money market statistics of the Eurosystem and has been used by the ECB since 2 October 2019. At the same time, the calculation of the EONIA was changed so that it is now calculated from the €STR plus a fixed spread of 8.5 basis points. Publication of the EONIA is expected to be discontinued at the turn of 2021/2022. On the other hand, market participants will continue to have the reference interest rate EURIBOR (Euro InterBank Offered Rate). In November 2019, however, the determination procedure for the latter was adjusted to the effect that it now meets the requirements of the EU benchmarks regulation.

As a first reaction to possible effects of the IBOR reform, the IASB issued various amendments to IFRS 9 "Financial Instruments" and IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" on 26 September 2019. As part of Phase 1 of the project to support the IBOR reform, the IASB had dealt with the possible effects of the reform on hedge accounting. The amendments adopted by the IASB in Phase 1 effect a number of temporary exemptions from the application of specific hedge accounting requirements and also concern clarifications as to how the requirements are to be applied in these circumstances. One of the consequences of these amendments is that relationships in hedge accounting must be continued which might otherwise have had to be terminated due to the uncertainty resulting from the IBOR reform. In addition, as part of these amendments, IFRS 7 was supplemented by disclosure requirements that relate essentially to the nature and extent of the effects of the IBOR reform on the reporting entity. The amendments are to be applied for the first time for fiscal years beginning on or after 1 January 2020. The amended provisions have been endorsed under European legislation (EU endorsement).

Furthermore, on 27 August 2020, the IASB adopted various amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" as part of Phase 2 of its project to support the IBOR reform. In this phase, the IASB was looking at the financial reporting implications of actually replacing an existing benchmark rate. With the amendments published in August 2020, the IASB has introduced the following practical simplifications relating to the application of certain provisions in various accounting standards as well as more extensive disclosure requirements.

On the one hand, simplifications are introduced in the application of the regulations regarding the modification of financial instruments. According to these, modifications that are required as a direct result of the IBOR reform and are made on an economically equivalent basis are to be accounted for under the amended rules by way of updating the effective interest rate of the contractually adjusted financial instrument. Modifications that do not meet the aforementioned requirements are to be accounted for in the same way as before according to the existing provisions of IFRS 9.

A comparable relief was introduced for the accounting of leases on the part of the lessee under the application of IFRS 16.

What is more, the IASB has once again made changes to the regulations on hedge accounting in order to introduce practical simplifications with regard to the formal requirements for hedge accounting. Accordingly, hedge accounting can be continued despite the conversion of the financial instruments involved to a new reference interest rate if the adjustment of the financial instruments and the associated documentation is solely due to the need for adjustment as a result of the IBOR reform. In this context, the continued existence of the modified hedging relationship requires that all criteria for the application of hedge accounting, including the effectiveness requirements, are met.

The changes to the accounting standards described above are accompanied by extended disclosure requirements in the notes. The additional disclosures are intended to present the nature and extent of the risks arising from the IBOR reform to which the reporting entity is exposed. It should also indicate how the company is managing these risks and what progress the company is making in the transition from the previous reference rates to alternative reference rates.

According to the IASB's guidance, these amendments are effective for reporting periods beginning on or after 1 January 2021. Early application is permissible. The amended accounting standards were adopted into European law on 13 January 2021. The HSBC Trinkaus & Burkhardt Group is making use of the option of early application, so the amended provisions are already taken into account in the present consolidated financial statements.

The conversion of transactions affected by the IBOR reform to alternative reference interest rates is being carried out in the HSBC Trinkaus & Burkhardt Group as part of a project in close coordination with the HSBC Group. The main objectives of the IBOR project are:

- to determine how the respective business areas will be affected by the changeover to the alternative reference interest rates,
- to develop (intra-divisional) measures to implement the transition to the alternative reference rates for the respective business lines in line with the overarching measures in the HSBC Group,
- to coordinate and monitor (internal) implementation measures and
- to implement the measures agreed across the board from the overall project of the HSBC Trinkaus & Burkhardt Group and the HSBC Group for the respective business divisions.

In 2020, the Group underwent intense preparation for the conversion of the affected transactions from the previous interest rates to alternative reference interest rates. The initial inventory of affected transactions was updated at regular intervals in 2020. Working groups addressed the various aspects of the changeover across divisions, developing and initiating measures to ensure a

successful changeover. Necessary systemic adjustments were initiated and have now been largely completed. In 2020, transactions were already concluded based on newly developed alternative reference interest rates. According to project planning, the conversion of the existing business to be adjusted due to the discontinuation of the contractually agreed reference interest rate will mainly take place in 2021 in coordination with the respective business counterparties.

The following table shows the existing business as at the reporting date of 31 December 2020 that is affected by the IBOR changeover based on its term and therefore has to be contractually changed over to alternative reference interest rates, broken down by the main reference interest rates that will not be continued in the future. Existing business that is linked to a reference interest rate that, according to current knowledge, is not to be converted to an alternative reference interest rate, as well as business that fulfils the requirements of the IBOR reform by adjusting the respective procedure for interest rate determination (e.g. EURIBOR), is shown in the following table as business that is not affected by the IBOR reform. Similarly, existing business that is linked to a reference interest rate that is to be replaced but no longer has to be converted to an alternative reference interest rate due to the contractual maturity in 2021 is shown in the table as business not affected by the IBOR reform. The information in the columns on the transactions affected by the IBOR reform does not take into account the net loan impairment provision formed for these transactions.

31 December 2020	Impacted by IBOR Reform						
Book value in €m	**USD – LIBOR**	**GBP – LIBOR**	**Eonia**	**Other**	**Total impacted by IBOR Reform**	**Not impacted by IBOR Reform**	**Total**
Non-derivative financial assets	**493.6**	**121.4**	**0.0**	**10.7**	**625.7**	**26,687.0**	**27,312.7**
Cash reserve	0.0	0.0	0.0	0.0	0.0	10,454.4	10,454.4
Loans and advances to banks	0.0	0.0	0.0	0.0	0.0	1,567.5	1,567.5
Loans and advances to customers	493.6	121.4	0.0	10.7	625.7	7,891.1	8,516.8
Trading assets	0.0	0.0	0.0	0.0	0.0	2,639.0	2,639.0
Other financial assets mandatorily recognised at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	84.4	84.4
Financial assets	0.0	0.0	0.0	0.0	0.0	4,050.6	4,050.6
Non-derivative financial liabilities	**105.0**	**19.7**	**0.9**	**0.0**	**125.6**	**24,743.3**	**24,868.9**
Deposits by banks	0.0	15.2	0.0	0.0	15.2	4,288.4	4,303.6
Customer accounts	105.0	4.5	0.9	0.0	110.4	18,021.2	18,131.6
Trading liabilities	0.0	0.0	0.0	0.0	0.0	1,902.8	1,902.8
Subordinated capital	0.0	0.0	0.0	0.0	0.0	530.9	530.9

31 December 2020	Impacted by IBOR reform						
Nominal values in €m	**USD – LIBOR**	**GBP – LIBOR**	**Eonia**	**Other**	**Total impacted by IBOR Reform**	**Not impacted by IBOR Reform**	**Total**
Positive market values of derivative financial instruments	328.5	3.1	425.5	0.0	757.1	110,773.3	111,859.7
Negative market values from derivative financial instruments	280.4	38.9	10.0	0.0	329.3		

The IBOR reform does not have any significant impact on risk management strategy or hedge accounting.

In the HSBC Trinkaus & Burkhardt Group, hedge accounting rules are applied to hedge the market interest rate risk of fixed-interest bonds, loans and registered bonds issued with hedging instruments on an individual transaction basis (so-called micro fair value hedge accounting). In doing so, we make use of the option under IFRS 9 to continue to apply the regulations under IAS 39 for hedge accounting. As a result, the amended regulations lead to temporary simplifications in the application of the regulations in the consolidated financial statements during the uncertainty period before the replacement of a valid reference interest rate by an alternative interest rate. As part of these temporary exceptions, it can be assumed, among other things, that the reference

interest rates for the purpose of hedge accounting will remain unchanged for as long as the period of uncertainty exists.

In 2020, the majority of the hedging instruments recognised in hedge accounting at HSBC Trinkaus & Burkhardt Group were based on the EURIBOR reference interest rate, which will be adjusted as a result of the reform but not replaced by another reference interest rate. Other hedging instruments recognised in hedge accounting already refer to the new reference interest rate €STR, so the amended provisions will not have any effects here either. The new rules are therefore only of significance for a small number of hedging relationships recognised in the consolidated financial statements which are based on the reference interest rate EONIA on the variable side of the hedging instrument (31 December 2019: two hedging instruments with a nominal value of €105 million, 31 December 2020: unchanged). As these transactions extend beyond 2021 in accordance with the contract, they will have to be converted with regard to the reference interest rate used. It is currently expected that the EONIA reference rate of these hedging instruments will be changed to a €STR reference rate by the end of 2021. We do not expect the conversion of the reference interest rates for the few hedging relationships affected by the IBOR reform to have a significant impact on the HSBC Trinkaus & Burkhardt consolidated financial statements.

Against the backdrop of the COVID-19 pandemic, the IASB published an amendment to IFRS 16 "Leases" on 28 May 2020 which will make it easier for lessees to account for rental concessions, for example in the form of rent deferrals or rent relief. According to this amendment, lessees have an option to waive the assessment of whether a rental concession in connection with the COVID-19 pandemic constitutes a modification of an existing lease with respect to lease payments that were originally due by 30 June 2021. Providing no other material changes to the lease agreement have been agreed, such a rent concession is not accounted for as a modification of the lease if the option is exercised. The amendment is to be applied retrospectively for the first time in reporting periods beginning on or after 1 June 2020. The amended regulations have been adopted into EU law. The amendments to IFRS 16 do not have a material impact on the consolidated financial statements of HSBC Trinkaus & Burkhardt.

Other standards and interpretations that became mandatory in the EU from 1 January 2020 were taken into consideration in the preparation of the consolidated financial statements and did not have any effect on the HSBC Trinkaus & Burkhardt consolidated financial statements. This concerns the changes to the framework for IFRS standards, the amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" on the definition of materiality and the amendments to IFRS 3 "Business Combinations".

(b) For future reporting periods

IAS 8.30 requires the reporting of known or reasonably estimable information relevant to assessing the possible impact the application of new IFRS will have on the financial statements of companies in the period of initial application. The following presentation on the expected impact of the initial application of new accounting principles are each based on the current status of the preparations for their introduction and the current frameworks. However, the facts and circumstances pertaining to the respective time of initial application are decisive for the actual effects of the initial application of new or changed accounting principles. Depending on future developments, the actual effects of the initial application of new accounting principles can vary substantially from the expectations described below.

The IASB published the new accounting standard IFRS 17 "Insurance Contracts" in mid-May 2017. IFRS 17 redefines the accounting treatment of insurance contracts and the measurement of insurance liabilities, thus replacing IFRS 4. Published in 2017, the standard provides for mandatory application of the new accounting standards for financial years beginning on or after 1 January 2021. However, the IASB published amendments to IFRS 17 on 25 June 2020. Among other things, the amendments provide for the mandatory first-time adoption of IFRS 17 to be postponed by two years to reporting periods beginning on or after 1 January 2023. Furthermore, the amendments to IFRS 17 introduce additional exemptions from the area of application of IFRS 17, for example

for credit card contracts and certain loan agreements. At the same time as publishing the amendments to IFRS 17, the IASB published amendments to IFRS 4, which extend the provisions on temporary exemptions from the application of IFRS 9 by two years. With the exception of the latter amendments to IFRS 4, the new or amended regulations have not yet been adopted into European law. The effects of IFRS 17, including the changes to the accounting standards mentioned above, on the HSBC Trinkaus & Burkhardt consolidated financial statements are currently being analysed.

Furthermore, on 23 January 2020 the IASB issued amendments to IAS 1 “Presentation of Financial Statements” concerning the classification of liabilities as current or non-current. The aim of the amendments is to introduce a more general approach to the classification of liabilities according to IAS 1, based on the contractual agreements existing at the respective reporting date. Accordingly, a liability is to be classified as non-current if, at the balance sheet date, the reporting entity has a right to defer settlement of the liability for at least twelve months after the balance sheet date. According to the original plan, the amendments were to take effect on 1 January 2022. In July 2020, the IASB decided to postpone the effective date of the amendments to IAS 1 with regard to the classification of liabilities by one year to annual reporting periods beginning on or after 1 January 2023. The amendments have not yet been adopted into EU law. The impact of these changes to IAS 1 on the HSBC Trinkaus & Burkhardt consolidated financial statements is currently being analysed.

On 14 May 2020, the IASB published amendments to various accounting standards. These firstly involve amendments to IFRS 3 “Business Combinations”, IAS 16 “Property, Plant and Equipment” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Secondly, the IASB completed the annual improvement process in the 2018-2020 cycle and adopted amendments with, in the IASB’s opinion, at most minor effects on companies preparing their financial statements. The accounting standards affected by these changes are IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IFRS 16 “Leases” and IAS 41 “Agriculture”. Subject to the adoption of these amendments into EU law, the amended standards will be effective for the first time for reporting periods beginning on or after 1 January 2022. Voluntary application earlier than this is not permitted. According to an initial assessment, these changes do not have a significant impact on the HSBC Trinkaus & Burkhardt consolidated financial statements.

On 12 February 2021, the IASB issued amendments to IAS 1 “Presentation of Financial Statements”, IFRS Guidance Document 2 “Disclosure of Accounting Policies” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The amendments to IAS 1 and IFRS Guidance Document 2 aim to improve disclosures about accounting policies applied in the financial statements to provide more useful information to users of financial reporting. The amendments to IAS 8 concern the definition of accounting estimates and are intended to help distinguish between accounting policies and accounting estimates. Subject to their adoption into EU law, the amendments to IAS 1 and IAS 8 will be effective for the first time for reporting periods beginning on or after 1 January 2023. Voluntary application earlier than this is not permitted. With the application of the amendments to IAS 1, it is permissible to also take into account the amendments to IFRS Guidance Document 2. The impact of these amendments on the HSBC Trinkaus & Burkhardt consolidated financial statements is currently being analysed.

19 Special Events After the Balance Sheet Date

No transactions materially affecting the assets, financial position and profitability of the company took place during the period between the balance sheet date and the date on which these accounts were prepared.

Notes to the Consolidated Balance Sheet

20 Cash Reserves

in €m	31.12.2020	31.12.2019
Cash in hand	1.7	1.3
Balances held with central banks	10,452.7	5,730.2
Total	**10,454.4**	**5,731.5**

21 Loans and Advances to Banks

in €m	31.12.2020	31.12.2019
Current accounts	565.8	1,438.8
Money market transactions	19.9	85.8
of which overnight money	0.0	0.0
of which term deposits	19.9	85.8
Other receivables	175.7	258.4
Collateral items in the derivatives trading business	806.3	204.2
Total (before net loan impairment provision)	**1,567.7**	**1,987.2**
Net loan impairment provision	0.2	0.2
Total (net)	**1,567.5**	**1,987.0**

Loans and advances to banks are reported after deduction of the net loan impairment provision.

22 Loans and Advances to Customers

in €m	31.12.2020	31.12.2019
Current accounts	1,255.1	2,301.3
Money market transactions	828.7	974.9
of which overnight money	26.2	15.5
of which term deposits	802.5	959.4
Loan accounts	5,515.6	6,780.6
Other receivables	602.0	742.0
Lease receivables	12.0	15.6
Collateral items in the derivatives trading business	408.2	105.4
Total (before net loan impairment provision)	**8,621.6**	**10,919.8**
Net loan impairment provision	104.8	53.3
Total (net)	**8,516.8**	**10,866.5**

Loans and advances to customers are reported after deduction of the net loan impairment provision. Other receivables include receivables from contracts with customers (IFRS 15) in the amount of €87.9 million (31.12.2019: €96.1 million). As in the previous year, there were no significant impairment charges in relation to these receivables as at the reporting date. The lease receivables consist of capitalised receivables from subleasing agreements.

23 Trading Assets

in €m	31.12.2020	31.12.2019
Bonds and other fixed-income securities	647.5	853.4
of which:		
public-sector issuers	531.1	588.3
other issuers	116.4	265.1
of which:		
listed	647.5	853.4
unlisted	0.0	0.0
Equities and other non-fixed-income securities	826.2	826.7
of which:		
listed	824.2	826.5
unlisted	2.0	0.2
Tradable receivables	1,165.3	1,121.8
Total	**2,639.0**	**2,801.9**

Tradable receivables are recognised mainly as promissory note loans and purchased receivables.

24 Positive Market Values from Derivative Financial Instruments

in €m	31.12.2020	31.12.2019
Positive market value of derivatives	1,709.6	1,160.3
of which OTC derivatives	1,183.6	970.0
of which exchange-traded derivatives	526.0	190.3
Derivatives in hedging relationships	3.7	3.9
Derivatives held in the banking book	0.0	0.0
Total	**1,713.3**	**1,164.2**

25 Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss

in €m	31.12.2020	31.12.2019
Bonds and other fixed-income securities	37.9	62.1
of which:		
public-sector issuers	0.0	0.0
other issuers	37.9	62.1
of which:		
listed	37.9	62.1
unlisted	0.0	0.0
Hybrid financial instruments	19.3	34.6
Investment certificates	1.1	7.3
Equities and other non-fixed-income securities	0.0	0.0
of which:		
listed	0.0	0.0
unlisted	0.0	0.0
Promissory note loans	0.0	0.0
Investments	26.1	16.9
Total	**84.4**	**120.9**

Pursuant to IFRS 9, we understand financial assets mandatorily measured at fair value through profit or loss as all non-derivative financial instruments of the “hold” and “hold and sell” business models whose contractual cash flows do not exclusively represent principal and interest on the outstanding capital at set times, as well as investments.

26 Financial Assets

in €m	31.12.2020	31.12.2019
Bonds and other fixed-income securities	3,950.6	3,405.1
of which:		
public-sector issuers	2,193.5	1,806.7
other issuers	1,757.1	1,598.4
of which:		
listed	3,937.5	3,340.7
unlisted	13.1	64.4
Promissory note loans	75.1	80.6
Investments	24.9	23.7
Total	**4,050.6**	**3,509.4**

We understand financial assets as all financial instruments of the “hold and sell” business model pursuant to IFRS 9, their contractual cash flows, excluding principal and interest on the outstanding capital at set times, and investments. Bonds and other fixed-income securities, as well as promissory note loans, are measured at fair value without effect on the income statement with recycling. Investments are measured at fair value without effect on the income statement without recycling. The holdings of equity instruments measured at fair value through other comprehensive income relate to a fair value of €24.9 million as at 31 December 2020 (previous year: €23.7 million) indirect shareholdings in Nürnberger Versicherung.

27 Investment Overview

in €m	31.12.2020	31.12.2019
Land and buildings	0.2	66.9
Right-of-use assets	90.5	27.2
Operating and office equipment	43.8	43.2
Property, plant and equipment	134.5	137.3
Intangible assets	77.8	86.3
Total	**212.3**	**223.6**

The rights of use (leasing) reported under property, plant and equipment are rights to leased real estate and motor vehicles. The increase in rights of use results from the rental of the property in Hansaallee, Düsseldorf, which was occupied in the financial year. Regarding the decrease in land and buildings, we refer to the explanations in Note 30.

in €m	Land and buildings	Operating and office equipment	Rights of use	Property, plant and equipment (aggregate)	Intangible assets
Acquisition costs as at 01.01.2020	110.7	129.5	38.1	278.3	193.3
Additions	0.0	26.4	76.3	102.7	20.1
Disposals	110.4	49.5	14.0	173.9	23.1
Acquisition costs as at 31.12.2020	0.3	106.4	100.4	207.1	190.3
Depreciation as at 01.01.2020	43.8	86.3	10.9	141.0	107.0
Scheduled depreciation	1.7	14.9	13.0	29.6	8.6
Non-scheduled depreciation	0.0	1.0	0.0	1.0	11.8
Depreciation of reversals	45.4	39.6	14.0	99.0	14.9
Depreciation as at 31.12.2020	**0.1**	**62.6**	**9.9**	**72.6**	**112.5**
Carrying value as at 31.12.2020	**0.2**	**43.8**	**90.5**	**134.5**	**77.8**
Carrying value as at 31.12.2019	**66.9**	**43.2**	**27.2**	**137.3**	**86.3**

in €m	Land and buildings	Operating and office equipment	Rights of use	Property, plant and equipment (aggregate)	Intangible assets
Acquisition costs as at 01.01.2019	109.9	138.9	41.6	290.4	166.7
Additions	0.8	13.1	0.0	13.9	32.3
Disposals	0.0	22.5	3.5	26.0	5.7
Acquisition costs as at 31.12.2019	110.7	129.5	38.1	278.3	193.3
Depreciation as at 01.01.2019	42.2	91.1	0.0	133.3	97.5
Scheduled depreciation	1.7	15.8	11.3	28.8	5.1
Non-scheduled depreciation	0.0	0.0	0.0	0.0	4.9
Depreciation of reversals	0.1	20.6	0.4	21.1	0.5
Depreciation as at 31.12.2019	**43.8**	**86.3**	**10.9**	**141.0**	**107.0**
Carrying value as at 31.12.2019	**66.9**	**43.2**	**27.2**	**137.3**	**86.3**
Carrying value as at 31.12.2018	**67.7**	**47.8**	**n/a**	**115.5**	**69.2**

Intangible assets include goodwill in the amount of €4.4 million (previous year: €4.4 million), which is attributable to a subsidiary (cash-generating unit) allocated to the Global Banking & Markets segment, and standard software in the amount of €73.4 million (previous year: €81.9 million). As in the previous year, this balance sheet item did not include any intangible assets developed in house in the year under report.

As in the previous year, foreign currency translation did not affect property, plant and equipment values.

Fixed assets are assigned to non-current assets.

28 Taxation Recoverable

in €m	31.12.2020	31.12.2019
Current taxation recoverable	6.8	61.9
Deferred taxation recoverable	82.7	57.2
Total	**89.5**	**119.1**

Current taxation recoverable relates exclusively to receivables from German tax authorities.

The deferred taxation is our future tax burdens or relief, formed for the differences between the taxation valuation and the amounts stated in the balance sheet (cf. Note "Income Tax").

Deferred taxation recoverable and deferred taxation are attributable to the following items:

in €m	31.12.2020	31.12.2019	Change
	As shown in the balance sheet	**As shown in the balance sheet**	
Trading portfolio and market values of the derivative financial instruments*	–2.6	–1.1	–1.5
Intangible assets	0.0	0.0	0.0
Net loan impairment provisions and provisions for off-balance sheet commitments in the lending business	25.1	5.1	20.0
Pensions	25.0	26.5	–1.5
Other financial assets mandatorily measured at fair value through profit or loss	5.2	5.7	–0.5
Financial assets	4.5	–0.5	5.0
Property, plant and equipment	–6.8	–16.4	9.6
Provisions	13.7	12.2	1.5
Other assets	0.0	0.0	0.0
Other liabilities	0.9	11.0	–10.1
Recognised at fair value through profit or loss	**65.0**	**42.5**	**22.5**
Financial instruments	–33.9	–28.4	–5.5
Foreign currency translation	0.0	–0.1	0.1
Pensions	51.6	43.1	8.5
Through other comprehensive income	**17.7**	**14.6**	**3.1**
Deferred taxes	82.7	57.1	25.6
of which taxation recoverable	82.7	57.2	25.5
of which taxation	0.0	0.1	–0.1

* Balance from measurement differences in all trading activities

Within the scope of the provisions for the treatment of deferred taxes, the deferred taxation recoverable was offset against deferred taxation, as in previous years.

The losses at the Luxembourg location cannot be used for tax purposes, as it is highly probable that in future there will be no taxable profits against which these tax losses can be offset. The loss carryforwards that can be carried forward indefinitely amount to €21.3 million (previous year: €21.5 million), of which €8.4 million (previous year: €8.6 million) relate to companies abroad. As in the previous year, there are no temporary differences on outside basis differences.

Deferred taxation recoverable is primarily assigned to non-current assets. Current taxation recoverable is primarily assigned to current assets.

29 Other Assets

The book value of other assets is almost unchanged at €66.5 million after €68.7 million in the previous year.

The other assets contain outstanding receivables from the securities services business at our subsidiaries, accrued income, cash collateral for the bank levy and the compensation scheme of German banks, and other receivables.

Other assets are primarily assigned to current assets.

30 Non-Current Assets Held for Sale

A property including related fixtures and fittings previously reported under “Investment Overview” was classified as held for sale in the second half of 2020, as the Group is now eager to sell the property within the next twelve months and has already started actively marketing it. The sale process is expected to be successfully concluded in the 2021 financial year. The classification of the property as held for sale did not have any impact on the Group’s income statement in the 2020 financial year. The property is allocated to the Corporate Centre segment.

31 Subordinated Assets

in €m	31.12.2020	31.12.2019
Bonds and other fixed-income securities	120.1	197.7
Profit-participation certificates	2.7	2.5
Total	**122.8**	**200.2**

32 Repurchase Agreements and Securities Lending

The Bank is active as a collateral taker and a collateral provider within the scope of repurchase agreements and securities lending transactions. The transactions are executed at prevailing market conditions.

The following overview includes the securities that cannot be reported in accordance with IFRS 9, as well as the associated financial liabilities. Securities that we have previously obtained within the scope of securities lending transactions and repurchase agreements are reported, in addition to our own securities. The transferred own securities are disclosed as trading assets.

in €m	31.12.2020		31.12.2019	
Type of transaction	Fair value of the transferred financial assets	Book value of the associated financial liabilities	Fair value of the transferred financial assets	Book value of the associated financial liabilities
Repurchase agreements	–	–	–	–
Securities lending transactions	58.9	7.0	69.8	42.1
Total	**58.9**	**7.0**	**69.8**	**42.1**

The following overview includes the financial instruments that cannot be reported in accordance with IFRS 9, as well as the associated receivables. There is no on-balance sheet netting.

in €m	31.12.2020		31.12.2019	
Type of transaction	Fair value of the transferred financial assets	Book value of the associated financial receivables	Fair value of the transferred financial assets	Book value of the associated financial receivables
Repurchase agreements	–	–	–	–
of which may be sold or pledged	–	–	–	–
of which are already sold or pledged	–	–	–	–
Securities lending transactions	85.3	2.9	167.5	–
of which may be sold or pledged	59.1	–	157.7	–
of which are already sold or pledged	26.1	–	9.7	–
Total	**85.3**	**2.9**	**167.5**	**–**

33 Deposits by Banks

in €m	31.12.2020	31.12.2019
Current accounts	696.0	350.2
Money market transactions	2,237.5	1,414.1
of which overnight money	0.0	0.0
of which term deposits	2,237.5	1,414.1
Other liabilities	882.1	816.3
Collateral items in the derivatives trading business	488.0	27.5
Total	**4,303.6**	**2,608.1**
of which domestic banks	3,264.3	1,925.3
of which foreign banks	1,039.3	682.8

This item includes €2.2 billion in targeted longer-term refinancing operations (GLRG) III. In the financial year, we received interest income of €7.7 million from GLRG.

34 Customer Accounts

in €m	31.12.2020	31.12.2019
Current accounts	16,839.2	15,308.0
Money market transactions	1,031.7	1,973.5
of which overnight money	284.7	435.8
of which term deposits	747.0	1,537.7
Savings deposits	2.7	2.9
Other liabilities	208.8	308.4
Collateral items in the derivatives trading business	49.2	58.0
Total	**18,131.6**	**17,650.8**
of which domestic customers	16,963.5	16,478.5
of which foreign customers	1,168.1	1,172.3

35 Trading Liabilities

in €m	31.12.2020	31.12.2019
Promissory note loans	260.8	260.9
Bonds	510.1	556.2
Certificates and warrants	1,110.0	956.5
Delivery obligations arising from securities sold short	21.9	20.2
Total	**1,902.8**	**1,793.8**

The issue and placement of certificates and warrants, as well as of structured promissory note loans and bonds, are the direct responsibility of the trading divisions.

36 Negative Market Values from Derivative Financial Instruments

in €m	31.12.2020	31.12.2019
Negative market value of derivatives	1,363.3	1,040.2
of which OTC derivatives	1,270.0	894.3
of which exchange-traded derivatives	93.3	145.9
Derivatives in hedging relationships	51.2	29.8
Total	**1,414.5**	**1,070.0**

37 Provisions

Provisions are broken down as follows:

in €m	31.12.2020	31.12.2019
Provisions for pensions and similar obligations	61.7	34.6
Provisions for off-balance sheet commitments in the lending business	13.1	11.3
Other provisions	91.5	82.9
Total	**166.3**	**128.9**

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations developed as follows in 2020:

in €m	Pensions and similar obligations	Partial retirement	Statutory retirement age	Other	Total
As at 01.01	**22.9**	**1.9**	**3.7**	**6.0**	**34.6**
Change in the plan assets	0.2	–1.0	–1.8	0.0	–2.6
Pensions paid	–10.2	–1.2	0.0	0.0	–11.4
Additions (incl. projected income)	9.5	1.6	3.4	0.3	14.8
Transfers/other	0.0	0.0	0.0	–0.6	–0.6
Changes recognised at fair value through other comprehensive income arising from the remeasurement of the net pension obligation	26.9	0.0	0.0	0.0	26.9
As at 31.12	**49.3**	**1.3**	**5.3**	**5.7**	**61.7**

Administrative expenses for pensions and other employee benefits are made up of the following components:

in €m	2020	2019
Expenses for defined benefit plans	14.8	20.0
of which current service costs	15.6	23.6
of which interest expense	4.4	7.1
of which past service cost	–1.9	0.0
of which estimated income from the plan assets	–3.3	–10.7
Expenses for defined contribution plans	7.1	7.3
Other expenses for retirement provisions	1.0	0.8
Total	**22.9**	**28.1**

In addition, we recognised €18.2 million in personnel expenses (previous year: €18.3 million) as employer contributions to the statutory pension insurance. Expenses for defined contribution plans include contributions to the mutual pension fund scheme organised for the German banking sector, BVV Versicherungsverein.

The expenses for defined benefit plans include past service costs from our efficiency programme.

Various pension payment and benefit regulations exist for employees depending on the date the employee joined the Group. The plan characteristics of the pension commitments that are classified as defined benefit plans within the meaning of IAS 19 are outlined below.

Collective regulations

(a) Legal framework

The commitments based on the company pension scheme were made to employees as collective regulations in the form of company agreements that are structured as direct pension commitments.

(b) Open regulations for new business

Within the scope of the current open regulation for new business funded by the employer (VO 2013), the Bank pledges capital contributions to its employees in the event of retirement, invalidity and death. The commitment is a defined contribution scheme; the benefits arise as capital components from the committed contribution through a guaranteed rate of interest. The amount of the guaranteed return can be adjusted for future components in line with a changed interest rate environment. Each contribution period is ten years after the end of the reporting period. The Bank may at any time determine if and how to extend the contribution period. If the Bank has not issued any declaration by the end of a financial year, the contribution period is deemed to have been extended by another year.

(c) Closed regulation

Employees who joined the company in the period from 1 January 2001 to 30 June 2013 are subject to a regulation (VO 2001) in line with the VO 2013, which differs largely from the current regulation regarding the committed guarantee interest rate. This pension fund consists of the vested benefits of former employees but no current pension benefits.

Two further pension plans exist for employees who joined the company before 31 December 2000 and former employees of the Hamburg branch; these were closed for new policies. Beneficiaries of these regulations receive benefits in the form of lifelong old-age, invalidity and survivors' pensions. These are final salary schemes dependent on the length of service with a divided benefit formula. The pension is paid when the benefit falls due as a percentage share of the pensionable income, whereby different percentages for income components below and above the contribution assessment ceiling in the statutory pension scheme are envisaged based on years of service.

In addition to active members of staff, this regulation covers former employees with vested entitlements to a lifelong current pension and old age beneficiaries. These receive a lifelong pension for which an adjustment review is conducted in accordance with section 16 (1) of the Occupational Pensions Act (Betriebsrentengesetz – BetrAVG).

A contribution-oriented capital commitment is in place for a closed group of candidates. The Bank has concluded reinsurance policies with leading German insurance companies for this group, so that the employee receives exactly the benefit built up under the reinsurance policy.

(d) BVV Versicherungsverein des Bankgewerbes a.G.

In addition, several Group companies pay contributions to BVV Versicherungsverein des Bankgewerbes a.G. or to BVV Versorgungskasse des Bankgewerbes e.V. These are treated as a defined contribution plan (IAS 19.46). Some of the contributions consist of the employees' deferred compensation. Provisions were not created for the services to be provided by BVV, as the probability of the mandatory subsidiary responsibility being utilised is classified as very low.

(b) Lifelong working time account model

All of the Group's staff have the option to extend their pension provision via the lifelong working time account (Lebensarbeitszeitkonto – LAZK). This model aims to provide employees with a flexible means of providing for their future. By converting salary, overtime or special payments, the model allows active gainful employment to be ended even before the official retirement age. In addition, care-giving periods and periods of parental leave are possible while receiving partial or full salary payments.

Individual commitments
Final salary-based individual commitments to lifelong regular benefits exist for former and active Management Board and Executive Committee members, as well as former Managing Partners. Contribution-oriented capital plan commitments were agreed individually for recently appointed members of the Management Board. In addition, some former Management Board and Executive Committee members, as well as Managing Partners, received a capital commitment from the deferred compensation. The guaranteed return on the contributed conversion amount is defined; the capital is paid out in instalments.

The former Management Board and Executive Committee members, and the Managing Partners or their surviving dependants, are beneficiaries or have a corresponding vested benefit.

Financing
Plan assets were created to fund the pension obligations and separated through what is known as a contractual trust agreement (CTA). HSBC Trinkaus Vermögenstreuhänder e. V. and HSBC Trinkaus Mitarbeitertreuhänder e. V. assume the role of trustee. Active members of the trustee constitute four members of the Management Board of the Bank, one member of the Supervisory Board and seven Bank employees.

The Bank regularly aims to comprehensively finance the committed benefits externally. There is no obligation to allocate contributions to the CTA. The Bank is entitled to assets that are not needed to fund the committed benefits. In the year under report, €1.0 million were transferred to the plan assets. No further additions to the plan assets are envisaged at the present time.

In accordance with the Memorandum and Articles of Association, the revenues may only be used, for example, for pension payments or for reinvestment. Similarly, withdrawals may only be made in accordance with the Memorandum and Articles of Association. In so far as the benefits are directly committed and there is a shortfall in the CTA, provisions are created for these. The leading German reinsurance companies fund the reinsurance ancillary capital commitments through reinsurances.

The strategic aim of the investment is to achieve as continuous an increase in value as possible over time. For this purpose, the fund invests mainly in government bonds, corporate bonds, investment funds and equities. It invests predominantly in the developed regions. Overall, emphasis is placed on a high degree of diversification.

Risk aspects
The Bank bears the adjustment risks of the lifelong regular benefits from the entitlements to lifelong pensions and the obligation to pay lifelong benefits from existing commitments. This effectively means a pension increase in accordance with consumer price development. At the same time, adjustment risks arise from dynamic withdrawal components.

There are also longevity risks in relation to the lifelong benefits. The actuarial tables used to measure the present value of the obligations take into account the increase in life expectancy currently foreseeable as generation tables.

The adjustments and longevity risks were largely eliminated for the capital commitments given since 2001 and above all for the pension fund open to new business.

The Bank reduced the balance sheet and financing risks by using contributions to the CTA and the existing cover assets. However, financing risks arise if the returns on the cover assets do not correspond to the assumed return on the present value of the obligation. Balance sheet risks also arise from fluctuation in the actuarial interest rate used to calculate the present value of the obligation if the change in the present value of the obligation from the fluctuation in the actuarial interest rate is not offset by a corresponding change in the fair value of the cover assets.

The defined benefit obligation (DBO) of the closed pension funds amounts to €306.1 million in the reporting period (previous year: €283.6 million), of which €77.1 million (previous year: €73.8 million) are attributable to the beneficiaries. The DBO of the individual commitments amounts to €78.2 million (previous year: €76.4 million), of which €60.9 million are attributable to the beneficiaries (previous year: €48.7 million). The

DBO of the open pension fund (in force since 1 July 2013) amounts to €7.5 million (previous year: €6.1 million). Capital commitments account for €75.9 million (previous year: €68.8 million).

The pension obligations are calculated in the actuarial opinion using the projected unit credit method. Besides the current mortality tables (Heubeck tables 2018 G), we base these annual measurements on the following parameters:

in %	31.12.2020	31.12.2019
Base rate of interest for pensions	0.70	1.05
Base rate of interest for obligations from partial retirement and early retirement regulations	−0.17	0.02
Base rate of interest for obligations similar to pension obligations and anniversary obligations	0.44	0.73
Base rate of interest for LAZK	0.44	0.73
Estimated salary increases	2.50	2.50
Estimated pension indexation	1.50	1.50
Estimated rate of inflation	1.75	1.75
Expected increase in the contribution ceiling for social insurance	2.9	2.9

The base rate of interest is calculated on the basis of the average yield on long-term and first-class bonds. The duration of obligations for pensions is 18.2 years (previous year: 18.1 years); the duration of obligations from partial retirement and early retirement regulations is unchanged from the prior year at three years, and the duration of obligations similar to pension obligations and provisions for jubilee payments is also unchanged from the prior year at 10 years. The consultancy company Willis Towers Watson's "Global Rate: Link" is used for calculating interest. This includes bonds rated at least AA while taking other specific factors into account.

Sensitivity analyses for the defined benefit obligations

Pursuant to IAS 19.145, the extent by which the key measurement assumption for the DBO could reasonably" change during a one-year period must be determined.

The actuarial interest rate, salary trend and pension trend are considered to be significant assumptions. The following disclosures relate to the sensitivities of the DBO for pensions:

Measurement parameter as at 31.12.2020	Initial value	Sensitivity	Impact on the DBO
Base rate of interest	0.70%	−1.00 percentage points	20.8%
Base rate of interest	0.70%	+1.00 percentage points	−15.9%
Development of salaries	2.50%	−0.50 percentage points	−2.1%
Development of salaries	2.50%	+0.50 percentage points	2.3%
Pension increase	1.50%	−0.25 percentage points	−2.8%
Pension increase	1.50%	+0.25 percentage points	2.9%
Life expectancy	Pursuant to RT 2018 G	+1 year for a person currently aged 65	3.9%

Measurement parameter as at 31.12.2019	Initial value	Sensitivity	Impact on the DBO
Base rate of interest	1.05%	−1.00 percentage points	20.6%
Base rate of interest	1.05%	+1.00 percentage points	−15.8%
Development of salaries	2.50%	−0.50 percentage points	−2.1%
Development of salaries	2.50%	+0.50 percentage points	2.4%
Pension increase	1.50%	−0.25 percentage points	−2.8%
Pension increase	1.50%	+0.25 percentage points	2.9%
Life expectancy	Pursuant to RT 2018 G	+1 year for a person currently aged 65	3.8%

Breakdown of pension obligations

in €m	2020	2019	2018	2017	2016
Non-funded pension obligations	**1.2**	**1.1**	**1.0**	**1.0**	**0.9**
Funded pension obligations					
Present value of the pension obligations	546.2	511.0	464.1	443.0	424.5
Fair value of the plan assets	485.9	477.7	367.1	371.4	352.3
Balance	**60.3**	**33.3**	**97.0**	**71.6**	**72.2**
of which plan shortfall	60.5	33.5	97.2	71.8	74.1
of which plan excess	0.2	0.2	0.2	0.2	1.9
Total pension obligations	**61.7**	**34.6**	**98.2**	**72.8**	**75.0**
Remeasurement of net pension obligations					
from plan assets (before taxes)	15.6	20.3	−0.3	16.0	9.0
from plan obligations (before taxes)	−182.0	−159.6	−145.4	−144.9	−149.9

The cumulative valuation reserves for the remeasurement of net pension obligations, which are recognised at fair value through other comprehensive income, amounted to a loss of €114.8 million after taxes (previous year: loss of €96.3 million).

The losses from the remeasurement of the net pension obligations in the year under report were attributable to the negative development of plan assets compared to the forecast at the start of the year and the impact from the continued decrease in interest rates.

Net debt from defined benefit obligations developed as follows:

in €m	Pension obligations	Plan assets	Net debt
As at 01.01.2019	**465.1**	**367.1**	**98.0**
Service costs	23.6		23.6
Past service cost	0.0		0.0
Gains (losses) from plan settlements	0.0		0.0
Interest expense/income	7.1	10.7	–3.6
Remeasurement	14.2	20.6	–6.4
Actual income excluding interest income		20.6	–20.6
Change in actuarial gains and losses	14.2		14.2
from adjustment to the obligations	–5.3		–5.3
from changes to the demographic assumptions	0.0		0.0
from changes to the financial assumptions	19.5		19.5
Retirement benefits paid directly by the employer	–9.7		–9.7
Retirement benefits paid from the plan assets	–0.2	–0.2	0.0
Sums paid in conjunction with plan settlements	0.0		0.0
Transfers and others	12.0	9.5	2.5
Additions to the plan assets		70.0	–70.0
Withdrawals from the plan assets		0.0	0.0
As at 31.12.2019	**512.1**	**477.7**	**34.4**
of which: pension provisions			34.6
of which: capitalised plan assets			0.2
As at 01.01.2020	**512.1**	**477.7**	**34.4**
Service costs	15.6		15.6
Past service cost	–1.9		–1.9
Gains (losses) from plan settlements	0.0		0.0
Interest expense/income	4.4	3.3	1.1
Remeasurement	22.4	–4.7	27.1
Actual income excluding interest income		–4.7	4.7
Change in actuarial gains and losses	22.4		22.4
from adjustment to the obligations	–1.3		–1.3
from changes to the demographic assumptions	0.0		0.0
from changes to the financial assumptions	23.7		23.7
Retirement benefits paid directly by the employer	–11.2		–11.2
Retirement benefits paid from the plan assets	–0.2	–0.2	0.0
Sums paid in conjunction with plan settlements	0.0		0.0
Transfers and others	6.2	8.8	–2.6
Additions to the plan assets		1.0	–1.0
Withdrawals from the plan assets		0.0	0.0
As at 31.12.2020	**547.4**	**485.9**	**61.5**
of which: pension provisions			61.7
of which: capitalised plan assets			0.2

Distribution of pension obligations

in €m	2020	2019
Assets	354.6	330.4
of which non-forfeitable	195.2	181.0
Vested benefits of former employees	54.7	59.2
Beneficiaries	138.1	122.5
Total	**547.4**	**512.1**

Of the total pension obligations, partial retirement obligations account for €4.7 million (previous year: €4.2 million); LAZK obligations account for €90.1 million (previous year: €79.1 million); anniversary obligations account for €14.6 million (previous year: €15.2 million) and early retirement obligations account for €0.9 million (previous year: €1.1 million).

Impact of the obligations on future cash flows

in €m	2021	2022	2023	2024	2025	2026 – 2030
Future cash flows	11.0	10.7	10.4	11.2	13.2	68.4

Breakdown of the fair value of plan assets

in €m	2020	2019
Bonds and other fixed-income securities	121.2	113.9
Equities	21.2	30.4
Discount/index certificates	17.9	26.6
Liability insurance claims from life insurance	14.5	16.0
Investment funds	264.5	182.2
Closed-end real estate funds	4.0	4.0
Cash	40.1	103.6
Other	2.5	1.0
Fair value of plan assets as of 31.12	**485.9**	**477.7**

With the exception of the reinsurance claims from life insurance policies and the units in closed-end real estate funds, the fair values of the plan assets are based on prices quoted on active markets or on valuation models for which all valuation parameters are observable.

Other provisions

The other provisions developed as follows in 2020:

in €m	As at 1.1.2020	Utilisa-tion	Rever-sals	Addi-tions	Com-pound-ing	Transfers/ others	Situation as at 31.12.2020
Provisions for trade payables for software and hardware	11.7	4.7	3.6	10.7	0.0	0.0	14.1
Provisions for expected interest on retrospective tax payments	10.5	0.8	0.4	0.0	–0.8	0.0	8.5
Provisions for trade payables for goods and services	14.8	3.8	0.9	10.4	0.0	0.0	20.5
Provisions for goodwill and legal risks	9.8	1.3	2.9	3.4	0.0	0.0	9.0
Provisions for the efficiency programme (IAS 37)	10.1	6.7	5.9	27.8	0.0	0.0	25.3
Provisions for the efficiency programme and other compensations (IAS 19)	12.4	6.6	4.9	2.0	0.0	0.0	2.9
Provisions created in conjunction with the discontinuation of certain business activities in Luxembourg	2.2	0.1	0.0	0.0	0.0	0.0	2.1
Provisions for restoration obligations	6.1	1.0	3.2	0.2	0.0	0.0	2.1
Provisions for archiving	2.8	0.0	0.1	0.2	0.0	0.0	2.9
Provisions for other taxes	0.1	0.0	0.0	0.5	0.0	0.0	0.6
Miscellaneous other provisions	2.4	1.4	0.9	3.4	0.0	0.0	3.5
Total	82.9	26.4	22.8	58.6	–0.8	0.0	91.5

The assessment of the expected maturities for the outflow of economic benefits for the remaining provisions is subject to a high level of uncertainty and is estimated at approximately up to five years.

No material legal disputes and associated litigation risks were pending as at 31 December 2020. With regard to the legal risks that must be disclosed, reference is made to the note "Contingent Liabilities and Other Commitments".

In light of the difficult economic conditions for banks, the management of HSBC Germany launched a Group-wide, multi-year programme to improve internal efficiency as early as 2019. This programme provides for fundamental restructuring in parts of the Group and the relocation of certain business activities to countries where the HSBC Group has already gained positive experience in pooling service and supply functions. At the same time, the bank will increasingly rely on future-oriented technologies such as digitalisation and automation in order to achieve the efficiency goals it has set. After all preparations subject to co-determination (e.g. negotiation of a social plan) for the implementation of the efficiency programme had been completed and communicated within the company in the course of 2019, provisions for severance payments under the programme were already made in the consolidated financial statements as at 31 December 2019.

Due to the COVID-19 pandemic, the management of HSBC Germany decided in March 2020 to temporarily suspend the implementation of the planned job cuts to a large extent and not resume them in full until summer 2020. To counteract the expected negative economic effects of the pandemic, additional measures

to increase efficiency were also decided upon and negotiated with employee representatives later in the year; these also fall under the financial framework of the efficiency programme. Against this background, further provisions for severance payments were created during 2020. At the same time, a large number of individual personnel measures for which provisions had already been made in 2019 were completed and the corresponding provisions used up. All in all, the implementation of the various measures of the programme to improve internal efficiency, which has been expanded in parts, is progressing according to plan, taking into account the temporary interruption due to COVID-19.

38 Net Loan Impairment Provision

Determining the net loan impairment provision requirements

Net loan impairment provision requirements are determined and recognised on the balance sheet on the basis of the expected loss model in accordance with IFRS 9. Assets (debt) that are carried at amortised cost or reported at fair value directly in equity showing the changes in value are affected by the regulations on the recognition of impairment under IFRS 9. Loan commitments and financial guarantees granted are also affected.

The reporting of impairments is based on a three-level model. Under IFRS 9, net loan impairment and other credit risk provisions in the amount of the 12-month expected credit losses are recognised for financial assets in the event that the credit risk on the balance sheet date has not increased significantly since initial recognition and has not met the default definition at initial recognition (level 1). Net loan impairment and other credit risk provisions in the amount of the lifetime expected credit losses are recognised for financial assets whose credit risk has increased significantly since initial recognition (level 2) and for credit-impaired assets on the balance sheet date (level 3). Purchased or originated credit impaired (POCI) financial assets are recognised at initial application, after deduction of the lifetime expected credit losses.

We use quantitative and qualitative criteria to assess whether a financial instrument shows an increased default risk since the time of addition. In addition to qualitative criteria, such as principal or interest arrears of more than 30 days and inclusion in the list of exposures subject to closer monitoring, the primary quantitative indicator for the transition from stage 1 to stage 2 is the relative change in the expected probabilities of default since initial acquisition of the respective financial instrument.

In quantitative terms, we determine the changing credit risks of individual financial instruments on the basis of cumulative probabilities of default. To determine whether the credit risk has increased since the time of addition, we compare the average one-year expected probability of default at the time of addition with that of the time of reporting (residual average term forward point-in-time PD). Information about part events, prevailing conditions and forecasts about the future economic environment in the form of different economic scenarios with weightings dependent on their expected probability of occurrence are included in the calculations.

There is a sharp increase in the credit risk, leading to financial instrument previously allocated to level 1 being allocated to level 2, if predefined thresholds that are based on expert estimates and validated at least once a year are reached or exceeded. In the case of customer risk ratings (CRRs) of 0.1 to 1.2 upon recognition, the probability is increased by 15 basis points and by 30 basis points for CRRs of 2.1 to 3.3. For CRRs over 3.3, that are not considered to have defaulted, the credit risk is assumed to have increased significantly, if the probability of default has doubled since acquisition.

For financial instruments with an acquisition date before the date of initial application of IFRS 9, additional criteria depending on the CRR upon recognition are used in order to define a significant increase in the credit risk. In the case of a CRR of 0.1 upon recognition, a significant increase in the credit risks is assumed if the rating deteriorates by five rating grades. Depending on the initial rating, the following minimum deterioration of the rating grades lead to the assumption of a significant increase in the credit risk:

– Initial rating of 0.1	5 rating grades
– Initial rating of between 1.1 and 4.2	4 rating grades
– Initial rating of between 4.3 and 5.1	3 rating grades
– Initial rating of between 5.2 and 7.1	2 rating grades
– Initial rating of between 7.2 and 8.2	1 rating grades
– Initial rating of 8.3	0 rating grades

In qualitative terms, all credit exposures included in the list of exposures subject to closer monitoring (watch-worry-monitor list) and assigned to the Watch or Worry categories cease to belong to stage 1 and are transferred to stage 2 or stage 3 as applicable. This concerns all exposures that need to be transferred from standard credit management to special management because there are confirmed indicators of early risk detection, e.g. negative industry developments or negative reporting about a borrower, showing early signs of increased credit risks. We refer to the section (I) Adjustment of contractual cash flows of financial assets (modifications) for any modifications.

An additional safeguard mechanism (backstop) for determining a significant rise in credit risk is that the interest payments or principal repayments are more than 30 days overdue. We generally do not use the option to refute this assumption as presented in the financial reporting standards. Similarly, we do not use the exemptions for financial instruments with low credit risk (low credit risk exemption).

Moving from stage 3 to a better stage is only possible if the default definition is continuously not met for a period of up to twelve consecutive months.

The assessment of counterparty credit risks is based on appropriate and reliable information about previous events, prevailing conditions and forecasts about the future economic environment, in so far as they are significant for assessing expected credit defaults.

This usually takes into account three future scenarios. The central scenario presents the average development expected from the economic conditions. In addition, two alternative scenarios are generally taken into consideration: one scenario that expects the economic environment to develop more favourably than expected (upside scenario) and another where the economic environment is expected to develop less favourably (downside scenario). Should circumstances require it, additional scenarios are developed and used to assess the counterparty default risks. However, we generally assume that the potential, non-linear development of the economic environment can be adequately depicted using these three scenarios.

Overall, the methodical, procedural and systems-based implementation of the provisions on the recognition of impairments in the amount of the expected credit losses is also largely based on the expertise within the HSBC Group. The scenarios used to measure risks are created using different forecasts from independent sources (e.g. central banks, Oxford Economics) by a team of experts at the HSBC Group, incorporating independent, external consultants. Their relative significance and weighting is then determined in order to determine next steps.

The scenarios are generally based on a five-year forecast period starting from the balance sheet date (point in time approach). The central scenario is developed in two steps. First, central economic figures, specifically GDP development, the unemployment rate, inflation and the rise in property prices are determined for the key HSBC markets. On this basis, a large number of additional indicators are derived in a second step using established economic and industry-specific models. Finally, the expected development necessary for the risk measurement is modelled, taking into account country-specific features. The upside and downside scenarios are drawn up on this basis. The opportunities and risks of a potential positive or negative development tend to be overstated here and possible non-linear developments taken into consideration on the basis of model calculations, empirical values and risk assessments.

The central scenario is updated every quarter, and the two other scenarios are updated annually, unless macroeconomic or political developments require more frequent updates.

However, due to the COVID-19 pandemic, the expectations relating to the development of the economic indicators have changed significantly compared to the previous year. While the COVID-19 pandemic did not play a significant role in the scenarios used as at the previous year's reporting date, the outbreak of the pandemic since the first quarter of 2020 has resulted in a profound adjustment to the assessment of economic development over the next five years. In view of the deterioration of the overall economic situation and the current uncertainties, the frequency for updating the scenarios relevant to the measurement of net loan impairment provisions was also increased in the course of 2020.

In order to take into account the uncertainties and the higher significance of the net loan impairment provision of Levels 1 and 2, all scenarios were updated on a quarterly basis in 2020.

When measuring the net loan impairment provisions for these levels, we take into account forward-looking scenarios for key economic indicators. For the HSBC Trinkaus & Burkhardt Group, these are currently the developments in gross domestic product, the unemployment rate and the equity markets. At the same time, the uncertainty of forecasts is currently unusually high due to a whole range of factors.

These include the further development of the spread of COVID-19, the medium-term effects on global trade and the effectiveness of government support measures in combating the economic effects of COVID-19. Against this background, the severe downside scenario was developed in 2020 as an additional economic scenario and included in the measurement of net loan impairment provisions in order to take sufficient account of the imponderables of the development of the COVID-19 pandemic.

The forecasts for future economic conditions affect the determination of PDs and LGDs. When calculating the PD, the forecast of the economic development is reflected in the default probabilities of specific industries in the respective countries. When calculating the LGD, this impacts in particular on the collateral value and its recovery options.

The scenarios used to measure net loan impairment provisions in the consolidated financial statements as at 31 December 2020 are described below:

The scenario with the highest weighting is the central scenario (weighting: 65%; previous year: 80%), which reflects our predominant expectation of the development of the parameters. This is based on the assumption of a relatively sharp decline due to the global efforts to contain the COVID-19 pandemic and the multiple restrictions they entail, followed by a relatively rapid recovery of the economy assuming that further restrictions will be less limiting and more spatially focused, thereby allowing for a swift economic recovery. In this scenario, we assume an average annual GDP growth rate of + 4.2% in 2021, + 2.6% in 2022 and an average of + 1.6% for the years 2023 to 2025 (previous year: – 5.6%). We expect the worst average GDP growth to be –1.5% in the first quarter of 2021. For the unemployment rate, an average level of 6.17% in 2021, 5.91% in 2022 and 5.64% on average for the years 2023 to 2025 (previous year: 5.98%) is assumed. We expect the highest unemployment rate to be 6.26% in the first quarter of 2021. In this scenario, equity markets are subject to an average annual growth rate of + 4.5% in 2021, + 1.7% in 2022 and 3.0% on average for the years 2023 to 2025 (previous year: + 1.4%). At – 0.5%, the worst average annual growth rate on the equity market in this scenario is recorded in the third quarter of 2021.

The upside scenario (weighting: 10%; previous year: 10%) assumes a development of economic conditions that is expected to be slightly more favourable than in the central scenario. This scenario is based on the assumption that economic recovery is comparatively faster in the first two years after the outbreak of the COVID-19 pandemic before subsequently resuming its long-term pre-pandemic trends. Among other things, this scenario envisages the development of a vaccine against COVID-19, continued support for the economy through policy frameworks and de-escalation with regard to global trade conflicts. Here, we assume as at the reporting date an average annual growth rate of gross domestic product of + 6.1% in 2021 and + 4.1% in 2022. The unemployment rate is expected to average 5.57% in 2021 and 5.18% in 2022. The stock markets are subject to an average annual growth rate of + 21.2% in 2021 and + 10.5% in 2022.

The downside scenario (weighting: 15%; previous year: 10%) assumes a development of economic conditions that is expected to be unfavourable as compared to that of the central scenario. This scenario is based on the assumption that the economic slump caused by the COVID-19 pandemic will be comparatively more severe and that economic recovery will take longer before it returns to the long-term trends seen before the pandemic. Among other things, this scenario sees the economic recovery being delayed by further COVID-19 outbreaks, restrictions lasting longer and being more restrictive as compared to the central scenario, and global trade conflicts widening. Here, we assume as at the reporting date an average annual growth rate of gross domestic product of + 1.2% in 2021 and + 1.1% in 2022. The unemployment rate is expected to average 6.61% in 2021 and 6.67% in

2022. The stock markets are subject to an average annual growth rate of – 21.3 % in 2021 and – 20.4 % in 2022.

Meanwhile, the severe downside scenario (weighting: 10 %; previous year: not included), which was developed due to the COVID-19 pandemic, assumes a significantly later recovery of the economy and allows for a more extreme manifestation of potential risks to further economic development. This scenario is based on the assumption that the economic slump, especially due to the COVID-19 pandemic, will lead to a very severe, long-term global recession and that an economic recovery will take many years. Here, we assume an average annual growth rate of gross domestic product of – 3.5 % in 2021 and + 2.4 % in 2022. The unemployment rate is expected to average 8.23 % in 2021 and 8.87 % in 2022. The stock markets are subject to an average annual growth rate of – 39.5 % in 2021 and – 11.4 % in 2022.

The weighting of the individual scenarios is expert-based. Based on this weighting, this results in net loan impairment provision for Levels 1 and 2 of € 46.1 million.

Management has looked at possible other weightings of the scenarios used in order to better assess the impact on the level of net loan impairment provisions. A 100 % weighting of the respective scenarios would result in the following net loan impairment provision requirements, whereby the credit exposures of Level 3 were disregarded for this sensitivity analysis:

- Central scenario: € 36.7 million;
- Upside scenario: € 32.8 million;
- Downside scenario: € 49.2 million;
- Severe downside scenario: € 115.5 million.

The potential net loan impairment provision requirement indicated here is not to be interpreted as a maximum or minimum net loan impairment provision requirement. Rather, this information is intended to help assess the possible effects of changes in the general conditions on net loan impairment provisions.

The determination of expected loan losses is, by its nature, a sub-area of accounting that is subject to significant estimation uncertainty and discretionary decisions. In particular against the backdrop of the COVID-19 pandemic, the degree of estimation uncertainty in the assessment of net loan impairment provisions, as well as in the exercise of discretionary decisions in this regard, has increased significantly compared to the same period of the previous year. This is mainly due to the fact that the models developed for measuring net loan impairment provisions on the basis of expected loan losses were not able to account for the current effects of a global pandemic, largely unknown up to then, in the absence of empirical values in this regard. Equally new are the current measures undertaken to support the economy by policymakers and central banks.

When measuring the net loan impairment provisions as at 31 December 2020, we made a post-model adjustment to the amount of the net loan impairment provisions. We make such adjustments if new circumstances or changed framework conditions occur or are anticipated that could no longer be adequately taken into account within the framework of the model-based quantification of counterparty risk, or if situations occur that cannot be adequately covered by the existing credit risk models, for example because no sufficient empirical values exist yet based on comparable situations. The use of downstream adjustments is carried out within the framework of existing intra-group rules and is reduced or made obsolete where possible through the further development and recalibration of the credit risk models.

The current COVID-19 pandemic and its impact make for a situation where both the lack of observable past-related data for comparable situations and the erratic evolution of the pandemic may require downstream adjustments. After quantifying the counterparty risk as at 31 December 2020 based on existing credit risk models, it was determined in connection with the quality assurance measures that the latest political restrictions to contain the pandemic (lockdown) and their economic effects are not sufficiently taken into account in the scenarios underlying the net loan impairment provisions. The subsequent consideration of these circumstances was based on expert estimates

and scenario calculations. These primarily affect the credit exposures for corporate customers when determining the net loan impairment provisions for exposures in Levels 1 and 2. The effects on exposures to credit institutions and financing institutions, as well as to public budgets, are comparatively low. Overall, compared to the original quantification of the net loan impairment provisions, there is an increase in the net loan impairment provision requirement of €9.2 million. Of this, credit exposures to corporate clients account for €6.7 million (Level 1: €2.7 million; Level 2: €4.0 million), to credit institutions and financing institutions € 1.8 million (Level 1: €1.5 million; Level 2: €0.3 million) and to public budgets €0.7 million (Level 1: €0.7 million; Level 2: €0.0 million).

Significant discretionary decisions were required in connection with the measurement of net loan impairment provisions. These essentially consist of the following:

- the selection and weighting of scenarios for future economic development against the backdrop of the currently rapidly changing economic conditions and the support measures granted by policymakers and central banks to an as yet unknown extent, whereby in particular the severity of the impact of the pandemic on the economy, the duration of the economic burden and the manner of economic recovery constitute significant discretionary decisions;
- the assessment of the economic impact of the scenarios on the measurement of net loan impairment provisions based on expected loan losses, insofar as no observable historical data can be used to objectify the credit risk models used (because the severity and development of the change in economic conditions in the current pandemic are largely unknown to date, for example) and therefore the modelling of the relationship between the development of the economic parameters and the net loan impairment provisions can lead to an overestimation or underestimation of the expected loan losses;
- the identification of credit exposures for which a significant increase in credit risk and, where applicable, a default of the credit exposure has since occurred, especially in cases where the short-term solvency of the borrower is secured by agreed deferment of payment or other support measures, which may, however, conceal existing structural problems of the borrower.

Not least because of the increased estimation uncertainties and significant discretionary decisions described above, it should be noted that a significant additional net loan impairment provision requirement is to be expected in the event of a significant deterioration in the forecasts for future economic development.

Net loan impairment provision

in €m	Gross book values				Net loan impairment provision			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1.1.2020	**11,996.2**	**695.6**	**215.2**	**12,907.0**	**1.9**	**4.9**	**46.7**	**53.5**
(Net) transfer between levels	−1,523.4	1,467.2	56.2	0.0	−0.2	−1.2	1.4	0.0
Portfolio changes and changes related to credit quality	−2,614.8	−158.3	78.3	−2,694.8	3.5	19.7	51.2	74.4
Utilisation	0.0	0.0	−22.9	−22.9	0.0	0.0	−22.9	−22.9
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Situation as at 31.12.2020	**7,858.0**	**2,004.5**	**326.8**	**10,189.3**	**5.2**	**23.4**	**76.4**	**105.0**

in €m	Gross book values				Net loan impairment provision			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1.1.2019	**11,467.9**	**571.6**	**201.7**	**12,241.2**	**1.1**	**1.9**	**27.7**	**30.7**
(Net) transfer between levels	−218.1	206.0	12.1	-0.0	−0.1	0.1	0.0	0.0
Portfolio changes and changes related to credit quality	746.4	−82.0	18.4	682.8	0.9	2.9	36.0	39.8
Utilisation	0.0	0.0	−17.0	−17.0	0.0	0.0	−17.0	−17.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Situation as at 31.12.2019	**11,996.2**	**695.6**	**215.2**	**12,907.0**	**1.9**	**4.9**	**46.7**	**53.5**

Net loan impairment provision for financial assets

in €m	Fair value				Net loan impairment provision			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1.1.2020	**3,448.2**	**37.5**	**0.0**	**3,485.7**	**0.4**	**0.7**	**0.0**	**1.1**
(Net) transfer between levels	−30.1	30.1	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio changes and changes related to credit quality	555.7	−15.7	0.0	540.0	4.2	0.4	0.0	4.6
Utilisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Situation as at 31.12.2020	**3,973.8**	**51.9**	**0.0**	**4,025.7**	**4.6**	**1.1**	**0.0**	**5.7**

in €m	Fair value				Net loan impairment provision			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1.1.2019	**3,480.7**	**27.7**	**0.0**	**3,508.4**	**0.4**	**0.5**	**0.0**	**0.9**
(Net) transfer between levels	–21.1	21.1	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio changes and changes related to credit quality	–11.4	–11.3	0.0	–22.7	0.0	0.2	0.0	0.2
Utilisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Situation as at 31.12.2019	**3,448.2**	**37.5**	**0.0**	**3,485.7**	**0.4**	**0.7**	**0.0**	**1.1**

Provisions for off-balance sheet commitments in the lending business

Provisions for off-balance sheet commitments in the lending business developed as follows:

in €m	Nominal amount				Net loan impairment provision			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1.1.2020	**12,183.6**	**961.4**	**12.7**	**13,157.7**	**0.8**	**1.6**	**8.9**	**11.3**
(Net) transfer between levels	–3,230.2	3,106.9	123.3	0.0	–0.2	0.2	0.0	0.0
Portfolio changes and changes related to credit quality	1,466.1	–392.1	47.5	1,121.5	1.9	7.5	–6.5	2.9
Utilisation	0.0	0.0	–1.1	–1.1	0.0	0.0	–1.1	–1.1
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Situation as at 31.12.2020	**10,419.5**	**3,676.2**	**182.4**	**14,278.1**	**2.5**	**9.3**	**1.3**	**13.1**

in €m	Nominal amount				Net loan impairment provision			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1.1.2019	**12,747.4**	**784.6**	**38.1**	**13,570.1**	**0.6**	**0.8**	**4.5**	**5.9**
(Net) transfer between levels	–510.0	523.1	–13.1	0.0	0.0	0.0	0.0	0.0
Portfolio changes and changes related to credit quality	–53.8	–346.3	–12.3	–412.4	0.2	0.8	4.4	5.4
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Situation as at 31.12.2019	**12,183.6**	**961.4**	**12.7**	**13,157.7**	**0.8**	**1.6**	**8.9**	**11.3**

We report further on the emergence and management of counterparty credit risk within the Risk Report as part of the audited consolidated financial statements.

Under direct write-downs, we show an expense from the write-off of a receivable from a contract with a customer (IFRS 15) in the amount of € 2.0 million.

39 Taxation

in €m	31.12.2020	31.12.2019
Current taxation	67.3	34.8
Deferred taxation	0.0	0.1
Total	**67.3**	**34.9**

Current taxation includes provisions for income taxes that are likely to be paid on the basis of the tax accounts of the fully consolidated Group companies, taking into account additions and reductions in respect of corporation and trade tax. In addition, our obligations arising from any taxation to be paid as a result of current and future audits are also reported under this item.

Deferred taxation recoverable is offset against deferred taxation.

Taxation is assigned to short-term obligations.

40 Other Liabilities

in €m	31.12.2020	31.12.2019
Lease liabilities	101.1	49.7
Liabilities from other taxes	22.6	22.9
Deferred income	29.7	25.9
Other liabilities	202.1	167.9
Total	**335.5**	**266.4**

Other liabilities include predominantly trade payables and liabilities vis-à-vis employees.

Liabilities from other taxes comprise turnover tax liabilities as well as capital gains tax from our business with customers. Other liabilities are mainly assigned to short-term obligations.

41 Subordinated Capital

in €m	31.12.2020	31.12.2019
Subordinated liabilities (bonds, promissory note loans)	435.0	455.0
Participatory capital	89.0	89.0
Accrued interest on		
subordinated liabilities	2.5	2.9
Participatory capital	4.4	4.4
Total	**530.9**	**551.3**

In order to secure the flexibility of the Group further with regard to refinancing and strengthening the capital, the Annual General Meeting (virtual Annual General Meeting) of HSBC Trinkaus & Burkhardt AG on 9 June 2020 agreed to grant authorisation to the Management Board to issue profit-participation certificates, bonds and other hybrid instruments without option or conversion rights, or option or conversion obligations, in such a manner that it includes the authorisation to exclude subscription rights.

The authorisation is valid until 31 May 2025.

When profit-participation certificates, bonds and other hybrid instruments are issued without any option or conversion rights, or option or conversion obligations, the Management Board may, with the approval of the Supervisory Board, partly or wholly exclude the statutory shareholder subscription right if, after mandatory examination, the Management Board concludes that the issue price is not significantly below the theoretical market value ascertained in accordance with recognised and in particular mathematical valuation methods. Subject to approval by the Supervisory Board, the Management Board may also exclude fractional amounts (resulting from the subscription ratio) from shareholders' subscription rights and, where this is necessary, grant subscription rights to the holders of option rights or the holders of convertible profit-sharing certificates, convertible bonds and other hybrid instruments with conversion rights or obligations that would entitle such holders to the same extent as they would have been entitled on exercising their conversion or option rights or obligations. The Management Board will carefully examine whether the exclusion of the shareholders' subscription rights is in the best interest of the Company and thus also in the best interest of its shareholders. The Supervisory Board will only grant the necessary approval if it concludes that these requirements have been met. Provided the subscription right is not excluded, the profit-participation certificates, bonds or other hybrid instruments may also be subscribed by the Management Board of specific banks, subject to the obligations to offer them to the shareholders (indirect subscription right).

Subject to approval by the Supervisory Board, the Management Board is authorised to determine any specifications with regard to the issue and its features, in particular the volume, time, interest rate, issue price and term.

Further details and provisions, as well as the full text of the aforementioned resolution result from the administration's proposals for resolution on agenda item no. 7 and the corresponding report by the Management Board to the Annual General Meeting of the convening of the company's Annual General Meeting published in the Federal Gazette (Bundesanzeiger) on 11 May 2020.

In the event of liquidation, insolvency or other proceedings to avert insolvency, claims from subordinated liabilities will be settled only after all other claims against the Bank have been met. All subordinated claims have equal priority. No subordinated liabilities can be terminated prematurely by creditors. Profit-participation certificates can be terminated prematurely by the Bank if there is a change in the tax framework, subject to two years' notice of termination.

An amount of €282.2 million (previous year: €316.0 million) of subordinated capital is used to calculate liable capital in accordance with the CRR.

For the 2020 financial year, subordinated liabilities accounted for an interest expense of €10.2 million (previous year: €11.5 million) and participatory capital accounted for an interest expense of €4.4 million (previous year: €4.4 million).

Interest and repayment of subordinated liabilities

in €m	Nominal amount in €m 31.12.2020	Nominal amount in €m 31.12.2019
4% to 5%	55.0	75.0
Over 5% up to 6%	30.0	30.0
Fixed rates	85.0	105.0
Variable rates	350.0	350.0
Total	**435.0**	**455.0**

in €m	Nominal amount in €m 31.12.2020	Nominal amount in €m 31.12.2019
Up to 1 year	40.0	20.0
Over 1 year up to 5 years	35.0	60.0
Over 5 years	360.0	375.0
Total	**435.0**	**455.0**

42 Shareholders' Equity

The subscribed capital of HSBC Trinkaus & Burkhardt AG as at 31 December 2020 amounts to €91.4 million (previous year: €91.4 million); as in the previous year, it is divided into 34,088,053 no-par value shares. For the 2020 financial year, a total dividend of €136.4 million (previous year: €0.0 million) is to be paid.

The Management Board is authorised to increase the company's share capital by up to €45,711,948.47 on or before 31 May 2025, with the Supervisory Board's approval, through one or more issues of new bearer shares against cash contributions or contributions in kind (authorised capital).

The share capital is also subject to a conditional capital increase of up to €45,711,948.47 by means of issuing 17,044,026 new no-par value bearer shares (conditional capital). The conditional capital increase can only be executed to the extent that the holders of the profit-participation certificates, bonds or other hybrid instruments with option or conversion rights that may only be issued from 9 June 2020 up to 31 May 2025 due to the authorisation of the Management Board through a resolution of the Annual General Meeting exercise their option or conversion rights, or the holders of the profit-participation certificates, bonds or other hybrid instruments with option or conversion obligations to be issued by the company by 31 May 2025 on the basis of the forthcoming aforementioned authorisation fulfil their option or conversion obligation. No use has been made of this authorisation to date.

Premiums from the issue of shares and options on treasury shares are shown in the capital reserve.

Profits from previous years that are not distributed are generally reported in retained earnings and in consolidated profit available for distribution.

HSBC Trinkaus & Burkhardt AG raised Additional Tier 1 capital (AT1) in December 2016 in the form of a deeply subordinated bearer bond with unlimited maturity for the total amount of €235.0 million. The bond cannot be called by the issuer for the first five years, and it features a fixed coupon that is adjusted every five years. The initial rate of interest is 5.65%. A payment of €13.3 million will thus be due for the 2020 financial year (previous year: €13.3 million).

In January 2019, HSBC Trinkaus & Burkhardt AG raised further additional Tier 1 capital (AT1) in the form of a deeply subordinated bearer bond with unlimited maturity with a total notional amount of €200.0 million. The bond cannot be called by the issuer until 1 January 2025, and it features a fixed coupon that is adjusted every five years. The initial rate of interest is 5.04 %. Interest payments for the 2020 financial year stood at €10.1 million (previous year: €9.3 million).

HSBC Bank plc, London, which held 99.3 % of HSBC Trinkaus & Burkhardt AG's share capital at the end of the financial year and 100.0 % at the time the consolidated financial statements were prepared, fully subscribed and acquired both securities in the course of a private placement. In accordance with IFRS, it constitutes shareholders' equity in both cases.

The changes in value (including net loan impairment provision) vis-à-vis the amortised costs of the debt instruments reported in the item financial assets, after taking deferred taxes into account, are recognised in the valuation reserve for debt instruments recognised at fair value through other comprehensive income.

The changes in value vis-à-vis the acquisition costs of the equity instruments reported in the item financial assets, after taking deferred taxes into account, are recognised in the valuation reserve for debt instruments recognised at fair value through other comprehensive income.

The difference between the value forecast at the beginning of the year as at the balance sheet date and the actual value of the obligation or the plan assets calculated on the balance sheet date, after taking deferred taxes into account, are shown in the valuation reserve for the remeasurement of the net pension obligation.

The valuation reserve from currency conversion results from the consolidation of the real estate fund, the functional currency of which is the AUD.

Our capital management, which is geared towards the regulatory requirements, is also complemented by analysis of the economic capital requirement (Internal Capital Adequacy Assessment Process, ICAAP). ICAAP is based on the second pillar of the Basel capital requirements framework and fulfils the Minimum Requirements for Risk Management (MaRisk) stipulated by the Federal Financial Supervisory Authority (BaFin).

According to MaRisk, banks have to set up strategies and processes which ensure that enough internal capital is available to cover all main risks and that their risk-bearing capacity is permanently guaranteed as a result. ICAAP constitutes an integral part of risk management for us, which is embedded into the risk management process and is constantly being developed further.

The quarterly analysis and continuous monitoring of the risk-bearing capacity are based on an income statement/balance sheet approach and also cover types of risk that are not included in the regulatory requirements for the capital adequacy of banks (e.g. liquidity risk). As a result of the 2020 risk inventory, pension risk has no longer been quantified in the ICAAP since Q3 2020.

The calculation of the economic capital requirement and derivation of the aggregate risk cover is carried out for two different scenarios – going concern and liquidation scenario – which are completed by associated stress assessments. Within the scope of the stress assessment throughout the bank in the going concern scenario, the Bank takes an unusual but conceivable negative development of the global economy (for example, global economic collapse with a sharp decline in global trade or deterioration of the financial position of the public sector) and thus simulates the impact on specific quantifiable risks. Separate stress scenarios are defined for quantifiable risks that are not covered by the scenario and the impact analysed. In addition to these regular stress tests, the Bank conducts an inverted stress test once a year. This type of stress testing is related to the identification of results that could seriously threaten the Bank's own existence – in other words, that could potentially erode the aggregate risk cover of the going concern and/or liquidation scenario. Because of the current political situation, we have identified growing protectionism of countries outside the EU as a possible inverse stress scenario (going concern), which could put export-oriented companies in particular under pressure and devalue the Bank's loan portfolio. Given that a stress test with a focus on exports outside of the EU had posed a threat to the risk-bearing capacity in the liquidity scenario only under very unrealistic assumptions, a counter stress test was examined instead for the liquidity scenario. This crisis scenario concerned in particular companies that are heavily dependent on sales within the EU as well as European banks and countries. Besides a downgrade of the creditworthiness, increased correla-

tions and loss ratios were also modelled. The impact analysis of the inverse scenarios also takes compliance with the minimum capital ratios under Pillar I into account.

The theoretical methods and models for quantifying the economic capital requirement are at varying stages of development in the different types of risk.

In line with a conservative approach, diversification effects are not taken into consideration at the Bank at present.

We continue to adjust the calculation of the economic capital requirement to meet the growing challenges we face. The risk-bearing capacity is comprehensively analysed on a quarterly basis and is continuously updated. The underlying methods are discussed in detail in the Capital Working Group. The minutes of the Capital Working Group are forwarded to the ALCO and dealt with there. ICAAP is also discussed regularly in the Risk Committee of the Supervisory Board.

The Group's risk-bearing capacity is unchanged and its capitalisation adequate. As in the previous year, the minimum capitalisation requirements are met.

Valuation reserve for debt instruments recognised at fair value through other comprehensive income
The change in the valuation reserve for debt instruments recognised at fair value through other comprehensive income is as follows:

in €m	2020	2019
Net valuation reserve as at 01.01	**47.8**	**25.2**
Disposals/additions (gross)	4.9	17.3
Market fluctuations (gross)	12.3	13.2
Net loan impairment provision (gross)	4.6	0.2
Deferred taxes	−5.5	−8.1
Net valuation reserve as at 31.12	**64.1**	**47.8**

Valuation reserve for equity instruments recognised at fair value through other comprehensive income
The change in the valuation reserve for equity instruments recognised at fair value through other comprehensive income is as follows:

in €m	2020	2019
Net valuation reserve as at 01.01	**6.6**	**6.6**
Disposals/additions (gross)	−3.3	0.0
Market fluctuations (gross)	1.3	0.0
Deferred taxes	0.0	0.0
Net valuation reserve as at 31.12	**4.6**	**6.6**

The HSBC Trinkaus & Burkhardt Group meets its disclosure obligations pursuant to Pillar 3 through the disclosure made at Group level by HSBC Holdings plc, London (Article 6 (3) CRR). We refer in this respect to HSBC Group's publications under the heading Investor Relations on its website (www.hsbc.com).

Notes to the Consolidated Income Statement

43 Net Interest Income

in €m	2020	2019
Interest income	**316.7**	**336.1**
Interest income from financial assets measured at amortised cost	**205.8**	**247.9**
Interest income from the lending business and money market transactions	205.8	247.9
Interest income from the securities business	0.0	0.0
Interest income from financial instruments recognised as liabilities	**83.1**	**42.5**
Interest income from financial assets recognised at fair value through other comprehensive income	**22.8**	**29.3**
Interest income from the lending business and money market transactions	4.0	4.1
Interest income from the securities business	18.8	25.2
Other interest income	**1.9**	**11.7**
Interest income from other financial assets mandatorily recognised at fair value through profit or loss	**3.1**	**4.7**
Interest income from the lending business and money market transactions	0.0	0.0
Interest income from the securities business	3.1	4.7
Interest expense	**90.2**	**108.0**
Interest expense from financial liabilities measured at amortised cost	**36.4**	**71.5**
Interest expense from the deposit-taking business	21.8	55.6
Interest expense from the securities business (subordinated capital)	14.6	15.9
Interest expense from financial instruments carried as assets	**48.8**	**31.0**
Interest expense from hedge accounting	**2.6**	**0.7**
Interest expense from lease liabilities	**0.2**	**0.4**
Other interest expense	**2.2**	**4.4**
Net interest income	**226.5**	**228.1**

Net interest income came to €226.5 million (previous year: €228.1 million) and therefore decreased slightly by €1.6 million, or 0.7 %, in total.

In the customer lending business, we were able to improve net interest income from a product perspective compared to the previous year despite lower average volumes due to higher margins.

Net interest income from the deposit-taking business improved slightly over the previous year from a product perspective. We were able to pass on an additional proportion of the existing charges from the negative interest environment in the Eurozone to customers in all segments.

Net interest income from our financial assets has fallen significantly once again. In the 2020 market environment, it was once again only possible to replace bullet loans with those with significantly lower coupons while maintaining our strict rules on the asset quality and maintaining a comparable risk profile.

Net interest income from the management of the Bank’s interest rate and currency risk, which we report under other interest income in line with internal management, fell significantly compared to the previous year.

During the period under report, interest income from financial assets subject to impairment was recognised in the amount of €4.4 million (previous year: €3.1 million). Interest expense from financial instruments carried as assets included payments for negative interest rates for the balance on the Bundesbank account in the amount of €47.4 million (previous year: €29.8 million).

44 Net Loan Impairment Provision in the Lending and Securities Business

in €m	2020	2019
Additions	97.3	52.6
Reversals	15.2	7.5
Direct write-offs	2.0	0.0
Recoveries on loans and advances previously written off	0.4	0.0
Total	**83.7**	**45.1**

Expenses for net loan impairment provision in the lending and securities business amounted to €83.7 million (previous year: €45.1 million). The impairments on defaulted exposures incurred expenses from the creation of and additions to net loan impairment provision of €61.4 million and income from the reversal of net loan impairment of €15.2 million. The other lending and securities exposures resulted in a net addition to net loan impairment provision of €35.9 million through profit or loss.

45 Net Fee Income

in €m	2020	2019
Securities business	233.2	232.4
Foreign exchange trades	71.2	63.0
Asset management	70.9	76.9
Capital financing	61.8	27.5
Lending	35.8	25.3
Domestic/international payments	21.6	21.7
Other services	−0.5	6.3
Total	**494.0**	**453.1**

Net fee income rose by €40.9 million, or 9.0%, to €494.0 million (previous year: €453.1 million).

At €233.2 million, net fee income from the securities business was up by €0.8 million from the previous year's figure of €232.4 million. In particular in the business with equities and equity derivatives, higher fee income was achieved as a result of the increased transaction volume compared to the previous year, although this was also accompanied by higher fee expenses. Compared to the previous year, income from the referral of customer business to the HSBC Group and the result from the business with alternative investments declined. In the fee-based business with exchange rates, we recorded €71.2 million (previous year: €63.9 million), an increase of €8.2 million. This is due to the further increase in the volume traded.

Net fee income from asset management declined by €6.0 million to €70.9 million (previous year: €76.9 million) in what continued to be a highly

competitive environment. The previous year's result benefited from income from the outperformance of assets under our management, which was not possible to the same extent in 2020.

In capital financing, we were unable to match the previous years' positive results from equity- and debt-based corporate financing transactions. Net fee income increased significantly by €34.3 million to €61.8 million (previous year: €27.5 million). The increase was mainly due to a major acquisition transaction that we supported.

Net fee income in the lending business increased significantly by €10.5 million to €35.8 million (previous year: €25.3 million). The increase in net fee income from the lending business is related to the success in the business with corporate finance transactions.

The volume of domestic/international payments and documentary business remained practically unchanged compared to the previous year at €21.6 million (previous year: €21.7 million).

Provision income consists of the following:

in €m		PB & AM	CMB	GB & M	CC/ consolidation	Total
	31.12.2020	11.6	1.5	445.2	0.3	458.6
Income from securities business*	31.12.2019	12.3	5.8	394.4	0.4	412.9
	31.12.2020	82.0	2.9	-3.6	-0.2	81.1
Income from asset management*	31.12.2019	82.9	2.2	0.7	0.1	85.9
	31.12.2020	6.0	16.8	52.4	0.1	75.3
Income from foreign exchange trades	31.12.2019	6.8	15.6	45.6	0.2	68.2
	31.12.2020	2.2	32.8	6.3	0.0	41.3
Income from lending business*	31.12.2019	3.4	25.9	3.3	-0.1	32.5
	31.12.2020	0.0	11.9	52.6	-0.1	64.4
Income from capital financing	31.12.2019	0.0	4.6	24.0	-0.4	28.2
	31.12.2020	0.5	16.8	8.3	-0.1	25.5
Income from domestic/international payments	31.12.2019	0.6	16.2	8.2	0.0	25.0
	31.12.2020	0.0	1.1	1.7	0.2	3.0
Income from other services	31.12.2019	1.6	0.6	4.9	0.4	7.5
	31.12.2020	102.3	83.8	562.9	0.2	749.2
Total	31.12.2019	107.6	70.9	481.1	0.6	660.2

* Comparative figures adjusted; cf. disclosure in the notes on "Customer Groups".

46 Net Trading Income

in €m	2020	2019
Equities and equity-/index-linked derivatives	128.6	44.8
Bonds, money market transactions and interest rate derivatives	27.1	22.3
Foreign exchange	1.6	3.2
Hedge result	2.5	0.2
Derivatives held in the banking book	0.0	–0.1
Total	**159.8**	**70.4**

Net trading income increased significantly by €89.4 million to €159.8 million (previous year: €70.4 million).

Income generated from trading with equities and equity derivatives increased significantly by €83.8 million year on year to €128.6 million (previous year: €44.8 million). The high volatility on the stock markets in 2020 led to increased interest and thus significantly higher business volumes in investment certificates and trading products.

Net trading income from bonds, money market transactions and interest rate derivatives amounted to €27.1 million, which marks a year-on-year increase of €4.8 million against the backdrop of high market volatility (previous year: €22.3 million).

47 Net Profit from Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss

in €m	2020	2019
Bonds and other fixed-income securities	–2.3	4.2
Hybrid financial instruments	–1.1	3.3
Investment certificates	–0.6	1.3
Equities and other non-fixed-income securities	0.0	0.6
Investments	13.9	2.5
Total	**9.9**	**11.9**

Income generated from foreign exchange trading declined again in 2020 by €1.6 million to €1.6 million. The switching of foreign exchange trading to automated platforms continues to impact negatively on the margins.

Net profit from other financial assets mandatorily recognised at fair value through profit or loss stood at €9.9 million following €11.9 million in the previous year.

48 Gains and Losses from the Disposal of Assets Measured at Amortised Cost

In the year under review, losses from the disposal of financial assets measured at amortised cost amounted to €46,000 (previous year: €0.9 million).

49 Administrative Expenses

in €m	2020	2019
Staff expenses	378.6	387.4
Wages and salaries	315.9	319.4
Social security costs	39.8	39.9
Expenses for retirement pensions and other employee benefits	22.9	28.1
Other administrative expenses	216.8	192.7
Depreciation and amortisation	51.0	38.8
Total	**646.4**	**618.9**

Depreciation and amortisation include the following amounts:

in €m	2020	2019
Operating and office equipment	15.9	15.8
Land and buildings	1.7	1.7
Intangible assets	20.4	10.0
Rights of use	13.0	11.3
Total	**51.0**	**38.8**

We reported an increase of €27.5 million, or 4.4%, in administrative expenses to €646.4 million (previous year: €618.9 million).

At €378.6 million, personnel expenses improved by €8.8 million year on year (€387.4 million). Despite the high expenses in connection with our efficiency programme, the decline in the number of employees to an average of 2,995 in the financial year was noticeable (previous year period: 3,097), as was a decrease in variable remuneration.

Other administrative expenses rose from €192.7 million to €216.8 million despite savings achieved in various areas of the Group. The increase is due in particular to the transfer of further subprocesses to HSBC service units in line with the strategy and the associated settlement of services within the HSBC Group. Furthermore, the expenses for the bank levy increased again compared to the previous year.

Depreciation and amortisation on property, plant and equipment and intangible assets stood at €51.0 million and were €12.2 million higher year on year. The significant increase is mainly due to unscheduled amortisation of intangible assets in connection with our "Germany Transformation" programme announced in autumn 2020 and the initiated change to the IT infrastructure of the HSBC Group that this entailed.

50 Income from Financial Assets

Gains and losses from debt instruments recognised at fair value through other comprehensive income are reported in net income from financial assets. Income from financial assets stood at €18.8 million (previous year: €10.3 million) from the disposal of bonds under the "hold and sell" business model.

in €m	2020	2019
Bonds and other fixed-income securities	18.8	10.3
Promissory note loans	0.0	0.0
Investments	0.0	0.0
Total	**18.8**	**10.3**

51 Other Net Income

in €m	2020	2019
Other operating income	19.3	43.0
Other operating expenses	11.3	6.9
Other Net Operating Income	**8.0**	**36.1**
Other income	0.9	0.3
Other expenses	0.8	0.5
Other net income	**0.1**	**–0.2**
Net other income	**8.1**	**35.9**

Other net operating income stood at €8.0 million (previous year: €36.1 million). The significant decrease is mainly due to a one-off income from the sale of a property included in the previous year.

Other operating income stood at €0.1 million (previous year: €–0.2 million).

52 Tax Expenses

in €m	2020	2019
Current taxes	80.0	56.7
of which off-period	0.6	2.3
Deferred taxes from change in limited valuation differences	–22.5	–9.4
Deferred taxes from changes to the tax rates	0.0	0.0
Total	**57.5**	**47.3**

Income tax expense in the financial year amounted to €57.5 million (previous year: €47.3 million) and fell slightly compared to the previous year in line with the decline in earnings. This equates to a tax rate of 30.7% after 32.6% in the previous year.

The following table shows the relationship between income taxes derived from net profit for the year before taxes and the actual income tax reported:

in €m	2020	2019
Pre-tax profit	187.0	144.8
Tax rate (%)	31.4	31.4
Tax expenses derived from pre-tax profit	58.7	45.5
Tax rate differential on income proportions subject to taxation outside of Germany	0.0	–0.4
Effect from unused losses carried forward	0.2	–0.1
Taxes for previous years	0.2	2.9
Corporation tax modification	5.0	4.9
Trade tax modification	1.0	0.7
Tax-exempt income from investments	–1.2	–0.5
Temporary differences and losses for which no deferred taxes were recognised	–8.0	–7.9
Other	1.6	2.2
Reported taxation	**57.5**	**47.3**

53 Leases

The income statement contains the following amounts in connection with leases:

in €m	2020	2019
Income from the subletting of right-of-use assets	0.5	0.5
Write-down of rights of use	13.0	11.3
Interest expense for lease liabilities	0.2	0.4
Expenses for short-term leases	1.2	1.0
Expenses for leases involving low-value assets that are not contained in the aforementioned short-term leases	0.0	0.0
Expenses for variable lease payments	0.0	0.0

Income from the subletting of right-of-use assets is disclosed under other operating income. Interest expense for lease liabilities is disclosed under net interest income. All further expenses in connection with leases are disclosed under administrative expenses.

Total payments for lease liabilities amounted to €25.3 million (previous year: €15.8 million).

54 Income Statement by Measurement Category

The following overview represents the expenses and income from financial instruments broken down by measurement category pursuant to IFRS 9. Net trading income, net profit from other financial assets mandatorily recognised at fair value through profit or loss, gains and losses from the disposal of assets measured at amortised cost, net income from financial assets and net other income are net earnings indicators.

Measurement categories

31.12.2020 in €m	Measurement at amortised cost		Measurement at fair value through profit or loss*	Measurement at fair value through other comprehensive income		Total
	Cash reserve/ loans and advances to banks/ loans and advances to customers	Other liabilities/subordinated capital		(with recycling)	(without recycling)	
Net interest income						
Interest income	205.8	83.1	3.1	21.7	1.1	314.8
Interest expense	−48.8	−36.4	−2.6	0.0	0.0	−87.8
Net fee income						
Fee income	41.3	0.0	16.5	0.0	0.0	57.8
Fee and commission expenses	−5.5	0.0	−20.8	0.0	0.0	−26.3
Net trading income	0.0	0.0	170.5	−10.7	0.0	159.8
Net profit from other financial assets mandatorily measured at fair value through profit or loss	0.0	0.0	9.9	0.0	0.0	9.9
Gains and losses from the disposal of assets measured at amortised cost	0.0	0.0	0.0	0.0	0.0	0.0
Income from financial assets	0.0	0.0	0.0	18.8	0.0	18.8
Net other income	0.0	0.0	0.0	0.0	0.0	0.0
Net loan impairment provision in the lending and securities business**	−76.9	0.0	0.0	−4.6	0.0	−81.5
Total	**115.9**	**46.7**	**176.6**	**25.2**	**1.1**	**365.5**

* Including hedge accounting relationships
** Not including foreign currency effects

Measurement categories

31.12.2019 in €m	Measurement at amortised cost		Measurement at fair value through profit or loss*	Measurement at fair value through other comprehensive income		Total
	Cash reserve/loans and advances to banks/ loans and advances to customers	Other liabilities/subordinated capital		(with recycling)	(without recycling)	
Net interest income						
Interest income	247.9	42.5	4.7	28.0	1.3	324.4
Interest expense	–31.0	–71.5	–0.7	0.0	0.0	–103.2
Net fee income						
Fee income	32.5	0.0	14.2	0.0	0.0	46.7
Fee and commission expenses	–7.2	0.0	–6.6	0.0	0.0	–13.8
Net trading income	0.0	0.0	69.5	0.9	0.0	70.4
Net profit from other financial assets mandatorily measured at fair value through profit or loss	0.0	0.0	11.9	0.0	0.0	11.9
Gains and losses from the disposal of assets measured at amortised cost	–0.9	0.0	0.0	0.0	0.0	–0.9
Income from financial assets	0.0	0.0	0.0	10.3	0.0	10.3
Net other income	0.0	0.0	0.0	0.0	0.0	0.0
Net loan impairment provision in the lending and securities business**	–39.3	0.0	0.0	–0.2	0.0	–39.5
Total	**202.0**	**–29.0**	**93.0**	**39.0**	**1.3**	**306.3**

* Including hedge accounting relationships
** Not including foreign currency effects

55 Earnings per Share

	2020	2019
Adjusted net income in €m	114.0	82.1
Average number of shares in circulation in million	34.1	34.1
Earnings per share in €	**3.34**	**2.41**
Undiluted earnings per share in €	**3.34**	**2.41**

In adjusted net income, interest from Additional Tier 1 capital was deducted from net income in order to calculate the earnings per share attributable to the ordinary shareholders.

The Management Board proposes to the Annual General Meeting the distribution of a dividend of €4.00 per share (previous year: €0.00 per share).

Other Notes

56 Notes to the Cash Flow Statement

IAS 7 requires all companies to draw up a cash flow statement. However, the value of the information it provides, as part of the annual accounts of financial institutions, is relatively limited. It shows movements in cash and cash equivalents arising from additions and disposals in the Group over the course of the financial year.

The payment transactions of the financial year are classified in three different categories: operating, investing and financing activities.

The summary item "Other adjustments (net)" essentially comprises net changes to deferred taxes and the change in taxation recoverable, as well as tax expenses paid and interest and dividends received minus interest paid.

Cash and cash equivalents
As in the previous year, the cash and cash equivalents of €10,454.4 million (previous year: €5,731.5 million) correspond to the balance sheet item "cash reserve", which comprises cash in hand plus balances held with central banks. The cash and cash equivalents are denominated almost exclusively in euros. No major valuation effects resulting from exchange rates were to be taken into consideration.

Cash flow from operating activities
Consolidated cash flows from operating activities for the Group are presented according to the indirect method, which derives them from net profit for the year.

The Group's net profit after tax of €129.5 million (previous year: €97.5 million) is the starting point for the cash flow statement. The gross cash flow of €131.4 million reported as a subtotal (previous year: €12.1 million) shows the operating revenue surplus before any changes in working capital. The cash flows from operating activities also take into account the changes in funds employed in operations.

Cash flow from investing activities
Spending on the acquisition of property, plant and equipment totalled €46.5 million in the 2020 financial year (previous year: €46.2 million). The sale of property, plant and equipment realised €2.3 million (previous year: €1.5 million) for the Group. In the financial year under report, the sale and purchase of equity-linked financial investment instruments resulted in net payments received of €2.0 million (previous year: net payments received €0.3 million).

Cash flow from financing activities
Cash flow from financing activities includes the dividend of €0.0 million for the 2019 financial year paid by HSBC Trinkaus & Burkhardt AG in the year under report (previous year: €85.2 million). A distribution of €22.5 million was made to the HSBC Group to Additional Tier 1 (AT1) capital (previous year: €13.3 million).

The following tables show the portfolio-related development of Group financing.

in €m	Consolidated shareholders' equity	Subordinated capital
As at 1.1.2020	**2,488.6**	**551.3**
Cash flow from financing activities	–22.5	–33.7
Non-cash changes	128.4	13.3
Changes in basis of consolidation	0.0	0.0
Exchange rate adjustments	0.0	0.0
Other non-cash changes	128.4	13.3
Situation as at 31.12.2020	**2,594.5**	**530.9**

in €m	Consolidated shareholders' equity	Subordinated capital
As at 1.1.2019	**2,262.7**	**580.5**
Cash flow from financing activities	101.5	–43.6
Non-cash changes	124.4	14.4
Changes in basis of consolidation	0.0	0.0
Exchange rate adjustments	0.0	0.0
Other non-cash changes	124.4	14.4
Situation as at 31.12.2019	**2,488.6**	**551.3**

57 Customer Groups

The segment reporting prepared by HSBC Trinkaus & Burkhardt Group in accordance with IFRS 8 provides readers of the statements with information on the sources of profit, growth and risk within individual segments and regions, and should help them gain a more differentiated picture of the economic performance of a company. The segment reporting of the HSBC Trinkaus & Burkhardt Group is based on contributions to profits and lines of business accounting (LoB accounting) as key components of the Management Information System (MIS). Both controlling vehicles serve as the Bank's central management and controlling tools, reflecting the organisational structure of the HSBC Trinkaus & Burkhardt Group on a divisional basis.

The Bank is divided into the following segments: Private Banking & Asset Management (PB & AM), Commercial Banking (CMB), Global Banking & Markets (GB & M) and Corporate Centre/Consolidation (CC/Consolidation).

Commercial Banking is responsible for the business with corporate SME customers. Aside from lending and deposit products, we offer a comprehensive domestic and foreign payment transactions service (payments and cash management). We also provide sophisticated specialised services such as interest rate and currency management, as well as the international business in conjunction with HSBC Group.

In addition to the large international corporate customers and institutional customers, Global Banking & Markets also includes the Capital Financing and Markets activities, as well as HSBC Securities Services. Apart from the lending business and investment banking, Capital Financing mainly includes the origination function on the primary market, while Markets comprises the distribution and trading activities for capital market products on the secondary market. HSBC Securities Services comprises custody, clearing and custodian bank services, as well as being responsible for fund administration within the Group.

In addition to pure asset management and advisory services, Private Banking also includes special facilities such as advice on special asset structuring, execution of wills and Family Office services.

Asset Management comprises the development and distribution of fund and advisory concepts for institutional customers, corporate customers and financial intermediaries. Together with other HSBC Group Asset Management units, we offer a strong product range which competently covers all relevant asset classes.

In the Corporate Centre segment, we report the net result from other financial assets mandatorily measured at fair value through profit or loss as well as special effects from impairments or property sales. In addition, reconciliation items, which exist between the aggregate of the three core segment results and the total amount between the respective sub-categories of the income statement, are reported here.

Segment reporting by operating business division for 2020 and 2019 is as follows:

in €m		**PB & AM**	**CMB**	**GB & M**	**CC/Consolidation****	**Total**
Net interest income	2020	7.7	133.3	88.6	–3.1	226.5
	2019*	10.3	133.9	80.8	3.1	228.1
Net fee income	2020	97.9	71.4	324.7	0.0	494.0
	2019*	99.7	53.5	299.9	0.0	453.1
Net trading income	2020	2.5	4.4	146.5	6.4	159.8
	2019*	1.6	3.3	67.8	–2.3	70.4
Other net operating income	2020	–0.6	0.3	6.9	1.4	8.0
	2019	1.8	3.1	12.2	19.0	36.1
Gains and losses from the disposal of financial assets measured at amortised cost	2020	0.0	0.0	0.0	0.0	0.0
	2019	0.0	–0.8	–0.2	0.1	–0.9
Operating revenues	2020	107.5	209.4	566.7	4.7	888.3
	2019*	113.4	193.0	460.5	19.9	786.8
Net loan impairment provision in the lending and securities business	2020	0.6	72.3	10.8	0.0	83.7
	2019	0.1	44.3	0.5	0.2	45.1
Administrative expenses	2020	94.3	128.8	396.1	27.2	646.4
	2019*	99.0	114.7	394.5	10.7	618.9
Operating result	2020	12.6	8.3	159.8	–22.5	158.2
	2019*	14.3	34.0	65.5	9.0	122.8
Net profit from other financial assets mandatorily recognised at fair value through profit or loss	2020	0.0	0.0	0.0	9.9	9.9
	2019	0.0	0.0	0.0	11.9	11.9
Income from financial assets	2020	2.8	5.6	13.5	–3.1	18.8
	2019*	2.0	3.8	9.1	–4.6	10.3
Other net income	2020	0.0	0.0	0.0	0.1	0.1
	2019	0.0	0.0	0.0	–0.2	–0.2
Pre-tax profit	2020	15.4	13.9	173.3	–15.6	187.0
	2019*	16.3	37.8	74.6	16.1	144.8
Income tax	2020	5.3	4.8	59.9	–12.5	57.5
	2019*	5.6	13.1	25.8	2.8	47.3
Net profit	**2020**	**10.1**	**9.1**	**113.4**	**–3.1**	**129.5**
	2019*	**10.7**	**24.7**	**48.8**	**13.3**	**97.5**

* Comparative figures adjusted.
** No material consolidation effects were recorded in the year under report.

Business performance in 2020 was largely shaped by the COVID-19 pandemic and the resulting negative impact on the global economy, but also by the associated business opportunities. The difficult economic situation confronts many companies with real challenges, as reflected in a corresponding rise in net loan impairment provision requirements. At the same time, however, the turbulence on the global capital markets also led to a significant increase in our customers' activities on the capital markets, which had a very positive impact on the Bank's revenues. Nevertheless, the intensity of competition and the pressure this exerts on margins remain high. Negative interest rates in the Eurozone, as well as the significant reduction in US-dollar money market interest rates, continue to put pressure on margins in the deposit-taking business. The improvement in results achieved despite these challenging conditions is evidence of the balance and stability of the Bank's diversified business model.

While the Global Private Banking & Asset Management customer group was able to almost repeat the previous year's result, the higher allocation to net loan impairment provision in the Commercial Banking segment meant that the previous year's result was missed by a clear margin. On the other hand, Global Banking and Market succeeded in doubling the previous year's result. The Corporate Centre segment mainly includes the valuation gains from assets of the Bank measured at fair value through profit or loss and, in the previous year, the proceeds from the sale of a property from a consolidated closed-end real estate fund. In line with the changed presentation in the HSBC Group, the results of money market trading for 2020 and retrospectively for the previous year were removed from the Corporate Centre/Consolidation segment and reallocated to the Bank's Customer Groups. This led to high earnings in the core segments, particularly in net income from financial investments, which resulted from the successful positioning of money market trading during the market turbulence caused by the COVID-19 pandemic in the first quarter of 2020.

The Global Banking and Markets segment benefited from the favourable capital market environment as a result of higher volatility in the markets and increased customer activity, and was able to improve its revenues year on year, particularly in customer-related trading business with equity derivatives. The fee-based business from investment banking and the associated lending transactions as well as from the transaction business with custody clients also developed very successfully. Net interest income also grew, both in the lending business and through the increasing passing on of negative credit interest to our customers in the deposit business. Due to the pleasing revenue development, the significant increase in net loan impairment provision was more than compensated for. By contrast, it was not possible to repeat the previous year's high results from fixed income and alternative investment business.

The Commercial Banking division was able to significantly increase its operating revenues compared to the previous year. This was driven in particular by the fee-based business. However, the revenue increases from fees in investment banking and lending transactions based on these, as well as from foreign exchange and precious metal transactions, were not sufficient to offset the high new allocations to the net loan impairment provision in 2020.

The Global Private Banking & Asset Management segment fell only slightly short of its previous year's results. Revenue growth resulted from the implementation of money market trading, which was very successful in 2020, in the customer groups as well as from alternative investment transactions as a result of the change in revenue distribution from the second half of 2020 in favour of Asset Management in line with the revenue statement in the HSBC Group. This revenue split at the expense of Global Banking & Markets in favour of Global Private Banking & Asset Management was also made retroactively for the second half of 2019 to ensure comparability of the results. Revenue declines were mainly recorded in the lending business and in asset management, which was able to collect an outperformance fee in the previous year. The initial success of the efficiency programme launched in 2019 and continued in 2020 was seen in the decline in administrative expenses.

The increase in administrative expenses in the Bank as a whole and in almost all of the Bank's segments is mainly due to the efficiency programme for the Bank, which was started in 2019 and will be increasingly continued in the second half of 2020.

		PB & AM	CMB	GB & M	CC/ Consolida-tion**	Total	Adjust-ments	As at the balance sheet date
Cost/efficiency ratio in %	2020	85.5	59.9	68.3	0.0	70.5	0.0	70.5
	2019*	85.8	58.3	84.0	0.0	76.5	0.0	76.5
Assets* in €m	2020	530.7	6,314.2	9,259.0	14,964.4	31,068.3	–1,601.3	29,467.0
	2019	578.3	6,797.7	7,860.5	11,966.6	27,203.1	–610.3	26,592.8
Liabilities* in €m	2020	2,647.7	5,966.2	14,442.0	5,480.3	28,536.2	–1,663.7	26,872.5
	2019	2,817.9	4,492.4	12,293.5	5,171.7	24,775.5	–671.3	24,104.2
Risk-weighted assets* in €m	2020	472.4	7,826.5	6,247.5	1,222.2	15,768.6	–377.7	15,390.9
	2019	588.5	8,277.4	6,839.9	1,051.5	16,757.3	–860.1	15,897.2
Attributable shareholders' equity in €m	2020	111.4	1,203.4	964.6	252.7	2,532.1	62.4	2,594.5
	2019	123.0	1,187.1	984.4	171.8	2,466.3	22.3	2,488.6
Employees	2020	438	578	1,875	20	2,911	0	2,911
	2019*	478	581	2,002	22	3,083	0	3,083
Return on equity before taxes in %	2020	13.8	1.2	18.0	0.0	7.7	0.0	7.7
	2019*	13.3	3.2	7.6	0.0	5.9	0.0	5.9

* Comparative figures adjusted.
** No material consolidation effects were recorded in the year under report.

Assets, liabilities and items for mandatory inclusion are based on the average values of the Bank's management information system. The differences with respect to the values on the reporting date as at year-end are shown in the adjustments column.

The cost/efficiency ratio is a measure of the segments' cost efficiency and reveals the ratio of total administration expenses to income before net loan impairment and other credit risk provisions. The notable improvement in this key figure for the Bank as a whole, despite higher personnel and operating expenses, is mainly due to revenue growth in the Global Banking and Markets segment. While the Global Private Banking & Asset Management segment was able to slightly improve its cost-efficiency ratio, the cost-income ratio in Commercial Banking deteriorated slightly despite high revenue growth due to the higher percentage increase in administrative expenses.

The capital resources of the business segments are made up of a base amount which is allocated to each segment, plus a premium calculated according to the level of risk items for mandatory inclusion.

The assignment of assets, liabilities, risk assets and balance sheet equity follows the assignment of customers to each segment according to the Bank's management information system.

In line with the Bank's strategy of focusing on qualitative business growth, risk positions were reduced in all core segments of the bank as well as in the Bank as a whole.

The results of the various companies' activities, which are classified geographically, are illustrated below. Segment allocation is determined by the registered office of the respective Group company.

in €m		Germany	Luxembourg	Remainder	Total
Pre-tax profit	2020	187.8	−0.8	0.0	187.0
	2019	144.3	0.5	0.0	144.8

Non-current segment assets amount to €220.0 million in the reporting year (previous year: € 223.5 million) and, as in the previous year, is allocated exclusively to the Germany region.

58 Measurement Categories

The following tables provide an overview of the measurement categories in the respective balance sheet item:

Assets as at 31.12.2020 in €m

Measurement categories	Measurement at amortised cost	Measurement at fair value through profit or loss	Measurement at fair value through other comprehensive income		Total
			with recycling	without recycling	
Cash reserve	10,454.4	0.0	0.0	0.0	10,454.4
Loans and advances to banks	1,567.5	0.0	0.0	0.0	1,567.5
Loans and advances to customers	8,516.8	0.0	0.0	0.0	8,516.8
Trading assets	0.0	2,639.0	0.0	0.0	2,639.0
Positive market values from derivative financial instruments	0.0	1,713.3	0.0	0.0	1,713.3
Other financial assets mandatorily recognised at fair value through profit or loss	0.0	84.4	0.0	0.0	84.4
Financial assets	0.0	0.0	4,025.7	24.9	4,050.6
Other financial instruments	49.4	0.0	0.0	0.0	49.4
Total financial instruments	**20,588.1**	**4,436.7**	**4,025.7**	**24.9**	**29,075.4**

Liabilities as at 31.12.2020 in €m

Measurement categories	Measurement at a mortised cost	Measurement at fair value through profit or loss	Total
Deposits by banks	4,303.6	0.0	4,303.6
Customer accounts*	18,131.6	0.0	18,131.6
Trading liabilities	0.0	1,902.8	1,902.8
Negative market values from derivative financial instruments	0.0	1,414.5	1,414.5
Subordinated capital	530.9	0.0	530.9
Other financial instruments	**117.7**	**0.0**	**117.7**
Total financial instruments	**23,083.8**	**3,317.3**	**26,401.1**

** Our customers' deposits are used in part to refinance our trading divisions. Customer accounts include transactions with a book value of € 35.0 million shown within the scope of the hedge accounting.

Assets as at 31.12.2019 in €m

Measurement categories	Measurement at amortised cost	Measurement at fair value through profit or loss	Measurement at fair value through other comprehensive income		Total
			with recycling	without recycling	
Cash reserve	5,731.5	0.0	0.0	0.0	5,731.5
Loans and advances to banks	1,987.0	0.0	0.0	0.0	1,987.0
Loans and advances to customers*	10,866.5	0.0	0.0	0.0	10,866.5
Trading assets	0.0	2,801.9	0.0	0.0	2,801.9
Positive market values from derivative financial instruments	0.0	1,164.2	0.0	0.0	1,164.2
Other financial assets mandatorily recognised at fair value through profit or loss	0.0	120.9	0.0	0.0	120.9
Financial assets	0.0	0.0	3,485.7	23.7	3,509.4
Other financial instruments	51.3	0.0	0.0	0.0	51.3
Total financial instruments	**18,636.3**	**4,087.0**	**3,485.7**	**23.7**	**26,232.7**

Liabilities as at 31.12.2019 in €m

Measurement categories	Measurement at amortised cost	Measurement at fair value through profit or loss	Total
Deposits by banks	2,608.1	0.0	2,608.1
Customer accounts**	17,650.8	0.0	17,650.8
Trading liabilities	0.0	1,793.8	1,793.8
Negative market values from derivative financial instruments	0.0	1,070.0	1,070.0
Subordinated capital	551.3	0.0	551.3
Other financial instruments	**85.7**	**0.0**	**85.7**
Total financial instruments	**20,895.9**	**2,863.8**	**23,759.7**

* Loans and advances to customers include transactions with a book value of € 30.1 million shown within the scope of the hedge accounting.
** Our customers’ deposits are used in part to refinance our trading divisions. Customer accounts include transactions with a book value of € 36.4 million shown within the scope of the hedge accounting.

59 Remaining Maturities of Financial Instruments

The residual terms of non-derivative financial instruments are derived as follows:

in €m		<1 month	1–3 months	3–12 months	1–5 years	>5 years*	Total
Loans and advances to banks	**31.12.2020**	**1,469.4**	**7.9**	**15.2**	**46.5**	**28.5**	**1,567.5**
	31.12.2019	1,820.2	41.8	40.4	11.7	72.9	1,987.0
Loans and advances to customers	**31.12.2020**	**2,930.5**	**1,484.6**	**875.1**	**2,730.8**	**495.8**	**8,516.8**
	31.12.2019	4,263.9	1,689.4	1,029.2	2,454.4	1,429.6	10,866.5
Bonds and other fixed-income securities and tradable receivables of the trading assets	**31.12.2020**	**51.2**	**34.1**	**239.5**	**835.2**	**652.9**	**1,812.8**
	31.12.2019	48.7	45.5	100.4	944.0	836.6	1,975.2
Bonds and other fixed-income securities and promissory note loans of the financial assets	**31.12.2020**	**117.6**	**30.4**	**133.6**	**1,738.3**	**2,005.8**	**4,025.7**
	31.12.2019	94.2	71.2	328.2	1,126.7	1,865.4	3,485.7
Bonds and other fixed-income securities and promissory note loans of other financial assets mandatorily recognised at fair value through profit or loss	**31.12.2020**	**12.6**	**0.0**	**0.0**	**6.6**	**18.7**	**37.9**
	31.12.2019	29.1	0.0	2.2	0.0	30.8	62.1
Total	**31.12.2020**	**4,581.5**	**1,557.0**	**1,263.4**	**5,357.3**	**3,201.7**	**15,960.8**
	31.12.2019	**6,256.1**	**1,847.9**	**1,500.4**	**4,536.8**	**4,235.3**	**18,376.5**

* Compared to the previous year, we have adjusted the last two maturity bands with regard to the time period in order to create a uniform presentation to the disclosures in the risk report.

in €m		<1 month	1–3 months	3–12 months	1–5 years	>5 years*	Total
Deposits by banks	**31.12.2020**	**1,204.2**	**26.0**	**85.6**	**2,673.6**	**314.2**	**4,303.6**
	31.12.2019	519.3	193.1	387.7	1,039.0	469.0	2,608.1
Customer accounts	**31.12.2020**	**17,779.9**	**266.4**	**44.5**	**3.4**	**37.4**	**18,131.6**
	31.12.2019	16,805.2	696.1	108.7	0.0	40.8	17,650.8
Promissory note loans, bonds, certificates and warrants of the trading liabilities	**31.12.2020**	**387.8**	**141.7**	**504.8**	**604.8**	**241.8**	**1,880.9**
	31.12.2019	279.2	175.7	600.3	175.3	543.1	1,773.6
Lease liabilities	**31.12.2020**	**1.4**	**2.6**	**12.0**	**51.6**	**33.5**	**101.1**
	31.12.2019	1.3	2.6	11.5	25.4	8.9	49.7
Subordinated capital	**31.12.2020**	**95.9**	**0.0**	**40.0**	**35.0**	**360.0**	**530.9**
	31.12.2019	7.3	0.0	109.0	60.0	375.0	551.3
Total	**31.12.2020**	**19,469.1**	**436.7**	**686.9**	**3,368.3**	**986.9**	**24,948.0**
	31.12.2019	**17,612.3**	**1,067.5**	**1,217.2**	**1,299.7**	**1,436.8**	**22,633.5**

60 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 towards representative market participants, the fair value must abstract from an undertaking's individual assumptions. After determining the object to be assessed, which is the equivalent of 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 most 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.

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.

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 whose input parameters originate in active markets.

The necessary measure of subjective measurement and assessment by 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. Remeasurements of the fair value are undertaken in the HSBC Trinkaus & Burkhardt Group if value-adjusting circumstances occur that might lead market participants to expect they were included in the determination of the fair value but are not taken into account directly in the valuation model. When calculating adequate remeasurements, the Group uses procedures that take into account factors such as bid / ask spreads, counterparty risk, own credit or financing risk. These remeasurements are not calculated on the basis of individual transactions but on a net basis in accordance with the steering committee.

Remeasurements of the fair value to take counterparty risks into consideration (credit valuation adjustment, CVA) are undertaken for OTC derivatives, in order to take into account the default probability of our contractual partner.

Remeasurements of the fair value to take into consideration the risk that HSBC Trinkaus & Burkhardt defaults as a contractual party (debit valuation adjustment, DVA) are also undertaken for OTC derivatives, to take into account the probability of the Bank's default.

Funding fair value adjustments (FFVA) are necessary to take into account the funding costs implied by the market when measuring the unsecured derivative position at fair value.

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

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

Product Control carries out the following controls:

- 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.

Product 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 2019.

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

31.12.2020	**Level 1**	**Level 2**	**Level 3**	**Total**
in €m				
Assets				
Trading assets	**823.2**	**1,812.8**	**3.0**	**2,639.0**
Bonds and other fixed-income securities	0.0	647.5	0.0	647.5
Equities and other non-fixed-income securities	823.2	0.0	3.0	826.2
Tradable receivables	0.0	1,165.3	0.0	1,165.3
Positive market values of derivative financial instruments	**526.0**	**1,186.6**	**0.7**	**1,713.3**
Positive market value of derivatives	526.0	1,182.9	0.7	1,709.6
of which interest rate transactions	0.0	262.1	0.0	262.1
of which foreign-exchange-based transactions	0.0	863.4	0.7	864.1
of which equity-/index-related transactions	526.0	0.1	0.0	526.1
of which commodity-related transactions	0.0	57.3	0.0	57.3
Derivatives in hedging relationships	0.0	3.7	0.0	3.7
Financial assets	1.2	4,049.4	0.0	4,050.6
Bonds and other fixed-income securities	**0.0**	**3,950.6**	**0.0**	**3,950.6**
Promissory note loans	0.0	75.1	0.0	75.1
Investments	1.2	23.7	0.0	24.9
Other financial assets mandatorily recognised at fair value through profit or loss	16.9	50.6	16.9	84.4
Bonds and other fixed-income securities	**0.0**	**31.3**	**6.6**	**37.9**
Equities and other non-fixed-income securities	0.0	0.0	0.0	0.0
Investment certificates	1.1	0.0	0.0	1.1
Hybrid financial instruments	0.0	19.3	0.0	19.3
Investments	15.8	0.0	10.3	26.1
Liabilities				
Trading liabilities	**0.0**	**1,885.9**	**16.9**	**1,902.8**
Promissory note loans	0.0	260.8	0.0	260.8
Bonds	0.0	510.1	0.0	510.1
Certificates and warrants	0.0	1,093.1	16.9	1,110.0
Delivery obligations arising from securities sold short	0.0	21.9	0.0	21.9
Negative market values from derivative financial instruments	**93.3**	**1,320.5**	**0.7**	**1,414.5**
Negative market value of derivatives	93.3	1,269.3	0.7	1,363.3
of which interest rate transactions	0.0	232.7	0.0	232.7
of which foreign-exchange-based transactions	0.0	979.2	0.7	979.9
of which equity-/index-related transactions	93.3	0.1	0.0	93.4
of which commodity-related transactions	0.0	57.3	0.0	57.3
Derivatives in hedging relationships	0.0	51.2	0.0	51.2

31.12.2019	Level 1	Level 2	Level 3	Total
in €m				
Assets				
Trading assets	**823.5**	**1,975.2**	**3.1**	**2,801.9**
Bonds and other fixed-income securities	0.0	853.4	0.0	853.4
Equities and other non-fixed-income securities	823.5	0.0	3.1	826.7
Tradable receivables	0.0	1,121.8	0.0	1,121.8
Positive market values of derivative financial instruments	**190.3**	**972.2**	**1.7**	**1,164.2**
Positive market value of derivatives	190.3	968.3	1.7	1,160.3
of which interest rate transactions	0.0	302.4	0.0	302.4
of which foreign-exchange-based transactions	0.0	646.7	1.7	648.4
of which equity-/index-related transactions	190.3	0.4	0.0	190.7
of which commodity-related transactions	0.0	18.8	0.0	18.8
Derivatives in hedging relationships	0.0	3.9	0.0	3.9
Derivatives held in the banking book	0.0	0.0	0.0	0.0
Financial assets	**10.8**	**3,498.6**	**0.0**	**3,509.4**
Bonds and other fixed-income securities	0.0	3,405.1	0.0	3,405.1
Promissory note loans	0.0	80.6	0.0	80.6
Investments	10.8	12.9	0.0	23.7
Other financial assets mandatorily recognised at fair value through profit or loss	**10.2**	**90.1**	**20.6**	**120.9**
Bonds and other fixed-income securities	0.0	55.5	6.6	62.1
Equities and other non-fixed-income securities	0.0	0.0	0.0	0.0
Investment certificates	7.3	0.0	0.0	7.3
Hybrid financial instruments	0.0	34.6	0.0	34.6
Investments	2.9	0.0	14.0	16.9
Liabilities				
Trading liabilities	**0.0**	**1,778.6**	**15.2**	**1,793.8**
Promissory note loans	0.0	260.9	0.0	260.9
Bonds	0.0	553.9	2.3	556.2
Certificates and warrants	0.0	943.6	12.9	956.5
Delivery obligations arising from securities sold short	0.0	20.2	0.0	20.2
Negative market values from derivative financial instruments	**145.8**	**922.5**	**1.7**	**1,070.0**
Negative market value of derivatives	145.8	892.7	1.7	1,040.2
of which interest rate transactions	0.0	232.9	0.0	232.9
of which foreign-exchange-based transactions	0.0	639.4	1.7	641.1
of which equity-/index-related transactions	145.8	1.6	0.0	147.4
of which commodity-related transactions	0.0	18.8	0.0	18.8
Derivatives in hedging relationships	0.0	29.8	0.0	29.8
Derivatives held in the banking book	0.0	0.0	0.0	0.0

The measurement models and parameters for derivatives and certificates (Level 2) are derived from the following overview. The measurement of other transactions in Level 2 is by means of the present value method.

Product class	Product	Valuation model	Key measurement parameters
Equity products	Futures	Analytical formula	Price of the underlying instrument, interest rates
	European Plain vanilla options	Black-Scholes	Price of the underlying instrument, interest rates, volatility, dividend payments
	American Plain vanilla options	Finite Differences	Price of the underlying instrument, interest rates, volatility, dividend payments
	European quanto options	Black-Scholes	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	American quanto options	Finite Differences	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	Barrier options	Analytical formula	Price of the underlying instrument, interest rates, volatility, dividend payments
	Asian options	Analytical formula	Price of the underlying instrument, interest rates, volatility, dividend payments
	Multi-underlying options	Numerical method	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	Knock-out certificates	Analytical formula	Price of the underlying instrument, interest rates, volatility, dividend payments
	Index certificates	Black-Scholes	Price of the underlying instrument, dividend payments
	Discount certificates	Black-Scholes	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	Bonus certificates	Analytical formula	Price of the underlying instrument, interest rates, volatility, dividend payments
	Express certificate	Numerical method	Price of the underlying instrument, interest rates, volatility, dividend payments
	Basket certificates	Analytical formula	Price of the underlying instrument, dividend payments
	Factor certificates	Analytical formula	Price of the underlying instrument, interest rates
Interest rate products	Plain vanilla swaps	Present value method	Interest rates
	Exotic swaps	Analytical formula	Interest rates, volatility
	Plain vanilla swaptions	Analytical formula	Interest rates, volatility
	Exotic swaptions	Tree model	Interest rates, volatility
	Plain vanilla caps, floors, collars	Black-Scholes	Interest rates, volatility
	Futures	Present value method	Interest rates
	Factor certificates	Analytical formula	Price of the underlying instrument, interest rates
	Knock-out certificates	Analytical formula	Price of the underlying instrument, interest rates
Currency products	Plain vanilla options	Black-Scholes	Price of the underlying instrument, interest rates, volatility
	Exotic options	Black-Scholes	Price of the underlying instrument, interest rates, volatility, correlation Correlations
	Forward currency contracts	Present value method	Price of the underlying instrument, interest rates
	FX swaps	Present value method	Price of the underlying instrument, interest rates
	Knock-out certificates	Analytical formula	Price of the underlying instrument, interest rates
Commodity products	Plain vanilla options	Black-Scholes	Price of the underlying instrument, interest rates, volatility
	Factor certificates	Analytical formula	Price of the underlying instrument, interest rates
	Exotic options	Black-Scholes	Price of the underlying instrument, interest rates, volatility

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), as parameters for the correlation between the underlying and the foreign currency are not quoted on the market, and options, the measurement of which depends significantly on unobservable volatilities.

In addition, we classify illiquid equity investments and certificates that have illiquid equity instruments as underlyings under Level 3. Financial instruments that are measured using measurement models but in relation to which the counterparty's probability of default is not observable on the market as a significant measurement parameter are also attributed to Level 3.

	Assets			Liabilities					
31.12.2020	**Fair value of trading assets (in €m)**	**Fair value of other financial assets that must be measured at fair value through profit or loss (in €m)**	**Fair value of positive market values from derivative financial instruments (in €m)**	**Fair value of trading assets (in €m)**	**Fair value of negative market values from derivative financial instruments (in €m)**	**Valuation method**	**Significant unobservable parameters (Level 3)**	**Uncertainty interval margin (in €m)**	**Range of estimates for unobservable input factors**
Illiquid equity instruments/ private equity certificates	3.0			3.0		Modified asset value method	–	– 0.1 to 0.1	– 5% to 5% price change
FX options			0.7		0.7	Analytical Black-Scholes approach	FX volatility	– 0.1 to 0.1	95% confidence interval relating to the average prices for non-observable volatilities
Illiquid debt instruments		6.6				Present value method	Credit spread	– 0.1 to 0.1	– 10% to 10% credit spread change
Illiquid equity instruments		10.3				Modified asset value method	–	– 0.5 to 0.5	– 5% to 5% price change
Currency hedged certificates				13.9		Analytical Black-Scholes approach	Correlation between underlyings	0.0 to 0.0	– 58% to 25% (– 7%)

31.12.2019	Assets			Liabilities					
	Fair value of trading assets (in €m)	Fair value of other financial assets that must be measured at fair value through profit or loss (in €m)	Fair value of positive market values from derivative financial instruments (in €m)	Fair value of trading assets (in €m)	Fair value of negative market values from derivative financial instruments (in €m)	Valuation method	Significant unobservable parameters (Level 3)	Uncertainty interval margin (in €m)	Range of estimates for unobservable input factors
Illiquid equity instruments/ private equity certificates	3.1			3.1		Modified asset value method	–	0.0 to 0.0	– 5% to 5% price change
FX options			1.7		1.7	Analytical Black-Scholes approach	FX volatility	0.1 to 0.1	95% confidence interval relating to the average prices for non-observable volatilities
Illiquid debt instruments		6.6				Present value method	Credit spread	– 0.1 to 0.1	– 10 to 10% credit spread change
Illiquid equity instruments		14.0				Modified asset value method	–	– 0.7 to 0.7	– 5% to 5% price change
Volatility-dependent options				2.3		Analytical Black-Scholes approach	Volatility	– 0.0 to 0.0	14% to 18% (16%)
Currency hedged certificates				9.8		Analytical Black-Scholes approach	Correlation between underlyings	0.0 to 0.0	– 44% to 25% (– 1%)

The uncertainty interval margin for correlation-dependent currency-hedged certificates that require a correlation that is not observable on the market is calculated by shifting the estimated correlations by +/–10%. The uncertainty interval margin for volatility-dependent options is derived from the shift in the volatility of the underlying. The deflection of the volatility is up to +/–2%.

The estimate range for non-derivative financial instruments is derived by changing the credit spread by +/–10%.

If FX volatility is unobservable for FX options, we derive the range of the uncertainty interval by applying a confidence interval of 95% to the available average prices.

The portfolio of Level 3 financial instruments developed as follows in the year under report:

	Assets			Liabilities	
in €m	**Trading Assets**	**Other financial assets mandatorily recognised at fair value through profit or loss**	**Positive market values from derivative financial instruments**	**Trading liabilities**	**Negative market values from derivative financial instruments**
01.01.2020	**3.1**	**20.6**	**1.7**	**15.2**	**1.7**
Changes in the carrying amount					
recognised in the income statement	−0.1	0.9	−1.1	3.5	−1.1
recognised directly in equity	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.0	0.0	0.0
Issuance	0.0	0.0	0.0	5.5	0.0
Sales	0.0	4.4	0.0	0.0	0.0
Maturities/repayments	0.0	0.2	0.0	7.3	0.0
Transfers to Level 3	0.0	0.0	0.2	0.0	0.2
Transfers out of Level 3	0.0	0.0	0.1	0.0	0.1
31.12.2020	**3.0**	**16.9**	**0.7**	**16.9**	**0.7**

	Assets			Liabilities	
in €m	**Trading Assets**	**Other financial assets mandatorily recognised at fair value through profit or loss**	**Positive market values from derivative financial instruments**	**Trading Liabilities**	**Negative market values from derivative financial instruments**
01.01.2019	**10.8**	**18.5**	**1.2**	**29.2**	**1.2**
Changes in the carrying amount					
recognised in the income statement	−0.9	2.3	0.0	−2.7	0.0
recognised directly in equity	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.1	3.6	0.1
Issuance	0.0	0.0	0.0	5.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0
Maturities / repayments	6.8	0.2	0.9	19.9	0.9
Transfers to Level 3	0.0	0.0	1.6	0.0	1.6
Transfers out of Level 3	0.0	0.0	0.3	0.0	0.3
31.12.2019	**3.1**	**20.6**	**1.7**	**15.2**	**1.7**

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.

Derivatives with positive and negative market values of € 0.2 million respectively (previous year: € 1.6 million) were transferred out of Level 2 to Level 3 in the same period. By the same token, derivatives with positive and negative market values of € 0.1 million respectively (previous year: € 0.3 million) were transferred out of Level 3 to Level 2 in the same period.

Due to the short maturities as well as fixed-interest periods for large parts of the loans and advances and 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	31.12.2020		31.12.2019	
	Book value	Fair value	Book value	Fair value
Assets				
Loans and advances to banks (gross)	1,567.7	1,567.9	1,987.2	1,987.5
Loans and advances to customers (gross)	8,621.6	8,637.1	10,919.8	11,079.4
Liabilities				
Deposits by banks	4,303.6	4,300.6	2,608.1	2,594.7
Customer accounts	18,131.6	18,132.7	17,650.8	17,653.7
Subordinated capital	530.9	542.8	551.3	571.9

The fair value of these items is calculated using the present value method. These items are allocated to Level 3 as the credit spread changes are not regularly observable on the market. Contingent liabilities amount to € 2,974.5 million (previous year: € 3,057.9 million) and irrevocable loan commitments amount to € 11,303.6 million (previous year: € 10,099.8 million).

61 Day-1 Profit or Loss

Financial instruments 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 year under report:

in €m	2020	2019
As at 01.01	**0.0**	**0.3**
New business	0.0	0.0
Day-1 profit or loss recognised through profit or loss	0.0	–0.3
of which positions closed out	0.0	0.0
of which matured transactions	0.0	–0.3
of which observable market parameters	0.0	0.0
As at 31.12	**0.0**	**0.0**

62 Offsetting of Financial Assets and Financial Liabilities

The offsettable financial assets or those that are subject to an enforceable netting framework agreement or similar agreement are calculated as follows:

					Amounts not offset in the balance sheet		
in €m		Financial assets (gross)	Offset reported amounts (gross)	Financial assets reported in the balance sheet (net)	Financial instruments	Cash collateral	Net amount
31.12.2020	Derivatives	1,713.3	0.0	1,713.3	524.4	323.5	865.4
31.12.2019	Derivatives	1,164.2	0.0	1,164.2	332.1	43.8	788.3

The offsettable financial liabilities or those that are subject to an enforceable netting framework agreement or similar agreement are calculated as follows:

					Amounts not offset in the balance sheet		
in €m		Financial liabilities (gross)	Offset reported amounts (gross)	Financial liabilities reported in the balance sheet (net)	Financial instruments	Cash collateral	Net amount
31.12.2020	Derivatives	1,414.5	0.0	1,414.5	524.4	256.9	633.2
31.12.2019	Derivatives	1,070.0	0.0	1,070.0	332.1	20.5	717.4

We did not offset claims and liabilities in connection with our repurchase agreement and securities lending transactions (cf. Note "Repurchase Agreements and Securities Lending").

63 Holdings in Foreign Currency

As at 31 December 2020, assets denominated in foreign currency amount to € 3,827.4 million (previous year: € 4,715.4 million) and irrevocable loan commitments amount to € 6,186.7 million (previous year: € 5,576.9 million). As in the previous year, the bulk of these assets and liabilities were in US dollars.

64 Derivatives Business

We chiefly employ derivative financial instruments in our business with customers. We assess the resultant open items individually in order to deploy them in such a way as to generate profits. In reporting on transactions with derivatives in accordance with section 36 of the German Accounting Directive for Bank and Financial Services Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV), the Bank follows the recommendations of the Accounting Committee of the German Federal Association of Banks (Bundesverband deutscher Banken e. V. – BdB). In accordance with the international standard, the market values stated represent the replacement costs attributable to trading activities that could arise in the event of default by all counterparties. No account is taken of enforceable netting agreements. As there is no counterparty risk on exchange-traded products, the table below does not include the market values of these derivatives.

Breakdown of the derivatives business by nominal amount

in €m		Nominal amounts with a residual term			Nominal amounts	
		up to 1 year	over 1 year up to 5 years	over 5 years	Total 2020	Total 2019
OTC products	FRAs	0.0	0.0	0.0	0.0	0.0
	Interest rate swaps	1,691.4	4,348.4	3,077.2	9,117.0	10,216.3
	Interest rate options	1,920.6	661.9	439.1	3,021.6	3,733.6
	Forward transactions	552.5	477.5	0.0	1,030.0	1,026.9
Exchange-listed products	Interest rate futures	11.3	0.0	0.0	11.3	7.5
	Interest rate options	0.0	0.0	0.0	0.0	0.0
Interest rate transactions		**4,175.8**	**5,487.8**	**3,516.3**	**13,179.9**	**14,984.3**
OTC products	Forward currency contracts	79,579.4	3,249.1	0.0	82,828.5	84,703.8
	Cross currency swaps	38.9	262.8	113.2	414.9	525.7
	Foreign exchange options	6,077.2	1,092.7	0.0	7,169.9	7,732.3
Foreign exchange-based transactions		**85,695.5**	**4,604.6**	**113.2**	**90,413.3**	**92,961.8**
OTC products	Forward transactions	332.4	182.8	0.0	515.2	817.2
	Options	2.6	0.0	0.0	2.6	2.0
Commodity-related transactions		**335.0**	**182.8**	**0.0**	**517.8**	**819.2**
OTC products	Forward transactions	0.0	0.0	0.0	0.0	0.0
	Equity/index options	0.0	0.0	0.0	0.0	0.3
	Equity swaps	0.0	1.0	0.0	1.0	12.6
Exchange-listed products	Equity/index futures	1,246.6	435.1	0.0	1,681.7	895.4
	Equity/index options	4,145.8	1,920.2	0.0	6,066.0	6,970.4
Equity-/index-related transactions		**5,392.4**	**2,356.3**	**0.0**	**7,748.7**	**7,878.7**
Total financial derivatives		**95,598.7**	**12,631.5**	**3,629.5**	**111,859.7**	**116,644.0**

Breakdown of the derivatives business by market value

in €m		Positive market values with a residual term of			Positive market values		Negative market values	
		up to 1 year	over 1 year up to 5 years	over 5 years	Total 2020	Total 2019	Total 2020	Total 2019
OTC products	Interest rate swaps	3.2	77.1	175.8	256.1	287.9	266.6	246.2
	Interest rate options	0.2	0.9	0.4	1.5	2.8	1.5	2.9
	Forward transactions	4.6	3.6	0.0	8.2	15.6	15.8	13.5
Interest rate transactions		**8.0**	**81.6**	**176.2**	**265.8**	**306.3**	**283.9**	**262.6**
OTC products	Forward currency contracts	670.1	79.6	0.0	749.7	593.5	865.6	586.2
	Cross currency swaps	4.0	9.0	12.2	25.2	14.7	25.1	14.7
	Foreign exchange options	73.9	15.3	0.0	89.2	40.2	89.2	40.2
Foreign exchange-based transactions		**748.0**	**103.9**	**12.2**	**864.1**	**648.4**	**979.9**	**641.1**
OTC products	Forward transactions	33.1	24.2	0.0	57.3	18.8	57.3	18.8
	Options	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodity-related transactions		**33.1**	**24.2**	**0.0**	**57.3**	**18.8**	**57.3**	**18.8**
OTC products	Forward transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.2
	Equity/index options	0.1	0.0	0.0	0.1	0.1	0.0	0.0
	Equity swaps	0.0	0.0	0.0	0.0	0.3	0.1	1.4
Equity-/index-related transactions		**0.1**	**0.0**	**0.0**	**0.1**	**0.4**	**0.1**	**1.6**
Total financial derivatives		**789.2**	**209.7**	**188.4**	**1,187.3**	**973.9**	**1,321.2**	**924.1**

65 Hedge Accounting

The Bank uses derivatives (interest rate swaps) to hedge against market interest rate risk on fixed-income bonds, loans and issued registered bonds using the provisions for the reporting of hedging relationships (cf. Note 7). We also report on the emergence and management of market interest rate risk within the Risk Report as part of the Group Management Report.

With this hedging of fair value fluctuations (known as fair value hedges), the hedged interest rate-induced volatility of the underlying transactions together with the volatility of the hedging instruments are recognised through profit or loss. Inefficiencies can arise in the existing hedging relationships, which are reflected in the hedge results. Basis risks that arise from using different discount curves in the market value calculation are usually the reason for inefficiencies in hedge results.

The following tables provide information about the accounting impact of the reporting of hedging relationships.

Hedging instruments

31.12.2020 in €m Hedged risk	Nominal amount	Positive market values	Negative market values	Balance sheet item
Interest rate risk	1,727.9	3.7	51.3	Positive or negative market values from derivative financial instruments
Total	1,727.9	3.7	51.3	

31.12.2019 in €m Hedged risk	Nominal amount	Positive market values	Negative market values	Balance sheet item
Interest rate risk	857.6	3.9	29.8	Positive or negative market values from derivative financial instruments
Total	857.6	3.9	29.8	

Hedged underlying transactions

31.12.2020 in €m	Book values		Cumulative hedge accounting adjustment amount, which is included in the book value of the underlying transactions		
Hedged risk	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**	**Balance sheet item**
Interest rate risk	1,760.9	–	40.6	–	Non-trading portfolio
	–	–	–	–	Loans and advances to customers
	–	35.0	–	−2.9	Customer accounts
Total	1,760.9	35.0	40.6	−2.9	

31.12.2019 in €m	Book values		Cumulative hedge accounting adjustment amount, which is included in the book value of the underlying transactions		
Hedged risk	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Balance sheet item
Interest rate risk	821.7	–	22.8	–	Non-trading portfolio
	30.1	–	0.1	–	Loans and advances to customers
	–	36.4	–	−0.9	Customer accounts
Total	851.8	36.4	22.9	−0.9	

The hedge result can be broken down as follows:

2020 in €m			Ineffectiveness
	Balance sheet item	Interest-induced fair value change*	Recognised in the income statement in net trading income
From hedging instruments	Positive or negative market values from derivative financial instruments	−13.3	−13.3
From underlying transactions	Non-trading portfolio	17.8	15.8
	Loans and advances to customers	0.0	
	Customer accounts	−2.0	
Total			2.5

2019 in €m			Ineffectiveness
	Balance sheet item	Interest-induced fair value change*	Recognised in the income statement in net trading income
From hedging instruments	Positive or negative market values from derivative financial instruments	−12.9	−12.9
From underlying transactions	Non-trading portfolio	16.4	13.1
	Loans and advances to customers	−0.1	
	Customer accounts	−3.2	
Total			0.2

* The change is stated in the market value of the financial instruments used as a basis for reporting the ineffectiveness of the hedge for the period.

The fair value fluctuations of the underlying transactions that are attributable to non-interest rate-induced changes in value (such as changed credit risks) are not hedged. Where the non-trading portfolio is affected by this, these fluctuations are reported in the statement of comprehensive income as gains/losses from debt instruments at fair value through other comprehensive income (IFRS 9).

The residual terms of the interest rate swaps used within the scope of the hedge accounting are shown in the following table.

Residual terms of the hedging instruments

	Nominal amounts with a residual term			Nominal amounts
31.12.2020 in €m	**up to 1 year**	**over 1 year up to 5 years**	**over 5 years**	**Total**
Interest rate risk	0.0	753.0	974.9	1,727.9
Total	0.0	753.0	974.9	1,727.9

	Nominal amounts with a residual term			Nominal amounts
31.12.2019 in €m	**up to 1 year**	**over 1 year up to 5 years**	**over 5 years**	**Total**
Interest rate risk	30.0	333.0	494.6	857.6
Total	30.0	333.0	494.6	857.6

66 Contingent Liabilities and Other Obligations

in €m	31.12.2020	31.12.2019
Contingent liabilities on guarantees and indemnity agreements	2,974.5	3,057.9
Irrevocable loan commitments	11,303.6	10,099.8
Total	**14,278.1**	**13,157.7**

The Group generally takes on contingent liabilities on behalf of its customers that are composed primarily of financial guarantees and letters of credit. Under these contracts, the Group is obliged either to act in accordance with an agreement or to make payments to a beneficiary if a third party fails to meet its obligations. The Group is unable to know in detail the extent to which these liabilities will result in a binding obligation.

The residual terms of the contingent liabilities and irrevocable loan commitments are as follows:

in €m	31.12.2020		31.12.2019	
	Contingent liabilities	Irrevocable loan commitments	Contingent liabilities	Irrevocable loan commitments
<1 month	941.1	75.2	915.8	160.4
1–3 months	412.6	444.1	369.8	206.7
3–12 months	902.3	1,866.6	1,003.8	924.9
12 months – 5 years	610.3	8,153.3	695.3	7,923.7
> 5 years	108.2	764.4	73.2	884.1
Total	**2,974.5**	**11,303.6**	**3,057.9**	**10,099.8**

As part of the annual levy, Financial Market Stability Authority (Bundesanstalt für Finanzmarktstabilisierung – FMSA) and the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken GmbH – EdB) have permitted HSBC Trinkaus & Burkhardt AG to contribute a part of the annual premium in the form of fully hedged payment claims (irrevocable payment obligation).

This partial amount of the bank levy or the contribution of the Compensation Scheme of German Banks (EdB) amounts to € 5.4 million (previous year: € 5.4 million, cf. Note "Assets Pledged as Collateral").

In 2016, the Düsseldorf public prosecutor's office initiated an investigation into the Bank's alleged involvement in cum-ex transactions. In 2020, a number of rulings were issued, unconnected with the Bank, according to which it cannot be ruled out that expenses may be incurred in this context in the future. It is not possible to quantify these expenses from today's perspective. No material legal disputes or associated litigation risks were pending as at 31 December 2020.

67 Disclosures as Lessor

HSBC Trinkaus & Burkhardt Group is, to a lesser extent, a lessor of commercial real estate.

The following minimum leasing payments will be received from these agreements in the coming years:

	31.12.2020	31.12.2019
Up to 1 year	1.8	1.8
Over 1 year up to 5 years	5.5	8.6
Over 5 years	0.6	1.2
Total maturities	**7.9**	**11.6**

68 Assets Pledged as Collateral

Securities with a nominal value of € 460.6 million (previous year: € 377.9 million) were deposited as collateral for transactions conducted on futures exchanges and for securities lending transactions. The Bank pledged collateral in the amount of € 2,200.0 million (previous year: € 1,100.0 million) in connection with longer-term refinancing operations with the central bank. In the public development lending business, loans and advances in the amount of € 842.7 million (previous year: € 756.1 million) secure the funding available to the development banks. In conjunction with the bank levy or the EdB contribution, the Bank has lodged cash collateral of € 5.4 million (previous year: € 5.4 million).

Financial instruments with a value of € 357.3 million (previous year: € 377.8 million) were available for use as collateral for peak funding facilities on the balance sheet date.

69 Trust Activities

As an indication of the extent of the potential liability from the Bank's off-balance-sheet trust activities, the following table shows the volume of trust activities.

in €m	31.12.2020	31.12.2019
Trust assets	**107.1**	**107.2**
Loans and advances to banks	0.0	0.0
Loans and advances to customers	0.0	0.0
Investments	107.1	107.2
Trust liabilities	**107.1**	**107.2**
Deposits by banks	0.0	0.0
Customer accounts	107.1	107.2

Assets managed for investors in special assets and investment stock corporations amount to € 272.7 billion (previous year: € 251.9 billion).

70 Participating Interests

HSBC Trinkaus & Burkhardt AG's participating interests can be presented as follows:

Company	Registered office	Percentage share of issued share capital in %	Shareholders' equity of the company in € thousand***	Annual result 2020 in thousand €
Banks and near-bank entities				
HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH*	Düsseldorf	100.0	118,502	0
HSBC Trinkaus & Burkhardt (International) S.A.	Luxembourg	100.0	20,202	3,900
Internationale Kapitalanlagegesellschaft mbH*	Düsseldorf	100.0	49,000	0
HSBC INKA Investment-AG TGV**	Düsseldorf	100.0	1,855	−8
HSBC Service Company Germany GmbH*	Düsseldorf	100.0	1,000	0
HSBC Transaction Services GmbH*	Düsseldorf	100.0	15,000	0
HSBC Operational Services GmbH	Düsseldorf	90.1	1,000	0
HSBC Trinkaus Family Office GmbH*	Düsseldorf	100.0	25	0
Trinkaus Private Equity Management GmbH	Düsseldorf	100.0	274	24
Trinkaus Private Equity Verwaltungs GmbH	Düsseldorf	100.0	25	5
HSBC Global Asset Management (Deutschland) GmbH*	Düsseldorf	100.0	5,001	0
HSBC Global Asset Management (Österreich) GmbH****	Vienna	100.0	360	−46
HSBC Global Asset Management (Switzerland) AG	Zurich	50.0	1,884	288
Companies with a special mission				
HSBC Trinkaus Real Estate GmbH*	Düsseldorf	100.0	167	0
HSBC Trinkaus Immobilien Beteiligungs-KG	Düsseldorf	100.0	3,010	12
Trinkaus Europa Immobilien-Fonds Nr. 3 GmbH	Düsseldorf	100.0	29	7
HSBC Trinkaus Europa Immobilien-Fonds Nr. 5 GmbH	Düsseldorf	100.0	25	6
Trinkaus Immobilien-Fonds Geschäftsführungs-GmbH	Düsseldorf	100.0	22	0
Trinkaus Australien Immobilien-Fonds Nr. 1 Treuhand GmbH	Düsseldorf	100.0	25	1
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	Düsseldorf	100.0	25	19
Real estate companies				
Grundstücksgesellschaft Trinkausstraße KG	Düsseldorf	100.0	10,804	2,315

* Profit-transfer agreement
** Equities issued by private companies
*** Shareholders' equity as at 31.12.2020, without current annual results
**** Figures as at 31.12.2019

The Bank also holds a 24.94% stake in sino AG, Düsseldorf. As at 30 September 2019, the equity held in the company amounted to € 4,660 thousand and net profit to –€ 125 thousand.

The holdings of equity instruments recognised at fair value through other comprehensive income relate to indirect shareholdings in Nürnberger Versicherung (€ 24.9 million).

On the balance sheet date, the Group held no share with controlling influence.

There are no material restrictions in place with regard to the ability of the HSBC Trinkaus & Burkhardt Group to access or use assets and repay the liabilities of Group units.

71 Relationships with Unconsolidated Structured Units

The structured units are units for which the voting rights are not the dominant factor in assessing control. This is the case, for example, if voting rights relate only to the administrative duties and the relevant activities are managed by contractual agreements.

The activities of a structured unit are generally limited and are therefore restricted to a close and precisely defined corporate purpose.

In the HSBC Trinkaus & Burkhardt Group, the business relationships with structured units are broken down into the following three groups:

Structured capital market products:

In the HSBC Trinkaus & Burkhardt Group, structured units are used to provide customers with access to specific assets or portfolios of assets. They can be established as corporations, investment companies, partnerships or funds. They include mainly real estate funds, private equity funds and securities funds. Group companies may exercise the function of a fund manager, trustee or other functions. The Group also invests in funds that are launched by third parties.

Property/project financing

Within the framework of the lending business, the HSBC Trinkaus & Burkhardt also extends loans to financing vehicles. These companies are structured units if they have been founded specifically for the purpose of financing or operating the respective financed asset (e.g. a property) and these are not controlled primarily via the voting rights. Such financing is generally secured by the assets to be financed. The Group operates here primarily as a lender to the financing vehicles.

Asset management business:

The asset management business comprises the capital management business operated under the provisions of the German Investment Code (Kapitalanlagegesetzbuch – KAGB), the asset management and the custodian bank business. The Group acts here as a service provider to investment funds, which represent structured units within the meaning of the accounting standards, among other things.

Structured units are consolidated in the HSBC Trinkaus & Burkhardt Group if the relationship between the Group and the structured unit shows that the unit is controlled by the Group.

The structured units that are the subject of this item of the Notes are not consolidated because the Group does not exercise any control.

The Group achieves revenue from the provision of services, such as asset management remuneration and commission from the asset management business. In addition, dividends and interest income are generated by funding parts of the structured units.

The income and expenses from business relationships with non-consolidated structured units are broken down as follows:

31.12.2020 in €m	**Structured capital market products**	**Property/project financing**	**Asset management business**
Income from non-consolidated structured units			
Net interest income	2.5	7.6	–11.7
Net fee income	11.6	1.4	180.9
Net other income	0.0	0.0	0.0

31.12.2019 in €m	**Structured capital market products**	**Property/project financing**	**Asset management business**
Income from non-consolidated structured units			
Net interest income	2.4	5.3	–9.9
Net fee income	23.7	0.5	173.3
Net other income	0.0	0.0	0.0

The maximum default risk is understood as the highest possible loss that can be incurred from the relations with the structured units. The maximum loss exposure from assets with respect to non-consolidated structured units is equivalent to the book values of these positions after net loan impairment and other credit risk provisions, as at the respective reporting date. The maximum default risk for financial guarantees and loan commitments is the nominal amount of the commitment, as at the respective reporting date. Collateral received and other risk-reducing techniques are not taken into consideration.

The following tables show the book values of the assets, the maximum default risk, the scope of the structured units as well as the liabilities of the HSBC Trinkaus & Burkhardt Group to the non-consolidated structured units, as at the respective reporting date. Regarding the extent of the structured units, the total assets of companies and the amount of assets under management for funds are taken into consideration.

31.12.2020 in €m	**Structured capital market products**	**Property/project financing**	**Asset management business**
Assets			
Loans and advances to customers	154.6	543.7	224.3
Trading assets	3.0	0.0	0.0
Financial assets	7.8	0.0	0.0
Other assets	0.1	0.0	249.8
Total assets	**165.5**	**543.7**	**474.1**
Loan commitments	0.8	131.1	0.0
Maximum default risk	**166.3**	**674.8**	**474.1**
Scope of the structured units*	**7,033.8**	**1,197.7**	**1,072,138.2**
Liabilities			
Customer accounts	221.5	16.4	8,190.7
Other liabilities	2.7	0.2	8.0
Total liabilities	**2.7**	**16.6**	**8,198.7**

* Some figures as at 31.12.2019

31.12.2019 in €m	**Structured capital market products**	**Property/project financing**	**Asset management business**
Assets			
Loans and advances to customers	188.3	470.7	752.7
Trading assets	3.1	0.4	0.0
Financial assets	10.2	0.0	0.0
Other assets	0.0	0.0	3.1
Total assets	**201.7**	**471.1**	**755.8**
Loan commitments	0.4	202.0	0.0
Maximum default risk	**202.1**	**673.1**	**755.8**
Scope of the structured units*	**5,699.4**	**928.7**	**987,211.5**
Liabilities			
Customer accounts	10.2	14.2	7,283.0
Other liabilities	3.1	0.9	22.6
Total liabilities	**13.4**	**15.1**	**7,305.6**

* Some figures as at 31.12.2018

As in the previous year, no non-contractual financial support was granted to non-consolidated structured units in the 2020 financial year.

72 Releasing Subsidiaries from the Disclosure Requirement in Accordance with Sections 264 (3) and 264b of the German Commercial Code (HGB)

The following subsidiaries intend to make use of the exemption afforded by sections 264 (3) and 264b of the German Commercial Code (HGB) and will not publish their financial statements:

- HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH, Düsseldorf
- HSBC Trinkaus Family Office GmbH, Düsseldorf
- HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf
- Internationale Kapitalanlagegesellschaft mbH, Düsseldorf
- HSBC Transaction Services GmbH, Düsseldorf
- HSBC Trinkaus Real Estate GmbH, Düsseldorf
- HSBC Operational Services GmbH, Düsseldorf
- HSBC Service Company Germany GmbH, Düsseldorf
- Trinkaus Australien Immobilien-Fonds Nr. 1 Brisbane GmbH und Co. KG, Düsseldorf

73 Letter of Comfort

HSBC Trinkaus & Burkhardt AG undertakes to ensure that all fully-consolidated companies of the Group – HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg; Internationale Kapitalanlagegesellschaft mbH, Düsseldorf; HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf; and HSBC Transaction Services GmbH, Düsseldorf – are in a position to fulfil their contractual obligations.

Moreover, HSBC Trinkaus & Burkhardt AG regularly indemnifies the current general partners or managing partners of those fully consolidated companies having the legal form of a KG (limited partnership), as well as those of the Trinkaus real estate fund companies and Trinkaus private equity companies, against all third-party claims that are made against them in their legal capacity or activities as general partners in the respective companies, provided they are natural persons.

74 Staff

Annual average	**2020**	**2019**
Staff employed abroad	0	5
Staff employed in Germany	2,995	3,092
Total (including trainees)	**2,995**	**3,097**
of which female members of staff	1,267	1,309
of which male members of staff	1,728	1,788

75 Auditors' Fees

The following fees for the auditors of the consolidated accounts, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, including expenses, were reported as expense:

in €m	2020	2019
Audit services	2.6	2.5
Other audit services	0.3	0.9
Tax advisory services	0.0	0.0
Other services	0.0	0.0
Total	**2.9**	**3.4**

The auditing services comprise mainly the fees for the audit of the Bank's financial statements and consolidated financial statements, as well as the subsidiaries included in its consolidated financial statements, for the audit of the securities services and custodial business. Other audit services contain mainly fees for audit and consulting services prescribed by law and by the regulatory authorities.

76 Business Relationships with Companies and Persons Defined as Related Parties

Companies and persons are defined as related parties provided one party exercises direct or indirect control or can exercise a significant influence on their business or operating decisions.

As part of its ordinary course of business, HSBC Trinkaus & Burkhardt AG and / or its consolidated companies enter into business relationships with companies and persons defined as related parties. These include HSBC Group companies as well as persons in key positions and their relatives. Persons in key positions comprise exclusively the active members of the Management and Supervisory Boards of HSBC Trinkaus & Burkhardt AG in the financial year.

Business transactions with companies and persons defined as related parties are carried out under the same terms and conditions as business transactions with independent business partners.

Particularly intensive business relationships are fostered with other HSBC Group companies. These business relationships relate firstly to normal bank transactions, which are usually unsecured. Derivative transactions, on the one hand, are generally concluded and collateralised under master agreements that allow netting. To an increasing extent, however, there are also cooperation and agency agreements with various companies of the HSBC Group. The consolidated income statement includes mainly the following income and expenses from transactions with HSBC Holdings plc, London, and its affiliated companies.

in €m	2020	2019
Interest income	1.8	0.8
Interest expense	4.0	7.0
Fee income	83.4	87.1
Fee and commission expenses	7.3	9.0
Administrative expenses	75.8	37.7
Net trading income	0.2	−0.4
Net other income	0.0	0.0
Total	**−1.7**	**33.8**

Assets include the following amounts:

	Affiliated companies		Associated companies	
in €m	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Loans and advances to banks	1,058.2	1,523.4	0.0	0.0
Loans and advances to customers	0.1	0.2	66.7	92.2
Other assets	4.6	8.2	0.0	0.0
Total	**1,062.9**	**1,531.8**	**66.7**	**92.2**

Loans and advances to banks comprise mainly short-term deposits with other HSBC units.

Liabilities include the following amounts:

	Affiliated companies		Associated companies	
in €m	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Deposits by banks	746.3	410.2	0.0	0.0
Customer accounts	0.5	5.3	17.4	14.3
Other liabilities	362.4	357.9	0.0	0.0
Total	**1,109.2**	**773.4**	**17.4**	**14.3**

Deposits by banks comprise mainly short-term deposits of other HSBC units. Other liabilities primarily include subordinate deposits of HSBC Bank plc.

Trading assets / liabilities and financial assets do not include any transactions concluded with affiliated companies. The derivative transactions concluded with affiliated companies (mainly interest rate and currency-related derivative transactions) are shown in the following table:

	Derivatives	
in €m	**31.12.2020**	**31.12.2019**
Derivatives with positive market values	757.1	576.9
Derivatives with negative market values	568.3	499.7
Total	**1,325.4**	**1,076.6**

Compensation of the Executive Bodies

In accordance with the resolution passed at the Annual General Meeting on 14 June 2017, the information pursuant to section 314 para. 1 no. 6 a sentences 5 to 8 of the German Commercial Code (HGB) relating to the personalised remuneration details of the members of the Management Board is not to be disclosed.

At €5,212.1 thousand, the sum of the compensation components defined as fixed compensation pursuant to section 2 para. 6 of the Remuneration Ordinance for Institutions (InstitutsVergVO) for all members of the Management Board was slightly lower in 2020 than in the previous year (€5,675.0 thousand). The variable remuneration component amounted to €2,623.7 thousand (previous year: €3,438.1 thousand). Remuneration

of the Management Board members for the 2020 financial year amounted to €1,368.9 thousand (previous year: €1,816.1 thousand) in the form of shares and €1,254.8 thousand (previous year: €1,622.0 thousand) in cash. The variable share of the Management Board remuneration for the 2020 financial year includes a long-term remuneration component of €1,619.8 thousand (previous year: €2,140.5 thousand), of which €752.9 thousand (previous year: €973.2 thousand) is attributable to variable remuneration paid in cash and €867.0 thousand (previous year: €1,167.3 thousand) is attributable to variable remuneration in HSBC Holdings plc. shares.

Severance payments for material risk takers in the amount of €2.2 million (previous year: €1.1 million) were granted in 2020.

For the members of the Management Board and their surviving dependants, provisions have been created to cover pension obligations in accordance with IFRS in the amount of €9.4 million (previous year: €15.8 million). In the financial year, €0.8 million (previous year: €0.9 million) was recognised in the income statement.

The compensation for members of the Supervisory Board is governed in the Articles of Association, on the basis of which each member of the Supervisory Board receives a fixed salary of €50,000. The chairperson receives two and a half times this amount and the deputy chairperson two times this amount. The Chairman of a Supervisory Board committee receives double and members of a committee one-and-a-half times the aforementioned remuneration of a member of the Supervisory Board, provided the respective committee has met at least once in the financial year. Where a member of the Supervisory Board has more than one office, such member is only remunerated for the office with the highest remuneration. Where membership in the Supervisory Board or a committee does not last the duration of an entire financial year, the remuneration is reduced on a pro rata basis.

In the 2020 financial year, remuneration of the Supervisory Board members amounted to €1,096,002.94 (previous year: €1,164,950.02). No separate pension obligations exist for Supervisory Board members. The general rules for employees, former Managing Partners and former members of the Management Board apply for the pension obligations to the employee representatives, former Managing Partners and the former members of the Management Board of the Bank.

Payments to retired Managing Partners of HSBC Trinkaus & Burkhardt KGaA and Trinkaus & Burkhardt KG as the legal predecessors of HSBC Trinkaus & Burkhardt AG and their surviving dependants, as well as former members of the Management Board of Trinkaus & Burkhardt AG totalled €4.5 million (previous year: €4.3 million). The pension provisions created to cover pension obligations for this group of persons according to IFRS totalled €51.0 million (previous year: €43.7 million).

Total expenditure in accordance with IAS 24 for the 2020 financial year amounted to €9.8 million (previous year: €11.6 million). This was recognised in administrative expenses in the period in which it arose and according to the provisions of the underlying standards.

77 Share-Based Payments

Performance-related remuneration for staff and members of the Management Board

As in the previous year, performance-related remuneration for employees and Management Board members was partially carried out by means of assigning shares of HSBC Holdings plc. Shares in the amount of €11.1 million (previous year: €13.2 million) were assigned for the 2020 financial year. The shares will be transferred on a pro rata basis in the following financial years.

78 Offices held by Members of the Management Board

As at 31 December 2020, the members of the Management Board and of the Executive Committee of HSBC Trinkaus & Burkhardt AG sat on the following statutory supervisory boards or comparable management bodies:

Dr Rudolf Apenbrink

Position	Company
Chairman of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf
Member of the Board of Directors	HSBC Global Asset Management (Hong Kong) Ltd., Hong Kong (until 16 September 2020)
Chairman of the Board	HSBC Global Asset Management (UK) Ltd, London, United Kingdom

Dr Andreas Kamp

Position	Company
Chairman of the Supervisory Board	HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg

Christian Kolb

Position	Company
Member of the Supervisory Board	Exaloan AG, Frankfurt am Main

Thomas Runge

Position	Company
Chairman of the Supervisory Board	HSBC Transaction Services GmbH, Düsseldorf
Member of the Supervisory Board	Internationale Kapitalanlagegesellschaft mbH, Düsseldorf

Carola Gräfin v. Schmettow (Chairperson)

Position	Company
Member of the Supervisory Board	ThyssenKrupp AG, Essen (until 31 January 2020)
Non-Executive Director	HSBC Continental Europe S.A., Paris, France

Dr Jan Wilmanns (until 30 June 2020)

Position	Company
Member of the Supervisory Board	Internationale Kapitalanlagegesellschaft mbH, Düsseldorf (until 1 May 2020)
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf (until 1 July 2020)

79 Offices Held by Other Members of Staff

As at 31 December 2020, the following employees sat on the following statutory supervisory boards or comparable control bodies of large corporations:

Dr Michael Böhm

Position	Company
Member of the Supervisory Board	Internationale Kapitalanlagegesellschaft mbH, Düsseldorf
Member of the Board of Directors	HSBC Global Asset Management (Switzerland) AG, Zurich, Switzerland
Non-Executive Director	HSBC Senior UK Direct Lending 2020 RAIF SICAV-SA, Luxembourg
Non-Executive Director	HSBC Global Investment Funds SICAV, Luxembourg
Non-Executive Director	HSBC Islamic Funds, Luxembourg
Non-Executive Director	HSBC Portfolios SICAV, Luxembourg

Thomas Fahlenbock

Position	Company
Member of the Supervisory Board	HSBC INKA Investment-AG TGV, Düsseldorf
Member of the Supervisory Board	HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg

Ulrich Gericke

Position	Company
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf
Member of the Supervisory Board	Monega Kapitalanlagegesellschaft mbH, Cologne

Carsten Hennies

Position	Company
Chairman of the Supervisory Board	HSBC INKA Investment-AG TGV, Düsseldorf
Deputy Chairman of the Supervisory Board	HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg

Wolfgang Jakobs (until 30 October 2020)

Position	Company
Member of the Supervisory Board	Deutsche Handelsbank AG, Munich

Thorsten Michalik

Position	Company
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf

Gerald Noltsch

Position	Company
Chairman of the Supervisory Board	Internationale Kapitalanlagegesellschaft mbH, Düsseldorf
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf
Member of the Supervisory Board	HSBC Transaction Services GmbH, Düsseldorf

Götz Röhr

Position	Company
Member of the Supervisory Board	Theodor-Fliedner-Heim GmbH, Solingen
Member of the Supervisory Board	tick Trading Software AG, Düsseldorf
Member of the Supervisory Board	sino AG, Düsseldorf

Norbert Stabenow

Position	Company
Deputy Chairman of the Supervisory Board	HSBC INKA Investment-AG TGV, Düsseldorf

Oliver Szepan

Position	Company
Member of the Supervisory Board	HSBC Transaction Services GmbH, Düsseldorf

Andreas Voglis

Position	Company
Member of the Supervisory Board	I-Advise AG, Düsseldorf

Heiner Weber (until 30 June 2020)

Position	Company
Member of the Supervisory Board	Pensionskasse vom Deutschen Roten Kreuz, VVaG, Bonn
Member of the Board of Directors	HSBC Global Asset Management (Switzerland) AG, Zurich, Switzerland (until 7 April 2020)

Steffen Zeise

Position	Company
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Düsseldorf

80 Offices Held by Supervisory Board Members

The members of our Supervisory Board also sit on the following supervisory boards and comparable control bodies listed below:

Samir Assaf (until 8 June 2020)

Position	Company
Chairman of the Board (non-executive)	HSBC Continental Europe S.A., Paris, France
Member of the Board (non-executive)	SABB SA Saudi Arabia, Saudi Arabia

James Alasdair Emmett (until 31 March 2020)

Position	Company
Member of the Board (non-executive)	HSBC Continental Europe S.A., Paris, France (until 16 March 2020)

Paul Hagen (Chairman)

Position	Company
Member of the Supervisory Board	HSBC Transaction Services GmbH, Düsseldorf
Member of the Supervisory Board	BVV Versicherungsverein des Bankgewerbes a.G., Berlin
Member of the Supervisory Board	BVV Versicherungsverein des Bankgewerbes a.G., Berlin

Siglinde Klaußner

Position	Company
Member of the Supervisory Board	HSBC Transaction Services GmbH, Düsseldorf

Dr Christiane Lindenschmidt

Position	Company
Non-Executive Director	Symphony Communication Services LLC, Palo Alto (CA), USA

Nuño Gonçalo de Macedo E Santana de Almeida Matos

Position	Company
Non-Executive Director	HSBC Continental Europe S.A., Paris, France

Andreas Schmitz (Chairman, until 31 December 2020)

Position	Company
Chairman of the Supervisory Board	Scheidt & Bachmann GmbH, Mönchengladbach
Member of the Supervisory Board	E.ON SE, Essen

Dr Eric Strutz

Position	Company
Member of the Board of Directors	Global Blue S.A., Eysins, Switzerland (until 20 November 2020)
Member of the Board of Directors	Global Blue Group AG, Brüttisellen, Switzerland (until 23 November 2020)
Member of the Board of Directors	Luxembourg Investment Company 261 S.a.r.l., Luxembourg
Vice Chairman of the Board of Directors	Partners Group Holding AG, Baar, Switzerland
Member of the Board of Directors	Partners Group AG, Baar, Switzerland
Non-Executive Director	HSBC Bank plc, London, UK

Sandra Jessica Stuart

Position	Company
Chairman of the Board	HSBC Global Asset Management (Canada) Limited, Vancouver, Canada (until 31 August 2020)

Hans-Jörg Vetter (until 30 June 2020)

Position	Company
Chairman of the Supervisory Board	Herrenknecht AG, Schwanau

Daniela Weber-Rey

Position	Company
Member of the Board of Directors	FNAC Darty S.A., Ivry-sur-Seine, France

Andrew Merlay Wright

Position	Company
Non-Executive Director	HSBC Bank plc, London, UK

81 Publication

The annual report will be released for publication on 2 March 2021.

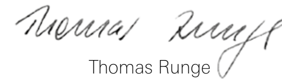
Düsseldorf, 24 February 2021

Carola Gräfin v. Schmettow

Dr Rudolf Apenbrink

Fredun Mazaheri

Nicolo Salsano


Thomas Runge

Independent Auditor's Report

To HSBC Trinkaus & Burkhardt AG, Düsseldorf

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of HSBC Trinkaus & Burkhardt AG, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in capital and consolidated cash flow statement for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of HSBC Trinkaus & Burkhardt AG for the financial year from 1 January to 31 December 2020. We have not audited the content of those parts of the Group management report listed in the "Other information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of those parts of the Group management report listed in the "Other information" section of our auditor's report.

Pursuant to § 322 para. 3 [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a

whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Net loan impairment provision in the customer lending business**
2. **Presentation of net fee income**
3. **Presentation of intangible assets**
4. **Presentation of restructuring provisions**

Our presentation of these key audit matters has been structured in each case as follows:

(a) Matter and issue

(b) Audit approach and findings

(c) Reference to further information

Hereinafter we present the key audit matters:

1. Net loan impairment provision in the customer lending business

(a) Loan receivables amounting to €8,516.8 million (28.9 % of total assets) are reported under the "Loans and advances to customers" balance sheet item in the company's consolidated financial statements. As at 31 December 2020, net loan impairment provision for the loan portfolio amounting in total to €104.8 million was reported in the balance sheet. The measurement of net loan impairment provision in the customer lending business is determined in particular by the structure and quality of the loan portfolios, macroeconomic influencing factors and the estimates of the executive directors with regard to future loan defaults, among other things also against the background of the expected effects of the ongoing COVID-19 crisis on the customer lending business. Loans and advances to customers are measured at amortised cost under IFRS 9. Net loan impairment provision is calculated in a three-stage model, whereby financial instruments are basically allocated to stage 1. Expected 12-month loan losses are to be presented for these instruments. If there is a significant increase in the default risk compared to the time of recognition (stage 2), the amount for the losses expected for the entire residual term is recorded as net loan impairment provision. This also applies to credit-impaired financial instruments (stage 3). For the first time, the company has formed post-model adjustments when forming net loan impairment provision. These serve to take into account the expectations of the executive directors that have not yet been taken into account in the models. The value adjustments in the customer lending business are, on the one hand, of great importance for the earnings situation of the company in terms of amount, while they also entail considerable discretionary powers on the part of the executive directors. In addition, the valuation parameters applied, which are also subject to significant uncertainties due to the effects of the COVID-19 crisis, have a significant influence on the creation or the amount of any necessary value adjustments. Against this background, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we first of all assessed whether the design of the controls in the company's relevant internal control system was appropriate and tested whether the controls functioned effectively. We included the business organisation, the IT systems and the relevant measurement models in our assessment. We also assessed, among other things, whether the models for calculating the expected loss as well as their implementation into the Bank's processes are in line with IFRS 9. In addition, we examined whether significant increases in the default risk were adequately defined by the Bank. We also evaluated the measurement of the customer loan receivables, including the appropriateness of estimated values, on the basis of sample testing of stage 3 loan exposures. For the purposes of this exercise, among other things we reviewed the documentation available to the company in order to assess the economic circumstances of borrowers and the recoverability of the related collateral. With respect to real estate as collateral for which the company has submitted expert

appraisals to us, we obtained an understanding of the underlying source data, value inputs used and assumptions made, evaluated those factors critically and assessed whether they lay within a reasonable range. In addition, for the purpose of assessing the valuation allowances applied for stage 1 and 2 exposures, we evaluated the calculation methodology applied by the company together with the underlying assumptions and parameters. In particular, we also considered the executive directors' assessment of the effects of the COVID-19 crisis on the economic circumstances of the borrowers and the recoverability of the relevant collateral and took these into account in the valuation of the loans and advances to customers. We questioned the necessity of the formation of post-model adjustments and determined their amount. On the basis of the audit procedures we carried out, we satisfied ourselves overall that the assumptions made by the executive directors for the purpose of reviewing the recoverability of the loan portfolio are appropriate, and that the processes implemented by the company are appropriate and effective.

(c) The company's disclosures regarding net loan impairment provision for the customer lending business are contained in Notes 22 and 38 of the notes to the consolidated financial statements.

2. Presentation of net fee income

(a) Net fee income amounting to €494.0 million is reported in the income statement in the company's consolidated financial statements. This significant item is subject to particular accounting related risk due to the complexity of the systems necessary for accurately recording it, the large number and heterogeneous nature of transactions requiring processing and the earnings contributions in certain areas attributable to transactions involving large non-recurring effects. The large non-recurring effects resulted from individual transactions concluded during the reporting year. Against this background, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we first assessed the appropriateness and effectiveness of the controls in the business processes for specific products and the relevant controls established within the company's internal control system for the initial recording of the various transactions in the company's portfolio management systems through to the reporting of the resulting income and expenses in the general ledger. In addition, we verified, among other things, the calculation and accounting treatment of various components of income and expense on a test basis based on the documents provided to us. Furthermore, we verified the allocation of commission income and expenses to the correct periods, as well as the consistency of the methods used by the company to recognise commission income and expenses. We were able to satisfy ourselves that the systems and processes in place, as well as the established controls, are appropriate overall for the purpose of ensuring that net fee income is presented correctly.

(c) The company's disclosures regarding net fee income are contained in Note 45 of the notes to the consolidated financial statements.

3. Presentation of intangible assets

(a) Software amounting to €73.4 million is reported under the "Intangible assets" item (€77.8 million, 0.3 % of total assets) in the company's consolidated financial statements. As part of the expansions of the system for securities settlement and administration, a significant amount of internal and external expenses are capitalised to put the software into working condition. Furthermore, internal and external expenses were capitalised to a significant extent in connection with the introduction of the new core banking system up to 2019. In the 2020 financial year, the Bank's previously pursued IT strategy of introducing the SAP core banking system was abandoned. Instead, the bank opted for a migration to the HSBC group systems. As a result of this change in IT strategy, unscheduled amortisation of intangible assets amounting to €11.8 million was carried out in the financial

year. Furthermore, the useful life of the SAP module in operation was also adjusted from ten years to five years. Intangible assets ready for use are valued at purchase cost, less scheduled and unscheduled amortisation. The regular depreciation recorded in administrative expenses is distributed over the expected useful life of the asset of three to ten years on a straight-line basis. Intangible assets not yet ready for use for which no regular depreciation has yet been recorded have to be subjected to an annual impairment test. Furthermore, a corresponding impairment test is to be carried out for all intangible assets if triggering events exist that there could be a decrease (or increase) in value. Internal and external sources of information are drawn on for this purpose. As there are considerable discretionary powers when assessing the obligation to capitalise internal and external expenses and capitalisation has a significant impact on the earnings situation, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we assessed, among other things, the processes and controls established within the company that ensure compliance with the principles for reporting of intangible assets according to international accounting regulations. This also included assessing the details of the guidelines drawn up regarding the recognition of internal and external expenses. In addition, we verified, among other things, the application of the valuation provisions on a test basis based on the documents provided to us. By asking questions and inspecting the documents, we assessed whether there are indications for impairment. In the case of unscheduled amortisation and depreciation, we have reconstructed the documents supporting the entries. We were able to satisfy ourselves that the processes are appropriate overall for the purpose of ensuring that intangible assets are presented correctly.

(c) The company's disclosures regarding intangible assets are contained in Note 11 "Intangible assets" and Note 27 "Investment overview" of the notes to the consolidated financial statements.

4. Presentation of restructuring provisions

(a) In the previous year, the company launched a Group-wide, multi-year programme to improve internal efficiency. This programme provides for fundamental restructuring in parts of the Group and, in particular, the relocation of certain processes to countries where the HSBC Group has already gained experience in pooling service and supply functions. At the same time, the Bank will increasingly rely on future-oriented technologies such as digitalisation and automation in order to achieve the efficiency goals it has set. After all preparations for the implementation of the efficiency programme subject to co-determination had been completed and communicated within the company in the course of 2019, provisions for severance payments under the programme were already made in the consolidated financial statements as at 31 December 2019. Due to the COVID-19 pandemic, the company decided in March 2020 to temporarily suspend the implementation of the planned job cuts to a large extent and not to resume them in full until summer 2020. To counteract the expected negative economic effects of the COVID-19 pandemic, additional measures to increase efficiency were also decided upon later in the year which also fall under the financial framework of the efficiency programme. Against this background, further provisions for severance payments were created during 2020. At the same time, a large number of individual personnel measures, for which provisions had already been made in 2019, were completed and the corresponding provisions used up.

A prerequisite for the recognition of a restructuring provision is that the general recognition criteria for provisions according to IAS 37.14 are fulfilled, which are further specified for restructuring measures within the meaning of IAS 37.10 by the regulations in IAS 37.70 et seq. As at 31 December 2020, there is a restructuring provision in accordance with IAS 37.10. in conjunction with IAS 19.159 et seq. in the amount of €25.3 million. From our point of view, this matter was of particular importance for our audit, as the accounting of restructuring provisions is based to a large extent on estimates and assumptions made by the executive directors.

(b) In our audit, we have assessed, among other things, whether the necessary inclusion criteria have been met. For this purpose, we have obtained the relevant evidence from the executive directors of the company. We have also assessed the valuation carried out by the Bank in terms of its suitability, methodology and comprehensibility of the assessment of value. This has enabled us to obtain an understanding of the underlying source data, value inputs and assumptions made, critically evaluate them and assess whether they are within a reasonable range. We were able to satisfy ourselves that the circumstances, as well as the estimates and assumptions made by the executive directors for the inclusion and valuation of the restructuring provision, are sufficiently documented and justified. The value inputs and assumptions applied by the executive directors are generally in line with our expectations and are also within the ranges that we consider to be acceptable.

(c) The company's disclosures regarding the restructuring provision are contained in Note 37 of the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the Group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Statement on corporate governance" of the Group management report
- the "Sustainable corporate governance" and "Employees" sections of the Group management report.

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited Group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e para. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the

going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e para. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 9 June 2020. We were engaged by the Supervisory Board on 10 June 2020. We have been the Group auditor of HSBC Trinkaus & Burkhardt AG, Düsseldorf, without interruption since the 2015 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christoph Lehmann.

Düsseldorf, 1 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christoph Lehmann ppa.
Auditor

Susanne Beurschgens
Auditor

Five-year Comparison of Consolidated Figures in €m

IFRS consolidated financial statements in €m

	2020	2019	2018	2017	2016
Total assets	**29,467.0**	**26,592.8**	**24,284.1**	**24,278.9**	**23,084.8**
Assets					
Cash reserve	10,454.4	5,731.5	3,750.5	3,679.3	1,107.3
Loans and advances to banks	1,567.5	1,987.0	1,460.7	858.0	1,255.9
Loans and advances to customers	8,516.8	10,866.5	10,749.8	9,348.9	8,457.9
Trading assets	2,639.0	2,801.9	2,876.7	3,702.1	4,462.3
Positive market values of derivative financial instruments	1,713.3	1,164.2	1,265.6	1,420.8	2,099.6
Other financial assets that must be measured at fair value through profit or loss	84.4	120.9	192.2	n/a	n/a
Financial assets	4,050.6	3,509.4	3,532.1	4,874.2	5,351.0
Property, plant and equipment	134.5	137.3	115.5	111.4	105.3
Intangible assets	77.8	86.3	69.2	29.6	12.5
Taxation recoverable	89.5	119.1	91.9	64.9	50.4
current	6.8	61.9	23.7	7.7	14.0
deferred	82.7	57.2	68.2	57.2	36.4
Other assets	66.5	68.7	179.9	189.7	182.6
Non-current assets held for sale	72.7	n/a	n/a	n/a	n/a
Liabilities					
Deposits by banks	4,303.6	2,608.1	3,318.9	2,916.4	1,786.2
Client accounts	18,131.6	17,650.8	14,861.4	14,591.7	13,668.7
Trading liabilities	1,902.8	1,793.8	1,825.9	2,365.2	2,326.7
Negative market values from derivative financial instruments	1,414.5	1,070.0	978.7	1,248.1	2,173.1
Provisions	166.3	128.9	167.5	177.1	173.2
Taxation	67.3	34.9	41.5	41.9	43.9
current	67.3	34.8	31.1	41.9	43.9
deferred	0.0	0.1	10.4	0.0	0.0
Other liabilities	355.5	266.4	247.0	246.8	235.3
Subordinated capital	530.9	551.3	580.5	395.3	437.7
Shareholders’ equity	2,594.5	2,488.6	2,262.7	2,296.4	2,240.0
Income statement					
Net interest income	226.5	228.1	216.1	197.9	211.4
Net loan impairment provisions in the lending and securities business	83.7	45.1	– 5.1	23.9	4.4
Net fee income	494.0	453.1	430.7	482.9	474.7
Net trading income	159.8	70.4	72.3	83.9	78.7
Net profit from other financial assets that must be measured at fair value through profit or loss	9.9	11.9	– 14.0	n/a	n/a
Gains and losses from the disposal of financial assets measured at amortised cost	0.0	– 0.9	0.0	n/a	n/a
Income from financial assets	18.8	10.3	17.8	53.2	24.9
Administrative expenses	646.4	618.9	573.5	559.2	567.9
Net other income	8.1	35.9	16.6	16.5	12.5
Pre-tax profit	187.0	144.8	171.1	251.3	229.9
Tax expenses	57.5	47.3	54.2	78.5	74.4
Net profit	129.5	97.5	116.9	172.8	155.5

Consolidated Balance Sheet HSBC Trinkaus & Burkhardt

Assets in €m	(Note)	31.12.2019	31.12.2018*	01.01.2018*	Change	
					in €m	in %
Cash reserve	(20)	5,731.5	3,750.5	3,679.3	1,981.0	52.8
Loans and advances to banks	(6), (21), (37)	1,987.0	1,460.7	858.2	526.3	36.0
Loans and advances to customers	(6), (22), (37)	10,866.5	10,749.8	9,353.1	116.7	1.1
of which pledged as collateral		1,871.4	1,714.9	1,467.7	156.5	9.1
Trading assets	(6), (23)	2,801.9	2,876.7	3,702.1	−74.8	−2.6
of which pledged as collateral		120.9	93.3	100.0	27.6	29.6
Positive market values of derivative financial instruments	(6), (24)	1,164.2	1,265.6	1,420.8	−101.4	−8.0
Other financial assets mandatorily recognised at fair value through profit or loss	(6), (25)	120.9	192.2	264.5	−71.3	−37.1
Financial assets	(6), (26), (37)	3,509.4	3,532.1	4,613.8	−22.7	−0.6
of which pledged as collateral		241.7	850.9	1,072.6	−609.2	−71.6
Property, plant and equipment	(10), (12), (27)	137.3	115.5	111.4	21.8	18.9
Intangible assets	(11), (27)	86.3	69.2	29.6	17.1	24.7
Taxation recoverable	(15), (28)	119.1	91.9	60.7	27.2	29.6
of which current		61.9	23.7	7.7	38.2	>100.0
of which deferred		57.2	68.2	53.0	−11.0	−16.1
Other assets	(29)	68.7	179.9	189.7	−111.2	−61.8
Total assets		**26,592.8**	**24,284.1**	**24,283.2**	**2,308.7**	**9.5**

* Comparatives adjusted on the liabilities side. The adjustments are explained in Note 18.

Liabilities in €m	(Note)	31.12.2019	31.12.2018*	01.01.2018*	Change	
					in €m	in %
Deposits by banks	(6), (32)	2,608.1	3,318.9	2,916.4	−710.8	−21.4
Customer accounts	(6), (33)	17,650.8	14,861.4	14,591.7	2,789.4	18.8
Trading liabilities	(6), (34)	1,793.8	1,825.9	2,365.2	−32.1	−1.8
Negative market values of derivative financial instruments	(6), (35)	1,070.0	978.7	1,248.1	91.3	9.3
Provisions	(8), (14), (36), (37)	128.9	167.5	170.9	−38.6	−23.0
Taxation	(15), (38)	34.9	41.5	52.0	−6.6	−15.9
of which current		34.8	31.1	41.9	3.7	11.9
of which deferred*		0.1	10.4	10.1	−10.3	−99.0
Other liabilities	(39)	266.4	247.0	246.8	19.4	7.9
Subordinated capital	(40)	551.3	580.5	395.3	−29.2	−5.0
Shareholders' equity*	(3), (41)	2,488.6	2,262.7	2,296.8	225.9	10.0
Share capital		91.4	91.4	91.4	0.0	0.0
Capital reserve		720.9	720.9	720.9	0.0	0.0
Additional Tier 1 capital		435.0	235.0	235.0	200.0	85.1
Retained earnings*		1,282.9	1,283.9	1,265.4	−1.0	−0.1
Valuation reserve for debt instruments recognised at fair value through other comprehensive income		47.8	25.2	64.8	22.6	89.7
Valuation reserve for equity instruments recognised at fair value through other comprehensive income		6.6	6.6	7.3	0.0	0.0
Valuation reserve for the remeasurement of the net pension obligation		−96.3	−100.7	−89.1	4.4	−4.4
Valuation reserve from currency conversion*		0.2	0.3	1.1	−0.1	−33.3
Total before non-controlling interests		2,488.5	2,262.6	2,296.8	225.9	10.0
Non-controlling interests		0.1	0.1	0.0	0.0	0.0
Total liabilities		**26,592.8**	**24,284.1**	**24,283.2**	**2,308.7**	**9.5**

* Comparatives adjusted. The adjustments are explained in Note 18.

Consolidated Statement of Comprehensive Income HSBC Trinkaus & Burkhardt

Consolidated Income Statement

in €m	(Note)	2019	2018*	Change	
				in €m	in %
Interest income from financial instruments recognised at amortised cost and at fair value through other comprehensive income		331.4	309.3	22.1	7.1
Interest income from other financial instruments mandatorily recognised at fair value through profit or loss		4.7	7.5	–2.8	–37.3
Interest income		336.1	316.8	19.3	6.1
Interest expense		108.0	100.7	7.3	7.2
Net interest income	(42)	228.1	216.1	12.0	5.6
Risk provisioning in the lending and securities business	(43)	45.1	–5.1	50.2	> 100.0
Fee income		660.2	635.0	25.2	4.0
Fee and commission expenses		207.1	204.3	2.8	1.4
Net fee income	(44)	453.1	430.7	22.4	5.2
Net trading income	(45)	70.4	72.3	–1.9	–2.6
Gains and losses from the disposal of assets measured at amortised cost	(47)	–0.9	0.0	–0.9	> 100.0
Net profit from other financial assets mandatorily recognised at fair value through profit or loss	(46)	11.9	–14.0	25.9	> 100.0
Income from financial assets	(49)	10.3	17.8	–7.5	–42.1
Administrative expenses	(48)	618.9	573.5	45.4	7.9
Net other income	(50)	35.9	16.6	19.3	> 100.0
Pre-tax profit		144.8	171.1	–26.3	–15.4
Tax expenses*	(51)	47.3	54.2	–6.9	–12.7
Net profit		**97.5**	**116.9**	**–19.4**	**–16.6**
Consolidated profit/loss attributable to minority shareholders		0.0	0.0	0.0	–
Consolidated profit/loss attributable to HSBC Trinkaus & Burkhardt shareholders		97.5	116.9	–19.4	–16.6

* Comparatives adjusted. The adjustments are explained in Note 18.

Earnings per share in €	(Note)	31.12.2019	31.12.2018*
Undiluted	(54)	2.41	3.16
Diluted	(54)	2.41	3.16
Average number of shares in circulation in million	(54)	34.1	34.1

* Comparatives adjusted. The adjustments are explained in Note 18.

Reconciliation from net income to comprehensive income

in €m	(Note)	2019	2018*
Net profit		97.5	116.9
Gains/losses after tax reclassified in the income statement		22.5	−40.4
of which from debt instruments recognised at fair value through other comprehensive income	(41)	22.6	−39.6
of which from currency conversion		−0.1	−0.8
Gains/losses after tax not reclassified in the income statement		4.4	−12.3
of which from equity instruments recognised at fair value through other comprehensive income	(41)	0.0	−0.7
of which from the remeasurement of the net pension obligation	(36)	4.4	−11.6
Other income for the period		26.9	−52.7
Comprehensive income		**124.4**	**64.2**
Attributable to:			
minority shareholders		0.0	0.0
HSBC Trinkaus & Burkhardt shareholders		124.4	64.2

* Comparatives adjusted. The adjustments are explained in Note 18.

Consolidated Statement of Changes in Capital HSBC Trinkaus & Burkhardt

in €m	Share capital	Capital reserve	Additional Tier 1 capital	Retained earnings*	Valuation reserve				Total before non-controlling interests	Non-controlling interests	Total incl. non-controlling interests
					for debt instruments recognised at fair value through other comprehensive income	for equity instruments recognised at fair value through other comprehensive income	for the remeasurement of the net pension obligation	from currency conversion			
(Note)	**(41)**	**(41)**	**(41)**	**(18, 41)**	**(41)**	**(41)**	**(41)**	**(18, 41)**			
As at 01.01.2018	**91.4**	**720.9**	**235.0**	**1,275.1**	**64.8**	**7.3**	**–89.1**	**1.5**	**2,306.9**	**0.0**	**2,306.9**
Adjustments**				–9.7				–0.4	–10.1	0.0	–10.1
As at 01.01.2018 rev.	91.4	720.9	235.0	1,265.4	64.8	7.3	–89.1	1.1	2,296.8	0.0	2,296.8
Dividend distribution***				–98.5					–98.5		–98.5
Addition from net profit for the year**				116.9					116.9		116.9
Capital increase									0.0		0.0
Other income for the period**					–39.6	–0.7	–11.6	–0.8	–52.7		–52.7
Other changes									0.0	0.1	0.1
As at 31.12.2018	**91.4**	**720.9**	**235.0**	**1,283.9**	**25.2**	**6.6**	**–100.7**	**0.3**	**2,262.6**	**0.1**	**2,262.7**

* Incl. consolidated profit available for distribution
** The adjustments are explained in Note 18.
*** Incl. distribution on Additional Tier 1 capital of €13.3 million

in €m	Share capital	Capital reserve	Additional Tier 1 capital	Retained earnings*	Valuation reserve				Total before non-controlling interests	Non-controlling interests	Total incl. non-controlling interests
					for debt instruments recognised at fair value through other comprehensive income	for equity instruments recognised at fair value through other comprehensive income	for the remeasurement of the net pension obligation	from currency conversion			
As at 01.01.2019	**91.4**	**720.9**	**235.0**	**1,283.9**	**25.2**	**6.6**	**–100.7**	**0.3**	**2,262.6**	**0.1**	**2,262.7**
Dividend distribution**				–98.5					–98.5		–98.5
Addition from net profit for the year				97.5					97.5		97.5
Capital increase			200.0						200.0		200.0
Other income for the period					22.6	0.0	4.4	–0.1	26.9		26.9
Other changes									0.0		0.0
As at 31.12.2019	**91.4**	**720.9**	**435.0**	**1,282.9**	**47.8**	**6.6**	**–96.3**	**0.2**	**2,488.5**	**0.1**	**2,488.6**

* Incl. consolidated profit available for distribution
** Incl. distribution on additional Tier 1 capital of €13.3 million

Consolidated Cash Flow Statement HSBC Trinkaus & Burkhardt

in €m	(Notes)	2019	2018*
Net profit*		97.5	116.9
Non-cash items in net profit, and adjustments to reconcile net profit with net cash from operating activities:			
Write-downs, depreciations, write-backs and changes to provisions*		133.8	23.3
Net profit from the sale of investments and property, plant and equipment		–11.2	–18.0
Other adjustments (net)		–208.0	–108.9
Sub-total		12.1	13.3
Changes to assets and liabilities from operating activities after adjustment for non-cash components			
Loans and advances to banks	(21)	–526.3	–602.4
Loans and advances to customers	(22)	–116.8	–1,387.3
Trading positions and derivatives	(23, 24, 34, 35)	235.4	171.9
Other assets		148.4	1,080.8
Liabilities	(32, 33)	2,078.7	672.2
Other liabilities		–9.2	–10.3
Total adjustments		1,810.2	–75.1
Interest receipts		336.7	301.3
Dividend receipts		3.3	2.1
Interest payments		–87.1	–75.8
Income taxes paid		–91.9	–102.8
Cash flow from operating activities		**1,983.3**	**63.0**
Proceeds from the sale of			
financial investments		0.3	0.9
property, plant and equipment	(27)	1.5	1.8
Payments for the acquisition of			
financial investments		0.0	–1.5
property, plant and equipment	(27)	–46.2	–65.7
Cash flow from investing activities		**–44.4**	**–64.5**
Dividends/interest paid to HSBC Trinkaus shareholders		–98.5	–98.5
Adjustments to subordinated capital (incl. interest)		–43.6	171.1
Adjustments to Additional Tier 1 capital	(41)	200.0	0.0
Net cash provided by the capital increase		0.0	0.1
Principal from lease payments		–15.8	n/a
Cash flow from financing activities		**42.1**	**72.7**
Cash and cash equivalents at end of prior period	**(20)**	**3,750.5**	**3,679.3**
Cash flow from operating activities		1,983.3	63.0
Cash flow from investing activities		–44.4	–64.5
Cash flow from financing activities		42.1	72.7
Cash and cash equivalents at end of period	**(20)**	**5,731.5**	**3,750.5**

* Comparatives adjusted. The adjustments are explained in Note 18.

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Fundamental Accounting Policies

HSBC Trinkaus & Burkhardt AG (the Bank) is a public limited company under German law with registered offices in Dusseldorf. Together with the companies over which HSBC Trinkaus exercises dominant influence, HSBC Trinkaus engages in banking business and provides all manner of financial services.

The consolidated financial statements of HSBC Trinkaus & Burkhardt AG, Dusseldorf, for the 2019 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU). Additional provisions pursuant to section 315e (1) of the German Commercial Code (HGB) have also been taken into consideration. The Group Management Report that must also be prepared also includes the report on the opportunities and risks associated with future development (Risk Report). The information contained in the Management Report complements the details given about the nature and extent of risks arising from financial instruments in the Notes.

Confirmation of the financial statements is carried out in accordance with the legal provisions and – based on a proposal by the Management Board – is on principle the function of the Supervisory Board. Following approval, the Annual General Meeting passes the resolution on the appropriation of distributable profit.

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 the consolidated financial statements to hand within the scope of generating figures and calculating percentages.

The preparation of IFRS financial statements requires 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 to 3, the impairment of financial instruments and other assets, the recognition of provisions (including provisions for current taxes) and other obligations, the net loan impairment provisions in the lending and securities business, the calculation of deferred taxes, the assessment of the control of structured entities within the meaning of IFRS 10 and the estimation of the expected duration of lease agreements. 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 subject to forecast uncertainties. In order to keep these to a minimum, available objective information, as well as experience, is drawn upon as much as possible. The estimation procedures used are reviewed regularly and adjusted if necessary.

The consolidated financial statements were prepared and valued on a going concern basis.

The consolidated financial statements include the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated cash flow statement and the Notes. Segment reporting takes place in the Notes.

At the end of 2019, HSBC Holdings plc had an indirect interest of 80.7 % (previous year: 80.7 %) in the share capital of HSBC Trinkaus & Burkhardt AG via HSBC Germany Holdings GmbH. As a result, the consolidated financial statements of HSBC Trinkaus & Burkhardt AG are included in the published consolidated financial statements of HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom, registration number 617987.

Accounting, Valuation and Consolidation Methods

1 Scope of Consolidation

The consolidated financial statements include as subsidiaries all affiliate enterprises in which the parent company, HSBC Trinkaus & Burkhardt AG, directly or indirectly holds the majority of the voting rights or over which it can exercise a controlling influence.

The Group exerts control over a company if it has decision-making powers to manage the relevant activities, has a right to the significant variable returns from the affiliate enterprises and may use its decision-making powers to influence the amount of the significant variable returns.

To determine whether a company is to be consolidated, the company's purpose and structure must be reviewed initially, after which the company's relevant activities and those that are defined as such are assessed.

The scope of consolidation has not changed compared to the consolidated financial statements as at 31 December 2018.

A detailed list of the companies included in the consolidated financial statements can be found in the Note "Participating Interests". As in the previous year, we have also fully consolidated two special funds and one closed-end real estate fund.

2 Consolidation Principles

Consistent accounting policies were applied for similar business transactions and other events in similar circumstances throughout the Group.

Differences arising from the consolidation of investments are calculated on the basis of the value of the new companies on the date on which control was assumed.

Intra-group claims and liabilities, income and expenses have been offset against each other; inter-company profits have been eliminated.

3 Foreign Currency Translation

For the purposes of foreign currency translation, pursuant to IAS 21 (International Accounting Standards), we distinguish all assets and liabilities denominated in foreign currency in monetary and non-monetary items. Monetary items denominated in foreign currency are calculated on the balance sheet date using the reporting date rate. Revaluations resulting from the currency translation of monetary items are recognised at fair value through profit or loss. Non-monetary items, which are valued at historical acquisition or production cost, are converted at the rate on the date of the transaction. Non-monetary items measured at their fair value are converted at the exchange rate on the date on which the fair value is calculated. In the case of non-monetary items, the treatment of currency conversion results depends on how the other revaluation results of the corresponding item are treated.

Forward exchange transactions are measured at fair value. The measurement parameter is the relevant forward rate on the balance sheet date. Spot foreign exchange trades, and assets and liabilities denominated in foreign currencies, are translated at the official reference rate of the European Central Bank or at other suitable spot rates of the last trading day of the year.

Transactions carried out by foreign subsidiaries are translated in accordance with the modified reporting date method; balance sheet items are translated using the exchange rate applicable at the respective reporting date (closing rate), while income and expenditure are translated at the relevant average rate. The equity capital available at initial consolidation must be converted at the reporting rate on the date of initial consolidation and maintained at a constant level. Additions to retained earnings must be converted at the conversion rate of the respective year in which the corresponding net profit was generated. Translation gains or losses arising from capital consolidation are presented separately in shareholders' equity.

Translation differences recognised at fair value through other comprehensive income are presented in shareholders' equity under the valuation reserve from currency conversion and relate to a closed-end real estate fund.

4 Business Combinations

IFRS 3 determines the application of the acquisition method for business combinations where the buyer takes control of the company acquired. After the buyer's procurement costs are calculated, the assets and liabilities acquired must be measured at their fair value at the time of acquisition, within the scope of the business combination.

The extensive recognition and measurement provisions of IFRS 3 for tangible and intangible assets purchased, as well as for contingent liabilities and other items on the balance sheet, are applied. This also includes assets that did not qualify previously for recognition in the financial statements.

If goodwill is to be recognised, because the purchase costs exceed the fair value of the net assets acquired, it must be reviewed for impairment (impairment test) at least once a year or as required on an ad hoc basis in accordance with IAS 36 (cf. Notes "Intangible Assets" and "Investment Overview").

5 Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations

In accordance with IFRS 5, non-current assets and disposal groups held for sale or determined for distribution to shareholders, including the liabilities directly associated with these (groups of) assets, are subject to special reporting and valuation principles. IFRS 5 is also applicable in relation to discontinued operations. A discontinued operation is defined as a component of an entity that represents a separate major line of business or geographical area of operations, that has been disposed of or classified as held for sale, or is available for distribution to the shareholders.

No circumstances existed at the balance sheet date that needed to comply with IFRS 5 accounting policies.

6 Financial Instruments

Classification and measurement of financial instruments

Recognition

In accordance with IFRS 9, financial instruments are initially recognised in the balance sheet when the Group becomes a contractual party to the corresponding agreement. Recognition for spot transactions (regular way contracts) is uniformly on the trading day, otherwise on the settlement date.

Financial instruments are derecognised fully, provided the contractual rights of the Group to receipt of the cash flows from the financial instrument are met, cancelled or have expired, or the Group has transferred all material risks and opportunities related to the financial instrument. If not all opportunities and risks are transferred, recognition is at the amount of the residual risk item if we continue to exercise control over the financial instrument (continuing involvement). No transfers were made during the reporting period that would have led to recognition in the amount of the residual risk items.

Transferred financial instruments that do not qualify for derecognition comprise securities pledged as collateral within the scope of repurchase transactions or shares borrowed under securities lending transactions. Owing to the legal obligation to retransfer securities, all opportunities and risks incurred in relation to the genuine repurchase transactions and securities lending transactions remain largely with the transferor.

Reporting

The reporting and classes of financial instruments are included in the following overview.

Measurement approach	**Measurement classes (IFRS 7)/Balance sheet items**	**Measurement classes (IFRS 9)**
Measurement at amortised cost	Cash reserve	Measurement at amortised cost (AC)
	Loans and advances to banks	Measurement at amortised cost (AC)
	Loans and advances to customers	Measurement at amortised cost (AC)
	Deposits by banks	Measurement at amortised cost (AC)
	Customer accounts	Measurement at amortised cost (AC)
	Subordinated capital	Measurement at amortised cost (AC)
	Contingent liabilities on guarantees and indemnity agreements	
	Irrevocable loan commitments	
Measurement at fair value	Trading assets/liabilities	Measurement at fair value through profit or loss (HfT)
	Positive/negative market values from derivative financial instruments	Measurement at fair value through profit or loss (HfT)
	Other financial assets mandatorily recognised at fair value through profit or loss	Measurement at fair value through profit or loss (mFVPL)
	Financial assets	Measurement at fair value through other comprehensive income with or without recycling (FVOCImR or FVOCIoR)

We deal with the information on risks arising from financial instruments within the Risk Report as part of the audited consolidated financial statements.

Measurement

All financial instruments are measured at fair value at acquisition. This generally equates to the transaction price upon initial recognition.

In addition, we allocate all financial instruments at initial recognition to the measurement classes as defined in IFRS 9, which are decisive for the subsequent measurement. The allocation of financial assets to the measurement classes under IFRS 9 is based on the one hand on the business model underlying the management of these assets (business model criteria) and on the structure of the contractual cash flows of the respective financial assets (cash flow criteria) on the other. The allocation of financial liabilities depends on whether the liabilities were included in conjunction with the trading activities or designated at fair value through profit or loss or not at the time of recognition.

We have implemented the rules of IFRS 9 as follows at the HSBC Trinkaus & Burkhardt Group:

Measurement at amortised cost

For financial assets to be allocated to the financial assets measured at amortised cost class, the following conditions have to be met cumulatively:

1. The objective of the business model of the division in which the financial asset is held is to hold the financial asset to collect the contractual cash flows (“hold” business model).

2. The contractual terms of the financial asset provide for cash flows at set times which represent exclusively principal and interest on the outstanding capital.

The aforementioned criteria of the loans and receivables in the classic lending business are met at the HSBC Trinkaus & Burkhardt Group. These financial instruments are reported under loans and advances to banks and loans and advances to customers. We recognise interest from the lending business in net interest income. Discounts and premiums are collected using the effective interest method. Impairments on loans and receivables are recognised as net loan impairment provision, and reduce the book value shown in the balance sheet accordingly. In the event of an isolated unscheduled sale

of financial instruments (for example, as a result of a transfer) despite the general intention to hold these financial assets, we report the resulting results in the item "Gains and losses from the disposal of assets measured at amortised cost".

In addition, we allocate all financial liabilities that are not entered into in conjunction with the trading activities to this measurement category. We report these financial liabilities in "deposits by banks", "customer accounts" and "subordinated capital". Interest from these liabilities are included in net interest income. Discounts and premiums are collected using the effective interest method. Non-interest bearing liabilities, such as zero coupon instruments, are measured at their interest rate as at the balance sheet date.

Please refer to Note 8 "Risk Provisioning in the Lending and Securities Business" for information on the regulations on impairment of the financial assets measured at amortised cost.

Measurement at fair value through other comprehensive income

For financial assets to be allocated to the class of financial assets recognised at fair value through other comprehensive income, the following conditions have to be met cumulatively:

1. The business model of the division in which the financial asset is held provides for the holding as well as the sale of the financial assets ("hold and sell" business model).

2. The contractual terms of the financial asset provide for cash flows at set times which represent exclusively principal and interest on the outstanding capital.

Within the HSBC Trinkaus & Burkhardt Group, this concerns the bonds and other fixed-income securities held from a financial asset and liquidity security perspective, as well as promissory note loans. We report these debt instruments in the item financial assets. We report interest from these financial assets in net interest income. The subsequent measurement of these financial instruments is at fair value. The same valuation methods are used for the fair value measurement of these financial instruments as for financial instruments measured at fair value through profit or loss (see following section). Changes in the value vis-à-vis the amortised costs are recognised at fair value through other comprehensive income in shareholders' equity in the valuation reserve for debt instruments recognised at fair value through other comprehensive income. The impairment provisions of IFRS 9 that are also applicable to these holdings do not have any consequences for balance sheet reporting at fair value, as the net loan impairment provision for these financial instruments is recognised as an expense as an adjustment to the valuation reserves reported within shareholders' equity. Upon disposal of these financial assets, the valuation reserves reported within shareholders' equity until then are reclassified in the income statement (recycling) and reported in income from financial assets.

Furthermore, because of a special regulation of IFRS 9, we allocate selected equity instruments to the measurement category of financial assets recognised at fair value through other comprehensive income. In doing so, we apply an option whereby individual equity instruments not held for trading can be allocated voluntarily and irrevocably to this measurement class at the time of recognition or initial application of IFRS 9. HSBC Trinkaus & Burkhardt Group makes use of this special regulation, as these selected equity instruments are not held primarily for value enhancement reasons. We report the profit distribution received from these equity instruments held as strategic investments in net interest income. Subsequent measurement is at fair value, whereby the changes in value are recognised at fair value through other comprehensive income in shareholders' equity in the valuation reserve for debt instruments recognised at fair value through other comprehensive income. Upon disposal of these financial assets, we do not recognise the valuation reserves reported up to then in shareholders' equity in the income statement but within shareholders' equity in retained earnings (no recycling). There was no derecognition of these selected equity instruments during the period under report. No reclassifications of cumulative profits or losses within shareholders' equity were carried out during the year under report.

Financial liabilities cannot be allocated to the measurement category financial assets recognised at fair value through other comprehensive income.

Please refer to "Risk Provisioning in the Lending and Securities Business" (Note 8) for information on the regulations on impairment of the financial assets recognised at fair value through other comprehensive income

Measurement at fair value through profit or loss

All other financial instruments shall be recognised at fair value through profit or loss. This concerns the financial assets that are allocated to a business model other than the "hold" and "hold and sell" models or whose contractual cash flows do not exclusively represent principal and interest on the outstanding capital at set times. We report as trading assets or trading liabilities all non-derivative financial instruments that were purchased or entered into with the intention of selling them or repurchasing them in the short term, or are part of a portfolio of clearly and jointly managed financial instruments at initial recognition in which short-term profit taking has been demonstrated in the recent past. Furthermore, we allocate to this measurement category all derivatives, including separable, embedded derivatives, as well as all non-derivative financial assets that are not allocated to the trading assets but do not meet the cash flow criterion. We show these holdings in the balance sheet as positive or negative market values from derivative financial instruments or as financial assets mandatorily recognised at fair value through profit or loss.

Subsequent measurement of financial instruments in this category is at fair value. Publicly traded market prices – where available – are based on the assumption of an active market; measurement is otherwise determined using recognised measurement methods. For the most part, standard measurement models are used. These are mainly present value methods and option price models. We have cooperated closely with the HSBC Group to develop in-house valuation routines for specific complex products. Owing to the broad product spectrum, the measurement parameters are as differentiated as possible, such as according to lifetime and strike prices. The choice of data sources used plus the allocation of the measurement parameters and applicable measurement method for the financial instruments in question are independent of trading. Provided all material measurement parameters cannot be observed for specific products, the measurement results from new transactions (day-1 profit or loss) in these products are not recognised at fair value through profit or loss until maturity or when the position is closed out. There is no distribution over the transaction term.

All realised gains and losses, the unrealised measurement results and the trade-related net interest income are reported under net trading income, provided the earnings effects result from financial instruments held for trading or from derivatives. Earnings effects from non-derivative financial instruments that are recognised at fair value through profit or loss, but not assigned to the trading activities, are reported as regards the current rate of return in net interest income and as regards the other earnings components in net profit from other financial assets mandatorily recognised at fair value through profit or loss.

We continue not to avail of the option of irrevocably designating financial instruments at the time of recognition in the category of financial instruments recognised at fair value through profit or loss (fair value option).

Reclassification

Financial liabilities may not be reclassified. Financial assets must be reclassified if the business model in which the financial assets are held changes. No financial assets were reclassified during the period under report.

Financial guarantees and loan commitments

Financial guarantees are agreements whereby the guarantor is obliged to make certain payments that compensate the guarantee taker for any loss incurred because a certain borrower is unable to meet its payment obligations in due time. At the time the guarantee is concluded, a financial guarantee must be recognised at fair value. This comprises the present value of the expected benefits and the counter present value of the future premiums and is regularly zero if the present value of obligation and the present value of the premium correspond to one another.

Loan commitments are obligations of a lender to provide a loan to a potential borrower at predetermined contractual conditions.

The Group does not know in detail to what extent the financial guarantees and loan commitments will be called upon. Financial guarantees and loan commitments are subject to the impairment provisions of IFRS 9 as described below in "Risk Provisioning in the Lending and Securities Business" (Note 8).

7 Hedge Accounting

In order to hedge the market risk of fixed-income bonds, loans and issued registered bonds, the Bank applies the provisions for the reporting of hedge accounting. We exercise the option under IFRS 9 and continue to use the provisions pursuant to IAS 39 for hedge accounting. The fair value of the fixed-income financial instruments depends on changes in the market interest rate on the one hand, and on liquidity and risk premiums for the issuer on the other. The Bank hedges against market-interest-rate-induced volatility by concluding interest rate swaps with other banks, which largely compensate for the fluctuations in the fair value of the underlying transactions. With this hedging of fair value fluctuations (so-called fair value hedges), the interest rate-induced volatility of the underlying transactions is recognised at fair value through profit or loss in accordance with IAS 39. The spread-related fair value fluctuations of the bonds are not hedged. These are transferred to the valuation reserve for financial instruments in line with the subsequent recognition of securities in the non-trading portfolio through other comprehensive income.

The reporting of hedge accounting in the balance sheet in accordance with IFRS is linked to a series of requirements. These are related in particular to the documentation of the hedging relationships and effectiveness of the hedging measures. The following data in particular must be documented at the time of entering into a hedging relationship: the identification of the underlying transaction and the hedging instrument, flagging the hedged risk and the procedure for reviewing the effectiveness of the hedge transaction.

The Bank uses a linear regression model to assess the effectiveness of the hedging relationship. The model examines the linear correlation between the cumulative changes in value in the underlying transaction and the cumulative changes in value of the hedge transaction. The so-called coefficient of determination (R-square) provides information about the direction of the correlation through the quality of the regression and the steepness of the linear regression line (slope).

The proof of effectiveness requires higher expected effectiveness for a hedging relationship in the future (prospective effectiveness) on the one hand. On the other hand, proof of the high effectiveness of the hedging relationship during the reporting period must be submitted regularly (retrospective effectiveness). Sufficient effectiveness within the scope of the prospective test requires an R-square of greater than 0.9 and a slope of between –0.9 and –1.1. An R-square of greater than 0.8 and a slope of between –0.8 and –1.2 are adequate for the retrospective effectiveness test.

8 Risk Provisioning in the Lending and Securities Business

Financial assets (debt instruments) recognised at amortised cost or at fair value through other comprehensive income, as well as financial guarantees and loan commitments, are impacted by the regulations on impairments under IFRS 9. This also includes trade receivables, lease receivables and contract receivables pursuant to IFRS 15. Pursuant to the provisions of IFRS 9, the risk provisioning requirements are calculated and recognised on the basis of expected credit losses (expected credit loss model).

The reporting of impairments under IFRS 9 is based on a three-stage model. Accordingly, net loan impairment and other credit risk provisions up to the amount of the 12-month expected credit losses (Level 1) are recognised for financial instruments whose credit risk has not increased significantly from the time of recognition to the balance sheet date and whose creditworthiness is not already impaired at acquisition or provision. Recognition of net loan impairment and other credit risk provisions in the amount of the lifetime expected credit losses applies to financial assets whose credit risk has increased significantly since initial recognition (Level 2) and for credit-impaired assets on the balance sheet date (Level 3). Purchased or originated credit impaired (POCI) financial assets are reported at initial recognition, after deduction of the lifetime expected credit losses.

For accounting purposes, we define a default in accordance with the regulatory definition of default under the Capital Requirements Regulation (CRR). Accordingly, an event of default, and hence an impairment within the meaning of the accounting standards occurs, where it is unlikely that the borrower can meet its obligations in full without having to resort to measures such as the realisation of collateral, or if one of the borrower's substantial receivables is more than 90 days past due.

Indications of the unrecoverability and hence the impairment of financial assets include, in particular,

- substantial financial difficulties on the part of the debtor,
- a breach of contract, such as default or arrears in respect of interest and redemption payments,
- increased probability that the borrower will enter bankruptcy or other restructuring procedure,
- the disappearance of an active market for these financial asset because of financial difficulties or
- concessions that the lender makes to the borrower for economic or legal reasons in conjunction with the borrower's financial difficulties that the lender would otherwise not consider.

In order to assess if a financial asset is at an increased risk of default risk compared with at recognition, we use the criteria of the relative change in the expected probabilities of default since initial application of the respective financial instrument, in addition to financial assets more than 30 days overdue and inclusion in the list of exposures subject to closer monitoring (watch-worry list).

We do not exercise the option to apply simplified procedures for the calculation and recognition of the net loan impairment provision for financial instruments (low credit risk exemption) and for trade receivables, lease receivables and contract receivables pursuant to IFRS 15.

Write downs/provisions in relation to receivables recognised in the balance sheet and off-balance sheet transactions are determined individually for each borrower entity. To this effect, all borrowers are assigned a so-called customer risk rating (CRR) on the basis of a uniform, Group-wide 23-stage internal rating scale. The customer risk rating can be summarised in ten steps (CRR 1 – 10), whereas receivables that are in default or impaired are classified in CRR 9 and 10. Net loan impairment and other credit risk provisions are generally calculated on a book value basis as the product from the book values or credit equivalent amount, the probability that the exposure defaults within one year (Level 1) or within the residual term (Levels 2 and 3) and the individual loss ratio taking into account appropriate and reliable information about previous events, prevailing conditions and forecasts about the future economic environment. The borrower's country of domicile is also relevant. Net loan impairment provision thus created covers the credit loss expected within one year or within the residual term.

Net loan impairment provision is offset against receivables on the assets side on the one hand and shown as provisions for risks from the off-balance sheet lending business on the liabilities side on the other. Interest and impairments of Levels 1 and 2 financial assets are recognised independent of one another. On the other hand, interest income from impaired financial assets (Level 3) are recognised only using the original effective interest rate on the gross book value of the respective financial asset, reduced by the net loan impairment provision. Purchased or originated credit impaired (POCI) financial assets are reported at initial recognition, after deduction of the lifetime expected credit losses.

We also calculate and recognise net loan impairment provision for financial assets recognised at fair value through other comprehensive income, depending on the allocation to the levels under IFRS 9. Risk classification is also made on the basis of a uniform, Group-wide 23-stage internal rating scale. Unlike the financial assets recognised at amortised cost, net loan impairment provision does not reduce the book value of the financial instrument. The respective financial asset continues to be recognised at fair value. Net loan loss impairment is recognised instead as an expense adjusting the valuation reserves reported for this financial instrument within shareholders' equity.

With regard to the management of counterparty credit risks, as well as the methodical, process and systems-based implementation of the impairment requirements under IFRS 9, we refer to the information on counterparty credit risk in the Risk Report of the Group Management Report.

We write off defaulted financial assets in full or in part against existing net loan loss impairment and, if necessary, as a direct write-off against the income statement, if every effort to enforce our claims has failed and there is no longer any realistic prospect of repayment of the outstanding loans. This shall be assumed if, after exhausting all the appropriate measures for repayment of the outstanding loans, no further efforts to this end will be taken and further realisable collateral is no longer available.

9 Repurchase Agreements and Securities Lending Transactions

The securities sold under repurchase agreements (genuine repurchase agreements) are still reported and valued as securities stock in the consolidated balance sheet. The repayment obligations from the liquidity inflows are generally reported under the balance sheet items "deposits by banks" or "customer accounts".

Similarly, the repayment obligations arising from the outflow of liquidity from reverse repos is reported under the balance sheet items "loans and advances to banks" or "loans and advances to customers". Securities purchased under agreements to resell are not reported.

The Bank does not enter into non-genuine repurchase transactions.

Securities lending transactions are reported in the balance sheet in the same way as genuine repurchase transactions. Rights and obligations arising from liquidity inflows and outflows from collateral pledged for securities lending transactions are reported under the balance sheet items "deposits by banks" and "customer accounts".

10 Property, Plant and Equipment

The balance sheet item "property, plant and equipment" comprises property and buildings, hardware and other operational and business equipment, as well as right-of-use assets (leases).

Property, plant and equipment are valued at amortised cost, less regular depreciation. Factors such as physical life expectancy and technological progress, as well as contractual and legal restrictions, are applied when calculating the useful life of an asset. Regular depreciation is on a straight-line basis over the respective expected useful life.

	Useful life in years
Hardware	3
Motor vehicles	6
Fixtures/operating facilities	10
Furniture	13
Buildings	50

Right-of-use assets are measured pursuant to the cost model. Accordingly, right-of-use assets are subject over time to regular depreciation over the term of the lease agreement and may also be subject to unscheduled impairments.

Depreciation that exceeds wear and tear-related erosion is taken into consideration under non-scheduled write-downs. An impairment loss is recognised in the amount in which the book value exceeds the recoverable amount. The recoverable amount is the higher of the two amounts of the fair value of the asset less the cost to sell and the value in use. At each balance sheet date, property, plant and equipment for which impairment was recognised in the past is examined to determine whether the impairment losses possibly have to be reversed.

11 Intangible Assets

Items disclosed under intangible assets include standard software. In-house development work carried out within the scope of software projects is capitalised in accordance with IAS 38. Intangible assets are valued at purchase or production cost, less regular depreciation. The regular depreciation recorded in administrative expenses is distributed over the expected useful life of the asset of three to ten years on a straight-line basis. In addition to regular depreciation, impairment tests are also carried out to value fixed assets. This assessment comprises the review whether there is evidence that suggests an impairment of the intangible asset. Internal and external sources of information are drawn on for this purpose. If there is evidence on an impairment, such as a technical obsolescence of the intangible asset or changed utilisation planning that suggests a reduced value compared with the book value or use of the software, a recoverable amount is determined from the intangible asset. A write-down is recognised in the amount by which the recoverable amount falls short of the book value of the intangible asset. If the reasons for an impairment no longer exist, a write-up shall be made for software.

Intangible assets also include the goodwill resulting from company acquisitions, which is attributable to a subsidiary as a cash generating unit that is assigned to the Global Banking & Markets segment. The goodwill is not subject to any scheduled amortisation. An impairment test is carried out instead at least once a year in accordance with IAS 36 or on an ad hoc basis as required. The impairment test is based on the recognised net income value method. The future expected surpluses from the most recent management planning are used and discounted by an interest rate that adequately reflects the risks involved, in order to calculate the recoverable amount, which is comparable to the book value of the goodwill. A recoverable amount that is less than the book value is depreciated.

The earnings forecasts are determined on the basis of the management's financial plans that are drawn up for a five-year period. Earnings forecasts that extend beyond the five-year period are oriented on the level of earnings for the last year of the planning period.

The realisable amount generally reacts sensitively to the estimation of future earnings as well as the discount rate applied.

The assumptions on which the cash flow forecasts are based are subject to uncertainties. The estimation of future earnings not only takes into account the current business situation, but also an estimation of the future development of business operations, the relevant markets and the overall economic environment. The management's past experience is incorporated into the planning, and the opportunities and risks from the forecasts are weighed up. Despite a conservative management approach in assessing the earnings forecasts, the following circumstances could impact negatively on the earnings forecasts and therefore lead to an impairment of goodwill in the future:

worse than expected performance of the securities markets

- worse than expected development of the macroeconomic environment
- changes to the regulatory environment and its implementation
- negative development of the competitive situation

The discount rate used of 5.1 % (previous year: 4.8 %) includes a risk-free interest rate, a market risk premium and a factor for the systemic market risk (beta factor). All three components are based on external or HSBC Group data.

12 Leasing

The provisions for the recognition of leases have changed since the previous year.

The IFRS 16 accounting standard deals with lease accounting and replaced IAS 17 as well as the associated interpretations with effect from 1 January 2019.

Leasing under IFRS 16 (since 1 January 2019)

IFRS 16 is applicable for leases – contractual agreements by way of which a lessor grants a lessee the right to use an identified asset for a defined period of time and the lessor receives consideration in return from the lessee. A right of use to a leased asset exists if the lessee is entitled to make decisions regarding the use of the leased asset and is generally the recipient of the full economic benefit from the leased asset during the term of the lease agreement.

Pursuant to IFRS 16, lessees must recognise a right-of-use asset and a lease liability in the balance sheet upon the conclusion of a lease.

The amount of the lease liability upon initial recognition corresponds primarily to the present value of the lease payments not yet made at that point in time. The amount is to be discounted using the underlying interest rate for the lease agreement. If the underlying interest rate for the lease agreement cannot be determined, the lessee's incremental borrowing rate for the property and term should be used for discounting. Along with the non-cancellable period, periods resulting from the exercise of options (such as extension options) that have been deemed to be reasonably certain must be taken into consideration in the term of a lease agreement.

The right-of-use asset is to be measured at cost upon initial recognition. The cost comprises the amount of the initial measurement of the lease liability and the initial direct costs incurred by the lessee. Any lease incentives, any lease payments made before or at the start of the term of the lease agreement, and the estimated cost of restoration and similar obligations must also be taken into account.

Within the HSBC Trinkaus & Burkhardt Group, we have exercised the option to recognise the lease payments associated with short-term lease agreements with a term of less than twelve months (short-term leases) that do not contain a purchase option for the leased asset as an expense on a pro rata basis over the term of the lease agreement. At the same time, we do not recognise right-of-use assets and lease liabilities for lease agreements where the underlying assets have a low value (low-value assets). We consider low-value assets to be those whose value when new usually does not exceed USD5,000. The lease payments associated with this group of leased assets are also recognised as an expense on a pro rata basis over the term of the lease agreement. Furthermore, we have exercised within the HSBC Trinkaus & Burkhardt Group the option to recognise non-lease components (such as service components) tied into lease components in a lease agreement as a single lease component rather than recognising them separately.

Right-of-use assets are measured pursuant to the cost model at a later stage. Accordingly, the rights of use are consequently subject to corresponding write-downs over the term of the lease agreement, as well as any unscheduled impairments and remeasurements of the corresponding lease liabilities. Lease liabilities are subject to continuous compounding. Their book value, however, is decreased primarily by the lease payments made over time. Reassessments and changes in lease agreements, such as modifications and index adjustments, may also lead to the remeasurement of lease obligations. In particular, write-downs and any impairments on right-of-use assets, as well as compounding on the lease liability, are recognised as an expense in the income statement.

Because the right-of-use assets recognised in the consolidated financial statements of HSBC Trinkaus & Burkhardt relate solely to rented properties, said right-of-use assets are reported as property, plant and equipment. Lease liabilities are reported under the item "Other liabilities". Write-downs and any impairments on right-of-use assets are reflected in administrative expenses, whereas interest expense from compounding on lease liabilities are presented in net interest income.

Lessors must classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

Lessors in a finance lease relationship must write off the leased asset upon lease commencement and recognise a lease receivable at an amount equal to the net investment in the lease to be reduced by the lessee's lease payments over the term of the lease. The lessor also recognises interest income in line with the underlying interest on the lease agreement.

Lessors in operating lease relationships continue to recognise the leased asset in the balance sheet and write it off accordingly over time. The lessee's lease payments are recognised as income on a pro rata basis.

Special provisions must be observed for sale and leaseback transactions and for subleasing agreements. Under the provisions for the recognition of subleasing relationships, all rights of use associated with leased assets must be written off if they have been transferred to third parties within the scope of a finance lease. In this case, receivables from subleasing agreements that are subject to the impairment requirements under IFRS 9 are to be reported in the place of right-of-use assets.

Leasing under IAS 17 (until 31 December 2018)

In the same period of the previous year, the lease accounting provisions under IAS 17 were still applicable. Under these provisions, Group companies were involved in the leasing business mainly as lessees. Rights to use leased assets and lease liabilities were not reported in the balance sheet. Lease payments were reported in the administrative expenses. Furthermore, Group companies acted as the lessors of commercial real estate.

13 Treasury Bonds and Shares

The Bank holds its treasury bonds only to a limited extent and, in accordance with the IFRS requirements, offsets them against the liability items arising from the issuance of bonds.

As at the end of 2019, the Bank held no shares in HSBC Trinkaus & Burkhardt AG. As in the previous year, the results of this trading in treasury shares had no material effect. The maximum holding of treasury shares was 0.00 % (previous year: 0.00 %)

14 Provisions

Provisions for pensions and similar obligations, for credit risks and uncertain liabilities are reported under provisions. Provisions for uncertain liabilities are created in amounts equal to the present value of the expected expenditure.

Provisions for pensions and similar obligations are created on the basis of actuarial reports in the amount of the DBO (defined benefit obligation). The calculation is performed using the projected unit credit method. Within the scope of a contractual trust arrangement (CTA), certain assets were transferred into a trust corporation as collateral for pension obligations and therefore qualified as plan assets within the meaning of IAS 19. Net interest income from plan assets is offset against expected pension expenses in the income statement. Actual income excluding interest income from the plan assets, as well as actuarial gains and losses from the performance of the pensions, are reported under shareholders' equity and in the statement of comprehensive income through other comprehensive income after the deduction of deferred taxes.

Provisions for legal risks are created for legal disputes where, following a thorough review of the circumstances of the individual case, type and extent of a possible claim and settlement, we conclude there is a probability of more than 50 % that the Bank will be called upon. We refer to the Note "Provisions".

In case of material legal disputes and process risks where it is unlikely the Bank will be called upon, but not classified as unlikely, we carry out the instructions in the Note "Contingent Liabilities and Other Obligations".

15 Taxation Recoverable and Taxation

The accounting and measurement of tax expenses are in accordance with IAS 12. Current taxation recoverable and taxation are calculated in accordance with the tax rates applicable for each individual company and offset against the expected payment or compensation amount. Current taxation recoverable is offset against current taxation, provided the offsetting requirements specified in IAS 12 are fulfilled.

Deferred taxation recoverable and taxation are formed on temporary differences by comparing the balance sheet valuations of the assets and liabilities with the valuations that are relevant for the taxation of the Group company in question. The deferred taxation continues to be calculated on the basis of the tax rates which, to the best of our current knowledge and based on existing and clearly expected tax legislation, will be used for the adjustment of the valuation methods. Deferred tax liabilities are created for temporary differences that result in a tax charge when reversed. Deferred tax assets are recognised, provided tax relief is expected at the point at which temporary differences are reversed, and if it is probable that they can be utilised. Deferred tax assets are only recognised for tax losses carried forward if future utilisation can be assumed with sufficient probability. Should actual tax rates differ from these estimates, the balance sheet entries for deferred taxation recoverable and deferred taxation will be adjusted accordingly.

Tax expenses or income are reported in the consolidated income statement in the tax expenses item. Depending on the treatment of the underlying circumstances, deferred income tax assets and liabilities are recognised and reversed either in the income statement in the tax expenses item or in the corresponding shareholders' equity through profit or loss. Discounts are not taken into account.

Deferred taxation recoverable is offset against the deferred taxation where a right to offset exists and the deferred tax assets and liabilities relate to tax expenses that are charged by the same tax authority on the same taxable entity. As a result of the consolidated tax-filing status that exists and a tax obligation that relates almost exclusively to the German tax authorities, taxation recoverable and taxation can be largely offset within the Group.

16 Share-Based Payments

The performance-related remuneration components for certain employees (material risk takers) and the Management Board are, over a defined volume, paid partly in cash and partly in the form of an allocation of shares in HSBC Holdings plc. The performance-related components can be paid either in full in the following year or in different tranches over several years. Payment of these performance-related remuneration components in HSBC Holdings plc shares is made indirectly by a trustee on the basis of the cash funds transferred for this purpose by the HSBC Trinkaus & Burkhardt Group. This type of remuneration is reported as a cash-settled share-based payment transaction pursuant to IFRS 2.30 et seqq. Upon performance of the services by the respective beneficiary, staff expenses are recognised already in full as an expense for the period, as these kinds of remuneration claim are generally non-forfeitable according to the Federal Labour Court (Bundesarbeitsgericht – BAG).

17 Reporting of Income and Expenses

Interest income and expense are recognised on an accrual basis. Interest income includes income from loans and advances to banks and customers, and income from financial assets, as well as from other financial assets mandatorily recognised at fair value through profit or loss. Interest expense includes in particular expenses arising from deposits by banks and customer accounts, as well as subordinated capital. Negative interest rates for financial instruments carried as assets are reported in interest expense and for financial instruments carried as liabilities in interest income.

The Bank generally recognises dividends at the time of the legal creation of the dividend entitlement at fair value through profit or loss. The only exceptions to this are capital repayments on equity instruments recognised at fair value through other comprehensive income, which are recognised at fair value through other comprehensive income.

Risk provisioning in the lending and securities business comprises the earnings effects from the application of the impairment provisions of IFRS 9. These also include expenses and income from the creation or reversal of provisions for off-balance sheet commitments in the lending business, any direct write-offs and recovery payments from previously written-off loans and advances.

Fee income and expenses from securities transactions, the securities portfolio business, asset management, the foreign exchange business, capital financing, payments/documentary business, the lending business (e.g. structuring fees) and from other services are reported under net fee income.

Revenue from contracts with customers is recognised in accordance with the provisions of IFRS 15. In line with the five-stage model that is decisive for the recognition of revenues, we allocate corresponding, pro rata if necessary (individual) transaction prices to our contracts with customers or the individual performance obligations contained therein and collect the associated revenues on fulfilment of our respective performance obligation(s) through profit or loss. Transaction prices are determined by the consideration a company expects to receive from the customer for the transfer of goods or provision of services. The service performed is accompanied by the invoicing and generally by a prompt due date of payment. Generally speaking, subsequent chargebacks or refunds are not planned. We recognise period-based revenue collected on a pro rata basis from contracts with customers at a point in time if the customer is provided with the service over a period of time and has also availed evenly of the benefits. Because of the period-related parallelism of the provision of services and economic life, we find this to be appropriate.

We recognise fees relating to services that we provide in full already at the start of a transaction but do not receive until at a later stage over a determined period in the future on a present value basis as a direct result of the provision of services in fee income. Pursuant to IFRS 15, the outstanding fee payments are receivables, as the payments depend solely on the passage of time.

If the Group assumes the role of agent in the provision of services, the service-related fee is passed on to third parties outside the Group, without reporting the corresponding income and expenses in the consolidated income statement. This concerns fees for portfolio management services provided by third parties outside the Group for special assets, where the capital management is assumed by a group company under the German Investment Code (Kapitalanlagegesetzbuch – KAGB).

Pursuant to IFRS 15.B35 et seqq, if the Group operates independently (principal) in providing the customer with a service or as an intermediary (agent), we assess if our Group controls the service before it is transferred to the customer. The Group operates as an agent, for example, if it does not have primary responsibility for providing the service.

All realised and unrealised income from financial assets held for trading, including the interest and dividend income attributable to trading activities, is recognised in net trading income. This also includes the hedge result and the result from banking book derivatives.

Income from the valuation and disposal of non-derivative financial instruments that are measured at fair value through profit or loss, but not assigned to the trading activities, are reported in the current reporting period in net profit from other financial assets mandatorily recognised at fair value through profit or loss.

We recognise gains and losses from the disposal of assets measured at amortised cost in the item of the same name within the income statement.

Income from financial assets includes income from the disposal of debt instruments recognised up to then at fair value through comprehensive income.

18 Change in Accounting Policies

(a) For reporting periods presented

The accounting and valuation methods applied in preparing these consolidated financial statements are in line with those applied in the 2018 financial year, except with regard to the following:

Initial application of IFRS 16

The IFRS 16 accounting standard deals with lease accounting and replaced IAS 17 as well as the associated interpretations with effect from 1 January 2019. According to the new provisions, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments at the same time. In an approach similar to the previous provisions under IAS 17, the lessor is required to classify the leases as financing or operating leases and recognise them accordingly. In accordance with the requirements of IFRS 16, we have applied this standard at the point of initial application, 1 January 2019. We have exercised our right to present the effects of the initial application of IFRS 16 separately instead of adjusting the previous year's figures. As a result, the accounting and measurement methods presented in the consolidated financial statements as at 31 December 2018 continue to apply to leases. The accounting and measurement methods used to recognise leases from 1 January 2019 are presented below.

The HSBC Trinkaus & Burkhardt Group is largely affected as a lessee by the new provisions for reporting leases. All existing lease agreements have been classified as operating lease agreements under IAS 17.

In accordance with the requirements of IFRS 16, we applied this standard at the point of initial application, 1 January 2019, and exercised the option to present the retroactive application of the new standard by reporting the cumulated initial-application effect of IFRS 16 as at the time of initial application (modified retroactive approach). As a result, no adjustments to the comparison period were made. Furthermore, use has been made of the exemption allowing the Group to forgo a reassessment of whether an agreement constitutes or contains a lease relationship at the time of the initial application of IFRS 16. The assessment of the existence of a lease relationship previously performed pursuant to IAS 17 and/or IFRIC 4 was maintained at the time of initial application. Exemptions were necessary at the time of initial application (using hindsight) for retroactive provisions such as the term of a lease agreement with extension or termination options. Furthermore, we treat lease agreements with a residual term of less than twelve months at the time of initial application as short-term leases.

The initial recognition of lease liabilities was subject to discount rates of 0.42 % for agreements with a term of less than five years and up to 1.08 % for agreements with a term of more than ten years. Rights of use were recognised for the first time at the time of the initial application of IFRS 16 in the amount of the lease liabilities in consideration of any necessary adjustments, albeit without considering any initial direct costs. At the time of the initial application of IFRS 16, we continued to use previous assessments as to whether a lease agreement constitutes an onerous contract that were performed in accordance with IAS 37. The provisions in existence up to that point led to a corresponding reduction in the book value of rights of use within the scope of the initial balance-sheet recognition of rights of use.

The use of the modified retroactive approach to the initial application of IFRS 16 increases the balance sheet by €59.5 million at the HSBC Trinkaus & Burkhardt Group.

The increase in the balance sheet as at 1 January 2019 results from the initial recognition of right-of-use assets in the amount of €41.6 million and from the capitalisation of receivables from subleasing agreements in the amount of €17.9 million coupled with the recognition of lease liabilities in the amount of €68.6 million and the derecognition of provisions created in conjunction with rental agreements in the amount of €9.1 million. The initial recognition of right-of-use assets is based on the assessment of the lease liabilities as at the time of initial application. The initial application of IFRS 16 did not have an impact on shareholders' equity.

The consolidated financial statements as at 31 December 2018 contained obligations from rental and lease agreements in the amount of €113.3 million in total. The difference between this amount and the lease liabilities to be recognised under IFRS 16 is due among other things to the fact that only part of the existing lease agreements led to the recognition of lease liabilities as at the time of initial application in accordance with the new provisions.

Furthermore, Group companies act as the lessor of commercial real estate. The initial application of IFRS 16 to these rental agreements did not have an impact on the consolidated balance sheet.

Initial application of other standards or changed standards and interpretations

Other standards and interpretations that became mandatory in the EU from 1 January 2019 were taken into consideration in the preparation of the consolidated financial statements and did not have any effect on the HSBC Trinkaus & Burkhardt consolidated financial statements. This concerns IFRIC 23 "Uncertainty over Income Tax Treatments"; the amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation; the amendments to IAS 28 "Investments in Associates" – long-term interests in associates; the amendments to IAS 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement; and the annual improvements to IFRS (2015–2017 cycle) regarding the amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

Other adjustments

In the course of the sale of a property in Brisbane, Australia, held in a closed-end, consolidated real estate fund, it became apparent that the tax effects resulting from the sale deviated significantly from previously expected tax effects. The transaction was closed in September 2019. A new double taxation agreement (DTA) was adopted at the end of 2015/start of 2016 following negotiations between the tax and revenue authorities in Australia and Germany, according to which Australia was granted the express right to tax gains on a property sale. As a result, the German tax and revenue authorities are of the opinion that German corporation and trade tax in the amount of roughly €8.0 million on separation gains ("Entstrickungsgewinn") should have been paid to the German tax and revenue authorities. Until the sale of the property, it was not assumed that the tax and revenue authorities in Australia would not acknowledge a recognition ("Verstrickung") in Australia corresponding to a separation ("Entstrickung") in Germany. Based on the current state of affairs, it must be assumed that the Australian tax and revenue authorities will not acknowledge a corresponding recognition, raising the prospects that some of the gains from the sale will be subject to double taxation. The Bank intends to make use of national redress and appeal procedures or, if necessary, a mutual agreement procedure in accordance with the provisions of the DTA. At the present time, however, it appears rather unlikely that it will be able to avoid partial double taxation. Assuming that the existing tax losses carried forward are overwhelmingly likely to be applicable, the taxes due in Australia as a result of the sale are expected to total roughly €15.9 million.

The consolidated financial statements for 2017 and 2018 were prepared under the assumption that the tax and revenue authorities in Australia would accept the recognition in Australia associated with the separation in Germany. Against this backdrop, no deferred taxation in accordance with IFRS was recognised for this matter in the consolidated financial statements at the time. The Group's accounting policies will need to be modified retroactively given the current knowledge of the tax treatment of the earnings from the sale of the property in Australia. In consideration of deferred taxation recoverable on losses carried forward in Australia that may be utilised from today's perspective, a total of €9.7 million from the retained earnings and €0.4 million from the valuation reserves will have to be reclassified from currency translation to deferred taxation as at 1 January 2018. For 2018, the necessary adjustments will result in a €0.3 million increase in deferred taxation to €10.4 million resulting partially from the tax expenses and from the change in the valuation reserves from currency translation.

(b) For future reporting periods
IAS 8.30 requires the reporting of known or reasonably estimable information relevant to assessing the possible impact the application of new IFRS will have on the financial statements of companies in the period of initial application. The following presentation on the expected impacts of the initial application of new accounting principles are based on the current status of the preparation for their introduction and the current frameworks. However, the facts and circumstances pertaining to the respective time of initial application are decisive for the actual effects. Depending on the further development, the actual effects of the initial application of new accounting provisions may deviate substantially from the current expectations shown below.

The IASB published the new accounting standard IFRS 17 "Insurance Contracts" in mid-May 2017. IFRS 17 now regulates the reporting of insurance contracts and the measurement of insurance liabilities and therefore replaces IFRS 4. The standard, published in 2017, calls for the mandatory application of the new accounting guidelines for financial years beginning on or after 1 January 2021. However, the IASB published a draft with proposed changes to IFRS 17 on 26 June 2019. Because a period of 12 to 18 months usually elapses between the publication of new guidelines and their binding entry into force, it is expected that the amended version of IFRS 17 will enter into force only for financial years starting on or after 1 January 2022. EU endorsement is still pending. The impact of IFRS 17, including the increasingly apparent changes to the new accounting standards, on the consolidated financial statements of HSBC Trinkaus & Burkhardt is currently being analysed.

On 26 September 2019, the IASB published changes to IFRS 9, IAS 39 and IFRS 7 as an initial reaction to the potential impact of the IBOR reform on financial reporting. As a result of the changes, hedging relationships within the scope of hedge accounting that would otherwise potentially have been subject to mandatory termination as a result of this uncertainty are to be continued. Owing to these changes, IFRS 7 was expanded to include disclosure obligations pertaining in particular to the type and extent of the impact of the reform of the benchmark interest rates on the entity for which accounting is performed. The changes are obligatory for the first time for financial years beginning on or after 1 January 2020. EU endorsement has been obtained. The changes are not expected to have a material impact on the HSBC Trinkaus & Burkhardt consolidated financial statements.

The changes to the framework for IFRS standards and the changes to IAS 1 and IAS 8 regarding the definition of materiality have already been adopted into EU law and are applicable for financial years that start on or after 1 January 2020. Pending adoption into EU law, the amendments to IFRS 3 "Business Combinations" are also applicable for financial years starting on or after 1 January 2020. The changes to IAS 1 "Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current" will be applicable for financial years starting on or after 1 January 2022, pending adoption into EU law. At the current time, these amendments have little to no effect on our consolidated financial statements.

19 Material Events Occurring After the Balance Sheet Date

No transactions materially affecting the assets, financial position and profitability of the company took place during the period between the balance sheet date and the date on which these accounts were prepared.

Notes to the Consolidated Balance Sheet

20 Cash Reserves

in €m	31.12.2019	31.12.2018
Cash in hand	1.3	1.2
Balances held with central banks	5,730.2	3,749.3
Total	**5,731.5**	**3,750.5**

21 Loans and Advances to Banks

in €m	31.12.2019	31.12.2018
Current accounts	1,438.8	916.3
Money market transactions	85.8	64.1
of which overnight money	0.0	0.0
of which term deposits	85.8	64.1
Other receivables	258.4	214.9
Collateral items in the derivatives trading business	204.2	265.4
Total (before net loan impairment provision)	**1,987.2**	**1,460.7**
Net loan impairment provision	0.2	0.0
Total (net)	**1,987.0**	**1,460.7**

Loans and advances to banks are reported after deduction of the net loan impairment provision.

22 Loans and Advances to Customers

in €m	31.12.2019	31.12.2018
Current accounts	2,301.3	1,800.8
Money market transactions	974.9	1,030.6
of which overnight money	15.5	69.7
of which term deposits	959.4	960.9
Loan accounts	6,780.6	7,143.2
Other receivables	742.0	770.5
Lease receivables	15.6	n/a
Collateral items in the derivatives trading business	105.4	35.4
Total (before net loan impairment provision)	**10,919.8**	**10,780.5**
Net loan impairment provision	53.3	30.7
Total (net)	**10,866.5**	**10,749.8**

Loans and advances to customers are reported after deduction of the net loan impairment provision. Other receivables include receivables from contracts with customers (IFRS 15) in the amount of €96.1 million (31 December 2018: €90.7 million). As in the previous year, there were no significant impairment charges in relation to these receivables as at the reporting date. The lease receivables consist of capitalised receivables from subleasing agreements.

23 Trading Assets

in €m	31.12.2019	31.12.2018
Bonds and other fixed-income securities	853.4	1,206.5
of which:		
public-sector issuers	588.3	1,017.6
other issuers	265.1	188.8
of which:		
listed	853.4	1,206.5
unlisted	0.0	0.0
Equities and other non-fixed-income securities	826.7	706.6
of which:		
listed	826.5	695.9
unlisted	0.2	10.7
Tradable receivables	1,121.8	963.6
Total	**2,801.9**	**2,876.7**

Tradable receivables are recognised mainly as promissory note loans and purchased receivables.

24 Positive Market Values from Derivative Financial Instruments

in €m	31.12.2019	31.12.2018
Positive market values of derivatives	1,160.3	1,265.5
of which OTC derivatives	970.0	1,016.8
of which exchange-traded derivatives	190.3	248.7
Derivatives in hedging relationships	3.9	0.0
Derivatives held in the banking book	0.0	0.1
Total	**1,164.2**	**1,265.6**

25 Other Financial Assets Mandatorily Recognised at Fair Value Through Profit or Loss

in €m	31.12.2019	31.12.2018
Bonds and other fixed-income securities	62.1	88.0
of which:		
public-sector issuers	0.0	0.0
other issuers	62.1	88.0
of which:		
listed	62.1	88.0
unlisted	0.0	0.0
Hybrid financial instruments	34.6	60.0
Investment certificates	7.3	21.3
Equities and other non-fixed-income securities	0.0	8.2
of which:		
listed	0.0	8.2
unlisted	0.0	0.0
Promissory note loans	0.0	0.0
Investments	16.9	14.7
Total	**120.9**	**192.2**

Pursuant to IFRS 9, we understand financial assets mandatorily recognised at fair value through profit or loss as all non-derivative financial instruments of the "hold" and "hold and sell" business models whose contractual cash flows do not exclusively represent principal and interest on the outstanding capital at set times, as well as investments.

26 Financial Assets

in €m	31.12.2019	31.12.2018
Bonds and other fixed-income securities	3,405.1	3,418.1
of which:		
public-sector issuers	1,806.7	1,816.1
other issuers	1,598.4	1,602.0
of which:		
listed	3,340.7	3,353.8
unlisted	64.4	64.3
Promissory note loans	80.6	90.3
Investments	23.7	23.7
Total	**3,509.4**	**3,532.1**

We understand financial assets as all financial instruments of the "hold and sell" business model pursuant to IFRS 9, their contractual cash flows, excluding principal and interest on the outstanding capital at set times, and investments.

Bonds and other fixed-income securities, as well as promissory note loans, are measured at fair value without effect on the income statement with recycling. Investments are measured at fair value without effect on the income statement without recycling.

27 Investment Overview

in €m	31.12.2019	31.12.2018
Land and buildings	66.9	67.7
Right-of-use assets	27.2	n/a
Operating and office equipment	43.2	47.8
Property, plant and equipment	137.3	115.5
Intangible assets	86.3	69.2
Total	**223.6**	**184.7**

As a consequence of the introduction of IFRS 16, right-of-use assets were reported as property, plant and equipment for the first time in 2019 (cf. Note 18).

in €m	Land and buildings	Operating and office equipment	Right-of-use assets*	Fixed assets (aggregate)	Intangible assets
Acquisition costs as at 01.01.2019	109.9	138.9	41.6	290.4	166.7
Additions	0.8	13.1	0.0	13.9	32.3
Disposals	0.0	22.5	3.5	26.0	5.7
Acquisition costs as at 31.12.2019	110.7	129.5	38.1	278.3	193.3
Depreciation as at 01.01.2019	42.2	91.1	0.0	133.3	97.5
Scheduled depreciation	1.7	15.8	11.3	28.8	5.1
Non-scheduled depreciation	0.0	0.0	0.0	0.0	4.9
Depreciation of reversals	0.1	20.6	0.4	21.1	0.5
Depreciation as at 31.12.2019	43.8	86.3	10.9	141.0	107.0
Carrying value as at 31.12.2019	**66.9**	**43.2**	**27.2**	**137.3**	**86.3**
Carrying value as at 31.12.2018	**67.7**	**47.8**	**n/a**	**115.5**	**69.2**

* Addition as at 1 January 2019 from the initial application of IFRS 16

in €m	Land and buildings	Operating and office equipment	Fixed assets (aggregate)	Intangible assets
Acquisition costs as at 01.01.2018	109.7	123.9	233.6	122.7
Additions	0.2	21.1	21.3	44.5
Disposals	0.0	6.1	6.1	0.5
Acquisition costs as at 31.12.2018	109.9	138.9	248.8	166.7
Depreciation as at 01.01.2018	40.5	81.7	122.2	93.1
Scheduled depreciation	1.7	14.1	15.8	4.4
Non-scheduled depreciation	0.0	0.0	0.0	0.0
Depreciation of reversals	0.0	4.7	4.7	0.0
Depreciation as at 31.12.2018	42.2	91.1	133.3	97.5
Carrying value as at 31.12.2018	**67.7**	**47.8**	**115.5**	**69.2**
Carrying value as at 31.12.2017	**69.2**	**42.2**	**111.4**	**29.6**

Intangible assets include goodwill of €4.4 million (previous year: €4.4 million) that is attributable to a subsidiary (cash generating unit) allocated to the Global Banking & Markets segment, as well as standard software in the amount of €81.9 million (previous year: €64.8 million). As in the previous year, this balance sheet item did not include any intangible assets developed in house in the year under report.

As in the previous year, foreign currency translation did not affect property, plant and equipment values.

Fixed assets are assigned to non-current assets.

28 Taxation Recoverable

in €m	31.12.2019	31.12.2018
Current taxation recoverable	61.9	23.7
Deferred taxation recoverable	57.2	68.2
Total	**119.1**	**91.9**

Current taxation recoverable relates exclusively to receivables from German tax authorities.

The deferred taxation is our future tax burden or relief, formed for the differences between the taxation valuation and the amounts stated in the balance sheet (cf. Note "Tax Expenses").

Deferred taxation recoverable and deferred taxation are attributable to the following items:

in €m	31.12.2019	31.12.2018*	Change
	As shown in the balance sheet	**As shown in the balance sheet**	
Trading portfolio and market values of the derivative financial instruments*	–1.1	–1.4	0.3
Intangible assets	0.0	0.0	0.0
Net loan impairment provisions and provisions for off-balance sheet commitments in the lending business	5.1	5.9	–0.8
Pensions	26.5	24.6	1.9
Other financial assets mandatorily recognised at fair value through profit or loss	5.7	6.6	–0.9
Financial assets	–0.5	3.3	–3.8
Property, plant and equipment	–16.4	–7.8	–8.6
Provisions	12.2	12.2	0.0
Other assets	0.0	–10.3	10.3
Other liabilities	11.0	0.0	11.0
Recognised at fair value through profit or loss	**42.5**	**33.1**	**9.4**
Financial instruments	–28.4	–20.3	–8.1
Foreign currency translation	–0.1	–0.1	0.0
Pensions	43.1	45.1	–2.0
Through other comprehensive income	**14.6**	**24.7**	**–10.1**
Deferred taxes	57.1	57.8	–0.7
of which taxation recoverable	57.2	68.2	–11.0
of which taxation	0.1	10.4	–10.3

* Balance from measurement differences in all trading activities
** Comparatives adjusted. The adjustments are explained in Note 18.

Within the scope of the provisions for the treatment of deferred taxes, the deferred taxation recoverable was offset against deferred taxation, as in previous years.

The losses incurred in Luxembourg cannot be used for tax purposes, since it is highly unlikely that taxable income would be generated in the future that could be offset against tax-deductible losses. The losses carried forward for an indefinite period of time amount to €21.5 million (previous year: €44.1 million), with international entities accounting for €8.6 million (previous year: €31.7 million) thereof. As in the previous year, there are no temporary differences on so-called outside basis differences.

Deferred taxation recoverable is primarily assigned to non-current assets. Current taxation recoverable is primarily assigned to current assets.

29 Other Assets

The decline in other assets to €68.7 million (previous year: €179.9 million) was primarily attributable to the sale of a property from a consolidated closed-end real estate fund that was disclosed pursuant to IAS 2 under this item in the previous year. The book value of this property stood at €130.3 million at the same time in the comparable period.

The other assets contain outstanding receivables from the securities services business at our subsidiaries, accrued income, cash collateral for the bank levy and the compensation scheme of German banks, and other receivables.

Other assets are primarily assigned to current assets.

30 Subordinated Assets

in €m	31.12.2019	31.12.2018
Bonds and other fixed-income securities	197.7	301.4
Profit-participation certificates	2.5	2.3
Total	**200.2**	**303.7**

31 Repurchase Agreements and Securities Lending

The Bank is active as a collateral taker and a collateral provider within the scope of repurchase agreements and securities lending transactions. The transactions are executed at prevailing market conditions.

The following overview shows the securities we pledged and which cannot be written off in accordance with IFRS 9, as well as the associated financial liabilities.

In addition to treasury securities, we also pledged securities that we had previously received within the scope of securities lending transactions and repurchase agreements. The transferred own securities are disclosed as trading assets.

in €m	31.12.2019		31.12.2018	
Type of transaction	**Fair value of the transferred financial assets**	**Book value of the associated financial liabilities**	**Fair value of the transferred financial assets**	**Book value of the associated financial liabilities**
Repurchase agreements	–	–	–	–
Securities lending transactions	69.8	42.1	93.3	78.9
Total	**69.8**	**42.1**	**93.3**	**78.9**

The following overview includes the financial instruments that cannot be reported in accordance with IFRS 9, as well as the associated receivables. There is no on-balance sheet netting.

in €m	31.12.2019		31.12.2018	
Type of transaction	**Fair value of the transferred financial assets**	**Book value of the associated financial liabilities**	**Fair value of the transferred financial assets**	**Book value of the associated financial liabilities**
Repurchase agreements	–	–	–	–
of which may be sold or pledged	–	–	–	–
of which are already sold or pledged	–	–	–	–
Securities lending transactions	167.5	–	44.1	1.2
of which may be sold or pledged	157.7	–	30.1	–
of which are already sold or pledged	9.7	–	14.0	–
Total	**167.5**	**–**	**44.1**	**1.2**

32 Deposits by Banks

in €m	31.12.2019	31.12.2018
Current accounts	350.2	401.8
Money market transactions	1,414.1	1,974.6
of which overnight money	0.0	0.0
of which term deposits	1,414.1	1,974.6
Other liabilities	816.3	785.8
Collateral items in the derivatives trading business	27.5	156.7
Total	**2,608.1**	**3,318.9**
of which domestic banks	1,925.3	2,359.1
of which foreign banks	682.8	959.8

As at 31 December 2019, there were no deposits by banks secured by charges on real property (previous year: €107.8 million).

33 Customer Accounts

in €m	31.12.2019	31.12.2018
Current accounts	15,308.0	12,871.9
Money market transactions	1,973.5	1,560.4
of which overnight money	435.8	383.7
of which term deposits	1,537.7	1,176.7
Savings deposits	2.9	1.7
Other liabilities	308.4	326.3
Collateral items in the derivatives trading business	58.0	101.1
Total	**17,650.8**	**14,861.4**
of which domestic customers	16,478.5	13,757.2
of which foreign customers	1,172.3	1,104.2

34 Trading Liabilities

in €m	31.12.2019	31.12.2018
Promissory note loans	260.9	290.8
Bonds	556.2	538.6
Certificates and warrants	956.5	987.6
Delivery obligations arising from securities sold short	20.2	8.9
Total	**1,793.8**	**1,825.9**

The issue and placement of certificates and warrants, as well as of structured promissory note loans and bonds, are the direct responsibility of the trading divisions.

35 Negative Market Values from Derivative Financial Instruments

in €m	31.12.2019	31.12.2018
Negative market values of derivatives	1,040.2	955.8
of which OTC derivatives	894.3	756.9
of which exchange-traded derivatives	145.9	198.9
Derivatives in hedging relationships	29.8	22.8
Derivatives held in the banking book	0.0	0.1
Total	**1,070.0**	**978.7**

36 Provisions

Provisions are broken down as follows:

in €m	31.12.2019	31.12.2018
Provisions for pensions and similar obligations	34.6	98.2
Provisions for off-balance sheet commitments in the lending business	11.3	5.9
Other provisions	82.9	63.4
Total	**128.9**	**167.5**

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations developed as follows in 2019:

in €m	Pensions and similar obligations	Partial retirement	Statutory retirement age	Other	Total
As at 01.01	**88.1**	**1.3**	**3.5**	**5.3**	**98.2**
Change in the plan assets	–69.8	0.0	–2.0	0.0	–71.7
Pensions paid	–9.9	0.0	0.0	0.0	–9.9
Additions (incl. projected income)	16.9	0.6	2.2	0.3	20.0
Transfers/other	4.0	0.0	0.0	0.4	4.4
Changes recognised at fair value through other comprehensive income arising from the remeasurement of the net pension obligation	–6.4	0.0	0.0	0.0	–6.4
As at 31.12	**22.9**	**1.9**	**3.7**	**6.0**	**34.6**

Administrative expenses for pensions and other employee benefits are made up of the following components:

in €m	2019	2018
Expenses for defined benefit plans	20.0	23.0
of which current service costs	23.6	18.8
of which interest expense	7.1	7.4
of which estimated income from the plan assets	–10.7	–3.2
of which gains from plan settlements	0.0	0.0
Expenses for defined contribution plans	7.3	7.2
Other expenses for retirement provisions	0.8	0.5
Total	**28.1**	**30.7**

We have also included €18.3 million (previous year: €17.1 million) in employer contributions to the state pension scheme in staff expenses. Expenses for defined contribution plans include contributions to the mutual pension fund scheme organised for the German banking sector, BVV Versicherungsverein.

Various pension payment and benefit regulations exist for employees depending on the date the employee joined the Group. The plan characteristics of the pension commitments that are classified as defined benefit plans within the meaning of IAS 19 are outlined below.

Collective regulations

(a) Legal framework

The commitments based on the company pension scheme were made to employees as collective regulations in the form of company agreements that are structured as direct pension commitments.

(b) Open regulations for new business

Within the scope of the current open regulation for new business funded by the employer (VO 2013), the Bank pledges capital contributions to its employees in the event of retirement, invalidity and death. The commitment is a defined contribution scheme; the benefits arise as capital components from the committed contribution through a guaranteed rate of interest. The amount of the guaranteed return can be adjusted for future components in line with a changed interest rate environment. Each contribution period is ten years after the end of the reporting period. The Bank may at any time determine if and how to extend the contribution period. If the Bank has not issued any declaration by the end of a financial year, the contribution period is deemed to have been extended by another year.

(c) Closed regulation

Employees who joined the company in the period from 1 January 2001 to 30 June 2013 are subject to a regulation (VO 2001) in line with the VO 2013, which differs largely from the current regulation regarding the committed guarantee interest rate. This pension fund consists of the vested benefits of former employees but no current pension benefits.

Two further pension plans exist for employees who joined the company before 31 December 2000 and former employees of the Hamburg branch; these were closed for new policies. Beneficiaries of these regulations receive benefits in the form of lifelong old-age, invalidity and survivors' pensions. These are final salary schemes dependent on the length of service with a divided benefit formula. The pension is paid when the benefit falls due as a percentage share of the pensionable income, whereby different percentages for income components below and above the contribution assessment ceiling in the statutory pension scheme are envisaged based on years of service.

In addition to active members of staff, this regulation covers former employees with vested entitlements to a lifelong current pension and old age beneficiaries. These receive a lifelong pension for which an adjustment review is conducted in accordance with section 16 (1) of the Occupational Pensions Act (Betriebsrentengesetz – BetrAVG).

A contribution-oriented capital commitment is in place for a closed group of candidates. The Bank has concluded reinsurance policies with leading German insurance companies for this group, so that the employee receives exactly the benefit built up under the reinsurance policy.

(d) BVV Versicherungsverein des Bankgewerbes a.G.

In addition, several Group companies pay contributions to BVV Versicherungsverein des Bankgewerbes a.G. or to BVV Versorgungskasse des Bankgewerbes e. V. These are treated as a defined contribution plan (IAS 19.46). Some of the contributions consist of the employees' deferred compensation. Provisions were not created for the services to be provided by BVV, as the probability of the mandatory subsidiary responsibility being utilised is classified as very low.

(b) Lifelong working time account model

All of the Group's staff have the option to extend their pension provision via the lifelong working time account (Lebensarbeitszeitkonto – LAZK). This model aims to provide employees with a flexible means of providing for their future. By converting salary, overtime or special payments, the model allows active gainful employment to be ended even before the official retirement age. In addition, care-giving periods and periods of parental leave are possible while receiving partial or full salary payments.

Individual commitments
Final salary-based individual commitments to lifelong regular benefits exist for former and active Management Board and Executive Committee members, as well as former Managing Partners. Contribution-oriented capital plan commitments were agreed individually for recently appointed members of the Management Board. In addition, some former Management Board and Executive Committee members, as well as Managing Partners, received a capital commitment from the deferred compensation. The guaranteed return on the contributed conversion amount is defined; the capital is paid out in instalments.

The former Management Board and Executive Committee members, and the Managing Partners or their surviving dependants, are beneficiaries or have a corresponding vested benefit.

Financing
Plan assets were created to fund the pension obligations and separated through what is known as a contractual trust agreement (CTA). HSBC Trinkaus Vermögenstreuhänder e. V. and HSBC Trinkaus Mitarbeitertreuhänder e. V. assume the role of trustee. Active members of the trustee constitute two members of the Management Board of the Bank, two members of the Supervisory Board and ten employees.

The Bank regularly aims to comprehensively finance the committed benefits externally. There is no obligation to allocate contributions to the CTA. The Bank is entitled to assets that are not needed to fund the committed benefits. In the year under report, €70.0 million were transferred to the plan assets. No further additions to the plan assets are envisaged at the present time.

In accordance with the Memorandum and Articles of Association, the revenues may only be used, for example, for pension payments or for reinvestment. Similarly, withdrawals may only be made in accordance with the Memorandum and Articles of Association. In so far as the benefits are directly committed and there is a shortfall in the CTA, provisions are created for these. The leading German reinsurance companies fund the reinsurance ancillary capital commitments through reinsurances.

The strategic aim of the investment is to achieve as continuous an increase in value as possible over time. For this purpose, the fund invests mainly in government bonds, corporate bonds, investment funds and equities. It invests predominantly in the developed regions. Overall, emphasis is placed on a high degree of diversification.

Risk aspects
The Bank bears the adjustment risks of the lifelong regular benefits from the entitlements to lifelong pensions and the obligation to pay lifelong benefits from existing commitments. This effectively means a pension increase in accordance with consumer price development. At the same time, adjustment risks arise from dynamic withdrawal components.

There are also longevity risks in relation to the lifelong benefits. The actuarial tables used to measure the present value of the obligations take into account the increase in life expectancy currently foreseeable as generation tables.

The adjustments and longevity risks were largely eliminated for the capital commitments given since 2001 and above all for the pension fund open to new business.

The Bank reduced the balance sheet and financing risks by using contributions to the CTA and the existing cover assets. However, financing risks arise if the returns on the cover assets do not correspond to the assumed return on the present value of the obligation. Balance sheet risks also arise from fluctuation in the actuarial interest rate used to calculate the present value of the obligation if the change in the present value of the obligation from the fluctuation in the actuarial interest rate is not offset by a corresponding change in the fair value of the cover assets.

The extent of the obligation (defined benefit obligation, DBO) of the closed pension fund amounted to €283.6 million (previous year: €261.6 million) during the period under report, with benefit recipients accounting for €73.8 million (previous year: €69.2 million) thereof. The DBO of the individual commitments amounts to €76.4 million (previous year: €74.5 million), with benefit recipients accounting for €48.7 million (previous

year: €49.0 million) thereof. The DBO of the open pension fund (in force since 1 July 2013) amounts to €6.1 million (previous year: €3.8 million).
Capital commitments account for €68.8 million (previous year: €57.0 million).

The pension obligations are calculated in the actuarial opinion using the projected unit credit method. Besides the current mortality tables (Heubeck tables 2018 G), we base these annual measurements on the following parameters:

in %	31.12.2019	31.12.2018
Base rate of interest for pensions	1.05	1.81
Base rate of interest for obligations from partial retirement and early retirement regulations	0.02	0.56
Base rate of interest for obligations similar to pension obligations and anniversary obligations	0.73	1.47
Base rate of interest for LAZK	0.73	1.47
Estimated salary increases	2.50	3.0
Estimated pension indexation	1.50	2.0
Estimated rate of inflation	1.75	2.0
Expected increase in the contribution ceiling for social insurance	2.9	2.9

The base rate of interest is calculated on the basis of the average yield on long-term and first-class bonds. The duration of obligations for pensions is 18.1 years (previous year: 18.3 years); the duration of obligations from partial retirement and early retirement regulations is unchanged from the prior year at three years, and the duration of obligations similar to pension obligations and provisions for jubilee payments is also unchanged from the prior year at 10 years. The consultancy company Willis Towers Watson's "Global Rate: Link" is used for calculating interest. This includes bonds rated at least AA while taking other specific factors into account.

Due to the change in the economic conditions, we reduced the measurement parameters development of salaries and pension increase from 3.0 % to 2.5 % and from 2.0 % to 1.5 % respectively in the year under report (2019). This is a change to an accounting-related estimation procedure within the meaning of IAS 8. These adjustments reduced pension obligations and similar obligations by €27.8 million, or 6.4 % of the DBO. The effect reducing the pension obligations amounted to €25.7 million, or 6.6 % of the DBO. Viewed individually, the change to the parameters can be said to have reduced the development of salaries and the pension increase by €7.3 million and €18.4 million respectively. In terms of the consolidated balance sheet, this adjustment effect is reflected in the remeasurement of net pension obligations. With regard to similar obligations, the adjustment of the development of salaries reduced the obligations by €2.1 million, or 5.0 % of the DBO. This adjustment effect reduced the administrative expenses accordingly in the year under report.

Sensitivity analyses for the defined benefit obligations

Pursuant to IAS 19.145, the extent by which the key measurement assumption for the DBO could "reasonably" change during a one-year period must be determined.

The rate of interest, the assumed rate of inflation and the underlying salary increase rate must be regarded regularly as major assumptions. The following disclosures relate to the sensitivities of the DBO for pensions:

Measurement parameter as at 31.12.2019	Initial value	Sensitivity	Impact on the DBO
Base rate of interest	1.05 %	–1.00 percentage points	20.6 %
Base rate of interest	1.05 %	+ 1.00 percentage points	– 15.8 %
Development of salaries	2.50 %	–0.50 percentage points	– 2.1 %
Development of salaries	2.50 %	+ 0.50 percentage points	2.4 %
Pension increase	1.50 %	–0.25 percentage points	– 2.8 %
Pension increase	1.50 %	+ 0.25 percentage points	2.9 %
Life expectancy	Pursuant to RT 2018 G	+ 1 year for a person currently aged 65	3.8 %

Measurement parameter as at	Initial value	Sensitivity	Impact on the DBO
Base rate of interest	1.81 %	–1.00 percentage points	20.7 %
Base rate of interest	1.81 %	+ 1.00 percentage points	– 15.8 %
Development of salaries	3.00 %	–0.50 percentage points	– 2.5 %
Development of salaries	3.00 %	+ 0.50 percentage points	2.8 %
Pension increase	2.00 %	–0.25 percentage points	– 2.8 %
Pension increase	2.00 %	+ 0.25 percentage points	2.9 %
Life expectancy	Pursuant to RT 2018 G	+ 1 year for a person currently aged 65	3.7 %

Breakdown of pension obligations

in €m	2019	2018	2017	2016	2015
Non-funded pension obligations	**1.1**	**1.0**	**1.0**	**0.9**	**1.8**
Funded pension obligations					
Present value of the pension obligations	511.0	464.1	443.0	424.5	375.4
Fair value of the plan assets	477.7	367.1	371.4	352.3	332.3
Balance	**33.3**	**97.0**	**71.6**	**72.2**	**43.1**
of which plan shortfall	33.5	97.2	71.8	74.1	47.9
of which plan excess	0.2	0.2	0.2	1.9	4.8
Total pension obligations	**34.6**	**98.2**	**72.8**	**75.0**	**49.7**
Remeasurement of net pension obligations					
from plan assets (before taxes)	20.3	–0.3	16.0	9.0	3.3
from plan obligations (before taxes)	–159.6	–145.4	–144.9	–149.9	–126.4

The cumulative valuation reserves for the remeasurement of net pension obligations, which are recognised at fair value through other comprehensive income, amounted to a loss of €–96.3 million after taxes (previous year: loss of €100.7 million).

The gains from the remeasurement of the net pension obligations in the year under report were attributable to the positive development of plan assets compared to the forecast at the start of the year and the impact from the adjustment of the measurement parameters, which was more than able to compensate for the effect from the marked decrease in interest rates.

Net debt from defined benefit obligations developed as follows:

in €m	Pension obligations	Plan assets	Net debt
As at 01.01.2018	**444.0**	**371.4**	**72.6**
Service costs	18.8		18.8
Past service cost	0.0		0.0
Gains (losses) from plan settlements	0.0		0.0
Interest expense/income	7.4	3.2	4.2
Remeasurement	0.5	–16.3	16.8
Actual income excluding interest income		–16.3	16.3
Change in actuarial gains and losses	0.5		0.5
from adjustment to the obligations	–3.1		–3.1
from changes to the demographic assumptions	1.8		1.8
from changes to the financial assumptions	1.8		1.8
Retirement benefits paid directly by the employer	–9.8		–9.8
Retirement benefits paid from the plan assets	–0.5	–0.5	0.0
Sums paid in conjunction with plan settlements	0.0		0.0
Transfers and others	4.7	9.3	–4.6
Additions to the plan assets		0.0	0.0
Withdrawals from the plan assets		0.0	0.0
As at 31.12.2018	**465.1**	**367.1**	**98.0**
of which: pension provisions			98.2
of which: capitalised plan assets			0.2
As at 01.01.2019	**465.1**	**367.1**	**98.0**
Service costs	23.6		23.6
Past service cost	0.0		0.0
Gains (losses) from plan settlements	0.0		0.0
Interest expense/income	7.1	10.7	–3.6
Remeasurement	14.2	20.6	–6.4
Actual income excluding interest income		20.6	–20.6
Change in actuarial gains and losses	14.2		14.2
from adjustment to the obligations	–5.3		–5.3
from changes to the demographic assumptions	0.0		0.0
from changes to the financial assumptions	19.5		19.5
Retirement benefits paid directly by the employer	–9.7		–9.7
Retirement benefits paid from the plan assets	–0.2	–0.2	0.0
Sums paid in conjunction with plan settlements	0.0		0.0
Transfers and others	12.0	9.5	2.5
Additions to the plan assets		70.0	–70.0
Withdrawals from the plan assets		0.0	0.0
As at 31.12.2019	**512.1**	**477.7**	**34.4**
of which: pension provisions			34.6
of which: capitalised plan assets			0.2

Distribution of pension obligations

in €m	2019	2018
Assets	330.4	304.8
of which non-forfeitable	181.0	176.0
Vested benefits of former employees	59.2	42.1
Beneficiaries	122.5	118.2
Total	**512.1**	**465.1**

Total pension obligations are attributable to partial retirement obligations of €4.2 million (previous year: €3.5 million), to LAZK obligations of €79.1 million (previous year: €63.8 million), to anniversary obligations of €15.2 million (previous year: €14.0 million) and to early retirement obligations of €1.1 million (previous year: €1.1 million).

Impact of the obligations on future cash flows

in €m	2020	2021	2022	2023	2024	2025 – 2029
Future cash flows	10.5	10.4	10.6	10.5	11.1	65.9

Breakdown of the fair value of plan assets

in €m	2019	2018
Bonds and other fixed-income securities	113.9	109.7
Equities	30.4	29.4
Discount/index certificates	26.6	33.5
Liability insurance claims from life insurance	16.0	16.1
Investment funds	182.2	124.9
Closed-end real estate funds	4.0	4.0
Cash	103.6	49.4
Other	1.0	0.1
Fair value of plan assets as of 31.12	**477.7**	**367.1**

With the exception of the reinsurance claims from life insurance policies and the units in closed-end real estate funds, the fair values of the plan assets are based on prices quoted on active markets or on valuation models for which all valuation parameters are observable.

Other provisions

The other provisions developed as follows in 2019:

in €m	As at 01.01.2019	Utilisa-tion	Rever-sals	Addi-tions	Com-pound-ing	Transfers/ others	As at 31.12.2019
Provisions for trade payables for soft- and hardware	9.7	3.8	2.7	8.5	0.0	0.0	11.7
Provisions for expected interest on retrospective tax payments	8.1	0.0	0.0	2.3	0.1	0.0	10.5
Provisions for trade payables for goods and services	12.1	3.2	1.8	7.7	0.0	0.0	14.8
Provisions for goodwill and legal risks	9.6	0.7	0.8	1.7	0.0	0.0	9.8
Provisions for the efficiency programme (IAS 37)	0.0	0.0	0.0	10.1	0.0	0.0	10.1
Provisions for the efficiency programme (IAS 19)	0.0	0.0	0.0	12.4	0.0	0.0	12.4
Provisions created in conjunction with the discontinuation of certain business activities in Luxembourg*	2.2	0.2	0.0	0.2	0.0	0.0	2.2
Provisions for restoration obligations*	6.2	0.1	0.2	0.2	0.0	0.0	6.1
Provisions for archiving	2.8	0.0	0.0	0.0	0.0	0.0	2.8
Provisions for other taxes	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Miscellaneous other provisions	3.5	1.5	0.9	1.3	0.0	0.0	2.4
Total*	**54.3**	**9.5**	**6.4**	**44.4**	**0.1**	**0.0**	**82.9**

* Derecognition of provisions created in conjunction with rental agreements upon initial application of IFRS 16 in the amount of €9.1 million in the opening balance sheet (€7.4 million in provisions created in conjunction with the discontinuation of certain business activities in Luxembourg and €1.7 million in provisions for restoration obligations; cf. Note 18)

The assessment of the expected maturities for the outflow of economic benefits for the remaining provisions is subject to a high level of uncertainty and is estimated at approximately up to five years.

No material legal disputes and associated litigation risks were pending as at 31 December 2019.

In light of the difficult economic conditions for banks, the management of HSBC Germany launched a Group-wide, multi-year programme to improve internal efficiency in 2019. This programme provides for fundamental restructuring in parts of the Group and in particular the relocation of certain business activities to countries where the HSBC Group has already gained positive experience in pooling service and supply functions. At the same time, we are increasingly relying on future-oriented technologies such as digitalisation and automation to streamline processes and save resources.

Detailed restructuring plans and individual measures were defined as part of the efficiency programme. The divisions and locations affected by the restructuring, the number and roles of the affected employees, the expenses and future savings associated with the implementation and the implementation schedule were disclosed to the employees' representatives. Negotiations between the employer and employees' representatives on the definition of the reduction in staff planned in the course of implementation have been concluded. The workforce has been informed accordingly. The information relevant in this context, including the reconciliation of interests and the redundancy programme, was made available to employees in December 2019. The implementation of the various measures as part of the programme to improve internal efficiency is progressing as planned.

37 Net Loan Impairment and Other Credit Risk Provisions

Net loan impairment provision

in €m	Gross book values				Net loan impairment provision and other credit risk provisions			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 01.01.2019	**11,467.9**	**571.6**	**201.7**	**12,241.2**	**1.1**	**1.9**	**27.7**	**30.7**
(Net) transfer between the levels	–218.1	206.0	12.1	–0.0	–0.1	0.1	0.0	0.0
Changes relating to portfolio and credit quality	746.4	–82.0	18.4	682.8	0.9	2.9	36.0	39.8
Utilisation	0.0	0.0	–17.0	–17.0	0.0	0.0	–17.0	–17.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.12.2019	**11,996.2**	**695.6**	**215.2**	**12,907.0**	**1.9**	**4.9**	**46.7**	**53.5**

in €m	Gross book values				Net loan impairment provision and other credit risk provisions			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 01.01.2018	**9,452.8**	**688.4**	**106.6**	**10,247.8**	**1.3**	**3.4**	**31.8**	**36.5**
(Net) transfer between the levels	–150.2	70.1	80.1	0.0	0.0	0.0	0.0	0.0
Changes relating to portfolio and credit quality	2,165.3	–186.9	22.7	2,001.1	–0.2	–1.5	3.6	1.9
Utilisation	0.0	0.0	–7.7	–7.7	0.0	0.0	–7.7	–7.7
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.12.2018	**11,467.9**	**571.6**	**201.7**	**12,241.2**	**1.1**	**1.9**	**27.7**	**30.7**

Net loan impairment provision for financial assets

in €m	Fair value				Net loan impairment provision and other credit risk provisions			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 01.01.2019	**3,480.7**	**27.7**	**0.0**	**3,508.4**	**0.4**	**0.5**	**0.0**	**0.9**
(Net) transfer between the levels	–21.1	21.1	0.0	0.0	0.0	0.0	0.0	0.0
Changes relating to portfolio and credit quality	–11.4	–11.3	0.0	–22.7	0.0	0.2	0.0	0.2
Utilisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.12.2019	**3,448.2**	**37.5**	**0.0**	**3,485.7**	**0.4**	**0.7**	**0.0**	**1.1**

in €m	Fair value				Net loan impairment provision and other credit risk provisions			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 01.01.2018	**4,524.5**	**25.2**	**39.7**	**4,589.4**	**0.2**	**0.2**	**10.1**	**10.5**
(Net) transfer between the levels	–2.5	2.5	0.0	0.0	0.0	0.0	0.0	0.0
Changes relating to portfolio and credit quality	–1,041.3	0.0	–39.7	–1,081.0	0.2	0.3	–10.1	–9.6
Utilisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.12.2018	**3,480.7**	**27.7**	**0.0**	**3,508.4**	**0.4**	**0.5**	**0.0**	**0.9**

Provisions for off-balance sheet commitments in the lending business

Provisions for off-balance sheet commitments in the lending business developed as follows:

in €m	Nominal amount				Net loan impairment provision and other credit risk provisions			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 01.01.2019	**4,524.5**	**25.2**	**39.7**	**4,589.4**	**0.2**	**0.2**	**10.1**	**5.9**
(Net) transfer between the levels	–510.0	523.1	–13.1	0.0	0.0	0.0	0.0	0.0
Changes relating to portfolio and credit quality	–53.8	–346.3	–12.3	–412.4	0.2	0.8	4.4	5.4
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.12.2019	**12,183.6**	**961.4**	**12.7**	**13,157.7**	**0.8**	**1.6**	**8.9**	**11.3**

in €m	Nominal amount				Net loan impairment provision and other credit risk provisions			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 01.01.2018	**12,237.3**	**497.1**	**32.2**	**12,766.6**	**0.6**	**1.6**	**10.4**	**12.6**
(Net) transfer between the levels	–71.3	68.9	2.4	0.0	0.0	0.0	0.0	0.0
Changes relating to portfolio and credit quality	581.4	218.6	3.5	803.5	0.0	–0.8	–5.9	–6.7
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
As at 31.12.2018	**12,747.4**	**784.6**	**38.1**	**13,570.1**	**0.6**	**0.8**	**4.5**	**5.9**

We report on the emergence and management of counterparty credit risk within the Risk Report as part of the audited consolidated financial statements. As in the previous year, there were no significant impairment charges in relation to receivables from contracts with customers as at the reporting date of 31 December 2019.

38 Taxation

in €m	31.12.2019	31.12.2018*
Current taxation	34.8	31.1
Deferred taxation	0.1	10.4
Total	**34.9**	**41.5**

* Comparatives adjusted. The adjustments are explained in Note 18.

Current taxation includes provisions for income taxes that are likely to be paid on the basis of the tax accounts of the fully consolidated Group companies, taking into account additions and reductions in respect of corporation and trade tax. In addition, our obligations arising from any taxation to be paid as a result of current and future audits are also reported under this item.

Deferred taxation recoverable is offset against deferred taxation.

Taxation is assigned to short-term obligations.

39 Other Liabilities

in €m	31.12.2019	31.12.2018
Lease liabilities	49.7	n/a
Liabilities from other taxes	22.9	26.5
Deferred income	25.9	29.3
Other liabilities	167.9	191.2
Total	**266.4**	**247.0**

Other liabilities include predominantly trade payables and liabilities from performance-related remuneration. As a consequence of the introduction of IFRS 16, lease liabilities were reported as other liabilities for the first time in 2019 (cf. Note 18). Liabilities from other taxes comprise turnover tax liabilities as well as capital gains tax from our business with customers.

Other liabilities are mainly assigned to short-term obligations.

40 Subordinated Capital

in €m	31.12.2019	31.12.2018
Subordinated liabilities (bonds, promissory note loans)	455.0	483.0
Participatory capital	89.0	89.0
Accrued interest on		
subordinated liabilities	2.9	4.1
participatory capital	4.4	4.4
Total	**551.3**	**580.5**

In order to secure the flexibility of the Group further with regard to refinancing and strengthening the capital, the Annual General Meeting of HSBC Trinkaus & Burkhardt AG on 8 June 2016 agreed to grant authorisation to the Management Board to issue profit-participation certificates, bonds and other hybrid instruments without option or conversion rights, or option or conversion obligations, in such a manner that it includes the authorisation to exclude subscription rights.

The authorisation is valid until 31 May 2020.

When profit-participation certificates, bonds and other hybrid instruments are issued without any option or conversion rights, or option or conversion obligations, the Management Board may exclude the statutory subscription right wholly or partly if, after mandatory examination, the Management Board concludes that the issue price is not significantly below the theoretical market value ascertained in accordance with recognised and in particular mathematical valuation methods. Subject to approval by the Supervisory Board, the Management Board may also exclude fractional amounts (resulting from the subscription ratio) from shareholders' subscription rights and, where this is necessary, grant subscription rights to the holders of option rights or the holders of convertible profit-sharing certificates, convertible bonds and other hybrid instruments with conversion rights or obligations that would entitle such holders to the same extent as they would have been entitled on exercising their conversion or option rights or obligations. The Management Board will carefully examine whether the exclusion of the shareholders' subscription rights is in the best interest of the Company and thus also in the best interest of its shareholders. The Supervisory Board will only grant the necessary approval if it concludes that these requirements have been met. Provided the subscription right is not excluded, the profit-participation certificates, bonds or other hybrid instruments may also be subscribed by the Management Board of specific banks, subject to the obligations to offer them to the shareholders (indirect subscription right).

Subject to approval by the Supervisory Board, the Management Board is authorised to determine any specifications with regard to the issue and its features, in particular the volume, time, interest rate, issue price and term.

The resolution passed at the Annual General Meeting of 2 June 2015 authorising the Management Board to issue on one or several occasions by 31 May 2020 registered and/or bearer participation rights, bonds or other hybrid instruments without conversion or option rights or conversion or option obligations with a perpetual maturity, which meet the requirements of CRR and other provisions on the recognition of Additional Tier 1 capital (AT1 capital), where applicable, or issue other hybrid instrument with a fixed or perpetual maturity that do not meet the requirements of CRR concerning the recognition of T1 capital, was withdrawn.

Further details and provisions, as well as the full text of the aforementioned resolution, result from the administration's proposals for resolution on agenda item no. 5 and the corresponding report by the Management Board to the Annual General Meeting of the convening of the company's Annual General Meeting published in the Federal Gazette (Bundesanzeiger) on 20 April 2016.

In the event of liquidation, insolvency or other proceedings to avert insolvency, claims from subordinated liabilities will be settled only after all other claims against the Bank have been met. All subordinated claims have equal priority. No subordinated liabilities can be terminated

prematurely by creditors. Profit-participation certificates can be terminated prematurely by the Bank if there is a change in the tax framework, subject to two years' notice of termination.

Subordinated capital of €316.0 million (previous year: €446.2 million) is used to calculate the liable capital in accordance with CRR.

For the 2019 financial year, interest payable amounts to €11.5 million (previous year: €9.8 million) on subordinated liabilities and to €4.4 million (previous year: €4.4 million) on participatory capital.

Interest and repayment of subordinated liabilities

Interest rate	Nominal amount in €m 31.12.2019	Nominal amount in €m 31.12.2018
4% to 5%	75.0	75.0
Over 5% up to 6%	30.0	58.0
Fixed rates	105.0	133.0
Variable rates	350.0	350.0
Total	**455.0**	**483.0**

Repayment	Nominal amount in €m 31.12.2019	Nominal amount in €m 31.12.2018
Up to 1 year	20.0	28.0
Over 1 year up to 5 years	60.0	80.0
Over 5 years	375.0	375.0
Total	**455.0**	**483.0**

41 Shareholders' Equity

HSBC Trinkaus & Burkhardt AG share capital as at 31 December 2019 amounted to €91.4 million (previous year: €91.4 million) and was divided into 34,088,053 no-par value shares, as in the previous year. For the 2019 financial year we propose paying total dividends of €68.2 million (previous year: €85.2 million).

The Management Board is authorised to increase the company's share capital by up to €45,711,948.47 on or before 31 May 2020, with the Supervisory Board's approval, through one or more issues of new bearer shares against cash contributions or contributions in kind (authorised capital).

The share capital is also subject to a conditional capital increase of up to €45,711,948.47 by means of issuing 17,044,026 new no-par value bearer shares. The conditional capital increase can only be executed to the extent that the holders of the profit-participation certificates, bonds or other hybrid instruments with option or conversion rights that may only be issued from 2 June 2015 up to 31 May 2020 due to the authorisation of the Management Board through a resolution of the Annual General Meeting exercise their option or conversion rights, or the holders of the profit-participation certificates, bonds or other hybrid instruments with option or conversion obligations to be issued by the company by 31 May 2020 on the basis of the forthcoming aforementioned authorisation fulfil their option or conversion obligation. No use has been made of this authorisation to date.

Premiums from the issue of shares and options on treasury shares are shown in the capital reserve.

Profits from previous years that are not distributed are generally reported in retained earnings and in consolidated profit available for distribution.

HSBC Trinkaus & Burkhardt AG raised Additional Tier 1 capital (AT1) in December 2016 in the form of a deeply subordinated bearer bond with unlimited maturity for the total amount of €235.0 million. The bond cannot be called by the issuer for the first five years and features a fixed coupon that is adjusted every five years. The initial rate of interest is 5.65 %. A payment of €13.3 million will thus be due for the 2019 financial year (previous year: €13.3 million).

In January 2019, HSBC Trinkaus & Burkhardt AG raised further additional Tier 1 capital (AT1) in the form of a deeply subordinated bearer bond with unlimited maturity with a total notional amount of €200.0 million. The bond is callable by the issuer for the first time on 1 January 2025 and features a fixed coupon that is adjusted every five years. The initial rate of interest is 5.04 %. Interest payments for the 2019 financial year stood at €9.3 million and will fall due on 30 April 2020.

HSBC Bank plc, London, which holds 80.7 % of HSBC Trinkaus & Burkhardt AG's share capital, fully subscribed and acquired both securities in the course of a private placement. In accordance with IFRS, it constitutes shareholders' equity in both cases.

The changes in value (including net loan impairment and other credit risk provisions) vis-à-vis the amortised costs of the debt instruments reported in the item financial assets, after taking deferred taxes into account, are recognised in the valuation reserve for debt instruments recognised at fair value through other comprehensive income.

The changes in value vis-à-vis the acquisition costs of the equity instruments reported in the item financial assets, after taking deferred taxes into account, are recognised in the valuation reserve for debt instruments recognised at fair value through other comprehensive income.

The difference between the value forecast at the beginning of the year as at the balance sheet date and the actual value of the obligation or the plan assets calculated on the balance sheet date, after taking deferred taxes into account, are shown in the valuation reserve for the remeasurement of the net pension obligation.

The valuation reserve from currency conversion results from the consolidation of the real estate fund, the functional currency of which is the AUD.

Our capital management, which is geared towards the regulatory requirements, is also complemented by analysis of the economic capital requirement (Internal Capital Adequacy Assessment Process, ICAAP). ICAAP is based on the second pillar of the Basel capital requirements framework and fulfils the Minimum Requirements for Risk Management (MaRisk) stipulated by the Federal Financial Supervisory Authority (BaFin).

According to MaRisk, banks have to set up strategies and processes which ensure that enough internal capital is available to cover all main risks – in other words, that their bearing capacity is permanently guaranteed. ICAAP represents an integral part of risk management for us which is embedded into the risk management process and is constantly being developed further.

The quarterly analysis and continuous monitoring of the risk-bearing capacity is based on an income statement/balance sheet approach and also covers types of risk that are not included in the regulatory requirements for the capital adequacy of banks (e.g. liquidity or pension risk). The calculation of the economic capital requirement and derivation of the aggregate risk cover is carried out for two different scenarios – going concern and liquidation scenario – which are completed by associated stress assessments. Within the scope of the stress assessment throughout the Bank in the going concern scenario, the Bank takes an unusual but conceivable negative development of the global economy (for example, global economic collapse with a sharp decline in global trade or deterioration of the financial position of the public sector) and thus simulates the impact on specific quantifiable risks. Separate stress scenarios are defined for quantifiable risks that are not covered by the scenario and the impact analysed. In addition to these regular stress tests, the Bank conducts an inverted stress test once a year. This type of stress testing is related to the identification of results that could seriously threaten the Bank's own existence – in other words, it could potentially erode the aggregate risk cover of the going concern and/or liquidation scenario. Because of the current political situation, we

have identified growing protectionism of countries outside the EU as a possible inverse stress scenario (going concern) which could put export-oriented companies in particular under pressure and thus devalue the Bank's loan portfolio. Given that a stress test with a focus on exports outside of the EU had posed a threat to the risk-bearing capacity in the liquidity scenario only under very unrealistic assumptions, a counter stress test was examined instead for the liquidity scenario. This crisis scenario concerned in particular companies that are heavily dependent on sales within the EU as well as European banks and countries. Besides a downgrade of the creditworthiness, increased correlations and loss ratios were also modelled. The impact analysis of the inverse scenarios also takes compliance with the minimum capital ratios under Pillar I into account.

The theoretical methods and models for quantifying the economic capital requirement are at varying stages of development in the different types of risk.

In line with a conservative approach, diversification effects are still not taken into consideration at the Bank at present.

We continue to adjust the calculation of the economic capital requirement to meet the growing challenges we face. The risk-bearing capacity is comprehensively analysed on a quarterly basis and is continuously updated. The underlying methods used are discussed in detail in the Capital Steering Committee. The minutes of the Capital Steering Committee are forwarded to and dealt with by the overall Management Board. ICAAP is also discussed every six months in the Risk Committee of the Supervisory Board.

The Group's risk-bearing capacity is unchanged and its capitalisation adequate. As in the previous year, the minimum capitalisation requirements are met.

Valuation reserve for debt instruments recognised at fair value through other comprehensive income

The change in the valuation reserve for debt instruments recognised at fair value through other comprehensive income is as follows:

in €m	2019	2018
Net valuation reserve as at 01.01	**25.2**	**64.8**
Disposals/additions (gross)	17.3	–28.0
Market fluctuations (gross)	13.2	–27.5
Net loan impairment and other credit risk provisions (gross)	0.2	–0.8
Deferred taxes	–8.1	16.7
Net valuation reserve as at 31.12	**47.8**	**25.2**

Valuation reserve for equity instruments recognised at fair value through other comprehensive income

The change in the valuation reserve for debt instruments recognised at fair value through other comprehensive income is as follows:

in €m	2019	2018
Net valuation reserve as at 01.01	**6.6**	**7.3**
Disposals/additions (gross)	0.0	0.0
Market fluctuations (gross)	0.0	–0.7
Deferred taxes	0.0	0.0
Net valuation reserve as at 31.12	**6.6**	**6.6**

The HSBC Trinkaus & Burkhardt Group meets its disclosure obligations pursuant to Pillar 3 through the disclosure made at Group level by HSBC Holdings plc, London (Article 6 (3) CRR). We refer in this respect to HSBC Group's publications under the heading Investor Relations on its website (www.hsbc.com).

Notes to the Consolidated Income Statement

42 Net Interest Income

in €m	2019	2018
Interest income	**336.1**	**316.8**
Interest income from financial assets carried at amortised cost	**247.9**	**212.6**
Interest income from the lending business and money market transactions	247.9	212.6
Interest income from the securities business	0.0	0.0
Interest income from financial instruments recognised as liabilities	**42.5**	**35.9**
Interest income from financial assets recognised at fair value through other comprehensive income	**29.3**	**35.7**
Interest income from the lending business and money market transactions	4.1	4.4
Interest income from the securities business	25.2	31.3
Other interest income	**11.7**	**25.1**
Interest income from other financial assets mandatorily recognised at fair value through profit or loss	**4.7**	**7.5**
Interest income from the lending business and money market transactions	0.0	0.0
Interest income from the securities business	4.7	7.5
Interest expense	**108.0**	**100.7**
Interest expense from financial liabilities carried at amortised cost	**71.5**	**70.4**
Interest expense from the deposit-taking business	55.6	56.2
Interest expense from the securities business (subordinated capital)	15.9	14.2
Interest expense from financial instruments carried as assets	**31.0**	**29.1**
Interest expense from hedge accounting	**0.7**	**0.6**
Interest expense from lease liabilities	**0.4**	**n/a**
Other interest expense	**4.4**	**0.6**
Net interest income	**228.1**	**216.1**

Net interest income came to €228.1 million (previous year: €216.1 million), up €12.0 million or 5.6 %.

Net interest income in the customer lending business improved over the previous year due to higher average volume coupled with a slight fall in margins overall.

Net interest income from the deposit-taking business improved slightly over the previous year. We were able to pass on an additional proportion of the increased charges from the negative interest environment in the eurozone to our institutional and corporate customers. We view the continued very high level of deposits by our customers as evidence of the confidence they place in us.

Net interest income from our financial assets has fallen significantly once again. In the 2019 market environment, it was once again only possible to replace bullet loans with those with significantly lower coupons while maintaining our strict rules on the asset quality and maintaining a comparable risk profile.

The markedly negative development of net interest income generated in 2019 from the Bank's interest rate and currency risk, which we report in other net interest income in line with the Bank's internal management, is offset by opposing developments in the Bank's net trading income.

During the period under report, interest income from financial assets subject to impairment was recognised in the amount of €3.1 million (previous year: €1.9 mil-

lion). Interest expense from financial instruments carried as assets included payments for negative interest rates for the balance on the Bundesbank account in the amount of €29.8 million (previous year: €28.4 million).

43 Risk Provisioning in the Lending and Securities Business

in €m	2019	2018
Additions	52.6	11.6
Reversals	7.5	16.7
Direct write-offs	0.0	0.0
Recoveries on loans and advances previously written off	0.0	0.0
Total	**45.1**	**–5.1**

Net expenses for risk provisioning in the lending and securities business amounted to €45.1 million (previous year: income of €5.1 million). The impairments on defaulted exposures incurred expenses of €47.6 million from the creation of and additions to net loan impairment and other credit risk provisions and income of €7.5 million from the reversal of net loan impairment and other credit risk provisions. The other lending and securities exposures resulted in a net addition to risk provisioning of €5.0 million through profit or loss.

44 Net Fee Income

in €m	2019	2018
Securities portfolio transactions	125.6	115.1
Securities transactions	106.8	85.7
Asset management	76.9	73.7
Foreign exchange trades	63.0	58.8
Capital financing	27.5	45.2
Lending	25.3	25.6
Domestic/international payments	21.7	21.8
Other services	6.3	4.8
Total	**453.1**	**430.7**

Net fee income rose by €22.4 million or 5.2 % to €453.1 million (previous year: €430.7 million).

The result from securities portfolio business rose by €10.5 million year on year to €125.6 million (previous year: €115.1 million). In a highly competitive market environment, portfolio growth was unable to make up for declining terms.

At €106.8 million, net fee income from transactions in securities and financial instruments was up significantly by €21.1 million from the previous year's figure of €85.7 million. Transactions involving fixed-income business increased particularly. In addition, it was possible to expand the result from business with alternative investments once again compared to the previous year.

Net fee income from asset management rose by €3.2 million to €76.9 million (previous year: €73.7 million) in what continued to be a highly competitive environment.

In the commission business with exchange rates, we generated a €4.2 million increase in net income to €63.0 million (previous year: €58.8 million). This was due to the significant rise in traded volume and reduced expenses.

In capital financing, we were unable to match the previous year's positive result from equity- and debt-based corporate financing transactions. Net fee income declined significantly by €17.7 million to €27.5 million (previous year: €45.2 million) on the back of subdued development throughout the sector and in the M&A market.

At €25.3 million, net fee income from the lending business was down slightly year on year (previous year: €25.6 million).

The volume of domestic/international payments and documentary business remained practically unchanged compared to the previous year at €21.7 million (previous year: €21.8 million).

Net fee income includes income and expenses from trust activities within the meaning of IFRS 7.20 (c) (ii) of €107.4 million (previous year: €98.8 million).

Net fee income can be broken down as follows:

31.12.2019 in €m	**PB & AM**	**CMB**	**GB & M**	**CC/Consolidation**	**Total**
Income from the securities portfolio business	4.5	0.2	244.8	0.4	249.9
Income from the securities transaction business	7.8	5.6	152.6	–0.1	165.9
Income from asset management	80.0	2.2	0.7	0.1	83.0
Income from the derivatives business	6.8	15.6	45.6	0.2	68.2
Income from the lending business	3.4	25.9	3.2	0.0	32.5
Income from capital financing	0.0	4.6	24.0	–0.4	28.2
Income from domestic/international payments	0.6	16.2	8.2	0.0	25.0
Income from other services	1.6	0.6	4.9	0.4	7.5
Total	**104.7**	**70.9**	**484.0**	**0.6**	**660.2**

31.12.2018 in €m	**PB & AM**	**CMB**	**GB & M**	**CC/Consolidation**	**Total**
Income from the securities portfolio business	5.2	0.1	231.7	0.0	237.0
Income from the securities transaction business	7.5	2.8	131.6	0.1	142.0
Income from asset management	74.3	2.4	2.4	0.0	79.1
Income from the derivatives business	6.6	14.3	44.5	0.5	65.9
Income from capital financing	0.0	4.5	43.3	0.4	48.2
Income from the lending business	4.8	22.3	4.9	–0.1	31.9
Income from domestic/international payments	0.4	15.8	8.4	0.2	24.8
Income from other services	0.2	0.8	2.5	2.6	6.1
Total	**99.0**	**63.0**	**469.3**	**3.7**	**635.0**

45 Net Trading Income

in €m	2019	2018
Equities and equity-/index-linked derivatives	44.8	54.7
Bonds and interest rate derivatives	22.3	14.2
Foreign exchange	3.2	3.5
Hedge result	0.2	0.1
Derivatives held in the banking book	–0.1	–0.2
Total	**70.4**	**72.3**

Net trading income fell by €1.9 million to €70.4 million (previous year: €72.3 million).

Income generated from trading with equities and equity derivatives declined by €9.9 million year on year to €44.8 million (previous year: €54.7 million).

Net trading income from bonds, money market transactions and interest rate derivatives amounted to €22.3 million, which marks a significant year-on-year increase of €8.1 million (previous year: €14.2 million).

The previous year's result was impacted by shifts on the bond markets with some considerable spread-widening. It was possible to largely recover this negative effect in the financial year.

Income generated from foreign exchange trading declined again in 2019 by € 0.3million to €3.2 million. The mounting switching of foreign exchange trading to automated platforms continues to impact negatively on the margins.

46 Net Profit from Other Financial Assets Mandatorily Recognised at Fair Value Through Profit or Loss

in €m	2019	2018
Bonds and other fixed-income securities	4.2	–10.3
Hybrid financial instruments	3.3	–4.0
Investment certificates	1.3	–0.9
Equities and other non-fixed-income securities	0.6	–1.8
Investments	2.5	3.0
Total	**11.9**	**–14.0**

Net profit from other financial assets mandatorily recognised at fair value through profit or loss stood at €11.9 million following €–14.0 million in the previous year. The previous year's result was impacted by shifts on the bond markets with some considerable spread-widening. It was possible to largely recover this negative effect in the financial year.

47 Gains and Losses from the Disposal of Assets Measured at Amortised Cost

In the year under report, losses from the disposal of assets measured at amortised cost amounted to €0.9 million (previous year: €0.0 million).

48 Administrative Expenses

in €m	2019	2018
Staff expenses	387.4	361.6
Wages and salaries	319.4	293.4
Social security costs	39.9	37.5
Expenses for retirement pensions and other employee benefits	28.1	30.7
Other administrative expenses	192.7	191.7
Depreciation and amortisation	38.8	20.2
Total	**618.9**	**573.5**

Depreciation and amortisation include the following amounts:

in €m	2019	2018
Operating and office equipment	15.8	14.1
Land and buildings	1.7	1.7
Intangible assets	10.0	4.4
Rights of use	11.3	n/a
Total	**38.8**	**20.2**

We reported an increase of €45.4 million or 7.9 % in administrative expenses to €618.9 million (previous year: €573.5 million).

At €387.4 million, personnel expenses were €25.8 million higher year on year than in the previous year (€361.6 million). This was due in particular to expenses in relation to the efficiency programme launched in the financial year. The increase from the provisional rise in the number of employees to an average of 3,097 employees in the financial year (previous year: 2,995) was offset by a decline in variable compensation.

Other administrative expenses rose from €191.7 million to €192.7 million. The expenses of €8.8 million relating to adjustments to the recognition of rental and lease payments from the introduction of the new accounting standard IFRS 16 included in this item in the previous year were recognised under depreciation and amortisation. The previous-year figures were not adjusted in line with IFRS. We saved on third-party expenses related to IT and advisory services. By contrast, the strategy-compliant transfer of further subprocesses to HSBC service units and the settlement of services within the HSBC Group negatively impacted other administrative expenses. Regulatory expenses for items such as the bank levy increased by €1.9 million during the financial year.

Depreciation and amortisation on property, plant and equipment and intangible assets stood at €38.8 million and were €18.6 million higher year on year. The significant rise is attributable to the write-down of rights to use rented and leased assets for the first time in the reporting period, among other factors. Scheduled and unscheduled depreciation and amortisation on property, plant and equipment also increased.

49 Income from Financial Assets

Gains and losses from debt instruments recognised at fair value through other comprehensive income are reported in net income from financial assets. Income from financial assets stood at €10.3 million (previous year: €17.8 million) from the disposal of promissory notes of the "hold and sell" business model.

in €m	2019	2018
Bonds and other fixed-income securities	10.3	7.4
Promissory note loans	0.0	10.4
Investments	0.0	0.0
Total	**10.3**	**17.8**

50 Other Net Income

in €m	2019	2018
Other operating income	43.0	25.4
Other operating expenses	6.9	9.1
Other net operating income	**36.1**	**16.3**
Other income	0.3	0.4
Other expenses	0.5	0.1
Other net income	**–0.2**	**0.3**
Net other income	**35.9**	**16.6**

Other operating income amounted to €36.1 million (previous year: €16.3 million). The increase resulted almost entirely from income in the amount of €18.7 million from the sale of property from a consolidated closed-end real estate fund that previously been disclosed under other assets.

Other net income amounted to €–0.2 million (previous year: €0.3 million).

51 Tax Expenses

in €m	2019	2018*
Current taxes	56.7	46.7
of which off-period	2.3	3.4
Deferred taxes from change in limited valuation differences	–9.4	7.5
Deferred taxes from changes to the tax rates	0.0	0.0
Total	**47.3**	**54.2**

* Comparatives adjusted. The adjustments are explained in Note 18.

Tax expenses in the financial year under report stood at €47.3 million (previous year: €54.2 million) and were down slightly year on year, reflecting the decline in results. This gives a tax rate of 32.6 % after 31.7 % in the previous year.

The following table shows the relationship between income taxes derived from net profit for the year before taxes and the actual income tax reported:

in €m	2019	2018
Pre-tax profit	144.8	171.1
Tax rate (%)	31.4	31.4
Tax expenses derived from pre-tax profit	45.5	53.7
Tax rate differential on income proportions subject to taxation outside of Germany	–0.4	0.0
Effect from unused losses carried forward	–0.1	–0.2
Taxes for previous years	2.9	0.0
Corporation tax modification	4.9	2.9
Trade tax modification	0.7	0.8
Tax-exempt income from investments	–0.5	–1.2
Temporary differences and losses for which no deferred taxes were recognised	–7.9	–4.2
Other	2.2	2.4
Reported taxation	**47.3**	**54.2**

52 Leases

The consolidated income statement contains the following amounts in connection with leases:

in €m	2019	2018
Income from the subletting of right-of-use assets	0.5	n/a
Write-down of rights of use (buildings)	11.3	n/a
Interest expense for lease liabilities	0.4	n/a
Expenses for short-term leases	1.0	n/a
Expenses for leases involving low-value assets that are not contained in the aforementioned short-term leases	0.0	n/a
Expenses for variable lease payments	0.0	n/a

Income from the subletting of right-of-use assets is disclosed under other operating income. Interest expense for lease liabilities is disclosed under net interest income. All further expenses in connection with leases are disclosed under administrative expenses.

Total payments for lease liabilities stood at €15.8 million in 2019.

Expenses from rental and lease agreements in the amount of €8.8 million were reported under administrative expenses in the previous year, prior to the introduction of the new IFRS 16 accounting standard.

53 Income Statement by Measurement Category

The following overview represents the expenses and income from financial instruments broken down by measurement category pursuant to IFRS 9. Net trading income, net profit from other financial assets mandatorily recognised at fair value through profit or loss, gains and losses from the disposal of assets measured at amortised cost, net income from financial assets and net other income are net earnings indicators.

Measurement category **31.12.2019 in €m**	**Measurement at amortised cost**		**Measurement at fair value through profit or loss***	**Measurement at fair value through other comprehensive income**		**Total**
	Cash reserve/ loans and advances to banks/ loans and advances to customers	**Other liabilities/ subordinated capital**		**(with recycling)**	**(without recycling)**	
Net interest income						
Interest income	247.9	42.5	4.7	28.0	1.3	324.4
Interest expense	–31.0	–71.5	–0.7	0.0	0.0	–103.2
Net fee income						
Fee income	32.5	0.0	14.2	0.0	0.0	46.7
Fee and commission expenses	–7.2	0.0	–6.6	0.0	0.0	–13.8
Net trading income	0.0	0.0	69.5	0.9	0.0	70.4
Net profit from other financial assets mandatorily recognised at fair value through profit or loss	0.0	0.0	11.9	0.0	0.0	11.9
Gains and losses from the disposal of assets measured at amortised cost	–0.9	0.0	0.0	0.0	0.0	–0.9
Income from financial assets	0.0	0.0	0.0	10.3	0.0	10.3
Net other income	0.0	0.0	0.0	0.0	0.0	0.0
Risk provisioning in the lending and securities business**	–39.3	0.0	0.0	–0.2	0.0	–39.5
Total	**202.0**	**–29.0**	**93.0**	**39.0**	**1.3**	**306.3**

* Including hedge accounting relationships
** Without foreign currency effects

Measurement category under IFRS 9 31.12.2018 in €m	Measurement at amortised cost		Measurement at fair value through profit or loss*	Measurement at fair value through other comprehensive income		Total
	Cash reserve/ loans and advances to banks/ loans and advances to customers	Other liabilities/ subordinated capital		(with recycling)	(without recycling)	
Net interest income						
Interest income	212.6	35.9	7.5	34.7	1.0	291.7
Interest expense	–29.1	–70.4	–0.6	0.0	0.0	–100.1
Net fee income						
Fee income	31.9	0.0	11.3	0.0	0.0	43.2
Fee and commission expenses	–6.3	0.0	–7.8	0.0	0.0	–14.1
Net trading income	0.0	0.0	69.5	2.8	0.0	72.3
Net profit from other financial assets mandatorily recognised at fair value through profit or loss	0.0	0.0	–14.0	0.0	0.0	–14.0
Gains and losses from the disposal of assets measured at amortised cost	0.0	0.0	0.0	0.0	0.0	0.0
Income from financial assets	0.0	0.0	0.0	17.8	0.0	17.8
Net other income	0.0	0.0	0.0	0.0	0.0	0.0
Risk provisioning in the lending and securities business	–1.9	0.0	0.0	0.3	0.0	–1.6
Total	**207.2**	**–34.5**	**65.9**	**55.6**	**1.0**	**295.2**

* Including hedge accounting relationships

54 Earnings per Share

	2019	2018*
Adjusted net income in €m	82.1	107.8
Average number of shares in circulation in million	34.1	34.1
Earnings per share in €	**2.41**	**3.16**
Undiluted earnings per share in €	**2.41**	**3.16**

* Comparatives adjusted. The adjustments are explained in Note 18.

In adjusted net income, interest from Additional Tier 1 capital was deducted from net income in order to calculate the earnings per share attributable to the ordinary shareholders.

The Management Board proposes to the Annual General Meeting the distribution of a dividend of €2.00 per share (previous year: €2.50 per share).

Other Notes

55 Notes to the Cash Flow Statement

IAS 7 requires all companies to draw up a cash flow statement. However, the value of the information it provides, as part of the annual accounts of financial institutions, is relatively limited. It shows movements in cash and cash equivalents arising from additions and disposals in the Group over the course of the financial year.

The payment transactions of the financial year are classified in three different categories: operating, investing and financing activities.

The summary item "Other adjustments (net)" essentially comprises net changes to deferred taxes and the change in taxation recoverable, as well as tax expenses paid and interest and dividends received minus interest paid.

Cash and cash equivalents
As in the previous year, the cash and cash equivalents of €5,731.5 million (previous year: €3,750.5 million) correspond to the balance sheet item "cash reserve", which comprises cash in hand plus balances held with central banks. The cash and cash equivalents are denominated almost exclusively in euros. No major valuation effects resulting from exchange rates were to be taken into consideration.

Cash flow from operating activities
Consolidated cash flows from operating activities for the Group are presented according to the indirect method, which derives them from net profit for the year.

Consolidated net profit of €97.5 million (adjusted previous year: €116.9 million) is the input figure for the cash flow statement. Gross cash flow of €12.1 million (previous year: €13.3 million), which is reported as a sub-total, shows the operating cash flow surplus before any changes in working capital. The cash flows from operating activities also take into account the changes in funds employed in operations.

Cash flow from investing activities
Spending on the acquisition of property, plant and equipment totalled €46.2 million in the 2019 financial year (previous year: €65.7 million). The sale of property, plant and equipment realised €1.5 million (previous year: €1.8 million) for the Group. In the financial year under report, the sale and purchase of equity-linked financial investment instruments resulted in net payments received of €0.3 million (previous year: payments made of €0.6 million).

Cash flow from financing activities
Cash flow from financing activities includes the dividend of €85.2 million (previous year: €85.2 million) for the 2018 financial year paid by HSBC Trinkaus & Burkhardt AG in the year under report. In addition to the regular distribution of dividends, a distribution of €13.3 million (previous year: €13.3 million) was made to HSBC Group to Additional Tier 1 (AT1) capital.

The following tables show the portfolio-related development of Group financing.

in €m	Consolidated shareholders' equity	Subordinated capital
As at 01.01.2019	**2,262.7**	**580.5**
Cash flow from financing activities	101.5	–43.6
Non-cash changes	124.4	14.4
Changes in basis of consolidation	0.0	0.0
Exchange rate adjustments	0.0	0.0
Other non-cash changes	124.4	14.4
As at 31.12.2019	**2,488.6**	**551.3**

in €m	Consolidated shareholders' equity	Subordinated capital
As at 01.01.2018*	**2,296.8**	**395.3**
Cash flow from financing activities	–98.4	171.1
Non-cash changes	64.3	14.1
Changes in basis of consolidation	0.0	0.0
Exchange rate adjustments	0.0	0.0
Other non-cash changes	64.3	14.1
As at 31.12.2018	**2,262.7**	**580.5**

* Comparatives adjusted. The adjustments are explained in Note 18.

56 Customer Groups

The segment reporting prepared by HSBC Trinkaus & Burkhardt Group in accordance with IFRS 8 provides readers of the statements with information on the sources of profit, growth and risk within individual segments and regions, and should help them gain a more differentiated picture of the economic performance of a company. The segment reporting of the HSBC Trinkaus & Burkhardt Group is based on contributions to profits and lines of business accounting (LoB accounting) as key components of the Management Information System (MIS). Both controlling vehicles serve as the Bank's central management and controlling tools, reflecting the organisational structure of the HSBC Trinkaus & Burkhardt Group on a divisional basis.

The Bank is divided into the following segments: Private Banking & Asset Management (PB & AM), Commercial Banking (CMB), Global Banking & Markets (GB & M) and Corporate Center/Consolidation (CC/Consolidation).

Commercial Banking is responsible for the business with corporate SME customers. Aside from lending and deposit products, we offer a comprehensive domestic and foreign payment transactions service (payments and cash management). We also provide sophisticated specialised services such as interest rate and currency management as well as the international business in conjunction with HSBC Group.

In addition to the large international corporate customers and institutional customers, Global Banking & Markets also includes the Capital Financing and Markets activities, as well as HSBC Securities Services. Apart from the lending business and investment banking, Capital Financing mainly includes the origination function on the primary market, while Markets comprises the distribution and trading activities for capital market products on the secondary market. HSBC Securities Services comprises custody, clearing and custodian bank services, as well as being responsible for fund administration within the Group.

In addition to pure asset management and advisory services, Private Banking also includes special facilities such as advice on special asset structuring, execution of wills and Family Office services.

Asset Management comprises the development and distribution of fund and advisory concepts for institutional customers, corporate customers and financial

intermediaries. Together with other HSBC Group Asset Management units, we offer a strong product range which competently covers all relevant asset classes.

In addition to regulatory cost items, such as the bank levy and expenses for the auditor in the Corporate Center segment, we also report net profit from other assets mandatorily recognised at fair value through profit or loss, as well as interest and trading income from money market trading. In addition, reconciliation items, which exist between the aggregate of the three core segment results and the total amount between the respective sub-categories of the income statement, are reported here.

Segment reporting by operating business division for 2019 and 2018 is as follows:

in €m		PB & AM	CMB	GB & M	CC/Consoli-dation**	Total*
Net interest income	2019	7.6	128.6	68.4	23.5	228.1
	2018	9.4	113.3	73.0	20.4	216.1
Net fee income	2019	96.8	53.5	302.8	0.0	453.1
	2018	93.6	53.0	281.9	2.2	430.7
Net trading income	2019	0.8	1.8	64.4	3.4	70.4
	2018	2.0	3.0	59.2	8.1	72.3
Other net operating income	2019	1.8	3.1	12.2	19.0	36.1
	2018	1.8	2.9	10.3	1.3	16.3
Gains and losses from the disposal of assets measured at amortised cost	2019	0.0	–0.7	–0.2	0.0	–0.9
	2018	0.0	0.0	0.0	0.0	0.0
Operating revenues	2019	107.0	186.3	447.6	45.9	786.8
	2018	106.8	172.2	424.4	32.0	735.4
Risk provisioning in the lending and securities business	2019	0.1	44.3	0.5	0.2	45.1
	2018	0.0	0.8	–5.0	–0.9	–5.1
Administrative expenses	2019	95.6	110.0	384.4	28.9	618.9
	2018	91.4	103.7	356.8	21.6	573.5
Operating result	2019	11.3	32.0	62.7	16.8	122.8
	2018	15.4	67.7	72.6	11.3	167.0
Net profit from other assets mandatorily recognised at fair value through profit or loss	2019	0.0	0.0	0.0	11.9	11.9
	2018	0.0	0.0	0.0	–14.0	–14.0
Income from financial assets	2019	0.8	1.3	3.1	5.1	10.3
	2018	2.8	4.6	11.2	–0.8	17.8
Other net income	2019	0.0	0.0	0.0	–0.2	–0.2
	2018	0.0	0.0	0.0	0.3	0.3
Pre-tax profit	**2019**	**12.1**	**33.3**	**65.8**	**33.6**	**144.8**
	2018	**18.2**	**72.3**	**83.8**	**–3.2**	**171.1**
Tax expenses*	2019	4.2	11.5	22.8	8.8	47.3
	2018	5.7	22.7	26.3	–0.5	54.2
Net profit*	**2019**	**7.9**	**21.8**	**43.0**	**24.8**	**97.5**
	2018	**12.5**	**49.6**	**57.5**	**–2.7**	**116.9**
Change versus previous year in %		**–36.8**	**–56.0**	**–25.2**	**> 100.0**	**–16.6**

* Comparatives adjusted. The adjustments are explained in Note 18.
** No material consolidation effects were recorded in the year under report.

Particularly against the backdrop of escalating political conflicts and global trade disputes, the economy weakened significantly worldwide in 2019, which had a marked effect on Germany's export-oriented economy. The resulting uncertainties regarding further economic development led to increased caution among our customers when it comes to equity products and has made more stringent net loan impairment provisioning measures necessary following the reversal of risk provisions in the previous year. The Bank's earnings situation was additionally burdened by the persistent low interest rate policy pursued by the ECB with negative deposit rates, the continued high expenses for implementing regulatory requirements and the costs for the Bank's multi-year, large-scale projects. Despite these difficult internal and external conditions, all of the Bank's core segments succeeded in increasing their operating revenues year on year without being able to fully offset the increase in costs in all segments and the expenses for net loan impairment and other credit risk provisions in the Commercial Banking segment. While the customer segments were unable to match the previous year's results, the Corporate Center segment improved its results thanks to high income from the sale of a property from a consolidated closed-end real estate fund and valuation gains related to financial assets measured at fair value through profit or loss as a result of reductions in market interest rates and narrowing spreads following losses in the previous year. Moreover, the Central segment primarily includes interest and trading income from money market trading and regulatory costs, including the expenses for the banking levy, which increased slightly once again.

The positive increase in net interest income, both largely driven by volume throughout the lending business and driven by volume and margins for current account balances, was not enough to compensate for the high creation of net loan impairment and other credit risk provisions in the Commercial Banking segment in the current year. The slight improvement in net fee income was primarily attributable to higher income from the foreign guarantee and alternative investment business.

In terms of net interest income, the Global Banking and Markets segment was unable to fully escape the difficult conditions and recorded a volume- and margin-related drop in foreign and factoring business. By contrast, Global Banking and Markets benefited from strong fee income from transactions involving fixed income and alternative investment products, as well as from the higher volume of assets under administration and assets under custody, thereby more than compensating for the decrease in fee income from transaction-related equity business and the higher number of individual mandates in investment banking in the previous year.

The Global Private Banking & Asset Management segment succeeded in slightly increasing its revenues despite the limited efforts to pass on the ECB's negative market interest rates to private customers. The main factors behind this development were higher fee income in the transaction-related business involving private customers and special funds and from asset management for private customers on account of its above-average performance, which was able to more than compensate for the decline in interest income in the lending business involving private customers and in fee income from management and distribution fees in business involving mutual funds.

The efficiency programme, which was launched in 2019, had a significant influence on the increase in administrative expenses in all segments of the Bank. In particular, staff and non-staff expenses for the multi-year large-scale projects initiated over the course of the previous year for the introduction of the new core banking system and investments in the expansion of securities settlement capacities also had an effect. Administrative expenses are allocated to the relevant segment as much as possible, according to the principle of causation.

Assets, liabilities and items for mandatory inclusion are based on the average values of the Bank's management information system. The differences with respect to the values on the reporting date as at year-end are shown in the adjustments column.

The cost/efficiency ratio is a measure of the segments' cost efficiency and reveals the ratio of total administration expenses to income before net loan impairment and other credit risk provisions. The slight improvement in this key performance indicator for the Bank as a whole despite significantly higher staff and non-staff expenses is attributable to the higher rise in income in percentage terms, which was supported by high proceeds from the sale of a property and from valuation gains in the Corporate Center segment. Sharp increases in income enable the Commercial Banking segment to

		PB & AM	CMB	GB & M	CC/Con-solida-tion**	Total	Adjust-ments	As at the balance sheet date
Cost/efficiency ratio in %	2019	88.7	58.6	85.3	0.0	76.5	0.0	76.5
	2018	83.4	58.7	81.9	0.0	77.5	0.0	77.5
Assets* in €m	2019	578.3	6,797.7	7,860.5	11,966.6	27,203.1	–610.3	26,592.8
	2018	492.3	5,936.5	8,949.3	5,124.1	20,502.2	3,781.9	24,284.1
Liabilities* in €m	2019	2,817.9	4,492.4	12,293.5	5,171.7	24,775.5	–671.3	24,104.2
	2018	2,968.8	4,473.8	11,045.1	4,839.4	23,327.1	–1,305.7	22,021.4
Risk-weighted assets* in €m	2019	588.5	8,277.4	6,839.9	1,051.5	16,757.3	–860.1	15,897.2
	2018	580.8	7,092.0	6,724.1	1,653.4	16,050.3	903.0	16,953.3
Attributable shareholders' equity* in €m	2019	123.0	1,187.1	984.4	171.8	2,466.3	22.3	2,488.6
	2018	119.8	994.3	943.8	206.2	2,264.1	–1.4	2,262.7
Employees	2019	478	580	1,999	26	3,083	0	3,083
	2018	482	587	2,001	23	3,093	0	3,093
Return on equity before taxes in %	2019	9.8	2.8	6.7	0.0	5.9	0.0	5.9
	2018	15.2	7.3	8.9	0.0	7.6	0.0	7.6

* Annual average/comparatives partially adjusted. The adjustments are explained in Note 18.
** No material consolidation effects were recorded in the year under report.

improve its cost/efficiency ratio slightly despite a substantial rise in costs. By contrast, higher increases in costs in percentage terms in relation to rise in income led to the deterioration of the cost/efficiency ratio in the Global Banking and Markets and Global Private Banking & Asset Management segments.

The capital resources of the business segments are made up of a base amount which is allocated to each segment, plus a premium calculated according to the level of risk items for mandatory inclusion.

The assignment of assets, liabilities, risk assets and balance sheet equity follows the assignment of customers to each segment according to the Bank's management information system.

The inflow of volume from the new business led to the rise in the number of risk items in the Commercial Banking segment, whereas the risk assets in Global Private Banking & Asset Management remained virtually constant in line with the strategy and increased slightly in the Global Banking & Markets segment.

The results of the various companies' activities, which are classified geographically, are illustrated below. Segment allocation is determined by the registered office of the respective Group company.

in €m		Germany	Luxembourg	Remainder	Total
Pre-tax profit	2019	144.3	0.5	0.0	144.8
	2018	171.4	–0.3	0.0	171.1

Long-term segment assets amounted to €223.5 million (previous year: €315.0 million) during the year under report and are allocated exclusively to the German region, in line with the previous year.

57 Measurement Classes

The following tables provide an overview of the measurement classes in the respective balance sheet item:

Assets as at 31.12.2019 in €m

Measurement classes	Measurement at amortised cost	Measurement at fair value through profit or loss	Measurement at fair value through other comprehensive income		Total
			with recycling	without recycling	
Cash reserve	5,731.5	0.0	0.0	0.0	5,731.5
Loans and advances to banks	1,987.0	0.0	0.0	0.0	1,987.0
Loans and advances to customers*	10,866.5	0.0	0.0	0.0	10,866.5
Trading assets	0.0	2,801.9	0.0	0.0	2,801.9
Positive market values from derivative financial instruments	0.0	1,164.2	0.0	0.0	1,164.2
Other financial assets mandatorily recognised at fair value through profit or loss	0.0	120.9	0.0	0.0	120.9
Financial assets	0.0	0.0	3,485.7	23.7	3,509.4
Other financial instruments	51.3	0.0	0.0	0.0	51.3
Total financial instruments	**18,636.3**	**4,087.0**	**3,485.7**	**23.7**	26,232.7

Liabilities as at 31.12.2019 in €m

Measurement classes	Measurement at amortised cost	Measurement at fair value through profit or loss	Total
Deposits by banks	2,608.1	0.0	2,608.1
Customer accounts**	17,650.8	0.0	17,650.8
Trading liabilities	0.0	1,793.8	1,793.8
Negative market values from derivative financial instruments	0.0	1,070.0	1,070.0
Subordinated capital	551.3	0.0	551.3
Other financial instruments	85.7	0.0	85.7
Total financial instruments	**20,895.9**	**2,863.8**	**23,759.7**

* Loans and advances to customers include transactions with a book value of €30.1 million shown within the scope of the hedge accounting.
** Our customers' deposits are used in part to refinance our trading divisions. Customer accounts include transactions with a book value of €36.4 million shown within the scope of the hedge accounting.

Assets as at 31.12.2018 in €m

Measurement classes	Measurement at amortised cost	Measurement at fair value through profit or loss	Measurement at fair value through other comprehensive income		Total
			with recycling	without recycling	
Cash reserve	3,750.5	0.0	0.0	0.0	3,750.5
Loans and advances to banks	1,460.7	0.0	0.0	0.0	1,460.7
Loans and advances to customers*	10,749.8	0.0	0.0	0.0	10,749.8
Trading assets	0.0	2,876.7	0.0	0.0	2,876.7
Positive market values from derivative financial instruments	0.0	1,265.6	0.0	0.0	1,265.6
Other financial assets mandatorily recognised at fair value through profit or loss	0.0	192.2	0.0	0.0	192.2
Financial assets	0.0	0.0	3,508.4	23.7	3,532.1
Other financial instruments	32.2	0.0	0.0	0.0	32.2
Total financial instruments	**15,993.2**	**4,334.5**	**3,508.4**	**23.7**	23,859.8

Liabilities as at 31.12.2018 in €m

Measurement classes	Measurement at amortised cost	Measurement at fair value through profit or loss	Total
Deposits by banks	3,318.9	0.0	3,318.9
Customer accounts**	14,861.4	0.0	14,861.4
Trading liabilities	0.0	1,825.9	1,825.9
Negative market values from derivative financial instruments	0.0	978.7	978.7
Subordinated capital	580.5	0.0	580.5
Other financial instruments	84.2	0.3	84.5
Total financial instruments	**18,845.0**	**2,804.9**	**21,649.9**

* Loans and advances to customers include transactions with a book value of €30.1 million shown within the scope of the hedge accounting.
** Our customers' deposits are used in part to refinance our trading divisions. Customer accounts include transactions with a book value of €39.4 million shown within the scope of the hedge accounting.

58 Remaining Maturities of Financial Instruments

The residual terms of non-derivative financial instruments are derived as follows:

in €m		<1 month	1–3 months	3–12 months	1–4 years	>4 years	Total
Loans and advances to banks	31.12.2019	1,820.2	41.8	40.4	11.7	72.9	1,987.0
	31.12.2018	1,294.6	65.0	46.8	12.9	41.4	1,460.7
Loans and advances to customers	31.12.2019	4,263.9	1,689.4	1,029.2	2,454.4	1,429.6	10,866.5
	31.12.2018	2,400.1	2,227.6	1,279.2	2,726.3	2,116.6	10,749.8
Bonds and other fixed-income securities and tradable receivables of the trading assets	31.12.2019	48.7	45.5	100.4	944.0	836.6	1,975.2
	31.12.2018	61.3	47.5	533.3	692.0	836.0	2,170.1
Bonds and other fixed-income securities and promissory note loans of the financial assets	31.12.2019	94.2	71.2	328.2	1,126.7	1,865.4	3,485.7
	31.12.2018	312.7	90.8	66.4	1,436.4	1,602.1	3,508.4
Bonds and other fixed-income securities and promissory note loans of other financial assets mandatorily recognised at fair value through profit or loss	31.12.2019	29.1	0.0	2.2	0.0	30.8	62.1
	31.12.2018	0.0	0.0	0.0	2.2	85.8	88.0
Total	**31.12.2019**	**6,256.1**	**1,847.9**	**1,500.4**	**4,536.8**	**4,235.3**	**18,376.5**
	31.12.2018	**4,068.7**	**2,430.9**	**1,925.7**	**4,869.8**	**4,681.9**	**17,977.0**

in €m		<1 month	1–3 months	3–12 months	1–4 years	>4 years	Total
Deposits by banks	31.12.2019	519.3	193.1	387.7	1,039.0	469.0	2,608.1
	31.12.2018	757.0	414.7	2.0	1,620.7	524.5	3,318.9
Customer accounts	31.12.2019	16,805.2	696.1	108.7	0.0	40.8	17,650.8
	31.12.2018	14,212.2	393.9	201.1	6.7	47.5	14,861.4
Promissory note loans, bonds, certificates and warrants of the trading liabilities	31.12.2019	279.2	175.7	600.3	175.3	543.1	1,773.6
	31.12.2018	235.4	234.1	629.8	121.0	596.7	1,817.0
Lease liabilities	31.12.2019	1.3	2.6	11.5	25.4	8.9	49.7
	31.12.2018	n/a	n/a	n/a	n/a	n/a	n/a
Subordinated capital	31.12.2019	7.3	0.0	109.0	60.0	375.0	551.3
	31.12.2018	0.0	20.5	3.1	162.7	394.2	580.5
Total	**31.12.2019**	**17,612.3**	**1,067.5**	**1,217.2**	**1,299.7**	**1,436.8**	**22,633.5**
	31.12.2018	**15,204.6**	**1,063.2**	**836.0**	**1,911.1**	**1,562.9**	**20,577.8**

59 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 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.

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.

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, whose prices 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 all originate from active markets.

The necessary measure of subjective measurement and assessment by 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. Remeasurements of the fair value are undertaken in the HSBC Trinkaus & Burkhardt Group if value-adjusting circumstances occur that might lead market participants to expect they were included in the determination of the fair value but are not taken into account directly in the valuation model. When calculating adequate remeasurements, the Group uses procedures that take into account factors such as bid/ask spreads, counterparty risk, or own credit or financing risk. These remeasurements are not calculated on the basis of individual transactions but on a net basis in accordance with the steering committee.

Remeasurements of the fair value to take counterparty risks into consideration (credit valuation adjustment, CVA) are undertaken for OTC derivatives in order to take into account the default probability of our contractual partner.

Remeasurements of the fair value to take into consideration the risk that HSBC Trinkaus & Burkhardt defaults as a contractual party (debit valuation adjustment, DVA) are also undertaken for OTC derivatives to take into account the probability of the Bank's default.

Funding fair value adjustments (FFVA) are necessary to take into account the funding costs implied by the market when measuring the unsecured derivative position at fair value.

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

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

Product Control carries out the following controls:

- 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

Product 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 applied compared with 31 December 2018.

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

31.12.2019	**Level 1**	**Level 2**	**Level 3**	**Total**
in €m				
Assets				
Trading assets	**823.5**	**1,975.2**	**3.1**	**2,801.9**
Bonds and other fixed-income securities	0.0	853.4	0.0	853.4
Equities and other non-fixed-income securities	823.5	0.0	3.1	826.7
Tradable receivables	0.0	1,121.8	0.0	1,121.8
Positive market values from derivative financial instruments	**190.3**	**972.2**	**1.7**	**1,164.2**
Positive market values of derivatives	190.3	968.3	1.7	1,160.3
of which interest rate transactions	0.0	302.4	0.0	302.4
of which foreign-exchange-based transactions	0.0	646.7	1.7	648.4
of which equity-/index-related transactions	190.3	0.4	0.0	190.7
of which commodity-related transactions	0.0	18.8	0.0	18.8
Derivatives in hedging relationships	0.0	3.9	0.0	3.9
Derivatives held in the banking book	0.0	0.0	0.0	0.0
Financial assets	**10.8**	**3,498.6**	**0.0**	**3,509.4**
Bonds and other fixed-income securities	0.0	3,405.1	0.0	3,405.1
Promissory note loans	0.0	80.6	0.0	80.6
Investments	10.8	12.9	0.0	23.7
Other financial assets mandatorily recognised at fair value through profit or loss	**10.2**	**90.1**	**20.6**	**120.9**
Bonds and other fixed-income securities	0.0	55.5	6.6	62.1
Equities and other non-fixed-income securities	0.0	0.0	0.0	0.0
Investment certificates	7.3	0.0	0.0	7.3
Hybrid financial instruments	0.0	34.6	0.0	34.6
Investments	2.9	0.0	14.0	16.9
Liabilities				
Trading liabilities	**0.0**	**1,778.6**	**15.2**	**1,793.8**
Promissory note loans	0.0	260.9	0.0	260.9
Bonds	0.0	553.9	2.3	556.2
Certificates and warrants	0.0	943.6	12.9	956.5
Delivery obligations arising from securities sold short	0.0	20.2	0.0	20.2
Negative market values from derivative financial instruments	**145.8**	**922.5**	**1.7**	**1,070.0**
Negative market values of derivatives	145.8	892.7	1.7	1,040.2
of which interest rate transactions	0.0	232.9	0.0	232.9
of which foreign-exchange-based transactions	0.0	639.4	1.7	641.1
of which equity-/index-related transactions	145.8	1.6	0.0	147.4
of which commodity-related transactions	0.0	18.8	0.0	18.8
Derivatives in hedging relationships	0.0	29.8	0.0	29.8
Derivatives held in the banking book	0.0	0.0	0.0	0.0

31.12.2018	Level 1	Level 2	Level 3	Total
in €m				
Assets				
Trading assets	**695.8**	**2,170.1**	**10.8**	**2,876.7**
Bonds and other fixed-income securities	0.0	1,206.5	0.0	1,206.5
Equities and other non-fixed-income securities	695.8	0.0	10.8	706.6
Tradable receivables	0.0	963.6	0.0	963.6
Positive market values from derivative financial instruments	**248.7**	**1,015.7**	**1.2**	**1,265.6**
Positive market values of derivatives	248.7	1,015.6	1.2	1,265.5
of which interest rate transactions	0.0	498.6	0.0	498.6
of which foreign-exchange-based transactions	0.0	497.3	1.2	498.5
of which equity-/index-related transactions	248.7	9.2	0.0	257.9
of which commodity-related transactions	0.0	10.5	0.0	10.5
Derivatives in hedging relationships	0.0	0.0	0.0	0.0
Derivatives held in the banking book	0.0	0.1	0.0	0.1
Financial assets	**10.8**	**3,521.3**	**0.0**	**3,532.1**
Bonds and other fixed-income securities	0.0	3,418.1	0.0	3,418.1
Promissory note loans	0.0	90.3	0.0	90.3
Investments	10.8	12.9	0.0	23.7
Other financial assets mandatorily recognised at fair value through profit or loss	**23.8**	**149.9**	**18.5**	**192.2**
Bonds and other fixed-income securities	0.0	81.7	6.3	88.0
Equities and other non-fixed-income securities	0.0	8.2	0.0	8.2
Investment certificates	21.3	0.0	0.0	21.3
Hybrid financial instruments	0.0	60.0	0.0	60.0
Investments	2.5	0.0	12.2	14.7
Liabilities				
Trading liabilities	**0.0**	**1,796.7**	**29.2**	**1,825.9**
Promissory note loans	0.0	290.8	0.0	290.8
Bonds	0.0	537.4	1.2	538.6
Certificates and warrants	0.0	959.6	28.0	987.6
Delivery obligations arising from securities sold short	0.0	8.9	0.0	8.9
Negative market values from derivative financial instruments	**198.9**	**778.6**	**1.2**	**978.7**
Negative market values of derivatives	198.9	755.7	1.2	955.8
of which interest rate transactions	0.0	261.6	0.0	261.6
of which foreign-exchange-based transactions	0.0	481.5	1.2	482.7
of which equity-/index-related transactions	198.9	2.1	0.0	201.0
of which commodity-related transactions	0.0	10.5	0.0	10.5
Derivatives in hedging relationships	0.0	22.8	0.0	22.8
Derivatives held in the banking book	0.0	0.1	0.0	0.1

The measurement models and parameters for derivatives and certificates (Level 2) are derived from the following overview. The measurement of other transactions in Level 2 is by means of the present value method.

Product class	Product	Valuation model	Key measurement parameters
Equity products	Futures	Analytical formula	Price of the underlying instrument, interest rates
	European Plain vanilla options	Black-Scholes	Price of the underlying instrument, interest rates, volatility, dividend payments
	American Plain vanilla options	Finite Differences	Price of the underlying instrument, interest rates, volatility, dividend payments
	European quanto options	Black-Scholes	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	American quanto options	Finite Differences	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	Barrier options	Analytical formula	Price of the underlying instrument, interest rates, volatility, dividend payments
	Asian options	Analytical formula	Price of the underlying instrument, interest rates, volatility, dividend payments
	Multi-underlying options	Numerical method	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	Knock-out certificates	Analytical formula	Price of the underlying instrument, interest rates, dividend payments
	Index certificates	Black-Scholes	Price of the underlying instrument, dividend payments
	Discount certificates	Black-Scholes	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	Bonus certificates	Analytical formula	Price of the underlying instrument, interest rates, volatility, dividend payments, correlations
	Express certificate	Numerical method	Price of the underlying instrument, interest rates, volatility, dividend payments
	Basket certificates	Analytical formula	Price of the underlying instrument, dividend payments
	Factor certificates	Analytical formula	Price of the underlying instrument, interest rates
Interest rate products	Plain vanilla swaps	Present value method	Interest rates
	Exotic swaps	Analytical formula	Interest rates, volatility
	Plain vanilla swaptions	Analytical formula	Interest rates, volatility
	Exotic swaptions	Tree model	Interest rates, volatility
	Plain vanilla caps, floors, collars	Black-Scholes	Interest rates, volatility
	Futures	Present value method	Interest rates
	Factor certificates	Analytical formula	Price of the underlying instrument, interest rates
	Knock-out certificates	Analytical formula	Price of the underlying instrument, interest rates
Currency products	Plain vanilla options	Black-Scholes	Price of the underlying instrument, interest rates, volatility
	Exotic options	Black-Scholes	Price of the underlying instrument, interest rates, volatility, correlations
	Forward currency contracts	Present value method	Price of the underlying instrument, interest rates
	FX swaps	Present value method	Price of the underlying instrument, interest rates
	Knock-out certificates	Analytical formula	Price of the underlying instrument, interest rates
Commodity products	Plain vanilla options	Black-Scholes	Price of the underlying instrument, interest rates, volatility
	Factor certificates	Analytical formula	Price of the underlying instrument, interest rates
	Exotic options	Black-Scholes	Price of the underlying instrument, interest rates, volatility

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), as parameters for the correlation between the underlying and the foreign cur-

rency are not quoted on the market, and options, the measurement of which depends significantly on unobservable volatilities.

In addition, we classify illiquid equity investments and certificates that have illiquid equity instruments as underlyings under Level 3. Financial instruments that are measured using measurement models but in relation to which the counterparty's probability of default is not observable on the market as a significant measurement parameter are also attributed to Level 3.

	Assets			Liabilities					
31.12.2019	**Fair value of trading assets (in €m)**	**Fair value of other financial assets that must be recognised at fair value through profit or loss (in €m)**	**Fair value of positive market values from derivative financial instruments (in €m)**	**Fair value of trading assets (in €m)**	**Fair value of negative market values from derivative financial instruments (in €m)**	**Measurement method**	**Significant unobservable parameters (Level 3)**	**Uncertainty of interval margin (in €m)**	**Range of estimates for unobservable input factors**
Illiquid equity instruments/ private equity certificates	3.1			3.1		Modified net asset value method	–	0.0 to 0.0	– 5 % to 5 % price change
FX options			1.7		1.7	Analytical Black-Scholes approach	FX volatility	0.1 to 0.1	95 % confidence interval based on average prices for unobservable volatility
Illiquid debt instruments		6.6				Present value method	Credit spread	– 0.1 to 0.1	– 10 % to 10 % credit spread change
Illiquid equity instruments		14.0				Modified net asset value method	-	– 0.7 to 0.7	– 5 % to 5 % price change
Volatility-dependent options				2.3		Analytical Black-Scholes approach	Volatility	– 0.0 to 0.0	14 % to 18 % (16 %)
Currency-hedged certificates				9.8		Analytical Black-Scholes approach	Correlation between underlyings	0.0 to 0.0	– 44 % to 25 % (– 1 %)

31.12.2018	Assets: Fair value of trading assets (in €m)	Assets: Fair value of other financial assets that must be recognised at fair value through profit or loss (in €m)	Assets: Fair value of positive market values from derivative financial instruments (in €m)	Liabilities: Fair value of trading assets (in €m)	Liabilities: Fair value of negative market values from derivative financial instruments (in €m)	Measurement method	Significant unobservable parameters (Level 3)	Uncertainty of interval margin (in €m)	Range of estimates for unobservable input factors
Illiquid equity instruments/ private equity certificates	10.8			10.8		Modified net asset value method	–	0.0 to 0.0	– 5 % to 5 % price change
FX options			1.2		1.2	Analytical Black-Scholes approach	FX volatility	0.0 to 0.0	95 % confidence interval based on average prices for unobservable volatility
Illiquid debt instruments		6.3				Present value method	Credit spread	– 0.1 to 0.1	– 10 % to 10 % credit spread change
Illiquid equity instruments		12.2				Modified net asset value method	–	– 0.6 to 0.6	– 5 % to 5 % price change
Volatility-dependent options				11.1		Analytical Black-Scholes approach	Volatility	– 0.1 to 0.1	14 % to 22 % (18 %)
Currency-hedged certificates				7.3		Analytical Black-Scholes approach	Correlation between underlyings	– 0.0 to 0.0	– 66 % to 25 % (– 11 %)

The uncertainty interval margin for correlation-dependent currency-hedged certificates that require a correlation that is not observable on the market is calculated by shifting the estimated correlations by +/– 10 %. The uncertainty interval margin for volatility-dependent options is derived from the shift in the volatility of the underlying. The deflection of the volatility is up to +/– 2 %.

The estimate range for non-derivative financial instrument is derived by changing the credit spread by +/– 10 %.

If FX volatility is unobservable for FX options, we derive the range of the uncertainty interval by applying a confidence interval of 95 % to the available average prices.

The portfolio of Level 3 financial instruments developed as follows in the year under report:

	Assets			Liabilities	
in €m	**Trading assets**	**Other financial assets mandatorily recognised at fair value through profit or loss**	**Positive market values from derivative financial instruments**	**Trading liabilities**	**Negative market values from derivative financial instruments**
01.01.2019	**10.8**	**18.5**	**1.2**	**29.2**	**1.2**
Changes in the book value					
recognised in the income statement	–0.9	2.3	0.0	–2.7	0.0
recognised directly in equity	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	0.0	0.1	3.6	0.1
Issuance	0.0	0.0	0.0	5.0	0.0
Sales	0.0	0.0	0.0	0.0	0.0
Maturities/repayments	6.8	0.2	0.9	19.9	0.9
Transfers to Level 3	0.0	0.0	1.6	0.0	1.6
Transfers out of Level 3	0.0	0.0	0.3	0.0	0.3
31.12.2019	**3.1**	**20.6**	**1.7**	**15.2**	**1.7**

	Assets			Liabilities	
in €m	**Trading assets**	**Other financial assets mandatorily recognised at fair value through profit or loss**	**Positive market values from derivative financial instruments**	**Trading liabilities**	**Negative market values from derivative financial instruments**
01.01.2018	**16.0**	**14.3**	**1.9**	**39.7**	**1.9**
Changes in the book value					
recognised in the income statement	–0.7	3.0	0.3	2.1	0.3
recognised directly in equity	0.0	0.0	0.0	0.0	0.0
Purchases	0.0	1.5	0.0	0.0	0.0
Issuance	0.0	0.0	0.0	3.6	0.0
Sales	0.0	0.0	0.0	7.3	0.0
Maturities/repayments	4.5	0.3	0.0	8.9	0.0
Transfers to Level 3	0.0	0.0	0.5	0.0	0.5
Transfers out of Level 3	0.0	0.0	1.5	0.0	1.5
31.12.2018	**10.8**	**18.5**	**1.2**	**29.2**	**1.2**

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 if, for example, 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.

Derivatives with positive and negative market values of €1.6 million respectively (previous year: €0.5 million) were transferred out of Level 2 to Level 3 in the reporting period. Conversely, derivatives with net positive and negative market values of €0.3 million each (previous year: €1.5 million) were transferred from Level 3 to Level 2 during the same period.

Due to the short maturities as well as fixed-interest periods for large parts of the loans and advances and 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 book values and fair values are derived from the following table:

in €m	31.12.2019		31.12.2018	
	Book value	**Fair value**	**Book value**	**Fair value**
Assets				
Loans and advances to banks (gross)	1,987.2	1,987.5	1,460.7	1,461.2
Loans and advances to customers (gross)	10,919.8	11,079.4	10,780.5	10,904.4
Liabilities				
Deposits by banks	2,608.1	2,594.7	3,318.9	3,299.8
Customer accounts	17,650.8	17,653.7	14,861.4	14,867.9
Subordinated capital	551.3	571.9	580.5	588.0

The fair value of these items is calculated using the present value method. As the credit spread changes on the market are generally unobservable for these positions, these are classified in Level 3. Contingent liabilities amounted to €3,057.9 million (previous year: €2,916.3 million), and irrevocable loan commitments came to €10,099.8 million (previous year: €10,653.8 million).

60 Day-1 Profit or Loss

Financial instruments 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 year under report:

in €m	2019	2018
As at 01.01	**0.3**	**0.3**
New business	0.0	0.0
Day-1 profit or loss recognised through profit or loss	–0.3	0.0
of which positions closed out	0.0	0.0
of which matured transactions	–0.3	0.0
of which observable market parameters	0.0	0.0
As at 31.12	**0.0**	**0.3**

61 Offsetting of Financial Assets and Financial Liabilities

The offsettable financial assets or those that are subject to an enforceable netting framework agreement or similar agreement are calculated as follows:

					Amounts not offset in the balance sheet		
in €m		**Financial assets (gross)**	**Offset reported amounts (gross)**	**Financial assets reported in the balance sheet (net)**	**Financial instruments**	**Cash collateral**	**Net amount**
31.12.2019	Derivatives	1,164.2	0.0	1,164.2	332.1	43.8	788.3
31.12.2018	Derivatives	1,265.6	0.0	1,265.6	341.4	105.5	818.7

The offsettable financial liabilities or those that are subject to an enforceable netting framework agreement or similar agreement are calculated as follows:

					Amounts not offset in the balance sheet		
in €m		**Financial liabilities (gross)**	**Offset reported amounts (gross)**	**Financial liabilities reported in the balance sheet (net)**	**Financial instruments**	**Cash collateral**	**Net amount**
31.12.2019	Derivatives	1,070.0	0.0	1,070.0	332.1	20.5	717.4
31.12.2018	Derivatives	978.7	0.0	978.7	341.4	26.8	610.5

We did not offset claims and liabilities in connection with our repurchase agreement and securities lending transactions (cf. Note "Repurchase Agreements and Securities Lending").

62 Holdings in Foreign Currency

As at 31 December 2019, assets denominated in a foreign currency were valued at €4,715.4 million (previous year: €4,221.3 million) and the corresponding liabilities at €5,576.9 million (previous year: €4,562.5 million). As in previous years, the bulk of these assets and liabilities were in US dollars. Foreign currency derivatives were taken into account for the first time in the year under report. The comparatives have been adjusted accordingly.

63 Derivatives Business

We chiefly employ derivative financial instruments in our business with customers. We assess the resultant open items individually in order to deploy them in such a way as to generate profits. In reporting on transactions with derivatives in accordance with section 36 of the German Accounting Directive for Bank and Financial Services Providers (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV), the Bank follows the recommendations of the Accounting Committee of the German Federal Association of Banks (Bundesverband deutscher Banken e. V. – BdB). In accordance with the international standard, the market values stated reflect the replacement costs on trading activities in the event of counterparty default, regardless of any letting agreements. As there is no counterparty risk on exchange-traded products, the table below does not include the market values of these derivatives.

Breakdown of the derivatives business by nominal amount

in €m		Nominal amounts with a residual term of			Nominal amounts	
		up to 1 year	**over 1 year up to 5 years**	**over 5 years**	**Total 2019**	**Total 2018**
OTC products	FRAs	0.0	0.0	0.0	0.0	0.0
	Interest rate swaps	2,035.8	5,229.0	2,951.5	10,216.3	12,443.1
	Interest rate options	847.7	2,511.6	374.3	3,733.6	4,575.7
	Forward transactions	218.5	808.4	0.0	1,026.9	993.3
Exchange-listed products	Interest rate futures	7.5	0.0	0.0	7.5	439.8
	Interest rate options	0.0	0.0	0.0	0.0	0.0
Interest rate transactions		**3,109.5**	**8,549.0**	**3,325.8**	**14,984.3**	**18,451.9**
OTC products	Forward currency contracts	81,620.6	3,083.2	0.0	84,703.8	74,965.0
	Cross currency swaps	89.1	234.8	201.8	525.7	481.8
	Foreign exchange options	5,797.2	1,935.1	0.0	7,732.3	7,171.0
Foreign exchange-based transactions		**87,506.9**	**5,253.1**	**201.8**	**92,961.8**	**82,617.8**
OTC products	Forward transactions	748.5	68.7	0.0	817.2	314.2
	Options	2.0	0.0	0.0	2.0	20.5
Commodity-related transactions		**750.5**	**68.7**	**0.0**	**819.2**	**334.7**
OTC products	Forward transactions	0.0	0.0	0.0	0.0	0.0
	Equity/index options	0.3	0.0	0.0	0.3	1.5
	Equity swaps	11.6	1.0	0.0	12.6	21.1
Exchange-listed products	Equity/index futures	627.5	267.9	0.0	895.4	456.9
	Equity/index options	5,710.5	1,259.9	0.0	6,970.4	7,824.6
Equity-/index-related transactions		**6,349.9**	**1,528.8**	**0.0**	**7,878.7**	**8,304.1**
Total financial derivatives		**97,716.8**	**15,399.6**	**3,527.6**	**116,644.0**	**109,708.5**

Breakdown of the derivatives business by market value

in €m		Positive market values with a residual term of			Positive market values		Negative market values	
		up to 1 year	over 1 year up to 5 years	over 5 years	Total 2019	Total 2018	Total 2019	Total 2018
OTC products	Interest rate swaps	3.2	87.4	197.3	287.9	472.7	246.2	255.3
	Interest rate options	0.2	1.7	0.9	2.8	15.0	2.9	15.8
	Forward transactions	2.2	13.4	0.0	15.6	10.9	13.5	13.3
Interest rate transactions		**5.6**	**102.5**	**198.2**	**306.3**	**498.6**	**262.6**	**284.4**
OTC products	Forward currency contracts	554.0	39.5	0.0	593.5	410.3	586.2	394.5
	Cross currency swaps	1.5	8.1	5.1	14.7	26.4	14.7	26.4
	Foreign exchange options	26.0	14.2	0.0	40.2	61.9	40.2	61.9
Foreign exchange-based transactions		**581.5**	**61.8**	**5.1**	**648.4**	**498.6**	**641.1**	**482.8**
OTC products	Forward transactions	16.3	2.5	0.0	18.8	9.2	18.8	9.2
	Options	0.0	0.0	0.0	0.0	1.3	0.0	1.3
Commodity-related transactions		**16.3**	**2.5**	**0.0**	**18.8**	**10.5**	**18.8**	**10.5**
OTC products	Forward transactions	0.0	0.0	0.0	0.0	0.1	0.2	0.0
	Equity/index options	0.1	0.0	0.0	0.1	9.1	0.0	0.0
	Equity swaps	0.3	0.0	0.0	0.3	0.0	1.4	2.1
Equity-/index-related transactions		**0.4**	**0.0**	**0.0**	**0.4**	**9.2**	**1.6**	**2.1**
Total financial derivatives		**603.8**	**166.8**	**203.3**	**973.9**	**1,016.9**	**924.1**	**779.8**

64 Hedge Accounting

The Bank uses derivatives (interest rate swaps) to hedge against market interest rate risk on fixed-income bonds, loans and issued registered bonds using the provisions for the reporting of hedging relationships (cf. Note 7). We also report on the emergence and management of market interest rate risk within the Risk Report as part of the audited consolidated financial statements.

With this hedging of fair value fluctuations (known as fair value hedges), the hedged interest rate-induced volatility of the underlying transactions together with the volatility of the hedging instruments are recognised through profit or loss. Inefficiencies can arise in the existing hedging relationships, which are reflected in the hedge results. Basis risks that arise from using different discount curves in the market value calculation are usually the reason for inefficiencies in hedge results.

The following tables provide information about the accounting impact of the reporting of hedging relationships.

Hedging instruments

31.12.2019

in €m

Hedged risk	Nominal amount	Positive market values	Negative market values	Balance sheet item
Interest rate risk	857.6	3.9	29.8	Positive or negative market values from derivative financial instruments
Total	857.6	3.9	29.8	

31.12.2018

in €m

Hedged risk	Nominal amount	Positive market values	Negative market values	Balance sheet item
Interest rate risk	928.1	0.0	22.8	Positive or negative market values from derivative financial instruments
Total	928.1	0.0	22.8	

Hedged underlying transactions

31.12.2019

in €m	Book values		Cumulative hedge accounting adjustment amount, which is included in the book value of the underlying transactions		
Hedged risk	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**	**Balance sheet item**
Interest rate risk	821.7	–	22.8	–	Non-trading portfolio
	30.1	–	0.1	–	Loans and advances to customers
	–	36.4	–	–0.9	Customer accounts
Total	851.8	36.4	22.9	–0.9	

31.12.2018 in €m	Book values		Cumulative hedge accounting adjustment amount, which is included in the book value of the underlying transactions		
Hedged risk	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**	**Balance sheet item**
Interest rate risk	**881.9**	**–**	**13.9**	**–**	Non-trading portfolio
	30.1	–	0.1	–	Loans and advances to customers
	–	39.4	–	2.3	Customer accounts
Total	**912.0**	**39.4**	**14.0**	**2.3**	

The hedge result can be broken down as follows:

2019 in €m			Ineffectiveness
	Balance sheet item	**Interest rate-induced fair value change***	**Recognised in the income statement in net trading income**
From hedging instruments	Positive or negative market values from derivative financial instruments	–12.9	–12.9
From underlying transactions	Non-trading portfolio	16.4	13.1
	Loans and advances to customers	–0.1	
	Customer accounts	–3.2	
Total			0.2

2018 in €m			Ineffectiveness
	Balance sheet item	**Interest rate-induced fair value change***	**Recognised in the income statement in net trading income**
From hedging instruments	Positive or negative market values from derivative financial instruments	0.6	0.6
From underlying transactions	Non-trading portfolio	0.2	–0.5
	Loans and advances to customers	0.0	
	Customer accounts	–0.7	
Total			**0.1**

* The change is stated in the market value of the financial instruments used as a basis for reporting the ineffectiveness of the hedge for the period.

The fair value fluctuations of the underlying transactions that are attributable to non-interest rate-induced changes in value (such as changed credit risks) are not hedged. Where the non-trading portfolio is affected by this, these fluctuations are reported in the statement of comprehensive income as gains/losses from debt instruments at fair value through other comprehensive income (IFRS 9).

The residual terms of the interest rate swaps used within the scope of the hedge accounting are shown in the following table.

Residual terms of the hedging instruments

31.12.2019	Nominal amounts with a residual term of			Nominal amounts
in €m	up to 1 year	over 1 year up to 5 years	over 5 years	Total
Interest rate risk	30.0	333.0	494.6	857.6
Total	30.0	333.0	494.6	857.6

31.12.2018	Nominal amounts with a residual term of			Nominal amounts
in €m	up to 1 year	over 1 year up to 5 years	over 5 years	Total
Interest rate risk	275.0	228.0	425.1	928.1
Total	275.0	228.0	425.1	928.1

65 Contingent Liabilities and Other Obligations

in €m	31.12.2019	31.12.2018
Contingent liabilities on guarantees and indemnity agreements	3,057.9	2,916.3
Irrevocable loan commitments	10,099.8	10,653.8
Total	**13,157.7**	**13,570.1**

The Group generally takes on contingent liabilities on behalf of its customers that are composed primarily of financial guarantees and letters of credit. Under these contracts, the Group is obliged either to act in accordance with an agreement or to make payments to a beneficiary if a third party fails to meet its obligations. The Group is unable to know in detail the extent to which these liabilities will result in a binding obligation.

The residual terms of the contingent liabilities and irrevocable loan commitments are as follows:

in €m	31.12.2019		31.12.2018	
	Contingent liabilities	Irrevocable loan commitments	Contingent liabilities	Irrevocable loan commitments
<1 month	915.8	160.4	637.4	528.8
1–3 months	369.8	206.7	222.8	137.9
3–12 months	1,003.8	924.9	883.9	676.0
12 months – 5 years	695.3	7,923.7	1,045.1	8,166.5
> 5 years	73.2	884.1	127.1	1,144.6
Total	**3,057.9**	**10,099.8**	**2,916.3**	**10,653.8**

As part of the annual levy, the Financial Market Stability Authority (Bundesanstalt für Finanzmarktstabilisierung – FMSA) and the Compensation Scheme of German banks (Entschädigungseinrichtung deutscher Banken GmbH – EdB) have permitted HSBC Trinkaus & Burkhardt AG to contribute a part of the annual premium in the form of fully hedged payment claims (known as an irrevocable payment obligation).

This partial amount of the bank levy or the EdB contribution amounts to €5.4 million (previous year: €5.4 million) (cf. Note "Assets Pledged as Collateral").

No material legal disputes and associated litigation risks were pending as at 31 December 2019.

66 Lessor and Lessee Figures

Future cash outflows that were not taken into account in the measurement of lease liabilities stand at €55.6 million. They result from the signing of an agreement regarding the rental of office space in Dusseldorf over a period of ten years starting in 2020. The tenant also has extension options. The contract allows for index-related rent adjustments over time in line with market conditions.

Obligations from lease agreements (including rental and lease contracts) amounted to €113.3 million in the previous year (pursuant to IAS 17).

in €m	31.12.2018
Up to 1 year	21.4
Over 1 year up to 5 years	49.7
Over 5 years	42.2
Total commitments arising from leasing and rental contracts	**113.3**

HSBC Trinkaus & Burkhardt Group is, to a lesser extent, a tenant of commercial real estate (lessee). The following minimum leasing payments will be received from these agreements in the coming years:

in €m	31.12.2019	31.12.2018
Up to 1 year	1.8	1.9
Over 1 year up to 5 years	8.6	8.6
Over 5 years	1.2	5.6
Total maturities	**11.6**	**16.1**

67 Assets Pledged as Collateral

Securities with a nominal value of €377.9 million (previous year: €553.5 million) were deposited as collateral for transactions conducted on futures exchanges and for securities lending transactions. The Bank pledged collateral in the amount of €1,100.0 million (previous year: €1,550.0 million) in connection with longer-term refinancing operations with the central bank. In the public development lending business, loans and advances in the amount of €756.1 million (previous year: €555.6 million) secure the funding available to the development banks. In conjunction with the bank levy or the EDB contribution, the Bank has lodged cash collateral of €5.4 million with (previous year: €5.4 million).

Financial instruments with a value of €377.8 million (previous year: €1,294.8 million) were available for use as collateral for peak funding facilities on the balance sheet date.

68 Trust Activities

As an indication of the extent of the potential liability from the Bank's off-balance-sheet trust activities, the following table shows the volume of trust activities.

in €m	31.12.2019	31.12.2018
Trust assets	**107.2**	**107.7**
Loans and advances to banks	0.0	0.0
Loans and advances to customers	0.0	0.0
Investments	107.2	107.7
Trust liabilities	**107.2**	**107.7**
Deposits by banks	0.0	0.0
Customer accounts	107.2	107.7

Assets managed for investors in special assets and investment stock corporation amount to €251.9 billion (previous year: €207.2 billion).

69 Participating Interests

HSBC Trinkaus & Burkhardt AG's participating interests can be presented as follows:

Company	Registered office	Percentage share of issued share capital in %	Equity held in the company in € thousand***	Net profit for 2019 in € thousand
Banks and near-bank entities				
HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH*	Dusseldorf	100.0	118,502	0
HSBC Trinkaus & Burkhardt (International) S.A.	Luxembourg	100.0	89,664	539
Internationale Kapitalanlagegesellschaft mbH*	Dusseldorf	100.0	49,000	0
HSBC INKA Investment-AG TGV**	Dusseldorf	100.0	1,865	–9
HSBC Transaction Services GmbH*	Dusseldorf	100.0	15,000	0
HSBC Operational Services GmbH	Dusseldorf	90.1	1,000	0
HSBC Trinkaus Family Office GmbH*	Dusseldorf	100.0	25	0
Trinkaus Private Equity Management GmbH	Dusseldorf	100.0	25	249
Trinkaus Private Equity Verwaltungs GmbH	Dusseldorf	100.0	25	5
HSBC Global Asset Management (Deutschland) GmbH*	Dusseldorf	100.0	5,001	0
HSBC Global Asset Management (Österreich) GmbH****	Vienna	100.0	360	25
HSBC Global Asset Management (Switzerland) AG	Zurich	50.0	1,823	347
Companies with a special mission				
HSBC Trinkaus Real Estate GmbH*	Dusseldorf	100.0	167	0
HSBC Trinkaus Immobilien Beteiligungs-KG	Dusseldorf	100.0	3,010	0
Trinkaus Europa Immobilien-Fonds Nr. 3 GmbH	Dusseldorf	100.0	29	7
HSBC Trinkaus Europa Immobilien-Fonds Nr. 5 GmbH	Dusseldorf	100.0	25	5
Trinkaus Immobilien-Fonds Geschäftsführungs-GmbH	Dusseldorf	100.0	22	0
Trinkaus Australien Immobilien-Fonds Nr. 1 Treuhand GmbH	Dusseldorf	100.0	25	4
Trinkaus Immobilien-Fonds Verwaltungs-GmbH	Dusseldorf	100.0	25	18
Real estate companies				
Grundstücksgesellschaft Trinkausstraße KG	Dusseldorf	100.0	7,633	3,171

* Profit-transfer agreement
** Equities issued by private companies
*** Shareholders' equity as at 31.12.2019, without current annual results
**** Figures as at 31.12.2018

The Bank also holds a 24.94 % stake in sino AG, Dusseldorf. As at 30 September 2018, the equity held in the company amounted to €4,784 thousand and net profit to €160 thousand.

The holdings of equity instruments recognised at fair value through other comprehensive income relate to indirect and direct shareholdings in Nürnberger Versicherung (€23.7 million).

On the balance sheet date, the Group held no share with controlling influence.

There are no material restrictions in place with regard to the ability of the HSBC Trinkaus & Burkhardt Group to access or use assets and repay the liabilities of Group units.

70 Relationships with Unconsolidated Structured Units

The structured units are units for which the voting rights are not the dominant factor in assessing control. This is the case, for example, if voting rights relate only to the administrative duties and the relevant activities are managed by contractual agreements.

The activities of a structured unit are generally limited and are therefore restricted to a close and precisely defined corporate purpose.

In the HSBC Trinkaus & Burkhardt Group, the business relationships with structured units are broken down into the following three groups:

Structured capital market products

In the HSBC Trinkaus & Burkhardt Group, structured units are used to provide customers with access to specific assets or portfolios of assets. They can be established as corporations, investment companies, partnerships or funds. They include mainly real estate funds, private equity funds and securities funds. Group companies may exercise the function of a fund manager, trustee or other functions. The Group also invests in funds that are launched by third parties.

Property/project financing

Within the framework of the lending business, the HSBC Trinkaus & Burkhardt also extends loans to financing vehicles. These companies are structured units if they have been founded specifically for the purpose of financing or operating the respective financed asset (e.g. a property) and these are not controlled primarily via the voting rights. Such financing is generally secured by the assets to be financed. The Group operates here primarily as a lender to the financing vehicles.

Asset management business

The asset management business comprises the capital management business operated under the provisions of the German Investment Code (Kapitalanlagegesetzbuch – KAGB), the asset management and the custodian bank business. The Group acts here as a service provider to investment funds, which represent structured units within the meaning of the accounting standards, among other things.

Structured units are consolidated in the HSBC Trinkaus & Burkhardt Group if the relationship between the group and the structured unit shows that the unit is controlled by the Group.

The structured units that are the subject of this item of the Notes are not consolidated because the Group does not exercise any control.

The Group achieves revenue from the provision of services, such as asset management remuneration and commission from the asset management business. In addition, dividends and interest income are generated by funding parts of the structured units.

The income and expenses from business relationships with non-consolidated structured units are broken down as follows:

31.12.2019 in €m	Structured capital market products	Property/project financing	Asset management business
Income from non-consolidated structured units			
Net interest income	2.4	5.3	–9.9
Net fee income	23.7	0.5	173.3
Net other income	0.0	0.0	0.0

31.12.2018 in €m	Structured capital market products	Property/project financing	Asset management business
Income from non-consolidated structured units			
Net interest income	2.6	6.6	–7.2
Net fee income	15.6	2.2	159.9
Net other income	0.1	0.0	0.0

The maximum default risk is understood as the highest possible loss that can be incurred from the relations with the structured units. The maximum loss exposure from assets with respect to non-consolidated structured units is equivalent to the book values of these positions after net loan impairment and other credit risk provisions, as at the respective reporting date. The maximum default risk for financial guarantees and loan commitments is the nominal amount of the commitment, as at the respective reporting date. Collateral received and other risk-reducing techniques are not taken into consideration.

The following tables show the book values of the assets, the maximum default risk, the scope of the structured units as well as the liabilities of the HSBC Trinkaus & Burkhardt Group to the non-consolidated structured units, as at the respective reporting date. Regarding the extent of the structured units, the total assets of companies and the amount of assets under management for funds are taken into consideration.

31.12.2019 in €m	Structured capital market products	Property/project financing	Asset management business
Assets			
Loans and advances to customers	188.3	470.7	752.7
Trading assets	3.1	0.4	0.0
Financial assets	10.2	0.0	0.0
Other assets	0.0	0.0	3.1
Total assets	**201.7**	**471.1**	**755.8**
Loan commitments	0.4	202.0	0.0
Maximum default risk	**202.1**	**673.1**	**755.8**
Scope of the structured units*	**5,699.4**	**928.7**	**987,211.5**
Liabilities			
Customer accounts	10.2	14.2	7,283.0
Other liabilities	3.1	0.9	22.6
Total liabilities	**13.4**	**15.1**	**7,305.6**

* Some figures as at 31.12.2018

31.12.2018 in €m	Structured capital market products	Property/project financing	Asset management business
Assets			
Loans and advances to customers	162.1	384.0	259.3
Trading assets	10.8	1.1	0.0
Financial assets	25.7	0.0	0.0
Other assets	0.0	0.0	4.4
Total assets	**198.6**	**385.1**	**263.7**
Loan commitments	5.9	425.6	0.0
Maximum default risk	**204.5**	**810.7**	**263.7**
Scope of the structured units*	**6,086.3**	**703.5**	**808,061.6**
Liabilities			
Customer accounts	10.2	22.8	6,003.8
Other liabilities	3.2	0.3	71.5
Total liabilities	**13.4**	**23.1**	**6,075.3**

* Some figures as at 31.12.2017

As in the previous year, no non-contractual financial support was granted to non-consolidated structured units in the 2019 financial year.

71 Releasing Subsidiaries from the Disclosure Requirement in Accordance with Sections 264 (3) and 264b of the German Commercial Code (HGB)

The following subsidiaries intend to make use of the exemption afforded by sections 264 (3) and 264b of the German Commercial Code (HGB) and will not publish their financial statements:

- HSBC Trinkaus & Burkhardt Gesellschaft für Bankbeteiligungen mbH, Dusseldorf
- HSBC Trinkaus Family Office GmbH, Dusseldorf
- HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf
- Internationale Kapitalanlagegesellschaft mbH, Dusseldorf
- HSBC Transaction Services GmbH, Dusseldorf
- HSBC Trinkaus Real Estate GmbH, Dusseldorf
- HSBC Operational Services GmbH, Dusseldorf
- Trinkaus Australien Immobilien-Fonds Nr. 1 Brisbane GmbH und Co. KG, Dusseldorf

72 Letter of Comfort

HSBC Trinkaus & Burkhardt AG undertakes to ensure that all fully-consolidated companies of the Group – HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg; Internationale Kapitalanlagegesellschaft mbH, Dusseldorf; HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf; and HSBC Transaction Services GmbH, Dusseldorf – are in a position to fulfil their contractual obligations.

Moreover, HSBC Trinkaus & Burkhardt AG regularly indemnifies the current general partners or managing partners of those fully consolidated companies having the legal form of a KG (limited partnership), as well as those of the Trinkaus real estate fund companies and Trinkaus private equity companies, against all third-party claims that are made against them in their legal capacity or activities as general partners in the respective companies, provided they are natural persons.

73 Staff

Annual average	**2019**	**2018**
Staff employed abroad	5	5
Staff employed in Germany	3,092	2,990
Total (including trainees)	**3,097**	**2,995**
of which female members of staff	1,309	1,275
of which male members of staff	1,788	1,720

74 Auditors' Fees

The following fees for the auditors of the consolidated accounts, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, including expenses, were reported as expense:

in €m	2019	2018
Audit services	2.5	2.3
Other audit services	0.9	0.2
Tax advisory services	0.0	0.0
Other services	0.0	0.0
Total	**3.4**	**2.5**

The auditing services comprise mainly the fees for the audit of the Bank's financial statements and consolidated financial statements, as well as the subsidiaries included in its consolidated financial statements, for the audit of the securities services and custodial business. Other audit services contain mainly fees for audit and consulting services prescribed by law and by the regulatory authorities.

75 Business Relationships with Companies and Persons Defined as Related Parties

Companies and persons are defined as related parties provided one party exercises direct or indirect control or can exercise a significant influence on their business or operating decisions.

As part of its ordinary course of business, HSBC Trinkaus & Burkhardt AG and/or its consolidated companies enter into business relationships with companies and persons defined as related parties. These include HSBC Group companies as well as persons in key positions and their relatives. Persons in key positions comprise exclusively the active members of the Management and Supervisory Boards of HSBC Trinkaus & Burkhardt AG in the financial year.

Business transactions with companies and persons defined as related parties are settled under the same terms and conditions as business transactions with independent business partners.

Particularly intensive business relationships are fostered with other HSBC Group companies. These business relationships relate firstly to normal bank transactions, which are usually unsecured. Derivative transactions are generally concluded and collateralised under master agreements that allow netting. To an increasing extent, however, there are also cooperation and agency agreements with various companies of the HSBC Group.
The consolidated income statement includes mainly the following income and expenses from transactions with HSBC Holdings plc, London, and its affiliated companies.

in €m	2019	2018
Interest income	0.8	0.8
Interest expense	7.0	6.5
Fee income	87.1	79.1
Fee and commission expenses	9.0	1.4
Administrative expenses	37.7	12.0
Net trading income	–0.4	–0.3
Net other income	0.0	0.0
Total	**33.8**	**59.7**

Assets include the following amounts:

	Affiliated companies		Associated companies	
in €m	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Loans and advances to banks	1,523.4	898.0	0.0	0.0
Loans and advances to customers	0.2	0.4	92.2	90.0
Other assets	8.2	10.2	0.0	0.0
Total	**1,531.8**	**908.6**	**92.2**	**90.0**

Loans and advances to banks comprise mainly short-term deposits with other HSBC units.

Liabilities include the following amounts:

	Affiliated companies		Associated companies	
in €m	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Deposits by banks	410.2	709.5	0.0	0.0
Customer accounts	5.3	3.6	14.3	15.1
Other liabilities	357.9	363.4	0.0	0.0
Total	**773.4**	**1076.5**	**14.3**	**15.1**

Deposits by banks comprise mainly short-term deposits of other HSBC units. Other liabilities primarily include subordinate deposits of HSBC Bank plc.

Trading assets/liabilities and financial assets do not include any transactions concluded with affiliated companies. The derivative transactions concluded with affiliated companies (mainly interest rate and currency-related derivative transactions) are shown in the following table:

	Derivatives	
in €m	**31.12.2019**	**31.12.2018**
Derivatives with positive market values	576.9	562.6
Derivatives with negative market values	499.7	485.5
Total	**1,076.6**	**1,048.1**

Compensation of the Executive Bodies

In accordance with the resolution passed at the Annual General Meeting on 14 June 2017, the information pursuant to section 314 (1) No. 6 a sentences 5 to 8 of the German Commercial Code (HGB) relating to the personalised remuneration details of the members of the Management Board is not to be disclosed.

At €5,675.0 thousand, the sum of the compensation components defined as fixed compensation pursuant to section 2 para. 6 of the Remuneration Ordinance for Institutions (InstitutsVergV) for all members of the Management Board was slightly higher than the previous year (€5,513.8 thousand), taking into account the changes to the composition of the Management Board.

The variable remuneration component amounted to €3,438.1 thousand (previous year: €4,352.8 thousand). Remuneration of the Supervisory Board members for the 2019 financial year amounted to €1,816.1 thousand (previous year: €2,296.8 thousand) in the form of shares and €1,622.0 thousand (previous year: €2,056.0 thousand) in cash. The variable share of the Management Board remuneration for the 2019 financial year includes a long-term remuneration component of €2,140.5 thousand (previous year: €2,708.1 thousand), of which €973.2 thousand (previous year: €1,233.6 thousand) is attributable to variable remuneration paid in cash and €1,167.3 thousand (previous year: €1,474.4 thousand) is attributable to variable remuneration in HSBC Holdings plc. shares.

Severance payments for members of the Management Board and risk takers in the amount of €1.1 million (previous year: €0.1 million) were granted in 2019.

Provisions totalling €15.8 million (previous year: €14.8 million) have been created to cover pension obligations to the members of the Management Board and their surviving dependants according to IFRS. In the financial year, €0.9 million (previous year: €0.7 million) was recognised in the income statement.

The compensation for members of the Supervisory Board is governed in the Articles of Association, on the basis of which each member of the Supervisory Board receives a fixed salary of €50,000. The chairperson receives two and a half times this amount and the deputy chairperson two times this amount. The Chairman of a Supervisory Board committee receives double and members of a committee one-and-a-half times the aforementioned remuneration of a member of the Supervisory Board, provided the respective committee has met at least once in the financial year. Where a member of the Supervisory Board has more than one office, such member is only remunerated for the office with the highest remuneration. Where membership in the Supervisory Board or a committee does not last the duration of an entire financial year, the remuneration is reduced on a pro rata basis.

Remuneration of the Supervisory Board members amounted to €1,164,950.02 (previous year: €1,190,049.32) for the 2019 financial year. The members of the Board of Directors received remuneration of €407,354.59 (previous year: €422,805.82). No fees were paid in this financial year to members of the Supervisory Board for consultancy service provided (previous year: €59,500.00). No separate pension obligations exist for Supervisory Board members. The general rules for employees, former Managing Partners and former members of the Management Board of the Bank apply for the pension obligations to the employees' representatives as well as former members of the Management Board.

Payments to retired Managing Partners of HSBC Trinkaus & Burkhardt KGaA and Trinkaus & Burkhardt KG as the legal predecessors of HSBC Trinkaus & Burkhardt AG and their surviving dependants, as well as former members of the Management Board of Trinkaus & Burkhardt AG totalled €4.3 million (previous year: €3.9 million). The pension provisions created to cover pension obligations for this group of persons according to IFRS totalled €43.7 million (previous year: €44.3 million).

Total expenditure in accordance with IAS 24 for the 2019 financial year amounted to €11.6 million (previous year: €11.7 million). This was recognised in administrative expenses in the period in which it arose and according to the provisions of the underlying standards.

76 Share-Based Payments

Performance-related remuneration for staff and members of the Management Board
As in the previous year, performance-related remuneration for employees and Management Board members was partially carried out by means of assigning shares of HSBC Holdings plc. Shares in the amount of €13.2 million (previous year: €15.7 million) were assigned for the 2019 financial year. The shares will be transferred on a pro rata basis in the following financial years.

77 Statement on the German Corporate Governance Code Pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management Board and the Supervisory Board of the Bank have submitted their statement on the recommendations of the Commission of the German Corporate Governance Code pursuant to section 161 of the AktG and made this permanently available to the public on the HSBC Trinkaus & Burkhardt AG website under http://www.about.hsbc.de/de-de/investor-relations/corporate-governance.

78 Offices held by Members of the Management Board

As at 31 December 2019, the members of the Management Board and of the Executive Committee of HSBC Trinkaus & Burkhardt AG sat on the following statutory supervisory boards or comparable management bodies:

Carola Gräfin v. Schmettow (Chairwoman)

Position	Company
Member of the Supervisory Board	ThyssenKrupp AG, Essen
Non-Executive Director	HSBC France S.A., Paris, France

Dr Rudolf Apenbrink

Position	Company
Chairman of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf
Member of the Board of Directors	HSBC Global Asset Management (Hong Kong) Ltd., Hong Kong

Paul Hagen (until 7 June 2019)

Position	Company
Chairman of the Supervisory Board	HSBC Transaction Services GmbH, Dusseldorf (until 15 May 2019)
Deputy Chairman of the Supervisory Board	Düsseldorfer Hypothekenbank AG, Dusseldorf (until 2 January 2019)
Member of the Supervisory Board	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf (until 4 June 2019)

Dr Jan Wilmanns

Position	Company
Member of the Supervisory Board	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf
Member of the Supervisory Board	BVV Versicherungsverein des Bankgewerbes a.G., Berlin (until 1 December 2019)
Member of the Supervisory Board	BVV Versorgungskasse des Bankgewerbes, Berlin (until 1 December 2019)
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf

Martin Hörstel (until 31 December 2019)

Position	Company
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf

Dr Andreas Kamp

Position	Company
Chairman of the Supervisory Board	HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg

Christian Kolb

Position	Company
Member of the Supervisory Board	Exaloan AG, Frankfurt am Main

Thomas Runge

Position	Company
Chairman of the Supervisory Board	HSBC Transaction Services GmbH, Dusseldorf

79 Offices Held by Other Members of Staff

As at 31 December 2019, the following employees sat on the following statutory supervisory boards or comparable control bodies of large corporations:

Dr Michael Böhm

Position	Company
Non-Executive Director	HSBC Global Investment Funds SICAV, Luxembourg
Non-Executive Director	HSBC Portfolios SICAV, Luxembourg
Non-Executive Director	HSBC Islamic Funds, Luxembourg
Member of the Advisory Board	DPG Deutsche Performancemessungs-Gesellschaft für Wertpapierportfolios mbH, Frankfurt am Main
Member of the Board of Directors	HSBC Global Asset Management (Switzerland) AG, Zurich, Switzerland
Chairman of the Board of Managers	HSBC Regio GP., Luxembourg
Member of the Supervisory Board	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf

Thomas Fahlenbock

Position	Company
Member of the Supervisory Board	HSBC INKA Investment-AG TGV, Dusseldorf
Member of the Supervisory Board	HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg

Ulrich Gericke

Position	Company
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf
Member of the Supervisory Board	Monega Kapitalanlagegesellschaft mbH, Cologne

Carsten Hennies

Position	Company
Chairman of the Supervisory Board	HSBC INKA Investment-AG TGV, Dusseldorf
Deputy Chairman of the Supervisory Board	HSBC Trinkaus & Burkhardt (International) S.A., Luxembourg

Wolfgang Jakobs

Position	Company
Member of the Supervisory Board	Deutsche Handelsbank AG, Munich

Gerald Noltsch

Position	Company
Chairman of the Supervisory Board	Internationale Kapitalanlagegesellschaft mbH, Dusseldorf
Member of the Supervisory Board	HSBC Transaction Services GmbH, Dusseldorf

Götz Röhr

Position	Company
Member of the Supervisory Board	Theodor-Fliedner-Heim GmbH, Solingen
Member of the Supervisory Board	tick Trading Software AG, Dusseldorf
Member of the Supervisory Board	sino AG, Dusseldorf

Heiko Schröder (until 30 June 2019)

Position	Company
Deputy Chairman of the Supervisory Board	EDD AG, Dusseldorf

Gina Slotosch (until 30 April 2019)

Position	Company
Member of the Supervisory Board	HSBC Transaction Services GmbH, Dusseldorf

Norbert Stabenow

Position	Company
Deputy Chairman of the Supervisory Board	HSBC INKA Investment-AG TGV, Dusseldorf

Oliver Szepan

Position	Company
Member of the Supervisory Board	HSBC Transaction Services GmbH, Dusseldorf

Dr Thorsten Warmt

Position	Company
Member of the Supervisory Board	HSBC Transaction Services GmbH, Dusseldorf (until 15 May 2019)

Heiner Weber

Position	Company
Member of the Supervisory Board	Pensionskasse vom Deutschen Roten Kreuz, VVaG, Bonn
Member of the Board of Directors	HSBC Global Asset Management (Switzerland) AG, Zurich, Switzerland

Steffen Zeise

Position	Company
Member of the Supervisory Board	HSBC Global Asset Management (Deutschland) GmbH, Dusseldorf

80 Offices Held by Supervisory Board Members

The members of our Supervisory Board also sit on the following supervisory boards and comparable control bodies listed below:

Andreas Schmitz (Chairman)

Position	Company
Chairman of the Supervisory Board	Andersch AG, Frankfurt am Main (until 31 July 2019)
Chairman of the Supervisory Board	Scheidt & Bachmann GmbH, Mönchengladbach
Member of the Supervisory Board	E.ON SE, Essen

Samir Assaf

Position	Company
Chairman of the Board (non-executive)	HSBC France S.A., Paris, France
Member of the Board (non-executive)	SABB SA Saudi Arabia, Saudi Arabia

James Alasdair Emmett

Position	Company
Member of the Board (non-executive)	HSBC France S.A., Paris, France

Paul Hagen

Position	Company
Member of the Supervisory Board	HSBC Transaction Services GmbH, Dusseldorf

Siglinde Klaußner

Position	Company
Member of the Supervisory Board	HSBC Transaction Services GmbH, Dusseldorf

Friedrich Merz (until 7 June 2019)

Position	Company
Chairman of the Supervisory Board	BlackRock Asset Management Deutschland AG, Munich
Chairman of the Supervisory Board	Flughafen Köln/Bonn GmbH, Cologne
Chairman of the Supervisory Board	WEPA Industrieholding SE, Arnsberg
Member of the Board of Directors	Stadler Rail AG, Bussnang, Switzerland

Dr Eric Strutz

Position	Company
Member of the Board of Directors	Global Blue S.A., Eysins, Switzerland
Member of the Board of Directors	Global Blue Group AG, Brüttisellen, Switzerland
Member of the Board of Directors	Luxembourg Investment Company 261 S.a.r.l., Luxembourg
Vice Chairman of the Board of Directors	Partners Group Holding AG, Baar, Switzerland
Member of the Board of Directors	Partners Group AG, Baar, Switzerland
Non-Executive Director	HSBC Bank plc, London, UK

Hans-Jörg Vetter

Position	Company
Chairman of the Supervisory Board	Herrenknecht AG, Schwanau

Daniela Weber-Rey

Position	Company
Member of the Board of Directors	FNAC Darty S.A., Ivry-sur-Seine, France

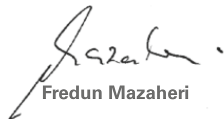
81 Publication

The annual report will be released for publication on 9 March 2020.

Dusseldorf, 18 February 2020

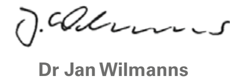
Carola Gräfin v. Schmettow

Dr Rudolf Apenbrink



Fredun Mazaheri

Nicolo Salsano



Dr Jan Wilmanns

Independent Auditor’s Report

To HSBC Trinkaus & Burkhardt AG, Dusseldorf

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of HSBC Trinkaus & Burkhardt AG, Dusseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in capital and consolidated cash flow statement for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of HSBC Trinkaus & Burkhardt AG for the financial year from 1 January to 31 December 2019. We have not audited the content of those parts of the Group management report listed in the “Other information” section of our auditor’s report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and

- the accompanying Group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of those parts of the Group management report listed in the “Other information” section of our auditor’s report.

Pursuant to § 322 para. 3 [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the Group management report” section of our auditor’s report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Provisions in the customer lending business**
2. **Presentation of net commission income**
3. **Presentation of intangible assets**
4. **Presentation of restructuring provisions**

Our presentation of these key audit matters has been structured in each case as follows:

(a) Matter and issue

(b) Audit approach and findings

(c) Reference to further information

Hereinafter we present the key audit matters:

1. Provisions in the customer lending business

(a) Loan receivables amounting to €10,866.5 million (40.9 % of total assets) are reported under the "Loans and advances to customers" balance sheet item in the company's consolidated financial statements. As at 31 December 2019, risk provisions for the loan portfolio amounting in total to €53.3 million were reported in the balance sheet. The measurement of the risk provisions for the customer lending business is determined in particular by estimates made by the executive directors with respect to future loan defaults, the structure and quality of the loan portfolios and general economic factors. Loans and advances to customers are measured at amortised cost under IFRS 9. Risk provisions are presented in a three-stage model, whereby financial instruments are basically allocated to stage 1. Expected 12-month losses are to be presented for these instruments. If there is a significant increase in the default risk compared to the time of recognition, the amount for the losses expected for the entire residual term (stage 2) is recorded as net loan impairment provision. This also applies to credit-impaired financial Instruments (stage 3). The amounts of the valuation allowances in the customer lending business involve considerable scope for judgement on the part of the executive directors. The valuation parameters applied, which are subject to significant uncertainty, have a significant impact on the recognition respectively the amount of any valuation allowances required. Against this background, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we first of all assessed whether the design of the controls in the company's relevant internal control system was appropriate and tested whether the controls functioned effectively. We included the business organisation, the IT systems and the relevant measurement models in our assessment. We also assessed, among other things, whether the models for calculating the expected loss as well as their implementation into the Bank's processes are in line with IFRS 9. In addition, we examined whether significant increases in the default risk were adequately defined by the Bank. We also evaluated the measurement of

the customer loan receivables, including the appropriateness of estimated values, on the basis of sample testing of stage 3 loan exposures. For the purposes of this exercise, among other things we reviewed the available documentation of the company in order to assess the economic circumstances and the recoverability of the related collateral. With respect to real estate as collateral for which the company has submitted expert appraisals to us, we obtained an understanding of the underlying source data, value inputs used and assumptions made, evaluated those factors critically and assessed whether they lay within a reasonable range. In addition, for the purpose of assessing the valuation allowances applied for stage 1 and 2 exposures, we evaluated the calculation methodology applied by the company together with the underlying assumptions and parameters. On the basis of the audit procedures we carried out, we satisfied ourselves overall that the assumptions made by the executive directors for the purpose of reviewing the recoverability of the loan portfolio are appropriate, and that the processes implemented by the company are appropriate and effective.

(c) The company's disclosures regarding provisions for the customer lending business are contained in Note 37 of the notes to the consolidated financial statements.

2. Presentation of net commission income

(a) Net commission income amounting to €453.1 million is reported in the income statement in the company's consolidated financial statements. This significant item is subject to particular accounting related risk due to the complexity of the systems necessary for accurately recording it, the large number and heterogeneous nature of transactions requiring processing and the earnings contributions in certain areas attributable to transactions involving large non-recurring effects. The large non-recurring effects resulted from individual transactions concluded during the reporting year. Against this background, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we first assessed the appropriateness and effectiveness of the controls in the business processes for specific products and the relevant controls established within the company's internal control system for the initial recording of the various transactions in the company's portfolio management systems through to the reporting of the resulting income and expenses in the general ledger. In addition, we verified, among other things, the calculation and accounting treatment of various components of income and expense on a test basis based on the documents provided to us. Furthermore, we verified the allocation of commission income and expenses to the correct periods, as well as the consistency of the methods used by the company to recognise commission income and expenses. We were able to satisfy ourselves that the systems and processes in place, as well as the established controls, are appropriate overall for the purpose of ensuring that net commission income is presented correctly.

(c) The company's disclosures regarding net commission income are contained in Note 17 and Note 44 of the notes to the consolidated financial statements.

3. Presentation of intangible assets

(a) Software amounting to €81.9 million is reported under the "Intangible assets" item (€86.3 million, 0.3 % of total assets) in the company's consolidated financial statements. The Group companies capitalise internal and external expenses to a large extent in order to put the software into working condition in particular within the scope of the introduction of the new core bank system as well as the expansion of the system for securities settlement and administration. Intangible assets ready for use are valued at purchase cost, less regular depreciation. The regular depreciation recorded in administrative expenses is distributed over the expected useful life of the asset of three to ten years on a straight-line basis. Intangible assets not yet ready for use for which no regular depreciation has yet been recorded have to be subjected to an annual impairment test. Furthermore, a corresponding impairment test is to be carried out for all intangible assets if triggering events exist that there could be a decrease (or increase) in value. Internal and external sources of information are drawn on for this purpose. As there are considerable discretionary powers when assessing the obligation to capitalise internal and external expenses and capitalisation has a significant impact on the earnings situation, this matter was of particular significance in the context of our audit.

(b) For the purposes of our audit, we assessed, among other things, the processes and controls established within the company that ensure compliance with the principles for reporting of intangible assets according to international accounting regulations. This also included assessing the details of the guidelines drawn up regarding the recognition of internal and external expenses. In addition, we verified, among other things, the application of the valuation provisions on a test basis based on the documents provided to us. By asking questions and inspecting the documents, we assessed whether there are indications for impairment. We were able to satisfy ourselves that the processes are appropriate overall for the purpose of ensuring that intangible assets are presented correctly.

(c) The company's disclosures regarding intangible assets are contained in Note 11 "Intangible assets" and Note 27 "Fixed assets" of the notes to the consolidated financial statements.

4. Presentation of restructuring provisions

(a) The company has launched a Group-wide, multiyear programme to improve internal efficiency. This programme provides for fundamental restructuring in parts of the Group and, in particular, the relocation of certain business activities to countries where the HSBC Group has already gained experience in pooling service and supply functions. At the same time, the Bank is increasingly relying on future-oriented technologies such as digitalisation and automation to streamline processes and save resources. The divisions and locations affected by the restructuring, the number and roles of the affected employees, the expenses and future savings associated with the implementation and the implementation schedule were disclosed to the employees' representatives. Negotiations between the employer and employees' representatives on the definition of the reduction in staff planned in the course of implementation have been concluded. The information relevant in this context, including the reconciliation of interests and the redundancy programme, was made available to employees in December 2019.

Restructuring provisions can only be included once the general inclusion criteria for provisions in accordance with IAS 37.14 are met, which are

further specified for restructuring measures within the meaning of IAS 37.10 by the regulations in IAS 37.70 et seqq. Following the agreement with the employees' committees and the corresponding communication of the programme to the employees, the Bank recognised a restructuring provision of €10.1 million as an expense in the 2019 consolidated financial statements, in accordance with IAS 37.10 in conjunction with IAS 19.159 et seqq. From our point of view, this matter was of particular importance for our audit, as the recognition of restructuring provisions is based to a large extent on estimates and assumptions by the executive directors.

(b) In our audit, we have assessed, among other things, whether the necessary inclusion criteria have been met. For this purpose, we have obtained the relevant evidence from the executive directors of the company. We have also assessed the valuation carried out by the Bank in terms of its suitability, methodology and comprehensibility of the assessment of value. This has enabled us to obtain an understanding of the underlying source data, value inputs and assumptions made in the reporting year, to critically evaluate them and to assess whether they are within a reasonable range.

We were able to satisfy ourselves that the circumstances, as well as the estimates and assumptions made by the executive directors for the inclusion of a restructuring provision, are sufficiently documented and justified. The value inputs and assumptions applied by the executive directors are generally in line with our expectations and are also within the ranges that we consider to be acceptable.

(c) The company's disclosures regarding the restructuring provisions are contained in Note 36 of the notes to the consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the Group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Statement on corporate governance" of the Group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the "Sustainable corporate governance" and "Employees" sections
- the report on gender equality and equal pay pursuant to § 21 EntgeltTranspG [Transparency of Remuneration Act]
- The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited Group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the Group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e para. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the annual general meeting on 7 June 2019. We were engaged by the Supervisory Board on 12 June 2019. We have been the Group auditor of HSBC Trinkaus & Burkhardt AG, Dusseldorf, without interruption since the financial year 2015.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Peter Goldschmidt.

Dusseldorf, 3 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Peter Goldschmidt
Auditor

p.p. Susanne Beurschgens
Auditor

Five-year Comparison of Consolidated Figures in €m

IFRS consolidated financial statements in €m

	2019	2018*	2017	2016	2015
Total assets	**26,592.8**	**24,284.1**	**24,278.9**	**23,084.8**	**21,670.5**
Assets					
Cash reserve	5,731.5	3,750.5	3,679.3	1,107.3	690.2
Loans and advances to banks	1,987.0	1,460.7	858.0	1,255.9	1,186.3
Loans and advances to clients	10,866.5	10,749.8	9,348.9	8,457.9	7,848.0
Trading assets	2,801.9	2,876.7	3,702.1	4,462.3	5,930.5
Positive market values from derivative financial instruments	1,164.2	1,265.6	1,420.8	2,099.6	0.0
Other financial assets mandatorily measured at fair value through profit or loss	120.9	192.2	n/a	n/a	n/a
Financial assets	3,509.4	3,532.1	4,874.2	5,351.0	5,688.6
Share of profit in associates	0.0	0.0	0.0	0.0	0.5
Property, plant and equipment	137.3	115.5	111.4	105.3	104.2
Intangible assets	86.3	69.2	29.6	12.5	9.2
Taxation recoverable	119.1	91.9	64.9	50.4	32.0
current	61.9	23.7	7.7	14.0	6.9
deferred	57.2	68.2	57.2	36.4	25.1
Other assets	68.7	179.9	189.7	182.6	181.0
Liabilities					
Deposits by banks	2,608.1	3,318.9	2,916.4	1,786.2	752.4
Client accounts	17,650.8	14,861.4	14,591.7	13,668.7	12,928.8
Certificated liabilities	0.0	0.0	0.0	0.0	10.0
Trading liabilities	1,793.8	1,825.9	2,365.2	2,326.7	5,148.7
Negative market values from derivative financial instruments	1,070.0	978.7	1,248.1	2,173.1	0.0
Provisions	128.9	167.5	177.1	173.2	138.6
Taxation	34.9	41.5	41.9	43.9	35.0
current	34.8	31.1	41.9	43.9	35.0
deferred*	0.1	10.4	0.0	0.0	0.0
Other liabilities	266.4	247.0	246.8	235.3	249.0
Subordinated capital	551.3	580.5	395.3	437.7	458.2
Shareholders' equity*	2,488.6	2,262.7	2,296.4	2,240.0	1,949.8
Income statement					
Net interest income	228.1	216.1	197.9	211.4	201.7
Risk provisioning in the lending and securities business	45.1	–5.1	23.9	4.4	0.2
Share of profit in associates	0.0	0.0	0.0	0.0	0.1
Net fee income	453.1	430.7	482.9	474.7	441.2
Net trading income	70.4	72.3	83.9	78.7	75.1
Net profit from other financial assets mandatorily measured at fair value through profit or loss	11.9	–14.0	n/a	n/a	n/a
Gains and losses from the disposal of financial assets measured at amortised cost	–0.9	0.0	n/a	n/a	n/a
Income from financial assets	10.3	17.8	53.2	24.9	15.0
Administrative expenses	618.9	573.5	559.2	567.9	530.4
Net other income	35.9	16.6	16.5	12.5	14.9
Pre-tax profit	144.8	171.1	251.3	229.9	217.4
Tax expenses	47.3	54.2	78.5	74.4	65.3
Net profit	97.5	116.9	172.8	155.5	152.1

* Comparatives adjusted. The adjustments are explained in Note 18.

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Registration Document dated 31 March 2022

of

HSBC Trinkaus & Burkhardt AG
Düsseldorf

Düsseldorf, 31 March 2022

HSBC Trinkaus & Burkhardt AG

Appendix 1

Key information on the Issuer

Who is the issuer of the securities?
HSBC Trinkaus & Burkhardt AG, Hansaallee 3, 40549 Düsseldorf; LEI: JUNT405OW8OY5GN4DX16; the Issuer is subject to German law; it is entered in the commercial register of Düsseldorf Local Court, Federal Republic of Germany.

The Issuer's principal activities
As a universal bank, the Issuer offers financial services for corporate customers, institutional clients and high net worth private clients. The Issuer's principal activities are primarily focused on the German market.

The Issuer's major shareholders
The Issuer is part of the HSBC Group, of which HSBC Holdings plc, London is the parent company. It is directly controlled by HSBC Germany Holdings GmbH, Düsseldorf, and indirectly controlled by HSBC Holding plc and HSBC Bank plc. HSBC Germany Holdings GmbH, Düsseldorf, directly holds 100% of the Issuer's share capital. There is no control or profit and loss transfer agreement between the Issuer and HSBC Germany Holdings GmbH, Düsseldorf, HSBC Bank plc, London, or HSBC Holdings plc, London.

The identity of its key managing directors
Management Board: Nicolo Salsano (Chairman of the Management Board), Dr Rudolf Apenbrink, Dr Andreas Kamp, Thomas Runge, Nikolas Speer

The identity of its statutory auditors
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Moskauer Str. 19, 40227 Düsseldorf, Germany, Tel. +49 (0)211/981 0

What is the key financial information regarding the Issuer?
Table 1
Income statement for credit institutions

	31 Dec. 2020	31 Dec. 2019
Net interest income (in €m)	226.50	228.1
Net fee income (in €m)	494.00	453.1
Net loan impairment provisions in the lending and securities business (in €m)	83.70	45.1
Net trading income (in €m)	159.80	70.4
Pre-tax profit (in €m)	187.00	144.8
Net profit (in €m)	129.50	97.5

Table 2
Balance sheet for credit institutions

	31 Dec. 2020	31 Dec. 2019	Value as outcome from the most recent Supervisory Review and Evaluation

			Process ("SREP")
Total assets (in €m)	29,467.00	26,592.8	–
Loans and advances to banks and customers (in €m)	10,084.30	12,853.50	–
Subordinated debt	–	–	–
Loans and advances to customers (in €m)	8,516.80	10,866.5	–
Customer accounts (in €m)	18,131.60	17,650.8	–
Shareholders' equity (in €m)	2,594.50	2,488.6	–
Common Equity Tier 1 capital (CET1) ratio	–	10.7%	
Regulatory capital ratio	15.7%	14.6%	9.0%*
Regulatory leverage ratio	–	5.0%	–

* Figure from 2019. BaFin did not send any new SREP decisions to banks in 2020 because of the COVID-19 pandemic.

What are the key risks that are specific to the Issuer?

Issuer default risk (insolvency risk)

The security holder bears the risk of the Issuer's insolvency. This may occur if the Issuer is insolvent (*zahlungsunfähig*) or overindebted (*überschuldet*), or is likely to become insolvent or overindebted. In the event of the Issuer's insolvency, the investor is exposed to the risk of total loss of the Capital Employed.

Risks relating to resolution measures imposed on the Issuer by the resolution authority

In the event of that the continued existence of the Issuer is endangered, the security holder may be subject to various resolution measures in accordance with banking supervision regulations. The resolution authority is entitled to undertake the resolution measures even before an insolvency of the Issuer. The security holder may have to sustain losses up to total loss of the Capital Employed.

Appendix 2 – Information for the purposes of Art. 26(4) of the Regulation (EU) 2017/1129

French language version (non-binding translation of the English language version):

Informations de base sur l'émetteur

Qui est l'émetteur des valeurs mobilières ?
HSBC Trinkaus & Burkhardt AG, Hansaallee 3, 40549 Düsseldorf ; IEJ : JUNT405OW8OY5GN4DX16 ; l'émetteur est soumis au droit allemand ; il est inscrit au registre du commerce auprès du tribunal de Düsseldorf, République fédérale d'Allemagne.

Activités principales de l'émetteur
En tant que banque universelle, l'émetteur fournit des services financiers aux entreprises, aux clients institutionnels et aux particuliers fortunés. Les domaines d'activité principaux de l'émetteur sont essentiellement axés sur le marché allemand.

Actionnaire principal de l'émetteur
L'émetteur fait partie du groupe HSBC, dont la société mère est HSBC Holdings plc, Londres. Il dépend directement de HSBC Germany Holdings GmbH, Düsseldorf et indirectement de HSBC Holding plc et de HSBC Bank plc. HSBC Germany Holdings GmbH, Düsseldorf, détient directement 100% du capital social de l'émetteur. L'émetteur n'a conclu aucun accord de contrôle et de transfert des bénéfices avec HSBC Germany Holdings GmbH, Düsseldorf, ni avec HSBC Bank plc, Londres ou HSBC Holdings plc, Londres.

Identité des principaux dirigeants
Directoire : Nicolo Salsano (porte-parole), Rudolf Apenbrink, Andreas Kamp, Thomas Runge, Nikolas Speer

Identité des contrôleurs légaux des comptes
PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Moskauer Straße 19, 40227 Düsseldorf, Tél. : +49 (0)211/981-0

Principales informations financières concernant l'émetteur
Tableau 1
Compte de résultat pour les établissements de crédit

	31/12/2020	31/12/2019
Produit net d'intérêts (en millions EUR)	226,50	228,1
Produit net de commissions (en millions EUR)	494,00	453,1
Provisionnement pour risque lié à l'activité de crédit et aux opérations sur titres (en millions EUR)	83,70	45,1
Résultat des transactions (en millions EUR)	159,80	70,4
Résultat net avant impôts (en millions EUR)	187,00	144,8
Résultat net (en millions EUR)	129,50	97,5

Tableau 2
Bilan pour les établissements de crédit

	31/12/2020	31/12/2019	Valeur telle qu'elle ressort du dernier processus de contrôle et

			d'évaluation prudentiels (« SREP »)
Total du bilan (en millions EUR)	29.467,00	26.592,8	–
Créances sur les établissements de crédit et créances sur la clientèle (en millions EUR)	10.084,30	12.853,50	–
Créances subordonnées	–	–	–
Créances sur la clientèle (en millions EUR)	8.516,80	10.866,5	–
Dettes envers la clientèle (en millions EUR)	18.131,60	17.650,8	–
Fonds propres (en millions EUR)	2.594,50	2.488,6	–
Ratio de fonds propres Core Tier 1 (CET1)	–	10,7%	
Ratio de fonds propres	15,7%	14,6%	9,0%*
Ratio d'endettement réglementaire	–	5,0%	–

*Valeur à 2019. En raison de la pandémie de Covid-19, la BaFin n'a pas adressé de nouvelles informations relatives au SREP aux banques en 2020.

Quels sont les principaux risques propres à l'émetteur ?

Risque de défaut de l'émetteur (risque d'insolvabilité)

Le détenteur de titres est exposé au risque d'insolvabilité de l'émetteur. Cet événement peut se produire lorsque l'émetteur est insolvable (*zahlungsunfähig*) ou surendetté (*überschuldet*) ou qu'il risque de le devenir. En cas d'insolvabilité de l'émetteur, l'investisseur peut perdre l'intégralité des sommes investies.

Risques en cas de mesures prises par l'autorité de résolution à l'égard de l'émetteur

Si l'existence de l'émetteur est menacée, le détenteur de titres peut être soumis à différentes mesures de résolution conformément aux dispositions du droit bancaire. L'autorité de résolution peut procéder aux mesures de résolution avant que l'émetteur ne devienne insolvable. Le détenteur de titres peut subir des pertes allant jusqu'à la perte intégrale du capital investi.