Update to the Registration Document

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AUTORITÉ DES MARCHÉS FINANCIERS AMF

This document was filed with the Autorités des Marchés (AMF) on 29 August 2008 accordance with Article 212-13 of the AMF's General Regulation. It updates the Reference Document (Annual Report and Accounts) filed with the AMF on 25 April 2008 under reference number D.08-0300. It may be used in support of a financial transaction when supplemented by a transaction note that has received approval from the AMF.

Financial results for the first half of 2008

1. Management report on the first half of 2008

Main changes in the structure of the HSBC France group in the first half of 2008

On 29 February 2008, HSBC France received a firm cash offer of EUR 2,100 million from Banque Fédérale des Banques Populaires for its seven regional banking subsidiaries in France. On the basis of this offer, HSBC France entered into exclusive negotiations with the Banque Populaire Group.

HSBC France's regional banking subsidiaries are Société Marseillaise de Crédit, Banque de Savoie, Banque Chaix, Banque Marze, Banque Dupuy, de Parseval, Banque Pelletier and Crédit Commercial du Sud-Ouest.

The offer did not involve the branches operating under the HSBC brand in the major city centres and particularly in the Paris region, or HSBC's Global Banking & Markets, Private Banking, Commercial Banking, Asset Management and Insurance activities in France.

At 31 December 2007, under IFRS, the seven regional banking subsidiaries had aggregate total assets of EUR 8,380 million and equity of EUR 564 million. They generated net profit of EUR 100 million for the year ended 31 December 2007. They had 400 branches (excluding nine branches held by Société Marseillaise de Crédit and operating under the HSBC brand which were not included in the offer and which were bought by HSBC France on 2 June 2008) and employed about 2,950 people. They represent less than 40 per cent of HSBC's retail customers in France and in 2007 generated less than 20 per cent of HSBC France's pre-tax profit. The price offered represents a multiple of 21 times 2007 net profit and 3.7 times equity at 31 December 2007.

Following these negotiations, HSBC France completed the sale of its seven regional banking subsidiaries to Banque Fédérale des Banques Populaires on 2 July 2008.[1]

Financial results of the HSBC France group (legal entities)

The consolidated financial statements of the HSBC France group (legal entities) have been prepared in accordance with IFRS as defined in note 1 to the financial statements contained in this registration document update.

HSBC France's announcement on 29 February 2008 that it had entered into exclusive negotiations with the Banque Populaire group for the sale of its seven regional banking subsidiaries led to a change in accounting treatment of these subsidiaries in the consolidated financial statements. The following reclassifications were made as of 1 March 2008:

– All the assets of the regional banking subsidiaries were reclassified as "Assets of disposal groups classified as held for sale";

– All the liabilities (excluding equity) of the regional banking subsidiaries were reclassified as "Liabilities of disposal groups classified as held for sale";

– Profit before tax after 1 March 2008 was reclassified as "Other operating income".

This distorts any comparison of the figures except for profit before tax and net profit, for the following reasons:

– Operating income before credit risk provisions includes two months of revenue and four months of profit before tax in the first half of 2008, compared with six months of revenue in the first half of 2007;

[1] *See "Subsequent events" on page 46 of this registration document update.*

Financial results for the first half of 2008 (continued)

– Other income statement items, and particularly operating expenses and loan impairment charges and other credit risk provisions, include two months of full consolidation and no further items from 1 March 2008, compared with six months of full consolidation in the first half of 2007.

In addition, on 26 March 2007, HSBC France acquired from Swiss Life the remaining 50.01 per cent of insurance companies Erisa IARD and Erisa, now renamed HSBC Assurances (France) and HSBC Assurances Vie (France), thereby obtaining full control. As planned at the time of the acquisition, they were transferred to HSBC Bank plc Paris Branch on 20 December 2007. As a result, in accordance with IFRS, these companies were classified as "Assets of disposal groups held for sale" and "Liabilities of disposal groups held for sale" and their earnings were included in "Net profit of discontinued operations" in an amount of EUR 14 million in the first half of 2007.

In the first half of 2008, profit before tax of the HSBC France group was EUR 450 million and net profit attributable to shareholders was EUR 388 million.

Operating income before credit risk provisions was EUR 1,364 million, down 24 per cent due to the following factors:

– The change of accounting treatment applied after the announcement of exclusive negotiations with the Banque Populaire Group for the sale of the seven regional banking subsidiaries (see above);

– A large capital gain recognised in the first half of 2007 on the sale of HSBC France's holding in HSBC Private Banking Holdings (Suisse) SA to HSBC Europe (Netherlands) BV.

Excluding these items, operating income before credit risk provisions was down by just 1 per cent compared with 30 June 2007.

Loan impairment charges and other credit risk provisions remained stable, with a net charge of EUR 31 million. Without the change of accounting treatment of the regional banking subsidiaries, the charge would have been EUR 5 million higher.

Operating expenses decreased by 9 per cent to EUR 883 million due to the change of accounting treatment of the regional banking subsidiaries in the course of disposal. Excluding this item, they would have increased by 1 per cent compared with the first half of 2007.

Operating profit amounted to EUR 450 million at 30 June 2008 and the cost efficiency ratio was 64.8 per cent[1] or 66.9 per cent excluding the impact of the change of accounting treatment of the regional banking subsidiaries.

Consolidated shareholders' equity was EUR 5.3 billion. The capital adequacy ratio calculated on Basel II standards was 9.2 per cent, up compared with the estimated Basel II ratio at 31 December 2007 at 8.8 per cent, and higher than the minimum regulatory requirement.

Net profit of HSBC France parent company was EUR 314 million compared with EUR 1,128 million at 30 June 2007.

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1 *Calculated on the basis of the IFRS financial statements as presented by the HSBC Group, i.e. "Total operating expenses as a ratio of net operating income before credit risk provisions".*

Financial results for the first half of 2008 (continued)

Contribution of France to HSBC Group financial results[1] (managerial scope)

The results of the HSBC Group in France were resilient in a difficult financial environment marked by a persistent shortage of liquidity and the ensuing increase in its cost, a fall in the equity markets (CAC 40 down by 21 per cent since 1 January 2008) and pressures on interest rates, caused mainly in June by the European Central Bank's announcement of a quarter point increase in its base rate.

Profit before tax of the HSBC Group in France was EUR 522 million in the first half of 2008, a decrease of 13 per cent compared with the same period of the previous year.

Three specific factors contributed to this trend:

– A capital gain of EUR 87 million on the disposal of trading securities compared with EUR 161 million in the first half of 2007 (including EUR 125 million on Euronext shares);

– An exceptional reversal of provisions against employee-related liabilities in an amount of EUR 46 million in the first half of 2008;

– A contribution from the insurance subsidiaries of EUR 13 million to profit before tax in the first quarter of 2008 whilst in 2007 they were only fully consolidated as of the second quarter, and the recognition of EUR 67 million in non-recurring items in the first half of 2007.

Excluding these specific items, which impact various line items of the income statement, profit before tax would have increased by 3 per cent.

In addition to these items, there was also the change of accounting treatment for the regional banking subsidiaries in the course of disposal, as described above. Although this had no impact on profit before tax, it affected trends in the various components of the income statement.

At 30 June 2008, net operating income before credit risk provisions was EUR 1,465 million, a decrease of 5 per cent compared with the previous year but an increase of 6 per cent after eliminating the specific items referred to above.

Credit risk provisions remained very low, with a net charge of EUR 31 million, despite a significant increase compared with the exceptionally low figure of EUR 15 million in the first half of 2007. The impact on credit provisions of the change of accounting treatment for the regional banking subsidiaries was EUR 5 million.

Operating expenses totalled EUR 913 million, a decrease of 7 per cent compared with the first half of 2007 and a decrease of 5 per cent excluding the specific items referred to above.

The reported cost efficiency ratio was 62.3 per cent or 71.8 per cent after eliminating the specific items referred to above from revenue and expenses.

The commentary below refers to business segment results on a managerial scope, that is the contribution of France to the HSBC Group's financial results.

1 *The commentary relates to France's contribution to the HSBC Group under IFRS:*

– *The managerial scope now includes the HSBC Group's French activities and the operating results of HSBC Paris Branch, a branch of HSBC Bank plc. As of 1 April 2007, the insurance subsidiaries acquired by HSBC France and then transferred to HSBC Bank plc Paris Branch were fully consolidated.*
– *The results of the regional banking subsidiaries in the course of disposal were fully consolidated in the first half of 2007, January and February 2008, whilst from March to June 2008 their profit before tax was included in net operating income.*
– *Financial figures are presented according to IFRSs as applied by the HSBC Group.*
– *The capital gain on the disposal of HSBC France's holding in HSBC Private Banking Holdings (Suisse) SA in the first half of 2007 is an intra-group gain and has therefore been eliminated.*

Financial results for the first half of 2008 (continued)

Business segment results

Personal Financial Services

The disposal of the French regional banking subsidiaries forms part of the strategy adopted by the HSBC Group in mature economy countries, which is to focus on activities with strong international connectivity. In Personal Financial Services, this means focusing on the affluent, international customer segment through HSBC Premier. Thanks to the legacy of the former CCF's positioning in retail banking, HSBC France represents almost 10 per cent of the HSBC Group's Premier clientele, with 200,000 Premier customers. The relaunch of the HSBC Premier offering in France in March 2008 provided the occasion for new intensive advertising and marketing campaigns to step up the HSBC brand's visibility in France. The number of new Premier customers has risen by more than 70 per cent compared with the first half of 2007. Specialisation of the branch network has resulted in Premier facilities being created within HSBC branches and by the end of 2008 there will be some twenty Premier Centres in the major French cities (within a network of 250 HSBC Group Premier Centres worldwide). The product and service offering has also been further enriched. The "Corporate Expatriate Employee Program" and the "Ready-for-France" website are devoted to managers of large international groups who move and work around the world. Guaranteed funds have been launched in response to the difficult conditions in the financial markets, particularly the stock markets, including capital guaranteed collective investment funds such as "HSBC Monde" and "HSBC Destination 3-6-8", and wealth management products such as the "FCPI Objectif Innovation Patrimoine" fund. A new life insurance contract called "Taux garanti sur 12 mois glissants", developed in association with HSBC Assurances, has proved a success. All these actions have been accompanied by further growth in volumes. Deposits have grown by 10 per cent and new life insurance business by 4 per cent in a market down 8 per cent compared with the first half of 2007 (FFSA statistics, end June 2008). However, reported revenues do not yet reflect this strong commercial performance because of the specific items described above, and particularly the change of accounting treatment of the regional banking subsidiaries in the course of disposal.

Commercial Banking

The HSBC Group's strategy in Commercial Banking is to focus on high-quality companies regardless of size, whilst at the same time specialising the distribution network according to size. Ten Corporate Banking Centres devoted to companies with revenue of more than EUR 30 million were created in the first half. This is part of the plan to expand the HSBC network, which also includes opening 50 Business Banking Centres for SMEs by the end of 2009. Drawing on the HSBC Group's international capabilities, both in terms of network and diversity of products and services, Commercial Banking continued to enrich its offering in the first half of 2008, including new "Club Pays" for Canada and Brazil (following the United Kingdom, China and Hong Kong in 2007), the "HSBC Trade Premium" e-documentary credit service, and stepping up new business relationships with other customer segments of HSBC France and the HSBC Group. Like the HSBC Group, HSBC France also continued its involvement in sustainable development, launching "Living Business" in the first half of 2008, a campaign aimed at making managers of SMEs aware of the issues involved in sustainable development, and creating a dedicated website. The HSBC platform customer franchise expanded by more than 4 per cent in the first half of 2008. Volumes also grew, with a increase of almost 20 per cent in deposits and 16 per cent in lending. However, the growth in revenue derived from this strong business momentum and improved margins was masked by the impact of the change of accounting treatment of the regional banking subsidiaries.

Financial results for the first half of 2008 (continued)

Global Banking & Markets

In difficult operating conditions, Global Banking & Markets capitalised on its membership of the HSBC Group and the confidence of major corporates in the Group's financial strength. HSBC France completed many deals, which led to improved rankings in several segments, including top place in bond issuance (source: Dealogic Bondware - Public sector - H1 2008). HSBC France continues to build long-term customer relationships whilst pursuing a highly conservative risk management policy. The improvement in margins seen in late 2007 was confirmed during the first half of 2008.

Within the Markets business, fixed-income activities achieved strong growth by capitalising on opportunities created by market volatility and strong customer demand for inflation protection products. Customer volumes were still driven by equity derivatives despite the fall in the stock markets, helping maintain a satisfactory level of revenues.

As in previous years, intra-group synergies continued to progress, leading to significant growth in revenues generated by major French corporates across the whole of the HSBC Group. .

In **Asset Management**, the deterioration in the financial markets had an adverse impact on assets under management, mainly due to the fall in value of equities and investor reluctance to invest in funds during a period of market instability. At 30 June 2008, assets under management were down compared with 31 December 2007, falling to EUR 82.2 billion, which had an adverse effect on revenues. Since the beginning of the financial crisis, HSBC France has always been able to provide its customers with liquidity in its funds.

Private Banking

In a highly unfavourable market environment, Private Banking enjoyed strong growth in the private client segment driven by synergies with Personal Financial Services, Commercial Banking and Global Banking in terms of expanding the customer base, and with Markets and Asset Management in terms of enhancing the offering in products adapted to market conditions, such as structured products, stock option coverage products, multi-manager funds and alternative investment. However, this commercial momentum was held back by market trends and the decision to refocus the fund management business on private clients. Assets under management amounted to EUR 10.2 billion at 30 June 2008.

Financial results for the first half of 2008 (continued)

2. Consolidated financial statements at 30 June 2008

Consolidated income statement for the half-year to 30 June 2008

	Notes	Half year 30 June 2008	Half year 30 June 2007	Full year 31 December 2007
(in millions of euros)				
Interest income		**2,041**	1,586	3,658
Interest expense		**(2,106)**	(1,387)	(3,479)
Net interest income		**(65)**	199	179
Fee income		**586**	625	1,319
Fee expense		**(208)**	(182)	(355)
Net fee income		**378**	443	964
Trading income		**894**	525	1,339
Net income from financial instruments designated at fair value		**2**	-	(5)
Gains less losses from financial investments		**111**	534	538
Dividend income		**5**	7	12
Other operating income[1]		**39**	82	62
Net operating income before loan impairment charges and other credit risk provisions		**1,364**	1,790	3,089
Loan impairment charges and other credit risk provisions	*10*	**(31)**	(30)	(52)
Net operating income		**1,333**	1,760	3,037
Employee compensation and benefits		**(535)**	(594)	(1,201)
General and administrative expenses		**(314)**	(339)	(707)
Depreciation of property, plant and equipment		**(28)**	(31)	(64)
Amortisation of intangible assets and impairment of goodwill		**(6)**	(8)	(15)
Total operating expenses		**(883)**	(972)	(1,987)
Operating profit		**450**	788	1,050
Share of profit in associates and joint ventures		**-**	-	1
Profit before tax		**450**	788	1,051
Tax expense	*6*	**(62)**	(67)	(119)
Net profit on discontinued operations		**-**	14	45
Profit for the year		**388**	735	977
Profit attributable to shareholders		**388**	733	975
Profit attributable to minority interests		**-**	2	2
(in euros)				
Basic earnings per ordinary share		5.11	9.68	12.88
Diluted earnings per ordinary share		5.05	9.52	12.71
Dividend per ordinary share		-	9.58	9.58

1 *of which the profit before tax of regional banks held for sale amounted of EUR 29 million from 1st March to 30 June 2008.*

Financial results for the first half of 2008 (continued)

Consolidated balance sheet at 30 June 2008

(in millions of euros)	Notes	**30 June 2008**	30 June 2007	31 December 2007
ASSETS				
Cash and balances at central banks		**1,356**	363	4,014
Items in the course of collection from other banks		**955**	2,013	1,369
Financial assets at fair value through profit or loss		**69,649**	52,581	58,114
Derivatives		**51,929**	34,409	36,556
Loans and advances to banks		**34,802**	22,784	33,083
Loans and advances to customers		**49,594**	49,821	55,196
Financial investments		**2,773**	2,888	4,050
Interests in associates and joint ventures		**6**	10	6
Goodwill and intangible assets		**446**	462	450
Property, plant and equipment		**551**	730	639
Other assets		**3,765**	2,838	3,638
Deferred tax assets		**4**	38	27
Prepayments and accrued income		**1,724**	1,332	1,401
Assets of disposal groups classified as held for sale[1]		**6,601**	15,038	84
TOTAL ASSETS		**224,155**	185,307	198,627

LIABILITIES AND EQUITY	Notes	**30 June 2008**	30 June 2007	31 December 2007
Liabilities				
Deposits by banks		**53,736**	36,485	48,393
Customer accounts		**38,483**	36,698	44,690
Items in the course of transmission to other banks		**846**	1,953	1,180
Trading liabilities		**41,182**	31,645	35,964
Financial liabilities designated at fair value		**1,830**	246	336
Derivatives		**50,218**	34,453	36,473
Debt securities in issue		**20,687**	19,872	22,840
Retirement benefit liabilities		**91**	175	178
Other liabilities		**2,700**	1,710	1,550
Current taxation		**24**	10	14
Accruals and deferred income		**1,877**	1,408	1,572
Provisions for liabilities and charges:				
– deferred tax		**22**	-	2
– other provisions		**45**	93	78
Subordinated liabilities		**259**	765	262
TOTAL LIABILITIES		**212,000**	165,513	193,532
Equity				
Called-up share capital	12	**380**	378	380
Share premium account	12	**1,191**	1,170	1,191
Other reserves and retained earnings	12	**3,709**	3,440	3,493
TOTAL SHAREHOLDERS' EQUITY	12	**5,280**	4,988	5,064
Minority interests	12	**30**	32	31
TOTAL EQUITY	12	**5,310**	5,020	5,095
Liabilities of disposal groups classified as held for sale[1]		**6,845**	14,774	-
TOTAL EQUITY AND LIABILITIES		**224,155**	185,307	198,627

1 *30 June 2008: related to the seven French regional banks held for sale (Assets amounted to EUR 6,517 million)*
30 June 2007: related to the disposal of the Insurance activity completed on 20 December 2007
(cf the financial statements of the Interim Report 2007 and of the Annual Report and Accounts 2007- HSBC France)

Financial results for the first half of 2008 (continued)

Consolidated statement of recognised income and expense for the half-year to 30 June 2008

	Half year		Full year
	30 June 2008	30 June 2007	31 December 2007
(in millions of euro)			
Available-for-sale investments:			
– valuation gains/(losses) taken to equity	**(67)**	88	96
– transferred to income statement on disposal or impairment	**(110)**	(460)	(482)
Cash flow hedges:			
– gains/(losses) taken to equity	**(33)**	(124)	(61)
– transferred to income statement	**(24)**	3	(3)
Exchange differences arising on net investments in foreign operations	**(1)**	-	(4)
Other reserves:			
– gains/(losses) taken to equity	**(1)**	(1)	2
– actuarial gains/(losses) on post–employment benefits	**(4)**	12	9
– Erisa revaluation	**-**	82	-
	(240)	(400)	(443)
Net deferred taxation on items taken directly to equity	**59**	46	34
Net Profit for the year	**388**	735	977
Total recognised income and expense for the year	**207**	381	568
Total recognised income and expense for the year attributable to:			
– Shareholders of the parent company	**207**	379	566
– Minority interests	**-**	2	2
	207	381	568

Financial results for the first half of 2008 (continued)

Consolidated cash flow statement for the half-year to 30 June 2008

(in millions of euros)	*Notes*	Half year **30 June 2008**	Half year 30 June 2007	Full year 31 December 2007
Cash flows from operating activities				
Profit before tax		**450**	788	1,051
Of which profit before tax from regional banks held for sale		***29***	-	-
Net profit on discontinued operations		**-**	14	45
Adjustments for:				
– non-cash items included in net profit	*7*	**61**	(50)	28
– change in operating assets	*7*	**(7,481)**	(12,472)	(21,798)
– change in operating liabilities	*7*	**(454)**	18,934	41,898
– change in assets/liabilities of disposal groups classified as held for sale (including cash items)		**(91)**	(264)	-
– elimination of exchange differences		**50**	(20)	(35)
– net gain from investing activities		**(126)**	(519)	(585)
– share of profits in associates and joint ventures		**-**	-	(1)
– dividends received from associates		**-**	-	4
– tax (paid) / recovered		**54**	(62)	(171)
Net cash from operating activities		**(7,537)**	6,349	20,436
Cash flows (used in)/from investing activities				
Purchase of financial investments		**(277)**	(507)	(2,234)
Proceeds from the sale of financial investments		**2,114**	2,094	2,477
Purchase of property, plant and equipment		**(38)**	(33)	(61)
Proceeds from the sale of property, plant and equipment		**1**	1	7
Purchase of goodwill and intangible assets		**(12)**	(9)	(17)
Net cash outflow from acquisition of and increase in stake of subsidiaries		**-**	(229)	-
Net cash inflow from disposal of subsidiaries		**-**	-	-
Net cash outflow from acquisition of and increase in stake of associates		**-**	-	(229)
Proceeds from disposal of associates		**-**	-	29
Net cash (used in)/from investing activities		**1,788**	1,317	(28)
Cash flows (used in)/from financing activities				
Issue of ordinary share capital		**-**	-	23
Net purchases and sales of own shares for market-making purposes		**-**	-	-
Increase in non-equity minority interests		**-**	-	-
Subordinated loan capital issued		**-**	-	-
Subordinated loan capital repaid		**-**	-	(503)
Dividends paid to shareholders		**(2)**	(807)	(1,038)
Dividends paid to minority interests		**-**	-	-
Net cash (used in)/from financing activities		**(2)**	(807)	(1,518)
Net increase in cash and cash equivalents		**(5,751)**	6,859	18,890
Cash and cash equivalents at 1 January		**38,211**	19,381	19,381
Effect of exchange rate changes on cash and cash equivalents		**(358)**	(10)	(60)
Cash and cash equivalents at 30 June		**32,102**	26,230	38,211

Financial results for the first half of 2008 (continued)

Notes to the consolidated financial statements

1 Basis of preparation

(a) HSBC France has prepared these interim consolidated financial statements in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the EU and effective for HSBC France's reporting for the period ended 30 June 2008. IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting'.

The primary financial statements in this document are presented in accordance with IAS 1 'Presentation of Financial Statements'.

(b) The interim consolidated financial statements of HSBC France comprise the financial statements of HSBC France and its subsidiaries and associates. Entities that are controlled by HSBC France are consolidated until the date control ceases. Subsidiaries acquired are consolidated from the date control is transferred to HSBC France.

The purchase method of accounting is used to account for the acquisition of subsidiaries by HSBC France. The cost of an acquisition is measured at the fair value of the consideration given at the date of exchange, together with costs directly attributable to that acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair value of HSBC France's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of HSBC France's share of the identifiable assets, liabilities and contingent liabilities of the business acquired, the difference is recognised immediately in the income statement.

All intra-HSBC France transactions are eliminated on consolidation.

The interim consolidated financial statements of HSBC France also include the attributable share of the results and reserves of joint ventures and associates, based on financial statements made up to dates not earlier than three months prior to 30 June.

(c) The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the critical accounting policies where judgement is necessarily applied are those which relate to loan impairment, goodwill impairment and the valuation of financial instruments.

In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of HSBC France's net income, financial position and cash flows for interim periods have been made.

2 Accounting policies

The accounting policies adopted by HSBC France for this interim report are consistent with those described in the financial statements of the Annual Report and Accounts 2007.

3 Dividends

The Board of directors of July 29th, 2008 did not propose distribution of an interim dividend for the fiscal year 2008.

Financial results for the first half of 2008 (continued)

4 Earnings and dividend per share

(in euros)	**30 June 2008**	30 June 2007	31 December 2007
Basic earnings per share	**5.11**	**9.68**	12.88
Diluted earnings per share	**5.05**	**9.52**	12.71
Dividend per share	**0.00**	**9.58**	9.58

Basic earnings per ordinary share were calculated by dividing the earnings of EUR 388 million by the number of ordinary shares outstanding, excluding own shares held, of 75,963,895 (first half of 2007: earnings of EUR 733 million and 75,683,045 shares; full year 2007: earnings of EUR 975 million and 75,698,434 weighted average number of shares).

Diluted earnings per share were calculated by dividing the basic earnings, which require no adjustment for the dilutive effects of potential ordinary shares (including share options outstanding not yet exercised), by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on ordinary conversion of all the potential dilutive ordinary shares of 76,970,926 (first half of 2007: 76,970,926 shares; full year 2007: 76,705,465 shares).

5 Social liabilities

On 5 June 2008, HSBC France signed an agreement with Apicil in respect of the purchase of additional Arrco / Agirc pension cover. In addition, HSBC France modified its employees' medical cover plan. HSBC France no longer finances the optional health cover plan for retired staff and has established a compulsory collective guarantee system for the reimbursement of employee medical expenses.

These changes resulted in a EUR 46 million release of provisions in the consolidated financial statements at 30 June 2008.

6 Tax expense

(in millions of euros)	**30 June 2008**	30 June 2007	31 December 2007
Current tax	**10**	56	103
Deferred tax	**52**	11	16
Tax expense	**62**	67	119
Effective tax rate (per cent)	**13.8**	8.5	11.3

(in millions of euros)	**30 June 2008**		30 June 2007		31 December 2007	
Analysis of overall tax charge	**Amount**	**%**	Amount	%	Amount	%
Taxation at French corporate tax rate	**155**	**34.43**	271	34.43	362	34.43
Impact of overseas profits in principal locations taxed at different rates	**(1)**	**(0.2)**	-	-	(1)	(0.1)
Operations taxed at different tax rate in France	**(24)**	**(3.8)**	(150)	(19)	(156)	(14.8)
Other items including result for tax Group integration	**(68)**	**(16.7)**	(54)	(6.9)	(86)	(8.2)
Overall tax charge	**62**	**13.8**	67	8.5	119	11.3

Financial results for the first half of 2008 (continued)

In 2008, HSBC France and its subsidiary undertakings in France provided for French corporation tax at 34.43 per cent for Short Term (ST) and 1.72[1] per cent for Long Term (LT) (2007: (ST) 34.43 per cent and (LT) 1.72[1] per cent). The rates used for deferred taxes are based on 2008 tax rates.

1 *Except property company securities and securities with cost price higher than EUR 22.8 million but lower than 5 per cent of capital, and securities from FCPR and SCR.*

7 Reconciliation of profit before tax to net cash flow from operating activities

(in millions of euros)	**30 June 2008**	30 June 2007	31 December 2007
Non cash flow items included in income			
Depreciation and amortisation	**33**	38	79
Share based payments	**9**	10	11
Revaluations on investment property	**-**	(7)	(7)
Loan impairment losses	**31**	16	52
Loans written off net of recoveries	**(28)**	(40)	(82)
Provisions raised	**-**	(34)	(26)
Provisions utilised	**-**	(18)	(26)
Impairment of financial investments	**15**	(15)	26
Accretion of discounts and amortisation of premiums	**1**	-	1
	61	(50)	28
Change in operating assets:			
Change in prepayments and accrued income	**(322)**	(167)	(237)
Change in net trading securities and net derivatives	**(7,556)**	(9,980)	(11,270)
Change in loans and advances to banks	**(5,207)**	5,801	3,870
Change in loans and advances to customers	**5,822**	(7,775)	(13,144)
Change in financial assets designated at fair value	**(5)**	-	-
Change in other assets	**(213)**	(351)	(1,017)
	(7,481)	(12,472)	(21,798)
Change in operating liabilities:			
Change in accruals and deferred income	**305**	135	298
Change in deposits by banks	**5,343**	12,555	24,463
Change in customer accounts	**(6,207)**	3,292	11,284
Change in debt securities in issue	**(2,153)**	2,809	5,777
Change in financial liabilities designated at fair value	**1,496**	(27)	63
Change in other liabilities	**762**	170	13
	(454)	18,934	41,898
Cash and cash equivalents comprise:			
Cash and balances at central banks	**1,356**	364	4,014
Items in the course of collection from other banks	**955**	2,013	1,369
Loans and advances to banks of one month or less	**29,591**	24,712	33,079
Treasury bills, other bills and certificates of deposit less than three months	**1,046**	1,094	929
Less: Cash accounts (Liabilities)	**(846)**	(1,953)	(1,180)
	32,102	26,230	38,211

Financial results for the first half of 2008 (continued)

8 Fair value of financial instruments

The following table provides an analysis of the basis for the valuation of financial assets and financial liabilities measured at fair value in the consolidated financial statements :

(in millions of euros)	*Quoted market price*	Valuation techniques: *using observable inputs*	Valuation techniques: *with significant non-observable inputs*	*Third Party Total*	*Amounts with HSBC entities*	*Total*
At 30 June 2008						
Assets						
Trading assets	**55,644**	**11,057**	**8**	**66,709**	**2,935**	**69,644**
Financial assets designated at fair value	**-**	**5**	**-**	**5**	**-**	**5**
Derivatives	**2,405**	**32,573**	**163**	**35,141**	**16,788**	**51,929**
Financial investments	**1,027**	**1,570**	**49**	**2,646**	**127**	**2,773**
Liabilities						
Trading liabilities	**30,230**	**6,990**	**-**	**37,220**	**3,962**	**41,182**
Financial liabilities at fair value	**-**	**1,830**	**-**	**1,830**	**-**	**1,830**
Derivatives	**2,868**	**30,628**	**124**	**33,620**	**16,598**	**50,218**
At 31 December 2007						
Assets						
Trading assets	53,886	757	-	54,643	3,471	58,114
Financial assets designated at fair value	-	-	-	-	-	-
Derivatives	2,614	21,928	742	25,284	11,272	36,556
Financial investments	1,894	1,977	169	4,040	10	4,050
Liabilities						
Trading liabilities	31,097	1,904	-	33,001	2,963	35,964
Financial liabilities at fair value	-	336	-	336	-	336
Derivatives	2,537	20,731	798	24,066	12,407	36,473

The following table provides an analysis of the fair value of financial instruments not measured at fair value in the balance sheet. For all other instruments the fair value is equal to the carrying value:

(in millions of euros)	**30 June 2008** *Carrying value*	**30 June 2008** *Fair value*	31 December 2007 *Carrying value*	31 December 2007 *Fair value*
Assets				
Loans and advances to banks	**34,802**	**34,802**	33,083	33,110
Loans and advances to customers	**49,594**	**49,048**	55,196	54,718
Liabilities				
Deposits by banks	**53,736**	**53,736**	48,393	48,406
Customer accounts	**38,483**	**38,477**	44,690	44,692
Debt securities in issue	**20,687**	**20,687**	22,840	22,840
Subordinated liabilities	**259**	**259**	262	266

Financial results for the first half of 2008 (continued)

9 Maturity analysis of financial assets and liabilities

The following is an analysis of undiscounted cash flows payable under financial liabilities by remaining contractual maturities at the balance sheet date.

Trading liabilities and trading derivatives have been included in the "On demand" time bucket and not by contractual maturity, because trading liabilities are typically held for short periods of time. The undiscounted cash flows on hedging derivative liabilities are classified according to their contractual maturity.

Financial results for the first half of 2008 (continued)

9 Maturity analysis of financial assets and liabilities *(continued)*

	At 30 June 2008					
(in millions of euros)	*On demand*	*Due within 3 months*	*Due between 3 and 12 months*	*Due between 1 and 5 years*	*Due after 5 years*	*Total*
Deposits by banks	**8,156**	**45,681**	**2,977**	**1,938**	**1,306**	**60,058**
Customer accounts	**18,124**	**19,789**	**8,635**	**250**	**265**	**47,063**
Trading liabilities	**41,182**	**-**	**-**	**-**	**-**	**41,182**
Financial liabilities designated at fair value	**-**	**-**	**-**	**1,625**	**277**	**1,902**
Derivatives	**49,778**	**45**	**95**	**287**	**13**	**50,218**
Debt securities in issue	**(1)**	**11,971**	**3,673**	**4,756**	**1,992**	**22,392**
Subordinated liabilities	**104**		**3**	**2**	**171**	**280**
Other financial liabilities	**1,328**	**282**	**782**	**364**	**234**	**2,99**
Loan Commitments	**81**	**6,629**	**3,242**	**10,38**	**3,037**	**23,369**
Total at 30 June 2008	**118,752**	**84,397**	**19,407**	**19,602**	**7,295**	**249,454**

	At 31 December 2007					
(in millions of euros)	*On demand*	*Due within 3 months*	*Due between 3 and 12 months*	*Due between 1 and 5 years*	*Due after 5 years*	*Total*
Deposits by banks	1,346	46,393	5,546	530	1,121	54,936
Customer accounts	20,078	28,154	3,915	306	864	53,317
Trading liabilities	35,964	-	-	-	-	35,964
Financial liabilities designated at fair value	-	-	-	125	289	414
Derivatives	36,054	46	37	324	12	36,473
Debt securities in issue	-	14,246	1,697	6,607	1,992	24,542
Subordinated liabilities	-	-	64	32	187	283
Other financial liabilities	1,696	1,448	546	242	225	4,157
Loan Commitments	180	1,956	1,788	10,821	3,780	18,525
Total at 31 December 2007	95,318	92,243	13,593	18,987	8,470	228,611

Financial results for the first half of 2008 (continued)

The following is an analysis of assets and liabilities by remaining contractual maturities at the balance sheet date for assets and liability line items that combines amounts expected to be recovered or settled in under one year and after one year.

Contractual maturity is considered to be a reasonable approximation of expected maturity for the assets and liabilities analysed below. However, for items such as demand deposits and overdrafts, the contractual maturities could differ from expected maturities.

Trading assets and liabilities are excluded because they are not held for collection or settlement over the period of contractual maturity.

	30 June 2008		
(in millions of euros)	***Due within one year***	***Due after more than one year***	***Total***
Assets			
Financial assets designated at fair value	**-**	**5**	**5**
Loans and advances to banks	**33,796**	**1,006**	**34,802**
Loans and advances to customers	**31,062**	**18,532**	**49,594**
Financial investments	**134**	**2,639**	**2,773**
Other financial assets	**2,955**	**152**	**3,107**
	67,947	**22,334**	**90,281**
Liabilities			
Deposits by banks	**51,148**	**2,588**	**53,736**
Customer accounts	**37,801**	**682**	**38,483**
Financial liabilities designated at fair value	**-**	**1830**	**1,830**
Debt securities in issue	**15,444**	**5,243**	**20,687**
Other financial liabilities	**2,303**	**851**	**3,154**
Subordinated liabilities	**-**	**259**	**259**
	106,696	**11,453**	**118,149**

	30 June 2007		
(in millions of euros)	*Due within one year*	*Due after more than one year*	*Total*
Assets			
Financial assets designated at fair value	-	-	-
Loans and advances to banks	22,102	682	22,784
Loans and advances to customers	27,797	22,024	49,821
Financial investments	488	2,400	2,888
Other financial assets	2,962	186	3,148
	53,349	25,292	78,641
Liabilities			
Deposits by banks	33,915	2,570	36,485
Customer accounts	35,368	1,330	36,698
Financial liabilities designated at fair value	-	246	246
Debt securities in issue	12,738	7,134	19,872
Other financial liabilities	172	440	612
Subordinated liabilities	2	763	765
	82,195	12,483	94,678

Financial results for the first half of 2008 (continued)

	31 December 2007		
(in millions of euros)	*Due within one year*	*Due after more than one year*	*Total*
Assets			
Financial assets designated at fair value	-	-	-
Loans and advances to banks	31,367	1,716	33,083
Loans and advances to customers	32,461	22,735	55,196
Financial investments	543	3,507	4,050
Other financial assets	3,585	274	3,859
	67,956	28,232	96,188
Liabilities			
Deposits by banks	47,577	816	48,393
Customer accounts	43,293	1,397	44,690
Financial liabilities designated at fair value	-	336	336
Debt securities in issue	15,746	7,094	22,840
Other financial liabilities	1,482	475	1,957
Subordinated liabilities	-	262	262
	108,098	10,380	118,478

10 Risk management

All the group's activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks.

The most important types of risk arising from financial instruments are credit risk (which includes country and cross-border risk), liquidity risk and market risk. The management of these risks is discussed below. Market risk includes foreign exchange, interest rate and equity price risk. In addition, risk also arises from transactions with special purpose entities, both on- and off-balance sheet, and other types of off-balance sheet arrangement, including financial guarantees, letters of credit and commitments to lend.

Credit risk management

Initiatives undertaken and risks identified

Credit risk management within the HSBC France group is the responsibility of the ALCO Credit and of the Credit Risk Department (DRC), which is independent of the business lines. The DRC reports to the Deputy CEO in charge of risks of HSBC France and also has a functional reporting line to the management of the HSBC Group in London.

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from lending, trade finance, treasury and leasing business. The HSBC Group has standards, policies and procedures dedicated to monitoring and managing risk from all such activities.

HSBC Holdings plc is responsible for the formulation of high-level credit risk policies and provides high-level centralised oversight and management of credit risk for its subsidiaries worldwide. In addition, its responsibilities include:

- controlling exposures to sovereign entities, banks and other financial institutions. HSBC's credit and settlement risk limits to counterparties in these sectors are approved and managed by Group Credit Risk, to optimise the use of credit availability and avoid excessive risk concentration;
- monitoring intra-Group exposures to ensure they are maintained within regulatory limits;
- controlling cross-border exposures, through the imposition of country limits with sub limits by maturity and type of business. Country limits are determined by taking into account economic and political factors, and

Financial results for the first half of 2008 (continued)

applying local business knowledge. Transactions with countries deemed to be higher risk are considered on a case by case basis.

Maximum exposure to credit risk

Maximum exposure to credit risk excluding collateral held or other credit enhancements

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements unless such credit enhancements meets offsetting requirements as set out in Note 2 m of the financial statements in the Annual Report and Accounts 2007.

(in millions of euros)	**Maximum exposure 30 June 2008**	Maximum exposure 30 June 2007	Maximum exposure 31 December 2007
Items in course of collection from other banks	**955**	2,013	1,369
Trading assets	**65,089**	46,876	45,025
Treasury and other similar bills	**38,875**	29,546	30,445
Debt securities	**8,866**	5,803	6,456
Loans and advances	**17,348**	11,527	8,124
Derivatives	**51,929**	34,409	36,556
Loans and advances to banks	**34,802**	22,784	33,083
Loans and advances to customers	**49,594**	49,821	55,196
Financial investments	**1,979**	1,542	2,264
Treasury and other similar bills	**629**	1301	952
Debt securities	**1,350**	241	1,312
Other assets	**3,647**	2,868	3,629
Off balance sheet			
Financial guarantees and other credit related	**7,633**	6,432	6,873
Loan commitments and other credit related commitments	**23,370**	18,085	20,326
Total	**238,997**	184,830	204,321

Guarantees received and other credit risk enhancements

Loans and advances

The Group entities are required to implement guidelines on the acceptability of specific classes of guarantees received or credit risk mitigation, and determine valuation parameters. Such parameters are expected to be conservative, reviewed regularly and be supported by empirical evidence. Security structures and legal covenants are subject to regular review to ensure that they continue to fulfil their intended purpose and remain in line with local market practice.

While guarantees received are an important mitigate to credit risk, it is the Group’s policy to establish that loans are within the customer’s capacity to repay rather than to over-rely on security. In certain cases, depending on the customer’s standing and the type of product, facilities may be unsecured.

The principal collateral types are as follows:

– in the personal sector, mortgages over residential properties;

– in the commercial and industrial sector, charges over business assets such as premises, stock and debtors;

– in the commercial real estate sector, charges over the properties being financed;

Financial results for the first half of 2008 (continued)

- in the financial sector, charges over financial instruments such as debt securities and equities in support of trading facilities; and
- credit derivatives are also used to manage credit risk in the group's loan portfolio.

The group does not disclose the fair value of collateral held as security or other credit enhancements on loans and advances past due but not impaired or on individually assessed impaired loans and advances, as it is not practicable to do so.

Other securities

Other securities held as guarantee for financial assets other than loans and advances is determined by the structure of the instrument. Debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets.

The ISDA Master Agreement is the group's preferred agreement for documenting derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other pre agreed termination events occur. It is common, and the group's preferred practice, for the parties to execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the market-contingent counterparty risk inherent in the outstanding positions.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the group's investment banking and markets transactions on any single day. Settlement risk on many transactions, particularly those involving securities and equities, is substantially mitigated through being effected via assured payment systems, or on a delivery versus payment basis.

The group provides a diverse range of financial services principally in France. Its portfolio of financial instruments with credit risk is highly diversified with no exposures to individual industries or economic groupings totalling more than 10 per cent of consolidated total assets, except as follows:

- the majority of the group's exposure to credit risk is concentrated in France. Within France, the group's credit risk is diversified over a wide range of industrial and economic groupings; and
- the group's position as part of a major international banking group means that it has a significant concentration of exposure to banking counterparties. The majority of credit risk to the banking industry was concentrated in Europe.

There are no special collateral requirements relating to industrial concentrations, with the exception of exposures to the property sector. The majority of exposures to the property and construction industry and the residential mortgage market are secured on the underlying property.

Financial results for the first half of 2008 (continued)

Credit quality

Loans and advances

(in millions of euros)	**30 June 2008** *Loans and advances to customers*	*Loans and advances to banks*	30 June 2007 *Loans and advances to customers*	*Loans and advances to banks*	31 December 2007 *Loans and advances to customers*	*Loans and advances to banks*
Gross loan and advances :						
- not impaired	**49,192**	**34,802**	49,397	22,784	54,666	33,083
- impaired	**920**	**-**	1,169	-	1,268	-
	50,112	**34,802**	50,566	22,784	55,934	33,083

Distribution of loans and advances by facility grade

The credit quality of the portfolio of loans and advances can be assessed by reference to the Group's legacy credit risk rating system which provides risk grades for unimpaired exposures on the basis of a "composite" assessment of probability of default and risk mitigation. The following information is based on that system:

(in millions of euros)	**At 30 June 2008** *Loans and advances to customers*	*Loans and advances to banks*	At 30 June 2007 *Loans and advances to customers*	*Loans and advances to banks*	At 31 December 2007 *Loans and advances to customers*	*Loans and advances to banks*
1 -3 satisfactory risk	**48,672**	**34,802**	48,010	22,740	54,041	33,083
4 - watch list	**153**	**–**			254	–
			1,387	44		
5 - sub standard but not impaired	**367**	**–**			371	–
Total	**49,192**	**34,802**	49,397	22,784	54,666	33,083

The group does not disclose neither the amount of loans and advances past due but not impaired nor the past due ageing analysis on loans and advances past due but not impaired.

Grades 1 and 2 represent facilities demonstrating financial condition, risk factors and capacity to repay that are good to excellent, residential mortgages with low to moderate loan to valuation ratios, and other retail accounts which are maintained within product guidelines.

Grade 3 represents satisfactory risk and includes facilities that require closer monitoring, mortgages with higher loan to valuation ratios than grades 1 and 2.

Grades 4 and 5 include facilities that require varying degrees of special attention and all retail exposures that are progressively between 30 and 90 days past due.

Grades 6 or 7 indicate impaired status including all retail accounts that are progressively more than 90 days past due or 180 days for property.

Loans and advances which are individually assessed for impairment are identified on an individual basis, and classified as grades 6 or 7 when they are impaired.

This historical seven grade risk rating system is being phased out and superseded by a more sophisticated and granular methodology based on the probability of default and loss estimates calculated in accordance with the Basel II Framework. This is now in use throughout the group for the credit assessment of individually significant customers. Within the group's retail portfolios, risk is assessed and managed using a wide range of risk and pricing models, and while the quality of retail assets has been reported by reference to the group's legacy risk rating scale described above, it will in future be based on the probability of default and expected loss parameters applied to homogenous segments of retail portfolios. The distribution under the Basel II framework will be published at 31 December 2008.

Financial results for the first half of 2008 (continued)

Other securities

Debt securities and other bills by rating agency designation

The following table presents an analysis of debt and treasury bills, by rating agency designation, based on Standard and Poor's (S&P) ratings or their equivalent :

	At 30 June 2008		
(in millions of euros)	***Treasury bills***	***Debt securities***	***Total***
AAA	**27,093**	**3,200**	**30,293**
AA- to AA+	**11,429**	**932**	**12,361**
A- to A+	**922**	**1,302**	**2,224**
Lower than A-	**–**	**350**	**350**
Unrated	**60**	**4,437**	**4,497**
Total	**39,504**	**10,221**	**49,725**
Of which issued by:			
governments	**39,504**	**–**	**39,504**
corporates	**–**	**8,963**	**8,963**
other	**–**	**1,258**	**1,258**
Total	**39,504**	**10,221**	**49,725**
Of which :			
available for sale securities	**629**	**1,350**	**1,979**
Held for trading	**38,875**	**8,866**	**47,741**
Financial assets designated at fair value	**-**	**5**	**5**
Total	**39,504**	**10,221**	**49,725**

	At 30 June 2007		
(in millions of euros)	*Treasury bills*	*Debt securities*	*Total*
AAA	21,376	1,266	22,642
AA- to AA+	8,591	756	9,347
A- to A+	839	1,196	2,035
Lower than A-	–	299	299
Unrated	41	2,527	2,568
Total	30,847	6,044	36,891
Of which issued by:			
governments	30,847	–	30,847
corporates	–	5,665	5,665
other	–	379	379
Total	30,847	6,044	36,891
Of which :			
available for sale	1,301	241	1,542
Held for trading	29,546	5,803	35,349
Total	30,847	6,044	36,891

Financial results for the first half of 2008 (continued)

(in millions of euros)	At 31 December 2007 Treasury bills	Debt securities	Total
AAA	20,429	1,483	21,912
AA- to AA+	9,676	823	10,499
A- to A+	1,223	870	2,093
Lower than A-	–	31	31
Unrated	69	4,561	4,630
Total	31,397	7,768	39,165
Of which issued by:			
governments	31,397	–	31,397
corporates	–	7,130	7,130
other	–	638	638
Total	31,397	7,768	39,165
Of which :			
available for sale	952	1,312	2,264
Held for trading	30,445	6,456	36,901
Total	31,397	7,768	39,165

Netting of derivatives

In accordance to the netting rules in IAS32 on financial assets and liabilities, the derivative fair value which was not netted amounted to EUR 40 billion at 30 June 2008 (31 December 2007 : EUR 28 billion).

(in millions of euros)	**At 30 June 2008**			At 30 June 2007			At 31 December 2007		
	Book value	***Amount for which HSBC has a legally enforceable right*** [1]	***Net total credit risk***	*Book value*	*Amount for which HSBC has a legally enforceable right* [1]	*Net total credit risk*	*Book value*	*Amount for which HSBC has a legally enforceable right* [1]	*Net total credit risk*
Derivatives	**51,929**	**(40,022)**	**11,907**	34,409	(17,038)	17,371	36,556	(27 ,954)	8 ,602

1 *Against derivatives with the same counterparties.*

Impairment assessment

Management regularly evaluates the adequacy of the established allowances for impaired loans by conducting a detailed review of the loan portfolio, comparing performance and delinquency statistics with historical trends and assessing the impact of current economic conditions.

Two types of impairment allowance are in place: individually assessed and collectively assessed which are discussed (see Note 2 f of the financial statements in the Annual Report and Accounts 2007).

Financial results for the first half of 2008 (continued)

Impaired loans

Individually impaired loans by industry sector

(in millions of euros)	**At 30 June 2008**		At 30 June 2007		At 31 December 2007	
	Gross loans and advances to customers	***Gross loans by industry sector as a % of total gross loans***	*Gross loans and advances to customers*	*Gross loans by industry sector as a % of total gross loans*	*Gross loans and advances to customers*	*Gross loans by industry sector as a % of total gross loans*
Personal	**244**	**26**	274	23	354	28
Corporate	**660**	**72**	880	76	894	70
Financial	**16**	**2**	15	1	20	2
Total impaired loans and advances to customers	**920**	**100**	1 169	100	1 268	100

Impairment allowances

When impairment losses occur, HSBC France reduces the carrying amount of loans and advances through the use of an allowance account. When impairment of available-for-sale financial assets occurs, the carrying amount of the asset is reduced directly.

Movement in allowance accounts for total loans and advances

	Year ended at 30 June 2008		
(in millions of euros)	***Individually assessed***	***Collectively assessed***	***Total***
At 1 January	**(644)**	**(93)**	**(737)**
Amounts written off	**30**	**-**	**30**
Release of allowances no longer required	**111**	**8**	**119**
Charge to income statement	**(143)**	**(9)**	**(152)**
Exchange and other movements [1]	**201**	**21**	**222**
At 30 June	**(445)**	**(73)**	**(518)**

	Year ended at 30 June 2007		
(in millions of euros)	*Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(685)	(87)	(772)
Amounts written off	45	-	45
Release of allowances no longer required	102	3	105
Charge to income statement	(122)	(3)	(125)
Exchange and other movements	2	-	2
At 30 June	(658)	(87)	(745)

	Year ended at 31 December 2007		
(in millions of euros)	*Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(685)	(87)	(772)
Amounts written off	92	-	92
Release of allowances no longer required	152	11	163
Charge to income statement	(208)	(17)	(225)
Exchange and other movements	5	-	5
At 31 December	(644)	(93)	(737)

Financial results for the first half of 2008 (continued)

Impairment allowances against loans and advances to customers

(in %)	**30 June 2008**	30 June 2007	31 December 2007
Total impairment allowances to gross lending [2]:			
individually assessed impairment allowances	**1.22**	1.70	1.60
collectively assessed impairment allowances	**0.20**	0.23	0.23
specific provision	**–**	–	–
Total	**1.42**	1.93	1.83

1 *Reclassification of the provisions of entities held for sale into assets of disposal groups classified as held for sale.*
2 *Net of reverse repo transactions and settlement accounts.*

Loan impairment charges and other credit risk provisions

(in millions of euros)	**30 June 2008**	30 June 2007	31 December 2007
Individually assessed impairment allowances			
New allowances	**143**	121	208
Release of allowances no longer required	**(111)**	(101)	(152)
Recoveries of amounts previously written off	**(2)**	(4)	(10)
	30	16	46
Collectively assessed impairment allowances			
New allowances	**9**	3	17
Release of allowances no longer required	**(8)**	(3)	(11)
Recoveries of amounts previously written off	**–**	–	–
	1	–	6
Total charge for impairment losses :	**31**	16	52
- banks	–	–	–
- customers	**31**	16	52
Other credit risk provisions	–	–	–
Impairment charges on debt security investments available-for-sale [1]	**–**	14	–
Loan impairment charges and other credit risk provisions	**31**	30	52
Customer charge for impairment losses as a percentage of closing gross loans and advances	**0.09%**	0.06%	0.09%
Balances outstanding			
Non-performing loans	**920**	1,169	1,268
Impairment allowances	**518**	745	737
Gross loans and advances	**84,914**	73,351	89,017
Total allowances cover as a percentage of non-performing loans and advances	**56.30%**	63.73%	58.12%

1 *At 30 June 2007, impairment charges on equity investments available-for-sale were classified in "Loan impairment charges and other credit risk provisions.*
Since 31 December 2007, these impairment charges have been classified in "Gains less losses from financial investments".

Liquidity and funding management

The objective of HSBC France's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. HSBC France maintains a diversified and stable funding base of core retail and corporate customer deposits, portfolios of highly liquid assets, debt instruments and certificates of deposit.

That liquidity and funding management process includes:

– monitoring balance sheet liquidity ratios against internal and regulatory requirements;

Financial results for the first half of 2008 (continued)

– projecting cash flows and determining the amount of liquid assets needed to maintain balance;

– maintaining a diverse range of funding sources;

– managing the concentration and profile of debt maturities;

– maintaining debt financing plans;

– monitoring depositors' concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and

– maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications for the business.

Customer demand deposits (current accounts and savings accounts) make up a significant component of the Group's overall financing that has proved stable over the years.

In the first half of 2008, HSBC France continued with its balanced strategy aiming to raise the resources needed to develop its business activities at the lowest cost.

HSBC France is an important player in the money markets and debt capital markets. HSBC France routinely accepts deposits, often of a short-term nature, from banks and other institutions. In addition, the funding of capital markets activities, by repo arrangements for example, will result in funding directly in the wholesale market.

Most of the bank's asset base is Euro-based with the remainder mostly denominated in GBP and US dollars. The non-euro asset base is funded through currency-denominated deposits taken from the Eurocurrency interbank market, from central banks, corporate customers and other financial institutions.

The sources of deposits, by type of institution and country, are monitored in order to avoid an undesirable dependence on any particular institution or category of depositor.

HSBC France complies with the regulatory liquidity ratio requirements of the Banque de France, overseen by the French Banking Commission. Banks are required to submit quarterly returns which present the components of the monthly liquidity ratio for the last three months. Banks simultaneously submit a future forecast of liquidity positions called "observation ratios". The ratios are derived by dividing liquid assets (which are subject to discount) by liabilities (which include a proportion of customer accounts, 5 per cent of off-balance-sheet commitments and all borrowings and subordinated debts maturing within one month). Banks are required to maintain, at all times, a ratio in excess of 100 per cent. In the first half of 2008, the average liquidity ratio of HSBC France was 111.45 per cent on an individual basis.

HSBC France follows the HSBC Group's policy that on an all-currency basis all professional deposits with residual maturities up to 30 days, plus 5 per cent of deposit liabilities should be backed by liquid assets. This means that, in a crisis, the Group would be able to meet its obligations as they fall due for at least 30 days without recourse to the wholesale markets. This requirement is additional to the regulatory requirement.

Market risk management

The objective of the Group's market risk monitoring is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with its status as a major provider of financial products and services.

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates, credit spreads and equity and commodity prices will reduce the Group's income or the value of its portfolios.

HSBC France separates exposures to market risk into either trading or non-trading positions. Trading exposures include those positions arising from market-making and proprietary position-taking. Non-trading exposures arise from the management of the commercial banking assets and liabilities.

Both exposures are reviewed on a systematic basis by the ALCO Committees (ALCO Balance Sheet and ALCO Market Risk) which ensure that adequate controls exist and set related policies.

Financial results for the first half of 2008 (continued)

The aim is to ensure that all market risks are consolidated within units which have the necessary skills, tools, management and governance to professionally manage such risks.

Organisation of permanent control of market risk

The process for allocating market limits and the market risk permanent control system as a whole involve a number of people from the HSBC Group and HSBC France, as well as special committees, the roles of which are set out below.

Traded Markets Development & Risk (TMR)–HSBC Group

The HSBC Group's management plays an active role in defining and monitoring HSBC France's market risks through its Traded Markets Development & Risk (TMR) Department. This department's brief is to allocate risk limits to the HSBC Group's various entities through the Global Mandate, and to check usage of these limits. The Head of the TMR Department reports to the HSBC Group's Chief Financial & Risk Officer.

Market Risk Management (MRM)

Market Risk Management (MRM) is responsible for close monitoring of HSBC France's market risks, setting risk limits for Markets ALCO and optimising the day-to-day utilisation of those limits, and resolving any limit crossings identified and reported by Product Control. The Head of MRM France reports hierarchically to the General Secretary of Global Banking and Markets and functionally to the Head of MRM EMEA, the HSBC Group entity responsible for market risks in the geographic region.

Product Control

Within HSBC France's support functions for its large corporate segment, Product Control teams managed by the Head of Market Risk and Product Control calculate, control and analyse market risk indicators and results on a day-to-day basis. Their tasks also include daily position valuations, reserve allocation and daily results recording.

Product Control forms the backbone of the independent system for regular control of the bank's market risks. A special team within Product Control has the task of consolidating the HSBC France group's risks and of producing and disseminating reporting documents concerning HSBC France's market risks.

Derivative Models Review Group (DMRG)

Models developed by the front-office research team are crucial in managing, valuing and assessing the risks of some derivative products. These models are validated by an independent, specialist unit, the Derivative Models Review Group (DMRG). Since March 2005, the unit has been part of the Global Banking and Markets Chief Financial Officer's teams and reports to the Head of Market Risk & Product Control. The Paris DMRG team reports functionally to the Group DMRG, which itself forms part of the TMR department.

Parameters Committee

This committee is managed by the Head of Market Risk and Product Control, and is made up of members of the DMRG, Product Control, MRM and front-office representatives. It meets in the first two weeks of every month, and discusses the parameters of the models used by the front office. Are also examined during these monthly meetings changes in the main market indicators, concentration risk on securities and to book illiquidity provisions as necessary.

Markets ALCO

The Markets ALCO meets every month, and is chaired by the Deputy CEO in charge of the permanent control. Its role is to examine key issues relating to market risks.

Its task is to supervise market risks in a systematic manner, to ensure that appropriate controls exist and to approve the main rules included in the supervision system.

The Markets ALCO consists of Senior Management, the Heads of the business segments directly concerned, the Head of Market Risk and Product Control, the Head of Market Risk Management, the Global Banking and Markets General Secretary and the Head of Balance Sheet Financial Management.

The Markets ALCO examines every month ALCO risk indicators prepared by Product Control, and analyses any significant events that took place during the previous month. Any entity that generates market risks must request the renewal or extension of its limits every year.

Periodic control

Periodic control of market risks, as described above, is carried out by Group Financial Services and European Audit (AUF), which is the HSBC Group's unit in charge of the periodic control of worldwide capital markets activities.

HSBC France's Audit Committee and Board of Directors

HSBC France's Audit Committee and Board of Directors fully comply with the tasks laid out by legislation and regulations. Every HSBC France Audit Committee meeting involves the submission of market limits for approval.

In addition, the main information relating to market risks and market risk management is presented to this committee, enabling it to gain an overview of the entire risk management system. Similarly, every HSBC France Board meeting involves a presentation of the main market risk information.

Market risk assessment tools

Value at Risk

One of the principal tools used by the Group to monitor and limit market risk exposure is VaR (Value at Risk). Internal model of HSBC France is used to calculate a VaR.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence (for the Group, 99 per cent). HSBC France calculates VaR daily. The VaR model used by HSBC France, as for the Group, is based on historical simulation.

The historical simulation model derives plausible future scenarios from historical market rates time series, taking account of inter relationships between different markets and rates, for example between interest rates and foreign exchange rates. Potential movements in market prices are calculated with reference to market data from the last two years. An internal model of HSBC France has been validated again by the French Banking Commission in 2007 for capital requirements calculations. Since January 2007, HSBC France has been calculating a one-day VaR.

Although a useful guide to risk, VaR should always be viewed in the context of its limitations. For example:

– the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;

– the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

– the use of a 99 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and

– VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

HSBC France recognises these limitations by supplementing its VaR limits by sensitivity limit structures. Additionally, stress testing scenarios are applied, both on individual portfolios and on HSBC France's consolidated positions. Stress scenarios are defined by a group of specialists in Paris (market Heads, controllers) in accordance with Group rules and practices.

VaR captures the traditional risk factors directly observable on a daily basis, such as exchange rates, interest rates, equity prices, etc., but does not take account of potential changes in more exotic factors such as correlations, basis risk, return to mean parameters, future dividend expectations, etc. Therefore, since 31 December 2007, HSBC France also calculates an additional VaR measure called "VaR Add-On" in respect of these exotic risk factors.

The one-day VaR on market exposures, taking into account both market trading and structural interest rate risk, amounted to:

Financial results for the first half of 2008 (continued)

(in millions of euros)	*One-day VaR without Add-On perimeter*	*Add-On VaR*
At 30 June 2008	**11.04**	**4.9**
At 31 December 2007	9.53	3.8

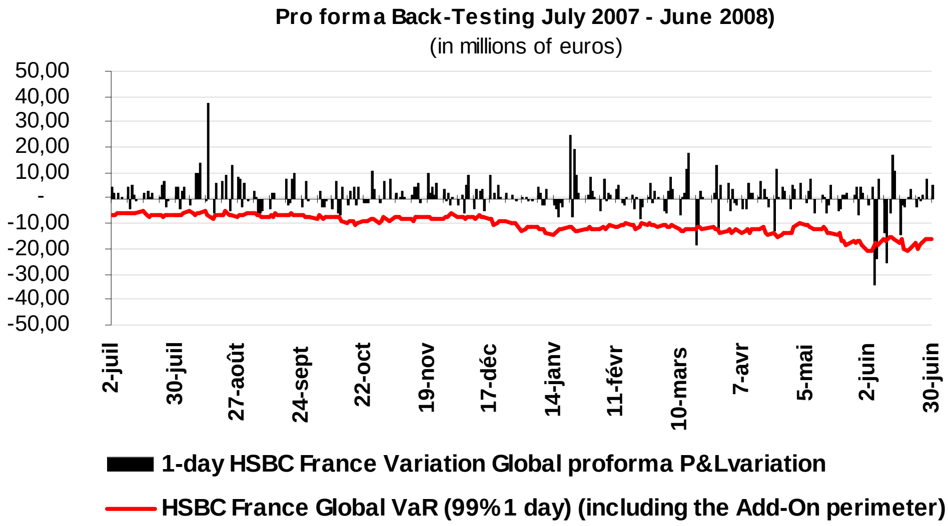
(in millions of euros)	*One-day VaR without Add-On perimeter*			*Add-On VaR*		
	Average	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
2008	**9.3**	**6.1**	**16.6**	**4.2**	**3.9**	**5.5**
2007	7.6	4.9	13.6	-	-	-

Back testing

The model is back-tested by taking 99 per cent, one-day VaR figures and comparing them with daily pro forma results determined from changes in market prices assuming constant positions. Back-testing is carried out on a D+2 basis by business area and for all of the HSBC France group's market positions.

It allows the model to be validated, ensuring that the recorded result, in absolute terms, is lower than the calculated one day-VaR in 99 per cent of cases.

Pro forma back testing July 2007-June 2008
(in millions of euros)



Fair value and price verification control

Where certain financial instruments are carried on the Group's balance sheet at fair values, it is the Group policy that the valuation and the related price verification processes are subject to independent testing across the Group. Financial instruments which are accounted for on a fair value basis include assets held in the trading portfolio, financial instruments designated at fair value, obligations related to securities sold short, all derivative financial instruments and available-for-sale securities.

The determination of fair values is therefore a significant element in the reporting of the Group's Global Markets activities.

All significant valuation policies, and any changes thereto, must be approved by senior finance management. The Group's governance of financial reporting requires that Financial Control Departments across the Group are independent of the risk-taking businesses, with the Finance functions having ultimate responsibility for the determination of fair values included in the financial statements, and for ensuring that the Group's policies and relevant accounting standards are adhered to.

Trading

Market risk in trading portfolios is monitored and controlled at both portfolio and position levels using a complementary set of techniques, such as VaR and present value of a basis point, together with stress and sensitivity testing and concentration limits. These techniques quantify the impact on capital of defined market movements.

Other controls include restricting individual operations to trading within a list of permissible instruments authorised by Traded Markets Development and Risk, and enforcing rigorous new product approval procedures. In particular, trading in the more complex derivative products is concentrated with appropriate levels of product expertise and robust control systems.

HSBC France's policy on hedging is to manage economic risk in the most appropriate way without regard as to whether hedge accounting is available, within limits regarding the potential volatility of reported earnings. Trading VaR is further analysed below by risk type, by positions taken with trading intent and by positions taken without trading intent (not significant for HSBC France):

Total trading VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2008	**0.31**	**13.60**	**6.31**	**12.62**
At 31 December 2007	0.40	10.56	5.94	10.70
Average				
2008	**0.32**	**12.19**	**3.81**	**9.83**
2007	0.30	8.27	2.96	8.04
Minimum				
2008	**0.10**	**7.53**	**2.10**	**6.71**
2007	0.11	4.40	0.74	4.96
Maximum				
2008	**0.61**	**24.74**	**6.31**	**17.05**
2007	0.66	12.46	6.54	13.70

Positions taken with trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2008	**0.31**	**13.22**	**6.31**	**9.51**
At 31 December 2007	0.40	8.47	5.94	8.15
Average				
2008	**0.32**	**10.61**	**3.81**	**7.12**
2007	0.30	7.42	2.96	6.46
Minimum				
2008	**0.10**	**5.89**	**2.10**	**6.71**
2007	0.11	4.38	0.74	4.87
Maximum				
2008	**0.61**	**22.45**	**6.31**	**13.37**
2007	0.66	12.38	6.54	10.08

Financial results for the first half of 2008 (continued)

Positions taken without trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2008	**–**	**3.10**	**–**	**3.10**
At 31 December 2007	–	2.55	–	2.55
Average				
2008	**–**	**2.71**	**–**	**2.71**
2007	–	1.58	–	1.58
Minimum				
2008	**–**	**0.00**	**–**	**0.00**
2007	–	0.09	–	0.09
Maximum				
2008	**–**	**3.68**	**–**	**3.68**
2007	–	3.61	–	3.61

Capital adequacy reporting

Internal model allows the daily calculation of Value at Risk for all positions. It has been approved by the French Banking Commission for regulatory capital adequacy calculations. At 30 June 2008, it covered almost all of market risks within HSBC France. Risks not covered by the internal model are measured using the standardised approach devised by the Bank of International Settlements and transposed into French law by CRBF regulation 95-02.

Capital requirements with respect to market risks breakdown as follows (in millions of euros):

	30 June 2008		31 December 2007	
	BRI	***CAD***	*BRI*	*CAD*
Internal Model (*):	**159.6**	**159.6**	**92.0**	**92.0**
Foreign exchange risk	3.4	3.4	5.4	5.4
General interest rate risk	204.6	204.6	91.6	91.6
General equities risk	65.6	65.6	39.2	39.2
Netting effet	(113.9)	(113.9)	(44.2)	(44.2)
(*) including the Add-On perimeter				
Standards methods:	**102.1**	**102.1**	**87.1**	**87.1**
Foreign exchange risk	0.05	0.05	0.15	0.15
General interest rate risk	0.04	0.03	0.11	0.08
Specific interest rate risk	88.10	88.10	75.68	75.68
General equities risk	0.00	0.00	0.00	0.00
Specific equities risk	13.99	13.99	11.19	11.19
Total	**261.7**	**261.7**	**179.1**	**179.1**

Structural interest rate management

The main objective of structural rate risk management is to suppress the sensitivity of the net interest income to market rates, by managing the fixed interest rate gap (imbalance between expected flows of current assets and expected cash flows of liabilities)

Structural interest rate risk arises mainly from the variations in differences between future returns on assets and future costs of liabilities stemming from variations in interest rates. Analysis of this risk is complex owing to the necessity of making assumptions on such things as borrowers' options to pay off property loans early and depositors' behaviour with regard to balances that by contract are withdrawable on demand, as current accounts. When necessary, the observed characteristics different from contractual characteristics are evaluated to determine the actual underlying interest rate risk associated with the product. ALCO Balance Sheet regularly monitors all such behavioural assumptions and interest rate risk positions.

Financial results for the first half of 2008 (continued)

In order to manage this risk optimally, market risk in non-trading activities is measured and managed centrally by the Balance Sheet Financial Management Department (DGFB) which defines the rules to transfer this risk to Global Markets. The transfer of the net interest exposure to dedicated trading books managed by Global Markets is achieved by a series of internal deals (cash or swap) between the business units and these trading books.

The net exposure is managed through the use of derivatives to reverse the risk to the market.

A principal management tool for this non-trading risk is the control of the sensitivity of projected net interest income under varying interest rate scenarios. In addition, following simulation work carried out to comply with Basel II pillar II requirements on the Economic Value of Equity, HSBC France also measures monthly the impact on equity of an across-the-board rise or fall of 200 bp.

Structural foreign exchange exposure

Foreign exchange trading positions arising from banking operations are systematically transferred to the Trading Desk, which manages exchange rate risk according to the limits set by and ALCO Balance Sheet.

There is also an exchange rate risk on equity due to investments in foreign currency that are not hedged by financing in foreign currency. This exposure, which is called "structural", corresponds to net investments in subsidiaries, branches and associates for which the euro is not the functional currency.

HSBC France's investments in foreign subsidiaries are small in amount. The structural foreign exchange exposure is mainly linked to these subsidiaries' profits retained in reserves. This exposure and the sensitivity of capital ratios to variation in exchange rates is monitored by and ALCO Balance Sheet.

Analysis of Asset Backed Securities

The table above shows the group's market risk exposure to asset backed securities.

Asset Backed Securities	**30 June 2008**			
(in millions of euros)	***Gross principal*** [2]	***CDS gross protection*** [3]	***Net Principal exposure*** [4]	***Carrying amount*** [5]
- High grade [1]	**468**	**-**	**468**	**445**
- rated C to A	**40**	**-**	**40**	**35**
- not publicly rated	**15**	**-**	**15**	**13**
Total asset backed securities	**523**	**-**	**523**	**493**

	30 June 2008			
(in millions of euros)	***Unrealised gains and losses*** [6]	***Realised gains and losses*** [7]	***Impairment*** [8]	***Fair value movements through equity*** [9]
- High grade [1]	**(24)**	**-**	**-**	**(22)**
- rated C to A	**(5)**	**-**	**-**	**(5)**
- not publicly rated	**(2)**	**-**	**-**	**(2)**
Total asset backed securities	**(31)**	**-**	**-**	**(29)**

1 *High grade assets rated AA or AAA.*
2 *The gross principal is the redemption amount on maturity or, in the case of an amortising instrument, the sum of the future redemption amounts through the residual life of the security.*
3 *A CDS is a credit default swap. CDS protection principal is the gross principal of the underlying instrument that is protected by CDSs.*

Financial results for the first half of 2008 (continued)

4 *Net principal exposure is the gross principal amount of assets that are not protected by CDSs. It includes assets that benefit from monoline protection, except where this protection is purchased with a CDS.*

5 *Carrying amount of the net principal exposure.*

6 *Unrealised gains and losses on the net principal exposure (see footnote 4) recognised during the half year in the income statement as a result of changes in the fair value of the asset, adjusted for the cumulative amount of transfers to realised gains and losses as a result of the disposal of assets.*

7 *Realised gains and losses on the net principal exposure (see footnote 4) recognised during the half year in the income statement as a result of the disposal of assets.*

8 *Impairment losses recognised in the income statement in respect of the net principal amount (see footnote 4) of available-for-sale and held-to-maturity assets.*

9 *Fair value gains and losses on the net principal exposure (see footnote 4) recognised in equity during the half year as a result the changes in the fair value of available-for-sale assets, adjusted for transfers from the available-for-sale reserve to the income statement as a result of impairment, and adjusted for transfers to realised gains and losses following the disposal of assets.*

Risk cover and regulatory ratios

Large exposures

The HSBC France group complies with the French Banking Commission's rules, which require the following:

– exposure to a group of clients deemed to have the same beneficial owner is limited to 20 per cent of net capital if the beneficial owner is investment grade and 15 per cent if non-investment grade;

– the aggregate of individual exposures exceeding 10 per cent of net capital is limited to eight times net capital. Eleven groups had individual exposures exceeding 10 per cent of net capital at 30 June 2008.

Loan loss provisions

At 30 June 2008, loan loss provisions represented 56.30 per cent of the HSBC France group's total doubtful and non-performing exposure.

Liquidity ratio

The HSBC France group's regulatory ratios reflect its good liquidity risk cover. The regulatory liquidity ratio, which measures the potential one-month liquidity gap, averaged 111.45 per cent in the first half of 2008 on an individual basis.

Basel II international solvency ratio

The HSBC France group's Basel II international solvency ratio was 9.2 per cent at 30 June 2008, compared with a minimum requirement of 8 per cent. The group's Tier 1 capital ratio was 8.7 per cent compared with a minimum requirement of 4 per cent.

Under the Basel II definitions, total HSBC France group capital amounted to EUR 5 billion at 30 June 2008, of which EUR 4.67 billion was Tier 1 capital.

The corresponding risk-weighted assets totalled EUR 53.9 billion, broken down as follows:

(in billions of euros)	
Credit risks, not including trading book	46.0
Trading book credit risks	3.2
Market risks	4.7

Special Purpose Entities

The group enters into certain transactions with customers in the ordinary course of business which involve the establishment of Special Purpose Entities (SPEs) some of which have been included in the group's consolidated balance sheet.

Where transactions involve the use of SPEs these are authorised centrally upon establishment to ensure appropriate purpose and governance. The activities of SPEs administered by the group are closely monitored by Senior Management. The use of SPEs is not a significant part of the group's activities and the group is not reliant on the use of SPEs for any material part of its business operations or profitability.

Financial results for the first half of 2008 (continued)

Vehicles sponsored by the group

The group re-assesses the required consolidation accounting tests whenever there is a change in the substance of a relationship between the group and an SPE for example, when there is a change in the group's involvement or there is a change in the governing rules, contractual arrangements or capital structure of the SPE.

Money market funds

The group has established and manages a number of money market funds which provide customers with tailored investment opportunities. These funds have narrow and well-defined objectives and typically the group does not aim to have any holdings in the SPEs of sufficient size to represent the majority of the risks and rewards of ownership.

Since July 2007, French dynamic money market funds have experienced high redemption requests caused by the investors' lack of confidence in funds which could contain exposure to subprime assets.

From the third quarter of 2007, the group acquired underlying assets and shares in two of its dynamic money market funds, HSBC EOTOP and HSBC Dynamic Cash; no more additional shares were acquired by the group during the first half of 2008. As a result of continued redemptions by unit holders in the period to 30 June 2008, the group's holding in the two funds increased to a level where it obtained the majority of the risks and rewards of ownership during the first quarter of 2008. These funds were consolidated by the group at 30 June 2008.

Asset finance transactions

HSBC France's Asset and Structured Finance (ASF) business specialises in leasing and arranging finance for aircraft and other physical assets, which it is customary to ring-fence through the use of SPEs, and in structured loans and deposits where SPEs introduce cost efficiencies. HSBC France consolidates these SPEs where the substance of the relationship indicates that HSBC France controls the SPE.

11 Accounting principles and treatment of the Regional banks in the financial statements at 30 June 2008

The seven regional banking subsidiaries are consolidated in the financial statements at 30 June 2008. In accordance with IFRS 5, the assets and liabilities of these subsidiaries are classified and measured respectively under "Assets of disposal groups classified as held for sale" and "Liabilities of disposal groups classified as held for sale" from the date of the announcement of the disposal of the seven regional banking subsidiaries (1 March 2008).

In addition, the profit before tax generated by these units from 1 March 2008 onwards was reclassified under "Other operating income". The profit generated during the first two months is left under the original line items. The consolidated profit before tax of the seven regional banking subsidiaries stands at EUR 29 million for the period from March to June 2008.

Financial results for the first half of 2008 (continued)

12 Equity

(in millions of euros)	30 June 2008			Other reserves								
	Called up share capital	*Share premium*	*Retained earnings*	*Available-for-sale fair value reserve*	*Cash flow hedging reserve*	*Foreign exchange reserve*	*Actuarial gains/(losses) on defined benefit plans*	*Share-based payment reserve*	*Associates and joint ventures*	*Total share-holders' equity*	*Minority interests*	*Total equity*
At 1 January 2008	**380**	**1,191**	**3,272**	**211**	**(117)**		**6**	**117**	**4**	**5,064**	**31**	**5,095**
New share capital subscribed, net of costs												
Profit for the year attributable to shareholders			**388**							**388**		**388**
Dividends to shareholders of the parent company												
Actuarial gains/(losses) on defined benefit plans							**(4)**			**(4)**		**(4)**
Fair value gains/(losses) taken to equity				**(67)**	**(33)**					**(100)**		**(100)**
Amounts transferred to the income statement				**(110)**	**(24)**					**(134)**		**(134)**
Share-based payment								**9**		**9**		**9**
Tax on items taken directly to or transferred from equity				**38**	**20**		**1**			**59**		**59**
Profit attributable to minority interests												
Dividends to minority interests											**(1)**	**(1)**
Exchange differences						**(1)**				**(1)**		**(1)**
Other				**(1)**					**(1)**	**(2)**		**(2)**
At 30 June 2008	**380**	**1,191**	**3,660**	**71**	**(154)**	**(1)**	**3**	**126**	**4**	**5,280**	**30**	**5,310**

Financial results for the first half of 2008 (continued)

12 Equity *(continued)*

	30 June 2007													
					Other reserves									
(in millions of euros)	*Called up share capital*	*Share premium*	*Retained earnings*	*Net profit of discontinued operations*	*Available-for-sale fair value reserve*	*Cash flow hedging reserve*	*Foreign exchange reserve*	*Actuarial gains/(losses) on defined benefit plans*	*Share-based payment reserve*	*Associates and joint ventures*	*ERISA Acquisition*	*Total share-holders´ equity*	*Minority interests*	*Total equity*
At 1 January 2007	378	1,164	3,165		579	(74)	4		88	102		5,406	19	5,425
New share capital subscribed, net of costs													11	11
Profit for the year attributable to shareholders			719	14								733		733
Dividends to shareholders of the parent company			(807)									(807)		(807)
Actuarial gains/(losses) on defined benefit plans								12				12		12
Fair value gains/(losses) taken to equity					88	(124)						(36)		(36)
Amounts transferred to the income statement					(460)	3						(457)		(457)
Share-based payment									10			10		10
Tax on items taken directly to or transferred from equity					9	42		(5)				46		46
Profit attributable to minority interests													2	2
Dividends to minority interests														
Exchange differences														
ERISA revaluation											82	82		82
Other		6	(5)		2	(2)				(100)	99	(1)		(1)
At 30 June 2007	378	1,170	3,071	14	218	(155)	4	7	98	2	181	4,988	32	5,020

Financial results for the first half of 2008 (continued)

12 Equity *(continued)*

(in millions of euros)	Called up share capital	Share premium	Retained earnings	Net profit of discontinued operations	Available-for-sale fair value reserve	Cash flow hedging reserve	Foreign exchange reserve	Actuarial gains/(losses) on defined benefit plans	Share-based payment reserve	Associates and joint ventures	ERISA Acquisition	Total share-holders´ equity	Minority interests	Total equity
	31 December 2007				Other reserves									
At 1 January 2007	378	1,164	3,165		579	(74)	4		88	102		5,406	19	5,425
New share capital subscribed, net of costs	2	21										23	11	34
Profit for the year attributable to shareholders			929	45						1		975		975
Dividends to shareholders of the parent company			(1,038)									1,038		1,038
Actuarial gains/(losses) on defined benefit plans								9				9		9
Fair value gains/(losses) taken to equity					96	(61)						35		35
Amounts transferred to the income statement					(482)	(3)						(485)		(485)
Share-based payment									11			11		11
Tax on items taken directly to or transferred from equity					15	22		(3)				34		34
Profit attributable to minority interests													2	2
Dividends to minority interests														
Exchange differences							(4)					(4)		(4)
ERISA revaluation											82	82		82
Other		6	(10)		3	(1)			18	(99)	99	16	(1)	15
At 31 December 2007	380	1,191	3,046	45	211	(117)		6	117	4	181	5,064	31	5,095

Financial results for the first half of 2008 (continued)

13 Contingent liabilities

The 2010 development plan for French retail banking contains new organisational structures, including the streamlining of support and administrative functions, bearing in mind that the plan will be implemented without any compulsory redundancies and involves an early retirement plan and internal mobility.

Since the conditions required by IAS 37 have not been completely satisfied, no provision was accounted for at 30 June 2008 to cover this plan. The contingent liability is estimated at between EUR 50 million and EUR 70 million.

14 Contingent liabilities and contractual commitments

a Contingent liabilities and commitments

(in millions of euros)	**30 June 2008**	30 June 2007	31 December 2007
Contract amounts			
Contingent liabilities			
Acceptances and endorsements	**-**	-	-
Guarantees and assets pledged as collateral security	**7,537**	6,360	6,779
Other contingent liabilities	**96**	72	94
	7,633	6,432	6,873
Commitments			
Documentary credits and short-term trade-related transactions	**356**	292	328
Undrawn note issuing and revolving underwriting facilities	**25**	27	26
Undrawn formal stand-by facilities, credit lines and other commitments to lend:			
– 1 year and under	**9,573**	4,522	5,363
– over 1 year	**13,416**	13,244	14,609
	23,370	18,085	20,326

The above table discloses the nominal principal amounts of third party off-balance sheet transactions. Contractual amounts represent the amounts at risk should contracts be fully drawn upon and clients default.

The total of the contractual amounts is not representative of future liquidity requirements.

b Guarantees

The group provides guarantees and similar undertakings on behalf of both third party customers and other entities within the group. These guarantees are generally provided in the normal course of the Group's banking business. The principal types of guarantees provided, and the maximum potential amount of future payments which the Group could be required to make at the period were as follows :

(in millions of euros)	**30 June 2008**	30 June 2007	31 December 2007
Guarantee type			
Acceptances and endorsements [1]	**-**	-	-
Financial guarantees [2]	**318**	24	18
Stand-by letters of credit which are financial guarantees [3]	**1,287**	1,196	1,115
Other direct credit substitutes [4]	**231**	185	268
Performance bonds [5]	**1,460**	1,360	1,481
Bid bonds [5]	**149**	127	142
Standby letters of credit related to particular transactions [5]	**59**	26	50
Other transaction-related guarantees [5, 6]	**4,033**	3,442	3,705
Other items	**96**	72	94
TOTAL	**7,633**	6,432	6,873

Financial results for the first half of 2008 (continued)

1 *Acceptances and endorsements arise when the group agrees to guarantee payment on a negotiable instrument drawn up by a customer. The accepted instrument is then sold into the market on a discounted basis. From 1 January 2005, acceptances and endorsements are recognised on-balance sheet in "Other assets" and "Other liabilities" as a result of the adoption of IAS 32.*
2 *Financial guarantees include undertakings to fulfill the obligations of customers or group entities should the obligated party fail to do so.*
3 *Stand-by letters of credit which are financial guarantees are irrevocable obligations on the part of HSBC France to pay a third party when a customer fails to meet a commitment.*
4 *Other direct credit substitutes include re-insurance letters of credit and trade-related letters of credit issued without provision for the issuing entity to retain title to the underlying shipment.*
5 *Performance bonds, bid bonds, stand-by letters of credit and other transaction-related guarantees are undertakings by which the requirement to make payment under the guarantee depends on the outcome of a future event which is unconnected to the creditworthiness of the customer.*
6 *Including guarantees by the group in favour of other HSBC Group entities: 2008 EUR 1 066 million (December 2007: EUR 175 million and June 2007: EUR 124 million).*

The amounts disclosed in the above table reflect the group's maximum exposure under a large number of individual guarantee undertakings. The risks and exposures arising from guarantees are captured and managed in accordance with the group's overall credit risk management policies and procedures.

The majority of the above guarantees have a term of more than one year. Those guarantees are subject to the group's annual credit review process.

When the group gives a guarantee on behalf of a customer, it retains the right to recover from that customer amounts paid under the guarantee.

Provisions in respect of the group's obligations under outstanding guarantees

(in millions of euros)	**30 June 2008**	30 June 2007	31 December 2007
Acceptances and endorsements	**-**	-	-
Other items	**3**	12	7

15 Segment analysis

HSBC France mainly operates in France. HSBC France manages its business through the following customer groups: Personal Financial Services (including Insurance), Commercial Banking, Global Banking and Markets, Private Banking. Impacts of the acquisition of Erisa and Erisa IARD in 2007 are the main items included in "Other".

HSBC France's operations include a number of support services and head office functions. The costs of these functions are allocated to business lines, where it is appropriate, on a systematic and consistent basis.

	Half year		Full year
(in millions of euros)	**30 June 2008**	30 June 2007	31 December 2007
Total Operating Income Before Loan Impairment Charges			
Personal Financial Services	**439**	475	957
Commercial Banking	**349**	356	715
Global Banking and Markets	**635**	654	1,131
Private Banking	**46**	53	107
Other	**(4)**	13	14
Total France	**1,465**	1,551	2,924
Perimeter differences	**(101)**	239	165
Total Legal	**1,364**	1,790	3,089

Financial results for the first half of 2008 (continued)

	Half year		Full year
(in millions of euros)	**30 June 2008**	30 June 2007	31 December 2007
Profit before Tax			
Personal Financial Services (including Insurance)	**82**	73	130
Commercial Banking	**105**	90	148
Global Banking and Markets	**331**	355	530
Private Banking	**9**	7	18
Other	**(5)**	76	79
Total France - before goodwill impairment	**522**	601	905
Goodwill impairment	**-**	-	-
Total France	**522**	601	905
Perimeter differences (including disposal groups)	**(72)**	187	146
Total Legal	**450**	788	1,051
Total Assets			
Personal Financial Services	**7,339**	32,366	15,812
Commercial Banking	**14,867**	12,990	15,325
Global Banking and Markets	**201,148**	138,467	165,865
Private Banking	**1,086**	1,029	1,181
Other	**(285)**	455	444
	224 155	185 307	198 627
Capital expenditure incurred on property, plant and equipment			
Personal Financial Services	**17**	7	27
Commercial Banking	**11**	5	21
Global Banking and Markets	**11**	21	13
Private Banking	**-**	-	-
Other	**-**	-	-
	39	33	61
Capital expenditure incurred on intangibles (including goodwill)			
Personal Financial Services	**1**	2	5
Commercial Banking	**1**	1	4
Global Banking and Markets	**11**	7	8
Private Banking	**-**	-	-
Other	**-**	-	-
	13	10	17

Financial results for the first half of 2008 (continued)

16 Transactions with other related parties

The HSBC France group holds no significant interests in associates and joint ventures.

Transactions with other related parties of the Group

(in millions of euros)	**Balance at 30 June 2008**	Balance at 30 June 2007	Balance at 31 December 2007
Assets			
Trading assets	**5,108**	4,715	3,457
Derivatives	**16,787**	9,699	11,343
Loans and advances to banks	**6,502**	1,176	6,037
Loans and advances to customers	**397**	-	41
Financial investments	**272**	-	129
Other assets	**2,019**	1,264	2,335
Prepayments and accrued income	**87**	9	98
Liabilities			
Deposits by banks	**20,843**	9,915	31,372
Customer accounts	**275**	473	589
Trading liabilities	**3,962**	1,915	2,962
Derivatives	**16,598**	10,604	12,426
Other liabilities	**1,010**	164	275
Accruals and deferred income	**158**	63	101
Subordinated liabilities	**150**	650	150

	Half year		Full year
	30 June 2008	30 June 2007	31 December 2007
Income Statement			
Interest Income [1]	**257**	93	301
Interest expense [1]	**526**	250	737
Fee income	**78**	9	145
Fee expense	**76**	57	117
Gains less losses from financial investments	-	60	60
Other operating income	**1**	1	2
Dividend income	-	-	-
General and administrative expenses	**23**	25	40

1 *In June 2008, including interests on trading assets and trading liabilities: EUR 80 million (December 2007: EUR 115 million).*

17 Litigation

As at 30 June 2008 there is no litigation or arbitration proceedings likely to have a material impact on HSBC France's financial position, its activities and results, or consequently on the HSBC France group.

Financial results for the first half of 2008 (continued)

18 Events after the balance sheet date

On 2 July 2008, HSBC France completed the sale of seven French regional banking subsidiaries to Banque Fédérale des Banques Populaires (BFBP) for EUR 2.1 billion, following an announcement by senior management on 29 February and signature of a share purchase agreement on 26 May. The group's profit on sale before tax was around EUR 1.5 billion which will be recognised in the second half of 2008. At 30 June the aggregate total assets attributable to these French regional banking subsidiaries were EUR 6.5 billion, and they generated net profits after tax of EUR 62 million for the six months ended 30 June 2008.

19 Investments

The table below shows the changes, since the first half-year of 2008, in the legal perimeter published in the 2007 Annual Report.

				HSBC France group interest	
Consolidated companies	*Country*	*Consolidation method (*)*	*Main line of business*	30 June 2008	*31 December 2007*
Additions :					
HSBC Dynamic Cash	France	FC	Financial company	55.74%	-
HSBC Eotop	France	FC	Financial company	78.80%	-
Sinopia global equities	France	FC	Financial company	57.90%	-
Disposals :					
Moderato 85	France	FC	Financial company	-	70.00%
Moderato 95	France	FC	Financial company	-	89.00%
SGF Allegro	France	FC	Financial company	-	91.00%
HSBC Horizon 2007	France	FC	Financial company	-	81.00%
Vernet Rendement 22	France	FC	Financial company	-	100.00%
Vernet Rendement 37	France	FC	Financial company	-	100.00%
Liquidations :					
HSBC Paris Immo Buro (SCPI)	France	FC	Holding company	-	100.00%
SCI Triangle d'Or	France	FC	Holding company	-	100.00%
Société Immobilière Provence Côte d'Azur	France	FC	Holding company	-	100.00%
SNC Neuilly l'écrin	France	FC	Holding company	-	100.00%
Deconsolidations :					
MOABI	France	FC	Financial company	-	100.00%
SNCB/M6 - 2008 A (ex Losange Immobilier)	France	FC	Financial company	-	100.00%
Changes of name :					
HSBC Covered Bonds (France) (ex Hervet Participations)	France	FC	Investment Company	99.80%	99.80%
HSBC Global Asset Management FCP (France) (ex HSBC Investments FCP (France))	France	FC	Financial company	100.00%	100.00%
HSBC Global Asset Management (France) (ex HSBC Investments (France))	France	FC	Asset Management	100.00%	100.00%
SNCB/M6 - 2008 A (ex Losange Immobilier)	France	FC	Financial company	-	100.00%

(*) FC = Full Consolidation

3. Report of the Statutory Auditors on the interim financial information at 30 June 2008

For the six month period ended 30 June 2008

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meetings and in accordance with article L.232-7 of the French Commercial Law ("Code de commerce") and article L. 451-1-2 III of the French Monetary and Financial Law ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of 2008 for the six-month period ended 30 June 2008,
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – the standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris La Défense, on the 28 August 2008	Paris, on the 28 August 2008
KPMG Audit	Léger & Associés
A division of KPMG SA	
Fabrice Odent	Michel Léger
Partner	Partner

Recent events

Events subsequent to the filing of the Reference Document

- **Excerpt from the press release of 27 June 2008: HSBC France 2010 development plan[1]**

  Following the decision announced earlier this year to sell its seven regional banks to Banque Fédérale des Banques Populaires, HSBC France reaffirms its commitment in the development of its retail banking in France, through the presentation, today, of its 'Développement 2010' business plan.

  This plan, which provides continuity with the Strategic Plan unveiled in early 2005, implements the HSBC Group's strategy in mature countries, that is to say concentrating on the strategic core segments of customers with a strong international connectivity.

  Thanks to very important financial and human investments and to the adoption of new management principles, HSBC France will increase its banking and technological capacities, accelerate its growth and deliver superior performance. The combined impact of the plan and associated investment should lead to improved financial performance in retail banking, within the Group's benchmark range ROE of 15–19 per cent over the cycle.

  Since the implementation of the last strategic plan in 2005, the Global Banking and Markets, Global Asset Management, Insurance and Private Banking divisions of the HSBC Group in France have already delivered improved results, demonstrating the effectiveness of the Group's strategy.

  In retail banking, HSBC France is enjoying strong business momentum, which in 2007 led to an acceleration of the market share gains in its core customer segments (net growth of the client base in 2007: +4.4 per cent for personal customers and +6 per cent for commercial banking customers).

  By leveraging its ever-growing brand awareness since the November 2005 rebranding and its successful migration to the HSBC IT platform in October 2007, HSBC France intends to capitalise on the Group's positioning as a first class international bank and its financial robustness to increase market share in target segments and regions by 2010.

  The new main organisational changes are:

  – specialisation of the distribution network to increase expertise and to further improve customer service, by creating dedicated outlets to service core customer segments alongside the branch network:
    - 10 Corporate Banking Centres for companies with revenue of more than EUR 30 million
    - 50 Business Banking Centres for SMEs
    - 30 HSBC Premier Centres and HSBC Premier facilities in more than 70 locations

    Following these changes, HSBC retail network in France will comprise 430 points of sale in 350 locations throughout France;

  – a retail banking management structure based upon direct management by the Heads of Personal Financial Services and Commercial Banking of their respective customer bases;

  – developing a range of 'direct' banking and financial products and services;

  – streamlining support and administrative functions with no forced departures.

  In terms of investment, EUR 350 million will be earmarked for integrating systems, significantly developing alternative banking channels, renovating and specialising the branch network and improving the expertise of commercial staff.

  The implementation of this plan, which was presented to the Central Works Council on 27 June 2008, is subject to consultation with employee representative bodies.

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1 *This presentation may contain certain forward-looking statements about the financial position, results of operations and business of the HSBC Group. These forward-looking statements represent the Group's objectives and are subject to known and unknown risks and uncertainties. Results, performance and actual events may differ materially from those referred to or implied in the forward-looking statements.*

Recent events (continued)

Events subsequent to 30 June 2008

New products and services are offered to customers of the HSBC Group in France on a regular basis. Information is available on the group's websites, in particular in the press releases posted at www.hsbc.fr.

There has been no material deterioration or change in the financial position or outlook of HSBC France or its subsidiaries since 30 June 2008, date of the most recent published financial statements reviewed by the auditors.

The main events that have occurred since 30 June 2008 are the following:

- **The HSBC Group and Banque Fédérale des Banques Populaires complete sale of HSBC France seven French regional banks**

  On 2 July 2008 HSBC France and Banque Fédérale des Banques Populaires completed the sale of HSBC's seven regional banks to Groupe Banques Populaires.

  The banks are Société Marseillaise de Crédit, Banque de Savoie, Banque Chaix, Banque Marze, Banque Dupuy, de Parseval, Banque Pelletier and Crédit Commercial du Sud Ouest.

  HSBC France and the Banque Populaire Group entered into exclusive negotiations on 29 February, after HSBC France received a firm offer of EUR 2,100 million from Banque Fédérale des Banques Populaires for its seven regional banks.

  The deal forms part of the HSBC Group's strategy in personal financial services, which is to focus on the emerging markets and, in the mature markets, on activities providing international connectivity across the Group's unique network in 84 countries and territories.

  The regional banks' place within the Banque Populaire Group

  Development that respects brand names

  The business plan is based on preserving the identity and brand names of the seven regional banks within the Banque Populaire Group's decentralised model.

  The executive managers and employees of the Banque Populaire Regional Banks and the seven HSBC France regional banks are co-operating actively to make this project a success.

  With 2,950 employees in 400 branches serving 425,000 retail customers and 62,000 business customers, the regional banks will be able to speed up their development by drawing on the Banque Populaire Group's products, services and organisation.

  In 2007[1], the Regional Banks generated total operating income of EUR 440 million and net income of EUR 100 million. At 31 December 2007[1], shareholders' equity stood at EUR 564 million and total assets at EUR 8,380 million.

  A holding structure that respects their regional roots

  The regional banks are acquired by Banque Fédérale des Banques Populaires, which will retain 100 per cent of Société Marseillaise de Crédit.

  A 51 per cent stake will be sold shortly after acquisition to the relevant regional bank of the Banques Populaires Group: Banque Populaire Provençale et Corse for Banque Chaix; Banque Populaire du Sud-Ouest for Crédit Commercial du Sud-Ouest and Banque Pelletier; Banque Populaire des Alpes for Banque de Savoie; and Banque Populaire du Sud for Banque Dupuy, de Parseval and Banque Marze.

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1 *Aggregated financial information for 2007 under IFRS before adjustment for the sale of nine branches of Société Marseillaise de Crédit to HSBC France.*

Recent events (continued)

- **HSBC France unites all of its retail banks within a single legal entity: HSBC France (press release dated 31 July 2008)**

  On 31 July 2008, HSBC France merged with four of its subsidiaries - HSBC Hervet, HSBC de Baecque Beau, HSBC UBP and HSBC Picardie - to form a single legal entity, HSBC France.

  These four mergers are in keeping with HSBC France's strategic development plan, following the adoption of the HSBC brand by all five banks in November 2005.

  They mark a new phase in the integration of retail banking activities into the HSBC Group in France. The final phase of this plan will consist of the migration process towards HUB (HSBC Universal Banking), the HSBC Group's banking IT system.

  Through these mergers, HSBC France will strengthen its operational and marketing efficiency and simplify its organisation. The mergers were authorised by the *Comité des Etablissements de Crédit et des Entreprises d'Investissement* (CECEI) on 8 July 2008 and approved by the General Shareholder Meetings held on 31 July 2008.

- **Appointment of a new Director**

  The General Meeting of HSBC France held on 31 July 2008 appointed Mrs Brigitte Taittinger as a Director, for a term of four years.

  The composition of the Board of Directors is as follows:

Charles-Henri Filippi,	Chairman of the Board of Directors
Peter Boyles,	Director and Chief Executive Officer
Christophe de Backer,	Director and Deputy Chief Executive Officer
Gilles Denoyel,	Director and Deputy Chief Executive Officer
Jean Beunardeau	Director
Evelyne Cesari,	Director elected by employees
Paul Dubrule,	Director
Michel Gauduffe,	Director elected by employees
Stephen Green,	Director
Philippe Houzé,	Director
Igor Landau,	Director
Philippe Pontet,	Director
Philippe Purdy,	Director elected by employees
Marcel Roulet,	Director
Joyce Semelin,	Director elected by employees
Peter Shawyer,	Director
Brigitte Taittinger,	Director.

- **Plan of HSBC France share capital reduction**

  On 16 September 2008, a plan of HSBC France share capital reduction will be submitted to an Extraordinary General Meeting. The maximum amount of the share capital reduction will be €43,750,000 by buying back shares belonging to shareholders with a view to their cancellation. The purchase price would be €160.00 for each share with a nominal value of €5. The Board of Directors would then decide the capital reduction within a maximum period of six months.

Recent events (continued)

- **Launch of a covered bond programme**

  To diversity its sources of medium and long-term financing in the currently uncertain climate in the capital markets, HSBC France has decided to set up a covered bond programme to optimise the refinancing terms of a portion of its mortgage book. HSBC Covered Bonds (France), a wholly-owned subsidiary of HSBC France, has obtained approval from the *Comité des Etablissements de Crédit et des Entreprises d'Investissement* (CECEI) to issued covered bonds structured in the form of a medium/long-term EMTN programme, for the sole purpose of refinancing HSBC France's mortgage lending business.

Person responsible for the registration document and additional information

- Name of person responsible

  Mr Peter Boyles, Chief Executive Officer

- Statement by person responsible

  To the best of my knowledge, having taken all reasonable steps for this purpose, the information provided in this document is true and accurate and contains no material omission that would impair its significance.

  I have obtained a completion letter from the Company's Statutory Auditors in which they confirm that they have verified the information presented in this update on the financial position and the financial statements, and also that they also have read this entire update.

  The Statutory Auditors have issued a report on the financial information presented in this update, available on page 44 of this document, which does not contain any observation.

  To the best of my knowledge, the financial statements have been prepared in line with the relevant accounting standards and give a true and fair view of assets and liabilities, financial position and results of operations of the company and of all the entities included in the consolidation, and the interim report on activities presents a faithful reflection of the significant events that occurred during the first six months of the financial year, their impact on the interim financial statements and the principal transactions between related parties, as well as a description of the principal risks and principal uncertainties affecting the remaining six months of the financial year.

Paris, 28 August 2008

Peter Boyles, CEO

Persons responsible for auditing the financial statements

Incumbents	First appointed	Re-appointed	Term expires
KPMG [1] Represented by Mr Fabrice Odent 1, cours Valmy 92923 Paris La Défense Cedex	2001	2006	2012
Léger & associés [2] Represented by Mr Michel Léger 52, rue La Boétie 75008 Paris	2007	-	2012
Alternates			
Mr Gérard Gaultry [1] 1, cours Valmy 92923 Paris La Défense Cedex	2001	2006	2012
Mr François Allain [1] 2, rue Hélène Boucher 78286 Guyancourt Cedex	2007	–	2012

1 *Member of the* Compagnie Régionale des Commissaires aux Comptes *of Versailles.*
2 *Member of the* Compagnie Régionale des Commissaires aux Comptes *of Paris.*

Cross-reference table

The cross-reference table refers to the main headings required by the European regulation 809/2004 (Annex XI) implementing the directive known as « Prospectus » and to the pages of the *2007 Annual Report and Accounts* D.08-0300 updated by this document.

Section of Annex XI to EU Regulation 809/2004	Pages in registrationdocument D.08-0300 filed with the AMF on 25 April 2008	Pages in this update
1. Persons responsible	176	49
2. Statutory auditors	176	50
3. Risk factors	47-51, 116-130	19-35
4. Information about the issuer		
4.1. History and development of the company	161	–
5. Business overview		
5.1. Principal activities	2-6	3-7
5.2. Principal markets	2-6	3-7
6. Organisational structure		
6.1. Brief description of the group	inside cover, 2-6, 140-151	–
6.2. Issuer's relationship with other group entities	–	–
7. Trend information	174-175	46
8. Profit forecasts or estimates	–	–
9. Administrative, management and supervisory bodies and senior management		
9.1. Administrative and management bodies	8-17	47
9.2. Administrative and management bodies – Conflicts of interests	18	–
10. Major shareholders		
10.1. Control of the issuer	21, 164	–
10.2. Arrangements known to the issuer which could entail a change in control at a subsequent date	–	–
11. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
11.1. Historical financial information	52	–
11.2. Financial statements	53-134, 136-145	
11.3. Auditing of historical financial information	135, 136	-
11.4. Age of latest financial information	53	–
11.5. Interim and other financial information	–	8-43
11.6. Legal and arbitration proceedings	49	42
11.7. Significant change in the issuer's financial or trading position	174	46
12. Material contracts	161	–
13. Third party information and statement by experts and declarations of any interest	–	–
14. Documents on display	159	52

Cross-reference table (continued)

This update of the registration document included the interim financial report:

- Statement by person responsible	page 49
- Management report	pages 3-7
- Consolidated accounts	pages 8-43
- Statutory Auditors' report	page 44

The following items are incorporated by reference:

- the consolidated financial statements for the year ended 31 December 2007 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 58-142 and 143 of reference document D.08-300 filed with the AMF on 25 April 2008.

The chapters of the reference documents not mentioned above are either of no interest to investors or are covered in another section of this update.

These documents are available on the HSBC France group's website (www.hsbc.fr) and on the AMF's website (www.amf-france.org).

Any person requiring additional information on the HSBC France group may, without commitment, request documents by mail:

HSBC France
103 avenue des Champs Élysées
75419 Paris Cedex 08