HSBC

Update to the Registration Document

filed with the *Autorité des Marchés Financiers*

on 25 April 2012 under reference number D.12-0413

and Interim Financial Report

Update filed with the *Autorité des Marchés Financiers*

30 August 2012

HSBC France

Société Anonyme with share capital of 337,189,135 euros

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This document was filed with the *Autorités des Marchés Financiers* (AMF) on 30 August 2012 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 25 April 2012 under reference number D.12-0413. 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 2012

1. Management report on the first half of 2012

The bank's performance in the first half of 2012

The first half of 2012 presented similarities with the same period of the previous year notably in respect of markets activities, with an encouraging first quarter and a downturn in the second amid renewed tension over the weaker eurozone countries. As regards retail and wealth management activities, the first half of 2012 saw a more difficult context, in relation with markets downturn in the second half of 2011, with no real recovery since then.

In the first quarter, the stock markets rose and the business climate improved, partly due to the massive liquidity injections from the European Central Bank (ECB) (about EUR 1 trillion), but this was not enough to stimulate economic growth, which remained sluggish.

In the second quarter, concerns began to escalate particularly in Spain and Greece and, to a lesser extent, in Italy. The markets then began to plummet with a massive "flight to quality", forcing the eurozone countries to commit to further integration and to continue implementing and using financial stabilisation mechanisms such as the European Financial Stability Facility and European Stability Mechanism, amid speculation of further monetary easing by the ECB.

Against this background, HSBC France delivered a satisfactory performance, particularly in Global Banking and Markets activities, whilst results were more contrasting in Retail Banking and Wealth Management activities.

HSBC France strives to maintain high standards in terms of risk and cost control management and enjoys high liquidity and capital ratios.

In February 2012, Moody’s embarked on a review of the credit ratings of 114 European banks and 17 financial institutions with global capital markets operations. The review was completed in June 2012 and on 21 June, HSBC France's long-term credit rating was downgraded by one notch to A1 with a stable outlook. HSBC France is one of the few banks downgraded by only one notch. Its overall credit ratings compare favourably with its peers.

HSBC France's performance is analysed below from two different perspectives:

– HSBC's operations in France, including HSBC Bank plc's Paris branch[1], which houses the equity derivatives business among others, as well as the insurance subsidiaries HSBC Assurances Vie (France) and HSBC Assurances IARD (France);

– HSBC France's consolidated financial statements, prepared in accordance with IFRS standards as defined in Note 1[2] of the consolidated financial statements.

[1] *Which receives commission on equity derivative transactions booked in London but initiated in France.*
[2] *See page 14.*

Financial results for the first half of 2012 (continued)

Financial contribution of HSBC in France[1]

Under this perimeter, profit before tax was EUR 278 million and EUR 354 million excluding the impact of credit spreads on the fair value of own debt.

Net operating income excluding the impact of credit spread on the fair value of own debt was slightly down 2.6 per cent on the previous year to EUR 1,294 million, the rise in markets activities offsetting lower performance in other businesses, while Commercial Banking had stable revenues. Maintaining a conservative liquidity position burdened revenues.

Loan impairment charges and other credit risk provisions, excluding impairment of Greek sovereign debt held by the insurance subsidiary, amounted to EUR 42 million[2], stable compared with the first half of 2011. All in all, the loan loss rate stood at 0.24 per cent of the loans portfolio.

Operating expenses remained stable compared with the same period of 2011, at EUR 897 million under the perimeter. Expenses were down in all banking and wealth management businesses as well as fixed costs in Global Markets activities. The cost efficiency ratio, calculated excluding the impact of credit spread on own debt was 69 per cent.

Performance by global business

Retail Banking and Wealth Management

Retail Banking and Wealth Management commercial performance was sustained in the first half of 2012:

– HSBC France attracted more than 22,000 new HSBC Premier customers during the first half, bringing the total to 366,000. France now accounts for almost 9 per cent of the Group's total HSBC Premier clientele;

– mortgage balances increased by 8 per cent over one year, to EUR 11.5 billion with higher margins in a context of low interest rates;

– the deposit book has grown by 11 per cent over 12 months to EUR 13.4 billion, attesting to the quality of HSBC's name and reputation. New money flowed mainly into savings accounts, which grew by 16 per cent.

– gross life insurance origination amounted to EUR 1.1 billion over the first half. However lower than last year, HSBC France had a better performance than the French market (-12 per cent for HSBC France’s network versus -16 per cent for the French market[3]);

– assets managed and distributed by Wealth Management stood at EUR 70 billion, stable from end-December 2011 due to low assets valuation in the current situation. HSBC in France continues to develop synergies with the HSBC Group, as witnessed for example by the World Selection fund, whose assets now stand at EUR 628 million, a rise of 37 per cent over the six months;

– all in all, deposits and assets managed for personal customers of the HSBC France branch network grew by 3 per cent to EUR 32.4 billion on first half 2012.

[1] *The comments on pages x to x discuss France’s contribution to the results of the HSBC Group, which includes:*
– HSBC France group, 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, plus the Paris branch of HSBC Bank plc (excluding CCF acquisition funding costs), which houses the equity derivatives business, as well as HSBC Assurances Vie (France) and HSBC Assurances IARD (France);
The figures are presented according to IFRSs as adopted by the HSBC Group.

[2] *Net impairment of the Greek sovereign debt portfolio held by the Insurance business was less than EUR 0.1 million after passing on impairment charges to policyholders.*

[3] Fédération Française des Sociétés d’Assurances *(FFSA), May 2012.*

Financial results for the first half of 2012 (continued)

Profit before tax in Retail Banking and Wealth Management decreased to EUR 22 million mainly due to the impact of IFRS accounting (revaluation of non-qualifying hedges relating to mortgages and volatile items in the Insurance business – particularly PVIF[1]). Excluding exceptional items and accounting adjustments[2], profit before tax would be 19 per cent below first half of 2011 due to low interest rates and financial assets valuation.

Commercial Banking

In line with the second half of 2011, Commercial Banking continued to develop despite the gloomy economic environment. Profit before tax amounted to a record of EUR 88 million in the first half, an increase of 11 per cent compared with the same period of 2011.

Net operating income before impairment and provisions remained stable at EUR 318 million. HSBC France continued to benefit from its good name and reputation, reporting a 12 per cent increase in its average deposit base over the period to EUR 10.3 billion, with a particularly strong performance in term deposits. HSBC France also continued to finance the French economy, with 6 per cent growth in its business loan book to EUR 10 billion. Commercial Banking also took part in several financial transactions on behalf of its largest customers.

The factoring business also delivered a very strong performance with 38 per cent growth in factored receivables over one year.

Commercial Banking's strategy focuses primarily on its ability to provide companies with international cross-border solutions; the Trade Services business, for example, reported 10 per cent growth in net operating income. Commercial Banking continues to develop synergies with the HSBC Group, expanding its revenues outside France with French customers by 27 per cent.

Loan impairment charges and other credit risk provisions fell by 14 per cent to EUR 33 million, particularly thanks to implementation of stricter risk management initiatives inducing a decrease in loan loss rate (as a percentage of the loan portfolio) from 0.75 per cent in 2011 to 0.60 per cent. However, given the poor environment, a deterioration is foreseeable in the second half of 2012.

Operating expenses fell by about 1 per cent thanks to strong cost discipline, further improving the cost efficiency ratio from 63 per cent to 62 per cent.

Global Banking and Markets

Global Banking and Markets was faced with a changing financial environment punctuated, in the beginning of the year, by more favourable market conditions linked to ECB action, a sharp decrease in interest rates in May and a regain in tensions at the end of the period on southern Europe countries and notably Spain and its banking sector and, at a lesser extent, Italy. This volatile environment, in a downturn context and, in France, political change, led to a decrease in our customers trading volumes.

In this climate, Global Banking and Markets reported pre-tax profit of EUR 256 million, an increase of 27 per cent compared with the first half of 2011.

[1] *PVIF (Present Value of In Force) is calculated according to IFRSs as adopted by the HSBC Group and corresponds to net present value of expected P&L flows of existing insurance contracts.*
[2] *Including offsetting of the impact of PVIF insurance accounting.*

Financial results for the first half of 2012 (continued)

Revenues amounted to EUR 541 million compared with EUR 448 million in the first half of last year. HSBC France is a leading player in euro-denominated sovereign debt and ended the six-month period ranked fifth in the French debt sector[1]. This ranking was obtained despite a significant reduction in exposure in the past 12 months. Treasury and short-term trading activities also performed well.

Revenues from Global Banking activities did not increase due to the gloomy economic climate which led our clients to delay projects implementation, although revenues from advisory services were up. HSBC France ended the six-month period ranked fourth in Merger and Acquisition deals[2]. As an evidence of the unique international presence of the HSBC Group, revenues generated outside France by the HSBC network with French clients had grown by 22 per cent in 2012 versus the comparable period of 2011.

Contribution from Proprietary Asset Management activities saw a significant decline in revenues as HSBC is winding down this business in France.

Loan impairment charges and other credit risk provisions were zero in the first half, compared with a net reversal in the same period of last year.

Private Banking

After its legal merger with HSBC France in October 2011, the Private Banking subsidiary has completed its operational merger within HSBC France in June 2012. In this context, activity portfolio has been refocused on private wealth management with no further involvement in institutional asset management.

Private Banking completed the task of bringing its structure and systems into line with HSBC France standards and strengthened synergies with the HSBC France’s other businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets.

Financial results of the HSBC France group (consolidated scope)

The HSBC France group reported consolidated profit before tax of EUR 234 million compared with EUR 270 million the previous year.

Net operating income amounted to EUR 1,107 million, a decrease of just 2 per cent compared with the first half of 2011, due mainly to:

– a good performance by the operating activities, and particularly fixed-income activities in eurozone public sector debt, where HSBC France is still a leading market maker;

– accounting adjustments such as the effect of credit spreads on the fair value of own debt and changes in the fair value of non-qualifying hedging instruments.

Loan impairment charges and other credit risk provisions amounted to EUR 42 million, unchanged compared with the same period of 2011.

Operating expenses were contained to EUR 831 million, an increase of just 1 per cent while fixed costs decreased.

Net profit attributable to shareholders stood at EUR 193 million compared with EUR 228 million in the first half of 2011.

[1] *DCM Bloomberg league tables at end June 2012 (governments, corporations, financial institutions).*
[2] *Bloomberg league tables at end June 2012 (deals completed).*

Financial results for the first half of 2012 (continued)

Liquidity ratio is maintained at a high level, over the French regulatory requirements (123 per cent versus 100 per cent); The customer advances to customer deposits ratio[1] further improved from 109 per cent as at 31 December 2011 to 101 per cent as at 30 June 2012.

HSBC France's Core Tier One equity rose by EUR 224 million to reach EUR 4,156 million at end June 2012 considering that HSBC France did not pay interim dividend in respect of the first half of 2012. Over the same period, risk-weighted assets fell by EUR 1.3 billion to EUR 35.6 billion, mainly due to a reduction in market risks. Consequently, the Core Tier One ratio rose by 100 basis points to 11.7 per cent, well above the regulatory minimum.

Estimated impact of the Basel Committee's new rules

HSBC France had approximately EUR 1.3 billion of excess capital at 30 June 2012[2], and should therefore be able to meet the stricter Basel III requirements.

[1] *Excluding repurchase agreements, reverse repurchase agreements and settlement accounts.*
[2] *Measuring the capital requirement at 8 per cent of risk-weighted assets.*

Financial results for the first half of 2012 (continued)

2. Condensed consolidated financial statements at 30 June 2012

Consolidated income statement for the half-year to 30 June 2012

(in millions of euros)	*Notes*	**30 June 2012**	30 June 2011	31 December 2011
Interest income		**942**	981	2,052
Interest expense		**(452)**	(547)	(1,184)
Net interest income		**490**	434	868
Fee income		**492**	533	1,014
Fee expense		**(125)**	(131)	(245)
Net fee income		**367**	402	769
Trading income		**279**	232	(61)
Net income from financial instruments designated at fair value		**(65)**	3	120
Gains less losses from financial investments		**14**	36	52
Dividend income		**4**	5	6
Other operating income		**18**	19	27
Total operating income before loan impairment (charges)/releases and other credit risk provisions		**1,107**	1,131	1,781
Loan impairment charges and other credit risk provisions	*5*	**(42)**	(42)	(109)
Net operating income		**1,065**	1,089	1,672
Employee compensation and benefits		**(533)**	(515)	(998)
General and administrative expenses		**(271)**	(279)	(558)
Depreciation of property, plant and equipment		**(23)**	(21)	(49)
Amortisation of intangible assets and impairment of goodwill		**(4)**	(4)	(8)
Total operating expenses		**(831)**	(819)	(1,613)
Operating profit		**234**	270	59
Share of profit in associates and joint ventures		**-**	-	-
Profit before tax		**234**	270	59
Tax expense		**(40)**	(42)	65
Profit from continuing operations		**194**	228	124
Discontinued operations				
Net profit on discontinued operations		**-**	-	-
Profit for the period		**194**	228	124
Profit attributable to shareholders of the parent company		**193**	228	123
Profit attributable to non-controlling interests		**1**	-	1

(in euros)				
Basic earnings per ordinary share	*4*	**2.86**	3.38	1.83
Diluted earnings per ordinary share	*4*	**2.86**	3.38	1.83
Dividend per ordinary share	*4*	**-**	1.75	1.75

Financial results for the first half of 2012 (continued)

Consolidated statement of comprehensive income for the half-year to 30 June 2012

(in millions of euros)	**30 June 2012**	30 June 2011	31 December 2011
Profit for the period	**194**	228	124
Other comprehensive income			
Available-for-sale investments:			
– fair value gains/(losses) taken to equity	**106**	47	(52)
– fair value gains transferred to income statement on disposal	**(24)**	(37)	(64)
– amounts transferred to/(from) the income statement in respect of impairment losses	**1**	-	5
– income taxes	**(28)**	(1)	41
Cash flow hedges:			
– fair value gains/(losses) taken to equity	**34**	(77)	92
– fair value (gains)/losses transferred to income statement	**(24)**	(10)	(25)
– income taxes	**(3)**	31	(26)
Actuarial gains/(losses) on defined benefit plans	**(12)**	2	(5)
Exchange differences	**-**	2	-
Other comprehensive income for the period, net of tax	**50**	(43)	(34)
Total comprehensive income for the period	**244**	185	90
Total comprehensive income for the year attributable to:			
– shareholders of the parent company	**243**	185	89
– non-controlling interests	**1**	-	1
	244	185	90

Financial results for the first half of 2012 (continued)

Consolidated statement of financial position at 30 June 2012

(in millions of euros)	*Notes*	**30 June 2012**	30 June 2011	31 December 2011
ASSETS				
Cash and balances at central banks	*7*	**7,475**	280	4,805
Items in the course of collection from other banks	*7*	**1,096**	895	806
Trading assets	*6-7*	**43,020**	64,499	39,013
Financial assets designated at fair value	*6-7*	**5**	582	598
Derivatives	*6-7*	**92,077**	47,144	82,738
Loans and advances to banks	*6-7*	**29,604**	42,207	29,705
Loans and advances to customers	*6-7*	**54,766**	60,928	53,279
Financial investments	*6-7*	**9,986**	3,977	7,518
Interests in associates and joint ventures		**6**	6	6
Goodwill and intangible assets		**379**	380	378
Property, plant and equipment		**296**	248	265
Other assets		**527**	1,536	1,117
Deferred tax assets		**178**	185	211
Prepayments and accrued income		**930**	1,285	946
Assets classified as held for sale		**-**	5	5
TOTAL ASSETS		**240,345**	224,157	221,390

(in millions of euros)	*Notes*	**30 June 2012**	30 June 2011	31 December 2011
LIABILITIES AND EQUITY				
Liabilities				
Deposits by banks	*6*	**37,009**	30,336	32,338
Customer accounts	*6*	**49,812**	70,062	42,896
Items in the course of transmission to other banks		**1,031**	823	757
Trading liabilities	*6*	**36,141**	48,796	38,258
Financial liabilities designated at fair value	*6*	**5,630**	5,562	5,527
Derivatives	*6*	**90,738**	46,567	81,681
Debt securities in issue	*6*	**12,557**	13,354	12,605
Retirement benefit liabilities		**134**	105	117
Other liabilities		**995**	1,935	837
Current taxation		**40**	18	25
Accruals and deferred income		**890**	1,294	1,215
Provisions for liabilities and charges		**92**	54	97
Deferred tax liabilities		**2**	2	2
Subordinated liabilities	*6*	**166**	166	166
TOTAL LIABILITIES		**235,236**	219,074	216,521
Equity				
Called-up share capital		**337**	337	337
Share premium account		**16**	16	16
Other reserves and retained earnings		**4,707**	4,684	4,468
TOTAL SHAREHOLDERS' EQUITY		**5,060**	5,037	4,821
Non-controlling interests		**49**	46	48
TOTAL EQUITY		**5,109**	5,083	4,869
Liabilities classified as held for sale		**-**	-	-
TOTAL EQUITY AND LIABILITIES		**240,345**	224,157	221,390

Financial results for the first half of 2012 (continued)

Consolidated statement of changes in equity for the half-year to 30 June 2012

30 June 2012

(in millions of euros)	Called up share capital	Share premium	Retained earnings	*Other reserves* Available-for-sale fair value reserve	Cash flow hedging reserve	Foreign exchange reserve	Share-based payment reserve	Associates and joint ventures	Total share-holders' equity	Non-controlling interests	Total equity
At 1 January 2012	**337**	**16**	**4,334**	**(24)**	**63**	**2**	**89**	**4**	**4,821**	**48**	**4,869**
Share capital issued, net of costs	-	-	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	-	-	-	-
Net impact of equity-settled share-based payments	-	-	-	-	-	-	**(1)**	-	**(1)**	-	**(1)**
Dividends to non-controlling interests	-	-	-	-	-	-		-	-	-	-
Other movements	-	-	**(2)**	-	-	-	-	**(1)**	**(3)**	-	**(3)**
Total comprehensive income for the period	-	-	**181**	**55**	**7**	-	-	-	**243**	**1**	**244**
At 30 June 2012	**337**	**16**	**4,513**	**31**	**70**	**2**	**88**	**3**	**5,060**	**49**	**5,109**

30 June 2011

(in millions of euros)	Called up share capital	Share premium	Retained earnings	*Other reserves* Available-for-sale fair value reserve	Cash flow hedging reserve	Foreign exchange reserve	Share-based payment reserve	Associates and joint ventures	Total share-holders' equity	Non-controlling interests	Total equity
At 1 January 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

Financial results for the first half of 2012 (continued)

	31 December 2011										
				Other reserves							
(in millions of euros)	Called up share capital	Share premium	Retained earnings	Available-for-sale fair value reserve	Cash flow hedging reserve	Foreign exchange reserve	Share-based payment reserve	Associates and joint ventures	Total share-holders' equity	Non-controlling interests	Total equity
At 1 January 2011	337	16	4,341	46	22	(1)	67	4	4,832	48	4,880
Share capital issued, net of costs	-	-	-	-	-	-	-	-	-	-	
Dividends to shareholders	-	-	(118)	-	-	-	-	-	(118)	-	(118)
Net impact of equity-settled share-based payments	-	-	-	-	-	-	24	-	24	-	24
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	
Other movements	-	-	(7)	-	-	3	(2)	-	(6)	(1)	(7)
Total comprehensive income for the period	-	-	118	(70)	41	-	-	-	89	1	90
At 31 December 2011	337	16	4,334	(24)	63	2	89	4	4,821	48	4,869

Financial results for the first half of 2012 (continued)

Consolidated cash flow statement for the half-year to 30 June 2012

(in millions of euros)	*Notes*	**30 June 2012**	30 June 2011	31 December 2011
Cash flows from operating activities				
Profit before tax		**234**	270	59
Net profit on discontinued operations		-	-	-
– non-cash items included in net profit		**17**	46	114
– change in operating assets		**(10,583)**	(5,986)	17,215
– change in operating liabilities		**11,472**	13,893	(13,207)
– change in assets/liabilities of disposal groups classified as held for sale (including cash items)		-	-	–
– elimination of exchange differences		**(279)**	(30)	(278)
– net gain from investing activities		**(20)**	(48)	(64)
– share of profits in associates and joint ventures		-	-	-
– dividends received from associates		-	-	-
– tax (paid) / recovered		**111**	114	56
Net cash from operating activities		**951**	8,259	3,895
Cash flows (used in)/from investing activities				
Purchase of financial investments		**(3,326)**	(2,511)	(7,396)
Proceeds from the sale and maturity of financial investments		**1,049**	1,160	2,515
Purchase of property, plant and equipment		**(54)**	(41)	(87)
Proceeds from the sale of property, plant and equipment		**10**	(1)	(1)
Purchase of goodwill and intangible assets		**(4)**	(4)	(9)
Net cash outflow from acquisition of and increase in stake of subsidiaries		-	-	-
Net cash inflow from disposal of subsidiaries		-	15	13
Net cash outflow from acquisition of and increase in stake of associates		-	-	-
Proceeds from disposal of associates		-	-	-
Net cash (used in)/from investing activities		**(2,325)**	(1,384)	(4,965)
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		-	-	(118)
Dividends paid to non controlling interests		-	-	-
Net cash (used in)/from financing activities		-	-	(118)
Net increase in cash and cash equivalents		**(1,374)**	6,875	(1,187)
Cash and cash equivalents at 1 January		**29,033**	30,091	30,091
Effect of exchange rate changes on cash and cash equivalents		**16**	(21)	129
Cash and cash equivalents at the end of the period		**27,675**	36,945	29,033

Financial results for the first half of 2012 (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 2012 comprise the financial statement of HSBC France and its subsidiaries and the HSBC France group's interests 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 2011.

The consolidated financial statements of HSBC France at 31 December 2011 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 2011, there were no unendorsed standards effective for the year ended 31 December 2011 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. Accordingly, HSBC France's financial statements for the year ended 31 December 2011 were prepared in accordance with IFRSs as issued by the IASB.

On 20 December 2010, the IASB issued 'Deferred tax: Recovery of Underlying Assets's amendment to IAS 12 which is effective for periods beginning on or after 1 January 2012 but has not been endorsed by the EU. The effect of the application of the amendment is not significant to HSBC France's financial statements.

At 30 June 2012, there were no unendorsed standards effective for the period ended 30 June 2012 affecting these consolidated interim financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC France.

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

The consolidated financial statements of HSBC France as at 31 December 2011 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 25 July 2012.

During the period ended 30 June 2012, the Group adopted a number of standards and interpretations, and amendments thereto which had an insignificant effect on these consolidated financial statements.

b *Use of assumptions and estimates*

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

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

Financial results for the first half of 2012 (continued)

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 89 and 90 of the Annual Report and Accounts 2011.

d *Future accounting developments*

Future accounting developments are consistent with those described on pages 90 to 91 of the Annual Report and Accounts 2011, except that the IASB re-opened the requirements for classification and measurement in IFRS 9 ‘Financial Instruments’ in the first half of 2012 to address practice and other issues, with an exposure draft of revised proposals expected in the second half of 2012. Therefore, the group remains unable to provide a date by which it plans to apply IFRS 9 and it remains impracticable to quantify the effect of IFRS 9 as at the date of publication of these financial statements.

At 30 June 2012, 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)

• Standards applicable in 2013

In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements” (“IFRS 10”), IFRS 11 “Joint Arrangements” (“IFRS 11”) and IFRS 12 “Disclosure of Interests in Other Entities” (“IFRS 12”). The standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRSs 10 and 11 are to be applied retrospectively.

Under IFRS 10, there will be one approach for determining consolidation for all entities, based on the concept of power, variability of returns and their linkage. This will replace the current approach which emphasises legal control or exposure to risks and rewards, depending on the nature of the entity. IFRS 11 places more focus on the investors’ rights and obligations than on structure of the arrangement, 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 unconsolidated structured entities. Based on HSBC France’s initial assessment, IFRSs 10, 11 and 12 are not expected to have a material impact on the group’s financial statements.

In May 2011, the IASB also issued IFRS 13 “Fair Value Measurement” (“IFRS 13”). This 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 do not require comparative information to be provided for periods prior to initial application.

IFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. The standard clarifies the definition of fair value as an exit price, which is defined as a 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. HSBC France is currently analysing potential impacts of IFRS 13 adoption on the group’s financial statements.

In June 2011, the IASB issued amendments to IAS 19 “Employee Benefits” (“IAS 19 revised”). The revised standard is effective for annual periods beginning on/or after 1 January 2013 with early adoption permitted. IAS 19 revised must be applied retrospectively. Based on HSBC France’s initial assessment, this particular amendment of IAS 19 is not expected to have a material impact on the group’s financial statements.

In December 2011, the IASB issued amendments to IFRS 7 “Disclosures – Offsetting Financial Assets and Financial Liabilities” which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity’s financial position. The amendments are effective for annual periods beginning on/or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively.

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

Financial results for the first half of 2012 (continued)

• Standards applicable in 2014

In December 2011, the IASB issued amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities” which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 “Financial Instruments: Presentation”. The amendments are effective for annual periods beginning on/or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively.

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

• Standards applicable in 2015

In November 2009, the IASB issued IFRS 9 “Financial Instruments” (“IFRS 9”) which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued additions to IFRS 9 relating to financial liabilities. Together, these changes represent the first phase in the IASB’s planned replacement of IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”) with a less complex and improved standard for financial instruments.

Following the IASB’s decision, in December 2011, to defer the effective date, the standard is effective for annual periods beginning on/or after 1 January 2015 with early adoption permitted. IFRS 9 is required to be applied retrospectively .

The second and third phases in the IASB’s project to replace IAS 39 will address the impairment of financial assets measured at amortised cost and hedge accounting. The IASB did not finalise the replacement of IAS 39 by its stated target of June 2011, and the IASB and the US Financial Accounting Standards Board have agreed to extend the timetable beyond this date to permit further work and consultation with stakeholders, including reopening IFRS 9 to address practice and other issues. The European Union is not expected to endorse IFRS 9 until the completed standard is available. Therefore, HSBC France remains unable to provide a date by which it plans to apply IFRS 9 and it remains impracticable to quantify its impact as at the date of publication of these consolidated financial statements.

2 Accounting policies

The accounting policies adopted by HSBC France for these condensed interim consolidated financial statements are consistent with those described on Note 2 pages 92 to 104 of the Annual Report and Accounts 2011, except as discussed in Note 1 - Basis of preparation.

3 Dividends

Dividends related to 2012

The Board of Directors of July 25th 2012 did not propose the distribution of an interim dividend for the fiscal year 2012.

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 118.0 million. The interim dividend was paid on 3 August 2011.

On 22 February 2012, the Board of Directors proposed that at the Annual General Meeting, held on 15 May 2012 to distribute a dividend of a total amount of EUR 118.0 million in respect of the 2011 results. The dividend, approved by the shareholders, was paid on 31 May 2012, after deduction of the interim dividend of EUR 1.75 per share voted by the Board of Directors at its meeting of 26 July 2011 and already paid to shares issued as of that date.

Financial results for the first half of 2012 (continued)

4 Earnings and dividends per share

(in euros)	**30 June 2012**	30 June 2011	31 December 2011
Basic earnings per share	**2.86**	3.38	1.83
Diluted earnings per share	**2.86**	3.38	1.83
Dividends per share	**-**	1.75	1.75

Basic earnings per ordinary share were calculated by dividing the earnings of EUR 193 million by the number of ordinary shares outstanding, excluding own shares held, of 67,437,827 (first half of 2011: earnings of EUR 228 million and 67,437,820 weighted average number of shares; full year 2011: earnings of EUR 123 million and 67,437,821 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 67,437,827 (first half of 2011: 67,437,820 shares; full year 2011: 67,437,821 shares). At 30 June 2012, there are no outstanding options which will dilute earnings per share.

5 Impairment allowances and charges

Loan impairment charges and other credit risk provisions comprise:

(in millions of euros)	**30 June 2012**	30 June 2011	31 December 2011
Individually assessed impairment allowances			
New allowances	**166**	159	255
Release of allowances no longer required	**(125)**	(118)	(150)
Recoveries of amounts previously written off	**(1)**		(1)
Amount written off	**47**	24	75
Utilisation of allowance	**(47)**	(24)	(75)
	40	41	104
Collectively assessed impairment allowances			
New allowances	**1**	3	5
Release of allowances no longer required	**(1)**	(2)	(2)
	-	1	3
Total charge for impairment losses	**40**	42	107
Banks	**-**	-	-
Customers	**40**	42	107
Other credit risk provisions	**1**	-	-
Impairment charges on debt security investments available-for-sale	**1**	-	2
Loan impairment charges and other credit risk provisions	**42**	42	109
Customer charge for impairment losses as a percentage of closing gross loans and advances [1]	**0.07%**	0.07%	0.20%
Balances outstanding			
Non-performing loans	**1,408**	1,346	1,449
Individually impairment allowances	**674**	674	684
Gross loans and advances	**85,116**	103,878	83,739
Total allowances cover as a percentage of non-performing loans and advances	**47.87%**	50.07%	47.20%

1 *Percentage not annualised for 30 June closing.*

Financial results for the first half of 2012 (continued)

Movement in allowance accounts on total loans and advances

	30 June 2012		
(in millions of euros)	***Individually assessed***	***Collectively assessed***	***Total***
At 1 January	**(684)**	**(71)**	**(755)**
Amounts written off	**47**	**-**	**47**
Release of allowances no longer required	**125**	**1**	**126**
(Charge) to income statement	**(166)**	**(1)**	**(167)**
Exchange and other movements	**4**	**-**	**4**
At 30 June	**(674)**	**(71)**	**(745)**

	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)

	31 December 2011		
(in millions of euros)	*Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(661)	(68)	(729)
Amounts written off	75	–	75
Release of allowances no longer required	150	2	152
(Charge) to income statement	(255)	(5)	(260)
Exchange and other movements	7	–	7
At 31 December	(684)	(71)	(755)

6 Fair value of financial instruments

Fair values are determined in accordance with the methodology set out in the Annual Report and Accounts 2011 in the accounting policies on pages 92 to 104 and in Note 28 on pages 137 to 143.

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 :

Financial results for the first half of 2012 (continued)

		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 2012						
Assets						
Trading assets	**35,919**	**215**	**-**	**36,134**	**6,886**	**43,020**
Financial assets designated at fair value	**-**	**-**	**-**	**-**	**5**	**5**
Derivatives	**1**	**64,440**	**52**	**64,493**	**27,584**	**92,077**
Financial investments available-for-sale	**9,325**	**372**	**119**	**9,816**	**170**	**9,986**
Liabilities						
Trading liabilities	**30,063**	**3,069**	**-**	**33,132**	**3,009**	**36,141**
Financial liabilities at fair value	**-**	**5,630**	**-**	**5,630**	**-**	**5,630**
Derivatives	**-**	**59,079**	**68**	**59,147**	**31,591**	**90,738**
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 available-for-sale	3,078	613	116	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 31 December 2011						
Assets						
Trading assets						
Financial assets designated at fair value	31,657	1,835	-	33,492	5,521	39,013
Derivatives	-	593	-	593	4	598
Financial investments available-for-sale	2	57,905	46	57,953	24,784	82,738
	6,754	472	122	7,348	170	7,518
Liabilities						
Trading liabilities						
Financial liabilities at fair value	33,821	3,477	-	37,298	960	38,258
Derivatives	-	5,527	-	5,527	-	5,527
	-	52,214	102	52,316	29,365	81,681

Financial results for the first half of 2012 (continued)

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

	30 June 2012		30 June 2011		31 December 2011	
(in millions of euros)	***Carrying value***	***Fair Value***	*Carrying value*	*Fair Value*	*Carrying value*	*Fair value*
Assets						
Loans and advances to banks	**29,604**	**29,606**	42,207	42,210	29,705	29,706
Loans and advances to customers	**54,766**	**53,705**	60,928	60,738	53,279	52,566
Liabilities						
Deposits by banks	**37,009**	**37,018**	30,336	30,335	32,338	32,340
Customer accounts	**49,812**	**49,837**	70,062	70,071	42,896	42,919
Debt securities in issue	**12,557**	**12,608**	13,354	13,434	12,605	12,669
Subordinated liabilities	**166**	**168**	166	168	166	168

Analysis of Asset Backed Securities

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

	30 June 2012				30 June 2011			
(in millions of euros)	***Gross principal*** [2]	***CDS gross protection*** [3]	***Net Principal exposure*** [4]	***Carrying amount*** [5]	*Gross principal* [2]	*CDS gross protection* [3]	*Net Principal exposure* [4]	*Carrying amount* [5]
- High grade [1]	**554**	**-**	**554**	**546**	478	-	478	465
- Rated C to A	**100**	**-**	**100**	**91**	21	-	21	17
- Not publicly rated	**-**	**-**	**-**	**-**	10	-	10	10
Total Asset Backed Securities	**654**	**-**	**654**	**637**	508	-	508	492
Of which :								
- loans and advances to customers [6]	**458**	**-**	**458**	**458**	275	-	275	275
- available-for-sale portfolio	**196**	**-**	**196**	**179**	233	-	233	217

	31 December 2011			
(in millions of euros)	*Gross principal* [2]	*CDS gross protection* [3]	*Net Principal exposure* [4]	*Carrying amount* [5]
- High grade [1]	701	–	701	683
- Rated C to A	27	–	27	21
- Not publicly rated	9	–	9	9
Total Asset Backed Securities	737	–	737	713
Of which :				
- loans and advances to customers [6]	530	–	530	530
- available-for-sale portfolio	207	–	207	183

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 fürvKapitalmarketinvestments OHG *is a partnership created in 2010 and 90 per cent 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.*

Financial results for the first half of 2012 (continued)

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 2011 on pages 57 to 80.

There have been no significant change in HSBC France's risk factors and uncertainties relative to those described in the Annual Report and Accounts 2011 as at 31 December 2011. 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 2011 detailed in pages 57 to 61.

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 2011 Annual Report and Accounts page 152.

Financial results for the first half of 2012 (continued)

Distribution of financial instruments by credit quality

	30 June 2012							
	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	**7,475**	**-**	**-**	**-**	**-**	**-**	**-**	**7,475**
Items in the course of collection from other banks	**1,096**	**-**	**-**	**-**		**-**	**-**	**1,096**
Trading assets	**30,513**	**7,367**	**5,106**	**34**	**-**	**-**	**-**	**43,020**
Treasury and other eligible bills and debt securities	**19,646**	**5,012**	**586**	**2**	**-**	**-**	**-**	**25,246**
Loans and advances to banks	**9,428**	**2,183**	**2,672**	**32**	**-**	**-**	**-**	**14,315**
Loans and advances to customers	**1,439**	**172**	**1,848**	**-**	**-**	**-**	**-**	**3,459**
Financial assets designated at fair value	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Treasury and other eligible bills and debt securities	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivatives	**86,027**	**4,191**	**1,802**	**57**	**-**	**-**	**-**	**92,077**
Loans and advances held at amortised cost	**64,292**	**10,903**	**7,447**	**837**	**228**	**1,408**	**(745)**	**84,370**
Loans and advances to banks	**29,310**	**290**	**4**	**-**	**-**	**-**	**-**	**29,604**
Loans and advances to customers	**34,982**	**10,613**	**7,443**	**837**	**228**	**1,408**	**(745)**	**54,766**
Financial investments	**9,531**	**24**	**63**	**2**	**-**	**6**	**(5)**	**9,621**
Treasury and other similar bills and debt securities	**9,531**	**24**	**63**	**2**	**-**	**6**	**(5)**	**9,621**
Other assets	**78**	**-**	**1,298**	**-**	**-**	**-**	**-**	**1,376**
Endorsements and acceptances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accrued income and other	**78**	**-**	**1,298**	**-**	**-**	**-**	**-**	**1,376**
Total	**199,017**	**22,485**	**15,716**	**930**	**228**	**1,414**	**(750)**	**239,040**

Financial results for the first half of 2012 (continued)

	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 2012 (continued)

	31 December 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	4,805	-	-	-	-	-	-	4,805
Items in the course of collection from other banks	806	-	-	-	-	-	-	806
Trading assets	34,800	2,291	1,864	58	-	-	-	39,013
Treasury and other eligible bills and debt securities	24,710	312	439	-	-	-	-	25,461
Loans and advances to banks	7,643	1,860	970	58	-	-	-	10,531
Loans and advances to customers	2,447	119	455	-	-	-	-	3,021
Financial assets designated at fair value	598	-	-	-	-	-	-	598
Treasury and other eligible bills and debt securities	5	-	-	-	-	-	-	5
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	593	-	-	-	-	-	-	593
Derivatives	77,524	3,636	1,530	48	-	-	-	82,738
Loans and advances held at amortised cost	64,111	10,431	6,648	865	234	1,449	(755)	82,983
Loans and advances to banks	29,434	232	33	6	-	-	-	29,705
Loans and advances to customers	34,678	10,199	6,615	859	234	1,449	(755)	53,279
Financial investments	6,955	30	110	-	-	6	(5)	7,096
Treasury and other similar bills and debt securities	6,955	30	110	-	-	6	(5)	7,096
Other assets	88	-	1,809	-	-	-	-	1,897
Endorsements and acceptances	-	-	-	-	-	-	-	-
Accrued income and other	88	-	1,809	-	-	-	-	1,897
Total	189,687	16,388	11,961	971	234	1,455	(760)	219,936

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 90 billion at 30 June 2012 (EUR 42 billion at 30 June 2011, EUR 78 billion at 31 December 2011).

At the same time, the sale and repurchase fair value which was not netted amounted to EUR 23 billion at 30 June 2012 (EUR 10 billion at 30 June 2011, EUR 13 billion at 31 December 2011).

Financial results for the first half of 2012 (continued)

(in millions of euros)	At 30 June 2012 Book value	At 30 June 2012 Amount for which HSBC has a legally enforceable right [1,2]	At 30 June 2012 Net total credit risk	At 30 June 2011 Book value	At 30 June 2011 Amount for which HSBC has a legally enforceable right [1]	At 30 June 2011 Net total credit risk	At 31 December 2011 Book value	At 31 December 2011 Amount for which HSBC has a legally enforceable right [1]	At 31 December 2011 Net total credit risk
Derivatives	**92,077**	**(90,085)**	**1,992**	47,144	(42,330)	4,814	82,738	(78,271)	4,467
Sale and repurchase [3]	**45,496**	**(22,591)**	**22,545**	65,612	(10,377)	52,235	44,868	(12,805)	32,063

1 Against operations with the same counterparties.
2 Of which EUR 13.3 million of guarantees received at 30 June 2012, EUR 6.2 million at 30 June 2011.
3 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 94 and 95 of the financial statements in the Annual Report and Accounts 2011).

Exposures to countries in the eurozone

HSBC France Global Markets acts as a market-maker and primary dealer on the sovereign debt of eurozone countries for the Group. HSBC France continued to closely manage its exposure in 2012 and regularly updated its assessment of higher risk countries and adjusted its risk appetite accordingly.

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.

The eurozone sovereign debt crisis remained the centre of attention throughout the first half of the year. The difficulties in implementing the prescribed austerity measures and fiscal discipline, the possibility of countries exiting the eurozone, the escalating fears around high debt to GDP ratios and the need for aid to recapitalise banks weighed down on market sentiment.

Concerns surrounding the health of the financial sector led the European Central Bank to provide greater liquidity through a long-term refinancing operation in February 2012 while the eurozone member states offered up to EUR 100 billion (USD 124 billion) of financial assistance to recapitalise the Spanish banking sector.

The table overleaf summarises group exposures to selected eurozone countries, for Governments and central banks of selected eurozone 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 2012. 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 2012 (continued)

Exposures to selected eurozone countries – sovereigns and agencies

At 30 June 2012 *(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	-	-	-	-	-	-
Net trading assets[1]	**1**	**83**	**1,196**	**355**	**263**	**1,898**
Derivatives[2]	-	-	-	-	-	
Total	**1**	**83**	**1,196**	**355**	**263**	**1,898**
Off-balance sheet exposures	-	-	-	-	**500**	**500**

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

At 31 December 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	-	-	200	-	-	200
Net trading assets[1]	50	49	709	56	26	890
Derivatives[2]	-	-	-	(7)	-	(7)
Total	50	49	909	49	26	1 083
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. Since then, HSBC Group didn't impair its sovereign exposures to Ireland, Portugal, Italy and Spain 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.

Financial results for the first half of 2012 (continued)

In the HSBC France group, the vast majority of the sovereign exposure is classified as trading and the group 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 19 million was recognised in 2011 and an impairment charge of EUR 0.9 million was recognised during the first half of 2012, representing the cumulative fair value loss on these securities as at 30 June 2012 and does not necessarily represent the expectation of future cash losses. This net impairment charge was 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 2011 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 to EUR 18.6 billion as at 30 June 2012, in increase compared to 30 June 2011 (EUR 15.7 billion).

This increase is mainly due to HSBC France’s participation in the European Central Bank’s 3-year LTRO : Long Term Refinancing Operation (LTRO), HSBC has subscribed for EUR 5 billion. This operation was initiated at the end of 2011.

No issuance occurred in the first half of 2012.

Certificates of deposits

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

(in millions of euros)	**30 June 2012**	30 June 2011	31 December 2011
Maturity			
below 1 month	**5,477**	1,930	3,577
between 1 & 2 months	**1,072**	1,220	2,555
between 2 & 3 months	**380**	842	897
above 3 months	**159**	1,512	1,110
Total	**7,088**	5,504	8,139

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 2012 a ratio well in excess of 100 per cent. The regulatory liquidity ratio, which measures the potential one-month liquidity gap, averaged 138 per cent in the first half of 2012 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.

Market risk management has remained broadly consistent with what was described in the Annual Report and Accounts 2011.

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.

Financial results for the first half of 2012 (continued)

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

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

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

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

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

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

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

HSBC France recognises these limitations by supplementing its VaR limits by sensitivity limit structures. Additionally, stress testing scenarios are applied, both on individual portfolios and on HSBC France's consolidated positions. Stress scenarios are defined by a group of specialists (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, etc., but does not take account of potential changes in more exotic factors such as correlations, basis risk, return to mean parameters, 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 29 June 2012	**18.27**	**2.8**
At 30 December 2011	22.18	5.75

	One-day VaR without Add-On perimeter			*Add-On VaR*		
(in millions of euros)	*Average*	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
At 29 June 2012	**16.29**	**11.19**	**22.46**	**4.9**	**2.8**	**6.1**
At 30 December 2011	24.92	14.51	41.47	5.82	4.68	6.95

It can be noted that the reduction in VaR is the consequence of HSBC France reducing its positions in the course of the first half of 2012, in line with the strategy adopted in 2011. Hence, a significant reduction in maximum and average VaR figures can be observed.

Back testing

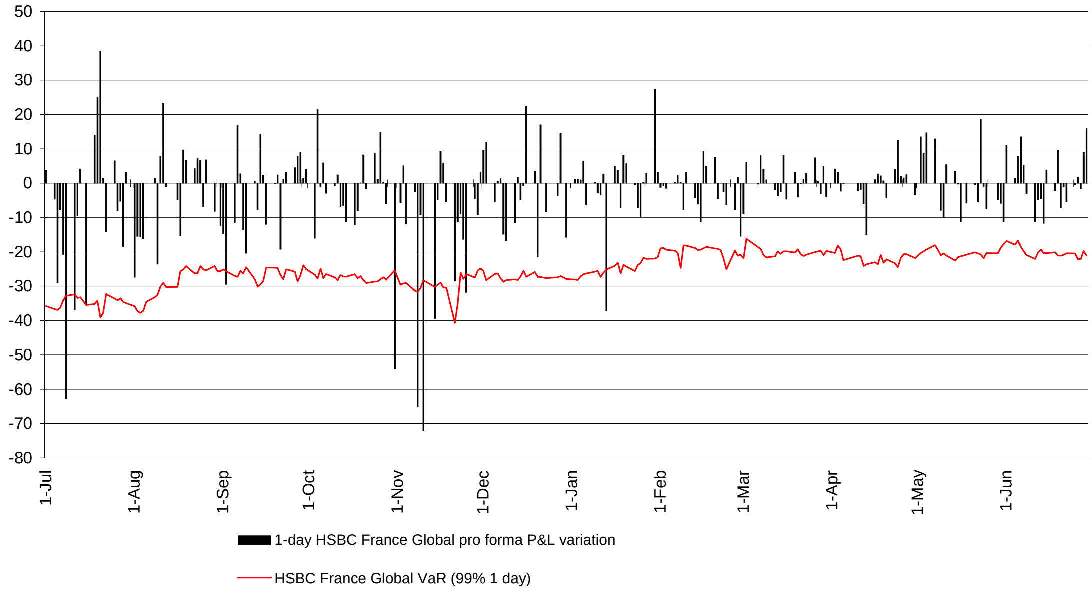
The model is back-tested by taking 99 per cent, one-day VaR figures and comparing them with daily pro forma results determined from changes in market prices assuming constant positions. Back-testing is carried out on a D+2 basis by business area and for all of the HSBC France group's market positions.

Financial results for the first half of 2012 (continued)

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

Pro forma back testing July 2011– June 2012

(in millions of euros)



Due to high market volatility, HSBC France recorded ten back testing breaches in the past twelve months.

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 system controls.

Financial results for the first half of 2012 (continued)

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 types, by positions taken with trading intent and by positions taken without trading intent:

Total trading VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 29 June 2012	**0.05**	**19.75**	**-**	**19.34**
At 30 December 2011	0.04	22.65	-	22.6
Average				
2012	**0.064**	**15.81**	**-**	**15.84**
2011	0.08	24.36	0.01	24.36
Minimum				
2012	**0.003**	**12.41**	**-**	**12.25**
2011	0.01	13.53	-	13.55
Maximum				
2012	**0.17**	**22.9**	-	**22.43**
2011	0.24	40.25	0.08	40.26

Positions taken with trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 29 June 2012	**0.05**	**19.33**	**-**	**19.34**
At 30 December 2011	0.04	22.65	-	22.59
Average				
2012	**0.064**	**15.92**	**-**	**15.77**
2011	0.08	24.5	0.01	24.5
Minimum				
2012	**0.003**	**12.17**	**-**	**12.25**
2011	0.01	15.32	-	15.38
Maximum				
2012	**0.17**	**22.87**	**-**	**22.43**
2011	0.24	41.17	0.08	41.19

Positions taken without trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 29 June 2012	**-**	**0.60**	**-**	**0.60**
At 30 December 2011	-	0.99	-	0.99
Average				
2012	**-**	**0.70**	**-**	**0.70**
2011	-	1.55	-	1.5
Minimum				
2012	**-**	**0.39**	**-**	**0.39**
2011	-	-	-	-
Maximum				
2012	**-**	**1.03**	**-**	**1.03**
2011	-	3.14	-	3.14

Financial results for the first half of 2012 (continued)

Sensitivity analysis

At 30 June 2012, HSBC France Global Markets was exposed in particular to interest rate risk: directional, curve and spread (i.e. relative difference) for the various swaps and securities curves, denominated in euros, in the eurozone, whether these notes are from sovereign government issuers in the eurozone, supranational issuers, government agencies or issuers of covered bonds. Among all of these sensitivities, the main exposures relate to total net sensitivity to the interest rate spread between all securities and swaps in euros, as well as sensitivities to the respective curves of European government notes. Exposure to euro sovereign issuers, and in particular euro peripherals, was gradually reduced over the first half of 2012, in line with the risk reduction strategy started in 2011. Limits expressed in terms of interest rates sensitivities were downsized accordingly.

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

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

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

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

An aggregate representation is HSBC France Global Markets' 1-day 99 per cent VaR as of 30 June 2012: EUR 18 million.

Since 2011, in addition to its trading positions, HSBC France has built a non-trading portfolio. Bonds held in this portfolio are hedged using swaps so as to reduce their exposure to interest rate moves. In addition, holdings are in high quality sovereign and quasi sovereign eurozone issuers.

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.

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 29 June 2012 and at 31 December 2011, it covered almost all market risks within HSBC France. Risks not covered by the internal model are measured using the standardised approach devised by the Bank of International Settlements and transposed into French law by CRBF regulation 95-02.

Financial results for the first half of 2012 (continued)

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

	30 June 2012		31 December 2011	
(in millions of euros)	***BIS***	***CAD***	*BIS*	*BIS*
Internal Model VaR[1]:	**291.72**	**291.72**	381.97	381.97
Foreign exchange risk	**2.87**	**2.87**	1.29	1.29
General interest rate risk	**291.33**	**291.33**	380.4	380.4
General equities risk	**-**	**-**	-	-
Netting effet	**(2.49)**	**(2.49)**	0.28	0.28
Internal Model Stress VaR[1]:	**292.19**	**292.19**	311.63	311.63
Foreign exchange risk	**3.18**	**3.18**	1.51	1.51
General interest rate risk	**292.89**	**292.89**	311.63	311.63
General equities risk	**-**	**-**	-	-
Netting effect	**(3.88)**	**(3.88)**	(1.51)	(1.51)
Standards methods:	**57.22**	**57.22**	64.78	64.78
Foreign exchange risk	**-**	**-**	-	-
General interest rate risk	**-**	**-**	-	-
Specific interest rate risk	**57.22**	**57.22**	64.78	64.78
General equities risk	**-**	**-**	-	-
Specific equities risk	**-**	**-**	-	-
Total	**641.12**	**641.12**	758.38	758.38

1 *Including the Add-On perimeter.*

Capital management and risk cover and regulatory ratios

Capital measurement and allocation

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

There have been no changes in the Directives and requirements and in the calculation methodology during the first half of 2012.

Calculation methodology and capital management is described in the Annual Report and Accounts 2011 pages 68 to 69.

The HSBC Group in 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 2012 (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 2012 Basel II**	31 December 2011 Basel II
Tier 1:		
Shareholders’ funds of the parent company	**5,060**	4,820
Non controlling interests	**49**	48
Less: dividends payable to the parent company	**-**	-
Less: items treated differently for the purposes of capital adequacy	**(174)**	(192)
Less: goodwill capitalised and intangible assets	**(364)**	(364)
Less: deductions in respect of expected losses	**(86)**	(75)
Less: investments in credit institutions exceeding 10% of capital	**(329)**	(305)
Total qualifying tier 1 capital	**4,156**	3,932
Tier 2:		
Reserves arising from revaluation of property and unrealised gains on available-for-sale securities	**49**	54
Perpetual subordinated loan and term-subordinated loan	**55**	88
Less: deductions in respect of expected losses	**(86)**	(75)
Less: investments in credit institutions exceeding 10% of capital	**(19)**	(67)
Total qualifying tier 2 capital		
Investments in other banks and other financial institutions	**(4)**	(4)
Total capital	**4,152**	3,928
Total Basel II risk-weighted assets	**35,585**	36,889
Capital ratios:		
Total capital	**11.7%**	10.7%
Tier 1 capital	**11.7%**	10.7%

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 2012 and 2011.

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 329 million were deducted from Tier 1 capital and EUR 19 million from Tier 2 capital as at 30 June 2012 (EUR 305 million were deducted from Tier 1 capital and EUR 67 million from Tier 2 capital as at 31 December 2011).

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 exceeding the 10 per cent capital limit, the net change in Tier 1 capital is primarily due to the net income for the half year of EUR 270 million less the credit spread of EUR 77 million.

Tier 2

Taking into account the impact of the deduction in respect of Expected Loss under Basel II and the deduction in respect of investments in banks exceeding the 10 per cent capital limit, the net change in Tier 2 capital mainly results in a subordinated debt discount of EUR - 33 million.

Basel II international solvency ratio

The HSBC France group’s Basel II international solvency ratio was 11.67 per cent at 30 June 2012, compared with a minimum requirement of 8 per cent. The group’s Tier 1 capital ratio was 11.68 per cent compared with a minimum requirement of 4 per cent.

Financial results for the first half of 2012 (continued)

Under the Basel II definitions, total HSBC France group capital amounted to EUR 4.2 billion at 30 June 2012, of which EUR 4.2 billion was Tier 1 capital.

The corresponding risk-weighted assets totalled EUR 35.6 billion, broken down as follows:

(in billions of euros)	**30 June 2012**	31 December 2011
Credit risks	**23.9**	23.7
Market risks	**8.0**	9.4
Operational risks	**3.7**	*3.7*
Total	**35.6**	*36.8*

Risk-weighted assets

The decrease in risk-weighted assets is due to the market risk decrease, mainly caused by the reduction of market positions.

Large exposures

The HSBC France group complies with the French *Autorité de contrôle prudentiel*'s rules, which require the following:

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

– the aggregate of individual exposures exceeding 10 per cent of net capital is limited to eight times net capital. Eighteen groups had individual exposures exceeding 10 per cent of net capital at 30 June 2012.

Loan loss provisions

At 30 June 2012, loan loss provisions represented 47.9 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 2011 on page 163.

8 Contingent liabilities and contractual commitments

a *Contingent liabilities and commitments*

(in millions of euros)	**30 June 2012**	30 June 2011	31 December 2011
Contract amounts			
Contingent liabilities			
Acceptances and endorsements	**-**	-	-
Guarantees and assets pledged as collateral security	**4,763**	5,321	5,996
Other contingent liabilities	**32**	37	35
	4,795	5,358	6,031
Commitments			
Documentary credits and short-term trade-related transactions	**541**	487	398
Undrawn note issuing and revolving underwriting facilities	**-**	-	-
Undrawn formal stand-by facilities, credit lines and other commitments to lend:			
– 1 year and under	**7,229**	3,975	7,217
– over 1 year	**13,729**	16,395	13,428
	21,499	20,857	21,043

Financial results for the first half of 2012 (continued)

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

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

b *Guarantees*

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

(in millions of euros)	**30 June 2012**	30 June 2011	31 December 2011
Guarantee type			
Financial guarantees [1]	**908**	817	941
Credit substitutes [2]	**1,600**	1,445	1,610
Other items [3]	**2,287**	3,096	3,480
TOTAL	**4,795**	5,358	6,031

1 *Financial guarantees include undertakings to fulfil the obligations of customers or group entities should the obligated party fail to do so. The inter-company financial guarantees include a specific guarantee related to debt issued by the group for the benefit of other entities of the group and with respect to regulatory requirements. Financial guarantees also include Stand-by letters of credit which are financial guarantees and irrevocable obligations on the part of HSBC France to pay a third party when a customer fails to meet a commitment.*

2 *Credit related substitutes include performance bonds and stand-by letters of credit related to particular transactions which 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.*

3 *Other items include bid bonds and other transaction-related guarantees which 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.*

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 2012**	30 June 2011	31 December 2011
Acceptances and endorsements	**-**	-	-
Other items	**2**	2	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 Global Banking and Markets business line. Products and services are organised along the following customer groups and global businesses:

Financial results for the first half of 2012 (continued)

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

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

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

The "Other" segment includes the change in fair value of own debt under fair value option for EUR -75.8 million (EUR 0.8 million as at 30 June 2011 and EUR 123.5 million as at 31 December 2011).

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

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

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

	Half Year to 30 June 2012						
(in millions of euros)	***Retail Banking and Wealth Management***	***Commercial Banking***	***Global Banking and Markets***	***Private Banking***	***Other***	***Inter Segment***	***Total***
Interest income	**469**	**231**	**467**	**11**	**24**	**-**	**1,202**
Interest expense	**(49)**	**(29)**	**(336)**	**(2)**	**(26)**	**(26)**	**(468)**
Net interest income	**420**	**202**	**131**	**9**	**(2)**	**(26)**	**734**
Other operating income	**(15)**	**116**	**410**	**15**	**(68)**	**26**	**484**
Total operating income	**405**	**318**	**541**	**24**	**(70)**	**-**	**1,218**
Loan impairment charges and other credit risk provisions	**(10)**	**(33)**	**-**	**-**	**-**	**-**	**(43)**
Net operating income	**395**	**285**	**541**	**24**	**(70)**	**-**	**1,175**
Operating expenses	**(373)**	**(197)**	**(285)**	**(28)**	**(14)**	**-**	**(897)**
Operating profit	**22**	**88**	**256**	**(4)**	**(84)**	**-**	**278**
Share of profit in associates and joint ventures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit before tax - France	**22**	**88**	**256**	**(4)**	**(84)**	**-**	**278**
Tax expense							**(53)**
Profit for the year -France							**225**
Perimeter differences [1]							**(32)**
Profit for the year - Legal							**193**

1 *Mainly Insurance.*

Financial results for the first half of 2012 (continued)

(in millions of euros)	Half Year to 30 June 2011						
	Retail Banking and Wealth Management	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
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
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)	Full Year to 31 December 2011						
	Retail Banking and Wealth Management	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
Interest income	977	501	1,084	19	(6)		2,575
Interest expense	(102)	(86)	(844)	3	(8)	(156)	(1,193)
Net interest income	875	415	240	22	(14)	(156)	1,382
Other operating income	19	219	105	52	132	156	683
Total operating income	894	634	345	74	118	–	2,065
Loan impairment charges and other credit risk provisions	(38)	(83)	(6)	–	–	–	(127)
Net operating income	856	551	339	74	118	–	1,938
Operating expenses	(806)	(413)	(468)	(63)	3	–	(1,747)
Operating profit	50	138	(129)	11	121	–	191
Share of profit in associates and joint ventures	–	–	–	–	–	–	–
Profit before tax - France	50	138	(129)	11	121	–	191
Tax expense							21
Profit for the year -France							212
Perimeter differences [1]							(88)
Profit for the year - Legal							124

1 *Mainly Insurance.*

Financial results for the first half of 2012 (continued)

10 Related party transactions

At 30 June 2012, the HSBC France group consolidates by the equity method, only a limited number of entities.

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 the HSBC Group.

(in millions of euros)	**Balance at 30 June 2012**	Balance at 30 June 2011	Balance at 31 December 2011
Assets			
Trading assets	**6,886**	5,984	5,521
Derivatives	**27,584**	14,197	24,784
Loans and advances to banks	**10,180**	5,805	5,714
Loans and advances to customers	**66**	100	69
Financial investments	**170**	170	170
Other assets	**17**	58	160
Prepayments and accrued income	**83**	84	125
Financial assets designated at fair value	**5**	5	4

(in millions of euros) **Liabilities**	**Balance at 30 June 2012**	Balance at 30 June 2011	Balance at 31 December 2011
Deposits by banks	**15,089**	12,108	11,913
Customer accounts	**133**	305	159
Trading liabilities	**3,009**	3,389	960
Derivatives	**31,591**	16,410	29,365
Other liabilities	**4**	3	26
Accruals and deferred income	**46**	58	54
Subordinated liabilities	**150**	150	150

(in millions of euros)	**Balance at 30 June 2012**	Balance at 30 June 2011	Balance at 31 December 2011
Income Statement			
Interest Income [1]	**58**	65	145
Interest expense [1]	**(21)**	(49)	(124)
Fee income	**80**	76	134
Fee expense	**(52)**	(47)	(88)
Gains less losses from financial investments	-	15	13
Other operating income	**-**	-	-
Dividend income	-	-	-
General and administrative expenses	**(21)**	(11)	(30)

1 *In June 2012, including interest on trading assets and trading liabilities: EUR 9 million (June 2011: EUR 10 million).*

11 Litigation

Investigations into the setting of European interbank offered rates

Various administrative, regulatory and competition authorities around the world including in the United Kingdom, the United States of America, Canada, the European Union, Switzerland and Asia, are conducting investigations related to certain past submissions made by panel banks in connection with the setting of the London interbank offered rates ('LIBOR') for various currencies, euro interbank offered rates ('EURIBOR') and other interest rates.

HSBC France is a member of the EURIBOR panel. In this capacity, HSBC France has received from various regulators requests for information. HSBC France is cooperating with regulatory investigations related to EURIBOR.

Based on the facts currently known, it is not practicable at this time for HSBC France to predict the resolution of these regulatory investigations, including the timing and potential impact on HSBC France.

Financial results for the first half of 2012 (continued)

12 Events after the balance sheet date

There have been no material events after the balance sheet date which would require disclosure or adjustment to the 30 June 2012 consolidated financial statements.

13 Investments

The table below shows the changes, in the first half-year of 2012, in the legal perimeter published in the 2011 Annual Report and Accounts.

				HSBC France group interest	
Consolidated companies	Country	Consolidation method *	Main line of business	**30 June 2012**	31 December 2011
Additions:					
No change					
Disposals:					
No change					
Liquidations and mergers:					
DEMPAR 2 [1]	France	FC	Financial company	**-**	100.0
Finanpar 6 [1]	France	FC	Financial company	**-**	100.0
HSBC Duoblig [2]	France	FC	Financial company	**-**	97.7
Vernet Expansion [2]	France	FC	Investment company	**-**	100.0
Deconsolidations:					
No change					
Changes in interests:					
FinanCités	France	EM	Capital Risk company	**15.4**	21.4

* *FC: Full Consolidation – EM: Equity Method*

1 *Merger with Société Financière et Mobilière (SFM).*
2 *Merger with HSBC France.*

Report of the Statutory Auditors on the interim financial information at 30 June 2012

For the six month period ended 30 June 2012

To the Shareholders,

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

- the review of the accompanying condensed consolidated interim financial statements of HSBC France S.A. for the six-month period ended 30 June 2012,
- 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. 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 29 August 2012

KPMG Audit FS II
Pascal Brouard
Partner

Paris, on 29 August 2012

BDO France - Léger & associés
Michel Léger
Partner

Recent events

Events subsequent to the filing of the Reference Document

None.

Events subsequent to 30 June 2012

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 2012, date of the most recent published financial statements reviewed by the auditors.

The main events that have occurred since 30 June 2012 are the following:

None.

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 Jean Beunardeau, 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 historical financial data presented in the Registration Document 2011 filed with the AMF under the reference number D12-0413 has been discussed in the Statutory Auditors' reports on the parent company financial statements and on the consolidated financial statements found on pages 213 to 214 and on pages 170 to 171, and respectively on pages 210 to 211 and 167 to 168 of the Registration Document 2010 filed with the AMF under the reference number D. 11-0365.

The Statutory Auditors have issued a report on the financial information presented in this update, available on page 40 of this document.

The Statutory Auditors' report on the 2010 parent company financial statements, on page 210 of the Registration Document 2010, contains a remark.

Paris, 30 August 2012

Jean Beunardeau, CEO

Persons responsible for auditing the financial statements

Incumbents	First appointed	Re-appointed	Term expires
KPMG Audit FS II[1] Represented by Mr Pascal Brouard 3, cours du Triangle 92939 Paris La Défense Cedex	2012	-	2018
BDO France - Léger & associés [2] Represented by Mr Michel Léger 113, rue de l'Université 75007 Paris	2007	2012	2018
Alternates			
KPMG Audit FS I[1] Represented by Mr Jean-Luc Decornoy 3, cours du Triangle 92939 Paris La Défense Cedex	2012	-	2018
Mr François Allain [1] 2, rue Hélène Boucher 78286 Guyancourt Cedex	2007	2012	2018

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

Cross-reference tables

The cross-reference table refers to the main headings required by the European regulation 809/2004 (Annex XI) implementing the directive known as « Prospectus » and to the pages of the 2011 Annual Report and Accounts D.12-0413 updated by this document.

Section of Annex XI to EU Regulation 809/2004	Pages in registration document D.12-0413 filed with the AMF on 25 April 2012	Pages in this update
1. Persons responsible	245	42
2. Statutory auditors	245	43
3. Risk factors	57-80, 147-164	21 - 34
4. Information about the issuer		
4.1. History and development of the company	227	-
5. Business overview		
5.1. Principal activities	2-7	3-7
5.2. Principal markets	2-7	3-7
6. Organisational structure		
6.1. Brief description of the group	inside cover, 2-7, 176-179, 215-217	–
6.2. Issuer's relationship with other group entities	–	–
7. Trend information	244	41
8. Profit forecasts or estimates	–	–
9. Administrative, management and supervisory bodies and senior management		
9.1. Administrative and management bodies	8-20	–
9.2. Administrative and management bodies – Conflicts of interest	32	–
10. Major shareholders		
10.1. Control of the issuer	21, 230	–
10.2. Arrangements known to the issuer which could entail a change in control at a subsequent date	–	–
11. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
11.1. Historical financial information	81	–
11.2. Financial statements	83-169, 172-212	–
11.3. Auditing of historical financial information	170-171, 213-214	–
11.4. Age of latest financial information	81	–
11.5. Interim and other financial information	–	8 - 39
11.6. Legal and arbitration proceedings	72-74	38
11.7. Significant change in the issuer's financial or trading position	244	41
12. Material contracts	227	–
13. Third party information and statement by experts and declarations of any interest	–	–
14. Documents on display	225	45

Cross-reference tables (continued)

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

The following items are incorporated by reference:

- the consolidated financial statements for the year ended 31 December 2011 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 83 to 169 and 170 to 171 of reference document D.12-0413 filed with the AMF on 25 April 2012.

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

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

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

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