Update to the Registration Document

filed with the *Autorité des marchés financiers*
on 3 March 2014 under reference number D.14-0103

and Interim Financial Report

Update filed with the *Autorité des marchés financiers*
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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This document was filed with the *Autorité des marchés financiers* (AMF) on 28 August 2014 in accordance with Article 212-13 of the AMF's General Regulation. It updates the Registration Document (Annual Report and Accounts) filed with the AMF on 3 March 2014 under reference number D.14-0103. 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 2014

The bank's performance in the first half of 2014

The financial markets performed well in the first half of 2014. The equity and bond markets were both supported by the continuation of monetary policies initiated during 2013, with the US Federal Reserve's announced but very slow exit from its highly accommodative policy and the European Central Bank's accentuation of its own accommodative policy. In a climate of weak economic growth and near zero inflation, in early June 2014, the ECB took new measures including a negative interest rate (- 0.10 per cent) on deposits in an attempt to stimulate bank lending in the Eurozone. At the Sydney summit in February 2014, the G20 nations confirmed their aim to lift global growth by 2 percentage points by 2018.

As regards the macro-economic environment, France's economic growth is likely to stay below 1 per cent in 2014 after near zero growth in 2013, while unemployment and business failures remain at record highs. Against this background, consumers and businesses are playing a waiting game, investment remains weak despite the stimulus from interest rates that continue to fall from already record lows, and the public deficit remains above the European Union ceiling.

Despite these economic difficulties, HSBC Group management has reiterated that France is one of HSBC's priority markets and confirmed the importance of its strategic positioning in this market and its medium-term growth potential.

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

– HSBC's operations in France, including the consolidated results of HSBC France and HSBC Bank plc's Paris branch [1];
– HSBC France'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;
– the “France” geographical segment as used by HSBC Holdings plc in its analysis of geographical contribution to the HSBC Group's results.

Financial contribution of HSBC in France ("managerial" perimeter)

HSBC's operations in France reported profit before tax of EUR 199 million compared with EUR 418 million in the first half of 2013. Of this EUR 219 million decrease, EUR 147 million was due to the IFRS accounting impact of several specific items not related to business performance (fair value movements on long-term debt under fair value option resulting from changes in credit spread and non-qualifying hedges).

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 2013. Profit before tax excluding the items referred to above was still down significantly year-on-year due to the sluggish economic environment, particularly for Global Markets. However, it was up 38 per cent compared with the second half of 2013.

Net operating income was EUR 1,116 million compared with EUR 1,308 million in the first half of 2013. Net operating income excluding the specific items referred to above was down 4 per cent. Retail Banking and Wealth Management and Commercial Banking held up relatively well in a poor economic climate while Global Markets suffered a significant decline. In addition to the difficult economic climate and slack customer demand, increasingly stringent regulations are prompting banks to reduce their exposures, leading to a corresponding contraction in revenues.

Loan impairment charges and other credit risk provisions were EUR 78 million, up compared with the first half of 2013 which was at a low level due to the deterioration in the economy with an increase in the default rate among small and medium-sized businesses[3]. The loan loss rate increased not only for SMEs but also for large corporates, a segment that saw a net impairment reversal of EUR 5 million in 2013. The cost of risk remained at the quite moderate level of 0.41 per cent of the customer loan book.

Despite the relentless rise in taxation in the last years, operating expenses totalled EUR 839 million, down 1 per cent year-on-year thanks to a pro-active policy of shrinking the cost base.

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 the wealth management business. It achieved firm growth in the first half of 2014:

– Retail Banking and Wealth Management continued to win new clients in the premium segment, with almost 25,000 new relationships during the period, including about 15,000 HSBC Premier clients. The total number of HSBC Premier clients came to about 380,000 at the end of the period, equal to almost one in every two retail customers;

1 *Which houses the equity derivatives business. Results exclude the funding cost related to the CCF acquisition debt.*
2 *See page 14.*
3 Banque de France.

Management report on the first half of 2014 (continued)

– consumer lending picked up in the first half of 2014, with total outstandings in the French market up 3 per cent year-on-year[1]. Against this background, the Retail Banking loan book rose by 13 per cent to almost EUR 16.5 billion. Residential mortgage origination remained high at about EUR 2 billion over the first half, enabling customers to take advantage of investment opportunities;
– the deposit base rose by 2 per cent compared with the first half of 2013 to EUR 13.7 billion, in line with the market, driven by strong 8 per cent growth in demand deposits though offset by a slight contraction in savings accounts and other interest-bearing deposits, confirming the appeal of the HSBC brand;
– despite a slowdown in gross life insurance inflows to EUR 914 million, net inflows remained positive and total life insurance assets held by HSBC Assurances Vie (France) subsidiaries rose by 4 per cent year-on-year to EUR 18.8 billion. Overall, assets under management and retail customer deposits in the HSBC France network rose by 5 per cent year-on-year to EUR 35.9 billion;
– in Asset Management, total assets managed and distributed rose significantly by more than 7 per cent in the first half to reach EUR 72.0 billion. This performance was driven mainly by strong net inflows of medium- to long-term products. HSBC Global Asset Management (France) continued to develop its recognised expertise in bond fund management and won a number of awards for its 3- and 5- year performance both in bond funds[2] and equity and diversified funds[3], as well as its REIT, SCPI Elysées Pierre[4]. Synergies with the HSBC Group continue to develop. The World-Selection funds are an example of this, with assets under management rising to EUR 1.1 billion, a year-on-year increase of 25 per cent.

Retail Banking and Wealth Management delivered net operating income of EUR 370 million compared with EUR 496 million in the first half of 2013. The contraction was mainly due to the impact of non-qualifying hedges in respect of IAS 39, the change in market value of which fell from EUR + 34 million in the first half of 2013 to EUR - 82 million in the first half of 2014. Excluding this item, net operating income was down 2 per cent due to the impact of the change in life insurance PVIF[5]. Net interest income on deposits continued to suffer from downward pressure on medium- to long-term interest rates, despite steady growth in volumes, while net interest income on lending increased as a result of sustained origination. Growth in fee income was satisfactory.

Loan impairment charges and other credit risk provisions were low due to the small number of defaults. The cost of risk amounted to 0.12 per cent of the loan book.

Operating expenses were stable at EUR 387 million. This led to a loss before tax of EUR 28 million for the first half of 2014 and a profit of EUR 54 million excluding the impact of non-qualifying hedges.

Commercial Banking

Despite the persistently gloomy economic environment in the past few years, Commercial Banking maintained momentum in the first half of 2014. Its strategy is based mainly on supporting businesses in their international activities.

Commercial Banking also continued to develop synergies with the HSBC Group. Revenue generated by other HSBC Group entities outside France with French clients rose by 9 per cent, while revenue generated in France with clients of other HSBC Group entities now accounts for one third of all Corporate client revenue. HSBC confirmed its status as a key partner for French companies seeking to set up abroad and for foreign companies seeking to expand in France.

– given the economic situation and its solid liquidity position, HSBC France does not wish to overpay in terms of interest on customer deposits. Nevertheless, the deposit base grew significantly by 8 per cent compared with the first half of 2013 to EUR 10.9 billion, driven mainly by strong growth in current accounts, which were up 12 per cent to EUR 9.1 billion. This confirms customer confidence in the robustness of the HSBC brand;
– HSBC France continues to support businesses in their development and has maintained its loan book at almost EUR 9.7 billion in a climate of falling demand for credit. In addition, HSBC France has already allocated EUR 0.9 billion of the EUR 1.5 billion envelope earmarked at the start of the year for supporting SMEs in their international growth. During the first half of 2014, HSBC France signed two innovative partnership agreements with Bpifrance and UBIFRANCE, designed to make it easier for clients who aspire ti trade internationally to expand;

1 Banque de France.
2 Mieux Vivre Votre Argent *awards in the "Eurozone bond funds" category over five years.*
Le Revenu *magazine's 2014 mutual fund awards for the international bond fund range over three years, in the retail banks category.*
3 Mieux Vivre Votre Argent *awards in the "Diversified Growth" category over five years.*
Le Revenu *magazine's 2014 mutual fund awards for the Europe equity fund range over three years, in the retail banks category.*
Morningstar 2014 award for 5-year performance in the "French equities, small and mid caps" category.
4 Mieux Vivre Votre Argent *2014 office property REIT awards.*
5 *Present Value of In Force.*

Management report on the first half of 2014 (continued)

- HSBC France also continues to support its business customers by providing a diversified range of financing solutions, as well as trade and receivables finance, including a full range of factoring solutions. Factored receivables grew by 5 per cent in the first half;
- Commercial Banking took part in several major financial transactions for its largest clients, working with Global Banking and Markets.

Net operating income was stable at EUR 329 million, with both net interest income and net fee income showing resilience.

Loan impairment charges and other credit risk provisions were EUR 42 million compared with EUR 35 million in the first half of 2013, this increase reflecting the difficult economic environment and increase in business failures. The loan loss rate came to 0.78 per cent of the loan book.

Operating expenses remained under control at EUR 197 million, a contained increase of about 3 per cent year-on-year. The cost efficiency ratio stood at 60 per cent.

Profit before tax amounted to EUR 90 million in the first half, a decrease of 13 per cent compared with the same period of 2013.

Global Banking and Markets

As part of the HSBC Group's strategy, France remains a centre of expertise for euro-denominated fixed-income products and structured derivatives. The HSBC Group continues to support large corporate clients in their development in 75 countries.

For Global Markets, the first half of 2014 was marked by a continued rise in the European bond markets due to a decrease in pressure on sovereign debt in the peripheral Eurozone countries. In this context of narrowing credit spreads, client appetite was weak and there was little volatility in the markets. In addition, tighter regulatory requirements have prompted banks to reduce their risk appetite and deleverage their balance sheets. In this sluggish environment, HSBC France maintained or improved its market positions, ranking second in the euro-denominated sovereign and supranational agency bond market[1].

In France, the adverse economic situation continued to put pressure on business volumes with large corporate clients. Advisory business improved slightly after a sharp decline in 2013 and HSBC ranked 9th in the Merger & Acquisition league tables[2].

HSBC's large international network means that it generates higher revenue with French clients outside France than with these same clients within France. The proportion of revenue generated in France by major clients of other HSBC Group entities rose sharply by 26 per cent in the first six months of 2014 compared with the same period of 2013.

Net operating income for Global Banking and Markets was EUR 422 million compared with EUR 477 million in the first half of 2013. The decrease was due to low business volumes, especially in the fixed-income markets.

In the first half of 2014, loan impairment charges and other credit risk provisions amounted to EUR 25 million however due to only two files, compared with a net reversal of EUR 5 million in the first half of 2013.

Operating expenses were EUR 218 million, giving a stable cost efficiency ratio of 52 per cent.

Profit before tax amounted to EUR 179 million in the first half of 2014 compared with EUR 228 million in the same period of the previous year.

Private Banking

The Private Banking business focuses on high-net-worth clients with assets of more than EUR 1.5 million with the bank. It provides 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. The Private Banking industry as a whole continues to evolve in an increasingly strict regulatory framework (e.g. FATCA), which requires private bankers to have an in-depth knowledge of their clients and their clients' transactions.

Assets under management rose by 5 per cent during the first half to EUR 6.2 billion from EUR 5.9 billion at end-2013, driven by net inflows from both resident and non-resident clients.

Net operating income and general expenses change very little and Private Banking remains close to breakeven in terms of profit before tax.

HSBC France group's consolidated results (legal perimeter)

The comments below refer to the consolidated results of the HSBC France group not including HSBC Bank plc's Paris branch. HSBC AssurancesVie (France) was acquired on 13 December 2013 and results have been consolidated since 1 January 2014.

1 *Dealogic, 8 July 2014 "Bookrunner of Euro Denominated SSA".*
2 *Dealogic, 30 June 2014.*

Management report on the first half of 2014 (continued)

Net operating income amounted to EUR 1,061 million in the first half of 2014 compared with EUR 1,190 million in the same period of the previous year. This slight contraction was due mainly to:

- resilience in banking business in a difficult economic environment and a decline in capital markets business, with a more even balance of revenue from the various operational businesses than in the first half of 2013;
- the impact of volatile accounting adjustments, including the fair value movements on long-term debt under fair value option resulting from changes in credit spread (EUR - 28 million in the first half of 2014 compared with EUR + 3 million the previous year) and non-qualifying hedges under IAS 39 (EUR - 82 million versus EUR + 34 million the previous year);
- consolidation of the Insurance business as of 1 January 2014, for EUR 43 million.

Loan impairment charges and other credit provisions were EUR 78 million, up compared with the previous year due to the persistently difficult economic environment and the particularly favourable base for comparison in 2013 in the large corporates segment, when a net impairment reversal was recognised.

Operating expenses were EUR 801 million, an increase of EUR 16 million due to the consolidation of the Insurance business. Excluding this, operating expenses were down 1 per cent. Accounting adjustments and non-recurring items put pressure on the cost efficiency ratio, which rose to 75 per cent.

The HSBC France group reported consolidated profit before tax of EUR 182 million for the first half of 2014 compared with EUR 361 million the previous year. The decrease was due mainly to the impact of the accounting adjustments referred to above, non-recurring items, the decline in capital markets business and increase in the cost of risk.

Net profit attributable to shareholders of the parent company was EUR 132 million compared with EUR 235 million in the first half of 2013.

HSBC France group's total assets were EUR 221.2 billion at 30 June 2014 compared with EUR 208.9 billion at 31 December 2013. The main item increases (trading portfolio, repos and reverse repos and derivatives) were due partly to the continued decrease in interest rates and narrowing credit spreads, and partly to a securities inventory restored to a size consistent with the business of primary dealer in sovereign debt in the main Eurozone countries. Central Bank deposits also decreased significantly and have been refocused on products that do not attract negative interest rates. Lastly, life insurance assets have increased in line with mathematical reserves.

The liquidity ratio remained high at 112.9 per cent, above 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 with stable deposits and funding with a maturity of more than 1 year – was 99.8 per cent, demonstrating HSBC France's solid liquidity position.

Common Equity Tier One capital decreased by EUR 108 million during the period, reaching EUR 4,319 million at end-June 2014. As in previous years, HSBC France did not pay an interim dividend in respect of the first half of the year. In the first half of 2014, risk-weighted assets increased by EUR 0.4 billion to EUR 32.7 billion, mainly due to the implementation of Basel III rules as of 1 January 2014.

Consequently, the Common Equity Tier One (CET 1) ratio stood at 13.2 per cent, well above the regulatory minimum. On a fully loaded Basel III basis, the CET 1 ratio would also have been 13.2 per cent.

As of 30 June 2014, HSBC France's credit ratings are as follows:

- Moody's: A1 negative / P-1.
- FitchRatings: AA- stable / F1+.
- 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. During the first half, the three agencies confirmed their HSBC France ratings. However, due to the declining probability of government support for banks, Moody's and Standard and Poor's have revised their outlook to negative for many banks in the Eurozone and the United Kingdom, including HSBC Holdings plc and its subsidiaries in those areas.

Comprehensive assessment by the European Central Bank

Before the European Central Bank (ECB) formally takes responsibility for bank supervision under the Single Supervisory Mechanism (SSM) – expected to start in November 2014 – it is conducting a Comprehensive Assessment of the “significant banks” that it will directly supervise. This assessment includes notably an Asset Quality Review (AQR) and a stress test exercise (jointly with the European Banking Authority). It covers 128 banks in 18 Member States covering 85 per cent of euro area bank assets. HSBC France, as HSBC Malta, as future bank part of the SSM, is included in the assessment carried out. The rest of HSBC Group is not included.

The AQR, ending in July 2014, consists of a detailed and wide review of the banks' market and credit activities as well as finance, assessing bank's policies and processes of in-scope areas, but also reviewing of credit files and several market models.

Management report on the first half of 2014 (continued)

The joint ECB/EBA stress tests are following the methodology communicated by the EBA in March and April for the 2014 EU-wide stress tests. The resilience of EU banks is currently being assessed using a three year time horizon (2014-2016) under the assumption of a static balance sheet. HSBC Holdings plc is included in the published list of relevant banks to be stress tested. For the banks part of the Comprehensive Assessment, the stress tests results ratio will be adjusted by the potential AQR adjustements. An 8 per cent Common Equity Tier 1 (CET1) will be the capital hurdle rate set for the baseline scenario and 5.5 per cent CET1 for the adverse scenario.

Results from the AQR and the stress tests for the banks part of the Comprehensive Assessment should be publicly communicated by the ECB at the end of October 2014.

Results of the "France"[1] geographical segment as used by HSBC Holdings plc in its analysis of geographical contribution to the HSBC Group's results

In the first half of 2014, the “France” geographical segment, as defined by the HSBC Group, contributed USD 204 million (EUR 149 million) compared with USD 489 million (EUR 372 million in 2013.

The difference between these figures and those presented in the various sections above are mainly due to the inclusion in the “France” segment of the funding costs related to HSBC Bank plc's acquisition of CCF in 2000 and, to a lesser extent, the exclusion of the results of HSBC France entities based outside France.

1 *The “France” geographical segment's contribution to HSBC Group results includes (i) the HSBC France group except for the results of entities legally owned by HSBC France but located outside France, (ii) the Paris branch of HSBC Bank plc, which houses the equity derivative business and, until the end of 2013, the results of HSBC Assurances Vie (France), and (iii) the financing cost and acquisition debt recognised by HSBC Bank plc Paris Branch.*

Condensed consolidated financial statements at 30 June 2014

(Having been the target of a limited review)

Consolidated income statement for the half-year to 30 June 2014

(in millions of euros)	*Notes*	**30 June 2014**	30 June 2013
Interest income		**985**	738
Interest expense		**(197)**	(195)
Net interest income		**788**	543
Fee income		**456**	475
Fee expense		**(111)**	(120)
Net fee income		**345**	355
Trading income excluding net interest income		**(121)**	223
Net interest income on trading activities		**115**	54
Net Trading income		**(6)**	277
Net income from financial instruments designated at fair value		**214**	(14)
Gains less losses from financial investments		**45**	10
Dividend income		**3**	3
Net earned insurance premiums[1]		**964**	–
Other operating income		**(34)**	16
Total operating income		**2,319**	1,190
Net insurance claims incurred and movement in liabilities to policyholders[1]		**(1,258)**	–
Total operating income before loan impairment (charges)/releases and other credit risk provisions		**1,061**	1,190
Loan impairment charges and other credit risk provisions	*4*	**(78)**	(44)
Net operating income		**983**	1,146
Employee compensation and benefits		**(481)**	(454)
General and administrative expenses		**(295)**	(304)
Depreciation of property, plant and equipment		**(21)**	(23)
Amortisation of intangible assets and impairment of goodwill		**(4)**	(4)
Total operating expenses		**(801)**	(785)
Operating profit		**182**	361
Share of profit in associates and joint ventures		–	–
Profit before tax		**182**	361
Tax expense		**(50)**	(126)
Profit for the period[2]		**132**	235
Profit attributable to shareholders of the parent company		**131**	235
Profit attributable to non-controlling interests		**1**	–

(in euros)			
Basic earnings per ordinary share	*3*	**1.95**	3.48
Diluted earnings per ordinary share	*3*	**1.95**	3.48
Dividend per ordinary share	*3*	–	–

1 *Mains aggregates related to HSBC Assurances Vie (France).*

2 *HSBC Assurances Vie (France)'s acquisition on 13 December 2013 has been described on page 128 of the Annual Report and Accounts 2013. For accounting purposes, HSBC Assurances Vie (France) was consolidated by full consolidation within HSBC France perimeter as at the end of 2013. For the profit and loss generated, 2013 full year profit was kept within HSBC Bank plc books. HSBC France consolidated income statement at 30 June 2014 integrates for the first time profit or loss generated by HSBC Assurances Vie (France). Contribution from HSBC Assurances Vie (France) to HSBC France profit or loss at 30 June 2014 amounts for EUR 11 million (net profit for the year).*

Condensed consolidated financial statements at 30 June 2014 (continued)

Consolidated statement of financial position at 30 June 2014

(in millions of euros)	*Notes*	**30 June 2014**	31 December 2013
ASSETS			
Cash and balances at central banks		947	5,994
Items in the course of collection from other banks		392	607
Trading assets	*6*	50,658	41,601
Financial assets designated at fair value	*6*	6,546	6,239
Derivatives	*6,7*	62,045	59,506
Loans and advances to banks	*6*	5,837	5,707
Loans and advances to customers	*6*	35,008	34,528
Reverse repurchase agreements – non-trading[1]	*5*	32,536	28,012
Financial investments	*6*	24,362	23,690
Other assets		303	264
Current tax assets		28	78
Prepayments and accrued income		1,081	1,141
Interests in associates and joint ventures		2	2
Goodwill and intangible assets		828	869
Property, plant and equipment		587	594
Deferred tax assets		55	61
TOTAL ASSETS		221,215	208,893
LIABILITIES AND EQUITY		**30 June 2014**	31 December 2013
Liabilities			
Deposits by banks	*6*	5,738	4,091
Customer accounts	*6*	34,742	32,883
Repurchase agreements – non-trading[1]	*5*	36,996	33,525
Items in the course of transmission to other banks		334	585
Trading liabilities	*6*	41,122	37,031
Financial liabilities designated at fair value	*6*	6,914	8,129
Derivatives	*6*	59,877	56,591
Debt securities in issue	*6*	7,521	9,017
Other liabilities		947	996
Current tax liabilities		25	15
Liabilities under insurance contracts issued		20,208	19,354
Accruals and deferred income		779	897
Provisions		149	163
Deferred tax liabilities		2	2
Retirement benefit liabilities		162	161
Subordinated liabilities	*6*	16	16
TOTAL LIABILITIES		215,532	203,456
Equity			
Called up share capital		337	337
Share premium account		16	16
Reserves and retained earnings		5,264	5,038
Total equity attributable to shareholders of the parent company		**5,617**	**5,391**
Non-controlling interests		66	46
TOTAL EQUITY		5,683	5,437
TOTAL EQUITY AND LIABILITIES		221,215	208,893

1 *At 31 December 2013, repos and reverse repos were presented under "Loans and advances to banks and Loans and advances to customers", "Deposits by banks" or "Customer accounts" (cf Note 2).*

Condensed consolidated financial statements at 30 June 2014 (continued)

Consolidated statement of comprehensive income for the half-year to 30 June 2014

(in millions of euros)	**30 June 2014**	30 June 2013
Profit for the period	**132**	235
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments:	**20**	(4)
– fair value gains/(losses) taken to equity	**75**	3
– fair value gains transferred to income statement on disposal	**(45)**	(10)
– amounts transferred to/(from) the income statement in respect of impairment losses	**1**	1
– income taxes	**(11)**	2
Cash flow hedges:	**79**	(104)
– fair value gains/(losses) taken to equity	**166**	(115)
– fair value (gains)/losses transferred to income statement	**(43)**	(46)
– income taxes	**(44)**	57
Exchange differences	**–**	(1)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of the defined benefit asset	**(8)**	2
– before income taxes	**(11)**	3
– income taxes	**3**	(1)
Other comprehensive income for the period, net of tax	**91**	(107)
Total comprehensive income for the period	**223**	128
Total comprehensive income for the year attributable to:		
– shareholders of the parent company	**223**	128
– non-controlling interests	**–**	–
	223	128

Condensed consolidated financial statements at 30 June 2014 (continued)

Consolidated statement of changes in equity for the half-year to 30 June 2014

	Half year to 30 June 2014										
				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 2014	**337**	**16**	**4,972**	**101**	**(54)**	**(26)**	**46**	**(1)**	**5,391**	**46**	**5,437**
Profit for the period	–	–	132	–	–	–	–	–	132	–	132
Other comprehensive income (net of tax)	–	–	(8)	20	79	–	–	–	91	–	91
Available-for-sale investments	–	–	–	20	–	–	–	–	20	–	20
Cash flow hedges	–	–	–	–	79	–	–	–	79	–	79
Actuarial gains/(losses) on defined benefit plans[1]	–	–	(8)	–	–	–	–	–	(8)	–	(8)
Exchange differences and other	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	124	20	79	–	–	–	223	–	223
	–	–	–	–	–	–	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–	–	–	–	–	–	–
Net impact of equity-settled share-based payments	–	–	25	–	–	–	(22)	–	3	–	3
Repayment of capital securities[1]	–	–	–	–	–	–	–	–	–	–	–
Acquisition and disposal of subsidiaries/businesses	–	–	–	–	–	–	–	–	–	20	20
Tax on items taken directly to equity	–	–	–	–	–	–	–	–	–	–	–
At 30 June 2014	**337**	**16**	**5,121**	**121**	**25**	**(26)**	**24**	**(1)**	**5,617**	**66**	**5,683**

1 *Discount rate used at 30 June 2014 is 2.5 per cent versus 3 per cent at 31 December 2013.*

Condensed consolidated financial statements at 30 June 2014 (continued)

(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
	Half year to 30 June 2013										
				Other reserves							
At 1 January 2013	337	16	4,639	68	78	2	69	4	5,213	48	5,261
Profit for the period	–	–	235	–	–	–	–	–	235	–	235
Other comprehensive income (net of tax)	–	–	2	(4)	(104)	(1)	–	(1)	(108)	–	(108)
Available-for-sale investments	–	–	–	(4)	–	–	–	–	(4)	–	(4)
Cash flow hedges	–	–	–	-	(104)	–	–	–	(104)	–	(104)
Actuarial gains/(losses) on defined benefit plans	–	–	2	–	–	-	–	-	2	–	2
Exchange differences and other	–	–	–	–	–	(1)	–	(1)	(2)	–	(2)
Total comprehensive income for the period	–	–	237	(4)	(104)	(1)	–	(1)	127	–	127
	–	–								–	
Dividends to shareholders	–	–	(240)	–	–	–	–	–	(240)	–	(240)
Net impact of equity-settled share-based payments	–	–	–	–	–	–	6	–	6	–	6
Repayment of capital securities	–	–	–	–	–	–	–	–	–	–	–
Acquisition and disposal of subsidiaries/businesses	–	–	–	–	–	–	–	–	–	–	–
Tax on items taken directly to equity	–	–	–	–	–	–	–	–	–	–	–
At 30 June 2013	337	16	4,636	64	(26)	1	75	3	5,106	48	5,154

Condensed consolidated financial statements at 30 June 2014 (continued)

Consolidated cash flow statement for the half-year to 30 June 2014

(in millions of euros)	Notes	Half year 30 June 2014	Half year 31 Dec 2013
Cash flows from operating activities			
Profit before tax		**182**	546
Adjustment for:			
– non-cash items included in net profit		**12**	(36)
– change in operating assets		**15,721**	20,776
– change in operating liabilities		**(4,955)**	(15,965)
– elimination of exchange differences		**(1,039)**	(120)
– net gain from investing activities		**(47)**	(17)
– share of profits in associates and joint ventures		**–**	(4)
– dividends received from associates		**–**	(180)
Net cash from operating activities		**9,873**	5,000
Cash flows (used in)/from investing activities			
Purchase of financial investments		**(3,403)**	(3,859)
Proceeds from the sale and maturity of financial investments		**3,068**	2,133
Purchase of property, plant and equipment		**(13)**	(340)
Proceeds from the sale of property, plant and equipment		**1**	3
Purchase of goodwill and intangible assets		**(3)**	(6)
Net cash outflow from acquisition of and increase in stake of subsidiaries		**–**	275
Net cash inflow from disposal of subsidiaries		**–**	–
Net cash outflow from acquisition of and increase in stake of associates		**–**	–
Proceeds from disposal of associates		**–**	2
Net cash (used in)/from investing activities		**(350)**	(1,792)
Cash flows (used in)/from financing activities		**–**	(150)
Dividends paid to shareholders		**–**	(360)
Dividends paid to non controlling interests		**–**	–
Net cash (used in)/from financing activities		**–**	(510)
Net increase in cash and cash equivalents		**(10,224)**	(7,304)
Cash and cash equivalents at 1 January		**22,507**	29,820
Effect of exchange rate changes on cash and cash equivalents		**83**	(9)
Cash and cash equivalents at 30 June		**12,366**	22,507

Condensed consolidated financial statements at 30 June 2014 (continued)

Notes on the condensed consolidated financial statements

1 Basis of preparation

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

HSBC France is an entity domiciled in France. The HSBC France condensed consolidated financial statements for the half-year to 30 June 2014 contain the financial statements of HSBC France, its subsidiaries and HSBC France's interests in jointly controlled entities and associates.

The interim consolidated financial statements of HSBC France have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). They do not include all the information disclosed in the annual financial statements and have to be consulted within the HSBC France consolidated financial statements for the year ended 31 December 2013.

The consolidated financial statements of HSBC France at 31 December 2013 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 2013, there were no unendorsed standards effective for the year ended 31 December 2013 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 2013 were prepared in accordance with IFRSs as issued by the IASB.

Standards adopted during the period ended 30 June 2014

On 1 January 2014, the HSBC Group and HSBC France adopted 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 have been applied retrospectively and have not had a material effect on HSBC France financial statements.

In May 2013, the IASB published the interpretation of IFRIC 21 that details the recognition of duties and taxes collected by public authorities. This interpretation concerns levies (fines and penalties excluded) under scope of IAS 37 "Provisions and other contingent liabilities". HSBC France chose to apply early this interpretation from 1 January 2014, which is mandatory for years opened on 1 January 2015.

According to IFRIC 21, the expense and liability have to be fully recognised when levies are due. For HSBC France, the main taxes concerned are "C3S" (*Contribution Sociale de Solidarité et des Sociétés*) and "*Taxe bancaire de risque systémique*".

During first half 2014, the HSBC France group has not adopted new standards. The HSBC Group adopted a number of interpretations and amendments to standards which had an insignificant effect on these interim consolidated financial statements.

At 30 June 2014, there were no unendorsed standards effective for the period ended 30 June 2014 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 IFRS Interpretations Committee (IFRIC) and its predecessor body.

The consolidated financial statements of HSBC France for the financial year 2013 are available upon request from the HSBC France registered office at 103 avenue des Champs-Elysées – 75419 Paris Cedex 08 or on the website www.hsbc.fr.

These interim consolidated financial statements were approved by the Board of Directors on 25 July 2014.

b *Comparative information*

These interim consolidated financial statements include comparative information as required by IAS 34 and Transparency Rules.

Condensed consolidated financial statements at 30 June 2014 (continued)

c *Use of estimates and assumptions*

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 the 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, pensions and provisions. These critical accounting policies are described on pages 112 to 128 of the Annual Report and Accounts 2013.

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

The significant judgments made by management in applying the group accounting policies and the key sources of uncertainty in the estimates were the same as those on the financial statements ended 31 December 2013.

d *Consolidation*

The interim consolidated financial statements of HSBC France comprise the condensed financial statements of HSBC France and its subsidiaries. The method adopted by HSBC France to consolidate its subsidiaries is described on pages 110 to 111 of the Annual Report and Accounts 2013.

e *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 and lease accounting which could represent significant changes to accounting requirements in the future.

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

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". The standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively. HSBC is currently assessing the impact of this standard but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

In July 2014, the IASB issued IFRS 9 "Financial Instruments", which is the comprehensive standard to replace IAS 39 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or fair value through profit or loss. In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise, for example, since IFRS 9 does not apply, embedded derivative accounting to financial assets and equity securities will be measured at fair value through profit or loss or, in limited circumstances, at fair value through OCI. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared to IAS 39. The classification of financial liabilities is essentially unchanged except that for certain liabilities measured at fair value gains or losses relating to changes in the entity's own credit rating are to be included in OCI.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. An amount equivalent to 12-month Expected Credit Losses (ECL) is initially recognised and, in the event of a significant increase in credit risk an amount equivalent to lifetime ECL is recognised.

The assessment of whether credit risk has increased significantly since initial recognition is performed by considering the probability of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, as well as the estimation of ECL, is unbiased, probability-weighted and incorporates the best available information which is reasonably available, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.
As a result, the recognition and measurement of impairment is intended to be more forward looking than IAS 39 and will tend to be more volatile. It may also result in an increase in the total level of allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting creating a stronger link between hedge accounting and risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting strategies, which will be addressed in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at 1 January 2018, with no requirement to restate comparative periods. Hedge accounting is applied prospectively from that date.

The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date. HSBC intends to revise the presentation of fair value gains and losses relating to the entity’s own credit risk on certain liabilities as soon as permitted by EU law.

f *Changes in composition of the group*

There were no material changes in the composition of the group in the period.

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 112 to 128 of the Annual Report and Accounts 2013, except as discussed in Note 1 - Basis of preparation. In 2014, HSBC France adopted IFRIC 21 as a voluntary change in accounting policy. The impact is presented in “Consolidated income statement for the half-year to 30 June 2014”.

From 1 January 2014, the HSBC Group and HSBC France have chosen to present non-trading reverse repos and repos separately on the face of the balance sheet. These items are classified for accounting purposes as loans and receivables or financial liabilities measured at amortised cost. Previously, they were presented on an aggregate basis together with other loans or deposits measured at amortised cost under “Loans and advances to banks”, Loans and advances to customers”, “Deposits by banks” or “Customer accounts”.

The separate presentation aligns disclosure of reverse repos and repos with market practice and provides more meaningful information in relation to loans and advances. Further information is provided in Note 5.

Condensed consolidated financial statements at 30 June 2014 (continued)

3 Dividends

Dividends related to 2014

The Board of Directors has not proposed any distribution of an interim dividend for the year 2014.

Dividends related to 2013

On 19 November 2013, the Board of Directors approved an interim dividend of EUR 1.78 per share in respect of the 2013 results. This interim dividend was paid on 21 November 2013.

On 14 February 2014, the Board of Directors proposed to the Annual General Meeting, to be held on 9 May 2014, not to distribute any further dividend in respect of the 2013 results, which was approved by shareholders.

Earnings and dividends per share

(in euros)	**30 June 2014**	30 June 2013	31 December 2013
Basic earnings per share	**1.95**	3.48	5.68
Diluted earnings per share	**1.95**	3.48	5.68
Dividends per share	–	–	1.78

Basic earnings per ordinary share were calculated by dividing the earnings of EUR 132 million by the number of ordinary shares outstanding, excluding own shares held, of 67,437,827 (first half of 2013: earnings of EUR 235 million and 67,437,827 shares; full year 2013: earnings of EUR 383 million and 67,437,827 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 2013: 67,437,827 shares; full year 2013: 67,437,827 shares).

4 Impairment allowances and charges

Loan impairment charges and other credit risk provisions comprise:

(in millions of euros)	**30 June 2014**	30 June 2013
Individually assessed impairment allowances		
New allowances	**145**	94
Release of allowances no longer required	**(70)**	(59)
Recoveries of amounts previously written off	**(2)**	(1)
Amount written off	**35**	61
Utilisation of allowance	**(35)**	(61)
	73	34
Collectively assessed impairment allowances		
New allowances	**10**	11
Release of allowances no longer required	**(6)**	(5)
	4	6
Total charge for impairment losses	**78**	40
Banks	**1**	–
Customers	**77**	40
Other credit risk provisions	**0**	3
Impairment charges on debt security investments available-for-sale	**0**	1
Loan impairment charges and other credit risk provisions	**78**	44
Customer charge for impairment losses as a percentage of closing gross loans and advances to customers [1]	**0.25%**	0.24%
Balances outstanding		
Non-performing loans	**1,658**	1,446
Individually impairment allowances	**657**	637
Total allowances cover as a percentage of non-performing loans and advances	**39.61%**	44.05%

1 *Percentage not annualised for 30 June closing.*

Condensed consolidated financial statements at 30 June 2014 (continued)

Movement in allowance accounts on total loans and advances

(in millions of euros)	**30 June 2014** *Individually assessed*	*Collectively assessed*	*Total*
At 1 January	**(620)**	**(85)**	**(705)**
Amounts written off	**34**	**–**	**34**
Recoveries of amounts previously written off	**70**	**5**	**75**
Charge to income statement	**(145)**	**(10)**	**(155)**
Foreign exchange and other movements	**4**	**–**	**4**
At 30 June	**(657)**	**(90)**	**(747)**

(in millions of euros)	30 June 2013 *Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(676)	(76)	(752)
Amounts written off	61	–	61
Recoveries of amounts previously written off	59	5	64
Charge to income statement	(94)	(11)	(105)
Foreign exchange and other movements	13	–	13
At 30 June	(637)	(82)	(719)

5 Non-trading reverse repurchase and repurchase agreements

Repos and reverse repos are classified as held at amortised cost or held for trading as appropriate. Repos and reverse repos classified as amortised cost, or non-trading, are presented as separate lines in the balance Repos and reverse repos classified as held for trading are included within “Trading liabilities” and “Trading assets”, respectively sheet. This separate presentation was adopted with effect from 1 January 2014 and comparatives are re-presented accordingly. Previously, non-trading reverse repos were included within “Loans and advances to banks” and “Loans and advances to customers” and non-trading repos were included within “Deposits by banks” and “Customer accounts”. The extent to which reverse repos and repos represent loans to/from customers and banks is set out in the following table.

	30 June 2014	31 December 2013
Assets		
Banks	**21,593**	17,379
Customers	**10,943**	10,633
Total	**32,536**	28,012
Liabilities		
Banks	**25,716**	18,498
Customers	**11,280**	15,027
Total	**36,996**	33,325

6 Fair value of financial instruments

Fair values are determined in accordance with the methodology set out in the Annual Report and Accounts 2013 in the accounting policies on pages 112 to 128 and in Note 30 on pages 163 to 169.

Condensed consolidated financial statements at 30 June 2014 (continued)

Financial instruments carried at fair value

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

(in millions of euros)	Valuation techniques: *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 2014						
Assets						
Trading assets	**40,121**	**5,921**	–	**46,042**	**4,616**	**50,658**
Financial assets designated at fair value	**5,867**	**133**	–	**6,000**	**546**	**6,546**
Derivatives	**2**	**45,084**	**296**	**45,382**	**16,663**	**62,045**
Financial investments available-for-sale	**23,898**	**59**	**95**	**24,053**	**309**	**24,362**
Liabilities						
Trading liabilities	**26,656**	**9,922**	–	**36,578**	**4,544**	**41,122**
Financial liabilities at fair value	**-**	**6,914**	–	**6,914**	–	**6,914**
Derivatives	**26**	**43,244**	**132**	**43,402**	**16,475**	**59,877**
At 31 December 2013						
Assets						
Trading assets	38,191	1,615	–	39,806	1,795	41,601
Financial assets designated at fair value	5,424	142	–	5,566	673	6,239
Derivatives	11	42,533	102	42,646	16,860	59,506
Financial investments available-for-sale	23,535	56	99	23,690	–	23,690
Liabilities						
Trading liabilities	29,935	5,852	–	35,787	1,244	37,031
Financial liabilities at fair value	208	7,921	–	8,129	–	8,129
Derivatives	12	39,550	38	39,599	16,992	56,591

Valuation of uncollateralised derivatives

HSBC values uncollateralised derivatives by discounting expected future cash flows at a benchmark interest rate, typically Libor or its equivalent. This approach has historically been adopted across the industry, and has therefore been an appropriate basis for fair value. HSBC and other industry participants are currently considering whether this approach appropriately reflects the manner in which the derivatives are funded, which may occur at rates other than interbank offer rates. No consensus has yet emerged on how such funding should be reflected in the fair value measurement for uncollateralised derivatives. In the future, and possibly in 2014, HSBC may adopt a “funding fair value adjustment” to reflect funding of uncollateralised derivatives at rates other than interbank offer rates.

Condensed consolidated financial statements at 30 June 2014 (continued)

Analysis of Asset Backed Securities

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

(in millions of euros)	**30 June 2014** *Gross principal*[2]	*CDS gross protection*[3]	*Net Principal exposure*[4]	*Carrying amount*[5]	31 December 2013 *Gross principal*[2]	*CDS gross protection*[3]	*Net Principal exposure*[4]	*Carrying amount*[5]
- High grade[1]	**323**	–	**323**	**324**	379	–	379	380
- Rated C to A	–	–	–	–	–	–	–	–
- Not publicly rated	**15**	–	**15**	**9**	20	–	20	9
Total Asset Backed Securities	**338**	–	**338**	**333**	399	–	399	389
Of which :								
- loans and advances to customers[6]	**303**	–	**303**	**303**	345	–	345	345
- available-for-sale portfolio	**35**	–	**35**	**30**	54	–	54	44

1 *High grade assets rated AA or AAA.*
2 *The gross principal is the redemption amount on maturity or, in the case of an amortising instrument, the sum of the future redemption amounts through the residual life of the security.*
3 *A CDS is a credit default swap. CDS protection principal is the gross principal of the underlying instrument that is protected by CDSs.*
4 *Net principal exposure is the gross principal amount of assets that are not protected by CDSs. It includes assets that benefit from monoline protection, except where this protection is purchased with a CDS.*
5 *Carrying amount of the net principal exposure.*
6 *ABS held by HSBC Trinkhaus Gesellschaft für Kapitalmarketinvestments OHG. HSBC Trinkhaus Gesellschaft für Kapitalmarketinvestments OHG is a partnership created in 2010 and 90 per cent held by HSBC France group, which object is to invest in securitisation transactions structured by HSBC Group and which hold mainly assets of german transferors.*

The table below shows transfers between Level 1 and Level 2 fair values.

(in millions of euros)	**Assets** Available for sale	Held for trading	Designated at fair value through profit or loss	Derivatives	**Liabilities** Held for trading	Designated at fair value through profit or loss	Derivatives
At 30 June 2014							
Transfers from Level 1 to Level 2	–	–	–	–	**626**	–	–
Transfers from Level 2 to Level 1	–	–	–	–	–	–	–

Condensed consolidated financial statements at 30 June 2014 (continued)

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

	Assets				Liabilities		
(in millions of euros)	Available-for-sale	Held for trading	Designated at fair value through profit or loss	Derivatives	Held for trading	Designated at fair value through profit or loss	Derivatives
At 30 June 2014							
Private equity investments	**95**	**–**	**–**	**–**	**–**	**–**	**–**
Asset-backed securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Structured notes	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**–**	**–**	**–**	**296**	**–**	**–**	**132**
Other portfolios	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	95	**–**	**–**	**296**	**–**	**–**	**132**
At 31 December 2013							
Private equity investments	99	–	–	–	–	–	–
Asset-backed securities	–	–	–	–	–	–	–
Leverage finance	–	–	–	–	–	–	–
Structured notes	–	–	–	–	–	–	–
Derivatives	–	–	–	102	–	–	38
Other portfolios	–	–	–	–	–	–	–
	99	–	–	102	–	–	38

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

	Assets				Liabilities		
(in millions of euros)	Available-for-sale	Held for trading	Designated at fair value through profit or loss	Derivatives	Held for trading	Designated at fair value through profit or loss	Derivatives
At 1 January 2014	**99**	–	**–**	**102**	–	**–**	**38**
Total gains or losses recognised in profit or loss	**(1)**	**–**	**–**	**194**	–	**–**	**94**
- trading income excluding net interest income	–	–	–	**194**	–	–	–
- gains less losses from financial investments	**(1)**	–	–	–	–	–	–
Total gains or losses recognised in other comprehensive income	**6**	–	–	–	–	–	–
- available-for-sale investments: fair value gains/(losses)	**6**	–	–	–	–	–	–
Purchases	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issues	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sales	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Settlements	**(9)**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer out	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer in	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2014	**95**	–	–	**296**	–	–	**132**
Unrealised gains/(losses) recognised in profit or loss relating to and liabilities held at 30 June	**27**	–	–	**296**	–	–	**132**
- trading income excluding net interest income	–	–	–	**296**	–	–	**132**
- gains less losses from financial investments	**27**	–	–	–	–	–	–

Condensed consolidated financial statements at 30 June 2014 (continued)

	Assets				Liabilities		
(in millions of euros)	Available-for-sale	Held for trading	Designated at fair value through profit or loss	Derivatives	Held for trading	Designated at fair value through profit or loss	Derivatives
At 1 January 2013	97	–	–	47	–	–	57
Total gains or losses recognised in profit or loss	(2)	–	–	16	–	–	30
- trading income excluding net interest income	–	–	–	16	–	–	30
- gains less losses from financial investments	(2)	–	–	–	–	–	–
Total gains or losses recognised in other comprehensive income	4	–	–	–	–	–	–
- available-for-sale investments: fair value gains/(losses)	4	–	–	–	–	–	–
Purchases	3	–	–	–	–	–	–
Issues	–	–	–	–	–	–	–
Sales	–	–	–	–	–	–	–
Settlements	(4)	–	–	–	–	–	–
Transfer out	–	–	–	–	–	–	–
Transfer in	–	-	-	26	-	-	25
Exchange differences	–	–	–	–	–	–	–
At 30 June 2013	98	–	–	89	–	–	112
Unrealised gains/(losses) recognised in profit or loss relating to and liabilities held at 30 June	5	–	–	89	–	–	112
- trading income excluding net interest income	–	–	–	89	–	–	112
- gains less losses from financial investments	5	–	–	–	–	–	
At 1 July 2013	98	–	–	89	–	–	112
Total gains or losses recognised in profit or loss	(3)	–	–	13	–	–	(74)
- trading income excluding net interest income	–	–	–	13	–	–	(74)
- gains less losses from financial investments	(3)	–	–	–	–	–	–
Total gains or losses recognised in other comprehensive income	8	–	–	–	–	–	–
- available-for-sale investments: fair value gains/(losses)	8	–	–	–	–	–	–
Purchases	1	–	–	–	–	–	–
Issues	–	–	–	–	–	–	–
Sales	1	–	–	–	–	–	–
Settlements	(6)	–	–	–	–	–	–
Transfer out	–	–	–	–	–	–	–
Transfer in	–	–	–	–	–	–	–
Exchange differences	0	–	–	–	–	–	–
At 31 December 2013	99	–	–	102	–	–	38
Unrealised gains/(losses) recognised in profit or loss relating to and liabilities held at 31 December	25	–	–	102	–	–	38
- trading income excluding net interest income	–	–	–	102	–	–	38
- gains less losses from financial investments	25	–	–	–	–	–	–

Condensed consolidated financial statements at 30 June 2014 (continued)

Effects of changes in significant unobservable assumptions to reasonably possible alternatives

	Reflected in profit or loss		Reflected in other comprehensive income	
(in millions of euros)	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
At 30 June 2014				
Derivatives/trading assets/trading liabilities[1]	**–**	**–**	**–**	**–**
Financial investments: available-for-sale	**–**	**–**	**5**	**(14)**
At 31 December 2013				
Derivatives/trading assets/trading liabilities[1]	1	(1)	–	–
Financial investments: available-for-sale	–	–	10	(10)

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions by instrument type

	Reflected in profit or loss		Reflected in other comprehensive income	
(in millions of euros)	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
At 30 June 2014				
Private equity investments	**–**	**–**	**5**	**(14)**
Asset-backed securities	**–**	**–**	**–**	**–**
Structured notes	**–**	**–**	**–**	**–**
Derivatives	**–**	**–**	**–**	**–**
Other portfolios	**–**	**–**	**–**	**–**
At 31 December 2013				
Private equity investments	–	–	10	(10)
Asset-backed securities	–	–	–	–
Structured notes	–	–	–	–
Derivatives	1	(1)	–	–
Other portfolios	–	–	–	–

Favourable and unfavourable changes are determined on the basis of changes in the value of the instrument as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or most unfavourable change from varying the assumptions individually.

Key unobservable inputs to Level 3 financial instruments

The next table lists key unobservable inputs to level 3 financial instruments, and provides the range of those inputs as at 30 June 2014. The categories of key unobservable inputs are described further on pages 165 and 166 of the Annual Report and Accounts 2013.

Condensed consolidated financial statements at 30 June 2014 (continued)

Quantitative information about significant unobservable inputs in level 3 valuations

	Fair value Assets (in millions of euros)	Fair value Liabilities (in millions of euros)	Valuation technique	Key unobservable inputs	Full range of inputs Lower	Full range of inputs Higher	Core range of inputs Lower	Core range of inputs Higher
At 30 June 2014								
Private equity including strategic investments	**95**	–	See notes below	See notes below	n/a	n/a	n/a	n/a
Asset-backed securities	**–**	**–**						
CLO/CDO[1]	–	–	Market proxy	Bid quotes	–	–	–	–
Other ABSs	–	–			–	–	–	–
Structured notes	**–**	**–**						
Equity-linked notes	–	–	Model – Option model	Equity volatility	–	–	–	–
			Model – Option model	Equity correlation	–	–	–	–
Fund-linked notes	–	–	Model – Option model	Fund volatility	–	–	–	–
FX-linked notes	–	–	Model – Option model	FX volatility	–	–	–	–
Other	–	–						
Derivatives	**296**	**131**						
Interest rate derivatives:								
– securitisation swaps	–	–	Model – DCF[2]	Prepayment rate	–	–	–	–
– long-dated swaptions	**94**	**14**	Model – Option model	IR volatility	3.98%	18.77%	6.47%	17.36%
– other	**202**	**117**						
Foreign exchange derivatives:								
– Foreign exchange options	–	**1**	Model – Option model	FX volatility	4.37%	8.37%	4.89%	7.50%
Equity derivatives:								
– long-dated single stock options	–	–	Model – Option model	Equity volatility	–	–	–	–
– other	–	–						
Credit derivatives:								
– other	–	–						
Other portfolios	**–**	**–**						
	391	**132**						
At 31 December 2013								
Private equity including strategic investments	99	–	See notes below	See notes below	n/a	n/a	n/a	n/a
Asset-backed securities	–	–						
CLO/CDO[1]	–	–	Market proxy	Bid quotes	–	–	–	–
Other ABSs	–	–			–	–	–	–
Structured notes	–	–						
Equity-linked notes	–	–	Model – Option model	Equity volatility	–	–	–	–
			Model – Option model	Equity correlation	–	–	–	–
Fund-linked notes	–	–	Model – Option model	Fund volatility	–	–	–	–
FX-linked notes	–	–	Model – Option model	FX volatility	–	–	–	–
Other	–	–						
Derivatives	102	34						
Interest rate derivatives:								
– securitisation swaps	–	–	Model – DCF[2]	Prepayment rate	–	–	–	–
– long-dated swaptions	68	6	Model – Option model	IR volatility	4.20%	18.45%	4.93%	17.89%
– other	34	28						
Foreign exchange derivatives:								
– Foreign exchange options	–	4	Model – Option model	FX volatility	4.42%	10.86%	6.37%	6.37%
Equity derivatives:								
– long-dated single stock options	–	–	Model – Option model	Equity volatility	–	–	–	–
– other	–	–						
Credit derivatives:								
– other	–	––						
Other portfolios	–	–						
	201	38						

1 *Collateralised loan obligation/collateralised debt obligation.*
2 *Discounted cash flow.*

Condensed consolidated financial statements at 30 June 2014 (continued)

Fair values of financial instruments not carried at fair value

	30 June 2014		30 June 2013		31 December 2013	
(in millions of euros)	***Carrying value***	***Fair Value***	*Carrying value*	*Fair Value*	*Carrying value*	*Fair value*
Assets						
Loans and advances to banks	**5,837**	**5,837**	5,905	5,910	5,707	5,709
Loans and advances to customers	**35,008**	**34,415**	33,859	33,612	34,528	34,076
Reverse repurchase agreements - non-trading[1]	**32,536**	**32,536**	48,795	48,795	28,012	28,012
Liabilities						
Deposits by banks	**5,738**	**5,738**	5,127	5,127	4,091	4,091
Customer accounts	**34,742**	**34,763**	33,489	33,528	32,883	32,900
Debt securities in issue	**7,521**	**7,548**	7,930	7,966	9,017	9,058
Subordinated liabilities	**16**	**16**	16	16	16	16
Repurchase agreements - non-trading[1]	**36,996**	**36,996**	52,962	52,962	33,525	33,525

1 *At 31 December 2013, repos and reverse repos were presented under "Loans and advances to banks and Loans and advances to customers", "Deposits by banks" or "Customer accounts" (cf Note 2).*

7 Risk management

Comprehensive Assessment of the European Central Bank

This subject is presented in the management report on the first half of 2014 on page 6 of the Update to the Registration Document 2013.

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 2013 on pages 77 to 100.

There have been no significant changes in HSBC France's risk factors and uncertainties relative to those described in the Annual Report and Accounts 2013 as at 31 December 2013. Furthermore, no major change in the coming six months is anticipated to date.

Credit risk management

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 114 to 116 of the financial statements in the Annual Report and Accounts 2013).

The credit quality of the group's financial asset has remained broadly consistent with the position outlined in the Annual Report and Accounts 2013 detailed in pages 175 to 179.

Condensed consolidated financial statements at 30 June 2014 (continued)

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 2013 Annual Report and Accounts pages 179 to 181.

Condensed consolidated financial statements at 30 June 2014 (continued)

Distribution of financial instruments by credit quality

	30 June 2014							
	Neither past due nor impaired							
		Medium						
(in millions of euros)	Strong	Good	Satisfactory	Sub-standard	Past due not impaired	Impaired	Impairment allowances	Total
Cash and balances at central banks	**947**	**–**	**–**	**–**	**–**	**–**	**–**	**947**
Items in the course of collection from other banks	**392**	**–**	**–**	**–**	**–**	**–**	**–**	**392**
Trading assets	**33,208**	**8,832**	**8,611**	**7**	**–**	**–**	**–**	**50,658**
– treasury and other eligible bills	**618**	**1,235**	**196**	**–**	**–**	**–**	**–**	**2,049**
– debt securities	**24,892**	**6,291**	**1,659**	**–**	**–**	**–**	**–**	**32,842**
– loans and advances to banks	**6,281**	**1,009**	**4,878**	**7**	**–**	**–**	**–**	**12,175**
– loans and advances to customers	**1,417**	**297**	**1,878**	**–**	**–**	**–**	**–**	**3,592**
Financial assets designated at fair value	**833**	**95**	**22**	**–**	**–**	**–**	**–**	**950**
– treasury and other eligible bills	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– debt securities	**833**	**95**	**7**	**–**	**–**	**–**	**–**	**935**
– loans and advances to banks	**–**	**–**	**15**	**–**	**–**	**–**	**–**	**15**
– loans and advances to customers	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivatives	**58,530**	**2,726**	**744**	**45**	**–**	**–**	**–**	**62,045**
Loans and advances held at amortised cost	**26,059**	**8,110**	**4,980**	**569**	**216**	**1,658**	**(747)**	**40,845**
– loans and advances to banks	**5,326**	**400**	**106**	**6**	**–**	**–**	**(1)**	**5,837**
– loans and advances to customers	**20,733**	**7,710**	**4,874**	**563**	**216**	**1,658**	**(746)**	**35,008**
Reverse repurchase agreements - non-trading[1]	**30,264**	**746**	**1,526**	**–**	**–**	**–**	**–**	**32,536**
Financial investments	**21,402**	**1,795**	**937**	**17**	**–**	**4**	**(4)**	**24,151**
– treasury and other similar bills	**–**	**–**	**153**	**–**	**–**	**–**	**–**	**153**
– debt securities	**21,402**	**1,795**	**784**	**17**	**–**	**4**	**(4)**	**23,998**
Other assets	**(31)**		**1,387**					**1,356**
– endorsements and acceptances	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Accrued income and other	**(31)**	**–**	**1,387**	**–**	**–**	**–**	**–**	**1,356**
Total	**171,604**	**22,304**	**18,207**	**638**	**216**	**1662**	**(751)**	**213,880**

1 *At 31 December 2013, repos and reverse repos were presented under "Loans and advances to banks and Loans and advances to customers", "Deposits by banks" or "Customer accounts" (cf Note 2).*

Condensed consolidated financial statements at 30 June 2014 (continued)

(in millions of euros)	31 December 2013							
	Neither past due nor impaired							
	Strong	Medium: Good	Medium: Satisfactory	Sub-standard	Past due not impaired	Impaired	Impairment allowances	Total
Cash and balances at central banks	5,994	–	–	–	–	–	–	5,994
Items in the course of collection from other banks	607	–	–	–	–	–	–	607
Trading assets	29,608	8,106	3,866	21	–	–	–	41,601
– treasury and other eligible bills	780	1,521	74	–	–	–	–	2,375
– debt securities	24,328	5,316	630	–	–	–	–	30,274
– loans and advances to banks	3,460	750	2,242	21	–	–	–	6,473
– loans and advances to customers	1,040	519	920	–	–	–	–	2,479
Financial assets designated at fair value	1,034	78	9	–	–	–	–	1,121
– treasury and other eligible bills	–	–	–	–	–	–	–	–
– debt securities	1,034	78	6	–	–	–	–	1,118
– loans and advances to banks	–	–	3	–	–	–	–	3
– loans and advances to customers	–	–	–	–	–	–	–	–
Derivatives	56,330	2,371	763	42	–	–	–	59,506
Loans and advances held at amortised cost	27,774	8,376	5,370	723	242	1,602	(705)	43,382
– loans and advances to banks	7,851	398	400	6	–	–	–	8,655
– loans and advances to customers	19,923	7,978	4,970	717	242	1,602	(705)	34,727
Reverse repurchase agreements - non-trading[1]	22,993	300	1,572	–	–	–	–	24,865
Financial investments	21,316	1,690	449	15	–	4	(4)	23,470
– treasury and other similar bills	–	–	–	–	–	–	–	–
– debt securities	21,316	1,690	449	15	–	4	(4)	23,470
Other assets	–	–	1,389	–	–	–	–	1,389
– endorsements and acceptances	–	–	–	–	–	–	–	–
– Accrued income and other	–	–	1389	–	–	–	–	1389
Total	165 656	20 921	13 418	801	242	1 606	(709)	201 935

1 *At 31 December 2013, repos and reverse repos were presented under "Loans and advances to banks and Loans and advances to customers", "Deposits by banks" or "Customer accounts" (cf Note 2).*

Condensed consolidated financial statements at 30 June 2014 (continued)

Offsetting of financial assets and financial liabilities

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

(in million of euros)	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 2014						
Derivatives	**125,030**	**(62,985)**	**62,045**	**52,968**	**7,614**	**1,463**
Reverse repurchase, securities borrowing and similar agreements	**54,181**	**(21,538)**	**32,642**	**32,552**	**90**	–
Classified as:						
– trading assets	**106**	–	**106**	**106**	–	–
– non Trading assets- banks at amortised cost	**32,480**	**(10,887)**	**21,593**	**21,524**	**69**	–
– non Trading assets- customers at amortised cost	**21,595**	**(10,651)**	**10,943**	**10,922**	**21**	–
Loans and advances	**1,179**	**(141)**	**1,038**	–	–	**1,038**
– to banks	–	–	–	–	–	–
– to customers	**1,179**	**(141)**	**1,038**	–	–	**1,038**
	180,390	**(84,664)**	**95,725**	**85,520**	**7,704**	**2,501**
At 31 December 2013						
Derivatives	126,939	(67,433)	59,506	49,694	8,819	993
Reverse repurchase, securities borrowing and similar agreements	53,244	(25,128)	28,116	28,077	39	–
Classified as:						
– trading assets	105	–	105	105	–	–
– non Trading assets- banks at amortised cost	28,242	(10,864)	17,378	17,352	26	–
– non Trading assets- customers at amortised cost	24,897	(14,264)	10,633	10,620	13	–
Loans and advances						
– to banks	–	–	–	–	–	–
– to customers	1 041	(1 57)	884	–	–	884
	181,224	(92,718)	88,506	77,771	8,858	1,877

Condensed consolidated financial statements at 30 June 2014 (continued)

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

(in millions of euros)	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 2014						
Derivatives	**122,862**	**(62,985)**	**59,877**	**52,968**	**3,346**	**3,563**
Repurchase, securities lending and similar agreements	**61,507**	**(21,538)**	**39,969**	**39,895**	**74**	**–**
Classified as:						
– trading liabilities	**2 ,973**	**–**	**2,973**	**2,973**	**–**	**–**
– non trading liabilities-banks	**36,603**	**(10,887)**	**25,716**	**25,643**	**73**	**–**
– non trading liabilities-customers	**21,931**	**(10,651)**	**11,280**	**11,279**	**1**	**–**
Deposits by banks	**–**	**–**	**–**	**–**	**–**	**–**
Customer accounts	**141**	**(141)**	**–**	**–**	**–**	**–**
	184,510	**(84,664)**	**99,846**	**92,863**	**3,420**	**3,563**
At 31 December 2013						
Derivatives	124,024	(67,433)	56,591	49,694	5,250	1,647
Repurchase, securities lending and similar agreements	61,224	(25,128)	36,096	35,948	148	–
Classified as:						
– trading liabilities	2,571	–	2,571	2,571	–	–
– non trading liabilities-banks	29,362	(10,864)	18,498	18,358	140	–
– non trading liabilities-customers	29,291	(14,264)	15,027	15,019	8	–
Deposits by banks	–	–	–	–	–	–
Customer accounts	157	(157)	–	–	–	–
	185,405	(92,718)	92,687	85,642	5,398	1,647

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").

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.

Liquidity and funding management

The liquidity and funding management has remained consistent with those described in the Annual Report and Accounts 2013 detailed in pages 86 to 87.

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 12.2 billion as of 30 June 2014, an increase of EUR + 0.4 billion compared to 31 December 2013 (EUR 11.8 billion).

Variations are mainly explained by:

– a EUR 2.0 billion floating rate EMTN issuance as of end of January 2014;
– the reimbursements of a EUR 1.5 billion fixed rate note as well as EUR 0.4 billion loan from banks notes since January 2014;
– other non-significant issuances or reimbursements (less than EUR 100 million tickets) have been made in the first half of 2014. Total of those issuances or reimbursements respectively amounts for EUR + 0.6 billion and EUR – 0.3 billion.

Certificates of Deposits

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

(in millions of euros)	**30 June 2014**	31 December 2013
Maturity		
below 1 month	**1,571**	2,929
between 1 & 2 months	**679**	1,725
between 2 & 3 months	**683**	192
above 3 months	**824**	1,961
Total	**3,757**	6,807

Regulatory ratio

HSBC France complies with the French regulatory requirements established by the *Banque de France* under the *Autorité de contrôle prudentiel et de résolution* supervision. HSBC France French regulatory liquidity ratio on a solo basis (which measures the potential liquidity gap within 30 days) is at 112.9 per cent as of end of June 2014.

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 2013.

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 2014 (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 2014	**7.38**	**1.42**
At 31 December 2013	11.95	1.51

	One-day VaR without Add-On perimeter			*Add-On VaR*		
(in millions of euros)	*Average*	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
At 30 June 2014	**9.88**	**7.38**	**15.75**	**1.57**	**1.42**	**1.70**
At 31 December 2013	13.25	9.96	16.46	1.72	1.35	2.65

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 2014, in line with the strategy adopted in 2011. Hence, a significant reduction in maximum and average VaR figures can be observed.

· Backtesting

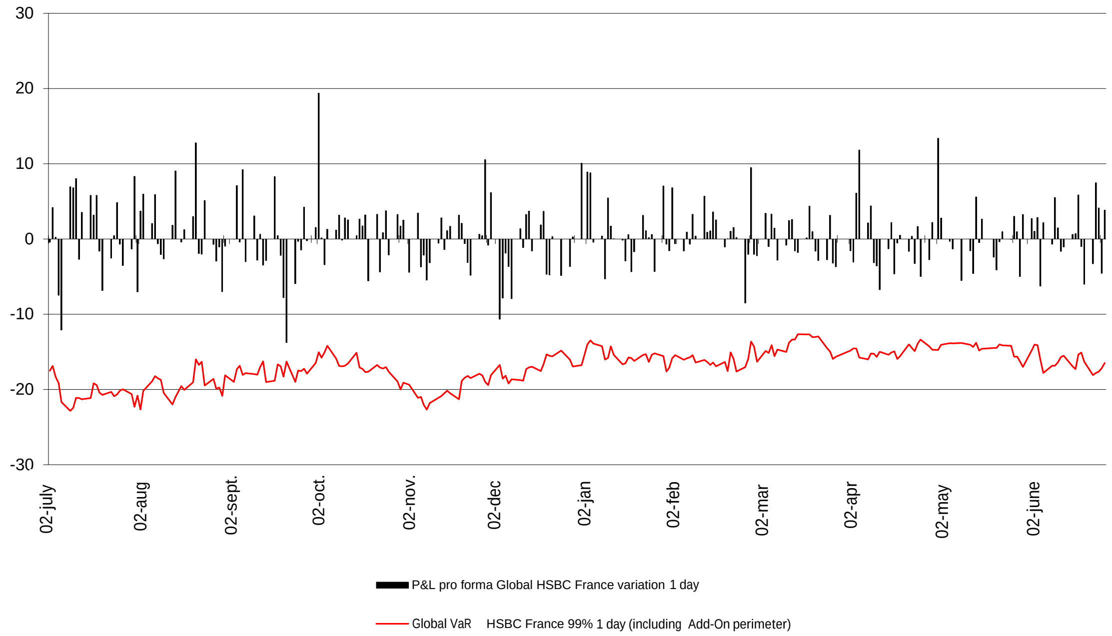
The model is back-tested by taking 99 per cent, one-day VaR figures and comparing them with daily pro forma results determined from changes in market prices assuming constant positions. Backtesting is carried out on a D + 2 basis by business area and for all of the HSBC France group's market positions.

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 2014 (continued)

Pro forma backtesting July 2013 – June 2014

(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 & 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.

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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 2014	**0.01**	**7.31**	**–**	**7.31**
At 31 December 2013	0.02	11.86	–	11.86
Average				
2014	**0.02**	**9.93**	**–**	**9.92**
2013	0.02	13.28	–	13.28
Minimum				
2014	**0.01**	**7.31**	**–**	**7.31**
2013	–	9.77	–	9.76
Maximum				
2014	**0.04**	**15.14**	**–**	**15.14**
2013	0.07	16.30	–	16.29

Sensitivity analysis

As of 30 June 2014, 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 2013, HSBC France risk appetite remained fairly stable in 2013and during first half 2014.

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 2014: EUR 8.78 million (including Add-On).

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 Eurozone issuers.

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

Capital adequacy reporting

The internal model allows the daily calculation of Value at Risk for all positions. It has been approved by the French *Autorité de contrôle prudentiel et de résolution* for regulatory capital adequacy calculations.
At 29 June 2014 and at 31 December 2013, 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.

Condensed consolidated financial statements at 30 June 2014 (continued)

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

	30 June 2014		31 December 2013	
(in millions of euros)	***BIS***	***CAD***	*BIS*	*CAD*
Internal Model VaR[1]:	**116.69**	**116.69**	145.17	145.17
Foreign exchange risk	**0.20**	**0.20**	0.14	0.14
General interest rate risk	**116.73**	**116.73**	145.16	145.16
General equities risk	**–**	**–**	–	–
Netting effet	**(0.24)**	**(0.24)**	(0.13)	(0.13)
Internal Model Stress VaR[1]:	**149.98**	**149.98**	135.66	135.66
Foreign exchange risk	**0.718**	**0.718**	0.31	0.31
General interest rate risk	**149.79**	**149.79**	135.68	135.68
General equities risk	**–**	**–**	–	–
Netting effect	**(0.53)**	**(0.53)**	(0.32)	(0.32)
Standards methods:	**86.35**	**86.35**	67.3	67.3
Foreign exchange risk	**–**	**–**	–	–
General interest rate risk	**17.59**	**17.59**	14.42	14.42
Specific interest rate risk	**68.76**	**68.76**	52.88	52.88
General equities risk	**–**	**–**	–	–
Specific equities risk	**–**	**–**	–	–
Total	**353.02**	**353.02**	348.13	348.13

1 *Including the Add-On perimeter.*

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 et de résolution* (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.

On 1 January 2014, the regulations evolved with the implementation of the Capital Requirement Directive - CRD4. This new standard introduces changes into the calculation of the balanced risks, mainly by modifying the calculation of the risks on clearing houses and, by introducing on the financial institutions, a new requirement in conformance with the adjustment of the evaluation of credit.

Calculation methodology and capital management is described in the Annual Report and Accounts 2013 pages 88 to 90.

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

Condensed consolidated financial statements at 30 June 2014 (continued)

Regulatory capital position

The table below sets out the analysis of regulatory capital:

Composition of consolidated regulatory capital

(in millions of euros)	**30 June 2014 Basel III**	30 June 2013 Basel II	31 December 2013 Basel II
Common EquityTier 1 (CET1):			
Shareholders' funds of the parent company	**5,617**	5,105	5,391
Non controlling interests	**60**	49	46
Less: dividends payable to the parent company	**–**	–	–
Less: items treated differently for the purposes of capital adequacy	**(121)**	(106)	(57)
Less: prudent valuation	**(78)**		
Less: goodwill capitalised and intangible assets	**(375)**	(363)	(362)
Less : deductions in respect of expected losses	**(95)**	(61)	(57)
Less : investments in credit institutions exceeding 10% of capital - Of which contribution to stockholder's equity of HSBC Assurance Vie (France) (- 276)	**(331)**	(322)	(275)
Less : Investments on companies with financial character and the postponed taxes exceeding the franchise of 17.65 % of stockholders' equity	**(8)**		
Less: subordinated securities in credit institutions - Of which subordinated securities of HSBC Assurance Vie (France) (- 270)	**(350)**		(259)
Total CET1 capital	**4,319**	4,302	4,427
Tier 2:			
Reserves arising from revaluation of property and unrealised gains on available-for-sale securities	**–**	42	46
Perpetual subordinated loan and term-subordinated loan	**19**	22	22
Less: deductions in respect of expected losses	**–**	(61)	(57)
Less: subordinated securities of HSBC Assurances Vie (France) consolidated by the equity method	**(19)**	–	(11)
Less: investments in credit institutions exceeding 10% of capital	**–**	(3)	–
Total qualifying tier 2 capital	**–**	–	–
Investments in other banks and other financial institutions..........	**–**	(4)	–
Total capital	**4,319**	4,298	44
Total Basel III risk-weighted assets	**32,727**	32,264	32,343
Total risk-weighted assets before the additional requirement due to the floor	**32,727**	29,914	29,487
Capital ratios:			
CET1 ratio	**13.2%**	13.3%	13.7%
Tier 1 ratio	**13.2%**	13.3%	13.7%
Total capital ratio	**13.2%**	13.3%	13.7%

The above figures were computed in accordance with the EU Banking Consolidation Directive and the *Autorité de contrôle prudentiel et de résolution* prudential standards. The HSBC France group complied with the *Autorité de contrôle prudentiel et de résolution*'s capital adequacy requirements throughout 2014 and 2013.

Basel III international solvency ratio

The HSBC France group's Basel II international solvency ratio was 13.2 per cent at 30 June 2014, compared with a minimum requirement of 8 per cent. The group's Tier 1 capital ratio was 13.2 per cent compared with a minimum requirement of 4 per cent.

Under the Basel III definitions, total HSBC France group capital amounted to EUR 4.3 billion at 30 June 2014, of which EUR 4.3 billion was Tier 1 capital.

Condensed consolidated financial statements at 30 June 2014 (continued)

The corresponding risk-weighted assets totalled EUR 32.7 billion, broken down as follows:

(in billions of euros)	**At 30 June 2014**	At 30 june 2013	At 31 December 2013
Credit risks	24.7	21.3	21.6
Market risks	4.4	5.0	4.3
Operational risks	3.6	3.6	3.6
Additional requirement		2.4	2.8
Total	**32.7**	32.3	32.3

Large Exposures Regulation

HSBC France Group respects the French Regulator (*Autorité de contrôle prudentiel et de résolution*) requirements concerning the Large Exposures regulation:

· Reporting requirements

A group of connected clients is declared when its "*exposure value before application of exemption and CRM (1)*" is egal to or exceeds 10 per cent of the HSBC France eligible capital. As at 30 June 2014, 35 groups are declared.

(1) Credit Risk Mitigation

· Limits to large exposures

HSBC France shall not incur an "*exposure value after application of exemption and CRM (1)*" to a group of connected clients the value of which exceeds **:**

- 20 per cent of its eligible capital when the group is "Investment Grade" (notation S&P : BBB (–) and upper;
- 15 per cent of its eligible capital when the group is "Non-Investment Grade" (notation S&P: BB (+) and lower).

(1) Credit Risk Mitigation

Loan loss provisions

At 30 June 2014, loan loss provisions represented 39.6 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 2013 on page 191.

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8 Contingent liabilities and contractual commitments

a *Contingent liabilities and commitments*

(in millions of euros)	**30 June 2014**	31 December 2013
Contract amounts		
Contingent liabilities	–	–
Guarantees and assets pledged as collateral security	**4,042**	4,260
Other contingent liabilities	–	–
	4,042	4,260
Commitments		
Documentary credits and short-term trade-related transactions	**836**	631
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**24,957**	25,652
	25,793	26,283

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 HSBC France 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 2014**	31 December 2013
Guarantee type		
Financial guarantees [1]	**649**	610
Credit substitutes [2]	**1,642**	1,834
Other items [3]	**1,751**	1,816
TOTAL	**4,042**	4,260

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

2 *Credit related substitutes include performance bonds and stand-by letters of credit related to particular transactions which are undertakings by which the requirement to make payment under the guarantee depends on the outcome of a future event which is unconnected to the creditworthiness of the customer.*

3 *Other items include bid bonds and other transaction-related guarantees which are undertakings by which the requirement to make payment under the guarantee depends on the outcome of a future event which is unconnected to the creditworthiness of the customer.*

The amounts disclosed in the above table reflect the group's maximum exposure under a large number of individual guarantee undertakings. The risks and exposures arising from guarantees are captured and managed in accordance with the group's overall credit risk management policies and procedures.

The majority of the above guarantees have a term of more than one year. Those guarantees are subject to the group's annual credit review process.

When the group gives a guarantee on behalf of a customer, it retains the right to recover from that customer amounts paid under the guarantee.

Condensed consolidated financial statements at 30 June 2014 (continued)

Provisions in respect of the group's obligations under outstanding guarantees

(in millions of euros)	**30 June 2014**	31 December 2013
Acceptances and endorsements	**–**	–
Other items	**4**	4

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 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. Products and services are organised along the following global businesses:

– Retail Banking and Wealth Management (including the Insurance and Asset Management activities) 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.

– 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 mainly the change in fair value of own credit spread on own debt under fair value option for EUR - 28.3 million (EUR 2.8 million as at 30 June 2013 and EUR - 3 million as at 31 December 2013).

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

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

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

Condensed consolidated financial statements at 30 June 2014 (continued)

Profit/ (loss) for the period

(in millions of euros)	*Retail Banking and Wealth Management*	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
	Half Year to 30 June 2014						
Interest income	854	459	(800)	22	527	(70)	992
Interest expense	(402)	(248)	932	(8)	(525)	49	(202)
Net interest income	452	211	132	14	2	(21)	790
Other operating income	(82)	118	294	6	(31)	21	326
Total operating income	**370**	**329**	**426**	**20**	**(29)**	**–**	**1,116**
Loan impairment charges and other credit risk provisions	(11)	(42)	(25)	–	–	–	(78)
Net operating income	**359**	**287**	**401**	**20**	**(29)**	**–**	**1,038**
Total operating expenses	**(387)**	**(197)**	**(218)**	**(21)**	**(16)**	**–**	**(839)**
Operating profit	**(28)**	**90**	**183**	**(1)**	**(45)**	**–**	**199**
Share of profit in associates and joint ventures	–	–	–	–	–	–	–
Profit before tax - France	**(28)**	**90**	**183**	**(1)**	**(45)**	**–**	**199**
Tax expense							(51)
Profit for the year -France							148
Perimeter differences							(16)
Profit for the year - Legal							132

(in millions of euros)	*Retail Banking and Wealth Management*	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
	Half Year to 30 June 2013						
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							(142)
Profit for the year -France							276
Perimeter differences [1]							(41)
Profit for the year - Legal							235

1 *Mainly Insurance.*

Condensed consolidated financial statements at 30 June 2014 (continued)

10 Related party transactions

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

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

(in millions of euros)	**Balance at 30 June 2014**	Balance at 30 June 2013	Balance at 31 December 2013
Assets			
Trading assets	**5,102**	6,940	1,795
Derivatives	**16,663**	19,166	16,860
Loans and advances to banks	**1,603**	1,885	1,432
Reverse repos- Balances with Banks[1]	**4,183**	10,376	2,947
Loans and advances to customers	**–**	-	–
Reverse repos- Balances with Customers[1]	**1,187**	201	198
Financial investments	**309**	170	297
Other assets	**104**	74	252
Prepayments and accrued income	**72**	86	73
Financial assets designated at fair value	**546**	5	673
Liabilities			
Deposits by banks	**919**	426	908
Repo balances- Deposits by banks[1]	**8,174**	18,061	14,262
Customer accounts	**91**	317	100
Trading liabilities	**4,544**	4,359	1,244
Derivatives	**16,475**	20,422	16,992
Other liabilities	**1**	5	192
Accruals and deferred income	**93**	66	98
Subordinated liabilities	**–**	–	–
Guarantee type			
Financial guarantees[2]	**6**	**14**	6
Credit-related substitutest[3]	**40**	**34**	44
Other guarantees[4]	**301**	**325**	255
	347	**373**	305

1 *At 31 December 2013, repos and reverse repos were presented under "Loans and advances to banks and Loans and advances to customers", "Deposits by banks" or "Customer accounts" (cf Note 2).*

2 *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 given irrevocable obligations on the part of HSBC France to pay a third party when a customer fails to meet a commitment.*

3 *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.*

4 *Other guarantees 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.*

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(in millions of euros)	**30 June 2014**	30 June 2013	31 December 2013
Income Statement			
Interest Income [1]	**34**	43	98
Interest expense [1]	**6**	4	28
Fee income	**37**	72	59
Fee expense	**46**	52	84
Gains less losses from financial investments	**–**	–	–
Other operating income	**–**	–	–
Dividend income	**218**	–	–
General and administrative expenses	**33**	28	52

1 *In June 2014, including interest on trading assets and trading liabilities: EUR 2.6 million (June 2013: EUR 1 million).*

11 Legal proceedings and regulatory matters

HSBC entities, including HSBC France, are party to various legal proceedings and regulatory matters arising out of their normal business operations. Apart from the matters described below and on pages 92 and 93 of the 2013 Registration Document, HSBC France considers that none of these matters is significant, either individually or in the aggregate. HSBC France recognizes 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, as necessary, have been made in respect of such legal proceedings as at 30 June 2014.

Anti-money laundering and sanctions-related

In December 2012, HSBC Holdings plc ("HSBC Holdings" or "HSBC"), the bank's ultimate parent company, HSBC North America Holdings ("HNAH") and HSBC Bank USA, N.A. ("HBUS") entered into agreements with US and UK government agencies regarding past inadequate compliance with the US Bank Secrecy Act ("BSA"), Anti-Money Laundering ("AML") and sanctions laws. Among those agreements, HSBC Holdings and HSBC Bank USA entered into a five-year Deferred Prosecution Agreement with the US Department of Justice ("DoJ"), the US Attorney's Office for the Eastern District of New York, and the US Attorney's Office for the Northern District of West Virginia (the "US DPA"). HSBC Holdings entered into a two-year deferred prosecution agreement with the New York County District Attorney ("DANY") (the "DANY DPA"). HSBC Holdings consented to a cease and desist order and HSBC Holdings and HNAH consented to a civil money penalty order with the Federal Reserve Board ("FRB").

In addition, HSBC Bank USA entered into a civil money penalty consent order with FinCEN and a separate civil money penalty order with the Office of the Comptroller of the Currency ("OCC"). HSBC Bank USA 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 and imposing certain restrictions on HSBC Bank USA 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. HSBC Bank USA also entered into a separate consent order with the OCC requiring it to adopt an enterprise wide compliance program.

HSBC Holdings also entered into an agreement with the Office of Foreign Assets Control ("OFAC") regarding historical transactions involving parties subject to OFAC sanctions and an undertaking with the UK Financial Services Authority, now a Financial Conduct Authority ("FCA") Direction, to comply with certain forward-looking AML- and sanctions-related obligations.

Under these agreements, HSBC Holdings and HSBC Bank USA made payments totalling USD 1.9 billion to US authorities. Under these agreements, HSBC Holdings has also 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.

Condensed consolidated financial statements at 30 June 2014 (continued)

On 1 July 2013, the US District Court for the Eastern District of New York approved the US DPA and retained authority to oversee implementation of that agreement. Under the agreements with the DoJ, FCA, and the FRB, an independent monitor (who is, for FCA purposes, a "skilled person" under Section 166 of the Financial Services and Markets Act) is evaluating HSBC's progress in fully implementing its obligations under the agreements and will produce regular assessments of the effectiveness of HSBC's Compliance function. Michael Cherkasky began work as the independent monitor on 22 July 2013.

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 that 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.

The settlement with US and UK authorities does not preclude private litigation relating to, among other things, HSBC'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.

On 7 May 2014, a shareholder derivative action was filed purportedly on behalf of HSBC Holdings, HSBC Bank USA, HNAH and HSBC Bank USA in New York State Supreme Court against the directors, certain officers and certain former directors and officers of those HSBC companies, alleging that those directors and officers breached their fiduciary duties to the companies and caused a waste of corporate assets by allegedly permitting and/or causing the conduct underlying the US DPA. This action is at an early stage.

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.

On 4 December 2013, the European Commission (the "Commission") announced that it had imposed fines on eight financial institutions under its cartel settlement procedure for their participation in illegal activity related to euro interest rate derivatives and/or Yen interest rate derivatives. Although HSBC was not one of the financial institutions fined, the Commission announced that it had opened proceedings against HSBC in connection with its Euribor-related investigation of Euro interest rate derivatives only. This investigation will continue under the standard Commission cartel procedure. On 21 May 2014, HSBC Holdings plc, HSBC Bank plc and HSBC France received a Statement of Objections from the Commission, alleging anticompetitive practices in connection with the pricing of Euro interest rate derivatives. The Statement of Objections sets out the Commission's preliminary views and does not prejudge the final outcome of its investigation. HSBC intends to respond to the Commission's Statement of Objections in due course.

As for each of these ongoing regulatory investigations, reviews and proceedings, there is a high degree of uncertainty as to the terms on which the ongoing investigations, reviews or proceedings will be resolved and the timing of such resolutions, including the amounts of fines and/or penalties. As matters progress, it is possible that the fines and/or penalties imposed could be significant.

In November 2013, HSBC and other panel banks were also named as defendants in a putative class action filed in the US District Court fot the Southern District of New York on behalf of persons who transacted in euro futures contracts and other financial instruments related to Euribor. The complaint alleges, amongst other things, misconduct related to Euribor in violation of US antitrust laws, the CEA, and state law. On 2 May 2014, the plaintiffs filed a second amended complaint and, by a letter dated 13 June 2014, notified the court of their intent to make a further amendment by 31 July 2014. HSBC expects to respond to the plaintiffs' amended complaint in due course.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of such private lawsuits, including the timing and potential impact on HSBC.

Condensed consolidated financial statements at 30 June 2014 (continued)

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 (the "Commission") relating to its ongoing 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 has submitted a response to the Commission and with reference to HSBC France, the point made was that there was no real nexus between the Commission's alleged case and HSBC France's activities. HSBC attended an oral hearing in May 2014 at which the other defendants were also present. Following the oral hearing, the Commission decided to conduct a further phase of investigation before deciding whether or how to proceed with the case. HSBC is cooperating with this further investigation.

Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of this matter, 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 2014 financial statements.

13 Investments

The table below shows the changes, in the first half-year of 2014, in the legal perimeter published in the 2014 Semi-Annual Report and Accounts.

				HSBC France group interest	
Consolidated companies	Country	Consolidation method *	Main line of business	**30 June 2014**	31 December 2013
Additions:					
Euro Secured Notes Issuer(ESNI) / OT de Place	France	FC	Investment Company	**100%**	–
Disposals:					
Financière d'Uzès	France	EM	Financial Company	–	34%
Liquidations and mergers:					
No Change					
Dissolution:					
SCI Erisa Immo	France	FC	Asset Management and Insurance	–	100%
Changes in interests:					
No change					

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

Condensed consolidated financial statements at 30 June 2014 (continued)

Statutory Auditors' Review Report on the 2014 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 2014

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 a) to the condensed consolidated interim financial statements relating to amendments to standards and interpretations that HSBC France has applied starting January 1, 2014.

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 27 August 2014

KPMG Audit FS II
Pascal Brouard
Partner

Paris, on the 27 August 2014

BDO France - Léger & Associés
Fabrice Chaffois
Partner

Recent events

Events subsequent to the filing of the Reference Document

None.

Events subsequent to 30 June 2014

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 2014, date of the most recent published financial statements reviewed by the auditors.

The main events that have occurred since 30 June 2014 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 7 presents a fair review of the significant events that occurred during the first six months of the financial year, their impact on the accounts and the major related party transactions, as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.

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

The historical financial data presented in the Registration Document 2013 filed with the AMF under the reference number D.14-0103 has been discussed in the Statutory Auditors' reports on the parent company financial statements and on the consolidated financial statements found on pages 251 to 252 and on pages 207 to 208, and respectively on pages 225 to 226 and 184 to 185 of the Registration Document 2012 filed with the AMF under the reference number D. 13-0428.

The Statutory Auditors have issued a report on the historical financial information presented in this update, available on page 45 of this document, which contains a remark.

The Statutory Auditors' report on the 2013 consolidated financial statements, on pages 207 to 208 of the Registration Document 2013, contains a remark.

Paris, 28 August 2014

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[3] 3 cours du Triangle 92939 Paris-La Défense Cedex	2012[2]	–	2018
BDO France – Léger & Associés[4] Represented by Fabrice Chaffois[5] 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	2012	–	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 First appointment of *KPMG: 2001.*
3 *KPMG represented by Pascal Brouard as of financial year 2009.*
4 *Member of the Compagnie Régionale des Commissaires aux comptes of Paris.*
5 *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 2013 Annual Report and Accounts D.14-0103 updated by this document.

Section of Annex XI to EU Regulation 809/2004	Pages in registration document D.14-0103 filed with the AMF on 3 March 2014	Pages in this update
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4. Information about the issuer		
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5. Business overview		
5.1. Principal activities	2-7 and 220	3 - 7
5.2. Principal markets	2-7 and 220	3 - 7
6. Organisational structure		
6.1. Brief description of the group	inside cover, 2-7, 214-217, 253-255	–
6.2. Issuer's relationship with other group entities	–	–
7. Trend information	267	46
8. Profit forecasts or estimates	–	–
9. Administrative, management and supervisory bodies and senior management		
9.1. Administrative and management bodies	8-20	–
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10. Major shareholders		
10.1. Control of the issuer	21, 266	–
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11. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
11.1. Historical financial information	101	–
11.2. Financial statements	103-206, 209-250	–
11.3. Auditing of historical financial information	207-208, 251-252	–
11.4. Age of latest financial information	101	–
11.5. Interim and other financial information	–	8 - 44
11.6. Legal and arbitration proceedings	92-94	42 - 44
11.7. Significant change in the issuer's financial or trading position	267	46
12. Material contracts	263	–
13. Third party information and statement by experts and declarations of any interest	–	–
14. Documents on display	261	50

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 2013 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 103 to 206 and 207 to 208 of reference document D.14-0103 filed with the AMF on 3 March 2014.

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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