

HSBC Funding (UK) Holdings
Registered No: 2566924

Annual Report and Financial Statements for the year ended 31 December 2017



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HSBC Funding (UK) Holdings

Strategic Report

Principal activities

The principal activity of HSBC Funding (UK) Holdings (the 'Company') is that of a holding company for financing transactions undertaken by subsidiaries. No change in the Company's activities is anticipated.

The Company is a company domiciled and incorporated in England and Wales.

Review of the Company's business

The business is funded principally by subsidiary undertakings through borrowing. The Company has no employees. Services required are provided by fellow subsidiaries of HSBC Holdings plc ('the HSBC Group'). The Company's stakeholders are limited to its parent company.

Performance

The Company's results for the year under review are as detailed in the income statement shown on page 8 of these financial statements.

Key performance indicators

As the Company is managed as part of a global bank, there are no key performance indicators that are specific to the Company. The key performance indicators are included in the annual report of its ultimate parent HSBC Holdings plc. Ongoing review of performance of the Company is carried out by comparing actual performance against annually set budgets.

Principal risks and uncertainties

The financial risk management objectives and policies of the Company, together with an analysis of the exposure to such risks are set out in Note 11 of the Notes on the financial statements.

On behalf of the Board


S E Long
Director

Dated: 20 September 2018

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC Funding (UK) Holdings

Report of the Directors

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
M C Anderson		22 March 2017
C R J Irvin	22 March 2017	
J R Kent		31 May 2017
G Owen-Conway		
S E Long		
J Subramaniyan		

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of director's and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: nil).

Significant events since the end of the financial year

No important events affecting the Company have occurred since the end of the financial year.

Future developments

No change in the Company's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has 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.

Financial risk management

The principal risks and uncertainties facing the Company, together with its financial risk management objectives and policies, and an analysis of the exposure to such risks, are set out in Note 11 of the financial statements.

HSBC Funding (UK) Holdings

Report of the Directors

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the HSBC Group to provide necessary capital resources which are therefore managed on a group basis.

The Company defines capital as total shareholders' equity. It is HSBC Group's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

HSBC Funding (UK) Holdings

Report of the Directors

Disclosure of information to the Auditor and Statement of Directors' Responsibilities

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on page 7, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare a Strategic Report, a Report of the Directors and financial statements for each financial year. The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



S E Long
Director

Dated: 20 September 2018

Registered office
8 Canada Square
London E14 5HQ
United Kingdom

HSBC Funding (UK) Holdings

Independent Auditors' Report to the Members of HSBC Funding (UK) Holdings

Report on the financial statements

Opinion

In our opinion, HSBC Funding (UK) Holdings financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 December 2017 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes on the financial statements, which include a description of the significant accounting policies.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

HSBC Funding (UK) Holdings

Independent Auditors' Report to the Members of HSBC Funding (UK) Holdings

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

HSBC Funding (UK) Holdings

Independent Auditors' Report to the Members of HSBC Funding (UK) Holdings

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

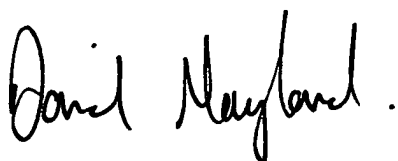
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Mayland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Dated: 20 September 2018

HSBC Funding (UK) Holdings

Financial Statements

Income statement for the year ended 31 December 2017

	Notes	2017 US\$	2016 US\$
Interest income	2	1,238	1,436
Interest expense	2	(336)	(392)
Operating profit		902	1,044
Profit before tax		902	1,044
Tax expense	6	(253)	(3,859)
Profit/(loss) for the year		649	(2,815)

Statement of comprehensive income for the year ended 31 December 2017

There has been no comprehensive income or expense other than the profit for the year as shown above (2016: nil).

HSBC Funding (UK) Holdings

Financial Statements

Balance sheet as at 31 December 2017

	<i>Notes</i>	2017 US\$	2016 US\$
Assets			
Cash and cash equivalents		184,764	253,047
Investments in subsidiaries	7	6	6
Total assets		184,770	253,053
Liabilities and equity			
Liabilities			
Trade and other payables	8	143	69,328
Current tax liabilities		462	209
Total liabilities		605	69,537
Equity			
Called up share capital	9	3	3
Retained earnings		184,162	183,513
Total equity		184,165	183,516
Total liabilities and equity		184,770	253,053

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 September 2018 and signed on its behalf by:



S E Long
Director

Company Registration No: 2566924

HSBC Funding (UK) Holdings

Financial Statements

Statement of cash flows for the year ended 31 December 2017

	2017 US\$	2016 US\$
Cash flows from operating activities		
Profit before tax	902	1,044
Adjustments for:		
Tax received	-	32,931
Net cash generated from operating activities	902	33,975
Cash flows from financing activities		
Movement in inter-company funding	(69,185)	13,913
Net cash (used in)/generated from financing activities	(69,185)	13,913
Net (decrease)/increase in cash and cash equivalents	(68,283)	47,888
Cash and cash equivalents brought forward	253,047	205,159
Cash and cash equivalents carried forward	184,764	253,047

HSBC Funding (UK) Holdings

Financial Statements

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital US\$	Retained earnings US\$	Total equity US\$
2017			
At 1 January 2017	3	183,513	183,516
Profit for the year	-	649	649
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	649	649
	<hr/>	<hr/>	<hr/>
At 31 December 2017	<u>3</u>	<u>184,162</u>	<u>184,165</u>

	Called up share capital US\$	Retained earnings US\$	Total equity US\$
2016			
At 1 January 2016	3	186,328	186,331
Loss for the year	-	(2,815)	(2,815)
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(2,815)	(2,815)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	<u>3</u>	<u>183,513</u>	<u>183,516</u>

Equity is wholly attributable to ordinary shareholders.

HSBC Funding (UK) Holdings

Notes on the Financial Statements

1 Basis of preparation and significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRSs'). The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared in accordance IFRSs as issued by the International Accounting Standards Board ('IASB'), including interpretations issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2017, there were no unendorsed standards effective for the year ended 31 December 2017 affecting these financial statements and the Company's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2017

There were no new standards applied during the year ended 31 December 2017.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs which are effective from 1 January 2018 and 2019, some of which have been endorsed for use in the EU. The Company expects that they will have an insignificant effect, when adopted, on the financial statements of the Company.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts' with Customers which have been endorsed for use in the EU. IFRS 9 and IFRS 15 are effective from 1 January 2018. These are not expected to have a significant effect on the results or net assets of the Company when adopted.

(c) Presentation of information

The functional currency of the Company is US Dollars, which is also the presentation currency of the financial statements of the Company.

The financial statements have been prepared on the historical cost basis.

(d) Critical accounting estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items listed below as the critical accounting estimates and judgements, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of the 2017 Financial Statements.

(e) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has 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) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

1.2 Summary of significant accounting policies

(a) Income and expense

Operating income

Interest income and expense

Interest income and expense for all financial instruments excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Financial instruments measured at amortised cost

Financial liabilities

Amounts owed to other group undertakings represent financial liabilities and are included within trade and other payables. Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provision of the instrument. The Company derecognises the financial liability when the Company's obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

HSBC Funding (UK) Holdings

Notes on the Financial Statements

(c) Investments in subsidiaries

The Company classifies investments in entities in which it controls as subsidiaries.

For the purpose of determining this classification, the Company is considered to have control of an entity when it is exposed, or has rights to variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity.

The Company's investments in subsidiaries are stated at cost less impairment losses.

Critical accounting estimates and judgements

Investments in subsidiaries are tested for impairment when there is an indication that the investment may be impaired. Impairment testing involves significant judgement in determining the value in use, and in particular estimating the present values of cash flows expected to arise from continuing to hold the investment and the rates used to discount these cash flows.

(d) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years. The Company provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

(e) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

(f) Called up share capital

Financial instruments issued are generally classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

HSBC Funding (UK) Holdings

Notes on the Financial Statements

2 Operating Profit

Operating profit is stated after the following items of income and expense:

	2017 US\$	2016 US\$
Interest income from other group undertakings	1,238	1,436
Interest expense to other group undertakings	(336)	(392)

3 Employee compensation and benefits

The Company has no employees and hence no staff costs (2016: nil).

4 Remuneration of Directors

No director received any fees or emoluments from the Company during the year (2016: nil). The Directors are employed by other companies within the HSBC Group and consider that their services to the Company are incidental to their other responsibilities within the HSBC Group.

5 Auditors' remuneration

Certain expenses including auditors' remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before tax. The auditors' remuneration borne on behalf of the company amounted to US\$2,465 (2016: US\$7,623).

There were no non-audit fees incurred during the year (2016: nil).

6 Tax

Tax expense

	2017 US\$	2016 US\$
Current tax		
UK Corporation tax		
- for this year	253	209
- adjustments in respect of prior years	-	(2,059)
- foreign exchange	-	5,709
Total tax charged to income statement	253	3,859

The UK corporation tax rate applying to the Company was 19.25% (2016: 20.00%).

HSBC Funding (UK) Holdings

Notes on the Financial Statements

Tax reconciliation

The tax charged to the income statement differs to the tax charge that would apply if all profits had been taxed at the UK Corporation tax rate as follows:

	2017	Percentage of overall profit before tax	2016	Percentage of overall profit before tax
	US\$	%	US\$	%
Profit before tax	902		1,044	
Tax at 19.25% (2016: 20.00%)	174	19.25	209	20.00
Adjustments in respect of prior years	79	8.76	(2,059)	(197.22)
Other	-	-	5,709	546.86
Total tax charged to income statement	253	28.01	3,859	369.64

In the UK Budget on 8 July 2015, the UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned. The rate reduction to 17% was enacted during the previous period in the Finance (No2) Act 2016.

7 Investment in subsidiaries

	Country of incorporation	Interest in equity capital %	Share class
HSBC City Funding Holdings	England and Wales	50.00	Ordinary £1
HSBC Lodge Funding (UK) Holdings	England and Wales	50.00	Ordinary £1

8 Trade and other payables

	2017 US\$	2016 US\$
Amounts owed to other group undertakings	143	69,311
Accrued Interest payable on amounts due to other group undertakings	-	17
	143	69,328

Amounts due to other group undertakings are unsecured and repayable on demand.

9 Called up share capital

	2017 US\$	2016 US\$
Issued, allotted and fully paid up 2 (2016: 2) Ordinary shares of £1 each As at 1 January and 31 December	3	3

The share capital denominated in Sterling has been translated into US dollars at the exchange rate ruling at the date of issue.

HSBC Funding (UK) Holdings

Notes on the Financial Statements

10 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost.

The following table analyses the carrying amount of financial assets and liabilities by category and by balance sheet heading.

	Financial assets and liabilities at amortised cost US\$	Total US\$
At 31 December 2017		
Assets		
Cash and cash equivalents	184,764	184,764
Total financial assets	184,764	184,764
Total non-financial assets		6
Total assets		184,770
Liabilities		
Trade and other payables	143	143
Total financial liabilities	143	143
Total non-financial liabilities		462
Total liabilities		605
	Financial assets and liabilities at amortised cost US\$	Total US\$
At 31 December 2016		
Assets		
Cash and cash equivalents	253,047	253,047
Total financial assets	253,047	253,047
Total non-financial assets		6
Total assets		253,053
Liabilities		
Trade and other payables	69,328	69,328
Total financial liabilities	69,328	69,328
Total non-financial liabilities		209
Total liabilities		69,537

11 Management of financial risk

All of the Company's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Company as a going concern.

a) Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Company fails to meet a payment obligation under a contract.

Within the overall framework of the HSBC Company policy, the Company has an established risk management process encompassing credit approvals, the control of exposures, credit policy direction to the business, and the monitoring and reporting of exposures.

The management of the Company is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to identify problem exposures in order to accelerate remedial action while building a portfolio of high quality risk assets. The Company's credit risk rating systems and processes differentiate exposures in order to highlight those with greater risk factors and higher potential severity of loss. Regular reviews are undertaken to assess and evaluate levels of risk concentration.

Maximum exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. No collateral is held.

HSBC Funding (UK) Holdings

Notes on the Financial Statements

b) Liquidity risk management

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.

The following is an analysis of assets and liabilities by remaining contractual maturities at the balance sheet date:

31 December 2017	On demand US\$	Undated US\$	Total US\$
Assets			
Cash and cash equivalents	184,764	-	184,764
Non-financial assets	-	6	6
Total as at 31 December 2017	184,764	6	184,770

31 December 2017	On demand US\$	Undated US\$	Total US\$
Liabilities and Equity			
Trade and other payables	143	-	143
Non-financial liabilities	-	462	462
Equity	-	184,165	184,165
Total as at 31 December 2017	143	184,627	184,770

31 December 2016	On demand US\$	Undated US\$	Total US\$
Assets			
Cash and cash equivalents	253,047	-	253,047
Non-financial assets	-	6	6
Total as at 31 December 2016	253,047	6	253,053

31 December 2016	On demand US\$	Undated US\$	Total US\$
Liabilities and Equity			
Trade and other payables	69,328	-	69,328
Non-financial liabilities	-	209	209
Equity	-	183,516	183,516
Total as at 31 December 2016	69,328	183,725	253,053

c) Market risk management

Market risk is the risk that movements in market factors including interest rates or foreign exchange rates will impact the Company's income.

Foreign currency sensitivity analysis

During 2017, the Company has not been exposed to foreign exchange risk (2016: nil).

HSBC Funding (UK) Holdings

Notes on the Financial Statements

Interest rate sensitivity analysis

Interest was charged on cash and cash equivalents held with other group undertakings at a variable rate of interest based on the Federal Reserve rate up until 15 June 2017. After this date, these balances are non-interest bearing.

Sensitivity analysis

The effect on future net interest income of an incremental 100 basis points parallel rise or fall in interest rates at the report date (floored to 0%) amounts to nil as no interest is charged on cash and cash equivalent from 15 June 2017 (2016: increase of US\$2,529 or a decrease of US\$2,436).

The analysis assumes all other variables remain constant. The analysis is performed on the same basis for 2016.

12 Related party transactions

Transactions detailed below include amounts due to/from other group undertakings

	2017 Highest balance during the year US\$	Balance at 31 December US\$	2016 Highest balance during the year US\$	Balance at 31 December US\$
Assets				
Cash and cash equivalents ¹	253,050	184,764	253,050	253,047
Liabilities				
Amounts owed to other group undertakings ²	69,678	143	69,328	69,328

¹These balances are held with HSBC Bank plc.

²These balances are held with subsidiaries of the Company.

	2017 US\$	2016 US\$
Income statement		
Interest income from other group undertakings	1,238	1,436
Interest expense from subsidiary undertakings	(336)	(392)

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

HSBC Funding (UK) Holdings

Notes on the Financial Statements

13 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. With effect from 2 January 2018, HSBC Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Investment Bank Holdings Limited. All companies are registered in England and Wales.

The results of the Company are included in the group financial statements of HSBC Holdings plc and with effect from 2 January 2018, will be included in the financial statements of HSBC Bank plc.

Copies of the group financial statements of HSBC Holdings plc and HSBC Bank plc may be obtained from:

HSBC Holdings plc
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

14 Contingent liabilities and contractual commitments and guarantees

There were no contingent liabilities as at 31 December 2017 (2016: nil).

15 Events after the balance sheet date

There are no significant events after the balance sheet date.