HSBC

Update to the Registration Document

filed with the *Autorité des Marchés Financiers*
on 29 April 2009 under reference number D.09-0344

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HSBC France
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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This document was filed with the Autorités des Marchés (AMF) on 28 August 2009 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 29 April 2009 under reference number D.09-0344. It may be used in support of a financial transaction when supplemented by a transaction note that has received approval from the AMF.

1. Management report on the first half of 2009

HSBC France financial results (legal entities)

The condensed consolidated financial statements of the HSBC France group (legal entities) have been prepared in accordance with IFRS as defined in Note 1 of the notes to the condensed consolidated financial statements provided in this report.

HSBC France has initiated the sale of its subsidiary HSBC Financial Products (France) to the Paris Branch of HSBC Bank plc. This has resulted in a change in the accounting treatment of the company in HSBC France's consolidated financial statements, leading to the following reclassifications being made in the balance sheet to 30 June 2009 (see Note 3 of the notes to the condensed consolidated financial statements):

– all the assets of HSBC Financial Products (France) have been reclassified as "Assets classified as held for sale";

– all the liabilities (excluding equity) of HSBC Financial Products (France) have been reclassified as "Liabilities classified as held for sale".

This treatment is applied as of 30 June 2009. Therefore, all of the items in the HSBC Financial Products (France) income statement from 1 January 2009 to 30 June 2009 are fully consolidated in HSBC France's consolidated financial statements. As of 1 July 2009 and until the date of the transfer, the results of HSBC Financial Products (France) will be recognised in the reporting line “Net profit on discontinued operations”.

Furthermore, comparison of the figures for the first half of 2009 with those of the first half of 2008 is distorted by the accounting reclassifications applied after exclusive negotiations between HSBC France and the Banque Populaire Group concerning the sale of seven regional banking subsidiaries (“regional banks”) which was announced on 29 February 2008. This announcement resulted in a change in the accounting treatment of these companies' results in the HSBC France consolidated financial statements, leading to accounting reclassifications as of 1 March 2008 (see pages 3 and 4 of 2008 interim report).

In the first half of 2009, the HSBC France Group generated a consolidated profit on ordinary activities before tax of EUR 345 million and a net profit attributable to equity holders of EUR 261 million.

Operating income before loan impairment charges and other credit risk provisions decreased by 5 per cent to EUR 1,290 million, mainly as a result of the sale of the regional banks in 2008 (see above). Excluding these items, operating income before loan impairment charges and other credit risk provisions increased by 7 per cent relative to 30 June 2008.

Loan impairment charges and other credit risk provisions rose to EUR 99 million due to deterioration in economic conditions, affecting mainly companies in France. However the cost of credit risk remained at just 42 basis points, expressed on the basis of outstandings.

Operating income after impairment charges was EUR 1,191 million, representing an apparent fall of 11 per cent compared with the first half of 2008 but down just 2 per cent excluding the sale of the regional banks.

Operating expenses decreased by 4 per cent to EUR 846 million. Excluding the sale of the regional banks, operating expenses rose by 2 per cent.

Financial results for the first half of 2009 (continued)

Operating profit was EUR 345 million in the first half of 2009, down 23 per cent compared with the first half of 2008 but up 2 per cent excluding the sale of the regional banks.

The cost efficiency ratio was 65.6 per cent[1].

Consolidated shareholders' equity totalled EUR 5.5 billion. The capital adequacy ratio calculated in accordance with Basel II standards was 10.7 per cent, up compared with the estimated Basel II ratio at 30 June 2008 of 9.2 per cent, mainly due to an 18 per cent reduction in risk-weighted assets to EUR 43.9 billion. This ratio comprises almost entirely Core Tier 1 capital.

Net profit of HSBC France parent company was EUR 351 million compared with EUR 314 million at 30 June 2008.

Contribution of France to HSBC Group financial results[2] (managerial scope)

In order to allow for a relevant comparison, the results with commentary below and then for each business segment are presented adjusted for the results of the regional banks sold in 2008. They cover all the French activities of the HSBC Group[2].

The lack of liquidity facing financial institutions all over the world in the fourth quarter of 2008 eased in the first half of 2009 due to various government measures taken at both a national and international level. However, economic conditions continued to deteriorate, which in France has affected primarily companies. The HSBC Group's results in France have nevertheless held up well under these challenging economic conditions.

The HSBC Group generated in France profit before tax of EUR 400 million in the first half of 2009, in line with the EUR 404 million achieved in the first half of 2008.

Operating income before loan impairment charges and other credit risk provisions were EUR 1,377 million, up 7 per cent compared with the first half of 2008. Growth was penalised by the non-recurring nature of capital gains on the sale of trading securities of EUR 67 million realised in the first half of 2008, while the stock market downturn resulted in the recognition of impairment charges on securities in the first half of 2009.

Impairment charges and other credit risk provisions increased as a result of deterioration in economic conditions, totalling EUR 99 million compared with a very low level of EUR 27 million at 30 June 2008.

Operating expenses were EUR 878 million, down 2% compared with the first half of 2008. Excluding the exceptional provision write-back relating to employee benefit schemes in the first half of 2008, operating expenses were 3 per cent lower.

The cost efficiency ratio was 63.8 per cent, below the ratio for the first half of 2008 of 66.7 per cent, due to higher revenue growth relative to operating expenses.

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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".*

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

- *The managerial scope includes the HSBC Group's French activities and the operating results of HSBC Bank plc Paris Branch, a branch of HSBC Bank plc, as well as the insurance subsidiaries owned by HSBC Bank plc Paris Branch.*
- *The results of the regional banks sold on 2 July 2008, fully consolidated in January and February 2008, and then from March to June 2008 on the basis of profit before tax included in net operating income, have been adjusted. The capital gain on the sale of the regional banks was recognised in the second half of 2008.*
- *Financial figures are presented according to IFRS as applied by the HSBC Group.*

Financial results for the first half of 2009 (continued)

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 and excluding the impact of the results of the regional banks in the first half of 2008.

Business segment results

Retail Banking

The Retail Banking business, consisting of Personal Financial Services and Customer Banking activities, was subject to very difficult conditions in the first half of 2009, with continuing deterioration in economic conditions, the slowdown in economic activity, companies growing weaker and the rise in unemployment, causing demand to tail off both from individuals and companies against the backdrop of declining interest rates and still depressed stock markets. Despite this, retail banking activities managed to hold up well due to the mobilisation of sales teams in spite of a rise in the cost of credit risk, mainly due to the increase in company insolvencies, at 55 basis points in the first half of 2009, expressed on the basis of outstandings.

Following the sale of the regional banks, HSBC France implemented a strategy of developing a network of branches specialising in specific customer types, creating branches dedicated to companies on the one hand - Corporate Banking Centres (CBC) for companies with revenues of over EUR 30 million and "Centres d'Affaires d’Entreprises" (CAE) for SMEs – and branches dedicated to individual customers on the other hand, with HSBC Premier Centres and facilities dedicated to up-market customers. Furthermore, the first half of 2009 saw the end of the operating integration of the subsidiaries legally merged with HSBC France on 31 July 2008 (HSBC Hervet, HSBC UBP, HSBC Picardie and HSBC de Baecque Beau). These mergers and operating integration measures form part of the strategic plan. HSBC France's Retail Banking employees now use the same tools and procedures and offer their customers a unified range of products and services. This helps to improve the bank's operating and commercial efficiency and should in the long term have a favourable impact on the cost efficiency ratio.

Personal Financial Services

The Personal Financial Services business continued with its policy of winning new customers in its target segments, namely high net worth and international clients. This was supported by a number of promotional campaigns including the "International" advertising campaign and the enhancement of the "Home and Away" range of products and services, leading to a 9 per cent increase in the Premier customer base in the first half of 2009 relative to 30 June 2008. Gathering of deposits was boosted by the marketing of the "Livret A" savings account, supported by the HSBC2A savings account. Overall, average outstanding deposits rose by 5 per cent relative to 30 June 2008. Thanks to the launch of a guaranteed-rate Euro policy, life insurance inflows increased by 4 per cent relative to 30 June 2008. On the surface, this is below the rate of market growth (6 per cent according to the FFSA), benefiting from a comparison base effect due to the low level of inflows in 2008 (down 8 per cent to 30 June 2008 according to the FFSA). Despite HSBC France's commitment to its customers, demand for loans continued to decline due to retail banking clients' lack of confidence in a very uncertain economic climate. Average outstanding loans were therefore very slightly higher than at 30 June 2008, up 1 per cent. Thanks to ongoing growth in the customer base, revenues remained at the same level as at 30 June 2008. Banking fees and insurance revenues made up for the continuing fall in financial fee income, the impact of lower interest rates and the change in the composition of deposits in favour of interest-bearing deposits.

Financial results for the first half of 2009 (continued)

Profit before tax fell by nearly 14 per cent, failing to benefit from the reduction in operating expenses resulting from pro-active efforts. In fact, despite an increase in loan impairment charges and other credit risk provisions these remained at a low level.

Commercial Banking

The Commercial Banking business continued to be subject to particularly unfavourable economic conditions, with SMEs hardest hit by the crisis. However, the business segment managed to hold up due to efforts to win new clients and enhance the range of products and services, backed up by the network’s new organisational structure. The launch of HSBC Business Direct in May provided an innovative response to the needs of very small enterprises, as a new generation business branch concept combining the speed and ease-of-use of the internet with personalised advice from a team of specialist advisors. In addition, sales and marketing campaigns were launched to support savings products (PEE and PERCO savings plans) and insurance products ("key staff" guarantee). Sales and marketing efforts were also implemented to support lending activities, reflecting HSBC France's desire to support companies' development, with a 14 per cent increase in average outstanding equipment loans despite a slowdown in demand as a result of the crisis. At the same time, average outstanding deposits increased primarily thanks to a 14 per cent rise in term deposits. The factoring business continued to grow, with a 22 per cent increase in average outstandings. Commercial banking revenues therefore improved by 7 per cent thanks to the increase in volumes and strong brokerage business. This made up for fee income remaining stable as a result of a reduction in activity charges reflecting the economic slowdown and an increase in forex fees as a result of synergies developed with the Capital Markets business and the HSBC Group.

While impairment charges and other credit risk provisions increased in the first half of 2009 compared with the first half of 2008 due to the increase in company insolvencies, the cost of credit risk remained at a lower level as at the end of 2008. This increase penalised the impact of revenue growth on the development of profit before tax, which was down nearly 27 per cent compared with 30 June 2008.

Global Banking and Markets

Under continuing difficult and volatile market conditions, the Global Banking and Markets business continued to benefit from being part of the HSBC Group and large companies' confidence in the Group's financial strength.

Revenues from **Global Banking** activities continued to benefit from the improvement in margins seen over the last two years, although with a decline in volumes. HSBC has also enhanced its presence in bond issues, forex and capital increases. However, revenues were impacted by the change in the mark-to-market value of credit hedges on the corporate loan portfolio.

Capital Markets activities were subject to a brisk upturn in volumes of activity with clients, particularly concerning vanilla products, which generally generate high margins. Major changes in the forex markets, coupled with improved liquidity, allowed for a return to more consistent valuations for vanilla products and good management of positions.

As in previous years, intra-group synergies continued to increase, resulting in significant growth in revenues generated by major French companies within the HSBC Group as a whole.

In **Asset Management**, assets under management benefited from the market rebound in the second quarter of 2009 and the pro-active efforts of the sales teams, who were able to respond to investors' renewed interest in funds offering higher potential yields against the backdrop of lower interest rates,

Financial results for the first half of 2009 (continued)

making money market funds much less attractive. Assets under management amounted to EUR 76.5 billion, up 2 per cent compared with 31 December 2008.

Profit before tax rose by 54 per cent, reflecting the division's strong revenue growth by 38 per cent, despite an increase in impairment charges and other credit risk provisions which nevertheless remained at a low level of 34 basis points. It should also be noted that like in the fourth quarter of 2008, HSBC France chose not to reclassify assets as allowed by the amendment to IAS 39 and IFRS 7 (see Note 1).

Private Banking

Private banking assets under management also benefited from the initial rebound in the equity markets, with satisfactory inflows making up for greater customer volatility relating to a highly competitive climate. Assets under management therefore rose by 3 per cent relative to 31 December 2008 to EUR 8.8 billion. The range of products and services was enhanced with the inclusion of secured products offering high rates of return to meet customers' expectations, such as corporate bond funds, guaranteed capital structured products and guaranteed rate life insurance policies. The excellent performance of the HSBC Private Wealth Management funds was highlighted by the inclusion of 80 per cent of equity funds in the top quartile of the Lipper rankings. However, revenue growth was still affected by the reduction in assets under management and changes in the asset mix in 2008. Thanks to the continuing pro-active efforts to cut costs implemented since June 2008, profit before tax was at breakeven.

Financial results for the first half of 2009 (continued)

2. Condensed consolidated financial statements at 30 June 2009

Consolidated income statement for the half-year to 30 June 2009

(in millions of euros)	*Notes*	**Half year** **30 June 2009**	30 June 2008	Full year 31 December 2008
Interest income		**1,111**	2,041	3,974
Interest expense		**(883)**	(2,106)	(4,164)
Net interest income		**228**	(65)	(190)
Fee income		**535**	586	1,087
Fee expense		**(189)**	(208)	(371)
Net fee income		**346**	378	716
Trading income		**792**	894	1,435
Net income from financial instruments designated at fair value		**(75)**	2	45
Gains less losses from financial investments		**(10)**	111	5
Dividend income		**6**	5	21
Other operating income		**3**	39	1,601
Net operating income before loan impairment charges and other credit risk provisions		**1,290**	1,364	3,633
Loan impairment charges and other credit risk provisions	*6*	**(99)**	(31)	(127)
Net operating income		**1,191**	1,333	3,506
Employee compensation and benefits		**(523)**	(535)	(1,042)
General and administrative expenses		**(292)**	(314)	(651)
Depreciation of property, plant and equipment		**(26)**	(28)	(57)
Amortisation of intangible assets and impairment of goodwill		**(5)**	(6)	(12)
Total operating expenses		**(846)**	(883)	(1,762)
Operating profit		**345**	450	1,744
Share of profit in associates and joint ventures		**-**	-	-
Profit before tax		**345**	450	1,744
Tax expense		**(83)**	(62)	22
Profit from continuing operations		**262**	388	1,744
Discontinued operation				
Net profit on discontinued operations	*3*	**-**	-	-
Profit for the period		**262**	388	1,766
Profit attributable to shareholders		**261**	388	1,764
Profit attributable to minority interests		**1**	-	2
(in euros)				
Basic earnings per ordinary share	*5*	**3.87**	5.11	23.52
Diluted earnings per ordinary share	*5*	**3.83**	5.05	23.27
Dividend per ordinary share	*5*	**3.70**	-	-

Financial results for the first half of 2009 (continued)

Consolidated statement of comprehensive income for the half-year to 30 June 2009

(in millions of euros)	**30 June 2009**	30 June 2008	31 December 2008
Profit for the period	**262**	388	1,766
Other comprehensive income			
Available-for-sale investments:			
– fair value gains/(losses) taken to equity	**(18)**	(67)	(248)
– fair value gains transferred to income statement on disposal	**(21)**	(125)	(160)
– amounts transferred to/(from) the income statement in respect of impairment losses	**19**	15	119
– income taxes	**12**	38	64
Cash flow hedges:			
– fair value gains/(losses) taken to equity	**52**	(33)	(19)
– fair value (gains)/losses transferred to income statement	**15**	(24)	18
– income taxes	**(23)**	20	-
Actuarial gains/(losses) on defined benefit plans	**(3)**	(3)	(2)
Exchange differences	**5**	(1)	(7)
Other comprehensive income for the period, net of tax	**38**	(180)	(235)
Total comprehensive income for the period	**300**	208	1,531
Total comprehensive income for the year attributable to:			
– shareholders of the parent company	**299**	208	1,529
– minority interests	**1**	-	2
	300	208	1531

Financial results for the first half of 2009 (continued)

Consolidated statement of financial position at 30 June 2009

(in millions of euros)	*Notes*	**30 June 2009**	30 June 2008	31 December 2008
ASSETS				
Cash and balances at central banks		**1,383**	1,356	2,077
Items in the course of collection from other banks	*8*	**1,117**	955	1,234
Trading assets	*7-8*	**66,309**	69,644	67,427
Derivatives	*7-8*	**62,745**	51,929	105,213
Financial assets designated at fair value	*7-8*	**518**	5	515
Loans and advances to banks	*7-8*	**31,410**	34,802	27,270
Loans and advances to customers	*7-8*	**54,607**	49,594	51,286
Financial investments	*7-8*	**5,279**	2,773	3,247
Interests in associates and joint ventures		**5**	6	6
Goodwill and intangible assets		**387**	446	390
Property, plant and equipment		**522**	551	548
Other assets		**483**	3,765	4,964
Deferred tax assets		**64**	4	77
Prepayments and accrued income		**1,407**	1,724	1,766
Assets classified as held for sale	*3*	**16,713**	6,601	5
TOTAL ASSETS		**242,950**	224,155	266,025

LIABILITIES AND EQUITY		**30 June 2009**	30 June 2008	31 December 2008
Liabilities				
Deposits by banks	*7*	**45,097**	53,736	42,136
Customer accounts	*7*	**61,122**	38,483	53,791
Items in the course of transmission to other banks		**830**	846	1,041
Trading liabilities	*7*	**29,849**	41,182	33,892
Financial liabilities designated at fair value	*7*	**3,795**	1,830	2,206
Derivatives	*7*	**61,780**	50,218	102,997
Debt securities in issue	*7*	**18,923**	20,687	20,351
Retirement benefit liabilities		**103**	91	101
Other liabilities		**835**	2,700	2,383
Current taxation		**75**	24	18
Accruals and deferred income		**1,042**	1,877	1,538
Deferred tax liabilities		**-**	22	3
Provisions for liabilities and charges		**83**	45	85
Subordinated liabilities	*7*	**166**	259	207
TOTAL LIABILITIES		**223,703**	212,000	260,749
Equity				
Called-up share capital		**337**	380	337
Share premium account		**16**	1,191	16
Other reserves and retained earnings		**5,188**	3,709	4,875
TOTAL SHAREHOLDERS' EQUITY		**5,541**	5,280	5,228
Minority interests		**48**	30	48
TOTAL EQUITY		**5,589**	5,310	5,276
Liabilities classified as held for sale	*3*	**13,658**	6,845	-
TOTAL EQUITY AND LIABILITIES		**242,950**	224,155	266,025

Financial results for the first half of 2009 (continued)

Consolidated statement of changes in equity for the half-year to 30 June 2009

(in millions of euros)	**30 June 2009**										
				Other reserves							
	Called up share capital	**Share premium**	**Retained earnings**	**Available-for-sale fair value reserve**	**Cash flow hedging reserve**	**Foreign exchange reserve**	**Share-based payment reserve**	**Associates and joint ventures**	**Total share-holders' equity**	**Minority interests**	**Total equity**
At 1 January 2009	**337**	**16**	**4,874**	**(23)**	**(118)**	**(7)**	**145**	**4**	**5,228**	**48**	**5,276**
Share capital issued, net of costs	-	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-
Net impact of equity-settled share-based payments	-	-	-	-	-	-	**16**	-	**16**	-	**16**
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	**1**	**(3)**	-	-	-	-	**(2)**	**(1)**	**(3)**
Total comprehensive income for the period	-	-	**258**	**(8)**	**44**	**5**	-	-	**299**	**1**	**300**
At 30 June 2009	**337**	**16**	**5,133**	**(34)**	**(74)**	**(2)**	**161**	**4**	**5,541**	**48**	**5,589**

(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	Share-based payment reserve	Associates and joint ventures	Total share-holders' equity	Minority interests	Total equity
At 1 January 2008	380	1,191	3,278	211	(117)	-	117	4	5,064	31	5,095
Share capital issued, net of costs	-	-	-	-	-	-	-	-	-	-	-
Capital securities issued	-	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-
Net impact of equity-settled share-based payments	-	-	-	-	-	-	9	-	9	-	9
Dividends to minority interests	-	-	-	-	-	-	-	-	-	(1)	(1)
Other movements	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Total comprehensive income for the period	-	-	385	(139)	(37)	(1)	-	-	208	-	208
At 30 June 2008	380	1,191	3,663	71	(154)	(1)	126	4	5,280	30	5,310

Financial results for the first half of 2009 (continued)

(in millions of euros)	31 December 2008										
				Other reserves							
	Called up share capital	Share premium	Retained earnings	Available-for-sale fair value reserve	Cash flow hedging reserve	Foreign exchange reserve	Share-based payment reserve	Associates and joint ventures	Total share-holders' equity	Minority interests	Total equity
At 1 January 2008	380	1,191	3,278	211	(117)	-	117	4	5,064	31	5,095
Share capital issued, net of costs and re-purchased	(43)	(1,175)	(166)	-	-	-	-	-	(1,384)	17	(1,367)
Capital securities issued	-	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-
Net impact of equity-settled share-based payments .	-	-	-	-	-	-	28	-	28	-	28
Dividends to minority interests	-	-	-	-	-	-	-	-	-	(2)	(2)
Other movements	-	-	-	(9)	-	-	-	-	(9)	-	(9)
Total comprehensive income for the period	-	-	1,762	(225)	(1)	(7)	-	-	1,529	2	1,531
At 31 December 2008	337	16	4,874	(23)	(118)	(7)	145	4	5,228	48	5,276

Financial results for the first half of 2009 (continued)

Consolidated cash flow statement for the half-year to 30 June 2009

(in millions of euros)	Notes	Half year 30 June 2009	30 June 2008	Full year 31 December 2008
Cash flows from operating activities				
Profit before tax		**345**	450	1,744
of which profit before tax from regional banks held for sale		-	*29*	*29*
Net profit on discontinued operations		-	-	-
Adjustments for:				
– non-cash items included in net profit		**147**	61	345
– change in operating assets		**(21,490)**	(7,481)	(7,009)
– change in operating liabilities		**9,112**	(454)	2,858
– change in assets/liabilities of disposal groups classified as held for sale (including cash items)		**(373)**	(91)	-
– elimination of exchange differences		**(62)**	50	(126)
– net gain from investing activities		**(18)**	(126)	(1,829)
– share of profits in associates and joint ventures		-	-	-
– dividends received from associates		-	-	-
– tax (paid) / recovered		**46**	54	(19)
Net cash from operating activities		**(12,293)**	(7,537)	(4,036)
Cash flows (used in)/from investing activities				
Purchase of financial investments		**(2,910)**	(277)	(2,330)
Proceeds from the sale of financial investments		**715**	2,114	3,570
Purchase of property, plant and equipment		**(19)**	(38)	(63)
Proceeds from the sale of property, plant and equipment		-	1	102
Purchase of goodwill and intangible assets		**(3)**	(12)	(17)
Net cash outflow from acquisition of and increase in stake of subsidiaries		-	-	-
Net cash inflow from disposal of subsidiaries		-	-	1,434
Net cash outflow from acquisition of and increase in stake of associates		-	-	-
Proceeds from disposal of associates		-	-	-
Net cash (used in)/from investing activities		**(2,218)**	1,788	2,696
Cash flows (used in)/from financing activities				
Issue of ordinary share capital		-	-	16
Net purchases of own shares		-	-	(1,400)
Increase in non-equity minority interests		-	-	-
Subordinated loan capital issued		-	-	-
Subordinated loan capital repaid		**(40)**	-	(61)
Dividends paid to shareholders		-	(2)	-
Dividends paid to minority interests		-	-	-
Net cash (used in)/from financing activities		**(40)**	(2)	(1,445)
Net increase in cash and cash equivalents		**(14,550)**	(5,751)	(2,785)
Cash and cash equivalents at 1 January		**34,963**	38,211	38,211
Effect of exchange rate changes on cash and cash equivalents		**106**	(358)	(463)
Cash and cash equivalents at 30 June		**20,519**	32,102	34,963

Financial results for the first half of 2009 (continued)

Notes to the consolidated financial statements

1 Basis of preparation

(a) ***Compliance with International Financial Reporting Standards***

HSBC France is a company domiciled in France. The condensed consolidated interim financial statements of HSBC France as at for the six months ended 30 June 2009 comprise HSBC France and its subsidiaries and the HSBC France group's interest in associates and jointly controlled entities.

The consolidated financial statements of HSBC France as at for the year ended 31 December 2008 are available upon request from the HSBC France registered office at 103, avenue des Champs Elysées – 75419 Paris Cedex 08 or on the web site www.hsbc.fr.

The condensed consolidated interim financial statements of HSBC France have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and as endorsed by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of HSBC France as at and for the year ended 31 December 2008.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 July 2009.

The consolidated financial statements of HSBC France at 31 December 2008 were prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2008, there were no unendorsed standards effective for the year ended 31 December 2008 affecting the consolidated financial statements at that date, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC France.

At 30 June 2009, there were no unendorsed standards effective for the period ended 30 June 2009 affecting these consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC France.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

During the period ended 30 June 2009, HSBC France adopted the following significant amendments to standards and interpretations:

– On 1 January 2009, HSBC France adopted IFRS 8 'Operating Segments' (IFRS 8), which replaced IAS 14 'Segment reporting'. IFRS 8 requires an entity to disclose information about its segments which enables users to evaluate the nature and financial effects of its business activities and the economic environments in which it operates. The HSBC France group's management reviews operating activity by customer group.

  IFRS 8 requires segment information to be reported using the same measure reported to the management for the purpose of making decisions about allocating resources to the segment and assessing its performance. Information provided to the management is on an IFRS basis.

– On 1 January 2009, HSBC adopted the revised IAS 1 'Presentation of Financial Statements' (IAS 1). The revised standard aims to improve users' ability to analyse and compare information given in financial statements. The adoption of the revised standard has no effect on the results reported in HSBC France's consolidated financial statements. It does, however, result in certain presentational changes in HSBC France's primary financial statements, including:

  - the presentation of all items of income and expenditure in two financial statements, the 'Income statement' and 'Statement of comprehensive income';
  - the presentation of the 'Statement of changes in equity' as a financial statement, which replaces the 'Equity' note on the financial statements ; and
  - the adoption of revised titles for the financial statements.

Financial results for the first half of 2009 (continued)

– On 1 January 2009, HSBC adopted the amendment to IFRS 2 'Share-based Payment' – 'Vesting Conditions and Cancellations' – on 17 January 2008. The amendment, which is applicable for annual periods beginning on or after 1 January 2009, clarifies that vesting conditions comprise only service conditions and performance conditions. It also specifies the accounting treatment for a failure to meet a non-vesting condition. The amendment have no significant effect on HSBC France's consolidated financial statements.

– On 1 January 2009, HSBC adopted a revised IAS 23 'Borrowing Costs'. The revised standard eliminates the option of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The adoption of the revised standard have no significant effect on HSBC France's consolidated financial statements.

– HSBC France adopted the IFRIC 13 'Customer Loyalty Programmes' ('IFRIC 13'). IFRIC 13 addresses how companies that grant their customers loyalty award credits (often called "points") when buying goods or services should account for their obligation to provide free or discounted goods and services, if and when the customers redeem the points. IFRIC 13 requires companies to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations to provide goods or services. The adoption of this interpretation has no significant effect on HSBC France's consolidated financial statements.

– HSBC France adopted the amendment to IFRS 7 'Financial Instruments: Disclosures'. The amendment aims to improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments. The adoption of the amendment has no significant effect on HSBC France's consolidated financial statements.

– HSBC France adopted the amendment to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation'. The adoption of this amendment has no significant effect on HSBC France's consolidated financial statements.

As disclosed in the 2008 Annual report, HSBC France has not used the option offered under IAS 39 amendment 'Financial Instruments Recognition and Measurement' ('IAS 39') and IFRS 7 'Financial Instruments: Disclosures' ('IFRS 7') – 'Reclassification of Financial Assets' ('Reclassification Amendment'). Indeed, the amendment to IAS 39 and to IFRS 7 'Reclassification of Financial Assets – Effective Date and Transition' which clarifies the effective date of the Reclassification Amendment, has no effect on the consolidated financial statements of HSBC France.

(b) ***Use of assumptions and estimates***

The preparation of financial information requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that HSBC France's critical accounting policies where judgement is necessarily applied are those which relate to impairment of loans and advances, goodwill impairment, the valuation of financial instruments, the impairment of available-for-sale financial assets and deferred tax assets.

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 period have been made.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

(c) ***Consolidation***

The condensed consolidated interim financial statements of HSBC France comprise the financial statements of HSBC France and its subsidiaries and associates. The method adopted by HSBC France to consolidate its subsidiaries is described on pages 64 and 65 of the Annual Report and Accounts 2008.

Financial results for the first half of 2009 (continued)

(d) ***Future accounting developments***

Standards and Interpretations issued by the IASB and endorsed by the EU

A revised IFRS 3 'Business Combinations' and an amended IAS 27 'Consolidated and Separate Financial Statements' were issued on 10 January 2008. The revisions to the standards apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual financial reporting period beginning on or after 1 July 2009. The main changes under the standards are that:

– acquisition-related costs are recognised as expenses in the income statement in the period they are incurred;
– equity interests held prior to control being obtained are remeasured to fair value at the time control is obtained, and any gain or loss is recognised in the income statement;
– changes in a parent's ownership interest in a subsidiary that do not result in a change of control are treated as transactions between equity holders and reported in equity; and
– an option is available, on a transaction-by-transaction basis, to measure any non-controlling (previously referred to as minority) interests in the entity acquired either at fair value, or at the non-controlling interests' proportionate share of the net identifiable assets of the entity acquired.

The effect that the changes will have on HSBC France's consolidated financial statements will depend on the incidence and timing of business combinations occurring on or after 1 January 2010.

Standards and Interpretations issued by the IASB but not endorsed by the EU

At 30 June 2009, the following amendments to standards and interpretations, effective for these consolidated financial statements, were issued by the IASB but not endorsed by the EU:

– IFRIC 15 'Agreements for the Construction of Real Estate' ('IFRIC 15') was issued on 3 July 2008 and is effective for annual periods beginning on or after 1 January 2009. IFRIC 15 provides guidance on the recognition of revenue among real estate developers for sales of units. The adoption of IFRIC 15 does not have a significant effect on HSBC France's consolidated financial statements;
– IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' ('IFRIC 16') was issued on 3 July 2008 and is effective for annual periods beginning on or after 1 October 2008. IFRIC 16 provides guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. The main change introduced by IFRIC 16 is to eliminate the possibility of an entity applying hedge accounting for a hedge of foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The adoption of IFRIC 16 has no effect on HSBC France's consolidated financial statements;

The IASB issued 'Improvements to IFRSs' on 16 April 2009, which comprises a collection of necessary, but not urgent, amendments to IFRSs. The amendments are primarily effective for annual periods beginning on or after 1 January 2010, with earlier application permitted. HSBC France does not expect adoption of the amendments to have a significant effect on the consolidated financial statements.

IFRIC 17 'Distributions of Non-cash Assets to Owners' ('IFRIC 17') was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 provides guidance on how distributions of assets other than cash as dividends to shareholders should be accounted for. HSBC does not expect adoption of IFRIC 17 to have a significant effect on HSBC France's consolidated financial statements.

IFRIC 18 'Transfers of Assets from Customers' ('IFRIC 18') was issued on 29 January 2009 and is required to be applied prospectively to transfers of assets from customers received on or after 1 July 2009. IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). HSBC France does not expect adoption of IFRIC 18 to have an effect on its consolidated financial statements.

The IASB issued an amendment to IAS 39 – 'Eligible Hedged Items' on 31 July 2008, which is applicable for annual periods beginning on or after 1 July 2009. The amendment clarifies how the existing principles underlying hedge accounting should be applied. This amendment will have no effect on HSBC France's consolidated financial statements.

Financial results for the first half of 2009 (continued)

2 Accounting policies

The accounting policies adopted by HSBC France for these interim consolidated financial statements are consistent with those described on Note 2 pages 66 to 77 of the Annual Report and Accounts 2008, except as discussed in Note 1 - Basis of preparation.

3 Business combination and discontinuing operations

HSBC Financial Products (France):

In the second quarter of 2009, the Management of HSBC France and HSBC Financial Products (France) announced the sale of the activity of HSBC Financial Products (France) to HSBC Bank Plc Paris Branch. This sale should be effective before the year end. Accordingly, as required by IFRS 5, Financial Product’s assets and liabilities have been recognized and measured respectively as "Assets classified as held for sale" and "Liabilities classified as held for sale". Its results for the second semester will be presented separately under the line item "Net profit of discontinued operations”.

The summarized balance sheet of HSBC Financial Products (France) as at 30 June 2009 in presented below.

ASSETS

(in millions of euros)	**30 June 2009**
Trading assets	**5,526**
Derivatives	**11,407**
Other assets	**71**
Intercompany assets – HSBC France Group	**625**
TOTAL ASSETS	**17,629**

LIABILITIES AND EQUITY

(in millions of euros)	**30 June 2009**
Liabilities	
Trading liabilities	3,071
Derivatives	10,435
Other liabilities	181
Intercompany liabilities – HSBC France Group	3 904
TOTAL LIABILITIES	**17,591**
Equity	38
TOTAL EQUITY AND LIABILITIES	**17,629**

Sale of the French regional banking subsidiaries in 2008:

On 2 July 2008, HSBC France completed the sale of seven French regional banking subsidiaries. Those entities were consolidated until 30 June 2008. Accordingly, as required by IFRS 5, assets and liabilities of those subsidiaries were recognized and measured respectively as " Assets classified as held for sale" and "Liabilities classified as held for sale" from the date of announcement of the sale of the seven French regional banking subsidiaries (29 February 2008).

Moreover, the profit before tax of those entities recognized from 1 March to 30 June 2008 was reclassified in the line “other operating income”. The profit from the two first months remained classified in the original reporting lines. Profit Before Tax of the seven French regional banking subsidiaries was EUR 29 million from 1 March to 2 July 2008.

Financial results for the first half of 2009 (continued)

4 Dividends

On 28 May 2009, the Annual General Meeting, decided not to distribute any dividend in respect of the 2008 results.

On 29 July 2009, the Board of Directors approved an interim dividend of EUR 3.70 per share. This dividend was paid with respect to the 67,437,820 shares in issue on that date, making a total payment of EUR 249.5 million.

The interim dividend was paid on 30 July 2009.

The Board of Directors will propose a final dividend to shareholders at its Board meeting in February 2010 when it approves the 2009 annual accounts.

5 Earnings and dividend per share

(in euros)	**30 June 2009**	30 June 2008	31 December 2008
Basic earnings per share	**3.87**	5.11	23.52
Diluted earnings per share	**3.83**	5.05	23.27
Dividend per share	**3.70**	0.00	0.00

Basic earnings per ordinary share were calculated by dividing the earnings of EUR 261 million by the number of ordinary shares outstanding, excluding own shares held, of 67,437,820 (first half of 2008: earnings of EUR 388 million and 75,963,895 shares; full year 2008: earnings of EUR 1,764 million and 75,020,854 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 68,225,697 (first half of 2008: 76,970,926 shares; full year 2008: 75,808,731 shares).

Financial results for the first half of 2009 (continued)

6 Impairment allowances and charges

Loan impairment charges and other credit risk provisions comprises:

(in millions of euros)	**30 June 2009**	30 June 2008	31 December 2008
Individually assessed impairment allowances			
New allowances	**180**	143	268
Release of allowances no longer required	**(85)**	(111)	(142)
Recoveries of amounts previously written off	**(1)**	(2)	(4)
	94	30	122
Collectively assessed impairment allowances			
New allowances	**8**	9	12
Release of allowances no longer required	**(3)**	(8)	(7)
Recoveries of amounts previously written off	**-**	-	–
	5	1	5
Total charge for impairment losses	**99**	31	127
Banks	**-**	-	–
Customers	**99**	31	127
Other credit risk provisions	**-**	-	1
Impairment charges on debt security investments available-for-sale	**-**	-	(1)
Loan impairment charges and other credit risk provisions	**99**	31	127
Customer charge for impairment losses as a percentage of closing gross loans and advances	**0.18%**	0.06%	0.24%
Balances outstanding			
Non-performing loans	**1,200**	920	946
Individually impairment allowances	**570**	445	525
Gross loans and advances	**86,669**	84,914	79,158
Total allowances cover as a percentage of non-performing loans and advances	**47.50 %**	48.37 %	55.50%

Movement in allowance accounts on total loans and advances

	30 June 2009		
(in millions of euros)	***Individually assessed***	***Collectively assessed***	***Total***
At 1 January	**(525)**	**(77)**	**(602)**
Amounts written off	48	-	48
Release of allowances no longer required	85	3	88
(Charge) to income statement	(180)	(8)	(188)
Exchange and other movements	2	-	2
At 31 December	**(570)**	**(82)**	**(652)**

	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	201	21	222
At 31 December	(445)	(73)	(518)

Financial results for the first half of 2009 (continued)

	Year ended 31 December 2008		
(in millions of euros)	*Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(644)	(93)	(737)
Amounts written off	43	–	43
Release of allowances no longer required	142	7	149
(Charge) to income statement	(268)	(12)	(280)
Exchange and other movements [1]	202	21	223
At 31 December	(525)	(77)	(602)

1 *In which sale of the regional banking subsidiaries EUR 198 million for individually assessed and EUR 21 million for collectively assessed.*

Financial results for the first half of 2009 (continued)

7 Fair value of financial instruments

Fair values are determined in accordance with the methodology set out in the Annual Report and Accounts 2008 in the accounting policies on pages 66 to 77 and in Note 27 on pages 108 to 112.

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 2009						
Assets						
Trading assets	**57,466**	**3,400**	**-**	**60,866**	**5,443**	**66,309**
Financial assets designated at fair value	**-**	**514**	**-**	**514**	**4**	**518**
Derivatives	**13**	**43,737**	**5**	**43,755**	**18,990**	**62,745**
Financial investments	**4,219**	**720**	**170**	**5,109**	**170**	**5,279**
Liabilities						
Trading liabilities	**25,102**	**1,983**	**-**	**27,084**	**2,764**	**29,849**
Financial liabilities at fair value	**-**	**3,795**	**-**	**3,795**	**-**	**3,795**
Derivatives	**-**	**42.694**	**3**	**42,697**	**19,083**	**61,780**
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 2008						
Assets						
Trading assets	52,526	11,571	-	64,097	3,330	67,427
Financial assets designated at fair value	-	512	-	512	3	515
Derivatives	3,559	65,096	124	68,779	36,434	105,213
Financial investments	1,849	1,051	170	3,070	177	3,247
Liabilities						
Trading liabilities	23,117	7,911	-	31,028	2,864	33,892
Financial liabilities at fair value	204	2,002	-	2,206	-	2,206
Derivatives	4,598	63,050	124	67,772	35,224	102,996

Financial results for the first half of 2009 (continued)

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:

	30 June 2009		30 June 2008		31 December 2008	
(in millions of euros)	***Carrying value***	***Fair Value***	*Carrying value*	*Fair Value*	*Carrying value*	*Fair value*
Assets						
Loans and advances to banks	**31,410**	**31,415**	34,802	34,802	27,270	27,273
Loans and advances to customers	**54,607**	**54,114**	49,594	49,048	51,286	50,370
Liabilities						
Deposits by banks	**45,097**	**45,097**	53,736	53,736	42,136	42,136
Customer accounts	**61,122**	**61,144**	38,483	38,477	53,791	53,816
Debt securities in issue	**18,923**	**18,923**	20,687	20,687	20,351	20,430
Subordinated liabilities	**166**	**169**	259	259	207	210

Analysis of Asset Backed Securities

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

Asset Backed Securities	**30 June 2009**				30 June 2008			
(in millions of euros)	***Gross principal*** [2]	***CDS gross protection*** [3]	***Net Principal exposure*** [4]	***Carrying amount*** [5]	*Gross principal* [2]	*CDS gross protection* [3]	*Net Principal exposure* [4]	*Carrying amount* [5]
- High grade [1]	**330**	**-**	**330**	**254**	468	-	468	445
- rated C to A	**3**	**-**	**3**	**2**	40	-	40	35
- not publicly rated	**6**	**-**	**6**	**6**	15	-	15	13
Total asset backed securities	**339**	**-**	**339**	**262**	523	-	523	493

	31 December 2008			
(in millions of euros)	*Gross principal* [2]	*CDS gross protection* [3]	*Net Principal exposure* [4]	*Carrying amount* [5]
- High grade [1]	401	-	401	350
- rated C to A	29	-	29	20
- not publicly rated	14	-	14	12
Total asset backed securities	444	-	444	382

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.*
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.*

Financial results for the first half of 2009 (continued)

8 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 in the Annual Report 2008 on pages 119 to 136.

Only changes in the HSBC France management of the risks and significant evolution of those risks are disclosed below.

Credit risk management

The credit quality of the group's financial asset has remained broadly consistent with the position outlined in the Annual Report 2008 detailed in pages 119 to 127.

Credit quality of financial instruments

The four classifications below describe the credit quality of the group's lending, debt securities portfolios and derivatives. These categories each encompass a range of more granular, internal credit rating grades assigned to wholesale and retail lending business, as well as the external ratings attributed by external agencies to debt securities.

Quality Classification

	Wholesale lending and Derivatives	***Retail lending***	***Debt securities / other***
Strong	CRR 1 to CRR 2	EL 1 to EL 2	A- and above
Medium	CRR 3 to CRR 5	EL 3 to EL 5	B+ to BBB+, and unrated
Sub-Standard	CRR 6 to CRR 8	EL 6 to EL 8	B and below
Impaired	CRR 9 to CRR 10	EL 9 to EL 10	Impaired

Quality classification definitions

"Strong": exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss. Retail accounts operate within applicable product parameters and only exceptionally show any period of delinquency.

"Medium": exposures require closer monitoring, with low to moderate default risk. Retail accounts typically show only short periods of delinquency, with losses expected to be minimal following the adoption of recovery processes.

"Sub-standard": exposures require varying degrees of special attention and default risk is of greater concern. Retail portfolio segments show longer delinquency periods of generally up to 90 days; past due and/or expected losses are higher due to a reduced ability to mitigate these through security realisation or other recovery processes.

"Impaired": exposures have been assessed, individually or collectively, as impaired. The group observes the disclosure convention, reflected in the quality classification definitions above, that all retail accounts delinquent by 90 days or more are considered impaired. Such accounts may occur in any EL grade, whereby in the higher quality grades the grading assignment will reflect the offsetting of the impact of delinquency status by credit risk mitigation in one form or another.

More explanation on the quality classification are disclosed in the Annual Report page 123.

Financial results for the first half of 2009 (continued)

Distribution of financial instruments by credit quality

	At 30 June 2009					
	Neither past due nor individually impaired					
(in millions of euros)	***Strong***	***Medium***	***Sub-standard***	***Past due not impaired***	***Impaired***	***Total***
Items in the course of collection from other banks	**1,117**	**-**	**-**	**-**	**-**	**1,117**
Trading assets	**57,632**	**8,668**	**9**	**-**	**-**	**66,309**
Treasury and other eligible bills	**40,106**	**-**	**-**	**-**	**-**	**40,106**
Debt securities	**5,732**	**3,954**	**-**	**-**	**-**	**9,686**
Loans and advances to banks	**11,030**	**1,533**	**9**	**-**	**-**	**12,572**
Loans and advances to customers	**764**	**3,181**	**-**	**-**	**-**	**3,945**
Financial assets designated at fair value	**518**	**-**	**-**	**-**	**-**	**518**
Treasury and other eligible bills	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities	**4**	**-**	**-**	**-**	**-**	**4**
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**514**	**-**	**-**	**-**	**-**	**514**
Derivatives	**52,013**	**10,550**	**182**	**-**	**-**	**62,745**
Loans and advances held at amortised cost	**58,837**	**25,169**	**706**	**675**	**630**	**86,017**
Loans and advances to banks	**28,665**	**2,731**	**14**			**31,410**
Loans and advances to customers	**30,172**	**22,438**	**692**	**675**	**630**	**54,607**
Financial investments	**3,079**	**1,567**	**-**	**-**	**-**	**4,646**
Treasury and other eligible bills	**2,037**	**-**	**-**	**-**	**-**	**2,037**
Debt securities	**1,042**	**1,567**	**-**	**-**	**-**	**2,609**
Other assets	**66**	**1,791**	**-**	**-**	**-**	**1,857**
Endorsements and acceptances	**-**	**2**	**-**	**-**	**-**	**2**
Other	**66**	**1,789**	**-**	**-**	**-**	**1,855**
Total	**173,262**	**47,745**	**897**	**675**	**630**	**223,209**

Financial results for the first half of 2009 (continued)

(in millions of euros)	At 31 December 2008 *Neither past due nor individually impaired* *Strong*	*Medium*	*Sub-standard*	*Past due not impaired*	*Impaired*	*Total*
Items in the course of collection from other banks	1,234	–	–	–	–	1,234
Trading assets	58,643	6,732	–	–	–	65,375
Treasury and other eligible bills	40,885	–	–	–	–	40,885
Debt securities	6,400	2,957	–	–	–	9,357
Loans and advances to banks	10,724	944	–	–	–	11,668
Loans and advances to customers	634	2,831	–	–	–	3,465
Financial assets designated at fair value	515	–	–	–	–	515
Treasury and other eligible bills	–	–	–	–	–	–
Debt securities	3	–	–	–	–	3
Loans and advances to banks	–	–	–	–	–	–
Loans and advances to customers	512	–	–	–	–	512
Derivatives	88,416	16,797	–	–	–	105,213
Loans and advances held at amortised cost	46,272	31,131	560	173	420	78,556
Loans and advances to banks	22,369	4,885	16	–	–	27,270
Loans and advances to customers	23,903	26,246	544	173	420	51,286
Financial investments	1,096	1,303	–	–	–	2,399
Treasury and other eligible bills	309	–	–	–	–	309
Debt securities	787	1,303	–	–	–	2,090
Other assets	–	4,829	–	–	–	4,829
Endorsements and acceptances	–	3	–	–	–	3
Other	–	4,826	–	–	–	4,826
Total	196,176	60,792	560	173	420	258,121

Netting of derivatives

In accordance to the netting rules in IAS 32 on financial assets and liabilities, the derivative fair value which was not netted amounted to EUR 57 billions at 30 June 2009 (EUR 40 billion at 30 June 2008, EUR 85 billion at 31 December 2008).

(in millions of euros)	**At 30 June 2009**			At 30 June 2008			At 31 December 2008		
	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	**62,745**	**(56,870)**	**5,875**	51,929	(40,022)	11,907	105,213	(85,022)	20,191

1 *Against derivatives with the same counterparties.*

Financial results for the first half of 2009 (continued)

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 g on pages 72 and 73 of the financial statements in the Annual Report and Accounts 2008).

Liquidity and funding management

The Liquidity and funding management has remained broadly consistent with those described in the Annual Report and Accounts 2008 detailed in pages 127 to 129.

Medium and long term debt

The medium and long term debt amounts to EUR 11.2 billion as at June 2009, stable compared to December 2008. During 2009 first half, EUR 2.0 billion have been issued, out of which EUR 1.5 billion was a 5 years maturity debt issued in January 2009. A total of EUR 2.0 billion of medium and long term debt has matured in 2009, out of which EUR 1.5 billion corresponded to a debt issued in April 2007 with a 2 year maturity.

An anticipated repayment occurred on 19 May regarding the JPY subordinated debt which was equivalent to EUR 38 million.

Certificates of deposits

The maturity profile of the certificates of deposits is presented below:

	30 June 2009	30 June 2008	31 December 2008
Maturity			
Below 1 month	**7 650**	3 621	5 449
Between 1 & 2 months	**1 700**	3 429	2 694
Between 2 & 3 months	**3 227**	4 718	4 330
Above 3 months	**620**	1 533	371
	13 197	13 301	12 844

Regulatory ratio

Regarding the regulatory liquidity ratio, HSBC France has met the French Banking Commission requirement in maintaining during the first half of 2009 a ratio largely in excess of 100%. In the first half of 2009, the average liquidity ratio of HSBC France was 116 per cent on an individual basis.

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.

The Market risk management has remained broadly consistent with those described in the Annual Report and Accounts 2008 detailed on pages 129 to 133.

<u>*Market risk assessment tools*</u>

Value at Risk

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

Financial results for the first half of 2009 (continued)

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. The internal model of HSBC France was 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 "Add-On VaR" 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:

(in millions of euros)	*One-day VaR without Add-On perimeter*	*Add-On VaR*
At 30 June 2009	**22.48**	**7.1**
At 31 December 2008	21.15	7.0

	One-day VaR without Add-On perimeter			*Add-On VaR*		
(in millions of euros)	*Average*	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
2009	**20.87**	**15.89**	**26.76**	**6.8**	**5.8**	**7.9**
2008	11.49	6.1	28.56	4.8	3.3	7.9

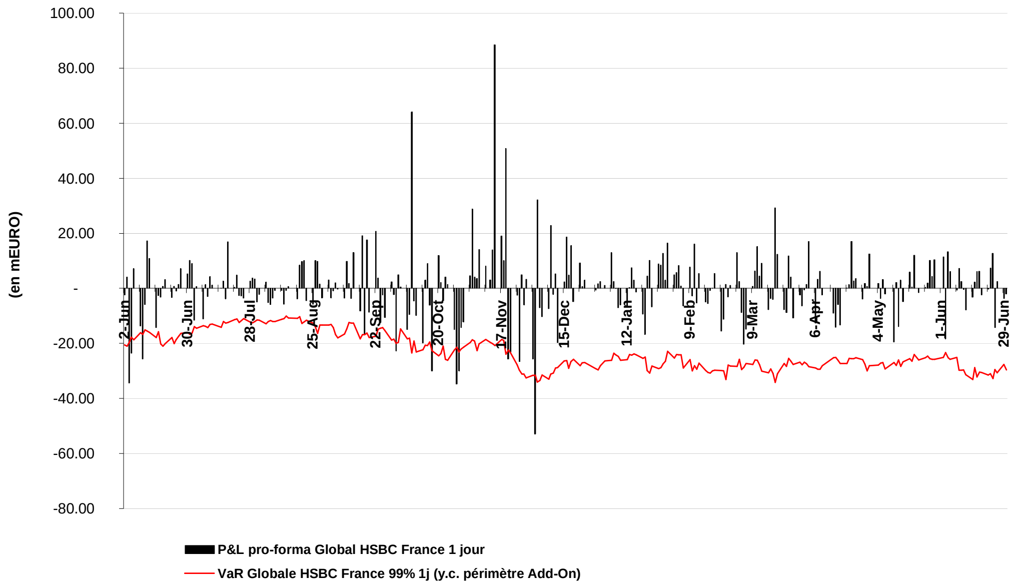
Back testing

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.

Financial results for the first half of 2009 (continued)

Pro forma back testing June 2008–June 2009
(in millions of euros)



HSBC France did not recorded back testing breaches in 2009. At the end of June 2009, 6 breaches had been recorded since 30 June 2008.

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 be 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 be 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):

Financial results for the first half of 2009 (continued)

Total trading VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2009	**0.23**	**23.93**	**2.70**	**22.78**
At 31 December 2008	0.27	17.04	6.53	21.20
Average				
2009	**0.37**	**21.26**	**4.71**	**20.25**
2008	0.33	12.97	4.07	11.75
Minimum				
2009	**0.13**	**15.22**	**2.68**	**14.98**
2008	0.09	6.79	1.58	5.96
Maximum				
2009	**0.88**	**28.38**	**7.95**	**26.96**
2008	0.75	27.17	7.22	28.02

Positions taken with trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2009	**0.23**	**21.12**	**2.70**	**21.26**
At 31 December 2008	0.27	16.69	6.53	19.97
Average				
2009	**0.37**	**20.80**	**4.71**	**18.82**
2008	0.33	12.16	4.07	9.65
Minimum				
2009	**0.13**	**14.78**	**2.68**	**14.07**
2008	0.09	5.45	1.58	5.96
Maximum				
2009	**0.88**	**27.73**	**7.95**	**22.73**
2008	0.75	27.30	7.22	23.79

Positions taken without trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2009	**–**	**1.52**	**–**	**1.52**
At 31 December 2008	–	1.23	–	1.23
Average				
2009	**–**	**1.34**	**–**	**1.34**
2008	–	2.12	–	2.12
Minimum				
2009	**–**	**0.91**	**–**	**0.91**
2008	–	0.94	–	0.94
Maximum				
2009	**–**	**2.78**	**–**	**2.78**
2008	–	4.23	–	4.23

Financial results for the first half of 2009 (continued)

Capital adequacy reporting

The 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 2009 and at 31 December 2008, it covered almost all 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 break down as follows (in millions of euros):

	30 June 2009		31 December 2008	
(in millions of euros)	***BIS***	***CAD***	*BIS*	*CAD*
Internal Model [1]:	**359.9**	**359.9**	364.1	364.1
Foreign exchange risk	**4.02**	**4.02**	4.5	4.5
General interest rate risk	**358.7**	**358.7**	321.7	321.7
General equities risk	**83.1**	**83.1**	99.2	99.2
Netting effet	**(85.9)**	**(85.9)**	(61.3)	(61.3)
Standards methods:	**72.1**	**72.1**	69.8	69.8
Foreign exchange risk	**–**	**–**	–	–
General interest rate risk	**–**	**–**	–	–
Specific interest rate risk	**72.1**	**72.1**	69.8	69.8
General equities risk	**–**	**–**	–	–
Specific equities risk	**–**	**–**	–	–
Total	**432.0**	**432.0**	433.9	433.9

1 *Including the Add-On perimeter.*

Capital management and risk cover and regulatory ratios

Capital measurement and allocation

The Commission Bancaire (the French banking commission) is the supervisor of the HSBC France group and, in this capacity, receives information on its capital adequacy and sets minimum capital requirements.

There have been no changes in the Directives and requirements and in the calculation methodology during the first half.

Calculation methodology and capital management is described in the Annual report 2008 pages 51 to 54.

The HSBC France group does not publish its own set of pillar 3 disclosures but it is included in the disclosures that HSBC Holdings makes available on the investor relations section of its website.

Financial results for the first half of 2009 (continued)

Regulatory capital position

The table below sets out the analysis of regulatory capital:

Composition of regulatory capital

(in millions of euros)	**30 June 2009 Basel II**	31 December 2008 Basel II
Tier 1:		
Shareholders' funds of the parent company	**5,541**	5,228
Minority interests	**48**	48
Less: dividends to be paid to the parent company	**(250)**	–
Less: items treated differently for the purposes of capital adequacy	**(34)**	(68)
Less: goodwill capitalised and intangible assets	**(373)**	(375)
Less: deductions in respect of expected losses	**(72)**	(123)
Less: investments in credit institutions exceeding 10% of capital	**(177)**	(174)
Total qualifying tier 1 capital	**4,683**	4,536
Tier 2:		
Reserves arising from revaluation of property and unrealised gains on available-for-sale securities	**97**	100
Perpetual subordinated loan and term-subordinated loan	**181**	221
Less: deductions in respect of expected losses	**(72)**	(123)
Less: investments in credit institutions exceeding 10% of capital	**(177)**	(174)
Total qualifying tier 2 capital	**29**	24
Investments in other banks and other financial institutions	**(4)**	(4)
Total capital	**4,708**	4,556
Total Basel I risk-weighted assets	**46,007**	48,949
Total Basel II risk-weighted assets	**43,937**	47,784
Capital ratios:		
Total capital	**10.7%**	9.6%
Tier 1 capital	**10.7%**	9.5%

The above figures were computed in accordance with the EU Banking Consolidation Directive and the CB Prudential Standards. The group complied with the CB's capital adequacy requirements throughout 2009 and 2008.

In 2008, HSBC France granted a EUR 650 million subordinated loan to HSBC Bank plc and as a result, the 10 per cent capital limit for such investments was exceeded : EUR 177 million were deducted from Tier 1 capital and EUR 177 million from Tier 2 capital as at 30 June 2009 (EUR 174 million as at 31 December 2008).

Tier 1

Taking into account the impact of the deduction in respect of Expected Loss under Basel II and the deduction in respect of investments in banks, the net change in Tier 1 capital is primarily due to the net income for the half year of EUR 261 million less the interim dividend of EUR 250 million and the change in own debt credit spread of 67 million.

Tier 2

Taking into account the impact of the deduction in respect of Expected Loss under Basel II and the deduction in respect of investments in banks exceeding 10 per cent of capital that reduce Tier 2 capital by EUR 249 million, Tier 2 capital decreased by EUR 43 million mainly as a result of the early redemption of a subordinated debt.

Basel II international solvency ratio

The HSBC France group's Basel II international solvency ratio was 10.7 per cent at 30 June 2009, compared with a minimum requirement of 8 per cent. The group's Tier 1 capital ratio was 10.7 per cent compared with a minimum requirement of 4 per cent.

Financial results for the first half of 2009 (continued)

Under the Basel II definitions, total HSBC France group capital amounted to EUR 4.7 billion at 30 June 2009, of which EUR 4.7 billion was Tier 1 capital.

The corresponding risk-weighted assets totalled EUR 43,9 billion, broken down as follows:

(in billions of euros)	**30 June 2009**
Credit risks, not including trading book	**34.5**
Trading book credit risks	**5.4**
Market risks	**4.0**
Total	**43.9**

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 2009.

Loan loss provisions

At 30 June 2009, loan loss provisions represented 47.5 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 116 per cent in the first half of 2009 for the parent company.

Special Purpose Entities

See development in the Annual Report and Accounts 2008 on page 136.

Financial results for the first half of 2009 (continued)

9 Contingent liabilities and contractual commitments

(a) ***Contingent liabilities and commitments***

(in millions of euros)	**30 June 2009**	30 June 2008	31 December 2008
Contract amounts			
Contingent liabilities			
Acceptances and endorsements	**-**	-	-
Guarantees and assets pledged as collateral security	**6,468**	7,537	7,117
Other contingent liabilities	**29**	96	109
	6,497	7,633	7,226
Commitments			
Documentary credits and short-term trade-related transactions	**303**	356	387
Undrawn note issuing and revolving underwriting facilities	**-**	25	-
Undrawn formal stand-by facilities, credit lines and other commitments to lend:			
– 1 year and under	**5,252**	9,573	5,138
– over 1 year	**12,134**	13,416	11,140
	17,689	23,370	16,665

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 2009**	30 June 2008	31 December 2008
Guarantee type			
Financial guarantees [1]	**439**	318	896
Stand-by letters of credit which are financial guarantees [2]	**677**	1,287	878
Other direct credit substitutes [3]	**289**	231	261
Performance bonds [4]	**1,543**	1,460	1,544
Bid bonds [4]	**28**	149	56
Standby letters of credit related to particular transactions [4]	**0**	59	-
Other transaction-related guarantees [4, 5,]	**3,492**	4,033	3,482
Other items	**29**	96	109
TOTAL	**6,497**	7,633	7,226

1 *Financial guarantees include undertakings to fulfil the obligations of customers or group entities should the obligated party fail to do so.*

2 *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.*

3 *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.*

4 *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.*

5 *Including guarantees by the group in favour of other HSBC Group entities:30 June 2009 EUR 641 million (30 June 2008 EUR 1,066 million, December 2008: EUR 1,185 million).*

Financial results for the first half of 2009 (continued)

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 2009**	30 June 2008	31 December 2008
Acceptances and endorsements	**-**	-	-
Other items	**2**	3	3

Financial results for the first half of 2009 (continued)

10 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.

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.

Impacts of the disposal of the seven regional banking subsidiaries are the main items included in "other" in December 2008.

	Half year			Full year
(in millions of euros)	**30 June 2009**	30 June 2008 published	30 June 2008 restated [1]	31 December 2008 published
Total Operating Income Before Loan Impairment Charges				
Personal Financial Services	**344**	439	346	754
Commercial Banking	**294**	349	274	649
Global Banking and Markets	**866**	635	627	799
Private Banking	**31**	46	46	82
Other	**(158)**	(4)	(3)	1,515
Total France	**1,377**	1,465	1,290	3,799
Perimeter differences	**(87)**	(101)		(166)
Total Legal	**1,290**	1,364		3,633
Profit before Tax				
Personal Financial Services (including Insurance)	**20**	82	23	91
Commercial Banking	**39**	105	53	122
Global Banking and Markets	**496**	331	323	172
Private Banking	**1**	9	9	7
Other	**(156)**	(5)	(4)	1,461
Total France - before goodwill impairment	**400**	522	404	1,853
Goodwill impairment	**-**	-		-
Total France	**400**	522		1,853
Perimeter differences (including disposal groups)	**(55)**	(72)		(109)
Total Legal	**345**	450		1,744
Total Assets				
Personal Financial Services	**14,118**	7,339		12,371
Commercial Banking	**10,477**	14,867		13,399
Global Banking and Markets	**217,124**	201,148		238,760
Private Banking	**897**	1,086		1,158
Other	**335**	(285)		337
	242,950	224,155		266,025

1 *Restatement of the first half of 2008 results of the regional banks sold on 2 July 2008.*

Financial results for the first half of 2009 (continued)

11 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 2009**	Balance at 30 June 2008	Balance at 31 December 2008
Assets			
Trading assets	**5,443**	5,108	3,235
Financial assets designated at fair value	**4**	-	3
Derivatives	**18,989**	16,787	36,434
Loans and advances to banks	**5,259**	6,502	3,799
Loans and advances to customers	**418**	397	709
Financial investments	**170**	272	194
Other assets	**1,355**	2,019	2,483
Prepayments and accrued income	**53**	87	91
Liabilities			
Deposits by banks	**14,811**	20,843	19,723
Customer accounts	**86**	275	153
Trading liabilities	**2,764**	3,962	282
Derivatives	**19,083**	16,598	35,224
Other liabilities	**2,062**	1,010	3,864
Accruals and deferred income	**23**	158	71
Subordinated liabilities	**150**	150	150

	Half year		Full year
	30 June 2009	30 June 2008	31 December 2008
Income Statement			
Interest Income [1]	**79**	257	539
Interest expense [1]	**126**	526	972
Fee income	**61**	78	141
Fee expense	**79**	76	131
Gains less losses from financial investments		-	-
Other operating income	**1**	1	2
Dividend income	**-**	-	6
General and administrative expenses	**23**	23	59

1 *In June 2009, including interests on trading assets and trading liabilities: EUR 30 million (December 2008: EUR 166 million).*

12 Litigation

As at 30 June 2009 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.

13 Events after the balance sheet date

There have been no material events after the balance sheet date which would require disclosure or adjustment to the 30 June 2009 financial statements.

Financial results for the first half of 2009 (continued)

14 Investments

The table below shows the changes, since the first half-year of 2009, in the legal perimeter published in the 2008 Annual Report.

Consolidated companies	*Country*	*Consolidation method (*)*	*Main line of business*	HSBC France group interest 30 June 2009	HSBC France group interest *31 December 2008*
Additions :					
SAF Chang jiang shi liu	France	FC	Financial company	100.0	-
SAF Chang jiang shi wu	France	FC	Financial company	100.0	-
Disposals :					
France Titrisation	France	EM	Service company	-	33.3
Liquidations :					
HSBC Republic Assurance SARL	France	FC	Insurance broker	-	100.0
SCI Neuilly Vichy	France	FC	Holding company	-	100.0
Deconsolidations :					
Global Marco High Risk	France	FC	Financial company	-	89.7
Sinopia Danube 2015	France	FC	Financial company	-	74.9
Sinopia Global Equities	France	FC	Financial company	-	57.7

(*) FC: Full Consolidation – EM: Equity Method.

3. Report of the Statutory Auditors on the interim financial information at 30 June 2009

For the six month period ended 30 June 2009

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of 2009 for the six-month period ended 30 June 2009,
- the verification of the information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors, in the context of an economic and financial crisis characterized by an ongoing very high volatility in the financial markets and low visibility in the future. 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-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – the standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to the matter discussed in note 1 to the condensed half-yearly consolidated financial statements relating to new accounting standards and interpretations that HSBC France has applied starting January 1, 2009.

II - Specific verification

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

Paris La Défense, on the 27August 2009
KPMG Audit
A division of KPMG SA
Pascal Brouard
Partner

Paris, on the 27 August 2009
BDO France - Léger & Associés

Michel Léger
Partner

Composition of the Board of Directors on 27 May 2009

Stuart Gulliver	Chairman of the Board
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
Michel Gauduffe	Director elected by employees
Stephen Green	Director
Philippe Houzé	Director
Thierry Jacquaint	Director elected by employees
Igor Landau	Director
Thierry Moulonguet *	Director
Philippe Pontet	Director
Philippe Purdy	Director elected by employees
Marcel Roulet	Director
Peter Shawyer	Director
Brigitte Taittinger	Director
Jacques Veyrat *	Director

* *Appointed by the Annual General Meeting held on 27 May 2009.*

Recent events

Events subsequent to the filing of the Reference Document

None.

Events subsequent to 30 June 2009

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 2009, date of the most recent published financial statements reviewed by the auditors.

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 38 of this document, which does not contain any reservation and which presents an observation relating to the new standards that have to be applied.

  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, 27 August 2009

Peter Boyles, CEO

Persons responsible for auditing the financial statements

Incumbents	First appointed	Re-appointed	Term expires
KPMG [1] Represented by Mr Pascal Brouard 1, cours Valmy 92923 Paris La Défense Cedex	2001	2006	2012
BDO France - 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 *2008 Annual Report and Accounts* D.09-0344 updated by this document.

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

The following items are incorporated by reference:

- the consolidated financial statements for the year ended 31 December 2008 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 59 to 141 and 142 to 143 of reference document D.09-344 filed with the AMF on 29 April 2009.

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:

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