C. Hoare & Co.

Annual Report and
Consolidated Financial Statements
Year Ended 31 March 2015

Company Number: 240822

C. HOARE & CO.
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015

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CHAIRMAN'S FOREWORD

I am pleased to report another good year in our business and would like to thank our customers and staff for their contribution

Once again, balances on deposit, amounts lent and investments under discretionary management all increased during the year and reached record levels Whilst these led to record levels of income, costs also increased significantly As in previous years this has been driven, in part, by the need to adapt to new regulations We are also investing significantly in new technology, with our paperless customer record system going live as I write and a mobile "app" under construction

Overall profits again benefited from pension accounting rules Adjusting for this, profits were slightly lower than those of the previous year Performance on bad debts was once again exceptionally good, with a net reduction in provisions Details are in the strategic report

The bank's regulatory capital base increased by £28 4m to £249 1m and the bank remains liquid with less than 50 per cent of customers' deposits lent The bank's Core Equity Tier 1 capital ratio reduced to 19 17%, reflecting the increase in size of the balance sheet

We continue to build our capital resources by retaining most of the profits we make from the business and we remain comfortably ahead of regulatory requirements The bank has had no need to seek external capital and the Board intends this to continue

The bank once again won a number of awards, but knows it must not be complacent We undertook another customer survey in November to identify areas for improvement in our customer service

The Hoare family remain sole shareholders and were joined by an eighth family member, Alexander R Q Hoare, in July 2014 With unlimited liability, the shareholders are still, as ever, closely involved in the strategy and risk management of the bank, as well as playing key roles in the day-to-day running of it

In December our longest serving Partner, Henry Cadogan Hoare, retired from the Board after 55 years as a director He continues to be a Partner and to work in the bank, and the other Partners, Board and executive management warmly welcome his wisdom and experience

There were two other changes to the Board's non-executive directors during the year Charles Pink stepped down and Andrew Fisher joined The Board is grateful to Charles for his contribution and welcomes Andrew, who brings a wide knowledge of the wealth management industry

I am grateful for the high commitment of the Board and for their hard work in support of the bank's excellence We strive constantly to improve our corporate governance and in this, as in all aspects of performance, want to be the best

In short, the bank remains strong and true to its values, always looking for ways of improving its service to customers while navigating a demanding regulatory environment

Lord Wilson of Dinton
Chairman

STRATEGIC REPORT

The directors present their Strategic Report on the C Hoare & Co group for the year ended 31 March 2015.

1. Review of Business: Market context

The unprecedentedly low interest rate environment continued throughout the year, with the Bank of England base rate remaining at 0 5% and money market rates similarly low, and little certainty about when rates may begin to rise Borrowers also benefited from some of the lowest mortgage rates ever seen And, while inflation began to show signs of increasing, falling oil prices acted as a counterbalance UK house prices continued to rise, although the growth in London appears to have slowed in recent months The run up to the UK general election in May added additional uncertainty to the UK economic outlook, particularly with respect to taxes and the property market

Outside the UK negative interest rates were introduced in the Eurozone, Switzerland, Sweden and Denmark and the Eurozone is still wrestling with the Greek economy Further afield, the situation in Ukraine remains unresolved, as does the situation in the Middle East

The post-crisis regulatory change agenda continues changes prompted by the UK's Mortgage Market Review were implemented at the start of the year, and the European Mortgage Credit Directive is due to be implemented in March 2016, just two examples of the ongoing changes affecting the industry, requiring management focus and investment in staff and systems. There have also been some signs of a tightening in lending processes across the industry, as a consequence of the Mortgage Market Review, indicating that regulation may be affecting some business models

"Challenger" banks became more prominent in the year and technology companies encroached further into the banking sector, including the launch of Apple Pay in the US, which is expected to migrate to other countries in time

2. Review of Business: the bank

Customer deposits, lending and discretionary funds under management all increased during the year, to £3bn, £1 2bn and £2bn respectively

Income exceeded £100m for the first time, while costs also grew significantly to £72m Most of this cost increase was driven by significant investment in people and systems during the year, in part in response to new regulations and, as a consequence, profits before tax decreased by £0 5m to £29 7m As in the previous year, accounting standards led to a material amount of pension finance income being recognised from the defined benefit pension scheme, which at £2 3m versus £1 5m in the previous year increased profits by £0 8m Adjusting for this effect, profits before tax were £1 3m lower than last year

This pension finance income is an allocation of the year on year movement in the scheme's deficit to the Profit and Loss, rather than a true trading result (see Note 3 for more detail) and the effect will cease following the introduction of FRS 102 in the new financial year.

Customer deposit balances grew by 19% to £3,014m We recognise deposit levels may be somewhat above the level implied by the longer term trend, and are conscious of the risk that some deposits may leave us in search of higher yields, should confidence return Our stated policy remains, as always, not to compete on price we aim to pay a fair rate to our depositors, consistent with the low risk nature of the bank's balance sheet and our focus on customer service

STRATEGIC REPORT (CONTINUED)

Customer lending grew by 7% to £1,162m and equated to 39% of deposits at year-end, which is well within the Board's risk appetite We continue to see a good pipeline of new loans, with consistent credit criteria and pricing, and remain willing lenders to the right customers

The bank's money market book increased by 27% to £2,085m At the year end, the bank held the equivalent of 16% of customers' deposits at the Bank of England, £200m in gilts and a further £323m of assets capable of repo with the Bank of England When placing funds with other banks we continue to prefer lower risk over higher return accepting that low market rates and a shortage of appropriate counterparties will lower the yield from the money market book

The average net interest margin for the year was 2 23%, down 0 28% from the previous year The main reasons for this reduction were lower money market yields and the money market book being a much higher proportion of the bank's assets, which reduced the average yield from the bank's assets Net interest income rose by 4 5% to £63 1m

The wealth management business continued its strong growth trajectory and remains a strategic growth area for the bank funds under management increased by 29% to £2,010m, of which £294m was net new funds from new or existing customers Fees from this business grew by 19% and now account for 17% of overall income We are pleased to welcome more customers to the bank who have been attracted by the range of services we offer

The aggregate income from the bank's fee generating businesses (wealth management, foreign exchange, cash administration and the advisory business) grew by 12 6% to £22 4m

Overall, income (excluding investment income and gains and pension financing income) grew by 7 8% to £98 1m, while costs (excluding bad debts) grew by 14 4% to £71 5m

Cost growth during the year was exceptional and principally due to increasing headcount and project expenditure, much of which is in response to new regulatory obligations, including the cost of adapting systems and processes to these, higher legal and related costs, reflecting the environment we are operating within, increasing headcount to match business growth, and investment in technology to improve efficiency and service to the customer These trends are consistent with industry peers and we are expecting further cost increases for these reasons in future

Excluding performance-related pay, underlying operating expenses increased by 16 8% over the prior year Staff costs comprise 61% of the bank's cost base and, excluding bonus payments, these increased by 13 9%

Excluding the impact of bad debts, investments and pension financing income, the bank's cost to income ratio increased from 68 9% to 72 9%

The bank's bad debt experience was excellent barring write-offs of previously provided items, new specific provisions were extremely low at £0 8m, including accruing interest on provided for loans, and recoveries of £1 0m were made on previously provided items The overall result was a net credit of £0 7m to the profit and loss account during the year No material loans were impaired during the year

The legacy investment portfolio continues to wind down and was valued at £1 0m, a slight reduction of £0 2m from the previous year The bank recognised £0.1m of income from these assets.

The bank's defined benefit pension scheme ("the Scheme") was closed to future accrual in 2007 and by March 2008 the Scheme was fully funded on an FRS 17 basis Subsequent economic events took their toll on the Scheme's investments, which prompted the Board to recommence contributions to the Scheme These contributions continued in line with recovery plans agreed with the Trustee in March 2011 and subsequently in November 2013, following the triennial review in each case The details of the contributions required under these plans are set out in Note 3 to the Financial Statements Aside from the effect of the contributions made during the year, the Scheme's deficit decreased by £6 5m to £0 3m, as performance of the Scheme's assets exceeded the increase in its liabilities

STRATEGIC REPORT (CONTINUED)

Total shareholders' funds increased by £28 8m (13 1%) during the year, primarily as a result of retained profits, revaluation gains on available-for-sale financial assets and the decrease in the defined benefit pension scheme deficit

The bank was again grateful to receive a number of awards during the year including two Citywealth Magic Circle Awards Private Bank of the Year – Wealth Managers and Private Banking/Investment Manager of the Year, STEP Private Client Awards 2014/15 – Private Banking Team of the Year, WealthBriefing European Awards – Highly Commended – UK based private bank, domestic clients team, Global Private Banking Awards 2014 – Highly Commended – Best Private Banking Boutique, Portfolio Adviser Wealth Manager Awards – Gold for the performance of our cautious model portfolio

The Board maintains a strong philanthropic culture within the bank One of the bank's key non-financial performance indicators is the proportion of staff who share the bank's values and donate to charity through the bank's "Give as You Earn" scheme Under this scheme, the bank's charitable trust ("The Golden Bottle Trust") double matches staff donations, thereby tripling their value. As at 31 March 2015, 55% of staff chose to give in this way *(2014 51%)* The bank also encourages staff to give up some of their own time to charitable causes by matching the time taken with paid leave, up to a maximum of two days each year We also offer the Master Charitable Trust for philanthropic customers who wish to make charitable donations for investment, this continued to attract new monies during the year

3. *Performance*

The Board and management continuously assess the performance of the business, including by monitoring a range of key performance indicators, such as the capital ratio, net interest margin, cost and income growth rates, cost to income ratio, return on capital, and liquidity position, as well as non financial measures, such as headcount, customer take-on rate and profile, and risk related measures, via the risk management framework and risk register Where relevant, these indicators have been included within the text of this Strategic Report or within the Directors' Report

4. Future Developments

The four main industry themes outlined last year continue to be those which the Board considers will affect the bank and retail banking industry over the coming years These are the economic outlook, in particular for UK interest rates, the continuing pipeline of regulatory change, including its effect on staff costs and systems investment, new entrants to the banking industry, and the evolution of technology and its impact on the bank and customers

In the UK, the outcome of the general election has provided some clarity over the outlook for the economy and interest rates, however, continued low inflation, mainly due to the fall in oil prices, the economic outlook for Europe, given that the situation in Greece is still unresolved, ongoing unrest in various parts of the world and the apparent economic slowdown in China, all add additional uncertainty to the economic outlook

The pipeline of regulatory change remains high, as politicians and regulators continue to implement changes prompted by the financial crisis We expect further change from Basel, Europe, the UK government and regulators To date the impact of these has mainly led to an increase in the bank's cost base

The year saw more challenger banks enter the market and we understand there are more to come We also saw the introduction of new payment technologies We expect these to take an increasing share of transaction activity over the coming years. Mobile banking "apps" are becoming ubiquitous and the bank is on track to launch an "app" in the coming year

Whilst embracing these themes, the bank continues to focus on conducting business in a manner consistent with its long held core values prioritising customer service and safety, while ensuring that sufficient profits are retained to maintain a capital base at least in line with expected future requirements

STRATEGIC REPORT (CONTINUED)

5. Principal Risks and Uncertainties

Principal risks are monitored by reference to leading indicators, which are designed to highlight potential problem areas well in advance The principal risks faced by the bank are

a) Credit Risk

It is the bank's policy to lend to customers against security Unsecured lending is only entered into where, in the Board's view, the customer's circumstances make it prudent to do so

It is the policy of the bank to lend to a restricted list of other financial institutions with the main criteria for selection being the stability and reputation of the institution

All lending is undertaken within limits, which are regularly reviewed by either the Asset and Liability Committee ("ALCO"), for financial institutions, or the Credit Policy Committee, for customers, and approved by the Board

b) Liquidity Risk

Liquidity risk is managed each day by the bank's Treasury department under the supervision of the ALCO The bank has well established liquidity management criteria which include, for example, limits on the percentage of customer deposits which may be lent or which may be held in other asset classes The bank is supervised by the Prudential Regulatory Authority ("PRA") on the same basis as other major UK financial institutions The PRA's approach to liquidity management takes account of the underlying characteristics of the deposit base and establishes bank specific liquidity requirements along similar lines to those used to set capital requirements

c) Interest Rate Risk

The interest rate risk arising from the mismatch between the bank's lending and deposit rates is actively managed For the majority of the bank's loans and advances to customers, rates are linked to the C Hoare & Co base rate Interest rate margins are closely monitored and evaluated The exposure to interest rate changes and sensitivity is regularly reported to and reviewed by the ALCO, which manages the overall exposure within an agreed limit

d) Operational Risk

Operational risks are the direct or indirect impact arising from people, inadequate or failed internal processes and systems or external events. Such risks are identified, assessed and monitored in the bank's operational risk register, which is reviewed regularly by management, the Executive Group, the Risk and Compliance Committee, and the Board The bank recognises that operational risk is inherent in all its products, activities, processes and systems and seeks to manage risks to an acceptable level that reduces the frequency and impact of operational losses in a cost effective way

The key operational risks that the bank faces relate to legal and regulatory change, compliance (including conduct risk), fraud and information security, IT systems and business continuity The Board is also conscious of the risks inherent in the growing investment management and advisory business

e) Foreign Currency Risk

Foreign currency balances are driven by the requirements of the bank's customers In order to limit the bank's exposure to exchange rate risks, limits are placed on the bank's foreign exchange dealers for intraday and end of day positions Liabilities are in respect of deposits from customers Assets are in respect of loans and advances to customers, balances with other banks and some foreign currency denominated investments

STRATEGIC REPORT (CONTINUED)

5. Principal Risks and Uncertainties (Continued)

e) Foreign Currency Risk (continued)

The foreign exchange dealers have authority to deal in forward foreign exchange contracts within specified limits, either to meet or match customers' requirements or to trade on the bank's behalf The resulting positions are independently monitored and are reported regularly on a currency by currency basis to the ALCO

f) Derivatives

The bank does not deal in derivatives on its own account, other than to manage its exposure to fluctuations in interest or foreign exchange rates It uses interest rate swaps to hedge fixed rate loans or investments, including currency swaps if the asset is denominated in a foreign currency, and forward foreign exchange contracts to hedge foreign exchange exposures The bank may accept instructions to deal on behalf of a customer, on an execution only basis

As part of its responsibilities, the ALCO approves the use of specified derivative instruments within agreed limits and business activities

g) Dealing Profits

Consistent with the articles of the Capital Requirements Regulation, it is the bank's general policy not to operate any significant trading (i e non banking) positions During the normal course of business the bank will undertake foreign exchange dealing, income from which is included in dealing profits (Note 4)

h) Reputational risk

The bank's standing in the eyes of its customers, counterparties, employees and the general public is of critical importance to the Board It is the Board's view that reputational risk arises as a consequence of other types of risk, and as such potential reputational impact is considered when any risk is assessed

Detailed disclosures on credit risk, liquidity risk, interest rate risk, foreign exchange risk and operational risk and the use of derivatives are set out in Notes 11 and 31 in accordance with FRS 29 'Financial Instruments Disclosures'

By Order of the Board

25 June 2015

D Green
Company Secretary
C Hoare & Co
37 Fleet Street
London
EC4P 4DQ
Registration number 240822

DIRECTORS' REPORT

The Directors of C Hoare & Co ("the Company" or "the Bank") present their Annual Report and audited Consolidated Financial Statements of the Company and its subsidiaries, Messrs Hoare Trustees, Mitre Court Property Holding Company, Hoares Bank Nominees Limited, Hoare's Bank Pension Trustees Limited and C Hoare & Co EIG Management Limited ("the Group"), for the year ended 31 March 2015

The Financial Statements were approved by the Board on 18 June 2015

1. Principal Activities

C Hoare & Co is an unlimited company with a share capital which is incorporated and domiciled in the United Kingdom The Bank's principal activity, together with its subsidiaries, is the provision of a wide range of banking, investment management and financial advice services to a predominantly high net worth customer base

2. Results and Dividends

The financial results for the year are set out in the profit and loss account on page 15

Retained profits for the year of £23 2m *(2014 £23 8m)* will be used to strengthen reserves and support future growth

The Board recommends an ordinary share dividend for the year of £50 per share *(2014 £50)*, resulting in a total of £6,000 payable on 23 July 2015

3. Risk Management and Governance

The Bank's and Group's business is stable and concentrates on the supply of banking, investment management, financial, tax and estate planning services to generations of customers Regular patterns of income and expenditure emerge and are well understood by the Bank This stability enables the Board and management to monitor risks closely and to detect and manage any emerging changes at an early stage

Risk management framework

The Board has ultimate responsibility for the management of risk within the Bank It discharges this responsibility with the help of the Bank's risk management framework, which describes the strategy, governance and protocol in place for the management of risk The framework has eight elements and is based upon principles established by the Bank's regulators

- The Board sets the Bank's strategy and defines risk appetite and risk management strategy
- Roles and responsibilities are defined
- Risk training is undertaken and awareness raised, including common language and definitions
- Risks are identified, measured, monitored and reported on
- Policies and procedures are in place to control and mitigate identified risks, and business continuity planning is undertaken
- Scenario analysis and stress testing is performed, including reverse stress tests and recovery and resolution planning
- Capital adequacy and liquidity risk are assessed
- Regular independent audits and reviews are undertaken

DIRECTORS' REPORT (CONTINUED)

Governance structure

The Group's governance structure assigns these roles and responsibilities to a number of committees focused on managing the principal risks faced by the Bank These committees are described below

The Board has two sub-committees related to remuneration and nominations

- The Remuneration Committee, which is responsible for setting the over-arching principles, parameters and governance of remuneration policy across the Bank and for approving the remuneration arrangements of the Partners, Executive Group and other senior employees across the Bank The committee members are two non-executive directors, two partners and the Bank's chairman It meets at least twice each year

- The Nominations Committee, which is responsible for ensuring there is a formal, rigorous and transparent procedure for appointing new directors to the board The committee members are two non-executive directors, two partners and the Bank's chairman It meets when necessary

These committees were combined into a single committee on 1 April 2015

The following committees are in addition to those above and may be grouped using the three lines of defence model, which is part of the risk management framework and helps to clarify roles and responsibilities

First line of defence

The first line of defence has direct responsibility for strategy, management and control of risk Its principal committees are

- The Executive Group, which consists of the Chief Executive, Deputy Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and two Heads of Department The main responsibilities of the Executive Group include formulating a strategy for the Bank, developing new business, creating the organisational structure, managing the day-to-day business of the Bank, monitoring financial performance and other operational matters The group meets weekly

- The Asset and Liability Committee ("ALCO"), which is responsible for overseeing the Bank's assets and liabilities and managing liquidity, in a formal and co-ordinated manner Membership of the ALCO comprises several Partners, Directors and a number of the Bank's senior managers under the Chairmanship of Miss V E Hoare The ALCO meets monthly

- The Credit Policy Committee, which oversees customer pricing, security and overall exposure guidelines and sets customer lending parameters for approval by the Board This committee meets monthly and is chaired by an experienced member of the Bank's management, with participation of up to five Partners

Second line of defence

The second line of defence co-ordinates, facilitates and oversees the effectiveness and integrity of the risk management framework It is overseen by the Risk and Compliance Committee, which is a sub-committee of the Board and oversees the implementation of the Bank's risk management framework and its compliance obligations The main purposes of the committee are to advise the Executive Group and the Board on risk management, to embed a culture of risk awareness and control consciousness within the Bank, and to ensure the Bank's compliance with the legal and regulatory framework governing the activities of the Bank and its associated businesses The committee meets six times per year and during the year was chaired by Mr C J S Pink (resigned 31 March 2015) The members are Miss A S Hoare, Mr A S Hoare, Mr I R Peacock (appointed chair from April 2015), Mrs L C Powers-Freeling, Mr A C Fisher (appointed 1 January 2015) and the Chief Risk Officer The Chief Executive, Head of Compliance and Risk and a member of the Executive Group also attend each meeting and other parties attend when relevant

DIRECTORS' REPORT (CONTINUED)

Third line of defence

The third line of defence provides independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the risk management framework It is overseen by the Audit Committee whose purpose is to review the effectiveness and provide independent oversight of the Bank's systems of internal controls and its financial reporting processes This is achieved through the supervision of the quality, independence and effectiveness of the control functions The Board has also requested that the committee ensures the Bank respects all relevant legislation and that the Internal Audit department and associated functions are properly managed The members of the committee are Sir David Hoare Bt, Miss A S Hoare, Mr I R Peacock (who chaired the committee throughout the year),Mrs L C Powers-Freeling (appointed chair from April 2015) and Mr A C Fisher (appointed 1 January 2015) Mr C J S Pink was a member until his resignation on 31 March 2015 The committee meets six times per year It receives reports from the external auditors, reviews the annual Financial Statements and receives regular reports from the Internal Audit department

4. Capital Management

The Bank is regulated by the PRA and the FCA and regularly reports its capital adequacy position to both regulators The Bank follows the Standardised Approaches to Credit Risk and Operational Risk under the Capital Requirements Regulation and Directive (together "CRD IV") CRD IV implemented the provisions of Basel III within Europe, it was issued in 2013 and took effect from 1 January 2014

Under CRD IV, the Bank's regulatory capital is analysed into two tiers

- Core Equity Tier 1 capital, which includes the share capital, reserve fund, audited retained profits and losses from previous years, property, investment property, heritage asset and available-for-sale revaluation reserves, plus any regulatory adjustments
- Tier 2 capital, which comprises the Bank's collective allowance for impairment

The Bank does not have any Tier 1 capital that is not Core Equity Tier 1 capital

Various limits are applied to elements of the Bank's regulatory capital Currently, the Bank is not constrained by any of these limits

For purposes of its credit risk capital requirements, risk-weighted assets are determined according to criteria established under the Standardised Approach within CRD IV, which reflects varying levels of risk attached to assets and off-balance sheet exposures

In accordance with the PRA's requirements, the Bank's available capital resources (i e regulatory capital) are measured against its capital resources requirement, as defined under Pillar 1 of CRD IV, and an Individual Capital Guidance requirement ("ICG"), set periodically by the PRA The ICG incorporates the requirements of Pillar 2 of CRD IV and was last set in April 2015

The Bank's capital adequacy and capital resources are managed and monitored in accordance with the regulatory capital requirements of CRD IV and the PRA The Bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements The Bank has put in place processes and controls to monitor and manage capital adequacy and no breaches were reported to the PRA during the year

The Bank's policy is to have a strong capital base to provide resilience, maintain customer, creditor and market confidence, and to sustain future development of the business There have been no material changes to the Bank's management of capital during the year The primary source of new capital for the Bank is retained profits The Board is conscious of the need for retained profits to be sufficient to grow capital in line with business growth and to meet regulatory driven expectations of higher capital ratios across the industry

Various additional capital requirements, principally additional buffers, will be introduced gradually by CRD IV over the coming years, with full implementation in 2019 The Bank expects to have sufficient capital to meet these additional requirements

DIRECTORS' REPORT (CONTINUED)

The Bank's regulatory capital, risk-weighted assets and capital ratios at 31 March were as follows

	2015 £000	*2014 £000 Restated*
Core Equity Tier 1 capital		
Ordinary share capital	**120**	*120*
Reserve Fund	**22,598**	*22,598*
Profit and loss account	**188,337**	*163,562*
Property revaluation reserve	**22,534**	*22,534*
Investment property revaluation reserve	**(128)**	*(128)*
Heritage assets revaluation reserve	**9,600**	*9,600*
Available-for-sale revaluation reserve gains	**5,420**	*1,381*
Total Core Equity Tier 1 capital and Total Tier 1 capital	**248,481**	*219,667*
Tier 2 capital		
Collective Impairment Allowance	**616**	*1,062*
Total Tier 2 capital	**616**	*1,062*
Total regulatory capital	**249,097**	*220,729*
Risk-weighted assets (unaudited)	**1,296,524**	*1,117,594*
Capital ratios (unaudited)		
Total regulatory capital expressed as a percentage of risk weighted assets	**19.21%**	*19 75%*
Core Equity Tier 1 capital expressed as percentage of risk weighted assets	**19.17%**	*19 66%*

The Bank's regulatory total capital ratio reduced year on year from 19 75% (restated) to 19 21%, while the Core Equity Tier 1 ratio decreased from 19 66% (restated) to 19 17% These ratios are well above regulatory minimums. The main reason for the reduction in the ratio during the year was the growth in deposits, which significantly increased the Bank's assets and consequently the value of the Bank's risk weighted assets, which is the denominator of the calculation Risk weighted assets for 31 March 2014 have been restated (reduced) by £47 2m, to reflect the final calculation under CRD IV

The Bank's Pillar 3 disclosures, as required under CRD IV are available on the Bank's website www hoaresbank co uk

DIRECTORS' REPORT (CONTINUED)

5. The Board of Directors

Directors of the Bank holding office during the year and up to the date of signing the Financial Statements were as follows

Mr H C Hoare (resigned 31 December 2014)
Sir David Hoare Bt *
Mr R. Q Hoare OBE *
Mr A S Hoare *
Miss V E Hoare *
Mr S. M Hoare *
Miss A S Hoare *
Lord Wilson of Dinton (Chairman)
Mr J S J Marshall (Chief Executive Officer)
Mr I R. Peacock
Mr C J S Pink (resigned 31 March 2015)
Mrs L C Powers-Freeling
Mr A C Fisher (appointed 1 January 2015)

The Board of Directors includes six Directors (those marked with an asterisk in the list above) who are all descendants of the Bank's founder They are known as Partners and all work in the business Part of their role is to ensure the continuation of the Bank's long-held culture, values and approach to business They are the Bank's only shareholders and have unlimited liability

The Bank has professional indemnity insurance and directors' and officers' liability insurance for the Directors which give appropriate cover for any legal action brought against them, this cover is renewed annually and was in place throughout the financial year

6. Employees

The Bank had 431 employees on a full time equivalent basis as at 31 March 2015 *(2014 392)* The Bank is an equal opportunities employer and recruits the most suitable applicant for any given vacancy regardless of race, sex, age or ethnicity The Bank recognises its obligation to give disabled persons full and fair consideration for all vacancies and to ensure that such persons are not discriminated against on the grounds of their disability Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation and training

The Bank is committed to employee involvement and undertakes regular briefing sessions on the strategy and performance of the Bank There is also an employee Information and Consultation Panel where staff representatives can raise and discuss matters with management

7. Charitable Donations

During the year the Bank made charitable donations of £1,480,000 *(2014 £1,345,000)* to the Bank's charitable trust, The Golden Bottle Trust, whose objective is the continuation of the philanthropic commitments and ideals of the Hoare family

8. Environmental Policy Statement

The Bank has built a reputation for always seeking to 'do the right thing' We are open and honest and aim to treat our customers and colleagues fairly Our commitment to running the business ethically means that we also have certain responsibilities, including what we give back to the community and how we affect the environment

Climate change is an increasingly important issue for us and future generations We are committed to running the Bank with minimum adverse impact on the environment, including using external experts to help achieve this goal, for example by reducing the Bank's carbon footprint

DIRECTORS' REPORT (CONTINUED)

As a responsible business, we aim to make better use of resources, including managing our energy, waste, and water more efficiently and effectively This is nothing new, the Bank has been engaged in it for centuries, including, for example, using water from the Bank's own well water where we are able to

9. Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditors are unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Bank's auditors are aware of that information

10. Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

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 Group and the Company and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements,
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By Order of the Board

25 June 2015

D Green
Company Secretary
C. Hoare & Co
37 Fleet Street
London
EC4P 4DQ
Registration number 240822

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C.HOARE & CO.

Report on the financial statements

Our opinion

In our opinion, C Hoare & Co 's Group financial statements and the Company's financial statements (the "financial statements")

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2015 and of the group's profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

C Hoare & Co 's financial statements comprise

- the Consolidated and Company Balance Sheet as at 31 March 2015,
- the Consolidated Statement of Total Recognised Gains and Losses for the year then ended,
- the Consolidated Cash Flow Statement 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C.HOARE & CO. (CONTINUED)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities set out on page 12, 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 & 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 International Standards on Auditing (UK and 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 group's and 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 and Consolidated Financial Statements 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

Jeremy Jensen

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 June 2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2015 £000	*2014 £000*
Interest receivable		72,356	*67,785*
Interest payable		(9,272)	*(7,429)*
Net interest income	2	63,084	*60,356*
Dividend income		108	*56*
Other finance income	3	2,345	*1,509*
Fees and commissions receivable		29,922	*26,577*
Fees and commissions payable		(1,229)	*(962)*
Net fees and commissions income		28,693	*25,615*
Dealing profits	4	5,719	*4,457*
Other operating income	5	590	*308*
Total income		100,539	*92,301*
Operating expenses			
Administrative expenses	6	(66,817)	*(59,031)*
Depreciation		(4,712)	*(3,517)*
Total operating expenses		(71,529)	*(62,548)*
Impairment recovery on loans and advances		672	*431*
Impairment recovery/(losses) on available-for-sale financial assets		-	*-*
Profit on ordinary activities before tax		29,682	*30,184*
Tax on profit on ordinary activities	8	(6,511)	*(6,432)*
Profit for the financial year	28	23,171	*23,752*

All amounts shown in the Consolidated Profit and Loss Account relate to continuing operations

The Notes on pages 20 to 67 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	2015 £000	*2014 £000*
Profit for the financial year		**23,171**	*23,752*
Actuarial gains recognised in the pension scheme	3	**2,013**	*3,248*
Deferred tax thereon		**(403)**	*(650)*
Change in corporation tax rate		**-**	*(950)*
		1,610	*1,648*
Available-for-sale financial assets:			
Valuation gains/(losses) taken to equity		**5,118**	*(350)*
Tax arising on valuation gains/(losses) taken to equity		**(1,079)**	*115*
	28	**4,039**	*(235)*
Total gains and losses recognised since the last annual report		**28,820**	*25,165*

The Notes on pages 20 to 67 form an integral part of these Financial Statements.

CONSOLIDATED BALANCE SHEET

	Note	2015 £000	*2014 £000*
Assets			
Cash and balances at central banks		**495,179**	*565,415*
Items in course of collection from banks		**2,940**	*5,272*
Derivative financial instruments	11	**1,566**	*5,105*
Loans and advances to banks	12	**235,867**	*121,372*
Loans and advances to customers	13	**1,161,997**	*1,086,327*
Available-for-sale financial assets	15	**1,353,965**	*959,426*
Tangible fixed assets	17	**54,014**	*50,323*
Heritage assets	18	**9,619**	*9,619*
Deferred tax asset	19	**210**	*195*
Other assets	20	**540**	*481*
Prepayments and accrued income	21	**16,585**	*13,271*
Total assets		**3,332,482**	*2,816,806*
Liabilities			
Deposits by banks	22	**67**	*16*
Customer accounts	23	**3,014,306**	*2,525,734*
Repurchase agreements	24	-	*25,000*
Derivative financial instruments	11	**41,848**	*18,250*
Deferred tax liability	19	**13**	*26*
Other liabilities	25	**4,601**	*3,712*
Accruals and deferred income	26	**22,896**	*18,913*
Defined benefit pension scheme liability net of deferred tax	3	**270**	*5,488*
Called-up share capital	27	**120**	*120*
Reserve fund	28	**22,598**	*22,598*
Revaluation reserves	28	**37,426**	*33,387*
Profit and loss account	28	**188,337**	*163,562*
Total shareholders' funds		**248,481**	*219,667*
Total liabilities		**3,332,482**	*2,816,806*
Memorandum items:			
Contingent liabilities (guarantees)	29	**26,437**	*29,428*
Commitments	29	**346,394**	*306,671*

The Financial Statements on pages 15 to 67 were approved by the Board of Directors on 18 June 2015 and signed on its behalf by

Sir David Hoare Bt
Director
25 June 2015

Mr R Q Hoare OBE
Director
25 June 2015

The Notes on pages 20 to 67 form an integral part of these Financial Statements.

COMPANY BALANCE SHEET

	Note	2015 £000	*2014 £000*
Assets			
Cash and balances at central banks		**495,179**	*565,415*
Items in course of collection from banks		**2,940**	*5,272*
Derivative financial instruments	11	**1,566**	*5,105*
Loans and advances to banks	12	**235,867**	*121,372*
Loans and advances to customers	13	**1,161,997**	*1,086,327*
Available-for-sale financial assets	15	**1,352,949**	*958,209*
Shares in group undertakings	16	**1**	*1*
Tangible fixed assets	17	**54,014**	*50,323*
Heritage assets	18	**9,619**	*9,619*
Deferred tax asset	19	**210**	*195*
Other assets	20	**540**	*481*
Prepayments and accrued income	21	**16,585**	*13,211*
Total assets		**3,331,467**	*2,815,530*
Liabilities			
Deposits by banks	22	**67**	*16*
Customer accounts	23	**3,014,306**	*2,525,734*
Repurchase agreements	24	**-**	*25,000*
Deposits to subsidiary companies	23	**7,893**	*7,385*
Derivative financial instruments	11	**41,848**	*18,250*
Other liabilities	25	**4,519**	*3,693*
Accruals and deferred income	26	**22,896**	*18,913*
Defined benefit pension scheme liability net of deferred tax	3	**270**	*5,488*
Called-up share capital	27	**120**	*120*
Reserve fund	28	**21,148**	*21,148*
Revaluation reserves	28	**37,020**	*32,960*
Profit and loss account	28	**181,380**	*156,823*
Total shareholders' funds		**239,668**	*211,051*
Total liabilities		**3,331,467**	*2,815,530*
Memorandum items:			
Contingent liabilities (guarantees)	29	**26,437**	*29,428*
Commitments	29	**346,394**	*306,349*

The Financial Statements on pages 15 to 67 were approved by the Board of Directors on 18 June 2015 and signed on its behalf by

Sir David Hoare Bt
Director
25 June 2015

Mr R. Q. Hoare OBE
Director
25 June 2015

The Notes on pages 20 to 67 form an integral part of these Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Profit before tax		**29,682**	*30,184*
Adjustments for			
Non-cash items included in profit before tax	30	**(1,619)**	*6,340*
Change in operating assets	30	**(108,569)**	*(21,377)*
Change in operating liabilities	30	**467,858**	*289,088*
Contributions paid to defined benefit scheme	3	**(2,165)**	*(8,000)*
Net cash flow from operating activities		**385,187**	*296,235*
Taxation		**(6,078)**	*(5,155)*
Capital expenditure and financial investment			
Purchase of investment securities		**(2,003,231)**	*(1,403,191)*
Sale and maturity of investment securities		**1,646,119**	*1,136,374*
Purchase of tangible fixed assets	17	**(8,403)**	*(8,036)*
Sale of tangible fixed assets		**-**	*18*
Net cash flow for capital expenditure and financial investment		**(365,515)**	*(274,835)*
Equity dividends paid	28	**(6)**	*(6)*
Net increase in cash and cash equivalents		**13,588**	*16,239*
Cash and cash equivalents 1 April	30	**594,213**	*577,974*
Cash and cash equivalents 31 March	30	**607,801**	*594,213*

The Notes on pages 20 to 67 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Accounting polices have been applied consistently in dealing with amounts which are considered material to the Financial Statements

(a) Basis of preparation

The Financial Statements have been prepared under the historical cost convention and on a going concern basis, except that the following assets and liabilities are stated at their fair values land and buildings, investment properties, heritage assets, financial instruments designated as fair value through the profit or loss or as available-for-sale and derivative contracts The Financial Statements have been prepared under provisions of Part XV of the Companies Act 2006 relating to Banking Groups, SI 2008/410, applicable accounting standards in the United Kingdom (United Kingdom Generally Accepted Accounting Practice) Compliance with SSAP 19 'Accounting for Investment Properties' requires a departure from the requirements of the Companies Act 2006 relating to depreciation and an explanation of this departure is given in (p) below

(b) Basis of consolidation

The Consolidated Financial Statements include the results of the Bank and its subsidiary undertakings Consolidation eliminates the effects of intragroup transactions Uniform accounting policies have been adopted across the Group

Subsidiaries are entities controlled by the Bank Control is defined where the Bank has power, directly or indirectly, to govern the financial and operating policies of such entities In assessing control, potential voting rights that presently are exercisable or convertible are taken into account The financial statements of such entities are consolidated within the Bank's Financial Statements until the date control ceases

(c) Foreign currencies

Transactions in foreign currencies are translated to Sterling using the rate of exchange ruling at the date of the transaction All monetary assets and liabilities are revalued daily at the closing exchange rates Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined Foreign exchange gains or losses on translation are included in the Profit and Loss Account

(d) Interest

Interest income and expense are recognised in the Profit and Loss Account using the effective interest rate method The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of that asset or liability The calculation of the effective interest rate includes all transaction costs (directly attributable to the acquisition or disposal of the instrument) and discounts or premiums that are an integral part of the cash flow of the financial asset or liability

Interest income and expense presented in the Profit and Loss Account include

- Interest on financial assets and liabilities at amortised cost on an effective rate basis
- Interest on available-for-sale financial assets on an effective interest basis

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (Continued)

(e) Fees and commissions

Fees and commissions income and expense that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate

Fees and commissions income including loan arrangement fees, servicing fees, investment management fees, and financial service advice fees are recognised when the services are performed

Fees and commissions expense relates mainly to transaction and service fees, which are expensed as the services are received

(f) Dealing profits

Dealing profits comprise gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences

(g) Dividend income

Dividend income is recognised when the right to receive income is established Usually this is the ex-dividend date for equity securities

(h) Pension costs

The Company operates a defined benefit pension scheme providing benefits based on final pensionable salary. The assets of the scheme are administered separately from those of the Company in a Trustee administered fund This scheme was closed to new members with effect from 1 April 2002 and since then staff have been able to join a separate defined contribution or "money purchase" scheme On 1 December 2007 the defined benefit scheme was closed to future accrual, a "curtailment", and all remaining members were given the option to commence plans with the defined contribution scheme

The defined benefit scheme's assets are measured using market values, its liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability The scheme's deficit is recognised in full The movement in the deficit is split between operating charges and finance items, which are charged or credited to the Profit and Loss Account, and actuarial gains and losses, which are recognised in the Statement of Total Recognised Gains and Losses, in accordance with FRS 17 A full actuarial valuation of the scheme is undertaken every three years and was last undertaken as at 1 April 2013

The Company operates a defined contribution pension scheme The assets of the scheme are administered separately from those of the Company in an independently administered fund Contributions payable to the defined contribution scheme are charged to the Profit and Loss Account

(i) Taxation

The charge for tax is based on the profit for the year and takes into account tax deferred because of timing differences between the treatment of certain items for tax and accounting purposes

Deferred tax is provided in respect of all timing differences that have not reversed at the balance sheet date, other than in respect of revalued land and buildings and equity investments and where transactions do not result in an obligation to pay more or less tax in the future Timing differences arise as the result of differences between taxable profits and the results in the Financial Statements

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (Continued)

(i) Taxation (continued)

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled Deferred tax values are not discounted for the time value of money

Deferred tax arising on changes in the fair value of available-for-sale financial assets that are recognised directly as a movement in reserves is also recognised in reserves, when such fair value gains or losses are subsequently recognised in the Profit and Loss Account, the deferred tax is similarly recognised

(j) Dividends payable

In accordance with FRS 21 Events after the balance sheet date, dividends payable are recognised to retained profits once approved by the shareholders

(k) Cash and cash equivalents

For the purposes of the balance sheet and cash flow statement, cash and cash equivalents comprise cash and balances at the Bank of England and loans and advances to other banks that are repayable on demand

(l) Classification of financial assets and liabilities

In accordance with FRS 26 the Bank classifies issued instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument Deposits are initially measured at fair value, and subsequently measured at their amortised cost using the effective interest method

Deposits with other banks, debt securities and equity shares intended to be held on a continuing basis are classified as available-for-sale Available-for-sale financial assets are initially measured at fair value plus direct and incremental transaction costs They are subsequently remeasured at fair value, and changes therein are recognised directly in equity until the securities are either sold or impaired

(m) Financial assets and liabilities

(i) Recognition

The Bank initially recognises loans and advances and deposits on the date that they are originated All other financial assets and liabilities (including assets and liabilities designated at the fair value through the Profit and Loss Account and equity investments) are initially recognised on the trade date at which the Bank becomes party to the contractual provisions of the instrument

(ii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset such that the rights to receive the contractual cash flows and substantially all the risk and rewards of ownership of the financial asset are transferred

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expire

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (Continued)

(m) Financial assets and liabilities (continued)

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when the Bank has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as the Bank's foreign exchange dealing activity

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

(v) Fair value measurement

The determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets For all other financial instruments fair value is determined by valuation techniques Valuation techniques applied by the Bank include using net asset values for unquoted investments in funds

Disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments These are

- Level 1 Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2 Valuation techniques based on observable inputs either directly (i e as prices) or indirectly (i e derived from prices) This category includes instruments valued where all significant inputs are directly or indirectly observable from market data
- Level 3 Valuation techniques using significant unobservable inputs

These disclosures are included in Note 31 to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (Continued)

(m) Financial assets and liabilities (continued)

(vi) Identification and measurement of impairment

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through the Profit and Loss Account are impaired Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows from the assets that can be estimated reliably

The Bank considers evidence of impairment at both a specific and collective level All individually significant financial assets are assessed for specific impairment All assets found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, indications of inability to repay or that a borrower or issuer will enter bankruptcy Equity securities are also considered impaired if there is a sustained fall in the market value of the security with no indication of recovery in the near future

In assessing collective impairment the Bank uses historical trends of the losses incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the historical trends suggest

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the assets' original effective interest rate Losses are recognised in the Profit and Loss Account and reflected in an allowance account against loans and advances Interest on impaired assets continues to be recognised through the unwinding of the discount

Impairment losses on available-for-sale financial assets are recognised by transferring the difference between the amortised acquisition cost and the current fair value of the available-for-sale financial assets to Profit and Loss Account When a subsequent event causes the amount of impairment loss on an available-for-sale financial assets to decrease, the impairment loss is reversed through the Profit and Loss Account

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly to the Bank's equity reserves

(n) Loans and advances to banks and customers

Loans and advances are classified as loans and receivables They are initially recognised when cash is advanced to borrowers at fair value, inclusive of transaction costs, and are derecognised when borrowers repay their obligation or the loans are written off They are subsequently measured at amortised cost using the effective interest method, less impairment losses

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (Continued)

(o) Derivative financial instruments

(i) Derivative financial instruments

Derivatives are financial instruments that derive their value from underlying interest rates, financial instrument prices, foreign exchange rates, credit risk or indices

The Bank enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in interest, credit and foreign exchange rates

The principal derivatives used by the Bank are interest rate swaps and forward foreign exchange rate contracts The fair value of interest rate swaps is the estimated amount that the Bank would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price

In accordance with FRS 26 derivatives are recognised as trading and recorded at fair value, with changes in fair value recognised in the Profit and Loss Account Fair values are obtained from quoted market prices in active markets or from dealer price quotations

(ii) Derivative instruments and hedging activities

The Bank may designate a derivative as either a hedge of the fair value of a recognised fixed rate asset or liability or an unrecognised firm commitment (fair value hedge) The Bank does not designate all of its derivatives as hedged items interest rate swaps are designated as hedging instruments, however forward foreign exchange rate contracts are not

All derivatives are recorded as assets or liabilities on the balance sheet at their respective fair values with unrealised gains and losses recorded in the Profit and Loss Account Derivatives that did not meet the criteria for designation as a hedge under FRS 26 at inception, or fail to meet the criteria thereafter, are accounted for in other assets with changes in fair value recorded in the Profit and Loss Account

Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge along with the corresponding gain or loss on the hedged asset or liability that is attributable to the hedged risk are both recorded in the Profit and Loss Account, as other operating income The gain or loss in relation to the unhedged element is left either in reserves or the Profit and Loss Account depending on the nature of the hedged item

At the inception of a hedge transaction, the Bank formally documents the hedge relationship and the risk management objective and strategy for undertaking the hedge This process includes identification of the hedging instrument, hedged item, the risk being hedged and the methodology for measuring effectiveness In addition, the Bank assesses both at the inception of the hedge and on a quarterly basis, whether the derivative used in the hedging transaction has been highly effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective

The Bank discontinues hedge accounting prospectively when either it is determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated or exercised, the derivative is de-designated because it is unlikely that a forecast transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (Continued)

(o) Derivative financial instruments (continued)

When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortised or accreted over the remaining life of the asset or liability

(p) Tangible fixed assets and depreciation

Land, buildings and investment properties are held at fair value based on the latest professional market valuation, with the surplus or deficit versus book value being transferred to the revaluation reserve, except that a deficit in excess of any previously recognised surplus over cost for a property is charged (or the reversal of such a deficit is credited) to the Profit and Loss Account A deficit which represents a clear consumption of economic benefits is charged to the Profit and Loss Account regardless of any such previous surplus

In accordance with SSAP 19 'Accounting for Investment Properties', depreciation is not provided on investment properties that are held as freeholds or on leases having more than 20 years unexpired This is a departure from the Companies Act 2006 which requires all tangible assets to be depreciated In the opinion of the Directors, this departure is necessary for the financial statements to give a true and fair view and comply with applicable accounting standards which require properties to be included in the financial statements at market value The effect of depreciation is implicitly reflected in the valuation of investment properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified by the valuers Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years and revaluation surpluses/deficits would have correspondingly increased/decreased

Equipment is carried at cost less accumulated depreciation Cost includes the original purchase price of the asset and any costs attributable to bringing the asset into use Depreciation is provided on all such assets, on a straight line basis, at rates calculated to write off the cost of the asset, less estimated residual value, over its expected useful economic life (3-10 years) from the date the asset is brought into use

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable In the event that a fixed asset's carrying value is determined to be greater than its recoverable amount it is written down immediately The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use

A profit or loss may be recognised on disposal of a tangible fixed asset The amount recognised is equal to the difference between any net sale proceeds and the net carrying value of the asset prior to disposal

(q) Investment property

Investment properties are properties that are held to earn rental income, usually through leases to third parties, and for capital appreciation Investment properties are carried at market value based on latest professional valuation Rental income is recorded on an accruals basis

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (Continued)

(r) Project costs

Project costs are capitalised only when they can be directly attributed to bringing an asset into use Such costs may include the costs of staff directly employed on a project or brought in to backfill permanent members of C Hoare & Co staff seconded to work on a project Administration costs, other general overhead costs or employee costs not related to the specific asset are excluded The Bank ceases to capitalise such costs when substantially all of the activities necessary to bring the asset into use have been completed, even if the asset has not actually been brought into use

Depreciation begins the in the month the asset is brought into use

(s) Heritage assets

The Bank has a collection of Heritage assets comprising paintings, an extensive coin collection and the Bank's own ledgers Collectively, these 'artefacts' are reported in the balance sheet at valuation Individual items in the collection are periodically revalued by an external valuer with any surplus or deficit being reported in the Statement of Total Recognised Gains and Losses The artefacts are deemed to have indeterminate lives and high residual values, hence the Directors do not consider it appropriate to charge depreciation

Acquisitions are made by purchase or donation Purchases are initially recorded at cost and donated assets are recoded at current value ascertained by the Directors with reference, where possible, to commercial markets using recent transaction information

Expenditure which, in the Directors' view, is required to preserve or prevent further deterioration is recognised in the Profit and Loss Account as it is incurred

(t) Classification of financial instruments issued by the Bank

The only financial instruments the Bank has in issue are its Ordinary Shares, which arose from its incorporation in 1929

(u) Investments in subsidiaries

The Bank's investments in subsidiaries are stated at cost less any impairment losses An impairment review is conducted if there is any indication of potential impairment

(v) Financial guarantees

The Bank issues guarantees on behalf of its customers In the majority of cases, the Bank will hold collateral against the resultant exposure or have a right of recourse to the customer, or both In addition, the Bank issues guarantees on its own behalf The main types of guarantees provided are financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts or other banking facilities, including stock borrowing indemnities and standby letters of credit Other guarantees provided include performance guarantees, advance payment guarantees, tender guarantees, and guarantees to Her Majesty's Revenue and Customs and retention guarantees The nominal principal amount of these guarantees is set out in Note 29

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting Policies (Continued)

(w) Accounting judgements and estimates

The preparation of financial statements requires the use of estimates It also requires management to exercise judgement in applying the accounting policies The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, are highlighted under the relevant Notes, on the pages listed below

- Impairment of financial assets, pages 24, 42 and 43
- Land, buildings and investment properties valuation, pages 26, 44 and 45
- Heritage assets, pages 27 and 45
- Defined benefit pension scheme liability, pages 21 and 29 to 35

(x) Repurchase agreements

When securities are sold subject to a commitment to repurchase them at a predetermined price ("repos"), they remain on the balance sheet as the Bank retains substantially all the risks and rewards of ownership and a liability is recorded in respect of the consideration received The difference between the sale and repurchase price is treated as interest and recognised in net interest income over the life of the agreement for loans and advances to banks and customers

(y) Operating expenses

The Bank's expenses, including administrative expenses, are accounted for on an accruals basis and are charged to the Profit and Loss account as incurred

(z) Recognition and movement of provisions

A provision is recognised where the Bank has an obligation for which it is considered probable that a future outflow of economic resources will be required and where a reliable estimate can be made of the amount of the obligation The corresponding expense relating to the provision is recognised directly in the profit and loss account Movements in the provision due to a re-estimation of the obligation are also recognised directly in the Profit and Loss account

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Net Interest Income

	2015 £000	*2014 £000*
Interest income		
Available-for-sale financial assets	**10,150**	*7,357*
Loans and advances to customers	**58,918**	*57,256*
Loans and advances to banks	**3,288**	*3,172*
	72,356	*67,785*
Interest expense		
Deposits from banks and customers	**(7,029)**	*(5,785)*
Derivative liabilities	**(2,243)**	*(1,644)*
	(9,272)	*(7,429)*
Net interest income	**63,084**	*60,356*

Included within interest income is £515,436 *(2014 £571,853)* accrued in respect of impaired financial assets

3. Pension and Other Post-Retirement Benefits

The Bank operated a defined benefit pension scheme until 1 December 2007 when it was closed to further accrual and all staff that were members at that date were made deferred members, all benefits accrued to that date were enhanced and then preserved Contributions to the defined benefit scheme for the year ended 31 March 2015 were £2,165,000 *(2014 £8,000,000)* There was no charge *(2014 Nil)* to the Profit and Loss Account for past service costs The Bank now operates a defined contribution scheme which has become the main retirement scheme for all employees, the cost of that scheme for the year was £4,070,000 *(2014 £3,609,000)* There were no outstanding or prepaid contributions to the defined benefit scheme or defined contribution scheme at either the beginning or end of the financial year

The defined benefit pension scheme's assets are held in a separate trustee-administered fund to meet long-term liabilities to past and present employees The Trustee of the fund is required to act in the best interest of the scheme's beneficiaries The scheme's Trustee is Hoare's Bank Pension Trustees Limited The appointment of Directors to the Trustee company is determined by the scheme's trust documentation The Bank has a policy that one-third of such Directors should be nominated by members of the scheme and includes at least one Director who is a current pensioner

In preparing these Financial Statements, the Bank has applied the recognition and measurement requirements of FRS 17 Revised 'Retirement benefits', Accounting Standards Board Reporting statement Retirement benefits disclosures and has considered the Urgent Issues Task Force Abstract 48 (UITF 48)

The principal actuarial assumptions at the balance sheet date were

	2015 %	*2014 %*
Rate of increase in salaries	**n/a**	*n/a*
Rate of increase in pensions in payment and deferred pensions	**2.90**	*3 30*
Discount rate at 31 March	**3.30**	*4 30*
Expected return on plan assets at 31 March		
- Equities	**6.10**	*7 40*
- Liability Driven Investments ("LDI")	**2.20**	*3 50*
- Property	**4.20**	*5 50*
- Other and cash	**0.50**	*0 50*
Inflation assumption	**3.00**	*3 30*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Pension and Other Post-Retirement Benefits (Continued)

Members are assumed to retire uniformly over the period from age 55 until their 60th birthday No rate for increase in employees' salaries has been included following the closure of the scheme in 2007

The assumed life expectations upon retirement at age 60 are shown below

	2015	*2014*
Retiring today		
- Males	**28.7**	*28 6*
- Females	**30.0**	*30 0*
Retiring in 20 years time		
- Males	**30.2**	*30 2*
- Females	**31.6**	*31 6*

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

The key sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in Assumption	Impact on scheme liabilities
Discount rate	+/- 0 1%	-/+ £2 4m
Rate of life expectations upon retirement at aged 60	Increase by 1 year	+ £4 1m
Rate of increase in pensions payable and deferred pensions	+/- 0 1%	+/- £2 4m

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Pension and Other Post-Retirement Benefits (Continued)

Scheme assets and liabilities

Until 1 December 2007, the Bank provided retirement benefits to some of its former and many of its current employees through a defined benefit scheme This scheme was closed to further accrual with effect from that date and all current members became deferred members with preserved benefits and enhanced pension service These staff then joined the C Hoare Individual Pension Plan ("CHIPP") which is a defined contribution scheme that was already in existence for staff not eligible to join the defined benefit scheme The terms of the CHIPP were enhanced for all staff from December 2007 and this is now the primary pension arrangement for the Bank's staff The defined benefit scheme provides a pension based upon the final salary at retirement date or preserved rights as at leaving the scheme or upon curtailment The CHIPP accumulates funds for use in retirement Both the defined benefit scheme and CHIPP permit lump sum withdrawals and reduced pensions thereafter

The liabilities of the defined benefit scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method This amount is reflected in the scheme surplus or deficit as detailed below As at 31 March 2015, the valuations of scheme assets less liabilities showed a deficit of £337,000 (*2014 £6,860,000*)

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from the cash flow projections over long periods and thus inherently uncertain, were

	2015	*2014*	*2013*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*	*£000*
Equities	**75,595**	*80,258*	*72,586*	*29,471*	*31,409*
Liability Driven Investments ("LDI")	**40,152**	*14,763*	*23,173*	*57,614*	*49,677*
Bonds	-	-	-	-	-
Property	**16,756**	*15,198*	*8,518*	*2,019*	*2,022*
Other and cash	**359**	*1,177*	*320*	*518*	*249*
Total market value of assets	**132,862**	*111,396*	*104,597*	*89,622*	*83,357*
Present value of scheme liabilities	**(133,199)**	*(118,256)*	*(124,214)*	*(109,543)*	*(97,898)*
Deficit in scheme	**(337)**	*(6,860)*	*(19,617)*	*(19,921)*	*(14,541)*
Related deferred tax asset	**67**	*1,372*	*4,512*	*4,781*	*3,781*
Net pension scheme liability	**(270)**	*(5,488)*	*(15,105)*	*(15,140)*	*(10,760)*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Pension and Other Post-Retirement Benefits (Continued)

Changes in the fair value of the scheme assets	2015 £000	*2014 £000*
Opening fair value of scheme assets at 1 April	**111,396**	*104,597*
Expected return on assets	**7,328**	*6,506*
Actual less expected return on assets	**16,753**	*(3,054)*
Contributions from employer	**2,165**	*8,000*
Benefits paid	**(4,780)**	*(4,653)*
Conversion of Additional Voluntary Contributions ("AVCs")	-	-
Closing fair value of scheme assets at 31 March	**132,862**	*111,396*
Actual return on assets	**24,081**	*3,452*

Changes in the present value of the pension obligation	2015 £000	*2014 £000*
Opening pension obligation at 1 April	**118,256**	*124,214*
Service cost	-	-
Past service cost arising on conversion of AVCs	-	-
Interest cost	**4,983**	*4,997*
Actuarial loss/(gain) on liabilities due to experience	**(1,421)**	*2,087*
Actuarial (gain)/loss on liabilities due to assumption changes	**16,161**	*(8,389)*
Benefits paid	**(4,780)**	*(4,653)*
Conversion of AVCs	-	-
Closing pension obligation at 31 March	**133,199**	*118,256*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Pension and Other Post-Retirement Benefits (Continued)

Movement in deficit during the year	**2015 £000**	*2014 £000*	*2013 £000*
Deficit as at 1 April	(6,860)	(19,617)	(19,921)
Current service cost	-	-	-
Past service cost	-	-	(48)
Employer contributions	2,165	8,000	4,000
Other finance income/(costs)	2,345	1,509	(265)
Actuarial gains/(losses)	2,013	3,248	(3,383)
Deficit as at 31 March	(337)	(6,860)	(19,617)

The following items are recognised in the Profit and Loss Account

Analysis of other pension costs included within the Profit and Loss Account under Administrative expenses	**2015 £000**	*2014 £000*
In respect of defined benefit scheme		
- Current service cost	-	-
- Past service cost	-	-
	-	-
In respect of defined contribution scheme		
- Current service cost	4,070	3,609
Included within Administrative expenses (Note 6)	4,070	3,609

Analysis of other pension costs included within the Profit and Loss Account under Other finance income	**2015 £000**	*2014 £000*
Interest on liabilities	(4,983)	(4,997)
Expected return on assets	7,328	6,506
Other finance income	2,345	1,509

The expected return on the scheme assets is arrived at by applying the expected return of each asset class to the value of investments held in that asset class at 31 March 2014, to estimate a full year's return for the year ended 31 March 2015

The expected returns on bonds are an estimate of the yield to redemption for an average portfolio, for equities it is the expected long term return from distributions and capital growth and for property and cash it is the expected long term return on deposits These values are provided by the Bank's independent actuaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Pension and Other Post-Retirement Benefits (Continued)

The following items are recognised in the Statement of Total Recognised Gains and Losses ("STRGL")

Analysis of amounts recognised in STRGL	**2015 £000**	*2014 £000*	*2013 £000*	*2012 £000*	*2011 £000*
Actual return less expected return on assets	**16,753**	*(3,054)*	*10,778*	*3,072*	*924*
Experience gains and losses arising on liabilities	**1,421**	*(2,087)*	*22*	*(664)*	*(1,571)*
Changes in assumptions	**(16,161)**	*8,389*	*(14,183)*	*(9,428)*	*7,482*
Actuarial gain/(loss)	**2,013**	*3,248*	*(3,383)*	*(7,020)*	*6,835*
Adjustment to reversal/ (recognition) of balance sheet asset	-	-	-	-	-
Actuarial gain/(loss) recognised in STRGL	**2,013**	*3,248*	*(3,383)*	*(7,020)*	*6,835*
Actual return less expected return on assets as a percentage of scheme assets	**12.61%**	*-2 74%*	*10 30%*	*3 43%*	*1 11%*
Experience gains and losses arising on liabilities as a percentage of the present value of scheme liabilities	**1.07%**	*-1 76%*	*0 02%*	*-0 61%*	*-1 60%*
Actuarial gain/(loss) as a percentage of the present value of scheme liabilities	**1.51%**	*2 75%*	*-2 72%*	*-6 41%*	*6 98%*

	2015 £000	*2014 £000*
Cumulative value of actuarial losses recognised in STRGL since the adoption of FRS 17	**(26,408)**	*(28,421)*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Pension and Other Post-Retirement Benefits (Continued)

Future funding obligations

The most recent triennial actuarial valuation was carried out as at 1 April 2013 As the scheme is closed to future accrual there are no further employer contributions required to support future service As at 1 April 2013, the actuarial valuation showed a £24m deficit in respect of past service funding and the Bank agreed to a recovery plan to reduce this deficit by making annual contributions of £2 165m over nine years Consequently £2 165m was paid in the financial year This compares to £8m paid in the year ended 31 March 2014, being the last payment under the previous recovery plan The Bank continues to work with the Trustees to explore ways to stabilise the scheme deficit through an investment strategy to minimise the mismatch between the liabilities and assets of the scheme

During the year, the Bank established a charge over certain assets in favour of the Pension Fund Trustee, for the benefit of the Scheme The value of these assets is set at least annually by reference to the FRS 17 deficit, as a minimum £10,000,000 of assets were charged at 31 March 2015 *(2014 £19,617,000)*

Nature and extent of the risks and rewards arising from the financial instruments held by the scheme

The scheme's assets are invested in a range of funds according to the Statement of Investment Principles ("SIP") This was developed in conjunction with the Trustee and its appointed investment advisers The spread of investments at 31 March was as follows

% of total scheme assets	**31 March 2015**	*31 March 2014*
LDI Investments	**30%**	*13%*
Global Equities	**30%**	*43%*
Property	**13%**	*14%*
Diversified Growth	**27%**	*29%*
Cash	**0%**	*1%*
Total	**100%**	*100%*

The Trustee has appointed Lane Clark & Peacock LLP as investment advisers to the scheme Through them, Legal and General Assurance (Pensions Management) Limited, Brown Brothers Harriman Fund Administration Services (Ireland) Limited, Standard Life Investments Limited and Baillie Gifford Life Limited manage the scheme's investment portfolio day to day through unitised funds and OEICs in accordance with the SIP This ensures that investment risks are spread across several investment classes and exposures to individual holdings are minimised The Trustee receives regular performance reports from the investment managers and the advisers and monitors these against fund benchmarks

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Dealing Profits

	2015 £000	2014 £000
Dealing profits	5,719	4,457

Dealing profits arise from gains or losses on treasury positions, including from foreign currency trades carried out on behalf of the Bank and its customers

5. Other Operating Income

	2015 £000	2014 £000
Rental income	558	563
Profit on sale of fixed assets	-	5
Loss on sale of available-for-sale financial assets	(13)	(237)
Hedging result		
- Loss on hedged items attributable to hedged risk	(4,199)	(3,896)
- Gain on hedging instruments (swaps)	4,199	3,873
Net hedging result	-	(23)
Increase in value of derivative contracts	45	-
	590	308

6. Employee Information and Administrative Expenses

	2015 £000	2014 £000
Staff costs		
- Wages and salaries	34,622	32,347
- Social security costs	4,553	4,149
- Other pension costs (Note 3)	4,070	3,609
Other administrative expenses	23,572	18,926
Total administrative expenses	66,817	59,031

The monthly average Full Time Equivalent ("FTE") number of persons employed by the Bank (including Directors) during the year, analysed by category, was as follows

	2015 FTE Number	2014 FTE Number
Full time	342.9	300 4
Part time	27.9	40 3
Contractors and agency staff	48.4	50 3
Total average full time equivalent headcount	419.2	391 0

All persons are employed by C Hoare & Co , the Bank's subsidiaries do not have any direct employees

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Employee Information and Administrative Expenses (Continued)

Auditors' Remuneration	**2015** **£000**	*2014* *£000*
Remuneration payable to the auditors in respect of		
- Statutory audit of the company and consolidated financial statements	**110**	*107*
- Statutory audit of the subsidiaries' financial statements	**11**	*11*
- All other assurance services	**17**	*16*
- All other non-audit services	**70**	*21*
- All other taxation advisory services	**14**	*19*
	222	*174*

7. Emoluments of Directors

	2015 **£000**	*2014* *£000*
Aggregate emoluments	**8,716**	*8,886*
Pension contributions	**29**	*85*
Supplementary pensions paid to former Directors' widows	**93**	*105*
	8,838	*9,076*
Highest paid Director		
- Emoluments	**1,513**	*1,544*
- Pension contributions	**29**	*28*
- Accrued pension entitlement (increase)	**1**	*1*
Cumulative accrued pension entitlement of highest paid director at 31 March	**32**	*32*
Number of Directors accruing benefits under the Bank's defined benefit pension scheme at the year end	**5**	*5*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Tax on Profit on Ordinary Activities

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014 Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 21%

	2015 £000	*2014 £000*
Current tax		
UK Corporation tax on profits for the year	5,345	*4,938*
Adjustments in respect of previous years	292	*(162)*
Total current tax (Note 8(a))	5,637	*4,776*
Origination and reversal of timing differences	874	*1,970*
Change in tax rate	-	*(314)*
Total deferred tax (Note 8(b))	874	*1,656*
Total tax on ordinary activities	6,511	*6,432*

8(a) Factors affecting the tax charge for the year

The tax assessed for the year of £5,637,000 *(2014 £4,776,000)* is lower *(2014 lower)* than the result of applying the standard rate of corporation tax in the UK of 21% *(2014 23%)* to the accounting profit before tax The reasons for this are shown below

	2015 £000	*2014 £000*
Profit on ordinary activities before tax	29,682	*30,184*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% *(2014 23%)*	6,233	*6,942*
Effects of		
- Permanent disallowables	45	*188*
- Fixed asset timing differences	12	*(7)*
- Defined benefit scheme timing differences	(947)	*(2,187)*
- Other short term timing differences	2	*2*
- Adjustments in respect of previous years	292	*(162)*
Current tax charge for the year	5,637	*4,776*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Tax on Group Profit on Ordinary Activities (Continued)

8(b) Factors affecting the deferred taxation charge

	2015 £000	*2014 £000*
Fixed asset timing differences	(14)	*144*
Other short term timing differences	(2)	*(2)*
Prior year adjustment	(12)	*(74)*
Deferred tax on pension scheme	902	*1,902*
Change in tax rate	-	*(314)*
Deferred tax charge for the year	**874**	*1,656*

In addition to the tax charge in the Profit and Loss Account detailed above, £403,000 has been debited *(2014 £650,000 debit)* to the Consolidated Statement of Total Recognised Gains and Losses in respect of actuarial gains *(2014 gains)* in the pension scheme

The reductions in UK corporation tax rate from 1 April 2015 (from 21% to 20%) is expected to reduce the Group's charge for corporation tax in future years The deferred tax calculations anticipate these reductions in rate

9. Company Profit Dealt with in the Consolidated Financial Statements of C. Hoare & Co.

£23,348,000 *(2014 £23,479,000)* of the Group profit attributable to shareholders relates to the Company, this includes dividends of £Nil *(2014 Nil)* from subsidiary companies As permitted by Section 408 of the Companies Act 2006, the Profit and Loss Account of the Company has not been presented separately

10. Dividends

The aggregate of dividends comprises

	2015 per share	*2014 per share*	2015 £000	*2014 £000*
Ordinary shares (declared)	£50	*£50*	6	*6*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Derivative Financial Instruments

The following table shows the notional principal amounts and the fair values, both positive and negative, of the derivative financial instruments

Derivative assets	2015 Notional amount Group and Company £000	2015 Fair value Group and Company £000	*2014 Notional amount Group and Company £000*	*2014 Fair value Group and Company £000*
Exchange rate contracts				
Forward foreign exchange contracts	51,720	231	*31,796*	*51*
Interest rate contracts				
Interest rate swaps – Hedging instruments	20,687	1,335	*331,053*	*5,054*
Total derivative assets	72,407	1,566	*362,849*	*5,105*
Derivative liabilities				
Exchange rate contracts				
Forward foreign exchange contracts	37,718	184	*26,160*	*49*
Interest rate contracts				
Interest rate swaps – Hedging instruments	1,028,686	41,664	*297,057*	*18,201*
Total derivative liabilities	1,066,404	41,848	*323,217*	*18,250*

Interest rate swaps are used to hedge the interest rate risk arising on the Bank's fixed interest rate assets The notional principal amount of interest rate swaps, by asset class, is shown below The notional principal amount has increased significantly during the year to match an increase in fixed rate lending, debt securities and other available-for-sale financial assets held by the Bank

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Loans and advances to customers	206,883	206,883	*115,317*	*115,317*
Available-for-sale financial assets	842,490	842,490	*512,793*	*512,793*
Total interest rate swaps (Notional amount)	1,049,373	1,049,373	*628,110*	*628,110*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Loans and Advances to Banks

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Repayable on demand	112,622	112,622	*28,798*	*28,798*
Other loans and advances. Remaining maturity				
- over 5 years	78,153	78,153	*17,902*	*17,902*
- over 1 year but less than 5 years	-	-	-	-
- 1 year or less but over 3 months	-	-	*315*	*315*
- 3 months or less	45,092	45,092	*74,357*	*74,357*
	235,867	235,867	*121,372*	*121,372*

13. Loans and Advances to Customers

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Remaining maturity				
- over 5 years	63,884	63,884	*41,403*	*41,403*
- 5 years or less but over 1 year	107,211	107,211	*72,584*	*72,584*
- 1 year or less but over 3 months	30,651	30,651	*7,035*	*7,035*
- 3 months or less	965,888	965,888	*972,471*	*972,471*
Allowance for impairment losses (Note 14)	(5,637)	(5,637)	*(7,166)*	*(7,166)*
Total loans and advances to customers	1,161,997	1,161,997	*1,086,327*	*1,086,327*
Of which repayable on demand or short notice	960,251	960,251	*961,055*	*961,055*

Included in the above loans and advances to customers are fixed rate loans which have been hedged against interest rate risk using interest rate swaps The value of lending hedged at 31 March 2015 was £206 9m *(2014 £115 3m)*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Allowance for Impairment Losses on Loans and Advances to Customers (Group and Company)

	2015 £000	*2014* *£000*
Specific allowances for impairment		
Balance at 1 April	6,104	*5,878*
Impairment loss for the year		
- Charge for the year	776	*1,300*
- Recoveries for the year	(1,001)	*(608)*
Net (Recovery)/charge	(225)	*692*
Write-offs	(858)	*(466)*
Balance at 31 March	5,021	*6,104*
Collective allowance for impairment		
Balance at 1 April	1,062	*2,185*
Impairment loss for the year		
- Recoveries for the year	(446)	*(1,123)*
Balance at 31 March	616	*1,062*
Total specific and collective impairment allowances	5,637	*7,166*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Available-for-sale Financial Assets

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Bank and building society certificates of deposit	664,260	664,260	*457,229*	*457,229*
Debt securities with readily determinable fair values	667,783	667,783	*480,645*	*480,645*
Equity securities (unlisted)	1,190	1	*1,391*	*1*
Other variable yield securities	25,645	25,645	*25,074*	*25,074*
Less specific allowances for impairment	(4,913)	(4,740)	*(4,913)*	*(4,740)*
Total available-for-sale financial assets	1,353,965	1,352,949	*959,426*	*958,209*

Of the total of £668m *(2014 £481m)* of debt securities shown above

- net of impairment, £32m are due to mature within one year of the balance sheet date *(2014 £33m)*
- fixed rate securities with a nominal value of £842 5m *(2014 £512 8m)* have been hedged against interest rate risk using interest rate swaps or, where the asset is denominated in a foreign currency, using currency swaps to hedge the interest rate and foreign currency risk

The Bank continues to hold £5,048,000 (nominal value) of securities issued by Washington Mutual Bank Inc which entered administration in 2008 and the position was fully impaired in the financial year 2008/9 as a result The Bank continues to hold this position in anticipation of future recoveries, but given the high level of uncertainty over the value and timing of any potential future recoveries, the position remains fully impaired

16. Investments in Subsidiaries

The Company has the following investments in subsidiaries

Shares at cost	Principal Activity	% Owned	2015 £000	*2014 £000*
Messrs Hoare Trustees 20 shares of no par value	Trustee company	100	-	-
Hoare's Bank Pension Trustees Limited 1 Ordinary £1 share	Pension scheme trustee	100	-	-
Hoares Bank Nominees Limited 72 Ordinary £1 shares	Nominee company	100	-	-
C Hoare & Co EIG Management Limited 1 Ordinary £1 share	Holding company	100	-	-
Mitre Court Property Holding Company 1,000 Ordinary £1 shares	Dormant	100	1	*1*
Total Investments in Subsidiaries			1	*1*

All subsidiary companies are incorporated and domiciled in the United Kingdom and are 100% owned directly by C Hoare & Co. There were no changes in ownership of the subsidiary companies during the year The aggregate value of the capital and reserves of each subsidiary is not less than the investment holding value in the Company's Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Tangible Fixed Assets (Group and Company)

	Land and buildings £000	Investment properties £000	Equipment £000	**Total £000**
Cost or valuation				
1 April 2014	*33,306*	*1,600*	*34,868*	*69,774*
Additions	-	-	**8,403**	**8,403**
Transfers	-	-	-	-
Disposals	-	-	**(1,926)**	**(1,926)**
Revaluation	-	-	-	-
31 March 2015	**33,306**	**1,600**	**41,345**	**76,251**
Accumulated depreciation				
1 April 2014	-	-	*19,451*	*19,451*
Charge for year	-	-	**4,712**	**4,712**
Disposals	-	-	**(1,926)**	**(1,926)**
31 March 2015	-	-	**22,237**	**22,237**
Net book value 31 March 2015	**33,306**	**1,600**	**19,108**	**54,014**
Net book value 31 March 2014	*33,306*	*1,600*	*15,417*	*50,323*

	2015 Group £000	**2015 Company £000**	*2014 Group £000*	*2014 Company £000*
Land and buildings occupied for own activities - Net book value	**24,440**	**24,440**	*24,440*	*24,440*
At cost				
- Land and buildings	**10,772**	**10,772**	*10,772*	*10,772*
- Investment properties	**1,728**	**1,728**	*1,728*	*1,728*
	12,500	**12,500**	*12,500*	*12,500*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Tangible Fixed Assets (Group and Company) (Continued)

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Future capital expenditure contracted but not provided in the Financial Statements	**472**	**472**	*329*	*329*

18. Heritage Assets (Group and Company)

	2015 Paintings £000	2015 Artefacts £000	2015 Total £000	*2014 Paintings £000*	*2014 Artefacts £000*	*2014 Total £000*
Valuation 1 April	*8,308*	*1,311*	*9,619*	*8,307*	*1,311*	*9,618*
Movements - Additions	-	-	-	*1*	-	*1*
Valuation 31 March	**8,308**	**1,311**	**9,619**	*8,308*	*1,311*	*9,619*

Having been in business for over 300 years the Bank has, over this time, acquired a number of artefacts mostly in the form of paintings, an extensive coin collection and the Bank's own ledgers These heritage assets are no longer used in the day to day running of the Bank but remain in the Bank as part of the Bank's Museum The Bank's Museum maintains a register for its collections of heritage assets which records the nature, provenance and current location of each asset

Following the introduction of FRS 30 (Accounting for Heritage Assets) in June 2009 the Board commissioned an external valuer (Messrs Christie's, auctioneers and valuers) to undertake a full valuation of the collection as at 31 March 2010 The Directors are not aware of any material change in value since that date and therefore the valuations are unchanged It has not been practicable to estimate the cost of acquisition of the heritage assets, they were not recognised in the Financial Statements prior to the adoption of FRS 30 No items were added to the collection during the year ended 31 March 2015 *(2014 one item, valued at £1,350)*

The 2010 valuations were based on commercial markets, including recent transaction information from auctions where similar types of paintings held by the Bank had been sold, the figure included in the Financial Statements is based on the lower end of the range indicated by these various sources

The Bank aims to maintain the condition of the collections in a steady state of repair Detailed surveys are undertaken on a regular basis as the Board deems appropriate At any time, approximately 50 per cent of the collections are on display The remaining items are held in storage that is not open to the public, although access is permitted to historians and others for research purposes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Deferred Tax

The deferred tax balances shown in the balance sheet are attributable to the following

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Deferred tax asset				
Fixed assets timing differences	193	193	*171*	*171*
Short term timing differences	17	17	*24*	*24*
Total deferred tax asset	210	210	*195*	*195*
Deferred tax liability				
Short term timing differences	13	-	*26*	-
Total deferred tax liability	13	-	*26*	-

The movement on the deferred tax balances has arisen due to the following

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Deferred tax asset				
Balance at 1 April	*195*	*195*	*329*	*329*
Capital allowances on fixed asset additions	14	14	*(144)*	*(144)*
10 year amortisation of FRS 26 balance	(11)	(11)	*(11)*	*(11)*
Change in tax rate	-	-	*(53)*	*(53)*
Prior year adjustment	12	12	*74*	*74*
Balance at 31 March	210	210	*195*	*195*
Deferred tax liability				
Balance at 1 April	*26*	-	*46*	-
10 year amortisation of FRS 26 balance	(13)		*(13)*	-
Change in tax rate	-	-	*(7)*	-
Balance at 31 March	13	-	*26*	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Deferred Tax (Continued)

FRS 26 was adopted by the Bank on 1 April 2006, the reporting standard implemented the recognition, measurement and hedge accounting requirements of the international reporting standard IAS 39 As part of the transition to the new reporting requirements certain balances arose for taxation purposes, the impact of which is being spread over ten years in accordance with rules introduced by HMRC

The deferred tax asset and liability balances at 31 March 2015 do not include any amounts in respect of the Bank's defined benefit pension scheme liability, which is shown on the balance sheet after deduction of a deferred tax asset of £67,000 *(2014 £1,372,000)* – see Note 3 The movement in this balance is shown below

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Balance at 1 April	*1,372*	*1,372*	*4,512*	*4,512*
Movement relating to				
- Past service cost			-	-
- Employer contributions	(433)	(433)	*(1,600)*	*(1,600)*
- Other finance income	(469)	(469)	*(302)*	*(302)*
- Actuarial gains	(403)	(403)	*(650)*	*(650)*
- Change in tax rate	-	-	*(588)*	*(588)*
Balance at 31 March	**67**	**67**	*1,372*	*1,372*

20. Other Assets

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Settlement balances	539	539	*481*	*481*
Other assets	1	1	-	-
	540	540	*481*	*481*

Settlement balances relate to unsettled transactions at the year end

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Prepayments and Accrued Income

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Interest receivable	10,053	10,053	*7,555*	*7,555*
Other debtors and prepayments	6,532	6,532	*5,716*	*5,656*
	16,585	16,585	*13,271*	*13,211*

22. Deposits by Banks

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Repayable on demand	67	67	*16*	*16*

23. Customer Accounts

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
With agreed maturity date or notice period, by remaining maturity				
- 2 years or less but over 1 year	17,199	17,199	*6,733*	*6,733*
- 1 year or less but over 3 months	215,861	215,861	*108,132*	*108,132*
- 3 months or less but not repayable on demand	580,232	580,232	*541,460*	*541,460*
	813,292	813,292	*656,325*	*656,325*
Repayable on demand	2,201,014	2,201,014	*1,869,409*	*1,869,409*
	3,014,306	3,014,306	*2,525,734*	*2,525,734*
Amount due to the Pension Scheme	359	359	*1,073*	*1,073*
Amount due to Subsidiary Companies		7,893		*7,385*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Repurchase Agreements

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Banks	-	-	*25,000*	*25,000*

25. Other Liabilities

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Corporation tax	2,885	2,860	*2,248*	*2,280*
Settlement balances	1,600	1,600	*1,373*	*1,373*
Other liabilities	116	59	*91*	*40*
	4,601	4,519	*3,712*	*3,693*

Settlement balances relate to unsettled transactions at the year end

26. Accruals and Deferred Income

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Interest payable	6,270	6,270	*4,835*	*4,835*
Other creditors and accruals	16,626	16,626	*14,078*	*14,078*
	22,896	22,896	*18,913*	*18,913*

Other creditors and accruals relate to accrued expenses at the year end and include £739,000 *(2014 £750,000)* in respect of the FSCS Levy (Note 29)

27. Called-up Share Capital

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
Authorised, allotted and fully paid 120 Ordinary shares of £1,000	120	120	*120*	*120*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Reserves

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
(i) Reserve Fund				
At 1 April	**22,598**	**21,148**	*22,598*	*21,148*
Movement for the year	-	-	-	-
31 March	**22,598**	**21,148**	*22,598*	*21,148*

The Directors are authorised under the Bank's Articles of Association to set aside such profits as they think proper in the form of a Reserve Fund This Reserve Fund can be applied in any purpose to which the profits of the Bank may be properly applied

(ii) Property Revaluation Reserve	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
At 1 April	*22,534*	*22,534*	*20,765*	*20,765*
Movement for the year				
Transfer	-	-	*1,769*	*1,769*
Revaluations	-	-	-	-
31 March	**22,534**	**22,534**	*22,534*	*22,534*
(iii) Investment Property Revaluation Reserve				
At 1 April	*(128)*	*(128)*	*1,641*	*1,641*
Movement for the year				
Transfer	-	-	*(1,769)*	*(1,769)*
Revaluations	-	-	-	-
31 March	**(128)**	**(128)**	*(128)*	*(128)*
/				
(iv) Heritage Assets Revaluation Reserve				
At 1 April	*9,600*	*9,600*	*9,600*	*9,600*
Movement for the year	-	-	-	-
31 March	**9,600**	**9,600**	*9,600*	*9,600*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Reserves (Continued)

	2015 Group £000	2015 Company £000	*2014 Group £000*	*2014 Company £000*
(v) Available-For-Sale Revaluation Reserve				
At 1 April	*1,381*	*954*	*1,616*	*1,339*
Fair value gains/(losses) taken to equity	**2,990**	**2,998**	*(1,032)*	*(979)*
Amounts transferred to profit and loss	**1,049**	**1,062**	*797*	*594*
Net Movement	**4,039**	**4,060**	*(235)*	*(385)*
31 March	**5,420**	**5,014**	*1,381*	*954*
Total Revaluation Reserves	**37,426**	**37,020**	*33,387*	*32,960*
(vi) Profit And Loss Account				
At 1 April	*163,562*	*156,823*	*138,168*	*131,702*
Profit for the financial year	**23,171**	**22,953**	*23,752*	*23,479*
Gains recognised under FRS 17	**1,610**	**1,610**	*1,648*	*1,648*
Dividends paid	**(6)**	**(6)**	*(6)*	*(6)*
31 March	**188,337**	**181,380**	*163,562*	*156,823*
Total Reserves	**248,361**	**239,548**	*219,547*	*210,931*

Reconciliation of movements in shareholders' funds

	2015 Group £000	*2014 Group £000*
Opening shareholders' funds	*219,667*	*194,508*
Profit for the financial year	**23,171**	*23,752*
Dividends	**(6)**	*(6)*
Available-for-sale revaluation reserve gains/(losses)	**5,118**	*(350)*
Tax thereon	**(1,079)**	*115*
Property revaluation reserve gains	**-**	*-*
Actuarial gains	**2,013**	*3,248*
Deferred tax thereon	**(403)**	*(1,600)*
Total movements in shareholders' funds	**28,814**	*25,159*
Closing shareholders' funds	**248,481**	*219,667*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Reserves (Continued)

Amounts recorded in the revaluation reserves exclude the potential tax impact of any subsequent realisation Where there is a tax effect in the year of revaluation, for example on available-for-sale financial assets that are treated as loan relationships under HMRC rules, then the actual tax effect is included in the reserve movement

29. Contingent Liabilities and Commitments

The table below discloses the nominal principal amounts of contingent liabilities and commitments undertaken for customers as at 31 March 2015

Guarantees include those given on behalf of a customer to stand behind the current obligations of the customer and to carry out those obligations should the customer fail to do so

Performance bonds and other transaction related contingencies (which include HMRC Value Added Tax bonds) are undertakings where the requirement to make payment under the guarantee depends on the outcome of a future event

Where guarantees are issued on behalf of customers, the Bank usually holds collateral against the exposure and has a right of recourse to the customer

The Bank's maximum exposure is represented by the amounts detailed in the table below, should contracts be fully drawn upon and the customers actually default Consideration has not been taken of any possible recoveries from the customers for payments made in respect of such guarantees under recourse provisions or from collateral held

Contingent obligations and commitments are managed in accordance with the Bank's credit risk management policies

	2015 Group £000	**2015 Company £000**	*2014 Group £000*	*2014 Company £000*
Contingent liabilities				
- Letters of credit	**427**	**427**	*810*	*810*
- Performance bonds and other transaction-related contingencies	**1,609**	**1,609**	*379*	*379*
- Other guarantees	**24,401**	**24,401**	*28,239*	*28,239*
Total contingent liabilities	**26,437**	**26,437**	*29,428*	*29,428*
Commitments				
- Undrawn formal standby facilities, credit lines and other commitments to lend (Less than 1 year maturity)	**346,394**	**346,394**	*306,349*	*306,349*
- Uncalled subscription monies	**-**	**-**	*322*	*-*
Total commitments	**346,394**	**346,394**	*306,671*	*306,349*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Contingent Liabilities and Commitments (Continued)

Uncalled subscription monies

At 31 March 2015, a subsidiary company had uncalled subscription monies payable in respect of equity shares of £Nil *(2014 £322,000)*

FSCS Levy

The Financial Services Compensation Scheme ("FSCS") has provided compensation to consumers following the collapse of a number of deposit takers, such as Bradford & Bingley plc The compensation paid out to consumers under the FSCS was funded by £20 billion of loans to the FSCS from the Bank of England and HM Treasury Under the FSCS Levy rules, all deposit takers, including C Hoare & Co , will be required to pay a proportion of any irrecoverable principal amounts on the loans Deposit takers are also obligated to share the interest costs of the loans and the management expenses of the FSCS The proportion of the total Levy charged to each bank is determined by the Bank's market share of deposits protected through the FSCS.

The Bank accrued £739,000 at 31 March 2015 *(2014 £750,000)* in respect of its estimated share of the management expenses and interest costs for the 2013/14 and 2014/15 levy years and of its estimated share of the expected irrecoverable principal amounts on the outstanding loans The accrual is based on the Bank's estimated share of total market protected deposits at 31 December 2013 and 2014 The charge to the Profit and Loss Account for the year was £400,529 *(2014 £211,692)*

The ultimate cost of the FSCS Levy to the industry as a result of the 2008 collapses is dependent upon various uncertain factors, including the value of potential recoveries of assets by the FSCS, changes in the interest rate on the loans, the level of protected deposits and the population of FSCS members at the time

Legal and related costs

From time to time, in the ordinary course of business, the Bank may be subject to actual or potential legal claims whereby provisions and disclosures are required in accordance with the Bank's accounting policies However where disclosure of any such items may seriously prejudice the position of the Bank, the directors take advantage of paragraph 97 of FRS 12 not to disclose further particulars

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Consolidated Cash Flow Statement

	2015 £000	2014 £000
Non-cash items included in profit before tax		
Increase in provisions for bad debts	330	177
Loans and advances written off	858	466
Net charge in respect of defined benefit schemes	(2,345)	(1,509)
Depreciation	4,712	3,517
Exchange translation differences on investment securities	(5,187)	3,457
Losses on sale of investment securities	13	237
Profit on sale of tangible fixed assets	-	(5)
Impairment losses on investment securities	-	-
Total non-cash items included in profit before tax	(1,619)	6,340
Change in operating assets		
Increase in prepayments and accrued income	(3,314)	(3,394)
Increase in other assets	(59)	(65)
Net decrease/(increase) in items in course of collection	2,332	(213)
Net (decrease)/increase in loans and advances to banks	(30,670)	6,760
Net increase in loans and advances to customers	(76,858)	(24,465)
Total change in operating assets	(108,569)	(21,377)
Change in operating liabilities		
Increase in accruals and deferred income	3,983	2,691
Increase/(decrease) in other liabilities	252	(2,299)
Net increase in customer accounts	488,572	263,684
Net increase in deposits by banks	51	12
Net (decrease)/increase in repurchase agreements	(25,000)	25,000
Total change in operating liabilities	467,858	289,088
Cash and cash equivalents		
Cash and balances at the Bank of England	495,179	565,415
Loans and advances to banks repayable on demand	112,622	28,798
Total cash and cash equivalents	607,801	594,213

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management

(a) Overview

The Bank has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The principal risks affecting the Bank are explained in the Strategic Report on pages 2 to 6

This note presents information about the Bank's exposure to each of the above risks and the Bank's approach to the management of each risk

Risk management framework

The Board has ultimate accountability for the risk and control environment, and is responsible for the establishment and oversight of the Bank's risk management framework

The Bank manages risks within the three lines of defence model which defines the roles and responsibilities for the management of risk

- The first line of defence has direct responsibility for strategy, management and control of risk and includes
    - the Executive Group which meets weekly with main responsibilities of formulating a strategy for the Bank, developing new business, creating the organisational structure, managing the day-to-day business of the Bank, monitoring financial performance and other operational matters,
    - the Asset and Liability Committee ("ALCO") which meets on a monthly basis and is charged with overseeing the matching of the Bank's assets and liabilities, reviewing financial market activity and managing liquidity,
    - the Credit Policy Committee which oversees customer pricing, security and overall exposure guidelines and sets lending parameters for approval by the Board, and
    - the Bank has a number of other committees to oversee operational risk areas such as information security and disaster recovery
- The second line of defence co-ordinates, facilitates and oversees the effectiveness and integrity of the risk management framework and includes
    - The Risk and Compliance Committee which meets monthly, is a sub-committee of the Board and oversees the implementation of the Bank's risk management framework and its compliance obligations
- The third line of defence provides independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the risk management framework and includes
    - The Audit Committee which oversees the Bank's systems of internal controls and its financial reporting processes, and
    - Internal Audit, who undertake regular and ad-hoc reviews of risk management controls and processes, the results of which are presented to the Audit Committee, senior management and the Board

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations It arises principally from the Bank's loans and advances to customers and other banks and from investment securities

Management of credit risk

Responsibility for credit risk on customer loans and advances resides with the lending department, monitored by the Credit Policy Committee Responsibility for credit risk relating to bank counterparties lies with the Treasury Department and that relating to investments lies with the Investment Management Department, in both cases overseen by the ALCO

It is the Bank's policy to lend to customers against security Unsecured lending is only entered into where the customer's specific circumstances make it prudent to do so Limits are placed on the aggregate lending to any one customer in accordance with regulatory guidelines Lending is monitored against individual credit limits All significant exposures are subject to annual review

Interest payments and any capital repayments are generally serviced through a related current account with the Bank Therefore, past due events such as late payment or missed interest rarely occur

Lending to banks is restricted to a selection of financial institutions with the main criteria for selection being the stability and reputation of the institution All lending is undertaken within limits, which are regularly reviewed by the ALCO and approved by the Board

As part of an ongoing risk and capital management programme, the Bank's legacy investment portfolio is being wound down under the direction of the ALCO

Exposure to credit risk

The table on the following page analyses the lending assets and investment securities

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

A full analysis of impairments and watch list values across the Bank's customer, bank and investment portfolios is shown below

£000	Loans and advances to customers		Loans and advances to banks		Available-for-sale financial assets	
Balance sheet:	**2015**	*2014*	**2015**	*2014*	**2015**	*2014*
Carrying amount	**1,161,997**	*1,086,327*	**235,867**	*121,372*	**1,353,965**	*959,426*
Individually impaired	7,511	*6,641*	-	-	5,031	*5,025*
Allowance for impairment	(5,021)	*(6,104)*	-	-	(4,913)	*(4,913)*
	2,490	*537*	-	-	118	*112*
Assets not past due, subject to impairment nor on watch list	1,085,964	*983,186*	235,867	*121,372*	1,353,847	*959,314*
Watch list loans						
- High risk	1,197	*4,092*	-	-	-	-
- Medium risk	72,962	*99,574*	-	-	-	-
Allowance for collective Impairment	(616)	*(1,062)*	-	-	-	-
Carrying Amount On Balance Sheet	1,161,997	*1,086,327*	235,867	*121,372*	1,353,965	*959,426*
Off balance sheet:						
- Guarantees	24,401	*28,239*	-	-	-	-
- Letters of credit and performance bonds	2,036	*1,189*	-	-	-	-
- Commitments	346,394	*306,349*	-	-	-	*322*
Carrying Amount Off Balance Sheet	372,831	*335,777*	-	-	-	*322*
Total credit risk exposure	1,534,828	*1,422,104*	235,867	*121,372*	1,353,965	*959,748*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

The maximum credit risk exposure of the Bank is shown in the table below and has been assessed as the balance sheet value for relevant balance sheet items and the contingent or committed value for off balance sheet items

	2015 £000	2014 £000
Balance Sheet items		
Cash and balances at central banks	495,179	565,415
Items in course of collection from banks	2,940	5,272
Derivative financial instruments	1,566	5,105
Loans and advances to banks	235,867	121,372
Loans and advances to customers	1,161,997	1,086,327
Available-for-sale financial assets	1,353,965	959,426
Other assets	540	481
Prepayments and accrued income	16,585	13,271
Maximum credit exposure from Balance Sheet items	3,268,639	2,756,669
Off balance sheet items		
Contingent liabilities (guarantees)	26,437	29,428
Commitments	346,394	306,671
Maximum credit exposure from off Balance Sheet items	372,831	336,099
Maximum credit exposure	3,641,470	3,092,768

Credit quality of assets not subject to impairment is shown below

	2015 £000	2014 £000
Loans and advances to banks, by rating		
- Aaa to Aa3	129,452	78,190
- A1 to A3	91,085	36,412
- Baa1 to Baa3	15,330	6,770
Unimpaired loans and advances to banks	235,867	121,372
Available-for-sale financial assets, by rating:		
- Aaa to Aa3	712,766	552,884
- A1 to A3	614,245	380,251
- Baa1 to Baa3	-	-
- Caa1 and below	-	-
- Not rated	26,836	26,179
Unimpaired available-for-sale financial assets	1,353,847	959,314

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

The credit risk classifications used in the preceding table are

Individually impaired loans and securities
The Bank regularly assesses whether there is objective evidence that any loans or securities are impaired Loans and securities are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably

Watch list loans
Watch list loans are loans where there is doubt as to the certainty of future principal and interest repayments but there has not been objective evidence of a loss event sufficient to warrant a full impairment assessment These are assessed by the relationship managers and graded high, medium and low to highlight exposures which require closer management attention because of their greater probability of default and potential loss For reporting purposes low risk balances are not disclosed

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio The main components of this allowance are a specific loss component that relates to identified exposures and a collective loan impairment allowance in respect of losses that have been incurred but have not been identified at the reporting date Impairment losses on loans to banks and the securities portfolio are established when there has been a sustained decrease in value over an extended period, or if it is expected that a fixed income investment will not meets its future cash flow obligations

Write-off policy
Bad debts are usually written off in the event of bankruptcy/insolvency of a customer However, as it is always possible that a customer may acquire assets in the future, debts are often left, fully provisioned, as an aide memoire of the position Bad debts will be written off only when there is absolute certainty that the residual sums are uncollectable

Collateral
The Bank holds collateral against loans and advances to customers in the form of charges over residential and commercial property, investment securities, other assets and guarantees Estimates of fair value are based upon the value of collateral assessed at the time of borrowing and generally are not updated, except when required by regulation, further lending is required or a loan is assessed as impaired Collateral is not held against loans to other banks or investment securities At 31 March 2015, the value of property collateral recorded against customer facilities was £3,228m *(2014 £2,982m)* The estimated value of collateral against the impaired customer loans and advances was £0 6m *(2014 £1 3m)*

Renegotiated lending
The Bank maintains direct contact with all borrowers through their respective relationship manager Over the life of a loan, should the customer's ability to service or repay become compromised in any way, the loan will be placed on a watch-list as low, medium or high risk depending upon the degree of stress as determined by the relationship manager and/or Senior Lending Committee Where the Bank believes the ability to repay is in doubt, the account will be treated as impaired and a provision raised The Bank does not renegotiate terms in the normal course of business Accordingly, there is no separate disclosure in the Financial Statements for "Renegotiated loans"

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its liabilities when they fall due or is unable to obtain funding other than by paying a premium.

Management of liquidity risk
The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation

The Treasury Department prepares projected daily cash flows and then seeks to maintain a portfolio of short-term liquid assets, largely made up of liquid securities, short-term loans and advances to banks, to broadly match the timing of the predicted cash flows

Exposure to liquidity risk
The Bank's exposure to liquidity risk is summarised in the following tables, which show the contractual maturity of obligations to repay monies to other banks and customers

£000	Carrying Amount	Next day	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year
At 31 March 2015						
Balance sheet						
Deposits from banks	67	67	-	-	-	-
Deposits from customers	3,014,306	2,351,463	305,779	124,004	215,861	17,199
Repurchase agreements	-	-	-	-	-	-
Derivative liabilities	41,848	4	1	100	781	40,962
Other liabilities	27,497	-	1,600	25,897	-	-
Off balance sheet						
Guarantees, Letters of Credit and Performance Bonds	26,437	26,437	-	-	-	-
Undrawn customer facilities	346,394	346,394	-	-	-	-
Total liabilities	3,456,549	2,724,365	307,380	150,001	216,642	58,161

£000	*Carrying Amount*	*Next day*	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*Over 1 year*
At 31 March 2014						
Balance sheet						
Deposits from banks	16	16	-	-	-	-
Deposits from customers	2,525,734	2,007,551	287,000	116,318	108,132	6,733
Repurchase agreements	25,000	-	-	-	25,000	-
Derivative liabilities	18,250	1	22	18	228	17,981
Other liabilities	22,625	-	1,373	21,252	-	-
Off balance sheet						
Guarantees, Letters of Credit and Performance Bonds	29,428	29,428	-	-	-	-
Undrawn customer facilities	306,349	306,349	-	-	-	-
Total liabilities	2,927,402	2,343,345	288,395	137,588	133,360	24,714

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

Exposure to liquidity risk (continued)
The previous tables show the undiscounted cash flows on the Bank's financial liabilities and undrawn customer facilities on the basis of their earliest possible contractual maturity The Bank's expected cash flows on these instruments vary significantly from this analysis For example, demand deposits from customers are expected to maintain a stable or increasing balance, undrawn loan commitments are not all expected to be drawn down immediately nor are all guarantees, letters of credit or performance bonds likely to be called at once

The Bank is required to maintain a portfolio of highly liquid assets in accordance with the PRA's Liquidity Regime that was introduced from 30 June 2010 These assets may include deposits with Central Banks or financial instruments issued by designated national governments or multi-lateral institutions, C Hoare & Co has been issued with an Individual Liquidity Guidance ("ILG") specifying the minimum level of liquid assets to be held The Bank monitors its liquidity against this requirement daily and reports any breaches to the PRA

The Bank is a party to the Bank of England reserve facility This enables the Bank to move funds invested in Gilts and Treasury Bills and other qualifying assets into an on-demand deposit thereby increasing the level of liquidity

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or its holdings of financial instruments The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the residual risk taken

Management of market risk
Interest rate risk arising from the mismatch between the Bank's lending and deposit rates is actively managed The majority of the advances and deposits are priced off base rates and margins are closely monitored and evaluated The sensitivity to interest rate changes in terms of interest cash flows and effects on fixed interest instruments is computed and reported to the ALCO

Fixed rate loans are hedged with interest rate swaps of equal size and duration which protect the net interest margin against adverse changes in money market rates The Bank accrues the net interest payment/receipt on interest rate swaps on a quarterly basis and adjusts the estimated fair value of the remaining cash flows accordingly

Equity and other investment prices are monitored and the investment portfolio is revalued monthly and reported to the ALCO The portfolio is managed in defined segments and decisions on profit taking or stop-loss are taken by the investment manager As noted above, as part of an ongoing risk and capital management programme, the Bank's investment portfolio is being wound down under the direction of the ALCO

Foreign currency balances are driven by customer demand and do not form a significant part of the balance sheet Currency risk is managed by the Treasury Department lending surplus funds to other banks and/or taking forward foreign exchange agreements to cover expected future cash flows

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

Exposure to market risks: interest rate risk
A summary of the Bank's interest rate gap position based on the contractual obligation is shown below

£000	Carrying Amount	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
At 31 March 2015						
Assets						
Loans and advances to banks and central banks	727,867	727,867	-	-	-	-
Loans and advances to customers	1,157,148	960,250	3,639	26,603	105,696	60,960
Interest bearing available-for-sale financial assets	1,287,004	223,695	69,268	402,920	273,262	317,859
Total assets	3,172,019	1,911,812	72,907	429,523	378,958	378,819
Liabilities						
Deposits by banks	67	67	-	-	-	-
Customer accounts	3,014,306	2,781,246	151,325	64,536	17,199	-
Repurchase agreements	-	-	-	-	-	-
Total liabilities	3,014,373	2,781,313	151,325	64,536	17,199	-
Derivatives	-	1,004,372	(47,868)	(351,513)	(229,092)	(375,899)
Interest rate gap	157,646	134,871	(126,286)	13,474	132,667	2,920

£000	*Carrying Amount*	*Up to 3 months*	*3 to 6 months*	*6 to 12 months*	*1 to 5 years*	*Over 5 years*
At 31 March 2014						
Assets						
Loans and advances to banks and central banks	*684,415*	*684,100*	*315*	-	-	-
Loans and advances to customers	*1,084,686*	*973,389*	-	*6,535*	*75,975*	*28,787*
Interest bearing available-for-sale financial assets	*920,879*	*363,086*	*65,000*	*210,000*	*105,600*	*177,193*
Total assets	*2,689,980*	*2,020,575*	*65,315*	*216,535*	*181,575*	*205,980*
Liabilities						
Deposits by banks	*16*	*16*	-	-	-	-
Customer accounts	*2,525,734*	*2,410,868*	*77,862*	*30,271*	*6,733*	-
Repurchase agreements	*25,000*	-	*25,000*	-	-	-
Total liabilities	*2,550,750*	*2,410,884*	*102,862*	*30,271*	*6,733*	-
Derivatives	-	*488,860*	*(55,000)*	*(46,465)*	*(181,411)*	*(205,984)*
Interest rate gap	*139,230*	*98,551*	*(92,547)*	*139,799*	*(6,569)*	*(4)*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

Exposure to market risk, interest rate risk (continued)
The principal market risk to which the Bank is exposed is the risk of loss from fluctuations in the future cash flows because of a change in interest rates Interest rate risk is managed by the Bank's Treasury Department principally through monitoring interest rate gaps between assets and liabilities based upon the next interest re-fixing date as against the contractual maturity of the instruments The ALCO oversees management of this risk.

The Bank monitors its exposure to Interest Rate Risk Consistent with the financial regulator's requirements, the impact of a potential 2 00% change, both increase and decrease, in the yield curve against the Bank's interest bearing assets is computed back to a net present value The value is calculated monthly and reported to the ALCO against a Board agreed tolerance level The reported interest rate sensitivity on the year end balance sheet and fixed interest instrument holdings was as follows

Effect of a change to 2.00% in Sterling Market Rates	**2015**	*2014*
	£000	*£000*
Net Present Value Sensitivity to		
Positive shift	**402**	*(1,422)*
Negative shift	**(424)**	*1,472*

The interest rate sensitivities set out above are illustrative only and are based on simplified scenarios The figures represent the effect on net interest income and fixed interest security values arising from a parallel fall or rise in the yield curve and do not take into account the effect of any further actions to mitigate the effect The values remain low as the Treasury Department has taken a short term view on interest rates

Exposure to market risk currency risk
The table below shows the Bank's net currency exposures that give rise to the net currency gains and losses recognised in the Profit and Loss Account and the exposure to foreign currency risk Such exposures comprise the monetary assets and liabilities of the Bank that are not denominated in Sterling

	2015	*2014*
Net currency exposure	**£000**	*£000*
US dollar	**81**	*178*
Euro	**130**	*67*
Other	**211**	*211*
Total	**422**	*456*

The Bank's Treasury Department is responsible for managing currency risk within intra-day and overnight limits established by ALCO

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

(e) Operational risk (unaudited)

Operational risks are the direct or indirect impact arising from people, inadequate or failed internal processes and systems or external events

Operational risk management objectives

- To manage operational risk to an acceptable level that reduces the frequency and impact of operational losses in a cost effective way,
- To ensure significant operational risks are identified, measured, assessed, prioritised, managed and treated in a consistent and effective manner across the Bank,
- To ensure appropriate risk management methodologies are used across the business to support the operational risk management process,
- To ensure the Board, management and all staff are responsible and accountable for managing operational risk in line with the roles and responsibilities set out in the risk management framework,
- To ensure compliance with all relevant legislation, regulatory requirements, guidance and codes of practice,
- To ensure the Board and management receive timely, dependable assurance that the Bank is managing the significant operational risks to its business, and
- To ensure the Bank holds sufficient capital to support the operational risks it is exposed to

The Operational Risk Management Policy provides the standards that are required for effective operational risk management and the following processes are used to implement these standards

Risk and Control Self Assessment business units proactively identify and assess significant risks, the controls in place to manage those risks and confirm the adequacy and effectiveness of controls they are responsible for

Key Risk Indicators. business units establish appropriate limits, monitoring thresholds and escalation points upon which management can pro-actively monitor exposures and risks and enable the Board to undertake effective oversight

Operational Risk Events internal and external operational loss data is used to identify trends and lessons to be learned, assess the effectiveness of existing controls, monitor changes in the risk profile of the business, and identify the need for new or improved controls

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

(f) Fair values of financial assets and liabilities

Financial instruments include financial assets, financial liabilities and derivatives The fair value of a financial instrument is the amount the instrument could be exchanged for in a current transaction between willing parties, other than in a forced or liquidation sale

The fair values of financial instruments are based on market prices where available and for unlisted investment securities they are based upon the net asset valuations provided by the fund managers For financial instruments which are short term or re-price frequently, their fair values approximate to the carrying value

The following sets out the Bank's basis for establishing fair values for each category of financial instruments

- Cash and balances at central banks the fair value is their carrying value
- Treasury bills and other eligible bills. the fair value is determined using market prices
- Derivatives the fair value is their carrying value For interest rate swaps market valuations are used in determining the fair value For forward exchange contracts, the fair value is estimated by discounting the contractual forward price and deducting the current spot rate
- Loans and advances to banks the fair value of floating rate placements and overnight deposits is their carrying value
- Loans and advances to customers the majority of loans are variable rate and re-price in response to changes in market rates and hence the fair value has been estimated as the carrying value For fixed rate loans, the fair value is their amortised cost and this equates to their carrying value once an allowance for credit risk is included
- Debt securities and equity shares the fair values of listed investment securities are based upon quoted market prices where available Unlisted investment securities are based upon net asset valuations provided by the Fund Managers
- Available-for-sale financial assets the fair values of listed investment securities are based upon quoted market prices where available Unlisted investment securities are based upon net asset valuations provided by the fund managers
- Deposits from banks and customers the estimated fair value of deposits with no stated maturity, which includes non interest bearing deposits, is the amount repayable on demand

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Financial Risk Management (Continued)

Valuation methods are categorised into one of three levels as detailed in the table below

Group Valuation Hierarchy	**2015 Level 1 £000**	**2015 Level 2 £000**	**2015 Level 3 £000**	**2015 Total £000**
Bank and building society certificates of deposit	664,260	-	-	664,260
Equity securities (unlisted)	-	-	1,016	1,016
Other variable yield securities	-	25,646	-	25,646
Debt securities with readily determinable fair values	663,043	-	-	663,043
Derivative financial assets	-	1,566	-	1,566
Total financial assets	1,327,303	27,212	1,016	1,355,531
Derivative financial liabilities	-	41,848	-	41,848

Group *Valuation Hierarchy*	*2014 Level 1 £000*	*2014 Level 2 £000*	*2014 Level 3 £000*	*2014 Total £000*
Bank and building society certificates of deposit	*457,229*	-	-	*457,229*
Equity securities (unlisted)	-	-	*1,217*	*1,217*
Other variable yield securities	-	*25,074*	-	*25,074*
Debt securities with readily determinable fair values	*475,906*	-	-	*475,906*
Derivative financial assets	-	*5,105*	-	*5,105*
Total financial assets	*933,135*	*30,179*	*1,217*	*964,531*
Derivative financial liabilities	-	*18,250*	-	*18,250*

The table above includes available-for-sale financial assets as reported in Note 15 and derivative assets and liabilities as reported in Note 11

The equity securities (unlisted) make up the legacy investment portfolio of the Group This continues to be in a wind down phase and there were a number of capital distributions in the financial year which reduced the cost of the investments The wind down of the portfolio will continue for the foreseeable future By the end of the year the aggregate value of the investment portfolio had fallen to £1,016,000 *(2014 £1,217,000)*, mainly due to the liquidation of one investment and the capital distributions mentioned above

(g) Capital management

The Bank's capital management for regulatory purposes is detailed in the Director's Report on pages 9 and 10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Segmental Information

Materially all income and profits arise from the business of banking and investment management conducted in the United Kingdom.

33. Related Party Transactions

C Hoare & Co. follows FRS 8 Related Party Disclosures to identify and disclose its related parties and related parties transactions

The Bank's related parties consists of key management personnel with authority and responsibility for planning, directing, and controlling the financial and operating activities of C Hoare & Co , directly or indirectly The Board of directors of the bank are considered to be key management personnel with significant influence for the purposes of FRS 8

Among the Bank's transactions with key management personnel and their close family members as at 31 March 2015 were loans in aggregate of £6 3m *(2014 £4 8m)* and deposits in aggregate of £7 9m *(2014 £7 7m)*

In addition, the Bank provides wealth management services to key management personnel and their close family members The fees from these amounted in aggregate to £0 2m *(2014 £0 1m)*

During the year, the Bank received rental income of £3k *(2014 £Nil)* from a related party, where the lease was subject to formal contract terms and conditions

34. Ultimate Controlling Party

The Company is the ultimate parent of its Group There is no ultimate controlling party of the Company

35. Charged Assets

£10,000,000 *(2014 £19,617,000)* of assets were charged in favour of Hoare's Bank Pension Trustees Limited, for the benefit of the Hoare's Bank Pension Scheme These assets would become available to the Pension Scheme in the event of C Hoare & Co 's insolvency Under the arrangement, C Hoare & Co is entitled to any income earned on these assets

In addition, during the year, £10,000,000 *(2014 Nil)* of collateral was charged to Royal Bank of Scotland Plc ("RBS") in relation to RBS providing guarantees jointly, with the Bank, to Lloyd's of London on behalf of the Bank's customers See Note 29 for more detail on the guarantees provided by the Bank