Update to the Registration Document
filed with the *Autorité des marchés financiers*
on 25 April 2013 under reference number D.13-0428
and Interim Financial Report

Update filed with the *Autorité des marchés financiers*
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HSBC France
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This document was filed with the *Autorité des marchés financiers* (AMF) on 30 August 2013 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 2013 under reference number D.13-0428. 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

Management report on the first half of 2013

The bank's performance in the first half of 2013

In the first half of 2013, financial markets performed well for the first few months, with share prices rising and long bond yields falling. These movements were driven by loose central-bank monetary policies in developed countries, which eased the pressure on debt issued by peripheral eurozone countries. The trend has been disturbed, in June, after the US Federal Reserve announced the forthcoming end of its Quantitative Easing programme. This caused markets to fall, and the June decline wiped out all gains made in the first five months of the year.

As far as macroeconomic environment is concerned, France’s growth is close to nil and forecasts for the eurozone as a whole do not suggest that European economies will be able to restore growth and reverse the rise in unemployment in 2013. This is despite the European authorities giving some countries more time to reduce their budget deficits.

When the Group presented its strategy progress report on 15 May 2013, the HSBC Group management reiterated that France was one of HSBC's 22 priority markets, and so confirmed its intention to continue developing its businesses in France.

In this context, most of the HSBC in France's businesses performed well in the first half of 2013. Revenue increased and both risk and costs were firmly under control, resulting in higher profit before tax. HSBC France has a very solid position in terms of both solvency (Core Tier 1 ratio of 13.3 per cent) and liquidity (French regulatory ratio of 121 per cent).

HSBC France's credit ratings are as follows: Moody’s: A1 stable / P-1, FitchRatings: AA- stable / F1+, and Standard and Poor’s: AA- negative / A-1+. The FitchRatings and Standard and Poor’s ratings are aligned with those of HSBC Bank plc, given HSBC France's strategic importance for the HSBC Group. Moody’s and FitchRatings confirmed their ratings on HSBC France during the first half of 2013.

Performance is analysed below from two different perspectives:

- HSBC's operations in France, including the consolidated results of HSBC France, HSBC Bank plc Paris branch[1], and its HSBC Assurances Vie (France) subsidiary;
- HSBC France group's consolidated scope, the financial statements of which are prepared in accordance with IFRS as defined in Note 1[2] to the consolidated financial statements.

Financial contribution of HSBC in France

Under this perimeter, profit before tax was EUR 418 million compared to EUR 278 million in the first half of 2012. On an underlying basis, excluding the impact of the credit spread on the fair value of HSBC's own debt under Fair Value Option (EUR +3 million in the first half of 2013 and EUR -76 million in the year-earlier period), profit before tax rose by 17 per cent. The main business lines were profitable during the period, and they made a more balanced contribution to overall earnings than in the first half of 2012.

Revenue amounted to EUR 1,308 million, up 7 per cent year-on-year or up 1 per cent on an underlying basis excluding the impact of the credit spread on own debt. This was due, in particular, to Retail Banking and Wealth Management, and Commercial Banking. In the first few months of 2012, the Global Banking and Markets business benefited from a particularly strong environment in the fixed-income markets.

Client-related cost of risk amounted to EUR 44 million, stable relative to the first half of 2012 despite the weaker economic situation. Loan impairment charges as a percentage of loans outstanding improved slightly to 0.22 per cent against an unpromising economic background that resulted in a higher default rate among small and medium-sized enterprises[3].

Despite the rise in taxation in the last few years, which has accelerated in the last 12 months, general expenses totalled EUR 846 million under this perimeter, down 6 per cent year-on-year because of a pro-active optimisation policy of the cost base. The cost/income ratio fell to 65 per cent.

Performance of HSBC in France by global business

Retail Banking and Wealth Management

Retail Banking and Wealth Management continued its development as part of the HSBC Group's strategic focus on Wealth Management. It achieved sustained growth in the first half of 2013:

- the business continued to win clients in the premium segment, with over 33,000 new-to-bank relationships during the period, including over 19,000 HSBC Premier clients. The total number of HSBC Premier clients ended the period at around 380,000, equal to almost half of all retail clients;

1 *Which houses the equity derivatives business. Results exclude the funding cost related to the CCF acquisition debt.*
2 *See page 12.*
3 *Source: Altarès.*

Management report on the first half of 2013 (continued)

- in France, consumer lending picked up in the first half of 2013, with outstandings in the French market up 2 per cent relative to the year-earlier period[1]. Loans outstanding in HSBC France's Retail Banking business rose by 9 per cent to almost EUR 15 billion. Residential mortgage production jumped 33 per cent year-on-year, enabling clients to take advantage of investment opportunities. Long-term interest rates remained particularly low, and combined with HSBC France's solid liquidity position, this resulted in satisfactory margins;
- the average deposit base grew by 2 per cent relative to the first half of 2012 due to a substantial increase in sight deposits and savings accounts, confirming the appeal of the HSBC brand;
- despite lower gross life insurance inflows, insurance assets under management rose by 6 per cent year-on-year. Overall, assets under management and retail client deposits in the HSBC France network rose by 3 per cent year-on-year to EUR 33.5 billion;
- in Asset Management, assets under management and distributed were almost unchanged at EUR 67 billion during the period. This was despite the sharp fall in market indexes in June, resulting from concern about peripheral eurozone countries' ability to improve their finances. HSBC in France is continuing to develop synergies with the HSBC Group. The World Selection funds are an example of this, with assets under management rising to EUR 885 million, an increase of 22 per cent during the period. HSBC Group's Asset Management was rewarded with first place in La Tribune newspaper's *Victoires des Sicav* fund awards.

Revenue in Retail Banking and Wealth Management increased by 22 per cent to EUR 496 million. This was mainly driven by substantial loan production and Insurance revenue. Revenue was also boosted by the positive impact of non-qualifying hedges.

Operating expenses rose slightly, mainly due to the release of charges that occurred in the first half of 2012.

Profit before tax amounted to EUR 99 million in the first half of 2013, while the cost/income ratio improved to 77 per cent.

Commercial Banking

Despite the weak economic climate that has existed for several years, Commercial Banking maintained its development in the first half of 2013.

The strategy in this business line is based, partly, on supporting businesses in their international activities. Commercial Banking also continued to achieve synergies with the HSBC Group.

Revenue generated by other HSBC Group entities outside France with French customers rose by 24 per cent, while revenue generated in France with clients of other HSBC Group entities was up 20 per cent. HSBC confirmed its status as a key partner for French companies seeking to set up abroad and for foreign companies seeking to set up in France:

- given the economic situation and its solid liquidity position, HSBC France does not want to overpay in terms of interest on customer deposits. Nevertheless, the deposit base was resilient compared with the first half of 2012, and there was strong growth in current accounts, where average deposits balances were up 11 per cent to over EUR 8 billion. This confirmed clients' confidence in the HSBC brand;
- HSBC France has continued supporting businesses with their development and maintained customer loans outstanding at almost EUR 9.5 billion at a time of sharply falling demand for credit. In addition, HSBC France approved over 73 per cent of the EUR 1 billion announced at the start of the year, intended to support the international growth of SMEs;
- Commercial Banking took part in several major financial transactions for its largest clients, working with Global Banking and Markets.

Profit before tax amounted to EUR 103 million in the first half of 2013, up 17 per cent year-on-year and a record half-year performance in this business line.

Revenue before provisions and impairment rose by 3 per cent to EUR 329 million, with an increase in both net interest margin and fee income. Loan losses showed a moderate increase to EUR 35 million, because of the sluggish economy. Loan impairment charges as a percentage of loans outstanding stands at 0.73 per cent.

Operating expenses remained under control at EUR 191 million, down around 3 per cent year-on-year. Revenue growth, combined with a firm grip on risk and operating expenses, resulted in an improvement in the cost/income ratio from 62 per cent to 58 per cent.

Global Banking and Markets

As part of the HSBC Group's strategy, France remains the centre of expertise for the Group on euro-denominated fixed-income products and structured derivatives. The HSBC Group is continuing to support large French customers in their global development.

Towards the end of the first half of 2013, there was renewed concern about the financial position of peripheral eurozone countries, particularly Portugal and Greece. This brought the narrowing of credit spreads, which had begun in early 2012, to an abrupt end.

1 *Source:* Banque de France.

Management report on the first half of 2013 (continued)

Spreads started widening again, causing the value of these countries' government bonds to fall. HSBC France maintained its market positions, ranking fourth[1] in the French bond market during the period.

In France, the adverse economic situation continued to drag down business levels with large corporate clients. Furthermore, advisory services suffered from a sharply contracting market.

HSBC's large international network means that it generated higher revenue with French clients outside France than with these same clients within France. The proportion of revenue, generated outside France, has risen sharply in the last few years with a further 13 per cent increase during the first five months of 2013, compared to the same period of 2012.

Revenue in Global Banking and Markets came in at EUR 477 million as opposed to EUR 541 million in the first half of 2012, when conditions in the bond market were stronger.

The business line kept firm control over expenses, which fell by 11 per cent to EUR 254 million.

Profit before tax amounted to EUR 228 million in the first half of 2013, compared with EUR 256 million in the year-earlier period. The cost/income ratio remained stable at 53 per cent.

Private Banking

The Private Banking business was operationally integrated within HSBC France in June 2012. It now focuses on its core clients and has increased its capacity, offering clients a broad and diverse range of investment and financing solutions, supported by strong synergies with the HSBC Group's network and particularly with Commercial Banking in France. Private Banking is becoming more profitable because of economies of scale resulting from its integration within HSBC France.

The business broke even in terms of profit before tax, having made a loss in 2012 due to reorganisation costs in France.

HSBC France group’s consolidated results (legal perimeter)

The comments below relate to the consolidated results of the HSBC France group - not including those of HSBC Bank plc Paris branch or its HSBC Assurances Vie (France) subsidiary.

Profit before tax amounted to EUR 361 million versus EUR 234 million in the first half of 2012.

Net operating income rose by 8 per cent year-on-year to EUR 1,190 million. This increase was mainly the result of:

- good performance in all business lines, with a more even balance of revenue from the various operational businesses than in the first half of 2012;
- the impact of accounting adjustments, including the impact of the credit spread on the fair value of HSBC's own debt (EUR +3 million in the first half of 2013 and EUR -76 million in the year-earlier period).

Loan impairment charges amounted to EUR 44 million, stable year-on-year despite the tough economic environment, particularly for Commercial Banking.

Operating expenses fell 6 per cent year-on-year to EUR 785 million. As a result, the cost/income ratio improved from 75 per cent to 66 per cent.

Net profit attributable to shareholders of the parent company was EUR 235 million compared to EUR 193 million in the first half of 2012.

The liquidity ratio remained high at 121 per cent, higher than the minimum required by French regulations. The ACF (Advances to Core Funding) ratio - an internal indicator used by the HSBC Group, which compares customer loans outstanding with core deposits and financing with a remaining maturity of more than 1 year - was 106 per cent, demonstrating HSBC France's solid liquidity position.

HSBC France's Core Tier One equity rose by EUR 169 million during the period, and totalled EUR 4,302 million at end-June 2013. As in 2012, HSBC France did not pay an interim dividend in respect of the first half of the year. In the first half of 2013, risk-weighted assets fell by EUR 0.6 billion to EUR 29.9 billion before the impact of the Basel I floor.

As a result, the Core Tier One ratio rose from 13.6 per cent to 14.4 per cent. After taking into account the impact of the Basel I floor, the Core Tier One ratio was 13.3 per cent, well above the regulatory minimum.

Estimated impact of the Basel Committee's new rules

In June 2013, the Basel Committee's rules were transposed into European law (via the Capital Requirements Directive - CRD4 and Capital Requirements Regulation - CRR) and will gradually apply to all European banks starting 1st January 2014. Applying all Basel III CRR standards on the basis of current interpretations, the Common Equity Tier One (CET1) ratio is estimated at 10.6 per cent “fully loaded” as at 30 June 2013, which demonstrates the solidity of HSBC France's balance sheet.

1 *Source: Dealogic ranking of bookrunners in value terms.*

Condensed consolidated financial statements at 30 June 2013

Consolidated income statement for the half-year to 30 June 2013

(in millions of euros)	Notes	**30 June 2013**	30 June 2012	31 December 2012
Interest income		**738**	942	1,663
Interest expense		**(195)**	(452)	(650)
Net interest income		**543**	490	1,013
Fee income		**475**	492	960
Fee expense		**(120)**	(125)	(224)
Net fee income		**355**	367	736
Trading income		**277**	279	352
Net income from financial instruments designated at fair value		**(14)**	(65)	(108)
Gains less losses from financial investments		**10**	14	58
Dividend income		**3**	4	7
Other operating income		**16**	18	38
Total operating income before loan impairment (charges)/releases and other credit risk provisions		**1,190**	1,107	2,096
Loan impairment charges and other credit risk provisions	*5*	**(44)**	(42)	(117)
Net operating income		**1,146**	1,065	1,979
Employee compensation and benefits		**(454)**	(533)	(993)
General and administrative expenses		**(304)**	(271)	(543)
Depreciation of property, plant and equipment		**(23)**	(23)	(47)
Amortisation of intangible assets and impairment of goodwill		**(4)**	(4)	(8)
Total operating expenses		**(785)**	(831)	(1,591)
Operating profit		**361**	234	388
Share of profit in associates and joint ventures		**–**	–	–
Profit before tax		**361**	234	388
Tax expense		**(126)**	(40)	(67)
Profit from continuing operations		**235**	194	321
Discontinued operations				
Net profit on discontinued operations		**–**	–	–
Profit for the period		**235**	194	321
Profit attributable to shareholders of the parent company		**235**	193	320
Profit attributable to non-controlling interests		**–**	1	1

(in euros)				
Basic earnings per ordinary share	*4*	**3.48**	2.86	4.75
Diluted earnings per ordinary share	*4*	**3.48**	2.86	4.75
Dividend per ordinary share	*4*	**–**	–	3.56

Condensed consolidated financial statements at 30 June 2013 (continued)

Consolidated statement of comprehensive income for the half-year to 30 June 2013

(in millions of euros)	**30 June 2013**	30 June 2012	31 December 2012
Profit for the period	**235**	194	321
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Available-for-sale investments:			
– fair value gains/(losses) taken to equity	**3**	106	200
– fair value gains transferred to income statement on disposal	**(10)**	(24)	(58)
– amounts transferred to/(from) the income statement in respect of impairment losses	**1**	1	2
– income taxes	**2**	(28)	(52)
Cash flow hedges:			
– fair value gains/(losses) taken to equity	**(115)**	34	80
– fair value (gains)/losses transferred to income statement	**(46)**	(24)	(57)
– income taxes	**57**	(3)	(8)
Exchange differences	**(1)**	–	–
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	**2**	(12)	(23)
Other comprehensive income for the period, net of tax	**(107)**	50	84
Total comprehensive income for the period	**128**	244	405
Total comprehensive income for the year attributable to:			
– shareholders of the parent company	**128**	243	404
– non-controlling interests	**–**	1	1
	128	244	405

Condensed consolidated financial statements at 30 June 2013 (continued)

Consolidated statement of financial position at 30 June 2013

(in millions of euros)	*Notes*	**30 June 2013**	30 June 2012	31 December 2012
ASSETS				
Cash and balances at central banks	*7*	**3,101**	7,475	6,770
Items in the course of collection from other banks	*7*	**922**	1,096	815
Trading assets	*6-7*	**51,436**	43,020	40,557
Financial assets designated at fair value	*6-7*	**5**	5	5
Derivatives	*6-7*	**69,056**	92,077	90,258
Loans and advances to banks	*6-7*	**43,750**	29,604	28,132
Loans and advances to customers	*6-7*	**44,809**	54,766	48,354
Financial investments	*6-7*	**9,467**	9,986	8,258
Interests in associates and joint ventures		**13**	6	6
Goodwill and intangible assets		**377**	379	377
Property, plant and equipment		**290**	296	295
Other assets		**354**	527	296
Deferred tax assets		**214**	178	200
Prepayments and accrued income		**908**	930	865
Assets classified as held for sale		**–**	–	–
TOTAL ASSETS		**224,702**	240,345	225,208

LIABILITIES AND EQUITY		**30 June 2013**	30 June 2012	31 December 2012
Liabilities				
Deposits by banks	*6*	**32,452**	37,009	32,992
Customer accounts	*6*	**59,126**	49,812	42,364
Items in the course of transmission to other banks		**1,025**	1,031	771
Trading liabilities	*6*	**44,159**	36,141	36,271
Financial liabilities designated at fair value	*6*	**6,203**	5,630	5,654
Derivatives	*6*	**66,958**	90,738	89,114
Debt securities in issue	*6*	**7,930**	12,557	10,655
Retirement benefit liabilities		**151**	134	152
Other liabilities		**583**	995	539
Current taxation		**32**	40	27
Accruals and deferred income		**772**	890	1,143
Provisions for liabilities and charges		**139**	92	97
Deferred tax liabilities		**2**	2	2
Subordinated liabilities	*6*	**16**	166	166
TOTAL LIABILITIES		**219,548**	235,236	219,947
Equity				
Called-up share capital		**337**	337	337
Share premium account		**16**	16	16
Other reserves and retained earnings		**4,753**	4,707	4,860
TOTAL SHAREHOLDERS' EQUITY		**5,106**	5,060	5,213
Non-controlling interests		48	49	48
TOTAL EQUITY		**5,154**	5,109	5,261
Liabilities classified as held for sale		**–**	–	–
TOTAL EQUITY AND LIABILITIES		**224,702**	240,345	225,208

Condensed consolidated financial statements at 30 June 2013 (continued)

Consolidated statement of changes in equity for the half-year to 30 June 2013

	30 June 2013										
				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 2013	**337**	**16**	**4,639**	**68**	**78**	**2**	**69**	**4**	**5,213**	**48**	**5,261**
Share capital issued, net of costs	–	–	–	–	–	–	–	–	–	–	–
Dividends to shareholders	–	–	**(240)**	–	–	–	–	–	**(240)**	–	**(240)**
Net impact of equity-settled share-based payments	–	–	–	–	–	–	–	–	–	–	–
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	**5**	**(1)**	**5**	–	**5**
Total comprehensive income for the period	–	–	**237**	**(4)**	**(104)**	**(1)**	–	–	**128**	–	**128**
At 30 June 2013	**337**	**16**	**4,636**	**64**	**(26)**	**1**	**75**	**3**	**5,106**	**48**	**5,154**

	30 June 2012										
				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 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

Condensed consolidated financial statements at 30 June 2013 (continued)

(in millions of euros)	31 December 2012										
				Other reserves							
	Called up share capital	Share premium	Retained earnings	Available-for-sale fair value reserve	Cash flow hedging reserve	Foreign exchange reserve	Share-based payment reserve	Associates and joint ventures	Total share-holders' equity	Non-controlling interests	Total equity
At 1 January 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	–	–	–	–	–	–	(13)	–	(13)	–	(13)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–
Other movements	–	–	8		–	–	(7)	–	1	(1)	–
Total comprehensive income for the period	–	–	297	92	15	–	–	–	404	1	405
At 31 December 2012	337	16	4,639	68	78	2	69	4	5,213	48	5,261

Condensed consolidated financial statements at 30 June 2013 (continued)

Consolidated cash flow statement for the half-year to 30 June 2013

		Half year		Full year
(in millions of euros)	*Notes*	**30 June 2013**	30 June 2012	31 December 2012
Cash flows from operating activities				
Profit before tax		**361**	234	388
Net profit on discontinued operations		**–**	–	–
– non-cash items included in net profit		**16**	17	59
– change in operating assets		**(1,167)**	(10,583)	3,322
– change in operating liabilities		**13,778**	11,472	(2,219)
– change in assets/liabilities of disposal groups classified as held for sale (including cash items)		**–**	–	–
– elimination of exchange differences		**(187)**	(279)	(60)
– net gain from investing activities		**(16)**	(20)	(63)
– share of profits in associates and joint ventures		**–**	–	–
– dividends received from associates		**–**	–	–
– tax (paid) / recovered		**(46)**	111	(12)
Net cash from operating activities		**12,739**	951	1,415
Cash flows (used in)/from investing activities				
Purchase of financial investments		**(2,692)**	(3,326)	(3,738)
Sale of financial investments		**1,480**	1,049	3,170
Purchase of property, plant and equipment		**(17)**	(54)	(79)
Proceeds from the sale of property, plant and equipment		**(1)**	10	11
Purchase of goodwill and intangible assets		**(5)**	(4)	(7)
Net cash outflow from acquisition of and increase in stake of subsidiaries		**–**	–	–
Net cash inflow from disposal of subsidiaries		**–**	–	–
Net cash outflow from acquisition of and increase in stake of associates		**–**	–	–
Proceeds from disposal of associates		**–**	–	–
Net cash (used in)/from investing activities		**(1,234)**	(2,325)	(643)
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		**(150)**	–	–
Dividends paid to shareholders		**(240)**	–	–
Dividends paid to non controlling interests		**–**	–	–
Net cash (used in)/from financing activities		**(390)**	–	–
Net increase in cash and cash equivalents		**11,115**	(1,374)	772
Cash and cash equivalents at 1 January		**29,820**	29,033	29,033
Effect of exchange rate changes on cash and cash equivalents		**(3)**	16	14
Cash and cash equivalents at the end of the period		**40,931**	27,675	29,820

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 2013 comprise the financial statement of HSBC France and its subsidiaries and the HSBC France group's interest in associates and jointly controlled entities.

The condensed consolidated interim financial statements of HSBC France have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of HSBC France as at and for the year ended 31 December 2012.

The consolidated financial statements of HSBC France at 31 December 2012 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 2012, there were no unendorsed standards effective for the year ended 31 December 2012 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 2012 were prepared in accordance with IFRSs as issued by the IASB.

Standards adopted during the period ended 30 June 2013

On 1 January 2013, the HSBC Group and HSBC France adopted the following significant new standards and revisions to standards for which the financial effect is insignificant to these interim consolidated financial statements:

- IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and amendments to IFRS 10, IFRS 11 and IFRS 12 "Transition Guidance". IFRS 10 and 11 are required to be applied retrospectively;
- Under IFRS 10, there is one approach for determining consolidation for all entities, based on the concept of power, variability of returns and their linkage. This replaces the approach which applied to previous financial statements which emphasised legal control or exposure to risks and rewards, depending on the nature of the entity. The HSBC Group and HSBC France controls and consequently consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity;
- IFRS 11 places more focus on the investors' rights and obligations than on the structure of the arrangement when determining the type of joint arrangement in which the group is involved, unlike the previous approach, and introduces the concept of a joint operation;
- IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including for unconsolidated structured entities.

IRS 13 "Fair Value Measurement" establishes a single framework for measuring fair value and introduces new requirements for disclosure of fair value measurements. 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.

Amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" which requires disclosure of the effect or potential effects of netting arrangements on an entity's financial position. The amendment requires disclosure of recognised financial instruments that are subject to enforceable master netting arrangements or similar agreements. The amendments have been applied retrospectively.

Amendments to IAS 19 “Employee Benefits” (IAS 19 revised). IAS 19 revised is required to be applied retrospectively. IAS 19 revised replaces the interest cost on the plan liability and expected return on plan assets with a finance cost comprising the net interest on the net defined benefit liability or asset. This finance cost is determined by applying to the net defined benefit liability or asset the same discount rate used to measure the defined benefit obligation. The difference between the actual return on plan assets and the return included in the finance cost component reflected in the income statement is presented in other comprehensive income. The effect of this change is to increase or decrease the pension expense by the difference between the current expected return on plan assets and the return calculated by applying the relevant discount rate.

At 30 June 2013, there were no unendorsed standards effective for the period ended 30 June 2013 affecting these interim consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC France.

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

The consolidated financial statements of HSBC France as at 31 December 2012 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 31 July 2013.

During the period ended 30 June 2013, the HSBC Group adopted a number of standards and interpretations, and amendments thereto which had an insignificant effect on these consolidated financial statements.

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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 HSBC 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 2012.

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c *Consolidation*

The condensed consolidated interim financial statements of HSBC France comprise the financial statements of HSBC France and its subsidiaries. The method adopted by HSBC France to consolidate its subsidiaries is described on pages 106 and 107 of the Annual Report and Accounts 2012.

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d *Future accounting developments*

In addition to the projects to complete financial instrument accounting, discussed below, the IASB is continuing to work on projects on insurance, revenue recognition and lease accounting which will represent significant changes to accounting requirements in the future.

Amendments issued by the IASB and endorsed by the EU

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 and are required to be applied retrospectively.

Based on the assessment performed to date, HSBC France does not expect the amendments to IAS 32 to have a material effect on its financial statements.

Amendments issued by the IASB but not endorsed by the EU

- Standards applicable in 2015

In November 2009, the IASB issued IFRS 9 “Financial Instruments” which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued an amendment to IFRS 9 incorporating requirements for financial liabilities. Together, these changes represent the first phase in the IASB’s planned replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. The second and third phases in the IASB’s project to replace IAS 39 will address the impairment of financial assets and general hedge accounting. Macro hedging is not included in the IFRS 9 project and will be addressed separately.

Following the IASB’s decision in December 2011 to defer the effective date, the existing version of IFRS 9 is effective for annual periods beginning on or after 1 January 2015. IFRS 9 is required to be applied retrospectively but prior periods need not be restated.

However, as a result of the IASB’s decision that all phases of IFRS 9 will be applied from the same effective date and the fact that it now seems unlikely that the final standard will be issued in 2013, HSBC France expects that the mandatory effective date of IFRS 9 will be deferred at least until 1 January 2016. Since the final requirements for classification and measurement are uncertain, it remains impracticable to quantify the effect of the existing IFRS 9 as at the date of the publication of these financial statements.

HSBC France is currently assessing the impact of the general hedge accounting requirements.

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 109 to 120 of the Annual Report and Accounts 2012, except as discussed in Note 1 - Basis of preparation.

3 Dividends

Dividends related to 2013

Since 1 January 2013, the Board of Directors did not propose the distribution of an interim dividend for the First half year 2013.

Dividends related to 2012

On 27 February 2013, the Board of Directors approved an interim dividend of EUR 3.56 per share in respect of the 2012 results. This interim dividend was paid on 1 March 2013.

The Board of Directors also proposed to the Annual General Meeting, held on 30 April 2013, not to distribute any further dividend in respect of the 2012 results.

Condensed consolidated financial statements at 30 June 2013 (continued)

4 Earnings and dividends per share

(in euros)	**30 June 2013**	30 June 2012	31 December 2012
Basic earnings per share	**3.48**	2.86	4,75
Diluted earnings per share	**3.48**	2.86	4.75
Dividends per share	**–**	–	3.56

Basic earnings per ordinary share were calculated by dividing the earnings of EUR 235 million by the number of ordinary shares outstanding, excluding own shares held, of 67,437,827 (first half of 2012: earnings of EUR 193 million and 67,437,827 shares; full year 2012: earnings of EUR 320 million and 67,437,827 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 2012: 67,437,827 shares; full year 2012: 67,437,827 shares). At 30 June 2013, 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 2013**	30 June 2012	31 December 2012
Individually assessed impairment allowances			
New allowances	**94**	166	258
Release of allowances no longer required	**(59)**	(125)	(145)
Recoveries of amounts previously written off	**(1)**	(1)	(4)
Amount written off	**61**	47	114
Utilisation of allowance	**(61)**	(47)	(114)
	34	40	109
Collectively assessed impairment allowances			
New allowances	**11**	1	10
Release of allowances no longer required	**(5)**	(1)	(4)
	6	–	–
Total charge for impairment losses	**40**	40	115
Banks	**–**	–	–
Customers	**40**	40	115
Other credit risk provisions	**3**	1	–
Impairment charges on debt security investments available-for-sale	**1**	1	2
Loan impairment charges and other credit risk provisions	**44**	42	117
Customer charge for impairment losses as a percentage of closing gross loans and advances to customers[1]	**0.20%**	0.14%	0.23%
Balances outstanding			
Non-performing loans	**1,446**	1,408	1,463
Individually impairment allowances	**637**	674	676
Gross loans and advances	**89,278**	85,116	77,238
Total allowances cover as a percentage of non-performing loans and advances	**44.05%**	47.87%	46.21%

1 *Percentage annualised for 30 June closing.*

Condensed consolidated financial statements at 30 June 2013 (continued)

Movement in allowance accounts on total loans and advances

	30 June 2013		
(in millions of euros)	***Individually assessed***	***Collectively assessed***	***Total***
At 1 January	**(676)**	**(76)**	**(752)**
Amounts written off	**61**	**–**	**61**
Release of allowances no longer required	**59**	**5**	**64**
(Charge) to income statement	**(94)**	**(11)**	**(105)**
Exchange and other movements	**13**	**–**	**13**
At 30 June	**(637)**	**(82)**	**(719)**

	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)

	31 December 2012		
(in millions of euros)	*Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(684)	(71)	(755)
Amounts written off	114	–	114
Release of allowances no longer required	145	4	149
(Charge) to income statement	(258)	(10)	(269)
Exchange and other movements	7	1	8
At 31 December	(676)	(76)	(752)

Condensed consolidated financial statements at 30 June 2013 (continued)

6 Fair value of financial instruments

Fair values are determined in accordance with the methodology set out in the Annual Report and Accounts 2012 in the accounting policies on pages 109 to 120 and in Note 28 on pages 153 to 159.

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

		Valuation techniques:				
(in millions of euros)	*Level 1 - Quoted market price*	*Level 2- using observable inputs*	*Level 3 - with significant non-observable inputs*	*Third Party Total*	*Amounts with HSBC entities*	*Total*
At 30 June 2013						
Assets						
Trading assets	**43,925**	**571**	**–**	**44,496**	**6,940**	**51,436**
Financial assets designated at fair value	**–**	**–**	**–**	**–**	**5**	**5**
Derivatives	**36**	**49,766**	**89**	**49,891**	**19,165**	**69,056**
Financial investments available-for-sale	**9,001**	**198**	**98**	**9,297**	**170**	**9,467**
Liabilities						
Trading liabilities	**35,210**	**4,590**	**–**	**39,800**	**4,359**	**44,159**
Financial liabilities at fair value	**–**	**6,203**	**–**	**6,203**	**–**	**6,203**
Derivatives	**38**	**46,386**	**112**	**46,536**	**20,422**	**66,958**
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 31 December 2012						
Assets						
Trading assets	35,152	505	–	35,657	4,920	40,577
Financial assets designated at fair value	–	–	–	–	5	5
Derivatives	8	65,641	47	65,696	24,562	90,258
Financial investments available-for-sale	7,767	224	97	8,088	170	8,258
Liabilities						
Trading liabilities	31,387	3,298	–	34,685	1,586	36,271
Financial liabilities at fair value	–	5,654	–	5,654	–	5,654
Derivatives	3	61,657	57	61,717	27,396	89,114

Level 3 main financial instruments are available-for-sale financial investments and consist of holdings of private equity.

Condensed consolidated financial statements at 30 June 2013 (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 2013		30 June 2012		31 December 2012	
(in millions of euros)	***Carrying value***	***Fair Value***	*Carrying value*	*Fair Value*	*Carrying value*	*Fair value*
Assets						
Loans and advances to banks	**43,750**	**43,755**	29,604	29,606	28,132	28,134
Loans and advances to customers	**44,809**	**44,562**	54,766	53,705	48,354	47,543
Liabilities						
Deposits by banks	**32,452**	**32,452**	37,009	37,018	32,992	32,992
Customer accounts	**59,126**	**59,165**	49,812	49,837	42,364	42,412
Debt securities in issue	**7,930**	**7,966**	12,557	12,608	10,655	10,712
Subordinated liabilities	**16**	**16**	166	168	166	167

Analysis of Asset Backed Securities

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

	30 June 2013				30 June 2012			
(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]	**387**	**–**	**387**	**388**	554	–	554	546
- Rated C to A	**63**	**–**	**63**	**67**	100	–	100	91
- Not publicly rated	**13**	**–**	**13**	**13**	–	–	–	–
Total Asset Backed Securities	**463**	**–**	**463**	**468**	654	–	654	637
Of which :								
- loans and advances to customers [6]	**333**	**–**	**333**	**333**	458	–	458	458
- available-for-sale portfolio	**130**	**–**	**130**	**135**	196	–	196	179

	31 December 2012			
(in millions of euros)	*Gross principal* [2]	*CDS gross protection* [3]	*Net Principal exposure* [4]	*Carrying amount* [5]
- High grade [1]	510	–	510	506
- Rated C to A	69	–	69	67
- Not publicly rated	15	–	15	13
Total Asset Backed Securities	593	–	593	586
Of which :				
- loans and advances to customers [6]	445	–	445	445
- available-for-sale portfolio	149	–	149	141

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 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 percent held by the HSBC France group, which object is to invest in securitisation transactions structured by the HSBC Group and which hold mainly assets of german transferors.*

Condensed consolidated financial statements at 30 June 2013 (continued)

7 Risk management

All the HSBC France 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 2012 on pages 75 to 97.

There have been no significant changes in HSBC France's risk factors and uncertainties relative to those described in the Annual Report and Accounts 2012 as at 31 December 2012. 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 2012 detailed in pages 75 to 80.

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 realization 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 is disclosed in the 2012 Annual Report and Accounts pages 167 and 168.

Condensed consolidated financial statements at 30 June 2013 (continued)

Distribution of financial instruments by credit quality

	30 June 2013							
	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	**3,101**	–	–	–	–	–	–	**3,101**
Items in the course of collection from other banks	**922**	–	–	–	–	–	–	**922**
Trading assets	**34,406**	**7,157**	**9,858**	**15**	**–**	**–**	**–**	**51,436**
Treasury and other eligible bills and debt securities	**24,103**	**6,136**	**1,318**	–	–	–	–	**31,557**
Loans and advances to banks	**9,218**	**773**	**5,235**	**15**	–	–	–	**15,241**
Loans and advances to customers	**1,085**	**248**	**3,305**	–	–	–	–	**4,638**
Financial assets designated at fair value	**10**	**–**	**(5)**	**–**	**–**	**–**	**–**	**5**
Treasury and other eligible bills and debt securities	**10**	–	**(5)**	–	–	–	–	**5**
Loans and advances to banks	–	–	–	–	–	–	–	–
Loans and advances to customers	–	–	–	–	–	–	–	–
Derivatives	**59,383**	**4,865**	**4,739**	**69**	**–**	**–**	**–**	**69,056**
Loans and advances held at amortised cost	**68,330**	**8,782**	**9,961**	**642**	**117**	**1,446**	**(719)**	**88,559**
Loans and advances to banks	**42,859**	**71**	**794**	**26**	–	–	–	**43,750**
Loans and advances to customers	**25,471**	**8,711**	**9,167**	**616**	**117**	**1,446**	**(719)**	**44,809**
Financial investments	**8,782**	**378**	**67**	**15**	**–**	**6**	**(5)**	**9,243**
Treasury and other similar bills and debt securities	**8,782**	**378**	**67**	**15**	–	**6**	**(5)**	**9,243**
Other assets	**(48)**	**–**	**1,162**	–	–	–	–	**1,201**
Endorsements and acceptances	–	–	–	–	–	–	–	–
Accrued income and other	**(48)**	–	**1,162**	–	–	–	–	**1,201**
Total	**174,886**	**21,182**	**25,782**	**741**	**117**	**1,452**	**(724)**	**223,523**

Condensed consolidated financial statements at 30 June 2013 (continued)

(in millions of euros)	30 June 2012 Neither past due nor impaired *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	86,028	4,191	1,802	57	–	–	–	92,078
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)	54,765
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

Condensed consolidated financial statements at 30 June 2013 (continued)

	31 December 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	6,770	–	–	–	–	–	–	6,770
Items in the course of collection from other banks	815	–	–	–	–	–	–	815
Trading assets	30,535	6,284	3,727	31	–	–	–	40,577
Treasury and other eligible bills and debt securities	20,690	4,952	880	–	–	–	–	26,522
Loans and advances to banks	8,088	1,038	2,163	31	–	–	–	11,320
Loans and advances to customers	1,757	294	684	–	–	–	–	2,735
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	85,243	2,582	2,397	36	–	–	–	90,258
Loans and advances held at amortised cost	57,832	10,230	6,885	693	135	1,463	(752)	76,486
Loans and advances to banks	27,158	900	63	11	–	–	–	28,132
Loans and advances to customers	30,674	9,330	6,822	682	135	1,463	(752)	48,354
Financial investments	7,661	302	55	–	–	6	(5)	8,019
Treasury and other similar bills and debt securities	7,661	302	55	–	–	6	(5)	8,019
Other assets	30	–	1,053	–	–	–	–	1,083
Endorsements and acceptances	–	–	–	–	–	–	–	–
Accrued income and other	30	–	1,053	–	–	–	–	1,083
Total	188,889	19,398	14,117	761	135	1,463	(757)	224,011

Condensed consolidated financial statements at 30 June 2013 (continued)

Offsetting of financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

(in million of EUR)	Gross amounts of recognised financial assets	Gross amounts offset in the balance sheet	Amounts presented in the balance sheet	Amounts not offset in the balance sheet: Financial instruments	Amounts not offset in the balance sheet: Cash collateral received	Net amount
At 30 June 2013						
Derivatives	**143,625**	**(74,569)**	**69,056**	**57,933**	**9,691**	**1,432**
Reverse repurchase, securities borrowing and similar agreements	**67,489**	**(18,220)**	**49,269**	**48,644**	**625**	**–**
Classified as:						
– trading assets	**474**	**–**	**474**	**–**	**474**	**–**
– loans and advances to banks at amortised cost	**43,397**	**5,552**	**37,845**	**37,780**	**65**	**–**
– loans and advances to customers at amortised cost	**23,618**	**12,668**	**10,950**	**10,864**	**86**	**–**
Loans and advances excluding reverse repos	**–**	**–**	**–**	**–**	**–**	**–**
– to banks	–	–	–	–	–	–
– to customers	–	–	–	–	–	–
	211,114	**(92,789)**	**118,925**	**106,577**	**10,316**	**1,432**
At 30 June 2012						
Derivatives	163,060	(70,983)	92,077	76,752	13,333	1,992
Reverse repurchase, securities borrowing and similar agreements	52,307	14,828	45,601	37,479	–	8,122
Classified as:						
– trading assets	105	–	105	105	–	–
– loans and advances to banks at amortised cost	21,676	5,101	24,697	16,575	–	8,122
– loans and advances to customers at amortised cost	30,526	9,727	20,799	20,799	–	–
Loans and advances excluding reverse repos						
– to banks	–	–	–	–	–	–
– to customers	–	–	–	–	–	–
	215,367	56,155	137,678	114,231	13,333	10,114
At 31 December 2012						
Derivatives	184,331	(94,073)	90,258	75,553	12,189	2,516
Reverse repurchase, securities borrowing and similar agreements	42,238	(4,777)	37,461	37,243	163	55
Classified as:						
– trading assets	392	–	392	392	–	–
– loans and advances to banks at amortised cost	18,178	4,379	22,557	22,429	129	(1)
– loans and advances to customers at amortised cost	23,668	(9,156)	14,512	14,422	34	56
Loans and advances excluding reverse repos						
– to banks	–	–	–	–	–	–
– to customers	2,400	(1,332)	1,078	–	–	
	228,969	(100,172)	128,797	112,796	12,352	3,649

Condensed consolidated financial statements at 30 June 2013 (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

(in million of EUR)	Gross amounts of recognised financial liabilities	Gross amounts offset in the balance sheet	Amounts presented in the balance sheet	Amounts not offset in the balance sheet: Financial instruments	Amounts not offset in the balance sheet: Cash collateral pledged	Net amount
At 30 June 2013						
Derivatives	**141,527**	**(74,569)**	**66,958**	**57,933**	**7,638**	**1,387**
Repurchase, securities lending and similar agreements	**74,123**	**(18,220)**	**55,903**	**55,716**	**187**	**–**
Classified as:						
– trading liabilities	**2,995**	**–**	**2,995**	**2,995**	**–**	**–**
– deposits by banks	**32,823**	**(5,552)**	**27,271**	**27,158**	**113**	**–**
– customer accounts	**38,305**	**(12,668)**	**25,637**	**25,563**	**74**	**–**
Deposits by banks excluding repos	**–**	**–**	**–**	**–**	**–**	**–**
Customer accounts excluding repos	**–**	**–**	**–**	**–**	**–**	**–**
	215,650	**(92,789)**	**122,861**	**113,649**	**7,825**	**1,387**
At 30 June 2012						
Derivatives	161,721	(70,983)	90,738	–	–	90,738
Repurchase, securities lending and similar agreements	42,457	14,828	41,575	27,456	175	13,944
Classified as:						
– trading liabilities	1,423	–	1,546	1,423	–	123
– deposits by banks	15,302	5,101	23,963	10,068	134	13,761
– customer accounts	25,732	9,727	16,066	15,965	41	60
Deposits by banks excluding repos	–	–	–	–	–	–
Customer accounts excluding repos	–	–	–	–	–	–
	204,178	(56,155)	132,313	27,456	175	104,682
At 31 December 2012						
Derivatives	183,187	(94,073)	89,114	75,599	11,526	1,989
Repurchase, securities lending and similar agreements	50,418	(14,244)	36,174	29,811	78	6,285
Classified as:						
– trading liabilities	1,758	–	1,758	1,399	–	359
– deposits by banks	27,165	(5,088)	22,077	16,074	77	5,926
– customer accounts	21,495	(9,156)	12,339	12,338	1	–
Deposits by banks excluding repos	–	–	–	–	–	–
Customer accounts excluding repos	–	–	–	–	–	–
	233,605	(108,317)	125,288	105,410	11,604	8,274

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ("the offset criteria").

Condensed consolidated financial statements at 30 June 2013 (continued)

Derivatives and reverse repurchase/repurchase agreements included in amounts not set off in the balance sheet relate to transactions where:

- the counterparty has an offsetting exposure with HSBC and a master netting or similar arrangement is in place with a right of set off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- cash and non-cash collateral received/pledged in respect of the transactions described above.

The HSBC Group and HSBC France offset certain loans and advances to customers and customer accounts when the offset criteria are met and the amounts presented above represent this subset of the total amounts recognised in the balance sheet. Of this subset, the loans and advances to customers and customer accounts included in amounts not set off in the balance sheet primarily relate to transactions where the counterparty has an offsetting exposure with HSBC and an agreement is in place with the right of offset but the offset criteria are otherwise not satisfied.

Netting of derivatives

In accordance to the netting rules in IAS 32 on financial assets and liabilities, the derivative fair value which was not netted amounted to EUR 68 billion at 30 June 2013 (EUR 90 billion at 30 June 2012, EUR 87 billion at 31 December 2012).

At the same time, the sale and repurchase fair value which was not netted amounted to EUR 21 billion at 30 June 2013 (EUR 23 billion at 30 June 2012, EUR 17 billion at 31 December 2012).

	At 30 June 2013			At 30 June 2012			At 31 December 2012		
(in millions of euros)	***Book value***	***Amount for which HSBC has a legally enforceable right[1,2]***	***Net total credit risk***	*Book value*	*Amount for which HSBC has a legally enforceable right[1]*	*Net total credit risk*	*Book value*	*Amount for which HSBC has a legally enforceable right[1]*	*Net total credit risk*
Derivatives	**69,056**	**(67,624)**	**1,432**	92,077	(90,085)	1,992	90,258	(87,742)	2,516
Sale and repurchase[3]	**48,795**	**(20,844)**	**27,951**	45,496	(22,951)	22,545	76,486	(17,119)	59,367

1 *Against operations with the same counterparties.*

2 *Of which EUR 9.7million of guarantees received at 30 June 2013, EUR 13.3 million at 30 June 2012.*

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 111 and 112 of the financial statements in the Annual Report and Accounts 2012).

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 HSBC Group. HSBC France continued to closely manage its exposure in the first half of 2013 and regularly updated its assessment of higher risk countries and adjusted its risk appetite accordingly.

The eurozone countries identified as peripheral exhibited levels of market volatility which exceeded those of other eurozone countries and demonstrated fiscal or political uncertainty which may persist through the second half of 2013. Despite improvements through austerity and structural reforms countries as Greece, Ireland, Italy, Portugal and Spain continued to exhibit high sovereign debt to GDP ratios or short to medium-term maturity concentration of their liabilities.

The framework for dealing with counterparty and systemic crisis situations was described on page 75 and the followings of the Annual Report and Accounts 2012. It continued to operate throughout the first half of 2013 to ensure that pre crisis preparation remains apposite and robust.

Condensed consolidated financial statements at 30 June 2013 (continued)

The table overleaf summarises the HSBC France group's 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 eurozone countries and demonstrated fiscal or political uncertainty which may persist through the second half of 2013. In addition, certain of these countries exhibit high sovereign debt to GDP ratios and short to medium-term maturity concentration of those liabilities.

In the HSBC France group, the vast majority of the sovereign exposure is classified as trading.

Exposures to selected eurozone countries – sovereigns and agencies

At 30 June 2013 (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	–	–	**349**	–	–	**349**
Net trading assets[1]	–	**100**	**687**	**103**	**(390)**	**500**
Derivatives[2]	–	–	–	–	**(8)**	**(8)**
Total	–	**100**	**1,036**	**103**	**(398)**	**841**
Off-balance sheet exposures	–	–	–	–	–	–

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 31 December 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	–	–	273	–	–	273
Net trading assets[1]	–	85	1,070	27	206	1,388
Derivatives[2]	–	–	3	–	–	3
Total	–	85	1,346	27	206	1,664
Off-balance sheet exposures	–	–	–	–	–	–

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.*

Condensed consolidated financial statements at 30 June 2013 (continued)

Liquidity and funding management

The liquidity and funding management has remained broadly consistent with those described in the Annual Report and Accounts 2012 detailed in pages 83 to 85.

Medium and long term debt

The medium and long term debt, debt with initial maturity of more than 1 year at issuance, amounts for EUR 12.6 billion as at 30 June 2013, in decrease compared to 31 December 2012 (EUR 17.3 billion).

This decrease is mainly due to HSBC France's early reimbursement of the European Central Bank's 3-year Long Term Refinancing Operation (LTRO) in January 2013 for the full amount of EUR 5.0 billion.

In the first half of 2013, two new issuances have been made to renew the LTRO funding:

– EUR 1 billion senior unsecured funding with 7 year maturity issued in January 2013;

– EUR 1.25 billion covered bonds funding with 10.5 year maturity issued in April 2013.

Certificates of deposits

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

(in millions of euros)	**30 June 2013**	30 June 2012	31 December 2012
Maturity			
below 1 month	**2,144**	5,477	3,577
between 1 & 2 months	**173**	1,072	2,555
between 2 & 3 months	**382**	380	897
above 3 months	**957**	159	1,110
Total	**3,657**	7,088	8,139

Regulatory ratio

Regarding the regulatory liquidity ratio, HSBC France complies with the French regulatory requirement (*Autorité de contrôle prudentiel*) in maintaining during the first half of 2013 a ratio well in excess of 100 per cent. The regulatory liquidity ratio, which measures the potential one-month liquidity gap, averaged 120 per cent in the first half of 2013 for the company on a solo basis.

Market risk management

The objective of the HSBC 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 2012.

Market risk assessment tools

· Value at Risk

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

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

Condensed consolidated financial statements at 30 June 2013 (continued)

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 HSBC 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 30 June 2013	**14.57**	**1.78**
At 31 December 2012	15.40	1.3

	One-day VaR without Add-On perimeter			*Add-On VaR*		
(in millions of euros)	*Average*	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
At 30 June 2013	**13.62**	**11.27**	**16.2**	**1.59**	**1.3**	**2.6**
At 31 December 2012	15.89	10.16	23.77	3.9	1.3	6.1

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.

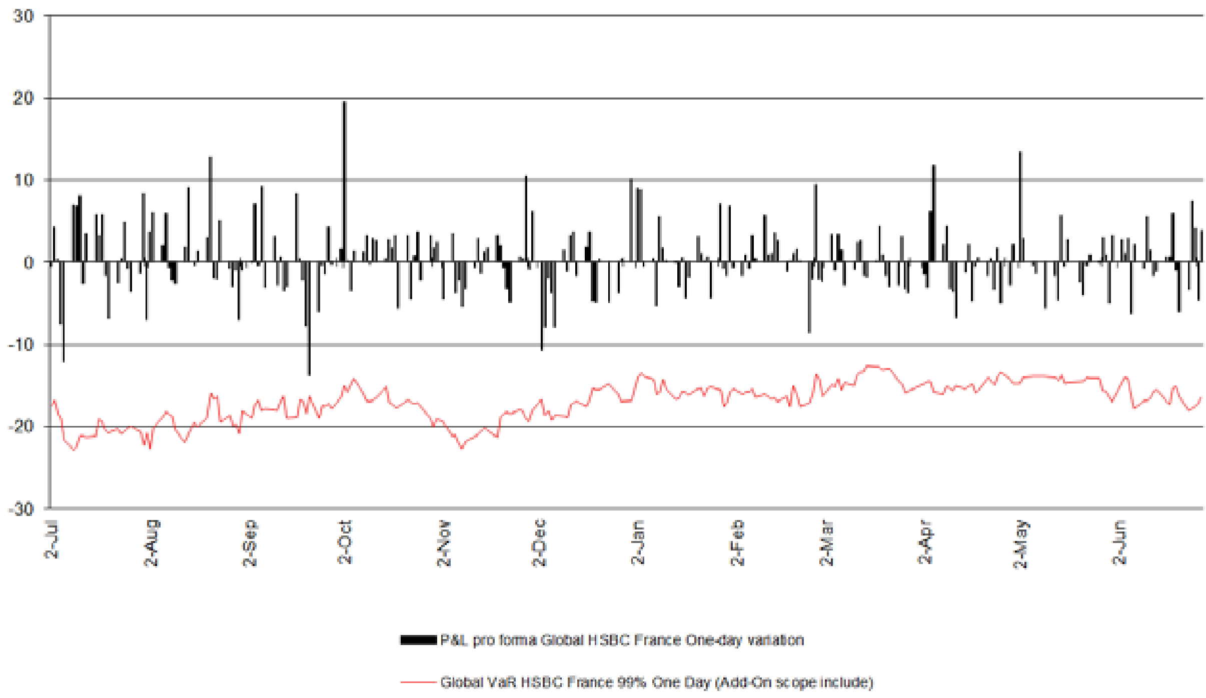
· Backtesting

The model is backtested 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. Backtesting is carried out on a D+2 basis by business area and for all of the HSBC France group's market positions.

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

Condensed consolidated financial statements at 30 June 2013 (continued)

Pro forma backtesting July 2012– June 2013
(in millions of euros)



HSBC France did not record any backtesting exception over the past twelve months.

Fair value and price verification control

Where certain financial instruments are carried on the HSBC Group's balance sheet at fair values, it is the HSBC Group policy that the valuation and the related price verification processes be subject to independent testing across the HSBC 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 HSBC Group's Global Markets activities.

All significant valuation policies, and any changes thereto, must be approved by Senior Finance Management. The HSBC Group's governance of financial reporting requires that Financial Control Departments across the HSBC 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 HSBC 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 and 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.

Condensed consolidated financial statements at 30 June 2013 (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 30 June 2013	**0.03**	**14.56**	–	**14.55**
At 31 December 2012	0.07	15.78	–	15.76
Average				
2013	**0.02**	**13.71**	–	**13.71**
2012	0.04	15.78	–	15.79
Minimum				
2013	–	**11.17**	–	**11.14**
2012	–	11.36	–	11.36
Maximum				
2013	**0.07**	**16.30**	–	**16.29**
2012	0.17	22.87	–	22.43

Positions taken with trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2013	**0.03**	**14.56**	**–**	**14.56**
At 31 December 2012	0.07	15.52	–	15.51
Average				
2013	**0.02**	**13.67**	**–**	**13.67**
2012	0.04	15.80	–	15.73
Minimum				
2013	**–**	**11.25**	**–**	**11.23**
2012	–	11.27	–	11.26
Maximum				
2013	**0.07**	**16.29**	**–**	**16.28**
2012	0.17	22.87	–	22.43

Positions taken without trading intent – VaR by risk type

(in millions of euros)	*Foreign exchange*	*Interest rate trading*	*Equity*	*Total*
At 30 June 2013	**–**	**0.21**	**–**	**0.21**
At 31 December 2012	–	2.37	–	2.37
Average				
2013	**–**	**0.16**	**–**	**0.16**
2012	–	0.95	–	0.95
Minimum				
2013	**–**	**0.09**	**–**	**0.09**
2012	–	0.24	–	0.24
Maximum				
2013	**–**	**0.28**	**–**	**0.28**
2012	–	2.43	–	2.43

Condensed consolidated financial statements at 30 June 2013 (continued)

Sensitivity analysis

As of 30 June 2013, HSBC France Global Markets was mainly exposed to interest rate curve and spread risks (i.e. relative difference) coming from the swap and reference bond curves, denominated in euros, whether these notes are from sovereign Eurozone government, supranational issuers, government agencies or issuers of covered bonds. After a significant reduction in its exposure to Eurozone sovereign debt in 2011 and 2012, HSBC France risk appetite remained fairly stable in 2013.

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

An aggregate representation is HSBC France Global Markets' 1-day 99 per cent VaR as of 30 June 2013: EUR 14.57 million.

In addition to its trading activities, HSBC France has developed since 2011 a non-trading accrual 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 euro zone 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 30 June 2013 and at 31 December 2012, it covered almost all market risks within HSBC France. Risks not covered by the internal model are measured using the standardised approach devised by the Bank of International Settlements and transposed into French law by CRBF regulation 95-02.

Capital requirements with respect to market risks break down as follows :

	30 June 2013		31 December 2012	
(in millions of euros)	***BIS***	***CAD***	*BIS*	*CAD*
Internal Model VaR[1]:	**169.99**	**169.99**	196.8	196.8
Foreign exchange risk	**0.23**	**0.23**	0.39	0.39
General interest rate risk	**170.03**	**170.02**	196.63	196.63
General equities risk	**–**	**–**	–	–
Netting effet	**(0.26)**	**(0.25)**	(0.21)	(0.21)
Internal Model Stress VaR[1]:	**152.51**	**152.51**	159.94	159.94
Foreign exchange risk	**0.410**	**0.406**	0.79	0.79
General interest rate risk	**152.43**	**152.43**	154.69	154.69
General equities risk	**–**	**–**	–	–
Netting effect	**(0.33)**	**(0.32)**	(0.54)	(0.54)
Standards methods:	**80.87**	**80.87**	56.72	56.72
Foreign exchange risk	**–**	**–**	–	–
General interest rate risk	**12.11**	**12.11**	15.4	15.4
Specific interest rate risk	**68.76**	**68.76**	41.28	41.28
General equities risk	**–**	**–**	–	–
Specific equities risk	**–**	**–**	–	–
Total	**403.37**	**403.37**	408.46	408.46

1 *Including the Add-On perimeter.*

Condensed consolidated financial statements at 30 June 2013 (continued)

It can be observed that following regulatory changes (Basel 2.5), HSBC France cost of capital includes a stressed VaR item since 31 December 2011. Stressed VaR is a market risk indicator calibrated to historical data from a period of significant financial stress. It is computed considering a ten days holding period and a 99 per cent one-tailed confidence interval.

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 2013.

Calculation methodology and capital management is described in the Annual Report and Accounts 2012 pages 85 to 87.

The HSBC Group does not publish in France 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.

Regulatory capital position

The table below sets out the analysis of regulatory capital:

Composition of consolidated regulatory capital

(in millions of euros)	**30 June 2013 Basel II**	30 June 2012 Basel II	31 December 2012 Basel II
Tier 1:			
Shareholders' funds of the parent company	**5,105**	5,060	5,213
Non controlling interests	**49**	49	48
Less: dividends payable to the parent company	**–**	–	(240)
Less: items treated differently for the purposes of capital adequacy	**(106)**	(174)	(153)
Less: goodwill capitalised and intangible assets	**(363)**	(364)	(363)
Less: deductions in respect of expected losses	**(61)**	(86)	(64)
Less: investments in credit institutions exceeding 10% of capital	**(322)**	(329)	(309)
Total qualifying tier 1 capital	**4,302**	4,156	4,133
Tier 2:			
Reserves arising from revaluation of property and unrealised gains on available-for-sale securities	**42**	49	44
Perpetual subordinated loan and term-subordinated loan	**22**	55	55
Less: deductions in respect of expected losses	**(61)**	(86)	(64)
Less: investments in credit institutions exceeding 10% of capital	**(3)**	(19)	(35)
Total qualifying tier 2 capital	**–**	–	–
Investments in other banks and other financial institutions	**(4)**	(4)	(5)
Total capital	**4,298**	4,152	4,128
Total Basel II risk-weighted assets	**32,264**	35,585	32,673
Total risk-weighted assets before the additional requirement due to the floor	**29,914**	35,585	30,501
Capital ratios:			
Total capital	**13.3%**	11.7%	12.6%
Tier 1 capital	**13.3%**	11.7%	12.6%
Tier 1 capital before the additional requirements due to the floor	**14.4%**		13.5%

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 2013 and 2012.

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 322 million were deducted from Tier 1 capital and EUR 3 million from Tier 2 capital as at 30 June 2013 (EUR 309 million were deducted from Tier 1 capital and EUR 35 million from Tier 2 capital as at 31 December 2012).

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 236 million, less the credit spread of derivative (DVA) of EUR 58 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 13.3 per cent at 30 June 2013, compared with a minimum requirement of 8 per cent. The group's Tier 1 capital ratio was 13.3 per cent compared with a minimum requirement of 4 per cent.

Under the Basel II definitions, total HSBC France group capital amounted to EUR 4.3 billion at 30 June 2013, of which EUR 4.3 billion was Tier 1 capital.

The corresponding risk-weighted assets totalled EUR 32.3 billion, broken down as follows:

(in billions of euros)	**At 30 June 2013**	At 30 June 2012	At 31 December 2012
Credit risks	**21.3**	23.9	21.8
Market risks	**5.0**	8.0	5.1
Operational risks	**3.6**	3.7	3.6
Additional requirement	**2.4**	–	2.2
Total	**32.3**	35.6	32.7

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. sixteen groups had individual exposures exceeding 10 per cent of net capital at 30 June 2013.

Loan loss provisions

At 30 June 2013, loan loss provisions represented 44.1 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 2012 on page 178.

Condensed consolidated financial statements at 30 June 2013 (continued)

8 Contingent liabilities and contractual commitments

a *Contingent liabilities and commitments*

(in millions of euros)	**30 June 2013**	30 June 2012	31 December 2012
Contract amounts			
Contingent liabilities			
Acceptances and endorsements	**–**	–	–
Guarantees and assets pledged as collateral security	**4,411**	4,763	4,509
Other contingent liabilities	**–**	32	–
	4,411	4,795	4,509
Commitments			
Documentary credits and short-term trade-related transactions	**632**	541	843
Undrawn note issuing and revolving underwriting facilities	**–**	–	–
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**17,831**	20,958	17,242
	18,463	21,499	18,085

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 2013**	30 June 2012	31 December 2012
Guarantee type			
Financial guarantees[1]	**570**	908	645
Credit substitutes[2]	**1,755**	1,600	1,954
Other items[3]	**2,085**	2,287	1,910
TOTAL	**4,411**	4,795	4,509

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.

Condensed consolidated financial statements at 30 June 2013 (continued)

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 2013**	30 June 2012	31 December 2012
Acceptances and endorsements	**–**	–	–
Other items	**5**	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 Corporate and Investment Banking business line. Products and services are organised along the following customer groups and global businesses:

- Retail Banking and Wealth Management (including the Insurance and Asset Management business lines) offers a wide range of products and services to meet the retail banking and wealth management requirements of individual clients and professionals. The products offered include current accounts and the related payment and financial services, savings products and solutions for wealth accumulation, as well as mortgages and other loans to individuals and professionals.
- Commercial Banking product offerings include the provision of financing services, payments and cash management, international trade finance, treasury and capital markets, insurance, wealth management and investment banking services.
- Global Banking and Markets provides tailored financial solutions to major government, corporate and institutional clients worldwide. The client-focused business lines deliver a full range of banking capabilities including investment banking and financing solutions, a markets business that provides services in credit, rates, foreign exchange, money markets and securities services; global asset management services and principal investment activities.
- Private Banking provides a range of services to meet the banking, investment and wealth advisory needs of high net worth individuals.

The "Other" segment includes the change in fair value of own debt under fair value option for EUR 2.8 million (EUR -75.8 million as at 30 June 2012 and EUR -118 million as at 31 December 2012).

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 the HSBC France group which mainly operates in France.

Condensed consolidated financial statements at 30 June 2013 (continued)

Profit/ (loss) for the period

(in millions of euros)	**Half Year to 30 June 2013** *Retail Banking and Wealth Management*	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
Interest income	**518**	**236**	**236**	**8**	**37**	**(51)**	**984**
Interest expense	**(70)**	**(28)**	**(104)**	**(1)**	**(34)**	**34**	**(203)**
Net interest income	**448**	**208**	**132**	**7**	**3**	**(17)**	**781**
Other operating income	**48**	**121**	**345**	**13**	**(13)**	**13**	**527**
Total operating income	**496**	**329**	**477**	**20**	**(10)**	**(4)**	**1,308**
Loan impairment charges and other credit risk provisions	**(14)**	**(35)**	**5**	**–**	**–**	**–**	**(44)**
Net operating income	**482**	**294**	**482**	**20**	**(10)**	**(4)**	**1,264**
Total operating expenses	**(383)**	**(191)**	**(254)**	**(20)**	**(2)**	**4**	**(846)**
Operating profit	**99**	**103**	**228**	**–**	**(12)**	**–**	**418**
Share of profit in associates and joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit before tax - France	**99**	**103**	**228**	**–**	**(12)**	**–**	**418**
Tax expense							**(141)**
Profit for the year -France							**276**
Perimeter differences[1]							**(41)**
Profit for the year - Legal							**235**

1 *Mainly Insurance.*

(in millions of euros)	Half Year to 30 June 2012 *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
Total 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.*

Condensed consolidated financial statements at 30 June 2013 (continued)

(in millions of euros)	Full Year to 31 December 2012						
	Retail Banking and Wealth Management	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
Interest income	941	403	759	22	47	–	2,172
Interest expense	(86)	(8)	(486)	(4)	(51)	(39)	(674)
Net interest income	855	395	273	18	(4)	(39)	1,498
Other operating income	40	242	639	27	(94)	39	893
Total operating income	895	637	912	45	(98)	–	2,391
Loan impairment charges and other credit risk provisions	(23)	(78)	(17)	1	–	–	(117)
Net operating income	872	559	895	46	(98)	–	2,274
Total operating expenses	(767)	(401)	(485)	(55)	(7)	–	(1,715)
Operating profit	105	158	410	(9)	(105)	–	559
Share of profit in associates and joint ventures	–	–	–	–	–	–	–
Profit before tax - France	105	158	410	(9)	(105)	–	559
Tax expense							(127)
Profit for the year -France							432
Perimeter differences[1]							(111)
Profit for the year - Legal							321

1 *Mainly Insurance.*

10 Related party transactions

At 30 June 2013, 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 HSBC Holdings plc.

(in millions of euros)	**Balance at 30 June 2013**	Balance at 30 June 2012	Balance at 31 December 2012
Assets			
Trading assets	**6,940**	6,886	4,920
Derivatives	**19,166**	27,584	24,562
Loans and advances to banks	**12,261**	10,180	11,414
Loans and advances to customers	**201**	66	87
Financial investments	**170**	170	170
Other assets	**74**	17	175
Prepayments and accrued income	**86**	83	99
Financial assets designated at fair value	**5**	5	5
Liabilities			
Deposits by banks	**18,487**	15,089	16,233
Customer accounts	**317**	133	220
Trading liabilities	**4,359**	3,009	1,586
Derivatives	**20,422**	31,591	27,396
Other liabilities	**5**	4	134
Accruals and deferred income	**66**	46	72
Subordinated liabilities[1]	**–**	150	150

Condensed consolidated financial statements at 30 June 2013 (continued)

(in millions of euros)	**30 June 2013**	30 June 2012	31 December 2012
Income Statement			
Interest Income[2]	**43**	58	106
Interest expense[2]	**4**	21	22
Fee income	**72**	80	145
Fee expense	**52**	52	82
Gains less losses from financial investments	**–**	–	–
Other operating income	**–**	–	–
Dividend income	**–**	–	–
General and administrative expenses	**28**	21	60

1 *In June 2013, early redemption of EUR 150 million subordinated loan to HSBC Bank plc.*

2 *In June 2013, including interest on trading assets and trading liabilities: EUR 1 million (June 2012: EUR 9 million).*

11 Litigation

HSBC France is party to legal proceedings, investigations and regulatory matters arising out of its normal business operations. Apart from the matters described below, HSBC France considers that none of these matters is material, either individually or in the aggregate. HSBC France recognises a provision for a liability in relation to these matters when it is probable that an outflow of economic benefits will be required to settle an obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings as at 30 June 2013.

Anti-money laundering and sanctions-related investigations

In December 2012, HSBC Holdings plc (“HSBC Holdings”), the bank’s ultimate parent company, HSBC Bank USA, N.A. (“HBUS”), and HSBC North America Holdings (“HNAH”) entered into agreements to achieve a resolution with US and UK government agencies regarding past inadequate compliance with anti-money laundering (“AML”), US Bank Secrecy Act (“BSA”) and sanctions laws. Among other agreements, HSBC Holdings and HBUS entered into a five-year Deferred Prosecution Agreement (the “US DPA”) with the US Department of Justice (“DoJ”), HSBC Holdings entered into a two-year Deferred Prosecution Agreement with the New York County District Attorney (“DANY”), and HSBC Holdings consented to a cease and desist order with the Federal Reserve Board (“FRB”). HSBC Holdings also entered into an undertaking with the UK Financial Services Authority (now a Financial Conduct Authority (“FCA”) Direction) to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term.

In addition, HBUS entered into a monetary penalty consent order with the US Department of the Treasury’s Financial Crimes Enforcement Network (“FinCEN”) and a separate monetary penalty order with the Office of the Comptroller of the Currency (“OCC”). HBUS also entered into a separate consent order with the OCC requiring it to correct the circumstances and conditions as noted in the OCC’s then most recent report of examination, imposing certain restrictions on HBUS directly or indirectly acquiring control of, or holding an interest in, any new financial subsidiary, or commencing a new activity in its existing financial subsidiary, unless it receives prior approval from the OCC. HBUS entered into a separate consent order with the OCC requiring it to adopt an enterprise wide compliance program.

Under these agreements, HSBC Holdings and HBUS will continue to cooperate fully with US and UK regulatory and law enforcement authorities and take further action to strengthen its compliance policies and procedures. Under its agreements with DoJ, the FCA, and the FRB, an independent corporate compliance monitor will evaluate HSBC Group’s progress in implementing its obligations under the relevant agreements. Michael Cherkasky has been selected as the independent monitor, and, on 1 July, 2013, the United States District Court for the Eastern District of New York approved the US DPA and retained authority to oversee implementation of the same.

Condensed consolidated financial statements at 30 June 2013 (continued)

If HSBC Holdings and HSBC Bank USA fulfil all of the requirements imposed by the US DPA, the DoJ's charges against those entities will be dismissed at the end of the five-year period of that agreement. Similarly, if HSBC Holdings fulfils all of the requirements imposed by the DANY DPA, DANY's charges against it will be dismissed at the end of the two-year period of that agreement. The DoJ may prosecute HSBC Holdings or HSBC Bank USA in relation to the matters which are the subject of the US DPA if HSBC Holdings or HSBC Bank USA breaches the terms of the US DPA, and DANY may prosecute HSBC Holdings in relation to the matters which are subject of the DANY DPA if HSBC Holdings violates the terms of the DANY DPA.

Under these agreements, HSBC Holdings has certain obligations to ensure that entities in the HSBC Group, including HSBC Bank plc and its subsidiaries (including HSBC France), comply with certain requirements. Steps continue to be taken to implement ongoing obligations under the US DPA, FCA direction, and other settlement agreements.

The settlement with US and UK authorities does not preclude private litigation relating to, among other things, HSBC Group's compliance with applicable AML/BSA and sanctions laws or other regulatory or law enforcement actions for AML/BSA or sanctions matters not covered by the various agreements.

Investigations and reviews into the setting of London interbank offered rates, European interbank offered rates and other benchmark interest and foreign exchange rates

Various regulators and competition and enforcement authorities around the world including in the United Kingdom (UK), the United States of America (US), Canada, the European Union, Switzerland and Asia, are conducting investigations and reviews related to certain past submissions made by panel banks and the processes for making submissions in connection with the setting of London interbank offered rates ("Libor"), European interbank offered rates ("Euribor") and other benchmark interest and foreign exchange rates. As certain HSBC entities are members of such panels, HSBC and/or its subsidiaries (including HSBC France whose involvement is limited to the extent that it is a member of the Euribor panel) have been the subject of regulatory demands for information and are cooperating with those investigations and reviews.

Based on the facts currently known in respect of each of these investigations, there is a high degree of uncertainty as to the terms on which the on-going investigations will be resolved and the timing of such resolution, including the amounts of fines and/or penalties. As matters progress, it is possible that fines and penalties could ultimately be significant.

Credit default swap regulatory investigation and litigation

In July 2013, various HSBC entities, including HSBC France, received a Statement of Objections from the European Commission relating to its on-going investigation of alleged anti-competitive activity by a number of market participants in the credit derivatives market between 2006 and 2009. The Statement of Objections sets out the European Commission's preliminary views and does not prejudge the final outcome of its investigation. HSBC is reviewing the Statement of Objections in detail and will submit a response to the European Commission in due course. Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of the European Commission's investigation, including the timing or impact on HSBC.

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 2013 financial statements.

Condensed consolidated financial statements at 30 June 2013 (continued)

13 Investments

The table below shows the changes, in the first half-year of 2013, in the legal perimeter published in the 2012 Annual Report and Accounts.

Consolidated companies	Country	Consolidation method*	Main line of business	HSBC France group interest 30 June 2013	HSBC France group interest 31 December 2012
Additions:					
No Change					
Disposals:					
No change					
Liquidations and mergers:					
Eurofin Capital Partners (ECP)[1]	France	FC	Investment company	–	100
Octogone Immobilier[1]	France	FC	Holding company	–	100
Dissolution:					
Fund Nominees Limited	France	FC	Investment company	–	100
Changes in interests:					
No change					

* *FC: Full Consolidation – EM: Equity Method.*
1 *Merger with* Société Française et Suisse *(SFS).*

Condensed consolidated financial statements at 30 June 2013 (continued)

Statutory Auditors' Review Report on the 2013 interim financial information

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

For the six month period ended 30 June 2013

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 2013,
- 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.

Without qualifying the conclusion expressed above, we draw your attention to the matter discussed in note 1 to the condensed consolidated interim financial statements relating to new accounting standards and interpretations that HSBC France has applied starting January 1, 2013.

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 the 28 August 2013

KPMG Audit FS II
Pascal Brouard
Partner

Paris, on the 28 August 2013

BDO France - Léger & Associés
Fabrice Chaffois
Partner

Recent events

Events subsequent to the filing of the Reference Document

None.

Events subsequent to 30 June 2013

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 2013, date of the most recent published financial statements reviewed by the auditors.

The main events that have occurred since 30 June 2013 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

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 5 presents a fair review of the significant events that occurred during the first six months of the financial year, their impact on the accounts and the major related party transactions, as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.

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

The Statutory Auditors have issued a report on the historical financial information presented in this update, available on page 41 of this document, which contains a remark.

Paris, 29 August 2013

Jean Beunardeau, CEO

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

Persons responsible for auditing the financial statements

	Date first appointed	Date re-appointed	Date term ends
Incumbents			
KPMG Audit FS II[1] Represented by Pascal Brouard[2] 3 cours du Triangle 92939 Paris-La Défense Cedex	2001	–	2018
BDO France – Léger & Associés[3] Represented by Fabrice Chaffois[4] 113 rue de l'Université 75007 Paris	2007	2012	2018
Alternates			
KPMG Audit FS I[1] Represented by Jean-Luc Decornoy 3 cours du Triangle 92939 Paris-La Défense Cedex	2001	–	2018
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 *KPMG represented by Pascal Brouard as of financial year 2009.*
3 *Member of the Compagnie Régionale des Commissaires aux comptes of Paris.*
4 *BDO France – Léger & Associés represented by Fabrice Chaffois as of financial year 2013.*

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 2012 Annual Report and Accounts D.13-0428 updated by this document.

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 2012 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 100 to 183 and 184 to 185 of reference document D.13-0428 filed with the AMF on 25 April 2013.

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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