HSBC

Update to the Registration Document and Interim Financial Report

filed with the *Autorité des Marchés Financiers*
on 26 April 2011 under reference number D.11-0365

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HSBC France
Société Anonyme with share capital of 337,189,100 euros
SIREN 775 670 284 RCS Paris

Registered office: 103, avenue des Champs Élysées – 75419 Paris Cedex 08
Tel.: (331) 40 70 70 40 – Telex: 645 300 F – www.hsbc.fr

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This document was filed with the *Autorités des Marchés Financiers* (AMF) on 30 August 2011 in 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 26 April 2011 under reference number D.11-0365. It may be used in support of a financial transaction when supplemented by a transaction note that has received approval from the AMF. This document has been prepared by the issuer and is binding on its signatories

Financial results for the first half of 2011

1. Management report on the first half of 2011

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

The strategic review undertaken by the HSBC Group in early 2010 on the business of asset management, led, in France, to the merging of the main entities having the status of asset management company. On 30 June 2011, these groupings resulted in the merger of the company Sinopia - Management Company by the company Sinopia Asset Management and then, the merger of the company Halbis Capital Management (France) and Sinopia Asset Management by HSBC Global Asset Management (France).Prior to these mergers inside the HSBC Group, the company Sinopia Asset Management has completed the sale of two subsidiaries Sinopia Asset Management (Asia Pacific) Limited and Sinopia Asset Management (UK) Limited.

Activity during the first half of 2011

After gradually recovering in 2010 at a positive - albeit moderate - growth rate, the French economy posted robust growth in the first quarter of 2011, but the recovery seems to have lost momentum in the second quarter. Unemployment remained on a downward trend in the first half-year although still at a high level, and the CAC 40 index, despite its downtrend, ended the first half-year close to the level it stood at the end of 2010. In Europe, inflation has been rising due to higher commodity prices, which has led the European Central Bank to raise its key interest rate.

During the first half of 2011, the economy remained affected by high volatility in financial markets, partly because of persistent concerns regarding the sovereign debt of several Euro zone countries, despite the coordinated action of their governments, the European Central Bank and the International Monetary Fund aimed at maintaining their access to financing.

In this uncertain environment, the results of HSBC in France held up well: pre-tax profit excluding accounting adjustments, the sale of the Champs-Elysées headquarters in 2010, and the tax paid in 2010 on Global Banking and Markets performance costs, only dropped by 6 per cent compared to the first half of 2010. In addition, all customer groups saw their results improve, with the exception of Global Markets operations, which were adversely affected by the crisis of the peripheral Euro zone countries.

The results discussed below fall into two scopes of consolidation:

– The HSBC France consolidated financial statements, in accordance with IFRS standards as defined in Note 1[1] of the consolidated financial statements;

– HSBC's operations in France, which also includes the Paris branch of HSBC Bank plc[2], as well as the HSBC Assurances Vie (France) and HSBC Assurances IARD (France) subsidiaries.

Financial results of HSBC France (consolidated, so-called legal scope)

HSBC France reported a pre-tax profit of EUR 270 million, down 48 per cent from the first half of 2010. However, this figure includes the capital gain booked in 2010 on the sale and leaseback of the Champs-Elysées headquarters (EUR 141 million), and the impact of accounting adjustments, especially the change in fair value of own debt due to the credit spread (- EUR 59 million). Excluding these items, the decline was 13 per cent.

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[1] *See Note 1 of the consolidated financial statements of the parent company, page 14.*
[2] *Which receives in the form of fees the results of derivative transactions booked in London but initiated in France.*

Financial results for the first half of 2011 (continued)

The profitability of retail banking continued to improve, justifying the investments made in recent years to transform and optimise the branch network to better serve clients. The contribution of Global Banking and Markets to consolidated profits remained significant although down sharply mainly due to tensions on sovereign debt in the Euro zone and lower demand from clients.

Improving economic conditions drove down loan impairment charges, which fell 22 per cent compared to the same period last year. The loss rate thus stood at 0.2 per cent of outstanding loan balances, against 0.4 per cent a year earlier.

Balance sheet strength is a priority for HSBC France, which displays a Core Tier 1 ratio of 11.5 per cent (against 12.1 per cent at the end of 2010). Risk-weighted assets increased in Global Markets activities. The liquidity ratio improved further to 127 per cent and remains well above French regulatory requirements.

HSBC France continues to have a very solid balance sheet, which puts us in a position of strength to adjust to the new and significantly more stringent regulatory environment. The implementation of Basel III rules is expected to have a limited impact on the bank's solvency ratios.

France's contribution to the financial results of the HSBC Group [3]

Based on the HSBC in France scope of consolidation, which also includes the insurance and equity derivatives businesses, pre-tax profit amounted to EUR 388 million, down 34 per cent from the first half of 2010.

Excluding accounting adjustments[4], pre-tax profit was EUR 396 million. Excluding the capital gain on the sale and leaseback of the Champs-Elysées headquarters in 2010 (EUR 141 million) and the tax paid in 2010 on Global Banking and Markets performance costs, the pre-tax profit was down 6 per cent. The drop was mainly due to volatile market conditions, which prevented the Global Markets activities from repeating their strong first half of 2010 performance. In contrast, the other customer groups' performances, especially Retail banking, were up sharply.

Loan impairment charges on customer loans, excluding the impairment of Greek government bonds held by the insurance subsidiary, amounted to EUR 42 million, or - 22 per cent compared to the same period last year. Net impairment charges on the portfolio of Greek government bonds held by the insurance business was marginal at EUR 0.3 million, after 97 per cent participation by the insurance policy holders.

Overhead costs were down 6 per cent, due mainly to the non-recurrence in 2011 of the exceptional tax on Global Banking and Markets performance costs paid in 2010 for 2009 and various provisions for litigation. Apart from these specific items, the cost base remained stable. The cost efficiency ratio was 67 per cent.

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[3] *The comments on pages 4 to 7 discuss the contribution of activities in France to the results of the HSBC Group, which includes:*
- *HSBC France, including the results of entities legally owned by HSBC France but located outside France (mainly asset management businesses owned abroad, CMSL in the United Kingdom), i.e. the legal scope in its entirety,*
- *The Paris branch of HSBC Bank plc, (see above and excluding the CCF acquisition funding costs), as well as HSBC Assurances Vie (France) and HSBC Assurances IARD (France),*
- *The dynamic money market funds in which HSBC France holds more than 50 per cent, consolidated since the first quarter of 2008.*

Figures are reported under the IFRS standards as applied by the HSBC Group.

[4] *Herein and unless otherwise stated, the term "excluding accounting adjustments" implies a restatement to eliminate the impact of the credit spread on own debt and covered bonds, the gains and impairment on HSBC shares allocated to employees, the change in value of hedging instruments recorded at market value and the amortisation of the swap termination of the regional banks sold.*

Financial results for the first half of 2011 (continued)

Results by customer group

Retail Banking and Wealth Management

As part of the definition of its strategic objectives announced in May 2011, and to offer clients a more integrated Wealth Management proposition, HSBC Group opted to consolidate into a single line of business all Personal Financial Services, including life insurance products and Asset Management. The latter was previously part of the Global Banking and Markets business line.

Retail Banking and Wealth Management reported a pre-tax profit of EUR 99 million, up 51 per cent over the first half of 2010.

Following on from 2010, the first half of 2011 saw continued growth in net interest income on deposits (+18 per cent), thanks to a strong deposits collection on savings accounts and regulated saving accounts, despite the relatively low level of interest rates. The growth in deposits reflected the continuing strong dynamic of the "Premier" customer segment, which acquired more than 22,000 new to bank clients in the first half of 2011. Life insurance production also remained buoyant, both in Euro and unit-linked contracts. Insurance Premiums collection rose by 16 per cent overall compared to the same period in the previous year. It should be noted that the strength of inflows was achieved in a challenging environment for life insurance: gross inflows were down 11 per cent in the French life insurance market[5].

HSBC France continued to invest in marketing and advertising campaigns to strengthen brand awareness as well as its ambitious branch renovation programme to improve the quality of client reception. We expect to have renovated over a third of our branches by the end of 2011.

Asset Management, whose results are now included in Retail Banking and Wealth Management, reorganised its business under the single HSBC Global Asset Management brand name to leverage HSBC's strong brand name and to develop a more coherent range of customer products and improve its efficiency. The foreign subsidiaries Sinopia Asset Management (Asia Pacific) Limited and Sinopia Asset Management (UK) Limited were sold within the HSBC Group during the first half year.

At the end of June 2011, mainly due to sluggish financial markets in the first semester, assets under management remained broadly stable compared to June 2010 at EUR 93 billion. It is important to note the continued leveraging of synergies with Retail Banking, through the promotion of HSBC World Selection, and with HSBC Assurances.

Commercial Banking

Against a backdrop of gradual economic recovery, Commercial Banking reported a pre-tax profit of EUR 79 million in the first half of 2011, up 27 per cent over the same period in 2010. Income before impairment and provisions increased by 5 per cent, driven primarily by growth in sight deposits and medium and long-term loans. HSBC France continued to provide support to corporate clients, with outstanding equipment loans growing by 13 per cent over the year. Term deposits balances also increased (+34 per cent compared to June 2010), driven by the launch of progressive rate products.

Also noteworthy was the strong growth of the factoring business, where balances rose 75 per cent over the first half of 2010.

[5] *FFSA, June 2011.*

Financial results for the first half of 2011 (continued)

All of these good performances reflect our drive to specialise and streamline the retail network, with the continued development of the '*Centres d'Affaires Entreprise* et Corporate' as well as 15 *'Pôles Entrepreneurs*' created in 2010, coupled with the success of the Business Direct virtual branch, which was launched in 2009 to target very small businesses and increased its customers base by 83 per cent during the first half of 2011.

At the heart of the Commercial Banking strategy lies its ability to offer customers cross-border solutions, and within this framework, the number of referrals to the HSBC Group doubled compared to the first half of 2010; recommendations received from other Group entities also increased sharply (+ 91 per cent).

Loan impairment charges increased by 6 per cent but remain under control - the growth was attributable to the non-recurrence of a release in collective impairment in the first half of 2010. The 2 per cent decrease in operating expenses coupled with higher revenues drove the cost efficiency ratio down sharply from 67 per cent to 63 per cent.

Global Banking and Markets

Global Banking and Markets faced a severe deterioration in the financial environment which affected the results of markets activities, especially in the second quarter of 2011. The increasing uncertainty about the solvency of several Euro zone countries drove up the volatility of asset prices and dampened the appetite of customers, leading to lower business volumes.

Against this uncertain and volatile backdrop, Global Banking and Markets reported pre-tax profits of EUR 203 million, down 30 per cent from the first half of 2010, when market conditions were better. Revenues amounted to EUR 448 million, down 23 per cent over the same period. Expenses dropped by 10 per cent compared to the first half of 2010 (which was affected by the recognition of the EUR 31 million tax performance costs).

As a market maker in Euro-denominated government bonds, HSBC France suffered from a string of downgrades of the credit ratings of several "peripheral" Euro zone countries. We are keeping a very close eye on our exposure to the most distressed countries[6].

HSBC France has kept its strong position in these businesses, being ranked 2nd bookrunner for public sector debt issues and 3rd bookrunner for corporate debt issues in the French market[7].

Global Banking revenues before impairments and provisions fell by 8 per cent. Despite a sharp slowdown in customer activity, the advisory business lines took part in many transactions on behalf of clients such as *Société Nationale des Poudres et Explosifs*, Steinhoff and the French Strategic Investment Fund. HSBC France ended the half-year ranked 4th in mergers and acquisitions in France[8]. HSBC France also participated in project and export finance deals, including the financing of the A63 motorway for Colas and a transaction for Saudi Electric Company.

Loan impairment charges were positively impacted by a release in impairment and the absence of further non-performing loans and therefore fell compared to the first half of 2010.

Private Banking

Private Banking reported consolidated pre-tax profits of EUR 7 million, up sharply from the first half of 2010.

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[6] *See Note 7 of the consolidated financial statements of the parent company, page 21.*
[7] *Dealogic Bondware rankings at the end of June 2011.*
[8] *Merger Market rankings at the end of June 2011 (completed transactions).*

Financial results for the first half of 2011 (continued)

Improved profitability in Private Banking was driven by growth in revenues before impairment charges and provisions (+ 10 per cent compared with the first half of 2010), but also tight cost control, with costs remaining stable over the period. This led to a strong 7 points drop in the cost efficiency ratio.

These good results reflect the commercial momentum of Private Banking, which has successfully maintained the level of assets under management for private clients despite adverse market conditions and high volatility. The development of synergies with HSBC France in life insurance also helped the strong financial performance.

Financial results for the first half of 2011 (continued)

2. Condensed consolidated financial statements at 30 June 2011

Consolidated income statement for the half-year to 30 June 2011

		Half year		Full year
(in millions of euros)	*Notes*	**30 June 2011**	30 June 2010	31 December 2010
Interest income		**981**	820	1,671
Interest expense		**(547)**	(373)	(806)
Net interest income		**434**	447	865
Fee income		**533**	521	1,004
Fee expense		**(131)**	(140)	(253)
Net fee income		**402**	381	751
Trading income		**232**	361	455
Net income from financial instruments designated at fair value		**3**	50	25
Gains less losses from financial investments		**36**	34	59
Dividend income		**5**	5	6
Other operating income		**19**	170	188
Total operating income before loan impairment (charges)/releases and other credit risk provisions		**1,131**	1,448	2,349
Loan impairment charges and other credit risk provisions	*5*	**(42)**	(54)	(122)
Net operating income		**1,089**	1,394	2,227
Employee compensation and benefits		**(515)**	(532)	(1,039)
General and administrative expenses		**(279)**	(312)	(615)
Depreciation of property, plant and equipment		**(21)**	(25)	(52)
Amortisation of intangible assets and impairment of goodwill		**(4)**	(5)	(9)
Total operating expenses		**(819)**	(874)	(1,715)
Operating profit		**270**	520	512
Share of profit in associates and joint ventures		**-**	-	-
Profit before tax		**270**	520	512
Tax expense		**(42)**	(102)	(57)
Profit from continuing operations		**228**	418	455
Discontinued operations				
Net profit on discontinued operations		**-**	-	-
Profit for the period		**228**	418	455
Profit attributable to shareholders of the parent company		**228**	416	454
Profit attributable to non-controlling interests		**-**	2	1
(in euros)				
Basic earnings per ordinary share	*4*	**3.38**	6.17	6.73
Diluted earnings per ordinary share	*4*	**3.38**	6.17	6.73
Dividend per ordinary share	*4*	**1.75**	5.85	10.67

Financial results for the first half of 2011 (continued)

Consolidated statement of comprehensive income for the half-year to 30 June 2011

	Half year		Full year
(in millions of euros)	**30 June 2011**	30 June 2010	31 December 2010
Profit for the period	**228**	418	455
Other comprehensive income			
Available-for-sale investments:			
– fair value gains/(losses) taken to equity	**47**	43	81
– fair value gains/(losses) transferred to income statement on disposal	**(37)**	(44)	(66)
– amounts transferred to/(from) the income statement in respect of impairment losses	**-**	2	5
– Defered tax accounted for shareholders' equity	**(1)**	(1)	(11)
Cash flow hedges:			
– fair value gains/(losses) taken to equity	**(77)**	119	45
– fair value gains/(losses) transferred to income statement	**(10)**	17	17
– income taxes	**31**	(47)	(22)
Actuarial gains/(losses) on defined benefit plans	**2**	(9)	(4)
Exchange differences	**2**	3	1
Other comprehensive income for the period, net of tax	**(43)**	83	46
Total comprehensive income for the period	**185**	501	501
Total comprehensive income for the year attributable to:			
– shareholders of the parent company	**185**	499	500
– non-controlling interests	**-**	2	1
	185	501	501

Financial results for the first half of 2011 (continued)

Consolidated statement of financial position at 30 June 2011

ASSETS

(in millions of euros)	*Notes*	**30 June 2011**	30 June 2010	31 December 2010
Cash and balances at central banks	*7*	**280**	7,951	980
Items in the course of collection from other banks	*7*	**895**	941	944
Trading assets	*6-7*	**64,499**	65,005	53,979
Financial assets designated at fair value	*6-7*	**582**	612	595
Derivatives	*6-7*	**47,144**	75,112	53,616
Loans and advances to banks	*6-7*	**42,207**	39,435	37,346
Loans and advances to customers	*6-7*	**60,928**	50,056	57,945
Financial investments	*6-7*	**3,977**	3,361	2,588
Interests in associates and joint ventures		**6**	7	6
Goodwill and intangible assets		**380**	381	382
Property, plant and equipment		**248**	230	233
Other assets		**1,536**	750	990
Deferred tax assets		**185**	53	135
Prepayments and accrued income		**1,285**	1,275	1,092
Assets classified as held for sale		**5**	43	5
TOTAL ASSETS		**224,157**	245,212	210,836

LIABILITIES AND EQUITY

(in millions of euros)	*Notes*	**30 June 2011**	30 June 2010	31 December 2010
Liabilities				
Deposits by banks	*6*	**30,336**	39,452	36,861
Customer accounts	*6*	**70,062**	56,538	49,194
Items in the course of transmission to other banks		**823**	787	851
Trading liabilities	*6*	**48,796**	44,620	42,770
Financial liabilities designated at fair value	*6*	**5,562**	5,696	5 616
Derivatives	*6*	**46,567**	74,558	53,347
Debt securities in issue	*6*	**13,354**	15,541	14,285
Retirement benefit liabilities		**105**	112	106
Other liabilities		**1,935**	882	1,225
Current taxation		**18**	18	20
Accruals and deferred income		**1,294**	1,170	1,453
Provisions for liabilities and charges		**54**	65	62
Deferred tax liabilities		**2**	-	-
Subordinated liabilities	*6*	**166**	166	166
TOTAL LIABILITIES		**219,074**	239,605	205,956
Equity				
Called-up share capital		**337**	337	337
Share premium account		**16**	16	16
Other reserves and retained earnings		**4,684**	5,203	4,479
TOTAL SHAREHOLDERS' EQUITY		**5,037**	5,556	4,832
Non-controlling interests		**46**	51	48
TOTAL EQUITY		**5,083**	5,607	4,880
Liabilities classified as held for sale		-	-	-
TOTAL EQUITY AND LIABILITIES		**224,157**	245,212	210,836

Financial results for the first half of 2011 (continued)

Consolidated statement of changes in equity for the half-year to 30 June 2011

(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
	30 June 2011										
				Other reserves							
At 1 January 2011	**337**	**16**	**4,341**	**46**	**22**	**(1)**	**67**	**4**	**4,832**	**48**	**4,880**
Share capital issued, net of costs	-	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-
Net impact of equity-settled share-based payments	-	-	-	-	-	-	**35**	-	**35**	-	**35**
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	**(1)**	**(1)**
Other movements	-	-	**20**	-	-	-	**(35)**	-	**(15)**	**(1)**	**(16)**
Total comprehensive income for the period	-	-	**230**	**9**	**(56)**	**2**	-	-	**185**	-	**185**
At 30 June 2011	**337**	**16**	**4,591**	**55**	**(34)**	**1**	**67**	**4**	**5,037**	**46**	**5,083**

(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
	30 June 2010										
				Other reserves							
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

Financial results for the first half of 2011 (continued)

(in millions of euros)	Called up share capital	Share premium	Retained earnings	Other reserves: Available-for-sale fair value reserve	Other reserves: Cash flow hedging reserve	Other reserves: Foreign exchange reserve	Other reserves: Share-based payment reserve	Other reserves: Associates and joint ventures	Total share-holders' equity	Non-controlling interests	Total equity
	31 December 2010										
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	-	-	(720)	-	-	-	-	-	(720)	-	(720)
Net impact of equity-settled share-based payments	-	-	-	-	-	-	(13)	-	(13)	-	(13)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	45	-	-	1	(41)	-	5	(1)	4
Total comprehensive income for the period	-	-	450	9	40	1	-	-	500	1	501
At 31 December 2010	337	16	4,341	46	22	(1)	67	4	4,832	48	4,880

Financial results for the first half of 2011 (continued)

Consolidated cash flow statement for the half-year to 30 June 2011

(in millions of euros)	*Notes*	**Half year** **30 June 2011**	30 June 2010	Full year 31 December 2010
Cash flows from operating activities				
Profit before tax		**270**	520	512
Net profit on discontinued operations		**-**	-	-
– non-cash items included in net profit		**46**	49	102
– change in operating assets		**(5,986)**	4,228	13,857
– change in operating liabilities		**13,893**	8,362	(2,339)
– change in assets/liabilities of disposal groups classified as held for sale (including cash items)		**-**	-	-
– elimination of exchange differences		**(30)**	(100)	(20)
– net gain from investing activities		**(48)**	(179)	(215)
– share of profits in associates and joint ventures		**-**	-	-
– dividends received from associates		**-**	-	-
– tax (paid) / recovered		**114**	2	(160)
Net cash from operating activities		**8,259**	12,882	11,737
Cash flows (used in)/from investing activities				
Purchase of financial investments		**(2,511)**	(674)	(1,083)
Proceeds from the sale and maturity of financial investments		**1,160**	2,398	3,742
Purchase of property, plant and equipment		**(41)**	(23)	(52)
Proceeds from the sale of property, plant and equipment		**(1)**	400	447
Purchase of goodwill and intangible assets		**(4)**	(2)	(6)
Net cash outflow from acquisition of and increase in stake of subsidiaries		**-**	-	-
Net cash inflow from disposal of subsidiaries		**15**	2	2
Net cash outflow from acquisition of and increase in stake of associates		**-**	-	-
Proceeds from disposal of associates		**-**	-	-
Net cash flow (used in)/from investing activities		**1,384**	2,101	3,050
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		**-**	-	-
Dividends paid to shareholders		**-**	-	(720)
Dividends paid to non controlling interests		**-**	-	-
Net cash (used in)/from financing activities		**-**	-	(720)
Net increase in cash and cash equivalents		**6,875**	14,983	14,069
Cash and cash equivalents at 1 January		**30,091**	15,993	15,993
Effect of exchange rate changes on cash and cash equivalents		**(21)**	104	29
Cash and cash equivalents at the end of the period		**36,945**	31,080	30,091

Financial results for the first half of 2011 (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 2011 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 2010.

The consolidated financial statements of HSBC France at 31 December 2010 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 2010, there were no unendorsed standards effective for the year ended 31 December 2010 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 2011, there were no unendorsed standards effective for the period ended 30 June 2011 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 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 26 July 2011.

During the period ended 30 June 2011, the Group adopted a number of standards and interpretations, and amendments thereto which had an insignificant effect on these consolidated financial statements.

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.

Financial results for the first half of 2011 (continued)

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 2010.

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 90 and 91 of the Annual Report and Accounts 2010.

d *Future accounting developments*

At 30 June 2011, 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.

Standards and Interpretations issued by the IASB but not endorsed by the European Union (EU)

In November 2009, the IASB issued IFRS 9 "Financial Instruments" ("IFRS 9"). This introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued additions to IFRS 9 dealing with financial liabilities. These represent the first instalments in the IASB's planned phased replacement of IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") with a less complex and improved standard for financial instruments.

The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRS 9 is required to be applied retrospectively. If the standard is adopted prior to 1 January 2012, an entity will be exempt from the requirement to restate comparative information prior to this period. IFRS 9 is subject to EU endorsement, the timing of which is uncertain. Accordingly, the group is unable to provide a date by which it plans to apply IFRS 9.

The main changes to the requirements of IAS 39 are described on page 92 of the Annual Report and Accounts 2010.

The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's financial instruments project. As a result, it is impracticable to quantify the impact of IFRS 9 at the date of publication of these financial statements.

On 12 May 2011, the IASB issued IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosures of Interests in Other Entities'.

Under reserve of their adoption by EU, the standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted, and are to be applied retrospectively.

Under IFRS 10, there will now be one approach for determining consolidation for all entities, with an emphasis on de facto, rather than legal control. Similarly, IFRS 11 places more focus on rights and obligations rather than legal form, and introduces the concept of a joint operation. IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements and associates and introduces new requirements for involvements with other entities.

Given how recently these standards were issued, it is currently impracticable to quantify the impact these IFRSs as at the date of publication of these financial statements.

On 13 May 2011, the IASB issued IFRS 13 'Fair Value Measurement'. The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRS 13 is required to be applied prospectively from the beginning of the first annual period in which it is applied. The disclosure requirements of IFRS 13 need not be applied in comparative information provided for periods before initial application.

IFRS 13 establishes a single source of guidance for all faire value measurements required or permitted by IFRSs in order to reduce complexity and to improve consistency. The standard clarifies the definition of fair value as an exit price 'at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions' and enhances disclosures about fair value measurement.

Financial results for the first half of 2011 (continued)

Given how recently the standard was issued it is currently impracticable to quantify the impact of IFRS 13 as at the date of publication of these financial statements. However, due to the pervasiveness of fair value measurements in our financial statements we expect this standard to have a significant impact on HSBC although the impact might be more related to operational aspects of the standard.

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 93 to 104 of the Annual Report and Accounts 2010, except as discussed in Note 1 - Basis of preparation.

3 Dividends

Dividends related to 2011

On 26 July 2011, the Board of Directors approved an interim dividend of EUR 1.75 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 118 million. The interim dividend was paid on 3 August 2011.

Dividends related to 2010

On 27 July 2010, the Board of Directors approved a first interim dividend of EUR 5.85 per share. This dividend was paid with respect to the 67,437,820 shares in issue at that date, making a total payment of EUR 394.5 million. The first interim dividend was paid on 28 July 2010.

On 10 November 2010, the Board of Directors approved a second interim dividend of EUR 4.82 per share. This dividend was paid with respect to the 67,437,820 shares in issue at that date, making a total payment of EUR 325.1 million. The second interim dividend was paid on 10 November 2010.

Following proposal by the Board of Directors on 15 February 2011 at the Annual General Meeting held on 4 May 2011, it was decided not to distribute any further dividend in respect of the 2010 results.

4 Earnings and dividends per share

(in euros)	**30 June 2011**	30 June 2010	31 December 2010
Basic earnings per share	**3.38**	6.17	6.73
Diluted earnings per share	**3.38**	6.17	6.73
Dividends per share	**1.75**	5.85	10.67

Basic earnings per ordinary share were calculated by dividing the earnings of EUR 228 million by the number of ordinary shares outstanding, excluding own shares held, of 67,437,820 (first half of 2010: earnings of EUR 416 million and 67,437,820 shares; full year 2010: earnings of EUR 454 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 2010: 67 437 820 shares; full year 2010: 67 437 820 shares). At 30 June 2011, there are no outstanding options which will dilute earnings per share.

Financial results for the first half of 2011 (continued)

5 Impairment allowances and charges

Loan impairment charges and other credit risk provisions comprise:

	Half year		Full year
(in millions of euros)	**30 June 2011**	30 June 2010	31 December 2010
Individually assessed impairment allowances			
New allowances	**159**	158	258
Release of allowances no longer required	**(118)**	(93)	(126)
Recoveries of amounts previously written off	**-**	(1)	(2)
Amount written off	**24**	22	70
Utilisation of allowance	**(24)**	(22)	(70)
	41	64	130
Collectively assessed impairment allowances			
New allowances	**3**	1	2
Release of allowances no longer required	**(2)**	(11)	(12)
	1	(10)	(10)
Total charge for impairment losses	**42**	54	120
Banks	**-**	-	-
Customers	**42**	54	120
Other credit risk provisions	**-**	-	1
Impairment charges on debt security investments available-for-sale	**-**	-	1
Loan impairment charges and other credit risk provisions	**42**	54	122
Customer charge for impairment losses as a percentage of closing gross loans and advances [1]	**0.07%**	0.11 %	0.21 %
Balances outstanding			
Non-performing loans	**1,346**	1,329	1,398
Individually impairment allowances	**674**	645	661
Gross loans and advances	**103,878**	90,204	96,021
Total allowances cover as a percentage of non-performing loans and advances	**50.07%**	48.53 %	47.28 %

1 *Percentage not annualised for 30 June closing.*

Movement in allowance accounts on total loans and advances

	Half year to 30 June 2011		
(in millions of euros)	***Individually assessed***	***Collectively assessed***	***Total***
At 1 January	**(661)**	**(68)**	**(729)**
Amounts written off	**24**	**-**	**24**
Release of allowances no longer required	**118**	**2**	**120**
(Charge) to income statement	**(159)**	**(3)**	**(162)**
Exchange and other movements	**4**	**-**	**4**
At 30 June	**(674)**	**(69)**	**(743)**

Financial results for the first half of 2011 (continued)

(in millions of euros)	Half year to 30 June 2010 *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)

(in millions of euros)	Full year to31 December 2010 *Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(604)	(78)	(682)
Amounts written off	70	-	70
Release of allowances no longer required	126	12	138
(Charge) to income statement	(258)	(2)	(260)
Exchange and other movements	5	-	5
At 31 December	(661)	(68)	(729)

Financial results for the first half of 2011 (continued)

6 Fair value of financial instruments

Fair values are determined in accordance with the methodology set out in the Annual Report and Accounts 2010 in the accounting policies on pages 93 to 104 and in Note 28 on pages 136 to 142.

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 2011						
Assets						
Trading assets	**57,067**	**1,448**	**-**	**58,515**	**5,984**	**64,499**
Financial assets designated at fair value	**-**	**577**	**-**	**577**	**5**	**582**
Derivatives	**3**	**32,922**	**22**	**32,947**	**14,197**	**47,144**
Financial investments	**3,078**	**613**	**116**[1]	**3,807**	**170**	**3,977**
Liabilities						
Trading liabilities	**44,052**	**1,355**	**-**	**45,407**	**3,389**	**48,796**
Financial liabilities at fair value	**-**	**5,562**	**-**	**5,562**	**-**	**5,562**
Derivatives	**1**	**30,127**	**29**	**30,157**	**16,410**	**46,567**
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	742	98[1]	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 31 December 2010						
Assets						
Trading assets	48,211	783	-	48,994	4,985	53,979
Financial assets designated at fair value	-	591	-	591	4	595
Derivatives	3	38,498	2	38,503	15,113	53,616
Financial investments	1, 822	487	109[1]	2,418	170	2,588
Liabilities						
Trading liabilities	39,766	1,698	-	41,464	1,306	42,770
Financial liabilities at fair value	-	5,616	-	5,616	-	5,616
Derivatives	6	35,115	34	35,155	18,192	53,347

1 *Reclassification of « Private Equity » securities of* Valeurs Mobilières Elysées *; previously reported in level 2.*

Financial results for the first half of 2011 (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:

(in millions of euros)	**30 June 2011**		30 June 2010		31 December 2010	
	Carrying value	***Fair Value***	*Carrying value*	*Fair Value*	*Carrying value*	*Fair value*
Assets						
Loans and advances to banks	**42,207**	**42,210**	39,435	39,440	37,346	37,352
Loans and advances to customers	**60,928**	**60,738**	50,056	49,503	57,945	58,231
Liabilities						
Deposits by banks	**30,336**	**30,335**	39,452	39,452	36,861	36,861
Customer accounts	**70,062**	**70,071**	56,538	56,557	49,194	49,209
Debt securities in issue	**13,354**	**13,434**	15,541	15,603	14,285	14,349
Subordinated liabilities	**166**	**168**	166	169	166	168

Analysis of Asset Backed Securities

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

(in millions of euros)	**30 June 2011**				30 June 2010			
	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]	**478**	**-**	**478**	**465**	259	-	259	231
- rated C to A	**21**	**-**	**21**	**17**	38	-	38	27
- not publicly rated	**10**	**-**	**10**	**10**	4	-	4	4
Total Asset Backed Securities	**508**		**508**	**492**	301	-	301	262
Of which :								
-loans and advances to customers[6]	**275**	**-**	**275**	**275**	-	-	-	-
-available-for-sale portfolio	**233**	**-**	**233**	**217**	301	-	301	262

(in millions of euros)	31 December 2010			
	Gross principal [2]	*CDS gross protection* [3]	*Net Principal exposure* [4]	*Carrying amount* [5]
- High grade [1]	507	-	507	488
- rated C to A	26	-	26	19
- not publicly rated	4	-	4	4
Total Asset Backed Securities	536	-	536	511
Of which :				
-loans and advances to customers[6]	275	-	275	275
-available-for-sale portfolio	261	-	261	236

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.*
6 *ABS held by* HSBC Trinkhaus Gesellschaft für Kapitalmarketinvestments OHG. HSBC Trinkhaus Gesellschaft für Kapitalmarketinvestments OHG *is a partnership created in 2010 and 90% held by HSBC France group, which object is to invest in securitisation transactions structured by HSBC Group and which hold mainly assets of german transferors.*

7 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 2010 on pages 56 to 81.

There have been no significant changes in HSBC France’s risk factors and uncertainties relative to those described in the Annual Report and Accounts 2010 as at 31 December 2010. 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 2010 detailed in pages 56 to 60 and 147 to 155.

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 2010 Annual Report and Accounts page 151.

Financial results for the first half of 2011 (continued)

Distribution of financial instruments by credit quality

	30 June 2011							
	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	**280**	**-**	**-**	**-**	**-**	**-**	**-**	**280**
Items in the course of collection from other banks	**895**	**-**	**-**	**-**	**-**	**-**	**-**	**895**
Trading assets	**58,761**	**1,524**	**4,203**	**11**	**-**	**-**	**-**	**64,499**
Treasury and other eligible bills and debt securities	**45,639**	**942**	**1,184**	**-**	**-**	**-**	**-**	**47,765**
Loans and advances to banks	**12,262**	**537**	**129**	**11**	**-**	**-**	**-**	**12,939**
Loans and advances to customers	**860**	**45**	**2,890**	**-**	**-**	**-**	**-**	**3,795**
Financial assets designated at fair value	**582**	**-**	**-**	**-**	**-**	**-**	**-**	**582**
Treasury and other eligible bills and debt securities	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**577**	**-**	**-**	**-**	**-**	**-**	**-**	**577**
Derivatives	**42,158**	**3,886**	**1,050**	**50**	**-**	**-**	**-**	**47,144**
Loans and advances held at amortised cost	**80,435**	**13,005**	**7,774**	**835**	**483**	**1,346**	**(743)**	**103,135**
Loans and advances to banks	**40,685**	**1,206**	**309**	**7**	**-**	**-**	**-**	**42,207**
Loans and advances to customers	**39,750**	**11,799**	**7,465**	**828**	**483**	**1,346**	**(743)**	**60,928**
Financial investments	**3,330**	**23**	**120**	**13**	**-**	**-**	**-**	**3,486**
Treasury and other similar bills and debt securities	**3,330**	**23**	**120**	**13**	**-**	**-**	**-**	**3,486**
Other assets	**27**	**-**	**2,737**	**-**	**-**	**-**	**-**	**2,764**
Endorsements and acceptances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accrued income and other	**27**	**-**	**2,737**	**-**	**-**	**-**	**-**	**2,764**
Total	**186,468**	**18,438**	**15,884**	**909**	**483**	**1,346**	**(743)**	**222,785**

Financial results for the first half of 2011 (continued)

	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 and debt securities	45,395	874	255	-	-	-	-	46,524
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 and 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 and debt securities	2,678	55	**106**	-	-	-	-	**2,839**
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 2011 (continued)

	31 December 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	980	-	-	-	-	-	-	980
Items in the course of collection from other banks	944	-	-	-	-	-	-	944
Trading assets	50,762	1 162	**2,043**	12	-	-	-	**53 ,979**
Treasury and other eligible bills and debt securities	41,384	647	529	-	-	-	-	42 ,560
Loans and advances to banks	8,781	460	**217**	12	-	-	-	**9 ,470**
Loans and advances to customers	597	55	**1,297**	-	-	-	-	**1 ,949**
Financial assets designated at fair value	595	-	-	-	-	-	-	595
Treasury and other eligible bills and debt securities	5	-	-	-	-	-	-	5
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	590	-	-	-	-	-	-	590
Derivatives	44,441	7,398	**1,698**	**79**	-	-	-	**53,616**
Loans and advances held at amortised cost	**73,223**	**11,678**	**8,440**	**797**	**484**	**1,398**	**(729)**	**95,291**
Loans and advances to banks	36,085	1,148	**103**	**10**	**-**	**-**	**-**	**37,346**
Loans and advances to customers	37,138	10,530	**8,337**	**787**	**484**	**1,398**	**(729)**	**57,945**
Financial investments	1,875	54	**124**	-	-	-	-	**2,053**
Treasury and other similar bills and debt securities	1,875	54	**124**	-	-	**-**	**-**	**2,053**
Other assets	47	**-**	**1 804**	-	-	-	-	**1,851**
Endorsements and acceptances	-	-	-	-	-	-	-	-
Accrued income and other	47	-	**1,804**	-	-	**-**	**-**	**1,851**
Total	176,617	17,295	**13,388**	**856**	**484**	**1,398**	**(729)**	209,309

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 42 billion at 30 June 2011 (EUR 68 billion at 30 June 2010, EUR 48 billion at 31 December 2010).

At the same time, the sale and repurchase fair value which was not netted amounted to EUR 10 billion at 30 June 2011 (EUR 13 billion at 30 June 2010, EUR 13 billion at 31 December 2010).

Financial results for the first half of 2011 (continued)

(in millions of euros)	**30 June 2011** Book value	**Amount for which HSBC has a legally enforceable right [1]**	**Net total credit risk**	30 June 2010 Book value	Amount for which HSBC has a legally enforceable right [1]	Net total credit risk	31 December 2010 Book value	Amount for which HSBC has a legally enforceable right [1]	Net total credit risk
Derivatives	**47,144**	**(42,330)**	**4,814**	75,112	(68,190)	6,922	53,616	(48,234)	5,382
Sale and repurchase[2]	**65,612**	**(10,377)**	**52,235**	52,215	(13,178)	39,037	58,369	(12,562)	45,807

1 *Against operations with the same counterparties.*

2 *Sale and repurchase with banks and customers 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 95 and 96 of the financial statements in the Annual Report and Accounts 2010).

Exposures to countries in the Euro zone

As also detailed in page 30 of this document, HSBC France Global Markets acts as a market-maker and primary dealer on the sovereign debt of Euro zone countries for the Group. HSBC France continued to closely manage its exposure in the first half of 2011 and regularly updated its assessment of higher risk countries and adjusted its risk appetite accordingly.

The Euro zone as a whole retained substantial economic and financial strength and demonstrated positive signs of economic recovery in the first half of 2011, despite the stresses from the financial crisis.

However, the transfer of private sector liabilities to sovereign bodies which started after the 2007 financial crisis continued to put pressure on government balance sheets. The resulting fiscal imbalance in some industrialised economies led to intensified market concerns about sovereign credit risk in these countries.

In the first half of 2011, there were periods of significant market volatility related to a number of sovereigns in the Euro zone, notably Greece, Ireland, Portugal, Italy and Spain. Sovereign spreads remained high and the lack of market access eventually resulted in Portugal joining Greece and Ireland in seeking bailout funding amounting to EUR 78 billion from the European Financial Stability Facility (‘EFSF’) and International Monetary Fund (‘IMF’) in early April 2011. Political instability in Greece, Ireland and Portugal also exacerbated the situation and all three countries were downgraded by major credit rating agencies during the period. Italy and Spain made progress in implementing fiscal adjustments and banking reforms but still experienced volatility in credit spreads.

The table overleaf summarises group exposures to selected Euro zone countries, for Governments and central banks of selected Euro zone countries along with near/quasi government agencies;

The countries presented were selected because during the period they exhibited levels of market volatility which exceeded other Euro zone countries and demonstrated fiscal or political uncertainty which may persist through the second half of 2011. In addition, certain of these countries exhibit high sovereign debt to GDP ratios and short to medium-term maturity concentration of those liabilities.

Financial results for the first half of 2011 (continued)

Exposures to selected E uro zone countries – sovereigns and agencies

At 30 June 2011 *(in millions of euros)*	**Greece**	**Ireland**	**Italy**	**Portugal**	**Spain**	**Total**
Cash and balances at central banks	-	-	-	-	-	-
Assets held at amortised cost	-	-	-	-	-	-
Financial investments available for sale	-	-	**321**	-	-	**321**
Net trading assets[1]	**53**	**117**	**1,631**	**117**	**200**	**2,118**
Derivatives[2]	-	-	-	**1**	**88**	**89**
Total	**53**	**117**	**1,952**	**118**	**288**	**2,528**
Off-balance sheet exposures	-	-	-	-	**500**	**500**

1 *Trading assets net of short positions.*

2 *Derivative assets net of collateral and derivative liabilities for which a legally enforceable right of offset exists.*

During the first half of 2011, HSBC Group decided to impair the Greek sovereign and agency exposures classified as available for sale, reflecting the further deterioration in Greece's fiscal position and the recently announced support measures. The sovereign exposures to Ireland, Portugal, Italy and Spain are not considered to be impaired at 30 June 2011 because, despite financial difficulties in these countries, the situation is not severe enough to conclude that loss events have occurred which will have an impact on the future cash flows of these countries' sovereign securities.

In HSBC France, the vast majority of the sovereign exposure is classified as trading and HSBC France has no Greek sovereign exposure classified as available for sale. Nevertheless, HSBC in France includes the insurance business which holds limited exposures classified as available for sale: an impairment charge of EUR 10 million was recognised during the first half of 2011, representing the cumulative fair value loss on these securities as at 30 June 2011 and does not necessarily represent the expectation of future cash losses. This net impairment charge is almost fully offset in operating income by adjusting the policyholders liability (up to 97 per cent).

Liquidity and funding management

The liquidity and funding management has remained broadly consistent with those described in the Annual Report and Accounts 2010 detailed in pages 65 to 68.

Medium and long term debt

The medium and long term debt, debt with initial maturity of more than 1 year at issuance, amounts for EUR 15.5 billion as at June 2011, in increase compared to EUR 15.2 billion as at December 2010.

Medium-long term issuances for the first half of 2011 are of EUR 1.7 billion:

– EUR 0.5 billion of intra-group placements

– EUR 1.2 billion of private placements

Financial results for the first half of 2011 (continued)

Certificates of deposits

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

(in millions of euros)	**30 June 2011**	30 June 2010	31 December 2010
Maturity			
below 1 month	**1,930**	3,577	4,085
between 1 & 2 months	**1,220**	2,555	1,433
between 2 & 3 months	**842**	897	455
above 3 months	**1,512**	1,110	976
Total	**5,504**	8,139	6,949

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 2011 a ratio well in excess of 100 per cent. The regulatory liquidity ratio, which measures the potential one-month liquidity gap, averaged 119.07 per cent in the first half of 2011 for the parent company.

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 2010 detailed on pages 62 to 63.

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.

Financial results for the first half of 2011 (continued)

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

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

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

(in millions of euros)	*One-day VaR without Add-On perimeter*	*Add-On VaR*
At 30 June 2011	**32.07**	**5.52**
At 31 December 2010	25.33	6.13

	One-day VaR without Add-On perimeter			*Add-On VaR*		
(in millions of euros)	*Average*	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
At 30 June 2011	**26.45**	**14.51**	**41.47**	**6.06**	**5.22**	**6.95**
At 31 December 2010	18.88	13.19	26.35	5.79	4.06	8.36

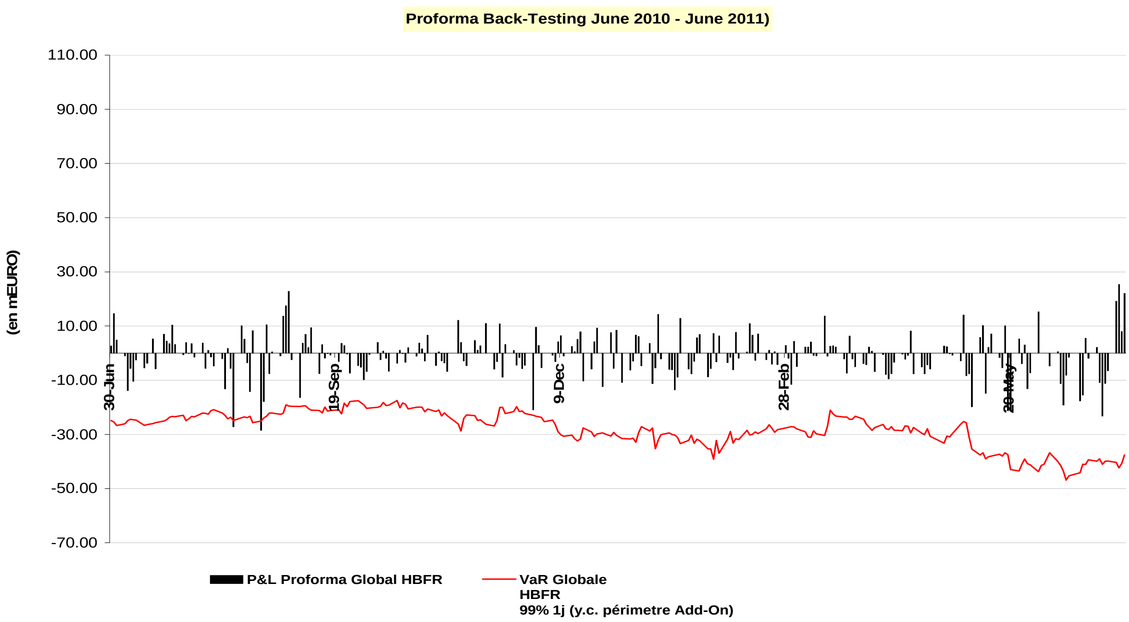
Back-testing

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 2010 – June 2011

(in millions of euros)



HSBC France recorded two back-testing breaches for one year rolling.

Financial results for the first half of 2011 (continued)

Fair value and price verification control

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

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

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

Trading

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

Other controls include restricting individual operations to trading within a list of permissible instruments authorised by 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 2011	**0.04**	**28.24**	**-**	**28.25**
At 31 December 2010	0.09	24.07	0.02	24.11
Average				
At 30 June 2011	**0.08**	**25.54**	**0.02**	**25.53**
At 31 December 2010	0.10	18.81	0.12	18.78
Minimum				
At 30 June 2011	**0.01**	**13.53**	**-**	**13.55**
At 31 December 2010	0.01	12.18	0.005	12.33
Maximum				
At 30 June 2011	**0.24**	**40.25**	**0.08**	**40.26**
At 31 December 2010	0.38	26.97	0.50	26.99

Financial results for the first half of 2011 (continued)

Positions taken with trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2011	**0.04**	**28.96**	**-**	**26.60**
At 31 December 2010	0.09	24.43	0.02	21.99
Average				
At 30 June 2011	**0.08**	**25.68**	**0.02**	**23.64**
At 31 December 2010	0.10	18.74	0.12	17.36
Minimum				
At 30 June 2011	**0.01**	**15.32**	**-**	**11.11**
At 31 December 2010	0.01	12.75	0.005	11.55
Maximum				
At 30 June 2011	**0.24**	**41.17**	**0.08**	**38.65**
At 31 December 2010	0.38	26.09	0.50	24.22

Positions taken without trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2011	**-**	**1.65**	**-**	**1.65**
At 31 December 2010	-	2.12	-	2.12
Average				
At 30 June 2011	**-**	**1.88**	**-**	**1.88**
At 31 December 2010	-	1.42	-	1.42
Minimum				
At 30 June 2011	**-**	**-**	**-**	**-**
At 31 December 2010	-	0.78	-	0.78
Maximum				
At 30 June 2011	**-**	**3.14**	**-**	**3.14**
At 31 December 2010	-	2.77	-	2.77

Sensitivity analysis

At 30 June 2011, 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 Euro zone, whether these notes are from sovereign government issuers in the Euro zone, 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.

Particular attention was paid to exposures (both in terms or sensitivity to yield curve and exposures at default) on Euro-peripheral sovereign debt during the Greek crisis and its contagion to other countries-peripheral. Limits over the weakest countries have been regularly and periodically reviewed to align positions with the risk appetite of the HSBC Group. These limits and positions have been gradually reduced over the course of the year.

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 primary dealer on the sovereign debt of Euro zone countries. It is also managing the exposures and risks associated with structured products on EUR and USD swap curve for the benefit of the entire Group.

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.

Financial results for the first half of 2011 (continued)

An aggregate representation is HSBC France Global Markets' 1-day 99 per cent VaR at 30 June 2011 of EUR - 32.07 million.

At 30 June 2011, HSBC France held in its non-trading portfolio an exposure to quasi-sovereign French and German bonds, alongside Supra-national issuers. These exposures are mainly below 5 years to maturity.

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 474 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 2011 and at 31 December 2010, it covered almost all market risks within HSBC France. Risks not covered by the internal model are measured using the standardised approach devised by the Bank of International Settlements and transposed into French law by CRBF regulation 95-02.

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

	30 June 2011		31 December 2010	
(in millions of euros)	***BIS***	***CAD***	*BIS*	*CAD*
Internal Model [1]:	**397.80**	**397.80**	273.49	273.49
Foreign exchange risk	**0.73**	**0.73**	1.15	1.15
General interest rate risk	**397.46**	**397.46**	272.89	272.89
General equities risk	**0.17**	**0.17**	0.20	0.20
Netting effect	**(0.56)**	**(0.56)**	(0.75)	(0.75)
Standards methods:	**106.58**	**106.58**	83.18	83.18
Foreign exchange risk	-	-	-	-
General interest rate risk	-	-	-	-
Specific interest rate risk	**106.58**	**106.58**	83.18	83.18
General equities risk	-	-	-	-
Specific equities risk	-	-	-	-
Total	**504.38**	**504.38**	356.68	356.68

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 significant 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 2010 pages 66 to 68.

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

Financial results for the first half of 2011 (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 2011 Basel II**	30 June 2010 Basel II	31 December 2010 Basel II
Tier 1:			
Shareholders' funds of the parent company	**5,038**	5,556	4,832
Non controlling interests	**46**	51	48
Less: dividends payable to the parent company	**(118)**	(394)	-
Less: items treated differently for the purposes of capital adequacy	**(54)**	(173)	(99)
Less: goodwill capitalised and intangible assets	**(366)**	(367)	(367)
Less: deductions in respect of expected losses	**(91)**	(105)	(99)
Less: investments in credit institutions exceeding 10% of capital	**(266)**	(256)	(281)
Total qualifying tier 1 capital	**4,189**	4,312	4,033
Tier 2:			
Reserves arising from revaluation of property and unrealised gains on available-for-sale securities	**73**	68	70
Perpetual subordinated loan and term-subordinated loan	**88**	144	121
Less: deductions in respect of expected losses	**(91)**	(105)	(99)
Less: investments in credit institutions exceeding 10% of capital	**(70)**	(107)	(93)
Total qualifying tier 2 capital	**-**	-	-
Investments in other banks and other financial institutions	**(4)**	(4)	(4)
Total capital	**4,186**	4,308	4,029
Total Basel II risk-weighted assets	**36,425**	35,448	33,451
Total Basel I risk-weighted assets	***45,428***	*41,592*	*43,544*
Capital ratios:			
Tier 1 capital	**11.50%**	12.2%	12.1%
Total capital	**11.49%**	12.2%	12.0%

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 2011 and 2010.

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 266 million were deducted from Tier 1 capital and EUR 70 million from Tier 2 capital as at 30 June 2011 (EUR 281 million were deducted from Tier 1 capital and EUR 93 million from Tier 2 capital as at 31 December 2010).

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 228 million less the interim dividend of EUR 118 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 subordinated debt discount of EUR - 33 million.

Financial results for the first half of 2011 (continued)

Basel II international solvency ratio

The HSBC France group's Basel II international solvency ratio was 11.50 per cent at 30 June 2011, compared with a minimum requirement of 8 per cent. The group's Tier 1 capital ratio was 11.49 per cent compared with a minimum requirement of 4 per cent.

Under the Basel II definitions, total HSBC France group capital amounted to EUR 4.2 billion at 30 June 2011, of which EUR 4.2 billion was Tier 1 capital.

The corresponding risk-weighted assets totalled EUR 36.4 billion, broken down as follows:

(in billions of euros)	**30 June 2011**	30 June 2010	31 December 2010
Credit risks	**26.1**	26.7	25.0
Market risks	**6.3**	4.7	4.4
Operational risks	**4.0**	4.0	4.0
Total	**36.4**	35.4	33.4

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. Nineteen groups had individual exposures exceeding 10 per cent of net capital at 30 June 2011.

Loan loss provisions

At 30 June 2011, loan loss provisions represented 50.07 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 2010 on page 161.

Financial results for the first half of 2011 (continued)

8 Contingent liabilities and contractual commitments

a *Contingent liabilities and commitments*

(in millions of euros)	**30 June 2011**	30 June 2010	31 December 2010
Contract amounts			
Contingent liabilities			
Acceptances and endorsements	**-**	-	-
Guarantees and assets pledged as collateral security	**5,321**	5,451	5,326
Other contingent liabilities	**37**	42	37
	5,358	5,493	5,363
Commitments			
Documentary credits and short-term trade-related transactions	**487**	404	410
Undrawn note issuing and revolving underwriting facilities	**-**	-	-
Undrawn formal stand-by facilities, credit lines and other commitments to lend :			
– 1 year and under	**3,975**	4,990	4,123
– over 1 year	**16,395**	12,218	14,166
	20,857	17,612	18,699

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 2011**	30 June 2010	31 December 2010
Guarantee type			
Financial guarantees [1]	**1**	1	1
Stand-by letters of credit which are financial guarantees [2]	**816**	531	535
Other direct credit substitutes [3]	**490**	739	705
Performance bonds [4]	**1,445**	1,475	1,505
Bid bonds [4]	**24**	25	25
Standby letters of credit related to particular transactions [4]	**-**	-	-
Other transaction-related guarantees [4, 5]	**2,545**	2,680	2,555
Other items	**37**	42	37
TOTAL	**5,358**	5,943	5,363

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.*

Financial results for the first half of 2011 (continued)

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 285 million at 30 June 2011 (EUR 475 million at 30 June 2010, EUR 283 million at 31 December 2010).*

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 2011**	30 June 2010	31 December 2010
Acceptances and endorsements	**-**	-	-
Other items	**2**	1	2

9 Segment analysis

The HSBC Group in France provides a full range of banking and financial services to its customers. As part of the definition of its strategic objectives announced in May 2011 and to offer clients a more integrated wealth management services, HSBC Group decided to consolidate into a single business line all retail banking and wealth management services, including Life Insurance and Asset Management. The latter was previously part of the Corporate and Investment Banking business line. Products and services are organised along the following customer groups and global businesses:

- Retail Banking and Wealth Management (including the insurance and asset management business lines) offers a wide range of products and services to meet the retail banking and wealth management requirements of individual clients and professionals. The products offered include current accounts and the related payment and financial services, savings products and solutions for wealth accumulation, as well as mortgages and other loans to individuals and professionals.
- Commercial Banking offers its clients financial services, payment and cash management services, international financing, insurance, treasury operations, as well as capital market and other investment banking services.
- Global Banking and Markets provides tailored financial solutions to large corporate and institutional clients, governments and public-sector agencies. The global businesses offer a full range of investment banking and financing services as well as capital markets services in the field of credit, interest rates, foreign exchange, equities, money markets and securities administration.
- The services offered by Global Private Banking are designed to meet the needs of high-end individual customers in the field of banking services, investment advisory and wealth management.

The "Other" column notably includes the change on the fair value of the debt classified under the fair value option, which was EUR 0.8 million (EUR 58 million on 30 June 2010 and EUR 32 million on 31 December 2010) and in 2010 the gain on the sale of the head office buildings for EUR 141 million.

HSBC France is supported by various central administrative and corporate functions whose costs are systematically and consistently allocated to the business lines.

Performance is assessed on the basis of the pre-tax profits of the business line, as set out in the internal management reports reviewed by the Group's Executive Management.

Financial results for the first half of 2011 (continued)

(in millions of euros)	*Retail Banking and Wealth Management*	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
	Half year to 30 June 2011						
Interest income	**490**	**247**	**494**	**15**	**(5)**	**-**	**1,241**
Interest expense	**(49)**	**(40)**	**(369)**	**(3)**	**(2)**	**(89)**	**(552)**
Net interest income	**441**	**207**	**125**	**12**	**(7)**	**(89)**	**689**
Other operating income	**74**	**110**	**324**	**29**	**14**	**89**	**640**
Total operating income	**515**	**317**	**449**	**41**	**7**	**-**	**1,329**
Loan impairment charges and other credit risk provisions	**(19)**	**(39)**	**6**	**-**	**-**	**-**	**(52)**
Net operating income	**496**	**278**	**454**	**41**	**7**	**-**	**1,276**
Total operating expenses	**(397)**	**(199)**	**(251)**	**(34)**	**(7)**	**-**	**(888)**
Operating profit	**99**	**79**	**203**	**7**	**-**	**-**	**388**
Share of profit in associates and joint ventures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit before tax - France	**99**	**79**	**203**	**7**	**-**	**-**	**388**
Tax expense							**(72)**
Profit for the year -France							**316**
Perimeter differences [1]							**(88)**
Profit for the year - Legal							**228**

1 *Mainly Insurance.*

(in millions of euros)	*Retail Banking and Wealth Management*[2]	*Commercial Banking*	*Global Banking and Markets*[2]	*Private Banking*	*Other*	*Inter Segment*	*Total*
	Half year to 30 June 2010						
Interest income	461	225	371	13	(33)	-	1,037
Interest expense	(30)	(38)	(233)	(2)	18	(52)	(337)
Net interest income	431	187	138	11	(15)	(52)	700
Other operating income	41	114	440	26	209	52	882
Total operating income	472	301	578	37	194	-	1,582
Loan impairment charges and credit risk provisions	(8)	(36)	(11)	1	-	-	(54)
Net operating income	464	265	567	38	194	-	1,528
Total operating expenses	(398)	(203)	(279)	(33)	(27)	-	(940)
Operating profit	66	62	288	5	167	-	588
Share of profit in associates and joint ventures	-	-	-	-	-	-	-
Profit before tax - France	66	62	288	5	167	-	588
Tax expense							(102)
Profit for the year -France							486
Perimeter differences [1]							(68)
Profit for the year - Legal							418

1 *Mainly Insurance.*

2 *The information reported in these columns has changed as compared to the prior year. Asset management previously declared in the customer group "Global Banking and Markets" have now been reallocated to the customer group"Retail Banking and Wealth Management". The impact of this reclassification is EUR 11 million on the profit before tax.*

Financial results for the first half of 2011 (continued)

(in millions of euros)	Full year to 31 December 2010 *Retail Banking and Wealth Management*[2]	*Commercial Banking*	*Global Banking and Markets*[2]	*Private Banking*	*Other*	*Inter Segment*	*Total*
Interest income	884	476	734	28	59	–	2,181
Interest expense	(22)	(85)	(501)	(5)	(86)	(113)	(812)
Net interest income	862	391	233	23	(27)	(113)	1,369
Other operating income	82	218	571	52	191	113	1,227
Total operating income	944	609	804	75	164	–	2,596
Loan impairment charges and other credit risk provisions	(17)	(91)	(17)	4	–	–	(121)
Net operating income	927	518	787	79	164	–	2,475
Total operating expenses	(823)	(416)	(516)	(66)	(26)	–	(1,847)
Operating profit	104	102	271	13	138	–	628
Share of profit in associates and joint ventures	–	–	–	–	–	–	–
Profit before tax - France	104	102	271	13	138	–	628
Tax expense							(117)
Profit for the year -France							511
Perimeter differences [1]							(56)
Profit for the year - Legal							455

1 *Mainly Insurance.*

2 *The information reported in these columns has changed as compared to the prior year. Asset management previously declared in the customer group "Global Banking and Markets" have now been reallocated to the customer group"Retail Banking and Wealth Management". The impact of this reclassification is EUR 22 million on the profit before tax.*

10 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 2011**	Balance at 30 June 2010	Balance at 31 December 2010
Assets			
Trading assets	**5,984**	6,380	4 985
Derivatives	**14,197**	20,409	15,113
Loans and advances to banks	**5,805**	4,682	3,016
Loans and advances to customers	**100**	973	77
Financial investments	**170**	170	170
Other assets	**58**	121	321
Prepayments and accrued income	**84**	49	76
Financial assets designated at fair value	**5**	5	4

Financial results for the first half of 2011 (continued)

(in millions of euros)	**Balance at 30 June 2011**	Balance at 30 June 2010	Balance at 31 December 2010
Liabilities			
Deposits by banks	**12,108**	9,634	14,574
Customer accounts	**305**	315	288
Trading liabilities	**3,389**	3,459	1,306
Derivatives	**16,410**	23,740	18,192
Other liabilities	**3**	5	159
Accruals and deferred income	**58**	28	38
Subordinated liabilities	**150**	150	150

(in millions of euros)	**Balance at 30 June 2011**	Balance at 30 June 2010	Balance at 31 December 2010
Income Statement			
Interest Income [1]	**65**	44	91
Interest expense [1]	**49**	20	59
Fee income	**76**	68	135
Fee expense	**47**	45	81
Gains less losses from financial investments[2]	**15**	-	-
Other operating income	-	-	(1)
Dividend income	-	-	1
General and administrative expenses	**11**	1	35

1 *In June 2011, including interest on trading assets and trading liabilities: EUR 10 million (June 2010: EUR 7 million).*

2 *Gains on Sale of Sinopia Asset Management (HK) Ltd., EUR 12 million, and Sinopia Asset Management (UK) Ltd, EUR 3 million.*

11 Litigation

As at 30 June 2011 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.

12 Events after the balance sheet date

The HSBC France 2014 Strategic plan was communicated to employee representatives on 5 July 2011. The aim of the plan is to accelarate the growth of HSBC France by capitalising on two main drivers:

– Reinforcing HSBC France's development on the basis of its unique strengths in the French banking market, in particular by focusing efforts on strategic target client bases and enhancing internal synergies with the Group;

– Achieving a level of efficiency in line with French market standards. To achieve this, work needs to be carried out on the bank's current organisational structure, both in the distribution network and within support and central functions. The projects to improve efficiency presented within the framework of the Strategic plan represent 672 job cuts, which will be absorbed by two main factors:

  - An age pyramid allowing for a number of employees taking retirement in the next few years, up to 31 December 2014 for voluntary retirements and up to 31 December 2017 for "End of careers and solidarity leave" (CFCS);
  - A churn rate that makes a number of positions available each year.

The estimated cost of the measures contained in the component of the Strategic plan relating to employees – for which provisions can be set aside on an accounting level (therefore excluding significant training efforts) – is around EUR 50 million and will be recognised in the financial statements for the third quarter 2011.

Financial results for the first half of 2011 (continued)

13 Investments

The table below shows the changes, in the first half-year of 2011, in the legal perimeter published in the 2010 Annual Report and Accounts (pages 129 to 132).

Consolidated companies	*Country*	*Consolidation method **	*Main line of business*	HSBC France group interest (per cent) **30 June 2011**	31 December 2010
Addition :					
No change					
Disposals :					
Sinopia Asset Management (Asia Pacific) Ltd [1]	Hong Kong	FC	Asset management	-	100.0
Sinopia Asset Management (UK) Ltd[2]	United Kingdom	FC	Service company	-	100.0
Liquidations and mergers:					
Elysées Forêts	France	FC	Service company	-	75.3
HSBC PP 1	France	FC	Financial company	-	100.0
Sinopia Société de Gestion[3]	France	FC	Service company	-	100.0
Sinopia Asset Management[4]	France	FC	Financial company	-	100.0
Halbis Capital Management (France)[4]	France	FC	Asset management	-	100.0
Delosfin SA[5]	France	FC	Investment company	-	100.0
Deconsolidation :					
No change					
Changes in interest:					
HSBC Duoblig	France	FC	Financial company	**96.8**	76.4

* *FC: Full Consolidation.*
1 *Gain of sale of Sinopia Asset Management (Asia Pacific) Ltd for EUR 11.5 million.*
2 *Gain of sale of Sinopia Asset Management (UK) Ltd for EUR 3.1 million.*
3 *Merger with Sinopia Asset Management.*
4 *Merger with HSBC Global Asset Management (France).*
5 *Merger with HSBC Private Bank France.*

3. Report of the Statutory Auditors on the interim financial information at 30 June 2011

For the six month period ended 30 June 2011

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meetings and in accordance with the requirements of 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 consolidated interim financial statements of HSBC France S.A. for the six-month period ended 30 June 2011,
- the verification of the information contained in the interim management report.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors and have been prepared against the backdrop of a public finance crisis in certain eurozone countries, the impact of which is described in note 7. 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 consolidated interim 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 consolidated interim financial statements that were subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed consolidated interim financial statements.

Paris La Défense, on 26 August 2011

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

Paris, on 26 August 2011

BDO France - Léger & associés

Michel Léger
Partner

Recent events

Events subsequent to the filing of the Reference Document

None.

Events subsequent to 30 June 2011

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 significant change affecting the financial or sales situation of HSBC France or its subsidiaries since 30 June 2011, date of the most recent published financial statements reviewed by the auditors.

The main events that have occurred since 30 June 2011 are the following:

HSBC France sets out strategic plan (press release date 5 July 2011)

On 5 July 2011, HSBC France presented its latest strategic plan to its Works Council and reiterated its aim to develop as part of a global bank.

The strategic plan is in line with the HSBC Group's strategy. Under the plan, HSBC France will accelerate its growth while improving efficiency by:

– focusing on wealth management for personal customers;

– bolstering international connectivity for business customers;

– further developing the Global Banking and Markets platform in Paris as a strategic hub for the HSBC Group; and

– strengthening synergies between customer groups.

Through the implementation of the plan, HSBC France will aim to:

– improve its cost efficiency ratio to around 62-64 per cent, in line with best-in-class French banks and supporting the HSBC Group's target; and

– achieve a return on equity in line with the HSBC Group's target of 12-15 per cent.

Highlights

– **Retail Banking and Wealth Management**

  - Improve the investment and advice offering in multi-management, discretionary management, advisory management, annuities solutions and brokerage platform. This will support and promote the long-term investment needs of customers, particularly with the growing focus on retirement planning.
  - Develop the expertise of wealth management staff, particularly within HSBC Premier, providing customers with products and services tailored to their individual circumstances.
  - Develop the bank's branch network, opening 25 new branches by 2015, as well as addressing the demand for multi-channel services and growing HSBC France's Premier customer base by a third.

Recent events (continued)

– **Commercial Banking**

- Continue to strengthen the international capabilities of the 10 corporate business centres and the 50 commercial centres by increasing the number of relationship managers with an international focus. Payments and cash management and trade services teams will be strengthened, with dedicated teams for each customer segment, to focus on international flows.
- Develop the direct banking model, offering dedicated relationship managers, longer branch opening hours and attractive banking packages for small business clients. HSBC France aims to acquire 8,000 new customers on a yearly basis within the plan timeframe.

– **Global Banking and Markets**

- Consolidate the Global Banking and Markets platform so it remains a strategic platform for Continental Europe and a centre of excellence in euro rates and equity derivatives, by increasing synergies with other countries and broadening the products offered to large corporate clients.

– **Private Banking**

- Accelerate growth in France through the opening of three new regional offices (bringing the network to six private banking regional offices), strengthening sales teams and increasing the synergies between the different customer groups, in particular Commercial Banking.

HSBC France will focus on further improvements in operational efficiency and effectiveness throughout the organisation. No compulsory redundancy programmes are planned.

The HSBC France CEO, Christophe de Backer stated this strategic plan demonstrated the high level of ambition HSBC has for the French market and HSBC France’s strength in strategic businesses provided the perfect foundation for future growth.”

The implementation of the plan is subject to further consultation with employee representative bodies.

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 7 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 40 of this document.

Paris, 30 August 2011

Christophe de Backer, CEO

Persons responsible for auditing the financial statements

Incumbents	First appointed	Re-appointed	Term expires
KPMG [1] Represented by Mr Pascal Brouard 1, cours Valmy 92923 Paris La Défense Cedex	2001	2006	2012
BDO France - Léger & associés [2] Represented by Mr Michel Léger 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.*

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

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 *2010 Annual Report and Accounts* D.11-0365 updated by this document.

Persons responsible for the registration document and additional information and for auditing the financial statements (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 2010 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 84 to 166 and 167 to 168 of reference document D.11-0365 filed with the AMF on 26 April 2011.

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

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

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

HSBC France
103 avenue des Champs Élysées
75419 Paris Cedex 08
France