Update to the Registration Document and Interim Financial Report

filed with the *Autorité des Marchés Financiers*
on 29 April 2010 under reference number D.10-0367

Update filed with the *Autorité des Marchés Financiers*
31 August 2010

HSBC France
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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This document was filed with the *Autorités des Marchés Financiers* (AMF) on 31 August 2010 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 2010 under reference number D.10-0367. It may be used in support of a financial transaction when supplemented by a transaction note that has received approval from the AMF.

Financial results for the first half of 2010

1. Management report on the first half of 2010

Main changes to organisational structures within the HSBC France group during the first half of 2010

Under an agreement signed on 26 October 2009, HSBC France sold its fund depositary and custodial activities and the fund administration activities of its subsidiary HSBC Securities Services (France) to CACEIS on 1 January 2010. This deal encompassed EUR 39 billion in funds under custody in 390 portfolios and EUR 56 billion in assets under administration for 20 management companies and 700 mutual funds. As part of the transaction, a partnership was formed covering several countries in the Asia region where CACEIS in France will have access to the foreign sub-custodial services of the HSBC network.

In December 2009, HSBC France entered into an agreement to sell its two buildings located at 103 avenue des Champs-Elysées and 15 rue Vernet to French Properties Management for EUR 400 million. With the conditions precedent having been satisfied, the sale to the subsidiary of a French OPCI (*Organisme de Placement Collectif Immobilier* – real-estate collective investment scheme) created for this purpose was finalised on 25 February 2010. HSBC France agreed to a 9-year lease, with the option to terminate the lease at the end of the fourth, fifth and sixth years.

As part of the reorganisation of its equity derivatives business announced in April 2009, HSBC France sold these operations to HSBC Bank plc Paris Branch in November 2009. This transfer gave the business a sounder, broader financial base to underpin its growth. Following the completion of the work on the operational migration of the activities of HSBC Financial Products (France) during the first half of 2010, the merger of HSBC Financial Products (France) with HSBC France took place on 30 June 2010.

A high level of profits amid still unstable economic conditions

Economic conditions during the first half of 2010 remained uncertain and mixed, with signs of a slowdown in French growth during the first quarter (+0.1 per cent after +0.6 per cent in the previous quarter) and renewed pressure on the sovereign debt of several euro-zone countries.

Nonetheless, several encouraging trends were evident in France, such as the stabilisation in the level of unemployment and the upturn in production during the second quarter as a result of the dynamism of global trade and depreciation in the euro.

Given this economic backdrop, HSBC's performance in France during the first half of 2010 was highly satisfactory. Without reverting to the level seen during the same period of 2009, which was marked by exceptional results in Capital Markets operations, operating performance held up at a high level.

Our bank has thus continued to demonstrate considerable resilience to the vagaries of economic conditions, illustrating the pertinence of our business model predicated on business diversity and prudent risk management. The downtrend in the cost of risk continued into the first half of 2010, while recurring operating expenses remained relatively stable.

Our performance is discussed below divided into the following two sections:

– HSBC France's consolidated financial statements under IFRS, as described in Note 1 to the consolidated financial statements[1]; and

– HSBC's operations in France, which include the Paris branch of HSBC Bank plc and its insurance subsidiaries, namely HSBC Assurances Vie (France) and HSBC Assurances IARD (France).

1 *See page 13.*

Financial results for the first half of 2010 (continued)

HSBC France's consolidated results (legal entities)

HSBC France generated a pre-tax profit of EUR 520 million, up 51 per cent on the comparable period in 2009. This profit notably includes the capital gain recorded in February 2010 on the sale and leaseback of our headquarters on the Champs-Elysées (EUR 140.6 million), as well as the impact of changes in the fair value of our debt linked to credit spreads (EUR 58 million[1]).

The pre-tax profit recorded by Personal Financial Services and Commercial Banking posted another strong increase, thereby justifying the substantial investments made in developing and converting our network. Global Banking and Markets posted a very firm performance and again made a significant contribution to the group's results, reflecting tight risk management in a turbulent financial environment resulting from the euro sovereign debt crisis.

Though lower than during comparable period in 2009, which was marked by exceptional results in Capital Markets operations, profits from recurring activities broadly held up at a high level. The performance of the various businesses is analysed in greater detail below in the section concerning HSBC's operations in France.

While it remains fragile, the improvement in economic conditions is reflected in the tangible reduction in the cost of risk. At EUR 54 million, the cost of risk dropped by 46 per cent compared with the first half of 2009, representing around 0.3 per cent of gross outstanding loans[2] to customers on an annualised basis.

HSBC France's regulatory capital requirements at 30 June 2010 was EUR 4.3 billion and comprises primarily of Core Tier One capital.

HSBC France, which attaches particular importance to the quality of its balance sheet, recorded a Tier 1 ratio of 12.2 per cent and a liquidity ratio of 125 per cent that continues to improve and comfortably exceeds French regulatory requirements. This financial strength puts our bank in a good position to face the challenges arising from the forthcoming entry into force of a new regulatory framework with considerably tighter constraints.

Results of HSBC's operations in France[3]

HSBC's operations in France, which also include the results of the insurance and equity derivatives businesses, generated a pre-tax profit of EUR 588 million, up 47 per cent compared with the first half of 2009.

On a comparative basis[4] restated notably for the capital gain on the sale of the headquarters and changes in the fair value of its own debt linked to credit spreads, pre-tax profit came to EUR 393 million. Even though this figure is 26 per cent lower than that recorded in the first half of 2009, owing

1 *This impact was negative EUR 70 million in the first half of 2009.*

2 *Excluding reverse repos.*

3 *The discussion on pages 4 to 6 relates to the contribution made by activities in France to the HSBC Group's results.*
- *The accounting scope changed at 1 January 2007 and now includes:*
  - *HSBC France, including entities legally owned by HSBC France but located outside France (mainly Asset Management activities outside France and CMSL in the UK) − i.e. the total legal scope − and the HSBC Bank plc branch in Paris, which since December 2007 has owned HSBC Assurances Vie (France) and HSBC Assurances IARD (France), and excluding the acquisition borrowing costs recognised by the HSBC Paris Branch;*
  - *the dynamic money market funds that are over 50 per cent-owned by the HSBC France group and consolidated since the first quarter of 2008.*
- *Financial data is presented under IFRS as adopted by the HSBC Group.*

4 *Excluding change in the fair value of our own debt, the discounting of stock options to present value, capital gains and impairments on HSBC shares, net gains on property transactions and the amortisation of the swaps termination payments on the regional banks sold in 2008.*

Financial results for the first half of 2010 (continued)

to exceptional results in Capital Markets operations, this level of profit shows that the earnings power of our businesses is holding up at a high level. The contribution made by Personal Financial Services and Commercial Banking recorded a solid increase, as did performance in Private Banking and Asset Management.

The cost of risk was the same as that recorded by the consolidated company (legal entities) at EUR 54 million. This represented a significant decline compared with 2009, especially in the Commercial Banking business, although we remain cautious given the uncertainty concerning economic conditions.

Operating expenses, excluding non credit risk related provisions, rose by 6 per cent to EUR 920 million, owing notably to the impact of the exceptional levy on the bonuses of market professionals paid in April 2010. Excluding this effect, operating expenses moved just 2 per cent higher. The pro forma cost efficiency ratio stood at 64 per cent, and includes amongst others the increase in property costs following the sale of the headquarters buildings.

Profits across all the business lines

Personal Financial Services

Personal Financial Services recorded pre-tax profit of EUR 55 million, up 179 per cent compared with the first half of 2009. This strong increase was driven by a significant improvement of revenue and lower cost of risk, together with a moderate rise in operating expenses thanks to tight cost control.

Revenues from Personal Financial Services totalled EUR 389 million, up 13 per cent on the comparable period in 2009. This first-class performance reflects the appeal of our product range and rewards our network modernisation efforts, which are continuing with a view to opening 20 new Premier Centres by 2011. Backed by a unique set of international services and a broad array of wealth management products, HSBC Premier's range lies at the heart of our strategy and continues to drive our development. The acquisition of Premier customers increased by 45 per cent compared with the first half of 2009.

Buoyed, among other factors, by the expansion in the Premier customer base, outstanding deposits moved up 5 per cent during the first half, with growth in demand deposits running at the same pace of around 5 per cent. This growth, which came against a backdrop of low interest rates and strong competition between various savings vehicles, reflects the strength of our brand.

Commercial Banking

For the first half of 2010, which was characterised by uncertain and mixed economic conditions, the Commercial Banking business posted a very good performance, with pre-tax profit up 62 per cent to EUR 63 million.

Excluding gains and losses on the disposal of financial assets, operating income advanced by 4 per cent owing to the momentum of our international activities and the benefits of our network's specialisation. The network now encompasses 51 business centres for SMEs (*Centres d'Affaires Entreprises*) and 10 Corporate Business Centres, which were behind several financing transactions during 2010.

During the first six months of the year, Commercial Banking continued to support its customers by increasing medium and long-term loan book by 12 per cent by comparison with the first half of 2009. The factoring business, which posted revenue up 16 per cent on the comparable period in 2009, continued to deliver rapid expansion.

The profitability of the Commercial Banking business was also underpinned by very effective

Financial results for the first half of 2010 (continued)

management of the cost of risk, which fell back 31 per cent on the comparable period in 2009, and tight control of operating expenses, which remained stable compared with the first half of 2009.

Global Banking and Markets

The profit of EUR 299 million recorded by the Global Banking and Markets business was highly satisfactory. Even so, as we forecast, they were around 40 per cent lower than in the first half of 2009 when market conditions were exceptional.

Revenue held up at a high level of EUR 661 million, while operating expenses fell back 5 per cent, excluding the impact of the exceptional tax paid in 2010 on the bonuses of market professionals. The cost of risk declined by 65 per cent to EUR 11 million, which represents a low level.

With profit before tax of EUR 48 million, Global Banking was boosted by an improvement in its operating performance in its core businesses and a positive contribution from proprietary trading and the portfolio of hedging instruments (Credit Default Swaps). The financing businesses maintained a healthy level of revenue, landing key roles in several syndicated loan deals, while structured asset financing delivered a significant increase in profits. In addition, the bank was again well-placed in mergers and acquisitions and in primary equity markets in the continuing difficult economic environment.

Without matching the level achieved in the first half of 2009, the profits posted by the Global Markets business were again very firm at EUR 240 million, notably thanks to a promising performance in equity derivatives and fixed-income structured products, which showed further signs of recovery. In addition, contribution from plain vanilla fixed-income products was again significant owing to brisk activity in debt origination (notably covered bonds and government and public-sector bonds) and to tight risk management in a highly volatile environment.

In Asset Management, our profit increased significantly to EUR 11 million in spite of a market environment that was both volatile and risk-averse and was highly disrupted by the euro sovereign debt crisis. Assets under management recorded an increase of 20 per cent compared with the first half of 2009, with slightly less than half the rise attributable to the increase in new money. Inflows were boosted by the marketing efforts made with institutional and corporate customers and confirmed the benefits of our programme of harnessing synergies with Retail Banking, notably through the promotion of World Selection.

Private banking

Performance in Private Banking recorded a tangible increase, with pre-tax profit of EUR 5 million during the first half of 2010 compared with EUR 1 million in the first half of 2009. First and foremost, the business reaped the benefit of the recovery in the equity markets and positive net new money. Assets under management rose by 12 per cent on the comparable period in 2009, all customer segments combined. Cooperation with the HSBC network in France also continued successfully thanks to strong acceleration in synergies with Commercial Banking – the volume of inflows from this channel tripled by comparison with the first half of 2009.

Financial results for the first half of 2010 (continued)

2. Condensed consolidated financial statements at 30 June 2010

Consolidated income statement for the half-year to 30 June 2010

(in millions of euros)	*Notes*	**30 June 2010**	30 June 2009	31 December 2009
Interest income		**820**	1,111	1,945
Interest expense		**(373)**	(883)	(1,335)
Net interest income		**447**	228	610
Fee income		**521**	535	1,047
Fee expense		**(140)**	(189)	(306)
Net fee income		**381**	346	741
Trading income		**361**	792	985
Net income from financial instruments designated at fair value		**50**	(75)	(147)
Gains less losses from financial investments		**34**	(10)	17
Dividend income		**5**	6	10
Other operating income		**170**	3	25
Net operating income before loan impairment charges and other credit risk provisions		**1,448**	1,290	2,241
Loan impairment charges and other credit risk provisions	*6*	**(54)**	(99)	(178)
Net operating income		**1,394**	1,191	2,063
Employee compensation and benefits		**(532)**	(523)	(1,009)
General and administrative expenses		**(312)**	(292)	(578)
Depreciation of property, plant and equipment		**(25)**	(26)	(60)
Amortisation of intangible assets and impairment of goodwill		**(5)**	(5)	(10)
Total operating expenses		**(874)**	(846)	(1,657)
Operating profit		**520**	345	406
Share of profit in associates and joint ventures		**-**	-	-
Profit before tax		**520**	345	406
Tax expense		**(102)**	(83)	(52)
Profit from continuing operations		**418**	262	354
Discontinued operations				
Net profit on discontinued operations	*3*	**-**	-	(6)
Profit for the period		**418**	262	348
Profit attributable to shareholders of the parent company		**416**	261	347
Profit attributable to non-controlling interests		**2**	1	1

(in euros)				
Basic earnings per ordinary share	*5*	**6.17**	3.87	5.15
Diluted earnings per ordinary share	*5*	**6.17**	3.83	5.10
Dividend per ordinary share	*5*	**5.85**	3.70	9.94

Financial results for the first half of 2010 (continued)

Consolidated statement of comprehensive income for the half-year to 30 June 2010

(in millions of euros)	**30 June 2010**	30 June 2009	31 December 2009
Profit for the period	**418**	262	348
Other comprehensive income			
Available-for-sale investments:			
– fair value gains/(losses) taken to equity	**43**	(18)	107
– fair value gains transferred to income statement on disposal	**(44)**	(21)	(52)
– amounts transferred to/(from) the income statement in respect of impairment losses	**2**	19	32
– income taxes	**(1)**	12	(25)
Cash flow hedges:			
– fair value gains/(losses) taken to equity	**119**	52	126
– fair value (gains)/losses transferred to income statement	**17**	15	26
– income taxes	**(47)**	(23)	(52)
Actuarial gains/(losses) on defined benefit plans	**(9)**	(3)	(6)
Exchange differences	**3**	5	5
Other comprehensive income for the period, net of tax	**83**	38	161
Total comprehensive income for the period	**501**	300	509
Total comprehensive income for the year attributable to:			
– shareholders of the parent company	**499**	299	508
– non-controlling interests	**2**	1	1
	501	300	509

Financial results for the first half of 2010 (continued)

Consolidated statement of financial position at 30 June 2010

(in millions of euros)	*Notes*	**30 June 2010**	30 June 2009	31 December 2009
ASSETS				
Cash and balances at central banks	*8*	**7,951**	1,383	586
Items in the course of collection from other banks	*8*	**941**	1,117	1,079
Trading assets	*7-8*	**65,005**	66,309	61,529
Financial assets designated at fair value	*7-8*	**612**	518	595
Derivatives	*7-8*	**75,112**	62,745	55,957
Loans and advances to banks	*7-8*	**39,435**	31,410	30,705
Loans and advances to customers	*7-8*	**50,056**	54,607	49,780
Financial investments	*7-8*	**3,361**	5,279	5,148
Interests in associates and joint ventures		**7**	5	6
Goodwill and intangible assets		**381**	387	385
Property, plant and equipment		**230**	522	258
Other assets		**750**	483	461
Deferred tax assets		**53**	64	78
Prepayments and accrued income		**1,275**	1,407	1,277
Assets classified as held for sale	*3*	**43**	16,713	5,600
TOTAL ASSETS		**245,212**	242,950	213,444

LIABILITIES AND EQUITY		**30 June 2010**	30 June 2009	31 December 2009
Liabilities				
Deposits by banks	*7*	**39,452**	45,097	41,035
Customer accounts	*7*	**56,538**	61,122	49,338
Items in the course of transmission to other banks		**787**	830	959
Trading liabilities	*7*	**44,620**	29,849	35,154
Financial liabilities designated at fair value	*7*	**5,696**	3,795	3,881
Derivatives	*7*	**74,558**	61,780	55,608
Debt securities in issue	*7*	**15,541**	18,923	14,769
Retirement benefit liabilities		**112**	103	98
Other liabilities		**882**	835	857
Current taxation		**18**	75	13
Accruals and deferred income		**1,170**	1,042	1,224
Deferred tax liabilities		**-**	-	-
Provisions for liabilities and charges		**65**	83	78
Subordinated liabilities	*7*	**166**	166	166
TOTAL LIABILITIES		**239,605**	223,703	203,180
Equity				
Called-up share capital		**337**	337	337
Share premium account		**16**	16	16
Other reserves and retained earnings		**5,203**	5,188	4,707
TOTAL SHAREHOLDERS' EQUITY		**5,556**	5,541	5,060
Non-controlling interests		**51**	48	48
TOTAL EQUITY		**5,607**	5,589	5,108
Liabilities classified as held for sale	*3*	**-**	13,658	5,156
TOTAL EQUITY AND LIABILITIES		**245,212**	242,950	213,444

Financial results for the first half of 2010 (continued)

Consolidated statement of changes in equity for the half-year to 30 June 2010

	30 June 2010										
				Other reserves							
(in millions of euros)	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	Non-controlling interests	Total equity
At 1 January 2010	**337**	**16**	**4,566**	**37**	**(18)**	**(3)**	**121**	**4**	**5,060**	**48**	**5,108**
Share capital issued, net of costs	-	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-
Net impact of equity-settled share-based payments	-	-	-	-	-	-	**13**	-	**13**	-	**13**
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	**41**	-	-	-	**(58)**	-	**(16)**	**1**	**(15)**
Total comprehensive income for the period	-	-	**407**	-	**89**	**3**	-	-	**499**	**2**	**501**
At 30 June 2010	**337**	**16**	**5,014**	**37**	**71**	**-**	**76**	**4**	**5,556**	**51**	**5,607**

	30 June 2009										
				Other reserves							
(in millions of euros)	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	Non-controlling 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 non-controlling 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

Financial results for the first half of 2010 (continued)

(in millions of euros)	31 December 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	Non-controlling 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	-	-	(670)	-	-	-	-	-	(670)	-	(670)
Net impact of equity-settled share-based payments	-	-	-	-	-	-	(24)	-	(24)	-	(24)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	21	(2)	-	(1)	-	-	18	(1)	17
Total comprehensive income for the period	-	-	341	62	100	5	-	-	508	1	509
At 31 December 2009	337	16	4,566	37	(18)	(3)	121	4	5,060	48	5,108

Financial results for the first half of 2010 (continued)

Consolidated cash flow statement for the half-year to 30 June 2010

(in millions of euros)	Notes	Half year 30 June 2010	30 June 2009	Full year 31 December 2009
Cash flows from operating activities				
Profit before tax		**520**	345	406
Net profit on discontinued operations		**-**	-	(6)
Adjustments for:				
– non-cash items included in net profit		**49**	147	183
– change in operating assets		**4,228**	(21,490)	(8,283)
– change in operating liabilities		**8,362**	9,112	(8,101)
– change in assets/liabilities of disposal groups classified as held for sale (including cash items)		**-**	(373)	(459)
– elimination of exchange differences		**(100)**	(62)	88
– net gain from investing activities		**(179)**	(18)	(61)
– share of profits in associates and joint ventures		**-**	-	-
– dividends received from associates		**-**	-	-
– tax (paid) / recovered		**2**	46	(189)
Net cash from operating activities		**12,882**	(12,293)	(16,422)
Cash flows (used in)/from investing activities				
Purchase of financial investments		**(674)**	(2,910)	(3,159)
Proceeds from the sale and maturity of financial investments		**2,398**	715	1,253
Purchase of property, plant and equipment		**(23)**	(19)	(45)
Proceeds from the sale of property, plant and equipment		**400**	-	2
Purchase of goodwill and intangible assets		**(2)**	(3)	(5)
Net cash outflow from acquisition of and increase in stake of subsidiaries		**-**	-	-
Net cash inflow from disposal of subsidiaries		**2**	-	8
Net cash outflow from acquisition of and increase in stake of associates		**-**	-	-
Proceeds from disposal of associates		**-**	-	-
Net cash (used in)/from investing activities		**2,101**	(2,218)	(1,946)
Cash flows (used in)/from financing activities				
Issue of ordinary share capital		**-**	-	-
Net purchases of own shares		**-**	-	-
Increase in non-equity of non controlling interests		**-**	-	-
Subordinated loan capital issued		**-**	-	-
Subordinated loan capital repaid		**-**	(40)	(40)
Dividends paid to shareholders		**-**	-	(670)
Dividends paid to non controlling interests		**-**	-	-
Net cash (used in)/from financing activities		**-**	(40)	(710)
Net increase in cash and cash equivalents		**14,983**	(14,550)	(19 073)
Cash and cash equivalents at 1 January		**15,993**	34,963	34 963
Effect of exchange rate changes on cash and cash equivalents		**104**	106	103
Cash and cash equivalents at the end of the period		**31,080**	20,519	15 993

Financial results for the first half of 2010 (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 for the six months ended 30 June 2010 comprise the financial statement of HSBC France and its subsidiaries and the HSBC France group's interest in associates and jointly controlled entities.

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 European Union (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 2009.

The consolidated financial statements of HSBC France at 31 December 2009 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 2009, there were no unendorsed standards effective for the year ended 31 December 2009 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 2010, there were no unendorsed standards effective for the period ended 30 June 2010 affecting these consolidated interim 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.

The consolidated financial statements of HSBC France as at for the year ended 31 December 2009 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.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 July 2010.

During the period ended 30 June 2010, the group adopted the following significant standards and amendments to standards:

- On 1 January 2010, the group adopted the revised IFRS 3 'Business Combinations' and the amendments to IAS 27 'Consolidated and Separate Financial Statements'. The main changes under the standards are that :
  - acquisition-related costs are recognised as an expense in the income statement in the period in which they are incurred;
  - all consideration transferred, including contingent consideration, is recognised and measured at fair value at the acquisition date;
  - equity interests held prior to control being obtained are remeasured to fair value at the date of obtaining control, 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 are 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.

These changes had no significant effect on HSBC France's consolidated financial statements for the period ended 30 June 2010.

During the period ended 30 June 2010, in addition to the above, the group adopted a number of standards and interpretations, and amendments thereto which had an insignificant effect on these consolidated financial statements.

Financial results for the first half of 2010 (continued)

As disclosed in the 2009 Annual Report and Accounts, 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 2009.

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 71 and 72 of the Annual Report and Accounts 2009.

d *Future accounting developments*

At 30 June 2010, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not yet effective to these consolidated financial statements. Except for those described on pages 73 and 74 (IFRS 9 – Financial Instruments) of the Annual Report and Accounts 2009, the HSBC France group does not expect the adoption of any of these to have a significant effect on these consolidated financial statements.

2 Accounting policies

The accounting policies adopted by HSBC France for these condensed interim consolidated financial statements are consistent with those described on Note 2 pages 74 to 85 of the Annual Report and Accounts 2009, 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 was effective in November 2009. At 31 December 2009, some operations remained on HSBC Financial Products (France) balance sheet and were transferred in the first half year of 2010. As required by IFRS 5, at 30 June 2009, and at 31 December 2009, HSBC Financial Products (France) 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 half of 2009 are presented separately in the line item "Net profit on discontinued operations".

HSBC Financial Products (France) merged with HSBC France on 30 June 2010, with effect from 1st January 2010. This merger had no impact on the HSBC France group consolidated statements.

Financial results for the first half of 2010 (continued)

4 Dividends

Dividends related to 2010

On 27 July 2010, the Board of Directors approved an interim dividend of EUR 5.85 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 394.5 million. The interim dividend was paid on 28 July 2010.

The Board of Directors will propose a final dividend to shareholders at its Board meeting in February 2011 when it approves the 2010 annual accounts.

Dividends related to 2009

On 29 July 2009, the Board of Directors approved a first 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.

On 18 November 2009, the Board of Directors approved a second interim dividend of EUR 6.24 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 420.8 million.

Following proposals by the Board of Directors, at the Annual General Meeting held on 11 May 2010, it was decided not to distribute any further dividends in respect of the 2009 results.

5 Earnings and dividends per share

(in euros)	**30 June 2010**	30 June 2009	31 December 2009
Basic earnings per share	**6.17**	3.87	5.15
Diluted earnings per share	**6.17**	3.83	5.10
Dividends per share	**5.85**	3.70	9.94

Basic earnings per ordinary share were calculated by dividing the earnings of EUR 416 million by the number of ordinary shares outstanding, excluding own shares held, of 67,437,820 (first half of 2009: earnings of EUR 261 million and 67,437,820 shares; full year 2009: earnings of EUR 347 million and 67,437,820 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 67,437,820 (first half of 2009: 68,225,697 shares; full year 2009: 68,042,070 shares). At 30 June 2010, there are no outstanding options which will dilute earnings per share.

Financial results for the first half of 2010 (continued)

6 Impairment allowances and charges

Loan impairment charges and other credit risk provisions comprise:

(in millions of euros)	**30 June 2010**	30 June 2009	31 December 2009
Individually assessed impairment allowances			
New allowances	**158**	180	282
Release of allowances no longer required	**(93)**	(85)	(103)
Recoveries of amounts previously written off	**(1)**	(1)	(2)
	64	94	177
Collectively assessed impairment allowances			
New allowances	**1**	8	8
Release of allowances no longer required	**(11)**	(3)	(7)
Recoveries of amounts previously written off	**-**	-	-
	(10)	5	1
Total charge for impairment losses	**54**	99	178
Banks	**-**	-	-
Customers	**54**	99	178
Other credit risk provisions	**-**	-	-
Impairment charges on debt security investments available-for-sale	**-**	-	(1)
Loan impairment charges and other credit risk provisions	**54**	99	177
Customer charge for impairment losses as a percentage of closing gross loans and advances [1]	**0.11 %**	0.18 %	0.35 %
Balances outstanding			
Non-performing loans	**1,329**	1,200	1,298
Individually impairment allowances	**645**	570	604
Gross loans and advances	**90,204**	86,669	81,167
Total allowances cover as a percentage of non-performing loans and advances	**48.53 %**	47.50 %	46.53 %

1 *Percentage not annualised for 30 June closing.*

Movement in allowance accounts on total loans and advances

	30 June 2010		
(in millions of euros)	***Individually assessed***	***Collectively assessed***	***Total***
At 1 January	**(604)**	**(78)**	**(682)**
Amounts written off	**22**	**-**	**22**
Release of allowances no longer required	**93**	**11**	**104**
(Charge) to income statement	**(158)**	**(1)**	**(159)**
Exchange and other movements	**2**	**-**	**2**
At 30 June	**(645)**	**(68)**	**(713)**

	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 30 June	(570)	(82)	(652)

Financial results for the first half of 2010 (continued)

	31 December 2009		
(in millions of euros)	*Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(525)	(77)	(602)
Amounts written off	91	-	91
Release of allowances no longer required	103	7	110
(Charge) to income statement	(282)	(8)	(290)
Exchange and other movements	9	-	9
At 31 December	(604)	(78)	(682)

Financial results for the first half of 2010 (continued)

7 Fair value of financial instruments

Fair values are determined in accordance with the methodology set out in the Annual Report and Accounts 2009 in the accounting policies on pages 74 to 85 and in Note 28 on pages 118 to 124.

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 :

	Valuation techniques:					
(in millions of euros)	*Level 1 - Quoted market price*	*Level 2- using observable inputs*	*Level 3 - with significant non-observable inputs*	*Third Party Total*	*Amounts with HSBC entities*	*Total*
At 30 June 2010						
Assets						
Trading assets	**57,632**	**993**	**-**	**58,625**	**6,380**	**65,005**
Financial assets designated at fair value	**-**	**608**	**-**	**608**	**4**	**612**
Derivatives	**3**	**54,691**	**8**	**54,702**	**20,410**	**75,112**
Financial investments	**2,351**	**840**	**-**	**3,191**	**170**	**3,361**
Liabilities						
Trading liabilities	**39,305**	**1,855**	**-**	**41,160**	**3,460**	**44,620**
Financial liabilities at fair value	**-**	**5,696**	**-**	**5,696**	**-**	**5,696**
Derivatives	**3**	**50,807**	**8**	**50,818**	**23,740**	**74,558**
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 31 December 2009						
Assets						
Trading assets	55,073	1,409	-	56,482	5,047	61,529
Financial assets designated at fair value	-	591	-	591	4	595
Derivatives	6	37,825	6	37,837	18,120	55,957
Financial investments	4,038	940	-	4,978	170	5,148
Liabilities						
Trading liabilities	32,185	1,791	-	33,976	1,178	35,154
Financial liabilities at fair value	-	3,881	-	3,881	-	3,881
Derivatives	1	35,342	3	35,346	20,262	55,608

Financial results for the first half of 2010 (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 2010		30 June 2009		31 December 2009	
(in millions of euros)	***Carrying value***	***Fair Value***	*Carrying value*	*Fair Value*	*Carrying value*	*Fair value*
Assets						
Loans and advances to banks	**39,435**	**39,440**	31,410	31,415	30,705	30,707
Loans and advances to customers	**50,056**	**49,503**	54,607	54,114	49,780	49,586
Liabilities						
Deposits by banks	**39,452**	**39,452**	45,097	45,097	41,035	41,035
Customer accounts	**56,538**	**56,557**	61,122	61,144	49,338	49,344
Debt securities in issue	**15,541**	**15,603**	18,923	18,923	14,769	14,778
Subordinated liabilities	**166**	**169**	166	169	166	169

Analysis of Asset Backed Securities

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

	30 June 2010				30 June 2009			
(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]	**259**	**-**	**259**	**231**	330	-	330	254
- rated C to A	**38**	**-**	**38**	**27**	3	-	3	2
- not publicly rated	**4**	**-**	**4**	**4**	6	-	6	6
Total Asset Backed Securities	**301**	**-**	**301**	**262**	339	-	339	262

	31 December 2009			
(in millions of euros)	*Gross principal* [2]	*CDS gross protection* [3]	*Net Principal exposure* [4]	*Carrying amount* [5]
- High grade [1]	263	-	263	237
- rated C to A	24	-	14	21
- not publicly rated	19	-	19	17
Total Asset Backed Securities	306	-	306	275

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 2010 (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 and Accounts 2009 on pages 128 to 150.

There have been no significant change in HSBC France's risk factors and uncertainties relative to those described in the Annual Report and Accounts 2009 as at 31 December 2009. Furthermore, no major change in the coming six months is anticipated to date.

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 and Accounts 2009 detailed in pages 128 to 138.

Credit quality of financial instruments

The five 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
Good	CRR 3	EL 3	BBB+ to BBB-
Satisfactory	CRR 4 to CRR 5	El 4 to EL 5	BB+ to B+, 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.

"Good": exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk. Retail accounts typically show only short periods of delinquency, with any losses expected to be minimal following the adoption of recovery processes.

"Satisfactory": exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk. Retail accounts typically show only short periods of delinquency, with any losses expected to be minor 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 2009 Annual Report and Accounts page 134.

Financial results for the first half of 2010 (continued)

Distribution of financial instruments by credit quality

	30 June 2010							
	Neither past due nor impaired							
(in millions of euros)	*Strong*	*Good*	*Satisfactory*	*Sub-standard*	*Past due not impaired*	*Impaired*	*Impairment allowances*	*Total*
Cash and balances at central banks	7,951	-	-	-	-	-	-	7,951
Items in the course of collection from other banks	941	-	-	-	-	-	-	941
Trading assets	58,086	1,847	5,050	22	-	-	-	65,005
Treasury and other eligible bills	36,321	-	-	-	-	-	-	36,321
Debt securities	9,074	874	255	-	-	-	-	10,203
Loans and advances to banks	11,857	959	693	22	-	-	-	13,531
Loans and advances to customers	834	14	4,102	-	-	-	-	4,950
Financial assets designated at fair value	612	-	-	-	-	-	-	612
Treasury and other eligible bills	-	-	-	-	-	-	-	-
Debt securities	5	-	-	-	-	-	-	5
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	607	-	-	-	-	-	-	607
Derivatives	54,766	17,009	3,189	148	-	-	-	75,112
Loans and advances held at amortised cost	61,748	15,201	10,537	883	506	1,329	(713)	89,491
Loans and advances to banks	33,002	3,388	3,038	7	-	-	-	39,435
Loans and advances to customers	28,746	11,813	7,499	876	506	1,329	(713)	50,056
Financial investments	2,678	55	106	-	-	-	-	2,839
Treasury and other similar bills	410	-	-	-	-	-	-	410
Debt securities	2,268	55	106	-	-	-	-	2,429
Other assets	11	-	1,876	-	-	-	-	1,887
Endorsements and acceptances	-	-	-	-	-	-	-	-
Accrued income and other	11	-	1,876	-	-	-	-	1,887
Total	186,793	34,112	20,758	1,053	506	1,329	(713)	243,838

Financial results for the first half of 2010 (continued)

(in millions of euros)	30 June 2009 Neither past due nor impaired Strong	Good	Satisfactory	Sub-standard	Past due not impaired	Impaired	Impairment allowances	Total
Cash and balances at central banks	1,383	-	-	-	-	-	-	1,383
Items in the course of collection from other banks	1,117	-	-	-	-	-	-	1,117
Trading assets	57,632	1,621	7,047	9	-	-	-	66,309
Treasury and other eligible bills	40,106	-	-	-	-	-	-	40,106
Debt securities	5,732	143	3,811	-	-	-	-	9,686
Loans and advances to banks	11,030	1,326	207	9	-	-	-	12,572
Loans and advances to customers	764	152	3,029	-	-	-	-	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	8,124	2,426	182	-	-	-	62,745
Loans and advances held at amortised cost	58,837	13,713	11,538	706	675	1,200	(652)	86,017
Loans and advances to banks	28,665	1,330	1,401	14	-	-	-	31,410
Loans and advances to customers	30,172	12,383	10,137	692	675	1,200	(652)	54,607
Financial investments	3,079	61	1,506	-	-	-	-	4,646
Treasury and other similar bills	2,037	-	-	-	-	-	-	2,037
Debt securities	1,042	61	1,506	-	-	-	-	2,609
Other assets	66	-	1,791	-	-	-	-	1,857
Endorsements and acceptances	-	-	2	-	-	-	-	2
Accrued income and other	66	-	1,789	-	-	-	-	1,855
Total	174,645	23,519	24,308	897	675	1,200	(652)	224,592

Financial results for the first half of 2010 (continued)

	31 December 2009							
	Neither past due nor impaired							
(in millions of euros)	*Strong*	*Good*	*Satisfactory*	*Sub-standard*	*Past due not impaired*	*Impaired*	*Impairment allowances*	*Total*
Cash and balances at central banks	586	-	-	-	-	-	-	586
Items in the course of collection from other banks	1,079	-	-	-	-	-	-	1,079
Trading assets	57,214	2,475	1,827	13	-	-	-	61,529
Treasury and other eligible bills	38,125	-	-	-	-	-	-	38,125
Debt securities	8,734	1,454	227	-	-	-	-	10,415
Loans and advances to banks	9,572	909	240	13	-	-	-	10,734
Loans and advances to customers	783	112	1,360	-	-	-	-	2,255
Financial assets designated at fair value	595	-	-	-	-	-	-	595
Treasury and other eligible bills	-	-	-	-	-	-	-	-
Debt securities	4	-	-	-	-	-	-	4
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	591	-	-	-	-	-	-	591
Derivatives	40,935	13,020	1,847	155	-	-	-	55,957
Loans and advances held at amortised cost	55,422	13,591	9,335	809	712	1,298	(682)	80,485
Loans and advances to banks	27,187	2,605	913	-	-	-	-	30,705
Loans and advances to customers	28,235	10,986	8,422	809	712	1,298	(682)	49,780
Financial investments	4,287	53	149	-	-	-	-	4,489
Treasury and other similar bills	2,012	-	-	-	-	-	-	2,012
Debt securities	2,275	53	149	-	-	-	-	2,477
Other assets	71	-	1,500	-	-	-	-	1,571
Endorsements and acceptances	-	-	-	-	-	-	-	-
Accrued income and other	71	-	1,500	-	-	-	-	1,571
Total	160,189	29,139	14,658	977	712	1,298	(682)	206,291

Financial results for the first half of 2010 (continued)

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 68 billion at 30 June 2010 (EUR 57 billion at 30 June 2009, EUR 50 billion at 31 December 2009).

(in millions of euros)	**At 30 June 2010** Book value	Amount for which HSBC has a legally enforceable right [1]	Net total credit risk	At 30 June 2009 Book value	Amount for which HSBC has a legally enforceable right [1]	Net total credit risk	At 31 December 2009 Book value	Amount for which HSBC has a legally enforceable right [1]	Net total credit risk
Derivatives	**75,112**	**(68,190)**	**6,922**	62,745	(56,870)	5,875	55,957	(50,227)	5,730

1 *Against derivatives with the same counterparties.*

Impairment assessment

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

Two types of impairment allowance are in place: individually assessed and collectively assessed (see Note 2 g on pages 76 and 77 of the financial statements in the Annual Report and Accounts 2009).

Liquidity and funding management

The Liquidity and funding management has remained broadly consistent with those described in the Annual Report and Accounts 2009 detailed in pages 138 to 140.

Medium and long term debt

The medium and long term debt amounts for EUR 14.7 billion as at June 2010, in increase compared to EUR 11.2 billion as at the end of December 2009. This increase is due to the EUR 3.7 billion that has been issued in the first half of 2010, including :

- EUR 1.8 billion under the Covered Bond format, representing two issues, the inaugural issue of EUR 1.5 billion for 7 years, and a placement of EUR 0.3 billion in CHF;
- EUR 1.9 billion of private placement unsecured issues.

Certificates of deposits

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

(in millions of euros)	**30 June 2010**	30 June 2009	31 December 2009
Maturity			
below 1 month	**3,577**	7,650	2,742
between 1 & 2 months	**2,555**	1,700	3,367
between 2 & 3 months	**897**	3,227	2,505
above 3 months	**1,110**	620	571
Total	**8,139**	13,197	9,185

Financial results for the first half of 2010 (continued)

Regulatory ratio

Regarding the regulatory liquidity ratio, HSBC France has met the French regulator (*Autorité de Contrôle Prudentiel*) requirement in maintaining during the first half of 2010 a ratio well in excess of 100 per cent. The regulatory liquidity ratio, which measures the potential one-month liquidity gap, averaged 124 per cent in the first half of 2010 for the parent company.

HSBC France applied on 30 June 2010 the new regulation rules further to the implementation of the "arrêté du 5 mai 2009" relating to identification, measurement, management and control of the liquidity risk. This new regulation rules had no significant incidence on HSBC France's liquidity ratio.

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 2009 detailed on pages 140 to 148.

Market risk assessment tools

Value at Risk

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

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

The historical simulation model derives plausible future scenarios from historical market rates time series, taking account of inter relationships between different markets and rates, for example between interest rates and foreign exchange rates. Potential movements in market prices are calculated with reference to market data from the last two years. The internal model of HSBC France was validated again by the French Banking Commission in 2007 for capital requirement 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.

Financial results for the first half of 2010 (continued)

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 2010	**19.12**	**5.40**
At 31 December 2009	15.08	6.93

	One-day VaR without Add-On perimeter			*Add-On VaR*		
(in millions of euros)	*Average*	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
2010	**19.30**	**14.23**	**25.62**	**6.68**	**5.32**	**8.36**
2009	18.76	12.55	26.76	6.73	5.81	7.93

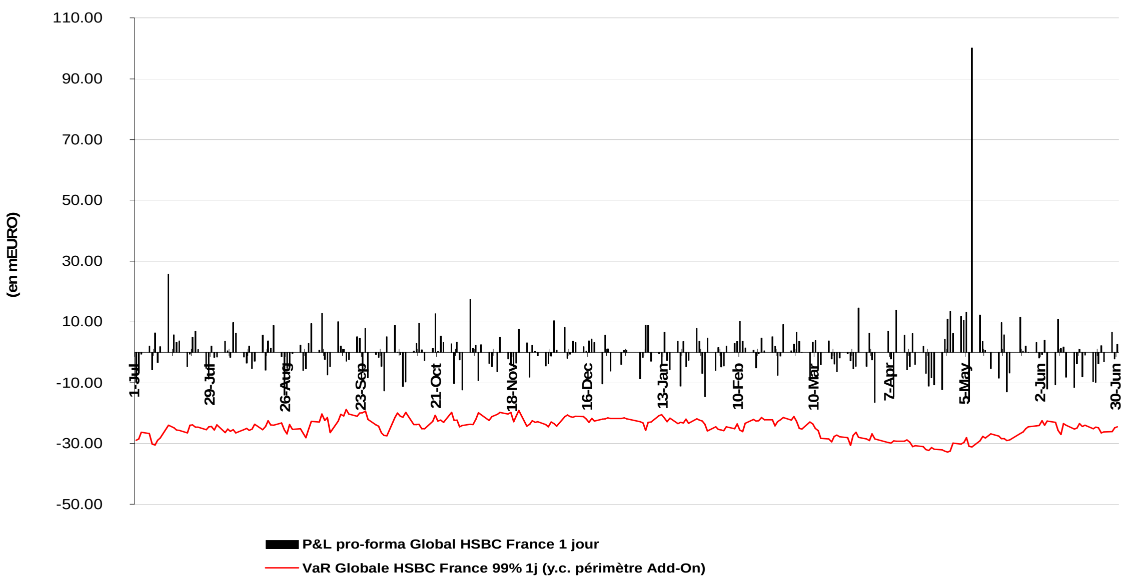
The VaR and the Var Add-On remained quite stable in its average and in its maximum.

Back testing

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

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

Pro forma back testing June 2009–June 2010
(in millions of euros)



HSBC France did not record any back testing breaches in the past year.

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.

Financial results for the first half of 2010 (continued)

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 Wholesale & Market Risk, and enforcing rigorous new product approval procedures. In particular, trading in the more complex derivative products is concentrated with appropriate levels of product expertise and robust control systems.

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

Total trading VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2010	**0.04**	**19.06**	**0.01**	**19.02**
At 31 December 2009	0.10	15.44	0.43	15.51
Average				
2010	**0.09**	**19.06**	**0.25**	**19.00**
2009	0.30	19.51	3.86	18.60
Minimum				
2010	**0.01**	**14.14**	**0.01**	**14.13**
2009	0.03	12.90	0.30	12.89
Maximum				
2010	**0.23**	**26.01**	**0.50**	**26.02**
2009	0.93	28.38	7.95	26.96

Positions taken with trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2010	**0.04**	**18.72**	**0.01**	**17.86**
At 31 December 2009	0.10	15.08	0.43	13.92
Average				
2010	**0.09**	**18.96**	**0.25**	**17.85**
2009	0.30	19.43	3.86	17.19
Minimum				
2010	**0.01**	**13.65**	**0.01**	**13.35**
2009	0.03	13.23	0.30	11.99
Maximum				
2010	**0.23**	**24.86**	**0.50**	**24.03**
2009	0.93	35.77	7.95	24.18

Financial results for the first half of 2010 (continued)

Positions taken without trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2010	**-**	**1.17**	**-**	**1.17**
At 31 December 2009	-	1.59	-	1.59
Average				
2010	**-**	**1.15**	**-**	**1.15**
2009	-	1.42	-	1.42
Minimum				
2010	**-**	**0.78**	**-**	**0.78**
2009	-	0.91	-	0.91
Maximum				
2010	**-**	**1.99**	**-**	**1.99**
2009	-	2.78	-	2.78

Sensitivity analysis

At 30 June 2010, HSBC France Global Markets was exposed in particular to interest rate risk: directional, curve and spread (i.e. relative difference) for the various swaps and securities curves, denominated in euros, in the Eurozone, whether these notes are from sovereign government issuers in the Eurozone, supranational issuers, government agencies or issuers of covered bonds. Among all of these sensitivities, the main exposures relate to total net sensitivity to the interest rate spread between all securities and swaps in euros, as well as sensitivities to the respective curves of European government notes.

HSBC France Global Markets is also subject to sensitivities in terms of interest rate volatility and interest rate correlation, primarily in relation to EUR and USD.

All of these sensitivities reflect the fact that HSBC France Global Markets acts as market-maker and on a proprietary basis in the markets concerned.

All of these sensitivities are assessed and measured on a daily basis using standard conventional methods as used by the industry.

The amounts consumed are subject to market risk limits defining the amount of residual exposure authorised in intraday trading and at the close of each trading session.

An aggregate representation is HSBC France Global Markets' 1-day 99 per cent VaR at 30 June 2010: USD -23.3 million.

At 30 June 2010, HSBC France held in its non-trading portfolio a limited net exposure to the fixed income market with maturity of 1 year, and a limited debt securities position against interest rate swaps, with short maturity of less than 2 years.

Financial instruments of Global Banking and Markets non-trading portfolios are valued for financial reporting purposes, and the sensitivity of the value to these instruments to fluctuations in interest rates is also computed.

Parallel shift up of one basis point of the rate curve would lead the value to move by EUR 163 thousand (increase in case of rate curve decrease and inversely in case of a rate curve increase).

Capital adequacy reporting

The internal model allows the daily calculation of Value at Risk for all positions. It has been approved by the French Autorité de Contrôle Prudentiel for regulatory capital adequacy calculations. At 30 June 2010 and at 31 December 2009, 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.

Financial results for the first half of 2010 (continued)

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

(in millions of euros)	**30 June 2010**		31 December 2009	
	BIS	***CAD***	*BIS*	*CAD*
Internal Model [1]:	**305.76**	**305.76**	248.21	248.21
Foreign exchange risk	**0.87**	**0.87**	2.00	2.00
General interest rate risk	**305.37**	**305.37**	257.79	257.79
General equities risk	**2.69**	**2.69**	33.69	33.69
Netting effet	**(3.18)**	**(3.18)**	(45.27)	(45.27)
Standards methods:	**71.76**	**71.76**	64.60	64.60
Foreign exchange risk	**-**	**-**	-	-
General interest rate risk	**-**	**-**	-	-
Specific interest rate risk	**71.76**	**71.76**	64.60	64.60
General equities risk	**-**	**-**	-	-
Specific equities risk	**-**	**-**	-	-
Total	**377.52**	**377.52**	312.81	312.81

1 *Including the Add-On perimeter.*

Capital management and risk cover and regulatory ratios

Capital measurement and allocation

The *Autorité de Contrôle Prudentiel* (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 and Accounts 2009 pages 57 to 59.

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 2010 (continued)

Regulatory capital position

The table below sets out the analysis of regulatory capital:

Composition of consolidated regulatory capital

(in millions of euros)	**30 June 2010 Basel II**	30 June 2009 Basel II	31 December 2009 Basel II
Tier 1:			
Shareholders' funds of the parent company	**5,556**	5,541	5,060
Non controlling interests	**51**	48	48
Less: dividends payable to the parent company	**(394)**	(250)	-
Less: items treated differently for the purposes of capital adequacy	**(173)**	(34)	(76)
Less: goodwill capitalised and intangible assets	**(367)**	(373)	(370)
Less: deductions in respect of expected losses	**(105)**	(72)	(101)
Less: investments in credit institutions exceeding 10% of capital	**(256)**	(177)	(202)
Total qualifying tier 1 capital	**4,312**	4,683	4,359
Tier 2:			
Reserves arising from revaluation of property and unrealised gains on available-for-sale securities	**68**	97	112
Perpetual subordinated loan and term-subordinated loan	**144**	181	181
Less: deductions in respect of expected losses	**(105)**	(72)	(101)
Less: investments in credit institutions exceeding 10% of capital	**(107)**	(177)	(192)
Total qualifying tier 2 capital	**-**	29	-
Investments in other banks and other financial institutions	**(4)**	(4)	(4)
Total capital	**4,308**	4,708	4,355
Total Basel I risk-weighted assets	**41,592**	46,007	43,544
Total Basel II risk-weighted assets	**35,448**	43,937	35,592
Capital ratios:			
Total capital	**12.2%**	10.7%	12,2%
Tier 1 capital	**12.2%**	10.7%	12.2%

The above figures were computed in accordance with the EU Banking Consolidation Directive and the *Autorité de Contrôle Prudentiel* Prudential Standards. The group complied with the *Autorité de Contrôle Prudentiel*'s capital adequacy requirements throughout 2010 and 2009.

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 256 million were deducted from Tier 1 capital and EUR 107 million from Tier 2 capital as at 30 June 2010 (EUR 202 million were deducted from Tier 1 capital and EUR 192 million from Tier 2 capital as at 31 December 2009).

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 416 million less the interim dividend of EUR 394 million, the change in own debt credit spread of EUR 70 million and the sale and leaseback of HSBC France headquarter (103 avenue des Champs Elysées and 15 rue Vernet) (net reevaluation reserve measured on the IFRS transition) of EUR 63 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, the net change in Tier 2 capital is primarily due to the sale and leaseback of HSBC France headquarter (103 avenue des Champs Elysées and 15 rue Vernet) (45 per cent of the gross reevaluation reserve measured on the IFRS transition) of EUR - 43 million and subordinated debt discount of EUR - 37 million.

Financial results for the first half of 2010 (continued)

Basel II international solvency ratio

The HSBC France group's Basel II international solvency ratio was 12.2 per cent at 30 June 2010, compared with a minimum requirement of 8 per cent. The group's Tier 1 capital ratio was 12.2 per cent compared with a minimum requirement of 4 per cent.

Under the Basel II definitions, total HSBC France group capital amounted to EUR 4.3 billion at 30 June 2010, of which EUR 4.3 billion was Tier 1 capital.

The corresponding risk-weighted assets totalled EUR 35.4 billion, broken down as follows:

(in billions of euros)	**30 June 2010**	30 June 2009	31 December 2009
Credit risks	**26.7**	34.5	27.7
Market risks	**4.7**	5.4	3.9
Operational risks	**4.0**	4.0	4.0
Total	**35.4**	43.9	35.6

Large exposures

The HSBC France group complies with the French *Autorité de Contrôle Prudentiel*'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. Eighteen groups had individual exposures exceeding 10 per cent of net capital at 30 June 2010.

Loan loss provisions

At 30 June 2010, loan loss provisions represented 48.5 per cent of the HSBC France group's total doubtful and non-performing exposure.

Special Purpose Entities

See developments in the Annual Report and Accounts 2009 on page 150.

9 Contingent liabilities and contractual commitments

a *Contingent liabilities and commitments*

(in millions of euros)	**30 June 2010**	30 June 2009	31 December 2009
Contract amounts			
Contingent liabilities			
Acceptances and endorsements	**-**	-	-
Guarantees and assets pledged as collateral security	**5,451**	6,468	6,810
Other contingent liabilities	**42**	29	35
	5,493	6,497	6,845
Commitments			
Documentary credits and short-term trade-related transactions	**404**	303	302
Undrawn note issuing and revolving underwriting facilities	**-**	-	-
Undrawn formal stand-by facilities, credit lines and other commitments to lend:			
– 1 year and under	**4,990**	5,252	5,201
– over 1 year	**12,218**	12,134	12,124
	17,612	17,689	17,627

Financial results for the first half of 2010 (continued)

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 2010**	30 June 2009	31 December 2009
Guarantee type			
Financial guarantees [1]	**1**	439	2
Stand-by letters of credit which are financial guarantees [2]	**531**	677	2,013
Other direct credit substitutes [3]	**739**	289	396
Performance bonds [4]	**1,475**	1,543	1,456
Bid bonds [4]	**25**	28	28
Standby letters of credit related to particular transactions [4]	**-**	-	-
Other transaction-related guarantees [4, 5]	**2,680**	3,492	2,915
Other items	**42**	29	35
TOTAL	**5,493**	6,497	6,845

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: EUR 475 million at 30 June 2010 (EUR 641 million at 30 June 2009, EUR 257 million at 31 December 2009).*

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 2010**	30 June 2009	31 December 2009
Acceptances and endorsements	**-**	-	-
Other items	**1**	2	2

Financial results for the first half of 2010 (continued)

10 Segment analysis

The HSBC France group provides a comprehensive range of banking and related financial services to its customers. The products and services offered to customers are organised by customer groups and global businesses:

– Personal Financial Services (including Insurance activity) offers a broad range of products and services to meet the personal banking, consumer finance and wealth management needs of individual customers. Personal banking products typically include current and savings accounts, mortgages and personal loans, credit cards, insurance, wealth management and local and international payment services.

– Commercial Banking product offerings include the provision of financing services, payments and cash management, international trade finance, treasury and capital markets, insurance, wealth management and investment banking services.

– Global Banking and Markets provides tailored financial solutions to major government, corporate and institutional clients worldwide. The client-focused business lines deliver a full range of banking capabilities including investment banking and financing solutions; a markets business that provides services in credit, rates, foreign exchange, money markets and securities services; global asset management services and principal investment activities.

– Private Banking provides a range of services to meet the banking, investment and wealth advisory needs of high net worth individuals.

The "Other" segment includes amongst other the change in fair value of own debt under fair value option for EUR 58 million (EUR -70 million as at 30 June 2009 and EUR -145 million as at 31 December 2009) and the gain on the sale of the headquarters buldings for EUR 141 million.

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.

Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the group management.

No geographical information is given, as this information is not relevant for HSBC France group which mainly operates in France.

Profit/ (loss) for the period

	30 June 2010						
(in millions of euros)	*Personal Financial Services*	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
Interest income	465	225	367	13	(33)	-	1 037
Interest expense	(34)	(38)	(229)	(2)	18	(52)	(337)
Net interest income	430	187	138	11	(15)	(52)	700
Other operating income	(41)	114	523	26	209	52	882
Total operating income	389	301	661	37	194	-	1 582
Loan impairment charges and other credit risk provisions	(7)	(36)	(11)	1	-	-	(54)
Net operating income	381	265	650	38	194	-	1 529
Total operating expenses	(326)	(203)	(351)	(33)	(27)	-	(940)
Operating profit	55	63	299	5	167	-	588
Share of profit in associates and joint ventures	-	-	-	-	-	-	-
Profit before tax - France	55	63	299	5	167	-	588
Perimeter differences [1]							(63)
Group Reporting differences							(5)
Profit before tax - Legal							520

1 *Mainly Insurance.*

Financial results for the first half of 2010 (continued)

(in millions of euros)	30 June 2009 *Personal Financial Services*	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
Interest income	423	284	658	17	(63)	-	1,319
Interest expense	(78)	(99)	(494)	(8)	0	(214)	(892)
Net interest income	345	185	165	9	(63)	(214)	426
Other operating income	(1)	109	702	22	(95)	214	951
Total operating income	344	294	866	31	(158)	-	1,377
Loan impairment charges and other credit risk provisions	(17)	(52)	(31)	1	0	-	(99)
Net operating income	327	242	836	32	(158)	-	1,278
Total operating expenses	(307)	(204)	(339)	(31)	3	-	(878)
Operating profit	20	39	496	1	(156)	-	400
Share of profit in associates and joint ventures	-	-	-	-	-	-	-
Profit before tax - France	20	39	496	1	(156)	-	400
Perimeter differences [1]							(66)
Group Reporting differences							11
Profit before tax - Legal							345

1 *Mainly Insurance.*

(in millions of euros)	31 December 2009 *Personal Financial Services*	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
Interest income	886	526	1,070	31	(112)	–	2,401
Interest expense	(140)	(148)	(772)	(11)	1	(277)	(1,347)
Net interest income	746	378	298	20	(111)	(277)	1,054
Other operating income	(43)	213	1,056	48	(130)	277	1,421
Total operating income	703	591	1,354	68	(241)	–	2,475
Loan impairment charges and other credit risk provisions	(31)	(102)	(44)	–	–	–	(177)
Net operating income	672	489	1,310	68	(241)	–	2,298
Total operating expenses	(632)	(415)	(638)	(66)	1	–	(1,750)
Operating profit	40	74	672	2	(240)	–	548
Share of profit in associates and joint ventures	–	–	–	–	–	–	–
Profit before tax - France	40	74	672	2	(240)	–	548
Perimeter differences [1]							(123)
Group Reporting differences							(25)
Profit before tax - Legal							400

1 *Mainly Insurance.*

Financial results for the first half of 2010 (continued)

11 Related party transactions

There is no significant amount due to associates and joint ventures.

Transactions detailed below include amounts due to/from HSBC France and fellow subsidiaries of HSBC Holdings plc.

(in millions of euros)	**Balance at 30 June 2010**	Balance at 30 June 2009	Balance at 31 December 2009
Assets			
Trading assets	**6,380**	5,443	5,047
Financial assets designated at fair value	**5**	4	4
Derivatives	**20,409**	18,989	18,120
Loans and advances to banks	**4,682**	5,259	7,638
Loans and advances to customers	**973**	418	311
Financial investments	**170**	170	170
Other assets	**121**	1,355	2,698
Prepayments and accrued income	**49**	53	64
Liabilities			
Deposits by banks	**9,634**	14,811	8,459
Customer accounts	**315**	86	136
Trading liabilities	**3,459**	2,764	1,319
Derivatives	**23,740**	19,083	20,262
Other liabilities	**5**	2,062	2,578
Accruals and deferred income	**28**	23	39
Subordinated liabilities	**150**	150	150

(in millions of euros)	**30 June 2010**	30 June 2009	31 December 2009
Income Statement			
Interest Income [1]	**44**	79	150
Interest expense [1]	**20**	126	152
Fee income	**68**	61	95
Fee expense	**45**	79	111
ains less losses from financial investments	-	-	8
Other operating income	**-**	1	8
Dividend income	-	-	3
General and administrative expenses	**1**	23	52

1 *In June 2010, including interest on trading assets and trading liabilities: EUR 7 million (June 2009: EUR 30 million).*

12 Litigation

As at 30 June 2010 there is no litigation or arbitration proceedings likely to have a material impact on HSBC France's financial position, its activities and results, or consequently on the HSBC France group.

Financial results for the first half of 2010 (continued)

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 2010 financial statements.

14 Investments

The table below shows the changes, in the first half-year of 2010, in the legal perimeter published in the 2009 Annual Report and Accounts.

Consolidated companies	*Country*	*Consolidation method **	*Main line of business*	HSBC France group interest **30 June 2010**	HSBC France group interest 31 December 2009
Additions :					
Trinkaus Gesellschaft für KMI oHG	Germany	FC	Financial company	**90.0**	-
Disposals :					
HSBC Securities Sevices (France)	France	FC	Financial company	-	100.0
Liquidations and mergers:					
HSBC Financial Products France [1]	France	FC	Financial company	-	100.0
Deconsolidations :					
No deconsolidations in the first half of the year 2010.					
Changes in interest:					
HSBC Duoblig	France	FC	Financial company	**78.1%**	81.8%
HSBC Eotop	France	FC	Financial company	**99.6%**	96.4%
Isère 2010	France	FC	Financial company	**98.2%**	95.0%

* *FC: Full Consolidation.*
1 *Merger with HSBC France.*

3. Report of the Statutory Auditors on the interim financial information at 30 June 2010

For the six month period ended 30 June 2010

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 interim consolidated financial statements of HSBC France S.A. for the six-month period ended 30 June 2010,

– the verification of the information contained in the interim management report.

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

I - Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been 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 statements.

II - Specific verification

We have also verified information given in the interim management report on the condensed interim 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 interim consolidated financial statements.

Paris La Défense, on 30 August 2010

KPMG Audit
Department of KPMG S.A.
Pascal Brouard
Partner

Paris, on 30 August 2010

BDO France - Léger & associés

Michel Léger
Partner

Recent events

Events subsequent to the filing of the Reference Document

None.

Events subsequent to 30 June 2010

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 2010, date of the most recent published financial statements reviewed by the auditors.

Persons responsible for the registration document and additional information and for auditing the financial statements

Person responsible for the registration document and additional information

- **Name of person responsible**

  Mr Christophe de Backer, Chief Executive Officer

- **Statement by person responsible**

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

  I certify, to the best of my knowledge, that the condensed accounts for the first half of the financial year have been prepared in accordance with the relevant accounting standards and give a fair view of assets and liabilities, financial position and result of the company and of all the entities included in the consolidation, and that the interim management report on pages 3 to 6 presents a fair review of the significant events that occurred during the first six months of the financial year, their impact on the accounts and the major related party transactions, as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.

  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 the entire update.

  The Statutory Auditors have issued a report on the financial information presented in this update, available on page 37 of this document.

Paris, 30 August 2010

Christophe de Backer, CEO

Persons responsible for the registration document and additional information and for auditing the financial statements (continued)

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 113, rue de l'Université 75007 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 tables

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 *2009 Annual Report and Accounts* D.10-0367 updated by this document.

Section of Annex XI to EU Regulation 809/2004	Pages in registration document D.10-0367 filed with the AMF on 29 April 2010	Pages in this update
1. Persons responsible	200	39
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3. Risk factors	57-62, 128-150	20-31
4. Information about the issuer		
4.1. History and development of the company	181	-
5. Business overview		
5.1. Principal activities	2-7	3-6
5.2. Principal markets	2-7	3-6
6. Organisational structure		
6.1. Brief description of the group	inside cover, 2-7, 162-170	–
6.2. Issuer's relationship with other group entities	–	–
7. Trend information	198-199	38
8. Profit forecasts or estimates	–	–
9. Administrative, management and supervisory bodies and senior management		
9.1. Administrative and management bodies	8-19	–
9.2. Administrative and management bodies – Conflicts of interest	31	–
10. Major shareholders		
10.1. Control of the issuer	20, 184	–
10.2. Arrangements known to the issuer which could entail a change in control at a subsequent date	–	–
11. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
11.1. Historical financial information	63	–
11.2. Financial statements	64-155, 158-165	–
11.3. Auditing of historical financial information	156-157, 158	–
11.4. Age of latest financial information	64	–
11.5. Interim and other financial information	–	7-36
11.6. Legal and arbitration proceedings	60	35
11.7. Significant change in the issuer's financial or trading position	198	38
12. Material contracts	181	–
13. Third party information and statement by experts and declarations of any interest	–	–
14. Documents on display	179	42

Cross-reference tables (continued)

In application of Article 212-13 of the Autorité des Marchés Financiers's General Regulations, this update contains the information of the interim financial report referred to in Article L.451-1-2 of the French Monetary and Financial Code and Article 222-4 of the AMF's General Regulations:

The following items are incorporated by reference:

- the consolidated financial statements for the year ended 31 December 2009 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 64 to 155 and 156 to 157 of reference document D.10-367 filed with the AMF on 29 April 2010.

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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