Update to the Registration Document

filed with the *Autorité des marchés financiers*
on 4 March 2016 under reference number D.16-0110

and Interim Financial Report

Update filed with the *Autorité des marchés financiers*
4 August 2016

HSBC France
Société Anonyme with share capital of 337,189,135 euros
SIREN 775 670 284 RCS Paris

Registered office: 103, avenue des Champs Élysées – 75419 Paris Cedex 08
Tel.: (331) 40 70 70 40 – Fax: 40 70 74 21 – www.hsbc.fr

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This is a free translation into English of the original Update to the Registration Document and Interim Financial Report issued in French and provided solely for the convenience of English-speaking readers. In case of discrepancy, the French version prevails.

This document was filed with the *Autorité des marchés financiers* (AMF) on 4 August 2016 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 4 March 2016 under reference number D.16-0110. 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 2016

Strategy

HSBC France is part of HSBC Group, one of the largest and strongest banking groups in the world which ambition is to become the leading international bank. In France, HSBC's strategy is to develop a modernized universal banking model, differentiating itself on the quality of wealth management expertise, digital experience and its unique international network while accelerating the pace of cost reduction and risk weighted assets to improve profitability. On the Investor Day held on 9 June 2015, HSBC Group affirmed France to be one of HSBC's priority markets and confirmed the relevance of its strategic positioning in this market and its medium-term growth potential.

In the first half of 2016, HSBC's strategy in France, as described in the Annual Report and Accounts 2015 on pages 2-5, did not change.

Business performance

Economic climate

The first half of 2016 has been a very uncertain period for the global economy, which triggered high volatility for financial markets. Indeed, at the start of the year, markets were very turbulent due to worries on China (especially fears of an abrupt devaluation of renminbi), the sharp decline in oil prices until mid-January and the impact from the December 2015 tightening of Fed monetary policy.

However, these fears eased from mid-February. Investors have been relieved by the more accommodative tone from the Fed and by the communication from Chinese authorities on their exchange rate policy and more generally, on their policy to support growth. Besides, oil prices have also significantly rebounded, helped by anticipations of lower global production.

On that backdrop, investors have ruled out the risk of a renewed global recession and market sentiment markedly improved. However, this should not mask the fact that global growth has remained weak and unequal. Indeed, as for emerging countries, China has not displayed tangible signs of stabilisation in spite of the measures taken by authorities to support growth. Meanwhile, the situation in Brazil and in Russia improved slightly but both countries remain mired in a very harsh recession.

Regarding developed countries, the momentum of the US economy weakened compared to 2015 and labour market has especially shown signs of softening. As a consequence, the Fed has not been able to raise again its policy rate after the hike decided last December. Growth has also decelerated in Japan and in UK, because of the high uncertainty for business sentiment before the 23 June referendum on EU membership.

In the Eurozone, recovery has been more resilient thanks to accommodative monetary policy of ECB but also the more supportive fiscal stance of governments. Growth in Q1 2016 has been quite robust, including in France (+0.6%) where activity has been supported by a sharp rebound in consumer spending but also by business investment thanks to the tax-incentives decided by the government last year. In spite of these better signs, inflation in the Eurozone has remained very low and ECB was forced to take additional measures in March, especially the broadening of its asset purchases (Quantitative Easing) to corporate bonds and the introduction of new refinancing operations which allow banks to borrow money at negative rates under certain conditions.

At the end of the semester, the victory of “Leave” at the British referendum on 23 June triggered a massive shock for financial markets and very sharp rise in volatility. Indeed, this outcome is raising substantial uncertainties on the global outlook. Finally, European equity indices ended the semester with significant losses (-34.9% for Eurozone banks, -9.9% for EuroStoxx 50 in Europe and –8.6% for CAC 40) while risk aversion benefited to risk-free assets (10 year sovereign bonds decreased by 76pb in Germany and by 81pb in France).

Management report on the first half of 2016 (continued)

Financial commentary (legal perimeter)

The financial statements commented on below were prepared on the basis of the HSBC France group's consolidated scope, the financial statements of which are prepared in accordance with IFRS as defined in Note 1 (see page 25) to the condensed consolidated financial statements. They were subject to a limited review by the Statutory Auditors.

Income statement

(in millions of euros)	**30.06.2016**	30.06.2015
Net interest income	663	782
Net fee income	334	343
Net trading income	144	179
Net income /(expense) from financial instruments designated at fair value	(177)	347
Gains less losses from financial investments	123	23
Dividend income	1	1
Net earned insurance premiums	1 018	1 073
Other operating income	(90)	149
Total operating income	**2 016**	**2 897**
Net insurance claims incurred, benefits paid and movement in liabilities to policyholders	(888)	(1 531)
Total operating income before loan impairment (charges)/release and other credit risk provisions	**1 128**	**1 366**
Loan impairment charges and other credit risk provisions	(24)	(52)
Net operating income	**1 104**	**1 314**
Total operating expenses	(904)	(834)
Operating profit	**200**	**480**
Profit before tax	**200**	**480**
Tax expense	(29)	(180)
Profit for the year	**171**	**300**
Profit attributable to shareholders of the parent company	171	299
Profit attributable to non-controlling interests	-	1

Net interest income amounted to EUR 663 million in the first half of 2016 compared with EUR 782 million in the year-earlier period. In an environment of particularly low interest rates, net interest margin on deposits and loans fell, partly offset by an increase in deposit and loan volumes across all business lines.

Net fee income was EUR 334 million in the first half of 2016, as opposed to EUR 343 million a year previously, having been adversely affected by the weak economic environment and falling share prices during the period.

Trading book income fell from EUR 179 million in the first half of 2015 to EUR 144 million. That decrease was due to:

- significant items:
  - the change in fair-valued own debt due to the credit spread: EUR 14 million compared with EUR 7 million the previous year;
  - the change in fair value non qualifying hedges, amounting to EUR -36 million compared with EUR 29 million at end-June 2015, due to the fall in interest rates during the first-half period;
  - the change in the Debit Valuation Adjustment, which was stable at EUR 9 million at end-June 2016 compared with EUR 10 million the previous year;
- insurance company revenue designated as trading revenue, which was adversely affected by market conditions;

partly offset by an increase in revenue in capital markets activities.

Income from financial instruments designated at fair value amounted to EUR -177 million compared with EUR 347 million the previous year. At the life insurance company, the decline was mainly attributable to the decrease in the market value of assets held with respect to unit-linked policies and designated as at fair value. As regards the insurance company, the counterpart of that decrease is the change in liabilities to policyholders (see below).

Net profit on disposals of financial investments mainly results of the sale of Visa Europe share to Visa Inc, the capital gain on which was EUR 108 million (see note 1f to the financial statements).

Premiums earned amounted to EUR 1,018 million in the first half of 2016, compared with EUR 1,073 million in the year-earlier period. However, net new money was positive during the period.

Management report on the first half of 2016 (continued)

Other operating income came to EUR -90 million versus EUR 149 million a year previously, mainly due to changes in the PVIF[1] of insurance contracts, with a EUR 96 million fall in accounting PVIF in the first half of 2016 as opposed to a EUR 141 million increase in the first half of 2015. Change in PVIF is mainly due to the sharp fall in interest rates partly offset by a change in assumptions in relation with regulatory development implemented in the PVIF valuation model during the second quarter.

Net insurance claims and movement in liabilities to policyholders amounted to EUR -888 million in the first half of 2016 and EUR -1,531 million in the first half of 2015. The change was due to a decrease in the value of hedging products accounted for in the trading book and the fall in value of fair-valued financial instruments.

Reported Total operating income before LICs was EUR 1,128 million as opposed to EUR 1.366 million in the first half of 2015. The decrease of EUR 238 million is mainly explained by significant items[2]: own credit spread, non-qualifying hedges and Debit Valuation Adjustment (together EUR -59 million) and gain on Visa Europe share (EUR +108 million) as well as the negative impact of the change in PVIF of insurance activities (EUR -237 million). Revenue reflects lower interest income in the French banking business, caused by the ongoing decline in interest rates despite the performance in Global Banking and Markets.

Loan impairment charges came to EUR 24 million, much lower than the year-earlier figure of EUR 52 million. The decline was mainly due to a low level of new individual allowances in Commercial Banking and releases from collective provisions in Commercial Banking and Global Banking. The standardised cost of risk represented 0.16 per cent of outstanding client loans, compared with 0.27 per cent in the first half of 2015.

Operating expenses totalled EUR 904 million in the first half of 2016, compared with EUR 834 million in the year-earlier period. The first half of 2016 was adversely affected by provisions relating to litigations (EUR 32 million) and a significant increase in the contribution to the Single Resolution Fund (EUR 42 million increase between half-year periods). HSBC France maintains its capital expenditure and investment required to develop within the Costs to Achieve (CtA) programme (EUR 46 million as at 30 June 2016 including restructuring costs and projects expenses). Excluding elements listed above, operating expenses decrease by 6 per cent showing efforts to improve both productivity and efficiency.

Consolidated profit before tax was EUR 200 million, down from EUR 480 million in the year-earlier period. On an adjusted basis i.e. excluding significant items[2], profit before tax fell to EUR 183 million compared with EUR 434 million in 2015.The decline was mainly due to a drop in results of the insurance company driven by the negative movement in PVIF caused by lower interest rates and the fall in stock market indexes. Decrease also includes a significant increase in HSBC France's contributions to the Single Resolution Fund. It is also to be noted lower revenue in Retail Banking & Wealth Management and Commercial Banking, caused by a sharp fall in interest rates, despite a good performance in Global Banking & Markets. The above elements are partly offset by a substantial improvement in the cost of risk.

Net profit attributable to shareholders of the parent company was EUR 171 million in the first half of 2016 versus EUR 299 million in the year-earlier period. The Board of Directors has decided to pay an interim dividend of EUR 2.00 per share with respect to 2016, representing a total payment of EUR 135 million.

[1] *Present Value of In-Force (PVIF)* See note 5, page 31

[2] See page 14

Management report on the first half of 2016 (continued)

Balance sheet

ASSETS

(in millions of euros)	30.06.2016	31.12.2015
Cash and balances at central banks	**3 190**	395
Items in the course of collection from other banks	**311**	381
Trading assets	**35 694**	27,161
Financial assets designated at fair value	**6 508**	6,768
Derivatives	**61 575**	49,484
Loans and advances to banks	**4 046**	4,660
Loans and advances to customers	**40 420**	38,524
Reverse repurchase agreements – non-trading	**12 183**	10,163
Financial investments	**29 188**	27,677
Other assets	**366**	258
Current tax assets	**78**	149
Prepayments and accrued income	**809**	852
Interests in associates and joint ventures	**2**	2
Goodwill and intangible assets	**763**	860
Property, plant and equipment	**826**	828
Deferred tax assets	**235**	296
TOTAL ASSETS	**196 194**	168,458

LAIBILITIES AND EQUITY

(in millions of euros)	30.06.2016	31.12.2015
Liabilities		
Deposits by banks	**8 557**	7,086
Customer accounts	**35 948**	32,811
Repurchase agreements – non trading	**12 858**	10,283
Items in the course of transmission to other banks	**428**	385
Trading liabilities	**35 348**	22,647
Financial liabilities designated at fair value	**8 617**	8,476
Derivatives	**58 557**	46,903
Debt securities in issue	**6 316**	10,501
Other liabilities	**611**	914
Current tax liabilities	**18**	32
Liabilities under insurance contracts issued	**21 183**	20,943
Accruals and deferred income	**910**	762
Provisions	**164**	132
Deferred tax liabilities[1]	**165**	204
Retirement benefit liabilities	**180**	165
Subordinated liabilities	**276**	276
Total liabilities	**190 136**	162,520
Equity		
Called up share capital	**337**	337
Share premium account	**16**	16
Other reserves[1]	**1 748**	1,765
Retained earnings	**3 860**	3,720
Total shareholders' equity	**5 961**	5,838
Non-controlling interests	**97**	100
Total equity	**6 058**	5,938
Total liabilities and equity	**196 194**	168,458

HSBC France's consolidated balance sheet had total assets of EUR 196.2 billion at 30 June 2016, versus EUR 168.5 billion at 31 December 2015. The increase was mainly due to capital markets activities, arising from higher market values of derivative instrumetns, along with the relatively low levels of settlement accounts at the end of 2015.

Management report on the first half of 2016 (continued)

On the asset side:

– deposits with the Central Bank rose to EUR 3.2 billion, in connection with the bank's liquidity management operations;

– the trading assets amounted to EUR 35.7 billion versus EUR 27.2 billion at end-2015, mainly due to the drop in settlement accounts at year end;

– Financial assets designated as at fair value totalled EUR 6.5 billion, down EUR 0.3 billion at the end of 2015. These assets, mainly held by clients through life insurance policy units, were boosted by strong new business levels, offset by a negative market effect in the first half of 2016;

– derivatives amounted to EUR 49.5 billion at end-June 2016 as opposed to EUR 61.6 billion at end-2015, mainly because of changing market conditions and the seasonal decline at the end of 2015;

– loans and advances to banks totalled EUR 4.0 billion, down EUR 0.6 billion relative to end-2015;

– loans and advances to customers amounted to EUR 40.4 billion versus EUR 38.5 billion at end-2015. The increase was caused by growth in loans outstanding across all banking business lines;

– available-for-sale financial assets totalled EUR 29.2 billion as opposed to EUR 27.7 billion at end-December 2015. The increase takes into account transactions involved in managing the bank's liquidity;

– reverse repo transactions (non-trading) rose during the first half of 2016, from EUR 10.1 billion to EUR 12.2 billion.

On the liabilities side:

– interbank borrowings rose from EUR 7.1 billion at end-2015 to EUR 8.6 billion at end-June 2016. The increase was mainly due to HSBC Bank Plc redeploying TLAC resources by lending them to subsidiaries in an amount of EUR 1.0 billion. There were also EUR 2.6 billion of early repayments relating to TLTRO I, offset by a EUR 3.0 billion increase in drawings on TLTRO II;

– customer accounts rose from EUR 32.8 billion to EUR 35.9 billion during the first half of 2016, with increases across all banking business lines;

– the trading book grew from EUR 22.6 billion to EUR 35.3 billion, mainly due to the decline in settlement accounts at year end and changes in short market positions;

– financial liabilities designated at fair value were stable at EUR 8.6 billion;

– derivatives amounted to EUR 46.9 billion at end-June 2016 as opposed to EUR 58.6 billion at end-2015, mainly because of changing market conditions and the seasonal decline at the end of 2015;

– debt securities in issue totalled EUR 6.3 billion, compared with EUR 10.5 billion at end-2015. The decline was due in particular to a reduction in certificates of deposit issued in connection with the bank's liquidity management operations;

– liabilities under insurance contracts went from EUR 20.9 billion to EUR 21.2 billion, reflecting positive net new money;

– repo transactions (non-trading) rose during the first half of 2016, from EUR 10.3 billion to EUR 12.9 billion;

– shareholders' equity rose 2 per cent to EUR 6.0 billion in the first half of 2016. The Visa Europe share sold was remeasured at 31 December 2015, and so its disposal had a limited impact on the bank's equity.

Management report on the first half of 2016 (continued)

Risk management

HSBC France continuously monitors and identifies risks. This process, gives rise to the classification of certain principal risks. Changes in the assessment of principal risks may result in adjustments to the bank's business strategy and, potentially, its risk appetite.
Principal banking risks are credit risk, operational risk, market risk, liquidity and funding risk, structural interest rate risk, compliance risk and reputational risk. We also incur insurance risk. Each of these risks and, next to these principal banking risks, further risks have the potential to have a material impact on our financial results or reputation and the sustainability of our long-term business model.
Risk factors are presented on pages 15-16 and 97-148 of the Annual Report and Accounts 2015. No major changes are currently expected in the next six months.

Areas of special interest

In the first half of 2016, the main credit and market risk factors, and changes in those risk factors, are summarised below:

- although interest rates reached historic lows in the fourth quarter of 2015, they continued to fall in 2016, worsening the decline in revenues from customer deposits. Early repayments and renegotiations seen in 2015 burden 2016 loans portfolio margin and current market conditions point to a possible increase in early repayments and renegotiations of mortgages in the second half of the year. Headwinds are only partly offset by the bank's commercial performance;
- as regards the life insurance business globally, continuing fall in interest rates and regulatory changes (French Loi Sapin 2) together pose a growing risk to the level of DPF for policyholders of life insurance contracts. Furthermore, the same Loi Sapin 2 specifies the conditions under which the liquidity of certain funds could be suspended;
- markets were very stable and activity levels were low in the first quarter, but they became more volatile in the run-up to the 23 June referendum on the UK's membership of the European Union. That volatility obviously increased in the last week of June after the referendum produced a surprise majority in favour of Brexit. HSBC France had prepared for that eventuality by sharply reducing exposure in its trading books, and by reducing their sensitivity;
- liquidity in secondary debt markets remained very low, and continued to weaken in some cases. The ECB's additional efforts to loosen monetary policy – particularly by increasing its monthly limit on bond purchases from EUR 40 billion to EUR 60 billion and extending them to investment-grade corporate bonds – are continuing to drain liquidity from these markets;
- the upturn in the French economy that began in 2015 continued in the first half of 2016, driven by a moderate improvement in consumer spending and investment. GDP growth forecasts for 2016 have been upgraded and are now around 1.5 per cent. In practical terms, this has resulted in a substantial reduction in France's corporate failure rate (down 4.4 per cent year-on-year in the first quarter of 2016) and a 3.5 per cent increase in demand for loans from businesses, mainly from large corporations. The improvement was seen in most sectors, with the notable exceptions of tourism and hotels/restaurants;
- oil prices continued to fall until January, but then recovered fairly rapidly from February. At the end of May, Brent crude was above USD 50 for the first time since November 2015. However, the exact reasons and likely duration of the rally are unclear, and it is still too recent for it to have any major impact on the business levels of oil groups, particularly in upstream activities (exploration, production and equipment), which remain very fragile;
- During the course of the first half of 2016, the Basel Committee has submitted to the banking sector a consultation paper regarding projected modifications to the principles and parameters that apply to the calculation of regulatory capital requirements relating to credit risk and operational risk. This consultation phase is ending in principle at the end of 2016, with a yet undetermined implementation schedule (which would span a few years in any case). Should this project enter into force as is, and even in the acknowledgement that there remain a number of points to be detailed, it would entail a very substantial increase of regulatory capital requirements across the banking industry. Discussions are ongoing as part of this consultation between bank federations, regulators and governments of the countries within scope, including France;
- Since April 2016, HSBC France has engaged into the replacement of the core IT system of its commercial and retail banking activities. This projects, which aims at generating significant benefits in terms of flexibility, maintenance costs and operational streamlining, is involving by nature execution and operational risks. HSBC France has organised itself to monitor, control and mitigate these risks until the achievement of the project, which is planned for 2018.

Management report on the first half of 2016 (continued)

Credit risk

This risk is covered in note 9 (see page 40) to the condensed consolidated financial statements.

Market risk

Market risk in the first half of 2016

HSBC France's Risk Mandate in the first half of 2016 was in line with that of 2015.

The markets were focused on the UK's referendum regarding European Union membership in the second quarter of 2016. The news that the UK had voted to leave the EU led to major market movements, mainly in the equity and forex market, with sterling falling sharply against other leading currencies. Yields in the European sovereign bond market fell further, particularly at the long end of the curve. Given today's relatively high levels of political and economic uncertainty, trading book risk was kept at the lowest possible level compatible with meeting the bank's market-making obligations in the Eurozone sovereign bond market.

Value at risk

HSBC France is working with the HSBC Group on improving the method currently used in the value-at-risk model, in order to take account more effectively of today's specific market environment, particularly very low and negative bond yields.

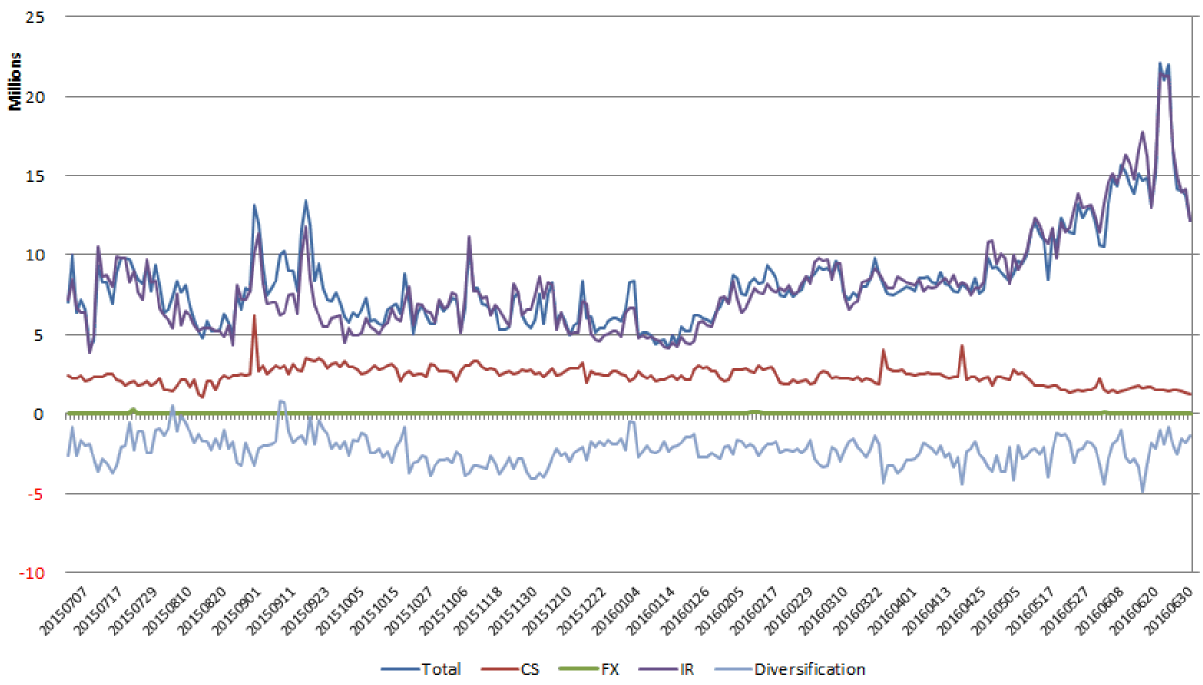
The widespread fall in bond yields, taking them further into negative territory, has caused a significant increase in HSBC France's value at risk, despite low risk levels in its books. The European Central Bank is currently assessing the Group's new model with a view to validating it.

Value at risk in the trading book

Trading VaR mainly relates to HSBC France's Global Markets business. Total VaR in the trading business was higher at 30 June 2016 than at 31 December 2015, because the current method amplifies movements in market yield curves.

The 1-day VaR figure used to calculate the regulatory capital requirement of capital markets activities was:

in millions of euros	Foreign exchange	Interest rate	Equity	Credit Spread	Portfolio diversi-fication	Total
At 30 June 2016	**0,01**	**12,19**	**-**	**1,27**	**(1,41)**	**12,21**
Average	**0,02**	**8,12**	**-**	**2,37**	**(2,31)**	**8,29**
Maximum	**0,26**	**21,42**	**-**	**6,22**	**(4,85)**	**22,06**
At 30 June 2015	0,01	7,10	-	2,84	(2,24)	7,72
Average	0,02	5,74	-	2,12	(1,60)	6,27
Maximum	0,08	16,71	-	3,88	(4,28)	20,11

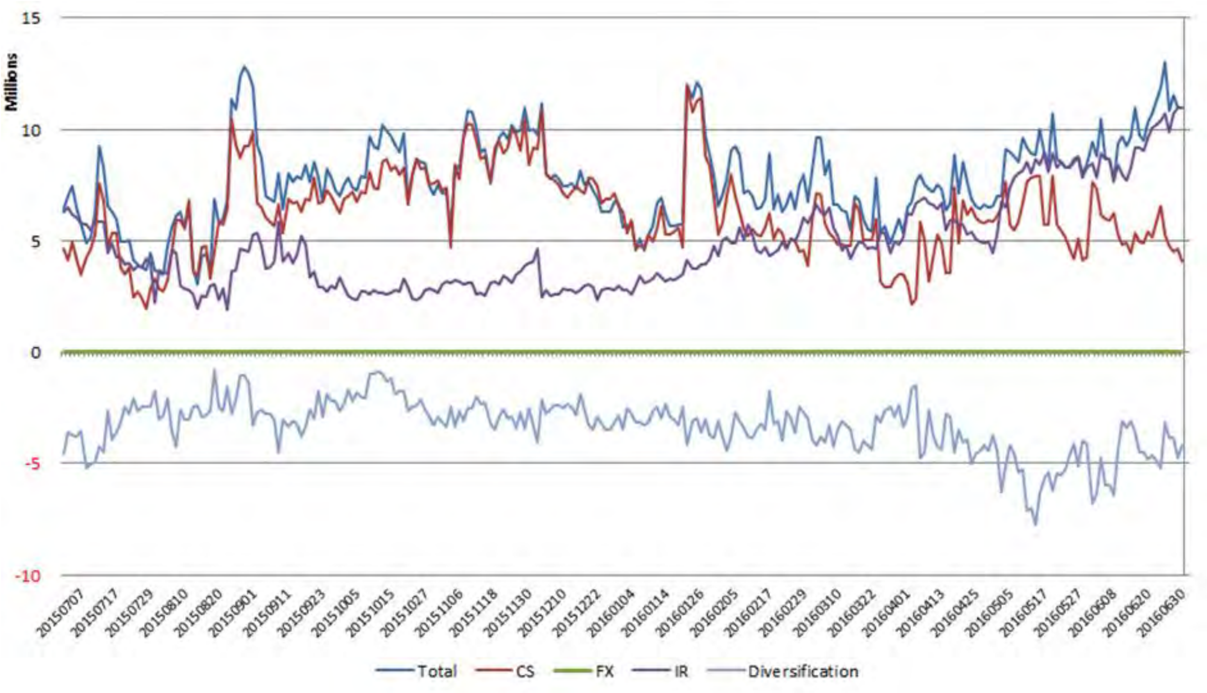


Banking book

Value at risk in the banking book

VaR in non-trading books was higher at 30 June 2016 than at 31 December 2015. As with the trading book, the increase in Value at Risk was caused by the current calculation method, which amplifies movements in market yield curves.

in millions of euros	Foreign exchange	Interest rate	Equity	Credit Spread	Portfolio diversi-fication	Total
At 30 June 2016	**-**	**10,95**	**-**	**4,05**	**(4,16)**	**10,95**
Average	**-**	**4,81**	**-**	**6,21**	**(3,34)**	**7,72**
Maximum	**-**	**10,96**	**-**	**12,01**	**(7,79)**	**12,99**
At 30 June 2015	-	6,42	-	5,67	(4,94)	7,15
Average	-	3,45	-	3,79	(2,48)	4,74
Maximum	-	8,41	-	8,59	(6,22)	10,02



Risks related to the management of liquidity and funding

For the bank, liquidity risk means the risk of not having enough financial resources to meet its commitments when they fall due, or only being able to access resources at an excessive cost. The risk materialises when cash flows are mismatched.

Funding risk is the risk that a source of funding that is regarded as sustainable and used to finance assets proves not to be sustainable over time. The risk materialises when financing for illiquid assets cannot be obtained at the expected cost and at the expected time.

Management report on the first half of 2016 (continued)

Liquidity Coverage Ratio (LCR)

The LCR was developed to show the short-term resilience of the bank's liquidity profile. The ratio aims to ensure that the bank has sufficient unencumbered high-quality liquid assets (HQLAs) in the form of liquidity or assets that can be converted into liquidity at little or no cost by selling them in the market, in order to cover liquidity needs over a 30-day stress observation period.

HSBC France's LCR at 30 June 2016 was 134 per cent, much higher than the regulatory minimum.

Net stable funding ratio (NSFR)

The NSFR is used to ensure that institutions have a minimum amount of stable funding relative to their requirements. The ratio was developed to show the bank's funding profile beyond one year. It is used alongside the LCR.

Given uncertainty about the definitive text, the HSBC Group has decided to calculate the NSFR using Basel Committee text BCBS295, and results may not be comparable with those of other banks.

At 30 June 2016, HSBC France's NSFR was 117 per cent, which shows the bank's solid funding position.

Medium- and long-term debt

The bank's medium- and long-term debt (i.e. with a maturity of over 1 year at issue) totalled EUR 17.9 billion at 30 June 2016, down EUR 0.6 billion relative to 31 December 2015.

In June 2016, HSBC France repaid early EUR 2.6 billion borrowed under TLTRO I, which had a remaining maturity of over two years, and borrowed EUR 3.0 billion under TLTRO II over a four-year maturity.

In addition, as part of the strategy for redeploying TLAC resources, HSBC France received EUR 1.0 billion from its parent company HSBC Bank plc in the form of an interbank borrowing in March 2016. It is expected that this placement will be transformed into debt compliant with the Minimum Requirements for own funds and Eligible liabilities ('MREL') debt in due course.

Regulation and supervision

The implementation of Basel III rules, which is taking place in Europe via CRD IV (Capital Requirements Directive IV) and the CRR (Capital Requirements Regulation), continued in the first half of 2016. In addition to the gradual increase in minimum capital levels since January 2016, banks are now sending the supervisor information on their medium-term NSFR (net stable funding ratio), in addition to the short-term LCR (liquidity coverage ratio) in force since 2015.

After discussions with the European Central Bank throughout 2015, the ECB asked HSBC France to maintain a phased-in Common Equity Tier 1 ratio of 10 per cent from 1 January 2016 with respect to the Pillar 2 requirement. That figure includes the capital conservation buffer. HSBC France is not subject to the capital buffer required of systemically important banks.

Work on preventing and resolving banking crises continued in the first half of 2016 with the publication of the European Commission's delegated regulation on the MREL. The text opens the way for the single resolution authority to define MREL levels for Eurozone banks.

It should be emphasised that regulatory and prudential developments are still taking place at a rapid pace, both in Europe and internationally. The Basel Committee in particular is holding a series of consultations that may have a significant effect on risk-weighted asset amounts. Decisions in this matter, so called Basel IV, are expected to be released by the end of the year 2016 and early 2017. These rules will apply to HSBC France, as to other French banks, when they are entered into European, or national, law.

Management report on the first half of 2016 (continued)

Capital

HSBC France's Pillar 3 figures are included in the disclosures made by HSBC Holdings plc and HSBC Bank plc.

Regulatory capital

(millions of euros)	**30 June 2016**	**31 December 2015**
Common Equity Tier One capital	**4,728**	4,825
Tier 1 capital	**4,728**	4,825
Total regulatory capital	**4,728**	**4,825**

HSBC France's Common Equity Tier One capital slightly decreased in the first six months of 2016 at EUR 4,728 million. The Board of Directors has decided to pay an interim dividend of EUR 2.00 per share, representing a payment of EUR 135 million with respect to the first half of 2016.

Risk Weighted Assets

(millions of euros)	**30 June 2016**	**31 December 2015**
Counterparty risk	**3,798**	3,809
Credit risk	**21,223**	21,000
of which IRB	***15,866***	*15,748*
of which Standard	***5,357***	*5,252*
Market risk	**4,209**	2,594
Operational risk	**3,618**	3,618
Transitional requirement	**449**	1,470
Total RWA	**33,297**	**32,491**

In the first six months of 2016, prudential risk-weighted assets slightly rose at EUR 33.3 billion. The increase in Market risk RWA, mainly due to the current VaR calculation method, which amplifies movements in market yield curves, is partly offset by a decrease in the transitional requirement with respect to the Basel I floor. As a result, the 'phased-in' Common Equity Tier One ratio is 14.2 per cent, significantly higher than the regulatory minimum of 10 per cent with respect to pillar 2. If all Basel III rules were immediately applicable in full, the 'end-point' (fully loaded) Common Equity Tier One ratio would be 14.3 per cent.

Capital ratios %	**30 June 2016**	**31 December 2015**
CET1	**14.2**	14.9
Total Tier 1	**14.2**	14.9
Total Capital	**14.2**	14.9

Large exposures

The HSBC France group complies with rules established by the *Autorité de Contrôle Prudentiel et de Résolution*. Groups of related counterparties whose "exposure value before the application of exemptions and credit risk mitigation instruments" is higher than 10 per cent of HSBC France's eligible capital must be reported as large exposure groups. At 30 June 2016, 15 groups were regarded as large exposures.

Management report on the first half of 2016 (continued)

Credit ratings

At 30 June 2016, HSBC France's credit ratings were as follows (long-term senior debt rating / outlook / short-term rating):

Moody's: A2 / negative / P-1;

FitchRatings: AA- / stable / F1+;

Standard and Poor's: AA- / negative / A-1+.

For FitchRatings and Standard and Poor’s, HSBC France's ratings are in line with those of HSBC Bank plc (Standard and Poor’s) and HSBC Holdings plc (FitchRatings), given HSBC France's strategic importance for the HSBC Group. Those agencies confirmed their HSBC Bank plc and HSBC Holdings plc ratings in the first half of 2016.

During that period, Moody's revised its outlook on HSBC France's long-term rating to negative because it also revised its outlook on HSBC Holdings plc to negative due to China's deteriorating economic prospects.

Following the UK's referendum on the EU membership, Moody's and Standard and Poor's, having cut their sovereign ratings on the UK, have lowered their outlooks on numerous UK banks including HSBC. Changes in the credit ratings of the HSBC Group are likely to be passed on HSBC France.

Management report on the first half of 2016 (continued)

Performance review by business line [(legal perimeter)]

Non-GAAP measures

To make it easier to understand the performance review relating to the Group and its subsidiaries, HSBC has elected to supplement the accounting data published with a presentation of the main lines of business accounts on an "adjusted" basis. This approach consists of restating published figures for the effect of changes in scope and currency variations between the two periods under review, together with certain “significant items”, which are listed and quantified below where they concern France:

Half year to 30 June 2016

(millions of euros)	**Retail banking and wealth management**	**Commercial banking**	**Global banking and markets**	**Private banking**	**Other**	**Total**
Reported Net operating income before LICs	**403**	**324**	**381**	**22**	**(2)**	**1 128**
Change in credit spread on debt under Fair Value option	-	-	-	-	14	14
non qualifying hedges	(25)	-	(7)	-	(4)	(36)
Debit Valuation Adjustment	-	-	9	-	-	9
Gain on sale of shareholding of Visa Europe	77	31	-	-	-	108
Adjusted Net operating income before LICs	**351**	**293**	**379**	**22**	**(12)**	**1 033**
Loan impaiment charges	**(8)**	**(20)**	**4**	**-**	**-**	**(24)**
Reported Operating expenses	**(393)**	**(185)**	**(254)**	**(18)**	**(54)**	**(904)**
Costs to Achieve	(5)	(5)	(1)	-	(35)	(46)
Settlement and provisions in connection with legal and regulatory matters	-	-	(32)	-	-	(32)
Adjusted Operating expenses	**(388)**	**(180)**	**(221)**	**(18)**	**(19)**	**(826)**
Reported Profit before tax	**2**	**119**	**131**	**4**	**(56)**	**200**
Total adjustments	47	26	(31)	-	(25)	17
Adjusted Profit before tax	**(45)**	**93**	**162**	**4**	**(31)**	**183**

Half year to 30 June 2015

(millions of euros)	**Retail banking and wealth management**	**Commercial banking**	**Global banking and markets**	**Private banking**	**Other**	**Total**
Reported Net operating income before LICs	662	314	378	28	(16)	1 366
Change in credit spread on debt under Fair Value option	-	-	-	-	7	7
non qualifying hedges	29	-	-	-	-	29
Debit Valuation Adjustment	-	-	10	-	-	10
Adjusted Net operating income before LICs	633	314	368	28	(23)	1 320
Loan impaiment charges	(9)	(45)	2	-	-	(52)
Reported Operating expenses	(394)	(194)	(209)	(19)	(18)	(834)
Restructuring costs	-	-	-	-	-	-
Adjusted Operating expenses	(394)	(194)	(209)	(19)	(18)	(834)
Reported Profit before tax	259	75	171	9	(34)	480
Total adjustments	29	-	10	-	7	46
Adjusted Profit before tax	230	75	161	9	(41)	434

Management report on the first half of 2016 (continued)

Retail Banking & Wealth Management

As part of the HSBC Group's strategic focus on Wealth Management, HSBC in France is consolidating its position as a leader in the mass affluent segment by focusing on three areas: wealth management and mortgages, as part of a comprehensive banking relationship, supported by a multi-channel approach.

HSBC now has around 808,000 Retail Banking & Wealth Management clients in France, with around 26,000 new-to-bank in the first half of 2016, mainly on the HSBC Premier client segment which remains the market in which HSBC France wishes to maintain a particular commercial focus. As a consequence, the proportion of HSBC Premier clients in the total rose to 50 per cent.

Total client assets under management rose 0.3 per cent to EUR 37.5 billion at end-June 2016 versus EUR 37.4 billion a year earlier, against a background of falling markets.

Wealth Management benefited from an increase in client deposits, which stood at EUR 14.6 billion at end-June 2016, up 2.5 per cent, and with particularly strong growth in sight deposits which rose 7 per cent to EUR 7.4 billion. Saving deposits fell slightly, by 1 per cent, in a generally declining market. Net interest income fell substantially because of sharply lower interest rates.

In the first half of 2016, despite unfavourable market ocnditions, i.e. lower interest rates and share prices adversely affecting PVIF, life insurance inflows totalled EUR 1 billion in the first half of 2016, down 5 per cent compared with 2015. Of that amount, unit-linked policies accounted for 17 per cent, less than in full-year 2015 (22 per cent). That was because of risk-aversion among policyholders given weak economic conditions. Net inflows were positive. Assets under management by the insurance company were EUR 18.8 billion, versus EUR 18.7 billion a year earlier (+0.5 per cent).

HSBC Assurances' expertise and the good fit between its products and the needs of individuals, small businesses and corporate clients in the areas of life insurance, pensions and protection were once again recognised in 2016 through various awards, including Le Revenu magazine's Trophée d'Or life insurance award for HSBC Stratégie Patrimoine.

In Asset Management, assets under management and distribution rose 2 per cent in the first half of 2016 to EUR 79.5 billion. That growth was partly achieved through EUR 0.2 billion of new money from medium- and long-term products, along with EUR 1.5 billion of new money from money-market products. HSBC Asset management won several awards in the first half of 2016:

the best large-cap French equities fund over 5 years[1], best returns and the Excellence label for a small-and mid-cap fund over 5 years[2], best diversified fund over 5 years[3] ;

the SCPI Elysées Pierre fund also won the prize for the best SCPI fund over 5 years for the third straight year[6], along with the prize for the best overall return over 15 years[7].

Loans outstanding to individuals rose almost 2 per cent year-on-year to more than EUR 17.6 billion. New mortgage production totalled EUR 1.5 billion, down EUR 0.2 billion compared with the first half of 2015. Margins on new lending remained satisfactory after taking account of the cost of liquidity. The significant amount of early redemptions and mortgage renegotiations in 2015 adversely affected margins on existing loans portfolio. Early redemptions and renegotiations fell in the first half of 2016, but could increase again given ongoing declines in interest rates.

The Group's focus on developing multi-channel banking relationships with its clients has led to the introduction of online relationship initiation, mortgage applications and personal loan applications in the last nine months. In April 2016, HSBC France was the first bank in France to enable clients to manage their accounts and carry out secured transactions using digital fingerprint-based biometric authentication.

[1] Lipper Awards 2016
[2] Mieux Vivre Votre Argent awards 2016
[3] Mieux Vivre Votre Argent awards 2016
[6] Mieux Vivre Votre Argent SCPI awards 2016
[7] Gestion de Fortune magazine awards

Management report on the first half of 2016 (continued)

Overall, adjusted revenue (adjusted for the change in value of non-qualifying hedges and the disposal gain on Visa Europe share), was EUR 351 million as opposed to EUR 633 million in the first half of 2015. Adjusted revenue was severely affected by changes in economic PVIF[1], which amounted to EUR -81 million as opposed to EUR 133 million in the first half of 2015. Excluding the impact of those changes, revenue fell 14 per cent, mainly because of the impact caused by low interest rates on margins and by falling markets on fee income from managing and distributing financial assets.

Loan impairment charges in Retail Banking remained under control at EUR 8 million, down 10 per cent relative to late June 2015.

Reported operating expenses were stable at EUR 393 million, although first-half costs were pushed higher by the increased contribution to the SRF (2 per cent of the cost base) and expenditure on the strategic initiatives. These additional costs were offset by efforts to streamline the cost base. Excluding the SRF contribution, therefore, adjusted expenses were down almost 4 per cent.

In the first half of 2016, reported profit before tax in Retail Banking & Wealth Management was EUR 2 million. Adjusted loss before tax was EUR -45 million as opposed to a EUR 230 million profit in the first half of 2015. The sharp decline was mainly the result of lower manufacturing insurance revenue related to the decline in PVIF, the adverse impact of falling financial markets on asset management fee income and the effect of sharply lower interest rates on net interest margin, partly offset by higher outstanding volumes of deposits, loans and life insurance.

Commercial Banking

Commercial Banking provides a broad range of banking and financial services to enable customers to manage and grow their businesses domestically and internationally.

HSBC France is continuing to support businesses with their development and increased average customer loans outstanding by 5 per cent to EUR 10.8 billion against a background of recovering demand for credit, particularly in medium- and long-term loans outstanding. Average deposits balances amounted to EUR 11.3 billion, up 3 per cent compared with the first half of 2015.

Revenue before provisions rose 3 per cent to EUR 324 million. Adjusted revenue, i.e. excluding the disposal gain on Visa Europe share, was EUR 293 million (-7 per cent). Revenue was affected by the ongoing impact of historically low interest rates, along with lower fee income from financing and forex transactions among large corporations, compared with excellent performance in those areas in the first half of 2015.

Commercial Banking took part in several major financial transactions for its largest clients, working with Global Banking and Markets.

The LICs in Commercial Banking were EUR -20 million, a substantial improvement on the first-half 2015 figure of EUR -45 million. Provision cover was low at 0.48 per cent of outstanding loans. This improvement was mainly the result of lower individual allowances and a decrease in collective provisions.

Operating expenses were under control at EUR 185 million, down 5 per cent relative to the first half of 2015 despite the adverse impact of the contribution to the Single Resolution Fund and of expenditure and investments in pursuit of strategic objectives. Thus, despite an uncertain economic background, Commercial Banking maintained a solid performance, with a cost/income ratio of 61 per cent on an adjusted basis.

Commercial Banking's reported profit before tax was EUR 119 million as opposed to EUR 75 million in the first half of 2015. Adjusted profit before tax was EUR 94 million versus EUR 75 million in the first half of 2015.

Revenue generated by French customers for other international HSBC Group entities has since end 2015 represented over a third of revenues generated by the same companies in France. In the first six months of 2016, this international revenue rose by 13 per cent. Revenue generated by clients of other international HSBC Group entities in France slightly declined. HSBC remains a key partner for French companies seeking to set up abroad and for foreign companies seeking to expand in France.

Global Banking and Markets

As part of the HSBC Group's strategy, France remains the Group's centre of expertise for euro-denominated fixed-income products and structured derivatives. The HSBC Group is continuing to support large French customers in their development across 62 countries.

Capital markets activities were affected by increased volatility, with the correction in oil prices, commodity prices and the main stock market indexes. In the first half as a whole, capital markets activities were affected by low primary-

[1] Economic PVIF includes accounting PVIF, hedging instruments and technical provisions.

Management report on the first half of 2016 (continued)

market business volumes at the start of the year, followed by increased volatility, particularly in June because of uncertainty surrounding the UK referendum. In the circumstances, revenue from structured rates activities rose strongly due to client activity. That good performance offset the decline in revenue from plain-vanilla fixed-income activities, although maintaining its market share in that area. HSBC is continuing to develop its position as a major player in euro-denominated sovereign debt, and ranks second in the issuance of sovereign debt in the Eurozone[1].

In Corporate and Investment Banking, results were hit by lower margins, despite higher average loans outstanding. The decline in margins was offset by good results in primary debt issuance and asset financing transactions, particularly involving CICE tax credits and the aerospace sector. HSBC France maintained its position, ranking fifth in the French bond market during the period.[2]

The M&A business performed fairly well, supported by corporate advisory activities, particularly regarding asset disposals in Asia. Regarding equity and long-term financing, there was limited activity relating to capital increases and IPOs due to a wait-and-see attitude in the market.

Revenue from major French clients was stable year-on-year, both in France and abroad. The proportion of French revenue accounted for by major clients of other HSBC Group entities slightly declined in the first months of 2016.

Overall, revenue in Global Banking and Markets came in at EUR 381 million as opposed to EUR 378 million in the first half of 2015. Adjusted revenue, i.e. excluding the change in the DVA and non-qualifying hedges, was EUR 379 million in the first half of 2016 as opposed to EUR 368 million in the first half of 2015.

There was a net release of loan impairment provisions in the first half of 2016, as in the year-earlier period.

Operating expenses rose from EUR 209 million in the first half of 2015 to EUR 254 million in the first half of 2016. The increase was due in particular to a provision in relation to litigations, along with the substantially higher contribution to the Single Resolution Fund. Excluding those two items, GB&M operating expenses were down 10 per cent.

Reported profit before amounted EUR 131 million in the first half of 2016 and adjusted profit before tax rose to EUR 162 million.

Private Banking

The Private Banking business focuses on wealthy clients with assets of more than EUR 3 million with the bank. It provides them with a broad and diverse range of investment and financing solutions, supported by strong synergies with the HSBC Group's network, particularly Commercial Banking in France.

Assets under management were EUR 6.9 billion at end-June 2016, up 3 per cent compared with end-June 2015, driven by net inflows of EUR 583 million, mainly from resident clients. The increase came in spite of very challenging market conditions.

The commercial activity experienced a strong momentum and revenue totalled EUR 22 million, down year-on-year, mainly due to the negative impact of the EUR -4.7 million PVIF movement. Expenses amounted to EUR 18 million, benefiting from synergies arising from shared platforms with other business lines and rigorous cost controls. Profit before tax in Private Banking fell to EUR 4 million in the first half of 2016.

Other activities

Other Activities comprise operating income and expense items that are not allocated to the global businesses. They mainly include the change in fair-valued own debt due to the credit spread, profit or loss related to the accounting effects of hedging transactions, and the bank's contribution to the systemic tax, which is likely to be subject to a rebate at the end of the year. In 2016, Other Activities also include restructuring costs and the cost of IT projects relating to strategic initiatives in respect of digital banking and IT modernisation.

[1] Source: Dealogic, end-June 2016 (sovereign, supranational and agency issuers)
[2] Source: Dealogic, end-June 2016

Management report on the first half of 2016 (continued)

Financial results of the HSBC in France (managed perimeter)

In the first half of 2016, profit before tax for HSBC in France amounted EUR 194 million, compared to EUR 527 million in the first half of 2015.

The managed perimeter includes the HSBC France group and the Paris branch of HSBC Bank plc, which is engaged in equity derivative activities but excludes the costs of funding and the debt on acquisition recognised in respect of CCF acquisition.

Results of the "France" 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 2016, the "France" geographical segment, as defined by the HSBC Group, contributed USD 212 million (EUR 189 million) compared with USD 623 million (EUR 563 million) in the first half of 2015.

The contribution of the country "France" to the results of HSBC Group includes the HSBC France group, excluding the results of entities legally owned by HSBC France but located outside France, and also includes the Paris branch of HSBC Bank plc, which is engaged in equity derivative activities, and recorded, until end 2015, the costs of funding and the debt on acquisition recognised in respect of CCF acquisition. Year on year changes are subject to the evolution of EUR/USD FX rate.

Outlook for the second half of 2016

In the second half of 2016, the fall in interest rates is likely to continue dragging down interest income in the French banking business. Early redemptions and renegotiations of mortgages could occur if interest rates continue to fall, and the Asset Management and Life Insurance businesses could continue to experience adverse market conditions.

In contrast, the prospects of a gradual recovery of economic growth in France may portend an improvement in business conditions and a possible increase in activity.

In light of this situation, HSBC France is implementing its strategy to mitigate adverse developments by improving the quality of service provided to customers through IT initiatives, investing in digital banking and maintaining or improving its market shares by taking advantage of the HSBC Group's international reach.

Condensed consolidated financial statements at 30 June 2016

(Subject to limited review)

Consolidated income statement for the half-year to 30 June 2016

(in millions of euros)	*Notes*	**30.06.2016**	30.06.2015
Interest income		**841**	939
Interest expense		**(178)**	(157)
Net interest income	4	**663**	782
Fee income		**470**	473
Fee expense		**(136)**	(130)
Net fee income	4	**334**	343
Trading income excluding net interest income		**101**	37
Net interest income on trading activities		**43**	142
Net trading income	4	**144**	179
Changes in fair value of long term debt issued and related derivatives		**17**	(7)
Net Income/(expense) from other financial instruments designated at fair value[1]		**(194)**	354
Net income /(expense) from financial instruments designated at fair value		**(177)**	347
Gains less losses from financial investments		**123**	23
Dividend income		**1**	1
Net earned insurance premiums		**1,018**	1,073
Other operating income		**(90)**	149
Total operating income		**2,016**	2,897
Net insurance claims incurred, benefits paid and movement in liabilities to policyholders		**(888)**	(1,531)
Total operating income before loan impairment (charges)/release and other credit risk provisions	4	**1,128**	1,366
Loan impairment charges and other credit risk provisions	3	**(24)**	(52)
Net operating income		**1,104**	1,314
Employee compensation and benefits		**(464)**	(474)
General and administrative expenses		**(417)**	(333)
Depreciation and impairment of property, plant and equipment		**(19)**	(23)
Amortization and impairment of intangible assets		**(4)**	(4)
Total operating expenses	4	**(904)**	(834)
Operating profit	4	**200**	480
Share of profit in associates and joint ventures		**–**	–
Profit before tax		**200**	480
Tax expense		**(29)**	(180)
Profit for the year		**171**	300
Profit attributable to shareholders of the parent company		**171**	299
Profit attributable to non-controlling interests		**–**	1

Condensed consolidated financial statements at 30 June 2016 (continued)

Consolidated statement of comprehensive income for the half-year to 30 June 2016

(in millions of euros)	*Notes*	**30.06.2016**	30.06.2015
Profit for the - year (a)		**171**	300
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Available-for-sale investments: (b)		**(57)**	(16)
– fair value gains/(losses)		**73**	(1)
– fair value gains/(losses) transferred to the income statement on disposal		**(120)**	(24)
– amounts transferred to/(from) the income statement in respect of impairment losses		**–**	(1)
– income taxes		**(10)**	10
Cash flow hedges: (c)		**48**	(60)
– fair value gains/(losses)		**101**	(61)
– fair value (gains)/losses transferred to income statement		**(26)**	(32)
– income taxes		**(27)**	33
Exchange differences and other (d)		**(8)**	–
Other comprehensive income for the period, reclassified in income statement on certain conditions (b) + (c) + (d) = (e)		**(17)**	(76)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit plans		**(9)**	–
– before income taxes		**(13)**	–
– income taxes		**4**	–
Total variation of assets and liabilities that cannot be reclassified in income statement (f)		**(9)**	–
Total comprehensive income for the year (a) + (e) + (f)		**145**	224
Total comprehensive income for the year attributable to:			
– shareholders of the parent company		**146**	219
– non-controlling interests		**(1)**	5
		145	224

Condensed consolidated financial statements at 30 June 2016 (continued)

Consolidated statement of financial position at 30 June 2016

ASSETS

(in millions of euros)	*Notes*	**30.06.2016**	31.12.2015
Cash and balances at central banks		**3,190**	395
Items in the course of collection from other banks		**311**	381
Trading assets	*6*	**35,694**	27,161
Financial assets designated at fair value	*6*	**6,508**	6,768
Derivatives	*6*	**61,575**	49,484
Loans and advances to banks	*7, 9*	**4,046**	4,660
Loans and advances to customers	*7, 9*	**40,420**	38,524
Reverse repurchase agreements – non-trading	*7*	**12,183**	10,163
Financial investments	*6*	**29,188**	27,677
Other assets		**366**	258
Current tax assets		**78**	149
Prepayments and accrued income		**809**	852
Interests in associates and joint ventures		**2**	2
Goodwill and intangible assets		**763**	860
Property, plant and equipment		**826**	828
Deferred tax assets		**235**	296
TOTAL ASSETS		**196,194**	168,458

LIABILITIES AND EQUITY

(in millions of euros)	*Notes*	**30.06.2016**	31.12.2015
Liabilities			
Deposits by banks	*7*	**8,557**	7,086
Customer accounts	*7*	**35,948**	32,811
Repurchase agreements – non trading	*7*	**12,858**	10,283
Items in the course of transmission to other banks		**428**	385
Trading liabilities	*6*	**35,348**	22,647
Financial liabilities designated at fair value	*6*	**8,617**	8,476
Derivatives	*6*	**58,557**	46,903
Debt securities in issue	*7*	**6,316**	10,501
Other liabilities		**611**	914
Current tax liabilities		**18**	32
Liabilities under insurance contracts issued		**21,183**	20,943
Accruals and deferred income		**910**	762
Provisions	*8*	**164**	132
Deferred tax liabilities		**165**	204
Retirement benefit liabilities		**180**	165
Subordinated liabilities	*7*	**276**	276
TOTAL LIABILITIES		**190,136**	162,520
Equity			
Called up share capital		**337**	337
Share premium account		**16**	16
Other reserves		**1,748**	1,765
Retained earnings		**3,860**	3,720
TOTAL SHAREHOLDERS' EQUITY		**5, 961**	5,838
Non-controlling interests		**97**	100
TOTAL EQUITY		**6,058**	5,938
TOTAL LIABILITIES AND EQUITY		**196,194**	168,458

Condensed consolidated financial statements at 30 June 2016 (continued)

Consolidated cash flow statement for the half-year to 30 June 2016

(in millions of euros)	*Notes*	**30.06.2016**	30.06.2015
Cash flows from operating activities			
Profit before tax		**200**	480
Net profit of discontinued operations		**–**	–
Adjustment for :			
− non-cash items included in profit before tax		**97**	73
− change in operating assets		**6,695**	4,532
− change in operating liabilities		**2,977**	2,458
− elimination of exchange differences		**18**	(31)
− net gain from investing activities		**(123)**	(23)
− share of profits in associates and joint ventures		**–**	–
− contribution paid to defined benefits plan		**–**	–
− tax paid		**(79)**	(29)
Net cash (used in)/generated from operating activities		**9,785**	7,460
Cash flows from investing activities			
Purchase of financial investments		**(4,177)**	(5,291)
Proceeds from the sale and maturity of financial investments		**3,051**	2,499
Purchase of property, plant and equipment		**(18)**	(16)
Proceeds from the sale of property, plant and equipment		**–**	3
Purchase of goodwill and intangible assets		**(4)**	(5)
Proceeds from the sale of goodwill and intangible assets		**1**	–
Net cash outflow from acquisition of businesses and subsidiaries		**–**	–
Proceeds from disposal of subsidiaries		**–**	–
Proceeds from sale of associates		**–**	–
Purchases of HSBC Holdings plc shares to satisfy share-based payment transactions		**–**	–
Net cash (used in)/generated from investing activities		**(1,147)**	(2,810)
Cash flows from financing activities			
Issue of ordinary share capital		**–**	–
Issue of capital securities		**–**	–
Subordinated liabilities issued		**–**	–
Subordinated liabilities repaid		**–**	–
Net cash inflow from change in stake of subsidiaries		**–**	–
Dividends paid to shareholders	*2*	**(30)**	(150)
Dividends paid to non-controlling interests		**–**	
Net cash (used in)/from financing activities		**(30)**	(150)
Net (decrease)/increase in cash and cash equivalents		**8,608**	4,500
Cash and cash equivalents at 1 January		**2,604**	4,127
Effect of exchange rate changes on cash and cash equivalents		**(10)**	40
Cash and cash equivalents at Period End		**11,202**	8,667

Condensed consolidated financial statements at 30 June 2016 (continued)

Consolidated Statement of changes in equity for the half year to 30 June 2016

		2016									
					Other reserves						
(in millions of euros)	*Notes*	Called up share capital	Share premium	Retained earnings	Available-for-sale fair value reserve	Cash flow hedging reserve	Foreign exchange reserve[1]	Merger reserve	Total share-holders' equity	Non-controlling interests	Total equity
At 1 January		**337**	**16**	**3,720**	**208**	**(44)**	**14**	**1,587**	**5,838**	**100**	**5,938**
Profit for the year		**–**	**–**	**171**	**–**	**–**	**–**	**–**	**171**	**–**	**171**
Other comprehensive income (net of tax)		**–**	**–**	**(9)**	**(57)**	**48**	**(7)**	**–**	**(25)**	**(1)**	**(26)**
– available-for-sale investments		**–**	**–**	**–**	**(57)**	**–**	**–**	**–**	**(57)**	**–**	**(57)**
– cash flow hedges		**–**	**–**	**–**	**–**	**48**	**–**	**–**	**48**	**–**	**48**
– actuarial gains/(losses) on defined benefit plans		**–**	**–**	**(9)**	**–**	**–**	**–**	**–**	**(9)**	**–**	**(9)**
– exchange differences and other		**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**(7)**	**(1)**	**(8)**
Total Comprehensive income for the year		**–**	**–**	**162**	**(57)**	**48**	**(7)**	**–**	**146**	**(1)**	**145**
– dividends to shareholders	*2*	**–**	**–**	**(30)**	**–**	**–**	**–**	**–**	**(30)**	**–**	**(30)**
– exercise and lapse of share options and vesting of share awards		**–**	**–**	**(11)**	**–**	**–**	**–**	**–**	**(11)**	**–**	**(11)**
– cost of share-based payment arrangements		**–**	**–**	**4**	**–**	**–**	**–**	**–**	**4**	**–**	**4**
– other Movements		**–**	**–**	**15**	**(1)**	**–**	**–**	**–**	**14**	**(2)**	**12**
– transfers		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– changes in ownership interest in subsidiaries that did not result in loss of control		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Other		**–**	**–**	**(22)**	**(1)**	**–**	**–**	**–**	**(23)**	**(2)**	**(25)**
At 30 June		**337**	**16**	**3,860**	**150**	**4**	**7**	**1,587**	**5,961**	**97**	**6,058**

[1]*This column includes account the revaluation of the HBME Limited Partnership investment which the functional currency is USD.*

Condensed consolidated financial statements at 30 June 2016 (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	Merger reserve	Total share-holders' equity	Non-controlling interests	Total equity
	2015			Other reserves						
At 1 January	337	16	3,732	133	2	(20)	1,533	5,733	71	5,804
Profit for the year	–	–	299	–	–	–	–	299	1	300
Other comprehensive income (net of tax)	–	–	–	–	–	(4)	–	(80)	4	(76)
– available-for-sale investments	–	–	–	(16)	–	–	–	(16)	–	(16)
– cash flow hedges	–	–	–	–	(60)	–	–	(60)	–	(60)
– actuarial gains/(losses) on defined benefit plans	–	–	–	–	–	–	–	–	–	–
– exchange differences and other	–	–	–	–	–	(4)	–	(4)	4	–
Total Comprehensive income for the year	–	–	299	(16)	(60)	(4)	–	219	5	224
– dividends to shareholders	–	–	(150)	–	–	–	–	(150)	–	(150)
– exercise and lapse of share options and vesting of share awards	–	–	(10)	–	–	–	–	(10)	–	(10)
– cost of share-based payment arrangements	–	–	7	–	–	–	–	7	–	7
– other Movements	–	–	6	–	–	–	–	6	(3)	3
– transfers	–	–	–	–	–	–	–	–	–	–
– changes in ownership interest in subsidiaries that did not result in loss of control	–	–	–	–	–	–	–	–	–	–
Total Other	–	–	(147)	–	–	–	–	(147)	(3)	(150)
At 30 June	337	16	3,884	117	(58)	(24)	1,533	5,805	73	5,878

Condensed consolidated financial statements at 30 June 2016 (continued)

Notes on the condensed consolidated financial statements

1 Basis of preparation

a Compliance with International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRSs) comprise accounting standards issued or adopted by the International Accounting Standards Board (IASB) as well as interpretations issued or adopted by the IFRS Interpretations Committee (IFRIC).

HSBC France is a domiciled entity in France. The HSBC France condensed consolidated financial statements for the half-year up to 30 June 2016 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 ending 31 December 2015.

The consolidated financial statements of HSBC France at 31 December 2015 have been 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 2015, there were no unendorsed standards effective for the year ending 31 December 2015 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 ending 31 December 2015 were prepared in accordance with IFRSs as issued by the IASB.

During the first half of 2016, no new standard has been adopted. At 30 June 2016, there were no unendorsed standards effective for the period ending 30 June 2016 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.

The consolidated financial statements of HSBC France for the financial year 2015 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 established by the Board of Directors on 22 July 2016.

b 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 judgment are inherent in the formation of estimates; actual results in the future may differ from those reported.

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 are the same as those on the financial statements ending 31 December 2015, except for the change applied to the PVIF model (see Note 5).

Condensed consolidated financial statements at 30 June 2016 (continued)

c Changes in composition of the group

There were no material changes in the composition of the group in the period. The changes in the group structure in the first half-year of 2016 are described on Note 13 of this document.

d Accounting policies

The accounting policies adopted by HSBC France for the interim consolidated financial statements are consistent with those described on Note 1 and 2 of the Annual Report and Accounts 2015.

The description of accounting changes for the next exercises is given in Note 1b of the Annual Report and Accounts 2015.

The IFRS 9 Programme's focus continues to be on developing the impairment models and processes. Until sufficient models have been developed and tested, HSBC France will not have a reliable understanding of the potential impact on the financial statements and any consequential effects on regulatory capital requirements.

e Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and parent company have the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

f Significant events during the first half-year

Single Resolution Fund (SRF)

HSBC France contribution amounted to EUR 67 million for 2016 and EUR 10 million has been recorded under security deposits.

VISA

VISA Europe share has been sold the 21 June 2016 in the respect of the repurchase protocol of VISA Inc. The Income Statement impact before taxes amounts to EUR 108 million.

Targeted Long-Term Refinancing Operation (TLTRO)

HSBC France repaid in advance TLTRO I drawings for a total amount of EUR 2.6 billion and took part to the second session of long term refinancing operation (TLTRO II) for an amount of EUR 3 billion at 30 June 2016.

Total Loss Absorbing Capacity (TLAC)

In accordance with the resources redeployment strategy "TLAC", HSBC France received from HSBC Banks plc an amount of EUR 1 billion interbank loan in March 2016.

Present Value of In Force long term insurance business (PVIF)

PVIF model has been impacted by a regulatory change in the first half 2016. Impacts are described on note 5 PVIF.

Condensed consolidated financial statements at 30 June 2016 (continued)

2 Dividends

a Dividends related to 2016

The Board of Directors held on 22 July 2016 proposed to distribute an interim dividend of EUR 2.00 per share for a total of EUR 134,875,654 for the year 2016.

b Dividends related to 2015

On 18 December 2015, the Board of Directors approved an interim dividend of EUR 3.71 per share in respect of the 2015 results. The interim dividend was paid on 21 December 2015 to the 67,437,827 outstanding shares at this date.

The board of Directors held on 8 February 2016 proposed at the Annual General Meeting, on 19 April 2016, to distribute a dividend of EUR 4.15 per share amounting for EUR 279,866,982.05 in respect of the 2015 results. This dividend, approved by the shareholders, was distributed on 28 April 2016 after deduction of the interim dividend of EUR 3.71 per share and already paid, for a total of EUR 29.7 millions of distributed dividend.

c Earnings and dividends per share

(in euros)	**30 June 2016**	30 June 2015	31 December 2015
Basic earnings per share	**2.54**	4.43	6.61
Diluted earnings per share	**2.54**	4.43	6.61
Dividends per share	**2.00**	–	4.15

Basic earnings per ordinary share were calculated by dividing the earnings of EUR 171 million by the weighted average number of ordinary shares outstanding, excluding own shares held, of 67,437,827 (first half of 2015: earnings of EUR 299 million and 67,437,827 weighted average number of shares; full year 2015: earnings of EUR 445 million and 67,437,827 weighted average number of shares).

Diluted earnings per share were calculated by dividing the basic earnings, which require no adjustment for the dilutive effects of potential ordinary shares (including share options outstanding not yet exercised), by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on ordinary conversion of all the potential dilutive ordinary shares of 67,437,827 (first half of 2015: 67,437,827 shares; full year 2015: 67,437,827 shares).

Condensed consolidated financial statements at 30 June 2016 (continued)

3 Loan impairment charges and other credit risk provisions

a Evolution of loan impairment charges

(in millions of euros)	**30 June 2016**	30 June 2015
Loan impairment charges on loans and advances		
- New allowances net of allowance releases	**(25)**	(54)
- Recoveries of amounts previously written off	**1**	1
Sub-Total	**(24)**	(53)
Impairment releases on debt securities and other credit risk provisions	**–**	1
Total	**(24)**	(52)

b Movements in the impairment of individually and collectively assessed loans

	2016		
(in millions of euros)	***Individually assessed***	***Collectively assessed***	***Total***
At 1 January	**(609)**	**(77)**	**(686)**
Amounts written off	**58**	**–**	**58**
Recoveries of amounts previously written off	**(1)**	**–**	**(1)**
Charge to income statement	**(35)**	**10**	**(25)**
Foreign exchange and other movements	**4**	**–**	**4**
At 30 June	**(583)**	**(67)**	**(650)**

	2015		
(in millions of euros)	*Individually assessed*	*Collectively assessed*	*Total*
At 1 January	(614)	(75)	(689)
Amounts written off	51	–	51
Recoveries of amounts previously written off[1]	(1)	–	(1)
Charge to income statement[1]	(53)	(1)	(54)
Foreign exchange and other movements	4	–	4
At 30 June	(613)	(76)	(689)

[1] *The amounts of recoveries and charges are disclosed after netting.*

Condensed consolidated financial statements at 30 June 2016 (continued)

4 Segmental analysis

a Income statement information

The segmental analysis, previously disclosed under "HSBC in France" or "Managed Perimeter" (*ie* including HSBC Bank Plc Paris Branch) views is now disclosed under the "Legal Perimeter" view (*ie* excluding HSBC Bank Plc Paris Branch) to be consistent with consolidated statements.

	Half Year to 30 June 2016						
(in millions of euros)	***Retail Banking and Wealth Management***	***Commercial Banking***	***Global Banking and Markets***	***Private Banking***	***Other***	***Inter Segment***	***Total***
Net interest income	**384**	**179**	**105**	**13**	**(18)**	**–**	**663**
Net fee income	**143**	**106**	**74**	**11**	**–**	**–**	**334**
Hedging and trading income	**(48)**	**–**	**190**	**2**	**–**	**–**	**144**
Other operating income	**(76)**	**39**	**12**	**(4)**	**17**	**(1)**	**(13)**
Total operating income	**403**	**324**	**381**	**22**	**(1)**	**(1)**	**1,128**
Loan impairment charges and other credit risk provisions	**(8)**	**(20)**	**4**	**–**	**–**	**–**	**(24)**
Net operating income	**395**	**304**	**385**	**22**	**(1)**	**(1)**	**1,104**
Total operating expenses	**(393)**	**(185)**	**(254)**	**(18)**	**(55)**	**1**	**(904)**
Operating profit	**2**	**119**	**131**	**4**	**(56)**	**–**	**200**
Share of profit in associates and joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit before tax	**2**	**119**	**131**	**4**	**(56)**	**–**	**200**
Tax expense							**(29)**
Profit for the year							**171**

	Half Year to 30 June 2015						
(in millions of euros)	*Retail Banking and Wealth Management*[1]	*Commercial Banking*[1]	*Global Banking and Markets*[1]	*Private Banking*[1]	*Other*[1]	*Inter Segment*[1]	*Total*
Net interest income	443	193	140	17	(11)	–	782
Net fee income	161	114	55	13		–	343
Hedging and trading income	20	(2)	163	2	(4)	–	179
Other operating income	38	9	20	(4)		(1)	62
Total operating income	662	314	378	28	(15)	(1)	1,366
Loan impairment charges and other credit risk provisions	(9)	(45)	2	–	–	–	(52)
Net operating income	653	269	380	28	(15)	(1)	1,314
Total operating expenses	(394)	(194)	(209)	(19)	(19)	1	(834)
Operating profit	259	75	171	9	(34)	–	480
Share of profit in associates and joint ventures	–	–	–	–	–	–	–
Profit before tax - Legal[1]	259	75	171	9	(34)	–	480
Tax expense							(180)
Profit for the year - Legal[1]							300
Perimeter differences [2]							47
Profit for the year - Managed							347

[1] *The results by business lines are presented at 30 June 2016 under the Legal HSBC France consolidated perimeter.*
[2] *Mainly HSBC Bank Plc Paris Branch.*

Condensed consolidated financial statements at 30 June 2016 (continued)

b Balance sheet information

(in millions of euros)	*Retail Banking and Wealth Management*	*Commercial Banking*	*Global Banking and Markets*	*Private Banking*	*Other*	*Inter Segment*	*Total*
At 30 June 2016	**44,559**	**11,250**	**150,076**	**1,002**	**102**	**(10,795)**	**196,194**
At 31 December 2015	45,645	14,217	118,681	1,026	46	(11,157)	168,458

c Average number of staff employed by HSBC France

	Half-year to 30 June 2016	Half-year to 30 June 2015
Retail Banking and Wealth Management	**3,828**	**3,823**
Commercial Banking	**1,397**	**1,431**
Global Banking and Markets	**746**	**754**
Private Banking	**96**	**107**
Support functions and other	**3,361**	**3,613**
Total	**9,428**	**9,728**

Condensed consolidated financial statements at 30 June 2016 (continued)

5 PVIF

HSBC France's life insurance business, reported through its subsidiary HSBC Assurances Vie (France), is accounted for using the embedded value approach which, *inter alia*, provides a comprehensive risk and valuation framework. The PVIF (*Present Value of In-Force business)* asset represents the present value of the shareholders' interest in the profits expected to emerge from the book of in-force policies.

The calculation of the PVIF is based upon assumptions that take into account risk and uncertainty. To project these cash flows, a variety of assumptions regarding future experience are made by each insurance operation, which reflect local market conditions and management's judgment of local future trends.

a Movements in PVIF

(in millions of euros)	**Movement of 1st semester 2016**	Movement on full year 2015
At 1 January	**486**	334
Addition from current year new business	**22**	55
Movement from in-force business (including investment return variances and changes in investment assumptions)	**(118)**	70
Exchange differences and other movements	**–**	27
At the end of the period	**390**	486

The PVIF moves from EUR 486 million as of 31 December 2015 to EUR 390 million as of 30 June 2016. The negative movement of EUR 96 million is mainly due to unfavorable economic conditions over the first half of 2016 (combined fall of rates and equity markets) partially offset by the regulatory evolution relating to the capitalization reserve (positive impact of EUR 50 million) which from now is considered to belong to the shareholders at the end of the projected period.

b Key assumptions modification impacts over PVIF

	At 30 June 2016	At 31 December 2015
Average weighted risk free rate	**1.19%**	1.57%
Average weighted risk discount rate	**2.20%**	2.55%
Expenses inflation	**1.70%**	1.70%

For the first-half 2016, market value future profits' discounted rate used for the PVIF is of 2.20%, to which a risk margin of EUR 74 million is added. In 2015, the market value future profits' discounted rate was of 2.55%, to which a risk margin of EUR 51 million. Risk margin over discount rate profits are:

(in millions of euros)	**At 30 June 2016**	At 31 December 2015
Operational risk	**10**	10
Model risk	**15**	15
Volatility risk	**49**	26
Total	**74**	51

Condensed consolidated financial statements at 30 June 2016 (continued)

c Sensitivity of PVIF to changes in economic assumptions

The following table shows the effects of the risk-free rate movements and the discount rate on the value of PVIF before tax for HSBC Assurances Vie.

(in millions of euros)	**PVIF at 30 June 2016**	PVIF at 31 December 2015
+ 100 basis points shift in risk-free rate	**57**	16
− 100 basis points shift in risk-free rate[1]	**(221)**	(121)
+ 100 basis points shift in risk-discount rate	**(19)**	(25)
− 100 basis points shift in risk-discount rate	**21**	28

1 *Where a –100 basis point parallel shift in the risk-free rate would result in a negative rate, the effect on PVIF value has been calculated using a minimum rate of 0%.*

Due to certain characteristics of the contracts, the sensitivities may be non-linear and so the results of the sensitivity-testing should not be extrapolated to higher levels of stress. In analyzing the scenario, the shift in the risk-free rate results in changes to investment returns, risk discount rates and bonus rates which are incorporated. The sensitivities shown are before actions that could be taken by management to mitigate impacts.

d Sensitivity of the PVIF to non-economic assumptions

Policyholder liabilities and PVIF for life manufacturers are determined by reference to non-economic assumptions including mortality and/or morbidity, lapse rates and expense rates. The following table shows the sensitivity of total equity as of 30 June 2016 to reasonably realistic changes in these non-economic assumptions at that date.

Mortality and morbidity risk is typically associated with life insurance contracts. The effect on profit of an increase in mortality or morbidity depends on the type of business being subscribed to.

Sensitivity to lapse rates is dependent on the type of contracts being written. For insurance contracts, the cost of claims is funded by premiums received and income earned on the investment portfolio supporting the liabilities. For a portfolio of term insurance, an increase in lapse rates typically has a negative effect on profit due to the loss of future premium income on the lapsed policies.

Expense rate risk is the exposure to a change in expense rates. To the extent that increased expenses cannot be passed on to policyholders, an increase in expense rates will have a negative impact on profits.

The table below presents the PVIF sensitivity after tax.

(in millions of euros)	**Effect on total equity at 30 June 2016**	Effect on total equity at 31 December 2015
10% increase in mortality and/or morbidity rates	**(11)**	(13)
10% decrease in mortality and/or morbidity rates	**12**	13
10% increase in lapse rates	**(27)**	(28)
10% decrease in lapse rates	**30**	31
10% increase in expense rates	**(28)**	(28)
10% decrease in expense rates	**28**	28

The impact of variations in redemption rates is mainly explained by savings activity. For example, an increase in redemptions generates a decrease of the contract management, and therefore, a negative impact on the insurer's profits.

Condensed consolidated financial statements at 30 June 2016 (continued)

6 Fair value of financial instruments

Fair values of financial instruments, the control system and the hierarchy description are determined in accordance with the methodology described in the Annual Report and Accounts 2015 in Note 30- Fair value of financial instruments carried at fair value. There has been no change in accounting policy, control system or hierarchy level since 31 December 2015.

a Financial instruments carried at fair value

		Valuation techniques			Amounts with HSBC entities		
(in millions of euros)	***Level 1 - Quoted market price***	***Level 2- using observable inputs***	***Level 3 - with significant non-observable inputs***	***Third Party Total***	***Amounts with HSBC entities***	***Of which Level 3***	***Total***
At 30 June 2016							
Assets							
Trading assets	**18,158**	**11,906**	**4**	**30,068**	**5,626**	**–**	**35,694**
Financial assets designated at fair value	**5,906**	**293**	**–**	**6,199**	**309**	**–**	**6,508**
Derivatives	**31**	**37,230**	**403**	**37,664**	**23,911**	**322**	**61,575**
Financial investments available-for-sale	**28,440**	**13**	**249**	**28,702**	**486**	**–**	**29,188**
Liabilities							
Trading liabilities	**15,020**	**12,619**	**250**	**27,889**	**7,459**	**–**	**35,348**
Financial liabilities at fair value	**2,610**	**6,007**	**–**	**8,617**	**–**	**–**	**8,617**
Derivatives	**16**	**37,579**	**32**	**37,627**	**20,930**	**452**	**58,557**
At 31 December 2015							
Assets							
Trading assets	18,609	7,660	4	26,273	888	–	27,161
Financial assets designated at fair value	6,087	286	–	6,373	395	–	6,768
Derivatives	68	31,248	262	31,578	17,906	262	49,484
Financial investments available-for-sale	27,038	13	313	27,364	313	–	27,677
Liabilities							
Trading liabilities	9,277	9,324	149	18,750	3,897	–	22,647
Financial liabilities at fair value	2,556	5,920	–	8,476	–	–	8,476
Derivatives	8	32,575	30	32,613	14,290	296	46,903

There were no significant fair value transfer between Level 1 and Level 2.

Condensed consolidated financial statements at 30 June 2016 (continued)

b Level 3

Financial instruments measured at fair value using a valuation technique with significant unobservable input

(in millions of euros)	Assets				Liabilities		
	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 2016							
Private equity investments	**249**	–	–	–	–	–	–
Asset-backed securities	–	–	–	–	–	–	–
Structured notes	–	**4**	–	–	**250**	–	–
Derivatives	–	–	–	**403**	–	–	**32**
Other portfolios	–	–	–	–	–	–	–
HSBC subsidiaries	–	–	–	**322**	–	–	**452**
TOTAL	**249**	**4**	–	**725**	**250**	–	**484**
At 31 December 2015							
Private equity investments	313	–	–	–	–	–	–
Asset-backed securities	–	–	–	–	–	–	–
Structured notes	–	4	–	–	149	–	–
Derivatives	–	–	–	262	–	–	30
Other portfolios	–	–	–	–	–	–	–
HSBC subsidiaries	–	–	–	262	–	–	296
TOTAL	313	4	–	524	149	–	326

Variation of fair value measurements in Level 3

(in millions of euros)	Assets				Liabilities		
	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 2016	**313**	**4**	–	**524**	**149**	–	**326**
Total gains or losses recognised in profit or loss	**1**	–	–	**209**	**101**	–	**154**
- trading income excluding net interest income	–	–	–	**219**	**112**	–	**164**
- gains less losses from financial investments	**1**	–	–	**(10)**	**(11)**	–	**(10)**
Total gains or losses recognised in other comprehensive income	**8**	–	–	–	–	–	–
- Available-for-sale investments: fair value gains/(losses)	**8**	–	–	–	–	–	–
Purchases	**23**	–	–	–	–	–	–
Issues	–	–	–	–	–	–	–
Sales	**(99)**	–	–	–	–	–	–
Settlements	–	–	–	**(7)**	**3**	–	**6**
Transfer out	–	–	–	**(4)**	**(4)**	–	**(3)**
Transfer in	**3**	–	–	**3**	**1**	–	**1**
Exchange differences	–	–	–	–	–	–	–
At 30 June 2016	**249**	**4**	–	**725**	**250**	–	**484**

Condensed consolidated financial statements at 30 June 2016 (continued)

Unrealised gains/(losses) recognised in profit or loss relating to and liabilities held at 30 June	–	–	–	**220**	**112**	–	**164**
- trading income excluding net interest income	–	–	–	**220**	**112**	–	**164**
- gains less losses from financial investments	–	–	–	–	–	–	–

	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 2015	74	–	–	348	–	–	270
Total gains or losses recognised in profit or loss	(4)	–	–	9	–	–	4
- trading income excluding net interest income	–	–	–	10	–	–	5
- gains less losses from financial investments	(4)	–	–	(1)	–	–	(1)
Total gains or losses recognised in other comprehensive income	6	–	–	–	–	–	–
- available-for-sale investments: fair value gains/(losses)	6	–	–	–	–	–	–
Purchases	11	–	–	–	–	–	–
Issues	–	–	–	–	–	–	–
Sales	(7)	–	–	–	–	–	–
Settlements	–	–	–	–	–	–	–
Transfer out	–	–	–	–	–	–	–
Transfer in	–	–	–	149	–	–	11
Exchange differences	–	–	–	–	–	–	–
At 30 June 2015	80	–	–	506	–	–	285
Unrealised gains/(losses) recognised in profit or loss relating to and liabilities held at 30 June[1]	–	–	–	10	–	–	5
- trading income excluding net interest income[1]	–	–	–	10	–	–	5
- gains less losses from financial investments	–	–	–	–	–	–	–

[1] *The amounts has been adjusted to present the unrealised gains/(losses) recognised in profit or loss relating to and liabilities held at 30 June 2015 .*

Condensed consolidated financial statements at 30 June 2016 (continued)

Effects of changes in significant unobservable assumptions to reasonably possible alternatives

By accounting category

	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 2016				
Derivatives/trading assets/trading liabilities[1]	**6**	**(6)**	**–**	**–**
Financial assets and liabilities designated at fair value	**–**	**–**	**–**	**–**
Financial investments: available-for-sale	**–**	**–**	**19**	**(19)**
At 31 December 2015				
Derivatives/trading assets/trading liabilities[1]	5	(5)	–	–
Financial assets and liabilities designated at fair value	–	–	–	–
Financial investments: available-for-sale	2	(2)	23	(23)

[1] *Derivatives, trading assets and trading liabilities are presented as one category to reflect the manner in which these financial instruments are risk-managed.*

By type of instrument

	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 2016				
Private equity investments	**–**	**–**	**19**	**(19)**
Asset-backed securities	**–**	**–**	**–**	**–**
Structured notes	**–**	**–**	**–**	**–**
Derivatives	**6**	**(6)**	**–**	**–**
Other portfolios	**–**	**–**	**–**	**–**
At 31 December 2015				
Private equity investments	2	(2)	23	(23)
Asset-backed securities	–	–	–	–
Structured notes	–	–	–	–
Derivatives	5	(5)	–	–
Other portfolios	–	–	–	–

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 by varying the assumptions individually.

Condensed consolidated financial statements at 30 June 2016 (continued)

Quantitative information about significant unobservable input in level 3 valuations

The following table lists key unobservable inputs to level 3 financial instruments, and provides the range of those inputs as at 30 June 2016. The categories of key unobservable inputs are described in the note 30 of the Annual Report and Accounts 2015.

	Fair value[1]				*Full range of inputs*		*Core range of inputs*	
(in millions of euros)	*Assets*	*Liabilities*	*Valuation technique*	*Key unobservable inputs*	*Lower*	*Higher*	*Lower*	*Higher*
At 30 June 2016								
Private equity including strategic investments	**249**	**–**	See note below	See note below				
Asset-backed securities	**–**	**–**						
CLO/CDO[2]	–	–	Market proxy	Bid quotes				
Other ABSs	–	–						
Structured notes	**4**	**250**						
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	4	250						
Derivatives	**725**	**484**						
Interest rate derivatives:								
– securitisation swaps	**161**	**1**	Model – DCF[3]	Prepayment rate	**50%**	**50%**	**50%**	**50%**
– long-dated swaptions	**503**	**447**	Model – Option model	IR volatility	**9%**	**24%**	**10%**	**23%**
– other	**60**	**35**						
Foreign exchange derivatives:								
– Foreign exchange options	**1**	**1**	Model – Option model	FX volatility	**10%**	**14%**	**10%**	**14%**
Equity derivatives:								
– long-dated single stock options	–	–	Model – Option model	Equity volatility				
– other	–	–						
Credit derivatives:								
– other	–	–						
Other portfolios								
Total Level 3	**978**	**734**						

Condensed consolidated financial statements at 30 June 2016 (continued)

(in millions of euros)	*Fair value[1]* Assets	*Fair value[1]* Liabilities	*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 31 December 2015								
Private equity including strategic investments	313	–	See note below	See note below				
Asset-backed securities	–	–						
CLO/CDO[2]	–	–	Market proxy	Bid quotes				
Other ABSs	–	–						
Structured notes	4	149						
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	4	149						
Derivatives	524	326						
Interest rate derivatives:								
– securitisation swaps	144	6	Model – DCF[3]	Prepayment rate	**50%**	**50%**	**50%**	**50%**
– long-dated swaptions	336	289	Model – Option model	IR volatility	**11%**	**35%**	**13%**	**31%**
– other	43	30						
Foreign exchange derivatives:								
– Foreign exchange options	1	1	Model – Option model	FX volatility	**5%**	**14%**	**5%**	**14%**
Equity derivatives:								
– long-dated single stock options	–	–	Model – Option model	Equity volatility				
– other	–	–						
Credit derivatives:								
– other	–	–						
Other portfolios	–	–						
Total Level 3	841	475						

1 *Including Level 3 amounts with HSBC Group subsidiaries*
2 *Collateralised Loan Obligation/Collateralised Debt Obligation.*
3 *Discounted Cash Flow.*

Condensed consolidated financial statements at 30 June 2016 (continued)

7 Fair values of financial instruments not carried at fair value

	30.06.2016		31.12.2015	
(in millions of euros)	***Carrying value***	**Fair Value**	Carrying value	Fair value
Assets				
Loans and advances to banks	**4,046**	**4,046**	4,660	4,660
Loans and advances to customers	**40,420**	**40,135**	38,524	38,054
Reverse repurchase agreements – non trading	**12,183**	**12,183**	10,163	10,163
Liabilities				
Deposits by banks	**8,557**	**8,557**	7,086	7,086
Customer accounts	**35,948**	**35,978**	32,811	32,833
Repurchase agreements – non trading	**12,858**	**12,858**	10,283	10,283
Debt securities in issue	**6,316**	**6,321**	10,501	10,506
Subordinated liabilities	**276**	**276**	276	276

The fair values in this note are stated at a specific date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. In many cases, it will not be possible to immediately achieve the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these financial instruments to the group as a going concern.

8 Provisions for liabilities and charges

(in millions of euros)	**30.06.2016**	31.12.2015
At 1 January	**132**	147
Additional provisions/increase in provisions	**63**	33
Provisions utilized	**(20)**	(37)
Amounts reversed	**(11)**	(11)
Acquisition/disposal of subsidiaries/businesses	**–**	–
Exchange differences and other movements	**–**	–
At period end	**164**	132

Information relating to legal proceedings and regulatory matters related to HSBC Group entities can be found in Note 11.

Condensed consolidated financial statements at 30 June 2016 (continued)

9 Credit quality of financial instruments

The five classifications of credit quality rating, as described on page 111 of the Annual Report and Accounts 2015, and as shown in the table below, encompass a range of more granular, internal credit rating grades assigned to wholesale and retail lending businesses, as well as the external ratings attributed by external agencies to debt securities.

Distribution of total financial instruments exposed to credit risk by credit quality

	Neither past due nor impaired								
	Strong	*Good*	*Satisfactory*	*Sub-standard*	*Past due but not impaired*	*Impaired*	*Total Gross Amount*	*Impairement allowances*	*Total*[1]
(in millions of euros)									
At 30 June 2016	**142,613**	**21,606**	**22,884**	**627**	**239**	**1,237**	**189,206**	**(651)**	**188,555**
At 31 December 2015	126,846	17,951	14,058	612	202	1,344	161,013	(687)	160,326
(in %)									
At 30 June 2016	**75.4**	**11.4**	**12.1**	**0.3**	**0.1**	**0.7**	100.0		
At 31 December 2015	78.8	11.2	8.7	0.4	0.1	0.8	100.0		

[1] This amount includes Cash and balances at central banks, Items in the course of collection from other banks, Trading assets, Financial assets designated at fair value, Derivatives, Loans and advances to banks, Loans and advances to customers, Reverse repurchase agreements – non-trading, Financial investments and Other assets.

Distribution of loans and advances held at amortised cost by credit quality

	Neither past due nor impaired								
	Strong	*Good*	*Satisfactory*	*Sub-standard*	*Past due but not impaired*	*Impaired*	*Total Gross Amount*	*Impairement allowances*	*Total*
(in millions of euros)									
At 30 June 2016									
Loans and advances . .	**28,302**	**6,963**	**7,783**	**593**	**239**	**1,236**	**45,116**	**(650)**	**44,466**
Loans and advances to customers	**25,040**	**6,778**	**7,188**	**589**	**239**	**1,236**	**41,070**	**(650)**	**40,420**
– personal	**14,318**	**514**	**114**	**–**	**141**	**334**	**15,421**	**(88)**	**15,333**
– corporate and commercial.	**10,128**	**5,942**	**6,859**	**585**	**98**	**897**	**24,509**	**(557)**	**23,952**
– financial (non-bank financial institutions)	**594**	**322**	**215**	**4**	**–**	**5**	**1,140**	**(5)**	**1,135**
Loans and advances to banks	**3,262**	**185**	**595**	**4**	**–**	**–**	**4,046**	**–**	**4,046**
At 31 December 2015									
Loans and advances . .	27,766	6,960	7,048	551	202	1,343	43,870	(686)	43,184
Loans and advances to customers	24,159	6,864	6,096	546	202	1,343	39,210	(686)	38,524
– personal	13,688	366	15	–	82	308	14,459	(96)	14,363
– corporate and commercial.	9,922	6,205	5,424	537	116	1,019	23,223	(576)	22,647
– financial (non-bank financial institutions)	549	293	657	9	4	16	1,528	(14)	1,514
Loans and advances to banks	3,607	96	952	5	–	–	4,660	–	4,660

Condensed consolidated financial statements at 30 June 2016 (continued)

10 Contingent liabilities, contractual commitments and guarantees

(in millions of euros)	**30.06.2016**	31.12.2015
Contract amounts		
Guarantees	**3,900**	4,600
Other contingent liabilities	**–**	–
Guarantees and other contingent liabilities	**3,900**	4,600
Documentary credits and short-term trade-related transactions	**751**	689
Undrawn formal standby facilities, credit lines and other commitments to lend	**24,762**	26,297
Commitments	**25,513**	26,986

The above table discloses the nominal principal amounts of third-party off-balance sheet transactions. Nominal principal amounts of potential liabilities and commitments represent the amounts at risk in a case where contracts would be fully drawn upon and client defaulted.

As a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of these nominal principal amounts is not representative of future liquidity requirements.

11 Legal proceedings and regulatory matters relating to HSBC group entities generally

HSBC group entities, including HSBC France, are party to various significant legal proceedings and regulatory matters arising out of their normal business operations. Apart from the matters described below and on pages 137 to 139 of the 2015 Registration Document, HSBC France considers that none of these matters is significant. 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. Any provision recognized does not constitute an admission of wrongdoing or legal liability. 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 2016.

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, amongst others, the US Department of Justice ("DoJ") (the "US 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").

HSBC Holdings also entered into an agreement with the Office of Foreign Assets Control ("OFAC") regarding historical transactions involving parties subject to OFAC sanctions, as well as an undertaking with the UK Financial Conduct Authority ("FCA") to comply with certain forward-looking AML- and sanctions-related obligations. In addition, HSBC Bank USA entered into a civil money penalty consent order with the Financial Crimes Enforcement Network ("FinCEN") of the US Treasury Department and a separate civil money penalty order with the Office of the Comptroller of the Currency ("OCC")

Condensed consolidated financial statements at 30 June 2016 (continued)

Under these agreements, HSBC Holdings and HSBC Bank USA made payments totaling USD 1.9 billion to US authorities, and undertook various further obligations, including, among others, to continue to cooperate fully with the DoJ in any and all investigations, not to commit any crime under US federal law subsequent to the signing of the agreement, and to retain an independent compliance monitor (the 'Monitor'). Under these agreements, HSBC Holdings has also certain obligations to ensure that the entities in the HSBC Group, including HSBC Bank plc and its subsidiaries (including HSBC France), comply with certain requirements. In January 2016, the Monitor delivered its second annual follow-up review report. Through his country-level reviews, the Monitor identified potential anti-money laundering and sanctions issues that the DoJ and HSBC are reviewing further.

HSBC Bank USA also entered into two consent orders with the OCC. These required HSBC Bank USA to correct the circumstances noted in the OCC's then most recent report and to adopt an enterprise-wide compliance programme, and imposed restrictions on acquiring control of, or holding an interest in, any new financial subsidiary, or commencing a new activity in its existing financial subsidiary without the OCC's prior approval.

These settlements with US and UK authorities have led to private litigation, and do not preclude further private litigation relating to HSBC's compliance with applicable BSA, AML and sanctions laws or other regulatory or law enforcement actions for BSA, AML, sanctions or other matters not covered by the various agreements.

London interbank offered rates, European interbank offered rates and other benchmark interest rate investigations and litigation

Various regulators and competition and law enforcement authorities around the world including in the United Kingdom (UK), the United States of America (US), the European Union, Italy, Switzerland, and elsewhere 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.

In May 2014, these HSBC entities received a Statement of Objections from the European Commission (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 responded to the Commission's Statement of Objections in March 2015, and a hearing before the Commission took place in June 2015. A decision by the Commission is pending.

HSBC and other banking groups which contribute to the fixing of the Euribor, banks have been named as defendants in a putative class action filed in the US District Court for the Southern District of New York on behalf of persons who transacted in euro futures contracts and other financial instruments allegedly related to Euribor. The complaint alleges, amongst other things, misconduct related to the contribution to the fixing of the Euribor in violation of US antitrust laws, the CEA, and state law of New York. In May 2016, HSBC reached an agreement in principle with plaintiffs to resolve this action, subject to court approval. The charge corresponding to the amount of this transaction will be apportioned between the different HSBC entities concerned by the underlying facts, including HSBC France.

There are many factors that may affect the range of possible outcomes, and the resulting financial impact, of these private lawsuits. Based upon the information currently available, it is possible that any liabilities that might arise as a result of the claims in these actions could be significant.

Condensed consolidated financial statements at 30 June 2016 (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.Following a hearing in May 2014, the Commission decided in December 2015 to close the case against all 13 banks, including all of the HSBC entities. However, the Commission's investigation relating to Markit and ISDA is ongoing.

12 Related party transactions

In accordance with the resources redeployment strategy "TLAC", HSBC France received from HSBC Banks plc an amount of EUR 1 billion interbank loan in March 2016. Excluding this operation, there were no changes in the related party transactions described in the Annual Report and Accounts 2015 that have had a material effect on the financial position or performance of the group in the six months leading up to 30 June 2016. All related party transactions which took place in the period ending 30 June 2016 were similar in nature to those disclosed in the Annual Report and Accounts 2015.

13 Changes in consolidation perimeter during the first half-year of 2016

The table below shows the changes, in the first half-year of 2016, within the legal perimeter published in the 2015 Annual Report and Accounts, Note 20.

Transfer out:
HSBC Horizon 2013-2015 FCP
SINOPIA TRS 1
UNION POUR LA GESTION ET LES TRANSACTIONS (UGT)
HSBC MIX DYNAMIQUE FCP 3DEC

Those changes have not generated a material impact on the accounts.

14 Events after the balance sheet date

There have been no material events after the balance sheet date which would require disclosure or adjustment to financial statements of 30 June 2016.

Condensed consolidated financial statements at 30 June 2016 (continued)

Statutory Auditors' Review Report on the 2016 half year financial information

PricewaterhouseCoopers Audit
63 rue de Villiers
92208 Neuilly-sur-Seine Cedex

BDO France – Léger Et Associés
113, rue de l'Université
75007 Paris

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 2016)

To the Shareholders,

HSBC FRANCE
103, avenue des Champs-Elysées
75419 Paris Cedex 08

In compliance with the assignment entrusted to us by your General meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of HSBC France, for the six months ended June 30, 2016;
- the verification of the information contained in the half year management report.

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

1. 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 half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Note 5 to the condensed half-year consolidated financial statements, regarding the impact of the changes applied to the estimation model of the present value of future profits arising from existing insurance contracts (PVIF or Present Value In Force).

2. Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly sur Seine and Paris, 2 August 2016

PricewaterhouseCoopers Audit
Nicolas Montillot
Partner

BDO France - Léger & Associés
Fabrice Chaffois
Partner

Recent events

Events subsequent to 30 June 2016

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 2016, date of the most recent published financial statements reviewed by the auditors.

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

Person responsible for the registration document and additional information

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

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

The Statutory Auditors' report on the 2014 consolidated financial statements, available on pages 233 to 234 of the Registration Document 2014 filed with the AMF under the reference D.15-0095, and on the parent company financial statements of the year ended 31 December 2014, available on pages 278 to 279 of the Registration Document 2014, contain a remark.

The Statutory Auditors have issued a report on the historical financial information presented in this update, available on page 44 of this document, which contains a remark.

Paris, 4 August 2016

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			
PricewaterhouseCoopers Audit1 Représenté par Nicolas Montillot 63, rue de Villiers 92200 Neuilly-sur-Seine	2015	–	2018
BDO France – Léger & Associés[4] Represented by Fabrice Chaffois[5] 113 rue de l'Université 75007 Paris	2007	2012	2018
Alternates			
Jean-Baptiste Deschryver1 63, rue de Villiers 92200 Neuilly-sur-Seine	2015	–	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 *Member of the Compagnie Régionale des Commissaires aux comptes of Paris.*
3 *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 2015 Annual Report and Accounts D.16-0110 updated by this document.

Cross-reference tables (continued)

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

The following items are incorporated by reference:

- the consolidated financial statements for the year ended 31 December 2015 and the Statutory Auditors' report on those consolidated financial statements, presented on pages 158 to 263 and 264 to 265 of reference document D.16-0110 filed with the AMF on 4 March 2016.

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

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

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

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