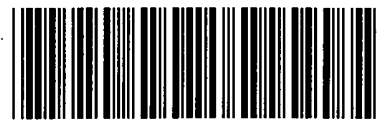


HSBC Funding (UK) Holdings
Registered No: 2566924

Financial Statements for the year ended 31 December 2015

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HSBC Funding (UK) Holdings

Registered No: 2566924

Financial Statements for the year ended 31 December 2015

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Principal activities

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

Review of the Entity's business

The business is funded principally by subsidiary undertakings through borrowing. The Entity has no employees. Services required are provided by fellow subsidiaries of HSBC Holdings Plc ("the HSBC Group"). The Entity's principal stakeholder is its parent Entity.

Performance

The Entity's results for the year under review are as detailed in the income statement shown on page 7 of these financial statements.

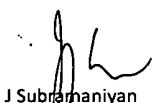
Key performance indicators

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

Principal risks and uncertainties

The principal financial risks and uncertainties facing the Entity are credit risk, market risk, liquidity risk and funding risk. These risks, the exposure to such risks and management of risk are set out in note 12 of the financial statements.

Signed on behalf of the Board



J Subramaniyan
Director

Date : 22 September 2016

8 Canada Square
London
E14 5HQ

Directors' Report

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
D J Cavanna		31 December 2015
J Subramaniyan		
R L H Bencard		
J R Kent		
G Owen-Conway		
M C Anderson	16 December 2015	

S E Long was appointed as a Director of the Entity on 15 March 2016. On 1 August 2016 R L H Bencard resigned as a Director of the Entity.

The Articles of Association of the Entity provides that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Entity 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 directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014: US\$Nil).

Significant events since the end of the financial year

Following the referendum on 23 June 2016, the UK took the decision to leave the European Union ('Brexit') at a date in the future to be agreed. The ultimate economic impact of Brexit is currently uncertain and will depend upon the outcome of negotiations between the UK government, the EU and non-EU countries. In the meantime this uncertainty is expected to result in market risk volatility in the short to medium term including sterling exchange rates and interest rates. As described in note 12, foreign exchange and interest rate risks are managed by the Entity in the ordinary course of business and so any increased volatility as a result of Brexit is not expected to have a material effect on the results and net assets of the Entity. Additionally, any general adverse consequences for credit risk at a UK or EU macroeconomic level that may arise as a consequence of Brexit is not expected to translate into a material increase in credit risk for the Entity given the nature of the Entity's transactions, its counterparties, and available security.

Future developments

No change in the Entity's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity 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 financial risks and uncertainties facing the Entity are set out in the Strategic Report.

Capital management

The Entity defines capital as total shareholders' equity. It is HSBC'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 Entity's approach to capital management during the year.

The Entity 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.

Disclosure of information to auditors

Each person who is a Director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Entity's auditors are unaware; and the 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 Entity's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Independent auditors

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries that took place in 2013, PricewaterhouseCoopers LLP has been appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on page 6, 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, in accordance with applicable law and regulations, a Strategic Report, a Directors' Report 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') and have elected to prepare the Entity's financial statements on the same basis.

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 Entity and of the profit or loss of the Entity for that period.

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

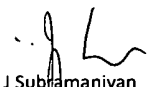
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the entity 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 Entity and enable them to ensure that its financial statements comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Entity and to prevent and detect fraud and other irregularities.

Signed on behalf of the Board



J Subramaniam
Director

Date: 22 September 2016

8 Canada Square
London
E14 5HQ

Report on the financial statements

Our opinion

In our opinion, HSBC Funding (UK) Holdings 's financial statements (the "financial statements"):

- give a true and fair view of the state of the Entity's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other Matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

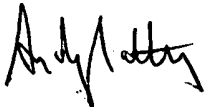
What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andrew Batty (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Date: 22 September 2016

HSBC Funding (UK) Holdings

Financial Statements

Income statement for the year ended 31 December 2015

	<i>Note</i>	2015 US\$	2014 US\$
Interest income		351	75
Interest expense		(122)	(49)
Net interest income		229	26
Operating profit	2	229	26
Profit before tax		229	26
Tax expense	5	(4,531)	(7,999)
Loss for the year		(4,302)	(7,973)

The notes on pages 11 to 24 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2015

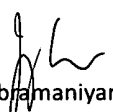
There has been no other comprehensive income or expense other than the loss for the current and prior years as shown above.

Statement of financial position as at 31 December 2015

	Note	31 December 2015 US\$	31 December 2014 US\$	31 December 2013 US\$
Assets				
Cash and cash equivalents held with parent undertakings		205,159	150,111	85,394
Current tax asset		36,581	39,335	50,096
Investments in subsidiary undertakings	7	6	6	6
Deferred tax asset	6	-	40,422	83,333
Total assets		241,746	229,874	218,829
Liabilities and equity				
Liabilities				
Other financial liabilities	8	55,415	39,241	20,223
Total liabilities		55,415	39,241	20,223
Equity				
Called up share capital	9	3	3	3
Retained earnings		186,328	190,630	198,603
Total equity		186,331	190,633	198,606
Total equity and liabilities		241,746	229,874	218,829

The notes on pages 11 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 September 2016 and were signed on its behalf by:


J Subramaniyan
Director

HSBC Funding (UK) Holdings

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2015

	2015 US\$	2014 US\$
Cash flows from operating activities		
Profit before tax	229	26
Adjustments for:		
- change in operating liabilities	-	1
- tax received	38,645	45,673
Net cash generated from operating activities	38,874	45,700
Cash flows from financing activities		
Repayments of borrowings	16,174	19,017
Net cash generated from financing activities	16,174	19,017
Net increase in cash and cash equivalents	55,048	64,717
Cash and cash equivalents brought forward	150,111	85,394
Cash and cash equivalents carried forward	205,159	150,111

The notes on pages 11 to 24 form an integral part of these financial statements.

HSBC Funding (UK) Holdings

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital US\$	Retained earnings US\$	Total equity US\$
2015			
At 1 January 2015	3	190,630	190,633
Loss for the year	-	(4,302)	(4,302)
Total comprehensive expense for the year	-	(4,302)	(4,302)
At 31 December 2015	3	186,328	186,331

	Called up share capital US\$	Retained earnings US\$	Total equity US\$
2014			
At 1 January 2014	3	198,603	(198,606)
Loss for the year	-	(7,973)	(7,973)
Total comprehensive expense for the year	-	(7,973)	(7,973)
At 31 December 2014	3	190,630	(190,633)

The notes on pages 11 to 24 form an integral part of these financial statements.

Equity is wholly attributable to ordinary shareholders.

1 Basis of preparation and significant accounting policies

(a) Compliance with International Financial Reporting Standards

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 ('IFRS IC').

The financial statements of the Entity have been prepared in accordance with the Companies Act 2006 and IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015 affecting these 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 the Entity. Accordingly, the Entity's financial statements for the year ended 31 December 2015 are prepared in accordance with IFRSs as issued by the IASB. These have been consistently applied to all years presented.

The Entity is exempt from the requirement to prepare group consolidated financial statements by virtue of Section 400 of the Companies Act 2006. The financial statements present information about the Entity as an individual undertaking.

Standards adopted during the year ended 31 December 2015

There were no new standards applied during the year ended 31 December 2015.

During 2015, the entity adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Entity.

(b) Future accounting developments

At 31 December 2015, a number of standards and amendments to standards had been issued by the IASB which are not effective for the Entity's financial statements as at 31 December 2015. None of these are expected to have a significant effect on the results of net assets of the Entity when adopted.

(c) Changes to the presentation of the Financial Statements and Notes on the Financial Statements

The Entity has changed its statement of financial position from the current/non current basis to the liquidity basis of presentation in order to adopt the presentation format of its parent undertaking HSBC Bank plc and thereby make the financial statements and notes thereon easier to understand. For this year of transition, the statement of financial position includes prior year comparatives.

In addition to the above, the Entity has changed the location and the wording used to describe certain accounting policies within the notes.

In applying materiality to financial statement disclosures, we consider both the amount and nature of each item. The main changes to the presentation of the financial statements and notes thereon in 2015 are as follows:

- Note 2 Summary of significant accounting policies: accounting policies have been placed, whenever possible, within the relevant Notes on the financial statements, and the changes in wording are intended to more clearly set out the accounting policies. These changes in the wording do not represent changes in accounting policies.

1 Basis of preparation and significant accounting policies (continued)

(d) General information

HSBC Funding (UK) Holdings is a company domiciled and incorporated in England and Wales.

(e) Presentation of information and basis of measurement

The functional currency of the Entity is US Dollars, which is also the presentational currency of the financial statements of the Entity.

The financial statements are prepared on the historical cost basis.

(f) 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, 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 2015 Financial Statements.

There are no accounting policies which contain critical estimates and judgements in terms of materiality of the items to which the policies are applied, the high degree of judgement involved and the estimation uncertainty involved.

(g) Going concern

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

(h) Foreign exchange

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Any foreign exchange component of a gain or loss on a non-monetary item is recognised either in other comprehensive income or in the income statement depending where the gain or loss on the underlying non-monetary item is recognised.

(i) Impairment of available-for-sale financial assets

Available-for-sale financial assets are assessed at each balance sheet date for objective evidence of impairment. If such evidence exists as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event has an impact, which can be reliably measured, on the estimated future cash flows of the financial asset an impairment loss is recognised.

(j) Financial assets and liabilities

(i) Receivables

Receivables include amounts originated by the Entity which are not classified either as held for trading or designated at fair value. Receivables are recognised when cash is advanced to a borrower. They are derecognised when either the borrower repays its obligations, or the receivables are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

(ii) Cash and cash equivalents

For the purpose of the cash flow statement, 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, and include cash.

(k) Share Capital

Shares are 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 recognised in equity as a deduction from proceeds, net of tax.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are paid.

(l) Operating income

Interest income and expense

Interest income and expense for all financial instruments except for 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 rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

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

Dividend income is recognised when the right to receive a payment is established. This is usually the date when the shareholders have approved the dividend for unlisted equity.

The Entity has no employees and hence no staff costs (2014:US\$Nil).

Notes on the Financial Statements (continued)

2 Operating Profit

Operating profit is stated after the following items of income, expense, gains and losses, and loan impairment charges and other credit risk provisions:

	2015 US\$	2014 US\$
Income		
Interest income from group undertakings	351	75
Expense		
Interest expense from subsidiary undertakings	122	49

3 Remuneration of Directors

The Directors made no charge for their services (2014: US\$Nil) and the services were deemed to be provided to the entity as a part of their services to HSBC Bank plc.

4 Auditors' remuneration

Certain expenses including auditor's remuneration have been borne by a fellow group undertaking and are therefore not charged in arriving at the profit before taxation. The auditors' remuneration borne on behalf of the entity amounted to US\$7,795 (2014:US\$8,397). There were no non-audit fees incurred during the year (2014:US\$Nil).

5 Tax expenses /(credit)

Accounting policy

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 it 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, calculated using tax rates enacted or substantively enacted by the statement of financial position, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the entity intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the entity has a legal right to offset.

Notes on the Financial Statements (continued)

Tax charged to the income statement

	2015 US\$	2014 US\$
Current tax		
UK Corporation tax		
- for this year	(38,640)	(39,626)
- adjustments in respect of prior years	2,749	4,714
Total current tax	(35,891)	(34,912)
Deferred tax		
Origination and reversal of temporary differences	40,422	42,911
Total deferred tax	40,422	42,911
Total tax charged to income statement	4,531	7,999

The UK corporation tax rate applying to the Entity was 20.25% (2014:21.5%).

Tax reconciliation

The following table reconciles the tax charge which would apply if all profits had been taxed at the UK Corporation tax rate:

	2015 US\$	Percentage of overall profit before tax %	2014 US\$	Percentage of overall profit before tax %
Profit before tax	229		26	
Tax at 20.25%(2014: 21.5%)	46	20.2	7,999	30,767.6
Adjustments in respect of prior period liabilities	4,485	1,958.5	-	-
Total tax charged to income statement	4,531	1,978.8	7,999	30,767.6

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2017 will reduce from 20% to 19% followed by a further 1% reduction to 18% for the year beginning 1 April 2020. These reductions in the corporation tax rate were enacted in the Finance (No 2) Act 2015.

The March 2016 Budget announced further changes to the UK corporation rate which will reduce the main rate of corporation tax to 17% from 1 April 2020. As this change has not been substantively enacted at the reporting date, its effect has not been included in these financial statements.

It is not expected that the future rate reduction will have a significant effect to the Entity.

Notes on the Financial Statements (continued)

6 Deferred tax asset

The following table shows the gross deferred tax asset recognised in the statement of financial position and the related amounts recognised in the Income Statement:

	Other temporary differences US\$	Total US\$
At 1 January 2015	40,422	40,422
Income statement credit	(40,422)	(40,422)
At 31 December 2015	-	-

	Other temporary differences US\$	Total US\$
At 1 January 2014	83,333	83,333
Income statement credit	(42,911)	(42,911)
At 31 December 2014	40,422	40,422

A deferred tax asset of US\$598,950 was recognised directly in equity as an adjustment in respect of the initial adoption of IAS 39 at 1 January 2005. Under UK tax legislation the current tax consequences of that adjustment crystallise over a 10 year period commencing 1 January 2006 and results in a corresponding reversal of deferred tax over the same period. The current year credit represents the reversal of the remaining deferred tax balance.

During the year ended 31 December 2007, capital losses of US\$183 million were generated on the redemption of investments. A further US\$8.8 million of losses were generated during 2008, US\$97.5 million in 2010 and US\$12.6 million in 2012. The losses are utilised against capital gains within the wider HSBC Group to obtain relief for the sterling equivalent when arising. At 31 December 2015, an estimated US\$ 89.1 million of losses remained (2014: US\$ 99.0 million). The losses have been translated to US\$ using year end rates and are equivalent to GBP 60.1 million. No deferred tax asset has been created, however, as there is no certainty that the group will be able to utilise the losses.

Other temporary differences arise from leasing transactions and relate principally to accelerated capital allowances and depreciation.

Notes on the Financial Statements (continued)

7 Investment in subsidiary undertakings

Accounting policy

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

The Entity's investments in subsidiaries are stated at cost less impairment losses. Impairment losses recognised in prior periods are reversed through the income statement if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

	Country of incorporation	Direct Interest in Equity Capital	Share Class
HSBC City Funding Holdings	England and Wales	50%	Ordinary 1
HSBC Lodge Funding (UK) Holdings	England and Wales	50%	Ordinary 1

8 Other financial liabilities

	2015 US\$	2014 US\$
Accrued interest on amount owed to group undertakings	1	1
Amounts owed to other group undertakings	55,414	39,240
	<u>55,415</u>	<u>39,241</u>

Amount owed to group undertakings carries accrued interest of US\$ 1 (2014: US\$ 1) which is payable quarterly at a floating rate with reference to 3 month USD LIBOR.

9 Called up share capital

Accounting policy

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.

	2015 US\$	2014 US\$
Authorised :		
2 Ordinary shares (2014: 2) of US\$3 each		
As at 1 January and 31 December	<u>3</u>	<u>3</u>
Issued, allotted and fully paid up		
2 Ordinary shares (2014 : 2) of US\$3 each		
As at 1 January and 31 December	<u>3</u>	<u>3</u>

10 Contingent liabilities and contractual commitments and guarantees

There were no contingent liabilities as at 31 December 2015 (2014: US\$ Nil).

11 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 at amortised cost.

The following table analyses the carrying amount of financial assets and liability by category as defined in IAS 39 and by balance sheet heading:

At 31 December 2015	Financial assets and liabilities at amortised cost US\$	Total US\$
Assets		
Cash and cash equivalents	205,159	205,159
Total financial assets	205,159	205,159
Total non financial assets		36,587
Total assets		241,746
Liabilities		
Other financial liabilities	55,415	55,415
Total financial liabilities	55,415	55,415
Total liabilities		55,415

At 31 December 2014	Financial assets and liabilities at amortised cost US\$	Total US\$
Assets		
Cash and cash equivalents	150,111	150,111
Total financial assets	150,111	150,111
Total non financial assets		79,763
Total assets		229,874
Liabilities		
Other financial liabilities	39,241	39,241
Total financial liabilities	39,241	39,241
Total liabilities		39,241

12 Management of financial risk

All of the Entity'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 Entity as a going concern.

a) Credit risk management

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

Within the overall framework of the HSBC Entity policy, the Entity 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 Entity 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 Entity'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.

I. 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.

	Neither past due nor impaired				Past due not impaired £'000	Impaired	Impairment Allowances	Total
	Medium							
	Strong US\$	Good US\$	Satisfactory US\$	Sub-Standard US\$				
At 31 December 2015								
Cash and cash equivalents	-	205,159	-	-	-	-	-	205,159
At 31 December 2014								
Cash and cash equivalents	-	150,111	-	-	-	-	-	150,111

Notes on the Financial Statements (continued)

13 Management of financial risk (continued)

b) Liquidity risk management

Liquidity risk is the risk that the Entity does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost.

The Entity monitors its cash flow requirements on a monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Entity will borrow funds as and when required from other group undertakings.

The Business manages liquidity risk for the entity as described above for risks generally.

The Entity's assets net of deferred tax, are funded principally by borrowings from another group undertaking, which acts as a treasury function providing funds as required. This funding has no fixed repayment date and therefore is technically repayable on demand.

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

31 December 2015	On demand US\$	Due within 3 months US\$	Due between 3-12 months US\$	Due between 1-5 years US\$	Due after 5 years US\$	Undated US\$	Total US\$
Assets							
Cash and cash equivalents	205,159	-	-	-	-	-	205,159
Non-financial assets	-	-	-	-	-	36,587	36,587
Total as at 31 December 2015	205,159	-	-	-	-	36,587	241,746

31 December 2015	On demand US\$	Due within 3 months US\$	Due between 3-12 months US\$	Due between 1-5 years US\$	Due after 5 years US\$	Undated US\$	Total US\$
Liabilities and Equity							
Other financial liabilities	55,415	-	-	-	-	-	55,415
Equity	-	-	-	-	-	186,331	186,331
Total as at 31 December 2015	55,415	-	-	-	-	186,331	241,746

HSBC Funding (UK) Holdings

Notes on the Financial Statements (continued)

13 Management of financial risk (continued)

31 December 2014	On demand US\$	Due within 3 months US\$	Due between 3-12 months US\$	Due between 1-5 years US\$	Due after 5 years US\$	Undated US\$	Total US\$
Assets							
Cash and cash equivalents	150,111	-	-	-	-	-	150,111
Non financial assets	-	-	-	-	-	79,763	79,763
Total as at 31 December 2014	150,111	-	-	-	-	79,763	229,874

31 December 2014	On demand US\$	Due within 3 months US\$	Due between 3-12 months US\$	Due between 1-5 years US\$	Due after 5 years US\$	Undated US\$	Total US\$
Liabilities and Equity							
Other financial liabilities	39,241	-	-	-	-	-	39,241
Equity	-	-	-	-	-	190,633	190,633
Total as at 31 December 2014	39,241	-	-	-	-	190,633	229,874

c) Market risk management

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates .

Foreign exchange risk

During 2015, the Entity has not been exposed to foreign exchange risk. (2014: US\$Nil).

Interest rate risk

Interest is charged on amounts due from parent undertakings at a variable rate of interest based on the Federal Reserve rate.

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 an increase of US\$2,051 (2014:US\$ 1,501) or a decrease of US\$1,062 (2014: US\$135).

The analysis assumes all other variables remain constant. The analysis is performed on same basis for 2014.

Notes on the Financial Statements (continued)

14 Related party transactions

Transactions with other related parties.

Transactions detailed below include amounts due to /from HSBC Bank plc.

	2015		2014	
	Highest balance	Balance at 31	Highest balance	Balance at 31
	during the year	December	during the year	December
	£'000	£'000	£'000	£'000
Assets				
Cash and cash equivalents	205,159	205,159	150,111	150,111
Liabilities				
Other financial liabilities	55,415	55,415	39,241	39,241

The disclosure of the year-end balance and the highest balance during the year is considered the most meaningful information to represent transactions during the year.

	2015	2014
	£'000	£'000
Income statement		
Interest income	351	75
Interest expense	(122)	(49)

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.

15 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. HSBC Bank plc is the parent undertaking of the smallest group to consolidate these financial statements.

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

Copies of HSBC Holdings plc and HSBC Bank plc consolidated financial statements can be obtained from:

8 Canada Square
London
E14 5HQ
www.hsbc.com

16 Events after the balance sheet date

There are no significant events after the balance sheet date.

17 Capital management

The Entity defines capital as total shareholders' equity. It is HSBC'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 Entity's approach to capital management during the year.

The Entity 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.